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**PURCHASING ITEM
FOR
COUNCIL AGENDA**

1. Agenda Item Number:

14

2. Council Meeting Date:

June 25, 2015

TO: **MAYOR & COUNCIL**

3. Date Prepared: June 12, 2015

THROUGH: **CITY MANAGER**

4. Requesting Department: City Manager

5. SUBJECT: Amendment No. 1 to Agreement No. RM2-953-3045 for Third Party Claims Administrator/Workers' Compensation.

6. RECOMMENDATION: Staff recommends City Council approve Amendment No. 1 to Agreement No. RM2-953-3045, with CorVel Enterprise Comp, Inc., for Third Party Claims Administrator/Workers' Compensation in an amount not to exceed \$85,000 annually for a two-year period.

7. BACKGROUND/DISCUSSION: This contract provides for third party claims administration of the City's workers' compensation claims. The services include but are not limited to: medical review and claims handling services, pharmacy, cost containment bill review, and case management and reporting.

8. EVALUATION PROCESS: On April 26, 2012, City Council approved an agreement with CorVel Enterprise Comp, Inc., for Third Party Claims Administrator/Workers' Compensation for a three year period with the option of up to two (2) additional two-year extensions. CorVel Enterprise Comp, Inc. has held their pricing for the initial three year period. They have agreed to extend for two additional years with minor price adjustments to two standard fees. Bill review services have increased from \$7.50/Bill to \$8.00/Bill. PPO/Professional Review have increased from 23% of Incremental Savings to 24% of Incremental Savings.

Staff recommends extension of this agreement for the term of July 1, 2015 through June 30, 2017. This is the first extension of the agreement.

9. FINANCIAL IMPLICATIONS: Funds are available in the Worker's Compensation Fund 736-1250-5219.

10. PROPOSED MOTION: Move City Council approve Amendment No. 1 to Agreement No. RM2-953-3045 with CorVel Enterprise Comp, Inc., for Third Party Claims Administrator/Workers' Compensation in an amount not to exceed \$85,000 annually for a two-year period.

Attachments: Amendment No. 1

APPROVALS

11. Requesting Department

Rae Lynn Nielsen

Rae Lynn Nielsen, Benefits & Labor Relations Administrator

13. Department Head

Debra Stapleton

Debra Stapleton, Human Resources Director

12. Procurement Officer

Juan Martinez

Juan Martinez

14. Acting City Manager

Marsha Reed

Marsha Reed

**AMENDMENT NUMBER ONE
TO MEMORANDUM OF AGREEMENT
BETWEEN THE CITY OF CHANDLER**

AND

**CORVEL ENTERPRISE COMP, INC.
FOR THIRD PARTY CLAIMS ADMINISTRATOR/WORKERS'
COMPENSATION
AGREEMENT NO. RM2-953-3045**

This Amendment is entered into this _____ of 2015 by and between CorVel Enterprise Comp, Inc., (CONTRACTOR) and City of Chandler, a Municipal Corporation of the State of Arizona (City).

Whereas, CONTRACTOR and City entered into the Memorandum of Agreement between City of Chandler and CorVel Enterprise Comp, Inc. for Third Party Claims Administration – Worker’s Compensation, CONTRACT No. RM2-953-3045 (hereinafter “MOA”) pursuant to which CONTRACTOR agreed to provide City certain third party claims administration services and bundled managed care services as set forth in SECTION II – CONTRACT DOCUMENTS and other terms of the MOA.

Now, therefore, in consideration of the mutual promises and covenants contained herein, the parties agree to amend Contract Document A, Item A2 of the SECTION II -- CONTRACT DOCUMENTS of the MOA (hereinafter “the Contract”) as follows:

1. Section 5.1 of the Contract is amended to provide for the first of two authorized additional two year terms of the Contract effective from July 1, 2015 through June 30, 2017.
2. Section 4.1 of the Contract is amended to provide a Cost Summary revision effective July 1, 2015 through June 30, 2017, or the term referred to in Section 1 of this Amendment, as shown on Revised Exhibit G attached hereto which supplants Exhibit B to the Contract which showed the Cost Summary effective during the first term of the Contract.

3. All other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, CONTRACTOR and City have caused this Amendment to be executed by the persons authorized to act in their respective names.

IN WITNESS WHEREOF, the parties have hereto have executed this contract on:

CITY OF CHANDLER:

By: _____
MAYOR Date

CONTRACTOR

By: Richard Schwoeppe
Signature

Print Name: Richard Schwoeppe
Title CEO

APPROVE AS TO FORM:

City Attorney by: *[Signature]*

ATTEST:

City Clerk

SEAL

**REVISED EXHIBIT G
COST SUMMARY**

The term of the contract shall be for three years with options to renew for two additional two-year terms.

