



SFMTA
Municipal
Transportation
Agency



May 5, 2017

The Honorable Members of the Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton Goodlett Place
San Francisco, CA 94102

Subject: Authorizing the San Francisco Municipal Transportation Agency and the Department of Human Resources to enter into an Agreement with Intercare Holdings Insurance Services, Inc. for Workers' Compensation Third Party Administrator Services

Honorable Members of the Board of Supervisors:

The purpose of this briefing is to provide information to support the joint San Francisco Municipal Transportation Agency/Department of Human Resources (SFMTA/DHR) request that the Board of Supervisors approve the proposed agreement between the SFMTA and DHR with Intercare Holdings Insurance Services, Inc. (Intercare), to provide workers compensation claims administration services, for a term of three years, with an option to extend the term up to two additional years, and for an amount not to exceed \$26,179,119.

Background

The City has administered its self-insured workers' compensation program through DHR since 1932. In 2000, Proposition E amended the Charter to authorize the SFMTA to administer its own workers' compensation claims. Collectively, the two Departments are responsible for the administration of workers' compensation benefits for all 36,334 City employees and Community College employees (approximately 30,516 employees under the DHR program and 5,818 employees under the SFMTA program).

The SFMTA and DHR have jointly held a contract with Intercare for workers' compensation claims administration since November 1, 2012. The current contract with Intercare expires on July 31, 2017.

Competitive Selection Process

After receiving SFMTA Board approval on June 7, 2016, the SFMTA and DHR issued a joint Request for Proposals on June 8, 2016, and on June 27, 2016, the City received proposals from six potential vendors.

The proposals submitted were reviewed, and were found to be responsive. A selection panel consisting of four City employees with expertise in workers compensation matters, evaluated all six proposals using an approved selection evaluation plan that scored each proposal's strengths and weaknesses. The selection panel ranked Intercare's proposal highest, and staff successfully negotiated a contract.

Summary of Contract Services

Under the new contract, Intercare will provide workers' compensation claims administration services for both SFMTA's and the DHR's workers' compensation programs, in much the same way as it has over the past five years. The scope of services for SFMTA and DHR claims will be very similar, and will include overall claims management; medical and disability claim management, (which facilitates return to work and mitigates disability leave and other costs); cost containment; claims investigation and discovery; subrogation and third party claim settlement; litigation support and management; settlement of employee claims. Additionally, Intercare will provide nurse triage and pharmacy benefit management services under the new contract.

Alternatives Considered

The SFMTA and DHR considered conducting separate RFPs, but the two departments concluded that a joint RFP was the preferred approach, because it has resulted in cost savings and streamlined management of the City's workers' compensation services.

Funding Impact

SFMTA and DHR will be responsible for funding claims administration services for their respective departments. The contract amount for SFMTA is \$14,576,915 and for DHR is \$11,602,204.

| Year | DHR | SFMTA | Total |
|---------------------|---------------------|---------------------|---------------------|
| Year 1 | \$1,894,798 | \$2,640,110 | \$4,534,908 |
| Year 2 | \$1,950,354 | \$2,718,026 | \$4,668,380 |
| Year 3 | \$2,008,865 | \$2,799,566 | \$4,808,431 |
| Year 4 (Option) | \$2,069,130 | \$2,883,553 | \$4,952,683 |
| Year 5 (Option) | \$2,131,204 | \$2,970,060 | \$5,101,264 |
| *As-Needed Services | \$1,547,853 | \$565,600 | \$2,113,453 |
| Total | \$11,602,204 | \$14,576,915 | \$26,179,119 |

The fees listed above include a three percent annual cost of living adjustment applied to the second and each subsequent contract year, contingent upon the contractor providing equivalent wage increases to employees assigned to City claims, as may be necessary to meet market employment rates. On an as-needed basis, the City may direct the Contractor to perform additional claims management tasks as the City may direct and are described in the contract.

SFMTA Board Action

On June 20, 2017, the SFMTA Board will consider a resolution authorizing the Director of Transportation to execute of the contract contingent upon Board of Supervisors' approval of the proposed contract.

Recommendation

The SFMTA and DHR recommends that the Board of Supervisors authorize the SFMTA and DHR to jointly enter into an agreement with Intercare Holdings Insurance Services, Inc., to provide workers compensation claims administration services for a term of three years, with the option to extend the term up to two additional years, for an amount not to exceed \$26,179,119

Thank you for your consideration of this proposed agreement. Should you have any questions, or require more information, please do not hesitate to contact Peggy Sugarman, DHR Workers' Compensation Director at 415.701.5848 Peggy.Sugarman@sfgov.org or Dan Roach, SFMTA Workers' Compensation Manager, at 415.701.4351 or at Dan.Roach@sfmta.com.

Sincerely,

Micki Callahan, Human Resources Director

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Human Resources Director



Edward D. Reiskin
Director of Transportation