

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

SERVICE CONTRACT

ITEM: 8-S **Agency Contact:** Thomas P. Sullivan
410-585-3368
tpsullivan@dpsc.state.md.us

DEPARTMENT/PROGRAM: Public Safety & Correctional Services (DPSCS)
Office of Inmate Health Services
Inmate Health Care Program

CONTRACT ID: DPSCS Q0012013;
Inmate Medical Health Care and
Utilization Services
ADPICS No. Q00B2400145

CONTRACT DESCRIPTION: Contract to provide statewide medical health care services with utilization management for approximately 26,000 inmates within the confines of specified correctional institutions of the Maryland Division of Correction and Maryland Department of Pretrial Detention and Services.

AWARD: Wexford Health Sources, Inc.
Pittsburgh, PA

TERM: 5/3/2012 – 6/30/2017 (See Requesting Agency
Remarks below)

AMOUNT: \$598,000,000 NTE (5 Years)
(See Requesting Agency Remarks below)

PROCUREMENT METHOD: Competitive Sealed Proposals

BIDS OR PROPOSALS: See Attachment

MBE PARTICIPATION: 10% (See Requesting Agency Remarks below)

PERFORMANCE SECURITY: None

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

ITEM: 8-S (Cont.)

INCUMBENTS: Corizon, Inc. (for the medical staffing portion – about 2/3rd of the current contract)
St. Louis, MO

Same (for the utilization management portion – about 1/3rd of the current contract)

REQUESTING AGENCY REMARKS: A notice of the availability of the Request for Proposals (RFP) was advertised on *eMarylandMarketplace.com* and posted on the DBM and DPSCS websites. Copies of the solicitation were e-mailed directly to 382 prospective vendors, of which 286 are Maryland firms and 344 are MBEs. A copy was also sent to the Governor's Office of Minority Affairs.

A total of three proposals were received in response to the RFP, all of which were deemed to be reasonably susceptible of being selected for award. The contract award is recommended to Wexford Health Sources, Inc. (Wexford) for proposing the most advantageous offer to the State. Wexford had the second ranked technical proposal and submitted the lowest price. Wexford was both higher ranked technically and lower in price than the third ranked offeror, NaphCare, Inc., and so is overall ranked higher than NaphCare. Although Corizon, Inc. is higher ranked technically than Wexford, it was determined that Corizon's technical superiority was relatively slight. In contrast to the relatively slight technical differences between Corizon and Wexford, based upon the pricing model in the RFP, there was approximately \$20.1 million or an almost 4% price difference between the two offerors. Weighing technical factors and financial factors equally in the overall award determination, as stated in the RFP, the significantly lower price of Wexford was judged to outweigh the slight technical superiority of the #1 ranked technical offeror, Corizon. Therefore, Wexford was ranked #1 overall.

The requested contract start date for this Item is 5/3/2012. July 1, 2012 is when the Contractor will start delivering the full scope of medical health care services required by the RFP to inmates. The Contractor will not be paid for any contract start-up activities it performs between 5/3/2012 and 7/1/2012.

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

ITEM: 8-S (Cont.)

This contract will provide inmate medical health services with utilization management within the confines of specified correctional institutions of the Maryland Division of Correction (DOC), the Patuxent Institution (Patx), and the Maryland Department of Pretrial Detention and Services (DPDS). The selected Contractor will provide an overall inmate health services program within the Department to include all primary medical services, staff, equipment and supplies, as well as all onsite specialists, transitional services, certain types of transportation services for offsite hospitalization care, and other necessary secondary care services related to the medical and utilization services component of the total inmate health care program. All the required services will only be provided by qualified Clinicians and Healthcare Professionals. The Contractor will also provide all specialty clinics and coordinate hospitalization for offsite care, as medically necessary. Additionally, the Contractor will be responsible for the utilization review and management of all care rendered on and offsite. Finally, the Contractor will be responsible for the timely payment of all claims by those providing offsite hospital or specialty care to State inmates pursuant to referral by the Clinician and in emergency cases. Any legal action, late fees, interest, etc. for unpaid claims or partial claim payment will be the exclusive responsibility of the Contractor.

