



Agenda Date: 11/22/2005
Agenda Placement: 6V

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: MARK GREGERSEN - Acting Director
Human Resources
REPORT BY: Charla M. Freckmann, Assistant Human Resources Director, 259-8720
SUBJECT: Approval of New Workers' Compensation Administrator Professional Services Agreement

RECOMMENDATION

Acting Human Resources Director requests the following concerning third party administration services for workers' compensation claims:

1. Approval of and authorization for the Acting Human Resources Director to provide notice of termination of Agreement No. 2680 to Claims Management, Inc., effective January 31, 2006; and
2. Approval of and authorization for the Chair to sign an agreement with Gregory B. Bragg & Associates, Inc. for a maximum of \$431,750 for the term of February 1, 2006 through June 30, 2009.

EXECUTIVE SUMMARY

Due to increased costs of workers' compensation claims management and the need to utilize more aggressive methods to manage workers' compensation claims, the Human Resources Director determined a need to conduct a Request for Qualifications (RFQ) process for workers' compensation third party administration services. The RFQ, which was conducted in July 2005, resulted in the selection of Gregory B. Bragg & Associates, Inc. as the new workers' compensation claims administrator for an initial contractual term of forty-one (41) months or three (3) years and five (5) months. Approval of the recommended actions will allow for the conversion of workers' compensation third party administrator services effective February 1, 2006.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	There is a nominal annualized cost increase for administration services for the proposed new contract for workers' compensation claims administration

services compared to last year's contract. Third party administration services provided by Claims Management, Inc. for Fiscal Year 2005-2006 was an annual cost of \$97,000 (a monthly cost of \$8,083.33) for administration fees. The proposed cost for administration fees for the recommended new administrator contract is \$137,500 for an initial 17-month period from February 1, 2006 through June 30, 2007 (a monthly cost of \$8,088.23). This represents a monthly increase of \$4.90 for the first year of the proposed new contract (or \$58.80 annualized).

Is it Mandatory or Discretionary? Discretionary

Discretionary Justification: As the result of a competitive RFQ, Gregory B. Bragg & Associates, Inc. was selected as the third party administrator for workers' compensation claims management.

Is the general fund affected? Yes

Future fiscal impact: There will be a future fiscal impact beyond this fiscal year to the extent that there are projected annual fee increases associated with the new proposed contract with Gregory B. Bragg & Associates, Inc., for Fiscal Years 2007-2008 and 2008-2009. The annual administration fee for the second year of the recommended contract (July 1, 2007 - June 30, 2008) will increase on a monthly basis from \$8,088.00 to \$8,500.00, and for the third year of the contract (July 1, 2008 - June 30, 2009) on a monthly basis from \$8,500.00 to \$8,916.00.

There is also an annual client services fee of \$3,000.00 associated with the recommended contract with Gregory B. Bragg & Associates, Inc. There will be a maximum of \$10,250.00 (\$250.00 per month for a contractual term of forty-one (41) months for client services fees. However, it is anticipated that a more aggressive approach in managing claims by Bragg & Associates will effectively reduce the County's overall cost of claims.

An internal maximum for other optional services has been placed at \$75,000.00. These services can be utilized at the option of the County and include workers' compensation medical treatment bill review and other services associated with claims loss prevention.

Consequences if not approved: The County will not be able to terminate the existing contract as planned and there will be a delay in the effective date for the new professional services agreement which will require renegotiation of the new professional services agreement and the County will experience a delay in receiving the benefits of enhanced and increased aggressive claims management.

Additional Information: There are also optional services associated with the recommended contract with Gregory B. Bragg & Associates, Inc. These services include workers' compensation medical treatment bill review and services associated with claim loss prevention. The fees charged for workers' compensation treatment bill review services are the same as charged by the current third party administrator, Claims Management, Inc. The County has placed an internal maximum of \$75,000.00 for costs associated with any of these optional services for the term of the contract. In the unlikely event that the need for these services exceeds this amount during the term of the recommended contract, staff will return to the Board of Supervisors for additional authority.

The total cost for all services including optional services for the proposed recommended contract with Gregory B. Bragg & Associates for the term from February 1, 2006 through June 30, 2009, will not exceed \$431,750 without additional approval from the Board of Supervisors.

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

The County has contracted with Claims Management, Inc. since July 1, 1988, for third party workers' compensation claims adjusting services. Over the past several years, certain aspects of service levels provided by the current administrator were identified as needing improvement such as level and timeliness of communication and level of proactiveness regarding claims management. Therefore, on July 15, 2005, the County conducted an RFQ process and interviewed three workers' compensation third party administrators including the County's current third party administrator. The RFQ panel members consisted of representatives from Human Resources, one County Department and a comparable agency Workers' Compensation Program Manager. The conclusion of the RFQ process resulted in the recommended selection of Gregory B. Bragg & Associates, Inc. as the new workers' compensation claims third party administrator for the County effective February 1, 2006.

There is a very nominal cost increase associated with the new professional services agreement with Gregory B. Bragg & Associates, Inc. as compared to last year's contract with Claims Management, Inc. for administration services. Third party administration services provided by Claims Management, Inc. for Fiscal Year 2005-2006 was an annual cost of \$97,000 (a monthly cost of \$8,083.33). The proposed cost for the recommended new administrator contract is \$137,500 for an initial 17-month period from February 1, 2006 through June 30, 2007 (a monthly cost of \$8,088.23). This represents a monthly increase of \$4.90 for administration services for the first year of the proposed new contract. There are modest increases anticipated for administration fees for the second year of the recommended contract (July 1, 2007 - June 30, 2008) on a monthly basis from \$8,088.00 to \$8,500.00, and for the third year of the contract (July 1, 2008 - June 30, 2009) on a monthly basis from \$8,500.00 to \$8,916.00.

An additional client services fee is associated with the proposed recommended contract which will total \$10,250.00 for the term of the contract. However, it is anticipated that there will be added benefits to having Gregory B. Bragg & Associates, Inc. provide workers' compensation services because it is expected that they will provide a more aggressive management of workers' compensation claims by bringing open claims to closure within a shorter timeframe and by more closely monitoring the authorization of benefits which will have the effect of reducing the overall cost of claims.

The recommended new contract includes standard provisions for automatic annual renewal at the end of each fiscal year and for termination of the contract upon sixty (60) days advance notice at any time during the contract term prior to the expiration of the contract.

Today's requested actions are for the approval of and authorization for the Acting Human Resources Director to provide formal notice of contractual termination to Claims Management, Inc. on or before December 1, 2005, to be effective January 31, 2006, and for the approval and authorization for the Chair to sign the new professional

services agreement with Gregory B. Bragg & Associates, Inc. effective February 1, 2006.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Andrew Carey