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# AGENDA REPORT

**TO:** DEANNA J. SANTANA  
CITY ADMINISTRATOR

**FROM:** Andrea R. Gourdine

**SUBJECT:** Amending the Workers' Compensation  
Program Report

**DATE:** May 8, 2012

City Administrator  
Approval

Date: 5/10/12

**COUNCIL DISTRICT:** City-Wide

**SUBJECT:** Supplemental Report to Correct Tables Introduced in the Second Quarter  
Informational Report Regarding the City's Workers' Compensation Program for  
Fiscal Year 2011-12 on May 8, 2012 due to Inadvertent Error

## RECOMMENDATION

Staff recommends that the City Council accept the attached corrected pages of the Second Quarter Informational Report Regarding the City's Workers' Compensation Program for Fiscal Year 2011-12.

## OUTCOME

Acceptance of this Supplemental Report will correct errors in Tables 2, 3 and 4 of the Second Quarter Informational Report Regarding the City's Workers' Compensation Program for Fiscal Year 2011-12.

## REASON FOR SUPPLEMENTAL

The informational report introduced at Committee on May 8, 2012 contained inadvertent errors in Tables 2, 3 and 4. This supplemental provides the following corrections:

TABLE NO.	TABLE TITLE	CORRECTION
2	Indemnity (Mandated Disability Leave Benefits) Cost Analysis	Column 2, FY 2010-11 (2Q Actual) – table has been revised to correct costs for "PWA" and "All Others." Accompanying text reflects the revised percentage decrease.
3	Significant Components of Cost	Column 4, Legal – revised to correct cost for "PWA."
4	Cost Components as a Percentage of Total Cost	Line item for PWA – percentages corrected to agree with correction to Table No. 3.

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The revised tables are attached as Corrected Page 8 and Corrected Page 9.

Cost Summary/Implications

The correction to Table 2 increases the PWA and All Others costs in FY 2010-11, and therefore affects the net change in second quarter indemnity (mandated disability leave benefits) costs from FY 2010-11 to FY 2011-12. The percentage change in costs for PWA and the category of "All Others" are now decreases in the current year, rather than increases. The projected Year End expenditures for FY 2011-12 have not changed.

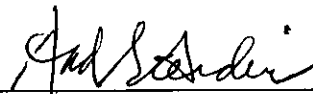
The correction to Table 3 reflects lower legal and total cost components for PWA. Table 4, which expresses the costs in Table 3 as a percentage of total cost has been revised for consistency.

SUSTAINABLE OPPORTUNITIES

There are no economic, environmental, or social equity opportunities resulting from this action.

For questions regarding this report, please contact DEBORAH GRANT, RISK MANAGER, at (510) 238-7165.

Respectfully submitted,



Andrea R. Gourdine  
Director  
Department of Human Resources Management

Prepared by:  
Deborah Grant, Risk Manager  
Risk and Benefits Division

Attachment A – *Corrected Page 8*  
Attachment B – *Corrected Page 9*

## Attachment A

*LC4850 pay refers to disability payments made to public safety mandated by Labor Code section 4850. LC4850 requires that sworn personnel who are injured on the job receive 100 percent of their salary for up to 12 months.*

- (4) **Indemnity (Mandated Disability Leave Benefits) Cost Analysis – Indemnity expenditures (LC4850 and Temporary Disability Benefits) is one of the major Workers’ Compensation costs. This cost is paid from Fund 1150 with no financial burden or responsibility placed on departments. As of December 31, 2011, the City expended \$3.7 million in Indemnity costs as compared to \$5 million during the same period last year, representing a 28 percent year-to-date decrease.**

Table 2: Disability Leave\* Costs by Department: 4850, Temporary Disability, Civilian Salary Continuation (MOU "Free Period")

