

**Condensed Title:**

Request For Approval To Issue A Request For Proposals (RFP) For Claims Administration Services For The City of Miami Beach Self-Insured Workers' Compensation Program

**Key Intended Outcome Supported:**

Improve the City's overall financial health and maintain overall bond rating.

**Issue:**

Shall the City Commission Approve the Issuance of an RFP for Claims Administration Services For The City of Miami Beach Self-Insured Workers' Compensation Program?

**Item Summary/Recommendation:**

On January 12, 2005, the Mayor and City Commission authorized the Administration to execute an Agreement with Johns Eastern Company, as the State Certified Workers' Compensation Claims Administrator. The Agreement period was for two (2) years with renewal options for two (2) additional one-year periods. The current Agreement expires on January 31, 2010, with no further options to renew.

The City of Miami Beach is seeking proposals for third party claims administration services for its self-insurance Worker's Compensation program. The administrator will provide all specified adjusting services for all claims as well as all other required services, such as administrative, managed care/medical case management, computerized claims/loss statistical information (RMIS) and banking/loss fund reconciliation.

The City has approximately 1,900 employees, and averages 425 claims annually. The breakdown is estimated at 300 for medical only and 125 for lost time. Currently there are approximately 446 open claims.

All proposers are to assume the complete handling of all future and past claims now being handled by our present administrator along with all new claims.


The City is seeking a two (2) year contract proposal with three (3) one-year option to renew periods. Proposals to handle only selected parts will not be considered.

**APPROVE ISSUANCE OF RFP.**

**Advisory Board Recommendation:**

N/A

**Financial Information:**


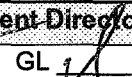


Source of Funds:		Amount	Account
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	2		
	3		
	Total		

**Financial Impact Summary:** As this is a request to issue an RFP, no funds are being expended at this time

**City Clerk's Office Legislative Tracking:**

Clifton Leonard, Risk Management

**Sign-Offs:**

Department Director	Assistant City Manager	City Manager
RI  GL 	PDW 	JMG 

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# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

## COMMISSION MEMORANDUM

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: July 15, 2009

SUBJECT: **REQUEST FOR APPROVAL TO ISSUE A REQUEST FOR PROPOSALS (RFP) FOR CLAIMS ADMINISTRATION SERVICES FOR THE CITY OF MIAMI BEACH SELF-INSURED WORKERS' COMPENSATION PROGRAM**

### ADMINISTRATION RECOMMENDATION

Approve the Issuance of an RFP.

### BACKGROUND

The City of Miami Beach (the "City") is approved by the Florida Department of Labor and Employment Security/Division of Workers' Compensation to self-insure for Workers' Compensation. Workers' Compensation is a statutory benefit provided to employees that sustain injury within the course and scope of their employment. Workers Compensation provides both medical and indemnity (wage) benefits to the injured employee. The Division of Workers' Compensation requires that the claims administration be provided by a State Certified Workers' Compensation Claims Administrator.

On January 12, 2005, the Mayor and City Commission authorized the Administration to execute an Agreement with Johns Eastern Company, as the State Certified Workers' Compensation Claims Administrator. The Agreement period was for two (2) years with renewal options for two (2) additional one-year periods. The Administration has continued the Agreement through option years one (1) and two (2) for a total service agreement period of four (4) years. The current Agreement expires on January 31, 2010, with no further options to renew.

### ANALYSIS/SCOPE OF SERVICES

The City of Miami Beach is seeking proposals for third party claims administration services for its self-insurance Worker's Compensation program. The administrator will provide all specified adjusting services for all claims as well as all other required services, such as administrative, managed care/medical case management, computerized claims/loss statistical information (RMIS) and banking/loss fund reconciliation. The specific required services are outlined in greater detail within this request for proposals.

The City is seeking a two (2) year contract proposal with three (3) one-year option to renew periods. Proposals to handle only selected parts will not be considered. It is understood by the successful proposer that all services are to be provided by the proposer's employees and cannot be contracted out to another party without the prior approval of the City. The commencement date of the contract

will be February 1, 2010. The City's current claims administrator is Johns Eastern Company. Johns Eastern has provided administration for the City's self-insured worker's compensation program since 1986.

The City has approximately 1,900 employees, and averages 425 claims annually. The breakdown is estimated at 300 for medical only and 125 for lost time. Currently there are approximately 446 open claims. Prior to October 1996, the City purchased excess workers' compensation insurance. The City does not currently purchase excess workers' compensation insurance.

