

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

RECEIVED BY  
STATE PROCUREMENT OFFICE  
06/26/2015 10:11 AM

TO: Chief Procurement Officer

FROM: Department of Health/Adult Mental Health Division *aj*  
*Name of Requesting Department*

Pursuant to HRS § 103D-102(b)(4) and HAR chapter 3-120, the Department requests a procurement exemption for the following:

1. Describe the goods, services or construction:  
Leasing network servers and remote management of network servers for the Adult Mental Health Division's (AMHD) electronic medical records (EMR) system. Remote management of the new network servers will include management of the virtual private network equipment, creation and maintenance of a secure server environment, data migration, database management, and installation of product and operating system updates/patching. The EMR system will consolidate two existing AMHD EMR systems into one EMR system, create one master patient index, and upgrade and enhance the EMR and claims processing system. The consolidated EMR will also allow AMHD to process electronic eligibility files as required for administrative and payment oversight of agreements with the Department of Human Services and electronically prescribe medications.

2. Vendor/Contractor/Service Provider:	Netsmart Technologies, Inc.	3. Amount of Request:
		\$ 921,799.00
4. Term of Contract From:	7/1/2015	To: 6/30/2019
		5. Prior SPO-007, Procurement Exemption (PE):

6. Explain in detail, why it is not practicable or not advantageous for the department to procure by competitive means:  
It is not practicable for AMHD to purchase new network servers due to the Office of Information Management and Technology's (OIMT) plans for centralized data systems for State programs. AMHD is also unable to purchase remote management of network server services by competitive means because the vendor does not allow the outsourcing of hosting of its EMR system. Attached is the AMHD's approved request to the OIMT, for its System Improvement project, which includes project plans, timelines, scheduled deliverables and status reports. Please refer to Attachment 1.

7. Explain in detail, the process that will be or was utilized in selecting the vendor/contractor/service provider:  
The EMR system was originally procured through a request for proposal, RFP No. AMHD-FY-96-1. The vendor that was awarded a contract through this RFP, Creative Socio-Medics Corporation, was subsequently purchased by Netsmart Technologies, Inc. In accordance with the Hawaii Administrative Rules §3-122-124 (a) (2), Exceptions to the requirement for cost or pricing data, attached is a price from Netsmart Technologies, Inc., that is regularly maintained and available for inspection by customers, and states the price at which sales are currently or were last made to a significant number of buyers or buyers constituting the general (non-government) buying public for the goods or services involved. Please refer to Attachment 2.

*15172*

8. 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	e-mail address
Amy Yamaguchi	AMHD	586-4682	amy.yamaguchi@doh.hawaii.gov
Enid Kagesa*	AMHD	586-8282	enid.kagesa@doh.hawaii.gov

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

Virginia Pressler  
Department Head Signature

JUN 26 2015

Date

**For Chief Procurement Officer Use Only**

Date Notice Posted: 8-5-15

Inquiries about this request shall be directed to the contact named in No. 8. Submit written objection to this notice to issue an exempt contract within seven calendar days or as otherwise allowed from date notice posted to:

[state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)

Chief Procurement Officer (CPO) Comments:

This request is disapproved as justification provided is insufficient as to why a competitive procurement is not practicable or advantageous to the State. Approval by OIMT was granted to purchase new network servers to create one system with the understanding that a request for sealed proposals would be solicited and award made in accordance with that procurement method.

If there are any questions, please contact Donn Tsuruda-Kashiwabara at 586-0565 or [donna.tsuruda-kashiwabara@hawaii.gov](mailto:donna.tsuruda-kashiwabara@hawaii.gov).

Approved

Disapproved

No Action Required

[Signature]  
Chief Procurement Officer Signature

10/26/15  
Date

DAVID Y. IGE  
GOVERNOR



KEONE KALI  
CHIEF INFORMATION  
OFFICER

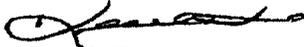
**STATE OF HAWAII**  
**OFFICE OF INFORMATION MANAGEMENT AND TECHNOLOGY**

P.O. BOX 119, HONOLULU, HAWAII 96810-0119  
www.hawaii.gov/oiml

OIMT-AD11-02 15.0007

April 6, 2015

**To:** Virginia Pressler, M.D.  
Director of Health  
Department of Health

**From:** Keone Kali   
Chief Information Officer

**Subject:** Request for Approval to Purchase Equipment, Software, and Server Hosting  
Services Over \$100,000, Pursuant to EM 14-06 Dated February 3, 2015

---

Approvals are hereby granted, however, your compliance with the following is required for the Adult Mental Health Division's System Improvement Project.

