



# CITY OF CARSON

## Legislation Text

File #: 2020-462, Version: 1

### Report to Mayor and City Council

Tuesday, July 07, 2020

Consent

#### **SUBJECT:**

**CONSIDER AWARD OF WORKERS COMPENSATION THIRD PARTY CLAIMS ADMINISTRATION SERVICES TO ADMINSURE, INC. FOR A THREE YEAR PERIOD FROM AUGUST 15, 2020 TO AUGUST 15, 2023 PLUS TWO OPTIONAL ONE YEAR EXTENSIONS THEREAFTER (CITY COUNCIL)**

#### **I. SUMMARY**

The City has been self-insured for its Workers Compensation Program since July 1, 1981. The City maintains a contract with a third party claims administrator (TPA) to administer the self-insured workers compensation program. AdminSure Inc. (Adminsure) has provided TPA services to the City since 2015. The initial 3-year period ended on August 15, 2018, at which time the City Council approved Amendment 1 to the contract, extending the term through August 14, 2020. In anticipation of that contract coming to an end, an RFP was issued and proposals were received from five (5) firms. Staff has evaluated the proposals and is recommending approval of a new three-year contract with Adminsure for TPA services.

#### **II. RECOMMENDATION**

1. APPROVE a three-year contract from August 15, 2020 to August 15, 2023 with two optional one-year extensions to Adminsure, Inc. to provide Workers Compensation Third Party Claims Administration (TPA) services to the City for a total contract sum of \$317,664 for the initial three-year period.
2. AUTHORIZE the Mayor to execute the contract after approval as to form by City Attorney.
- 1.

### III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

### IV. BACKGROUND

The administration of a self-insured workers compensation program requires a TPA that is competent and performance oriented. Workers compensation claims must be handled in accordance with state law, have cost containment procedures including medical and litigation controls, a Medical Provider Network, audit controls and prompt communication with City employees, staff and service vendors. These areas are extremely important in providing timely benefits and curtailing costs. Workers' compensation law is very technical and not easily understood. Consequently, our TPA must communicate with our employees in plain language that is easily understood.

A Request for Proposal ("RFP") was issued on April 9, 2020. Five (5) firms responded with acceptable proposals. The proposals were evaluated and scored based on the TPAs' responses to the RFP. A copy of the evaluation form (rating worksheet) used by the review committee is attached as Exhibit No. 1. In summary, the five selection criteria were: 1) Price; 2) Personnel; 3) Quality of Proposal; 4) Claims Management Approach; and 5) Quality of Firm, References.

Each respondent proposed an annual claims administration fee, a Medical Provider Network (MPN) fee (except one respondent), and ancillary service fees including: medical bill review fees, PPO fees, subrogation, etc. Two of the proposals included start-up and annual administration fees.

Using historical data, staff calculated pro-forma total annual costs based on these cost components. The proposals were evaluated and scored based on the above criteria. The final ranking is listed below:

Rank	Firm	3-Year Base Fee (including MPN)	Other Costs: Bill Review, PPO, Subrogation, Admin, etc.	Total	Comments
1	Admisure	\$317,664	\$53,367.50	<b>\$371,031.50</b>	Good performance; Flat Fee Model; No Subrogation Fees.
2	TriStar Option 1	\$372,203	\$46,760.38	<b>\$418,963.38</b>	Pricing not competitive.
3	Corvel	\$319,785.86	\$54,774.15	<b>\$374,560.02</b>	Pricing is variable and can go higher; Subrogation Fees.
4	TriStar Option 2	\$300,584	\$185,908.27	<b>\$486,492.27</b>	Pricing not competitive; High Bill Review fees.

5	Athens	\$415,402	\$67,153.03	<b>\$482,555.03</b>	Pricing not competitive; Pricing is variable and can go higher; Subrogation fees.
6	Intercare	\$409,058.13 Does not include MPN fees	\$57,664.70	<b>\$466,722.83</b>	Pricing not competitive; No proposed MPN.

Adminsure scored the highest based upon: lowest overall cost, no cost subrogation, a claims team that thoroughly understands the City's needs and quickly responds to issues, competent performance on this account since 2015, and a simple pricing model.

Based on the above, staff is recommending that the City enter into a new contract with Adminsure for a three (3) year period from August 15, 2020 to August 15, 2023 with an option to renew for two one-year terms thereafter.

## **V. FISCAL IMPACT**

The fiscal impact of the proposed contract with Adminsure to administer Workers Compensation claims for the initial three-year period is \$317,664. Funds for the first 10.5 months of this contract (August 15, 2020 to June 30, 2021) are included in FY 2020-2021 general fund budget. Funds for the remainder of the contract term will be included in the FY 2021-2022, FY 2022-2023 and FY 2023-2024 budgets.

Funds for claims adjustment expenses are included in the self-insured reserves budgets in FY 2020-2021 and thereafter will be included in each of the next 3 respective fiscal years.

## **VI. EXHIBITS**

1. Rating Worksheet (page 4)
2. Proposed Contract with AdminSure (pages 5-39)

Prepared by: Faye Moseley, Director of Human Resources and Risk Management