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AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Andrea R. Gourdine

SUBJECT: Workers' Compensation Program Report

DATE: April 12, 2012

City Administrator
Approval

Date: 4/25/12

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

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

EXECUTIVE SUMMARY

This informational report on the Workers' Compensation program for the Second Quarter of Fiscal Year 2011-12 is presented to inform the Finance and Management Committee of Workers' Compensation costs and claims as of December 31, 2011. This report is provided in response to City Council's directive to provide regular updates on the City's Workers' Compensation Program as administered by the Risk and Benefits Division (RBD).

This report presents detailed information in the following areas:

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

OUTCOME

Acceptance of this Informational Report will provide updated Workers' Compensation Program activities and statistics as of December 31, 2011.

Item: _____
Finance & Management Committee
May 8, 2012

BACKGROUND/LEGISLATIVE HISTORY

The Risk and Benefits Division (RBD) of the Department of Human Resources Management has been directed to provide quarterly updates on the City's Workers' Compensation Program. This report contains information through the end of the Second Quarter of FY 2011-12 (as of December 31, 2011).

The content of this report transmits information related to cost controlling measures and claims at the department level. Over the past several years program-related medical costs have remained virtually flat, as have allocated costs. However, during the same period the program experienced a significant increase in Indemnity/Salary Supplement payments to injured workers in FY 2010-11. This increase prompted a mid-year program administration change designed to place financial responsibility within departmental budgets, incentivizing departments to proactively implement injury reduction strategies and participate fully in the City's Transitional Duty Program.

The number of Indemnity claims filed by employees remained flat, resulting in 403 Indemnity claims filed in FY 2008-09, 402 Indemnity claims filed in FY 2009-10 and 393 Indemnity claims filed in FY 2010-11. During FY 2011-12 (as of December 31, 2011), 188 Indemnity claims have been filed (projecting a total of 376 Indemnity claims filed for the current fiscal year).

For FY 2008-09 an average of 8.24 Indemnity claims were filed per 100 employees; in FY 2009-10 an average of 8.73 Indemnity claims were filed per 100 employees; and in FY 2010-11 an average of 8.34 Indemnity claims were filed per 100 employees. It is projected that in FY 2011-12, an average of 7.26 Indemnity claims will be filed per 100 employees, representing a decline of 13%.

ANALYSIS

The following section compiles Workers' Compensation statistical information for the Second Quarter of FY 2011-12 (ending December 31, 2011).

Quarterly Workers' Compensation Statistical Information

A. Transitional Duty Program Participation

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

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

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

Post Work Restriction Funding: Effective June 2, 2011, the City changed how injured employees are funded after receiving work restrictions from their physician. Departments are now financially responsible to fund employees with work restrictions directly from their department payroll budget. This provides an incentive for departments to return employees to transitional duty more quickly since employees with restrictions are no longer paid through Fund 1150. Complementing this funding change are modifications made to the Transitional Duty Program and resources made available to departments to assist with the implementation of the program. It is expected that the program will provide a needed stimulus to engage departments in more proactive workers' compensation control measures.

This reduced participation is reflected in the decline of transitional assignment (TA) days worked by injured employees. The table below shows the dramatic change in participation rate after these program modifications were made near the end of last fiscal year.

