



## COUNTY OF SONOMA

575 ADMINISTRATION  
DRIVE, ROOM 102A  
SANTA ROSA, CA 95403

### SUMMARY REPORT

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**Agenda Date:** 5/16/2023

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**To:** Board of Supervisors of the County of Sonoma, Board of Directors of the Sonoma County Water Agency, Board of Commissioners of the Community Development Commission, and Board of Directors of the Sonoma County Agricultural Preservation and Open Space District

**Department or Agency Name(s):** Human Resources Department

**Staff Name and Phone Number:** Janell Crane, 707-565-2885 and Lynne Durrell, 707-565-6089

**Vote Requirement:** Majority

**Supervisory District(s):** Countywide

**Title:**

Workers' Compensation Self-Insured Program - Third Party Administration Agreement

**Recommended Action:**

Authorize the Interim Director of Human Resources to execute an agreement with Intercare Holdings Insurance Services, Inc. to provide workers' compensation claims administration and managed care services for County employees who sustain an occupational injury or illness, for an initial three year term from July 1, 2023 through June 30, 2026, in an amount not to exceed \$4,253,913, and option to extend the agreement term and contract amount for an additional two years, not to exceed \$3,052,890.

**Executive Summary:**

The County has been self-insured for workers' compensation since 1976 and has contracted with various third-party administrators to provide workers' compensation claims administration, managed care and other related services since 2000. A request for proposals (RFP) was issued in September 2022. The RFP interview panel unanimously selected Intercare Insurance Holding Services (Intercare) for contract award. This item requests approval of an agreement with Intercare for a total an amount not to exceed \$4,253,913, for the initial three-year term. Based upon the competitive pricing structure proposed by Intercare, which includes a modest 3% annual increase for claims administration services only, upon full satisfaction of the services to be provided, it is recommended to provide the option to extend the agreement term an additional two years for an amount not to exceed \$3,052,890.

**Discussion:**

Human Resources is responsible for administration of the County's self-insured Workers' Compensation Program providing statutory benefits to injured workers pursuant to the California Labor Code. The County of Sonoma has been self-insured for Workers' Compensation since 1976. Since February 2000, claims administration has been provided through various third-party claims administrators. In 2017, following a series of low scoring claims audits of the prior third-party administrator, Human Resources conducted an RFP for claims administration services.

Intercare Holding Insurance Services, Inc. (Intercare) was selected. The County issued a 3-year contract with the ability to extend for an additional two years. In June 2020, the County authorized extension of the contract for the remaining 2 years. The Board extended the contract for an additional one year (through June 30, 2023)

to allow time to conduct a Request for Proposal process, evaluate service provider options, and to allow sufficient time to manage the transition process should a new vendor be selected.

A total of 2, complete proposals were received for claims administration services. A third proposal was received for managed care services only, which did not meet the needs of our program as we had no other partial service bids with which it could be paired. Of the two complete bids received, both were competitive in their pricing. Both firms were invited to an interview panel conducted with staff from Human Resources and the Sheriff's office.

Intercare provided competitive pricing and the best overall response factoring in costs, program philosophy, management commitment to the program, and improved quality of staff performance on our account. Further, the competing vendor clarified in their interview that they would not be willing to use the County's risk management information system for claims administration.

Intercare provides workers' compensation claims administration and medical managed care services to a number of public entities throughout California. Specific to the our region, Intercare works with the County of Monterey, City and County of San Francisco, and the City of Napa.

As part of our agreement to extend the one-year contract for FY 2022-23, the County garnered a commitment from Intercare executive management to improve service levels under our contract. Over the last 18 months, Intercare has been working with County HR to increase communication and service levels for claimants and made staffing changes to ensure top level staff on our claims team. Intercare management has built solid working relationships with Human Resources and Sheriff's Office staff to expedite resolution of issues as they arise.

Additionally, the County increased staffing on our account with Intercare to provide additional claims adjusters, claims support and claims supervision services. The increase was in response to unprecedented claim levels. Over fiscal years 2020-21 and 2021-22, the number of claims being filed rose to record levels, straining staff resources under the contract. County HR has also added a Workers' Compensation Specialist within the Disability Management Unit to provide additional internal program oversight and to serve as a resource for injured workers.

Intercare's service challenges were also compounded by the impacts of COVID-19, which resulted in the highest number of open workers' compensation claims in the history of the County's Workers' Compensation Program and delays in medical treatment from service providers. In 2017 when Intercare began handling claims for the County the County had an open caseload of 535 workers' compensation claims. In January of 2022, claim counts reached an all-time high of 1000 open claims. As of the writing of this report the open claims count has leveled off at 701 open lost time claims.

In FY 2022-23, the County increased funding for the contract to allow staffing levels to be adjusted to industry standards on our account. Intercare has re-iterated its commitment to the County and will continue to provide enhanced communication and collaboration opportunities to provide responsive services to our injured workers.

In addition to on-going, real-time assessment, communication, and correction of any performance issues under the contract, the program undergoes a detailed audit biennially by Public Risk Innovation, Solutions, and Management (PRISM) to ensure compliance with industry best practices and PRISM's recommended

claims administration guidelines.

Based on the adjustments made to staffing on the program, the commitment of Intercare management to the County's program, and the increased service and communication levels with injured workers demonstrated by Intercare, Human Resources recommends adoption of a new contract with Intercare, subject to continued compliance with the County's required service levels as prescribed under industry best practices and guidelines. During the initial three-year term, fees for claims administration services are not exceed \$4,253,913 in total, which includes a 3% annual increase. Medical managed care services include medical bill review, nurse case management and utilization review. These services are assigned to the individual workers' compensation claims and are not part of the claims administration fee. The contract includes a fee schedule for these services. The Agreement includes Exhibits that cover the scope of services and fee schedule.

**Strategic Plan:**

N/A

**Prior Board Actions:**

06/06/2017: Initial Contract Agreement Approved

06/09/2020: First Contract Amendment, 2 Year Extension of Contract

05/24/2022: Second Contract Amendment, 1 Year Extension of Contract

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 22-23 Adopted</b>	<b>FY23-24 Projected</b>	<b>FY 24-25 Projected</b>
Budgeted Expenses	\$1,329,729	\$1,417,971	\$1,460,510
Additional Appropriation Requested			
<b>Total Expenditures</b>	<b>\$1,329,729</b>	<b>\$1,417,971</b>	<b>\$1,460,510</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other	\$1,329,729	\$1,417,971	\$1,460,510
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>\$1,329,729</b>	<b>\$1,417,971</b>	<b>\$1,460,510</b>

**Narrative Explanation of Fiscal Impacts:**

Costs associated with Intercare are funded through the Workers' Compensation rate charged to all County departments and agencies based on departments' claims experience and total payroll exposure, through a rate of payroll. Funding for FY 2023-24 is included in the Human Resources FY 2023-24 recommended budget. Funding for the remaining years for this agreement will be included in future year budgets.

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

N/A

**Attachments:**

Agreement with Intercare Holdings Insurance Services, Inc. containing Scope of Services (Exhibit A), Fee Schedule (Exhibit B), and Insurance Requirements (Exhibit C), for the term July 1, 2023 - June 30, 2026

**Related Items "On File" with the Clerk of the Board:**

None