

**Board Report**

File #: 2021-0045, **File Type:** Contract**Agenda Number:** 6.

**FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 19, 2021****SUBJECT: WORKERS' COMPENSATION UTILIZATION AND PEER REVIEW SERVICES****ACTION: APPROVE CONTRACT AWARD****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award an eight-year, firm fixed unit price Contract No. PS73428000, to Genex Services, LLC to provide workers' compensation utilization review, peer review, physician consulting and expedited review services in an amount not-to-exceed \$400,000 for the four-year base term, effective July 1, 2021 through June 30, 2025, plus \$418,180, for the two (2), two-year options, for a total not-to-exceed amount of \$818,180 subject to resolution of protest(s), if any.

ISSUE

Metro's current contract for workers' compensation utilization review services expires June 30, 2021. To ensure workers' compensation utilization review, peer review, physician consulting and expedited review services are able to continue, a new contract must be in effect on July 1, 2021.

DISCUSSION

Risk Management's Workers' Compensation Claims Administration unit is a self-insured and self-administered employer for workers' compensation claims. The unit processes thousands of payments monthly for such items as medical services, equipment, pharmaceuticals, legal fees, indemnity benefits and other expenses. Our actuary Aon Risk Services estimates total expenditures for workers' compensation claims payments (excluding the cost of administration) for claims occurring in FY22 will exceed \$72 million, with more than a third of these expenditures covering medical costs.

Consistent with industry best practices, we use a variety of techniques to lower our medical expenditures. Such techniques include Bill Review, Utilization Review (UR), Preferred Provider Organizations (PPO) discounts and Nurse Case Management Services.

The California Labor Code makes provisions for insurers and self-insured employers to evaluate the appropriateness of medical care prescribed by an injured employee's treating physician or other medical provider and to deny treatments inconsistent with accepted protocols. Types of treatment subject to review include surgeries, some diagnostic tests, physical therapy and others. This UR process in California and other states has decreased medical and indemnity costs by reducing unnecessary medical treatments.

In general, our in-house occupational nurse (or in the case of overflow or absence, a contract nurse) certifies obviously acceptable treatments or tests. Non-certified treatments are forwarded to a peer review physician, as required by law, to review specific medical documentation and issue a report citing guidelines under which the requested treatment complies or fails to comply. For complicated cases, we might request a more extensive consultation with a physician regarding treatment options. Administrative rules specify a timeframe (five days) by which insurers and self-insured employers must respond to a treatment request. Hence, a very fast response time is necessary to complete reviews in order to avoid possible penalties or sanctions. The highest quality UR firms assist in the development of referral guidelines, the integration of UR, bill review and claims systems, as well as contracting with the highest quality peer review physicians licensed and domiciled in California.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The funding of \$100,000 for workers' compensation UR Services is included in the FY22 budget in cost center 0531, Risk Management, Project 300004, Workers' Compensation, line item 50316, Professional Services. Since this is a multi-year contract, the Chief Risk, Safety and Asset Management Officer will be accountable for budgeting the cost in future years, including any options exercised. In FY21, an estimated \$45,000 will be expended on these services.

Impact to Budget

The fiscal year funding for this action will come from the Enterprise, General and Internal Service funds paralleling funding for the actual benefiting projects charged. No other sources of funds were considered because these are the activities that benefit from these services. This activity will result in an increase to operating costs from the current fiscal year.

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 includes the use of UR services consistent with California statutes.

ALTERNATIVES CONSIDERED

If we did not contract for these services, the medical cost savings generated by the application of UR services would not be realized. This service is legally mandated by the Workers' Compensation Labor code and is required to dispute treatment requests. A medical review must be completed by using a UR service for any treatment that may not be medically necessary. Metro claims staff and the nurse case manager can evaluate treatment requests and approve if warranted. However, in the case where the treatment may not be reasonable or medically necessary, the treatment can only be denied by a medical professional, thus the necessity of the UR service.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS73428000 with Genex Services, LLC to provide workers' compensation utilization review and peer review services, effective July 1, 2021.

ATTACHMENTS

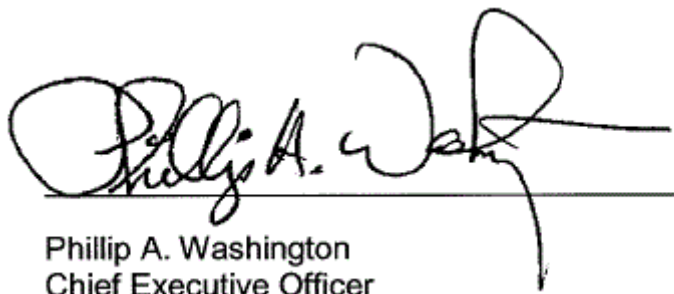
Attachment A - Procurement Summary

Attachment B - DEOD Summary

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