

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: DOMINIQUE BLANQUIE, RISK MANAGER
FINANCE DEPARTMENT
SUBJECT: APPROVAL OF FIRST AMENDMENT TO THE PROFESSIONAL
SERVICES AGREEMENT FOR WORKERS' COMPENSATION
THIRD-PARTY ADMINISTRATION

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department, Risk Management Division, that the Council, by resolution, approve a First Amendment to Professional Services Agreement Number F001424, with LWP Claims Solutions, Inc., Mill Valley, CA for third party claims administration and related services for the City's worker's compensation program for an additional period of three years and adding compensation in the amount of \$1,218,307.00 over three years, increasing the total not to exceed amount under the Agreement to \$2,363,627.00.

EXECUTIVE SUMMARY

The City has contracted with LWP Claims Solutions, Inc. (LWP), in June 30, 2017. Following the competitive selection process, staff recommended that the City Council enter into an agreement for administration of the City's self-insured workers' compensation program with LWP, for three years, with an option for three, one-year extensions. The Risk Management Division recommends exercising all the three-year one-year extensions at once for a total three-year extension and adding funding for year four, five, and six in the amount of \$1,218,307.00. The increase was negotiated at 2.5% each year.

BACKGROUND

The City entered into a contract with Redwood Empire Municipal Insurance Fund (REMIF) to provide workers' compensation administrative services on April 14, 1981.

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. Staff released the RFP for third-party claims administration services on January 9, 2017.

LWP was awarded the contract on May 2, 2017. The initial contract was for three years with three 1-year extensions.

The services will go back out to bid in January of 2023.

PRIOR CITY COUNCIL REVIEW

On May 2, 2017, the City Council by Resolution No. RES-2017-066 approved the Professional Services Agreement with LWP Claims Solutions, Inc.

ANALYSIS

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.

Claims have been steadily decreasing due to LWP's proactive approach in handling and resolving claims.

Staff proposes that the Council approve a First Amendment for Professional Services Agreement with LWP for providing TPA services for the City's workers' compensation claims for a period of three additional years, which involves exercising the three, one-year extensions in the original agreement all at once.

FISCAL IMPACT

LWP, workers' compensation claims administration fees for the first three years of the agreement were as follows:

Year 1 - \$367,834

Year 2 - \$377,030

Year 3 - \$386,456

There was an increase of 2.5% for Year 4, 5, and 6

Year 4 - \$396,117

Year 5 - \$406,020

Year 6 - \$416,170

LWP charges an annual fee billed monthly and is all inclusive. Although the proposed fees are an increase over our current rate, 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 Risk fund for Fiscal Year 2020/2021.

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 - First Amendment to Professional Services Agreement

CONTACT

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