

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

99-022

SYNOPSIS -

AGENDA:

JANUARY 25, 1999

It is recommended that the City enter into an agreement with EMC Risk Services, Inc., to furnish bill review and bill payment services for medical expenses incurred as a result of occupational injuries.

SUBJECT:

OCCUPATIONAL
INJURY BILL
REVIEW AND
PAYMENT
SERVICES
CONTRACT

FISCAL IMPACT -

The City anticipates a \$50,000 net reduction in medical expenses per year, after payment of service fees. Occupational medical expenses are paid from Trust & Agency Accounts included in the 1998-1999 Operating Budget, Non-Departmental Section, Page 27.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Approval of the proposed contract with EMC Risk Services, Inc.

SUBMITTED BY:

WILLIAM STOWE
HUMAN
RESOURCES
DIRECTOR

BACKGROUND -

The City is self-insured for costs and self-administers claims for employees with occupational injuries. Because of its self-insured status and relatively small size, the City has difficulty obtaining discounts for medical care. It also lacks the technology and expertise to determine reasonable and customary charges and/or billing errors.

Two companies, McNerney Heinz and EMC Risk Services, submitted bids for this service. A committee of representatives from Police, Fire, and Human Resources reviewed the bids and recommended EMC on the basis of low cost and ability to provide all requested services. The fee for EMC's service is estimated at \$60,000 per year and is based on the following:

Bill Review (estimated fee \$40,000)-\$8.50 per bill, plus:

- 28 percent of any Preferred Provider Organization (PPO) savings
- 16 percent of Non-Preferred Provider Organization savings
- 10 percent of negotiated bill reductions

As part of the contract, EMC guarantees, for the first year, the City will save sufficient money to cover the cost of the bill review fee. If fees exceed savings, a refund of the excess will be made at the end of the contract year.

Bill Payment (estimated fee - \$20,000)-\$6.50 per bill

Bill payment services are integral to overall savings, as EMC is able to use prompt bill payment (estimated three days) in negotiating bill reductions. In addition, there will be a reduction of approximately 400 hours organizational time spent on bill processing that will be better utilized on case management.

The estimated gross savings anticipated from the implementation of a bill review/bill payment contract is \$110,000. Vendor fees are estimated at \$60,000, for a net annual savings to the City of \$50,000. The potential savings, along with the first-year guarantee, makes this an attractive contract for the City.