City of Culver City, California

City Council Agenda Item Report

Meeting Date: 05/14/07	Item Number: A-6
AGENDA ITEM: Approval of a Professional Services Agreement with Southern California Risk Management Associates (SCRMA) to Provide Workers' Compensation Claims Administration, Bill Review, and Utilization Review Services.	
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Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Master Notification List 05/09/07; All respondents to Request For Proposal Bid #1344 on 5/10/07	
Department Approval: Marlee Chang (05/03/07)	City Attorney Approval: Carol Schwab (by H. Iker) (05/07/09)
City Controller Approval: Marlee Chang (05/03/07)	City Manager Approval: Jerry B. Fulwood (05/09/07)

RECOMMENDATION:

Staff recommends the City Council approve a five-year professional services agreement, not to exceed the amounts indicated in the fiscal analysis section of this report, with Southern California Risk Management Associates (SCRMA) to provide workers' compensation claims administration, bill review, and utilization review services.

BACKGROUND:

As part of the 2006-07 budget process, staff was directed to conduct a Request for Proposal (RFP) for workers' compensation third party administration services prior to the adoption of the 2007-08 budget. Subsequently, City Council authorized staff to release an RFP for claims administration services on January 8, 2007. The RFP solicited proposals for third party claims administration, medical bill review services, and utilization review services. The RFP was structured in such a way that these services could either be offered bundled by a full service third party administrator (i.e. all three services offered by the same firm) or unbundled by a firm that specializes in one or two of the three component areas.

Staff received proposals from twenty four (24) firms; of which ten (10) responses were from full service third party administrators (TPA) and fourteen (14) responses were from firms that specialize in one of the three component areas. With the assistance of a risk management consultant from Aon Risk Services, staff from Risk Management and the Controller's Office evaluated each proposal and selected three firms to give an oral presentation to a panel of Department Heads and City staff, followed by a question and answer period.

All firms were evaluated based on the following criteria:

1. Thoroughness and clarity of response;
2. Technical understanding of the requested service;
3. Firm's experience providing claims administration services to full-service Municipalities;
4. Overall expertise/experience and availability of staff assigned to the account;
5. Computer system and capability to generate various reports and analysis in an acceptable format;
6. Client references; and
7. Cost of service.

The panel of City staff at the presentation and interview consisted of the Personnel Director, Chief of Police, Parks, Recreation and Community Services Director, Interim Risk Manager, City Controller, Safety and Claims Coordinator, and Senior Management Analyst in the Budget & Finance Division.

DISCUSSION:

Based on the evaluation of proposals, the following three full service TPA firms were invited to the presentation and interview:

- AdminSure (formerly Colen & Lee);
- Hazelrigg Risk Management Services; and
- Southern California Risk Management Associates (SCRMA).

The three firms selected are all full service TPAs; that is to say they provide all requested services in-house as opposed to selecting different firms to perform ancillary services related to the claims administration process (i.e. bill review and utilization review). After carefully evaluating all responses, it was the consensus that these three full service TPAs offered comparable medical review and utilization review services with the added operational and economic efficiency of providing these services in-house.

Immediately following the interviews, Risk Management staff and the consultant carefully considered input from the panel on each of the three finalists. Based on the evaluation, presentation to staff, and client references, staff recommends that SCRMA be selected to provide claims administration services.

Southern California Risk Management Associates (SCRMA)

Qualification

SCRMA is a highly qualified firm with extensive experience in claims administration services for municipalities in California. SCRMA stood out as a firm that could provide the City with superior multi-dimensional claims administration service. SCRMA has extensive experience administering claims for California municipalities with more than 100 municipal and special district clients; almost 50% of which have Police, Fire and/or Transit services.

