

**ENGAGING A THIRD PARTY  
ADMINISTRATOR FOR WORKER  
COMP SERVICES  
FOR THE CITY**


MAY 18, 2016

COMMON COUNCIL FILE #160015


# OVERVIEW

- In September of 2015 we introduced a CC Resolution authorizing DER to explore the use of a TPA for WC services.
- This process required us to issue an RFP, conduct a cost/benefit analysis of the highest ranked proposer, and make a recommendation to the Mayor and the Council .
- As we explained back in September, there were several reasons for us to believe that a TPA should be considered:
  - *Expertise / Efficiency*
  - *High quality customer service for injured employee*
  - *Infrastructure (admin, clinical, regulatory compliance tools)*
  - *Allows employer to focus on policy and operations*
  - *Have to comply with best industry practices to survive*
  - *Access to industry benchmark information that can be shared*
  - *Claims are handled by adjusters who are not city employees.*

# BACKGROUND

- City self-self funds/self-administers for worker comp services
  - City functions as a Third Party Administrator (TPA) for MPS
  - WC Division has 14 FTEs - admin , claim reps, adjusters, mgr
  - Staff processes 1900 City claims and 1000 MPS claims per year
  - City Attorney's Office handles litigation
  - Salary and operating budget - approximately \$1.3M
  - Contract with Ventiv Corp for RMIS (\$132,000 per year)
  - Contract with Corvel Corp for bill review/re-pricing and prescription management (\$430,000) (Fee is based on a % of savings)
  - SPA Budget \$12M
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# CHALLENGES WITH THE CURRENT ENVIRONMENT

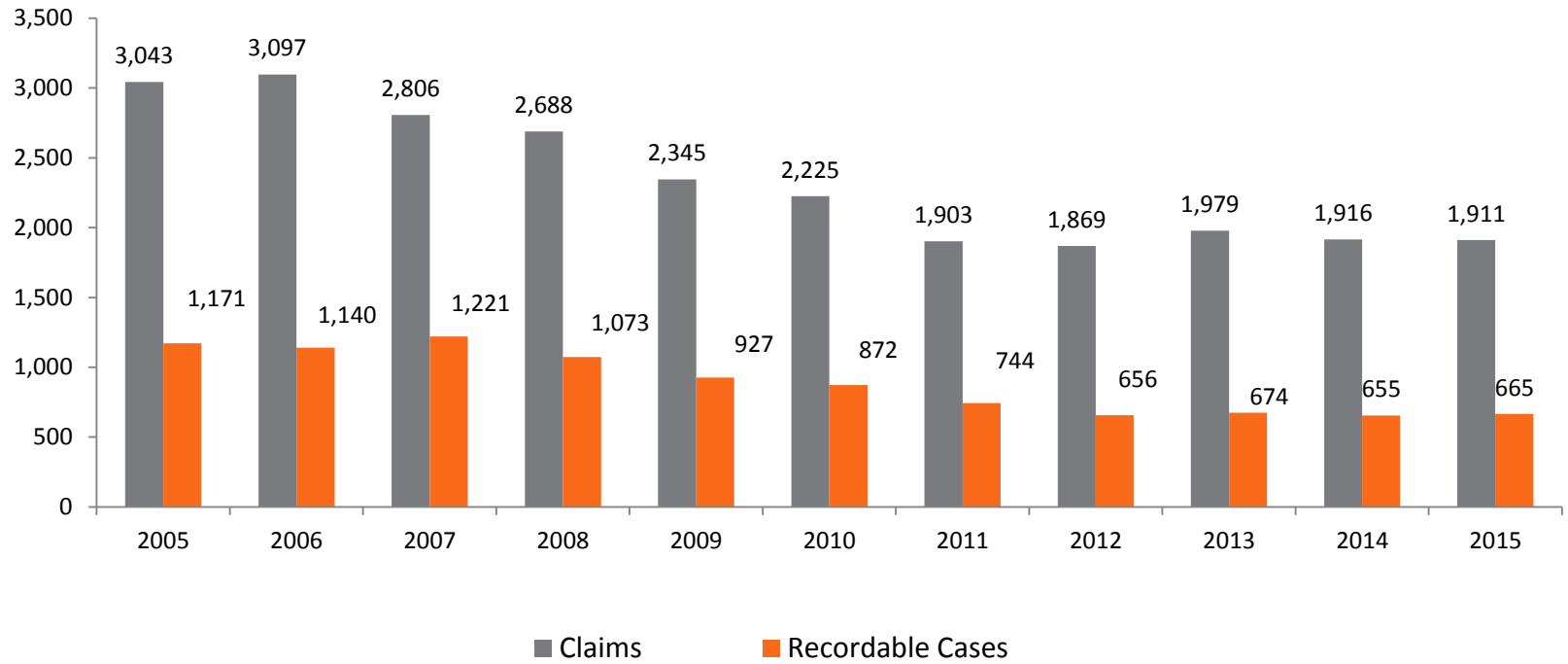
- As a self-funded, self-administered entity we absorb all the responsibility/risk.
  - Difficulty filling vacancies with quality personnel/unable to compete
  - Staff is required to provide RMIS support, maintenance, and troubleshooting
  - Constant changes to regulations impacting work processes, reporting requirements
  - Struggle with limited resources to devote to nurse case management services (\$80-\$125 per hour)
  - Contact with injured employee re process and compensability determinations does not meet industry best practices
  - City employees adjudicating claims of city employees
  - Behind industry best practices in closure rates, file documentation, investigation protocols, and recovery practices (2012 audit findings)
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# WHY NOW?

