

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

DEPT: CEO-RISK MANAGEMENT DIVISION

BOARD AGENDA # *B-5

Urgent

Routine

AGENDA DATE May 8, 2012

CEO Concurs with Recommendation YES NO

4/5 Vote Required YES NO

(Information Attached)

SUBJECT:

Approval of Agreement Between the County of Stanislaus and TRISTAR Risk Management as the County's Workers' Compensation Third Party Administrator Effective July 1, 2012

STAFF RECOMMENDATIONS:

- 1) Approve agreement between the County of Stanislaus and TRISTAR Risk Management as the County's Workers' Compensation Third Party Administrator effective July 1, 2012 through June 30, 2015.
- 2) Authorize the GSA Director/Purchasing Agent to sign the Agreement.
- 3) Authorize the Chief Executive Officer or her designee to sign future amendments or extensions to the agreement based on changes in the volume of claims or legislative changes impacting caseload standards.

FISCAL IMPACT:

The proposed cost of workers' compensation administration fees with TRISTAR for the three-year contract period July 1, 2012 through June 30, 2015 is \$1,719,900. The table below illustrates the claim administration fees for the past three fiscal years and the projected numbers for the subsequent three fiscal years based on the recommended agreement.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2012-223

THIS ITEM WAS REMOVED FROM THE AGENDA.
NO ACTION WAS TAKEN.

Approval of Agreement between the County of Stanislaus and TRISTAR Risk Management as the County's Workers' Compensation Third Party Administrator effective July 1, 2012

FISCAL IMPACT (continued)

Year	Administrative Costs	Change
09/10	\$523,620	
10/11	\$544,565	4% increase
11/12	\$566,347	4% increase
Total	\$1,634,532	
12/13	\$559,200	
13/15	\$573,180	3% increase
14/15	\$587,520	3% increase
Total	\$1,719,900	

In addition to the contracted rates for claims administration, the recommended agreement also includes pricing for various care management programs designed to improve the efficiency and effectiveness of the workers' compensation program. The managed care program is a critical component in controlling workers' compensation claims and includes bill review, utilization review and nurse case management for appropriate cases. The proposed cost of bill review services with TRISTAR contemplates a base rate of \$8.50 per bill and the opportunity for TRISTAR to keep 25% of any additional cost savings they generate through the use of their discounted Preferred Provider Organization (PPO) network contracts. Utilization review fees are charged on an hourly basis and referrals are made on an as needed basis. Fees for these services are charged directly to individual claim files when deemed necessary and with the approval of the County. The total cost of the managed care program will vary dependent upon the number and complexity of claims filed, with costs projected to average \$50,000 to \$60,000 per year billed to the individual claim files under the pricing structure of the new agreement.

The Workers' compensation program is funded through contributions from departments based on each department's risk exposure and prior claims history. The projected costs of the proposed administrative agreement and managed care program have been included in the distribution of annual department workers' compensation charges for FY 2012-2013. Total cost of the workers' compensation program in FY 2012-2013 is projected to be \$5.3 million, which includes administration, excess insurance premiums and claim payments.

DISCUSSION:

The County released the Request for Proposal (RFP) #12-06 MP Third Party Administrator for Workers' Compensation claims administration on February 2, 2012.

Approval of Agreement between the County of Stanislaus and TRISTAR Risk Management as the County's Workers' Compensation Third Party Administrator effective July 1, 2012

DISCUSSION: (continued)

The RFP was downloaded by 20 vendors. On February 13, 2012 a mandatory pre-conference was held and on March 9, 2012 the RFP closed. The County received responses from six vendors. One vendor was disqualified during the financial review in Phase I of the evaluation process. The County sent a written notice of non-award to this vendor on March 28, 2012.

The remaining five vendors passed on to Phase II and Phase III of the evaluation process, which were conducted by the Evaluation Committee. The Evaluation Committee consisted of individuals with direct experience and knowledge of the contracting issues associated with selecting a Third Party Administrator for workers' compensation programs. The team included participants from CEO-Risk Management, CEO-Finance and Operations and two outside panel members working in public sector risk management programs.

Proposers were scored in two categories: claims management and managed care. Scoring summaries were developed based on Phase II and Phase III of the evaluation process. The award of the contract was made to the vendor whose proposal best met the criteria set forth in the RFP and provides the best value to the County, with price and all other factors considered. TRISTAR ranked the highest overall after both phases of the evaluation process.

On April 11, 2012 the County sent written notice of intent to award to TRISTAR and provided written notification to the other proposers. The County received one letter of protest during the five-day protest period. The Protest Letter did not contain a concise statement of the grounds for protest as required by Section 3.14.13 of the RFP. The protest was, therefore, denied on April 17, 2012. The County did not receive a letter appealing this denial during the appeal period, which expired May 1, 2012.

The County received one other letter of protest dated April 24, 2012 from the proposer disqualified in Phase I of the evaluation process. This protest was denied because it was submitted twenty days past the expiration of the five-day protest period.

TRISTAR has been in business as a third party administrator for nearly 25 years. TRISTAR has 17 offices in eight States and is considered a public entity specialist. TRISTAR offers a state of the art computer system, integrated managed care programs, and a quality assurance department with training programs. TRISTAR operates in a paperless environment with instant communication and workflow processes designed to communicate claim updates to the County in a real-time electronic environment. Utilizing this system will reduce the County's current staff time dedicated to opening, distributing and filing mail.

Approval of Agreement between the County of Stanislaus and TRISTAR Risk Management as the County's Workers' Compensation Third Party Administrator effective July 1, 2012

DISCUSSION: (continued)

Managed Care (bill review and network management) will be provided through TRISTAR Managed Care and Utilization Review will be provided through MEDSTAR Medical Management. TRISTAR's claims examiners will have a certification from Self Insured Plans and will maintain a caseload of no more than 150 open indemnity claims at any time, consistent with the current contracting standard.

A copy of the recommended agreement is attached to this agenda item.

POLICY ISSUE:

Approval of the TRISTAR agreement will improve administration of the County's workers' compensation program and will support the Board of Supervisors' priority of Efficient Delivery of Public Services.

STAFFING IMPACT:

TRISTAR will be responsible to implement the transition from the County's existing third party administrator. There will be training required for County staff, but it is anticipated that no new positions or support staff will be needed to implement this change. The Disability Manager under the direction of the Deputy Executive Officer, will continue to assure that all claims are processed timely and appropriately in conjunction with TRISTAR and defense counsel as necessary.

CONTACT PERSON:

Jody Hayes, Deputy Executive Officer. Telephone: 525-5714

**AGREEMENT
FOR
PROFESSIONAL SERVICES**

This Agreement for Professional Services is made and entered into by and between the County of Stanislaus ("County") and TRISTAR Risk Management, a California corporation ("Consultant"), as of July 1, 2012 (the "Agreement").

Introduction

WHEREAS, the County has a need for services involving Workers' Compensation claims administration and medical management; and

WHEREAS, the Consultant 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 Consultant 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**, which is attached hereto and, by this reference, made a part hereof.

1.2 All documents, drawings and written work product prepared or produced by the Consultant under this Agreement, including without limitation electronic data files, are the property of the Consultant; 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 Consultant may copyright the same, except that, as to any work which is copyrighted by the Consultant, 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. The County shall defend, indemnify and hold harmless the Consultant and its officers, employees, agents, representatives, subcontractors and consultants from and against all claims, damages, losses, judgments, liabilities, expenses and other costs, arising out of or resulting from the County's reuse of the documents and drawings prepared by the Consultant under this Agreement.

1.3 Services and work provided by the Consultant under this Agreement will be performed in a timely manner 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 Consultant; provided, however, that such schedule is subject to review by and concurrence of the County.

1.4 The Consultant shall provide services and work under this Agreement consistent with the requirements and standards established by applicable federal, state and County laws, ordinances, regulations and resolutions. The Consultant represents and warrants that it will perform its work in accordance with generally accepted industry standards and practices for the profession or professions that are used in performance of this Agreement and that are in effect at the time of performance of this Agreement. Except for that representation and any representations made or contained in any proposal submitted by the Consultant and any reports or opinions prepared or issued as part of the work performed by the Consultant under this Agreement, Consultant makes no other warranties, either express or implied, as part of this Agreement.

1.5 If the Consultant deems it appropriate to employ a consultant, expert or investigator in connection with the performance of the services under this Agreement, the Consultant will so advise the County and seek the County's prior approval of such employment. Any consultant, expert or investigator employed by the Consultant will be the agent of the Consultant not the County.

2. Consideration

2.1 The Consultant shall be compensated on either a time and materials basis or a lump sum basis, as provided in Exhibit A attached hereto.

