



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: **July 16, 2008** REPORT NO: **08-104**

ATTENTION: City Council  
**Agenda of July 22, 2008**

SUBJECT: Enter into a two year Contract with Various Vendors to Provide  
Workers' Compensation Managed Care Services

REFERENCE: None.

REQUESTED ACTION:

1. Authorize the award of this Agreement with Intracorp, beginning August 1, 2008, to provide the City with Workers' Compensation Medical Bill Review, Utilization Review, Preferred Provider Organization use and Injury Call-In Center services for an initial period of two years with three additional one year renewal periods.
2. Authorize the award of this Agreement to Intracorp, Genex, EK Health, Monitor, PacMed and Corvel, beginning August 1, 2008, to provide the City with Workers' Compensation Field Nurse Case Management for an initial period of two years with three additional one year renewal periods beginning August 1, 2010.
3. Authorize the Mayor or his designee to approve the three additional one year Agreement periods for the above described services, contingent upon certification and appropriation of funds by the City Auditor and Comptroller.
4. Authorize the expenditure of \$1,200,000 from the Workers' Compensation Fund 60029 for FY 2009, contingent upon certification and appropriation of funds by the City Auditor and Comptroller.

STAFF RECOMMENDATION: Adopt Resolutions and Approve Agreements.

SUMMARY:

The City of San Diego self-insures and self-administers its workers' compensation insurance program in accordance with the California Labor Code. The self-administration of the City's workers' compensation program is the responsibility of the Risk Management Department, which provides workers' compensation benefits to all eligible City employees and establishes programs, allowed by the Labor Code, that provide appropriate medical care.

Following an operational and best practices assessment by Deloitte & Touche, the City implemented Integrated Managed Care Services with Genex in April of 2002. That contract has expired and as a result of the request for proposal process the Risk Management Department is recommending the City contract with Intracorp to continue providing integrated managed care services. The Integrated Managed Care contract provides the following services and benefits to the City's workers' compensation program all of which are recognized as Best Practices in the Workers' Compensation industry:

1. Medical bill review – a process of reviewing physician, hospital, pharmacy and other medical related bills and reconciling/repricing them with the California Official Medical Fee Schedule (OMFS) and/or PPO contracted discount rates; hard savings to the City are realized in the difference between originally-billed and ultimately-paid amounts. The OMFS is regulated by the State for most workers' compensation medical billing. The City processes approximately 43,500 medical bills through bill review annually. Medical bill Review savings for FY 2007 totaled \$15,451,701. The cost for these services for FY 2007 totaled \$408,273.
2. Medical Utilization Review – clinical and administrative review of treatment for plans for appropriateness of treatment type and duration. Hard savings are realized through the identification and remediation of sources of costly over-treatment. In 2004 the State Legislature passed law that requires all insurance carriers and self-insured employers to have in-place a Medical Utilization Review program. The State has developed medical necessity guidelines and procedures for the employers to follow. Number of utilization reviews in FY 2007 total 2,081. Net savings for UR for FY 2007 total \$1,140,037. The cost for these services for FY 2007 totaled \$379,130.
3. Preferred Provider Organization (PPO) – a network of primary and specialist health care providers with pre-arranged discount fees; hard savings to the City are realized through calculation of the difference between standard medical billing rates and PPO discounts. The number of medical bills that were reduced by the PPO network for FY 2007 totaled 35,228. For FY 2007 the estimated PPO savings totaled \$1,236,136. PPO savings are included in the Bill Review savings listed in item 1. The cost for these services for FY 2007 totaled \$127,148.
4. Medical Case Management – nurse and other medical professional support resources for an employee who has sustained a catastrophic injury through managed treatment paths, specialist referrals, and rehabilitation resources; savings are realized through reduced loss costs, accelerated return-to work and assurance of appropriate medical care. At the end of FY 2007 there were 18 City employees receiving Nurse Case Management services. Total FY 2007 charges for Medical Case Management total \$188,365.
5. Injury Call Center – allows for 7/24 notification of industrial injuries. Allows the workers' compensation claims staff to make the necessary decisions to pay or deny workers' compensation benefits within the Labor Code allowed time perimeters. In FY 2007, the Call Center received 1,726 industrial injury calls. The FY 2007 Call Center cost totaled \$36,156.

Integrated Managed Care services have presented significant savings to the City as shown in Table 1. Approximately 93% of the hard dollar savings comes from Bill Review and PPO use. The other 7% comes from Medical Utilization Review.

**Table 1. Five Year History of Managed Care Savings/Managed Care Costs**

| <u>Fiscal Year</u> | <u>Amount Saved</u> |
|--------------------|---------------------|
| 2003               | \$8,311,267         |
| 2004               | \$14,064,559        |
| 2005               | \$17,014,661        |
| 2006               | \$16,843,406        |
| 2007               | \$16,591,738        |
| Total              | \$72,825,631        |

The Risk Management and Purchasing Department opened a Request for Proposal (RFP) for Integrated Managed Care services in 2007. A Technical Evaluation Committee (TEC) was developed to review the Proposals. The TEC completed a comprehensive review of the technical proposals submitted by the Proposers based on five core requirements consisting of the following:

1. Bill Review
2. Preferred Provider Organization
3. Medical Utilization Review
4. Injury Call-In Center
5. Field Nurse Case Management

The Technical Evaluation Committee (TEC), responsible for proposal evaluation, completed a comprehensive review of the technical and price proposals submitted on the first four core requirements. The technical evaluation was completed without pricing proposals. Pricing was considered after the completion of the technical evaluation. Technical merit carried a greater weight than price.

The fifth core requirement, Field Nurse Case Management (FNCM), was evaluated separately by the TEC. This separate evaluation was conducted to allow TEC to select a number of Proposers that would best serve the needs of the City in providing FNCM.

The TEC reviewed five vendor proposals submitted for Core Requirements one (1) through four (4). Based on the technical review, pricing and references it is recommended that an award of contract be made to Intracorp for core requirements one (1) through four (4).

Intracorp was the only Proposer to receive an exceptional technical ranking from the TEC. Intracorp submitted the lowest pricing for core requirements one (1) through four (4).

In a separate evaluation the TEC reviewed seven vendor proposals for Field Nurse Case Management (FNCM). The TEC found that all FNCM Proposers had an exceptional technical ranking with the exception of one Proposer who was given an acceptable rating. During the pricing phase of the RFP process the Proposer who was given an acceptable technical rating was removed from consideration for not properly responding to the City's Best and Final Offer letter.

Based on the technical review, pricing and references it is recommended that an award of contract for Core Requirement five, FNCM, be made to the following Proposers:

1. Intracorp
2. Genex
3. Corvel
4. PacMed
5. EK Health
6. Monitor


FISCAL CONSIDERATIONS:

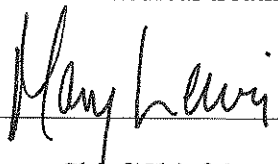
The estimated one year contract cost to the City is \$1,200,000. Funding for the contract is available from the Workers' Compensation Fund 60029.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: City employees who sustain work related injuries or illnesses benefit from the use of State required Medical Utilization Review. Medical Utilization Review ensures that the employee receives medical treatment in accordance with the guidelines established by the State.

  
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Originating Department

  
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Deputy Chief/Chief Operating Officer