



# AGENDA REPORT

**TO:** Steven Falk  
Interim City Administrator

**FROM:** Ian Appleyard  
Director, Human Resources  
Management

**SUBJECT:** Fiscal Year 2021-22 Workers'  
Compensation Annual Report

**DATE:** March 1, 2023

City Administrator Approval

Date: Mar 16, 2023

## **RECOMMENDATION**

**Staff Recommends That The City Council Receive An Informational Report On The Fiscal Year 2021-22 Workers' Compensation Program.**

## **EXECUTIVE SUMMARY**

This report provides expenditure and program data on the City of Oakland's Workers' Compensation Program for Fiscal Year (FY) 2021-22. The report contains comparative metrics, historical data, and selected program highlights. Please note, as will the year previous, COVID-19 associated expenses and responsibilities dominated the program's performance and cost.

## **BACKGROUND / LEGISLATIVE HISTORY**

The City of Oakland is self-insured for workers' compensation. The Human Resources Management Department (HRM) works with a contracted third-party administrator (TPA), JT2 Integrated Resources, to provide services to injured workers and manage the technical aspects of each claim. Through HRM, the TPA provides services to all City agencies and departments to ensure program compliance with mandated California Labor Code requirements.

Each year HRM provides statistical information to the City Council regarding administration of the Workers' Compensation Program. These statistics are benchmarks by which the City can measure its own performance and the overall effectiveness of the Workers' Compensation Program. HRM also uses these statistics to develop and implements program improvements. This information is contained in the 2021-22 Workers' Compensation Annual Report (**Attachment A**). Since the last report, HRM commissioned an Actuarial Analysis, as well as a Claims Management Performance Audit, to monitor and ensure continued effective administration of the program. The results of the audit/analysis are included as appendices at the end of the annual report.

## **ANALYSIS AND POLICY ALTERNATIVES**

HRM administers the Workers' Compensation Program for the City of Oakland, providing program services and support to all City agencies and departments. The attached Workers' Compensation Report provides information on the current state of the program. As described more fully in the attached report, the program statistics for FY 2021-22 include:

- Total Gross Program Expenditure was \$25,633,796  
**Up 28% since 20-21**
- Final Excess Workers' Compensation Premium was \$2,677,613  
**Up 12.5% since 20-21**
- Total number of claims was 1071  
**Up 40.55% since 20-21**
- Est. Outstanding Losses @ 50% Conf. was \$69,530,774  
**Down 5.56% since 20-21**

### ***Claims Management Performance Audit***

The annual Workers' Compensation Claims Audit overall performance rating of the Third-Party Administrator was **91.65%**. Although this is a decrease from last year's 98.08%, the overall claims handling of the TPA still "Exceeds Expectations" as measured by standards set forth in Public Risk Innovation, Solutions, and Management ("PRISM") Guidelines. While JT2's overall audit scores have constantly been high the HRM Department will continue to closely monitor and assess JT2's performance. Additionally, the HRM Department issued an RFP for TPA services in December 2022 to gauge the current market for these services.

### ***Loss Frequency***

The City experienced a large increase in overall claims. This increase is largely due to COVID-19 related claims. In prior years a majority of COVID-19 related claims were recorded as "report only" due to State mandated benefits covering time missed from work. However, as State mandated benefits were exhausted and/or expired, losses due to COVID-19 were shifted to the Workers' Compensation program. However, this is largely a change in accounting, not a change in ultimate losses to the City. The City expects claims to remain at an elevated level in the coming years unless the State legislature revisits current COVID-19 law.

**Table 1: Number of New Workers' Compensation (WC) Claims by Department  
 Fiscal Years 2019/20 through 2021/22**

Frequency	Number of Claims by Dept. FY2019-20 through FY2021-22											
	FY2019-20				FY2020-21				FY2021-22			
Department	First Aid	M.O.	Disability	All	First Aid	M.O.	Disability	All	First Aid	M.O.	Disability	All
City Administration	3	5	3	11	1	3	1	5	1	8	9	18
Police	23	68	84	175	10	78	151	239	23	99	369	491
Fire	23	65	86	174	46	52	150	248	25	54	303	382
Public Works	9	50	28	87	13	51	38	102	11	52	43	106
City Attorney	0	0	1	1	0	1	0	1	0	0	0	0
Unknown	0	0	0	0	0	0	1	1	0	0	0	0
Parks & Recreation	7	3	3	13	1	4	0	5	9	9	3	21
Library	5	6	1	12	1	6	1	8	2	6	4	12
Office of The Mayor	0	0	0	0	0	1	1	2	0	0	0	0
Human Services	0	8	7	15	0	3	0	3	0	8	8	16
Financial Mgmt	1	1	1	3	0	2	1	3	0	0	4	4
Dept. Of Info & Tech	0	0	0	0	0	1	0	1	0	0	0	0
CEDA	0	0	0	0	0	0	0	0	0	0	1	1
Housing & Comm Dev.	0	1	0	1	0	0	0	0	1	0	2	3
Planning & Bldg	0	2	0	2	0	2	1	3	0	1	1	2
Economic & Workforce Development	0	1	0	1	0	0	0	0	0	0	1	1
Department of Transportation	0	12	4	16	3	14	6	23	1	4	9	14
Totals	71	222	218	511	75	218	351	644	74	240	757	1071

HRM continues to support departments in injury reduction and accident prevention efforts by way of onsite audits/surveys, safety trainings, and program development. HRM manages programs that provide over 100 safety and wellness courses designed specifically to comply with State and Federal Occupational Safety and Health Administration (OSHA) requirements. This program supported the City-wide mandated training for prevention of sexual harassment and protected class discrimination. Training has also been widely used by the Oakland Fire Department (OFD), Oakland Public Works (OPW), and Oakland Department of Transportation (OakDOT) to deliver mandated safety trainings and continuing education trainings. HRM will continue to enhance its use and tailor the topics offered to current City needs and mandated training requirements. Additionally, HRM continues to enhance existing elements that strategically impact overall program costs. HRM's continued efforts include the following:

**Ongoing**

- Monthly disability review meetings with department representatives to discuss active claims and identify cases for investigation and/or transitional duty assignments
- Telephonic injury reporting to triage Workers' Compensation claims reporting.
- Participation in Medical Provider Network (MPN) through WellComp, a MPN sponsored by PRISM
- Ongoing examination of City's disability programs
- Continuing education
- Oakland Police Officer Association - Alternative Dispute Resolution Carve-Out
  - Approved by the Department of Industrial Relations on December 9, 2019
  - Official Start Date January 11, 2020

- Intended to improved customer service and reduce cost
- Shift in Settlement philosophy
  - Intended to address future liabilities
  - Establishes a preference for one-time permanent settlements
  - Represents a more modern approach to claims management
  - Working closely with Finance to balance annual cost vs. outstanding loss
- Continued evaluation and retooling of COVID-19 claims processing

**New Initiatives**

- Request for Proposal (issued December 2022) for TPA services (impacted by cyber-attack)
- Revaluation of the current TPA contract and associated services
- Develop and implement claims adjuster retention plan

Overall, the Workers' Compensation program facilitates all Citywide priorities by providing legally required benefits in an efficient and accessible manner to all eligible people.

**FISCAL IMPACT**

This is an informational report. It provides information and data regarding the existing program as compared to previous years. No new costs are introduced within this report. Future cost related to the Workers' Compensation program will be appropriately addressed future budget presentations.

**Table 2** summarizes the key categories of Workers' Compensation expenditures incurred by the City of Oakland.

<b>Table 2</b>	<b>FY2020-21</b>	<b>FY2021-22</b>	<b>Change</b>
Number of Claims Received	762	1388	+82%
<b>Settlements (Perm. Disability)</b>			
Settlements (Perm. Disability)	\$3,945,591	\$3,722,094	-5.66%
Temporary Disability	\$6,710,465	\$10,984,132	+63.69%
Allocated (Other Claim Costs)	\$1,453,259	\$1,687,143	+16.09%
Medical	\$5,683,670	\$7,424,083	+30.62%
Admin. Expenses	\$2,617,189	\$2,645,476	+1.08
Contributions – Excess Ins.	(316,153)	(829,132)	+162%
<b>Total Expenditures</b>			
<b>Total Expenditures</b>	<b>\$20,094,020</b>	<b>\$25,633,796</b>	<b>+27.57%</b>
<b>Future Liability</b>	<b>\$73,623,698</b>	<b>\$69,530,774</b>	<b>-5.56%</b>

The primary expenditures in the City's Workers' Compensation program are are medical, permanent and temporary disability, and allocated (other claim costs) payments. Of these primary expenditures, disability payments are generally the City's largest expense. Temporary disability payments are impacted by Labor Code 4850 payments, which allow sworn employees to receive up to a full year of salary, tax-free, upon a doctor's order to stay off work. Temporary disability payments are also impacted by City Policies which include similar payments for non-sworn employees, but generally for only 60 days.

Additional discussion regarding the expenditures listed above and control factors are included in the attached report.

**Table 3: Estimated Future Liability by Dept – Total Incurred**

<b>Department</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
City Administration	\$6,808	\$28,529	\$46,643
City Attorney	-	-	-
Clerk's Office	-	-	-
Dept. of Info & Tech	-	-	-
Finance	-	-	\$65,533
Fire Department	\$2,014,466	\$3,394,267	\$2,733,793
Housing and Comm Dev.	\$6,633	-	-
Human Services	\$121,939	\$9,000	\$145,806
Library	\$7,671	\$4,810	\$76,073
Parks and Recreation	\$49,892	\$4,025	\$4,324
Planning and Building	\$5,065	\$27,299	-
Police Department	\$1,592,154	\$2,134,758	\$2,837,533
Public Works	\$494,107	\$571,823	\$345,699
Department of Transportation	\$40,115	\$79,025	\$79,226
<b>Total Incurred</b>	<b>\$4,365,850</b>	<b>\$6,265,087</b>	<b>\$6,359,616</b>

The estimated future liabilities of claims are measured for the life of the claim which may last many years. Workers' Compensation regulations require the employer be held responsible for all medical expenditures related to a work-related injury or illness. Employers are also responsible for a period of lost wages (indemnity) and for compensating the injured employee should their injury have a permanent impact on their ability to work (indemnity/permanent disability). We estimate the future liabilities actuarially for each claim to anticipate the future financial burden placed on the City.

**PUBLIC OUTREACH / INTEREST**

There are no public outreach opportunities associated with this report further than the required publication on the City's website.

### **COORDINATION**

Development of this report was coordinated with internal staff in HRM, City Attorney's Office, and City Administrator's Office.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** There are no economic opportunities associated with this report.

***Environmental:*** There are no environmental opportunities associated with this report.

***Race & Equity:*** There are no social equity opportunities associated with this report.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Receive An Informational Report On The Fiscal Year 2021-22 Workers' Compensation Program.

For questions regarding this report, please contact ANDREW LATHROP, HRM MANAGER – Risk and Benefits, at (510) 238-7165.

Respectfully submitted,



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IAN APPELYARD  
Director/Human Resources Management  
Department

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Department

Attachment (1):

A: FY 2021-2022 Workers' Compensation Annual Report