



STATE PROCUREMENT OFFICE **11 NOV -2 P4:11**
NOTICE OF AMENDMENT TO EXEMPTION FROM CHAPTER
103D, HRS, CONTRACT

STATE PROCUREMENT OFFICE
 STATE OF HAWAII

1. TO: Chief Procurement Officer

2. FROM: Budget & Finance, EUTF

Department/Division/Agency

3. Name of Contractor: Aon

4. P.E. Reference No. 10-078-K

5. Description of goods, services, or construction:

Aon will work closely with the plan carriers to gather the claims data for claims incurred between 7/1/11 to 6/30/12, prepare data in the format required by the federal Dept. of Health and Human Services, and submit the claims data to DHHS quarterly.

6. Scope of work for the contract is revised as follows:

The only change is the time period. This would cover Aon's work processing claims incurred for the period 7/1/11 through 6/30/12 and paid through 9/30/12. The current contract continues while Aon works on claims incurred prior to 6/30/11. The contractor's work would conclude upon processing all claims paid through 9/30/12.

Original Contract Price: \$up to \$200,000up Amended Contract Price: \$up to \$200,000

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

8. Direct questions to: Barbare Coriell

Phone: 586-7390x75434

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

[Signature]

10/25/11

Department Head

Date

Reserved for SPO Use Only

10. Date Posted: 11/4/11

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:

Approval is based on EUTF's representation the maximum payout funds for the Federal Early Retiree Reinsurance Program (ERRP) nationally is \$5 billion and as of September 2011, approximately \$2 billion is left nationally and is highly unlikely more funds will be appropriated. Since there are still funds available but processing time is critical, EUTF wants to capture their share of the funds before none are left. This approval is 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. APPROVED DISAPPROVED

[Signature] 11/23/2011
 Chief Procurement Officer Date

13. P.E. No. 10-078ka1

Attachment for Form 7B – ERRP

The federal Early Retiree Reinsurance Program (ERRP) was initiated in 2010 and has a firm maximum pay out dollar figure of \$5 billion. As of September, 2011, the federal government paid out to all ERRP participants approximately \$3 billion.

EUTF contracted with Aon in 2010 and to date, has received approximately \$4.8 million from the ERRP program. It is imperative that EUTF have its vendor continue processing claims for claims incurred starting July 1, 2011 so that EUTF can submit the claim information to the federal government as quickly as possible. As stated above, \$3 billion has already been paid out by the federal government. Once the \$5 billion is paid out, the program shuts down. If EUTF is required to go through a competitive RFP process, it would take 4-6 months to conclude. During that time period EUTF's claims for the period July 1, 2011 and beyond would not be processed and the EUTF could potentially lose millions of dollars.

Additionally, the federal government's IT requirement for the ERRP program are extremely complicated and cumbersome. Our current vendor, Aon, has its IT systems programmed to accommodate the federal government's requirements and, more importantly, are familiar with EUTF's IT systems. A new vendor would need to become familiar with EUTF's IT systems/formatting and program its computer systems to accommodate EUTF's system. This would add to the time period that EUTF would not have its claims processed and further jeopardize EUTF receiving the maximum dollars possible from the \$2 billion remaining in the ERRP program.



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STATE PROCUREMENT OFFICE
STATE OF HAWAII
**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.

