



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Catherine Krysyna, Assistant Finance Manager

MEETING DATE: March 16, 2016

SUBJECT: Fully Participate in PARSAC's Workers' Compensation Program for Claims Management

CEQA: Does not constitute a "Project" as that term is defined under the California Environmental Quality Act (CEQA) Guidelines Section 15378

RECOMMENDATION

Approve full participation in PARSAC's Workers' Compensation Program.

DISCUSSION

The City has contracted with York Risk Services Group, Inc. (York) as its Third Party Administrator (TPA) for Workers' Compensation claims since 2003. The current agreement with York expires on June 30, 2016. At the time of the last approved contract extension, staff informed Council of its intention to reissue a Request for Proposals (RFP) for TPA services prior to the extended contract expiration date of June 30, 2016. The last RFP was issued in March 2015 and the City received five proposals. Upon review of the five proposals, only two were deemed sufficiently qualified to advance to the selection phase by the City.

In general, multiple RFP issuances over a short period of time tend to yield a smaller pool of respondents. Rather than expend the resources to reissue an RFP for a TPA that may or may not produce a sufficient pool of proposers, Staff has researched the TPA program offered by its current excess carrier, PARSAC (Public Agency Risk Sharing Authority of CA). PARSAC is a Joint Powers Authority (JPA) in which member benefits are pooled and the City would have the benefit of a discounted group rate and oversight by the PARSAC Board. Because the City is a member of PARSAC and already participates in the excess insurance portion of PARSAC's Workers' Compensation program, PARSAC would provide the following benefits with the City's full participation in the TPA program:

- Access to two dedicated claims examiners and one dedicated assistant. (The City currently has one claims examiner with York).
- The examiners' case-loads will not exceed 140 indemnity claims which allows examiners to focus more closely on their assigned claims. (The industry average case-load is 150 per examiner).
- No side fund requirement. A side fund is an account set up by a TPA to hold cash for payment of Workers' Compensation claim related bills. (York currently requires a

\$40,000 side fund). PARSAC does not require a side fund, and will make the payments on any claims, without interest.

- Expedited treatment of injured workers to foster better relationships with employees resulting in lower litigation rates. PARSAC selectively refers cases to Utilization Review to verify the necessity and appropriateness of the proposed treatment. It is common for TPA's to refer all services to either Utilization Review and/or Bill Review, which increases cost to the employer, may delay treatment, and may not always be cost-effective.
- Utilization of Nurse Advocates on an as-needed basis to ensure proper treatment and to expedite employees return to work.
- In addition to managing the City's new claims, LWP Claims Solutions will assume the City's existing claims for a fee of \$2,000 per month for a period of 24 months, after which there will be no charge for those services. They will also convert all of the City's current claims data to their database for a flat fee of \$5,000. Based on PARSAC's formula, LWP Claims Solutions' annual fee for services on new claims is estimated to be between \$40,000 and \$50,000. The current fee for York's services is \$47,000.

PARSAC's TPA, LWP Claims Solutions, has worked with the City of Carmel for several years and Carmel has given them an excellent rating. The City of Pacific Grove's Workers' Compensation Attorney, Barbara Kiely, has also worked with LWP through other public agencies and rates them very highly. While York has performed well over the years, staff has determined that taking advantage of the benefits of PARSAC's pooled program (economies of scale) and group expertise is the preferred option at this time from both a risk management and fiscal responsibility perspective.

FISCAL IMPACT

The type of employee injuries that might occur in the future cannot be quantified. However, PARSAC estimates our service fees for LWP Claims Solutions to be approximately the same as our current fees with York and the City's \$40,000 side fund will be eliminated.

RESPECTFULLY SUBMITTED:

Cathy Krysyna

Cathy Krysyna, Assistant Finance Manager

Ben Harvey

Ben Harvey, Interim City Manager

Reviewed by:

Patty Maitland

Patty Maitland, Finance Director