

REPORT
FROM



THE PERSONNEL
DEPARTMENT

TO: Personnel and Animal Welfare Committee	DATE September 28, 2015
REFERENCE:	COUNCIL FILE
SUBJECT: City of Los Angeles Workers' Compensation Program Contracts	

RECOMMENDATION:

That the City Council:

Authorize the Personnel Department General Manager or designee to execute amendments as applicable, subject to the approval of the City Attorney, to extend the following three-year contracts for the City's Workers' Compensation Program:

1. Extend Contract C-121812 with Tristar Risk Management, Inc. (Tristar) from November 22, 2015 to November 22, 2017. (Police Sworn Claims.)
2. Extend Contract C-121841 with Acclamation Insurance Management Services, Inc. (AIMS) from April 29, 2016 to November 22, 2017. (Fire Sworn and Civilian Claims.)
3. Extend Contract C-121842 with ACME Administrators, Inc. (ACME) from April 29, 2016 to November 22, 2017. (Police Civilian, City Attorney and Personnel Claims.)
4. Extend Contract C-122496 with Stratacare from June 30, 2016 to June 30, 2018. (Medical Bill Review, Cost Containment and Managed Care Services Program.)

BACKGROUND:

The City of Los Angeles is self-insured for all of its workers' compensation obligations. The core function of the Workers' Compensation Program is to provide injured workers with the necessary medical benefits and time off necessary to recuperate and return to work as quickly as possible. The Personnel Department's Workers' Compensation Division administers the City's Workers' Compensation Program, which currently includes 16,576 open claims. Approximately 7,000 new claims and \$170 million in benefit payments were processed in FY 14-15. The Division is responsible for all aspects of claims administration, which includes directing medical care, providing defense support in litigated cases and making payments for a variety of claims-related activities. The Workers' Compensation Division utilizes a combination of City staff and contractors to carry out the program objectives.

DISCUSSION:

Request To Extend Contracts:

Two services provided by outside contractors under the direction of City staff are described below:

- **Third Party Administration (TPA) Services** – Provides claim administration for all police and fire claims and a portion of other civilian claims.

The City currently contracts with three (3) separate TPA vendors as follows:

<u>Employee Group</u>	<u>TPA</u>	<u>Open Claims</u>
Police Sworn	Tristar	7,105
Fire Sworn & Civilian	AIMS	3,025
<u>Police Civilian, City Attorney, and Personnel</u>	ACME	<u>1,200</u>
Total Claims		11,330

The Tristar contract currently expires on November 22, 2015 and the ACME and AIMS contracts currently expire on April 29, 2016. The Personnel Department is requesting an extension of all TPA contracts to November 22, 2017 to provide additional time for the procurement process and align all three of the new contracts with the same contract term.

- **Managed Care Program** – Provides medical bill review, cost containment and managed care services.

The Workers' Compensation Program uses the services of a bill review vendor as part of the workers' compensation medical cost containment strategy. The bill review vendors analyze medical bills to ensure that the City only pays for authorized treatment at State fee schedule or discount pricing rates.

The City currently contracts with Stratacare, LLC to provide Managed Care Program services for an annual contract cost of \$9.8 million.

<u>In Fiscal Year 2014/15:</u>	
Bills Processed by Stratacare:	339,897
Total Billed Amount:	\$395,227,276
Total Allowance:	<u>\$ 90,970,861</u>
Total Savings:	<u>\$304,256,415</u>

The contract with Stratacare, LLC is scheduled to expire on June 30, 2016. The Personnel Department is requesting an extension of this contract to June 30, 2018 to provide additional time for the procurement process.

The Personnel Department requests authority to extend these contracts as indicated to allow sufficient time for the procurement process. Extending these contracts and rescheduling of the procurement process will establish greater service provider continuity and it will limit disruption for the injured workers in their claims administration. A complete review of the procurement process and related contracts was conducted to align these processes so there are no overlapping implementations. The extensive review period, identification of process efficiencies and recommendations resulted in the need for these contract extensions. The Request for Proposal (RFP) for the Managed Care Program is scheduled to be released in October 2015 and TPA services in March 2016.

CONCLUSION:

The Personnel Department is requesting the extension of the City Workers' Compensation Program contracts as described above for the following reasons: 1) so that all three TPA contracts expire at the same time; 2) to allow sufficient time for the Personnel Department Workers' Compensation Division to release a Request for Proposal and award new contracts; and, 3) to ensure that these contracts do not expire close together resulting in overlapping implementations. The procurement process, contract negotiations, implementation and contracts are complex and require months of staff time to implement.

FISCAL IMPACT STATEMENT:

There is no fiscal impact. Funding is provided in the Human Resources Benefits Contractual Services Account for the cost of these contracts.



WENDY G. MACY
GENERAL MANAGER