

Financial Services  
Richard H. Hinds, Chief Financial Officer

**SUBJECT:                   REQUEST FOR AUTHORIZATION FOR RENEWAL OF  
CLAIMS   ADMINISTRATION   CONTRACT   WITH  
GALLAGHER BASSETT SERVICES, INC.**

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

**LINK TO STRATEGIC       FINANCIAL EFFICIENCY/STABILITY  
FRAMEWORK:**

At the Board meeting of June 16, 2010, Gallagher Bassett Services, Inc. (GB) was awarded the Workers' Compensation and Third Party Liability Claims Administration Services contract, pursuant to Request For Proposal (RFP) #006-KK10, effective July 1, 2010 for a three-year term. Pursuant to the section of the RFP *Effective Date and Term of Contract*, the Board desires that the initial term of the contract for each plan be for a three (3) year period beginning July 1, 2010, with the ability to renew for two additional one-year periods. The Board desires that the flat annual fees be guaranteed for a minimum of three (3) years, subject to annual negotiation thereafter.

The Board also authorized the Superintendent of Schools to execute a contract with GB for the initial three-year term, contingent upon a satisfactory performance review as stipulated in the contract's Program Management Review Section following the first six months of the contract's effective date. The stipulation was that the results of this review would be brought back to the Board with recommendations regarding contract continuation.

Subsequently, at the School Board meeting of February 9, 2011, the Board was provided with the results of the first six month review which was very positive. As a result, staff recommended, and the Board authorized continuation of the existing contract with GB, effective July 1, 2010 to July 1, 2013, with the ability to extend the contract for up to two additional one-year period, subject to cancellation provisions whereby the School Board can cancel the contract at any time, requiring only notification of cancellation.

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The initial three-year term included pricing at \$5,411,837 for each of the initial three-year term, whereby Gallagher Bassett Services, Inc. is responsible for administration of all self insured workers' compensation and third party liability claims, reflecting annual expenditures of approximately \$30,000,000. Staff has been successful in negotiating the first of the two one-year extensions of the contract with a 3% decrease in expiring fees, effective July 1, 2013 through June 30, 2014, resulting in a flat annual fee of \$5,249,482.

Pursuant to contract provisions, performance reviews for the following periods were presented to the District's Audit and Budgetary Advisory Committee at its meeting of May 15, 2012:

<u>Review Period</u>	<u>WC Score</u>	<u>GL Score</u>
July 1, 2010 to December 31, 2010	95.75	100.00
January 1, 2011 to June 30, 2011	92.19	97.38
July 1, 2011 to December 31, 2011	94.79	99.48

Additionally, performance reviews for the following periods were presented at the District's Audit and Budgetary Advisory Committee at its meeting of May 14, 2013:

<u>Review Period</u>	<u>WC Score</u>	<u>GL Score</u>
January 1, 2012 to June 30, 2012	97.08	98.65
July 1, 2012 to December 31, 2012	97.02	99.44

There are no changes to the contract terms between the District and GB; however, staff is recommending that GB replace its current sub-contractor which provides telephonic first report of notice services for injured employees with a local South Florida firm, Seltzer & Associates, Inc. for this one-year extension. While GB includes this service as a component of the overall third party claims administration contract, and as such does not affect overall pricing, staff believes a local company will be able to better direct injured workers to appropriate medical facilities, especially in those cases where there are employees with multiple dates of loss/injures. Staff will codify this direction to GB through a side letter agreement.

Due to the increasing cost of medical treatment for injured workers in South Florida, staff is also recommending that an additional nurse case manager be added to the account to assist in the management of medical treatment. This nurse case manager will be funded as an allocated claim expense and therefore paid from the claim files where the medical management is actually occurring. It is anticipated that the medical savings derived from this additional medical management will more than offset the cost to add the nurse.

Additionally, the existing contract contains the requirement that GB retain an independent auditor to conduct quarterly bill review audits of all inpatient hospital payments and a sampling of other paid medical bills, with audit fees paid by GB. Copies of audit survey results from the firm Maddy Bowling & Associates, Inc. were also provided to the two Audit and Budgetary Advisory Committee meetings. These audits will continue to occur quarterly and be at GB's expense.

It is staff's intention to negotiate a final one-year extension for the contract year of July 1, 2014 through June 30, 2015 which will be brought back to a subsequent School Board meeting in conjunction with creation of a comprehensive Request For Proposal (RFP) for claims administration services to begin July 1, 2015.

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

1. authorize a one-year extension of the existing contract for claims administration services with Gallagher Bassett Services, Inc., pursuant to the provisions of Request For Proposal (RFP)# 006-KK10, effective July 1, 2013 to July 1, 2014, with total annual fees of \$5,249,482, representing a reduction of 3% from the expiring fee of \$5,411,837, which has been in place for three years, inclusive of a change in the vendor for reporting First Notice of Injuries and the addition of a nurse case manager to be funded as an allocated claim expense and paid from the claim files which are being medically managed by this nurse, subject to cancellation provisions whereby the District can cancel the contract at any time, requiring only notification of cancellation; and
2. authorize the Superintendent of Schools to execute an amendment to the existing claims administration contract with Gallagher Bassett Services, for a one-year extension effective July 1, 2013 to July 1, 2014 at an annual fee of \$5,249,482.

RHH:sc