

Financial Services
Richard H. Hinds, Chief Financial Officer

SUBJECT: REQUEST FOR AUTHORIZATION TO AFFIRM THE CONTRACT WITH GALLAGHER BASSETT SERVICES, INC. BASED UPON THE PROGRAM MANAGEMENT REVIEW CONDUCTED FOR THE SIX MONTH CONTRACT PERIOD OF JULY 1, 2010 THROUGH DECEMBER 31, 2010

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY

At the Board meeting of June 16, 2010, the Board awarded its Workers' Compensation and Third Party Liability Claims Administration Services contract to Gallagher Bassett Services, Inc. (GB), pursuant to Request For Proposal (RFP) 006-KK10, effective July 1, 2010 for a three-year term with the ability to extend the contract for up to two additional one-year periods. Annual pricing for such services are \$5,411,837 for each of the three years, representing a total contract price for all three years of \$16,235,511. The contract is responsible for administration of all self-insured workers' compensation and third party liability claims, reflecting annual expenditures of approximately \$30,000,000.

A major aspect of the issued RFP included a comprehensive program management component of the required contract whereby performance reviews are conducted every six months on both Workers' Compensation claims and Third Party Liability claims. The criteria used for these performance reviews represent specific reviews under the headings of Claim File reviews and Program Management reviews. For each six-month review, points will be assigned and penalties assigned (excluding the first six-month review) based upon the total weighted review points.

The performance review for the first six-month period of the contract (July 1, 2010 – December 31, 2010) was performed by District consultants from Siver Insurance Management, Inc. (Siver) and hospital bill auditors under contract to Gallagher Bassett Services, Inc. in January, 2011. The performance review was subsequently reviewed by staff from the Office of Risk and Benefits Management.

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On behalf of MDCPS, Siver reviewed 50 workers' compensation claim files and 20 third party liability files. The claim files were selected randomly with 50% of the selected files with dates of accident during the review period (new), and 50% of the selected files with dates of accident prior to July 1, 2010 (old). For the third party liability files, eight automobile liability claims, eight general liability and four professional liability/errors & omissions claims were selected to assure that all major types of claims were reviewed.

Pursuant to the formula contained in the Gallagher Bassett contract, the following summarizes the points awarded in the performance review:

Workers' Compensation

Claim File Review Average	95 points x 75% weight	71.25 points
Program Management Review	98 points x 25% weight	<u>24.59 points</u>
Total		95.75 points

Third Party Liability

Claim File Review Average	100 points x 75% weight	75.00 points
Program Management Review	100 points x 75% weight	<u>25.00 points</u>
Total		100.00 points

Pursuant to the contract with GB, the benchmark for the first six-month review was 80 points. Subsequent six-month review periods graduate to higher benchmarks which include a required 95 points for performance reviews conducted at 25-36 months; 37-48 months and 49-60 months. Staff is very pleased that the first review period's results exceeded the required threshold by 118%. The next performance review will occur after July 1, 2011 for months 7-12 of the contract and every six months through the remainder of the contract term.

Update on Pharmaceutical Program Savings

The Board was informed in August, 2009 that a new program was being put in place to control the cost of physician-dispensed pre-packaged pharmaceuticals. Following an analysis which was performed in the summer of 2009, it was found that a hole in Florida laws governing workers' compensation claims allowed physicians who dispensed pre-packaged drugs to bill the cost of such drugs outside the state-mandated fee schedule. As a result, the District was paying up to 400% higher reimbursements for these pharmaceuticals than what would have been paid had the same medications been dispensed through retail pharmacies.

GB and the School Board met with representatives from the State of Florida, Division of Workers' Compensation and legal counsel to create a program entitled Pharmacy Validation. Because physicians in the State of Florida have the statutory right to dispense drugs, those physicians were notified that if they continued to dispense pre-packaged pharmaceuticals for Miami-Dade County Public Schools' injured employees, they would only be reimbursed at a rate commensurate to what the District would have paid at a retail pharmacy. Staff is very pleased to report to the Board that savings in the amount of \$845,768 was achieved from September, 2009 through December, 2010

through implementation of this program. These are pure savings to the District's self insurance loss fund for workers' compensation claims, which is primarily funded through the District's General Fund Budget.

Copies of the Performance Review will be distributed to Board Members, and will be placed on file in the Office of the Recording Secretary to the School Board and in the Citizen Information Center.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida, authorize continuation of the existing contract with Gallagher Bassett Services, Inc., pursuant to the provisions of Request For Proposal (RFP)# 006-KK10 whereby the agreement is in effect from July 1, 2010 to July 1, 2013, with the ability to extend the contract for up to two additional one-year periods, subject to cancellation provisions whereby the School Board can cancel the contract at any time, requiring only notification of cancellation.

RHH:sbc