

TO: BOARD OF SUPERVISORS
FROM: JOHN CULLEN,
COUNTY ADMINISTRATOR

OCT - 3 2007

DATE: September 25, 2007

SUBJECT: COUNTY'S RETURN TO WORK PROGRAM AND STATUS OF ITS
WORKERS' COMPENSATION INTERNAL SERVICES FUND



SPECIFIC REQUEST(S) OR RECOMMENDATION(S) & BACKGROUND AND JUSTIFICATION

RECOMMENDATIONS:

1. ACCEPT report regarding the status of the County's Workers Compensation Internal Services Fund;
2. ESTABLISH a targeted minimum confidence level of 80%; and
3. ACCEPT report regarding the County's Return to Work Program.

FISCAL IMPACT:

The result of the recommendation herein, if implemented, will have a positive future impact on the County's overall fiscal stability and ability to deliver services.

BACKGROUND:

On May 26, 2005, the Grand Jury issued a report entitled "Fix Workers' Compensation Now". The report indicated that between June 30, 2001, and June 30, 2004, workers' compensation liabilities increased from \$50.7 million to \$97.2 million, while assets to pay them decreased from \$45.7 million to \$33.0 million. In more inflammatory terms, the net deficit grew from \$5.0 million to \$64.2 million. To address this negative trend, the Board of Supervisors significantly increased premium charges to departments and began an aggressive Loss Control Program and a Return to Work Program. The injury prevention improvements made through the Loss Control Program include the following: initiating web-based ergonomic training; organizing a task force that ergonomically evaluates an employee's work station upon request; capturing, recording, and distributing data on injury frequency and type to departments; working with departmental Loss Control Coordinators to evaluate work activities and work stations for risk of injury; and developing training programs and conducting safety meetings that focus on injury prevention.

In addition to implementing the internal changes listed above, SB 899, which limited certain types of physical therapy treatments, also had a positive impact on medical claim payments.

CONTINUED ON ATTACHMENT: YES NO

SIGNATURE: _____

RECOMMENDATION OF COUNTY ADMINISTRATOR
APPROVE _____ OTHER _____

RECOMMENDATION OF BOARD COMMITTEE

SIGNATURE(S) _____

ACTION OF BOARD ON _____

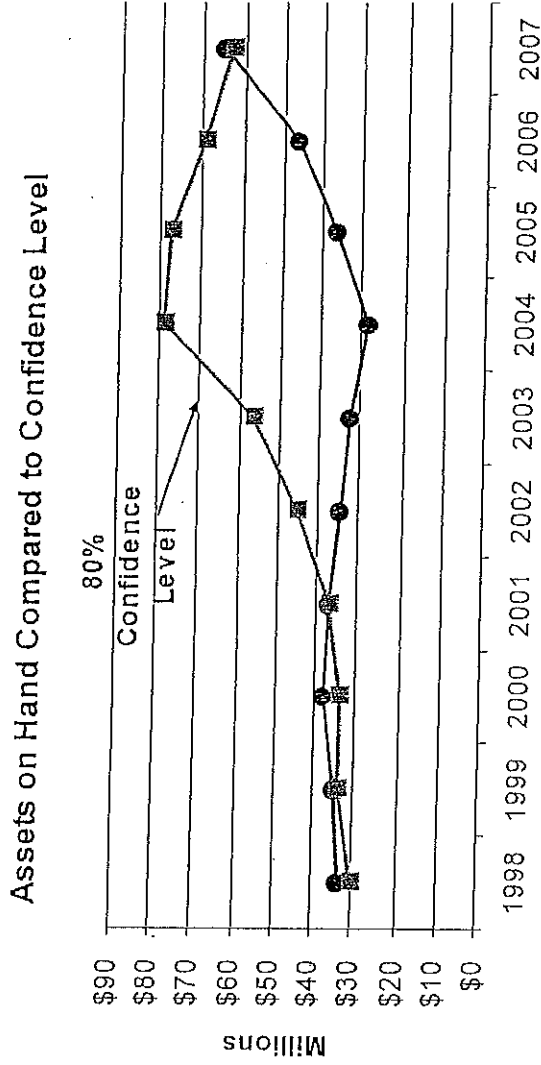
APPROVED AS RECOMMENDED

OTHER X

September 25 2007

ADOPTED the recommendations; and DIRECTED a copy be forwarded to the Grand Jury.

