



Memorandum

TO: PUBLIC SAFETY, FINANCE, AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer Schembri

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

DATE: September 1, 2021

Approved

Date

9/9/21

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 2020-2021.

BACKGROUND

The Committee accepted the most recent Annual Report covering fiscal year 2019-2020 on October 15, 2020. 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, the report outlined the total number of COVID-19 claims and associated cost the City incurred due to the pandemic.

ANALYSIS

This report to the PSFSS Committee is the scheduled annual report regarding the status of the City's Workers' Compensation Program; it covers through the end of Fiscal Year 2020-2021. In addition, this report includes an update on existing and new workers' compensation, wellness, health, and safety initiatives implemented by the 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, 2021, the open claims data for the Third-Party Administrator (TPA), Intercare, totaled 2,489 as shown in Table 1 (below). The total number of open claims has decreased by approximately 1% since June 30, 2020 when the open claim inventory was 2,508.

Indemnity claims (lost time cases) decreased from 1,418 in June 2020 to 1,412 in June 2021 while medical claims were up from 72 in June 2020 to 85 in June 2021. Future Medical claims were also down from 1,018 in June 2020 to 992 in June 2021. Open claim inventory fluctuates on a daily basis.

Table 1
Open Claims as of June 30, 2021

Claim Type	Number of Open Claims as of 6/30/2020	Number of Open Claims as of 6/30/2021
Indemnity	1,418	1,412
Medical Only	72	85
Future Medical	1,018	992
Total	2,508	2,489

B. Closing Ratios

For the period July 1, 2019 through June 30, 2020, Intercare reported an overall closure rate of 108.9%. For the period July 1, 2020 through June 30, 2021, Intercare reported an overall closure rate of 101.8%. 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 as of June 30, 2021

	Claims Closing Ratio (7/1/19 - 6/30/20)	Claims Closing Ratio (7/1/20 - 6/30/21)
New Claims /Reopened Claims	1,427	1,475
Closed Claims	1,555	1,502
Closing Rate	108.9%	101.8%

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, 2021. Most of the Temporary Disability and Medical Only COVID-19 claims have occurred in the Fire and Police Department, 71 claims and 226 claims respectively. Total paid for Fire and Police COVID-19 claims was \$542,613 while total paid for all claims was \$557,483. Total outstanding which reflects outstanding reserves or anticipated future costs for Fire and Police COVID-19 claims was \$76,232.

Table 3
COVID-19 Claims by Department, Type of Injury and Costs
(through 6/30/21)

	FIRE	AIRPORT	POLICE	DOT	TOTAL
Temporary Disability (Lost time)	70	0	210	3	283
Medical Only	1	0	16	0	17
Information Only (No treatment)	2	2	213	0	217
Total Paid	\$ 317,014	\$ 10,081	\$ 225,599	\$ 4,789	\$ 557,483
Total Outstanding	\$ 27,495	\$ 0	\$ 48,737	\$ 0	\$ 76,232

D. Total Claims

In Table 4 (below), Workers' Compensation Total Claims expenditures through June 30, 2021 totaled \$19,295,499, as compared to the Fiscal Year 2020-2021 Budget total of \$20,684,500 (all funds) which resulted in a \$1,389,001 expenditure savings against budget. Note that both Fire and PRNS were slightly over budget which will be addressed through a ratification memo that will go to City Council in September of 2021.

