



CITY OF OAKLAND

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AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Andrea R. Gourdine

SUBJECT: Workers' Compensation Program Report

DATE: October 1, 2012

City Administrator
Approval

Date:

10/10/12

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff requests that Council accept this Fourth Quarter Informational Report Regarding the City's Workers' Compensation Program for Fiscal Year 2011-12.

EXECUTIVE SUMMARY

In a continuing effort to provide the Council with regular updates on the City's Workers' Compensation Program, the Risk and Benefits Division submits this informational report on the Workers' Compensation program for Fiscal Year 2011-12 (ending June 30, 2012).

This report presents detailed information in the following areas:

- Costs associated with each City Department's Workers' Compensation Expenditures;
- Significant components of Workers' Compensation costs such as Medical, Indemnity and Disability Leave supplemental payments;
- City Departments that have the highest number of claims;
- Performance measures of the Workers' Compensation Third Party Administration;
- The City's efforts to control costs and reduce claims; and
- An update on educational summits for departmental workers' compensation coordinators and Human Resource representatives.

OUTCOME

Acceptance of this Informational Report will provide updated Workers' Compensation Program activities and statistics as of June 30, 2012.

Item: _____
Finance & Management Committee
October 23, 2012

BACKGROUND/LEGISLATIVE HISTORY

The Risk and Benefits Division (RBD) of the Department of Human Resources Management has been directed to provide quarterly updates on the City's Workers' Compensation Program. This report contains information through the end of FY 2011-12 (as of June 30, 2012).

The content of this report transmits information related to cost controlling measures and claims at the department level during the past fiscal year. An overall program reduction of 12% was experienced at the conclusion of FY 2011-12. Since the last fiscal year, medical expenses have increased approximately 6%. This increase is attributable to the addition of services to enhance the City's Workers' Compensation Program which targets the program's primary goals: 1) immediate claim reporting and appropriate initial injury care for the injured worker; and 2) ensuring that injured workers performing transitional work assignments ("light duty") do not exacerbate their work injuries or perform tasks that will impede their recovery. The enhanced services involve the utilization of two sub-vendors contracted by the City's Third Party Administrator. These contractors are:

- 1) **Professional Dynamics, Inc.(PDI):** 24-hour/7 days-a-week nurse call line for claim reporting and injury triage and referrals for care.
- 2) **Norman Peterson and Associates (NPA):** Return-to-Work specialists charged with getting medical work restrictions from employee doctors. Doctors are not legally required to provide medical work restrictions. NPA provide examples of the transitional assignments available for the employee's doctor to review. In addition, NPA reassures the doctors that the City of Oakland is prepared to provide medically appropriate work assignments during the employee's recovery.

During FY 2011-12, indemnity/salary expenses declined by 31% and allocated expenses declined by 3%. Further contributing to the program expense reduction is a one-time insurance recovery of \$2.1 million largely related to the 2009 police officer shootings.

The number of Indemnity claims filed by employees has trended down from 403 in FY 2008-09 to 326 in FY 2011-12, reflecting a reduction of 24% over three years.

The average number of indemnity claims per 100 employees increased from 8.24 Indemnity claims per 100 employees in FY 2008-09 to 8.68 Indemnity claims per 100 employees in FY 2011-12.

ANALYSIS

The following section compiles Workers' Compensation statistical information for FY 2011-12 (ending June 30, 2012).

A. Return-to-Work Program Participation

Prior to July 1, 2011, Departments had not been held financially responsible for the burden their injured employees place on the City's overall Workers' Compensation Program. All expenditures related to Workers' Compensation had been financed solely from Fund 1150 in a non-departmental account, which provided little to no incentive to department directors, managers or employees to make reasonable efforts to reduce their department's cost burden on the \$22 million program. With reduced budgets and work force, the little incentive they had dwindled as departments sought alternative sources of funding for their employee payroll and overhead.

The cost factor within the Workers' Compensation Program that is most directly impacted by the department's lack of incentive is the Indemnity expenditures. The increase in Indemnity/Salary Supplement payments was driven by a marked increase in temporary disability days related to a corresponding decrease in departmental participation in the City's Return-to-Work Program.

By making departments more accountable for the program expenditures they can directly influence, the City creates a larger incentive to departments to expend more effort in reducing their burden on the Workers' Compensation Program. Actions have been taken to influence the departmental incentive to reduce their burden on the Indemnity costs.

Post Work Restriction Funding: Effective July 1, 2011, the City changed how injured employees are funded after receiving work restrictions from their physician. Departments are now financially responsible to fund employees with work restrictions directly from their department payroll budget. This provides an incentive for departments to return employees to transitional duty more quickly since employees with restrictions are no longer paid through Fund 1150. Complementing this funding change are modifications made to the Return-to-Work Program and resources made available to departments to assist with the implementation of the program. It is expected that the program will provide a needed stimulus to engage departments in more proactive workers' compensation control measures.

This reduced participation is reflected in the decline of Transitional Assignment Days worked by injured employees between FY 2008-09 to FY 2010-11. The table below shows first year loss data specific to Transitional Assignment Days and Lost Work Days for claims with a date of injury in the same fiscal year. (This differs from the chart in Section (B)(1), on page 5 of this report, which captures *all* temporary disability days incurred in a fiscal year, regardless of the date of injury.) A dramatic change in

the participation rate can be seen after the modifications to post-work restriction funding were implemented in FY 2011-12.

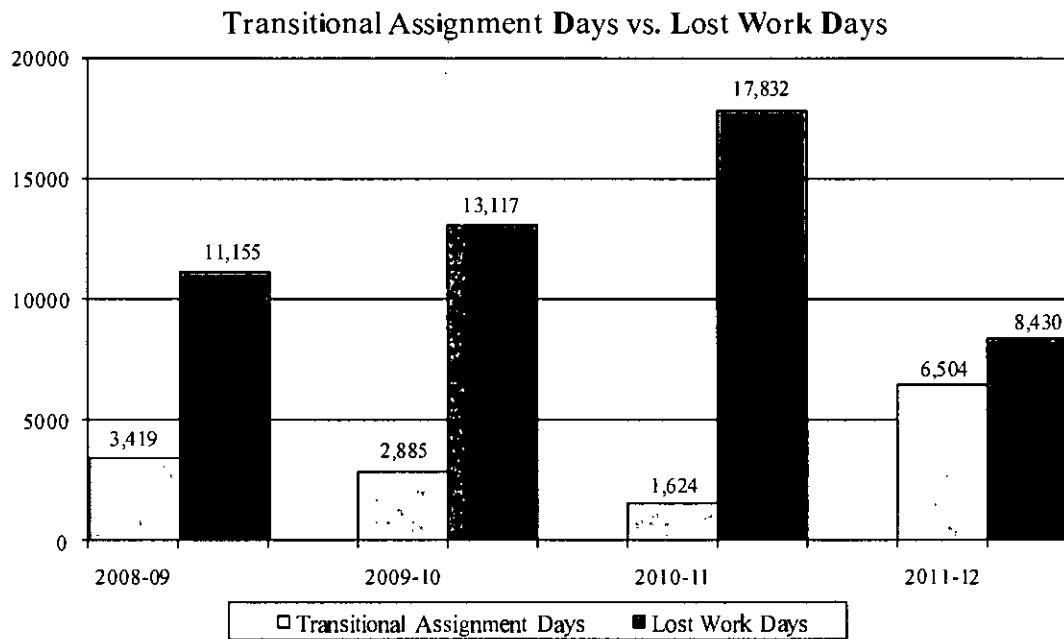


Chart t

As a result of the increased participation in the Return-to-Work Program and funding changes, considerable expense was deferred away from the Workers' Compensation program. The following chart reflects program costs avoided due to transitional duty for FY 2009-10, 2010-11, and FY 2011-12:

	FY 2009-10	FY 2010-11	FY 2011-12
Transitional Duty Cost Avoidance (City-Wide)	\$ 1,054,855	\$ 1,326,794	\$ 4,605,285

More detailed information (compiled by Police Department, Fire, Public Works Agency, and All Other) is appended to this report as **Attachment B**.

B. Workers' Compensation Program Statistical Information

This section provides information specifically requested by Council as well as other information meant to provide additional insight into how the Workers' Compensation Program is funded and monies expended.

(1) Average time employees are out on Workers' Compensation

The chart below captures *all* temporary disability (TD) days incurred in a fiscal year, regardless of the date of injury. (This differs from Chart 1, on page 4 of this report, which captures Lost Work Days for claims with a date of injury in the same fiscal year.) The number of TD days decreased significantly since FY 2010-11, returning to a level below that of three years ago.

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Open Indemnity Claims (All Years)	697	646	686	631
Total TD Days (All Open and Closed)	22,463	28,023	38,031	26,693
Average TD Days per Claim	32.23	43.38	55.44	42.30
Percent Change from Prior Year	--	25%	36%	-30%

(2) Percentage of employees out on Workers' Compensation for more than 12 months:

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Total Number of City Employees (FTE)	4,288	4,124	3,950	3,755
Number of Employees on Long-Term WC leave (12 months or more)	17	21	12	12
Percentage of Employees on Long-Term WC Leave	0.40%	0.51%	0.30%	0.32%
Percentage Change from Prior Year	--	28%	-40%	5%

In some cases, depending on the severity, Workers' Compensation strategies for long-term absence cases involve moving cases to closure and assisting employees with the job reassignment as required under the California Fair Employment and Housing Act (FEHA) and/or the disability retirement process, as appropriate. This usually occurs once a case reaches the point where the employee has permanent medical restrictions and it has been determined that the employee can no longer perform the essential functions of his/her job classification, with or without accommodation. Depending on the severity of the injury, it may take more than 12 months for this determination to be made. Until this stage is reached, the City is obligated to continue working with the employee and his/her medical provider in reluming them to full functionality in their designated job classification.

Long-Term Workers' Compensation Leave Costs

The following table provides information about the financial impact of Workers' Compensation cases, where the employee has been absent from work for one year or more during FY 2011-12.

DOI	Claim No.	Department	Job Class	Totals PAID Through 6/30/12	Total INCURRED Expenses Through 6/30/12	Status
08/26/08	808002081	OFD	Fire Fighter	\$242,958.13	\$361,605.30	Retirement pending
07/22/11	110700133	OFD	Fire Fighter	\$87,351.01	\$151,436.00	Retirement pending
03/19/10	1003000505	OFD	Fire Fighter	\$409,621.76	\$893,622.00	AME Exam
07/12/10	1007001409	OFD	Fire Fighter	\$168,008.82	\$371,573.81	Panel QME Exam
03/29/10	1003000626	OFD	Captain	\$138,922.21	\$180,041.92	AME Re-Exam
08/31/10	1008001950	OFD	Fire Fighter Paramedic	\$210,721.10	\$266,129.96	Awaiting AME Re-Exam
05/24/11	110500253	OPD	Police Officer	\$141,929.24	\$274,106.00	QIW, PERS Retirement Pending
06/02/11	110600018	OPD	Police Officer	\$109,279.37	\$171,442.54	PERS Retirement Hearing
04/12/11	110400086	OPD	Sergeant	\$134,149.22	\$171,187.60	Off work, awaiting A/A AME agreement to address issues
10/05/10	101000240	OPD	Sergeant	\$116,292.05	\$200,454.00	QIW/PERS Retirement Pending
10/06/10	101000014	PWA	Maintenance Worker II	\$84,710.06	\$166,644.30	Surgery Pending
08/06/10	1008001619	PWA	Gardener II	\$85,696.52	\$151,199.85	Surgery Pending

- (3) **Workers' Compensation Program Utilization by Department --** While Workers' Compensation continues to be financed through Fund 1150, the Risk and Benefits Division tracks the usage of the fund by department. This provides the Administration with a clearer picture of where the Workers' Compensation Funds are being expended and equip departments with information to assist in developing loss control strategies.

