



City of San Leandro

Meeting Date: April 7, 2014

Staff Report

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TO: City Council

FROM: Chris Zapata
City Manager

BY: LaTanya Bellow
Human Resources Manager

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report on the City of San Leandro Workers' Compensation Program

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review this report from the Human Resources Department regarding the status of the City of San Leandro Workers' Compensation Program. This report is for information only, and no formal action is required.

BACKGROUND

In alignment with the City Council's goal to ensure the City is on a firm foundation for long-term fiscal accountability, the Human Resources Department has taken numerous measures to improve the operations of the Workers' Compensation Program to ensure costs are managed and risk is reduced. The attached report summarizes the strategies and initiatives that the Human Resources Department has implemented to improve the program and decrease costs.

Fiscal Impacts

This report is for informational purposes and there is no fiscal impact associated with the report.

ATTACHMENT(S)

- Report on the City of San Leandro Workers' Compensation Program

PREPARED BY: LaTanya Bellow, Human Resources Manager, City Manager's Office

City of San Leandro
Report on the Workers' Compensation Program
March 17, 2014

OVERVIEW

The Workers' Compensation Program provides City employees with the provisions for medical care, indemnity costs, and other benefits in the event of being injured while performing their job duties.

Workers' compensation represents a substantial cost for the City of San Leandro. For fiscal year 2013-14, the program has been budgeted for \$1,046,437. Program costs include all related expenses such as program administration, contract and bill review agreements, salary continuation, temporary and permanent disability payments, attorney and investigator fees, and all medical services. The City is self-insured up to a maximum of \$250,000 per claim. The City purchases excess insurance to cover claims over that amount through the Local Agency Workers' Compensation Excess Joint Power Authority (LAWCX).

Program Metrics

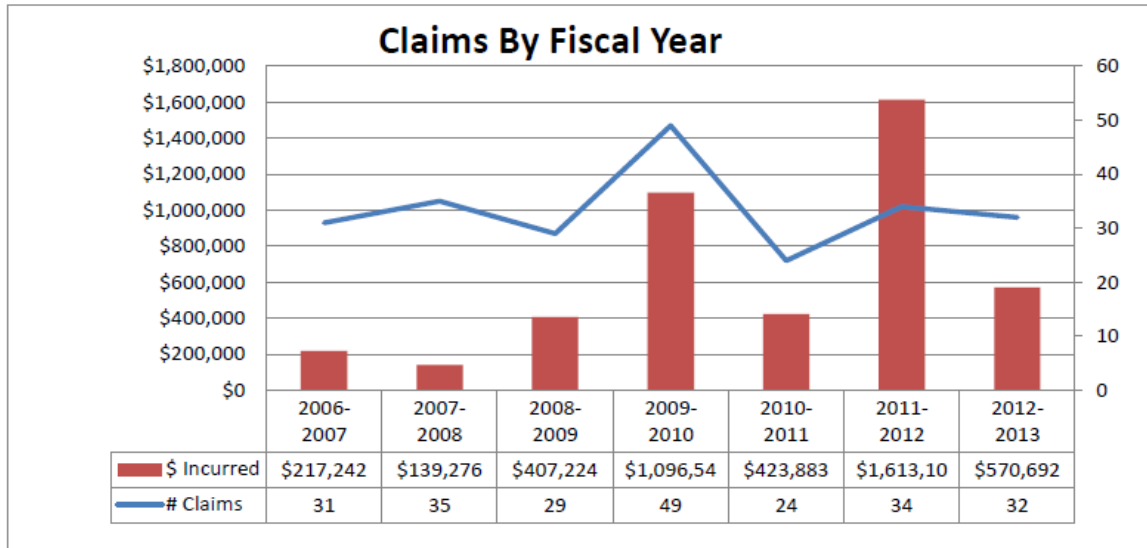
The Human Resources Department has been evaluating the program over the past year to identify strengths and weaknesses, track trends and metrics, and implement changes to ensure quality care for injured workers and associated costs are contained and reduced. During this program review, staff has monitored and managed three fundamental program metrics:

1. Total annual program costs: This measures the success of operational efficiency initiatives.
2. Number of new claims filed per year: This measures the success of preventative initiatives.
3. Number of claims resolved and closed per year: This measures the effectiveness of claims management.

