

Workers' Compensation Third Party Administrator Contract

Finance, Audit, & Accountability
Council Committee

August 22, 2005

Purpose

- Review Workers' Compensation Third Party Administrator (TPA) Contract
- Answer questions raised at August 10, 2005 City Council meeting
- Recommend award of Workers' Compensation TPA contract
- Recommend extension of the current Workers' Compensation TPA contract

Background

- Workers' Compensation and Third Party Administration contract
 - Briefed Business and Commerce Committee on June 6, 2005 – Attachment A
 - Scheduled on the June 22, 2005, Council agenda for award consideration; City Council deferred the item
 - Briefed City Council August 3, 2005 – Attachment B
 - August 3, 2005 - Ward North America amended their proposal and placed \$750k of their total fee at risk
 - August 5, 2005 – TRISTAR amended their proposal and placed \$750k of their total fee at risk
 - Scheduled on the August 10, 2005, Council agenda for award consideration, item was deferred by Council Majority

Questions

Why were two of the finalists deemed non-responsive?

- During the June 22 Council meeting, a vendor indicated that they could provide the requested services for \$4 million less than the recommended vendor
- To clarify prices, on July 14, 2005, Procurement Services sent a letter to the top five Proposers (attachment C) requesting the following:
 - submit a revised financial proposal
 - clearly identify a complete cost for each requested service
 - complete each pricing sheet in its entirety and
 - advised each proposer that failing to provide a clear, complete cost would result in their proposal being deemed non-responsive

Questions

- The City could not determine a complete cost from **Hammerman & Gainer Inc.** due to the following:
 - vendor noted additional cost would be incurred by the City for the conversion of workers' compensation and liability data but did not include pricing
 - requested adjustment in pricing if claims increased or decreased in excess of 15%
 - did not provide a total cost for legal services; included were other fees such as:
 - Detailed research or opinion – Same prevailing hourly rate as Contested Case Hearing (CCH)
 - Appeals panel matters and State Office of Admin Hearings (SOAH) hearing - Same prevailing hourly rate as CCH
 - Texas Workers' Compensation Commission (TWCC) Record Check - \$65.00 plus TWCC charges
 - Order of TWCC file - \$65.00 plus TWCC charges
 - Electronic Data Interchange (EDI) - \$12.00 per item plus necessary long distance (LD) charges

Questions

- The City could not determine a complete cost from **Crawford** due to the following:
 - did not provide a complete cost for legal services. The proposal contained a “*see notes below*” statement, referring to additional legal fees but fees were not identified on the price sheet
 - noted any variance beyond +/- 5% of projections invalidates fixed pricing – wants to renegotiate
 - noted that open claims that exceed 2 years will be charged an additional fee of \$940.00 per claim for every two years the file remains open
 - noted two-year flat rate pricing, the flat rate unit price for all subsequent two-year periods will be the expiring flat rate plus current CPI + 1% or as stated in rate sheets – not a fixed price

Questions

- No determination can be made as to the true total cost to the City for either the Hammerman & Gainer Inc. or the Crawford proposals
- Because the costs cannot be determined, both proposals were deemed non-responsive

Ward's Proposed Cost Savings Plan

- During the award process, the City received a letter from Ward North America dated August 3, 2005 proposing a cost savings incentive plan for consideration
 - Staff evaluated the incentive proposal and asked PartnerSource and AON Consultants to review Ward's cost savings plan; both consultant firms concluded the proposed cost savings plan has proven to be difficult to implement and measure
 - Additionally, staff contacted the City of Atlanta's Human Resources Department to obtain a status on the plan currently being utilized there; the City of Atlanta's Risk Manager revealed that their cost increased from \$8,806,528.63 to \$13,682,927.91 in one year

City of Atlanta

- The Dallas Director of Human Resources' purpose for contacting the City of Atlanta was to:
 - Obtain additional information relating to the proposed cost saving plan from the City of Atlanta's prospective
 - Inquire whether the proposed plan was similar in concept
 - Obtain information as to the success of the plan
 - Obtain information regarding performance standards used to monitor the plan
 - Inquire whether the City of Atlanta would recommend such plan to the City of Dallas

Questions Provided to the City Of Atlanta's Risk Manager

The following are question posed to the City of Atlanta in response to Ward's proposed cost savings plan:

Q - Is the program Ward proposed to the City of Dallas' similar to the City of Atlanta.? Based the experience of the Cost Savings plan Ward has implemented with the City of Atlanta, would you enter in this arrangement with Ward again?

