Council Meeting of
July 18, 2006

Honorable Mayor and Members
of the City Council
City Hall
Torrance, Ca.

Members of the City Council:

SUBJECT: Request for Approval of Agreement for Bill Review Services for the Workers' Compensation Program

Expenditure: Not to exceed $175,000 per fiscal year

RECOMMENDATION

It is the recommendation of the Human Resources Director that the City Council approve an agreement with StrataCare for bill review services for the Workers' Compensation Program from August 1, 2006 through July 31, 2007 with a one year option to renew the agreement until July 31, 2008, in an amount not to exceed $175,000 per fiscal year.

Funding

Funding is available in the various departments operating budget and in the Self Insurance Fund.

BACKGROUND

The City of Torrance's Workers' Compensation Program is self-insured and self-administered. Workers' compensation is a costly mandated benefit program for employees who sustain work related injuries or illnesses. The category of benefits with the highest expenses is medical care. To address this issue staff has been utilizing bill review companies for 15 years. Medical services are billed at usual and customary charges and the bill review company reduces the bills to the appropriate allowance based upon a State medical fee schedule and Preferred Provided Organization (PPO). Bill review has proved essential in our cost saving efforts, as the review company is paid based upon the savings they achieve. It is estimated that during calendar year 2005 the City achieved savings of about $1.5 million.

ANALYSIS

The software provider for the City's Workers' Compensation Program is Gensource; their parent company StrataCare, a bill review company. As a result of this relationship, there is a proprietary component to the Workers' Compensation claims systems, which allows StrataCare to load scanned bills and explanation of reductions directly into the claims system.

Gensource does not allow any "outside" bill review company to perform this function.

Moving to StrataCare will allow us to have them take all of our bills, scan, review and return them to the claims system for approval and printing of checks. We will see a reduction in mail that needs to be filed and provide staff with improved workflow because all financial information will be available in one system.

Our present bill review provider, Cost Containment Solutions and another bill review company, Lien on Me were able to provide the same services as StrataCare, but the deciding factor is the proprietary integration of the bill review services with our claims software. Therefore, staff recommends this agreement with StrataCare.

Respectfully submitted,

ELAINE M. WINER
HUMAN RESOURCES DIRECTOR

By:
Donna M. Rizzo, Administrator
Workers' Compensation Program

CONCUR:

Elaine M. Winer
Human Resources Director

LeRoy J. Jackson
City Manager

Attachment A: Letter of Agreement for Cost Containment Services with StrataCare

Letter Agreement for Cost Containment Services

This Agreement sets forth the terms between StrataCare, Inc. ("StrataCare") and City of Torrance ("Client") in which StrataCare will provide cost containment services to Client and its clients.

1. Client hereby retains StrataCare to provide it with bill review and PPO repricing services as provided in this letter.

2. During the term of this Agreement StrataCare will:

   - Scan paper bills and related documents and after re-pricing export the images for import into GenSource Claim Software.

   - Review medical treatment, hospital, surgery center and pharmacy and make appropriate payment recommendations based on compliance with applicable fee schedules or usual and customary databases.

   - Provide access to one or more Preferred Provider Organization (PPO) networks that have negotiated contract rates with hospitals and providers.

   - Provide Client a monthly invoice and supporting reports that detail the number of bills processed by StrataCare and the amount of savings achieved.

   - Provide State Reporting Services including collection, validation, correction and submission of required data as a certified Trading Partner with the State of California.

3. During the term of this Agreement Client will:

   - Provide StrataCare all necessary medical bills including, treatment, hospital, surgery center, and pharmacy including related reports to be repriced.

   - Use its best efforts within the workers' compensation law to direct its injured workers to PPO network providers and hospitals.

   - Authorize StrataCare to release confidential information necessary to meet State Reporting requirements and to provide StrataCare adequate support in verifying the accuracy of the data.

4. During the term of this Agreement, Client agrees to pay to StrataCare the following service fees.

Bill Review

12% of bill review savings on all medical bills, no charge for duplicates
$8.00/bill for all non-medical, "full pay" bills

Additional Products

FileFly – Claim and provider data updates – Included in percentage of bill review savings above

CareControl – Case management module - Included in percentage of bill review savings above

State Reporting

Included in Percentage of bill review savings above

Hospital Inpatient Fee Schedule Review

The fee is 12% of Fee Schedule savings.

PPO Network Access

In addition to above, for bills subject to the PPO, the network access fee is 20% of the PPO savings. Access fee is 25% of savings for Blue Cross of California and/or First Health.

Prompt Pay Negotiations & Specialty Review

The Prompt Pay fee is 25% of negotiated savings.
The Specialty Review fee is 25% of savings.

StrataCare will invoice Client for the above service fees on a monthly basis. Client agrees to pay the invoice within thirty (30) days of receipt.

5. This Agreement becomes effective on August 1, 2006 and will operate for an initial term of one (1) year. After initial Term, subsequent terms will be extended one (1) year unless cancelled be either party. After the initial term, either party may terminate this Agreement by delivering sixty (60) days prior written notice of such termination to the other party. In the event that this Agreement is terminated, Client shall pay all fees and commitments, incurred by StrataCare up to the said termination date.

6. The amount of the service fee set forth in this Agreement is offered to Client by StrataCare in consideration of the agreement that StrataCare liability for any inaccurate or incomplete services or reports shall be limited to correcting or completing such reports, or applying reasonable efforts to prevent further delays. StrataCare shall have no liability for the reports or services that are inaccurate, incomplete due to inaccurate or incomplete information or data furnished to StrataCare by Client.

7. In any action between the parties arising out of or connected with this Agreement, the prevailing party or parties in such action shall be awarded, in addition to any damages, injunctive or other relief, their costs and expenses, including, but not limited to, court costs and reasonable attorneys' fees.

8. StrataCare will take all reasonable and necessary steps to resolve disputed bill adjudication matters, up to and including court appearances, if necessary, at no additional cost to the client.

9. All amendments and modifications to this Agreement shall be in writing and shall be duly executed by the parties hereto.

10. This Agreement shall be governed by the laws of the State of California

11. This Agreement shall be binding upon and operate to the benefit of the parties hereto and their respective successors and assignees.

12. During the term of this agreement, StrataCare will maintain errors and omissions coverage of at least $1,000,000 per occurrence. A certificate of insurance will be provided to the City of Torrance upon award of this contract.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their authorized representative as of the date written below:

City of Torrance,
A Municipal Corporation

_____
Frank Scotto, Mayor

ATTEST:

_____
Sue Herbers
City Clerk

APPROVED AS TO FORM:
JOHN L. FELLOWS III
City Attorney

By:_____

StrataCare, Inc.

By:_____

Name: Scott Green

Title:CEO

Date:_____