



Modification Memo

May 13, 2010

To: Darlene J. Bloom, Clerk of the Board of Supervisors
From: Thomas G. Mauk, County Executive Officer *Rob Richardson*
Subject: Revision to ASR 10-000699 for the May 18, 2010 Board Meeting
Agenda Item #54 – Amendment to Workers' Compensation TPA Contract

Explanation: Please replace Recommended Action No. 2

Recommended Action No. #2 currently reads:

Authorize the County Purchasing Agent or designee to renew 3-year agreement with York Risk Services as contract #MA 017 10012843 per amended Recitals, Scope of Work, Compensation/Payment, and Staffing Plan; effective July 1, 2010 through June 30, 2011 in an amount not to exceed \$2,692,974; year ending ~~June 20~~, 2012 in an amount not to exceed \$2,773,763; and year ending ~~July 1~~, 2013 in an amount not to exceed \$2,856,976.

Please revise Recommended Action No. 2 to read:

Authorize the County Purchasing Agent or designee to renew 3-year agreement with York Risk Services as contract #MA 017 10012843 per amended Recitals, Scope of Work, Compensation/Payment, and Staffing Plan; effective July 1, 2010 through June 30, 2011 in an amount not to exceed \$2,692,974; year ending June 30, 2012 in an amount not to exceed \$2,773,763; and year ending June 30, 2013 in an amount not to exceed \$2,856,976.

Please find two Additional Attachments:

1. Amendment No. 2
2. Agreement

cc: Members, Board of Supervisors
Nick Chrisos, County Counsel
Rob Richardson, County Executive Office

**AMENDMENT NUMBER TWO
CONTRACT NUMBER N100009949
THIRD PARTY ADMINISTRATION OF THE COUNTY'S WORKERS' COMPENSATION
CLAIMS PROGRAM**

THIS Amendment Number Two to Contract Number N100009949 for the County's Third Party Administration of Workers' Compensation Claims (hereinafter referred to as "Amendment Number Two") is made and entered into on the date when approved by the Board of Supervisors or when fully executed by the parties, whichever occurs later, by and between the County of Orange, a political subdivision of the State of California, (hereinafter referred to as "County") and York Risk Services Group, Inc. with a place of business at 99 Cherry Hill Road, Suite 102 Parsippany, NJ 07054 (hereinafter referred to as "Contractor"), with County and Contractor sometimes individually referred to as "Party", or collectively referred to as "Parties".

RECITALS

WHEREAS, the County and Southern California Risk Management Associates, Inc. (hereinafter referred to as "SCRMA") entered into Contract Number N100009949 (hereinafter referred to as "Contract") which commenced on May 13, 2008 and expired on June 30, 2009; and

WHEREAS, County and SCRMA issued Amendment Number One to renew the Contract for an additional year, effective July 01, 2009 through and including June 30, 2010; and

WHEREAS, the contractual rights and obligations of SCRMA were assigned by operation of law to York Insurance Services Group, Inc. California (hereinafter referred to as "York-California") as a result of a merger that commenced on February 01, 2010 in which SCRMA was absorbed into York-California, and York-California became *inter alia*, the successor- in- interest to SCRMA; and

WHEREAS, York-California, Contractor and County issued an Assignment, Novation and Consent Agreement to assign the Contract and underlying rights and obligations of York-California to Contractor and

WHEREAS, the Parties wish to renew the Contract for an additional three year period commencing on July 01, 2010 and expiring on June 30, 2013 per County Board of Supervisors approval; and

WHEREAS, the Parties wish to amend Attachment A, Scope of Work to include Integrated Managed Care Services and incorporate Exhibit 1 to Attachment A into the Contract ; and

WHEREAS, the Parties wish to amend Attachment B, Compensation and Payment to reflect the 9.8% reduced fee for the third contract term and incorporate fees for the fourth and fifth contract terms and formalize pricing structure of managed care cost containment fees incurred during claims handling; and

WHEREAS, the Parties wish to amend Attachment C, Staffing Plan.

NOW, THEREFORE, in consideration of the mutual obligations set forth herein, the Parties mutually agree as follows:

1. The Contract shall be renewed as MA-017-10012843, commencing on July 01, 2010 and expiring on June 30, 2013 for a not to exceed contract amount as follows:

3 rd Contract Term	2010/2011	\$2,692,974.00
4 th Contract Term	2011/2012	\$2,773,763.00
5 th Contract Term	2012/2013	\$2,856,976.00

2. Contractor shall indemnify County and be otherwise wholly responsible for any and all work performed by sub-contractors under the Contract, including but not limited to any and all work performed by York-California and WellComp Managed Care Services, Inc. (hereinafter referred to as "WellComp"), to the extent that a failure to perform any Contract requirement by a sub-contractor shall be deemed a failure to perform and a material breach by Contractor itself.
3. Attachment A, Scope of Work of the Contract is hereby amended to incorporate changes, herein attached.
4. Attachment B, Compensation & Payment is hereby amended to incorporate changes, herein attached.
5. Attachment C, Staffing Plan is hereby amended to incorporate changes, herein attached.

Except otherwise expressly set forth herein, all Contract terms and conditions, scope, attachments, exhibits and/or schedules including amendments and modifications, are incorporated by this reference as if fully set forth herein and shall remain unchanged, in full force and effect.

CONTRACT SIGNATURE PAGE

The Parties hereto have executed this Contract on the dates shown opposite their respective signatures below.

York Risk Services Group, Inc.

Jody A. Gray Sr. Vice President
Print Name Title

Jody A. Gray 5/10/10
Signature Date

Peter E. Lind Secretary
Print Name Title

Peter E. Lind May 10, 2010
Signature Date

*** If the Contractor is a corporation, signatures of two specific corporate officers are required as further set forth.**

The first corporate officer signature must be one of the following: 1) the Chairman of the Board; 2) the President; 3) any Vice President.

