

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

789



**FROM:** Human Resources Department

**SUBMITTAL DATE:**  
September 2, 2005

**SUBJECT:** Update on Reducing Workers' Compensation and Absence Costs, and Proactive Strategies for Enhancing Wellness; and amend Ordinance No. 440 pursuant to Resolution No. 440-8615 submitted herewith.

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Approve the updated strategic plan, as outlined herein;
2. Approve the first amendment to the First Health, Health Care Organization contract to transition to a Medical Provider Network, and approve the second amendment with the associated rates (Attachment "A")
3. Approve recommendations for a County-wide Wellness and Return-to-Work/Absence Management Program;
4. Approve Resolution No. 440-8615 as outlined; and
5. Authorize the Human Resources Director to sign a Memorandum of Understanding with the Community Health Organization (CHA), and transfer funds received from the County medical plan providers to CHA for implementation of the Wellness Program.

**BACKGROUND:** In December 2003, Human Resources submitted and received approval for a series of strategies to reduce workers' compensation and other absence costs.

Ronald W. Komers  
Asst. County Executive Officer/Human Resources Dir.

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$245,371	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 53,982	Budget Adjustment:	No
	Annual Net County Cost:	\$64,775	For Fiscal Year:	2005/2006

<b>SOURCE OF FUNDS: Workers' Compensation Budget - 46100-11308-00000</b>	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION: APPROVE**

County Executive Office Signature

Dep't Recomm.:  Consent  Policy   
 Per Exec. Ofc.:  Consent  Policy

**Prev. Agn. Ref.:** \_\_\_\_\_ **District:** \_\_\_\_\_ **Agenda Number:** \_\_\_\_\_

3.52

## **BACKGROUND continued**

Specifically, we recommended and received approval from the Board for eight (8) strategies. We also presented, but held in abeyance, the approval of seven (7) cost-reduction strategies pending an evaluation and update.

This is an update on the strategies implemented by the joint efforts of the Workers' Compensation Labor Management Sub-committee and Human Resources, with contributions and effort from the Community Health Agency (CHA), the Sheriff's Department, and other county departments. We are pleased to report that there is a decrease in paid workers' compensation claims in FY 2004/05. To date, we have expended \$16.9 million in claims. This amount is \$6.9 million less than the \$23.8 million budgeted for FY 2004/05, and \$2.4 million less than the total claims in FY 2003/04. We believe the reduction may be directly attributed to the Board approved cost-reduction strategies and legislative changes.

## **PROGRESS TO DATE AND PROPOSED SOLUTIONS**

### **Workers Compensation**

#### ***Fraud***

Human Resources/Workers' Compensation Division is continuing to identify and prosecute fraud on questionable claims. To date, forty-one (41) potential fraud cases have been submitted to the District Attorney and/or Department of Insurance for review. Of those cases, fourteen (14) have been successfully prosecuted resulting in seven (7) felony convictions. Recently, a former safety member was convicted of collecting unreported income while receiving Labor Code §4850 benefits for a workers' compensation injury. Restitution was ordered in the amount of \$20,000, bringing the grand total fraud recovery to \$83,368. The Riverside District Attorney's Office has provided training in fraud detection and guidance in the preparation of claims for prosecution. In addition, we have expanded our access to a national workers' compensation claims database, which enhances our ability to extract information quickly and accurately, increasing fraud identification efforts. The Special Investigations Unit of Worker's Compensation is currently participating in a fraud consortium with other public agencies, investigators, district attorney offices and the Department of Insurance in an effort to pool resources and develop new methods to identify fraud.

The Human Resources/Workers' Compensation Division has joined the Employer Task Force in an effort to fight workers' compensation fraud. The Task Force was established to identify tools for fraud prevention and assist agencies with preparation of cases for prosecution, and is comprised of other self-insured public agencies and Fortune 500 companies. At this time, we are considering participation in a pilot program with Cost Containment Strategies Incorporated (CCSI) to scan, index, review and analyze all medical reports and bills to identify fraudulent medical providers.

Aggressive fraud identification and prosecution has two significant effects: 1) It recovers fraudulent benefits, and 2) Reduces future fraudulent activity, which can represent as much as 10% of all claims.

#### ***Managed Care Delivery System***

The Board approved implementation of a Health Care Organization (HCO) in February 2004, which extended the County's medical control over workers' compensation claims for 180 days, and provides temporary disability benefits on delayed claims in an effort to reduce litigation costs. Implementation of the HCO program contributed to the reduction in medical costs from \$7.5 million to \$6.2 million in the one-year period following implementation.

Although this reduction is dramatic, there are drawbacks to the HCO. For example, the HCO imposed a 180-day limit on the County's medical control over each claim. In addition, the HCO requires union approval prior to employee enrollment. This provision allowed the Riverside Sheriff's Association to opt out of HCO participation (RSA members account for almost 50% of all workers' compensation costs) resulting in a lost opportunity for the County to save on safety member workers' compensation claims. Finally, the HCO charged enrollment costs and state-mandated fees for nurse case management to triage each claim.

