

CITY OF OAKLAND

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OFFICE OF THE CITY CLERK
OAKLAND

2013 JUL 11 PM 5:55 **AGENDA REPORT**

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Katano Kasaine

SUBJECT: WORKERS' COMPENSATION
ADMINISTRATION SERVICES

DATE: July 9, 2013

City Administrator
Approval

Date: 7/11/13

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Resolution authorizing the City Administrator to extend the current agreement with JT2 Integrated Resources for the provision of Workers' Compensation Administration Services, Bill Review Services and Miscellaneous Services including Disability Management and Safety/Loss Control for a period of six (6) months with an option to extend for an additional six (6) months for a total contract amount not to exceed \$2,955,039.12 for the 12 month period.

EXECUTIVE SUMMARY

The State of California requires all employers to provide Workers' Compensation benefits to employees who become injured or ill as a result of their work. The City of Oakland is self-insured for the provision of these Workers' Compensation benefits. Since 1977, the City has utilized the services of licensed Third Party Administration (TPA) firms for the delivery of Workers' Compensation benefits. The current TPA contract, with JT2 Integrated Resources, expires August 31, 2013. Staff has recently completed the Request for Proposal (RFP) process for Workers' Compensation Third Party Claims Administration Services.

Concurrent with the RFP process, the Office of the City Auditor has been administering a Workers' Compensation Contract Audit. The findings of this audit have not been finalized. At the request of the City Auditor, the Administration has been asked to postpone the awarding of the Workers' Compensation Third Party Administration contract pending the issuance of the City Auditor's findings.

Staff recommends that Council authorize the City Administrator to extend the current contract for Workers' Compensation TPA Services with JT2 Integrated Resources (JT2). This will allow the City to defer award of the new contract until the audit is completed. The extension will be for an initial six-month period with an option to extend for an additional six-month, contingent

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upon the Auditor's report. This will ensure that the City will remain in compliance with the State of California Self-Insurance Plans requirements to establish and maintain an administration agreement with an approved Third Party Administration firm.

In addition to the Claims Administration Services provided through this agreement, other services provided through this extension include Bill Review Services, Safety/Loss Control Services and Disability Management Services.

OUTCOME

Authorization of this action will result in an extension of the current contract with JT2 Integrated Resources for the provision of Workers' Compensation Administration Services for the City of Oakland without a necessary break in services through August 31, 2014. The extension will also maintain the existing fee structure with no increase in the annual fees for administrative services and bill review.

BACKGROUND/LEGISLATIVE HISTORY

All employers in the State of California are mandated to provide Workers' Compensation (WC) benefits to its employees. The administration of workers' compensation benefits by public agencies is accomplished by one of three systems: insured, self-insured/self-administered, or self-insured/third-party administered. The City of Oakland is permissibly self-insured by the State of California and since Fiscal Year 1977-78, has used the option of a third party administrator for claims management.

In 2001, the contract for Workers' Compensation TPA Services was awarded JT2 Integrated Resources. In 2003 and 2005, the City exercised its option to extend the contract with this team based on acceptable services. Again in 2007, following a competitive bid process, the City awarded the Workers' Compensation TPA Services contract to JT2 and exercised its option to extend the contract in 2009 and 2011 based on acceptable services. No additional contract extensions are available under the 2007 agreement. The current contract expires on August 31, 2013.

The City conducted a RFP process seeking the most qualified vendor to provide these services beginning September 1, 2013. The RFP process was completed concurrent with an ongoing audit being conducted by the Office of the City Auditor. The City Auditor requested that the RFP award not be finalized until her office has concluded their audit process. As such, the Administration is requesting authority to extend the existing contract with JT2 Integrated Resources for an additional term of six months with an option to extend an additional six months if needed. At the conclusion of this extension or the audit process, whichever is sooner, staff will forward recommendations to Council regarding the awarding of the services agreement arising from the RFP process.

ANALYSIS

State law mandates and City Memorandums of Understanding (MOUs) require that the City provide workers' compensation benefits to all City employees. The City is permissibly self-insured by the State of California. Failure to comply with State laws pursuant to the California Labor Code can expose the City to significant fines and penalties as well as loss of its self-insurance certification. Without authority to self-insure, the City would have to purchase premium-based Workers' Compensation Insurance. It is estimated that the premiums for first-dollar coverage Workers' Compensation Insurance would cost between \$30 to \$35 million annually and would far exceed current annual workers' compensation costs.

The extension of the current contract allows the City to defer award of the new contract until the Auditor completes the Workers' Compensation Contractor audit, and will ensure that the City continues to administer its workers' compensation claims in compliance with State law.

COORDINATION

This report has been reviewed by the City Attorney's Office and the Budget Office.

FISCAL/POLICY ALIGNMENT

The extension of the current agreement with JT2 Integrated Resources for a period of six (6) months with an option to extend for an additional six (6) months will not exceed a total extended contract fee amount of \$2,955,039.12. Inclusive in this amount are Administrative Services Fees of \$2,162,655.12, Bill Review Fees of \$582,384 and \$210,000 for Loss Control and Disability Management Services per year. The funding for this contract is contained within Fund 1150 – Workers' Compensation Insurance Claims Fund, and no additional budgetary adjustment is necessary. The contract year for this contract runs from September 1 through August 31.

These costs are inclusive of all required and specified program elements with the exception of Managed Care Services and Return to Work/Transitional Duty Coordination Services which are charged against individual claims as allocated services. Note that this amount does not include Workers' Compensation benefits costs, as the costs of benefits are paid to employees on behalf of the City by the TPA, rather than to the TPA for their administration services.

