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MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Ian Appleyard

SUBJECT: Fiscal Year 2018-19 Workers'
Compensation Annual Report

DATE: March 23, 2020

City Administrator
Approval

A handwritten signature in black ink, appearing to be "Ian Appleyard", written over a horizontal line.

Date
March 25, 2020

INFORMATION

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report On The Fiscal Year 2018-19 Workers' Compensation Program.

EXECUTIVE SUMMARY

This report provides expenditure and program data on the City of Oakland's Workers' Compensation Program for Fiscal Year (FY) 2018-19 and also contains comparative metrics, historical data, and selected program highlights.

BACKGROUND / LEGISLATIVE HISTORY

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

Each year HRM provides statistical information regarding administration of the Workers' Compensation Program. These statistics are benchmarks by which the City can measure its performance and the effectiveness of Workers' Compensation Program initiatives. HRM also develops and implements new program changes based on these statistics. This information is contained in the 2018-19 Workers' Compensation Annual Report (**Attachment A**). Since the last report, HRM has commissioned an Actuarial Analysis, as well as a Claims Management

Performance Audit, to monitor and ensure continued effective administration of the program. The results of the audit/analysis are included as appendices at the end of the annual report.

ANALYSIS AND POLICY ALTERNATIVES

HRM administers the Workers' Compensation Program for the City of Oakland, providing program services and support to all City agencies and departments. The attached Workers' Compensation Report provides information on the current state of the program. As described more fully in the attached report, key program statistics for FY 2018-19 are shown in the following table:

	FY17-18	FY18-19	Change
Total Gross Program Expenditure	\$20,706,208	\$20,401,245	Down 1.5%
Final Excess Workers' Compensation Premium	\$1,675,333	\$1,859,311	Up 11.0%
Total Number of Claims	515	433	Down 16.0%
Outstanding Losses (estimated @ 50% confidence level)	\$92,452,763	\$81,399,970	Down 12.0%

Total Gross Program Expenditures remained flat, which is evidence of a well maintained and consistently administered program. The Excess Workers' Compensation Premium increased significantly, but this increase aligns with market conditions and the City's loss history. Both the total number of claims and outstanding losses are down, both reflecting less than expected loss development.

Claims Management Performance Audit

The annual Workers' Compensation Claims Audit overall performance rating of the Third-Party Administrator was **92.20%**. This is an increase of 2.33% over the prior year's Audit. The overall claims handling of the TPA is "Exceeds Expectations" as measured by standards set forth in California State Association of Counties – Excess Insurance Agency's ("CSAC-EIA) Guidelines. JT2's overall audit score has consentingly risen over the years and show a 19% improvement over the FY 14-15 audit. The HRM Department will continue to closely monitor and assess JT2's performance.

Loss Frequency

Over the past four years, the number of claims filed by City employees has remained consistent. For this report Department of Transportation statistics are combined with the Public Works statistics.

**Table 1: Number of New Workers' Compensation (WC) Claims by Department
Fiscal Years 2015/16 through 2018/19**

Fiscal Year	Police			Fire		
	Sworn Employees	WC Cases	Percent	Sworn Employees	WC Cases	Percent
2015-16	777	222	28.57%	426	151	35.45%
2016-17	745	189	25.37%	451	182	40.35%
2017-18	747	188	25.16%	439	130	29.61%
2018-19	748	162	26.67%	435	186	42.76%
Fiscal Year	PW & DOT			Other Depts.		
	Employees	WC Cases	Percent	Employees	WC Cases	Percent
2015-16	742	121	16.31%	3,339	99	2.29%
2016-17	612	120	19.61%	2,463	78	3.17%
2017-18	832	117	14.06%	2,934	86	2.93%
2018-19	834	130	15.59%	2815	74	2.63%

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

HRM continues its promotion of 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 supported 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, Oakland Public Works, and Oakland DOT 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. The Target Solutions platform is made available to the City at no cost through our primary insurance pool (CSAC-EIA).

