

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: CEO-Risk Management Division

BOARD AGENDA # *B-4

Urgent

Routine

AGENDA DATE 6/24/2008

CEO Concurs with Recommendation YES NO

4/5 Vote Required YES NO

(Information Attached)

SUBJECT:

Approval of an Amendment to the Agreement Between Stanislaus County and Claims Management Inc to Extend the Term of the Agreement Six Months.

STAFF RECOMMENDATIONS:

1. Approve an amendment to the agreement between Stanislaus County and Claims Management Inc, Third Party Administrator for claims management service from July 1, 2008 to December 31, 2008.
2. Authorize the Chairmen of the Board to sign the amendment.

FISCAL IMPACT:

The cost of amending the agreement is \$301,875. Funds are included in the Workers' Compensation Self-Insurance Fund in Fiscal Year 2008-2009.

BOARD ACTION AS FOLLOWS:

No. 2008-462

On motion of Supervisor Monteith, Seconded by Supervisor Grover
and approved by the following vote,

Ayes: Supervisors: O'Brien, Grover, Monteith, DeMartini and Chairman Mayfield

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

Approval to an Amendment to the Agreement between Stanislaus County and Claims Management, Inc to extend the term of the agreement six months.

DISCUSSION

An amendment through December 31, 2008 to the current agreement that expires on June 30, 2008, with Claims Management Inc., will provide staff more time to complete the Request for Proposal document, evaluate firms, conduct interviews and select a firm.

POLICY ISSUES

The Board of Supervisor should determine if the actions recommended are appropriate and meet the Board's priority of Efficient delivery of public services.

STAFFING IMPACT

There is no staffing impact associated with this item.

— CLAIMS —
MANAGEMENT
— INC. —

June 11, 2008

County of Stanislaus
Richard Robinson, Chief Executive Officer
1010 Tenth Street, Suite 6800
Modesto, CA 95354

RE: Extension to Workers' Compensation Claims Administration Services

Dear Mr. Robinson:

Thank you for your continued support of the programs offered by Claims Management, Inc. In a recent discussion with the Risk Management Division, I have learned that the County has a desire to extend the contract between the County of Stanislaus and Claims Management, Inc. for a period of 6 months. I am pleased to agree to the six month extension and have outlined the following agreed upon terms for your approval.

- The Agreement will be amended for the extension which will run from July 1, 2008 through December 31, 2008.
- The County and CMI agree to a 5% increase over last years contract prorated for a 6 month period. The annualized rate shall be \$603,750 or \$301,875 for a period of 6 months. Payments shall be made monthly in the amount of \$50,312.50.

Once again, thank you for your continued trust in Claims Management, Inc. We look forward to servicing the County over the next six months and look forward to responding to the Request for Proposal when it is completed. We are confident that we will be able to illustrate the reasons why you have placed your business over the years with CMI. If you have any questions or concerns, please give me a call at 916-636-9736.

Sincerely,



Scott D. Kramer,
President

cc: Mr. David Dolanar, Deputy Executive Officer

**AGREEMENT
FOR
INDEPENDENT CONTRACTOR SERVICES**

This Agreement For Independent Contractor Services (the "Agreement") is made and entered into by and between the County of Stanislaus ("County") and **Claims Management, Inc.** ("Contractor") on **July 1, 2005**.

Recitals

WHEREAS, the County has a need for services involving **management and administration of workers' compensation claims**; and

WHEREAS, the Contractor is specially trained, experienced and competent to perform and has agreed to provide such services;

NOW, THEREFORE, in consideration of the mutual promises, covenants, terms and conditions hereinafter contained, the parties hereby agree as follows:

Terms and Conditions

1. **Scope of Work**

1.1 The Contractor shall furnish to the County upon execution of this Agreement or receipt of the County's written authorization to proceed, those services and work set forth in **Exhibit A**, attached hereto and, by this reference, made a part hereof.

1.2 All documents, drawings and written work product prepared or produced by the Contractor under this Agreement, including without limitation electronic data files, are the property of the Contractor; provided, however, the County shall have the right to reproduce, publish and use all such work, or any part thereof, in any manner and for any purposes whatsoever and to authorize others to do so. If any such work is copyrightable, the Contractor may copyright the same, except that, as to any work which is copyrighted by the Contractor, the County reserves a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, and use such work, or any part thereof, and to authorize others to do so.

1.3 Services and work provided by the Contractor at the County's request under this Agreement will be performed in a timely manner consistent with the requirements and standards established by applicable federal, state and County laws, ordinances, regulations and resolutions, and in accordance with a schedule of work set forth in Exhibit A. If there is no schedule, the hours and times for completion of said services and work are to be set by the Contractor; provided, however, that such schedule is subject to review by and concurrence of the County.

2. Consideration

2.1 County shall pay Contractor as set forth in Exhibit A.

2.2 Except as expressly provided in Exhibit A of this Agreement, Contractor shall not be entitled to nor receive from County any additional consideration, compensation, salary, wages or other type of remuneration for services rendered under this Agreement. Specifically, Contractor shall not be entitled by virtue of this Agreement to consideration in the form of overtime, health insurance benefits, retirement benefits, disability retirement benefits, sick leave, vacation time, paid holidays or other paid leaves of absence of any type or kind whatsoever.

