



## CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

### AGENDA ITEM

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Report: Contract Award for Workers' Compensation Third Party Administrator Services and Bill Review for all the City's work-related injuries.

1. Motion Authorizing City Manager to execute a Professional Services Agreement with Adminsure Inc. to provide Third Party Administrator services and Bill Review for all the City's work-related injuries for a period of three years with two one-year options to renew.

### COUNCIL ACTION

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**Item Type:** Consent Calendar

**Approved for** May 23, 2023 **Calendar**

### EXECUTIVE SUMMARY

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Glendale self-insures workers' compensation for all city departments with city staff handling work-related injuries and benefit delivery for all employees except the Fire and Police departments because in 2016, the City contracted with Adminsure Inc. to provide Workers' Compensation Claims Administration Services for work-related injuries involving these two departments. Adminsure Inc. also administers future medical care claims for retired city employees, including coordination of medical treatment, payment of benefits, medical care case management, utilization review, and bill review. Workers' compensation benefits are state-mandated and required by law.

Currently, Adminsure Inc. is managing 532 open claims, while the remaining 150 claims are being handled by city staff (in-house). However, the number of in-house claims has been decreasing in recent years, making it no longer cost-effective for Glendale's five full-time employees to continue administering them. To address this, one employee will be retained for effective contract administration, while the other four employees will be re-trained to perform recruitments, support the health benefits section or perform other Human Resources work within the city.

To fully optimize the Workers' Compensation Third Party Administrator (TPA) program, staff recommends transferring the remaining 150 claims to Adminsure Inc. This will bring the total number of open claims for the city to 682. A full transition to Adminsure Inc. is

projected to take between three to six months, depending on the complexity of the claims involved. The transition process will also involve providing training and support to city staff to ensure a smooth handover.

It's worth noting that the current agreement between the City and Adminsure Inc. is set to expire on June 30, 2023. Therefore, the decision to fully transition to Adminsure Inc. comes at a crucial time and will require close coordination between both parties to ensure a seamless continuation of services.

## **COUNCIL PRIORITIES**

N/A

## **RECOMMENDATION**

Staff recommends that the Council award a Professional Services Agreement (PSA) to Adminsure Inc. to provide city-wide Third-Party Administrator services for a period of three years with two one-year options to renew.

## **BACKGROUND**

The management of workers' compensation claims involves a critical component known as Bill Review. This process entails reviewing medical bills from providers in accordance with The Official Medical Fee Schedule (OMFS) set forth in Section 9789.10 et seq. Title 8, California code of Regulations, and established by the Division of Workers' Compensation under Labor Code Section 5307.1. This fee schedule determines medical service payments and incorporates network discounts offered through our Preferred Provider Organization (PPO) networks.

In 2021, City staff conducted a benchmarking analysis to compare Glendale's Bill Review performance and out-of-pocket costs with two sister cities, Burbank and Pasadena. The analysis revealed that Adminsure Inc.'s bill review service generated higher total gross savings for Glendale than for the other two cities.

Also, Adminsure Inc. has been administering the City's Alternative Dispute Resolution (ADR) process since 2016 for the Glendale Police Officers' Association (GPOA). The ADR process, also known as the "carve out," provides an alternative and efficient way of handling workers' compensation claims and facilitating medical treatment and safe return to work. Adminsure Inc. has provided excellent service to the city by scheduling physician appointments within 30 days of a request and receiving complete medical reports within the same timeframe.

During the pandemic, Adminsure Inc.'s staff was able to deliver timely and efficient customer service involving Covid-19 claims. They immediately implemented the new State-mandated laws in their claim investigation process, conducting the initial level investigation to meet the 30-day compensability deadline. This allowed Glendale's injured workers to receive timely medical treatment and workers' compensation paid leave benefits when applicable. The Covid-19 claims were managed smoothly and efficiently.

Adminsure Inc. currently has a cost per indemnity claim of \$136.12 and a cost per claim of \$68.06 for medical-only or future medical claims. The company focuses on customer care, client support, and injured worker treatment by providing timely customer service through its senior-level indemnity adjusting team, which consists of two full-time dedicated claims adjusters assigned to the City's account, and a claims supervisor. The claims benefits delivery and medical reviews are provided in collaboration with Adminsure's Claims Team, Utilization Review, and Bill Review departments. Consistent communication and collaboration with the City of Glendale and the injured employee during the claims process has improved the injured employee's experience, as measured by the feedback received in the human resources department when employees return to work.

In January 2023, the City issued a Request for Proposal (RFP) for Third-Party Administrator services, noting that it would either continue with a hybrid system or transition to a full Third-Party Administrator Workers' Compensation program. The RFP asked proposers to submit bids addressing two possible scenarios: (1) handling all Police and Fire claims and future medical claims for former employees including Bill Review, Utilization Review, and Medical Case Management, and (2) handling the entire city Workers' Compensation claims including Bill Review, Utilization Review, and Medical Case Management. The city received three proposals.