The second corporate officer signature must be one of the following: a) Secretary; b) Assistant Secretary; c) Chief Financial Officer; d) Assistant Treasurer.

In the alternative, a single corporate signature is acceptable when accompanied by a corporate resolution demonstrating the legal authority of the signature to bind the company.

County of Orange, a political subdivision of the State of California

RONALD VIENNA County Purchasing Agent
Print Name Title

Ronald Vienna 5/12/10
Signature Date

APPROVE AS TO FORM:
Office of the County Counsel
County of Orange, California

DS 5.12.10
Daniel Shephard, Deputy County Counsel Date

ATTACHMENT A
Scope of Work

A. SERVICES

Services to be provided by Contractor shall be performed as follows:

Annual Claims Administration

Contractor and Contractors' dedicated staff shall be prepared and ready to commence the annual claims administration, as Third-Party Administrator, of all County WC Claims as of July 1, 2008. Services to be performed as more specifically detailed as follows:

B. PROGRAM SPECIFICATIONS

1. General Program Requirements

- a. The Contractor must be fully licensed by the State of California for the work to be performed for the entire period that the Contract is in effect.
- b. The Contractor must be capable and financially positioned to provide all core services required herein.
- c. The Contractor must maintain an electronic database capable of producing specialized and ad-hoc reports in addition to those required by the State of California.
- d. Contractor's system must maintain the ability to convert all workers' compensation claims and payment data from the existing system into data in the contractor's system, as well as the ability to normalize data during conversion. County agency/department codes and specific claim payment data must remain intact.
- e. Contractor's system must maintain the ability for County Workers' Compensation personnel to have full access to all portions of their claims system.
- f. In accordance with EDD requirements Contractor is required to file Federal Form 1099-Misc for services received from a "service provider" to whom the Contractor pays \$600 or more or with whom the Contractor enters into a Contract for \$600 or more within a single calendar year using the Contractor's Tax Identification Number.

2. Claims Administration Requirements

- a. The Contractor shall maintain adequate internal controls over all phases of case management to ensure accurate and timely program information. Adequate internal control shall be construed to include at a minimum, the definite assignment of responsibilities for performing established Case Management procedures, documentation of the performance of required procedures and sufficient supervisory review to ensure that individuals are in fact performing their assigned tasks.
- b. The Contractor shall be required to examine each claim for injury or illness to determine compensability in accordance with the State of California Workers' Compensation laws.
- c. The Contractor shall prepare and file all legally required forms and reports with the appropriate State agency and interested parties.
- d. The Contractor shall promptly accept all claims wherein the compensability is immediately evident as arising out of or being caused by work-related activities.
- e. The Contractor shall place on a 90-day delay status for further investigation any claims wherein the compensability is not evident, including notification to the employee and the County in accordance with the California Workers' Compensation laws.

- f. At no cost to the County, the Contractor shall request an Insurance Services Office (ISO) Index check on all new Indemnity claims. York will ensure that ISO provides updates to York as appropriate on continuing active claims. A claim initiated as a Medical Only claim but later converted to an Indemnity status will be indexed upon change in status. Contractor shall report all County claims to the Index system.
- g. Claims shall not be accepted after being delayed, nor shall they be denied or settled, without prior County approval.
- h. The Contractor shall submit a written request for settlement approval to the County's Program Manager. This request will include a brief history of the injury, the ratings of all pertinent medical reports, the amounts paid and reserved on the claim, the proposed settlement, the Contractor's recommendation and the pros and cons of the proposed settlement including an estimate of future cost or consequences if the County rejects the proposed settlement, as well as any other pertinent information that may influence the County's decision concerning settlement.
- i. Rehabilitation plans, subrogation and fraud investigations shall not be implemented without prior County approval.
- j. The Contractor shall be required to conduct initial investigative activities, whenever possible, at no additional charge to the County.
- k. The Contractor shall arrange for investigators or experts when, in the Contractor's judgment and with the written consent of the County, such action is deemed necessary to (1) properly process questionable cases; (2) assist in determining the status of disabled employees; (3) prepare litigated cases; or (4) assist in determining fraudulent claims.
- l. The Contractor shall actively collect any overpayment of benefits.
- m. The Contractor shall be required to manage, negotiate and settle any litigated claims, when possible, without aid of counsel.
- n. Written authorization from the County is required prior to assigning cases out to any subcontractor or defense attorney. The Contractor shall coordinate with and assist legal counsel in the preparation of litigated cases and negotiations of compromise and release and stipulated settlements.
- o. The Contractor shall inform the County, within three business days, of developments in litigated cases.
- p. The County shall be copied on all legal, investigative and rehabilitation correspondence and copies will be mailed within 3 business days.
- q. The Contractor shall determine eligibility for and promptly authorize payment of compensation in coordination with medical advice and rehabilitation efforts.
- r. Copies of medical reports establishing work restrictions and/or permanent and stationary status shall be sent to the County Program Manager within 3 days of receipt. The reports will be kept confidential from all County employees except those specifically designated to administer claims.
- s. Copies of doctor's notes establishing or modifying temporary or permanent work restrictions shall be faxed to the County Program Manager and Department HR the day of receipt.
- t. The Contractor shall determine the extent and degree of permanent disability, utilizing, as necessary, advisory ratings of the State Disability Evaluation Unit and make payments

accordingly. If outside raters are to be used, the County must approve in writing its use in advance.

- u. In the event the claims administration contract does not include all other necessary integrated services, the Contractor shall communicate and coordinate with all other subcontractors or vendors to ensure prompt and full reporting to the County.

