



March 19, 2020

Ms. Aubrey Waters  
Procurement Officer | Procurement & Contracts  
Kansas Department of Administration  
900 SW Jackson, Suite 451 South  
Topeka, KS 66612  
Via e-mail: [aubrey.waters@ks.gov](mailto:aubrey.waters@ks.gov)

**Subject: Wexford Health's Best and Final Offer (BAFO) to the Kansas Department of Corrections re: *Bid Event Number EVT0006973 (Comprehensive Health Care Services)***

Dear Ms. Waters:

Wexford Health is ***pleased to provide*** the Kansas Department of Corrections (KDOC) with the attached ***updated pricing*** for the services required in *Bid Event Number EVT0006973 (Comprehensive Health Care Services)*.

We thank the KDOC and the University of Kansas Medical Center (KUMC) for offering ***further clarification on the RFP and any resulting contract*** during our discussion on ***March 11, 2020***. We left that meeting even more energized about this opportunity as we learned more about your team and the true needs of the KDOC. Wexford Health very much wants the ***opportunity to partner with the KDOC*** to demonstrate our responsiveness; our commitment to providing qualified staffing; and our dedication to transparency, responsive client service, and clinical quality.

It is Wexford Health's philosophy to give prospective clients ***our best price in our initial proposal***. We ***do not hold back savings*** from our original bid price simply to offer those savings to clients later in a BAFO. But as stated above, after meeting the KDOC/KUMC representatives in person and exchanging ***ideas on the concept of collaboration***, we are convinced that a ***partnership between the KDOC and Wexford Health would be an excellent fit***.

Therefore, our discussions last week, combined with the ***new and updated information*** provided in your emails dated March 17, have allowed Wexford Health to ***reduce our Year One aggregate price*** while still offering the ***same level of proposed programming and maintaining the quality of patient care***. Wexford Health is determined to win this contract and partner with the State of Kansas on its inmate health care delivery system.

**These reductions, which total more than \$2.2 million, result in a Wexford Health Year One BAFO price of less than \$89 million.** For details, please see the updated **Exhibit 1: Proposal Pricing Form** that we have attached for this BAFO.

Wexford Health's ***new lower proposed price*** reflects the following changes made by the KDOC to the original RFP specifications.

March 19, 2020  
Page 2 of 4

## Hepatitis C Treatment Costs

As required by the RFP, Wexford Health's initial price included the cost to provide Hepatitis C medications—in accordance with current *Federal Bureau of Prison Guidelines*—to **605 inmates in Year One** of the contract and **500 inmates per year** in contract years 2-6. More recently, your March 17 email stated that the KDOC is willing to limit the vendor's financial responsibility for the cost of Hepatitis C treatment to \$7.5 million (500 patients per year).

But to further our goal of partnering with the KDOC, **Wexford Health wants to offer additional savings over and above these terms**. Therefore, we have included **\$7 million** in our BAFO price to provide Hepatitis C treatment to the KDOC's projected number of **500 inmate patients per year**. To be clear, Wexford Health agrees to be financially responsible for the actual cost of treating 500 patients with Hepatitis C medications each contract year.

1. If the actual cost of treating 500 patients **exceeds \$7 million**, **Wexford Health will be financially responsible** for the excess treatment dollars.
2. If the actual cost is **less than \$7 million**, Wexford Health will either (a) **reimburse the unspent dollars to the KDOC**; or (b) **treat additional Hepatitis C patients** until the \$7 million has been depleted; whichever the KDOC prefers.
3. If in any contract year the KDOC wishes to **treat more than 500 patients** with Hepatitis C medications; and the total cost of such treatments **exceeds \$7 million**; then the KDOC would agree to **reimburse Wexford Health** for actual treatment expenses (**at cost with no mark-up or margin attached**) relating to patients beyond the 500-patient cap.

This innovative approach to pricing Hepatitis C treatment **guarantees the KDOC a flat, up-front Year One savings of \$500,000** over the \$7.5 million cap model described in the March 17 email. It also **limits the KDOC's financial risk** by quantifying the maximum dollar amount (\$7 million) the KDOC will spend to treat 500 inmates for Hepatitis C. Additionally, if Wexford Health obtains improved pricing on required Hepatitis C medications, our approach ensures the **KDOC receives 100% of the financial benefit from those savings** (via the under-cap reimbursement described in Item #2 above).

## Variable Per Diem Price Adjustments

The RFP indicated a bid Average Daily Population (ADP) of **10,912**, which Wexford Health used to calculate our **original proposed pricing**. However, based on the updated population data provided in your email of March 17, we have **lowered our contract price** to reflect the **decrease in the contract's baseline ADP to 10,550** inmates.

