



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2016 DEC 28 PM 3: 17

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Ian Appleyard
Director, HRM

SUBJECT: Fiscal Year 2015-16 Workers'
Compensation Annual Report

DATE: December 19, 2017

City Administrator Approval

Date:

12/26/16

RECOMMENDATION

Staff recommends that the City Council accept the informational report on the Workers' Compensation Program for Fiscal Year 2015-16.

EXECUTIVE SUMMARY

This report provides expenditure and program information related to the City of Oakland's Workers' Compensation Program for Fiscal Year (FY) 2015-16, which includes program evaluation, initiatives and cost containment efforts. The Workers' Compensation Program complies with applicable Federal and State laws, manages work-related injuries and relies on effective performance of the City's third-party administrator.

This report will convey to the City Council the current state of the City of Oakland Workers' Compensation Program's activities and expenditures.

BACKGROUND / LEGISLATIVE HISTORY

Like most public entities, the City of Oakland is permissibly self-insured for workers' compensation. The Human Resources Management Department (HRM) contracts with a third-party administrator (TPA), JT2 Integrated Resources, to provide services to injured workers and handle the technical aspects of each claim. The Human Resources Department partners closely with the TPA to ensure all City departments comply with mandated California Labor Code requirements.

Each year, HRM analyzes and evaluates the Workers' Compensation Program data and identifies benchmarks by which the City can measure program effectiveness. HRM also develops and implements new program changes based on these data as detailed in the FY 2015-16 Workers' Compensation Annual Report (**Attachment A**). Since last report, HRM has included an Actuarial Analysis and several Claims Management Performance Audits. The results of the audits and analysis are included as appendices at the end of the annual report.

Item: _____
Finance & Management Committee
January 10, 2017

ANALYSIS AND POLICY ALTERNATIVES

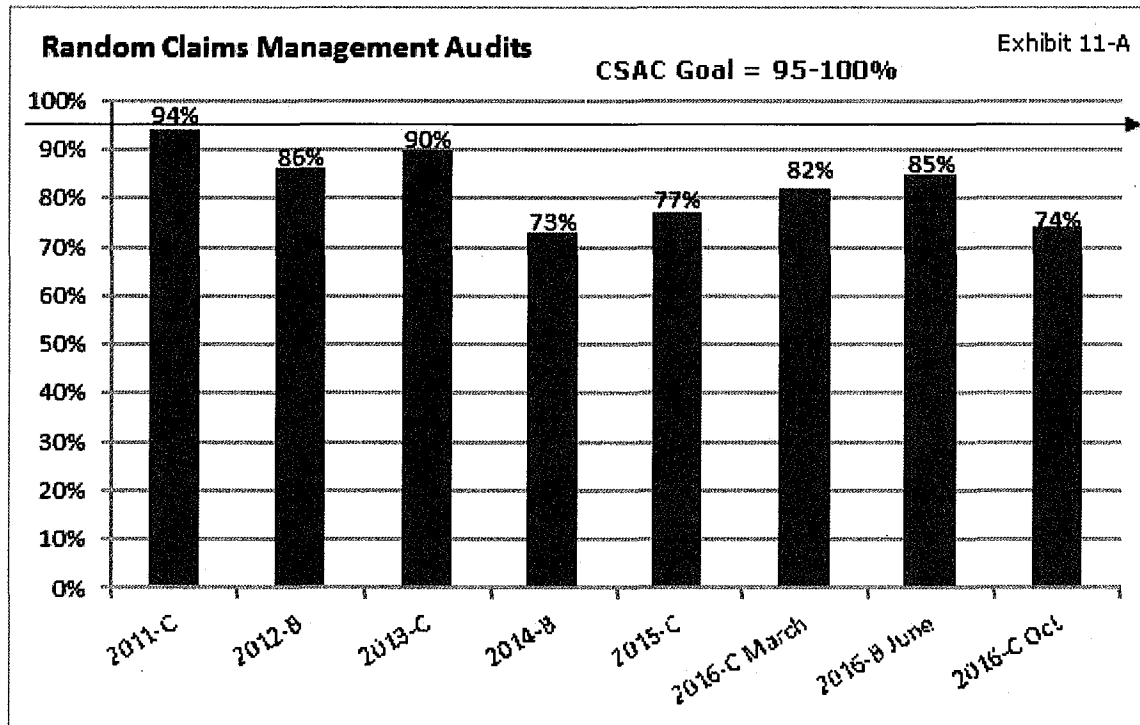
As part of managing the City-wide Workers' Compensation Program, HRM completes a Workers' Compensation Annual Report (FY15-16), which provides information on program changes, third-party administrator performance, comparator data (over time and among jurisdictions) and departmental performance. Highlights from the report include:

- The Total Gross Program Expenditure for FY 2015-16 was **\$19,829,182**. Excess recovery checks received in the amount of **\$391,880** reduced the Total Net Program Expenditures to **\$19,437,302**.
- The FY 2015-16 Total Benefits Paid (Indemnity and Medical Expenses only), as reported on the State-mandated Public Self Insurer's Annual Report, was **decreased by \$2,023,341 (or by 11.56 percent)**. The estimated future liability was **increased by \$11,944,694 (or by 28.15 percent)**
- Total Workers' Compensation Operational Claims Cost for FY 2015-16 **decreased by \$2,179,295 (or 12 percent)**. The Temporary Disability, Permanent Disability Benefits, Medical Benefits as well as Allocated costs paid this year were lower than the prior fiscal year.
- Temporary Total Disability payments **decreased this year by \$238,121 (or 5.8 percent)** over the prior year. This year's temporary disability payments are the lowest they have been in the last five years.
- The number of new Temporary Disability Claims increased by eight percent this year, which is slightly higher than last year but remains lower than prior years. This can be attributed to the early claim intervention and reporting triage that directs employees into a more aggressive return to work program. Claims where the employee does not miss time from work are ultimately not converted to a time loss claim that would result in Temporary Disability payments being disbursed.
- Transitional Duty Program participation resulted in **an indemnity avoidance of \$4.3 Million**. Providing transitional duty to injured employees is also considered part of the interactive process required under the Federal Employment and Housing Act (FEHA).

Claims Management Performance Audit

During the evaluation period, staff implemented three mid-year audits of the TPA with two different outside vendors to address the areas of deficiency identified by the program auditor in previous years. The audit results were 82, 85 and 74 percent respectively. Table 1 illustrates the audit score trends over the past several years, further highlighting the marked decline in performance by the TPA.

Table 1: Workers' Compensation (WC) Claims Performance Audits Fiscal Years 2011/12 through 2015/16



Auditors: (B) Bickmore (C) CSAC

The most recent annual Workers' Compensation Claims Audit overall performance rating of the Third Party Administrator was **74.47 percent, 20.53 percent below the target performance rating of 95 percent**. The past several audits have shown declining performance based on the performance standard set by the City's Excess Worker's Compensation Insurance provider. The poor audit results may be attributed to high turnover in staff, high examiner caseloads and procedural delays. Continued sub-par performance may ultimately have a negative impact on benefits delivery and the City's ability to secure Excess Workers' Compensation Coverage at favorable rates.

Loss Frequency

Over the past four years, the number of claims filed by City employees has remained relatively constant as portrayed in **Table 2** below.

**Table 2: Number of New Workers' Compensation (WC) Claims by Department
 Fiscal Years 2012/13 through 2015/16**

Fiscal Year	Police			Fire			Public Works			All Others		
	Total Number of Emp (Sworn)	WC Cases	Percent	Total Number of Emp (Sworn)	WC Cases	Percent	Total Number of Emp	WC Cases	Percent	Total Number of Emp	WC Cases	Percent
2012-13	643	180	27.99%	410	116	28.29%	703	84	11.95%	3,606	87	2.41%
2013-14	650	202	31.08%	392	139	35.46%	727	99	13.62%	3,593	73	2.03%
2014-15	717	218	30.40%	436	146	33.49%	724	122	16.85%	3,124	75	2.40%
2015-16	777	222	28.57%	426	151	35.45%	742	121	16.31%	3,339	99	2.29%
Average	697	206	29.56%	416	138	33.17%	708	97	13.70%	3,416	84	2.46%

HRM continues to support departments in injury reduction and accident prevention efforts by way of onsite audits/surveys, safety trainings and program development.

- HRM promotes a City-wide Web-Based Training Program called **Target Solutions** that provides over 100 safety and wellness courses designed specifically to comply with State and Federal Occupational Safety and Health Administration requirements. This program supports the City-wide mandated training for prevention of sexual harassment and protected class discrimination. It has also been widely used by the Oakland Fire Department and Public Works Agency 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. It should be noted that the Target Solutions platform is made available to the City at no cost through our primary insurance pool – CSAC Excess Insurance Authority (CSAC-EIA).

HRM continues to enhance existing elements to strategically impact the overall program costs. HRM's continued efforts have included the following:

- Placement of a designated Workers' Compensation Coordinator in high volume departments, including Police, Fire and Public Works. These Coordinators develop and administer departments' internal workers' compensation program and support the City-wide workers' compensation administration efforts.
- Monthly disability review meetings with department representatives to discuss active claims and identify cases for investigation and/or transitional duty assignments.
- Regular Financial Review meetings with TPA representatives to examine expenditure rates and trends on a more global scale to assist in early detection of negative program changes.
- Telephonic injury reporting to triage Workers' Compensation claims reporting, and possible expansion of the methodology for certifying medical conditions under the Family Medical Leave Act (FMLA) program.

- Implementation of RiskMaster, an Integrated Disability Management Information System, designed to aid in the tracking and documenting disability leaves, disability management issues, and other Risk-related loss prevention programs.
- Participation in Medical Provider Network (MPN) through WellComp, a MPN sponsored by CSAC-EIA, our Excess Workers' Compensation insurance carrier.
- Ongoing examination of the City's disability programs to align them with industry innovations and best practices.
- Continuing education for staff responsible for administering the City's inter-disciplinary disability programs.

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.

A. **Table 3** summarizes the key categories of Workers' Compensation expenditures incurred by the City of Oakland:

Table 3: Future Liability Incurred by Department

Fiscal Year	2014-15	2015-16	Change
Number of Claims Received	480	520	8.3%
Total Expenditures	\$19,720,974	\$19,437,302	-1.4%
Total Future Liability	\$42,439,634	\$54,384,319	28.2%
Costs Avoided via Transitional Work	\$5,283,020	\$4,310,369	-18.4%
Settlements (Permanent Disability)	\$5,926,906	\$4,549,793	-23.2%
Temporary Disability	\$5,952,926	\$5,610,202	-5.8%
Allocated (Other Claim Costs)	\$2,028,057	\$1,995,748	-1.6%
Medical	\$5,961,823	\$5,534,676	-7.2%
Operational Expenses	\$17,760,561	\$17,298,537	-2.6%
Admin. Expenses	\$1,960,413	\$2,138,765	9.1%

The primary types of expenditures incurred in Workers' Compensation are medical, permanent and temporary disability, and allocated (other claim costs) payments. In FY 2015-16, despite an increase in the number of claims filed, permanent and temporary disability payments decreased over the prior year, and remain the City's single largest workers' compensation 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), State-mandated disability rates, and negotiated increases in civilian salary.

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

Estimated Future Liability/First Year Total Incurred by Department:

B. **Table 4** shows the estimated future liability incurred by each department for claims filed in the fiscal year referenced. This allows the City to review for fiscal trends by department and assists in planning loss prevention, cost-containment strategies for the future. Although not reported in this format, **Appendix E** of the attached report (**Attachment A**) provides more actuarial analysis for the purpose of future fiscal planning for this program.

Table 4: Estimated Future Liability by Dept – Total Incurred

Department	2013-14	2014-15	2015-16
Oakland Fire Department	\$2,090,567	\$2,134,371	\$4,116,610
Oakland Police Department	\$2,191,952	\$2,637,576	\$2,481,008
Oakland Public Works	\$805,770	\$458,670	\$920,991
Department of Health and Human Services	\$110,754	\$42,080	\$323,121
Neighborhood Investment	\$325	\$0	\$269,709
Oakland Parks and Recreation	\$60,363	\$19,341	\$111,144
Department of Information Technology	\$6,527	\$22,943	\$22,242
Library	\$86,437	\$187,312	\$16,256
City Administrator's Office	\$6,842	\$9,875	\$10,328
Planning and Building	\$503	\$14,925	\$7,386
City Attorney	\$3,777	\$23,257	\$4,914
City Auditor	\$0	\$0	\$0
Clerk's Office	\$0	\$0	\$0
Controller's Office	\$4,225	\$0	\$0
Housing and Community Development	\$187	\$61,533	\$0
Human Resources Management	\$7,250	\$0	\$0
Mayor	\$14,775	\$0	\$0
Revenue / Treasury	\$20,950	67,860	\$0
Total Incurred	\$5,406,929	\$5,679,743	\$8,283,710

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). Actuarially, future liabilities are estimated for each claim to anticipate the financial burden placed on the City in the years to come.

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, Controller's Bureau, City Attorney's Office, and City Administrator's Office.

SUSTAINABLE OPPORTUNITIES

Economic: *There are no economic, environmental, or social equity opportunities associated with this report.*

Environmental: *There are no economic, environmental, or social equity opportunities associated with this report.*

Social Equity: *There are no economic, environmental, or social equity opportunities associated with this report.*

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council accept the informational report on the Workers' Compensation Program for Fiscal Year 2015-16.

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

Respectfully submitted,



IAN APPLEYARD
Director/Human Resources Management
Department

Reviewed by:
Deborah Grant, Risk Manager

Prepared by:
Mary Baptiste, Disability Benefits Coordinator
Annie Chin, Disability Benefits Coordinator
HRM/Risk & Benefits Division

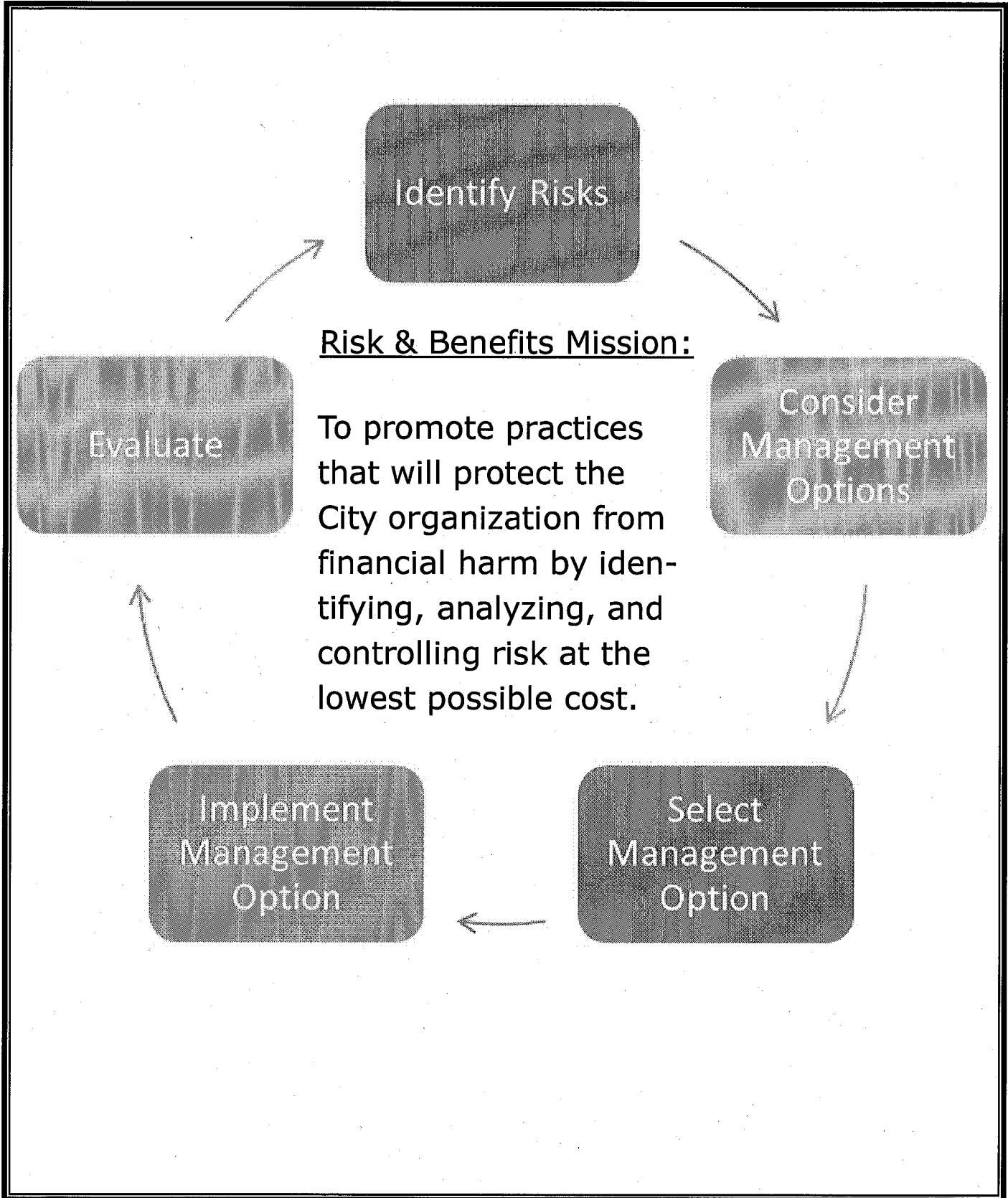
Attachments (1):

A – FY 2015-16 Workers' Compensation Annual Report

CITY OF OAKLAND

WORKERS' COMPENSATION ANNUAL REPORT FY 2015-16

Human Resources Management, Risk & Benefits Division
150 Frank H. Ogawa Plaza, Suite 3332, Oakland, CA 94612
Phone: 510-238-7660, Fax: 510-238-4749



WORKERS' COMPENSATION PROGRAM ANNUAL REPORT

FISCAL YEAR 2015-16



The City of Oakland's Human Resources Management Department is responsible for managing the City's work related injury claims.

This report details the Workers' Compensation Program from Fiscal Year 2015-16 with multiple comparisons between departments, previous years, & other similarly sized cities.

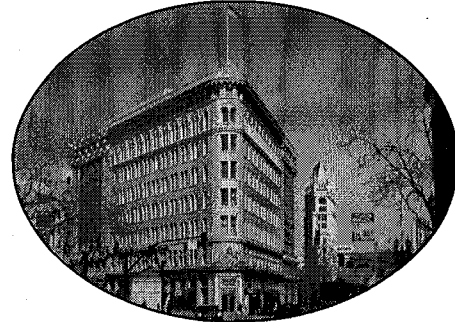


Table of Contents

CITY OF OAKLAND

Human Resources Management Department
 Risk & Benefits Division
 150 Frank H. Ogawa Plaza, 3rd Floor
 Oakland, CA 94612
 (510) 238-7660 ☐ (510) 238-4749 Fax

IAN APPEYARD, DIRECTOR
HUMAN RESOURCES MANAGEMENT

DEBORAH GRANT, RISK MANAGER
HRM—RISK AND BENEFITS DIVISION

Integrated Disability Management

Mary Baptiste (510) 238-2270
 Annie Chin (510) 238-4958
 Donella Williams (510) 238-6488

Safety / Loss Control

Greg Elliott (510) 238-4993
 Lana Chan (510) 238-7971

Risk Administration

Miloanne Hecathorn (510) 238-7541
 Michael Bailey (510) 986-2898
 Erika Turner (510) 238-7660

Citywide Overview4

Programs That Work6

What's Ahead10

Third Party Claims Administrator11

City's Comparisons16

Oakland vs. Oakland17

Oakland vs. Other Cities18

Claim Management Programs19

Program Expenditure Categories23

Frequency & Severity by Dept 26

Police Department27

Fire Department29

Public Works Agency31

Office of Parks and Recreation33

All Other Departments35

Attachments36

CITYWIDE OVERVIEW—WORKERS' COMPENSATION PROGRAM ANNUAL REPORT FOR FISCAL YEAR 2015-16

This report details the scope, costs, and trends of the City of Oakland's Workers' Compensation Program (WCP) and serves as a reference tool for Departments' to better understand their work related injuries.

Fiscal Year 2015-16 - Program Highlights

Program outcomes include the following:

- **\$19,437,302 Workers' Compensation Expense**
- **\$391,880 Third Party recoveries refunded to the City**
- **\$2,146,985 Decrease in permanent / temporary disability and medical benefits paid over last year - down by 12%**
- **Reported claims increased over last year - up by 8.3%**
- **\$4.3 Million Cost Avoidance via Transitional Duty Program - down by 18%**
- **TPA Annual Performance Audit Ratings ranging from 74—85 percent**
- **97 open FEHA Cases; 127 Closed FEHA Cases; 4 Medical Separations**
- **37 Industrial Retirements from 7-1-15 to 6-30-16**
- **Multiple Industrial Disability Retirements Being Reconsidered**
- **Successful Health Fair**

Fiscal Year 2016-17 - Initiatives & Enhancements

Some of the ongoing and new efforts to support and/or improve program elements include:

- **2 FEHA training sessions for Departments, Labor Groups, interested employees held in July & August of 2016**
- **Comprehensive Claims Reviews for all open and active claims**
- **Monthly Legal Review Meetings with assigned law firms**
- **Monthly Medical Team Meeting**
- **Bi-Weekly Accommodation Review Meetings**
- **6 CSAC mandated Claims Management Audits**
- **Monthly Department Safety Committee Meetings**
- **Loss Prevention Training Development (OPD, OFD, OPW, other)**
- **Administrative Instructions Updates**

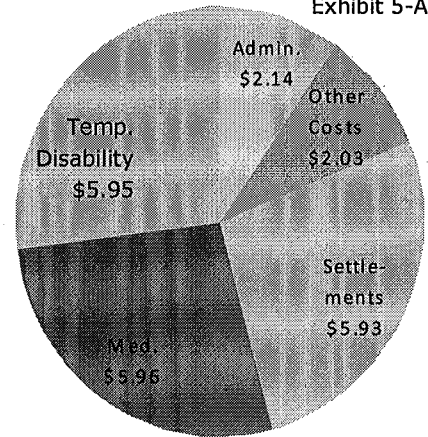
CITYWIDE OVERVIEW—WORKERS' COMPENSATION PROGRAM ANNUAL REPORT FOR FISCAL YEAR 2015-16

The total cost of the Workers' Compensation Program for Fiscal Year 2015-16 was \$19,437,302, representing a cost reduction of 1.4% from the previous fiscal year.

Although the number of claims reported increased by almost 8.3%, the combined total of Temporary and Permanent Disability benefits and Medical expenses decreased by a total of 12%.

The table below provides detail regarding the costs associated with this program.

FY 2015-16 Costs In Millions



ANNUAL COSTS

Exhibit 5-B

Fiscal Year	FY14-15	FY15-16	% Change
Number of All Claims Received	480	520	8.3%
Total Expenditures	\$19,720,974	\$19,437,302	-1.4%
Total Future Liability	\$42,439,625	\$54,384,319	28.1%
Costs Avoided via Transitional Work	\$5,283,020	\$4,310,369	-18.4%
Settlements (Permanent Disability)	\$5,926,906	\$4,549,793	-23.2%
Temporary Disability	\$5,952,926	\$5,610,202	-5.8%
Allocated (Other Claim Costs)*	\$2,028,057	\$1,995,748	-1.6%
Medical	\$5,961,823	\$5,534,676	-7.2%
Operational Expenses	\$17,760,561	\$17,298,537	-2.6%
Admin. Expenses	\$1,960,413	\$2,138,765	9.1%

* Allocated: Rehabilitation, Investigative, Legal, Utilization Review, Return to Work, Penalties.



INTEGRATED DISABILITY MANAGEMENT (IDM)

The goal of the Integrated Disability Management program is to comply with applicable leave and workplace protection laws while administering workers' compensation benefits. The laws include the Federal Employment and Housing Act (FEHA), Family Medical Leave Act (FMLA) and California Family Rights Act (CFRA).

HRM provides a single point of contact for employees who have suffered from a work-related injury, which assists them in receiving the rights and benefits to which they are entitled. Additionally, Departments benefit by having a single point of contact to monitor and manage employee leaves, reducing operational impacts and administrative costs.

The complexities of FEHA, Workers' Compensation and FMLA can contribute to lengthy timelines to fully staff positions impacted by leaves and worker compensation cases. HRM is a strategic partner with departments to closely manage medical leaves and worker compensation cases, enabling departments to fill positions with employees that are fit for duty.

Working closely with departments, employees and their representatives, the IDM process takes the employee through deliberate steps to ensure all employment options, which include:

- temporary modified duty assignments,
- return to original position with accommodation,
- assignment to an alternate vacant position,
- extension of medical leave sufficient to enable the employee to return to work,
- medical retirement and
- medical separation.

Due to the gravity of the outcomes and complexity of applicable laws, the process may require a year or more to fully resolve.

PROGRAMS THAT WORK

TRANSITIONAL DUTY PROGRAM (EARLY RETURN-TO-WORK)

A key component of the City's Integrated Disability Management (IDM) program is the Transitional Duty Program. This program enables injured employees to return to work performing meaningful tasks that are within physical restrictions set by their physician. These assignments are meant to provide an opportunity for the employee to "transition" back to their regular work duties. The City of Oakland's offering of temporary modified work assignments is one of many ways that the City complies with the requirements of the Americans with Disabilities (ADA) and the Fair Employment and Housing Act (FEHA).

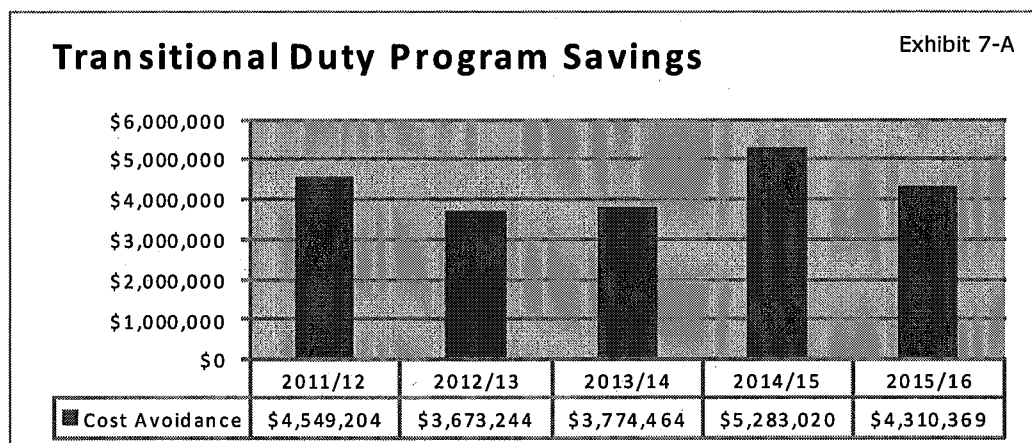
Return-To-Work Programs are also effective at controlling Workers' Compensation costs. The City's Early Return to Work Program Cost Avoidance decreased 18.4% from last year, resulting in a Cost Avoidance for Fiscal Year 2015-16 of \$4,310,369. This amount would have been spent on employee leave as opposed to employees working as part of the Early Return-To-Work Program.

The prospect of an injured employee to be placed in a transitional duty assignment depends on the severity of the injury and the physician's assessment of the work-related restrictions. The HRM and the Third Party Administrator (TPA) work in concert to place injured employees in transitional duty assignments whenever medically possible. The TPA requests work restrictions from the physician at every medical appointment.

While the City advises all doctors treating our employees that the City has an aggressive Return-to-Work Program, it remains the doctor's prerogative to place the injured worker off work completely. However, the City's Cost Avoidance attributable to the transitional duty performed through the Return to Work Program, remains significant, totaling \$21,590,301 over the last five years.

Of note...

- \$972,651 less than last year.
- \$4,310,369 avoided in FY 15-16.



More statistics related to this program are provided later in this report.



LOSS PREVENTION/REDUCTION

In 2015-16 the Human Resources Management Department continued its commitment to promote and support Employee Safety, Health and Wellness and Loss Prevention. Examples of efforts and initiatives include:

- Promoted Employee Safety Training through web-based training platform, Target Solutions. Achieved a 40% increase with a total of 1428 course completions recorded (2,472 training hours) online
- Launched the Citywide Employee Wellness Committee offering sponsored wellness events including exercise groups, healthy cooking classes, wellness incentives, etc.
- Developed an Evacuation Training Video related to building safety and assembly control during New Employee Orientation
- Developed an Emergency Response Flipbook distributed to all employees in the City Administration complex as part of the 2016 Great Shake-Out
- Hosted three Employee Health and Wellness Fairs, providing services to over 650 employees; 6% increase participants on Biometric Screenings & Health Assessment Conducted 466 ergonomic/workstation assessments
- Conducted building inspections of fire stations, recreation centers, administration buildings, maintenance buildings and libraries
- Completed eight Indoor Air Quality assessments and facilitated corrective actions if recommended
- Coordinated three major site decontamination and cleaning projects as a result of Indoor Air Quality assessments
- Provided safety orientation training to over 400 new employees through monthly New Employee Orientation
- Coordinated sexual harassment prevention awareness training for 103 supervisors and non-supervisory employees
- Provided Floor Warden training to City Administration Complex buildings
- Participated in monthly departmental safety committee meetings



LOSS PREVENTION/REDUCTION - Continued

- Participated in monthly accident review committees meetings with recommendation to prevent future similar occurrence
- Coordinated 6 Cal-OSHA investigations of alleged title 8 violations
- Provided cross-departmental support to all Head Start staff with customized training presentation on Accident Prevention, Emergency Preparedness and Planning to ensure Head Start Centers are ready with appropriate actions before, during and after an emergency
- Facilitated provision of safety equipment and tools including safety shoes, glasses and automatic electronic defibrillators
- Collaborated with City departments with pre-placement and preventive medical services, specialized safety training and certification needs including:
 - ◊ Certified 109 employees as forklift operators
 - ◊ Certified 77 employees on aerial lifts
 - ◊ Coordinated training for 163 utilities employees in confined space entry
 - ◊ Coordinated training for 64 employees in trenching and shoring
- Monitored over 170 commercial driver's licenses and over 2000 non-commercial driver's license
- Coordinated 54 respirator fit tests in compliance with Cal OSHA requirements
- Facilitated over 1,800 physical examinations including pre-placement screening, pre-placement psychological evaluations for sworn personnel, industrial disability applicants and specialty physical exams
- Facilitated over 750 drug and alcohol screens including random tests for commercial drivers, annual drug screens for sworn fire personnel and pre-placement drug screens for certain classifications
- Coordinated 60 follow-up drug and alcohol tests for employees on last-chance agreements
- Provided drug and alcohol awareness training sessions for supervisors
- Coordinated annual flu vaccines and tuberculosis testing for public safety emergency responders
- Provided multiple critical incident debrief sessions, grief counseling sessions, conflict resolution mediations and team building facilitations
- Completed multiple Threat Assessments with recommendations to departments on how to ensure safe work environments free from violence and threats of violence

FISCAL YEAR 2016-17 ACTION PLAN

HRM Risk and Benefits continues to develop programs and guide available resources to ensure the program objectives are being proactively addressed. In the next fiscal year, our focus will be on the following efforts:

- Continue working on the expansion/broadening of the web-based training platform to improve functionality and training compliance.
- Complete Root Cause Analyses for catastrophic or critical loss cases to determine risk reduction and loss prevention focal points
- Develop department level loss prevention trainings for strains and sprains injuries and other soft tissue injuries, based on results of Root Cause Analyses
- Develop supervisor accident investigation training, which promotes identification of preventive and corrective actions to reduce re-occurrence of incidents as part of Supervisor Training Academy
- Develop Risk Management Guidelines to codify practices and procedures for a variety of Risk Management programs and service areas
- Develop Supervisors Referral Guidelines for Employee Assistance Program
- Continue updating administrative instructions related to Human Resources and Risk Management policies and procedures
- Implement web-based Insurance Certificate Monitoring platform. This will allow employees to review certificates of insurance online, improving the monitoring of insurance for existing and new contracts
- Administer the City-wide Employee Health and Wellness Program and support Police Department in their wellness program
- Implement Incident Tracking System for departments to track and share information about incidents and occurrences at City facilities
- Continue to implement Risk Management Information System, RiskMaster, to track integrated disability cases involving FEHA, FMLA and other regulated disability statuses
- Develop supervisor training module for IDM and FEHA awareness, providing orientation on recognizing the key FEHA triggers, privacy rights, use of program tools and resources

THIRD PARTY CLAIMS ADMINISTRATOR

ACTIVE PARTNERSHIP WITH A THIRD PARTY ADMINISTRATOR

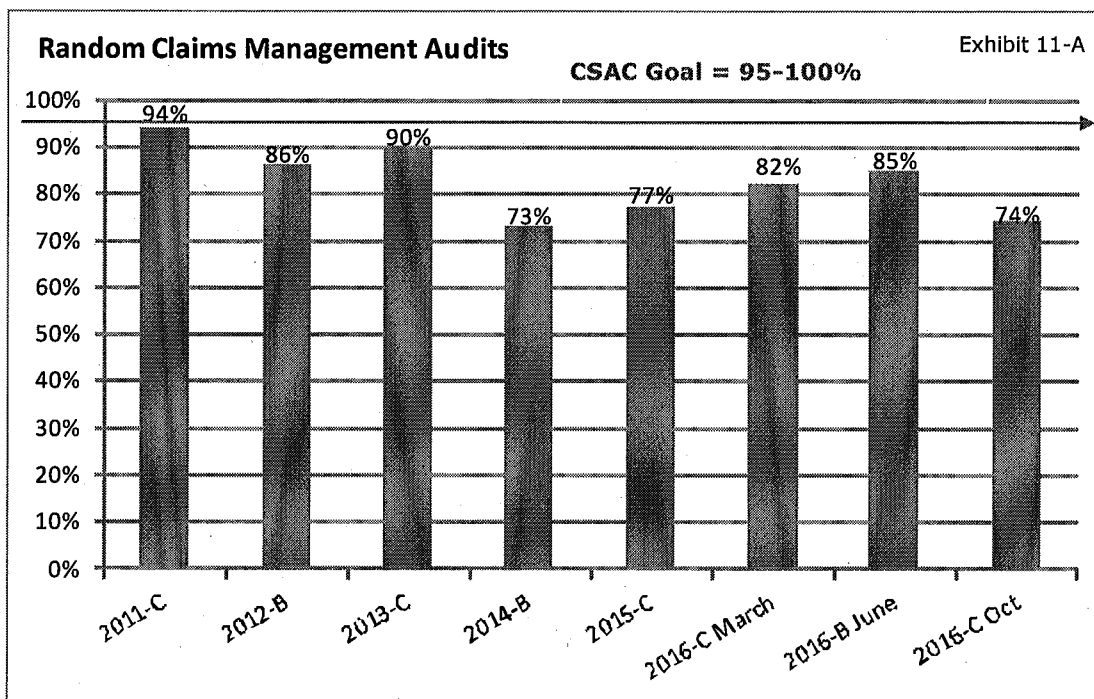
The purpose of a Third Party Administrator (TPA) to manage the City's workers' compensation program is to assist in managing the regulatory and technical compliance with the Division of Workers' Compensation (DWC) and the California Division of Industrial Relations (DIR). The success of the City's Self-Insured Workers' Compensation program relies heavily on the successful partnership with the City's TPA. The City's Risk and Benefits staff have daily contact with the TPA related to all aspects of claim management, which impact staffing, claim processing, reserve allocation, and settlement funding related to our self-insured status.

Since 2001, the City has contracted with JT2 Integrated Resources as its TPA. Since that time, JT2 has been a responsive and capable partner. JT2 has fallen below the 95% performance standard in all years shown below. These audits are conducted by California State Association of Counties (CSAC) and Bickmore (a Risk Management Consultant), both reputable auditors of workers' compensation programs.

The City has different analytical tools to assess the performance of the TPA, including annual Claims Audits, annual Actuarial Reviews, quarterly Financial Reviews, quarterly Fraud Status Updates, and intermittent miscellaneous reviews, such as Fraud Program review and Contract Compliance Assessments. In the past year, the City commissioned a number of these tools, including Interim Claim Audits, Actuarial Assessment, Fraud Assessment, and a mid-year claims audit. The industry-wide standard for claims audits is 95%. The results of these assessment efforts are found in Appendices C - F. Below is a discussion of the Claims Audits.

Of note...

- FY 15-16's Spring Ratings have increased. However they continue to perform below the Performance Goal of 95%. The Fall rating is amongst the lowest ratings to date.
- See Appendix C for more detailed



Auditors: (B) Bickmore (C) CSAC



ACTIVE PARTNERSHIP WITH TPA (continued)

The table below highlights a mid-year audit conducted in June 2016 by Bickmore on **highly reserved cases only**, those with the highest risk exposure. This audit found that JT2 scored 85% in the overall performance standard. However, 9 of the 21 assessed categories were below the 95% performance standard with sub-standard scores ranging from 21% - 92%. While a number of categories in this specialized subset had high passing scores, lower scores were assessed in a more comprehensive, random sampling of cases. These are detailed on the following page.

Exhibit 12-A

MID-YEAR AUDIT OF HIGH RESERVE CLAIMS	
Key Categories and Subcategories	Bickmore June 2016 Score
Claims Handling – Administrative	
Caseload (Excluded from Overall Score)	100%
Case Review and Documentation	77%
Communication	96%
Fiscal Handling	79%
Medicare Reporting	84%
Claim Creation	92%
Indexing	21%
Claim Handling – Technical	
Payments & Benefit Notices	96%
Medical Treatment	96%
Apportionment	92%
Disability Management	96%
Supplemental Job Displacement Benefit	38%
Reserving	85%
Resolution of Claim	86%
Settlement Authority	92%
Litigated/Subrogation Cases	86%
Excess Insurance	79%
Overall Score	85%

THIRD PARTY CLAIMS ADMINSTRATOR

TOTAL CLAIM AUDIT COMPARISON OF TPA

The table below compares the annual 2016 Audit (conducted in October 2016) with the mid-year audit (conducted in March 2016). Each audit was conducted on a comprehensive random sampling of files. While 7 of the 21 assessed categories met the 95% performance standard in the mid-year audit, within the next 7 months, only 6 of the 21 categories met the standard in the annual audit. There were improvements in the Indexing and Investigations categories from the mid-year to annual audits but 15 categories fell below the 95% performance standard in the annual audit as highlighted in the table below. The HRM Department will continue to closely monitor and continually assess JT2's performance.

Exhibit 13-A

CSAC Random Selection Audits - Mid-Year 2016 vs. 2016 Annual Audit			
Category	Mid-Year Score (Mar. 2016)	Annual Score (Oct. 2016)	Variance
Caseload	100%	100%	0%
Case Review and Documentation	71.18%	76.73%	5.55%
Communication	97.65%	89.60%	-8.05%
Fiscal Handling	85.25%	78.57%	-6.68%
Medicare Reporting	100%	2.65%	-97.35%
Three Point Contact	50%	53.33%	3.33%
Compensability	95.83%	96.49%	0.66%
AOE/COE Investigations	66.67%	100%	33.33%
Initial Reserves	94.74%	92.75%	-1.99%
Indexing	78.57%	96.15%	17.58%
Payments	90.28%	84.33%	-5.95%
Medical Treatment	93.22%	97.44%	4.22%
Apportionment	95.45%	84.62%	-10.83%
Disability Management	100%	80.95%	-19.05%
Supplemental Job Displacement Benefits	100%	100%	0%
Reserves	79.41%	62.96%	-16.45%
Resolution of Claim	59.62%	67.39%	7.77%
Settlement Authority	96.77%	92.59%	-4.18%
Litigated Cases	87.84%	75.81%	-12.03%
Subrogation	75%	60%	-15%
Excess	60%	50%	-10%
Overall Score	82.32%	74.47%	-7.85%

T HIRD PARTY CLAIMS ADMINSTRATOR



PERFORMANCE MEASURES

In addition to the Claims Management Audits, HRM uses a variety of measures to monitor claims administration performance. The statistics of Closing Ratio and Fraud Investigations in the exhibits below highlight some of these measures.

Closing Ratio: Measures the number of claims closed as compared to opened over a specific period of time. A Closing Ratio of greater than one is desirable because it indicates more claims are being closed than opened, reducing the City's total number of open claims (and future liability).

Of note...

Closing ratio increased this past year. Industry-wide, a 1:1 closing ratio is a consistently good measurement. 121% is not only a major improvement, and is more in keeping with past experience.

Claims Productivity Ratio				Exhibit 14-A
by Fiscal Year				
Fiscal Year	# Claims Closed	# Claims Opened	Closing Ratio	
FY10-11	701	568	123%	
FY11-12	634	598	106%	
FY12-13	691	566	122%	
FY13-14	645	640	101%	
FY14-15	508	563	90%	
FY15-16	717	593	121%	

Fraud Investigations have 3 parts:

1. Surveillance (observation of individual without contact with the subject).
2. Field Investigations (progression of surveillance, and taking statements from the subject & others).
3. Fraud Referral (the case meets the standard for fraud set by the District Attorney).

Fraud Investigation Activity				Exhibit 14-B	
Indemnity Claims Filed FY2015-16	Surveillance	Field Investigation	Fraud Referral (FD-1) Submission	Back-ground Checks	Denied Claims
520	15 (3%)	69 (13%)	36 (7%)	26 (5%)	87 (17%)

T HIRD PARTY CLAIMS ADMINSTRATOR



AGREED MEDICAL EXAMINATIONS

An Agreed Medical Examination (AME) is a tool approved by the State of California as a method of seeking third opinion resolutions on disputed medical cases. This typically occurs when an employee's treating physician and the employer's physician are not in agreement on the severity of injury and degree of disability caused by the injury. When such disagreement exists, either party (employee or employer) has the option to invoke an Agreed Medical Examination. However, both parties must 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 provides a "panel list" of physicians to the parties from which to select. The State of California establishes the panel. Typically, it takes several months for an Examination appointment due to the number of State-wide Workers' Compensation cases that are in dispute.

The City of Oakland relies heavily on AMEs to bring resolution to a number of our Workers' Compensation cases. The exhibit below illustrates the number of AME and QME (Qualified Medical Examination) processes that have been utilized for Fiscal Year 2011-12 through Fiscal Year 2015-16. In addition, this exhibit reflects the number of cases settled on the basis of the opinion of the employee's Primary Treating Physician (PTP).

Medical Legal Statistics by Fiscal Year for City of Oakland Workers' Compensation Claims					
Exhibit 15-A					
Fiscal Year	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16
Number of Claims Settled	157	322	132	114	128
AME (Agreed to Medical Examina-	258	103	84	74	90
PTP (Primary Treating Physician)	42	18	22	25	25
Panel QME (Employee Unrepresented by Attorney)	13	6	15	6	3
QME (Employee Represented by Attorney)	6	5	11	6	12
Other	2	0	0	3	0

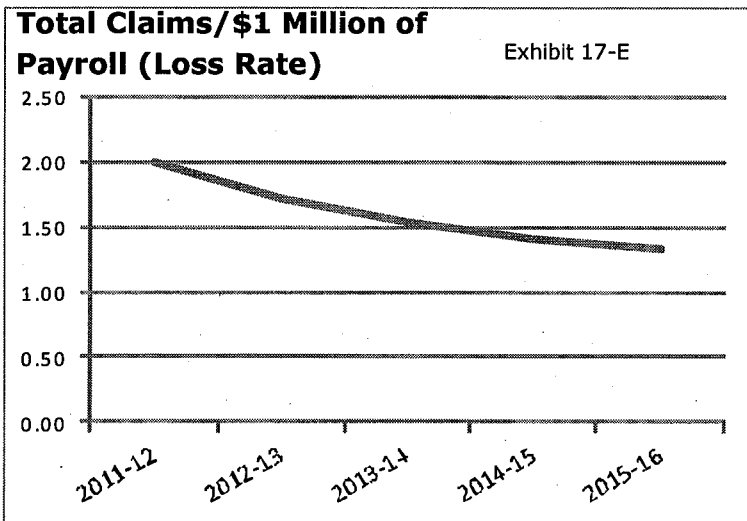
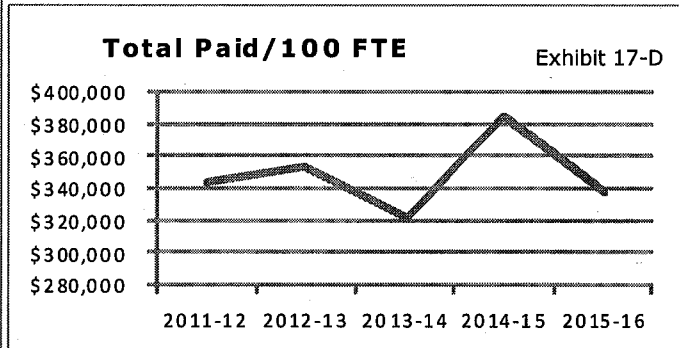
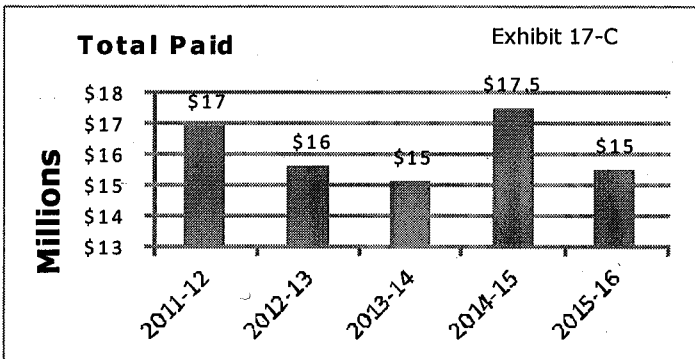
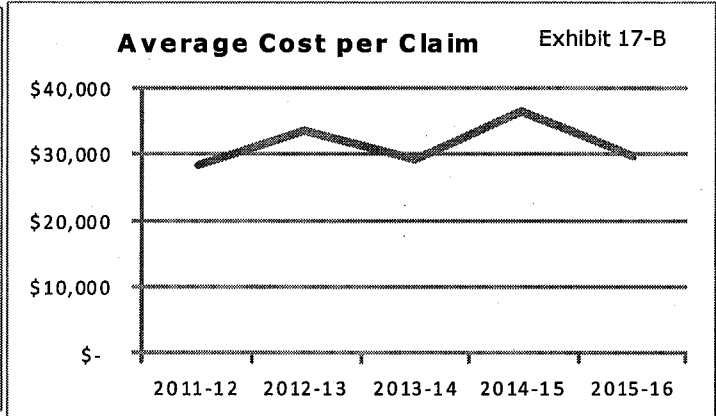
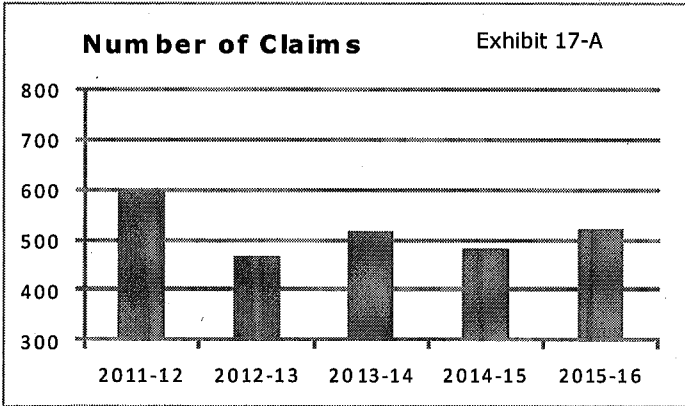
CITY'S COMPARISONS



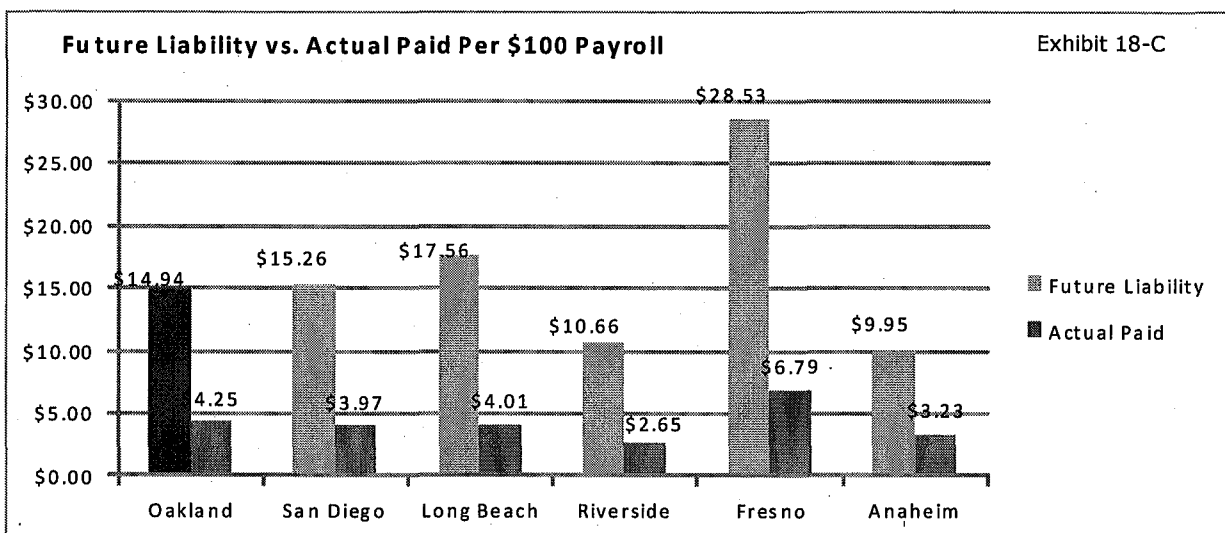
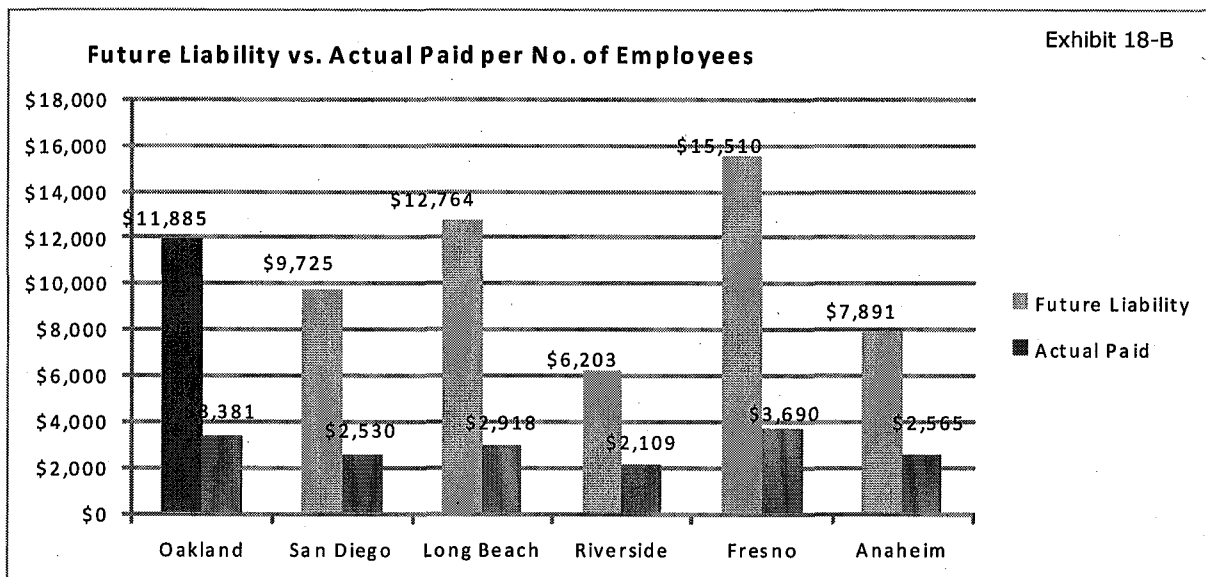
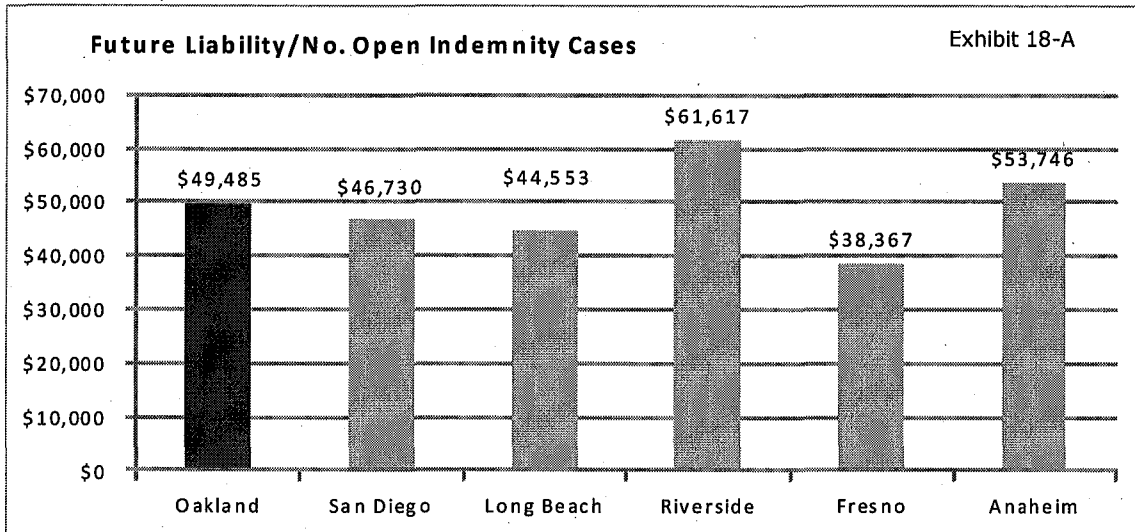
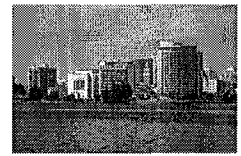
As a Self-Insured employer, the City is required to submit a Self-Insured Annual Report (SIA) to the State of California each year. The SIA captures Workers' Compensation and employment data from all Self-Insured employers within the State. The SIA serves two purposes. First, it enables to State to determine the annual Workers' Compensation Assessments to employers. Second, it provides the City with important comparison information for year to year program performance and program performance among similarly situated public entities. The table below shows the City's performance for the past five fiscal years. The following pages compare City's Workers' Compensation experience against itself and comparable cities.

