STATE OF HAWAII

NOTICE OF AND REQUEST FOR EXEMPTION FROM CHAPTER 103F, HRS

09 OCT 13 P3:52

STATE PROCUREMENT OFFICE
STATE OF HAWAII

To: Chief Procurement Officer

From: Department of Human Services/Med-QUEST Division (MQD)
Department/Division/Branch or Office

Pursuant to § 103F-101(a)(4), HRS, and Chapter 3-141, HAR, the Department requests a procurement exemption to purchase the following:

1.	Title and description of health and human service(s): The contractor provides required medical and behavioral health services to eligible QUEST, QUEST-Net and QUEST-ACE (Adult Coverage Expansion) Medicaid and other eligible recipients. The services are provided in a managed care environment with reimbursement to qualifying health plans based on fully capitated rates for each island. Medically necessary services provided include hospital services, outpatient services, 24/7 emergency services, preventive services, pharmacy services, radiologic/laboratory/other diagnostic services, physician services, maternity services, therapeutic services such as physical, occupational, and speech therapy; home health agency services, hospice, long-term care, substance abuse services, etc.	
2.	Provider Name and Address:	Hawaii Medical Service Association P. O. Box 860 Honolulu, Hawaii 96808
3.	Total Contract Funds:	$19,800,000 per month
	Contract Funds per Year (if applicable):	$237,600,000
4.	Reference number of Previous Request for this Service (if applicable):	
5.	Term of Contract:	Start: 07/01/10 End: 6/30/11

6. Describe how procurement by competitive means is either not practicable or not advantageous to the State:

RPF-MQD-2007- 002 was issued on June 17, 2006 to solicit competitive sealed proposals to provide QUEST Managed Care Plans to cover Medicaid and other eligible individuals who are not aged, blind or disabled. Four responsive and responsible health plans were contracted with for the initial period of July 1, 2007 to June 30, 2009. The RFP allows that this contract be extended for one additional twelve month period, up to June 30, 2010 without the necessity of re-bidding. This request is to add one additional year so that the current contract can be extended for up to an additional two year period, or up to June 30, 2011. Currently, this contract is one of three QUEST contracts that provide these health services to over 195,000 citizens statewide. The contractors provide an extensive provider network, full array of required services and have established an effective managed care program for the medically necessary services to be efficiently delivered to our clients.

Due to the multitude and magnitude of the medical services covered, and the complexity involved in putting forth an RFI and RFP to reprocure these services, the MQD does not currently have the resources to dedicate to this undertaking to be able to have new contracts in place by July 1, 2010. In the last procurement (RFP-MQD-2007-002) the original timeline covered the period from the June 14, 2006 RFP issuance to Contract Effective Date of September 12, 2006, with commencement of services to members starting February 1, 2007. During the RFP period, this timeline was extended to the final Contract Effective Date of January 18, 2007 with commencement of services to members starting August 1, 2007. The RFP also included 17 amendments and eventually covered a period of nearly 14 months from the RFP issue date to the commencement of services. Based on this experience, it is expected that the re-procurement from RFI, RFP, contracting, CMS approval, and commencement of services will also take over a year to accomplish. This expected time frame is overly ambitious for the current MQD staff to now undertake such a major re-procurement. Moreover, the limited MQD staff is still very much involved with the February 1, 2009 implementation of its new QUEST Expanded Access (QExA) program that provides managed care services to the aged, blind and disabled (ABD) population. This major change from the delivery of fee-for-service benefits to the new managed care health plans for this fragile and more vulnerable ABD population required the dedication of all MQD personnel to carry out all aspects of this major program change and transition. In addition, the Governor's directive to reduce the program's expenditures by $42 M over the next two years has become a new priority for the limited staff, while maintaining compliance to the provisions of the new American Recovery and Reinvestment Act (ARRA) of 2009. Due to the significant resources that will need to be dedicated to the procurement efforts of the new QUEST RFI, RFP and contracts, the MQD believes that the requested extension of one additional year will allow the Division the time required to put forth a comprehensive Request for Proposal for the evolving QUEST program. A proposed Timeline is attached that sketches out the MQD's plan to procure the new contracts for the July 1, 2011 commencement of services to members.

7. Describe the reason for the selection of the provider including a description of how the procedure ensured the maximum fair and open competition practicable:

The selection of the provider will continue to be the incumbent who is currently providing services to the QUEST, QUEST-ACE and QUEST-Net clients. This ensures that there is no break in service or any undue interruption of care or medically necessary services for the health plan members. This provider was one of four who responded to the previous RFI and RFP and has provided the contracted services since July 2007.

8. Describe the state agency's internal controls and approval requirements for the exempted procurement:

The DHS Med-QUEST Division Administrator, Health Care Services Branch Administrator, and Finance Officer will follow all normal procurement processes. The Department and Division will monitor the extended contract to ensure that all procurement and contractual requirements are met.

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9. List the state agency personnel, by position title, who will be involved in the approval process and administration of the contract:
Lillian B. Koller, Director
Lee-Ann Brewer, Deputy Attorney General
Dr. Kenneth Fink, MQD Administrator
Patricia Bazin, Health Care Services Administrator
Ann H. Kinningham, Finance Officer
Dona Jean Watanabe, Health Care Contract Specialist. Finance Office

10. Direct questions to (name & position): Dr. Kenneth Fink, MQD Administrator

Phone number: (808) 692-8050

e-mail address: kfink@medicaid.dhs.state.hi.us

I certify that the information provided above is to the best of my knowledge true and correct.

