



Legislation Text

File #: 24-0534, Version: 1

**REQUEST FOR CITY COUNCIL AND
CORONA UTILITY AUTHORITY ACTION**

DATE: 07/03/2024

TO: Honorable Mayor and City Council Members
Honorable President and Board Members

FROM: Legal and Risk Management

SUBJECT:

EXTENSION OF PROFESSIONAL SERVICES AGREEMENTS WITH ADMINISURE, INC., LIEN-ON-ME, INC., GENEX SERVICES LLC (FKA EXCEL MANAGED CARE) AND MATRIX HEALTH CARE SERVICES, INC. (DBA: MYMATRIX) FOR THE WORKERS' COMPENSATION PROGRAM THIRD PARTY ADMINISTRATION AND MANAGED CARE SERVICES

EXECUTIVE SUMMARY:

This staff report asks the City Council to approve the extension of professional services agreements with our unbundled Workers' Compensation Program team, including our third party administrator and three management care program consultants. This team was selected in 2018 following an extensive RFP process that lasted several months and required the dedication of substantial City resources. The recommended actions below will allow for the extension of the terms for one year, with four one-year optional extensions and modest anticipated compensation increases. Staff is recommending that the City Council find that it is in the best interest of the City and its administrative operations to dispense with the City's normal formal competitive bidding process and authorize the above actions for the reasons discussed in this report and summarized in recommended action (i) below.

RECOMMENDED ACTION:

That the City Council:

- a. Authorize the attached fifth amendment to the professional services agreement with AdminSure, Inc. for Workers' Compensation Program Third Party Administration Services to extend the term for one year, with four one-year optional extensions, in the annual flat rate amount of \$247,509 for FY 2025.

- b. Authorize the attached fifth amendment to the professional services agreement with Lien-On-Me, Inc. for Workers' Compensation Managed Care Program Services (Bill Review & Lien Defense) to increase the Total Compensation retroactive to June 1, 2024 by \$60,000, from \$90,000 to \$150,000.
- c. Authorize the attached sixth amendment to the professional services agreement with Lien-On-Me, Inc. for Workers' Compensation Managed Care Program Services (Bill Review & Lien Defense) to extend the term for one year, with four one-year optional extensions, to maintain the Total Compensation at \$150,000, and to revise the rate schedule provided for in Exhibit "C" (Compensation) to increase the Routine Bill Fee from \$6.00 to \$6.12 per bill for FY 2025.
- d. Authorize the attached third amendment to the professional services agreement with Genex Services, LLC (fka Excel Managed Care & Disability Services, Inc.) for Workers' Compensation Managed Care Program Services (Utilization Review, Nurse Case Management & Return to Work Services) to extend the term for one year, with four one-year optional extensions, and to revise the rate schedule provided for in Exhibit "C" (Compensation) to increase the Field Rate Case Management Fee from \$96.90 to \$98.90 for FY 2025.
- e. Authorize the attached third amendment to the professional services agreement with Matrix Health Care Services, Inc. (dba myMatrixx) for Workers' Compensation Managed Care Program Services (Pharmacy Benefits Management) to extend the term for one year, with four one-year optional extensions, and to revise the rate schedule provided for in Exhibit "C" (Compensation) to reduce some fees and to modify the way in which the Clinical Pharmacy Program fees are handled.
- f. Authorize the Purchasing Manager to extend purchase orders to the above firms in the required amounts.
- g. Authorize the City Attorney/Legal and Risk Management Director to approve amendments to each agreement up to the amount provided for in Corona Municipal Code Section 3.08.070(I).
- h. Authorize the City Attorney/Legal and Risk Management Director to: (1) exercise the City's discretion regarding whether to extend the agreements for four (4) additional one-year periods, as discussed herein, and to execute amendments to the agreements to implement the same; and (2) approve and execute any additional non-substantive amendments to the agreements which are consistent with the direction provided for herein.
- i. Pursuant to [Corona Municipal Code Section 3.08.140\(E\)](#), find that it is in the best interest of the City and its administrative operations to dispense with the City's normal formal competitive bidding process and authorize the above actions for the following reasons: (1) the extensive and thorough 2018 RFP process that resulted in the careful selection of the WC Program Team consultants; (2) the significant savings the City has enjoyed from this Team on the TPA and MCP Services alone; (3) the related significant savings for the WC Budget and the WC Expenditures the City has enjoyed with the help of this Team; (4) because we believe

the WC Program Team is hitting its stride and providing essential value to the City and its employees, and it would be a detriment to employees to switch vendors now, as treatment may be interrupted for employees; and (5) all of the additional benefits outlined herein that we believe the City has received from this WC Program Team, including employee satisfaction, the fact that the consultants' new rates remain very competitive, and the quality and dedication exhibited by our WC Program Team of consultants, all of whom are specialists in their areas of expertise.

That the Corona Utility Authority review, ratify and to the extent necessary, direct the City Council to take the above actions.

ANALYSIS:

A. Overview of Comprehensive WC Program (Bundled or Unbundled)

A comprehensive Workers' Compensation ("WC") Program typically includes the following Third Party Administrator ("TPA") and Management Care Program ("MCP") services, either "bundled" under one consultant or "unbundled" amongst two or more consultants:

1. Third Party Administrator Services
2. Managed Care Program Services
 - A. Bill Review
 - B. Utilization Review
 - C. Nurse Case Management
 - D. Return to Work Services
 - E. Pharmacy Benefits Management

When Legal and Risk Management ("LRM") took over the WC Program, the City's TPA and MCP were "bundled" with one company (Sedgwick) handling all components.

B. Extensive and Thorough 2018 RFP Process

In 2018, LRM completed an extensive RFP process that lasted several months and required the dedication of substantial City resources. The RFP was needed in part to determine whether "unbundling" our program would be more efficient and cost effective.

The RFP was sent to 28 firms and we received responses from 13 vendors for one or more components of the TPA and MCP. Those vendors were:

- Adminsure
- Arissa Cost Strategies ("Arissa")
- Athens Administrators ("Athens")
- Genex Services (fka Excel) ("GenEx")
- Hazelrigg Claims Management ("Hazelrigg")
- Intelligent Medical Solutions ("IMS")
- JT2 Integrated Resources ("JT2")
- Keenan & Associates ("Keenan")

Lien On Me
Matrix Health Care Services dba myMatrixx ("myMatrixx")
Sedgwick
Tri-Star

The written proposals were reviewed and ranked (separately under the TPA category and each of the MCP component categories) by five LRM Department employees, using the following criteria: qualifications of firm (25%), qualifications of personnel (25%), related experience (25%), completeness of response (10%) and reasonableness of price (15%).

The top-rated companies in each category were invited to attend an oral interview. All employee groups were invited to participate on the interview panel:

- ✓ The TPA Interview Panel: Consisted of the 5 LRM Department employees, as well as a member of the Risk Management Division of the City of Huntington Beach, a representative of the Corona Police associations and of the Corona Fire Association.
- ✓ The MCP Interview Panel: Consisted of the 5 LRM Department employees, as well as a member of the Risk Management Division of the City of Huntington Beach. A member of the Corona Purchasing Division also observed all interviews.

The interviewed companies were then ranked after the oral interview. The written and oral results were reviewed to determine the companies to be recommended for selection in the RFP process, as follows:

1. Third Party Administrator (TPA) Services

8 vendors (Adminsure, Athens, Corvel, Hazelrigg, JT2, Keenan, Sedgwick and Tri-Star) provided proposals for the WC TPA services. The 4 top rated companies were in order as follows:

AdminSure (77.20%)
JT2 (71.18%)
Tristar (68.70%)
Hazelrigg (68.22%)

Quite importantly, it was clear to us that some of the respondents, mostly large TPA firms similar to Sedgwick, were not interested in participating in an unbundled program.

