



COUNCIL REPORT

DATE: April 11, 2023
CATEGORY: Consent
DEPT.: Finance and Administrative Services
TITLE: **Workers' Compensation Third-Party Claims Administrator**

RECOMMENDATION

Authorize the City Manager or designee to execute a contract with Athens Administrators for Workers' Compensation third-party claims administration for an initial three-year period, with two 1-year options, for a possible total five-year term, from July 1, 2023 through June 30, 2028. The total five-year contract cost is not to exceed \$1,035,736, including estimated fees based on claims activity.

BACKGROUND

The City's Workers' Compensation (WC) program is self-insured and utilizes the services of a third-party administrator (TPA) for WC claims administration services. The TPA administers WC benefits for industrially injured employees as required by the California Labor Code, including investigation, medical cost containment, adjustment, and resolution of litigated and nonlitigated claims. Based on the average number of claims over the past five years, the TPA may manage approximately 73 new claims per year (includes both indemnity and medical only), and will assume responsibility for 148 open, pending WC claims (which includes indemnity, medical-only, and future medical claims).

The City's last Request for Proposals (RFP) for WC third-party claims administration services was in 2018, and the City selected York Risk Services Group, Inc. (York), at that time. York was awarded a two-year contract and an additional three-year extension, as approved by the City Council. The current contract with York for TPA services expires on June 30, 2023.

ANALYSIS

It has been five years since the City last solicited services for WC claims administration services. Since that time, York was purchased by Sedgwick Claims Management Services, Inc., and the expected customer service level has not been maintained under the new ownership. For this reason, and in order to find a more suitable partner who will service the City as expected, a Request for Proposal (RFP) for WC TPA services was issued in November 2022. Six TPA firms

responded, and three finalists were selected to be interviewed by a panel that included representatives from the Risk Management Division, the Police Department, and the Fire Department. Athens Administrators (Athens) was selected based on the presentation, qualifications, and pricing that was provided. During the panel interviews, Athens and one other firm provided detailed presentations that illustrated their vast experience and expertise in the services that the City is requesting. All three finalists were qualified and submitted responsive proposals, but two firms were scored the highest by the panel. When taking into consideration the pricing proposed by both of the firms, Athens was selected as the best fit for the City.

FISCAL IMPACT

The total estimated cost for a five-year term is not to exceed \$1,035,736. This includes a bill review charge of \$8.50/bill. There is sufficient budget appropriation in the Self-Insurance Fund for the Fiscal Year 2023-24 payments to Athens. For future years of the contract, Risk Management staff will propose budget appropriations to ensure that sufficient budget exists.

ALTERNATIVES

1. Reach out to the existing TPA, Sedgwick, to negotiate a contract extension. As they did not provide a proposal for the new contract, it is unknown if they would be willing to extend the current contract.
2. Provide other direction.

PUBLIC NOTICING—Agenda posting.

Prepared by:

Sheryl Higa
Risk Manager

Approved by:

Derek Rampone
Finance and Administrative Services
Director

Audrey Seymour Ramberg
Assistant City Manager

SH/VL/6/CAM
567-04-11-23CR
202997