



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Contract Award for Workers' Compensation Third Party Administrator Services and Bill Review for Citywide work-related claims.

1. Motion Authorizing City Manager to execute a Professional Services Agreement with Adminsure Inc. to provide Third Party Administrator services for Citywide workers' compensation claims for a period of three years with two one-year options to renew.

COUNCIL ACTION

Item Type: Consent Calendar

Approved for June 27, 2023 **calendar**

EXECUTIVE SUMMARY

Workers' Compensation benefits are State mandated and required by law. Prior to 2016, the City handled all worker's compensation claims in house. In 2016, following an RFP process, the City contracted with Adminsure Inc. to administer workers' compensation claims for current police and fire employees and to handle future medical care claims for all retired sworn employees. Adminsure Inc. currently has 532 open claims. Adminsure Inc. current contract includes all services relating to administering the claims, including bill review and utilization review.

The City continued to administer all non-police and fire workers' compensation claims. In 2016, City staff had approximately 350 open claims; they currently handle 150 open claims and future medical claims for current employees. The City's in-house claims team is comprised of three full-time employees. In addition to the costs of in-house staff, the City also had separate costs (and contracts) for bill review, utilization review, claim software and Medicare reporting software.

The City's current contract with Adminsure Inc. is set to expire on June 30, 2023. A Request for Proposal process was recently undertaken seeking bids from third party administrators to handle (1) police and fire claims and future medical claims and/or (2) all City claims and all future medical claims. After reviewing all of the submittals and interviewing the three firms who submitted a proposal, staff determined that Adminsure

Inc. was the most qualified and best suited based on price and experience to continue the program and to take on the remaining 150 claims that are being handled in house.

Therefore, staff requests the City Council authorize the City Manager to enter into a new contract with Adminsure Inc. that will allow for them to handle all of the City's workers' compensation claims and all future medical claims. The contract will also have two one-year options to renew.

COUNCIL PRIORITIES

N/A

RECOMMENDATION

Staff Recommends that the City Council authorize the City Manager to enter into a Professional Services Agreement (PSA) with Adminsure Inc. to provide Third Party Administrator services for all City worker's compensation claims for a period of three years with two one-year options to renew.

BACKGROUND

Ongoing Cost Reduction Efforts

Staff has worked to find ways to reduce costs associated with the City's Self-Administered Workers' Compensation program.

In 2016, when the Fire and Police Workers' Compensation claims were transferred to Adminsure Inc. the self-insured Workers' Compensation program was left with approximately 350 open claims. Over the years, there has been a consistent decrease in the total number of claims being handled in-house. Currently, there is approximately 150 claims being handled in-house, which include indemnity, medical-only, and future medical care claims. Administering 150 claims in-house has proven to be more costly as it requires at least three full time City employees, annual costs of claims administration systems through a third party, electronic claims data reporting fees, and additional City resources. Transferring the in-house claim inventory to Adminsure Inc. will result in significant savings (over \$400,000 per year).

Adminsure Inc. focuses on customer care, client, and injured worker, by providing timely customer service through their 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 processes for injured workers and medical providers are timely in a combined effort with the Claims Team, Utilization Review and Bill Review departments. Strong communication and collaboration with all the parties involved in the claims process has increased injured worker satisfaction.

Currently, the cost per indemnity claim by Adminsure is \$136.12 and the cost per-claim for medical only and future medical claims is \$68.06. Our current claims inventory with Adminsure Inc. is approximately 263 indemnity claims, 261 future medical care claims

and 8 medical only claims. Our current inventory for the self-insure program is approximately 74 indemnity claims, 12 medical only claims, and 64 future medical care claims.

As part of the claims handling process, an essential component is Bill Review, which consists of examining provider bills in accordance with The Official Medical Fee Schedule (OMFS) promulgated by the Division of Workers' Compensation's administrative director under Labor Code Section 5307.1 and can be found in Section 9789.10 et seq. of Title 8, California Code of Regulations. It is used for payment of medical services required to treat work related injuries and illness (definition from the Department of Industrial Relations). The Bill Review process also relies on network contracted discounts through Preferred Provider Organization (PPO) networks. In 2021, City staff conducted a benchmarking analysis to compare our Bill Review performance and cost with two sister-cities, City of Burbank, and City of Pasadena. The benchmarking Bill Review results noted that City of Glendale was receiving the highest total gross savings through the Bill Review services provided by Adminsure/MedReview. The results were presented by staff to City Manager, Roubik Golanian.