2.3 County will not withhold any Federal or State income taxes or Social Security tax from any payments made by County to Contractor under the terms and conditions of this Agreement. Payment of all taxes and other assessments on such sums is the sole responsibility of Contractor. County has no responsibility or liability for payment of Contractor's taxes or assessments.

2.4 Pursuant to Penal Code section 484b and to Business and Professions Code section 7108.5, the Contractor must apply all funds and progress payments received by the Contractor from the County for payment of services, labor, materials or equipment to pay for such services, labor, materials or equipment. Pursuant to Civil Code section 1479, the Contractor shall direct or otherwise manifest the Contractor's intention and desire that payments made by the Contractor to subcontractors, suppliers and materialmen shall be applied to retire and extinguish the debts or obligations resulting from the performance of this Agreement.

3. Term

3.1 The term of this Agreement shall be from the date of approval of this Agreement until completion of the agreed upon services unless sooner terminated as provided below or unless some other method or time of termination is listed in Exhibit "A".

3.2 Should either party default in the performance of this Agreement or materially breach any of its provisions, the other party, at that party's option, may terminate this Agreement by giving written notification to the other party.

3.3 This Agreement shall terminate automatically on the occurrence of (a) bankruptcy or insolvency of either party, (b) sale of Contractor's business, (c) cancellation of insurance required under the terms of this Agreement, and (d) if, for any reason, Contractor ceases to be licensed or otherwise authorized to do business in the State of California, and the Contractor fails to remedy such defect or defects within thirty (30) days of receipt of notice of such defect or defects.

3.4 The County may terminate this agreement upon 30 days prior written notice to the Contractor. Termination of this Agreement shall not affect the County's obligation to

pay for all fees earned and reasonable costs necessarily incurred by the Contractor as provided in Paragraph 2 herein, subject to any applicable setoffs.

4. Required Licenses, Certificates and Permits

Any licenses, certificates or permits required by the federal, state, county or municipal governments for Contractor to provide the services and work described in Exhibit A must be procured by Contractor and be valid at the time Contractor enters into this Agreement. Further, during the term of this Agreement, Contractor must maintain such licenses, certificates and permits in full force and effect. Licenses, certificates and permits may include but are not limited to driver's licenses, professional licenses or certificates and business licenses. Such licenses, certificates and permits will be procured and maintained in force by Contractor at no expense to the County.

5. Office Space, Supplies, Equipment, Etc.

Unless otherwise provided in Exhibit A, Contractor shall provide such office space, supplies, equipment, vehicles, reference materials and telephone service as is necessary for Contractor to provide the services identified in Exhibit A to this Agreement. County is not obligated to reimburse or pay Contractor for any expense or cost incurred by Contractor in procuring or maintaining such items. Responsibility for the costs and expenses incurred by Contractor in providing and maintaining such items is the sole responsibility and obligation of Contractor.

6. Insurance

6.1 Contractor shall take out, and maintain during the life of this Agreement, insurance policies with coverage at least as broad as follows:

6.1.1 General Liability. Comprehensive general liability insurance covering bodily injury, personal injury, property damage, products and completed operations with limits of no less than One Million Dollars (\$1,000,000) per incident or occurrence. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to any act or omission by Contractor under this Agreement or the general aggregate limit shall be twice the required occurrence limit.

6.1.2 Automobile Liability Insurance. If the Contractor or the Contractor's officers, employees, agents, representatives or subcontractors utilize a motor vehicle in performing any of the work or services under this Agreement, owned/non-owned automobile liability insurance providing combined single limits covering bodily injury, property damage and transportation related pollution liability with limits of no less than One Million Dollars (\$1,000,000) per incident or occurrence.

6.1.3 Workers' Compensation Insurance. Workers' Compensation insurance as required by the California Labor Code. In signing this contract, the Contractor certifies under section 1861 of the Labor Code that the Contractor is aware of the provisions of section 3700 of the Labor Code which requires every employer to be insured against liability for workmen's compensation or to undertake self-insurance in accordance with the provisions of that code, and that the Contractor will comply with such provisions before commencing the performance of the work of this Agreement.

6.2 Any deductibles, self-insured retentions or named insureds must be declared in writing and approved by County. At the option of the County, either: (a) the insurer shall reduce or eliminate such deductibles, self-insured retentions or named insureds, or (b) the Contractor shall provide a bond, cash, letter of credit, guaranty or other security satisfactory to the County guaranteeing payment of the self-insured retention or deductible and payment of any and all costs, losses, related investigations, claim administration and defense expenses. The County, in its sole discretion, may waive the requirement to reduce or eliminate deductibles or self-insured retentions, in which case, the Contractor agrees that it will be responsible for and pay any self-insured retention or deductible and will pay any and all costs, losses, related investigations, claim administration and defense expenses related to or arising out of the Contractor's defense and indemnification obligations as set forth in this Agreement.

6.3 The Contractor shall obtain a specific endorsement to all required insurance policies, except Workers' Compensation insurance and Professional Liability insurance, if any, naming the County and its officers, officials and employees as additional insureds regarding: (a) liability arising from or in connection with the performance or omission to perform any term or condition of this Agreement by or on behalf of the Contractor, including the insured's general supervision of the Contractor; (b) services, products and completed operations of the Contractor; (c) premises owned, occupied or used by the Contractor; and (d) automobiles owned, leased, hired or borrowed by the Contractor. For Workers' Compensation insurance, the insurance carrier shall agree to waive all rights of subrogation against the County and its officers, officials and employees for losses arising from the performance of or the omission to perform any term or condition of this Agreement by the Contractor.

