ORM Claims Management and Loss Prevention Services RFP
Response to Questions
January 12, 2010

The answers to the following questions were inadvertently omitted from the December 22 document:

1. Ancillary fees include Property and Liability outside adjusting fees? If not what was paid out over last 3 years including any CAT losses.

   The intent of the question is unclear, however, Question #39 on the December 22 Response to Questions document may provide some of the information you need.

2. How many cases by line of insurance are outsourced per year to independent adjusters?

   The following reports reflect the number of "assignments" made to independent adjusters. An assignment may not equate to a single claim. For example, a single assignment was made to an independent adjuster for Southern University after Gustav, but multiple buildings were damaged there.

   FY07: http://doa.louisiana.gov/orm/pdf/FY07AssgnContractVendMajCov.pdf
   FY08: http://doa.louisiana.gov/orm/pdf/FY08AssgnContractVendMajCov.pdf
   FY09: http://doa.louisiana.gov/orm/pdf/FY09AssgnContractVendMajCov.pdf

3. Of the total cases assigned to independent adjusters, how many are referred to Monroe, Alexandria, Lafayette, Shreveport and New Orleans?

   That information is not tracked.

The following are questions received between 12/16/09 and 01/12/10:

1. Does the State have any customizations in their current STARS system that would need to be present in a TPA RMIS if they chose to replace their STARS RMIS with the TPAs?

   The TPA's RMIS should be designed to meet the TPA's needs. There may be customizations needed to meet Louisiana Workers' Comp requirements or to capture data to meet ORM's needs (such as financial reporting and premium development), but those should be few.

2. Can the State provide activity reports or records relating to the number of entities (departments, agencies, boards, and commissions) requiring training by the Loss Prevention Unit and the average duration of training per entity?"

   We do not have activity reports; please refer to Response to Questions dated December 22, 2009, Question #6.

3. What is the estimate of the number of Statewide seminars that need to be conducted upon program implementation?

   ORM expects the proposers to use their experience and expertise to determine what training will be needed by state agencies and to include that information in their implementation plan.

4. Does the State have a training curriculum or plan and or individual training records indicating the training experiences of existing staff?

   Training records for all ORM employees are available at http://doa.louisiana.gov/orm/pdf/ORMEmplTraining.pdf. These records include all formal training done in the scope of employment at ORM, including safety training, general training offered by Civil Service and job specific training.

5. Who has been or is currently responsible for the training of the loss adjustment staff?

   The claims management staff with the State Risk Administrator - Claims having the ultimate responsibility.

6. Have the State Loss Prevention staff been involved in the training of loss adjusters as with respect to technical loss adjusting skills and systems?

   The Loss Prevention staff works closely with the Loss Adjusting staff to investigate risk exposures. Communication between the two teams is provided through email and in person. While no formal training is done between the two teams, there is a cooperative relationship in which both teams learn from the other.

7. Does the State require loss adjusters to receive mandatory or periodic training in such areas as Fraud Prevention, Errors and Omissions, Customer Service, or Fair Claims Practices?

   Yes. Periodic training by the claims management team and/or outside sources is provided on topics specific to the various lines of coverage. Participation in seminars, conferences, and educational courses (such as AEI) is encouraged. Some seminar topics have included Fraud Prevention, Fair Claims Practices and other claims related topics. Claims staff does receive customer service training. Workers' Compensation adjusters receive the Certified Workers' Compensation Professionals (CWCP) designation. This designation is obtained with 40 hours of in-class instruction and four competency tests. To maintain this designation twenty-four (24) hours of continuing education in a two year period is required.

8. For each line of coverage, what is the average number of miles driven per file for on-site work (excluding auto appraisals)?

   That information is not available.

9. Does the Zero Balance Account need to be a dedicated account or can we make payments out of our claim handling account used for multiple clients?

   It must be dedicated.

10. Must hired displaced employees be employed in the positions they held with ORM?

    No, you may retrain them to perform other jobs.

11. Must hired displaced employees be assigned to the State of LA account or can they be assigned to other accounts?

    They can be assigned to other accounts.

12. Will the status of displaced ORM employees to be offered a position by the contractor or subcontractor be "actively at work?" If not, what other statuses will apply?

    In situations where an employee is on extended leave (maternity, FMLA, etc.), ORM will delay the transition and continue to pay the employee. When the employee returns they will be terminated from the state, and the contractor will be expected to hire them at that time.

