



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Consent
June 10, 2008

Honorable Mayor and
Members of the City Council

Title: Workers' Compensation Bill Review Services

Location/Council District: All

Recommendation: Adopt a **Resolution** authorizing the City Manager to execute an agreement with StrataCare, Inc., for workers' compensation bill review services for a term of thirty-six (36) months with the City's option to renew for two (2) twelve-month periods at a cost not to exceed \$300,000 per year.

Contact: Patrick Flaherty, Risk Manager, 808-8587

Presenters: NA

Department: Human Resources

Division: Risk Management

Organization No: 08001331

Description/Analysis

Issue: Workers' compensation claims administration for the City's injured workers is performed by City staff within the risk management division. For the past fifteen years bill review services have been performed by a vendor who specializes in these services. Bill review services are required to reduce medical bills to the lowest dollar available through the State Division of Workers' Compensation Medical Fee Schedule and any other applicable remedies. Additionally, preferred provider discounts are also applied when appropriate. This is an efficient and effective method of reducing costs to the City's workers' compensation program. Following a competitive bid and evaluation process, StrataCare Inc. has been selected to provide bill review services.

Policy Considerations: The current policy is to self-fund the City's workers' compensation program and purchase excess insurance for claims over \$2,000,000. The City contracts with a vendor to perform bill review services due to the technical and specialized nature of these services. This allows the City to realize the maximum savings from medical bill reductions and preferred provider

savings. Over the last three years the City has saved an average of \$4,400,000 per year or 56% of the total amount billed utilizing bill review services.

Environmental Considerations:

California Environmental Quality Act (CEQA): Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability Considerations: Utilizing StrataCare Inc. for bill review services will reduce the amount of paper utilized in the bill review process by allowing the explanation of benefits for each medical bill to be stored electronically in our claim file – instead of creating a paper folder to store these documents. This is consistent with the City Council goal of sustainability and livability.

Commission/Committee Action: None

Rationale for Recommendation: On March 7, 2008, a request for proposal (RFP) was issued for Workers' Compensation Cost Containment Services. Fourteen companies submitted formal proposals and two were invited for oral interviews.

Selection of the recommended bill review provider was based on the following criteria: (1) Cost of Service, (2) Services Proposed, (3) Qualifications of Firm, (4) Experience of Personnel; (5) Oral Interview. StrataCare Inc. was the unanimous choice of the committee based on the scoring process.

Financial Considerations: The annual cost under this agreement is not to exceed \$300,000. The average cost for these services the last three years is \$143,000. However, costs vary by year depending on the number and severity of workers' compensation injuries and the number of medical bills received by the City. Costs for bill review services are \$8.00 per bill and 24% of preferred provider savings. The Risk Management budget contains adequate funds to award the contract.

Emerging Small Business Development (ESBD): None of the companies responding to the RFP were emerging or small businesses.

Respectfully Submitted by: 
Patrick Flaherty, Risk Manager

Approved by: 
Geri Hamby, Human Resources Director

Recommendation Approved:


Ray Kerridge
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

AGREEMENT FOR WORKERS' COMPENSATION BILL REVIEW SERVICES

BACKGROUND

- A. Utilizing a vendor to perform bill review services on workers' compensation medical bills is an efficient and effective method of reducing the amount spent on workers' compensation medical bills.
- B. A six member interview committee selected StrataCare Inc. as the most qualified company to perform workers' compensation bill review services.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager is authorized to execute an agreement with StrataCare Inc. for workers' compensation bill review services for a term of thirty-six (36) months with the City's option to renew for two (2) twelve-month periods at a cost not to exceed \$300,000 per year.