

**COUNCIL ACTION FORM**

**SUBJECT: RENEWAL OF CONTRACT FOR WORKERS COMPENSATION AND  
FOR 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 (TPA) of workers compensation and municipal fire and police "411 System" claims. On July 27, 2009, 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, 2013 through July 31, 2014 period.

Services provided by EMC include administering workers compensation claims for City employees, including 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 2013/2014 budget for workers compensation claims administration includes \$55,000 for these services, and the proposed renewal contract, as with preceding years, is written as a not-to-exceed contract in the amount of \$55,000. Fees are based on per claim unit prices for administering claims and a percentage fee for medical bill review cost reductions. There are also annual flat fees for on-line access to claims data and reports. Claims administration fees, along with actual claims payments, are budgeted and charged to individual departmental budgets. Rates and flat fees remained unchanged from 8/1/09 through the current agreement expiring July 31, 2013. The proposed contract includes several fee increases shown in the table below, plus two improvements: a \$12,000 "cap", or maximum, on large medical bill review fees and improved financial reporting.

## EMC Fee Changes in New Contract

Fee Exhibit	Old Fee Fiscal Years 2009–12	New Fee Fiscal Year 2013-14	Change	Volume Based on FY2012-13 claims
Claim Set Up, Incident Only	\$30 per claim	\$35 per claim	16.6%	24
Claim Set Up, Medical Only	\$125 per claim	\$125 per claim	0%	48
Claim Set Up, Lost Time	\$925 per claim	\$950 per claim	2.7%	11
Medical Bill Review	\$9.50/claim 30% PPO Savings 20% Non-PPO Savings Max. Savings not capped	\$9.50/claim 30% PPO Savings 30% Non-PPO Savings \$12,000 per claim cap	0% 0% 50%	# bills reviewed 545 0 Savings \$73,444 <b>1 claim exceeded \$12,000 fee in 2012</b>

## EMC Exhibit of Annual Fee Impacts on Total Cost

Description	Actual Fees 2011/12	Estimated* FY 2012/13, Expiring Fees	Estimated** FY 2013/14, New Fees	% Change, FY2012 to FY2013
Claims Count, all types	76	83	83	0
EMC Admin Fees ( <i>excluding large claim bill review fees</i> )	\$40,743	\$44,517	\$47,501	+6.7
Budget	\$34,000	\$55,000	\$55,000	0
Average Administrative Fee Cost per Claim	\$536	\$536	\$572	+6.7

\*FY2012-13 final figures are not available and are subject to adjustment.

\*\*2013/14 using 2012/13 volumes.

## 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, 2013 through July 31, 2014 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've been responsive and sensitive to the needs of City employees in the management of their injury and disability claims. The claims data accessible on-line from EMC provides a frequently utilized 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, 2013, through July 31, 2014, at a cost not to exceed \$55,000.