13. Is all subrogation currently handled by the two State Risk Adjusters (4 & 5) Claims-Subrogation?

    Yes.

14. Please provide specific salary information, length of service and leave earning rate for staff in positions to be absorbed by the contractor or subcontractor.

    We cannot determine at this time exactly which of our employees will be displaced. We have provided the salary and leave information for our Loss Prevention and Claims staff, and years of experience for Loss Prevention. "Years of Service" is not easily determined in our HR system, so it is not provided for Claims, due to the size of the unit. There are a few employees from other units that may be affected, but it is impossible to know which ones, so no information is provided for those.

15. In the Response to Questions dated 12/22/09, the response to question #106 (a) indicates current salaries of $661,008 and FY 11 salaries of $686,390 for 39 employees, or an average annual salary of $16,949 and $17,600, respectively, per employee. Please clarify.

    The number quoted was for Loss Prevention only. The correct salary amount for all employees to be displaced in Phase 1 is $1,921,875.

16. In the Response to Questions dated 12/22/09, the response to question #159, how did the state arrive at 27.9% when estimating the percentage of associated payroll costs?

    The percentage was calculated from the total salaries paid, divided by the sum of FICA, state retirement contributions and Group Benefits payments.

17. Will prospect be looking for us to utilize the RMIS for Premium Invoicing? Can you please explain further what you mean by premium invoicing? Is that a policy module? Also, on the customization question, any specifics to RMIS customization would be helpful.

    The contractor will be expected to provide data as needed in extracts for ORM to use in premium development/invoicing.

18. How many years and what is the volume of old claims are we to transfer? If possible, please break out by type of claim.

    The contractor will only be required to transfer open claims. A report is provided on the website with that information.

19. From a CS Stars perspective, who is responsible for managing the State's website (State or Contractor)?

    We are unsure of what you mean by "from a CS STARS perspective." However, ORM intends to manage its own website.

20. Are State employees required to have the same seniority when working for Contractor as when working for State? (Must the contractor assume the seniority level of State employees)?

    The word "Seniority" has different implications in different organizations. As a result, ORM is not requiring that our employees be granted seniority comparable to what they have with the state. However, we do expect our employees to be treated fairly in comparison to existing employees when establishing pay and benefit levels.

21. Do a certain number of employees have to be dedicated to the Baton Rouge location?

    No.

22. Regardless of the State's conditions, does contractor have the opportunity to not offer employment to current State employees that do not meet Crawford screening guidelines? To avoid co-employment issues, is this provision negotiable?

    We do not anticipate any co-employment issues. In section 3.1.1 of the RFP, some allowable screening criteria are specified. Others will be discussed with the successful bidder, but we cannot guarantee that all criteria you may normally use will be allowed.

23. Is state willing to negotiate regarding termination of employee for "cause" i/e failure to perform? (It does not benefit the State or Contractor if employee is not performing).

    Our intent in establishing the 1 year minimum was to provide a generous timeframe to train our employees in new procedures, systems etc. and sufficient time for them to either adapt or find other employment. We would be willing to discuss exceptions, but only in extreme circumstances.

24. If the State can terminate without cause in 30 days, please confirm that the State will assume any cost associated with ORM employee severance.

    The state will not assume those costs.

25. Does ORM have a need for a State owned bank account, or may we use Contractor owned bank account?

    The State of La does not require a state owned bank account, but requires a dedicated ZBA bank account (preferably with J. P. Morgan Chase Bank since the State of La. does business with this bank and fund transfers could be expedited).

26. Please clarify in what capacity the "contractor reviewers" (pg. 18 of 79) will be employed.

    You may employ them in any capacity you choose.

27. If there is a person in a position that the State is asking us to employ, eg. "accounting specialist supervisor," should those positions be factored into Contractor pricing?

    Yes.

28. If Contractor has any further questions / clarifications needed for the State, may we submit them? If so, to whom?

    Procedures and deadlines for questions are established in the RFP, sections 2.3 and 2.4.

29. Under 4.3.5 Cost Proposal, can you clarify or define what are considered expert fees. Example, engineering services, forensic accounting, etc.

    An expert is defined as an individual qualified to speak authoritatively by virtue of their training, skill or familiarity with the subject. They oftentimes serve as an expert witness for adjudications or other court proceedings. This could include life care planners, economists, accident reconstructionists, architects, safety consultants, engineers, cause and origin fire experts, to name a few.