3. **Integrated Managed Care Services**

Contractor shall provide medical cost containment and management services through its affiliate, WellComp as follows (herein called Integrated Managed Care Services):

- a. Contractor shall review medical bills and recommend payment allowances based on the appropriate Official Medical fee Schedule (OMFS), Preferred Provider Organization (PPO) Network contracts, Medical Provider Network (MPN) contracts, and pre-negotiated agreements for medical services.
- b. Contractor shall develop and maintain the County's Utilization Review Plan and perform Utilization Review pursuant to Labor Code 4610. Exhibit I to Scope of Work categorizes the tiered levels of services to be followed by Contractor for each category of medical treatment requests.
- c. Contractor shall develop, file and administer a Medical Provider Network (MPN) for the County pursuant to LC 4616.
- d. Where appropriate at the discretion of the County, Contractor shall provide telephonic nurse case management and field case management services.

4. **Financial Controls**

- a. The Contractor shall maintain current estimated future of the cost of all anticipated benefits on each claim and maintain procedures for reviewing and adjusting reserve adequacy no less frequently than every 90 days. The County shall be notified of all original or revised estimated future costs exceeding \$25,000.
- b. The Contractor shall establish procedures and necessary documentation for the payment of benefits, medical costs, legal fees and other related costs to enable the Contractor to issue payments to cover such expenditures.
- c. The Contractor shall monitor all claims for potential subrogation recoveries, prepare correspondence to effect collection, and assist legal counsel where litigation is required to effect recovery.
- d. The Contractor shall promptly report suspected fraud cases to the State Department of Insurance and the District Attorney's Worker's Compensation fraud unit. If the TPA has an internal Special Investigations Unit, they should also be notified.

5. **Consultation**

- a. The Contractor's staff shall, upon request, assist the County with development and implementation of a return to work program.
- b. The Contractor shall develop and recommend, as requested by the County, a panel of attorneys, investigators, rehabilitation counselors, and medical professionals. For all law firms performing work on behalf of the County of Orange the legal fees for the attorneys are set and approved by the Board of Supervisors.
- c. The Contractor shall send staff members to all Workers' Compensation Appeals Board (WCAB) and civil court proceedings, and rehabilitation conferences as requested.

- d. The Contractor's staff shall, upon request, attend meetings with and conduct training for, the County.
- e. The Contractor shall assist the County, as requested, with Medical Provider Network issues.
- f. The Contractor shall provide information and guidance to injured employees regarding the benefits they will receive in accordance with the County's policies.
- g. The Contractor shall provide information, assistance and guidance to injured employees regarding permanent disability ratings, the Agreed Medical Evaluator/Qualified Medical Evaluator (AME/QME) process, utilization review, and settlement of claims.
- h. The Contractor shall consult, at the County's direction, with County agencies/ departments on problem cases.
- i. The Contractor shall assist the County, as requested, with cost containment and incentive programs.

6. Runoff Claims

At the initiation of the Agreement, it is anticipated that there will be approximately 2,050 open claims being serviced by the current administrator as at the date of file transfer. All claims including open and future medical claims will be transferred to the new Third Party Administrator on or before July 1, 2008.

7. Dedicated Office/Unit

The Contractor shall establish a fully staffed, furnished, dedicated claims office or a segregated, secure unit, whose sole responsibility is the handling of the County's WC Claims. This office should be within a 20 mile radius of the CEO/RM Office, located at 600 W. Santa Ana Blvd., Santa Ana, CA 92701, during the term of this Contract and any extension thereto. This dedicated office or segregated, secure unit shall have adequate working space for all functions and shall include space for the storage and retention, at a minimum, of one year's worth of County's closed claim files. Claims closed longer than one year are the responsibility of the County.

8. Qualifications of Personnel

All personnel managing claims or contacting the public or County's employees must fluently speak and write English for the effective administration of this Contract. In addition, the County expects that TPA staff will meet or exceed the experience and professional qualifications listed below and have successfully completed a background check.

Position

Project/Branch Manager

Experience/Professional Qualifications

- a. A four (4) year college degree or a two-year degree and a combination of education and work experience directly related to the job duties of a Workers' Compensation Claims Manager.
- b. A minimum of five (5) years of California Workers' Compensation claims experience and certification as a Self-Insurance Administrator by the State of California Department of Industrial Relations (DIR) Self-Insurance Plans.
- c. A minimum of four (4) years of supervisory experience.
- d. A minimum of four (4) years experience in public sector Workers' Compensation claims management.
- e. A minimum of three (3) years California Labor Code 4850 benefit administration experience.

- f. A thorough knowledge of California Official Medical Fee Schedule applications to medical charges.
- g. A thorough knowledge of the State of California Labor Code including applications, litigation procedures, defenses, subrogation, investigation and provisions of laws governing administration of Workers' Compensation Claims.
- h. The ability to plan and direct the activities of personnel reporting to this position.
- i. Strong customer service, organizational and prioritization skills.
- j. Sound negotiation skills and the ability to make good decisions in resolution of claims are essential.

Position

Unit Manager

Experience/Professional Qualifications

- a. A four-(4) year college degree or a two-year degree and a combination of education and work experience directly related to the job duties of a Workers' Compensation Claims Supervisor.
- b. A minimum of four (4) years California Workers' Compensation claims experience and certification as a Self-Insured Administrator by the State of California DIR Self-Insurance.
- c. A minimum of two (2) years of supervisory experience.
- d. A minimum of three (3) years experience in public sector Workers' Compensation claims management.
- e. A minimum of three (3) years California Labor Code 4850 benefit administration experience.
- f. A thorough knowledge of California Official Medical Fee Schedule applications to medical charges.
- g. A thorough knowledge of the State of California Labor Code including applications, litigation procedures, defenses, subrogation, investigation and provisions of laws governing administration of Workers' Compensation Claims.
- h. The ability to plan and direct the activities of personnel reporting to this position.
- i. Strong customer service, organizational and prioritization skills.
- j. Sound negotiation skills and the ability to make good decisions in resolution of claims are essential.

