



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: June 10, 2014 REPORT NO: 14-050
ATTENTION: City Council
SUBJECT: Authorization to Execute an Agreement with Various Vendors to
Provide Workers' Compensation Managed Care Services
REFERENCE: None

REQUESTED ACTIONS:

1. Authorize the Mayor or his designee to execute agreements between the City of San Diego and Genex Services, Inc, EK Health Services, Inc., and Keystone Medical Resources to provide the City with Worker's Compensation Managed Care Services for a total contract amount of \$20,500,000.
2. Authorize the Mayor or his designee to enter into an agreement between the City of San Diego and Genex Services, Inc., to provide the City with Workers' Compensation Medical Bill Review, Utilization Review, Preferred Provider Organization use, Pharmacy Management Benefit and Injury Call-in Center services for an initial period of three years with two additional one-year renewal periods.
3. Authorize the Mayor or his designee to enter into a agreement between the City of San Diego and Genex, EK Health Services, Inc. and Keystone Medical Resources, to provide the City with Workers' Compensation Field Nurse Case Management services for an initial period of three years with two additional one year renewal periods.
4. Authorize the Chief Financial Officer to appropriate and expend \$4,100,000 for each of the years on the initial three-year contract beginning in Fiscal Year 2015 from the Workers' Compensation Fund 720044, contingent upon the adoption of the Annual Appropriations Ordinance for the applicable fiscal years and upon the Chief Financial Officer first furnishing one or more certificates stating that funds necessary for authorized expenditures are, or will be, on deposit with the City Treasurer.
5. Authorize the Mayor or his designee to execute each of the two additional one-year agreement extensions for the above described services, contingent upon the adoption of the Appropriation Ordinance for the applicable fiscal year and upon Chief

Financial Officer first furnishing one or more certificates stating that funds necessary for authorized expenditures are, or will be, on deposit with the City Treasurer.

6. Authorize the appropriation and expenditure of \$4,100,000 from the Workers' Compensation Fund 720044 for each of the two additional one-year extensions, contingent upon the adoption of the Annual Appropriations Ordinance for the applicable fiscal year and upon the Chief Financial Officer first furnishing one or more certificates stating that funds necessary for authorized expenditures are, or will be, on deposit with the City Treasurer.

STAFF RECOMMENDATION: Adopt resolutions and approve agreements.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

The City of San Diego self-insures and self-administers its Workers' Compensation Program in accordance with the California Labor Code and California Code of Regulations. 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.

The City has been contracting for managed care services since 2002 following an operational and best practice assessment. The last contract and all extensions have expired. As a result of the request for proposal process, the Risk Management Department is recommending the City contract with Genex Managed Care Services to provide the City with integrated managed care. 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, ancillary and other medical related bills and reconciling/re-pricing them with the allowances of 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 number of medical bills reviewed in FY 2013 totaled 45,934. Medical Bill Review savings for FY 2013 totaled \$26,287,686. The cost for these services for FY 2013 totaled \$323,866.
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. Legislation 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. The number of utilization reviews in FY 2013 was 1,616 with a savings of \$1,080,182. The cost for these services for FY 2013 totaled \$282,156.

3. Preferred Provider Organization (PPO) – a network of primary and specialist healthcare providers and facilities 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 bills reduced by the Genex PPO network for FY 2013 totaled 1205 with a total savings of \$99,125.
4. Injury Call Center – allows for 7/24 notification of industrial injuries. Allows the workers' compensation claims staff to make necessary decisions to pay or deny workers' compensation benefits within the Labor Code allowed time parameters. In FY 2013 the Call Center received 1,586 injury calls. The FY 2013 Call Center cost totaled \$28,548.
5. Pharmacy Benefit Management Program (PBM) – Pharmacy benefits are a mandatory benefit under the California Labor Code. Currently this benefit is being provided by the Workers' Compensation program. This is a newly contracted service for the City in addition to existing services of the Integrated Managed Care program. A Pharmacy Program gives injured City employees access to a Pharmacy Network which consists of all major and most smaller pharmacies that injured City employees can choose from; hard savings to the City are realized through pre-arranged discounts off of allowable Official Medical Fee Schedule (OMFS) amounts. The program also provides oversight to prescriptions issued by physicians to injured employees to ensure the appropriate dispensing of medication while providing optimal care for injured workers. In FY 2013, the City spent \$3.2 million dollars on pharmacy benefits. With the addition of this new service, the City can expect to see savings of 5% to 15%, or \$160,000 to \$480,000. With a projection in the middle, at 8% savings, the amount projected for the pharmacy costs is approximately \$3 million. (Further information on the Pharmacy Program is below).
6. Field Nurse Case Management (FNCM) – nursing and other medical professional support resources for an employee who has sustained a catastrophic injury through managed treatment paths, specialist referrals and rehabilitations resources; savings are realized through reduced loss costs, accelerated return to work and assurance of appropriate medical care. Nurse Case Managers work closely with injured employees and their families to ensure medical treatment is coordinated with any homecare or hospital needs including weekends and after hours.

