



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802
340-774-0001

September 29, 2014

VIA HAND DELIVERY

The Honorable Shawn-Michael Malone
Senate President
Thirtieth Legislature of the Virgin Islands
Capitol Building
St. Thomas, USVI 00802

Re: Government Employees' Health Insurance Plan Renewals

Dear Senator Malone:

I am in receipt of correspondence dated September 26, 2014 from Ms. Clemmie Moses, Chairperson, GESC/Health Insurance Board of Trustees and executed originals of the following, which were hand delivered to my office this morning and are enclosed herewith for consideration by the Thirtieth Legislature:

1. First Renewal of Group Medical Health Insurance Agreement; and
2. Third Renewal of Group Dental Health Insurance Agreement,

Consistent with correspondence dated August 11, 2014, August 14, 2014, and September 15, 2014 (all attached hereto), together with the lack of an identified funding mechanism to cover the anticipated \$6.24 Million increase in the Government's portion (65%) of the insurance premiums, I am unable to sign and approve these agreements. In addition, pursuant to my correspondence dated September 26, 2014, suggesting that the Board request an extension to give us additional time to address this matter, the Board members today voted not to accept the extension offered by CIGNA. Please note that my office has not yet received any renewal relative to the *Agreement for Group Life and Accidental Death and Dismemberment Insurance*.

My financial team and I are ready to meet with you and your colleagues on this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "John P. de Jongh, Jr.", with a large flourish at the end.

John P. de Jongh, Jr.
Governor

Enclosure

cc: *Members of the GESC/Health Insurance Board of Trustees
Mr. Stephen K Burrows, Buck Consultants
Kimberly Salisbury, Esq., V.I. Department of Justice*

**FIRST RENEWAL OF
GROUP MEDICAL HEALTH INSURANCE AGREEMENT**

THIS AGREEMENT made and entered into this ____ day of September, 2014 by and between the Government of the Virgin Islands, through the Health Insurance Board of Trustees, (the "Government") the Virgin Islands Port Authority (the "Authority"), the University of the Virgin Islands ("UVI"), the St. Thomas East End Medical Center ("East End Medical"), the Virgin Islands Housing Authority (the "Housing Authority"), Non-Profit Organizations defined as eligible by the Government, and Frederiksted Health Care, Inc. ("FHC") (the Government, the Authority, UVI, East End Medical, the Housing Authority, Non-Profit Organizations and FHC hereinafter individually referred to as, each, "Employer Entity" and collectively referred to as the "Employer") and Cigna Health and Life Insurance Company (hereinafter "Cigna"). For purposes of this First Renewal of Group Medical Health Insurance Agreement (the "First Renewal"), a Non-Profit Organization is an entity determined by the Government to satisfy the requirements under applicable U. S. Virgin Islands law for participation under this First Renewal.

WITNESSETH:

WHEREAS, the Employer and Cigna entered into an Agreement for Group Medical Health Insurance (the "Agreement") approved by the Virgin Islands Legislature on September 20, 2013; and

WHEREAS, the Agreement was for a one (1) year term and provides that the parties may renegotiate and renew the Agreement for up to four (4) successive twelve (12) month terms; and

WHEREAS, the Agreement is due to expire, pursuant to its terms, on September 30, 2014; and

WHEREAS, the Employer and Cigna intend, pursuant to this First Renewal, to renew the Agreement for an additional twelve (12) month term commencing October 1, 2014 and ending September 30, 2015, and amend the Agreement, as renewed, to provide for new premium rates.

NOW THEREFORE, for and in consideration of the mutual covenants and promises made herein, the parties agree as follows:

1. The Agreement, pursuant to the terms herein, is renewed for a twelve (12) month term commencing October 1, 2014 and ending September 30, 2015.
2. Commencing October 1, 2014, premium rates under the Agreement shall be established at the following monthly rates:

<u>Category</u>	<u>Cost</u>
Employee	\$712.48
Employee & Family	\$1,245.82
Retiree < 65	\$923.75
Retiree (<65) & Family (<65)	\$1,651.00
Retiree (<65) & Family (> 65)	\$1,273.12
Family (< 65) of Retiree (>65)	\$923.75

The rates set forth above include all administrative charges for the services agreed to be made available to the Employer.