A - It is similar in concept, but appears you have some different terms and I understand that the details have yet to be discussed. I am faxing our Performance Standards portion of the contract for your review. I would not recommend the City of Atlanta enter into this arrangement again with Ward under the current terms.

Q - Did the total claims cost increase or decrease since you contracted with Ward North America using there cost savings program (after normalizing your payroll)?

A - The total claims cost has increased during Ward's administration of program (increased by \$4,876,399.28).

Q - Based on your answer above, did you pay Ward North America bonus pay?

A - Yes, we paid Ward North America a performance bonus

Refer to the email from the City of Atlanta's Staff (Attachment D)

Dallas Claims Cost History

The figures below reflect a five year history for total claims cost and total number of claims while under Ward North America.

FY	WC Cost	Total Claims	Cost Per Claim
FY 99-00	\$14,922,351	2,929	\$5,095
FY 00-01	\$14,702,872	2,795	\$5,260
FY 01-02	\$16,658,741	2,626	\$6,344
FY 02-03	\$16,289,501	2,298	\$7,088
FY 03-04	\$18,175,761	2,314	\$7,854

Recommendation

- Throughout the evaluation process, TRISTAR has demonstrated a willingness to create improvements for the entire workers' compensation program
- Overall, TRISTAR provided the best fit for the City of Dallas' needs and was the best proposer to help City achieve an annual goal of approximately \$3 million reduction in claims costs by FY07-08

Next Steps

- Award Workers' Compensation Third Party Administrator contract to TRISTAR on the August 24, 2005 City Council agenda to be effective November 1, 2005
- Award one (1) month extension to Ward North America scheduled for the September 14, 2005 Council agenda
- Fully implement strategic management practice changes for the Human Resources Department
- Monitor the progress of TRISTAR's performance and report back to City Council on progress of improvements/savings

Attachment A

Workers' Compensation & Third Party Liability – Claims Administration (TPA) Contract

Business & Commerce Committee
June 6, 2005

Workers' Compensation & Third Party
Liability – Claims Administration (TPA)
Contract

Business & Commerce Committee
June 6, 2005

Issue:

- The City's Third Party Administrator (TPA) Contract with Ward N.A. expires September 30, 2005
- A June 22, 2005 Council Agenda Item requests authorization to award the contract to TriStar Risk Management, one of fourteen vendors to submit a proposal

Background on Workers' Compensation Program

- City is self insured for all claims under \$750K
- Claims are evaluated and processed by third party administrator (TPA)
- City buys excess workers' compensation insurance for protection against catastrophic claims
 - Insured for losses in excess of \$750K per occurrence
 - Policy premium paid from Purchased Insurance Fund
- Amount needed to pay claims is estimated during budget process and allocated to departments based on:
 - Previous claims experience (five year average)
 - Total FTE's (full time equivalents)

Background on Liability Claims Program

- City is self-insured for all liability claims
- Amount needed to pay claims is estimated during budget process and allocated to departments
 - Based on departments' claims experience and exposure
 - Departments transfer funds to the Risk Fund based on allocation
- TPA evaluates and processes claims involving bodily injury or property damage caused by negligence of City employee
 - Payments may be limited by Texas Tort Claims Act
 - Could be barred by governmental immunity
- City Attorney's Office defends lawsuits and claims involving death, excessive force, employment practices, demolition, discrimination, etc.

