STATE OF HAWAII

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

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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, BHH and other 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:	$25,700,000 per month
	Contract Funds per Year (if applicable):	$308,400,000
4.	Reference number of Previous Request for this Service (if applicable):	PEH No. 10-13
5.	Term of Contract:	Start: 07/01/11 End: 6/30/12

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. An Exemption From Chapter 103F, HRS was requested and approved (PEH No. 10-13) on October 27,2009 for an additional year up to June 30, 2011. Currently this contract is one of three QUEST contracts (one health plan did not renew its contract at the end of SFY09) that provide these health services to over 267,000 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.

The proposed procurement schedule and timeline established in October 2009 planned for the RFI to be issued in February 2010 with the RFP issued in May 2010. However, House Bill 2085 was proposed during the 2010 Legislature that prohibited the soliciation of QUEST contract proposals during the current term of the DHS Director. This bill was passed by the Legislature, vetoed by the Governor, and the Legislature overrode the veto and enacted Act 71, SLH 2010. This law did not allow us to start reprocurement of the QUEST contracts until after December 2010 and issue the QUEST RFP until after the new Director of Human Services was confirmed.

The QUEST RFI was posted on January 21, 2011 and closed on February 11, 2011. We are currently analyzing and reviewing the information received from the RFI responders to incorporate beneficial provisions into the RFP. Based on the experience of procurement with the last QUEST RFP, MQD went through 17 amendments and eventually covered a period of nearly 14 months from the RFP issue date to the commencement of services. It is reasonable to expect that this complete QUEST reprocurement, with its magnitude and complexity, will also take over one year to accomplish. Moverover, the limited MQD staff is also tasked with the Governor's directive to reduce the program's expenditures by $75 M in general funds over the next two years, maintaining compliance to the ARRA provisions of 2009 as well as the new Affordable Care Act (ACA) provisions of 2010 during this same time period. Due to the significant efforts and resources that will need to be dedicated to the procurement of the new QUEST RFP and contracts, the MQD believes that the requested extension of one additional year will allow the Division the time required to complete a thorough and comprehensive soliciation, review, selection, contracting, readiness reviews and implementation of 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, 2012 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:
Patricia McManaman, 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.

Department Head Signature — APR 04 2011 *Date*

Patricia McManaman
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:

Approval is granted from 07/01/11 to 06/30/12 based on the delays resulting from ACT 71, SLH 2010, which prevented the department from procuring these Quest contracts until a later period. Additional requests to extend the above period will not be granted.

As a reminder, individual(s) participating in procurement activities are required to be in compliance with Procurement Delegation No. 2010-01 and Amendment 1, and Procurement Circular No. 2010-05, *Statewide Procurement Training*, as appropriate. As stated in Procurement Delegation No. 2010-01, Amendment 1, ". . . procurement requests submitted to the SPO from departmental personnel without written delegated procurement authority and the appropriate mandatory procurement training will be returned."

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

Chief Procurement Officer Signature — 5/5/2011 *Date*

Please ensure adherence to applicable administrative requirements.

DRAFT – SUBJECT TO CHANGE

Issue RFP	May – June 2011
Orientation	TBD
Submission of Written Questions	TBD
Notice of Intent to Propose	TBD
Business Proposal Orientation	TBD
Business Proposal Written Questions	TBD
Written Responses to Questions	TBD
Proposal Due Date	July – August 2011
Contract Award	TBD
Contract Effective Date	TBD
Commencement of Services to Members	April – July 2012
Commencement of Quality Portion of Auto-Assignment	TBD