Lillian B. Koller — 10/13/09
Department Head Signature — *Date*

Lillian B. Koller
Typed Name

NOTICE

The chief procurement officer is considering this request for exemption and, if there is good cause, the state intends to exempt the purchase as described in the request. Any inquiries regarding the purchase shall be directed to the contact person noted in item 10 of the request. Any concerns regarding the exemption shall be in writing and received by the chief procurement officer within seven days of the date the notice was first posted. Concerns shall be mailed to: Aaron Fujioka, Chief Procurement Officer, State Procurement Office, 1151 Punchbowl St., #230A, Honolulu, HI 96813.

FOR CHIEF PROCUREMENT OFFICER USE ONLY

Chief Procurement Officer's Comments:

Based on additional information provided by Dr. Kenneth Fink in a memo dated 10/22/09, this exemption request is approved.

☒ **APPROVED** ☐ **DISAPPROVED** ☐ **NO ACTION**

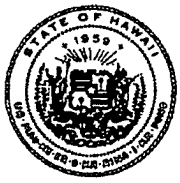
Aaron S. Fujioka — 10/27/09
Chief Procurement Officer Signature — *Date*

Please ensure adherence to applicable administrative requirements.

PROPOSED RFI AND RFP SCHEDULE AND TIMELINE

Begin work on RFI	November 2009
Issue RFI	February 2010
Issue RFP	May 2010
Orientation	May 2010
Submission of Written Questions on Technical Proposal	May 2010
Notice of Intent to Propose	May 2010
Issue Section 90 Business Proposal of The RFP and Data Book	June 2010
Second Orientation	June 2010
Submission of Written Questions on Business Proposal	June 2010
Written Responses to Technical Proposal Questions	July 2010
Written Responses to Business Proposal Questions	July 2010
Proposals Due Date	August 2010
Contract Award	October 2010
Contract Effective Date	December 2010
Commencement of Services to Members	July 1, 2011

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
Med-QUEST Division-Finance Office
1001 Kamokila Boulevard, Suite 317
Kapolei, Hawaii 96707

STATE PROCUREMENT OFFICE
STATE OF HAWAII
'09 OCT 27 A10:29

October 22, 2009

MEMORANDUM

TO: Aaron S. Fujioka, Administrator
State Procurement Office

FROM: Kenneth Fink, MD, MGA, MPH
Administrator, Med-QUEST Division

SUBJECT: ADDITIONAL INFORMATION ON HMSA, KAISER AND ALOHACARE HEALTH PLANS, REQUEST FOR EXEMPTION DATED

In response to questions raised by your Office on the subject requests, the following information is provided. Please contact me at 692-8050 if there are further questions.

1. **Why was the current procurement period determined to be for 2 years with only one additional year of extension?**

The somewhat shortened contract period was done because the June 2006 RFP contained some new strategies such as improvements to quality assurance, clearer case management components, offer of financial incentives for specific disease management achievements, as well as modifications to the Med-QUEST Division (MQD) program monitoring and oversight requirements to improve the QUEST program. It was envisioned that once these strategies were tested and proven to enhance this program, the strategies would be incorporated into the subsequent procurement with a longer contract period.

The expectation was that MQD would reprocure the QUEST contracts prior to June 30, 2010. To avoid controversy about the decision to reprocure at this time, a shortened extension option was chosen. However, for multiple reasons discussed below, MQD is unable to reprocure this contract in time. Due to the proposed timeline attached, it is not anticipated that the new contracts will be fully executed and in place by December 31, 2010, nor that the possible six month extension be time enough to complete the new procurement including award, lengthy readiness review period and implementation.

Rather than not acknowledging this situation and scrambling at the last minute when reprocurement has not occurred and the contracts are to expire, we are proactively and responsibly attempting to address the situation to maintain programmatic stability and avoid undue uncertainly which could cause stress and anxiety for the vulnerable population we serve.

As of July 1, 2009, the Med-QUEST Division had an FTE count of 299.00 permanent FTE, and 31.00 temporary FTE, with a vacancy rate of approximately 25 % combined. Due to the Governor's August 2008 hiring freeze, the July 2009 abolishment of vacant positions, and the pending November 2009 state layoffs, the MQD will be severely impacted with a significant loss of personnel. Approximately 61 Division positions are included in the layoffs, about 65 positions have been abolished, and a number of experienced employees are being "bumped" by someone with higher seniority from all parts of the state. All of these situations have contributed to reduce the MQD employee numbers by approximately 40% to a workforce of about 200 permanent and temporary FTE remaining statewide to administer the Medicaid program that expends nearly $1.4 B of federal and state funds each year.

4. **Are you aware of any other providers that may have submitted proposals if it was known that the procurement would be for potentially four years, not the three years in the original procurement?**

   Four proposals were received in the procurement and all four health plans were awarded. The fourth health plan, Summerlin Life and Health Insurance Company, declined renewal of their contract extension effective 7/1/09.

   Also, for your information, the Med-QUEST Division administrators were asked by 2009 Legislative leaders to extend these contracts for an additional year to provide continuity and stability to the QUEST program and the clients. All three remaining QUEST health plans are Hawaii based not-for-profit companies. To my knowledge, the only health plans who may be interested in bidding on the QUEST contracts are the two mainland for-profit new QExA health plans, but they need to stay focused on successful implementation of the QExA program. They are both aware of and have not expressed any objection to our extending the current QUEST contracts.

   We are unaware of any provider that would have submitted a proposal if the contract period was stated to be potentially for four years in the RFP.