

## **SCOPE OF WORK WORKERS COMPENSATION CLAIMS**

The City desires the following services:

1. Third Party Administrator (TPA)

- a. Professional adjusters, sufficiently experienced to administer claims in accordance with the North Carolina Workers' Compensation Act and the rules and procedures of the North Carolina Industrial Commission
- b. Adjusters licensed, for all lines of property and liability, by and in good standing with, the State of North Carolina Department of Insurance;
- c. Adjusters and non-adjusters with communication and customer service skills, that communicate with all parties in a manner which is cordial, professional, courteous, and conducive to the resolution of claims and disputes
- d. Third Party Administrator shall assign adjusters to perform work which requires a licensed adjuster; non-adjusters may perform work which does not require a license; time-and-expense bills shall clearly distinguish hours of work performed by each
- e. TPA shall provide all services necessary to the claim; authority to pay will be granted by the City based on review and evaluation of adjuster reports, discussions, and file notes.
- f. TPA shall establish an intake process for accepting new claims reported from the City and for promptly establishing these claims for handling. The TPA shall be able to accept claims reported by telephone, fax, or mail, and also via the internet.
- g. TPA must have a plan in place to take recorded statements and respond to requests after normal business hours. This plan may be used infrequently; however, the City has numerous 24-7 operations and a significant exposure to serious injury and mass casualties. For this reason, a plan must be in place to cover the potential need for after-hours services.
- h. TPA shall manage claims in compliance with the NC Workers Compensation Act, and with providing day-to-day claims management services. The selected TPA's representatives will work closely with the CITY's representatives to manage the claims.
- i. TPA shall investigate all workers' compensation claims, obtain statements and document facts related to any aspect of the claims, and prepare all North Carolina Industrial Commission forms appropriate for the claims. TPA's Work shall include the scrutiny and processing (as required or approved by the NCIC) of all medical, rehabilitation, and disability compensation aspects of the claims.
- j. TPA shall provide periodic reports, and shall recommend reserves, defense strategies, settlement options, etc; adjusters shall attend

mediations; adjusters shall be available to meet with City staff on an established schedule or as may be required for a particular claim

- k. TPA shall be responsible for all employer taxes and social security due to the state and federal governments; TPA shall be responsible for all employee benefits provided to its employees; TPA shall not sub-contract work without the prior written permission of the City
2. Issue Checks
    - a. TPA shall issue checks for workers' compensation benefits, defense expenses, and other expenses of the claims with the exception of TPA services fees and in accordance with City instructions and the contract provisions detailed further in Attachment C.
    - b. TPA shall maintain a bank account dedicated to this purpose and shall provide the City with all records requested to document payments and track expenditures of City funds.
  3. Medical bill review and PPO/Prescription management program

TPA may provide medical bill review, PPO, and pharmacy services to reduce the cost of medical benefits. TPA must maintain this service at no cost to the City for NCIC schedule reductions and at a competitive cost for PPO/pharmacy services. If TPA obtains this service from another company, costs must be reviewed and approved by the City prior to charges being incurred on the City's behalf, and TPA shall provide reports to the City as required to demonstrate benefit of the service. This cost should be itemized in this RFP response.
  4. Assume responsibility for managing claims from the City's current claims administrator.

Responsibility for the management of existing open claims will be transferred to the TPA selected. The selected Administrator will require transfer of data from the incumbent's system. Each respondent shall state its ability to accept this claim information, and shall provide a separate work plan, timetable, and fee quotation for these services.
  5. Provide Risk Management Information Systems services

RMIS service shall include but not limited to:

    - a. Standard claim information reports to include loss control reports such as; injury by body part, etc
    - b. Ad hoc reports
    - c. Access to the TPA's claims notes via on-line access, preferably via the Internet.
  6. Electronic communications
    - a. TPA must be able to export claim files and data from their system into the City's RMIS, currently RiskMaster/World

