

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

July 8, 2003

Committee
Report No.

03-47

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on June 17, 2003, makes reference to Contract No. C1865-1, between the County of Maui and John Mullen & Company, relating to the County of Maui's self-insurance program.

Your Committee notes that the purpose of Contract No. C1865-1 is to revise the scope of services, term of contract and compensation relative to the County of Maui's workers compensation and general liability claims adjustment and administration.

Your Committee further notes that the contract amendment is for \$293,393.44, which increases the total contract amount to \$581,793.44. The contract amendment covers the following costs: (1) \$12,017.63 for State General Excise Tax payments, which was omitted from the original contract; (2) \$205,208.99 to extend the contract for one year from October 1, 2002 until September 30, 2003; (3) \$48,066.82 for compensation for an additional 71 cases over the amount indicated in the Request for Proposals (RFP); and (4) \$28,100 for compensation for additional data/programming charges requested by the County in the setup and transition period.

At its meeting, your Committee met with the Director of Finance and a Deputy Corporation Counsel.

The Director of Finance provided background information regarding the workers compensation program prior to contracting with John Mullen & Company. He stated that the backlog included several claims that were over 10 years old. He explained that the program was faced with challenges that included the complexity of the older cases and the lack of information provided in the claims. In addition, the Department had experienced a lack of continuity over a two-year period due to the resignation of the program's supervisor and the subsequent departure of the supervisor's successor.

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The Director stated that John Mullen & Company is a third-party administrator that is experienced in handling all aspects of claims administration. The company provides services that the County was unable to perform with the available resources. The company provides services that include claims processing and analysis, loss assessment and loss ratio compared with other jurisdictions, training, and certification.

The Director informed your Committee that new claims are decreasing, from an average of 25 new claims per month in prior years to 9 claims in March 2003 and 16 claims in April 2003. In addition, he stated that the Department has recently hired a loss control specialist, who will be reestablishing a County safety committee. The loss control specialist and the committee will look at preventative measures to reduce or eliminate future claims.

After discussion, your Committee voted to recommend filing the contract.

Your Budget and Finance Committee RECOMMENDS that Contract No. C1865-1 be FILED.

Adoption of this report is respectfully requested.

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