Position

Claims Examiner

Experience/Professional Qualifications

- a. A two (2) year college degree or combination of education and work experience directly related to the job duties of a Claims Examiner.
- b. A minimum of three (3) years California Workers' Compensation claims experience and certification as a Self-Insured Administrator by the State of California DIR Self-Insurance.
- c. A minimum of two (2) years public sector Workers' Compensation claims experience with a California employer.
- d. A minimum of two (2) years California Labor Code 4850 benefit administration experience.
- e. A thorough knowledge of California Official Medical Fee Schedule applications to medical charges.

- f. A thorough knowledge of the State of California Labor Code including applications, litigation procedures, defenses, subrogation, investigation and provisions of laws governing administration of Workers' Compensation Claims.
- g. Strong customer service, organizational and prioritization skills.
- h. Sound negotiation skills and the ability to make good decisions in resolution of claims.

Position

Clerical & Support

Classification, duties and minimum experience for daily courier, reception and corresponding type personnel are as defined by the Contractor, however, the ratio of clerical and support staff to each Claims examiner shall be agreed upon by County's Program Manager and the Contractor.

Other:

Classification, duties and minimum experience for any other personnel are as defined by Contractor.

9. Caseload and Staffing

Adequate staff shall be provided to perform the services listed in this Contract in a manner satisfactory to the County. The Contractor shall propose an adequate maximum caseload per examiner.

If during the term of this Contract, the County deems the total number of Contractor's staff falls below the minimum, qualified temporary help must be hired at Contractor's expense. The Contractor shall communicate to County Risk Management all approved staffing and schedule changes to ensure adequate coverage and claims handling.

10. Recruitment/Appointment

The Contractor shall be responsible for recruitment and selection of all personnel consistent with the position experience levels and professional qualifications outlined in number 7 above. The CEO/RM reserves the right to have an opportunity to interview all finalists for the Claims Manager, Claims Supervisor and Claims Examiner positions. All hiring decisions with respect to the above positions shall be subject to final written approval by the County Program Manager.

11. Claims Manual

The Contractor shall prepare and maintain a comprehensive claims manual designed to establish measurable, specific, written standards of performance for the operation of the dedicated office/unit. Such performance standards will be specific to the needs of the County and may not be identical to those of other clients of Contractor. A copy of the claims manual shall be provided to the CEO/RM for reference and contract compliance verification.

12. Claims Information

- a. The Contractor shall install and maintain for County inquiry use a "read-only" access method via modem, communication lines or the Internet so that all County Workers' Compensation program staff is (are) linked to the Contractor's information processing system.
- b. Management and detailed claim reports shall be provided to the County upon request. Reports shall be provided pursuant to the terms of the final Contract.
- c. The Contractor System shall include the ability to track lost work days as part of each Indemnity claim.
- d. The Contractor System shall include the ability to track data by each individual County agency/department.

- e. The Contractor System shall include the ability to track claims by location of occurrence (street address and city).
- f. The Contractor System shall include the ability to meet Electronic Data Interface (EDI) requirements to report electronically to the State of California.
- g. The Contractor shall provide the capacity for the development of Ad Hoc reports by the County Program staff including CEO/RM financial staff.

13. Auditing of Claim Unit

The CEO/RM, or an agent thereof, may perform a yearly audit of the Contractor's claims files. The audit will include open indemnity files, lifetime medical files, closed indemnity files and medical only files.

Each file will be examined for but not limited to:

- a. Compliance with file procedures and approved claim manual standards.
- b. The degree of promptness and expertise with which claims have been handled.
- c. Three-point contact.
- d. Initial and current reserves.
- e. Transfer of risk.
- f. Payments.
- g. Medical management.
- h. Investigation.
- i. Rehabilitation.
- j. Litigation management.
- k. Closing procedures.
- l. Adequacy of file documentation.
- m. Accuracy of claim information system.

14. Benefit Payments

A. Indemnity Claims

- 1. The Contractor shall pay (or authorize payment via voucher) the first payment of compensation benefits within three working days after the claim is determined to be compensable.
- 2. Compensation benefits shall continue only upon determination by the Claims Examiner that the employee has not returned to work and that the treating physician has certified a disability exists.
- 3. All medical bills shall be reviewed for validity and appropriateness of treatment and charges adjusted per the Official Medical Fee Schedule. Contractor shall make medical payments in a timely manner as required by law.

B. Medical Only Claims

- 1. Medical only claims once accepted shall be closed within 90 days or if appropriate, converted to indemnity.

2. All medical bills shall be reviewed for appropriateness of treatment and charges adjusted per the Official Medical Fee Schedule.