According to the Budget Office, Workers' Compensation Funds have been allocated as shown below for the past three fiscal years. This represents the monies set aside for each department to fund the Workers' Compensation Program:

**WORKERS' COMPENSATION
 BUDGET APPROPRIATIONS TO FUND 1150**

	FY 2009-10	FY 2010-11	FY 2011-12
01 -- Mayor	\$ 60,705.96	\$ 32,692.53	\$ 30,128.28
02 -- City Council	\$ 116,982.78	\$ 63,904.30	\$ 64,417.92
03 -- City Administrator	\$ 259,279.37	\$ 173,056.90	\$ 167,741.27
04 -- City Attorney	\$ 371,456.07	\$ 226,428.71	\$ 218,595.65
05 -- City Auditor	\$ 35,977.69	\$ 23,628.21	\$ 26,809.48
06 -- City Clerk	\$ 33,582.01	\$ 25,174.80	\$ 24,645.39
07 -- Human Resources	\$ 156,659.95	\$ 100,154.16	\$ 94,899.87
09 -- Office of Communication and Information Services	\$ 328,865.96	\$ 191,075.63	\$ 181,032.48
10 -- Finance and Management Agency	\$ 574,565.50	\$ 381,683.74	\$ 433,250.26
11 -- Police Services Agency	\$ 10,206,540.47	\$ 8,647,464.16	\$ 6,800,907.17
12 -- Fire Services Agency	\$ 6,869,761.16	\$ 6,897,298.35	\$ 7,088,383.14
14 -- Library	\$ 397,346.77	\$ 272,367.02	\$ 387,719.56
15 -- Office of Parks and Recreation	\$ 249,494.29	\$ 173,718.16	\$ 297,372.04
16 -- Department of Human Services	\$ 544,894.45	\$ 395,453.11	\$ 361,975.06
17 -- Public Works Agency	\$ 1,435,392.65	\$ 1,273,012.36	\$ 1,491,320.93
18 -- Community and Economic Development Agency	\$ 1,472,915.08	\$ 641,176.68	\$ 633,079.23
Total Accruals	\$ 23,114,420.16	\$ 19,518,288.82	\$ 18,302,277.73

In Fiscal Year 2011-12, the City expended total of \$22.2 million in Fund 1150 for Workers' Compensation costs compared to \$25.3 million in FY 2010-11. The following tables present components of the program expenditures, by department. (More detailed information, including third-party recoveries and administrative expenditures, is appended to this report as *Attachment A*.)

Table 1, below, shows detailed operating costs, by department, for Indemnity/Settlement, Indemnity/Salary, Medical, and Allocated expenses. Indemnity/Settlement costs include permanent disability, applicant attorney fees, death benefits, and life pensions. Indemnity/Salary includes temporary disability, MOU benefits (non-sworn), and LC 4850. Allocated expenses include costs for rehabilitation, investigative, legal defense, and Labor Code 10% penalties.

Table 1:

Department	FY 2010-11	Adopted W/C Budget (FY 2011-12)	FY 2011-12
Police	\$10,885,351	\$6,800,907	\$12,421,701
Fire	6,965,379	7,088,383	5,619,375
PWA	1,943,992	1,491,321	2,057,114
All Others	2,608,443	2,921,666	1,740,049
Subtotal	\$22,403,164	\$ 18,302,277	\$21,838,239
Subrogation / Insurance Recoveries	(340,184)		(2,411,517) *
Operating Cost Total	\$22,062,980	\$18,302,277	\$19,426,722

*In the first quarter of FY 2011-12, final settlements related to the 2009 Police Officers Deaths claims were received in the amount of \$1,840,631. The City was reimbursed for this some amount by our Insurance Pool, CSAC-EIA, since the City was covered by Excess Workers' Compensation when these claims were filed in 2009.

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 June 30, 2012, the City expended \$6.9 million in Indemnity costs as compared to \$10.1 million in Fiscal Year 2010-11, representing a decrease of 31 percent.

Table 2: Disability Leave Costs by Department: Includes indemnity/salary: temporary disability, MOU benefits (non-sworn), and 4850 (sworn).

Department	FY 2010	FY 2011-12	Net Change	Percentage Change	Projected Year End
Police	\$ 5,038,423	\$ 3,896,359	\$ (1,142,064)	-22.67%	\$ 3,869,672
Fire	2,672,983	2,220,446	(452,537)	-16.93%	2,471,393
PWA	1,236,218	602,754	(633,464)	-51.24%	636,624
All Others	1,140,804	206,991	(933,813)	-81.86%	326,318
Total	\$ 10,088,428	\$ 6,926,550	\$ (3,161,878)	-31.34%	\$ 7,304,007

- (5) **Significant Cost Components** – In addition to Disability Leave, significant compensation costs are medical (treatment, diagnostic tests, prescriptions hospitalization and medical management), and allocated (rehabilitation, investigative, and legal defense). All of these costs are currently paid from Fund 1150. The table below presents various cost components for the Workers' Compensation Fund by department.

Table 3: Significant Cost Components: Medical and Allocated Costs (rehabilitation, investigative, legal defense and Labor Code 10% penalties).

Department	Medical	Allocated Costs	Total
Police	\$ 3,027,356	\$ 593,135	3,620,491
Fire	2,015,615	302,026	2,317,641
PWA	796,222	192,898	989,120
All Others	969,739	335,708	1,305,447
Total	\$ 6,808,933	\$ 1,423,767	\$ 8,232,700

- (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

Of these significant cost components, medical costs accounted for 83 percent of the total cost, while allocated costs accounted for the remaining 17 percent as shown in the table below.

Table 4: Significant Cost Components as a Percentage of Total

Department	Medical as a % of Total	Allocated Costs as a % of Total
Police	84%	16%
Fire	87%	13%
PWA	80%	20%
All Others	74%	26%
Total	83%	17%

- (6) **Claims Analysis** – The total number of new claims (Indemnity and Medical Only) as of June 30, 2012 was 520, compared to 576 in the previous year.

Table 5: Claims, by Department

	PY 10-11 Actual	FY 2011-12 Projected	FY 2011-12 Actual	Net Change FY 2010-11 Actual - FY 2011-12 Actual	Percentage Change FY 2010-11 Actual - FY 2011-12 Actual
Police	214	276	236	22	10%
Fire	143	128	115	(28)	-20%
PWA	115	110	84	(31)	-27%
All Others	104	86	85	(19)	-18%
Total	576	600	520	(56)	4%

Dashboard Reports: Working with the City's Workers' Compensation Third Party Administrator, Risk and Benefits has developed Dashboard reports which will provide departments an annualized snapshot of injury data. Currently, OSHA injury statistics are provided to departments on a monthly basis, at monthly Safety meetings.

While the monthly OSHA reports provide a snapshot of the injuries that occur each month, OSHA reports are summary, not detailed information. Dashboards will provide a department level overview of the nature of the injuries, and the body parts being injured and allow departments to better focus their safety training efforts.

Additionally, the Dashboard reports have been set up to collate the injury data over a 6 month period, as well as provide departments a breakdown of the types of their open claims.

A Dashboard report for the City, as a whole, is attached as Exhibit C. Dashboard reports for the Police Department, Fire Department, Public Works Agency and All Other Departments are attached as Exhibits D through G.

- (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 four years reported:

Claims Productivity Ratio by Fiscal Year

FY Ending	# Claims Closed	# Claims Opened	Productivity Ratio
2009	829	650	128%
2010	812	592	137%
2011	701	568	123%
2012	634	598	106%

(b) **Timeliness of Bills Payment** - This measure monitors the timeliness with which bills are being paid. In FY 2011-12, a total of 18,842 bills were received by the City of Oakland. They were paid according to the timeline below:

- 100 percent were paid within the statutory timeframe of 60 days
- 99.96 percent were paid within 30 days
- 90 percent were paid within 15 days

(c) **Medical Utilization Review** - This measures the approval rate of the requests for medical treatments under the State's Medical Utilization Review (UR) Program, and the timeliness with which requests are addressed and the UR outcomes. In FY 2011-12 there were 1,107 UR referrals:

- 100 percent of UR referrals were reviewed with a decision rendered on a timely basis, as required by the State (within 5–14 days, depending on the need for additional information from the provider.)
- 44 percent of the UR referrals were initially approved.
- 56 percent of the UR referrals were initially denied, modified, or withdrawn from the UR process (63 percent Denied/37 percent Modified).
- 7 percent of the UR referrals that were initially denied were appealed. 56 percent of those were upheld, and 44 percent were reversed or modified.
- Ultimately, 60 percent of the UR referrals were approved or modified.

(d) **Fraud Investigations** - The table below provides the information regarding investigation activity through FY 2011-12.

Total Claims Filed	Surveillance	Field Investigation	SIU Referral	Background	FTP Visit, DMI, Med Canvass	Fraud Referral (FD-1) Submission	Denied Claims
520	31 (6%)	2 (.38%)	6 (1%)	11 (2%)	5 (1%)	2 (.38%)	130 (25%)

Fraud investigations are a sequence of three activities. *Surveillance* activities include observation of individuals, without contact with the subject. *Field*

Investigations are a progression of surveillance activities, and involve the taking of statements from the subject and from others. A *Fraud Referral* is the final step taken, when a case meets the standard for fraud set by the District Attorney.

Program Description

The remainder of this section provides updated information on educational and cost-containment efforts undertaken this past quarter.

- A. **Utilization of Agreed Medical Examinations (AME) as a tool to resolve Workers' Compensation claims:** An Agreed Medical Examinations (AME) is a tool approved by the State of California as a method of seeking third opinion resolutions on disputed medical cases. It is used predominately in cases where the employee's treating physician and the employer's physician are not in agreement on the severity of injury and permanent disability caused by the injury. When such disagreement exists, either party (employee or employer) have the option to invoke an Agreed Medical Examination. However, the examination cannot go forward unless both parties agree to the need for the exam. Additionally, the State of California requires that the injured worker have legal representation to qualify for an AME. If the employee does not have legal counsel, the City cannot require the employee to participate in the AME process.

The physician selection process is managed by the State of California. When a request for an AME has been received, the State will provide a "panel list" of physicians for the two parties to select from for the examination. The State of California establishes the panel and frequently there is a waiting list of several months for an examination appointment to be obtained due to the number of backlogged disputed workers' compensation cases within the State

The City of Oakland relies heavily on AMEs to bring resolution to a number of our workers' compensation cases. The table below provides information on the number of AME and QME (Qualified Medical Examination) processes that have been utilized for the period FY 2008-09 through 2011-12. In addition, the table reflects the number of cases settled on the basis of the opinion of the employee's Primary Treating Physician (PTP):

City of Oakland Medical - Legal Statistics

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Number of Claims Settled	212	277	157	322
AME (Agreed to Medical Examination)	118	161	106	258
PTP (Primary Treating Physician)	35	50	24	42
Panel QME (Employee Unrepresented by Attorney)	25	38	14	13
QME (Employee Represented by Attorney)	19	13	7	6
Other (Death or other decision/action)	15	15	6	2

B. **Critical Case Review Team Update:** Seeking new and creative solutions to the City's most tractable and legally complex workers' compensation claims, the first Critical Case Review (CCR) Team meeting was held on May 29, 2012.

The Risk and Benefits Division brought together representatives from the City's Workers' Compensation Third Party Administrator, return to work specialists, a workers' compensation legal expert, the City's Disability Benefits Coordinator and the City's Risk Manager.

At this meeting, the most effective meeting interval, and the criteria for selection of the cases to be reviewed was established. It was established that quarterly meetings would best serve the objectives of the CCR and the claim selection criteria include cases where:

- the incurred (paid and reserved) amount is over \$375K (this is the same dollar trigger for the City's excess insurance reporting purposes);
- one employee has 3 or more "active" claims
- employees have been off work >365 days, and no medical work restrictions have been provided by the doctor; instead the doctor has the employee completely "off work";
- the employee has been on transitional assignment ("light duty") for > 1 year.

Using this criteria, JT2 staff is tasked to submit a list of claims, and current claim status for review at the next CCR meeting, to be scheduled for October 2012.

C. **Workers' Compensation Fiscal Review Committee:** Fiscal management of the Workers' Compensation Program is vital to controlling and mitigating the various cost drivers associated with the Program. Each quarter, the Risk and Benefits Division and executives with the City's Third Party Administrator meet to analyze the expenditure activities from the previous quarter to strategize on program adjustments that would further contain costs. It is through these quarterly meetings that many of the program changes made throughout the year are initially conceptualized.

- D. **Legislative Opportunity:** The City's Risk Management team, in collaboration with other Bay Area public entities, has identified a rise in Temporary Disability costs, specifically LC4850. This group of cities/counties, along with defense attorneys and our TPA, formed a committee to develop new legislation that would require all doctors to provide restrictions/abilities of their patients. This information would allow employers to determine if they could safely provide modified duties to their injured workers and bring them back to gainful employment. It has been medically proven that bringing an injured worker back to work promotes the healing process, increases morale of the organization, and reduces employer costs.

The committee continues to work together in an effort to provide knowledge to the medical community and to strengthen the relationships between our medical providers and the Northern California cities and counties to promote safe and healthy return to work. We have reached out to many local medical providers, and different medical associations and groups providing education on the benefit of return to work with increased success.

- E. **Authorized Position within OPD:** In the mid-cycle budget process, Council authorized OPD staffing a position that would be dedication to perform department level workers' compensation coordination and analysis. As of the writing of this report, OPD has made a conditional job offer to a candidate for the position of WC Specialist. The candidate is currently in background status. Staff anticipates a start date by the end of October or the first week of November. The candidate will analyze trends and patterns related to industrial injuries in order to implement the strategies described in the supplemental report that went to the Finance Committee.
- F. **Departmental Access to online Workers' Compensation Reports:** Working in collaboration with our Third Party Administrator, Risk Management has developed an online platform that will enable departments to access workers' compensation statistical data for their individual departments. This platform will be piloted with OPD, PWA and OFD with eventual roll-out to all departments. It is anticipated that orientations will be provided in the fall/winter of 2013 to key department personnel to test the integrity of the database system and protection of confidential medical information of individual employees.

PUBLIC OUTREACH/INTEREST

This item did not require any additional public outreach other than the required posting on the City's website.

COORDINATION

This informational report has been reviewed by the City Attorney's Office and the Budget Office.

FISCAL/POLICY ALIGNMENT

The administration of the Workers' Compensation Program supports the City Council's goal to develop a sustainable city through the development and implementation of sound financial management policies and procedures.

COST SUMMARY/IMPLICATIONS

Compared to FY 2010-11, the overall cost of the Workers' Compensation Program in FY 2011-12 was \$22,165,900, a decrease of 12 percent from the year before. Expenditures were lower in all indemnity/salary categories by 31 percent, with the greatest decrease in Temporary Disability payments in the form of LC4850 Pay to Oakland Police Department and Oakland Fire Department sworn employees (-\$2,601,124), MOU Salary Supplement Pay (-\$282,668) and Temporary Disability Pay (-\$278,086). However, these reduced expenditures were offset by increases in Permanent Disability expenses of \$1,733,390 (a 35 percent increase), and Medical expenses of \$415,065 (a 6 percent increase).

LC4850 pay refers to disability payments made to public safety personnel 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.

Of the Temporary Disability payments listed above, only one – Salary Supplement Pay – is not mandated by the State of California Labor Code. **Salary Supplement Pay** is a negotiated benefit where eligible employees receive a supplemental payment in addition to the mandated Temporary Disability payment. This supplemental payment, when combined with the Temporary Disability payment, results in the employee receiving 100 percent of their regular pay. Other than by Memorandum of Understanding (MOU), the City has no obligation to extend this benefit to City employees.

Attachment A – Workers' Compensation Expenditures Report provides a breakdown Labor Code and MOU driven payments made to, and on behalf of injured workers FY 2008-09 through FY 2011-12.

Indemnity/settlement includes settlements, applicant attorney fees, death/survivor benefits, and life pensions, provided following career ending injuries.

Indemnity/salary includes Labor Code mandated "temporary disability" (non-sworn), 4850 "full pay" (sworn), and MOU benefits (non-sworn).

Medical includes treatment, prescriptions, hospitalization and medical management.

Allocated expenses are listed as individual line items on Attachment A: rehabilitation, investigative, legal defense, and Labor Code mandated 10% penalties. The 10% penalty must be attached to any indemnity/settlement, indemnity/salary or medical payment issued beyond the time limits for payment established by the Labor Code.

Since implementing changes to how employees eligible for transitional assignments are funded, the City has experienced a reduction in Indemnity/Salary Supplement costs of approximately \$3,161,878 (-31 percent); however, it should be noted that this reduction is largely a transfer of funding sources and does not result in an overall savings to the City. The intent of this funding change is to allocate financial responsibility on the department of the injured employee to promote more proactive participation in injury prevention strategies and the return to work process. Staff will continue to track and report on projected/actual cost reductions in the upcoming months.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

This is a recurring informational report to be provided on a quarterly basis.

SUSTAINABLE OPPORTUNITIES

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

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


Social Equity: There are no social equity opportunities associated with this report.

CEQA

This report is not a project under CEQA.

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 – Workers' Compensation Expenditures Report (FY 2008-09 through FY 2011-12)*
- Attachment B – Return-to-Work Program Savings FY 2009-10 through FY 2011-12)*
- Attachment C – City of Oakland Dashboard (City-wide)*
- Attachment D – City of Oakland Dashboard (OPD)*
- Attachment E – City of Oakland Dashboard (OFD)*
- Attachment F – City of Oakland Dashboard (PWA)*
- Attachment G – City of Oakland Dashboard (All Other Departments)*

ATTACHMENT A

Workers' Compensation Expenditures Report FY 2008-09 through FY 2011-12

Attachment A provides a breakdown of Labor Code and MOU driven payments, to and on behalf of injured workers.

Indemnity/settlement includes settlements, applicant attorney fees, death/survivor benefits, and life pensions resulting from career ending injuries.

Indemnity/salary includes Labor Code mandated "temporary disability" (non-sworn), 4850 (sworn), and MOU benefits (non-sworn salary supplements).

Medical includes medical management, treatment, prescriptions, and hospitalization.

Allocated expenses are listed individually on attachment A, and are self-explanatory, except for the Labor Code mandated 10% penalty. This penalty must be attached to any indemnity/settlement, indemnity/salary or medical payment issued beyond the time limits for payment set by the Labor Code.

	2008-09	2009-10	2010-11	2011-12	Percentage Change (2010-11 to 2011-12)
OPERATIONS EXPENDITURES					
INDEMNITY / SETTLEMENT					
Permanent Disability	\$ 4,567,441	\$ 5,036,106	\$ 4,939,738	\$ 6,673,128	35%
INDEMNITY / SALARY					
<u>Non-4850</u>					
Temporary Disability	\$ 1,045,350	\$ 1,371,942	\$ 1,750,928	\$ 1,472,842	
MOU Benefits/non-sworn	\$ 428,485	\$ 526,605	\$ 626,094	\$ 343,426	
Total Non-4850 Pay	\$ 1,473,835	\$ 1,898,547	\$ 2,377,022	\$ 1,816,268	-24%
<u>4850/sworn</u>					
OPD - 4850 Pay	\$ 1,726,011	\$ 2,654,322	\$ 5,038,423	\$ 3,162,991	
OFD - 4850 Pay	\$ 2,677,212	\$ 3,104,530	\$ 2,672,983	\$ 1,947,291	
Total 4850 Pay	\$ 4,403,223	\$ 5,758,852	\$ 7,711,406	\$ 5,110,282	-34%
Subtotal – Indemnity / Salary	\$ 5,877,058	\$ 7,657,399	\$ 10,088,428	\$ 6,926,550	-31%
MEDICAL	\$ 6,310,839	\$ 6,346,345	\$ 6,393,868	\$ 6,808,933	6%
ALLOCATED					
Rehabilitation	\$ 88,391	\$ 23,955	\$ 34,391	\$ 30,272	
Investigative Claims Expense	\$ 443,300	\$ 403,961	\$ 468,595	\$ 443,173	
Legal Defense	\$ 1,023,725	\$ 1,180,255	\$ 953,583	\$ 942,854	
Labor Code 10% Penalties	\$ 18,587	\$ 7,864	\$ 8,568	\$ 7,468	
Subtotal – Allocated	\$ 1,574,003	\$ 1,616,035	\$ 1,465,137	\$ 1,423,767	-3%
SUB-TOTAL OPERATIONS EXPENDITURES	\$ 18,329,341	\$ 20,655,885	\$ 22,887,171	\$ 21,832,378	
THIRD PARTY RECOVERY - REFUNDED TO CITY	\$ (329,531)	\$ (821,953)	\$ (340,184)	\$ (2,411,517)	
TOTAL OPERATIONS EXPENDITURES	\$ 17,999,810	\$ 19,833,932	\$ 22,546,987	\$ 19,420,861	-14%
ADMINISTRATIVE EXPENDITURES					
Claims Administrator Contract	\$ 2,082,888	\$ 2,112,868	\$ 2,162,655	\$ 2,162,655	
Bill Review Expense	\$ 582,384	\$ 582,384	\$ 582,384	\$ 582,384	
SUBTOTAL – ADMINISTRATIVE EXPENDITURES	\$ 2,665,272	\$ 2,695,252	\$ 2,745,039	\$ 2,745,039	0%
TOTAL WORKERS' COMPENSATION EXPENSE	\$ 20,665,082	\$ 22,529,184	\$ 25,292,026	\$ 22,165,900	-12%

ITEM: _____

ATTACHMENT B

City of Oakland

Return-to-Work Program for Fiscal Year 2012

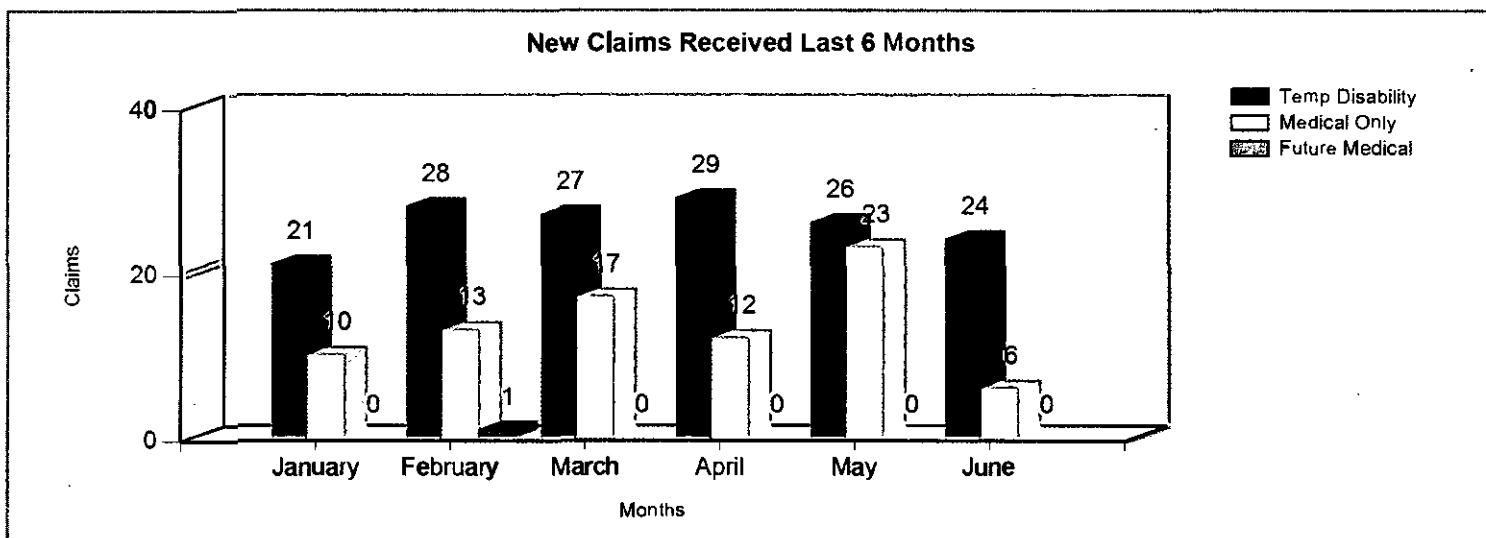
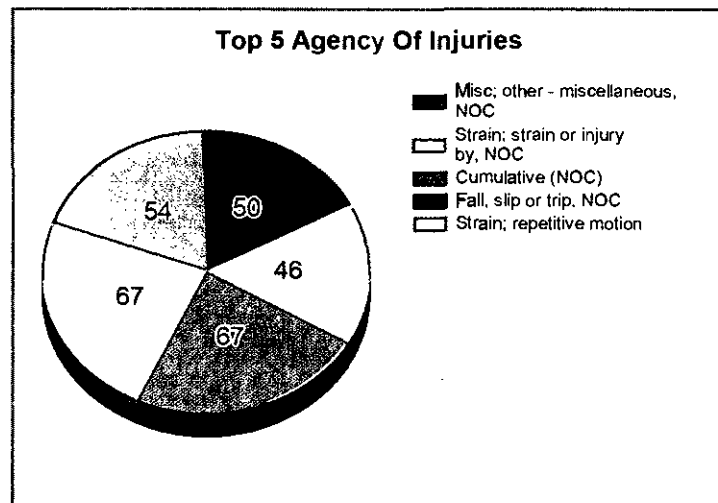
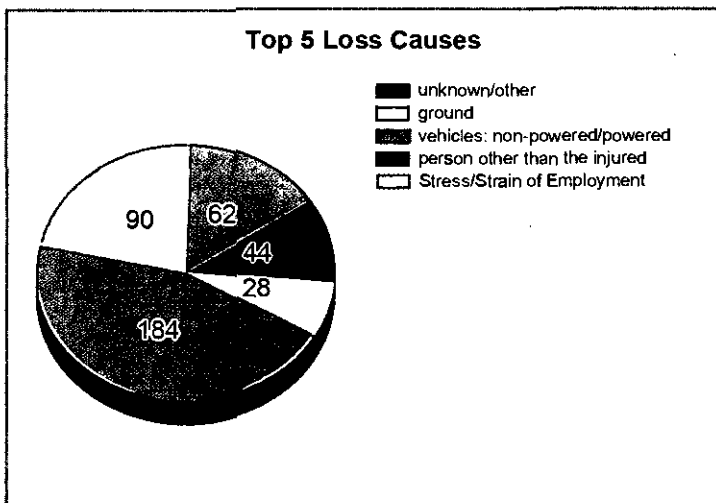
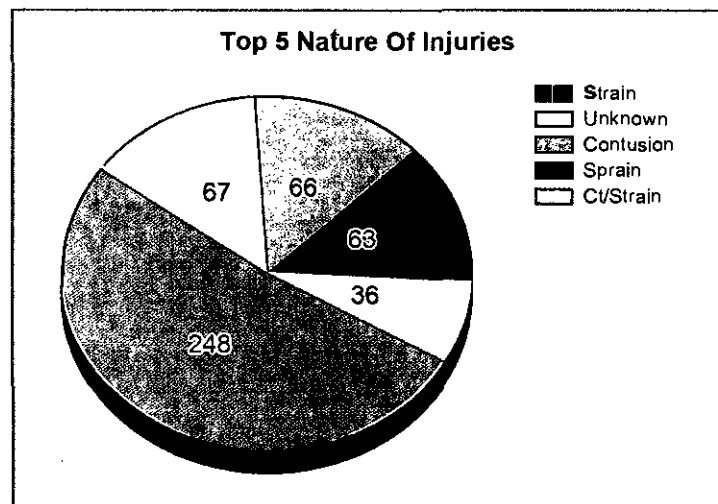
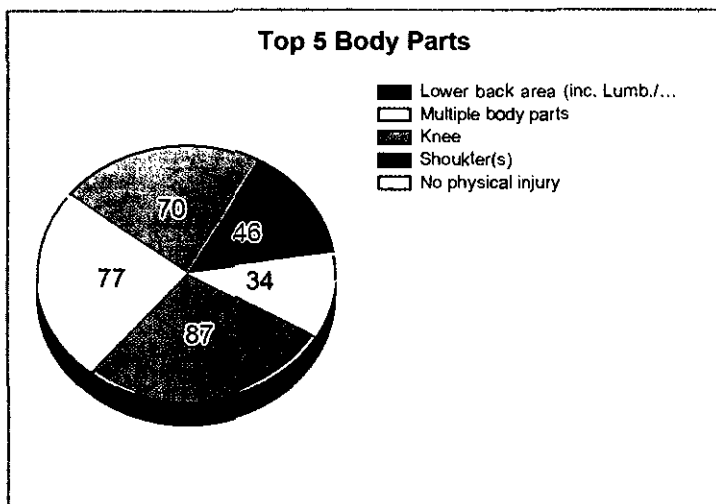
	Jul to Sept	Oct to Dec	Jan to Mar	Apr to Jun	2011 - 2012 Year End Data
CITY WIDE					
# Cases	105	115	128	112	460
# Transitional Days	4,780	6,240	5,619	5,603	22,242
TTD Cost Avoidance	\$ 1,009,822	\$ 1,336,969	\$ 1,120,637	\$ 1,137,857	\$ 4,605,285
POLICE					
# Cases	45	54	60	53	212
# Transitional Days	2,277	2,948	2,527	2,535	10,287
TTD Cost Avoidance	\$ 650,571	\$ 842,286	\$ 722,000	\$ 724,286	\$ 2,939,143
FIRE					
# Cases	11	15	12	13	51
# Transitional Days	415	693	410	501	2,019
TTD Cost Avoidance	\$ 142,286	\$ 237,600	\$ 140,571	\$ 171,771	\$ 692,229
PUBLIC WORKS					
# Cases	38	32	37	26	133
# Transitional Days	1,777	1,888	1,707	1,418	6,790
TTD Cost Avoidance	\$ 187,582	\$ 209,585	\$ 184,627	\$ 156,229	\$ 738,023
OTHERS					
# Cases	11	14	19	20	64
# Transitional Days	311	711	975	1,149	3,146
TTD Cost Avoidance	\$ 29,383	\$ 47,498	\$ 73,438	\$ 85,571	\$ 235,891

* TTD Cost Avoidance amount for OPD Sworn based on estimated 4850 savings calculated at \$2,000/week.

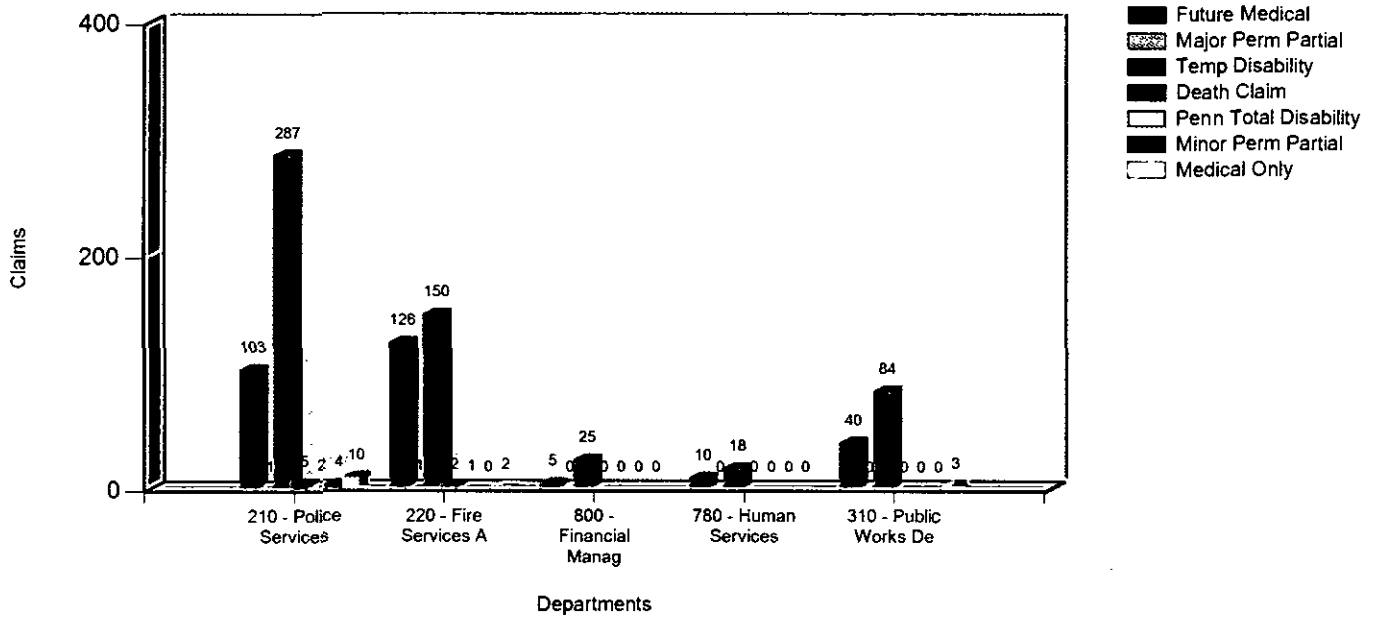
** TTD Cost Avoidance amount for OFD Sworn based on estimated 4850 savings calculated at \$2,400/week.