- Impact of 2009 Risk Management Program is starting to level off \*
- Incidence Rate is still high compared to other industries
  - Incidence Rate = rate of injuries per 100 FT workers*
  - City 10.37 National Public Sector (local gov 5.0)*
- Can benefit from expert loss control services targeting department specific challenges
- Our efforts have lessened the impact of average claim costs. \* Next steps require investment in case management services . Need more medical oversight and resources to manage claims. Injured members have a lot more co-morbidities.
  - *Appropriateness and necessity of care*
- The majority of public sector entities in Wisconsin and the nation do not administer claims \*

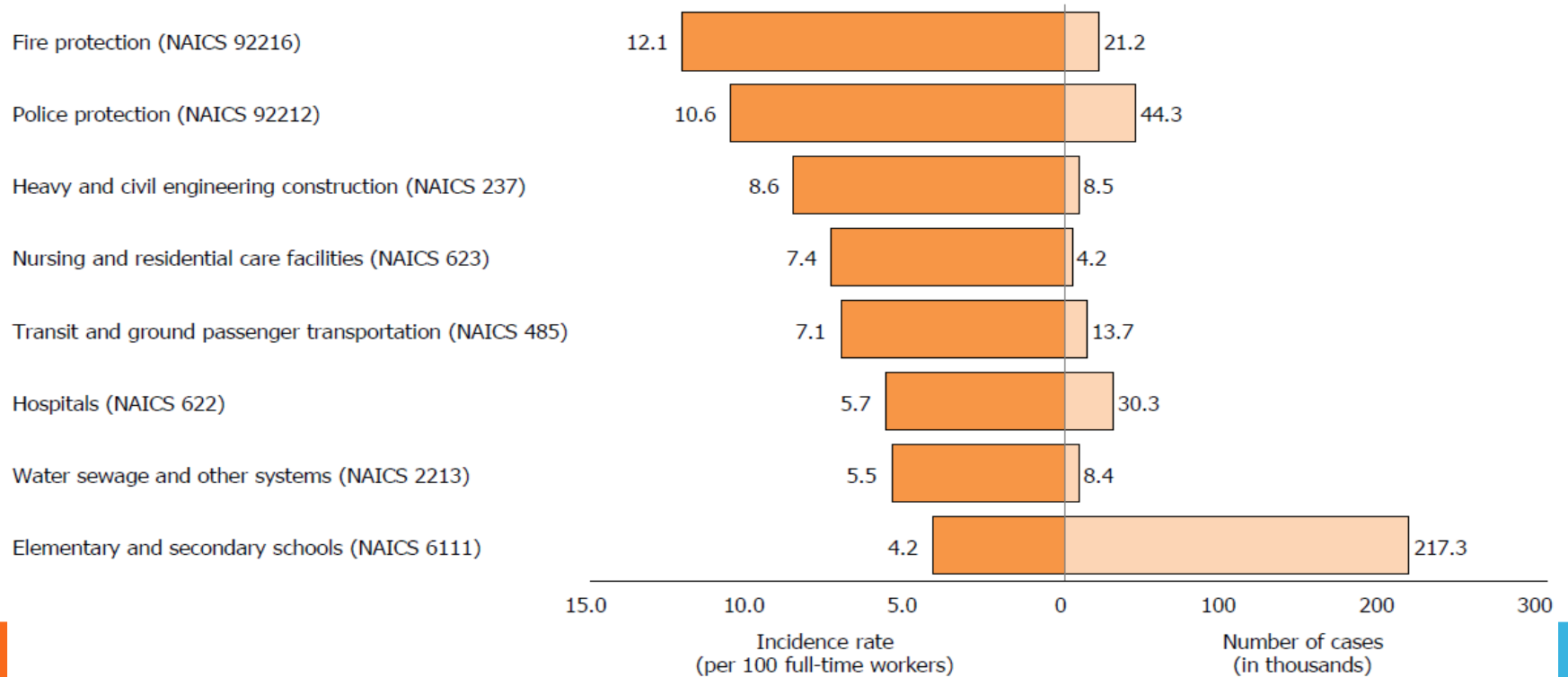
# WC CLAIMS AND RECORDABLE CASES

WC Claims & Recordable Cases



# INCIDENCE RATE – LOCAL GOV- BLS 2014

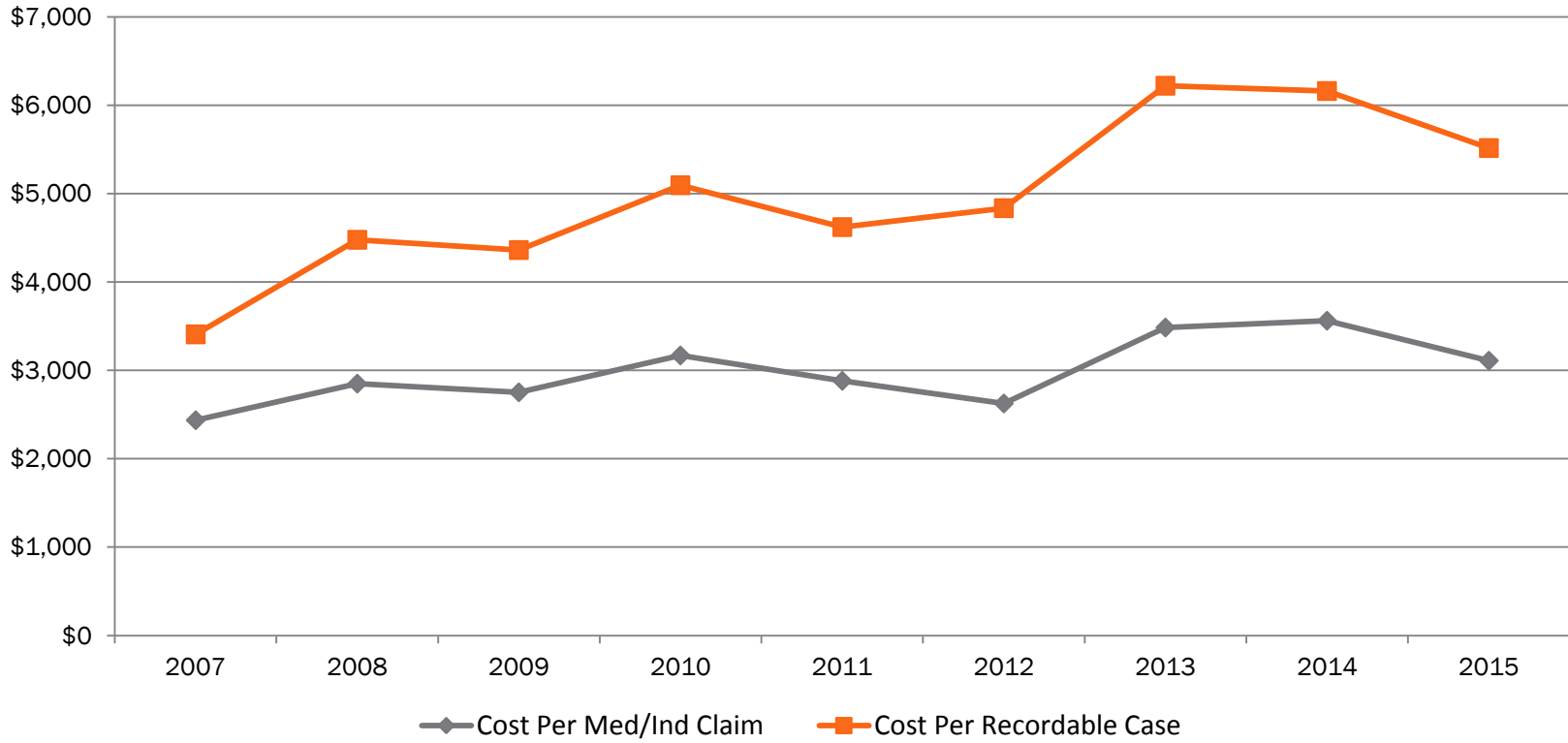
