



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jennifer Schembri

**SUBJECT:** SEE BELOW

**DATE:** June 5, 2019

Approved

Date

6/7/19

**SUBJECT: REPORT ON REQUEST FOR PROPOSAL AND ACTIONS RELATED TO WORKERS' COMPENSATION COMPREHENSIVE SERVICES**

## RECOMMENDATION

- (a) Accept the Report on the Request for Proposal for the Workers' Compensation Comprehensive Services.
- (b) Adopt a resolution authorizing the City Manager to negotiate and execute an agreement with Intercare Holdings Services, Inc. to provide comprehensive Workers' Compensation services including claims administration services, bill review/preferred provider organization networks, utilization review, medical case management, Medical Provider Network (MPN), pharmacy benefits management (PBM) and Medicare Set-Aside/Secondary Payer Reporting, with a term beginning July 1, 2019 through June 30, 2022. The total compensation amount for the three-year agreement shall not exceed \$15,963,931 based on an estimated caseload of 2,330 – 2,850 claims, and subject to annual appropriation of funds.

## OUTCOME

Authorizing the City Manager to negotiate and execute a three-year agreement through June 30, 2022, with Intercare Holdings Services, Inc. (Intercare) will allow it to continue to provide comprehensive Workers' Compensation services and serve as the City's Third Party Administrator to administer all workers' compensation claims.

## BACKGROUND

On June 19, 2018, the City Council accepted the staff report on the service delivery evaluation for administering the City's Workers' Compensation Program, and approved the recommendation to provide all Workers' Compensation Program services for all City employees through a Third Party Administrator, with the transition beginning July 1, 2018.

As of September 1, 2018, all in-house claims were electronically transferred to Intercare with all open claims administered by Intercare staff. As part of the transition process, and after the transfer of data and files, Intercare completed a triage of all open claims to ensure claim files were fully compliant, i.e., appropriate documentation in files, timely benefit payments made and if not, penalties paid and plan of actions were in place to bring claims to closure. As part of this triage process, Intercare was able to close approximately 17% of claims reducing the number of claims from 3,120 to 2,599. On October 30, 2018, the City Council approved an amendment to Intercare's agreement extending it through June 30, 2019 and increasing compensation, and directed staff to conduct a new Request for Proposal (RFP) and have an agreement in place effective June 30, 2019.

## **ANALYSIS**

### **Request for Proposal and Vendor Selection Process**

The RFP was released on December 14, 2018, with a due date of January 31, 2019. Pursuant to the RFP, the intent was for a six-year agreement with the successful vendor. In the RFP process, an evaluation committee rated the proposals and conducted oral interviews with the finalists.

There were four proposals submitted and evaluated from the following vendors:

- AIMS (Acclamation Insurance Management Services)
- Intercare Holdings Insurance Services, Inc.
- NARS (North American Risk Services)
- Sedwick Claims Management Services, Inc.

The following three vendors were finalists and participated in the oral interviews:

- AIMS (Acclamation Insurance Management Services)
- Intercare Holdings Insurance Services, Inc.
- Sedwick Claims Management Services, Inc.

The proposals were rated on responsiveness, management proposal, fee structure (cost), local business enterprise preference and small business enterprise preference. The management proposal considered factors such as: strategy, subject matter expertise, comparable municipal clients, references, customer service philosophy, standard reporting quality, staffing levels/management structure, and the ability to track and report customer satisfaction levels.

The scores of the three finalists are provided in the table below and Intercare was given the highest overall rating:

Initial Review & In-Person Interview	Max Percentage		AIMS	Intercare	Sedgwick
Proposal Responsiveness	P/F		P	P	P
Management Proposal	60%		1,195	1,220	1,210
Cost	30%		545	620	580
Local Business Enterprise	5%		0	0	0
Small Business Enterprise	5%		0	0	0
<b>Total Phase 2</b>	100%		1,740	1,840	1,790

Intercare received the highest overall rating for the three finalist from the RFP Selection Committee. The breakdown of possible points that each RFP Committee member could assign to each vendor are as follows: Management Proposal (420 points), Cost (210 points), Local Business Enterprise (35 points), and Small Business Enterprise (35 points).

