



September 9, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Award of Agreement for Claims Administration of the Self-Insured Workers' Compensation Program

Overview

On April 27, 2020, the Board of Directors approved the release of a request for proposals for claims administration of the Self-Insured Workers' Compensation Program. Proposals were received in accordance with Orange County Transportation Authority procurement procedures for professional and technical services. Approval is requested to execute an agreement for this service.

Recommendations

- A. Approve the selection of Intercare Holdings Insurance Services, Inc., to provide claims administration for the Orange County Transportation Authority's Self-Insured Workers' Compensation Program.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-0-2202 between the Orange County Transportation Authority and Intercare Holdings Insurance Services, Inc., in the amount of \$2,445,559, to provide claims administration for the Orange County Transportation Authority's Self-Insured Workers' Compensation Program, for a five-year term.

Discussion

The State of California requires each employer to secure payment for workers' compensation as provided in Section 3700 of the Labor Code. An employer may be insured through an insurance company or be permissibly self-insured. The Orange County Transportation Authority (OCTA) has received approval from the Director of the State of California (State) Industrial Relations Department to self-insure and self-administer its workers' compensation claims. OCTA contracts with and oversees a third party to administer the state-mandated claims process.

Contracting with the most qualified outside contractor or third-party administrator (TPA) is important as the TPA is primarily responsible for providing assistance and coordination of an injured employee's medical care and resolution of their claim as regulated by the State. Failure to properly follow state regulations can lead to costly penalties and litigation of claims. On an annual basis, a TPA working for OCTA may be required to simultaneously coordinate medical treatment for up to 110 employees, work with attorneys handling litigated cases, and ensure accuracy and timeliness of claim-related payments.

OCTA has been self-insured for over 41 years and has used a TPA to administer workers' compensation claims for all of those years. Historically, OCTA has found TPAs with previous public transportation agency experience better equipped to understand the physical duties and jobs of transportation workers. In addition, TPAs who provide a dedicated claims team have been successful in reducing OCTA's overall costs of claims administration, medical and disability costs, legal fees, and medical case expenses.

Procurement Approach

This procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for professional and technical services. In addition to cost, other factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal considering such factors as staffing and project organization, prior experience with similar projects, work plan, and a fair and reasonable price structure.

On April 27, 2020, the Board authorized the release of Request for Proposals (RFP) 0-2202, which was issued and sent electronically on CAMM NET. The project was advertised in a newspaper of general circulation on May 8 and 11, 2020. A pre-proposal conference was held on May 8, 2020, with six attendees representing six firms. Three addenda were issued to provide a copy of the pre-proposal registration sheet and to respond to questions related to the RFP.

On May 26, 2020, five proposals were received. An evaluation committee consisting of OCTA staff from Contracts Administration and Materials Management and Risk Management departments, as well as external representatives from County of Orange and Foundation Building Materials, LLC, met to review all proposals received. The proposals were evaluated based on the following Board-approved evaluation criteria and weightings:

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|-------------------------------------|------------|
| • Qualifications of the Firm | 20 percent |
| • Staffing and Project Organization | 25 percent |
| • Work Plan | 30 percent |
| • Cost and Price | 25 percent |

Several factors were considered in developing the evaluation criteria weightings. Workers' compensation is a heavily regulated system requiring proper handling of claims within deadlines. To ensure these standards are met, qualifications of the firm was weighted at 20 percent. The firms needed to demonstrate a proven track record of handling high-value claims, sometimes in excess of one million dollars. Staffing and project organization was weighted at 25 percent to ensure the firms proposed a knowledgeable management team and staff that are experienced in all aspects of the administration of workers' compensation claims and to cost effectively manage the claims process. Work plan was weighted highest at 30 percent to emphasize the importance of the proposing firms to effectively demonstrate their understanding and approach to completing the work specified in the scope of work, and cost and price criteria was weighted at 25 percent to ensure competitiveness in proposed pricing to accomplish the required work and ensure that OCTA receives value for the services provided.

