

COUNCIL ACTION FORM

SUBJECT: RENEWAL OF CONTRACT FOR WORKERS COMPENSATION AND FOR MUNICIPAL FIRE AND POLICE SYSTEM CLAIMS ADMINISTRATION

BACKGROUND:

On July 27, 2010, City Council awarded a contract to EMC Risk Services, LLC, of Des Moines, Iowa, for third party administration (TPA) of Workers' Compensation and Municipal Fire and Police system claims for the period from August 1, 2010, through July 31, 2011. The award was based on a competitive proposal process. The contract included a renewal option for up to four additional one-year periods through July 31, 2014.

The scope of services provided by EMC includes claims administration, medical management, loss fund management, temporary disability claims assistance, and representing the City's financial interests by controlling Workers' Compensation costs. EMC also performs administrative services including preparation and filing of Federal, State, and local filings, applications for the City's continued qualification as a self-insurer, statistical information required by rating bureaus, representation at Workers' Compensation hearings and mediations as requested, and data reporting. These services require specialized knowledge of Workers' Compensation laws. Therefore, these services would be difficult and costly to administer using Ames Human Resources staff.

The approved FY 2011/2012 budget for Workers Comp administration includes \$55,000 for these services, and the proposed renewal contract includes a not-to-exceed total of that same amount. Fees under the contract are based on unit prices for claims administration and medical bill review with a percentage fee for bill reduction. There is also an annual lump-sum reporting and auditing fee. Active access to the provider's Internet-based system is on a per-user basis, with view-only access available at no charge. Additional services are compensated on a per-hour basis. Actual costs are charged to departmental budgets as applicable.

In 2009/10, \$55,000 was budgeted for the first year of TPA services and \$25,000 was spent. In FY 2010/11, the budget was reduced to \$40,000, of which \$34,327.95 was spent. The 2011/12 budgeted amount was increased back to the original amount of \$55,000. While the cost per claim has not increased under the contract, there has been an increasing trend in the number of claims processed, and particularly an increase in the number of claims that are of a type more expensive to process under the contract.

ALTERNATIVES:

1. Approve the renewal contract with EMC Risk Services, LLC, Des Moines, Iowa, to provide third party administration of the City's Workers' Compensation and Municipal Fire and Police Retirement System for the period from August 1, 2011, through July 31, 2012, at a cost not to exceed \$55,000.
2. Reject the renewal option and revert to performance of these services by Human Resources staff and outside consultants hired on an as-needed basis.

MANAGER'S RECOMMENDED ACTION:

Third party administration of Works Compensation and Municipal Fire and Police System provides responsive services to injured employees and helps reduce overall City expenses. EMC Risk Services, LLC, provides trained professionals who administer Workers' Compensation claims and, just as importantly, assist injured employees in returning to productive work as quickly as possible.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the renewal contract with EMC Risk Services, LLC, Des Moines, Iowa, for third party administration Workers' Compensation and Municipal Fire and Police Retirement System for the period from August 1, 2011, through July 31, 2012, at a cost not to exceed \$55,000.