

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on: 08/4/2006
Department Name: General Services
Department No.: 063
Agenda Date: 09/12/2006
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Bob Nisbet, Director (568-2626)
General Services Department

STAFF CONTACT: Luci Rogers, Assistant Director (568-2628)
General Services, Finance

SUBJECT: StrataCare, Inc. Contract to Provide Medical Bill Review, State Reporting and Document Imaging for Workers' Compensation Fund 1911

Recommendation(s):

That the Board of Supervisors approve and authorize the Chair to execute a standard agreement with StrataCare, Inc. (not a local vendor) to review all workers' compensation medical bills in order to recommend payment amounts in accordance with State Law and other negotiated cost savings plans, to provide document imaging and management of medical bill images and to report medical bill payment information to the State of California as required by new regulations. This contract will provide services to the workers' compensation fund for a period of three (3) years to begin September 15, 2006 and end August 31, 2009.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 1; An Efficient Government Able to Respond Effectively to the Needs of the Community and with actions required by law or by routine business necessity.

Executive Summary and Discussion:

The standard practice in Claims Management incorporates medical bill utilization and review. Insurance companies provide this service, however, even these large entities use outside specialists for the review. An insurance company bills the insured company for the review service by charging additional premium. Therefore, the insured company does not see the direct charge for this review.

The County of Santa Barbara, as self-insured for Worker's Compensation, essentially functions like an insurance company for many functions. Therefore, we contract directly with a specialty review company for medical bill utilization and review. The fees for the service are charged directly to the individual claim. Bill review has been contracted with StrataCare for over six (6) years.

Last year, Risk Management processed approximately 10,500 medical bills totaling approximately \$5,700,000. By utilizing StrataCare's professional bill review service, at an estimated cost of \$181,000, we were able to reduce bills by approximately \$3,200,000. This results in an estimated 56% reduction in billed medical costs. Other years have produced similar results.

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We estimate an increase in medical expenses of 15% annually which will result in a similar increase in StrataCare bill review fees. Future bill review fees are therefore estimated at \$210,000 in 2006-07, \$240,000 in 2007-08 and \$275,000 in 2008-09.

Effective September 22, 2006, the County is required to submit medical bill payment reports to the State of California Division of Workers' Compensation via electronic data transmission. StrataCare, Inc. has developed the interface needed to verify and transmit the medical bill payment data to the State and is combining the service with Bill Review because both services utilize the same medical bill data. The combination of services benefits the County by saving time, reducing errors and saving on the redundancy of processing.

An extension of Bill Review/State Reporting to include imaging services and storage of the medical bill images is included in the services agreement and is expected to be implemented within fiscal year 2006-2007. ImageManager™ is designed specifically for workers' compensation programs and provides linking and categorization of all related documents including claims, bills, reports and other attachments. This service will improve claim examiner efficiency by eliminating paper medical bills, medical reports and explanation of benefit documents, will save employee labor needed to file documents and in the long run will free up floor space currently needed to store the paper documents.

CONTRACT VALUE:

The fee for medical bill review, state reporting and document management is 8% of medical bill savings and 12% of hospital savings.

Due to the unpredictability of workers' compensation claim medical expenses we have predicted a range of fees to allow for any unexpected hospitalization expenses or further increase in medical expenses due to legislative changes. The contract value is not to exceed one million two hundred thousand dollars (\$1,200,000) over 3 years. An estimate of annual payments is as follows:

Year 1 \$290,000 - \$325,000
(\$210,000 Bill Review, \$30,000 State Reporting, \$50,000 document management for partial year)

Year 2 \$350,000 - \$400,000
(\$240,000 Bill Review, \$35,000 State Reporting, \$75,000 document management)

Year 3 \$405,000 - \$475,000
(\$275,000 Bill Review, \$40,000 State Reporting, \$90,000 document management)

Fees are only earned if savings are generated.

Mandates and Service Levels:

Medical bill reporting to the State of California is mandated beginning September 22, 2006. While there is no mandate to conduct medical bill review, best practices of claims administration and risk management use this service as standard of practice in business. By combining imaging, state reporting and bill review with one service provider, we gain improved processing efficiency, accuracy and use of technology.

Special Instructions:

Forward the fully executed duplicate original contract and Minute Order to: Robin Wilkins, General Services, Finance/Risk Management Division.