

Personnel Management and Services
Nelson E. Diaz, Deputy Superintendent

SUBJECT: RECOMMENDATION FOR EXERCISING THE BOARD'S OPTION TO OPT OUT OF PREVIOUSLY MANDATED WORKERS' COMPENSATION MANAGED CARE ARRANGEMENT AND REPLACE IT WITH TRADITIONAL MANAGED CARE SERVICE

The School Board began utilizing traditional forms of managed care to assist in the controlling of medical costs for its workers' compensation claims in 1988. In 1994, the State of Florida amended Chapter 440, Florida Statutes, mandating that insurance companies and self-insured employers implement specific managed care practices for the medical aspects of workers' compensation claims. The Board has been in compliance with the requirements of this law since July 1, 1994.

During the 2000 Legislative Session, HB 1803 was passed, which made sweeping changes to the provisions of Chapter 440, Florida Statutes, including the ability for self-insured employers to opt out of the state's previously mandated workers' compensation managed care arrangements, effective October 1, 2001. Numerous meetings have been held with the Board's current vendors, Gallagher Basset Services, Inc. (GB), the Board's third party claims administrator, and Corvel, Inc.(Corvel), the Board's workers' compensation managed care provider, along with selected workers' compensation defense counsel, to determine the best strategy for the Board's program. As a result of these meetings, it is recommended that the Board officially "opt out" of the State of Florida mandated managed care arrangement, and replace it with a more traditional managed care program.

The current contract between GB, Corvel, and Miami-Dade County Public Schools (M-DCPS) began July 1, 1999 and extends through June 30, 2004. This contract was approved by the Board following the receipt of a claims audit conducted by Deloitte and Touche in 1998, which provided the following observations:

- ◆ GB was handling the increase settlement authority (from \$5,000 to \$15,000), effective January 1, 1997, very well;
- ◆ GB adjusters go the extra mile to produce a quality investigation, much of which involving actual field work, which in turn allows the Board to save money by not over-paying claims and denying the claims which have no basis;
- ◆ Claims reserving is accurate, which allows the Board's actuary to adequately determine annual claims budgets without surprises; and

- ◆ The Board enjoys many “value-added” services because of the understanding of the account and the close working relationship with the excess insurers.

Among the changes that Deloitte & Touche recommended for the future was the creation of an integrated contract with the third party claims administrator and the managed care provider, to avoid duplication of services. This recommendation was accomplished when the Board authorized the current contract with GB and Corvel, and since that time fees paid to Corvel have been paid from the claims files as allocated claims expenses.

For fiscal year 2000-2001, M-DCPS’ expenditures for workers’ compensation claims totaled \$20,283,579. This figure represents all expenditures, including indemnity payments (wage replacement), medical services, managed care fees, attorney’s fees, settlements to injured workers, and impairment benefits. Industry standards would dictate that approximately 60% of all claim payments for workers’ compensation claims are for medical expenses. Based upon that estimate, medical expenditures for workers’ compensation claims for last fiscal year, resulting from open claims dating back to 1975, would be about \$12 million.

The contract for claims administration services is based upon the actual number of claims presented against the Board and handled by GB. For fiscal year 2001-2002, M-DCPS is contracted to pay GB \$1,840,390.50 for all claims adjusting services, including claims for workers’ compensation, general/professional liability, and automobile liability, subject to audit at 18, 24, 36, and 48 month intervals. Also for fiscal year 2001-2002, M-DCPS is contracted to pay Corvel, Inc., through its workers’ compensation claims fund, a flat annual fee of \$661,800 for workers’ compensation managed services which includes:

- ◆ *TELEPHONIC FIRST REPORT OF INJURY (305) 995-2667*
- ◆ *TELEPHONIC NURSE CASE MANAGEMENT OF ALL CASES INCLUDING MEDICAL ONLY AND LOST TIME CASES*
- ◆ *ESTABLISHMENT, CREDENTIALING, AND CONTRACTING WITH PHYSICIANS FOR THE SCHOOL BOARD’S PREFERRED PROVIDER ORGANIZATION (PPO)*
- ◆ *MEDCHECK SERVICES INCLUDING ALL BILL RE-PRICING TO STATE OF FLORIDA FEE SCHEDULE AND APPLICABLE DISCOUNTS ON A PER-PROVIDER BASIS*
- ◆ *COMPLETION OF STATE OF FLORIDA MANAGED CARE APPLICATIONS, AUDITS, GRIEVANCES AND REPORTING*

The Board also pays Corvel for field case management services, when the specifics of a claim would indicate that involvement of a Registered Nurse, Certified Vocational Specialist, or Placement Specialist is warranted and cost effective at a rate of \$75.00 per hour. As a result of the high cost of prescription drugs, Corvel's CoreCare RX pharmaceutical managed care program, contracts with vendors to fill prescriptions. Corvel has contracted with these vendors for reduced costs of the drugs and dispensing fees, beyond that provided by the State of Florida fee schedule and receives 25% of the savings. Any rebates provided by the drug companies are paid to the Board.

