

Agenda Report

August 11, 2014

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Director of Finance

**SUBJECT: AUTHORIZE CONTRACT WITH LIEN ON ME FOR BILL REVIEW
ADMINISTRATION OF THE CITY'S WORKERS' COMPENSATION
PROGRAM**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project;
2. Authorize the City Manager to enter into a contract with Lien on Me for processing workers' compensation bill reviews for the City's entire workers' compensation claims division for a period of, for a period of nine months from October 1, 2014 through June 30, 2015, with two, optional, one-year extensions at the discretion of the City Manager, in an amount not to exceed \$200,000 per year.

BACKGROUND:

In June 2011, the City Council authorized the contract with Corvel Corporation as bill review administrator for the City's workers' compensation program. Medical Bill Review (Bill Review) services have been administered by Corvel Corporation for the past six years. Bill review is part of the City's Workers compensation program and Bill review costs are separate from the base administrative costs of handling claim files currently managed by Keenan and City staff. Bills are reviewed individually and reduced per the California Fee Schedule and per contracts that the bill review company has with Preferred Provider Networks. While bill review fees vary each month depending on the number of bills received from physicians, they are paid on each corresponding claim file.

The City issued a Request For Proposal (RFP) for bill review services in May 2014. Seven responses were received. Of the seven responders, staff considered the top three based on references, history in the bill review business, pricing, and overall handling capability. The top three candidates considered were Keenan and Associates, Lien on Me, and Peregrin Medical Review.

The table below summarizes the responders and their estimated annual costs. Costs were estimated based on the City's Fiscal Year 2013 Bill Review Savings Report, and an additional estimated amount for bill processing.

The bid results are as follows:

<u>Bidder</u>	<u>Location</u>	<u>Price</u>
Lien On Me	Pasadena, CA	\$182,430
Keenan	Torrance, CA	\$234,748
Peregrin	Walnut Creek, CA	\$371,895

The annual cost proposed by the lowest bidder, Lien on Me is estimated as follows:

Base Bid	\$ 61,474
Processing fees	\$120,956
Estimated total fees	\$182,430
Contingency allowance	\$ 17,570
Contract "Not-to-Exceed"	\$200,000 (per year)

Based on the cost analysis presented above, and including the estimated processing costs, Lien On Me had the lowest pricing. The City also acknowledges Lien on Me as a local Pasadena vendor. As a result, staff recommends Lien On Me as the bill review vendor. Staff recommends the City enter into a contract for bill review services for the City's workers' compensation program, for a period of nine months from October 1, 2014 through June 30, 2015 for an amount not to exceed \$150,000 (9 months), plus two, one-year extension periods, for an amount not to exceed \$200,000 per year, at the City's option. Staff will issue a RFP in July 2016 for the full workers' compensation program and the two, one-year options will provide ample time to complete the RFP process. The recommended contract with Lien On Me is exempt from competitive bidding pursuant to the City Charter Section 1002(f) contracts for professional or unique services.

Staff anticipates, upon approval of the Bill Review contract with Lien On Me, there will be a smooth transition period, not to exceed 30 days.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic plan goal to ensure and maintain fiscal responsibility and stability.

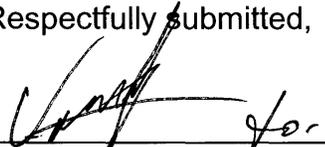
ENVIRONMENTAL ANALYSIS:

The proposed contract for the City's Workers' Compensation bill review administration is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a project subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

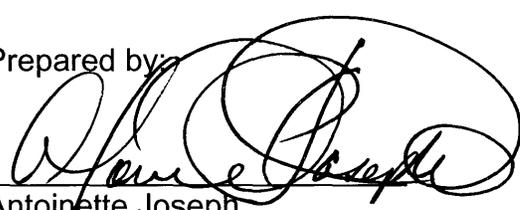
The total cost of this contract, including the two, one-year extensions, is \$550,000. The fiscal year 2015 cost of this contract is \$150,000 and is included in the fiscal year 2015 budget (8114-506-326200). The costs for the two, one-year options will be included in the respective annual budgets, if this option is exercised. While this contract will be expensed in the City's Workers' Compensation Fund (506), the cost will be allocated to City departments through the budget process. No indirect and support costs such as maintenance or IT support are anticipated.

Respectfully submitted,



ANDREW GREEN
Director of Finance
Department of Finance

Prepared by:



Antoinette Joseph
Workers' Compensation Supervisor
Department of Finance

Approved by:



MICHAEL J. BECK
City Manager

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment of 2000
Pasadena City Charter, Article XVII**

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than a 10% equity, participation, or revenue interest in Contractor/Organization, as follows:
(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name:

Lien On Me, Inc.

2. Name(s) of trustees, directors, partners, officers of Contractor/Organization:

Beverly Hartin, CEO
Teresa (Tess) Foley, President

3. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:

Beverly Hartin, CEO 100% equity

Prepared by: Tess Foley

Title: President

Date: 5-29-2014

For office use only: Contract/Transaction No. _____ If not a contract, type of transaction: _____

TAXPAYER PROTECTION AMENDMENT

Under the provisions of the City of Pasadena Taxpayer Protection Amendment of 2000 ("Taxpayer Protection Act"), the Contractor/Organization will be considered a "recipient of a public benefit." The full provisions of the Taxpayer Protection Act are set forth in Pasadena City Charter, Article XVII. Under the Taxpayer Protection Act, City public officials who approve this Contract/transaction are prohibited from receiving gifts, campaign contributions or employment from Contractor/Organization for a specified time. This prohibition extends to individuals and entities that are specified and identified in the Taxpayer Protection Act and includes Contractor/Organization and its trustees, directors, partners, corporate officers and those with more than a 10% equity, participation, or revenue interest in Contractor/Organization. Contractor/Organization understands and agrees that: (A) Contractor/Organization is aware of the Taxpayer Protection Act; (B) Contractor/Organization will complete and return the forms provided by the City in order to identify all of the recipients of a public benefit specified in the Taxpayer Protection Act; and (C) Contractor/Organization will not make any prohibited gift, campaign contribution or offer of employment to any public official who approved this Contract/transaction.