



## Legislation Text

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**File #:** 17-181, **Version:** 1

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Staff Report for a Resolution Approving a Consulting Services Agreement with Intercare Holdings Insurance Services, Inc. ("Intercare") for Workers' Compensation Third Party Claims Administration (TPA) Services for three years in the amount of \$301,054 plus a flat fee structure for bill review charges estimated at \$64,080

### **SUMMARY AND RECOMMENDATIONS**

Staff recommends the approval of a Consulting Services Agreement with Intercare Holdings Insurance Services, Inc. ("Intercare") for Workers' Compensation Third Party Claims Administration (TPA) Services for three years in the amount of \$301,054 plus a flat fee structure for bill review charges estimated at \$64,080.

### **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 Workers' Compensation claims reported. The City had contracted with JT2 Integrated Resources since June 1, 2014 for these services. The contract with JT2 expires May 30, 2017.

In October 2015, a Request for Proposal (RFP) for Workers' Compensation TPA services was issued in partnership with the Cities of Hayward and Newark. In response to the RFP, eight proposals were received from the following vendors:

- Acclamation Insurance Management Services
- Athens Administrators
- Hazelrigg Claims Management Services
- Innovative Claim Solutions, Inc.
- Intercare Holdings Insurance Services, Inc.
- JT2 Integrated Resources
- Tristar Insurance Group
- York Risk Services Group, Inc.

A comprehensive review and evaluation process was conducted, including the screening of all proposals by each agency individually, oral presentations, an external interview panel, and an internal interview panel. The top ranking vendors were invited to participate in the internal panel interviews. The City of San Leandro's internal panel, which consisted of representatives from the Police, Public Works and Finance Departments, unanimously selected Intercare as the most qualified TPA to provide claims administration services for the City. Reference checks were completed and all those contacted were highly satisfied with the overall services provided by Intercare.

## DISCUSSION

Intercare Holdings Insurance Services, Inc. is a licensed provider of third party claims administration and has been providing Workers' Compensation TPA services for over 20 years. Intercare works with a wide range of public entities across the state of California including City of San Jose, City and County of San Francisco, Berkeley Unified School District, and the City of Napa. Intercare provides effective claims management administration with a focus on delivering a superior level of service with a cost effective service model.

Intercare brings several innovative, value-added services to the City's Workers' Compensation program that will provide enhanced customer service to employees. This includes Intercare's InterConnect program, in which adjusters will visit injured workers at City facilities to discuss benefits, documents, and/or other questions or concerns they may have about their claims. The InterAct Program brings stakeholders together to discuss claims status, medical management, return-to-work possibilities, settlement, disposition strategies and other matters than can move claims to resolution. This high touch service from claims professionals is proven to reduce litigation rates, shorten claim duration rates and lower claims costs.

The proposed agreement will result in a cost reduction in TPA administrative and bill review fees. Currently, the City pays \$117,145 in annual administration fees and \$39 per bill for bill review. The agreement with Intercare will cost \$97,400 in annual administration fees and \$16 per bill for bill review, with an increase of three percent to the administration fee each year. This represents an annual savings of \$19,745 in administrative fees and an approximate \$30,705 savings in bill review costs based on an average of 1,335 bills per year.

<b>Fiscal Year</b>	<b>Annual Fee</b>	<b>Bill Review</b>
2017-18	\$97,400	\$21,360
2018-19	\$100,322	\$21,360
2019-20	\$103,332	\$21,360
<b>TOTAL</b>	<b>\$301,054</b>	<b>\$64,080</b>

If the resolution is approved, Human Resources staff will work closely with Intercare to ensure a smooth transition, and to meet the training and support needs of each department. Upon execution of the agreement, Intercare will work with JT2 to receive data and will take over the account and all associated claims services effective June 1, 2017.

### **Fiscal Impacts**

The agreement proposes a total \$301,054 in administrative fees for the next three years plus a flat fee structure for medical bill review, which is estimated to be \$64,080. As described above, the proposed contract will result in a savings of \$64,628 in administrative fees and an approximate savings in bill review costs of \$92,115 over the three-year contract.

### **Budget Authority**

Workers' Compensation Third Party Administration fees are funded from the Workers' Compensation operating budget, which is included as part of the Self Insurance fund. In addition to TPA services, medical expenses, legal services, salary continuation, claims expenses, and safety trainings are also part of the Workers' Compensation Fund budget. For 2016-17, the workers' compensation's adopted

budget is \$1,536,851. Annual administrative fees are budgeted in 689-19-002-5120 and bill review fees are budgeted in 689-19-002-5730. No additional budget adjustment is necessary.

**Attachments:**

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