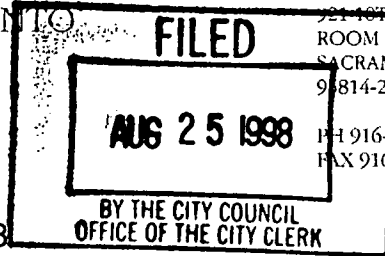




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OFFICE OF
LABOR RELATIONS

CITY OF SACRAMENTO
CALIFORNIA



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August 12, 1998

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: WORKERS' COMPENSATION/RISK MANAGEMENT PROGRAM STATUS
REPORT**

LOCATION AND COUNCIL DISTRICT:

City.

RECOMMENDATION:

This report is informational only and does not require City Council action.

CONTACT PERSON:

Dee Contreras, Director of Labor Relations, 264-5424

FOR COUNCIL MEETING OF:

August 25, 1998

SUMMARY:

This report provides Council with an update of the progress made to date on the Workers' Compensation work plan presented to Council on April 29, 1997 and updated on February 24, 1998. It also includes information on the status of key projects in the Risk Management Division.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

On April 29, 1997 the Risk Management and Workers' Compensation Work Plan was presented to Council. The objective of this work plan was to reduce the impact of Workers' Compensation and Risk losses on the City budget. Council has been provided with regular updates on the status of implementation of the work plan. This report continues our regular quarterly Council briefing schedule.

SIGNIFICANT ACCOMPLISHMENTS - WORKERS' COMPENSATION.

- The Workers' Compensation Claims Audit was completed by John Hennessy of North Bay Associates. His final report has been submitted to the City. The "Audit Profile" shown at **ATTACHMENT A** lists the most important audit points concerned with claims handling, and assigns a performance percentage for each.
 - North Bay Associates rated the Workers' Compensation Unit (WCU) in fourteen areas, with audit points in each area. Perfect scores were received in nine of the fourteen areas. Scores in the 96th percentile range were received in three areas, and only one area, "prompt contact with employee", needed improvement. See **ATTACHMENT A**.
 - WCU staff exceeded goals in all five of the major audit areas which include Subrogation, Finalization, Reserving, Balancing and First Pay. Perfect scores were received in three of the five categories listed above.
 - Mr. Hennessy has provided some recommendations for improvement which will be incorporated into the Risk and Workers' Compensation Work Plan.
 - A full report on the Workers' Compensation Audit will be brought back to Council within the next 30 to 45 days.
- Progress is being made toward implementation of the Workers' Compensation Claims Administration Software System. Hardware has been purchased, the City project team has been established, and the workplan is under development by GenSource. Once the workplan is approved by the City, the System should be on line within 150 days.

SIGNIFICANT ACCOMPLISHMENTS - RISK/LIABILITY

■ Status of Broker Services for Liability

Rebid of the City's excess liability insurance coverage is underway. The City has contracted with Advanced Risk Management Techniques to provide consulting services for this process. Following is the targeted time line for completion:

<u>Activity</u>	<u>Target Completion Date</u>
Letter to brokers for market request	8/6/98
Broker market requests received	8/12/98
Insurance bid specifications and market assignments released	8/18/98
Insurance bids received	9/16/98
ARM Tech bid analysis and recommendation to City	9/21/98
Insurance renewal	10/10/98

■ Liability Insurance

A new liability insurance product is now available through the Risk Management office for any consultant or contractor doing business with the City. This product provides affordable insurance to the small contractor who may have been unable to obtain the required insurance in the past.

■ Enhancement of Third-Party Recovery Program

During the past year we have recovered in excess of \$270,000 from individuals who were responsible for losses to the City. Risk staff working in concert with Revenue and Collections have taken an aggressive approach in pursuing compensation for our losses.

SIGNIFICANT ACCOMPLISHMENTS - SAFETY

- The Safety Specialists continue to meet with departmental Safety Representatives targeting reinforcement of positive trends and developing remediation programs for negative trends.

