

C O U N C I L C O M M U N I C A T I O N

TO: THE CITY COUNCIL
FROM: THE CITY MANAGER'S OFFICE

COUNCIL MEETING DATE: August 15, 1990

SUBJECT: Request For Proposal For Contract Administrator For Workers' Compensation.

PREPARED BY: Joanne Narloch, Personnel Director

RECOMMENDED ACTION: That the City Council approve the Request for Proposal for Administration of the City's Workers' Compensation claims program.

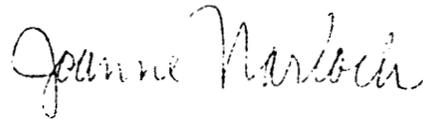
BACKGROUND INFORMATION: In December of 1989, the adjusting firm the City was using for the administration of the Workers' Compensation claims program, Adjustco, suffered serious setbacks and went out of business.

Because we had no advance notice of this event, it **was** necessary for us to act quickly to ensure our claims continued to be administered.

Due to the time element and the movement of our previous claims adjustor to the firm of Bragg & Morse, we decided it would be in our best interest to contract for services on an interim basis with this firm.

As of this month, the one full time adjuster Bragg & Morse employed has left the company. We also find that the costs incurred to this point far exceed what we have paid for the same services in the past and that we need to open the process to competitive bidding to control our costs and to ensure a firm has a sufficient size staff to properly serve our needs.

Respectfully Submitted,



Joanne Narloch
Personnel Director

**CITY OF LODI
REQUEST FOR PROPOSAL**

Workers' Compensation Claims
Management Program

I. COVER PAGE

The City of Lodi is requesting written proposals for the administration of their self-insured Workers' Compensation **Claims** Program. The claims adjusting firm selected will be expected to commence services on _____. Bidders are to provide specific information in the spaces **below** and attach this sheet to the front of the proposal **as a** cover sheet.

1. Cost for Administration of NEW claims \$ _____
Cost for take over of existing claims \$ _____
Cost for any additional services \$ _____

2. Name of Firm: _____

Address of Firm: _____

Address where claims will be Adjusted:

Contact Representative: _____ Phone: _____

3. Our Firm currently has a staff of _____ full-time examiners and _____ part-time examiners and _____ clerical support staff.
- a. The examiner assigned to City of Lodi Claims will have a minimum of _____ years workers' compensation claims adjusting experience.
- b. We can begin providing claims adjusting service for this program no later than _____ **1990**.

I hereby certify that the above price quotation and attached written proposal represents an authorized offer on behalf of my firm/company, and that I have read and understand all of the bid specifications set forth by the City of Lodi in their Request for Proposal.

By: _____ Title: _____

Date: _____

Please Submit Your Proposal To: The City of Lodi
Joanne Narloch
Personnel Director
Call Box 3006
Lodi, CA. 95241

The City of Lodi, a legally uninsured public agency, is requesting proposals from qualified claims administration companies to provide workers' compensation claims adjusting management services for its self-insured workers' compensation program. The selected proposal will become part of the contract agreement for claims administration services.

A written contract will be made between the City and the company selected that will encompass a 3 year term and will be renewable at the option of either party 60 days prior to the end of each fiscal year. Mutually agreed upon price increases may be negotiated for continuing contract periods when economic factors indicate such negotiation is necessary, provided the City is notified in writing no less than 60 days prior to the end of such fiscal year period of the reason for and amount of any fee increase proposed by the adjusting firm.

Any contract will include a 60 day cancellation clause wherein either party may terminate the contract without penalty.

GENERAL BACKGROUND

The City of Lodi has been legally uninsured (self-insured) in their workers' compensation program since 1985. Claims reported for the past four years are:

1985-86	_____	- Indemnity	_____	- Medical Only	_____
1986-87	_____	- Indemnity	_____	- Medical Only	_____
1987-88	_____	- Indemnity	_____	- Medical Only	_____
1988-89	_____	- Indemnity	_____	- Medical Only	_____

There are presently 406 permanent positions and 339 temporary City of Lodi employees in all classes including police and fire department employees.

The present claims administrator shows open _____ indemnity and _____ medical only claims as of the July 31, 1990 loss report.

A copy of the Public Entities Self-Insurer's Annual Report to the DIR-Self Insurance Plans office submitted for the 1988-89 fiscal year is enclosed.