3. Commencing October 1, 2014, Cigna shall continue to provide coverage for all of the present active employee and Pre-65 retiree enrollees and their dependents who are eligible under the Government Plan.

4. The Summary Plan Description prepared by Cigna will describe the benefits provided under the group benefit policy, including but not limited to the benefits required by federal and territorial law, including those necessary to comply with the Affordable Care Act, and territorially mandated benefits such as autism and juvenile hearing aids. Cigna and Employer acknowledge that, as of October 1, 2014, the group health plan remains subject to those provisions of the Public Health Service Act that were enacted in the Affordable Care Act, including, *inter alia*, the prohibition on lifetime and annual limits (PHS Act section 2711), the prohibition on rescissions (PHS Act section 2712), coverage of preventive health services (PHS Act section 2713), and the revised internal and external appeals process (PHS Act section 2719).

5. Except as expressly amended by this First Renewal, all terms and provisions of the original Agreement remain in full force and effect.

6. This First Renewal is subject to the appropriation and availability of funds, the approval of the Governor of the U.S. Virgin Islands, and the approval of the Virgin Islands Legislature.

7. For purposes of this First Renewal, a photocopy or facsimile copy of the document or a photocopy or facsimile copy of a signature to the document shall have the same effect as an original. Also, this First Renewal may be executed in any number of

counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument

IN WITNESS WHEREOF the parties through their authorized representative set their signatures on the day and year indicated,

Witness:

Cigna Health and Life Insurance Company

Juaret Rezonberg, Jr. Debae

Elizabeth E. Quattrochi, Assistant Director Date: 9/28/2014

Sheron Spencer

Maurice DeMirabella Date: 9/28/2014
Dean Mirabella, General Manager

Witness:

Government of the Virgin Islands Health Insurance Board of Trustees

Clemmie Moses, Chairperson Date: _____

Witness:

Virgin Islands Port Authority

Carlton Dowe, Executive Director Date: _____

counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties through their authorized representative set their signatures on the day and year indicated.


Witness:

Cigna

_____ Date: _____
[NAME]
[TITLE]

Witness:

Government of the Virgin Islands Health Insurance Board of Trustees

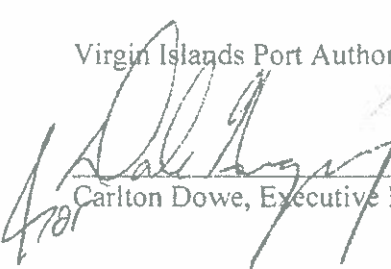


 Date: 9/26/14
Clemmie Moses, Chairperson

Witness:

Virgin Islands Port Authority



 Date: 9/26/14
Carlton Dowe, Executive Director

Witness:

University of the Virgin Islands

_____ Date: _____
David Hall, President

counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties through their authorized representative set their signatures on the day and year indicated.

Witness:

Cigna

_____ Date: _____
[NAME]
[TITLE]

Witness:

Government of the Virgin Islands Health Insurance Board of Trustees

_____ Date: _____
Clemmie Moses, Chairperson

Witness:

Virgin Islands Port Authority

_____ Date: _____
Carlton Dowe, Executive Director

Witness:

University of the Virgin Islands




_____ Date: 9/26/2014
David Hall, President

Witness:

St. Thomas East End Community Health Center, Inc.

_____ Date: _____
Wilbur Smith, Chief Executive Officer



Virgin Islands Housing Authority

_____ Date: 9/28/14
Robert Graham, CPM

Frederiksted Health Care, Inc.

_____ Date: _____
Masserae Sprauve-Webster, Chief Executive Officer

Approved as to Legal Sufficiency
Department of Justice

By: _____

Date: _____

Witness:

St. Thomas East End Community Health Center, Inc.



Wilbur Smith Date: 9/26/14
Wilbur Smith, Chief Executive Officer

Virgin Islands Housing Authority

_____ Date: _____
Robert Graham, CPM

Frederiksted Health Care, Inc.



