



DATE: May 3, 2022

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adopt a Resolution Authorizing the City Manager to Execute and Enter Into an Agreement with LWP Claims Solutions (“LWP”) for Administration of the City of Hayward’s Workers’ Compensation Claims Services

RECOMMENDATION

That Council adopts a Resolution (Attachment II) authorizing the City Manager to enter into and execute a five-year agreement with LWP Claims Solutions (“LWP”) for administration of the City of Hayward’s Workers’ Compensation Claims Services effective July 1, 2022 through June 30, 2027, for a total not-to-exceed amount of \$2,500,000.

SUMMARY

The City of Hayward is self-insured for the Workers’ Compensation Program and uses the services of a third-party administrator (“TPA”) for claims administration. Since July 1, 2016, Acclamation Insurance Management Services (“AIMS”) has provided these services for the City. The contract with AIMS for TPA services initially expired on June 30, 2021, and last year, was extended for one year, through June 30, 2022. The City of Hayward conducted an open and competitive Request for Proposals (“RFP”) process in December 2021, at the conclusion of which LWP was identified as the most qualified TPA.

BACKGROUND

The City of Hayward is self-insured for the Workers’ Compensation Program and uses the services of a TPA for claims administration. Effective 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 the cost of injuries, and monitor the effectiveness of program-related services and procedures.

Since July 1, 2016, Acclamation Insurance Management Services ("AIMS") has provided these services for the City. The contract with AIMS for TPA services expires on June 30, 2022.

Conducting open and competitive bid opportunities is a best business practice for public agencies that allows the City to ensure that it receives high quality, efficient, and cost-effective services from its vendors. Accordingly, the City of Hayward initiated an open and competitive Request for Proposals ("RFP") process in December 2021. In response to the RFP, proposals were received from the following eleven vendors:

Acclamation Insurance Management Services
Professional Dynamics Managed Care Services
Athens Administrators
CorVel Corporation
Innovative Claim Solutions
Innovative Claim Strategies
Intercare Holdings Insurance Services
LWP Claims Solutions
Pegasus Risk Management
Tristar Insurance Group
PMA Management Corp

The review and rating process included an initial screening of the proposals followed by internal panel interviews. The initial panel consisted of Human Resources and Police Department staff who regularly liaise with the Workers' Compensation TPA, and union representatives for the HPOA and IAFF, Local 1909. Following interviews with the panel, LWP Claims Solutions, CorVel, and Intercare Holdings Insurance Services were identified to move forward to the second panel interview with the key members of the City's team including Human Resources Personnel, the Fire Chief, the Police Chief, and the Director of Maintenance Services.

Upon the completion of the second round of panel interviews, City staff contacted references for the three TPA finalists; the agencies for which LWP provides TPA services shared the most favorable feedback, particularly regarding LWP's ability to enhance the employee experience with reference to the Workers' Compensation Program. Based on the panel interviews and references provided, the selection panel unanimously recommended LWP to be the City's Workers' Compensation TPA.

DISCUSSION

Through a collaborative and communication-driven partnership with LWP Claims Solutions, the City of Hayward will continue to strive for improved results in the areas of costs per claim, litigation costs, and resolution of claims. In addition to continuing to improve the administration of the program, there will be an increased focus on reducing medical costs and preventing employee accidents and injuries.

The selection of LWP as the TPA will assist the City with providing a high-quality workers' compensation benefit to its employees, all while minimizing employee absences and program costs. LWP currently provides TPA services to seventy-seven public entities throughout California and has a proven track record for delivering results that are far superior to state averages. Our research indicates that the company is known to provide effective claims management administration, placing a major focus on customer service, exceeding reporting requirements, and providing the technological capacity to capture critical data in a seamless fashion.

Additionally, LWP offers a proprietary Medical Provider Network (MPN), which is an entity or group of health care providers set up by an insurer or self-insured employer and approved by the California Division of Workers' Compensation's ("DWC's") administrative director to treat workers injured on the job. An analysis of the industry demonstrates that workers' compensation costs are reduced when an effective Medical Provider Network is in place. Currently, the City of Hayward does not have an MPN and instead, directs all employees to an occupational clinic in Hayward if the employee had not previously designated a personal physician for treatment of industrial injuries. LWP can assist the City with implementing such a program and has done so for many clients. This will benefit City employees, particularly the many City employees living in various parts of Northern California who would have easier access to treatment from a provider in the MPN located closer to the employee's home.

STRATEGIC ROADMAP

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

FISCAL IMPACT

Expenses related to TPA services are budgeted in the Workers' Compensation Internal Service Fund, which is adopted annually and included as part of the General Fund Budget. Each fiscal year, departments are charged an internal service fee, which is a percentage of total program costs by job type and calculated based on a prior three-year utilization average. In addition to TPA services, medical expenses, legal services, salary continuation, claim expenses, program-related training and ergonomic equipment and supplies are also part of the Worker's Compensation Fund budget. For FY 2022, the workers' compensation's adopted budget is \$6.5 million.

The annual rate of the proposed 5-year agreement with LWP is as follows:

FY	Annual Rate	Fixed Monthly Fee
2023	\$ 415,000	\$34,583.33
2024	\$427,450	\$35,620.83
2025	\$ 440,274	\$36,689.50
2026	\$ 453,482	\$37,790.17
2027	\$ 467,086	\$38,923.83

There will also be a one-time transition fee of \$5,000 in FY 2023, and there will be an annual administration fee of \$5,000, resulting in a total of \$2,233,292 to be paid over the five-year length of the contract. Additionally, the “not-to-exceed” amount itemized above anticipates charges by LWP for medical management services, which will be separately charged to the City as needed. Medical management services include costs for medical bill reviews, utilization review, and other services, such as field investigations. As they will be billed only as needed, these prospective expenses are unknown, and the requested authorization includes an estimated “buffer” to allow for these costs.

It should be noted that historically, the City has reduced program costs through medical bill review by avoiding medical costs that would have otherwise been paid from the Workers’ Compensation Fund. Thus, the department expects that the additional expenses associated with the medical management process will be offset by an overall savings to the Workers’ Compensation Fund.

The transition from AIMS to LWP is not expected to have a significant impact to the Workers’ Compensation Fund, as the annual fees are in line with industry standards and the administrative fees the City has historically paid for Workers’ Compensation TPA services. As in prior years, fees for these services will be included in the FY 2023 proposed budget.

NEXT STEPS

If approved, Human Resources staff will work closely with Department Heads, designated staff, AIMS, and LWP to ensure a smooth transition and to meet the unique training and support needs of each Department. Upon execution of the agreement, LWP will work with AIMS to receive data and will take over the account and all associated claims services effective July 1, 2022.

Prepared by: Nargiz Karimova, Human Resources Analyst I
Kakshi Master, Acting Deputy Director of Human Resources

Recommended by: Jana Sangy, Director of Human Resources

Approved by:



Kelly McAdoo, City Manager