



2016 FEB 10 PM 5:38

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Anil Comelo
Director, HRM

SUBJECT: Worker's Compensation Third Party
Administrator Agreement Extension

DATE: February 2, 2016

City Administrator Approval

Date:

2/16/16

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 Worker's Compensation Administration Services For The Period March 1, 2016, Through February 28, 2017, In An Amount of \$2,477,278.82 For A Total Amount Over The Three Year Term Of The Contract Of \$7,431,836.46.

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 one-year term as originally authorized by the Oakland City Council in Resolution No. 84805 C.M.S. dated January 14, 2014.

BACKGROUND / LEGISLATIVE HISTORY

Human Resources Management Department-Risk and Benefits 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 Party 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 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. The 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. The current contract term is March 1, 2014, through February 29, 2016.

Item: 5

Finance & Management Committee
February 23, 2016

ANALYSIS AND POLICY ALTERNATIVES

Since the awarding of the contract in 2014, JT2 has undergone two independent audits, one by the City in 2014 (by Bickmore) and the other in 2015 (by Northbay Associates), sponsored by CSAC-EIA, the City's Excess Workers' Compensation Insurance provider. In both audits, some deficiencies in performance were noted in several programmatic areas. Please see the attached correspondence from the City to CSAC-EIA (**Attachment A**) outlining the corrective action plan to address the deficiencies cited in the most recent audit.

At its January 15th meeting, the CSAC-EIA Claims Committee, after reviewing and discussing the audit findings, directed EIA staff to conduct guidelines training with staff at JT2 who handle the City's claims. The Committee also directed EIA staff to initiate a formal interim audit at this time and again in six months. In addition, the Committee recommended that the City conduct quarterly audits of its own to monitor ongoing performance of its workers' compensation claims program. The first City audit will occur in approximately three months and the second six months later. City staff will use the results of these reviews to work with JT2 on its programs and services.

Staff is committed to working with JT2 to improve their performance and thereby, provide improved service to the City's employees.

FISCAL IMPACT

This contract extension with JT2 would provide Workers' Compensation Third Party Administration (TPA) Services for the period March 1, 2016, through February 28, 2017, in the amount of \$2,477,278.82. The total amount incurred for the first three year term of the contract would be \$7,431,836.46.

The contract expenditures are as follows:

Contract Year	CY 2013-14	CY 2014-15	CY 2015-16
	Yr 1	Yr2 (frozen)	Yr3 (frozen)
	<i>March 1, 2014 to February 28, 2015</i>	<i>March 1, 2015 to February 29, 2016</i>	<i>March 1, 2016 to February 28, 2017</i>
Administrative Fees	\$1,712,978.82	\$ 1,712,978.82	\$ 1,712,978.82
Bill Review Fees	\$ 513,000.00	\$ 513,000.00	\$ 513,000.00
Bill Review Overage (10%)	\$ 51,300.00	\$ 51,300.00	\$ 51,300.00
Loss Control/FEHA Svcs	\$ 200,000.00	\$ 200,000.00	\$ 200,000.00
Total Contract Amount	\$2,477,278.82	\$ 2,477,278.82	\$ 2,477,278.82

Inclusive in this amount are Administrative Services Fees of \$1,712,978.82, Bill Review Fees of \$513,000 plus 10 percent overage contingency of \$51,300 per year and \$200,000 for Loss Control and Disability Management Services per year. The funding for this contract is budgeted within Fund 1150 – Workers' Compensation Insurance Claims 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 with the exception of Managed Care Services and Return to Work/Transitional Duty Coordination Services which are charged against individual claims as allocated services. Further, this amount also 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: There are no economic opportunities associated with this report.

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

Social Equity: There are no 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 worker's compensation administration services for an additional one year term for March 1, 2016, through February 28, 2017, in the amount of \$2,477,278.82 for a total amount over the three year term of the contract of \$7,431,836.46.

For questions regarding this report, please contact DEBORAH GRANT, RISK MANAGER, at 510-238-7165.