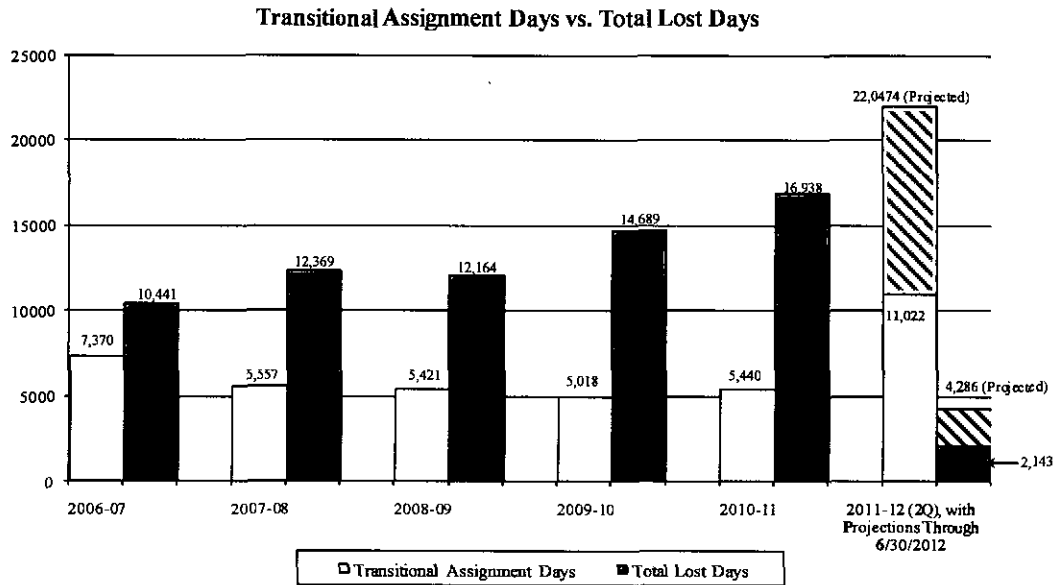


Chart 1

The following chart reflects savings due to Transitional Duty for FY 2009-10 and FY 2010-11, the projected savings for FY 2011-12:

	FY 2009-10	FY 2010-11	FY 2011-12 (2Q)	FY 2011-12 (Projected through 6/30/12)
Transitional Duty Savings (City-Wide)	\$ 1,054,855	\$ 1,326,794	\$ 2,345,362	\$4,690,724

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

B. Workers' Compensation Program Statistical Information

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

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

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12 (Ending 12/31/2011)	FY 2011-12 (Projected Through 6/30/2012)
Open Indemnity Claims (All Years)	926	866	944	933	--
Total TD Days	12,164	14,689	16,938	2,143	4,286
Average TD Days per Claim	13.14	16.96	17.94	2.30	9
Percent Change from Prior Year	--	21%	15%	--	--

The number of Temporary Disability (TD) days has increased over the past three years, resulting in an increase of 21 percent and 15 percent in FY 2009-10 and FY 2010-11 respectively. ***However, if trending remains consistent through the remaining 3rd and 4th quarters, it appears there should be a significant decline in the average number of TD days per claim for FY 2011-12.***

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

	FY 2008-09	FY 2009-10	FY 2010-11
Total Number of Employees	4,894	4,604	4,714
Number of Employees on Long-Term WC leave (12 months or more)	17	21	12
Percentage of Employees on Long-Term WC Leave	0.35%	0.46%	0.25%
Percentage Change from Prior Year	--	24%	-43%

In some cases, depending on the severity, Workers' Compensation strategies for long-term absence cases involve moving cases to closure and assisting employees with the job reassignment as required under the California Fair Employment and Housing Act (FEHA) and/or the disability retirement process, as appropriate. This usually occurs once a case reaches the point where the employee has permanent medical restrictions and it has been determined that the employee can no longer perform the essential functions of his/her job classification, with or without accommodation. Depending on the severity of the injury, it may take more than 12 months for this determination to be made. Until this stage is reached, the City is obligated to continue working with the employee and his/her medical provider in returning them to full functionality in their designated job classification. As a result of RBD's collaboration with other City agencies that also have responsibilities in employee disability cases, a majority of the employees that are on the list of long-term leave cases have either returned to work, retired or otherwise separated from the City. The 43 percent reduction reflected in the previous table results in overall savings to the Workers' Compensation Program, as it further limits the amount of Indemnity expenditures made on the individual cases.

Long-Term Workers' Compensation Leave Costs

The following table provides information about the financial impact of Workers' Compensation cases, where the employee has been absent from work for one year or more during FY 2010-11.

OOI	Claim No.	Department	Job Class	Totals PAID Through 12/31/11	Total INCURRED Expenses Through 12/31/11	Status Through 12/31/11
03/19/10	1003000505	OFD	Engineer	\$309,273.00	\$434,532.00	Surgery 11/11
07/02/10	1007001409	OFD	Fire Fighter	\$149,728.00	\$268,407.00	RTW 3/12
08/31/10	1008001950	OFD	Fire Fighter Paramedic	\$142,775.00	\$213,584.00	Off work

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

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

Item: _____
Finance & Management Committee
May 8, 2012

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

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

As of December 31, 2011, the City expended \$7.3 million in Fund 1150 for Workers' Compensation costs compared to \$11.2 million for the same period last year. The table below shows detailed costs, by department, including Medical, Legal, Temporary Disability and LC4850 benefits.