30. Are fees for building estimates separate from the investigation? For example, under auto there is the appraisal fee, then the adjusting fee.

Property appraisals on buildings are to be included in the contractor's fee, not as an ancillary expense.

31. On the Q&A response, #83...How many property inspections were assigned last year? What was the cost? The answer was 934 claims assigned at a cost of 1.9 million. CURRENT QUESTION: Was this expense for the estimates only? We see the External Claims Adjusting Services Cost for 2008 was $962,881.28

    For the period of 7/1/08 - 6/30/09, further research reveals that approximately 2,188 property (building) inspections were performed by independent adjusters for an approximate cost of $2,797,173.41. The scope of independent adjusters' activity on these inspection assignments was limited to providing a detailed scope of damage with photographs and preparation of a damage estimate.

32. How many appraisals were performed by AssetWorks by year and how much was paid to them by year for the last two years?

    AssetWorks was issued a three year contract which was effective on August 21, 2009. Appraisals were begun on December 7, 2009. No payment has been made to date. The contract is available on the ORM website.

33. How many appraisals were processed through the Marshall & Swift system and how much was paid to them by year?

    Marshall & Swift provides commercial and residential estimating software. Their costs are based upon an estimated annual usage of 2500 calculations and software licensing. ORM paid $43,400 in FY 09 and $34,700 in FY 10.

34. Can you provide the contracts for AssetWorks and Marshall & Swift?

    The contracts have been posted on the website. See:

    http://doa.louisiana.gov/orm/pdf/AssetWorksContract.pdf
    http://doa.louisiana.gov/orm/pdf/Marshall&SwiftPOFY09.pdf
    http://doa.louisiana.gov/orm/pdf/Marshall&SwiftPOFY10.pdf

35. The number of bill adjudication increased significantly from 2008 to 2009. What accounted for this increase?

    In 2008, ORM made a decision to process all pharmacy invoices through CorVel bill review. These were previously paid in-house.

36. What accounted for the change in pre-cert fees from 2007 to 2009?

    Pre-cert services could have possibly increased through an effort to control workers' Compensation costs. Additionally, 2007 services were under a different contract rate than for services performed in 2009.

37. Is the Medical Director's cost included in the Peer Reviews or is it a separate cost? Also, how is the Medical Director paid; salary or per hour basis and what is that rate or salary?

    It is a separate cost. We have a contractual agreement with the Medical Director at the rate of $250 per hour.

38. With regards to question 38 on the Response to Questions, how many non-auto property damage claims (excluding catastrophe) were assigned out to independent adjusters the last two years. What was the annual cost paid to these independent adjusters associated with this?

    Approximately 8 Non-CAT, Non-Auto, Property Damage Claims were assigned to Independent Adjusters between 7/1/07 and 6/30/08 for a cost of $25,908.86. Using the same criteria for estimation, 12 assignments were made to Independent Adjusters between 7/1/08 and 6/30/09 for a cost of $66,275.40.

39. Is outside transportation of claimants to and from treated as an ancillary service paid off the file or a fixed fee?

    It is not an ancillary expense. Transportation of claimants to and from medical services is paid against the file. In the event the injured worker provides his/her own transportation, mileage is reimbursed in accordance with State Travel Regulations as a medical expense against the file. Transport provided with a transportation service would be paid as a medical loss payment charged to the claim file.

40. Can you please provide specific salary information for each of the claims staff to be absorbed by phase instead of the range provided in the Civil Service tables for each position?

    We cannot determine at this time exactly which of our claims employees will be displaced. A list of salaries for all of our claims employees is available at http://doa.louisiana.gov/orm/pdf/ClaimsSalaries.pdf

41. On question 106, you gave the annual payroll for Phase I, 39 employees, being $661,008. This is an average of $16,948 per employee. Can you confirm the payroll for this phase?

    See question #10.

42. Will the state fund the Loss Fund account for all claim's cost and ancillary services?

    Yes.

43. Do you know the annual spending on prescriptions for the last three years?

    Prescription drug charge payments are not separately coded in Future Medical claims for the Medical Malpractice coverage nor are they separately coded in Future Medical Care Fund claims for all liability lines. For Workers' Compensation prescription costs see question #56.

44. Will the ORM continue to make forms, training request, etc. for loss prevention service available on its website or will the vendor be responsible for developing a website for that purpose?

    ORM will perform that function.

45. Is the Loss Prevention video library owned or licensed by the state? If owned will the library still be available to state agencies?

