




# AGENDA REPORT

**TO:** Edward D. Reiskin  
City Administrator

**FROM:** Ian Appleyard  
Director, HRM

**SUBJECT:** Workers' Compensation 3<sup>rd</sup> Party  
Administrator Agreement Extension

**DATE:** January 22, 2021

City Administrator Approval 

Date: Feb 16, 2021

## 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, 2021 Through June 30, 2023, In An Amount Of \$885,189.01 For Contract Year 2021 And An Amount Of \$2,655,567.03 For Contract Year 2021-2022 And An Amount Of \$2,655,567.03 For Contract Year 2022-2023 For A Total Amount Over The Ten Year Term Of The Contract Of \$21,376,664.60.**

## EXECUTIVE SUMMARY

This report and the accompanying resolution authorizes the City Administrator to extend the Professional Services Agreement with JT2 Integrated Resources ("JT2"). Where the authorized extension is two years and four months to align this service agreement with the City's fiscal year, and where JT2 has agreed to a 28-month flat-rate renewal using the final-year rate originally authorized by Oakland City Council Resolution No. 84805 C.M.S., dated January 14, 2014, with an amount not to exceed \$885,189.01 in Fiscal Year 2020-2021 and an amount not to exceed \$5,274,050.39 in Fiscal Years 2021-2023.

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, 2021.

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 auditor in August each year. Comprehensive file reviews will continue for all open cases by HRM – Risk Management, Public Risk Innovation, Solutions, and Management (PRISM, formally named CSAC-Excess Insurance Authority), and JT2.

## **BACKGROUND / LEGISLATIVE HISTORY**

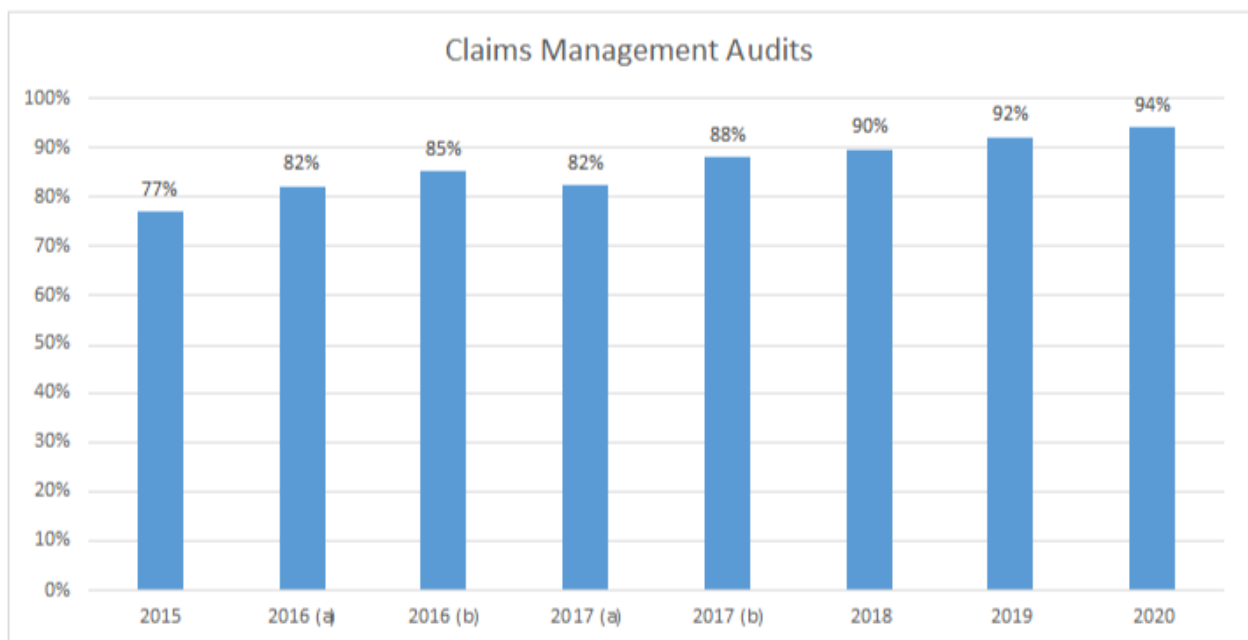
The Human Resources Management Department-Risk Division is responsible for the administration of the City's Self-Insured Workers' Compensation Program. To support that administration, the City engaged a Third-Party Administration firm, JT2 to provide services that ensure full compliance with the State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

The City selected JT2 following a formal Request for Proposal ("RFP") process that took place in the spring of 2013. Pursuant to the RFP process, the City selected JT2 to continue providing 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 two-year terms (Resolution Nos. 86020, 86590, 87571 C.M.S.) through February 28, 2021.

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 A**. Staff recognizes that

acceptable performance is critical for this service and will continue to work closely with JT2 and PRISM 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 best practices require a new Request for Proposal for Workers' Compensation Administration Services in the future, that process should not be undertaken during a global pandemic. Moreover, JT2's agreement to maintain a flat-rate through the end of this fiscal year and through the next 2-year budget cycle will stabilize this important service and allow HRM to focus on other budget matters. Ultimately, JT2 is currently the correct choice for workers' compensation services.

### **FISCAL IMPACT**

The contract extension with JT2 provides Workers' Compensation Third Party Administration (TPA) Services for the period March 1, 2021, through June 30, 2023 in the amount of \$6,159,239.40. This period includes four (4) months in fiscal year 2020-2021 and the entirety of fiscal years 2021-2022 and 2022-2023. Contracting for this period aligns these services with the City's two-year budget cycle.

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 previously ran from March 1 through February 28(29) each year, but will now run from July 1 through June 30 each year.

The Contract costs are inclusive of all specified workers' compensation program administrative services and associated specialized professional 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 opportunities associated with this report.

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

**Race & 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 workers' compensation administration services for the period March 1, 2021 through June 30, 2023, in an amount of \$885,189.01 for contract year 2021 and an amount of \$2,655,567.03 for contract year 2021-2022 and an amount of \$2,655,567.03 for contract year 2022-2023 for a total amount over the ten year term of the contract of \$21,376,664.60.

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

Respectfully submitted,



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IAN APPLEYARD  
Director/Human Resources Management  
Department

Prepared by:  
Andrew S. Lathrop, Risk Manager

Attachment (1):

A - September 2020 Audit Report Third Party Administrator – JT2