2. MCP - Bill Review

11 vendors (Adminsure, Arissa, Athens, Corvel, Hazelrigg, IMS, JT2, Keenan, Lien On Me, Sedgwick and Tri-Star) provided proposals for the Bill Review component of the MCP services. The 6 top rated companies were in order as follows:

Lien On Me (76.82%)

JT2 (69.86%)
IMS (67.95%)
Arissa (67.82%)
Admisure (67.47%)
Tristar (64.75%)

3. MCP - Utilization Review

10 vendors (Admisure, Arissa, Athens, Corvel, Excel/GenEx, Hazelrigg, JT2, Keenan, Sedgwick and Tri-Star) provided proposals for the Utilization Review component of the MCP services. The 6 top rated companies were in order as follows:

Admisure (76.30%)
GenEx (71.17%)
Arissa (66.95%)
JT2 (66.34%)
Tristar (64.15%)
Hazelrigg (63.25%)

The top 2 who had not also submitted a proposal for TPA Services (GenEx and Arissa) were invited to a separate interview panel just for those firms who bid only on the MCP services. GenEx had the second highest overall score, their business has focused for more than 25 years only on disability and nurse case management services, they were found to have the most relevant and qualified experience, including with many cities, and they were clearly open and willing to work in an unbundled program. GenEx was also the lowest in price estimation.

4. MCP - Nurse Case Management

9 vendors (Arissa, Athens, Corvel, Excel/GenEx, Hazelrigg, JT2, Keenan, Sedgwick, and Tri-Star) provided proposals for the Nurse Case Management component of the MCP services. The 4 top rated companies were in order as follows:

GenEx (73.37%)
Arissa (69.20%)
JT2 (65.90%)
Hazelrigg (64.00%)

5. MCP - Return to Work Services

5 vendors (Corvel, Excel/GenEx, JT2, Keenan, and Sedgwick) provided proposals for the Return to Work and Disability Management component of the MCP services. The 2 top rated companies were in order as follows:

GenEx (70.52%)

JT2 (68.22%)

6. MCP - Pharmacy Benefits Management

8 vendors (Athens, Corvel, Hazelrigg, JT2, Keenan, myMatrixx, Sedgwick and Tri-Star) provided proposals for the Pharmacy Benefits Management component of the MCP services. The 2 top rated companies were in order as follows:

myMatrixx (67.20%)

JT2 (65.15%)

C. FY 19-24 Unbundled WC Program Team

1. Agreements Awarded - WC Program Team

Following the RFP process, the City Council awarded Professional Service Agreements to the following WC Program Team of consultants (initial term of 2 years with 4 one-year renewal options through FY 24 delegated to staff):

WC Program Team

Third Party Administrator Services (Adminsure)

Managed Care Program Services

- Bill Review (Lien On Me)
 - ✓ Utilization Review (GenEx)
 - ✓ Nurse Case Management (GenEx)
 - ✓ Return to Work Services (GenEx)
 - ✓ Pharmacy Benefits Management (myMatrixx)

2. Savings - WC Program Team

As anticipated, the unbundling of services saved the City significant money. For instance, we have seen the following annual average savings of **33.9% (\$179,638)** on the TPA and MCP Services alone:

WC PROGRAM TEAM SAVINGS						
YEAR	TPA	BILL REVIEW	UR	NCM	TOTAL	YEARLY AVG
BUNDLED SERVICES						
FY 16	\$366,168	\$23,215	\$39,170	\$46,102	\$474,655	\$529,846
FY 17	\$360,760	\$90,919	\$77,974	\$98,397	\$628,050	
FY 18	\$330,697	\$43,177	\$63,558	\$49,401	\$486,833	
UNBUNDLED SERVICES						
FY 19	\$221,998	\$43,425	\$45,849	\$1,143	\$312,415	\$350,208
FY 20	\$222,000	\$66,510	\$28,248	\$27,069	\$343,827	

FY 21	\$226,440	\$73,006	\$32,574	\$16,536	\$348,556	
FY 22	\$230,968	\$55,100	\$32,303	\$25,430	\$343,801	
FY 23	\$235,588	\$84,775	\$35,223	\$46,855	\$402,441	
AVERAGE YEARLY SAVINGS = 33.9%						\$179,638

