



City of Culver City

Mike Balkman Council
Chambers
9770 Culver Blvd.
Culver City, CA 90232

Staff Report

File #: 24-32, **Version:** 1

Item #: C-13.

CC - CONSENT ITEM: Approval of a Three-Year Professional Services Agreement with Third-Party Administrator (TPA), InterCare, to Manage the City's Worker's Compensation Program (Year 1 - \$451,275, Year 2 - \$457,043, and Year 3 - \$470,709), with the Option to Extend the Agreement an Additional Two Years.

Meeting Date: July 10, 2023

Contact Person/Dept: Amalia Sanchez / Human Resources

Phone Number: (310) 253-5640

Fiscal Impact: Yes No **General Fund:** Yes No

Attachments: Yes No

Commission Action Required: Yes No

Public Notification: (E-Mail) Meetings and Agendas - City Council (07/06/2023)

Department Approval: Dana Anderson, Human Resources Director (07/03/2023)

RECOMMENDATION

Staff recommends the City Council approve a three-year professional services agreement with Third-Party Administrator (TPA), InterCare, to manage the City's Workers' Compensation program effective July 15, 2023, through July 15, 2026 (Year 1 - \$451,275, Year 2 - \$457,043, and Year 3 - \$470,709), with the option to extend the contract an additional two years.

BACKGROUND / DISCUSSION

In 2009, the City of Culver City established a service contract with California Claims Management Services (CCMS) to manage the City's workers' compensation claims. While CCMS has been the incumbent for over 10 years, it was important for the City to conduct a Request for Proposals (RFP) for the City's workers' compensation program to review and identify an innovative TPA and identify current options, trends and high-level customer service based on current industry standards.

In March, Risk Management published an RFP for TPA Services for the workers' compensation program and received a total of 10 proposals. Original submittals were reviewed and scored based on the organization's experience, account management experience of proposed team, scope of services, cost proposal, references, proposed implementation plan, and additional miscellaneous information. In addition, pricing was also a factor in the review process as pricing proposals ranged from \$208,000 to \$779,040 annually, with a median price of \$500,433. After evaluation of the proposals, five vendors were selected to participate in an interview and presentation to the RFP panel.

The City's RFP panel included four City staff members from various departments, and three external human resources/risk management professionals representing local municipalities with similar workers' compensation programs as Culver City. Staff participating on the panel included those who are actively engaging and responding to the needs of the workers' compensation program, including oversight of the department, claims management, and legal review. External risk professionals invited to participate on the panel were identified and selected due to their extensive experience of managing self-insured workers' compensation program(s) and overseeing programs for municipalities of similar size. Their expertise and input would ensure the City would remain impartial and offer a fair process to all candidates.

The interview panel concluded third party administrator interviews with a discussion and unanimously agreed on two final Proposers, Elite and InterCare. The interview panel met with each Proposer for a demonstration of their claim system, review of sample reports, claim reporting process, and claim management tools available to the City. Additionally, references for each Proposer were interviewed and verified. Provided references included municipalities of similar size as Culver City and private companies who expressed high reviews and service satisfaction for each Proposer. References for both Proposers shared their experience of quality customer service, responsiveness to client needs, seamless transitions into their program, and accessibility to management, if needed.

The City's current contract with the incumbent TPA is approximately \$239,064 annually and, compared to industry standard, it was clear pricing would double or potentially triple the current cost. In anticipation of RFP responses, several factors for consideration were identified, including pricing.

Both Elite and InterCare's pricing was mid-range among the five companies who were invited for an interview. The lowest quote received was for \$327,120 and the highest quote was \$567,561. Proposed costs for the City's Workers' Compensation program over a three-year period and the overall average are as follows:

<u>Elite</u>		<u>InterCare</u>	
Annual Cost / Year 1	\$456,838	Annual Cost / Year 1	\$442,275
Annual Cost / Year 2	\$456,838	Annual Cost / Year 2	\$455,543
<u>Annual Cost / Year 3</u>	<u>\$470,543</u>	<u>Annual Cost / Year 3</u>	<u>\$469,209</u>
Average Cost	\$461,406	Average Cost	\$455,675

Additional administrative fees for InterCare include a one-time transition fee of \$7,500 in the first year and an ongoing annual account management fee of \$1,500. The total cost for the initial year of InterCare will be \$451,275; the second year will be \$457,043; and the third year will be \$470,709.

InterCare is the recommended Proposer as the City's next TPA to manage the City's Workers' Compensation program. InterCare is recommended because the organization presents tools and resources that can support the Human Resources/Risk Management team in managing claims, which directly impacts the level of service ultimately provided to different departments and injured employees. Human Resources' goal is to align the program with the City's mission to provide the injured workers, and stakeholders with the best service possible. In consideration of limited staff, InterCare offers the opportunity for online claim submissions which will allow designated staff to set up a claim and obtain a claim number within minutes. Additionally, InterCare provides employees access to claim information via electronic application which will provide employee access to detail claim information, correspondence, benefit information, scheduled appointments, and adjuster contact information. Having access to an electronic application will improve the City's responsiveness to employees' questions and reduce the frustration associated with having limited details of filed claims. These anticipated improvements will enhance the experience and engagement of injured employees as a part of the claims process. InterCare also offers an internal IT team who can support the city with training and custom reporting.

FISCAL ANALYSIS

Funding for the City's Fiscal Year 2023/2024 insurance premiums, as well as the administrative fees, have been included in the Adopted Budget for Fiscal Year 2023/2024 in Account No. 30922200.619800 (Risk Management - Other Contractual Services). Funding for years two and three of the agreement will be incorporated into future fiscal year budgets.

ATTACHMENTS

None.

MOTIONS

That the City Council:

1. Approve a three-year professional services agreement with Third Party Administrator, InterCare, to manage the City's Worker's Compensation program (Year 1 - \$451,275, Year 2 - \$457,043, and Year 3 - \$470,709), with an option to extend for two additional years;
2. Authorize the City Attorney to review/prepare the necessary agreements; and

3. Authorize the City Manager to execute such documents on behalf of the City.