In 2003, the passage of Senate Bill 899 created a Medical Provider Network (MPN) option for employers. A MPN does not require union approval; therefore, all Riverside County employees, regardless of bargaining unit, can participate in the network for workers' compensation injury treatment. Additionally, there are no enrollment costs or claim fees. A MPN extends medical control for the life of a claim (versus 180-days under the HCO). Staff submitted an application for a Medical Provider Network to the State, which was approved.

The MPN contains a sizeable group of occupational physicians and must maintain physicians who render care to non-occupational injuries. This requirement offers employees a large network of physicians to select for medical care. In addition, an employee has the ability to change physicians in the network at any time and obtain a second and third medical opinion within the network for dispute resolution. Dispute resolution is clearly outlined and regulated to prevent each party from influencing the outcome of care, which is expected to reduce litigation costs. For example, an employee who is not satisfied with the third medical opinion may request an Independent Medical Review assigned by the State. In the event a physician terminates from the network there is a provision for continuity of care. These provisions are not available to employees in the current system.

We successfully negotiated lower intake/referral and triage fees. Although the field case management fees were increased slightly, they are still considered competitive in the occupational health industry. In addition, we negotiated performance standards if First Health fails to meet established state guidelines for utilization review and bill review.

Human Resources recommend that the Board of Supervisors approve the first amendment to the existing First Health contract for MPN services, and the second amendment with the associated rates (Attachment "A").

### ***Workers' Compensation Reform***

There have been three major workers' compensation legislative reforms in the last three years. The 2002 reform created an increase in temporary and permanent disability benefits to injured workers. This reform resulted in an overall 15.7% increase in workers' compensation benefits in FY 2003/04.

In 2003 and 2004, legislative reforms reduced overall workers' compensation costs for employers by changing permanent disability and vocational rehabilitation benefits. Effective January 1, 2005, permanent disability is evaluated based upon the American Medical Association Guides that require objective, evidence-based methods of measuring impairment. This will result in fewer cases meeting permanent disability status, which will reduce costs. We will evaluate the impact of this change over the next year as current claims mature. Vocational rehabilitation, which previously entitled injured workers to \$16,000 in benefits, has been replaced with a voucher system that can be exchanged for vocational education. The reform also eliminated the vocational rehabilitation maintenance allowance, which will save the County approximately \$600-\$800 per week per eligible claim in benefits.

In other 2004 legislative reforms, employers must now establish a utilization review process for medical treatment requests on workers' compensation claims. Currently, we contract with First Health for utilization review services.

First Health follows the American College of Occupational and Environmental Medicine (ACOEM) and other practice guidelines to obtain evidence-based criteria upon which to approve medical treatment. Most notably, these guidelines provide restrictive criteria for the approval of durable equipment and prescriptions, previously identified as over-prescribed and unnecessarily costly. This process also contains a peer review component on all denials for request for medical treatment. In addition, First Health provided an onsite nurse case manager to review claims with awards for future medical care, which are also evaluated in accordance with ACOEM guidelines. Savings on claims submitted for First Health utilization review exceeds \$374,000 to date.

Finally, there are incentives for employers to return employees to work by offering modified or alternative duties. The County will realize reductions in permanent disability costs if an employee is returned to a modified or alternative position. Return-to-Work/Absence Management successes and recommendations for further implementation are described below.

It is also important to note that despite all these regulatory changes, the Human Resources/Workers' Compensation Division has exceeded the State Department of Workers' Compensation audit expectations of claims processing and payment requirements.

### **Return-to-Work/Absence Management**

The Human Resources Department and the Sheriff's Department collaborated to implement a Return-to-Work pilot program that began July 1, 2004. As off-work orders from treating doctors are produced, the physician is contacted and the parameters of the program are outlined. As temporary duties are assigned, the employee returns to work, claim costs are driven down and the department obtains productivity from an employee who in the past may have remained home. The program has been very successful. Since inception, one hundred-and-sixty-three (163) employees (including 30 employees with non-occupational injuries) within the Sheriff's Department have participated in the program. To date 5,700 modified duty days have been assigned with an estimated savings of non-productive costs totaling \$3,079,911 (*i.e.*, *direct and indirect costs - 4850, benefits loads, additional medical expenses, litigation, etc.*). One and one-half (1½) full-time staff are currently assigned to this effort.

The Human Resources Department has also partnered with the Riverside County Regional Medical Center (RCRMC) to implement a return to work model to address workers' compensation and absence costs. By providing modified duty to both occupationally and non-occupationally injured employees, temporary disability costs have decreased from \$271,000 in FY 2003/04 to \$91,451 for FY 2004/05. Prior to instituting this program, RCRMC had 4,043 paid industrial injury hours. Today, RCRMC has realized a 44% reduction (or 1,778 hours) in the number of paid industrial injury hours. At RCRMC many work restrictions have been accommodated by assigning employees to parking lot patrol. This has not only proven beneficial to the employee by getting them back to work, but has provided a much needed service to the facility, ensuring security and protection to our employees and patrons.

