



# Memorandum

**TO:** PUBLIC SAFETY, FINANCE, AND  
STRATEGIC SUPPORT COMMITTEE

**FROM:** Jennifer Schembri

**SUBJECT: WORKERS' COMPENSATION  
PROGRAM SEMI-ANNUAL REPORT**

**DATE:** March 13, 2019

Approved

Date

3-14-19

## RECOMMENDATION

Accept the semi-annual report on the City's efforts to contain workers' compensation costs and reduce claims for the Workers' Compensation Program by focusing on wellness, health, and safety through the first half of 2018-2019.

## BACKGROUND

Pursuant to City Council direction, the City's Worker's Compensation Program has been fully outsourced to a TPA (Third Party Administrator) Intercare. As of September 1, 2018, all in-house claims were electronically transferred to Intercare with all open claims administered by Intercare staff. As part of the transition process, and after the transfer of data and files, Intercare completed a triage of all open claims. This vital step ensured claim files were fully compliant, i.e., appropriate documentation in files, timely benefit payments made and if not, penalties paid and plan of actions set in place to bring claims to closure. Again, the ultimate goal and policy objective of outsourcing the City's Workers' Compensation Program was to provide the most effective services to the City's injured workers.

In addition, authorization was provided to the City Manager to negotiate and execute a Second Amendment to the Agreement with Intercare on October 30, 2018 extending Intercare's TPA claims administration services to the City through June 30, 2019.

The Committee accepted the most recent Semi-Annual Report covering Fiscal Year 2017-2018 on December 13, 2018. This report included updates on the transition process to Intercare as the City's TPA and most notably, the City's hiring of a Human Resources Department (HR) Workers' Compensation, Health, and Safety Division Manager in November 2018 whose focus and emphasis would be on managing the TPA, monitoring performance metrics and improving delivery of services to injured City workers. In addition, the Semi-Annual Report noted that the Division Manager and staff would focus on improving the City's wellness, health and safety programs and processes to reduce injuries and associated worker's compensation costs.

## **ANALYSIS**

This report to Public Safety Finance Strategic Support Committee (PSFSS) is the regularly scheduled semi-annual report regarding the status of the City's Workers' Compensation Program. Normally this report would cover the timeframe of July 1, 2018 through December 31, 2018, however, this report will cover data from September 1, 2018 through March 1, 2019, starting at the point when Intercare assumed administration of all open claims. Future reports will follow the normal reporting timeframe, with the next report at a Fall 2019 PSFSS Committee meeting, covering the January 1, 2019 through June 30, 2019 timeframe. In addition, this report includes an update on wellness, health, and safety initiatives that the new HR Division Manager has implemented to reduce injuries and costs associated with workers' compensation.

### **Status of Workers' Compensation Administration Program**

#### ***A. Open Claims***

As of March 1, 2019, the open claims data for the TPA were as shown in Table 1 (below). The total number of open claims has been significantly reduced (by approximately 17%) since June 30, 2018 when the open claim inventory was 3,120 (Intercare - 1,488, City of San Jose - 1,632). This was in large part a result of Intercare's triage process.

**Table 1**  
**Open Claims as of March 1, 2019**

<b>Claim Type</b>	<b>Number of Open Claims as of 3/1/2019</b>
<b>Indemnity</b>	1,528
<b>Medical Only</b>	71
<b>Future Medical</b>	1,000
<b>Total</b>	2,599

#### ***B. Closing Ratios***

A key element in a successful workers' compensation program striving to contain costs includes timely resolution of claims. Timely claims resolution ensures the injured employee receives

appropriate medical care and ensures the claim is resolved so that future costs are mitigated and the employee may either return to work or find an alternative resolution. For the period September 1, 2018 through March 1, 2019, Intercare reported an overall favorable closure rate of 158.06%. The industry standard has a target of 100 percent. Table 2 (below) summarizes the results.

