

**EXTRACT TAKEN FROM THE TWENTIETH ANNUAL REPORT OF THE  
CONTRACTOR-GENERAL FOR JANUARY TO DECEMBER 2006**

**(Pages 15-19)**

**Government Employees' Administrative Services Only (G.E.A.S.O.) Health Scheme Contract**

It is very important that the details of the OC-G's most recent intervention in this matter, together with the circumstances which have warranted it, are recorded and reported.

The procurement of health services for the members of the Public Service is of considerable importance to the OC-G. The G.E.A.S.O. Health Scheme, which addresses this issue, has an estimated cost of J\$2 Billion per annum. Approximately \$1.68 Billion of this sum was reportedly paid by the Government and, by extension, the taxpayers of Jamaica, in the 2005/2006 fiscal year.

The OC-G's concern about the G.E.A.S.O. Health Scheme is founded primarily upon the fact that the contract for the Scheme, as at December 2005, had not since 1995 been tendered by the Ministry of Finance and Planning (MOFP). The contract has been repeatedly renewed each year, on February 1, on an uncompetitive basis, and on each such occasion, the award has been made to one carrier, namely Blue Cross of Jamaica Ltd. (Blue Cross).

Secondly, and particularly because the contract has not been subjected to the scrutiny and the rigor of competition in the open marketplace, there remains an open question which is of significant and vital importance. The question is whether the Jamaican taxpayer and the Public Service employee, whose contributions together compose the contract costs, have received and are receiving value for money.

Thirdly, the OC-G has determined that the subject one-year contracts have all been successively awarded to Blue Cross, by the Government, in violation of its own Procurement Policy and Procedures. As far as the OC-G is aware, none of the annual contracts was either evaluated or endorsed by the National Contracts Commission (NCC), prior to their award, since the NCC commenced its contract endorsement operations in June of 2000. The contracts have also been awarded without due consideration to the principles of merit and impartiality which are enshrined in Section 4 (1) of the Contractor General Act.

Fourthly, the OC-G's interest in the procurement of the Service is driven by the complexity of the procurement and also by the very important welfare implications which it poses for Government employees. The OC-G, it must be observed, is also very mindful of the unique administrative and technical infrastructure which must be invested by the service provider to effectively deliver health benefits to Public Officers.

It is also very important to record that the MOFP, by way of letter which was dated May 16, 2000, had sought the advice of the newly established NCC as to whether or not the annual G.E.A.S.O. contract should, at that point, be put to tender. In his response, which was dated June 15, 2000, Mr. Gordon Wells, the then Chair of the NCC advised the MOFP that it was not the NCC's responsibility "*to advise whether or not a scheme should go to tender*".

Mr. Wells had also indicated, in his letter, that he had "*passed these papers to the (then) Contractor-General for his assessment and reply to you*". However, although the referenced letters and 'papers' are on file at the OC-G, there is no record, on the OC-G's files, of any other written communication on the matter for the period June 15, 2000 to early 2003.

Of note, however, was that during the period 2003 to 2005, a number of written representations were made directly to the MOFP, by another insurance carrier, for the G.E.A.S.O. Health Scheme to be put to competitive tender. The representations, which were copied to the OC-G, as at December 2005, had, for the most part, borne no fruit from the MOFP.

It was against this background, therefore, that the OC-G's own representations, for the G.E.A.S.O. Health Scheme contract to be put to public competitive tender, began in earnest in December 2005.

Having discovered that the annual contract with Blue Cross was next scheduled for expiration on January 31, 2006, our positions were first formally conveyed by way of letter to the Financial Secretary on December 15, 2005 and again on January 12, 2006.

A subsequent letter from the OC-G to the Honourable Minister of Finance and Planning, which was dated February 1, 2006, requested, *inter alia*, an update on the status of the contract with Blue Cross. The requisition resulted in the receipt of assurances, from the Ministry, that the contract would be put to public competitive tender. In point of fact, the Ministry advised the OC-G that Cabinet had agreed that the scheme should "*be put to public tender by April 2006*". (Ref. Cabinet Decision No. 37/05, dated December 19, 2005).

