

**COUNCIL ACTION FORM**

**SUBJECT: WORKERS COMPENSATION AND MUNICIPAL FIRE AND POLICE  
SYSTEM CLAIMS ADMINISTRATION**

**BACKGROUND:**

**This request for Council action involves the contract with EMC Risk Services, LLC, of Des Moines, Iowa, for third party administration of workers compensation and municipal fire and police “411 System” claims.**

On July 27, 2009, the City Council awarded a contract to EMC for the period from August 1, 2009, through July 31, 2010. The award was based on a competitive proposal process. The contract included a renewal option for four additional one-year periods through July 31, 2014. This request is for the August 1, 2012 through July 31, 2013 period.

Services provided by EMC include administering workers compensation claims for City employees. This includes police and fire employee groups, medical case management and bill review, self-insured loss fund management, injury-related disability claims management and litigated claims assistance. EMC also performs essential administrative services that include governmental regulatory filings, maintaining the City’s qualification as a self-insurer, and maintaining on-line claims data access.

The approved FY 2012/13 budget for workers compensation claims administration includes \$55,000 for these services. The proposed renewal contract, as with preceding years, is written as a not-to-exceed contract in the amount of \$55,000. In light of experience during the previous three contract periods (shown in the table below), it is unlikely the budgeted amount of \$55,000 will actually be spent.

Costs under this contract are a combination of per claim fees for administering claims (\$125 for medical-only, \$925 for lost time and \$5 for 411 claims requiring Medicare Interface), and a percentage fee for medical bill review (\$9.50 per bill and 15% – 30% of savings retained by EMC based on type of charge). There are also annual flat fees for on-line access and general administration (setup and report generation) as shown in the table below.

Claims administration fees, along with actual claims payments, are budgeted and charged to individual departmental budgets. The rates and flat fee levels remain unchanged from the expiring agreement for the August 1, 2012 to July 31, 2013 contract period. The table below summarizes claims payments and fees:

### **Workers Compensation Claims and EMC Administration Fees**

<b>Fiscal Year</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
FY Claims Count	87	101	**75	Estimated 75
FY Claims Payments	*Budget \$425,000 *Actual \$825,888	*Budget \$475,000 *Actual \$492,634	*Budget 595,000 *Actual \$365,259	*Budget \$485,000 *Est. \$380,000
Annual On-line access	Not utilized	Not utilized	\$2,000	\$2,000
Annual Administration	\$3,000	\$3,000	\$3,000	\$3,000
Annual Medicare Interface	\$2,500	\$2,500	\$2,500	\$2,500
<b>EMC Actual Costs</b>	<b>\$34,328</b>	<b>\$36,274</b>	<b>\$38,769</b>	<b>Estimated \$40,000 Budgeted \$55,000</b>

\* Budgeted, Actual and Estimated claims dollars are based on amounts paid during the Fiscal Year.

\*\*Note on 2011/12 Claims Count: Of the 75 claims occurring in FY 2011/12, nine were large claims (greater than \$10,000) that will impact FY 2012/13 and future years' claims payments.

#### **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 "411 System" claims for the period from August 1, 2012 through July 31, 2013 at a cost not to exceed \$55,000.
2. Reject the EMC renewal option and direct Staff to seek other claims administration alternatives.
3. 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:**

EMC Risk Services, LLC, has been an effective provider of professionally administered Workers' Compensation claims and associated medical bill reviews. They have been responsive and sensitive to the needs of City employees in the management of their injury and disability claims, which enhances employees' chances for returning to work as soon as possible. The three years of claims data now accessible on-line from EMC provides a valuable tool for analyzing injury types and targeting safety programs.

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 of workers compensation and municipal fire and police "411 System" claims for the period from August 1, 2012, through July 31, 2013, at a cost not to exceed \$55,000.