



Board Report

File #: 2025-0881, **File Type:** Contract

Agenda Number: 20.

FINANCE, BUDGET, AND AUDIT COMMITTEE APRIL 16, 2026

SUBJECT: WORKERS' COMPENSATION UTILIZATION AND PEER REVIEW SERVICES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 2 to Contract No. PS73428000 with Genex Services, LLC in the amount of \$259,125 to continue to provide workers' compensation utilization and peer review, physician consulting, and expedited review services, increasing the contract value from \$609,090 to \$868,215.

ISSUE

Metro's current contract for workers' compensation (WC) utilization and peer review services expires on June 30, 2027. There has been an increase in contract usage, attributed to the current open WC claims of 2,437, up from 1,429 at the start of FY21. This contract modification will ensure that WC utilization and peer review, physician consulting, and expedited review services can continue through June 30, 2027.

BACKGROUND

Metro is a self-insured, self-administered employer that administers WC claims through the WC division of the Risk Management Department (RMD). RMD's WC division processes thousands of WC related payments monthly for items such as medical services, equipment, pharmaceuticals, legal fees, indemnity benefits, and other expenses.

Consistent with industry best practices, RMD uses a variety of techniques to lower WC medical expenditures. Such techniques include bill review, utilization review (UR), Preferred Provider Organizations (PPO) discounts, and nurse case management services.

The California Labor Code specifies that insurers and self-insured employers may evaluate the appropriateness of medical care prescribed by an injured employee's treating physician or other medical provider and may 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.

The WC division's in-house occupational nurse certifies 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 the guidelines under which the requested treatment complies or fails to comply. For complicated cases, a more extensive consultation with a physician regarding treatment options may be requested. Administrative rules specify a five-day timeframe for insurers and self-insured employers to respond to a treatment request. Hence, a very fast response time is necessary to complete reviews and avoid potential penalties or sanctions.

On May 26, 2021, the Board awarded a four year base term contract with two two-year options to Genex Services, LLC for WC utilization and peer review, physician consulting, and expedited review services.

DISCUSSION

Due to system expansion, Metro's workforce has increased by 20%, rising from 10,219 FTE employees in FY21 to 12,260 in FY26. Consequently, the WC division has seen an increase in the average monthly number of claims filed and open claims, leading to a higher volume of medical bills and an increase in the medical care prescribed.

Under California Division of Workers' Compensation regulations, the WC Division refers non-certified medical care to UR to ensure compliance with the Medical Treatment Utilization Schedule, evidence-based medicine standards and Labor Code §4610 requirements. The WC division has increased its contract usage year over year, going from 153 UR referrals in the first contract year to 572 referrals in contract year 4.

Metro has implemented and is actively working to further implement various mitigation strategies to reduce WC claims and costs. Mitigative measures include the implementation of full bus barriers, bolstering Metro's Return to Work program, implementation of Bus Riding Teams by Department of Public Safety, de-escalation training created by Corporate Safety, and partnering with Operations to enhance claims investigations. These efforts resulted in a 10% reduction of claims in FY25 compared to FY24.

DETERMINATION OF SAFETY IMPACT

Receiving timely medical care is critical to injured Metro employees. Approval of this item will support the WC division's ability to administer claims promptly.

FINANCIAL IMPACT

The FY26 Budget includes \$3.01 million for Workers' Compensation related professional and technical services in Project 100004, PRMA - Workers' Compensation, under Cost Center 0531, Non-Departmental Operations Risk Management.

Since this is a multi-year contract, the cost center manager and the Chief Risk, Corporate Safety, and Asset Management 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 supporting the use of industry best practices that reduce costs associated with the administration of Metro's WC program. The WC program provides workers' compensation medical benefits that allow injured employees to recover from an injury and maintain staffing levels that allow Metro to continue providing services. At the time of the solicitation, 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.

VEHICLE MILES TRAVELED OUTCOME

Vehicle Miles Traveled (VMT) and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides WC utilization review services in accordance with the CA Labor Code and determines the highest level of savings to reduce medical expenditures. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

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 use of industry best practices that reduce costs associated with the administration of Metro's WC program.

ALTERNATIVES CONSIDERED

The Board may elect not to approve the recommendation. This option is not recommended since this service is legally mandated by the CA Labor Code to dispute treatment requests. A Utilization Review

(UR) must be utilized for any treatment that may not be medically necessary. While Metro staff and the nurse case managers may approve warranted treatment, any denial based on medical necessity must, by law, be issued by a qualified medical professional through the UR process. Further, failing to approve would prevent Metro from realizing significant medical cost savings generated by UR services.

