



Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer Schembri

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

DATE: March 2, 2020

Approved

Date

3-11-20

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 Fiscal Year 2019-2020.

BACKGROUND

The Public Safety, Finance, and Strategic Support (PSFSS) Committee accepted the most recent Semi-Annual Report covering the second half of Fiscal Year 2018-2019 on October 24, 2019. This report included a status of the Workers' Compensation Program, as well as, an update on wellness, health, and safety initiatives that the Human Resources (HR) Department Workers' Compensation, Health and Safety Division has implemented to reduce injuries and costs associated with workers' compensation.

ANALYSIS

This report to the PSFSS Committee is the regularly scheduled semi-annual report regarding the status of the City's Workers' Compensation Program covering through the first half of Fiscal Year 2019-2020. In addition, this report includes an update on existing and new wellness, health, and safety initiatives implemented by the Human Resources (HR) Department Workers' Compensation, Health, and Safety Division to further reduce injuries and costs associated with workers' compensation. A discussion specifically on Fire Department initiatives is also included as previously requested by the PSFSS Committee.

Workers' Compensation Program Status

A. Open Claims

As of December 31, 2019, the open claims data for the Third-Party Administrator (TPA), Intercare, totaled 2,605 as shown in Table 1 (below). The total number of open claims has increased by approximately 1.3% since December 31, 2018 when the open claim inventory was 2,571. However, as of June 30, 2019, the total number of open claims reported was 2,647 compared to the 2,605 reported in December 2019 which accounts for an approximate 1.6% decrease over the last 6-month period.

Indemnity claims (lost time cases) remained relatively flat from 1,471 in June 2019 to 1,472 in December 2019 while medical claims were down from 108 in June 2019 to 86 in December 2019. Future Medical claims were down from 1,068 in June 2019 to 1,047 in December 2019. Open claim inventory fluctuates on a daily basis.

Table 1
Open Claims as of December 31, 2019

Claim Type	Number of Open Claims as of 12/31/2018	Number of Open Claims as of 6/30/2019	Number of Open Claims as of 12/31/2019
Indemnity	1,503	1,471	1,472
Medical Only	104	108	86
Future Medical	964	1,068	1,047
Total	2,571	2,647	2,605

B. Closing Ratios

For the period July 1, 2019 through December 31, 2019, Intercare reported an overall closure rate of 120.6%. For the period January 1, 2019 through June 30, 2019, Intercare reported an overall closure rate of 88.5%. The industry standard has a target of 100 percent. Table 2 (below) summarizes the results. Timely claims resolution ensures that future costs are mitigated, and the employee may either return to work or find an alternative resolution.

Table 2
Closing Ratios from July 1, 2019 – December 31, 2019

	Claims Closing Ratio (1/1/19 - 6/30/19)	Claims Closing Ratio (7/1/19 - 12/31/19)
New/Reopened Claims	652	673
Closed Claims	577	709
Closing Rate	88.5%	120.6%

C. Total Claims

In Table 3 (below), Workers' Compensation Total Claims expenditures through December 31, 2019 totaled \$8,991,787, as compared to the Fiscal Year 2019-2020 Budget total of \$22,000,500 (all funds). Based on current year expenditure trends and projections for the second half of the year, it is currently projected that \$1.7 million in Worker's Compensation expenditure savings may be realized by year end. The HR Department and the City Manager's Budget Office will continue to carefully monitor the expenditures as compared to budget and any savings will be incorporated into the 2020-2021 Proposed Budget process.

