

## UNIVERSITY OF HAWAII NOTICE OF EXEMPTION CHAPTER 103D, HRS

The President, University of Hawaii, is in the process of reviewing the request from  
Office of Risk Management, University of Hawaii System (Department/Campus)  
for exemption from Chapter 103D, HRS, for the following goods and services:  
Third party administration services for the University's workers' compensation insurance coverage.

**Vendor:** Tristar Claims Management Services, Inc.  
(If known)  
**Address:**  
100 Oceangate, Suite 840  
Long Beach, California 90802

<b>Term of Contract:</b> (If known)	From: July 1, 2023	To: June 30, 2024	Cost: \$3,800,000.00 (est.)
--	--------------------	-------------------	--------------------------------

<b>Direct any inquiries to:</b> Department: Office of Risk Management, University of Hawaii System  Contact Name/Title: Darren Suzuki, Director, Office of Risk Management  Address: 1960 East-West Road, Biomed B-204 Honolulu, Hawaii 96822	Phone Number: (808) 956-7243  Fax Number: (808) 956-2304
---	--

Date Posted: June 8, 2023

Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven (7) calendar days from the date posted to:

Office of Procurement Management  
1400 Lower Campus Road, Room 15  
Honolulu, Hawai'i 96822  
email: OPM@hawaii.edu

**REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS**

**TO: OFFICE OF PROCUREMENT MANAGEMENT**

**FROM: Office of Risk Management**  
(Department/Program)

Pursuant to APM Section A8.220, the Department requests a procurement exemption to purchase the following:

Description of goods, services, or construction:  
See attached.

Estimated Cost: \$ See attached.

(1) Explanation describing how procurement by standard competitive means is either not practicable or not advantageous to the University;  
See attached.

(2) Details of the process or procedures to be followed in selecting the vendor to ensure as fair and open competition as practicable;  
See attached.


(3) A description of the Department's internal controls and approval requirements for the exempted procurement; and  
See attached.

(4) A list of Department personnel, by position title, who will be involved in the approval process and administration of the contract:  
See attached.

Direct questions to: Darren Suzuki Phone: (808) 956-7243

I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS TO THE BEST OF MY KNOWLEDGE, TRUE AND CORRECT.

Darren Suzuki, Director, Office of Risk Management

 6/7/23  
Signature Date

Full Name of Principal Investigator, Department Head, or Administrator

Blanche Fountain, Director, System Administrative Services

Blanche Fountain 6/7/23  
Signature Date

Digitally signed by Blanche Fountain  
Date: 2023.06.07 12:11:56 +10'00'

Full Name of Fiscal Administrator

APPROVED:

Jan Gouveia, VP for Administration

 6/8/23  
Signature Date

Full Name of Vice President or Chancellor

FOR OPM USE ONLY

OPM COMMENTS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

APPROVED  DENIED

 6/19/23  
PRESIDENT, UNIVERSITY OF HAWAII DATE

Digitally signed by David Lassner  
Date: 2023.06.19 15:01:23 -10'00'

**REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS  
THIRD PARTY ADMINISTRATION  
FOR THE UNIVERSITY OF HAWAII  
WORKERS' COMPENSATION INSURANCE COVERAGE**

**Description of goods, services, or construction:**

Provide third party administration for the University's workers' compensation insurance coverage, as follows:

1. Claims management services for existing and new reports of injury and illness incurred.
2. Claims management services for existing and new injuries incurred but not reported (IBNR).

Claims management services include but are not limited to, claims adjusting services, medical billing auditing services, medical case management services, and financial management and general administration services.

**Estimated Cost: \$ 3,800,000.00 (estimated)**

**(1) Explanation describing how procurement by standard competitive means is not practicable or not advantageous to the University.**

The University entered into contracts with First Insurance Company of Hawaii (FICOH) to provide third party administration for the University's workers' compensation insurance. At the time the contracts were established, FICOH was the insurance provider of the workers' compensation (WC) insurance for the University. The WC insurance policy provided by FICOH had increasing retention level thresholds. As a result, FICOH was also contracted to provide claims management services to ensure consistency between the retention adjustments and insurance policy adjustments.

