



Board Agenda Item 34

DATE: October 31, 2017

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, Director of Human Resources

SUBJECT: Agreement with Acclamation Insurance Management Services

RECOMMENDED ACTION(S):

1. **Hear and consider appeal from Risico Claims Management regarding recommended award of Third Party Administration and associated ancillary services to Acclamation Insurance Management Services.**
2. **Approve and authorize Chairman to execute an Agreement with Acclamation Insurance Management Services for workers' compensation third party claims administration and associated ancillary services, effective January 1, 2018, not to exceed five consecutive years, which includes a three-year base contract and two optional one-year extensions, total not to exceed \$11,893,917.**

Should your Board deny the appeal of Risico Claims Management, it is recommended that your Board approve and authorize the proposed agreement with Acclamation Insurance Management Services (AIMS) for Third Party Administration (TPA) and associated ancillary services for the County's self-insured Workers' Compensation Program. Both the County Administrative Officer (CAO) and Purchasing Manager have reviewed and considered the appeal pursuant to the County's appeal process and recommend that the appeal be denied.

As with the current TPA agreement, the cost of the recommended agreement with AIMS will be part of program costs recovered through the Risk Management workers' compensation rates, with no increase in Net County Cost.

ALTERNATIVE ACTION(S):

Your Board could require the services to be re-bid; however, the agreement with the existing vendor, RISICO, will expire on December 31, 2017, and disruption of claims management and ancillary services for workers' compensation would cause a loss of benefits, payments and medical services to our injured employees. After a thorough review of bidder proposals, it has been determined unanimously by the RFP review committee that the services offered by AIMS will best meet the needs and requirements of the County.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action. The maximum cost associated with the recommended agreement is \$7,015,811 over the three-year base period. The cost for the fourth and fifth years shall not exceed \$2,417,125 and \$2,460,981, respectively. As with the current TPA contract, the cost of the recommended agreement will be part of program costs recovered through the Risk

Management Internal Services Fund (ISF) workers' compensation rates. Sufficient appropriations are included in the Human Resources - Risk Management Org. 8925 FY 2017-18 Adopted Budget.

DISCUSSION:

In the 51-year history of the County's Self-Insured Workers' Compensation program, the County has retained the services of a TPA to administer workers' compensation claims. The County has chosen not to self-administer this program as it avoids labor costs, turnover issues, and creates better claim cost efficiencies. The current TPA agreement (Agreement No. 12-253), which was approved by your Board on July 10, 2012 with AARLA (later known as Risico) became effective October 1, 2012 and will expire on December 31, 2017.

Ancillary services associated with the administration of workers' compensation claims such as bill review, utilization review, Medicare Section 111 reporting, and medical provider networks are important cost containment measures, necessary to the successful, cost-effective administration of the program. Nurse Case Management ancillary services are currently provided through Agreement No. 13-501 with Tristar Managed Care, Inc. (Tristar). The Department will return before the end of the calendar year with an agenda item requesting the termination of the Tristar agreement, effective January 1, 2018. Since July 1, 2006, the County has utilized a flat rate pricing model to allow for stable cost allocation of these expenditures over the terms of the agreement. The proposed agreement, continues the flat rate pricing model.

On July 11, 2017, the County issued Request for Proposal (RFP) No. 17-084 requesting bids for services for the period of January 1, 2018 through December 31, 2023. The RFP process was coordinated by the Internal Services Department - Purchasing Division (ISD-Purchasing). The County sought proposals from vendors for claim administration and the above-mentioned ancillary services. Bidders were free to submit proposals for any or all of the services related to workers' compensation claims management. The RFP was sent to all firms registered in the ISD - Purchasing system. The County received four proposals.

A panel of five individuals was convened to perform selection activities, including three from the Department of Human Resources and two from the County State Association of Counties-Excess Insurance Authority (CSAC-EIA). After the initial evaluation and review by panel members, the candidates for TPA and selected ancillary services were narrowed to two. The panel members requested that ISD - Purchasing allow the panel to conduct on-site interviews of the two top ranking vendors before making a final recommendation. ISD - Purchasing was able to approve the committee's request to conduct on-site interviews to determine which of the two top vendors was best suited to meet the County's needs.

The on-site interview of the two vendors consisted of general clarifying questions, a tour of the facilities and a demonstration of the proposed claims management system, which displayed the ability to provide on demand ad-hoc reporting.

AIMS offers the claims administration ancillary services that are required of the County. Their proposal was strong and they presented exceptionally well during the on-site interviews. Additionally, the panel members noted the following strengths in the AIMS proposal:

- Guarantees a 24-hour initial three-point contact from the time the injury report is received.
- Provides ancillary services through their sister company, Allied Managed Care (AMC) for proper medical control and to ensure that cost containment measures are in place.
- Fully integrated claims management systems with Allied Managed Care and is also fully integrated with their paperless management system.
- Provides up-to-date training to their claim examiners and the County staff. This creates job satisfaction and minimizes staff turnover.
- Retains a legislative advocate on staff that will act on the County's behalf and provide necessary information regarding upcoming legislation changes and other developments that could affect the

County.

- Room for employee expansion to house new staff to oversee the County claims. They also have an internal warehouse to store the County's paper files, and possess the capability to convert them to electronic files into their claims management system when pulling the paper files for further claims handling.

Based on the panel's assessment of the candidates, AIMS received the highest overall ranking and a recommendation was made to award the contract to that vendor.

On September 12, 2017, ISD - Purchasing issued and posted the Tentative Proposal to AIMS, the most responsive, responsible bidder whose proposal was deemed the most advantageous to the County.

On September 21, 2017, Risico submitted an appeal to the Purchasing Manager contending the following:

1. The (RFP) evaluation panel scoresheet and evaluation panel, failed to question, consider and evaluate the results achieved by Risico over the last 5 years; and,
2. Risico was not afforded the opportunity to participate in the oral interviews or onsite visit.

The Purchasing Manager responded to all components of Risico's appeal explaining that:

1. Evaluation committees for all County of Fresno RFP's base their tentative award on the proposals that are submitted for each RFP process to ensure all proposers have a fair and equal chance at a tentative award for the County;
2. Past performance and reference may factor into the tentative awarding of the contract, on this RFP, past performance was not a factor;
3. After a thorough review and consideration of all the proposals for RFP, the evaluation committee elected to interview the two top ranked vendors. Risico was not ranked high enough for consideration of an on-site visit; and,
4. Based on the review of the concerns addressed in the appeals letter, there was nothing to support the appeal and was denied.

On October 4, 2017, Risico further appealed to the CAO on the same basis. The CAO concluded that there is insufficient reason to change the tentative award recommendation.

Your Board's approval of the recommended agreement will allow the County to continue to receive necessary third party claims administration and associated ancillary services for the County's self-insured Workers' Compensation Program. Additionally, the Department will return before the end of the calendar year with an agenda item to terminate the existing Nurse Case Management ancillary services agreement with Tristar, effective January 1, 2018

REFERENCE MATERIAL:

BAI #30, August 22, 2017, Amendment IIII to Agreement No. 12-253
BAI #42, October 27, 2015, Amendment III to Agreement No. 12-253
BAI #30, July 29, 2014, Amendment II to Agreement No. 12-253
BAI #56, March 25, 2014, Amendment I to Agreement No. 12-253 (14-115)
BAI #44, August 20, 2013, Agreement No. 13-501
BAI #45, July 10, 2012, Agreement No. 12-253

ATTACHMENTS INCLUDED AND/OR ON FILE:

Advance Agenda Materials
On file with Clerk - Agreement with AIMS

CAO ANALYST:

Sonia De La Rosa