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Title: Approve the Fourth Amendment to the Services Agreement Between the City of Fresno and Risico Claims Management Regarding Worker’s Compensation Claims and Authorize the Director of Personnel Services to Execute the Amendment

Sponsors: Personnel Services Department

Indexes:

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Attachments: 1. Risico Fourth Amendment to Agreement Final.docx.pdf

Date	Ver.	Action By	Action	Result
9/21/2017	2	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

September 21, 2017

FROM: JEFF CARDELL, Director
Personnel Services Department

BY: MIKE PAYNE, Risk Manager
Personnel Services Department

SUBJECT

Approve the Fourth Amendment to the Services Agreement Between the City of Fresno and Risico Claims Management Regarding Worker’s Compensation Claims and Authorize the Director of Personnel Services to Execute the Amendment

RECOMMENDATION

Staff recommends that the City Council approve the attached Fourth Amendment between the City of Fresno and Risico, Inc. (Exhibit “A”) to provide Workers’ Compensation third party administration services to the City of Fresno and authorize the Director of Personnel to execute the agreement.

EXECUTIVE SUMMARY

The City’s open workers’ compensation claims count has risen thereby resulting in the need to expand the staff employed by the third party administrator (TPA) Risico. The additional staff will ensure an equitable distribution of claims and an adequate span of control to ensure the claims are being administered timely and correctly. Since this additional staff is above and beyond what is

provided for in the current agreement it is necessary to amend the agreement to increase the annual fee in support of the staffing level.

BACKGROUND

The City has been self-insured for its Worker's Compensation liability since August 1973. To administer the delivery of benefits and ensure compliance with applicable State statutes, the City has utilized the services of a TPA. The City has contracted with Risico (formerly American All Risk Loss Administrators AARLA) since March 2004. The current agreement includes a staffing model that provides 1 Supervisor, 8 claims examiners and 2 claims assistants for an annual fee of \$828,000 which is subject to modification based upon required staffing levels.

Due to the volume of claims administered, Risico has increased the number of claims examiners from 8 to 10 without increasing the annual fee. The total number of worker's compensation cases being administered has risen 16% from 1,450 on June 30, 2015, to 1,688 as of June 30, 2017 (an increase of 238 claims). To ensure proper supervision of the claims examiners and to maintain a focus on the delivery of service to our employees it is necessary to add an additional Supervisor to the claims staff that administers our worker's compensation claims. Staff is recommending an amendment to the agreement with Risico increasing the annual fee by \$274,076 to compensate for the additional staffing necessary to satisfactorily service the City's worker's compensation claims. The increased costs associated with the increase in staffing are fully offset by recent changes made to the preferred provider network that is utilized which provides a better rate for the respective services performed by the medical providers.

With this amendment, we are also establishing a maximum on the amount of bill review fees that can be charged when reviewing hospital bills. The current agreement does not include a maximum. Nonetheless, establishing a maximum that can be charged when bill review is performed on hospital bills is advantageous to the City without jeopardizing the level of care or service provided to an employee.

The City Attorney's Office has approved the Fourth Amendment to the Services Agreement as to form.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act (CEQA) Guidelines Section 15378 this item does not qualify as a "project" as defined by CEQA.

LOCAL PREFERENCE

Local preference is not implicated because this item involves an amendment to an existing agreement.

FISCAL IMPACT

The fourth amendment to the services agreement will result in an increase to the annual fee of \$274,076. The full cost of this increase is being offset by savings due to changes in the provider network so no additional appropriations are required.

Attachments: Risico Fourth Amendment to Services Agreement