TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: HUMAN RESOURCES

DATE: JUNE 19, 2006 CMR: 274:06

SUBJECT: APPROVAL OF A ONE-YEAR CONTRACT IN THE AMOUNT OF $249,000 WITH GREGORY B. BRAGG & ASSOCIATES FOR WORKERS’ COMPENSATION CLAIMS ADMINISTRATION SERVICES AND AUTHORIZATION FOR CONTRACT EXTENSIONS FOR TWO ADDITIONAL YEARS

RECOMMENDATION

Staff recommends that Council:

1. Approve and authorize the Mayor to execute the attached contract with Gregory B. Bragg & Associates (Bragg) effective July 1, 2006 in the amount of $249,000 for one year to provide workers’ compensation claims administration services.

2. Authorize the City Manager or his designee to exercise the option to renew the contract in the amount not to exceed $259,000 for the second year; and in the third year by an amount not to exceed $265,000 provided Bragg is responsive to the City’s needs and the quality of its work is acceptable during the term of the contract.

BACKGROUND

Project Description
The work to be performed under the contract is for third-party claims administration services for the City’s Workers’ Compensation Program currently provided by Athens Administrators (Athens). These services include the processing of all workers’ compensation claims in accordance with applicable Labor Code regulations; engaging services related to the investigation and defense of claims; engaging the services of appropriate medical providers; determining what benefits, if any, should be paid; handling all the necessary forms in each reported claim; and performing all tasks in a timely manner as required under California workers’ compensation laws. Athens has been providing claims administration services to the City for the past 13 years and provided satisfactory services overall. The term of the contract with Athens ends on June 30, 2006. Because it is the City’s obligation to ensure that administration of the workers’ compensation program is managed in the most effective manner,
the City was interested in seeking proposals from other administrators to see what alternatives other firms had to offer.

**DISCUSSION**

**Selection Process**
Staff sent a request for proposals to six firms on April 6, 2006. The proposal period was 27 days. A total of 8 firms submitted proposals ranging between $191,000 to $293,000. A selection advisory committee consisting of Human Resources staff and a claims auditor reviewed the proposals. The committee carefully reviewed each firm’s qualifications and submittal in response to the RFP relative to the following criteria:

- Public agency experience, specifically with California Labor Code 4850 public safety officers benefits (Labor Code 4850 provides injured public safety employees with salary continuation up to one year in lieu of temporary disability and requires additional handling and knowledge);
- Stability of ownership and management experience;
- Ability to provide innovative programs and services;
- Superior reporting technology and online capabilities; and
- Customer service capability.

After careful review, 3 finalists were selected to interview on May 12, 2006: Athens, Bragg, and Matrix Absence Management. The interview panel consisted of Fire, Police, and Human Resources staff. Athens and Bragg were clearly the stronger candidates with seasoned staff and both well-experienced in working with public agencies. However, the presentation by Bragg was highly professional and showed a strong desire to work with the City of Palo Alto.

An onsite visit to one of Bragg's offices was conducted and an overview of Bragg's computer system was provided. Bragg’s computer system has superior features that would not only assist Risk Management staff in managing claims but it also has reporting capabilities that Athens has not been able to offer. Specifically Bragg would be able to provide reports that the City Auditor has recommended Risk Management provide to City managers. Supervisors will also be able to report injuries online directly to Bragg with a copy going to Risk Management staff to ensure accuracy. This tool will save time in reporting injuries. Finally, references were checked with five local public agencies with favorable feedback overall. Bragg was selected because it demonstrated its ability to provide a high level of quality, service and results in its claims administration services.

**RESOURCE IMPACT**

Bragg will charge a flat fee not to exceed $249,000 for the first year of the contract. The fees for the second year will not exceed $257,000 and the third year will not exceed $265,000. The cost for the current contract with Athens Administrator for Fiscal Year 2005-2006 is $193,000 but would have increased to $223,000 for Fiscal Year 2006-2007. Funding for this agreement is provided in the 2006-07 budget.
**POLICY IMPLICATIONS**

This recommendation is consistent with current City policies.

**ENVIRONMENTAL REVIEW**

This is not a project under the California Environmental Quality Act (CEQA).

**ATTACHMENTS**

A: Agreement No. C06116778

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