



STAFF REPORT

DATE: August 24, 2020
TO: Sacramento Regional Transit Board of Directors
FROM: Brent Bernegger, VP, Finance/CFO
SUBJ: APPROVING A CONTRACT FOR WORKERS' COMPENSATION THIRD PARTY ADMINISTRATOR SERVICES WITH INTERCARE HOLDINGS INSURANCE SERVICES, INC.

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

The recommended action will result in SacRT entering into a Contract for Workers' Compensation Third Party Administrator Services with Intercare Holdings Insurance Services, Inc (Intercare).

FISCAL IMPACT

The Contract with Intercare will have two pricing components:

1. Workers' Compensation Claims Administration services provided on a flat-rate annual fee basis - 5-Year Contract totaling \$2,564,519.99. The first year's amount is included in the FY 2021 Operating Budget.
2. Optional Bill Review Services, Managed Care Services, and Utilization Review Services provided by Intercare – These costs are driven by active claims; therefore, a fixed amount cannot be determined. The service costs are in addition to the Claims Administration fees of \$2.5 million and are budgeted as part of the annual workers compensation claims expense.

The final cost associated with workers' compensation claims is the true cost of the claim, including physician fees, medical equipment, prescription costs, etc. The cost of the claims is also budgeted and recognized as part of the workers' compensation claims expense. Under the terms of the Contract, these claim amounts are initially paid by Intercare and are subsequently reimbursed by SacRT on a twice-monthly basis.

DISCUSSION

SacRT is self-insured for Workers' Compensation and, pursuant to the California Labor Code, must have a Certified Claims Administrator to administer its Workers' Compensation claims. SacRT's current 5-year term contract with Intercare Holdings Insurance Services, Inc. is set to expire on September 30, 2020.

Staff released a Request for Proposals (RFP) on May 13, 2020 and received 3 responsive proposals on June 17, 2020 from the following vendors: Intercare Holdings Insurance Services, Inc. (Intercare); LWP Claims Solutions, Inc.; and, Pegasus Risk Management, Inc. Although all 3 firms are well qualified, after scoring of the written proposals, including pricing and technical evaluation, and application of Small Business Enterprise and Local Business Enterprise preference points, Intercare was determined to be the highest-ranked Proposer for SacRT for Workers' Compensation Third Party Administrator (TPA) services.

In the technical evaluation, Intercare was selected as the highest-ranked Proposer for the following reasons:

1. It is a small, local, privately owned company that is customer focused.
2. It has excellent transit experience with a client base that includes the following: San Francisco Municipal Transportation Agency; Orange County Transit Authority; San Luis Obispo Regional Transit Authority; South County Area Transit; and Humboldt Transit Authority.
3. It has a robust Special Investigations Unit (SIU) program to investigate potential fraud. These investigations are performed in-house and have led to 37 convictions over the last 5 years.
4. It employs many excellent tools to control managed care costs:
 - a. Utilization Review (UR) savings – the Claims Adjuster can authorize many at no cost. Additionally, they will periodically analyze requests to identify patterns for acceptance and convert that to the adjuster's authorized list.
 - b. A Claims Adjuster reviews all bills for accuracy and ensures attachment to correct the claims file.
 - c. Prescription drug program savings to ensure the SacRT receives the lowest prices for prescription medication.
5. It has In-house Information Technology staff.
6. Managed Care staff (i.e., UR, bill review, telephonic Nurse Case Managers) are in-house, which provides the Claims Adjusters with immediate and valuable resources.
7. It has a heavy emphasis on partnership and team-based approach.

Intercare holds the current contract for these services. The independent cost estimate for the Annual Claims Fee aspect of 5-year contract is \$2.5M based on historical information and adjusted for cost of living and inflation. Intercare's price of \$2,564,519.99 has been deemed fair and reasonable and falls within the established budget. Intercare's Bill Review Services, Managed Care Services, and Utilization Review Services have been deemed fair and reasonable compared to current rates, to the other proposers rates, and rates seen in the industry.

Historically, SacRT has used the TPA to employ litigation management to assist with certain claims. Staff has elected to contract directly with workers' compensation attorney firms. A separate RFP has been issued for SacRT management to select from a panel of litigators. Award of those contracts will be a separate item brought before the Board.

RESOLUTION NO. 20-08-0076

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

August 24, 2020

APPROVING THE CONTRACT FOR WORKERS' COMPENSATION THIRD PARTY ADMINISTRATOR SERVICES WITH INTERCARE HOLDING INSURANCE SERVICES, INC.

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Contract between Sacramento Regional Transit District, therein referred to as "SacRT," and Intercare Holding Insurance Services, Inc., therein referred to as "Consultant," whereby Intercare agrees to provide workers' compensation third party administrator services for a five-year term for the amount of \$2,564,519.99 for Annual Claims Fees and Open Inventory Fees plus applicable bill review, managed care, and utilization review fees, is hereby approved.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute said Contract.

STEVE HANSEN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary