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STATE OF HAWAII
REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

TO: Chief Procurement Officer

STATE PROCUREMENT OFFICE
STATE OF HAWAII

FROM: DHS/Med-QUEST Division/Administration
(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:

Description of goods, services, or construction:

Development of a Preferred Drug List (PDL), provider education/outreach for PDL implementation, supplemental rebate negotiation, and collections of supplemental rebates.

Name of Vendor: **Affiliated Computer Systems, Inc.**
Address: **9040 Roswell Road, Suite 700
Atlanta, Georgia 30350**

Cost:
\$2,022,000.00

Term of Contract:

From:

To:

Prior Exemption Ref. No. (if applicable)

October 1, 2003 September 20, 2004

Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:

DHS is seeking a limited contract with ACS to enable the department to begin to immediately address the projected state budget shortfall. Pharmacy costs for the Hawaii Medicaid program continues to increase at a rate higher than the budget provided by legislature. With ACS, the department will begin implementation of a PDL which is estimated to eventually save the program \$8 million in state and federal dollars.

The contract will be limited for one year. During this time period, the department will competitively bid the service. The federal Agency involved, CMS, is currently processing an exemption from competitive bidding for us to obtain this savings.

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

To competitively procure the services of a vendor to develop and implement a PDL, negotiate supplemental rebates and develop criteria and administer a prior authorization process will take approximately 3 months. The department risks a large budget shortfall each month that it does not take action on the access to prescription drugs.

The department currently has an existing contract with ACS for some of the same type of services. ACS currently processes pharmacy claims, authorizes pharmacy benefits and files and collects drug rebates. With the exception of the negotiation of supplemental rebates, all of the proposed work is just an expansion of the volume of the current services.

A description of the agency's internal controls and approval requirements for the exempted procurement:

The Medical Standards Branch has made a recommendation to increase the scope of services to ACS in order to implement the PDL immediately. The Finance Office has also recommended that an exemption be secured since an issuance of an RFP and contracting will take approximately 3 months to complete. Final recommendation is made by the the Division Administrator, and approval is made by the Director of Human Services.

A list of agency personnel, by position title, who will be involved in the approval process and administration of the contract:

Brian Pang, Finance Officer
 Lee-Ann Brewer, Deputy Attorney General
 Aileen Hiramatsu, Division Administrator
 Lillian Koller, Director

Direct questions to:	Phone Number:
Aileen Hiramatsu	692-8050

This exemption should be considered for list of exemptions attached to Chapter 3-120, HAR: Yes No

I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS, TO THE BEST OF MY KNOWLEDGE, TRUE AND CORRECT.

 **SEP 29 2003**
 Department Head or Designee Date

 Title (If other than Department Head)

Chief Procurement Officer's Comments:

This request has been returned with no action taken for the following reason:
 Parts of the requested services from Affiliated Computer Systems can be incorporated as a contract modification from a current contract with the agency.
 For the remaining services, agency may revise their exemption request and resubmit for review by the State Procurement Office.

Please ensure adherence to applicable administrative requirements. **NAR**

APPROVED DISAPPROVED

 **10/24/03**
 Chief Procurement Officer Date

cc: Administrator,
 State Procurement Office