

WEST VIRGINIA DIVISION OF CORRECTIONS

Inmate Comprehensive Health Care and Mental Health

COST PROPOSAL
RFP NUMBER: COR61566
ORIGINAL

August 5, 2014

CORIZON[®]

12647 Olive Boulevard

St. Louis, Missouri 63141

www.corizonhealth.com

PRICING

BASE PRICE

This price proposal is in response to West Virginia's Request for Proposal #COR61566 for the provision of comprehensive health care and mental health care for the inmates housed by the West Virginia Department of Corrections and Regional Jail Authority (collectively, WV DOC or facilities). Corizon has proposed pricing for the initial one year contract term. The proposed pricing covers an average daily population of 5,417 inmates incarcerated in the thirteen identified prisons and jail facilities including the following:

Anthony Correctional Center – 220 beds
Denmar Correctional Center – 216 beds
Huttonsville Correctional Center / Work Camp – 1,186 beds
Lakin Correctional Center – 482 beds
Martinsburg Correctional Center – 120 beds
Mount Olive Correctional Center / Work Camp – 1,080 beds
Pruntytown Correctional Center – 369 beds
St. Mary's Correctional Center – 653 beds
Salem Correctional Center – 388 beds
Northern Correctional Facility – 550 beds
Ohio County Correctional Complex – 64 beds
Beckley Correctional Center – 59 RSAT beds
Parkersburg Correctional Center – 30 RSAT beds

In developing the annual fixed fee pricing, we have assumed financial responsibility for the components listed below:

- Comprehensive services to include all medical, dental and mental health services for the entire inmate population housed within the thirteen DOC and RJA facilities identified in the RFP.
- Costs associated with maintaining a full complement of personnel, including all services to be provided by Psi-Med Corrections, our mental health partner.
- Costs associated with hospitalization, offsite and other contracted services, subject to the limitations and clarifications defined later in this document.
- Costs associated with the provision of pharmacy services, subject to the limits defined later in this document
- Professional Liability insurance in the amount of \$1 million per occurrence, \$3 million in the aggregate.
- Forms, office supplies, books.
- Leasing of copying and fax equipment needed to support the contract.
- Additional medical equipment necessary to support our personnel (any capital equipment, with a value greater than \$1,000 per item) will be the financial responsibility of Corizon with ownership remaining with Corizon upon contract termination.

- Time clocks within the medical unit necessary for Corizon payroll and reporting requirements purchased by Corizon will remain the property of Corizon upon contract termination.
- Medical equipment repair and replacement of Corizon owned equipment.
- All required licensure, permits, and fees.
- Reimbursement for long distance telephone services for our medical and mental health staff.

Corizon has not assumed financial responsibility for any ongoing court-required monitoring staff in our price proposal. Additionally, Corizon has not assumed that any other court action or settlement agreement will dictate program requirements different from those requested in the RFP during the Corizon contract term. In the event these assumptions are incorrect, Corizon and the WV DOC agree to meet and negotiate what impact such findings will have on the proposed program and the associated price, if any.

ANNUAL FIXED FEE

It is the understanding of Corizon that the contract structure will be a fixed fee contract covering an average daily population of 5,417 inmates at the facilities. Corizon has provided a variable per Diem for population increases above 5,417. Should the population fall below the 5,417 level, Corizon is also willing to provide the WV DOC with a credit based upon the reduction in population, calculated using the variable per diem.

For purposes of Corizon's understanding, the average daily inmate population is defined by adding the inmate counts each day for every day in the month and dividing by the number of calendar days in the month. The inmate count will include all inmates for which Corizon is financially responsible for providing medical services under the contract, regardless of the physical location of the inmates. Corizon understands that WV DOC inmates housed in other facilities beyond those listed above will not be our financial responsibility and will not be included in the population counts.

The proposed staffing plan is designed to cover the current population, existing housing design, and scope of service at the identified facilities. Additional staffing may be necessary both with an increase in the overall population in the existing facilities, with changes in the methods or locations of service delivery, or with new housing units, buildings or facilities as they become operational. Absent changes to the ADP, to the extent if new facilities or housing units are added, Corizon requests the ability to review staffing levels with the WV DOC and if necessary, modify contract compensation to cover additional costs.

