

Agenda Report

July 28, 2014

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Director of Finance

SUBJECT: AUTHORIZE CONTRACT WITH KEENAN AND ASSOCIATES FOR CITYWIDE WORKERS' COMPENSATION CLAIMS ADMINISTRATION

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project;
2. Authorize the City Manager to enter into an agreement with Keenan and Associates to provide professional third party administration of workers' compensation claims for non-sworn Citywide claims for a period of one year and one optional year, for an amount not to exceed \$110,000 per year; and
3. Find the proposed contract exempt from the competitive selection process of the Competitive Bidding and Purchasing Ordinance pursuant to Pasadena Municipal Code Section 4.08.049 (B), Contracts for which the City's best interests are served. This action would be an expansion of the workers' compensation third party administration services and would be exempt from competitive bidding pursuant to the City Charter Section 1002(f) contracts for professional or unique services.

BACKGROUND:

In November 2010, the City Council, following a Request for Proposal (RFP) process, authorized the City to engage Keenan and Associates as the City's Workers' Compensation Third Party Administrator (TPA) for Police Department and Fire Department claims handling services for a five year period.

A recent audit of the workers compensation program revealed that although workers' compensation claims are declining, workers' compensation costs are trending much higher, primarily due to prior claims that have been opened for a significant period of

time. In an effort to improve effectiveness and reduce costs, a number of operational changes are being implemented. One of the changes is the expansion of the current external third party administrator, Keenan and Associates, for worker's compensation claims duties, to include all City-wide workers' compensation claims with dates of injury, 7/1/2012 and continuing. This will allow the City examiners to concentrate on the existing and costly claims backlog. This will also allow the City examiners to focus on the development and implementation of a formal city-wide return to work program to help return injured employees to work within their work restrictions and assist in their recovery. Keenan proposes a contract with the City of Pasadena for these expanded services at a cost not to exceed \$110,000 per year.

The Workers' Compensation Division is seeking to assertively manage and resolve the backlog of claims, the high exposure claims and improve the Return to Work (RTW) program. If the City seeks a selection/bid process at this time, we could potentially have two TPA companies handling our City claims. The City's workers' compensation staff currently uses the computer system supplied by Keenan and Associates. City workers' compensation staff would need to learn a second computer system, as TPA's utilize their own claims management systems to process claim files. This would add additional work for the City examiners, rather than allowing them needed time to resolve claims and improve the return to work program. This would cause confusion for the City injured employees, as they could possibly have a claims handled by an Examiner at our current TPA, an internal City Examiner or one from the potentially new TPA Company. It is in the City's best interest to use Keenan and Associates as we are currently contracted with them for our safety claims. We are also set up on their system for claims handling and generation checks for benefit and expense payments. Keenan and Associates is familiar with the City's current workers' compensation system and employees. It could potentially cause confusion for all parties involved, having two different companies with two different claims processing procedures handling the City of Pasadena account.

The changes to the departments, primarily, will consist of contacts regarding claims reporting and administration. All initial contacts related to workers' compensation claims would be made through Keenan and Associates personnel. In addition to reducing certain indemnity benefits paid on claims, an official return to work program will provide meaningful work for the City employees with temporary work restrictions.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic plan goal to ensure and maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The proposed contract for citywide workers' compensation claims administration is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

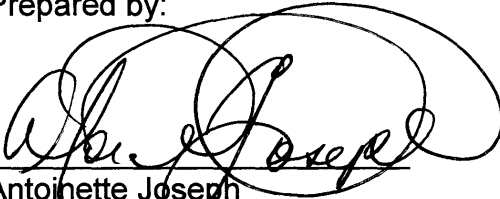
Funding for this action has been included in the Fiscal Year 2015 budget and all subsequent budgets and allocated to City departments through the budget process. No indirect and support costs such as maintenance or IT support are anticipated.

Respectfully submitted,



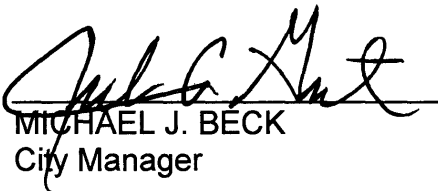
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