

(\$25,000 or Greater and Longer than Three Months)

1. Council has approved the purpose	X	a. Equal Employmt. Oppty./Affirm. Action	X
2. Appropriated funds are available	X	b. Good Faith Effort Outreach**	X
3. Charter Section 1022 findings completed	X	c. Equal Benefits Ordinance	X
4. Proposals have been requested	X	d. Contractor Responsibility Ordinance	X
5. Risk Management review completed	X	e. Slavery Disclosure Ordinance	X
6. Standard Provisions for City Contracts included	X	f. Bidder Certification CEC Form 50	X
7. Workforce that resides in the City: AIMS and ACME – 0%; Tristar – 4.5%		*N/A = not applicable ** Contracts over \$100,000	

In accordance with Executive Directive No. 3 (Villaraigosa Series), the Personnel Department (Personnel) requests approval to execute three separate Amended and Restated Agreements to Contract No. C-121841 with Acclamation Insurance Management Services, Inc. (AIMS), Contract No. C-121842 with ACME Administrators, Inc. (ACME), and Contract No. C-121812 with Tristar Risk Management, Inc. (Tristar) (collectively, Contracts and Contractors) to provide third party administration services for managing a portion of the City of Los Angeles workers' compensation claims. The Amended and Restated Agreements provide for the following: (1) AIMS – increase of the total maximum compensation amount by \$6,011,781 from \$11,048,557 to \$17,060,338 through November 22, 2017; (2) ACME – increase of the total maximum compensation amount by \$1,417,926 from \$4,679,665 to \$6,097,591 through November 22, 2017; and (3) Tristar – increase of the total maximum compensation amount by \$15,886,120.19 from \$26,218,193 to \$42,104,313.19 through November 22, 2017.

CAO 661 Rev. 5/2007

The Personnel Department, Workers' Compensation Division administers the City's workers' compensation program and utilizes a combination of City staff and contractors, including Third Party Administrators (TPAs) to provide claims administration for all sworn Police and Fire claims and a portion of other civilian claims. The City currently contracts with three TPAs to manage workers' compensation claims including AIMS for all sworn Fire and a portion of Fire civilian claims, ACME for the City Attorney, Personnel, and Police civilian claims, and Tristar for all Police sworn claims. TPAs provide critical caseload management to ensure workers' compensation claims are processed timely within statutory limitations.

The Contractors were selected in 2013 following a Request for Proposals process. Subsequently, the Mayor authorized Personnel to enter into contracts with AIMS, ACME, and Tristar to provide TPA services for managing a portion of the City's workers' compensation claims. Pursuant to this Mayoral approval, Personnel executed the contracts and amendments to the contracts as follows:

1. Acclamation Insurance Management Services, Inc. (AIMS); Contract No. C-121841
 - The original contract was executed for a three-year term effective May 3, 2013 to May 6, 2016.
 - Amendment No. 1 to the contract was executed amending the end date of the contract term from May 6, 2016 to April 29, 2016.
 - Amendment No. 2 to the contract was executed to provide assistance to Personnel in managing a portion of Fire civilian workers' compensation claims on an as-needed basis and increasing the maximum compensation amount by \$218,007.10 from \$10,830,549.90 to \$11,048,557.
 - In October, 2015, Council authorized an extension of the contract term from April 29, 2016 to November 22, 2017 (C.F. 15-1146). Pursuant to Council approval, Amendment No. 3 to the contract was executed extending the term of the contract to November 22, 2017.
2. ACME Administrators, Inc. (ACME); Contract No. C-121842
 - The original contract was executed for a three-year term effective May 3, 2013 to May 6, 2016.
 - Amendment No. 1 to the contract was executed amending the end date of the contract term from May 6, 2016 to April 29, 2016.
 - Amendment No. 2 to the contract was executed to provide assistance to Personnel in managing workers' compensation claims for up to four additional City departments on an as-needed basis and increasing the maximum compensation amount by \$1,083,694 from \$3,595,971 to \$4,679,665.
 - In October 2015, Council authorized an extension of the contract term from April 29, 2016 to November 22, 2017 (C.F. 15-1146). Pursuant to Council approval, Amendment No. 3 to the contract was executed extending the term of the contract to November 22, 2017.
3. Tristar Risk Management, Inc. (Tristar); Contract No. C-121812
 - The original contract was executed for a nearly three-year term effective November 30, 2012 to November 22, 2015.
 - Amendment No. 1 to the contract was executed to provide up to six additional work spaces for City Attorney personnel working at the office of Tristar in the County of Los Angeles at a

cost of \$600 per month and to increase the total maximum compensation amount by \$79,200 from \$26,138,993 to \$26,218,193.

- In October 2015, Council authorized an extension of the contract term from November 22, 2015 to November 22, 2017 (C.F. 15-1146). Pursuant to Council approval, Amendment No. 3 to the contract was executed extending the term of the contract to November 22, 2017.

Proposed Amended and Restated Agreements

Subsequent to Council approval of the extension of the Contracts, Personnel indicated that the each of the contracts would need to be amended further to increase the funding allocation for the additional time approved by Council. Accordingly, Personnel submitted revised Amended and Restated Agreements (attached) which replace its original transmittals to the Mayor's Office dated January 8 and 12, 2016 and provide for the following:

1. Acclamation Insurance Management Services, Inc. (AIMS); Contract No. C-121841
 - Increase of the total maximum compensation amount by \$6,011,781 from \$11,048,557 to \$17,060,338 through November 22, 2017.
 - The total expenditure to date on the contract is about \$10.7 million.
 - The increase in the compensation limit is sufficient to cover the fixed monthly service fee of \$300,848.61 (no change from the initial contract) and variable expenditures to provide assistance to Personnel to handle a portion of Fire civilian claims, if needed, as authorized by Amendment No. 2.
2. ACME Administrators, Inc. (ACME); Contract No. C-121842
 - Increase of the total maximum compensation amount by \$1,417,926 from \$4,679,665 to \$6,097,591 through November 22, 2017.
 - The total expenditure to date on the contract is about \$4 million.
 - The increase in the compensation limit is sufficient to cover the fixed monthly service fee of \$99,888.96 (no change from the initial contract) through November 22, 2017.
3. Tristar Risk Management, Inc. (Tristar); Contract No. C-121812
 - Increase of the total maximum compensation amount by \$15,886,120.19 from \$26,218,193 to \$42,104,313.19 through November 22, 2017.
 - The total expenditure to date on the contract is about \$26 million.
 - The increase in the compensation limit is sufficient to cover the average fixed monthly service fee of about \$665,000 (an increase of about 0.70 percent from the average monthly service fee in the second and third years of the initial contract) through November 22, 2017.

Contract Compliance

Per Charter Section 1022, this Office found that it is more feasible for a contractor to perform the work because there is insufficient existing City staff and additional staff could not be hired and trained in sufficient time to allow the department to respond to and resolve workers' compensation claims timely to avoid potential processing penalties and fines. In accordance with Los Angeles Administrative Code Section 10.5(b)(2), Council approval of the Amended and Restated Agreements is required because the term exceeds three years and estimated annual payments exceed \$143,894. In addition, as Council approved the extension of the initial Contracts to November 22, 2017, Council approval of

the Amended and Restated Agreements is now required. The Contractors have complied with all City contracting requirements, policies, and procedures.

RECOMMENDATIONS

That the Council approve, and authorize the General Manager of the Personnel Department to execute Amended and Restated Agreements for the Contracts and in the amounts below, to provide third party administration services for managing a portion of the City of Los Angeles workers' compensation claims, subject to the review and approval by the City Attorney of the draft Amended and Restated Agreements as attached:

1. Contract No. C-121841 with Acclamation Insurance Management Services, Inc. (AIMS) to increase maximum compensation by \$6,011,781 from \$11,048,557 to \$17,060,338;
2. Contract No. C-121842 with ACME Administrators, Inc. (ACME) to increase maximum compensation by \$1,417,926 from \$4,679,665 to \$6,097,591; and
3. Contract No. C-121812 with Tristar Risk Management, Inc. (Tristar) to increase maximum compensation by \$15,886,120.19 from \$26,218,193 to \$42,104,313.19.

FISCAL IMPACT STATEMENT

Funding for all three contracts is provided in the Human Resources Benefits 2015-16 Adopted Budget and 2016-17 Proposed Budget, Fund No. 100, Contractual Services Account No. 003040, for this purpose. There is no additional impact on the General Fund. As budgeted funds are available for the projected contract expenditures, the recommendation provided in this report complies with the City's Financial Policies.

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Attachment