



COUNTY of VENTURA

COUNTY EXECUTIVE OFFICE

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June 27, 2023

Board of Supervisors
County of Ventura
800 South Victoria Avenue
Ventura, California 93009

Subject: Approval of and Authorization for Purchasing Agent to Sign Amendment #6 to Contract 7326 with Sedgwick Claims Management Service, Inc., to Continue to Provide Third Party Administration of the County's Workers' Compensation Claims through June 30, 2026, at an Annual Flat Rate of \$3,098,761 (Including Fees Paid Directly by the Ventura County Fire Protection District and the Ventura County Sheriff's Office for Claims Examiners Dedicated Exclusively to Their Employees); and Authorization for Purchasing Agent to Reduce or Increase Staffing through the Term of the Contract Not to Exceed a Total Annual Contract Value of \$3.6 Million.

Recommendations

It is recommended that your Board:

1. Approve and authorize the County of Ventura's Purchasing Agent, or designee, to sign the attached (Exhibit 1) proposed Amendment #6 to contract 7326 with Sedgwick Claims Management Services, Inc. (Sedgwick) (allowing their continued administration of the County's Workers' Compensation claims through June 30, 2026, among other modifications (Exhibit 2) at an annual flat rate of \$3,098,761.00. This includes an increase of less than 1% in the annual claims administration fee, as well as continued payment by the Ventura County Fire Protection District (VCFPD) of one of the Senior Claims Examiner positions for their dedicated Enhanced Workers' Compensation Claims Unit, at an annual cost of \$224,000.00, and the addition of one Claims Examiner position, at an annual cost of \$186,000.00 to be funded by the Ventura County Sheriff's Office (VCSO) to allow for the creation of their dedicated Enhanced Workers' Compensation Claims Unit.

2. Approve and authorize the County of Ventura's Purchasing Agent, or designee, to reduce or increase staffing costs on a monthly prorated basis (Exhibit 2), not to exceed an annual total contract value of \$3.6 million, so agencies can pursue potential Enhanced Workers' Compensation Units, like those already established/funded by the VCFPD and VCSO, and/or in response to any increase/reduction in claim volume over the three-year term.

FISCAL/MANDATES IMPACTS

Fund I300

County Executive Office, Division 1310-CEO Workers' Compensation ISF

Mandatory: No
Source of Funding: Workers' Compensation ISF
Funding Match Required: None
Impact on Other Departments: None

Summary of Revenues and Costs:	FY 2022-2023	FY 2023-24
Revenues:	\$0	\$0
Costs:		
Direct:	\$0	\$2,688,761
Indirect-Dept	\$0	\$0
Indirect-County CAP	\$0	\$0
Total Cost	\$0	\$2,688,761
Operating Gain/Loss	\$0	\$2,688,761
Recovered Indirect Costs	\$0	\$0

Note: Sufficient appropriations exist within the FY 2023-2024 adopted budget. The appropriations for fiscal years 2024-25 and 2025-26 will be included in their adopted budget.

Fund S600

Fire Protection District, Division 2700-Fire Protection District

Mandatory: No
Source of Funding: Fire District
Funding Match Required: None
Impact on Other Departments: None

Summary of Revenues and Costs:	FY 2022-2023	FY 2023-24
Revenues:	\$0	\$0
Costs:		
Direct:	\$0	\$224,000
Indirect-Dept	\$0	\$0
Indirect-County CAP	\$0	\$0
Total Cost	\$0	\$224,000
Net Cost	\$0	\$224,000
Recovered Indirect Costs	\$0	\$0

Note: Sufficient appropriations exist within the FY 2023-2024 adopted budget. The appropriations for fiscal years 2024-25 and 2025-26 will be included in their adopted budget.

Fund G001
Sheriff, Division 2500-Sheriff

Mandatory: No
Source of Funding: Sheriff – General Fund
Funding Match Required: None
Impact on Other Departments: None

Summary of Revenues and Costs:	FY 2022-2023	FY 2023-24
Revenues:	\$0	\$0
Costs:		
Direct:	\$0	\$186,000
Indirect-Dept	\$0	\$0
Indirect-County CAP	\$0	\$0
Total Cost	\$0	\$186,000
Net County Cost	\$0	\$186,000
Recovered Indirect Costs	\$0	\$0

Note: Sufficient appropriations exist within the FY 2023-2024 adopted budget. The appropriations for fiscal years 2024-25 and 2025-26 will be included in their adopted budget.

Discussion

We are recommending renewal of the Sedgwick claims administration contract for a three-year term. The recommended proposal has a total annual cost of \$3,098,761, comprised of three components: 1) Claims Administration Annual Fee, which has an

increase of \$19,298 (less than 1% increase), to \$2,688,761, and will remain flat through June 30, 2026; 2) Fire Senior Claims Examiner Annual Fee (paid directly by VCFPD) of \$224,000 has a 0% increase and will remain flat through June 30, 2026; and 3) Sheriff Senior Claims Examiner Annual Fee (paid directly by VCSO), which is a newly added fee funded directly by the VCSO at a three-year flat rate of \$186,000. This fee will allow VCSO to participate in the Enhanced Workers' Compensation program that VCFPD has participated in and funded directly since 2020. The appropriations for fiscal years 2024-25 and 2025-26 will be included in their adopted budget.