Incidence rates and numbers of nonfatal occupational injuries and illnesses by industry, local government, 2014



While the incidence rate among local elementary and secondary schools workers was 4.2 cases per 100 full-time workers, these workers incurred 38.8 percent of all nonfatal injury and illness cases reported among the nearly 13.8 million local government workers nationally in 2014.

# WC METRICS

## Cost Per Claim






# PUBLIC SECTOR - WISCONSIN

Wisconsin		Fully Insured	Self-Funded	TPA administers the benefit
	CVMIC		Green Bay Janesville Kenosha Racine Manitowoc West Allis Wauwatosa Sheboygan Stevens Point Wausau LaCrosse	YES
	CVMIC	35 small cities and villages		YES
	MMSD		X	YES
	Milwaukee County* 2 of 72		X	X


# PUBLIC SECTOR ACROSS THE US

	Fully Insured	Self-Funded	Self-Administered	TPA
Austin		X		X
Baltimore		X		X
Chicago Public Schools		X		X
Juneau		X		X
Oakland		X		X
Philadelphia		X		X
Phoenix		X		X
San Diego		X	X	
San Francisco		X	X	X
San Mateo	X			X
Seattle		X	X	
Virginia Beach		X		X


# RFP PROCESS

- CC Resolution September of 2015 authorizing DER to explore feasibility of engaging a TPA
  - Engaged a broker from Willis Tower Watson to facilitate the process and complete feasibility analysis
  - Committee composed of reps from City Attorney's Office, Budget, MPS, DER
  - 13 RFP Responses were received
  - Oral Interviews were conducted with 4 finalists
  - Site visits were conducted- Chicago, Waukesha, Milwaukee
  - References conducted on top finalist: Ashley Furniture, Harley Davidson, Broward County Sheriff's Office, Dade County Public Schools, State of Connecticut
  - Cost/Benefit Analysis – supported engaging a TPA
  - Recommendation: Gallagher Bassett, City of Milwaukee
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# ABOUT GALLAGHER BASSETT

