

WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: INSURANCE

DATE: FEBRUARY 20, 2007

COMMITTEE MEMBERS PRESENT:	OTHERS PRESENT:
SUPERVISORS: BENTLEY	AMY CLUTE, SELF-INSURANCE ADMINISTRATOR
MERLINO	REPRESENTING KBM MANAGEMENT, INC.:
SOKOL	GEORGE BRIGATI
COMMITTEE MEMBERS ABSENT:	SHARON CHECKOSKY
GERAGHTY	JOHN WEBER, CAPITAL FINANCIAL
HASKELL	PAUL DUSEK, COUNTY ATTORNEY
GABRIELS	JOAN PARSONS, COMMISSIONER OF ADMINISTRATIVE AND
GIRARD	FISCAL SERVICES
	JOAN SADY, CLERK OF THE BOARD
	SUPERVISOR CAIMANO
	AMANDA ALLEN, LEGISLATIVE OFFICE SPECIALIST

In the absence of Committee Chairman Geraghty, Mr. Bentley called the meeting of the Insurance Committee to order at 10:10 a.m. and he advised that since a quorum of the Committee was not present the meeting would be for discussion purposes only.

Privilege of the floor was extended to Amy Clute, Self-Insurance Administrator, who introduced George Brigati and Sharon Checkosky, both of KMB Management, Inc. Ms. Clute apprised that Mr. Briagti and Ms. Checkosky were in attendance to provide an overview of the analysis their firm had prepared with respect to Warren County's self-insured workers' compensation plan.

Mr. Brigati advised that his firm had been retained to review Warren County's workers' compensation program and to audit its administration by the Self-Insurance Department. He prefaced the presentation by noting that Ms. Checkosky would provide a brief accounting of the facets included in the auditing process, and the results of the audit performed, while he would relate his recommendations for the future of the program at the close of the presentation.

Ms. Checkosky apprised that she performed audits on behalf of KBM Management, Inc. for workers' compensation, health and medical programs; she added that she had obtained over 30 years of experience in those fields and was, therefore, qualified to review program administrations to determine any troubles therein. In order to spot problems within a program, Ms. Checkosky stated claims were chosen for review on a random basis to be sure that they were being administered and paid properly. Consistency of the manner in which claims were handled and paid was another facet reviewed in her audit, Ms. Checkosky added.

Forty claims, (20 open and 20 closed) were reviewed during the audit, Ms. Checkosky advised, with exceptional results. She said that only two errors were found during the audit, one of them being a missed payment on an indemnity claim, due to a change in the claim system, which had immediately been paid. The second error found was a duplicate payment for which the unwarranted funds had

been recouped, Ms. Checkosky explained.

Ms. Checkosky stated that in conclusion, her audit had reflected that Ms. Clute and her staff were doing a very good job as claims were handled consistently and accurately. She noted that there were controls and procedures in place to maintain the program properly; however, Ms. Checkosky said, additional training was needed for supervisors completing the C-2 form for accident notices pertaining to workers' compensation claims. She noted that it was very important that these forms be completed accurately and in a timely manner to avoid fines from the State.

Mr. Brigati advised that the program was working well and very effectively although he suggested that additional staff be added to the Self-Insurance Department to maintain the process. He stated that workers' compensation procedures were becoming much more complex and it was important that the Department be properly staffed to operate effectively at all times. In order to meet this end, Mr. Brigati suggested that additional staff could be included in the Self-Insurance Department or an RFP (Request for Proposal) developed to attract the services of a TPA (Third Party Administrator). Mr. Brigati noted that the RFP process was a facet included in the contract developed with KMB Management, Inc. He explained that by contracting the services of a TPA, claims responsibilities would be removed from the Self-Insurance Department staff, leaving time for other duties and also lending the talents of a more qualified and experienced associate for claims processing and adjustment.

Mr. Bentley asked if the County would, in essence, be paying for the claims process twice by contracting with a TPA and Mr. Brigati replied that they would not. He explained that the functions of the TPA and the Self-Insurance Department would be different as Ms. Clute would be managing the entire process including the TPA, while the claims administration would be the primary function of the TPA. In addition, Mr. Brigati noted, the County would realize savings from the addition of a TPA as loss adjustment services could be provided by the TPA, a service the County was currently out-sourcing to another organization at an additional cost.

