

# **Workers' Compensation** **SAN MATEO COUNTY**

## **Operations Review Report**

October 23, 2003



Office of County Controller  
Tom Huening, Controller

Audit Division

# Workers' Compensation

## Table of Contents

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>PURPOSE.....</b>	<b>5</b>
<b>BACKGROUND.....</b>	<b>5</b>
<b>RECOMMENDATIONS.....</b>	<b>9</b>
<b>MANAGEMENT RESPONSE .....</b>	<b>18</b>
<b>APPENDICES.....</b>	<b>20</b>

# Workers' Compensation

## Executive Summary

San Mateo County's (the County) Internal Audit and Risk Management Divisions reviewed the operations of the Workers' Compensation (WC) Program. The objective was to assess its effectiveness and identify cost reduction opportunities without sacrificing the quality of services provided.

The WC Program administers WC claims, pays WC benefits, and provides advice and coordination relating to employee health/safety activities. The County operates an effective program as evidenced by comparing its activities, and their level of success, to other counties, however, there is room for improvement. Most recommendations focus on enhancing injury prevention capabilities.

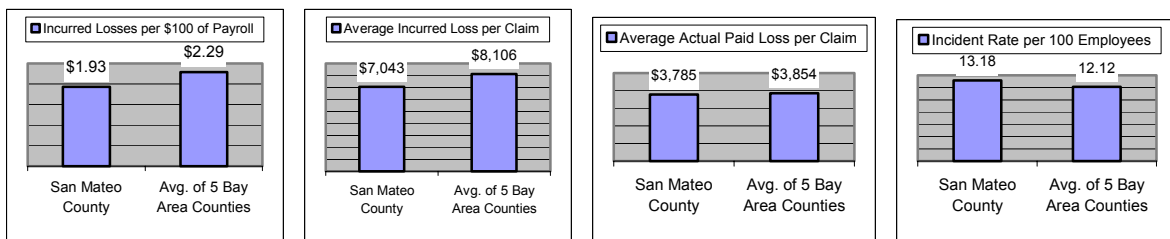
### FINDINGS:

*Claims and Costs* - Annual injury claims declined from 872 in FY 98 (fiscal year 97/98) to 684 in FY 02, while direct claim costs increased from \$5 to \$7.2 million. The growth in costs during this period is mostly attributable to increases in medical costs (47% growth in prior 4 years) and temporary disability payments (64% growth in prior 4 years). Medical costs of \$2.9 million equaled 41% of total FY 02 direct claim expenditures.

*Health/Safety Programs* - The County's employee health and safety programs lead other counties in many regards. They include transitional return-to-work programs, ergonomics inspections and training, employee health/fitness screenings, and other services and workshops/training offered to increase employees' health/safety awareness and reduce their risk of injury and illness.

*Legislated Cost Increases* - WC costs have recently increased significantly and are projected to continue to grow. California legislation, effective January 2003, includes across-the-board increases to benefits. Temporary disability, permanent disability and other benefits are all increasing. For example, the maximum temporary disability benefit amount increased from \$490 per week in 2002 to \$602 in 2003, to \$728 in 2004, and to \$840 in 2005 (a total future increase of 71.4%).

*Cost Comparisons* - We compared the County's *incurred claim losses*, which include estimates of future liabilities, and *actual paid claim losses*, which does not involve any estimates, to the average measures of other Bay Area Counties. We noted that the County's *incurred claim losses per payroll* and *average incurred losses per claim* measures, based on FY 99-01 3-year averages, are approximately 16% and 13% lower (better) than the average measure of other Bay Area counties. The County's *average actual paid losses per claim* (during first 2 years after a claim is opened) measure, using FY 00 and FY 01 actual costs, is approximately 2% lower (better) than the average of other Bay Area counties. This implies the County's overall injury risk level is lower, and that its claims are less severe and/or are managed more effectively, as compared to other counties.



## Workers' Compensation

*Injury Rate Comparisons* - Reducing the County's *injury incident rate* by 8% so it equals the average rate (12.12 claims per 100 employees), based on FY 99-01 3-year average, for other Bay Area counties should reduce WC and other injury-related costs. Although costs per claim and total costs will continue to increase each year (due to benefit increases and inflation), reducing the incident rate by 8% will **decrease the growth in costs** by approximately \$960,000. Projected savings are based on the relationship between number of injuries and cost type. For example, reducing the incident rate by 8% should reduce WC Fund paid costs by 4% (\$420,000 of \$10,454,000). Due to the County's policy of encouraging employees to file claims when injured, its reported incident rate was adjusted down by 40% of the total volume of claims opened and closed with no incurred costs. See page 12 and **Appendix B** for details.

Projected FY 04 Injury-Related Costs and Savings		
Entity Incurring Costs	Costs	Savings
WC Fund – Paid	10,454,000	420,000
WC Fund – Accrued	4,121,000	288,000
Departments – Other	3,018,000	241,000
Long-Term Disability Fund Costs	152,000	11,000
Countywide Total	\$17,745,000	\$960,000

*Focus on Cost Drivers* - The County should provide departments with additional incentives and means to further prevent injuries and illnesses, and thus reduce their costs. Prevention is key to reducing costs. The primary/root WC **cost drivers** are the **frequency and severity** of injuries. Focusing on preventing injuries will help the County control these root cost drivers.

*Department/Employee Activities* – Departments' and employees' level of emphasis and participation regarding employee health and safety activities vary throughout the County. Some proactively identify employee health and safety risks and take actions to reduce them, while others are less proactive.

### RECOMMENDATIONS:

Recommendations #1-5 focus on enhancing injury prevention, #6-9 propose strengthening internal controls, and #10 intends to clarify responsibilities. See details beginning on page 9.

#### ☐ 1. Develop an incentive system to encourage injury prevention and reduce costs.

We recommend that the County develop an incentive system to enable departments to directly influence their WC costs. Departments generally view these payments as fixed employee benefit costs. Developing a system that enables departments to reduce their payments to the WC Fund, if they reduce their actual claim costs, will encourage department management to employ innovative injury prevention and cost management programs. Implementing this high-priority recommendation is critical to realizing future cost savings.

#### ☐ 2. Maintain proactive Department Safety Committees and effective Injury and Illness Prevention Programs (IIPP) to improve injury prevention efforts.

We recommend that departments review, update and provide their IIPP to Risk Management each year, beginning within 6 months of this report's issuance date. Most departments have Safety Committees, however, some are less active than others. Several have very proactive committees in which managers and staff participate on a regular basis. Required resources and prevention activities of each department will vary depending upon their specific occupational risks and number of employees.

## Workers' Compensation

### ☐ **3. Establish and monitor injury and cost measures to assess effectiveness of prevention efforts.**

We recommend that Risk Management work with departments to develop department-specific WC baseline measures and improvement goals. Measures similar to those developed during this review can be used. To monitor success we recommend that Risk Management distribute performance statistics on an annual basis to department heads and County management. For comparison purposes, statistics should include information for the most recent year and 2 prior years. Each department should evaluate its claims history, establish baseline measures and develop measurable performance improvement goals (i.e., reduce injuries by 10% in 2 years). Cost measures should be adjusted for inflation.

### ☐ **4. Distribute summary department-specific reports to help monitor injuries and costs.**

We recommend that Risk Management with assistance from Northern Claims Management's (NCM), the County's claims administrator, distribute summary department-specific injury and cost information to department heads, each quarter, beginning in January 2004. Access to timely reports will allow departments to monitor injuries and costs and, if necessary, modify their injury prevention activities.

