

# Memorandum



DATE March 29, 2012

TO Members of the Budget, Finance & Audit Committee:  
Jerry R. Allen, Chair, Tennell Atkins, Vice-Chair, Monica Alonzo,  
Scott Griggs, Ann Margolin

SUBJECT Self-Insured Liability and Workers' Compensation Third Party Claims Administration  
and Related Medical Cost Containment Services

The April 11, 2012, Council Agenda includes an item to award a **(1)** five-year service contract for workers' compensation third party claims administration (TPA) and related medical cost containment services in the amount of \$5,872,285; and **(2)** software use and hosting agreement for a Risk Management Information System (RMIS) used in the tracking and reporting of general liability claims data in the amount of \$98,000 to Tristar Risk Management Services, most advantageous proposer of seven – Total not to exceed \$5,970,285 for the period 5/1/2012-2017.

On November 10, 2010, the City Council approved and awarded a 5-year contract for workers' compensation and general liability third party claims administration and related medical cost containment services effective December 1, 2010 through November 30, 2015. After twelve months of service, the City staff determined it should exercise its option to terminate for convenience and re-solicit services.

The City's third party claims administration would be responsible for:

- Workers' Compensation Claims Administration:
  - Determination of eligibility
  - Workers' compensation claims processing and payments
- Medical Cost Containment
  - Medical, hospital and pharmacy bill auditing
  - Pre-authorizations
  - Case Management
- Workers' Compensation legal representation on Texas Workers' Compensation Commission issues
- Surveillance and investigation services

The City also determined it could:

- Reduce the cost of the proposed contract (\$8,548,552) by 38% (\$5,970,285) by removing the general liability claims administration.
- Establish and administer an internal general liability claims administration program 68% (\$1,610,643) less than the proposed bid (\$2,712,267), which results in a savings of \$1,101,624 over the five-year contract period.

Therefore, the City would staff and support its own general liability claims administration utilizing Risk Management Information System (RMIS) Software from Tristar Risk Management.

Please let me know if you need additional information.



Mary K. Suhm  
City Manager

#### Attachment

C: Honorable Mayor and Members of the City Council  
Rosa Rios, City Secretary  
Tom P. Perkins, City Attorney  
Craig D. Kinton, City Auditor  
A. C. Gonzalez, First Assistant City Manager  
Ryan S. Evans, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer