



CITY OF HOUSTON

Human Resources Department

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SUBJECT: Letter of Clarification 1

REFERENCE: Request for Proposal No.: S37-T23207 for
HR Workers' Compensation TPA Audit

TO: All Prospective Proposers:

This Letter of Clarification is issued for the following reasons:

- To clarify the above referenced solicitation as follows:
- The following questions and City of Houston responses are hereby incorporated and made a part of the Request for Proposal:

1.0 Section 6.0 provides that proposers are to "Submit your company's audited annual financial statements, in accordance with and as defined in the Financial Accounting Standards Board (FASB) regulations(s) for the past two years. In addition, include your and Dunn & Bradstreet Report or Federal Tax Forms Filed to the Internal Revenue Service (IRS) for the past two years." Our firm is a privately held LLC and is not required to submit the financial statements as noted.

Will failure to provide these audited statements disqualify our proposal?

ANSWER: It is a prerequisite to provide the information. If you desire, please mark "Confidential and not subject to distribution without consent."

Since the City is open to the Texas Public Information Act, we will strive to comply with your request. However, it is not a guarantee.

2.0 How many vendors will be at the finals?

ANSWER: A determination will be made at the time of the evaluation process. The City will select one or more vendors as determined as most beneficial.

3.0 Who had the old audit Contract?

ANSWER: McGriff

4.0 Would they consider State Certification for MWDBE?

ANSWER: No, it must be referred to the City of Houston Department of Affirmative Action Contract Compliance for acceptance.

5.0 If verified with HUB, is it OK to use?

ANSWER: No, it must be referred to the City of Houston Department of Affirmative Action Contract Compliance for acceptance.

6.0 Split Contract up with in 2 parts? How is the City going to handle it for MWDBE?

ANSWER: It is dependent upon the submission content. Refer to Exhibit A, Page 37.

7.0 If we have a defined process, do we have to do what is listed on the proposal?

ANSWER: Yes

8.0 What licenses are in place that we have to perform this audit?

ANSWER: License to do business in the State of Texas.

9.0 Please identify the current TPA?

ANSWER: Cambridge/X-Changing.

10.0 Is the TPA's claims office located in Houston?

ANSWER: Yes.

11.0 Did this TPA assume responsibility for claims managed by a previous TPA or self-administered unit, or is it only managing claims received on or after 9/1/08?

ANSWER: Managing Both.

12.0 Identify other ancillary service vendors that the City of Houston and/or the TPA uses to manage its workers' compensation claims for the following services:

- Medical/disability case management
- Medical bill review / re-pricing
- Preferred provider organizations

ANSWER: Injury Management Organization and Health Systems International, LLC.

13.0 Does the TPA perform field investigations, or does it use independent adjusters or other TPAs for these services? If it uses independent adjusters or other TPAs, please identify those parties.

ANSWER: Yes, TPA does field investigations as warranted.

14.0 The RFP states that FY 2009 costs included 50% in medical and 38% in indemnity. Are the remaining 12% of FY2009 costs for allocated loss adjustment expenses (e.g., medical management fees, medical bill review fees, investigative fees, litigation costs)?

ANSWER: Case Management, Legal Services, TPA, TWCC Representation, Legal Retainer, Medical Director, Loss Prevention, Bank Charges and Recoveries.

15.0 Is a minority owned business a mandatory criteria to bid for the Audit RFP?

ANSWER: The item is part of the evaluation process.

16.0 Has an audit of this nature been performed in the past? If so, when? If not, what has transpired the need to render an audit and this RFP?

ANSWER: Yes, 2 years ago.

17.0 Can you provide a breakdown (i.e. lost time, med only) of the number of open claims by FY.

ANSWER: As of 4/30/2010: LT - 442; Med Only - 352.

18.0 What is the expected Deadline/Timing of a completed written report from 2.4 on page 21 of the RFP?

ANSWER: 30 days.

19.0 Typically prior to engaging in any work we require a consulting services agreement with our perspective client. I have attached a sample of this, would the terms and conditions of this agreement be acceptable if project is accepted?

ANSWER: The Legal Department of COH prepares any and all Contracts required.

20.0 Can we get copy of current TPA contract and related addenda and/or exhibits?

ANSWER: You would have to submit a Texas Public Information Act (TPIA) request; ATTN: Roland Bienvenu, 611 Walker, 4th Floor, Houston, TX 77002.

21.0 RFP indicates City is completely self-insured. We assume this means the City does not purchase Workers' Compensation insurance? If insurance is purchased, who is the broker(s) and can we get copy of policies in force during period to be audited?

ANSWER: City is self-insured and does not purchase workers' compensation insurance.

22.0 Regarding location where audit will be conducted; Will TPA provide space, computers and access to their system in their office? If so, please provide location and number of auditing personnel that can be accommodated.

ANSWER: Location will be at Cambridge. Auditing personnel to be determined by vendor.

23.0 How many adjusters does TPA have dedicated to servicing City? Please specify how many LT and MO adjusters.

ANSWER: 3 Medical Only – 6 Lost Time.

24.0 Does TPA have paperless system where all file documentation is imaged and available in their claim system?

ANSWER: No.

25.0 Will TPA be available to produce requested reports, payment registers, bill review records, claim notes, etc. from their system and provide in Excel or other electronic formats?