Table 3
Workers' Compensation Total Expenditures

Department	2019 - 2020 Budget	2019 – 2020 Actuals (through 12/31/2019)
Fire	\$ 8,000,000	\$3,342,444
Police	\$ 7,975,000	\$3,968,179
PRNS	\$ 1,350,000	\$436,747
DOT	\$ 1,000,000	\$174,147
Others	\$ 967,000	\$505,438
Public Works (GS)	\$ 773,000	\$115,805
General Fund Totals	\$ 20,065,000	\$8,542,760
Special Funds Total	\$ 1,935,500	\$449,025
All Funds	\$ 22,000,500	\$8,991,785
Total	\$ 22,000,500	\$8,991,785

D. TPA Staffing

Table 4 (below) provides an overview of Intercare's staffing and ratio of assigned claims to staff. As of December 31, 2019, the TPA had 11 examiners handling 1,472 indemnity claims and 4 examiners handling 1,133 medical only and future medical claims. Industry standard for caseloads range from 150-175 for Senior Claims Examiners and up to a maximum of 300 for Future Medical/Medical Only Examiners. Intercare's Senior Claims Examiners on the City's account average 133.8 cases while Future Medical/Medical Only Examiners on the City's account average 283.3 cases.

Table 4
Intercare (TPA) Staffing as of December 31, 2019

Claim Type	Number of Open Claims as of 12/31/2019	TPA Employee Type	Number of Staff	Average Caseload
Indemnity, Medical Only, Future Medical	2,605 (b)	Senior Claims Examiner	11	133.8 (a)
		Future Medical/Medical Only Examiner	4	283.3 (a)
		Clerical and Support Staff	5	0
		Total	20	
(a) Average does not include clerical staff				
(b) Claims totals do not include Information Only claims				

E. TPA Performance Measures

As part of the management of the TPA, the performance measures for the period of July 1, 2019 through December 31, 2019 are as shown in Table 5 (below).

Table 5
Performance Measures for July 1, 2019 – December 31, 2019

Cycle Time Performance	Total Categories Audited	Total "Yes"	Total "No"	Total "N/A"	Overall Audit Percentage Score	Prior Audit Percentage Score through 6/30/19
Adjuster Technical Audit Performance Summary	1088	708	25	355	97%	93%

Quality Performance	Total Claims Audited	Total "Yes"	Total "No"	Total "N/A"	Overall Audit Percentage Score	Prior Audit Percentage Score through 6/30/19
Three-point contacts - Timely completion of 3 Point Contacts. (Pass/Fail)	136	101	5	30	95%	90%
Causation Analysis - Timely causation decision within 90 days. (Pass/Fail)	136	105	6	25	95%	90%
Plans of Action - Plan of Action in claim notes every 90 days. (Pass/Fail)	136	130	6	0	96%	90%
Benefits Payments - Timely and accurate payment of benefits (Pass/Fail)	136	67	1	68	99%	97%

State Compliance Performance	Total Claims Audited	Total "Yes"	Total "No"	Total "N/A"	Overall Audit Percentage Score	Prior Audit Percentage Score through 6/30/19
Temporary Disability payment compliance	136	57	1	78	98%	93%
Permanent Disability & Death benefits payment compliance	136	57	1	78	98%	96%
Subsequent indemnity payment compliance	136	97	3	36	97%	94%
Agreed Medical Examiner/ Qualified Medical examiner notices compliance	136	94	2	40	98%	97%

The overall Adjuster Technical Audit Performance Summary was up 4 basis points over the previous period from 93% to 97% with improvements made across all categories. In the workers' compensation industry, external auditors conduct statutory audits. The audit structure for rating the overall effectiveness is as follows:

- 90% - 100% - Exceeds Expectations
- 80% - 89% - Meets Expectations
- 70% - 79% - Below Expectations
- 0% - 69% - Unsatisfactory: Immediate Action Required

The TPA Intercare holds their internal audits to the same standard. A score of 90% or "Exceeds Expectations" is the achievable passing score.

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 more effective claims services to injured workers and the City, as appropriate.