C. Future Medical

1. Contractor shall review requests for medical treatment promptly for validity and shall expeditiously approve all appropriate covered treatment.
2. All medical bills shall be reviewed for appropriateness of treatment and charges adjusted per the Official Medical Fee Schedule.
3. Contractor shall make medical payments in a timely manner as required by law

15. Claims Payment and Maintenance of Checking Account

- A. The County shall maintain a zero balance based checking account that Contractor will utilize for the purpose of issuing checks for the payment of, but not limited to:
 1. Medical bills.
 2. Temporary disability benefits.
 3. Permanent disability benefits.
 4. Permanent disability benefits pursuant to Findings and Awards, Compromise and Release, or Stipulations with Request for Awards are issued by the Workers' Compensation Appeals Board.
 5. Permanent disability benefits pursuant to a Disability Evaluation Bureau rating.
 6. Legal and investigation related costs.
 7. Vocational Rehabilitation or Supplemental Job Displacement benefits.
 8. Other claim related costs.
- B. Such checking account will be a Zero Balance Account, which shall be reimbursed in accordance with California Government Code 31000.8, Statutory Authority for Third Party Administration of Workers' Compensation Claims for California Counties, and shall be subject to audit control by the County.
- C. Procedures for the maintenance of the checking account shall include the following:
 1. Complete separation of the following duties by assigned personnel, to include:
 - a. Authorization of payment,
 - b. Preparation of check,
 - c. Signing of check, and
 - d. Reconciliation of the bank account.
 2. Invoices submitted for payment must be an original or a duplicate which has been verified as payable and authenticated in writing. Invoices must be voided immediately upon preparation of the applicable check and before being returned to the person authorizing the payment.
 3. The use of original only or date-stamped copy of support documentation in the authorization of payments.
 4. Checks shall not be signed in advance or made payable to cash and all copies of voided, stop payments and canceled checks shall be retained.

5. Check numbers must be used in sequence and any supplies of unused checks shall be safeguarded to the extent that unauthorized access is precluded.
6. A list of all checks issued (shall be provided on CD or in electronic format) shall be furnished to the County on at least a monthly basis and shall include payee, amount, date, check number, case number and type of expense.
7. Provide the County with monthly bank reconciliation spreadsheet which is to be balanced to the monthly bank statement provided by the bank. Spreadsheet shall include the following items:
 - a. Total of Checks Issued
 - b. Total Stop payments and Voids
 - c. Total Outstanding checks in current month
 - d. Total Outstanding checks in prior month
 - e. List of reconciling items needed to balance to the bank
 - f. Total Paid

Above items should include a detailed listing of transactions. Reconciliation must be balanced to the bank before being submitted to the County. Information should be provided in CD or electronic format and sent to the County by the 5th working day of each month.

8. Checks shall be voided if not cashed within 60 days or as agreed upon by County and Contractor; and a monthly report provided to the County of "stale-dated" checks.
9. A cash receipts log shall be maintained to document receipt and conveyance to the County in a timely manner of any and all cash receipts received by the Contractor on behalf of the County.
10. Utilize a pre-numbered form unique to the County's account for documentation of each individual items of cost for all cases, whether or not actually paid from the checking account. These forms shall be used in sequence. All used and unused forms shall be accounted for and controlled. They shall serve as the basic source for input of cost information to the computer system. They shall also serve as the authorizing voucher for all disbursements from the checking account.
11. Provide a monthly check register listing all items of cost in numerical order by date of issue.
12. All checks issued for \$5,000 or more must be submitted to CEO/Risk Management for a second signature.
13. All checks payable to York Risk Services Group or any of its Integrated Managed Care subsidiaries must be submitted to CEO/ Risk Management for a second signature.
14. The Contractor shall notify the County regarding any overpayment and shall reimburse the County for any overpayment where the Contractor failed to exercise due care in making the payment.
15. The Contractor shall issue payment for all bills in compliance with applicable Labor Code requirements.
16. The Contractor shall notify the County regarding any penalty within ten days of notice or payment and shall reimburse the County for any penalty where the Contractor failed to exercise due care in making the payment in a timely manner.
17. The basis for all payments will be clearly documented and supported in the claim file.

16. Assessment of Administrative Penalties Payment

The Contractor shall reimburse the County for any penalties assessed the County which is found to be the result of the Contractor's lack of proper claim handling, including late payments and costs incurred due to late/improper notifications. The Contractor shall pay all administrative penalties assessed on claims from the Zero Balance Account under California Labor Code 129.5 whether imposed by a State of California administrative director, audit from the Office of Benefit Assistance and Enforcement or self-imposed. A log of all administrative penalties shall be maintained as to employee name, claim number, reason for penalty, amount and fault (whether Contractor or County). The Contractor will send copies of penalty worksheets or orders on each to the County within ten days of notice or payment. The Contractor will reimburse the County on a quarterly basis for the total sum of penalty assessments paid the prior quarter due to delay or other fault on the part of the Contractor.

17. Communication

The Contractor shall provide the following reporting options for new claims: (a) email (b) telephone (c) fax or (d) mail.

- A. Within one (1) business day of notification of injury, the Contractor shall make contact with the injured employee, unless he/she is represented by an attorney. Employees will be questioned regarding the specifics of the injury, medical history, outside employment, witnesses, etc. Employees will be informed of all rights and benefits. Employees will be assured their employer wishes to do as much as possible to return them to health and work at the earliest possible date. Questions will be answered and a positive rapport established with the employee to eliminate uncertainty and avoid litigation.
- B. Within 1 business day, the Contractor shall contact the employee's supervisor to substantiate the employee's claim or to present any additional or conflicting information. The Contractor shall maintain a close liaison with the County to ensure that all opportunities for returning an injured employee to productive status are maximized. The Contractor will also provide the County with disability status updates the day they are received and let the County know when employees are expected to return to work.
- C. Within 1 business day, prior to making an initial indemnity payment, the Contractor will contact the medical facility and discuss opportunities for modified work. In cases of continuing disability, the Contractor will obtain a medical report at least every 45 days to evaluate continuing disability payments and explore return-to-work.
- D. The Contractor will request medical releases within 5 business days of file make up and will follow up every 30 days until received.
- E. Accurate claim information including current status will be available to the County's Workers' Compensation program staff on-line.
- F. All telephone calls shall be returned within 1 business day.

18. Reports

- A. The Contractor shall prepare all reports and notices required for filing by the County as a Self-Insured employer by the State of California Division of Industrial Relations with regard to claims management, reserves or other documentation. These reports shall include, but are not limited to:
 - 1. Division of Worker's Compensation (DWC) Notices.
 - 2. California Public Self-Insurance Annual Report.

