



## Board Report

File #: 2024-0047, File Type: Contract

Agenda Number: 8.

### FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2024

**SUBJECT: WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute Modification No. 2 to Contract No. PS61721000 with Lien On Me, Inc. for workers' compensation medical bill review services in the amount of \$242,303, increasing the not-to-exceed amount of the four-year base term from \$2,834,674 to \$3,076,977, and exercise the first two-year option in the amount of \$2,083,248, revising the total contract amount from \$3,076,977 to \$5,160,225 and extending the period of performance from July 1, 2024, to June 30, 2026.

#### **ISSUE**

Since 2019, Metro's Workers' Compensation division has experienced an increase in the average number of workers' compensation claims filed monthly, resulting in an increase in medical bills received and processed. Approval of the recommendation is required to ensure Metro pays various medical services in accordance with the State of California approved fee schedules and pre-established rates contracted with Preferred Provider Organization (PPO) providers. Additionally, this action authorizes the exercise of the two-year option term to continue providing medical bill review services through June 30, 2026.

#### **BACKGROUND**

The review of medical bills is consistent with industry best practice and is one of a variety of techniques government agencies and private entities employ to lower workers' compensation related medical expenditures. Bill review service providers take gross medical billings from physicians, hospitals, pharmacies, and other medical service providers and recommend reductions in conformance with the State of California Fee Schedule and negotiated rates between service providers (PPO contracts). Bill review service providers have custom dedicated software that applies the bill review reduction in accordance with the California Fee Schedule and detects duplicate billings at the line level.

In addition to reviewing bills, bill review service providers have the ability to integrate PPO networks with their bill review system to determine the highest level of savings per line item and maintain the

appropriate software to facilitate submission of California regulatory reporting requirements via Electronic Data Interchange (EDI) with the California Workers' Compensation Information System (WCIS). Bill review vendors represent Metro in legal proceedings involving bill payment disputes with service providers. The review of medical bills is consistent with industry best practices and is one of a variety of techniques to lower medical expenditures.

On October 24, 2019, the Metro Board of Directors awarded the eight-year (inclusive of two, two-year options) firm fixed unit rate Contract No. PS61721000 to Lien On Me, Inc. (LOM) for workers' compensation medical bill review services. Metro's average realized savings through this contract are \$2.1 million per month.

## **DISCUSSION**

Increasing the not to exceed amount reflects current medical bills' volume and factors in an increased margin for future contract years. The 2019 RFP estimate of medical bills' volume estimated an average of 2018 data and did not factor in an increase in volume for future years. The contract was based on a 2018 monthly average of 2,902 medical bills; however, recent experience reflects medical bills volume at an average of 3,400 per month. The increase is attributed to a 32% rise in open WC claims inventory from the start of FY21 to FY24. Risk Management has implemented and is actively working to further implement various mitigation strategies to reduce WC claims and costs. Mitigative measures include bolstering Metro's Return to Work program, implementation of Bus Riding Teams by System Security and Law Enforcement, de-escalation training and partnering with Operations to enhance claims investigations. LOM provides excellent services and averages 62% medical expenditure savings. Due to the savings results and excellence in the delivery of services, Metro staff recommends that the first two-year option period be exercised.

## **DETERMINATION OF SAFETY IMPACT**

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

## **FINANCIAL IMPACT**

The FY24 Budget includes \$2.6 million for the services in Project 100004, PRMA- Workers Compensation (W/C), under Cost Center 0531, Non-Departmental Operations Risk Management.

Since this is a multi-year contract, the Deputy Chief Risk, Safety and Asset Management Officer and the Chief Safety Officer will be responsible for budgeting the cost in future years.

### **Impact to Budget**

The source of funding for this action will come from federal, state and local funding sources that are eligible for bus and rail operations.

## **EQUITY PLATFORM**

---

The proposed action supports Metro’s ability to safely serve the communities and customers who rely on Metro’s transportation services and assets by providing workers’ compensation medical benefits that allow injured employees to recover from an injury and maintain staffing levels that allow Metro to continue providing services. Lien On Me, Inc., a Small Business Enterprise (SBE) firm, made a 100% SBE commitment for this contract. Based on payments, the project is 94% complete and the current SBE level of participation is 100%, see Attachment C.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports strategic plan goals #1) “Provide high-quality mobility options that enable people to spend less time traveling,” and #5) “Provide responsive, accountable, and trustworthy governance within the Metro organization.” This Board action supports the efficient delivery of workers’ compensation benefits which enables injured employees to quickly recover and resume job functions. The majority of workers’ compensation claims are filed by bus operators, and this action facilitates Metro’s ability to safely serve the communities and customers who rely on Metro’s transportation services.

