




Office of the City Manager

CONSENT CALENDAR
April 2, 2013

To: Honorable Mayor and Members of the City Council
From:  Christine Daniel, City Manager
Submitted by: David Abel, Acting Director, Human Resources
Subject: Contract No. 8392 Amendment: Innovative Claim Solutions, Inc. for Workers' Compensation Third Party Administrative Services

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to amend and extend Contract No. 8392 with Innovative Claim Solutions, Inc. (ICS), to provide Workers' Compensation Third Party Administrative Services, for a total amount not to exceed \$3,576,198, for July 1, 2013 through June 30, 2016.

FISCAL IMPACTS OF RECOMMENDATION

The cost for third party administrative services provided by ICS is a fixed fee of \$604,096 for fiscal year 2014; with a 3% increase for fiscal years 2015 and 2016, totaling \$622,218 for fiscal year 2015; and \$640,884 for fiscal year 2016.

Fiscal Year	Monthly Charge	Annual Charge
2014	\$50,341.33	\$604,096
2015	\$51,851.50	\$622,218
2016	\$53,407.00	\$640,884

Expenditures for this contract will be paid out of the Workers' Compensation Self-Insurance Fund, budget code 875-9801-410-3034, and funded as part of the over-head rate assessed for workers' compensation rates charged to City departments.

Original Authorized NTE Amount (Resolution No. 64,875–N.S.).....	\$1,709,000
Increase to NTE amount through June 30, 2016.....	\$1,867,198
Revised Authorized Contract NTE Amount	\$3,576,198

The Contract Management System (CMS) number for the contract is CMS No. SALJN.

CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley is permissibly Self-Insured by the State of California, Department of Industrial Relations, to provide statutorily required workers' compensation benefits to injured workers. On May 18, 2010, Council authorized the City Manager to enter into a contract for Workers' Compensation Third Party Administrative Services with ICS for the term covering July 1, 2010 to June 30, 2013. Amending the existing contract with ICS will allow the City to maintain continuous service delivery.

BACKGROUND

On February 4, 2010 the Human Resources Department issued a Request for Proposal, (RFP), for workers' compensation third party administrative services, Specification No. 10-10486-C to firms that provide these types of services. A selection committee made up of members from five (5) City Departments conducted interviews and heard presentations from four (4) of the vendors and chose ICS as the best able to meet the City's objectives at a reasonable price.

On May 18, 2010, the City Council adopted Resolution No. 64,875–N.S., that authorized the City Manager to execute and implement a contract and any amendments for workers' compensation third party administrative services with ICS.

Third party administrative services for a workers' compensation program consists of responsibility for claims management including, but not limited to, making a determination to approve the injury claim as arising out of the course and scope of employment; denying the claim as not arising out of the course and scope of employment, or deciding to obtain additional information or evidence before making a determination. The third party administrator pays and accounts against specific claims for bills incurred by the third party administrator for the provision of benefits to the employee. These expenses include, but are not limited to, medical expenses; physical therapy; provision for medication; and litigation expenses. One of the reasons for hiring a third party administrator is to procure services and to pay these bills. The City reimburses these expenses to the third party administrator. These expenses do not include temporary disability payments or salary continuation payments that are made through the City's payroll system. Below is a history of workers' compensation expenses paid over the past several fiscal years:

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
July	\$477,976	\$356,848	\$279,454
August	\$351,212	\$334,822	\$504,382
September	\$495,832	\$386,624	\$507,336
October	\$359,627	\$323,647	\$375,228
November	\$284,761	\$386,940	\$309,646
December	\$429,040	\$358,943	\$341,249
January	\$298,571	\$398,105	\$306,849
February	\$305,262	\$330,788	\$332,941
March	\$378,286	\$601,323	\$461,506

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
April	\$316,641	\$479,540	\$349,391
May	\$370,035	\$335,873	\$413,229
June	\$323,484	\$403,085	\$433,874
Total	\$4,390,728	\$3,975,093	\$3,798,104

On July 1, 2010, there were approximately 404 open indemnity claims. An indemnity claim is an injury involving medical treatment and lost time from work and is contrasted with a medical only claim which may involve medical treatment and little, if any lost time. Below is a history of workers' compensation claims from fiscal year 2010 to present:

Fiscal Year	Indemnity Claims	Medical Only Claims	Total Claims
2010	404	34	438
2011	404	29	433
2012	439	36	475
2013 (as of 1/31/13)	411	28	439

At the time ICS submitted their proposal for Third Party Administrative Services in 2010, the City's Inventory of Open Indemnity Claims was 404. However, the City's Open Inventory of Indemnity Claims has since increased to 439, mainly due to annual claim submissions. This represents a 9% increase in Open claim inventory. In addition, the contract with ICS includes several performance standards based on an open indemnity claim inventory. The City and ICS agree that the inventory of open indemnity claims must be reduced and, as such, ICS continues to evaluate old claims for closure on an ongoing basis. Included in the contract is a provision that should the open claim inventory or annual rate of submissions change by more than 10%, the fees could be reevaluated.

RATIONALE FOR RECOMMENDATION

The services provided by ICS have been satisfactory during the term of the contract. ICS has also continued to perform and provide outstanding overall services, implementing program efficiencies, including a new Bill Review process that has resulted in direct savings to the City's program.

ALTERNATIVE ACTIONS CONSIDERED

Issue a Request for Proposal to seek bids from firms, presumably including ICS, to provide third party administrative services for the workers' compensation program.

CONTACT PERSON

David Abel, Acting Director, Human Resources, Human Resources, (510) 981-6807

Attachment

1. Resolution

RESOLUTION NO. XX,XXX-N.S.

CONTRACT NO. 8392 AMENDMENT: INNOVATIVE CLAIM SOLUTIONS, INC. FOR
WORKERS' COMPENSATION THIRD PARTY ADMINISTRATIVE SERVICES

WHEREAS, the City of Berkeley is certified by the State of California Department of Industrial Relations under Labor Code Sections 3700 and 3705 to self-insure for providing statutorily required workers' compensation benefits to its employees; and

WHEREAS, on May 18, 2010, the City Council adopted Resolution No. 64,875-N.S. that authorized the City Manager to negotiate and execute a contract and any amendments for Workers' Compensation Third Party Services with Innovative Claims Solutions, Inc. (ICS); and

WHEREAS, ICS was selected through a competitive bid process; and

WHEREAS, the City has found that the services performed by ICS have been satisfactory during the term of the contract and both parties desire to extend the term of the contract for an additional three (3) years.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to amend Contract No. 8392 with Innovative Claims Solutions, Inc. for third party administrative services for the City's workers' compensation program, by extending the period through June 30, 2016 and increasing the amount by an additional \$1,867,198, for a total contract amount of \$3,576,198. All expenses are to be paid from the Workers' Compensation Self-Insurance Fund, (875-9801-410-3034); CMS No. SALJN. A signature copy of the executed contract and amendments are to be on file in the Office of the City Clerk.