



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Alex Gurza

**SUBJECT:** SEE BELOW

**DATE:** May 29, 2012

Approved:

Date:

6/8/12

**SUBJECT: APPROVAL OF CONTRACT EXTENSION FOR WORKERS' COMPENSATION COST CONTAINMENT SERVICES**

## RECOMMENDATION

Approve and amendment to extend an agreement with Mitchell Corporation to provide workers' compensation cost containment services at a cost not to exceed \$650,000 during the period July 1, 2012 to December 31, 2012, subject to annual appropriation of funds by the City Council.

## OUTCOME

Approval to extend an agreement with Mitchell Corporation to provide workers' compensation cost containment services at a cost not to exceed \$650,000 during the period of July 1, 2012 to December 31, 2012.

## BACKGROUND

The City spends approximately \$18,000,000 annually for workers' compensation benefits with medical expenditures comprising 50% of the total program costs. The primary goal of the workers' compensation program is to provide excellent medical care for injured employees along with providing those benefits in a cost-effective manner.

The City is currently contracted with Mitchell Corporation for workers' compensation cost containment services. The agreement is in the fifth year of a five-year contract at an annual amount not to exceed \$1,300,000 and is due to expire on June 30, 2012.

The medical cost containment program involves the following component:

- Review of medical bills of injured workers to ensure that the City is not being charged in excess of the California Official Medical Fee Schedule.

- A preferred provider organization (PPO) that contracts with all groups of medical providers that allow the City to receive substantial discounts below the State Official Medical Fee Schedule when our employees seek treatment at their facilities.
- Utilization review of recommended treatment plans from the injured employee's physician. Treatment plans are reviewed according to the American College of Occupational and Environmental Medicine Occupational Medical Practice Guidelines (ACOEM) to determine whether aspects of an injured workers' care and requested medical treatment and/or services is medically necessary and appropriately delivered.
- Nurse Case Management on a selected case-by-case basis to assist the injured worker in understanding treatment plans, discussions with their treating physician, and to facilitate the return to work process.

### ANALYSIS

On March 20, 2012, the City conducted an RFP for Workers' Compensation Comprehensive Services. Staff is currently in the evaluation stage of responses received from a Request for Proposals soliciting Workers' Compensation Comprehensive Services, which includes cost containment services. The selection of a vendor for cost containment services is anticipated around October 2012. Because the Request for Proposal process will not be completed by June 30, 2012, the Agreement with Mitchell Corporation should be extended to cover the period of July 1, 2012 through December 31, 2012, so that the Human Resources Department can complete the process and bring forward any recommendation to the Council before the end of the year.

### EVALUATION AND FOLLOW UP

Staff will complete the Workers' Compensation Comprehensive services RFP and seek City Council approval for a new contract.

### PUBLIC OUTREACH

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

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The recommended action does not meet any of the above criteria; however this memorandum will be posted on the City's website for the June 19, 2012 City Council agenda.

### **COORDINATION**

This contract amendment has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

### **COST IMPLICATIONS**

This agreement is funded through savings realized from lower workers' compensation medical costs. The charges for the cost containment services are considered claim adjustment expenses and will be charged to the claim file from which the bill originates.

### **CEQA**

Not a Project. File No. PP 10-066(e), Services that involve no physical changes to the environment.



ALEX GURZA  
Deputy City Manager

For questions please contact Dave Wong, Workers' Compensation Manager, at (408) 975-1418.

