

**Board Report**

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**File #:** 2021-0045, **File Type:** Contract**Agenda Number:** 6.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
MAY 19, 2021****SUBJECT: WORKERS' COMPENSATION UTILIZATION AND PEER REVIEW SERVICES****ACTION: APPROVE CONTRACT AWARD****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award an eight-year, firm fixed unit price Contract No. PS73428000, to Genex Services, LLC to provide workers' compensation utilization review, peer review, physician consulting and expedited review services in an amount not-to-exceed \$400,000 for the four-year base term, effective July 1, 2021 through June 30, 2025, plus \$418,180, for the two (2), two-year options, for a total not-to-exceed amount of \$818,180 subject to resolution of protest(s), if any.

**ISSUE**

Metro's current contract for workers' compensation utilization review services expires June 30, 2021. To ensure workers' compensation utilization review, peer review, physician consulting and expedited review services are able to continue, a new contract must be in effect on July 1, 2021.

**DISCUSSION**

Risk Management's Workers' Compensation Claims Administration unit is a self-insured and self-administered employer for workers' compensation claims. The unit processes thousands of payments monthly for such items as medical services, equipment, pharmaceuticals, legal fees, indemnity benefits and other expenses. Our actuary Aon Risk Services estimates total expenditures for workers' compensation claims payments (excluding the cost of administration) for claims occurring in FY22 will exceed \$72 million, with more than a third of these expenditures covering medical costs.

Consistent with industry best practices, we use a variety of techniques to lower our medical expenditures. Such techniques include Bill Review, Utilization Review (UR), Preferred Provider Organizations (PPO) discounts and Nurse Case Management Services.

The California Labor Code makes provisions for insurers and self-insured employers to evaluate the appropriateness of medical care prescribed by an injured employee's treating physician or other medical provider and to deny treatments inconsistent with accepted protocols. Types of treatment subject to review include surgeries, some diagnostic tests, physical therapy and others. This UR process in California and other states has decreased medical and indemnity costs by reducing unnecessary medical treatments.

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In general, our in-house occupational nurse (or in the case of overflow or absence, a contract nurse) certifies obviously acceptable treatments or tests. Non-certified treatments are forwarded to a peer review physician, as required by law, to review specific medical documentation and issue a report citing guidelines under which the requested treatment complies or fails to comply. For complicated cases, we might request a more extensive consultation with a physician regarding treatment options. Administrative rules specify a timeframe (five days) by which insurers and self-insured employers must respond to a treatment request. Hence, a very fast response time is necessary to complete reviews in order to avoid possible penalties or sanctions. The highest quality UR firms assist in the development of referral guidelines, the integration of UR, bill review and claims systems, as well as contracting with the highest quality peer review physicians licensed and domiciled in California.

### **DETERMINATION OF SAFETY IMPACT**

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

### **FINANCIAL IMPACT**

The funding of \$100,000 for workers' compensation UR Services is included in the FY22 budget in cost center 0531, Risk Management, Project 300004, Workers' Compensation, line item 50316, Professional Services. Since this is a multi-year contract, the Chief Risk, Safety and Asset Management Officer will be accountable for budgeting the cost in future years, including any options exercised. In FY21, an estimated \$45,000 will be expended on these services.

### **Impact to Budget**

The fiscal year funding for this action will come from the Enterprise, General and Internal Service funds paralleling funding for the actual benefiting projects charged. No other sources of funds were considered because these are the activities that benefit from these services. This activity will result in an increase to operating costs from the current fiscal year.

### **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 includes the use of UR services consistent with California statutes.

### **ALTERNATIVES CONSIDERED**

If we did not contract for these services, the medical cost savings generated by the application of UR services would not be realized. This service is legally mandated by the Workers' Compensation Labor code and is required to dispute treatment requests. A medical review must be completed by using a UR service for any treatment that may not be medically necessary. Metro claims staff and the nurse case manager can evaluate treatment requests and approve if warranted. However, in the case where the treatment may not be reasonable or medically necessary, the treatment can only be denied by a medical professional, thus the necessity of the UR service.

