



## Agenda Report

19-479

Agenda Date: 6/4/2019

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### REPORT TO COUNCIL

#### **SUBJECT**

Action on Amendment No. 1 to the Agreement with Sedgwick Claims Management Services, Inc., for Third Party Administrator (TPA) Services in Support of the City's Self-Insured Workers' Compensation Program

#### **BACKGROUND**

In December 2016, the City Council authorized the City Manager to execute an agreement with Sedgwick Claims Management Services, Inc. to provide workers' compensation third party administrator (TPA) services for a three-year period. This agreement is set to expire on June 30, 2019.

Sedgwick is the successor organization to Gates McDonald and Cambridge and has been providing TPA services to the City since 1977. The service component consists of basic claims administration services and ancillary services designed to assist in managing claims and claims costs. These ancillary services include bill review, utilization review and nurse case management.

#### **DISCUSSION**

Staff is proposing a one-year amendment to the agreement with Sedgwick in order to provide sufficient time to properly evaluate the relationship with Sedgwick relative to service delivery and cost structure considerations. The amendment will extend the current three-year agreement through June 30, 2020 and update ancillary service unit costs (Attachment 1). The amendment also increases the notice period that either party must provide for termination from 30 days to 180 days. The nature of the services rendered necessitates an extensive period to convert and transition claims data if a new TPA were required due to either party terminating the service agreement prior to normal expiration.

The current agreement has a not-to-exceed compensation amount of \$450,000 per year. While there are some changes to unit pricing in the ancillary services, it is anticipated that costs will remain within this not-to-exceed amount. Therefore, no changes were made to this annual maximum compensation amount in the amendment.

#### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Furthermore, the action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

**FISCAL IMPACT**

In the current fiscal year, funds are available in the Workers' Compensation Insurance Internal Service Fund Contractual Services account. Appropriations in future years will be incorporated as part of the budget development process for FY 2019/20.

**COORDINATION**

This report has been coordinated with the City Attorney's Office.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

**RECOMMENDATION**

Authorize the City Manager to execute Amendment No. 1 to the Agreement with Sedgwick Claims Management Services, Inc. to extend the term of the agreement by one year ending June 30, 2020.

Reviewed by: Teresia Zadroga-Haase, Director of Human Resources

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Amendment No. 1 with Sedgwick Claims Management Services, Inc.
2. Sedgwick Base Agreement