Services Provided by TPA

- WC and Liability claims administration
 - Determination of eligibility
 - Payment recommendation
- WC cost containment
 - PPO network, pharmacy card
 - Medical, hospital, pharmacy bill auditing
 - Pre-authorizations
 - Case Management
 - Peer reviews
- WC Legal representation for Texas Workers' Compensation Commission issues
 - TWCC becomes a division of Texas Department of Insurance September 1, 2005

Current Contract History

- City issued RFP in 2000
- Awarded 3 year contract to Ward N.A.
 - Original contract expired Sept. 30, 2003
 - Included 2 one-year renewal options
 - First renewal option authorized by Council Aug. 27, 2003; Second renewal option authorized Aug. 25, 2004
 - FY 2000-01 \$2,699,313
 - FY 2001-02 \$2,768,223
 - FY 2002-03 \$2,826,081
 - FY 2003-04 \$2,885,195
 - FY 2004-05 \$2,743,000

Steps Taken

- Issued RFP in March, 2005
- An evaluation team established to include PartnerSource/Marsh
- Received 14 proposals
- Evaluated proposals-narrowed field to 5 finalists
- Interviews performed – top vendor selected
- Business Development & Procurement negotiated with vendor

Recommendations For FY 2005-06

- Recommend approval at the June 22, 2005 Council meeting to award contract to TriStar Risk Management for approximately \$12.5M (for 5 year period)
 - GFE participation is 21% (goal is 36.3%)
 - GFE vendor is Injury Management Organization - (approximately \$2.5M)
- Secure Risk Management Information Software (RMIS)
 - Consultant, Aon, recommends immediate purchase of software
 - Purchase of software provides disaster recovery in the event of catastrophic loss

Recommendations (cont'd)

- Claims data reside in software managed by the TPA
 - City not in control
 - Risk data not centralized
- Acquisition of RMIS will enable us to consistently capture, analyze and report on injuries, costs and absenteeism
- RFP is being developed

- Exhibit 1

Aon's Recommendation for Disaster Recovery

- **Exhibit 2**

Aon's Recommendation on Guaranteed Cost

Attachment B

Workers' Compensation Third Party Administrator Contract

City Council Briefing

August 3, 2005

Workers' Compensation Third Party Administrator Contract

City Council Briefing

August 3, 2005

Purpose

- Review the development of the Request for Proposals
- Review the criteria development and evaluation process
- Provide results of the evaluation process
- Make recommendation for award

Background

- An effective Workers' Compensation (WC) program:
 - Takes care of employees with job related injuries
 - Encourages employees to return to work
- City is self insured for all individual employee's injuries up to \$750K
- City buys excess workers' compensation insurance for protection against catastrophic claims
 - Insured for losses in excess of \$750K per occurrence
 - Policy premium (\$405K/yr) from Purchased Insurance Fund

Background

- AON (the City's Risk Management Broker of Record) has evaluated the difference between self-insured or fully insured options
- City of Dallas has a large volume of claims that warrants a self-insured system

Background

- The Third Party Administrator (TPA) is a company that specializes in evaluating, processing and paying of claims on behalf of the City
- Services provided by a TPA:
 - Determination of eligibility
 - Payment recommendation
 - WC Cost Containment
 - PPO network, pharmacy card
 - Medical, hospital, pharmacy bill auditing
 - Pre-authorizations
 - Case management
 - Peer reviews
 - Provides legal representation for Texas Workers' Compensation Commission issues

Background

- The City initiates the claims handling process by notification from employees and citizens
- It is the responsibility of the City to oversee the administration of the claims until completion
- This involves clarification of policies, procedures, and returning employees to work expeditiously