ANSWER: Yes.

26.0 Is TPA capable of providing data feed to vendor at their cost?

ANSWER: Yes.

27.0 How many claim files are currently open? Can we get breakdown on number of open files by year?

ANSWER: 794 claim files currently open.
2005 (1, 716) 2006 (2,437) 2007 (1, 296) 2008 (1,177) 2009 (1,194).

28.0 Provide TPA's definition of Medical Only vs. Lost Time claims as it relates to the claim handling fees charged to the City.

ANSWER: "Lost Time Claim" means a Claim where the Employee alleging an injury loses seven (7) or more days of work as a result of the alleged injury, not counting the day the alleged injury first occurred. A Lost Time Claim may be Active or Inactive: An Active Lost Time Claim is defined as one with ongoing benefits, Indemnity or Medical, or with an issue or issues pending within the DWC administrative adjudication process or at the District Court Level. An Inactive Lost Time Claim contains none of the items in an Active Lost Time Claim.

"Medical Only Claim" is one in which the initial medical charges are paid only, but does not result in a "Lost Time Claim" as stipulated above.

29.0 Of those files subject to this audit, are all of them housed in a single TPA system? If not, how many different systems are involved?

ANSWER: They are housed in a single TPA System.

30.0 Does City have minimum expectations for files to be included in scope of audit:

- How many years of claims
- Percentage of open claims
- Percentage LT vs. Medical Only
- Percentage of closed claims

ANSWER: No.

- 31.0** If services are not provided by TPA staff, what vendors are used for:
- UR and Preauthorization
 - Case Management
 - Legal defense
 - Private investigation

ANSWER:

-UR and Preauthorization:	Injury Management Organization
-Case Management:	Injury Management Organization
-Legal defense:	Harris & Harris
-Private investigation:	Spectrum

- 32.0** Is TPA SAS 70 compliant (Type I or II)? Can we get a copy of latest report?

ANSWER: Yes. Type II. Not available at this time.

- 33.0** While our audit plan would include having certain project personnel working on-site at TPA office, in an effort to minimize cost to City we would anticipate utilizing personnel to work remotely (subject to being able to access needed information electronically). Will this approach negatively affect City's scoring of our response?

ANSWER: Vendor would have to be on site to evaluate TPA.

- 34.0** Pg 19 - Sec 2.1.1.1 - "Assess . . . Provider network status"

Please provide expectations as to the depth of the required assessment. Is it simply a matter of confirming whether the provider is in network or, are there specific standards that will need to be assessed?

ANSWER: Confirm that the TPA has network capabilities with their subcontractors on bills and claims.

- 35.0** Pg 19 - Sec 2.1.1.2

What are the "excluded services"?

ANSWER: Services used by the TPA to which COH should not be charged for according to the contract between COH and TPA.

- 36.0** Pg 20 - Sec 2.1.1.10 - "In conducting the review the TPA will be asked to provide network contracts and copies of the network fee schedules to review on-site. As contracts may not be available on-site, this component may require an optional focused review at the location of the network provider relations office"

For those network provider relations offices in question, where are they located? Considering the uncertainty as to the frequency and cost of travel and expense

associated with potential visits to network provider offices, vendor would likely have to price for this unknown on a separate time and expense basis.

ANSWER: Dallas.

37.0 Pg 20 - Sec 2.1.1.8 - "Verify recorded statements, documentation, claims diaries, and transcriptions for claimants and witnesses"

Does verification involve evaluating entire recorded statement for quality and thoroughness or is it only a matter of confirming recorded statement is taken?

ANSWER: Confirming the recorded statements are in the file.

38.0 Performance Guarantee Standards:

a. Two of the standards do not include an at risk element. Will those sections still need to be reviewed/tested and commented on in final report?

ANSWER: Yes.

39.0 Does the City of Houston have a separate contract with a Pharmacy Benefit Management (PBM) company for the management of prescription drug and durable medical equipment (DME) cost and usage? If not, is this a service subcontracted by the TPA?

ANSWER: Services subcontracted by the TPA.

40.0 Has the sample size for the review of a random sample of workers' compensation income and medical benefit payments been determined? If so, what is the expected sample size? Will the sample include payments for both open and closed claims?

ANSWER: Sample size will be submitted by vendor. Size sample should include open and closed claims.

41.0 What services are subcontracted by the TPA to support the payment and management of workers' compensation on behalf of the City of Houston? For example:

- ✓Case Management (telephonic and field based)
- ✓Vocational Rehab
- ✓Peer Review
- ✓Special Investigations Unit (SIU) – fraud detection
- ✓Legal Services
- ✓PPO Networks
- ✓Etc.

ANSWER: All listed except Telephonic Case Management.

42.0 Is the TPA Medical Director an employee or a contractor?

ANSWER: The Medical Director is contracted by the City.

43.0 Will any new cost management initiatives be in the implementation process in 2010?

ANSWER: Yes.

44.0 How long has the TPA been handling claims for the City of Houston?

ANSWER: Since 2008 on this contract.

When issued, Letter(s) of Clarification shall automatically become a part of the solicitation documents and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. It is the responsibility of the proposers to ensure that they have obtained any such previous Letter(s) associated with this solicitation. By submitting a proposal on this project, proposers shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into this solicitation.