Mr. Dusek asked if there would be an additional cost over and above the current operation if the County chose to proceed in securing the services of a TPA and Mr. Brigati advised that there would. He estimated that the additional cost would be approximately \$15,000 annually; however, he said, a clear cost could not be determined until the RFP process had been completed. Mr. Dusek stated that as per Mr. Brigati's analysis the Department and claims administration were running very smoothly, although they were paying additional funds for out-sourced loss adjustments, and he did not see the value in adding costs to the system if it was already doing well. Mr. Brigati stated that although Mr. Dusek's point was correct, he suggested that a final decision be made from an educated standpoint, knowing an exact cost for the inclusion of a TPA and those additional services that would be provided.

Discussion ensued.

Mr. Dusek stated that he was concerned about engaging the services of a TPA if there was no clear

sense of gain to the process. He noted that he was not aware of the status of the Self-Insurance Department and whether they could continue to maintain the program; however, it would require a considerable amount of work to develop an RFP and he was not sure that they should begin the process if they were not entirely committed to making the change and if savings would not be realized.

Mr. Dusek asked Ms. Clute how she felt about the prospect of a TPA and she replied that she was comfortable with the addition. She noted that in speaking with her counterparts in other Counties she had found that only seven other municipalities administered their own workers' compensation plan. Ms. Clute stated that the process had consumed her Department leaving no time to address some of the other facets necessary to her position as she was constantly acquiring additional property and casualty responsibilities also. Because of this, Ms. Clute said that she was concerned that the claims process would grow out of control if an alternate route were not taken; she added that she was not sure which was the best solution for the County but would proceed in whatever manner the Committee deemed most advantageous. She cautioned the Committee that due to time constraints and the upcoming retirement of Wanda Armstrong, a key member of her staff, and the training of a new employee, she was not sure the process could be maintained with as much success as it had in the past.

Mr. Dusek asked Ms. Clute how much time would be saved by the implementation of a TPA and Ms. Clute replied that the bulk of the responsibilities held by Ms. Armstrong would be removed allowing the transfer of some of her duties to that additional staff member, freeing some of her time to address other important issues. In addition, she noted, most of the workers' compensation paperwork had to be completed in a timely manner, creating a struggle within her Department because they did not have enough time to complete everything in the specified amount of time.

Mr. Caimano suggested that rather than contracting with a TPA, an additional part-time staff member should be added to the Self-Insurance Department for assistance in any area necessary. Mr. Brigati stated that although this had been one of his suggestions, he felt the TPA was a more viable choice because that position would also lend specific workers' compensation claims expertise in the case of an unusual claim that might have an adverse outcome if handled incorrectly.

Ms. Clute reminded the Committee that her request had been approved to fill the position that would be vacated by Ms. Armstrong at a reduced level and pay scale. She noted that the difference in salary might substantiate the costs of a TPA.

Discussion ensued.

Upon statements made by Ms. Clute, Mr. Dusek advised that he felt an RFP should be prepared to seek the services of a TPA, as suggested by Mr. Brigati, for further consideration by the Committee.

Mr. Brigati noted that in reviewing the audit results he had discovered that the County's excess insurance coverage included a very high premium which he felt should be lower due to the County's

excellent claims history. He suggested that an RFP be prepared to seek lower quotations for this coverage and he advised that his firm could prepare this also. Mr. Dusek stated that he and the Committee were in agreement that the premium for this coverage was very high, for no good reason, and had discussed the matter with the insurance carrier, TD Banknorth, who had returned a quote which was minimally lower than the prior rate.

Mr. Caimano noted that although the Committee seemed to be in agreement with the preparation of an RFP for both a TPA and excess insurance coverage, they were unable to vote on such due to the lack of quorum. Mr. Bentley noted that there would be another meeting of the Insurance Committee during the following week and both topics could be re-introduced and decided upon by the Committee.

As there was no further business to come before the Insurance Committee, Mr. Bentley adjourned the meeting at 10:39 a.m.

Respectfully Submitted,
Amanda Allen, Legislative Office Specialist