In April 2017, after a request for proposal, York Risk Services Group, Inc. (York) was selected as the third-party administrator for the County's self-insured Workers' Compensation program. Your Board authorized the Purchasing Agent to execute a three-year contract, with authority to extend the contract up to four times on an annual basis. In October 2018, your Board authorized additional staffing at York including an additional Senior Claims Examiner dedicated to an Enhanced Workers' Compensation Claims Unit for and funded by the VCFPD.

On September 4, 2019, York was purchased by Sedgwick. In July 2020, your Board authorized the Purchasing Agent, or designee to change the contracts, naming Sedgwick as a successor-in-interest to York and extending the term of the contract to June 30, 2022. In June 2022, your Board approved a 12-month term of July 1, 2022, through June 30, 2023. This included an additional 3.5 positions added to address the unexpected impacts of COVID-19, resulting in Sedgwick receiving nearly 600 additional Workers' Compensation claims that were not originally contemplated in the staffing structure approved in July 2020.

Over the course of the past year, the influx of COVID-19 claims has declined, bringing new claims volume closer to pre-pandemic levels. Thus, the parties agree that the previous staffing model, devised to address COVID-19 surges, is no longer applicable and are recommending an updated staffing model. Under the current proposed model, total staff dedicated to the County's program would be reduced to 19 Sedgwick personnel, eliminating one Assistant Team Lead position, and elevating a second Assistant Team Lead position to a Full Team Lead position. This new structure will allow the program to be divided into smaller, more specialized units, each under the supervision of a dedicated team lead.

The proposed renewal also preserves the Enhanced Workers' Compensation Claims Unit for the VCFPD, which funds one additional Senior Claims Examiner dedicated exclusively to administration of their claims. The Enhanced Workers' Compensation Claims Unit for VCFPD has produced excellent results in returning employees to work, thus offsetting California Labor Code section 4850 wage replacement costs and producing operationally

significant light duty opportunities. The VCFFD has expressed an interest in continuing the program, as they have seen a 37 percent decrease in the number of days employees are off work due to industrial injuries, and they are committed to funding the additional position at an annual cost of \$224,000.00. This amount is not included in the \$2.7 million claims administration annual fee, and is paid directly by VCFPD in monthly increments, with all other component prices, terms, and scope of work staying the same.

Based upon the success of VCFD's Enhanced Workers' Compensation Claims Unit, the VCSO has expressed a desire to move forward in piloting the program within their agency. Thus, they have agreed to fund one additional Senior Claims Examiner dedicated exclusively to the administration of their claims. This amount is not included in the \$2.7 million claims administration annual fee and is to be paid directly by the VCSO in monthly increments, with all other component prices, terms, and scope of work staying the same.

Additionally, the proposed contract provides annual rates for staffing by position that can be prorated (monthly) depending upon the time of addition or removal of any such position. It is requested, that your Board authorize allowance for modification of the contract within the stated term for removal or addition of staff up to a total annual contract value not to exceed \$3.6 million. This would allow agencies considering funding a dedicated Enhanced Workers' Compensation Unit, such as the ones utilized/desired by VCFPD and VCSO, to do so at any time during the contract term and gives the flexibility to increase or reduce staff if there is an extraordinary claims surge or significant reduction in claims inventory.

The past several years has presented unique challenges within our Workers' Compensation program, most significantly the unexpected and unavoidable impacts of COVID-19. During these uncertain and challenging times, we believe Sedgwick has been a good partner with the County of Ventura, demonstrating willingness to adapt the size and structure of the staffing model based on the associated claim volumes. Over the past year, we believe our partnership has only grown stronger and that the current proposed staffing model allows us to deepen specialization of handling within the program, increase technical expertise specific to some of the unique benefits/entitlements owed to safety officers, and broaden customer satisfaction.

The Sedgwick personnel assigned to our Workers' Compensation program consistently demonstrate strong professional aptitude in the very complex, ever changing and highly regulated California Workers' Compensation landscape. They have also committed to understanding the needs of our employees and operations by broadening their specific knowledge of the rigors of the duties that many of our employees perform by visiting multiple worksites, across County agencies, and better understanding opportunities at modified/light duty while employees rehabilitate from their injuries. In recent years, the

number of individuals qualified to administer Workers' Compensation claims in California, along with vendors who provide these services, have declined. Sedgwick remains one of the larger administrators in this arena. We believe it is most prudent to preserve the continuity, consistency, and strong partnership afforded by Sedgwick's continued third-party administration of the County's self-insured Workers' Compensation program.

This Board letter has been reviewed by the County Executive Office, General Services Agency, the Auditor-Controller's Office, and County Counsel. If you have any questions regarding this item, please contact Catherine Laveau at (805) 662-6540 or Shawn Atin at (805) 654-2561.

Respectfully submitted,



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Risk Management/Workers' Compensation & Disability Management



Shawn Atin
Assistant County Executive Officer/Human Resources Director



Sevet Johnson, PsyD
County Executive Officer

c: Jeffery S. Burgh, Auditor-Controller
Tiffany N. North, County Counsel
Mike Pettit, Assistant County Executive Officer
Kaye Mand, Assistant County Executive Officer/Chief Financial Officer

Attachments:

- Exhibit 1 – Sedgwick Contract Amendment
- Exhibit 2 – Sedgwick Letter of June 1, 2022