




MEMORANDUM

TO: Members of the General Assembly

FROM: Malcolm Weems, Director 

DATE: September 14, 2012

SUBJECT: Transfer of responsibility for the State Workers' Compensation Program

This memorandum provides information concerning the transfer of responsibility for the State Workers' Compensation Program to a third party administrator in accordance with Public Act 97-0895.

PUBLIC ACT 97-0895

Public Act 97-0895 requires “[b]y September 15, 2012, the Department of Central Management Services shall prepare a plan to effectuate the transfer of responsibility and administration of the workers’ compensation program for State employees to the selected private vendors. The Department shall submit a copy of the plan to the General Assembly.”

TRANSITION PLAN

Initial Steps

Since late June, the Department has been working collaboratively with the Chief Procurement Office (CPO) and the Office of the Illinois Attorney General (AG) on the procurement required by P.A. 97-0895. A workgroup comprised of members of all three groups was formed, and semi-weekly meetings have been routinely occurring.

CMS led the initial definition of potential specifications as subject matter experts, and all parties have contributed to revising and further defining those specifications. The CPO’s office is leading the development of the evaluation methodology and making all final decisions related to the solicitation, the solicitation process, and the evaluation methodology. All parties have worked to identify procurement and implementation strategies and to answer operational questions related to the procurement.

Resolution has been reached on most of the questions. Some final questions remain, particularly related to the evaluation methodology, the payment of expenses for AG staff, and the process of payment directly to employees off of payroll due to their work - related injury. This last area has

been specifically delineated in the solicitation to ensure that disruption of these payments does not occur.

In addition to meeting with the CPO and the AG, the Department has provided notice to the various bargaining units who have staff impacted by the terms of PA 97-0895. Meetings have been held with AFSCME as the majority of the staff in the unit are members of that bargaining unit.¹

The Procurement

The procurement, as developed by the CPO, is currently in its final stages of review. Once released, expectations are that an award will be finalized within 90 days with the goal of a vendor or vendors chosen by early January, 2013.

The Transition²

The following seeks to summarize CMS' expectations of the methodology of the implementation of a third party solution. This summary follows and is consistent with our conversations with both the Office of the Attorney General and the Office of the CPO. Additionally (as noted), decisions made by the CPO in the award of the procurement could have material impact on the final implementation plan.

- **Claims**

All claims held in the legacy system currently utilized by the State of Illinois for workers' compensation claims will be migrated to a system established through the relationship with the third party administrator.

Initially, the vendor will be responsible for claims management of new claims as received from the initial report of injury. During this initial phase, existing open claims will continue to be managed by State staff.

Existing claims will be moved in phases, as the vendor becomes acclimated to working with the State's process, and as they establish sufficiently trained and knowledgeable staff to effectively perform the required functions. This phased approach in moving current open cases is intended to prevent any disruption of the workers' compensation process. Cases are in various stages of completion (e.g. – newly filed, claimant off of work receiving benefits, medical treatment in progress, settlement pending, hearings set, etc.) and an immediate transition of these files is seen as likely problematic for any

¹ The Illinois Nurses' Association and Teamsters 916 each have a single employee working in the unit. Notices have been provided to those units but separate meetings have not been held.

² The transition plan, as presented, presumes that the Department will maintain oversight of the contract with the third party administrator. If, however, a decision is made by the CPO to award multiple awards under multiple agencies, as contemplated under PA 97-0895 (20 ILCS 405/405-105(10)(b)), additional time may be necessary for agencies not currently involved in the process to bring staff and systems on board, as well as to conduct training, to enable them to effectively manage this contract. Regardless of that decision, any transition of current claims will be accomplished between the Department and the third party administrator(s).

incoming vendor or vendors. It is anticipated that these current open claims will be able to be transitioned to the winning vendor(s) within six (6) months.

- Current contracts

In addition to the functions handled directly by the Department, the Department currently has contracts which cover three specific aspects of the workers' compensation program:

- Medical Bill Review (CorVel)
- Early Intervention and Utilization Review (MCMC)
- On-Site Case Management (CorVel, MMCS, Genex)

These functions will have to be assumed by the vendor(s) as well. The Department anticipates this transfer can also be completed within the six (6) month transition phase.

- State staff

As indicated above, the Department has notified the various bargaining units of the transition contemplated under PA 97-0895. Formal layoff notices will have to be produced and sent to all impacted staff. The Department does not foresee the release of all staff as staff will be required to manage current claims until the date of transition with a smaller number remaining on-board to manage the contract including, but not limited to, general oversight of the vendor, transfer of funds, coordination of budget requests, authorization for claim settlement and payment of costs to Attorney General staff.

Challenges

Currently, the Department sees the following challenges to its transition plan.

1. Funding

Under current statute, the Department has the funds and the authority to spend funds under the workers' compensation program only through December 31, 2012. The Department must have authority beyond that date to spend funds – initially to manage current claims and, in the future, to provide such funds to the third party administrator as well as pay certain administrative expenses of the Office of the Attorney General.

2. Assumption of current claims

The State has approximately 18,000 currently open workers' compensation claims. These claims range from incident only claims (no medical or lost time; designed by statute to automatically close after a date certain) to lifetime award claims (claimants who suffered permanent injury and receive a monthly payment and payment for medical bills for the rest of their life). While the Bureau is underway with a longterm scanning project, the majority of these claims are paper claims. The Department believes that transition of

these claims can be accomplished within six (6) months but the actual time needed will not be known until the third party vendor or vendors are selected and operationally on-board. This will also be better understood once vendor responses to the solicitation are received and fully understood.

Conclusion

The Department has sought to consultatively support the subject matter needs of the CPO in drafting a solicitation, and has worked collaboratively at every point in the process in accordance with the intent and spirit of Public Act 97-0895.

The Department is providing this information based upon the current status of the procurement and its belief as to what can be accomplished once the third party vendor or vendors are selected. As the process moves forward, the Department will be happy to provide updated information.