



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

1. TO: Chief Procurement Officer
2. FROM: Department of the Human Services

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:

See Scope of Services attached hereto as Exhibit A.

4. Name of Vendor: Covington & Burling
Address: 1201 Pennsylvania Ave., NW
Washington, DC 20004-2401

5. Price: \$750,000 (\$375,000 State,
\$375,000 Federal)

Funding Agency is DHS

6. Term of Contract: Date of Approval *JH*
From: July 1, 2007 To: June 30, 2008, with
2 6-month extensions

7. Prior Exemption Ref. No.

8. Explanation describing how procurement by competitive means is either not practicable nor advantageous to the State:

Charles Miller of Covington & Burling is well-established among Medicaid programs nationwide as an expert in the area of Medicaid program structure, compliance, and federal revenue maximization. That combined with his extensive experience working with the State of Hawaii since the 1980's, including key assistance with the development of the original QUEST waiver, support the selection of Mr. Miller and his firm to provide the contracted services on behalf of the Department of Human Services. (Note: Although Medicaid is a federal program, each State's program is uniquely structured within general parameters established by federal law. Therefore, familiarity with Hawaii's program is a very important factor when looking at a potential contractor's qualifications.)

Since November 2004, Covington & Burling has been providing these services as a Special Deputy Attorney General, under contract with the Department of the Attorney General. Covington & Burling has been integrally involved in the development of the Request for Proposals for QUEST managed care services, which involved significant changes to the RFP in order to achieve an expansion and refinement of the QUEST managed care program. This process is quite complicated due in part to DHS' desire to increase competition, focus on quality, and strengthen and increase over-all accountability on the part of the health plans. DHS will also require assistance with drafting another RFP for the 1115 waiver to extend the QUEST managed care program to the aged, blind and disabled (ABD) population and to incorporate long-term care programs into the waiver. Including the ABD population into Medicaid managed care will raise important and complex legal and operational issues, which Covington & Burling is uniquely qualified to address.

It would not be practicable nor advantageous to the State to procure these services by competitive means. There is no other firm that is as familiar with the substantive law and Hawaii's Medicaid program as Covington & Burling, and engaging a new firm at this stage of implementation of the current QUEST program in addition to needing specialized services for the complex procurement of managed care services for the aged, blind and disabled population would be seriously impede the DHS' ability to

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

complete a successful procurement.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:

See section 8, above.

10. A description of the agency's internal controls and approval requirements for the exempted procurement:
 The DHS, Med-QUEST Division Administration Office is the lead section. The Administration Office would ensure that there is no other counsel in Hawaii or the Attorney General's Office available to complete these tasks. The recommendation for exemption is made to the Director of Human Services, who will make the final approval. If approved, a letter to the Attorney General is sent requesting the use of outside counsel. Thereafter, the agency will seek approval of the State Procurement Office for an exemption from chapter 103D to retain Covington & Burling without competitive bid.

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 of Human Services	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
Lois Lee	Acting Med-QUEST Administrator	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Dona Jean Watanabe	Contracts and Procur. Specialist	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Lee-Ann Brewer	Deputy Attorney General	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
(Currently vacant)	Finance Officer, DHS/MQD	<input type="checkbox"/> Approval	<input type="checkbox"/> Administration
		<input type="checkbox"/> Approval	<input type="checkbox"/> Administration

13. Direct inquiries to:
 Department: Human Services
 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.*



07/03/07

Department Head

Date

Reserved for SPO Use Only

15. Date Notice Posted 7/06/07

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

11. P.E. No. 08-001-J

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

Chief Procurement Officer's comments:

This approval is for the solicitation process only, HRS section 103D-310(c) and HAR section 3-122-112, shall apply.

16.

APPROVED DISAPPROVED

Adrian S. Fajal 7/13/07
Chief Procurement Officer Date

11. P.E. No. 08-001-J

SCOPE OF SERVICES

The contractor shall provide legal and consulting services to the State of Hawaii for completion of implementation of the 1115 demonstration waiver for the managed health care program reform and expansion, and development and implementation of the expanded QUEST managed care program for the aged, blind, and disabled population, and to incorporate long-term care programs into the waiver. The services to be provided include but are not limited to the following:

A. Completion of implementation of QUEST Expanded managed care program for the non-aged, blind and disabled population.

1. Provide strategic advice, consultation, project management and technical assistance on issues and policy decisions as needed.