**Table 2**  
**Closing Ratios for September 1, 2018 – March 1, 2019**

<b>Claims Closing Ratio (9/1/18 - 3/1/19)</b>	<b>Total</b>
New/Reopened Claims	608
Closed Claims	961
Closing Rate	158.06%

***C. Total Claims Cost***

In Table 3 (below), Workers' Compensation Total Claims Budget versus Actual is represented. At mid-year approximately \$1 million was reallocated between several Workers' Compensation Claims appropriations to reflect actual expenditure trends. The total year end expenditures for these appropriations is projected to be around \$19.4 million which is approximately \$2.6 million under the \$22.1 million budget.



**Table 3**  
**Workers' Compensation Total Claims Cost**

<b>Workers' Compensation Total Claims Cost</b>	<b>2018 - 2019 Budget</b>	<b>2018 – 2019 Actuals (through 12/31/2018)</b>
Fire	\$ 7,273,000	\$3,394,876
Police	\$ 9,000,000	\$5,066,431
PRNS	\$ 1,350,000	\$489,352
DOT	\$ 750,000	\$238,995
Others	\$ 966,600	\$405,162
Public Works (GS)	\$ 773,000	\$146,217
General Fund Totals	\$ 20,112,600	\$9,741,033
Special Funds Total	\$ 2,000,700	\$452,328
All Funds	\$ 22,113,300	\$10,193,361
Total	\$ 22,113,300	\$10,193,361

***D. Staffing of the TPA***

Table 4 provides an overview of Intercare's staffing and ratio of assigned claims to staff. As of March 1, 2019, the TPA had 11 adjusters handling 1,528 indemnity claims and 4 adjusters handling 1,071 medical only and future medical claims. Industry standard for caseloads range from 150-175 for Senior Claims Examiners. Intercare's Senior Claims Examiners on our account average 139.9 cases.

**Table 4**  
**Intercare (TPA) Staffing as of March 1, 2019**

Claim Type	Number of Open Claims as of 3/1/2019	TPA Employee Type	Number of Staff	Average Caseload
Indemnity, Medical Only, Future Medical	2,599 (b)	Senior Claims Examiner	11	139.90 (a)
		Future Medical/Medical Only Examiner	4	267.7 (a)
		Clerical and Support Staff	6	0
		Total	21	
(a) Average does not include clerical staff (b) Claims totals do not include Information Only claims				

***E. Performance Measures of the TPA***

As part of the management of the TPA, the performance measures for the period of September 1, 2018 through March 1, 2019 are as shown in Table 5 (below).

**Table 5**  
**Performance Measures for September 1, 2018 – March 1, 2019**

<b>Cycle Time Performance</b>	<b>Total Categories Audited</b>	<b>Total "Yes"</b>	<b>Total "No"</b>	<b>Total "N/A"</b>	<b>Overall Audit Percentage Score</b>
Adjuster Technical Audit Performance Summary	976	448	11	517	98%

<b>Quality Performance</b>	<b>Total Claims Audited</b>	<b>Total "Yes"</b>	<b>Total "No"</b>	<b>Total "N/A"</b>	<b>Overall Audit Percentage Score</b>
Three point contacts - Timely completion of 3 Point Contacts. (Pass/Fail)	122	82	3	37	96%
Causation Analysis - Timely causation decision within 90 days. (Pass/Fail)	122	85	4	33	96%
Plans of Action - Plan of Action in claim notes every 90 days. (Pass/Fail)	122	117	1	4	99%
Benefits Payments - Timely and accurate payment of benefits (Pass/Fail)	122	42	0	80	100%

<b>State Compliance Performance</b>	<b>Total Claims Audited</b>	<b>Total "Yes"</b>	<b>Total "No"</b>	<b>Total "N/A"</b>	<b>Overall Audit Percentage Score</b>
Temporary Disability payment compliance	122	27	0	95	100%
Permanent Disability & Death benefits payment compliance	122	6	0	116	100%
Subsequent indemnity payment compliance	122	18	0	104	100%
Agreed Medical Examiner/Qualified Medical examiner notices compliance	122	71	3	48	96%

The City will continue to monitor the performance measures established for the TPA to potentially identify deficiencies for correction that would enable Intercare to deliver effective claims services to injured workers and the City.

Intercare also conducted Employee Satisfaction Surveys from July 2017 to December 2018 on claims that were set up, handled, and closed. 260 surveys were emailed to employees and 15



responses were received. Questions were asked concerning (1) how quickly employees were contacted by Intercare and how quickly phone calls were returned, (2) how satisfied employees were with the level of courteousness and professionalism demonstrated by Intercare and (3) were employees satisfied with the adjuster's ability to effectively answer questions. Responses were overall favorable. Due to the lower than desired responses, Intercare has sent reminder emails to employees to complete the survey.

### **Workers' Compensation Program- Other**

#### ***A. RFP (Request for Proposal) Status***

As previously mentioned, the current agreement with Intercare expires at the end of our fiscal year. The City is in the midst of conducting a Request for Proposal process for a Third-Party Administrator to provide all services related to the City's Workers' Compensation Program to commence on July 1, 2019 and will return to City Council for the required approvals. The new agreement would be in place for the 2019-2020 Fiscal Year.

#### ***B. Cost Comparison***

Costs associated with the workers' compensation program are broken up into three components: TPA Contract, City Staffing, and City Non-Personal/Equipment costs. The costs associated with the TPA contract referenced in the Council Memo dated June 19, 2018 are not estimated to exceed the \$3.85M. Currently, claims have reduced from the estimated 2,850 to 2,599. There were some additional costs associated with the timing of the transition for the staffing to other Departments based on the original estimated date of transition, however, the personal and non-personal/equipment costs are projected to be within budgeted levels in Fiscal Year 2018-2019.

#### ***C. Monthly Workers' Comp Conference Calls with TPA***

Monthly Workers' Compensation Conference Calls between the City Workers' Compensation Liaisons, Workers' Compensation Division Manager and Intercare have been established for the following Departments: Parks, Recreation and Neighborhood Services (PRNS), Public Works, Fire, Police, Department of Transportation (DOT) and Planning, Building and Code Enforcement (PBCE). The purpose of the conference call is to ensure two-way communication between the City and Intercare is on-going to monitor injured worker's claims. Intercare provides updates on injured workers' medical treatment and return to work status. Restrictions are reviewed for return to modified or restricted duty. The Division Manager determines if treatment, disability, or permanent and stationary status should be objected to which will allow the City a second opinion via the Qualified Medical Evaluator panel.

#### ***D. Quarterly Workers' Compensation Liaison Meetings***

Each Department has a designated liaison between Department supervisors and employees and the City's TPA. These meetings are to provide guidance on best practices for ensuring employees get the best possible care and service and how liaisons can manage workers' compensation claim in the most efficient manner possible with the goal of bringing employees back to work and claims to resolution. At the January meeting, the Workers' Compensation Division Manager explained the change in occupational clinics to Alliance Occupational Medical Clinic and Kaiser Occupational Clinic. Occupational clinics specialize in occupational medical services. They offer comprehensive medical care to injured workers, and doctors are board certified in occupational medicine. In addition, Alliance staff provided a presentation on their occupational clinic services to the liaisons to streamline processes. Two additional meetings are scheduled in March to include a presentation from Kaiser on their occupational clinic services and a Workers' Compensation 101 training by Intercare to better educate liaisons on the workers' compensation process.

#### ***E. "City Cares" Get Well Postcard***

The HR Workers' Compensation Division developed a "City Cares" Get Well postcard which will be sent to all injured employees who file for workers' compensation benefits. The purpose of the card is to let employees know that the City cares and that there are contacts at the City who can assist them navigate the complex workers' compensation system. In addition, the card states that they can call the City Workers' Compensation team should they experience any issues with Intercare. This program will start by April 1, 2019.

#### ***F. Partnership with Occupational Clinics***

The Workers' Compensation staff has also begun to strengthen its partnership with Alliance Occupational Medical Clinic and Kaiser Occupational Clinic. Meetings have been held with both Alliance and Kaiser and employer protocols have been established to ensure medical treatment is not delayed and return to work, i.e. restrictions are provided for timely return to modified/restricted work to reduce indemnity/lost wage exposure. In addition, protocols have been established so that work status reports are immediately sent by the clinics to Workers' Compensation liaisons following employee visits to ensure timely return to modified or regular work.