Exhibit 16-A					
COO Self-Insured Annual Report to State of California					
Fiscal Year	FY11-12	FY12-13	FY13-14	FY 14-15	FY 15-16
Indemnity Claims Rec'd	331	289	307	273	277
Medical Only Claims Rec'd	267	176	208	207	243
Total # of Claims Rec'd	598	465	515	480	520
Total Benefits Paid (Disability & Medical Expenses Only)	\$16,901,893	\$15,611,250	\$15,061,781	\$17,841,655	\$15,472,848
Total Future Liability	\$35,932,649	\$34,164,988	\$40,264,806	\$42,439,625	\$54,384,319
# of Employee (FTE)	4921	4424	4684	4552	4576
Total Reported Payroll	\$299,259,395	\$270,358,254	\$334,111,830	\$342,660,477	\$364,004,747
Total # Claims/100 FTE	12.15	10.51	10.99	10.54	11.36
Total Benefits Paid/100 FTE	\$343,465	\$352,876	\$321,558	\$391,952	\$338,130
Total # Claims per \$1M Payroll	2.00	1.72	1.54	1.40	1.43
Total Benefits Paid per \$1M Payroll	\$56,479	\$57,743	\$45,080	\$52,068	\$42,507
Average Cost per Claim	\$28,264	\$33,573	\$29,246	\$37,170	\$29,755

OAKLAND VS. OAKLAND



OAKLAND VS. OTHER CITIES



C LAIMS MANAGEMENT PROGRAM

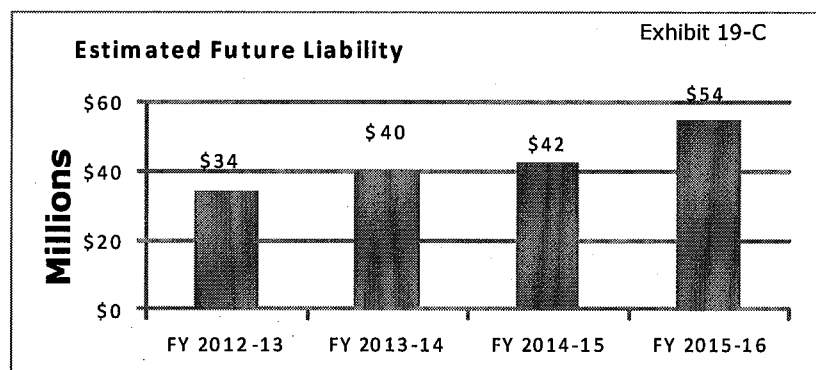
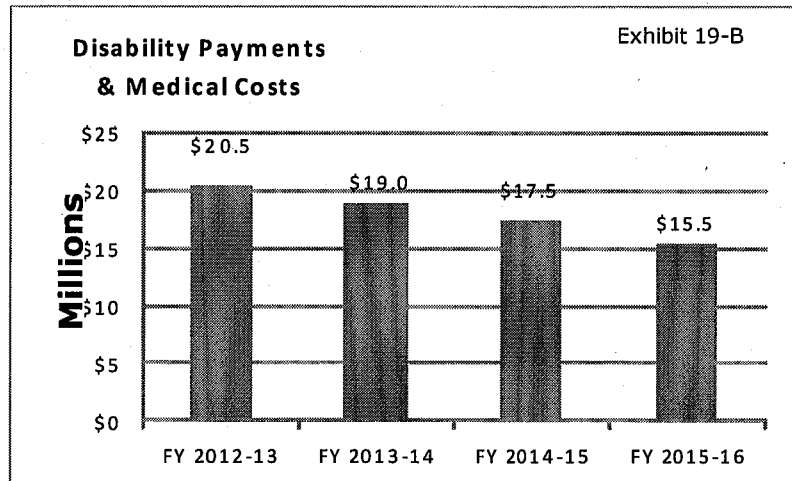
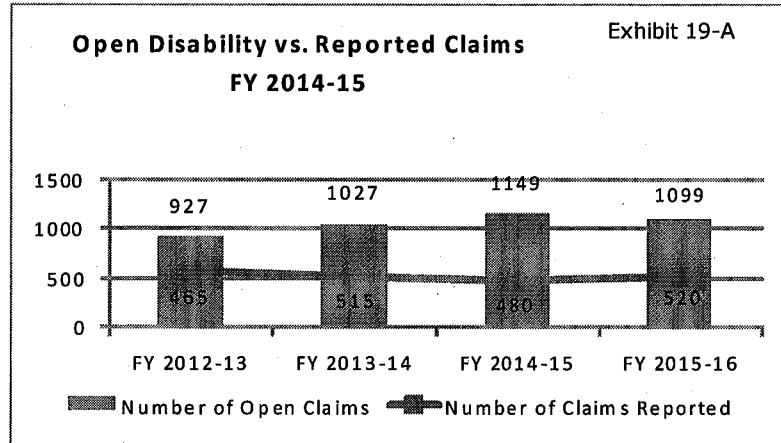


Of note...

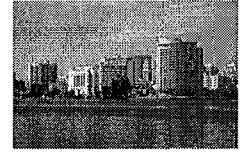
- 8.3% increase of disability claims in FY 2015-16.
- \$2,023,341 (12%) decrease in disability and medical payments.

The City's Claim Management Program standardizes the process for documenting and reporting claims, and incorporates a Transitional Duty (Early Return-to-Work) Program. The effectiveness of this program hinges on the contributions of three groups:

- Department-Based Coordinators
- RMD Workers' Compensation Program Coordinator
- The City's Third-Party Administrator (JT2 Integrated Resources)

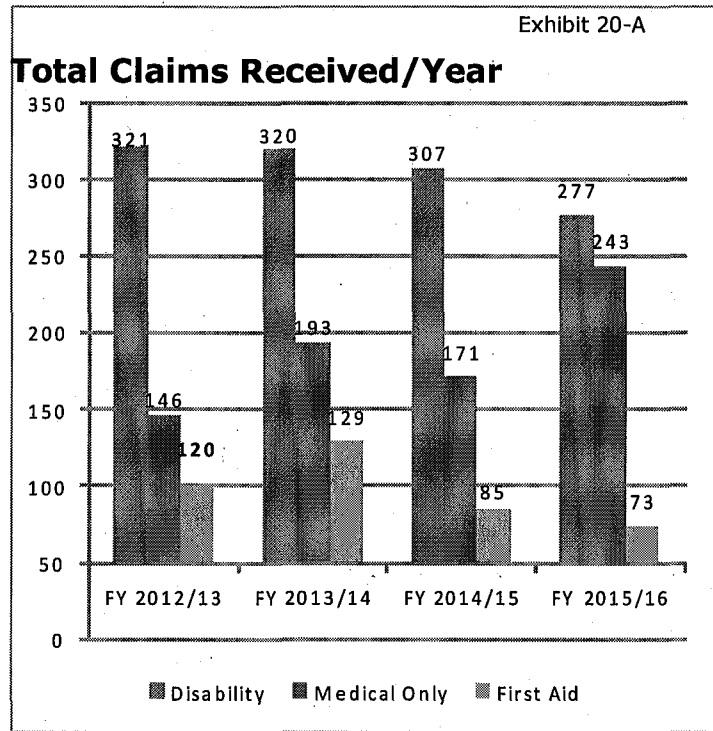


CLAIMS MANAGEMENT PROGRAM



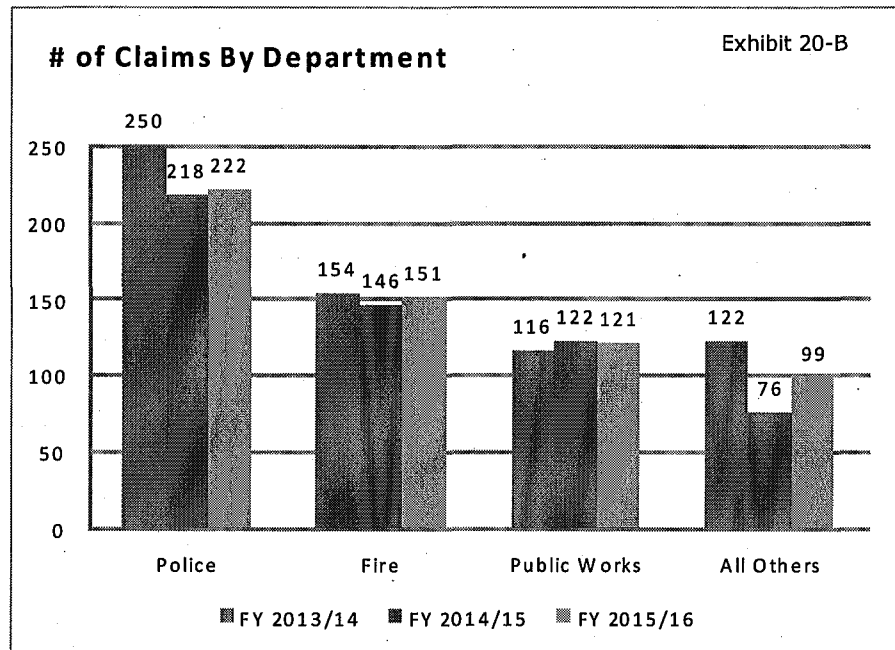
Of note...

- Disability claims have continued to decline over the past four years.
- First Aid claims have decreased overall while Medical Only claims have increased.



Of note...

- Overall, the number of injuries per Department increased in FY 2015/16 compared to FY 2014/15.
- Injuries in the smaller Departments (e.g., Finance, Library, Human Services, and Parks and Recreation) increased the most in FY 15/16 over FY 14/15.

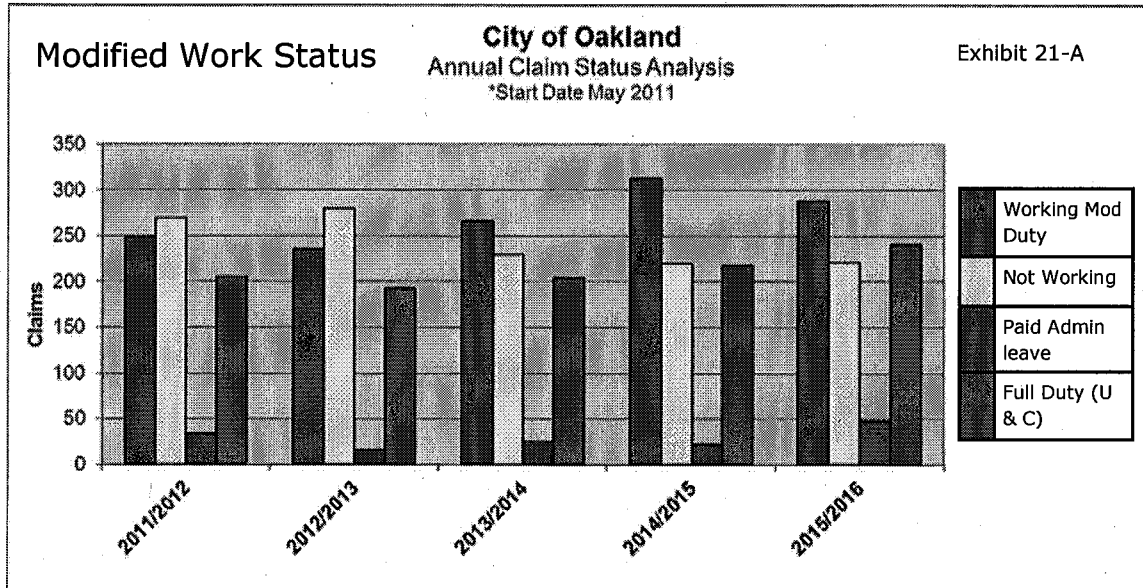


PROGRAM PERFORMANCE MEASURES



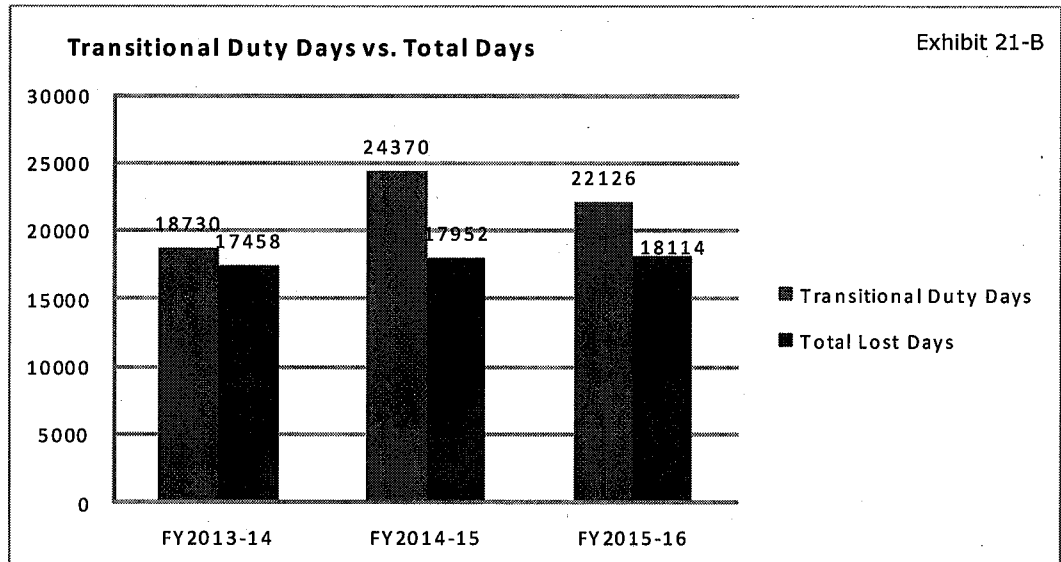
Productivity Gains via Transitional Duty Program (Early Return-To-Work)

The City of Oakland's Early Return-To-Work program saw the number of claims engaged in Modified Duty assignments (seen in green below) surpass the number of claims where the injured worker was not working at all (as seen in blue below). The red below indicates when a department places an employee on paid administrative leave instead of modified duty.



Of note...

In Exhibit 21-B, Fiscal Year 2015-2016 reflects 2,244 (9.2%) fewer days of modified duty productivity related to injury claims than last year. There were only 162 (0.9%) more Lost Days in Fiscal Year 2015-2016 than last year.

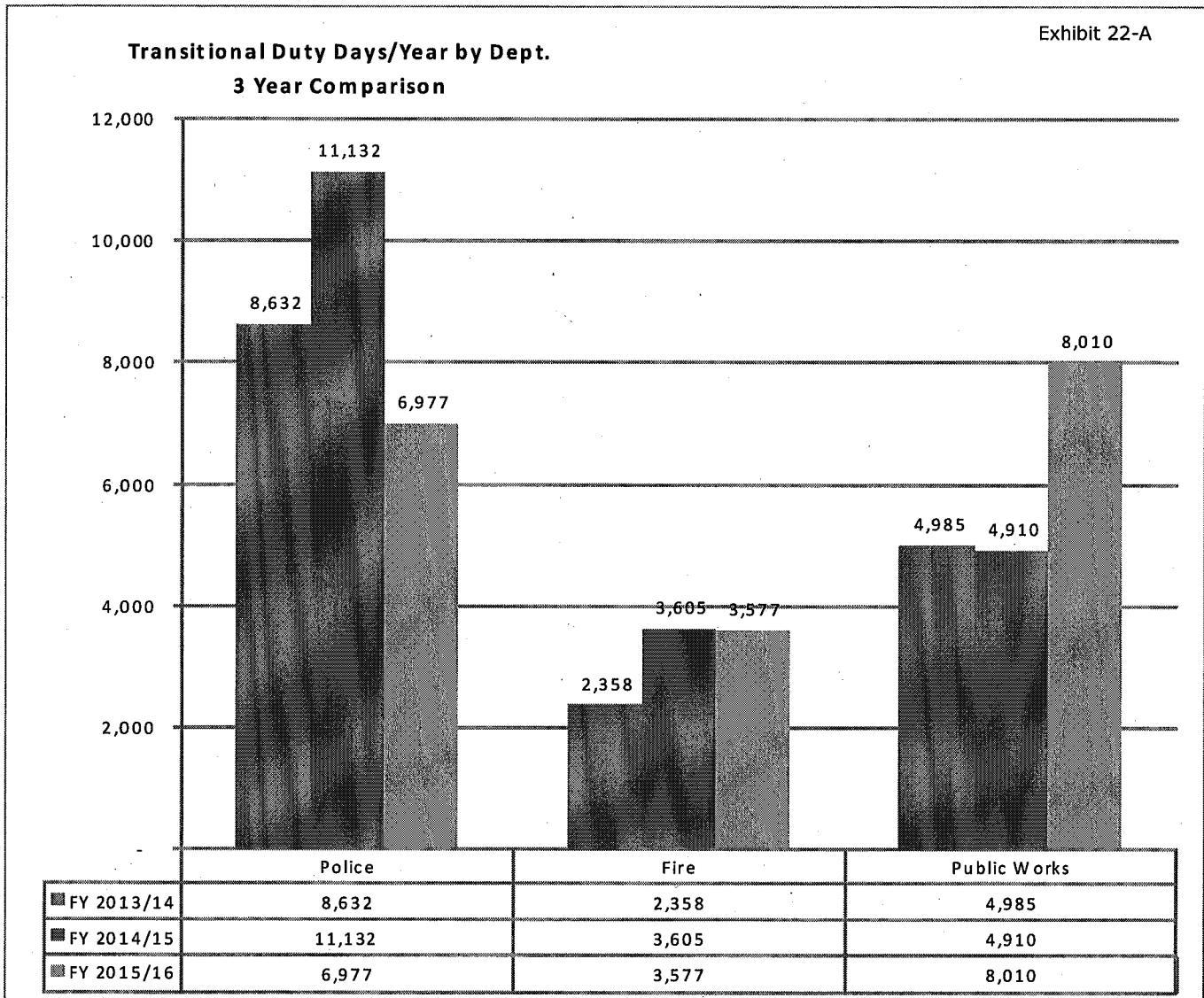


T TRANSITIONAL DUTY PROGRAM USE BY DEPARTMENTS



Of note...

- The number of Transitional Duty (TD) days for Public Works has increased by 63% over last year's number and are now more than OPD's. OPD had a 12.8% drop in claims which resulted in a 37% decrease in TD days from last year.
- Overall, FY 2015-16 had a 5.5% decrease in TD days in the Transitional Duty Program from FY 2014-15.



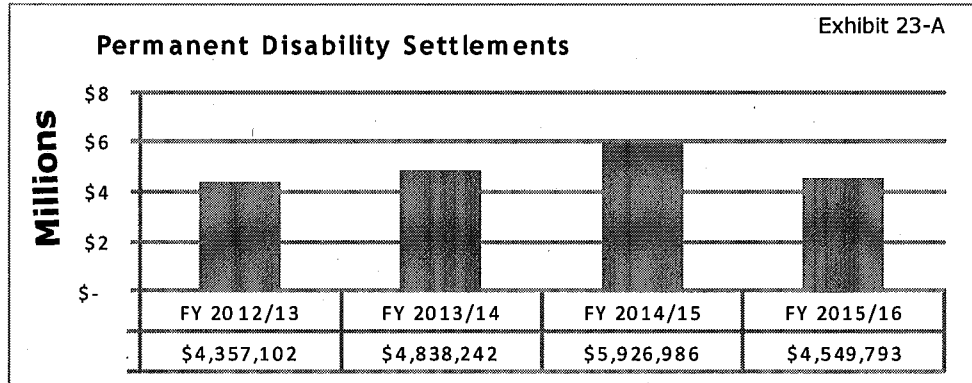
PROGRAM EXPENDITURE CATEGORIES



The primary expenditure types of the Workers' Compensation Program can be categorized as Indemnity Payments, which are in the form of Permanent Disability payments, Temporary Disability payments, Medical Expenditures and Allocated Expenditures. Appendix A defines these terms further, and Appendix B provides a detailed breakdown of program expenditures over the past 5 years. The following graphs show four-year histories of each of the key categories of Workers' Compensation expenses.

PERMANENT DISABILITY SETTLEMENTS

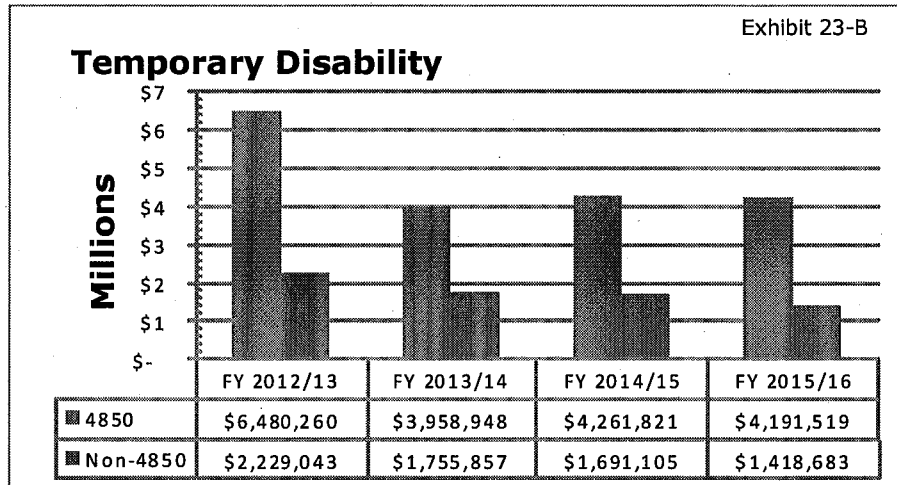
Exhibit 23-A shows a four year history of Indemnity Expenses paid for the settlement of claims when injury has resulted in some level of permanent disability for the employee.



TEMPORARY DISABILITY PAYMENTS

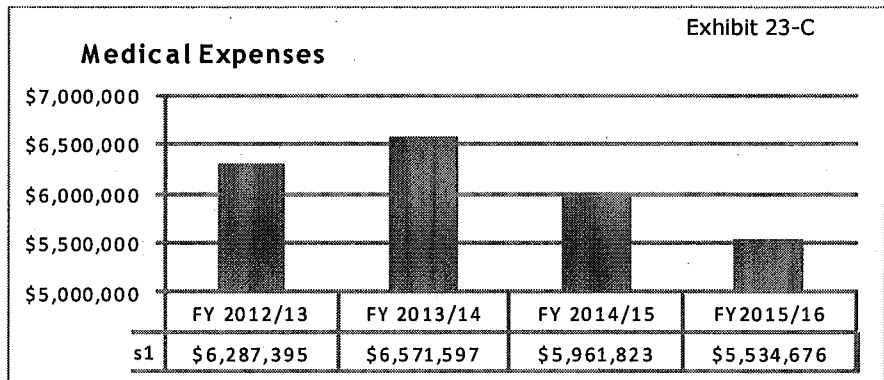
Exhibit 23-B shows a four year history of Indemnity Expenses paid for salary related to claims. These Expenses are divided into two categories: 4850 and Non-4850.

For non-4850, cost drivers are linked to both negotiated pay increases and to the State Annual Weekly Wage (SAWW). For 4850, full pay costs are driven by negotiated increases in sworn salaries.

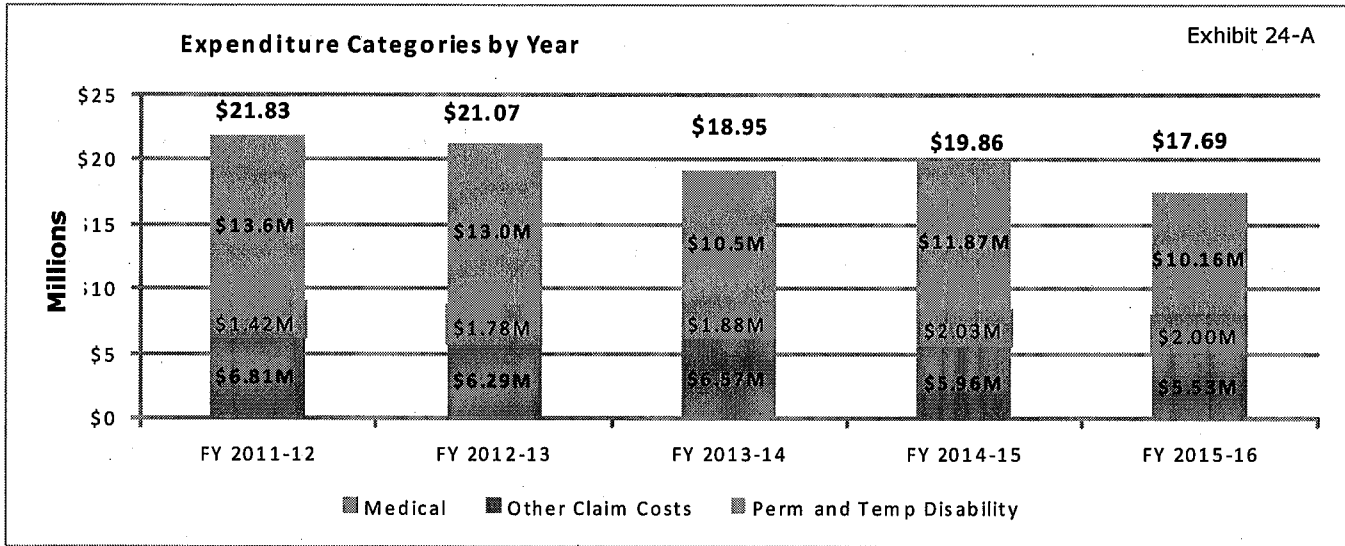
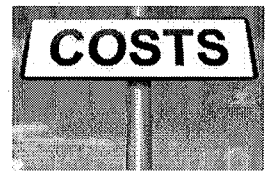


MEDICAL EXPENSES

Exhibit 23-C shows a four year history of medical expenses associated with all Workers' Compensation claims. In FY 2015-16, the City's medical costs decreased 7.2%.

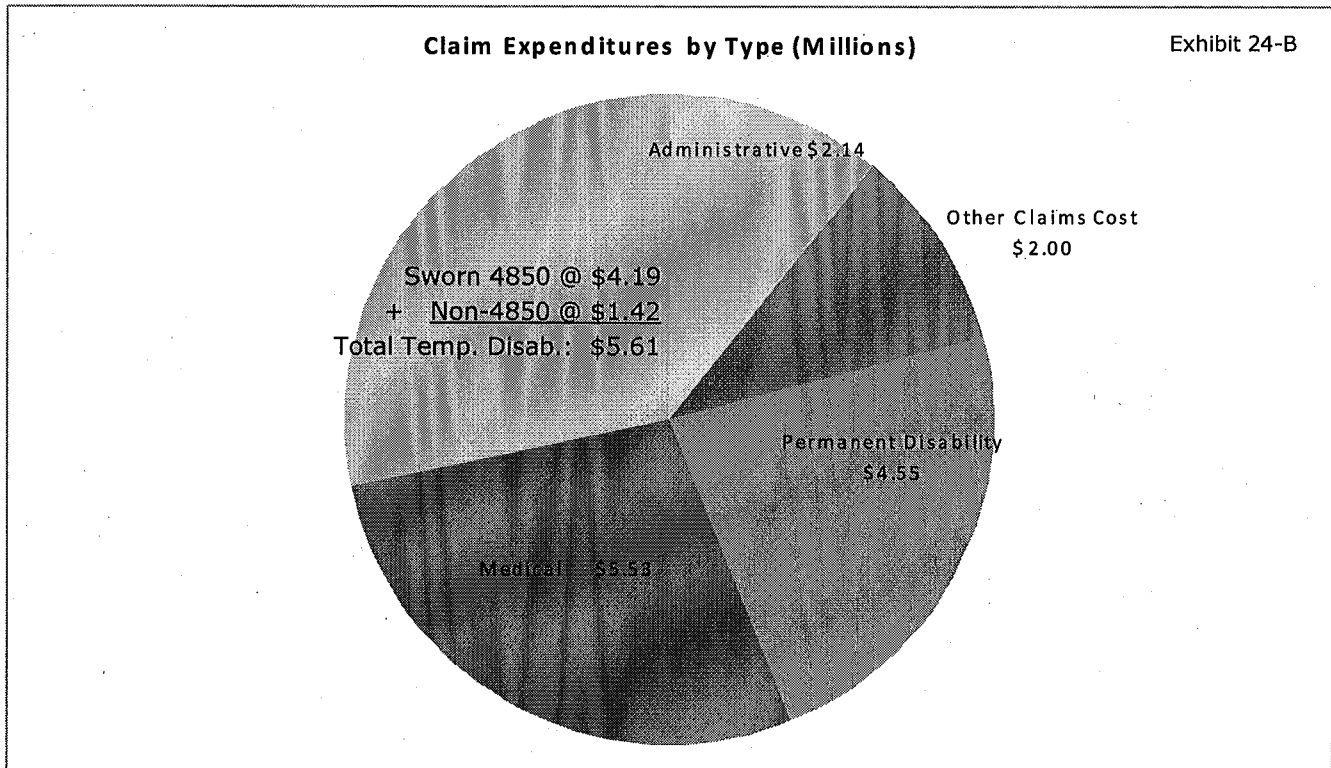


P PROGRAM EXPENDITURE CATEGORIES

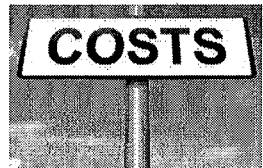


Of note...

- There was \$2,179,293 less paid in disability, medical, and allocated costs in FY15-16 than in the prior year.
- 9.1% higher administrative costs in FY 2015-16 than the last year.



PROGRAM EXPENDITURE CATEGORIES

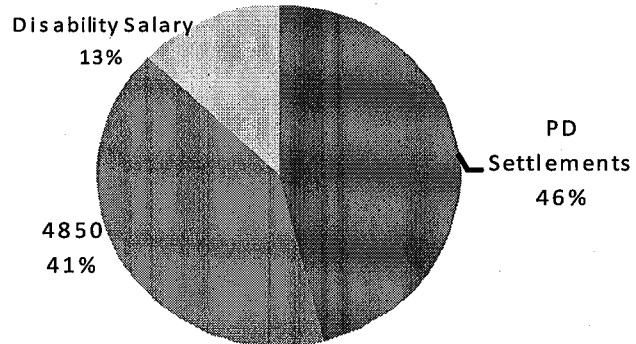


Of note...

- Disability Salary and 4850 both relate to Salary Payments made to injured workers missing work time.

Permanent Disability Settlements, Disability & 4850 Costs

Exhibit 25-A

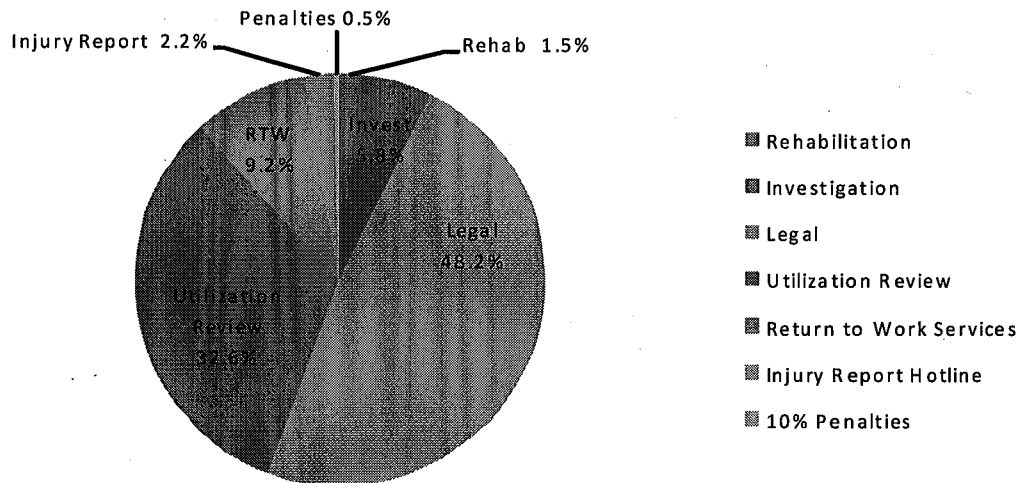


Of note...

- Other Claim Costs (Allocated) represent the \$2 million seen on the previous page.

Other Claim Costs (Allocated)

Exhibit 25-B



FREQUENCY & SEVERITY BY DEPARTMENT



The following exhibits provide department history as related to frequency (number of claims) and severity (future liability of claims). This data can be used by the City and individual Departments to determine where the largest program users exist. The focus of injury prevention programs should target the areas of high frequency and severity.

Department	FY13-14			FY14-15			FY15-16		
	M.O.	Disb.	All	M.O.	Disb.	All	M.O.	Disb.	All
City Administration	1	2	3	3	1	4	9	4	13
City Attorney	1	1	2	1	1	2	3	2	5
Dept. Of Info & Tech	1	2	3	0	3	3	3	0	3
Financial Mgmt	3	4	7	4	5	9	0	1	1
Fire	45	94	139	39	82	121	42	94	136
Housing & Comm Dev.	1	0	1	1	3	4	0	0	0
Human Services	7	13	20	8	4	12	6	19	25
Library	5	10	15	4	8	12	5	1	6
Neighborhood Inv.	0	1	1	0	0	0	0	1	1
Office Mayor	0	1	1	1	0	1	1	0	1
Parks & Recreation	13	5	18	9	5	14	14	11	25
Planning & Bldg	1	1	2	2	0	2	2	1	3
Police	70	132	202	74	121	195	107	87	194
Public Works	44	55	99	61	40	101	37	68	105
Totals	192	321	513	207	273	480	229	289	518

M.O.: Medical Only Claims **Disb.** Claims with disability costing

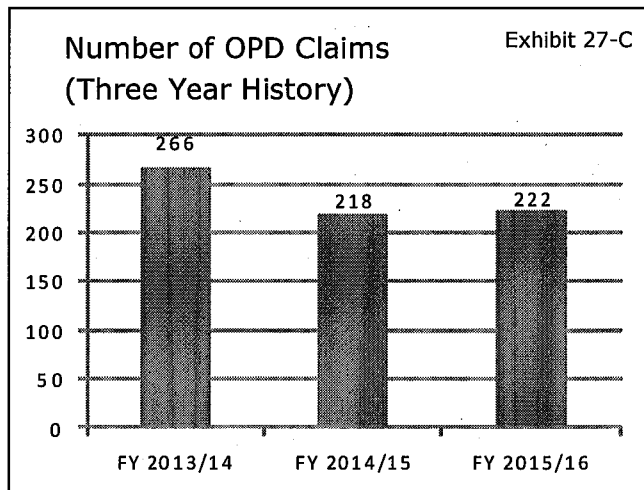
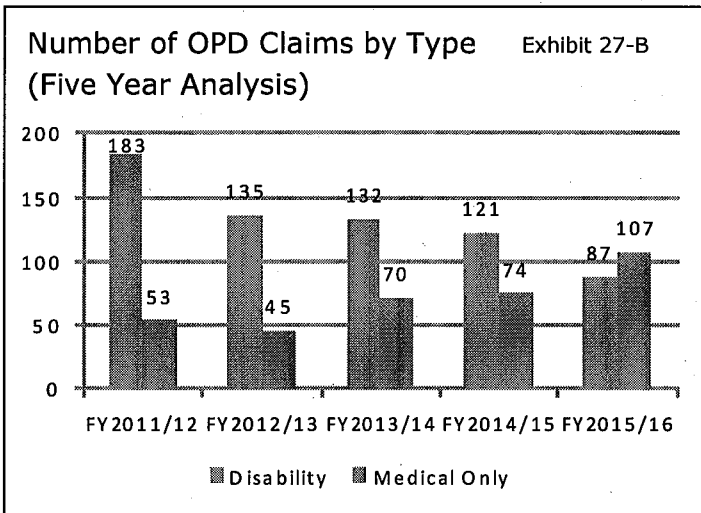
Department	FY13-14	FY14-15	FY15-16
City Administration	\$6,842	\$9,875	\$10,328
City Attorney	\$3,777	\$23,257	\$4,914
Dept. Of Info & Tech	\$6,527	\$22,943	\$22,242
Financial Mgmt	\$20,950	\$67,860	-
Fire	\$2,090,567	\$2,134,371	\$4,116,610
Housing & Com Dev.	\$187	\$61,533	-
Human Services	\$118,004	\$42,080	\$323,121
Library	\$86,437	\$187,312	\$16,256
Neighborhood Inv.	\$325	-	\$269,709
Office Mayor	\$14,775	-	-
Parks & Recreation	\$60,363	\$19,341	\$111,144
Planning & Bldg	\$503	\$14,925	\$7,386
Police	\$2,191,952	\$2,637,576	\$2,481,008
Public Works	\$805,770	\$458,670	\$920,991
Totals	\$5,406,979	\$5,679,743	\$8,283,710



Police Department -- Workers' Compensation Claims					Exhibit 27-A
	#of Claims	% of City	Cost of Claims	% of City	Average Cost Per Claim
FY 2015-16	222	37%	\$3,409,493	30.48%	\$15,358
3-Year Average	235	39%	\$3,356,090	38.31%	\$14,261

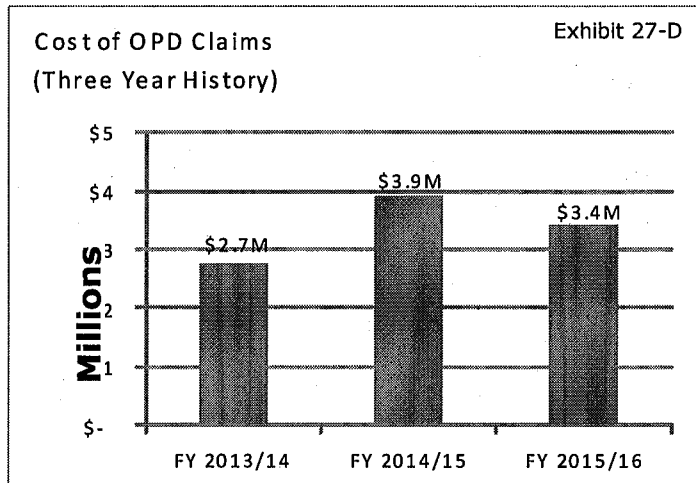
Of note...

- 5.5% fewer claims in OPD in FY 2015-16 than the 3-year average.
- The cost of OPD claims in FY 2015/16 is closer to the three year average by 1.59%.



Of note...

- 28.1% reduction of claims involving disability since last year.
- Costs decreased by 12.8% since last year.

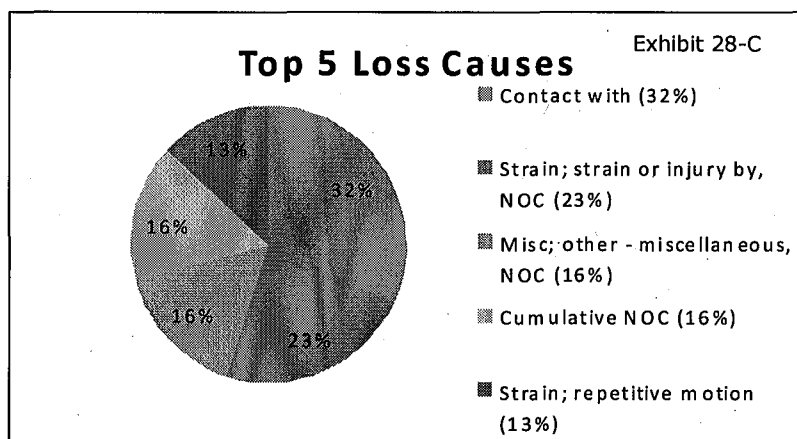
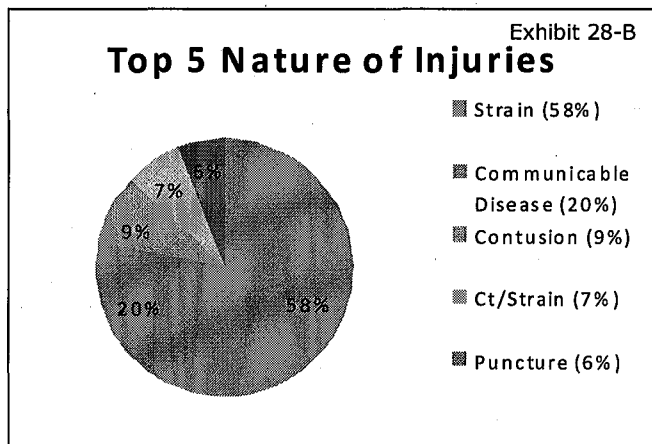
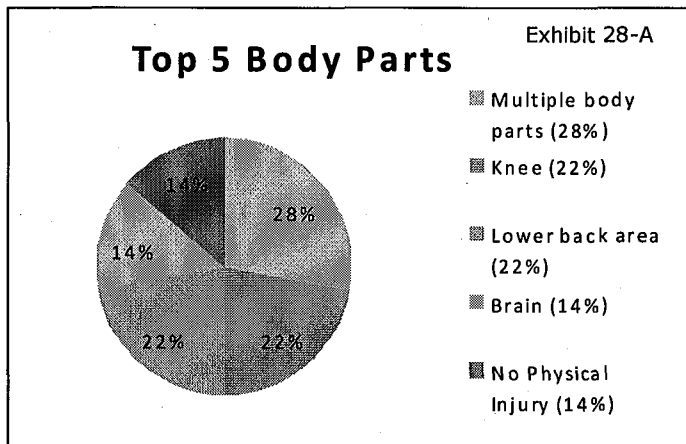




OPD INJURY TYPES FY 2015-16

Of note...

- In FY 2015-16 OPD injuries most frequently involve multiple body parts.
- Strains continue as the most frequent type of OPD injury in FY 2015-16.

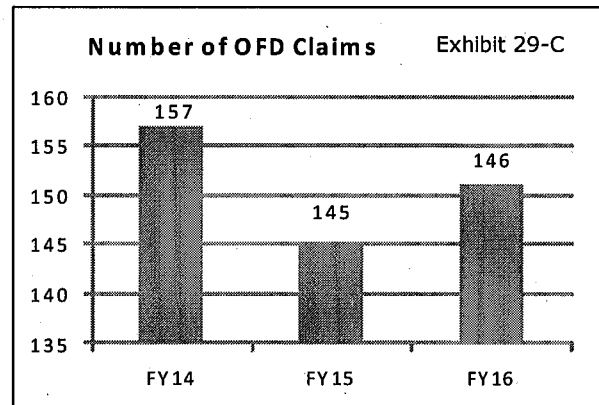
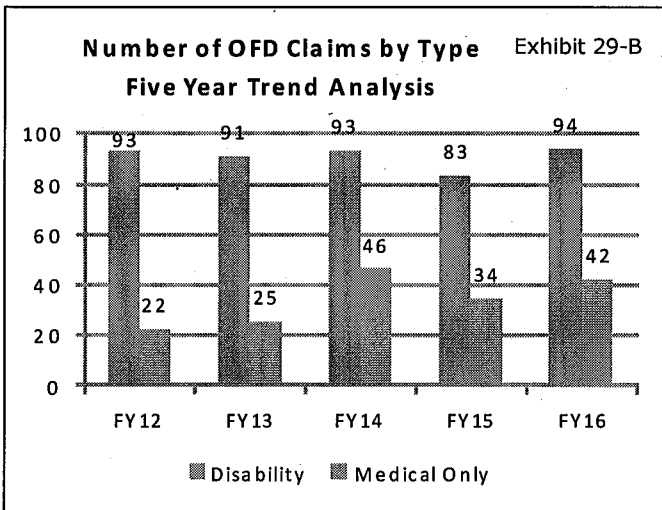




	# of Claims	% of City	Cost of Claims	% of City	Average Cost Per Claim
FY 2015-2016	151	25%	\$5,484,820	49%	\$36,323
3-Year Average	151	25%	\$2,770,870	43%	\$24,816

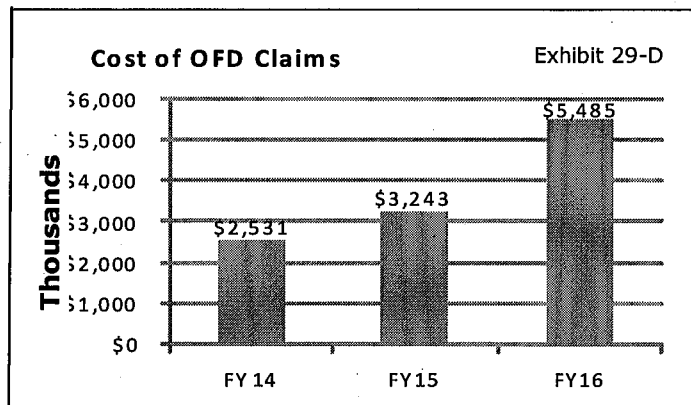
Of note...

- FY 2015-16 had an equal number of claims to the 3-Year Average
- The average cost of OFD claims in FY 2015-16 is 46% higher (\$11,507) than the 3-year average.



Of note...

- FY 2015-2016 has the highest number of OFD Temporary Disability Claims in 5 years.
- 5 more total claims than last year.
- The cost of claims increased by 69.1%

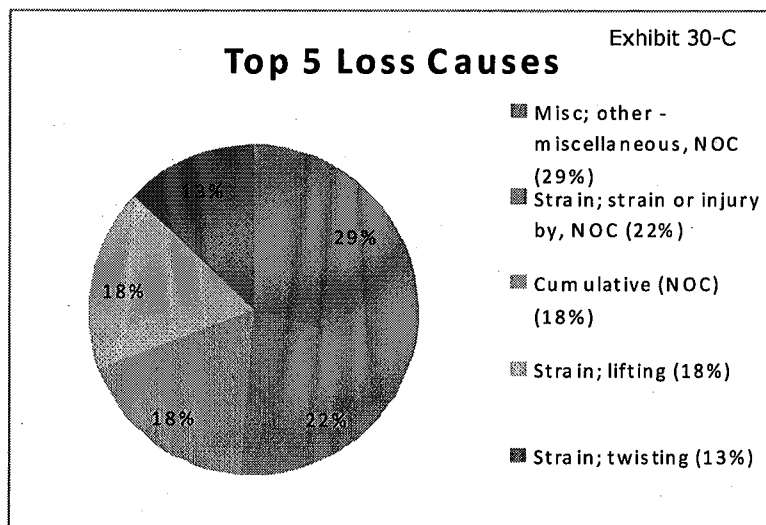
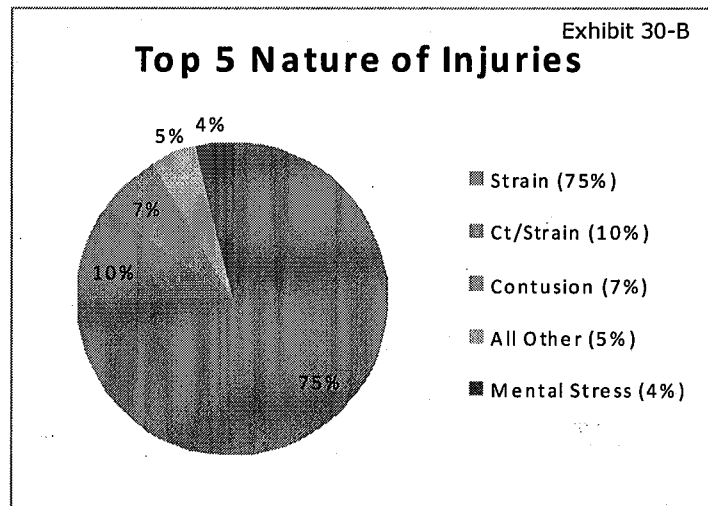
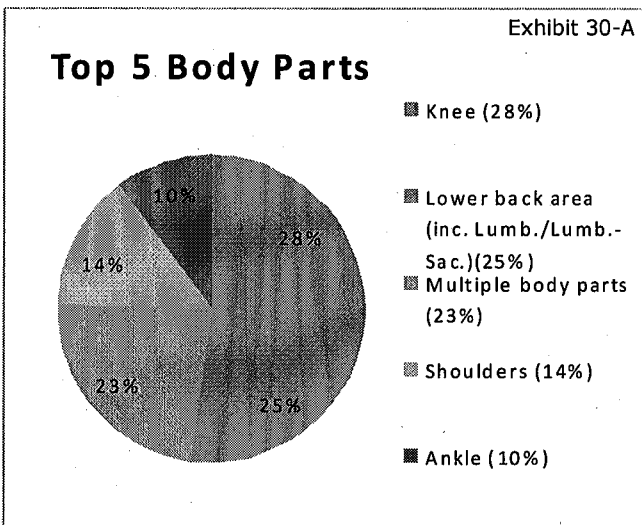


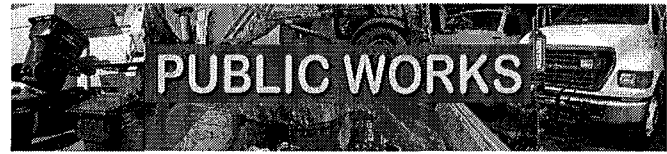


OFD INJURY TYPES FY 2014-15

Of note...

- OFD lower backs were injured most often in FY 2014-15.
- Strains were the most frequent injury in OFD in FY 2014-15.
- Injuries caused by contact with the ground were the most frequent cause of loss in FY 2014-15.

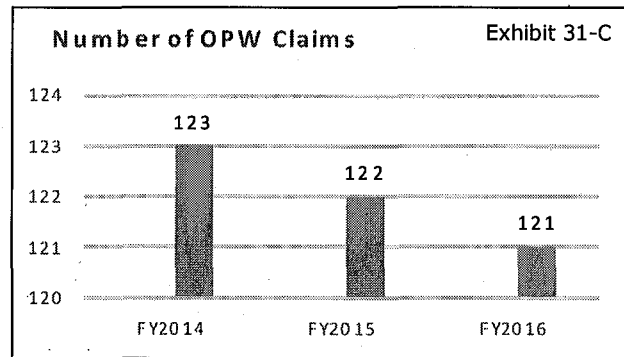
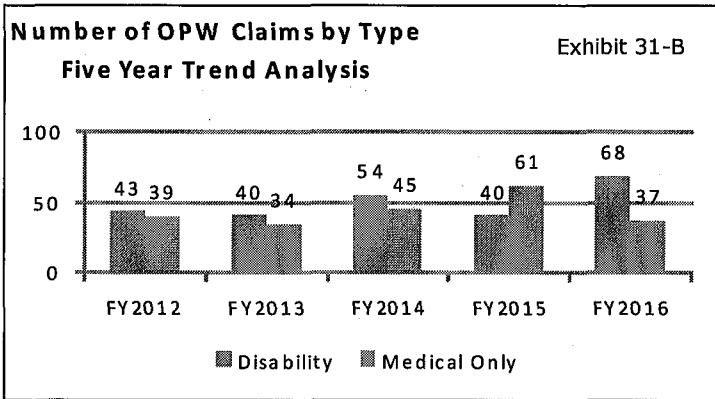




	Number of Claims	% of City	Cost of Claims	% of City	Avg. Cost Per Claim
FY 2015-16	121	20%	\$1,295,744	11.6%	\$10,709
3 Year Avg.	122	20%	\$969,720	11%	\$7,949

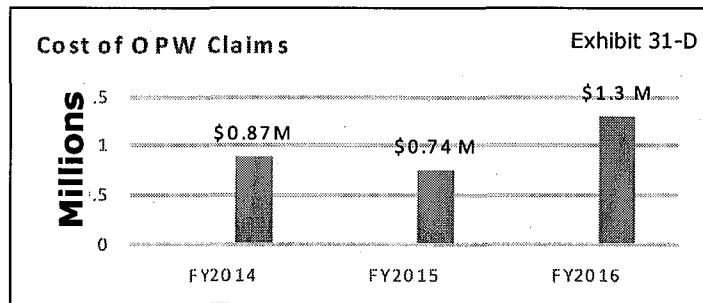
Of note...

