

# Mayor and Council Communication

**DATE:** 09/15/20

**M&C FILE NUMBER:** M&C 20-0648

**LOG NAME:** 13P 20-0148 WORKERS' COMPENSATION ADMINISTRATION HRD JPB

## **SUBJECT**

(ALL) Authorize Execution of an Agreement with Sedgwick Claims Management Services, Inc. for Workers' Compensation Administration and Related Services for a Flat Fee Up to \$725,967.00 for the First Year and about a 2.5% Increase in the Subsequent Years (Year 2 - \$744,116.00, Year 3 - \$762,719.00, Year 4 - \$781,878.00, and Year 5 - \$801,332.00), for a Five-Year Initial Term with Option to Renew Up to Two Additional One-Year Terms at the City's Sole Discretion

---

## **RECOMMENDATION:**

It is recommended that the City Council authorize the execution of an agreement with Sedgwick Claims Management Services, Inc. for workers' compensation administration and related services for a flat fee up to \$725,967.00 for the first year and about a 2.5% increase in the subsequent years (year 2 - \$744,116.00, year 3 - \$762,719.00, year 4 - \$781,878.00, and year 5 - \$801,332.00), for a five-year initial term with option to renew up to two additional one-year terms at the City's sole discretion, and authorize claims and associated costs to be paid for estimated claims expenses in the initial one-year period up to \$9,400,000.00 and an estimated 5 percent increase in future years (year 2 - \$9,870,000.00, year 3 - \$10,380,000.00, year 4 - \$10,890,000.00, and year 5 - \$11,430,000.00).

---

## **DISCUSSION:**

The Human Resources Department (HRD) approached the Purchasing Division to secure an agreement for workers' compensation administration and related services. The services includes: (1) third party claims administration services for a self-funded workers' compensation program to include claims adjusting, claims investigations, claims payments, establishing reserves, and claims management reports; (2) medical case management to include field and telephonic case management and vocational case management; (3) medical cost containment to include field and telephonic case management, early intervention, medical bill auditing, preauthorization and reconsideration determinations, utilization review, and durable medical equipment management; (4) pharmacy benefits management to include developing and maintaining a drug formulary, contracting with pharmacies, negotiating discounts and rebates with drug manufacturers, processing and paying prescription drug claims, and working with the City and the vendor to maintain or reduce pharmacy expenditures and improving health care outcomes of City employees; (5) 504 medical provider program – administration of the City's "BlackStone Provider Panel" to include provider credentialing, website maintenance, and maintenance of claimant and healthcare provider policies and procedures; (6) related services, such as Department of Workers' Compensation Austin Representatives, actuarial services, claims auditing, private investigations, legal representation at hearings; and (7) other such services. The York Risk Services Group, Inc. has been providing these services since November 1, 2015 under its previous Agreement (City Secretary Contract (CSC) No. 47186; Mayor and Council communication (M&C) C-27435) with the City. This agreement will expire on October 31, 2020.

Staff issued a Request for Proposals (RFP) that consisted of detailed scope of services. The RFP was advertised in the *Fort Worth Star-Telegram* every Wednesday from May 13, 2020 through June 24, 2020. Seventeen vendors were solicited from the purchasing database; eleven responses were received.

An evaluation team consisting of staff from the HRD, the Police Department, the Fire Department, the Law Department and the Diversity and Inclusions Department evaluated proposals received. The evaluation team ranked the proposals based on pre-defined factors. Three finalists were selected for presentations. Following the presentations, the evaluation team determined Sedgwick Claims Management Services, Inc. provides the best overall services and recommended that the City Council authorize the execution of agreement for an initial five-year term with options to renew up to two additional one-year terms at the City's sole discretion.

The flat fee for the initial one-year period is up to \$725,967.00 and anticipated to trend at about a 2.5 percent increase in subsequent years (year 2 - \$744,116.00, year 3 - \$762,719.00, year 4 - \$781,878.00, year 5 - \$801,332.00, year 6 - \$821,365.00, and year 7 - \$841,899.00). In addition, claims and associated cost will be budgeted for in the respective fiscal years and paid. The estimated claims expenses for the initial one-year period is up to \$9,400,000.00 and anticipated to trend at about a 5 percent increase in future years (year 2 - \$9,870,000.00, year 3 - \$10,380,000.00, year 4 - \$10,890,000.00, year 5 - \$11,430,000.00, year 6 - \$12,000,000.00, and year 7 - \$12,600,000.00).

An administrative change order or increase may be made by the City Manager up to the amount allowed by relevant law and the Fort Worth City Code and does not require specific City Council approval as long as sufficient funds have been appropriated.

Sedgwick Claims Management Services, Inc. is in compliance with the City's BDE Ordinance by committing to 10 percent MBE-AA (Minority Business Enterprises - African American) participation on this project. The City's goal on this project is 10 percent MBE-AA.

Upon City Council approval, the five-year term of this contracts shall begin on November 1, 2020 and expire on October 31, 2025. The contract may be renewed for up to two successive one-year term at the City's option. This action does not require specific City Council approval, provided that the City has appropriated sufficient funds to satisfy the City's obligations during the renewal term. The contract will include a standard fiscal funding out clause that would comply with state law requirements by allowing the City to terminate the Agreement without penalty, if in the future, the Council elects not to appropriate funds for contracted services.

---

**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendations funds are available upon adoption of the Fiscal Year 2021 Budget by the City Council, funds will be available in the Fiscal Year 2021 Operating Budget, as appropriated, in the Risk Financing Fund. Prior to an expenditure being incurred, the Human Resources Department has the responsibility to validate the availability of funds.

**Submitted for City Manager's Office by:** Jay Chapa 5804

**Originating Business Unit Head:** Reginald Zeno 8517

**Additional Information Contact:** Cynthia Garcia 8525  
John Padinjaravila Baby 2279