### ☐ **5. Increase employee awareness and participation in safety/health improvement activities to reduce injuries and illnesses.**

We recommend that the Sheriff's Office, which employs workers in high-risk occupations, develop strategies to increase employees' awareness and participation in safety/health improvement activities to reduce the risks of commonly occurring injuries/illnesses (sprains, slips and falls, and cardiovascular disease). Sheriff's Office employees incur approximately one-third of the County's injury related costs. We recommend that a member of its management team be assigned to work with Risk Management and Employee Health and Fitness Program personnel to develop department specific safety/health programs and to encourage employees to utilize existing County employee safety, health and fitness programs.

### ☐ **6. Document the system of internal controls to process claim payments and calculate estimated liabilities.**

We recommend that internal control procedures used by NCM to review and approve payments, and to maintain claim reserves (estimated liabilities), be documented. Per the County's request, NCM uses a bill review firm to review medical service invoices. Once these procedures have been documented, management should have an audit conducted to evaluate the system of internal controls.

### ☐ **7. Increase the cash balance of the WC Fund to improve its fiscal condition.**

We recommend that the County increase the WC Fund cash balance so it more closely approximates its liabilities balance. As of June 30, 2002, under-funded liabilities totaled \$13.4 million. The WC fund assets of \$9.6 million equaled 42% of its \$23 million in liabilities.

### ☐ **8. Review and analyze WC payment transactions data to identify cost trends.**

We recommend that Risk Management review and analyze WC payment data by claim, provider, and cost type on a biannual basis. Risk Management may ask Internal Audit to assist in performing this trending analysis. This data analysis will help to identify cost trends, check for reasonableness of costs, and select payment transactions to review in detail.

## Workers' Compensation

### **❑ 9. Provide ongoing training to payroll clerks to improve WC forms processing.**

We recommend that Risk Management continue coordinating ongoing training for payroll clerks to ensure they know how to properly process WC related forms (Disability Leave with Pay, WC Restoration of Hours, etc.). This will improve the efficiency and effectiveness of processing WC forms.

### **❑ 10. Clarify that departments are responsible for purchasing safety equipment.**

We recommend that the County, and Risk Management, formally clarify that departments are responsible for purchasing any equipment (including safety equipment) that their employees may require to perform their jobs safely. Risk Management (i.e., the WC Fund/Program) is responsible for administering claims, paying WC benefits, and providing advice and coordination regarding employee health and safety activities.

### **ACKNOWLEDGEMENTS:**

This report is the result of a collaborative effort from a number of individuals from the Audit Division and Risk Management Division. Juan Raigoza, *Senior Internal Auditor* conducted the review and provided the necessary research and analysis. Priscilla Morse, *Risk Manager*, was an excellent resource as a business expert and a facilitator to bring out some excellent ideas from her very capable staff. We were very impressed with the wealth of knowledge Priscilla's staff had relating to workers' compensation and employee safety. We appreciate their contributions to this project. We worked with Mike Marzano, *County Safety Manager*, Janine Keller, *WC Coordinator*, and Dan Depalmo, *Industrial Hygiene Manager* in developing the issues and recommendations. Pamela Gibson, *Employee Health and Fitness Program Coordinator*, was an excellent resource for us in analyzing current practices for reducing employee health risks.

We would like to thank all participants for their contributions and look forward to continuing to work with them.

# Workers' Compensation

## Purpose

Though the objective of this review was to identify ways to lower costs; implementing this report's recommendations will benefit employees the most. Having a safer work environment by preventing injuries results in: 1) improved employee health and safety, 2) lower WC and other injury related costs to departments/County, and 3) higher employee morale due to fewer staffing issues resulting from the absence of injured workers. Most recommendations focus on injury prevention incentives, means and efforts, and, on the effective processing of WC payments and related information.

## Background

### Current Environment:

California's WC system is experiencing *sharp increases in premiums charged* by WC insurance companies *to insured employers*. *Fortunately, the County is self-insured* (it retains the risks and pays out actual claim costs). If the County were to purchase insurance (pay to transfer risks and future new claim liabilities) the departments' premium costs would have totaled approximately \$22.9 million, using State Compensation Insurance Fund rates effective as of January 1, 2002. The \$9.2 million paid in FY 02 by the WC Fund, plus \$3.6 million in accrued liabilities equals approximately 56% of the estimated premiums.

The California Workers' Compensation Insurance Rating Bureau's (WCIRB) pure (base) premium rates increased by **10.6%** in January 1, 2002, **10.1%** in July 1, 2002, **10.5%** in January 1, 2003, and by **7.3%** beginning in July 1, 2003. The WCIRB expects to request a **22.5% rate increase in January 1, 2004**. *Increases are mostly attributed to medical costs* resulting from increases in medical prices and medical services utilization.

Furthermore, a January 2003 report by the California WCIRB explains: "Though claim frequency is now at a long-term low, the *WCIRB cautions* that it is not clear how much longer this pattern of decline will continue, particularly in light of the large benefit increases beginning in 2003 and the *well-documented increase in claim frequency that accompany large benefit changes*." Laws passed in 2002 include across-the-board benefit increases that go into effect over the next several years. For example, the maximum temporary disability benefit amount per week increased from \$490 per week in 2002 to \$602 in 2003, to \$728 in 2004, and to \$840 in 2005 (*a total future increase of 71.4%*).

To address the significant WC cost increases to employers, California recently signed legislation (SB 228 and AB 227) into law to reform California's WC system. The law among other things, caps chiropractic and physical therapy visits to 24, repeals existing vocational rehabilitation statutes, sets a pharmaceutical fee schedule based on 100% of the Medi-Cal fee, and establishes medical treatment guidelines. Some of these changes should help the County control its WC medical costs.

# Workers' Compensation

## Workers' Compensation System:

California has a no-fault WC system, which means that determining who is at fault for an injury is irrelevant in order to receive WC benefits for an on-the-job injury. Employees must promptly receive limited statutory WC benefits, and in return, these statutory benefits are the exclusive remedy for injured employees against their employer. A no-fault system eliminates litigation over who caused the injury. Litigation occurs when workers/employers dispute whether the injury was sustained on-the-job or the type and amount of benefits an injured worker is entitled to receive.

## Workers' Compensation and Other Injury-Related Benefits:

The five basic types of WC employee benefits, depending on the nature and severity of the injury/illness, are: medical care, temporary disability, permanent disability, vocational rehabilitation services, and death benefits. California Labor Code Section 4850 provides additional benefits to the County's "safety" employees. These employees may be eligible to receive payments for disability leave equal to their ***base pay for a maximum of 1 year***.

In addition to state-prescribed benefits the County provides additional benefits. Pursuant to San Mateo County Code 2.28.130(b), permanent or probationary employees are eligible to receive payments for disability leave equal to their ***base pay for a maximum of 90 days***. The base pay of most employees is higher than the maximum weekly disability pay of \$602, as of January 1, 2003, per California WC laws.

In addition to State and County disability benefits, employees may also be ***eligible to receive service-connected retirement disability benefits***, via San Mateo County Employees' Retirement Association (SamCERA), if they become permanently incapacitated to perform their assigned duties. In general, these benefits are based on the higher of employee's earned Service Retirement benefit or 50% of the employee's final average monthly compensation, for as long as they are disabled. Total retirement disability (service and non-service connected) costs have increased from \$4.5 million in FY 98 to \$8.1 million in FY 02. Approximately 73% of the total current (FY 03) retirement disability costs are service-connected (related to a job injury/illness). This percentage increased from approximately 44% in 1991 to 73% in 2003. The increase is due largely to expansions of presumptive conditions for safety employees, and the application of American with Disabilities Act (ADA).