Items 17 A-1 and 17 A-2 above shall be produced in a manner and format that is approved by the CEO/RM.

- B. Contractor shall provide the monthly reports listed below by the 5th business day of the following month. Electronic reports in Microsoft Excel format are preferred for data analysis by County of Orange Risk Management staff.
1. Summaries by agency/department, location and for the total program.
 2. Listing of checks received - other insurance, subrogation, overpayments, etc.
 3. Voucher and check registers for the month.
 4. Listing of open claims with date of injury, body part, paid to date, reserves and estimated total incurred.
 5. Listing of open claims by category: medical only, indemnity and future medical.
 6. Listing by examiner that shows the ratio of open to closed claims.
 7. Summary financial loss information (paid, reserved, incurred) in indemnity, medical and expense categories.
 8. Open claims report grouped by department, location, employees' supervisor and claim examiner.
 9. Vendor transactions that include summary and detail reports grouped by vendor, date, service type and amount.
 10. Listing of new and reopened claims.
 11. Listing of closed claims with date closed, amount paid on claim, return to work status and permanent work restrictions.
 12. Listing of denied claims.
 13. Listing of all claims with total amount incurred over \$50,000.
 14. County fiscal year summaries by each agency/department and for the total claims paid.
 15. Listing of litigated claims with attorney assignment information and status.
 16. Listing of claims with lost or restricted work days, current work status of employee and amount of temporary disability paid.
 17. Listing of employees receiving Labor Code § 4850 pay and amount paid.
 18. Listing of all claims closed during the month and showing the difference between Paid to Date, Reserves and Total Incurred just prior to closure (Salvage).
 19. Listing of all claims closed comparing the current fiscal year to the prior fiscal year.
 20. New loss summary analysis, Countywide and by department, for the prior month including claimant's age, gender, injured body part, cause of injury, day of week, length of service and nature of injury.
 21. Claim detail report for new loss summary analysis.
 22. Quarterly summary legal costs paid to defense firms.
 23. Quarterly lost days report for each agency and division.
 24. Quarterly listing of penalties paid during the quarter.

25. Monthly alpha claims cost detail showing claims with financial activity during the month.
 26. Activity summary showing payment totals by category.
 27. Management summary for each fiscal year including claims counts and activity.
 28. List of Utilization Review fees for each claim including savings, initial physician review and appeals.
 29. List of bill review fees (BR) per claim and monthly BR activity summary.
 30. List of nurse case manager activity.
 31. Quarterly list of subrogation recoveries and expenses.
 32. Monthly report of all open OCCS claims including type and cause of injury.
 33. Monthly report of all OCSD claims closed during the month.
 34. Monthly report of all SSA claims opened during the month.
 35. Quarterly restricted work days report.
 36. Matrix report – quarterly comparison of payments by payment type to the same quarter year to date as the prior year. Only CA WC codes to be used.
- C. In addition to the monthly reports, the claims administration system should support standard County reports as needed, but not limited to:
1. A mechanism for identifying differing amounts at claim closing between original reserved amounts and actual paid amounts.
 2. Detailed case activity by claim that includes selected fields compiled to produce individual case “abstracts” such as employee activity when injured, etc.
 3. Location, claim and incident summaries, grouped as defined by CEO/RM for organizational hierarchy (department / division / facility / location) and OSHA 300 log data elements (i.e. injury/illness types, duration of lost-time/restricted duty).
 4. Medical case management reports in summary and detail for measurement of case planning, timeliness and appropriateness of actions, and effected outcomes.
 5. Bill review statistics of service dates and renderings, comparison of charged amounts to fee schedule and contracted rates, calculated savings, etc.
 6. UR summary and detail reports grouped by case, by vendor, by outcome, etc.
 7. Closed claim analysis grouped by department, location, supervisor and claim examiner.
 8. Subrogation summary and detail reports including dates of 3rd party liens filed co-coverage and recoveries.
 9. Quarterly (or as requested) report detailing the total paid by department in compensation, medical and expense categories.
 10. Check register by department for amounts paid for a specific time period.
- D. Contractor shall provide a bi-annually reports on cost savings by the 15th business day of the following month. Electronic reports in Microsoft Excel format are preferred for data analysis by County of Orange Risk Management staff.

19. **Additional system requirements**

- A The system should support loss coding, which generally follows National Council on Compensation Insurance (NCCI) standards.
- B Lost/restricted work day tracking.
- C The system shall track incident/injury frequency rates by department, division, job classification and location.
- D The system shall have the ability to track costs recoverable under SB 90 - Peace Officer Cancer Presumption.
- E The system shall be compatible with and have connectivity to the State of California Electronic Adjudication Management System when it goes live on July 1, 2008.

ATTACHMENT B
Compensation/Payment

1. **Compensation:** This is a fixed fee Contract between the County and Contractor for Third-Party Administration fees as provided in Attachment A, Scope of Work, exclusive of Integrated Managed Care Services. The Contractor agrees to accept the specified compensation as set forth in this Contract as full remuneration for performing all services and furnishing all staffing and materials required, for any reasonably unforeseen difficulties which may arise or be encountered in the execution of the services until acceptance, for risks connected with the services, and for performance by the Contractor of all its duties and obligations hereunder. The County shall have no obligation to pay any sum in excess of total contract amount specified below unless authorized by amendment.