Workers' Compensation Program: Update on Initiatives

A. InterConnect Program

This ongoing program offered by Intercare since the beginning of the fiscal year has proven to be an effective means to better "connect" injured workers with their claims adjuster "face to face" to ensure their overall experience with Intercare is a positive and productive one. Feedback has been positive from both the Fire and Police Departments with both Departments requesting a second meeting. The Fire Department scheduled their second InterConnect meeting in February 2020 while the Police Department is scheduled for their second meeting in April 2020. Meetings have also been completed at the Public Works Department in January 2020 and at the Airport in October 2019.

B. Monthly Claims Reviews

Monthly claims reviews with Intercare supervisors and managers to review high exposure and high reserved claims to ensure cost control strategies are in place to bring claims to closure in a cost-effective manner have been ongoing since July 2019. The HR Division Manager anticipates that all open claims will have been reviewed by the end of 2020 with all claims having action plans in place for resolution, thereby reducing our open claim inventory and future liabilities.

C. Quarterly Workers' Compensation Liaison Meetings

Quarterly meetings with the HR Department and departmental Workers' Compensation Liaisons have been ongoing since March 2019. The purpose of these meetings is 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 November 2019 meeting, HR Benefits and Payroll provided training to Workers' Compensation Liaisons on processing Leaves of Absences and Timekeeping/Integration.

D. Workers' Compensation 101 Training for Supervisors

This ongoing training conducted by Intercare is specifically designed for the City of San José supervisors and managers and covers the basics on workers' compensation claims reporting process. The purpose of the training is to help supervisors and managers understand their role and responsibility in reporting claims to Intercare in helping to facilitate benefits and return to work for our injured employees. Intercare has completed Workers' Compensation 101 Supervisor training for the following departments and offices: Public Works, City Manager, City Attorney, Community Energy, Information Technology, Airport, Parks Recreation and Neighborhood Services (PRNS), and Planning, Building, and Code Enforcement. Public Works has requested a second training class which will be scheduled in the next couple months.

E. Firefighter Fastlane

The Firefighter Fastlane one-year pilot program is intended to streamline diagnostic testing and surgeries for firefighters who incur a work-related injury or illness and was officially launched in November 2019. Doctors at Kaiser Permanente Occupational Health Clinic throughout the State of California have been pre-approved to conduct all relevant diagnostic testing when warranted. Injuries requiring surgery will thus be identified early and the length of time a firefighter will be out of the workplace should be minimized. This should also reduce overtime costs from not having to backfill a position for as long. In addition, in cases where diagnostic testing is recommended, and results are negative, the doctor will be able to better direct medical treatment and ensure the employee's timely return to work.

Since the program began, feedback from Intercare, San Jose Firefighters Local 230 and the Fire Department management has been very positive on the joint management and union "Firefighter Fastlane" one-year pilot program. Firefighter Local 230 President Sean Kaldor provided the following update on January 28, 2020:

"In short, Firefighter Fastlane has been a fundamental and extremely positive shift in the treatment of injured firefighters, for the benefit of the City and its employees.

I have had multiple members express their pleasant surprise at walking into a Kaiser occupational health center, and immediately receiving a full battery of diagnostic tests so they can either immediately proceed toward aggressive treatment or be assured that modest treatment will get them back to work quickly without unnecessarily extending their absence or increasing their injury.

This model has been so well received that when two surrounding departments caught wind of it, it was immediately adopted for all their members as well."

Through the end of January 2020, Intercare reports that twenty-seven employees utilized the Firefighter Fastlane program. Of the twenty-seven employees seen, diagnostic tests were ordered for fourteen of the employees. In addition, eleven employees were released to full duty, seven employees were released to modified duty and nine were taken off work.

F. Police Fastlane

With the success of the Firefighter Fastlane, the HR Department is exploring implementing an identical pilot program in the Police Department wherein sworn Police Officers will be pre-approved for all relevant diagnostic testing at Kaiser Permanente Occupational Health Clinics throughout the State of California. Coordination with the Department, the Police Officers' Association and Kaiser Permanente Occupational Health Clinic is ongoing with an expected potential roll out of the program by June 30, 2020.