Dashboard Report

Loss Dates From 7/1/2011 Thru 6/30/2012

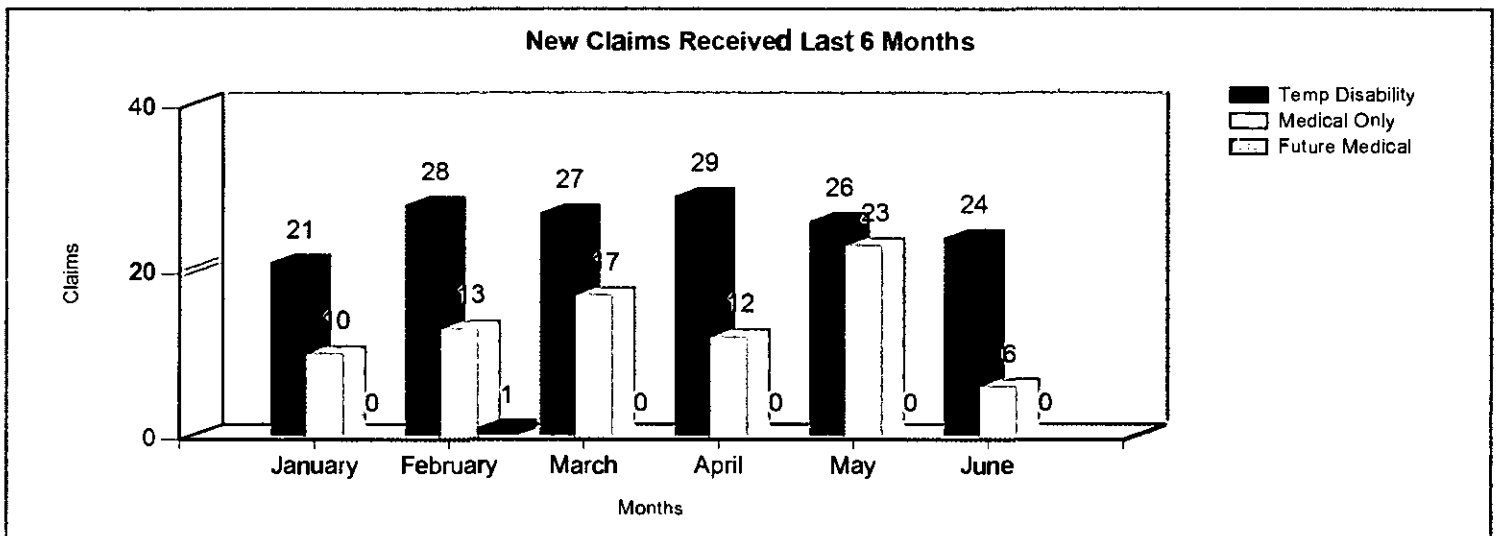
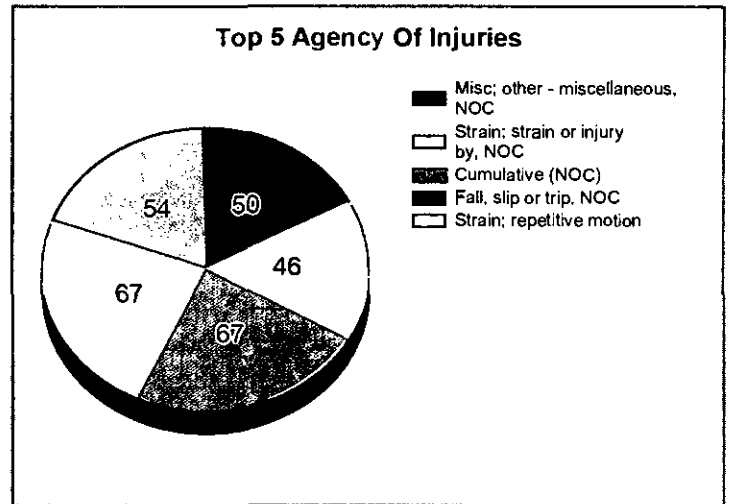
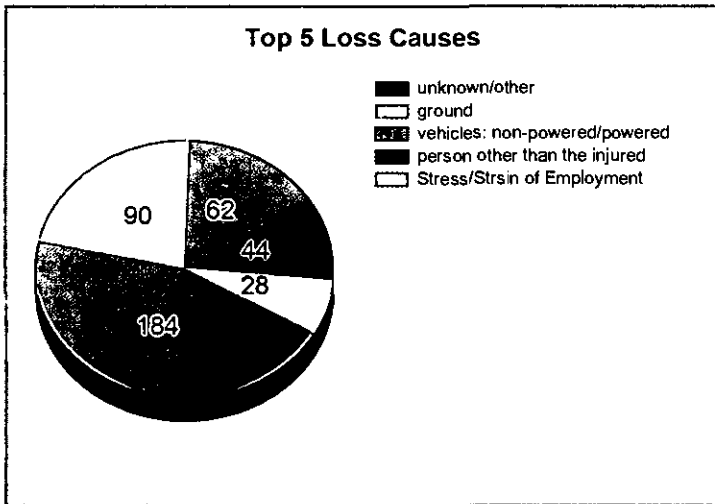
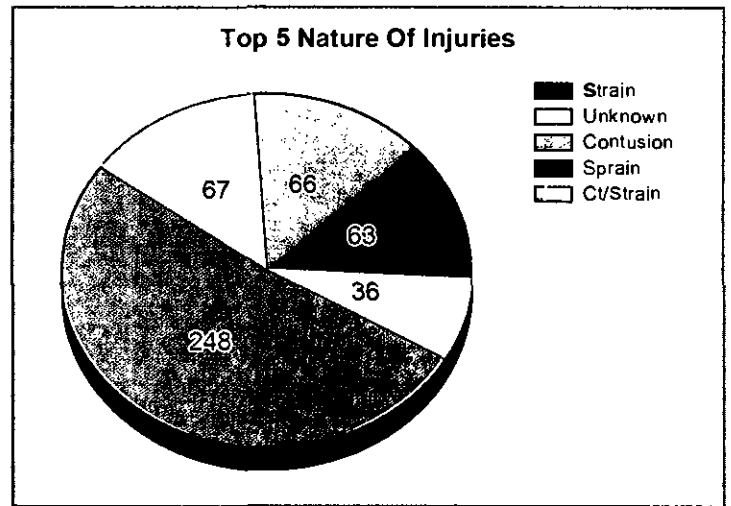
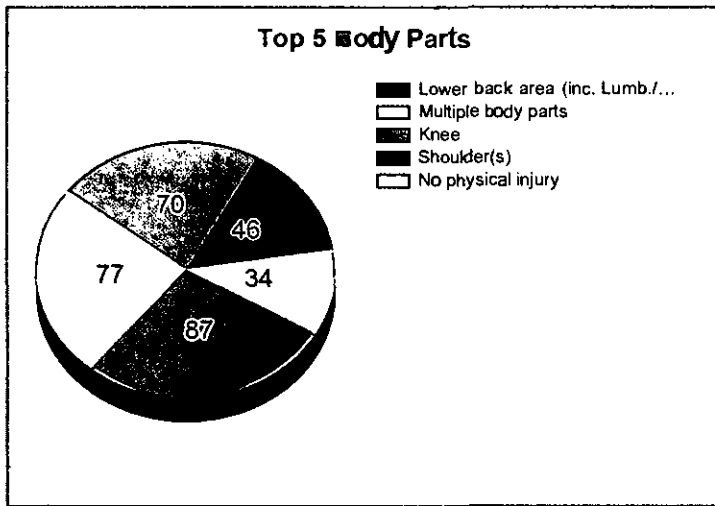


Open Claims By Department

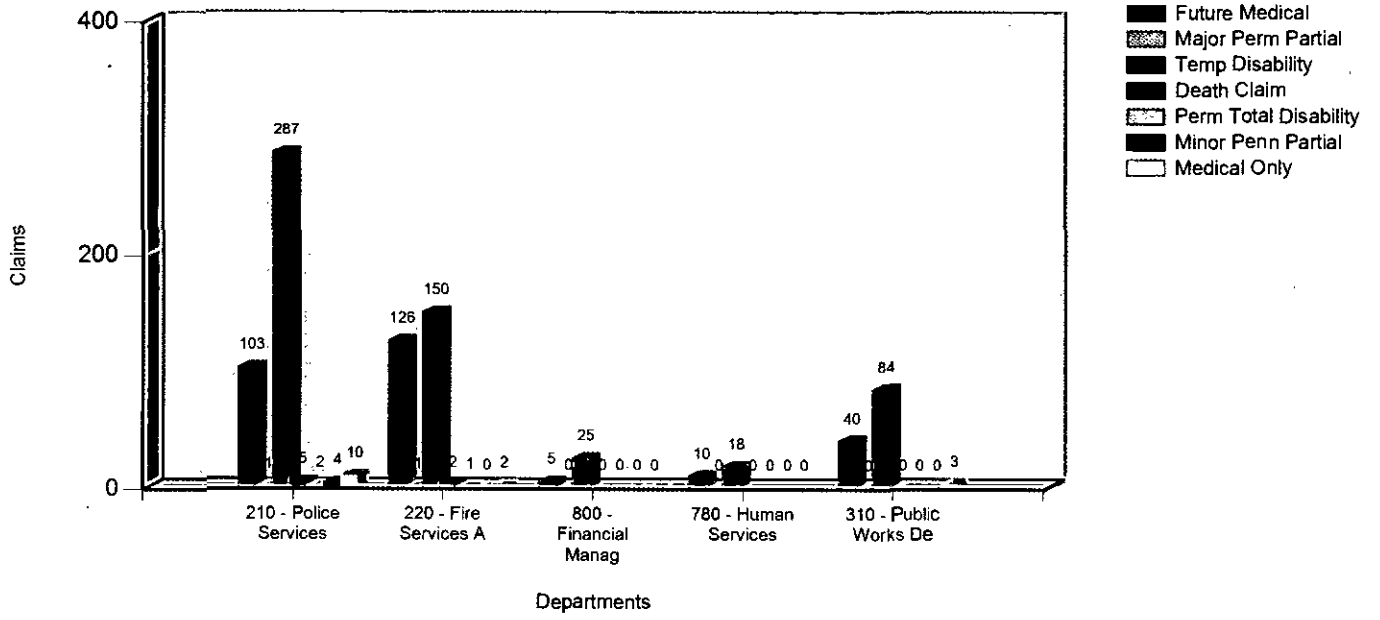


Dashboard Report

Loss Dates From 7/1/2011 Thru 6/30/2012

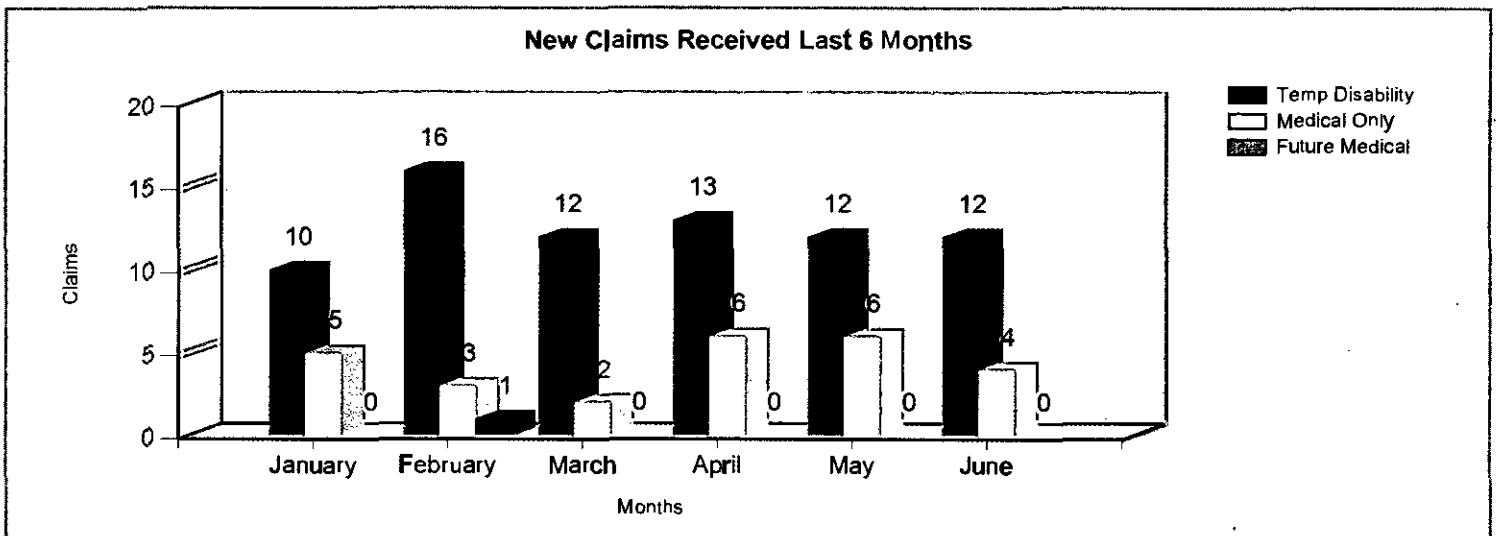
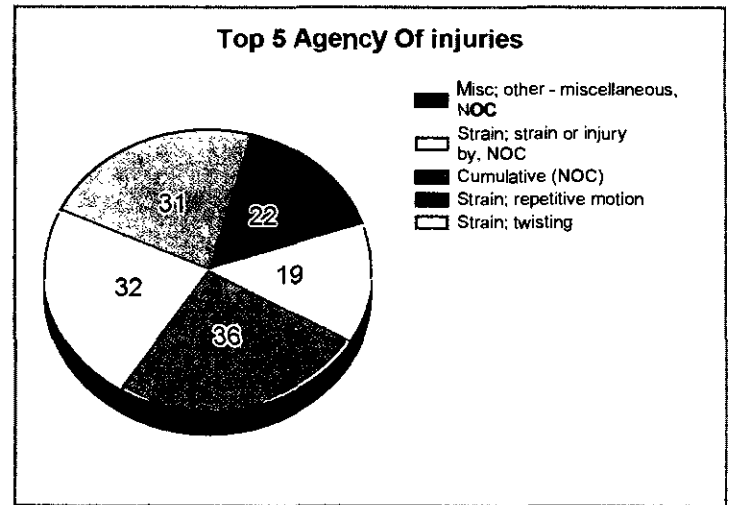
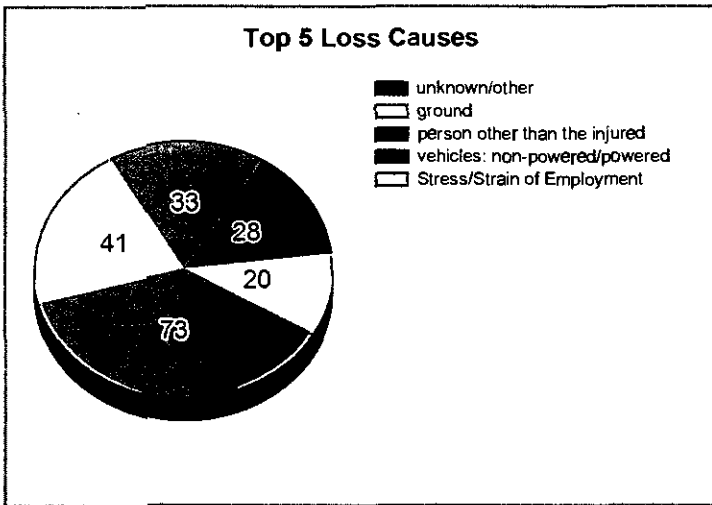
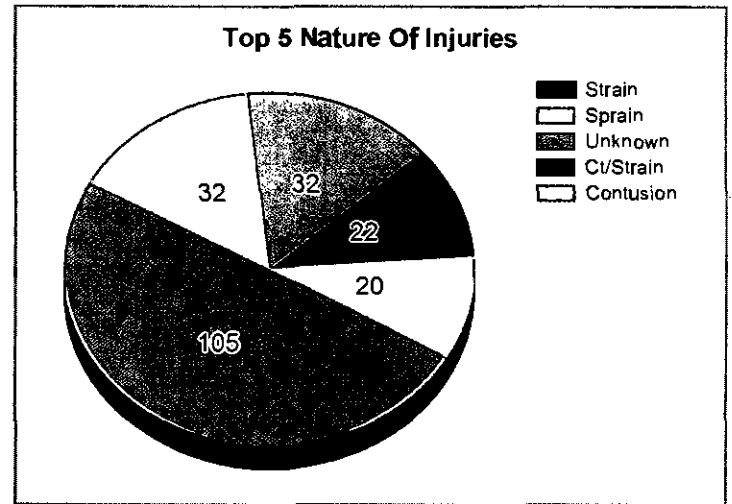
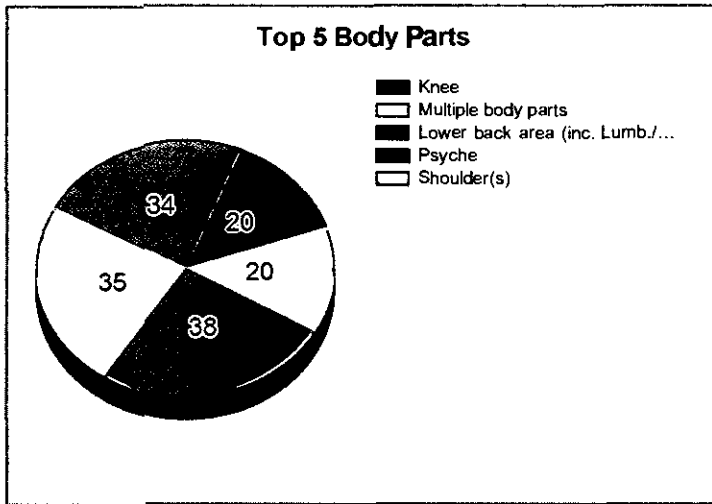


