County Of Sonoma
Agenda Item
Summary Report

Department: Human Resources Department

4/5 Vote Not Required

Name and Phone Number: Marcia Chadbourne - (707) 565-2473
Board Date: 12/13/11
Deadline for Board Action: 12/31/11

AGENDA SHORT TITLE:
Workers’ Compensation Self-Insured Program

REQUESTED BOARD ACTION:

1) Approve participation of the Sonoma County Fair and Exposition Inc. in the County’s Self-Insured Workers’ Compensation Program effective January 1, 2012.

2) Authorize the Director of Human Resources to execute an amendment to the agreement (7/1/10 – 6/30/13) with CorVel Enterprise Comp, Inc. for workers’ compensation claims administration and managed care services to add the Sonoma County Water Agency, Sonoma County Fair, and any other County department and/or agency authorized in the future, to join the County’s Self-Insured Workers’ Compensation Program, in an amount not to exceed $150,000 for the remaining term of the agreement.

CURRENT FISCAL YEAR FINANCIAL IMPACT

EXPENDITURES:

<table>
<thead>
<tr>
<th>Estimated Cost</th>
<th>ADDITIONAL FUNDS REQUIRING BOARD APPROVAL:</th>
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<tr>
<td>$75,000*</td>
<td>Contingencies</td>
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<td>(Fund Name:)</td>
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<td>Amount Budgeted</td>
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<tr>
<td>$75,000*</td>
<td>(Source:)</td>
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<td>Other Available</td>
<td>Other Transfers</td>
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<td>Appropriations</td>
<td>$0 (Source:)</td>
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<td>(Explain Below)</td>
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Additional Requested $0

Explanation (if required):*Total fees under the amendment to the agreement are not anticipated to exceed $150,000 for the remaining 2 years of the agreement. Actual costs of future claims are not known, however potential future costs associated with the Sonoma County Self-Insured Workers’ Compensation Program are actuarially determined and appropriately funded in the Workers’ Comp Internal Service Fund #596122.

Prior Board Action:

6/22/10 - Authorized agreement with CorVel Enterprise Comp Inc, for the term 7/1/11 to 6/30/13.
7/12/11 - Authorized participation of SCWA in the County’s Self-Insured Workers’ Compensation Program effective 7/1/11.
7/12/11 - Authorized Risk Management charges for support services provided to CDC.

Alternatives – Results of Non-Approval: The Sonoma County Fair and Exposition would not realize the cost savings of participating in the County's Self-Insured Workers' Compensation Program.
Background:

1) The first requested Board action is to approve participation of the Sonoma County Fair and Exposition Inc. in the County’s Self-Insured Workers’ Compensation Program effective January 1, 2012.

The County of Sonoma has been self-insured for Workers’ Compensation since 1976. The Sonoma County’s Self-Insured Workers’ Compensation Program (“Program”) provides coverage to all County employees, the Volunteer Program administered by Human Resources, General Assistance (GA) workers supervised by Human Services, and court-ordered workers of the Supervised Adult Crews (SAC) administered by the Probation Department. With employees, volunteers, GA workers and SAC crew members, the County’s program covers approximately 6,000 individuals annually. Previously, employees of the Sonoma County Water Agency (SCWA) Community Development Commission (CDC) and the Sonoma County Fair & Exposition Inc. (Fair) did not participate in the County’s program as these entities were separate entities. Until recently workers’ compensation coverage for SCWA was obtained through Alaska National Insurance Company, for CDC through the State Compensation Insurance Fund, and the Fair participates in a pooling arrangement through the California Fair Services Authority. Although these entities did not participate in the County’s program, they have participated for many years in all other safety and loss prevention services provided by Risk Management, including leave management and return-to-work coordination, safety management, and core training services, at no cost for these services.

In April 2011, Risk Management began an analysis to evaluate the potential cost effectiveness of including these three entities into the County’s program. The results of this analysis are illustrated in the program cost allocations in Attachment A, with both SCWA and the Fair realizing significant savings by joining the County’s program. In July 2011 your Board approved participation of the SCWA in the County’s Program effective 7/1/11, and it was anticipated at that time that the Fair would also join the County’s program upon further analysis and approval by the Fair Board of Directors.

Estimated cost to the Fair for participation in the County program for the remainder of FY 2011/12 is $57,023. Cost savings for the Fair for fiscal year 2011/12 is anticipated to be approximately $30,000. Based upon this cost savings and the other services provided to the Fair by the County’s program, the Fair Board authorized participation in the County program.

2) The second requested Board action is to authorize the Director of Human Resources to execute an amendment to the agreement (7/1/10 – 6/30/13) with CorVel Enterprise Comp, Inc. for workers’ compensation claims administration and managed care services to add the Sonoma County Water Agency, the Sonoma County Fair, and any other County department and/or agency authorized in the future, to join the County’s Self-Insured Workers’ Compensation Program, in an amount not to exceed $150,000 for the remaining term of the agreement.

The County’s Self-Insured program utilizes a third party administrator (TPA) to provide workers compensation claims administration and managed care services. CorVel Enterprise Comp, Inc. (“Corvel”) was selected as the County’s TPA for these services through a Request for Proposal process conducted in 2010, and in June 2010 your Board authorized a three-year agreement for these services for the term 7/1/10 through 6/30/13.

The current agreement with CorVel was based upon specifications included in the RFP and the final negotiated contract amount with CorVel was based upon fewer departments, a smaller employee population, and fewer estimated annual claims. The County was extremely successful in negotiating a very aggressive pricing structure in the original agreement, and CorVel agreed to provide a three-year rate guarantee including a 10% overall reduction to the fees in their original proposal. Thus, CorVel was not willing to add new contract capacity without recognition of their increased costs to administer a three-year rate guarantee.
Fees for claims administration services are a fixed amount per claim. Fees for bill review and utilization review services have a maximum allowed fee per review, and total fees paid under this amendment will depend on the nature of future claims. A summary of fees is illustrated in Attachment B. The County’s workers compensation program is sufficiently funded based upon actuarial evaluation to bear the costs associated with the addition of the Water Agency and Fair. All costs allocated to these agencies are based upon their own claims experience so that this amendment will not increase the overall net cost of the program. If claims experience is higher than estimated, we will return to the Board for additional contract authority.

Attachments:
Attachment B – Summary of Claims Administration and Bill Review Fees.

On File With Clerk:
Amendment #1 to agreement with CorVel Enterprise Comp, Inc. for workers’ compensation claims administration and managed care services