### **ALTERNATIVES CONSIDERED**

The Board may elect not to approve the recommendation. This option is not recommended as it will result in Metro overpaying for medical treatment costs and foregoing an average monthly savings of \$2.1 million in workers’ compensation expenditures which is generated through the application of bill review services.

### **NEXT STEPS**

Upon Board approval, staff will execute Modification No. 2 to Contract No. PS61721000 with Lien On Me, Inc. to continue to provide workers’ compensation medical bill review services and exercise the two-year option term.

### **ATTACHMENTS**

Attachment A - Procurement Summary  
Attachment B - Contract Modification/Change Order Log  
Attachment C - DEOD Summary

Prepared by: Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4518  
Kenneth Hernandez, Deputy Chief Risk, Safety and Asset Management Officer, (213) 922-2990  
Carolina Coppolo, Deputy Chief Vendor/Contract Management (Interim), (213) 922-4471

Reviewed by: Gina L. Osborn, Chief Safety Officer, (213) 922-3055



Stephanie N. Wiggins  
Chief Executive Officer

PROCUREMENT SUMMARY

WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES / PS61721000

1.	<b>Contract Number:</b> PS61721000		
2.	<b>Contractor:</b> Lien On Me, Inc.		
3.	<b>Mod. Work Description:</b> Continue existing services and exercise two-year option.		
4.	<b>Contract Work Description:</b> Provide Workers' Compensation medical bill review service.		
5.	<b>The following data is current as of:</b> 2/6/24		
6.	<b>Contract Completion Status</b>		<b>Financial Status</b>
	<b>Contract Awarded:</b>	10/24/19	<b>Contract Award Amount:</b> \$2,576,976
	<b>Notice to Proceed (NTP):</b>	N/A	<b>Total of Modifications Approved:</b> \$257,698
	<b>Original Complete Date:</b>	6/30/24	<b>Pending Modifications (including this action):</b> \$2,325,551
	<b>Current Est. Complete Date:</b>	6/30/26	<b>Current Contract Value (with this action):</b> \$5,160,225
7.	<b>Contract Administrator:</b> Marc Margoni		<b>Telephone Number:</b> (213) 922-1304
8.	<b>Project Manager:</b> Cathy Yates		<b>Telephone Number:</b> (213) 922-4297

**A. Procurement Background**

This Board Action is to approve Modification No. 2 to Contract No. PS61721000 to continue providing Workers' Compensation medical bill review services and exercise the two-year option term extending the period of performance from July 1, 2024, to June 30, 2026.

This contract modification will be processed in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit rate.

In October 2019, the Board awarded an eight-year (inclusive of two, two-year options) contract to Lien On Me, Inc. to provide workers' compensation medical bill review services.

A total of one modification has been issued to date.

Refer to Attachment B – Contract Modification/Change Order Log.

**B. Price Analysis**

The recommended price has been determined to be fair and reasonable based on the firm’s fixed unit rates that were established and evaluated as part of the competitive award in October 2019. The unit rates for the option term are 2% higher than the current contract rates. This 2% increase is lower than the current US Bureau of Labor Statistics Employment Cost Index of 4.3%. Therefore, it is in Metro’s best interest to exercise the option term.

<b>Proposed Amount</b>	<b>Metro ICE</b>	<b>Recommended Amount</b>
\$2,325,551	\$2,325,551	\$2,325,551

## CONTRACT MODIFICATION/CHANGE ORDER LOG

## WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES / PS61721000

<b>Mod. No.</b>	<b>Description</b>	<b>Status (approved or pending)</b>	<b>Date</b>	<b>Amount</b>
1	Continue existing services	Approved	2/7/24	\$257,698
2	Continue existing services and exercise the two-year option extending the period of performance through June 30, 2026	Pending	Pending	\$2,325,551
	<b>Modification Total:</b>			<b>\$2,583,249</b>
	<b>Original Contract:</b>		<b>10/24/19</b>	<b>\$2,576,976</b>
	<b>Total:</b>			<b>\$5,160,255</b>

**DEOD SUMMARY**

**WORKERS' COMPENSATION MEDICAL BILL REVIEW SERVICES / PS61721000**

**A. Small Business Participation**

Lien On Me, Inc., a Small Business Enterprise (SBE) firm, made a 100% SBE commitment for this contract. Based on payments, the project is 94% complete and the current SBE level of participation is 100%.

<b>Small Business Commitment</b>	<b>100% SBE</b>	<b>Small Business Participation</b>	<b>100% SBE</b>
----------------------------------	-----------------	-------------------------------------	-----------------

	<b>SBE Contractor</b>	<b>% Committed</b>	<b>Current Participation<sup>1</sup></b>
1.	Lien On Me, Inc. (SBE Prime)	100%	100%
	<b>Total</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup>Current Participation = Total Actual amount Paid-to-Date to Certified firms ÷ Total Actual Amount Paid-to-date to Prime.

**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.