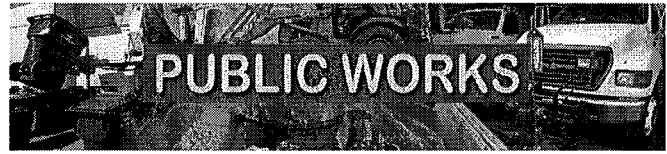
- The number of claims in the last three years have been relatively the same as the 3-year average.
- \$326,024 more paid for OPW claims in FY 2015-16 than the 3-year average.



Of note...

- The number of OPW claims have been relatively the same over the last 3 years.
- The costs of claims increased by 75% since last year.

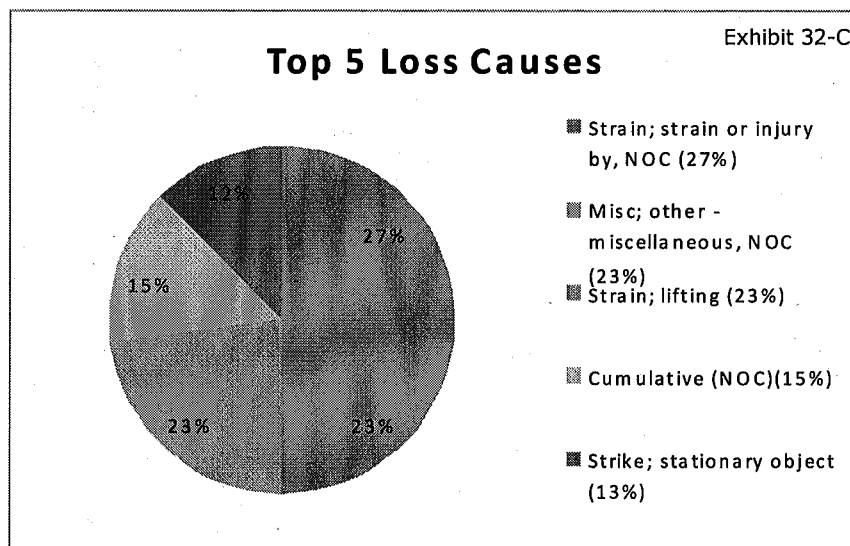
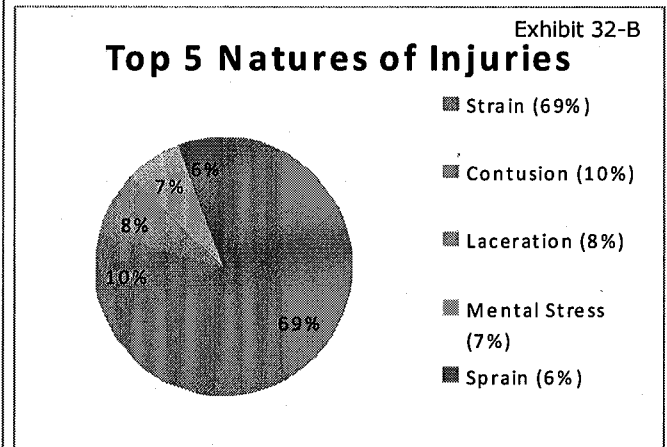
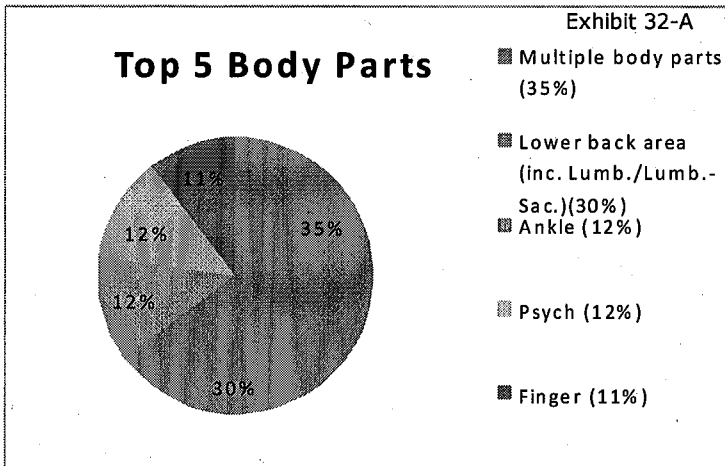




OPW INJURY TYPES FY 2015-16

Of note...

- OPW injuries involved Multiple body parts most often in FY 2015-16.
- Strains continue to be the most frequent injury in OPW in FY 2015-16.
- Strains continue to be the top cause of loss in FY 2015-16.

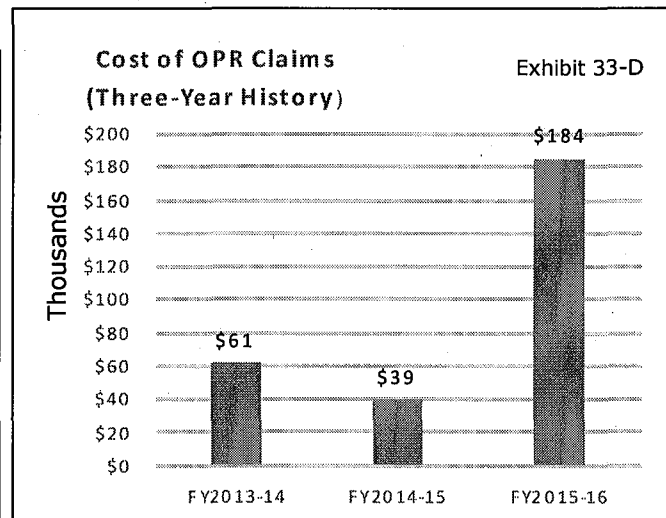
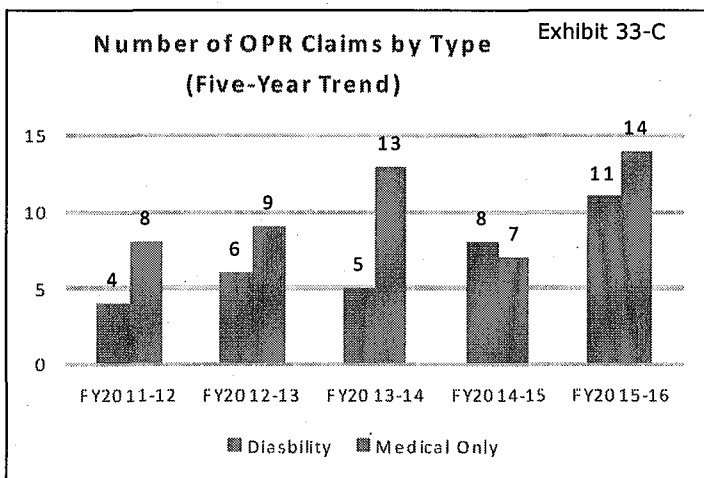
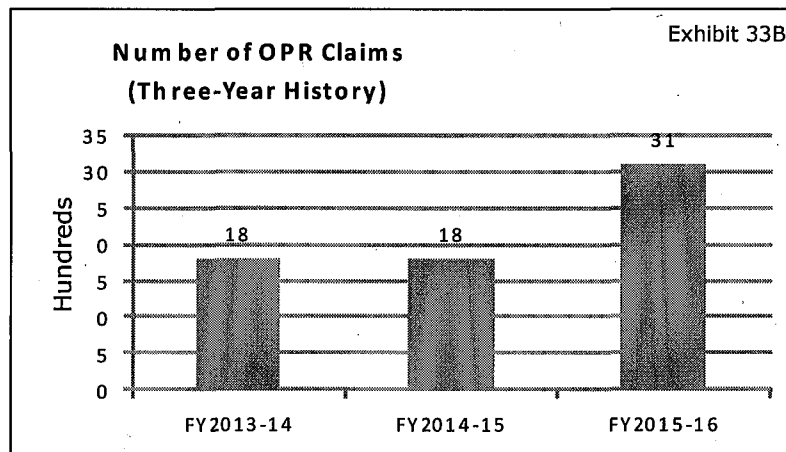


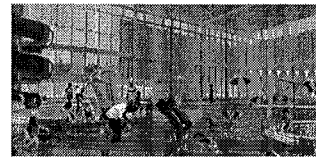


	No. of Claims	% of City	Cost of Claims	% of City	Average Cost Per Claim
FY 2015-16	31	5%	\$184,273	1.65%	\$5,944
3-Year Average	22	4%	\$94,814	1.08%	\$4,245

Of note...

- OPR claims increased by 13 more claims (72%) in FY 2015-16 than last year.
- FY 2015-16 cost of claims in OPR is \$145,180 (371%) more than last year.

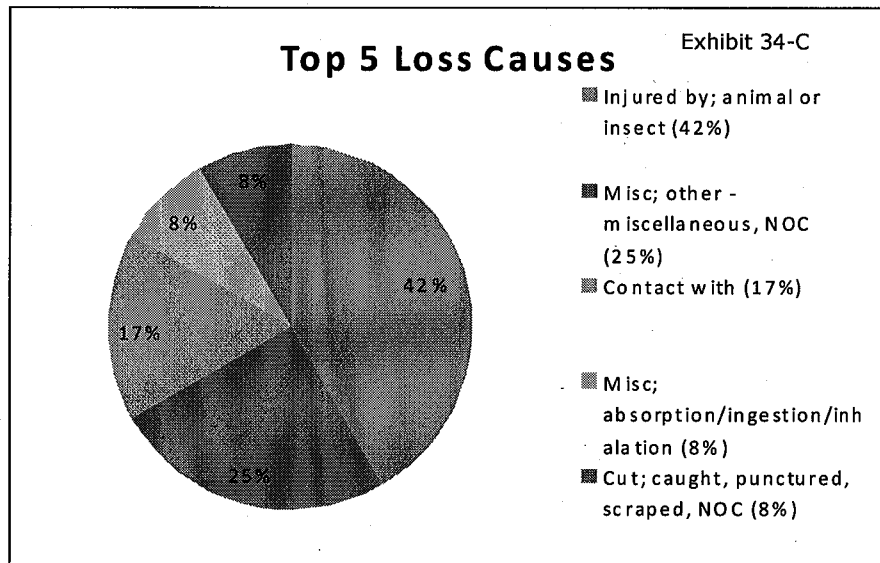
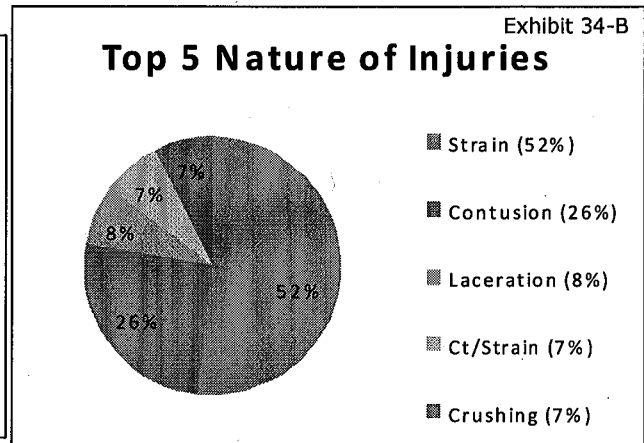
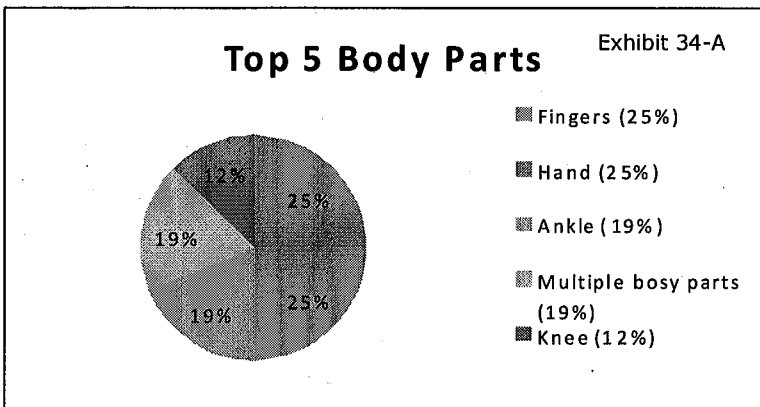




OPR INJURY TYPES FY 2015-16

Of note...

- The most common injuries for OPR in FY 2015-16 were to the fingers/hands.
- Strains continue to be the most frequent injury in OPR in FY 2015-16.



A LL OTHER DEPARTMENTS



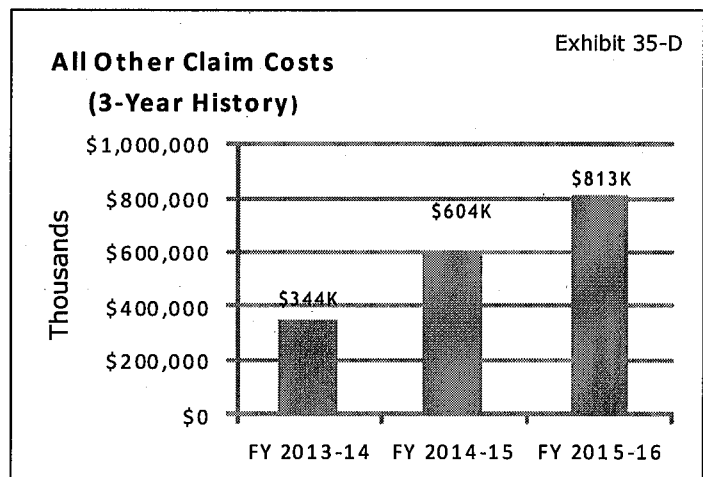
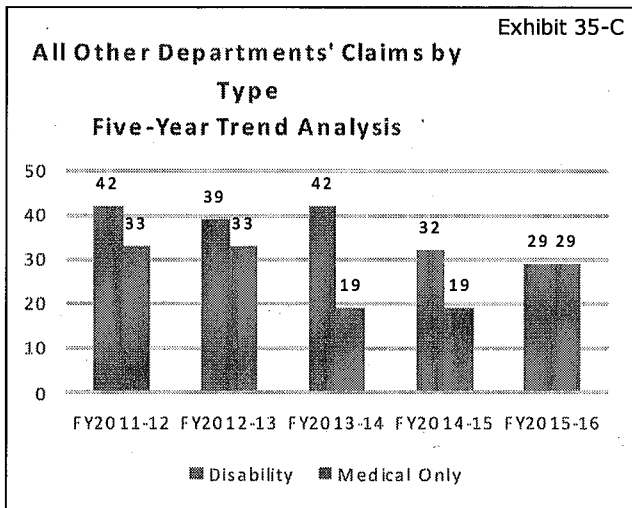
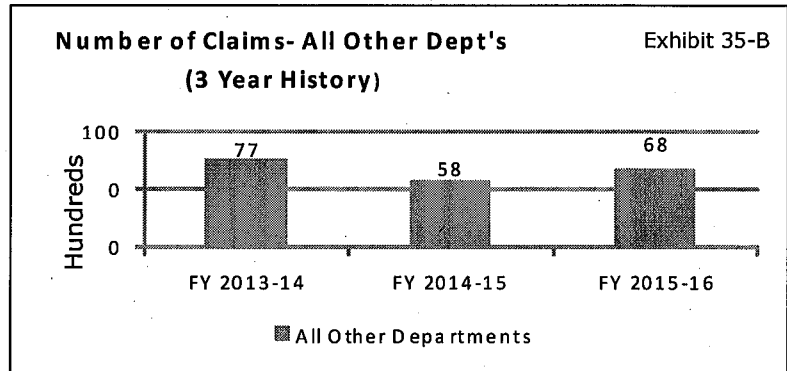
	# of Claims	% of City	Cost of Claims	% of City	Average Cost per Claim
FY 2015-16	68	11%	\$812,816	7.3%	\$11,953
3-Year Average	68	11%	\$821,454	9.4%	\$12,140

Of note...

- "All Other" departments had the same number of claims in FY 2015-16 as the 3 year average.
- FY 2015-16 cost of claims and the average cost per claim is lower than the 3 year average.

Of note...

- The number of claims in FY 2015-16 increased 17% from last year's new claims.
- The cost of claims in FY 2015-16 increased 34.6% over the cost of claims for last year.





SCHEDULE OF EXHIBITS

Appendix A	Key Terms
Appendix B	Workers' Compensation Expenditure Report (FY 2011-12 through FY 2015-16)
Appendix C	Workers' Compensation Third Party Administration Claims Audit, Final Reports <i>CSAC Excess Insurance Authority, March 2016, Pages 1-22</i> <i>Bickmore, June 2016, Pages 1-28</i> <i>CSAC Excess Insurance Authority, November 2016, Pages 1-31</i>
Appendix D	Response from TPA Regarding Annual Claims Audit 2015 <i>Letter from JT2 Integrated Resources to Deb Grant, Risk Manager, dated October 3, 2016</i> <i>Letter from JT2 Integrated Resources to Deb Grant, Risk Manager, dated November 17, 2016</i>
Appendix E	Actuarial Review of the Self-Insured Workers' Compensation Program (AON Risk Solutions, June 30, 2016, Pages 1-52.)

A

PPENDICES



Appendix A

Key Terms

KEY TERMS



The following section provides information about the Workers' Compensation Program expenditures for Fiscal Year 2013-14, as defined in the table below.

Permanent Disability Settlements:

Settlements paid when an injury results in a permanent disability.

Temporary Disability:

Non-Sworn Salary Supplement: City payments at the employee's full rate of pay made in the first 60-90 days when injured workers are unable to perform work of any kind.

Temporary Disability: State-mandated payments made when injured workers are unable to perform work of any kind.

Sworn Salary Supplement/4850: State-mandated payments at the employee's full rate of pay for up to one-year when an injured worker is unable to perform work of any kind.

**Allocated:
(Other Claim Costs)**

- Rehabilitation
- Investigation Expenses
- Legal
- Utilization Review
- Return to Work Services
- 24 hour Injury Report Line
- 10% Penalties

Medical:

All medical expenses related to treatment of the injury, including diagnostics, physical therapy, durable medical equipment, prescriptions and surgery, and in/out hospital patient care.

Administrative:

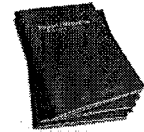
This includes costs associated with administration of the Workers' Compensation Program.



Appendix B

Workers' Compensation Expenditures Report (Fiscal Years 2011-2015)

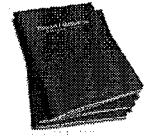
A PPENDICES



Expenditures By Year	2011-12	2012-13	2013-14	2014-15	2015-16	% Change Since FY14-15
Settlements:						
Permanent Disability	\$6,673,128	\$4,357,102	\$4,838,242	\$5,926,906	\$4,549,793	-23.2%
Temporary Disability Non-4850						
Temporary Disability	1,472,842	1,808,078	1,346,545	1,195,099	1,084,483	
MOU Benefit—non-sworn	<u>343,426</u>	<u>420,965</u>	<u>409,312</u>	<u>496,006</u>	<u>334,200</u>	
Total Non-4850 Pay	1,816,268	2,229,043	1,755,857	1,691,105	1,418,683	-16.1%
4850						
Sworn-OPD-4850 Pay	3,162,991	4,123,621	2,533,225	2,356,175	1,873,375	
Sworn-OFD-4850 Pay	<u>1,947,291</u>	<u>2,356,639</u>	<u>1,425,723</u>	<u>1,905,646</u>	<u>2,318,144</u>	
Total 4850 Pay	5,110,282	6,480,260	3,958,948	4,261,821	4,191,519	-1.6%
Subtotal—Temp. Disability	6,926,550	8,709,303	5,714,805	5,952,926	5,610,202	-5.8%
Total Disability	13,599,678	13,066,405	10,553,047	11,879,832	10,159,995	-14.5%
Allocated: (Other Claim Costs)						
Rehabilitation	30,272	47,465	55,365	31,348	30,556	
Investigation Expenses	443,173	392,331	174,998	154,162	116,005	
Legal	942,854	971,049	1,226,711	1,104,091	962,432	
Utilization Review			321,099	536,818	650,192	
Return to Work Services			55,235	153,300	182,820	
24hr Injury Report Line			44,100	42,805	44,565	
10% Penalties - (JT2 & non JT2)	<u>7,468</u>	<u>5,416</u>	<u>4,574</u>	<u>5,533</u>	<u>9,178</u>	
Allocated	1,423,767	1,416,261	1,882,082	2,028,057	1,995,748	-1.6%
Medical						
WC Disability Medical	6,788,446	6,267,304	6,542,036	5,945,931	5,516,530	
First Aid Only Claims	<u>20,487</u>	<u>20,091</u>	<u>29,561</u>	<u>15,892</u>	<u>18,146</u>	
Total Medical:	6,808,933	6,287,395	6,571,597	5,961,823	5,534,676	-7.2%
Operational Expenses	21,832,378	21,133,330	19,106,726	19,869,712	17,690,417	-12.0%
3rd Party/ Excess Ins. — Refunded to City	<u>(2,411,517)</u>	<u>(645,676)</u>	<u>(101,858)</u>	<u>(2,109,151)</u>	<u>(391,880)</u>	
Total Operational Ex- penses	19,420,861	20,487,654	19,004,868	17,760,561	17,298,537	-2.6%
Admin. Expenses						
TPA Contract	2,162,655	2,162,642	2,126,962	1,507,421	1,644,460	
Bill Review Expense	<u>582,384</u>	<u>582,384</u>	593,456	451,440	492,480	
Misc. Admin. Fee (Storage)			<u>17,739</u>	<u>1,552</u>	<u>1,825</u>	
Admin. Expenses	2,745,039	2,745,026	2,738,157	1,960,413	2,138,765	9.1%
Total Workers' Compensation Expense	\$22,165,900	\$23,232,690	\$21,743,025	\$19,720,974	\$19,437,302	-1.4%

A

PPENDICES



Appendix C-1

CSAC EIA Claims Audit Report

March 2016

CSAC EIA - Claims Audit Report
City of Oakland
March 2016



Prepared by Angela Livingston Collaborations, Inc.
April 15, 2016

Table of Contents

Executive Summary

- Page 3

Category Results

- Page 5

Audit Team

- Page 20

Audit Cross Reference List

- Appendix A

Audit Worksheets

- Appendix B

EXECUTIVE SUMMARY

This section will serve as an overview of the audit findings with recommendations for moving forward. The **final score of 82.32%** is slightly higher than the previous score of **77.70%** for this program.

Category	Points Available	Points	Score	Prior Score	Variance
Claims Handling Administration	662	530	80.06%		
Claim Creation	167	140	83.83%		
Claims Handling Technical	623	526	84.43%		
Litigated Cases	74	65	87.84%		
Subrogation	4	3	75.00%		
Excess	20	12	60.00%		
Overall Score	1550	1276	82.32%	77.70%	4.62%

We saw strong performance in the following areas:

- Good discretion on the use of utilization review. Up front treatment was often approved directly by the adjuster to speed the provision of care to the injured employee and eliminate unnecessary UR costs.

Performance areas that require improvement:

- Timely plan of action and supervisor review updates still have considerable room for improvement. We did see more timely review of the claims towards the latter part of the audit period. Provided the review cycles stay on track JT2 should be able to demonstrate marked improvement at the next audit.
- Although we allowed credit the manually entered date stamp, this is not a practice that is in keeping with industry best practices. Typically, mail is either date stamped with a physical date stamp on the document itself (the first or the last page) OR there is an electronic stamp that appears at the top of the document at the time it is scanned in. We recommend an industry standard best practice of validating the date mail was received, rather than having a person manually enter a date when the document is uploaded.
- The standards require three documented contact attempts, with all three parties, within three business days of receipt of the claim. JT2 needs to strictly adhere to this standard for both medical only and indemnity claims to improve their score in this area.
- While the system reflecting indexing to be done there were a handful of cases where the index report did not make it to the file. It was unclear if this was a system issue and/or if it results from the adjuster not working mail and posting the results.

- Mail needs to be more timely acted upon so that reserves are timely adjusted with a triggering event. Further, the file reserves need to be better assessed at the time of diary reviews. We recommend that an internal standard be put in place to do an updated calculation on the future medical reserves at least annually to ensure those values remain accurate and in line with OSIP standards. The supervisor reviews should also focus on accurate file reserving to improve the results in these categories. Further, a lower reserve authority threshold for the adjusters should be considered as the approach to reserves was very inconsistent.
- There were routine delays in getting cases timely worked up for settlements. Further, once an offer was made there were long gaps noted in following up on the settlement or resolution of the claim. More timely mail handling and being on diary should improve the results for this category.
- Timely mail handling and being on diary will facilitate higher performance in the area of initial and subsequent excess reporting.
- There were a few categories where one or two claims produced a low score. We consider these outliers and not an adverse trend. Categories impacted are medical only conversion, ongoing employee contact, AOE/COE investigation, objection letters, advance travel and subrogation pursued for maximum recovery.

AUDIT CRITERIA

The audit criterion was formed by using the CSAC EIA standards. The file audits specifically focused on claims handling activity from September 01, 2015 through the date of the audit. JT2 provided a list of the open inventory (covered by the CSAC EIA program) and a random selection of the files was pulled to gather 138 files from the open inventory. The file selection consisted of a mix of indemnity claims, future medical files and medical only claims. File documents, notes, payments, letters and reserves are maintained in electronic format. The electronic files were accessed remotely.

AUDIT PROCESS

The audit was completed remotely. Each worksheet was provided to Angela Sorrentino for review and comment. Angela engaged with the auditors and submitted all questions, feedback or disputes prior to the conclusion of the audit.

CATEGORY RESULTS

Category	Points Available	Points	Score
Caseload	2	2	100.00%
Case Review Documentation	406	289	71.18%
Communication	170	166	97.65%
Fiscal Handling	80	69	86.25%
Medicare Reporting	4	4	100.00%
Three Point Contact	28	14	50.00%
Compensability	48	46	95.83%
AOE/COE Investigations	6	4	66.67%
Initial Reserves	57	54	94.74%
Indexing	28	22	78.57%
Payments	216	195	90.28%
Medical Treatment	59	55	93.22%
Apportionment	22	21	95.45%
Disability Management	4	4	100.00%
SJDB	1	1	100.00%
Reserves	238	189	79.41%
Resolution of Claim	52	31	59.62%
Settlement Authority	31	30	96.77%
Litigated Cases	74	65	87.84%
Subrogation	4	3	75.00%
Excess	20	12	60.00%
Overall Score	1550	1276	82.32%

KEY FINDINGS**Caseload**

Standard 100% → Audit Score 100%

There are six dedicated adjusters for the City of Oakland with a workload within the CSAC EIA Standards. There are also two dedicated persons to handle future medical files. The supervisor does not carry a caseload.

Case Review & Documentation

Examiner Plan of Action Updates

Files Meeting the Criteria 138 | Files in Compliance 86

Standard 95% → Audit Score 62.32%

Timely plan of action updates were evidenced within 86 of the 138 claims that met this audit criteria.

Files not meeting criteria are File Audit #'s:

A-1730	A-1731	A-1733	A-1734	A-1736	A-1741	A-1750	A-1751	A-1753	A-1758
A-1759	A-1760	A-1766	A-1768	A-1770	A-1777	A-1778	A-1783	A-1785	A-1786
A-1789	A-1798	A-1799	A-1800	A-1802	A-1810	A-1817	A-1818	A-1822	A-1824
A-1826	A-1827	A-1828	A-1829	A-1831	A-1835	A-1836	A-1838	A-1840	A-1841
A-1842	A-1844	A-1849	A-1852	A-1853	A-1854	A-1856	A-1857	A-1860	A-1861
A-1862	A-1866								

Supervisor Reviews**Files Meeting the Criteria 138 | Files in Compliance 75****Standard 95% → Audit Score 54.35%**

Timely supervisor reviews were evidenced within 75 of the 138 claims that met this audit criteria. Files not meeting criteria are File Audit #'s:

A-1730	A-1731	A-1734	A-1735	A-1740	A-1747	A-1748	A-1749	A-1750	A-1751
A-1754	A-1759	A-1761	A-1762	A-1763	A-1766	A-1768	A-1769	A-1770	A-1775
A-1776	A-1777	A-1778	A-1786	A-1788	A-1789	A-1792	A-1794	A-1797	A-1799
A-1800	A-1801	A-1803	A-1804	A-1807	A-1810	A-1813	A-1814	A-1815	A-1816
A-1820	A-1821	A-1822	A-1827	A-1829	A-1833	A-1835	A-1836	A-1837	A-1838
A-1840	A-1841	A-1842	A-1844	A-1845	A-1848	A-1856	A-1857	A-1860	A-1861
A-1862	A-1863	A-1864							

File Contents**Files Meeting the Criteria 125 | Files in Compliance 125****Standard 95% → Audit Score 100%**

File contents were clearly identified within the standard in all claims that met this audit criteria.

Medical Only Conversion**Files Meeting the Criteria 5 | Files in Compliance 3****Standard 95% → Audit Score 60%**

Timely medical only conversion reviews were evidenced within 3 of the 5 claims that met this audit criteria. File Audit #'s A-1823 and A-1830 failed to demonstrate a review within 90 calendar days following claim file creation.

Communication**Return Phone Calls****Files Meeting the Criteria 6 | Files in Compliance 6****Standard 95% → Audit Score 100%**

Return phone calls were timely returned within the standard in all claims that met this audit criteria.

Respond to Written Inquiries**Files Meeting the Criteria 33 | Files in Compliance 31****Standard 95% → Audit Score 93.94%**

Written inquiries were timely responded to within 31 of the 33 claims that met this audit criteria. Audit File #A-1740 failed to address an Order Suspending approval of the Stipulation within 5 working days of receipt. Audit File #A-1808 failed to respond to notice of representation within 5 working days of receipt.

Date Stamp Mail**Files Meeting the Criteria 124 | Files in Compliance 124****Standard 95% → Audit Score 100%**

All incoming correspondence was date stamped with the date of receipt for all claims that met this audit criteria.

Ongoing Employee Contact

Files Meeting the Criteria 7 | Files in Compliance 5

Standard 95% → Audit Score 71.43%

Timely ongoing contact with the employee while off work was evidenced within 5 of the 7 claims that met this audit criteria. Audit File #'s A-1786 and A-1812 failed to demonstrate employee contact within 3 days of a surgical procedure.

Fiscal Handling

Payments on Correct Claims

Files Meeting the Criteria 39 | Files in Compliance 36

Standard 95% → Audit Score 92.31%

Payments were made on the correct claim for 36 of the 39 claims that met this audit criteria. Audit File #'s A-1758, A-1760 and A-1841 failed to meet criteria as payments were issued from incorrect claims due to multiple injuries and claims for the injured employees.

File Balancing

Files Meeting the Criteria 41 | Files in Compliance 33

Standard 95% → Audit Score 80.49%

File balancing was timely evidenced within 33 of the 41 claims that met this audit criteria. Audit File #A-1787 failed to demonstrate file balancing. Audit File #'s A-1768, A-1770, A-1776, A-1782, A-1836, A-1841 and A-1845 failed to demonstrate timely semi-annual file balancing.

Medicare Reporting

Files Meeting the Criteria 4 | Files in Compliance 4

Standard 100% → Audit Score 100%

Medicare reporting was completed in all claims that met this audit criteria.

Three Point Contact

Files Meeting the Criteria 28 | Files in Compliance 14

Standard 95% → Audit Score 50%

Timely three point contact was evidenced in 14 of the 28 claims that met this audit criteria. Although there were various efforts to complete the initial three point contact the following files failed to demonstrate three documented attempts within three days of receipt of claim: Audit File #'s A-1729, A-1743, A-1756, A-1757, A-1765, A-1771, A-1779, A-1788, A-1819, A-1823, A-1832, A-1843, A-1847 and A-1850.

Compensability

Initial Decision

Files Meeting the Criteria 29 | Files in Compliance 27

Standard 100% → Audit Score 93.1%

An initial decision was completed timely for 27 of the 29 claims that met this audit criteria. Audit File #A-1733 and A-1788 failed to reflect a timely initial decision.

Delay Letter

Files Meeting the Criteria 5 | Files in Compliance 5

Standard 100% → Audit Score 100%

Delay letters were sent timely in all claims that met this audit criteria.

Final Decision

Files Meeting the Criteria 14 | Files in Compliance 14

Standard 100% → Audit Score 100%

A final decision was made timely in all claims that met this audit criteria.

AOE/COE Investigations

Files Meeting the Criteria 6 | Files in Compliance 4

Standard 95% → Audit Score 66.67%

AOE/COE investigations were triggered timely for 4 of the 6 claims that met this audit criteria. Audit File #'s A-1788 and A-1808 failed to meet standard.

Initial Reserves

Initial Reserves for Probable Value

Files Meeting the Criteria 29 | Files in Compliance 28

Standard 95% → Audit Score 96.55%

The initial reserves were set for the appropriate probable value for 28 of the 29 cases that met this audit criteria. File Audit #A-1819 was established 02/01/2016 however lacked an initial reserve as of the audit on 03/28/2016.

Initial Reserve Timely

Files Meeting the Criteria 28 | Files in Compliance 26

Standard 95% → Audit Score 92.86%

The initial reserves were set timely for 26 of the 28 cases that met this audit criteria. File Audit #A-1819 and A-1847 failed to meet standard.

Indexing

Files Meeting the Criteria 28 | Files in Compliance 22

Standard 95% → Audit Score 78.57%

Initial indexing and/or appropriate re-indexing was evidenced within 12 of the 28 files that met this audit criteria. Audit File #'s A-1743, A-1745, A-1752, A-1756, A-1757 and A-1779 failed to demonstrate a copy of the index report within the file.

Payments

Initial TD/PD Payment

Files Meeting the Criteria 10 | Files in Compliance 8

Standard 100% → Audit Score 80%

Initial TD/PD payment were issued timely for 8 of the 10 files that met this audit criteria. Audit File #A-1777 failed to reflect timely PD benefits. Audit File #A-1866 failed to reflect timely TD benefits.

DWC Notice**Files Meeting the Criteria 16 | Files in Compliance 15****Standard 100% → Audit Score 93.75%**

Initial DWC notices were timely for 15 of the 16 files that met this audit criteria. Audit File #A-1807 failed to issue a timely TD delay notice.

Subsequent TD/PD Payments**Files Meeting the Criteria 40 | Files in Compliance 36****Standard 100% → Audit Score 90%**

Subsequent payments were supported and/or timely for 36 of the 40 files that met this audit criteria. Audit File #'s A-1768, A-1770, A-1777 and A-1831 failed to meet standard.

Timely Final Payment & Notice**Files Meeting the Criteria 23 | Files in Compliance 20****Standard 100% → Audit Score 86.96%**

All final payments and/or notice letters were timely sent for 20 of the 23 files that met this audit criteria. Audit File #'s A-1807, A-1810 and A-1833 failed to reflect timely final PD notices.

Overpayments**Files Meeting the Criteria 2 | Files in Compliance 0****Standard 95% → Audit Score 0%**

Overpayments were not appropriately pursued for the 2 files that met this audit criteria. Audit File #'s A-1770 and A-1831 failed to meet standard.

Undisputed Awards Paid Timely**Files Meeting the Criteria 4 | Files in Compliance 4****Standard 95% → Audit Score 100%**

Undisputed awards were paid timely for all claims that met this audit criteria.

Copy of Award to Excess**Files Meeting the Criteria 1 | Files in Compliance 0****Standard 95% → Audit Score 0%**

The excess carrier was not copied with the Award, at the time the award was paid, for the claim that met this audit criteria. Audit File #A-1853 failed to meet standard.

Medical Bills Paid Timely**Files Meeting the Criteria 92 | Files in Compliance 91****Standard 100% → Audit Score 98.91%**

Medical bills were paid timely for 91 of the 92 claims that met this audit criteria. Audit File #A-1740 failed to meet standard as the PQME evaluation was not paid timely.

Objection Letters Timely**Files Meeting the Criteria 7 | Files in Compliance 5****Standard 100% → Audit Score 71.43%**

Objection letters were evidenced within 5 of the 7 claims that met this audit criteria. Audit File #A-1782 failed to contain the objection notice. Audit File #A-1788 failed to issue a timely objection.

Employee Reimbursements Timely**Files Meeting the Criteria 12 | Files in Compliance 11****Standard 95% → Audit Score 91.67%**

Employee reimbursements were timely for 11 of the 12 claims that met this audit criteria. Audit File #A-1788 failed to meet the 15 day standard.

Advance Travel Timely**Files Meeting the Criteria 6 | Files in Compliance 3****Standard 95% → Audit Score 50%**

Advance travel was timely paid for 3 of the 6 claims that met this audit criteria. Audit File #'s A-1759, A-1799 and A-1807 failed to reflect advance mileage prior to a medical-legal evaluation.

Self-Imposed Penalties Paid**Files Meeting the Criteria 1 | Files in Compliance 1****Standard 100% → Audit Score 100%**

Self-imposed penalty was timely paid for the claim that met this audit criteria.

Penalties Coded Correctly**Files Meeting the Criteria 1 | Files in Compliance 1****Standard 95% → Audit Score 100%**

The penalty was coded correctly for the claim that met this audit criteria.

Penalty Reimbursement Plan**Files Meeting the Criteria 1 | Files in Compliance 0****Standard 95% → Audit Score 0%**

There was no evidence of a proper penalty reimbursement plan within the claim, Audit File #A-1768, that met this audit criteria.

Medical Treatment**Proper Use of UR****Files Meeting the Criteria 52 | Files in Compliance 48****Standard 100% → Audit Score 92.31%**

Proper UR was evidenced within 48 of the 52 claims that met this audit criteria. Audit File #A-1788 failed to demonstrate proper use of UR for active treatment. Audit File #'s A-1754, A-1789 and A-1822 failed to demonstrate proper UR for future medical treatment.

UR Dispute Resolved via IMR**Files Meeting the Criteria 5 | Files in Compliance 5****Standard 100% → Audit Score 100%**

In that only the employee, his representative or the treating doctor can request IMR the administrator can have no impact on ensuring UR disputes are resolved by IMR. There were 5 claims with an IMR request or decision with proper medicals submitted by the TPA.

NCM Used Appropriately**Files Meeting the Criteria 2 | Files in Compliance 2****Standard 95% → Audit Score 100%**

Proper NCM was evidenced within all claims that met this audit criteria.

Apportionment

Ruled In/Out

Files Meeting the Criteria 7 | Files in Compliance 7

Standard 95% → Audit Score 100%

Apportionment was properly ruled in/out for all claims that met this audit criteria.

Pursued Appropriately

Files Meeting the Criteria 15 | Files in Compliance 14

Standard 95% → Audit Score 93.33%

Apportionment was properly pursued within 14 of the 15 claims that met this audit criteria. Audit File #A-1788 failed to demonstrate pursuit of apportionment potential for a non-industrial incident.

Disability Management

Proactive Return to Work

Files Meeting the Criteria 3 | Files in Compliance 3

Standard 95% → Audit Score 100%

Proactive return to work was evidenced within all claims that met this audit criteria.

Member Noticed of Permanent Work Restrictions

Files Meeting the Criteria 1 | Files in Compliance 1

Standard 95% → Audit Score 100%

Member was timely noticed of permanent work restrictions for the claim that met this audit criteria.

20 Day Member Follow Up on Permanent Restrictions

Files Meeting the Criteria 0 | Files in Compliance N/A

Standard 95% → Audit Score N/A

There were no applicable claims for this category.

SJDB

SJDB Provided Timely

Files Meeting the Criteria 1 | Files in Compliance 1

Standard 100% → Audit Score 100%

The SJDB was appropriately and timely sent for the claim that met this audit criteria.

SJDB Concluded Appropriately

Files Meeting the Criteria 0 | Files in Compliance N/A

Standard 95% → Audit Score N/A

There were no applicable claims for this category.

Reserves

Reserves Adjusted Timely at Diary or with Triggering Event

Files Meeting the Criteria 80 | Files in Compliance 53

Standard 100% → Audit Score 66.25%

Reserves were timely adjusted with a triggering event, or on diary, for 53 of the 80 claims that met this audit criteria. Due to the number of files not meeting standard, review of the individual file audits is recommended for specific information.

The following File Audit #'s failed to meet standard:

A-1730	A-1735	A-1751	A-1754	A-1759	A-1760	A-1766	A-1768	A-1770	A-1772
A-1775	A-1782	A-1786	A-1798	A-1805	A-1807	A-1810	A-1814	A-1831	A-1834
A-1840	A-1842	A-1845	A-1846	A-1853	A-1858	A-1861			

TD & 4850 Reserved Separately

Files Meeting the Criteria 11 | Files in Compliance 11

Standard 95% → Audit Score 100%

Separate TD/4850 reserves were evidenced within all claims that met this audit criteria.

PD Exposure Includes Life Pension

Files Meeting the Criteria 4 | Files in Compliance 4

Standard 100% → Audit Score 100%

Claims with life pension exposure had the proper benefit calculated in to the PD reserve for all claims that met this audit criteria.

FM Reserves Consistent with OSIP Standards

Files Meeting the Criteria 33 | Files in Compliance 13

Standard 100% → Audit Score 39.39%

Future medical reserves were in line with OSIP standards for 13 of the 33 claims that met this audit criteria. Due to the number of files not meeting standard, review of the individual file audits is recommended for specific information. The following File Audit #'s failed to meet standard:

A-1736	A-1741	A-1753	A-1758	A-1778	A-1784	A-1789	A-1790	A-1794	A-1802
A-1817	A-1822	A-1826	A-1828	A-1829	A-1836	A-1848	A-1849	A-1851	A-1852

Allocated Reserve Includes Bill Review, Utilization Review and Independent Medical Review

Files Meeting the Criteria 110 | Files in Compliance 108

Standard 100% → Audit Score 98.18%

Allocated reserves contained values for bill review, utilization review and independent medical review within 108 of the 110 claims that met this audit criteria. Audit File #'s A-1848 and A-1851 failed to meet standard.

Reserve Detail

No recommended changes	91 claims
Increase recommended	28 claims
Decrease recommended	19 claims
Total estimated reserve variance	\$1,922,487

Resolution of Claim

Resolution Pursued within 10 Days

Files Meeting the Criteria 37 | Files in Compliance 16

Standard 95% → Audit Score 43.24%

Resolution was timely pursued within ten days for 16 of the 37 claims that met this audit criteria.

Standard was not met for the following Audit File #'s:

A-1731	A-1739	A-1743	A-1759	A-1785	A-1791	A-1810	A-1813	A-1814	A-1815
A-1820	A-1821	A-1826	A-1827	A-1829	A-1833	A-1844	A-1846	A-1858	A-1863
A-1864									

Settlement Valuation**Files Meeting the Criteria 15 | Files in Compliance 15****Standard 95% → Audit Score 100%***Accurate settlement valuations were evidenced within all claims that met this audit criteria.***Medicare's Interests Protected****Files Meeting the Criteria 0 | Files in Compliance N/A****Standard 95% → Audit Score N/A***There were no applicable claims for this category.***Settlement Authority****EIA Settlement Authority Requested****Files Meeting the Criteria 2 | Files in Compliance 2****Standard 95% → Audit Score 100%***EIA settlement authority was evidenced within all claims that met this audit criteria.***Member Settlement Authority Requested****Files Meeting the Criteria 15 | Files in Compliance 14****Standard 95% → Audit Score 93.33%***Member settlement authority was evidenced within 14 of the 15 claims that met this audit criteria.**Audit File #A-1854 failed to meet standard.***Proof of Member/EIA Authority****Files Meeting the Criteria 14 | Files in Compliance 14****Standard 95% → Audit Score 100%***Proof of Member/EIA settlement authority was evidenced within all claims that met this audit criteria.***Litigated Claims****Initiate Investigation Material to Potential Litigation****Files Meeting the Criteria 23 | Files in Compliance 21****Standard 95% → Audit Score 91.3%***Investigation was timely initiated for 21 of the 23 claims that met this audit criteria. Audit File #'s A-1776 and A-1807 failed to meet standard.***Defense Attorney on Panel with Proper Initial & Ongoing Management****Files Meeting the Criteria 36 | Files in Compliance 29****Standard 95% → Audit Score 80.56%***Approved defense counsel was assigned to each file with proper initial and ongoing litigation management evidenced within 29 of the 36 claims that met this audit criteria. Audit File #'s A-1788, A-1807, A-1808, A-1816, A-1828, A-1845 and A-1857 failed to meet standard due to delays in referring claims to a defense attorney and delays in facilitating appropriate litigation management.***Settlement Proposals Direct to Member in Concise and Clear Written Form with Reasoned Recommendation****Files Meeting the Criteria 7 | Files in Compliance 7****Standard 95% → Audit Score 100%***Defense counsel's settlement proposals were validated and timely communicated to the member in all claims that met this audit criteria.*

Member Involved in Deposition, Examinations and Trial**Files Meeting the Criteria 2 | Files in Compliance 2****Standard 95% → Audit Score 100%***The Member was involved in legal activities for all claims that met this audit criteria.***Comply with Reporting Requirements of Member****Files Meeting the Criteria 6 | Files in Compliance 6****Standard 95% → Audit Score 100%***There was compliance with the Member reporting criteria within all claims that met this audit criteria.***Subrogation****Identify & Notice 3rd Party in 14 days****Files Meeting the Criteria 1 | Files in Compliance 1****Standard 95% → Audit Score 100%***The potential 3rd party was timely noticed within 14 days for the claim that met this audit criteria.***Periodic Contact with 3rd Party Evidenced****Files Meeting the Criteria 1 | Files in Compliance****Standard 95% → Audit Score 100%***Periodic contact with the 3rd party was evidenced within the claim that met this audit criteria.***Complaint or Lien Filed Timely****Files Meeting the Criteria 0 | Files in Compliance N/A****Standard 95% → Audit Score N/A***There were no applicable claims for this category.***Member Involved in Complaint****Files Meeting the Criteria 0 | Files in Compliance N/A****Standard 95% → Audit Score N/A***There were no applicable claims for this category.***Subrogation Pursued for Maximum Recovery****Files Meeting the Criteria 2 | Files in Compliance 1****Standard 95% → Audit Score 50%***Subrogation was pursued for maximum recovery for 1 of the 2 claims that met this audit criteria. Audit File #A-1776 fails to demonstrate filing of a complaint or lien to pursue maximum recovery via the employee's third party action.***Member/EIA Approval to Waive or Settle 3rd Party Case****Files Meeting the Criteria 0 | Files in Compliance N/A****Standard 95% → Audit Score N/A***There were no applicable claims for this category.*

Excess Coverage**Report within 5 Days of Knowledge That Reporting Criteria Met****Files Meeting the Criteria 4 | Files in Compliance 0****Standard 95% → Audit Score 0%**

Reporting was not done within five days for any of the 4 claims that met this audit criteria. Audit File #'s A-1746, A-1771 and A-1853 failed to meet the five day standard. Audit File #A-1861 requires initial reporting.

Subsequent Reports Meet 90/180 Day Standard**Files Meeting the Criteria 12 | Files in Compliance 8****Standard 95% → Audit Score 66.67%**

Subsequent reports were timely for 8 of the 12 claims that met this audit criteria. Audit File #'s A-1768, A-1836, A-1842 and A-1852 failed to meet standard.

Reimbursement Requests Meet 90/180 Standard**Files Meeting the Criteria 3 | Files in Compliance 3****Standard 95% → Audit Score 100%**

Excess reimbursement requests were timely made within the 90/180 standard for all claims that met this audit criteria.

Closing Report Sent**Files Meeting the Criteria 1 | Files in Compliance 1****Standard 95% → Audit Score 100%**

A closing report was sent to the excess carrier for the claim that met this audit criteria.

Claims Handling Administration

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Claims Handling Administrative							
Caseload							
Supervisor Caseload	1	1	100.00%	100%	YES		100.00%
Adjuster Caseload	1	1	100.00%	100%	YES		100.00%
Sub-Total of Category	2	2	100.00%				
Case Review & Documentation							
Examiner Plan of Action Updates	138	86	62.32%	95%	NO		62.32%
Supervisor Reviews	138	75	54.35%	95%	NO		54.35%
File Contents	125	125	100.00%	95%	YES		100.00%
Medical Only Conversion	5	3	60.00%	95%	NO		60.00%
Sub-Total of Category	406	289	71.18%				
Communication							
Return Phone Calls	6	6	100.00%	95%	YES		100.00%
Respond To Written Inquiries	33	31	93.94%	95%	NO		93.94%
Date Stamp Mail	124	124	100.00%	95%	YES		100.00%
Ongoing Employee Contact	7	5	71.43%	95%	NO		71.43%
Sub-Total of Category	170	166	97.65%				
Fiscal Handling							
Payments On Correct Claims	39	36	92.31%	95%	NO		92.31%
File Balancing	41	33	80.49%	95%	NO		80.49%
Sub-Total of Category	80	69	86.25%				
Medicare Reporting							
Medicare Reporting	4	4	100.00%	100%	YES		100.00%
Sub-Total of Category	4	4	100.00%				
Claims Handling Administrative Score	662	530	80.06%				

Adjuster / Supervisor	City of Oakland			Other Accounts			Total
	Indemnity	Med Only	Future Med	Indemnity	Med Only	Future Med	
Jerry Hom/Grinnah Bautista	111	23	5	0	0	0	139
Rolando Gonzalez/Grinnah Bautista	95	28	6	0	0	0	129
Jutta Paiz/Betsy Strome	95	12	13	0	0	0	120
Kyrie Otero/Betsy Strome	101	26	4	0	0	0	131
Tess Vicalal/Betsy Strome	113	22	2	0	0	0	137
Ted Choy/Grinnah Bautista	111	2	2	0	0	0	115
Faye Lockett/Betsy Strome	0	0	203	0	0	0	203
La Sondra Baker/Grinnah Bautista	0	0	214	0	0	0	214
Total	626	62	438	0	0	0	1126

Claim Creation

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Claim Creation							
Three Point Contact	28	14	50.00%	95%	NO		50.00%
Sub-Total of Category	28	14	50.00%				
Compensability							
Initial Decision	29	27	93.10%	100%	NO		93.10%
Delay Letter	5	5	100.00%	100%	YES		100.00%
Final Decision	14	14	100.00%	100%	YES		100.00%
Sub-Total of Category	48	46	95.83%				
AOE/COE Investigation	6	4	66.67%	95%	NO		66.67%
Sub-Total of Category	6	4	66.67%				
Initial Reserves							
Initial Reserves for Probable Value	29	28	96.55%	95%	YES		96.55%
Initial Reserves Timely	28	26	92.86%	95%	NO		92.86%
Sub-Total of Category	57	54	94.74%				
Indexing	28	22	78.57%	95%	NO		78.57%
Sub-Total of Category	28	22	78.57%				
Claim Creation Score	167	140	83.83%				

Claim Handling Technical

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Claims Handling Technical							
Payments							
Initial TD/PD Payment	10	8	80.00%	100%	NO		80.00%
DWC Notice	16	15	93.75%	100%	NO		93.75%
Subsequent TD/PD Payments	40	36	90.00%	100%	NO		90.00%
Timely Final Payment & Notice	23	20	86.96%	100%	NO		86.96%
Overpayments	2	0	0.00%	95%	NO		0.00%
Undisputed Awards Paid Timely	4	4	100.00%	95%	YES		100.00%
Copy of Award to Excess	1	0	0.00%	95%	NO		0.00%
Medical Bills Paid Timely	92	91	98.91%	100%	NO		98.91%
Objection Letters	7	5	71.43%	100%	NO		71.43%
Employee Reimbursements Timely	12	11	91.67%	95%	NO		91.67%
Advance Travel Timely	6	3	50.00%	95%	NO		50.00%
Self Imposed Penalties Paid	1	1	100.00%	100%	YES		100.00%
Penalties Coded Correctly	1	1	100.00%	95%	YES		100.00%
Penalty Reimbursement	1	0	0.00%	95%	NO		0.00%
Sub-Total of Category	216	195	90.28%				
Medical Treatment							
Proper Use of UR	52	48	92.31%	100%	NO		92.31%
UR Dispute Resolved Via IMR	5	5	100.00%	100%	YES		100.00%
NCM Used Appropriately	2	2	100.00%	95%	YES		100.00%
Sub-Total of Category	59	55	93.22%				
Apportionment							
Apportionment Ruled In/Out	7	7	100.00%	95%	YES		100.00%
Apportionment Pursued Appropriately	15	14	93.33%	95%	NO		93.33%
Sub-Total of Category	22	21	95.45%				

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Disability Management							
Proactive RTW	3	3	100.00%	95%	YES		100.00%
Member Noticed of Permanent Work Restrictions	1	1	100.00%	95%	YES		100.00%
20 Day Member Follow Up on Permanent Restrictions	0	0	N/A	95%	N/A		N/A
Sub-Total of Category	4	4	100.00%				
SDB							
SDB Provided Timely	1	1	100.00%	100%	YES		100.00%
SDB Concluded Appropriately	0	0	N/A	95%	N/A		N/A
Sub-Total of Category	1	1	100.00%				
Reserves							
Reserves Adjusted Timely	80	53	66.25%	100%	NO		66.25%
TD & 4850 Reserves Separate	11	11	100.00%	100%	YES		100.00%
PD Exposure Includes Life Pension	4	4	100.00%	95%	YES		100.00%
FM Reserves Consistent with OSIP Standards	33	13	39.39%	100%	NO		39.39%
Allocated Reserve Includes BR/UR/IMR	110	108	98.18%	100%	NO		98.18%
Sub-Total of Category	238	189	79.41%				
Resolution of Claim							
Resolution Pursued Timely	37	16	43.24%	95%	NO		43.24%
Settlement Valuation	15	15	100.00%	95%	YES		100.00%
Medicare's Interests Protected	0	0	N/A	95%	N/A		N/A
Sub-Total of Category	52	31	59.62%				
Settlement Authority							
EIA Settlement Authority Requested	2	2	100.00%	95%	YES		100.00%
Member Settlement Authority Requested	15	14	93.33%	95%	NO		93.33%
Proof of Member/EIA Authority	14	14	100.00%	95%	YES		100.00%
Sub-Total of Category	31	30	96.77%				
Claims Handling Technical Score	623	526	84.43%				

Litigated Cases

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Litigated Cases							
Initiate Investigation Material to Potential Litigation	23	21	91.30%	95%	NO		91.30%
Proper Litigation Management & Defense Attorney on Panel	36	29	80.56%	95%	NO		80.56%
Settlement Proposals Direct to Member in Concise & Clear	7	7	100.00%	95%	YES		100.00%
Member Involved in Legal Activities where Appropriate	2	2	100.00%	95%	YES		100.00%
Comply with Member Reporting Requirements	6	6	100.00%	95%	YES		100.00%
Litigated Cases Score	74	65	87.84%				

Subrogation

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Subrogation							
Identify & Notice 3rd Party Timely	1	1	100.00%	95%	YES		100.00%
Periodic Contact With 3rd Party	1	1	100.00%	95%	YES		100.00%
Complaint or Lien Filed Timely	0	0	N/A	95%	N/A		N/A
Member Involved in Complaint vs. Lien	0	0	N/A	95%	N/A		N/A
Subro Pursued for Maximum Recovery	2	1	50.00%	95%	NO		50.00%
Member/EIA Approval to Accept Waive or Settle 3rd Party Case	0	0	N/A	95%	N/A		N/A
Subrogation Score	4	3	75.00%				

Excess

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
<i>Excess</i>							
Timely Initial Excess Reporting	4	0	0.00%	95%	NO		0.00%
Timely Subsequent Excess Reporting	12	8	66.67%	95%	NO		66.67%
Timely Excess Reimbursement Requests	3	3	100.00%	95%	YES		100.00%
Closing Excess Report Sent	1	1	100.00%	95%	YES		100.00%
Excess Score	20	12	60.00%				

AUDIT TEAM***Angela Mudge, Owner & President***

Senior Executive with 25 years claims leadership, marketing, business development, and operations experience in multi-jurisdictional workers' compensation. Recognized for developing innovative solutions to unique customer situations through the integration of technology and creative case management services.

Claim Auditing	Public Speaking
Contract Negotiation	Stewardship Reporting
Due Diligence	Strategic Planning
Operational Review	TPA Oversight & Management
Procedure Development	Training
Project Management	Vendor Management

Leonard Taylor, Senior Vice President – National Accounts

Workers Compensation Claims Consultant with 21 years of claims management and auditing experience. Proven ability to improve loss ratios on problematic Insurance and Reinsurance programs.

Claim Auditing	Training Coordination
Reinsurance Auditing	Project Management
Stewardship Reporting	Marketing/ Sales
Procedure Development	Database Management
Multi-state Claims Expertise	Strategic Planning

Appendix C-2

Bickmore - 1st Quarter Workers'

Compensation Claims Audit

September 16, 2016



Bickmore

1st Quarter Workers' Compensation Claims Audit

City of Oakland

September 13, 2016



Bickmore

September 13, 2016

Ms. Deborah Grant
Risk Manager
City of Oakland
150 Frank H. Ogawa Plaza, #3354
Oakland, CA 94612
E-mail: DGrant@oaklandnet.com

**RE: City of Oakland
1st Quarterly Workers' Compensation Claims Audit**

Dear Ms. Grant:

Please find enclosed our report of audit findings pursuant to the CSAC Excess Insurance Authority's Workers' Compensation Claims Administration Guidelines, revised October 4, 2013, along with benchmarking and survey to be updated upon receipt of additional information.

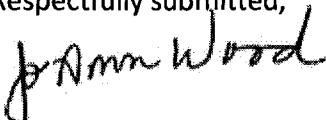
Bickmore appreciates the opportunity to provide claims auditing services and the assistance received from personnel at the City of Oakland and JT² Integrated Resources, Inc. (JT²).

Bickmore stands ready to answer any questions. Please feel free to contact me at:

Phone: (916) 290-4618
E-mail: jwood@bickmore.net

It has been a pleasure to provide services for this important project. We look forward to providing services during the next three quarters.

Respectfully submitted,



Jo Ann Wood, CPCU, AIC, RPLU, ARM
Manager, Claims Consultant Solutions

cc: Angela Sorrentino, Client Relations Manager, JT², via E-mail: ASorrentino@JT2.com

Table of Contents

I.	Executive Summary	1
II.	Audit Findings	8
	A. Claims Handling – Administration.....	8
	B. Claim Creation and Indexing.....	12
	C. Claims Handling – Technical	13
	D. Litigated and Subrogation Cases.....	21
	E. Excess Insurance	22
III.	Benchmarking and Survey Analysis.....	23
	A. Benchmarking	23
	B. Survey.....	26

Exhibits and Figures

Exhibit I-1 Summary Full Scorecard and Claims Financial Summary	7
Figure II-1 Summary Scoring.....	8

Tables

Table I-1 Recommendations to Improve Performance	2
Table II-1 Caseload and Audit Results.....	9
Table II-2 Recommendations for Reserve Change.....	15
Table III-1 Benchmarking Partner Cities.....	22

Appendices

- A. Claims Audit List
- B. Category, Subcategory, and Criteria Scores with Exceptions
- C. Common Abbreviations
- D. CSAC-EIA Scoring
- E. Scoring by Claim (Claimant Names Redacted)
- F. Severity and Frequency for City and Benchmarking Partners
- G. Survey of City and Benchmarking Partners • Survey Matrix • Staffing Ratio • Personnel Usage
 - RA Dedication Department • RA Dedicated Agency-wide • Stay Off Work Incentives Impact

I. Executive Summary

The City of Oakland (City) is self-insured for workers' compensation (WC) and self-administers its claims. The City's employee count is approximately 5,000 and serves a population approaching 420,000 citizens, the eighth largest city in California. To assist the City in assessing the performance of its WC claims administrator we:

1. Solicited and analyzed claims data and prior audit reports for 2014 through 2016, assessing performance;
2. Examined and scored a sample of 75 claims remotely during the period from May 15, 2016 – June 14, 2016, assessing performance from September 2015 through June 2016;
3. Surveyed benchmarking partners to promote comparison of WC program approaches;
4. Benchmarked the City's claims frequency and severity compared to benchmarking partners;
5. Interviewed City staff about procedures administered by Risk Management personnel; and
6. Communicated with JT² to validate audit results through August 17, 2016.

We find the City's third party administrator is complying with the requirements found in the CSAC-EIA Guidelines for Workers' Compensation Claims Administration with an overall score of 86% in providing claims service to the City's employees. CSAC-EIA Scoring finds performance at 85% for the criteria currently tracked by the CSAC-EIA Claims Committee.

To arrive at our performance assessment we graded each claim included in Appendix A, "Claims Audit List." Exhibit I-1, "Summary Scoring and Claims Financial Summary," charts findings for the current audit assessing performance from September 2015 through June 2016, organized into 21 key categories and subcategories with overall financial analysis (using the Bickmore audit tool data). We include scoring results from the prior audit assessing performance through March 2016 for comparison. Appendix B, "Category, Subcategory, and Criteria Scores with Exceptions," provides average scores for all claims reviewed indicating the claim numbers involved in criteria exceptions.¹ Appendix C, "Common Abbreviations" provides explanations of acronyms used. Appendix D provides CSAC-EIA Scoring.¹ Figure II-1, "Summary Scoring" provides a comparative graphic analysis of current audit scoring by key components of the

¹ Administrative and Technical performance in Exhibit I-1 reflect scoring results from Bickmore audit tool including quality and substantive criteria for the Pilot Program. The following criteria are removed for the CSAC-EIA Scoring in Appendix D, 01.10, 01.11, 02.06, 02.08q, 02.11q, 02.17, 02.18, 02.25, 02.30, 02.34, 01.03q, 01.04s, 01.05q, 01.05s, 01.09s, 01.24s, 02.26q, 02.40s, 02.41s, and 02.11n. Scoring varies between Appendix D and Appendix B, as the Claims Committee has chosen different criteria for performance tracking. Criteria 01.01 and 01.02 are excluded from Overall Score calculation in in Exhibit-I-1 and Figure II-1.

CSAC-EIA Guidelines to the March 2016 results. Appendix E, "Scoring by Claim," provides subcategory scores for each claim with comments providing recommendations for criteria scoring below 100%. To maintain confidentiality, Appendix E is provided to readers outside the City's WC and Risk Management staff with claimant names redacted.

We recommended decreasing reserves \$716,370, per Table II-2. This recommended decrease is a 5% variance from reserves for the sample, \$14,592,301 as shown in Appendix A. Our actuaries advise us a variance less than 10% has no impact on actuarial projections.

Opportunities for improvement are identified where actual scores at the criteria level (see Appendix B) are below target scores. We provide recommendations to improve performance in Table I-1.

**Table I-1
Recommendations to Improve Performance**

Claims Administration Category (Subcategory or Criteria)	Actual Score	Target Score	Recommendations
Claim Handling-Administrative	83%	95%	We recommend the City request JT ² :
(Caseload)	100%	95%	<ul style="list-style-type: none"> Adjust caseloads to achieve compliance with the City's contract requiring 125 as maximum ratio of assigned claims to examiner, as although the CSAC-EIA Guideline requirement is met, current caseload for two examiners exceeds the contract requirement.
(Case Review and Documentation – Interval examiner plan of action (POA) updates 80%; Interval supervisory reviews: 70%)	77%	95%	<ul style="list-style-type: none"> Continue to improve consistency for examiner and supervisory compliance with CSAC-EIA requirements for updating POA at: <ul style="list-style-type: none"> 45-day intervals for active indemnity claims to improve substance of action plans; and 90-day intervals for medical only, resolved indemnity and future medical claims to improve substance of action plans. <p>And</p> <p>Providing supervisory oversight at:</p> <ul style="list-style-type: none"> 120-day intervals for active indemnity claims to oversee substance of action plans; and 180-day intervals for medical only, resolved indemnity and future medical claims to oversee substance of action plans.

Claims Administration Category (Subcategory or Criteria)	Actual Score	Target Score	Recommendations
(Communication – Injured employees 60%; Employer liaison 88%)	96%	95%	<ul style="list-style-type: none"> • Improve communication with: <ul style="list-style-type: none"> — Injured employees at 45-day intervals where the employee is unrepresented; — Employer liaison at appropriate intervals; and — Ensure documentation of e-mails and telephone calls received are retained with the top portion verifying receipt along with date of response.
(Fiscal Handling – Active indemnity claims balancing 84%; Multiple losses balancing 69%)	79%	95%	<ul style="list-style-type: none"> • Improve documentation for biannually determining: <ul style="list-style-type: none"> — Payments are appropriate and reserve includes future expected payments, where claim involves indemnity payments during the audit period; and — Payments are made and reserves are posted against the appropriate claim file, where the employee has multiple injury claims.
(Medicare Reporting – Complete data for EDI 96%; Mandatory reporting requirement met 31%)	84%	95%	<ul style="list-style-type: none"> • Improve documentation supporting: <ul style="list-style-type: none"> — Electronic data interface (EDI) with the Centers for Medicare and Medicaid Services (CMS) by consistently updating claims for claimant's identifiers; and — Transmission at required intervals for determination of claimant's Medicare benefit eligibility, with documentation recorded in the claim file.

Claims Administration Category (Subcategory or Criteria)	Actual Score	Target Score	Recommendations
(Claim Creation – Three point contact 94%; Compensability 100%; AOE/COE investigation 64%; Initial reserves 100%)	92%	95%	<ul style="list-style-type: none"> • Continue improving performance for: <ul style="list-style-type: none"> — Three point contact including follow-up contacts to achieve successful initial investigation and issue discussions; and — Investigator assignment within three working days of decision to delay benefits to ensure timely and complete investigation.
(Indexing – Initially at claim set-up 100%; Periodically while the claim remains open 9%)	21%	95%	<ul style="list-style-type: none"> • Improve performance for updating the ISO Bodily Injury Index inquiry at intervals considering the duration the ISO contract continues to provide claim information related to the claimant.
Claims Handling – Technical	89%	95%	We recommend the City request JT ² :
(Medical Treatment – Use TNCM or FNCM as appropriate 87%)	96%	95%	<ul style="list-style-type: none"> • Continue to improve Examiner performance to ensure claims likely to benefit from telephonic or field nurse case management are assigned and monitored to promote positive medical treatment outcomes.
(Apportionment – 92%)	92%	95%	<ul style="list-style-type: none"> • Improve examiner performance for: <ul style="list-style-type: none"> — Investigating apportionment factors; and — Presenting evidence supporting apportionment to the physician to obtain an apportionment opinion to reduce permanent disability (PD) owed by the City.
(SJDB / Vocational Rehabilitation (VR) – Recognize eligibility 44%; Provide benefits 25%)	38%	95%	<ul style="list-style-type: none"> • Improve Examiner performance for: <ul style="list-style-type: none"> — Recognizing injured worker (IW) potential eligibility for Supplemental Job Disability Benefits and provide timely notice of potential eligibility; and — Securing prompt conclusion of SDJB/VR benefits.

Claims Administration Category (Subcategory or Criteria)	Actual Score	Target Score	Recommendations
(Reserving – Regular reserve assessment 73%; PD adequacy 84%; FM adequacy 88%; Timely adjustment 85%; Reserve appropriately 74%)	85%	95%	<ul style="list-style-type: none"> • Continue to improve reserving compliance with the CSAC-EIA guideline requirements by: <ul style="list-style-type: none"> — Consistently reevaluating reserve adequacy at each plan of action update; — Considering past three year treatment trend removing treatment excluded from the FM plan; and — Considering treatment planned periodically separately from the annual calculation for life expectancy.
(Resolution of Claim –Initiate resolution 92%; Proactive efforts 74%; Relevant information 97%)	86%	95%	<ul style="list-style-type: none"> • Continue to improve resolution compliance with the CSAC-EIA guideline requirements by: <ul style="list-style-type: none"> — Initiating resolution evaluation within 10 days of receiving information supporting resolution; and — Proactively making efforts to resolve the claim using the supportive information.
(Settlement Authority – Obtain authority 90%; Settlement authorization (SAR) request clarity 90%)	92%	95%	<ul style="list-style-type: none"> • Improve settlement authority compliance with the CSAC-EIA guideline requirements by: <ul style="list-style-type: none"> — Obtaining authority for settlement negotiations timely; and — Providing clear and concise SARs for the City's consideration in granting settlement authority.
(Litigation – 85%/ Subrogation – 95%)	86%	95%	<ul style="list-style-type: none"> • Improve litigation/subrogation compliance with the CSAC-EIA guideline requirements by: <ul style="list-style-type: none"> — Identifying issues material to litigation and investigating promptly; — Directing settlement proposals to the City for consideration; — Keeping the City informed and involved in developing material evidence and coordinating witness testimony to obtain the most favorable result possible; — Ensuring the Examiner directs the defense attorney (DA); — Complying with litigation reporting requirements; and — Consistently recognizing subrogation opportunities.

Claims Administration Category (Subcategory or Criteria)	Actual Score	Target Score	Recommendations
(Excess Reporting – Initial reporting: 64% Follow-up reporting: 76%)	79%	100%	<ul style="list-style-type: none"> • Continue to improve compliance with CSAC-EIA requirements for submitting reports by: <ul style="list-style-type: none"> — Recognizing claim meeting criteria for initial report to the excess carrier and submitting the initial report within five days providing substantive information; and — Providing quarterly reports subsequent to the initial report which include substantive information, until indemnity is resolved, thereafter converting to semi-annually reporting through claim closure.

We recommend our report be read in its entirety.

Exhibit I-1

Summary Scoring and Claims Financial Summary

<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: right;">Claims Reviewed:</td> <td style="width: 10%; text-align: center;">75</td> <td style="width: 20%; text-align: right;">Actual Reserve:</td> <td style="width: 25%; text-align: right;">\$14,592,301</td> </tr> <tr> <td style="text-align: right;">Incurred:</td> <td style="text-align: right;">\$27,641,014</td> <td style="text-align: right;">Recommended Reserve:</td> <td style="text-align: right;">\$13,875,930</td> </tr> <tr> <td style="text-align: right;">Paid:</td> <td style="text-align: right;">\$13,048,713</td> <td style="text-align: right;">Net Reserve Change:</td> <td style="text-align: right;">\$716,370</td> </tr> </table>							Claims Reviewed:	75	Actual Reserve:	\$14,592,301	Incurred:	\$27,641,014	Recommended Reserve:	\$13,875,930	Paid:	\$13,048,713	Net Reserve Change:	\$716,370
Claims Reviewed:	75	Actual Reserve:	\$14,592,301															
Incurred:	\$27,641,014	Recommended Reserve:	\$13,875,930															
Paid:	\$13,048,713	Net Reserve Change:	\$716,370															
Key Categories and Subcategories	# Claims Graded June	Yes	No	March 2016 Score (Yes) / (Yes + No)	June 2016 Score	Score Percentile Comparison (March to June) ²												
Claims Handling – Administrative																		
Caseload (Excluded from Overall Score)	75	150	0	100%	100%	0%												
Case Review and Documentation	75	354	104	71%	77%	6%												
Communication	75	203	8	98%	96%	(2%)												
Fiscal Handling	60	61	16	86%	79%	(7%)												
Medicare Reporting	54	56	11	100%	84%	(16%)												
Claim Creation	7	56	5	84%	92%	8%												
Indexing	48	11	41	79%	21%	(58%)												
Claim Handling – Technical																		
Payments & Benefit Notices	70	182	8	90%	96%	6%												
Medical Treatment	57	182	7	93%	96%	3%												
Apportionment	31	49	4	95%	92%	(3%)												
Disability Management	22	46	2	100%	96%	(4%)												
SIDB	10	5	8	100%	38%	(62%)												
Reserving	75	370	65	79%	85%	6%												
Resolution of Claim	36	62	10	60%	86%	26%												
Settlement Authority	11	23	2	97%	92%	(5%)												
Litigated/Subrogation Cases ³	56	20	1	87%	86%	(1%)												
Excess Insurance	21	42	11	60%	79%	19%												
Overall Score	75	1,904	335	82%	85%	3%												

² Differences between compared March 2016 and June 2016 Scores are rounded to nearest whole percentile.

³ Individual scores for Litigation and Subrogation are 85% and 95%, respectively.

II. Audit Findings

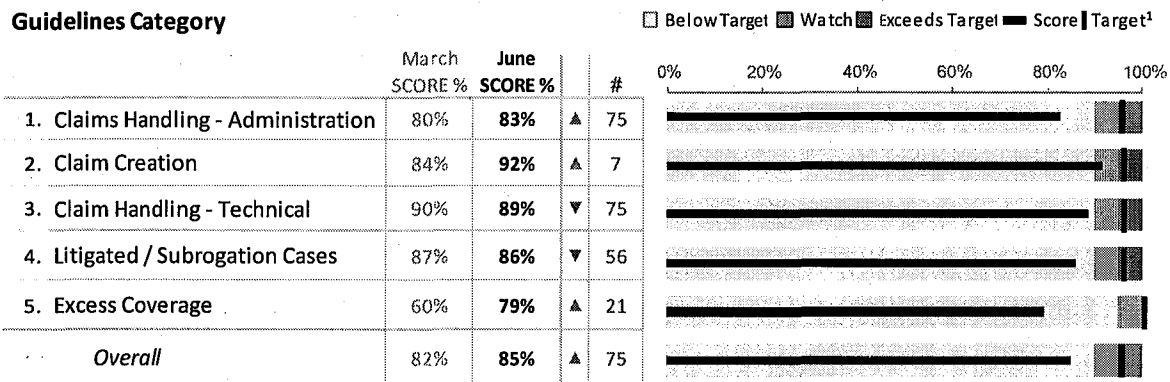
Our discussion below addresses the City's contracted procedures for meeting requirements, performance findings outlined in Appendices B, D, and E and recommendations to improve performance.

Figure II-1, "Summary Scoring" provides a graphic illustration of current performance scores compared to prior audit scores by CSAC-EIA Guidelines Category. Summary results are based on the categories, subcategories and criteria found in Appendix B.

Figure II-1

Summary Scoring

CSAC-EIA Audit



NOTE:

¹Targets are 95% except Excess Coverage is 100%.

A. Claims Handling – Administration

Claims Handling – Administration is scored at 83% overall.

Analysis of subcategories and criteria follows.

1. Caseload

The City has contracted compliance with JT² to meet CSAC-EIA caseload requirements. JT² Staff dedication to the City's Workers' Compensation (WC) claims consists of:

- WC Client Relations Manager;
- Two WC Claim Supervisors;

- Eight WC Claim Examiners;
- Three WC Claim Assistants;
- Early Intervention/Return-to-Work (RTW) Specialist; and
- Claims Clerk.

Day-to-day activity is the responsibility of the WC Examiners who provide oversight to the WC Claims Assistants. Contract compliance is overseen by the City's Risk Manager. Caseload and audit results are shown in Table II-1 for claims WC Claim Examiners.

- The WC Claim Examiner caseloads are within the CSAC-EIA Guideline of 150 per Examiner with future medical claims counted at one half claim value of indemnity claims.
- The WC Claim Supervisors carry no pending caseload, but may be involved in complex claims on an isolated basis.
- The WC Claim Assistants provide claims handling for medical only and future medical claims and clerical support, including claim data entry, form filing, and developing and maintaining reports.

The WC Claims Supervisors are certified for self-insurance claims administration by the California Office of Self Insurance Plans.

**Table II-1
Caseload and Audit Results**

Initials	Number Sample Claims	Number Open Claims	Open Caseload Per Formula Counting FM/MO as .5 Claims	Audit Score
DC*	10	220	118.5	96%
FL	7	201	100.5	86%
JH	14	133	119	81%
JP	7	135	116	92%
KO**	13	138	127.5	86%
RG	4	132	111	82%
SC	18	116	114	81%
TV**	2	146	136	94%
Total:	75	1,221	942.5	86%

*Examiner DC is a recent addition to staff replacing IrB, the former Examiner, per claims data received.

**Examiners with open caseload per formula counting, meeting CSAC-EIA Guideline but exceeding terms of City's contract.

We recommend the City request JT² adjust caseloads to achieve compliance with the City's contract requiring 125 as maximum ratio of assigned claims to examiner, as although the CSAC-EIA Guideline requirement is met, current caseload for two examiners exceed the contract requirement even when considering formula counting. Depending on the complexity of claims included in an individual caseload, contract compliance may require number open claims consideration.

2. Case Review and Documentation

We find JT²'s procedures promote case review and documentation. Per analysis in Appendix B, performance at 77% indicates opportunities for improvement to meet the 95% target.

The WC Examiners are actively involved in their claim files, but are inconsistent in documenting plan of action updates. Updates would benefit from thoughtfully planned steps substantially likely to obtain positive results. Where update intervals miss CSAC-EIA guidelines, claims handling quality is impacted 53% of the time.

The examiners provide strong oversight for the WC Claims Assistants meeting the target for identifying medical only claims for transfer to an indemnity examiner within 90 calendar days following claim creation.

The Supervisors stand ready to support Examiners and coordinate day-to-day activities between Examiners, Claims Assistants, the Early Intervention/Return-to-Work (RTW) Specialist, and the Claims Clerk. Opportunities exist for improving interval oversight and documenting provision of substantive supervisory guidance. Where update intervals miss CSAC-EIA guidelines, claims handling quality is impacted 39% of the time.

Performance for file maintenance is compliant with Labor Code Sections (LCS) 5400-5413 and California Code of Regulations Sections (CCRS) 10101-10101.1 in a paperless environment. However, the 86% score results from inaccurately named documents which results in difficulty in locating those documents. Claim notes and claims statistical data are stored in the Systema Insurance Claims Software (SIMS). Medical bills are scanned and retained electronically with explanation of benefits (EOBs) provided by the Bill Review staff at JT² and are maintained in SIMS.

Requests for treatment authorization (RFA) and responses by Professional Dynamics, Inc. (PDI), the Utilization Review vendor, are also maintained in SIMS. Payments are recorded in the claim file data with bill copies instantly retrievable as required.

Activities and events are recorded in electronic claim notes, which also reflect plan of action (POA) updates.

We recommend the City request JT2 continue to improve consistency for examiner and supervisory compliance with CSAC-EIA requirements for updating POA at:

- **45-day intervals for active indemnity claims to improve the substance of action plans; and**
- **90-day intervals for medical only, resolved indemnity and future medical claims to improve the substance of action plans.**

And

Providing supervisory oversight at:

- **120-day intervals for active indemnity claims to oversee the substance of action plans; and**
- **180-day intervals for medical only, resolved indemnity, and future medical claims to oversee the substance of action plans.**

3. Communication

We find the City's contracted JT² procedures promote effective communication with performance overall scoring at 96%. JT² is located within walking distance of the City offices, and communication may be face-to-face or telephonic. E-mail communication from an injured worker (IW) usually prompts a same day response. Per analysis summarized in Appendix B, two opportunities exist to improve contacts with IWs at 45-day intervals and maintaining interval contacts with employer, scored at 60% and 88%, respectively. Review of our 100% score for timely responses to telephone and written communication, complaints are noted from both claimants and departments about delays and inability to support JT² performance timeliness where the top portion of the e-mail or telephone call received documentation is unpreserved.

We recommend the City request JT² improve communication with:

- **Injured employees at 45-day intervals where the employee is unrepresented;**
- **Employer liaison at appropriate intervals; and**
- **Ensure documentation of e-mails and telephone calls received are retained with the top portion verifying receipt along with date of response.**

4. Fiscal Handling (Balancing)

We find the City's contracted JT² procedures promote effective fiscal handling by requiring semi-annual balancing to ensure benefits paid equal benefits owed. Performance analyzed in Appendix B illustrates opportunity for improvement with scoring at 79%.

We recommend the City request JT² improve fiscal handling by improving documentation for biannually determining:

- **Payments are appropriate and reserve includes future expected payments, where claim involves indemnity payments during the review period; and**
- **Payments are made and reserves are posted against the appropriate claim file, where the employee has multiple injury claims.**

5. Medicare Reporting

The City contracts with JT² to meet CSAC-EIA Guideline requirements for documenting claim records with WC identifying data. This promotes EDI interface with the Centers for Medicare Services (CMS) to determine Medicare eligibility and reporting claims to CMS as required under the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA).

JT² is the Responsible Reporting Entity (RRE) and its Information Technology Department assists WC Claims in being its own submission agent.

The City's claims are submitted for query to the CMS, but eligibility information currently is posted to the City's claims only where the examiner is evaluating the claim for full and final resolution. JT² realizes guidelines require eligibility status be posted to the claim file and is reviewing procedures to handle the file update electronically as the EDI feeds on eligibility are received.

CompPartners provides assistance in evaluating claims for Medicare Set-Aside agreements where Medicare eligibility is determined and settlement of future medical is deemed appropriate.

Performance analyzed in Appendix B finds performance at 79%.

We recommend the City request JT² improve documentation supporting:

- **EDI with the CMS by consistently updating claims for claimant's identifiers; and**
- **Documentation of transmission at required intervals in the claim record with updates to the claim record for eligibility determination.**

B. Claim Creation and Indexing

We find the City's contracted JT² procedures for claim creation and indexing promotes compliance with guideline requirements. Using performance summary provided in Appendix B, scoring for three point contacts, compensability, arising out of employment/course of employment (AOE/COE) investigation and initial reserves we calculate a combined claim creation score in Exhibit I-1. Indexing score is separately stated. This approach allows

assessment of subsequent use of ISO Bodily Injury Index inquiries scoring 9% without impacting activities involved in initial claim creation scoring 92%. Initial indexing is scored 100%, producing an overall indexing score of 21%.

We recommend the City request JT² continue improving performance for:

- **Three point contact including follow-up contacts to achieve successful initial investigation and issue discussions;**
- **Assigning an investigator within three working days of decision to delay benefits to ensure timely and complete investigation; and**
- **Improving performance for updating the ISO Bodily Injury Index inquiry at intervals considering the duration the ISO contract continues to provide claim information related to the claimant.**

C. Claims Handling – Technical

We find the City's contracted JT² procedures promote compliance with guidelines for technical claims handling and performance scores at 89%, with opportunities for improvement to meet CSAC-EIA's 95% target scores for most criteria and 100% target score for excess reporting.

The City's contracted JT² procedures promote accurate and timely **payments and benefit notices**. JT² issues the payments using an imprest account replenished by the City. JT² coordinates industrial leave and salary continuation with payroll staff. Payments and Benefit Notices performance score is 96%, as shown in Appendix B.

Medical treatment performance scores 96%. The City's contracted JT² procedures promote use of desk protocols and consistent referral of RFAs to PDI for utilization review determinations. NCM assignments have opportunity for improvement, scoring 87%. The Early Intervention/Return-to-Work (RTW) Specialist is used as a resource in directing claims with complex treatment situations toward a positive outcome through use of TNCM or FNCM. The City includes firms providing TNCM and FNCM on its Vendor Panel, including;

- Advanced Disability Management;
- California Comprehensive Medical Consulting;
- Choices Case Management;
- Coventry;
- IntraCorp; and
- Professional Dynamics.

The City contracts with WellComp to manage its Medical Provider Network (MPN) and JT² provides bill review. Panel Qualified Medical Examiners (PQMEs) and Agreed Medical Examiners (AMEs) are used appropriately.

We recommend the City request JT² continue to improve medical treatment by improving examiner performance to ensure claims likely to benefit from TNCM or FNCM be assigned and monitored to promote positive medical treatment outcomes.

Apportionment evaluation and pursuit is assessed at 92%. Twenty-two claims involved active evaluation for apportionment and performance is criticized for four with an even distribution between investigating apportionment factors and presenting information obtained to the physician to obtain an apportionment opinion.

We recommend the City request JT² Improve examiner performance for:

- Investigating apportionment factors; and
- Presenting evidence supporting apportionment to the physician to obtain an apportionment opinion to reduce permanent disability (PD) owed by the City.

The City's contracted JT² procedures promote **disability management** through use of the Early Intervention/Return-to-Work (RTW) Specialist who engages departments in offering modified and alternative work. The City's Vendor Panel includes Norm Peterson and Associates as a resource in coordinating Bridge assignments with departments to promote restricted work duties compatible with work capacity restrictions reported by the physician. The Americans with Disabilities Act requires an interactive process to determine whether permanent disability accommodation can be offered through job modification of alternative job once Maximum Medical Improvement is reached and permanent disability is reported. Per analysis presented in Appendix B, overall disability management is assessed at 96%.

Supplemental Job Displacement Benefit (SJDB)/Vocational Rehabilitation benefit eligibility evaluation and securing prompt benefit conclusion are scored at 44% and 25%, respectively, combining for an overall score of 38%.

We recommend the City request JT² Improve Examiner performance for:

- Recognizing IW potential eligibility for SJDB and provide notice of potential eligibility timely; and
- Securing prompt conclusion of SDJB/VR benefits.

We score **reserving** overall at 85%. Analysis of performance in Appendix B identifies opportunities for improvement in meeting the CSAC-EIA target of 95%. Table II-2 illustrates recommendations for reserve change.

Table II-2
Recommendations for Reserve Change

Claim #	Injury Date	Reserve	Recommended Reserve	Comments
0056200017	1/3/2000	\$461,385	\$441,616	2.21 - Recommend evaluating reserves at each timely POA follow up interval. 2.24 - Recommend reducing FM reserve based on three-year average usage \$16,279.42 for 26.78 year LE. 2.24n - Recommend reserving adjustments timely. 2.24q - Recommend reserving appropriately.
0202000460	2/20/2002	\$155,080	\$183,031	2.24q - "Other" reserve is insufficient given the UR activity for medication. Additionally, three-year average medical costs have increased since last review. MED recommendation (+10,000) based on LE and OTH recommendation based on continued UR (+18,000).
0211004343	11/23/2002	\$273,451	\$164,351	2.21 - Recommend evaluating reserves at each timely POA follow up. 2.24 - Recommend updating FM reserve considering past three years with treatment unlikely to repeat each year removed for annual average of \$5,374.72 for LE 19.5. 2.24n - Recommend reserving appropriately.
0312004216	12/22/2003	\$214,000	\$159,646	2.21 - Recommend the file be reserved only for the exposure due to this claim. It appears the file has been reserved for the full amount of PD, while only 33% (\$27,195) relates to this claim. 2.23 - Reserves appear to have been established for the entire level of PD.
0405001211	5/14/2004	\$245,676	\$238,563	2.24q - Recommend eliminating legal reserve as last activity was lien resolution three years ago. There is no current medical treatment and claim was just reserved for the COLA increase.
0506001414	6/23/2005	\$280,885	\$280,879	Recommend reevaluating reserve at each timely diary follow up and commenting on the evaluation whether an adjustment is needed or not. Recommend closing the "other" reserve.

Claim #	Injury Date	Reserve	Recommended Reserve	Comments
0509001885	9/28/2005	\$107,721	\$56,948	2.24n - Former AME indicates only 14% PD due to this injury. Already paid \$15,798. New AME Dr. Zwerin indicates 25% \$/22,165 results from this injury. Balance PD is \$6,367 is needed in outstanding. 2.25 - Recommend Examiner review and adjust Allocated reserves to the appropriate file using the allocation per the AME and DA. 2.26 - Recommend the current examiner review the 3/16/16 recommendation from the DA regarding settlement consideration. It appears the examiner is relying upon the attorney to determine and negotiate case resolution without input.
0807001759	7/8/2008	\$108,166	\$115,255	02.24, 02.24n - Last medical reserve adjustment in 2013 based on three-year average medical costs of \$4,027; current three-year average \$6,598 (primarily prescription drugs). Recommended increase based on almost 26 year LE.
0903000577	3/16/2009	\$283,357	\$257,754	02.21, 02.24 - Reserve increased 8/14/15 based on estimated medical; current estimated three-year average (ex AME/QME) is \$5,750 for 43.7 LE results in recommended reserve reduction. Reserve documentation is not clear; notepad of 1/13/16 shows two medical cost estimates and recommends holding 25% for reserve with no following comment.
0905001316	5/3/2009	\$245,822	\$244,822	02.24q - Recommend closing indemnity reserve as award is paid in full. Recommend closing legal reserve and reopening if and when Kaiser lien is filed.
100300010	6/7/2013	\$284,882	\$286,882	2.25 - Medical and indemnity re-evaluation due upon receipt of AME supplemental report. VR reserve correct; recommend EXP revision.

Claim #	Injury Date	Reserve	Recommended Reserve	Comments
1004000661	4/8/2010	\$141,330	\$92,503	Net incurred is reduced by \$60,000 subrogation recovery. 2.21 - Recommend evaluating reserves at each timely POA follow up interval. 2.24 - Recommend reducing FM considering \$3,000 per year and LE of 24.5 years. 2.24q - Recommend improving appropriateness of reserves by removing medical evaluation expenses unlikely to be repeated annually. Recommend setting a target date for indemnity reserve closure.
1007001409	7/12/2010	\$99,707	\$61,702	2.21 Recommend addressing reserve in plan of action at each timely interval. AME determined new CT responsible for new and further disability rather than this claim. 2.23 - Recommend reducing indemnity and SJDB to paid to date as these costs now belong to the CT. 2.24n - Recommend updating reserve within 30 days of receiving a change in reserve status. 2.24q - Recommend reserving appropriately.
110600152	6/4/2011	\$104,056	\$104,969	2.23 - Indemnity reserve should be lowered to paid, as the award is paid in full, with overpayment. The PD amount appears to be over-reserved as the original amount is paid and final settlement of the claim by Compromise and Release would not include PD. 2.24q - The medical reserve should be adjusted to the amount proposed to be paid in the approved settlement, \$90,000.
110700081	7/11/2011	\$139,936	\$134,768	02.21 - The reserve review due 04/21/16 was not completed until 05/12/16. 02.24n - Examiner did not reconcile the reserves against the award payments timely. Based on balancing after audit, recommend reducing indemnity reserve to -0-.

Claim #	Injury Date	Reserve	Recommended Reserve	Comments
110800283	8/31/2011	\$162,325	\$139,514	2.21 Recommend evaluating reserves at each timely POA follow up interval. Most recent reserve analysis 9/2015 includes 40% ORS 59% PD or 24% PD, plus 100% Cardio 53% PD = 64% PD per combined disabilities table, considering 15% increase in PD rate. FM considers \$2,129 per year and 22.1 LE. Benefits initiated on Companion CI#110700258. 2.24q - Recommend improving reserve appropriateness by ensuring avoidance of reserve duplicating payments on companion claim.
111200106	12/20/2011	\$225,888	\$235,355	2.21 - Recommend reviewing award calculation for ongoing payments. 2.23 - The reserve review conducted 05/05/16 did not reconcile the PD paid to date and awarded, resulting in an insufficient Indemnity reserve. 2.24q - Award \$62,378.64 - PD to date \$23,722.89 - AA Fees \$9,526 - Commutation credit \$764.25 = remaining balance is \$28,355.50.
120400229	4/26/2012	\$171,600	\$77,600	03/25/16 Defense attorney negotiated settlement for new money of \$50,000. Settlement papers have been distributed and expected to be signed. Reduction of medical reserves + Indemnity reserves to support the \$50,000 settlement is appropriate. Employee has not treated since 2014.
120400264	4/3/2012	\$138,613	\$105,819	2.23 - Permanent Disability estimated for this injury at 9% (\$6,845.79). 2.24q - Temporary Disability overpayment is not feasible per DA, actually owe the difference between TD and 4850 (not paid) = \$11,202.
120700092	7/13/2012	\$197,682	\$203,682	2.21 - Recommend evaluating reserves at each timely POA follow up interval. 2.23 - Recommend reserving for the \$6,000 SJDB recognized as owed in the POA report.

Claim #	Injury Date	Reserve	Recommended Reserve	Comments
120800100	8/17/2012	\$145,521	\$116,067	02/24/16 Defense attorney indicates the exposure for this claim rates at 30% (\$30,354). Additional PD is allocated to the 2013 claim and should be reserved for and paid from the 2013 claim. 2.24n - Recommend the Examiner consider the impact of allocating PD between files to the reserves to be established on each file. 2.24q - Recommend maintaining reserves appropriately.
130600198	6/21/2013	\$203,598	\$219,698	2.23 - Recommend increase from currently reserved 36% PD to 46%, although rating could go higher if AA succeeds with AME depo.
131000065	10/11/2013	\$112,852	\$112,852	Overall, reserves are adequate but UR expenses must be monitored and reserved rather than stair stepped. Recommended adjustment reflects 45% PD exposure with reserve savings applied to OTH in light of continuing UR expense. Must each prescription go to UR or can approval be based on a time frame?
140600020	6/5/2015	\$236,033	\$158,860	2.21 - Recommend evaluating reserves at each timely POA follow up interval. 2.24 - Recommend reducing medical reserve to reflect \$5,000 annual treatment for four years followed by 30 years at \$2,500. 2.24q - Recommend reserving appropriately.
150200142	2/5/2015	\$289,881	\$304,963	PD is initiated 12/29/2015 and paid at \$7,705.71. Balance of anticipated Stipulation at 43% (\$64,380) is \$56,674.29. 2.23 - Recommend reducing indemnity to this amount. 2.24 -Recommend increasing FM reserve to cover \$10,000 per year for L.E. 22 years.
150300106	3/21/2015	\$132,997	\$81,694	2.23 - Given IW has lost no time to date and appears motivated to work and is not represented, recommend reducing TTD to 26 weeks, assuming he has the recommended surgery.

Claim #	Injury Date	Reserve	Recommended Reserve	Comments
150800000	8/3/2015	\$324,167	\$304,167	2.24q - Recommend reducing other reserve to \$40,000. Probable MMI expected at AME in August 2016.
150800113	8/20/2015	\$233,690	\$233,690	Recommend reevaluation of reserves once AME reports are received.
150800119	8/26/2015	\$229,638	\$115,919	2.24n - Recommend reducing reserve to the original reserve as large increase is premature considering lack of medical evidence and retirement status along with deposition testimony indicating hypertension medication has worked in past and is working. 2.24q - Recommend avoiding inappropriate reserve increases by setting a Risk Management review of reserves to ensure claim status for increases above \$100,000.
Totals:		\$5,949,939.00	\$5,233,569	
Recommended reserve change + or (-):			(\$716,370)	

We recommend the City request JT² continue to improve reserving compliance with the CSAC-EIA guideline requirements by:

- Consistently reevaluating reserve adequacy at each plan of action update;
- Considering past three year treatment trend removing treatment excluded from the FM plan; and
- Considering treatment planned periodically separately from the annual calculation for life expectancy.

Performance for managing resolution of claims and settlement authority has opportunities for improvement, scoring 86% and 92% respectively.

We recommend the City request JT² continue to improve resolution compliance with the CSAC-EIA guideline requirements by:

- Initiating resolution evaluation within 10 days of receiving information supporting resolution; and
- Proactively making efforts to resolve the claim using the supportive information.

We recommend the City request JT2 improve settlement authority compliance with the CSAC-EIA guideline requirements by:

- **Obtaining authority for settlement negotiations timely; and**
- **Providing clear and concise SARs for the City's consideration for granting settlement authority.**

D. Litigated and Subrogation Cases

The City's contracted JT² procedures for litigation and subrogation promote compliance with CSAC-EIA guideline requirements. The City's Vendor Panel includes defense legal firms who specialize in WC, and two attorneys. Those specializing in WC include:

- Adelson, Testan, Brundo & Jimenez;
- Hanna Brophy, MacLean, McLeer and Jensen, LLP
- Laughlin, Falbo, Levy & Moresi, LLP;
- Mullen & Filippi, LLP; and
- Clark Patten.

Specializing in subrogation is Ronald Briggs.

We find litigation performance for CSAC-EIA's guideline requirements scored 85%, presenting opportunities for improvements. Subrogation performance is scored at 95% and only subrogation recognition is scored below target at 83%.

We recommend the City request JT² Improve litigation/subrogation compliance with the CSAC-EIA guideline requirements by:

- **Identifying issues material to litigation and investigating promptly;**
- **Directing settlement proposals to the City for consideration;**
- **Keeping the City informed and involved in developing material evidence and coordinating witness testimony to obtain the most favorable result possible;**
- **Ensuring the Examiner directs the DA;**
- **Complying with litigation reporting requirements; and**
- **Consistently recognizing subrogation opportunities.**

E. Excess Insurance

The City's contracted JT² procedures promote compliance with CSAC-EIA guideline requirements for excess insurance. Appendix B summarizes performance analysis and includes opportunities for compliance improvement in areas of initial reporting scored 64% in a substantive manner, scored 89% and subsequent reporting scored 76%, in a substantive manner, scored 87%.

The City joined the CSAC-EIA excess program August 2, 2004, with a self-insured retention (SIR) of \$1,000,000, lowering the SIR to \$750,000 on July 1, 2008, and this SIR continues through the current fiscal year.

We recommend the City request JT² to continue to improve compliance with CSAC-EIA requirements for submitting reports by:

- **Recognizing claim status meeting criteria for initial report to the excess carrier and submitting the initial report within five days providing substantive information; and**
- **Providing subsequent reports including substantive information at quarterly intervals subsequent to the initial report until indemnity is resolved. Thereafter converting to semi-annually reporting through claim closure.**

III. Benchmarking and Survey Analysis

A. Benchmarking

To assist the City in comparing WC Program results and its approach of comparable California cities, we selected as benchmarking partners the cities shown in Table III-1 with the Risk Manager's concurrence.

**Table III-1
 Benchmarking Partner Cities**

City	Number Employees	Population	Size Rank Among California Cities	Ratio (Employees / Population)
Oakland	4,552	419,267	8	1.1%
Bakersfield	1,734	373,640	9	0.5%
Fresno	2,993	520,052	5	0.6%
Long Beach	5,669	474,140	7	1.2%
Sacramento	4,939	490,712	6	1.0%
San Diego	10,990	1,394,928	2	0.8%
City and County of San Francisco	24,637	864,816	4	2.8%

Among the benchmarking partners, the City is in the middle considering the ratio of employees to population served and second smallest city in the group, while being the 8th largest city in California.

Benchmarking is illustrated in Appendix F. Benchmarking data reflects the information reported by the benchmarking partners in their Annual Report as required by the Office of Self Insurance Plans (OSIP). The information is obtained from the Aggregate Employer Annual Report information posted on the OSIP website, as required by Labor Code Sections 3201.5 and 3201.7, and Title 8, California Code of Regulations Section 10203. From the information posted, we developed three-year rolling averages to ensure each calculated average includes the same level of loss development. This loss development is important, as any decisions of the claims administrator challenged by the IW are likely to be adjudicated within a three-year period and reserves are audited by OSIP at two to three-year intervals.

First we assessed the City's safety strategies compared to benchmarking partners by analyzing **frequency of claims reported per 100 employees**. For the period ending in 2011 the City has the third lowest frequency with 13.60 claims per 100 employees, while other cities range from 12.80 to 20.35 claims per 100 employees. The City has a strong downward slope over the course of the five three-year periods assessed. For the period ending in 2015, the City has reduced frequency 10.69 claims per 100 employees, the second lowest for period while the frequency of other cities ranges from 10.03 to 15.77. We conclude the City's safety strategies

are having a positive impact on claim frequency, a reduction of 21% during the periods while other cities experiences range from 13% increase to 20% reduction.

Next we assessed the City's claim administration strategies by comparing **severity measured by incurred cost per claim** with benchmarking partners **using average incurred cost per claim and average incurred cost per \$100 payroll**. Our analysis separates medical incurred from indemnity incurred, as the City has a strong strategy for return-to-work and we expected this strategy to have an impact on indemnity cost reduction. The City's experience includes:

- Decrease of 46% in incurred average indemnity cost per claim over the five periods while other cities' experience ranges from a 170% increase to a 32% decrease;
- Decrease of 51% in incurred average cost per \$100 payroll over the five periods while other cities' experience ranges from a 104% increase to a 24% decrease;
- Increase of 8% in incurred average medical cost per claim over the five periods while other cities' experience ranges from a 55% increase to a 4% decrease; and
- Decrease of 20% in incurred average medical cost per \$100 payroll over the five periods while other cities' experience ranges from a 70% increase to a 17% decrease.

The incurred indemnity average cost analysis indicates the City is benefiting from strategies for return to work, including the approaches used by JT²'s Early Intervention/Return-to-Work (RTW) Specialist and services provided by Norm Peterson and Associates coordinating Bridge assignments. Since 2013 the City has also received judicial assistance determining Labor Code Section (LCS) 4850 benefits are owed only when statutory temporary disability (TD) is owed per case law. The impact is Safety Employees' benefit eligibility is reduced from a year of LCS 4850 benefit followed by two years of TD to a year of each benefit. During the five periods both TD rates and PD rates increased. All benchmarking partners are impacted by jurisdictional changes.

The incurred medical average cost analysis indicates the City is benefiting from strategies to control medical costs while providing IWs appropriate medical treatment. These strategies include implementation of MPN managed by WellComp, bill review by JT², UR by PDI, and NCM coordinated between the Examiners and the Early Intervention/Return-to-Work (RTW) Specialist.

Medical cost containment is seen in the analysis of bill review results in Table III-2.

**Table III-2
Bill Review Results**

Quarter Ending	Original Charge \$ (a)	Gross Savings \$ (b)	# Bills	% Savings (b) / (a)
20150401-20150630	3,027,630	1,967,622	3,284	64.99%
20150701-20150930	3,316,107	2,130,348	4,166	64.24%
20151001-20151231	2,297,700	1,383,960	3,489	60.23%
20160101-20160331	3,583,907	2,338,457	4,451	65.25%
20160401-20160630	2,707,680	1,593,043	4,302	58.83%
Totals and % Savings	14,933,024	9,413,430	19,692	63.04%

The % Savings demonstrates effect approach to control medical costs. We attribute the increase in average incurred medical cost per claim to medical inflation as the increase is not present when the costs are considered against payroll, also subject to inflation.

The positive impact of JT²'s Early Intervention/Return-to-Work (EI/RTW) Specialist and services provided by Norm Peterson and Associates coordinating Bridge assignments is shown in Figure III-1. Raw data and color code explanation is shown in Table III-3.

**Figure III-1
Annual Claim Status Analysis for EI/RTW**

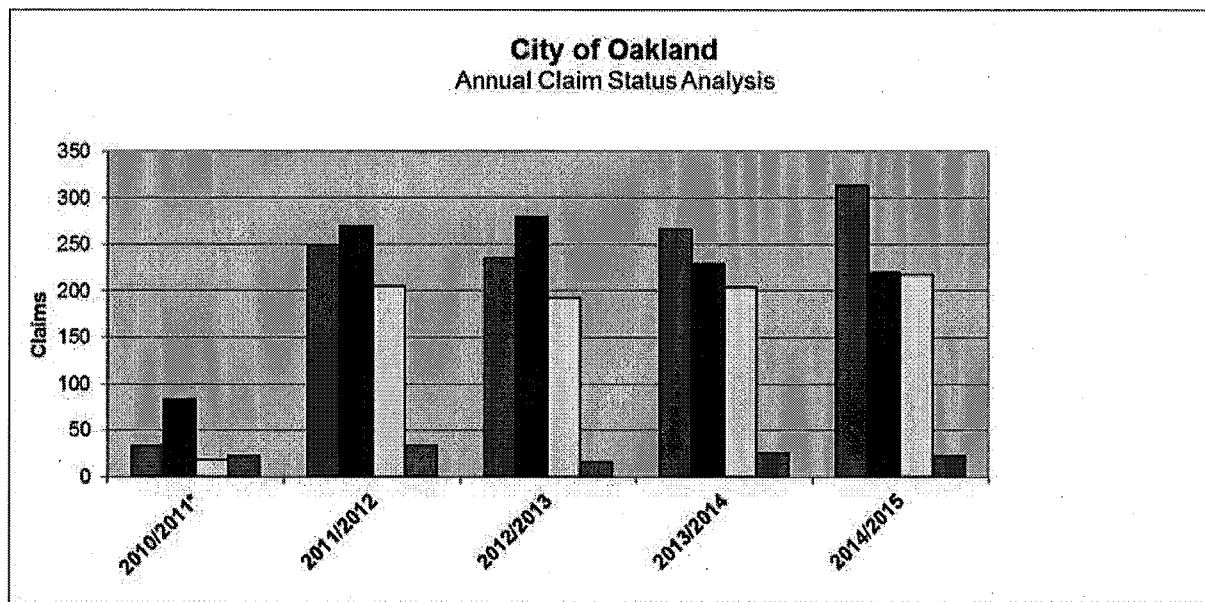


Table III-3
Raw Data for Claim Status for EI/RTW

Claim Status for ERTW	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Working Modified Duty (a)	35	249	236	266	314
Not Working (b)	140	269	280	229	220
Working Usual and Customary (c)	15	205	193	204	218
Total Working (d = a + c)	50	454	429	470	532
Improvement in Total Working [(Current d – Beginning d) / Beginning d]	-	8 Times	7.58 Times	8.40 Times	9.64 Times
Department Declined Bridge Assignment	21	34	16	25	22

Claims Status for EI/RTW has improved the number of injured employees working since fiscal year 2010/2011, with first year results improving eight times and continued improvement through fiscal year 2014/2015 with fourth year results improving 9.64 times. Results for the 2015/2016 fiscal year are being compiled to include in a future quarterly report. This improvement means less total temporary disability indemnity benefit paid contributing to the decrease in indemnity incurred costs illustrated in Appendix F.

B. Survey

Bickmore invited the six benchmarking partners to participate in the survey electronically. Four benchmarking partners responded. Primary survey topic responses from the respondents and knowledge of the City's program per interviews of the City's Risk Management staff is provided in Appendix G, "Survey Summary." The summary includes a survey matrix providing a summary of inquiries with separate tables for analysis of responses. The purpose of the survey is to compare WC program approaches and consider impacts experienced by benchmarking partners related to 'stay off work' incentives.

