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OFFICE OF THE CITY CLERK
OAKLAND

2019 FEB 27 PM 4: 35

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Ian Appleyard
Director, HRM

SUBJECT: Workers' Compensation 3rd Party
Administrator Agreement Extension

DATE: February 08, 2019

City Administrator Approval

Date:

2/26/19

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Extend the Professional Services Agreement With JT2 Integrated Resources To Continue Provision Of Workers' Compensation Administration Services For The Period March 1, 2019 through February 28, 2021, In An Amount Of Two million, Six Hundred Eighteen Thousand, Four Hundred Eighty-Three Dollars and Thirty-Six Cents For Contract Year 2019-20 And An Amount Of Two million, Six Hundred Fifty-Five Thousand, Five Hundred Sixty-Seven Dollars and Three Cents For Contract Year 2020-21 For A Total Amount Over The Eight Year Term Of The Contract of Fifteen Million, Two Hundred Seventeen Thousand, Four Hundred Twenty-Five dollars and Twenty-Five Cents.

EXECUTIVE SUMMARY

This report and the accompanying resolution authorize the City Administrator to extend the Professional Services Agreement with JT2 Integrated Resources for an additional two-year term as originally authorized by Oakland City Council Resolution No. 84805 C.M.S. dated January 14, 2014 (**Attachment A**).

After completion of a competitive process and pursuant to the original legislation, extension of this agreement is permitted "upon acceptable performance as determined by an independent audit and with City Council approval." The current term of the agreement expires February 28, 2019.

As previously, the performance of the contract will be monitored by an annual audit and by comprehensive file reviews. The annual audit will be conducted by an independent audit firm in August 2019. Comprehensive file reviews will continue on all open cases by HRM – Risk Management, CSAC-Excess Insurance Authority (CSAC-EIA), and JT2.

Item: _____
Finance & Management Committee
March 5, 2019

BACKGROUND / LEGISLATIVE HISTORY

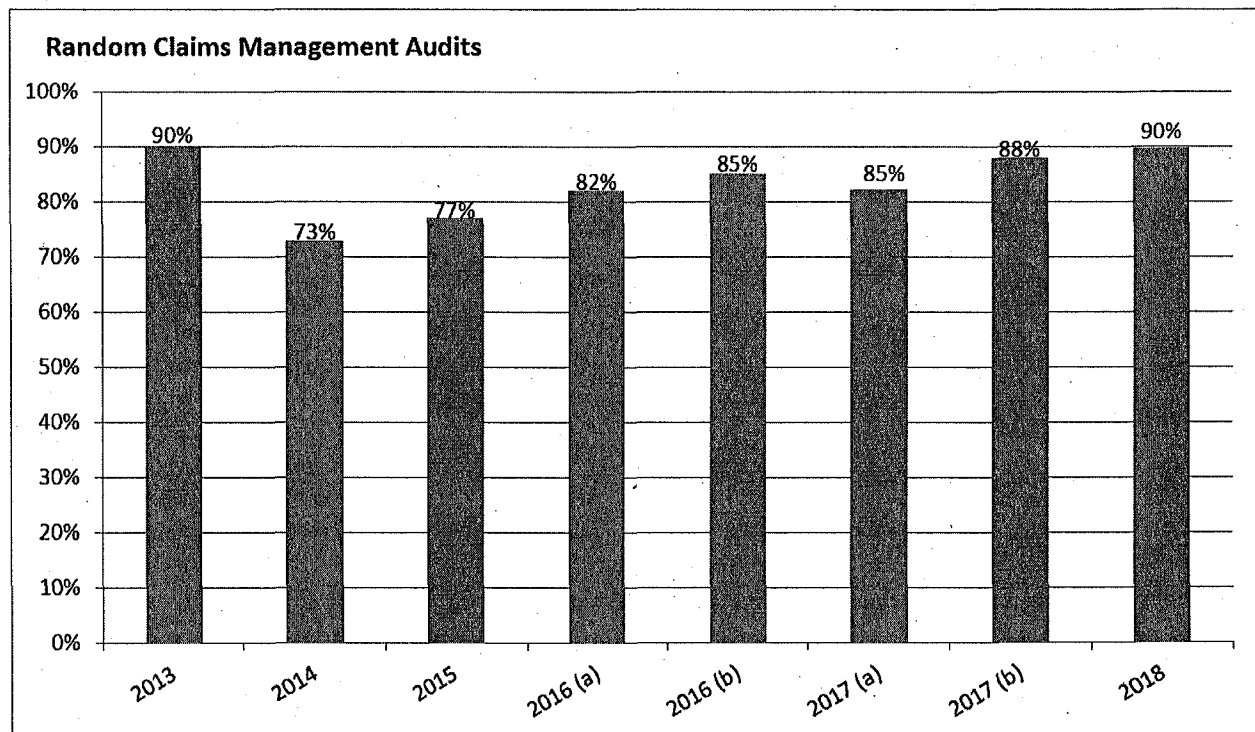
Human Resources Management Department-Risk Division is responsible for the administration of the City's Self Insured Workers' Compensation Program. To facilitate that administration, the City has engaged a Third Part Administration firm, JT2 Integrated Resources ("JT2") to provide administration services to ensure full compliance with the State of California workers' compensation laws and City negotiated Memorandum of Understandings.