The City of Lodi Personnel Department coordinates all activities of the workers' compensation program with the claims administrator. This will include the reporting of injuries, employee contact, providing of lost time informations, compensation benefits, modified work programs and other areas. Information and communications between the City of Lodi and the administrator will be through the Personnel Department. The Personnel Department will also maintain a set of workers' compensation files that contain certain information on the claims.

RESPONSIBILITY OF THE CLAIMS ADMINISTRATOR

The major responsibilities of the workers' compensation claims administrator will include, but not be limited to, all areas noted in the CLAIMS MANAGEMENT section of this request for proposal. Responsibilities will include any new or related activities mandated by the legislature or legal precedent and general claims management activities that fall within good claims management service.

SERVICES TO BE PROVIDED

1. Services to be provided MUST include but not be limited to:

A. Claims Administration - Existing Claims

1. Administration and adjustment of all open claims.

B. Claims Administration - New Claims

Staff for administering all claims reported during the contract year, to include the services of a claims examiner with a minimum of three years active claims adjusting as a claims examiner. A claims trainee or claims assistant will not be satisfactory. This person should not have a claims case load of not over 225 open claims, of all types, at any one time.

This position shall be supervised and have available to them at all times an experienced claims person who will have passed the State of California test for Administrator, Self-Insurance Plans given by the State Self Insurance Plans office or other State division administering the test.

CLAIMS MANAGEMENT

- I. Promptly make up a claims file within 24 hours after receipt of the Employers First Report of Injury from the City. Investigate questionable claims, coordinating the effort with City staff.
 - A. Expedite the employers report when or if the doctors first report of injury is received first.
 - B. Establish monetary reserves adequate for the expected compensation and medical benefits possibly due on each injury/claim file made up.
 - C. Establish prompt phone or personal contact with employees:
 1. With inajor or severe injuries
 2. Injuries that could have extended lost time.
 - D. All claims files shall be available to the City or its representative for inspection, review, and/or claims audit with or without prior notice to the adjusting firm.
11. Provide all compensation and medical benefits that may be due in a timely manner and in compliance with the statutory requirements of the California Labor Code.
 - A. Insure that all required benefit and informational notices are sent to the injured employees.
 - B. Provide estimates of permanent disability on all claims the benefit may be due, communicating it to the City and to the defense counsel on litigated claims and before any settlements are initiated.
 - C. Arrange medical evaluations when needed, reasonable and/or requested.
 1. To be in compliance with the new Labor Code Sections on medical care.
 - D. promptly pay all medical and other bills on the claims within 20 days unless there is a supportable dispute about the bill or no support for the bill.
 - E. Reduce medical bills, other than medical legal expenses, to the Relative Value Schedule (RVS) and recommended rates set by the Administrative Director, Division of Workers' Compensation.
 - F. All penalties that arise from failure of the administrator to comply with the new statutes (effective 1-1-90) are the responsibility of the administrator.

III. Rehabilitation, Litigation & Subrogation

A. Comply with the labor code statutes **and rules and regulations applicable** to workers' compensation injuries for Rehabilitation.

1. Provide close **supervision of the rehabilitation vendor service that may be used on the City's claims. The choice of which rehabilitation vendor to use on City claims shall be made jointly with City staff.**
2. Adequate **compensation and expense reserves shall be maintained on the claims where rehabilitation efforts are made.**
3. Prepare and submit the required Div. of Workers' Compensation Rehabilitation forms as required by statute.

B. Litigation

1. Selection of **defense counsel** shall be by agreement between the City of Lodi and the administrator. Investigations to be coordinated with City staff.
2. Litigation efforts shall be controlled and closely monitored by the administrator with regular communication with the City (copies etc.).
3. Medical control of litigated **claims** shall stay with the administrator and not pass to defense counsel.
4. Settlement authority on litigated claims must be first approved by the City staff before being presented or negotiated with the injured's attorney. The City must be informed on all settlement offers.
5. It is to be understood that when an application for adjudication has been filed, an effort will be made by the adjusting firm, within the claims examiners skills, to settle the claim without assigning it to a defense counsel. This would be on the less complex single issue type of **claims**.

C. Subrogation

To proceed against responsible persons, agencies, and/or their agents in subrogation actions in an effort to recover losses suffered by the City by **way** of compensable **injury** to City employee(s). Subrogation efforts on injuries wherein there is also property loss to the City shall be coordinated with the City and/or their liability program administrator.

IV. claims Closing

Claims wherein all medical and compensation benefits have been provided shall be closed within a reasonable time. Claims shall not **be** allowed to go without examiner attention for extended periods of time (no longer than 6 months). Medical only claims shall not remain open longer than six (6) months without good cause.

V. Additional Services

A. Examiner services to include:

1. Examiner attendance at Workers' Compensation Appeals Board hearings, rehabilitation conferences, conferences with legal counsel (defense counsel), meetings with City Staff, departments & employee groups when required.
2. Communication, written, oral and in person, with the City staff by the claims examiner is an important element of the services expected.
3. A copy of the administrators claims management manual should be available for review by the appropriate City staff or representative.

B. Claims Manager services to include:

- a. Special claims review of open claims files at the request of the City.
- b. **Regular** quarterly review of all indemnity **claims** with reserves in excess of **\$30,000.00** and/or of problem & complex claims.
- c. **Insure** that all required payments are made timely and that **medical bills are paid within 20 days if file information** supports it.

C. **Provide all forms necessary for** the City's processing of **benefits or claims information** at the expense of the adjusting (claims administration) firm. **(To include employers reports of injury, medical service orders, return to work slips, lost time information reports and any others).**

D. Prepare and file with the Division of Workers' Compensation, Office of Benefit Assistance and Enforcement the Public Entities Self-Insurer's Annual Report.

E. Prepare and submit information to the excess insurance carrier on **all** claims that exceed the limits of the self retained workers' compensation liability.

F. Administrator shall complete and provide to the City all required CAL/OSHA Logs and **Summary** of Occupational Injuries and Illnesses reports as required in Sections 14301 through 14400 in Chapter 7, Division of **labor** Statistics and Research, Group 1, Occupational Injury or Illness Reports and Records.

V. Financial Accountings

A. A trust fund shall be maintained for the purpose **of** paying benefits that may be due on the claims. The amount that will be maintained in the trust fund shall be determined by the parties and confirmed by written document or letter.

1. Payments from the trust **fund** will be those **sums** that should reasonably be paid on benefits mandates and/or required by the California Labor Code on those injuries where such benefits may be due.

B. A copy of all checks, vouchers or warrants drawn by the adjusting firm to pay benefits on City claims shall be provided to the City.

C. A monthly check/voucher register of all transactions made for the period shall be provided by the adjusting firm. It shall list the check/vouchers in numerical order, claim number, amount, payee and any other information considered necessary.

D. The City reserves the right to conduct an annual/yearly financial audit of the trust account to insure the integrity of the account.

VI. Data Product - Loss Report

A. To provide a computerized **loss** analysis and summary report each month covering activity on all newly reported, open, and newly closed claims for the period. The report will be customized. if needed, for City needs within the capability of the adjusting firm. But will, as a minimum, provide the following by Claim Year:

1. Monthly listing of open claims by department and location stating the claim number, insured's name, cause & type of injury, body part (in a injury cause code if necessary), amount paid during the period, to date and remaining reserves for medical, compensation, and any allocated expense there may be. Total incurred for each type of payment should be shown also if possible.

2. Summaries of all open and closed claims, medical only & indemnity, at the end of each departmental division (location) and department and total City. By claim year.

VII. All records, files, transcripts, computer tapes and other material on workers' compensation adjusting activity developed on the City of Lodi workers' compensation claims is the property of the City and must be relinquished in good order and condition upon termination of this contract with the adjusting firm. The City shall not be required to pay any additional costs for the transfer of files to the City.

Upon the event of termination of the contract any additional computer information on tape will be transferred without an additional fee or costs to the City.

INSTRUCTIONS FOR PREPARING THE WRITTEN PROPOSAL

I. The Cover Page must be the first document to all proposals submitted. **It should be completed thoroughly even though some of the information requested is also requested below.**

II. **Required Services**

It shall state that the adjusting firm will perform in accordance with the following specification.