3. Savings - Overall WC Budget & Expenditures

Not only has the WC Program Team shown a savings of 33.9% per year, but we believe the unbundling of services has had an overall indirect savings impact on our WC Budget by creating efficiencies. For instance, we saw the following annual average savings of **24.5% (\$1,003,029)** for the WC Budget and **39.9% (\$1,615,108)** for the WC Expenditures:

WC BUDGET		
YEAR	BUDGET	YEARLY AVG
BUNDLED SERVICES		
FY 16	\$4,222,010	\$4,101,747
FY 17	\$3,904,169	
FY 18	\$4,179,061	
UNBUNDLED SERVICES		
FY 19	\$3,761,789	\$3,098,718
FY 20	\$2,890,157	
FY 21	\$2,897,373	
FY 22	\$2,845,554	
AVG YEARLY SAVINGS = 24.5%		\$1,003,029

WC EXPENDITURES		
YEAR	BUDGET	YEARLY AVG
BUNDLED SERVICES		
FY 16	\$5,420,149	\$4,044,750
FY 17	\$4,505,360	
FY 18	\$2,208,740	
UNBUNDLED SERVICES		
FY 19	\$1,320,567	\$2,429,642
FY 20	\$1,828,258	

FY 21	\$3,388,559	
FY 22	\$3,181,182	
AVG YEARLY SAVINGS = 39.9%		\$1,615,108

4. Additional Benefits - WC Program Team

Sticking with the WC Program Team and bypassing another lengthy RFP process would be in the City’s best interests in other ways as well. We will address each vendor separately.

a. Adminsure - TPA

- ✓ Employee Satisfaction. Since switching to AdminSure, employees have had a positive response to the WC Program. Our adjusters and account manager have worked hard to meet the goals outlined in our agreement, established trust with our employees and know our claims on a level that takes years to learn.
- ✓ New Rates Are Competitive. While some TPA’s will unbundle services for us, they typically charge more to do so.

In a recent RFP completed by the *City of San Mateo*, the winning bid, by LWP, noted in their proposal that should the agency choose to unbundle services it would be an extra cost of \$5,000 per month. We understand that San Mateos is paying \$246,900, which is more than we are paying now, and we are a bigger city. They also have 3% annual increases built into the agreement.

The *City of Costa Mesa* also went out to bid in 2023, ultimately remaining with Adminsure at a rate of \$199,680 per year, with 3% increases per year. While the cost seems significantly less than what we pay, Costa Mesa is also a smaller city, without water services, and employes approximately 588 full-time staff versus our 747 full-time staff count.

In a 2022 RFP, the *City of Pomona* went out to bid. Even though they ended up sticking with Adminsure, their annual rate increased 26.33%. If we were to do a full RFP now, at today’s prices, we risk this happening to us as well.

- ✓ New Rates. Adminsure indicates that *we are about 19% below what they would consider "market rate"*. However, to continue working with us, they are willing to maintain our current annual fee (\$240,300), but with a max annual escalator of 3% instead of 2%. Thus, the FY 25 fee would be \$247,509.

TPA	
Adminsure (FY 24)	Adminsure (FY 25)
\$240,300	\$247,509

b. Lien On Me - MCP (Bill Review)

- ✓ Proactive Review and Negotiating. Lien on Me has been successful in lowering our overall billing by being proactive about negotiating the best care for our employees at the lowest cost possible. The City has a more personalized experience than when Bill Review was bundled with Sedgwick, as we have a dedicated team that we can reach out to at any time for billing questions. Lien on Me takes a very hands-on approach and we are often in communication with them about how things are going and what may be coming up.
- ✓ New Term Rates Are Competitive. While the RFP’s that we were able to find had bundled services, I was still able to see the Bill Review fee’s for both Costa Mesa and San Mateo. The bid from LWP for San Mateo was at *\$9 per bill*. Adminsure was a bit closer at \$6.50 per bill. While the .50 cent difference isn’t much on its own, when you consider that they are processing about 2,200 bills for us each year, it equates to a bit of savings.

