

**City of Culver City, California
Agenda Item Report**

Meeting Date: 10/08/12		Item Number: C-1	
CITY COUNCIL AGENDA ITEM: Approval of a Professional Services Agreement with California Claims Management Services (CCMS) to Provide Workers Compensation Administration Services			
Contact Person/Dept.: Serena Wright		Phone Number: (310) 253-5640	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☐ Attachments: ☐	
Public Notification: (E-Mail) Meetings and Agendas – City Council (10/04/12)			
Department Approval: Serena Wright (10/03/12)		City Attorney Approval: Carol Schwab (by H. Baker) (10/02/12)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (10/04/12)		City Manager Approval: John M. Nachbar (10/04/12)	
<u>RECOMMENDATION:</u> Staff recommends that the City Council approve a professional services agreement with California Claims Management Services (CCMS) to provide workers compensation administration services. <u>BACKGROUND:</u> The City is self-insured for its worker's compensation program up to \$1 million per claim. The City participates in a Joint Powers Authority, Independent Cities Risk Management Authority (ICRMA), for the purposes of purchasing pooled insurance coverage for claims between \$1 million and \$5 million and for excess insurance above \$5 million, up to \$25 million. In July 2009, Risk Management staff sent out an informal proposal to four full service third-party administrator firms for professional service in the following three key areas: 1) claims administration 2) medical bill review services and 3) utilization review services. Based on the evaluation of the submitted proposals California Claims Management Services Inc. (CCMS) was selected as the City's Third Party Administrator (TPA). Prior to CCMS being awarded the contract, workers compensation claims administration services were provided by York Insurance Services [formerly known as Southern California Risk Management Associates (SCRMA)] from 2007 – 2009 and prior to that Colen and Lee provided this service from 1986 – 2007.			

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DISCUSSION:

CCMS Workers Compensation Program Approach

Over the past three years, CCMS has partnered with the City in building a strong team to provide excellent claims service to those employees injured on the job. Some of the primary duties include: consulting and conferring with Risk Management staff regarding recommended courses of action; setting initial claim reserve amounts; reviewing medical treatment plans for injured employees; acting as a liaison between employees, doctors, attorneys and the City; generating and mailing statutorily required notices to employees; and paying claims related costs on behalf of the City.

CCMS has a dedicated unit assigned specifically to handle the claims for the City. All of the claims administrators are certified by the State of California Self-Insurance Programs. CCMS' approach to handling claims is to always "think outside the box". Although workers compensation benefits are mandated by the State, CCMS is careful to address all issues and develop a plan to handle each claim in the most cost effective manner, while still abiding by the rules and regulations set forth by the State.

Claims History

When CCMS received Culver City's account in November 2009 there were 278 open claims. Over the last three years CCMS, working collaboratively with City staff, have been able to reduce the number of open claims to 194, of which only 131 are open "active" claims. Although there may be an upfront cost to settling claims, it is less expensive in the long term; greatly minimizing potential future costs.

Audit Results

ICRMA conducts annual audits of member cities' TPA's to ensure that they meet or exceed the ICRMA approved performance standards as well as acceptable industry practices in providing claims administration services. There are 7 key areas that are evaluated to ensure that the TPA's are providing proper oversight and handling of claims. Over the three-year contract period, CCMS has passed the review. The most recent score for 2012 yielded an overall average score of 99%.

Culver City Municipal Code Bid Requirements

Culver City Municipal Code § 3.07.085 provides an exception to the formal bid requirements for professional services provided that the contract is based upon competitive quotations whenever practical. Because of the complexity of TPA services, the limited number of firms that can provide those services, and the fact the City undertook a competitive process in 2009, the City Manager has determined that obtaining competitive quotations in this case is not practical.

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Staff is recommending that City Council approve a three-year agreement with CCMS. Continuing this partnership will allow the City to continue moving the workers compensation program in a positive direction.

FISCAL ANALYSIS:

In light of the City's current fiscal situation, CCMS has agreed to an upfront decrease of 7% from their current contract and guarantees that reduced cost over the term of the agreement. The City Council Adopted Budget for Fiscal Year 2012/2013 includes sufficient funding for this contract.

CCMS City of Culver City Current Agreement 2009-2012		
	Annual Increase	Contract Amount
Year 1 (11/1/09 – 10/31/10)		\$291,900
Year 2 (11/1/10 – 10/31/11)	5%	\$300,657
Year 3 (11/1/11 – 10/31/12)	5%	\$309,676

CCMS City of Culver City Proposed Agreement for 2012-2015		
	Annual Decrease	Contract Amount
Year 1 (11/1/12 – 10/31/13)	7%	\$288,000
Year 2 (11/1/13 – 10/31/14)	0%	\$288,000
Year 3 (11/1/14 – 10/31/15)	0%	\$288,000

ATTACHMENTS:

N/A

MOTION:

That the City Council:

1. Approve a Professional Services Agreement with California Claims Management Services to Continue to Provide Workers Compensation Administration Services for a not-to-exceed amount of \$288,000 per year for each year of the agreement; and,
2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City.