

Date: December 15, 2021

To: Board of Directors

From: Sam Desue, Jr.

Subject: RESOLUTION NO. 21-12-50 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH CORVEL ENTERPRISE COMP., INC. (CORVEL) FOR WORKERS' COMPENSATION PROGRAM THIRD-PARTY ADMINISTRATOR SERVICES

1. **Purpose of Item**

This Resolution requests that the TriMet Board of Directors (Board) authorize the General Manager or his designee to execute a contract with CorVel Enterprise Comp., Inc. (CorVel) for the procurement of workers' compensation program third-party administrator services (Contract).

2. **Type of Agenda Item**

- Initial Contract
- Contract Modification
- Other _____

3. **Type of Contract Procurement**

- Low Bid / Invitation to Bid (ITB)
- Request for Proposals (RFP) (inc. CM/GC)
- Request for Qualifications (RFQ) (Personal Services)
- Other (inc. sole source): Sole Source

4. **Reason for Board Action**

Board authorization is required for all personal services contracts obligating TriMet to pay in excess of \$500,000.

5. **Type of Action**

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

6. **Background**

TriMet has used a third-party administrator to process its self-insured Workers' Compensation claims since 1979, when the program was created. The third-party administrator oversees all aspects of the claims processing process, from inception to closeout. The third-party administrator also provides medical bill review, records storage,

Medicare Medical Savings Account reporting, an online portal for claimants and TriMet staff, and a Smartphone application.

In 2011, TriMet issued a formal Request for Proposals (RFP) seeking a third-party administrator for Workers' Compensation claims. TriMet received six proposals in response to the RFP. CorVel was selected and awarded the Contract after the Board's approval in October 2011.

When the 2011 contract expired in 2017, TriMet explored the possibility of undertaking another RFP process. However, since the 2011 RFP process, the market for these services changed. In particular, there are very few firms with the ability to handle this type of work for large, self-insured entities such as TriMet. After conducting extensive market research, TriMet identified two firms in addition to CorVel that could be able to provide the requested services: CIS Insurance Solutions (CIS) and TriStar Insurance Group (TriStar). Although TriMet contacted CIS in order to gauge interest, CIS did not respond to TriMet's inquiries.

TriMet also considered TriStar, the other potential proposer identified, which had been TriMet's third-party Workers' Compensation claims administrator prior to CorVel. However, TriMet's prior experience with TriStar was less than ideal, due to customer service issues, inadequate timeliness of responses, and a high rate of turnover of staff assigned to TriMet. TriMet's investigation led to the conclusion that TriStar would not be able to provide the level of customer service TriMet required. Therefore, on January 25, 2017, TriMet entered into a five-year sole source contract with CorVel, pursuant to Resolution No. 17-01-01.

In anticipation of the expiration of the current contract with CorVel in January 2022, TriMet staff conducted a Request For Information (RFI) in March of 2021. This RFI produced only two responses: one from CorVel and the other from TriStar. The industry remains limited and, after review of the RFI, TriMet continues to have concerns with TriStar's ability to satisfy TriMet's expectations under the contract. Therefore, TriMet wishes to maintain its relationship with CorVel and enter into another five-year, sole source agreement.

7. **Description of Procurement Process**

Given that TriMet does not consider qualified the only competition identified, staff requests that the Board authorize a sole source contract with CorVel for the third-party administrator services, in the estimated amount of \$1,440,000, over a five-year contract term.

During the procurement process, CorVel confirmed its intent to include additional nominal fees associated with claim services, such as bill review and nurse triage (see fee structure table below). These fees are very similar to those CorVel charged for claim-related services under its prior and current contracts with TriMet. 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, including the annual fees and the estimated \$15,000 per year for claims-related services, is not expected to exceed the amount of \$1,440,000.

Description of Costs	Pricing
Flat Annual Fee	\$255,000
Electronic Data Transmission - \$250 Monthly File Fee	\$3000
Annual Administration Fee	\$15,000
Estimated Annual Bill Review & Nurse Triage Fee	\$15,000
Total Annual Charges . . .	\$288,000
Total Proposed 5-Year Contract Amount . . .	\$1,440,000

No price increases shall occur during the first year of this Contract. However, at the end of the first year and each year thereafter, all fees outlined on CorVel's Claims and Managed Care Pricing Sheet will increase by the greater of the Consumer Price Index (CPI), or 3.5%.

8. **Diversity**

CorVel's current workforce of 4,058 employees is 78.8% female and 32.6% minority. There are no subcontracting opportunities because CorVel intends to self-perform all of the Contract services.

9. **Financial/Budget Impact**

The total Contract amount is accounted for in the Finance and Administrative Services operating budget.

10. **Impact if Not Approved**

If this Resolution is 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's resources. Moreover, switching third-party administrators could delay processing Workers' Compensation claims, which could result in financial penalties for TriMet.

RESOLUTION NO. 21-12-50

**RESOLUTION NO. 21-12-50 OF THE TRI-COUNTY METROPOLITAN
TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A
CONTRACT WITH CORVEL ENTERPRISE COMP., INC. (CORVEL) FOR
WORKERS' COMPENSATION PROGRAM THIRD-PARTY ADMINISTRATOR
SERVICES**

WHEREAS, TriMet has authority under ORS 267.200 to enter into a contract with CorVel Enterprise Comp., Inc. (CorVel) for the procurement of Workers' Compensation program third-party administrator services (Contract); and

WHEREAS, by Resolution dated October 25, 2017, the TriMet Board of Directors (Board) adopted a Statement of Policies requiring the Board to authorize personal services contracts obligating TriMet to pay in excess of \$500,000; and

WHEREAS, the total amount of the Contract exceeds \$500,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Contract shall conform with applicable law.
2. That the General Manager or his designee is authorized to execute the Contract in the amount of not more than \$1,440,000, with the total amount to be based on annual client service costs, Workers' Compensation claims submitted, CPI increases and additional services utilized through the December 14, 2026, Contract term.

Dated: December 15, 2021

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:

Gregory E. Skillman

Legal Department