Respectfully submitted,

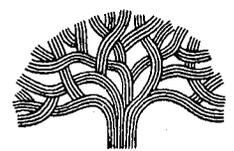


ANIL COMELO
Director, Human Resources Management

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

Attachment A: City correspondence to CSAC-EIA dated November 12, 2015

CITY OF OAKLAND



150 FRANK H. OGAWA PLAZA * 3RD FLOOR * OAKLAND, CALIFORNIA 94612

HUMAN RESOURCES MANAGEMENT DEPARTMENT
Administration

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November 12, 2015

Kathy McLean
Workers' Compensation Claims Assistant
CSAC Excess Insurance Authority
75 Iron Point Circle, Ste 200
Folsom, CA 95630

RE: 2015 Workers' Compensation Claims Audit

Dear Ms. McLean:

Thank you for this opportunity to respond to the 2015 Workers' Compensation Claims Audit produced by Northbay Associates, dated September 14, 2015. As always, this year's report will help to direct the City's attention to areas where program refinement and enhancement is needed to ensure stable and consistent administration of our Workers' Compensation Claims. To that end, the City will be working with our claims administrator to address the issues raised in the audit.

Report Type	Report Frequency
Excess Reporting & Follow Up Reports to EIA	Monthly
Self Imposed Penalty Payments with category descriptions	Monthly
Statistical reports for unprocessed mail, bills, and diaries	Quarterly
Claims with no activity	Quarterly

The City's third party administrator, JT2 has represented that they will take the following actions to address the issues raised by the audit.

1.1 Investigated if Necessary Score 92.2% Goal 95%

In 47 of the 51 claims audited in this area JT2 met the goal. The auditor identified four instances where he opined that additional investigation was needed.

Corrective action taken: Examiners will interact more closely with the City to confirm when outside investigation is needed. Of the four instances noted, one actually involved the need to solicit an additional medical opinion from the PTP, not an actual investigation.

1.2 Correct Compensability Decision Score 94% Goal 100%

In 47 of the 50 claims audited in this area JT2 met the goal. The auditor identified three instances where he opined the compensability decision was not timely made.

Corrective action taken: Two of the claims identified involve presumptive heart cumulative trauma filings. Both claims have defense attorneys assigned. There appears to be legal reasons the claims were not accepted upon receipt of the medical finding of compensability. We have reached out to assigned counsel for direction and will report back to the City.

1.3 Basis of Decision Documented Score 98% Goal 100%

In 49 of the 50 claims audited in this area JT2 met the goal. The auditor identified one instance where he opined the basis for the decision was not documented.

Corrective action taken: Reinforcement of separate and clear compensability documentation has been stressed.

1.4 Decision Timely Score 98% Goal 100%

In 49 of the 50 claims audited in this area JT2 met the goal.

Corrective action taken: Reinforcement of "actionable" diaries on a daily basis by the supervisor and the examiner

1.5 Employer Contact Score 82.2% Goal 95%

In 88 of the 107 claims audited in this area JT2 met the goal. The auditor comments specifically address initial contact and consultation with the employer to address critical compensability decisions.

Corrective action taken: Upon receipt of new claims the assigned supervisor now immediately provides an overview of the claim via email to the department with a cc to Risk Management which includes a specific go forward plan of action and an invitation to the employer to share comments, questions or concerns.

1.6 Index Bureau Not scored

Auditor acknowledges that JT2 uses the Index Bureau.

No corrective action required

2.1 Prompt Contact with Employee Score 57.4% Goal 95%

In 54 of the 94 claims audited in this area JT2 met the goal.

Corrective Action Taken.

JT2 has now made follow up on this area a supervisory responsibility.

2.2 Employee Contact Continued Score 31.7% Goal 95%

In 13 of 41 claims audited in this area JT2 met the goal.

Corrective Action Taken: All examiners now assigned to the City of Oakland account have a clear understanding that ongoing communication with the injured workers is expected at a minimum of 95%. Internally JT2 requires ongoing communication with injured workers at the more frequent level of every 14 days where 4850 or TTD are being paid.

