

Status Report on SFMTA'S Workers' Compensation Program and Request to Execute Contracts



**MUNICIPAL
TRANSPORTATION
AGENCY**

BACKGROUND

- Prior to the implementation of Prop E, the Agency's Workers' Compensation claims were managed by DHR's Workers' Compensation Division
- The MTA assumed responsibility for management of its Workers' Compensation claims July 1st, 2000
- Claims are administered by a Third Party Administrator (TPA) currently Sedgwick CMS, Inc, who is under contract until 2012



BACKGROUND

- Contract oversight is the responsibility of the Workers' Compensation Section, with additional responsibilities for Transitional Work, EAP/PAP and OSHA record-keeping
- The Agency experiences approximately 800 new injuries per year, with approximately 170 employees off work at any given time due to work related injuries
- By comparison, prior to 1998 the Agency averaged more than 1200 new claims per year



Expenditure Overview

Workers' Compensation expenditures for the first 2 Quarters of FY06 were 18% lower than the first 2 Quarters of FY 04-05, and projecting to be 16% under budget

- Expenditures for SF Muni are down 19% over the prior fiscal year**
- Expenditures for DPT are down 9% over the prior fiscal year.**

DEPARTMENT	2004 - 2005 MID - YEAR EXPENDITURES	2005 - 2006 MID - YEAR EXPENDITURES	2005 - 2006 MID - YEAR INCREASE/ DECREASE	2005 - 2006 FISCAL YEAR BUDGET	2005 - 2006 FISCAL YEAR SURPLUS/DEFICIT
MUNICIPAL RAILWAY	\$10,540,796	\$ 8,548,821	(\$1,991.975)	\$20,100,000	\$3,002,358
PARKING AND TRAFFIC	\$ 1,301,636	\$ 1,187,241	(\$ 114,395)	\$3,000,000	\$ 625,518
TOTAL MTA	\$11,842,432	\$ 9,736,062	(\$2,106,370)	\$23,100,000	\$3,627,876*
*Projection					



EXPLANATION OF SAVINGS

- Changes to state law in April 2004 has resulted in lower medical costs and greater control over medical treatment
- Reductions in the number of injuries reported on an annual basis
- Program enhancement negotiated by David Donn Consulting, our managed care consultant



EXPENDITURE BREAKDOWN BY BENEFIT CATEGORY

	FY 04-05	FY 05-06		
	Mid-Year	Mid-Year	CHANGE	PERCENT
INDEMNITY				
Temporary Disability	\$3,844,948	\$3,288,108	(556,840)	-14.48%
Permanent Disability	\$2,650,048	\$2,637,288	(12,760)	-0.48%
Other Indemnity	\$487,407	\$205,995	(281,412)	-57.74%
TOTAL INDEMNITY	\$6,982,403	\$6,131,391	(851,012)	-12.19%
MEDICALS				
Doctors	\$1,069,558	\$664,821	(404,737)	-37.84%
TOTAL OTHER MED	\$3,294,844	\$2,369,733	(925,111)	-28.08%
EXPENSE	\$495,627	\$580,117	84,490	17.05%
RECOVERY	(97,120)	(112,626)	(15,506)	15.97%
GRAND TOTAL*	\$11,745,312	\$9,633,436	\$2,111,876	-12.47%



BILL REVIEW AND UTILIZATION REVIEW

The current items before the Board were negotiated to improve savings obtained through the use of bill review and utilization review services

- Bill Review is accomplished by reducing medical bills to the Official Medical Fee Schedule using Preferred Provider Networks and negotiations, where appropriate
- Utilization Review (UR) is accomplished through the review and comparison of treatment recommendations



CONTINUED:

- Fees for both services are paid as a percentage of savings or on a flat fee basis and are charged to each individual claims file
- Staff negotiated a per bill rate for the MTA, this was the most cost effective option, with incentives built in for superior performance
- The MTA receives approximately \$11 million annually in medical charges, which is reduced by 50% using bill review and utilization review



NEW CONTRACT GOALS:

- Basing the majority of service fees on a flat fee rather than a percentage of savings
- Including performance incentives for savings above historical levels
- Improving processes and coordination with the MTA's Workers' Compensation Administrator who is responsible for medical bill and fee payments



SELECTION PROCESS

- Through a competitive selection process, Fair Isaac Company was chosen as the bill review provider for the MTA
- There were five (5) responsive bidders to the RFP
- The Agency engaged the services of David Donn Consulting, a provider of managed care consulting services to evaluate proposals and assist in the negotiation of market-leading rates and performance incentives for bill review and utilization review



CONTINUED:

- Through the use of the DDC Model the Agency was able to negotiate an agreement which includes one of the lowest per bill fees in the industry at \$5.95 per bill, a reduction from the prior per bill rate of \$12.49 per bill
- Additionally, the agreement includes performance incentives for each percentage of savings reached above 55%.
- For December 2005, savings were at 60%



BILL REVIEW SAVINGS

- Savings prior to implementation of the DDC Model averaged 52% per month
- Each 1% of savings improvement represents approximately \$112,000 based on \$11,200,000 in annual charges
- Through the use of the DDC Model the Agency has realized over \$500,000 in additional savings in the past year



REQUEST TO EXECUTE CONTRACTS

Based on the above factors, staff is requesting MTAB authority to:

- Execute the Workers' Compensation Bill Review and Utilization Review contract with Fair Isaac Company for an amount not to exceed \$475,000/year
- Execute a license agreement with David Donn Consulting for use of the DDC Model to monitor bill review savings and to make adjustments to performance incentives during the term of the Fair Isaac contract