## Roles and Responsibilities:

***Appendix D*** describes the roles and responsibilities of stakeholders involved in processing claims and related payments. The table shows that ***processing claims and payments, and managing claims/disabilities, require a lot of coordination among many individuals***. Though Risk Management and NCM are responsible for many processing activities, other stakeholders including supervisors of injured workers, department payroll clerks, employees' physicians, and especially injured employees have critical roles and responsibilities.

## Budget/Financial Figures:

In FY 02, WC Fund (Fund) expenses totaled approximately \$12.8 million. Paid expenses totaled \$9.2 million, while accrued claim losses (increase to estimated liabilities) totaled \$3.6 million. As of June 30,



## Workers' Compensation

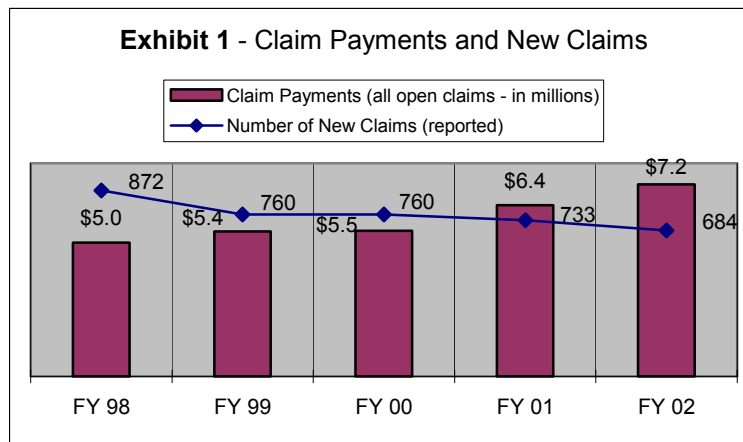
2002, the Fund had \$9.6 million in assets and \$23 million in liabilities. Per the Fund's actuary report, estimated liabilities for financial statement purposes were increased in FY 01 by \$7.1 million to adjust the claims administrator's (NCM) understated claims liabilities balance.

Workers' Compensation Fund					
Financial Amounts	FY 98	FY 99	FY 00	FY 01	FY 02
Claim Benefits & Related Expenses	5,000,000	5,400,000	5,500,000	6,400,000	7,200,000
Total Expenses paid by Fund	6,700,000	7,100,000	7,400,000	8,200,000	9,200,000
Allocated Costs to Depts. – Revenues	6,000,000	6,300,000	6,900,000	7,500,000	8,500,000
Cash and Investments Balance – Assets	9,700,000	9,400,000	9,400,000	9,700,000	9,600,000
Estimated Claim Liabilities	\$10,400,000	\$10,200,000	\$12,300,000	\$19,400,000	\$23,000,000

### Claim Volume, Costs and Injury Types:

In recent years, the number of reported claims has decreased, but total claim payments have increased. Costs increases are mostly attributed to medical cost increases. During FY 02, 684 new claims were reported countywide, while approximately \$7 million was paid for all open claims. During FY 97 to FY 01, the top five injury/illness categories, sorted by paid costs, resulted from strained muscles/ligaments, repetitive motion, falls and slips, struck/strikes, and heart-related illnesses/injuries (*Exhibit 2*). These five categories generated \$16.4 million (77%) of the total \$21.3 million paid during FY 97 to FY 01 for claims filed during this period.

- *Exhibit 1* shows direct claim payments and claim volume amounts. The **increase in claim costs is mainly attributed to increases in medical costs** (47% growth in prior 4 years) and temporary disability payments (64% growth in prior 4 years). Medical costs of \$2.9 million equaled 41% of total FY 02 direct claim expenditures.
- *Exhibit 2* shows the five most common injury/illness categories.
- *Appendix B* shows projected injury related costs and savings for FY 04.
- *Appendix C* shows countywide injury related costs for FY 98 to FY 04.
- *Appendix E* shows the most common specific injuries/illnesses, average paid costs per claim type, and percentage of total paid by injury type.
- *Appendix F* shows direct claim costs, by expense type.



## Workers' Compensation

<b>Exhibit 2 - Injury/Illness Categories for FY 97 to FY 01</b>				
Injury/Illness Categories	Paid Claim Costs	% of Total Paid	Claims	% of Total Claims
<b>1. Strains</b>	\$ 5,662,328	<b>26.6%</b>	662	<b>22.5%</b>
<b>2. Repetitive Motion</b>	\$ 3,964,505	<b>18.6%</b>	351	<b>11.9%</b>
<b>3. Falls &amp; Slips</b>	\$ 3,890,347	<b>18.3%</b>	457	<b>15.5%</b>
<b>4. Struck/Strike</b>	\$ 1,457,956	<b>6.9%</b>	275	<b>9.4%</b>
<b>5. Cardiovascular-Related</b>	\$ 1,414,920	<b>6.6%</b>	23	<b>0.8%</b>
Total for Top 5 Injuries/Illnesses	\$16,390,057	77.0%	1,768	60.1%
Total for other Injuries/Illnesses	\$ 4,889,125	23.0%	1,173	39.9%
Total for County	\$21,279,182	100.0%	2,941	100.0%
Notes: Data excludes claims reported prior to FY 97 that were open as of 6/10/02, and FY 97 to FY 01 claims reported and closed with no payment made.				

### Accomplishments:

Recommendations included in this report complement activities initiated and implemented by various WC program stakeholders to help prevent injuries and reduce costs. Risk Management, departments, and many employees proactively identify health/safety risks and take corrective action to reduce such risks.

Overall, the County operates proactive and comprehensive employee safety program(s) that utilize WC industry best practices. See *Appendix A* for a more complete list of stakeholder (County, Departments, and Employees) accomplishments, and employee participation statistics in various safety, health, and fitness training/workshops.

Some notable accomplishments include:

- Departments and Risk Management participated in County Safety Committee to increase safety awareness
- Departments, with Risk Management's assistance, developed and participated in department-specific programs to reduce safety and health risks
- Employee Health and Fitness Program developed and administers various health and safety workshops/training in which many employees participate
- Risk Management and Employee Health and Fitness Program developed and administer a countywide Computer Ergonomics training program in which many employees participate
- Departments, with Risk Management's assistance, instituted departmental Transitional Return-to-Work Programs
- Risk Management implemented a browser-based WC claim information system to streamline claim processing

# Workers' Compensation

## Recommendations

### 1. Incentive System

County departments have limited control over the amounts they are required to contribute to the WC fund. There is no direct relationship between a department's WC fund contributions and its actual costs. As a result, the departments have little incentive to control worker injury rates, which is the primary driver of the County's WC cost. Departments generally view their payments/contributions to the WC Fund as fixed employee benefit cost.

WC costs are currently charged to each department by applying WC charge rates, based on adjusted loss exposure rates (based on occupational risks), to each employee's gross WC subject wages. The initial rates, using exposure rates issued by the California's Workers' Compensation Insurance Rating Bureau, were established several years ago and are adjusted yearly to meet the needs of the WC Program. Currently, the relationship between a department's WC Fund contributions and its actual claims costs is not a direct one.

#### **Recommendation 1**

The Risk Management Division, in consultation with the County Manager's Office should develop an incentive system that enables departments to directly influence their WC costs through injury prevention and other cost reduction efforts. Implementing such a system will encourage department management to employ innovative injury prevention and cost/disabilities reduction programs. ***An effective incentive system is a prerequisite for most of the injury and cost control measures we discuss in this report,*** and is critical to realizing future material cost savings.

### 2. Injury and Illness Prevention

The County should encourage all departments to emphasize the use of proactive Department Safety Committees and maintenance of effective Injury and Illness Prevention Programs (IIPP) to help reduce injuries and related costs.

***Department management's support for its Safety Committee's injury prevention activities is essential.*** Supervisors and staff are more likely to emphasize injury prevention if management demonstrates its support via its actions (staff meetings, recognition of employees' efforts, etc.) and use of resources (education, training, equipment, safety officers, modified work coordinators, etc.).