6.4 The Contractor's insurance coverage shall be primary insurance regarding the County and County's officers, officials and employees. Any insurance or self-insurance maintained by the County or County's officers, officials and employees shall be excess of the Contractor's insurance and shall not contribute with Contractor's insurance.

6.5 Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the County or its officers, officials, employees or volunteers.

6.6 The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

6.7 Each insurance policy required by this section shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party except after thirty (30) days' prior written notice has been given to County. The Contractor shall promptly notify, or cause the insurance carrier to promptly notify, the County of any change in the insurance policy or policies required under this Agreement, including, without limitation, any reduction in coverage or in limits of the required policy or policies.

6.8 Insurance shall be placed with California admitted insurers (licensed to do business in California) with a current rating by Best's Key Rating Guide acceptable to the County; provided, however, that if no California admitted insurance company provides the required insurance, it is acceptable to provide the required insurance through a United States domiciled carrier that meets the required Best's rating and that is listed on the current List of Eligible Surplus Line Insurers maintained by the California Department of Insurance. A Best's rating of at least A-VII shall be acceptable to the County; lesser ratings must be approved in writing by the County.

6.9 Contractor shall require that all of its subcontractors are subject to the insurance and indemnity requirements stated herein, or shall include all subcontractors as additional insureds under its insurance policies.

6.10 At least ten (10) days prior to the date the Contractor begins performance of its obligations under this Agreement, Contractor shall furnish County with certificates of insurance, and with original endorsements, showing coverage required by this Agreement, including, without limitation, those that verify coverage for subcontractors of the Contractor. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements shall be received and, in County's sole and absolute discretion, approved by County. County reserves the right to require complete copies of all required insurance policies and endorsements, at any time.

6.11 The limits of insurance described herein shall not limit the liability of the Contractor and Contractor's officers, employees, agents, representatives or subcontractors.

7. Defense and Indemnification

7.1 To the fullest extent permitted by law, Contractor shall indemnify, hold harmless and defend the County and its agents, officers and employees from and against all claims, damages, losses, judgments, liabilities, expenses and other costs, including litigation costs and attorneys' fees, arising out of, resulting from, or in connection with the performance of this Agreement by the Contractor or Contractor's officers, employees, agents, representatives or subcontractors and resulting in or attributable to personal injury, death, or damage or destruction to tangible or intangible property, including the loss of use;

provided, however, such indemnification shall not extend to or cover loss, damage or expense arising from the sole negligence or willful misconduct of the County or its agents, officers and employees.

7.2 Contractor's obligation to defend, indemnify and hold the County and its agents, officers and employees harmless under the provisions of this paragraph is not limited to or restricted by any requirement in this Agreement for Contractor to procure and maintain a policy of insurance.

8. Status of Contractor

8.1 All acts of Contractor and its officers, employees, agents, representatives, subcontractors and all others acting on behalf of Contractor relating to the performance of this Agreement, shall be performed as independent contractors and not as agents, officers or employees of County. Contractor, by virtue of this Agreement, has no authority to bind or incur any obligation on behalf of County. Except as expressly provided in Exhibit A, Contractor has no authority or responsibility to exercise any rights or power vested in the County. No agent, officer or employee of the County is to be considered an employee of Contractor. It is understood by both Contractor and County that this Agreement shall not be construed or considered under any circumstances to create an employer-employee relationship or a joint venture.

8.2 At all times during the term of this Agreement, the Contractor and its officers, employees, agents, representatives or subcontractors are, and shall represent and conduct themselves as, independent contractors and not employees of County.

8.3 Contractor shall determine the method, details and means of performing the work and services to be provided by Contractor under this Agreement. Contractor shall be responsible to County only for the requirements and results specified in this Agreement and, except as expressly provided in this Agreement, shall not be subjected to County's control with respect to the physical action or activities of Contractor in fulfillment of this Agreement. Contractor has control over the manner and means of performing the services under this Agreement. Contractor is permitted to provide services to others during the same period service is provided to County under this Agreement. If necessary, Contractor has the responsibility for employing other persons or firms to assist Contractor in fulfilling the terms and obligations under this Agreement.

8.4 If in the performance of this Agreement any third persons are employed by Contractor, such persons shall be entirely and exclusively under the direction, supervision and control of Contractor. All terms of employment including hours, wages, working conditions, discipline, hiring and discharging or any other term of employment or requirements of law shall be determined by the Contractor.

8.5 It is understood and agreed that as an independent Contractor and not an employee of County, the Contractor and the Contractor's officers, employees, agents, representatives or subcontractors do not have any entitlement as a County employee, and

do not have the right to act on behalf of the County in any capacity whatsoever as an agent, or to bind the County to any obligation whatsoever.

8.6 It is further understood and agreed that Contractor must issue W-2 forms or other forms as required by law for income and employment tax purposes for all of Contractor's assigned personnel under the terms and conditions of this Agreement.