JT2 was selected by the City following a formal Request for Proposal ("RFP") process that took place in the spring of 2013. As a result of the RFP process, JT2 was selected to continue to provide Workers' Compensation Claims Administration Services, as they have provided since 2001.

City Council approved the awarding of the contract to JT2 on January 21, 2014, and authorized a two-year contract with options to renew for three additional two year terms (Resolution No. 84805 C.M.S.). The adopted criteria for contract extensions were "acceptable performance" as determined by an independent audit and with City council approval.

The original term ran from March 1, 2014 through February 29, 2016. The contract was subsequently extended for a one-year term and two-year term (Resolution Nos. 86020, 86590, C.M.S.) through February 29, 2019.

The Audit scores over the life of the contract are:



ANALYSIS AND POLICY ALTERNATIVES

Staff recommends authorization of this contract extension because JT2 was found to provide acceptable performance by an independent audit (**Attachment B**). Around 2014, vendor performance came into question. However, since 2014 overall performance has steadily increased with significant increase this year in Claims Handling Administration and Subrogation. Staff recognizes that acceptable performance is critical for this service and will continue to work closely with JT2 and CSAC-EIA to maintain the highest levels of performance.

JT2 remains a valued partner as both a locally owned and operated business and as an organization familiar with the processes, procedures, and culture of the City of Oakland. While City regulations will require a new Request for Proposal for Workers' Compensation Administration Services in the future, JT2 is currently the correct choice for workers' services.

FISCAL IMPACT

The contract extension with JT2 would provide Workers' Compensation Third Party Administration (TPA) Services for the period March 1, 2019, through February 28, 2021 in the amount of \$5,274,050.39.

Funding for this contract is budgeted within Fund 1150 – Workers' Compensation Insurance Claim Fund, and no additional budgetary adjustment is necessary. The contract year for this contract runs from March 1 through February 28(29) each year.

The Contract costs are inclusive of all specified workers' compensation program administrative services except for Managed Care Services and Return to Work/Transitional Duty Coordination Services which are charged against individual claims as allocated services. This amount also does not include Workers' Compensation benefits cost, 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.

PUBLIC OUTREACH / INTEREST

There are no public outreach opportunities associated with this report further than the required publication on the City's website.

COORDINATION

Development of this report was coordinated with internal staff in HRM, Controller's Bureau, City Attorney's Office, and City Administrator's Office.

SUSTAINABLE OPPORTUNITIES

***Economic:** There are no economic, environmental, or social equity opportunities associated with this report.*

Environmental: *There are no economic, environmental, or social equity opportunities associated with this report.*

Social Equity: *There are no economic, environmental, or social equity opportunities associated with this report.*

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt a resolution authorizing the City Administrator to extend the professional services agreement with JT2 Integrated Resources to continue provision of workers' compensation administration services for the period March 1, 2019, through February 28, 2021, in an amount of \$2,618,483.36 for contract year 2019-20 and an amount of \$2,655,567.03 for contract year 2020-21 for a total amount over the eight-year term of the contract of \$15,217,425.25.