The RFP process included a ten-day protest period that commenced when the proposers received the City's Notice of Intended Award. There were no protests submitted for this RFP.

As a result of the evaluation process, staff recommends the award be made to Intercare Holdings Insurance Services, Inc. Intercare Holdings Insurance Services, Inc. has proposed through the RFP process to provide comprehensive Workers' Compensation services for a three-year agreement for the period July 1, 2019 to June 30, 2022 for a not to exceed total compensation amount of \$15,963,931 based on an estimated caseload of 2,330 – 2,850 claims, and subject to annual appropriation of funds. The total costs for the initial term of the contract from July 1, 2019 through June 30, 2020 shall not exceed \$5,182,056. The total costs for the term of the contract from July 1, 2020 through June 30, 2021 shall not exceed \$5,321,300. The total costs for the term of the contract from July 1, 2021 through June 30, 2022 shall not exceed \$5,460,575. Pursuant to the RFP, the intent was to enter an agreement for a six-year period, three of which would be option years. None of the responding vendors, however, submitted costs for the three option years. The City and Intercare have agreed to the costs set forth for the foregoing three year period. Prior to the expiration of the agreement on June 30, 2022, staff will return to Council with recommendations on whether to amend the agreement for the three-year period covering July 1, 2022 through June 30, 2025.

**EVALUATION AND FOLLOW-UP**

Report updates on the Health and Safety Program will be on the Public Safety, Finance & Strategic Support Committee agendas.

**PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the June 18, 2019 Council Meeting.

**COORDINATION**

This memo has been coordinated with the City Attorney's Office, and the City Manager's Budget Office.

**COMMISSION RECOMMENDATION/INPUT**

There is no City commission action necessary on this item.

**COST SUMMARY/IMPLICATIONS**

**COST ELEMENTS OF AGREEMENT/CONTRACT:**

1. First Year (July 2019 – June 2020) not to exceed amounts:

	Claims Administration @ 2330-2850 claims	Utilization Review/ Medical Case Mgmt.**	Bill Review	MPN	PBM Management MSA Secondary Payer Reporting	Total Contract
Year 1: July 1, 2019- June 30, 2020	\$3,701,376*	\$579,000	\$881,680	\$20,000*	\$0	\$5,182,056

\*Paid from Human Resources General Fund. Other items are paid from workers' compensation funds.

\*\* The Utilization Review and Medical Case mgmt. not to exceed this amount and will be combined for contract purposes.

The Claims Administration and MPN will be funded out of the Human Resources' Non-Personal/Equipment appropriation, as discussed below in the budget reference section. The other elements of the contract, including utilization review/medical case management, bill review, and PBM Management, will be billed to the City-wide Expenses Workers' Compensation Claims appropriation for the specific claim.

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**BUDGET REFERENCE**

The table below identifies the fund and appropriation actions to fund the portion of the contract that will affect the Human Resources Departments General Fund budget.

Fund #	Appn #	Appn. Name	Total Appn.	2019-2020 Proposed Budget (Page)	Last Budget Action (Date, Ord. No)
001	0482	Human Resources Non-Personal/Equipment	\$6,581,769	VIII-194	6/18/2019

\*Subject to the adoption of the 2019-2020 Proposed Budget by the City Council on June 18, 2019

**CEQA**

Not a Project, File No. PP17-003: Agreements/Contracts resulting in no physical changes to the environment.

/s/  
JENNIFER SCHEMBRI  
Director of Employee Relations/  
Director of Human Resources

For questions, please contact Eric Fortes, Division Manager, Workers' Compensation, Health, and Safety at (408) 975-1418.