Table 4
Workers' Compensation Total Expenditures

Department	2020-2021 Budget (Adopted)	2020-2021 Budget (Modified)	2020-2021 Actuals
Fire	\$7,500,000	\$7,690,000	\$7,789,093
Police	\$7,572,000	\$8,022,000	\$7,915,247
PRNS	\$1,150,000	\$960,000	\$977,924
DOT	\$650,000	\$375,000	\$355,023
Others	\$850,000	\$1,375,000	\$1,296,858
Public Works (GS)	\$650,000	\$275,000	\$266,200
General Fund Totals	\$18,372,000	\$18,697,000	\$18,600,345
Special Funds Total	\$1,885,500	\$1,987,500	\$695,154
All Funds Total	\$20,257,500	\$20,684,500	\$19,295,499

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 Office of Self-Insured Plans (OSIP). Table 5 (below) reflects the estimated outstanding losses through June 30, 2021. The estimated outstanding losses increased by \$10.5 million from our prior estimate of \$161.4 million as of June 30, 2020 which was a 6% increase. The estimated case reserves increased by \$6.3 million from our prior estimate of \$111.5 million as of June 30, 2021 which was a 5% increase. This increase is partly due to the suspension of monthly in-person claims reviews with Intercare supervisors and managers since March 2020. The purpose of these meetings is to review high exposure and high reserved claims to ensure cost control strategies are in place to bring claims to closure. Monthly claims reviews will resume in-person in September 2021.

Table 5
Estimated Outstanding Losses

Valuation Date (1)	Estimated Outstanding Losses (2)	Case Reserves (3)
(A) As of 06/30/21	\$171,991,261	\$117,869,882
(B) As of 6/30/20	\$161,477,365	\$111,524,926
(C) Change (A)-(B)	(\$10,513,896)	(\$6,344,956)
(D) % Change	6%	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, 2021, the TPA had 10 examiners handling 1,412 indemnity claims and 4 examiners handling 1,077 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 141.2 cases while Future Medical/Medical Only Examiners on the City's account average 269.25 cases.

Table 6
Intercare (TPA) Staffing as of June 30, 2021

Claim Type	Number of Open Claims as of 6/30/2020	TPA Employee Type	Number of Staff	Average Caseload
Indemnity, Medical Only, Future Medical	2,489 (b)	Senior Claims Examiner	10	141.2 (a)
		Future Medical/Medical Only Examiner	4	269.25 (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 July 1, 2020 through June 30, 2021 are as shown in Table 7 (below).

Table 7
Performance Measures for July 1, 2020 – June 30, 2021

Cycle Time Performance	Total Possible Categories Audited	Total "Yes"	Total "No"	Total "N/A"	Overall Audit Percentage Score	Prior Audit Percentage Score through 6/30/20
Adjuster Technical Audit Performance Summary	1,772	1,689	83	420	96%	97%

Quality Performance	Total Claims Audited	Total "Yes"	Total "No"	Total "N/A"	Overall Audit Percentage Score	Prior Audit Percentage Score through 6/30/20
Three-point contacts - Timely completion of 3 Point Contacts. (Pass/Fail)	274	246	23	5	91%	98%
Causation Analysis - Timely causation decision within 90 days. (Pass/Fail)	274	252	9	13	97%	98%
Plans of Action - Plan of Action in claim notes every 90 days. (Pass/Fail)	274	253	21	0	92%	97%
Benefits Payments - Timely and accurate payment of benefits (Pass/Fail)	274	233	12	29	95%	95%

State Compliance Performance	Total Claims Audited	Total "Yes"	Total "No"	Total "N/A"	Overall Audit Percentage Score	Prior Audit Percentage Score through 6/30/20
Temporary Disability payment compliance	274	115	0	159	100%	97%
Permanent Disability & Death benefits payment compliance	274	132	3	139	98%	96%
Subsequent indemnity payment compliance	274	238	1	35	100%	95%
Agreed Medical Examiner/ Qualified Medical examiner notices compliance	274	220	14	40	94%	97%

The overall Adjuster Technical Audit Performance Summary was 96% compared to 97% in the previous period. 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 and City employees working remotely. Both the HR Division Manager and HR Safety Officer were activated to the Emergency Operation Center (EOC) Safety Branch in mid-March and continued to serve in this capacity through all the fiscal year, but were deactivated on July 1, 2021. 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. 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 and staff looks forward to resuming once City employees resume on-site work.

