

**TO: CITY COUNCIL
BOARD OF EDUCATION**

DATE: June 5, 2006

**FROM: CITY MANAGER
SUPERINTENDENT OF SCHOOLS**

**SUBJECT: Review of Workers' Compensation Claims Administration
Contract with Hazelrigg Risk Management Services**

RECOMMENDATION:

This is an information item only.

BACKGROUND:

At the direction of City Council and Pasadena Unified School District Board, staff from both organizations met to determine if cost savings could be realized by entering cooperative agreements and/or jointly pursuing the procurement of goods and services. One such area identified was workers' compensation claims administration. Both entities contract with the same company, Hazelrigg Risk Management Services (HRMS), to provide some workers' compensation services.

City and PUSD staff have reviewed a tentative proposal by HRMS concerning possible cooperative efforts by HRMS, the City and PUSD for workers' compensation claims administration and ancillary services. Integral to HRMS offering any savings to either entity is the requirement that the City employ HRMS to provide three additional services: bill review; utilization review; and nurse case management and that the City enter into a long-term contract with HRMS.

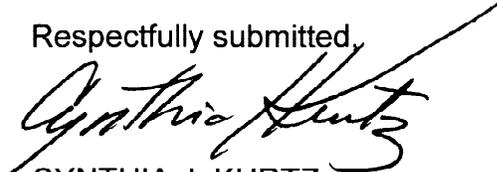
For nearly one year (since June 2005) the City has contracted with HRMS to provide workers' compensation claims administration for the Police and Fire Departments. The City originally entered a one year contract which has subsequently been extended for a second year. In return for the City entering a longer contractual agreement (preferably three years) and with the City agreeing to broaden the scope of its contract and allow HRMS to provide the three additional services mentioned above, HRMS would be willing to reduce the cost

of the Police and Fire claims administration contract and slightly reduce the cost of PUSD's base contract.

In addition to claims administration, PUSD contracts with HRMS for bill review, utilization review, and nurse case management services. The School District is currently in the midst of a multi-year contract with HRMS.

A review of the potential fiscal impact to the two organizations has determined that neither entity would realize significant financial benefits from the City expanding its relationship with HRMS. While HRMS would lower the cost of the City's Police and Fire claims administration services, it would charge considerably more for the ancillary services than what the City currently pays. The School District would only realize a modest savings in its claims administration fee and no reduction in the ancillary services provided by HRMS. Because the proposal is not cost neutral and would actually cost the City more, City and PUSD staff do not recommend the City expand its relationship with HRMS.

Respectfully submitted,



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City Manager



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