Department	FY 2010-11 (2Q Actual)	FY 2011-12 (2Q Actual)	Net Change	Percentage Change	Projected Year End
Police	\$ 2,519,212	\$ 1,934,836	\$ (584,376)	-23.20%	\$ 3,869,672
Fire	1,336,492	1,235,697	(100,795)	-7.54%	2,471,393
PWA	618,109	318,312	(299,797)	-48.50%	636,624
All Others	570,402	163,159	(407,243)	-71.40%	326,318
<b>Total</b>	<b>\$ 5,044,214</b>	<b>\$ 3,652,004</b>	<b>\$ (1,392,210)</b>	<b>-27.60%</b>	<b>\$ 7,304,007</b>

\* Includes 4850, Temporary Disability, and Civilian Salary Continuation (MOU "Free Period"). It does **not** include Permanent Disability (Settlements), Death Benefits, Legal, or Medical Costs.

- (5) **Significant Components of Cost – Significant components of Workers’ Compensation cost include medical, Indemnity, and other (defense legal fees). All costs are currently paid from Fund 1150. The table below presents various cost components for the Workers’ Compensation Fund by department.**

Table 3: Cost Components (Year-To-Date FY 2011-12, 2nd Quarter): LC4850, Temporary Disability, Death, Permanent Disability / Settlements

Department	Medical <sup>(1)</sup>	Indemnity <sup>(2)</sup>	Legal <sup>(3)</sup>	Total
Police	\$ 1,454,422	\$ 5,697,026	\$ 197,003	7,348,450
Fire	1,042,728	1,827,506	91,663	2,961,897
PWA	407,387	474,033	78,147	959,567
All Others	520,094	232,692	82,006	834,792
<b>Total</b>	<b>\$ 3,424,631</b>	<b>\$ 8,231,257</b>	<b>\$ 448,819</b>	<b>\$ 12,104,707</b>

(1) Medical Costs include treatment, diagnostic testing, physical therapy, hospitalizations and prescriptions.

(2) Indemnity includes Labor Code §4850 to sworn police and fire, temporary disability, death, permanent disability (claim settlements) and Civilian Salary Continuation (MOU "Free Period").

(3) Defense legal costs

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## Attachment B

Overall, the proportion of medical and indemnity costs remained flat during the Second Quarter. Medical costs accounted for 28 percent of the total cost and Indemnity and other costs accounted for the remaining 72 percent as shown in the table below.

Table 4: Cost Components as a Percentage of Total Cost

Department	Medical as a % of Total	Indemnity as a % of Total	Other as a % of Total
Police	20%	78%	3%
Fire	35%	62%	3%
PWA	42%	49%	8%
All Others	62%	28%	10%
<b>Total</b>	<b>28%</b>	<b>68%</b>	<b>4%</b>

- (6) **Claims Analysis** – The total number of new claims (Indemnity and Medical Only) as of December 31, 2011 was 300, compared to 288 in the previous year. The following chart projects a total increase of 24 claims (4 percent) in FY 2011-12, compared to claims in FY 2010-11.

Table 5: Claims, by Department

	FY 10-11 Actual	FY 2011-12 (12/31/12)	FY 2011-12 Projected	Projected Net Change FY 2010-11 Actual - FY 2011-12 Projected	Projected % Change FY 2010-11 Actual - FY 2011-12 Projected
Police	214	138	276	62	29%
Fire	143	64	128	(15)	-10%
PWA	115	55	110	(5)	-4%
All Others	104	43	86	(18)	-17%
<b>Total</b>	<b>576</b>	<b>300</b>	<b>600</b>	<b>24</b>	<b>4%</b>

- (7) **Performance Measures for Workers' Compensation Administration** – Four measures are used to monitor the performance of how claims are administered: closing ratio, timeliness of bill payments, medical utilization review (timeliness and approval rate) and customer's satisfaction with claim administration.

- (a) **Closing Ratio** – This ratio measures how many claims are closed as compared to newly opened claims over a specific period of time. A closing ratio of greater than one is preferred and indicates that more claims are being closed than opened, thereby reducing the City's total number of open claims (and future liability). The chart below indicates continued positive progress in productivity for the three years reported.