



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
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Fifth District

June 10, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**CONTRACT EXTENSION FOR WORKERS' COMPENSATION MEDICAL AND
DISABILITY MANAGEMENT SERVICES
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve award of, and instruct the Chair to sign, the attached amendment to the contract for the provision of workers' compensation medical and disability management services with Corvel Corporation for extension of the contract term for an additional 180 days.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The current contract with Corvel Corporation expires July 6, 2003. A Request for Proposal (RFP) for medical and disability management services was issued on January 27, 2003. Six proposals were evaluated and the highest ranking proposer, the incumbent Corvel Corporation, was invited in March 2003 to enter into negotiations for a final contract to be approved by the Board of Supervisors. Since March, RFP process issues arose requiring further attention before a new contract can be brought before your Board.

Approval of this amendment will enable the Chief Administrative Office to continue to provide these cost containment services to our workers' compensation third party administrators and to our injured workers. The expiring contract's terms, conditions and costs remain the same. These services are necessary for reducing workers' compensation medical charges down to the California Official Medical Fee Schedule, achieving further reductions through preferred provider network arrangements and assuring injured workers receive the best quality care at the best price for the County.

"To Enrich Lives Through Effective and Caring Service"

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Implementation of Strategic Plan Goals

The medical and disability services provided by the contractor promote and further the Board-approved Strategic Plan goals of Workforce Excellence, Organizational Effectiveness, and Fiscal Responsibility by facilitating the CAO's objective of establishing a risk management process emphasizing loss prevention and cost containment.

FISCAL IMPACT/FINANCING

The cost for medical and disability management services will continue to be paid from the Workers' Compensation Trust Fund. Currently, these services achieve savings of approximately \$90 million annually, more than offsetting contract fees.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In 1996, an outside consulting firm recommended the County of Los Angeles establish a comprehensive medical and disability management program that would integrate medical fee review services with preferred provider organization channeling, nurse case management and 24-hour claim reporting. Subsequent review by another consultant in 2001 resulted in the recommendation that the County continue contracting for these services. On July 30, 2002, the Director of Personnel delegated his authority under the Los Angeles County Code Section 5.31.050 to the Chief Administrative Officer.

The State of California establishes an Official Medical Fee Schedule for workers' compensation medical billings. While employers and insurers are not required by law to follow the fee schedule and, indeed, may pay more than fee schedule, considerable savings are achieved by reducing medical billings to Official Medical Fee Schedule. Virtually all sound workers' compensation programs employ a service to reduce its medical bills. Similarly, Preferred Provider Networks achieve additional reductions in billings below Official Medical Fee Schedule and are used by most efficient workers' compensation programs. Medical and disability management services also provide

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nurse specialists in workers' compensation to work with the medical provider to return an injured worker to productive work as soon as feasible after an injury.

County Counsel approved the amendment as to form. The County may terminate the agreement if sufficient funds are not available. The amendment contains a 30-day termination for convenience clause.

The amendment contains the County's standard provisions regarding contractor obligations and is in compliance with all applicable Board, CAO, and County Counsel requirements. The CAO's Risk Management Branch approved the insurance coverage, indemnification, and liability provisions included in the amendment.

Living Wage Program requirements do not apply to this non-Proposition A contract.

CONTRACTING PROCESS

The CAO Risk Management Branch issued a Request for Proposal (RFP) to solicit proposals for workers' compensation medical and disability management and cost containment services on January 27, 2003.

The RFP was posted on the County of Los Angeles Website (Attachment 1). An Invitation to Submit Proposal was mailed to a list of 36 vendors including nine vendors from the Office of Affirmation Action Compliance County-certified Community Business Enterprise (CBE) participating vendors listing (Attachment 2). It was advertised in the Los Angeles Times, Los Angeles Sentinel, La Opinion, and Acton/Agua Dulce newspapers.

A proposers' conference was conducted on February 7, 2003. Thirty-three companies attended that conference. Six proposals were submitted by the due date of February 28, 2003.

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Two evaluation phases were conducted. The minimum requirements phase was conducted by the Chief Administrative Office staff and consisted of a verification of all minimum requirements and included a financial capability assessment by the Auditor-Controller. The second phase evaluation consisted of a technical review. The committee for the technical evaluation consisted of return-to-work or personnel staff of the Department of Health Services, the Sheriff's Department, the Fire Department, and the Department of Public Works in addition to Chief Administrative Office (CAO) staff having expertise in workers' compensation. Consultants from Garner Consulting participated in this phase as subject matter experts and facilitators. The committee ranked the six proposers. Independent rankings by the consultants were very similar to those of the committee. The highest ranking proposer, Corvel Corporation, was invited in March 2003, to enter into contract negotiations.

