

**HAWAII HEALTH SYSTEMS CORPORATION
NOTICE OF AND REQUEST FOR EXEMPTION
FROM CHAPTER 103D, HRS**

EX-09-013A

- 1. TO: Chief Procurement Officer
- 2. FROM: Stephen Wada

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:

3. Description of goods, services or construction:

Request to extend the current contract with Managed Resources Inc. (MRI) for an additional 180 days OR until HHSC can complete an RFP solicitation to select a vendor to provide RAC readiness audit services. The current contract with MRI will expire on May 14, 2010 and there are no remaining option years to extend the contract. This Agreement is a single, short-term contract awarded to Managed Resources, Inc. (MRI) to assist HHSC in conducting readiness audits for the Medicare Recovery Audit Contractor (RAC) reviews.

Four categories of codes audited by the CONTRACTOR are:

- 1. Acute Inpatient Diagnosis Related Group (DRG) Code Assignment Validation Audits.
- 2. Outpatient Ambulatory Payment Classification (APC) Code Assignment Validation Audits.
- 3. Home Health Resource Group (HRG) Assignment Validation Audit.
- 4. Skilled Nursing Facility Resource Utilization Group (RUGs) Assignment Validation Audit

4. Name of Vendor: Managed Resources Inc.

Address: 11 Golden Shore, Suite 360
Long Beach, CA 90802

5. Price: 300,000.00
+
Ext = \$150,000
\$ 450,000

6. Term of Contract: From: Date of last signature on contract

To: 180 Days after date of last signature on contract

7. Prior Exemption Ref. No. 09-013

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

It is highly probable that HHSC and therefore the State of Hawaii will be exposed to a negative financial impact stemming from the CMS-RAC review. It is essential that in order to reduce or mitigate this potential penalty, HHSC undertake Readiness Audits. MRI is already on-island and has extensive knowledge of the HHSC coding system. MRI will be able to continue to perform Readiness Audit functions compared to a vendor who would be obtained through a lengthy formal competitive solicitation and then require time to develop familiarity with the HHSC system.

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

The term of the exemption will be for 180 days, at which time the HHSC will complete a formal solicitation. Fair and open competition will be established during an RFP for Coding Validation Services. The exempted vendor offers the state fair and reasonable pricing as compared to similar vendors offering similar services, and will not be accorded a competitive advantage in the RFP process for its role as the incumbent HHSC contractor.

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

This exemption shall be from HRS, Section 103D-303, and all other guidelines, rules and policies under chapter 103D shall be upheld. HHSC policies and procedures will be followed and periodic reviews of contract action will be performed.

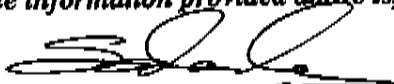
11. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:

Name	Position	Involvement in Process	
Stephen Wada	Managing Analyst of Revenue Cycle & Compliance	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
Alison Stransky	Contracts Manager	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Joseph Evanoff	Director of Contracts & Matrix Mgt.	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Edward Chu	Interim Chief Financial Officer	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
Alice Hall	Interim Chief Executive Officer	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
		<input type="checkbox"/> Approval	<input type="checkbox"/> Administration

12. Direct inquiries to:
Department: Procurement
Contact Name: A. A. Stransky
Phone Number: 808-733-4168
Fax Number: 808. 733-4460

Agency shall ensure adherence to applicable administrative and statutory requirements

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


 Department Head (Print: ~~Kelley Hoberman~~ → Wada) 5/7/2010
Date

14. Date Notice Posted _____

The CPO is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven (7) calendar days or as otherwise allowed from the above posted date to: Chief Procurement Officer, HHSC, 3675 Kilauea Ave., Honolulu, Hawaii 96816

Chief Procurement Officer's comments:



15. **APPROVED** **DISAPPROVED**

Chief Procurement Officer Date

NO ACTION REQUIRED

AE