

LRB-Research & Analysis Section

Finance & Personnel Committee
File: 090144

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Title

Resolution authorizing an extension of a contract among the City of Milwaukee, other government employers and CORVEL Corporation to provide Preferred Provider Network discounts and Pharmacy Benefit Management services for those employees using Workers' Compensation services.

Introduction

This resolution authorizes an extension of a contract among the City of Milwaukee, other government employers and CORVEL Corporation to provide Preferred Provider Network discounts and Pharmacy Benefit Management services for those employees using Workers' Compensation services.

Background

The City has contracted with the CORVEL, Corporation (headquarters, Irvine, CA, with local offices in Waukesha) since 2000. Other public entities participating in the contract include the Milwaukee Public Schools ("MPS"), the Metropolitan Milwaukee Sewerage District ("MMSD") and Milwaukee County.

CORVEL is a third-party medical bill reviewer and repricer. This vendor reviews medical bills submitted through claims for Workers' Compensation for appropriateness of treatment and customary-and-reasonable pricing. In addition, CORVEL provides the City with what amounts to a "Preferred Provider Network" or PPO for workers' compensation medical claims, enabling the City to reap discounts for medical treatment when employees injured on-the-job choose providers within CORVEL's network. CORVEL is paid 23% of all savings the vendor secures for the City as its sole fee for services rendered.

Beginning in 2007, CORVEL was authorized to review Workers' Compensation medical bills from both out-of-network providers and providers within the CORVEL network, resulting in a significant increase in savings for the City. CORVEL saved the City nearly \$17 million (net of the vendor's fee) over the last 8 years as follows:

<u>2008</u>	<u>\$4,686,165</u>	<u>2003-2005</u>	<u>\$3,946,676</u>
<u>2007</u>	<u>\$4,055,188</u>	<u>2000-2002</u>	<u>\$2,107,425</u>
<u>2006</u>	<u>\$2,099,181</u>		

Discussion

The City's Workers' Compensation program is self-funded and contracting with CORVEL to review and reprice claims provides the opportunity for considerable cost savings. While there are other similar vendors, CORVEL's service fees and success rate are comparable to other vendors and CORVEL has already been integrated into the City's new claims processing software system.

A summer, 2008, poll by local taxing units (City, County, Milwaukee Area Technical College, MPS & MMSD) of vendors offering review and repricing services for Workers' Compensation claims similar to those provided by CORVEL found fees charged by other vendors were 25% or more of savings realized by the client (versus CORVEL's 23% fee) with no appreciable increase in cost savings.

The integration of CORVEL into the City's Workers' Compensation software system enables the Department of Employee Relations to report timely and accurate information on Workers' Compensation injuries and expenses to City departments and the Common Council.

Fiscal Impact

CORVEL's review and repricing of Workers' Compensation claims has saved the City significant amounts in the past and is expected to deliver commensurate savings for the life of the proposed 3-year contract extension.