In addition, in conjunction with providing the WC insurance and claims management services for the WC insurance provided to the University, FICOH also provided third party administration services for IBNR. For the IBNR, FICOH assumed the adjustment and management of open WC claims formerly managed by the Department of Human Resources (DHRD) and Constitution State Services Company to ensure that all open claims were/are brought to proper and final closure.

In December of 2022, FICOH assigned, conveyed, and transferred to Tristar Claims Management Services, Inc. (TRISTAR) certain FICOH business assets related to the handling WC insurance claims. As a result, the contracts between the University and FICOH for the third party administration/WC claims management services are being performed under a subcontract between FICOH and TRISTAR, which the University has approved. However, these contracts are set to expire on June 30, 2023, and the University needs to secure a new contract with a third party administrator to ensure that there are no lapse in services for its WC claims management.

The University plans to extend one of the contracts with FICOH under which FICOH will provide WC claims management services (but not third party administrator services) for selected long-standing WC insurance claims.

Procurement by standard competitive means (i.e. invitation for bids, requests for proposals) is not practicable or advantageous to the University for these WC insurance claims management and third party administrator services. It is critical for the University to engage with a firm that has experience in providing third party administration/WC insurance claims management services taking into consideration the large volume of claims to be managed for the University. The invitation for bids method of procurement would be too restrictive as it would not allow the University to evaluate a company's past experience or performance in or its present capability of handling a volume and a range of WC insurance claims similar to the University's present WC insurance claims. While the request for proposal process would allow for evaluation and consideration of a firm's past experience and present capability, there does not appear to be sufficient time to complete the RFP process in time to prevent a gap in the handling of the University's WC insurance claims. The new contract for third party administrator services to handle the University's WC insurance claims must be in place no later than July 1, 2023.

**(2) Details of the process or procedures to be followed in selecting the vendor to ensure as fair and open competitions as practicable.**

Research was conducted by the University's brokerage and risk management consulting firm on behalf of the University. The goal of this research was to survey the marketplace and assess the current climate of third party administration/workers' compensation claims management services, and the availability of such services. The results of this research are as follows:

- 1) Like many industries, this industry continues to struggle with retention and recruitment. The aging workforce has resulted in many retirements and companies are challenged with recruiting qualified and/or seasoned employees.
- 2) The industry continues to experience cyclical movement. Claims professionals have left the industry for better opportunities, transitioned to other companies, or simply moved to a completely different business sector.
- 3) There appears to be just one other firm with Hawai'i operations that has historically provided these third party administrator services at a level similar to FICOH, the University's current service provider. However, this other firm has been acquired by another firm and its future appears to be uncertain.

Based on the above, there does not appear to be any other firms that can provide third party administration/WC insurance claims management services at the University's current level. In addition, it would be in the University's best interest to retain the services of TRISTAR at this time for a period of ONE (1) year with the option to extend for two additional one year periods, to allow the industry to possibly rebound. Prior to the end of the contract term, the University will conduct another survey and assessment of the marketplace.

**(3) A description of the Department's internal controls and approval requirements for the exempted procurement.**

The Office of Risk Management and the Office of Procurement Management will negotiate a contract with TRISTAR that is similar in scope and cost as the existing

contracts. The Office of Risk Management will be responsible for managing and overseeing the work of TRISTAR to ensure that firm adheres to the level of service set forth in the agreement. Lastly, all expenditures made under the agreement will be subject to review and approval, and will be processed in conformity with the University's policies and procedures.

**(4) A list of Department personnel, by position title, who will be involved in the approval process and administration of the contract**

Darren Suzuki, Director, Office of Risk Management  
Suzette Leong, Disability Benefits Manager, Office of Risk Management  
Jan Gouveia, Vice President for Administration  
Blanche Fountain, Director of System Administrative Services  
Office of Procurement Management