B. Development and implementation of QUEST Expanded Access managed care program for the aged, blind and disabled (ABD) population:

1. Legal and consulting services relating to the drafting and issuance of the RFP.
2. Developing an evaluation guide and tool for the technical evaluation, including training materials, and providing technical assistance throughout this phase.
3. Facilitate the evaluation of the proposals in response to the RFP in Hawaii, including coordination with Med-QUEST personnel, subject matter experts, Attorney General's Office and the procurement office.
4. Assist Med-QUEST personnel with a gap analysis and training plan to assist the division in developing a project management structure for outreach and education planning, open enrollment, readiness, and an Operations Plan with a phased-in training schedule to assist Med-QUEST in managing and monitoring the health plans throughout the term of the contract once the contracts are awarded. Development of a Project Implementation Plan with defined project tasks and discrete action items to guide project implementation and an Operation Plan. Assist with development of revised management strategies to meet operational challenges.
5. Assist Med-QUEST Division with developing answers to questions submitted by bidders in response to the Business Section of the RFP.
6. Assist with drafting necessary amendments to the RFP.
7. If requested, provide on-site assistance in conducting readiness reviews, developing corrective action plans if the plans need to do remedial work in order to handle

delivery of services pursuant to the contract, and finalization of Readiness Review documents to support the health plans' abilities to deliver services to enrollees.

8. Prepare an Outreach Plan on Positive Enrollment which requires the development of education/briefing materials for targeted audiences, i.e. advocacy groups, enrollees, legislators, etc.
9. Assist Med-QUEST in negotiating with health plans and preparing any contract amendments necessary after negotiation.
10. Provide strategic advice, consultation, project management and technical assistance on issues and policy decision as needed.
11. Provide outreach/operational plan for the uninsured adult coverage expansion as outlined in Hawaii's 1115 waiver. Work with CMS and the State in securing approval of the plan.

COMPENSATION AND PAYMENT SCHEDULE

It is mutually agreed that the compensation and reimbursement to be paid inclusive of all taxes for the period August 1, 2007 through July 31, 2008 shall not exceed \$750,000.00 (Seven Hundred Fifty Thousand Dollars), to be billed on an hourly basis for actual services performed at the hourly rates set forth below.

The Contractor shall submit an original and one copy of each itemized monthly invoice to the STATE for services performed under the Agreement. The invoice shall certify that the Contractor is entitled to the amount requisitioned under the terms of this Agreement.

Hourly rates to be charged by the Contractor and the approved subcontractor, Alicia Smith & Associates, are as follows:

Covington & Burling

Charles Miller	\$475.00/hour
Caroline Brown	\$450.00/hour
Joan Kutcher	\$425.00/hour
Associates	\$200.00 - \$300.00/hour (based on seniority)

Alicia Smith & Associates

Alicia Smith	\$360.00/hour
Jennifer Papa	\$340.00/hour
Rhonda Rhodes	\$340.00/hour
Marcia Morgan	\$325.00/hour
Others	\$260.00-\$315.00/hour

TIME OF PERFORMANCE

The Agreement shall commence upon execution and end on June 30, 2008, with two (2) options to extend for 6 months each.

SPECIAL CONDITIONS

1. STATE is a business associate of the State of Hawaii, Department of Human Services (“DHS”), as defined in 45 C.F.R. § 160.103. Therefore, CONTRACTOR agrees to the restrictions and conditions set forth in Exhibit A attached hereto with respect to any protected health information that is provided to CONTRACTOR by the DHS or STATE.

CONTRACTOR acknowledges that it may be required to execute a business associate agreement with the DHS, pursuant to 45 C.F.R. §§ 164.502(e) and 164.504(e).

2. The consulting firm of Alicia Smith & Associates is authorized to perform such of the work under this contract as CONTRACTOR determines, and will be treated as a Business Associate of the DHS. CONTRACTOR shall ensure that Alicia Smith & Associates executes appropriate documentation to evidence compliance with section 3.d of the Business Associate Agreement, and Special Condition 1, above.
3. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be the original, but all of which shall constitute one and the same instrument.
4. ***TO BE ADDED: COVINGTON LANGUAGE RE: CONFLICT OF INTEREST***