



STATE PROCUREMENT OFFICE
NOTICE OF REQUEST TO AMEND AN EXEMPTION
FROM HRS CHAPTER 103D CONTRACT 15 JUN 22 P3:51

TO: Chief Procurement Officer

FROM: Department of Human Services
Name of Requesting Department

ADMINISTRATION
STATE PROCUREMENT OFFICE
STATE OF HAWAII

Pursuant to HRS §103D-102(b)(4) and HAR section 3-120-5(d), the Department requests to amend an exempt contract as follows:

1. SPO-007, Exemption Reference (PE) Number: 15-059K
2. Vendor/Contractor/Service Provider Name: KPMG, LLP

3. Describe the goods, services, or construction: See attached.
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4. Explain in detail what is being amended: The amount of the request under PE15-059K is being amended to correct the Department's estimated total cost of design, development and implementation (DD&I), and maintenance and operations (M&O) through June 30, 2016. The description of services in PE15-059K is not being changed. The estimated cost for DD&I and related M&O is being increased from the \$25,000,000 approved in PE15-059K to \$26,000,000.

5. Amended contract price for this request: <u>\$ 26,000,000 state & fed funds</u>
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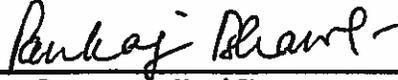
6. Explain in detail why the amendment(s) are necessary: The amendment is necessary because, as a result of further discussions with the vendor, the Department has a more accurate estimate of the total cost for both DD&I and the monthly M&O, which will exceed the approved exemption amount. M&O is a necessary component of any complex IT build such as KOLEA. Under the approved exempt contract, the Department will complete the DD&I in two phases: the first phase for bare minimum functions that will allow the State to comply as a state-based exchange at go-live November 1, 2015 and the second phase in early 2016 to make the remaining system changes related to the State transitioning to a SSBM. The State intends to competitively bid M&O, but while the competitive bid is being developed, the current vendor must keep KOLEA operational for the benefit of Hawai'i's residents who are eligible to receive subsidized health coverage. All of these services will be at risk if the State is unable to fund ongoing M&O.
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7. Identify the primary responsible staff person(s) conducting and managing this procurement. Appropriate delegated procurement authority and completion of mandatory training required.)

*Point of contact (Place asterisk after name of person to contact for additional information.)

Name	Division/Agency	Phone Number	Email address
Leslie Tawata			

All requirements/approvals and internal controls for this expenditure is the responsibility of the department. I certify that the information provided is to the best of my knowledge, true and correct.



Department Head Signature

06/22/2015

Date

For Chief Procurement Officer Use Only

Date Notice Posted: 6/23/15

Submit written objection to this notice to issue a sole source contract within seven calendar days or as otherwise allowed from date notice posted to:

state.procurement.office@hawaii.gov

Chief Procurement Officer (CPO) Comments:

Approval is granted for the solicitation process only and with the understanding that the department has determined that it would not be advantageous and not practicable to conduct a competitive procurement prior to the next open enrollment period, November 2015. For this amendment, the following requirements will remain the same as the original exemption:

The following actions will be required to substantiate the good standing of this contract going forward:

- Create a contract in writing as a separate contract vehicle detailing the exemption description, period of performance and additional requirements thereto;
- Ensure any new monies over \$100,000 attached to the contract be associated with an evaluated proposal containing certified cost and pricing data along with documented evidence of cost and pricing analysis to determine a fair and reasonable price is performed by the State;
- Process a 'new' or 'change to current exemption' request if there is any change in scope;
- Align Payment and Program management against a set of milestones and deliverables;
- Develop an additional contract agreement between all parties (DHS KOLEA Team, Connector Team, CIO, KPMG, Deloitte, PCG) with a Relationship Charter clearly spelling out the roles and responsibilities, communications, and the process of dealing with DRs, disagreements, or any new challenges as they arise;
- Clearly document any deviation from the plan with reasoning;
- Develop a life-cycle plan for managing the system from November 2015 and forward. This exemption is a short term approval. How and who will be maintaining the system in the future?
- Pursuant to HRS section 103D-310(c) and HAR section 3-122-112, the procuring officer shall verify compliance (i.e., vendor is required to provide proof of compliance) for all contracts awarded and the award is required to be posted on the Awards Reporting System. Copies of the compliance, awards posting, contractor's certificate of current cost and pricing data, and department's cost and price analysis of the data are required to be documented in the procurement/contract file.

If there are any questions, please contact Kevin Takaesu at 586-0568, or kevin.s.takaesu@hawaii.gov.

Approved Disapproved No Action Required


Chief Procurement Officer

6/29/15

Date

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

1) Describe the goods, services or construction:

The services described under approved exemption PE15-059K have not changed. They are restated below for reference, with appropriate amendments to the last paragraph based on PE15-059K.

The federal Centers for Medicare & Medicaid Services (CMS) issued a demand that the Hawaii Health Connector (the Connector) develop a Corrective Action Plan (CAP) that includes using the Federally Facilitated Marketplace (FFM) as the platform for processing applications for Advance Premium Tax Credits (APTC) and Cost Share Reductions (CSR) in time for the next Open Enrollment period in November 2015. By using the FFM, the State will transition from a state-based exchange to a Supported State Based Marketplace (SSBM). The CAP was submitted on May 11, 2015. Even though the requirement is on the Connector to become compliant with the federal ACA requirements, the Department, as the state's Medicaid agency, is being required by CMS to implement the necessary system changes to its integrated eligibility system, known as KOLEA, within the same timeframe to enable the State to transition to a SSBM.

The transition requires a vendor to design, develop, implement and perform related maintenance and operations to conduct a two-way transfer of applicant files between KOLEA and the FFM, also referred to as Account Transfer (AT). The vendor would also be required to establish a new interface, D1H31, to verify information on Medicaid eligibility for the FFM. In addition to establishing the new file transfer and interface, the Department must also implement other system changes to KOLEA that include, but are not limited to, making changes to the state hub to ensure the file transfers can be sent through the state hub to the FFM, revising the client facing portal, revising current notices that are sent to applicants and beneficiaries, revising the reports to reflect activities to the FFM, terminating current files and transactions to the Connector, processing applications received from the FFM, amending and submitting required security documentation, and conducting a one-time eligibility determination for all current Connector members prior to the initial submission to the FFM for APTC/CSR determination. These functions will need to be designed, developed, implemented, and maintained by the current vendor, KPMG. All of these new features and functionalities must be in place before the next Open Enrollment period in November 2015 in order for Hawaii to remain compliant as a State-Based Exchange.

Pursuant to PE 15-059K, the Department will enter into a new contract for these services for the period starting upon execution to December 31, 2017 to ensure continuing support of all system changes implemented for the Open Enrollment and Special Enrollment periods. During the term of the exempt contract, KPMG will also begin turnover activities and the Department will, in consultation with the CIO, competitively procure the maintenance and operations.