### **NEXT STEPS**

Upon Board approval, staff will execute Contract No. PS73428000 with Genex Services, LLC to provide workers' compensation utilization review and peer review services, effective July 1, 2021.

**ATTACHMENTS**

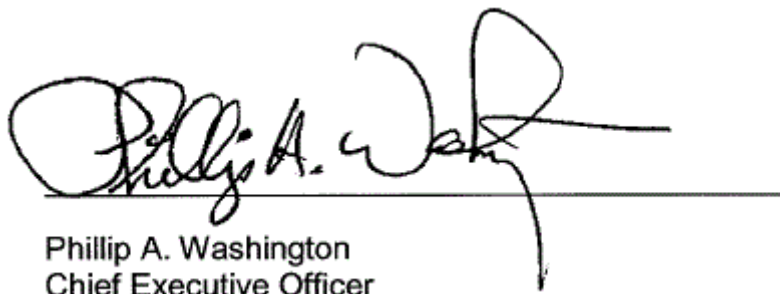
Attachment A - Procurement Summary

Attachment B - DEOD Summary

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

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Phillip A. Washington  
Chief Executive Officer

## PROCUREMENT SUMMARY

## WORKERS' COMPENSATION UTILIZATION AND PEER REVIEW/PS73428000

1.	<b>Contract Number: PS73428000</b>	
2.	<b>Recommended Vendor:</b> Genex Services, LLC	
3.	<b>Type of Procurement (check one):</b> <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	<b>Procurement Dates:</b>	
	<b>A. Issued:</b> January 5, 2021	
	<b>B. Advertised/Publicized:</b> January 5, 2021	
	<b>C. Pre-Proposal Conference:</b> N/A	
	<b>D. Proposals Due:</b> February 4, 2021	
	<b>E. Pre-Qualification Completed:</b> In Process	
	<b>F. Conflict of Interest Form Submitted to Ethics:</b> February 9, 2021	
	<b>G. Protest Period End Date:</b> May 24, 2021	
5.	<b>Solicitations Picked up/Downloaded:</b>  45	<b>Bids/Proposals Received:</b>  6
6.	<b>Contract Administrator:</b> Greg Baker	<b>Telephone Number:</b> (213) 922-7577
7.	<b>Project Manager:</b> Cathy Yates	<b>Telephone Number:</b> (213) 922-4297

**A. Procurement Background**

This Board action is to approve the award of Contract No. PS73428000 to Genex Services, LLC to provide workers' compensation utilization review, peer review, physician consulting and expedited review services. Board approval of contract award is subject to resolution of any properly submitted protests.

On January 5, 2021, Request for Proposal (RFP) No. PS73428 was issued as a competitive negotiated procurement in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit rate. This RFP was issued with a DBE goal of 0%.

Metro did not issue any amendments and did not conduct a pre-proposal conference. Forty-five firms downloaded the RFP and were included in the planholders' list. Fifteen questions were received, and Metro provided responses prior to the proposal due date.

A total of six proposals were received on February 4, 2021 from firms listed below in alphabetical order:

1. Allied Managed Care, Inc.
2. Arissa Cost Strategies, LLC
3. Ascential Care Partners, LLC
4. Genex Services, LLC
5. Propeer Resources, LLC

6. Rising Medical Solutions, LLC

**B. Evaluation of Proposals**

A Proposal Evaluation Team (PET) consisting of staff from Metro’s Risk Management and Employee & Labor Relations departments was convened and conducted a comprehensive technical evaluation of the proposals received.

On February 5, 2021, the PET met to review the evaluation criteria package, process confidentiality and conflict of interest forms and take receipt of the six proposals to initiate the evaluation phase. Evaluations were conducted from February 5, 2021 through February 17, 2021.

