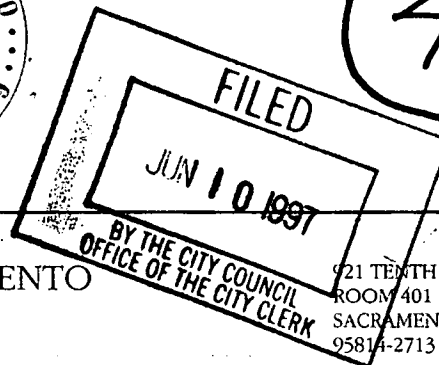




A.4 B



DEPARTMENT OF  
ADMINISTRATIVE SERVICES

ADMINISTRATION  
DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

921 TENTH STREET  
ROOM 401  
SACRAMENTO, CA  
95814-2713

916-264-5270

June 2, 1997

City Council  
Sacramento, California

**Honorable Members in Session:**

**SUBJECT: Risk Management and Workers' Compensation Status Report**

**LOCATION AND COUNCIL DISTRICT:**

City

**RECOMMENDATION:**

For Information Only

**CONTACT PERSON:**

Greg Norton, Senior Management Analyst, 264-7728

**FOR THE COUNCIL MEETING OF:**

June 10, 1997

**SUMMARY:**

This report provides Council with an update of the progress made to date on the Liability and Workers' Compensation (WC) work plan presented to Council on April 29, 1997. In the past month

an encouraging amount of progress has been made including the following:

- **Validating the biggest opportunity for savings is in the reduction of the number of claims occurrences and costs and, as such, significant attention will be given to this effort. Additionally, there may be some opportunity for savings in claims administration.**
- **Issuance of April city wide and departmental WC statistics**
- **Change in method of WC and liability revenue contribution by department**
- **Evaluation of WC and liability revenue and expenditure activity**
- **Completed Composition of claims as of May 31, 1997**
- **Performing trend analysis and further developing available statistical data to ensure accuracy and completeness for purposes of comparison with other jurisdictions and industry data.**
- **Rewriting and re-issuance of the Request for Proposal for the WC computer system is in progress**
- **Pilot incentive program to begin at Utilities**
- **Development of a thorough survey for other jurisdictions is in progress**
- **Progress in other areas of work plan is underway**
- **Evaluation of an internal vs. a privatized WC administration program will still occur within the initial six month time frame.**

**COMMITTEE/COMMISSION ACTION:**

None.

**BACKGROUND INFORMATION:**

On April 29, 1997, a report, which included a Liability and WC work plan, was presented to Council. The purpose of the steps included in the work plan are to further develop and enhance existing practices in Risk Management and WC; implement new "best" practices where applicable; perform an analysis of existing and alternative practices to ensure the City's best interests are achieved; and to create more efficient, effective and pro-active programs. The primary objective of the work plan is to reduce the impact of WC and liability activity on the City budget.

At the meeting, Council was assured of regular, at least quarterly, updates of the efforts made to achieve the work plan objectives. This is the first of the status reports to update Council on the progress of staff's efforts. Following is a summary of the progress to date:

- **The biggest opportunity for savings is in the reduction of the number of claims occurrences and costs and, as such, significant attention will be given to this effort. Additionally, there may be some opportunity for savings in claims administration.**

- **Issuance of April city wide and departmental WC statistics**

On 5/30/97 the first WC Monthly Activity Report was distributed to Council, the Charter Offices and all City Departments. The reports included information of claim activity/status, claim costs, related I-Time costs and hours, and total departmental and City costs for the month of April 1997 and Year-to-Date. Future monthly activity reports will be distributed no later than the 15<sup>th</sup> of the following month.

- **Change in method of WC and liability revenue contribution by department**

Staff from Accounting and WC are in the process of reevaluating WC and liability revenues and expenditures and the method of allocating revenue contributions from departments for both WC and liability. The method being considered would allocate a portion of the revenue contribution as a base contribution amount while the balance of the revenue contribution would be collected based on department claims experience. Various alternatives have been calculated and will be shared and discussed with the departments. Since a significant portion of the contributions would be determined based on claims experience, departments would begin to see the impact of claims on their and the City's budget.

- **Evaluation of WC and liability revenue and expenditure activity**

- During the evaluation process it was identified that \$2.7 million of WC revenue collections from departments should be reallocated as liability revenues. WC revenues have been in excess of expenditures by roughly \$2.7 million annually. These excess resources have been utilized by the Risk Fund to offset liability expenditures. This reclassification in revenue contribution from departments will have no net effect on the departments or the Risk Fund since both WC and liability are Risk Fund programs. However, WC and liability revenues will be more accurately classified.

