

Financial Affairs
Richard H. Hinds, Chief Financial Officer

SUBJECT: REQUEST FOR AUTHORIZATION TO RENEW THE LOSS PREVENTION CONTRACT WITH GALLAGHER-BASSETT SERVICES, INC.

At the Board meeting of October 21, 1998, the Board authorized extension of its contract with Gallagher-Bassett Services, Inc. For claims administration and loss prevention services for a five year period, beginning July 1, 1999 through June 30, 2004. The extension was recommended and approved, following a successful claims audit, conducted by Deloitte & Touche, LLP, and pursuant to the terms of Request For Proposal (RFP) #219-P-10.

Contract extensions are allowable, pursuant to the provisions of State Board Rule 6A-1.012(11) and to School Board Rule 6Gx13- 3F-1.021, whereby the Board when purchasing insurance, entering risk management programs, or contracting with third party administrators, may make any such acquisitions through direct negotiations and contract.

The Board's loss prevention program is structured on a model of 80% of the loss prevention representative's time being dedicated to Miami-Dade County Public Schools. Based upon the contract, which allows for an annual increase in the fee not to exceed 6%, the fee for fiscal year 2001-2002 for loss prevention services is \$118,765.

Over the past two years, Mr. Val Henry, Loss Prevention Specialist, has been providing loss prevention services to the Board, through the Office of Risk and Benefits Management. Mr. Henry, whose background includes providing loss prevention services to the University of Miami and Florida Atlantic University, has become a great asset to the Board. He has developed relationships throughout the district, providing loss prevention seminars, investigating accidents and issuing reports recommending changes in procedures to eliminate the possibility of additional accidents, as well as providing assistance to the Department of Safety and Environmental Management.

Section 7 (11) of the report from the Office of Program Policy Analysis and Governmental Accountability (OPPAGA) states:

The District uses a third party administrator to provide on-going loss prevention services. Gallagher-Bassett Services, Inc. provides a comprehensive risk control service to the District. According to District managers, the use of this service has contributed significantly to the District's improved experience ratings from the Agency for Health Care Administration (AHCA) and its success in controlling costs.

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In order to maximize the effectiveness of this program, staff approached Gallagher-Bassett Services, Inc. to negotiate an alternative proposal, including extending the services of the loss prevention contract to 100% dedicated to the Board.

The results of this negotiation is that Gallagher-Bassett Services, Inc. will amend its current contract with the Board, effective July 1, 2002, for a three year term, with the first year extending the expiring fee, based upon 80% utilization to 100%, resulting in a fee of \$142,518 ($\$118,765 \times 1.20$), without implementation of their annual fee increase. The second and third years would include an annual fee increase, not to exceed 6%..

Based upon the positive impact that this position has on the Board's programs, and the fact that proper loss prevention will more than pay for itself through reduced claims, staff is recommending that the Board amend its contract with Gallagher-Bassett Services, Inc. for loss prevention services, effective July 1, 2002 through July 1, 2005.

The Board's current contract with Gallagher-Bassett Services, Inc. for claims administration services, and Corvel, Corporation, for managed care services of workers' compensation claims, will be entering the fourth year of the current five year contract, effective July 1, 2002. The OPPAGA report praises Gallagher-Bassett Services, Inc. for its Stewardship Report, which provides the Board the ability to benchmark its cost control practices, allowing it to aggressively track and compare its performance with state and national statistics, peer and area school districts, and government and private industry. It also praises Corvel Corporation for its Medical Savings Detail Report which monitors costs and cost savings. Both contracts provide for annual increases up to 6%, effective July 1, 2002.

Following negotiations with both Gallagher-Bassett Services, Inc. , and Corvel, Corporation, both companies have agreed to provide renewal terms, effective July 1, 2002 with a 4% increase. Annual fees for fiscal year 2002-2003 for claims administration services will be based on a minimum fee basis for claims incurred, and subject to audit, of \$2,171,520. Corvel fees for the same time period will be a flat \$440,752.

Because of the success of these programs, staff is anxious to take a pro-active stance to the management of these important contracts. Besides the positive impact of these programs, as stated by OPPAGA, staff has recommended in the past that periodic claims audits be conducted to provide a thorough review of Gallagher-Bassett's performance. As such, staff is recommending that the Board authorize the Superintendent to develop a Request For Proposal (RFP) to seek competitive proposals for the completion of a claims audit of open and closed workers' compensation, general liability, automobile liability, professional liability and errors and omissions claims handled by Gallagher-Bassett. Once developed, this RFP will be brought back to the Board at a future meeting for review and to seek authorization for distribution.

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

1. amend its current contract with Gallagher-Bassett Services, Inc. for loss prevention services, pursuant to the provision of RFP# 219-P-10, effective July 1, 2002, to provide one loss prevention specialist on a dedicated full time basis, for a term of three years, with the fee for the first year, effective July 1, 2002 to be \$142,518, with the second and third year contracts to be based upon a maximum increase of 6%; and
2. accept the renewal terms of the fourth year of a five year contract of both Gallagher-Bassett Services, Inc., for its current claims administration contract, and Corvel, Corporation, for its workers' compensation managed care contract, inclusive of a 4% increase to expiring fees, effective July 1, 2002; and
3. authorize the Superintendent to begin development of a Request For Proposal (RFP) to seek competitive proposals for a claims audit of open and closed casualty claims to be conducted during the 2002-2003 fiscal year, with the RFP to come back to the Board prior to distribution at an upcoming Board meeting.

Funds for these contracts will be included in the General Fund of the 2002-2003 Adopted Budget.

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