



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: General Services
Department No.: 063
For Agenda Of: June 26, 2012
Placement: Admin
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: General Services Bob Nisbet, Director 560-1011
Contact Info: Ray Aromatorio, Risk Manager, 884-6865

SUBJECT: **First Amendment to Corvel Corporation Contract to Provide Workers' Compensation Claims Administration, Medical Review and State Reporting Services – All Districts**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the Chair to execute a First Amendment to a standard agreement with Corvel Corporation (Corvel), not a local vendor, to review all workers' compensation medical bills and to report medical bill payment information to the State of California as required by regulations, for one year beginning July 1, 2012, and ending June 30, 2013, at a cost not to exceed \$700,000; and
- b) Determine that these activities are exempt from California Environmental Quality Act (CEQA) review per CEQA Guideline Section 15061(b)(3), since it can be seen with certainty that there is no possibility that the activities may have a significant effect on the environment.

Summary Text:

Corvel has processed 4,417 medical bills from July 1, 2011 – May 30, 2012 totaling \$7,166,942. By utilizing the Corvel bill review service, at a cost of \$523,706, medical bills were reduced by \$5,526,566, a net 69.8% reduction in billed medical costs. This represents an increased 17% savings compared to the savings realized with our previous vendor. Furthermore, Corvel will continue to provide mandated

State reporting services, 24-hr online access, full scanning/OCR and mandatory reporting to the Centers for Medicare & Medicaid Services at no additional cost.

Background:

The County of Santa Barbara moved to a Primary Workers' Compensation Program offered through CSAC-Excess Insurance Authority (CSAC-EIA) on July 1, 2010. This means all the Workers' Compensation claims occurring after that date are paid for through that Primary Insurance Program. Corvel is the CSAC-EIA third-party claims administration firm handling those claims. The claims that occurred prior to July 1, 2010, (referred to as "tail claims"), are self-insured by the County and are also being administered by Corvel, via a service contract with the County that was approved by the Board of Supervisors on June 21, 2011, for a one-time cost of \$302,204. There are no further annual costs for administering the tail claims as long as the County continues to contract with Corvel for the provision of medical bill review services.

The County of Santa Barbara is self-insured for Workers' Compensation claims occurring prior to July 1, 2010 and is responsible for reviewing medical bills to ensure that the amount paid does not exceed the standard fee schedule or other negotiated rate with the medical services provider. While there is no mandate to conduct medical bill review, best practices of claims administration and risk management typically use outside bill review specialists to ensure that the lowest possible cost is paid for medical services. The bill review service has been contracted out by the County for over nineteen years. The fees for the service are charged directly to the individual workers' compensation claims and are based on a percentage of the medical bill savings. Combining the claims administration of the tail claims along with bill review/reporting service under one vendor is more efficient, economical and easier.

Fiscal and Facilities Impacts:

Budgeted: Yes, for FY 12-13

Narrative: Costs are included in the budget for Fund 1911, an Internal Service Fund.

Staffing Impacts:

Legal Positions:

0

FTEs:

0

Special Instructions:

After Board Action, please:

Forward one fully executed duplicate Original Contract and Minute Order to: Ray Aromatorio, General Services, Risk Management Division

Original Contract Amendment to Clerk of the Board Files

Attachments:

(2) First Amendment to Corvel Contract

Authored by:

Ray Aromatorio 884-6865