

**SEMINOLE COUNTY GOVERNMENT  
AGENDA MEMORANDUM**

**SUBJECT:** Third Party Administrator Services Agreement

**DEPARTMENT:** Administrative Services **DIVISION:** Risk Management

**AUTHORIZED BY:** Jamie Croteau **CONTACT:** Linda Eiland **EXT.** 5950

<b>Agenda Date</b> <u>09/09/03</u> <b>Regular</b> <input type="checkbox"/> <b>Consent</b> <input checked="" type="checkbox"/> <b>Work Session</b> <input type="checkbox"/> <b>Briefing</b> <input type="checkbox"/>
<b>Public Hearing – 1:30</b> <input type="checkbox"/> <b>Public Hearing – 7:00</b> <input type="checkbox"/>

**MOTION/RECOMMENDATION:**

Board approval of Third Party Administrator (TPA) contract with Johns Eastern for the period of 10/01/03 through 09/30/06; approval of contract with Gallagher Bassett Services, Inc. for the period of 10/01/03 through 03/31/04; and authorization for the Chairman to execute agreements.

**BACKGROUND:**

The County contracts with an outside TPA to handle all Property, Liability and Workers' Compensation claims.

The County's Broker, Arthur J. Gallagher & Company-Orlando, as a part of their contract with the County, is responsible for evaluating, monitoring and marketing TPA services for the County. Accordingly, in an effort to secure more cost-effective handling of claims, an RFP was recommended.

As a result of the RFP, the Broker received proposals from seven (7) TPA's. Gallagher Bassett Services, Inc., Johns Eastern and North American Risk Services were ranked as the top three (3) based on experience, cost and ability to meet the needs of the county. Exhibit A summarizes the top ranked proposals.

<b>Reviewed by:</b>
<b>Co Atty:</b> _____
<b>DFS:</b> _____
<b>Other:</b> _____
<b>DCM:</b> <u>[Signature]</u>
<b>CM:</b> <u>[Signature]</u>
<b>File No.</b> <u>CASR01</u>

Staff is recommending a contract with Johns Eastern for a 3 year period based on their experience, lower cost to handle claims, guarantee of no increase in their per claim fee the second year, and a maximum increase in per claim fee of 7% the third year. Their first year cost includes a transfer of open claims from Gallagher Bassett Services, Inc. as of 04/01/04 and a data transfer fee. These costs will not be incurred the second and third year.

Estimated first year cost with Johns Eastern is approximately \$254,480. This is based on an estimate of 421 new claims, transfer of approximately 198 claims from Gallagher Bassett as of 04/01/04, and a data conversion fee of \$5,000. Second and third year cost are estimated to be \$187,735 and \$200,876 respectively based on 421 claims each year. An increase or decrease in actual claims would increase or decrease this estimate.

Gallagher Bassett's current contract expires 09/30/03. The contract includes a provision that, upon contract termination, they will continue to handle existing open claims for six (6) months at no additional per claim fee. However, the County is required to provide funds to pay the cost of the claims being handled by Gallagher Bassett during this period of time, requiring a contract for a 6 month period. Claim costs include all payments to medical providers, indemnity payments to employees and legal fees.

**EXHIBIT A**

**TPA SUMMARY COMPARISON  
BASED ON 01/02 CLAIM COUNT - 421**

	<u>Gallagher Bassett</u>	<u>Johns Eastern</u>	<u>NARS</u>
<b>Claim Fees</b>	\$211,989.00	\$184,695.00	\$212,750.00
<b>Administration Coordination</b>	\$9,504.00	\$0.00	\$0.00
<b>Banking</b>	\$3,181.00	Direct w/ Bank	\$0.00
<b>Loss Control</b>	\$4,608.00	\$3,040.00	\$0.00
<b>Monthly Reports</b>	\$18,352.00	\$0.00	\$0.00
<b>Online Access Charge</b>	\$4,190.00	Incl	Incl
<b>Total Costs:</b>	<b>\$251,824.00</b>	<b>\$187,735.00</b>	<b>\$212,750.00</b>
<b>Claims Transfer (198 claims)</b>	\$0.00	\$61,745.00	\$71,450.00
<b>Data Conversion Fee</b>	\$0.00	\$5,000.00	\$0.00
<b>Total Costs Incl. Transfer</b>	<b>\$251,824.00</b>	<b>\$254,480.00</b>	<b>\$284,200.00</b>

**Additional Notes:**

- 1) Gallagher Bassett - If GB remains, no data conversion or claims transfer would apply; online access fee includes two user ids. **HANDLE CLAIMS TO CONCLUSION CONTRACT**
- 2) Johns Eastern - Claims Transfer fees have been reduced. Number of claims was also reduced; gave 2 year guarantee with cap on increase for 3rd year.
- 3) NARS - Does not charge for data conversion; have eliminatd the annual claims fees for open claims in second year; reduced pricing and gave 3 year guarantee.