



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 Utilization Review and Nurse case Management
Services**

Location/Council District: All

Recommendation: Adopt a **Resolution** authorizing the City Manager to execute an agreement with Allied Managed Care, Inc., for workers' compensation utilization review and nurse case management 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 \$200,000 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. Utilization review is mandated by Labor Code section 4610 to determine if medical treatment is reasonably necessary and if the treatment is consistent with the medical treatment utilization schedule pursuant to Labor Code 5307.27. Nurse case management refers to the assignment of nurses who specialize in workers' compensation treatment for injured workers who sustain severe or complex injuries. The assigned nurse is an advocate for the injured worker and City by assisting in procuring the best and most appropriate treatment plan. This results in injured workers returning to work quicker and cost savings to the City. Utilization review and nurse case management are efficient and effective methods of reducing costs to the City's workers' compensation program. Following a competitive bid and evaluation process Allied Managed Care Inc., has been selected to provide utilization review and nurse case management

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 utilization review and nurse case management services due to the technical and specialized nature of these services. This allows the City to realize the maximum savings and benefits from utilization review and nurse case management services. We estimate that utilization review and nurse case management savings to the City are approximately \$200,000 this fiscal year

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: No sustainability considerations were identified.

Commission/Committee Action: None

Rationale for Recommendation: On March 7, 2008, a request for proposal (RFP) was issued for Workers' Compensation Cost Containment Services, including utilization review and nurse case management. Sixteen companies submitted formal proposals for utilization review services and eighteen companies submitted formal responses for nurse case management services. One company, Allied Managed Care, Inc., scored considerably higher than other responders in both utilization review and nurse case management in the initial scoring process and was invited for an oral interview.


Selection of the recommended utilization review and nurse case management 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. Allied Managed Care, 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 \$200,000. Costs for utilization review for last fiscal year were \$54,000. Costs for nurse case management were \$22,000. However, costs vary by year depending on the number and severity of workers' compensation injuries. Costs for utilization review services are \$110 per review and costs for nurse case management are \$85 per hour. The Risk Management budget contains

adequate funds to award the contract.

Emerging Small Business Development (ESBD): Two companies that responded to the RFP were certified small businesses. However, based on the scoring of the responses, including the 5% evaluation preference, neither company received the high score in either utilization review or nurse case management services and thus was not selected.

Respectfully Submitted by: 
Patrick Flaherty, Risk Manager

Approved by: 
Geri Hamby, Human Resources Director

Recommendation Approved:

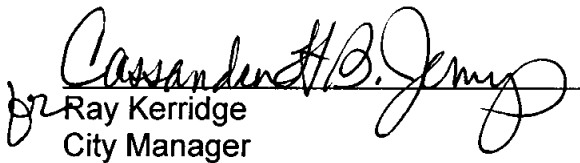

Ray Kerridge
City Manager

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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 workers' compensation utilization review as mandated by Labor Code section 4610 and nurse case management services is an efficient and effective method of reducing the amount spent on workers' compensation medical bills.
- B. A six member interview committee selected Allied Managed Care, Inc. as the most qualified company to perform workers' compensation utilization review and nurse case management 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 Allied Managed Care, Inc. for workers' compensation utilization review and nurse case management 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 \$200,000 per year.