PRICING FOR SUBSEQUENT YEARS

Corizon has provided fixed pricing for the initial contract year as requested in the RFP. Corizon would be pleased to renew this contract for up to four additional one year renewal periods based upon mutual written agreement of the parties. Such renewals would be subject to mutual written agreement of the parties prior to the end of the existing contract term. Corizon proposes to include an annual increase on the base service of not less than 2.5% and no more than 5% to cover inflation.

PAYMENT TERMS

Corizon would welcome the opportunity to meet with the WV DOC and discuss an appropriate payment structure that meets both the WV DOC needs and Corizon's cash flow targets. Corizon would generally propose payment terms to provide one base invoice per month, on or about the 1st day of the month of service, reflecting the fixed per month fee. Corizon will also provide a separate invoice for the variable per inmate per day costs multiplied by the applicable ADP for the prior month multiplied by the number of calendar days in the month on or about the 20th day following the month of service. Corizon anticipates receiving payment of the full invoice amounts by the end of the month of service, or within 30 days of the WV DOC's invoice receipt, whichever is later.

Separate invoices and/or credit memos will be provided to the WV DOC for other adjustments as information is received from the WV DOC. These services will be billed within 15 days of receipt of the required information, with payment due from the WV DOC within 30 days of invoice receipt. Credit memos issued (where applicable) may be deducted by the WV DOC from the next available payment.

In the event the contract is terminated on a date other than the end of a month, the monthly base services invoice will be prorated based upon then current annual contract value, for the actual days of service provided.

OTHER FINANCIAL CLARIFICATIONS INPATIENT, OUTPATIENT AND CONTRACTED SERVICES

In conjunction with the RFP requirements, Corizon is proposing a pricing option based on a limitation on the cost of hospitalization, offsite and other contracted services. The Corizon proposed price is based upon a risk sharing arrangement where Corizon is responsible for the first \$5,000 of hospitalization, offsite and contracted services per inmate per illness or injury. When costs exceed \$5,000, the WV DOC will be responsible for all costs in excess of \$5,000 per year.

For purposes of definition, Corizon includes all of the following costs in calculating the per inmate per illness/injury limit:

- Inpatient medical hospitalization and associated physician fees
- Outpatient surgeries/procedures
- Physician and other specialty services provided by telemedicine
- Emergency room services
- Laboratory services (offsite and reference services)
- Mobile radiology, over-read services and offsite radiology services
- Other onsite specialty clinics (services not specifically delineated in proposal staffing plan)
- Contracted dialysis services (hospital, clinic or correctional facility based, including required medications)
- Physical therapy services

- Ambulance and other transportation services
- Offsite long-term facility and hospice care
- Offsite physician, dental and other specialist services
- Third party network administration, audit or repricing fees
- Inmate specific prosthetics and orthotics ordered by contracted specialists

As confirmed with Addendum #15, the state of West Virginia has decided to implement Medicaid expansion, which will provide Medicaid coverage for a vast majority of the WV DOC inmate population. While experience determining inmate coverage percentages is still in the early stages in West Virginia and other opt-in states across the country, sources believe that 95% or more of the inmate population should qualify for Medicaid coverage for inpatient hospitalizations. As such, Corizon has excluded from our price more than 95% of the estimated costs of inpatient admissions, with the assumption that Medicaid will pay these claims and it will not be Corizon's financial responsibility to reimburse the WV DOC or Medicaid for these payments. Should this expectation be inconsistent with the WV DOC's intent, Corizon requests the ability to modify our proposal accordingly. In the event that successful inmate Medicaid enrollment fall short of the 95% estimate, Corizon requests the ability to meet with the WV DOC to discuss the financial implications and potential change to the annual contract value.

Corizon accepts full responsibility for payment to outside providers (hospitals, physicians, etc.) for all inpatient (not covered by Medicaid), outpatient and contracted service, regardless of whether they are above or below the per inmate cap. Corizon's network development department negotiates contracts with all hospitals and professionals who provide services outside the facilities to WV DOC inmates, with the understanding that West Virginia state statutes generally limit reimbursement rates for hospitals and specialty providers.