Human Resources is recommending the expansion of the Return-to-Work pilot program into a formal, countywide Return-to-Work/Absence Management program. We recommend implementing the program incrementally by prioritizing departments by request and potential savings. This formal program would address returning employees to work from non-occupational injury leaves, regulatory leaves, and workers' compensation injury leaves. Based on our experience (\$3 million dollar savings utilizing one and one-half (1½) staff positions at a fully supported cost of \$170,000), for each dollar spent on staffing, \$16.65 was saved in productivity costs. Staff functions include, but are not limited to: identifying all modified duty tasks and positions within the department; coordinating between the physician, department, service team, employee, and workers' compensation division; and monitoring employee tasks and program documentation.

Additional staffing is required in order to expand the Return-to-Work/Absence Management program and realize additional productivity savings countywide. As we implement, we expect that initial avoided costs will peak within the first 24 months of the program, then level at an estimated annual savings of \$4 to \$6 million dollars once implemented countywide. This expectation is based on the experience of the County of San Bernardino, which is similar in size, general employee population and workers' compensation costs.

Human Resources recommends that the Board of Supervisors approve two full-time Human Resources Analyst II positions (funded from workers' compensation cost savings) to begin to implement the countywide program. We will report back to the Board of Supervisors at the end of the next phase of implementation (FY 2006/07), and anticipate recommending two additional Analysts at that time to complete the countywide roll out.

### **Repetitive Motion Injuries (RMI)**

Repetitive Motion Injuries (RMI) is the single greatest workers' compensation expense and is almost completely avoidable. Human Resources has collaborated with the Workers' Compensation Labor Management Sub-Committee and established an onsite physical therapy pilot program, which utilized the Trauma Release Technique (TRT) to address job-related muscular injuries and ultimately reduce workers' compensation costs. Participants in the pilot program reported an 83% decrease in pain level. Workers' Compensation reported a 41% savings in the average repetitive motion claim cost. While these results were dramatic, we were not convinced that the TRT program would be able to meet the County's needs. An employee survey suggested that therapy should be available as a preventive measure rather than a reactive treatment. Employees expressed hesitation in filing workers' compensation claims to receive the therapy and requested therapy in our desert areas which was unavailable from the TRT vendor. As a result of the feedback, an Occupational Injury and Illness Specialist was hired to replace the TRT Program in March, 2005. It is now possible to access treatment, now called Injury Intervention Therapy (IIT), via our wellness program as well as through workers' compensation. Since starting the IIT program, 46 employees have participated in the program, 19 have been discharged from the program, and 27 are currently receiving therapy. Of the 46 total participants, only seven filed workers' compensation claims and received therapy in the IIT program instead of seeing an outside provider. At least one surgery was prevented by participation in the program resulting in cost avoidance of approximately \$20,000. Potential workers' compensation claims avoided as a result of participation in the IIT program has resulted in an approximate cost avoidance of \$487,500 to date. Eight employees completed surveys after being discharged from the program. Six employees reported improvement of 85-100% and two reported 75-85% improvement. We are offering the IIT program to employees countywide. In order to meet the therapy demands, Occupational Health is requesting an additional Occupational Injury and Illness Specialist to better serve our desert areas.

### **Pre-Existing Conditions**

The responsibility for pre-employment medical examinations transferred from the Community Health Agency to Human Resources Occupational Health in July 2004. Since the transfer, there has been an average of 246 applicant exams and 518 annual medical surveillance exams provided per month.

This change has resulted in the centralization of all county employee medical records and the institution of a data tracking system, Occupational Health Management, which allows for rapid reference of exam results and trend tracking. Appointment availability has been increased from three half-days per week to five full-days per week, allowing for rapid applicant processing.

All Occupational Health physicians are now board certified in Occupational Medicine, assuring an understanding of the relationship between medical conditions and functional ability. Thorough physical exams are completed with a special emphasis on the identification of pre-existing conditions and essential functions. A grid has been created to establish the essential evaluation components for over 300 job categories. Further testing is required if the initial evaluation determines the applicant is unlikely to be successful at the job. For instance, a secretary applicant with a history of bilateral carpal tunnel surgeries and a work restriction of no typing for more than two hours per day will not be cleared if, in fact, the job requires 8 hours of typing per day. This baseline physical information can accurately identify predisposition to injury, pre-existing conditions, or potential exposures, as well as document these conditions should future injury occur.

All clinical staff at Occupational Health has become certified in audiometric and spirometry (lung function) testing, calibration standards, and testing techniques. Pre-employment exams have been evaluated and updated based on essential job functions. In addition, electrocardiograph exams are evaluated in house, saving \$6,000 per year; rapid drug screen testing was instituted at a savings of \$3,600 per year.

Improvement has been made in the area of mandated regulations: annual exams for Title 22, OSHA and the Department of Motor Vehicles are provided and tracked as required. For example, health care workers, hazmat workers, and sheriff employees are individually monitored for annual evaluation and education as legally mandated. Confidentiality is strictly observed and every applicant now gets a copy of the Board Policy on Privacy Rights.

Occupational Health is in the process of building an x-ray facility to address the primary concern of applicants and employees: the wait at outside x-ray departments. This will allow Occupational Health to move into the injury treatment arena, bringing this business in-house instead of utilizing outside vendors.

## **Employee Health Management/Wellness**

### ***Wellness Program***

Chronic disease and health conditions related to lifestyle choices significantly contribute to escalating workplace costs, including increased workers' compensation and direct medical costs and decreased productivity. Companies that invest in workplace wellness programs show definitive returns on investment through decreased workers' compensation costs, decrease in employee absenteeism, decreased overall medical costs, increased productivity and increased employee morale.

Human Resources and the Community Health Agency (CHA) have collaborated on addressing these lifestyle issues by developing a countywide Wellness Program to be administered by CHA. The backbone of the program will be a comprehensive health risk assessment, which includes lifestyle and family history questionnaires (provided by Blue Shield at no cost). Monetary incentives for participation will be funded by the health plans. Critical measurements of body mass index, weight, blood pressure and waist to hip ratio will be taken. If results indicate a moderate to high risk, parameters will be expanded to blood glucose screening and lipid profiles.

A physical activity component will be introduced from the onset, with a walking program as the base of the pyramid. A website will be developed to include prevention measures and exercises to reduce repetitive stress injuries. Nutrition courses will be integrated, and overall calorie reduction education will be promoted. For example, participants will be educated and become skilled on how to exchange complex carbs for simple carbs and what the difference is between "good" fats and "bad" fats.

Direct case management of moderate to high-risk individuals will be a vital component of the program. High-risk individuals will be identified via Occupational Health, either through a workers' compensation claim or a pre-employment exam. By early identification, an individualized, proactive case management plan can begin, providing appropriate intervention and education. The program will be implemented in the departments having the highest worker's compensation costs and direct and indirect medical costs and eventually develop into a countywide program.

We are recommending the Board authorize the Asst. County Executive Officer/Human Resources Director to sign a Memorandum of Understanding with the Community Health Organization (CHA) and authorize the transfer of funds up to \$150,000 for implementation of the Wellness Program. A separate Form 11 will be submitted by CHA with the necessary position requests.

As a proactive approach to addressing poor conditioning and fitness, the County has entered into negotiations with the Riverside Sheriff's Association for a Wellness Assessment Program and Wellness Program.

### ***Short-Term Disability Program***

In the approved Board action of December 10, 2003, one of the recommendations was to self-administer the current self-funded Short-Term Disability Plan to reduce costs and better coordinate Workers' Compensation and Absence Management. The County of Riverside has 10,837 employees who are eligible to participate in the Short-Term Disability Plan and the benefit premiums are paid by the County.

In 2004, the County spent \$3.1 million on short-term disability claims and administration and \$1.7 million on long-term disability premiums. VPA, the County's short-term disability carrier, has agreed to reduce their rates substantially. Consequently, it is no longer cost effective for the County to consider self-administration of our short-term disability claims. The County is also currently working with VPA to incorporate a Transitional Work Program into our new contract. This program will allow a temporary change to the employee's position once the attending physician establishes the work restrictions and the department approves the temporary modification. These temporary changes could include job tasks, schedule, equipment or other conditions of employment. A separate Form 11 will be submitted within the next few weeks for approval of the VPA contract renewal.

### ***Government Accounting Standards Board Statement***

In June of 2005, Human Resources submitted the Post-Employment Health Benefits Valuation Based on Government Accounting Standards Board Statement #45 (GASB 45). Effective July 1, 2007, the County will be required to report its liabilities and funding practices regarding these benefits on its annual financial statements. As the workforce ages, they will experience more disability and illness, which translates into increased healthcare costs. A significant connection exists between the costs of a "healthy" retiree vs. an "unhealthy" retiree resulting in increased healthcare utilization. For example, if an employee retires early (before age 65), the subsidized cost to the County is the same as a 25-year old employee. We do not want employees to retire young because they are not well, and we need to promote effective life style changes via the Wellness program to provide current and long-term benefits to both the employees and the County.

### ***Safety Member Disability Retirement***

The Human Resources Department continues to aggressively manage industrial disability retirement applications. Since the appointment of a full-time Disability Manager in 2000, one hundred thirty seven (137) industrial (safety) retirement cases have been assessed and reviewed for medical evidence that supports incapacity for duty. Of these, forty-six (46) are pending final adjudication, and ninety-one (91) are completed and resolved. Of the ninety-one (91) applications, fifty-three (53) have been approved, and thirty-eight (38) have withdrawn their applications and either returned to work, resigned, were terminated, or opted for a service retirement. These withdrawn applications represent potentially avoided costs of over \$18 million dollars. To our knowledge, no other public agency in the state has avoided industrial retirement costs to such a tremendous extent. Our efforts are not going unnoticed. Recently, there has been increased scrutiny throughout California as the public is becoming exposed to the tremendous taxpayer cost generated by industrial retirements. So common is a disability retirement within the California Highway Patrol, that claiming a disabling injury at the twilight of a long career is referred to as "Chief's Disease."

In addition to the cost of injury treatment and industrial disability retirement benefits, there are additional benefits available through workers' compensation. Lifetime medical costs are payable based on injury type and the need for treatment. Currently, we have a safety member presumptive heart claim, whose industrial retirement benefit has an estimated value of approximately \$200,000, and workers' compensation estimated lifetime medical costs of approximately \$1,966,178.

Further costs are incurred if the member expires while industrially retired and the death is related to the injury. These survivor benefits are payable to dependent spouses and dependent children to age 18. The calculation of this benefit is contingent upon such factors as dependent ages and age of member at date of death.

