



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

1. TO: Chief Procurement Officer
2. FROM: Budget and Finance / HEUHBTF

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:

To provide support and maintenance of the PeopleSoft/HFIMS for PeopleSoft version 7.5 ; to provide support and maintenance of the Imaging system using FileNet, Kofax Ascent Capture, RightFax and Kodak scanners. See attachment.

4. Name of Vendor: Business Solution Technologies, Inc.
Address: 2903 Robert Place, Honolulu, HI 96816

5. Price:
\$1,100,000

6. Term of Contract: From: 03/31/07 To: 12/31/08

7. Prior Exemption Ref. No.

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

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:

A request for proposal was issued on October 21, 2005 to solicit proposals to furnish support and maintenance of the software system, PeopleSoft/HFIMS. Subsequently, BST was selected as the vendor. BST was awarded the contract for to January 18, 2006 to March 31, 2007.

The EUTF administrator with the assistance of the Department of the Attorney General will negotiate the terms and conditions of a proposed contract with BST. The EUTF Board of Trustees will oversee the negotiations and will have final approval over the terms and conditions of any proposed contract. The proposed contract will be subject to review and approval by the Department of Budget and Finance, the Governor and State Comptroller.

10. A description of the agency's internal controls and approval requirements for the exempted procurement:
See #9 above.

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
James Williams	Administrator	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Lawrence Nishihara	Assistant Administrator	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Donna Tonaki	Financial Management Officer	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Kathleen Shiroma	Information Systems Analyst	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Brian Aburano	Deputy Attorney General	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
See Attachment B	Board of Trustees	<input checked="" type="checkbox"/> Approval <input type="checkbox"/> Administration

13. Direct inquiries to:	Department: EUTF Contact Name: James Williams Phone Number: 587-5434 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.*

for *Amelia P. ...* Department Head 1/22/07 Date

Reserved for SPO Use Only
15. Date Notice Posted <u>1/29/07</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: <p align="center"> This approval is based on the EUTF's representation that benefit services are statutorily required for participants by April 1, 2007, was not included in the prior RFP since it was not anticipated and there is insufficient time to issue a solicitation to meet the deadlines for the open enrollment period. </p>

16. APPROVED DISAPPROVED NO ACTION REQUIRED

Alan S. Taylor Chief Procurement Officer 2/5/07 Date



STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

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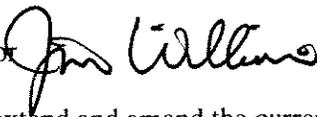
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KATHERINE H. THOMASON

ADMINISTRATOR
JAMES WILLIAMS

January 17, 2007

TO: Aaron Fujioka, Chief Procurement Officer

THRU: Georgina K. Kawamura, Director of Finance

FROM: Jim Williams, Administrator 

SUBJECT: Request for Exemption to extend and amend the current contract with Business Solution Technologies, Inc. ("BST")

This memorandum accompanies the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") "Notice of and Request for Exemption" (SPO-07) which seeks exemption in order to extend and amend the current contract with BST to: (a) provide for continued support and maintenance of the software systems currently used by the EUTF – the PeopleSoft/HFIMS system and imaging system; (b) provide additional services to modify and reconfigure the EUTF software systems to handle the new health and life benefit plans in time for the EUTF's open enrollment ; (c) provide additional services to develop an automated system for handling the "multiple retiree benefits plans" created due to the emerging different scenarios of employer/retiree contributions; and (d) provide assistance with planning and converting the existing EUTF systems over to a new benefits administration system. Based on the projected implementation of the new benefits administration system, the requested contract extension is from April 1, 2007 to December 31, 2008. The estimated cost has a not to exceed limit of \$1,100,000. The attachment to the exemption request gives a full description and justification about the project.

The Deputy Attorney General has advised the EUTF that an amendment to the existing contract cannot be completed without the State Procurement Office's approval for the exemption from Chapter 103D, HRS. The alternative is to issue an RFP to procure by competitive means a contractor to modify and configure the PeopleSoft/HFIMS system and imaging system to handle the new EUTF health and life benefit plans, effective July 1, 2007. As noted in the attachment, the EUTF software systems have to be modified and configured in order to handle the EUTF open enrollment. It would be difficult to complete a competitive procurement prior to March 2007. Any new contractor would not have enough time to become familiar with the EUTF software systems and EUTF business process and procedures in order to modify and reconfigure those software systems in time for the open enrollment. An aggressive timetable for an RFP would place the contract award during February at the earliest. It would be nearly impossible for any other vendor to meet the timelines required for a successful open enrollment. Finally, given that it would be most practicable and advantageous for BST to configure the existing EUTF software systems to handle the new health and other benefit plans, to develop an automated solution to handle the emerging scenario of differing employer/retiree contributions for retiree health benefit plans, and to assist in the planning and conversion over to new benefits administration software, it would also be most practicable and advantageous to the State to extend BST's existing contract for support and maintenance of the EUTF software systems. EUTF requests that SPO approve the exemption since procurement by competitive means regarding this open enrollment requirement is neither practicable nor advantageous to the State.