### **Health and Safety**

With the administration of the City's entire Workers' Compensation Program transferred to the TPA, the City has transitioned its focus on managing the performance of the TPA for quality of service, timeliness, and cost-effectiveness, and developing and implementing a city-wide and comprehensive Safety Management System (SMS). Key elements of the SMS are education, training and hazard assessment and control. In developing the SMS, the HR Health and Safety



Division is developing departmental metrics that include incident rates (frequency and severity), trend analysis to understand causes and types of injuries, and workers' compensation costs. These departmental metrics will help to set meaningful goals and safety improvement plans. In addition, the City Injury/Illness Prevention Program which is a critical element of the SMS is also being revised to ensure it is compliant, robust, and impactful.

The following programs have been implemented to support the SMS.

***A. Monthly Department-Specific Safety Meetings***

To maintain a continued focus on injury prevention and safety programs, thereby, reducing workers' compensation costs, the HR Health and Safety Division has established monthly meetings with management staff from PRNS and Public Works. These groups receive a report from the HR Safety Officer on upcoming training, status of developing safety programs and discuss emerging hazards. In addition, these meetings include a review of each injury from the previous month and identification of methods to prevent reoccurrence of injury. The following training programs were developed and implemented this past fiscal year:

***PRNS***

- Blood borne Pathogens
- 1<sup>st</sup> Aid/CPR/Epi-pen
- Emergency Response Training
- Confined Space
- Bobcat Skid Steer Training
- Stretch and Flex
- Forklift Training
- 4x4 Driving/Winching Training

***Public Works***

- NFPA 70E – Arc Flash
- Forklift Training
- Confined Space
- Fall Protection
- Hazardous Waste Training
- Hazardous Communication Training
- Bucket Truck Operator Training
- Asbestos
- Blood borne Pathogens
- Emergency Response Training
- Safe Animal Handling Practices

### ***B. Quarterly Citywide Safety Officer Meetings***

While the HR Safety Officer provides occupational safety services to most the City's Departments, the Airport, Transportation, Environmental Services, Fire, and Police Departments all have dedicated Safety Officers. The HR Health and Safety Division has implemented quarterly meetings with this group to benchmark and collaborate on safety programs/policies and training events and discuss recent regulatory changes. This group will serve as the City safety "think tank" to help guide and formulate City safety programs, policy and procedures wherein best practices and knowledge are shared.

### ***C. New Hire Orientation***

The HR Health and Safety Division is working with staff from the Benefits Division and Office of Employee Relations to develop content (PowerPoint slides and talking points) that will be delivered to all new employee during their first day of orientation. This content will be focused on communicating that working safely is a **core value** of the City. Instilling this understanding on day-one will set the tone for employees regarding how seriously the City values working safely and avoiding injury.

### ***D. Accident Investigation***

Preventing reoccurrence of injuries through an effective "root cause" analysis is paramount in an effective SMS. The HR Health and Safety Division has revised the accident investigation analysis form and City accident and incident investigation procedure to better identify root causes of injuries to prevent reoccurrences. Training on the new form is on-going with supervisors and managers citywide.

### ***E. City Stretch and Flex Program***

The HR Safety and Health Division has conducted a significant analysis of Departments workers' compensation claim data to identify trends in the location and mode of injury. The Parks Division of PRNS has had a continuous issue with Musculoskeletal Disorders (MSDs) strain and sprain injuries related to lifting or moving heavy items, such as full trash cans, and other physically demanding tasks. To address this, the HR Health and Safety team worked with the City's primary occupational health clinic, Alliance Occupation Medicine to develop a "Stretch and Flex" program for the Parks Division. This program consists of classroom training on how parts of the body likely to be hurt during physical excursion function, what makes them susceptible to injury and how employees can prevent getting hurt. The second half of the training program is a daily stretching routine led by a supervisor or team lead who has received training in leading stretching sessions. Supervisor training and employee training content has been developed specifically for the City by doctors who specialize in occupational health. The goal is to implement this program in other Departments.