Background

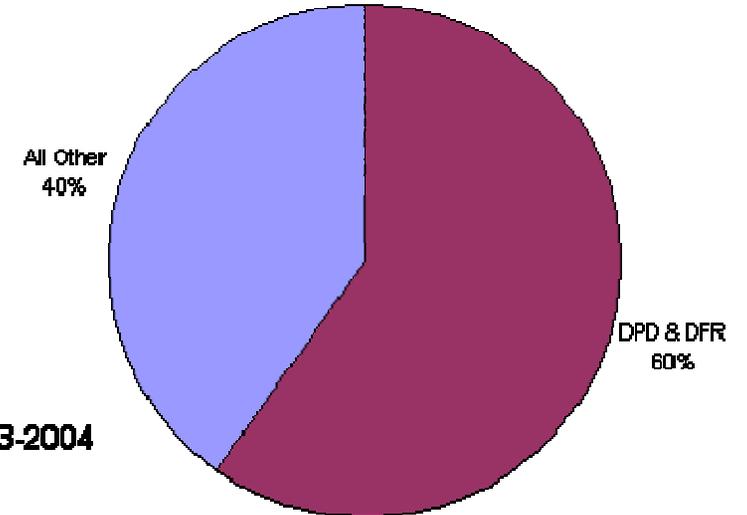
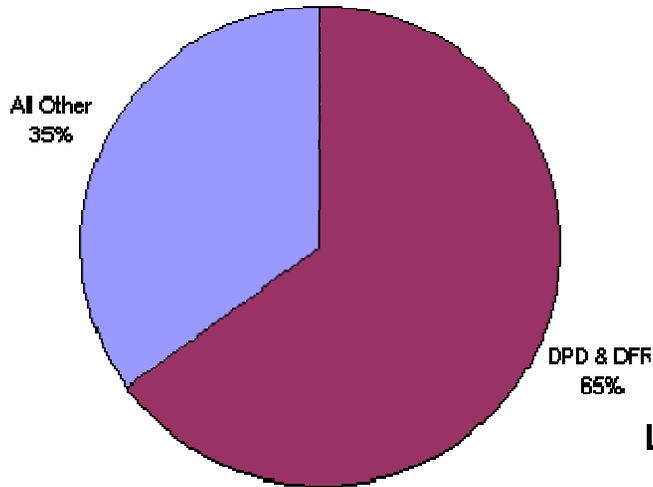
Workers' Compensation Claims

- City spent approximately \$18M in FY 04 for workers' compensation claims
- Of 2314 claims filed for FY 04;
 - 1496 were for Police & Fire which represents 65% of claims shown on next slide

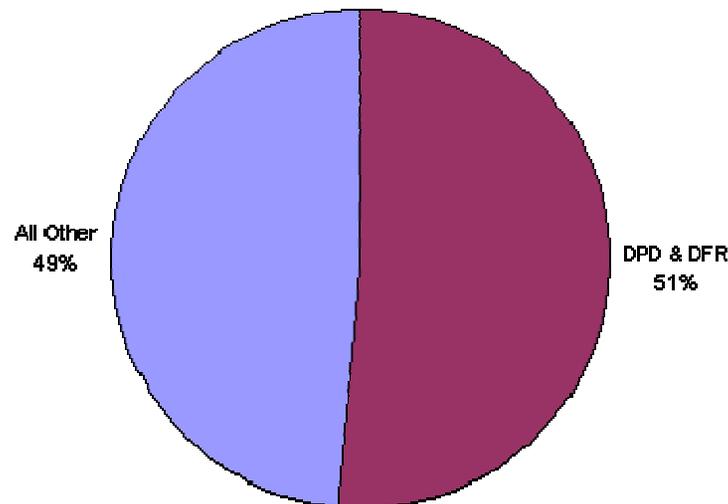
WC Statistics – FY 04

Injuries FY 2003-2004

Incurred Costs FY 2003-2004



Lost Work Days FY 2003-2004



Background

- City renewed its existing contract with Ward North America for 1 year in June 2004 to allow a more thorough review of the entire Workers' Compensation (WC) program
- That review included:
 - A performance audit of the WC completed by the City Auditor on December 3, 2004
 - A comprehensive review of WC, limited duty policies and Wage Supplementation completed by PartnerSource, Inc (contracted by the City Attorney) on January 26, 2005
 - Commission on Productivity and Innovation recommended changes for Loss Control March 28, 2005

