County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE
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DAVID E. JANSSEN
Chief Administrative Officer

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Fifth District

July 29, 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 one-month period.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The current contract with Corvel Corporation expires August 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 (CAO) 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 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.

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 estimated savings of $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 may pay more than fee schedule, considerable savings are achieved by reducing medical billings to the 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 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.

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

CONTRACTING PROCESS

The CAO Risk Management Branch issued an 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. 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. 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.

Two evaluation phases were conducted. The minimum requirements phase was conducted by the CAO 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 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 preliminary negotiations.

However, since March, RFP process issues arose requiring further attention by the CAO before a contract could be brought to the Board. The County of Los Angeles Auditor-Controller reviewed the RFP process and made certain recommendations. In accordance with the recommendations, the technical evaluation committee reconvened and resolved the matters raised by the Auditor-Controller. On June 30, 2003, the CAO notified proposers whether they qualified to enter into preliminary negotiations, and that an appeal process was available. The CAO informed the three highest ranked proposers that it was considering the division of the medical and disability management services among them. Two proposers submitted timely Letters of Appeal. The Appeal Committee hearing was held on July 16, 2003. Presently, the Department awaits the Appeal Committee's findings. These issues necessitate an extension of the current contract for an additional one-month period. The County of Los Angeles Auditor-Controller, also, concurs with this extension.

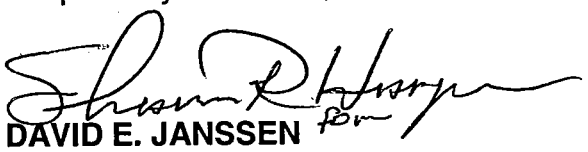
IMPACT ON CURRENT SERVICES (OR PROJECTS)

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

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
Attachment
c: County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller

g/Medical and Disability Management/Corvel board letter amendment3

Contract No. 71668
Amendment Number 3

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. 2 on June 17, 2003, Amendment No. 1 on May 29, 2001, and by Change Notice No. 1 on May 31, 2002, extending the term of the Agreement to August 7, 2003; 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 two months 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 ONE MONTH EXTENSION AFTER YEAR 5 AND ONE MONTH

-	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."

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 one month extension period after Year 5 and one month will be made at Year 5 rates.

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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 Chair 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

_____
Chair, Board of Supervisors

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.

_____
(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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