



## Legislation Text

---

**File #:** 2022-0492, **Version:** 1

---

**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 - Risk Management

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

**Vote Requirement:** Majority

**Supervisorial District(s):** Countywide

**Title:**

Extension and Funding Adjustment to County's Workers' Compensation TPA Contract

**Recommended Action:**

Authorize the Director of Human Resources to extend the contract with Intercare Holdings Insurance Services, Inc. to continue to provide workers' compensation claims administration and managed care services for County employees who sustain an occupational injury or illness for an additional one-year term from July 1, 2022 through June 30, 2023, in an amount not to exceed \$1, 829,729.

**Executive Summary:**

The County has contracted with Intercare Insurance Holding Services, Inc. (Intercare) since July 2017 for third-party administration of the County's self-funded workers' compensation program. Human Resources is extending the contract for one year to allow time to conduct a Request For Proposal process and evaluate service provider options and to allow sufficient time to manage the transition process should a new vendor be selected.

Additionally, HR requests an increase in funding appropriations to improve Intercare's service levels to County employees. Specifically, the additional appropriations will allow Intercare to add two (2.0) full-time claims adjusters, 0.4 claims assistants, and bring the account supervisor from 0.7 to full-time on our account in order for Intercare to meet the service expectations of the County.

The extension will also provide the opportunity to continue to work with Intercare to improve services, particularly communications with injured workers and the timing of authorization of medical treatment.

**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 current contract expires on July 1, 2022.

During the contract term, PRISM (formerly the CSAC-Excess Insurance Authority) conducted two claim performance audits, a requirement every two years for participants in the excess workers' compensation program. The audits are conducted to evaluate claim handling practices against PRISM Claims Administration Standards, including such things as, caseload requirements (150 to 165 claims per adjuster) and expectations in regard to file review and documentation, communication, investigation, fiscal accuracy, benefit delivery, reserving and claim resolution.

The audit structure for rating the overall effectiveness of the claims administrator is as follows:

90%-100%: Exceeds Expectations

80%-89%: Meets Expectations

70%-79%: Below Expectations

0%-69%: Unsatisfactory: Immediate Action Required

Intercare's first audit was performed in August 2018 and resulted in an audit score of 72.7%. Although it was an improvement over the score for the prior contract administrator, it was still below expectations. The second audit in March 2021 resulted in an audit score of 81.17% - "Meets Standards".

Although the 2021 audit score "meets standards," some services areas are still falling short of County expectations. In December 2021, County HR reached out to Intercare to address complaints from injured workers regarding a lack of communication and delays in authorizing treatment requests. Intercare management immediately stepped in to work with the County to rectify the errors and get the program on track.

Intercare's service challenges have also been 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 795 open lost time claims. However, the program is staffed to support the smaller caseload with 3.5 adjusters. In order to bring the program into alignment with the PRISM Workers' Compensation Claims Administration Standards as well as industry best practices, additional staffing is required.

Therefore, Human Resources requests a one-year extension of the Intercare contract to allow time for the improvements being made to take affect and provide service stability for employees. During this time, County HR will issue an RFP for workers' compensation claims administration and managed care services and evaluate services provider options with the objective contracting with an administrator who can handle the scope of the County's service needs and who will place a high standard on customer service and the wellbeing of the injured County employees.

### **Strategic Plan:**

N/A

**Prior Board Actions:**

6/6/2017: Adoption of initial 3-year contract with Intercare Holdings Insurance Services, with option to extend through June 2022.

6/9/2020: Authorized HR to extend contract and funding for additional two years.

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 21-22 Adopted</b>	<b>FY22-23 Projected</b>	<b>FY 23-24 Projected</b>
Budgeted Expenses	\$1,404,741	\$1,549,978	
Additional Appropriation Requested		\$279,751	
<b>Total Expenditures</b>	<b>\$1,404,741</b>	<b>\$1,829,729</b>	
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other	\$1,404,741	\$1,829,729	
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>\$1,404,741</b>	<b>\$1,829,729</b>	

**Narrative Explanation of Fiscal Impacts:**

Costs associated with Intercare are funded through the Workers' Compensation rate charged to County departments and agencies based upon the departments claims experience and total payroll exposure, through a rate of payroll. The cost of the increase will be absorbed by Human Resources FY 2022/23 budget without increasing the payroll rate charged to departments.

<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:**

Second Amendment 7-1-2022 to 6-30-2022

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

None