



Monterey County

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Board Report

Legistar File Number: A 15-010

January 27, 2015

Introduced: 1/21/2015

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Agreement

Approve and authorize the Contracts/Purchasing Officer to sign Renewal and Amendment No. 1 to professional services agreement with Intercare Holdings Insurance Services, Inc. for the administration of the County's Workers' Compensation Program effective October 1, 2014 through September 30, 2015, with a provision for an extension of up to an additional one (1) year extension, subject to the County Risk Manager's prior written approval, not to exceed 3% increase.

RECOMMENDATION:

It is recommended that the Board of Supervisors: Approve and authorize the Contracts/Purchasing Officer to sign Renewal and Amendment No. 1 to professional services agreement with Intercare Holdings Insurance Services, Inc. for the administration of the County's Workers' Compensation Program effective October 1, 2014 through September 30, 2015, with a provision for an extension of up to an additional one (1) year extension, subject to the County Risk Manager's prior written approval, not to exceed 3% increase.

SUMMARY/DISCUSSION:

Since 1973, the County has been self-insured for Workers' Compensation (WC) liabilities. The self-insured program is administered by the Risk Management Department and funding is provided through an Internal Service Fund (ISF). The County utilizes a Third-Party Claims Administrator to assist with its WC claims management, data and reporting and management information system, claims processing, program administration, nurse case management, utilization and bill review, and return to work program.

Since 1998, the County contracted with Helmsman Management Services, a division of Liberty Mutual Insurance Company for the administration of workers' compensation claims. Helmsman Management oversaw and coordinated all aspects of the County's Workers' Compensation Program. In doing so, they worked closely with Risk Management and the County's workers' compensation coordinators.

In March 2011, the County issued a Request for Proposal (RFP) for workers' compensation third-party claims administration, to assess the level of services currently offered by third-party administrators including: 1) Claims Handling Philosophies; 2) Risk Management Information System; 3) Return to Work and Safety Programs; 4) Pricing. Thirteen agencies responded to the RFP. Risk Management impaneled a RFP review team and invited Department Heads to participate in the review process. The RFP review team (e.g., consisting of members of Risk Management, the Contracts/Purchasing Officer, and a Department Head, representative) reviewed the responses and invited three finalists to interview before the RFP review team. Intercare was among the three finalists invited to participate at a panel interview in June 2011. Intercare Holdings Insurance Services, Incorporated was selected as the top candidate to assume handling of the County's workers' compensation program. Intercare demonstrated superior skills and experience in all matters concerning claims administration. The proposed claims handling team is experienced and familiar with public sector claims administration. The review team believed Intercare best matched the needs of the departments and the interests of the County. Overall, Intercare scored the highest and provided the most competitive bid.

The County entered into an Agreement with Intercare Holdings Insurance Services, Inc. on August 29, 2011, for administration of the County's Workers' Compensation Program, effective October 1, 2011 through September 30, 2014 with the option to extend the agreement for two, one-year periods.

During the period FY 2011-12 through FY 2013-14, Intercare Holdings Insurance Services, Inc. was successful in:

- (1) Reducing the County’s annual new claims frequency from 467 to 431;
- (2) Increasing the County’s annual closing ratio from 91.7% to 101.9%;
- (3) Reducing total paid for new first year claims from \$1,302,523 to \$917,679;
- (4) Decreasing annual average paid for new (first year) *medical only* claims from \$873 to \$693;
- (5) Decreasing annual average paid for new (first year) *indemnity* claims from \$6,573 to \$3,527;
- (6) Successfully reduced the County’s workers’ compensation litigation rate from 27.4% to 6.0%;
- (7) Achieving over \$2,395,000 in Utilization Review and Managed Care Services savings;
- (8) Attaining gross savings exceeding \$14,765,950 in Bill Review and Cost Containment Services;
- (9) Recovering \$2,688,832 in Excess and Subrogation recoveries; and
- (10) Conducting more than 40 claims review and inter-connect client (e.g., department) meetings.

Intercare Holdings Insurance Services, Inc. has worked diligently with Risk Management to obtain the positive claims handling results, reflected above. And as a result of achieving the above, has strongly contributed to Risk Management’s ability to reduce the County Workers’ Compensation Program *deficit* from \$20,015,000 (FY 2011) to a *surplus* of \$618,000 (e.g., FY 2014).

