

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

921



**FROM:** Human Resources Department

**SUBMITTAL DATE:**  
February 1, 2005

**SUBJECT:** Administrative Services Agreement Fee Increases for VPA, Inc.

**RECOMMENDED MOTION:** That the Board approve and ratify the attached Final Amendment No. 3 for the increase in fees paid to VPA, Inc., for the administration of the County's Short-Term Disability Plan effective July 15, 2004.

**BACKGROUND:** In 1999, the Board approved an agreement with VPA, Inc., to provide administrative services for the County's Self-Funded Short-Term Disability (STD) Plan. A final amendment to extend the current agreement with VPA, Inc., is requested to provide Human Resources the time necessary to implement a self-administered Short-Term Disability Program. This extension will provide staff the time necessary to develop systems and processes, hire staff and implement the program. The target date to implement the new program is July 1, 2005. It has been determined the projected cost savings of \$90,394.00 should be reached within the first two years (see Exhibit A). As Human Resources Benefits staff develops and implements this new in-house Short-Term Disability Program additional information and progress will be reported directly to the Board of Supervisors.

Departmental Concurrence

This final agreement with VPA, Inc., is necessary due to their increased operating costs, such as rising cost of labor and facilities, associated with administration of the County's Short-Term Disability Plan. The vendor's last increase in administrative fees was executed in 2002. VPA, Inc., continues to provide a high level of customer service to plan members and to Human Resources in the course of administering the STD plan.

Ronald W. Komers  
Asst. County Executive Officer/Human Resources Dir.

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 303,990	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2004/2005

<b>SOURCE OF FUNDS:</b> Short-Term Disability ISF Fund	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:** **APPROVE**

**County Executive Office Signature**

- Dep't Recomm.:  Consent
- Per Exec. Ofc.:  Consent
- Policy
- Policy

Prev. Agn. Ref.: \_\_\_\_\_ District: \_\_\_\_\_ Agenda Number: \_\_\_\_\_

**ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD**

**3.14**

The attached amendment modifies the current agreement by increasing the administration fees as follows:

- ◆ The fee for Plan Administration increases from \$600.00 to \$636.00 per month.
- ◆ The fee for each new STD claim processed increases from \$160.00 to \$170.00 per claim.
- ◆ The maintenance fee for each open claim increases from \$32.00 to \$35.00 per claim.
- ◆ The fee for handling claims appeals increases from \$200.00 to \$450.00 per appeal.

The resulting annual cost is estimated to be \$303,990.00 and the current premium is expected to be adequate to cover the costs through June 30, 2005.

## Short-term Disability Cost Analysis

### VPA Plan (Current Administrator)

Period - 2004

Administration Fees	280,445
Plan Expenses	18,645
Appeals Expenses	4,900
Claims	3,000,000
<b>Total</b>	<b>3,303,990</b>

### County of Riverside Benefits Division (New Administrator)

Period - 2005

Administration Fees	168,918
Plan Expenses	75,000
Appeals Expenses	2,500
Claims	3,000,000
Initial Start-up Cost	24,750
<b>Total</b>	<b>3,271,168</b>

### Summary of Projected Savings for County of Riverside

#### FY 05-06

Administration Fees	111,527
Plan Expenses	-56,355
Appeals Expenses	2,400
Claims	0
Initial Start-up Cost	-24,750
<b>Total</b>	<b>32,822</b>

#### FY 06-07

Administration Fees	111,527
Plan Expenses	-56,355
Appeals Expenses	2,400
Claims	0
<b>Total</b>	<b>57,572</b>

### Description of Categories

Administration Fees - Salaries & Benefits

Plan Expenses - Services & Supplies (includes annual maintenance for software)

Appeals Expenses - Cost associated with reviewing claims for approval or denial, i.e..  
Research, Document fees, Professional consulting, etc..

Claims - Actual STD payment to employee

Initial Start-up Cost - A one-time cost to implement program includes software, license,  
training, data conversion,