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

Ongoing

- Monthly disability review meetings with department representatives to discuss active claims and identify cases for investigation and/or transitional duty assignments.
- Telephonic injury reporting to triage Workers' Compensation claims reporting.
- Participation in Medical Provider Network (MPN) through WellComp, a MPN sponsored by CSAC-EIA.
- Ongoing examination of City's disability programs
- Continuing education

New Initiatives

- Oakland Police Officer Association - Alternative Dispute Resolution Carve-Out
 - Approved by the Department of Industrial Relations on December 9, 2019
 - Official Start Date January 11, 2020
 - Intended to improve customer service and reduce cost

- Shift in Settlement Philosophy
 - Intended to address future liabilities
 - Establishes a preference for one-time permanent settlements
 - Represents a more modern approach to claims management
 - Working closely with Finance to balance annual cost vs. outstanding loss

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 2** summarizes the key categories of Workers' Compensation expenditures incurred by the City of Oakland. There was a large jump in Total Future Liability due to a single high-exposure Police loss:

Table 2: Future Liability Incurred

	FY2017-18	FY2018-19	Change
Number of Claims Received	424	433	2.12%
Total Expenditures	\$19,199,039	\$20,401,245	6.26%
Total Future Liability ¹	\$48,486,464	\$48,880,200	NC
Costs Avoided via Transitional Work	\$3,059,878	\$2,817,783	-7.91%
Settlements (Permanent Disability)	\$5,064,038	\$4,618,359	-8.80%
Temporary Disability	\$6,170,980	\$5,135,692	-16.78%
Allocated (Other Claim Costs)	\$1,978,490	\$1,746,046	-11.75%
Medical	\$5,983,731	\$8,547,327	42.84%
Operational Expenses	\$19,199,039	\$18,021,592	-6.13%
Admin. Expenses	\$2,260,238	\$2,379,653	5.28%

The primary types of expenditures incurred in Workers' Compensation are medical, permanent and temporary disability, and allocated (other claim costs) payments. Disability payments are traditionally the City's single largest workers' compensation expense. However, this year Medical expenses were the costliest. Disability payments are expected to be the primary

¹ This value excludes losses covered by the City's Workers' Compensation excess insurance to better represent future liabilities for which the city is ultimately responsible.

expense in upcoming years. 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. City Policies include similar payments for non-sworn employees, but generally for only 60 days.

Additional discussion regarding the expenditures listed above and control factors are included in **Attachment A**.

Estimated Future Liability/First Year Total Incurred by Department:

Table 3 below shows the estimated future liability incurred by each department for claims filed in the fiscal year referenced. This breakdown allows the City to review for fiscal trends by department and assists in planning loss prevention and cost-containment strategies for the future. **Attachment A** provides additional actuarial analysis.

Table 3: Estimated Future Liability by Dept – Total Incurred

Department	2016-17	2017-18	2018-19
City Administration	\$41,617	\$23,934	\$4,299
City Attorney	\$5,885	\$12,358	\$0
Clerk's Office	\$2,032	\$0	\$0
Dept. of Info & Tech	\$0	\$0	\$0
Finance	\$6,033	\$4,473	\$25,149
Fire Department	\$3,536,606	\$1,236,120	\$2,006,761
Housing and Comm Dev.	\$0	\$0	\$11,680
Human Services	\$114,499	\$68,454	\$94,022
Library	\$20,773	\$87,722	\$5,078
Economic & Workforce Development	\$0	\$5,710	\$0
Parks and Recreation	\$44,449	\$99,271	\$19,395
Planning and Building	\$67,565	\$1,004	\$81,863
Police Department	\$1,090,358	\$1,640,363	\$1,746,517
Public Works (including DOT)	\$2,103,320	\$670,479	\$552,501
Total Incurred²	\$7,033,137	\$3,862,710	\$4,547,265

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). Staff estimate the future liabilities actuarially for each claim to anticipate the financial burden placed on the City in the years to come.

² This value excludes losses covered by the City's Workers' Compensation excess insurance to better represent future liabilities for which the city is ultimately responsible.

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, Budget 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.*

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

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends The City Council Receive An Informational Report On The Workers' Compensation Program For Fiscal Year 2018-19.

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

Respectfully submitted,

Ian Appleyard

IAN APPLEBYARD
Director, Human Resources Management
Department

Prepared by:
Andrew S. Lathrop, Risk Manager

Attachments (1):

A: FY 2018-19 Workers' Compensation Annual Report