

To: Board of Directors

Date: June 8, 2011

From: Kathy Casenave *Kc*
Director of Finance

Reviewed By: *Plt*

SUBJECT: Third Party Administrator for Workers Compensation Claims

SUMMARY OF ISSUES:

The Authority is self-insured for the first \$250,000 for each workers compensation claim and is a member of the Local Agency Excess Workers Compensation Pool (LAWCX) for coverage over the SIR. The vast majority of our claims do not pierce the self-insured layer.

The Authority contracts with a third party administrator to handle the claims. The current contract began in July 2006 with Hazelrigg Risk Management Services (later acquired by CorVel, Inc.). The contract is set to expire on June 30, 2011, although CorVel has agreed to a one month extension.

Staff has been very pleased with CorVel's claims handling and a recent claims audit was also very positive. LAWCX requires (and pays for) a bi-annual audit of all its members. The latest audit by Helling & Associates, dated April 21, 2011, gave a 91% rating to CorVel. To quote a portion of the audit summary:

"CorVel continues to provide very good workers' compensation claims administration for the Authority. We were again specifically impressed by the well-organized files, extensive file notes and summaries, low caseloads and the supervisor's review of the files.

We were also impressed by the claims examiner's handling of some aspects of litigation instead of automatically referring a case to defense counsel when the claimants retained representation. This has certainly reduced the legal expenses for the Authority"

FEES FOR SERVICE:

Staff has negotiated a 5% decrease in the administrative fee with a 2% annual increase (the current contract has a 3% increase). The attached sheet shows the pricing for various services CorVel provides and also a comparison with the pricing for two Bay Area members of LAWCX who use different third party administrators.

FINANCIAL IMPLICATIONS:

The administrative fee will decrease by 5%. The other fees associated with workers comp claims vary depending upon the number of claims and the type of medical review necessary, if any.

ACTION REQUESTED: The Administration and Finance Committee recommends that the Board of Directors approve entering into a new three year contract at the prices set forth on the attached sheet.

ATTACHMENTS: Fee comparison

FEE COMPARISON

	CorVel	TPA 1	TPA 2
1 Annual Administration fee	\$68,431	\$128,340	\$460,720
# of claims	73 (includes 45 claims per yr)	153	440
5% increase requested by TPA 1		\$134,757	
2 Bill review			
Standard Official medical fee schedule	10% <i>of savings</i>	12% <i>of savings</i>	\$3.00 per header / \$1.00 per line
Preferred Provider Organization	10% <i>of savings</i>	28% <i>of savings</i>	20% <i>of savings</i>
Negotiated & hospital/surgical bill audits	10% <i>of savings</i>	28% <i>of savings</i>	16% <i>of savings</i>
3 Utilization Review and Nurse Case Management services			
Utilization Review	Per Hr \$100 per review	Per Hr \$65/\$145	
Telephonic Case Management	\$85	\$95	Not negotiated; billed on case by case basis
Field Nurse Case Management	\$100	\$95	
Peer Review	\$125	\$200	
4 Medicare set-aside services	\$150 per hour for set-aside services	Not provided by TPA	Not provided by TPA
This will be a future expense required by federal government; not yet implemented.	\$900 per claim for reporting services for first 5 claims; \$200 per claim thereafter		
5 Allocated costs, e.g., under-cover detectives, expert witness fees	At cost	At cost	At cost