Enclosure

ATTACHMENT A

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

Background:

The Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") provides and administers health and other benefits plans for State and County employees, retirees, and their dependents ("EUTF participants"). The health and other benefits plans provided include medical, prescription drug, chiropractic, vision, dental and life insurance benefits plans.

In administering the health and other benefits plans, the EUTF performs functions, including, but not limited to: (a) determining eligibility and enrolling eligible EUTF participants in their choice of EUTF plans; (b) processing changes in eligibility and enrollment of EUTF participants in EUTF plans; (c) providing information regarding eligibility and enrollment to the insurance carriers who provide and/or administer the EUTF plans; (d) collecting premium payments from the public employers, employees and retirees; (e) making premium payments to the insurance carriers that provide and/or administer the EUTF plans; (f) maintaining records regarding all of the foregoing; and (g) analyzing and providing reports on enrollment and other information maintained by the EUTF. These functions require the EUTF to use a sophisticated computer system including multiple software systems.

1. EUTF Computer System

The EUTF uses an IBM Regatta computer system operated by DAGS ICSD. The EUTF moved or "migrated" its software systems over to the IBM Regatta in May 2006. The current EUTF software systems are identified on the attached Exhibit 1 and are briefly described below.

The main software system used by the EUTF is an older version of PeopleSoft that has been updated and highly customized to fit the particular needs of the EUTF (the "PeopleSoft/HFIMS system"). The PeopleSoft/HFIMS system consists of software modules that are two versions old and no longer supported by PeopleSoft (nka Oracle/PeopleSoft). In other words, Oracle/PeopleSoft will no longer assist the EUTF in handling breakdowns or correcting problems with this version of the software or making necessary modifications or upgrades to this version of the software.

The PeopleSoft/HFIMS system is used by the EUTF to process enrollments and accounts receivable data regarding its provision of health and other benefits plans to EUTF participants. There are approximately 89,000 employees and retirees and 75,000 dependents enrolled in the system. The PeopleSoft/HFIMS system processes and provides eligibility and enrollment data regarding EUTF participants to the EUTF. The EUTF also uses the system to provide reports and data to its board of trustees, the public employers, the insurance carriers, and other interested parties. The PeopleSoft/HFIMS system has a built-in reporting software system called Crystal Reports.

The EUTF also uses a software-based imaging document management system (the "imaging system") to scan enrollment forms and other documents into its computer system. This imaging system is coordinated with the PeopleSoft/HFIMS system so that relevant data is exchanged and used to verify and update EUTF records on EUTF participants and enrollments. The imaging system is tied in with an Oracle database program. Other parts of the imaging system include FileNet CS, Kofax Ascent Capture, RightFax and Kodak DS Scanners.

2. The BST Contract

In June and July of 2004, the EUTF conducted a HIPAA security gap analysis and risk assessment, i.e., a review to determine whether the EUTF systems and procedures complied with the security requirements and standards of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and 45 Code of Federal Regulations, Part 164. The HIPAA security consultants advised the EUTF that HIPAA security standards required proper support for the PeopleSoft/HFIMS system. As a result of this advice, in October 2005, the EUTF issued Request for Proposals ("RFP") No. 06-002 to procure a contractor to provide proper support and maintenance of the PeopleSoft/HFIMS system.

The contract under RFP No. 06-002 was awarded to Business Solution Technologies, Inc. ("BST"). The contract was effective January 18, 2006 and expires on March 31, 2007. In addition to providing support and maintenance for the PeopleSoft/HFIMS system, the contract required BST to correct certain deficiencies with the system, make technical improvements to the system, and assist in migrating the system (as well as the other EUTF software, programs and data) over to the new IBM Regatta hardware operated by DAGS ICSD. In performing the contract, BST has become very knowledgeable about the EUTF computer and software systems and EUTF requirements, business needs, procedures and practices. In addition, BST has made a number of unique modifications, improvements or customizations to the EUTF software systems, including some required in connection with the migration of the EUTF software and data over to the IBM Regatta.

3. Pending Tasks Regarding EUTF Computer Systems

EUTF staff, DAGS ICSD staff assigned to the EUTF, and BST are tasked with modifying the EUTF software systems on an expedited basis to handle certain issues which have recently emerged.