The City currently pays full salary (for a maximum of 32 weeks) for service related injury (ISC). In view of this, temporary total indemnity benefits will not need to be paid by the claims administrator unless the injured employee is eligible for temporary total benefits in excess of 32 weeks. In addition, certain medical conditions and work related activities are covered as workers' compensation for police and fire personnel pursuant to the respective union contracts. The City is currently not under a Managed Care Arrangement.

All proposers are to assume the complete handling of all future and past claims now being handled by our present administrator along with all new claims. The information provided regarding the volume and type of pending claims to be assumed is based on the latest information provided to the City and cannot be guaranteed as to its accuracy. If the amount of prior claim files to be taken over is 25% greater than represented in this RFP, the City will consider a proportionate adjustment to the proposer's flat annual fee. It is the responsibility of the proposer to review prior claim files to determine the additional proposed cost, if any, to take over these files. It is also required that the claim data associated with all claims occurring prior to February 1, 2010, be transferred into the proposer's computer information system, so that future loss runs will contain a complete history of all claim years. The transfer of all claims data must be completed by June 1, 2010. The proposer is responsible for specifically indicating in their proposal the fees, if any, for assumption of prior claims and the data conversion.

The program is run on an "occurrence" basis, therefore, all claims occurring in the contract year, regardless of when reported, are to be handled per the requirements of this agreement. The claim administrator is required to handle all claims to their conclusion or to the conclusion of the contract, whichever occurs first, at no additional charge to the City other than the annual fee. The contract may be terminated by either party with ninety (90) days written notice to the other. However, any cancellation does not alter the administrator's obligation to handle all claims prior to the termination date.

#### **WORKERS' COMPENSATION CLAIMS ADJUSTING AND INVESTIGATION SERVICES:**

Upon receipt of all workers' compensation claims, the claims administrator shall perform the following:

1. The claim manager or supervisor will review all notices of injury received from the City prior to the assignment to an adjuster.
2. Accept or deny all reported claims for employees' injuries on behalf of the City in accordance with the applicable Workers' Compensation Law.
3. To conduct the required investigations as deemed necessary as it relates to workers' compensation including scene investigations and personal claimant contact on all lost

time or light duty cases. Contact with claimants is to be made within 24 hours of the administrator's receipt of the claim.

4. Subject to the prior approval of, and at the expense of the City, employ outside professionals such as surveillance, rehabilitation, experts and attorneys to assist in the investigation and adjustment of claims. Payment will be made by the administrator from the loss fund as an allocated expense.
5. Review all medical bills and other services for which a claim is being made for reasonableness and conformity to appropriate medical and surgical fee schedules and network discounts.
6. Coordinate the medical treatment of all claims by setting appointments and authorizing necessary physician referrals and treatments.
7. Every 14 days provide written notification indicating all employees that are not working in a full duty unrestricted capacity.
8. Every 90 days, submit a full summary report to the City on all claims of the following types:
  - any claim in which an employee is not working full duty
  - total incurred value exceeding \$50,000
  - potentially controverted cases
  - claims in which settlement (washout) is recommended
9. The administrator must have approval for all settlements. For settlements for more than \$10,000, the administrator will submit a full captioned report to the City summarizing all issues and evaluating exposures along with a settlement recommendation for City approval. All settlements must be reported to Medicare as required.
10. Prepare and maintain files necessary for legal defense of claims and/or other litigation (such as actions for subrogation) or other proceedings.
11. Pay in a timely fashion all claims and expenses from the loss fund account established by the City, which will be maintained by the administrator. Fees, interest and civil penalties required due to late payments or adjuster mishandling are to be paid by the administrator unless caused by late reporting from the City.
12. Pursue all possibilities of excess insurance recovery (including reporting), subrogation, liens and recovery from the Special Disability Fund.
13. The City will approve and assign the attorneys that provide the defense of claims. The administrator is to provide the defense attorney a complete copy of the file in question at the time an assignment is made. The administrator will provide a monthly report to the City regarding new legal assignments.
14. The administrator will attend workers' compensation hearings and mediation as requested by the City.
15. Have the ability to provide managed care services/and or medical case management pursuant to Florida Statutes with nurses/medical case managers employed by the administrator and located in the local claims office. Provide your fees for these services separately, as these fees will be paid as allocated expenses.

