



CITY COUNCIL AGENDA REPORT

MEETING DATE: June 1, 2010

ITEM NUMBER:

SUBJECT: EXTENSION OF AGREEMENT FOR LIABILITY CLAIMS ADMINISTRATION SERVICES - CARL WARREN & COMPANY

DATE: MAY 20, 2010

FROM: ADMINISTRATIVE SERVICES DEPARTMENT/HUMAN RESOURCES DIVISION

PRESENTATION BY: DEBRA YASUI, HUMAN RESOURCES ADMINISTRATOR

FOR FURTHER INFORMATION CONTACT: DEBRA YASUI AT (714) 754-5052
JENNIFER SOMMERS AT (714) 754-5228

RECOMMENDATION:

Approve an extension of the Agreement (Attachment I) to provide third party administration claims services for the self-insured liability program with Carl Warren & Company, for the period of July 1, 2010 and ending no later than December 31, 2011, and authorize the City Manager to execute all necessary documents, with fees not to exceed \$75,000 for fiscal year 2010-2011 and not to exceed \$37,500 for the period of July 1, 2011 through December 31, 2011, for a total of \$112,500 for the term of the extension.

BACKGROUND:

As a self-insured public entity, the City contracts with a third party administrator (TPA) for the necessary general liability claims adjusting services. TPAs have personnel with specialized skills and knowledge that allow them to effectively and efficiently work with claimants and attorneys in investigating, negotiating and settling liability claims made against the City. The TPA acts as the primary investigator of liability claims and serves in an advisory role to City staff by making recommendations on the appropriate disposition (settlement or denial) of claims.

The City of Costa Mesa has contracted with Carl Warren & Company, one of the largest and most respected TPAs in the west, since 1989. Services provided by Carl Warren & Company have remained at a consistently high quality level. The last formal request for proposal (RFP) process for these services was conducted in 2007 with an agreement presented to the City Council in July 2007. This agreement was for the period of July 1, 2007 through June 30, 2010.

ANALYSIS:

Extending the contract for another 18 months would allow the opportunity to further evaluate future needs and any possible modifications to the contract. It is anticipated that an RFP process will take place in 2011 for a contract effective in January 2012.

Additionally, consideration was given to the potential disruption that would occur with a change in administrators and the additional costs associated with the data transfer and conversion. Carl Warren & Company is currently investigating and maintaining records on complex open claims. Continuity of service with the current caseload is a significant factor.

Overall fees for Carl Warren & Company's services would remain the same as in the current contract for fiscal year 2009-2010, with a not-to-exceed total of \$112,500 for the term of the 18-month contract extension (i.e., not to exceed \$75,000 for fiscal year 2010-2011 and \$37,500 for the first half of fiscal year 2011-2012). Carl Warren & Company is updating the schedule with the following: current IRS rate for mileage; a new fee of \$4.85 per submission for Medicare, Medicaid and SCHIP Extension Act (MMSEA) compliance, as it is a new federal statute and required as of January 1, 2011; an \$18.00 index fee per submission for the ISO (Insurance Services Office) ClaimSearch service for bodily injury cases; and a data processing fee of \$30.00 per entry to maintain a loss history on incidents that are handled internally by Risk Management. It should be noted that the City's expenses as paid to Carl Warren & Company have gone down over the last year as Risk Management has been able to work on more claims in-house. It is expected that fees paid to Carl Warren & Company will stay below the maximum of \$112,500 for the 18 months of the extension even with the updates.

ALTERNATIVES CONSIDERED:

Due to the timing and the constraints of the current fiscal climate, no other alternatives were considered.

FISCAL REVIEW:

Risk Management budgeted \$86,000 in the self-insurance fund for third party liability claims administration expenses for Fiscal Year 2010-2011 in anticipation of increased fees. As the proposed extension does not have an increased maximum for the fiscal year (\$75,000) there are sufficient funds available.

LEGAL REVIEW:

The attached Amendment to the Professional Services Agreement for Claims Administration has been prepared by the City Attorney and is approved as to form. Carl Warren & Company has established an effective working relationship with the City Attorney's office.

CONCLUSION:

Staff recommends an 18-month extension agreement with Carl Warren & Company for third party liability claims administration services for the period beginning July 1, 2010 and ending December 31, 2011, with fees not to exceed a total of \$112,500, to be signed by the City Manager.

DEBRA YASUI
Human Resources Administrator/Risk

STEPHEN N. MANDOKI
Director of Administrative Services

COLLEEN O'DONOGHUE
Assistant Finance Director

KIMBERLY HALL BARLOW
City Attorney

DISTRIBUTION: City Manager
City Attorney
City Clerk
Assistant Finance Director
Budget and Research Manager

ATTACHMENTS: I [Amendment Number One to Professional Services Agreement For Claims Administration](#)