These metrics are impacted by a number of factors including a healthy partnership with all stakeholders, effective claims management, quality medical services, an aggressive return to work program, and a comprehensive Safety and Illness and Injury Prevention Program.

Program Costs

The City's claims history for the last seven fiscal years is shown in the chart below. These totals represent the actual costs incurred as a result of the number of claims in that fiscal year. Incurred costs include the amount already paid against those claims and the amount still held in reserve. Results indicate a significant decrease in FY 2012-13 in the amount of \$1,042,416.



Natural ups and downs in claims cost are anticipated over a course of several years, but in some instances, unique situations can explain a spike or drop. FY 2011-12 was atypical in that the top five claims were from the Police department and totaled approximately \$900,000, which represented 56% of the total claims cost for that year. Among those five claims, three claims were related to a knee injury and one was related to a shoulder injury. Analyses show that knee, shoulder, and back injuries are often the most expensive claims.

Due to the nature of its services, the Police Department accounts for the highest number of claims in the City. Employees in this department often file multiple claims, are more likely to file for disability retirements, have higher litigation rates, and have higher claims costs. In the past seven years, the Police Department generated 64% of the total number of claims and 77% of the total incurred costs. Public Works generated the second-most number of claims at 16% and incurred at 16%.

Generally, a reduction in the number of claims reduces program costs and demonstrates the effectiveness of claims management, prompt settlement and closure, and return to work and safety and prevention programs. In FY 2011-12, there were 18 new claims filed, 10 in FY 2012-13, and 9 claims to date in FY 2013-14. Although the number of new claims has been relatively stable, there is opportunity to encourage a downtrend in new claims. The City currently has 106 total active claims, which are continuously monitored and closed or settled when possible. In FY 2011-12, 17 claims were closed, 22 in FY 2012-13, and 8 claims to date in FY 2013-14.

DISCUSSION

Controlling workers compensation costs is extremely challenging due to a number of factors, some of which are outside of the City's control. For example, a large portion of expenses charged to the program are directly related to medical services and costs, which continue to rise. But there are a number of measures the City can take to reduce costs. The Human Resources department has implemented the following:

- Initiating a Request for Proposal for a new Third-Party Administrator
- Implementing a Return to Work program
- Closing claims through legal settlements

- Providing relevant training to prevent injuries

Third Party Administrator

The City currently contracts with a Third Party Administrator (TPA), York Risk Services Group, to administer the workers’ compensation program at a cost of \$118,800 per year. The TPA’s responsibility is to manage, track, and process payments for all claims reported. Effective claims management consists of employing industry best practices to develop and implement policies and procedures to ensure timely review, response, and the facilitation of quality care to injured workers in a cost-effective manner. The role of the TPA is essential because the TPA provides business solutions to help the City implement programs to prevent injuries, control and manage costs of injuries and to monitor the effectiveness of program related services and procedures.

The City has used York Risk Services Group, formerly Bragg and Associates, since 1998. In an effort to ensure that the City is receiving the most effective claims management and cost, and injured employees are receiving quality service, staff is conducting a competitive bid process for services. The Request for Proposal was released on February 10, 2014 and staff anticipates presenting a recommendation to the City Council in May 2014.

Return to Work Program

The California State Department of Industrial Relations states that helping an injured worker to return to work is one of the most important things an employer can do to help the employee recover and to minimize the worker’s compensation costs. Studies have also shown that injured employees recover faster when they are returned to work. The longer the employee is off work after an injury, the harder it may be for them to return to work. By staying engaged at work, employees maintain the social, physical, and emotional connections to the workplace.

An early return to work program can significantly reduce costs for temporary disability, lower medical expenses, and shorten the claim duration. In FY 2011-12, the number of lost days was approximately 702. In FY 2012-13, the number of lost days was 2,019 and in FY 2013-14 this number is 1,144 to date. The following table depicts the time lost and the equivalent cost paid to employees for the past seven years:

Fiscal Year	# of Claims	Incurred Costs for Time Lost
2006-2007	19	\$ 210,868
2007-2008	18	\$ 131,533
2008-2009	14	\$ 397,503
2009-2010	38	\$ 1,090,004
2010-2011	19	\$ 420,832
2011-2012	26	\$ 1,608,267
2012-2013	21	\$ 562,514
Grand Total	155	\$ 4,421,520

Initial analysis indicates that the spikes in FY 2009-10 and FY 2011-12 are attributable to the severity of the reported injuries. Overall, the number of indemnity claims has decreased since a high of 38 in FY 2009-10.