- Roughly \$2.2 million of General Fund (G.F.) payments to the Risk Fund for liability and property charges have been classified as "non-departmental" payments and not allocated to the G.F. departments. This amount should be applied to the applicable G.F. departments which will more accurately reflect the impact of liabilities incurred by department.

- Health and dental insurance premiums collected from employees totaling roughly \$16 million annually will no longer be accounted for as a Risk Fund revenue. This amount

will instead be accounted for as an offset to departmental expenses for benefits.

- **Completed Composition of claims as of May 31, 1997:**

-	Number of open claims		1,843
		Medical Only	232
		Indemnity	1,611
-	Age of open claims:	<u>Age of Claims</u>	<u># Claims</u>
		Prior to FY 82	58
		FY 82 to FY 86	51
		FY 87 to FY 91	178
		FY 92	141
		FY 93	149
		FY 94	193
		FY 95	251
		FY 96	312
		FY 97 Y-T-D	510
		Total	1,843
-	Number of individual claimants for all open claims		1,140
		Currently employed by City	784
		No longer employed by City	356
-	Number of individual claimants in FY 97 year-to-date		447

- **Performing trend analysis and further developing available statistical data to ensure accuracy and completeness for purposes of comparison with other jurisdictions and industry data.**
- **Rewriting and re-issuance of the Request for Proposal for the WC computer system is in progress**
- **Pilot incentive program to begin at Utilities**

The Utilities Department has initiated a pilot safety incentive program to begin in FY 98. The concept of the program is to reward employees for meeting established criteria in the areas of on-the-job injury, attendance, and vehicle or wheeled equipment accidents.

This program will be monitored for its impact on the above listed areas. Additionally; other safety incentive type programs will be reviewed and considered to determine whether an incentive program may be an effective tool city wide.

- **Development of a thorough survey for other jurisdictions is in progress**

The purpose of the survey will be to provide clarity of information gathered, components included in statistical data, employee make-up, etc., and to ensure "apples to apples" comparisons.

- **Progress in other areas of work plan is underway**
- **Evaluation of an internal vs. a privatized WC administration program will still occur within the initial six month time frame.**

Clarification of WC revenue and expense activity and the trend analysis work need to be completed to support this effort.

### **FINANCIAL CONSIDERATIONS:**

Financial considerations and costs to implement some of the steps included in the work plan will be brought to Council for approval as required.

The goal of this effort to reduce the costs of the WC and Risk Management programs to the City. The savings goal for the first year, FY 97, is a minimum of \$500,000 to the General Fund. The savings goal increases to \$1 million for FY 98.

### **ENVIRONMENTAL CONSIDERATIONS**

This report is for information only and does not request approval of any activities that would have an effect on the physical environment. Any future action taken that would be subject to the California Environmental Quality Act will be so reviewed and returned to Council as required.

### **POLICY CONSIDERATIONS:**

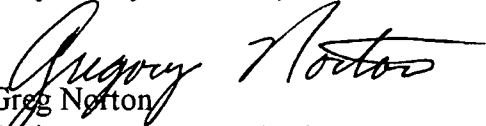
The work plan and planned steps for action and analysis are consistent with City Council direction

to review the workers' compensation program.


**MBE/WBE EFFORTS:**

Not Applicable.


Respectfully submitted,

  
Greg Norton  
Senior Management Analyst

REPORT APPROVED:

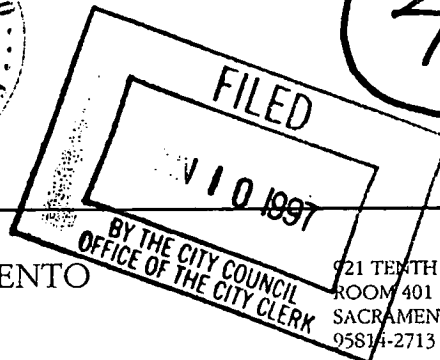
  
Betty Masuoka  
Deputy City Manager

APPROVED:

  
Ken Nishimoto  
Director, Administrative Services Department



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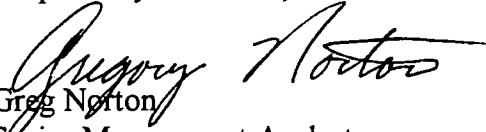
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**MBE/WBE EFFORTS:**

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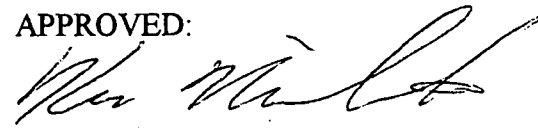
Respectfully submitted,

  
Greg Norton  
Senior Management Analyst

REPORT APPROVED:

  
Betty Masuoka  
Deputy City Manager

APPROVED:

  
Ken Nishimoto  
Director, Administrative Services Department