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STATE OF HAWAII
DEPARTMENT OF HEALTH

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

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 fiscal agent is required to provide services including, but not limited to, input, adjudicate and report on non-pharmacy claims. The fiscal agent must also perform some prior authorization of non-pharmacy services. Finally, the fiscal agent must provide an imaging system to image hard copy claims and attachments for pharmacy and non-pharmacy claims, a check-writing system to print checks and reconcile bank statements for non-pharmacy claims.

This contract supports the Aged, Blind and Disabled (ABD) Medicaid fee for service program. The DHS intends to amend the services of the contract to support the residual fee for service program once the QExA managed care program which integrates the ABD clients into a 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:
\$8,000,000

6. Term of Contract: From: 07/01/07 To: 12/31/08

7. Prior Exemption Ref. No.
N/A

8. Explanation describing how procurement by competitive means is either not practicable nor advantageous to the State: DHS, with the 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 Fiscal Agent contract will be significantly changed. DHS is cognizant that, by regulation, this contract should be procured. It appears more cost effective and efficient to extend the existing contract till December 31, 2008 and to procure a totally new contractor to focus on the services required to process the residual fee-for-service claims rather than procure new contracts for a maximum of 1 – 2 years. The contractor is agreeable to an extension till 2008. 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. DHS will be in a position to issue a RFP for a contract to support a 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:

The DHS requests an exemption to Chapter 103D, HRS to extend the FA contract till Dec. 31, 2008 to cover transition from the new contractor and to handle the "lag" claims. Providers have one year to file their claims and we expect the current fiscal agent to be responsible for those "lag" claims. At that time the new contractor selected via the procurement process will be on board. The contractor for the FA 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 a contract that require a great deal of development, system infrastructure and coordination. The current FA contractor, ACS State Healthcare, has agreed to the (1) Reduce the paid claim amount, including amendment revenue by 4% for FY 08. This is a \$336,282 savings; (2) Reduce the paid claim amount, including amendment revenue by 2% for FY09. This is a \$510,683 savings; (3) Total savings = \$846,965.

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

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.

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.*



MAY 11 2007

Department Head

Date

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15. Date Notice Posted 5/17/07

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:

Chief Procurement Officer
 State Procurement Office
 P.O. Box 119
 Honolulu, Hawaii 96810-0119