SUSTAINABLE OPPORTUNITIES

Economic: JT2 Integrated Resources is certified as a Small, Local Business Enterprise (SLBE) for the City of Oakland. They have partnered with QAS in a mentor-protégé program, which is also a certified SLBE. JT2 has demonstrated their support of small, local and disadvantaged businesses through the utilization of these firms as part of the ancillary services associated with direct claims expense.

Environmental: There are no environmental opportunities associated with this report.


Social Equity: There are no social equity opportunities associated with this report.

CEQA

This report is not a project under CEQA.

For questions regarding this report, please contact Deborah Grant, Risk Manager, at (510) 238-7165.

Respectfully submitted,



Katano Kasaine
Acting Director, Department of Human
Resources Management

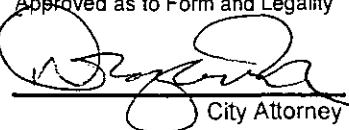
Prepared by:
Deborah Grant, Risk Manager
Risk and Benefits Division

Attachment (1)
Attachment A – Resolution

FILED
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OAKLAND

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OAKLAND CITY COUNCIL

Approved as to Form and Legality

City Attorney

RESOLUTION NO. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION WAIVING THE ADVERTISING AND REQUEST FOR PROPOSAL PROCESS AND AUTHORIZING THE CITY ADMINISTRATOR TO EXTEND THE CURRENT AGREEMENT WITH THE CITY'S WORKERS' COMPENSATION THIRD PARTY ADMINISTRATOR, JT2 INTEGRATED RESOURCES, FOR THE PROVISION OF WORKERS' COMPENSATION ADMINISTRATION SERVICES, BILL REVIEW SERVICES AND MISCELLANEOUS SERVICES, INCLUDING DISABILITY MANAGEMENT AND SAFETY/LOSS CONTROL, FOR A PERIOD OF SIX MONTHS WITH AN OPTION TO EXTEND FOR AN ADDITIONAL SIX MONTHS, FOR A TOTAL EXTENDED CONTRACT AMOUNT NOT TO EXCEED \$2,955,039.12 FOR THE 12 MONTH PERIOD

WHEREAS, the City is required to provide workers' compensation third party claims administration services and solicited proposals to select a provider for a new contract when the current agreement expires on August 31, 2013; and

WHEREAS, the City subsequently determined that award of the agreement should be postponed pending the results of a concurrent audit review being performed by the Office of the City Auditor; and

WHEREAS, the City, in order to continue proper administration of its workers' compensation claims, must establish and maintain a claims administration agreement with a qualified service provider; and

WHEREAS, the current agreement with JT2 Integrated Resources expires on August 31, 2013 with no additional options to extend services written into the existing agreement; and

WHEREAS, the audit review will not have concluded by August 31, 2013, the expiration date of the current contract with JT2 Integrated Resources; and

WHEREAS, work performed under a 6 to 12 month extension would be new work requiring the city to select the provider through advertising and request for proposals/qualifications (RFP/Q) process; and

WHEREAS, the Purchasing Ordinance, Oakland Municipal Code section 2.04.051.B allows the Council to waive advertising and the RFP/Q process upon a finding that it is in the best interests of the City to do so; and

WHEREAS, staff recommends that it is in the City's best interests to waive advertising and the RFP/Qs process for the six to twelve month extension because the City must maintain these workers' compensation services at all times and the audit will not be completed prior to the expiration date of the current contract; and

WHEREAS, the proposed authorization would allow the City Administrator to extend the current agreement with JT2 Integrated Resources for six-months with an option at the City's discretion to extend the term of the agreement for an additional six months; and

WHEREAS, most services will be charged under the claims administration fees, but the contract amount also includes other specialized professional services provided on an as-needed basis and may not be charged to the full extent of the contract extension amount; and

WHEREAS, these specialized professional services include, but are not limited to, Bill Review Services, FEHA Interactive Process Services, and Loss Control Services; and

WHEREAS, this contract is for services of a professional and temporary nature and shall not result in the loss of employment or salary by any person having permanent status in the competitive service; now, therefore be it

RESOLVED: That, per Oakland Municipal Code section 2.04.051.B and based on the reasons stated above and in the City Administrator's report accompanying this resolution, the Council finds that it is in the best interests of the City to waive advertising and the RFP/Q process for the work described herein and so waives the requirements; and be it

FURTHER RESOLVED: The City Administrator is authorized to extend the current contract with JT2 Integrated Resources to provide Workers' Compensation Third Party Administration services for two six month periods through Contract Year 2013-14 for an amount not to exceed \$2,955,039.12 over the 12 month period; and be it

FURTHER RESOLVED: That the City Council finds that this contract is for services of a professional and temporary nature, and shall not result in the loss of employment or salary by any person having permanent status in the competitive service; and be it

FURTHER RESOLVED: That funding for this contract extension is contained in the FY 2013-15 Proposed Policy Budget in the Workers' Compensation Fund (1150); and be it

FURTHER RESOLVED: That at the conclusion of the audit process, the City Administrator will proceed with the recommendation for awarding contract services based on the previously completed Request for Proposal for Workers' Compensation Third Party Administration Services completed in May 2013; and be it

FURTHER RESOLVED: That the City Administrator is authorized to complete all negotiations and execute all contracts, amendments, modifications and extensions consistent with this resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF and
PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California