



Board Report

File #: 2024-0047, File Type: Contract

Agenda Number: 8.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2024

SUBJECT: WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 2 to Contract No. PS61721000 with Lien On Me, Inc. for workers' compensation medical bill review services in the amount of \$242,303, increasing the not-to-exceed amount of the four-year base term from \$2,834,674 to \$3,076,977, and exercise the first two-year option in the amount of \$2,083,248, revising the total contract amount from \$3,076,977 to \$5,160,225 and extending the period of performance from July 1, 2024, to June 30, 2026.

ISSUE

Since 2019, Metro's Workers' Compensation division has experienced an increase in the average number of workers' compensation claims filed monthly, resulting in an increase in medical bills received and processed. Approval of the recommendation is required to ensure Metro pays various medical services in accordance with the State of California approved fee schedules and pre-established rates contracted with Preferred Provider Organization (PPO) providers. Additionally, this action authorizes the exercise of the two-year option term to continue providing medical bill review services through June 30, 2026.

BACKGROUND

The review of medical bills is consistent with industry best practice and is one of a variety of techniques government agencies and private entities employ to lower workers' compensation related medical expenditures. Bill review service providers take gross medical billings from physicians, hospitals, pharmacies, and other medical service providers and recommend reductions in conformance with the State of California Fee Schedule and negotiated rates between service providers (PPO contracts). Bill review service providers have custom dedicated software that applies the bill review reduction in accordance with the California Fee Schedule and detects duplicate billings at the line level.

In addition to reviewing bills, bill review service providers have the ability to integrate PPO networks with their bill review system to determine the highest level of savings per line item and maintain the

appropriate software to facilitate submission of California regulatory reporting requirements via Electronic Data Interchange (EDI) with the California Workers' Compensation Information System (WCIS). Bill review vendors represent Metro in legal proceedings involving bill payment disputes with service providers. The review of medical bills is consistent with industry best practices and is one of a variety of techniques to lower medical expenditures.

On October 24, 2019, the Metro Board of Directors awarded the eight-year (inclusive of two, two-year options) firm fixed unit rate Contract No. PS61721000 to Lien On Me, Inc. (LOM) for workers' compensation medical bill review services. Metro's average realized savings through this contract are \$2.1 million per month.

DISCUSSION

Increasing the not to exceed amount reflects current medical bills' volume and factors in an increased margin for future contract years. The 2019 RFP estimate of medical bills' volume estimated an average of 2018 data and did not factor in an increase in volume for future years. The contract was based on a 2018 monthly average of 2,902 medical bills; however, recent experience reflects medical bills volume at an average of 3,400 per month. The increase is attributed to a 32% rise in open WC claims inventory from the start of FY21 to FY24. Risk Management has implemented and is actively working to further implement various mitigation strategies to reduce WC claims and costs. Mitigative measures include bolstering Metro's Return to Work program, implementation of Bus Riding Teams by System Security and Law Enforcement, de-escalation training and partnering with Operations to enhance claims investigations. LOM provides excellent services and averages 62% medical expenditure savings. Due to the savings results and excellence in the delivery of services, Metro staff recommends that the first two-year option period be exercised.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The FY24 Budget includes \$2.6 million for the services in Project 100004, PRMA- Workers Compensation (W/C), under Cost Center 0531, Non-Departmental Operations Risk Management.

Since this is a multi-year contract, the Deputy Chief Risk, Safety and Asset Management Officer and the Chief Safety Officer will be responsible for budgeting the cost in future years.

Impact to Budget

The source of funding for this action will come from federal, state and local funding sources that are eligible for bus and rail operations.

EQUITY PLATFORM

The proposed action supports Metro’s ability to safely serve the communities and customers who rely on Metro’s transportation services and assets by providing workers’ compensation medical benefits that allow injured employees to recover from an injury and maintain staffing levels that allow Metro to continue providing services. Lien On Me, Inc., a Small Business Enterprise (SBE) firm, made a 100% SBE commitment for this contract. Based on payments, the project is 94% complete and the current SBE level of participation is 100%, see Attachment C.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goals #1) “Provide high-quality mobility options that enable people to spend less time traveling,” and #5) “Provide responsive, accountable, and trustworthy governance within the Metro organization.” This Board action supports the efficient delivery of workers’ compensation benefits which enables injured employees to quickly recover and resume job functions. The majority of workers’ compensation claims are filed by bus operators, and this action facilitates Metro’s ability to safely serve the communities and customers who rely on Metro’s transportation services.

ALTERNATIVES CONSIDERED

The Board may elect not to approve the recommendation. This option is not recommended as it will result in Metro overpaying for medical treatment costs and foregoing an average monthly savings of \$2.1 million in workers’ compensation expenditures which is generated through the application of bill review services.

NEXT STEPS

Upon Board approval, staff will execute Modification No. 2 to Contract No. PS61721000 with Lien On Me, Inc. to continue to provide workers’ compensation medical bill review services and exercise the two-year option term.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - Contract Modification/Change Order Log
Attachment C - DEOD Summary

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