



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 21

**Agenda Date:** August 15, 2024

**In Control:** City Council A Session

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**DEPARTMENT:** Office of Risk Management

**DEPARTMENT HEAD:** Debra Ojo

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Self-Insured Workers' Compensation Third Party Claims Administration, Related Services & Claims Administration Software

**SUMMARY:**

This ordinance authorizes a contract with Sedgwick Claims Management Services, Inc. ("Sedgwick"), to provide third-party claims administration and other related services for workers' compensation claims for the City of San Antonio. The terms of the agreement will be October 1, 2024 through September 30, 2027, with two one-year renewal options for an estimated contract value of \$9,886,843. This ordinance authorizes the two additional, one-year renewals at the City's option. Funding is contingent upon approval of the FY 2025 annual budget. Funding for subsequent years is contingent upon approval of the annual budgets.

**BACKGROUND INFORMATION:**

Submitted for City Council consideration and action is the proposal submitted by Sedgwick to provide third-party claims administration and other related services for workers' compensation claims for the City of San Antonio. The City receives an average of 1,391 workers' compensation claims annually. The City is self-insured and retains the services of a Third-Party Administrator

(TPA) to oversee and process these claims. Under this contract the TPA is responsible for:

- Claims Management – which involves the investigation, adjusting and payment of claims
- Medical Cost Containment – includes bill review, utilization review and peer review of claims
- Pharmacy Benefit Management – the audit of and payment of pharmacy bills in accordance with Texas Department of Insurance Fee guidelines and negotiation of special pharmacy discounts
- Risk Management Information Services – required to provide an information management platform for the City’s internal liability claims handling

The City issued a Request for Proposals (RFP) for “Self-Insured Workers’ Compensation Third-Party Administration, Related Services & Claims Administration Software” (RFP 24-036, 6100017873) on March 13, 2024, with a submission deadline of May 1, 2024. The RFP was advertised in the HartBeat, TVSA channel, the City’s Bidding & Contracting Opportunities Website, the San Antonio e-Procurement System and an email notification was released to a list of potential Respondents. Three responses were received. One proposal was deemed non-responsive by the Economic Development Department due to respondent’s failure to meet the good faith effort of the Small Business Economic Development Advocacy (SBEDA) Program - Minority/Woman-Owned Business Enterprise (M/WBE) Subcontracting Program requirement. A second proposal was deemed non-responsive for failing to provide a complete proposal offering inclusive of the requirements stated within the RFP. As a result, the decision was made to cancel the solicitation and re-solicit due to the limited number of responsive proposals received.

The RFP (RFP 24-129, 6100018200) was re-issued on June 24, 2024, with a submission deadline of July 8, 2024. The reissued RFP was advertised in the HartBeat, TVSA channel, the City’s Bidding & Contracting Opportunities Website, the San Antonio e-Procurement System and an email notification was released to a list of potential respondents. Three responses were received. One proposal was deemed non-responsive by the Economic Development Department due to respondent’s failure to meet the good faith effort of the Small Business Economic Development Advocacy (SBEDA) Program - Minority/Woman-Owned Business Enterprise (M/WBE) Subcontracting Program requirement. Two responses were deemed responsive for evaluation.

The evaluation committee consisted of representatives from the City Manager’s Office, Office of Risk Management, San Antonio Fire Department, San Antonio Professional Firefighters Association, San Antonio Police Department, San Antonio Police Officer’s Association, Finance Department and Human Resources Department. The evaluation of each proposal was based on a total of 100 points, 25 points allotted for experience, background and qualifications; 30 points allotted for proposed plan; 20 points allotted for price schedule; 10 points allotted for the Minority Women Business Enterprise (M/WBE) Prime Contract Program; up to 10 points allotted for the Local Preference Program and 5 points allotted for the Veteran- Owned Small Business Preference Program. Additional categories of consideration included references and financial qualifications.

The evaluation committee met to interview both firms on July 17, 2024. After interviews, the evaluation committee discussed and scored the two proposals. The top ranked firm was Sedgwick and is recommended for award.

The current incumbent, Cannon Cochran Management Services, Inc. (CCMSI), has mutually agreed to not extend their current contract and has elected for an early termination of the contract effective September 30, 2024. Effective October 1, 2024 Sedgwick will assume responsibility for all Workers' Compensation TPA Services. Prior to the October 1st effective date, Sedgwick will work with City Staff and CCMSI to provide all required information and take the steps necessary to facilitate a seamless transition from CCMSI. This includes but is not limited to, the transfer of all relevant data, ongoing claims files, and any other pertinent documentation.

### **ISSUE:**

This contract will allow for the continuation of City Council's policy of providing third-party administration of workers' compensation claims and will provide a software platform for City's internal liability claims management program. With the early termination of the current contract with CCMSI on September 30, 2024, an accelerated implementation schedule is required. Sedgwick has committed to commence the transition process prior to the official start date of the contract in order to be operational on October 1, 2024.

The Goal Setting Committee applied the Small and Minority/ Women-Owned Business Enterprise Prime Contract (SBEDA) Program with five (5) SBE Prime Contract Program evaluation preference points awarded to a vendor if they are certified as SBE located within the San Antonio Metropolitan Statistical Area and five (5) M/WBE Prime Contract Program evaluation preference points awarded to a vendor if they are certified as M/WBE located within the San Antonio Metropolitan Statistical Area. However, Sedgwick Management Services, Inc. was not eligible to receive any preference points. Sedgwick Management Services, Inc. has committed to satisfying the 15% Minority and/ or Women-Owned Business Enterprise (M/WBE) subcontracting goal.

The Local Preference Program applied to this contract; however, the recommended firm is not a local business.

The Veteran-Owned Small Business Preference Program applied to this contract; however, the recommended firm is not a veteran-owned small business.

### **ALTERNATIVES:**

The City could attempt to perform internal workers' compensation claims administration and associated services. However, this would require additional specialized and experienced personnel and associated staffing costs and would not necessarily guarantee the same level of claims handling expertise.

**FISCAL IMPACT:**

This ordinance approves the execution of a contract for the third-party administration services of workers' compensation claims, with total compensation in the estimated amount of \$9,886,843 which includes additional software licenses and a one-time implementation fee. Funding is contingent upon approval of the FY 2025 annual budget. Funding for subsequent years is contingent upon approval of the annual budgets.

**RECOMMENDATION:**

Staff recommends approval of this ordinance.

This contract was procured by means of a Request for Proposals and a Contracts Disclosure Form is required.