



City of San Antonio

Agenda Memorandum

File Number:16-5477

Agenda Item Number: 17.

Agenda Date: 10/20/2016

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott, CPA

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Engagement of Third-Party Administrator (TPA) for Workers' Compensation Program

SUMMARY:

This ordinance authorizes the City Manager or her designee to enter into a contract with AS&G Claims Administration, Inc. to provide third-party administration services for workers' compensation claims for the City of San Antonio. The term of this contract is three years, beginning January 1, 2017 and ending December 31, 2019, with an option to extend the contract for up to two one-year extensions, subject to and contingent upon funding by City Council. The estimated cost for the first year is \$1,032,000.00. If all options are exercised, the estimated total cost of the contract is \$5,586,000. This sum represents professional fees paid directly to the Third Party Administrator. The contract also provides for costs of services paid to subcontractors, such as bill audit review and investigation services, that are charged directly to the claim file and vary on a claim by claim basis.

BACKGROUND INFORMATION:

The City receives an average of 1,400 workers' compensation claims annually. The City retains the services of a Third-Party Administrator (TPA) to oversee and process these claims. The TPA is responsible for claims management, which involves the investigation, adjusting and payment of claims; medical cost containment, which involves bill review, utilization review and peer review of claims; pharmacy benefit management, which involves audit and payment of pharmacy bills in accordance with Texas Department of Insurance fee guidelines and negotiation of special pharmacy discounts; and Risk Management Information System (RIMS) Services, which provides a claims platform for the City's internal liability claims handling.

The Finance Department, Purchasing Division released a Request for Proposals (RFP) for Workers' Compensation Third-Party Administrator Services on June 10, 2016. The RFP was advertised in the San Antonio Express-News and a pre-submittal conference was held on June 22, 2016, to allow for Respondent questions and clarification to the RFP. Five proposals were received by the July 13, 2016 deadline.

Three responses were deemed non-responsive as they failed to meet the requirements of the Small Business Economic Development Advocacy (SBEDA) Program as specified in the RFP.

The remaining responses were evaluated by the Evaluation Committee ("committee"), which included representatives from the City's Office of the City Manager, Finance Department, Human Resources Department, San Antonio Police Department, and San Antonio Fire Department.

The evaluation of each proposal response was based on a total of 100 points, allotted as follows: 30 points for experience, background, qualifications; 35 points for proposed plan; and 15 points for price; 5 points for the Small Business Economic Development Advocacy (SBEDA) Program; 10 points for the Local Preference Program; and 5 points for the Veteran-Owned Small Business Preference Program.

The committee conducted interviews and scored proposals on August 25, 2016. AS&G Claims Administration, Inc. was selected by the committee as the recommended respondent for award.

ISSUE:

Award of this contract will allow for the continuation of City Council's policy of providing third-party administration of workers' compensation claims, and will provide a software platform for City's internal liability claims management program.

The Small Business Economic Development Advocacy (SBEDA) Program was applied to this Request for Proposal. Due to not having a local presence in San Antonio, AS&G Claims Administration, Inc. initially opted not to apply for the City's Mentor Protégé Program unless they were the selected vendor. As such, AS&G did not receive the five mentoring incentive points that were allocated for respondents that applied to become a mentor. A post-solicitation briefing was provided to the High Profile Sub-Committee on September 20, 2016. The Committee voted to move the item to full Council consideration without a recommendation from the Committee due to the lack of this commitment. AS&G has since been approved to be a mentor and is now contractually required to fulfill the requirements of the Mentor Protégé Program.

The Local Preference Program was applied in the evaluation of responses received for this contract; however the highest ranked firm is not a local business.

There were no proposals submitted from veteran-owned small business Respondents for this contract; therefore, the Veteran-Owned Small Business Preference Program was not applied.

ALTERNATIVES:

The City could attempt to perform internal workers' compensation claims administration and associated services. This would require additional specialized and experienced personnel and associated staffing costs, and would not necessarily guarantee the same level of claims handling expertise.

FISCAL IMPACT:

Funds are included in the FY2017 Adopted Budget in the Self-Insurance Workers' Compensation Fund Budget, Cost Center 7509010003, General Ledger No. 5201040 Fees to Professional Contractors in the amount of \$1,030,000.00 to cover the cost of the first year of the contract. In addition, funds are included in the FY2017 Adopted Budget in the Self-Insurance Liability Fund Budget, Cost Center 7509020002, General Ledger No. 5201040 Fees to Professional Contractors in the amount of \$2,000.00 for an ISO claimant search functionality.

RECOMMENDATION:

Staff recommends approval of this ordinance to execute a professional services agreement for Third-Party Administrator Services for Workers' Compensation Claims with AS&G Claims Administration, Inc. for a term beginning January 1, 2017 and ending on December 31, 2019, with an option to extend the contract up to two additional one year extensions, subject to and contingent upon funding by City Council. This contract is procured by means of Request for Proposals and a Contract Disclosure Form is attached.