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Metropolitan
Transportation
Authority

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FINANCE AND BUDGET COMMITTEE
JANUARY 21, 1998

**SUBJECT: OPERATIONS WORKERS' COMPENSATION - THIRD
PARTY ADMINISTRATION (TPA) SERVICES**

**ACTION: AWARD OF A NON-COMPETITIVE, ONE YEAR
CONTRACT, TO PRESIDIUM, INC., AT A COST NOT TO
EXCEED \$5,980,000**

RECOMMENDATION

- A. Authorize a one year non-competitive award to Presidium, Inc., San Francisco, CA, for Operations workers' compensation claims administration with an option to cancel at six months or upon 90 days notice anytime thereafter, at a cost not to exceed \$5,980,000; and
- B. Authorize the CEO or his designee to execute all necessary documentation.

RATIONALE

This action provides for the uninterrupted processing of the MTA's workers' compensation claims and statutorily required claim payments. The one-year contract is required because the Board directed staff to audit the Operations Workers' Compensation Program and complete a make-buy analysis before re-procuring claims administration. The audit will not be completed for several months so the one-year contract will be required.

BUDGET IMPACT

Funding for the Operations Workers' Compensation Claims Administration Program is included in the revised FY98 operating budget in the amount of \$6,000,000.

ALTERNATIVES CONSIDERED

The following alternatives were considered:

- Procurement evaluated an extension of the current contract with Hertz Claims Management, Inc. This alternative was not recommended because the contractor was unwilling to renew its contract.
- Re-procuring is not recommended at this time in order to complete MTA Board directed audit of the program and to incorporate its findings into the future request for proposal process.

BACKGROUND

In January 1993, the Board awarded a five-year contract to Hertz Claim Management Corporation (Hertz) for the administration of self-insured Operations workers' compensation claims. Under the current contract, Hertz provides workers' compensation claims adjustment, field investigation, 24-hour injury response, medical management, fraud investigation, a Management Information System and litigation management.

The MTA Workers' Compensation Program has over 4,600 open claims, with a total outstanding reserve of \$64,434,573. The MTA incurs approximately 3,000 new claims per year. Last year the MTA paid over \$35,000,000 for workers' compensation costs.

During the fourth year of the contract, Hertz notified the MTA that they intended to sell the workers' compensation claims administration division. The MTA insisted that Hertz remain as the prime contractor until completion of the contract. Hertz agreed to continue as the prime contractor, but the business was subcontracted to Presidium, Inc. This contract will expire February 28, 1998.

PROCUREMENT PROCESS

A request for proposal (RFP) was issued for Operations workers' compensation Third Party Administration (TPA) services in the Spring of 1997. However, subsequent to the issuance of the RFP, the MTA Board directed staff to conduct an audit of the Operations Workers' Compensation Program and RFP process. Coopers & Lybrand has been selected to perform the audit and expects to complete its work in about 90 days.

In order to continue the claims administration process, the Office of Procurement negotiated a one year renewal of the present contract, with an option to terminate after six months. Hertz will not be a party to the new contract. The negotiated contract price is \$5,980,000 compared to the current contract year price of \$5,992,000. Presidium will employ sixty six (66) people to provide the requested services.

The Management Audit Services Department completed its pre-award audit and all issues raised by the audit have been resolved.

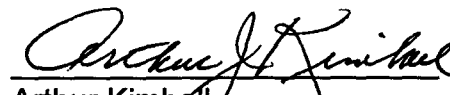
SMALL BUSINESS PARTICIPATION

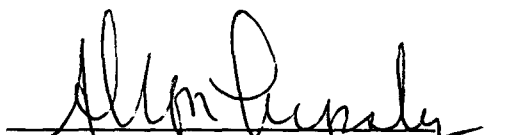
The MTA established a DBE goal of 25% for this contract, which includes allocated expenses arising from the contract. The recommended awardee, Presidium, Inc., has committed to 12.03% DBE participation for the core contract services. The remaining DBE participation will be met through the allocated expenses as incurred, through the utilization of DBE firms currently participating on DBE panels for defense attorney services, court reporting, copy services and sub-rosa investigations.

Award Amount \$5,977,669

Subcontractor	Commitment	Paid to date Attainment	Project Completion	Current Status
Drucker Health & Safety Mgt.	5.17%			to be awarded
Westshield Investigations	4.22%			to be awarded
Page Investigation	0.88%			to be awarded
Westerly Investigation	0.88%			to be awarded
FuGen	0.88%			to be awarded
TOTAL	12.03%	0.00%	0%	


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 Office of the Chief Executive Officer