Major Findings

- No formal process to measure WC program success or accountability to Senior Management (PartnerSource)
- WC costs incurred and paid are higher than other groups reviewed (PartnerSource)
 - The current system does not encourage injured employees to return to work
 - The WC claim duration was longer than the group average
 - Indemnity Claim duration rose from 44 days higher than peer group in 2000 to 72 days higher than peer group in 2003
- Risk Management has limited audit processes. In addition, no documentation was provided to demonstrate audit recommendations were implemented (PartnerSource)

Major Findings

- Wage Supplementation procedures, including eligibility requirements, should be reviewed and updated (City Auditor)
- Safety initiatives are not defined and have minimal impact on the reduction in workers' compensation losses (PartnerSource)
- Risk Management related Administrative Directives are out of date and need updating (City Auditor)
- Employees on lost time do not receive uniform communication (Aon)

Recommended Improvements

- Formalize Risk Management organizational structure with appropriate staffing and clear lines of accountability for all City Departments (All studies)
- Structure programs to identify higher risk areas in departments and update/communicate procedures (Aon)
- Develop a formal stewardship program; include increasing the frequency of monitoring, auditing and reporting. Reporting must be consistent with TWCC categories for benchmarking purposes (PartnerSource)
- For wage supplementation, develop strategies to encourage employees return-to-work and unify administration across all departments (Partner Source)

Recommended Improvements

- Maintain designated medical provider network for workers' comp and wage supplementation eligibility, include an RN review for routine claims and M.D. review for complex claims credentialed by independent body (PartnerSource)
- Develop an Absence Management Program for all departments to expedite the return to work (All studies)
- Improve Safety and Loss Control program including safety incentives (All studies)
- Improve coordination of procedures and provide workflow process documentation to third party administrator (Aon)
- Provide safety training to employees and implement safety inspections using an incentive model (Commission on Innovation and Productivity)

City Process Changes

- Based on the outside consultants' and Auditor's recommendations, the City will change its management practices
- Most notably the Department of Human Resources will:
 - Implement Citywide Loss Prevention Program
 - Implement Citywide Absence Management Program to include Return to Work strategies
 - Consolidate staff to Implement Loss Prevention and Workers' Compensation Programs
 - 80% completed; 20% to be completed by 9/15/05

RFP Development

- The City incorporated the consultant findings, the City Auditor's review, as well as the requirements of HR new management practices into the RFP
- The main goal of the RFP was to evaluate the proposers on their overall capabilities and new strategies they could bring to the City to help achieve the results outlined by the recommendations and changes to the City's Workers' Compensation Program strategy

RFP Development

- While past experience was relevant, the City sought a vendor with state of the art technology and an approach that would make the Workers' Compensation program more proactive especially in area of cost containment
- The ultimate goal of the City is to drive down the claims costs, while moving employees back to work as quickly as possible

Proposal Process

- The City issued an RFP on March 17, 2005
- 14 Proposals were received on April 15, 2005
- All 14 proposals were evaluated by an evaluation committee comprised of Human Resources, Park & Recreation, and Equipment Building Services
- Each proposer was evaluated on the basis of the criteria, with special attention paid to Risk Management Information System Reporting Capabilities and innovative approaches that would help the City drive down the claims costs
- Of the 14 proposals, the committee narrowed the selection to the top 5 by ranking the proposals

Proposal Process

- On May 3, 2005 the committee members and consultant, serving as an advisor, attended presentations held at the Proposers' place of business
- Proposers were asked to:
 - Give a short summary of their proposal demonstrating their understanding of the City's needs and requirements as requested through the RFP
 - Demonstrate how their approach to managing claims set them apart from competitors
 - Demonstrate their Risk Management Information System
 - Committee looked for:
 - Easy access to real-time claims data
 - How system was used by vendor to manage claims rather than just keep information
 - Automation of State required forms
 - Ease of use
 - Extensive standard & Ad-Hoc reporting capability
 - Answer the committee's questions pertaining to specifics of the RFP