Assume an average of 121 medical and 40 indemnity claims per year. See Exhibit H for claims history.

CLAIMS HANDLING		
DESCRIPTION	YEAR 1	YEAR 2
Cost for handling claims:		
A. Open at inception of contract and/or	\$250.00 Indemnity	\$250.00 Indemnity
B. Reported during each contract year:	\$ 95.00 Medical Only	\$ 95.00 Medical Only
Medical only, per claim	\$125.00	\$125.00
Indemnity, per claim	\$600.00	\$600.00
Report only, per claim	\$0*	\$0*
C. Annual fee for claims that continue to be open or are reopened:		
Medical only, per claim	\$0	\$0
Indemnity only, per claim	\$300.00	\$300.00
Charge per claim if more than 121 medical and / or 40 indemnity claims reported in one-year period	\$ Per Schedule Above	\$ Per Schedule Above
If claim fees are not all inclusive, list other applicable fees:	\$0	\$0
Estimated total annual fees:	\$39,125.00	\$39,125.00
Preferred method of payment:		
<input type="checkbox"/> Monthly		
<input checked="" type="checkbox"/> Quarterly		
<input type="checkbox"/> Annually		

*if reported electronically

Included At No Additional Charge:

- Electronic First Notice of Loss Intake
- 24/7 Nurse Triage
- Annual Administration Fee
- 5 Care^{MC} Use ID's
- Annual Banking Fees (one account)
- Indexing

REVISED EXHIBIT G

<i>PHARMACY</i>		
DESCRIPTION	YEAR 1	YEAR 2
List standard fees		
a. Retail – Brand	AWP – 7% + \$5.00	AWP – 7% + \$5.00
b. Retail – Generic	AWP – 18% + \$5.00	AWP – 18% + \$5.00
c. Mail Order – Brand	AWP – 10% + \$4.00	AWP – 10% + \$4.00
d. Mail Order - Generic	AWP – 20% + \$4.00	AWP – 20% + \$4.00

COST SUMMARY (CONTINUED)

<i>BILL REVIEW</i>		
DESCRIPTION	YEAR 1	YEAR 2
List standard fees		
a. Bill Review	\$8.00/Bill	\$8.00/Bill
b. PPO	24% of Incremental Savings	24% of Incremental Savings
Professional Review	24% of Incremental Savings	24% of Incremental Savings
Enhanced Bill Review	24% of Incremental Savings	24% of Incremental Savings
Fees for optional Services		
a. Case Management	\$85.00/Hour	\$85.00/Hour

Billing and Payments for Pharmacy Program:

- (a) Charges for medications processed through the Pharmacy Program will be applied to the claim file.
- (b) CorVel uses the Medi-Span AWP at pre-settlement levels. To maintain pricing neutrality CorVel applies the established multiplier to impacted prescriptions.
- (c) Relative to state fee schedules, CorVel will apply the lesser of the Customer’s contracted pharmacy rate or the applicable state fee schedule. The following exceptions apply:
 - (i) All California pharmacy prescriptions will be priced at the California fee schedule.
 - (ii) To the extent that the fee schedules rate in any state other than California is less CorVel’s acquisition costs, CorVel will apply the lesser of Customer’s contracted rate or CorVel’s acquisition cost.

- (d) Both parties understand that pricing indices historically used (including under this Agreement) for determining the financial components of pharmacy billing rates are outside the control of CorVel and Customer. The parties also understand there are extra-market industry, legal, governmental and regulatory activities which may lead to changes relating to or elimination of, these pricing indices that could alter the financial positions and expectations of both parties as intended under this Agreement. Both parties agree that, upon entering into this Agreement and thereafter, their mutual intent has been and is to maintain pricing neutrality as intended and not to benefit one party to the detriment of the other. Accordingly, to preserve this mutual intent, CorVel may undertake any or all of the following:
- (i) Changes the AWP source across its book of business (e.g., from Medi-Span to Redbook); or
 - (ii) Maintains AWP as the pricing index with an appropriate adjustment in the event the AWP methodology and/or its calculation is changed, whether by the existing or alternative sources; or
 - (iii) Transitions the pricing index from AWP to another index or benchmark (e.g., to Wholesale Acquisition Cost).
- (e) Pharmacy rates will be modified as reasonably and equitably necessary to maintain the pricing intent under this Agreement. CorVel shall provide Customer with at least ninety (90) days prior written notice of the change (or if such notice is not practicable, as much notice as is reasonable under the circumstances), and written illustration of the financial impact of the pricing source or index change (e.g., specific drug examples). If Customer disputes the illustration of the financial impact of the pricing source, both parties agree to cooperate in good faith to resolve such disputes.
- (f) CorVel assumes no obligation or liability if Customer's claimant pays for medications outside of the claim.