- b. Files are required to be sufficiently documented to support recommendations to pay, compromise, or deny claims and shall include, at a minimum, all:
  - i. Communications with claimants, witnesses, City staff, attorneys, and others involved in the claims
  - ii. Recorded statements (these may be stored separately on audio tapes, and must be maintained by the adjuster with sufficient information to identify them with the claim)
  - iii. Medical, rehabilitation, and other benefits
  - iv. Investigative information, including all notes, reports, and materials related to investigation of the claim
  - v. Mediations, settlement discussions, etc.
  - vi. Settlement evaluation documents
  - vii. Industrial Commission forms and orders
  - viii. Denial letters
  - ix. Attorney communications and billings
  - x. All expenses of the claim
  - xi. Adjuster time and non-adjuster time, and other service fees to be billed to the City
- c. TPA shall work with the City to complete the steps necessary to accomplish electronic data transfers; TPA shall be responsible for any costs incurred by TPA to meet this requirement.

7. Service Commitment

- a. Proposals shall include a specific commitment for the following services:
  - i. *Response times to first reports,*
  - ii. *Response times returning telephone calls or other communications*
  - iii. *Periodic communications with the City, defense counsel, and excess carriers*
  - iv. *Response times to inquiries by the City* (complaints and other inquiries)
  - v. *Strategies to minimize the increase in the number of pending claims from one fiscal year to the next and over multi-year periods*
  - vi. *Strategies to respond quickly to the need for activities checks*

**Performance Standards – Workers’ compensation claims**

1. Notification/Assignment

- a. Within the first working day immediately after notice of a claim is received by the administrator, files shall
  - i. Be established in the administrator’s claim system;
  - ii. Have a claims adjuster assigned to all lost time claims; and
  - iii. Have file activity documented by the adjuster.
- b. The TPA shall provide automated acknowledgment of the receipt of each claim. The acknowledgment shall include:
  - i. Claim number

- ii. Adjuster
  - iii. Adjuster's address and telephone number
  - iv. Supervisor
  - v. Supervisor's telephone number
  - vi. Claimant's name
  - vii. Date of Loss
  - viii. Type of Loss
- c. Twenty-four (24) hour reporting and accident investigation services may be required.
  - d. The Respondent shall complete and distributed any and all state-mandated forms on behalf of the "CITY" in accordance with the requirements of State Administrative Agencies for reporting and notification.

## 2. Contact

- a. Within one working day of claim receipt, the adjuster is required to initiate contact and investigation with the:
  - i. Employee,
  - ii. City, and
  - iii. Managed care case worker.
- b. If after three attempts within a twenty-four (24) hour period of claim receipt verbal communication proves unsuccessful, a letter shall be forwarded to the appropriate party indicating a need for immediate contact.
- c. Following written communication, the adjuster shall continue a minimum of one (1) daily contact effort by:
  - i. Verbal communications
  - ii. Written correspondence, and/or
  - iii. Person-to-person contact.
- d. The adjuster shall attempt verbal contact with any pertinent witnesses within two (2) working days of claim receipt.
- e. If after three (3) attempts within two (2) working days verbal communication proves unsuccessful, a letter shall be forward to the witness indicating need for discussion.

## 3. Investigation

- a. Claim investigation shall be initiated by phone or in the field within two (2) working days of receipt of notice.
- b. Proper supporting documentation shall be obtained in a timely manner and a report on this provided to the "CITY" as requested. The report shall include, but is not limited to:
  - i. Medical reports in order to verify causal relationship;
  - ii. Motor vehicle and accident/incident reports; and
  - iii. Employment records as they relate to the workers' compensation claim.