Since March, RFP process issues arose requiring further attention by the CAO before bringing the contract forward for Board approval. These issues necessitate an extension of the current contract for an additional 180 days. The County of Los Angeles Auditor-Controller, also, concurs with this extension.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

None, approval of this contract provides for the continuation of existing services.

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CONCLUSION

Please sign three copies of the attached amendment and return two copies to the CAO Risk Management Branch, attention Rocky Armfield, Risk Manager.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:RAA
CSS:AMR

Attachments (3)

c: County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller
g/Medical and Disability Management/Corvel board letter amendment 2

Mr. Dave Romans
Consultant
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Mr. Jack Countway
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Mr. Art Zeiner, Jr.
President
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Major Accounts Manager
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MedInAll
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Mr. Laurence Gordon, President
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Ms. Maureen Stratton, RN, BA,
LNC, President
GSG Associates, Inc.
1 West California #123
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Mr. Brian Teeter, Marketing
Communications Manager
HNC Software Inc.
110 Theory
Irvine, CA 92612

Ms. Jodi Carpenter
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President
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#4-410
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Northridge, CA 91374

Mr. Angel Viera
Arrow Settlement Consulting, Inc.
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Los Angeles, CA 90040

Manuel A. Gonzalez
GMA Professional & Business
5055 Canyon Crest Drive
Riverside, CA 92507-6015

Ms. Katherine Honore'
Honore' Insurance Services
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Los Angeles, CA 90008

Ms. Debbie Hampton
Leslie Saunders Ins. Agency, Inc.
1535 N. Dalemabry
Lutz, FL 33548

Ms. Stephanie Patterson
RFP Insurance Agency
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Culver City, CA 90230

Ms. Charlotte Ferrell
The Simply Fantastic Group
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Mr. Glenn Brown
Fu-Gen, Ins. Research & Invest.
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Mr. Rob C. Rigsby, ARM
President & CEO
United Risk Management
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Roseville, CA 95678

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Gardena, CA 90248

Mr. Kevin Roberts
Equity Claim Management, Inc.
65 Enterprise
Aliso Viejo, CA 92656

Mr. Brian Sandusky
Contracting & Network Development
PTPN
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Ms. Cindy A. Machowski
Director of Business Development
AR 2000 Advanced Review, Inc.
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Irvine, CA 92620

Mr. Jack Countway
Regional Director, Sales
TechHealth - Corporate Headquarters
Hidden River Corporate Center I
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Tampa, FL 33637-2003

Mr. Brandon Beaver
Medfocus Radiology Network
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Ms. Addy Anggelico
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Mr. Fernando X. Hubbard
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Mr. Dwight D. Dickerson, C.P.D.M.
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Ms. Sonja Gregurek
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Tustin, CA 92780

Mr. David Rendeiro
GAB Robins Risk Mgmt. Services
3350 Shelby Street, Suite 300
Ontario, CA 91764

2/5/03
g/med and dis/Labels Consultants

**AMENDMENT TO MEDICAL AND DISABILITY MANAGEMENT SERVICES
AGREEMENT**

This Amendment is entered into on this _____ day of _____, 2003 by and between the COUNTY OF LOS ANGELES (hereinafter referred to as County) and **CORVEL CORPORATION** (hereinafter referred to as Contractor) to amend the July 7, 1998 Medical and Disability Management Services Agreement (Agreement) between the parties.

WHEREAS, Los Angeles County Code Section 5.31.050 provides that the Director of Personnel shall have the authority and responsibility to establish, administer and operate a complete self-insured Workers' Compensation program; and

WHEREAS, pursuant to the California Government Code Section 31000.8, County is authorized to contract with private businesses to perform such services; and

WHEREAS, the County entered into the Agreement with Contractor on July 7, 1998 to provide medical and disability management services until July 7, 2001 with an option for two additional one-year extensions; and

WHEREAS, the Agreement was amended by Amendment No. 1 on May 29, 2001, and by Change Notice No. 1 on May 31, 2002, extending the term of the Agreement to July 7, 2002; and

WHEREAS, the County continues to need medical and disability management services; and

NOW, THEREFORE, THE PARTIES MUTUALLY AGREE TO AMEND THE AGREEMENT AS FOLLOWS:

1.0 Item 1.0 TERM, Subsection 1.1 is amended as follows:

"1.1 The term of this Agreement shall commence on the date first hereinabove written and shall continue in full force and effect until five (5) years and one hundred and eighty (180) days from that date. Contractor's delivery of services hereunder shall commence at a date mutually agreeable to the parties but in no event shall the implementation date be later than July 15, 1998.

