

Report of the President and CEO

November 16, 2020

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO EXECUTE A CONTRACT WITH SEDGWICK CLAIMS MANAGEMENT SERVICES, INC, FOR AN INITIAL ONE-YEAR TERM, WITH FOUR (4) ONE-YEAR OPTIONS TO EXTEND, PURSUANT TO RFP NO. HA-2020-114, FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$1,022,331, TO PROVIDE THIRD-PARTY CLAIMS ADMINISTRATION OF THE AUTHORITY'S WORKERS' COMPENSATION SELF-INSURED PROGRAM, AND RELATED ACTIONS



Douglas Guthrie,
President and CEO



Annie Markarian,
Director of Labor & Employee Relations

Purpose: Authorize the Housing Authority of the City of Los Angeles' (the "Authority") President and CEO, or designee, to execute a contract with Sedgwick Claims Management Services, Inc., ("Sedgwick") to provide claims administration of the Authority's workers' compensation self-insured program and related services. The proposed contract is for an initial one-year term with four (4) one-year options to extend and is being awarded pursuant to Request for Proposals ("RFP") HA-2020-114. The total contract amount is not to exceed \$1,022,331.

Regarding: On September 24, 2015, the Board of Commissioners (BOC), pursuant to resolution 9230, approved the current contract with York Risk Services, (subsequently acquired by Sedgwick) to provide claim administration services for the Authority's workers' compensation self-insured program. This contract will expire on December 15, 2020.

Issues: Since 1993, the Authority has been a self-insured employer with regard to workers' compensation claims under the California workers' compensation laws. The Self-Insured Retention (SIR) is \$5,000,000, per claim. The Authority maintains coverage above the SIR with State National. As a self-insured employer, the Authority is required to provide the same scope of benefits as an insurance company, including claim adjustments.

The Authority has used a third party administrator (TPA) to administer its workers' compensation claims since 1993, the year the self-insured program was established. In compliance with the California workers' compensation laws, the TPA is responsible for overseeing all aspects of claims process, from inception to closure, provide medical bill review, and Medicare Medical Savings Account reporting. The contract with the Authority's TPA expires on December 15, 2020.

Procurement Background

On August 12, 2020, the Authority advertised the Request for Proposals (“RFP”) for third party claims administration of the Authority’s workers’ compensation self-insured program on the City of Los Angeles’ Business Assistance Virtual Network (LABAVN) website. In response, the Authority received two (2) proposal including one from Sedgwick, our incumbent provider. (The market for TPA services for an agency of our size is very limited in the state of California.) A Summary of Outreach Activities is provided as Attachment 1.

After the panel review of the proposals, the Authority determined that Sedgwick’s proposal was in the competitive range and invited Sedgwick to submit its Best and Final Offer (“BAFO”), particularly with regard to its fees and Section 3 commitments. Upon reviewing the BAFO, the panel determined that Sedgwick’s proposal was the most qualified and competitive offer and the best value to the Authority among the two submittals.

Sedgwick has provided workers’ compensation claims services to self-insured public municipalities throughout California for close to fifty years, and has provided these services to the Housing Authority for the past 12 years. Sedgwick currently has hundreds of public agency clients located throughout the state, including cities, counties, municipal water districts and other utility districts.

Sedgwick (formerly York Risk Services) has been an excellent provider to the Authority during the past 12 years, and the overall experience with the Authority has been positive. With their claim management as well as the Authority’s staff, we have efficiently been able to reduce claims every year while at the same time providing employees the benefits in accordance with the laws.

Sedgwick’s annual fee is set forth below and includes a total of thirty-two (32) hours of loss control training available for staff. A broad range of training topics are available and can be selected based on the Authority’s loss experience.

Contract Period	Sedgwick Annual Fee	Additional Services
12/15/2020 - 12/14/2021	\$195,470.00	32 training hours
12/15/2021 - 12/14/2022	\$199,868.00	32 training hours
12/15/2022 - 12/14/2023	\$204,365.00	32 training hours
12/15/2023 - 12/14/2024	\$208,963.00	32 training hours
12/15/2024 - 12/14/2025	\$213,665.00	32 training hours

Vision Plan: PATHWAYS Strategy #7: Identify opportunities to reduce operating and administrative costs so that scarce resources are maximized

The proposed contract will support the Authority in effectively and efficiently administering its workers' compensation claims, identify areas of improvement, and maintain a safe workplace for all staff.