Masserac Sprauve-Webster Date: 9/26/2014
Masserac Sprauve-Webster, Chief Executive
Officer

Approved as to Legal Sufficiency
Department of Justice

By: Wayne C. Anderson Date: 9/26/14

Approved:

Honorable John P. de Jongh, Jr.
Governor of the Virgin Islands

Date: _____

Approved:

Shawn Michael Malone,
President 3 1st Legislature

Date: _____

**THIRD RENEWAL OF
GROUP DENTAL HEALTH INSURANCE AGREEMENT**

THIS AGREEMENT made and entered into this ____ day of September, 2014 by and between the Government of the Virgin Islands, through the Health Insurance Board of Trustees, (the "Government") the Virgin Islands Port Authority (the "Authority"), the University of the Virgin Islands ("UVI"), the St. Thomas East End Medical Center ("East End Medical"), the Virgin Islands Housing Authority (the "Housing Authority"), Non-Profit Organizations defined as eligible by the Government, and Frederiksted Health Care, Inc. ("FHC") (the Government, the Authority, UVI, East End Medical, the Housing Authority, Non-Profit Organizations and FHC hereinafter individually referred to as, each, "Employer Entity" and collectively referred to as the "Employer") and Cigna Health and Life Insurance Company (hereinafter "Cigna"). For purposes of this Third Renewal of Group Dental Health Insurance Agreement ("Third Renewal"), a Non-Profit Organization is an entity determined by the Government to satisfy the requirements under applicable U. S. Virgin Islands law for participation under this Third Renewal.

WITNESSETH:

WHEREAS, the Employer and Cigna entered into an Agreement for Group Dental Health Insurance (the "Agreement") approved by the Virgin Islands Legislature on September 20, 2011; and

WHEREAS, the Agreement was for a one (1) year term and provides that the parties may renegotiate and renew the Agreement for up to four (4) successive twelve (12) month terms; and

WHEREAS, pursuant to a First Renewal of Group Dental Health Insurance Agreement (the "First Renewal"), approved by the Governor of the Virgin Islands on

September 24, 2012, the parties renewed the Agreement for a twelve (12) month renewal term commencing October 1, 2012 and ending September 30, 2013; and

WHEREAS, pursuant to a Second Renewal of Group Dental Health Insurance Agreement (the "Second Renewal"), approved by the Governor of the Virgin Islands on September 24, 2012, the parties renewed the Agreement for a twelve (12) month renewal term commencing October 1, 2013 and ending September 30, 2014; and

WHEREAS, the Employer and CIGNA intend, pursuant to this Third Renewal, to renew the Agreement for a third successive twelve (12) month renewal term commencing October 1, 2014 and ending September 30, 2015, and amend the Agreement, as renewed, to provide for new premium rates.

NOW THEREFORE, for and in consideration of the mutual covenants and promises made herein, the parties agree as follows:

1. The Agreement, pursuant to the terms herein, is renewed for a twelve (12) month term commencing October 1, 2014 and ending September 30, 2015.
2. Commencing October 1, 2014, premium rates under the Agreement shall be established at the following monthly rates:

Active Employees	\$15.92
Retirees	\$15.92
Family (Active and Retiree)	\$40.61

4. Except as expressly amended by this Third Renewal, all terms and provisions of the Agreement remain in full force and effect.

5. This Third Renewal is subject to the appropriation and availability of funds, the approval of the Governor of the U.S. Virgin Islands, and the approval of the Virgin Islands Legislature.

6. For purposes of this Third Renewal, a photocopy or facsimile copy of the document or a photocopy or facsimile copy of a signature to the document shall have the same effect as an original. Also, this Third Renewal may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties through their authorized representative set their signatures on the day and year indicated.

Witness:

Cigna Health and Life Insurance Company

Judith Rezenbergs, Dolan

Elizabeth E. Quattrochi Date: 9/28/2014
Elizabeth E. Quattrochi, Assistant Director

Dean Mirabella

Dean Mirabella Date: 9/28/2014
Dean Mirabella, General Manager

Government of the Virgin Islands Health Insurance Board of Trustees

Date: _____
Clemmie Moses, Chairperson

Virgin Islands Port Authority

Date: _____
Carlton Dowe, Executive Director

5. This Third Renewal is subject to the appropriation and availability of funds, the approval of the Governor of the U.S. Virgin Islands, and the approval of the Virgin Islands Legislature.