Presentation

During their presentation and interview, SCRMA staff projected a great deal of enthusiasm and knowledge of all aspects of claims administration. They projected and emphasized a very proactive philosophy towards claims management. SCRMA has a strong record of delivering all statutorily-entitled benefits mandated by the California Labor Code to injured workers while concurrently assuming their role as gate-keeper to ensure that benefits delivered do not exceed Labor Code requirements. SCRMA's approach is to provide the best treatment to those employees that are truly injured and genuinely want to get back to work in a timely manner; however, they will take an assertive stance on claims that they view as questionable by investigating claims, taking a more exacting approach towards litigated claims, and providing the City with their professional recommendation/solution.

In terms of claims administration philosophy, SCRMA staff exhibited and described various control methods to minimize costs during the course of a workers' compensation claim. Suggestions included continued support/assistance in the administration of the City's Return to Work program. SCRMA also stressed the importance of proactive litigation management in terms of participating in consistent file reviews with our attorneys, the adjustor and in-house staff.

Staffing Service Level

SCRMA will assign highly experienced claims staff dedicated specifically to Culver City's account. A highly experienced TPA staff is crucial because they will be deeply involved in the day to day management of the City's claims and will constantly communicate and collaborate with the City's Risk Management and Personnel staff to continually monitor and improve the program. In essence, the TPA account manager and claims staff will become an extension of the City's current Risk Management staff.

References

All of SCRMA's client references were extremely positive. The references had all been with SCRMA for more than ten years and spoke very highly of SCRMA's customer service and claims handling abilities. One reference was also impressed with SCRMA's full disclosure of all costs. They indicated that SCRMA is clear, up-front, and transparent about their costs.

In addition to current clients, staff also contacted two of SCRMA's former clients that had recently left SCRMA for another TPA. The former clients that were contacted expressed no major concerns with SCRMA's claims management service. Their reason for moving to a new TPA had more to do with the clients' internal operations or management and not claims processing.

Medical Provider Network (MPN)

Another service that sets SCRMA apart from the other finalists is their established Medical Provider Network (MPN). A
MPN is a network of medical providers and specialists who are familiar with workers' compensation practices and reporting requirements to which an employer sends injured employees. Similar to a Preferred Provider Organization (PPO), the medical providers and specialists in a MPN have a contractual agreement to provide medical services at a somewhat discounted rate.

The most effective MPN is one that is dynamic enough to offer injured workers and employers a choice in treating physicians/specialists while containing medical costs. This can be achieved by constant monitoring of the providers in the MPN by the claims administrator.

The City's current MPN, Concentra, is a large network with tens of thousands of members. Historically, it has been very difficult for the City to screen medical providers and exclude those that may not provide quality medical treatment and/or share the City's philosophy to return employees to work in a timely manner while delivering excellent medical care.

Alternately, SCRMA has developed their own MPN – Wellcomp – which provides fair compensation to medical providers to attract and retain loyal, high quality providers who have the goal of successful patient recovery. Before medical providers are added to the Wellcomp network, they are screened and credentialed to ensure that they provide high quality medical treatment and have a proven track record that will add value to an employers' risk management program.

Conclusion

SCRMA is slightly more expensive than one of the other finalists (approximately $31,500 per year over the five year period); however, staff feels that SCRMA's high quality of service, proactive philosophy and diligent claims process can lower the City's average claims cost significantly and thereby reduce total workers' compensation expenses in the long run. In addition, SCRMA has a reputation for closing claims that have been open for long periods of time. The quicker claims are resolved and closed, the greater the cost savings and reduction in future liability exposure.

The benefit of a more proactive approach to claims management has been apparent in the City's own operations over the past few years. A change in Risk Management staff brought a change in philosophy and a more structured approach to claims management. Risk Management staff actively facilitates quality treatment for injured employee's that are eager to recover and return to work while taking a stance that protects the City against questionable claims.

Changing TPA services will further strengthen and support the City's claims management philosophy, which will help to continue the City's current trend of reducing claims related expenses as well as the salary continuance costs for injured employees. The end result for the City is not only establishing a healthier work environment but also boosting employee moral.

