



Date: _____ April 9, 2007

Committee Meeting Date: _____ April 19, 2007

Board Meeting Date: _____ May 3, 2007

BOARD MEMORANDUMACTION DISCUSSION _____ INFO _____

TO: Administration and Finance Committee
 Santa Clara Valley Transportation Authority
 Board of Directors

THROUGH: Michael T. Burns
 General Manager

FROM: Bill Lopez
 Chief Administrative Officer

SUBJECT: Contract for Workers' Compensation Medical Management Services

RECOMMENDATION:

Authorize the General Manager to execute a contract with Monitor Integrated Healthcare for Workers' Compensation Medical Management services for a three-year term, from July 1, 2007 through June 30, 2010, with an option for two additional one-year extensions. The total three-year contract cost for Medical Management services is not to exceed \$1,004,157 and the total 5-year contract cost is not to exceed \$1,713,573.

BACKGROUND:

VTA's Workers' Compensation (WC) Program is self-insured and utilizes the services of a Third Party Administrator (TPA) for WC claims administration services. In the previous contract the TPA was responsible for arranging and managing Medical Management Services providers. The bills for these services included the cost of the administrative fee arrangement between the TPA and the provider. This model has not proven cost effective, and going forward the VTA proposes to "unbundle" these services. This approach has been under development by VTA since last summer, and is consistent with Hay report recommendations. There will be no in-house administrative costs incurred as a result of this change.

On May 2, 2002, the Board of Directors awarded a three-year contract with two, one-year options to ESIS Incorporated for TPA services. During the contract period from July 1, 2002 through June 30, 2007 VTA will have paid \$2,386,460 for medical management services.

The main function of the Medical Management Services is to prospectively review proposed WC medical treatment and to oversee the delivery of ongoing treatment services, in order to achieve appropriate treatment for injured employees and to optimize the medical costs incurred by VTA. Medical Management services are evaluated primarily on the quality and expertise of the clinical nursing staff offered by a vendor, the vendor's ability to retain/supplement/replace this staff, the vendor's transparent and timely service reporting, overall operating efficiency and service cost.

DISCUSSION:

In order to eliminate the middleman and contract directly with the provider of Medical Management services, a Request for Proposals for Medical Management services was issued on January 24, 2007 and notices were sent to six identified firms. Advertisements soliciting proposals were placed in the Business Insurance Magazine, (a national weekly insurance professional publication), the San Jose Business Journal and the VTA website.

A Preproposal Conference was held on February 9, 2007 at the VTA's River Oaks offices. Representatives from twelve prospective proposers attended the conference. On February 28, 2007 VTA received nine proposals from the following firms:

PROPOSER	3-YEAR ESTIMATED FEES	5-YEAR ESTIMATED FEES
* Monitor Integrated Healthcare	\$1,004,157	\$1,713,573
* Total Healthcare Management	\$1,025,350	\$1,708,916
* GENEX Services	\$1,085,984	\$1,830,596
Tristar Managed Care	\$1,088,557	\$1,814,262
Professional Dynamics	\$1,152,476	\$1,920,793
* Rehab West, Inc.	\$1,172,169	\$1,987,347
* Concentra**	\$1,196,313	\$2,076,619
Health RECOVERY	\$1,375,830	\$2,375,159
EK Health	\$1,554,253	\$2,665,762
INDEPENDENT COST ESTIMATE	\$1,302,300 (based on 5-yr estimate)	\$2,170,500

*Finalists **Incumbent

The selection panel composed of the Risk Manager, Claims Supervisor, WC Claims Analyst, Contract Administrator, and an independent consulting firm, David Donn Consulting, Incorporated, evaluated written proposals according to selection criteria. The use of the consulting firm was being researched by VTA since last summer, and is consistent with Hay report recommendations. The established selection criteria included qualifications of the firm, qualifications of key project staff, demonstrated understanding of the project as evidenced by the proposer's work plans, proposed cost and local business preference.

After the selection panel's completion of the proposal evaluation process, the five top ranked firms: Monitor Integrated Healthcare (Monitor), Total Healthcare Management, Rehab West Inc., Concentra, and GENEX Services were interviewed. On March 29, 2007 and on March 30,

2007 the panel members conducted interviews. Based on their performance in both the interview and proposal process as measured against the selection criteria, Monitor was selected by the evaluation panel as the recommended firm for contract award.

Monitor was established in 1994 and is a smaller regional Medical Management firm headquartered in Bakersfield, California. Monitor focuses only on providing Medical Management services. They maintain offices in Bakersfield and Orange County, California. See Attachment A for firm contact information. The company focuses largely on public entity clientele, in a range of sectors including transportation and unionized public entities. Some of Monitor's relevant clients include Omni trans, Oakland Unified School District (USD), and Long Beach USD.

Specifically for VTA, Monitor will provide a dedicated staff that is comprised of independent nurse contractors located in the Silicon Valley. Monitor's work plan and interview demonstrates a strong expertise in the Medical Management service arena and a clear understanding of the project requirements. Monitor's pricing was the most favorable among all proposers.

Discussions were conducted with three of the five Monitor business references provided. These clients were all public entities with similar program considerations and challenges in comparison to VTA. Monitor has maintained thirteen-year relationships with two of the references and a two-year relationship with the last reference. All references indicated an extremely high level of satisfaction with Monitor, and two of the references had significant experience with other well-known vendors including vendors who had proposed for the VTA program. References uniformly commented on Monitor's expertise, service quality, and high standards of honesty and business ethics. The direct contract with Monitor provides 5 year pricing terms projected to produce savings of over \$670,000 compared to fees paid by VTA for these services over the last 5 years.

ALTERNATIVES:

An alternative is to reject the recommended bidder and direct staff to conduct a new, and if desired, restructured RFP process. This is not recommended, as the process was lengthy, costly, and objective. In addition, a new process would not provide sufficient time for business systems transitions necessary for a new provider within the term of the current contract.

Another alternative is to bundle Medical Management services under the TPA contract. This would eliminate the need for a separate Medical Management services contract, however the services fees would be higher.

FISCAL IMPACT:

The funding for Medical Management services is included in the proposed FY 08 and FY 09 budgets.

SMALL BUSINESS ENTERPRISE (SBE) PARTICIPATION:

Based on the limited scope of work and no subcontracting opportunities, a No Specific Goal (NSG) has been established for this contract. Contractor is encouraged to make reasonable efforts to utilize SBEs in its procurement of ancillary services and products associated with the performance of this contract.

Prepared by: Nanci G. Eksterowicz, Risk Manager

Attachment A

RISK MANAGEMENT DEPARTMENT

**Listing of Recommended Vendors for RFP 07-01
Managed Care Services**

Monitor Integrated Healthcare

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Director of Sales & Marketing