Open Claims By Department

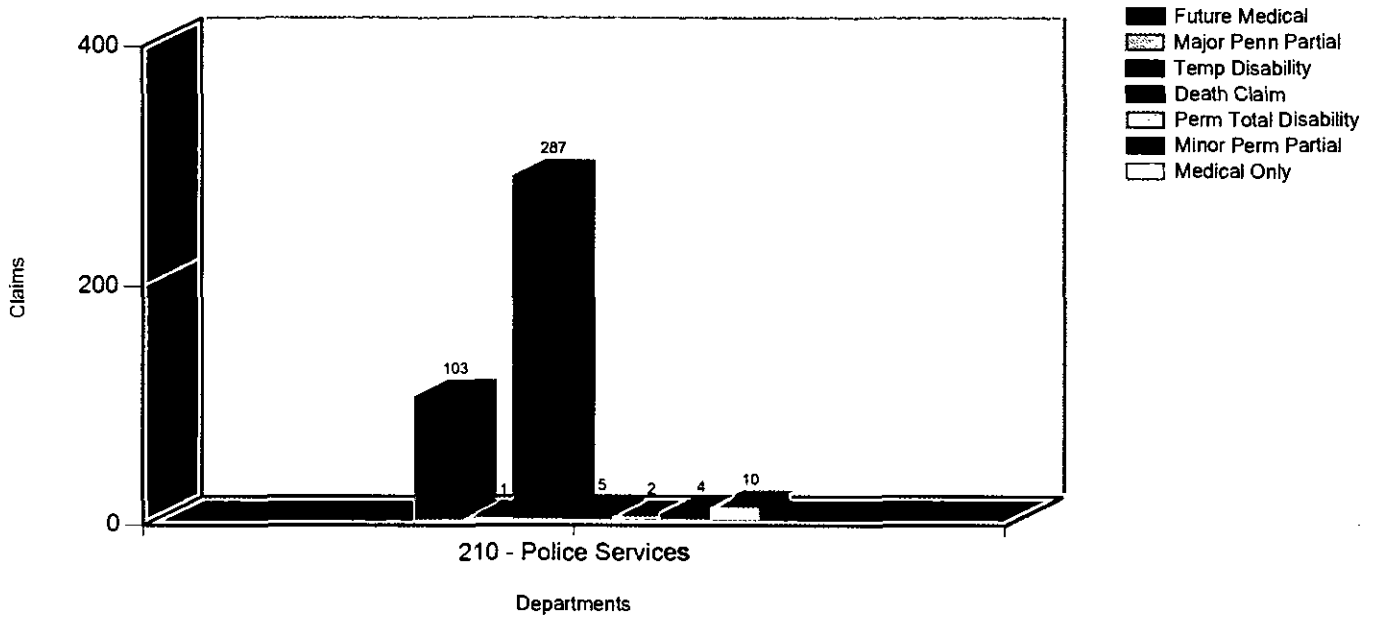


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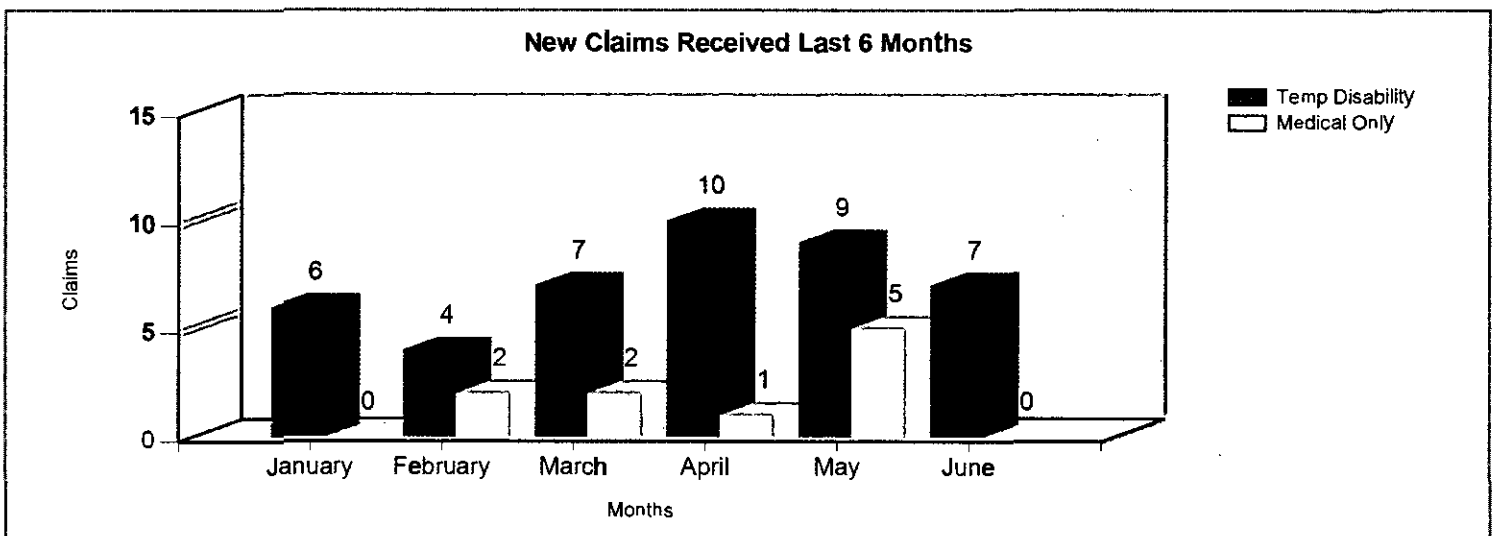
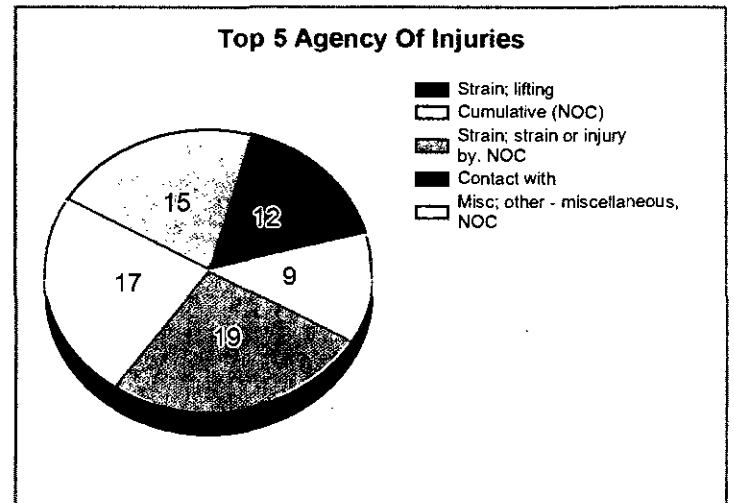
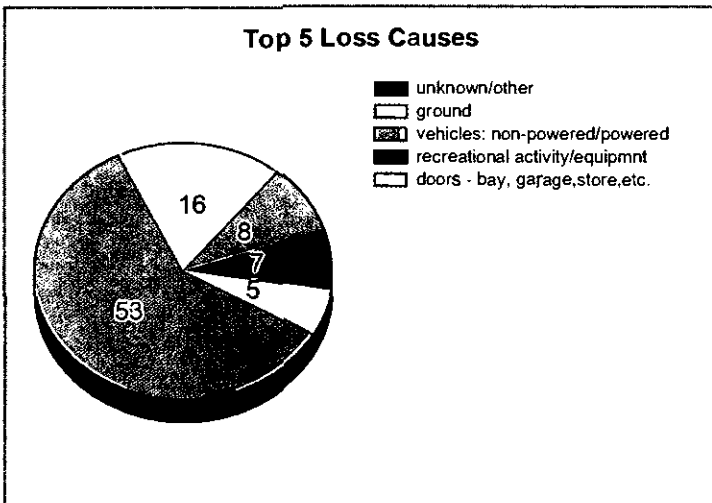
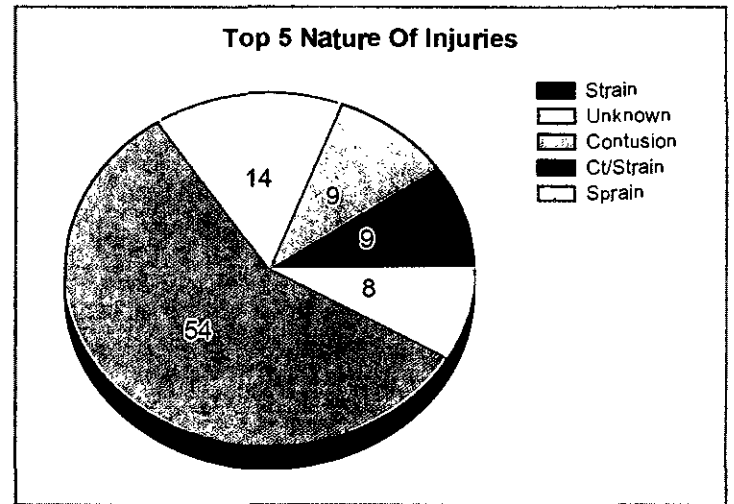
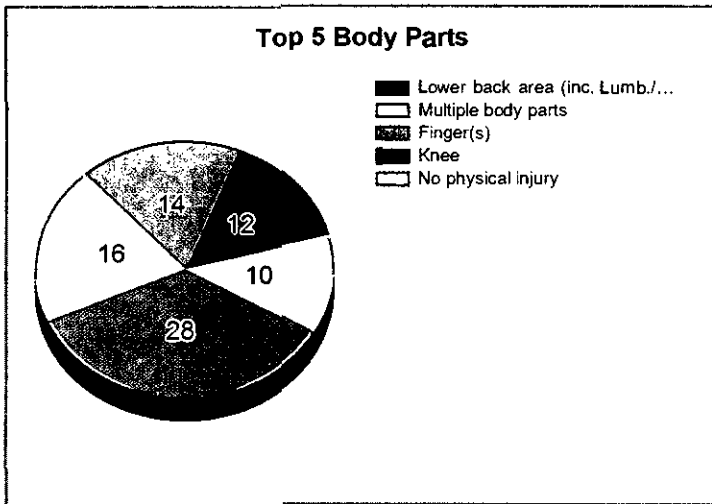
Loss Dates From 7/1/2011 Thru 6/30/2012