We will continue these efforts and work hard at targeting disability not only at the end stages, but focus on the prevention of disability by addressing mental and physical fitness, wellness, contributing factors, and underlying chronic health conditions. Implementation of the recommended Wellness and Expanded Return-to-Work/Absence Management programs are necessary preventative measures the County can take to continue our aggressive management of industrial disability retirement claims.

### ***Drug Testing***

Currently, unrepresented employees and employees represented by Service Employees International Union (SEIU) and Riverside Sheriff's Association (RSA) are subject to drug testing for reasonable cause per language negotiated in their respective Memoranda of Understandings (MOU). Establishing this same language into the MOU with Laborers' International Union of North America (LIUNA) represented employees is pending. This language allows County management to verify drug use upon suspicion so that appropriate measures can be taken to eliminate drug abuse in the workplace and promote a safe and healthy work environment.

### **Workplace Safety**

#### ***Behavioral Science Technology***

The Human Resources/Safety Division has been developing an approach to safety that emphasizes the behaviors that lead to workplace injuries and illnesses. As part of this process, meetings have been held with various County Departments to solicit their input and support in exploring the benefits of a behavior based approach to increasing safety consciousness and actions. Two County departments with potentially highly hazard work environments have indicated a strong interest in pursuing such a program. Consequently, Human Resources contacted a world-renowned vendor in the area of behavioral based safety (California based Behavioral Science Technology) in an effort to develop a proposal for a workplace culture survey and assessment of the two departments.

The survey and assessment are critical tools in determining the appropriate methods for addressing the underlying causes of behavior based safety problems. HR anticipates that the procurement process for this project, which will include a sole source contract request, will commence shortly.

In addition, during the past year, the Human Resource Department/Safety Division has expanded its focus on addressing safety issues to include a more preventive approach to workplace injuries and illnesses. Rather than simply focusing on "compliance" with various regulations, the Human Resources/Safety Division is utilizing up-to-date injury and illness data to identify problem areas and to intervene in a proactive manner. This effort will be expanded further by coordinating the activities of the Risk Management, Workers' Compensation and Safety Divisions, and by extensive outreach and education to various County departments. Currently, a mandatory training course for supervisors and managers is sponsored and presented by the Human Resources/Safety Division. The course is designed to provide basic knowledge about regulations and the importance of required safety activities that must be accomplished and the potential culpability under the law for failure to execute their responsibilities.

### **Other Solutions**

#### ***Pharmacy Benefit Management***

A Pharmacy Benefit Management committee has been formed and is comprised of representatives from Occupational Health, Workers' Compensation, Riverside County Regional Medical Center, Mental Health and Exclusive Care. The committee is currently evaluating ways to combine pharmaceutical purchasing power to reduce cost Countywide. Currently, System-Med, a Pharmacy Benefit Manager, is serving Exclusive Care's needs for pharmaceuticals resulting in a \$657,302 savings over prior years.

#### ***Stress Management***

Human Resources and the Sheriff's Department, in conjunction with Logisens, a company specializing in unique sensor technology which measures work environment stress in real time, is conducting a pilot program within the Sheriff's Dispatch Center effective July 1, 2005. A "stress manager mouse" is attached at the hand to measure stress levels without interrupting daily activity or work duties. The "mouse" identifies levels of stress and at what time stress occurs. The pilot program is composed of simple procedures whereby Dispatchers can apply the stress management program and techniques to their daily activities without interrupting their work duties and responsibilities. Consequently, it will be possible to provide the tools and resources to improve stress management, increase productivity, raise retention levels and decrease medical expenses associated with repetitive motion injuries. Two reports summarizing the Pilot Program will be presented to the County; one after three months and one at the conclusion of the six-month period.

### **Reducing Cost of Absences Associated to Lifestyle Diseases**

Unscheduled employee absences have a major impact on workplace productivity. A more focused, fresh approach is needed to manage every area of absence, from prevention of disease to presenteeism (absence while working) to complicated disabilities.

The view of absence management within the County of Riverside needs to focus on reducing employee absences through identifying high-risk employees, preventing absences and disability, reducing lengths of disability, and returning to work successfully while minimizing relapse. Realizing that there is a significant nexus between lifestyle choices, lifestyle related disability, and employer cost in treating those disabilities, now is the time to address absence management with integrated solutions, instead of treating it as an isolated problem.

Looking at the impact of employee absences in our County, it is clear that we are tackling the symptoms, but are struggling to diagnose and treat the root cause. What is even more difficult to quantify are the "silent" (indirect) costs of employee morale, sporadic work attendance and faltering job performance. Industry standard tells us that there is \$1.50 in disruption costs for every \$1.00 of a disability illness cost. Disruption costs would increase to \$2.00 for every \$1.00 for Public Safety.

Long-term success is dependent on both cultural and operational changes. The good news for the County of Riverside is that an appetite exists among departments to come to grips with the absence problem. Human Resources has demonstrated, via the Return-to-Work Pilot Program, aggressive workers' compensation management, and the proposal for a comprehensive wellness program, that there is a tremendous bottom-line impact of strategic absence management that focuses on the "whole person". In addition, beyond tangible cost savings, employees are likely to respond to a solid health and wellness commitment with increased productivity and loyalty - a valuable commodity in today's fiercely competitive job market. Thus, Human Resources is seeking approval of the recommended actions to further decrease absenteeism, increase employee productivity, save money and improve employee health behavior and health status.