To help satisfy requirements of several consent decrees, address findings by legislative auditors or otherwise enhance the delivery of appropriate medical care to inmates in a cost effective manner, the contract that will go into effect 7/1/2012 has many changes from the contract currently in place that will end on 6/30/2012.

RATIONALE FOR COMBINING TWO PRESENT CONTRACTS

Under the current separate contract for Utilization Management (UM) services all offsite medical care expenses are charged, i.e., “passed through”, to and reimbursed by DPSCS. Whereas, the UM contractor, currently Wexford, is paid to monitor all offsite inmate medical care and recommend ways to hold down such expenses, the actual implementation of those recommendations largely falls to the onsite medical Staffing contractor, currently Corizon, at this other contractor’s expense, if any. This separation of responsibilities, as well as the lack of financial incentive for either the UM or Staffing contractors to recommend or implement aggressive programs to save DPSCS money, was the primary reason both these functions were combined into a single contract under this RFP. The combined contract is also expected to improve patient care through the coordination of onsite and offsite care. With the limited exceptions noted under the payments section below, this single contractor will be responsible for all costs to provide the full scope of inmate health care services.

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

ITEM: 8-S (Cont.)

Moreover, under this RFP many refinements were made versus the current contract to delineate the financial responsibilities of the medical contractor versus the expenses to be borne by the pharmacy, dental and mental health contractors. Under the current contract at times there were disputes over which contractor would be responsible for certain expenses. Great care was also taken to identify past circumstances when the medical staffing contractor had pointed out omissions in the current contract where activities that had been expected by DPSCS to be borne by the contractor had not been so stated in the contract, with the result that often the activity was not performed or DPSCS ended up paying extra for those activities.

OPTIONAL SERVICES

The new contract for which approval is requested under this Item includes options for the Department to obtain three types of equipment/services that were separately priced by offerors. These optional items are:

- A new Electronic Health Record (EHR) system;
- Digital Radiology (X-ray) Services; and,
- Enhanced Telemedicine Services.

These services were requested as optional provisions under the new contract because, while the potential benefits were well known, it was unknown how much such services would cost, hence whether they would be affordable to the Department, or cost beneficial.

CONTRACTOR PAYMENT PROVISIONS

Remuneration to the Contractor shall primarily be based on payment of a fixed annual price, divided into twelve monthly installments to produce a fixed monthly fee, for each respective Contract Period (year) for Staff services, specialist care, hospitalization, diagnostic and laboratory services, supplies, equipment, offsite services including hospitalization, overhead and administrative costs, and profit. In the fourth and fifth contract years the contractor will have its contract price adjusted by changes in the medical component of the Consumer Price Index.

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

ITEM: 8-S (Cont.)

Additional payment considerations are:

- If the total inmate census listed on the price form varies in any month by more than 750 inmates, plus or minus, the Contractor's monthly fee will be adjusted up or down on a per inmate basis for the number of inmates in excess of 750;
- The Contractor can retain 10% of all third party reimbursements of inmate offsite medical care, including Medical Assistance reimbursements;
- For any inmate that incurs more than \$25,000 in offsite hospital expenses in a single admission occurrence, DPSCS will reimburse the Contractor 50% of all expenses over \$25,000;
- The Contractor will be reimbursed in full for any expenses to transport inmates by ambulance for offsite hospitalizations or other offsite care in excess of a threshold listed in the RFP; and,
- The Contractor will be reimbursed in full for any transportation expense in returning a Maryland inmate incarcerated in another state to Maryland for medical care.

