

PURCHASING & LICENSING COMMITTEE

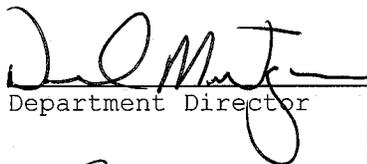
11-0043R

RESOLUTION FOR EXECUTION OF SECOND ADDENDUM EXTENDING THE ADMINISTRATIVE SERVICES AGREEMENT WITH RTW, INC., FOR THIRD-PARTY ADMINISTRATION OF WORKERS' COMPENSATION EFFECTIVE FEBRUARY 1, 2011.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to execute the second addendum to the administrative services agreement with RTW, Inc., substantially in the form of that on file in the office of the city clerk as Public Document No. _____, for third party administration of the city's self-funded workers' compensation program effective February 1, 2011; payable from Fund 605, Agency 036, Organization 1651, Object 5441.

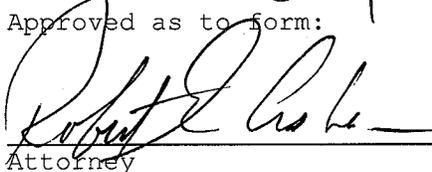
Approved:


Department Director

Approved for presentation to council:


Chief Administrative Officer

Approved as to form:


Attorney

Approved:


Auditor

HR/ATTY LDW:blj 1/14/2011

STATEMENT OF PURPOSE: This addendum continues the third-party administrative services by RTW, Inc. relative to the city's self-funded workers' compensation claims. Under the addendum, the contract cost was reduced from \$74,778 to \$54,500 for 2011, with four one-year renewal options. Since RTW's administration, the average cost per claim has decreased from \$5,261 to \$2,347 over the last four years resulting in an average savings per claim of \$2914. The city averages approximately 100 claims per year so potential yearly savings is \$291,4200.

Second Addendum

On February 1, 2006, the City of Duluth and RTW, Inc., entered into an Administrative Services Agreement for third party administration of workers compensation from February 1, 2006, to February 1, 2008, which contract was amended by Addendum extending said contract through February 1, 2011 (hereinafter Agreement). The Agreement is hereby extended effective February 1, 2011, with all terms and conditions remaining in effect except as amended as follows:

1. Article I, Services provided by RTW is amended to:

- J. RTW will establish individual case reserves as appropriate. In addition, RTW will notify SI via email or other written documentation of any charge in reserves that exceeds \$5,000.
- K. RTW will provide SI access to its e-Services report site. SI will receive training and RTW will assist SI in building customized reports that can be accessed by SI. RTW will consult with SI at least quarterly to review open files and to discuss loss trends and claim mitigation strategies.
- N. SI will be notified immediately, via email, of any file re-opening due to legal action, dispute or any other reason that may cause the file to remain re-opened for an extended period.

2. Article III, Payment to RTW is amended to:

Fee. City of Duluth will pay RTW, Inc. the following fees for its services. The fees are payable within 15 days after the receipt of the RTW invoice.

A. An Annual Administration fee:

An Administration Fee for the period of 02/01/2011 through 02/01/2012 period of this Agreement: **\$5,000**

The Administration Fee includes the following services: RTW e-Services[®] access and training; required state filings and reporting; the billing and banking process; account management; quarterly service review meetings with designated SI representatives and all IT charges for data conversions of claims occurring prior to the effective date of this contract.

B. An Annual Fixed Fee for RTW to handle all claims reported within each (12) month period of the Agreement:

A Fixed Fee for RTW to handle all claims reported within the 02/01/2011 through 02/01/2012 period of this Agreement: **\$39,000**

The Fixed Fee includes the following services: Claim Management; Claim related state reporting; Medical bill review and payment; RTW staff attendance at Hearings, Conferences; Medical Case Management services provided by RTW staff, and RTW Staff Physician reviews. The Fixed Fee will be payable in equal monthly installments.

Additional costs that will be billed to SI include: Allocated Loss Adjustment expenses identified in section 1.03 (E). of this agreement; Loss Prevention Consultant (\$100 per hour); QRC Services; Vocational Rehabilitation; Actuarial Services; Subrogation; Accident Investigations; External Catastrophe Claim Management; PPO Savings (25% of Savings); Payroll Audits; State mandated Application, Renewal and Filing Fees.

- C. An Annual Fixed Fee to handle open SI claims occurring prior to the effective date of this Agreement will be charged on a fixed fee basis as follows:

02/01/2011 – 02/01/2012 Fixed Fee **\$7,500**

The fixed fee charges to handle open SI claims occurring prior to the effective date of this Agreement will be payable in monthly equal installments.

This Agreement will automatically renew on a year-to-year basis on the first and each subsequent anniversary of this Agreement unless either party, at least thirty (30) days in advance of any such anniversary, provides the other party with written notice of non-renewal. Each renewal term will reflect a 2.5% increase in the Annual Fixed Fee from the previous annual term.

IN WITNESS WHEREOF, the parties have executed this Second Addendum as of the date indicated below.

RTW, INC.

Dated: _____ By: _____

Print Name: _____

Its: _____

City of Duluth

Dated: _____ By: _____

Print Name: _____

Its: _____

Countersigned:

City Auditor

Attest: _____
City Clerk

Approved as to form:

City Attorney