3.1 Timeliness of First Payment Score 92.4% Goal 100%

In 85 of the 92 claims audited in this area JT2 met the goal.

Corrective Action Taken: As part of the new initial claim review by Supervisors, two separate diaries are set by the supervisor to assure initial payment of indemnity benefits are issued within 14 days.

3.2 Subsequent Temporary Disability Biweekly Score 93.5% Goal 100%

In 85 of the 92 claims audited in this area JT2 met the goal.

Corrective Action Taken: JT2 has initiated a separate claims assistant diary for subsequent Temporary Disability Payments.

3.3 Transportation Expense Score 95.3% Goal not stated

In 61 of the 64 claims audited in this area JT2 met the goal.

Corrective action Taken: Quick turnaround on transportation expense was reinforced with staff.

3.4 Correct Permanent Disability Payments Score 75% Goal 100%

In 42 of the 62 claims audited in this area JT2 met the goal.

Corrective Action Taken: JT2 has staffed the City of Oakland account with more experienced Examiners and has replaced prior JT2 management with more seasoned management team members who are stronger leaders and better trainers.

3.5 Permanent Disability Rate Adjustment Score 100% Goal 100%

Corrective Action Taken: None

3.6 Self-Imposed 10% Penalty Paid if Required Score 0% Goal 100%

In 11 claims audited, JT2 did not meet goal.

Corrective Action Taken: JT2 requires examiners and assistants to present late payments of indemnity to the supervisor for the calculation of the 10% self-imposed penalty.

3.7 Regular File Balancing Score 87.7% Goal 95%

In 100 of the 114 claims audited in this area JT2 met the goal.

Corrective Action Taken: JT2 has placed this task on the claims assistant to allow the examiner time to focus on impactful claims handling. In addition JT2 has hired clerks to provide back up to the claims assistants in other areas.

4.1 Case Plan Appropriate Score 83.4% Goal 95%

In 141 of the 169 claims audited in this area JT2 met the goal.

Corrective Action Taken: Current JT2 management tracks Plans of Action weekly and has started an aggressive disciplinary process to deal with offenders. Monthly meetings are held with the claims unit to assure Plans of Action are current and appropriate. JT2 has placed more experienced staff on the City of Oakland's Account.

4.2 Apportionment Pursuit Score 94.4% Goal 100%

In 34 of the 36 claims audited in this area JT2 met the goal.

Corrective Action Taken: JT2 will continue with training and mentoring on the apportionment issue.

4.3 Required Notices Score 86.2% Goal 100%

In 119 of the 138 claims audited in this area JT2 met the goal.

Corrective Action Taken: JT2 has conducted extensive training on the timely issuance of benefit Notices. In addition the claims assistants now have the support of a clerk to take on less impactful tasks.

4.4 File Documentation Score 89.3% Goal 95%

In 151 of the 169 claims audited in this area JT2 met the goal.

Corrective Action Taken: More experienced well rounded examiners have replaced less experienced examiners on the City of Oakland's Account.

4.5 Correspondence Score 92.1% Goal 95%

In 151 of the 164 claims audited in this area JT2 met the goal.

Corrective Action Taken: JT2 has added clerical staff to assist with correspondence.

5.1 Physician Contact Score 87% Goal unstated

In 20 of the 23 claims audited in this area JT2 met the goal.

Corrective Action Taken: JT2 has provided training and management tools to assure the examiners meet this requirement going forward.

5.2 Appropriate Medical Consultations Obtained Score 100% Goal 100%

In 56 out of the 56 claims audited in this area JT2 met the goal.

Corrective Action Taken: None Required

6.1 Files Litigated Score Not Scored Goal None

This inquiry is quantitative rather than qualitative. It simply looks at the total number of files sampled with applications filed. This category is not scored by the auditor.