6. For purposes of this Third Renewal, a photocopy or facsimile copy of the document or a photocopy or facsimile copy of a signature to the document shall have the same effect as an original. Also, this Third Renewal may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

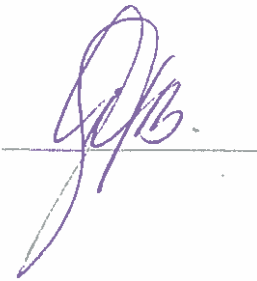
IN WITNESS WHEREOF the parties through their authorized representative set their signatures on the day and year indicated.

Witnesses

CIGNA

_____ Date: _____

[NAME]
[TITLE]




Government of the Virgin Islands Health Insurance
Board of Trustees


_____ Date: 9/26/14
Clemmie Moses, Chairperson




Virgin Islands Port Authority


_____ Date: 9/26/14
for Carlton Dowe, Executive Director

Witness:



University of the Virgin Islands



Date: 9/26/2014

David Hall, President

St. Thomas East End Community Health Center, Inc.

_____ Date: _____
Wilbur Smith, Chief Executive Officer

Virgin Islands Housing Authority

_____ Date: _____
Robert Graham, CPM

Frederiksted Health Care, Inc.

_____ Date: _____
Masserae Sprauve-Webster, Chief Executive Officer

Approved as to Legal Sufficiency
Department of Justice

By: _____

Date: _____

Witness:

University of the Virgin Islands

_____ Date: _____
David Hall, President

St. Thomas East End Community Health Center, Inc.

_____ Date: _____
Wilbur Smith, Chief Executive Officer



Virgin Islands Housing Authority

_____ Date: 9/26/14
Robert Graham, CPM

Frederiksted Health Care, Inc.

_____ Date: _____
Masserae Sprauve-Webster, Chief Executive Officer

Approved as to Legal Sufficiency
Department of Justice

By: _____

Date: _____

Witness:

University of the Virgin Islands

Date: _____

David Hall, President

St. Thomas East End Community Health Center, Inc.



Wilbur Smith Date: 9/26/14
Wilbur Smith, Chief Executive Officer

Virgin Islands Housing Authority

Date: _____

Robert Graham, CPM

Frederiksted Health Care, Inc.



Massrae Sparve-Webster Date: 9/26/2014
Massrae Sparve-Webster, Chief Executive Officer

Approved as to Legal Sufficiency
Department of Justice

By: _____

Date: _____

Approved:

Honorable John P. de Jongh, Jr.
Governor of the Virgin Islands

Date: _____

Approved:

Shawn Michael Malone
President
30th Legislature

Date: _____



GOVERNMENT OF
THE UNITED STATES VIRGIN ISLANDS
*
THE OFFICE OF MANAGEMENT AND BUDGET

No. 5041 Norve Gade
Emancipation Gardens Station, 2nd Floor
Charlotte Amalie, St. Thomas, V.I. 00802

Tel: 340-774-0750
Fax: 340-776-0069

August 11, 2014

Mr. Jose L. George
Post Auditor
Legislature of the Virgin Islands
Post Audit Division
P.O. Box 1690, Emancipation Garden Station
St. Thomas, U.S. Virgin Islands 00804

Dear Mr. George:

As the Government of the Virgin Islands prepares to conclude the negotiation of the Fiscal Year 2015 health insurance contract, the Office of Management and Budget (OMB) is transmitting, for your information, the attached letter dated August 1, 2014 regarding Government Employees Health Insurance Program – Renewal Recommendations.

Per the attached letter from the GESIC chair, the annualized total premium projections for health insurance cost across all funds for central government are currently estimated at \$159.7M for Fiscal Year 2015. The Fiscal Year 2015 Budget included a projection of \$150.9M for health insurance premiums, utilizing a cost share ratio of 60/40 employer/employee, rather than the current cost share ratio of 65/35 employer/employee. Consequently, there is a resulting budgetary shortfall in health insurance premiums totaling \$8.8M for Fiscal Year 2015.

If you have any questions, please do not hesitate to contact OMB at 774-0750.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Grigo".