- GB has provided risk management services since 1962
  - Located in Wisconsin since 1981
  - Milwaukee office is on South 84<sup>th</sup> St
  - Serves clients in the hospitality, health care, manufacturing, trucking, agriculture, and construction industries.
  - Current clients in Wisconsin include:
    - *Marcus Corp, Johnsonville Sausage, Kohler, Menards, Quad Graphics, Journal Communications, MU, MMSD, Ashley, Harley Davidson*
    - *Public Sector Clients include: State of Connecticut, State of Oklahoma, Broward County Sheriff's Office, Miami County Public Schools*
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# GB'S APPROACH TO CLAIMS MANAGEMENT

- \* Provides timely and compassionate interaction to injured employees,
  - \* Utilizes clinical management tools to identify outcomes based networks,
  - \* Relies on predictive analytics to assess claim risk and control cost drivers, and,
  - \* Identifies loss trends and appropriate interventions.
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# MAKING THE BUSINESS CASE- VALUE ADDED FOR EMPLOYEES

Component	Impact or Consequence
Timely and compassionate interaction with a triage nurse immediately after an injury occurs	Ensure the injured employee gets appropriate treatment and is positioned for a speedy recovery.
Access to a dedicated Nurse Case Manager who will advocate for the injured employee's medical needs	Ensure a continuous flow of communication among providers, claims adjusters, and the claimant
Access to claim information and payment information from GB go-mobile app or myGBclaim.com	Better informed employee can focus on healing and returning to work.
Return to work opportunities to accommodate restrictions if such opportunities are not available within the City	Employee is given the opportunity to do something productive while recovering
Opportunity for up to a 30 day supply of medications prior to compensability determination	No out of pocket risk for the employee
Access to loss control services (safety interventions) from industry experts	Minimize risks and exposures resulting in safer workplaces. Training resources

## MAKING THE BUSINESS CASE- **VALUE ADDED TO THE CITY**

Component	Impact or Consequence
Use of predictive analytics to assess claim duration, identify resources to focus on them, and estimating reserves	<b>Expedite return to work and reduce claim costs. More precise tool for budgeting.</b>
On-going access to a dedicated Nurse Case Manager who can guide injured employees' medical treatment and prevent exacerbations and complications from comorbidities	<b>Lower claim costs.</b>
Tools and the infrastructure to meet regulatory compliance requirements	<b>Reduce employer penalties and liability</b>
Access to utilization review functionality	<b>Determine appropriateness and timeliness of treatment.</b>
Access to Loss Control Services from industry experts	<b>Help develop safety interventions specific to a department's needs.</b>
Access to fraud detection administrative tools	<b>Minimize exposure and liability.</b>
Clinical tools to review and flag narcotic activity and overutilization	<b>Educate employee about the dangers and side effects of extended narcotic use</b>
Automated OSHA Reporting tool	<b>Departments no longer have to manually track and report this info</b>

# MAKING THE BUSINESS CASE- PROJECTED SAVINGS

Best Practices Category	Savings Impact	Description
Priority Care 365	<b>\$299,307</b>	Nurse triage protocol to provide Immediate intervention by a health care professional. Anticipated to reduce medical costs and minimize lost work days. Of all calls received by PC365, <b>40% result in self-care</b> (i.e., no medical expense).
Outcomes Based Networks	<b>\$327,073</b>	Providing access to medical providers who are known for the best outcomes, at the best costs, with the shortest treatment duration lowers medical costs; reduces indemnity payments and enhances productivity by returning the injured employee safely back to work at the earliest possible date.
Bill Review	<b>\$43,288</b>	Reduction of medical bills to the state fee schedule and deeper saving through GBs Preferred Provider Organization (PPO) networks discounts.
Timely Engagement of Clinical Resources	<b>\$258,024</b>	Tools designed to engage clinical resources such as telephonic and field nurse case management, vocational rehabilitation and utilization review at the optimal point-in-time so as to maximize its efficacy while minimizing the cost for service. Claims with timely appropriate intervention have earlier return-to-work thereby reducing indemnity claim payments by 60% on average and <b>precluding unnecessary ongoing medical provider costs by 20% on average.</b>
Return to Work	<b>\$80,315</b>	Engage a health care provider with doctors on discussions regarding the job duties of the injured employee. Providers are more confident in their decision making process and not feel the need to error on the side of caution and unnecessarily elongate time off work. This has been known to <b>reduce lost work days by as much as 50%.</b>
Rx Benefit Management	<b>\$41,248</b>	Use of Rx profile to identify injured workers who are most at risk for misuse of prescription medications as well as providing pharmacist intervention to assist the resolution manager's decision making. The program identifies critical claim data, maps it to a risk ranking factor, and provides recommended actions for follow up. Appropriate intervention of this kind leads <b>on average to a 10-20% drop in narcotic and other prescription drug utilization.</b>
Managing to Industry Best Practices	<b>\$158,589</b>	Immediate and on-going interaction with injured employees and ensuring that all process elements are used timely and thoughtfully to support the injured employee's safe return to work at the earliest possible date will result industry standard adjusting and case management practices and savings.
Annual Savings	<b>\$1,207,844</b>	



# CITY STAFF WORKING WITH TPA

WC Manager – provide oversight to TPA activities, ensure deliverables and outcomes are met, work with ACA on litigated files

Disability Coordinator - serve as liaison between TPA and City agencies to coordinate RTW options, light duty or restricted duty accommodations, work with nurse triage and field case management to assist injured employees and their families.

Loss Control Coordinator – oversee safety program, coordinate safety initiatives across departments, and work with TPA's loss control team to identify best practices and interventions

Program Assistant - administration support



# TRANSITION CONSIDERATIONS

If this file is approved, work with broker and CA Office to negotiate and finalize a 3 year contract.

Anticipate a 4 month transition timetable: migration of files and records, establishment of service instructions, education and information of employees .

Go LIVE late Sept/early Oct

2017 Requested budget maintains funding for filled positions but will be subject to amendment based on status of transition and placement of employees. NO LAYOFF Proposal.

Performance Agreements – based on meeting implementation standards, performance and business relationships, and adherence to GB best practices at the 90% percentile or higher.

**QUESTIONS?**

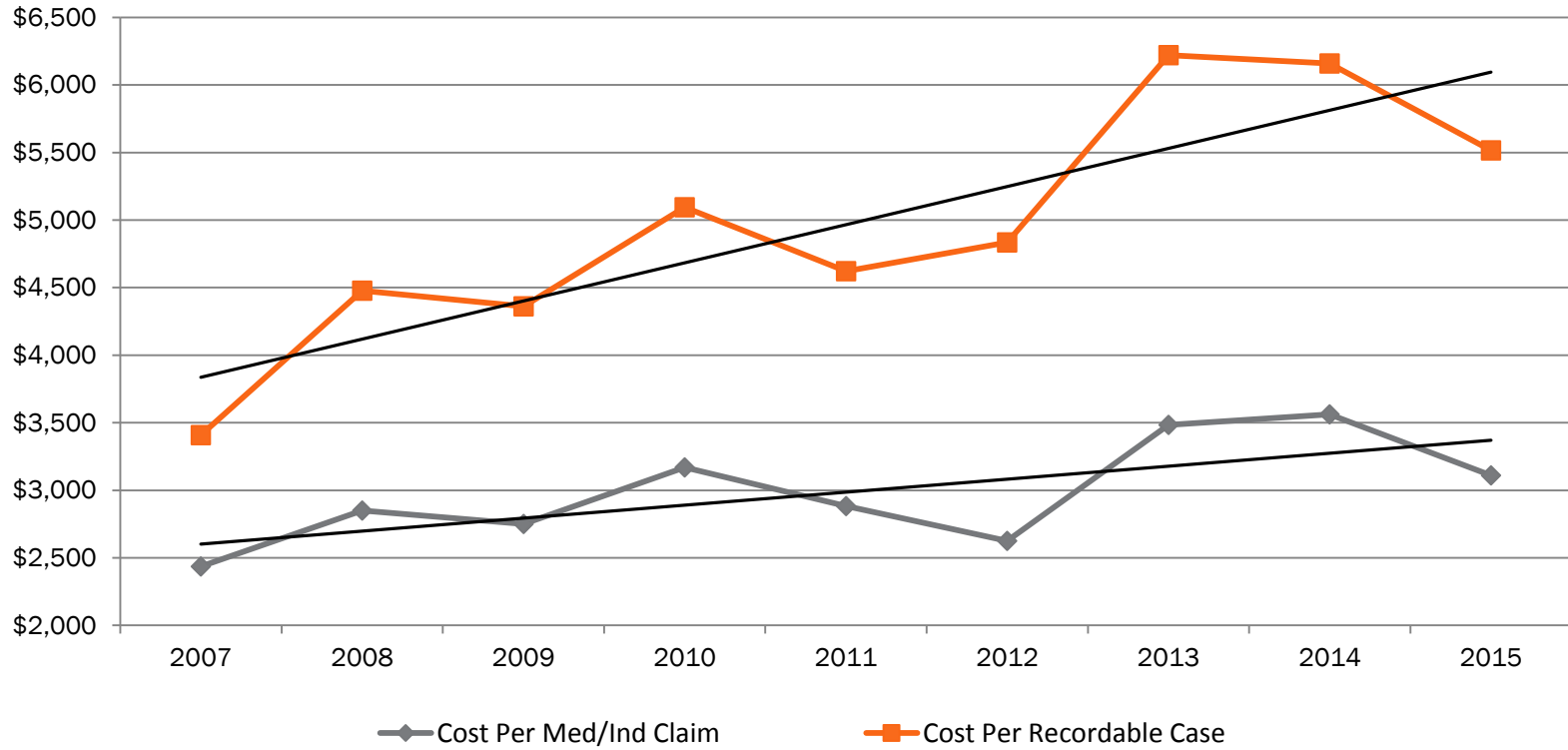


# TPA VS CITY WC DIVISION

COST OF DOING BUSINESS WITH TPA		City WAGE AND OPER EXPENDITURES	
Budgeted Staff Cost	Includes staffing, ancilliary srvc	\$797,888	\$738,380 WC Direct Salaries and Wages
Data Conversion	Ivos & E-vault migration 50% \$45k (one time fee)	\$22,500	354,422 fringe benefits
People Soft Bridge Feed	\$150 * 26 pay periods	\$3,900	132,000 RMIS- Ivos
Priority Care 365			4000 MPR Charges
general city mandatory	875 aver 3 yr GC claims @ \$85	\$74,375	35,000 Mitchell Disability Guidelines
public safety optional	30% FPC 300 aver claims @ \$85	\$25,500	20,000 Temps (due to vacancies)
Claim Indexing Fee	1,925 * \$10	\$19,250	18,000 Postage and Office Supplies
OSHA reporting		\$4,500	2,100 ISO (litigated claims only)
Loss Control Services	Free first year assessment/analysis of loss data	\$0	2500 Telephone Charges
	180 hrs 60 each dept @ \$140	\$25,200	
Medical Bill Review	Aver bills 3 years 9,213 * \$27	\$248,751	Corvel- Medical Rev/Rep,
PBM	Pharmacy Fill Fee \$4 script repricing	\$200,000	\$430,000 Pharmacy Mgmt
Nurse Case Mgmt	Dedicated Nurse from ARCH	\$90,000	Field Case Management 24,950 (limited)
Total TPA Costs		\$1,511,864	
Additional City costs	salaries and fringe of 4 FTE's	\$337,145	
	operating expenditures	\$10,000	
Total Costs TPA + City		\$1,859,009	WC 2016 Salaries and Oper Costs \$1,306,402
	SPA with TPA Anticipated Savings	\$10,792,156.00	\$12,000,000 SPA
	TPA MODEL	\$12,651,165.00	\$13,306,402 STATUS QUO
	Difference	\$655,237.00	
<b>ADDED VALUE SERVICES</b>	<b>\$238,825</b>		

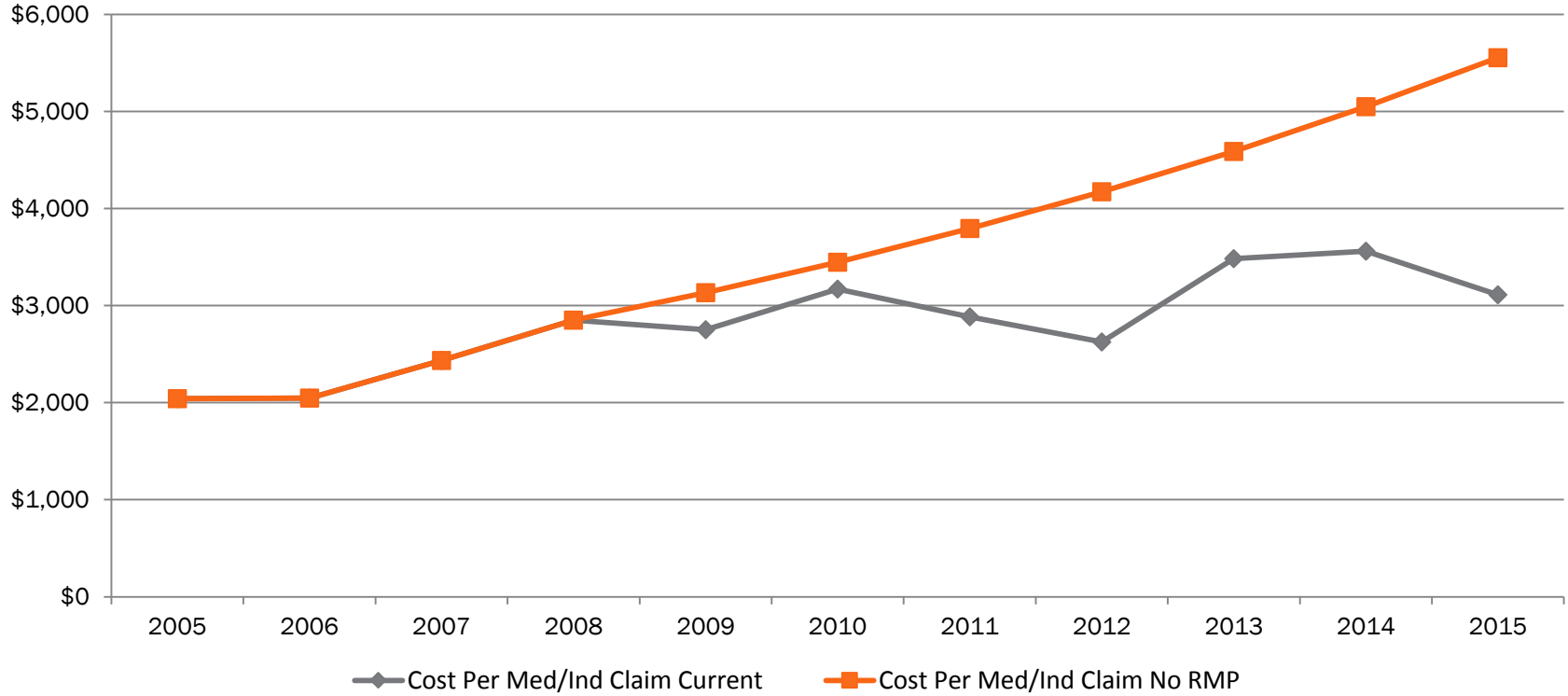
# WC METRICS

## Cost Per Claim



# WC METRICS

## Cost per Claim Current vs Trend



# WC METRICS

## WC Expenditures Trend vs Current