Staffing Ratio

With the exception of the City, the County of San Francisco, and the City of Long Beach, the benchmarking partners are CSAC-EIA members and comply with CSAC-EIA guidelines requiring Examiner caseloads within 150 indemnity claims. MO and FM claims are counted two for each indemnity equivalent. One partner who is a stand-alone, self-insured allows a higher ratio of claims count per examiner.

As discussed above, the City's approach to staffing with support of examiners through use of support staff and vendor panel promotes the City's reduction of average incurred claim cost.

Personnel Usage

The City's personnel usage to oversee WC claims resolution is less than other cities. The City has two Supervisors at JT² who are 100% dedicated and a Risk Manager in-house having 10%

dedication to WC claims. There are two Disability Coordinators, but neither is involved in contract quality control activities.

Other respondents have a 50% to 100% Risk Management FTE dedicated to WC quality control.

Reasonable Accommodation (RA) Dedication by Department

The City has one department liaison involved in RA with 10% dedication. One other respondent notes as many as three liaisons for large departments with as much as 30% dedication.

RA Dedication Agency-wide

The City's Agency-wide RA responsibility involves the two Disability Coordinators housed in the City's Risk Management reporting to Human Resources. Dedication is 20% yielding .4 FTE to handle Agency-wide RA communication, coordination, and documentation. Other cities have .6 to 1 FTE.

Stay Off Work Incentives Impact

Respondents were unable to provide information on the extent to which temporary disability days are taken in conjunction with "Stay off Work" incentives. The City incentives are provided pursuant to LCS 4850 eligibility for Police and Fire, with eligibility duration of 52 weeks. Other employees have eligibility for 60 to 90 days paid leave of absence depending on union terms after one year of employment. In addition, long-term employees may have greater leave eligibility grandfathered. None of the respondents, including the City, have a methodology for tracking temporary disability and paid leave usage overlap outside of LCS 4850 benefit usage. JT² informs payroll of TD benefits paid and payroll uses TD as a payroll offset. The two Disability Coordinators provide a leave log tool to the department liaison, and where disputes arise, "hand tally" each injured worker's paid leave usage to coordinate leave usage notifications with the department.

The City's two Disability Coordinators have assigned department responsibility for WC and non-occupational disability tracking. One is responsible for FEHA and FMLA situations and the other is responsible for participation in Industrial Disability Retirement (IDR) Committee. Absence management function involves department liaison, City Attorney and Risk Management Disability Coordinator. A study by Rachel Shaw, a Human Resource consultant, reportedly has recognized City staff is stressed for absence management and recommends:

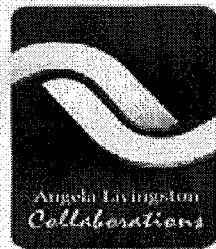
- A system for tracking and preserving leave eligibility accruals and usage. Usage may be complicated by employees who use accrued leave without using TD for treatment appointment;
- RA efforts, successful RAs, and follow up to ensure RA continues effectiveness; and
- Increased Risk Management staffing.

This consultant recently completed an Integrated Disability Management (IDM) unit evaluation for a public entity outside of the benchmarking group. The entity has a third more employees than the City and staffs the unit with an IDM Director, an IDM Supervisor directing four Stay at Work/RA coordinators, an IDM/WC Manager, and a WC Program Manager directing two WC Specialists in-house and monitoring the third party administration contract. The entity performed absence management agency-wide using the *Time Matters* system to document absence management activities by employee and related WC claims. *Time Matters* has paperless capacity, but does not have features to coordinate leave administration with WC benefit administration. We share this information and defer to Rachel Shaw's recommendations.

Appendix C-3
CSAC EIA CLAIMS AUDIT REPORT
OCTOBER/NOVEMBER 2016

CSAC EIA CLAIMS AUDIT REPORT

CITY OF OAKLAND AND CITY OF FONTANA
OCTOBER/NOVEMBER 2016



Prepared by ALC Claims Collaborations
November 12, 2016

Table of Contents

Executive Summary

- Page 3

Category Results

- Page 5

City of Oakland Results

- Page 28

Audit Team

- Page 30

Secondary Score (No Medicare Reporting)

- Page 31

Audit Cross Reference List

- Appendix A

Audit Worksheets

- Appendix B

EXECUTIVE SUMMARY

This section will serve as an overview of the audit findings with recommendations for moving forward. The **final score of 74.19%** is the combined audit result for JT2 for the City of Oakland and the City of Fontana.

The **final score for City of Oakland is 74.47%** which illustrates a decrease in their **prior score of 82.32%**. A secondary score has been provided eliminating the Medicare Reporting category. In that scenario, the **final score is 80.08%** which illustrates a decrease in the **prior score of 82.32%**.

The **final score for City of Fontana is 70.81%** which illustrates a decrease in their **prior score of 86.69%**. A secondary score has been provided eliminating the Medicare Reporting category. In that scenario, the **final score is 77.55%** which illustrates a decrease in the **prior score of 86.69%**.

Category	Points Available	Points	Score
Claims Handling Administration	991	664	67.00%
Claim Creation	249	224	89.96%
Claims Handling Technical	930	722	77.63%
Litigated Cases	66	50	75.76%
Subrogation	5	3	60.00%
Excess	2	1	50.00%
Overall Score	2243	1664	74.19%

The final score with the Medicare Reporting Category eliminated is 79.88%

We saw strong performance in the following areas:

- A score of 100% was achieved in the categories of caseload, file contents, return phone calls, delay letter, AOE/COE investigation, initial reserves for probable value, objection letters, UR dispute resolved via IMR, apportionment pursued appropriately, Member noticed of permanent work restrictions, SJDB provided timely, TD & 4850 reserves separate, settlement proposals direct to Member in concise and clear manner, Member involved in legal activities where appropriate, comply with Member reporting requirements, periodic contact with third party, subrogation pursued for maximum recovery and Member/EIA approval to accept waive or settle third party case.

Performance areas that require improvement:

- With respect to timely plan of action and supervisor review updates we recommend making sure all open files have a current diary for the adjuster and supervisor. Further, we recommend creating a weekly or monthly management report wherein the supervisor and claim manager can monitor and report these statistics to the Member so that they can track performance improvement.
- We recommend review of the CSAC standards regarding ongoing employee contact with the adjusting team. We also suggest that when the initial TD benefit is triggered that the ongoing employee contact be completed simultaneously with disability verification. For an employee that will be undergoing surgery, we suggest setting a diary to secure the surgery date so that contact can then be made within three business days of the procedure.

- Until such time that JT2 can activate an electronic system for automatic submission and documentation of Medicare reporting, we suggest that the process be completed manually and documented within the file notes.
- Workflow adjustments should be considered to ensure there are three documented attempts to reach all parties within three business days of receipt of the claim. This standard applies to both medical only and indemnity claims.
- There were a variety of reasons for late final payment/notice and overpayments. Focusing on timely and accurate mail handling, diary management and supervision may help improve performance in these areas.
- We suggest that that advance mileage/travel be issue simultaneously with the generation of the appointment notice and that payment is referenced within the body of the notice.
- There were three claims where it is our opinion that referral to nurse case management could have positively impacted the claim outcome. We recommend consideration of nurse case management to facilitate appropriate treatment, push providers to consider return to work and secure timely medical reports.
- We suggest setting follow up diaries within 20 days of providing the notice of permanent restrictions to a Member.
- Timely mail handling should improve getting reserves timely adjusted with triggering events. We also suggest a worksheet be created to assist the adjuster with an annual review of future medical reserves to ensure they are OSIP compliant. A plan of action template that forces the adjuster to describe why they believe the reserves are accurate should prompt more accurate reserving. More consistent supervision should also lead to more accurate and timely reserving.
- There were delays in getting cases worked up for settlement. Having the adjusters on diary and focused on timely mail handling will likewise improve the results.
- We recommend initiating investigation for claims where the employee is no longer employed with the Member and/or has reactivated treatment after an extensive period of medical inactivity.
- We recommend subrogation training for the adjusters to review timely investigation and issuance of notices to potential third parties.
- There were two sub-categories where only one downgraded file produced a low score. We consider these outliers and not an adverse trend. The categories impacted were self-imposed penalties paid and timely subsequent excess reporting.

AUDIT CRITERIA

The audit criterion was formed by using the CSAC EIA standards.

For the City of Oakland, the file audits specifically focused on claims handling activity from 11/01/15 through the date of the audit. JT2 provided a list of the open inventory for the City of Oakland covered by the CSAC EIA program and a random selection of the files was pulled to gather 161 files from that open inventory (excluding claims previously audited within the past year by ALC or Bickmore).

For the City of Fontana, the file audits focused on claims handling activity from 04/01/16 through the date of the audit. JT2 provided a list of the open inventory for the City of Fontana covered by the CSAC EIA program and a random selection of the files was pulled to gather 14 files from that open inventory.

The total combined selection of 175 files consisted of a mix of indemnity claims, future medical files and medical only claims. File documents, notes, payments, letters and reserves are maintained in electronic form. The files were accessed electronically.

AUDIT PROCESS

The audit was completed via remote electronic access. Each City of Oakland worksheet was provided to Carmen Angeles and Deborah Grant for review and comment. Each City of Fontana worksheet was provided to Carmen Angeles for review and comment. Carmen engaged with the auditors and submitted all questions, feedback or disputes prior to the completion of this audit report.

CATEGORY RESULTS

Category	Points Available	Points	Score
Caseload	2	2	100.00%
Case Review Documentation	480	365	76.04%
Communication	221	197	89.14%
Fiscal Handling	123	96	78.05%
Medicare Reporting	165	4	2.42%
Three Point Contact	32	18	56.25%
Compensability	59	57	96.61%
AOE/COE Investigations	4	4	100.00%
Initial Reserves	73	68	93.15%
Indexing	81	77	95.06%
Payments	345	290	84.06%
Medical Treatment	87	82	94.25%
Apportionment	26	22	84.62%
Disability Management	24	19	79.17%
SJDB	3	3	100.00%
Reserves	297	193	64.98%
Resolution of Claim	93	62	66.67%
Settlement Authority	55	51	92.73%
Litigated Cases	66	50	75.76%
Subrogation	5	3	60.00%
Excess	2	1	50.00%
Overall Score	2243	1664	74.19%

Caseload

Standard 100% → Audit Score 100%

There are eight dedicated adjusters handling a mixed inventory for the City of Oakland. There is one non-dedicated adjuster for the City of Fontana. All the adjusters' workloads are within the CSAC EIA Standards. The supervisors do not carry a caseload.

Case Review & Documentation

Examiner Plan of Action Updates

Files Meeting the Criteria 174 | Files in Compliance 114

Standard 95% → Audit Score 65.52%

Timely plan of action updates were evident within 114 of the 174 claims that met this audit criteria. The following audit files did not meet standard:

A-3038	A-3039	A-3040	A-3041	A-3042	A-3043	A-3044	A-3048	A-3050	A-3051
A-3052	A-3054	A-3055	A-3058	A-3059	A-3062	A-3064	A-3071	A-3079	A-3087
A-3089	A-3093	A-3095	A-3099	A-3101	A-3103	A-3106	A-3122	A-3123	A-3125
A-3127	A-3131	A-3144	A-3145	A-3146	A-3149	A-3155	A-3158	A-3160	A-3163
A-3173	A-3177	A-3182	A-3185	A-3187	A-3188	A-3189	A-3190	A-3194	A-3207
A-3208	A-3211	A-3212	A-3213	A-3214	A-3215	A-3216	A-3217	A-3218	A-3219

Supervisor Reviews**Files Meeting the Criteria 175 | Files in Compliance 121****Standard 95% → Audit Score 69.14%**

Timely supervisor reviews were evident within 121 of the 175 claims that met this audit criteria. The following audit files did not meet standard:

A-3038	A-3040	A-3044	A-3046	A-3047	A-3052	A-3054	A-3059	A-3064	A-3065
A-3067	A-3077	A-3082	A-3083	A-3084	A-3101	A-3111	A-3113	A-3120	A-3121
A-3125	A-3127	A-3134	A-3135	A-3138	A-3143	A-3144	A-3145	A-3146	A-3147
A-3149	A-3152	A-3158	A-3159	A-3160	A-3163	A-3171	A-3176	A-3178	A-3179
A-3180	A-3182	A-3188	A-3195	A-3197	A-3198	A-3203	A-3208	A-3209	A-3210
A-3211	A-3214	A-3215	A-3217						

File Contents**Files Meeting the Criteria 122 | Files in Compliance 122****Standard 95% → Audit Score 100%**

File contents were clearly identified within all claims that met this audit criteria.

Medical Only Conversion**Files Meeting the Criteria 9 | Files in Compliance 8****Standard 95% → Audit Score 88.89%**

Timely medical only conversion reviews were evident within 8 of the 9 claims that met this audit criteria. On Audit file A-3175 the medical only conversion review was due by 04/13/16 but it was not completed until 05/11/16 with a closing notice sent on the same day.

Communication**Return Phone Calls****Files Meeting the Criteria 14 | Files in Compliance 14****Standard 95% → Audit Score 100%**

Return phone calls were timely completed within the standard for all claims that met this audit criteria.

Respond to Written Inquiries**Files Meeting the Criteria 36 | Files in Compliance 26****Standard 95% → Audit Score 72.22%**

Written inquiries were timely responded to within 26 of the 36 claims that met this audit criteria. On Audit file A-3038 the Member settlement authority was received on 09/27/16 but the settlement documents have not yet been sent to the employee. On Audit file A-3065 the file does not reflect timely responses to the client's inquiry pertaining to 4850 benefits. The employer emailed the adjuster on 10/13/16, 10/17/16 and 10/18/16 without a response. On Audit file A-3079 settlement authority was received on 09/12/16 but Stipulation documents were not sent to the employee until 10/17/16. On Audit file A-3125 the signed Stipulations were received on 10/15/15 but they were not submitted to the WCAB until 11/25/15. There was yet another gap when the WCAB rejected the Stipulations for being on the wrong format to the date the Stipulations were re-sent to the employee on 01/29/16 for additional signature. On Audit file A-3189 settlement authority was received from the member on 02/29/16 but authority was not extended to the defense counsel until 03/21/16. On Audit file A-3190 settlement authority was received 02/29/16 but authority was not extended to defense counsel until 03/21/16. On Audit file A-3194 settlement authority was received from the member on 12/03/15 but the Stipulations were not sent to the employee until 01/29/16. There was an additional delay from the date the Stipulations were received back from the employee on 02/26/16 to the date they were sent to the WCAB on 03/11/16.

On Audit file **A-3195** settlement authority was received on 05/13/16 but Stipulations were not drafted and sent to the applicant attorney until 08/12/16. On Audit file **A-3199** member authority was received on 02/26/16 but the Stipulations were not sent to the employee until 03/23/16. On Audit file **A-3206** the Member sent an e-mail to the TPA on 04/07/16 to bypass UR and approve knee surgery but the approval was not extended until 04/21/16.

Date Stamp Mail

Files Meeting the Criteria 163 | Files in Compliance 156

Standard 95% → Audit Score 95.71%

Incoming correspondence was date stamped with the date of receipt for 156 of the 163 claims that met this audit criteria. The following audit files did not meet standard:

A-3089	A-3129	A-3130	A-3140	A-3171	A-3209	A-3210
--------	--------	--------	--------	--------	--------	--------

Ongoing Employee Contact

Files Meeting the Criteria 8 | Files in Compliance 1

Standard 95% → Audit Score 12.50%

Timely ongoing contact with the employee while off work was evident within 1 of the 8 claims that met this audit criteria. On Audit files **A-3056** and **A-3150** there was no ongoing employee contact while the employee was off work. On Audit files **A-3122**, **A-3155**, **A-3208**, **A-3216** and **A-3217** the employees were not contacted within 3-days of a surgical procedure.

Fiscal Handling

Payments on Correct Claims

Files Meeting the Criteria 80 | Files in Compliance 57

Standard 95% → Audit Score 71.25%

Payments were made on the correct claims for 57 of the 80 claims that met this audit criteria. On Audit file **A-3077** the file does not clearly reflect how payments are being allocated. Although defense legal activity is ongoing there are no legal payments noted on this claim. The file lacks documentation indicating if legal expenses are being processed on one file. If the client agreed to one file to allocate expense payments and reserves, this information should be documented in the file. On Audit file **A-3089** the reports indicate this is the master file however medical payments and med-legal payments have been issued from this companion file which has the same date of injury. On Audit file **A-3094** the reports indicate this is companion file however medical payments and med-legal payments have been issued from this file. On Audit file **A-3108** the current treatment for the back is being processed on this claim which is limited to the knee. On Audit file **A-3133** the file does not indicate that ongoing medical payments should be processed on this file. Although the primary treater appeared to clarify exposure in his email of 02/26/16, four additional payments were made to the PTP for a total of \$564. On 2/26/16 the adjuster documented that they believed services should continue to be attached to the 2009 master file, however benefits continue to be paid on the 7/17/13 claim. On Audit files **A-3138** and **A-3139** it appears the current treatment for the cervical spine is due to the employee's 11/13/14 date of injury, which includes cervical injury, but is being provided and paid via the employee's 04/24/12 shoulder date of injury. On Audit files **A-3140** and **A-3141** the 12/13/09 date of injury is being maintained as companion file, however there are 2 medical payments issued from this claim that appear to belong to the file for the 06/02/10 date of injury. On Audit file **A-3142** the defense counsel invoice is being paid out of this file but the invoice includes handling for multiple claims and it should have been paid via the master file for the employee's multiple orthopedic allegations. Since this allegation is a separate and distinct injury, the defense counsel should bill this file separately.

On Audit files **A-3145** and **A-3149** multiple payments have been paid via the employee's 08/25/08 closed claim file including med-legal fees for the AME of 11/18/14, the AME of 09/23/15 and defense counsel bills. On Audit file **A-3157** the medical and defense payments relative to the employee's orthopedic claim have been paid via this claim which is for the heart. Detail regarding the prescription payments could not be located but there is no indication that these are related to this heart claim. The ortho AME has been paid via this claim which is likewise not correct. Additionally, the defense counsel work and copy service fees appear to be predominately about the orthopedic claim so they should not be paid via this claim. Mileage was paid to the employee for the FRP that was not due to this claim. The IMR fee also does not belong to this file as this was in reference to the FRP for the orthopedic claim. On Audit file **A-3166** based upon the AME's findings the need for treatment and disability stem from the CT injury versus a specific. As such, once that report was received, treatment should have started to be paid from the subsequent CT claim and prior payments should have been moved. On Audit file **A-3171** it is unclear how payment for treatment of knees is being split between this claim and the employee's 04/17/98 date of injury. The same PTP is treating for both dates of injury and both files reflect payments issued to this PTP for treatment to the knees. It is also unclear how defense counsel payments are being split between files as it appears the DA is handling all claims concurrently with payments to the defense firm from this claim and the employee's 10/10/10 claim file. On Audit file **A-3197** there are no medical reports in this file so we are unable to confirm that the pharmacy bills paid during the audit period are for this claim. On Audit file **A-3205** there are ongoing legal bills and one UR charge that should be paid from the subsequent 06/22/15 date of injury. On Audit file **A-3209** the POA and notes indicate that the AME indicated treatment was due to the 2002 injury, however there are multiple prescription payments issued from this claim. We were unable to access EOB to determine what these bills are for. The POA and notes do not clearly outline what FM, if any, is due to this date of injury and the assumption is that none are due as the claim was dismissed. The AME psyche payments appear to have been incorrectly issued from this claim file. It is also unclear how defense fees are to be split between the claims. On audit file **A-3210** there are multiple payments issued from the employee's 05/20/10 date of injury, including the Psyche AME, which appear to be related to this file. Also, it is unclear how defense counsel payments are split between the files. On Audit files **A-3211** and **A-3213** defense counsel payments are issued from the 11/06/10 claim as well as the 07/15/14 claim. It is unclear how these payments are to be split among the three claims that will be included within the settlement. On Audit files **A-3216** and **A-3217** the physical therapy for the employee's shoulder injury has been paid via this claim for the knee injury, including date of service of 06/20/16 issued on 08/11/16 and date of service 05/25/16 issued on 08/11/16. It is also unclear if physical therapy and acupuncture bills are combining treatment for the knee and shoulder as some of the reports appear to indicate both body parts. Surgery appears to have been billed and paid from employee's knee claim, however the claims were to be billed separately for the concurrent surgeries and the file is silent regarding how this bill will be split.

File Balancing

Files Meeting the Criteria 43 | Files in Compliance 39

Standard 95% → Audit Score 90.70%

File balancing was timely evidenced within 39 of the 43 claims that met this audit criteria. Audit files **A-3104**, **A-3111**, **A-3114** and **A-3120** did not have evidence of file balancing.

Medicare Reporting

Files Meeting the Criteria 165 | Files in Compliance 4

Standard 100% → Audit Score 2.42%

Medicare reporting was completed for 4 of the 165 claims that met this audit criteria. The following audit files did not reflect timely ongoing Medicare reporting:

A-3037	A-3038	A-3040	A-3041	A-3043	A-3044	A-3046	A-3047	A-3048	A-3049
A-3050	A-3053	A-3054	A-3055	A-3056	A-3057	A-3058	A-3059	A-3060	A-3061
A-3062	A-3063	A-3064	A-3065	A-3067	A-3070	A-3071	A-3077	A-3079	A-3080
A-3081	A-3082	A-3083	A-3084	A-3085	A-3086	A-3087	A-3088	A-3089	A-3090
A-3091	A-3092	A-3093	A-3094	A-3095	A-3096	A-3098	A-3099	A-3100	A-3101
A-3103	A-3104	A-3105	A-3106	A-3107	A-3109	A-3110	A-3111	A-3112	A-3113
A-3114	A-3115	A-3116	A-3117	A-3118	A-3119	A-3120	A-3121	A-3122	A-3123
A-3124	A-3125	A-3126	A-3127	A-3128	A-3129	A-3130	A-3131	A-3132	A-3133
A-3134	A-3135	A-3136	A-3137	A-3138	A-3139	A-3140	A-3141	A-3142	A-3143
A-3144	A-3145	A-3146	A-3147	A-3148	A-3149	A-3150	A-3151	A-3152	A-3153
A-3155	A-3156	A-3157	A-3158	A-3159	A-3160	A-3162	A-3163	A-3166	A-3167
A-3169	A-3170	A-3171	A-3172	A-3173	A-3174	A-3175	A-3176	A-3177	A-3178
A-3179	A-3180	A-3181	A-3182	A-3183	A-3184	A-3185	A-3186	A-3187	A-3188
A-3189	A-3190	A-3191	A-3192	A-3193	A-3194	A-3195	A-3197	A-3198	A-3199
A-3200	A-3201	A-3202	A-3203	A-3204	A-3205	A-3206	A-3207	A-3208	A-3209
A-3210	A-3211	A-3212	A-3213	A-3214	A-3215	A-3216	A-3217	A-3218	A-3219
A-3220									

Three Point Contact

Files Meeting the Criteria 32 | Files in Compliance 18

Standard 95% → Audit Score 56.25%

Timely three-point contact was evident within 18 of the 32 claims that met this audit criteria. On Audit file **A-3041** there was no follow up contact attempt with the employer until nearly 30 days after the initial attempt on 04/21/16. On Audit file **A-3049** the file does not reflect a timely completion of an initial employer contact. The initial contact was limited to a note from the employer containing dates that the employee was off work. On Audit file **A-3055** the claim was established on 3/22/16 and employee contact attempts were completed on 03/23/16 and 03/31/16 but a third attempt was not noted. On Audit file **A-3092** the file was established on 04/04/16 and initial contacts should have been attempted by 4/7/16 but the initial employee contact did not occur until 05/05/16. On Audit file **A-3102** an initial employee contact is absent. On Audit file **A-3109** the claim set up date was on 02/26/16 but the initial contact with the Member was not completed until 03/03/16. On Audit file **A-3114** the employee and Member contacts were not completed. On Audit file **A-3116** the claim was assigned on 11/19/15, and the initial employer contact should have been completed by 11/24/15, but the initial employer contact attempt did not occur until 11/25/15. On Audit file **A-3122** attempts to contact the employee were not evident. On Audit file **A-3123** the employer and employee contacts were due by 12/15/15 but were not made until 12/17/15. On Audit file **A-3164** there were only two contact attempts made to reach the employer. On Audit file **A-3165** the claim was received 01/29/16 but the employee contact was not made until 03/05/16. Audit file **A-3196** does not show three documented attempts to reach the employee. On Audit file **A-3208** the claim was set up on 04/08/16 but initial contacts were not initiated until 04/18/16.

Compensability

Initial Decision

Files Meeting the Criteria 36 | Files in Compliance 35

Standard 100% → Audit Score 97.22%

An initial decision was completed timely for 35 of the 36 claims that met this audit criteria. On Audit file A-3063 the claim was established on 04/05/16 but the initial compensability decision was not made until 04/29/16.

Delay Letter

Files Meeting the Criteria 3 | Files in Compliance 3

Standard 100% → Audit Score 100%

Delay letters were sent timely for all claims that met this audit criteria.

Final Decision

Files Meeting the Criteria 20 | Files in Compliance 19

Standard 100% → Audit Score 95%

A final decision was made timely for 19 of the 20 claims that met this audit criteria. On Audit file A-3197 there was a 05/26/16 e-mail that supported acceptance of the claim but the acceptance letter was not sent until 10/11/16.

AOE/COE Investigations

Files Meeting the Criteria 4 | Files in Compliance 4

Standard 95% → Audit Score 100%

AOE/COE investigations were triggered timely for all claims that met this audit criteria.

Initial Reserves

Initial Reserves for Probable Value

Files Meeting the Criteria 37 | Files in Compliance 37

Standard 95% → Audit Score 100%

The initial reserves were set for the appropriate probable value for all cases that met this audit criteria.

Initial Reserve Timely

Files Meeting the Criteria 36 | Files in Compliance 31

Standard 95% → Audit Score 86.11%

The initial reserves were set timely for 31 of the 36 cases that met this audit criteria. On Audit file A-3063 the file was established on 04/05/16 and initial reserves should have been posted by 04/19/16 but they were not entered until 04/28/16. On Audit file A-3092 the file was established on 04/04/16 and initial reserves should have been posted by 04/18/16 but they were not entered until 05/03/16. On Audit file A-3102 the file was established on 02/01/16 and initial reserves should have been posted by 02/15/16 but they were not entered until 03/01/16. On Audit file A-3117 the file was established on 01/28/16 and initial reserves should have posted by 02/11/16 but they were not entered until 02/18/16. On Audit file A-3208 the file was established on 04/08/16 and initial reserves should have posted by 04/22/16 but they were not entered until 05/04/16.

Indexing

Files Meeting the Criteria 81 | Files in Compliance 77

Standard 95% → Audit Score 95.06%

Initial indexing and/or appropriate re-indexing was evident within 77 of the 81 files that met this audit criteria. On Audit file A-3112 the employee had not received treatment for more than 2 years and appears to no longer work for the Member so a repeat index was warranted upon request for treatment. On Audit file A-3124 the employee has not worked for the Member since 12/04/13 and has not sought treatment since late 2015 so a repeat index was warranted upon request for treatment. On Audit file A-3177 the employee had not sought treatment for more than 2 years prior to requesting treatment so a repeat index report was warranted. On Audit file A-3220 a repeat index was warranted due to the added body parts and ongoing treatment/surgery for this former employee.

Payments

Initial TD/PD Payment

Files Meeting the Criteria 27 | Files in Compliance 22

Standard 100% → Audit Score 81.48%

Initial TD/PD payment were timely for 22 of the 27 files that met this audit criteria. On Audit file A-3104 the LC4850 benefit was due by 05/17/16 but payment was not issued until 05/18/16. On Audit file A-3181 temporary disability started on 02/23/16 with the first payment due by 03/07/16 but the payment was not made until 03/09/16, less the waiting period. On Audit file A-3184 the voucher for TD/4850 benefits for the period of 01/14/16 to 04/28/16 was issued late. On Audit file A-3197 permanent disability was paid retroactively for the period of 03/16/16 to 09/28/16 on 10/12/16 with a penalty. The report this was based upon was showing as uploaded on 10/11/16 which does not appear to be a credible receipt date considering the report is dated 03/16/16. On Audit file A-3208 the initial TD/salary continuation payment was due by 07/20/16 but the voucher/payment was not issued until 07/22/16.

DWC Notice

Files Meeting the Criteria 35 | Files in Compliance 29

Standard 100% → Audit Score 82.86%

Initial DWC notices were timely for 29 of the 35 files that met this audit criteria. On Audit file A-3104 the LC4850 start/stop notice was issued on 05/17/16 but there is no language indicating the benefit was ending. Also, the dates on the benefit notice do not match the dates paid. On Audit file A-3181 the initial TD notice was late. On Audit file A-3184 the TD/4850 resumption notice was late. On Audit file A-3187 there was no TD resumption letter sent with the 04/08/16 check, there was only a rate change notice. On Audit file A-3197 the PD start notice was late. On Audit file A-3208 the initial TD notice was due by 07/20/16 but it was not issued until 07/22/16.

Subsequent TD/PD Payments

Files Meeting the Criteria 38 | Files in Compliance 31

Standard 100% → Audit Score 81.58%

Subsequent payments were supported and/or timely for 31 of the 38 files that met this audit criteria. On Audit file A-3122 LC4850 wage loss payments were not issued timely. On Audit file A-3145 the change from TD to PD benefits was untimely. On Audit file A-3187 it is unclear why resumed TD benefits were not paid from the date of the surgery of 02/12/16 to 03/11/16. TD was then resumed starting as of 03/12/16 with the payment due by 03/26/16 but it was not paid until 04/08/16. On Audit file A-3188 the TPA had the MMI report as of 03/01/16 but an additional TD payment was made on 03/10/16.

On Audit file A-3202 the TPA had knowledge of return to work by 07/08/16 but on 07/21/16 an additional TD check was released for the period of 07/19/16 to 07/22/16. On Audit file A-3216 the TTD/LC4850 payment for the period of 03/24/16-04/06/16 was not issued until 04/08/16. The wage loss/4850 for 04/25/16-05/01/16 was not issued until 05/12/16 and the wage loss/4850 for 05/02/16-05/08/16 was not issued until 05/12/16. On Audit file A-3217 LC4850/TD for 10/15/16-10/28/16 was not issued until 10/31/16.

Timely Final Payment & Notice

Files Meeting the Criteria 43 | Files in Compliance 27

Standard 100% → Audit Score 62.79%

All final payments and/or notice letters were timely for 27 of the 43 files that met this audit criteria. On Audit file A-3056 the employee returned to modified duty on 6/15/16 but the TD ending notice was not issued until 7/12/16. On Audit file A-3079 the report indicating there was no PD was received on 02/26/16 but the PD denial and advice letter was not sent until 03/14/16. On Audit file A-3127 the AME supplemental report which indicated that there was PD was received on 05/20/16 but no PD notice is documented as being sent. On Audit file A-3142 the AME report was documented in a 04/14/16 notepad but the PD notice was not sent until 07/06/16. On Audit file A-3145 the TD end notice incorrectly indicates PD will be deferred. On Audit file A-3166 the AME report was received on 05/30/16 and either a PD denial or a general denial should have issued for this date of injury. On Audit file A-3167 the PD advice notice was due by 06/04/16 but it was not sent until 06/17/16. On Audit file A-3171 the AME deposition was on 06/23/16 and the defense counsel report outlining settlement value of PD was dated 08/17/16 but the PD advice notice was not sent until 10/14/16. On Audit file A-3181 the PD delay decision was due by 05/21/16 but it was not made until 06/03/16. On Audit file A-3183 the AME report was received on 09/26/16 and the PD advice letter was due by 10/07/16 but the notice was not sent until 10/11/16. On Audit file A-3186 the PTP's MMI report was received on 01/29/16 and it indicated no PD was due but the PD denial letter was not sent until 03/25/16. On Audit file A-3188 the TPA had the MMI report as of 03/01/16 but the final TD notice was not sent until 03/24/15 and there was no PD advice notice. On Audit file A-3195 no PD advice notice was sent following receipt of the AME report. On Audit A-3198 the AME report was received on 03/16/16 but no PD advice letter is noted. On Audit file A-3199 the AME report was received on 12/10/16 but the PD advice letter was not sent until 02/17/16. On Audit file A-3202 the TPA had knowledge of RTW 07/08/16 but did not send the ending TD notice until 08/05/15. In addition, the PD delay decision of 10/05/16 was missed.

Overpayments

Files Meeting the Criteria 7 | Files in Compliance 4

Standard 95% → Audit Score 57.14%

Overpayments were appropriately pursued for 4 of the 7 files that met this audit criteria. On Audit file A-3109 there were prescriptions paid for dates of service after the denial of the claim was issued. There is no indication that the TPA was seeking reimbursement for these dates of service. On Audit file A-3145 the employee was MMI as of 10/13/15 AME report but TD was paid through 11/20/2015 and the TD end notice is silent regarding that over payment. On Audit file A-3188 the TPA had the MMI report as of 03/01/16. Therefore, the TD payment made from the 02/02/16 MMI date through 03/11/16 was an overpayment. There was no notation of this overpayment in the TD end notice.

Undisputed Awards Paid Timely**Files Meeting the Criteria 13 | Files in Compliance 12****Standard 95% → Audit Score 92.31%**

Undisputed awards were paid timely for 12 of the 13 claims that met this audit criteria. On Audit file A-3071 the case settled via Stipulated Award on 03/18/16 and the approved documents were date stamped as received on 03/23/16. The settlement check was due by 04/02/16 but it was not issued until 04/05/16.

Copy of Award to Excess**Files Meeting the Criteria 0 | Files in Compliance 0****Standard 95% → Audit Score N/A**

There were no applicable claims for this category.

Medical Bills Paid Timely**Files Meeting the Criteria 130 | Files in Compliance 127****Standard 100% → Audit Score 97.69%**

Medical bills were paid timely for 127 of the 130 claims that met this audit criteria. On Audit file A-3089 the invoices for DOS 01/29/15, 06/05/15 and 04/25/15 do not have date stamps thus we are unable to verify that the medical bills were paid timely. On Audit file A-3094 the AME report was received on 05/23/2016 but payment was not issued until 08/22/2016. On Audit file A-3097 the QME report for the 04/25/16 evaluation was not paid until 08/11/16. Since defense counsel requested a supplemental on 05/24/16, the QME report was received prior to this date which means the 08/11/16 payment was not issued timely.

Objection Letters Timely**Files Meeting the Criteria 3 | Files in Compliance 3****Standard 100% → Audit Score 100%**

Objection letters were evident within all claims that met this audit criteria.

Employee Reimbursements Timely**Files Meeting the Criteria 24 | Files in Compliance 22****Standard 95% → Audit Score 91.67%**

Employee reimbursements were timely for 22 of the 24 claims that met this audit criteria. On Audit file A-3174 the mileage request received on 09/19/16 was not paid until 10/14/16. On Audit file A-3216 the reimbursement request for the period of 02/11/15 to 04/07/16 that was received on 04/19/16 was not paid until 05/12/16.

Advance Travel Timely**Files Meeting the Criteria 23 | Files in Compliance 12****Standard 95% → Audit Score 52.17%**

Advance travel was timely paid for 12 of the 23 claims that met this audit criteria. On Audit file A-3080 there is no indication in the QME appointment letter to the employee that the defense counsel paid advance mileage and none was paid by the TPA for the 05/26/16 evaluation date. On Audit file A-3081 medical mileage for the 02/25/16 QME was paid after the evaluation date. On Audit file A-3085 the advance mileage payment for the 12/04/15 med-legal was not issued timely. On Audit files A-3089 and A-3094 we were unable to locate advance mileage payment for the 05/06/16 AME evaluation. There is a reimbursement payment paid via the companion file but advance mileage is not evident on either file. On Audit file A-3121 we were unable to locate mileage payment for the 02/03/16 AME evaluation. On Audit file A-3124 the mileage for the 03/09/16 PQME evaluation was not issued timely.

On Audit file A-3127 there was no advance mileage paid for the 03/23/16 AME appointment. On Audit file A-3142 the defense counsel appointment notice does not include mileage nor is there a payment via the claim file for the 01/04/16 AME. On Audit file A-3187 there is no evidence of advance mileage paid for the 10/14/16 QME. On Audit file A-3188 there is no evidence of advance mileage paid for the 05/12/16 QME evaluation.

Self-Imposed Penalties Paid

Files Meeting the Criteria 2 | Files in Compliance 1

Standard 100% → Audit Score 50%

Self-imposed penalties were timely paid for 1 of the 2 claims that met this audit criteria. On Audit file A-3187 the period of compensation spanning 03/12/16 to 04/08/16 was late and a penalty payment was due but not paid.

Penalties Coded Correctly

Files Meeting the Criteria 0 | Files in Compliance 0

Standard 95% → Audit Score N/A

There were no applicable claims for this category.

Penalty Reimbursement Plan

Files Meeting the Criteria 0 | Files in Compliance 0

Standard 95% → Audit Score N/A

There were no applicable claims for this category.

Medical Treatment

Proper Use of UR

Files Meeting the Criteria 62 | Files in Compliance 60

Standard 100% → Audit Score 96.77%

Proper UR was evidenced within 60 of the 62 claims that met this audit criteria. On Audit files A-3216 and A-3217 it does not appear UR is being utilized for any treatment during the audit period which includes PT, acupuncture, medications and psyche treatment.

UR Dispute Resolved via IMR

Files Meeting the Criteria 18 | Files in Compliance 18

Standard 100% → Audit Score 100%

In that only the employee, his representative or the treating doctor can request IMR the administrator can have no impact on ensuring UR disputes are resolved by IMR. There were 18 claims with an IMR request or decision with proper medicals submitted by the TPA.

NCM Used Appropriately

Files Meeting the Criteria 7 | Files in Compliance 4

Standard 95% → Audit Score 57.14%

Proper NCM was evident within 4 of the 7 claims that met this audit criteria. On Audit file A-3053 the TPA has had a difficult time securing medical updates and a maximum medical improvement determination. The employee last treated with the primary treater on 08/08/16, however results have not yet been obtained. A nurse case manager could add value by assisting in obtaining necessary medical information. On Audit file A-3063 the employee has been disabled more than 5 months with objective findings. A nurse case manager could assist in coordinating medical issues and assist with disability management. On Audit file A-3217 the employee is nearly 6-months post shoulder surgery with no indication of light duty or regular duty return to work.

A recent report indicates employee's condition is not improving. NCM referral is warranted to push for aggressive treatment plan, release to return to work and MMI.

Apportionment

Ruled In/Out

Files Meeting the Criteria 14 | Files in Compliance 10

Standard 95% → Audit Score 71.43%

Apportionment was properly ruled in/out for 10 of the 14 claims that met this audit criteria. On Audit file A-3083 possible apportionment to the subsequent MVA has not yet been recognized as an issue. On Audit file A-3090 the index check completed on 12/11/15 revealed a subsequent MVA with no effort indicated to secure these records nor has potential apportionment been recognized as an issue. On Audit file A-3122 the employee's initial contact is silent regarding prior injuries and plan of action is silent on apportionment. On Audit file A-3208 there is no documentation of inquiries to the employee regarding preexisting/prior injuries, there is no documentation of review of an ISO report nor is apportionment addressed via the POA.

Pursued Appropriately

Files Meeting the Criteria 12 | Files in Compliance 12

Standard 95% → Audit Score 100%

Apportionment was properly pursued for all claims that met this audit criteria.

Disability Management

Proactive Return to Work

Files Meeting the Criteria 15 | Files in Compliance 13

Standard 95% → Audit Score 86.67%

Proactive return to work was evident within 13 of the 15 claims that met this audit criteria. On Audit file A-3193 there is no documentation the PTP was provided with non-work related activities that could be causing her problems and/or a query made to the PTP as to why she is worsening as discussed at the 06/21/16 meeting with the member. On Audit file A-3217 we were unable to locate evidence of employer or physician contact to facilitate return to work by pushing for work restrictions and identifying possible light duty work.

Member Noticed of Permanent Work Restrictions

Files Meeting the Criteria 6 | Files in Compliance 6

Standard 95% → Audit Score 100%

Member timely noticed of permanent work restrictions was evident within all claims that met this audit criteria.

20 Day Member Follow Up on Permanent Restrictions

Files Meeting the Criteria 3 | Files in Compliance 0

Standard 95% → Audit Score 0%

There was timely member follow up on permanent work restrictions for 0 of the 3 claims that met this audit criteria. On Audit file A-3057 the adjuster sent a notification to the member on 10/30/15 advising them of permanent work restrictions. A follow up contact should have been completed by 11/19/15 but the follow up was not sent to the employer until 01/22/16.

On Audit file **A-3183** notice to the Member regarding the employee's permanent work restrictions and whether they could accommodate them was sent on 09/30/16 but there was no timely follow up. On Audit file **A-3188** the Member was provided with permanent restrictions on 04/15/16 but there was no timely follow up.

SJDB

SJDB Provided Timely

Files Meeting the Criteria 3 | Files in Compliance 3

Standard 100% → Audit Score 100%

The SJDB was appropriately and timely sent for all claims that met this audit criteria.

SJDB Concluded Appropriately

Files Meeting the Criteria 0 | Files in Compliance 0

Standard 95% → Audit Score N/A

There were no applicable claims for this category.

Reserves

Reserves Adjusted Timely at Diary or with Triggering Event

Files Meeting the Criteria 104 | Files in Compliance 53

Standard 100% → Audit Score 50.96%

Reserves were timely adjusted with a triggering event, or on diary, for 53 of the 104 claims that met this audit criteria.

The following audit files were downgraded for overstated overall reserves for the facts of the file:

A-3182	A-3213
--------	--------

The following audit files for overstated indemnity and medical reserves:

A-3186

The following audit files were downgraded for overstated indemnity reserves:

A-3038	A-3043	A-3046	A-3053	A-3077	A-3120	A-3127	A-3132	A-3133	A-3139
A-3159	A-3195								

The following audit files were downgraded for overstated medical reserves:

A-3065	A-3088	A-3192
--------	--------	--------

The following audit files were downgraded for understated indemnity reserves:

A-3039	A-3095	A-3184	A-3193	A-3198
--------	--------	--------	--------	--------

The following audit files were downgraded for insufficient medical reserves:

A-3171	A-3208	A-3209
--------	--------	--------

The following audit files were downgraded for an understated medical reserves and inaccurate cost-containment:

A-3083	A-3097	A-3160	A-3217	A-3220
--------	--------	--------	--------	--------

The following audit file was downgraded for insufficient medical and cost-containment due to premature closure:

A-3199

The following audit files were downgraded for untimely or inaccurate reserves for overall case exposure:

A-3147	A-3187	A-3190
--------	--------	--------

The following audit files were downgraded for failure to timely adjust reserves with a triggering event:

A-3079	A-3085	A-3089	A-3124	A-3163	A-3166	A-3167	A-3170	A-3174	A-3197
A-3210	A-3216								

The following audit file lack a detailed analysis justifying the case reserve:

A-3113	A-3047	A-3060	A-3179
--------	--------	--------	--------

TD & 4850 Reserved Separately

Files Meeting the Criteria 16 | Files in Compliance 16

Standard 95% → Audit Score 100%

Separate TD/4850 reserves were evidenced on all claims that met this audit criteria.

PD Exposure Includes Life Pension

Files Meeting the Criteria 0 | Files in Compliance 0

Standard 100% → Audit Score N/A

There were no applicable claims for this category.

FM Reserves Consistent with OSIP Standards

Files Meeting the Criteria 47 | Files in Compliance 19

Standard 100% → Audit Score 40.43%

Future medical reserves were in line with OSIP standards for 19 of the 47 claims that met this audit criteria. Audit file A-3052 there is a recent reserve change but it disregards the OSIP calculation. On Audit file A-3100 we were unable to locate an OSIP rationale. On Audit files A-3027, A-3040, A-3050, A-3057, A-3062 A-3098, A-3105, A-3107, A-3110, A-3139, A-3169, A-3172 and A-3182 an OSIP calculation has not completed and the reserve is overstated. On Audit files A-3067, A-3071 and A-3153 an OSIP calculation has not completed and the reserve is understated due to premature file closure. On Audit files A-3083, A-3093, A-3101, A-3132, A-3146, A-3158, A-3160, A-3163, A-3173 and A-3190 an OSIP calculation has not been completed and the reserve is understated.

Allocated Reserve Includes Bill Review, Utilization Review and Independent Medical Review

Files Meeting the Criteria 130 | Files in Compliance 105

Standard 100% → Audit Score 80.77%

Allocated reserves contained values for bill review, utilization review and independent medical review for 105 of the 130 claims that met this audit criteria.

The following audit files were downgraded for overstated allocated reserves:

A-3062	A-3159	A-3163	A-3172	A-3182
--------	--------	--------	--------	--------

The following audit files were downgraded for understated allocated reserves:

A-3065	A-3067	A-3071	A-3077	A-3083	A-3091	A-3093	A-3097	A-3100	A-3101
A-3107	A-3120	A-3146	A-3153	A-3158	A-3160	A-3184	A-3190	A-3199	A-3220

Reserve Detail

No recommended changes 115 claims
 Increase recommended 31 claims
 Decrease recommended 29 claims
 Total estimated reserve variance \$97,856

Resolution of Claim

Resolution Pursued within 10 Days

Files Meeting the Criteria 62 | Files in Compliance 35

Standard 95% → Audit Score 56.45%

Resolution was timely pursued within ten days for 35 of the 62 claims that met this audit criteria.

Resolution was not pursued within 10-days on the following Audit files:

A-3038	A-3039	A-3046	A-3047	A-3054	A-3057	A-3059	A-3064	A-3065	A-3079
A-3089	A-3094	A-3095	A-3118	A-3119	A-3125	A-3127	A-3147	A-3166	A-3167
A-3170	A-3186	A-3195	A-3197	A-3198	A-3199	A-3202			

Settlement Valuation

Files Meeting the Criteria 31 | Files in Compliance 27

Standard 95% → Audit Score 87.10%

Accurate settlement valuations were evident within 27 of the 31 claims that met this audit criteria. On Audit file **A-3085** there is no documentation of settlement work up on this file. On audit file **A-3090** the defense counsel timely writes to the applicant attorney regarding the settlement value but there is no documentation in the file by the adjuster supporting the settlement valuation. On Audit file **A-3094** there is no settlement valuation evident in the file. On Audit file **A-3186** there is no SAR to support the settlement value.

Medicare’s Interests Protected

Files Meeting the Criteria 0 | Files in Compliance 0

Standard 95% → Audit Score N/A

There were no applicable claims for this category.

Settlement Authority

EIA Settlement Authority Requested

Files Meeting the Criteria 0 | Files in Compliance 0

Standard 95% → Audit Score N/A

There were no applicable claims for this category.

Member Settlement Authority Requested

Files Meeting the Criteria 29 | Files in Compliance 26

Standard 95% → Audit Score 89.66%

Member settlement authority was evident within 26 of the 29 claims that met this audit criteria. On Audit file **A-3090** a settlement offer was made prior to requesting authority from the Member, which still has not been requested. On Audit file **A-3094** the Member settlement authority request is not evident within the file. On Audit file **A-3186** Stipulations were sent to the employee but there was no documentation that authority was requested from the Member.

Proof of Member/EIA Authority**Files Meeting the Criteria 26 | Files in Compliance 25****Standard 95% → Audit Score 96.15%**

Proof of Member/EIA settlement authority was evident within 25 of the 26 claims that met this audit criteria. On Audit file A-3094 did not meet this standard.

Litigated Claims**Initiate Investigation Material to Potential Litigation****Files Meeting the Criteria 5 | Files in Compliance 2****Standard 95% → Audit Score 40%**

Investigation was timely initiated for 2 of the 5 claims that met this audit criteria. On Audit file A-3124 the employee resigned from the Member on 12/04/13. The POA indicates the employee has not sought treatment via this claim since 10/01/15 and yet he is proceeding to a PQME on 02/08/17. There is also an indication the employee is an MMA fighter. Therefore, investigation regarding current medical treatment, activity level and work status prior to the PQME evaluation is recommended but not evidenced. On Audit file A-3138 there is no indication of employer, employee or physician contact to determine the reason why the employee has the need to activate treatment after 1.5 years. Of note, this PTP also treated the employee for DOI 11/13/14 which included cervical allegations, so it appears the current treatment may be due to that incident. On Audit file A-3193 there was a meeting with the Member on 06/21/16 where doing surveillance was discussed. The supervisor instructed the adjuster to order the investigation but no action was taken on this instruction.

Defense Attorney on Panel with Proper Initial & Ongoing Management**Files Meeting the Criteria 47 | Files in Compliance 34****Standard 95% → Audit Score 72.34%**

Approved defense counsel assigned to each file with proper initial and ongoing litigation management was evident within 34 of the 47 claims that met this audit criteria. On Audit file A-3039 there has been no follow up by the adjuster with the DA for almost three months. On Audit file A-3086 DA was provided with settlement authority on 12/03/15 however legal follow up falls off until the adjuster follows up on 04/28/16. There is no DA report or documentation indicating why the AME appointment was rescheduled. On Audit file A-3087 there is no indication of communication to or from DA after settlement authority was provided up until C&R approval. On Audit file A-3090 there has been no follow up communication with defense counsel since June regarding claim resolution. The claim is sitting stagnant. On Audit file A-3097 the PQME supplemental report was received on 08/01/16. The Examiner did request DA recommendations on 08/20/16 however there is no indication of DA response or reporting and the file is lacking a legal strategy to move claim to resolution. On Audit file A-3124 the 03/09/16 PQME evaluation was cancelled by the PQME per the notes. It is unclear when or why the PQME cancelled this evaluation as the notes/documents are silent to this. The appointment was not rescheduled by the AA until 09/26/16 which is not timely. On Audit file A-3157 there is no indication of a legal plan to move this claim to resolution. Recent reports/notes showing interaction with DA only pertaining to the employee's alternate claim for orthopedic allegations. The current POA indicates the adjuster will staff with DA to determine if a final AME evaluation is needed due to age of the prior AME or if a settlement can be completed based upon the current record. However, there is no documentation of this within the file. On Audit file A-3185 there was a gap in legal management from December through the end of May and again from June to late August. On Audit file A-3189 & A-3190 there was a gap in legal follow up from 04/19/16 to 07/18/16. Further, it took seven months from the date the authority was extended for the adjuster to recommend a DOR be filed to push for resolution.

On Audit files A-3197 and A-3198 there is no follow up documentation with DA on these claims relative to moving the claim to conclusion. On Audit file A-3207 there has been no documented follow up with DA on possible settlement of FM since an initial 09/08/16 e-mail.

**Settlement Proposals Direct to Member in Concise and Clear Written Form with Reasoned Recommendation
Files Meeting the Criteria 6 | Files in Compliance 6**

Standard 95% → Audit Score 100%

Defense counsel's settlement proposals were validated and timely communicated to the member for all claims that met this audit criteria.

Member Involved in Deposition, Examinations and Trial

Files Meeting the Criteria 5 | Files in Compliance 5

Standard 95% → Audit Score 100%

The Member was involved in legal activities for all claims that met this audit criteria.

Comply with Reporting Requirements of Member

Files Meeting the Criteria 3 | Files in Compliance 3

Standard 95% → Audit Score 100%

There was compliance with the Member reporting criteria for all claims that met this audit criteria.

Subrogation

Identify & Notice 3rd Party in 14 days

Files Meeting the Criteria 2 | Files in Compliance 0

Standard 95% → Audit Score 0%

The potential 3rd party was timely noticed within 14 days for 0 of the 2 claims that met this audit criteria. On Audit file A-3060 the police report was provided on 07/13/16. The file does not reflect adjuster contact with the third party to provide notice of the lien and request for recovery. Action plans of 08/20/16 and 10/04/16 indicate that the adjuster will be contacting the third party but this task has not been completed. On Audit file A-3070 the employee sustained multiple injuries in a motor vehicle accident. The adjuster properly identified the need to investigate subrogation potential, however this investigation was not initiated timely. The claim was established on 02/03/16, however the police report was not requested until 05/13/16. Ultimately, the police report revealed that the employee was the at-fault party so there was no potential for subrogation. However, the delay in completing the initial subrogation investigation prevented timely closure of the file.

Periodic Contact with 3rd Party Evidenced

Files Meeting the Criteria 1 | Files in Compliance 1

Standard 95% → Audit Score 100%

Periodic contact with the 3rd party was evident within the claim file that met this audit criteria.

Complaint or Lien Filed Timely

Files Meeting the Criteria 0 | Files in Compliance 0

Standard 95% → Audit Score N/A

There were no applicable claims for this category.

Member Involved in Complaint

Files Meeting the Criteria 0 | Files in Compliance 0

Standard 95% → Audit Score N/A

There were no applicable claims for this category.

Subrogation Pursued for Maximum Recovery**Files Meeting the Criteria 1 | Files in Compliance 1****Standard 95% → Audit Score 100%***Subrogation was pursued for maximum recovery for the claim that met this audit criteria.***Member/EIA Approval to Waive or Settle 3rd Party Case****Files Meeting the Criteria 1 | Files in Compliance 1****Standard 95% → Audit Score 100%***The member and/or EIA was involved in waiving or settling the 3rd party case for the claim that met this audit criteria.***Excess Coverage****Report within 5 Days of Knowledge That Reporting Criteria Met****Files Meeting the Criteria 0 | Files in Compliance 0****Standard 95% → Audit Score N/A***There were no applicable claims for this category.***Subsequent Reports Meet 90/180 Day Standard****Files Meeting the Criteria 2 | Files in Compliance 1****Standard 95% → Audit Score 50%***Subsequent reports were timely for 1 of the 2 claims that met this audit criteria. On Audit file A-3160 a subsequent excess report was due by 03/07/16 but it was not sent until 05/27/16.***Reimbursement Requests Meet 90/180 Standard****Files Meeting the Criteria 0 | Files in Compliance 0****Standard 95% → Audit Score N/A***There were no applicable claims for this category.***Closing Report Sent****Files Meeting the Criteria 0 | Files in Compliance 0****Standard 95% → Audit Score N/A***There were no applicable claims for this category.*

Claims Handling Administration

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Claims Handling Administrative							
Caseload							
Supervisor Caseload	1	1	100.00%	100%	YES		100.00%
Adjuster Caseload	1	1	100.00%	100%	YES		100.00%
Sub-Total of Category	2	2	100.00%				
Case Review & Documentation							
Examiner Plan of Action Updates	174	114	65.52%	95%	NO		65.52%
Supervisor Reviews	175	121	69.14%	95%	NO		69.14%
File Contents	122	122	100.00%	95%	YES		100.00%
Medical Only Conversion	9	8	88.89%	95%	NO		88.89%
Sub-Total of Category	480	365	76.04%				
Communication							
Return Phone Calls	14	14	100.00%	95%	YES		100.00%
Respond To Written Inquiries	36	26	72.22%	95%	NO		72.22%
Date Stamp Mail	163	156	95.71%	95%	YES		95.71%
Ongoing Employee Contact	8	1	12.50%	95%	NO		12.50%
Sub-Total of Category	221	197	89.14%				
Fiscal Handling							
Payments On Correct Claims	80	57	71.25%	95%	NO		71.25%
File Balancing	43	39	90.70%	95%	NO		90.70%
Sub-Total of Category	123	96	78.05%				
Medicare Reporting							
Medicare Reporting	165	4	2.42%	100%	NO		2.42%
Sub-Total of Category	165	4	2.42%				
Claims Handling Administrative Score	991	664	67.00%				

Adjuster Workloads

Adjusters / Supervisor	City of Oakland			Other Accounts			Total	Weighted Value
	Indemnity	Med Only	Future Med	Indemnity	Med Only	Future Med		
Jutta Paiz	98	4	17				119	109
Kerri Otero	114	27	4				145	130
Tess Vical	110	9	19				138	124
Henry Mobley	116	10	12				138	127
Jerry Hom	95	15	15				125	110
Victor Munroe	100	35	10				145	123
Daniel Christensen	9	0	209				218	114
Faye Lockett	4	0	203				207	106
Total	646	100	489	0	0	0	1235	941

Claim Creation

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Claim Creation							
Three Point Contact	32	18	56.25%	95%	NO		56.25%
Sub-Total of Category	32	18	56.25%				
Compensability							
Initial Decision	36	35	97.22%	100%	NO		97.22%
Delay Letter	3	3	100.00%	100%	YES		100.00%
Final Decision	20	19	95.00%	100%	NO		95.00%
Sub-Total of Category	59	57	96.61%				
AOE/COE Investigation	4	4	100.00%	95%	YES		100.00%
Sub-Total of Category	4	4	100.00%				
Initial Reserves							
Initial Reserves for Probable Value	37	37	100.00%	95%	YES		100.00%
Initial Reserves Timely	36	31	86.11%	95%	NO		86.11%
Sub-Total of Category	73	68	93.15%				
Indexing	81	77	95.06%	95%	YES		95.06%
Sub-Total of Category	81	77	95.06%				
Claim Creation Score	249	224	89.96%				

Claim Handling Technical

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Claims Handling Technical							
Payments							
Initial TD/PD Payment	27	22	81.48%	100%	NO		81.48%
DWC Notice	35	29	82.86%	100%	NO		82.86%
Subsequent TD/PD Payments	38	31	81.58%	100%	NO		81.58%
Timely Final Payment & Notice	43	27	62.79%	100%	NO		62.79%
Overpayments	7	4	57.14%	95%	NO		57.14%
Undisputed Awards Paid Timely	13	12	92.31%	95%	NO		92.31%
Copy of Award to Excess	0	0	N/A	95%	N/A		N/A
Medical Bills Paid Timely	130	127	97.69%	100%	NO		97.69%
Objection Letters	3	3	100.00%	100%	YES		100.00%
Employee Reimbursements Timely	24	22	91.67%	95%	NO		91.67%
Advance Travel Timely	23	12	52.17%	95%	NO		52.17%
Self Imposed Penalties Paid	2	1	50.00%	100%	NO		50.00%
Penalties Coded Correctly	0	0	N/A	95%	N/A		N/A
Penalty Reimbursement	0	0	N/A	95%	N/A		N/A
Sub-Total of Category	345	290	84.06%				
Medical Treatment							
Proper Use of UR	62	60	96.77%	100%	NO		96.77%
UR Dispute Resolved Via IMR	18	18	100.00%	100%	YES		100.00%
NCM Used Appropriately	7	4	57.14%	95%	NO		57.14%
Sub-Total of Category	87	82	94.25%				
Apportionment							
Apportionment Ruled In/Out	14	10	71.43%	95%	NO		71.43%
Apportionment Pursued Appropriately	12	12	100.00%	95%	YES		100.00%
Sub-Total of Category	26	22	84.62%				

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
Disability Management							
Proactive RTW	15	13	86.67%	95%	NO		86.67%
Member Noticed of Permanent Work Restrictions	6	6	100.00%	95%	YES		100.00%
20 Day Member Follow Up on Permanent Restrictions	3	0	0.00%	95%	NO		0.00%
Sub-Total of Category	24	19	79.17%				
SDB							
SJDB Provided Timely	3	3	100.00%	100%	YES		100.00%
SJDB Concluded Appropriately	0	0	N/A	95%	N/A		N/A
Sub-Total of Category	3	3	100.00%				
Reserves							
Reserves Adjusted Timely	104	53	50.96%	100%	NO		50.96%
TD & 4850 Reserves Separate	16	16	100.00%	100%	YES		100.00%
PD Exposure Includes Life Pension	0	0	N/A	95%	N/A		N/A
FM Reserves Consistent with OSIP Standards	47	19	40.43%	100%	NO		40.43%
Allocated Reserve Includes BR/UR/IMR	130	105	80.77%	100%	NO		80.77%
Sub-Total of Category	297	193	64.98%				
Resolution of Claim							
Resolution Pursued Timely	62	35	56.45%	95%	NO		56.45%
Settlement Valuation	31	27	87.10%	95%	NO		87.10%
Medicare's Interests Protected	0	0	N/A	95%	N/A		N/A
Sub-Total of Category	93	62	66.67%				
Settlement Authority							
EIA Settlement Authority Requested	0	0	N/A	95%	N/A		N/A
Member Settlement Authority Requested	29	26	89.66%	95%	NO		89.66%
Proof of Member/EIA Authority	26	25	96.15%	95%	YES		96.15%
Sub-Total of Category	55	51	92.73%				
Claims Handling Technical Score	930	722	77.63%				

Litigated Cases

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
<i>Litigated Cases</i>							
Initiate Investigation Material to Potential Litigation	5	2	40.00%	95%	NO		40.00%
Proper Litigation Management & Defense Attorney on Panel	47	34	72.34%	95%	NO		72.34%
Settlement Proposals Direct to Member in Concise & Clear	6	6	100.00%	95%	YES		100.00%
Member Involved in Legal Activities where Appropriate	5	5	100.00%	95%	YES		100.00%
Comply with Member Reporting Requirements	3	3	100.00%	95%	YES		100.00%
Litigated Cases Score	66	50	75.76%				

Subrogation

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
<i>Subrogation</i>							
Identify & Notice 3rd Party Timely	2	0	0.00%	95%	NO		0.00%
Periodic Contact With 3rd Party	1	1	100.00%	95%	YES		100.00%
Complaint or Lien Filed Timely	0	0	N/A	95%	N/A		N/A
Member Involved in Complaint vs. Lien	0	0	N/A	95%	N/A		N/A
Subro Pursued for Maximum Recovery	1	1	100.00%	95%	YES		100.00%
Member/EIA Approval to Accept Waive or Settle 3rd Party Case	1	1	100.00%	95%	YES		100.00%
Subrogation Score	5	3	60.00%				

Excess

Category	Points Available	Points	Score	Standard	Standard Met	Prior Score	Variance
<i>Excess</i>							
Timely Initial Excess Reporting	0	0	N/A	95%	N/A		N/A
Timely Subsequent Excess Reporting	2	1	50.00%	95%	NO		50.00%
Timely Excess Reimbursement Requests	0	0	N/A	95%	N/A		N/A
Closing Excess Report Sent	0	0	N/A	95%	N/A		N/A
Excess Score	2	1	50.00%				

Overall Scores by Member**City of Oakland**

Category	Points		Score	Prior Score	Variance
	Available	Points			
Claims Handling Administration	914	618	67.61%	80.06%	-12.45%
Claim Creation	238	214	89.92%	83.83%	6.09%
Claims Handling Technical	863	669	77.52%	84.43%	-6.91%
Litigated Cases	62	47	75.81%	87.84%	-12.03%
Subrogation	5	3	60.00%	75.00%	-15.00%
Excess	2	1	50.00%	60.00%	-10.00%
Overall Score	2084	1552	74.47%	82.32%	-7.85%
Category	Points		Score	Prior Score	Variance
	Available	Points			
Caseload	2	2	100.00%	100.00%	0.00%
Case Review Documentation	447	343	76.73%	71.18%	5.55%
Communication	202	181	89.60%	97.65%	-8.05%
Fiscal Handling	112	88	78.57%	85.25%	-6.68%
Medicare Reporting	151	4	2.65%	100.00%	-97.35%
Three Point Contact	30	16	53.33%	50.00%	3.33%
Compensability	57	55	96.49%	95.83%	0.66%
AOE/COE Investigations	4	4	100.00%	66.67%	33.33%
Initial Reserves	69	64	92.75%	94.74%	-1.99%
Indexing	78	75	96.15%	78.57%	17.58%
Payments	319	269	84.33%	90.28%	-5.95%
Medical Treatment	78	76	97.44%	93.22%	4.22%
Apportionment	26	22	84.62%	95.45%	-10.83%
Disability Management	21	17	80.95%	100.00%	-19.05%
SJDB	3	3	100.00%	100.00%	0.00%
Reserves	270	170	62.96%	79.41%	-16.45%
Resolution of Claim	92	62	67.39%	59.62%	7.77%
Settlement Authority	54	50	92.59%	96.77%	-4.18%
Litigated Cases	62	47	75.81%	87.84%	-12.03%
Subrogation	5	3	60.00%	75.00%	-15.00%
Excess	2	1	50.00%	60.00%	-10.00%
Overall Score	2084	1552	74.47%	82.32%	-7.85%

SECONDARY SCORE (NO MEDICARE REPORTING)**City of Oakland**

Category	Points Available	Points	Score	Prior Score	Variance
Claims Handling Administration	763	614	80.47%	80.06%	0.41%
Claim Creation	238	214	89.92%	83.83%	6.09%
Claims Handling Technical	863	669	77.52%	84.43%	-6.91%
Litigated Cases	62	47	75.81%	87.84%	-12.03%
Subrogation	5	3	60.00%	75.00%	-15.00%
Excess	2	1	50.00%	60.00%	-10.00%
Overall Score	1933	1548	80.08%	82.32%	-2.24%

Category	Points Available	Points	Score	Prior Score	Variance
Caseload	2	2	100.00%	100.00%	0.00%
Case Review Documentation	447	343	76.73%	71.18%	5.55%
Communication	202	181	89.60%	97.65%	-8.05%
Fiscal Handling	112	88	78.57%	85.25%	-6.68%
Medicare Reporting	0	0	N/A	100.00%	N/A
Three Point Contact	30	16	53.33%	50.00%	3.33%
Compensability	57	55	96.49%	95.83%	0.66%
AOE/COE Investigations	4	4	100.00%	66.67%	33.33%
Initial Reserves	69	64	92.75%	94.74%	-1.99%
Indexing	78	75	96.15%	78.57%	17.58%
Payments	319	269	84.33%	90.28%	-5.95%
Medical Treatment	78	76	97.44%	93.22%	4.22%
Apportionment	26	22	84.62%	95.45%	-10.83%
Disability Management	21	17	80.95%	100.00%	-19.05%
SJDB	3	3	100.00%	100.00%	0.00%
Reserves	270	170	62.96%	79.41%	-16.45%
Resolution of Claim	92	62	67.39%	59.62%	7.77%
Settlement Authority	54	50	92.59%	96.77%	-4.18%
Litigated Cases	62	47	75.81%	87.84%	-12.03%
Subrogation	5	3	60.00%	75.00%	-15.00%
Excess	2	1	50.00%	60.00%	-10.00%
Overall Score	1933	1548	80.08%	82.32%	-2.24%

AUDIT TEAM**Angela Mudge****Owner, President & CEO**

Over 25 years of workers' compensation claims experience. IEA Certificate, Self-Insured Certificate & WCCP Designation. Prior positions held - adjuster, supervisor, claims manager and vice president.

Anne Ruiz**Vice President & COO**

Over 20 years of workers' compensation claims experience. Associate in Claims Designation, Self-Insured Certificate & WCCA Designation. Prior positions held - adjuster, supervisor, claims services liaison and central services manager.

Leonard Taylor**Senior Vice President - National Clients**

Over 20 years of workers' compensation claims experience. Associate in Risk Management, International Association of Claims Professionals & VP of Public Relations Toastmaster. Prior positions held - adjuster, executive claims account manager, director of claims quality control, managing director and claims consultant/auditor.

SECONDARY SCORE (NO MEDICARE REPORTING)**Both Programs**

Category	Points Available	Points	Score
Claims Handling Administration	826	660	79.90%
Claim Creation	249	224	89.96%
Claims Handling Technical	930	722	77.63%
Litigated Cases	66	50	75.76%
Subrogation	5	3	60.00%
Excess	2	1	50.00%
Overall Score	2078	1660	79.88%

Category	Points Available	Points	Score
Caseload	2	2	100.00%
Case Review Documentation	480	365	76.04%
Communication	221	197	89.14%
Fiscal Handling	123	96	78.05%
Medicare Reporting	0	0	N/A
Three Point Contact	32	18	56.25%
Compensability	59	57	96.61%
AOE/COE Investigations	4	4	100.00%
Initial Reserves	73	68	93.15%
Indexing	81	77	95.06%
Payments	345	290	84.06%
Medical Treatment	87	82	94.25%
Apportionment	26	22	84.62%
Disability Management	24	19	79.17%
SJDB	3	3	100.00%
Reserves	297	193	64.98%
Resolution of Claim	93	62	66.67%
Settlement Authority	55	51	92.73%
Litigated Cases	66	50	75.76%
Subrogation	5	3	60.00%
Excess	2	1	50.00%
Overall Score	2078	1660	79.88%



Appendix D-1

Response from TPA Regarding Bickmore

Claims Audit

September 2016



October 3, 2016

Deborah Grant
Risk Manager, City of Oakland

RE: RESPONSE to BICKMORE AUDIT REPORT DATED 9/13/16

This letter provides our overview of relevant comments concerning the annual audit of JT2's third party administration program. Since inception of our relationship with the City of Oakland, JT2 has consistently performed to meet the needs of City employees leading to successful resolution of their claims and at the same time resulting in substantial cost savings through efficient and timely administration of the City's workers' compensation claims. We look forward to our continued relationship and to working effectively on behalf of City employees and the City's risk department.

Bickmore Audit Confirms Exceptional Ranking

This most recent Bickmore audit was quite different in both format and content from the previous one. Although Ms. Wood's cover letter stated that the audit findings were pursuant to CSAC-EIA Guidelines revised October 4, 2013, this was not completely accurate. As you know, there were additional audit measures that did not coincide with the Guidelines; i.e., all the numbered categories ending in letters q, s and n. These additional measures are not addressed in the Guidelines; and therefore, they were never previously reviewed with JT2 staff for compliance. Subsequent to contacting CSAC-EIA Management, their response indicated that at some point in the distant past, some auditors were requested to track lettered items; however, this was simply a "pilot" program which was never included in audited end results and never incorporated into the Guidelines. It was basically abandoned after a short life span. Nonetheless, the overall audit results still reflected a very good outcome at an overall 86% rating. As a matter of fact, on page 1 of the audit report, it states "**CSAC-EIA Scoring finds performance at 85% for the criteria currently tracked by the CSAC-EIA Claims Committee.**" JT2 successfully exceeded the expected tracking. Had the audit actually followed CSAC-EIA Guidelines (eliminating the lettered categories), the result would have come in even higher at 89%, which is the actual ranking.

As you are also aware, there were over 200 rebuttals presented back to the auditors, and there were many oversights and inconsistencies noted, some of which were found by CSAC-EIA to be incorrect after JT2 requested that Bickmore contact CSAC-EIA Management; i.e., Fiscal Handling audit area – reserves not to be included, just payments. In addition, file balancing is only to be conducted when indemnity payments are continuing, not when some future event occurs that may or may not reinstate indemnity. When payments terminate, balancing also terminates only to be resumed if and when indemnity is owed again at some future date.

This audit included conducting comparisons with six (6) other Cities – Bakersfield, Fresno, Long Beach, Sacramento, San Diego and San Francisco. The statistics reviewed were all based on the Office of Self-Insurance Plan's Public Entity Annual Reports covering a 10-year time span comparing 2-year intervals of 5 beginning in July 2009 through June 2015. The FIRST compared frequency by number of claims per 100 employees – Oakland ranked #1 with an overall 21% decrease. The SECOND compared severity by average incurred cost per claim – Oakland ranked #1 with an overall 46% decrease. The THIRD compared average medical cost per claim – Oakland ranked #2 with an overall 8% change. The FOURTH compared average incurred cost per \$100 of payroll – Oakland ranked #1 with an overall 51% decrease. The FIFTH compared medical incurred per \$100 of payroll – Oakland ranked #1 with an overall 20% decrease. The results are actually quite remarkable, especially considering that 1 of the Cities that Oakland was compared to had Examiners handling Indemnity caseloads of between 80 to 110. One would think that this City should have ranked #1 every single time. There was also 1 City that had their Examiners handling an exorbitant number of indemnity at over 400; however, all of the other Cities were comparable to Oakland caseloads per Examiner. These excellent results demonstrate how well the Oakland Workers' Compensation Program is being administered by JT2 and overseen by the Risk Manager. Combined efforts have shown extremely positive results.

Communication Category – Auditor states this category needs to improve by contacting injured workers at 45-day intervals. It is understood that communication is important; however, the Guidelines call for contact at 45-day intervals only if the injured worker remains off work and within 3 working days after a scheduled surgical procedure. Measurement should follow the Guidelines.

Medical Reporting Category – This is an automatic feed that is generated within the JT2 IT Department. The only glitch in this category causing the reduced score was that the generated feed did not always post having performed this task into the claim notes.

Indexing Category – The score was 100% at initial set-up; however, the reduced score reflected an opinion that indexing needs to be performed **periodically** while the claim remains open. Periodically is quite a subjective measure. The Guidelines call for "an as-needed basis thereafter." The auditor simply took a period in time and stated that it should have subsequently been done without actually giving a logical basis in many instances – especially in those instances when collectively, approved Awards issued many years ago having been fully paid, 5 years passed knowing the claim could never be opened for "new and further" disability, and therefore only leaving future medical needs open, which cannot ever be apportioned. Previous CSAC-EIA auditors did not downgrade for these kinds of subsequent requirements.

SJDB (Supplemental Job Displacement Benefit) Category – The reduced score was only based on a handful of applicable cases in this area – 10 out of 75, 13% of the total claims audited. With so few cases, the scoring gap from high to low is quickly reached. It has no real bearing on material results, trends, etc.

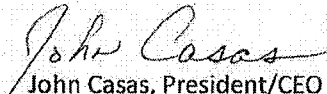
Reserve Category – Although JT2 improved in this area from the previous audit, we wanted to bring your attention to the fact that there was only a total 5% change to decrease reserves. Of the 75 claims audited, the actual JT2 reserves were \$14,596,137. The auditor recommended a decrease of (\$716,370) bringing

down the total to \$13,879,767. Please see the attached spreadsheet. You will note that some changes were so very insignificant ranging from a change of \$6 to \$7,000 in 9 of the 28 requiring a change. This demonstrates how subjective estimating reserves really is. A certain portion is based on objective state criteria and guidelines; however, much of it is based on differences in philosophies coupled with client specifics and demographics of medical usage and treatment protocols. After all, the medical component makes up approximately 65% of the entire work comp payout. Of interest, the most recent prior CSAC-EIA audit conducted by a different auditor recommended a \$2 million increase. Nonetheless, referring to page 2 of this audit, it states **"Our actuaries advise us a variance less than 10% has no impact on actuarial projections."** Therefore, the 5% overall change recommended is immaterial to the functioning/budgeting of the overall Program and will have no positive or negative impact.

JT2 - The City's Partner for Success

As always, we thank you for the continued opportunity to be of service and welcome any questions you may have. We take pride in the successes we were able to achieve through our collaborative efforts. JT2 has served as a longstanding partner of the City of Oakland, and continues to demonstrate its commitment to excellence in administering the worker's compensation program for the City. The program continues to support City employees, to result in efficient administration of claims, and to support the City's and the employees' goals in timely and cost effective administration. As a local Oakland business since 1998, we pride ourselves as a City of Oakland partner. Our company consistently invests over 400 hours annually with Oakland business and community organizations. Within the insurance industry, JT2 consistently earns State-wide recognition as the largest Hispanic owned TPA firm in the nation, and ranking in the top 10% of all TPA claims operations in the state as determined by the California Department of Industrial Relations. We look forward to continuing to work together to serve the City and its employees.

Respectfully,


John Casas, President/CEO

Appendix D-2

Response from TPA

Regarding CSAC-EIA Directed Claims Audit

October 2016



VIA FACSIMILE, EMAIL AND U.S. MAIL

November 16, 2016

Ian Appleyard
Director, Human Resources Management, City of Oakland
150 Frank Ogawa Plaza
Oakland, California 94612

Deborah Grant
Risk Manager, City of Oakland
150 Frank Ogawa Plaza
Oakland, California 94612

RE: Response to CSAC-EIA Audit Report Dated 11/12/16 by ALC Claims Collaborations
Covering Period October/November 2016 by JT2 Integrated Resources

Dear Mr. Appleyard and Ms. Grant:

On or about November 12, 2016, JT2 Integrated Resources ("JT2") received a copy of the above referenced audit performed by auditor ALC Claims Collaborations and specifically by Angela Mudge, Owner, President & CEO. The audit report concerns performance of the JT2 contract obligations for the City of Oakland ("City"). This letter provides our candid comments in response to the audit report, raises concerns regarding material components of the report and makes recommendations for future improvements in the relationship between the City of Oakland and JT2. JT2 believes in the audit process, and we send this letter in the spirit of promoting a more effective program and working relationship.

As noted below, JT2 raises reasonable and good faith concerns regarding the audit and the scoring. The auditor combined the City's report with another city. The report lacks clarity, fails to protect client confidences and inappropriately reviews two very different clients over two different time periods and audit sampling. The auditor's time sampling also overlaps with prior audits, which fails to allow for proper assessment of JT2's performance improvements. JT2's score listed as 74.47%, or as 80.08% (no Medicare reporting category), is incorrect when considering the proper audit period. The true score is 87%.

JT2 also reports its continued concerns regarding the nature, scope and timing of audits. Significant to this report, JT2 has been forced to participate in audits by both CSAC and the City almost every month this year. The audit schedule is onerous, burdensome and seems intended to bias JT2. The scores, however, reflect JT2's continued improvements in performance -- all which benefit the City and its employees. In fact, Bickmore's recent assessments which review a comparison of comparable cities establish that JT2's performance for the City of Oakland is the highest among comparable programs.

As a follow up to this letter, I respectfully request a meeting with you to discuss the audit report and JT2's response. Kindly confirm your availability at your earliest opportunity.

RELEVANT HISTORY OF JT2 AND CITY RELATIONSHIP

JT2 has enjoyed a longstanding relationship with the City of Oakland since 2001. That relationship and JT2's services to the City have saved the City millions of dollars in both claims handling fees as well as reduction of liability exposure in claims. JT2 values good faith feedback on its performance, as well as the opportunity to provide comments and feedback which can further improve on our services and to this important relationship.

JT2 is a proud Hispanic owned firm, and it is the largest Hispanic owned third party administrator in the United States. JT2 boasts that 65% of its employees are diverse, and most of its employees are African American, followed by Asian American and Hispanics. Most are also residents of Oakland or Alameda County. JT2 is also a certified "small business" with the State of California and is locally owned in Oakland, California, with its offices located approximately across the street from the City offices.

RELEVANT AUDIT HISTORY

When JT2 was awarded administration of the City's workers' compensation program in 2001, concern was expressed that reliance on a minority firm that would today be labeled a Small Local Emerging Business (SLEB) introduced non-traditional risk. Thus, it was decided that 10% of JT2's administrative fees would be "held back", but released based on success in meeting annual audited targets. After repetitive successful audits and delivery of solid financial results, the 'hold back' was eliminated in the 2008. However, due to an oversight, and possible bias, the audit component continues annually and can be cited as a burdensome administrative oversight not demanded in standard TPA contracts enjoyed by non-minority vendors.

JT2 has successfully passed all audits since inception, with the sole exception of 2014 and 2015, and it is noted that these two years also coincidentally include the time frames in which we also expressed our concerns about conflict and bias in the oversight and administration of our contract. Significantly, in all years, including those two years, JT2 has always delivered exceptional results to the City as measured by the City's Annual Reports. We once again request an opportunity to discuss these important concerns with you and the City Attorney.

Over the past year, the City at Deb Grant's direction has initiated a course of communications and directives which has resulted in imposing audits essentially throughout the year, as reflected in the chart below. Not only is CSAC conducting its annual audit, but Ms. Grant has directed that the City audit "in

between” those cycles which means that JT2 is required to respond to auditor requests and information almost every month for the current year. Not only has that added time and expense to JT2, but it has also increased work for the City, since the City directs the CSAC audits, and the City separately pays for the additional audits. The schedule is onerous, burdensome and outside the scope of audits for any reasonable client.

CITY OF OAKLAND AUDIT RECAP, 2015 TO PRESENT

REPORT DATE	AUDIT FIRM	AUDIT TIMEFRAME	LENGTH OF AUDIT	# AUDITED FILES	PARTY REQUESTING AUDIT
1. 1/16/15	Bickmore	9/1/13 thru 8/31/14	Completed 10/27/14	150	City of Oakland
2. 8/15	North Bay Assoc.	8/13 thru 8/15	7/27/15 thru 8/15	169	CSAC-EIA
3. 4/15/16	ALC Claims Collaborations	9/15 thru 4/16	3/16 thru 4/16 (ONE month)	138	CSAC-EIA
4. 9/13/16	Bickmore	9/15 thru 6/16	4/16 thru 9/16 (FIVE months)	75	City of Oakland
5. 11/12/16	ALC Claims Collaborations	11/1/15 thru 11/11/16	10/17/16 thru 11/12/16 (ONE month)	161	CSAC-EIA
6. Not Yet Started; anticipated start date November 2016	Bickmore	*Upcoming Audit *Unknown Timeframe *Requested Loss Run Via email 10/20/16	Not Yet Started	*Per E-mail, to Review 150 to Cover 2 nd & 3 rd Quarters	City of Oakland *Wants Done Prior to Year-End Per Deb Grant

Based upon the performance of JT2, and the documented performance ratings of JT2 under the toughest of audit scheduling, JT2 requests that you and the City cease the burdensome practice of conducting the additional audits in between CSAC audits. JT2 is clearly being treated differently from other vendors regarding this onerous and burdensome schedule. We again request the opportunity to discuss these issues with you and the City Attorney.

CITY'S MISSION OVERVIEW

The City of Oakland's core workers' compensation mission is to deliver timely appropriate medical treatment to its injured employees, at a reasonable cost, and with the program managed in accordance with sound fiscal standards that control exposure from estimated future liabilities. The City and JT2 staffs track effectiveness through daily claims discussions, monthly and quarterly file reviews, and stewardship reports to confirm appropriate claim management while also surfacing training leads and strategic adjustments that contribute to stronger performance.

**BICKMORE CONFIRMS JT2 RANKS HIGHEST AMONGST OTHER
COMPARABLE PROGRAMS**

Bickmore recently reported on a comparison of the City's workers' compensation program in comparison to six (6) other cities. The report confirms JT2 is performing higher than other comparable cities over a ten-year period.

"This audit included conducting comparisons with six (6) other Cities – Bakersfield, Fresno, Long Beach, Sacramento, San Diego and San Francisco. The statistics reviewed were all based on the Office of Self-Insurance Plan's Public Entity Annual Reports covering a 10-year time span comparing 2-year intervals of 5 beginning in July 2009 through June 2015. The FIRST compared frequency by number of claims per 100 employees – Oakland ranked #1 with an overall 21% decrease. The SECOND compared severity by average incurred cost per claim – Oakland ranked #1 with an overall 46% decrease. The THIRD compared average medical cost per claim – Oakland ranked #2 with an overall 8% change. The FOURTH compared average incurred cost per \$100 of payroll – Oakland ranked #1 with an overall 51% decrease. The FIFTH compared medical incurred per \$100 of payroll – Oakland ranked #1 with an overall 20% decrease."

These excellent results demonstrate how well the Oakland Workers' Compensation Program is being administered by JT2 and overseen by the Risk Manager. Combined efforts have shown extremely positive results.

**AUDITORS INAPPROPRIATELY COMBINED RESULTS OF TWO SEPARATE,
UNRELATED CLIENTS IN ONE REPORT**

Auditor Mudge's audit report combines reporting on two, independent and separate entities, the City of Oakland and one other city. That other city is materially different in all respects than the City of Oakland considering size, geography, and personnel. There exists no reasonable explanation as to why the auditor would report on two separate entities within the same report. No one sought consent from either the clients or JT2 regarding the creation of a combined report. No explanation exists except for possible ease for the auditor. Unfortunately, that comes with the risk of disclosing confidential client information, as well as the failure to present a more complete assessment for each separate client. JT2 objects to the form of the report in its entirety.

Each City is entitled to be reported separately. Each City is entitled to maintain its reporting as confidential, subject to disclosure to its own public entity. Each should have been reported separately as one City has no business knowing what the other City's results are unless the two Cities decide to share. Again, reporting this way only serves the interests of the auditing firm in that it requires less work to issue one report rather than two separate reports. It also leaves much open for speculation as each City is unaware of any specific facts or circumstances which may impact the operation of each city's program. The reporting is thus wholly inappropriate and again a separate report should be required for each separate city.

Although all categories scored throughout the report were combined, Ms. Grant did correctly ask for a revised report to separate out the two totals found at the end of the report. The body, unfortunately,

still combines the two cities, and hence, the report should be amended and the report should only contain City of Oakland data and reporting information.

Lastly, we note that auditor Mudge had a scheduled vacation which appears to have impacted her availability to finalize the report or to separate out the two reports. Auditor Mudge failed to give JT2 proper opportunity to review and rebut errors found in scoring, and consequently, JT2 strongly believes its final scoring would have been higher. The auditor simply failed to give JT2 reasonable consideration, which led to unreasonable timelines. In addition, it should be noted that auditor Mudge was retained to audit 175 files, and only 14 of those were dedicated to the other city. In addition, as noted below, the two cities were audited on two different time periods, and as to the City of Oakland, her audit overlapped prior periods which had already been the subject of past audits. The intent to audit should be to allow measurement of performance and to assess progression moving forward. In fact, auditor Mudge's report improperly reports on JT2's actual performance which must be considered in any analysis of JT2's performance.

AUDITORS USED TWO DIFFERENT TIME PERIODS FOR EACH CITY

The past two audits covered six-month timeframes with each one moving forward in time. This one, for some unknown reason, went back to November 1, 2015 to date, while the other city's audit remained at the appropriate six-month timeframe commencing on April 1, 2016.

THE AUDIT PERIODS ESTABLISH JT2'S CONSISTENT PROGRESSION

The auditor's inclusion of previously audited periods misrepresents JT2's actual performance, and fails to allow the City to measure JT2's performance as against other previously audited time periods. We believe that these incremental audit periods should focus on progression, and the only way this can happen is to show results moving forward. If, for example, there is a previous period where the goal is to correct deficiencies, those deficiencies will never be accurately measured as having been improved on or not if that previous period continues to be included.

In addition, the intentional inclusion of past audit periods also intentionally dilutes JT2's performance rating, and again, fails to allow the City to understand that JT2's performance continues to increase on behalf of the City. No explanation was given to confirm why the audit period was extended to include past audit periods, and the only reasonable assumption is to downgrade JT2's performance rating.

To illustrate the concern, we decided to take each audited claim, all 161, and re-evaluate each one as having been audited from the proper commencement date of 4/1/16. The results clearly reflect that JT2's performance continues to excel on behalf of the City. Hence, JT2 urges you and the City to reflect on the audit period and on the true score reflected in this chart.

CATEGORY	SCORE	PRIOR SCORE	VARIANCE FROM PRIOR AUDIT
Case Rev/Documentation	93%	71%	22%
Communication	93%	98%	-5%
Fiscal Handling	79%	85%	-6%
3-Point Contact	62%	50%	12%
Compensability	95%	96%	-1%
AOE/COE Investigations	100%	67%	33%
Initial Reserves	96%	95%	1%
Indexing	96%	79%	17%
Payments	89%	90%	-1%
Medical Treatment	98%	93%	5%
Apportionment	88%	95%	-7%
Disability Management	77%	100%	-23%
SJDB	100%	100%	0%
Reserves	66%	79%	-13%
Resolution of Claim	68%	60%	8%
Settlement Authority	95%	97%	-2%
Litigated Cases	76%	88%	-12%
Subrogation	60%	75%	-15%
Excess	100%	60%	40%
OVERALL SCORE	87%	82%	5%

In the above scenario, there were 2,041 available points with 1,771 points received for a total score of 86.77%. This obviously is a dramatic improvement from the 80.08% score the audit report showed, having gone back to the 11/1/15 timeframe. The above results continue to show advanced program improvement moving forward. It is not understood why the timeframes, having been consistent up until now, were changed.

As you can see, this misrepresented the audit result scores as having decreased, when they actually increased. The previous audit by Bickmore & Associates resulted in an 86% overall score which used a six-month timeframe along with the one prior to that by ALC Claims Collaborations. When it was originally decided to conduct back-to-back audits in early 2015 rather than the usual two-year cycle that CSAC-EIA normally follows, ALC Claims Collaborations started these series of audits with Bickmore & Associates next and vice-versa until completion.

Again, we urge you to reflect on the true scoring for JT2 based upon the six-month period, which is the consistent time- period used in all recent audits.

THE CITY'S RESERVES ARE APPROPRIATE

Although the score was 66% in the above table and 63% in the audit report, it is important to note that in all 161 audited claims, the total reserves were \$5,593,772 before the audit began. The auditor then recommended an overall \$62,449 reserve increase, bringing the total reserves to \$5,616,709. This is only an increase of 1.1% - an immaterial overall change. This shows that the City's program is solid in terms of accuracy of reserves. The actuarial firms do not even consider any recommended funding changes unless reserves fluctuate more than 10%. This area of the audit is simply based on a point system that downgrades every time there is a recommended change up or down and does not focus on the total variance. The true picture must be measured to demonstrate how this affects overall reserves and program funding adequacy.

JT2'S PERFORMANCE RESULTS IN SIGNIFICANT FINANCIAL SAVINGS TO THE CITY

JT2 is extremely proud of the results achieved during this past 2015/16 fiscal year as is more fully detailed in your Annual Report. We are especially excited about the consistent downward trends that have developed over the years in terms of both frequency of claim population types and reduced overall costs that have demonstrated significant overall program savings.

Disability and medical costs have declined every single year since 2012/13 from a total of \$20.5 million to now at \$15.5 million. This is obviously a significant savings to the city's bottom line – a \$5 million-dollar reduction was achieved, or 24.4%.

The city's average cost per claim this past year was \$29,755 versus \$36,450 the year before. An even more significant comparison is to the latest statistics published by the California Worker's Compensation Institute quoting an average cost per claim at \$71,826. The city-to-city comparison is down by 21%; however, compared to the state, the reduction is 141%.

Overall, JT2 has substantially impacted the city's workers' compensation program in a positive manner shown in a variety of different comparisons:

- Year-to-year reductions within the City itself as evidenced above.
- Year-to-year savings when compared to major cities within the state where Oakland ranked #1 in just about every comparison (refer to Bickmore's audit report dated 9/13/16).
- Year-to-year decreases in both frequency and severity - numbers and costs compared to industry-wide statistics.

These results once again confirm that the partnership between the City of Oakland and JT2 works to benefit the City and its employees.

JT2 RECOMMENDATIONS TO CONTINUE WITH SUCCESS

JT2 has been a longstanding partner with the City of Oakland and has demonstrated its commitment to excellence since the inception of this relationship. Despite initial concerns about partnering with a minority owned firm, thus requiring hold backs and yearly audits as part of the early relationship, JT2 clearly and confidently earned the right to be held to standards expected of any qualified and effective TPA, without extra administrative oversight. This the City decided by its own experience and standards not later than 2008. Thus, as we have asserted in the past, the current audit schedule imposed on JT2

calls into question "why" JT2 is being held to an audit on such rigorous intervals, which we understand to be out of sync with industry standards and a burden not imposed on non-minority vendors. Thus, JT2 recommends that the audit schedule be modified to only perform audits no more frequently than annually. Subsequently, as the record reflects consistent and optimum levels of performance, we recommend that the City follow industry standards by scheduling audits every two years granting JT2 the same courtesy afforded other third party administrators.

As noted above, this report includes reports for two separate cities. JT2 recommends that the audit report be amended to only report on the City of Oakland.

Every audit conducted of JT2's performance has been on progressive, moving forward intervals. Changing the audit period without explanation intentionally downgrades JT2, but also fails to allow the City and JT2 to confirm JT2's continued progression of performance. Here, JT2's true scores demonstrate that material difference. Thus, JT2 recommends that the audit cycle be progressive and not include prior periods previously audited.

After each audit interval, JT2 management reviews results in detail with all staff. Each time, in-depth reviews are conducted to especially focus on those areas requiring improvement and to ensure that optimum measures stay in place to continue to maintain the areas where we excelled. These opportunities have helped us develop a variety of standards which we continue to work on and change depending on our results. We implement a variety of flags, triggers, diaries, etc. to generate reports that can assist all members of our team from file clerks to assistants to examiners and on up to supervisors. Each audit result gives us additional insights as to how we can improve on the City's program administration, and we believe we are doing just that as is reflective in the above scores.

JT2 – A Trusted City Partner

JT2, as a steward of the public trust in this contractual relationship with the City of Oakland, also wishes to work with the City to further enhance our exceptional and good faith working relationship built over the years. JT2 is a proud Hispanic-owned firm, which has stood the test of time and industry standards. Our successful outcomes confirm that our decisions have been appropriate and will prove beneficial to the City and its employees. We invite discussion to enhance both the understanding of our operations as well as to strengthen our ongoing working relationship moving forward.

Thank you for this opportunity to comment on this report. We look forward to a meeting at your earliest opportunity.

Respectfully,


John Casas, President/CEO

Cc: Melinda Guzman, Esq.
Barbara Parker, City Attorney



Appendix E

AON

**Actuarial Review of the Self-Insured Workers'
Compensation Program**

Period ending June 30, 2016



**City of Oakland,
California**

**Actuarial Study of the
Self-Insured Workers Compensation Program
as of June 30, 2016**

September 29, 2016

100 Bayview Circle, Suite 100
Newport Beach, CA 92660
tel: 949.608.6300 • fax: 949.608.6475 • www.aon.com
Aon Risk Solutions | Global Risk Consulting | Actuarial and Analytics



September 29, 2016

City of Oakland
150 Frank H. Ogawa Plaza, Second Floor
Oakland, California 94612

Attn: Ms. Deb Grant
Risk Manager

**Actuarial Study of the
Self-Insured Workers Compensation Program
as of June 30, 2016**

This study has been completed for the City of Oakland, California, for the specific objectives listed in the study. It contains the analysis and conclusions of our work.

Each section and appendix of the study is an integral part of the whole. We recommend a review of the entire study prior to reliance upon this study.

No key personnel have a relationship with the City of Oakland, California, that may impair our objectivity.

Please call if you have any questions. Thank you for the opportunity to be of service.

Respectfully submitted,

Aon Risk Consultants, Inc.

By Mujtaba Dattoo
Mujtaba Dattoo, ACAS, MAAA, FCA
Actuarial Practice Leader

Tracy Fleck
Tracy Fleck, ACAS, MAAA
Consultant and Actuary

Brenda Craigmyle
Brenda Craigmyle
Senior Actuarial Analyst

MD:bc

X:\Clients\Actuarial\OIOakland, City of 904\2016_06_30\Report\Oakland_WC_063016_092916.doc



Table of Contents

I.	Background.....	1
II.	Objectives.....	2
III.	Conclusions	3

Appendices

- A Conditions and Limitations
- B Glossary of Actuarial Terms
- C Exhibits



I. Background

The City of Oakland (the City) was fully self-insured for workers compensation until August 1, 2004. Effective August 2, 2004, the City began purchasing excess insurance.

The history of the City's self-insured retentions for workers compensation is as shown in Table I-1.

Table I-1
Self-Insured Retentions
(Workers Compensation)

Claim Period (1)	Self-Insured Retention (2)
To 8/1/2004	Unlimited
8/2/2004 to 6/30/2008	\$1,000,000
7/1/2008 and subsequent	750,000

Note: Above information provided by the City.

A self-insured retention of \$750,000 is assumed through 2017/18.

We have not reviewed the collectibility of the excess insurance. JT2 administers the workers compensation program.

The fiscal period runs from July 1 through June 30.

Data

Loss data valued as of June 30, 2016 was provided to us by the City. The City also provided payroll for fiscal year 2015/16. Payroll projections are based on a 1% trend.

In conducting this analysis, we relied upon the provided data without audit or independent verification; however, we reviewed it for reasonableness and consistency. Any inaccuracies in quantitative data or qualitative representations could have a significant effect on the results of our review and analysis. Any material discrepancies discovered in the loss or exposure data by the City or any other parties should be reported to us immediately, and if warranted, we will make appropriate amendments to the report.

Consistent with the prior study, we have combined several claims from 2009 into one occurrence that was identified by the City.

II. Objectives

The specific objectives of this study are:

1. **Estimate Outstanding Losses.** Estimate outstanding losses (including allocated loss adjustment expenses [ALAE]) as of June 30, 2016.

The estimated outstanding losses are the cost of unpaid claims. The estimated outstanding losses include case reserves, the development of known claims and incurred but not reported (IBNR) claims. ALAE are the direct expenses for settling specific claims. The amounts are limited to the self-insured retention.

2. **Project Ultimate Losses.** Project ultimate losses (including ALAE) for 2016/17 and 2017/18.

The projected ultimate losses are the accrual value of losses with accident dates during 2016/17 and 2017/18, regardless of report or payment date. The amounts are limited to the self-insured retention.

3. **Project Losses Paid.** Project losses paid during the 2016/17 and 2017/18 years.

The projected losses paid are the claim disbursements during 2016/17 and 2017/18, regardless of accident or report date. The amounts are limited to the self-insured retention.

4. **Compare to Previous Actuarial Study.** Compare to the previous actuarial study valued as of June 30, 2015.

5. **Size of Loss Distribution Analysis.** Analyze the distribution of losses in various layers.

6. **Affirm GASB Statement No. 10.** Provide a statement affirming the conclusions of this report are consistent with Governmental Accounting Standards Board (GASB) Statement No. 10.

III. Conclusions

We have reached the following conclusions:

1. Estimate Outstanding Losses

We estimate outstanding losses as of June 30, 2016 to be as shown in Table III-1A.

Table III-1A
Estimated Outstanding Losses
at Expected (50%) Confidence Level
June 30, 2016

Item (1)	Amount (2)
(A) Estimated outstanding losses	\$99,955,065
(B) Present value of estimated outstanding losses	84,947,346

Note: (A) and (B) are from Exhibit WC-11.

The estimated outstanding losses increased by \$13.2 million from our prior estimate of \$86,725,850 as of June 30, 2015 to \$99,955,065 as of June 30, 2016. The increase consists of:

- +\$24.9 million from the additional year (2015/16) of exposure,
- -\$17.0 million for claim payments made during 2015/16, and
- +\$5.3 million due to an increase in projected ultimate losses for claim periods 2014/15 and prior.

Table III-1B below shows the changes in reported and ultimate losses from the prior actuarial study. As shown in column (3), the reported case reserves increased by \$13.8 million between June 30, 2015 and June 30, 2016. Based on information provided by the claims administrator (JT2), we understand that there has been an increase in both litigated and future medical claims, and that claims audits resulted in an increase in the reported case reserves. We assumed that the case reserve increases reflect strengthening, rather than adverse development.

Table III-1B
Change in Reported and Ultimate Losses
June 30, 2015 to June 30, 2016

Claim Period (1)	Paid (2)	Case Reserves (3)	Reported Incurred (4)	Ultimate (5)
(A) to 14/15 at 6/30/15	\$420.3	\$44.4	\$464.8	\$507.1
(B) to 14/15 at 6/30/16	434.6	50.5	485.1	512.4
(C) Change (B) – (A)	14.2	6.0	20.3	5.3
(D) 2015/16	2.8	7.8	10.6	24.9
(E) Total (C)+(D)	\$17.0	\$13.8	\$30.8	\$30.2



The present value of the estimated outstanding losses is the amount of money, discounted for anticipated investment income, required to meet unpaid claims. It is calculated based on a 2.5% yield on investments, as provided by the City.

The estimated outstanding losses reflect the excess insurance maintained by the City.

GASB Statement No. 10 requires public entities to recognize the impact of all benefits paid for work-related injuries.

The implementation guide for GASB Statement No. 10 specifies that a liability for outstanding unallocated loss adjustment expenses (ULAE) needs to be established for governmental entities. ULAE are primarily composed of future claims administration for open claims. They are typically 5% to 10% of the estimated outstanding losses.

'4850' benefits are a full-salary (12 months) benefit for safety personnel. They are typically about 5% of the estimated outstanding losses.

2. Project Ultimate Losses

We project ultimate losses for 2016/17 and 2017/18 to be as shown in Tables III-2A and III-2B.

**Table III-2A
Projected Ultimate Losses
2016/17**

Item (1)	Projected Payroll (000) (2)	Loss Rate per \$100 of Payroll (3)	Projected Ultimate Losses (4)
(A) Full Value	\$394,477	\$6.49	\$25,610,000
(B) Present Value	394,477	5.76	22,717,000

Note: (A) and (B) are from Exhibit WC-10.



**Table III-2B
Projected Ultimate Losses
2017/18**

Item (1)	Projected Payroll (000) (2)	Loss Rate per \$100 of Payroll (3)	Projected Ultimate Losses (4)
(A) Full Value	\$398,422	\$6.62	\$26,383,000
(B) Present Value	398,422	5.87	23,403,000

Note: (A) and (B) are from Exhibit WC-10.

The present value of the projected ultimate limited losses is the amount of money, discounted for anticipated investment income, required to meet claims. It is calculated based on a 2.5% yield on investments, as provided by the City.

All costs other than losses are additional.

3. Project Losses Paid

We project losses paid during 2016/17 and 2017/18 to be as shown in Table III-3.

**Table III-3
Projected Losses Paid
2016/17 and 2017/18**

Item (1)	2016/17 (2)	2017/18 (3)
(A) Projected losses paid	\$19,330,083	\$20,439,951

Note: (2) is from Exhibit WC-12.
(3) is from Exhibit WC-13.

We note that there are two large open claims with case reserves greater than \$1 million (on an unlimited basis). We have assumed that these claims will be paid out according to the selected payment pattern anticipated in this report. If these claims are paid out in a lump sum, or in any manner different than the selected pattern, the projected loss payments shown in Table III-3 may vary from expected payments.

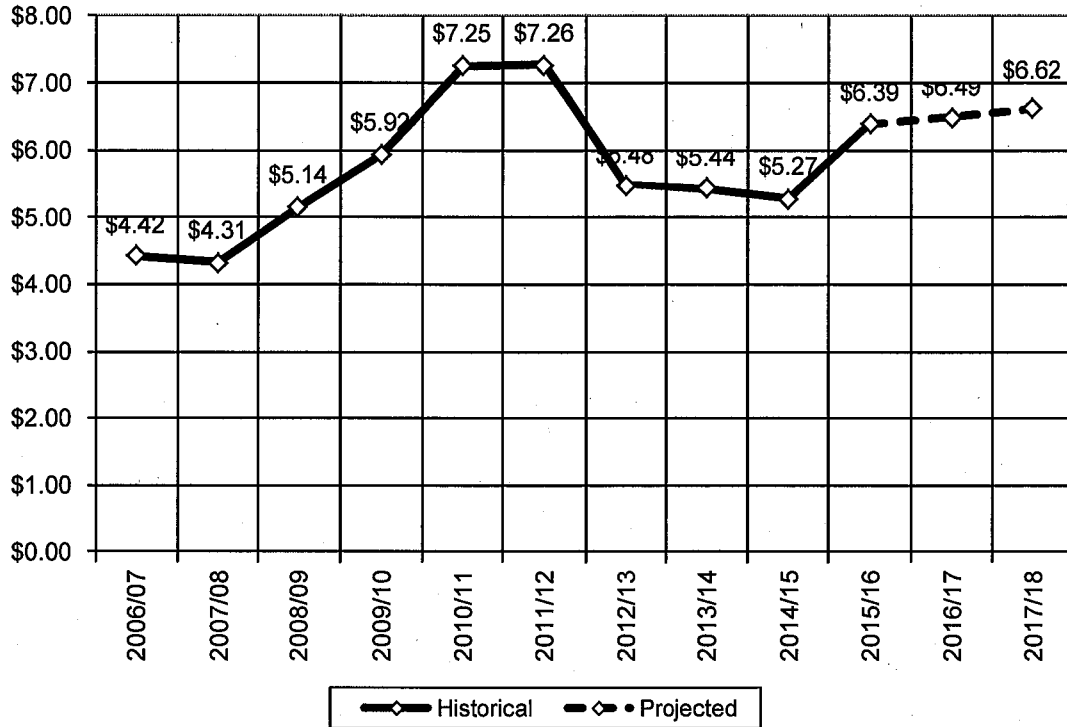
All costs other than losses are additional.



Loss Experience Trends

Graphs III-1 and III-2 show loss experience trends for workers compensation as measured by loss rate per \$100 of payroll and frequency and severity, respectively.

Graph III-1
Loss Rate per \$100 of Payroll
(Workers Compensation)

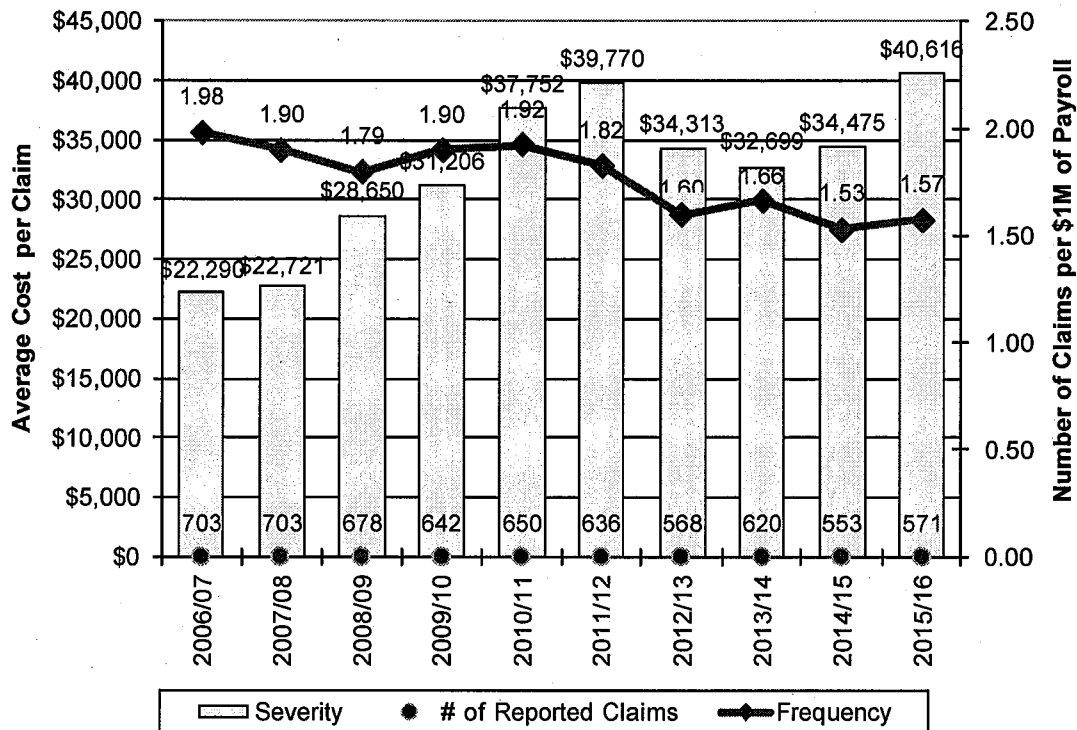


Note: Loss rates per \$100 of payroll are from Exhibit WC-10, columns (4) and (7).

