

**APPROVE EXERCISING THE SECOND AND FINAL OPTION TO RENEW THE AGREEMENT
WITH ENCOMPASS HEALTH MANAGEMENT SYSTEMS FOR UTILIZATION MANAGEMENT
SERVICES**

THE CHIEF EXECUTIVE OFFICER REPORTS THE FOLLOWING DECISION:

Approve exercising the second option to renew the agreement with Encompass Health Management Systems to provide utilization review services for the Board's self-funded medical plan at a cost for this option period not to exceed \$2,500,000.00. A written document exercising this option is currently being negotiated. No payment shall be made to Consultant during the option period prior to the execution of the written document. The authority granted herein shall automatically rescind in the event a written document is not executed within 90 days of the date of this Board Report. Information pertinent to this option is stated below.

Specification No.: 04-250038

CONSULTANT: Encompass Health Management Systems
6000 Westown Parkway - Suite 350E
West Des Moines, Iowa 50266-7771
Contact: Lori Fangman
(515) 223-2857
Vendor No.: 24539

USER: Department of Human Resources
Compensation and Benefits Management
125 S. Clark Street, 14th Floor
Chicago, IL 60603
Contact: Dale Moyer, Director
(773) 553-2818

ORIGINAL AGREEMENT: The original Agreement (authorized by Board Report 04-0324-PR30) in the amount of \$6,000,000.00 is for a term commencing July 1, 2004 and ending December 31, 2006, with the Board having two options to renew for one year terms. The agreement was renewed (authorized by Board Report 06-1220-PR19) for a term commencing January 1, 2007 and ending December 31, 2007. The original agreement was awarded on a competitive basis pursuant to Board Rule 5-4.1.

OPTION PERIOD: The term of this agreement is being extended for one year commencing January 1, 2008 and ending December 31, 2008.

OPTION PERIODS REMAINING: There are no option periods remaining.

SCOPE OF SERVICES: Encompass will continue to provide medical necessity and utilization review for the Board's self-insured healthcare program.

DELIVERABLES: Encompass will continue to provide utilization review, case management, quality of care evaluations, peer to peer consultations, and monthly reports, including evaluation reports.

OUTCOMES: Encompass services will result in a comprehensive and affordable medical advisory services, which will result in program savings for the Board's self-insured medical program for Chicago Public School employees in comprehensive and affordable healthcare coverage through contracted discount and prepaid provider arrangements for the Board's self-insured medical program for Chicago Public School employees.

COMPENSATION: The fees for the second option period will be as set out in the written renewal agreement, with a maximum compensation of \$2,500,000.00 per year.

AUTHORIZATION: Authorize the General Counsel to include other relevant terms and conditions in the written option document. Authorize the President and Secretary to execute the option document. Authorize the Chief Human Resources Officer to execute all ancillary documents required to administer or effectuate this option agreement.

AFFIRMATIVE ACTION: This contract is in full compliance with the goals required by the Revised Remedial Plan for Minority and Women Business Enterprise Contract Participation (M/WBE Plan). The M/WBE participation goals for the contract include: 35% total MBE and 5% total WBE.

The vendor has identified and scheduled the following firms and percentages:

Total MBE	34.6%	
Highland Community Bank 1701 W. 87 th St. Chicago, IL 60620	10.8%	Certified until November 1, 2007
Seaway National Bank 645 E. 87 th St. Chicago, IL 60619	10.8%	Certified until November 1, 2007
Meadows Office Supply 880 Reamington Road Schaumburg, IL 60173	13%	Certified until November 1, 2007

LSC REVIEW: Local School Council approval is not applicable to this report.

FINANCIAL: Charge to the Department of Human Resources: \$2,500,000.00 Fiscal Year: 2008-2009
Budget Classification: Charge to sundry units, all operating funds, sundry programs, hospital insurance (account 57305)

GENERAL CONDITIONS:

Inspector General – Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.

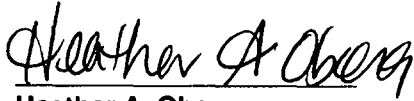
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board member during the one year period following expiration or other termination of their terms of office.

Indebtedness – The Board’s Indebtedness Policy adopted June 26, 1996 (96-0626-PO3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics – The Board’s Ethics Code adopted June 23, 2004 (04-0623-PO4), as amended from time to time, shall be incorporated into and made a part of the agreement.

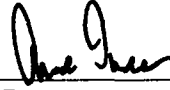
Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

Approved for Consideration:



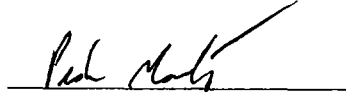
**Heather A. Obora
Chief Purchasing Officer**

Approved:



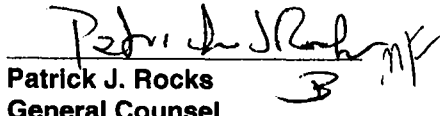
**Arne Duncan
Chief Executive Officer**

Within Appropriation:



**Pedro Martinez
Chief Financial Officer**

Approved as to legal form:



**Patrick J. Rocks
General Counsel**