Corrective Action Taken: None Required

6.2 Use of Defense Attorney Appropriate Score 100% Goal 100%

In 62 of the 62 claims audited in this area JT2 met goal.

Corrective Action Taken: None Required

6.3 Legal Issue Recognition Score 94.1% Goal 95%

In 96 of the 102 claims audited in this area JT2 met goal.

Corrective Action Taken: The cases identified as failing have been reviewed and resolved.

6.4 Litigation Expense Control Score 100% Goal 100%

In 62 of the 62 claims audited in this area JT2 met goal.

Corrective Action Taken: None Required

6.5 Litigation Plan Documented Score 90.3% Goal 95%

In 93 of the 103 claims audited in this area JT2 met goal.

Corrective Action Taken: Akin to the response to the Plan of Action under 4.1. JT2 has taken steps to assure litigation plans are clearly documented.

6.6 Timely and Documented Referral to Counsel Score 93.6% Goal 95%

In 62 of the 66 claims audited in this area JT2 met goal.

Corrective Action Taken: JT2 Management has provided training to staff on the identification of factors that would require referral to outside counsel.

7.1 Continuous Finalization Efforts Score 89.2% Goal 95%

In 141 of the 158 claims audited in this area JT2 met goal.

Corrective Action Taken: Examiners have been advised to focus working on diaries which will enable them to meet this requirement.

7.2 Correct Settlement Valuation Score 94.4% Goal 95%

In 34 out of the 36 claims audited in this area JT2 met goal.

Corrective Action Taken: None Required

7.3 Compromise and Release Offered if Appropriate

Score 100% Goal not stated

In this area the auditor looks to see if the TPA attempted to settle via C&R where appropriate. In 12 out of the 12 claims reviewed JT2 attempted to settle via C&R each time as appropriate.

Correct Action Taken: None Required

8.1 Reserve Calculation Work Sheet

Score 98.7% Goal not stated

In 152 of the 154 claims audited in this area JT2 met the requirement.

Correct Action Taken: None required

8.2 Initial Reserves Appropriate Score 90.8% Goal not stated

In 99 of the 109 claims audited in this area JT2 met goal. In the 10 instances where JT2 did not meet goal, each time it was because no indemnity reserve was set on a litigated claim. The auditor correctly opines that it is assumed indemnity will be payable on a litigated claim. **Corrective Action Taken:** All examiners have been re-trained to reserve in accordance with CSAC guidelines and industry standard.

8.3 Reserves Revised Appropriately Score 73% Goal 95%

In 100 of the 137 claims audited in this area JT2 met goal. **Corrective Action Taken:** JT2 continues to support the CSAC requirement of reserving at most probable and pursuant to SIP regulation 15300 for Future Medical claims.

9.1 Prompt Excess Reporting Score 100% Goal 100%

In 9 of the 9 claims audited in this area JT2 met goal.

Corrective Action Taken: None Required

9.2 Sufficient Subsequent Reports Score 11.1% Goal 95%

The auditor recommends that while he saw frequent subsequent communication between JT2 and the excess carrier (CSAC) it was not always documented on the prescribed form.

Corrective Action Taken: The examiners have been counseled that although CSAC may be casually corresponding by email we should always update the subsequent status report. This is a matter of format versus material deficiency in function.

10.1 Prompt and Effective Subrogation Score 88.9% Goal 95%

In 8 of the 9 claims audited in this area JT2 met goal.

Corrective Action Taken: More experienced examiners have been assigned to the City of Oakland Account.

10.2 Appropriate Follow Up Score 57.1 Goal Not Stated

In 4 of the 7 claims audited in this area JT2 met the goal. Although JT2 had identified subrogation and had the statutes protected the go forward plan was not obvious to the auditor.

Corrective Action Taken: A separate and clear Plan of Action specific to subrogation will be delineated from the regular Plan of Action.

11.1 Labor Code Section 5814 Penalty Score N/A Goal N/A

No claims were audited in this area.

