

COUNTY ADMINISTRATOR

DONNA LINTON
ASSISTANT COUNTY ADMINISTRATOR

AGENDA	#	9	Γ	ecember	18,	2012
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November 26, 2012

Honorable Board of Supervisors County of Alameda 1221 Oak Street, Suite 536 Oakland, California 94612-4305

Dear Board Members:

SUBJECT:

EXTEND AND INCREASE CONTRACTS FOR WORKERS' COMPENSATION

MANAGED CARE SERVICES, REQUEST FOR PROPOSAL NO. 900447:

AMOUNT: \$1,000,000

RECOMMENDATION:

Approve and authorize the Purchasing Agent to negotiate Amendments, attached hereto, to extend Master Contract No. 900447 with the following contractors to provide workers' compensation managed care services to the County Administrator's Office Risk Management Unit (CAO-RMU):

- A. EK Health Services, Inc. (Eunhee Kim, Owner), 992 S. De Anza Blvd, Suite 101, San Jose, CA, Procurement Contract No. 3100. The contract includes Category 1. Medical Case Management and Category 2. Utilization Review/Peer Review services. The contract amount will increase from \$2,530,522 to \$3,330,522, an increase of \$800,000. The term of the contract extension shall be one year, beginning on January 1, 2013 and ending on December 31, 2013; and
- B. Sedgwick CMS, Inc. (Jay Ayala, Senior Vice President), 2101 Webster Street, Oakland, CA, Procurement Contract No. 3108. The contract includes Category 3. Medical Bill Review, Preferred Provider Organization and Pharmacy Benefits Management services. The contract amount will increase from \$805,796 to \$1,005,796, an increase of \$200,000. The term of the contract extension shall be six months, beginning on January 1, 2013 and ending on June 30, 2013.

The total amount of the contracts will be increased from \$3,336,318 to \$4,336,318, an increase of \$1,000,000. The contract total value is a pool amount to be distributed between both vendors. Authority to transfer funds between the aforementioned vendors, not to exceed the total contract amount is requested. The contracts allow for these extensions by mutual agreement.

DISCUSSION/SUMMARY:

On July 22, 2008, File No. 23744, Item No. 74, your Board authorized the Purchasing Agent to enter into three-year contracts for workers' compensation managed care services with EK Health Services, Inc. and Sedgwick CMS, Inc. On September 13, 2011, File No. 26907, Item No.100, your Board authorized a First Amendment to increase the contract amount. On November 22, 2011, your Board authorized Amendments to extend and increase the aforementioned contracts.

The County of Alameda (County) workforce covered by the County's workers' compensation program consists of approximately 9,100 full-time and part-time employees including safety personnel in the District Attorney's Office, the Probation Department, the Sheriff's Office, and the Fire Department. The County requires the services of a workers' compensation managed care program provider capable of providing nursing telephonic case management and field case management. The County also requires utilization review and physician review services to ensure that treatment requests from medical providers are appropriate for patient medical conditions, follow evidence-based guidelines, and adhere to all legal, statutory requirements, and regulations as identified by the California Department of Industrial Relations, Division of Workers' Compensation (DWC). These extensions will allow for continuity of service while a new Request for Proposal (RFP) process is conducted.

SELECTION CRITERIA/PROCESS:

CAO-RMU worked with GSA-Purchasing to develop and issue an RFP on April 18, 2008. Two networking/bidders conferences were held after the RFP was issued and were attended by 13 firms. Eleven responses were received to the RFP. Three were disqualified for being non-responsive to the bid requirements. The bid was split into three categories. Each category had its own evaluation criteria. EK Health Services, Inc., the highest ranked vendor, was awarded two categories and agreed to subcontract with Small, Local, Emerging Business (SLEB) vendor Disability Management Insights for 20% of the total contract value. Sedgwick CMS, Inc., the second highest ranked vendor, subcontracted with the General Supply Co. and with NASHional Office Furniture dba Gene's Office Products, both SLEB vendors for 20% of the total contract value.