For questions regarding this report, please contact ANDREW LATHROP, RISK MANAGER, at (510) 238-7165.

Respectfully submitted,



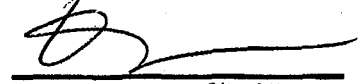
IAN APPLEYARD
Director/Human Resources Management
Department

Prepared by:
Andrew S. Lathrop, Risk Manager

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2014 JAN 24 AM 9:00

Approved as to Form and Legality


City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. 84805 C.M.S.

Introduced by Councilmember _____

RESOLUTION AWARDDING A CONTRACT TO JT2 INTEGRATED RESOURCES FOR THE PROVISION OF WORKERS' COMPENSATION ADMINISTRATION SERVICES FOR A CONTRACT AMOUNT OF \$2,477,278.82 FOR CONTRACT YEARS 2013-14 AND A CONTRACT AMOUNT OF \$2,477,278.82 CONTRACT YEAR 2014-15 AND WITH COUNCIL APPROVAL, OPTIONS TO EXTEND THE AGREEMENT FOR THREE ADDITIONAL TWO-YEAR TERMS FOR A TOTAL CONTRACT AMOUNT OF \$2,477,278.82 FOR CONTRACT YEAR 2015-16, \$2,511,538.40 FOR CONTRACT YEAR 2016-17, \$2,546,483.16 FOR CONTRACT YEAR 2017-18, \$2,582,126.83 FOR CONTRACT YEAR 2018-19, \$2,618,483.36 FOR CONTRACT YEAR 2019-20, \$2,655,567.03 FOR CONTRACT YEAR 2020-21.

WHEREAS, the City Council desires workers' compensation third party claims administration services; and

WHEREAS, after engaging in an RFP process, the City determined that JT2 Integrated Resources provided the most efficient and effective option for the provision of workers' compensation third party claims administration services; and

WHEREAS, the City Council desires that the contract for services include performance measures for meeting goals specified in the contract in order to qualify for ongoing renewal of the contract within the specified terms of the contract; and

WHEREAS, the agreement provides that for the performance of the services JT2 Integrated Resources will be paid a contract fee and contract renewal is based on acceptable performance as determined by an independent audit; and

WHEREAS, pursuant to the City Council's motion authorizing the agreement with JT2 Integrated Resources, the agreement provides that the term thereof shall be two years; and

WHEREAS, with Council approval, the City may exercise up to three options to extend the term of the agreement for an additional two years; 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 allocation; 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, the City Council finds that this contract is for services of a professional nature; and

WHEREAS, the City Council finds that services under this contract will be temporary; and

WHEREAS, the City Council finds that this contract 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 a contract is awarded to JT2 Integrated Resources to provide Workers' Compensation Third Party Administration services for a contract amount of \$2,477,278.82 For Contract Year 2013-14 and for a contract amount of \$2,477,278.82 for Contract Year 2014-15; and be it

FURTHER RESOLVED: That upon acceptable performance as determined by an independent audit and with Council approval, the City Administrator is authorized to extend the term of the contract for three (3) additional two-year terms for a total contract amount of \$2,477,278.82 for Contract Year 2015-16, \$2,511,538.40 for Contract Year 2016-17, \$2,546,483.16 for Contract Year 2017-18, \$2,582,126.83 for Contract Year 2018-19, \$2,618,483.36 for Contract Year 2019-20, \$2,655,567.03 for Contract Year 2020-21; and be it

FURTHER RESOLVED: That funding for these contract services is contained in the FY 2013-15 Proposed Policy Budget in the Workers' Compensation Fund (1150); 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, JAN 21 2014, 20

