



**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:
Provide consulting services to the DHS-MQD for the following: Development and implementation of a State Preferred Drug List (PDL), negotiate supplemental rebates for the Medicaid fee-for-service drug program; improve the State Maximum Allowable Cost (SMAC) program for generic drugs and develop provider reimbursement alternatives with accompanying justification to assist the State with Centers for Medicare and Medicaid (CMS) approval. This contract supports the Aged, Blind and Disabled (ABD) Medicaid fee for service program.

4. Name of Vendor: First Health Services Corporation
Address: 4300 Cox Road
Glen Allen, VA 23060

5. Price:
\$1,039,097

6. Term of Contract: From: 06/26/07 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:
The DHS is requesting an exemption from 103D, HRS to extend the current contract which is in a second contract extension and ending in June 2007. The DHS is requesting approval of an exemption from Chapter 103D, HRS as the DHS' intent is to combine the services contained in three separate contracts into one contract. The RFP for this multi-service contract will be procured for contract implementation 7/1/08. The DHS intends to fold the services of the three separate contracts 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.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
The PDL contractor was one of two bidders and the low bidder for the contract. 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. The existing contract was stringently and fairly procured and the DHS would like to extend this contract until a contractor is procured to support the QExA 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.

Allegra B. Keenan

MAY 11 2007

Department Head

Date

Reserved for SPO Use Only

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

Chief Procurement Officer's comments:

As discussed with Dona Jean Watanabe of the Med-Quest Division, it has been determined that this request should be submitted as a Request for Extension of Time on Contracts, (SPO Form 3). Therefore, this request is being returned with no action required.

16. APPROVED DISAPPROVED NO ACTION REQUIRED

Ann S. Fuji 5/17/07
 Chief Procurement Officer Date