Based upon the above, the current Renewal and Amendment No. 1 will extend the agreement by one year, effective October 1, 2014 through September 30, 2015. The delay in processing Amendment No. 1 is due in part to negotiating changes. Changes in the amendment include modifying the staffing and management structure to reflect the cost effective addition of staff and a total of 8.40 FTE. Subsection 6.6 (Fees) has been amended as specified in Amendment 1, and Subsection 6.7 has been amended in its entirety. Subsection 8.3 was added to Section 8.0 “Standard Indemnification”.

OTHER AGENCY INVOLVEMENT:

The attached Renewal and Amendment No. 1 has been reviewed and approved by County Counsel as to legal form; the Auditor-Controller as to fiscal terms; and Risk Management for insurance and indemnity provisions.

FINANCING:

Intercare Holdings Insurance Services, Inc. annual total “claims based” fee for the last three years is \$755,000 per year. However, due to a 31% decline in the County’s medical only claims and a 38% increase in indemnity claims, during this same period, the County’s new total annual claims based fee for the present contract year is anticipated to exceed \$1,226,875. Therefore, Risk Management undertook steps to mitigate the County’s future claims handling costs and negotiated a new “cost plus” fee structure, based upon staffing and case load levels recommended by CSAC and the State of California. This new pricing model provides flexibility needed for the County to control its costs when “medical only” to “indemnity” claims frequency ratios shift or when caseloads and claims frequency would dictate an increase or decrease in claims staff is needed. This will also provide strong incentive for Intercare Holdings Insurance Services, Inc. to continue to closely monitor its mandated/audited case load levels, provide the highest level of service and closely supervise required staffing levels.

The below negotiated pricing will allow the County and Intercare Holdings Insurance Services, Inc. to enter into an Amended Professional Services Agreement for a one (1) year term, effective October 1, 2014, for \$998,094 (e.g., vs. \$1,226,875) annual fee with a provision for an extension of up to an additional (1) one-year extension, subject to the County Risk Manager’s prior written approval, not to exceed 3% increase.

<u>Positions</u>	<u>#FTE</u>	<u>Annual Salary</u>	<u>Benefit Load</u>	<u>Overhead Load</u>	<u>Total</u>
Claims Supervisor	.90	80,100	16,661	54,859	151,629
Claims Adjuster	4.75	346,750	72,124	237,524	656,398
Claims Assistant	1.75	77,525	16,125	53,105	146,755
Admin Clerk	1.00	22,880	4,759	15,673	43,312
Total	8.40	527,255	109,669	361,170	998,094

Costs for "Ancillary Services" billed to the claim file shall be amended in its entirety as of the effective date as follows:

The following agreed upon fees will remain in place for the duration of this Agreement, but are not included within the above stated Annual Claims Fee. The additional agreed fees are as follows:

Bill Review Services	\$ 16.00 per bill inclusive of PPO Access
Utilization Review	\$ 95.00 per Request for Authorization
Peer Review	\$205.00 per hour
Specialty Peer Review	\$250.00 per hour
Nurse Case Management	\$ 95.00 per hour
PBM Program through Helios/PMSI:	Pass through cost discounted rate
Retail: Brand Name Drugs	Dispensing Fee + AWP less 9%
Generic Drugs	Dispensing Fee + AWP less 25%
Mail Order: Brand Name Drugs	Dispensing Fee + AWP less 15%
Generic Drugs	Dispensing Fee + AWP less 40%
MMSEA Quarterly Reporting	\$500.00 annually
SIU Services	\$100.00 per claim file submitted to Department of Insurance \$250.00 additionally per claim prosecuted

The contract, as amended, will provide that the "Annual Claims Fee" shall be paid in twelve equal monthly installments, payable on or before the fifteenth (15th) day of the month, following receipt of services rendered.

This agreement will be paid from the Workers' Compensation (WC) - Internal Service Fund. The total cost of this contract shall not exceed \$998,094 and the increased contract amount of the amendment has been included in the FY 2014-15 and FY 2015-16 budgets, for budget unit 476-1210-COU004-8409 WC-ISF.

Prepared by:

Steve Mauck, Risk Manager, x. 3006

Approved by:

Charles McKee, County Counsel, x. 5045

Attachments:

Intercare Holdings Services Amendment No. 1
Intercare Exhibit A - Staffing Structure Chart