

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 9, 2009

Board Item: V-E-6

## AGREEMENT FOR OCCUPATIONAL MEDICAL SERVICES

Action by Consent

Action

Information

Denver Water provides on-site medical care to employees for occupational injuries and illnesses through its Employee Health Services (the Clinic). The Board has contracted with Hugh H. Macaulay, III, M.D. P.C., to provide MRO and medical services and treatment for occupational illnesses or injuries since November 2000. Dr. Macaulay's contract also requires him to be on site two days per week at the Clinic. The current contract was renewed in January 1, 2006, and expires on December 31, 2009.

Requests for proposals were sent to thirty potential providers, including eight SMWBE organizations. Denver Water received two proposals, from Dr. Karen Molloy and Dr. Hugh Macaulay. Dr. Molloy is a Doctor of Osteopathy and is not a certified Medical Review Officer (MRO). However her proposal included access to a certified MRO. Dr. Macaulay is a medical doctor and a certified MRO. Both providers offered similar on-site services.

The primary difference in cost is Dr. Molloy proposed a flat rate of \$2,500 per month, plus a consultation fee of \$120 per hour if Denver Water needs the opinion of a Medical Review Officer. Dr. Macaulay proposed a rate of \$260 per hour which is paid only when Denver Water uses his services. This rate is 20% less than the hourly fee of \$325 that Dr. Macaulay currently charges Denver Water. Dr. Macaulay's costs for on-site examinations are in accordance with his standard fee schedule. The costs for off-site services are in accordance with the Division of Workers' Compensation fee schedule at rates that are established by the State for occupational injuries or illnesses. After careful consideration of the two proposals, the review panel recommends that the contract for Clinic and MRO services be awarded to Dr. Hugh Macaulay.

The average cost of Denver Water's Workers Compensation program for the last 7 years is \$886,709.00. However, over the past several years, there has been a decrease in overall costs as shown below. These decreases are notable considering the current economy where average health care cost inflation is 7%. The lower Workers Compensation program costs are primarily due to Denver Water's Safety Program, careful diagnoses and to employees returning to work sooner than in the past. Another factor in the decrease in costs is a higher level of trust and communication with employees that has been achieved through the relationships Dr. Macaulay established with injured workers. The levels of trust and communication in these relationships have, over time, decreased employees' frustrations which often resulted in workers compensation litigation, higher medical and indemnity costs and more lost work days. This combination of factors has resulted in an average reduction of 50% in Denver Water's expenses over the last 3 years.

	Lost days	Medical and indemnity Costs
2007	195	\$ 282,364.00
2008	182	\$ 366,714.00
2009 (as of October 31)	121	\$ 135,634.00

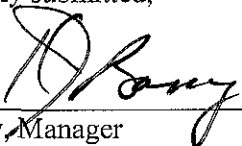
Denver Water sets aside annual reserves to cover the costs of workplace injuries. If there are fewer claims than expected, Denver Water receives a refund from the insurance carrier, Liberty Mutual. In 2008 the amount set aside was \$1,756,773. Due to the 2008 claims experience, Denver Water received a refund of \$524,290.00 in 2009.

The current MRO contract has averaged \$167,000.00 per year for the past three years. The proposed contract is estimated to average \$155,000.00 per year over the next three years.


Recommendation:

It is recommended that the Board authorize the award of Contract No. 12572A to Hugh H. Macaulay, III, M.D. for occupational medical services for the contract period January 1, 2010 through December 31, 2012, for a total contract amount not to exceed \$465,000.00. Funds have been included in the 2010, 2011 and 2012 Budgets for these expenditures.

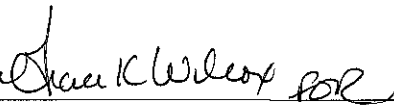
Respectfully submitted,

  
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H. J. Barry, Manager

**Approvals:**

  
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Carla Elam-Floyd, Director of Human Resources

  
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Patti Wells, General Counsel

  
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David LaFrance, Director of Finance