The proposals were initially evaluated based on pass/fail minimum qualifications criteria to determine if proposals were “technically acceptable”. The pass/fail criteria included certification the firm is utilization review accreditation commission certified; years of experience conducting utilization review and peer review services within the State of California; firm’s medical provider network must be licensed and domiciled in the State of California; firm must have a diverse network of physicians that cover all subspecialties in the scope of services; and firm must have a web-based software that is accessible by claims staff for review of submissions, status, review and retrieval of contractor produced letters as prescribed by the State of California.

The PET determined that all six firms passed the minimum qualification requirements and proceeded to evaluate their proposals based on the following weighted evaluation criteria:

- |   |            |
|---|------------|
| • Qualifications of the Contractor and Team                               | 40 Percent |
| • Qualifications of Key Personnel   | 25 Percent |
| • Understanding of the Scope of Services and Management Plan and Approach | 25 Percent |
| • Cost Proposal   | 10 Percent |

The evaluation criteria are appropriate and consistent with criteria developed for similar worker’s compensation utilization and peer review services procurements. Several factors were considered in developing these weights, giving the greatest importance to the qualifications of the contractor and team.

On February 17, 2021, the PET reconvened and determined that of the six proposals received, four were outside the competitive range and were excluded from further consideration. The two firms within the competitive range are listed below in alphabetical order:

1. Allied Managed Care, Inc.
2. Genex Services, LLC

On March 4, 2021, oral presentations were held with the two proposers within the competitive range. The project managers and key team members from each were invited to present their firm’s respective qualifications and respond to the PET’s questions.

Each firm provided an overview of existing clientele, presented the industry experience of each team member, proposed commitment to the project and existing engagements that may impact work performance on this contract.

**Qualifications Summary of Firms within the Competitive Range:**

**Allied Managed Care, Inc.**

Allied Managed Care, Inc. established in 1995 and headquartered in Sacramento, CA is a medical management organization serving the workers’ compensation, auto and liability markets.

**Genex Services, LLC**

Genex Services, LLC, established in 1978, provides health care cost-containment and disability management services, mostly in the worker's compensation, occupational, non-occupational, auto, and group health care markets. Its clients include the City of Glendale, City of Los Angeles, and State Compensation Insurance Fund.

At the conclusion of the evaluation process, Genex Services, LLC was determined to be the top ranked firm.

A summary of the PET scores is provided below:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>Genex Services, LLC</b>				
3	Qualifications of the Contractor and Team	98.88	40.00%	39.55	
4	Qualifications of Key Personnel	97.36	25.00%	24.59	
5	Understanding of the Scope of Services and Management Plan and Approach	97.76	25.00%	24.44	
6	Cost Proposal	66.00	10.00%	6.60	
7	<b>Total</b>		<b>100.00%</b>	<b>95.17</b>	<b>1</b>

<b>8</b>	<b>Allied Managed Care, Inc.</b>				
<b>9</b>	Qualifications of the Contractor and Team	97.75	40.00%	39.10	
<b>10</b>	Qualifications of Key Personnel	98.36	25.00%	24.59	
<b>11</b>	Understanding of the Scope of Services and Management Plan and Approach	96.64	25.00%	24.16	
<b>12</b>	Cost Proposal	65.10	10.00%	6.51	
<b>13</b>	<b>Total</b>		<b>100.00%</b>	<b>94.36</b>	<b>2</b>

**C. Cost/Price Analysis**

The recommended firm fixed unit rates have been determined to be fair and reasonable based upon adequate price competition, price analysis, fact finding, negotiation and technical analysis.

**D. Background on Recommended Contractor**

The recommended firm, Genex Services, LLC is headquartered in Wayne, PA. It has been providing utilization and review services to Metro for the past ten years. Genex Services, LLC's performance has been satisfactory.

The proposed Executive Lead and Project Manager have over 40 years of combined experience in worker's compensation utilization and peer review services that is centered on public agencies, including the transportation industry.

DEOD SUMMARY

**WORKERS' COMPENSATION UTILIZATION REVIEW SERVICES / PS73428**

**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) did not establish a Disadvantaged Business Enterprise (DBE) goal for this solicitation due to the lack of subcontracting opportunities. Genex Services, LLC did not make a DBE commitment.

**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.