



'11 JUN -3 A9:40

STATE PROCUREMENT OFFICE

NOTICE OF AMENDMENT TO EXEMPTION FROM CHAPTER 103D, HRS, CONTRACT

STATE PROCUREMENT OFFICE STATE OF HAWAII

1. TO: Chief Procurement Officer
2. FROM: Barbara Coriell, Administrator
Department/Division/Agency
3. Name of Contractor: Hawaii Medical Service Associatio

4. P.E. Reference No. 11-038-D

5. Description of goods, services, or construction: Provides medical and prescription drug benefit plans to active State employees and their dependents.

6. Scope of work for the contract is revised as follows: N/A
Original Contract Price: \$32,321,123 Amended Contract Price: \$32,321,123

7. Reason: This / These amendment(s) are necessary because: Current Request - To extend time from 7/1/2011 to 12/27/2011 (see attachment).

8. Direct questions to: Sandi Yahiro Phone: 586-1681

Agency shall ensure adherence to applicable administrative and statutory requirements.

9. Pursuant to § 103D-102, HRS, and § 3-120-5, HAR, I certify that the information provided above is, to the best of my knowledge, true and correct

Department Head [Signature] Date June 2, 2011

Reserved for SPO Use Only

10. Date Posted: 6/3/2011

11. Submit written objections to this notice of intent to amend a procurement exemption contract within seven calendar days or as otherwise allowed from the above posted date to: Chief Procurement Officer, State Procurement Office, P.O. Box 119, Honolulu, Hawaii 96810-0119

Chief Procurement Officer's Comments: This approval is conditioned upon Ms. Sandi Yahiro attending SPO Workshop #125, Exemptions from HRS Chapter 103D to be held on 07/20/11, for the solicitation process only, HRS section 103D-310(c) and HAR section 3-122-112, shall apply and award is required to be posted on the Awards Reporting System

12. [X] APPROVED [] DISAPPROVED

[Signature] Chief Procurement Officer Date 6/22/2011

13. P.E. No. 11-038-D al

**ATTACHMENT TO NOTICE OF AMENDMENT TO EXEMPTION FROM CHAPTER
103D, HRS, CONTRACT**

7. Reason: This/These amendment(s) are necessary because:

In May 2010, the Legislature passed Act 106, SLH 2010. This law required that all active and retired members of the HSTA-VEBA Trust (approximately 15,000 active and retired teachers and dependents) must once again be covered under the EUTF's health and other benefits plans, effective January 1, 2011. However, in September 2010, the trustees of the HSTA-VEBA Trust and certain members of the HSTA-VEBA Trust filed a lawsuit to try to stop the active and retired teachers from being returned to the EUTF health and other benefits plans. On December 7, 2010, Judge Karl Sakamoto orally ruled that while the active and retired teachers must return to the EUTF as per Act 106, the EUTF must offer them the same health benefits that they were receiving under their HSTA-VEBA Trust health plans. In order to comply with Judge Sakamoto's ruling, the EUTF had to procure new EUTF health plans that provided the same benefits as the HSTA-VEBA health plans. This was because the existing EUTF health plans had different benefits than the HSTA-VEBA Trust health plans. Because the EUTF had only 3 weeks to implement the Judge's decision, the EUTF filed a request with SPO to be exempt from the normal procurement process. This was approved and EUTF contracted with medical, dental, prescription drug, vision and life insurance vendors to provide new EUTF plans for the active and retired teachers that mirrored the benefits they had under their HSTA-VEBA Trust plans. The new contracts were for a period of six months – January 1, 2011 to June 30, 2011. The six-month period was used because the EUTF was informed that the State planned to appeal the Judge's decision and the EUTF was uncertain as to how long the new plans needed to be provided to the returning HSTA-VEBA Trust members.

As of April 2011, there is still uncertainty regarding whether the Judge's decision will be overturned on appeal. However, since any overturning of the Judge's decision will not be made by June 30, 2011, and possibly not for one or more years, the EUTF has decided to issue a Request for Proposals to replace all of its current benefits plans, including the newly created plans for former HSTA-VEBA Trust members. Since the RFP process takes six or more months, the EUTF is requesting to extend the current contracts with the carriers who are providing the new plans for former HSTA-VEBA Trust members from July 1, 2011 to December 31, 2011. this will give the EUTF sufficient time to issue the RFP, review the resulting proposals, and execute new contracts.