8.7 As an independent Contractor, Contractor hereby indemnifies and holds County harmless from any and all claims that may be made against County based upon any contention by any third party that an employer-employee relationship exists by reason of this Agreement.

9. Records and Audit

9.1 Contractor shall prepare and maintain all writings, documents and records prepared or compiled in connection with the performance of this Agreement for a minimum of four (4) years from the termination or completion of this Agreement. This includes any handwriting, typewriting, printing, photostatic, photographing and every other means of recording upon any tangible thing, any form of communication or representation including letters, words, pictures, sounds or symbols or any combination thereof.

9.2 Any authorized representative of County shall have access to any writings as defined above for the purposes of making audit, evaluation, examination, excerpts and transcripts during the period such records are to be maintained by Contractor. Further, County has the right at all reasonable times to audit, inspect or otherwise evaluate the work performed or being performed under this Agreement.

10. Confidentiality

The Contractor agrees to keep confidential all information obtained or learned during the course of furnishing services under this Agreement and to not disclose or reveal such information for any purpose not directly connected with the matter for which services are provided.

11. Nondiscrimination

During the performance of this Agreement, Contractor and its officers, employees, agents, representatives or subcontractors shall not unlawfully discriminate in violation of any federal, state or local law, rule or regulation against any employee, applicant for employment or person receiving services under this Agreement because of race, religion, color, national origin, ancestry, physical or mental handicap, medical condition (including genetic characteristics), marital status, age, political affiliation or sex. Contractor and its officers, employees, agents, representatives or subcontractors shall comply with all applicable Federal, State and local laws and regulations related to non-discrimination and equal opportunity, including without limitation the County's nondiscrimination policy; the Fair Employment and Housing Act (Government Code sections 12900 et seq.); California

Labor Code sections 1101, 1102 and 1102.1; the Federal Civil Rights Act of 1964 (P.L. 88-352), as amended; and all applicable regulations promulgated in the California Code of Regulations or the Code of Federal Regulations.

12. Assignment

This is an agreement for the services of Contractor. County has relied upon the skills, knowledge, experience and training of Contractor and the Contractor's firm, associates and employees as an inducement to enter into this Agreement. Contractor shall not assign or subcontract this Agreement without the express written consent of County. Further, Contractor shall not assign any monies due or to become due under this Agreement without the prior written consent of County.

13. Waiver of Default

Waiver of any default by either party to this Agreement shall not be deemed to be waiver of any subsequent default. Waiver or breach of any provision of this Agreement shall not be deemed to be a waiver of any other or subsequent breach, and shall not be construed to be a modification of the terms of this Agreement unless this Agreement is modified as provided below.

14. Notice

Any notice, communication, amendment, addition or deletion to this Agreement, including change of address of either party during the term of this Agreement, which Contractor or County shall be required or may desire to make shall be in writing and may be personally served or, alternatively, sent by prepaid first class mail to the respective parties as follows:

To County: **County of Stanislaus
CEO-Risk Management Division
Attention: David L. Dolener, Deputy Executive Officer
1010 10th St., Suite 5900
Modesto, CA 95354**

To Contractor: **Claims Management, Inc.
Scott D. Kramer, President
P.O. Box 3042
Sacramento Ca 95812-3042**

15. Conflicts

Contractor agrees that it has no interest and shall not acquire any interest direct or indirect which would conflict in any manner or degree with the performance of the work and services under this Agreement.

16. Severability

If any portion of this Agreement or application thereof to any person or circumstance shall be declared invalid by a court of competent jurisdiction or if it is found in contravention of any federal, state or county statute, ordinance or regulation the remaining provisions of this Agreement or the application thereof shall not be invalidated thereby and shall remain in full force and effect to the extent that the provisions of this Agreement are severable.

17. Amendment

This Agreement may be modified, amended, changed, added to or subtracted from by the mutual consent of the parties hereto if such amendment or change is in written form and executed with the same formalities as this Agreement and attached to the original Agreement to maintain continuity.

18. Entire Agreement

This Agreement supersedes any and all other agreements, either oral or in writing, between any of the parties herein with respect to the subject matter hereof and contains all the agreements between the parties with respect to such matter. Each party acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding.

19. Advice of Attorney

Each party warrants and represents that in executing this Agreement, it has received independent legal advice from its attorneys or the opportunity to seek such advice.

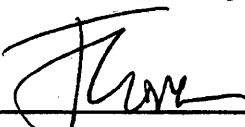
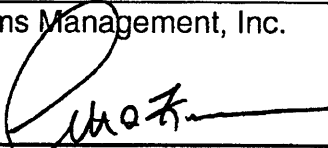

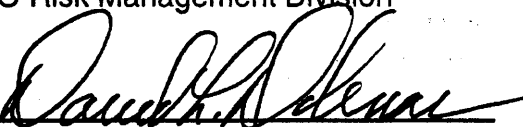

20. Construction

Headings or captions to the provisions of this Agreement are solely for the convenience of the parties, are not part of this Agreement, and shall not be used to interpret or determine the validity of this Agreement. Any ambiguity in this Agreement shall not be construed against the drafter, but rather the terms and provisions hereof shall be given a reasonable interpretation as if both parties had in fact drafted this Agreement.

21. Governing Law and Venue

This Agreement shall be deemed to be made under, and shall be governed by and construed in accordance with, the laws of the State of California. Any action brought to enforce the terms or provisions of this Agreement shall have venue in the County of Stanislaus, State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first hereinabove written.