Effective December 1, 2001 staff is recommending that M-DCPS continue to utilize the following components of managed care, through Corvel, to maximize the cost savings generated by the existence of such programs:

- ◆ *TELEPHONIC FIRST REPORT OF INJURY*
- ◆ *TELEPHONIC NURSE CASE MANAGEMENT FOR CLAIMS INVOLVING LOST TIME FROM WORK IN EXCESS OF TEN DAYS FOR A PERIOD NOT TO EXCEED 90 DAYS, AT WHICH TIME AN EVALUATION WILL BE MADE TO EITHER CLOSE THE FILE, OR TRANSFER TO FIELD CASE MANAGEMENT;*
- ◆ *ESTABLISHMENT OF AN M-DCPS EXCLUSIVE PROVIDER ORGANIZATION (EPO) COMPRISED OF HOSPITALS, PHYSICIANS, REHABILITATION COMPANIES, AND OTHER NEEDED MEDICAL SERVICES, WITH WHOM CORVEL WILL CREDENTIAL AND CONTRACT WITH, ON BEHALF OF M-DCPS, TO PROVIDE OPTIMAL SERVICE TO M-DCS, AND ITS INJURED PERSONNEL, INCLUSIVE OF NEGOTIATED DISCOUNTS, IN EXCESS OF THE STATE OF FLORIDA FEE SCHEDULE, WHERE APPROPRIATE*
- ◆ *MED-CHECK*

One of the problems of the state's mandated managed care arrangement is that it requires nurses to make decisions regarding an injured employee's medical care, without being cognizant of the ramifications those medical decisions may have on the employee's ability to return to work, or the overall successful outcome of the claim. The Board's re-structured program would allow the licensed claims adjusters to once again oversee the total handling of the claim, inclusive of the medical aspects, relying upon Corvel's nurses to provide necessary assistance and direction. This would also alleviate a major flaw in the state's program which required injured employees to interface with two people, typically an adjuster and a nurse. This often lead to confusion for the injured worker who would become frustrated and seek the advise of counsel. It is staff's recommendation that since the GB adjusters are licensed by the State of Florida, and are trained on proper claims procedures, that they take the lead in all cases, utilizing Corvel staff as a valuable resource for the handling of medical issues.

By providing more meaningful and limited services, Corvel has negotiated a reduction in their fee. The negotiated annual reduction for fiscal year 2001-2002 is \$238,000. For the remainder of fiscal year 2001-2002 (seven months) this amounts to \$138,833. It is recommended that M-DCPS directly contract with Corvel, inclusive of the new scope of services, keeping all other aspects of its current contract, in place through June 30, 2004, including field case management services, and CoreCare RX, with these fees continued to be paid from the claims file as allocated claims expenses, with all other aspects of the Board's contract for managed care services being provided by Corvel to remain unchanged.

GB's service will be broadened to provide additional services, including handling of medical only claims, as well as lost time claims where employees miss ten days or less from work. They have agreed to provide these additional services for the amount of the reduction of Corvel's fee. It is therefore recommended that GB's fee be increased for administration of workers' compensation claims, based upon the 2001-2002 fiscal year reduction in Corvel's fees, on a pro-rated basis for the remainder of fiscal year 2001-2002, totaling \$183,833, with the increase continuing for the remainder of the contract term, through June 30, 2004. All other aspects of the Board's contract with Gallagher Basset to remain unchanged.

As referenced earlier, the Board has periodically contracted for claims audits of its claims administrator. Staff is recommending that this occur again, with the actual audit occurring during the 2002-2003 fiscal year. It is recommended that the Board authorize the Superintendent to begin working on a Request For Proposal (RFP) to contract for a claims/managed care audit of its workers' compensation program, to be brought back to the Board prior to actual issuance.

RECOMMENDED: That The School Board of Miami-Dade County, Florida:

1. authorize the Superintendent to notify the State of Florida, Agency for Health Care Administration (AHCA) that it no longer wishes to be in a workers' compensation managed care arrangement, as defined by Section 440.134, Florida Statutes, effective December 1, 2001, pursuant to the authorization provided by HB 1803, including all claims incurred prior to December 1, 2001, which have been handled under the managed care arrangement, and are still in an open status;
2. amend its current contract with Gallagher Basset Services, Inc. for claims administration, effective December 1, 2001:

- a. to reflect the Board's decision to no longer be in a workers' compensation managed care arrangement, including the authority to make the change retroactive for claims incurred prior to December 1, 2001;
 - b. to provide claims services for all workers' compensation claims, including the handling of medical aspects of claims, for all medical only claims and lost time claims with ten or less days missed, for a pro-rated annual increase of fees for December 1, 2001 through June 30, 2002 of \$138,833, based upon an annual increase for fiscal year 2001-2002 of \$238,000, with funds to be transferred from the Board's workers' compensation claims fund for the remainder of fiscal year 2001-2002;
 - c. withdraw authorization for expenses of managed care services with Corvel, Inc. except for field case management and CoreCare RX, to be paid from the claims file as an allocated claims expense
 - d. allow all other terms and conditions of the contract to remain unchanged, as authorized by Agenda Item Revised E-9, Board meeting of October 21, 1998;
3. enter into a separate contract with Corvel, Inc., to provide unbundled managed care services:
 - a. comprised of telephonic first report of injury, telephonic nurse case management services for lost time claims with more than ten days in lost time, establishment and ongoing management and contracting for an Exclusive Provider Organization (EPO) consisting of hospitals and physicians from which injured employees would seek medical services as a result of a workers' compensation claim, and other related services;

- b. establish a pro-rated annual fee, effective December 1, 2001 through June 30, 2002, of \$247, 217, based upon an annual fee for fiscal year 2001-2002 of \$423,800, to be paid from an established account, with funds to be transferred from the Board's workers' compensation claims fund for the remainder of the 2001-2002 fiscal year;
 - c. authorize fees for field case management services at \$75.00 per hour, and fees for CoreCare RX prescription drug management of 25% of savings in excess of State of Florida fee schedule, with amounts to be paid from the claims file as allocated claims expenses;
 - c. continue this contract through June 30, 2004, incorporating all other aspects of the contract regarding managed care services provided by Corvel, as authorized by Agenda Revised E-9, Board Meeting of October 21, 1998; and
4. authorize the Superintendent to begin work on a Request For Proposal (RFP) to be issued during the 2002-2003 fiscal year to provide an audit of the Board's workers' compensation claims and managed care services contract, with the RFP to come back to the Board prior to issuance.

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