B. Concentra Telemedicine Program

This new program offered by our occupational health clinic Concentra will be implemented on September 1st, 2021 and will provide 24/7 virtual nurse triage and physician services to injured workers for minor work injuries and illnesses (minor sprains/strains, first degree burns, contusions, abrasions, rashes, and tendonitis). Employees can access the telemedicine program via a mobile device or computer. The program is intended to help minimize lost duty time, avoid unnecessary hospital and urgent care visits, and increase overall productivity.

C. 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 resume in-person starting on September 14th, 2021. The purpose of these meetings is to ensure cost control strategies are in place to bring claims to closure in a cost-effective manner.

Telephonic monthly claims reviews with the City's larger Departments (Police, Fire, Permits, Building, Code Enforcement (PBCE), Transportation, Environmental Services Department (ESD), Parks, Recreation, Neighborhood Services (PRNS) and the Airport have continued despite the COVID-19 pandemic. The purpose of these meetings is for the Intercare Claims Adjuster to review the return to work status of employees with the Departmental Worker's Comp Liaisons, Office of Employee Relations (OER) and the HR Division Manager to ensure the interactive process for reasonable accommodation is addressed.

D. Quarterly Workers' Compensation Liaison Meetings

Quarterly meetings with the HR Department and departmental Workers' Compensation Liaisons have been ongoing since March 2019. The Quarterly meetings are 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 14, 2021.

E. 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. This past fiscal year, Intercare completed virtual Workers' Compensation 101 Supervisor training for the following departments: PRNS, ESD and Airport.

F. Firefighter Fastlane

Due to the success of this pilot program, the Firefighter Fastlane one-year pilot program, which ended on October 31, 2020, was formally adopted by the Department, HR, Kaiser Permanente and the Fire Union as an ongoing program.

Through the end of June 2021, Intercare reports that eighty-six firefighters utilized the Firefighter Fastlane program. Of the eighty-six firefighters seen, diagnostic tests were ordered for thirty-one of the firefighters, and physical therapy/acupuncture was prescribed for twenty-three of the firefighters. In addition, thirty firefighters were released to full duty, sixteen firefighters were released to modified duty and forty were taken off work.

G. 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 San Jose Police Officers' Association, HR, Intercare, and the Kaiser Permanente Occupational Health Clinic.

Through the end of June 2021, Intercare reports that ninety-six officers utilized the Police Fastlane program. Of the ninety-six officers seen, diagnostic tests were ordered for fifty-six of the officers, and physical therapy/acupuncture was prescribed for thirty-one of the officers. In addition, forty-five officers were released to full duty, twenty-two officers were released to modified duty and twenty-nine were taken off work.

Feedback has been very positive from the Police Department concerning the pilot program and it is anticipated that the Police Fastlane one-year pilot program, which ended on August 31, 2021, will be formally adopted by the Department, HR, Kaiser Permanente and the Police Union as an ongoing program in September 2021.

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 throughout the past fiscal year to respond to the COVID-19 pandemic, many of the safety initiatives that were identified in the prior October 2020 Semi-Annual update have also been suspended.

A. Program Manager

The Human Resources Department worked with the City Manager's Budget Office to re-prioritize anticipated vacancy savings to add a temporary Program Manager position with a June 30, 2022 limit date to support the Health & Safety Division.

The HR Division Manager and Program Manager, in collaboration with Department Directors and Safety Officers, intends to identify incident rates (frequency and severity) and associated workers' compensation costs for each department to set meaningful reduction goals, conduct trend analysis to understand the types and causes of injuries by department, develop Safety Improvement plans, and develop and implement CAL/OSHA compliant safety policies, procedures and training that will educate employees on injury prevention. The Program Manager position will help the City to continue to prioritize and increase the emphasis on health and safety to reduce injuries and costs associated with workers' compensation. This includes coordination and partnership between HR, Safety Officers and the departments in developing and implementing a Citywide Safety Management System, working with departments to identify injury trends and department-specific safety practices, and developing and adopting City policies to ensure regulatory compliance and uniform implementation of the best safety practices Citywide. The potential continuation of this position will be evaluated as part of the 2022-2023 budget development process

B. 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 during the past fiscal year but was unfortunately delayed due to the pandemic. Roll-out will likely occur in the new fiscal year with the hiring of the temporary Program Manager.