Please provide copies of the following:

- 1) Copy of the solicitation (RFP or Statement of Work)
- 2) Copy of the awarded offeror's proposal
- 3) Copy of the fully executed contract

Upon project initiation, please provide the following:

- 1) Project Charter
- 2) Project Plan and Timelines
- 3) Scheduled Deliverables
- 4) Monthly Project Status Reports

As your System Improvement Project requires a VPN solution for access and is architected to operate outside of the State's Secured Network perimeter, the DOH will be fully responsible for all HIPAA related compliance and security requirements.

This approval is specific to the project investment amount of \$921,799.00. If the project should encounter contract amendments due to increases in project duration, scope or costs, the appropriate notification and documentation must be submitted to State CIO for review/approvals prior to execution.

Please forward all documents to Office of Information Management and Technology, 1177 Alakea Street, Room 305, Attention: IT Governance Officer.

Attachment

PE15-068D

DAVID Y. IGE  
GOVERNOR OF HAWAII



VIRGINIA PRESSLER, M.D.  
DIRECTOR OF HEALTH

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
ADULT MENTAL HEALTH DIVISION  
P. O. BOX 3378  
HONOLULU, HI 96801-3378

15 FEB 10 10:00 AM '10

February 3, 2015

TO: Keone Kali  
Chief Information Officer, State of Hawaii

FROM: Virginia Pressler, M.D.  
Director of Health

**SUBJECT: Request For Approval to Purchase Equipment, Software, and Server Hosting Services over \$100,000, Pursuant to EM 14-06**

We respectfully request approval pursuant to EM 14-06 to purchase equipment, software, and server hosting services costing over \$100,000. Additional information detailing the need for the equipment, software, and server hosting services is explained below.

1. Program I.D. and Title: HTH 420 Adult Mental Health - Outpatient
2. Amount of the Purchase: \$921,799.00
3. Means of Financing: Special Funds
4. Description and Purpose of the Equipment, Software, and Server Hosting Services to be Purchased:

The Governor approved Adult Mental Health Division's (AMHD) System Improvement Project which includes consolidation of the two existing AMHD computer systems to create one master patient index, and upgrading and enhancing the electronic medical record (EMR) and claim systems. The project adds functionality not available in the current systems to process electronic eligibility files as required for administrative and payment oversight of agreements with the Hawaii State Department of Human Services. The project also adds ePrescribing capabilities (electronic prescriptions), as required by Medicare, for AMHD's Community Mental Health Centers.

In order to proceed with this project, new hardware is required to support the solution enhancements. The EMR vendor, Netsmart Technologies Incorporated (Netsmart), has proposed to lease to AMHD and remotely manage servers which would be housed in the Hawaii State Hospital server room. The Department believes that leasing equipment and services through Netsmart's hosting solution best positions AMHD to support its lines of business including an outpatient and inpatient EMR, billing functions, and pharmacy order management. Additionally, this project includes the operations of AMHD's claims processing and authorization management system for contracted purchase of service providers.

15-001555

PE15-068D

The option requested provides a solution that is needed immediately to support the new system software functionality, while minimizing the Department's investment in additional hardware and personnel resources in advance of Office of Information Management and Technology (OIMT's) plans for centralized data centers.

A benefit of this approach is that Netsmart will be responsible for the hosting services and system operations, which includes the server and Virtual Private Network (VPN) equipment, creation and maintenance of a secure server environment, data migration, database management, server management, and product and operating system updates/patching. Another significant advantage to the proposed option in this request is the ability to provide a starting based disaster recovery system that will be maintained in Netsmart's Ohio datacenter. The disaster recovery system is included in the services being provided as part of the leasing/hosting solution.

While the network responsibilities will still be the responsibility of AMHD, this proposal will allow AMHD's information technology unit to focus on meeting end users' needs and not detract from the goals of the organization. As it is difficult in today's technology world to maintain all of the levels of expertise required to run complex systems with Departmental information technology staff, e.g., system upgrades, patches and testing, Netsmart will provide that expertise through their extensive experience with hosted environments for other States and non-governmental customers.

The table below details the quote from Netsmart for the services being requested.

Netsmart Remote Hosting Quote	
Description	Costs
<b>Set-up Services</b>	\$39,453.00
• Building the Sandbox, Build, Test and Live Environments on the hardware that will be remotely hosted in the Clients Data Center	
• Installation of all Licensed Programs	
• Patching all Licensed Programs for myAvatar Upgrade	
• Future Patching for all Licensed Programs (included in hosting)	
• Configuration & testing of software programs	
• Establishing security infrastructure (excluding Network)	
• Establishing backup/disaster recovery environments	
• Setting up VPN client, VPN appliance, or SSL connectivity and One copy of client installable Checkpoint VPN Software (if applicable)	
• Transfer of all equipment to Client's data center and setup	

