County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

November 18, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

APPROVAL TO EXTEND CONTRACT FOR MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION, AND LEGAL DEFENSE MANAGEMENT SERVICES (ALL DISTRICTS) (3-VOTES)

SUBJECT:

To request approval of an amendment to extend the contract with Sedgwick Claims Management, Inc., to provide medical malpractice, hospital liability claims administration, and legal defense management services.

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Chair to sign Amendment No. 3 to extend contract Number 75928 for medical malpractice, hospital liability claims administration, and legal defense management services, for the remaining three option years, effective January 1, 2009 through December 31, 2011.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On November 14, 2006, your Board approved and executed a contract with Octagon Risk Services, Inc., subsequently doing business as Sedgwick Claims Management, Inc. (Sedgwick), for a one-year term, with four annual renewal options to be approved by your Board. The purpose of this recommendation is to extend the existing contract for a three-year period to ensure that the County receives uninterrupted third party administrator (TPA) claim administration and legal defense management services for its medical malpractice and hospital liability self-insurance program.

Implementation of Strategic Plan Goals

The services provided under this contract support the County's Strategic Plan Goal 4, Fiscal Responsibility, by allowing the County to effectively manage its resources.

FISCAL IMPACT/FINANCING

Funding for this Amendment is included in the Fiscal Year 2008-09 Adopted Budget and will be requested as a continuing appropriation in future fiscal years.

In accordance with County of Los Angeles (County) policy, the contract contains a Cost of Living Adjustment (COLA) provision, whereby, the Chief Executive Office (CEO) may increase the contractor's compensation during the option years, capped at the lesser of the generated salary movement percentage for County employees or the Consumer Price Index for Urban Consumers (CPI-U).

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On November 14, 2006, your Board approved the existing contract for a one-year term, effective January 1, 2007 through December 31, 2007, with four annual renewal options to be approved by your Board. On December 4, 2007, your Board approved the first-option year, your Board further instructed the CEO to provide the results of the annual audit of Sedgwick's performance for each year of the contract.

The CEO engaged the services of Warren, McVeigh and Griffin, Inc. (Consultant), to perform an audit of the medical malpractice, hospital, and general liability claims administered by Sedgwick. The Consultant reviewed 50 claims from Fiscal Year 2007-08, using the County's audit tool to measure the timeliness and effectiveness of Sedgwick's claim handling procedures and to ensure compliance with the contract requirements. The results of the audit placed Sedgwick's overall claims administration performance at 85 percent, which is consistent with last year's performance rating. No negative performance issues were identified. The Consultant concluded that based on the average time spent investigating a typical claim, Sedgwick's performance is above the industry standard for claim adjusting. The level of investigation completed by Sedgwick and amount of time spent on adjusted claims far exceeds the average level of investigation and time spent by most insurance companies, and is comparable to that of an insurance company specializing in high-exposure or catastrophic claims. The Consultant further concluded that Sedgwick's claim administration process is properly structured to handle the County's claims needs.

The attached Amendment has been approved as to form by County Counsel.

IMPACT ON CURRENT SERVICES

This Amendment will assure uninterrupted medical malpractice TPA claim adjusting to the CEO and to the Departments of Coroner, County Counsel, Fire, Health Services, Mental Health, and Sheriff.

CONCLUSION

Upon approval by your Board, please return two original signed amendments and an adopted stamped copy of this letter to the CEO, Risk Management Branch.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RAA
KG:MH:km

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Department of Health Services
Sheriff's Department
Department of Mental Health
Department of Coroner
Fire Department

CONTRACT NO. 75928 FOR MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLIAMS ADMINISTRATION AND LEGAL DEFENSE MANAGEMENT SERVICES

AMENDMENT NO. 3

WHEREAS, on November 14, 2006, the County of Los Angeles (hereinafter "County") entered into a Contract with Octagon Risk Services, Inc., subsequently changed to Sedgwick Claims Management, Inc. (hereinafter "Contractor") for the provision of medical malpractice, hospital liability claims administration and legal defense management services, for a period of one year beginning January 1, 2007 through December 31, 2007, with four annual renewal options to be approved by the County's Board of Supervisors; and

WHEREAS, on December 4, 2007, the Board approved Amendment No. 2 which extended the Contract for one year, effective January 1, 2008 through December 31, 2008

WHEREAS, the County and Contractor desire to extend the term of this Contract for an additional three years, effective January 1, 2009 through December 31, 2011;

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed between the parties that the Contract shall be amended as follows:

1. **Section 4.0, Term of Contract, shall be deleted in its entirety, and replaced as follows:**

   4.1 The term of the contract shall commence on January 1, 2007 and shall expire on December 2011, unless sooner terminated, in whole or in part as provided in this Contract.

   4.2 The Contractor shall notify the Chief Executive Office (CEO) when the contract is within six (6) months from expiration of the term as provided for herein above. Upon occurrence of this event, the Contractor shall send written notification to the CEO at the address herein provided in Exhibit D – County's Administration.

   4.3 In the event of expiration of the term of this Contract or termination prior to the expiration of the term of this Contract, the Contractor shall fully cooperate with County to provide for the transition to whatever service replacement method the County determines to be in its best interest.

2. **Except for the changes set forth herein above, the Contract shall not be changed in any respect by the Amendment.**

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be executed on its behalf by its duly authorized officers, effective upon approval by the Board of Supervisors.

SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.

By_____
Jeffery S. Glatstein, Esq.

CORP. COUNSEL
Title

COUNTY OF LOS ANGELES

By_____
Chair, Board of Supervisors

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk
of the Board of Supervisors

By_____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By_____
Allison Morse
Deputy County Counsel