

PERSONNEL AND ANIMAL WELFARE COMMITTEE REPORT relative to proposed amended and restated agreements with Tristar Risk Management, Inc. (Tristar), Acclamation Insurance Management Services, Inc (AIMS) and Elite Claims Management, Inc. (Elite) for third party administration (TPA) services for the City's Worker's Compensation Program.

Recommendation for Council action:

APPROVE and AUTHORIZE the General Manager, Personnel Department, to execute amended and restated agreements for the provision of TPA services to manage a portion of the City's workers' compensation claims, subject to the approval of the City Attorney, as follows:

- a. The Third Amended and Restated Agreement (Contract No. C-121812) with Tristar to increase the term to include November 30, 2012 to November 21, 2020 and increase contract compensation by \$17,987,926 to \$68,666,267.
- b. The Sixth Amended and Restated Agreement (Contract No. C-121841) with AIMS to increase the term to include May 3, 2013 through November 21, 2020 and increase contract compensation by \$7,809,006 to \$28,929,703.
- c. The Sixth Amended and Restated Agreement (Contract No. C-121842) with Elite to increase the term to include May 3, 2013 through November 21, 2010 and increase contract compensation by \$2,506,294 to \$9,802,542.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports approval of the recommendations in the March 29, 2019 CAO report, attached to the Council file, will enable the Personnel Department to expend \$28.3 million for workers' compensation TPA services, including approximately \$8.1 million in 2018-19, \$14.2 million in 2019-20, and \$6.0 million in 2020-21. Sufficient funds for the 2018-19 obligation are available in the Contractual Services Account within the Human Resources Benefits Fund. The recommendations in the March 29, 2019 CAO report, attached to the Council file, comply with the City's Financial Policies in that budgeted funds for anticipated contract expenditures are available in the current fiscal year and future expenditures are limited to the appropriation of funds in the budget.

Community Impact Statement: None submitted.

TIME LIMIT FILE - JUNE 3, 2019

(LAST DAY FOR COUNCIL ACTION - MAY 31, 2019)

Summary:

On April 17, 2019, your Committee considered a March 29, 2019 CAO report relative to proposed amended and restated agreements with Tristar, AIMS and Elite (Contract Nos. C-121812, C-1211841, and C-121842, respectively) for third party administration (TPA) services for the City's Worker's Compensation Program. According to the CAO, the amended and restated agreements would extend the term of each Agreement through November 21, 2020 for revised terms of up to eight years. The Amendments also increase the maximum contract

compensation by a cumulative total of \$28.3 million, which includes a three percent cost increase for each Contractor in each of the two years requested in the extended term. The current Agreements expired November 21, 2018, and the proposed Amendments include a ratification clause because of the need for the Contractors to continue to provide services on an on-going basis prior to the execution of the Amendments.

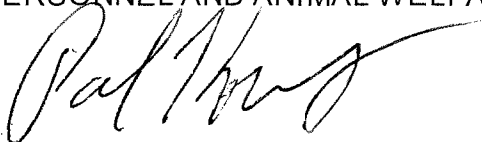
The City administers the approximately 16,000 open workers' compensation claims through a combination of services provided by City staff and the Contractors. Tristar administers all sworn Police claims, AIMS administers all sworn Fire claims and a portion of civilian Fire claims, and Elite administers all civilian Police, City Attorney, and Personnel claims. The claims of the remaining City departments are administered by City staff in Personnel. The Contractors were selected as a result of a competitive Request for Proposals (RFP) process conducted in 2012. The terms of the original Agreements began on November 30, 2012 (Tristar) and May 3, 2013 (AIMS and Elite), and have subsequently been amended multiple times.

In February 2018, Council approved a request from Personnel to extend the terms of the Agreements through November 21, 2018 to allow for sufficient time to conduct a new RFP process (Council File No. 15-1146). However, Council also directed Personnel to develop a new framework for identifying workers' compensation fraud and abuse that would be incorporated into the RFP. Council further directed Personnel to submit the new RFP to the Personnel and Animal Welfare (PAW) Committee for approval. Personnel indicates the new framework has been developed in consultation with the City Attorney. The Personnel Department further indicates the new RFP has been drafted, and is currently being reviewed by the workers' compensation program's labor partners in accordance with the policies of the City's Alternative Dispute Resolution programs. After this review is complete, the RFP will be submitted to PAW in accordance with the previous Council direction.

Therefore, Personnel requests authority to execute the Amendments to extend the terms of the existing Agreements in order to allow sufficient time to complete the new RFP process. The requested term extension also includes sufficient time to provide a minimum of three months to transition caseloads between contractors, should different contractors be selected as a result of the new RFP process. In addition to incorporating the new framework for identifying workers' compensation fraud and abuse into the draft RFP, the Personnel Department has also revised the Amendments to address potential fraud and abuse. The Amendments now require the Contractors to review all cases at least twice a year for abuse and fraud red flags as well as actively participate in the City's Fraud/Abuse Review Committee. These new provisions are in addition to requirements already incorporated into the agreements that require the Contractors to provide fraud detection training to their staff, investigate all questionable cases, and subscribe to electronic databases to facilitate fraudulent claim identification. After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the recommendation contained in the CAO report. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

PERSONNEL AND ANIMAL WELFARE COMMITTEE

A handwritten signature in black ink, appearing to read "Paul King", is written over the printed name of the committee.

MEMBER VOTE

KORETZ: YES

SMITH: YES

PRICE: ABSENT

ARL

4/17/19

-NOT OFFICIAL UNTIL COUNCIL ACTS-