



# CITY OF HAYWARD

Hayward City Hall  
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## Cover Memo

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**File #:** CONS 16-213, **Version:** 1

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**DATE:** May 17, 2016

**TO:** Mayor and City Council

**FROM:** Director of Human Resources

### **SUBJECT**

Adoption of a Resolution Authorizing the City Manager to Enter into and Execute an Agreement with Acclamation Insurance Management Services (“AIMS”) for Third Party Administrator (“TPA”) of the City of Hayward’s Workers’ Compensation Claims Services

### **RECOMMENDATION**

That the City Council adopts the attached Resolution authorizing the City Manager to enter into and execute an agreement with Acclamation Insurance Management Services (“AIMS”) for Third Party Administrator (“TPA”) of the City of Hayward’s Workers’ Compensation Claims Services.

### **BACKGROUND**

The City of Hayward is self-insured for the Workers’ Compensation Program and uses the services of a TPA for claims administration. Since July, 2011, JT2 Integrated Resources (“JT2”) has provided these services for the City. In partnership with JT2, the City of Hayward made several program improvements over the last five years, including reducing overall costs, implementing a Return to Work Program, and transitioning to a paperless system. The contract with JT2 for TPA services expires on June 30, 2016.

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, in partnership with the cities of Newark and San Leandro, the City of Hayward initiated an open and competitive Request for Proposals (“RFP”) process in October 2015. In response to the RFP, proposals were received from the following eight vendors:

- Acclamation Insurance Management Services
- Athens Administrators
- Hazelrigg Claims Management Services
- Innovative Claim Solutions, Inc.
- Intercare Holdings Insurance Services, Inc.
- JT2 Integrated Resources
- Tristar Insurance Group
- York Risk Services Group, Inc.

The review and rating process included an initial screen of the proposals by each agency individually, an external panel rating with each agency having a representative, individual interviews, and an internal panel from City of Hayward. The internal panel for the City of Hayward consisted of representatives from the Police, Fire, Utilities and Environmental Services, and an Attorney that represents the City on many of its litigated workers compensation cases. Upon completion of the various review and rating processes, AIMS, Innovative Claim Solutions, and JT2 were invited to participate in the internal panel interviews. The panel unanimously recommended AIMS as the City’s TPA.

**DISCUSSION**

AIMS has been administering property/liability and workers compensation claims continuously for over forty years (formerly Leonard J Russo Insurance Services - name changed in 1990). The company provides effective claims management administration, placing a major focus on customer service, exceeding reporting requirements, providing the technological capacity to capture critical data in a seamless fashion, and providing creative solutions to assist the City with providing a high quality workers’ compensation benefit to its employees, while minimizing employee absences and program costs.

Through a collaborative and communication-driven partnership with AIMS, 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 workers’ compensation legislation, reducing medical costs, and prevention of employee accidents and injuries. The AIMS management team is a highly functioning and experienced group of professionals, with over eighty years of service collectively and a range of fifteen to thirty years individually. AIMS currently provides TPA services for over one hundred clients throughout California, of which fifty-three are cities including City of Los Angeles (sworn fire), City of Richmond, and City of Sunnyvale.

The proposed agreement results in a cost reduction in TPA administrative and bill review services. Currently, the City pays \$310,819 per year for administration fees and \$39 per bill for bill review. The agreement with AIMS will cost \$295,000 for administration fees and \$32 per bill for bill review, with standard annual increases of approximately three percent to the administration fees each year. This represents an approximate savings of \$15,819 in administrative fees. Moreover, the approximate annual savings in bill review costs is \$35,000, based on a five-year average of approximately 5,000 bills per year. Table 1 details the administrative fees for the proposed contract.

Table 1: Administrative Fees

<b>FY</b>	<b>Annual Rate</b>	<b>Fixed Monthly Fee</b>
2016	\$295,000	\$24,583.33
2017	\$303,850	\$25,320.83
2018	\$312,965.50	\$26,830.42
2019	\$322,354.46	\$26,862.87
2020	\$332,025.09	\$27,668.76

If approved, Human Resources staff will work closely with Department Heads, designated staff, JT2, and AIMS to ensure a smooth transition and to meet the unique training and support needs of each Department. Upon

execution of the agreement, AIMS will work with JT2 to receive data and will take over the account and all associated claims services effective July 1, 2016.

**FISCAL IMPACT**

As described above, and in addition to continued gain in program efficiencies, the proposed contract will result in a savings of \$15,819 in administrative fees and an annual savings of approximately \$35,000 in bill review costs. 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 expense, legal services, salary continuation, claim expenses, program-related training and ergonomic equipment and supplies are also part of the Worker's Compensation Fund budget. In FY 2016, the workers' compensation's adopted budget is \$6.3 million.

*Prepared and Recommended by:* Nina S. Collins, Director of Human Resources

Approved by:



Fran David, City Manager

Attachments: (Provide short title and list attachment within resolution, i.e., Attachment I-a)

Attachment I

Resolution Authorizing the City Manager to Enter Into and Negotiate an Agreement with AIMS