



Legislation Text

File #: 18-383, **Version:** 1

Approve contract amendment number 1 with Athens Administrators, Inc. for \$881,516, for a total contract amount of \$2,110,891 for third-party administration of workers' compensation claims services through June 30, 2020; and Authorize the County Administrator to execute the amendment

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

DEPARTMENTAL RECOMMENDATION:

The Director of Human Resources recommends approval of contract amendment number 1 with Athens Administrators, Inc. for \$881,516, for a total contract amount of \$2,110,891 for third-party administration of workers' compensation claims services through June 30, 2020; and Authorize the County Administrator to execute the amendment.

SUMMARY:

On March 24, 2015, the Board approved the contract with Athens Administrators, Inc. to provide third party claims services for workers' compensation for the period July 1, 2015 through June 30, 2018, with an option to extend the contract for two additional one-year terms, through June 30, 2020. This contract amendment allows for the services to continue uninterrupted.

FINANCIAL IMPACT:

The proposed amendment includes fees totaling \$434,318 (July 1, 2018 to June 30, 2019) and \$447,198 (July 1, 2019 to June 30, 2020). These costs will be included in the Department of Human Resources' annual budgets. Workers' compensation costs are recovered through charges back to the departments, including the allocated loss adjustment expenses (ALAE) that are charged through the claim.

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 in which actions must be taken, the process of claims reserves 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 managing costs associated with a county'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 2014, the County solicited proposals for third-party claims administration services of its self-insured workers' compensation program and received nine proposals. An evaluation committee reviewed the proposals received from nine independent workers' compensation third-party vendors. The evaluation committee included representatives from Risk Management, Sheriff's Office, Probation, and Health and Social Services. Athens Administrators received the highest evaluation score from the evaluation committee and was recommended to perform the third-party administration services for the County for three fiscal years beginning

July 1, 2015 and the Board of Supervisors approved this contract on March 24, 2015. This contract amendment 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 (SIMS) 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 adjusters and the nurse case manager. This arrangement is designed to encourage and promote program management and cost efficiencies.
- An option to use a Managed Provider Network should the County choose to utilize this service in the future to further 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.

Amendments to the contract include:

- Performance guarantee that 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.
- Reducing on-site claims review to three times per year. This allows the examiners more time to work claims instead of preparing for reviews.
- Clean up language on the ALAE to reflect actual pricing of services.
- 180-day termination clause.

ALTERNATIVES:

The Board of Supervisors may choose not to execute this contract amendment and direct staff to issue an RFP. However, this is not recommended as the County must have a third-party claims administrator to process workers' compensations claims.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed the contract amendment as to form.

CAO RECOMMENDATION:

APPROVE DEPARTMENTAL RECOMMENDATION