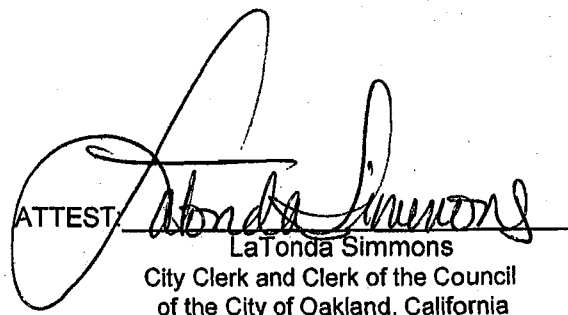
PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF, and PRESIDENT KERNIGHAN - 8

NOES - 0

ABSENT - 0

ABSTENTION - 0

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



City Attorney

2019 FEB 27 PM 4:05 RESOLUTION No. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO EXTEND THE PROFESSIONAL SERVICES AGREEMENT WITH JT2 INTEGRATED RESOURCES TO CONTINUE PROVISION OF WORKERS' COMPENSATION ADMINISTRATION SERVICES FOR THE PERIOD OF MARCH 1, 2019, THROUGH FEBRUARY 28, 2021, IN AN AMOUNT OF \$2,618,483.36 FOR CONTRACT YEAR 2019-20 AND AN AMOUNT OF \$2,655,567.03 FOR CONTRACT YEAR 2020-21 FOR A TOTAL AMOUNT OVER THE EIGHT YEAR TERM OF THE CONTRACT OF \$15,217,425.25.

WHEREAS, the City Council desires workers' compensation third party claims administration services; and

WHEREAS, the City Council authorized the awarding of the third party claims administration services contract to JT2 Integrated Resources ("JT2") in Resolution No. 84805 C.M.S, dated January 24, 2014; and

WHEREAS, the City Council twice authorized the extension of the third party claims administration services contract to JT2 (Resolutions No. 86020, 86590, C.M.S.), with a current ending date of February 28, 2019; and

WHEREAS, the City Council desired that the contract for services include performance measures for meeting goals specified in the contract in order to qualify for ongoing renewal of the contract within the specified terms of the contract; and

WHEREAS, the City Council resolved that during the terms of the extension agreements, annual performance audits would be performed by an independent auditor (Resolution No. 86590 C.M.S.); and

WHEREAS, JT2 satisfied the performance goals for the extension period ending February 28, 2019; and

WHEREAS, the agreement to extend the contract beyond the current ending date of February 28, 2019 provides that JT2 will be paid a contract fee for the performance of the services, and that further contract renewal will be based on acceptable performance as determined by an independent audit; and

WHEREAS, with Council approval, the City may exercise options to extend the term of the agreement; 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

WHEREAS, these specialized professional services include, but are not limited to, Bill Review

Services, FEHA/Disability Management Services, and Loss Control Services; and

WHEREAS, 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; now, therefore be it

RESOLVED: That the City Administrator is authorized to award a contract extension to JT2 Integrated Resources to provide Workers' Compensation Third Party Administration services for the period of March 1, 2019 through February 28, 2021 in an amount of \$2,618,483.36 for the period March 1, 2019 through February 29, 2020 and an amount of \$2,655,567.03 for the period March 1, 2020 through February 28, 2021 for a total amount over the seven-year term of the contract of \$15,217,425.25; and be it

FURTHER RESOLVED: That during the term of this agreement, Fiscal Year-end performance audits will be performed by an independent auditor; and be it

FURTHER RESOLVED: That during the term of this agreement, comprehensive case reviews of all open claims will be conducted by representatives of CSAC-EIA, City, and JT2 no less than twice per year; and be it

FURTHER RESOLVED: That during the term of this agreement, legal, fiscal, and fraud reviews will be performed on a quarterly basis by City and JT2 representatives; and be it

FURTHER RESOLVED: That funding for these contract services is contained in the FY18-19 Mid-Cycle Adopted Budget and will be included in the FY 2019-21 budget respectively in the Workers' Compensation Insurance Claims Fund (1150); 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 – FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, THAO, TAYLOR, AND COUNCIL PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California