



Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer Schembri

SUBJECT: WORKERS' COMPENSATION
PROGRAM ANNUAL REPORT

DATE: September 30, 2020

Approved

Date

10-8-20

RECOMMENDATION

Accept the 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 end of 2019-2020.

BACKGROUND

On March 16, 2020 in response to the Stage 5 (Extremely High Response) of our Pandemic Management Plan, the Administration cancelled all Council Committee Meetings through April 2020, subject to City Council ratification the following week. Therefore, the March 19, 2020 Public Safety, Finance, and Strategic Support (PSFSS) was cancelled.

Subsequently, staff transmitted the Worker's Compensation Program Semi-Annual Report covering the first half of Fiscal Year 2019-2020 via informational memorandum. 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. In addition, that report and the approval of the fall PSFSS Work Plan changed the reporting on the Workers' Compensation Program from a semi-annual report to an annual report.

ANALYSIS

This report to the PSFSS Committee is the newly scheduled annual report regarding the status of the City's Workers' Compensation Program; it covers through the end 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.

Workers' Compensation Program Status

A. Open Claims

As of June 30, 2020, the open claims data for the Third-Party Administrator (TPA), Intercare, totaled 2,508 as shown in Table 1 (below). The total number of open claims has decreased by approximately 5.3% since June 30, 2019 when the open claim inventory was 2,647. In addition, as of December 31, 2019, the total number of open claims reported was 2,605 compared to the 2,508 reported in June 2020 which accounts for a 3.8% decrease over the last 6-month period.

Indemnity claims (lost time cases) decreased from 1,471 in June 2019 to 1,418 in June 2020 while medical claims were down from 108 in June 2019 to 72 in June 2020. Future Medical claims were also down from 1,068 in June 2019 to 1,018 in June 2020. Open claim inventory fluctuates on a daily basis.

Table 1
Open Claims as of June 30, 2020

Claim Type	Number of Open Claims as of 6/30/2019	Number of Open Claims as of 12/31/2019	Number of Open Claims as of 6/30/2020
Indemnity	1,471	1,472	1,418
Medical Only	108	86	72
Future Medical	1,068	1,047	1,018
Total	2,647	2,605	2,508

B. Closing Ratios

For the period January 1, 2020 through June 30, 2020, Intercare reported an overall closure rate of 112%. For the period July 1, 2019 through December 31, 2019, Intercare reported an overall closure rate of 105.3%. 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 January 1, 2020 – June 30, 2020

	Claims Closing Ratio (7/1/19 - 12/31/19)	Claims Closing Ratio (1/1/20 - 6/30/20)
New Claims /Reopened Claims	673	754
Closed Claims	709	846
Closing Rate	105.3%	112%

C. COVID-19 Claims

On May 6, 2020, Governor Newsom signed an Executive Order extending Workers' Compensation benefits to workers if they test positive for coronavirus. Specifically, any COVID-19 related claim is presumed compensable for purposes of receiving workers' compensation benefits if it meets the following requirements:

- The employee tested positive for or was diagnosed with COVID-19 within 14 days after a day that the employee worked at the employee's place of employment at the employer's direction on or after March 19, 2020.
- The COVID-19 diagnosis must be done by a licensed physician or surgeon by the California Medical Board.
- The diagnosis is confirmed by further testing within 20 days of the date of the diagnosis.

In Table 3 (below), the total number of COVID-19 claims are represented by Department, Type of Injury (Temporary Disability, Medical Only and Information Only) and Total Paid/Total Outstanding through June 30, 2020. Most of the Temporary Disability and Medical Only COVID-19 claims have occurred in the Fire and Police Department, 21 claims and 23 claims respectively. Total paid for Fire and Police COVID-19 claims was \$185,966 while total paid for all claims was \$186,362. Total outstanding which reflects outstanding reserves or anticipated future costs for Fire and Police COVID-19 claims was \$322,029 while total outstanding for all claims was \$328,630.

Table 3
COVID-19 Claims by Department, Type of Injury and Costs
(through 6/30/20)

	FIRE	PARKS	POLICE	TRANSPORTATION	TOTAL
Temporary Disability (Lost time)	20	0	22	1	43
Medical Only	1	0	1	0	2
Information Only (No treatment)	0	2	153	0	155
Total Paid	\$ 184,973	\$ 0	\$ 993	\$ 397	\$ 186,362
Total Outstanding	\$ 163,067	\$ 0	\$ 158,962	\$ 6,601	\$ 328,630

D. Total Claims

In April 2020, the City Council approved a reduction to the overall Workers' Compensation budget by \$1 million, from \$22,030,500 to \$21,030,500 to help resolve the budgetary impacts from the COVID-19 pandemic. The following Department's budgets were adjusted accordingly: the Parks, Recreation and Neighborhood Services Department (PRNS) budget was adjusted from \$1,350,000 to \$1,100,000; The Department of Transportation (DOT) budget was adjusted from \$1,000,000 to \$625,000; the Public Works Department budget was adjusted from \$773,000 to \$398,000.