With the addition of a Pharmacy Benefit Management Program (PBM) it is expected that both the City and injured employees will receive better and more efficient services while helping to reduce increasing costs. Based on Best Practice, our research and discussions with other agencies who currently utilize a PBM, the program will ensure a number of solutions to current issues affecting both the City and injured employees. Below is a list of benefits provided by a PBM:

- Injured employees will have access to ALL major pharmacies and most independent ones – there are 444 located in the San Diego area and 67,000 nationwide. Currently

some injured workers who have retired and receive benefits out of state have difficulty locating pharmacies willing to take California workers' compensation coverage, this will not occur with the PBM.

- A call center is provided with a toll free number accessible 7/24/365 for injured employees to access for assistance with any questions or prescription issues. Currently employees who need prescription outside of business hours have no assistance.
- City staff has the flexibility to pre-approve medication refills. Currently pharmacies will not allow certain medications to be approved for refills. If an employee is in need of a medication that is pre-approved and utilized by the employee on a long term basis, the pharmacy will not allow the fill without speaking with City staff each time a refill is needed. If this arises on a weekend or after hours, the employee must wait until regular business hours to get the approval.
- Employees receive a pharmacy card to ensure they do not pay out of pocket for work related injury medication.
- With access to real time systems, the program provides oversight by physicians/pharmacists to ensure no negative drug interactions could result if multiple medications are being utilized by different physicians and filled at different pharmacies.

Integrated Managed Care services have presented significant savings to the City as shown in Table 1. Approximately 94% of the hard dollar savings comes from Bill Review and PPO use. The other 6% comes from Medical Utilization Review.

Table 1. Five Year History of Managed Care Savings

Fiscal Year	Amount Saved
2010	\$18,854,312
2011	\$19,022,303
2012	\$24,659,635
2013	\$26,287,686
2014 (first 3 quarters; July 2013 – March 2014)	\$21,574,004

The Risk Management and Purchasing and Contracts Department opened a Request for Proposal for Integrated Managed Care services in 2013. 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 **six core requirements consisting of the following:**

1. Bill Review (BR)
2. Medical Utilization Review (UR)
3. Preferred Provider Organization (PPO)

4. Injury Call-In Center (CIC)
5. Pharmacy Benefit Management Program (PBM)
6. Field Nurse Case Management (FNCM)

The TEC, responsible for the proposal evaluation, completed a comprehensive review of all proposals and came to the following recommendation:

The TEC reviewed five vendor proposals submitted for Core Requirements one (1) through five (5). Based on the review and references, it is recommended that an award of contract be made to Genex for Core Requirements one (1) through (5).

In a separate evaluation, the TEC reviewed six (6) vendor proposals for Field Nurse Case Management (FNCM). The TEC selected the top three Proposers.

Based on the Proposal reviews and references, it is recommended that an award of contract for Core Requirement six (6), FNCM, be made to the following Proposers:

1. Genex Services, Inc.
2. EK Health Services, Inc.
3. Keystone Medical Resources

FISCAL CONSIDERATIONS:

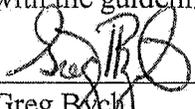
The estimated one year contract cost to the City is \$4,100,000 and \$12,300,00 for the requested 3-year contract. Funding for the contract is available from the Workers' Compensation Fund 720044.

EQUAL OPPORTUNITY CONTRACTING INFORMATION: This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

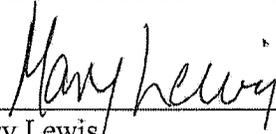
PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

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 requires Medical Utilization Review. Medical Utilization Review ensures that the employee receives medical treatment in accordance with the guidelines established by the State.



Greg Bych
Risk Management



Mary Lewis
Chief Financial Officer