First, the EUTF board of trustees, at its November 2006 meeting, approved and awarded contracts to insurance carriers and other entities to furnish and/or administer new health and life insurance benefit plans for active employees and retirees. The new plans will go into effect on July 1, 2007. Open enrollment for the new plans will take place during April and May 2007. The new contracts increase the number of health benefits plans to be offered and change their designs. Major configuration changes to the EUTF software systems will be required to handle open enrollment for the new plans. The number and different

designs of those plans add to the complexity of configuring the systems to meet the EUTF's need to service its participants and other interested parties, i.e., enter data on all enrollments, calculate correct employer/employee contributions, handle reporting requirements, and administer the plans. The changes will have a major impact on the EUTF staff and DAGS ICSD staff assigned to assist the EUTF. Current EUTF and DAGS ICSD staff resources cannot adequately complete these major configuration changes to prepare the EUTF software systems by March 2007 in time to handle the open enrollment

Second, under the EUTF statutes, the public employers contribute up to different percentages of a base monthly contribution for retirees health benefit plans. In the past almost all retirees benefited from up to 100% of the base monthly contribution. A growing number of retirees are now subject to limitations of 0%, 50% or 75% of the base monthly contribution. EUTF, DAGS ICSD staff, and BST have been tasked with developing automated system solutions for administering the "multiple retiree benefits plans" created due to the different scenarios of employer/retiree contributions.

In addition to the foregoing tasks, the EUTF continues to need support and maintenance of its PeopleSoft/HFIMS system and imaging system until a new benefits administration system is implemented. At its October 2006 meeting, the EUTF board of trustees approved a Benefits Administration System Feasibility Study Report ("FSR") presented by Gartner, Inc. The purpose of the FSR was to assess and provide recommendations to address the problems and risks with continuing to use the current PeopleSoft/HFIMS system. The FSR recommended that the EUTF replace the PeopleSoft/HFIMS system by conducting a procurement for a new "commercial off-the-shelf" benefits administration system, i.e., a new software system for benefits administration. The FSR detailed a project management plan for replacement of the PeopleSoft/HFIMS system. The plan projects implementation of the new system in January 2009. In the meantime, the PeopleSoft/HFIMS system will need to be supported and maintained by a contractor with knowledge and expertise about: the existing PeopleSoft/HFIMS system; its modifications, configurations and documentation; its technical issues and challenges; and the EUTF's reporting and other requirements and business needs, processes and practices. The project management plan also calls for the contractor supporting and maintaining the existing PeopleSoft/HFIMS system to be involved in planning and implementing the conversion over to the new benefits administration system.

Description of Goods, Services or Construction:

This request is for an exemption in order to extend and amend the current contract with BST to: (a) provide for continued support and maintenance of the software systems currently used by the EUTF – the PeopleSoft/HFIMS system and imaging system; (b) provide additional services to modify and reconfigure the EUTF software systems to handle the new health and life benefit plans in time for the EUTF's open enrollment ; (c) provide additional services to develop an automated system for handling the "multiple retiree benefits plans" created due to the emerging different scenarios of employer/retiree contributions; and (d) provide assistance with planning and converting the existing EUTF systems over to a new benefits administration system. Based on the

projected implementation of the new benefits administration system, the requested contract extension is from April 1, 2007 to December 31, 2008.

The following summarizes the current services provided by BST under its existing contract with the EUTF:

- A. Assist with migration of the PeopleSoft/HFIMS system to the IBM Regatta system. Provide direct support to available resources for migrating current PeopleSoft modules "as is" or recommend and assist with upgrading the necessary software such as AIX, PeopleTools, Oracle on the servers and client workstations to Oracle version 9i and Micro Focus COBOL to support customized PeopleSoft application programs. Assist with Oracle data base and tables conversion.
- B. Maintain and support the PeopleSoft/HFIMS system to resolve mission critical system problems to ensure the security and availability of the data or electronic Protected Health Information (ePHI) to address and comply with HIPAA security standards.
- C. Work with EUTF staff to implement the business process improvement recommended by the qualified PeopleSoft contractors in Appendix A of RFP No. 06-002 to improve work flow.
- D. Implement technical improvements identified in Appendix B of RFP No. 06-002 that can be implemented in the current PeopleSoft version.
- E. Work with EUTF staff to develop and implement additional business processes and other operational improvements to maximize efficiencies that can be realized with the current PeopleSoft version.
- F. Configure appropriate tables and the modification or creation of SQR report programs as needed.
- G. Develop/configure/modify/implement tables, programs and screens per design specifications as needed.
- H. Develop/configure/modify/implement reporting requirements as needed.
- I. Assist with Oracle configurations, tuning and problem resolutions.

The amended contract would continue to include the services provided by BST for items B through I above. The amended contract would include additional services to be provided by BST summarized as follows:

- J. Work with EUTF staff and technical staff to design, develop, configure, modify, implement and document system requirements to prepare and conduct Open Enrollment and to process eligibility and enrollment data for reporting, collection and payment of new benefit plans effective July 1, 2007.

