

Office of Human Resources  
Marjorie H. Adler, Chief Personnel Officer

**SUBJECT: RECOMMENDED CHANGES TO CURRENT WORKERS'  
COMPENSATION CLAIMS ADMINISTRATION AND MANAGED CARE  
PROGRAM**

**COMMITTEE: LEGISLATIVE RELATIONS, PUBLIC RELATIONS AND PERSONNEL  
SERVICES**

Pursuant to Board authorization received at the Board meeting of March 12, 2003, Deloitte & Touche, LLP conducted the first year of a rolling three-year casualty claims audit, reviewing the Board's self-insured workers' compensation, general liability, automobile liability, and errors and omissions/professional liability insurance program.

The final audit with recommendations was presented to the Board's Audit Committee at their meeting of October 14, 2003, at which time they voted to transmit the audit, with staff's responses. That information is being brought to the Board at this meeting as Agenda Item F-3.

Deloitte & Touche's audit recommendations include changing the current managed care arrangement provisions to include medical intervention at the outset of a claim. Currently, the Board's contract with its managed care provider, Corvel, Inc., requires that nurse case managers get involved once an employee misses more than 10 days from work as a result of a work-related injury. Staff concurs with these recommendations, and feels they should be implemented as soon as possible to more adequately medically manage these cases, which will result in savings of claims costs.

The greatest change in implementing the revised program will be with the Board's current contract with Corvel, Inc. Minor changes to the Board's contract with Gallagher Bassett Services, the Board's third party claims administrator, will be necessary as well. Staff is recommending that contract amendments become effective December 1, 2003, as the Board's current contracts with both Corvel and Gallagher Bassett are through June 30, 2004.

With the audit results being positive in nature, and the Board having the ability to negotiate third party administrator contracts pursuant to State Board Rule 6A-1.012 (11), and School Board Rule 6Gx13- 3F- 1.021, Professional Service Contracts, staff is recommending that the Board authorize the Superintendent to enter into negotiations with both companies for successor contracts, which would include the changes which become effective December 1, 2003. This would also allow consistency for the second and third years of the Deloitte & Touche, LLP audits to address recommended changes and improvements.

**REPLACEMENT**

**H-9**

As outlined in the audit responses, the current contract with Corvel, Inc. incorporates the following services:

- Telephonic First Report of Injury
- CorCare PPO Discount application through Medcheck and Corcare PPO network
- Telephonic Nurse Case Management after 10<sup>th</sup> day of employee disability
- Medcheck Provider bill review, inclusive of DWC transfer to State of Florida
- In-patient hospital pre-certification

To provide the contracted services there are presently five Corvel staff members on the team, including a Unit Manager, two Intake Coordinators, and two Nurse Case Managers. The annual fee for fiscal year 2003-2004 for these services is \$467,197.08, payable monthly at \$38,933.09. Additionally, the Board's contract provides for applicable Field Case Management at \$75/hour, and CorCare RX Pharmacy management program fee of 25% of pharmacy savings.

It is recommended that the following additional services be provided by Corvel, Inc., effective December 1, 2003 through June 30, 2004, pursuant to the Casualty Claims Audit conducted by Deloitte & Touche, LLP,:

- Telephonic First Report of Injury with the use of Care MC software with electronic transmitting of first report to Gallagher-Bassett
- Nurse Triage/Early Intervention including 3-point contact on each First Report of Injury
- Telephonic Case Management on each lost time case for up to 47 days

Following a thorough review, including a review of annual reported claims, which averages 5,500, to staff the revised program, Corvel will be adding four Nurse Case Managers (two Registered Nurses, and two Licensed Practical Nurses), for a total of nine Corvel staff members on the team. The increased cost of the recommended program on an annual basis is \$827,197.08, or \$68,933.09 monthly, representing a monthly increase of \$30,000. Staff is recommending that the Board's current contract with Corvel, Inc., be amended to reflect these additional services with a total cost from December 1, 2003 through June 30, 2004 of \$482,531.63 ( $\$68,933.09 \times 7$ ). Additionally, currently provided Field Case Management will be reduced to \$72/hour, and CorCare RX Pharmacy's fee will continue at 25% of pharmacy savings.

The Board's current cost for its contract with Gallagher Bassett Services, Inc., effective July 1, 2003 through June 30, 2004 is based upon a deposit of \$2,301,811.20, and is subject to audit of actual claims incurred at 18 months, 24 months, 36 months, and 48 months. Effective December 1, 2003, Gallagher Bassett has agreed to provide the necessary software to receive Corvel's First Report of Injuries electronically into their risk management information system, Risx-Facs, while continuing the ability to allow Corvel telephonic and field nurse managers to input notes directly into Risx-Facs, with no increase in fees through June 30, 2004. Staff is recommending that in turn, the Board agree to amend its current contract to replace the 18-month audit requirement with a 12-month audit requirement, effective with the previous fiscal years' contract of July 1, 2002 through June 30, 2003, as well as the current contract for July 1, 2003 through June 30, 2004. This will allow Gallagher Bassett to be paid for a 12 month audit for last year's claims prior to January 1, 2004.

At the Board meeting of June 18, 2003, the Board authorized renewal of its specific excess workers' compensation coverage inclusive of an increase in its self-insured retention from \$500,000 to \$750,000. This increase in the Board's retention level for claims beginning July 1, 2003 produced a premium savings to the Board of \$884,102 for fiscal year 2003-2004. The Board also authorized the Superintendent to determine what steps can be taken to control costs and strengthen the Board's current workers' compensation claims administration, including review of the final audit report from Deloitte & Touche, LLP. The recommendations for management techniques and cost controls were to be inclusive of the Board investing some of the \$884,102 premium savings for the 2003-2004 excess workers' compensation insurance to save claims costs. Staff feels that the increased cost of additional management over its workers' compensation claims is cost effective, as the Board is currently spending approximately \$2 million per month in medical expenses for workers' compensation claims.

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

1. amend its current contract for Workers' Compensation Managed Care Services with Corvel, Inc., effective December 1, 2003 through June 30, 2004, to include additional services as outlined in this item and recommended by Deloitte & Touche, LLP, including, but not limited to Triage Nurse 3-point contact, Telephonic Nurse Case Management from first day of injury to 47<sup>th</sup> day of disability, and dedicated Telephonic First Report of Injury through CareMC, at a monthly fee of \$68,933.09, plus Field Case Management to be charged at an allocated claims expense to be paid from the claims file at \$72/hour, subject to prior authorization, and Core Care RX Managed Care Pharmacy fees to remain at 25% of pharmacy savings;
2. amend its current contract for claims administration services with Gallagher Bassett Services, Inc., effective December 1, 2003 through June 30, 2004, to reflect Gallagher Bassett's agreement to provide necessary software to accept First Reports of Injury electronically from Corvel, Inc. into their risk management claims administration system, Risx-Facs, at no additional charge, as well as amending the audit billing timeframes for fiscal years 2002-2003 and 2003-2004 to reflect the first audit billing period at 12 months, 24 months, 36 months, and 48 months; and
3. authorize the Superintendent of Schools to enter into negotiations with Corvel, Inc. and Gallagher Bassett Services, Inc., for Workers' Compensation Managed Care Services and Third Party Claims Administration Services, respectively, effective July 1, 2004, for an initial three year contract, with the ability to extend that authorization for an additional two year period, subject to acceptable audit findings, pursuant to the provisions of State of Florida, Department of Education State Board Rule 6A-1.012(11), and School Board Rule 6Gx13- 3F-1.021 Professional Service Contracts.

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