

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

1. TO: Chief Procurement Officer *Ex 11-0001*
2. FROM: Jon Sakata, Corporate Systems Analyst – A.A. Stransky Corporate Contracts Manager

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:

**Background**

HHSC currently utilizes medical dictation/transcription systems from two different vendors; MedQuist and Dictaphone. The Dictaphone system installed for Maui and East Hawaii region is old, and new hardware and software upgrades are now required. The MedQuist system installed for Kauai and West Hawaii has been tried by the other regions; however, due to poor quality and support from the vendor, MedQuist is deemed to be unacceptable and will therefore not be considered as an option going forward.

**The Goal**

HHSC is seeking a consolidated solution that combines a dictation/transcription solution with state-of-the-art "back-end speech recognition", or BES. BES utilizes the latest voice recognition technology which significantly reduces the cost of transcription. This new technology is so accurate that staff previously employed to perform transcription work involving hours of manual typing, can now spend their time simply editing the BES data – typically an efficiency improvement and cost savings of 30%.

Currently Kauai region and West Hawaii region outsource all of their transcription work, Maui out-sources 40% and Hilo Medical Center out-sources less than 5%. The initial goals when utilizing BES are to eliminate all overflow transcription at Hilo and Maui, and to eventually in-source West Hawaii and Kauai transcription work.

To avoid redundant costs and increased complexity with respect to IT maintenance and management, a single software platform and solution is required by the Corporation. A solution requiring multiple, region-specific platforms, or the use of more than one vendor to achieve the desired integration, is not being considered by HHSC.

4. Name of Vendor :Nuance Communications, Inc.

Address: 1 Wayside Road, Burlington, MA 01803

5. Price:

\$1,690M

6. Term of Contract: From: TBD

To: TBD

*2 years from execution*

7. Prior Exemption Ref. No.

N/A

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

According to KLAS (an independent research tool) there are three vendors who may be able to provide some or all of what constitutes a complete solution for HHSC. The vendors are ranked by KLAS in descending order as follows:

1. Nuance - eScription
2. Dolbey
3. MedQuist

Third-ranked MedQuist is currently providing dictation/transcription services for some regions at HHSC, but does not offer fully web-based data storage and client access to all data. This method of storing client data is referred to as "Cloud Computing" and is considered to be the most secure, cost-effective methodology now available. MedQuist plans to create a web based client, however data would be stored in a local database server and on their web storage for current work. Further, based on past vendor performance, several HHSC regions are unwilling to engage MedQuist as a solution provider. Because MedQuist does not currently offer a complete solution, and because several regions have determined MedQuist to be unacceptable, HHSC is not considering this vendor.

Second-ranked Dolbey is highly rated by KLAS but, like MedQuist, offers a partial rather than a full solution. Dolbey exclusively sells its products/ services through a VAR; Versatile Information Products (VIP). VIP does not offer transcription services, and would require local hardware for their solution. For HHSC this creates a multiple vendor scenario, requiring Kona and Kauai to procure separate transcription services and the creation and maintenance of separate interfaces for data and for uploads of transcribed information.

First-ranked Nuance is able to provide a complete solution that offers dictation/transcription, BES and Cloud Computing. Additionally, there will be significant cost-avoidance from using Nuance:

- Nuance will migrate existing HHSC archives at no additional cost
- Nuance will migrate existing templates, work types and data files that exist in the current Dictaphone solution.

To perform the above work internally, HHSC would require several hundred labor hours from the IT staff.

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

It is essential that HHSC be able to establish fair and reasonable pricing even in a market that offers only a single vendor capable of providing a complete solution. Fair and reasonable pricing can be established in a number of ways, including publicly published price lists, competitive offers, or prior pricing paid by HHSC. For this procurement none of these methods is available. Therefore, the HHSC IT team is contacting MedQuist and Dolbey to inquire about the pricing of specific elements of their partial solutions that can then be used in an "apples-to-apples" price comparison by HHSC. This will not create a full solution comparison, but in combination with the quantifiable cost-avoidance derived from employing Nuance, should provide adequate data to establish fair pricing of key elements such as computer hardware, dictation/transcription, and migration costs.

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.

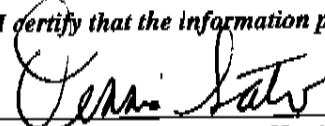
11. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:

| Name            | Position           | Involvement in Process            |   |
|-----------------|--------------------|-----------------------------------|---|
|                 |                    | <input type="checkbox"/> Approval | <input type="checkbox"/> Administration |
|                 |                    | <input type="checkbox"/> Approval | <input type="checkbox"/> Administration |
|                 |                    | <input type="checkbox"/> Approval | <input type="checkbox"/> Administration |
| Alison Stransky | Corp. CM           | <input type="checkbox"/> Approval | X Administration                        |
| Jon Sakata      | IT Systems Analyst | <input type="checkbox"/> Approval | X Administration                        |
| Dennis Sato     | CIO                | X Approval                        | <input type="checkbox"/> Administration |
| Alice M. Hall   | CPO                | X Approval                        | <input type="checkbox"/> Administration |

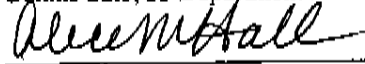
12. Direct inquiries to: Department: Procurement and Materials Management  
 Contact Name: A.A. Stransky  
 Phone Number: 808. 733-9074  
 Email astransky@hhsc.org

13. This exemption should be considered for list of exemptions attached to Chapter 3-120, HAR: YES  NO  X  
 Agency shall ensure adherence to applicable administrative and statutory requirements

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

  
 Dennis Sato, IT Department Head

7-26-10  
 Date

  
 Alice M. Hall, CPO

*See comments below*  
8-3-10  
 Date

15. Date Notice Posted: July 26, 2010

The Head of the Purchasing Agency 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:

*Pricing reasonableness needs to be fully documented to the satisfaction of the Contract manager before going forward. 2 year maximum contract under the exemption so you can reevaluate competition at that time.*