Initial Contract term is not to exceed:

Conversion and Transition Fees (one-time charge)	\$269,000.00
Fixed Annual Fee for TPA Administrative Services	\$2,869,750.00
Total Cost	\$3,138,750.00

2. **Monthly Billing/Invoicing:**

Initial Contract Term (May 07, 2008 –June 30, 2009)	Monthly
Conversion and Transition Fees shall be in 2 equal payments for May and June 2008.	\$134,500.00
Fixed Monthly Fee for TPA Administrative Services shall be in 12 equal payments starting July 2008.	\$239,145.83
Total Initial Contract Term: \$3,138,750.00	

2nd Term (July 01, 2009 –June 30, 2010)	Monthly
Fixed Monthly Fee for TPA Administrative Services shall be in 12 equal payments starting July 2009.	\$243,928.75
Total for 2nd Contract Term: \$2,927,145.00	

3rd Term (July 01, 2010 –June 30, 2011)	Monthly
Fixed Monthly Fee for TPA Administrative Services shall be in 12 equal payments starting July 2010.	\$224,414.50
Total for 3rd Contract Term: \$2,692,974.00	

* Fees for fourth and fifth term shall increase by 3%

4th Term (July 01, 2011 –June 30, 2012)	Monthly
Fixed Monthly Fee for TPA Administrative Services shall be in 12 equal payments starting July 2011.	\$231,146.91
Total for 3rd Contract Term: \$2,773,763.00	

5th Term (July 01, 2012 –June 30, 2013)	Monthly
Fixed Monthly Fee for TPA Administrative Services shall be in 12 equal payments starting July 2012.	\$238,081.33
Total for 3rd Contract Term: \$2,856,976.00	

3. Integrated Managed Care Services Pricing: Fees for the services that follow are specific to individual County workers' compensation claims and are paid to Contractor affiliate, WellComp off of the respective claim (s) as either an allocated or medical expense, as appropriate.

a. Bill Review fees:

Per bill rate	\$13.99
Preferred Provider Organization and MPN review after fee schedule (in network)	24%
2 nd level review after fee schedule (out of network)	24%

b. Utilization Review Fees (excludes Pass Thru Activity which is at no charge): Medical treatment requests are categorized into levels of utilization review activity as detailed in Exhibit I to Attachment A.

	<u>Rate per Review</u>
Flat	\$145.00
Hospital inpatient	\$145.00
Hospital outpatient	\$145.00
Physical Therapy	\$ 75.00
Chiropractor review	\$ 75.00
MRI/CT review	\$ 75.00
Durable medical equipment	\$ 75.00
Other	\$ 75.00
Physician Review (General)	\$200.00/hr billable in 1/10 th hour increment
Physician Review (Specialty)	\$400.00/hr billable in 1/10 th hour increment

c. Medical Provider Network (MPN):

Per claim rate	\$48.00 per claim (life of claim)
Annualized flat fee	No Charge

d. Nurse Case Management:

	<u>Rate per Hour</u>
Telephonic	\$95.00
Field	\$95.00
Field Case travel time	\$95.00
Field Case travel – mileage	\$0.48/mile

4. Firm Discount and Pricing Structure: Contractor guarantees that prices quoted are equal to or less than prices quoted to any other local, state, or federal government entity for services of equal or lesser scope. Contractor agrees that no price increases shall be passed along to the County during the term of this Contract not otherwise specified and provided for within this Contract.

5. Contractor's Expense: The Contractor will be responsible for all costs related to photo copying, telephone communications, fax communications, and parking while on County sites during the performance of work and services under this Contract. The County will not provide free parking for any service.

6. **Payment Term:** Invoices are to be submitted within 30 days from the date Contractor completes services as defined in the Attachment A-Scope of Work. Contractor shall reference Contract number on invoice. Payment will be net 30 days after receipt, and approval, by County of an invoice in a format acceptable to the County of Orange and verified and approved by the agency/department and subject to routine processing requirements. All payments are made 30 days in arrears and shall be in 12 equal monthly payments.

Invoices shall cover services not previously invoiced. The Contractor shall reimburse the County for any monies paid to the Contractor for services not provided or when services do not meet the Contract requirements.

Payments made by the County shall not preclude the right of the County from thereafter disputing any items or services involved or billed under this Contract and shall not be construed as acceptance of any part of the services.

7. **Payment – Invoicing Instructions:** The Contractor will provide an invoice on the Contractor's letterhead for services rendered. Each invoice will have a number and will include the following information:

- a. Contractor's name and address
- b. Contractor's remittance address, if different from 1 above
- c. Name of County agency/department
- d. Contract Number
- e. Price Agreement Order Number (PG)
- f. Date of service
- g. Brief description of fees/services
- h. Contractor's Federal Tax I.D. Number

The Contractor shall be fully responsible for providing an acceptable invoice to the County. Incomplete or incorrect invoices are not acceptable and will be returned to the Contractor for correction.

The County's Program Manager, or designee, is responsible for approval of invoices and subsequent submittal of invoices to the Auditor-Controller for processing of payment. The responsibility for providing an acceptable invoice to the County for payment rests with the Contractor. Incomplete or incorrect invoices are not acceptable and will be returned to the Contractor for correction.

Invoices and support documentation are to be forwarded to:

County of Orange
County Executive Office
Risk Management/Workers' Compensation Program
600 W. Santa Ana Blvd., Suite 104
Santa Ana, CA 92701
Attn: Laurie Browning, Program Manager

The County's Program Manager is responsible for approval of invoices and subsequent submittal of invoices to the County Auditor-Controller for payment processing.

ATTACHMENT C
Staffing Plan

Primary Staff to perform Contract duties:

Position	Number of Employees
Branch Manager	1
Client Service Manager	1
Unit Manager	2
Claims Examiner	9/10*
Future Medical Examiners	2
Medical Only Examiner	1
Claims Assistant	4
Benefit Technician	2
Clerks	2

Staffing Plan will be reviewed after year three (3) and may be modified for year four (4) and year five (5) with approval of the County.