Funding: The Chief Administrative Officer confirms the following:

Source of Funds: The cost of third-party claims administration services is allocated to the various programs of the Authority based on staff salaries. Amounts by program/funding source for the initial year are as follows:

<u>Public Housing</u>	<u>Section 8</u>	<u>Strategic Development</u>	<u>Central Office</u>	<u>Total</u>
\$ 62,237	\$ 83,100	\$ 13,067	\$ 37,066	\$ 195,470

Option year allocations may vary as a result of changes in program composition of staff salaries.

Budget and Program Impact: The necessary funds will be included in the 2021 operating budget and will be budgeted in subsequent years as required.

Section 3: Sedgwick Claims Management Services, Inc. submitted an Economic Opportunity Plan (EOP) in conformity with the requirements of the Housing Authority's Section 3 Guide and Compliance Plan. Sedgwick committed to providing employment opportunities to Section 3 residents. Additionally, Sedgwick committed to providing an Industry Advancement Program enrollment to Section 3 residents. The program provides entry level training for workers' compensation adjusters. Admission to this program will provide skills and a career path to Section 3 residents.

It is noteworthy that the previous service provider, York Risk Services (subsequently acquired by Sedgwick), hired a section 3 resident from Pico Aliso as a Clerk for their Pasadena location.

Attachments

1. Summary of Outreach Activities
2. Resolution

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO, OR DESIGNEE, TO EXECUTE A CONTRACT WITH SEDGWICK CLAIMS MANAGEMENT SERVICES, INC, FOR AN INITIAL ONE-YEAR TERM, WITH FOUR (4) ONE-YEAR OPTIONS TO EXTEND, PURSUANT TO RFP NO. HA-2020-114 FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$1,022,331 TO PROVIDE THIRD-PARTY CLAIMS ADMINISTRATION OF THE AUTHORITY'S WORKERS' COMPENSATION SELF-INSURED PROGRAM, AND RELATED ACTIONS

WHEREAS, since 1993, the Housing Authority of the City of Los Angeles (the "Authority") has been a self-insured employer with regard to workers' compensation claims under the California workers' compensation laws, with a Self-Insured Retention (SIR) of \$5,000,000 per claim;

WHEREAS, the Authority requires a third party administrator to handle the administrations of the workers' compensation self-insured program;

WHEREAS, on August 12, 2020, a Request for Proposals (RFP) was issued for Workers' Compensation Third Party Claims Administration;

WHEREAS on September 9, 2020, a total of two (2) proposals were received and an evaluation panel independently reviewed and evaluated the proposals using the criteria stated in the RFP; and

WHEREAS, amongst the proposals received, the Authority has determined that Sedgwick is a proposal that is most beneficial to the Authority to administer the worker's compensation claims.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners hereby authorizes the Authority's President and CEO, or designee, to execute a contract with Sedgwick Claims Management Services, Inc., to provide claims administration and related services to the Authority's workers' compensation self-Insured program for an initial one-year contract term with four (4) one-year options to extend, for a total contract amount not to exceed \$1,022,331.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

APPROVED AS TO FORM:
JAMES JOHNSON

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

BY: _____
General Counsel

By _____
Chairperson Ben Besley

DATE ADOPTED: _____

ATTACHMENT 1

SUMMARY OF OUTREACH ACTIVITIES REQUEST FOR PROPOSALS ("RFP") HA-2020-114 WORKERS' COMPENSATION THIRD PARTY ADMINISTRATOR

A. Advertisement; Minority/Women Outreach

General Services advertised the Request for Proposals ("RFP") on the City of Los Angeles' Business Assistance Virtual Network (LABAVN) website starting on August 12, 2020 until the bid submission deadline on September 8, 2020. A total of 49 vendors viewed the RFP on the LABAVN website.

B. Pre-Proposal Conference

No pre-proposal conference was held due to the closure of our offices to the public stemming from the COVID-19 outbreak. This decision follows orders issued for the State of California by Governor Newsom, the City of Los Angeles by Mayor Garcetti, and Federal, County and City of Los Angeles public health officials. A pre-proposal conference was not conducted for this RFP

C. Addenda

An addendum was issued on August 26, 2020.

