



Board Agenda Item 8

DATE: November 14, 2017

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, Director of Human Resources

SUBJECT: Agreement for Third Party Administration & Associated Ancillary 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.**

Pursuant to your Board's direction during the October 31, 2017 hearing, the Department has included additional information regarding the evaluation worksheet and review of cost proposals for the four proposals submitted.

Should your Board deny the appeal of Risico Claims Management (Risico), 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 was determined unanimously by the Request for Proposal (RFP) evaluation 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 actions. 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 and will be included in future budget requests for the term's duration.

DISCUSSION:

On October 31, 2017, your Board heard and considered an appeal from Risico. The appeal was based on the evaluation worksheet's failure to consider Risico's past performance in the last five years as the County's TPA and the related cost proposal. Your Board directed the Department to provide additional information regarding the evaluation worksheet and review of the cost proposals.

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). With your Board's approval of the recommended agreement, 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 RFP No. 17-084 for claim administration and the above-mentioned ancillary 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). 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 from Vendors A - AIMS, B - Intelligent Medical Solutions (IMS), C - Risico, and D Tristar.

An evaluation committee of five individuals was convened to perform selection activities, including two from the Department's Risk Management Division and one from the Employment Services Division, and two from the California State Association of Counties - Excess Insurance Authority (CSAC-EIA).

As included on Attachment A, the evaluation worksheet allowed the committee to rank the bidder's in the different areas of the RFP. The evaluation worksheets for each vendor with rater's responses are included as Attachment B - AIMS, C - IMS, D - Risico, and E -Tristar; the final rankings for all vendors are in Attachment F.

After the initial evaluation and review by the evaluation committee, the bidders were narrowed to two, Vendors A - AIMS and D - Tristar. The evaluation committee requested that ISD - Purchasing allow the committee 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, AIMS or Tristar, 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 integrated cost containment solutions between the ancillary services and program coordination that the County is seeking. The proposal was strong and representatives presented exceptionally well during the on-site interviews. Additionally, the evaluation committee noted the following strengths in the AIMS proposal:

- Originally founded in 1973, seven claims offices in California, 30 years of experience in the Fresno office.
- Over 100 clients, 80% in the Public Sector with 96% client satisfaction in the last three years.
- New claims entered in system within 24 hours and then triaged by supervisor to identify all key technical issues, nature and scope of injury, and assign claim for three-point contact.
- Guarantees 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 AMC and is also fully integrated with their paperless management system.
- Large information technology team that consists of 14 employees, and County enabled ad-hoc reporting.
- Provides up-to-date training to their claim examiners and the County staff through their internal training programs that are led by the Senior Vice President of Operations and Vice President of Workers Compensation. This creates job satisfaction and minimizes staff turnover, which is currently at a rate of 4% in the last five years.
- 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.
- Communication between injured workers, every two weeks if off work, every 30 days if on modified work until released to pre-injury status.
- Quality insurance/audit unit to ensure that all claims are reviewed accurately and timely.
- 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.
- Corporate support with many levels of experienced personnel in training, review of catastrophic or complex claims, transitions, carve out programs (alternative dispute resolution) legislative advocate.
- Willing to hire personnel that is desirable to the County before offers are made and County can interview to see who would be the best fit.

Based on the evaluation committee's assessment of the candidates, Vendor A - AIMS received the highest overall ranking and a recommendation was made to award the contract to that vendor, final ranking included in Attachment G.

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 worksheet 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, with your Board's approval, 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, to ensure the County does not have two concurrent agreements.

REFERENCE MATERIAL:

BAI #34, October 31, 2017
BAI #30, August 22, 2017, Amendment IV 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:

Attachment A - Evaluation Worksheet
Attachment B - Vendor A - AIMS Evaluation Worksheets
Attachment C - Vendor B - IMS Evaluation Worksheets
Attachment D - Vendor C - Risico Evaluation Worksheets
Attachment E - Vendor D - Tristar Evaluation Worksheets
Attachment F - August 10, 2017 Final Ranking Evaluator Worksheet
Attachment G - August 31, 2017 Post On-site Visit Final Ranking Evaluator Worksheet
Advance Agenda Materials
On file with Clerk - Agreement with AIMS

CAO ANALYST:

Sonia De La Rosa