On July 11, 2011, the Office of Contract Compliance (OCC) approved a request from EK Health to use SLEB subcontractors, Integral Consultants Occupational Medicine, for 15% of the contract amount and Occidental Consulting for 5% of the contract amount. On March 4, 2011, OCC approved a request from Sedgwick CMS, Inc. to revise their SLEB commitment and use Disability Management Insights, Inc., Castro Valley, for 3% of the contract amount, Digistream Investigations, Inc., Alameda for 7% of the contract amount and TDM Enterprise, San Leandro for 10% of the contract amount. The request was approved by OCC on March 31, 2011. According to CAO-RMU, as of November 7, 2012, SLEB compliance was 34.9% for EK Health Services, Inc. and 20.2% for Sedgwick CMS, Inc.

FUNDING:

Appropriations for this program are included in the CAO-RMU FY 2012-13 Final Budget and will be requested in future budget years. No additional appropriations are required and there will be no increase in net County cost.

Respectfully submitted,

Susan S. Muranishi

County Administrator

Director, General Services Agency

Attachments

AKN:ML:hh\l\Board Letters\Purchasing\FY 2012-13\Workers' Comp MCP 2nd & 3nd Amendment BL

Patrick J. O'Connell, Auditor-Controller cc: Donna R. Ziegler, County Counsel

RFP #900447, MANAGED CARE PROGRAM SERVICES JANUARY 1, 2013 – DECEMBER 31, 2013

Vendor		Estimated Amount Paid to	Local Participation		Small Local	Small Local & Emerging Participation
4 Circles	TOTALION.	Vendor	Dercentage	Dollar	Dercentage	Dollar Amount
			1 CLOCALERS	Amount	o Smire A vo v	AND
EK Health Services, Inc.	San Jose, CA	\$800,000.00	20%	\$160,000.00	20%	\$160,000.00
Sedgwick CMS, Inc.	Oakland, CA	\$200,000.00	100%	\$200,000.00	20%	\$40,000.00

JANUARY 1, 2009 - November 7, 2012

Vendor	S. C.	Amount Paid to Vendor (to date)	Local Participation	icipation	Small Local Partici	Small Local & Emerging Participation
4 (15,100)		TAMESTER STREET CONTRACT TO SELECT	Dorrontogo	Dollar	Derocutogo	Dollor Amount
			reicemage	Amount	reiceillage	Lona Amount
EK Health Services, Inc.	San Jose, CA	\$2,368,607.52	34.94%	\$827,658.00	34.94%	\$827,658.00
Sedgwick CMS, Inc.	Oakland, CA	\$697,755.58	100%	\$697,755.58	20.20%	\$140,924.54

Vendor	SLEB Subcontractor	Location	SLEB Certification Number/ Date	Principal		Percentage	Dollar Amount
EK Health, Inc.	Occidental Consulting	Oakland, CA	09-00230 09/01/10-08/31/14	Patricia Huertas	Owner	26.25%	\$621,843.00
EK Health, Inc.	Integral Consultants	Oakland, CA	09-00264 10/01/11-09/30/13	Ramon Terrazas	Owner	8.69%	\$205,815.00
Sedgwick CMS, Inc.	Digistream Investigations, Inc	Alameda, CA	06-90969 06/01/11-05/31/13	William Aaronson	President	7.64%	\$53,307.50
Sedgwick CMS, Inc.	Disability Management Insights	Castro Valley, CA	03-90294 10/01/08-12/31/14	Linda Stutzman	Principal	3.77%	\$26,273.13
Sedgwick CMS, Inc.	TDM Enterprise	San Leandro, CA	09-00328 12/01/09-12/31/14	Theresa Marmon	Owner	8,79%	\$61,343.91

THIRD AMENDMENT TO AGREEMENT

This Third Amendment to Agreement ("Third Amendment") is made by the County of Alameda ("County") and EK Health Services, Inc., ("Contractor") with respect to that certain agreement entered by them on January 12, 2009 and those certain First and Second Amendments to Contract, (collectively referred to herein as the "Contract") pursuant to which Contractor provides workers' compensation managed care program services to County.