Michael J. Grigo
Acting Director

Attachment

MJG/JCO/MLS

pc: Honorable Clifford F. Graham, Chairman, Committee on Finance, 30th
Legislature of the Virgin Islands



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802
340-774-0001

August 14, 2014

Ms. Ciemmie Moses
Chairperson
USVI GESG/Health Insurance Board of Trustees
GERS Complex, 3rd Floor
3438 Kronprindsens Gade
St. Thomas, VI 00802

Dear Ms. Moses:

Thank you for your correspondence of August 1, 2014 indicating the GESG/Health Insurance Board of Trustees Renewal Recommendations for the Fiscal Year 2015 Government of the Virgin Islands Employees Health Insurance Program effective October 1, 2014.

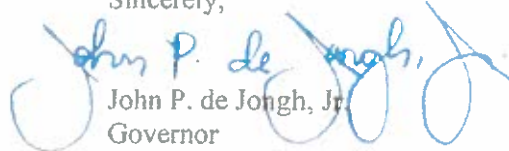
Per your letter, the annualized total premium projections for health insurance cost across all funds for central government are currently estimated at \$159.7M for Fiscal Year 2015. Please be advised that the Fiscal Year 2015 Executive Budget submission proposed funding of \$150.9M for government employees health insurance premiums, utilizing a cost share ratio of 60/40 employer/employee, rather than the current cost share ratio of 65/35 employer/employee. Consequently, there will be a projected Fiscal Year 2015 resulting budgetary shortfall of \$8.8M in health insurance premiums if the final negotiated cost of Government of the Virgin Islands Government Employees Health Insurance Program is \$159.7M. Accordingly, if the 30th Legislature does not approve the proposed cost share ratio of 60/40 or identify increased funding of \$8.8 million in Fiscal Year 2015, then the Government of the Virgin Islands will not have sufficient funding to finance the Fiscal Year 2015 Government Employees Health Insurance Program that the GESG/Health Insurance Board of Trustees is currently negotiating.

Please also be further advised that the Fiscal Year 2015 Executive budget submission is fiscally challenging inasmuch as it also requires the 30th Legislature to generate \$57 million of new revenue generating initiatives, or \$57 million of additional expenditure reduction initiatives, or a combination of revenue generating initiatives and expenditure reduction initiatives totaling \$57 million to balance the Fiscal Year 2015 Budget. Accordingly, I strongly urge the members of the GESG/Health Insurance Board of Trustees to seriously consider the aforementioned FY

Ms. Clemmie Moses
Chairperson, USVI GESG Health Insurance Board of Trustee
August 14, 2014
Page 2

2015 budgetary challenges in its final negotiations of the Fiscal Year 2015 Government of the Virgin Islands Government Employees Health Insurance contract and to stay within the amount budgeted within the 2015 Executive Budget submission (the \$150.9 million).

Sincerely,


John P. de Jongh, Jr.
Governor



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802
340-774-0001

September 15, 2014

VIA HAND DELIVERY

The Honorable Shawn-Michael Malone
Senate President
Thirtieth Legislature of the Virgin Islands
Capitol Building
St. Thomas, USVI 00802

Re: Government Employees' Health Insurance Plan Renewal

Dear Senator Malone:

I have sent this correspondence to you and other members of the Thirtieth Legislature as a means of ensuring that you have all the relevant information surrounding the suggestions contained within the September 8, 2014 correspondence sent to you by Ms. Clemmie Moses, Chairperson of the GESC Health Insurance Board ("Board").

I will address each section of that correspondence.

I. Apprise the Legislative Body of the status of the Health Insurance Renewal Agreements to be effective on October 1, 2014.

My correspondence dated August 14, 2014, under no circumstances "*challenged*" the Board's decision not to make any Plan design changes. My communication was specifically focused on reaffirming the Government's fiscal constraints to the Board as it considered its options. In our June 23, 2014 meeting with the Board, we agreed to sustain the current \$150.9 million for FY 2015 in exchange for their support of an amendment changing the employer/employee cost share from 65/35 to 60/40, as submitted with the FY 2015 Executive

Budget. The Board has changed their position and is now proposing a health insurance plan valued at \$159 million. The 6.4% increase this year would bring the cumulative insurance cost increases negotiated by the Board over the past eight (8) years to more than 90%. This is an unsustainable trend. The Board and Buck Consultants, its health insurance consultant, have acknowledged that there are still elements of our Plan which still classify it as a "Cadillac plan", therefore some balance is still achievable to ensure the broadest coverage and maintaining our costs.