COUNTY OF STANISLAUS By:  Chair of the Board of Supervisors "County"	Claims Management, Inc. By:  Scott D. Kramer President "Contractor"
ATTEST: Christine Ferraro Tallman Clerk of the Board of Supervisors of the County of Stanislaus, State of California By:  Deputy Clerk	Taxpayer Identification No. 94-2737686
APPROVED AS TO CONTENT: CEO Risk Management Division By:  David L. Dolinar Deputy Executive Officer	
APPROVED AS TO FORM: Michael H. Krausnick County Counsel By:  John P. Doering Deputy County Counsel	

V:\CO\jpd\Documents\FORMS\IND-CON Agrmt.wpd

EXHIBIT A
SCOPE OF WORK

I. SERVICES

Services to be provided MUST include, but not be limited to:

A. Claims Administration - Existing Claims

Administration and adjustment of all claims, which were, reported prior to July 1, 2005.

B. Claims Administration - New Claims

Staff for administrating all claims reported during the contract year, to include the council services of claims examiners with a minimum of three years active claims adjusting experience as a claims examiner. A claims trainee or assistant will not be satisfactory. Each examiner should have a claims caseload of no more than 150 open indemnity claims at any one time. In addition, it is preferred that a 1-to-1 ratio be maintained between technical assistance and claims examiners. Finally, the county prefers the claims examiners be assigned to the County's account exclusively.

Note: *These positions shall be supervised and shall have their Self-Insured Competency Certificate. These positions, have available to them at all times an experienced claims person who will have passed the State of California test for Administrator, Self-insurance Plans given by the Self Insurance Plans office or other division administrating the test.*

II. CLAIMS MANAGEMENT

- A. Promptly makes up a claims file within 24 hours after receipt from the County. Investigate questionable claims, coordinating with County staff.
- B. Expedite the employer's report when or if the doctor's first report of work injury is received.
- C. Establish monetary reserves adequate for the expected compensation and medical benefits possible due on each injury/claim file made up. A diary system to review the status of each injury/claim must be set-up a maximum of 30 days, but preferably every 20 days, where appropriate.

- D. Establish prompt phone or personal contact with all employees, and the employee's supervisor, except in cases when employees are already represented by an attorney for the following:
 - 1. With major or severe injuries.
 - 2. Injuries that could have extended lost time.
- E. All claim files shall be available to the County for inspection, review, and/or claims audit with or without prior notice to the adjusting firm. It is understood and agreed that all files will remain the property of Stanislaus County at all times.

III. COMPENSATION AND MEDICAL BENEFITS

- A. Provide all compensation and medical benefits that may be due, in a timely manner and in compliance with the statutory requirements of the California Labor Code and County exceptions. All treatment plans should be reviewed and approved in accordance with Utilization Review criteria to determine if treatment is reasonable, necessary and appropriate based on readily accepted scientific medical evidence such as ACOEM or other nationally recognized and peer-reviewed scientific medical evidence.
- B. Ensure that all required benefit and informational notices are sent to the injured employees in a timely manner.
- C. Provide estimates of permanent disability on all claims the benefit may be due, communicating it to the County and to defense counsel on litigated claims.
- D. Arrange medical evaluations when needed, reasonable, and/or requested. Provide copies of all medical reports and legal correspondence to the County according to law.
- E. Promptly pay all medical and other bills on the claims within 20 days or file a timely objection.
- F. Reduce medical bills, other than medical legal expenses, to the Relative Value Schedule and recommended rates set by the Administrative Director, Division of Industrial Relations or based on PPO contracts that may apply.
- G. Medical Control

1. Assist in the development, submission and administration of the County's Medical Provider Network (MPN), including monitoring medical treatment to allow changes through the MPN. Any changes to the MPN will require the County's final approval.
2. Monitor medical treatment for injured employees, including the review of all "Doctors First Report of Work Injury", to ensure that the treatment is related to a compensable injury or illness and is in compliance with ACOEM and other nationally recognized and peer-reviewed scientific medical evidence guidelines.
3. Maintain close liaison with treating physicians to ensure that employees receive proper care, to avoid over-treatment situations and to assure physician compliance with Utilization Review standards.
4. Consult with the County to provide guidance and evaluations of the physical capabilities of injured employees to return to work, including modified duty options. The County has an aggressive Disability Management Program and will accommodate modified duty whenever possible.
5. Maintain close working relationship with the CEO- Risk Management Division, Disability Management Unit which includes the Disability Manager, the Disability Coordinators, Medical Review Nurse and Disability Assistant.

H. Employee Services

1. Provide information and guidance to the County's employees regarding workers' compensation benefits, inquiries on specific injuries and permanent disability ratings in accordance with the County's policies and the County's MPN.
2. Assist in resolving employee problems related to an industrial injury in non litigated cases.
3. When medically appropriate, develop rehabilitation programs for injured employees for approval by the County, the employee, and other agencies to provide rehabilitation, retraining or reassignment for employees with physical or performance limitations resulting from industrial injuries for injuries prior to 1/1/2004. Injuries on or after 1/1/2004 may be eligible for a job displacement voucher.