- A. Describe the firm/company completing this proposal including background and experience in workers' compensation claims management.
 - 1. Please provide a list of current clients, including public agencies, for references.
- B. Describe briefly any workers' compensation claims administration conducted for California public agencies. Include if the services provided for them are similar to the services required herein.
- C. Provide the location and address where the City of Lodi claims will be located and managed.
- D. Staff
 - a. Give the total full and part-time staff currently employed by you.
 - b. **As** a minimum, the Claims Manager must have passed the State of California test for Administrator, Self-Insurance Plans.
- E. Describe the manner of compliance to the new workers' compensation statutes and changes in the Rules and Regulations of the Administrative Director.
- F. If **you** have an **Equal** Employment Opportunity program or policy, please provide a statement on compliance and be willing to allow a review of the program policy, if desired, by the City.

III. Cost of Required **Services**

The cost of the required services shall be as stated on the Cover Page.

- a. Please state if the costs are on a per claim or flat fee basis.
- b. **If** on a time and expense basis, please describe and provide an average per claim cost.

IV. Insurance Requirements

The name of the companies the bidder has their insurance coverages with, the policy limits and expiration dates are required. Insurance requirements of the City **are** shown below:

Administrator will agree to maintain in full force **and** effect the following policies of insurance during the term of the claims administration contract.

<u>Type</u>	<u>Limits of Liability</u>
General Liability: Including endorsements for comprehensive, independent contractor's, contractual, personal injury, and broad form property damage.	Bodily Injury: \$300,000.00 each occurrence \$500,000.00 aggregate personal Injury: \$300,000.00 each occurrence \$500,000.00 aggregate Property Damage: \$300,000.00
Automobile Liability: Including endorsements for owned, hired, and non-owned vehicles.	Same
Professional Liability: Including errors and omissions.	\$1,000,000.00 each occurrence

The successful bidder shall submit a certificate of insurance, ON THE CITY'S FORM, evidencing such coverage in a form satisfactory to the City Attorney prior to undertaking any work under a contract issued on this RFP. The certificate shall provide a minimum of thirty (30) days prior written notice to the City of any cancellation or reduction of the required insurance.

Failure to maintain any of the required insurances may result in immediate cancellation of the contract.

The successful bidder shall defend, indemnify, save and hold harmless, the City of Lodi, its officers, agents and employees, from any loss demands, claims, suits, damages or actions that may be brought by third persons on account of bodily injury or death; personal injury; damage to property or personal interest; or violation or any law, regulation or ordinance; where the third person's loss, demand, claim, suit, damages or action arises in whole or part out of any negligent agents, while performing the services agreed to save and except those actions arising out of the sole negligence of the City.

V. Fidelity Bond

A blanket fidelity bond with a limit of \$500,000.00 and amended to protect the City of Lodi from loss due to the claims administrator, its agents, owners, officers and employees is required.

VI. Financial Statement

A general financial statement of the bidder showing the financial status of the **bidder**, their solvency, and history of ownership.

VII. **Submittal** of Proposals

Please submit five (5) copies of your proposal and other information for providing the services outlined herein to the City of Lodi, Personnel Department no later than **5:00** P.M. on September 7, 1990 at the address shown on the cover page.

FAX submittals **WILL NOT** be accepted.

NOTE: Take over date for this program shall be November **1**, 1990. So time is of essence in this RFP.

The City assumes no responsibility for costs incurred in the preparation and presentation of this proposal.

VIII. Availability for Interviews

The adjusting firm proposals selected as finalists for consideration may be invited to attend interviews in Lodi. It shall be understood that the City of Lodi will not be obligated to pay for the adjusting firm's expenses to attend such interviews.

Please state if the person who will attend the interviews and make the oral presentation will or will not be the person who will manage **the** account.

IX. Award of a Contract

Proposals shall be considered using the following criteria:

1. The degree that each proposal complies with the specifications herein.
2. Qualifications and competency of the adjusting firm and their staff.
3. The cost and anticipated benefits shown in the proposals.
4. References
5. Other criteria deemed necessary by the City.
6. The City may elect to send a representative to bidders locations for on-site interview and evaluation.
7. Firms with claims management offices and qualified staff located in the Lodi, Stockton or Sacramento areas.

The City of Lodi is not required to select the proposal that may indicate the lowest price or cost. The City may reject all proposals when, in its opinion, none of them meet the requirements or specifications of this request for proposal, the benefits derived will be less than anticipated or desired, or the rejection is in the best interest of the City. If all proposals are rejected, the City may or may not request additional proposals.

encl: City of Lodi
1988-89 Self-Insurers Annual Report

EN City of Lodi
Request for Proposal
Workers' Compensation Claims Management Program