- K. Assist technical staff to support the imaging system on an as-needed basis. Support includes configurations, modifications and troubleshooting for Kofax Ascent Capture, FileNet server and clients, RightFax server and clients, and Oracle database.

- L. Assist as technical subject matter experts with the project to implement a new benefits administration system as follows:
 - 1. Provide knowledge and expertise of the current system design and configuration
 - 2. Provide knowledge and expertise of the current database administration
 - 3. Provide knowledge and expertise of the current system administration
 - 4. Provide knowledge and expertise of the current network configuration
 - 5. Provide knowledge and expertise of technical issues/challenges
 - 6. Provide knowledge and expertise of reporting requirements
 - 7. Assist with the initial system fit/gap analysis
 - 8. Assist with data conversion activities

Explanation Describing How Procurement by Competitive Means is Either Not Practicable nor Advantageous to the State:

It is not practicable nor advantageous to the State to procure by competitive means a contractor to modify and configure the PeopleSoft/HFIMS system and imaging system to handle the new EUTF health and life benefit plans, effective July 1, 2007. As noted above, the EUTF software systems have to be modified and configured by March 2007 in order to handle the EUTF open enrollment in April 2007. It would be difficult to complete a competitive procurement prior to March 2007. Any new contractor would not have enough time to become familiar with the EUTF software systems and EUTF business process and procedures in order to modify and reconfigure those software systems in time for the open enrollment.

For similar reasons, it is not practicable nor advantageous to procure by competitive means a contractor to modify the EUTF software systems to develop an automated system solution for handling the emerging different scenarios of employer/retiree contributions. More retirees are falling into the categories where 0%, or up to 50% or 75% of the employers' base monthly contribution is paid for their health benefit plans. The delays of completing a competitive procurement and allowing a new contractor to familiarize itself with the EUTF's highly modified software systems will cause the EUTF to experience problems in servicing these retirees. A timely solution is required. In addition to being already familiar with the EUTF systems and the EUTF business processes and procedures, BST already has been working on the retiree issue. BST's familiarity with this issue, the EUTF systems, and the EUTF business processes and procedures will enable the State to have a successful solution in a timely manner.

BST's unique understanding of the existing PeopleSoft/HFIMS system and imaging system, which as noted above has been highly modified and customized, make it the best candidate to assist the EUTF in planning and implementing a conversion from the existing systems to a new benefits administration system. No other contractor would have comparable knowledge or expertise. Based on BST's experience with the EUTF and its existing software systems, BST can advise the EUTF and its consultant as to

technical matters pertaining to the EUTF's computer and software needs. In addition, BST's experience and history with the existing EUTF computer and software systems would allow it to help plan and implement the conversion over to the new system. The project management plan for planning and procurement of the new system is already in its early stages. Any new contractor could not assist in the planning and procurement process for months while it becomes familiar with the EUTF systems, requirements, business processes and procedures.

Finally, given that it would be most practicable and advantageous for BST to configure the existing EUTF software systems to handle the new health and other benefit plans, to develop an automated solution to handle the emerging scenario of differing employer/retiree contributions for retiree health benefit plans, and to assist in the planning and conversion over to new benefits administration software, it would also be most practicable and advantageous to the State to extend BST's existing contract for support and maintenance of the EUTF software systems. Keeping BST on for continued support and maintenance will allow them to keep and deepen their familiarity with the EUTF's existing computer and software systems, thereby: (a) increasing their ability to assist in the planning and conversion over to a new benefits administration system; (b) allowing them to follow-up and troubleshoot any problems that develop in handling the new EUTF health and other benefit plans after the EUTF software systems have been reconfigured; and (c) allowing them to follow-up and troubleshoot any problems that develop in the automated system solution for handling differing employer/retiree contributions.

If you have any questions regarding this request for exemption, please call Kathleen Shiroma at (808) 587-5435.

Enclosure

EXHIBIT 1

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

	Current Version
AIX	5.3
Oracle	8.1.7.4.0, 9.2.0.7.0
HR	7.51
Ben Admin	7.51
AR	7.52
PeopleTools	7.62
Crystal Reports	6.0.1.135
FileNet CS	5.2
FileNet Desktop	3.2
Kofax Ascent Capture	5.51
RightFax	8.5
Kodak DS Scanners	1500D

ATTACHMENT B

EUTF Board of Trustees

<u>Name</u>	<u>Title</u>
Mark E. Recktenwald	Chairperson
Nelson B. Befitel	Vice-Chairperson
Vacant	Secretary Treasurer
Elizabeth C. Ho	Employee-Beneficiary Trustee
George Kahooohanohano	Employee-Beneficiary Trustee
Marie C. Laderta	Employer Trustee
Gerald K. Machida	Retiree Trustee
John Radcliffe	Employee-Beneficiary Trustee
Stanley T. Shiraki	Employer Trustee
Katherine H. Thomason	Employee-Beneficiary Trustee