Departments that invest in injury prevention efforts will recognize benefits from having fewer injuries; such as, improved employee health, fewer missed workdays, and lower overtime and extra-help costs. In the long-term, using resources to prevent injuries is much more cost-effective than paying claims and other injury related costs. ***For every avoided injury, the County can save approximately \$7,043 in direct claim costs alone.*** This figure excludes indirect claim/injury costs, which include loss of productivity and overtime and extra-help paid directly by departments.

Some departments (Public Works, Human Services Agency, etc.) have very proactive Safety Committees in which staff, supervisors and managers actively participate, while other committees are less active.

## Workers' Compensation

Required resources and prevention activities of each department will vary depending on their specific occupational risks (injury frequency, severity, and costs) and number of employees.

Some departments may believe that maintaining a proactive Safety Committee and effective IIPP is not essential since their employees report very few injuries/illnesses. They may not be aware of the risks since they have been fortunate to not experience significant injuries. The ***purpose for maintaining a Safety Committee and an IIPP*** is to provide a system to identify department-specific employee health and safety risks, and to develop prevention programs, procedures and activities to reduce such risks.

Increased emphasis on injury prevention efforts will help ensure continued compliance with state laws and County policies. ***County Board Resolution No. 56877 and the County's Occupational Health and Safety Plan state:*** "Each department shall have a Department Safety Committee which is responsible for promoting general occupational health and safety awareness and developing specific occupational health and safety programs, procedures and activities within their respective departments."

Per the County's Occupational Health and Safety Plan, duties and activities of Department Safety Committees include:

- Increasing occupational health and safety (OH&S) awareness to reduce the incidence and costs of preventable accidents/injuries.
- Ensuring prompt identification and investigation of OH&S concerns to reduce or eliminate specific OH&S injury risks.
- Working with department management to implement or increase the effectiveness of departmental OH&S programs and training activities.
- Serving as departmental resource to effectively communicate OH&S information to and from the County Safety Committee.
- Assisting the department head to implement County OH&S policies and procedures.

***Most workplace injuries and illnesses can be avoided.*** Few injuries are the result of unavoidable accidents. Historically, most employee claims (64% of FY 97 to FY 01 claims – see ***Exhibit 2***, page 8) resulted from strains, falls and slips, and repetitive motion injuries – which are mostly avoidable. An organization's, and its employees', attitude and behavior towards health and safety will significantly influence the effectiveness of any injury prevention activities. Employees who are satisfied with the work they perform, and who have good working relationships with their co-workers and supervisors/managers, are more likely to work attentively and less likely to incur injuries.

Though the County and departments proactively address health and safety risks, their efforts may only have a modest impact on preventing injuries and managing costs unless employees actively participate in such efforts. Ultimately, ***employees are responsible for their behavior*** regarding health and safety.

### **Recommendation 2**

We recommend that Risk Management encourage all departments to ***emphasize the use of proactive Safety Committees and effective IIPPs to help reduce injuries and related costs***. Prevention efforts are key to lowering future costs. To help ensure active participation and compliance with policies, we recommend that departments update and provide copies of their IIPPs to Risk Management each year beginning within 6 months of this report's issuance date.

# Workers' Compensation

## 3. Program Measures

Risk Management currently monitors claims information to assess countywide employee safety risks and measure performance. It measures the overall effectiveness of the County's Program by comparing it to other counties' WC programs using benchmarking data provided by counties to the California Institute of Public Risk Analysis (CIPRA). In this review, the County's program performance was compared to five other Bay Area county (Santa Clara, San Francisco, Alameda, Contra Costa and Marin) WC programs.

Most departments, however, do not formally measure their performance regarding employee injuries and costs. Lack of performance measures and improvement goals may result in some departments not being able to measure the effectiveness of their injury prevention and claims/disabilities management efforts.

We recommend that Risk Management work with departments to ***develop and monitor department-specific performance measures and improvement goals to assess the effectiveness of injury prevention efforts***. These performance measures should include standard County and WC industry measures; such as, injuries per 100 FTEs, lost workdays and claims costs. Risk Management should distribute these statistics on an annual basis to department heads and County management.

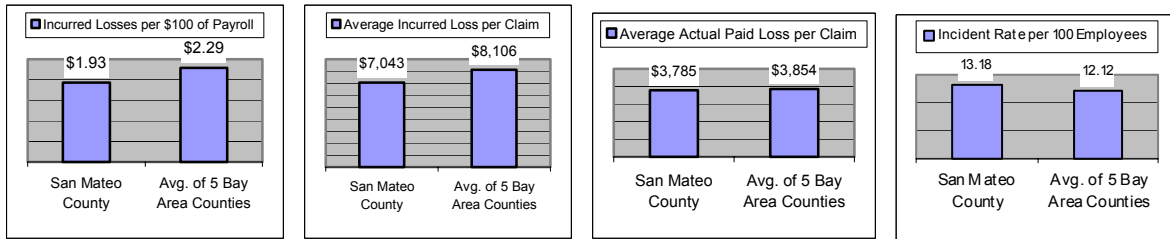
### County Measures

***Incurred Losses per \$100 of Payroll:*** The County's average incurred (paid costs plus estimated liabilities) losses, during FY 99 to FY 01, are \$1.93 per \$100 of payroll. This is \$0.36 lower than the benchmark of \$2.29. This favorable difference equals 15.7%, as a percentage of benchmark measure. This implies the ***County's overall injury risk level is lower than the average risk of other Bay Area counties***. WC insurance companies use losses as a percentage of payrolls to measure risk. The claims administrator's reported incurred losses were adjusted/increased to be consistent with the actuary's June 30, 2001 estimated liabilities report.

***Average Incurred and Paid Losses per Claim:*** The County's average annual incurred (paid costs plus estimated liabilities) loss per claim, during FY 99 to FY 01, is \$7,043. This is \$1,063 lower than the benchmark of \$8,106. This favorable difference equals 13.1%, as a percentage of benchmark measure. This implies the ***County's claims/injuries are less severe and/or are managed more effectively***, as compared to the claims of other county WC programs. Incurred losses were adjusted per actuary's report. The claims administrator's reported incurred losses were adjusted/increased to be consistent with the actuary's June 30, 2001 estimated liabilities report. Using the actuary's FY 02 estimates would result in larger increases to the County's reported incurred loss measures. The County's average actual paid loss per claim (during first 2 years after a claim is opened) measure of \$3,785, based on FY 00 and FY 01 actual costs, is approximately 2% lower (better) than the average of \$3,854 for other Bay Area counties.

***Incident Rate per 100 Employees:*** The County's average annual incident rate per 100 employees (during FY 99 to FY 01) is 13.18. This is 1.06 higher than the benchmark of 12.12. This unfavorable difference equals 8.7%, as a percentage of benchmark measure. This implies the ***County's injury frequency is higher, as compared to other county WC programs***, and that there is room to improve the County/departments' injury prevention efforts.

## Workers' Compensation



Due to the County's policy of encouraging employees to file claims when injured (although the worker did not immediately miss time from work nor require medical attention), the County's incident rate may be overstated (as compared to other counties) because of claims filed that resulted in no costs. Hence, the County's reported incident/injury rate was adjusted downward by 40% of the volume of claims opened and closed with no incurred costs. This reduced the rate from 14.53 to 13.18 claims per every 100 employees. Also, due to NCM's significant under-reporting of estimated liabilities and incurred losses, the County's loss measures were adjusted upward by 11.7% (% that incurred losses are under-reported using actuary's FY 01 estimated liabilities amount). This increased losses per \$100 of payroll from \$1.73 to \$1.93, and losses per claim from \$6,305 to \$7,043. Even after these adjustments, the measures are still 15.7% and 13.1% better than the average of other Bay Area counties.

### Department Measures

The County's five largest departments, in terms of employees (69% of authorized positions), incur approximately 79% of the County's total direct claim costs. Three of these departments (Sheriff's Office, San Mateo Medical Center and Public Works) have employees in high-risk occupations.

The sample department baseline measures (*Exhibit 3*) are based on average annual figures. As expected, departments with high-risk occupations have higher incident rates and higher average costs per employee. ***Employees of the Sheriff's Office and San Mateo Medical Center incur over half of the County's costs.*** For example, the Sheriff's Office percentage of total County gross WC wages equals approximately 14% while its percentage of the County's total direct claims costs equal approximately 32%. San Mateo Medical Center's percentage of County wages equals 16%, while its percentage of County claim costs equals 21%. WC insurance companies use costs/losses as a percentage of payrolls to measure risk.

<b>Exhibit 3 – Sample Measures (Direct Claim Costs)</b>							
Department	Gross WC Wages (Millions) & FTEs	Incurred Losses per \$100 of Payroll	Direct Paid Costs per Employee	Incurred Losses per Employee	Incurred Losses per Claim	Incident Rate per 100 Emp.	Lost Work-days
Sheriff's Office	\$44.8 / 592	\$5.33	\$3,553	\$4,038	\$18,093	22.32	3,616
SM Medical Center	\$51.1 / 808	\$3.07	\$1,521	\$1,942	\$11,977	16.22	2,675
Health Services	\$52.2 / 848	\$1.50	\$662	\$925	\$12,727	7.27	624
Human Services	\$38.1 / 702	\$1.68	\$702	\$910	\$13,203	6.89	1,412
Public Works	\$17.5 / 311	\$2.73	\$1,661	\$1,540	\$7,168	21.48	789
Notes: All measures are based on average annual figures using a 3 or 5-year period, except for lost workdays, which are based on FY 02 actuals. WC subject wages are based on FY 03 projected figures. FTEs are based on FY 03 funded FTEs. These direct claim costs figures exclude indirect claim costs (program and claims administration, overtime and extra-help pay to cover for disabled workers, etc.).							

# Workers' Compensation

## **Recommendation 3**

We recommend that Risk Management work with departments to *develop and monitor department-specific performance measures and improvement goals to assess the effectiveness of injury prevention efforts*. To monitor success we recommend that Risk Management distribute these statistics on an annual basis to department heads and County management. For comparison purposes, these statistics/measures should include information for the most recent year and 2 prior years. Cost measures will need to be adjusted for inflation (including legislated increases to benefits). We recommend that each department evaluate its claims history, establish baseline measures, and develop measurable performance improvement goals (i.e., reduce injuries and disability days by 10% within 2 years).

Standard WC industry performance measures (see *Exhibit 3*) such as: number of claims, number of lost workdays, and total costs (medical and indemnity) should be used. Summary information about the types of injuries/illnesses reported, during the last 3 years, should also be provided to departments on an annual basis. The Audit Division can assist Risk Management and NCM, as needed, to prepare these statistics/measures.

## **4. Injuries and Cost Monitoring**

Currently, departments receive, as required by Cal-OSHA, a yearly new-injury log that contains limited information. Most departments, however, are not fully aware of their number of open claims, costs of injuries, nor receive reports about their claims/injuries for analysis, trending, and performance monitoring purposes. Not having timely information about injuries and cost reduces a department's ability to assess its employee safety risks, maintain an effective IIPP, and monitor performance.

Some departments may not receive periodic WC monitoring reports because they have not asked for them, while others may not see a current need. Risk Management, with NCM's assistance, recently began to distribute quarterly reports of newly reported claims to the San Mateo Medical Center. Monthly reports, which list employees who are on disability or temporary modified work assignments, are also currently provided to the Sheriff's Office.

Departments should use summary injury and cost reports to identify common workplace hazards, and any employee/supervisor training and safety equipment needs. Timely information about injuries, along with their severity and costs, is needed to assess department-specific risks and to develop and maintain an effective department IIPP.

## **Recommendation 4**

We recommend that Risk Management, with NCM's assistance, *distribute quarterly summary department-specific injuries and cost information reports to each department*. At a minimum, department heads should receive standard reports from NCM's claims system titled "Part of Body" and "Kind of Accident", which include number of open claims, average paid per claim type, and lost work days by "body part injured" and by "type of accident". Risk Management *should ask each department what information they need* to monitor their injuries/claims. We recommend that the distribution of these quarterly monitoring reports begin in January 2004, after the quarter ending on December 31, 2003.

# Workers' Compensation

## 5. Safety/Health Awareness and Improvement

Approximately one-third of the County's injury costs are a result of injuries in the Sheriff's Department. To significantly reduce the county's WC costs the Sheriff's Office should work with the Risk Management Division to identify and reduce commonly occurring injuries (strains, slips and falls, and cardiovascular disease).

Due to the high-risk occupation of Sheriff's employees the frequency, and average cost per claim, is high compared to the rest of the County. On average there are 22 claims per 100 employees per year with an average cost of \$18,000 per claim. Average cost of cardiovascular-related illnesses/claims reported by Sheriff's employees is \$57,000.

A recent study ("The Association of Health Risk With Workers' Compensation Costs" by Shirley Musich, PhD), found that high WC costs were related to individual health risks, especially smoking, poor physical health, physical inactivity, and life dissatisfaction. The 4-year study used Health Risk Appraisal data and focused on 1996-1999 WC costs among Xerox Corporation's employees. WC costs increased with increasing health risk status (low, medium and high). In this population, 85% of WC costs could be attributed to excess risks (medium- or high-risk) or non-participation in Health Risk Appraisal. Among those with claims, a savings of \$1,238 per person, per year, was associated with Health Risk Appraisal participation.

### **Recommendation 5**

We recommend that the Sheriff's Office develop strategies to increase employees' awareness and participation in safety/health improvement activities to reduce the risks of commonly occurring injuries/illnesses. We also recommend that a member of its management team be assigned to work as a liaison with Risk Management and the Employee Health and Fitness Program personnel to develop department-specific safety/health programs and to encourage employees to utilize existing County employee safety/health programs. Increasing injury/illness prevention activities should result in improved employee health/safety and reduced WC costs.

A number of incentives could be used to motivate employees to participation in health and fitness programs including rewarding one to two hours of comp time, subsidizing membership to health/fitness clubs, holding contests with prizes for improving health/fitness and discounts on health premium. Historically, the Sheriffs Office staff has been underrepresented in some excellent County health and fitness programs such as HEARTCheck, FITCheck, HEALTHCheck, and Healthier Back. Participation in these programs will help reduce injuries. .

## 6. Control Procedures

We recommend that internal control procedures used by Northern Claims Management (NCM) to review and approve payments and to maintain claim reserves (estimated liabilities) be documented. NCM is contracted by the County (Risk Management) to manage and administer the County's workers' compensation claims.



## Workers' Compensation

As requested by Risk Management, NCM uses a bill review management services (BRMS) company, which reviews medical bills (and related medical reports) authorized for payment by NCM. It ensures that medical services are properly coded per the State's Fee Schedule to reduce the likelihood that the County pays more than required for a particular service. We understand that the BRMS firm's information system also performs some automated data edits.

NCM's Office Policies and Procedures manual states its broad policies and general standards regarding claim management activities. Some sections include specific procedures, however, most sections are unclear as to who is responsible for performing specific procedures. In particular, NCM's manual does not include any written control procedures to address the risk that incorrect or unauthorized payments are issued. Since NCM initiates the issuance of over 18,000 checks for a total of over \$7,000,000 each year, it is imperative that it maintains an auditable system of internal controls that provides the County adequate assurance that material overpayments will not be made. Due to the lack of documentation, we are unable to provide any assurance that there are adequate controls over these payments.