Recognizing, however, that the contract had been renewed again with Blue Cross, pending tender, the OC-G, by way of letters which were dated February 10 and 16, 2006, served the MOFP with formal notice of its intention to comprehensively monitor the anticipated and pending procurement.

Following after two (2) further letters which were dispatched to the MOFP on April 11 and May 3, 2006, the OC-G again wrote to the MOFP, on June 21, 2006. The objective of the last letter was to re-direct the Ministry's attention to the content of Cabinet's Decision No. 37/05 and to express, *inter alia*, the OC-G's concern that "*the decision of Cabinet should be implemented without further delay and that the award of the contract (should) be fair, transparent, meritorious, and that value for money should be achieved*".

Having not received a response to our letter of June 21, an additional letter was directed to the Financial Secretary on July 11, 2006. In that letter, we reiterated “*the concern ... that the preparation of the tender of the GEASO is taking an inordinately long time and could impair the integrity of the procurement process*”. The OC-G’s letter of July 11, 2006 was copied to the Minister of Finance and Planning and the Cabinet Secretary.

Despite all of these efforts to receive a definitive status update from the MOFP on the matter, nothing was heard from the Ministry. Not being satisfied that the tender was being satisfactorily expedited or that the OC-G’s expressed concerns were being treated with the seriousness which they deserved, the OC-G consequently took the decision, on August 17, 2006, to write directly to the Cabinet Secretary in the following terms:

“Dear Cabinet Secretary:

Re GEASO Health Plan – Contract Between the Government and Blue Cross of Jamaica

As you are aware, the Office of the Contractor General has been making aggressive and strong representations to the Government that the contract for the provision of health insurance for public sector workers (GEASO) must be renewed by way of PUBLIC COMPETITIVE TENDER.

For several years, this contract has been awarded, on a renewal basis, to the same contractor in direct contravention of the Government's own Procurement Procedures and in clear violation of the Public Body contract award principles which are enshrined in the Contractor General Act.

The OC-G has written approx. ten (10) letters since December 15, 2005 to the principal Government portfolio officers in this matter, namely the Minister of Finance and Planning, the Financial Secretary and the Deputy Financial Secretary, with copies to you in a number of instances.

Our letters to the Government, which ended with letters dated June 21 and July 11, 2006 to the Financial Secretary ..., have included strong and forthright recommendations that, in compliance with the prescribed Government of Jamaica Procurement Guidelines, as well as in the interest of fairness and transparency, the GEASO must be renewed on a competitive basis.

Additionally, Cabinet, by way of its decision No. 37/05, dated 19.12.05, had agreed that the scheme should be put to tender by April 2006.

Despite the foregoing, the target date for the tender of the subject contract is being constantly shifted. Needless to say, this could be and has been perceived as a further undermining of the Government of Jamaica's own Procurement Procedures and Guidelines.

It is our considered view that given the magnitude of the amounts involved - of ~ \$2 Billion, that the integrity of the public sector procurement process must be preserved and that the subject contract renewal must accordingly proceed, on a competitive basis, without any further delay.

In light of the gravity of this matter and the apparent attendant delays which are now clearly associated with it, this letter is being copied to the Most Honourable Prime Minister.

With many kind and sincere regards.

Very respectfully yours,

Greg Christie (Signed)

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Greg Christie  
Contractor General”

The OC-G’s letter to the Cabinet Secretary, which was copied to the Most Honourable Prime Minister, the Honourable Minister of Finance and Planning and the Financial Secretary, subsequently produced a response from the Cabinet Office which was dated September 12, 2006.

