



CITY OF POMONA COUNCIL REPORT

May 1, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Linda Matthews, Human Resources/Risk Management Director

Prepared by: Chris Millard, Risk Manager

Subject: **Approve the Award of a Three Year Contract with Two One-Year Extension Options to AdminSure for Workers' Compensation Third Party Claims Administration Services at a Cost of \$205,800 Annually**

OVERVIEW

Recommendation – That the City Council:

- 1) Approve the award of a contract to AdminSure for workers' compensation claims administration services for an initial three-year term with two, one-year extension options in an amount not to exceed \$205,800 annually; and
- 2) Authorize the City Manager to execute the agreement documents.

Fiscal Impact- Currently, the City is paying \$193,440 per year for workers' compensation claims services. Should the City Council approve the proposed agreement, the annual cost for these services would increase to \$205,800 per year for the life of the agreement, which is three years with two optional one-year extensions. The increase for the remainder of Fiscal Year 2016/17 is approximately \$1,030, which will be absorbed within existing budget appropriations for the Self-Insurance Fund.

Previous Council Action – On April 21, 2014, City Council approved a three year agreement with AdminSure for the providing of workers compensation claims administration services.

EXECUTIVE SUMMARY

Approval of this action will result in the City entering into an agreement for workers' compensation third party claims administration (TPA) services with AdminSure effective June 1, 2017. The proposed agreement is for three years with two one-year extensions. Eleven (11) companies submitted proposals in response to the City's Request for Proposal (RFP) for workers' compensation

Submitted to City Council: _____
Approved: _____
Continued to: _____
Denied: _____

Agenda Item # _____
Resolution No(s): _____
Ordinance No. _____

claims services. Of the 11 responses received, staff is recommending that the City Council approve the retention of AdminSure for these services. AdminSure currently administers the City's workers compensation claims.

DISCUSSION

California Labor Code Section 3600 imposes liability on an employer, regardless of negligence, for any injury sustained by an employee arising out of and in the course and scope of that employee's employment. Among the benefits that are required to be provided to the injured workers are medical treatment; temporary disability payments; and when applicable, permanent disability payments and future medical care.

The City's workers' compensation claims are currently administered by AdminSure. The original contract was awarded based upon an extensive Request for Proposal process and the term of that agreement was from June 1, 2014 through May 31, 2017. In anticipation of the agreement expiring, a new RFP was issued seeking Third Party Claims Administration (TPA) services. Eleven (11) firms submitted responses to the RFP. Consistent with City requirements for professional services contracts, each of these responses were initially evaluated by staff based upon the qualitative factors described in the proposal, without consideration to cost as part of the initial evaluation. AdminSure was determined to be the most qualified bidder based upon that evaluation.

For general comparison purposes, the top three most qualified bidders, their score and their administration costs are provided below:

COMPANY	SCORE	YEAR 1 COST	YEAR 2 COST	YEAR 3 COST	YEAR 4 COST	YEAR 5 COST	LOCATION
AdminSure	108	\$205,800	\$205,800	\$205,800	\$205,800	\$205,800	Diamond Bar
York	98	\$227,668	\$233,360	\$239,194	\$245,174	\$251,303	Rancho Cucamonga
LWP	96	\$238,000	\$245,140	\$251,269	\$257,550	\$263,989	Glendale

As the above chart reflects, AdminSure was scored as the most qualified bidder to administer the City's workers' compensation claims program and is also the most cost effective of the top three firms. The proposed fee represents an increase of only approximately 6.4% over the current fee, which was set in 2014, and will not increase for the life of the proposed agreement (three years with two one-year extensions). The above proposed cost reflects the basic claims administration fees however; there are other claim costs that are incurred on workers' compensation claim files. These additional costs are charged to the individual claim files and include, but are not limited to, medical bill review fees; utilization review fees; photocopy costs; legal fees; nurse case management fees and medical treatment costs, among others.

Staff recommends that AdminSure be selected as the City's workers' compensation TPA. As a result of the RFP process, AdminSure was the most qualified bidder out of the 11 responses to the RFP for workers compensation claims services the City received.