

'06 MAY 16 P3 06

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

1. TO: Chief Procurement Officer
2. FROM: Department of Human Services/Med-QUEST Division

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:
Provide a point of sale (POS) pharmacy claims processing system and pharmacy administration for the Hawaii Medicaid Fee for Service and the State Pharmacy Assistance Program

4. Name of Vendor: ACS State Healthcare, LLC
Address: 9040 Rosewell Road, Suite 700
Atlanta, Georgia 30350

5. Price:
\$3,000,000.00

6. Term of Contract: From: July 1, 2006 To: June 30, 2007

7. Prior Exemption Ref. No.

8. Explanation describing how procurement by competitive means is either not practicable nor advantageous to the State: Many years ago the processing of pharmacy claims were separated from the fiscal agent contract which processed medical claims. This was done to attempt to reduce the cost as it was much cheaper to process a pharmacy claim versus a medical claim. The department succeeded in reducing the cost but since the implementation of the Medicare Part D drug benefit the volume of claims have been reduced from over 2,000,000 claims to less than 1,500,000 claims. This has raised the claims processing cost since the fixed cost for the contractor cannot be spread over the volume of claims. The department would like to issue a new RFP that includes both the medical and pharmacy claim so we could increase the volume of claims that would be processed, thus reducing the cost per claim processed. The current fiscal agent contract is set to end of June 30, 2007.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
Currently ACS process the pharmacy claims for the Medicaid Program. The DHS is concerned about the confusion among providers should a change in pharmacy benefit manager (PBM) occur for one year. This would mean programming changes for each provider should there be a change in PBMs.

10. A description of the agency's internal controls and approval requirements for the exempted procurement:
The DHS Med-QUEST Medical Standards Branch (MSB) and the MQD's Finance Office will follow all normal procurement processes. We will monitor the extended contract with the PBM and ensure that all requirements are met.

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

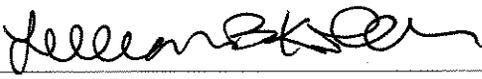
12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:			
Name	Position	Involvement in Process	
Lynn Donovan	Pharmacist	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Brian Pang	Finance Officer	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
Dona Jean Watanabe	Purchasing Specialist	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Angelina Payne	Acting Med-QUEST Administrator	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
Lillian Koller	Director	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
		<input type="checkbox"/> Approval	<input type="checkbox"/> Administration

13. Direct inquiries to:	Department: Human Services/Med-QUEST Division Contact Name: Angelina Payne Phone Number: 808-692-8050 Fax Number: 808-692-8155
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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.*

DIR


 Department Head

MAY 15 2006
 Date

Reserved for SPO Use Only	
	15. Date Notice Posted <u>5/18/06</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: This approval is based on the DHS's representation that their program will incur disruption to the programs (providers, clients and DHS) if there is a change in only one vendor for only a one-year period until the DHS combines these services into a single contract. Also, this approval is for the solicitation process only, section 103D-310(c), HRS, and section 3-122-112, HAR, shall apply.	

16. APPROVED DISAPPROVED


 Chief Procurement Officer Date 5/25/06