**FIRST AMENDMENT**  
**TO THE**  
**PAYOR SERVICE AGREEMENT**  
**BETWEEN**  
**THE COUNTY OF RIVERSIDE**  
**AND**  
**HEALTH NET PLUS**  
**A Division of First Health Group Corp.**  
**A CALIFORNIA WORKERS' COMPENSATION HEALTH CARE ORGANIZATION**

This Amendment is made and entered into by and between COUNTY OF RIVERSIDE ("COUNTY"), and FIRST HEALTH GROUP CORP. ("FIRST HEALTH"), operator of a former division known as HEALTH NET PLUS MANAGED CARE SERVICES, INC. ("HEALTH NET PLUS"). The effective date of this Agreement is February 1, 2004.

**RECITALS**

- A. COUNTY and FIRST HEALTH (through its HEALTH NET PLUS division) previously entered into that certain Payor Service Agreement effective February 1, 2004 ("Agreement") under which COUNTY receives Health Care Organization ("HCO") services as defined in Labor Code sections 4600.3 through 4600.6.
- B. FIRST HEALTH no longer maintains and operates HEALTH NET PLUS as a distinct division or utilizes the HEALTH NET PLUS name, but rather offers the various workers' compensation services previously provided by HEALTH NET PLUS, including but not limited to Occupational Medical Management Services, under its own name; and
- C. The parties desire to amend the Agreement to revise the fees for the telephonic case management, utilization review, intake and referral, and bill review services that FIRST HEALTH provides under the HCO, and to make FIRST HEALTH's network of providers available to COUNTY for use as COUNTY's Medical Provider Network ("MPN") as provided in Labor Code sections 4616 through 4616.7.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, the parties agree as follows:

- 1. All references to HEALTH NET PLUS MANAGED CARE SERVICES, INC. or HEALTH NET PLUS are deleted and replaced with FIRST HEALTH GROUP CORP. or FIRST HEALTH.
- 2. Exhibit G is deleted in its entirety and replaced with the attached revised Exhibit G to revise the fees for certain services and to set forth the effective dates of such revisions.
- 3. Section 1.34 (Utilization of Network) is added to read as follows: "The parties acknowledge and agree that COUNTY is entitled to utilize the network provided by FIRST

HEALTH under this Agreement as COUNTY's Medical Provider Network ("MPN") beginning February 1, 2005, and FIRST HEALTH will support COUNTY in any state filings and certifications related to the MPN. Further, the parties agree to discuss in good faith the ongoing changes, trends and developments in the California Workers' Compensation laws and regulations and explore enhancements and alternatives to the products and services that FIRST HEALTH will provide to COUNTY in the future."

4. Per Labor Code 4616 (2) (d), in developing the MPN, an employer or insurer shall have the exclusive right to determine the members of their network. Upon COUNTY's written request to FIRST HEALTH, FIRST HEALTH shall, at its own expense, investigate, review, and screen nominated providers ("Nominated Provider(s)") for addition to The First Health® Network, including COUNTY's MPN. Where the Nominated Provider satisfies the credentialing criteria, First Health shall use commercially reasonable efforts to add such provider to the Network. COUNTY may also request that certain Participating Providers be excluded from COUNTY MPN, and FIRST HEALTH will comply with such requests. COUNTY acknowledges that provider exclusions from the COUNTY MPN, and/or the addition of uncredentialed providers constitutes the creation of a custom MPN, and will require customized network direction tools and management activities. Accordingly, such additional costs related to the creation and management of a custom MPN shall be mutually agreed upon between the parties prior to any such customization.

In addition, should the COUNTY identify any FIRST HEALTH staff, employee, contractor or any other individual utilized by FIRST HEALTH other than a Participating Provider that the COUNTY does not want performing work/services for the COUNTY, COUNTY shall notify FIRST HEALTH, in writing, of the COUNTY's reasons for such request. FIRST HEALTH and the COUNTY shall discuss the COUNTY's reasons and attempt to resolve, in good faith, the COUNTY's concerns and possible alternatives.

5. All other terms and conditions of the Agreement as amended shall remain in full force and effect.

6. The parties affirm and ratify the Agreement, and agree that it is in full force as amended herein. This Amendment will prevail in any conflict between it and the Agreement.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers duly authorized to do so and bind each organization to the terms and conditions of this First Amendment.

**COUNTY:**

COUNTY OF RIVERSIDE:

ATTEST:

Nancy Romero, Clerk of the Board

Date: \_\_\_\_\_



\_\_\_\_\_  
Ronald Komers, Asst CEO/H.R. Director

By: \_\_\_\_\_  
Chairman, Board of Supervisors

Date: \_\_\_\_\_

Approved as to Form and Content:  
William C Katzenstein  
County Counsel

By:  \_\_\_\_\_  
Deputy County Counsel

**FIRST HEALTH:**

FIRST HEALTH GROUP CORP.