In Table 4 (below), Workers' Compensation Total Claims expenditures through June 30, 2020 totaled \$20,438,489, as compared to the modified Fiscal Year 2019-2020 Budget total of \$21,030,500 (all funds) which resulted in a \$592,011 expenditure savings against budget, in addition to the \$1,000,000 that had already been adjusted. The General Fund portion of the Workers' Compensation budget was exceeded by \$301,467 was addressed in a ratification memo from the Budget Office, appearing as Item 2.7 on the October 6th City Council Agenda.

Table 4
Workers' Compensation Total Expenditures

Department	2019-2020 Budget (Adopted)	2019-2020 Budget (Modified as of Year End)	2019-2020 Actuals (through 6/30/2020)
Fire	\$ 7,800,000	\$ 7,200,000	\$ 7,922,661
Police	\$ 8,175,000	\$ 7,775,000	\$ 8,226,322
PRNS	\$ 1,350,000	\$ 1,100,000	\$ 920,027
DOT	\$ 1,000,000	\$ 525,000	\$ 422,416
Others	\$ 967,000	\$ 2,067,000	\$ 1,548,003
Public Works (GS)	\$ 773,000	\$ 398,000	\$ 327,038
General Fund Totals	\$ 20,065,000	\$ 19,065,000	\$ 19,366,467
Special Funds Total	\$ 1,965,500	\$ 1,965,500	\$ 1,072,022
All Funds	\$ 22,030,500	\$ 21,030,500	\$ 20,438,489
Total	\$ 22,030,500	\$ 21,030,500	\$ 20,438,489

E. AON Actuarial Study

On a fiscal year basis, the City consults with AON to provide an actuarial study of our Workers' Compensation expenditures as required by the State of California's (OSIP) Office of Self-Insured Plans. Table 5 (below) reflects the estimated outstanding losses through June 30, 2019. The estimated outstanding losses decreased by \$4.1 million from our prior estimate of \$165.6 million as of June 30, 2019 which was a 3% reduction. The estimated case reserves decreased by \$5.3 million from our prior estimate of \$116,874,548 as of June 30, 2019 which was a 5% decrease.

Table 5
Estimated Outstanding Losses
June 30, 2020

Valuation Date (1)	Estimated Outstanding Losses (2)	Case Reserves (3)
(A) As of 06/30/20	\$161,477,365	\$111,524,926
(B) As of 6/30/19	\$165,568,700	\$116,874,548
(C) Change (A)-(B)	(\$4,091,335)	(\$5,349,622)
(D) % Change	-3%	-5%

F. TPA Staffing

Table 6 (below) provides an overview of Intercare's staffing and ratio of assigned claims to staff. As of June 30, 2020, the TPA had 11 examiners handling 1,418 indemnity claims and 3 examiners handling 1,090 medical only and future medical claims. The TPA has one vacant position for a Future Medical/Medical Only Examiner due to a resignation in March 2020. 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 128.9 cases while Future Medical/Medical Only Examiners on the City's account average 363.3 cases. The case load for the Future Medical/Medical Only Examiner is anticipated to be below the 300 maximum industry average once the vacant position is filled. During the last reporting period through December 31, 2019, Intercare had 4 Future Medical/Medical Only examiners with an average case load of 283.3

Table 6
Intercare (TPA) Staffing as of June 30, 2020

Claim Type	Number of Open Claims as of 6/30/2020	TPA Employee Type	Number of Staff	Average Caseload
Indemnity, Medical Only, Future Medical	2,508 (b)	Senior Claims Examiner	11	128.9(a)
		Future Medical/Medical Only Examiner	3	363.3 (a)
		Clerical and Support Staff	5	0
		Total	19	

(a) Average does not include clerical staff

(b) Claims totals do not include Information Only claims

G. TPA Performance Measures

As part of the management of the TPA, the performance measures for the period of January 1, 2020 through June 30, 2020 are as shown in Table 7 (below).