### ***F. Hazard Identification and Assessment***

One of the "root causes" of workplace injuries is the failure to identify or recognize hazards that are present. A critical element of any effective SMS is a proactive, ongoing process to identify and assess such hazards. As an example, through analysis of three fiscal years of Public Works workers' compensation data, specifically, types and causes of injuries, it was identified that 64% of the department's total claims occurred at the City's animal shelter and 34% of those claims were the result of animal scratches and bites. After educating the departmental managers on this trend, the HR Health and Safety team collaborated with shelter veterinarians, Animal Services Officers, Shelter Management, and the shelter volunteer coordinator to address this issue. This collaborative effort resulted in the development of a safe animal handling training program, accident investigation procedures to identify root causes of injuries and PPE (Personal Protective Equipment) requirements for staff handling animals with the end goal of reducing the number of claims at the animal shelter.

### ***G. Employee Wellness Screening***

The Employee Health Services Division is exploring reinstituting voluntary wellness screening for employees on a quarterly basis citywide beginning in 2019. Wellness screening will involve the following: blood pressure check, BMI calculation, blood testing utilizing a finger-stick to sample blood droplets to determine total cholesterol, triglycerides, and blood sugar levels. Helpful literature is provided to each employee tested explaining the results for each test as well as education on causes, symptoms, guidelines, and treatment.

### ***H. Safety Update - Fire Department***

The Fire Department continues to implement and maintain an effective Injury & Illness Prevention Program and is actively taking steps to improve workplace safety, employee health and wellness, and reduce employee injury related costs. In calendar year 2018, the Department advanced components of its Firefighter Cancer Prevention Initiative with the implementation of fireground decontamination policies and procedures, issuance of a second sets of gloves and flash hoods, distribution of decontamination kits to each response unit, and expansion of the personal protective equipment cleaning program to prevent firefighter exposure to carcinogens. Also in 2018, the Fire Department reinforced its Behavioral Health Initiative and revitalized its Critical Incident Stress Management Program by providing a Behavior Health Peer Support Team trained to provide peer-to-peer support, critical incident defusing, Employee Assistance Program process assistance, and support with stress related injuries for both dispatchers and responders exposed to critical incidents. In July 2018, the newly added Fire Department Safety Officer position was filled allowing the Department to increase focus on accident and injury prevention practices including efforts to reduce Department involved vehicle accidents, reinstitute the County Fire Safety Section committee, monitor employee compliance to annual medical and annual fitness requirements and standards, and improve follow-up on supervisor accident investigation reports. To build upon the Department's Physical Fitness Program, the Department initiated a study in September 2018 to measure the effects of yoga practice on Functional



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Movement Screening (FMS) assessment scores along with providing FMS assessments to new Firefighter Recruits. The results will guide next steps in reducing injury risk. Toward cost reduction, the Fire Department has recently engaged HR and Intercare to better define employee work restrictions, improve communication with Intercare to efficiently facilitate placement of eligible employees into suitable modified duty assignments, and is working with HR to develop routine injury, claim, and cost reporting.

## **CONCLUSION**

The City has successfully completed the process of transferring the entire Workers' Compensation Program administration to its current Third Party Administrator (TPA), Intercare, which resulted in fully outsourcing the Workers' Compensation Program and services to the TPA.

The City is conducting a Request for Proposal (RFP) process for a Third-Party Administrator to provide all services related to the City's Workers' Compensation Program to commence July 1, 2019, and will return to City Council for the required approvals. The new agreement would be in place for the 2019-2020 Fiscal Year.

The primary focus of the HR Division Manager of Workers' Comp, Health and Safety and staff will be to (1) manage the Third Party Administrator in effectively managing claims towards closure in a timely and cost effective manner and monitor performance metrics, and (2) implement a city-wide Safety Management System that focuses on education, training, compliance, and injury prevention recognizing that the most inexpensive claim is the one that's never filed. This increased focus on safety and injury prevention will have a positive impact on reducing the number of workplace injuries and the costs associated with workers' compensation claims.

/s/

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For questions, please contact Jennifer Schembri, Director of the Office of Employee Relations and Human Resources Department at (408) 535-8154