STATE OF HAWAII
NOTICE OF EXEMPTION FROM CHAPTER 103D, HRS

The Head of the Purchasing Office is in the process of reviewing the request from ____VP & CIO, Corp HHSC____ for exemption from Chapter 103D, HRS, for the following goods, services, or construction:

Medicare Part D eligibility & Adjudication Services

Vendor: NDC Health
Address: NDC Plaza
Atlanta, GA 30329

Term of Contract: From: 01JAN06 To: 31DEC08 Cost: $36,000.00

Direct any inquiries to:
Department: HHSC Applications (DPSA)
Contact Name/Title: Glen Nanamori
Address: Hawaii Health Systems Corp
3675 Kilauea Ave
Honolulu, Hawaii 96816

Phone Number: 808 733-4086
FAX Number: 808 733-4091

Date Posted: 12DECEM

A copy of this notice of exemption from Chapter 103D, HRS, shall be posted by the Head of the Purchasing Agency in an area accessible to the public, at least seven (7) calendar days prior to any approval action.

Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven (7) calendar days from the date posted to:

Head of the Purchasing Agency
Hawaii Health Systems Corporation
3675 Kilauea Avenue
Honolulu, Hawaii 96816

SPO Form-7A (rev. 7-1-02)
STATE OF HAWAII
REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

TO: Head of Purchasing Agency

FROM: Barbara, VP & CIO, Corporate HHSC
Pursuant to 103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

<table>
<thead>
<tr>
<th>Description of goods, services, or construction:</th>
</tr>
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<tbody>
<tr>
<td>Medicare Part D Eligibility &amp; Adjudication Services</td>
</tr>
</tbody>
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<tr>
<th>Name of Vendor: NDC Health</th>
<th>Cost: $36,000.00</th>
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<tr>
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<td></td>
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</table>

| Term of Contract: | From: 01JAN06 To: 31DEC08 | Prior Exemption Ref No. |

<table>
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<tr>
<th>Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:</th>
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<td>HHSC’s current Pharmacy system vendor, Lifecare Technologies, Inc. has selected NDC Health to perform their claims switching services for the filing of Medicare Part D Eligibility &amp; Adjudication Services. Lifecare Technologies software modification utilizes NDC Health as their prime vendor since they also function as the out of pocket cost clearinghouse for the Medicare Part D program for the entire system.</td>
</tr>
<tr>
<td>Medicare Part D transactions are required to be done electronically and the software upgrade implemented with the Pharmacy system still needs a claim and eligibility check clearinghouse for switching out to the various Part D Plans. NDC Health will provide the required clearinghouse service.</td>
</tr>
<tr>
<td>HHSC does not have an option to use a vendor other than NDC Health because Lifecare Technologies has chosen NDC Health; and, HHSC would have to procure a new Pharmacy system in order to use a vendor other than NDC Health, which would cost hundreds of thousands of dollars and is therefor not reasonable or feasible.</td>
</tr>
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<th>Details of the process or procedure to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:</th>
</tr>
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<td>Not seeking competitive action at this time due to the specific time constraints associated with the requirement and the specific need for the specialized knowledge and experience of the existing provider. It is in the best interests of HHSC at this time that we continue this requirement with the requested vendor.</td>
</tr>
</tbody>
</table>
A description of the agency's internal control and approval requirements for the exempted procurement:

Description of need and purchase request for services will be reviewed internally by the senior management staff for completeness and then will be referred to Contract Management for recommendations. Senior management will support and request final approval from the HHSC President and CEO, who will sign the request.

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

Barbara Kahana, VP & CIO  
Kelley Roberson, COO/CFO

Direct questions to: Glenn Nanamori  
Phone Number: 808 733-4086

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

[Signature]  12/12/05  
Barbara Kahana  
Department Head or Designee  Date  

VP & CIO, Corp HHSC  
Title

Head of Purchasing Agency's Comments: In addition to above problem with changing vendor, the delay would be unacceptable. Medicare Part D Compliance would be impossible to accomplish by required date if vendor switched after a competitive process. It is in these circumstances that alternative procurement is a necessity.

[Signature]  12-12-05  
Alice Mitchell  
Head of Purchasing Agency  Date