North Bay Associates' (NBA), a workers' compensation audit firm, audit report of NCM's activities, dated December 2001, states that NCM needs to improve its procedures relating to "balancing" files. NBA made this recommendation even though it stated that benefits are being paid timely and that no errors were seen per the sample review. Although the NBA's auditor did not find any errors in the sample tested, he noted that certain key internal control procedures were not performed regularly. Examples of such key internal control procedures are 1) reviewing of medical payments by a second person and 2) balancing of indemnity (temporary and permanent disability) payments by comparing what has been paid to what is supposed to be paid as previously determined by the claims administrator. The report states: "Considering the amount of money and innumerable opportunities to make mistakes, it is strongly recommended that regular claim file balancing be started and continued."

NBA's report also states: "*As has been the case in the past... the case-based reserves are too low and do not anticipate the actual ultimate costs of the claims.*" As of June 30, 2002, total estimated liabilities per NCM were \$13.5 million, which is \$9.5 million less than actuary's estimate of \$23 million.

### **Recommendation 6a**

We recommend that Risk Management direct NCM to ***document its internal control procedures used to review and approve payments, and to establish and maintain accurate claim-based estimated liabilities (reserves) information.*** Risk Management and its contractor NCM are responsible for evaluating and identifying any risks and developing and implementing controls to adequately reduce such risks. The Internal Audit Division can provide assistance in identifying risks and guidance in selecting appropriate control procedures. NCM's procedures should include reviewing claim-based reserves at least once a year, per the service contract, but preferably, per California law, every time a claims examiner receives information that affects the estimated reserve.

### **Recommendation 6b**

We recommend that management should have an audit conducted within six months from the issuance date this report to assess whether an adequate system of controls is in place and functioning properly.

# Workers' Compensation

## 7. WC Fund Liabilities

### **Recommendation 7**

We recommend that Risk Management and County management ***increase the WC Fund cash reserve balance so it more closely approximates the Fund's estimated liabilities balance.*** Even though the Fund's liabilities total \$23 million (per actuary as of June 30, 2002) the Fund's assets/cash only total \$9.6 million, which leaves \$13.4 million in under-funded liabilities. The County's WC fund assets (cash reserves) of \$9.6 million equal 42% of its \$23 million in liabilities.

This recommendation to address the adequacy of the WC internal service fund's cash reserve balance is consistent with the San Mateo County 1998 Civil Grand Jury's report. The report recommended that: "The San Mateo County Board of Supervisors should instruct the Employee and Public Services Department, acting in collaboration with the San Mateo County Controller and the General-Purpose Financial Statement independent auditor, to agree to a common calculation of the adequacy and balances of Internal Service funds."

Establishing an adequate funding level is a County policy decision. Fully funding the County's WC Fund, by increasing its cash reserves, will strengthen its fiscal condition. Other Bay Area counties' self-insured WC Funds are more adequately funded. For example, Contra Costa County's FY 02 assets of \$42 million equaled 69% of its \$61 million in liabilities, while Santa Clara County's FY 02 assets of \$63.3 million equaled 85% of its \$74 million in liabilities. In order to match our reserves (cash) and estimated liabilities the County would need to add \$13.4 million, the amount by which liabilities are under-funded, to the Fund's cash reserves.

## 8. Payment Data Analysis

### **Recommendation 8**

We recommend that Risk Management ***review and analyze WC payment data by claim, service provider, and cost type*** on a biannual basis beginning in January 2004. Risk Management may ask Internal Audit to assist in performing this trending analysis. This data analysis will help to identify cost trends, check for reasonableness, and select payments to review in detail.

An analytical review of payment transactions data may be limited to high-dollar vendors, claims, and cost types. Monitoring and analyzing costs will be useful to: identify changes to costs that may require further analysis, timely understand what is driving these cost changes, and evaluate what can be done to emphasize or de-emphasize the change.

## 9. Payroll Clerk Training

### **Recommendation 9**

We recommend that Risk Management continue to ***coordinate ongoing training for department payroll clerks*** to ensure they are aware of how to properly process WC related forms (Disability Leave with Pay, WC Restoration of Hours, etc.). This will improve the efficiency and effectiveness of processing WC forms, which are not always processed in a timely or proper manner.

## Workers' Compensation

### 10. Equipment Purchasing Policy

#### **Recommendation 10**

We recommend that the County, and Risk Management, formally *clarify that departments are responsible for purchasing any equipment (including safety equipment)* that their employees may require to perform their jobs safely. Risk Management (i.e., the WC Fund/Program) is responsible for administering claims, paying WC benefits, and providing advice and coordination regarding employee health and safety activities. Currently, there is ongoing inconsistency regarding departments' understanding of who is responsible for purchasing equipment or other safety-related things that their employees may require.

#### **Implementation Plan**

We recommend that Risk Management develop a plan to implement these recommendations. We automatically schedule a one-year follow-up review all recommendations, as a part of the services that we provide to the County.

# Workers' Compensation

## Management Response

First, we would like to thank Juan Raigoza for his comprehensive report on a very complex program. Through a number of meetings he sought our input and feedback and incorporated our ideas in his draft report and recommendations. We also want to compliment Juan on his willingness to assist with the analysis and implementation of several recommendations.

Thank you also for recognizing the cost effectiveness and leadership of the County's workers' compensation program and health and safety programs. We find that the workers' compensation program is very challenging because of the bias of the laws favoring employees, not the employer. Recent legislation, including the increase of the temporary disability benefit and expansion of presumptive illness for safety personnel has made it extremely difficult (if not impossible) to contain costs. The escalation of medical costs and medical utilization have further negatively impacted costs. Previous legislation, such as making the employee-selected treating doctor the sole decision-maker, has contributed to a program that is out of the employer's control. The fact that the majority of the Workers' Compensation Appeals Board judges are former plaintiff's lawyers skew the decisions in the employee's favor. In spite of these handicaps, we feel our program is very well run.

For the most part, we agree with the recommendations. Our comments are listed below.

**1. Develop an incentive system to encourage injury prevention and reduce costs.**

We agree that we should explore an incentive system, but want to spend some time analyzing various systems, including the one we use for general liability charges. We may request your help with this exploration.

**2. Maintain proactive Department Safety Committees and effective Injury and Illness Prevention Programs (IIPP) to improve injury prevention efforts.**

We sent out a memo to all Department/Division Directors in August 2003 about the IIPPs. The memo provided a copy of their most recent IIPP and a "sample" one, should they choose to revise their current one.

**3. Establish and monitor injury and cost measures to assess effectiveness of prevention efforts.**

Agree.

**4. Distribute summary department-specific reports to help monitor injuries and costs.**

We agree that reports should be sent to all departments, but want to note that we meet with large departments including the San Mateo Medical Center, Sheriff's Office, and Human Services on a monthly (or quarterly) basis and review a report which we produce listing all their workers' compensation cases. The feedback we have received from their meetings is excellent. We also want to note that departments can now generate their own reports on workers' compensation claims from the SMS system, the new on-line workers' compensation system.

## Workers' Compensation

- 5. Increase employee awareness and participation in safety/health improvement activities to reduce injuries and illnesses.**

We will discuss this recommendation with the Sheriff.

- 6. Document the system of internal controls to process claim payments and calculate estimated liabilities.**

Agree.

- 7. Increase the cash balance of the WC Fund to improve its fiscal condition.**

This policy decision is up to the County Manager and funds were transferred as part of the final budget on September 23, 2003.

- 8. Review and analyze WC payment transactions data to identify cost trends.**

We review and analyze payment data and trends on a regular basis, but appreciate your help in this analysis.

- 9. Provide ongoing training to payroll clerks to improve WC forms processing.**

We conduct training in Personnel/Payroll Council meetings regularly and last attended in June, 2003. We will continue to do so.

- 10. Clarify that departments are responsible for purchasing safety equipment.**

Agree.

## Workers' Compensation

### **Appendices**

Appendix A – Accomplishment of Workers' Compensation Program	21
Appendix B – Projected Injury Related Costs and Savings	23
Appendix C – Countywide Injury Related Costs	23
Appendix D – Roles and Responsibilities	24
Appendix E – Most Common Specific Injuries, Ranked by Cost	25
Appendix F – FY 02 Claim Costs, by Expense Type	25

# Workers' Compensation

## Appendix A – Accomplishments of WC Program

### County Activities:

- Risk Management (RM), with Information Services Department's assistance, implemented web-based WC system used by payroll clerks to streamline claims processing activities and increase access to information
- RM leads County Safety Committee and provides on-going advice and assistance to departments and their Department Safety Committees
- RM placed detailed information about WC benefits, procedures and responsibilities on County's website for employees and others' reference
- Employee Health and Fitness Program offers preventive health screenings and health improvement workshops to monitor and improve employee's health – see Employee Activities
- Employee Health and Fitness Program's website offers useful health information and resource listings, and an online employee health risk appraisal
- RM acknowledged several departments by providing them awards for having at least 20% of their employees participate in the Computer Ergonomics training
- RM inspected new and existing County facilities to identify potential or existing health and safety hazards and provided advice to departments
- RM assisted departments to develop department programs/activities relating to:
  - Transitional work assignments
  - Department Injury and Illness Prevention Programs
  - Computer/VDT ergonomics procedures
  - Drug and Alcohol testing programs
  - Occupational health requirements (i.e., Environmental Health, San Mateo Medical Center)
  - Required safety training (forklift training, driver training, etc.)
  - Surveillance/monitoring programs (Tuberculosis Exposure Committee)

### Department Activities:

- Department of Public Works (DPW) is the County's role model regarding the development and execution of department-specific injury/illness prevention activities
- DPW, with Employee Health and Fitness' assistance, provided the following employee health programs to Roads Division employees:
  - Healthier Back workshops (65 = number of participants in FY 02)
  - FITCheck fitness testing (80)
  - Hypertension Management course (17)
  - Cholesterol Management course (11)
- Sheriff's Office, with RM's assistance, instituted its Transitional Return-to-Work Program to provide safe temporary assignments for injured employees with work restrictions
- Parks and Recreation Division provides annual training to employees, including, Hearing Conservation, CPR/First Aid, etc.
- Parks and Recreation was the first division to have 100% of their employees participate in the Sheriff's Office Driver Training Course for county employees
- Human Services Agency has an active Safety Committee, instituted Transitional Return-to-Work Program, and manages a proactive Computer/VDT Ergonomic program for its employees

## Workers' Compensation

- San Mateo Medical Center has an active Safety Committee and is piloting the use of new patient lifting equipment to reduce injuries
- San Mateo Medical Center provides all new employees with a copy of IIPP as part of the new employee packet, along with safety training – employees are made aware of occupational safety and health hazards to which they may be exposed to, and how to avoid and manage them

### Employee Activities:

- Employees participated in Department and County Safety Committees, identified health and safety risks, and participated in activities to reduce their department's injuries/illnesses
- Employees participated in health and safety training offered by Risk Management and Employee Health and Fitness Program, including (for FY 00 to FY 02 period):
  - Computer Ergonomics Training Program (814 = number of participants)
  - Healthier Back workshops (87)
- Employees participated in preventive health screening programs offered by Employee Health and Fitness, including (for FY 00 to FY 02 period):
  - FITCheck fitness testing program (794)
    - 59 participants received follow-up intervention(s) due to high risk status
  - Flu Immunization Program (5,200)
  - HEAR<sup>2</sup>T Program – online cardiovascular health assessment (452)
  - HEALTHCheck health assessment program (699)
    - 340 participants received follow-up intervention(s) due to high risk status
- Sheriff's Office employees participated in state-mandated and other training, including:
  - POST (California Peace Officer Standards & Training) and STC (Standards and Training for Corrections) training, Defensive Tactics, Drivers' Training, and CPR/First Aid
- San Mateo Medical Center employees participate in training of: hazardous materials/waste, infection control, emergency preparedness, equipment/electrical safety, ergonomics, etc.
- Employees participated in health improvement / risk reduction programs offered by Employee Health and Fitness, including (for FY 00 to FY 02 period):
  - Allergy / Asthma Management (81)
  - Cholesterol Management (39)
  - "Get A Move On" introduction to physical activity workshop (131)
  - "Health in Motion" physical activity program (960)
  - Hypertension Management (205)
  - Women's Health (Menopause Management / Osteoporosis Prevention) (260)
  - Weight Management ("Weight Watchers") (929)
- Employees participated in training provided by Risk Management, including:
  - Tuberculosis Awareness / Tuberculosis skin testing
  - Blood borne pathogens
  - Respiratory Protection
  - Hearing Conservation
  - Forklift Safety



# Workers' Compensation

## Appendix B – Projected Injury Related Costs and Savings

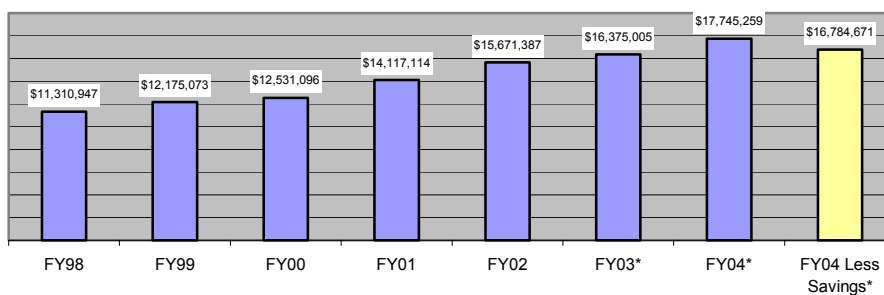
Estimated savings amounts are based on the premise that departments' increased incentives and efforts to prevent injuries will reduce the County's overall claim incident rate. Reducing the County's rate by 8% will reduce its annual rate of 13.18 claims per 100 employees to 12.12, the average rate of five other Bay Area counties. Although costs per claim and total costs will continue to increase each year (due to benefit increases and inflation), implementing this report's recommendations should decrease the growth in costs by approximately \$960,000 (5.4% of \$17.7 million). Annual projected savings are based on the relationship between number of injuries and particular cost type. For example, reducing the incident rate by 8% should reduce WC Fund paid costs by 4% (\$420,000 of \$10,454,000). These figures exclude projected service-connected retirement disability benefit costs of approximately \$8 million.