In its response, The Cabinet Office advised the OC-G that “*the Ministry of Finance and Planning (MOFP) is now in a position to go to public tender for (the subject GEASO Health Plan) services. The MOFP expects to publish the Request for Proposals (RFP) on September 23, 2006, with a view to having a new contract in place in February 2007*”.

Following after the Cabinet Office’s letter, a verbal request was then made by the OC-G, on September 15, to the MOFP, for a copy of the RFP to be submitted for review prior to its placement. The request, however, was not complied with. In consequence, the OC-G was not afforded the opportunity to review the RFP prior to the MOFP’s advertisement of same in the Daily Gleaner newspaper of September 22, 2006.

This latest circumstance again underscored the necessity for the OC-G’s continued vigilance over, and proactive intervention into, the G.E.A.S.O. Health Scheme procurement.

Following the MOFP’s Daily Gleaner advertisement, the OC-G again wrote to the MOFP, on September 27, 2006, to remind the Ministry of the verbal request which had been previously made for a copy of the RFP to be provided to the OC-G for review. Consequent upon the OC-G’s letter of September 27, 2006, a meeting was then convened with a representative from the MOFP to discuss the matter.

At the meeting, a preliminary and verbal review of the RFP was undertaken, at which time certain inadequacies which were identified in the RFP were communicated to the Ministry’s representative. The findings of the review were subsequently detailed and formally communicated in writing, by the OC-G, to the Financial Secretary, on October 4, 2006.

The OC-G’s review of the RFP had revealed several weaknesses that would have compromised the fairness and transparency of the tender had the MOFP been allowed to proceed with the tender process un-impeded. Having regard to the gravity of the inadequacies of the RFP, the MOFP accepted the OC-G’s recommendation to withdraw the Invitation to Tender and to effect the appropriate amendments to same. The OC-G was so advised by the Financial Secretary on October 18, 2006.

Following the MOFP's notification of its withdrawal of the Invitation to Tender, the OC-G, by way of letter dated October 23, 2006, reiterated its stance that it was incumbent upon the MOFP to expeditiously resume the tender process in order to meet Cabinet's newly revised timeline of February 2007.

Subsequent to the amendments of the RFP, the MOFP, on November 30, 2006, assured the OC-G that it was its tentative plan to advertise the Invitation to Tender by the second week of December 2006. It said that it would do this with the objective of (a) securing a tender opening date for the first week of January 2007, and (b) ensuring completion of the actuarial assessment of the tenders by the end of January.

The MOFP also advised the OC-G that, "*barring any disruption to this schedule, it is anticipated that the new contract will be in place by April 2007*".

It is the OC-G's understanding that the MOFP's Invitation to Tender was in fact re-issued by way of public advertisement, on December 19, 2006.

It is clear that definitive efforts are now being made by the MOFP and the Cabinet to competitively renew the G.E.A.S.O. contract. In going forward, however, there is no doubt that the process is one which should command the continued attention of the OC-G. Indeed, the public interest, itself, demands that the procurement should be subjected to the highest possible levels of public scrutiny, with particular regard being paid to the ideals of competition, transparency, fairness, merit and value for money.

It is also critically important that every possible step should be taken by the Cabinet to ensure that there are no further delays in the contract award process which remains to be completed in the matter.

A failure by the Cabinet to act accordingly would not only have the effect, however unintended, of giving the incumbent carrier a further unfair advantage, but it would also strike a potentially fatal blow to one of the guiding principles of the Government's own Policy on Public Sector Procurement, namely that which speaks to the maintenance of "fairness, integrity and public confidence in the procurement process".

In the final analysis, however, the OC-G feels obliged to respectfully but very strongly reiterate its recommendation to the Cabinet, the Government and the Legislature, to implement every immediate and appropriate measure to ensure that there is strict conformance, by Public Bodies, with the Government's Procurement Policy and Procedural Guidelines and also with the contract award principles which are enshrined in Section 4 (1) of the Contractor General Act.