### **STAFFING AND PERSONNEL:**

It is the City's claims management philosophy that the proper and most cost-effective method to handle claims and thereby reduce and control the City's self-insured loss payments is to ensure the administrator hires and retains the appropriately qualified professionals to handle our claims. Additionally, the adequate number of adjusters and a manageable caseload enables qualified adjusters to perform the required services. The City therefore requires that the proposer agree to staffing, qualifications and caseload criteria established by the City.

The City reserves the right to the final prior approval of the hiring and/or assignment of the claims manager, supervisors and adjusters that are to handle the City's claims.

The required maximum open case loads per adjusters (may have more than one adjuster assigned to the account) are to be as follows (claims manager should not handle files):

workers' compensation (lost time) - 100  
workers' compensation (medical only) - 500

The administrator agrees to add staff as necessary to maintain these maximum pending caseload levels. Explain how the office or unit will be staffed and explain the level of supervision that will be provided. Claims personnel must be employees of the administrator. The use of independent adjusters, subcontractors or temporary adjusters is not acceptable without prior approval of the City. Adjuster trainees are not acceptable for handling of the City's claims. Additionally, resumes of all claims professionals specifically assigned to this account are to be submitted with this proposal. All claims professionals must possess a current Florida Workers, Compensation adjuster's license.

### **ADMINISTRATION SERVICES:**

The administrator will additionally perform the following related services:

- 1) State required filings
- 2) Loss fund management
- 3) Computer generated loss runs and other management reports as required including on line access to claims data

### **STATE/FEDERAL REQUIRED FILINGS:**

1. The administrator will prepare and file, on behalf of the City, with the appropriate state agency, all applications required for the City's continued qualification as a self-insurer.
2. Prepare, maintain, and file all records and reports as may be required by legal authorities (state or federal).
3. Prepare, maintain and file statistical information required by workers' compensation rating bureaus, including all data required for the promulgation of the City's experience modification and state assessments. (BSI-17)
4. Prepare and file any other reports as required by the City and the state relating to claims experience, payments, etc.

### **LOSS FUND MANAGEMENT:**

1. The Claim Payment Account will be maintained at the City's commercial banking institution. The account will be classified as part of the analysis group of City accounts. The City will pay all service fees that are normal and customary in this account. All interest earned or service credits generated will accrue to the benefit of the City.
2. The claims administrator is required to follow Florida law concerning public deposits. Failure to comply with Florida law is sufficient cause for the City to terminate the contractual agreement with the claims administrator.
3. All claims, expense and legal payments will be made by the claims administrator on checks drawn on an account set up by the administrator and funded monthly by the City. It is understood that all funds in this account are City funds and are to be returned to the City upon request or at termination of this contract.
4. The administrator is responsible for the monthly reconciliation of this account and will provide bank statements to the City monthly, along with a request for a deposit from the City to maintain the monthly balance in the loss fund, as determined by the City.
5. The monthly reconciliation statement submitted by the administrator to the City will include the following:
  - balance at inception of statement period
  - total disbursements which cleared, by date and claimant/payee
  - balance at close of statement period
  - amount of deposit required
6. A list of all checks is to be submitted monthly.

### **COMPUTER LOSS INFORMATION:**

All charges related to these services are to be included in the annual claims administration fee. Any costs associated with programming changes that are necessary to create a report required by the City are the responsibility of the administrator. Advise what reports can be provided beyond those requested by the City and whether there is an additional charge for these optional reports. Indicate any fees to be charged for the creation of any special reports requested by the City, as necessary. All reports currently provided to the City are required from the successfully selected administrator.

All claims data is the property of the City and any data and media will be provided to the City upon request or upon termination of this agreement. All computer notes will be printed out and placed in the files prior to file transfer to a successive administrator.

The selected administrator, at their expense, will ensure all claim and payment data is included in their loss runs by June 1, 2010. Historical data from our current administrator's database cannot be purged. Claims data for all open and closed claims must be transferred. The selected administrator's computer software system must be compatible with Johns Eastern's system for data conversion. Information regarding Data Conversion from Johns Eastern to a New TPA is attached to the proposal.

