



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 38

**Agenda Date:** November 18, 2021

**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 the City Manager or his designee to enter into a contract with Cannon Cochran Management Services, Inc. ("CCMSI"), to provide third-party claim administration and other related services for workers' compensation claims for the City of San Antonio. The term of this contract is three years, beginning January 1, 2022 and ending December 31, 2024, with an option to extend the contract for up to two additional one-year periods, subject to and contingent upon funding by City Council. The estimated cost for the first year is \$1,483,200.00. If all options are exercised, the estimated total cost of the contract is \$7,796,186.00. This sum represents professional fees paid directly to the Third-Party Administrator ("TPA"). The contract also provides for costs of services paid to subcontractors, such as bill audit review and investigation services, that are charged directly to the claim file and vary on a claim-by-claim basis.

**BACKGROUND INFORMATION:**

The City receives an average of 1,278 workers' compensation claims annually. The City retains the services of a Third-Party Administrator to oversee and process these claims. The TPA is responsible for claims management, which involves the investigation, adjusting and payment of claims; medical cost containment, which involves bill review, utilization review and peer review of claims; pharmacy benefit management, which involves audit and payment of pharmacy bills in accordance with Texas Department of Insurance fee guidelines and negotiation of special pharmacy discounts; and Risk Management Information System (RIMS) Services, which provides a claims platform for the City's internal liability claims handling.

On March 22, 2021, The Finance Department, Purchasing Division released a Request for Proposals (RFP) for Self-Insured Workers' Compensation Third-Party Administration, Related Services & Claims Administration Software. The RFP was advertised on TVSA Channel 21, COSA Bidding and Contracting, Opportunities Website, and San Antonio Express-News. A pre-submittal conference was held on April 2, 2021, to allow for Respondent questions and clarification to the RFP. Six (6) proposals were received by the May 7, 2021, deadline.

Of the six proposals, two were deemed non-responsive. One proposal was deemed non-responsive for failure to meet the 16% M/WBE subcontracting requirement of the RFP. A second proposal was deemed non-responsive for failure to provide required pricing information.

The remaining responses were evaluated by the Evaluation Committee (Committee), which included representatives from the City's Office of the City Manager, Office of Risk Management, San Antonio Fire Department, San Antonio Professional Firefighters Association, San Antonio Police Department, San Antonio Police Officer's Association, and Human Resources.

The evaluation of each proposal was based on a total of 100 points, allotted as follows: 25 points for Experience, Background and Qualifications; 20 points for Proposed Plan, 20 points for Price, 20 points for the Small Business Preference Program; up to 10 points for the Local Preference Program and 5 points for the Veteran Owned Small Business Preference Program.

On October 19, 2021, the four remaining Respondents were interviewed and evaluated by the Committee. Of the four, one response included Cost Containment services only and was reviewed and scored by consensus. Following interviews and scoring, CCMSI was selected by the Committee as the recommended respondent for award.

A post solicitation briefing to the Audit and Accountability Committee was held on November 15, 2021. The committee recommended the item be forwarded to City Council A Session for council consideration to award.

## **ISSUE:**

Award of 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.

The Goal Setting Committee applied the Small and Minority/ Women-Owned Business Enterprise Prime Contract (SBEDA) Program with ten (10) 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 ten (10) 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, Cannon Cochran Management Services, Inc. was not eligible to receive any preference points. Cannon Cochran Management Services, Inc. has committed to satisfying the 16% Minority and/ or Women-Owned Business Enterprise (M/WBE) subcontracting goal.

The Local Preference Program was applied in the evaluation of responses received for this contract; however, the highest ranked firm is not a local business.

The Veteran-Owned Small Business Preference Program was applied in the evaluation of responses received for this contract; however, the highest ranked firm is not a veteran-owned small business.

#### **ALTERNATIVES:**

The City could attempt to perform internal workers' compensation claims administration and associated services. 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 the contract for the third-party administration services of workers' compensation claims, with a total compensation not to exceed \$7,796,186.00. Funding in the amount of \$1,483,200.00 is available in the FY 2022 Adopted Budget in the Self-Insurance Workers' Compensation Fund. Funding in the amount of \$6,312,986.00 is subject to and contingent upon future City Council appropriations.

#### **RECOMMENDATION:**

Staff recommends approval of this ordinance to execute a professional services agreement for Third-Party Claims Administration, Related Services and Claims Administration Software with CCMSI for a term beginning January 1, 2022, and ending on December 31, 2024, with an option to extend the contract for up to two additional one-year periods, subject to and contingent upon funding by City Council. This contract was procured by means of a Request for Proposals and a Contract Disclosure Form is attached.