In April 2013, the City partnered with Norman Peterson and Associates (NPA) to administer its Return to Work Program. NPA actively communicates directly with treating physicians and the City to match injured workers to modified duty assignments, while ensuring the work is compatible with restrictions imposed by the employees' physician. For the period of April 1, 2013 through January 31, 2014, 20 claims were assigned to NPA, of which 17 were assigned to modified work. More than 75% of injured workers in Police and Public Works Department with documented physical limitations were assigned modified work. This partnership with NPA has resulted in a savings of \$119,523 in salary continuation/total temporary disability payments in this short period of time.

	# of Claims	# of Claims worked modified duty	TTD Savings
Community Development	1	1	\$10,956
Engineering & Transportation	2	2	\$19,049
Finance	2	2	\$10,907
Police	8	6	\$37,958
Public Works	7	6	\$40,653
TOTALS	20	17	\$119,523

Settlements

Another cost containment strategy is settling a claim through legal negotiations. With the aid of a very effective legal team from Pulley & Cohen, the Human Resources department has begun an aggressive approach of settling active claims to limit future liability in terms of case management, medical treatment costs, and 4850 benefits.

Police officers are entitled to California Labor Code Section 4850 benefits. These benefits allow public safety personnel to receive their full salary for up to one year while injured and unable to work. With a settlement, the City can negotiate with a safety employee to reach an amicable resolution. This may include an agreement to payout 4850 benefits at a reduced percentage and the employee separates from employment typically through an industrial disability retirement. Although there may be a significant one-time cost, the savings over the long-term is worthwhile.

Prevention and Training

Prevention is also a critical component of an effective workers' compensation program. Prevention includes health and wellness programs, safety training and ergonomic reviews for existing employees. California law, through Cal/OSHA, requires every employer to develop and maintain an effective Illness and Injury Prevention Program. The Human Resources Department also oversees the Citywide Safety committee. A robust safety program can further help reduce costs by ensuring that trainings are targeted and correlate with common injuries.

An analysis of our claims showed that strains from various activities represent the most common sources of injury, with slips and falls second. Based on these results, the Human Resources

department scheduled safety training that specifically addressed proper lifting techniques, ladder and stair safety, identifying hazards, and tips for prevention.

The Human Resources department also plans to begin incorporating recognition into our City's safety program. Safety recognition can help increase and promote safety awareness among employees thereby helping to control worker's compensation claims. For example, the City went 30 days without an incident or accident between the dates of December 5, 2013 and January 15, 2014. This seemingly small milestone was recognized in a thank you card to departments acknowledging their efforts to keep our work place safe.

Quality of Medical care

The City also ensures that injured employees are receiving quality care from the medical clinics designated for work-related injuries and illnesses. Employees have the choice of going to Concentra and Kaiser-on-the-Job for medical treatment, which are the contracted clinics for work-related injuries, or employees may pre-designate a personal physician. In 2013, Human Resources staff met with Concentra staff and physicians on two occasions. The City discussed the level of services expected, which included a reasonable wait time for treatment, timely diagnosis of an employee's condition, and prompt communication on an employee's work status.

Human Resources staff continues to monitor the satisfaction of employees in using the contracted clinics, and will be scheduling follow up meetings with both Concentra and Kaiser in the near future.

FUTURE PROGRAM GOALS

Despite the challenge of unpredictable increases in salary continuation and medical costs, the Workers' Compensation program is demonstrating an overall trend of decreased expenses and improved communication and services over the last two fiscal years. Implementing the initiatives outlined above has improved the program and decreased costs, but there is still opportunity for continued improvement. For FY 2014, staff established the following program goals:

- Reduce total expenses.
- Reduce the number of new claims through prevention and training strategies.
- Reduce total claims inventory through timely settlement and closure of existing claims.
- Reduce lost time through the effective use of Return to Work Program strategies.
- Have at least two HR staff trained to be certified to perform ergonomic evaluations.

Decreasing incurred costs, number of claims, and lost time reflect safer practices, decreased severity of injury, and strategic case management. The Human Resources Department will continue to assess, recommend, and implement program enhancements within existing budget authority. As such, any associated operating expenses will not impact the General Fund.