

# CITY OF LONG BEACH **R-22**

DEPARTMENT OF HUMAN RESOURCES

333 West Ocean Boulevard 13<sup>th</sup> Floor • Long Beach, CA 90802

January 6, 2009

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

1. Authorize the City Manager to execute a contract with Tristar Managed Care, Incorporated, to provide managed health care services for the City of Long Beach Workers' Compensation Program for the period beginning February 1, 2009, through January 31, 2010, with an option for a three-year renewal.
2. Authorize the City to execute a contract with Lien On Me, Incorporated, to provide bill review services for the City of Long Beach Workers' Compensation Program for the period beginning February 1, 2009 through January 31, 2010, with the option for a three-year renewal.
3. Authorize the City Manager to execute any subsequent amendments necessary to maintain service levels and remain in compliance with State and Federal laws.

## DISCUSSION

In recognition of burgeoning Workers' Compensation costs, the City, with the approval of the City Council, secured the professional services of Deloitte Consulting in mid-2003 to conduct a comprehensive study of the City's Workers' Compensation, Risk Management, and Occupational Health operations. Upon completion of their study activities, Deloitte issued a series of recommendations that would, if adopted, reduce costs and improve efficiencies in the City's operations.

At the same time, the Governor and Legislature were equally concerned about the trend of rising Workers' Compensation costs in the State, and the deleterious effects those costs would have on the California economy. With the Governor's support and encouragement, a package of legislation was finally approved with the stated intent of reducing Workers' Compensation costs and improving the business climate in California, while still providing superior care and treatment to affected employees.

While the legislation has many varied components, one very positive aspect is that which allows employers to designate the specific appropriate and acceptable medical provider for treatment of a Workers' Compensation claimant. By maintaining a degree of oversight in the treatment process, there is far less likelihood of questionable diagnoses and treatment regimens. In addition, the acquisition of a managed care provider was

one of Deloitte's recommendations for both improving the efficiency and enhancing the quality of care in the City's Workers' Compensation programs.

In accordance with the provisions of the legislation and Deloitte's recommendation, the City implemented managed care and bill review services in 2004. With the conclusion of the first three-year agreement, the City initiated a Request for Proposal (RFP) process to select a managed care/bill review provider after the expiration of the current contract with Tristar Managed Care, Inc. Staff from the City Attorney's Office, Health & Human Services, Human Resources and one outside panel expert reviewed eight proposals for managed care/bill review service. One certified Women-Owned Business Enterprise (WBE) and Minority-Owned Business Enterprise firm submitted a proposal. The panel interviewed the top three proposers. As a result of a comprehensive review, staff is recommending to unbundle the services currently provided by Tristar Managed Care, Inc. Staff is recommending Tristar Managed Care, Inc., as its managed care provider and Lien On Me, Inc., as its bill review provider.

Tristar will provide the following services for the City's Workers' Compensation program:

**Utilization Review:** Tristar will provide services, when referred by the City of Long Beach, for review of treatment recommended by physicians who treat employees under the City of Long Beach Workers' Compensation Program for adherence to the American College of Occupational and Environmental Medicine (ACOEM) guidelines or those treatment guidelines mandated by the State of California. Tristar will also review such treatment in accordance with any other medically accepted scientifically based guidelines that may apply. Utilization Review services are designed to provide the City of Long Beach with tools to insure that the City and the injured worker receives the reasonable and necessary medical care to treat Workers' Compensation injuries. Utilization Review is a State-mandated program for which all employers must establish a process to approve, modify, delay, or deny treatment plans based on medical necessity to cure and relieve the effects of an industrial injury. This law went into effect January 1, 2004.

**Medical Case Management:** Tristar will provide services, when cases are referred by the City of Long Beach, in the form of telephonic case management, field case management, and task-based case management. These services are designed to assist the Workers' Compensation office with the management of treatment for injured workers. Referral criteria are to include, but are not limited to, claims with an anticipation of long-term disability, severe or catastrophic injuries or one-time intervention to assist in returning the employee to modified or full duty.

**Medical Treatment Network:** Tristar is to assist the City in the development and maintenance of an Employer Treatment Network for the medical care to be provided to industrially injured workers. The network is to conform to the rules and regulations as outlined by the State of California and will be a combination of Preferred Provider Network Physicians and City of Long Beach selected physicians. The implementation of this Employer Medical Treatment Network will provide the City with control of the medical care necessary to treat injured employees and to maximize the savings available. The

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network will provide expert medical services the City needs to insure that the best care is available to the injured worker.

Lien On Me will provide the following services for the City's Workers' Compensation program:

**Bill Review:** Lien On Me is to provide bill review services consisting of analyzing provider billing for errors, duplication, or fraud; billed charges will be repriced to the lesser of charges pursuant to the applicable State-mandated Fee Schedule or in non-Fee Schedule states to usual and customary charges. Bill Review will also provide any applicable additional savings for services provided by a Preferred Provider in the Medical Treatment network. Bill Review services are designed to insure that payment for medical treatment is being made with the optimal cost savings benefit to the City.

This matter was reviewed by Principal Deputy City Attorney Anne Lattime December 8, 2008 and Budget Management Officer Victoria Bell on December 15, 2008.

#### TIMING CONSIDERATIONS

City Council action is requested on January 6, 2009, to allow the City to enter into contracts as of February 1, 2009.

#### FISCAL IMPACT

The City's contract with Tristar and Lien On Me establishes an agreed-upon fee schedule for the various components of the agreement (see attached). The savings to be derived by the City will be over and above the charges paid in accordance with the fee schedule. The City spends approximately \$14.5 million per year on workers' compensation related claims and has saved an estimated \$2 million per year since implementation of the State reforms and the changes made to the City's Workers' Compensation Program.

The charges that will be incurred as a result of the implementation of the fee schedule have been included in the Fiscal Year 2009 Budget in the Citywide Activities Department (XC) and the Insurance Fund (IS390). The total estimated charges for these services are approximately \$950,000, with approximately \$700,000 of that total for bill review services provided by Lien On Me and \$250,000 for managed care services provided by Tristar.

#### SUGGESTED ACTION:

Approve recommendation.


Respectfully submitted,



SUZANNE R. MASON  
DIRECTOR OF HUMAN RESOURCES


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APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER

Attachment: Fee Schedules

APPROVED:

  
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ROBERT E. SHANNON  
CITY ATTORNEY

**TRISTAR MANAGED CARE, INC.  
FEE SCHEDULE**

**PPO Network:** 23% of savings for medical treatment and pharmacy bills

**Inpatient Medical Fee schedule and PPO discount:** 12% of savings

**Utilization Review:** \$100 per initial inpatient pre-certification, thereafter \$85 per hour. \$75 per initial outpatient pre-certification, thereafter \$85 per hour.

<b>Case Management:</b>	Telephonic	1-30 days \$300
		31-60 days \$200
		61-90 days \$100

**Field Case Management:** \$90 per hour plus expenses

**Physician Advisor:** Depending on the extent of services \$200 to \$250 per hour

**LIEN ON ME, INC.  
FEE SCHEDULE**

**Bill Review:** \$2.70 per bill with an additional \$0.90 per line with an eighteen-line maximum.