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2.0 Item 6.1.6 is amended to Exhibit I, Section B as follows:

“6.1.6 PERFORMANCE GUARANTEES FOR 180 DAY EXTENSION AFTER YEAR 5

- Met all reporting requirements over the course of the previous 12 months, including data file transfer. 5
- 99.5% of the time, no payment for duplicate billings and no charge for review of duplicate billings. 5
- 35% of savings on gross billings after bill review. 10
- Contractor will reduce medical payments by 10% . 20
- OR**
- Contractor will reduce medical payments by 5%. 10
- Turnaround time will be less than or equal to 5 business days for 84% of all bills received. 5
- For in-patient hospital services not subject to the California Medical Fee Schedule and PPO discounts, the amounts paid for services must average at least 30% below the amounts charged. 5

TOTAL SCORE	BONUS or PENALTY
50	Collect additional 5% of revenue generated by this contract for the period 7/7/02—7/6/03.
40	Collect additional 2.5% of revenue generated by this contract for the period 7/7/02—7/6/03.
25	Revenue neutral.
20	Pay back service fees of 2.5% of revenue generated by this contract for the period 7/7/02—7/6/03.
10 or less	Pay back service fees of 5% of revenue generated by this contract for the period 7/7/02—7/6/03.”

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3.0 Exhibit II, Payment Provisions, is amended as follows:

“EXHIBIT II PAYMENT PROVISIONS”

	Year 1	Year 2	Year 3	Year 4	Year 5*
24 Hour Telephonic Reporting	\$15.00 per claim	\$15.00 per claim	\$15.00 per claim	\$15.00 per claim	\$15.00 per claim
Telephonic Medical Case Management	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour
Onsite Medical Case Management	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour
Medical Bill Review	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum
Medical/Legal Bill Review	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum
Pharmacy Bill Review	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum
Vocational Rehab. Fee Review	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum	\$.98 per line 2 line minimum 10 line maximum
Hospital PPO	17% of savings	17% of savings	17% of savings	17% of savings	17% of savings
M.D. PPO	17% of savings	17% of savings	17% of savings	17% of savings	17% of savings
UR Hospital In-Patient Services (Prospective)	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour
UR Hospital In-Patient Services (Concurrent)	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour
UR Hospital In-Patient Services (Retrospective) Hospital Bill Audit	20% of savings	20% of savings	20% of savings	20% of savings	20% of savings
UR Out-Patient Services	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour	\$60.00 per hour

* Payment during the 180 day extension period after Year 5 will be made at Year 5 rates.

4.0 Paragraph 5.1 is amended as follows:

5.1 Performance of services under this Agreement may be terminated by the County in whole or in part when such action is deemed by the County to be in its best interest. Termination of work shall be effected by delivery to the Contractor of a thirty (30) day prior written Notice of Termination specifying the extent to which the performance of work is terminated and the date upon which such termination becomes effective. Said notice of Termination shall be given by the CCA.

5.0 Paragraph 48 is added as follows:

48.0 FACSIMILE REPRESENTATION

The County and the Contractor hereby agree to regard facsimile representations of original signatures of authorized offices of each party, when appearing in appropriate places on the Change Notices and Amendments prepared pursuant to Sub-paragraph 16.0 and received via communications facilities, as legally sufficient evidence that such original signatures have been affixed to Change Notices and Amendments to this Contract, such that the parties need not follow up facsimile transmissions of such documents with subsequent (non-facsimile) transmission of "original" versions of such documents.

6.0 Paragraph 49 is added as follows:

49.0 COMPLIANCE WITH THE COUNTY'S JURY SERVICE PROGRAM

49.1 Jury Service Program:

This Contract is subject to the provisions of the County's ordinance entitled Contractor Employee Jury Service ("Jury Service Program") as codified in Sections 2.203.010 through 2.203.090 of the Los Angeles County Code.