We note that the loss experience of 2010/11 and 2011/12 is greater due to the presence of more claims between \$100,000 to \$250,000. Conversely, the loss experience of 2012/13 through 2014/15 is favorable because there are fewer claims over \$50,000 than there has been historically. A size of loss distribution is provided in Exhibit WC-16.



**Graph III-2
Frequency and Severity
(Workers Compensation)**

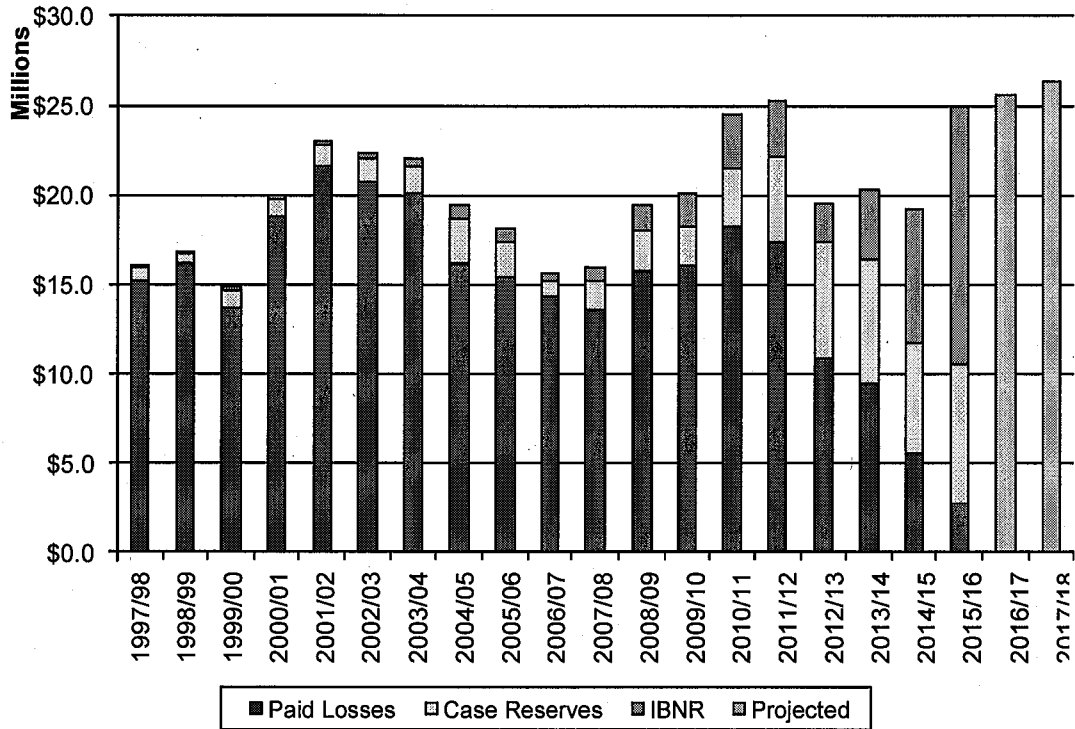


Note: Frequency amounts are from Exhibit WC-8, Section I, column (7).
Severity amounts are based on Exhibits WC-8 and WC-9.



Graph III-3 shows the composition of the projected ultimate limited losses for workers compensation.

Graph III-3
Composition of Projected Ultimate Limited Losses
(Workers Compensation)



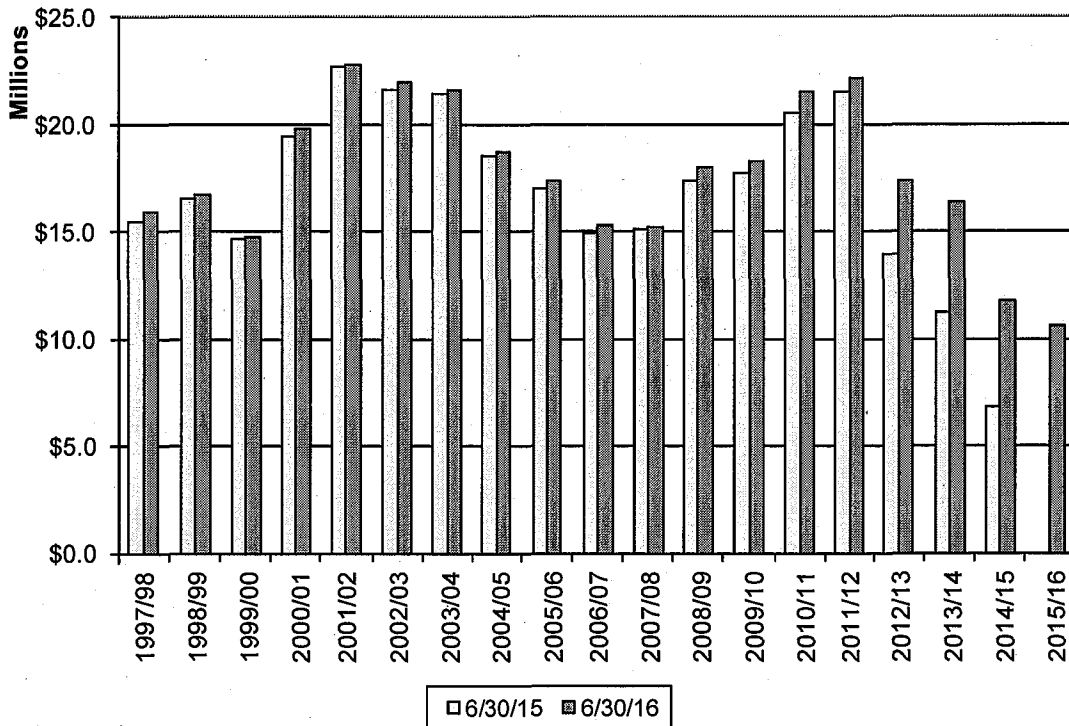
Note: Amounts through 2015/16 are from Exhibit WC-11.
Amounts for 2016/17 and 2017/18 are from Exhibit WC-10.

A list of large claims with limited reported incurred losses \$500,000 or greater as of June 30, 2016 is as shown in Exhibit WC-15.

4. Compare to Previous Actuarial Study

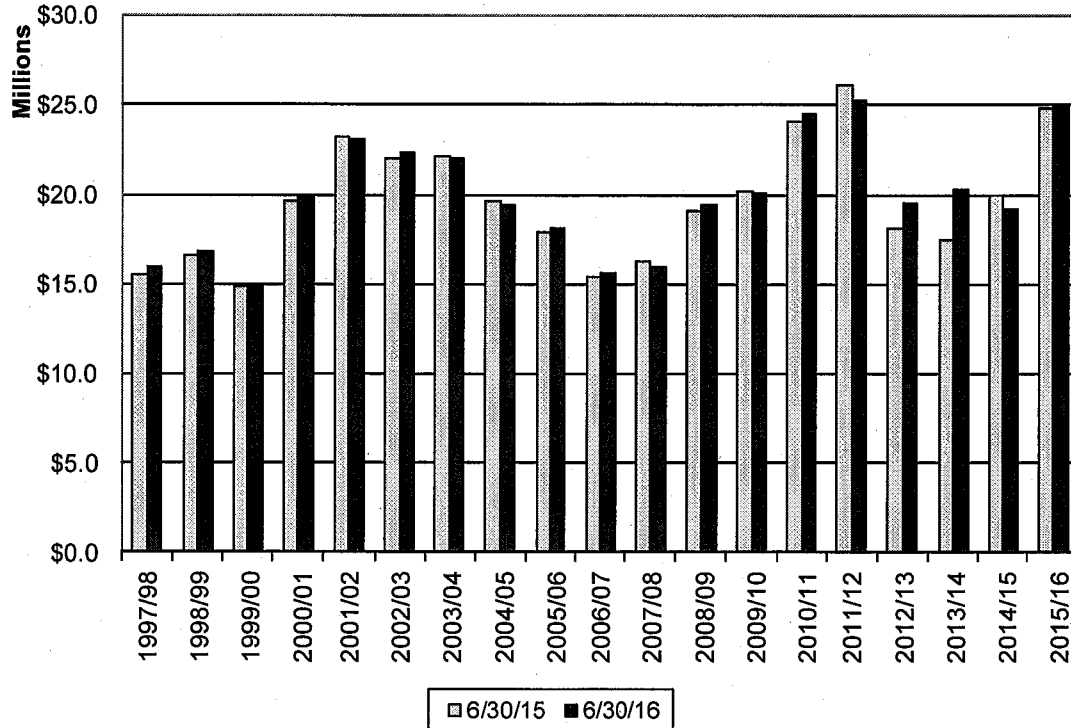
Graphs III-4 and III-5 are graphical comparisons of the reported incurred losses and projected ultimate losses, respectively, by fiscal year of occurrence of the workers compensation program from the previous study (report dated November 2, 2015) to the current study.

**Graph III-4
Comparison of Limited Reported Incurred Losses
as of June 30, 2015 and June 30, 2016**



Note: Amounts as of June 30, 2015 are from the previous actuarial study.
Amounts as of June 30, 2016 are from Exhibit WC-1.

**Graph III-5
Comparison of Projected Ultimate Limited Losses
as of June 30, 2015 and June 30, 2016**



Note: Amounts as of June 30, 2015 are from the previous actuarial study.
Amounts as of June 30, 2016 are from Exhibits WC-9.

For all claims through 2014/15, the change in the projected ultimate limited losses from June 30, 2015 to June 30, 2016 was 1.1%.



We compare the projected ultimate limited losses by year as of June 30, 2015 and June 30, 2016 as shown in Table III-4A.

Table III-4A
Comparison of Projected Ultimate Limited Losses
as of June 30, 2015 and June 30, 2016

Claim Period (1)	Projected Ultimate Limited Losses as of 6/30/15 (2)	Projected Ultimate Limited Losses as of 6/30/16 (3)	Change (3) - (2) (4)	Percentage Change (4) / (2) (5)
to 1996/97	\$158,732,545	\$159,979,000	\$1,246,455	0.8%
1997/98	15,497,000	15,978,000	481,000	3.1%
1998/99	16,650,000	16,799,000	149,000	0.9%
1999/00	14,842,000	14,869,000	27,000	0.2%
2000/01	19,585,000	19,989,000	404,000	2.1%
2001/02	23,259,000	23,058,000	(201,000)	-0.9%
2002/03	22,051,000	22,310,000	259,000	1.2%
2003/04	22,132,000	22,005,000	(127,000)	-0.6%
2004/05	19,643,000	19,400,000	(243,000)	-1.2%
2005/06	17,929,000	18,094,000	165,000	0.9%
2006/07	15,448,000	15,670,000	222,000	1.4%
2007/08	16,237,000	15,973,000	(264,000)	-1.6%
2008/09	19,101,000	19,425,000	324,000	1.7%
2009/10	20,176,000	20,034,000	(142,000)	-0.7%
2010/11	24,051,000	24,539,000	488,000	2.0%
2011/12	26,127,000	25,294,000	(833,000)	-3.2%
2012/13	18,164,000	19,490,000	1,326,000	7.3%
2013/14	17,495,000	20,306,000	2,811,000	16.1%
2014/15	19,996,000	19,237,000	(759,000)	-3.8%
2015/16	24,798,000	24,938,000	140,000	0.6%
Total	\$531,913,545	\$537,387,000	\$5,473,455	1.0%

Note: (2) is from the prior actuarial study.
(3) is from Exhibit WC-9 and Exhibit WC-10..

The City experienced greater than expected loss development for 2012/13 and 2013/14, resulting in an increase in the estimated ultimate losses for these years. There were 12 and 20 claims, respectively, which had an increase in reported incurred loss greater than \$100,000 since the prior study. The estimate for 2014/15 has decreased from the prior projection, due to lower than expected incurred loss development.



Actual loss experience versus expected experience in the prior actuarial study, for both paid and incurred losses, is as shown in Table III-4B.

**Table III-4B
Comparison of Actual and Expected Experience
June 30, 2015 to June 30, 2016**

Claim Period (1)	Paid Losses in the Period			Incurred Losses in the Period		
	Actual (2)	Expected (3)	Difference (2) - (3) (4)	Actual (5)	Expected (6)	Difference (5) - (6) (7)
1997/98	\$156,864	\$51,310	\$105,554	\$454,614	\$30,829	\$423,785
1998/99	48,233	56,890	(8,656)	155,146	40,864	114,282
1999/00	76,466	59,780	16,686	85,150	39,408	45,743
2000/01	82,993	105,837	(22,844)	409,728	69,279	340,450
2001/02	538,859	160,671	378,189	78,623	93,834	(15,212)
2002/03	190,133	207,182	(17,049)	358,390	116,558	241,832
2003/04	282,733	240,609	42,124	169,533	150,263	19,270
2004/05	230,358	281,636	(51,278)	154,286	151,207	3,080
2005/06	277,803	313,449	(35,647)	324,032	170,808	153,223
2006/07	230,403	329,359	(98,956)	347,312	217,495	129,817
2007/08	291,799	403,318	(111,519)	166,360	298,828	(132,469)
2008/09	252,429	608,279	(355,850)	682,503	395,180	287,323
2009/10	384,709	632,638	(247,929)	472,261	477,132	(4,871)
2010/11	1,147,700	958,914	188,786	1,011,701	613,560	398,140
2011/12	934,886	1,402,941	(468,055)	664,150	751,312	(87,161)
2012/13	1,829,661	1,681,642	148,020	3,411,230	976,311	2,434,919
2013/14	2,922,693	2,624,522	298,171	5,147,623	1,701,199	3,446,424
2014/15	3,352,726	5,274,217	(1,921,491)	4,964,525	5,959,830	(995,305)
Total	\$13,231,447	\$15,393,193	(\$2,161,746)	\$19,057,167	\$12,253,898	\$6,803,269

Note: (2) and (5) are actual experience from June 30, 2015 to June 30, 2016.
(3) and (6) are the expected amounts from June 30, 2015 to June 30, 2016.

As part of our analysis, we project ultimate losses by year using paid loss development and incurred loss development (these are defined in the attached Glossary). Table III-4B shows how the paid and incurred claims emerged 12 months later based on loss development factors we selected in the actuarial study valued as of June 30, 2015. This analysis provides a peek into how the claims are actually emerging compared to the expected emergence which is based on historical development patterns.

5. Size of Loss Distribution Analysis

Table III-5A shows the distribution of losses in various layers for workers compensation.

Table III-5A
Size of Loss Distribution
(Workers Compensation)

Layer (1)	Total Reported Claims (2)	Percent of Total (2)/Total(2) (3)	Cumulative Percent of Total (4)	Total Reported Incurred Losses (5)	Percent of Total (5)/Total(5) (6)	Cumulative Percent of Total (7)
(A) \$1 to \$5,000	26,160	77.8%	77.8%	\$22,479,600	4.5%	4.5%
(B) \$5,000 to \$10,000	1,777	5.3%	83.1%	12,499,327	2.5%	6.9%
(C) \$10,000 to \$25,000	1,853	5.5%	88.6%	30,122,406	6.0%	12.9%
(D) \$25,000 to \$50,000	1,297	3.9%	92.5%	46,539,386	9.2%	22.1%
(E) \$50,000 to \$100,000	1,158	3.4%	95.9%	82,712,225	16.4%	38.5%
(F) \$100,000 to \$250,000	1,065	3.2%	99.1%	165,833,605	32.9%	71.4%
(G) \$250,000 to \$500,000	250	0.7%	99.8%	82,625,947	16.4%	87.8%
(H) \$500,000 to \$750,000	41	0.1%	99.9%	24,781,663	4.9%	92.7%
(I) \$750,000 to \$1,000,000	10	0.0%	100.0%	8,453,261	1.7%	94.4%
(J) Over \$1,000,000	14	0.0%	100.0%	28,457,907	5.6%	100.0%
(K) Total (A) ... (J)	33,625	100%		\$504,505,327	100%	

Note: See Exhibit WC-16. Claim counts exclude claims with incurred value of \$0.

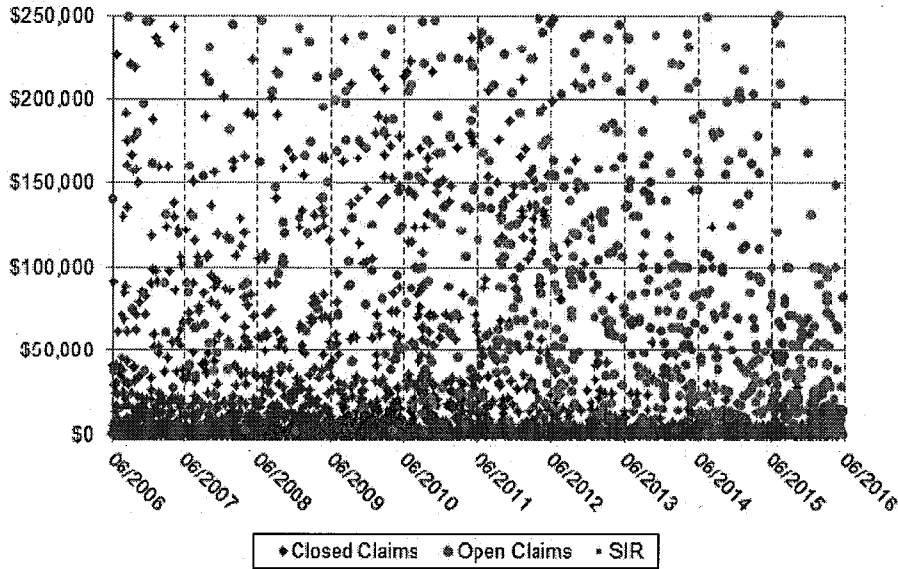
For workers compensation, about 83% of the non-zero claims reported are below \$10,000 and represent about 7% of the incurred amounts. The remaining 17% of the claims consume about 93% of the incurred amounts.

A size of loss distribution by year and loss layer as of June 30, 2016 is as shown in Exhibit WC-16.



The reported workers compensation claim experience underlying our analysis is shown below in Graphs III-6 and III-7, with each point representing one claim. The amounts are gross of excess insurance.

Graph III-6
Distribution of Workers Compensation Losses
Incurred Less Than \$100,000
2006/07 through 2015/16



Graph III-7
Distribution of Workers Compensation Losses
Incurred Greater Than \$100,000
2006/07 through 2015/16

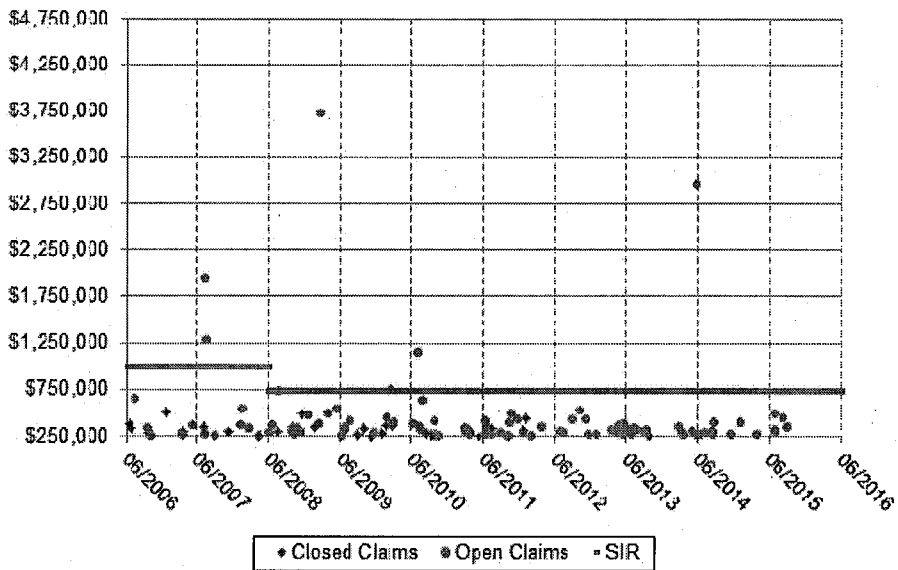




Table III-5B shows the distribution of claim counts and incurred losses (not developed or trended) by type of benefit.

Table III-5B
Loss Distribution by Type of Benefit
(2006/07 through 2015/16)

Year (1)	Claim Counts		Incurred Losses	
	Count (2)	Percentage (3)	Loss (4)	Percentage (5)
(A) Medical Only	2,684	42.4%	\$2,804,226	1.6%
(B) Claims with Indemnity				
(i) Indemnity			104,191,540	59.8%
(ii) Medical			53,756,003	30.8%
(iii) <u>Expense</u>			<u>13,549,787</u>	<u>7.8%</u>
(iv) Subtotal	3,640	57.6%	171,497,329	98.4%
(C) Total (A)+(Biv)	6,324	100%	\$174,301,555	100%

Note: See Exhibit WC-17.

About 42% of the claims reported are Medical Only claims and represent about 2% of the incurred amounts. For the Claims with Indemnity, Indemnity benefits are 59.8%, Medical 30.8%, and expense 7.8% of the total benefit.

6. Affirm GASB Statement No. 10

We affirm the conclusions of this report are consistent with GASB Statement No. 10.

Conditions and Limitations

It is important to understand the conditions and limitations listed below. Each chapter and section is an integral part of the whole study. If there are questions, please contact Aon for clarification.

- **Data Quality** In conducting this analysis, we relied upon the provided data without audit or independent verification; however, we reviewed it for reasonableness and consistency. Any inaccuracies in quantitative data or qualitative representations could have a significant effect on the results of our review and analysis. Any material discrepancies discovered in the loss data by the organization or any other parties should be reported to us immediately, and if warranted, we will make appropriate amendments to the report.
- **Economic Environment.** Unless otherwise stated, we assumed the current economic conditions will continue in the foreseeable future.
- **Insurance Coverage.** Unless otherwise stated, we assumed no insurance coverage changes (including coverage provided by the organization to others) subsequent to the date this study was prepared. This includes coverage language, self-insured retention, limitations and similar issues.
- **Insurance Solvency.** Unless otherwise stated, we assumed all insurance purchased by the organization is from solvent sources payable in accordance with terms of the coverage document.
- **Interest Rate.** The exhibits specify the annual interest rate used.
- **Methodology.** In this study, different actuarial methods were applied. In some instances, the methods yield significantly disparate results. The estimates, projections and recommendations in this study reflect our judgments as to the best method or combination of methods that are most reliable and reflective of the exposure to loss.
- **Reproduction.** Use of this report is limited to the organization for the specific purpose described in the Introduction section. Other uses are prohibited without an executed release with Aon.

Distribution by the organization is unrestricted. The report should only be distributed in its entirety including all supporting exhibits.

- **Risk and Variability.** Insurance is an inherently risky enterprise. Actual losses may vary significantly from our estimates, projections and recommendations. They may emerge higher or lower.

- **Statutory and Judicial Changes.** Legislatures and judiciaries may change statutes that govern indemnification. This includes benefit levels for workers compensation, immunities and limitations for liability, and other similar issues. Unless otherwise stated, we assumed no statutory changes subsequent to the date this study was prepared.
- **Supplemental Data.** In addition to the data provided by the organization, we supplemented our analysis with data from similar organizations and insurance industry statistics, as we deemed appropriate.
- **Usage.** This study has been prepared for the usage of the organization shown on the transmittal page. It was not prepared for and may not be appropriate for use by other organizations. Other organizations should obtain written permission from Aon prior to use of this study.

Glossary of Actuarial Terms

Actuarial Methods (Most Common)

A major objective of an actuarial study is to statistically project ultimate losses. The following actuarial methods are the most common:

- Developed Paid Losses
- Developed Reported Incurred Losses
- Developed Case Reserves
- Frequency Times Severity Analysis
- Loss Rate Analysis

The following describes each method:

1. **Developed Paid Losses.** Paid losses represent the amounts actually paid to claimants (less excess insurance recoveries). As time goes on, loss payments continue until all claims are closed and there are no remaining payments expected. At this time, the ultimate losses for the claim period are known. This common process is called "paid loss development."

Paid loss development is an extrapolation of actual dollars paid. It does not depend on case reserve estimates. A potential shortcoming of utilizing this method is that only a small fraction of total payments have been made for the most recent claim periods. Extrapolating ultimate losses based on small amounts of actual payments may be speculative. A second potential shortcoming is that payment patterns can change over time.

2. **Developed Reported Incurred Losses.** Reported incurred losses are paid losses plus case reserves. In most programs, total reported incurred losses underestimate the ultimate losses. Over time, as more information about a body of claims becomes known, they are adjusted either up or down until they are closed. Though many individual claims settle for less than what was estimated, these decreases are generally more than offset by increases in the cost of other claims for which new information has emerged.

The net effect is that total estimated costs are often revised upward over time. This normal process is called "reported incurred loss development." Actuaries typically review the development patterns of the recent past to make projections of the expected future loss development and, therefore, estimations of ultimate losses.

3. **Developed Case Reserves.** A case reserve is an estimate of the unpaid amount established by claims adjusters for which a particular claim will ultimately be settled or adjudicated. The developed case reserves method is a hybrid of the paid loss development and reported incurred loss development methods. It relies on the historical adequacy of case reserves to predict ultimate losses.

4. **Frequency Times Severity Analysis.** The frequency times severity analysis is an actuarial method that uses a preliminary projection of ultimate losses to project claims severity. The claims severity times the number of claims is a predictor of ultimate losses. The focus of the frequency times severity analysis is that ultimate losses each period are dependent on the number of claims.
5. **Loss Rate Analysis.** The loss rate analysis is based on the historical loss rates per exposure unit (such as payroll, vehicles or property value). The loss rates (projected ultimate losses divided by exposure units) are trended to reflect the effect of claim cost inflation and retention changes. The trended loss rates represent the rates that one would see if all of the claims had been handled in the claim cost environment that will be present in the upcoming period. The trended loss rate times the projected exposure units is a predictor of losses.
6. **Bornhuetter-Ferguson Method (B-F).** The B-F method is an actuarial method that weights a preliminary projection of ultimate losses with projections of ultimate losses determined by other actuarial methods (usually the developed paid losses and developed reported incurred losses methods). For less mature claim periods, the B-F method leans more heavily to the preliminary projection. It gradually converges to the projections of ultimate losses determined by the other actuarial methods as the claim periods mature.

Actuary

A specialist trained in mathematics, statistics, and finance who is responsible for rate, reserve, and dividend calculations and other statistical studies.

Allocated Loss Adjustment Expenses

Allocated loss adjustment expenses (ALAE) are the direct expenses to settle specific claims. These expenses are primarily legal expenses.

Governmental Accounting Standards Board (GASB) Statement No. 10 requires that ALAE be included in financial statements and that they be calculated by actuarial methods.

American Academy of Actuaries

A society concerned with the development of education in the field of actuarial science and with the enhancement of standards in the actuarial field. Members may use the designation MAAA (Member, American Academy of Actuaries).

Benefits

The financial reimbursement and other services provided insureds by insurers under the terms of an insurance contract. An example would be the benefits listed under a life or health insurance policy or benefits as prescribed by a workers compensation law.



Casualty Actuarial Society

A professional society for actuaries in areas of property and casualty insurance work. This society grants the designation of Associate of the Casualty Actuarial Society (ACAS) and Fellow of the Casualty Actuarial Society (FCAS).

Claim

Demand by an individual or entity to recover for a loss.

Claims Made

A policy written on this basis covers only those claims that are made during the policy period. Coverage for prior acts is provided back to what is known as the retroactive date, which is the effective date of the original claims made policy with the same insurer.

Composite Rate

A single rate with a single basis of premium (e.g., payroll or sales). For this single rate the insured is covered for a variety of hazards, such as premises and operations, completed operations, products liability, and automobile. Its primary value is to compute premium simply.

Confidence Level

A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, an 80% confidence level means that the actuary believes funding will be sufficient in eight years out of ten.

Confidence levels are determined based on mathematical models. Coverages that are low frequency and high severity (such as excess liability) are subject to greater risk than coverages that are high frequency and low severity (such as automobile physical damage). Therefore, they need a greater margin to attain a given confidence level.

Coverage

The scope of the protection provided under a contract of insurance.

Credibility

Credibility is the belief that the sample data is an accurate reflection of the larger population. Credibility is highest when the sample data is large and the standard deviation (discussed later) of the larger population is low.



Dates

There are at least three milestone dates in a claim. They are the date of injury or accident, the date of report and the date of closure. It is best if each of these dates is recorded. Some organizations may also keep the date a claim becomes a lawsuit, as opposed to a demand. Aon recommends this additional level of detail, especially if the data is to be used for litigation management.

Deductible

The portion of an insured loss to be borne by the insured before he is entitled to recovery from the insurer. Deductibles may be expressed as a dollar amount, percentage or waiting period.

Disability

A condition that curtails a person's ability to carry on his normal pursuits. A disability may be partial or total, and temporary or permanent.

Dividend (Policyholder)

The return of part of the premium paid for a policy issued on a participating basis by either a mutual or a stock insurer.

Estimated Outstanding Losses

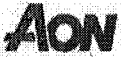
Estimated outstanding losses are the cost of claims that have occurred but have not yet been paid. They typically include indemnification and allocated loss adjustment expenses (ALAE), but not unallocated loss adjustment expenses (ULAE).

Estimated outstanding losses are calculated as projected ultimate losses less paid losses. Alternatively, they are the sum of case reserves and incurred but not reported (IBNR) claims.

Estimated outstanding losses are usually the largest single item listed as a liability on the balance sheet of a public entity's financial statement. GASB Statement No. 10 requires they be calculated by actuarial methods. Other common names for estimated outstanding losses are outstanding claims liabilities and unpaid claims.

Experience Rating

A method of adjusting the premium for a risk based on past loss experience for that risk compared to loss experience for an average risk.



Exposure Data

Exposure data refers to the activities of the organization. For example, payroll is the most common exposure measure for workers compensation. Aon suggests collecting exposure data with the following characteristics:

- **Readily Available.** The exposure data should be easily obtained. It is best if it is a byproduct of other activities, although this is not always possible. If getting data is arduous, it may discourage collection.
- **Vary With Losses.** The exposure data should correlate directly with losses. The ideal situation is where exposure and expected losses move in tandem. The exposure base needs to be fitting to the coverage. For example, the number of employees may vary with property losses (more employees = more office space = more losses), but property value is a clearly superior exposure base for property losses.

Generally Accepted Accounting Principles (GAAP)

These principles are intended to produce financial results (in the insurance industry) consistent with those of other industries and to assure consistency in financial reporting.

Incurred But Not Reported

IBNR is really comprised of two distinct items. These are the development of known case reserves (incurred but not enough reported [IBNER] and incurred but not yet reported [IBNYR]).

IBNER are the actuary's estimate of the inadequacy of case reserves. Most claims settle at amounts close to what is set by the claims administrator. Some claims close favorably and some emerge as more expensive. On balance, case reserves tend to be too low (especially for recent years). IBNER is the actuary's estimate of the amount total case reserves will rise upon closure.

IBNYR refers to those claims that have occurred, but have not yet been reported. A classic example is medical malpractice claim reported several years after the medical procedure was performed.

Insurance Services Office (ISO)

An organization of the property and casualty insurance business designed to gather statistics, promulgate rates, and develop policy forms.

Investment Income

The return received by entities from their investment portfolios, including interest, dividends and realized capital gains on stocks. Realized capital gains means the profit realized on



assets that have actually been sold for more than their purchase price.

Limited

Most programs purchase excess insurance for catastrophic claims. For example, they may purchase coverage for claims above a \$500,000 per occurrence self-insured retention. "Limited" refers to an estimate or projection being limited to the self-insured retention. In contrast, "unlimited" means a loss projection not limited to the self-insured retention.

Other common names for limited are net of excess insurance or capped losses.

Loss Development

The difference between the amount of losses initially estimated by the insurer and the amount reported in an evaluation on a later date. Loss development is typically measured for paid losses, reported incurred losses and claim counts.

Manual Rates

Usually, the published rate for some unit of insurance. An example is in the workers compensation manual, where the rates shown apply to each \$100 of the payroll of the insured, \$100 being the "unit."

National Council on Compensation Insurance (NCCI)

An association of workers compensation insurance companies whose main functions are collecting statistics and calculating rates, establishing policy wording, developing experience and retrospective rating plans, and serving as the filing organization for member companies.

Net

Many pooling programs assign deductibles to members. For example, each member may have a \$5,000 per claim deductible. "Net" refers to a loss estimate or projection that excludes amounts below member deductibles.

Occurrence

An event that results in an insured loss. In some lines of insurance, such as general liability, it is distinguished from accident in that the loss does not have to be sudden and fortuitous and can result from continuous or repeated exposure that results in bodily injury or property damage neither expected nor intended by the insured.

Pool

An organization of entities through which particular types of risks are written with the premiums, losses, and expenses shared in agreed amounts among the members belonging to the organization.

Premium

The price of insurance protection for a specified risk for a specified period of time.

Present Value

The amount of money that future amounts receivable are currently worth. For example, a Life Insurance policy may provide for payments to be made monthly for ten years. The present value of that money would be less than the total amount of the regular periodic payments for 10 years because of the amount of interest that a present lump sum could earn during the term than the payments otherwise would have been made.

Probability

The probability is the likelihood of an event. It is a measure of how likely a value or event is to occur. It can be measured from data by calculating the number of occurrences of the value or event divided by the total number of occurrences. This calculation can be converted to a percentage. For example, tossing a coin has a 50% probability of heads or tails.

Projected Losses Paid

Projected losses paid are the projected claims disbursements in a period, regardless of when the claim occurred. They typically include indemnification and ALAE, but not unallocated loss adjustment expenses (ULAE).

"Projected losses paid" is a cash-flow analysis that can be used in making investment decisions.

Projected Ultimate Losses

Projected ultimate losses are the accrual value of claims. They are the total amount that is expected to be paid in a particular claim period after all claims are closed. Projected ultimate losses are the total loss costs for a particular period. They typically include indemnification and ALAE, but not ULAE.

Other common names for projected ultimate losses are expected losses, ultimate losses and total losses.

Rate

The cost of a given unit of insurance. For example, in life insurance, it is the price of \$1,000 of the face amount. In property insurance, it is the rate per \$100 of value to be insured. The premium is the rate multiplied by the number of units of insurance purchased.

Retrospective Rating

A method for which the final premium is not determined until the end of the coverage period, and is based on the insured's own loss experience for that same period. It is usually subject to a maximum and minimum premium. A plan of this type can be used in various types of insurance, especially workers compensation and liability, and is usually elected by only very large insureds.

Salvage

Property taken over by an entity to reduce its loss. Automobile physical damage losses can be reduced by the sale of recovered vehicles.

Schedule Rating

The application of debits or credits within established ranges for various characteristics of a risk according to an established schedule of items. Under liability and automobile insurance, the schedule rating plan allows credits and debits for various good or bad features of a particular commercial risk. An example in automobile schedule rating would be allowing credits for driver training classes or fleet maintenance programs.

Self-Insurance Retention (SIR)

That portion of a risk or potential loss assumed by an insured. It is often in the form of a per occurrence deductible.

Society of Actuaries (SOA)

A professional society for actuaries in areas of pensions, and life and health insurance work. The SOA grants the designation Associate of the Society of Actuaries (ASA) and Fellow of the Society of Actuaries (FSA).

Standard Premium

Most often used in connection with retrospective rating for Workers Compensation and General Liability Insurance. It is the premium of which the basic premium is a percentage and is developed by applying the regular rates to an insured's payroll.



State Fund

A fund set up by a state government to finance a mandatory insurance system, such as Workers Compensation or non-occupational disability benefits. Such a fund may be monopolistic, i.e., purchasers of the type of insurance required must place it in the state fund; or it may be competitive, i.e., an alternative to private insurance if the purchaser desires to use it.

Statutory Accounting Principles (SAP)

Those principles required by statute that must be followed by an insurance company or other similar entity when submitting its financial statement to the state insurance department. Such principles differ from (GAAP) in some important respects. For one thing SAP requires that expenses must be recorded immediately and cannot be deferred to track with premiums as they are earned and taken into revenue.

Unallocated Loss Adjustment Expenses

Unallocated loss adjustment expenses (ULAE) are the indirect expenses to settle claims. These expenses are primarily administration and claims handling expenses.

GASB Statement No. 10 requires that ULAE be included in financial statements and that they be calculated by actuarial methods.

Exhibits

The attached exhibits detail our analysis.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-1 (page

Data Summary as of June 30, 2016
Losses Limited to Self-Insured Retention

Claim Period (1)	Specific Self-Insured Retention (2)	Aggregate Retention (3)	Months of Development 6/30/16 (4)	Payroll (000) (5)	Reported Claims 6/30/16 (6)	Open Claims 6/30/16 (7)	Limited Paid Losses 6/30/16 (8)	Limited Case Reserves 6/30/16 (9)	Limited Reported Incurred Losses 6/30/16 (10)
to 1996/97	Unlimited	None	240.0	Not Provided	21,682	105	\$155,488,009	\$4,082,605	\$159,570,614
1997/98	Unlimited	None	228.0	Not Provided	1,042	21	15,245,849	665,230	15,911,079
1998/99	Unlimited	None	216.0	Not Provided	1,025	12	16,127,510	600,419	16,727,928
1999/00	Unlimited	None	204.0	256,973	1,068	15	13,686,996	1,031,222	14,718,218
2000/01	Unlimited	None	192.0	273,627	1,108	19	18,770,835	1,036,616	19,807,451
2001/02	Unlimited	None	180.0	293,519	1,013	18	21,610,013	1,193,694	22,803,706
2002/03	Unlimited	None	168.0	305,541	922	26	20,776,310	1,222,970	21,999,280
2003/04	Unlimited	None	156.0	307,406	773	26	20,116,262	1,449,824	21,566,086
2004/05	1,000,000	None	144.0	315,491	675	25	16,191,090	2,513,489	18,704,579
2005/06	1,000,000	None	132.0	326,085	749	27	15,447,862	1,895,704	17,343,566
2006/07	1,000,000	None	120.0	354,814	703	20	14,375,165	876,534	15,251,699
2007/08	1,000,000	None	108.0	370,278	703	32	13,572,782	1,672,807	15,245,589
2008/09	750,000	None	96.0	377,769	678	38	15,775,874	2,234,277	18,010,152
2009/10	750,000	None	84.0	338,407	642	47	16,040,094	2,200,076	18,240,170
2010/11	750,000	None	72.0	338,298	650	76	18,197,241	3,318,102	21,515,343
2011/12	750,000	None	60.0	348,514	636	98	17,322,627	4,844,397	22,167,024
2012/13	750,000	None	48.0	355,748	568	109	10,822,568	6,558,414	17,380,982
2013/14	750,000	None	36.0	373,451	620	123	9,474,107	6,915,162	16,389,269
2014/15	750,000	None	24.0	364,737	553	119	5,592,574	6,157,309	11,749,883
2015/16	750,000	None	12.0	390,571	571	245	2,798,168	7,765,253	10,563,421
Total					36,361	1,201	\$437,431,935	\$58,234,103	\$495,666,038

* The specific self-insured retention changes are as follows:

Effective Date	Retention
Prior	Unlimited
08/02/04	1,000,000
07/01/08	750,000

(8), (9) and (10) are net of the specific self-insured retention and other recoveries.

Data was provided by the City.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-1 (page

Data Summary as of June 30, 2016
Unlimited Losses

Claim Period (1)	Specific Self-Insured Retention (2)	Aggregate Retention (3)	Months of Development 6/30/16 (4)	Payroll (000) (5)	Reported Claims 6/30/16 (6)	Open Claims 6/30/16 (7)	Unlimited Paid Losses 6/30/16 (8)	Unlimited Case Reserves 6/30/16 (9)	Unlimited Reported Incurred Losses 6/30/16 (10)
to 1996/97	Unlimited	None	240.0	Not Provided	21,662	105	\$155,522,288	\$4,085,706	\$159,607,995
1997/98	Unlimited	None	228.0	Not Provided	1,042	21	15,246,915	665,230	15,912,145
1998/99	Unlimited	None	216.0	Not Provided	1,025	12	16,154,491	600,419	16,754,909
1999/00	Unlimited	None	204.0	256,973	1,068	15	13,921,110	1,031,222	14,952,332
2000/01	Unlimited	None	192.0	273,627	1,108	19	18,867,311	1,036,616	19,903,927
2001/02	Unlimited	None	180.0	293,519	1,013	18	21,789,991	1,193,694	22,983,685
2002/03	Unlimited	None	168.0	305,541	922	26	20,891,621	1,222,970	22,114,591
2003/04	Unlimited	None	156.0	307,406	773	26	20,691,552	1,449,624	22,141,377
2004/05	Unlimited	None	144.0	315,491	675	25	16,360,914	3,210,802	19,571,716
2005/06	Unlimited	None	132.0	326,085	749	27	16,918,131	1,895,704	18,813,835
2006/07	Unlimited	None	120.0	354,814	703	20	14,494,882	876,534	15,371,416
2007/08	Unlimited	None	108.0	370,278	703	32	14,206,768	2,431,312	16,638,080
2008/09	Unlimited	None	96.0	377,769	678	38	18,893,191	2,360,005	21,253,196
2009/10	Unlimited	None	84.0	338,407	642	47	16,325,986	2,200,076	18,526,063
2010/11	Unlimited	None	72.0	338,298	650	76	18,512,216	3,425,642	21,937,858
2011/12	Unlimited	None	60.0	348,514	636	98	17,436,330	4,844,397	22,280,727
2012/13	Unlimited	None	48.0	355,748	568	109	10,824,284	6,558,414	17,382,698
2013/14	Unlimited	None	36.0	373,451	620	123	9,474,507	9,118,300	18,592,807
2014/15	Unlimited	None	24.0	364,737	553	119	5,597,981	6,157,309	11,755,290
2015/16	Unlimited	None	12.0	390,671	571	245	2,798,168	7,765,253	10,563,421
Total					36,361	1,201	\$444,928,638	\$62,129,429	\$507,058,067

(8), (9) and (10) are gross of the specific self-insured retention and other recoveries.

Data was provided by the City.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-2

Summary of Percent Losses Paid, Losses Reported and Claims Reported

Months of Development (1)	Percent Losses Paid (2)	Percent Losses Reported (3)	Percent Claims Reported (4)
540.0	100.0%	100.0%	100.0%
528.0	100.0%	100.0%	100.0%
516.0	100.0%	100.0%	100.0%
504.0	99.9%	100.0%	100.0%
492.0	99.9%	100.0%	100.0%
480.0	99.9%	100.0%	100.0%
468.0	99.9%	100.0%	100.0%
456.0	99.9%	100.0%	100.0%
444.0	99.8%	100.0%	100.0%
432.0	99.8%	100.0%	100.0%
420.0	99.7%	100.0%	100.0%
408.0	99.7%	100.0%	100.0%
396.0	99.6%	100.0%	100.0%
384.0	99.5%	100.0%	100.0%
372.0	99.3%	100.0%	100.0%
360.0	99.2%	100.0%	100.0%
348.0	98.9%	100.0%	100.0%
336.0	98.7%	100.0%	100.0%
324.0	98.4%	100.0%	100.0%
312.0	97.9%	100.0%	100.0%
300.0	97.4%	100.0%	100.0%
288.0	96.8%	100.0%	100.0%
276.0	96.0%	100.0%	100.0%
264.0	95.0%	100.0%	100.0%
252.0	93.7%	99.9%	100.0%
240.0	92.2%	99.5%	100.0%
228.0	91.7%	99.3%	100.0%
216.0	91.3%	99.1%	100.0%
204.0	90.8%	98.8%	100.0%
192.0	90.3%	98.6%	100.0%
180.0	89.8%	98.2%	100.0%
168.0	89.2%	97.8%	100.0%
156.0	88.3%	97.3%	100.0%
144.0	87.3%	96.6%	100.0%
132.0	85.9%	95.8%	100.0%
120.0	84.2%	94.9%	100.0%
108.0	82.1%	93.5%	100.0%
96.0	80.1%	91.7%	100.0%
84.0	77.3%	89.6%	100.0%
72.0	74.4%	87.2%	100.0%
60.0	70.8%	84.7%	100.0%
48.0	66.5%	81.8%	100.0%
36.0	56.8%	75.1%	99.8%
24.0	40.6%	65.6%	99.1%
12.0	15.6%	36.4%	93.1%

(2) is from Exhibit WC-2 (page 2).

(3) is from Exhibit WC-2 (page 3).

(4) is from Exhibit WC-2 (page 4).

CITY OF OAKLAND
WORKERS' COMPENSATION

Historical Limited Paid Losses (\$000) and Limited Paid Loss Development

I. Historical Limited Paid Losses (\$000)

Claim Period	Months of Development:																				
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	
to 1996/97																					
1997/98													13,950	14,063	14,311	14,672	14,823	14,894	14,986	15,089	15,246
1998/99										15,061	15,160	15,422	15,609	15,731	15,864	15,953	16,079	16,128			
1999/00									12,690	12,925	13,044	13,155	13,223	13,310	13,517	13,611	13,687				
2000/01								17,498	17,835	18,095	18,243	18,384	18,520	18,608	18,688	18,771					
2001/02							18,378	18,963	19,678	20,043	20,442	20,700	20,923	21,071	21,610						
2002/03							16,745	17,702	18,322	18,692	19,444	19,819	20,358	20,586	20,776						
2003/04					15,966	16,776	17,253	18,274	18,603	19,046	19,466	19,578	19,834	20,116							
2004/05				11,109	12,288	13,255	14,081	14,562	15,529	15,627	15,961	16,191									
2005/06			9,239	10,733	11,925	12,719	13,209	13,887	14,276	15,170	15,448										
2006/07		7,705	10,428	12,123	12,969	13,467	13,788	14,031	14,145	14,375											
2007/08	3,274	6,798	9,061	10,643	11,516	12,147	12,662	13,281	13,573												
2008/09	3,500	8,732	11,787	13,716	14,403	14,960	15,523	15,776													
2009/10	3,877	9,024	12,032	13,699	15,065	15,655	16,040														
2010/11	4,975	10,288	13,545	16,083	17,050	18,197															
2011/12	2,977	10,326	14,196	16,388	17,323																
2012/13	2,401	6,100	8,983	10,823																	
2013/14	2,368	6,551	9,474																		
2014/15	2,240	5,593																			
2015/16	2,798																				

II. Limited Paid Loss Development

Claim Period	Months of Development:																			
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-Ult
to 1996/97																				
1997/98											1.008	1.018	1.025	1.010	1.005	1.006	1.007	1.010		
1998/99									1.007	1.017	1.012	1.008	1.008	1.006	1.008	1.006	1.003			
1999/00									1.009	1.009	1.005	1.007	1.016	1.007	1.006					
2000/01							1.019	1.015	1.008	1.008	1.007	1.005	1.004	1.004						
2001/02						1.032	1.038	1.019	1.020	1.013	1.011	1.007	1.026							
2002/03						1.057	1.035	1.020	1.040	1.019	1.027	1.011								
2003/04					1.051	1.028	1.059	1.018	1.024	1.028	1.013	1.014	1.009							
2004/05				1.106	1.079	1.062	1.034	1.066	1.006	1.021	1.014									
2005/06			1.162	1.111	1.067	1.039	1.051	1.028	1.063	1.018										
2006/07		1.353	1.163	1.070	1.036	1.024	1.018	1.008	1.016											
2007/08	2.077	1.333	1.175	1.082	1.055	1.042	1.049	1.022												
2008/09	2.495	1.350	1.164	1.050	1.039	1.038	1.016													
2009/10	2.327	1.333	1.139	1.100	1.039	1.025														
2010/11	2.068	1.317	1.187	1.060	1.067															
2011/12	3.469	1.375	1.154	1.057																
2012/13	2.541	1.474	1.203																	
2013/14	2.767	1.446																		
2014/15	2.497																			
2015/16																				
Average																				
All	2.530	1.373	1.168	1.079	1.054	1.039	1.037	1.027	1.025	1.016	1.014	1.011	1.010	1.013	1.005	1.007	1.005	1.010		
Wtd 3	2.603	1.422	1.179	1.071	1.049	1.034	1.027	1.019	1.028	1.023	1.019	1.012	1.007	1.016	1.006	1.007				
Last 3	2.601	1.432	1.182	1.072	1.048	1.035	1.028	1.019	1.028	1.023	1.018	1.012	1.007	1.015	1.006	1.007				
Last 5	2.601	1.385	1.168	1.066	1.044	1.034	1.034	1.023	1.027	1.020	1.013	1.010	1.007	1.011						
x-hi,low																				
Similar	2.774	1.521	1.265	1.154	1.104	1.071	1.055	1.042	1.034	1.027	1.021	1.017	1.017	1.014	1.013	1.012	1.011	1.010	1.093	
Previous	2.600	1.350	1.160	1.080	1.055	1.041	1.040	1.030	1.025	1.020	1.016	1.012	1.010	1.007	1.006	1.004	1.004	1.004	1.003	1.050
Selected	2.600	1.400	1.170	1.065	1.050	1.039	1.037	1.025	1.025	1.020	1.016	1.012	1.010	1.007	1.006	1.005	1.005	1.005	1.005	1.085
Cumulative	6.403	2.463	1.759	1.503	1.412	1.344	1.294	1.248	1.217	1.188	1.164	1.146	1.133	1.121	1.114	1.107	1.101	1.096	1.090	1.085
Percent	15.6%	40.6%	56.8%	66.5%	70.8%	74.4%	77.3%	80.1%	82.1%	84.2%	85.9%	87.3%	88.3%	89.2%	89.8%	90.3%	90.8%	91.3%	91.7%	92.2%

Amounts are limited (net of excess insurance) and net of other recoveries.

Data was provided by the City.

**CITY OF OAKLAND
WORKERS' COMPENSATION**

Historical Limited Reported Incurred Losses (\$000) and Limited Reported Incurred Loss Development

I. Historical Limited Reported Incurred Losses (\$000)

Claim Period	Months of Development:																				
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	
to 1996/97																					
1997/98																					
1998/99																					
1999/00																					
2000/01																					
2001/02																					
2002/03																					
2003/04																					
2004/05																					
2005/06																					
2006/07																					
2007/08																					
2008/09	8,126	12,182	13,503	14,335	14,489	14,947	14,660	14,772	14,904	15,252											
2009/10	7,312	13,225	12,889	14,266	14,228	14,126	14,723	15,079	15,246												
2009/10	8,727	15,621	17,474	17,349	17,587	17,372	17,328	18,010													
2010/11	11,395	17,821	18,656	20,235	20,504	21,515															
2011/12	9,353	17,335	19,484	21,503	22,167																
2012/13	5,495	10,353	13,970	17,381																	
2013/14	5,431	11,242	16,389																		
2014/15	6,785	11,750																			
2015/16	10,563																				

II. Limited Reported Incurred Loss Development

Claim Period	Months of Development:																			
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-Ult
to 1996/97																				
1997/98																				
1998/99																				
1999/00																				
2000/01																				
2001/02																				
2002/03																				
2003/04																				
2004/05																				
2005/06																				
2006/07																				
2007/08																				
2008/09																				
2009/10																				
2010/11																				
2011/12																				
2012/13																				
2013/14																				
2014/15																				
2015/16																				
Average																				
All	1.754	1.209	1.082	1.013	1.029	1.017	1.021	1.015	1.009	1.006	1.013	1.013	1.015	1.016	1.012	1.005	1.007	1.029		
Wtd 3	1.883	1.281	1.134	1.020	1.027	1.021	1.025	1.020	1.012	1.021	1.018	1.022	1.016	1.017	1.015	1.005				
Last 3	1.895	1.311	1.144	1.019	1.025	1.022	1.024	1.019	1.013	1.020	1.018	1.022	1.015	1.022	1.014	1.005				
Last 5	1.823	1.198	1.075	1.008	1.019	1.022	1.023	1.028	1.010	1.011	1.011	1.009	1.013	1.007						
x-hi,low																				
Similar	1.712	1.228	1.131	1.076	1.058	1.038	1.029	1.020	1.022	1.014	1.012	1.011	1.008	1.008	1.004	1.006	1.006	1.002	1.047	
Previous	1.800	1.145	1.070	1.035	1.030	1.027	1.023	1.020	1.015	1.010	1.008	1.007	1.005	1.004	1.004	1.003	1.002	1.002	1.002	1.001
Selected	1.800	1.145	1.090	1.035	1.030	1.027	1.023	1.020	1.015	1.010	1.008	1.007	1.005	1.004	1.004	1.003	1.002	1.002	1.002	1.005
Cumulative	2.745	1.525	1.332	1.222	1.181	1.146	1.116	1.091	1.070	1.054	1.043	1.035	1.028	1.022	1.018	1.015	1.012	1.009	1.007	1.005
Percent	36.4%	65.6%	75.1%	81.8%	84.7%	87.2%	89.6%	91.7%	93.5%	94.9%	95.8%	96.6%	97.3%	97.8%	98.2%	98.6%	98.8%	99.1%	99.3%	99.5%

Amounts are limited (net of excess insurance) and net of other recoveries.

