



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole
Meeting of May 25, 2006

From: William L. Stafford, Director Risk Management/Safety
Teri W. Mantony, Deputy General Manager, Administration and Development
Joseph M. Wire, Auditor- Controller
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE EXECUTION OF A PROFESSIONAL SERVICES AGREEMENT WITH ATHENS ADMINISTRATORS, INC., RELATIVE TO RFP NO. 2006-D-6, THIRD PARTY ADMINISTRATOR FOR WORKERS' COMPENSATION PROGRAM**

Recommendation

The Finance- Auditing Committee recommends that the Board of Directors authorize execution of a Professional Services Agreement relative to RFP No. 2006-D-6, for Workers' Compensation Claims Administration Services with Athens Administrators, Inc., Concord, CA, for a contract total not to exceed \$1,927,539, which includes a three-year contract effective July 1, 2006, for \$1,116,533 and two one-year options to be exercised at the General Manager's discretion at a cost not to exceed \$398,529 for year four, and \$412,477 for year five, with the understanding that requisite funds will be budgeted accordingly for each fiscal year.

This matter will be presented to the Board of Directors at its May 26, 2006, meeting for appropriate action.

Summary

On February 24, 2006, the District issued a Request for Proposals to Workers' Compensation Third Party Administrators by the due date of March 20, 2006. The Office of the District Secretary received proposals from ten Third Party Administrators (TPA) firms as follows:

Acclamation Insurance Management Services
Athens Administrators, Inc.
Claims Management Inc
Gregory B. Bragg Associates
Hazelrigg Risk Management Services
Intercare Insurance Services
Northern Claims Management
Octagon Risk Services
Southern California Risk Management Associates
Tristar Risk Management

The Selection Committee, consisting of staff from Risk Management/Safety, Human Resources, and the Office of the District Secretary screened the ten proposals. The five most responsive proposals were selected for further interviews.

After the completion of all interviews, the Selection Committee applied the evaluation criteria set forth in the RFP and determined that Athens Administrators, Inc. (Athens) is best qualified to perform these services. The District's Deputy General Manager Administration/Development and District Auditor-Controller concur with this finding.

In accordance with the RFP's evaluation criteria, Athens was ranked highest for a combination of factors which included:

- Paperless claims files which will provide better response time, that will enhance communication, save time and better facilitate the decision making processes.
- A risk management information system with superior risk management reports.
- A workers' compensation claims closing incentive program that encourages employees to close claims faster while ensuring compliance with all state workers' compensation claims handling statutes.
- Excellent references with both public and private entities.
- A low employee turnover rate.
- A thorough claims transition plan, ensuring seamless claims handling transition from the current administrator. This is essential to providing our employees with timely medical services and indemnity benefits.
- Competitive pricing.

No contract specific disadvantaged business enterprise (DBE) goal was established for this contract. However, proposers were urged to obtain DBE participation and were required to document their activities in the solicitation and selection of subconsultants to ensure that this process was carried out in a nondiscriminatory manner. The DBE Program Administrator has determined that Athens has complied with the DBE requirements applicable to this contract. At this time, no DBE participation is anticipated during the performance of this contract.

Fiscal Impact

The cost of these professional services relative to RFP No. 2006-D-6, including the option years, is \$1,927,539. The first year cost is \$359,450. The second year cost is \$372,031. The third year cost is \$385,052. The first option year cost is \$398,529. The second option year cost is \$412,477. The Fiscal Year 2006/2007 Operating Budget includes \$365,000 for the first year's costs.

In addition there are indirect costs associated with claims handling. These costs include two cost containment fees which are medical bill review and utilization review. These fees are not billed directly to the District but are incurred as an expense to the claim file. The estimated cost of these services will vary depending on usage. The estimated cost for these services is estimated to be \$35,000 per year, based on current usage. These costs were factored into the evaluation of price proposals.

Background

The District is self-insured for workers' compensation up to \$1 million. The District has used a Third Party Administrator to adjust workers' compensation claims on our behalf for many years. The scope of these services includes coordinating medical treatment, paying indemnity payments in a timely manner, using approved cost containment programs, assisting in our structured return-to work services and providing the District with risk management information on the program.

The services are critical to the District in several key areas including ensuring our employees receive the best available medical care, maintaining good employee relationships with the District, and returning employees to work in order to minimize costs.