However, the updated bid ADP of 10,550 is **still significantly higher** than the KDOC's actual ADP for FY20 thus far (9,838 per the Department's posted March 16, 2020 *Population Report*; plus 160-170 juveniles). If the Kansas aggregate ADP **continues its current**

**trend, Wexford Health will be reimbursing the Department on a monthly basis** as part of the contract's variable per diem reconciliations. For example, if an agreement with Wexford Health was in place today, the **KDOC would recoup approximately \$1.2 million in Year One population reimbursements—over and above our \$2.2 million BAFO price reduction.** This savings cannot be shown on our Pricing Form; however, we encourage the KDOC to take variable per diem reimbursements into account in its decision.

### Medicaid ACA Expansion

Wexford Health has also **adjusted our original price downward** to account for the slightly higher percentage of inpatient hospital days covered by Medicaid (versus the data that was provided in the RFP). We want to emphasize that Wexford Health has **more than 10 years of experience enrolling inmates in Medicaid**; as well as in **creating and implementing Medicaid reimbursement programs** for clients who participate in the Affordable Care Act's eligibility expansion. If the Kansas legislature and Governor Kelly approve current bills for Medicaid expansion in the state, **Wexford Health is well positioned to help the KDOC realize significant additional cost savings** as a result of the new law.

Our Medicaid team is very familiar with the *Medicaid Policy Manual 03-2020 section 8111.1*, which the State of Kansas will use to **enroll inmates into the system.** Upon passage of the Medicaid expansion legislation, not only is the **KDOC's volume of covered inpatient days likely to double**; but also, the federal matching percentage for the state will increase **from 56.51% to 90%** in most cases. These two factors represent a vast potential savings on inpatient hospital care for the KDOC, provided that it chooses a **health care partner capable of navigating the Medicaid system as efficiently as Wexford Health can**—and has, for the past decade.

### Additional Staffing Positions

As stated in our original proposal, while Wexford Health feels the RFP staffing plan is **sufficient to meet the majority of the KDOC's needs**, we added **four (4) new positions** in the Regional Office to expand services and improve efficiency:

- A second **Regional Manager** who will be responsible for overseeing operations at a fixed number of sites;
- A **Statewide Pharmacist** who will be responsible for managing all pharmacy operations and making site visits;
- An **HR Specialist** to address staffing retention and recruiting, and to assist with employee HR related issues; and
- A dedicated **Telehealth Coordinator** to assist the KDOC in returning to levels of telehealth services provided in the past.

We believe these additional positions will add significant value to the contract, as they address areas that are **vital to maintaining operational quality and effectiveness.**

March 19, 2020  
Page 4 of 4

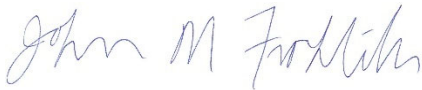
Please note that because of this, Wexford Health's price may be higher than those of bidders who **did not perform the same critical analysis** to identify these **necessary additional regional staff members**.

Wexford Health sincerely wants to **partner with the KDOC**. We are offering the **same level of services as in our original bid**, including **innovative behavioral health programs**; our Healthy Re-Entry program that provides released inmates with **90 days of discharge medications at no additional cost to the KDOC or the patient**; multiple Value Added medical, mental health, and education programs; and a variety of other **proven successful** quality management, training, and cost containment initiatives.

We understand the **ever-growing media and legal exposure** state correctional agencies are subject to in the current environment; as well as the **ongoing financial constraints** being imposed by finite state budgets. Wexford Health will provide the KDOC with both the **quality medical and mental health care** and the **innovative, proactive managed care strategies** necessary to meet these often-conflicting challenges faced by the Department.

Thank you in advance for your **time and attention**. We look forward to **further discussions** with you regarding our proposed health care programming for the inmates housed in the KDOC facilities.

Sincerely,



John M. Froehlich  
Senior Vice President & Chief Financial Officer  
[info@wexfordhealth.com](mailto:info@wexfordhealth.com)

Exhibit 1: Proposal Pricing Form

**Wexford Health Sources, Inc. - Comprehensive Health Care BAFO Cost Proposal**  
**Not to Exceed Amount**

Bidders shall present the total cost of services for each year of the contract. As this is a full-risk contract for comprehensive health care services, KDOC will not be responsible for costs incurred above the amount bid.

FY 2021	\$	88,884,930
FY 2022	\$	91,339,477
FY 2023	\$	92,929,655
FY 2024	\$	95,505,544
FY 2025	\$	98,158,711
FY 2026	\$	100,891,472