Since 2016, Adminsure Inc. has also been successfully administering the City's Alternative Dispute Resolution ADR process or "Carve Out" with the Glendale Police Officer's Association (GPOA) which provides an alternative means of expediting the Workers' Compensation process and facilitating medical treatment and the return to work. Physician appointments are scheduled within 30 days of request, and complete medical reports within 30 days. Adminsure Inc., has solid experience executing this program on behalf of the City.

During the pandemic, Adminsure's staff was able to deliver timely and efficient customer service involving Covid19 claims. They immediately implemented the newly enacted State mandated laws in their claim's investigation process. They directly conducted the initial level claim investigation to meet the 30-day compensability deadline. Our injured workers were provided with timely medical treatment, and workers' compensation paid leave benefits when applicable. The Covid19 claims were managed in a smooth and well-organized claims process. Adminsure maintained a positive, results-based relationship with the City's program during the Covid-19 pandemic.

ANALYSIS

RFP for Third Party Administrator

In a further attempt to improve the system, a Request for Proposal (RFP) was issued in January of 2023 for Third Party Administrator services. It was noted that it was the intent of the City to either continue with a hybrid system or to transition into a full Third-Party Administrator workers' compensation program.

Proposers were asked to submit bids addressing two possible scenarios: (1) handling all Police and Fire claims and future medical care claims for former employees; including bill review, utilization review, and medical case management, and (2) handling all the City's

workers' compensation claims; including bill review, utilization review and medical case management.

Three proposals were received and underwent thorough evaluation by both City Staff and an external panelist. The review process involved assessing the proposals according to the criteria outlined in the RFP, as indicated below:

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

The proposers gave a 20-minute presentation to the RFP panel. At the end of their presentation, they were asked a few prepared questions. The panel's scoring resulting in the following ranking:

Name of Company	Average Score
Adminsire, Inc.	98
LWP Claim Solutions	66
Innovative Claim Solutions	60

Based on the proposals and the interviews, the RFP panel concluded that Adminsire Inc. continues to be the best fit for the City. Adminsire Inc. currently handles claims for numerous cities in Southern California. They have a philosophy which is in line with the City's desire to reduce costs while not sacrificing customer service. They have aggressive case handling procedures which ensure that employees move as swiftly as possible through the process, and they are committed to expediting employee's return to work. Adminsire Inc. not only has the best proposal for the service, but they also have the lowest cost of service among all three vendors.

After discussing with staff and the RFP panel, it is recommended to also transfer 150 claims from our in-house self-insured program into a full Workers' Compensation Third-Party Administrator program. It is the most efficient and cost-effective process for the City.

In addition, at the same time, the City also conducted an RFP for Bill Review services (in the event the City elected to maintain its hybrid program). Six proposals were received, and a preliminary review was conducted by the RFP panel. However, because it was determined that going with a full-service TPA, rather than a hybrid program, would be more cost effective for the City, the process did not proceed beyond that initial phase, and no interviews were conducted with the bill review providers.

It should be noted that in 2021, City staff conducted a benchmarking analysis to compare our Bill Review performance with two sister-cities, City of Burbank, and City of Pasadena. The benchmarking Bill Review results showed that the City of Glendale was receiving the highest total gross savings through the Bill Review services provided by Adminsure Inc./MedReview.

Based on the above, Staff recommends that Adminsure Inc., be awarded the PSA to handle all of the City's worker's compensation claims.

STAKEHOLDERS/OUTREACH

The RFP was posted on City of Glendale's website

FISCAL IMPACT

The professional services agreement for Workers' Compensation Third Party Administrator services 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:

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

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 more than 10% interests in the company proposed for contract in this Agenda Item Report:

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

ALTERNATIVES

Alternative 1: Authorize the City Manager or his designee to enter into a Professional Services Agreement with Adminsure, Inc., for Third Party Workers' Compensation Administrator services for all of the City's Workers' Compensation claims and all costs related thereto.

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

ADMINISTRATIVE ACTION

Prepared by:

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

Approved by:

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

EXHIBITS/ATTACHMENTS

Exhibit A- Scope of Work and Obligations of the Parties