Proposal Process

- The committee completed the presentation process and evaluated each of the five Proposers, using the evaluation criterion included as part of the RFP
- Those scores were compiled, and the proposer with the highest cumulative score was TRISTAR Risk Management

Evaluation Scores

Criteria	Max points	Attenta	Crawford	Hammerman & Gainer Inc.	Ward North America	TRISTAR
Scope of Services - 20 points	80	52	53	58	64	71
Demonstrated Experience -15 points	60	47	54	51	59	54
Risk Management System – 25 points	100	64	69	72	85	96
Claims Management – 15 points	60	45	48	51	56	58
Cost management - 25 points	100	76	72	81	81	97
Combined Score	400	*284	*296	*313	*345	*376

*Scores shown are combined scores of 4 evaluators

Proposal Process

- On June 6, 2005 staff briefed Business and Commerce and asked for a recommendation
- Committee made a recommendation to move forward with award
- On June 22, 2005 Workers' Compensation & Third Party Administration was presented to Council for award
- Several Proposers spoke against staff's recommendation citing lower cost
 - One of the vendors apparently misrepresented their costs at the June 22, 2005 City Council meeting
- Item was deferred to the August 10, 2005 City Council Agenda

Pricing

- As a result of comments made by vendors at the June 22, 2005 City Council meeting, a 2nd request for fixed pricing was sent on July 14, 2005 to the top five Proposers
- The request was made in an effort to clarify and obtain a complete cost for services being requested

Pricing

Attenta	Crawford	Hammerman & Gainer, Inc.	Ward North America	TRISTAR
\$11,060,976	<i>*Non-Responsive</i>	<i>* Non-Responsive</i>	\$12,013,912	\$11,991,853

The above figures represent a five-year total

**On July 14, 2005 the Proposers were instructed to submit revised financial proposals which clearly identify “the complete cost for each requested service”. These Proposers failed to provide such cost therefore staff could not clearly identify their complete cost. They were notified on July 27, 2005 their proposal had been deemed non-responsive.*

Total Cost

- The Workers' Compensation Program includes expenses for the TPA contract and the cost of the actual claims
- By selecting the right vendor, City expects to realize an annual claims cost reduction of \$3 million dollars by FY07-08

Recommendation

- TRISTAR Risk Management operational practices and technological capabilities are the best for the City of Dallas improved Workers' Compensation program; new processes that would result in additional costs do not have to be developed
- Already working with other entities with similar needs as the City:
 - Approximately 60% of TRISTAR clients are public entities
 - Have multiple accounts with annual claims fees excess of \$1,000,000
 - Largest client is the County of Los Angeles, California with approximately 10,000 open indemnity claims (2 of 4 units)

Recommendation

- In Texas, TRISTAR's current public entity clients:
 - City of Irving
 - Bexar County
 - Hidalgo County
 - Fort Bend County
 - Calhoun County
 - Matagorda County
 - San Antonio ISD
 - Brownsville ISD

Counties include Law Enforcement
- TRISTAR's partner, Injury Management Organization's (IMO) current public entity clients:
 - City of Houston
 - City of Austin
 - City of Ft. Worth
 - Houston ISD
 - Ysleta ISD
 - Irving ISD

Recommendation

- TRISTAR has a record of true cost savings for existing clients, examples (claims only) –
 - Hidalgo County – the County went self-insured on 7/1/03. During that first year, total incurred costs amounted to \$2,900,000. Last year, total incurred costs were \$1,400,000. Average cost per claim dropped from \$4,700 to \$2,200 per claim. Lost time claims dropped from 162 to 92, a change of 60%.
 - City of Irving – TRISTAR assumed this account in 2003. For the past two (2) years, the City has reduced their incurred losses nearly 50% when compared to the prior three (3) years. In 2002, the City incurred nearly \$1,200,000 in losses. Since TRISTAR's involvement, losses have averaged less than \$700,000

