



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
Human Resources



**Date:** December 12, 2013  
**Board Meeting Date:** January 7, 2014  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** Donna Vaillancourt, Human Resources Director  
Scott Johnson, Risk Manager

**Subject:** Amendment to Agreement with Northern Claims Management

**RECOMMENDATION:**

Adopt a Resolution authorizing the Director of Human Resources to execute an amendment to the agreement with Northern Claims Management, LLC., to increase the total contract amount by \$270,000 to a total of \$4,192,409 to cover additional costs created by changes in state workers' compensation laws/mandates through May 31, 2015.

**BACKGROUND:**

On June 8, 2010 your Board of Supervisors authorized a contract with Northern Claims Management to serve as its workers' compensation third-party administrator (Resolution No. 070834). The contract was for three years, plus two option years, in an amount not to exceed \$4,192,409. Currently, the County has exercised the two-year options to extend through May 31, 2015.

This past fiscal year, Risk Management determined it was in the County's best fiscal interest to increase the level of service provided by the contract to capitalize on changes to workers' compensation law and business strategy. These changes require additional funding of \$90,000 per year, not to exceed \$270,000 (covers final three years of agreement).

**DISCUSSION:**

Changes to workers' compensation law subsequent to the award of this contract required the County to invest in additional administrative resources to remain compliant. The first change (federal) requires institution of a Medicare set-aside analysis to better scrutinize the practice of employees filing claims just prior to retirement, and the costs to the federal government associated with that practice. The second change (California SB-863) increased data collection and reporting responsibilities. Risk Management negotiated administrative enhancements with Northern Claims Management that

addressed the changes to law, while maintaining our goal/best practice of a caseload of 150 per claims adjuster. The agreed upon and recommended increase of \$7,500 per month, commencing in July 2012, is fair and appropriate for the administration of these changes.

The Human Resources Department requests your Board to authorize the Human Resources Director or the Director's designee to execute additional amendments to the agreement beyond the \$270,000 increase referenced herein by no more than \$25,000 (in aggregate) additional, and/or modify the agreement term and/or services so long as the modified term or services is/are within the current or revised fiscal provisions.

The Contractor continues to assure compliance with the County's Contractor Employee Jury Service Ordinance, as well as all other agreement provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless, non-discrimination and equal benefits. County Counsel has reviewed and approved the Resolution and Agreement as to form.

Approval for this Agreement contributes to Shared Vision 2025 outcome of Collaborative Community by developing and fostering partnerships that promote regional solutions to enhance organizational efficiencies and effectiveness.

**PERFORMANCE MEASURE(S):**

<b>Measure</b>	<b>FY 2011-12 Actual</b>	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Projected</b>
Number of Claims	669	738	738
Number of claims per 100 Employees	11.3	12.6	12.6

**FISCAL IMPACT:**

There is no impact to Net County Cost. All costs associated with this contract are fully covered by the Workers' Compensation Trust Fund.