All claims received from hospitals and outside providers are processed through our claims payment system, QNXT. In order to facilitate payment of providers for services rendered, Corizon requires limited inmate demographic data for our QNXT claims processing system. To accomplish this, Corizon requests the WV DOC provide inmate eligibility feed in a format and frequency consistent with demographic data we receive from all of our other DOC clients.

Corizon will provide monthly reporting to the WV DOC for all costs charged to the \$5,000 per inmate per illness/injury limit. Once actual paid claims exceed the \$5,000 threshold, Corizon will invoice the WV DOC on a quarterly basis for all costs paid in excess of the \$5,000 per inmate per illness/injury limit. Corizon anticipates the WV DOC providing payment to Corizon for all individual cap invoices within 30 days of the invoice date.

At the end of each contract year, Corizon will notify providers of the requirement to submit claims for reimbursement within 90 days after the contract term. Corizon requests another 90 days to adjudicate and pay all outstanding claims, with a final billing/credit being issued to the WV DOC 210 days after the end of the contract term. In the event Corizon receives a request for claims reimbursement after the final billings / credits for the contract term, Corizon will either pay the claim and charge to the WV DOC, or return the claim to the provider unpaid, based upon the desire of the WV DOC.

Because the pricing provided assumes a per inmate per illness/injury limit on all offsite services, Corizon does not purchase catastrophic reinsurance for the program. Should the WV DOC require Corizon to

purchase supplemental insurance coverage, we would be pleased to provide the additional coverage, with an associated change in the annual contract price.

STAFFING AND VACANCY PAYBACKS

As indicated in our technical proposal, Corizon's proposed base staffing plan included 234.65 FTEs. The proposed staffing reflects the RFP proposed staffing levels as noted with Amendment #15, Attachments E-1 and E-2. Additionally, the medical staffing for the Northern Regional Jail and the Ohio WV DOC Correctional Complex reflect the FTEs identified in Attachment 7 of Addendum #12 because of the absence of these two facilities in Addendum #15, Attachment E-1. Should the WV DOC desire a different complement of staff or if our understanding of the various components of preferred staffing be incorrect, Corizon would request the opportunity to revise the associated staffing plan to meet the desires of the WV DOC.

Corizon defines a 1.0 Full Time Equivalent (FTE) as 2,080 hours annually, inclusive of training, orientation, and paid leave (sick, vacation, holiday, personal leave, etc.) Corizon provides relief to cover absences for all direct patient care nursing positions, including provider services. For management and clerical staff, duties are assigned to other individuals as necessary to ensure supervision and work is managed appropriately during absences.

The following paragraphs detail our proposed approach to staffing and vacancy paybacks in accordance with the requirements of the RFP.

Corizon will provide a credit to the WV DOC for all positions vacant in excess of 30 consecutive days in accordance with the staffing plan each month. Corizon will provide the WV DOC a monthly summary of vacant positions in accordance with the contracted staffing plan by job class (RN, LPN, etc.). Once a position has been vacant for a period of thirty consecutive days, credit shall be given for actual positions vacant based upon 108% of one-twelfth (1/12) of the annual salary and benefits for the position, prorated based upon the days vacant in the period. The penalty will be increased to 124% of one-fourth (1/4) of the annual salary and benefits for the position after 60 consecutive days of vacancy. Corizon further understands that overtime and agency/locum personnel may only be utilized to cover a vacant position for up to sixty consecutive days to preclude the position from being declared vacant. Credit for vacant positions will be reported on a monthly basis, with deductions for each six month period of the contract occurring at the end of each six month period.

For purposes of definition, a position is vacant when no individual has been hired or contracted to provide services for that job class. Permanent part time and PRN staff employed or directly contracted by Corizon or Psi-Med to cover a position will preclude a position from being declared vacant.

PHARMACEUTICALS

In accordance with the RFP specifications, Corizon will assume financial responsibility for the cost of all medications prescribed by Corizon and Psi-Med providers with the exception of medications for the treatment of Hepatitis C. Additionally, Corizon requests the exclusion of those medications necessary for the treatment of blood disorders, known as Factor products. Corizon will provide both the Hepatitis C

medications and Factor products to inmates when necessary, with an associated bill back to the WV DOC.