## ANALYSIS

The criteria used to review the RFP follows:

| Evaluation Criteria  | Maximum Points |
|--|----------------|
| Cost of Service  | 30             |
| Prior experience providing Third Party Administration services to government agencies in California with Public Safety personnel | 30             |
| Quality, ability, capacity, and skill of the firm to perform the contract.   | 15             |
| Qualifications of the firm's "key" claims administration personnel   | 10             |
| The character, integrity, reputation, judgment, experience, and efficiency of the firm   | 10             |
| Completeness, clarity, and accuracy of RFP response  | 5              |
|  | 100            |

After receiving and reviewing proposals from three vendors for Third Party Administrator services, the RFP evaluation panel invited the proposers to give a 20-minute presentation

on their overall third-party administration services. At the end of each presentation, the panel asked the proposers a few prepared questions.

Based on the proposals and the interviews, the RFP panel concluded that Adminsure Inc. is the best firm to deliver this service to the city. Adminsure Inc. currently handles claims for numerous cities in Southern California and their philosophy is in line with the City's goal to reduce costs while maintaining excellent customer service. The company employs aggressive case handling procedures that ensure that employees move as swiftly as possible through the process, and they are committed to expediting employees' safe return to work. Adminsure Inc. not only has the best proposal for this service, but they also have the lowest cost for service among all three vendors.

In addition, during this RFP process, the Human Resources Department simultaneously conducted an RFP for Bill Review services. The panel reviewed the six proposals received, and all six proposers conducted bill review in accordance with OMFS. Each proposer performed a hypothetical bill review of the same nine bills.

After discussion with the RFP panel, it is recommended to transfer 150 claims from Glendale's in-house self-insured program into a full Workers' Compensation Third-Party Administrator program, which includes Bill Review. This process is the most efficient and cost-effective for the city.

#### Summary:

|   |  |
|---|--|
| <b>Project Description:</b>                                   | Request for Proposal for Third Party Administration Services   |
| <b>RFP Approved:</b>  | December 15, 2022  |
| <b>Advertisement Method:</b>                                  | City of Glendale's website   |
| <b>RFP Issued:</b>  | January 18, 2023   |
| <b>RFP Due Date:</b>  | January 31, 2023   |
| <b>Company Name(s) and Proposal Amount(s):</b>                | Adminsure Inc., LWP Claim Solutions, and Innovative Claim Solutions.   |
| <b>Selection Criteria (If SS, list applicable Provision):</b> | Evaluation criteria included the cost of service, prior experience providing workers' compensation third party administration services to government agencies, quality and capacity, qualification of the firm's "key" claims administration personnel, the character, integrity, reputation, judgment, experience, and efficiency of the firm. Completeness, clarity, and accuracy of the RFP response. |
| <b>Recommended Consultant(s):</b>                             | Adminsure Inc.,  |

|                                       |   |
|---------------------------------------|---|
| <b>New / Existing Consultant(s):</b>  | Adminsire Inc.,   |
| <b>Procurement Method (RFP / SS):</b> | Request for Proposal                                    |
| <b>Contract Term:</b>                 | Three-year contract with two one-year options to renew. |
| <b>Project Begins:</b>                | July 1, 2023  |
| <b>Project Ends:</b>                  | June 30, 2026   |

## **STAKEHOLDERS/OUTREACH**

The Request for Proposal was uploaded to the City of Glendale's website for public access.

## **FISCAL IMPACT**

The professional services agreement for Workers' Compensation Third Party Administrator will cost \$867,656 for fiscal year 2023-2024. The cost for fiscal year 2023-2024 was requested as part of the FY 2023-24 budget. The total cost for all three years of the contract is \$2,650,474. Future years' costs will be requested as a part of the annual budget process. No new appropriation is being requested at this time. The City Council requested funding is outlined below:

| <b>FY 23-24 Requested Appropriation</b> |   |                                    |
|---|---|------------------------------------|
| <b>Amount</b>                           | <b>Account String</b>                             | <b>Funding Source</b>              |
| <b>\$867,656</b>                        | <b>43110-6140-HRD-5002-P0000-T0000-F0000-0000</b> | <b>Compensation Insurance Fund</b> |

## **ENVIRONMENTAL REVIEW (CEQA/NEPA)**

This item is not subject to CEQA review.

## **CAMPAIGN DISCLOSURE**

In accordance with the City Campaign Finance Ordinance No. 5744, the following are the names of business addressed of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any person or entity with mor than 10% interests in the company proposed for contract in this Agenda Item Report:

Alithia Vargas- Flores CEO/President, Adminsire Inc.  
Business Address: 3380 Shelby Street, Ontario, CA 91764

## **ALTERNATIVES**

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Alternative 1: Approve a professional services agreement with Adminsure, Inc., for Third Party Workers' Compensation Administrator services for all the City's Workers' Compensation claims to include bill review, and utilization review.

Alternative 2: The City Council may consider other alternative not proposed by staff.

## **ADMINISTRATIVE ACTION**

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**Prepared by:**

Dania Portillo, Workers' Compensation Administrator  
Paula Adams, Chief Human Resources Officer

**Approved by:**

Roubik R. Golanian, P.E., City Manager

## **EXHIBITS/ATTACHMENTS**

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Exhibit A- Scope of Work and Obligations of the Parties