49.2 Written Employee Jury Service Policy.

1. Unless Contractor has demonstrated to the County's satisfaction either that Contractor is not a "Contractor" as defined under the Jury Service Program (Section 2.203.020 of the County Code) or that Contractor qualifies for an exception to the Jury Service Program (Section 2.203.070 of the County Code), Contractor shall have and adhere to a written policy that provides that its Employees shall receive from the Contractor, on an annual basis, no less than five days of regular pay for actual jury service. The policy may provide that Employees deposit any fees received for such jury service with the Contractor or that the Contractor deduct from the Employee's regular pay the fees received for jury service.

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2. For purposes of this Sub-paragraph, "Contractor" means a person, partnership, corporation or other entity which has a contract with the County or a subcontract with a County Contractor and has received or will receive an aggregate sum of \$50,000 or more in any 12-month period under one or more County contracts or subcontracts. "Employee" means any California resident who is a full time employee of Contractor. "Full-time" means 40 hours or more worked per week, or a lesser number of hours if: 1) the lesser number is a recognized industry standard as determined by the County, or 2) Contractor has a long-standing practice that defines the lesser number of hours as full-time. Full-time employees providing short-term, temporary services of 90 days or less within a 12-month period are not considered full-time for purposes of the Jury Service Program. If Contractor uses any subcontractor to perform services for the County under the Contract, the subcontractor shall also be subject to the provisions of this Sub-paragraph. The provisions of this Sub-paragraph shall be inserted into any such subcontract agreement and a copy of the Jury Service Program shall be attached to the agreement.

3. If Contractor is not required to comply with the Jury Service Program when the Contract commences, Contractor shall have a continuing obligation to review the applicability of its "exception status" from the Jury Service Program, and Contractor shall immediately notify County if Contractor at any time either comes within the Jury Service Program's definition of "Contractor" or if Contractor no longer qualifies for an exception to the Jury Service Program. In either event, Contractor shall immediately implement a written policy consistent with the Jury Service Program. The County may also require, at any time during the Contract and at its sole discretion, that Contractor demonstrate to the County's satisfaction that Contractor either continues to remain outside of the Jury Service Program's definition of "Contractor" and/or that Contractor continues to qualify for an exception to the Program.

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4. Contractor’s violation of this Sub-paragraph of the Contract may constitute a material breach of the Contract. In the event of such material breach, County may, in its sole discretion, terminate the Contract and/or bar Contractor from the award of future County contracts for a period of time consistent with the seriousness of the breach.

7.0 Paragraph 50 is added as follows:

50.0 NOTICE TO EMPLOYEES REGARDING THE SAFELY SURRENDERED BABY LAW

The Contractor shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in Exhibit VII of this Contract and is also available on the Internet at www.babysafela.org for printing purposes.

8.0 Paragraph 51 is added as follows:

51.0 CONTRACTOR’S ACKNOWLEDGEMENT OF COUNTY’S COMMITMENT TO THE SAFELY SURRENDERED BABY LAW

The Contractor acknowledges that the County placed a high priority on the implementation of the Safely Surrendered Baby Law. The Contractor understands that it is the County’s policy to encourage all County Contractors to voluntarily post the County’s “Safely Surrendered Baby Law” poster in a prominent position at the Contractor’s place of business. The Contractor will also encourage its Subcontractors, if any, to post this poster in a prominent position in the Subcontractor’s place of business. The County’s Department of Children and Family Services will supply the Contractor with the poster to be used.

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IN WITNESS THEREOF, the Board of Supervisors of the County of Los Angeles has caused this Agreement to be subscribed by its Chairman and the seal of such Board to be hereto affixed, and attested to by the Executive Officer-Clerk thereof, and the Contractor has caused this Agreement to be subscribed to on its behalf by its duly authorized officer, the day, month and the year first above written.

COUNTY OF LOS ANGELES

CONTRACTOR

The Contractor represents and warrants that the signatory to this Agreement is fully authorized to obligate the Contractor hereunder and that all corporate acts necessary to the execution of this Agreement have been accomplished.

Chair, Board of Supervisors

(Name/Title)

ATTEST:

VIOLET VARONA-LUKENS
Executive Offer-Clerk
Of the Board of Supervisors

By _____
Deputy

APPROVED AS TO FORM:
LLOYD W. PELLMAN
County Counsel

By _____
Deputy

APPROVED AS TO CONTRACT ADMINISTRATION:
Chief Administrative Officer

By _____
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