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AGENDA COVER MEMO

Agenda Date: April 29, 2003

To: Board of County Commissioners

Department: Management Services/Risk Management

Presented By: Donna Morgan, Workers' Compensation Claims Specialist

Agenda Item Title: **IN THE MATTER OF APPOINTING PINNACLE RISK MANAGEMENT SERVICES FOR WORKERS' COMPENSATION CLAIMS ADMINISTRATION, AWARDING A 3 YEAR CONTRACT NOT TO EXCEED \$120,000 AND DELEGATING AUTHORITY TO THE COUNTY ADMINISTRATOR TO EXECUTE THE CONTRACT**

I. MOTION

MOVE TO APPROVE ORDER NO. _____/IN THE MATTER OF APPOINTING PINNACLE RISK MANAGEMENT SERVICES FOR WORKERS' COMPENSATION ADMINISTRATION AND DELEGATING AUTHORITY TO THE COUNTY ADMINISTRATOR TO EXECUTE THE CONTRACT.

II. ISSUE OR PROBLEM

Shall Lane County appoint Pinnacle Risk Management Services as Third Party Administrator for Workers' Compensation and enter into a contractual agreement?

III. DISCUSSION

A. Background

Lane County has contracted the administration of the workers' compensation claims since becoming self-insured in 1986. Pinnacle Risk

Management has performed these third party administrator duties since 1992.

A request for proposal for administration of Oregon workers' compensation claims was advertised in both The Register Guard and The Daily Journal Of Commerce. In addition, a copy of the RFP was sent directly to four of the major firms performing services for self-insured employers in Oregon. The RFP generated a response only from our current service agency, Pinnacle Risk Management Services. Calls were made to the other three firms to ask why they did not respond. One firm indicated they were undergoing a transition and did not believe they could take on more business at that particular time. Another firm stated that they were taking on new insured business, but not new self-insured business at this time. I received no response from the third company.

The proposal from Pinnacle Risk Management was received in proper form and screened by Karen Artiaco, Donna Morgan and Annette Scarle of Risk Management.

B. Analysis

Pinnacle Risk Management was the sole responder. Their proposal was rated in the "good" range by all three screeners. Risk Management has been very satisfied with the work performed by Pinnacle Risk Management and has been particularly impressed with the responsiveness and knowledge of the claim representative currently assigned to work with us. Lane County has established an excellent working relationship with Pinnacle Risk. Working with the same service agency provides continuity and uninterrupted service with less confusion for injured workers and supervisors. It also avoids any set-up and/or data transfer fees.

Their fee proposal is based upon the number of workers' compensation claims processed. Based upon Lane County's five year average of 135 claims per year, we estimate the cost of this service to be an average of \$40,000 per year for a three year contract. Our current fee is \$26,000 per year. However, we have had no increase in the cost of our third party administrator since 1998. The screening panel did not believe it would be beneficial to reject the sole proposal and request new proposals at this time.

In analyzing how this proposal would compare to bringing the workers' compensation administration in-house, there are several advantages to contracting with a TPA. In order to bring administration in-house, Lane County would incur the costs of adding a software program, at least one additional employee and lose the advantage of the expertise of another

organization. Using a third party administrator also provides a neutral party to review claims and to work with injured employees.

C. Alternatives / Options

1. Appoint Pinnacle Risk Management as Lane County's third party administrator for a three year contract.
2. Reject the Pinnacle Risk Management proposal and request new proposals for workers' compensation claims administration.
3. Bring workers' claims administration in-house

D. Recommendation

The review team recommends that the Board appoint Pinnacle Risk Management as Lane County's workers' compensation claims administrator for a period of up to three years, not to exceed \$120,000.

IV. IMPLEMENTATION / FOLLOW-UP

The contract will be managed by Risk Management

V. ATTACHMENTS

1. Board Order

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO.

)IN THE MATTER OF APPOINTING
)PINNACLE RISK MANAGEMENT
)SERVICES FOR WORKERS'
)COMPENSATION CLAIMS
)ADMINISTRATION, AWARDED A 3 YEAR
)CONTRACT NOT TO EXCEED \$120,000
)AND DELEGATING AUTHORITY TO THE
)COUNTY ADMINISTRATOR TO EXECUTE
)THE CONTRACT

WHEREAS, Lane County has a need to appoint a third party administrator for the purpose of workers' compensation claims administration; and

WHEREAS, proposals were solicited from firms interested in providing these services; and

WHEREAS, all proposals were evaluated in accordance with the instructions contained in the REQUEST FOR PROFESSIONAL SERVICES; and

WHEREAS, Pinnacle Risk Management Services was the sole responder and was deemed able to provide the level of service required at a reasonable financial cost to Lane County; now, therefore,

IT IS NOW HEREBY ORDERED that the Board of Commissioners designate Pinnacle Risk Management Services as Lane County's workers' compensation claims administrator; that the County Administrator be authorized to execute a contract in accordance with the proposal specifications; and that the three year fee not exceed \$120,000.

DATED this ____ day of April, 2003.

APPROVED AS TO FORM
Date 4/17/03 lane county
Shaidlaw
OFFICE OF LEGAL COUNSEL

Chair, Lane County Board of Commissioners