    It is owned by the state and would still available.

46. Has the state had a need to contract industrial hygiene services in the past? Would any future IH services be the responsibility of the vendor or the state?

ORM occasionally uses the services of Industrial Hygienists for Workers' Comp, GL and Property claims. These would typically be handled as experts and would be the responsibility of the state.

47. Section 5 of the proposed contract appears to limit the total contract value to a set amount for the 5 year contract period. This all inclusive amount is based upon the stated values for certain items such as Private Investigation/Surveillance (6500 per year), Vehicle Damage Appraisals (400 per year), Ancillary Fees (between $2.2m and $2.7m per year), Emergency Adjusting Services (6000 hours per year), Recovery Services Fees (Second Injury Fund 3.6m year and Subro $1.1m per year). If we get to the later contract years and are approaching the total contract value due to any of these fixed units being exceeded for legitimate reasons such as the vendor is able to surpass the stated Recovery values each year; a major catastrophe hits the state; more PI/Surveillance is needed, etc. is the vendor going to be limited to the 5 year stated total or will the state adjust the total contract value in Section 5 to accommodate legitimate fees?

    All state contracts must have a maximum dollar amount, but there are provisions for amendments to that amount. We will amend the contract if the circumstances warrant it.

48. May we speak with any employees of the ORM who will not be involved in the decision making process in order to verify whether they would commit to a firm in the event we were the successful bidder?

    No.

49. What if the penalties assessed are not in the control of the Prime Contractor?

    The prime contractor will be accountable for all work done under this contract, whether it is done by the prime contractor or subcontractors, and for any penalties incurred as a result of their work. Penalties that are assessed by the OWCA due to circumstances beyond the control of the contractor or penalties assessed due to a legitimate dispute regarding payment of benefits will be reviewed on a case by case basis.

    What if it is the State's delay which caused the penalty?

    If the State were the cause of the delay, the State would be responsible.

    Who makes the determination of who is obligated to pay?

    After a review of all the facts *surrounding the assessment of penalties, ORM will make the final determination as to the responsible party for payment.*

50. Follow up to Question #38; page # 6: ORM requested clarification regarding Transportation. Transportation is the expense related to the cost of transporting a workers' compensation injured worker for treatment or medical services. Is this considered a file charge?

    It would be paid as a medical loss payment charged to the actual claim file.

51. Follow up Question #45; page # 7: Clarification is needed please. What percentage of open indemnity claims are maintenance only (no expectation of future indemnity payments).

    34.7%. This percentage was calculated from the number of open claims with indemnity payments, but with no indemnity payments since July 1, 2009.

52. It is our understanding that the individual pharmacy script will be paid as a medical expense on the claim file. Is this correct?

Payment for individual pharmacy scripts are paid as a medical loss payment charged to the actual claim file.

53. Please provide an explanation for the large variance in property claims between 2008 and 2009. How is this large increase in claims being handled today? Are these claims expected to be closed by the end of FY10?

    The increase in the volume of property claims from FY 07-08 and FY 08-09 are directly attributable to Hurricanes Gustav and Ike. Open hurricane claims are being handled by ORM staff adjusters with assistance as needed from Independent Adjusters. It is not anticipated that these claims will be closed by the end of the current fiscal year.

54. Are pharmacy bills included in the CorVel medical bill counts provided? Please provide the total number of scripts on an annual basis for the last three years.

    Prior to January 1, 2008, ORM paid pharmacy invoices in-house. The data for CorVel includes pharmacy charges from that date forward. ORM does not track the number of scripts filled, only the number of pharmacy invoices. Most pharmacy invoices have multiple scripts.

    FY 07 - 18,080 invoices totaling $5,286,085.03;
    FY 08 - 16,647 invoices totaling $5,644,487.57;
    F7 09 - 18,083 invoices totaling $6,230,014.78

55. Does the current ORM contract with CorVel pay for duplicates?

    ORM does not pay for duplicates.

56. Reference data conversion to the successful Contractor, will CorVel provide detailed bill history for the past three years (dates of service, CPT, billed amount, paid amount, provider name, explanation of adjustments, etc.)?

    Most of the information you describe is already available in STARS. We will work with CorVel to provide any additional data the successful bidder needs.

57. Are there any medical bills processed outside of the CorVel Medical Bill Adjudication contract with ORM? If so, what type of bills and what is the volume?

    Yes. Mileage, transportation, dental, diagnostic testing where One Call Medical doesn't provide a coverage area, and independent medical exam expenses are processed in house.