Loss runs are to be provided on a semi annual basis (2 copies) with cd backup, sorted separately by policy year, and department/location. Loss runs should list each claim separately. Specific summary reports also must be provided. The following reports are required:

1. Claims list - lists all claims alphabetically including department/location
2. Check register/disbursements
3. Annual summary reports
4. Location report
5. Large loss or severity report
6. Loss prevention reports to include accident frequency and severity, cause, nature and body part
7. Litigation report
8. Legal payments report
9. SAF 200 (OSHA log)

Workers' compensation claims involving no payment or no medical treatment are reported by the City for inclusion in the data base as reporting purpose only (RPO) or first aid or no pay cases and should be identified in the system that way. The administrator must provide the City the ability to access the system via the internet for file review, e-mail or other purposes.

**CLAIMS HISTORY:**

The information provided as to current pending claims data is provided by our current administrator and is accurate to the best of the City's knowledge. The proposer has the right to contact the present administrator to review current files if desired and it is the responsibility of the proposer to confirm the pending claim counts in order to determine any takeover fees. Please see attached for a claim experience.

**MINIMUM REQUIREMENTS / QUALIFICATIONS:**

1. Proposer Must be approved as Claim Administrator by the State of Florida Division of Worker's Compensation for a minimum of Ten Years (10)
2. Response to Supplemental Questions (included herein)
3. Provide samples of loss runs.
4. Explain and provide all managed care/medical management information for approval by the City (network information, grievance procedure, experience level of staff etc.).



**SUPPLEMENTAL QUESTIONS:**

Specific requirements regarding services have been outlined in prior sections of this RFP. In addition to information that may be provided in your proposal and required elsewhere in this RFP, please answer the following (restate question in each answer):

1. Where is your office located?
2. Number of professional claim staff at that location.
3. Number of clerical and/or support staff at location.
4. Name, experience, resume and professional designations of claim manager.
5. Name, experience, license type, resume and professional designations of any supervisory level employees that will have responsibility for this account.
6. Name, experience, license type, resume and professional designations of the designated adjusters that will have responsibility for this account.
7. Advise the current pending case load for each designated adjuster.
8. What is the current number of monthly new assignments to each adjuster?
9. Will the award of this contract necessitate an increase in your staff size to meet the City's staffing and caseload requirements and will that be in place by February 1, 2010?
10. Name the 4 law firms (2 workers' compensation, 2 liability) that you currently handle the most cases with. Provide a contact person and phone number.
11. Estimate the percentage of time your adjusters are out of the office doing field work. If all are telephone adjusters, please indicate.
12. Do you utilize independent contracted adjusters? If so, under what circumstances?
13. Name, address, phone and contact person for independents you utilize.
14. Can you provide all the required services with your own personnel?
15. Do your adjusters receive any continuing education and training? Explain.
16. Do you currently file state and excess insurance forms on behalf of your clients? Explain.
17. Do you have the capability to provide all the loss data reports required? Explain.
18. Do you have the ability to transfer the City's prior claims data to your information system by February 1, 2010?

19. Explain any fees proposed for managed care, medical case management, bill review, UR and rehabilitation services. These are not to be included in the annual fee proposed.
20. Explain, in detail, any deviation from the services or fee structure type required, specifically indicating any services you cannot perform. Specifically indicate what you consider as allocated expenses and therefore not included in your annual fee proposal amount.

### **EVALUATION CRITERIA/COMMITTEE**

After the City's Procurement Division receives responses from qualified Proposers, an Evaluation Committee, appointed by the City Manager, shall meet to evaluate the responsive proposals in accordance with the requirements of the RFP. If further information is desired, Proposers may be requested to make additional written submissions or oral presentations to the Evaluation Committee.

The Evaluation Committee will recommend to the City Manager the proposal(s) which the Evaluation Committee deems to be in the best interest of the City by using the following criteria for selection:

- The proposer's qualifications and experience in providing Florida Workers' Compensation administration services: Twenty Percent (20%)
- The qualifications and experience of the proposer's personnel that will be assigned to the account: Twenty Percent (20%)
- Cost of services provided (fee): Thirty Percent (30%)
- Demonstration of successful prior performance in providing these services and knowledge of Florida municipal agencies: Twenty Percent (20%)
- Proposer's references. Submit a list of Florida based current clients. Also submit a list of clients which discontinued using your service in the past two (2) years: Ten Percent (10%)

### **CONCLUSION**

The Administration recommends that the Mayor and Commission authorize the issuance of a Request for Proposals (RFP) for claims administration services for the City of Miami Beach self-insured workers' compensation program in accordance with the qualifications; scope of services; and specifications outlined herein.