County and Contractor agree as follows:

- For valuable consideration, the receipt and sufficiency of which are hereby acknowledged,
 County and Contractor agree to amend the Agreement in the following respects:
- 2. Except as otherwise stated in this Third Amendment, the terms and provisions of this Amendment will be considered to be effective as of the date this Third Amendment is executed by the County ("Effective Date").
- 3. The term of the Agreement is currently scheduled to expire on December 31, 2012. As of the Effective Date, the term of the Agreement is extended through December 31, 2013
- 4. In consideration for Contractor's additional services, the County shall pay Contractor in an additional amount not to exceed Eight Hundred Thousand dollars (\$800,000). As a result of these additional services, the not to exceed amount has increased from Two Million Five Hundred Thirty Thousand and Five Hundred Twenty Two dollars (\$2,530,522) to Three Million Three Hundred Thirty Thousand and Five Hundred Twenty Two dollars (\$3,330,522) over the term of the Agreement and any amendments.
- 5. Item 20 of the Standard Services Agreement has been amended as follows:

TERMINATION: The County has and reserves the right to suspend, terminate or abandon the execution of any work by the Contractor without cause at any time upon giving to the Contractor prior written notice. In the event that the County should abandon, terminate or

suspend the Contractor's work, the Contractor shall be entitled to payment for services provided hereunder prior to the effective date of said suspension, termination or abandonment. Said payment shall be computed in accordance with Exhibit B hereto, provided that the maximum amount payable to Contractor for its Investigation Services shall not exceed \$3,330,522 in payment for services provided hereunder prior to the effective date of said suspension, termination or abandonment.

6. DEBARMENT AND SUSPENSION CERTIFICATION:

- a. By signing this Third Amendment and Exhibit D, Debarment and Suspension Certification, Contractor/Grantee agrees to comply with applicable federal suspension and debarment regulations, including but not limited to 7 Code of Federal Regulations (CFR) 3016.35, 28 CFR 66.35, 29 CFR 97.35, 34 CFR 80.35, 45 CFR 92.35 and Executive Order 12549.
- b. By signing this agreement, Contractor certifies to the best of its knowledge and belief, that it and its principals:
 - (1) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntary excluded by any federal department or agency;
 - (2) Shall not knowingly enter into any covered transaction with a person who is proposed for debarment under federal regulations, debarred, suspended, declared ineligible, or voluntarily excluded from participation in such transaction.
- 7. A Revised Exhibit B, Payment Terms, is attached to this Amendment.
- 8. Except as expressly modified by this Third Amendment, all of the terms and conditions of the Contract are and remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Agreement as of the day and year first above written.

COUNTY	OF ALAMEDA	EK HEALTH SERVICES, INC.
Ву:	Signature	By:Signature
Name:	(Printed)	Name:(Printed)
Title:	Purchasing Agent	Title:
Date:		Date:
		By signing above, signatory warrants ar

By signing above, signatory warrants and represents that he/she executed this Agreement in his/her authorized capacity and that by his/her signature on this Agreement, he/she or the entity upon behalf of which he/she acted, executed this Agreement.

REVISED EXHIBIT B PAYMENT TERMS

1. County will pay Contractor upon successful completion and acceptance of the following services listed below, within thirty (30) days, upon receipt of invoice.

