



Legislation Details (With Text)

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**Title:** SUBJECT: Approval of Professional Services Agreement with Tristar Risk Management for Workers' Compensation Third Party Claims Administration and Ancillary Services through June 30, 2023 in an Annual Base Amount of \$95,000 Plus Additional Fees Required for Bill Review

**REPORT IN BRIEF**  
Approves Tristar Risk Management as the Workers' Compensation Third Party Administrator

**RECOMMENDATION**  
City Council - Adopt a motion approving the contract for workers' compensation third party administrator for claims administration and ancillary services with Tristar Risk Management and authorizing the City Manager or Assistant City Manager to execute the necessary documents.

**Sponsors:** Support Services Department, Rosa Winzer

**Indexes:**

**Code sections:**

**Attachments:** 1. Professional Services Agreement.pdf, 2. Merced WC Rpt 2019-20 Final 2019-09-09.pdf

Date	Ver.	Action By	Action	Result
4/20/2020	1	City Council/Public Finance and Economic Development Authority/Parking Authority	approved	Pass

*Report Prepared by: Rosa M. Kindred-Winzer, Risk Analyst*

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**ALTERNATIVES**  
1. Refer to staff for further study; or,  
2. Take no action.

## **DISCUSSION**

The City's workers' compensation program is permissibly self-insured up to \$350,000 per claim with excess coverage provided by the Local Area Workers' Compensation Excess Joint Powers Authority (LAWCX).

The City utilizes Tristar as its workers' compensation third party claims administrator and ancillary services provider.

### Background

The Local Agency Workers' Compensation Excess (LAWCX) Joint Powers Authority contracts with Farley Consulting Services, LLC (FCS) to audit the claims administration of its excess workers' compensation program to determine the efficiency, effectiveness, and consistency of claims administration services and the accuracy of loss experience reports. Pursuant to LAWCX's Joint Exercise of Powers Agreement, each LAWCX member must have its claims audited at least every two years. The most recent audit of City of Merced claims was conducted February 27-28, 2020. FCS was directed to review claims with incurred costs of \$150,000 or more. There was a total of 21 claims meeting this threshold and each were reviewed. This audit seeks to assure the City and LAWCX that Tristar is providing effective claims administration service in compliance with California workers' compensation statutory guidelines and service requirements unique to the LAWCX program.

Tristar scored a weighted aggregate scoring of 99.2% out of 100. The Human Resources Department is pleased with the workers' compensation claims administration Tristar has been providing for the organization.

Last fiscal year (2018/2019) during the department budget review meeting with the City Manager, the department was tasked with reviewing and evaluating the workers' compensation program due to the increase in claims expense over the past three years.

### Review and Evaluation

#### Actuarial Study:

Bickmore Actuarial was contracted to perform an actuarial study of the City's workers' compensation program. On September 9, 2019, Bickmore Actuarial presented its findings of outstanding liabilities and forecast for program years 2019-2020 and 2020-2021 to the Assistant City Manager, City Attorney, Finance Officer, Director of Human Resources, and Risk Analyst.

Various scenarios were presented for funding at confidence levels of 70%, 75%, 80%, and 90% with a self-insured retention of \$350,000. This exercise helped in the development of discussion for exploration of the opportunity to join a primary layer workers' compensation pool. This would allow for the opportunity of having workers' compensation claims paid by a risk sharing pool at a lower self-insured retention level (typically from \$1 - \$100,000).

#### Primary Workers' Compensation Risk Sharing Pools:

The City reached out to four workers' compensation risk sharing pools: Central San Joaquin Valley Risk Management Authority (RMA), CSAC Excess Insurance Authority (CSAC), Public Agency Risk Sharing Authority of California (PARSAC), and Public Entity Risk Management Authority (PERMA).

The Assistant City Manager, Finance Officer, Director of Human Resources and Risk Analyst interviewed administrators for three of the four risk sharing pools identified above. PERMA was not interviewed as the criteria for joining their primary workers' compensation pool requires the entity to join their general liability pool.

The three remaining pools were competitively priced; however, the result is that there would be increased cost to the City to join at a primary pool level and maintain financial responsibility of current open claims. The claim coverage at a primary pool level would begin effective July 1, 2020. All existing claims prior to that date would not be covered by the pool.

It was determined to remain self-insured at \$350,000 per claim with excess coverage through LAWCX at statutory limits and to use the information obtained in the actuarial report to assist in budgeting the workers' compensation program.

#### Negotiations with Tristar Risk Management:

Since the workers' compensation claims administration is a component of the claims expense, several meetings were held with Tristar's President, Tristar's Fresno Claims Field Office Manager, the Director of Human Resources, and the Risk Analyst to discuss the monthly claims administration fees and services.

Discussions centering around cost containment for a bundled program billing rate, bill review fees capitation, utilization review criteria, and use of nurse case management and telemedicine with Concentra TeleMed were successful in the design of a new professional services agreement for the period of July 1, 2020 - June 30, 2023.

It is the hope to have medical workers' compensation claims move faster through the administration process without unexpected additional costs within the workers' compensation system. This will help to keep the workers' compensation program's budget manageable.

#### On-Site Occupational Medical and Wellness Clinic:

Exploration and consideration of an on-site occupational medical clinic for the City of Merced's employees began with discussions with Elite Corporate Wellness. This is an opportunity to have efficient occupational medical services provided to employees and general medical and wellness services provided to employees' family members.

At this time, this exploration has been suspended due to priority focus on efforts of staving off COVID -19 virus in the community.

### **IMPACT ON CITY RESOURCES**

The administrative cost of the new contract is \$95,000 per year for a three (3)-year period between July 1, 2020 - June 30, 2023, plus additional fees for bill review, MPN network usa, . The last contract expired on June 30, 2014 and had an annual cost of \$93,647. This amount has been honored by Tristar Risk Management on a month-to-month payment basis for claims administration. The proposed new contract has an annual increase of approximately 1.5 percent.

The Risk Management division believes there will be additional savings with the proposed new contract as an agreement has been reached to capitate bill review fees to a maximum of \$5,000 for individual high dollar medical claims. Tristar has been gracious in allowing for the capitation to take effect during this current fiscal year period and we have successfully saved tens of thousands of

dollars on two (2) medical claims that were paid during March 2020.

The cost of the proposed contract is included in the FY2020-2021 proposed budget for Risk Management.

## **ATTACHMENTS**

1. Professional Services Agreement
2. Bickmore Actuarial Report