



State of Louisiana

OFFICE OF

STATE INSPECTOR GENERAL

**OFFICE OF RISK MANAGEMENT
WORKERS COMPENSATION UNIT**

Report by

Inspector General Bill Lynch

Prepared for

Governor M.J. "Mike" Foster, Jr.

July 28, 1998

File No. 1-98-0080



State of Louisiana

**OFFICE OF
STATE INSPECTOR GENERAL**

**Office of Risk Management
Workers Compensation Unit**

June 18, 1998

Report by

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Inspector General Bill Lynch

Approved by

A handwritten signature in black ink, appearing to be "M.J. Foster, Jr.", written over a horizontal line.

Governor M.J. "Mike" Foster, Jr.

File No. 1-98-0080

OFFICE OF RISK MANAGEMENT WORKERS COMPENSATION UNIT

The Office of Risk Management Workers Compensation Unit is not executing written contracts with vendors for vocational rehabilitation and medical management services totaling \$1,787,206 nor getting the proper approvals from the Office of Contractual Review as required by law.

Background

The Workers Compensation Claim Unit processes claims for state workers who were injured on the job. Risk Management has a two phased process to put workers back to work. The first phase involves a medical management professional working with the doctor to have the worker released to light duty. The second phase involves a vocational rehabilitation counselor working with the agency to put the worker back to work. These services are performed by individuals who have a degree in the related field (e.g., nursing, vocational rehabilitation) and are licensed by the state. Risk Management maintains a list of qualified vendors and cases are assigned on a rotational basis. Some vendors can provide both medical management and vocational rehabilitation services. The rate Risk Management pays for these services ranges from \$65 to \$80 per hour. These services are considered social services.

Lack of Contracts

A review of expenditures to vendors for vocational rehabilitation and medical management services from July 1, 1997 through March 30, 1998 revealed that Risk Management used 116 different vendors for total expenditures of \$1,787,206. Forty-one of the 116 vendors were paid over \$10,000, the greatest of which was \$211,111. Following is a list of all vendors earning more than \$10,000.

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Vendor	Total Paid
Network Rehabilitation Services, Inc.	10,242.79
Marron & Associates Health & Rehabilitation Prof.	10,813.80
Loretta Desoto	12,682.40
Sharon K. Thomas (Thomas & Wolcott)	13,923.35
Concentra Managed Care Services Claims Review Assoc.	15,128.48
Janice H. Sims	15,448.89
J. Wayne Savoie (Savoie Medical Case Mgmt)	16,649.90
Buster M. Fontenot	18,809.04
Joyace G. Ussin	19,553.49
Vocational Solutions, Inc.	19,766.63
Stephanie P. Chalfin, M.S., Professional Rehab. Corp.	21,399.10
Cascade Rehabilitation Counseling, Inc.	21,416.74
Professional Health Rehabilitation Service	21,992.11
Wholistic Rehabilitation	25,043.32
F.A. Richard & Associates, Inc.	25,592.24
Leonard Michiels Rehabilitation Consultant	26,470.35
Paulette Lemaire Rehabilitation Consultant	26,591.50
Helen C. Carroll and Associates	26,911.03
International Rehab Associates, Inc. Intracorp	28,515.03
Heyward X. Johnson II	28,817.87
D'Clare Rehabilitation Services, Inc.	29,202.46
Hilliard Rehabilitation & Case Management Services	29,417.58
Anita Willett, R.N.	29,696.08
Reese's Rehab. Co.	30,316.10
Kenneth S. Brister, M.A., LRC, CRC	32,867.26
Pat McLaury Associates, Inc.	32,938.93
Palmer Stokes Carlisle Stampley	33,483.16
Lacour Medical Management, Inc.	33,976.86
Case Management Concepts	34,438.95
Gisclair & Associates, Inc.	36,128.72
Thomas E. Bott & Associates, Inc.	38,549.30
Carazo, Hamann & Company, LLC (Victoria Hamann, Susan Carazo)	42,134.89

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Professional Medical Case Mgmt., Inc.	51,628.11
Genex Services, Inc.	55,054.32
Bailey-McCaffery L.L.C., Vocational-Rehab Services	57,195.76
Younger & Associates, Inc.	75,091.83
Strategic Case Management (Brister & Canezaro)	75,231.37
Louise Coleman & Associates	80,376.10
Comprehensive Rehabilitation Associates, Inc.	81,482.55
Crawford & Company Health Care Management	93,164.59
Deist, Riggle & Associates	211,111.37
Total	<u>1,589,254.35</u>

Risk Management did not execute written contracts with any of the vendors or get an approval, as required, from the Office of Contractual Review for the vocational rehabilitation and medical management services performed. Risk Management personnel could not provide any exception that would exclude these services from contract review statutes.

According to Louisiana Administrative Code 34:V.106.B, services under the amount of \$10,000 do not have to get the approval of the Office of Contractual Review but a written contract must be executed. Both the contract review statutes and regulations require these contracts to contain specified provisions such as audit and termination clauses. These contracts may be approved by the agency director without the necessity of forwarding a copy to the Office of Contractual Review.