For illustrative purpose, the following chart shows the last ten years of assets on hand (line with circles) compared to an 80% confidence level (line with squares). As can be seen, the County maintained 80% and above funding until 2002, under-funded liabilities through 2004, and then began to rebuild reserves.



Besides increased funding, Milliman points to losses that have developed favorably as a reason for the fund's solid position. These losses are consistent with recent statewide experience. However, it is important to note that there is a substantial degree of uncertainty inherent in all projections of future insurances losses. A change in Governor, for example, could have a significant impact on recent workers' compensation reform. The workers' compensation environment in California, particularly the recently enacted reforms and future legislative actions could change. Therefore, the County Administrator's Office will continue to keep a close watch on the workers' compensation program and budget workers' compensation accordingly to maintain an 80% confidence level.

One area of loss prevention that our office is very proud of is the County's Return to Work Program. The Return to Work Program was recently reorganized in an effort to reduce disability duration in Contra Costa County.

Return to Work Program "OUR System"

Risk Management implemented a trial Return to Work Program with the Health Services Department in FY 2004/05. The program, known as the Optimum Utilization of Resources System ("OUR System") is a unique proactive transitional work program. OUR System places injured workers back at the job site almost immediately after injury. While recuperating, workers are moved through a series of temporary jobs that aid in their recovery. Most return quickly to their original positions. OUR System was chosen for Contra Costa County due to its proven track record and guaranteed results. Statistics shows that companies implementing the OUR System have seen a 50% reduction in lost worker days and a 20% reduction in workers' compensation costs.

OUR System works by offering solutions to maintain productivity for injured workers. The System takes a proactive approach to early return-to-work by identifying temporary transitional work assignments in

Since inception of the program 194 employees have returned to modified duty. Accident frequency at this point in time is the lowest it has been since FY 1999/00. The reductions in key categories are outlined below:

	FY 04/05 -1%	FY 05/06 -15%	FY 06/07 -2%
Accident Frequency			
Temporary Disability ²	\$4,409,369	\$3,654,299	\$3,245,310
Permanent Disability	\$4,141,560	\$3,743,960	\$3,518,206
Medical Costs	<u>\$7,066,535</u>	<u>\$7,207,507</u>	<u>\$6,471,762</u>
Total Benefits Paid	\$17,706,095	\$15,661,264	\$15,208,969

Additionally, there has been a significant reduction in the cost of the average paid claim from \$15,121 in FY 2004/05; \$15,057 in FY 2005/06; and a low of \$9,284 in FY 2006/07. Because Countywide implementation is fairly recent, it is anticipated that the number of assignments will increase over the next year. The number of current assignments is broken down by Department below:

- Child Support 4 • East County Fire 3
- Sheriff 28 • Consolidated Fire 13
- General Services 7 • Health Services 76
- Probation 11 • Public Works 10
- Employment & Human Services 42

Since January 2007, Temporary Disability Benefits were reduced by 15.5% on a Countywide basis (18.6% for the six largest Departments). Implementation in the Public Works, General Services, Probation, Department of Information Technology, Library, Fire District, and Employment and Human Services Departments has been completed.

Health Services has shown a decline in temporary disability payment frequency for the third straight year. Their decline in frequency in the first half of FY 2006/07 was 12.8%. In FY 2005/06 temporary disability payments were reduced 34.8%. The first six months of this calendar year also shows a reduction of approximately an additional \$200,000. Total liabilities were reduced from \$22 million late FY 2003/04 to \$17.5 million in the first half of FY 2006/07. As more departments were added to the program they also experienced favorable results in the frequency of claims filed. For example, during the first six months of FY 2006/07 there was a reduction in frequency of 22.4% in claims filed within the Sheriff's Department; and General Services decreased 22% in frequency for FY 2005/06, and another 22% in FY 2006/07.