Because Corizon has taken financial risk on the cost of medications (with the exception of medications for the treatment of Hepatitis C and blood disorders), we have factored into our base pricing all applicable discounts, rebates, and refunds received from our pharmacy provider, PharmaCorr. This ensures the WV DOC receives the lowest cost program in the annual base price. Additional credits for rebates or discounts on non-billback drugs are not passed along to the WV DOC since the annual fee has already factored in the price reduction. Rebates and discounts earned on products for the treatment of Hepatitis C and blood disorders will be passed along in the monthly billing.

Within the jail environment, the requirement to treat inmates who have blood disorders requiring the use of Factors VIII and IX is rare. These treatments include, but are not limited to, the following:

- Antihemophilic agents Coagulation Factor VIIa
- Antihemophilic Factor VIII
- Anti-Inhibitor Coagulant Complex
- Factor IX Concentrates
- von Willebrand Factor Complex

Rather than estimating an arbitrary amount to be included in the base price, Corizon has carved out the potential costs associated with the medications listed above. In the unusual event that these medications are required to treat inmates in the facilities, Corizon will provide these medications and bill the WV DOC our actual acquisition cost.

PharmaCorr will take returns for all pharmaceuticals from WV DOC based upon Federal, State, and Local laws and regulations. Credit for returned medications would be given to the WV DOC on Hepatitis C medications and factor products in accordance with these guidelines, as well as PharmaCorr's standards for return and reuse of medications. Corizon would issue credit for the quantities returned for Hepatitis C medications and Factor products at the base price originally charged to the WV DOC.

Corizon/PharmaCorr defines Actual Acquisition Cost ("AAC") as the wholesaler invoice price based upon the last invoice received prior to orders for pharmaceuticals shipped from PharmaCorr's facilities. The AAC is net of price adjustments and discounts and is thus passed along as savings to the WV DOC as part of the initial invoice for drug utilization. Rebate credits associated with Hepatitis C medications and Factor products will be given to the WV DOC as actual rebates are received by Corizon/PharmaCorr, and will be allocated based upon the WV DOC net drug utilization as a percentage of all PharmaCorr utilization for the time period associated with the drug rebate. Corizon will include within our monthly invoice a detail of all medications shipped by PharmaCorr to the WV DOC for medications treating Hepatitis C and blood disorders.

INFORMATION TECHNOLOGY

Corizon expects to utilize the WV DOC's local area (LAN) and wide area (WAN) networks for connectivity of vendor provided and WV DOC provided computers both for administrative and clinical use. Corizon assumes based on the responses offered during the RFP process, that this use will be at no charge to

Corizon before, during and after any contracted dates for network, internet, infrastructure or other existing network components. Further Corizon will work closely with the WV DOC to identify specific network QoS needs allowing for an acceptable end user experience while providing contracted services.

PERFORMANCE BOND

Based upon the information contained in the RFP, Corizon assumes that a performance bond is not required for this procurement. Should the WV DOC require a performance bond, Corizon requests the ability to adjust our annual price for the bond premium.

REPORTING

Corizon understands and supports the WV DOC's desire and need to obtain timely and accurate reporting regarding the healthcare provided to WV DOC inmates. Likewise, we understand the need to share information regarding contractual arrangements Corizon enters into on behalf of services rendered at the facilities. As part of contract negotiations, Corizon welcomes the opportunity to work with the WV DOC in determining and mutually agreeing to the reporting requirements, including data elements, frequency, and method of reporting clinical statistics under the contract.

CONFIDENTIALITY OF THE PROPOSAL

By accepting this Proposal, the WV DOC hereby acknowledges that certain information and documents provided by Corizon and/or used by Corizon in fulfilling its contract obligations are proprietary, confidential, and constitute trade secrets including, among other things, Policies and Procedures, Corizon developed forms and Financial Information.

The WV DOC hereby agrees to keep confidential all Corizon documents so marked. The WV DOC further agrees to limit the access to Corizon Confidential or Proprietary information or documentation strictly to employees and representatives (such as attorneys or consultants) who have a need to know the Confidential or Proprietary information and who have been informed of the obligation to keep such information or documents confidential.

The WV DOC further agrees that any such information or documentation will not be disclosed to third parties unless Corizon specifically authorizes disclosure in advance, so that Corizon may have the opportunity to intervene to protect its Confidential and Proprietary information from public disclosure.

