



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

07 MAY 14 10:40

1. TO: Chief Procurement Officer
2. FROM: DHS/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:
The Pharmacy Benefits Manager (PBM) provides on-line, point of sale processing for the Medicaid fee-for-service population, including drug rebate administration and prior authorization services. PBM provides support for on-line drug utilization review, claims processing, prior authorization, information management (reporting), provider help desks, clinical support, rebate and formulary management. In addition, the PBM provides claims data and formulary management in conjunction with the Preferred Drug List program. DHS is requesting another exemption from 103D, HRS to extend the current contract which will end in 6/30/07. This contract supports the Aged, Blind and Disabled (ABD) Medicaid fee-for-service program. DHS intends to fold the services of this contract, plus the fiscal agent and PDL (Preferred Drug List), into one contract to support the residual fee-for-service program once the QExA managed care program is implemented. QExA (QUEST Expanded Access) is expected to begin on October 1, 2008.

4. Name of Vendor: ACS State Healthcare Address: 9040 Roswell Road, Suite 700 Atlanta, GA 30350	5. Price: \$3,600,000
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6. Term of Contract: From: 07/01/07 To: 12/31/08	7. Prior Exemption Ref. No. 0
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8. Explanation describing how procurement by competitive means is either not practicable nor advantageous to the State: DHS, with approval of the CMS, intends to integrate the aged, blind and disabled (ABD) Medicaid clients into the managed care program, QExA, effective 7/1/08. With the integration of the ABD clients, the scope of services required for the FA, PBM and PDL contracts will be significantly changed. Rather than the state, via contract, managing the pharmacy benefits and claims processing for the ABD clients, it will become the responsibility of the participating QUEST health plans. The volume of fee-for-service claims, both medical and pharmacy will be substantially reduced. DHS is cognizant that, by regulation, this contract should be procured. The QExA program will significantly change the delivery of services to the ABD population from fee-for-service to managed care. The QExA program design is currently under development. When the CMS approves the waiver amendment the DHS will issue a RFP to support reduced scope of services.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
DHS requests an exemption to Chapter 103D, HRS to extend the current contract till Dec. 31, 2008. At that time the new contractor selected via the procurement process will be on board. The contractor for this PBM contract was the only bidder. Because of the short length of any contract procured at this time, it is unlikely that any organization will be willing to invest resources into contracts that require a great deal of development, system infrastructure and coordination. In reprocurring this contract, if the incumbent is selected, there would not be any start-up or break in project activities, however, if a new entity is awarded the contract, the transition and start-up would create, at least, six months of project tasks assumption/transition. By the time the contractor has assumed all of the tasks and responsibilities, the State will be in the process for transitioning yet another contractor to support their QExA managed care program.

10. A description of the agency's internal controls and approval requirements for the exempted procurement:
DHS' Medicaid Program is a state and federal partnership. At least 50% of the programs operating expenses are borne by the federal government. In the claims processing area, the federal government bears 75% of the cost. Strict approval, monitoring and reporting controls are placed on the State. The federal Centers for Medicare & Medicaid (CMS) is responsible for overseeing the appropriate use of the federal funds. The CMS requires prior approvals and extensive oversight on contracts for claims processing, medical data processing, etc. All contracts/RFPs which deal with everything from health plan contracts to utilization data processing or claims management must be reviewed and approved by CMS. Any violation of CMS policies and procedures may result in federal fund disallowances. Director Lillian Koller, is responsible to work with CMS and State Procurement Office to ensure compliance. Wesley Mun, Acting MQDA is responsible for the administration of the program and direct compliance to all federal and state rules and regulations.

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	
Lillian Koller	Director	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
Wesley Mun	Acting MQD Administrator	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Randy Chau	Systems Officer	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Alan Matsunami	Acting Branch Administrator	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Lynn Donovan	Pharmacist	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
		<input type="checkbox"/> Approval	<input type="checkbox"/> Administration

13. Direct inquiries to:

Department: DHS/MQD
 Contact Name: Dona Jean Watanabe
 Phone Number: 692-7973
 Fax Number: 692-7989

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.*

Alicia M. Steen

MAY 11 2007

Department Head

Date

Reserved for SPO Use Only	
	15. Date Notice Posted <u>5/15/07</u>
<p>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> <p align="center">Chief Procurement Officer State Procurement Office P.O. Box 119 Honolulu, Hawaii 96810-0119</p>	
<p>Chief Procurement Officer's comments:</p> 	

16. APPROVED DISAPPROVED NO ACTION REQUIRED

Chief Procurement Officer

Date