Staffing plan shall be structured to ensure that the County's claims are administered in compliance with all rules and regulations governing the administration of a self-insured employer pursuant to Sections 3700-3747, et, seq. of the California Labor Code and the California Administrative Procedures Act (California Government Code, Title 8)

*Contractor may maintain nine (9) assigned Claims Examiners once the total open Indemnity claims (excluding Future Medical Claims assigned to Future Medical Examiners) is equal to or less than 1395 claims (155 average caseload x 9 examiners) on average for 3 consecutive months. Contractor shall increase the assigned Claims Examiners to 10 if the total open Indemnity claims (excluding Future Medical Claims assigned to Future Medical examiners) exceed 1485 claims (165 average caseload x 9 examiners) on average for three consecutive months, thus taking the caseloads down to an average of 148 per examiner. The average case-load for each Claims Examiner will vary depending on experience level but in no circumstances will exceed 175 without County approval. Files must remain open until issues have been resolved and all outstanding payments, including fees, have been made. File closures must conform to California Administrative Code Section 15400.2.



ASSIGNMENT, NOVATION AND CONSENT AGREEMENT

This ASSIGNMENT, NOVATION AND CONSENT AGREEMENT is made as of the 01st day of July 2010 ("Agreement") by and among **York Insurance Services Group Inc., California** with an address of 750 The City Drive South, Suite 350 Orange, CA 92868, ("Assignor"), **York Risk Services Group, Inc.** with an address of 99 Cherry Hill Road, Suite 102 Parsippany, NJ 07054 ("Assignee"), and the County of Orange, a political subdivision of the State of California, with an address of 1300 South Grand Ave., Bldg. A, Santa Ana, CA 92705 ("County"), with Assignor, Assignee and County sometimes individually referred to as "Party" or collectively as "Parties."

WHEREAS, Assignor fully assumed the contractual obligations of Contract N1000009949 ("Contract") for the County's Third Party Administration of the Workers' Compensation Claims Program, issued to Southern California Risk Management Associates Inc. (SCRMA), the original contracting party with County and Assignor's predecessor-in-interest for the Contract;

WHEREAS, Assignor, a wholly owned subsidiary of the Assignee, hereby wishes to transfer and assign to Assignee its rights and obligations under the Contract;

WHEREAS, Assignee wishes to acquire the Contract and to continue to provide such Services to County in accordance with the terms and conditions of the Contract;

WHEREAS, County is willing to release Assignor from the obligations under the Contract and to consent to Assignee assuming such obligations under the Contract; and

WHEREAS, the parties desire to substitute Assignee in place of Assignor with respect to the Contract;

NOW, THEREFORE, in consideration of the premises hereto and the mutual covenants and agreements herein set forth, the parties agree as follows:

1. Assignor does hereby assign, transfer, and convey to the Assignee as of July 01, 2010 (the "Effective Date") all of Assignor's title, right, obligations, commitments and interest in, to and under the said Contract through June 30, 2011.
2. Assignee hereby accepts such assignment of the Contract as of the Effective Date, and agrees to assume all of Assignor's duties and obligations in, to and under the Contract from and after the Effective Date. Such assignment shall not hinder or preclude Assignee from participating in any future County Request for Proposal process.
3. County further consents to the substitution and novation of Assignee in place and instead of Assignor from and after the Effective Date.
4. County and Assignee each consent to fully release Assignor from any and all obligations, responsibilities, and duties under the Contract from and after the Effective Date.

5. Assignor agrees that it shall cooperate with Assignee in effectuating an orderly transition of the County information to the Assignee in order for Assignee to fulfill its obligations, responsibilities, and duties under the Contract from and after the Effective Date.
6. Assignor agrees to defend and indemnify County and Assignee from any and all claims, actions, judgments, liabilities, proceedings and costs, including reasonable attorneys' fees, resulting from and related to Assignor's performance under the Contract and subject to the terms of the Contract prior to the Effective Date.
7. Assignee agrees to defend and indemnify Assignor from any and all claims, actions, judgments, liabilities, proceedings and costs, including reasonable attorneys' fees and other costs of defense and damages, resulting from and related to the Contract from and after the Effective Date.
8. This Agreement constitutes the entire agreement concerning the assignment between the Parties and it may not be modified, altered or amended other than in writing and upon execution by all Parties.
9. This Agreement may be executed in faxed counterparts, and in such event, the counterpart signatures shall be assembled and shall together constitute a complete agreement.

IN WITNESS WHEREOF, THE PARTIES ACKNOWLEDGE THAT THEY HAVE READ THE ASSIGNMENT, NOVATION AND CONSENT, UNDERSTAND IT AND AGREE TO BE BOUND BY ITS TERMS. EACH PARTY HAS FULL POWER AND AUTHORITY TO ENTER INTO AND PERFORM THIS ASSIGNMENT, NOVATION AND CONSENT, AND THE PERSON SIGNING THIS ASSIGNMENT, NOVATION AND CONSENT ON BEHALF OF EACH HAS BEEN PROPERLY AUTHORIZED AND EMPOWERED TO ENTER INTO THIS ASSIGNMENT, NOVATION AND CONSENT.

York Insurance Services Group, Inc., California York Risk Services Group, Inc.

By: Richard Keltz
 Name: Richard Keltz
 Title: President of Commercial Business, EUP

By: Jody A. Gray
 Name: Jody A. Gray
 Title: Sr. Vice President

COUNTY OF ORANGE

By: _____
 Name: _____
 Title: _____

APPROVED AS TO FORM
 OFFICE OF THE COUNTY COUNSEL
 ORANGE COUNTY, CALIFORNIA
 By: W S O
 Deputy
 Date: 5.12.10