By:  \_\_\_\_\_

Name: Arthur J. Lynch

Its: Vice President, Workers' Comp.

Date: 5/31/05

**EXHIBIT G**  
**COMPENSATION TO FIRST HEALTH**

The fees set forth below are effective February 1, 2004 unless otherwise noted.

For network access, COUNTY shall pay FIRST HEALTH Network Access Fees for access provided by FIRST HEALTH under this Agreement. Network Access Fees shall be computed monthly and shall equal twenty percent (20%) of Savings, as defined below.

"Savings" means the difference between the amount COUNTY would be obligated to pay for medical services in the absence of this Agreement (e.g., the applicable state approved medical fee schedule amount, or the usual and customary fee according to the Usual and Customary database then currently in use by FIRST HEALTH) and the Contract Charges.

For care management services, COUNTY shall pay FIRST HEALTH Care Management Fees for services provided by FIRST HEALTH under this Agreement. Care Management Fees shall be computed monthly. FIRST HEALTH will charge the following products and services to COUNTY at the indicated prices:

- Effective May 1, 2004: Intake and referral at twenty dollars (\$20) per report;
- Triage of each HCO claim at twenty-five dollars (\$25) per claim
- Effective July 1, 2004: Utilization Review ("UR") on Medical Only claims, if there is a need for ongoing medical care fifteen (15) days after Triage, a fee of one hundred ten dollars (\$110) per hour until closure of UR per pre-determined criteria.
- Effective July 1, 2004: Telephonic Case Management ("TCM") service on Indemnity and Lost Time cases at one hundred ten dollars (\$110) per hour until closure of TCM;
- Field case Management ("FCM") service at eighty-five dollars (\$85) per hour plus expenses, including mileage at thirty-six and one-half cents (\$0.365) per mile.

For bill review services, COUNTY shall pay FIRST HEALTH Bill Review Fees for services provided by FIRST HEALTH under this Agreement. Bill Review Fees shall be computed monthly. Effective May 1, 2004, FIRST HEALTH will charge bill review services to COUNTY at the indicated price:

- Bill review service at \$8.25 per bill.

Effective February 1, 2004 through February 15, 2005, FIRST HEALTH will charge COUNTY one dollar and fifty cents (\$1.50) per employee per enrollment (the State of California's assessment) plus three dollars and fifty cents (\$3.50) per employee per enrollment for printing and handling of enrollment forms.

Peer Review Services. Upon request by COUNTY, FIRST HEALTH shall provide Peer Review services.

FIRST HEALTH will provide peer review services, consistent with the regulations of the State of California and URAC, that include first level and second level review by licensed professionals (M.D., D.C., Acupuncturist, etc.), within the regulatory time frames, at the following pricing:

Standard Review for Medical Utilization: one hundred fifty dollars (\$150)  
Expanded Review, includes complex cases, greater than fifteen (15) pages to review, time in excess of thirty (30) minutes: Additional seventy-five dollars (\$75) per fifteen (15) minutes beyond a half-hour.

Reconsiderations, appeals, etc. are billed in the same fashion as the initial review.

Review is also provided for:

Disability Management (by a physician).  
Precertification, concurrent review, and retrospective review of inpatient stay.  
Causality/Compensability  
Chart Review

Charges for these areas of review are one hundred fifty dollars (\$150) for the first half-hour and seventy-five dollars (\$75) for each additional half-hour.

On those claims where specialty matched requirements, second level review, or unusual review requirements apply, FIRST HEALTH will refer the review to an outside vendor (currently CompPartners). These reviews will be billed through FIRST HEALTH to COUNTY OF RIVERSIDE at the rate billed to FIRST HEALTH, with an additional ten percent (10%) for oversight and handling.

Medical Director Management Services. Upon request by COUNTY, FIRST HEALTH shall provide Medical Director Management services.

A medical director licensed in California will be provided to COUNTY for overseeing the COUNTY OF RIVERSIDE Utilization Management system, at no additional cost to the peer review process except in the following situations:

- 1) Creating protocols and criteria exclusively for COUNTY; and
- 2) Time spent at COUNTY, on the phone or in meetings, or at another site on behalf of COUNTY, working exclusively on State and other regulatory reports, program management (UM/UR), and Quality Assurance issues that relate directly to the COUNTY program.

The charge for these services is three hundred fifty dollars (\$350) per hour.

If COUNTY requests FIRST HEALTH to provide additional services, FIRST HEALTH will provide a written quote as to a price for such additional services along with specifics outlining what the service includes to COUNTY and the parties will negotiate an additional fee that is mutually acceptable to both parties.

**SECOND AMENDMENT  
TO THE  
PAYOR SERVICE AGREEMENT  
BETWEEN  
THE COUNTY OF RIVERSIDE  
AND  
FIRST HEALTH GROUP CORP.  
A CALIFORNIA WORKERS' COMPENSATION HEALTH CARE ORGANIZATION**

This Amendment is made and entered into by and between COUNTY OF RIVERSIDE ("COUNTY"), and FIRST HEALTH GROUP CORP. ("FIRST HEALTH"). The effective date of this Amendment is June 1, 2005.