Data Migration from Current System to Netsmart Data Center	\$3,611.00
On Site Implementation Assistance	\$4,240.00
25 elite Platform Specific Multi server Cache Licenses	\$22,525.00
<b>Total Onetime Cost (Licenses &amp; Professional Services)</b>	<b>\$69,829.00</b>
VPN Appliance – Provides a secure VPN tunnel to connect the existing network users, to the Netsmart hosting cloud.  The Traffic passing through the VPN tunnel to the Netsmart Hosting Environment, must use Network Address Translation (NAT) to a Netsmart specified IP address range. The State is responsible for making any firewall modifications to accommodate the connection to the Netsmart infrastructure.	\$4,240.00
<b>Total Onetime (Third Party Products)</b>	<b>\$4,240.00</b>
Hosting of Licensed Programs purchased by the State under the Master License Agreement up to the maximum user count of 430*.  <ul style="list-style-type: none"> <li>• Listed prices are annual</li> <li>• Licensed Programs will be hosted at the Netsmart Data Center.</li> <li>• State will transfer the RADPlus Named Users (430 units) to the Netsmart hoisting environment.</li> </ul>	\$154,380.00
VPN Appliance Annual Maintenance	\$852.00
Maintenance and Support for 25 elite Platform Specific Multi server Cache Licenses - annual	\$5,014.00
ICD 10 licensing - annual subscription	\$9,300.00
<b>Annual Recurring Costs</b>	<b>\$169,546.00</b>
<b>Total Costs First Year</b>	<b>\$243,615.00</b>
<b>Total Costs for Five Years</b>	<b>\$921,799.00</b>

5. Impact of Not Purchasing the Equipment, Software, and Contracted Staffing Requirements:

If this request is not approved, AMHD will be unable to:

- a. Meet its goals of consolidating information and reports on persons with severe and persistent mental illness served in state operated and contracted programs,
- b. Completely meet the HIPAA 5010 transaction requirements for 5010 compliant billing,
- c. Prepare for ICD-10 coding compliance as required by Centers for Medicare and Medicaid (CMS) in October, 2015,
- d. Increase patient safety through adoption of electronic medication administration recording (eMAR), and
- e. Enhance privacy and security through equipment modernization.

6. Alternatives Considered:

- a. Hosting of the applications in Netsmart's Ohio data center was evaluated and it was determined this was not a viable option due to network performance between the State and mainland,
- b. Using a third party for hosting was not considered a desirable approach because all benefits to specific application knowledge (including patching/updating of the application) would remain the responsibility of AMHD, and
- c. Purchasing new AMHD hardware was also considered, but there are insufficient staffing resources to manage the expanded services that will be provided when the goals of the System Improvement Project are fully realized.

This proposal is to procure hosting of the software which we have previously procured. It includes \$74,069 in one-time expenses and annual costs of \$169,546. What is unique about this proposal is that the hosted servers for the Live environment will be located at the Hawaii State Hospital with a disaster recovery site on the mainland in one of Netsmart's data centers. The attached document from Netsmart describes their hosted environment services in general but assumes that the Live site is also in one of their data centers. Upon cost analysis and market research, AMHD believes the proposed cost is reasonable given the following facts:

- a. Netsmart does not separate the application specific maintenance costs from the overall costs. An outside vendor is unwilling to provide these services which are part of the proposal.
- b. Netsmart does not provide maintenance and support services for Netsmart software hosted at a third party site, thus, it must be the client site or Netsmart hosting.
- c. When AMHD sought an informal quote from a local Hawaii vendor, the costs for hosting alone (not maintenance and support of the application) were similar to the Netsmart quote.

Keone Kali  
Request for Approval to Purchase Equipment  
February 3, 2015  
Page 5

There are many advantages to purchasing hosted services which include not having to invest in hardware that will become obsolete or unnecessary should use of the software be discontinued. A document from Netsmart is attached which describes these benefits in detail.

If you have questions, please contact John Jansen, AMHD Chief Information Officer at (808) 236-8393. Thank you in advance for your time and attention to this request.

Attachments

APPROVED\*       DISAPPROVED  
\* See attached memo dated April 6, 2015.

  
\_\_\_\_\_  
KEONE KALI  
Chief Information Officer, State of Hawaii

APR -6 2015

  
\_\_\_\_\_  
DATE

State	Base		Add ons			Users	Concurrent Users	RxConnect concurrent users	Total Monthly Cost	Total Annual Cost
	Avatar PM/CWS per user per month	Avatar PM/CWS per concurrent user per month	Perceptive per concurrent user per month	Scriptlink per month	RXConnect per concurrent user per month					
AZ		\$120.00	\$14.28	\$1,250.00	\$90.00		200	11	\$29,096.00	\$349,152.00
GA	\$33.00		Included			2000		Included	\$66,000.00	\$792,000.00
NV		\$102.56					431		\$44,204.80	\$530,457.56
DC	\$36.19					930			\$33,656.70	\$403,880.40
MN		\$99.00			\$90.00		400	30	\$42,300.00	\$507,600.00
HI - Proposed	\$29.92					430		Included	\$12,865.60	\$154,387.20

The above information is available via open records requests of contracts from other States.