The Contractor must pay for all off-site care rendered through 6/30/2017, even if the invoice is not received until months after this contract ending date. The Contractor is also responsible for forwarding to the Department any third party reimbursements, less its 10% incentive portion, received after 6/30/2017 for services performed prior to that date. To assure that all post-contract services are properly performed, the Department will place an amount representing the amount that should be paid to the contractor in the final month of the contract into an escrow account. Payments from this escrow account will be made as the contractor submits evidence of payments for off-site care made on or after 7/1/2017 for care to inmates provided prior to that date, and/or evidence of performance of all other contract transition-out activities. Final payment to the contractor will be made either when the amount of the funds in the escrow account is exhausted or by 6/30/2018, whichever occurs first. Although as described above final payment to the contractor may occur up to one year after inmate services under the contract cease to be provided, these payments will only be made for services provided during the contract term, will be in accordance with payment provisions of the contract and will not require any additional funding authorization beyond that approved by the BPW.

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

ITEM: 8-S (Cont.)

AWARD AND FINANCIAL OFFER DIFFERENCE

The *Award Amount* above and the *Evaluated Financial Price Amount* shown in the Attachment are different. The *Evaluated Financial Price Amount* was based upon a pricing model that was part of the financial proposal submitted by the offerors. The *Award Amount* is based upon the actual estimated value of the services to be provided, including the optional services and the reimbursement of any expenses over \$25,000 for a single inmate admission, as described under the Contractor Payment Provisions above.

The RFP established a MBE participation goal of 10% of the total value of payments to the Contractor, excluding the cost of the Offsite Secondary Care and any Optional Services that are implemented. Wexford's proposal submission commits to meet the goal using five MDOT Certified MBEs.

On April 2, 2012, the other incumbent, Corizon, Inc. filed a protest against the award of the contract to Wexford. Corizon, Inc. filed a supplemental protest on April 9, 2012 following a debriefing concerning why it was not recommended for award. The Department is in the process of responding to these two protests.

The Department is requesting that the Board of Public Works (BPW) approve the contract award notwithstanding protest based upon the following substantial State interests:

- The implementation of increased staffing to provide better inmate medical care, which should help satisfy the conditions of an existing consent decree, reduce the number of inmate grievances, and reduce law suits related to inmate medical care;
- Decreased offsite transportations for inmates to receive medical care, which enhances public safety due to the reduced risk of escape and produces cost savings for the Department (a minimum of two guards are required for each offsite transport);
- Improved discharge planning for inmates returning to the community, which has multiple benefits in terms of the potential for:
 - Increased care in the community for former inmates;
 - Decreased inappropriate reliance on emergency room treatment for former inmates;
 - Decreased hospital admissions for former inmates due to controllable conditions being untreated and becoming aggravated and requiring hospitalization;

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

ITEM: 8-S (Cont.)

- Increased effort to obtain appropriate housing for former inmates and application for Medical Assistance, SSI, and any other potential benefit for which a former inmate could be eligible;
- Allow the initiation of third party reimbursement efforts for inmate inpatient hospitalizations, primarily from the Medical Assistance Program; and,
- Address deficiencies identified by the legislative auditors.

By approving this item, per COMAR 21.10.02.11.A, the BPW will be deemed to specifically find that execution of the contract without delay is necessary to protect substantial State interests and it will specifically be doing so notwithstanding the fact that Corizon, Inc. has protested not being awarded the new contract.

FUND SOURCE: 100% General

APPROP. CODE: Various

RESIDENT BUSINESS: No (However, the recommended contractor will open a Maryland office shortly to commence contract start-up activities and then manage the contract.)

MD TAX CLEARANCE: 12-0508-0110

Note: This Item appeared on the 4/18/2012 DBM BPW Agenda as Item 3-S and was withdrawn.

Board of Public Works Action - The above referenced Item was:

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

ITEM: 8-S (Cont.) **ATTACHMENT**

BIDS OR PROPOSALS (Cont.):

<u>Offerors</u>	<u>Technical Ranking</u>	<u>Evaluated Financial Price (Ranking)</u>	<u>Overall Ranking</u>
Wexford Health Sources, Inc. Pittsburgh, PA	2	\$515,302,347.58 (1)	1
Corizon, Inc. St. Louis, MO	1	\$535,379,205.77 (2)	2
NaphCare, Inc. Birmingham, AL	3	\$552,827,651.66 (3)	3