

May 8, 2002

City Council Meeting of
May 14, 2002

**Quarterly Report on Workers Compensation
January 2002 through March 2002**

Recommendation

Receive and File the Quarterly Report on Workers' Compensation.

Background

This report on the City's workers' compensation program is for the period of January 1, 2002 through March 31, 2002.

Analysis

Claims expense for the first quarter of the 01/02 fiscal year was 9% lower than the previous quarter. Claims expenses for the last fiscal year ending June 30, 2001 was also down from the previous year as shown in the table below.

Period	Claims Expense
FY 93/94	\$308,400
FY 94/95	\$535,708
FY 95/96	\$535,736
FY 96/97	\$492,079
FY 97/98	\$608,025
FY 98/99	\$521,352
FY 99/00	\$589,731
FY 00/01	\$447,801
FY 01/02 – First Quarter	\$167,068
FY 01/02 – Second Quarter	\$149,720
FY 01/02 – Third Quarter	\$235,132

One of the greatest costs associated with providing workers compensation benefits is in providing salary continuation to sworn police and fire employees while they are temporarily disabled from their work. These benefits are provided in the Labor Code and are commonly referred to as "4850 time". Not only must public agencies continue to pay the full salary for police and fire employees while they are off, there are significant overtime costs in covering those shifts for the injured worker.

Claims expense is higher than projected due to an increase in benefits paid for lost time injuries for public safety personnel. The number of hours lost due to work related injuries for public safety personnel are twice what they were last fiscal year. Several public safety employees have had significant injuries requiring surgery and extended recovery periods. For example, two employees have had to undergo shoulder surgery and two have had hernia surgery. In addition, two police employees in their last year of employment have been off work due to a variety of orthopedic injury claims. This is not uncommon due to their long careers, the type of work they perform, and the benefits available to them. The City has also had one non-safety employee off for an extended period after sustaining a broken neck while at work.

The table below shows the total workers' comp. reserve for future liability on existing claims. The reserves have increased dramatically since the City changed third party administrators (Hazelrigg Risk Management Services). The new administrator has a different philosophy and method for setting reserve amounts. Hazelrigg believes that the prior administrator had significantly underestimated the future liability on the City's claims. Specifically, the prior administrator was not setting the reserve to include the full value of the benefits available to sworn public safety employees.

Date	Total Workers' Comp. Reserve
June 1996	\$1,130,925
June 1997	\$1,266,861
June 1998	\$833,161
June 1999	\$770,263
June 2000	\$617,124
June 2001	\$945,431
September 2001	\$1,081,731
December 2001	\$1,100,735
March 2002	\$1,078,139

The number of claims reported during the fiscal year is below the average of the prior five years. Over the last six years an average of 37 claims were reported annually. To date, 24 claims have been reported through March 2002. This is lower than the previous quarters and is slightly below the average number of claims anticipated for the fiscal year.

Cases Reported By Fiscal Year

95/96	54
96/97	36
97/98	30
98/99	47
99/00	26
00/01	31

2001/2002 24 to date

The majority of claims received continue to be from the Police Department. This is consistent with the nature of work, consistent with the benefits available to public safety employees, and consistent with other cities' claims.

We are nearing completion of implementing a modified duty policy that will provide temporary modified work assignments to employees until they are released to full duty. Cities with these policies have typically found that employees are able to return to their usual and customary duties sooner when they remain active and involved in work. The goal of this policy is to help reduce the amount of temporary disability and 4850 benefits paid. The City continues to provide modified duty assignments on a limited basis in some departments.

In addition, the Assistant Fire Chief has completed a comprehensive revision to the City's Injury and Illness Prevention Plan, Hazard Communication Program, Exposure Control Plan, and Occupational Exposure to Communicable Disease Plan. Once review by the Personnel Department is complete and these programs are implemented, it is hoped that they will improve overall employee safety and eventually have a positive effect on workers' compensation claims costs

It is important to continue to stress that the benefits provided under workers' compensation are mandated by state and federal legislation. Legislation in the state of California, in particular, continues to provide increased benefits. The vast majority of these benefit increases do not affect private business enterprises because frequently they are specific to public safety personnel.

Respectfully submitted:

Concur:

Michael Earl
Personnel & Risk Management Director

Stephen Burrell
City Manager