



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: 6-21-11
Placement: Departmental
Estimated Tme: 20
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Bob Nisbet, Director, General Services
Director(s) 568-2626
Contact Info: Ray Aromatorio, Risk Manager
884-6865

SUBJECT: **Corvel Enterprise Company Contract to Provide Workers' Compensation Claims Administration, Medical Review and State Reporting Services**

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

Approve and authorize the Chair to execute a standard agreement with Corvel Enterprise Company (Corvel), not a local vendor, to:

- A. 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, 2011, and ending June 30, 2012, at a cost not to exceed \$700,000, and;
- B. Provide the workers' compensation claims administration for all open claims occurring prior to July 1, 2010 (tail claims) for a one-time payment of \$302,204.17, which is contingent upon Corvel also providing the workers' compensation bill review service.

Summary Text:

Last year, Risk Management processed 11,751 medical bills totaling approximately \$13,309,320. By utilizing our current vendor's (StrataCare) professional bill review service, at a cost of \$429,039, we were able to reduce bills by approximately \$7,298,193, a net 53% reduction in billed medical costs. Other years have produced similar results.

The contract with Corvel will replace our current vendor and provide a similar service for the County with further medical bill savings. The reduction in billed medical costs is expected to be about 70% as compared to the 53% savings realized last year with StrataCare. Furthermore, Corvel will 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 are self-administered by County's Risk Management Division; however, approximately 218 of the 500 self-insured claims (aka tail claims) are being administered by Corvel, via a service contract which will now become incorporated into this board contract. The one-time cost of \$302,204.17 for the administration of all the tail claims with no further annual fee is less than the payroll expenses of three in-house Worker's Compensation Risk Analysts for one year that would be required to handle all 500 claims. There are other ancillary savings as well.

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 eighteen 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

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

Staffing Impacts:

Legal Positions:

2

FTEs:

-2

Special Instructions:

Forward the fully executed duplicate contract and Minute Order to: Ray Aromatorio, General Services, Risk Management Division

Attachments:

Corvel Contract, 1 original
PowerPoint Presentation

Authored by:

Ray Aromatorio 884-6865