Table 7
Performance Measures for January 1, 2020 – June 30, 2020

Cycle Time Performance	Total Possible Categories Audited	Total "Yes"	Total "No"	Total "N/A"	Overall Audit Percentage Score	Prior Audit Percentage Score through 12/31/19
Adjuster Technical Audit Performance Summary	976	625	21	330	97%	97%

Quality Performance	Total Claims Audited	Total "Yes"	Total "No"	Total "N/A"	Overall Audit Percentage Score	Prior Audit Percentage Score through 12/31/19
Three-point contacts - Timely completion of 3 Point Contacts. (Pass/Fail)	122	119	3	0	98%	95%
Causation Analysis - Timely causation decision within 90 days. (Pass/Fail)	122	94	2	26	98%	95%
Plans of Action - Plan of Action in claim notes every 90 days. (Pass/Fail)	122	115	4	3	97%	96%
Benefits Payments - Timely and accurate payment of benefits (Pass/Fail)	122	36	2	84	95%	99%

Table 7
Performance Measures for January 1, 2020 – June 30, 2020
(Continued from previous page)

State Compliance Performance	Total Claims Audited	Total "Yes"	Total "No"	Total "N/A"	Overall Audit Percentage Score	Prior Audit Percentage Score through 12/31/19
Temporary Disability payment compliance	122	33	1	88	97%	98%
Permanent Disability & Death benefits payment compliance	122	46	2	74	96%	98%
Subsequent indemnity payment compliance	122	106	5	11	95%	97%
Agreed Medical Examiner/ Qualified Medical examiner notices compliance	122	76	2	44	97%	98%

The overall Adjuster Technical Audit Performance Summary remained the same as the previous period at 97%. 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

Many of the Workers' Compensation initiatives have been suspended since March 2020 due to the COVID-19 pandemic. Both the HR Division Manager and HR Safety Officer were activated to the Emergency Operation Center (EOC) Safety Branch in mid-March and continue to serve in this capacity. Intercare staff began working remotely from home since the pandemic and continue to do so.

A. InterConnect Program

This program has been suspended since March 2020. Intercare recently offered to provide this program virtually and staff is coordinating with Departments who express an interest. The purpose for this ongoing program offered by Intercare is 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 all Departments that have participated in the program. The last InterConnect meeting occurred in February 2020 with the Fire Department. Meetings have also been completed with the Public Works Department in January 2020 and with the Airport in October 2019.

B. Monthly Claims Reviews

The monthly in-person claims reviews have been suspended since March 2020. Monthly claims reviews with Intercare supervisors and managers to review high exposure and high reserved claims will be conducted virtually starting on September 30th, 2020. The purpose of these meetings is to ensure cost control strategies are in place to bring claims to closure in a cost-effective manner.

Intercare also conducts telephonic monthly claims reviews with the City's larger Departments (Police, Fire, Permits, Building, Code Enforcement (PBCE), Transportation, Environmental Services Department (ESD), Parks, Recreations, Neighborhood Services (PRNS) and the Airport which have continued despite the COVID-19 pandemic. The purpose of these meetings is for the Intercare Claims Adjuster to review the status of employees who are disabled from work with the Departmental Worker's Comp Liaisons, Office of Employee Relations (OER) and the HR Division Manager.

C. Quarterly Workers' Compensation Liaison Meetings

Quarterly meetings with the HR Department and departmental Workers' Compensation Liaisons have been ongoing since March 2019. The July Quarterly meeting was conducted virtually via ZOOM instead of in-person. 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 claims in the most efficient manner possible with the goal of bringing employees back to work and claims to resolution. The next virtual meeting is scheduled on October 16, 2020.

D. Workers' Compensation 101 Training for Supervisors

This training has also been suspended since the COVID-19 pandemic in mid-March. Intercare has recently offered to conduct this training virtually and will be offered to Departments at the next Quarterly Workers' Compensation Liaison Meeting in October 2020. 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, PRNS, and Planning, Building, and Code Enforcement.

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.

Through the end of June 2020, Intercare reports that sixty-one employees utilized the Firefighter Fastlane program. Of the sixty-one employees seen, diagnostic tests were ordered for thirty-six of the employees, and physical therapy/acupuncture was prescribed for eighteen of the employees. In addition, sixteen employees were released to full duty, twenty-one employees were released to modified duty and twenty-four were taken off work.

Due to the success of this pilot program, it is anticipated that the Firefighter Fastlane one-year pilot program, which ends on October 31, 2020, will be formally adopted by the Department, HR, Kaiser Permanente and the Fire Union as a formal ongoing program.

