

## ACTION FORM BRYAN CITY COUNCIL

<b>DATE OF COUNCIL MEETING:</b> August 27, 2013		<b>DATE SUBMITTED:</b> August 12, 2013	
<b>DEPARTMENT OF ORIGIN:</b> Risk Management		<b>SUBMITTED BY:</b> Cindy Kirk	
<b>MEETING TYPE:</b>	<b>CLASSIFICATION:</b>	<b>ORDINANCE:</b>	<b>STRATEGIC INITIATIVE:</b>
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input checked="" type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input checked="" type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> STATUTORY		<input type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input type="checkbox"/> INFRASTRUCTURE
			<input checked="" type="checkbox"/> QUALITY OF LIFE
<b>AGENDA ITEM DESCRIPTION:</b> Consider approving a three (3) year professional services agreement for claims administration and medical cost containment services with AS&G Claims Administration, Inc., subject to annual appropriation of funds by the City Council. Estimated annual expenditure for this agreement is \$61,928.			
<b>SUMMARY STATEMENT:</b> The City of Bryan is self-insured for worker's compensation and liability claims and contracts with a Third Party Administrator (TPA) to provide professional claims adjusting and administration services for these claims. City staff secured and the City Council approved a contract with AS&G Claims Administration, Inc. for FY2009 with the option to renew for four (4) additional years. The fourth and final renewal ends September 30, 2013. The City's current annual claims administration fee is \$52,000 plus medical cost containment services projected at \$15,000. FY2013 projected total cost is \$67,000.			
<p>The City has history with AS&amp;G dating back to Fiscal Year 2003. Additionally, AS&amp;G was awarded a contract after a bid process in 2003 and 2008. So, since Fiscal Year 2003, AS&amp;G has provided the City with claims administration and medical cost containment services.</p> <p>City staff and its Sole Broker of Record issued a Request for Proposal (RFP) for comprehensive liability and worker's compensation claims services, including medical cost containment services. The RFP requested a thirty-six (36) month term with the right to extend the contract for two (2) additional years. Services requested included:</p> <ol style="list-style-type: none"> <li>1. Claims Administration – providing liability and workers' compensation claims administration services including claims adjusting, paying claims and claim expenses, maintaining claim database, and reporting to the City on a periodic basis.</li> <li>2. Medical Cost Containment services to include: <ul style="list-style-type: none"> <li>• Bill Review – reviewing medical provider bills for appropriateness of fee charges utilizing the Texas Medical Fee Schedule.</li> <li>• Utilization Review – providing prospective, concurrent, and retrospective utilization review services to determine whether aspects of a patient's care and requested medical treatment and/or services is medically necessary and appropriately delivered.</li> <li>• Medical Case Management – on a selected case-by-case basis, providing telephonic case management and/or nurse case management involving on-site visits with an injured employee.</li> </ul> </li> </ol> <p>Four (4) sealed proposals were received and opened for Third Party Claims Administration Services on July 9, 2013, from the following vendors: 1-2-1 Claims Services, AS&amp;G Claims Administration, Inc., CAS Claims Services, and JI Companies. No local firms responded to this Request for Proposals (RFP). Proposals were reviewed by City staff and the City's Broker of Record. Proposals were reviewed and ranked using the following criteria: capability to</p>			

provide the services requested (60%), responsiveness to the Request for Proposal (20%), and economic evaluation of Proposal pricing (20%). An evaluation of the proposals according to the above criteria and a comparison of proposed pricing is attached.

After thorough evaluation, AS&G Claims Administration, Inc. (AS&G) is the recommended proposer as the third party claims administration services providing the best value to the City due to the following reasons:

- Professional and qualified staff including service provided by an adjuster dedicated to the City's account
- Most advantageous claims handling procedures
- Proximity of centralized service office (Houston)
- State of the art computer system and report writing capabilities with easy to access data
- Strong security measures in place in administering City funds
- Historical experience with the City demonstrating dedication to a successful City contract

Although two (2) respondents submitted slightly lower cost proposals than AS&G, the capability to provide the City's required services was a key factor in the evaluation of the responses. TPA fees are a small fraction of the claim dollars that can be affected by the TPA's performance. Well-handled claims will cost less than those that are not managed appropriately. TPA fee savings can easily be erased by the mishandling of just one claim. AS&G has extensive City of Bryan claims administration experience and has demonstrated quality performance and success in managing claims.

Factors having a negative impact on other respondents' capability to provide required services include:

- Failure to complete/submit required RFP documentation
- A firm's staff assigned to City's account divided between four office locations
- Proximity of service office
- Submitted Company's service contract in lieu of City's standard form of agreement
- Minimal Texas municipality experience
- Minimal adjuster experience

The flat annual claims administration fee of \$44,600 is guaranteed for the duration of the three (3) year agreement. Medical cost containment services (workers' compensation bill review, utilization review, and medical case management) are billed on a cost per service basis with an estimated cost of \$17,328 per year. The total annual projected amount is \$61,928. This is a decrease from the FY2013 projected amount of \$67,000.

**STAFF ANALYSIS AND RECOMMENDATION:** Staff respectfully requests the City Council award a three (3) year professional services agreement for worker's compensation and liability claims services, including medical cost containment, to AS&G Claims Administration, Inc. effective October 1, 2013, to September 30, 2016, subject to appropriation of funds by the City Council, with the option to renew for two (2) additional one (1) year terms. AS&G provides the best value to the city and has proven to provide quality claims services. The following are key points of the agreement:

- The term of the initial agreement shall be from October 1, 2013, to September 30, 2016, at a flat guaranteed cost of \$44,600 per year for claims services. AS&G will also provide medical cost containment services (bill review, utilization review, and medical case management) during the term of this agreement at the submitted fixed cost per service at an estimated total cost of \$17,328 per year.
- AS&G Claims Administrations, Inc. will dedicate an all-lines adjuster to exclusively handle the City's account.
- Workers' compensation and liability claims services, including supervision and management of claims, will be handled out of one office location (Houston).
- AS&G Claims Administration, Inc. agrees to the City's standard contractual terms.

**OPTIONS (In Suggested Order of Staff Preference):**

1. Approve the recommended Third Party Administrator, AS&G Claims Administration, Inc.

2. Approve another submitted proposal. This may require another posting and consideration at a future City Council meeting.

3. Reject all proposals and provide direction to staff.

**ATTACHMENTS:**

1. Evaluation of submitted proposals and fee comparison (pdf document)

2. Request for Proposal (RFP) is available for review in the City Secretary's office

**FUNDING SOURCE:** FY2014 budget – Self-Insurance Fund (as budgeted in the proposed FY2014 budget)

**APPROVALS:** Hugh R. Walker, 08/13/2013

**APPROVED FOR SUBMITTAL: CITY MANAGER** Kean Register, 08-13-2013

**APPROVED FOR SUBMITTAL: CITY ATTORNEY** Janis K. Hampton, 08-19-2013

Revised 04/2013