

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: DOMINIQUE KURIHARA, RISK MANAGER
HUMAN RESOURCES
SUBJECT: APPROVAL OF PROFESSIONAL SERVICES AGREEMENT FOR
WORKERS' COMPENSATION THIRD-PARTY ADMINISTRATION

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Human Resources Department, Risk Management Division that the Council, by resolution, approve a professional services agreement with LWP Claims Solutions, Inc., Mill Valley, CA for third party administrator services for a period of three years, with an option for three additional one-year extensions, in an amount not to exceed \$1,145,320.00.

EXECUTIVE SUMMARY

The City has contracted with Redwood Empire Municipal Insurance Fund (REMIF) for services to administer the City's self-insured workers' compensation program since 1981. The current agreement will end June 30, 2017. Following the competitive selection process, staff recommends that the City Council enter into an agreement for administration of the City's self-insured workers' compensation program with LWP Claims Solutions, Inc. (LWP), with an option for three, one-year extensions.

BACKGROUND

The City entered into a contract with Redwood Empire Municipal Insurance Fund (REMIF) to provide workers' compensation administrative services on April 14, 1981. REMIF is a self-insured Joint Powers Authority (JPA) that self-administers claims for member agencies. In addition to self-administering members' claims, REMIF also provides third party administrator (TPA) claims administration services for three non-member cities, including City of Santa Rosa. REMIF is paid claims administration fees by these non-members. REMIF is governed by a board of directors comprised of representatives from member agencies. As a non-member agency, the City of Santa Rosa does not have a presence on REMIF's board. The current agreement with REMIF will end June 30, 2017. Following the competitive selection process, the panel for the Request for Proposal (RFP)

unanimously recommended LWP Claims Solutions, Inc. (LWP) to administer the City's self-insured workers' compensation program.

Based on the terms of the City of Santa Rosa's 1981 contract with REMIF, services were renewed yearly. As there has not been a competitive bid on the City's workers' compensation claims administration since 1981, the City gave notice to REMIF that a RFP would be going out for TPA administration of the City's workers' compensation claims. REMIF agreed to continue the contract month-to-month through June 30, 2017.

Staff released the RFP for TPA services on January 9, 2017. The City received twelve responses to the RFP. After initial screening, five TPAs were invited to participate in oral interviews on April 4, 2017. A review committee consisting of representatives from the City's Risk Management division, an outside workers' compensation defense attorney, and several risk managers from other agencies, interviewed all five TPAs and unanimously recommended selecting LWP Claims Solutions, Inc. (LWP), to provide workers' compensation claims administration services for the City.

PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

As the City has not requested competitive proposals for workers' compensation claims administration services for the City since 1981, a request for proposals (RFP) was released to review potential alternatives to the current claims administration services provided through REMIF. REMIF is primarily a self-administered self-insured Joint Powers Authority (JPA), of which the City of Santa Rosa is not a member agency and therefore does not have a presence on its governing board. For this reason, staff considered that a new third party administrator (TPA) could more competitively serve City the City's workers' compensation program and injured workers.

At the conclusion of the RFP review process and TPA interviews, the review committee unanimously recommended LWP Claims Solutions, Inc. (LWP), to provide workers' compensation claims administration services for the City. From discussion with the review committee, staff believes that entering into an agreement with LWP will, over the course of the agreement, promote financial stability by reducing the City's exposure on existing and future workers' compensation claims. Staff believes LWP will provide enhanced customer service that maintains employee morale throughout the claims process, and that it will expedite appropriate medical treatment that will help the City's injured employees return to health and work. LWP also utilizes a paperless claims system which is more efficient and environmentally sound than the current paper file system.

Staff proposes that the Council approve a Professional Services Agreement with LWP for providing TPA services for the City's workers' compensation claims for a period of three years, with an option for three additional one-year extensions.

The alternative would be to continue workers' compensation administration services through REMIF. The current contract with REMIF has been extended through June 30, 2017. It is unknown if REMIF will continue to extend the contract after this date. REMIF's claims administration fee rate after this date is also unknown. Rates have increased over time and the current contract does not limit rate increases or provide for negotiation of rates.

To ensure a smooth transition and uninterrupted continuation of workers' compensation benefits to the City's employees, the process of transitioning between claims administrators typically requires about 60 days. This is a time-sensitive matter, anticipating that LWP will begin claims administration services on July 1, 2017, after the current contract with REMIF ends.

FISCAL IMPACT

LWP Claims Solutions, Inc. (LWP), workers' compensation claims administration fees for the first three years of the agreement are as follows:

Year 1 - \$367,834
Year 2 - \$377,030
Year 3 - \$386,456

LWP charges an annual fee billed monthly. Upon approval of the agreement, LWP will assume responsibility for handling the City's four-hundred plus open workers' compensation claims. After the three years, the City will negotiate the fees for the optional one-year extensions, with the intent to lower the administration fees. Although the proposed fees are an increase over our current rate with REMIF, staff believes that the improvement in resources dedicated to the City's claims will return a significant savings through reducing claim exposure with proactive claims handling, including expanded customer service capabilities to assist injured workers in recovering and returning to work. Despite the increase in administration fees, there should not be any impacts on the overall fund for Fiscal Year 2017/2018.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/Exhibit A (Agreement)

CONTACT

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