



Legislation Text

File #: 20-287, Version: 1

Approve a 3 year contract for \$1,391,841 with Athens Administrators, Inc. funded through the Risk Management Workers' Compensation Program for third-party administration of workers' compensation claims services and allocated loss adjustment expense July 1, 2020 through June 30, 2023, with the option to extend the contract for an additional period(s) of time representing a total contract term of no more than 5 years; and Delegate authority to the County Administrator to execute the contract and any subsequent extension within approved budget appropriations and any amendments not to exceed \$75,000 during any fiscal year

Published Notice Required? Yes No
Public Hearing Required? Yes No

DEPARTMENTAL RECOMMENDATION:

The Interim Director of Human Resources recommends that the Board of Supervisors approve a contract of \$1,391,841 with Athens Administrators, Inc. funded through the Risk Management Workers' Compensation Program for third-party administration of workers' compensation claims services and allocated loss adjustment expense (ALAE) from July 1, 2020 through June 30, 2023, with the option to extend the contract for an additional period(s) of time representing a total contract term of no more than 5 years; and Authorize the County Administrator to execute the contract and any subsequent extension within approved budget appropriations and any amendments not to exceed \$75,000 during any fiscal year.

SUMMARY:

The current contract for third-party administrative services for the County's self-insured workers' compensation program expires June 30, 2020. In anticipation of the contract expiration date, the County issued a Request for Proposal (RFP) in October 2019. After evaluating RFP responses and interviewing the most qualified firms, it is recommended that the Board of Supervisors approve a three-year contract with Athens Administrators, our current third-party administrator, beginning July 1, 2020.

Pursuant to the terms of the RFP, the County reserves the right to extend the contract for up to two additional years if written notice to Athens Administrators is provided at least ninety (90) days prior to the contract expiration date.

FINANCIAL IMPACT:

The yearly cost of the third-party workers' compensation administration for the three years is \$450,303 (July 1, 2020 to June 30, 2021), \$463,812 (July 1, 2021 to June 30, 2022) and \$477,726 (July 1, 2022 to June 30, 2023). Costs for the first year are included in the Department of Human Resources requested budget. Workers' Compensation costs are recovered through charges back to the departments, including the allocated loss adjustment expenses (ALAE) that are charged through individual worker's compensation claims. The costs associated with preparing the agenda item are nominal and absorbed by the department's FY2019/20 Adopted Budget.

DISCUSSION:

Solano County is permissibly self-insured for workers' compensation insurance. Third-party administrators are

companies that self-insured employers contract with to administer the claims administration process. The process of properly and effectively administering claims is very complex as there are numerous mandated deadlines where actions must be taken by, the reserving process is governed by a wide body of law and court cases, and effectively providing benefits and facilitating the injured worker to return to work has a direct effect on controlling the costs associated with an employer's workers' compensation program. Regulations regarding Self-Insurance Plans are contained in Title 8, California Code of Regulations, Chapter 8, Subchapter 2. Administration of Self-Insurance Plans (Sections 15200 -15481).

In October 2019, the County solicited proposals for third-party claims administration services of its self-insured workers' compensation program and received thirteen proposals, two of which did not meet minimum qualifications. The Evaluation Committee reviewed the proposals received from eleven vendors. The Evaluation Committee included representatives from Human Resources, Risk Management, Sheriff's Office, General Services, Health and Social Services, and CSAC-EIA. Athens Administrators received the highest Evaluation Score from the Evaluation Committee and was recommended to continue to perform the third-party administration services for the County for three fiscal years beginning July 1, 2020. This contract provides for the continued administration of services and compliance to Title 8 regulations.

Highlights of the third-party administrative services include:

- Full-service administration of all open workers' compensation claims files, utilizing an automated risk information management system with full access made available to Risk Management. Data remains the property of the County.
- Standard utilization review, case management and physician review services to be provided by Athens Administrators with direct and timely communication and coordination between claims examiners and a nurse case manager. This arrangement is designed to encourage and promote program management and cost efficiencies.
- Utilization of the Managed Provider Network to manage the medical delivery to employees and costs of claims.
- Telephonic nurse triage services for injured employees, provided at a reduced cost to the County.
- Performance guarantees that claims examiners must achieve an indemnity closure rate of 102% or more per fiscal year. If not achieved, fees paid to Athens are reduced by \$5,000 per year.
- Performance guarantee biannual audits shall score no lower than "meets expectations" as defined in the CSAC-EIA Claims Standards.
- On-site claims review to 3 times per year.
- 180-day termination clause.

ALTERNATIVES:

The Board of Supervisors may choose not to execute this contract and direct staff to reissue the RFP. This alternative is not recommended as the results of the competitive bidding process and the evaluation committee's objective evaluation, Athens Administrators is the most qualified to provide the services outlined in the contract.

OTHER AGENCY INVOLVEMENT:

Athens Administrators will administer all workers' compensation claims for the County of Solano. In addition, the Auditor-Controller will continue to replenish the trust account as established by Athens Administrators on behalf of the County to provide a funding source for the County's workers' compensation program.

Human Resources Department, General Services Department - Purchasing Division and County Counsel have worked collaboratively in the RFP, negotiations and contracting process. County Counsel has reviewed

the contract as to form.

CAO RECOMMENDATION:

APPROVE DEPARTMENTAL RECOMMENDATION