Lien on Me has kept their Routine Bill Fee rate at \$6 per bill since 2018. They are asking for a 2% increase for FY 25 (\$6.12) (Sixth Amendment).

Bill Review			
Lien On Me (FY 19 - FY 24)	Lien On Me (FY 25)	LWP	Adminsure
\$6/bill	\$6.12/bill	\$9/bill	\$6.50/bill

Lien on Me has also comfortably worked within its Total Compensation cap of \$90,000 up until this FY 2024, when we have seen a significant increase in medical costs, including for PTSD claims, which fall outside of the Routine Bill Fee. Thus, we are also requesting the City Council to increase the Total Compensation, retroactive to June 1, 2024, to \$150,000 (Fifth Amendment).

c. GenEx - MCP (Utilization Review - Nurse Case Manager - Return to Work)

- ✓ Dedicated & Responsive. GenEx provides our Utilization Review and Nurse Case Management services. As with our other providers, we have a dedicated Account Manager who is in regular communication with us. They are quick to respond, addressing any issues as they arise, to avoid any delays in medical treatment for our employees. As a seasoned manager who has worked in the area for a long time, she can generally be counted on to recommend a doctor who takes workers’ compensation when we are seeking a specialist in an uncommon area. When she doesn’t know, she will send it out to the network of nurses, and we can generally have a couple recommendations in a short span of time.
- ✓ Employee Satisfaction. While all the Nurse Case Managers assigned have been great,

one in particular has proven herself to be invaluable to our employees and is requested by many injured Police and Fire employees.

- ✓ New Term Rates Are Competitive. In terms of fees, GenEx is also on the lower end from the others:

Utilization Review			
Review Type	GenEx (FY 19 - FY 25)	LWP	Adminsure
RN Review	\$79	\$120	5% (\$750 cap)
Physician Review	\$215	\$235 plus nurse charge	\$200/hr

GenEx has never asked for an increase to its UR fees, and is not asking again for FY 2025.

Nurse Case Management				
Review Type	GenEx (FY 21 - FY 24)	GenEx (FY 25)	LWP	ISYS
Telephonic	\$96.90	\$98.90/hr	\$102/hr	Appx \$110/hr
Field	\$96.90	\$98.90/hr	\$108/hr	Appx \$110/hr

GenEx is asking only for its Case Management Fee to be increased from \$96.90 to \$98.90 per hour for FY 2025. Adminsure did not provide costing for Nurse Case Management on the RFP for Costa Mesa. However, TPA’s that bundled services typically use either GenEx or ISYS. ISYS is another Nurse Case Management company that we understand typically charges about \$110 per hour.

Return to Work	
Review Type	GenEx (FY 19 - FY 25)
Telephonic	\$105/hr

We have been unable to locate current RFP responses for these services.

d. myMatrixx - MCP (Pharmacy Benefits Management)

- ✓ Good Performance. MyMatrixx works with all major chains to ensure that employees have access to medication close to their homes. Some employees even have the option to have their medications delivered to their homes. Many TPA’s have their own contracts through them for bundled services, as there aren’t many pharmacy vendors for workers’ compensation. While there have been some issues, Adminsure is able to work with their customer service team to resolve things quickly, even after hours.
- ✓ New Rates Mostly Reduced. MyMatrixx is basically agreeing to reduce most of the scheduled fees (reflected as a percent reduction from the “average wholesale price” for the medicine, as well as otherwise modify the way in which the Clinical Pharmacy Program fees are handled. Please note, however, that the Clinical Pharmacy Program

fees have not historically been utilized, so we don't anticipate a substantive difference in this regard.