NEXT STEPS

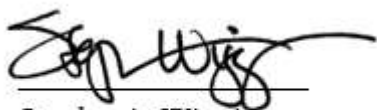
Upon Board approval, staff will execute Modification No. 2 to Contract No. PS73428000 with Genex Services, LLC to continue to provide WC utilization and peer review, physician consulting, and expedited review services.

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
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Stephanie Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

**WORKERS' COMPENSATION UTILIZATION
AND PEER REVIEW SERVICES / PS73428000**

1.	Contract Number: PS73428000			
2.	Contractor: Genex Services, LLC			
3.	Mod. Work Description: Continue to provide existing services.			
4.	Contract Work Description: Provide Workers' Compensation utilization and peer review, physician consulting, and expedited review services.			
5.	The following data is current as of: 2/26/26			
6.	Contract Completion Status		Financial Status	
	Contract Awarded:		Contract Award Amount:	\$400,000
		5/26/21		
	Notice to Proceed (NTP):	N/A	Total of Modifications Approved:	\$209,090
	Original Complete Date:	6/30/25	Pending Modifications (including this action):	\$259,125
	Current Est. Complete Date:	6/30/27	Current Contract Value (with this action):	\$868,215
7.	Contract Administrator: David Hernandez		Telephone Number: (213) 922-4254	
8.	Project Manager: Claudia Castillo del Muro		Telephone Number: (213) 922-4518	

A. Procurement Background

This Board Action is to approve Modification No. 2 to Contract No. PS73428000 to continue providing workers' compensation utilization and peer review, physician consulting, and expedited review services.

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

On May 26, 2021, Metro awarded an eight-year (inclusive of two, two-year options) Contract No. PS73428000 to Genex Services, LLC to provide workers' compensation utilization and peer review, physician consulting, and expedited review services.

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 May 2021. Rates remain unchanged and are lower than current market rates for similar services.

Proposal Amount	Metro ICE	Recommended Amount
\$259,125	\$259,125	\$259,125

CONTRACT MODIFICATION/CHANGE ORDER LOG

**WORKERS' COMPENSATION UTILIZATION
AND PEER REVIEW SERVICES / PS73428000**

Mod. No.	Description	Status (approved or pending)	Date	\$ Amount
1	Exercise the first, two-year option term, extending the period of performance (POP) through June 30, 2027.	Approved	5/23/2025	\$209,090
2	Continue to provide existing services.	Pending	Pending	\$259,125
	Modification Total:			\$468,215
	Original Contract:		5/26/21	\$400,000
	Total:			\$868,215

DEOD SUMMARY**WORKERS' COMPENSATION UTILIZATION
AND PEER REVIEW SERVICES / PS73428000****A. Small Business Participation**

Genex Services, LLC (Genex) did not make a Disadvantaged Business Enterprise (DBE) commitment on this contract. It is expected that Genex, along with their non-certified subcontractor, The P&S Network, Inc., will continue to perform the services of this contract using their own workforce.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this modification.

