



DATE: September 15, 2014

TO: Thomas J. Bonfield, City Manager

THROUGH: Wanda S. Page, Deputy City Manager

FROM: David Boyd, Finance Director
Chad Cowan, Treasurer
Glenn LeGrande, Risk Manager

SUBJECT: Selection of a Third Party Administrator for Workers Compensation and General Liability Adjusters

EXECUTIVE SUMMARY

In December 2011, the City entered into a contract with Brentwood Service Administrators for workers' compensation claims administration services and a contract with the North Carolina League of Municipalities for liability administration services. Each contract will expire in the fall of 2014.

In June 2014, the Finance Department issued a request for proposal (RFP) for a Third Party Administrator (TPA) to provide both workers' compensation and liability administration services and received seven responses. The proposals were evaluated by a committee comprised of personnel from the Finance Department and representatives from the City's Insurance Broker, Arthur J. Gallagher. Based on this evaluation, the committee invited two of the seven firms for interviews, which included a demonstration of their Risk Management Information System (RMIS).

RECOMMENDATION

The Finance Department recommends the City Council authorize the City Manager to enter into a contract with Corvel Corporation as the City's Third Party Administrator for workers' compensation and general liability claims administration for a period of three years with three optional one year extensions.

BACKGROUND

As a self-insured entity, the City is obligated to provide administration services for workers' compensation and auto/general liability claims and has historically contracted with external firms called "Third Party Administrators" ("TPAs") to provide this service. The City currently uses two separate firms for claims administration, Brentwood Services for workers' compensation and the North Carolina League of Municipalities for auto/general liability claims. In Fiscal Year 2014, the total fee paid to these administrators was \$185,000.00. Additionally, the City has also maintained a stand-alone RMIS for claim tracking and record retention purposes at a cost of \$35,000 annually – for a total annual cost of approximately \$220,000.00.

ISSUES/ANALYSIS

With the expiration of the existing TPA contracts in the fall of 2014, the City's Risk Management staff identified the opportunity to significantly improve the operational structure and financial burden of the TPA fees by consolidating both services with one vendor. The following firms submitted proposals to provide the service to the City: AS&G Inc., Brentwood Services, Corvel Corporation, Hewitt Coleman, North Carolina League of Municipalities, PMA Group and Tristar Risk Management. All seven proposals were evaluated based on the following criteria:

1. Experience of the Firm with Workers' Compensation and Liability Claims
2. Risk Management Information Systems
3. Process Improvements and Data Improvements
4. Cost of Services Provided

The City selected Corvel Corporation and PMA to present their qualifications in person and to demonstrate each company's RMIS system. Although not the least expensive provider, the Finance Department believes Corvel Corporation is best suited to help the City minimize the overall cost of its Risk Management Program. The estimated first year cost of Corvel is approximately \$180,175.00 compared to PMA's estimate of \$161,200.00. Although pricing was favorable for PMA, the Finance team strongly believes the following factors favor Corvel:

- 1) **Significant Experience with Government Clients:** The firm has over 400 public sector clients across the country and works extensively in the State of North Carolina with offices in Raleigh and Charlotte.
- 2) **In-Depth Understanding of the North Carolina Industrial Commission and local law:** The firm has extensive experience working with workers' compensation claims in North Carolina and has administered over 60,000 Workers' Compensation claims over the past five years. They have a firm knowledge of North Carolina law and how the NCIC adjudicates claims.
- 3) **Report Workers' Compensation Claims via phone.** Currently, City employees and their supervisors use web-based system to report new workers' compensation injuries. When using Corvel's system, all workers/supervisors will be able to call a toll free number and speak directly to a medical professional and complete a loss notice when appropriate. This will help minimize the number of claims, lost work time and other costs to the City. It will also provide the City with a higher quality of data provided by the initial lost time reports.
- 4) **Opportunity to significantly streamline the City's processes:** The firm's RMIS system will allow the City to greatly improve the City's efficiency through the use of one system for maintaining all notes and files and directly address a concern of the City's Internal Audit Staff as reported in the Fall of 2012. This transition will provide 100% integration of the City's data and access to the City's Claim's Administrator to all claims in one system.
- 5) **Improved Oversight of the TPA.** By consolidating the services and streamlining the Claim's Administrator's processes, it will allow the Staff to more effectively audit the work of the TPA and it will provide increased visibility to billings on individual claims. Additionally, it will provide time for staff to manage the process more effectively without the cost of additional staff and likely lead to additional costs savings.

- 6) **Cost Savings:** Over the past several years, the City has paid approximately \$220,000.00 annually for claims processing and risk management information system support. This proposal will lower those costs by approximately \$40,000.00 in the first year and \$50,000.00 in years two and three or over \$140,000.00 during the three year contract.

ALTERNATIVES

The City has historically contracted out liability claims administration to an independent claims adjuster. In order to ensure that the City continues to process and manage liability claims in a timely and effective manner, it is necessary to engage a third party administrator. Therefore, the City could select an alternative TPA.

FINANCIAL IMPACT

The proposed contract with Corvel Corporation, is based on a per claim rate with each line of claim; automobile liability, general liability, and workers' compensation. The estimated annual cost of the contract is \$48,175.00 for workers' compensation, \$111,375.00 for general liability claims, transition costs of approximately \$11,000.00 with an annual fee of \$9,500.00. The contract is proposed for three years with three one-year renewals at the City's option. For three years of service the total cost would be approximately \$518,000.00. As previously mentioned, this would result in savings of approximately \$40,000.00 in the first year and \$50,000.00 in years two and three of the contract. The higher fee has been previously budgeted are available in the Risk Fund to pay the portion of the contract that falls in FY2014-15.

SDBE SUMMARY

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by Corvel Corporation and has determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

SDBE REQUIREMENTS

No MSDBE or WSDBE goals were set.

WORKFORCE STATISTICS

Workforce statistics for Corvel Corporation are as follows:

Total Workforce	3064	
Total Females	2429	(79%)
Total Males	635	(21%)
Black Males	53	(2%)
White Males	432	(14%)
Other Males	150	(4%)
Black Females	324	(11%)
White Females	1685	(55%)
Other Females	420	(14%)