COMP ITEM	FY 24	FY25
Retail Pharmacy Network Prescription Fill	Brands AWP - 12% + \$3 DF	Brands AWP - 17% + \$3 DF
	Generic AWP - 45% + \$3 DF	Generic AWP - 80% + \$3 DF
Mail Service Pharmacy Prescription Fill	Brands AWP - 14% + \$1 DF	Brands AWP - 19% + \$1 DF
	Generic AWP - 50% + \$1 DF	Generic AWP - 82% + \$1 DF
Clinical Pharmacy Program	Drug Regimen Review \$153/hr (3 hr min) One Drug Review \$255 flat Consult w/ Pharmacist \$255 flat	CASE RX Program \$1,200 flat One Drug Review \$255 flat
AWP = Average Wholesale Price DF = Dispensing Fee		

D. Request for FY 25-29

As authorized under CMC Section 3.08.140, LRM is requesting an exception to bid so that we can enter into agreements for up to five (5) additional years with each of the following WC Program Team consultants:

WC PROGRAM TEAM

1. Third Party Administrator Services (Adminsure)
2. Managed Care Program Services
 - A. Bill Review (Lien On Me)
 - B. Utilization Review (GenEx)
 - C. Nurse Case Management(GenEx)
 - D. Return to Work Services(GenEx)
 - E. Pharmacy Benefits Management(myMatrixx)

CMC Section 3.08.140 (E) provides as follows:

“3.08.140 Exceptions to competitive bidding - non-public projects.

. . . .

(E) Purpose of bidding is otherwise accomplished. When the purchasing agent and the authorized contracting party, with the approval of the City Manager, determine that it is in the best interest of the city and its administrative operations to dispense with public bidding for non-public projects under this chapter.” (Emphasis added)

As discussed herein, LRM believes that it is in the best interest of the city and its administrative operations to dispense with public bidding for these agreements for the following reasons:

FINDINGS SUPPORTING EXCEPTION TO BIDDING

- ✓ Prior RFP Process. The extensive and thorough 2018 RFP process that resulted in the careful selection of the WC Program Team consultants.
- ✓ WC Program Team Savings. The 33.9% (\$179,638) savings the City has enjoyed from this Team on the TPA and MCP Services alone.
- ✓ Overall WC Budget & Expenditure Savings. The related 24.5% (\$1,003,029) savings for the WC Budget and 39.9% (\$1,615,108) savings for the WC Expenditures the City has enjoyed with the help of this Team.
- ✓ Disruption From New RFP Process. We believe the WC Program Team is hitting its stride and providing essential value to the City and its employees, and it would be a detriment to employees to switch vendors now, as treatment may be interrupted for employees.
- ✓ Additional Benefits. All of the additional benefits outlined herein that we believe the City has received from this WC Program Team, including the following:
 - Employee satisfaction;
 - The consultants’ new rates remain very competitive (many have not changed since 2018; others have adjusted very little); and
 - The quality and dedication exhibited by our WC Program Team of consultants, all of whom are specialists in their areas of expertise.

FINANCIAL IMPACT:

Sufficient funds to purchase the recommended insurance policies have been included in the Adopted

FY 2025 Legal and Risk Management operating budget within the Workers Compensation Fund 683. Future funding requests will be recommended through the annual budget process.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The proposed action is not a project governed by CEQA. Therefore, no environmental analysis is required.

PREPARED BY: AMANDA DEFOREST, WORKERS COMPENSATION MANAGER

REVIEWED BY: DEAN DERLETH, CITY ATTORNEY/LRM DIRECTOR

Attachments:

1. Exhibit 1: Fifth Amendment to PSA with AdminSure, Inc. for WC Program TPA Services (07-03-24)
2. Exhibit 2: Fifth Amendment to PSA with Lien-On-Me, Inc. for WC MCP Services (Bill Review & Lien Defense) (07-03-24)
3. Exhibit 3: Sixth Amendment to PSA with Lien-On-Me, Inc. for WC MCP Services (Bill Review & Lien Defense) (Total Compensation Increase) (07-03-24)
4. Exhibit 4: Third Amendment to PSA with Genex Services, LLC for WC MCP Services (Utilization Review, Nurse Case Management & Return to Work Services)) (07-03-24)
5. Exhibit 5: Third Amendment to PSA with Matrix Health Care Services, Inc. (dba myMatrixx) for WC MCP Services (Pharmacy Benefits Management) (07-03-24)
6. Exhibit 6: WC Program Team Compensation Changes (FY 19 thru FY 25)