



Board Report

File #: 2020-0256, File Type: Contract

Agenda Number: 9.

FINANCE, BUDGET AND AUDIT COMMITTEE JUNE 17, 2020

SUBJECT: WORKERS' COMPENSATION MANAGED CARE SERVICES

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a four-year base term, with three, two-year options, incentive-based contract, Contract No. PS161339000, to Anthem Workers' Compensation, LLC to establish, maintain and provide a workers' compensation managed care service program, including access to the Anthem network, effective July 1, 2020.

ISSUE

The current workers' compensation Preferred Provider Organization (PPO) and Medical Provider Network (MPN) services contract with Anthem Workers' Compensation, LLC (AWC) will expire on July 31, 2020. To ensure workers' compensation claims are properly reviewed and to control costs of workers' compensation medical bills, a new contract is required effective July 1, 2020. The commencement of this new contract is aligned with the start date of Metro's new workers' compensation medical bill review contract to effectively administer workers' compensation claims.

DISCUSSION

PPO vendors give clients a network of contracted doctors, hospitals and other medical service providers at rates below California's approved fee schedules for their services. The highest quality PPO vendors have deeper discounts, broader networks and better-quality assurance by constantly reviewing their panel of physicians, and terminating contracts when physicians fail to meet specific clinical or legal criteria. PPO vendors have extensive networks (Southern California has tens of thousands of medical providers) with many medical specialties and locations represented, allowing a greater degree of access and penetration than smaller networks can provide. PPO vendors must also be able to support the creation of a customized MPN consistent with the regulations in the California Labor Code.

AWC has the most comprehensive Workers' Compensation PPO network in the industry. Due to their extensive network leasing arrangement with a variety of organizations, it provides the most geographic group network access, and can maximize PPO discounts and generate substantial savings typically below State Workers' Compensation fee schedules. Under the current contract, AWC generates for Metro, an average medical bill savings of 8%. In turn, Metro pays AWC a service

of 22% of total medical bill savings. AWC is proposing to continue to provide Metro workers compensation managed care services at a reduced service fee of 20% of medical bill savings.

In summary, Metro staff anticipates reducing Metro's workers' compensation medical bill charges by \$9.7 million over the life of this contract at an estimated cost of \$2 million. Also, under the new contract rate of 20%, Metro will save a projected \$177,000 over the life of the contract in comparison to the prior contract rate.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funding for this action will largely come from the Enterprise Fund. These charges, along with other workers' compensation costs are allocated to the individual cost centers and projects based on where the injured employees are working at the time of their industrial injury. Most injured employee's costs arise out of bus and rail operations. The increased net savings from this action will reduce ongoing operating costs.

Funding for this action is not included in the FY20 budget given the contract starts in FY21. Since this is a multi-year contract, the Chief Risk, Safety and Asset Management Officer will be responsible to budget the cost in future years, including any options exercised. In FY20, an estimated \$200,000 will be expended on these services under the current contract with AWC.

Impact to Budget

Approval of this action has no impact on the FY20 budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan goal # 5 "Provide responsive, accountable and trustworthy governance within the LA Metro organization." The responsible administration of Metro's workers' compensation claims within the guidelines of California's regulatory requirements lowers Metro's medical expenditures.

ALTERNATIVES CONSIDERED

An alternative would be to issue a competitive solicitation to procure these services. This is not recommended because AWC has the most extensive and comprehensive network of primary care providers and specialists specifically qualified to treat occupational injuries and can offer savings much lower than State Workers' Compensation fee schedules. Further, AWC does not participate in competitive solicitations.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS161339000 with Anthem Workers' Compensation, LLC to establish, maintain and provide a workers' compensation managed care service program, including access to the Anthem network, effective July 1, 2020.

ATTACHMENTS

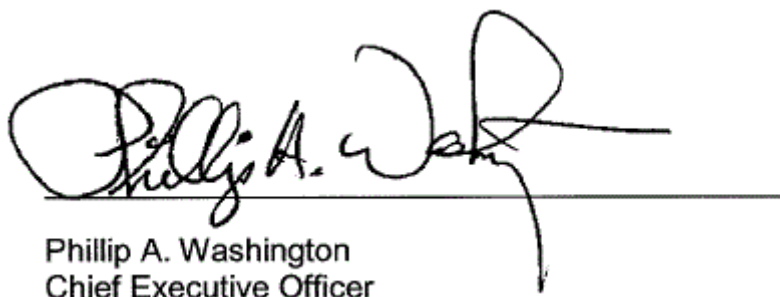
Attachment A - Procurement Summary

Attachment B - DEOD Summary

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