

COUNCIL ACTION FORM

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

BACKGROUND:

This request involves the contract with EMC Risk Services, LLC, of Des Moines, Iowa, for third party administration (TPA) of workers compensation and municipal fire and police “411 System” claims. The contract renewal period is for August 1, 2014 through July 31, 2015.

Services provided by EMC in this contract include workers compensation claims administration for City employees, including the police and fire employee groups, medical bill review, self-insured loss fund management, and pharmacy and medical expenses. EMC also performs regulatory filings and maintains on-line claims data that City staff can access.

Fees are based on a combination of per claim unit prices for administration and also percentages based on medical bill review invoice reductions. These fees, along with claims expenses, are charged to individual City departments.

The City's 2014/15 Budget anticipated the renewal cost to be \$60,500. The price quoted by EMC for 2014/15 is the same as the expiring agreement, written as a not to exceed contract amount of \$55,000. The average monthly expenses incurred for the 11 months ending June 30, 2014 are approximately \$4,300, which is approximately \$280 per month below the average included in the *not to exceed* \$55,000 amount.

EMC Fee Administration Charges, Expiring vs. New Contract
 (volume estimate basis 83 claims)

| Fee Component | Fee Components Fiscal Year 2013-14 | Fee Components Fiscal Year 2014-15 | Change | FY 2013/14 Proposal | FY 2014/15 Proposal |
|-----------------------------|--|--|----------------------|-------------------------------|-------------------------------|
| Claim Set Up, Incident Only | \$35 per claim | \$35 per claim | 0% | Included | Included |
| Claim Set Up, Medical Only | \$125 per claim | \$125 per claim | 0% | Included | Included |
| Claim Set Up, Lost Time | \$950 per claim | \$950 per claim | 0% | Included | Included |
| Medical Bill Review | \$9.50/claim 30% PPO Savings 30% Non-PPO Savings \$12,000 per claim cap | \$9.50/claim 30% PPO Savings 30% Non-PPO Savings \$12,000 per claim cap | 0% 0% 0% 0% | Not to exceed \$55,000 | Not to exceed \$55,000 |
| Note: | Actual Claims Count = 81 | Claims Count YTD = 72 | Budget | \$55,000 | \$60,500 |

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, 2014 through July 31, 2015 at a cost not to exceed \$55,000.
2. Reject the EMC renewal option and direct staff to seek other claims administration alternatives.

MANAGER'S RECOMMENDED ACTION:

EMC Risk Services, LLC, has been an effective provider of professionally administered Workers' Compensation claims and associated services. EMC has been responsive and sensitive to the needs of City employees in managing their injury and disability claims. The online claims data accessible to City staff provides a frequently utilized tool for analyzing injury types and 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, 2014, through July 31, 2015, at a cost not to exceed \$55,000.