Data was provided by the City.

CITY OF OAKLAND
WORKERS' COMPENSATION

Historical Reported Claims and Reported Claim Development

I. Historical Reported Claims

Claim Period	Months of Development:																			
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240
to 1996/97																	21,657	21,658	21,660	21,662
1997/98											1,041	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	
1998/99										1,024	1,024	1,024	1,024	1,025	1,025	1,025	1,025	1,025	1,025	
1999/00									1,068	1,068	1,068	1,067	1,067	1,068	1,067	1,068	1,068	1,068	1,068	
2000/01								1,106	1,107	1,107	1,106	1,107	1,108	1,107	1,108	1,107	1,108	1,108	1,108	
2001/02								1,009	1,010	1,012	1,006	1,006	1,013	1,006	1,013	1,013				
2002/03								919	920	918	919	922	919	922	922					
2003/04					771	771	771	767	769	774	769	774	773							
2004/05				670	672	674	671	671	674	672	675	675								
2005/06			740	742	747	740	740	748	740	748	749									
2006/07		696	701	703	700	700	703	700	703	703										
2007/08	669	702	702	694	694	702	694	702	703											
2008/09	637	674	672	673	677	674	678	678												
2009/10	605	615	618	642	619	642	642													
2010/11	576	615	645	625	649	650														
2011/12	548	629	593	636	636															
2012/13	515	560	566	568																
2013/14	587	618	620																	
2014/15	526	553																		
2015/16	571																			

II. Reported Claim Development

Claim Period	Months of Development:																			
	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108	108-120	120-132	132-144	144-156	156-168	168-180	180-192	192-204	204-216	216-228	228-240	240-Ult
to 1996/97																	1.000	1.000	1.000	
1997/98										1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1998/99										1.000	0.999	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000	
1999/00									1.000	0.999	1.001	1.001	0.999	1.001	1.000	1.000	1.000	1.000	1.000	
2000/01								1.001	1.002	0.994	1.000	1.007	0.993	1.007	1.000					
2001/02						1.001	1.001	0.998	1.001	1.003	0.997	1.003	1.000							
2002/03					1.000	1.000	0.995	1.003	1.007	0.994	1.007	0.999								
2003/04				1.003	1.003	1.003	0.996	1.000	1.004	0.997	1.004	1.000								
2004/05			1.003	1.007	0.991	1.000	1.011	0.989	1.011	1.001										
2005/06		1.007	1.003	0.996	1.000	1.004	0.996	1.004	1.000											
2006/07		1.000	0.989	1.000	1.012	0.989	1.012	1.001												
2007/08	1.049	1.000	0.989	1.000	1.012	0.989	1.012	1.001												
2008/09	1.058	0.997	1.001	1.006	0.996	1.006	1.000													
2009/10	1.017	1.005	1.039	0.964	1.037	1.000														
2010/11	1.068	1.049	0.969	1.038	1.002															
2011/12	1.148	0.943	1.073	1.000																
2012/13	1.087	1.011	1.004																	
2013/14	1.053	1.003																		
2014/15	1.051																			
2015/16																				
Average																				
All	1.066	1.002	1.010	1.002	1.005	0.999	1.002	1.000	1.001	1.000	1.001	0.999	1.001	1.000	1.000	1.000	1.000	1.000	1.000	
Wtd 3	1.063	0.985	1.014	1.001	1.011	0.998	1.002	0.998	1.003	1.000	1.001	0.998	1.002	1.000	1.000	1.000	1.000	1.000	1.000	
Last 3	1.064	0.986	1.015	1.001	1.011	0.998	1.002	0.998	1.003	1.000	1.001	0.998	1.002	1.000	1.000	1.000	1.000	1.000	1.000	
Last 5	1.069	1.006	1.015	1.002	1.004	1.001	1.004	1.003	1.003	1.002	1.002	1.000	1.001	1.000						
x-hi_low																				
Similar	1.131	1.019	1.010	1.007	1.007	1.005	1.005	1.006	1.006	1.001	1.001	1.001	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Previous	1.070	1.007	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Selected	1.065	1.007	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Cumulative	1.075	1.009	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Percent	93.1%	99.1%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data was provided by the City.

**CITY OF OAKLAND
WORKERS' COMPENSATION**

Historical Ratio of Limited Paid Losses and Limited Reported Incurred Losses

Claim Period	Months of Development																				
	12	24	36	48	60	72	84	96	108	120	132	144	156	168	180	192	204	216	228	240	
to 1996/97																					
1997/98											95.6%	97.2%	96.7%	96.8%	97.5%	97.2%	97.4%	97.6%	95.8%		
1998/99										95.5%	98.0%	96.6%	97.9%	98.2%	97.7%	96.6%	97.0%	96.4%			
1999/00									93.5%	95.9%	97.5%	97.5%	97.1%	96.7%	92.8%	93.0%	93.0%				
2000/01								92.3%	95.9%	96.7%	96.7%	95.8%	96.9%	96.3%	96.3%	94.8%					
2001/02						87.1%	87.1%	90.7%	94.6%	94.8%	96.0%	97.2%	93.7%	92.7%	94.8%						
2002/03					84.5%	84.5%	89.8%	90.7%	92.0%	94.2%	95.9%	94.9%	95.1%	94.4%							
2003/04					84.1%	88.3%	90.1%	92.3%	90.9%	92.8%	92.3%	92.7%	93.3%								
2004/05				74.4%	82.2%	81.5%	83.0%	83.0%	84.6%	84.9%	86.0%	86.6%									
2005/06			67.8%	77.0%	80.8%	82.8%	82.6%	85.8%	84.9%	89.1%	89.1%										
2006/07		63.2%	77.2%	84.6%	89.5%	90.1%	94.1%	95.0%	94.9%	94.3%											
2007/08	40.3%	63.0%	70.3%	74.6%	80.9%	86.0%	86.0%	88.1%	87.9%												
2008/09	47.9%	66.0%	70.0%	78.4%	84.2%	86.1%	89.6%	87.6%													
2009/10	44.4%	57.8%	68.9%	79.0%	85.7%	88.1%															
2010/11	43.7%	57.7%	72.6%	79.5%	83.2%	84.6%															
2011/12	31.8%	59.6%	72.8%	76.2%	78.1%																
2012/13	43.7%	58.9%	64.4%	62.3%																	
2013/14	43.6%	58.3%	57.8%																		
2014/15	33.0%	47.6%																			
2015/16	26.5%																				
Average																					
All	39.4%	59.1%	69.1%	76.2%	83.2%	85.8%	87.8%	89.5%	91.1%	93.1%	94.1%	94.8%	95.8%	95.9%	95.8%	95.4%	95.8%	97.0%	95.8%		
Last 3	34.4%	54.9%	65.0%	72.7%	82.3%	86.3%	87.8%	90.2%	89.6%	89.4%	89.1%	91.4%	94.0%	94.5%	94.6%	94.8%	95.8%				
Last 5	36.1%	58.3%	68.6%	77.9%	82.8%	86.7%	87.8%	87.2%	88.3%	92.0%	92.4%	94.5%	95.3%	95.8%	96.2%						
x-hi,low																					
Implicit	42.9%	61.9%	75.7%	81.3%	83.6%	85.3%	86.3%	87.4%	87.9%	88.7%	89.6%	90.3%	90.8%	91.2%	91.4%	91.7%	91.9%	92.1%	92.4%	92.6%	



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-3

Developed Limited Paid Losses

Claim Period (1)	Months of Development 6/30/16 (2)	Limited Paid Losses 6/30/16 (3)	Percent Losses Paid (4)	Developed Limited Paid Losses (3)/(4) (5)
to 1996/97	Various	\$155,488,009	97.6%	\$159,309,745
1997/98	228.0	15,245,849	91.7%	16,624,455
1998/99	216.0	16,127,510	91.3%	17,673,769
1999/00	204.0	13,686,996	90.8%	15,074,262
2000/01	192.0	18,770,835	90.3%	20,776,748
2001/02	180.0	21,610,013	89.8%	24,062,846
2002/03	168.0	20,776,310	89.2%	23,296,456
2003/04	156.0	20,116,262	88.3%	22,781,908
2004/05	144.0	16,191,090	87.3%	18,556,643
2005/06	132.0	15,447,862	85.9%	17,823,665 *
2006/07	120.0	14,375,165	84.2%	17,073,794
2007/08	108.0	13,572,782	82.1%	16,306,379 *
2008/09	96.0	15,775,874	80.1%	19,500,147 *
2009/10	84.0	16,040,094	77.3%	20,753,038 *
2010/11	72.0	18,197,241	74.4%	24,207,731 *
2011/12	60.0	17,322,627	70.8%	24,454,697
2012/13	48.0	10,822,568	66.5%	16,271,533
2013/14	36.0	9,474,107	56.8%	16,179,100 *
2014/15	24.0	5,592,574	40.6%	13,772,850
2015/16	12.0	2,798,168	15.6%	17,916,749
Total		\$437,431,935		\$522,416,513

* - Indicates large claim(s) limited to retention. For details, see Exhibit WC-15.

(3) is from Exhibit WC-1.

(4) is from Exhibit WC-2.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-4

Developed Limited Reported Incurred Losses

Claim Period (1)	Months of Development 6/30/16 (2)	Limited Reported Incurred Losses 6/30/16 (3)	Percent Losses Reported (4)	Developed Limited Reported Incurred Losses (3)/(4) (5)
to 1996/97	Various	\$159,570,614	100.0%	\$159,639,032
1997/98	228.0	15,911,079	99.3%	16,028,161
1998/99	216.0	16,727,928	99.1%	16,884,723
1999/00	204.0	14,718,218	98.8%	14,892,922
2000/01	192.0	19,807,451	98.6%	20,096,341
2001/02	180.0	22,803,706	98.2%	23,219,298
2002/03	168.0	21,999,280	97.8%	22,492,238
2003/04	156.0	21,566,086	97.3%	22,168,667
2004/05	144.0	18,704,579	96.6%	19,326,659 *
2005/06	132.0	17,343,566	95.8%	18,053,168 *
2006/07	120.0	15,251,699	94.9%	16,073,033
2007/08	108.0	15,245,589	93.5%	16,168,273 *
2008/09	96.0	18,010,152	91.7%	19,530,615 *
2009/10	84.0	18,240,170	89.6%	20,280,815 *
2010/11	72.0	21,515,343	87.2%	24,552,963 *
2011/12	60.0	22,167,024	84.7%	26,171,976
2012/13	48.0	17,380,982	81.8%	21,239,475
2013/14	36.0	16,389,269	75.1%	21,581,111 *
2014/15	24.0	11,749,883	65.6%	17,919,876
2015/16	12.0	10,563,421	36.4%	28,998,702
Total		\$495,666,038		\$545,318,050

* - Indicates large claim(s) limited to retention. For details, see Exhibit WC-15.

(3) is from Exhibit WC-1.

(4) is from Exhibit WC-2.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-5

Developed Limited Case Reserves

Claim Period (1)	Months of Development 6/30/16 (2)	Percent Losses Paid (3)	Percent Losses Reported (4)	Percent Losses Reserved 6/30/16 [(4)-(3)]/ [100.0%-(3)] (5)	Limited Paid Losses 6/30/16 (6)	Limited Case Reserves 6/30/16 (7)	Developed Limited Case Reserves (6)+(7)/(5) (8)
to 1996/97	Various	97.6%	100.0%	99.5%	\$155,488,009	\$4,082,605	\$159,589,766
1997/98	228.0	91.7%	99.3%	91.2%	15,245,849	665,230	15,975,338
1998/99	216.0	91.3%	99.1%	89.4%	16,127,510	600,419	16,799,225
1999/00	204.0	90.8%	98.8%	87.3%	13,686,996	1,031,222	14,868,869
2000/01	192.0	90.3%	98.6%	85.1%	18,770,835	1,036,616	19,988,800
2001/02	180.0	89.8%	98.2%	82.4%	21,610,013	1,193,694	23,057,947
2002/03	168.0	89.2%	97.8%	79.7%	20,776,310	1,222,970	22,310,009
2003/04	156.0	88.3%	97.3%	76.8%	20,116,262	1,449,824	22,004,810
2004/05	144.0	87.3%	96.6%	73.4%	16,191,090	2,513,489	19,473,470 *
2005/06	132.0	85.9%	95.8%	70.5%	15,447,862	1,895,704	18,135,504
2006/07	120.0	84.2%	94.9%	67.7%	14,375,165	876,534	15,670,476
2007/08	108.0	82.1%	93.5%	63.5%	13,572,782	1,672,807	15,973,460 *
2008/09	96.0	80.1%	91.7%	58.0%	15,775,874	2,234,277	19,413,458 *
2009/10	84.0	77.3%	89.6%	54.2%	16,040,094	2,200,076	19,972,478 *
2010/11	72.0	74.4%	87.2%	50.2%	18,197,241	3,318,102	24,807,748
2011/12	60.0	70.8%	84.7%	47.5%	17,322,627	4,844,397	27,514,828
2012/13	48.0	66.5%	81.8%	45.8%	10,822,568	6,558,414	25,025,278 *
2013/14	36.0	56.8%	75.1%	42.2%	9,474,107	6,915,162	25,779,977 *
2014/15	24.0	40.6%	65.6%	42.0%	5,592,574	6,157,309	20,242,474
2015/16	12.0	15.6%	36.4%	24.7%	2,798,168	7,765,253	34,286,054
Total					\$437,431,935	\$58,234,103	\$560,889,970

* - Indicates large claim(s) limited to retention. For details, see Exhibit WC-15.

(3) and (4) are from Exhibit WC-2.

(6) and (7) are from Exhibit WC-1.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-6

Preliminary Projected Ultimate Limited Losses to 2015/16

Claim Period (1)	Developed Limited Paid Losses (2)	Developed Limited Reported Incurred Losses (3)	Developed Limited Case Reserves (4)	Preliminary Projected Ultimate Limited Losses (5)
to 1996/97	\$159,309,745	\$159,639,032	\$159,589,766	\$159,978,874
1997/98	16,624,455	16,028,161	15,975,338	15,977,602
1998/99	17,673,769	16,884,723	16,799,225	16,799,225
1999/00	15,074,262	14,892,922	14,868,869	14,868,869
2000/01	20,776,748	20,096,341	19,988,800	19,988,800
2001/02	24,062,846	23,219,298	23,057,947	23,057,947
2002/03	23,296,456	22,492,238	22,310,009	22,310,009
2003/04	22,781,908	22,168,667	22,004,810	22,004,810
2004/05	18,556,643	19,326,659	19,473,470	19,400,064
2005/06	17,823,665	18,053,168	18,135,504	18,094,336
2006/07	17,073,794	16,073,033	15,670,476	15,670,476
2007/08	16,306,379	16,168,273	15,973,460	15,973,460
2008/09	19,500,147	19,530,615	19,413,458	19,425,174
2009/10	20,753,038	20,280,815	19,972,478	20,034,146
2010/11	24,207,731	24,552,963	24,807,748	24,538,568
2011/12	24,454,697	26,171,976	27,514,828	26,126,790
2012/13	16,271,533	21,239,475	25,025,278	20,388,039
2013/14	16,179,100	21,581,111	25,779,977	20,679,966
2014/15	13,772,850	17,919,876	20,242,474	16,957,845
2015/16	17,916,749	28,998,702	34,286,054	23,407,001
Total	\$522,416,513	\$545,318,050	\$560,889,970	\$535,682,002

(2) is from Exhibit WC-3.

(3) is from Exhibit WC-4.

(4) is from Exhibit WC-5.

(5) is based on (2) to (4) and actuarial judgment.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-7

Bornhuetter - Ferguson Analysis

I. A-priori Loss Rate

Claim Period (1)	Preliminary Projected Ultimate Limited Losses (2)	Payroll (000) (3)	Limited Loss Rate per \$100 of Payroll (2)/(3)/10 (4)	Loss Rate Trend (2016/17 = 1.000) (5)	Trended Limited Loss Rate per \$100 of Payroll (4)X(5) (6)	Projected A-priori Loss Rate per \$100 of Payroll (7)/(5) (8)
2006/07	\$15,670,476	\$354,814	\$4.42	1.273	\$5.62	\$5.07
2007/08	15,973,460	370,278	4.31	1.231	5.31	5.24
2008/09	19,425,174	377,769	5.14	1.210	6.22	5.33
2009/10	20,034,146	338,407	5.92	1.179	6.98	5.48
2010/11	24,538,568	338,298	7.25	1.155	8.38	5.59
2011/12	26,126,790	348,514	7.50	1.132	8.48	5.70
2012/13	20,388,039	355,748	5.73	1.130	6.48	5.71
2013/14	20,679,966	373,451	5.54	1.098	6.08	5.88
2014/15	16,957,845	364,737	4.65	1.045	4.86	6.17
2015/16	23,407,001	390,571	5.99	1.021	6.12	6.32
(7) Projected 2016/17 a-priori loss rate per \$100 of Payroll					\$6.45	

II. Bornhuetter - Ferguson Analysis Based on Limited Paid Losses

Claim Period (1)	Limited Paid Losses 6/30/16 (2)	Percent Losses Paid (3)	Projected A-priori Loss Rate per \$100 of Payroll (4)	Payroll (000) (5)	B-F Unpaid Losses [100.0%-(3)] X(4)X(5)X10 (6)	B-F Ultimate Limited Paid Losses (2)+(6) (7)
2011/12	\$17,322,627	70.8%	\$5.70	\$348,514	\$5,796,438	\$23,119,064
2012/13	10,822,568	68.5%	5.71	355,748	6,802,189	17,624,757
2013/14	9,474,107	58.8%	5.88	373,451	9,468,102	18,942,208
2014/15	5,592,574	40.6%	6.17	364,737	13,376,818	18,969,392
2015/16	2,798,168	15.6%	6.32	390,571	20,825,406	23,623,574

III. Bornhuetter - Ferguson Analysis Based on Limited Reported Incurred Losses

Claim Period (1)	Limited Reported Incurred Losses 6/30/16 (2)	Percent Losses Reported (3)	Projected A-priori Loss Rate per \$100 of Payroll (4)	Payroll (000) (5)	B-F Unreported Losses [100.0%-(3)] X(4)X(5)X10 (6)	B-F Ultimate Limited Reported Losses (2)+(6) (7)
2011/12	\$22,167,024	84.7%	\$5.70	\$348,514	\$3,041,366	\$25,208,390
2012/13	17,380,982	81.8%	5.71	355,748	3,690,091	21,071,073
2013/14	16,389,269	75.1%	5.88	373,451	5,468,548	21,857,818
2014/15	11,749,883	65.6%	6.17	364,737	7,754,582	19,504,465
2015/16	10,563,421	36.4%	6.32	390,571	15,689,636	26,253,057

Section I, (2) is from Exhibit WC-6.

Section I, (3), Section II, (5) and Section III, (5) are from Exhibit WC-10.

Section I, (5) is from Exhibit WC-14 and adjusted for change in retention.

Section I, (7) is based on Section I, (6) and actuarial judgment.

Sections II and III, (2) are from Exhibit WC-1.

Sections II and III, (3) are from Exhibit WC-2.

Sections II and III, (4) are from Section I, (8).



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-8

Frequency Times Severity Analysis

I. Projected Ultimate Claims

Claim Period (1)	Months of Development 6/30/16 (2)	Reported Claims 6/30/16 (3)	Percent Claims Reported (4)	Projected Ultimate Claims (3)/(4) (5)	Payroll (000) (6)	Frequency (per \$1M of Payroll) (5)/(6)X1,000 (7)
2006/07	120.0	703	100.0%	703	\$354,814	1.98
2007/08	108.0	703	100.0%	703	370,278	1.90
2008/09	96.0	678	100.0%	678	377,769	1.79
2009/10	84.0	642	100.0%	642	338,407	1.90
2010/11	72.0	650	100.0%	650	338,298	1.92
2011/12	60.0	636	100.0%	636	348,514	1.82
2012/13	48.0	568	100.0%	568	355,748	1.60
2013/14	36.0	620	99.8%	621	373,451	1.66
2014/15	24.0	553	99.1%	558	364,737	1.53
2015/16	12.0	571	93.1%	614	390,571	1.57

II. Frequency Times Severity

Claim Period (1)	Preliminary Projected Ultimate Limited Losses (2)	Projected Ultimate Claims (3)	Average Severity (2)/(3) (4)	Severity Trend (2016/17 = 1.000) (5)	Trended Average Claim Severity (4)X(5) (6)	De-Trended Projected 2016/17 Average Claim Severity (7)/(5) (8)	Frequency Times Severity (3)X(8) (9)
2006/07	\$15,670,476	703	\$22,291	1.711	\$38,135	\$25,086	\$17,635,495
2007/08	15,973,460	703	22,722	1.606	36,499	26,718	18,782,471
2008/09	19,425,174	678	28,651	1.533	43,933	27,988	18,975,867
2009/10	20,034,146	642	31,206	1.449	45,230	29,610	19,009,525
2010/11	24,538,568	650	37,752	1.379	52,056	31,124	20,230,432
2011/12	26,126,790	636	41,080	1.312	53,891	32,715	20,806,681
2012/13	20,388,039	568	35,894	1.272	45,660	33,738	19,163,021
2013/14	20,679,966	621	33,301	1.200	39,969	35,757	22,205,125
2014/15	16,957,845	558	30,390	1.109	33,695	38,708	21,598,987
2015/16	23,407,001	614	38,122	1.052	40,101	40,799	25,050,519
(7) Projected 2016/17 average claim severity					\$42,917		

Section I, (3) is from Exhibit WC-1.

Section I, (4) is from Exhibit WC-2.

Section I, (6) is from Exhibit WC-10.

Section II, (2) is from Exhibit WC-6.

Section II, (3) is from Section I, (5).

Section II, (5) is from Exhibit WC-14 and adjusted for change in retention.

Section II, (7) is based on (6) and actuarial judgment.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-9

Projected Ultimate Limited Losses to 2015/16

Claim Period (1)	Developed Limited Paid Losses (2)	Developed Limited Reported Incurred Losses (3)	Developed Limited Case Reserves (4)	B-F Ultimate Limited Paid Losses (5)	B-F Ultimate Limited Reported Losses (6)	Frequency Times Severity (7)	Projected Ultimate Limited Losses (8)
to 1996/97	\$159,309,745	\$159,639,032	\$159,589,766				\$159,979,000
1997/98	16,624,455	16,028,161	15,975,338				15,978,000
1998/99	17,673,769	16,884,723	16,799,225				16,799,000
1999/00	15,074,262	14,892,922	14,868,869				14,869,000
2000/01	20,776,748	20,096,341	19,988,800				19,989,000
2001/02	24,062,846	23,219,298	23,057,947				23,058,000
2002/03	23,296,456	22,492,238	22,310,009				22,310,000
2003/04	22,781,908	22,168,667	22,004,810				22,005,000
2004/05	18,556,643	19,326,659	19,473,470				19,400,000
2005/06	17,823,665	18,053,168	18,135,504				18,094,000
2006/07	17,073,794	16,073,033	15,670,476				15,670,000
2007/08	16,306,379	16,168,273	15,973,460				15,973,000
2008/09	19,500,147	19,530,615	19,413,458				19,425,000
2009/10	20,753,038	20,280,815	19,972,478				20,034,000
2010/11	24,207,731	24,552,963	24,807,748				24,539,000
2011/12	24,454,697	26,171,976	27,514,828	23,119,064	25,208,390	20,806,681	25,294,000
2012/13	16,271,533	21,239,475	25,025,278	17,624,757	21,071,073	19,163,021	19,490,000
2013/14	16,179,100	21,581,111	25,779,977	18,942,208	21,857,818	22,205,125	20,306,000
2014/15	13,772,850	17,919,876	20,242,474	18,969,392	19,504,465	21,598,987	19,237,000
2015/16	17,916,749	28,998,702	34,286,054	23,623,574	26,253,057	25,050,519	24,938,000

(2) is from Exhibit WC-3.

(3) is from Exhibit WC-4.

(4) is from Exhibit WC-5.

(5) and (6) are from Exhibit WC-7.

(7) is from Exhibit WC-8.

(8) is based on (2) to (7) and actuarial judgment.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-10

Projected Ultimate Limited Losses for 2016/17 and Subsequent

Claim Period (1)	Projected Ultimate Limited Losses (2)	Payroll (000) (3)	Limited Loss Rate per \$100 of Payroll (2)/(3)/10 (4)	Loss Rate Trend (2016/17 = 1.000) (5)	Trended Limited Loss Rate per \$100 of Payroll (4)X(5) (6)
2006/07	\$15,670,000	\$354,814	\$4.42	1.273	\$5.62
2007/08	15,973,000	370,278	4.31	1.231	5.31
2008/09	19,425,000	377,769	5.14	1.210	6.22
2009/10	20,034,000	338,407	5.92	1.179	6.98
2010/11	24,539,000	338,298	7.25	1.155	8.38
2011/12	25,294,000	348,514	7.26	1.132	8.21
2012/13	19,490,000	355,748	5.48	1.130	6.19
2013/14	20,306,000	373,451	5.44	1.098	5.97
2014/15	19,237,000	364,737	5.27	1.045	5.51
2015/16	24,938,000	390,571	6.39	1.021	6.52
Total	\$204,906,000	\$3,612,587	\$5.67		\$6.49

Claim Period (1)	Projected Limited Loss Rate per \$100 of Payroll (7)	Projected Payroll (000) (8)	Projected Ultimate Limited Losses (7)X(8)X10 (9)	Present Value Factor (10)	Present Value of Projected Limited Loss Rate per \$100 of Payroll (7)X(10) (11)	Present Value of Projected Ultimate Limited Losses (8)X(11)X10 (12)
2016/17	\$6.49	\$394,477	\$25,610,000	0.89	\$5.76	\$22,717,000
2017/18	6.62	398,422	26,383,000	0.89	5.87	23,403,000

(2) is from Exhibit WC-9.

(3) was provided by the City.

(5) is from Exhibit WC-14 and adjusted for change in retention.

(7) 2016/17 is based on (6) and actuarial judgment.
Other period(s) based on 2016/17 plus the trend in Exhibit WC-14.

(8) is based on (3) for 2015/16 and a 1% trend.

(10) is based on a 2.5% interest rate and the payout pattern in Exhibit WC-2.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-11

Estimated Outstanding Losses as of June 30, 2016

Claim Period (1)	Limited Paid Losses 6/30/16 (2)	Limited Case Reserves 6/30/16 (3)	Limited Reported Incurred Losses 6/30/16 (4)	Projected Ultimate Limited Losses (5)	Estimated IBNR 6/30/16 (5)-(4) (6)	Estimated Outstanding Losses 6/30/16 (3)+(6) (7)	Present Value Factor (8)	Present Value of Estimated Outstanding Losses 6/30/16 (7)X(8) (9)
to 1996/97	\$155,488,009	\$4,082,605	\$159,570,614	\$159,979,000	\$408,386	\$4,490,991	0.90	\$4,042,387
1997/98	15,245,849	665,230	15,911,079	15,978,000	66,921	732,151	0.88	647,379
1998/99	16,127,510	600,419	16,727,928	16,799,000	71,072	671,491	0.87	583,641
1999/00	13,686,996	1,031,222	14,718,218	14,869,000	150,782	1,182,004	0.85	1,010,456
2000/01	18,770,835	1,036,616	19,807,451	19,889,000	181,549	1,218,165	0.84	1,024,731
2001/02	21,610,013	1,193,694	22,803,706	23,058,000	254,294	1,447,988	0.83	1,201,137
2002/03	20,776,310	1,222,970	21,999,280	22,310,000	310,720	1,533,690	0.82	1,256,992
2003/04	20,116,262	1,449,824	21,566,086	22,005,000	438,914	1,888,738	0.81	1,537,044
2004/05	16,191,090	2,513,489	18,704,579	19,400,000	695,421	3,208,910	0.81	2,598,773
2005/06	15,447,862	1,895,704	17,343,566	18,094,000	750,434	2,646,138	0.81	2,141,619
2006/07	14,375,165	876,534	15,251,699	15,670,000	418,301	1,294,835	0.81	1,049,730
2007/08	13,572,782	1,672,807	15,245,589	15,973,000	727,411	2,400,218	0.81	1,952,724
2008/09	15,775,874	2,234,277	18,010,152	19,425,000	1,414,848	3,649,125	0.81	2,967,786
2009/10	16,040,094	2,200,076	18,240,170	20,034,000	1,793,830	3,993,906	0.82	3,266,610
2010/11	18,197,241	3,318,102	21,515,343	24,539,000	3,023,657	6,341,759	0.82	5,196,656
2011/12	17,322,627	4,844,397	22,167,024	25,294,000	3,126,976	7,971,373	0.82	6,554,968
2012/13	10,822,568	6,558,414	17,380,982	19,490,000	2,109,018	8,667,432	0.83	7,161,048
2013/14	9,474,107	6,915,162	16,389,269	20,306,000	3,916,731	10,831,893	0.85	9,171,785
2014/15	5,592,574	6,157,309	11,749,883	19,237,000	7,487,117	13,644,426	0.87	11,874,616
2015/16	2,798,168	7,765,253	10,563,421	24,938,000	14,374,579	22,139,832	0.89	19,707,264
Total	\$437,431,935	\$58,234,103	\$495,666,038	\$537,387,000	\$41,720,961	\$99,955,065		\$84,947,346

(2), (3) and (4) are net of specific self insured retention and aggregate retention.

(5) is from Exhibit WC-9.

(8) is based on a 2.5% interest rate and the payout pattern in Exhibit WC-2.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-44

Projected Losses Paid July 1, 2016 to June 30, 2017

Claim Period (1)	Months of Development 6/30/16 (2)	Percent Losses Paid (3)	Months of Development 6/30/17 (4)	Percent Losses Paid (5)	Percent Outstanding Losses Paid 7/1/16 to 6/30/17 [(5)-(3)]/[100.0%-(3)] (6)	Estimated Outstanding Losses 6/30/16 (7)	Projected Losses Paid (6)X(7) (8)	Estimated Outstanding Losses 6/30/17 (7)-(8) (9)	Present Value Factor (10)	Present Value of Estimated Outstanding Losses 6/30/17 (9)X(10) (11)
to 1996/97	240.0	92.2%	252.0	93.7%	20.0% *	\$4,490,991	\$898,198	\$3,592,793	0.90	\$3,234,091
1997/98	228.0	91.7%	240.0	92.2%	5.5% *	732,151	40,484	691,667	0.90	622,577
1998/99	216.0	91.3%	228.0	91.7%	5.2% *	671,491	35,018	636,473	0.88	562,779
1999/00	204.0	90.8%	216.0	91.3%	4.9% *	1,182,004	58,309	1,123,695	0.87	976,684
2000/01	192.0	90.3%	204.0	90.8%	4.7% *	1,218,165	56,996	1,161,169	0.85	992,645
2001/02	180.0	89.8%	192.0	90.3%	5.3% *	1,447,988	76,543	1,371,445	0.84	1,153,671
2002/03	168.0	89.2%	180.0	89.8%	5.8% *	1,533,690	88,507	1,445,183	0.83	1,198,810
2003/04	156.0	88.3%	168.0	89.2%	7.5% *	1,888,738	142,533	1,746,205	0.82	1,431,166
2004/05	144.0	87.3%	156.0	88.3%	8.2% *	3,208,910	263,562	2,945,348	0.81	2,396,907
2005/06	132.0	85.9%	144.0	87.3%	9.7% *	2,646,138	257,469	2,388,669	0.81	1,934,492
2006/07	120.0	84.2%	132.0	85.9%	10.7% *	1,294,835	137,948	1,156,887	0.81	936,312
2007/08	108.0	82.1%	120.0	84.2%	11.5% *	2,400,218	275,986	2,124,232	0.81	1,722,127
2008/09	96.0	80.1%	108.0	82.1%	10.1% *	3,649,125	368,067	3,281,058	0.81	2,669,341
2009/10	84.0	77.3%	96.0	80.1%	12.6% *	3,993,906	502,586	3,491,320	0.81	2,839,445
2010/11	72.0	74.4%	84.0	77.3%	11.3% *	6,341,759	717,945	5,623,814	0.82	4,599,709
2011/12	60.0	70.8%	72.0	74.4%	12.1% *	7,971,373	968,058	7,003,315	0.82	5,738,758
2012/13	48.0	66.5%	60.0	70.8%	12.9% *	8,667,432	1,118,974	7,548,458	0.82	6,207,199
2013/14	36.0	56.8%	48.0	66.5%	20.0% *	10,831,893	2,166,379	8,665,514	0.83	7,159,463
2014/15	24.0	40.6%	36.0	56.8%	20.0% *	13,644,426	2,728,885	10,915,541	0.85	9,242,613
2015/16	12.0	15.6%	24.0	40.6%	20.0% *	22,139,832	4,427,966	17,711,866	0.87	15,414,470
2016/17	0.0	0.0%	12.0	15.6%	15.6% *	25,610,000	3,999,670	21,610,330	0.89	19,235,940
Total						\$125,565,065	\$19,330,083	\$106,234,982		\$90,269,199

* - Limited to a maximum of 20% per actuarial judgment.

(3) and (5) are from Exhibit WC-2.

(7) to 2015/16 is from Exhibit WC-11. The amount for 2016/17 is from Exhibit WC-10.

(10) is based on a 2.5% interest rate and the payout pattern in Exhibit WC-2.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-45

Projected Losses Paid July 1, 2017 to June 30, 2018

Claim Period (1)	Months of Development 6/30/17 (2)	Percent Losses Paid (3)	Months of Development 6/30/18 (4)	Percent Losses Paid (5)	Percent Outstanding Losses Paid 7/1/17 to 6/30/18 [(5)-(3)]/ [100.0%-(3)] (6)	Estimated Outstanding Losses 6/30/17 (7)	Projected Losses Paid (6)X(7) (8)	Estimated Outstanding Losses 6/30/18 (7)-(8) (9)	Present Value Factor (10)	Present Value of Estimated Outstanding Losses 6/30/18 (9)X(10) (11)
to 1996/97	252.0	93.7%	264.0	95.0%	20.0% *	\$3,592,793	\$718,559	\$2,874,234	0.90	\$2,587,458
1997/98	240.0	92.2%	252.0	93.7%	20.0% *	691,667	138,333	553,334	0.90	498,089
1998/99	228.0	91.7%	240.0	92.2%	5.5% *	636,473	35,193	601,280	0.90	541,218
1999/00	216.0	91.3%	228.0	91.7%	5.2% *	1,123,695	58,601	1,065,094	0.88	941,772
2000/01	204.0	90.8%	216.0	91.3%	4.9% *	1,161,169	57,281	1,103,888	0.87	959,468
2001/02	192.0	90.3%	204.0	90.8%	4.7% *	1,371,445	64,168	1,307,277	0.85	1,117,548
2002/03	180.0	89.8%	192.0	90.3%	5.3% *	1,445,183	76,394	1,368,789	0.84	1,151,437
2003/04	168.0	89.2%	180.0	89.8%	5.8% *	1,746,205	100,771	1,645,434	0.83	1,364,922
2004/05	156.0	88.3%	168.0	89.2%	7.5% *	2,945,348	222,270	2,723,078	0.82	2,231,798
2005/06	144.0	87.3%	156.0	88.3%	8.2% *	2,388,669	198,192	2,192,477	0.81	1,784,225
2006/07	132.0	85.9%	144.0	87.3%	9.7% *	1,156,887	112,565	1,044,322	0.81	845,756
2007/08	120.0	84.2%	132.0	85.9%	10.7% *	2,124,232	226,309	1,897,923	0.81	1,536,060
2008/09	108.0	82.1%	120.0	84.2%	11.5% *	3,281,058	377,269	2,903,789	0.81	2,354,119
2009/10	96.0	80.1%	108.0	82.1%	10.1% *	3,491,320	352,150	3,139,170	0.81	2,553,907
2010/11	84.0	77.3%	96.0	80.1%	12.6% *	5,623,814	707,691	4,916,123	0.81	3,998,219
2011/12	72.0	74.4%	84.0	77.3%	11.3% *	7,003,315	792,839	6,210,476	0.82	5,079,539
2012/13	60.0	70.8%	72.0	74.4%	12.1% *	7,548,458	916,698	6,631,760	0.82	5,434,293
2013/14	48.0	66.5%	60.0	70.8%	12.9% *	8,665,514	1,118,727	7,546,787	0.82	6,205,825
2014/15	36.0	56.8%	48.0	66.5%	20.0% *	10,915,541	2,183,108	8,732,433	0.83	7,214,752
2015/16	24.0	40.6%	36.0	56.8%	20.0% *	17,711,866	3,542,373	14,169,493	0.85	11,997,880
2016/17	12.0	15.6%	24.0	40.6%	20.0% *	21,810,330	4,322,066	17,288,264	0.87	15,045,813
2017/18	0.0	0.0%	12.0	15.6%	15.6% *	26,383,000	4,120,394	22,262,606	0.89	19,816,548
Total						\$132,617,982	\$20,439,951	\$112,178,031		\$95,260,626

* - Limited to a maximum of 20% per actuarial judgment.

(3) and (5) are from Exhibit WC-2.

(7) to 2016/17 is from Exhibit WC-12, (9). The amount for 2017/18 is from Exhibit WC-10.

(10) is based on a 2.5% interest rate and the payout pattern in Exhibit WC-2.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-14

Loss Rate and Severity Trend

I. Benefit Level Changes

Effective Date (1)	Benefit Level Change (2)	Cumulative Benefit Level Change (3)
01/01/07	1.006	1.006
02/15/07	1.011	1.017
01/01/08	1.022	1.039
01/01/09	1.013	1.053
01/01/10	1.001	1.054
01/01/12	1.001	1.055
01/01/13	0.982	1.015
01/01/14	1.058	1.074
01/01/15	1.004	1.078
01/01/16	1.003	1.081

II. Loss Rate and Severity Trend

Claim Period (1)	Benefit Trend (2016/17 = 1.000) (2)	Residual Trend (2016/17 = 1.000) (3)	Retention Index (2016/17 = 1.000) (4)	Loss Rate Trend (2016/17 = 1.000) (2)X(3)X(4) (5)	Wage Trend (2016/17 = 1.000) (6)	Severity Trend (2016/17 = 1.000) (5)X(6) (7)
2006/07	1.066	1.219	0.980	1.273	1.344	1.711
2007/08	1.051	1.195	0.980	1.231	1.305	1.606
2008/09	1.033	1.172	1.000	1.210	1.267	1.533
2009/10	1.026	1.149	1.000	1.179	1.230	1.449
2010/11	1.025	1.126	1.000	1.155	1.194	1.379
2011/12	1.025	1.104	1.000	1.132	1.159	1.312
2012/13	1.044	1.082	1.000	1.130	1.126	1.272
2013/14	1.035	1.061	1.000	1.098	1.093	1.200
2014/15	1.005	1.040	1.000	1.045	1.061	1.109
2015/16	1.001	1.020	1.000	1.021	1.030	1.052
2016/17	1.000	1.000	1.000	1.000	1.000	1.000
2017/18	1.000	0.980	1.000	0.980	0.971	0.952

Section I, (2) and (3) reflect data published by the NCCI.

Section II, (2) is based on Section I, (2).

Section II, (3) is based on 2% trend per actuarial judgment.

Section II, (4) is based on industry statistics and actuarial judgment.

Section II, (6) is based on 3% trend.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-15

List of Large Claims
Reported Incurred Losses Greater Than \$500,000

Claim Number (1)	Date of Loss (2)	Claim Period (3)	Specific Self-Insured Retention (4)	Unlimited Paid Losses 6/30/16 (5)	Unlimited Case Reserves 6/30/16 (6)	Unlimited Reported Incurred Losses 6/30/16 (7)
0000190143	12/27/1972	to 1996/97	Unlimited	\$722,941	\$0	\$722,941
0000190774	1/19/1974	to 1996/97	Unlimited	613,638	0	613,638
0000190326	8/1/1974	to 1996/97	Unlimited	771,240	0	771,240
0000190147	7/4/1975	to 1996/97	Unlimited	3,789,406	608,159	4,397,565
0000190244	10/3/1975	to 1996/97	Unlimited	542,435	0	542,435
0000191607	3/11/1977	to 1996/97	Unlimited	2,904,822	0	2,904,822
0000190910	12/5/1977	to 1996/97	Unlimited	913,798	0	913,798
0000190513	10/19/1978	to 1996/97	Unlimited	925,345	0	925,345
0001305216	4/11/1983	to 1996/97	Unlimited	800,100	0	800,100
0001305673	10/28/1983	to 1996/97	Unlimited	360,180	354,510	714,690
0001305402	1/3/1984	to 1996/97	Unlimited	583,002	0	583,002
0001305712	1/26/1984	to 1996/97	Unlimited	567,073	0	567,073
0008600690	7/16/1986	to 1996/97	Unlimited	560,893	0	560,893
0087580347	2/24/1987	to 1996/97	Unlimited	657,401	96,209	753,610
0088580879	7/1/1988	to 1996/97	Unlimited	628,550	0	628,550
0088580941	10/6/1988	to 1996/97	Unlimited	612,393	0	612,393
0090000792	8/23/1990	to 1996/97	Unlimited	477,423	153,469	630,892
0091000256	9/15/1990	to 1996/97	Unlimited	462,351	131,443	593,795
0091000967	10/20/1991	to 1996/97	Unlimited	615,883	0	615,883
0091001095	10/20/1991	to 1996/97	Unlimited	598,810	224,029	822,839
0094630112	8/1/1994	to 1996/97	Unlimited	1,409,190	0	1,409,190
0095630121	1/11/1995	to 1996/97	Unlimited	545,787	52,678	598,465
0096630131	8/15/1995	to 1996/97	Unlimited	648,471	268,937	917,408
0096630617	3/1/1996	to 1996/97	Unlimited	541,404	0	541,404
0097630604	7/10/1997	1997/98	Unlimited	472,610	57,949	530,559
0058620470	6/11/1998	1997/98	Unlimited	401,514	202,518	604,031
0059620316	3/26/1999	1998/99	Unlimited	506,947	0	506,947
0059620442	5/4/1999	1998/99	Unlimited	568,386	165,722	734,108
0056200017	1/3/2000	1999/00	Unlimited	558,976	455,211	1,014,186
0056210090	1/3/2001	2000/01	Unlimited	354,026	190,382	544,408
0056210086	1/24/2001	2000/01	Unlimited	531,819	0	531,819
0056210681	7/19/2001	2001/02	Unlimited	555,676	0	555,676
0108004322	8/23/2001	2001/02	Unlimited	915,476	0	915,476
0109002741	9/21/2001	2001/02	Unlimited	731,455	0	731,455
0204001439	4/6/2002	2001/02	Unlimited	783,715	240,740	1,024,455
0206001880	6/1/2002	2001/02	Unlimited	422,208	93,954	516,162
0208004522	8/3/2002	2002/03	Unlimited	1,482,629	56,699	1,539,328
0208003005	8/11/2002	2002/03	Unlimited	752,443	0	752,443
0209003498	9/27/2002	2002/03	Unlimited	530,444	114,994	645,438
0210003933	10/3/2002	2002/03	Unlimited	632,334	51,281	683,615
0211004343	11/23/2002	2002/03	Unlimited	806,499	272,573	1,079,072
0401000424	1/13/2004	2003/04	Unlimited	584,135	0	584,135
0405001211	5/14/2004	2003/04	Unlimited	417,551	237,196	654,747
0408001992	8/17/2004	2004/05	1,000,000	383,236	174,877	558,113
0509002575	12/3/2004	2004/05	1,000,000	605,205	1,092,108 *	1,697,313 *
0501000048	1/12/2005	2004/05	1,000,000	474,830	124,125	598,955
0603000428	3/5/2005	2004/05	1,000,000	461,689	282,811	744,501
0506001414	6/23/2005	2004/05	1,000,000	614,658	266,343	881,001
0507002799	7/1/2005	2005/06	1,000,000	665,427	0	665,427
0510002729	10/18/2005	2005/06	1,000,000	380,056	130,515	510,571
0601000103	1/21/2006	2005/06	1,000,000	2,366,438 *	0	2,366,438 *
0602003173	2/28/2006	2005/06	1,000,000	457,359	48,834	506,193
0608001735	8/14/2006	2006/07	1,000,000	425,465	220,342	645,807
0701000110	1/20/2007	2006/07	1,000,000	504,355	0	504,355
0708001974	8/17/2007	2007/08	1,000,000	1,450,853 *	489,394	1,940,247 *
0708002337	8/27/2007	2007/08	1,000,000	595,413	673,699 *	1,269,112 *
0802000349	2/22/2008	2007/08	1,000,000	363,811	169,049	532,860
0808002081	8/26/2008	2008/09	750,000	437,222	297,045 *	734,267 *
0903000603 et al	3/21/2009	2008/09	750,000	3,593,666 *	125,728	3,719,393 *
0906002809	6/12/2009	2008/09	750,000	226,097	313,148 *	539,245
1003000505	3/19/2010	2009/10	750,000	582,131 *	159,616 *	741,747 *
1008001619	8/6/2010	2010/11	750,000	1,036,108 *	107,540	1,143,647 *
1008001950	8/31/2010	2010/11	750,000	520,172	110,295	630,466
121100167	11/14/2012	2012/13	750,000	214,551	305,449 *	520,000
140600108	6/24/2014	2013/14	750,000	702,956 *	2,250,182 *	2,953,138 *

Amounts are gross of excess insurance and net of other recoveries.

The claim(s) indicated by a "*" have been limited in development.

(1) through (7) were provided by the City.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-16

Size of Loss Distribution

I. Reported Claim Count

Layer (1)	Prior (2)	2011/12 (3)	2012/13 (4)	2013/14 (5)	2014/15 (6)	2015/16 (7)	Total (2)...(7) (8)	Non-Zero Claim Cumulative Total (9)	Non-Zero Claim Cumulative % of Total (10)
0	2,610	37	13	30	12	34	2,736		
0.01 - 5,000	24,283	386	365	420	389	308	26,160	26,160	77.8%
5,000 - 10,000	1,625	24	30	28	28	42	1,777	27,937	83.1%
10,000 - 25,000	1,638	31	33	22	34	65	1,853	29,790	88.6%
25,000 - 50,000	1,159	27	28	29	23	31	1,297	31,087	92.5%
50,000 - 100,000	869	42	36	39	28	45	1,158	32,245	96.6%
100,000 - 250,000	862	74	51	36	31	11	1,065	33,310	99.1%
250,000 - 500,000	184	16	12	16	8	5	250	33,560	99.8%
500,000 - 750,000	40	0	1	0	0	0	41	33,601	99.9%
750,000 - 1,000,000	10	0	0	0	0	0	10	33,611	100.0%
Over 1,000,000	13	0	0	1	0	0	14	33,625	100.0%
Total	33,413	636	568	620	553	571	36,361	33,625	

II. Total Reported Incurred Losses

Layer (1)	Prior (2)	2011/12 (3)	2012/13 (4)	2013/14 (5)	2014/15 (6)	2015/16 (7)	Total (2)...(7) (8)	Non-Zero Claim Cumulative Total (9)	Non-Zero Claim Cumulative % of Total (10)
0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
0.01 - 5,000	20,288,292	437,423	398,309	468,095	509,066	398,415	22,479,600	22,479,600	4.5%
5,000 - 10,000	11,436,677	162,643	211,665	188,381	197,667	302,295	12,499,327	34,978,927	6.9%
10,000 - 25,000	26,652,655	538,384	503,704	386,299	597,179	1,503,986	30,122,406	65,101,333	12.9%
25,000 - 50,000	41,534,361	978,624	998,000	1,055,313	859,821	1,113,266	46,539,386	111,640,719	22.1%
50,000 - 100,000	68,686,196	2,901,639	2,734,569	2,965,716	2,129,156	3,294,949	82,712,225	194,352,944	38.6%
100,000 - 250,000	132,578,751	11,820,006	8,140,211	6,137,242	5,087,845	2,068,550	165,833,605	360,186,549	71.4%
250,000 - 500,000	64,673,788	5,328,304	3,974,524	4,438,223	2,429,160	1,881,959	82,625,947	442,812,496	87.8%
500,000 - 750,000	24,261,663	0	520,000	0	0	0	24,781,663	467,594,159	92.7%
750,000 - 1,000,000	8,453,261	0	0	0	0	0	8,453,261	476,047,420	94.4%
Over 1,000,000	25,504,789	0	0	2,953,138	0	0	28,457,927	504,505,327	100.0%
Total	\$424,051,610	\$22,167,024	\$17,380,982	\$18,592,407	\$11,749,863	\$10,563,421	\$504,505,327	\$504,505,327	

Amounts are gross of excess insurance and net of other recoveries.

Data was provided by the City.



CITY OF OAKLAND
WORKERS' COMPENSATION

Exhibit WC-17

Loss Distribution by Type

I. Claim Counts and Incurred Losses

Claim Period (1)	Reported Claims 6/30/16			Unlimited Reported Incurred Losses 6/30/16				
	Medical Only (2)	Lost Time (3)	Total (2)...(3) (4)	Medical Only (5)	Lost Time			Total (5)...(8) (9)
					Indemnity (6)	Medical (7)	Expense (8)	
2006/07	263	440	703	\$154,360	\$9,895,728	\$4,317,451	\$1,003,877	\$15,371,416
2007/08	287	416	703	115,564	10,115,428	5,245,734	1,161,354	16,638,080
2008/09	266	412	678	117,401	14,124,915	5,636,038	1,374,842	21,253,196
2009/10	244	398	642	119,529	11,147,238	5,882,672	1,376,624	18,526,063
2010/11	226	424	650	132,349	13,696,719	6,607,777	1,501,013	21,937,858
2011/12	278	358	636	199,873	13,602,065	6,744,030	1,734,758	22,280,727
2012/13	243	325	568	179,792	9,483,565	5,994,346	1,724,994	17,382,698
2013/14	320	300	620	253,855	10,667,568	6,170,582	1,500,801	18,592,807
2014/15	242	311	553	282,825	6,695,395	3,687,410	1,089,860	11,755,290
2015/16	315	256	571	1,248,877	4,762,918	3,469,962	1,081,665	10,563,421
Total	2,684	3,640	6,324	\$2,804,226	\$104,191,540	\$53,756,003	\$13,549,787	\$174,301,555

II. Percentages

Claim Period (1)	Reported Claims 6/30/16			Unlimited Reported Incurred Losses 6/30/16				
	Medical Only (2)/(4) (10)	Lost Time (3)/(4) (11)	Total (10)...(11) (12)	Medical Only (5)/(9) (13)	Lost Time			Total (13)...(16) (17)
					Indemnity (6)/(9) (14)	Medical (7)/(9) (15)	Expense (8)/(9) (16)	
2006/07	37.4%	62.6%	100.0%	1.0%	64.4%	28.1%	6.5%	100.0%
2007/08	40.8%	59.2%	100.0%	0.7%	60.8%	31.5%	7.0%	100.0%
2008/09	39.2%	60.8%	100.0%	0.6%	66.5%	26.5%	6.5%	100.0%
2009/10	38.0%	62.0%	100.0%	0.6%	60.2%	31.8%	7.4%	100.0%
2010/11	34.8%	65.2%	100.0%	0.6%	62.4%	30.1%	6.8%	100.0%
2011/12	43.7%	56.3%	100.0%	0.9%	61.0%	30.3%	7.8%	100.0%
2012/13	42.8%	57.2%	100.0%	1.0%	54.6%	34.5%	9.9%	100.0%
2013/14	51.6%	48.4%	100.0%	1.4%	57.4%	33.2%	8.1%	100.0%
2014/15	43.8%	56.2%	100.0%	2.4%	57.0%	31.4%	9.3%	100.0%
2015/16	55.2%	44.8%	100.0%	11.8%	45.1%	32.8%	10.2%	100.0%
Total	42.4%	57.6%	100.0%	1.6%	59.8%	30.8%	7.8%	100.0%

Data was provided by the City and is gross of recoveries. Medical Only includes claims with claim type of FA, IO or MO. Lost Time includes claim types FM, PP, and TD.

Attachment A