



## Legislation Text

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File #: 2018-815, Version: 1

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**Contract No.: GLWA-CS-006**  
**Proposed Change Order No. 2**  
**Third Party Claims Administrator**

Agenda of: July 25, 2018  
Item No.: **2018-815**  
Amount: \$625,000.00

**TO:** The Honorable  
Board of Directors  
Great Lakes Water Authority

**FROM:** Sue F. McCormick  
Chief Executive Officer  
Great Lakes Water Authority

**DATE:** June 26, 2018

**RE:** **Contract No.: GLWA-CS-006**  
**Proposed Change Order No. 2**  
  
**Third Party Claims Administrator**  
**Vendor: Broadspire, Inc.**

### MOTION

Upon recommendation of William M. Wolfson, Chief Administrative and Compliance Officer, The Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **authorizes the Chief Executive Officer (CEO) to enter into Change Order No. 2 of Contract No. GLWA-CS-006, "Third Party Claims Administrator" (TPA) with Broadspire, at a cost not to exceed \$1,225,000.00 and for a duration of an additional three (3) years;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

### BACKGROUND

GLWA-CS-006 was initiated on January 1, 2016 for a period of three (3) years expiring December 31, 2018. A TPA performs all services required to supervise and administer a self-insured workers' compensation program for GLWA, and to act as GLWA's representative in matters relating to GLWA's obligations under the workers' compensation laws of the State of Michigan. The initial contract was later amended to include the administration of GLWA's general liability and

automobile claims.

### **JUSTIFICATION**

Longer term contracts with third party claims administrators help to avoid end of contract costs that “carry over” to a successor firm or stay with the incumbent firm who continues to charge administrative “fees” for retaining pending files (workers’ compensation claims tend to have long tail periods before closure as opposed to general liability and auto claims).

In addition, a change in administrators will result in the following, all of which are not conducive to a high-functioning claims management program:

- History of incurred/paid loss-development patterns will be truncated or lost (that data is used for IBNR/ ultimate loss calculations);
- All pending claims will be moved to a “run-off” unit generally after six-months;
- Duplicate banking/escrow accounts may need to be maintained while claims remain pending and expenses continue;
- Frequent changes in administrators over the long term may reduce the appetite of other qualified firms from bidding in the future.

In addition, once the contract ends, the TPA has no further obligation to adjust claims without additional fees so there are two (2) elements that need to be evaluated when a change in TPA's is being considered:

**Option 1:** All pending claims are retained by the current TPA.

On the termination date, Broadspire (the current TPA) will charge for any open claims as well as any continued system access; etc. Based on current pricing, the first-year costs would be as shown (there would be on-going annual costs as well which will most likely increase.)

	Workers’ Compensation	General Liability	Automobile Liability
Medical Only	\$148 per open claim		
Other than Med Only	\$1,037 per open claim		
Property Damage		\$358 per claim	
Bodily Injury		\$702 per claim	
Auto Physical Damage			\$219 per claim
Auto Property Damage			\$358 per claim
Bodily Injury			\$702 per claim
Risk Management Information System	\$5,500	Included	Included

**Option 2:** All pending claims are transferred to a new Third-Party Administrator:

Claim System I.T. Cost	\$7,425	Standard programming fee to lower reserves on open claims, add Hold Claim Indicator, close out files, drop files notes, and produce the test and exit files.
Claim Operations Cost	\$5,000	Fee for coordinating the transfer with all parties i.e., Broadspire Finance, I.T., Claim Offices, Carrier if applicable, new TPA.
TelePlus Cost	\$200	Fee to program call center phone system to direct callers to new TPA.
Medical Bill Review historical data file	\$2,400	Fee to produce a data file for new medical provider (if not Concentra).
File purge	\$1,500	Charge to pull claims open and closed 6 months or less from office shelves. Shipping of physical files are incurred by either the new TPA or by GLWA
Iron Mountain Costs	Various	For pulling closed claims that are no longer in the claim office (but are required to be held per applicable record retention rules)
Data Charges	\$4,000	Takeover data dump, payee data file, claimant data file, reserves data file, file notes, file attachments, data layout, code tables. Etc.

A contract extension will also allow GLWA to modify the services of the TPA to a “life-of-claim” contract which, after the end of the extension, will prevent having to pay the fees listed above (all claims stay with the TPA until closure).

It is recommended that GLWA extends contract GLWA-CS-006 for a period of 3 more years, under the current fee structure. The current fee structure includes provision for annual increases up to 3%.

#### **PROJECT MANAGEMENT STATUS**

Original Start Work Date:	January 1, 2016
Current Contract End Date:	December 31, 2018
Change Order 1 Contract End Date:	December 31, 2021

#### **PROJECT ESTIMATE**

Original Contract Price:	\$ 600,000.00
Change Order 1:	\$ 00.00
Change Order 2:	\$ 625,000.00
New Contract Total:	\$1,225,000.00

#### **FINANCIAL PLAN IMPACT**

**Summary:** Sufficient funds are provided in the financial plan for this project.

**Funding Source:** Operations & Maintenance Budget

**Cost Center:** Enterprise Risk Management Fund

**Expense Type:** Contractual Operating Services (5910-883411.000-617900-WS7900)

**BUDGET IMPACT**

All costs related to this contract flow through the Risk Management Fund.

**COMMITTEE REVIEW**

This item is being presented directly to the full Board of Directors for consideration.

**SHARED SERVICES IMPACT**

This item does not impact the shared services agreement between GLWA and DWSD.