



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 11, 2013

TO: Mayor and Councilmembers

FROM: Risk Management, Finance Department

SUBJECT: Agreement For Workers' Compensation Claims Administration

RECOMMENDATION:

That City Council approves and authorizes the Finance Director to execute a new agreement with JT² Integrated Resources (JT²) to provide Third Party Claims Administration Services. The proposed agreement contains two distinct components:

- 1) Workers' Compensation claims administration services for five (5) fiscal years beginning July 1, 2013, and ending June 30, 2018; for annual fees of \$200,505; \$204,515; \$208,605 ; \$212,777 and \$217,033, respectively; and
- 2) Medical Bill Review services for five (5) fiscal years beginning July 1, 2013, and ending June 30, 2018, an additional flat fee of \$68,400 per fiscal year.

DISCUSSION:

The purpose of the workers' compensation program is to provide benefits to an employee who sustains an injury, death, or an occupational disease arising out of the course of employment. California law requires every employer provide workers' compensation coverage to its employees (see generally Labor Code §§3200-6002). As such, the workers' compensation program is a benefit delivery system. Workers' compensation benefits include medical treatment, temporary disability payments, permanent disability payments, and vocational rehabilitation.

The City uses a Third Party Claims Administrator to comply with State mandates governing self-insured workers' compensation programs. Services provided by the Third Party Claims Administrator include claims processing, dispensing benefits and payments mandated by State law, medical bill review and other cost containment services, subrogation, litigation control, file maintenance, and statistical reporting.

The City issued a Request for Proposal (RFP) regarding Workers' Compensation Claims Administration services in January 2013. JT² was one of several firms who responded to the RFP. Staff selected JT² as the most responsive bidder based on its proposal for

services and interview responses. JT² has provided workers' compensation claims administration services to the City since staff solicited bids in 1996. JT² provides the city with the qualifications, experience, technical support, performance guarantees, medical cost review, and fixed price to operate an efficient workers' compensation program that complies with California laws and mandates.

BUDGET/FINANCIAL INFORMATION:

Administrative Fees

The cost for administrative services provided by JT² during each of the five (5) fiscal years for the proposed contract represents a decrease when compared to the amount paid in FY13 for the same services (\$229,201). The following chart identifies the annual cost for the services and the savings.

Fiscal Year	Administrative Fee	% Below Current
2013	\$229,201	-----
2014	\$200,505	12.52%
2015	\$204,515	10.77%
2016	\$208,605	8.99%
2017	\$212,777	7.17%
2018	\$217,033	5.31%

Bill Review Fees

Under the terms of the recommended contract, the cost for bill review services provided by JT² during the term of the agreement is a flat fee of \$68,400 per year; a decrease of 7.17% when compared to FY13 (\$73,689). The cumulative decrease in the medical bill review fees over the five year contract term is \$26,445.

The proposed Risk Management budget contains adequate funds to pay for these services.

PREPARED BY: Mark Howard, Risk Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office