F. Police Fastlane

With the success of the Firefighter Fastlane, the HR Department successfully implemented an identical pilot program in the Police Department in August 2020 wherein sworn Police Officers are pre-approved for all relevant diagnostic testing at Kaiser Permanente Occupational Health Clinics throughout the State of California. Program development and approval was coordinated with the Department, the Police Officers' Association, HR, Intercare and Kaiser Permanente Occupational Health Clinic. The HR Division will continue to monitor the utilization and effectiveness of this program to ensure it meets its intended goal of streamlining diagnostic testing and treatment for all sworn Police Officers.

Wellness, Health and Safety: Update on Initiatives

As mentioned previously, due to the activation of the HR Safety Officer and HR Division Manager to the Emergency Operation Center (EOC) Safety Branch in mid-March to respond to

the COVID-19 pandemic, many of the safety initiatives that were identified in the prior March 2020 Semi-Annual update have also been suspended.

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 was anticipated that the Scoreboard would be implemented the first quarter of 2020. However, roll-out will likely occur when the HR Safety Officer is de-activated from the Emergency Operations Center Safety Branch.

B. Quarterly Citywide Safety Committee Meetings

This initiative has been suspended as most employees have been working remotely since the pandemic. The purpose of this program is to promote and increase safety awareness, engagement, and participation citywide by 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. Roll-out is anticipated when the HR Safety Officer is deactivated from the Emergency Operations Center Safety Branch.

C. 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 suspended due to the COVID-19 pandemic. This Committee has been meeting quarterly since June 2019 and 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. It is anticipated that these meetings will begin again in the next few months.

D. 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 has identified a computer-based training program for all new employees on basic workstation ergonomic set-up and standardized on ergonomic equipment by developing an ergonomic catalog.

With most City employees working remotely due to the COVID-19 pandemic, the Emergency Operations Center (EOC) Safety Branch has focused on home ergonomics and developed two videos to assist employees on safely setting up ergonomic workstations at home. The videos are located on the EOC Safety Branch Sharepoint site which includes additional safety resources such as stretching exercises for employees. In addition, employees working from home can check-out ergonomic equipment from their office such as monitors, keyboards, mice and chairs.

E. OSHA Quarterly 10-Hour Certification Training

Beginning in 2020, the HR Department Health and Safety Division offered 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 received certification training in February 2020. This program has also been suspended until the HR Safety Officer is deactivated from the Emergency Operations Center.

F. 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. Similar to other safety trainings, this training has been suspended. 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, 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 once he is deactivated from the Emergency Operations Center Safety Branch.

G. Wellness Screening

Staff conducted voluntary wellness screening for employees working at the Airport in October 2019. However, voluntary wellness screening for employees has also been suspended due to the

COVID-19 pandemic. HR will send out a communication to all employees once screenings at Employee Health Services (EHS) are resumed. 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 will be provided to each employee tested explaining the results for each test as well as education on causes, symptoms, guidelines, and treatment.

Fire Department Update

Fire Department end of year Workers' Compensation expenditures were slightly higher than projected in the previous Semi-Annual Report, totaling \$7,922,661 (Fiscal Year 2019-2020 Budget was \$7.8 million).

The Fire Department is engaged in several Workers' Compensation initiatives toward improved workforce safety and wellness and reduce Workers' Compensation costs including: (1) Maintaining an effective Injury & Illness Prevention Program; (2) Conducting Monthly Workers' Compensation Conference Calls between Intercare, Fire Department and the HR Department Division to review open claims, medical treatment status and return to work eligibility; (3) Participation in the Firefighter Fastlane pilot program; (4) Placement of employees with specific work restrictions into temporary assignments; (5) Conducting quarterly 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 which has been suspended due to the pandemic; (6) Development of custom monthly cost and injury trend statistics reports in partnership with the HR Department and Intercare; and (7) Advancing pilot fitness programs, cancer prevention strategies, and behavioral health support.

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 actual \$1,592,011 savings against the unadjusted budget through the end of Fiscal Year 2019-2020, and the reduction of Estimated Outstanding Losses and Case Reserves (\$4.1 million and \$5.3 million respectively) as indicated on the AON Actuarial Study.

It is anticipated that the previously mentioned and suspended workers' compensation, wellness, health, and safety initiatives will be reestablished once the HR Safety Officer and HR Division Manager are deactivated from the Emergency Operations Center Safety Branch. These initiatives will undoubtedly further promote employee engagement and help to develop a culture of safety, thereby, further reducing the number of injuries and associated costs.

COORDINATION

This memo was coordinated with the City Manager's Budget Office and the City Attorney's Office. The Fire Department Update section of this report was completed in coordination with the Fire Department.

/s/

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Director of Employee Relations/
Director of Human Resources

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