FISCAL ANALYSIS:

Claims Administration: The contract amount for administering the City's self insured workers' compensation program includes acting as a liaison between employees, doctors, attorneys, and the City; generating and mailing statutorily required notices to employees; processing and filing required forms with the appropriate parties; reviewing medical treatment to ensure that it is appropriate; setting initial claim reserve amounts; consulting with Risk Management staff to provide recommended courses of action; paying claims related costs on behalf of the City; and generating and providing reports to Risk Management staff for use in analysis and enhanced program management.

	SCRMA	AdminSure	Hazelrigg
Year 1:	$274,890	$329,280	$235,000
Year 2:	274,890	342,451	242,050
Year 3:	274,890	356,149	249,311
Year 4:	288,635	370,395	256,791
Year 5:	303,070	385,211	264,495
TOTAL	**$1,416,375**	**$1,783,486**	**$1,258,647**

Over the five-year contract period, SCRMA is an average of $31,500 higher than Hazelrigg and $73,400 lower than AdminSure.

Medical Bill Review: This service is to ensure that the City is being billed accurately for the medical treatment provided to injured workers and to make sure that the City is taking advantage of treatment discounts provided by medical provider network doctors.

	Service Fee
SCRMA	15% of net savings, less duplicates
AdminSure	4% of net savings, less duplicates
Hazelrigg	15% of net savings, less duplicates

SCRMA and Hazelrigg have very similar pricing for this service. AdminSure is significantly less expensive; however, this is offset somewhat by their higher claims administration expense.

Utilization Review: This service is to pay medical professionals to review requests for medical services by treating facilities. This additional review by medical professionals ensures that the requested treatment is necessary and within ACOEM (American College of Occupational and Environmental Medicine) treatment guidelines.

		Approximate charge on a $500 Medical Bill
SCRMA	5% of net medical charges	$25
AdminSure	4% of net medical charges	$20
Hazelrigg	$95-$150 per claim plus Physician Asst. fees	$95+

As noted above, SCRMA and AdminSure charge on a percentage basis while Hazelrigg charges a flat fee. Charges on a percentage bases are more advantageous if a majority of the bills that go through utilization review are smaller bills (i.e. >$2,000). A flat fee is more advantageous if a majority of the bills are for larger more serious treatments (e.g. surgery). Historically, a majority of Culver City's utilization review bills are smaller; therefore, paying on a percentage basis is more advantageous.

<ins>One-time fees (Data conversion cost and MPN application fee):</ins> In addition to the annual contract cost, a change in third party administrators will require one-time fees for data conversion and MPN application costs, not to exceed $11,200.

<ins>Annual website access charge:</ins> There is also a per user charge for access to SCRMA's web based claims administration information system of $1,400 per user per year. Staff recommends that three City users have access to SCRMA's system ($1,400 X 3 = $4,200).

Although the direct contract costs are not the lowest, staff believes that SCRMA is the best fit for the City and will save the City money in the long run. Sufficient funds for the claims administration contract will be included in the fiscal years 2007-08 and 2008-09 Proposed Budget.

ATTACHMENTS:

1. List of Responding Firms
2. Response Summary and Evaluation Matrix for Finalists
3. Executive Summary from SCRMA's Proposal

MOTION:

That the City Council:

1. <ins>Approve a professional services agreement with Southern California Risk Management Associates (SCRMA) to provide workers' compensation claims administration services for an amount not to exceed $279,090 per year for the first three years of the contract, an amount not to exceed $292,835 in the fourth year of the contract, and an amount not to exceed $307,270 in the fifth year of the contract (each year includes an additional $4,200 for access to SCRMA's claims system for three City users); and</ins>

2. <ins>Authorize staff to pay an additional amount to Southern California Risk Management Associates not to exceed $11,200 for one-time data conversion costs and Medical Provider Network application fees; and</ins>

3. <ins>Authorize the City Attorney to prepare the necessary documents; and</ins>

4. <ins>Authorize the City Manager to execute the agreement on behalf of the City.</ins>