- c. Recorded statements shall be secured from all parties with respect to those claims deemed questionable, or if the potential exposure of these individual claims exceeds ten thousand dollars (10, 000).
  - d. Simultaneously with file set-up, all lost time claims shall be submitted to the Index System.
  - e. Thereafter, lost time shall be indexed semi-annually, at a minimum.
  - f. Claims shall be investigated for recovery potential from third party recovery and Special Injury Funds recoveries, preparing correspondence to effect collection, and assisting counsel where litigation is required to accomplish recovery.
  - g. Claims shall be investigated for employment relationship and verification that the injury arose out of and in the course of employment.
4. Determination Compensability
- a. Claims shall be investigated or denied within the statutorily defined period in accordance with State Law.
  - b. All denials shall be discussed with the City prior to denial to the employee.
5. Medical Management
- The TPA shall refer employees to approved providers.  
The case shall be assigned to a medical case manager within one (1) working day when:
- a. The employee has suffered a catastrophic injury, or
  - b. The employee's disability is expected to exceed thirty (30) days.
  - c. The adjuster shall coordinate and control medical management activities necessary for proactive claims management.
  - d. When requested and authorized by the City, the adjuster shall assign specific cases for onsite nurse case management.
  - e. The adjuster shall instruct external case vendors to develop and follow a medical case management intervention plan.
6. Cost Containment
- a. The TPA shall perform a timely, quality assurance review of medical charges against the appropriate fee schedule and for proper utilization prior to release of payment.
  - b. Appropriate invoices shall be paid within a forty-five (45) day period, or within the statutorily defined period, whichever is shorter.
  - c. The TPA shall perform appropriate utilization review where applicable.
7. Benefit Payment/ Statutory Compliance
- a. Wage statements shall be prepared by the City on proper state forms as required by applicable state law and forwarded to the TPA.
  - b. The employee's average weekly wage and applicable compensation rate shall be properly calculated.
  - c. The TPA shall pay the appropriate temporarily benefit within the statutorily required period.

- d. Employee's permanent disability benefits shall be paid timely per state law.
- e. The TPA will continue to complete and file all required workers' compensation state forms as mandated by state requirements.
- f. Penalties assessed for late payment shall be reported to the "CIYT". A quarterly report shall list any penalty payments attributed to delays in: the TPA's system or procedures, which shall be paid by the TPA, the "CITY's" system or procedures, which shall be paid from the claim file as either additional indemnity payments or additional allocated loss adjustments expenses, depending which is appropriate under the applicable state law.

8. Benefit Payment/ Statutory Compliance

- a. The adjuster shall coordinate the case activity with the employee, the City representatives, the employee's supervisor, and the medical providers to ensure the employee's return to work at either a modified or regular position as soon as possible.
- b. Return to work releases that include work restrictions and return to work dates obtained from medical providers shall be conveyed to the City's representative within two (2) working days of receipt.

9. Fraud

Suspected fraudulent claims shall be referred to the City's representative within forty-eight (48) hours of determination to obtain authority for surveillance.

10. Claims Resolution

- a. The TPA shall have no authority to settle claims.
- b. Written requests for settlement approval shall be submitted to the City's representative. The request shall outline the claim history and the basis for the settlement proposal and should include a detailed settlement evaluation.
- c. Appropriate settlement negotiation plans shall be established and documented in the file notes.

11. Recoveries

- a. All claims shall be investigated for possible subrogation and trust fund recovery potential where applicable, within thirty (30) days of receipt of the notice of claim.
- b. The City must approve all subrogation pursuits prior to recovery initiation. If approved, the administrator shall forward a notice letter to the responsible third party within fourteen (14) days of authorization.
- c. Timely notice shall be filed with third parties and trust funds in order to secure the right of recovery. All evidence and documentation that supports the claim for recovery shall be identified and protected.
- d. The TPA shall contact the City representative if a third party, his/her insurer, and/or a state trust fund offers a settlement less than the full value of the claim for which reimbursement is sought.

12. Vocational Rehabilitation
  - a. Utilization and management of vocational rehabilitation programs and vocational therapists shall be approved/authorized by the City.
  - b. When applicable, a vocational rehabilitation plan shall be established and documented in the claim file.
  
13. Litigation Management

If a claim is involved in litigation, the following shall apply:

  - a. The "CITY" shall be notified of hearing requests (e.g., hearings, mediations, settlement meetings, trials) within two (2) working days of the administrator's notification.
  - b. The "CITY" reserves the right to select defense counsel.
  - c. Copies of pertinent legal correspondence shall be forwarded to the "CITY's" representative for review and documentation purposes in a timely manner so that the "CITY" can be kept informed of the claim status.
  - d. The TPA shall complete all investigations, and shall provide the pertinent file materials to an approved defense attorney.
  - e. Pre-trial conferences or teleconferences with the "CITY" representative shall be conducted at least seven days prior to hearing dates.
  