On June 8, 2020, the evaluation committee reviewed and discussed the five proposals received based on the evaluation criteria and three firms were shortlisted and interviewed. The three firms are listed in alphabetical order as follows:

Firm and Location

Athens Administrators, Inc. (Athens)
Concord, California

Intercare Holdings Insurance Services, Inc. (Intercare)
Rocklin, California

Tristar Risk Management (Tristar)
Long Beach, California

The interviews with the three short-listed firms were conducted on June 15, 2020, and consisted of a presentation to demonstrate the firms' understanding of OCTA's requirements. The firm's project managers and key team members had an opportunity to present qualifications and respond to the evaluation committee's questions. Questions were asked relative to the firms' security measures to protect confidentiality, the coronavirus disease support

staff, as well as analytics and/or predictive modeling tools to help identify claims that can unexpectedly become high-cost losses offered by the firms. Finally, teams were asked specific clarification questions related to their proposal.

Following the interviews, OCTA issued a request for best and final offers (BAFO) from the short-listed firms to offer the opportunity to adjust pricing for the required services. Two of the firms were able to lower pricing but all remained competitive. OCTA will pay firm-fixed annual rates billed monthly. The rates provide for claims administration, medical bill auditing, utilization review, and medical case management services.

After considering the responses to questions asked during the interviews and information provided in the BAFOs, the evaluation committee reviewed the preliminary ranking for the short-listed firms and made changes to the individual criteria scores. However, Intercare remained the highest-ranked firm with the highest overall score.

Based on the evaluation of the written proposals, the firm's qualifications, the proposed total annual fees, the information obtained from the interviews, and the BAFOs, the evaluation committee recommends Intercare for consideration of the award. The following is a brief summary of the proposal evaluation results.

Qualifications of the Firm

All firms demonstrated relevant experience providing workers' compensation claims administration services to public agencies.

Intercare has specialized in providing workers' compensation claims administration since 1994. More than 60 percent of Intercare's current claims administration business activities involve the servicing of public entities such as public transportation, counties, cities, school districts, and other public agencies. The firm demonstrated extensive experience managing complex, large programs with major metropolitan transit agencies in the State, such as Humboldt Transportation Authority, San Francisco Municipal Transportation Authority, San Luis Obispo Regional Transit Authority, the Sacramento Regional Transit Agency, and South County Area Transit. Intercare is currently the incumbent firm providing workers' compensation claims administration services to OCTA and has demonstrated familiarity managing all aspects of the workers' compensation program and working with staff to comply with regulatory requirements. The firm has 336 employees and proposed to continue providing services from their local office in the City of Orange.

Tristar has been providing TPA services since 1987 and has over 650 employees. More than 80 percent of the firm's claims management business is workers' compensation, and nearly half of their customers are public entities including school districts, cities, counties, states, public transportation systems, and other public entities. The firm has provided services to public transit agencies including North County Transit District, San Diego Metropolitan Transit System, Santa Clara Valley Transit Authority, Spokane Transit Authority, Southeastern Pennsylvania Transit Authority, and VIA Metro Transit.

Athens is an established firm that has been in business for over 20 years and has managed care for over seven years with 380 employees. Approximately 40 percent of Athens' current claims administration business activities involve the servicing of public entities such as public transportation, counties, cities, and school districts. The firm also specializes in providing workers' compensation claims administration services for public agencies, such as Bay Area Rapid Transportation, Golden Gate Bridge Authority, Golden Gate Ferry, Long Beach Transit, and Santa Cruz Metropolitan Transit.

Staffing and Project Organization

Intercare proposed an experienced project team possessing individual experience in every aspect of claims administration and demonstrated relevant claims administration backgrounds. The proposed claims manager and claims supervisor both have 25 years of workers' compensation experience, and one of the proposed claims adjusters has 17 years' experience managing claims for the public transportation industry. A second proposed claims adjuster has been with Intercare for 15 years working with workers' compensation processes and managing claimant's medical care. Both claims adjusters are proposed to be dedicated to OCTA's program with 100 percent of availability for this contract and the claims supervisor is available at 50 percent. During the interview, the project team demonstrated their understanding of managing various aspects of workers' compensation claims process.

Tristar's proposed workers' compensation claims supervisor has more than 27 years of industry experience, including more than 18 years of supervisory experience and 15 years with the firm. The account manager proposed for this project has over 23 years of experience managing workers' compensation claims experience and eight years with Tristar managing branch level claims. The firm will hire examiners and claims assistants if awarded the contract and proposed that once hired, the claims examiner and claims assistant would be dedicated personnel. The firm provided limited information about assigned staff.

