**Pre-Pricing Assumptions:**

**While I do not know exact details of all the financial pieces that are occurring with the current vendor as many are proprietary, from experience and data available to me, there are several assumptions I know to be true and judged each submission accordingly.**

1. **The average number of hospital days over the past 4 years is approximately 1000. My experience tells me that average hospital day should cost about $3500. Medicaid has covered approximately 40% of those days (400) at an average cost of approximately $1750, which is subtracted from the vendor’s payment each month as the days occur. This information tells me that I should expect a bid regarding off-site hospitalization to be approximately $3,000,000 per year ($3500 x 600 = $2,100,000) + ($1750 x 400 = $700,000).**
2. **We know that we currently average approximately $15,100 to treat a Hep C positive patient. We expect to treat 500 patients per year. Bids should be using around $7.5 -$8,000,000 when showing $$ for Hep C Drugs (DAAs) whether including or excluding. Experience says costs for these drugs should go down over the life of the contract as there are more drugs available and pharmaceutical companies vie for market share.**
3. **My experience is that approximately 60% of costs to provide healthcare in KDOC is used for staffing and 40% goes towards medications, hospitalizations, laboratory, x-ray.**
4. **Given these factors, I would anticipate bids that include Hep C drugs (DAAs) to come in at approximately $88.5 million.**

Review of Centurion Bid Submission

February 2020

Gerald Jorgenson

Pricing Portion

Pro Acknowledge that cost of Hep C drugs (DAAs) should be around $8.5-9.5 million.

Pro Year over year increase in price was 1.3% for the second year to 3.2% for year six.

Pro Indicate good knowledge that staff must be paid market competitive wages in order to attract and retain good staff.

Pro Showed their profit margin. They outlined a margin of 10%. This should allow them to be solvent with monies to meet changes in staffing costs when doing yearly market place surveys.

Con Although acknowledging the price of Hep C drugs (DAAs) to be around $8.5-9.5 million, they marked up the price for including Hep C drugs in their total bid by $12 million with no explanation of the difference.

Con Their bid for inpatient hospitalizations was $5 million, 40% above expectations. Since they use their ownership by Centene, the same as the Sunflower CMO, there should already be hospital network in place with good pricing. The bid failed to demonstrate that.

Con While they seem to do a better job than other companies at addressing staffing salaries, they have budgeted salaries to only be 33% of the cost. This indicates lack of efficiencies in other areas.

Con Page 2 Provide an unclear statement regarding staffing. “Due to widely varying possibilities, we assume changes in staffing will be negotiated outside of the per capita adjustments”.

Con Given the assumptions outlined at the beginning, there are either inefficiencies built into services or they are building in another 5-6% profit margin that they are no acknowledging.

Review of Corizon Bid Submission

February 2020

Gerald Jorgenson

Pricing Portion

Pro Their bid of $88,671,251/year meets expectations.

Pro Their bid excluding Hep C drugs (DAAs) is $8.2 million which is close to expectations outlined in #2.

Pro They outline how they arrived at many of their costs. See page 5 for examples.

Con They appear to continue the same staff salaries as they are currently using with approximately 20% openings.

Con Show no acknowledgement of market adjustments required for staffing salaries outlined in the RFP.

Con They do not give any indication of their profit margin. Will they be profitable enough to maintain staffing salaries at the 50th percentile of the market yearly as required?

Con They indicated that they will spend approximately $5.1 million on inpatient hospitalizations which is 40% above expectations.

Neutral They show staffing costs to be 51% of the bid.

Neutral They averaged a 3.3% year over year costs escalation.

Review of VitalCore Bid Submission

February 2020

Gerald Jorgenson

Pricing Portion

Pro Their bid of $72,352,891/year exceeds expectations. This is without Hep C drugs (DAAs).

Pro If $8 million for Hep C drugs (DAAs) were included, it would raise the bid to $80 million per year.

Pro Provided an alternative staffing pattern with more RNs to provide better site services but only increased the yearly cost $75,411,966 without Hep C drugs (DAAs) or $83.5 million with Hep C drugs (DAAs) included.

Pro Clearly understands the need for improved staffing and paying market wages. Salary costs are 70% of the outlined pricing proposal.

Pro Outlined a 3% year over year costs escalation.

Con Didn’t include a bid including Hep C drugs (DAAs) cost. It has to be assumed that they would include them at the expected cost.

Review of Wellpath Bid Submission

January 2020

Gerald Jorgenson

Pricing Portion

Con Significantly higher costs than any other vender whether including Hep C drugs (DAAs) or excluding them.

Con When including Hep C drug (DAAs) cost, they appear to be marking them up nearly 100% over expectations as they outline charging $16 million for including them.

Con Offsite hospital care outlined at $8 million/year, 260% above expectations

Con Don’t clearly outline staffing costs

Review of Wexford Bid Submission

February 2020

Gerald Jorgenson

Pricing Portion

Pro Appear to have best inclusive pricing of Hep C drugs (DAAs) at $8 million first year and then decreasing to $6.8 million for rest of the contract.

Pro Smallest year over year cost escalation, only 1% between year 1 and year 2.

Pro Outline their profit margin at approximately 4.3%

Pro There may be some hidden profit in services which might increase profit margin to 6.5%.

Con Small profit margin means little flexibility maintain employees at 50th percentile of market.

Con Poor outline of actual costs for employees.

Con Hospital care nearly 40% above expectations.