2. Outline the basis for and nature of the renewal recommendations being made this year by the Health Insurance Board.

There are a number of factors which can be attributed to the cost increases suggested by the Board to support the 6.4% increase. While most are attributed to high utilization of the Plan by our members, a nominal amount is directly attributable to recently adopted legislation passed by the Senate, which I approved. Act No. 7592, which requires Insurance Carriers to provide coverage for Autism and Autism Spectrum Disorders and to provide hearing aids for children, respectively, is legislation that has increased the Plan cost by approximately one (1%) percent. The Board only highlighted this enactment as an area in driving the increased costs, yet they have not submitted to me any formal request or suggested language to modify those laws or any other factors.

I am most concerned by the Board's reliance on past circumstances and old data surrounding the eligibility roster. The Board has been fully aware and kept abreast of Munis' effort on the eligibility file in collaboration with the Division of Personnel ("Division"). At the August 27, 2014 Board meeting, Director Kenneth Hermon presented his findings to the Board which clearly indicated that the initial projections provided by the Board's consultant were grossly overstated at the projected \$9 million level. This amount happens to be the gap the Board is attempting to justify as a source to keep Plan cost at \$159 million versus \$150.9 million. I am further troubled by the fact that the Board is not seeking any reimbursement from CIGNA beyond the contractual sixty (60) day timeframe regarding acceptance of the eligibility file. CIGNA's unilateral decision to stop accepting the eligibility file in the interim manner agreed to with the Division during a November 13, 2013 conference call has resulted in overpayments estimated to be \$3.6 million since December 2013. Director Hermon apprised the Board of CIGNA's decision regarding the eligibility file on December 12, 2013. Though the Territory is expected to receive a credit in the amount of \$681,000, a balance of \$2.9 million as being overpaid remains on the table to negotiate with CIGNA relative to any reimbursement beyond the contractual obligation.

Subsequent to CIGNA no longer accepting the eligibility file, the Division has eliminated numerous member duplications and synchronized the data between the Enterprise Resource

Planning ("ERP") and Ultipro, a legacy database previously utilized. As of August 27, 2014, the sample file submitted to CIGNA solely contains non-monetary errors such as address changes without end dates, social security number changes, and other member related information. The Division anticipates that the next file submitted to CIGNA will be accepted and the Division will finally be able to report directly from the ERP system thereby eliminating any future eligibility database concerns.

With respect to the Board's assertion that the late premium payments contribute to increased Plan costs, we have made significant strides. This body's recent approval of Act No. 7643 (Section 5), which allows the Division to issue straight payments directly to the carrier will improve our ability to make timely and accurate payments within the contractually designated timeframe.

3. Outline the possible consequences of delays in approving the renewal recommendations.

On September 2nd and September 9th, Director Hermon informed the Board, of my request to ascertain the Board's formal contingency plan for contract submittal. I have yet to receive a direct response to my inquiry, other than being copied on the September 8th letter sent to you.

4. Request a meeting as soon as possible with the full Legislative Body to discuss the upcoming renewal of the Government Employees' Health Insurance Plan and to obtain the Legislature's approval for the funding changes being proposed for the Health Insurance Plan to be effective on October 1st.

I am in complete support of this request, and the Commissioner of Finance, and the Directors of Personnel and the Office of Management and Budget will be available if you so desire. We are at a critical juncture with respect to the continued insurance coverage of the 34,000+ Plan members and at this late juncture a true collaborative push is needed.

I hope that these clarifications and additional information are helpful as we work towards the development of a health insurance renewal plan that provides maximum benefits and services to our current employees and retiree population while at the same time meeting our current financial constraints.

Sincerely,



John P. de Jongh, Jr.
Governor

*Cc: Members of the GESG/Health Insurance Board of Trustees
Members of the Thirtieth Legislature of the Virgin Islands
Mr. Stephen K Burrows, Buck Consultants
Kimberly Salisbury, Esq., V.I. Department of Justice*