Wellness, Health and Safety: Update on Initiatives

The HR Department continues to focus on regulatory compliance, training and injury prevention which are key elements of a Safety Management System (SMS).

In addition to the Workers' Compensation Program initiatives discussed above, the following is an update on wellness, health and safety initiatives being implemented to support the SMS.

A. Safety Scoreboard

The HR Department has developed a Safety Scoreboard that will include departmental incident statistics (frequency and severity), trend analysis and workers' compensation costs. These departmental metrics will help to set meaningful goals and safety improvement plans. The purpose of the Scoreboard, which will be distributed to City management on a quarterly basis, is to highlight the performance of the City's larger departments against the prior fiscal year. It is anticipated that the Scoreboard will be implemented the first quarter of 2020.

B. Quarterly Citywide Safety Committee Meetings

To promote and increase safety awareness, engagement, and participation citywide, the HR Department will be reestablishing the Citywide Safety Committee Meeting. Representatives from all departments will meet quarterly to be updated on safety initiatives, injury prevention, and training to continuously improve upon existing safety policies and programs. The first meeting is scheduled in March 2020.

C. Policy Development

The HR Department staff continue to evaluate and implement City policies to ensure compliance with OSHA regulations and that proper direction is provided to departments. The HR Department has developed an Accident Investigation Policy and revised City accident and incident investigation procedures to better identify the cause(s) of injuries to prevent

reoccurrences. The policy/procedures have been adopted into the City Policy Manual, and training on the new policy is ongoing with supervisors and managers citywide.

The following policies are being developed to be incorporated into the City Policy Manual: (1) OSHA Inspection Policy and Procedures, and (2) Bloodborne Pathogen Policy, (3) Injury Illness Prevention Program/Policy (IIPP), and completion is anticipated before the end of 2019-2020. Training on the new policies will be ongoing with supervisors and managers citywide.

D. Public Safety Wellness Improvement Committee

The joint management committee between the City Manager's Office of Employee Relations, HR Department, and the Police and Fire Unions has been meeting quarterly since June 2019 with the committee expanding to include the Police Department Safety Officer and the Fire Department Safety Officer to provide additional perspective on wellness issues in their respective Departments. This Committee is intended to discuss wellness and/or workers' compensation policies, procedures, and protocols to streamline the workers' compensation process, reduce costs, and expedite the return to work of those injured or ill. One recommendation from the Committee was to perform bladder cancer screening for firefighters. This screening was adopted by Employee Health Services (EHS) in October 2019 and added as part of the annual physical for firefighters. Additional ongoing topics include monitoring, detection and treatment of health issues, Employee Assistance Program (EAP) classes, Post-Traumatic Stress Disorder and wellness screening.

E. Ergonomics

The City's Ergonomics program continues to evolve with the goal of improving employee education and training thereby, reducing repetitive motion injuries. A "train the trainer" class was completed in December 2019 which equipped key departmental safety and workers' compensation employees with the ability to conduct basic ergonomic evaluations. In addition, the HR Department staff is continuing to develop an ergonomics policy, identify a computer-based training program for all new employees on basic workstation ergonomic set-up, provide quarterly training classes and standardize on ergonomic equipment (develop ergonomic catalog). Completion is anticipated before the end of Fiscal Year 2019-2020.

F. OSHA Quarterly 10-Hour Certification Training

Beginning in 2020, the HR Department Health and Safety Division will offer quarterly 10-hour OSHA (Occupational Safety and Health Administration) certification training to front-line supervisors in Departments city-wide. The training program, developed by Cal/OSHA, provides supervisors with a more in depth understanding of OSHA regulations and best safety practices. Core classes include Hazard Communication, Personal Protection Equipment (PPE), Electrical, Fall Protection, Emergency Action Plans, Health Hazards, Fire Prevention and Injury and Illness Prevention Programs. Public Works Engineering Services supervisors have been scheduled for certification training at the end of February 2020.