- The City Wellness Program celebrated its official "kick-off" in Cesar Chavez Park on May 26, 1998. Through this program we expect to realize a reduction in the City's health-related liabilities such as sick leave, workers' compensation, and non-industrial illness and injury.

CITYWIDE TRENDS

- The total of all workers' compensation claims opened in the City in FY 98 was 838:
 - 184 less than 1,022 in FY 97
 - 296 less than 1,134 in FY 96
 - 450 less than 1,288 in FY 95
- This is the lowest number of new claims opened in the City since FY 77.
- The majority of the decline in new claims being filed comparing FY 98 to FY 97 occurred in:
 - Neighborhood Services: 76 fewer claims; a 38% positive trend reduction
 - Police: 66 fewer claims; a 22.5% positive trend reduction
 - Public Works: 28 fewer claims; a 16% positive trend reduction
- Injury-on-Duty (IOD) time increased 5,642 hours in FY 98 as compared to the 74,330 hours used in FY 97. The majority of IOD time is usually used over a two fiscal year period. The significant portion of this year's IOD time is associated with claims filed in FY 97. Even with the increase in IOD hours used this year compared to last year, IOD hours used in FY 98 are significantly below that of FY 96, and FY 95, by 42,401 and 68,909 hours, respectively. With the significant decrease in claims opened in FY 98 and continued efforts to decrease the use of IOD hours, it is expected that the downward trend will continue in FY 99.
- A database for the number of hours taken off by non-benefit qualified employees, or employees who have exhausted their one year of IOD time, (NBQ+), was developed in July 1997. The information provided to departments this past year indicated that 12, 973 hours had been used by NBQ+ employees. This information was not measured for FY 97 or prior.

FINANCIAL CONSIDERATIONS:

- Costs associated with implementation of the steps included in the Risk and Workers' Compensation Work Plan will be brought to Council for approval as required.

ENVIRONMENTAL CONSIDERATIONS:

The subject of this report does not involve a project that requires compliance with the California Environmental Quality Act (CEQA), inasmuch as it does not involve an activity which may cause a direct or indirect change in the environment (Public Resources Code Section 21065).

POLICY CONSIDERATIONS:

The implementation of the Risk and Workers' Compensation work plan is consistent with City Council direction to implement the most efficient and effective loss prevention programs possible.

MBE/WBE EFFORTS:

This report does not involve the purchase of goods or services. Therefore, the Council's policy regarding MBE/WBE considerations is not applicable. MBE/WBE businesses are participating in the bidding process for insurance broker services.

Respectfully submitted,

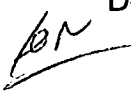


Dee Contreras
Director of Labor Relations

REPORT APPROVED:


Betty Masuoka
Deputy City Manager

APPROVED:


Ken Nishimoto
Director of Administrative Services

NORTH BAY ASSOCIATES

AUDIT PROFILE

June, 1998 Audit

City of Sacramento

Area:	Audit Point:	# of Files:	Percent OK:	Percent Chart
1.1	Investigated if Necessary	65	100.0%	60% 70% 80% 90%
1.2	Correct Compensability Decision	157	100.0%	
2.1	Prompt Contact with Employee	108	75.9%	
3.1	Timeliness of First Payment	74	98.6%	
3.4	Permanent Disability Payments	47	95.7%	
4.3	Plan Revised Appropriately	193	100.0%	
6.2	Use of Defense Atty. Appropriate	147	97.3%	
6.5	Competent Defense	138	100.0%	
7.1	Timely Notice of Rehab per LC 4636	70	100.0%	
7.3	Prompt & Correct QIW Recognition	14	100.0%	
8.1	Continuous Finalization Efforts	186	100.0%	
8.2	Correct Settlement Valuation	108	98.1%	
9.1	Regular File Balancing	108	100.0%	
10.3	Reserves Revised Appropriately	97	96.9%	
11.1	Prompt Excess Reporting	0	0.0%	n/a
12.1	Prompt & Effective Subrogation	16	100.0%	

ATTACHMENT A