Recommendation

- The company who partnered with TRISTAR, Injury Management Organization (IMO), also has proven track record of significant savings
- References interviewed expressed their satisfaction indicating that TRISTAR was:
 - customer service oriented
 - motivated and initiates progress and improvements
 - goes the extra mile to ensure customer issues are resolved in a timely manner
 - willing to bring in additional resources to solve problems
 - willing to think “out of the box”

Recommendation

- TRISTAR also demonstrated state of the art technology, with the Valley Oak Portal System which has robust capabilities that include:
 - All Workers' Compensation components to streamline claims administration
 - All State-required forms are automated to improve the accuracy of data and timeliness of filing which minimizes the potential for violations and fines
 - Has the interface capability for the City to cross-reference claims with the group benefits plan, and Central Index Bureau (CIB) to identify the potential of fraudulent claims helping to reduce claims costs by immediate notification of claims denial or disputes
- Reporting and query capabilities were the most impressive of the five demonstrated

Recommendation

- TRISTAR has a “Quality Assurance” program in place which consists of 4 employees who conduct semi-annual audits and monthly mandatory training that focus on:
 - timely investigations
 - reserving philosophy
 - maintenance of examiner and supervisory diaries
 - controlling legal
 - medical and allocated expense costs and
 - documentation standards.
- TRISTAR also opens itself to external audits. It is currently in the testing period for a Type II, SAS 70 audit. A formal opinion by the audit firm of Deloitte & Touche should be available by December 31, 2005. This audit further substantiates the company’s financial integrity.

Recommendation

- Throughout the evaluation process, TRISTAR has demonstrated a willingness to create improvements for the entire workers compensation program
- Overall, TRISTAR provided the best fit for the City of Dallas' needs and was the best proposer to help City achieve an annual goal of approximately \$3 million reduction in claims costs by FY07-08

Next Steps

- Award Workers' Compensation Third Party Administrator contract to TRISTAR on the August 10, 2005 City Council agenda
- Fully implement strategic management practice changes for the Human Resources Department
- Monitor the progress of TRISTAR's performance and report back to City Council on progress of improvements/savings

Attachment C

Revised Offer Letter

July 14, 2005



July 14, 2005

Hammerman & Gainer, Inc.
ATTN: Robyn C. Tydelski
800 W. Airport Freeway
Suite 620
Irving, TX 75062

Re: Proposal BTZ0510 Liability and Workers' Compensation Third Party Claims Administration

On June 22, 2005, Dallas City Council voted to delay the award for Liability and Workers' Compensation Third Party Claims Administration.

One of the factors for the delay was attributed to the overall price for services being requested through the RFP process. The City has made the decision to request from the top five Proposers a revised financial proposal.

The revised financial proposal will require that each Proposer complete the attached pricing sheet **in its entirety**. Each line and section must contain a clear indicator of the complete cost for each service requested. If a requested service is included in the flat fee, please indicate it by writing "included" in each corresponding field. If the Proposer will not be charging for a requested service, please indicate it by writing "no charge" or "0" in each corresponding field. Failure to follow pricing instructions and/or **failure to complete the pricing sheets entirely**, which requires pricing entry for each section, will deem the Proposer non-responsive thus eliminating the Proposer from further consideration.

The City is requiring that each of the five Proposers submit their revised financial proposal no later than 3:00 p.m. Tuesday, July 19, 2005. If you have any questions regarding the information contained herein, please contact Mario Alvarado by e-mail at maralva@mail.ci.dallas.tx.us.

