



15 NOV -2 08:11

STATE PROCUREMENT OFFICE
NOTICE OF AMENDMENT TO SOLE SOURCE CONTRACT

TO: Chief Procurement Officer
FROM: Department of Health
Name of Requesting Department

Pursuant to HRS §103D-306 and HAR chapter 3-122, Subchapter 9, the Department requests an amendment to sole source approval as follows:

1. SPO-001, Sole Source Reference (SS) Number: SS 15 066B
2. Vendor/Contractor/Service Provider Name: Human Services Research Institute (HSRI)
3. Describe the goods, services, or construction. Rate Study and methodology that reviews and revises provider rates including a review of service definitions and requirements, the design and administration of a provider cost survey, analysis of claims data to inform fiscal impacts, development of draft rate models outlining the specific cost assumptions for each service, and a public comment period through which stakeholders offered feedback on the rate models.

4. Request to amend is submitted in order to: Provide a Rate Study and methodology that reviews and revises provider rates including a review of service definitions and requirements, the design and administration of a provider cost survey, analysis of claims data to inform fiscal impacts, development of draft rate models outlining the specific cost assumptions for each service, and a public comment period through which stakeholders offered feedback on the rate models.
[] Revise the scope of services for the contract as follows: requirements, the design and administration of a provider cost survey, analysis of claims data to inform fiscal impacts, development of draft rate models outlining the specific cost assumptions for each service, and a public comment period through which stakeholders offered feedback on the rate models.
[] Increase contract price by 10% or more:
Original Contract Price: \$ 375,000.00 Amended Contract Price: \$ 625,000.00

5. Explain in detail why this/these amendment(s) is/are necessary.
See attached #5

6. Identify the primary responsible staff person(s) conducting and managing this procurement. (Appropriate delegated procurement authority and completion of mandatory training required.)
*Point of contact (Place asterisk after name of person to contact for additional information.)

Table with 4 columns: Department Personnel Name, Division/Agency, Phone Number, E-mail Address. Rows include Mary Brogan * and Wendy Bullard.

Agency shall ensure adherence to applicable administrative and statutory requirements, including HAR chapter 3-122, Subchapter 15, Cost or Pricing Data, if required.

All requirement/approvals and internal controls for this expenditure is the responsibility of the department.
I certify that the information provided is to the best of my knowledge, true and correct.
Virginia Pressler
Department Head Signature
OCT 30 2015
Date

For Chief Procurement Officer Use Only

Date Notice Posted: 11.2.15

Submit written objection to this notice to issue a sole source contract within seven calendar days or as otherwise allowed from date notice posted to:

state.procurement.office@hawaii.gov

Chief Procurement Officer (CPO) Comments:

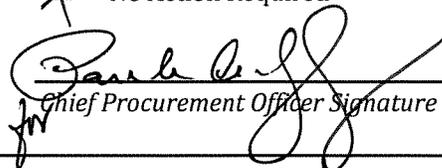
Request is returned with no action required as department has decided to withdraw their request for sole source and will re-submit as a request for exemption from HRS 103D.

If there are any questions, please contact Bonnie Kahakui at 587-4702 or bonnie.a.kahakui@hawaii.gov.

Approved

Disapproved

No Action Required


Chief Procurement Officer Signature

11.30.2015

Date

FORM SPO-001B Notice of Amendment to Sole Source Contract

Sole Source No. SS 15 066B

5. Explain in detail why this amendment is necessary.

The initial SPO-001, approved on May 6, 2015, authorized the Developmental Disabilities Division (DDD) to initiate a contract to analyze support needs and expenditure data, and determine appropriate service level assignments for the approximately 3,200 residents of Hawaii with intellectual and developmental disabilities (“Waiver participants”) who receive home and community based services (HCBS) through the State’s 1915(c) Medicaid waiver. Over \$65 million in Federal funds is received annually by DDD to provide these services to Hawaiians with moderate to severe intellectual and developmental disabilities (I/DD).

DDD has contracted with the Human Services Research Institute (HSRI) to provide technical assistance in the State’s adoption of the Supports Intensity Scale (SIS), a nationally normed and validated tool created by the American Association on Intellectual and Developmental Disabilities (AAIDD). DDD intends to use the SIS to:

- Better align the amount and intensity of supports that a Waiver participant receives with their level of need. In short, usage of this standardized assessment tool will help ensure that Waiver participants receive the services they need, but no more and no less, and that Waiver participants with similar needs have similar access to services.
- Improve DDD’s ability to accurately forecast its budgetary requirements.
- Provide a tool to assist case managers and planning meeting participants in the development of Waiver participant-centered plans.