4. Recommend policies and procedures to ensure that the employee's ability to work is consistent with the findings of the Workers' Compensation Appeals Board.

IV. REHABILITATION, JOB DISPLACEMENT, LITIGATION & SUBROGATION

A. Rehabilitation

1. Comply with the Labor Code statutes and rules & regulations applicable to rehabilitation for workers' compensation injuries.
2. Provide close supervision of the rehabilitation vendor service that may be used on County's claims. The choice of which rehabilitation vendor to use on County claims shall be made jointly with County staff. Rehabilitation vendors should work closely with the CEO-Risk Management Division, whenever possible, to rehabilitate injured workers into alternate positions within the County.
3. Maintain adequate reserves on all claims where rehabilitation is an issue.
4. Prepare and submit the Division of Industrial Relations Rehabilitation forms as required by statute.

B. Job Displacement

1. Provide injured employees Job Displacement vouchers in a timely manner and comply with the Labor Code statutes and rules & regulations applicable to job displacement benefits for workers' compensation injuries

C. Litigation

1. Selection of defense counsel shall be agreement between the County and the Administrator. Investigations are to be coordinated with County staff.
2. Litigation effort shall be controlled and closely monitored by the Administrator with regular communication with the County (copies, etc.).
3. Medical Control of litigated claims shall stay with the Administrator and shall not pass to defense counsel unless approved by the County.

4. The County staff must first approve settlement authority on litigated claims before being presented or negotiated with the injured workers' attorney. The County must be informed of all settlement offers below \$5,000. The County must approve all others in excess of \$5,000.
5. When an application for adjudication has been filed, the adjusting firm, within the claims examiners' skills, will make an effort to settle the claim without assigning it to a defense counsel. This would be on the less complex single-issue type of claims.

D. Subrogation

Proceed against responsible persons, agencies, and/or their agents in subrogation actions in an effort to recover losses suffered by the County by way to compensable injuries to County employees, volunteers, inmates, or any other individual as deemed appropriate by the County CEO - Risk Management Division. The workers' compensation administrator with the County and/or their liability program administrator shall coordinate subrogation efforts on injuries wherein there is also property loss to the County.

- E. Fraud Unit - Third Party Administrator shall take an aggressive stance against fraud by filing FB1/FB2 forms with the State Department of Insurance. Whenever warranted the Third Party Administrator shall aggressively pursue fraud cases with the District Attorney's office.**

V. ADDITIONAL SERVICES

- A. At the sole discretion of the County, examiners attendance at Workers' Compensation Appeals Board Hearings, rehabilitation conferences, conferences with legal counsel (defense counsel), meeting with County staff, departments and employee groups shall be required.**
- B. Claims Management services to include:**
1. Special claims review of open claim files at the request of the County.
 2. Regular quarterly review of all indemnity claims with reserves in excess of \$50,000 and/or of problem & complex claims as deemed appropriate by the County.
 3. Ensure that all required payments are made timely and that medical bills are paid within 20 days or objection timely filed.
 4. Index all new claims with all appropriate index vendors.

C. Forms

Forms necessary for the County's processing and benefits or claims information are to be provided at the expense of the adjusting firm to include the DWC-1 forms, state mandated posting notices, workers' compensation facts brochures, MPN website, MPN brochures and MPN employee notification letters.

D. Reports

Prepare and provide the CEO-Risk Management Division with the OSHA 300 and OSHA 300A reports. Assist the CEO-Risk Management Division with the Public Self-insurance Annual Report. Prepare charts and graphs on a quarterly basis for statistical analysis of countywide claim frequency and severity as well as similar charts and graphs for the top five departments. Provide the CEO-Risk Management Division with an annual report as of June 30th each year with loss trend analysis. Provide charts and graphs to be used in the development of Departmental Action Plans.

E. Excess Insurance Carrier Claims & Reports

Prepare and submit information to the County's excess insurance carrier of all claims that exceed the limits of self retained workers' compensation liability. Comply with all excess insurance carrier reporting and notice requirements.

F. Bill Review

Bill review may require a separate contract.

G. Medical Provider Network (MPN)

The County requires an MPN carve out designed with the County's needs in mind. The County will have final approval of the physicians to be included in the carve out MPN.

VI. FINANCIAL ACCOUNTING

A. A trust fund shall be maintained for the purpose of paying benefits that may be due on the claims. The amount that will be maintained in the trust fund shall be determined by the parties and confirmed by written document or letter.

1. Payments from the trust fund will be those sums that should reasonably be paid on benefits mandated and/or required by the

California labor Code on those injuries were such benefits may be due.

- B. TPA will reconcile bank statement monthly and will submit copies to the CEO-Risk Management Division for final verification.
- C. The adjusting firm shall provide a monthly check/vouchers register of all transactions made for the period. It shall list the checks/vouchers in numerical order, claim number, amount, payee, recoveries of all types and any other information considered necessary.
- D. At the sole discretion of the County, an annual/yearly financial audit of the trust account may be conducted to ensure the integrity of the account. This account may also be subject to a Grand Jury audit at any time.
- E. Request for special deposits and all requests for payments in excess of \$5,000 must be requested prior to check being disbursed and reimbursement at month end for a trust transfer balance.

* Penalties that are incurred due to no-fault of the County shall be reimbursed to the County within 30 days of payment of penalty.

* Overpayments that occur due to no-fault of the County shall be reimbursed to the County within 30 days of overpayment. Overpayments will be documented by monthly reports provided to the County by the Administrator.

VII. DATA PRODUCTS - LOSS REPORTS

Provide a computerized loss and analysis and summary reports each month covering activity on all newly reported, opened, and newly closed claims for the period. The report will be customized, as determined by the County, for County needs within the capability of the adjusting firm and, as a minimum, provide the following for claim year:

- A. Monthly listing of all open and all closed claims by department and location stating the claim number, injured's name, cause and type of injury, body part, amount paid during the period to date and remaining reserves for medical, compensation, and any allocated expense there may be. Total amount incurred for each type of payment must also be shown.
- B. Summaries of all open (including litigated) and closed claims, medical only and indemnity, by fiscal year. Summaries must include Division (location), department and total County. In addition, a summary of expenses as indicated in "A" above must be provided.

- C. Data download to be provided at a minimum of once a month. Data download shall include all claims data and transactions for the month. The Administrator must meet the specifications of the CEO-Risk Management Information System (RMIS), Computer Science Corporation's RiskMaster.

VIII. RECORDS, FILES, TRANSCRIPTS, TAPES, ETC.

All records, files, transcripts, computer tapes and any other materials on workers' compensation adjusting activities developed on the County of Stanislaus workers' compensation claims is the property of the County and must be relinquished in good order and condition upon termination of an eventful contract with the adjusting firm without an additional cost.

IX. SUPPLEMENTAL SCOPE OF SERVICES

A. Audits

1. In the event of the State audit by OBAE (Office of Benefits Assistance and Enforcement), the Administrator shall be responsible for all associated legal costs, including those of the County.
2. The Administrator is required to cooperate with an independent outside auditor selected by the County. The County reserves the right to audit the Administrator at any time and as frequently as the County may deem necessary.

B. Penalty assessments and payments

1. To parties hereto acknowledged that they are familiar with the various penalties that the California Workers Compensation Reform Act of 1989 (and subsequent laws) can impose on both employers and claim administrators. Penalties arising from a failure of the County to provide timely notice of claims or such other employer obligations shall be and remain the sole responsibility of the County and the County hereby agrees to indemnify, defend and hold the Administrator harmless from all claims arising from the imposition of such penalties. Administrative penalties arising solely from the failure of Administrator to comply in a timely and proper manner with its duties as a claims administrator shall be and remain the sole responsibility of the Administrator and the Administrator hereby agrees to indemnify, defend and hold the County harmless from all claims arising from the imposition of such administrative penalties.
2. More specifically, the parties acknowledge that the California Workers' Compensation Reform Act of 1989 requires first payment of Temporary Disability Indemnity within 14 days of the County's

knowledge of the injury and generally imposes an automatic penalty of 10% of the amount delayed for late a indemnity payments which shall be payable directly to the injured employee without application. Furthermore, the parties agree that unless the Administrator is provided with notice of the claim within 10 days of the County's knowledge of the injury, the above referenced automatic penalty of 10% shall be and remain the sole responsibility of the County. The Administrator will agree, however, to make good-faith effort with due diligence to issue the first Temporary Disability Indemnity payment within the 14-day requirement, even in the event that notice of claim is not received by the Administrator within 10 days of the County's knowledge of injury.

C. Meetings with the County

The County requires the Administrator to schedule, organize and conduct meetings with County representatives at least 12 meetings per year. The purpose of the meetings will be to review current cases, review the functioning of the workers' compensation program, develop coordinated plans for handling claims, coordinate plans for returning employees to work, and develop and implement appropriate rehabilitation plans. From time to time, the County may request contractor to address specific issues as may arise during the course of the contract about which County desires additional information.

D. Cost Savings

Maximize cost by efficient and timely provision of benefits to injured workers, utilization review, medical provider networks, recovery of subrogation rights, co-defendant contributions, advantageous negotiated settlements, and early return to work as appropriate.

E. Training County Personal

Assist in the training of County staff as required. Design forms, procedures and techniques to improve the claim process. Instruct County personnel as directed by the County CEO-Risk Management Division about automated systems and reports. Update County staff on current changes in workers' compensation law and case decisions.

F. Procedure Manual

Assist in preparing and maintaining a standards and procedures manual in compliance with state law and County needs with particular attention to a coordination of benefits between the Labor Code and the Government Code.

G. Accreditation of Administrator

Administrator shall maintain appropriate accreditation and/or license as a provider of workers' compensation services in the State of California.

H. Toll Free Telephone Number

The County requests Administrator maintains a toll-free number for access to the Administrator's office by injured workers, and other interested parties. The cost of the toll-free telephone service will be the responsibility of the Administrator.

I. Claims Examiner Education

All claims examiners assigned to work on the County of Stanislaus account will have a solid working knowledge of the Labor Code, including reforms as provided in SB 227, SB 228, SB 899, and any other workers compensation reform in effect at the time of this RFP or in the future.

X. SYNOPSIS OF MAJOR SERVICES

The following is a synopsis of the major services, which will be required of the Administrator:

A. Initial Services:

1. Preparation of the basic claims management agreement.
2. Development and submission of County's Medical Provider Network.
3. Written Utilization Review procedures to be filed with the State.
4. Development of the claims payment procedure (subject to County approval).
5. Design and printing of employer reports, medical referrals, notice to injured employees and any other forms necessary or required.
6. Establishment of banking arrangements or claims replenishment/reimbursement procedures.
7. Assume claims management of open files for prior policy years.
8. Establish all database-coding requirements.

