



AGENDA REPORT

Human Resources

DATE:	December 6, 2022
TO:	Mayor Butt and Members of the City Council
FROM:	Nickie Mastay, Deputy City Manager Sharrone Taylor, Director of Human Resources Laura Marquez, Risk Manager
Subject:	Contract with Acclamation Insurance Management Services, Inc.
FINANCIAL IMPACT:	Funding for this year's portion of the total expenditure (\$610,000) is included within the proposed fiscal year 2022-2023 budget, Human Resources Management Department, Risk Management Division (50182216). The balance will be budgeted in future years at the appropriate amount.
PREVIOUS COUNCIL ACTION:	Six (6) month extension granted on July 1, 2022 while evaluating services.
STATEMENT OF THE ISSUE:	On February 24, 2022, the City solicited bids (RFP) for a vendor to administer the City's workers' compensation claims when its current contract with Acclamation Insurance Management Services, Inc. (AIMS) expires on December 30, 2022. After an evaluation and review process, City staff is recommending that AIMS be retained to continue as the City's provider of workers' compensation claims administration services.

RECOMMENDED ACTION:	APPROVE a contract with Acclamation Insurance Management Services, Inc. to serve as the City's third-party administrator of workers' compensation claims for fiscal years 2022-2023 (\$610,000), 2023-2024 (\$628,300), and 2024-2025 (\$647,147) for a total payment limit not to exceed \$1,885,447 for the contract period of January 1, 2023 through December 30, 2025. The City will have an option to extend the term of the contract up to two years at an additional 3% cost per year for a total contract payment limit not to exceed \$3,238,566 – Human Resources (Sharrone Taylor/Laura Marquez 620-6974).
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DISCUSSION:

1. Background: For the past ten (10) years, the current administrator of the City's workers' compensation claims program has been Acclamation Insurance Management Services, Inc. (AIMS). In 2022, in accordance with the City's bidding and contracting guidelines, a new request for proposals (RFP) was initiated to open this contract work to other bidders.

The City generates approximately 189 new workers' compensation claims each year and currently carries a caseload of 402 files. The highest frequency of claims filed are from the Police Department, Fire Department, and Public Works Department. Accordingly, extensive experience in handling public safety claims with special expertise and knowledge of Labor Code sections that pertain to police and fire personnel (as well as for all other employees) is essential.

2. Evaluation Process: The RFP was issued February 24, 2022, resulting in the submission of five proposals (AIMS; Innovative Claims Solutions; Innovative Claims Strategy; InterCard Holdings Insurance Services, Inc.; Lean on Me, Inc.; and Pegasus Risk Management). All proposals were timely received and accepted.
 - a. Minimum Proposal Requirement Review: The RFP stipulated that the bidders had to meet certain minimum requirements to be considered by the City. The City's staff reviewed the proposals to determine if the following minimum requirements were met:
 - 1) at least five (5) years' experience in California adjusting claims;
 - 2) claims service office located in close proximity to the San Francisco Bay Area or Sacramento Valley area, and bidder provided assurance of maintaining reasonable staffing for the location; and
 - 3) presented a certificate of insurance evidencing that the proposer met the City's insurance requirements.

- b. Current Contractor: AIMS is the current third-party administrator (TPA) of the City's workers' compensation claims. It currently provides two (2) full time dedicated examiners and additional resources to handle future medical and medical-only claims. AIMS has been instrumental in helping the City establish its Alternative Dispute Resolution (ADR) program and is viewed as a true business partner in the execution of such.

3. Evaluation Chart:

City staff's evaluation of the five (5) bidders narrowed the options down to two (2) potential contractors, AIMS and Intercare.

TPA/Managed Care Name	TPA 3-Year TPA Fees	Utilization Review Cost	Overall Selection Ranking
AIMS	\$1,885,447	\$95 Nurse Review \$225 Physician Review	1
Intercare	\$1,982,310, plus \$10,000 conversion fee	\$125 Nurse Review \$225 Physician Review	2

4. Managed Care Services:

The RFP also included an option for the City to receive proposals for managed care services from firms independent of the claims adjusting firms. Managed care services include bill review, utilization review, and nurse case management services. The City review committee determined that the managed care services proposals submitted by the finalists for the claims adjusting services were sufficient, as they incorporated all elements of the managed care services as well. The City is currently more than satisfied with the services of Allied Managed Care, as proposed and provided through AIMS.

5. Recommendation:

Based on its review of the five (5) bidders and the above chart showing the cost of services for AIMS and Intercare, City staff recommends awarding the contract to AIMS for a period of three years. The pricing from AIMS is 4.5 percent above current contract pricing and increases by 3 percent on an annual basis thereafter. At the end of the contract term (January 1, 2023 – December 30, 2025), the City will have the option to extend the contract term for two years at a additional 3 percent cost each year, for a total payment limit not to exceed \$1,353,120.

CONCLUSION:

For the past ten (10) years, the City has experienced a very satisfactory relationship with the incumbent contractor, AIMS. The examiners have established relationships with our employees and have proved themselves to be a true business partner in their efforts to help the City establish its Alternative Dispute Resolution program handling workers' compensation claims and providing services to employees. While the bids were competitive, it is staff's recommendation to continue the relationship with AIMS.

DOCUMENTS ATTACHED:

Attachment 1 – Original Contract

Attachment 2 – RFP