Sincerely,

Mark Duebner, Director
Business Development & Procurement Services



July 14, 2005

Crawford & Company
ATTN: Ronald Plaster
1210 Riverbend Dr.
Suite 107
Dallas, TX 75247-6999

Re: Proposal BTZ0510 Liability and Workers' Compensation Third Party Claims Administration

On June 22, 2005, Dallas City Council voted to delay the award for Liability and Workers' Compensation Third Party Claims Administration.

One of the factors for the delay was attributed to the overall price for services being requested through the RFP process. The City has made the decision to request from the top five Proposers a revised financial proposal.

The revised financial proposal will require that each Proposer complete the attached pricing sheet **in its entirety**. Each line and section must contain a clear indicator of the complete cost for each service requested. If a requested service is included in the flat fee, please indicate it by writing "included" in each corresponding field. If the Proposer will not be charging for a requested service, please indicate it by writing "no charge" or "0" in each corresponding field. Failure to follow pricing instructions and/or **failure to complete the pricing sheets entirely**, which requires pricing entry for each section, will deem the Proposer non-responsive thus eliminating the Proposer from further consideration.

The City is requiring that each of the five Proposers submit their revised financial proposal no later than 3:00 p.m. Tuesday, July 19, 2005. If you have any questions regarding the information contained herein, please contact Mario Alvarado by e-mail at maralva@mail.ci.dallas.tx.us.

Sincerely,

Mark Duebner, Director
Business Development & Procurement Services

Attachment D

City of Atlanta E-Mail

August 3, 2005

From: Etheridge, David [mailto:david.etheridge@dallascityhall.com]
Sent: Wednesday, August 03, 2005 12:26 PM
To: loliver@atlantaga.gov
Subject: Ward North America - TPA for the City of Atlanta

Dear Ms. Lydia Oliver

Workers Compensation Manager

City of Atlanta

I certainly appreciate your time to share with the City of Dallas your contractual agreement with Ward North America for the one year they have managed your Workers Compensation - Third Party Administration. As I understand it, Ward has had the contract with the City of Atlanta for the past year. They also proposed a cost savings plan that was based on a portion of your claims cost to only include new claims processed within the period of 7/1/04 - 6/30/05. I also understand that a benchmark for claims cost was established to be used for the actual savings that Ward yielded for the City of Atlanta during the FY04-05.

You explained in your conversation with me this morning that your cost actually increased since Ward ascertained the business with the City of Atlanta. However, you also stated that in spite of the increase the contract allowed Ward to receive a bonus pay based the cost savings plan.

Ward North America has served as the City of Dallas' Third Party Administrator (TPA) for the past 15 years and they have recently proposed in an RFP Process that we consider a similar cost savings proposal. Considering all the information shared, we would be pleased if you responded to the following questions:

1. Is the program Ward proposed to the City of Dallas' similar to the City of Atlanta.? Based the experience of the Cost Savings plan Ward has implemented with the City of Atlanta, would you enter in this arrangement with Ward again?
2. Did the total claims cost increase or decrease since you contracted with Ward North America using there cost savings program (after normalizing your payroll)?
3. Based on your answer above, did you pay Ward North America bonus pay?

David K. Etheridge
Director of Human Resources
214.670.3562

CC: Cook, David, Duebner, Mark, Ford Farris, Doris Bridges

From: Lydia Oliver [mailto:Loliver@AtlantaGa.Gov]
Sent: Wednesday, August 03, 2005 12:26 PM
To: Etheridge, David
Subject: RE: Ward North America - TPA for the City of Atlanta

Hi David,

Your email below accurately summarizes our conversation. I have attached a spreadsheet that I had composed to show the trend of our expenditures. Please let me know if you have any questions or concerns. The answers to your question are as follows:

- 1) It is similar in concept, but appears you have some different terms and I understand that the details have yet to be discussed. I am faxing our Performance Standards portion of the contract for your review. I would not recommend the City of Atlanta enter into this arrangement again with Ward under the current terms.
- 2) The total claims cost has increased during Ward's administration of program.
- 3) Yes, we paid Ward North America a performance bonus

Best Regards

Lydia Oliver