

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
FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY**

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.

E-69

The initial three-year term included pricing at \$5,411,837 for each of the initial three-year term, whereby GB is responsible for administration of all self insured workers' compensation and third party liability claims, reflecting annual expenditures of approximately \$30,000,000. At the Board meeting of June 19, 2013, the School Board authorized a one-year extension of the existing contract with GB, effective July 1, 2013 to July 1, 2014 inclusive of a 3% decrease in the previous fee structure, effective July 1, 2013 through June 30, 2014, resulting in a flat annual fee of \$5,249,482.

As was outlined in Agenda Item, E-66, School Board meeting of June 19, 2013, staff is recommending that the existing contract with Gallagher Bassett Services, Inc. (GB) be renewed for its fifth and final year under the terms of that contract, effective July 1, 2014 to July 1, 2015 and begin working on a comprehensive Request For Proposal (RFP) which would be brought back to the School Board later this summer to seek competitive proposals for a new contract, effective July 1, 2015. It is recommended that the cost of the contract extension remain at the expiring flat annual fee of \$5,249,482.

Pursuant to contract provisions, performance reviews for Workers' Compensation (WC) and General Liability (GL) 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 |

Two additional performance reviews have been completed as of this date with the following results:

| <u>Review Period</u> | <u>WC Score</u> | <u>GL Score</u> |
|-----------------------------------|-----------------|-----------------|
| January 1, 2013 to June 30, 2013 | 97.33 | 99.25 |
| July 1, 2013 to December 31, 2013 | 96.63 | 99.29 |

At the time of last year's renewal, staff recommended 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. This change has dramatically improved the first notice of injury aspect of the program, and staff is recommending that this relationship continue for this upcoming renewal. The cost for this service is contained within the recommended GB fee.

Also at last year's renewal, staff recommended that an additional nurse case manager be added to the account to assist in the management of medical treatment. The nurse case manager was added and is currently funded as an allocated claim expense and therefore paid from the claim files where the medical management is actually occurring. Staff is recommending continuance of this additional resource, as it has proven to be cost effective in having the additional nurse assist injured workers and the adjusters who are handling the cases.

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.

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, 2014 to July 1, 2015, with total annual fees of \$5,249,482, inclusive of the changes from the prior renewal 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;
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, 2014 to July 1, 2015 at an annual fee of \$5,249,482; and
3. authorize staff to create a comprehensive Request For Proposal (RFP) to be brought back to the Board within 90 days to seek competitive proposals for its third party claims administration services, for an effective date of July 1, 2015.

RHH:sc