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STATE PROCUREMENT OFFICE
STATE OF HAWAII

STATE PROCUREMENT OFFICE
**NOTICE OF AND REQUEST FOR EXEMPTION
FROM CHAPTER 103D, HRS**

- 1. TO: Chief Procurement Officer
- 2. FROM: Sandi Yahiro, Acting Assistant Administrator, EUTF

Department/Division/Agency

Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction:
 Aon will work closely with EUTF Financial Management Officer, Information Systems Analysts, carriers and plan administrators to prepare the application for Early Retiree Reinsurance program. One (1) Aon staff member will be assigned to EUTF on a full-time basis for a period of 4-6 weeks to complete work on the application. Aon will also provide the following additional services: project expected payments for the first two years of the program, recommend actions to remain in compliance with regulations including cost management programs, determine expected reimbursement, gather data to assess actual high cost and chronic disease states, create script on waste/fraud and abuse policy, create script for use of funds and "maintenance of costs" for sponsors – how much can be used on employer side vs. retiree side.

4. Name of Vendor: Aon Consulting Address: 4100 E. Mississippi Ave., Ste 1500, Denver, CO 80246	5. Price: \$200,000.00
6. Term of Contract: From: June 1, 2010 To: 12/31/2011	7. Prior Exemption Ref. No.

8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:
 The recently implemented Patient Protection and Affordable Care Act contains provisions to provide a temporary reinsurance program beginning June 2010. Congress has allocated only \$5 billion for this program. Eligible plan sponsors will receive 80% reimbursement of medical and prescription costs for early retirees (under 65 years old) between certain dollar thresholds. Aon estimates EUTF may be eligible to receive \$15,000,000 for plan year 2010.

 Applications for this program are expected to be available June 1, 2010 or shortly thereafter. Reimbursements will be made on a first come first served basis based on when plan sponsors submit complete and accurate applications. Inaccurate or incomplete applications may be resubmitted, however, plan sponsors move to the back of the line.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
 Aon is currently the Employer-Union Health Benefits Trust Fund's (EUTF) benefits consultant. EUTF believe contracting with Aon for this project is in the best interest of EUTF and its 169,000 employees, retirees, and dependents covered by its health plans since delays in submissions could result in EUTF losing millions of dollars.

10. A description of the agency's internal controls and approval requirements for the exempted procurement:
 The EUTF Acting Assistant Administrator will oversee internal controls and approval requirements.

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:		
Name	Position	Involvement in Process
Sandi Yahiro	Acting Assistant Administrator	<input checked="" type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Donna Tonaki	Manager	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Kathleen Shiroma	Manager	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration

13. Direct inquiries to:	Department: Dept. of Budget & Finance, EUT Contact Name: Sandi Yahiro Phone Number: 586-1681 Fax Number: 586-2320
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Agency shall ensure adherence to applicable administrative and statutory requirements

14. I certify that the information provided above is, to the best of my knowledge, true and correct.

George K. Kwame
 Department Head

5/20/10
 Date

Reserved for SPO Use Only
15. Date Notice Posted <u>5/21/10</u>
The Chief Procurement Officer is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from the above posted date to: <p align="center"> Chief Procurement Officer State Procurement Office P.O. Box 119 Honolulu, Hawaii 96810-0119 </p>
Chief Procurement Officer's comments: Approval is based on EUTF's representation that: <ol style="list-style-type: none"> Meeting the June 1, 2010 application date or shortly after is critical in the process of receiving funding from this program; and Since 2007, AON has been EUTF's benefits consultant and as such has developed over time a complete understanding and knowledge of EUTF's operational procedures, Information systems analysts and all insurance carriers and plan administrators, any other contractor would have to go through a learning curve. Even though this is a new act and application process, AON has the expertise and experience to complete and successfully file the application, This approval is for the solicitation process only, HRS section 103D-310(c) and HAR section 3-122-112, shall apply. Department is reminded that procurements \$2,500 or more are required to be posted on the Procurement Reporting System.

16. APPROVED DISAPPROVED NO ACTION REQUIRED

Andrew S. Taylor 5/28/2010
 Chief Procurement Officer Date