Athens proposed an experienced division claims manager to oversee the project with over 20 years of experience in the workers' compensation industry and 11 years working for Athens. The firm did not name a claims supervisor nor examiner that would handle the day-to-day claims activities. The firm will assign these positions if awarded the contract, but it is not clear how they would be dedicated to the project.

Work Plan

The short-listed firms addressed important elements of the scope of work, program needs, and the degree of involvement necessary to effectively manage OCTA's workers' compensation claims.

Intercare's strategic approach to providing OCTA with a comprehensive workers' compensation claims administration program was clearly communicated through their proposal and interview, and includes a customized claims audit program specifically developed to meet OCTA's internal audit requirements and state-mandated claims handling regulations. In addition to the claims administration services, Intercare proposed monthly data reviews onsite or virtual with OCTA staff located at the bases, quarterly claims reviews with OCTA, quarterly vendor meetings, monthly meetings with the occupational clinics, on-call claims reviews, and monthly bill audits. Intercare's integrated approach was further demonstrated by proposing to conduct monthly meetings with the doctors at the industrial clinic to discuss injured workers' medical treatment in an effort to help employees return to work promptly. The firm proposed to implement several value-added systems, such as the E-Provider Portal, which allows providers to secure access to claims information, on-site meetings for non-litigated claims, face-to-face with claims adjusters, and proposed other programs to make their services efficient and cost effective for OCTA.

Tristar proposed a comprehensive workers' compensation claims administration plan system the firm designed in-house. The firm's claims management system and managed care system offers real-time accessibility to claim detail and data. The system is paperless, web-based, and offers Android and Apple compatible mobile applications for employers and claimants. The firm proposes nurse triage, early intervention, return to work programs, and a customized wellness program. The firm also proposed an application for the Risk Management Department that is an advanced artificial intelligence-based toolkit to assist adjusters, supervisors, and risk managers in evaluating an entire claim population's performance. The proposed work plan did not address all the essential requirements of the scope of work in an organized format. The firm was responsive to interview questions.

Athens proposed enhancements that offered claims resolution outside the traditional California Workers' Compensation Appeals Board, as well as a streamlined injury resolution program and an expedited claims resolution process. Athens proposed a service that allows both OCTA staff and the injured worker to view specific workers' compensation claims information, and also secured login portals for both OCTA and the injured worker providing specific details to both parties. The work plan broadly addressed elements mentioned in the scope of work. The timeline for the transition services from the current provider appeared adequate. The firm did not provide complete responses to some of the questions asked during the interview.

Cost and Price

Pricing scores were based on a formula, which assigned the highest score to the firm with the lowest fees and weighed the remaining proposals' fees based on their relation to the lowest fees. The RFP requested that the firms propose annual firm-fixed prices to represent OCTA in all matters related to the investigation, adjustment, processing, supervision, and resolution of workers' compensation claims against OCTA. After BAFOs, Intercare proposed the lowest overall fee structure, which amounts to a total of \$2,445,559 for five years.

Procurement Summary

Based on the evaluation of the written proposals, the firm's qualifications, the information obtained from the interviews, and BAFOs, the evaluation committee recommends the selection of Intercare as the top-ranked firm to provide workers' compensation claims administration. Intercare delivered a thorough and comprehensive proposal and an interview that was responsive to all requirements of the RFP.

Fiscal Impact

The project is included in OCTA's Fiscal Year 2020-21 Budget, Human Resources and Organizational Development, Risk Management Department Account No.0041-7519-A2311-F41 and is funded through Local Transportation Fund.

Summary

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Agreement No. C-0-2202 between the Orange County Transportation Authority and Intercare Holdings Insurance Services, Inc., in the amount of \$2,445,559, for a five-year term to provide claims administration for the Orange County Transportation Authority's Self-Insured Workers' Compensation Program.

Attachments

- A. Review of Proposals, RFP 0-2202 Workers' Compensation Claims Administration Services
- B. Proposal Evaluation Criteria Matrix (Short-Listed Firms), RFP 0-2202 Workers' Compensation Claims Administration Services
- C. Contract History for the Past Two Years, RFP 0-2202 Workers' Compensation Claims Administration Services

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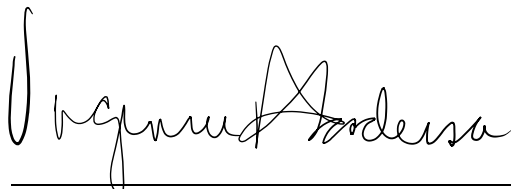


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