



# CITY OF LONG BEACH

DEPARTMENT OF TECHNOLOGY SERVICES

# R-24

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July 6, 2004

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach  
California

SUBJECT: Agreement to Purchase an Electronic Claims Administration Software System From Valley Oak Systems, Inc., and Purchase Implementation Project Management Services From Deloitte Consulting, LLP (Citywide)

## DISCUSSION

The Three-Year Financial Strategic Plan called for an outside review of the City's Workers' Compensation, Occupational Health, and Safety Programs to address rising costs. On August 5, 2003, the City Council approved an agreement with Deloitte Consulting, LLP (Deloitte) to perform the Workers' Compensation Study. As you know, the study has been completed and it includes a recommendation to purchase and implement a new electronic claims administration system.

According to the study, a new system would improve the productivity of claims handlers by as much as 30 percent by automating low-value, labor-intensive administrative functions and allowing a more strategic focus on claims management. The technology will enable better coordination among stakeholders and result in improved loss performance. The study estimated a rough cost of \$600,000 to \$900,000 for software and implementation services excluding data conversion costs, and a three-year payback period for the system resulting from improved productivity and faster claim resolution.

Over the past few months, the Technology Services Department conducted a Request for Proposals (RFP) selection process under the authority of Section 1807 of the City Charter that authorizes negotiated contracts for electronic data processing equipment and services. Ten vendors downloaded the RFP that was posted on the City's website and five submitted proposals.

A task force of City departmental representatives reviewed the proposals and invited three of the respondents to present their products. Valley Oak Systems, Inc. (Valley Oak) was selected because their product most closely met the requirements of the RFP. Valley Oak is an industry leader that has implemented Workers' Compensation claims administration systems in many California municipalities including the cities of San Diego, San Francisco and Santa Ana.

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Deloitte has been a tremendous asset in the review of the City's Workers' Compensation system. Due to their extensive experience in insurance and risk management information systems, staff recommends retaining them to assist the City in implementing the new claims administration system. Deloitte's extensive knowledge of the City's overall structure and best practice procedures will provide valuable insight into the development of the business rules necessary to create efficiencies and provide communication to all needed constituents involved in the process.

Deloitte will apply its proprietary **RapidRMIS™** implementation methodology to integrate information systems to suit the City's unique business needs as defined in the process implementation currently underway. **RapidRMIS™** is a project management tool used for planning, executing, tracking and documenting the many tasks and subtasks involved in insurance technology modernization. Deloitte is also leading the current Business Process Improvement efforts which are critical to system implementation.

This matter was reviewed by Assistant City Attorney Heather A. Mahood on June 25, 2004, and by Budget Management Officer David Wodynski on June 25, 2004.

#### TIMING CONSIDERATIONS

City Council action on this item is requested on July 6, 2004, to avoid delays in formalizing the Valley Oak agreement and implementing the claims administration system by the end of this calendar year. Concurrent approval of the Deloitte contract is critical to a successful and timely project completion.

#### FISCAL IMPACT

The purchase price of the Valley Oak electronic claims administration software system is \$639,820. Given that the acquisition of this system is being done concurrently with development of the City's new Workers' Compensation processes, policies and procedures, which will impact the system implementation, a ten percent cost contingency is also requested in the event unforeseen modifications are required. The cost of system implementation project management services by Deloitte will not exceed \$200,000. There is sufficient funding for both contracts in the Citywide Workers' Compensation Claims budget (XCWCBE), Insurance Fund-Workers' Compensation subfund (IS 390-001) due to current year savings. However, a fourth quarter budget adjustment to the Insurance Fund-General Liability subfund (IS390-002) may be necessary to cover general liability claims costs, which are higher than normal this fiscal year. All costs for workers' compensation claims benefits and administration of the program are allocated to funds based upon department staffing and claims experience, with approximately 70 percent allocated to the General Fund.

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IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Authorize the City Manager to execute an agreement with Valley Oak Systems, Inc. for the purchase of an Electronic Claims Administration Software System in an amount not to exceed \$639,820, plus an additional ten percent, if needed.
2. Authorize the City Manager to execute an agreement with Deloitte Consulting, LLP for the purchase of implementation project management services in an amount not to exceed \$200,000.

Respectfully submitted,



CURTIS TANI  
DIRECTOR OF TECHNOLOGY SERVICES

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APPROVED:



GERALD R. MILLER  
CITY MANAGER