1.	Junty Wil	n pay Com		1					ville scrvices		,	, , ,	ays, upon recei	pt of mv							
				Year 1	,	Year 2	7	Year 3		Year	3 Additional	Hours			Year 4			Year 5			
Description	Unit of Measure	Estimated Annual Quantity	Unit Cost	Extended Cost*	Unit Cost	Extended Cost*	Unit Cost	Extended Cost*	Total 3 year Term Cost	Estimated Additional Quantity	Unit Cost	Extended Cost*	Total 3 Year Term Cost inc/ Additional Hours	Unit Cost	Estimated annual quantity	Extended Cost*	Unit Cost	Estimated annual quantity	Extended Cost*	Total Year 5 Term Cost	Total 5 Year Contract Cost
												Medical	Case Management								
Telephonic Nurse	Hour	970	\$80.00	\$77,600.00	\$83.20	\$80,704.00	\$86.50	\$83,905.00	\$242,209.00	735.2	\$86.50	\$63,595.99	\$305,804.99	\$86.50	1116	\$96,534.00	\$85.00	1502	\$127,670.00	\$127,670.00	\$530,008.99
Field Nurse	Hour	283	\$85.00	\$24,055.00	\$88.40	\$24,017.00	\$92.00	\$26,036.00	\$75,108.00	214.4	\$92.00	\$19,720.85	\$94,828.85	\$92.00	326	\$29,992.00	\$90.00	723	\$65,070.00	\$65,070.00	\$189,890.85
						Total Med	ical Case Ma	nagement Costs	\$317,317.00			\$83,316.85	\$400,633.85			\$126,526.00			\$192,740.00	\$192,740.00	\$719,899.84
												2. Utilization Re	eview/Physician Revi	iew							
Express Approval	Hour	826.67/ 826.67/ 826.35	\$60.00	\$49,600.00	\$62.40	\$51,584.00	\$64.90	\$53,630.00	\$154,814.00	626.3	\$64.90	\$40,648.99	\$195,462.99	\$64.90	951	\$61,719.90	\$62.00	1300	\$80,600.00	\$80,600.00	\$337,782.89
Utilization Review	Hour	3,000	\$80.00	\$240,000.00	\$83.20	\$249,600.00	\$86.50	\$259,500.00	\$749,100.00	2273.9	\$86.50	\$196,688.64	\$945,788.64	\$86.50	3450	\$298,425.00	\$84.00	3800	\$319,200.00	\$319,200.00	\$1,563,413.64
Peer (Physician) Review	Hour	440	\$220.0 0	\$96,800.00		\$100,672.00		\$104,720.00	\$302,192.00	333.4	\$238.00	\$79,345.53	\$381,537.53	\$238.00	506	\$120,428.00	\$230	902	\$207,460.00	\$207,460.00	\$709,425.53
					To	tal Utilization Rev			\$1,206,106.00			\$316,683.15	\$1,522,789.15			\$480,572.90			\$607,260.00	\$607,260.00	\$2,610,622.06
							Total C	Contract Amount	\$1,523,423.00			\$400,000.00	\$1,923,423.00			\$607,098.90			\$800,000.00	\$800,000.00	\$3,330,521.90

^{*} to be billed in six minute increments as .1 hr.

^{2.} Invoices will be approved by the County Risk Management Unit.

^{3.} Quantities stated are only an estimate and should not be construed as a commitment. Assignments will be made at the discretion of Alameda County. No minimum or maximum quantity is guaranteed or implied.

^{4.} Total payment under the terms of this Agreement will not exceed the total amount of \$3,330,522. This cost includes all taxes and all other charges.

EXHIBIT D

COUNTY OF ALAMEDA DEBARMENT AND SUSPENSION CERTIFICATION

The contractor, under penalty of perjury, certifies that, except as noted below, contractor, its principals, and any named or unnamed subcontractor:

- Is not currently under suspension, debarment, voluntary exclusion, or determination of ineligibility by any federal agency;
- Has not been suspended, debarred, voluntarily excluded or determined ineligible by any federal agency within the past three years;
- Does not have a proposed debarment pending; and
- Has not been indicted, convicted, or had a civil judgment rendered against it by a court
 of competent jurisdiction in any matter involving fraud or official misconduct within
 the past three years.

If there are any exceptions to this certification, insert the exceptions in the following space.

Exceptions will not necessary result in denial of award, but will be considered in determining contractor responsibility. For any exception noted above, indicate below to whom it applies, initiating agency, and dates of action.

Notes: Providing false information may result in criminal prosecution or administrative sanctions. The above certification is part of the Standard Services Agreement. Signing this Standard Services Agreement on the signature portion thereof shall also constitute signature of this Certification.