Table 1: Costs by Department (Medical, Legal, Temporary Disability and LC4850 Benefits, excluding Permanent Disability and Settlements)*

Department	Adopted W/C Budget (FY 2011-12)	Actual Expenditures 2Q (FY 2010-11)	Actual Expenditures 2Q (FY 2011-12)	Projected Expenditures (FY 2011-12)	Projected Year-End Balance (FY 2011-12)
Police	\$6,800,907	\$5,442,675	\$3,586,260	\$7,172,520	(\$371,613)
Fire	7,088,383	3,482,689	2,370,088	4,740,176	2,348,207
PWA	1,491,321	971,996	701,391	1,402,783	88,538
All Others	2,921,666	1,304,222	684,458	1,368,916	1,552,750
Subtotal	\$ 18,302,277	\$11,201,582	\$7,342,198	\$ 14,684,395	\$3,617,882
Subrogation / Insurance Recoveries			(1,840,631)	(1,840,631)	1,840,631
General Fund (GF) Total	\$18,302,277	\$11,201,582	\$5,501,567	\$12,843,764	\$5,458,513

*The Actual Expenditures 2Q (FY 2011-12) shown above include final settlements related to the 2009 Police Officers Deaths claims in the amount of \$1,840,631. The City was reimbursed for this same amount by our Insurance Pool, CSAC-EIA, since the City was covered by Excess Workers' Compensation when these claims were filed in 2009. The total of these expenditures minus this amount would adjust the year-to-date totals to \$5.5 million, reflecting a reduction of 25 percent in program expenditures.

Item: _____
 Finance & Management Committee
 May 8, 2012

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

- (4) Indemnity (Mandated Disability Leave Benefits) Cost Analysis – Indemnity expenditures (LC4850 and Temporary Disability Benefits) is one of the major Workers' Compensation costs. This cost is paid from Fund 1150 with no financial burden or responsibility placed on departments. As of December 31, 2011, the City expended \$3.7 million in Indemnity costs as compared to \$4.2 million during the same period last year, representing a 12 percent year-to-date decrease.

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

Department	FY 2011-11 (2Q Actual)	FY 2011-12 (2Q Actual)	Net Change	Percentage Change	Projected Year End
Police	\$ 2,519,212	\$ 1,934,836	\$ (584,376)	-23.20%	\$ 3,869,672
Fire	1,336,492	1,235,697	(100,795)	-7.54%	2,471,393
PWA	154,527	318,312	163,785	105.99%	636,624
All Others	142,601	163,159	20,559	14.42%	326,318
Total	\$ 4,152,831	\$ 3,652,004	\$ (500,827)	-12.06%	\$ 7,304,007

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

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

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

Department	Medical ⁽¹⁾	Indemnity ⁽²⁾	Legal ⁽³⁾	Total
Police	\$ 1,454,422	\$ 5,697,026	\$ 197,003	7,348,450
Fire	1,042,728	1,827,506	91,663	2,961,897
PWA	407,387	474,033	197,003	1,078,422
All Others	520,094	232,692	82,006	834,792
Total	\$ 3,424,631	\$ 8,231,257	\$ 567,674	\$ 12,223,562

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

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

(3) Defense legal costs

Item: _____
 Finance & Management Committee
 May 8, 2012

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

Table 4: Cost Components as a Percentage of Total Cost

Department	Medical as a % of Total	Indemnity as a % of Total	Other as a % of Total
Police	20%	78%	3%
Fire	35%	62%	3%
PWA	38%	44%	18%
All Others	62%	28%	10%
Total	28%	67%	5%

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

Table 5: Claims, by Department

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

- (7) **Performance Measures for Workers' Compensation Administration** – Four measures are used to monitor the performance of how claims are administered: closing ratio, timeliness of bill payments, medical utilization review (timeliness and approval rate) and customer's satisfaction with claim administration.
- (a) **Closing Ratio** – This ratio measures how many claims are closed as compared to newly opened claims over a specific period of time. A closing ratio of greater than one is preferred and indicates that more claims are being closed than opened, thereby reducing the City's total number of open claims (and future liability). The chart below indicates continued positive progress in productivity for the three years reported.

Claims Productivity Ratio by Fiscal Year

FY Ending	# Claims Closed	# Claims Opened	Productivity Ratio
2009	829	650	128%
2010	812	592	137%
2011	701	568	123%
2012 (2nd Qtr)	359	300	120%

(b) **Timeliness of Bills Payment** - This measure monitors the timeliness with which bills are being paid. As of the Second Quarter of FY 2011-12 (period ending 12/31/11), a total of 9,865 bills were received by the City of Oakland. They were paid according to the timeline below:

- 100 percent were paid within the statutory timeframe of 60 days
- 99 percent were paid within 30 days
- 85 percent were paid within 15 days

(c) **Medical Utilization Review** - This measures the approval rate of the requests for medical treatments under the State's Medical Utilization Review (UR) Program, and the timeliness with which requests are addressed and the UR outcomes. In FY 2011-12 (Second Quarter) there were 517 UR referrals:

- 99 percent of UR referrals were reviewed with a decision rendered on a timely basis, as required by the State (within 5–14 days, depending on the need for additional information from the provider.)
- 43 percent of the UR referrals were initially approved.
- 57 percent of the UR referrals were initially denied, modified, or withdrawn from the UR process (33 percent Denied/17 percent Modified/7% Withdrawn).
- 3 percent of the UR referrals, that were initially denied, were appealed. Approximately 63 percent of those were upheld and 37 percent were reversed or modified.
- Ultimately, 62 percent of the UR referrals were approved or modified.

(d) **Customer Satisfaction** – Claimants with Indemnity claims have historically not been asked to assess their satisfaction with claim administration. In an effort to ensure quality service to departments and injured employees, RBD will undertake regular customer service surveys of departments and injured employees to determine the level of customer satisfaction. The survey will be distributed during the Fourth Quarter of FY 2011-12 and reported out with the next year-end report.

(e) Fraud Investigations

The table below provides the information regarding investigation activity through FY 2011-12 (Second Quarter).

Total Claims Filed	A Surveillance	B Field Investigation	C Fraud Referral (FD-1) Submission	Background Checks	Denied Claims
296	13 (4%)	11 (4%)	3 (1%)	6 (2%)	61 (21%)

Fraud investigations are a sequence of three activities. *Surveillance* activities include observation of individuals, without contact with the subject. *Field Investigations* are a progression of surveillance activities, and involve the taking of statements from the subject and from others. A *Fraud Referral* is the final step taken, when a case meets the standard for fraud set by the District Attorney.

Program Description

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

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

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

The City of Oakland relies heavily on AMEs to bring resolution to a number of our workers' compensation cases. The table below provides information as of the Second Quarter of FY 2011-12 (period ending December 31, 2011) on the number of AME and QME (Qualified Medical Examination) processes that have been utilized over the past

three fiscal years. In addition, the table reflects the number of cases settled on the basis of the opinion of the employee's Primary Treating Physician (PTP):

City of Oakland Medical - Legal Statistics
(3 Years and Second Quarter 2011-12)

	7/1/08 - 6/30/09	7/1/09 - 6/30/10	7/1/10 - 6/30/11	7/1/11 - 12/31/11
Number of Claims Settled	212	277	157	134
AME (Agreed to Medical Examination)	118	161	106	106
PTP (Primary Treating Physician)	35	50	24	17
Panel QME (Employee Unrepresented by Attorney)	25	38	14	5
QME (Employee Represented by Attorney)	19	13	7	4
Other (Death or other decision/action)	15	15	6	1

B. **Risk and Benefits Disability Summit – March 28, 2012:** The Disability Summit held on March 28, 2012 targeted department workers' compensation representatives, human resource representatives, upper-management, and directors. (The agenda is included in this report as Attachment B.) Attendees were provided with current information and education on employee disability issues that impact departments, including:

- RBD's new responsibilities for management of the expanded Employee Assistance Program, compliance with the Fair Employment and Housing Act (FEHA) and the administration of the Benefits programs;
- Updates on the performance of the Return to Work Program;
- Utilization of the City's telephone injury reporting hotline (Injury Care Direct);
- compliance with medical privacy requirements of the Health Insurance Portability and Accountability Act (HIPAA);
- Discipline and disability issues; and
- Prosecution of Workers' Compensation fraud.

The Summit provided an opportunity for department representatives to discuss recent changes to their department case trends and seek clarification on disability related issues from the technical experts in attendance.

The next Disability Summit will be held in June 2012. The agenda is currently being developed in collaboration with other City departments with responsibilities that involve employee medical and disability issues.

C. **Critical Case Review Team Update**

Many of the issues related to long-term workers' compensation cases cross over into other jurisdictional areas that are monitored and managed by departments/divisions

Item: _____
Finance & Management Committee
May 8, 2012

outside of Risk and Benefits. RBD is re-instituting a Critical Case Review Team (CCRT) with the objective of joining staff from different departments under a common cause of resolving long-term and problematic employee cases. This team will work together to strategically plan and resolve cases as well as to discuss updating or creating policy centered on case resolution.

The first quarterly meeting will be held in May 2012.

D. Workers' Compensation Fiscal Review Committee

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

E. Legislative Opportunity

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

PUBLIC OUTREACH/INTEREST

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

COORDINATION

This Informational Report has been reviewed by the City Attorney's Office and the Budget Office.

FISCAL/POLICY ALIGNMENT

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

Item: _____
Finance & Management Committee
May 8, 2012

COST SUMMARY/IMPLICATIONS

The overall cost of the Workers' Compensation Program in FY 2010-11 was \$25,292,026. This represented an increase of \$2,762,842 over the prior fiscal year. The largest increase was associated with Temporary Disability payments in the form of LC4850 Pay (+\$2,384,101) paid to Oakland Police Department sworn employees, Temporary Disability Pay (+\$378,986) and MOU Salary Supplement Pay (+\$99,489), resulting in a 31.8 percent increase in Indemnity/Salary Supplement payments to injured employees over the prior fiscal year.

As of the Second Quarter FY 2011-12 (period ending December 31, 2011), the overall cost of the Workers' Compensation Program was \$11,632,133. Based on this activity, the projected expenditures through June 30, 2012 could be approximately \$23.2 million, resulting in savings of nearly \$2 million and a reduction of approximately 9%. Compared to the Second Quarter of FY 2010-11, expenditures are lower in all indemnity/salary categories, with the greatest decrease in MOU Salary Supplement Pay (-\$129,791). Temporary Disability payments in the form of LC4850 Pay to Oakland Police Department sworn employees are also lower (-\$891,493).

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

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

Attachment A – Workers' Compensation Expenditures Report provides a breakdown of tracked expenditures against the Workers' Compensation Program including the amount of Indemnity payments paid for FY 2008-09 through FY 2010-11, expenditures during FY 2011-12 as of December 31, 2011, and projected year-end expenditures for fiscal year ending June 30, 2012.

Since implementing changes to how employees eligible for transitional assignments are funded, the City has experienced a reduction in Indemnity/Salary Supplement costs of approximately \$1,392,201 (27.6%); however, it should be noted that this reduction is largely a transfer of funding sources and does not result in an overall savings to the City. The intent of this funding change is to allocate financial responsibility on the department of the injured employee to promote more proactive participation in injury prevention strategies and the return to work process. Staff will continue to track and report on projected/actual cost reductions in the upcoming months.

Item: _____
Finance & Management Committee
May 8, 2012

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

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

SUSTAINABLE OPPORTUNITIES

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

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

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

CEQA

This report is not a project under CEQA.

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

Respectfully submitted,



Andrea R. Gourdine
Director
Department of Human Resources Management

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

Attachment A – Workers' Compensation Expenditures Report (FY 2008-09 through FY 2011-12, 2Q)
Attachment B – Agenda, Risk and Benefits Disability Summit (March 28, 2012)
Attachment C – Transitional Duty Program Savings FY 2009-10 through FY 2011-12, 2Q)

Item: _____
Finance & Management Committee
May 8, 2012

ATTACHMENT A

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

	2008-09	2009-10	2010-11	2011-12	2011-12 ⁽¹⁾
OPERATIONS EXPENDITURES					
INDEMNITY / SETTLEMENT					
Pennant Disability*	\$ 4,567,441	\$ 5,036,106	\$ 4,939,738	\$ 4,759,159	\$ 9,518,318 ⁽²⁾
INDEMNITY / SALARY					
Non-4850⁽³⁾					
Temporary Disability	\$ 1,045,350	\$ 1,371,942	\$ 1,750,928	\$ 755,173	\$ 1,510,346
Civilian - Salary Supplement	\$ 428,485	\$ 526,605	\$ 626,094	\$ 183,256	\$ 366,512
Total Non-4850 Pay	\$ 1,473,835	\$ 1,898,547	\$ 2,377,022	\$ 938,429	\$ 1,876,858
4850⁽³⁾					
Swom - OPD - 4850 Pay	\$ 1,726,011	\$ 2,654,322	\$ 5,038,423	\$ 1,627,719	\$ 3,255,438
Swom - OFD - 4850 Pay	\$ 2,677,212	\$ 3,104,530	\$ 2,672,983	\$ 1,085,856	\$ 2,171,712
Total 4850 Pay	\$ 4,403,223	\$ 5,758,852	\$ 7,711,406	\$ 2,713,575	\$ 5,427,150
Subtotal - Indemnity / Salary	\$ 5,877,058	\$ 7,657,399	\$ 10,088,428	\$ 3,652,004	\$ 7,304,008
MEDICAL	\$ 6,310,839	\$ 6,346,345	\$ 6,393,868	\$ 3,424,630	\$ 6,849,260
ALLOCATED					
Rehabilitation	\$ 88,391	\$ 23,955	\$ 34,391	\$ 2,447	\$ 4,894
Investigative Claims Expense	\$ 443,300	\$ 403,961	\$ 468,595	\$ 284,407	\$ 568,814
Legal	\$ 1,023,725	\$ 1,180,255	\$ 953,583	\$ 448,819	\$ 897,638
10% Penalties	\$ 18,587	\$ 7,864	\$ 8,568	\$ 5,236	\$ 10,472
Subtotal - Allocated	\$ 1,574,003	\$ 1,616,035	\$ 1,465,137	\$ 740,909	\$ 1,481,818
SUB-TOTAL OPERATIONS EXPENDITURES	\$ 18,329,341	\$ 20,655,885	\$ 22,887,171	\$ 12,576,702	\$ 25,153,404
THIRD PARTY RECOVERY - REFUNDED TO CITY	\$ (329,531)	\$ (821,953)	\$ (340,184)	\$ (2,317,089) ⁽⁵⁾	\$ (3,270,005)
TOTAL OPERATIONS EXPENDITURES	\$ 17,999,810	\$ 19,833,932	\$ 22,546,987	\$ 10,259,613	\$ 20,519,226
ADMINISTRATIVE EXPENDITURES					
Claims Administrator Contract	\$ 2,082,888	\$ 2,112,868	\$ 2,162,655	\$ 1,081,328	\$ 2,162,655
Bill Review Expense	\$ 582,384	\$ 582,384	\$ 582,384	\$ 291,192	\$ 582,384
SUBTOTAL - ADMINISTRATIVE EXPENDITURES	\$ 2,665,272	\$ 2,695,252	\$ 2,745,039	\$ 1,372,520	\$ 2,745,040
TOTAL WORKERS' COMPENSATION EXPENSE	\$ 20,665,082	\$ 22,529,184	\$ 25,292,026	\$ 11,632,133	\$ 23,264,266

- (1) Projections based on 2nd Quarter Actual data carried forward to projected totals.
- (2) Projection adjusted to discount one-time large settlement related to 2009 Officer Shooting Death Claims.
- (3) Non-4850 pay is the amount paid to Civilian employees required by the State of California labor code for workers' compensation benefits plus the negotiated salary supplement contained in the City of Oakland Memorandum of Understanding for each labor unit.
- (4) 4850 pay is the total amount paid to Swom employees (Police and Fire) required by the State of California Labor Code §4850.
- (5) Third Party Recovery reflects excess insurance recoveries of \$1,840,631 in IQ 2011-12 and other subrogation recoveries.
- (6) Projected recoveries adjusted to factor one-time large recovery received from excess insurance in the amount of \$1,840,631 for 2009 Officer Shooting Death Claims.