PRICING

Corizon acknowledges that the pricing offered under its cost proposal will be held firm for one hundred twenty days (120 days) following the closing date of proposals, thus Corizon anticipates that the contract start date would be no later than January 1, 2015 under the proposed price and any delay beyond that date may require a price adjustment.

Corizon is prepared to discuss and negotiate any component of our proposed pricing. We would be pleased to return to the state of West Virginia, developing a new partnership with the WV DOC, providing our quality, cost effective healthcare program to the WV DOC inmates.

CONTRACT NEGOTIATIONS

Corizon proposes to include in the final contract document the following additional clarifying language:

Changes in Scope

Should any of the following occur:

- (a) any applicable law, statute, rule regulation, standard, court order or decree, or any policy, practice, or procedure of any applicable governmental unit, agency or office (including but not limited to the federal, state or local courts, legislative bodies, and agencies, including the WV DOC or its respective officers or agents) be adopted, implemented, amended, or changed; or if
- (b) any mandated standard of care or treatment protocol changes or evolves in any material respect, or if any mandated medication or therapy is introduced to treat any illness, disease or condition; or if
- (c) any of the cost or historical information upon which Corizon based its Proposal proves to be inaccurate or incomplete; or if,
- (d) any labor activity, including but not limited to unionizing activity, that affects the administrative or clinical staffing;

and if any such change as described in sub-section (a), (b), or (c) materially affects the cost to Corizon of providing healthcare services or impacts the scope of services or staffing hereunder, Corizon and the WV DOC agree to meet to negotiate compensation or service requirement changes. The parties agree to meet and negotiate in good faith within thirty (30) days following the giving of notice by one party to the other party of a change (whether such change if anticipated or implemented). If the parties fail to reach agreement regarding compensation or service requirement changes within the foregoing thirty (30) day period, then either the WV DOC or Corizon may terminate this Agreement with ninety (90) days notice.

Indemnification

The WV DOC agrees to notify Corizon in writing within thirty (30) days after the WV DOC has received written notice of a claim. Corizon's indemnification and defense obligations hereunder will not apply for expenses incurred or settlements offered or effected, prior to notice to Corizon. Corizon shall have the right to control the defense and/or settlement of the claim.

Ownership of Intellectual Property.

Corizon anticipates that it will use its existing proprietary intellectual property, including but not limited to, systems and processes, policies and procedures, pathways, protocols, manuals, computer software, etc. (collectively, the "Background IP"), as well as third-party software, to assist in performing the services required under this Contract.

Corizon' Background IP was developed over time and not solely for the WV DOC or this project. Corizon is willing to share its background IP for purposes of its performance of this Contract and to that extent, Corizon will provide the WV DOC with a license to use these products and services, subject to certain terms and conditions. However, because the Background IP involves prior ownership by Corizon and in some cases, its suppliers, Corizon is unable to transfer all right, title and interest in its intellectual property to the WV DOC.

Any improvements or changes that Corizon makes to its Background IP during the performance of this Contract are not deliverables under this Contract, will not be deemed to be created for this project, and will not be deemed "works for hire", but rather such improvements and changes will become part of Corizon' Background IP. Corizon will not be deemed to have granted the WV DOC any right, title or interest in or to any of Corizon' Background IP, whether created for or during this project, unless expressly agreed to otherwise between the WV DOC and Corizon.

**COR61566 - Inmate Comprehensive Healthcare and Mental Health Services
COST SHEET - revised by Addendum #12**

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Vendor must provide an annualized itemized proposal cost to include:

Item #	Description	Amount
1	Salaries - Healthcare Component	\$12,590,780
2	Associated Benefits - Healthcare Component	\$1,661,173
3	Pharmaceuticals - Healthcare Component	\$2,169,690
Provide Pharmaceutical Vendor Name and Location: PharmaCorr/Indianapolis, Indiana		
4	Optical (Included in specialty consults)	\$ -
Provide Optical Vendor Name and Location: Institutional Eye Care (IEC)/Bonita Springs, Florida		
5	Other Miscellaneous Supplies - Healthcare Component	\$795,384
6	Salaries - Mental Health Component	\$4,171,120
If applicable, provide subcontractor name PSIMED, West Virginia		
7	Associated Benefits - Mental Health Component	\$1,005,680
8	Pharmaceutical and Other Mental Health Component Costs	\$212,200
Provide Pharmaceutical Vendor Name and Location: PharmaCorr/Indianapolis, Indiana		
9	Hospital	\$132,274
10	Specialty consults, referrals, etc.	\$3,221,828
11	Malpractice	\$304,188
12	Pharmacy Consult (for Work Release status inmates only)	\$ -
13	Administrative Overhead/Management Fee	\$2,434,119
14	Other Costs - Please itemize and list any additional costs	\$1,532,900
Total Annualized Cost		\$30,231,336

Remittance will be annualized, divided by 12-months to equal monthly cost

**COR61566 - Inmate Comprehensive Healthcare and Mental Health Services
COST SHEET - revised by Addendum #12**

000092

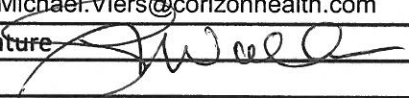
Vendor must provide an annualized itemized proposal cost to include:

15	Mental Health Appraisals-DOC Inmates Housed at Regional Jails- Approximately 100/month-Vendor shall bid cost per appraisal	\$90
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16	Psychological Evaluations-DOC Inmates Housed at Regional Jails- Approximately 40/month-Vendor shall bid cost per appraisal	\$150
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Total #15 and #16	\$180,000
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Total Annualized Cost + Total #15 and #16	\$30,411,336
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Bidder/Vendor Information:	
Name:	Corizon, LLC
Address:	12647 Olive Boulevard, St. Louis, MO 63141
Phone No.:	314-919-9110
Fax No.:	314-919-8908
Email Address:	Michael.Viers@corizonhealth.com
Authorized Signature	

Failure to use this form may result in disqualification

ATTACHMENT C-1
COST SHEET

NORTHERN REGIONAL JAIL RD2, Box 1 Moundsville, (Marshall County) WV 26041	RJCF
Total monthly all inclusive fee for Medical/Mental Health Services	\$ 153,837
Total annualized all-inclusive fee for Medical/Mental Health Services	\$ 1,846,044
Vendor must also provide an annualized itemized proposal cost to include:	
Salaries	\$ 763,536
Associated Benefits	\$ 144,661
Pharmaceuticals	\$ 268,712
<i>Provide Vendor Name & Location:</i> PharmaCorr/Indianapolis, Indiana	
Optical (Included in specialty consults)	\$
<i>Provide Vendor Name & Location:</i> Institutional Eye Care (IEC)/Bonita Springs, Florida	
Other Miscellaneous Supplies	\$ 21,450
Contract Mental Health	\$ 61,200
Subcontractor Name PSIMED, West Virginia	
Hospital	\$ 11,949
Specialty Consult, referrals, etc.	\$ 391,284
Malpractice	\$ 34,375
Administrative Overhead/Management Fee	\$ 148,877
TOTAL ANNUALIZED COST:	\$ 1,846,044

Includes Northern Regional Jail and Northern Correctional Center.



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Solicitation

NUMBER
COR61566

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF
TARA LYLE 304-558-2544

RFQ COPY
 TYPE NAME/ADDRESS HERE

VENDOR

Corizon
 105 Westpark Drive, Suite 200
 Brentwood, TN 37027

SHIP TO

DIVISION OF CORRECTIONS
 1409 GREENBRIER ST
 CHARLESTON, WV
 25311 304-558-8045

DATE PRINTED
07/24/2014

BID OPENING DATE: 08/05/2014 BID OPENING TIME 1:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
				ADDENDUM NO. 15		
				SEE ATTACHED PAGES.		
				END OF ADDENDUM NO. 15		
001	1	LS	948-74	PROFESSIONAL MEDICAL SERVICES		
***** THIS IS THE END OF RFQ COR61566 *****						TOTAL: *****
						Attachment C Total: \$30,411,336
						Attachment C1 Total: \$1,846,044

SIGNATURE <i>[Signature]</i>	TELEPHONE	DATE 8/1/14
TITLE Sr. Vice President/Chief Development Officer	FEIN 43-1281312	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO SOLICITATION, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'