C. Citywide Safety Committee Meetings

The HR Safety Officer will convene a City-wide safety committee comprised of representatives from each Department. The goal of this committee is to ensure Departments are aligned on the implementation of City-wide safety policy and provide a forum to discuss broad safety program updates, best practices and opportunities for improvement. This project is currently suspended due to the HR Safety Officer's activation to the EOC responding to the COVID-19 pandemic.

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 suspended due to the COVID-19 pandemic. It is anticipated that these meetings will begin again once more employees resume on-site work in 2021-2022.

E. Ergonomics Program

The City's Ergonomics program continues to evolve with the goal of improving employee education and training thereby, reducing repetitive motion injuries.

In order to ensure continuous improvement related to the City's ergonomic safety program, refresher training is being scheduled for Department evaluators who attended the first "train the trainer" class. This training will refresh the evaluators knowledge of ergonomic concepts and updates. The training will also have additional focus on ergonomics in non-traditional workstations (e.g., working from home).

F. 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. This program has also been suspended and will resume once the HR Safety Officer is deactivated from the EOC and more City employees resume on-site work.

G. STOP (Safety Training Observation Program) for Supervision

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.

While this project has been temporally suspended due to the pandemic, work has continued by identifying and training key Department personnel who will be involved in implementing the program. Training and preparing key staff will allow the program to begin as soon as appropriate.

H. Wellness Screening

EHS (Employee Health Services) staff conducted 226 voluntary wellness screening for Firefighters this past fiscal year. Voluntary wellness screenings involve the following: blood pressure check, BMI (Body Mass Index) 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.

With the closure of EHS at the end of 2020-2021, staff is partnering with HR Benefits and Departments to develop a wellness strategy to offer wellness screening via on-site Wellness and Health Fairs throughout the year.

The Police Department is coordinating a wellness/health fair scheduled for October 19th, 2021. The following services will be provided by Kaiser: flu shots, fitness assessments, blood pressure checks, BMI calculation, and derma scan screenings (sun damage assessment, skin cancer education). Booths will also be set up providing information on cardiac health, crisis management, mindfulness, yoga, chaplaincy, safety and wellness, and City benefits.

Fire Department Update

Fire Department 2020-2021 Workers' Compensation expenditures totaling \$7,789,093 were higher than projected (the 2020-2021 Modified Budget was \$7,690,000). However, total expenditures were reduced by \$133,568 or approximately 1.7% compared to the 2019-2020 fiscal year when total expenditures were \$7,922,661.

The Fire Department is engaged in several Workers' Compensation initiatives toward improved workforce safety and wellness and reduced 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's Worker's Compensation Division, to review open claims, medical treatment status and return to work eligibility; (3) Participation in the Firefighter Fastlane program through Kaiser Permanente; (4) Placement of employees with specific work restrictions into temporary modified duty assignments; (5) Conducting quarterly Firefighter Safety Committee meetings between management and San José Firefighters, International Association of Fire Fighters (IAFF), Local 230 to review safety, health and wellness initiatives, and injury types, causes and costs to prevent reoccurrence (currently 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

Despite the pandemic, 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 despite both Fire and PRNS being slightly over budget, as evidenced by the overall savings of \$1,389,001 against the modified budget through the end of Fiscal Year 2020-2021.

It is anticipated that the suspended workers' compensation, health, wellness and safety initiatives will be reestablished when more City employees resume on-site work in 2021-2022 and the HR Safety Officer is deactivated from the EOC. 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 memorandum 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/

JENNIFER SCHEMBRI

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