Projected FY 04 Injury-Related Costs and Savings			
	Costs	Savings %**	Savings Amount
<b>Workers' Compensation Fund – Paid Costs</b>			
Claim Benefits & Related Costs*	7,925,076	5.3%	420,029
County Service Charges	1,131,777		
Claims Administration	604,292		
Excess Insurance Premiums	550,000		
Other Services & Expenses	242,994		
Subtotal	<b>10,454,139</b>	4.0%	<b>420,029</b>
<b>Workers' Compensation Fund – Accrued Costs</b>	<b>4,121,039</b>	7.0%	<b>288,473</b>
<b>Countywide Department Cost (paid directly by depts.)</b>			
Temporary Disability (Payroll Code 059)	1,030,260	8.0%	82,421
Claim-Related Processing	357,500	8.0%	28,600
Overtime Labor***	871,758	8.0%	69,741
Extra-Help Labor***	530,980	8.0%	42,478
Recruiting & Training	227,500	8.0%	18,200
Subtotal	<b>3,017,998</b>	8.0%	<b>241,440</b>
<b>Long-Term Disability Fund Costs</b>	<b>152,083</b>	7.0%	<b>10,646</b>
<b>Total Costs</b>	<b>\$17,745,259</b>	5.4%	<b>\$960,588</b>
* = Savings % after 3-years, annual costs include expenditures for prior years' claims/applications ** = Savings % depends on the relationship between injury/claim frequency and cost type *** = Assume 40% of total actual disability days off are covered by overtime (20%) and extra-help (20%), remaining 60% of lost time is covered by existing staff			

## Appendix C - Countywide Injury Related Costs

(excludes service-connected retirement disability costs)

\* = projected figures



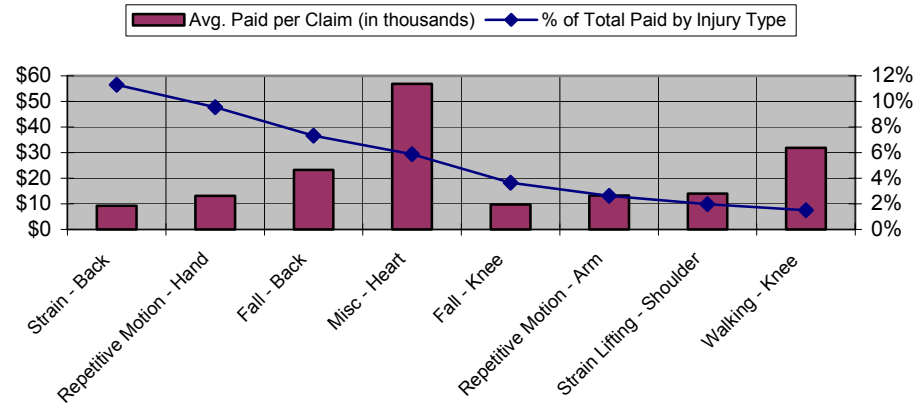
## Workers' Compensation

<b>Appendix D - Roles and Responsibilities</b>			
<b>Stakeholder</b>	<b>Claim Reporting</b>	<b>Claim Payments</b>	<b>Claims Management</b>
Employee	<ul style="list-style-type: none"> <li>• Immediately reports injury to supervisor</li> <li>• Gets medical attention, if needed</li> <li>• Completes claim &amp; other forms</li> <li>• Inquires with RM &amp; NCM, if needed</li> </ul>	<ul style="list-style-type: none"> <li>• Obtains statement of injury/illness from doctor</li> <li>• Completes necessary form(s) - i.e., Disability with Pay form</li> <li>• Receives benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Follows doctor's advice to improve health</li> <li>• Returns to work when feasible</li> <li>• Communicates with supervisor, RM &amp; NCM regarding injury</li> </ul>
Supervisor	<ul style="list-style-type: none"> <li>• Informs employee of WC benefits, forms, etc.</li> <li>• Investigates injury and cause</li> <li>• Corrects hazard/risk, if applies</li> <li>• Completes Supervisor's Report</li> <li>• Informs Dept. Safety Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Reviews Disability with Pay &amp; other forms – may also authorize</li> <li>• Communicates frequently with employee regarding disability status</li> <li>• Reviews and approves proper WC timesheet reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Maintains frequent contact with employee to demonstrate care</li> <li>• Helps locate modified work for employee with task limitations</li> <li>• Encourages employee's return to work when medically feasible</li> </ul>
Dept Payroll Clerk (DPC) / Dept Modified Work Coord. (DMWC)	<ul style="list-style-type: none"> <li>• DPC helps prepare Employer's Report &amp; other WC forms</li> <li>• DPC forwards completed forms to RM</li> </ul>	<ul style="list-style-type: none"> <li>• DPC processes timesheet</li> <li>• DPC processes Disability with Pay and other WC forms</li> <li>• DPC processes retroactive timesheet adjustment forms</li> </ul>	<ul style="list-style-type: none"> <li>• DMWC manages department's modified work program (MWP)</li> <li>• DMWC locates MWP assignments for injured workers</li> <li>• DMWC develops MWP plans</li> </ul>
Department Safety Committee and Safety Officer	<ul style="list-style-type: none"> <li>• Investigates injury/illness</li> <li>• Recommends or takes actions to reduce/eliminate risk/hazard</li> <li>• Inform County Safety Mgr, if needed</li> <li>• Recommends training and equipment needs to department management</li> </ul>		
Risk Management (RM)	<ul style="list-style-type: none"> <li>• Reviews &amp; forwards claim to NCM</li> <li>• Communicates with NCM, employee, supervisor and department payroll clerk</li> <li>• Investigates injury/illness</li> <li>• Recommends or takes action to reduce/eliminate risk/hazard</li> <li>• Advises departments regarding their injury/illness prevention activities</li> </ul>	<ul style="list-style-type: none"> <li>• Communicates with employee, supervisor, department payroll clerk, and NCM</li> <li>• Reviews &amp; approves WC forms</li> <li>• Forwards approved forms to employee, department payroll clerk, &amp;/or Controller</li> <li>• Reviews &amp; approves payments &amp; sends data to Controller</li> <li>• Reviews &amp; approves/disapproves Disability with Pay form</li> </ul>	<ul style="list-style-type: none"> <li>• Works with department &amp; employee to return employee to temp./permanent modified work</li> <li>• Develops and executes countywide injury/illness prevention activities/programs</li> <li>• Consults with NCM regarding claims management, investigation &amp; litigation</li> <li>• Prepares for &amp; participates in WC appeals hearings</li> </ul>
Claims Administrator – (NCM)	<ul style="list-style-type: none"> <li>• Reviews claim &amp; benefit eligibility</li> <li>• Communicates frequently with employee, RM and department</li> <li>• Investigates claim/injury</li> <li>• Requests &amp; manages investigative and legal services</li> </ul>	<ul style="list-style-type: none"> <li>• Determines benefit payment amount</li> <li>• Checks invoices for correctness</li> <li>• Reviews and authorizes provider/vendor invoices</li> <li>• Emails verified payment data to RM</li> </ul>	<ul style="list-style-type: none"> <li>• Recommends &amp; manages use of investigators &amp; legal advice in consultation with RM</li> <li>• Identifies risk areas to address</li> <li>• Monitors claim status &amp; MWPs</li> <li>• Performs settlement analyses</li> </ul>
Physician	<ul style="list-style-type: none"> <li>• Examines &amp; treats injured employee</li> <li>• Provides statement regarding employee's injury/illness</li> </ul>	<ul style="list-style-type: none"> <li>• Advises employee regarding treatment &amp; medication</li> <li>• Provides statement regarding employee's limitations</li> </ul>	<ul style="list-style-type: none"> <li>• Examines employee &amp; provides note regarding health/limitations</li> <li>• Releases Emp. to return to work</li> <li>• Reviews job analysis &amp; advises regarding any modifications</li> </ul>
Controller - Accounts Payable & Payroll		<ul style="list-style-type: none"> <li>• Prints WC payment checks</li> <li>• Integrates disability benefits into regular paycheck</li> <li>• Processes retroactive pay &amp; restoration of hours adjustments</li> </ul>	

# Workers' Compensation

## Appendix E - Most Common Specific Injuries, Ranked by Costs

during FY 97 to FY 01 (5-year period)



## Appendix F - FY 02 Claim Costs, by Expense Type Total = \$7.2 million

