Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

Board Report

File #: 2020-0256, **File Type:** Contract **Agenda Number:** 9.

FINANCE, BUDGET AND AUDIT COMMITTEE
JUNE 17, 2020

SUBJECT: WORKERS' COMPENSATION MANAGED CARE SERVICES

ACTION: APPROVE CONTRACT AWARD

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a four-year base term, with three, two-year options, incentive-based contract, Contract No. PS161339000, to Anthem Workers' Compensation, LLC to establish, maintain and provide a workers' compensation managed care service program, including access to the Anthem network, effective July 1, 2020.

ISSUE

The current workers' compensation Preferred Provider Organization (PPO) and Medical Provider Network (MPN) services contract with Anthem Workers' Compensation, LLC (AWC) will expire on July 31, 2020. To ensure workers' compensation claims are properly reviewed and to control costs of workers' compensation medical bills, a new contract is required effective July 1, 2020. The commencement of this new contract is aligned with the start date of Metro's new workers' compensation medical bill review contract to effectively administer workers' compensation claims.

DISCUSSION

PPO vendors give clients a network of contracted doctors, hospitals and other medical service providers at rates below California's approved fee schedules for their services. The highest quality PPO vendors have deeper discounts, broader networks and better-quality assurance by constantly reviewing their panel of physicians, and terminating contracts when physicians fail to meet specific clinical or legal criteria. PPO vendors have extensive networks (Southern California has tens of thousands of medical providers) with many medical specialties and locations represented, allowing a greater degree of access and penetration than smaller networks can provide. PPO vendors must also be able to support the creation of a customized MPN consistent with the regulations in the California Labor Code.

AWC has the most comprehensive Workers' Compensation PPO network in the industry. Due to their extensive network leasing arrangement with a variety of organizations, it provides the most geographic group network access, and can maximize PPO discounts and generate substantial savings typically below State Workers' Compensation fee schedules. Under the current contract, AWC generates for Metro, an average medical bill savings of 8%. In turn, Metro pays AWC a service

of 22% of total medical bill savings. AWC is proposing to continue to provide Metro workers compensation managed care services at a reduced service fee of 20% of medical bill savings.

In summary, Metro staff anticipates reducing Metro's workers' compensation medical bill charges by $9.7 million over the life of this contract at an estimated cost of $2 million. Also, under the new contract rate of 20%, Metro will save a projected $177,000 over the life of the contract in comparison to the prior contract rate.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funding for this action will largely come from the Enterprise Fund. These charges, along with other workers' compensation costs are allocated to the individual cost centers and projects based on where the injured employees are working at the time of their industrial injury. Most injured employee's costs arise out of bus and rail operations. The increased net savings from this action will reduce ongoing operating costs.

Funding for this action is not included in the FY20 budget given the contract starts in FY21. Since this is a multi-year contract, the Chief Risk, Safety and Asset Management Officer will be responsible to budget the cost in future years, including any options exercised. In FY20, an estimated $200,000 will be expended on these services under the current contract with AWC.

Impact to Budget

Approval of this action has no impact on the FY20 budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan goal # 5 "Provide responsive, accountable and trustworthy governance within the LA Metro organization." The responsible administration of Metro's workers' compensation claims within the guidelines of California's regulatory requirements lowers Metro's medical expenditures.

ALTERNATIVES CONSIDERED

An alternative would be to issue a competitive solicitation to procure these services. This is not recommended because AWC has the most extensive and comprehensive network of primary care providers and specialists specifically qualified to treat occupational injuries and can offer savings much lower than State Workers' Compensation fee schedules. Further, AWC does not participate in competitive solicitations.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS161339000 with Anthem Workers' Compensation, LLC to establish, maintain and provide a workers' compensation managed care service program, including access to the Anthem network, effective July 1, 2020.

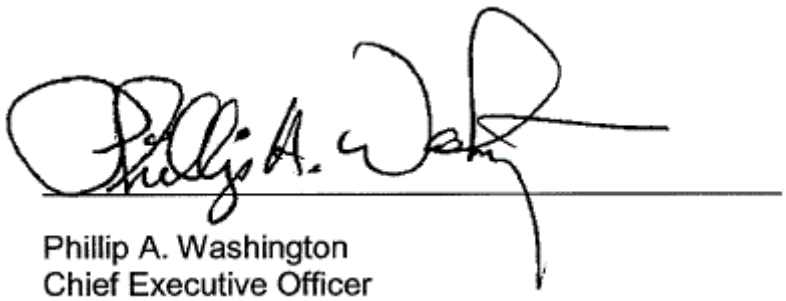
ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - DEOD Summary