In response to a number of Federal requirements, as well as HSRI’s initial analysis of the Waiver program, DDD has concluded that it must undertake a comprehensive rate study. This conclusion is based on the following:

- 1) Hawaii’s I/DD Waiver expires on June 30, 2016. As part of its waiver review guidelines, the Federal Centers for Medicare and Medicaid Services (CMS) requires that states provide a full description of the methodology employed to establish provider payment rates. DDD’s colleagues across the country have noted that CMS has become more stringent in its reviews of these methodologies.

DDD is currently not able to provide justification for the existing rate schedule because a series of staff changes at DDD has resulted in current staff not being able to determine when the current rate methodology was implemented, but it appears to have been done more than 15 years ago. Also, although there have been incremental adjustments to the rates in previous Waiver cycles, there have been no detailed analyses or revisions to the rate methodology. In brief, DDD is unable to provide justification to CMS for the current rate schedule.

- 2) Several recent Federal regulations will require changes in the manner in which providers deliver services and, consequently, the cost of these services. Most notably, CMS’ final rule regarding HCBS requires states to adjust service arrays and ensure all settings where services

SS15-066B-1

are provided allow Waiver participants to have full access to the benefits of community living and the opportunity to receive services in the most integrated setting. The final rule represents sweeping changes to Waiver services, requiring many providers to redesign their programs. The transition plans that states must submit to CMS detail how the states will comply with the final rule, including the “specific actions to be taken to come into compliance (including) adjusting reimbursement rates, definitions, and provider qualifications.” As part of its review of waiver applications, CMS will be determining whether services and rates are consistent with the final rule.

Other recent Federal regulations may also impact provider costs. The Department of Labor’s home care rule will expand minimum wage and overtime requirements for certain workers. Another DOL rule reduces the number of white collar staff who are exempt from the Fair Labor Standards Act (FLSA). Both of these rules have the potential to increase providers’ staff costs.

- 3) The current rates are not aligned with DDD’s goals for the implementation of the SIS. As described above, the SIS assessment will be used to determine Waiver participants’ level of need, which, in turn, will inform the amount and intensity of services that Waiver participants will received. In order to fully realize the benefits of this approach, DDD needs rates that vary based on Waiver participants’ needs. There are already different rate ‘levels’ for certain services, but they are not aligned with the SIS assessment. Further, the differences in the service levels are not always specified, preventing DDD from enforcing more intensive services for higher levels.

Additionally, the current rates do not adequately reflect cost differences associated with providing services within a Waiver participant’s own home, versus an adult foster home, versus a group home. Finally, the rates do not account for the higher cost of providing services in the community compared to center-based services, a distinction that will be more important as DDD works to comply with the HCBS rule.

For the foregoing reasons, DDD needs to implement a comprehensive rate study by March 31, 2016. This study is anticipated to include:

- A review of service requirements and identification of necessary changes to conform to new Federal requirements and achieve DDD’s policy goals.
- Significant collaboration with providers, including establishment of a provider advisory group to provide input throughout the study as well as a provider survey to collect information regarding service designs and costs that all providers will be invited to complete.
- Analysis of claims data and SIS assessment data to evaluate current utilization patterns and to estimate the fiscal impact of any changes to the rates.
- Identification and analysis of benchmark data such as Bureau of Labor Statistics wage information to inform rate model assumptions.
- Development of transparent rate models and supporting documentation that detail the specific assumptions (including the wages, benefits, and billable hours for direct support staff; staffing levels; travel- and facility-related costs; agency overhead costs; etc.) used to establish the rates.

- Administration of a comment process allowing providers to react to the rate models and revisions to the rate models, as appropriate.

DDD believes that the most efficient and effective approach to completing the rate study is to partner with a contractor. DDD therefore requests permission to amend the ASO LOG Number 15-131 contract with HSRI and its subcontractor Burns & Associates, Inc. (B&A) to lead the rate study. DDD believes this is in the best interest of the State for several reasons, including:

- DDD does not have the internal staff expertise to complete the study and there is insufficient time to establish a new position and hire staff (and then have the new staff complete a rate study) before the March 2106 Waiver application due date. As detailed above, the rate study will be an extensive effort. It will require experienced staff from several academic disciplines whose combined rate study time is estimated to require the equivalent of a full-time staff person working for five-to-six months.
- HSRI and B&A are experts in the development and implementation of SIS-based services, budgets, and rates. No consultant in the country has developed more rate schedules based on the SIS and these firms are presently helping a number of states address the Federal issues described earlier. The experience and structure that HSRI and B&A will bring to this process will lend credibility to the effort, which is integral to gaining buy-in from Waiver participants, providers, and other stakeholders.
- Further, HSRI and B&A's experience working together will result in a minimum of conflict and false starts. The State must submit its Waiver renewal application to CMS in March 2016 before the existing waiver expires on June 30, 2016. This approach ensures that DDD will have a new compliant rate schedule in time for the implementation of the renewed Waiver on July 1, 2016.