B. Ongoing Services:

1. Issue payments of temporary disability synchronized with the County bi-weekly payroll period.
2. Issue 4850 payments with vouchers synchronized with the County bi-weekly payroll period.
3. Review and process all industrial cases in accordance with the requirements of the Department of Industrial Relations and the Workers' Compensation Appeals Board.
4. Maintain a physical claim record or file on each reported industrial injury.
5. Administer and monitor use of County's Medical Provider Network.
6. Assure medical treatment is in accordance with agreed upon Utilization Review policy and procedure and is based on readily accepted scientific medicine.
7. Bill Review reducing fees to RVS or PPO contracts as appropriate.
8. Maintain on a case-by-case basis current estimates of future claims cost.
9. Prepare all necessary reports to the various state agencies (annual report to self-insurance plans, OSHA and others as required by law).
10. Coordination of claims activities required due to legal, investigation or subrogation concerns.
11. Advise the County on each subrogation/excess insurance reimbursable/recovery case and recommendations. Recovery checks on excess cases to be sent to County for deposit at the end of each quarter.
12. Provide monthly, quarterly, and annual loss reports as needed and or as deemed appropriate by the CEO-Risk Management Division.
13. Assist the CEO-Risk Management Division in returning injured employees to work as soon as medically possible.
14. Work with County's Medical Review Nurse on all problematic claims including but not limited to:

- a. *Modified Duty Assignments beyond 30 days. Evaluate every 30 days for signs of improvement.*
 - b. *Total Temporary disability in excess of 30 days. Evaluate every 30 days, develop and monitor action plans.*
 - c. *All claims where hospitalization is necessary.*
- C. The Stanislaus County CEO-Risk Management Division's Workers' Compensation Claims Administration Policy and Procedure Guide is to be used as part of the claims administration process.
- D. The CSAC-Excess Insurance Authority Addendum "A" Worker's Compensation Claims Administration Guidelines are to be used in addition to the requirements set forth in this Request for Proposal.

B. COMPENSATION

The Contractor shall be compensated for the services provided under this Agreement as follows:

"County shall pay Contractor a total amount of \$545,000 for the first year of the Agreement (July 1, 2005 – June 30, 2006). Subject to the Contractor's performance an amount of \$560,000 will be paid in year two of the Agreement for July 1, 2006 – June 30, 2007 and an amount of \$575,000 will be paid in year three of the Agreement for July 1, 2007 – June 30, 2008. Each year's fee is payable in equal monthly installments due on the first of each month. The fee for any extended term of this Agreement shall be negotiated and agreed upon by the parties. In the event of a significant change in exposure base, material misrepresentation, or legislative changes, the parties reserve the right to renegotiate the fee schedule."


AMENDMENT NO. 1
to
AGREEMENT FOR INDEPENDENT CONTRACTOR SERVICES

Pursuant to Paragraph 17 of the Agreement For Independent Contractor Services dated July 1, 2005 (the "Agreement"), the COUNTY OF STANISLAUS ("County") and CLAIMS MANAGEMENT, INC. ("Contractor") hereby modify the Agreement as follows:

1. The term of the Agreement is extended six months, commencing on July 1, 2008 and terminating on December 31, 2008.
2. Pursuant to Exhibit A, Section B Compensation on the Agreement, the Contractor shall be compensated for the extended term in the amount of \$301,875, payable in equal monthly installments.
3. All other terms and conditions of the Agreement shall remain the same.

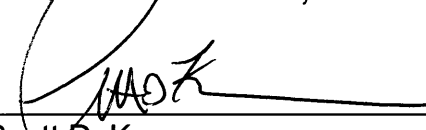
IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 to the Agreement in duplicate on June 24, 2008.

COUNTY OF STANISLAUS

By: 
Thomas Mayfield
Chairman of the Board of Supervisors


"County"

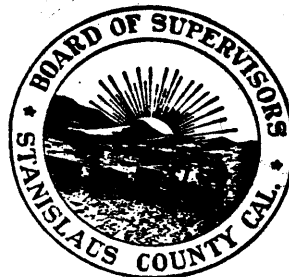
CLAIMS MANAGEMENT, INC.

By: 
Scott D. Kramer
President

"Contractor"

ATTEST: Christine Ferraro Tallman
Clerk of the Board of Supervisors of the
County of Stanislaus, State of California

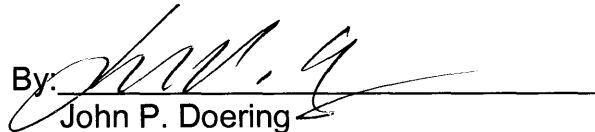
By: 
Deputy Clerk



APPROVED AS TO CONTENT:
Chief Executive Office, Risk Management
Division

By: 
David L. Dolanar
Deputy Executive Officer

APPROVED AS TO FORM:

By: 
John P. Doering
County Counsel

V:\DATA\CO\jpd\Documents\MISC\MISC-AGM\CMI Amendment 1 08_0616.wpd