**RECITALS**

- A. COUNTY and FIRST HEALTH previously entered into that certain Payor Service Agreement effective February 1, 2004, as amended ("Agreement") under which COUNTY receives HCO services as defined in Labor Code sections 4600.3 through 4600.6; and
- B. The parties desire to amend the Agreement to revise the fees for field case management and add performance guarantees.

NOW, THEREFORE, in consideration of the mutual promises contained in this Amendment, the parties agree as follows:

1. Exhibit G is modified by changing the fee for Field Case Management from "eighty-five dollars (\$85)" to "ninety-five dollars (\$95)".
2. A new Exhibit H (Performance Guarantees), attached hereto and incorporated herein by reference, is added to the Agreement.
3. The parties affirm and ratify the Agreement, and agree that it is in full force as amended herein. This Amendment will prevail in the event of any conflict between it and the Agreement.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers duly authorized to do so and bind each organization to the terms and conditions of this Amendment.

**COUNTY:**

ATTEST:  
Nancy Romero, Clerk of the Board

COUNTY OF RIVERSIDE:

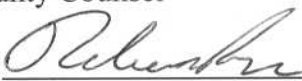
Date: \_\_\_\_\_

\_\_\_\_\_  
Ronald Komers, Asst CEO/H.R. Director

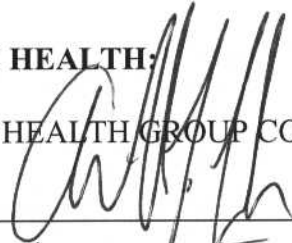
By: \_\_\_\_\_  
Chairman, Board of Supervisors

Date: \_\_\_\_\_

Approved as to Form and Content:  
William C Katzenstein  
County Counsel

By:   
Deputy County Counsel

**FIRST HEALTH:**  
FIRST HEALTH GROUP CORP.

By: 

Name: ARTHUR J. LYNCH

Its: VICE PRESIDENT

Date: 07/5/05

**EXHIBIT H**  
**PERFORMANCE GUARANTEES**

**I. DEFINITIONS**

1. **Bill Review Processing Accuracy.** Bill Review Processing Accuracy is measured by dividing the "Total Bills Processed" during the calendar quarter by the "Total Bills Processed with Errors" during the same calendar quarter, expressed as a percentage. "Total Bills Processed" means the number of bills forwarded to FIRST HEALTH for processing through its re-pricing system and repriced by FIRST HEALTH. "Total Bills Processed with Errors" means Total Bills Processed where FIRST HEALTH made a data entry or bill review processing error that resulted in an incorrect payment, and/or that causes a material delay in payment to the Contract Provider.

2. **Pre-Certification Utilization Review Completion Time Frames.**

- (a) Requests from Client for pre-certification utilization review that do not require additional medical information from the provider will be completed within five (5) business days of receipt of the request by FIRST HEALTH, per the California State Workers' Compensation rules and regulations.
- (b) Requests from Client for pre-certification utilization review that require additional medical information from the provider will be completed within fourteen (14) business days of receipt of all information necessary by FIRST HEALTH to complete such request, per the California State Workers' Compensation rules and regulations.

**II. REPORTS/METHODOLOGY.** Within thirty (30) days following the end of each Agreement year calendar quarter, FIRST HEALTH shall perform an audit, based upon FIRST HEALTH'S standard audit methodology to determine whether FIRST HEALTH failed to meet or met any of the Performance Guarantees set forth in this Performance Guarantee Exhibit. FIRST HEALTH shall report the results of the audit to Client. If, at the end of each Agreement year calendar quarter, FIRST HEALTH failed to meet any of the Performance Guarantees for such calendar quarter, FIRST HEALTH shall, concurrently with the disclosure of the audit results, provide Client with a credit on Client's next monthly invoice consistent with the reimbursement amount as set forth in Section III below.

**III. PERFORMANCE GUARANTEES & REIMBURSEMENT AMOUNTS.** The Performance Guarantee and reimbursement amount for each category of service are as follows:

<u>Bill Review Processing Accuracy<sup>(1)</sup></u>	<u>Reimbursement Amount</u>
98% to 100%	Standard Met – No Reimbursement
97% to 97.99%	2% of Bill Review fees
96% to 96.99%	4% of Bill Review fees
95% to 95.99%	6% of Bill Review fees
94% to 94.99%	8% of Bill Review fees
93% to 93.99%	10% of Bill Review fees
92% to 92.99%	12% of Bill Review fees
91% to 91.99%	14% of Bill Review fees
90% to 90.99%	16% of Bill Review fees
89% to 89.99%	18% of Bill Review fees
88% to 88.99%	20% of Bill Review fees

(1) The amount actually credited to Client shall not exceed 20% of the Bill Review fees paid during an Agreement year. Bill Review fee means the fee paid to First Health during an Agreement year for bill review services.

<u>Pre-Certification UR Completion Time-Frames</u>	<u>Reimbursement Amount</u>
100% of review requests completed within the appropriate (5) or (14) day period	Standard Met – No Reimbursement
Any/all review requests that are not completed within the appropriate (5) or (14) day period	No charge or full refund of review fees
Total number of review requests that exceed 1% of total review requests during a calendar quarter that are not completed within the appropriate (5) or (14) day period	\$55.00 credit for each review