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Title: Approve Extension of current Agreement for Workers' Compensation Claims Services through June 30, 2020, and approve a three-year Agreement, with an option of four one-year extensions, for Workers' Compensation Claims Services between the City of Fresno and Risico, and authorize Personnel Services Director to execute Agreements on behalf of the City
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Date	Ver.	Action By	Action	Result
2/27/2020	2	City Council	approved	

REPORT TO THE CITY COUNCIL

February 27, 2020

FROM: JEFFREY CARDELL, Director
Personnel Services Department
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Risk Management Division

SUBJECT

Approve Extension of current Agreement for Workers' Compensation Claims Services through June 30, 2020, and approve a three-year Agreement, with an option of four one-year extensions, for Workers' Compensation Claims Services between the City of Fresno and Risico, and authorize Personnel Services Director to execute Agreements on behalf of the City

RECOMMENDATION

It is recommended the City Council approve an extension of the current worker's compensation claims services agreement with Risico through June 30, 2020, and a new three-year contract, with the option of four one-year extensions, and authorize the Personnel Services Director to execute the Agreement on behalf of the City.

EXECUTIVE SUMMARY

In the fall of 2019, Personnel Services staff distributed a Request for Proposal (RFP) to 58 different Workers' Compensation Third Party Administration (TPA) firms. In response to the RFP, five (5) vendors submitted proposals. After a thorough review of the proposals three firms were invited to interview with Risk staff along with representatives from FPOA, IAFF and the Transportation Department. The interview panel evaluated each proposal along with the responses provided in the interview and concluded that Risico is the most qualified proposer.

The current agreement with Risico expires on March 1, 2020. Risico has agreed to extend the current agreement through June 30, 2020. Risico also provides the best value for the City and provides for the continuity of service to injured City employees.

BACKGROUND

The City of Fresno has been permissibly self-insured for its Workers' Compensation liability since August of 1973. In order to administer the program, deliver benefits and ensure compliance with State statutes, the City has utilized the services of a TPA. The City has contracted with Risico Claims Management, Inc., formerly known as American All Risk Loss Administrators (AARLA), since March 1, 2004 which changed its name to Risico in 2015. The current contract with Risico will expire on March 1, 2020.

In the fall of 2019, a RFP for this service was issued and distributed to fifty-eight (58) vendors who were registered with the Department of Insurance to perform third party claims administration services. Five (5) vendors responded by the stated deadline of November 12, 2019.

The five firms that submitted responses to the RFP are:

1. Acclamation Insurance Management Services (AIMS)
2. Baypointe Claims Services.
3. Intercare
4. Risico
5. TriStar.

After reviewing the proposals three of the five, AIMS, Intercare, and Risico, were invited to participate in an interview with staff since each of these firms has a claims office in Fresno and they provided comprehensive proposals for consideration. In addition to Risk staff, the interview panel included Todd Frazier of the Fresno Police Officers' Association, Brad Driscoll and Brad Dandridge, of IAFF and Wyatt Rooks from the Transportation Department.

Through the interviews the panel was able to better understand of each firm's claim-handling philosophy, claims administration process and the cost of the respective proposals. In addition, the panel was able to gather information which allowed them to determine which firm best met the needs of the City. The unanimous conclusion of the interview panel is that Risico is the firm that provides the best value to the City, they have consistently demonstrated the delivery of effective service to the City and its employees and continuing to work with Risico provides the continuity of service to our injured employees. In addition, Risico has effectively achieved a significant reduction in the number of injured employees that are utilizing opioid medications, while directing them to successful alternate treatment methods.

A comparison of the respective TPA's proposed claims administration fees is listed below along with the fees for ancillary services which are in addition to the claims administration fees.

Claims Administration Fee

Organization	Year 1	Year 2	Year 3	Total
AIMS	\$1,740,867	\$1,740,867	\$1,740,867	\$5,222,601
Risico	\$1,750,000	\$1,785,000	\$1,820,000	\$5,355,000
Intercare	\$2,063,346	\$2,114,930	\$2,167,803	\$6,346,079

Ancillary Services

The fees for ancillary services are charged to the respective claim expenses which are funded as part of the refunds and claims account.

Organization	Bill Review Services	Utilization Review	Nurse Case Management
AIMS	Fee schedule bill review: \$7 per bill Non-fee schedule bill review: 10% of savings capped at \$5,000 per bill	\$ 85 per UR nurse review \$200 peer to peer review	\$95 per hour for telephonic \$107 per hour for field case management
Risico	Fee schedule bill review: \$7.50 per bill Non-fee schedule bill review: 3.0% savings capped at \$2,500 per bill	\$95 per UR nurse review \$250 peer to peer review	\$95 per hour for telephonic \$95 per hour for field case management
Intercare	Fee schedule and all bills inclusive of PPO: \$17 per bill Out of network bills and non-fee schedule bill review: 10% savings capped at \$5,000 per bill	\$95 per UR nurse review \$225 peer to peer review \$275 specialty peer review	\$95 per hour for telephonic \$105 per hour for field case management

ENVIRONMENTAL FINDINGS

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

LOCAL PREFERENCE

Local preference was implemented and a local firm was selected to provide the City with Workers' Compensation administrative services. .

FISCAL IMPACT

There is no increased cost in Fiscal Year 2020, because Risico has agreed to extend the terms of the current agreement through June 30, 2020. In Fiscal Year 2021, the claims administration fee will increase by \$629,924 and will increase an additional 2% per year for the following two years. The increase cost will be offset by reduced ancillary services fees of approximately \$401,000.

Attachments:

1. Seventh Amendment to current Consultant Services Agreement with Risico Claims Management, Inc. formerly known as American All Risk Loss Administrators (AARLA), effective March 1, 2020, to June 30, 2020
2. Services Agreement with Risico Claims Management, Inc., effective July 1, 2020.