

DATE ISSUED: September 5, 2001

REPORT NO. 01-181

ATTENTION: Honorable Mayor and City Council
Docket of September 10, 2001

SUBJECT: Best Management Practices Implementation Contract for the Injury
Tracking and Safety System (ITSS) Project

SUMMARY

Issue - Should the City Council authorize the City Manager to enter into an agreement with Deloitte & Touche L.L.P. to assist the City with the implementation and integration of best management practices in conjunction with a "Commercial Off The Shelf" (COTS) software package in the areas of Workers' Compensation, Safety and Long Term Disability?

Manager's Recommendation - Authorize the City Manager to execute the agreement with Deloitte & Touche.

Other Recommendations - None.

Fiscal Impact -\$261,753

BACKGROUND

In the fall of 1998, the City's Zero Based Management Review (ZBMR) team conducted an audit of four areas within the Risk Management Department. Those areas were: (1) Funding and Strategic Management; (2) Employee Benefits; (3) Workers' Compensation including Rehabilitation and (4) Safety. The ZBMR team's final report in March of 1999 contained several observations and recommendations. One of those observations was of the current labor intensive and manual paperwork processing environment, which led to two of the Committee's major recommendations: (1) The need for an independent analysis of departmental opportunities by industry experts, and (2) The need to modernize supporting Information Systems particularly in the area of Workers' Compensation.

In November of 1999, Risk Management received "A" list approval (from the City's Information Technology & Communications Department) to automate the Workers' Compensation, Long Term Disability and Safety processes. A project management team including representatives from Risk Management, Information Technology and Communications, Auditor's Office, Optimization, San Diego Data Processing (SDDPC) and The Gartner Group, an independent

Information Technology consultant, was created. In an effort to avoid the duplication of the current system inefficiencies and related business practices and consistent with the ZMBR recommendation, the project team identified the need for an independent operational assessment and best management practice study.

In February 2000, phase I of the Injury Tracking and Safety (ITSS) project began with the competitive selection of a third party consultant to assess the operations of the Risk Management Department's Workers' Compensation, Long-Term Disability and Occupational Safety and Health Programs and to provide recommendations for the implementation of best management practices and information systems. In May of 2000, Deloitte and Touche was the selected consultant to provide these services.

In November 2000, Deloitte & Touche completed and delivered their findings as a part of the best management practice study. The reports submitted centered on an Operational Assessment, Best Management Practices Gap Analysis, Risk Management Information System (RMIS) and Implementation and a Change Management Strategy. The recommendations were immediately incorporated by Risk Management into a project plan and schedule.

Many of the best practices recommended by Deloitte & Touche revolve around a new, automated system for Risk Management. This system will replace an antiquated mainframe system that was specifically developed by SDDPC for the City in 1985 and will significantly streamline Workers' Compensation claims management and processing. The procurement and implementation of a "Commercial Off The Shelf" (COTS) system is a significant component of the Injury Tracking and Safety System project. However, implementation of non-automated operational best practices in advance and in parallel with the implementation of the new system will provide for greater efficiency and productivity.

As the project team progressed with the implementation of best practices, the need for expertise within specific components of the project was identified. The project team also identified the need for knowledge transfer from the consultant to City staff on these components as being in the best long term interest of the City.

DISCUSSION

Risk Management in conjunction with the project management team identified the need for expertise and experience with the implementation of best practices in parallel with the procurement and implementation of a COTS system. A competitive process was initiated in March 2001 with the release of an RFP that requested implementation assistance in the following areas: (1) Design and implementation of the first report on injury/accident notification policy and procedures utilizing a Call In Center and the Internet; (2) Integrated Managed Care program development including vendor evaluation and implementation; (3) Development and implementation of desired cost allocation strategy and/or revision of fund structure for departmental accountability; (4) Change management assistance for the integration of business re-engineering with system implementation; (5) Claims Manual revision for Workers'

Compensation and Long Term Disability; and (6) Development of a Corporate Safety Manual.

A selection committee comprised of Risk Management, Information Technology and Communication, Water, Optimization and Equal Opportunity Contracting Program evaluated the two proposals submitted by Deloitte and Touche LLP and Marsh Risk & Insurance Services. Each vendor was given the opportunity to present their proposals to the committee. After such presentations, the committee voted 6-1 in favor of the Deloitte and Touche LLP proposal.

Approving the proposed agreement will enable the City to successfully proceed with the implementation and integration of best management practices and information systems. The benefits and improvements from this project include but are not limited to the following:

- Improved timely notification via a call-in-center for injured workers
- Better care for injured employee through effective claims and medical management
- Reduced manual labor via automated bill review and payment including reduced cost to the City
- Better management and reduced costs from the City’s Medical Managed Care provider,
- Improved accountability for Risk Management staff as well as operating departments
- Compliance with state mandated reporting requirements
- The ability to provide better information to operating departments enabling them to more effectively manage their workforce.

As a result of this RFP process, Risk Management recommends approval of an agreement with Deloitte & Touche L.L.P. to assist the City with the first five of the six listed initiatives. Risk Management has determined that the sixth initiative, development of a Corporate Safety Manual, will be best served as a stand-alone project and is considering other alternatives for implementing this initiative.

ALTERNATIVE

Do not approve the agreement between the City of San Diego and Deloitte and Touche to assist the City with the implementation and integration of best management practices in conjunction with a Commercial Off-the-shelf Software package in the areas of Workers’ Compensation, Safety and Long Term Disability (LTD). This alternative would negatively affect the City’s ability to successfully implement recommendations from the Zero Based Management Review Committee and the industry best practices made by Deloitte & Touche.

<p>Respectfully submitted,</p> <p>Edward S. Oliva Risk Management Director</p>		<p>Approved: Lamont Ewell Assistant City Manager</p>
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OLIVA/MJD

Note: The attachments are not available in the electronic format. A copy is available for review in the office of the City Clerk.

- Attachment(s):
1. Request for Proposal For Consultant Services for Implementation of Best Management Practices In Areas Related to the City's Safety and Environmental Health, Workers' Compensation, and Long Term Disability Programs
 2. BMP Implementation Contract