



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

RECEIVED LETTERS  
STATE OF HAWAII

- 1. TO: Chief Procurement Officer
- 2. FROM: Georgina K. Kawamura, Director, Budget and Finance

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:  
 Chapter 88-31, HRS, Medical Board, requires the Employees' Retirement System (ERS) to designate a medical board to be composed of three physicians not eligible to participate in the ERS. The Medical Board provides professional medical consultation services relating to the arranging for and passing upon all medical examinations required by Chapter 88, HRS, investigation of all essential statements and certificates by or on behalf of a member in connection with applications for disability retirement and accidental death benefits, and reports in writing to the ERS Board of Trustees its findings, conclusions and recommendations on all matters referred to the Medical Board by the ERS Board of Trustees.

Dr. Inam Rahman, one of the Medical Board members, recently informed us that he will not be able to continue his services on the Medical Board. Hence, approval for exemption from Chapter 103D, HRS, is requested to enable the ERS to contract the services of Dr. Howman Lam to replace Dr. Inam Rahman as a member of the Medical Board. The term of the contract with Dr. Lam will be through August 15, 2007, and will be at the same compensation of \$30,000 per annum. Dr. Lam's credentials and practice are similar to Dr. Rahman's. Many of the disability cases need to be determined by a practitioner with expertise in sports medicine and family practice.

4. Name of Vendor: Dr. Howman Lam Address: 1441 Kapiolani Blvd., #515; Honolulu, HI 96814		5. Price: \$30,000 per annum
6. Term of Contract: From: Upon SPO approval To: 08/17/07	7. Prior Exemption Ref. No. 0	

8. Explanation describing how procurement by competitive means is either not practicable nor advantageous to the State:  
 See Attached

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:  
 RFP 2002-01 was issued on February 26, 2002 to procure the services of the ERS Medical Board consisting of a Chairperson and two members. Only four (4) resumes were submitted for the three (3) positions. The term of the agreements for the two members commenced in August 2002 for a three-year term which may be extended at the option of the ERS for two periods not to exceed one year each. Dr. Lam has accepted the offer to serve as a member for the duration of Dr. Rahman's term through August 17, 2007, at which time another RFP will be issued to select three physicians from different medical disciplines to constitute the Medical Board. At this time, procurement of services by competitive means is neither practicable nor advantageous to the State or the ERS.

SPO Summary not working until 1/12/06

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

10. A description of the agency's internal controls and approval requirements for the exempted procurement:  
 The contract for services will be conducted under the supervision of David Shimabukuro, ERS Administrator and subject to approval by the ERS Board of Trustees.

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	
David Shimabukuro	ERS Administrator	<input checked="" type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Wesley Machida	ERS Assistant Administrator	<input checked="" 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
		<input type="checkbox"/> Approval	<input type="checkbox"/> Administration

13. Direct inquiries to: Department: Employees' Retirement System  
 Contact Name: David Shimabukuro  
 Phone Number: (808) 5861700  
 Fax Number: (808) 5861677

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.*

  
 Department Head

JAN 11 2006

Date

**Reserved for SPO Use Only**

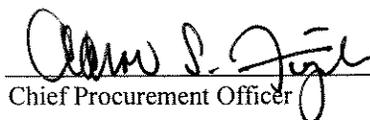
15. Date Notice Posted 1/18/06

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:

Chief Procurement Officer  
 State Procurement Office  
 P.O. Box 119  
 Honolulu, Hawaii 96810-0119

CPO COMMENTS: This approval is for the solicitation process only, Chapter 103D-310, HRS, shall apply.

16.  APPROVED  DISAPPROVED

  
 Chief Procurement Officer Date 1/27/06

**Vendor: Dr. Howman Lam**

**Attachment to Notice of and Request for Exemption from Chapter 103D, HRS**

**8. Explanation describing how procurement by competitive means is either not practicable nor advantageous to the State:**

The ERS issued a Request for Proposal (RFP) on February 26, 2002 to obtain bids for professional medical services of three physicians to constitute the ERS' Medical Board. One of the three physicians would be designated to be Chairperson of the Medical Board. The Chairperson of the Medical Board was selected first in order for the appointed Chairperson to assist in the selection of the remaining two members of the Medical Board.

The Chairperson is responsible for the coordination of the Medical Board's work in issuing recommended decisions on members' disability claims and representing the Medical Board at disability appeal hearings.

Based on the RFP, the terms of the Agreements negotiated with the three physicians were for three years, commencing in August 2002, with the option to extend for two (2) additional periods not to exceed one (1) year each on the same terms and at the same price as the original agreement.

ERS received a total of four resumes; the ERS Board of Trustees approved to hire Dr. Patricia Chinn as the Chairperson of the Medical Board at \$126,000 annually for three years. The ERS Board also approved the appointments of Dr. Gerald McKenna and Dr. Inam Rahman as members of the Medical Board at \$30,000 per year.

Currently the status is that all of the Agreements have been extended for one year for the two members of the Medical Board and the Chairperson. The Agreements for the two members were extended at the same terms and at the same price as the original Agreement. The Agreement for the Chairperson was increased due to an increased volume of disability applications.

Because of the growing number of cases received each year and the complexity involved in each case it would be to the System's and the ERS Members' interests to keep the process moving with minimal interruption. The following statistics represent the number of disability cases received in the respective calendar years.

2000	2001	2002	2003	2004	2005
189	177	207	235	272	320

What is not reflected is the number of carryovers for each year as not all cases are resolved in the same year of the request. Depending on the type of disability request additional medical reports from the member's personal physicians or other pertinent

medical reports, Worker's Compensation records, x-rays, etc., may be required by the ERS Medical Board. We anticipate 350 cases will be received in 2006.

Although we have procured these services on the State's website, in the local newspapers, and the Hawaii Medical Journal, we find that these positions are not high on the priority list of active and thriving physicians as it takes away time from their own busy schedule. Regardless of which position on the medical board, each member must review and evaluate all claims for benefits, all medical reports and interview claimants to make the proper evaluation in its finding, conclusions and recommendations for disability retirement benefits. In the past, we have requested assistance of members on the Medical Board to help get the word out to other physicians and especially retirees. Informal inquiries indicate that not many physicians are not willing to serve on the ERS Medical Board because of the time involved to become familiar with each individual case as well as the research and review process that must be done in order to make conclusions and recommendations to the ERS Board of Trustees.

If this request is not approved, disability retirement and accidental death benefits cannot be approved and paid to the affected ERS member. There would be no continuity in the processing/reviewing of claims thereby causing anxiety and frustration to the ERS claimants.