14. Documentation

The TPA's file shall contain documentation of action taken, including written or recorded statements, conversations with employee, the supervisor, medical providers, witnesses, vendors, attorneys, or others, opinions and conclusions, documentation by supervisory personnel of review and directions for resolution, and other actions taken by the adjuster that would prove useful for future actions. When possible, all such documentation shall be recorded in the TPA's claims processing system, which shall be accessible to the City staff on a "**read only**" basis. If claim activity information is not available via on-line communication with the administrator's claim system, the City reserves the right to request and obtain documented information regarding reserve establishment from the administrator and shall receive such information within **seven (7) days of the request**.
  
15. Reserves
  - a. At any point, case reserves shall reflect the adjuster's best estimate of the ultimate cost that is expected when the claim is closed.
  - b. Initial case reserves shall be established no later than fifteen (15) days from claim receipt, and the file notes shall document the basis for the reserve estimate. Initial reserves shall reflect the estimated ultimate claim value based on information gathered to date.
  - c. After the initial reserves, reserve reviews shall take place every sixty (60) thereafter, at a minimum, to ensure that appropriate reserves have been established. The claim file shall contain documentation for the basis of the reserves established.

- d. Reserve worksheets, located either on-line or in the hardcopy file, shall be utilized at the time initial reserve estimates are established and at each subsequent review.
- e. Reserve notices shall be sent to the City if the initial reserve or subsequent reserve changes exceed ten thousand dollars (\$10, 000). The notice shall contain a brief description of the claims status, the reserves that have been established, and the basis for the reserve change.

16. Excess Reserve Compliance

- a. The TPA shall develop a method for identifying claims that require excess insurance notification.
- b. Reports shall be submitted to the insurer and/or excess insurer as required under the applicable insurance policies. This includes the following:
  - i. The total Incurred Cost at or over 50% of the SIR or other specific limit
  - ii. Temporary disability of nine months or more
  - iii. Death
  - iv. Heart attack
  - v. Major member amputation
  - vi. Serious occupational diseases (silicosis, etc.)
  - vii. 2<sup>nd</sup>/3<sup>rd</sup> degree burns over 25% of body
  - viii. Potential permanent total
  - ix. Functional overlay, mental problems
  - x. Serious head/brain injuries
  - xi. Catastrophic losses involving multiple claimants
  - xii. Complete loss sight, one or both eyes
  - xiii. Complete hearing loss, one or both ears
  - xiv. Potential AIDS case
  - xv. Certain primary carrier categories
  - xvi. Employer Liability Claims

17. Communication

- a. Approval to utilize any independent contractor or vendor shall be secured from the City prior to engagement of services.
- b. The TPA shall monitor and manage necessary corrections or revisions to claim files based on agreements reached during periodic meetings and discussions between the City and the TPA.
- c. An Account Executive shall be provided as a single point of contact for the City. If the assigned Account Executive is unavailable, an Account Executive or Account Specialist shall be named and shall be available to the City in the Account Executive's absence.
- d. The administrator shall only designate full-time employees to service the City's claims.

- e. Quarterly service calls shall be made to the City by the administrator's dedicated Account Executive in order to discuss claims and procedures of interest.
- f. Maintain an updated list of claims personnel who manage the City's claims, and promptly notify the City when staffing changes occur.
- g. Prepare and present an annual stewardship report to the City with data and information relative to the year's activities, goals, accomplishments payments, savings, and improvement opportunities. These will be submitted no later sixty (60) days prior to each annual period.
- h. At the City's option, audits may be conducted in order to measure compliance with contract standards.
- i. TPA will provide City information on laws, rules and regulations governing Worker's Compensation Claims that could affect our program and provide practical information and advice on how to deal with any changes.

18. Accounting Responsibilities

- a. TPA shall be responsible for completing and filing all 1099s for payments to service providers.
- b. TPA will send reimbursement letters to City Accountant as payments are made.
- c. TPA will be responsible for sending monthly reconciliation, including workers compensation statement reports to City Accountant.
- d. TPA will be audited by a 3<sup>rd</sup> party independent auditing firm that will confirm that billing to City is correct.

19. Additional Requirements

The TPA shall prepare reports and be available for quarterly claim reviews.

