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Staff Report for a Resolution Approving a Consulting Services Agreement with JT2 Integrated Resources for Workers' Compensation Third Party Claims Administration Services

**SUMMARY AND RECOMMENDATIONS**

Staff recommends the approval of a Consulting Services Agreement for three years in the amount of \$345,145 for Workers' Compensation third party claims administration services with JT2 Integrated Resources plus a flat fee structure for bill review charges estimated at \$198,000.

**BACKGROUND**

The City of San Leandro is self-insured for its Workers' Compensation program and uses a Third Party Administrator (TPA) for claims administration. The TPA's responsibility is to manage, track, and process payments for all claims reported. In the past, York Risk Services, formerly Bragg and Associates, has provided these services to the City.

During the past 18 months, Human Resources staff has implemented a number of initiatives to improve the program and decrease costs. These initiatives have focused on returning employees back to work in a timely manner, closing claims through settlements, and providing ongoing preventative training. As part of this effort, a Request for Proposals (RFP) for TPA services was issued in February 2014. Thirteen proposals were received, which were reviewed and rated. Five TPAs were invited to interview before an evaluation panel. The interview process included oral presentations, interview questions, and reference checks. JT2 Integrated Resources was identified as the most qualified TPA to provide claims administration services for the City of San Leandro.

**Analysis**

Contracting with JT2 Integrated Resources for TPA services is anticipated to improve the City's

Workers' Compensation program in several key areas: technology, training, and reduction of overall administrative costs.

JT2's robust technology and paperless processes will help reduce delays, improve workflows and provide faster, more accurate claims administration. Their integrated claims system offers customized, online reporting which will allow the City to easily conduct data analysis, monitor costs and trends, and manage the administrative processes efficiently.

JT2 offers various training options to educate employees on the Workers' Compensation claims process and how to navigate the process from filing a claim, receiving medical care and disability benefits, to returning to work. JT2 also offers customized training that can be geared towards a department's specific needs, which is very useful in managing safety injuries.

The proposed agreement will result in a cost reduction in TPA administrative fees and bill review services. The City currently pays \$118,800 annually under the existing TPA agreement. The proposed agreement would be for the three-year period of June 1, 2014 through May 31, 2017. The proposed annual fees are shown below and would result in a savings of \$11,255 over three years.

<u>Fiscal Year</u>	<u>Annual Fee</u>
2014-15	\$113,150
2015-16	\$114,850
2016-17	\$117,145
<b>TOTAL</b>	<b>\$345,145</b>

In addition to the annual fee savings, the City will see savings in charges for the review of medical bills. Medical bill review is a separate administrative fee under the terms of a TPA agreement. The proposed agreement charges a flat fee per each bill reviewed as opposed to a variable percentage fee structure. The City has paid approximately \$314,000 in bill review charges over the past three years under the existing TPA agreement. Under the proposed agreement and based on the City's prior three year average of 1,690 bills per year, bill review is estimated to cost \$198,000 over the next three years which is a projected savings of \$116,000.

In addition, the City will greatly benefit from a fresh perspective on current claims. It is anticipated that JT2 will present new ideas and strategies related to claims administration and disability management. This will assist staff in continuing the quality of care for injured workers while containing costs for the City.

Upon approval of the agreement, Human Resources staff will work closely with JT2 to ensure a smooth transition. JT2 will take over the City's account and all open claims effective June 1, 2014. As of March 30, 2014, the City had 103 open claims.

### **Previous Actions**

- On June 15, 1998, by Resolution No. 98-65, the City Council awarded an agreement to Gregory B. Bragg and Associates for Worker's Compensation Administration Services.

### **Fiscal Impacts**

Workers' Compensation Third Party Administration fees are funded from the Workers' Compensation

budget, which is included as part of the Self Insurance fund. For FY 2014-15, TPA administration fees are estimated to cost \$178,085, which includes the proposed annual fee and medical bill review fees. These administrative costs are contained within the budget and no additional budgetary adjustment is necessary.

The agreement proposes \$345,145 in annual fees for the next three years plus a flat fee structure for medical bill review which is estimated to cost \$198,000. Based on the City's prior three year experience, the cost savings to the City is projected to be approximately \$127,255 or 19% from the existing TPA agreement.

**PREPARED BY:** LaTanya Bellow, Human Resources Manager