* Includes: Applicant Attorney fees, Death Benefits and Life Pensions

Attachment A

Item: _____
Finance and Management Committee
May 8, 2012

ATTACHMENT B

AGENDA




2012 Annual Disability Summit

Niles Hall, Preservation Park - 668 13th St., Oakland, CA 94612

March 28, 2012

9:00 a.m. – 4:00 p.m.

Hosted by: City of Oakland, Department of Human Resources Management
Risk and Benefits Division

8:30 a.m. – 9:00 a.m.	Continental Breakfast	
9:00 a.m. – 9:15 a.m.	Welcome / Introductions RMD Moves to DHRM/RMD (EAP/FEHA/Benefits)	Deb Grant, City of Oakland
9:15 a.m. – 9:45 a.m.	Employee Assistants Program - Changes [Service Update/Vendor]	Alliant Insurance Services
9:45 a.m. – 10:15 a.m.	TRANSITIONAL DUTY PROGRAM [Return to Work/NPA: First year results, 3 rd Quarter]	JT2 Integrated Resources
10:15 a.m. – 10:25 a.m.	Break	
10:25 a.m. – 11:00 a.m.	TELEPHONIC INJURY REPORTING [Nurse Triage]	JT2 Integrated Resources
11:00 a.m. – 12:30 a.m.	FEHA/ADA [Reasonable Accommodation and the Interactive Process I/Process II]	Shaw HR Consulting, Inc.
12:30 p.m. – 1:15 p.m.	Lunch	
1:15 p.m. – 1:45 p.m.	HIPAA PRIVACY [Medical Privacy in the Workplace: Supervisor's Compliance Guide]	Shaw HR Consulting, Inc.
1:45 p.m. – 2:30 p.m.	EMPLOYEE ISSUES [Discipline and Disability Issues]	Shaw HR Consulting, Inc.
2:30 p.m. – 2:40 p.m.	Break	
2:40 p.m. – 3:10 p.m.	DISABILITY BENEFITS FRAUD [Fraud and Social Media]	Probe Information Services, Inc.
3:10 p.m. – 4:00 p.m.	FEEDBACK/DISCUSSION /Adjournment	Summit Roundtable Roundup

Attachment B

Item _____

Finance and Management Committee

May 8, 2012

ATTACHMENT C

City of Oakland Transitional Duty Program for Fiscal Year 2012

	FY 2009-10	FY 2010-11	2011-12 1st & 2nd Quarters (YTD)	2011-12 Year End Projections	Differences 2010-11 Actual vs. 2011-12 Projections	% Difference
City Wide						
# Cases	152	149	448	896	747	501%
# Transitional Days	5,018	5,440	11,022	22,044	16,604	305%
Savings	\$ 1,054,855	\$ 1,326,794	2,345,362	\$ 4,690,724	\$ 3,363,931	254%
POLICE						
# Cases	70	59	203	406	347	588%
# Transitional Days	2,482	2,269	5,220	10,440	8,171	360%
Savings*	\$ 699,899	\$ 803,600	\$ 1,491,429	\$ 2,982,857	\$ 2,179,257	271%
FIRE						
# Cases	19	20	93	186	166	830%
# Transitional Days	397	473	1,108	2,216	1,743	368%
Savings**	\$ 112,756	\$ 178,700	\$ 379,886	\$ 759,771	\$ 581,072	325%
PUBLIC WORKS						
# Cases	41	45	109	218	173	384%
# Transitional Days	1,310	1,569	3,665	7,330	5,761	367%
TTD Savings	\$ 185,300	\$ 223,408	\$ 397,166	\$ 794,333	\$ 570,925	256%
OTHERS						
# Cases	22	25	43	86	61	244%
# Transitional Days	829	1,129	1,029	2,058	929	82%
TTD Savings	\$ 56,900	\$ 121,087	\$ 76,882	\$ 153,763	\$ 32,676	27%

* FY 2011 1st Quarter savings amount based on estimated 4850 savings calculated at \$2000/week

** FY 2011 1st Quarter savings amount based on estimated 4850 savings calculated at \$2400/week

Attachment C

Item _____

Finance and Management Committee

May 8, 2012