



Office of the City Manager

CONSENT CALENDAR
September 13, 2022

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Donald Ellison, Interim Director, Human Resources
 Subject: Contract No. 8392 Amendment: Innovative Claim Solutions (ICS) for claims administration of the City's Workers' Compensation Program

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute an amendment to extend Contract No. 8392 with Innovative Claims Solutions (ICS) to provide third-party claims administrative services, Medicare, Medicaid, and SCHIP Extension Act (MMSEA) Section 111 Mandatory Reporting to the Centers for Medicare & Medicaid Services (CMS), for an additional term of three years from July 1, 2022 through June 30, 2025 at a decreased annual rate of \$570,000 for a total contract amount of \$7,393,611 for year 2023.

FISCAL IMPACTS OF RECOMMENDATION

The contract amendment with Innovative Claim Solutions will add \$570,000 to the original contract through the end of Fiscal Year 2023. Funding for the proposed contract amendment is available in the Fiscal Year 2023 Workers' Compensation Self-Insurance fund.

As a result of the proposal, Innovative Claims Solutions (ICS) has agreed to lower their total fees with a cap increase of just 3% annually. These annual fees include both the administrative and the MMSEA fees, per contract agreement. The proposed annual fees are as follows:

FY 2022-2023 Program Year: \$570,000
 FY 2023-2024 Program Year: \$587,100
 FY 2024-2025 Program Year: \$604,713

Current total annual fees are \$619,819. The decrease in annual fees will net the City of Berkeley an additional annual savings total of \$49,819 for Fiscal Year 2023.

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| Original Contract Amount (7/1/2016 – 6/30/2021) | \$6,823,611 |
| Current Contract Amount (FY 7/1/2021 – 6/30/2022) | \$619,819 |
| Proposed Amount (FY 7/1/2022 – 6/30/2023) | \$570,000 |
| Savings (decrease in fees) | \$49,819 |
| Total New Contract Amount | \$7,393,611 |

CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley is permissibly Self-Insured by the State of California, Department of Industrial Relations, to provide statutorily required workers’ compensation benefits to injured employees.

On April 26, 2016, the City Council adopted Resolution No. 67,436, authorizing the City Manager to execute and implement a contract including amendment for workers’ compensation third-party administration services with ICS. This contract amendment was approved from July 1, 2016 – June 30, 2021. The increase for this contractual period was \$3,247,413 for a total not to exceed \$6,823,611.

The current contract with ICS is set to expire on June 30, 2022. As such, a contract amendment is needed to continue claims administrative and management of the City’s self-funded workers’ compensation program. The Human Resources Department is planning to issue a Request for Proposal (RFP) for workers’ compensation third-party administrative services. It has been several years since the City of Berkeley has solicited an RFP for these services. As such, during the RFP process it is imperative that the operation of critical claim management services is maintained until a third-party administrator is selected. Additionally, retaining claim management services with ICS until the RFP selection process is completed ensures the City remains in compliance with all applicable workers’ compensation laws and regulations.

BACKGROUND

Innovative Claim Solutions, has been providing claims management services for over 20 years. The third-party claim management services for a workers’ compensation program consist of responsibility for claims management including, but not limited to, approval of claims based upon whether an injury arose out of the course and scope of employment; denial of claims that did not arise out of the course and scope of employment; or delay of claim decisions in order to obtain additional information or evidence before a determination can be on a claim. The third-party administrator procures services and pays bills incurred by claims for the provision of benefits to injured employees. These

expenses include, but are not limited to, medical; legal; temporary and permanent disability payments; and future medical needs of injured employees.

A contract amendment with ICS will maintain continuous service delivery including several performance standards that require ICS to evaluate old claims for closure and close new claims as soon as feasible.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

Innovative Claim Solutions has provided superior quality claim management services throughout the terms of the contract. ICS consistently applies professionalism, expertise, and superior customer service in their claim management practices.

ALTERNATIVE ACTIONS CONSIDERED

Issue a Request for Proposal to seek bids from firms including ICS to provide third party administrative services for the City's workers' compensation program.

CONTACT PERSON

Donald Ellison, Interim Director of Human Resources, 510-981-6807

Attachment:
1: Resolution

RESOLUTION NO. ##,###-N.S.

CONTRACT NO. 8392 AMENDMENT: INNOVATIVE CLAIM SOLUTIONS

WHEREAS, the City of Berkeley is certified by the State of California Department of Industrial Relations under Labor Code Sections 3700 and 3705 to self-insure for providing statutorily required workers' compensation benefits to its employees; and

WHEREAS, on April 26, 2016, the Berkeley City Council adopted Resolution No. 67,436 that authorized the City Manager to amend the contract with ICS for third-party administrative services for the City's workers' compensation program by extending the term through June 30, 2021; and

WHEREAS, on July 27, 2021, the Berkeley City Council adopted Resolution No. 69,977-N.S., for July 1, 2021 through June 30, 2022;

WHEREAS, amending the existing contract with ICS to provide both administration of the City's workers' compensation program and Medicare, Medicaid and SCHIP Extension Act (MMSEA) Section 111 mandatory reporting to the Centers for Medicare & Medicaid Services (CMS) on behalf of the City to maintain continuous service delivery; and

WHEREAS, the City has found that the services performed by ICS have been satisfactory during the term of the contract and both parties desire to extend the term of the contract for one (1) additional year.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to amend Contract No. 8392 with Innovative Claim Solutions for third-party administrative services for both the City's workers' compensation program and MMSEA Reporting to the CMS, extending the period through June 30, 2025 and increase the original contract amount by an additional \$570,000 with a 3% annual cap increase for each term, total contract amount of \$7,393,611 FY 2022-2023. All expenses are to be paid by the Workers' Compensation Self-Insurance Fund (676-00-000-000-0000-000-102127). A record signature copy of said contract and any amendments are to be on file in the Office of the City Clerk.