2.2 Except as expressly provided in this Agreement, Consultant 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, including, but not limited to, meals, lodging, transportation, drawings, renderings or mockups. Specifically, Consultant 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 The Consultant shall provide the County with a monthly or a quarterly statement, as services warrant, of fees earned and costs incurred for services provided during the billing period, which the County shall pay in full within 30 days of the date each invoice is approved by the County. The statement will generally describe the services performed, the applicable rate or rates, the basis for the calculation of fees, and a reasonable itemization of costs. All invoices for services provided shall be forwarded in the same manner and to the same person and address that is provided for service of notices herein.

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

payment of Consultant's taxes or assessments.

3. Term

3.1 The term of this Agreement shall be from July 1, 2012 through June 30, 2015 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 The County may terminate this agreement upon 30 days prior written notice. Termination of this Agreement shall not affect the County's obligation to pay for all fees earned and reasonable costs necessarily incurred by the Consultant as provided in Paragraph 2 herein, subject to any applicable setoffs.

3.4 This Agreement shall terminate automatically on the occurrence of (a) bankruptcy or insolvency of either party, or (b) sale of Consultant's business.

4. Required Licenses, Certificates and Permits

Any licenses, certificates or permits required by the federal, state, county or municipal governments for Consultant to provide the services and work described in Exhibit A must be procured by Consultant and be valid at the time Consultant enters into this Agreement. Further, during the term of this Agreement, Consultant 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 Consultant at no expense to the County.

5. Office Space, Supplies, Equipment, Etc.

Unless otherwise provided in this Agreement, Consultant shall provide such office space, supplies, equipment, vehicles, reference materials and telephone service as is necessary for Consultant to provide the services under this Agreement. The Consultant--not the County--has the sole responsibility for payment of the costs and expenses incurred by Consultant in providing and maintaining such items.

6. Insurance

6.1 Consultant 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. Commercial 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 Consultant under this Agreement or the general aggregate limit shall be twice the required occurrence limit.

6.1.2 Professional Liability Insurance. Professional errors and omissions (malpractice) liability insurance with limits of no less than One Million Dollars (\$1,000,000) aggregate. Such professional liability insurance shall be continued for a period of no less than one year following completion of the Consultant's work under this Agreement.

6.1.3 Automobile Liability Insurance. If the Consultant or the Consultant's officers, employees, agents or representatives 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 and property damage liability with limits of no less than One Million Dollars (\$1,000,000) per incident or occurrence.

6.1.4 Workers' Compensation Insurance. Workers' Compensation insurance as required by the California Labor Code. In signing this contract, the Consultant certifies under section 1861 of the Labor Code that the Consultant 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 Consultant 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 Consultant 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 Consultant 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 Consultant's defense and indemnification obligations as set forth in this Agreement.

6.3 The Consultant shall obtain a specific endorsement to all required insurance policies, except Workers' Compensation insurance and Professional Liability insurance, 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 Consultant, including the insured's general supervision of its subcontractors; (b) services, products and completed operations of the Consultant; (c) premises owned, occupied or used by the Consultant; and (d) automobiles owned, leased, hired or borrowed by the Consultant. For Workers' Compensation insurance, the insurance carrier shall agree to waive all rights of subrogation against the County 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 Consultant.

6.4 The Consultant'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 Consultant's insurance and shall not contribute with Consultant'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 and employees.

6.6 The Consultant'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 Consultant 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 of no less than A-:VII; 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.

6.9 Consultant 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 Consultant and Consultant's officers, employees, agents, representatives or subcontractors.

7. Defense and Indemnification

7.1 To the fullest extent permitted by law, Consultant 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 Consultant or Consultant'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. Notwithstanding the foregoing, Consultant's obligation to indemnify the County and its agents, officers and employees for any judgment, decree or arbitration award shall extend only to the percentage of negligence or responsibility of the Consultant in contributing to such claim, damage, loss and expense.

7.2 Consultant'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 Consultant to procure and maintain a policy of insurance.

7.3 To the fullest extent permitted by law, the County shall indemnify, hold harmless and defend the Consultant and its officers, employees, agents, representatives or subcontractors from and against all claims, damages, losses, judgments, liabilities, expenses and other costs, including litigation costs and attorney's fees, arising out of or resulting from the negligence or wrongful acts of County and its officers or employees.

7.4 Subject to the limitations in 42 United States Code section 9607 (e), and unless otherwise provided in a Scope of Services approved by the parties:

(a) Consultant shall not be responsible for liability caused by the presence or release of hazardous substances or contaminants at the site, unless the release results from the negligence of Consultant or its subcontractors;

(b) No provision of this Agreement shall be interpreted to permit or obligate Consultant to assume the status of "generator," "owner," "operator," "arranger," or "transporter" under state or federal law; and

(c) At no time, shall title to hazardous substances, solid wastes,

petroleum contaminated soils or other regulated substances pass to Consultant.

8. Status of Consultant

8.1 All acts of Consultant and its officers, employees, agents, representatives, subcontractors and all others acting on behalf of Consultant relating to the performance of this Agreement, shall be performed as independent contractors and not as agents, officers or employees of County. Consultant, 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, Consultant 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 Consultant. It is understood by both Consultant 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 Consultant 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 Consultant shall determine the method, details and means of performing the work and services to be provided by Consultant under this Agreement. Consultant 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 Consultant in fulfillment of this Agreement. Consultant has control over the manner and means of performing the services under this Agreement. If necessary, Consultant has the responsibility for employing other persons or firms to assist Consultant in fulfilling the terms and obligations under this Agreement.

8.4 Consultant is permitted to provide services to others during the same period service is provided to County under this Agreement; provided, however, such services do not conflict directly or indirectly with the performance of the Consultant's obligations under this Agreement.

8.5 If in the performance of this Agreement any third persons are employed by Consultant, such persons shall be entirely and exclusively under the direction, supervision and control of Consultant. 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 Consultant.

8.6 It is understood and agreed that as an independent contractor and not an employee of County, the Consultant and the Consultant's officers, employees, agents, representatives or subcontractors do not have any entitlement as a County employee, and, except as expressly provided for in any Scope of Services made a part hereof, 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.

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

8.8 As an independent contractor, Consultant 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 Consultant 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 Consultant. 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 Consultant 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, Consultant 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 disability, medical condition (including genetic characteristics), marital status, age, political affiliation, sex or sexual orientation. Consultant 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 Consultant. County has relied upon the skills, knowledge, experience and training of Consultant and the Consultant's firm, associates and employees as an inducement to enter into this Agreement. Consultant shall not assign or subcontract this Agreement without the express written consent of County. Further, Consultant 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 Consultant 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
1010 10th Street, Suite 5900
Modesto Ca 95354

To Consultant: TRISTAR Risk Management
3017 Gold Canal
Rancho Cordova CA 95670

15. Conflicts

Consultant 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.

22. Incorporation of Performance Standards

22.1 All claims administration services performed by TPA shall comply with those provisions set forth in the CSAC EIA Workers' Compensation Claims Administration Guidelines attached hereto as Exhibit A and incorporated herein as though fully set forth. Should the attached Standards be amended, during the term of the Agreement, such amendments shall be deemed to be incorporated herein.

22.2 TPA shall comply with the SCOPE of work as provided in the County's Request for Proposal including a maximum case load of 150 indemnity claims.

22.3 Additionally, the compensation for claims administration services may be adjusted according to the Performance Based Contract Provision, attached hereto as Exhibit B and incorporated herein as though fully set forth during the term of the Agreement, such amendments shall be deemed to be incorporated herein.

[SIGNATURES SET FORTH ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties or their duly authorized representatives have executed this Agreement on the day and year first hereinabove written.

COUNTY OF STANISLAUS

BUSINESS NAME

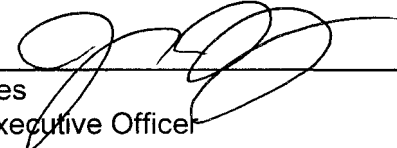
By: _____
Keith D. Boggs, Deputy Executive Officer,
GSA Director/Purchasing Agent

By:  _____
Tom Veale
President – TRISTAR Risk Management

"County"

"Consultant"

APPROVED AS TO CONTENT:
Department of CEO-Risk Management Division

By:  _____
Jody Hayes
Deputy Executive Officer

APPROVED AS TO FORM:
John P. Doering, County Counsel

By:  _____
, Deputy County Counsel

EXHIBIT A

A. SCOPE OF WORK

The Consultant shall provide services under this Agreement for Professional Services between the County of Stanislaus and Tristar ("Consultant"), as set forth in the Consultant's Proposal and Scope of Work dated March 9, 2012, attached hereto and, by this reference, made a part hereof.

B. COMPENSATION

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

1. Consultant will be compensated on a lump sum basis for each task as set forth in the proposal and scope of work dated March 9, 2012, attached hereto and, by this reference, made a part hereof. In addition to the aforementioned fees, Consultant will be reimbursed for the following items, plus any expenses agreed by the parties as set forth in the Consultant's Proposal attached hereto, that are reasonable, necessary and actually incurred by the Consultant in connection with the services:

- (a) Any filing fees, permit fees, or other fees paid or advanced by the Consultant.
- (b) Expenses, fees or charges for printing, reproduction or binding of documents at actual costs.

The parties hereto acknowledge the maximum amount to be paid by the County for claims administration services provided shall not exceed \$1,719,900., including, without limitation, the cost of any subcontractors, consultants, experts or investigators retained by the Consultant to perform or to assist in the performance of its work under this Agreement.

EXHIBIT A

APPENDIX B – SCOPE OF WORK

(NOTE: PROPOSERS ARE TO PROVIDE ITEMS DESCRIBED IN RED TEXT)

1. SERVICES

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

1.1 Claims Administration of new and existing claims. The County's past three year claim average has been 132 new indemnity claims and 127 medical only claims per fiscal year.

1.2 Online real time access to all claims data including but not limited to:

- Ability to access and input information for completion of the Form 5020 into an online system (NOTE: This system must generate a hardcopy of the form as well as populate the TPA's claim system database).
- Ability to produce claim status reports including paid to date amounts by reserve type and outstanding reserve balances (NOTE: provide copy of status report with RFP submission).
- Ability to view claim payments.
- Ability to view examiner notes.
- Ability to view examiner's Plan of Action.
- Ability to view examiner's Diary Status.
- Ability to view claims disposition (accepted, denied, settled).
- Ability to view accepted and denied body parts.
- Ability to view list of authorized RX including date approved, dosage and applicable medical condition.
- Ability to view the litigation status including both applicant attorney and defense attorney contact information.
- Ability to view claims settlement type; Stipulated Award, Compromise & Release, Findings & Award, etc.
- Ability to view staff of Contractor's assigned (i.e., Nurse Case Management, Investigators, etc.).
- Accurate tracking of lost time and associated payments (TTD, TPD, LC 4850).
- Ability to produce accurate OSHA reports on a monthly and annual basis.
- Ability of County to run standard and ad hoc reports (provide copies of reporting capability with RFP submission).

1.3 Transition claims from current TPA provider, both electronic files and hard copy files. The Contractor must be able to begin claims administration on July 1, 2012 and must be able to avoid any late payments. The Contractor will identify time line for transition of all claim data, records and files.

1.4 Administration of Medical Provider Network for the County. The County has an existing Medical Provider Network that the Contractor shall work with the County to maintain the existing providers and may make recommendations for additions or deletions to the existing network subject to the County's approval. The Contractor will be able to provide access to the existing MPN through its PPO Networks. If there are any physicians on the existing network that the Contractor does not currently have access to, the Contractor will notify the County in the RFP submission. The Contractor may make recommended changes to the Network in the RFP submission.

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2. CLAIM MANAGEMENT

- 2.1 Each Claims Examiner shall (a) have a minimum of three years active claims adjusting experience as a claims examiner, (b) have a Self-Insured Competency Certificate and (c) maintain a case load of 150 open indemnity claims or less at all times. The County requests to have Claims Examiners (Claims Trainee or Assistant will not suffice) assigned exclusively to the County's account, with availability to County staff during core business hours of 8:00 am to 5:00 pm Monday through Friday. It is preferred that a 1.5-to-1 ratio be maintained between Technical Assistance and Claims Examiners. Claims Examiners and support staff shall have direct supervision from a licensed supervisor and/or manager.
- 2.2 Claim files shall be reviewed and set up within twenty-four (24) hours of receipt from the County. All new claims will be indexed through CSAC-EIA's index system and questionable claims will be delayed and promptly investigated. The County will be notified of the disposition of all new claims within forty-eight (48) hours of receipt of the claims. A completed signed medical release shall be obtained on all claim files.
- 2.3 The Contractor shall expedite the employer's report when or if the doctor's first report of work injury is received.
- 2.4 The Contractor proposer shall establish monetary reserves adequate for the expected compensation and medical benefits possible on each injury/claim file made up. A diary system to review the status of each injury/claim must be set-up with a maximum of thirty (30) days, but preferably every twenty (20) days, where appropriate.
- 2.5 For all claims with severe injuries or when extended lost time is anticipated, phone or personal contact with claimants shall occur within twenty-four (24) hours of receipt of claim, except in cases where employees are already represented by an attorney. All other indemnity claims shall have contact within three (3) business days or less.
- 2.6 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.
- 2.7 All Claims Administration staff must be pre-approved by the County. The Contractor will provide the County with current resumes and past work experience history for the County's review prior to assigning staff to the County's account.
- 2.8 All claim decisions (deny/accept) require prior consultation and consideration by County's Risk Management Division.
- 2.9 The County must first approve settlement authority for claims before presented or negotiated with injured workers or their attorneys. The Contractor shall submit a written analysis of the case, including settlement options and recommendations to County's Risk Management Division at least ten (10) working days prior to settlement offers or conferences. The County must approve all settlement offers in excess of \$5,000. The County must be informed of all settlement offers below \$5,000.

3. COMPENSATION AND MEDICAL BENEFITS

- 3.1 The Contractor shall provide all compensation and medical benefits that may be due, in a timely manner in compliance with the statutory requirements of the California Labor Code and County expectations. All treatment plans should be

EXHIBIT A

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.

- 3.2 Temporary Disability and LC 4850 benefits shall be paid to coincide with the County's payroll schedule.
 - 3.2.1 Ensure that all required benefit and informational notices are sent to the injured employees in a timely manner.
 - 3.2.2 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.
 - 3.2.3 Arrange medical evaluations when needed, reasonable, and/or requested. Provide copies of all medical reports and legal correspondence to the County according to law.
 - 3.2.4 Promptly pay all medical and other bills on the claims within twenty (20) days or file a timely objection.
 - 3.2.5 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.
- 3.3 Medical Control
 - 3.3.1 Obtained signed medical release forms for all claims.
 - 3.3.2 Administration of the County's existing 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.
 - 3.3.3 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.
 - 3.3.4 Maintain close liaison with treating physicians to ensure that employees receive proper care and to avoid over-treatment situations and to assure physician compliance with Utilization Review standards.
 - 3.3.5 The County has an aggressive Disability Management Program and will accommodate modified duty whenever possible. The Contractor must assist the County in facilitating injured employees in returning to work, including modified duty options. Including expediting evaluations to determine the physical capabilities of all injured workers.
 - 3.3.6 Maintain close working relationship with County's Risk Management Division, Disability Management Unit which includes the Disability Manager, and the Disability Coordinators.
 - 3.3.7 Provide medical reports in a timely manner including, but not limited to all reports of work restrictions, temporary or permanent from any and all physicians even if the report is not considered substantial evidence.

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3.4 Employee Services

- 3.4.1 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.
- 3.4.2 Assist in resolving employee problems related to an industrial injury in non-litigated cases.
- 3.4.3 Recommend policies and procedures to ensure that the employee's ability to work is consistent with the findings of the Workers Compensation Appeals Board.

4. REHABILITATION, JOB DISPLACEMENT, LITIGATION & SUBROGATION

4.1 Job Displacement

- 4.1.1 Comply with labor code statutes and rules & regulations applicable to rehabilitation for workers' compensation injuries.
- 4.1.2 Provide injured employees Job Displacement vouchers in a timely manner and comply with the Labor Codes statutes and rules & regulations applicable to job displacement benefits for workers' compensation injuries.
- 4.1.3 Maintain adequate reserves on all claims where rehabilitation is an issue.
- 4.1.4 Prepare and submit the Division of Industrial Relations Rehabilitation forms as required by statute.

4.2 Litigation

- 4.2.1 Selection of defense counsel shall be approved by the County prior to an assignment being made. Investigations are to be coordinated with County staff.
- 4.2.2 Litigation effort shall be controlled and closely monitored by the administrator with regular communication with the County (copies, etc.)
- 4.2.3 Medical Control of litigated claims shall stay with the Administrator and shall not pass to defense counsel unless approved by the County.
- 4.2.4 The County staff must first approve settlement authority for claims before being presented or negotiated with injured workers and or their attorney(s). The Contractor shall submit a written analysis of the case, including settlement options and recommendations to County's Risk Management Division at least ten (10) working days prior to settlement offers or conferences. The County must approve all settlement offers in excess of \$5,000. The County must be informed of all settlement offers below \$5,000.
- 4.2.5 Claims examiners will make an effort to settle claims without assignment to defense counsel when ever possible.

4.3 Subrogation

- 4.3.1 The Contractor shall identify and pursue subrogation opportunities in consultation with County's Risk Management Division.

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4.4 Investigation

- 4.4.1 The use of investigators must be approved by the County prior to an assignment being made.
- 4.4.2 The Contractor shall investigate every indemnity claim using three-point contact, and recorded statements when appropriate with the approval of County's Risk Management Division.
- 4.4.3 The Contractor shall take an aggressive stance against fraud by filing FB1/FB2 forms with the State Department of Insurance whenever warranted. The Contractor shall aggressively pursue fraud cases with the District Attorney's office when appropriate.

5. REPORTS AND REPORTING CAPABILITY

- 5.1 Excess Insurance Carrier Claims & Reports: The Contractor shall adhere to the County's excess insurance carrier claim reporting requirements (attached).
- 5.2 Actuary Reports: The Contractor shall provide reports and other requested data to actuarial firm at the County's request.
- 5.3 Weekly Reports: The Contractor shall provide at a minimum the following reports to County's Risk Management Division electronically on a weekly basis:
 - 5.3.1 Status of all open claims with employees off on a disability or newly returned to work.
 - 5.3.2 List of all employees working modified duty including the current work restrictions.
 - 5.3.3 Appearance, hearing, trial and important date calendar.
 - 5.3.4 Claims in "delay" status or newly accepted or denied claims.
 - 5.3.5 Check register in Excel format.
 - 5.3.6 All claims open by claim type.
 - 5.3.7 Bill Review activity and associated savings.
 - 5.3.8 Utilization Review referrals and decisions.
- 5.4 Monthly Reports: The Contractor shall provide at a minimum the following reports to County's Risk Management Division electronically on a monthly basis before the 10th day of each month:
 - 5.4.1 Detailed report of all open claims, including name, claim number, location, description of claim, injury and mechanism of injury, amounts paid, reserved and incurred for medial expense and indemnity.
 - 5.4.2. Report listing all claims, including name, claim number, location, description of claim, injury and mechanism of injury, amounts paid reserved and incurred for medial expenses and indemnity.

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- 5.4.3. Lag report listing all claims reported in the last month, per department and dates of knowledge and reporting dates.
- 5.4.4. Administrative reports containing number of claims, medical only, indemnity and first aid/incident; number of closed claims; number of active files assigned to each examiner; amount paid for medical, expense, and indemnity for each department, division or agency in: amount reserved for medial expense and indemnity for each agency; indemnity paid, 4850 benefits, Temporary Disability, Permanent Disability, Death Benefits, expenses paid for: UR, Nurse Case Management, Investigators, and attorneys; cases assigned to counsel, investigators, nurse case managers; amounts recovered in apportionment and subrogation; number of litigated cases; list of cases settled during the month, indicating the amount of the settlement and method of settlement (stipulations, C&R, dismissal, etc); penalties paid, including whether attributable to TPA or County; savings related to modified duty accommodations; OSHA 300 report by department and division, ad hoc reports upon request.
- 5.4.5. Report claims accurately and timely including tracking for all claimants meeting mandatory Medicare reporting requirements per Medicare Secondary Payer and related statutes and provide associated data to the County.
- 5.4.6. Prepare and provide County's Risk Management Division with OSHA 300 report at the department and division levels to meet Cal-OSHA standards.
- 5.4.7. 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.
- 5.4.8. Provider summaries to include individual claims, number of visits, visit intervals and amounts paid.
- 5.4.9. Monthly check reconciliation reports.
- 5.4.10. Bill Review activity and associated savings.
- 5.4.11. Utilization Review referrals and decisions.
- 5.5. Quarterly Reports: The Contractor shall provide at a minimum the following reports to County's Risk Management Division electronically on a quarterly basis before the 10th day of the month ending the quarter:
 - 5.5.1. Charts, graphs and supporting documents (include number of claims, paid to date and future reserves valued as of the end of the quarter) for Claims Filed by Year of Injury for past six (6) years (number of indemnity, medical only and first aid claims); Occupation most frequent, Cause of Loss Most Frequent, Paid Loss Days by Department, Modified Duty Savings by Department, Job Experience (number of years employed 1-5, 6-10, etc). Valuation for all charts and graphs that include prior years data are all valued as of the same date as the end of the quarter.
- 5.6. Annual Reports: The Contractor shall provide at a minimum the following reports to County's Risk Management Division on an annual basis by September 1st of each year;
 - 5.6.1. Annual Self-Insured Report as required by the State of California.
 - 5.6.2. Vendor report in spreadsheet format, listing amounts paid to each vendor.

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- 5.6.3 099 reports for each vendor.
- 5.6.4 OSHA 300 A report by department and division.
- 5.6.5 An annual report as of June 30th each fiscal year with loss trend analysis including charts, graphs and supporting reports.
- 5.6.6 Charts, graphs and supporting reports to assist Departments in the development of Departmental Action Plans.
- 5.6.7 Amounts paid for fiscal year valued as of year end by Reserve Type. Amounts paid for prior five (5) fiscal years valued as of current year end date by reserve type of year of injury.
- 5.6.8 Amounts paid during the fiscal year for all dates of injury valued as year end by Department/Division/Unit.

6. OTHER SERVICES

- 6.1 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.
- 6.2 Claims Management services shall include:
 - 6.2.1 Special claims review of open claim files at the request of the County.
 - 6.2.2 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.
 - 6.2.3 Ensure that all required payments are made timely and that medical bills are paid within twenty (20) days or objection timely filed.
 - 6.2.4 Indexing of all new claims with all appropriate index vendors.
 - 6.2.5 Quarterly department file reviews will be coordinated and attended by claims administration staff.
 - 6.2.6 Semi-annual defense attorney file reviews will be coordinated and attended by claims administration staff.
- 6.3 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 pre-printed DWC-1 forms, state mandated posting notices, workers' compensation facts brochures, MPN website, MPN brochures and MPN employee notification letters as necessary.
- 6.4 Managed Care: Managed Care services include medical bill review, utilization review, and nurse case management. The County may award these services separately from the awarded Third Party Administrator, or may award a single contract for all services to one (1) firm, which ever is determined to be in the County's best interest. The firms awarded Managed Care and Claims Administration shall cooperate fully with each other.

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- 6.5 Bill Review Services: The Contractor shall perform bill review which may include pharmacy review, and provide reports for such reviews to the TPA and the County. The selected Bill Review vendor will provide weekly and monthly reports.
- 6.6 Utilization Review Services: The Contractor shall be responsible for evaluating situations that may require and/or benefit from referral to the approved UR vendor. It is expected that the experienced examiner will make most first line UR decisions and defer to formal UR assessment when an appropriate medical expertise is needed or when required by the State. The Contractor shall employ utilization standards and guidelines to review treatment requests and outline all review fees to include physician reviews and any automatic per file referral fees. The turn-around time for these services shall be at a time prescribed by the County. The Contractor's medical director shall be Board certified as required by law. The Contractor shall provide monthly reports.
- 6.7 Nurse Case Management: The use of Nurse Case Managers shall be pre approved by the County. The assigned nurse case manager shall be a licensed RN and must have direct experience working with medical providers in Stanislaus County.
- 6.8 Medical Provider Network (MPN): The County has an established MPN in place and wishes to continue to utilize the existing MPN. The Contractor will be expected to either administer the current MPN while working to improve it or to develop, establish and attain State approval of a new custom MPN which meets all the needs of the County. There must be a specific contact designated who will act as the representative responsible for administering the Medical Provider Network. The administrator will provide any necessary notice to the State, medical providers, claimants and/or their representatives. The County will have final approval of the physicians to be included in the MPN.

7. FINANCIAL ACCOUNTING

- 7.1 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.
 - 7.1.1 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 where such benefits may be due.
- 7.2 TPA will reconcile bank statement monthly and will submit copies to the County's Risk Management Division for final verification.
- 7.3 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.
- 7.4 At the sole discretion of the County, there may be an annual/yearly financial audit of the trust account to ensure the integrity of the account. This account may also be subject to a Grand Jury audit at any time.
- 7.5 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.
- 7.6 The Contractor shall employ measures to mitigate penalties and overpayments and ensure that the County does not incur expenses related due to no fault of the County. Penalties that are incurred due to no-fault of the County shall be reimbursed to the County within thirty (30) days of payment of penalty. Overpayments that occur due to no

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fault of the County shall be reimbursed to the County within thirty (30) days of overpayment. Overpayments will be documented by monthly reports provided to the County by the Contractor.

- 7.7. The Contractor's employees designated as signors on the County's trust account must be pre approved. Prior to obtaining signing authority the Contractor shall conduct a background investigation including but not limited to an individual credit check.

8. DATA PRODUCTS - LOSS REPORTS

Contractor shall provide a computerized loss 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:

- 8.1 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 future allocated expense. Total amount incurred for each type of payment must also be shown.
- 8.2 Summaries of all open (including litigated) and closed claims, medical only and indemnity, by fiscal year. Summaries must include Division (location), department and County grand total. In addition, a summary of expenses as indicated in paragraph 8.1 above must be provided.
- 8.3 NOTE: Proposers should provide sample reports available with RFP submission.

9. 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 are 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.

10. DATA CONVERSION

All open and closed claims must be converted from current claims system to claims administrator's claims system. Conversion must be completed within two months of award.

11. IMPLEMENTATION TIME LINE

The Contractor must provide an implementation time line to illustrate how claims transition, data conversion, etc. will take place.

12. SUPPLEMENTAL SCOPE OF SERVICES

12.1 Audits

- 12.1.1 In the event of the State audit by OBAE (Office of Benefits Assistance and Enforcement), the Administrator selected shall be responsible for all associated legal costs, including those of the County.
- 12.1.2 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.

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12.2. Penalty assessments and payments

12.2.1 The 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.

12.2.2 More specifically, the parties acknowledge that the California Workers' Compensation Reform Act of 1989 requires first payment of Temporary Disability Indemnity within fourteen (14) days of the County's knowledge of the injury and generally imposes an automatic penalty of 10% of the amount delayed for late 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 ten (10) days of the County's knowledge date 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 fourteen (14) day requirement, even in the event that the notice of claim is not received by the Administrator within ten (10) days of the County's knowledge of injury.

12.3 Meetings with the County: The County requires the Contractor to schedule, organize and conduct meetings with County representatives at least twelve (12) times per year. County representatives may include large departments' top management and/or outside defense counsel. 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**.

12.4 Cost Savings: Contractor shall maximize cost savings 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.

12.5. Training County Personnel: Contractor shall assist in the training of County staff as required. Design forms, procedures and techniques to improve the claim process. Contractor shall instruct County personnel as directed by the County's Risk Management Division about automated systems and reports. Contractor shall update County staff on current changes in workers' compensation law and case decisions.

12.6 Procedure Manual
Contractor shall assist in preparing and maintaining standards and procedure 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.

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- 12.7 **Accreditation of Administrator**
Contractor shall maintain appropriate accreditation and/or license with five (5) years experience as a provider of workers' compensation services in the State of California (NOTE: include a copy of the license with the RFP submission). Contractor must notify County immediately if accreditation is lost. The Contractor must have provided claims administration for public sector clients.
- 12.8 **Toll Free Telephone Number:** The County requests Contractor to maintain a toll-free number for access to the its office by injured workers and other interested parties. The Contractor shall bear the cost of the toll-free telephone service.
- 12.9 **Claims Examiner Education:** All of Contractor's claims examiners assigned to provide service to 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 currently or hereafter in effect.
- 12.10 **Claims Staff:** Contractor shall conduct background checks on all personnel assigned to work on the County's account.

13. **SYNOPSIS OF MAJOR SERVICES**

The following is a synopsis of the major services, which will be requested of the proposer awarded the Claims Management Agreement:

13.1. **Initial Services:**

- 13.1.1 Preparation of the basic claims management agreement.
- 13.1.2 Written Utilization Review procedure to be filed with the State.
- 13.1.3 Development of the claims payment procedure (subject to County approval).
- 13.1.4 Design and printing of employer reports, medical referrals, notice to injured employees and any other forms necessary or required.
- 13.1.5 Establish banking arrangements and/or claims replenishment/reimbursement procedures.
- 13.1.6 Assume claims management of open files for prior policy years.
- 13.1.7 Establish all database-coding requirements.

13.2 **Ongoing Services:**

- 13.2.1 Issue payments of temporary disability synchronized with the County bi-weekly payroll period.
- 13.2.2 Issue 4850 payments with vouchers synchronized with the County bi-weekly payroll period.
- 13.2.3 Review and process all industrial cases in accordance with the requirements of the Department of Industrial Relations and the Workers' Compensation Appeals Board.
- 13.2.4 Maintain a physical claim record or file on each reported industrial injury.

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- 13.2.5 Maintain, administer and monitor use of County's Medical Provider Network.
- 13.2.6 Assure medical treatment is in accordance with agreed upon Utilization Review policy and procedure and is based on readily accepted scientific medicine.
- 13.2.7 Bill Review reducing fees to RVS or PPO contracts as appropriate.
- 13.2.8 Maintain on a case-by-case basis current estimates of future claims cost.
- 13.2.9 Prepare all necessary reports to the various state agencies (annual report to self- insurance plans, OSHA and others as required by law).
- 13.2.10 Coordination of claims activities required due to legal, investigation or subrogation concerns.
- 13.2.11 Advise the County on each subrogation/excess insurance reimbursable/recovery case and provide recommendations. Recovery checks on excess cases to be sent to County for deposit at the end of each quarter.
- 13.2.12 Provide monthly, quarterly, and annual loss reports as needed and or as deemed appropriate by the County's Risk Management Division.
- 13.2.13 Assist the County's Risk Management Division in returning injured employees to work as soon as medically possible.
- 13.2.14 Work with County's Disability Management Unit on all problematic claims including, but not limited to:
 - 13.2.14.1 Modified Duty Assignments beyond 30 (thirty) days. Evaluate every thirty (30) days for signs of improvement.
 - 13.2.14.2 Total Temporary Disability in excess of 30 (thirty) days. Evaluate every thirty (30) days, develop and monitor action plans.
 - 13.2.14.3 All claims where hospitalization is necessary.
- 13.3 The CSAC-Excess Insurance Authority Addendum "A" (attached) Worker's Compensation Claims Administration Guidelines are to be used in addition to the requirements set forth in this Request for Proposal.



Part Three—Pricing Proposal

1. A separate sealed document that details the total cost in U.S. dollars to the County for the proposal being submitted, consisting of two (2) separately labeled parts:
 - a. **CLAIMS MANAGEMENT SERVICES** – Proposers shall provide total project cost and a pricing methodology with respect to Claims Management Services, complete with a time allotment for each task in the approach proposed to carry out the work, and the schedule of fees for staff to be assigned to the project. Proposer shall list each project team member, assigned number of hours for each task (if applicable), and hourly billing rate for each project team member. The pricing proposal shall also identify the tasks and subtasks assigned to the project team members. A not-to-exceed total project cost shall include charges for overhead, administrative and materials costs and charges for any subproposers if the use of subproposers is specified in the proposal. (See “Submission of Proposals”, for additional instructions.) This shall form the basis for payments to the successful proposer, as well as for adjustments to the value of the Agreement in the event the scope of work varies from that proposed.

While there are several different fee mechanisms available to consider, the basis for all of them is the level of staff required to accomplish all the aspects of claims administration. The fees needed for any program are determined by projecting the staff directly involved in the claims handling, and then adding to that expense all other benefits, overhead, other costs associated with running the organization.

The following pricing proposal is based on the anticipation of the assumption of 446 open Indemnity claims at takeover, indemnity claims reported of approximately 150 per year and medical only claims reported of approximately 150 per year. In order to provide the services required, TRISTAR is proposing a staff of two (2) dedicated Senior Claims Examiners, one (1) dedicated Claims Examiner, one (1) dedicated Claims Assistant, one (1) shared Claims Assistant, plus the allocation of Claims Supervision, Management, and Technical and Clerical Support staff needed to administer the County’s program.

Flat Fee for the proposed contract period:

TRISTAR proposes a Flat Annual Fee of \$559,200 for the period of July 1, 2012. This fee is based on the following schedule of monthly fees:

<u>Period</u>	<u>Monthly Fee</u>	<u>Total</u>
July 1, 2012 – June 30, 2013	\$46,600	\$559,200
July 1, 2013 – June 30, 2014	\$47,765	\$573,180
July 1, 2013 – June 30, 2015	\$48,960	\$587,520
Total		\$1,719,900



The flat annual fee can be allocated to the activities described in the Scope of Work and other activities customarily involved in the administration a workers' compensation benefit program as follows:

Task	Costs for each period		
	7/1/12 to 6/30/13	7/1/13 to 6/30/14	7/1/14 to 6/30/15
Claims Management	\$167,880	\$171,954	\$176,256
Medical & Disability Management	\$139,970	\$143,295	\$146,880
Cost Containment	\$55,960	\$57,318	\$58,752
Litigation Support and Management	\$55,960	\$57,318	\$58,752
Administrative Functions	\$83,940	\$85,917	\$88,128
Check Printing	\$55,960	\$57,318	\$58,752
Total	\$559,600	\$573,180	\$587,520

Hourly Fees by Position for the period of January 1st 2012 to June 30th 2013:

Title	Hours	Rate	Total
Branch Manager	380	\$89.69	\$34,082
Supervisor	1,120	\$76.48	\$85,658
Senior Claims Examiner	4,000	\$65.18	\$260,720
Claims Examiner	2,000	\$49.35	\$98,700
Claims Assistant	2,000	\$35.39	\$70,780
Support Staff	380	\$25.42	\$9,660
Total			\$559,600

The hourly rates for each position shall increase by 2.5% in the year of July 1, 2013 to June 30, 2014 and again in the year of July 1, 2014 to June 30, 2015.

- b. **MANAGED CARE SERVICES** – Proposers shall provide total project cost and a pricing methodology with respect to Managed Care Services, complete with a time allotment for each task in the approach proposed to carry out the work, and the schedule of fees for staff to be assigned to the project. Proposer shall list each project team member, assigned number of hours for each task (if applicable), and hourly billing rate for each project team member. The pricing proposal shall also identify the tasks and subtasks assigned to the project team members. A not-to-exceed total project cost shall include charges for overhead, administrative and materials costs and charges for any subproposers if the use of subproposers is specified in the proposal. (See "Submission of Proposals", for additional instructions.) This shall form the basis for payments to the successful proposer, as well as for adjustments to the value of the Agreement in the event the scope of work varies from that proposed.



The price proposals above are predicated upon the provision of the requested managed care services being provided by TRISTAR Managed Care and MEDSTAR Medical Management.

The fees for the Bill Review services are as follows:

- Medical Bill Review: \$8.50 per bill
(Official Medical and Inpatient Fee Schedules)
- PPO Network Access: 25% of the incremental savings (after all other reductions)
- Duplicate Bills: No charge

Fees for Utilization Review services are as follows:

- Utilization Review: \$95 per hour
- Peer Review: \$200 per hour for Physician Advisor
\$250 per hour for Peer Review
- "StatTrack": No charge

Fees for Nurse Case Management (NCM) services are as follows:

- Telephonic NCM: \$95 per hour
- Field NCM: \$105 per hour

- c. **TOTAL COST** – Proposers shall provide total project cost and a pricing methodology complete with a time allotment for each task in the approach proposed to carry out the work, and the schedule of fees for staff to be assigned to the project. Proposer shall list each project team member, assigned number of hours for each task (if applicable), and hourly billing rate for each project team member. The pricing proposal shall also identify the tasks and subtasks assigned to the project team members. A not-to-exceed total project cost shall include charges for overhead, administrative and materials costs and charges for any subproposers if the use of subproposers is specified in the proposal. (See "Submission of Proposals", for additional instructions.) This shall form the basis for payments to the successful proposer, as well as for adjustments to the value of the Agreement in the event the scope of work varies from that proposed.

All of the Managed Care and Bill Review services are being proposed on either an hourly or per unit basis. The only exception to this is the Preferred Provider Organization (PPO) access and savings fees that are a part of the Bill Review activities. The fees for this component are based on a percentage of savings.



It should be noted that the percentage of savings will only apply to the additional savings realized after all fee schedule reductions have been made. This type of fee arrangement is due to the fact that our costs for obtaining these discounted rates are also based on a percentage of savings.

The degree the Managed Care and Bill Review services will be utilized will be based on the County's specific needs and requests. Accordingly, it is difficult to indicate what fees the County's needs and desire will generate.

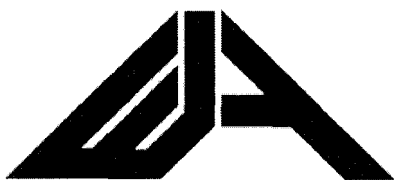
- 2. The proposer shall provide pricing for a period of time as described in Section I, Item 1.3; Contract Duration. Should the County and the successful proposer mutually agree to renew the Agreement, the pricing provided by the proposer in its RFP response for the subsequent years shall be utilized.**

Should the County select TRISTAR for the described services and choose to extend the services beyond the initial three year period, TRISTAR proposes the hourly rates and/or flat annual fees be increased by a rate of 2.5% per annum.

- 3. ALL cost incurred and billed to the County, including labor, materials, overhead and profit shall be included in the responses to items 1a, 1b, and 1c above.**

The pricing proposed above includes all labor, materials, overhead required to meet the County's claims administration needs and a modest profit of approximately 6%.

EXHIBIT A



Adopted: December 6, 1985
Amended: March 4, 1988
Amended: October 7, 1988
Amended: October 6, 1995
Amended: October 1, 1999
Amended: June 6, 2003
Amended: March 2, 2007
Amended: July 1, 2009
Amended: July 1, 2011

ADDENDUM A WORKERS' COMPENSATION CLAIMS ADMINISTRATION GUIDELINES

The following Guidelines have been adopted by the CSAC Excess Insurance Authority (hereinafter The Authority or the EIA) in accordance with Article 18(b) of the CSAC Excess Insurance Authority Joint Powers Agreement. It is the intent of these Guidelines to comply with all applicable Labor Code and California Code of Regulations Sections. In the event that there exists a conflict between the Guidelines, the Labor Code or the Code of Regulations, the most stringent requirement shall apply.

I. CLAIM HANDLING - ADMINISTRATIVE

A. Case Load

1. The claims examiner assigned to the Member shall handle a targeted caseload of 150 but not to exceed 175 indemnity claims. This caseload shall include future medical cases with every 2 future medical cases counted as 1 indemnity case.
2. Supervisory personnel should not handle a caseload, although they may handle specific issues.

B. Case Review and Documentation

1. Documentation should reflect any significant developments in the file and include a plan of action. The examiner should review the file at intervals not to exceed 45 calendar days. Future medical files should be reviewed at intervals not to exceed 90 calendar days. The supervisor shall monitor activity on indemnity files at intervals not to exceed 120 calendar days. Future medical files shall be reviewed by the supervisor at intervals not to exceed 180 calendar days. An accomplishment level of 95% shall be considered acceptable.

EXHIBIT A

2. File contents shall comply with Code of Regulations Sections 10101, 10101.1 and 15400, and be kept in a neat and orderly fashion. An accomplishment level of 95% shall be considered acceptable.
3. All medical-only cases shall be reviewed for potential closure or transfer to an indemnity examiner within 90 calendar days following claim file creation. An accomplishment level of 95% shall be considered acceptable.

C. Communication

1. Telephone Inquiries

Return calls shall be made within 1 working day of the original telephone inquiry. All documentation shall reflect these efforts. An accomplishment level of 95% shall be considered acceptable.

2. Incoming Correspondence

All correspondence received shall be clearly stamped with the date of receipt. An accomplishment level of 95% shall be considered acceptable.

3. Return Correspondence

All correspondence requiring a written response shall have such response completed and transmitted within 5 working days of receipt. An accomplishment level of 95% shall be considered acceptable.

D. Fiscal Handling

1. Fiscal handling for indemnity benefits on active cases shall be balanced with appropriate file documentation on a semi-annual basis to verify that statutory benefits are paid appropriately. Balancing is defined as, "an accounting of the periods and amounts due in comparison with what was actually paid". An accomplishment level of 95% shall be considered acceptable.
2. In cases of multiple losses with the same person, payments shall be made on the appropriate claim file. An accomplishment of 95% shall be considered acceptable.

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E. Medicare Reporting

Proper verification of a claimant's status as to Medicare eligibility shall be completed and documented in the claim file. In those cases where the claimant does meet the eligibility requirements, mandatory reporting to the Center for Medicaid Services (CMS) must be completed directly or through a reporting agent in compliance with Section 111 of the Medicare Medicaid and SCHIP Extension Act of 2007 ("MMSEA"). An accomplishment of 100% shall be considered acceptable.

II. CLAIM CREATION

A. Three Point Contact

Three point contact shall be conducted with the injured worker, employer representative and treating physician within 3 working days of receipt of the claim by the third party administrator or self administered entity. If a nurse case manager is assigned to the claim, initial physician contact may be conducted by either the claims examiner or the nurse case manager. In the event a party is non-responsive, there should be evidence of at least three documented attempts to reach the individual. Medical-only claims shall have this three point contact requirement as well. An accomplishment level of 95% shall be considered acceptable.

B. Compensability

1. The initial compensability determination (accept claim, deny claim or delay acceptance pending the results of additional investigation) and the reasons for such a determination shall be made and documented in the file within 14 calendar days of the filing of the claim with the employer. In the event the claim is not received by the third party administrator or self administered entity within 14 calendar days of the filing of the claim with the employer, the third party administrator or self administered entity shall make the initial compensability determination within 7 calendar days of receipt of the claim. An accomplishment level of 100% shall be considered acceptable.
2. Delay of benefit letters shall be mailed in compliance with the Division of Workers' Compensation (DWC) guidelines. In the event the employer does not provide notice of lost time to the third party administrator or self administered entity timely to comply with DWC guidelines, the third party administrator or self administered entity shall mail the benefit letters within 7 calendar days of notification. An accomplishment level of 100% shall be considered acceptable.

EXHIBIT A

3. The final compensability determination shall be made by the claims examiner or supervisor within 90 calendar days of employer receipt of the claim form. An accomplishment level of 100% shall be considered acceptable.

C. AOE/COE Investigation

If a decision is made to delay benefits on a claim, an AOE/COE investigation shall be initiated within 3 working days of the decision to delay. This may include, but is not limited to, assigning out for witness/injured worker statements, initiating the QME/AME process, requesting medical records, etc. An accomplishment level of 95% shall be considered acceptable.

D. Reserves

1. Using the information available at claim file set up, an initial reserve shall be established for the most probable case value. An accomplishment level of 95% shall be considered acceptable.
2. The initial reserve shall be electronically posted to the claim within 14 calendar days of receipt of the claim. An accomplishment level of 95% shall be considered acceptable.

E. Indexing

1. All claims shall be reported to the Index Bureau at time of initial set up. An accomplishment level of 95% shall be considered acceptable.
2. All claims shall be re-indexed on an annual basis thereafter. An accomplishment level of 95% shall be considered acceptable.

The EIA maintains membership with the Index Bureau that members can access.

III. CLAIM HANDLING – TECHNICAL

A. Payments

1. Initial Temporary and Permanent Disability Indemnity Payment
 - a. The initial indemnity payment shall be issued to the injured worker within 14 calendar days of knowledge of the injury and disability. In the event the third party administrator or self administered entity is not notified of the injury and

EXHIBIT A

disability within 14 calendar days of the employer's knowledge, the third party administrator or self administered entity shall make payment within 7 calendar days of notification. Initial permanent disability payments shall be issued within 14 calendar days after the date of last payment of temporary disability. This shall not apply with salary continuation. An accomplishment level of 100% shall be considered acceptable.

- b. The properly completed DWC Benefit Notice shall be mailed to the employee within 14 calendar days of the first day of disability. In the event the third party administrator or self administered entity is not notified of the first day of disability until after 14 calendar days, the DWC Benefit Notice shall be mailed within 7 calendar days of notification. An accomplishment level of 100% shall be considered acceptable.
- c. Self imposed penalty shall be paid on late payments in accordance with Section III. A.7 of this document. An accomplishment level of 100% shall be considered acceptable.
- d. Overpayments shall be identified and reimbursed timely where appropriate. The third party administrator or self administered entity shall request reimbursement of overpaid funds from the party that received the funds. If necessary, a credit shall be sought as part of any resolution of the claim. An accomplishment level of 95% shall be considered acceptable.

2. Subsequent Temporary and Permanent Disability Payments

- a. Eligibility for indemnity payments subsequent to the first payment shall be verified, except for established long-term disability. An accomplishment level of 100% shall be considered acceptable.
- b. Self imposed penalty shall be paid on late payments in accordance with Section III. A.7 of this document. An accomplishment level of 100% shall be considered acceptable.

EXHIBIT A

3. Final Temporary and Permanent Disability Payments
 - a. All final indemnity payments shall be issued timely and the appropriate DWC benefit notices sent. An accomplishment level of 100% shall be considered acceptable.
 - b. Self imposed penalty shall be paid on late payments in accordance with Section III. A.7. of this document. An accomplishment level of 100% shall be considered acceptable.
4. Award Payments
 - a. Payments on undisputed Awards, Commutations, or Compromise and Releases shall be issued within 10 calendar days following receipt of the appropriate document. An accomplishment level of 95% shall be considered acceptable.
 - b. For all excess reportable claims, copies of all Awards shall be provided to the Authority at time of payment. An accomplishment level of 95% shall be considered acceptable.
5. Medical Payments
 - a. Medical treatment billings (physician, pharmacy, hospital, physiotherapist, etc.) shall be reviewed for correctness, approved for payment and paid within 60 working days of receipt. An accomplishment level of 100% shall be considered acceptable.
 - b. The medical provider must be notified in writing within 30 working days of receipt of an itemized bill if a medical bill is contested, denied or incomplete. An accomplishment level of 100% shall be considered acceptable.
 - c. A bill review process should be utilized whenever possible. There should be participation in a PPO and/or MPN whenever possible.
6. Injured Worker Reimbursement Expense
 - a. Reimbursements to injured workers shall be issued within 15 working days of the receipt of the claim for reimbursement.

EXHIBIT A

An accomplishment level of 95% shall be considered acceptable.

- b. Advance travel expense payments shall be issued to the injured worker 10 working days prior to the anticipated date of travel. An accomplishment level of 95% shall be considered acceptable.

7. Penalties

- a. Penalties shall be coded so as to be identified as a penalty payment. An accomplishment level of 100% shall be considered acceptable
- b. If the Member utilizes a third party administrator, the Member shall be advised of the assessment of any penalty for delayed payment and the reason thereof, and the administrator's plans for payment of such penalty, on a monthly basis. An accomplishment level of 95% shall be considered acceptable.
- c. If the Member utilizes a third party administrator, the Member, in their contract with the administrator, shall specify who is responsible for specific penalties.

B. Medical Treatment

1. Each Member shall have in place a Utilization Review process. An accomplishment level of 100% shall be considered acceptable.
2. Disputes regarding spine surgery shall be resolved using the process set forth in Labor Code Section 4062(b). An accomplishment level of 100% shall be considered acceptable.
3. Nurse case managers shall be utilized where appropriate. An accomplishment level of 95% shall be considered acceptable.
4. If enrolled in a Medical Provider Network, the network shall be utilized whenever appropriate.

C. Apportionment

1. Investigation into the existence of apportionment shall be documented. An accomplishment level of 100% shall be considered acceptable.

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2. If potential apportionment is identified, all efforts to reduce exposure shall be pursued. An accomplishment level of 100% shall be considered acceptable.

D. Disability Management

1. The third party administrator or self administered entity shall work proactively to obtain work restrictions and/or a release to full duty on all cases. The TPA or self-administered entity shall notify a designated Member representative immediately upon receipt of temporary work restrictions or a release to full duty, and work closely with the Member to establish a return to work as soon as possible. An accomplishment level of 95% shall be considered acceptable.
2. The third party administrator or self administered entity shall notify a designated Member representative immediately upon receipt of an employee's permanent work restrictions so that the Member can determine the availability of alternative, modified or regular work. An accomplishment level of 100% shall be considered acceptable.
3. If there is no response within 20 calendar days, the third party administrator or self administered entity shall follow up with the designated Member representative. An accomplishment level of 100% shall be considered acceptable.
4. Members shall have in place a process for complying with laws preventing disability discrimination, including Government Code Section 12926.1 which requires an interactive process with the injured worker when addressing a return to work particularly with permanent work restrictions.
5. Third party administrators or self administered claims professional shall cooperate with members to the fullest extent, in providing medical and other information the member deems necessary for the member to meet its obligations under federal and state disability laws.

E. Supplemental Job Displacement Benefits

1. Supplemental Job Displacement Benefits – Dates of injury 1/1/04 and after: Benefits pursuant to Labor Code Section 4658.5 shall be timely provided. An accomplishment level of 100% shall be considered acceptable.

EXHIBIT A

2. The third party administrator or self administered entity shall secure the prompt conclusion of vocational rehabilitation/SJDB and settle where appropriate. An accomplishment level of 95% shall be considered acceptable.

F. Reserving

1. Reserves shall be reviewed at regular diary and at time of any significant event, e.g., surgery, P&S/MMI, return to work, etc., and adjusted accordingly. This review shall be documented in the file regardless of whether a reserve change was made. An accomplishment level of 95% shall be considered acceptable.
2. Indemnity reserves shall reflect actual temporary disability indemnity exposure with 4850 differential listed separately. An accomplishment level of 100% shall be considered acceptable.
3. Permanent disability indemnity exposure shall include life pension reserve if appropriate. An accomplishment level of 100% shall be considered acceptable.
4. Future medical claims shall be reserved in compliance with SIP regulation 15300 allowing adjustment for reductions in the approved medical fee schedule, undisputed utilization review, medically documented non-recurring treatment costs and medically documented reductions in life expectancy. An accomplishment level of 100% shall be considered acceptable.

G. Resolution of Claim

1. Within 10 working days of receiving medical information indicating that a claim can be finalized, the claims examiner shall take appropriate action to finalize the claim. An accomplishment level of 95% shall be considered acceptable.
2. Settlement value shall be documented appropriately utilizing all relevant information. An accomplishment level of 95% shall be considered acceptable.

H. Settlement Authority

1. No agreement shall be authorized involving liability, or potential liability, of the Authority without the advance written consent of the Authority. An accomplishment level of 100% shall be considered acceptable.

EXHIBIT A

2. The third party administrator shall obtain the Member's authorization on all settlements or stipulations in excess of the settlement authority provided in any provision of the individual contract between the Member and the claims administrator. An accomplishment level of 100% shall be considered acceptable.

IV. LITIGATED CASES

The third party administrator or self administered entity shall establish written guidelines for the handling of litigated cases. The guidelines should, at a minimum, include the points below, which may be adopted and incorporated by reference as "the guidelines".

A. Defense of Litigated Claims

1. The third party administrator or self administered entity shall promptly initiate investigation of issues identified as material to potential litigation. The Member shall be alerted to the need for in-house investigation, or the need for a contract investigator who is acceptable to the Member. The Member shall be kept informed on the scope and results of investigations. An accomplishment level of 95% shall be considered acceptable.
2. The third party administrator or self administered entity shall, in consultation with the Member, assign defense counsel from a list approved by the Member. An accomplishment level of 95% shall be considered acceptable.
3. Settlement proposals directed to the Member shall be forwarded by the third party administrator, self administered entity or defense counsel in a concise and clear written form with a reasoned recommendation. Settlement proposals shall be presented to the Member as directed so as to insure receipt in sufficient time to process the proposal. An accomplishment level of 95% shall be considered acceptable.
4. Knowledgeable Member personnel shall be involved in the preparation for medical examinations and trial, when appropriate or deemed necessary by the Member so that all material evidence and witnesses are utilized to obtain a favorable result for the defense. An accomplishment level of 95% shall be considered acceptable.
5. The third party administrator or self administered entity shall comply with any reporting requirement of the Member. An accomplishment level of 95% shall be considered acceptable.

EXHIBIT A

B. Subrogation

1. In all cases where a third party (other than a Member employee or agent) is responsible for the injury to the employee, attempts to obtain information regarding the identity of the responsible party shall be made within 14 calendar days of recognition of subrogation potential. Once identified, the third party shall be contacted within 14 calendar days with notification of the Member's right to subrogation and the recovery of certain claim expenses. If the third party is a governmental entity, a claim shall be filed with the governing board (or State Board of Control as to State entities) within 6 months of the injury or notice of the injury. An accomplishment level of 95% shall be considered acceptable.
2. Periodic contact shall be made with the responsible party and/or insurer to provide notification of the amount of the estimated recovery to which the Member shall be entitled. An accomplishment level of 95% shall be considered acceptable.
3. The file shall be monitored to determine the need to file a complaint in civil court in order to preserve the statute of limitations. An accomplishment level of 95% shall be considered acceptable.
4. If the injured worker brings a civil action against the party responsible for the injury, the claims administrator shall consult with the Member about the value of the subrogation claim and other considerations. Upon Member authorization, subrogation counsel shall be assigned to file a Lien or a Complaint in Intervention in the civil action. An accomplishment level of 95% shall be considered acceptable.
5. Whenever practical, the claims administrator shall aggressively pursue recovery in any subrogation claim. They should attempt to maximize the recovery for benefits paid, and assert a credit against the injured worker's net recovery for future benefit payments. An accomplishment level of 95% shall be considered acceptable.

V. EXCESS COVERAGE

- A. Claims meeting the definition of reportable excess workers' compensation claims as defined by the Memorandum of Coverage Conditions Section shall be reported to the Authority within 5 working days of the day on which it is known the criterion is met. Utilize the Excess Workers' Compensation First Report Form available through the EIA website. An accomplishment level of 100% shall be considered acceptable.

EXHIBIT A

- B. Subsequent reports shall be transmitted to the Authority on a quarterly basis on indemnity claims and on a semi-annual basis on future medical claims sooner if claim activity warrants, or at such other intervals as requested by the Authority, in accordance with Underwriting and Claims Administration Standards. Utilize the Excess Workers' Compensation Status Report Form available through the EIA website, or a comparable form to be approved by the Authority. An accomplishment level of 95% shall be considered acceptable.
- C. Reimbursement requests should be submitted in accordance with the Authority's reporting and reimbursement procedures on a quarterly or semi-annual basis depending on claims payment activity. Utilize the Excess Workers' Compensation Claim Reporting and Reimbursement Procedures available through the EIA website. An accomplishment level of 95% shall be considered acceptable.
- D. A closing report with a copy of any settlement documents not previously sent shall be sent to the Authority. An accomplishment level of 95% shall be considered acceptable.

EXHIBIT B

Stanislaus County Performance Based Contract Provision - TPA

CSAC Excess Insurance Authority will conduct an annual claims audit, which will be used as one of the bases for evaluating performance, in addition to providing timely, and accurate claim data as requested.

The claims audit will evaluate compliance with the CSAC EIA Workers' Compensation Claims Administration Guidelines (claim guidelines). The claims audit will measure the percentage of compliance achieved in each of six (6) selected audit categories.

If the claims audit composite score ranges between 90% or above, there would be no change to the claims administration fees. However, if the audit score is below 90%, penalties to the claims administration fees would apply. If the composite score is less than 90% the Penalty procedure outlined in the following section (Penalty Calculation) will apply.

If the performance as identified by the audit is at a level significantly below the 90% composite score noted previously, such that the County schedules an interim audit with an independent auditor, the cost of said interim audit will be the responsibility of TPA to reimburse the County upon submission of the paid invoice.

Penalty Calculation

TPA can be assessed a penalty for each of the audit categories listed below. The penalty will be determined as follows:

- Compliance below the Performance Standard will be assessed a penalty per category as noted in the table below;
- The total penalty will not exceed \$6,000. in a year.

Audit Category	Performance Standard	Penalty
3 pt Contact	93% -95%	\$1,000 (per fiscal year)
Communication (Phone Calls/Correspondence)	93% -95%	\$1,000 (per fiscal year)
Reserving	98%-100%	\$1,000 (per fiscal year)
Disability Management	93% -95%	\$1,000 (per fiscal year)
Defense of Litigated Claims	93% -95%	\$1,000 (per fiscal year)
Excess Reporting	93% -95%	\$1,000 (per fiscal year)

EXHIBIT B

Auditor Controls

In conducting the annual audit, the auditor will limit the evaluation to areas directly under TPA's control. The audit will be limited to activity performed by TPA since the previous audit. The sample size obtained for each audit category shall be at least forty (40) files representing all County claims, or that audit category will be disregarded. As respects the audit category of "Reserving", the auditor shall consider a file to be in compliance if reserve changes are properly considered and documented and the auditor's reserve recommendation is within 5% of the indicated reserve. However, in the event of a dispute the independent auditor's final opinion will be the determining factor.

Payment of Penalty

The penalty shall apply to claims administration fees earned during the July 1st to June 30th contract year during which the audit is completed. The penalty shall be payable in equal monthly installments over the contract year immediately following the subject audit year. (For example, if the audit is completed during the 2012/13 contract year, the penalty shall be assessed during the 2012/13 contract year fees and will be paid in monthly installments during the 2013/14 contract year.) The penalty is separate from the annual administration fee. Should this contract be cancelled, or not renewed beyond the term of this Agreement, the balance of the penalty shall be payable within thirty (30) days of the termination or non-renewal.

Claim Reports

The monthly, quarterly and annual claim reports be fully checked for quality prior to submitting to the County, and will be provided by or before the 15th of the month. Failure to provide accurate and timely reports will result in a \$100 penalty for the first report missed. Late or inaccurate reporting penalty will be capped at \$2,500 for each contract year, with the penalty being assessed at the end of that contract year. If the County is required to re-request data due to errors identified, or the reports are submitted after the indicated due date and time, the penalty provision will apply.