D. Receipt of Proposals

Proposals were due on September 8, 2020. A total of two (2) proposals were received from the following firms:

Company Name
1. Sedgwick Claims Management Services, Inc.
2. Innovative Claims Solutions, Inc.

E. Review of Proposals for Responsiveness and Contractor Responsibility

The Contracts Administration Manager determined that both proposals were responsive and responsible.

F. Panel Review

The panelists scored the proposals in accordance with the RFP criteria and reached a scoring consensus.

G. Best and Final Offers

On October 15, 2020, a letter requesting a BAFO was sent to Sedgwick. Innovative Claims Solutions, Inc. was not considered within the competitive range and therefore not provided an opportunity to submit a BAFO. Sedgwick timely submitted a BAFO which resulted in a Section 3 scoring increase. The over-all consensus scoring is provided below. Sedgwick added trainings for COVID-19 or other subjects as later determined by the Authority for a total of 32 hours annually (at no additional cost) as a result of the BAFO process.

Vendor	Rater #1	Rater #2	Rater #3	Pre-BAFO Average Scores	Post BAFO Average Scores
Sedgwick Claims Management Services	89	91	87	89.00	90.00
Innovative Claims Solutions, Inc.	63	66	67	65.33	N/A

These scores are reflected in the panel consensus; the scores have been confirmed by the Contract Administration Manager, who has determined the proposal is price reasonable compared to the independent cost estimate. Furthermore, Sedgwick's proposal was determined the best value based on their extensive experience and qualifications. Although the other competitor, Innovative Claims Solutions, Inc.'s ("Innovative") cost proposal is less than Sedgwick's by approximately \$92,000 for a 5-year term, pricing was only one of several factors. Moreover, Innovative lacks the necessary experience and qualifications and their cost proposal contains some assumptions which are more likely to increase their overall cost once these factors are determined.

H. Recommendation for Award

The evaluation panel recommends Sedgwick for contract award for a total amount not to exceed \$1,022,331 for an initial one-year term with four one-year options to extend. The panelists determined that Sedgwick's proposal is the best value to the Authority based upon the RFP scoring criteria. On November 9, 2020, all proposers were notified of the award recommendations and the date of the Board of Commissioners Meeting where the contract award will be considered by the Board.

I. Workforce Profile

The following workforce composition was obtained from the company as follows:

<u>Company</u>	<u>Employees</u>
Sedgwick Claims Management Services, Inc.	Total: 16,017 5,182 minorities = 32% 11,161 women = 69%

MBE/WBE ORGANIZATIONS MAILING LIST

1	American Indian Chamber of Commerce
2	Asian American Architects and Engineers Association
3	Asian Business Association of Los Angeles
4	Asian Business League of Southern California
5	Asian Pacific Islander Small Business Program
6	Black Business Association
7	Build Plus Community Marketplace
8	California Hispanic Chamber of Commerce
9	Greater L.A. African American Chamber of Commerce (GLAAACC)
10	Greater San Fernando Valley Chamber of Commerce
11	Korean American Chamber of Commerce
12	LA Metropolitan Hispanic Chamber of Commerce
13	Latin Business Association (LBA)
14	Los Angeles Area Chamber of Commerce
15	Los Angeles Latino Chamber of Commerce
16	Los Angeles Minority Business Development Agency (MBDA) Business Center
17	Los Angeles Minority Business Enterprise Center USC (MBDA)
18	National Association of Minority Contractors
19	National Association of Women Business Owners Los Angeles
20	National Black Contractors Association
21	National Latina Business Women Association (NLBWA-LA)
22	Pacific Asian Consortium in Employment (PACE) Business Center
23	Pacific Coast Regional Small Business Development Corp (SBDC)
24	Regional Black Chamber of Commerce of San Fernando Valley
25	Regional Hispanic Chamber of Commerce
26	Small Business Majority
27	Southern California Black Chamber of Commerce
28	Southern California Minority Supplier Development Council
29	The New Ninth Business Resource Center
30	US Black Chambers
31	US Small Business Administration
32	US Veteran Business Alliance
33	Valley Economic Development Center/Women's Business Center
34	Vermont Slauson Economic Development Corporation
35	Vernon Network Committee
36	Young Black Contractors Association