Prepared by: Cathy Yates, Director, Workers' Compensation Claims Administration, (213) 922-4297

Reviewed by: Kenneth Hernandez, Chief Risk, Safety and Asset Management Officer, (213) 922-2990

Debra Avila, Chief Vendor/Contract Management, (213) 418-3051



Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

WORKERS' COMPENSATION MANAGED CARE SERVICES/PS161339000

1.	**Contract Number**: PS161339000	
2.	**Recommended Vendor**: Anthem Workers Compensation, LLC	
3.	**Type of Procurement (check one):** ☐ **IFB** ☐ **RFP** ☐ **RFP–A&E** ☒ **Non-Competitive** ☐ **Modification** ☐ **Task Order**	
4.	**Procurement Dates**:	
	A. Issued: N/A	
	B. Advertised/Publicized: N/A	
	C. Pre-Proposal Conference: N/A	
	D. Proposals Due: N/A	
	E. Pre-Qualification Completed: Pending	
	F. Conflict of Interest Form Submitted to Ethics: May 14, 2020	
	G. Protest Period End Date: N/A	
5.	**Solicitations Picked up/Downloaded**: N/A	**Proposals Received**: 1
6.	**Contract Administrator**: Marc Margoni	**Telephone Number**: (213) 922-1304
7.	**Project Manager**: Cathy Yates	**Telephone Number**: (213) 922-4297

A. Procurement Background

This Board Action is to approve Contract No. PS161339000 to Anthem Workers' Compensation, LLC (AWC) to provide workers' compensation managed care service in support of Metro's workers' compensation claims administration.

This is a single source, non-competitive, incentive-based procurement issued in accordance with Metro's Acquisition Policy and the contract type is incentive based.

In April 2010, Metro awarded a 10-year, inclusive of three, two-year options, non-competitive incentive-based contract to AWC (formerly Anthem Blue Cross) to provide Workers' Compensation Preferred Provider Organization (PPO) and Medical Provider Network (MPN) services. This contract will expire on July 31, 2020.

To effectively administer workers' compensation claims and medical costs, the continued services of a workers' compensation managed case service provider is required.

B. Evaluation of Proposals

The proposal submitted by Anthem Workers' Compensation, LLC was found to be compliant with Risk Management's technical specifications and requirements and offers higher potential savings not available through any other provider. AWC has the broadest coverage due to its extensive geographic group network access. It is also able to leverage its PPO network to maximize PPO discounts and offer savings to Metro that are typically lower than State Workers' Compensation fee schedules.

Anthem WC has been Metro's workers' compensation managed care provider since 2010 and their performance has been satisfactory.

C. Cost/Price Analysis

The recommended rate has been determined to be fair and reasonable based on price analysis and technical analysis. The proposed incentive fee of 20% of medical bill savings is 2% lower than the current contract rate.

Proposer Name	Proposal Amount	Metro ICE	Negotiated or NTE amount
Anthem WC	20%	20%	20%

D. Background on Recommended Contractor

Anthem Workers' Compensation, LLC (AWC) is a wholly owned affiliate of Anthem, Inc. AWC is headquartered in Costa Mesa, CA with operations offices in Woodland Hills, Thousand Oaks, and San Diego. AWC is one of the industry's most comprehensive Workers' Compensation PPO network providing PPO network savings and accessibility. It is dedicated to the administration of workers' compensation care by providing access to appropriate and quality medical care to injured workers and giving self-insured employers, Third Party Administrators (TPAs) and insurance carriers the power to better manage their workers' compensation costs and benefits. AWC also provides a full range of consultative reporting solutions designed to keep clients ahead of fluctuating workers' compensation trends. Service areas include California, Colorado, Illinois, Indiana, Kentucky, Missouri, and Nevada. Major clients include The State Compensation Insurance Fund, Berkshire Hathaway, Liberty Mutual, Farmers Insurance, CIGA, Amtrust North America, Keenan & Associates, Insurance Company of the West, Guard Insurance, ESIS and Broadspire. AWC also provides network access service to the San Francisco Muni/MTA.

DEOD SUMMARY

WORKERS' COMPENSATION MANAGED CARE SERVICES/PS161339000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not establish a Disadvantaged Business Enterprise (DBE) goal for this single source, non-competitive, incentive-based procurement due to the lack of subcontracting opportunities. It is expected that Anthem Workers' Compensation, LLC will perform the services with its own workforces.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of $2.5 million.