

LOCEY & CAHILL, LLC

ARMORY SQUARE
250 CLINTON STREET, SUITE 340
SYRACUSE, NY 13202-1180
TEL. 315-425-1424
FAX. 315-425-1394

MEMORANDUM

DATE: March 4, 2021

FROM: LOCEY & CAHILL, LLC

TO: COUNTY OF ALBANY

**RE: 2021 WORKERS' COMPENSATION THIRD PARTY ADMINISTRATOR (TPA)
REQUEST FOR PROPOSAL (RFP) ANALYSIS AND RECOMMENDATION**

Locey & Cahill, LLC is extremely pleased to be continuing our work with the County of Albany. As you may already be aware, Locey & Cahill, LLC is an independent consulting firm based in Syracuse, New York. Our company provides clients with state of the art advice and guidance, which assists them in the formation of strategies designed to pro-actively adjust to the employee benefits industry.

As part of the services we perform on behalf of the County, in 2021 we were charged with assisting the County in the analysis of proposals received through a Request for Proposal (RFP) for a Third Party Administrator (TPA) to provide professional claims administrative services to the County's Self-Insured Workers' Compensation Plan. This process began with the issuance of RFP #2020-027. Upon receipt of the responses by the County, the responses were forwarded to our office for evaluation and recommendation. In all, proposals associated with this RFP Process were received from the following companies:

1. PMA Companies (Syracuse, New York)
2. NCA Comp. Inc. (Buffalo, New York)
3. Gallagher Bassett (Rolling Meadows, Ill & Syracuse, NY)
4. TRIADGroup (Troy, New York)
5. FCS (Williamsville, New York)
6. Broadspire (Peachtree, Georgia)

The initial review of the proposals received from the above companies was conducted by Locey & Cahill, LLC based on the following six (6) weighted criterion:

- | | |
|-----------------------------------------------------------------------------------|-----|
| 1. Proposer's Comprehension of the Required (Work) Scope of Services | 25% |
| 2. Professional Qualifications and Prior Experience with Similar Projects | 20% |
| 3. Total Proposed Price | 20% |
| 4. Proposer's Demonstrated Capabilities (Equipment, Financial Solvency, Location) | 15% |
| 5. Client References | 10% |
| 6. Staffing (Evaluation of Employees' Resumes) | 10% |

An *Independent* Employee Benefits Consulting Firm

COUNTY OF ALBANY
RE: 2021 WORKERS' COMPENSATION TPA RFP
March 4, 2021
PAGE 2

Locey & Cahill, LLC conducted an initial review of the proposals and present to the County of Albany our scoring of the proposals:

Respondent's Name	Evaluation Score
PMA Companies	4.400
NCA Comp. Inc.	3.690
Gallagher Bassett	4.150
TRIADGroup	4.125
FCS	4.450
Broadspire	2.750

It is the recommendation of Locey & Cahill, LLC that County of Albany remove NCA and Broadspire from further consideration due to the low evaluation scores.

This left four remaining firms for the County to consider. As can be seen above, the remaining administrators had very close evaluation scores. This was not surprising since all four of these administrators are highly capable firms and would serve the County quite well with the management of its Workers Compensation Plan. However, mindful of the closeness in score of these four administrators, and that PMA is the incumbent carrier and has performed its services for the County very well over the past 12 months, we believe that it is the County's best interest to remain with PMA.

When we call PMA the incumbent carrier, it is important to note that they were able to step in on extremely short notice to provide services to the County after POMCO (who was the previous administrator) abruptly announced that they were ceasing TPA Workers Compensation Operations towards the end of 2019. Since PMA had been the carrier in place with the County for many, many years prior to converting to POMCO back in 2017, they were perfectly situated to resume the administration of the County's WC Plan. However, with this abrupt change in administrators in 2019, it was wisely decided to do a complete RFP Process to ensure that PMA is, in fact, the best suited firm to assist the County with its WC Plan.

We believe PMA is the best suited administrator due to the following reasons:

- PMA's quoted administrative fee was presented as requested by the County as a total cost proposal, not a menu based per claim proposal. The single fee total cost proposed by PMA is a budgetable administrative cost for the County that will not vary based on the number and complexity of the claims.
- The proposals submitted by Gallagher Bassett and TRIAD were per claim based and could vary based on the number of and complexity of the claims processed for the County. Due to the unique nature of a County based WC Plan and the unique loss factors that some of the employees covered by the County's WC Plan have, we strongly believe that the stability of a single quoted fee is in the best interests of the County.

COUNTY OF ALBANY

RE: 2021 WORKERS' COMPENSATION TPA RFP

March 4, 2021

PAGE 3

- However, to be fair to all the parties, we did base our administrative fee comparisons on the projected claim levels and administrative add-on charges and found that PMA, while not the lowest cost administrator, was comparable with regards to administrative fees to the other carriers.
- We did note that FCS's base administrative fee was the lowest. However, their network access fee, which can add significant administrative costs to the claims that are being processed, is 7% higher than the same fee presented by PMA which basically eliminates the administrative cost difference between PMA and FCS.
- It is important to keep in mind that the administrative costs of WC Plan account for only 20% - 25% of a WC Plan's total budget. The claims paid account for the remaining 75% - 80% of the Plan's Budget. So, when evaluating the administrators, it is important to calculate their final impact of the cost of the claims. Once this is factored in, we feel strongly that the PMA Proposal presents the lowest overall cost to the County for its WC Plan. PMA's proven claim management practices have served the County's budget well in the many years that they have administered the County's WC Plan.

As stated earlier in this Report, we believe the primary purpose of the RFP Process was to evaluate the market and ensure that PMA is the firm that is best suited to administer the County's WC Plan. Based on our evaluation of the proposals, it can be easily concluded that PMA does meet this criterion. While there are other administrators that we feel could provide a comparable level of service to the County at a comparable cost, the fact that PMA was competitive, from both a cost perspective and an administrative capabilities perspective addresses the issues associated with this RFP Process.

PMA worked diligently back in 2019 when POMCO abruptly announced that they were no longer going to provide WC Plan services. The County was in a bind and PMA stepped up to the table and provided for an effective and immediate transition. Mindful that the County just recently went through this transition in the WC Plan administrative services, the fact that PMA has presented a competitive proposal presents the County with the opportunity to know that they already have in place a highly competent and cost-effective administrator.

Transitioning a WC Plan is a very difficult and time-consuming process. Mindful that the County has gone through such a transition just such a short time ago, lends itself to retaining the incumbent carrier unless there is a clear and unquestionable reason to choose a different carrier. This RFP Process proves that there is no such opportunity out there for the County.

Due to all the factors included above, and the fact the PMA scored very high in the evaluative comparison, it is the strong recommendation of Locey & Cahill, LLC that the County retain its ongoing relationship with PMA as the County's WC Plan Third Party Administrator.