Office of Superintendent of Schools
Board Meeting of May 16, 2007

May 2, 2007

Ofelia San Pedro, Deputy Superintendent
Business Operations

SUBJECT: **RECOMMENDATION FOR THIRD PARTY CLAIMS ADMINISTRATION CONTRACT WITH GALLAGHER BASSETT SERVICES, INC.**

COMMITTEE: **INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS**

LINK TO DISTRICT STRATEGIC PLAN: **IMPROVE FINANCIAL SERVICES**

At the Board meeting of March 14, 2007, the Board authorized the Superintendent of Schools to enter into negotiations with Gallagher Bassett Services, Inc. for a two year extension of their existing contract to provide third party claims administration services for all claims including liability and workers' compensation claims inclusive of all medical management and managed care services for workers' compensation claims. This authorization was received based upon provisions contained within State of Florida State Board Rule 6A-1.012(11), which authorizes the Board to directly negotiate and contract for third party administrators and risk management programs, and School Board Rule 6Gx13- 3F-1.021, Professional Service Contracts.

The School Board self-insures third party claims brought against the district consisting of Workers' Compensation and Liability claims with annual self-insured claims expenditures of approximately $36 million.

Staff has been successful in negotiating a very aggressive contract which provides for a flat annual fee of $5,811,281 term for the two year extension of 2007-2008 and 2008-2009, and also extends that flat fee for one additional year for 2009-2010. This recommended fee represents a 5% increase from 2006-2007 fees. Additionally, Gallagher-Bassett Services has offered the option of two additional years with annual fees to be negotiated at a range of 4-6% annually, which is also being recommended due to the successful results of the district's claims administration program.

2006-2007 CLAIMS ADMINISTRATION AND MANAGED CARE FEES:

Third Party Claims Administration (July 1, 2006 – June 30, 2007) -	$ 4,651,280
Managed Care Administration (July 1, 2006 – June 30, 2007) -	$ 865,200
Total fees not paid as allocated claims expense (from individual Claims files for specific medical expenses attributable to claims) -	$ 5,516,480

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2007-2008, 2008-2009, 2009-2010 RECOMMENDED CLAIMS ADMINISTRATION FEES INCLUDING MANAGED CARE

Third Party Claims/Managed Care Administration Annual Fee
(7-1-07 – 7-1-08, 7-1-08-7-1-09, 7-1-09-7-1-10) - $5,811,281

Recommended flat annual fee for fiscal year's 2007-2008, 2008-2009 and 2009-2010 represents an increase over the expiring fee structure of 5%.

The recommended program been negotiated to reflect additional resources to be provided within the dedicated branch resulting in 30 staff members and claims/managed care services including:

3 new claims staff personnel
2 dedicated nurse case managers
First report of injury, bill review and re-pricing, Flex Net provider network, pharmacy included.

The true value of a strategic claims administration program, inclusive of a component to adequately manage the medical aspect of workers' compensation claims must be outcome based. The envisioned platform for this contract is one which will provide injured employees immediate and through medical care with the ability to return injured employees back to work as soon as possible.

As part of the newly developed Flex Net network platform, negotiations with ancillary providers including physical therapists, diagnostic imaging, laboratory procedures, etc. will be ongoing to obtain the most attractive pricing as a function of the State of Florida Workers' Compensation Fee Schedule, while providing a proper spread of locations throughout the three county areas to service employees.

Pursuant to the existing contract, Gallagher-Bassett will be obligated to provide the Board at least 120 days prior to cancellation, non-renewal or restriction of the company's contractual obligations. The contract may be canceled at any time at the request of the Board by written notice. Gallagher-Bassett has again agreed to include the provision that if the Board were to change third party administrators, Gallagher-Bassett will agree to pay the Board an amount equal to $150 per open claim at the time of cancellation to offset the administrative cost of changing administrators.

Additional information regarding this program will be sent to the Board as back-up information along with a letter from the Board's insurance consulting firm of Siver Insurance Consultants, Inc recommending the program's structure.

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

1. authorize the Superintendent of Schools to enter into a contract for third party claims administration services with Gallagher Bassett Services, Inc., comprised of all referenced services including but not limited to claims establishment; reserving; investigation; settlement; excess reporting; first report of injury; medical case management; bill review services; and Flex Net network PPO; and *Risx-Facs* Risk Management Information System, inclusive of all reporting requirements, effective July 1, 2007 for an initial three year contract with a flat annual fee of $5,811,281 for each of the three year periods including 2007-2008; 2008-2009; and 2009-2010, with the fourth and fifth year periods including 2010-2011 and 2011-2012 to be subject to a negotiated fee increase of not less than 4%, but not to exceed 6%.

2. Funds for this contract will be included in the General Fund of the 2007-2008 Adopted Budget.

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