



# AGENDA REPORT

**Department:** Administrative Services - Human Resources  
**Prepared by:** Molly Brennan, Administrative Services Director  
**Meeting Date:** Tuesday, June 6, 2023  
**Approved by:** Armando Vergara, Acting City Manager

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**SUBJECT:**

Agreement between the City of National City and Adminsure, Inc. to provide third party workers' compensation claims administration services.

**RECOMMENDATION:**

Adopt a Resolution entitled, "Resolution of the City Council of the City of National City, California, authorizing the Mayor to execute the agreement by and between the City of National City and Adminsure, Inc."

**BOARD/COMMISSION/COMMITTEE PRIOR ACTION:**

Not Applicable.

**EXPLANATION:**

The City has contracted with Adminsure since August 2016 to provide Workers' Compensation Third Party administration (TPA) and claims review. Prior to 2016, the City received these services through the San Diego Pooled Insurance Program Authority (SANDPIPA), a group that dissolved in 2016. With the dissolution of SANDPIPA, the City joined CSAC-EIA, now PRISM, for general liability and workers' compensation excess insurance coverage. Adminsure is the workers' compensation third party administrator that PRISM recommends for their member cities.

The current contract with Adminsure expires on July 31, 2023 and staff recommends approval of a new contract for an initial period of three years and authorizing the City Manager to extend the terms of the agreement in one-year increments for an additional two years.

Workers' Compensation administration and claims review is a detailed and heavily regulated process, with considerable consequences for small errors. If the City misses legally binding deadlines for workers' compensation noticing or action, the City would be responsible hefty fines and automatic acceptance of claims that may have otherwise been denied. Once a claim moves to an accepted status, the City is then responsible for paying all medical treatment costs, all wages while the employee seeks treatment, up to a year of tax-free salary for public safety employees unable to work due to the injury/illness (4850 time), all medical evaluation costs, and any future settlements for permanent and stationary disability ratings, up to a workers' compensation life pension. On the other hand, if claims related to a statutory presumption are found later to have been "unreasonably" rejected, the City will be charged up to \$50,000 in penalties by the state. Workers' compensation claims administration is a highly specialized area and is not a skill set a generalist has or would be able to accomplish. The scope of services Adminsure provides and will continue to provide is detailed over twelve pages in the exhibit to the Agreement (Exhibit A).

It is for the reasons stated above that the City's excess insurance carrier strongly recommends partnering with Adminsure for workers' compensation claims administration. In addition, the

carrier does their own audits of the third party administrator to confirm they are in compliance with all the regulatory requirements. If the audit results are poor, the City could risk losing excess insurance coverage moving forward. Adminsure's audit results have been outstanding.

Since 2016, Adminsure's performance has been excellent and continuing to improve. They have met all the noticing and action deadlines to ensure the City is in full compliance with all applicable laws and not at risk of accruing penalty fines. Over the last year and a half they have worked closely with Human Resources staff to improve the communication between HR and our adjustors, as well as improve the communication with employees who have filed a workers' compensation claim. Their efforts, in combination with the efforts of HR staff, have significantly reduced the frequency of claims becoming litigated, which significantly reduces costs for the City (fewer medical evaluations, attorney's fees, subpoena fees, and staff time).

Regardless of the number of workers' compensation claims, the City will pay Adminsure the same amount as listed below during the term of the contract. Each year has a 3% CPI escalator built in. For year 1, the cost is 3% higher than our current contract price.

Year 1: \$103,243

Year 2: \$106,340

Year 3: \$109,531

Optional Year 4: \$112,817

Optional Year 5: \$116,202

Exhibit B to the agreement (Exhibit A to the staff report), lists additional fees that may be charged if the City asks for those specific services. Currently we do not have a Medical Provider Network, so those fees would not apply. Medical bill review is occasionally requested if the City or our Workers' Compensation attorney is suspicious about the validity of a specific treatment or large bill.

**FINANCIAL STATEMENT:**

Costs for this service are budgeted from the City's Risk Management Fund. The first year of the new contract will be an increase of \$3,019 over the current annual rate. The FY24 preliminary budget includes enough appropriations to cover the additional \$3,019 with no adjustment needed (627-407-081-433).

**RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:**

Health, Environment, and Sustainability

**ENVIRONMENTAL REVIEW:**

This is not a project under CEQA and is therefore not subject to environmental review. CCR15378; PRC 21065.

**PUBLIC NOTIFICATION:**

Agenda Report posted within 72 hours of meeting date and time in accordance with Brown Act.

**ORDINANCE:**

Not Applicable

**EXHIBITS:**

Exhibit A - Agreement

Exhibit B - Resolution