G. STOP (Safety Training Observation Program) for Supervision

In February of 2020, the HR Department Health and Safety Division met with PRNS senior leadership to discuss implementing supervisor training on STOP (Safety Training Observation Program) for the Parks Division of PRNS, and this training will be conducted before the end of Fiscal Year 2019-2020. This program is designed to equip supervisors with skills to identify and address or correct unsafe behaviors or acts by their employees. In addition, the program equips supervisors to identify and correct unsafe conditions in the workplace. DuPont who is an industry leader in providing safety resources maintains through their research that 96% of all accidents are a result of unsafe acts. Therefore, the emphasis on correcting unsafe behaviors or acts is essential to an effective injury prevention program. This program will enhance safety awareness and engage both supervisors and employees in working safely and maintaining a safe working environment. The HR Department Health and Safety Division City Safety Officer has been certified as a STOP trainer and will be conducting the training for PRNS and subsequently, Citywide on a quarterly basis.

H. Wellness Screening

Voluntary wellness screening for employees continues to be offered on a quarterly basis citywide. In addition, the revised HR Employee Handbook will emphasize that employees can schedule wellness screening at EHS in lieu of going to their own doctor. Voluntary wellness screenings 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. Staff conducted voluntary wellness screening for employees working at the Airport in October 2019.

Fire Department Update

The Fire Department continues to remain focused on employee safety and injury prevention. The Department Safety Officer has focused on continuously improving the effectiveness of the following programs and processes: (1) Injury & Illness Prevention Program, (2) Quarterly Firefighter Safety Committee meetings between management and Local 230, and (3) Accident Investigation Procedures. As previously cited, the feedback from firefighters who have utilized the Firefighter Fastlane at Kaiser Permanent Occupational Health Clinics has been positive with firefighters experiencing reduced wait times to be seen by a doctor and immediate authorization of diagnostic testing when recommended by a doctor.

Workers' Compensation actual expenditures through the end of December 2019 were \$3.3 million with end of year expenditures projected to be under budget (Fiscal Year 2019/2020 Budget=\$8 million). This reduction in costs can largely be attributed to: (1) Maintaining an effective Injury & Illness Prevention Program, (2) Monthly Workers' Compensation Conference Calls between Intercare, Fire Department and the HR Department Division to review open claims, in particular, medical treatment status and return to work eligibility, (3) Availability of temporary positions to accommodate employees with specific work restrictions, (4) Quarterly

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Firefighter Safety Committee meetings between management and Local 230 to review safety, health and wellness initiatives, and injury types, causes and costs to prevent reoccurrence, (5) Partnership with the HR Department and Intercare in developing custom monthly cost and injury trend statistics reports, (6) Innovating by advancing pilot fitness programs, cancer prevention initiatives, and behavioral health support. In addition, the Department's participation in the Firefighter Fastlane is expected to have a positive impact for the reasons previously cited.

CONCLUSION AND FOLLOW-UP

The HR Department Workers' Compensation, Health, and Safety Division continues to focus on safety and injury prevention as well as effectively manage the activities and performance of Intercare. This focus continues to have a positive impact year over year on reducing Workers' Compensation expenditures as evidenced by the projected \$1.7 million savings against budget through the end of Fiscal Year 2019-2020.

It is anticipated that the previously mentioned Fiscal Year 2019-2020 workers' compensation, wellness, health, and safety initiatives will further promote employee engagement and help to develop a culture of safety, thereby, further reducing the number of injuries and associated costs.

Given the substantial progress made on the Workers' Compensation Program, staff recommends that the Workers' Compensation Semi-Annual Report to the PSFSS Committee be scheduled on an annual basis going forward.

COORDINATION

This memorandum was coordinated with the Fire Department and the City Manager's Budget Office.

/s/

Jennifer Schembri
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For questions, please contact Eric Fortes, Human Resources Division Manager – Workers' Compensation, Health and Safety, at (408) 975-1418