



Date: \_\_\_\_\_ April 9, 2007

Committee Meeting Date: \_\_\_\_\_ April 19, 2007

Board Meeting Date: \_\_\_\_\_ May 3, 2007

**BOARD MEMORANDUM**ACTION   X   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 Bill Repricing Services

**RECOMMENDATION:**

Authorize the General Manager to execute a contract with GENEX Services, Inc. for Workers' Compensation Medical Bill Repricing 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 claims service is not to exceed \$578,668 and the total 5-year contract cost is not to exceed \$978,295.

**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 past the TPA was responsible for arranging and managing Medical Bill Repricing services. 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, contracting directly with the providers. 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. The ESIS contract was for the period from July 1, 2002 through June 30, 2007.

During the contract period from July 1, 2002 through June 30, 2007 VTA will have paid \$3,180,340 for Medical Bill Repricing Services.

The main function of Medical Bill Repricing services is to review medical bills, and through several techniques (e.g. state fee schedules, Preferred Provider Organization (PPO) contracts, and other negotiated discounts) reprice these bills in order to reduce final medical payments paid to doctors, hospitals, and other medical providers. Medical Bill Repricing services are evaluated primarily on these cost reduction capabilities, as well as general operational efficiency and service fee competitiveness.

**DISCUSSION:**

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

A Preproposal Conference was held on February 9, 2007. Representatives from twelve prospective proposers attended the conference. On February 28, 2007 VTA received six proposals as follows:

<b>PROPOSER</b>	<b>THREE YEAR ESTIMATED FEE</b>	<b>FIVE YEAR ESTIMATED FEE</b>
<b>*Genex Services</b>	<b>\$578,668</b>	<b>\$978,295</b>
Tristar Managed Care	\$588,290	\$980,484
<b>*Horizon Managed Care</b>	<b>\$590,164</b>	<b>\$990,692</b>
Lien on Me	\$748,139	\$1,291,460
<b>*Total Healthcare Management</b>	<b>\$871,026</b>	<b>\$1,451,711</b>
<b>*Concentra**</b>	<b>\$1,377,542</b>	<b>\$2,317,365</b>
<b>INDEPENDENT COST ESTIMATE</b>	<b>\$732,000</b>	<b>\$1,220,000</b>

\*Finalists \*\*Incumbent

The selection panel composed of the VTA’s Risk Manager, Claims Supervisor, Claims Analyst, Contract Administrator, and an independent consulting firm, David Donn Consulting Incorporated evaluated written proposals according to established selection criteria. The use of the consulting firm was being researched by VTA since last summer, and is consistent with Hay report recommendations. The 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.

On March 29, 2007 and on March 30, 2007, after the selection panel’s completion of the proposal evaluation process, the four top ranked firms GENEX Services (GENEX), Horizon

Managed Care, Total Healthcare Management, and Concentra were interviewed. Based on their performance in both the interview and proposal process as measured against the selection criteria, GENEX was selected as the recommended firm for contract award.

GENEX was established in 1978 and is one of the nation's largest WC managed care service providers, with \$1.7 billion in client medical bill dollars reviewed and \$193 million in revenue in 2006. Stone Point Capital LLC wholly owns GENEX. GENEX employs 2,200 employees in 120 service locations throughout the United States. Two main Repricing offices are located in California, in Orange and Sacramento. See Attachment A for Firm contact and location information. GENEX has both public entity (the University of California System) and transportation (AC Transit) clients and experience in unionized environments.

GENEX will provide a dedicated repricing staff working from their established Orange office. The work plan demonstrates a clear understanding of the project requirements and the GENEX proposed cost is the most favorable among all proposers. Finally, through financial projections, GENEX demonstrated the highest projected medical cost reduction capabilities of all proposers. The direct contract with Genex provides the 5 year pricing terms to produce savings of over \$2,202,045 as compared to fees paid by VTA for these services over the last 5 years.

Reference interviews were conducted with two business references provided by GENEX. These clients had similar unionized environment and program operational structures in comparison to VTA. GENEX has maintained three and four year relationships with these clients, respectively. These references have expressed an overall high degree of satisfaction with GENEX service quality and financial performance.

**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 Bill Repricing services under the TPA contract. This would eliminate the need for a separate Medical Bill Repricing services contract, however the services fees would be higher.

**FISCAL IMPACT:**

The funding for Medical Bill Repricing 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  
Repricing Services**

**Genex Services Inc.**

440 East Swedesford Road Suite 1000

Wayne, PA 19087

Phone: (610) 964-5100 x4674

Fax: (610) 964-5386

Contact: Natalie Herbert

Regional Account Executive