    Mileage / Transportation:
    FY 07: 2681 invoices totaling $574,414.01;
    FY 08: 2840 invoices totaling $639,380.43
    FY 09: 2945 invoices totaling $742,032.17.

    Dental: no data available.

    Diagnostic:
    FY 07: 531 invoices totaling $394,101.01;
    FY 08: 321 invoices totaling $238,137.95
    FY 09:283 invoices totaling $202,208.24.

    IME's:
    FY07: 68 transactions totaling $64,687.10;
    FY08: 60 transactions totaling $64,600.17;
    FY09: 60 transactions totaling $80,249.87.

58. Follow up to Question #22; page # 3: ORM states that FileNet does not meet their needs. Please provide ORM's expectations and functionality requirements regarding FileNet.

    FileNet as a software product is more than adequate to meet our needs. It is the Division of Administration's current configuration of FileNet that does not. ORM would like to have a "paperless" system where all information about a claim is available electronically, with integration between the RMIS and the imaging system to facilitate access. We would like to be able to utilize the system to maintain archives, by designating documents as "records" to prohibit future changes.

59. Does STARS have a standard data extract and if so, can you provide a copy? Does the extract include all of the data elements captured in the STARS claim system? If not, what data is missing and will STARS be able to supplement the extract with the missing data elements?

    STARS does not have a "Standard" data extract. The system allows for customized reports of needed fields that can be exported in several different file formats. We will work with the successful bidder and STARS technical support (if necessary) to provide all of the data needed.

60. Does the STARS claim system track all legal payments that are made through FileNet? Will this information be available in the STARS claim extract?

    Legal bills are submitted and approved via TrialNet. Data is interfaced to the state's contract system (CFMS) for payment. Payment information is then loaded into STARS via an automated interface. That information will be in the STARS extract.

61. If the Contractor scans and saves all documents, do the State's archiving requirements permit the contractor to preserve the documents electronically or do these images have to be sent to FileNet? If a download to FileNet is required, in what format would the documents be sent and what frequency?

    In general, there would be no need to download images to FileNet if they already exist in the Contractor's system. This assumes that ORM will have full access to the Contractor's system and that the retention schedule meets ORM's requirements. If an interface were required, a variety of formats could be used, including PDF.

62. Pg-22 of RFP / 3.4.1 - Quality Assurance - Please provide a copy of or access to the State's current Quality Assurance Program document.

    ORM's current program is strictly internal and based primarily on supervisory review. A formal document will be prepared as part of the transition, with input from the successful bidder.

63. Page 30 of RFP / Scope of Work 1.05 - Please provide a copy of or access to ORM's record retention schedule and State's Archives Policy.

    http://doa.louisiana.gov/orm/pdf/ORMRecordsPol.pdf

    http://doa.louisiana.gov/orm/pdf/ORMRetentionSched.pdf

    http://doa.louisiana.gov/orm/pdf/StateArchivePol.pdf

64. What percentage of peer reviews is derived from utilization review pre-certification versus peer to peer contact at a later time?

    ORM does not track peer to peer contact at a later date.

65. Will ORM provide the facilities for training for the general marketing presentations? Is there a cost to the contractor for the use of the facility?

    You should assume that state facilities will be available at no cost to the contractor.

66. Page 46 Scope of Work Cash Management 19.01 - Please define ORM's expectation for the financial reporting requirement?

    This statement in the scope of work focuses on controls. ORM expects accounting controls to be in place to ensure the accuracy of any and all financial reports issued by the contractor.

67. ORM's response to Question 153 is addressing start up costs as an implementation fee and any transaction fees are included in the Administrative fee. Is this correct?

    Yes.

68. Clarification requested for item 165 - what is the average amount of time lost time claims are open i.e. 21 months, 13 months, etc.

    For claims closed in FY08, the average was 37.81 months; for claims closed in FY09, the average was 37.36.

69. Do Loss Prevention officers use state owned vehicles for their travel? Or are they given allowances or paid mileage?

    See questions 92 and 93 in the December 22 Response to Questions document. No allowances are given.

70. It appears the contractor will not be given closed claim data. Does the state intend to have data returned from the contractor to combine with its closed claim data for a full picture of historical loss experience?

    Yes.

71. When a closed claim reopens, how will the State transmit the historical data to us for the electronic financial file?

    Both the electronic data and the physical file will be transferred.