CONTRACTOR:	
PRINCIPAL:	TITLE:
SIGNATURE:	DATE:

EXHIBIT O

COUNTY OF ALAMEDA

RFP No. 900447 for

Workers' Compensation Managed Care Program Services

THE IRAN CONTRACTING ACT (ICA) OF 2010

For Procurements of \$1,000,000 or more

The California Legislature adopted the Iran Contracting Act (ICA) to respond to policies of Iran in a uniform fashion (PCC § 2201(q)). The ICA prohibits persons engaged in investment activities in Iran from bidding on, submitting proposals for, or entering into or renewing contracts with public entities for goods and services of one million dollars (\$1,000,000) or more (PCC § 2203(a)). A person who "engages in investment activities in Iran" is defined in either of two ways:

- 1. The person provides goods or services of twenty million dollars (\$20,000,000) or more in the energy sector of Iran, including a person that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; or
- 2. The person is a financial institution (as that term is defined in 50 U.S.C. § 1701) that extends twenty million dollars (\$20,000,000) or more in credit to another person, for 45 days or more, if that person will use the credit to provide goods or services in the energy sector in Iran and is identified on a list created by the California Department of General Services (DGS) pursuant to PCC § 2201(b) as a person engaging in the investment activities described in paragraph 1 above.

By signing below, I hereby certify that as of the time of bidding or proposing for a new contract or renewal of an existing contract, neither I nor the company I own or work for are identified on the DGS list of ineligible persons and neither I nor the company I own or work for are engaged in investment activities in Iran in violation of the Iran Contracting Act of 2010.

contract, but I believe I or it qualifies f	For an exception listed in PCC § 2202(c), I have described	
NAME:		
PRINCIPAL:	TITLE:	
SIGNATURE:	DATE:	

SECOND AMENDMENT TO AGREEMENT

This Second Amendment to Agreement ("Second Amendment") is made by the County of Alameda ("County") and Sedgwick Claims Management Services, Inc., ("Contractor") with respect to that certain agreement entered by them on December 29, 2008 and that certain First Amendment to Contract, (collectively referred to herein as the "Contract") pursuant to which Contractor provides workers' compensation managed care program services to County. County and Contractor agrees as follows:

- For valuable consideration, the receipt and sufficiency of which are hereby 1. acknowledged, County and Contractor agree to amend the Agreement in the following respects:
- Except as otherwise stated in this Second Amendment, the terms and provisions of this 2. Amendment will be considered to be effective as of the date this Second Amendment is executed by the County ("Effective Date").
- 3. The term of the Agreement is currently scheduled to expire on December 31, 2012. As of the Effective Date, the term of the Agreement is extended through June 30, 2013.
- 4. In consideration for Contractor's additional services, the County shall pay Contractor in an additional amount not to exceed Two Hundred Thousand dollars (\$200,000). As a result of these additional services, the not to exceed amount has increased from Eight Hundred and Five Thousand, Seven Hundred and Ninety Six dollars (\$805,796) to One Million, Five Thousand, Seven Hundred and Ninety Six dollars (\$1,005,796) over the term of the Agreement and any amendments.
- 5. Item 20 of the Standard Services Agreement has been amended as follows:
 - TERMINATION: The County has and reserves the right to suspend, terminate or abandon the execution of any work by the Contractor without cause at any time upon giving to the Contractor prior written notice. In the event that the County should

abandon, terminate or suspend the Contractor's work, the Contractor shall be entitled to payment for services provided hereunder prior to the effective date of said suspension, termination or abandonment. Said payment shall be computed in accordance with Exhibit B hereto, provided that the maximum amount payable to Contractor for its Investigation Services shall not exceed \$1,005,796 in payment for services provided hereunder prior to the effective date of said suspension, termination or abandonment.

