

PERSONNEL AND ANIMAL WELFARE COMMITTEE REPORT relative to proposed amended and restated contract with StrataCare, LLC (StrataCare) to provide medical bill review, cost containment, and managed care services for the City of Los Angeles' workers' compensation program.

Recommendation for Council action:

AUTHORIZE the General Manager, Personnel Department, to negotiate and execute, a First Amended and Restated Contract with StrataCare, substantially in accordance with the draft agreement attached to the May 12, 2016 City Administrative Officer (CAO) report, attached to the Council file, to provide medical bill review, cost containment, and managed care services for the City of Los Angeles' workers' compensation program for up to two additional years through June 30, 2018; to add diagnostic imaging and neurology discount rates and pricing based on new State fee schedules effective January 1, 2014 and January 1, 2015; and to increase compensation by an amount up to \$12,658,632 for a total maximum compensation not to exceed \$42,146,580 through June 30, 2018; and add contract provisions regarding services and billing procedures, subject to the approval of the City Attorney.

Fiscal Impact Statement: The CAO reports that funding is included in the Human Resources Benefits 2015-16 Adopted Budget and 2016-17 Proposed Budget, Fund No. 100, Contractual Services Account No. 003040 for this purpose. There is no additional impact to the General Fund. As budgeted funds will be used to support the proposed expenditures and expenditures are limited to the appropriation of funds in the budget, the recommendation provided in this report complies with the City's Financial Policies.

Community Impact Statement: None submitted.

TIME LIMIT FILE - JULY 10, 2016

(LAST DAY FOR COUNCIL ACTION - JUNE 30, 2016)

Summary:

On May 18, 2016, your Committee considered a May 12, 2016 CAO report relative to proposed amended and restated contract with StrataCare to provide medical bill review, cost containment, and managed care services for the City of Los Angeles' workers' compensation program. According to the CAO, in accordance with Executive Directive No. 3 (Villaraigosa Series), the Personnel Department (Personnel) is requesting approval to execute a First Amended and Restated Contract (Contract No. C-122496) with StrataCare to provide medical bill review, cost containment, and managed care services for the City of Los Angeles workers' compensation program.

The First Amended and Restated Contract (Contract) provides for the following:

- a. Extending of the term of the Contract for up to two additional years through June 30, 2018

- b. The addition of diagnostic imaging and neurology discount rates and pricing based on new State fee schedules effective January 1, 2014 and January 1, 2015.
- c. Increase of the maximum compensation by up to \$12,658,632 from \$29,487,948 to a not to exceed total of \$42,146,580 for five years through June 30, 2018.

The Personnel Department, Workers' Compensation Division administers the City's workers' compensation program and utilizes a combination of City staff and contractors, including Third Party Administrators to provide claims administration for all sworn Police and Fire claims and a portion of other civilian claims, and a bill review vendor to analyze medical bills to ensure that the City only pays for authorized medical treatment at State fee schedules or discount pricing rates. The City currently contracts with StrataCare to provide medical bill review services.

Also, StrataCare is responsible for:

- a. Providing reviews of medical treatment to determine if it is medically necessary (also known as utilization review services) upon request by the City.
- b. Making and maintaining contracts with medical care providers and networks for services covered under the Contract to deliver medical care to the City's injured employees at the rates contained in the Contract (also known as the Managed Care Program).

Bill review and managed care services are provided at a fixed annual cost of about \$2.8 million. Utilization review services are performed upon request by the City, and as such, expenditures for these services are variable. The Contractor was selected in 2013 following a Request for Proposals process. The initial contract was executed in July 2013 for a term of three years and compensation not to exceed \$29,487,948.

On October 27, 2015, the City Council authorized the General Manager of the Personnel Department or designee to extend the Contract for up to an additional two years through June 30, 2018 (Council File No. 15-1146). The First Amended and Restated Contract incorporates the terms of the initial Contract (Contract No. C- 122496), including an extension of the Contract.

Subsequent to Council approval of the Contract extension, Personnel indicated that the initial contract would need to be amended further to increase the funding allocation for the additional time and to add diagnostic imaging and neurology discount rates and pricing based on new State fee schedules effective January 1, 2014 and January 1, 2015. Accordingly, Personnel is submitting a revised First Amended and Restated Contract which increases the maximum compensation by up to \$12,658,632 (or \$6,329,316 per year for years four and five) from \$29,487,948 to \$42,146,580 should the Contract be extended two additional years, and adds the diagnostic imaging and neurology discount rates and pricing.

The average annual expenditure over the last 2.5 years of the Contract was about \$4.8 million. The annual compensation limit of about \$6.3 million for years four and five is sufficient to cover the fixed annual service fee of about \$2.8 million for bill review and managed care services and variable expenditures for other fees and services, such as utilization review included in the Contract. Thus, while Personnel does not anticipate spending up to the maximum contract limit, the limit provides for maximum variable expenditures through the contract term should it be

necessary.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the proposed amended and restated contract with StrataCare as contained in the May 12, 2016 CAO report and detailed in the above recommendation.

Respectfully Submitted,

PERSONNEL AND ANIMAL WELFARE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
KORETZ:	YES
RYU:	YES
HARRIS-DAWSON:	YES
ARL	

5/18/16

-NOT OFFICIAL UNTIL COUNCIL ACTS-