The Office of Contractual Review agrees that these services are subject to contract review requirements.

Conclusion:

1. The Risk Management Workers Compensation Unit did not prepare written contracts with vendors for vocational rehabilitation and medical management services nor get the proper approvals as required by law.

Recommendation:

1. The Risk Management Workers Compensation Unit should take appropriate action to comply with the law.

Management Response:

The responses from the Office of Risk Management and the Office of Contractual Review are attached.

Inspector General Response:

The Office of Risk Management asserts that the vocational rehabilitation contracts at issue are not "social service" contracts, but, rather, are "professional services." While we disagree, professional service contracts, like social service contracts, are subject to Contract Review requirements and oversight.

Risk Management's response also asserts that La. R.S. 23:1226(3) gives the employee the right to choose his or her vocational counselor. To the contrary, the statute states, "The employer shall be responsible for the selection of a vocational counselor to evaluate and assist the employee in his job placement or vocational training." Vocational rehabilitation is a service procured by Risk Management which it provides to injured employees, and not mere reimbursement of a covered expense incurred by the employee.



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF RISK MANAGEMENT

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

June 17, 1998

Mr. Bill Lynch
State Inspector General
P. O. Box 94095
Baton Rouge, La. 70804-9095

RE: File No. 1-98-0080

Dear Mr. Lynch:

The Office of Risk Management (ORM) utilizes the services of Vocational Rehabilitation and Medical Management Services in accordance with RS 23:1226(A) of the Louisiana Workers' Comp. Act which mandates: "When an employee has suffered an injury covered by this Chapter which precludes the employee from earning wages equal to wages earned prior to the injury, the employee will be entitled to prompt rehabilitation services." ORM makes several hundred assignments a year for these services, utilizing approximately 120 vendors. Dictionary definitions of rehabilitate are to restore to customary activity through education and therapy or to restore to a former state.

True vocational rehabilitation involves education and retraining. What the Workers Comp. Statute requires and what ORM and other insurance carriers provide is not true vocational rehabilitation. RS 23:1226(B)(1) says "The goal of rehabilitation services is to return a disabled worker to work, with a minimum of retraining, as soon as possible after the injury occurs. The first appropriate option among the following must be chosen for the worker; (a) return to the same position, (b) return to modified position, (c) return to a related occupation."

Basically, what the law requires and what it calls rehabilitation is not true vocational rehabilitation. What ORM utilizes are professional services to be in compliance with the Comp. Act. In most instances a labor market survey is obtained and the injured worker submits applications to these available jobs. This is in compliance with the act and is acceptable to the court system. RS 23:1226(3) gives the employee (or its-carrier) the right to choose the vocational counselor to evaluate and assist the employee in his job placement or retraining.

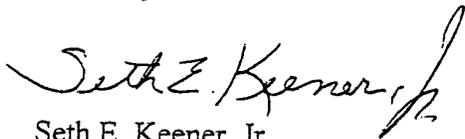
Mr. Bill Lynch
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In essence, the Office of Risk Management utilizes professional services as mandated by the Comp. Act. Vocational Rehabilitation and Medical Management may be deemed social services which require a contract; however, what the comp. act requires and what is being done, while called rehabilitation is not true vocational rehab. and thus are not social services. These services are performed in an insurance setting. As such, no contract should be required.

RS 39:1484(25) with reference to Procurement of services defines "Social service" to mean work rendered by any person, firm, corporation, organization, governmental body, or governmental entity in furtherance of the general welfare of the citizens of Louisiana, including but not limited to (a) rehabilitation and health support. The Workers' Comp. Insurance law is not for the general welfare of the citizens of Louisiana in a social setting. Rehabilitation and health support is defined as services available to assist individuals to attain or maintain a favorable condition of physical and/or mental health. These services include: health related counseling, alcohol or drug abuse training, training to support emergency medical services, services to support family planning, etc. These services do not take into consideration a worker who has been injured on the job who is not drawing social assistance from the community. Rehabilitation for insurance purposes is not covered by RS 39:1484 and thus these services that ORM is mandated to provide should not be contracted.

If additional information is required, please feel free to contact me.

Sincerely,



Seth E. Keener, Jr.
Risk Director

SEK, JR./KJ/rps



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF CONTRACTUAL REVIEW

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

June 12, 1998

Mr. Bill Lynch
State Inspector General
Post Office Box 94095
Baton Rouge, LA 70804-9095

Dear Mr. Lynch:

RE: File No.1-98-0080

In response to your letter of June 9, 1998, I reviewed the draft report on your office's review of the Office of Risk Management Workers Compensation Unit.

If the Office of Risk Management Personnel could not provide your office with an exception that would exclude such services from the requirements of La.R.S.39:1481 et seq., than neither can I as I know of no such exception.

If you require additional information regarding this matter, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Susan H. Smith".

Susan H. Smith
Director

SHS/als