

**Date:** January 25, 2017

**To:** Board of Directors

**From:** Neil McFarlane *Neil McFarlane*

**Subject:** RESOLUTION 17-01-01 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH CORVEL CORPORATION FOR WORKERS' COMPENSATION PROGRAM THIRD-PARTY ADMINISTRATOR SERVICES

**1. Purpose of Item**

The purpose of this item is to request that the TriMet Board of Directors (Board) authorize the General Manager to execute a contract with CorVel Corporation (CorVel) for workers' compensation program third-party administrator services (Services).

**2. Type of Agenda Item**

- Initial Contract
- Contract Modification
- Other \_\_\_\_\_

**3. Reason for Board Action**

Board approval is required for personal services contracts obligating TriMet to pay in excess of \$150,000.

**4. Type of Action:**

- Resolution
- Ordinance 1<sup>st</sup> Reading
- Ordinance 2<sup>nd</sup> Reading
- Other \_\_\_\_\_

**5. Background**

TriMet has used a third-party administrator (TPA) to process its self-insured workers' compensation claims since 1979, when the program was created. The TPA oversees all aspects of claims processing from inception to closeout and provides medical bill review, records storage, and Medicare Medical Savings Account reporting, as well as an online portal for claimants and TriMet staff and a smartphone application.

In 2011, TriMet issued a formal Request for Proposals (RFP) seeking a TPA for workers' compensation claims. TriMet received six proposals in response to the RFP. CorVel was selected and awarded the Contract after board approval in October 2011. CorVel has been an excellent provider of these services and the overall experience with the company has been positive.

The current contract with CorVel expires on January 31, 2017. TriMet explored the possibility of undertaking another RFP process, however, in the years since the last RFP, the market for these services has shrunk. In particular, there are very few firms with the ability to handle Oregon workers compensation claims for large self insured entities such as TriMet. Much of the lack of competition can be attributed to the fact that CorVel has steadily increased its number of clients, including most of the public agencies in the Portland metro area.

Market research has been conducted and TriMet was able to identify only two firms in addition to CorVel that would be able to provide the Services. One, Citycounty Insurance Services (CIS), was contacted in order to gauge interest and they did not respond to TriMet inquiries. The other firm identified as a potential proposer was Tristar Insurance Group (Tristar). Tristar was the TPA for workers' compensation claims for TriMet prior to CorVel. TriMet's experience with Tristar was not positive. TriMet staff noted many instances of customer service issues, particularly in relation to the timeliness of their responses. In addition, Tristar experienced a high rate of turnover in the staff assigned to TriMet. Staff also reached out to self insurers who currently use Tristar for their TPA services and heard similar complaints related to timeliness of response and turnover. These types of issues can be costly to TriMet as the State can assess penalties for a lack of timeliness.

## **6. Procurement Process**

Given that the only competition identified by TriMet through market research was either uninterested or would not be considered qualified, staff requests that the Board authorize a sole source contract with CorVel for the Services in the estimated total amount of \$1,088,074 for a projected five year term.

When TriMet initially contacted CorVel for a price quote, they submitted a price of \$1,026,611 based on an initial term of one (1) year, with four (4) option years. Staff then asked for a revised quote based on an initial term of three (3) years with two (2) option years at TriMet's discretion. The revised quote is \$1,013,074 over the duration of the contract, which represents a total savings of \$13,537 from CorVel's initial quote. It should be noted that, in addition to the annual fee to CorVel, the contract will include additional, nominal fees associated with claim services such as bill review and nurse triage. These nominal fees are consistent with similar fees that CorVel charges for claims related services under the current Contract. The additional fees will be based on the amount of workers' compensation claims submitted as well as how frequently the related services are utilized by employees, but are not expected to exceed \$15,000 per year. Therefore, the amount of the contract, considering the annual fees to be paid to CorVel in addition to an estimated amount of \$15,000 per year for claims related services, will be \$1,088,074.

## **7. Diversity**

CorVel's current workforce is comprised of 80% female and 32% minority employees. There are no subcontracting opportunities as they intend to self-perform all of the services.

## **8. Financial/Budget Impact**

The total amount of the contract will be \$1,013,074 in fees, plus client service costs currently estimated to be up to \$15,000 per year. The Services are included in the Finance budget.

**9. Impact if Not Approved**

TriMet would need to issue an RFP for the services. As stated above, due to lack of competition in the marketplace, this would not be an effective or efficient use of TriMet resources. Moreover, switching third-party administrators could result in delays in processing workers' compensation claims which could result in financial penalties for TriMet.

DB/LesS/AW/pc

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**RESOLUTION 17-01-01**

**RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH CORVEL CORPORATION FOR WORKERS' COMPENSATION PROGRAM THIRD-PARTY ADMINISTRATOR SERVICES**

WHEREAS, TriMet has authority under ORS 267.200 to enter into a contract with CorVel Corporation (CorVel) for workers' compensation program third-party administrator services; and

WHEREAS, the total amount of the Contract shall exceed \$150,000; and

WHEREAS, the TriMet Board of Directors (Board), by Resolution dated November 25, 2009, adopted a Statement of Policies requiring the Board to approve personal services contracts obligating TriMet to pay in excess of \$150,000;

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Contract shall be in conformance with applicable laws.
2. That the General Manager or his designee is authorized to execute the Contract, plus client service costs of not more than \$15,000 per year, with the actual amount to be based on workers' compensation claims submitted and additional services utilized.

Dated: January 25, 2017

\_\_\_\_\_  
Presiding Officer

Attest:

\_\_\_\_\_  
Recording Secretary

Approved as to Legal Sufficiency:

  
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Legal Department