

The intent of this document is to provide adequate information supporting the District's recommendation to approve item II-3, Agreement between The School Board of Broward County, Florida (SBBC) and CompServices, Inc. (CSI) for Select Workers' Compensation Services. This agreement was secured through direct negotiation and contract as permitted through School Board Policy 3320:

*Part V, B. – Risk Management and Benefits Departments:*

*Except as otherwise required by statute, The School Board, when purchasing insurance, entering risk management programs, or contracting with third party administrators may make any such acquisitions through the competitive solicitation process as described herein or by direct negotiations and contract.*

On June 11, 2013, the School Board approved Item GG-1, Agreement between The School Board of Broward County, Florida and Comp Options Insurance Company, Inc. (COIC) for Select WC Services. This was in conjunction with several other approved items leading to the establishment of an "in-house", Self-Administered Workers' Compensation Unit to manage the core program components, while strategically contracting select and vital support services.

While this 2013 contract was not an addendum to the prior 2006 contract with COIC (formerly Integrated Administrators), the contract was primarily based on services and standards going back to RFP 27-020V with specific omissions for the core-decision making responsibilities to be handled by SBBC (section 2.07 –Services Omitted from Phase II).

The 2013 contract provided the District with the supplemental services which led to immediate success and positive outcomes in the first two years of the District's Self-Administered WC program. The table below shows a summary of the overall financial impact of the program by comparing the average of the first two years in self-administration to the prior three years (pre transition).

Fiscal Year	Pre - Transition			Post - Transition	
	2010-11	2011-12	2012-13	2013-14	2014-15
Total Administrative Costs	\$ 4,773,304	\$ 4,273,304	\$ 4,273,304	\$ 4,073,391	\$ 3,671,828
Claims Costs	\$ 14,467,490	\$ 13,501,523	\$ 13,700,001	\$ 9,574,973	\$ 11,448,855
Total WC Costs	\$ 19,240,794	\$ 17,774,827	\$ 17,973,305	\$ 13,648,364	\$ 15,120,683
Average Cost Per Year		\$18,329,642		\$14,384,524	
<b>Average Reduction per year</b>	<b>\$3,945,118</b>				

At the time of the transition to self-administration in October of 2013, COIC had made an organizational decision to move to a new claims and data management system, Comp Suite, which was subcontracted to CSI. District WC staff have been collaborating with CSI since that time to integrate the District's unique medically driven model into CompSuite and management reports. Shortly after COIC was acquired by AmTrust North America (AmTrust) in October of 2014, COIC proposed the District move from CompSuite to AmTrust's propriety claims software, but the change did not take place, as the AmTrust system was clearly inferior and would not adequately support the District's WC program.

COIC, now an AmTrust company, continued to make organizational changes which led to more services being managed/subcontracted to CSI, which was beneficial to the District. CSI currently provides two of the most integral services (claims & data management and medical bill review/repricing), provides collaborative support with AmTrust in others, and has the ability to provide the majority of services directly. With the current contract with AmTrust coming to an end, it is in the District's best interest to directly contract with CSI to preserve the District's current claims and data management platform, minimize operational disruptions, and minimize the probability of rising administrative costs.

While not impossible for another provider(s) to replicate the unique services the District is currently receiving, it would require a transition to a new claims system and cause a substantial operational disruption. Many employers and third party administrators remain using an outdated claims system just to avoid/delay the difficulties associated with the transition/conversion.

The District's WC program is medically driven, which requires medical modules/screens in a claims system that are rarely, if ever, included in a base claims system. There was extensive development to build medical modules to both the District's former claims system, iVOS, which was used prior to the transition to self-administration and CompSuite, our current claims system to capture medical (all treating clinicians past and present, replication of DWC-25, etc.) and Stay-at-Work/Return-to-Work (lost time and modified duty dates/segments) data above and beyond the industry standards. These medical modules directly relate to the District's extensive catalog of reports that were also developed and continue to be tweaked based on the District's feedback and needs. Additionally, the District assigns a claim to a claims adjuster and a medical case manager, with specific permissions, diaries, and note codes for each. Having a nurse on every claim is not industry standard and very few claim systems have them included or the ability to add them without significant programming changes. Two alternative claim systems were demonstrated to the District's WC leadership over the past year. Both were significantly inferior to our current claims system and reporting capabilities.

Another reason to secure the proposed contract with CSI is purely based on timing. The District's WC program is just completing a successful, but challenging, transition to self-administration. In a period of under 3 years, the District has developed a new WC unit consisting of 24 new employees (28 total), developed new operating procedures, learned a new claim system, and established reports to measure programmatic performance, just to name a few. Even though the program has demonstrated early success, the program is still in its infancy and stabilization phase. Any interruption to current claims handling and operations would be a significant setback to the program's development and optimization.

Approving item II-3 and securing the proposed contract will provide the District with an average annual savings of \$160,000 compared to the current contracted rate and directly reduce future WC administrative costs. By securing these WC services for three years at today's market value, the District will lock in high quality services at a fixed rate rather than be exposed to inflationary or industry variables. While the District will always be susceptible to the rise and fall of (self-insured) WC rates, direct administrative costs (service contracts, salaries, equipment, etc.) are unlikely to decline. In addition, the stability of services and operations should have an indirect positive effect on claim costs.

Long term there may be opportunities to bring additional services in house such as Triage & Intake or even possibly developing a proprietary SBBC claims system. However, currently there are obstacles to each. Triage & Intake is a 24/7/365 service that requires at least one staff member available at all times. This is not conducive to any current District (ESMAB or COPA) schedule. Development of a claims system is a long term possibility, but would require a significant upfront expense on programming and a long term commitment to obtain a return on the investment. A new system would also need to both enhance program performance and be cost neutral or provide some savings in comparison to outsourcing a claims system. WC Leadership plans to meet with the District's Chief Information Officer, after completing some preliminary research to determine this prospect. These are just a couple examples of the benefits to allowing the program time to mature and explore opportunities and determine the next appropriate steps.

Other services do not appear viable to bring "in-house" now or in the future for clear reasons. The District would not want to be increased by assuming the role to medically credential and oversee clinicians. Medical Bill Review and Repricing requires a very specific expertise such as repricing of fee schedules and multiple network contracts. Additionally, given the complexities of ever-changing statutory and regulatory requirements and a widely divergent provider market environment, it requires tremendous efforts to establish, maintain and administer an effective operation. While the District has an Accounts Payable Department, a large organization such as CSI has better economies of scale to make it more cost effective to outsource, rather than bring

bill payment "in-house." These are just several examples of observations that have been made as the program strives for continuous improvement and goal to become a "Best-in-Class" WC program.