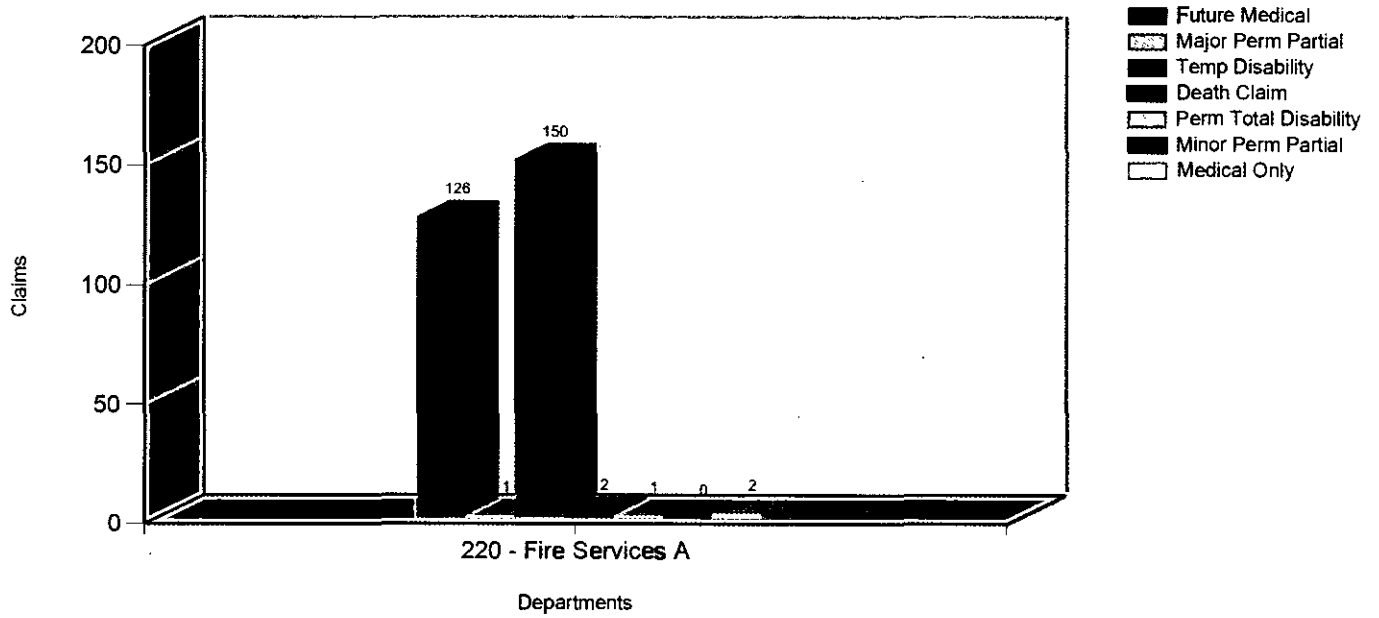
Open Claims By Department



Loss Dates From 7/1/2011 Thru 6/30/2012

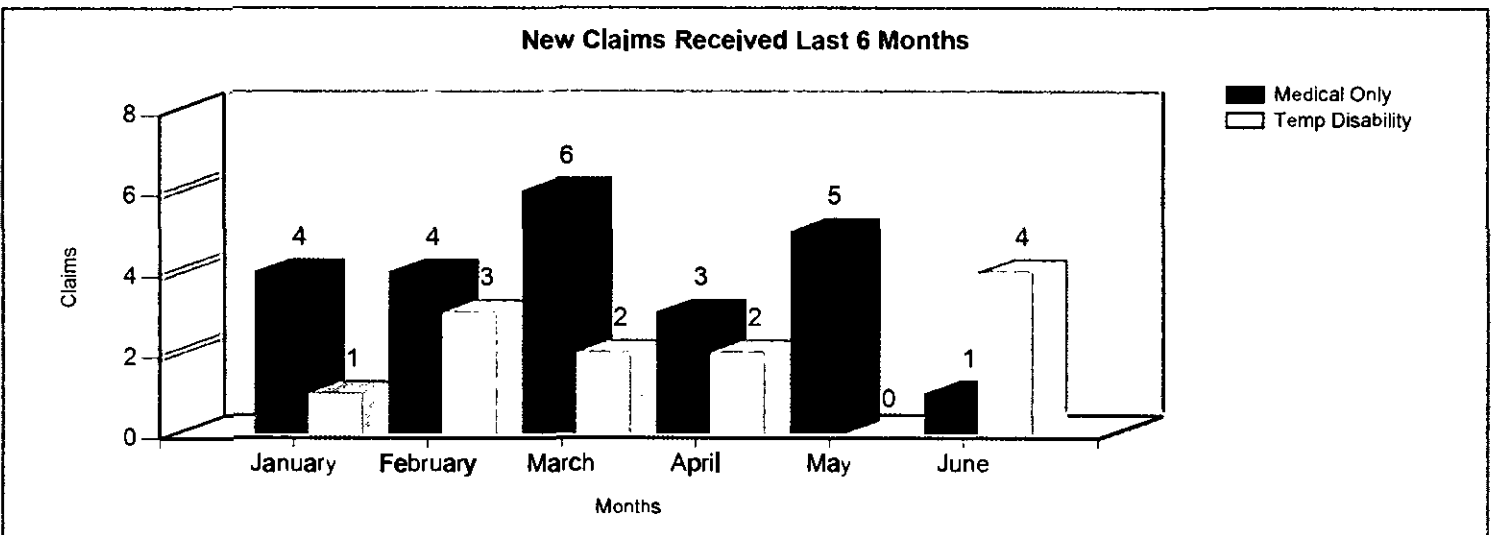
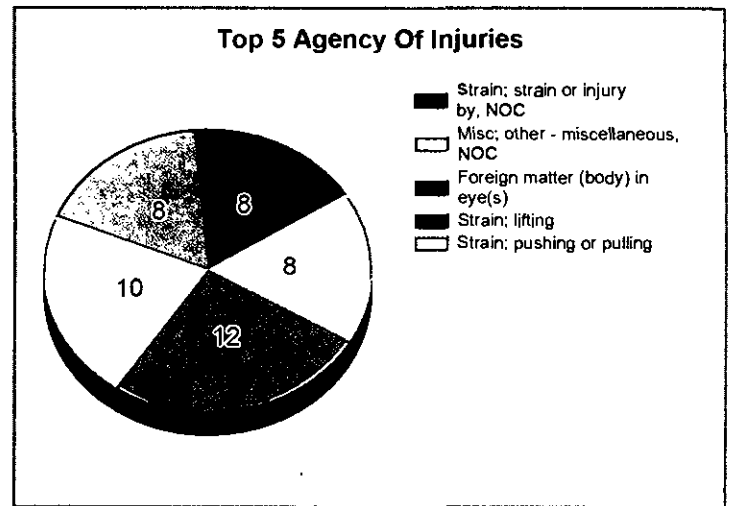
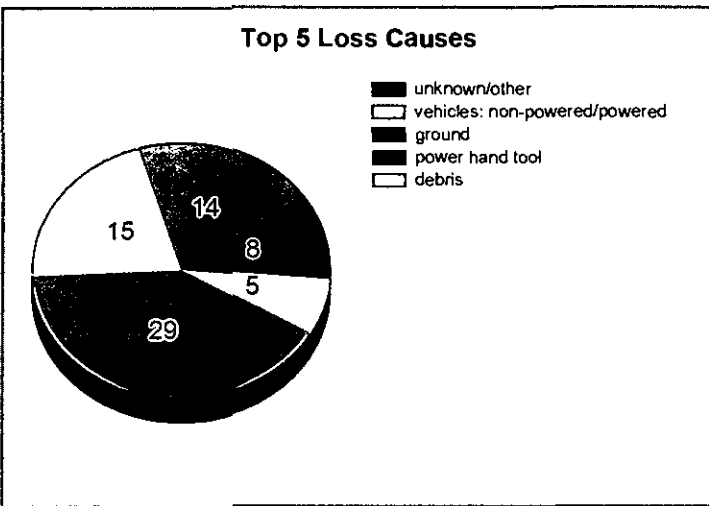
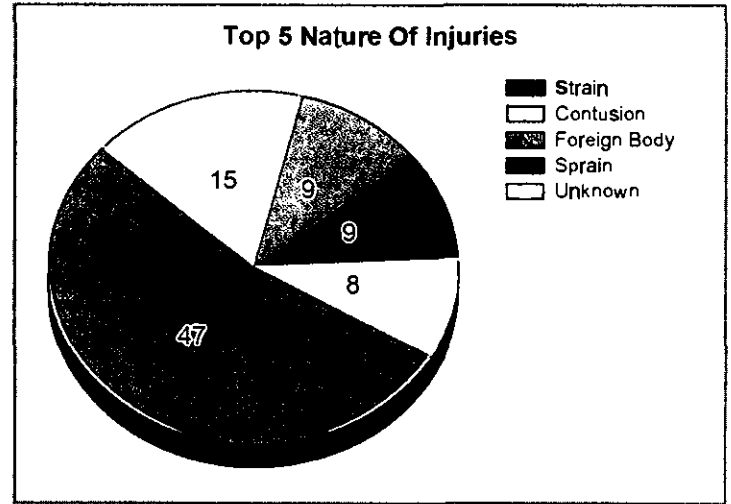
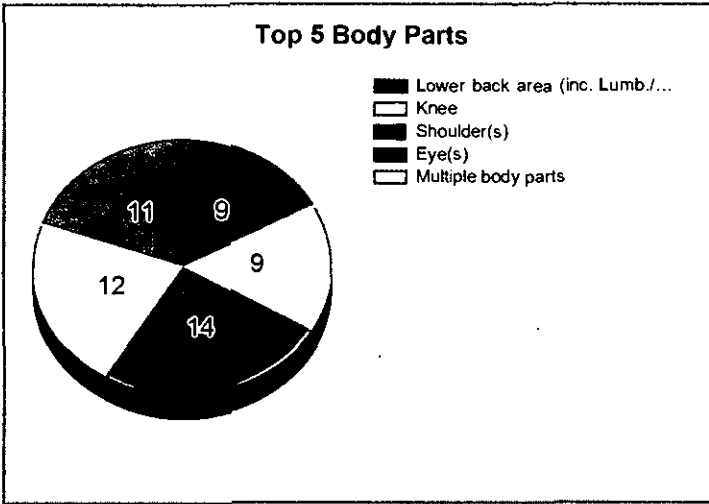


Open Claims By Department

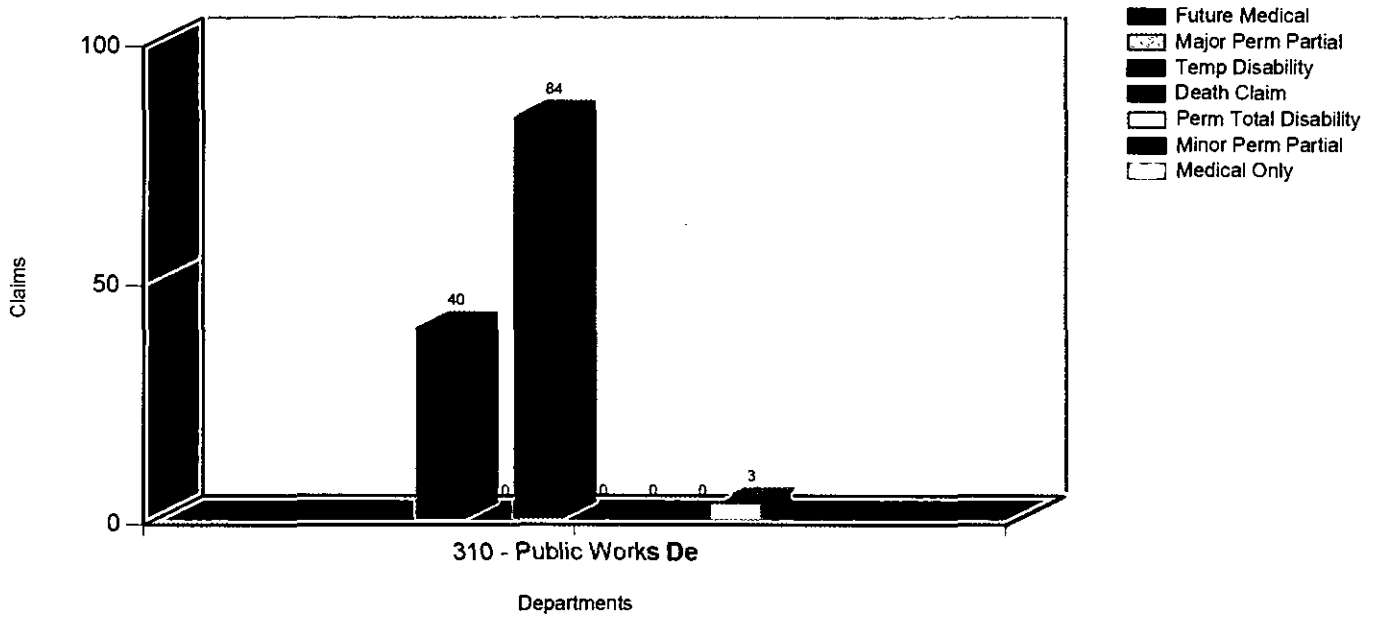


Dashboard Report

Loss Dates From 7/1/2011 Thru 6/30/2012



Open Claims By Department

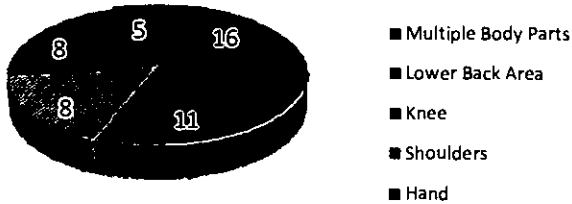


**City of Oakland All Other Departments
Dashboard Report**

Attachment G

Loss Dates From 7/1/2011-6/30/2012

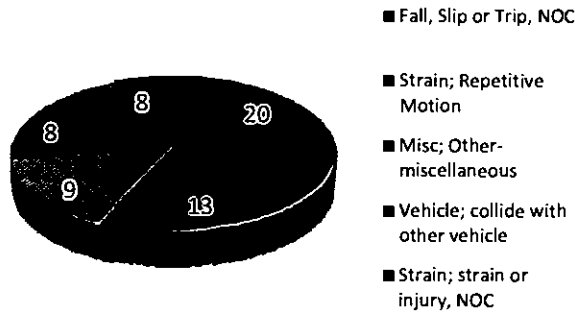
Top 5 Body Parts



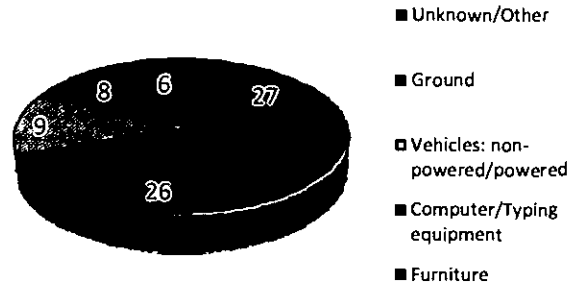
Top 5 Nature of Injuries



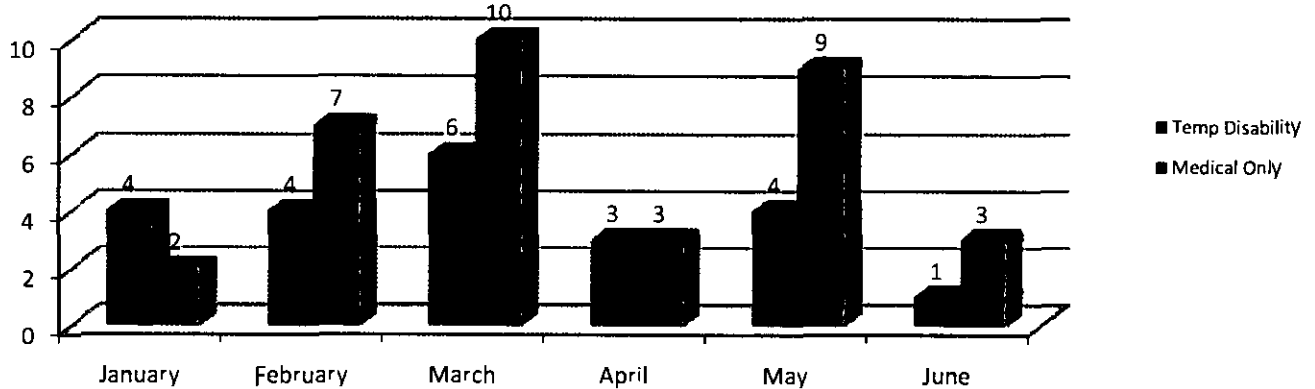
Top 5 Loss Causes



Top 5 Agency of Injuries



New Claims Received Last 6 Months



Open Claims By Department