C. Prevailing Wage Applicability

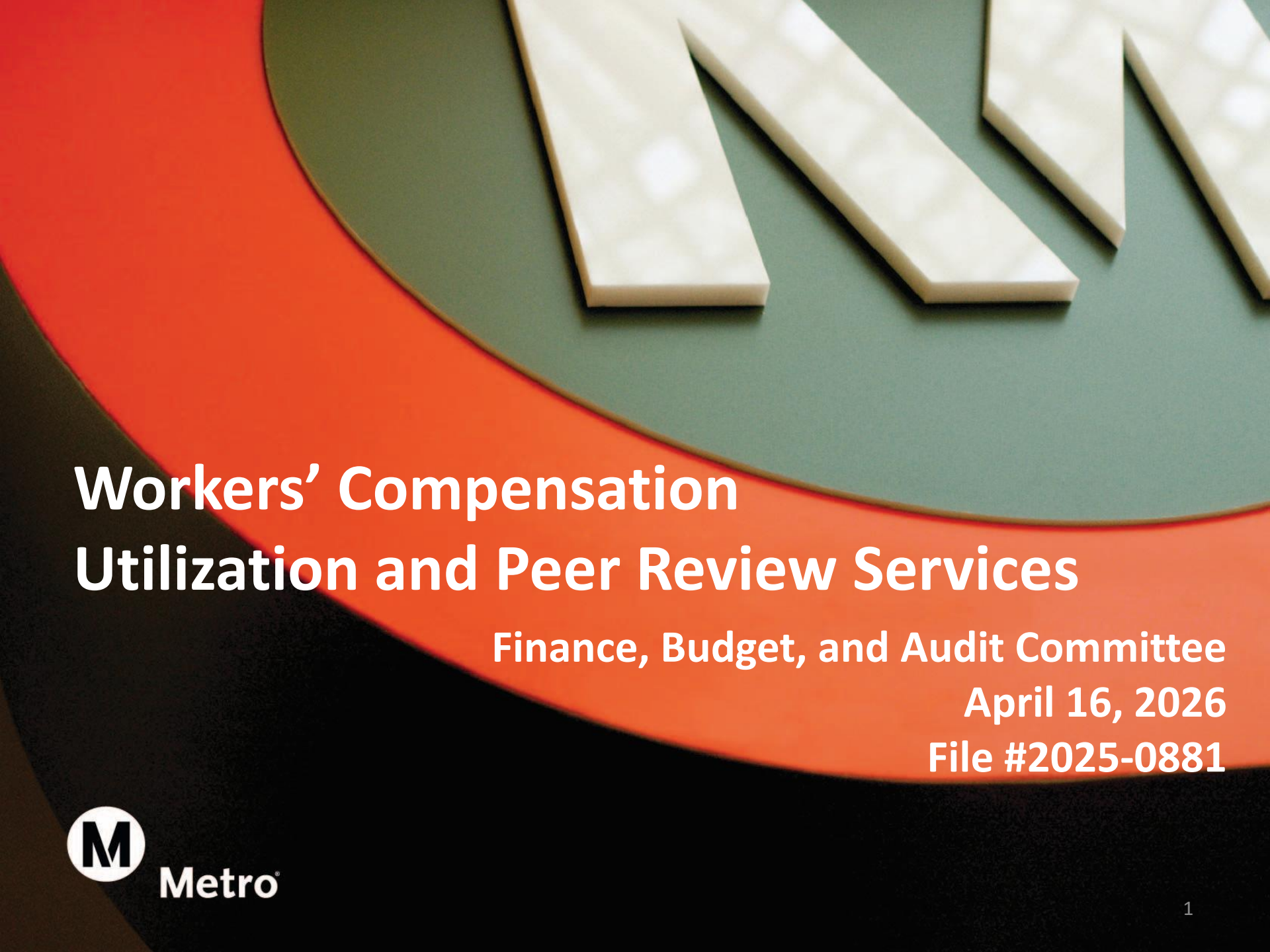
Prevailing wage is not applicable to this modification.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.

E. Manufacturing Careers Policy

The Manufacturing Careers Policy (MCP) does not apply to this contract. The MCP is required on Metro's Rolling Stock RFPs, with an Independent Cost Estimate of at least \$50 million.



Workers' Compensation Utilization and Peer Review Services

Finance, Budget, and Audit Committee

April 16, 2026

File #2025-0881

Recommendation

AUTHORIZE the Chief Executive Officer to execute Modification No. 2 to Contract No. PS73428000 with Genex Services, LLC in the amount of \$259,125 to continue to provide workers' compensation utilization and peer review, physician consulting, and expedited review services, increasing the contract value from \$609,090 to \$868,215.

Background

- Utilization and peer review (UR) services are consistent with industry best practice.
- It is a primary technique employed to lower workers' compensation-related medical expenditures.
- CA Labor Code specifies self insured employers may evaluate appropriateness of medical care.
- On May 26, 2021, the Board awarded a four-year base term contract with two two-year options to Genex Services, LLC for workers' compensation (WC) utilization and peer review, physician consulting, and expedited review services.

Utilization and Peer Review Services

- There has been an increase in contract usage, attributed to the current open WC claims of 2,437, up from 1,429 at the start of FY21.
- Under California Division of Workers' Compensation regulations, the WC Division refers non-certified medical care to UR to ensure compliance with the Medical Treatment Utilization Schedule, evidence-based medicine standards and Labor Code §4610 requirements.
- The WC division has increased its contract usage year over year, going from 153 UR referrals in the first contract year to 572 referrals in contract year 4.

Next Steps

Upon Board approval, staff will execute Modification No. 2 to Contract No. PS73428000 with Genex Services, LLC to continue to provide WC utilization and peer review, physician consulting, and expedited review services.



Thank you.



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