



**DATE:** June 22, 2021

**TO:** Mayor and City Council

**FROM:** Director of Human Resources

**SUBJECT:** Adopt a Resolution Authorizing the City Manager to Amend the Agreement with Acclamation Insurance Management Services ("AIMS") as Third Party Administrator ("TPA") of the City of Hayward's Workers' Compensation Claims Services Extending the Term of the Contract for a Period of One Year

### **RECOMMENDATION**

That the Council adopts the attached resolution (Attachment II) authorizing the City Manager to amend the agreement with Acclamation Insurance Management Services ("AIMS") as Third Party Administrator ("TPA") of the City of Hayward's Workers' Compensation Claims Services, extending the term of the contract until June 30, 2022.

### **SUMMARY**

The current agreement with AIMS will end on June 30, 2021. Due to staffing turnover and transitions, additional time is needed to evaluate the services being provided by AIMS and to conduct an open and competitive Request for Proposal (RFP) process for the provision of workers' compensation claim administration services. As a result, staff recommends extending the current agreement with AIMS for one year to allow time to perform an open, competitive bid process. Conducting open and competitive bid opportunities is a best business practice for public agencies that allows the City to ensure it receives high quality, efficient, and cost-effective services from its vendors.

### **BACKGROUND**

Effective workers compensation claims management consists of employing industry best practices to develop and implement policies and procedures to ensure timely review, response, and facilitation of quality care to injured workers in a cost-effective manner. The role of the TPA is essential because the TPA provides business solutions to help the City design and implement programs to prevent injuries, control and manage costs of injuries, and monitor the effectiveness of program related services and procedures.

The City of Hayward is self-insured for the Workers' Compensation Program and uses the services of a TPA for claims administration. Since July 2016, AIMS has provided these services for the City. The contract with AIMS for TPA services expires on June 30, 2021.

Over the last 18 months, staffing turnover and transition of assignments have occurred, both within the Human Resources Department, as well as with the City's current Workers' Compensation TPA, AIMS. Over the past four (4) months, in reviewing and evaluating AIMS' services, Human Resources staff deemed it necessary to request additional time to properly evaluate services and allow additional time to conduct an open and competitive Request for Proposal (RFP) process. Conducting open and competitive bid opportunities is a best business practice for public agencies that allows the City to ensure it receives high quality, efficient, and cost-effective services from its vendors.

## **DISCUSSION**

AIMS has been providing TPA services to the City for approximately five (5) years. In May 2016, after a competitive bidding process, the Council approved a contract with AIMS. Contracting with AIMS as the City's TPA resulted in savings in two key areas: 1) TPA administration fees and 2) bill review fees. The cost of the TPA administrative agreement in Fiscal Year 2016 resulted in the City paying \$310,819 for administration fees and \$39 per bill for bill review. In FY 2017, the agreement with AIMS cost \$295,000 for administration fees and \$32 per bill for bill review, with standard annual increases of approximately three percent (3%) to the administration fees each year. In FY 2021, the cost of claims administration services was \$322,354.46. The extension of the current contract with AIMS through June 30, 2022 will not result in a standard annual increase of three percent (3%) in claims administration fees. Rather, the cost of TPA administration fees for FY 2022 will remain the same as the current fiscal year. Bill review services will also remain at the current cost of \$32 per bill.

## **STRATEGIC ROADMAP**

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Roadmap priorities.

## **FISCAL IMPACT**

As described above, the extension of the existing contract with AIMS will not result in a standard annual increase of three percent (3%) in claims administration fees, thus resulting in a savings of \$9,670.63 in administration fees (\$322,354.46). The cost of the TPA administration fees for FY 2022 will remain the same as for the current fiscal year. Bill review and other services will also remain at the current level.

## **NEXT STEPS**

If approved, Human Resources staff will work closely with the Finance Department and City Attorney's Office to execute the amended agreement. Additionally, staff will initiate an open

and competitive Request for Proposal (RFP) process for the provision of workers' compensation claim administration services, prior to the expiration of the amended agreement.

*Prepared by:* Nargiz Karimova, Human Resources Analyst I  
Vanessa Lopez, Senior Human Resources Analyst

*Recommended by:* Jana Sangy, Director of Human Resources

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

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Kelly McAdoo, City Manager