Corrective Action Taken: None Required

11.2 Labor Code 4650 (Self Imposed 10% Penalty) Score 0% Goal 100%

In 11 of the claims identified by the auditor he opines a Self-Imposed Penalty was due, JT2 had not paid an SIP.

Corrective Action Taken: Ensure timely review and compliance of all pending and future SIP payments. JT2 will reconfigure its SIP penalty process. JT2 will require that all questionably untimely indemnity payments be reviewed by management prior to the release of the payment to ascertain whether a 10% SIP is due or not. JT2 will also confirm instructions or involvement by employer in all phases of claims management including payment of SIPs to confirm instructions that may impact timing or delays of payment, or other instructions as may be given by the employer. JT2 will abide by its responsibility to meet its obligations.

11.2 Labor Code Section 129.5 (DWC Audit Unit Fines)

Score Not Scored Goal Not stated

The auditor made a general comment stating that he found 42 claims with at least one potential audit unit fine. Note that these are "potential" fines and the auditor did not identify the claims in which he believes such fines could be imposed. This item is speculative. It should be noted that JT2 has never been imposed an "audit unit fine" and that in the last audit by the Department of Industrial Relations, JT2 was ranked number 8 in the State of California.

12.1 Timely and Effective Examiner Diary Score 18.9% Goal 95%

In 32 out of 169 claims audited in this area JT2 met goal.

Corrective Action Taken: JT2 now monitors diary systems on a weekly basis. We have implemented stringent disciplinary processes to address those not compliant. We have also added new more experienced seasoned examiners who come to us with the implicit understanding of the importance of diary systems.

12.2 Timely and Effective Supervisor Diary Score 29.8% Goal 95%

In 50 of the 168 claims audited in this area JT2 met the goal.

Corrective Action Taken: JT2 has implemented new systems since its change in management and increased prioritization including into this area. JT2 monitors diary systems on a weekly basis. We have implemented stringent disciplinary processes to address those not compliant. We have also added new and more experienced supervisors and upper management who understand the importance of diary systems for meeting commitments made to claimants, to the City and in adherence to industry standards.

We look forward to further discussions and engagements with both CSAC-EIA and JT2 Integrated Resources to ensure the quality and stability of our program.

I am available to discuss this further with you at your convenience.

Sincerely,



Anil Comelo
Director

cc: Deb Grant, Risk Manager, City of Oakland
John Casas, JT2 Integrated Resources

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2016 FEB 10 PM 5:30

Approved as to Form and Legality

OAKLAND CITY COUNCIL


City Attorney

RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO EXTEND THE PROFESSIONAL SERVICES AGREEMENT WITH JT2 INTEGRATED RESOURCES TO CONTINUE PROVISION OF WORKER'S COMPENSATION ADMINISTRATION SERVICES FOR THE PERIOD OF MARCH 1, 2016 THROUGH FEBRUARY 28, 2017 IN AN AMOUNT OF \$2,477,278.82 FOR A TOTAL AMOUNT OVER THE THREE YEAR TERM OF THE CONTRACT OF \$7,431,836.46

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 in Resolution No. 84805 C. M. S., dated January 14, 2014; 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 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 with the first term expiring on February 29, 2016; and

WHEREAS, with Council approval, the City may exercise up to three 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 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/Disability Management Services, and Loss Control Services; and

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FINANCE & MANAGEMENT CMTTE
FEB 23 2016

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 a contract extension is awarded to JT2 Integrated Resources to provide Workers' Compensation Third Party Administration services for the period of March 1, 2016 through February 28, 2017 in an amount of \$2,477,278.82 for a total amount of \$7,431,836.46 (inclusive of amounts already paid during prior two contract years); and be it

FURTHER RESOLVED: That during the term of this agreement, quarterly and annual performance audits will be performed by an independent auditor; and be it

FURTHER RESOLVED: That funding for these contract services is contained in the FY 2015-17 Adopted Policy Budget; 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, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID
and PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

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

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FINANCE & MANAGEMENT CMTTE

FEB 23 2016