6. DEBARMENT AND SUSPENSION CERTIFICATION:

- a. By signing this Third Amendment and Exhibit D, Debarment and Suspension Certification, Contractor/Grantee agrees to comply with applicable federal suspension and debarment regulations, including but not limited to 7 Code of Federal Regulations (CFR) 3016.35, 28 CFR 66.35, 29 CFR 97.35, 34 CFR 80.35, 45 CFR 92.35 and Executive Order 12549.
- b. By signing this agreement, Contractor certifies to the best of its knowledge and belief, that it and its principals:
 - (1) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntary excluded by any federal department or agency;
 - (2) Shall not knowingly enter into any covered transaction with a person who is proposed for debarment under federal regulations, debarred, suspended, declared ineligible, or voluntarily excluded from participation in such transaction.
- 7. Except as expressly modified by this Second Amendment, all of the terms and conditions of the Contract are and remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Agreement as of the day and year first above written.

COUNTY OF ALAMEDA	SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.
By:Signature	By:Signature
Name:(Printed)	Name:(Printed)
Title: Purchasing Agent	Title:
Date:	Date:
	By signing above, signatory warrants and represents that he/she executed this Agreement in his/her authorized capacity and that by his/her signature

on this Agreement, he/she or the entity upon behalf of which he/she acted, executed this Agreement.

EXHIBIT D

COUNTY OF ALAMEDA DEBARMENT AND SUSPENSION CERTIFICATION

The contractor, under penalty of perjury, certifies that, except as noted below, contractor, its principals, and any named or unnamed subcontractor:

- Is not currently under suspension, debarment, voluntary exclusion, or determination of ineligibility by any federal agency;
- Has not been suspended, debarred, voluntarily excluded or determined ineligible by any federal agency within the past three years;
- Does not have a proposed debarment pending; and
- Has not been indicted, convicted, or had a civil judgment rendered against it by a court
 of competent jurisdiction in any matter involving fraud or official misconduct within
 the past three years.

If there are an	y exceptions to	this certification,	insert the exce	ptions in the	following space.

Exceptions will not necessary result in denial of award, but will be considered in determining contractor responsibility. For any exception noted above, indicate below to whom it applies, initiating agency, and dates of action.

Notes: Providing false information may result in criminal prosecution or administrative sanctions. The above certification is part of the Standard Services Agreement. Signing this Standard Services Agreement on the signature portion thereof shall also constitute signature of this Certification.

CONTRACTOR:		
PRINCIPAL:	TITLE:	
SIGNATURE:	DATE:	

EXHIBIT O

COUNTY OF ALAMEDA

RFP No. 900447 for

Workers' Compensation Managed Care Program Services

THE IRAN CONTRACTING ACT (ICA) OF 2010

For Procurements of \$1,000,000 or more

The California Legislature adopted the Iran Contracting Act (ICA) to respond to policies of Iran in a uniform fashion (PCC § 2201(q)). The ICA prohibits persons engaged in investment activities in Iran from bidding on, submitting proposals for, or entering into or renewing contracts with public entities for goods and services of one million dollars (\$1,000,000) or more (PCC § 2203(a)). A person who "engages in investment activities in Iran" is defined in either of two ways:

- 1. The person provides goods or services of twenty million dollars (\$20,000,000) or more in the energy sector of Iran, including a person that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; or
- 2. The person is a financial institution (as that term is defined in 50 U.S.C. § 1701) that extends twenty million dollars (\$20,000,000) or more in credit to another person, for 45 days or more, if that person will use the credit to provide goods or services in the energy sector in Iran and is identified on a list created by the California Department of General Services (DGS) pursuant to PCC § 2201(b) as a person engaging in the investment activities described in paragraph 1 above.

By signing below, I hereby certify that as of the time of bidding or proposing for a new contract or renewal of an existing contract, neither I nor the company I own or work for are identified on the DGS list of ineligible persons and neither I nor the company I own or work for are engaged in investment activities in Iran in violation of the Iran Contracting Act of 2010.

contract, but I believe I or it qualifies	rk for are ineligible to bid or submit a proposal or to renew a for an exception listed in PCC § 2202(c), I have described in
NAME:	
PRINCIPAL:	TITLE:
SIGNATURE:	DATE: