



MEETING DATE: June 19, 2006  
ITEM NO: 12

COUNCIL AGENDA REPORT

DATE: June 12, 2006  
TO: MAYOR AND TOWN COUNCIL  
FROM: DEBRA J. FIGONE, TOWN MANAGER   
SUBJECT: ADOPT RESOLUTION AUTHORIZING THE TOWN MANAGER TO EXECUTE A SECOND AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH INNOVATIVE CLAIMS SOLUTIONS, INC., TO EXTEND THE CONTRACT FOR THREE YEARS TO PERFORM COMPENSATION CLAIMS ADMINISTRATION

RECOMMENDATION:

It is recommended that Council adopt a resolution authorizing the Town Manager to execute a second amendment to the Professional Services Agreement with Innovative Claims Solutions, Inc., to extend the contract for three years to perform workers' compensation claims administration.

BACKGROUND:

The Town uses an administrator for its self-funded workers' compensation program. ICS was selected from a competitive bid process conducted in 2002 to serve as the third-party administrator for the Town's Workers' Compensation program. The original agreement with ICS was established through June 30, 2005. The agreement was extended from July 1, 2005 through June 30, 2006. A second amendment is necessary for ICS to continue for an additional three years as the Town's third party administrator.



PREPARED BY: RUMI PORTILLO  
Human Resources Director

NAPSL\Rumi\Current\Workers Comp\ICS Contract 2006-09\Council Memo ICS Amendment June 2006.doc

Reviewed by: SS Assistant Town Manager OK Town Attorney  
     Clerk Administrator se Finance      Community Development

MAYOR AND TOWN COUNCIL

SUBJECT: ADOPT RESOLUTION AUTHORIZING THE TOWN MANAGER TO EXECUTE AN AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH INNOVATIVE CLAIMS SOLUTIONS, INC., TO EXTEND THE CONTRACT FOR THREE YEARS TO PERFORM COMPENSATION CLAIMS ADMINISTRATION

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DISCUSSION:

The Town has realized cost savings in the Workers' Compensation program since ICS began administering claims for the Town in 2002. For the current fiscal year through May 31, 2006, the following performance was reported: estimated future liability reduced by \$171,679; temporary disability payments reduced by \$11,024; medical treatments reduced by \$67,589; and 195 medical bills adjusted to save \$146,609. ICS has also successfully implemented new legislation related to workers' compensation reform and has communicated effectively with Town staff regarding claim activity.

CONCLUSION:

ICS has demonstrated effective case management and has produced cost savings in the Town's Workers' Compensation program. It is recommended that ICS continue to serve as the Town's third party administrator for an additional three years, under substantially the same terms as the original contract. This continuation will minimize disruption in the management of claims and will allow ICS and Town staff to continue their efforts in process improvement and cost containment.

ENVIRONMENTAL ASSESSMENT:

Is not a project defined under CEQA, and no further action is required.

FISCAL IMPACT:

The Town is currently paying \$3,357 a month in professional service fees to ICS to serve as the Town's Workers' Compensation third party administrator, for a total annual cost of \$40,284. ICS has proposed minimal cost increases for the three year term as follows:

<u>Period</u>	<u>Increase</u>	<u>Annual Fee</u>
FY 2006-07	0% increase	\$40,284
FY 2007-08	2% increase	\$41,090
FY 2008-09	2% increase	\$41,912
TOTAL		\$123,286

Funding to support this agreement is provided as follows:

Department: Administrative Services Department  
Program: 6610 Workers' Compensation  
Account: 61021 Insurance Administration (Operating Expenses)

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MAYOR AND TOWN COUNCIL

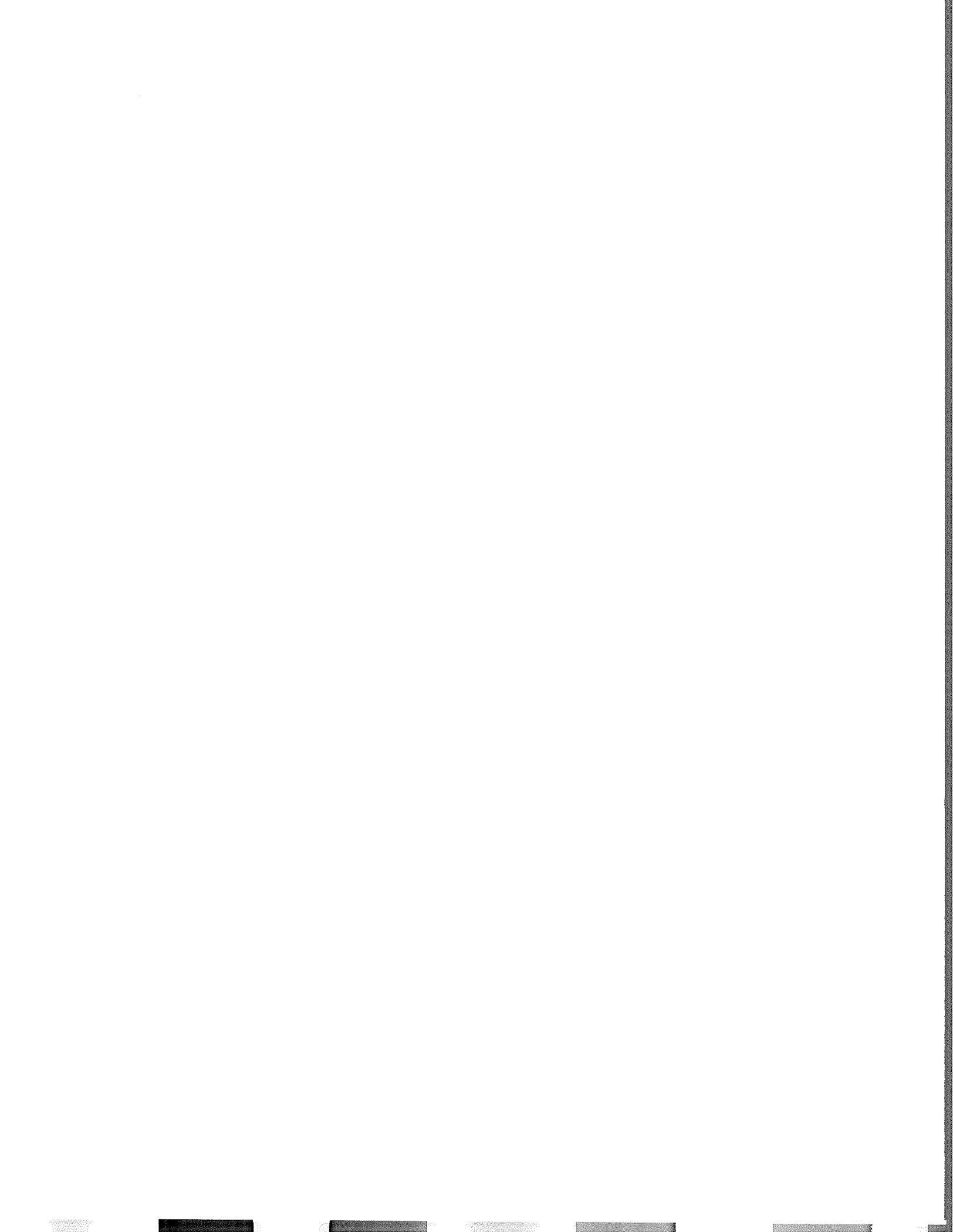
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Attachments:

Resolution Authorizing the Town Manager to Execute an Amendment to the Professional Services Agreement with Innovative Claims Solutions, Inc., to Extend the Contract for Three Years to Perform Workers' Compensation Claims Administration Services.

Distribution: Cheryl Westernen, Innovative Claims Solutions, Inc., PO Box 5128, San Ramon, CA 94583



RESOLUTION \_\_\_\_\_

ADOPT RESOLUTION AUTHORIZING THE TOWN MANAGER TO EXECUTE A SECOND AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH INNOVATIVE CLAIMS SOLUTIONS, INC., TO EXTEND THE CONTRACT FOR THREE YEARS TO PERFORM COMPENSATION CLAIMS ADMINISTRATION

**WHEREAS**, on September 30, 2002, the Town of Los Gatos entered into an agreement with Innovative Claims Solutions, Inc., to serve as the third party administrator for the Town's Workers' Compensation program.

**WHEREAS**, on June 20, 2005, the Town of Los Gatos extended the agreement with Innovative Claims Solutions, Inc., to serve as the third party administrator for the Town's Workers' Compensation program for an additional year.

**WHEREAS**, a second Amendment to the Agreement is necessary to extend the agreement for another three years to continue services related to Workers' Compensation administration services.

**WHEREAS**, the Town is currently paying \$40,284 in professional Service fees annually to ICS to serve as the Town's Workers' Compensation third party administrator.

**WHEREAS**, a second amendment to extend the agreement would result in an annual fee in FY 2006-07 of \$40,284; FY 2007-08 of \$41,090; and FY 2008-09 of \$41,912, for a total not to exceed amount of \$123,286 for the three year period.

**NOW THEREFORE BE IT RESOLVED**, by the Town Council of the Town of Los Gatos, County of Santa Clara, State of California, that the Town Manager is authorized, in the name and on behalf of the Town of Los Gatos, to execute an Amendment to the Agreement discussed above, with substantially the same terms as the original agreement, with the exception of the terms specified hereinabove, for another three years with Innovative Claims Solutions, Inc., for Workers' Compensation administration services.

ABSTAIN RESOLUTION OF THE TOWN OF LOS GATOS  
AUTHORIZING THE TOWN MANAGER TO EXECUTE AN AMENDMENT TO THE  
PROFESSIONAL SERVICES AGREEMENT WITH INNOVATIVE CLAIMS SOLUTIONS,  
INC., TO EXTEND THE CONTRACT FOR THREE YEARS TO PERFORM WORKERS'  
COMPENSATION CLAIMS ADMINISTRATION  
(continued)

**PASSED AND ADOPTED** at a regular meeting of the Town Council of the Town  
of Los Gatos, California, held on the \_\_\_\_\_ day of \_\_\_\_\_, 2006 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

**SIGNED:**

MAYOR OF THE TOWN OF LOS GATOS  
LOS GATOS, CALIFORNIA

ATTEST:

CLERK ADMINISTRATOR  
LOS GATOS, CALIFORNIA