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# Workers' Compensation & Loss Prevention

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City of Dallas Council Briefing

April 6, 2005

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# Purpose

- Three organizations have completed assessments of the City of Dallas Workers' Compensation Program (WC):
  - Aon Risk Services, Inc. completed audit of liability claims in June 2, 2002
  - City Auditors Office completed a performance audit of the WC December 3, 2004
  - PartnerSource, Inc., completed a review of WC, limited duty policies and Wage Supplementation in January 26, 2005
- Commission on Productivity and Innovation recommended changes for Loss Control March 28, 2005

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# Purpose (cont'd)

- Respond to consultants' reports and recommendations for:
  - Loss Prevention Program
  - Workers' Compensation Program
  - Absence Management Program

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# Major Findings:

- ❑ No formal process to measure WC program success or accountability to Senior Management (PartnerSource)
- ❑ WC costs incurred and paid are higher than other groups reviewed (PartnerSource)
  - The current system does not encourage injured employees to return to work
  - The WC claim duration was longer than the group average
    - ❑ Indemnity Claim duration rose from 44 days higher than peer group in 2000 to 72 days higher than peer group in 2003
- ❑ Risk Management has limited audit processes. In addition, no documentation was provided to demonstrate audit recommendations were implemented (PartnerSource)
- ❑ Wage Supplementation procedures, including eligibility requirements, should be reviewed and updated (City Auditor)
- ❑ Safety initiatives are not defined and have minimal impact on the reduction in workers' compensation losses (PartnerSource)
- ❑ Risk Management related Administrative Directives are out of date and need updating (City Auditor)
- ❑ Employees on lost time do not receive uniform communication (Aon)

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# Audit and Review –

## Major Recommendations:

- Formalize Risk Management organizational structure with appropriate staffing and clear lines of accountability for all City Departments (All studies)
- Structure programs to identify higher risk areas in departments and update/communicate procedures (Aon)
- Develop a formal stewardship program; include increasing the frequency of monitoring, auditing and reporting. Reporting must be consistent with TWCC categories for benchmarking purposes (PartnerSource)
- For wage supplementation, develop strategies to encourage employees return-to-work and unify administration across all departments (Partner Source)
- Maintain designated medical provider network for workers comp and wage supplementation eligibility, include an RN review for routine claims and M.D. review for complex claims. These need to be credentialed by independent body (PartnerSource)
- Consider outsourcing FMLA administration (PartnerSource)
- Develop an Absence Management Program for all departments to expedite the return to work (All studies)
- Improve Safety and Loss Control program including safety incentives (All studies)
- Improve coordination of procedures and provide workflow process documentation to third party administrator (TPA) (Aon)
- Provide safety training to employees and implement safety inspections using an incentive model (Commission on Innovation and Productivity)

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# Background on Workers' Compensation Program

- An effective W/C program:
  - Takes care of employees with job related injuries
  - Encourages employees to return to work

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# Background on Workers' Compensation Program (cont'd)

- City is self insured for all individual employee's injuries up to \$750K
- Claims are paid by third party administrator (TPA)
- City buys excess workers' compensation insurance for protection against catastrophic claims
  - Insured for losses in excess of \$750K per occurrence
  - Policy premium (\$405K/yr) from Purchased Insurance Fund

# How Workers' Compensation Works

- Applicable to injuries or illnesses that occur during scope of employment
- Benefits
  - All related medical (lifetime)
  - Payment of lost wages scenario
    - 7 day waiting period
    - 70% of weekly wage (based on prior 13 weeks earnings)
    - Subject to weekly maximum (currently \$539)
      - Maximum weekly payment reached at salary of approx. \$40K/year(70% of \$40K)
    - Maximum length of payment for Temporary Income Benefits is 2 years (104 weeks)
    - Length of payment is based on when employee is released by doctor to return to work, or reaches Maximum Medical Improvement (MMI)
  - Maximum Medical Improvement is reached
    - Impairment Rating is given (0 to 100%) and determines total payment to injured employee based on an average weekly wage (Currently capped at \$377/week)



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# Services Provided by TPA

- **W/C and Liability Claims Administration**
  - Determination of eligibility
  - Payment recommendation
- **W/C Cost Containment**
  - Employee must use State (TWCC) approved PPO network and TPA approved pharmacy card
  - Audits all medical, hospital, pharmacy bills to ensure compliance with TWCC fee guidelines
  - Pre-Authorizations
  - Case Management
  - Medical Peer Reviews
- **City's Legal representation for Texas Workers' Compensation Commission issues**

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# City Supplements W/C Payments

- Wage Supplementation Plan (WS)
  - Applies to non-preventable accidents only
  - Covers W/C waiting period (first 7 days)
  - Pays difference between W/C payments and regular pre-injury salary (gross salary-W/C payment=WS payment)
  - Plan is voluntary; an employee can use sick and/or vacation pay in lieu of WS
- Length of payment
  - Terminates when W/C payments end, or
  - Max up to 52 weeks of payments
- Most major Texas cities provide some level of Wage Supplementation (See Appendix - Chart 1)

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# Summary of Recommendations:

- Implement Citywide Loss Prevention Program
- Implement Citywide Absence Management Program to include Return to Work strategies
- Consolidate staff to Implement Loss Prevention and Workers' Compensation Programs

Note: Effective implementation of these recommendations will result in significant savings, millions over time (See Appendix Chart 2)

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# Implement Loss Prevention Program

- The purpose of this program is to prevent the injury from happening in the first place
    - Ensure staff are informed and aware of safety procedures through implementation of a consolidated Safety Training Plan
    - Create dedicated safety personnel to ensure proper training, site inspection & follow-up
    - Create system of Staff Accountability for Safety
      - Employees held accountable for working safely
      - Executives accountable for claim/cost reduction and goals
      - Accomplished through a monthly Report Card for each department reviewed by CMO
      - Reward good safety performance
    - Benchmark injury claims and costs by EEO category
      - Compare City's results with Index Cities
      - Increase productivity of workforce
  - Loss Prevention Program improves worker productivity and are proven to reduce costs
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# Implement Absence Management Program

- The purpose of this program is to focus on returning employees to work
  - Evaluate all existing policies for City leave (vacation, sick leave, injury leave) Workers' Compensation and medical, for ways to encourage employees to return to work
    - Include Occupational and Non-Occupational
  - Implement stronger case management initiatives
    - Include RN review of routine claims and MD review of complex claims to verify injury and care protocols
    - Credential RN and MD from an outside source, other than the TPA
  - Provide dedicated workers comp coordinators to manage absence management program:
    - Early intervention (from time employee is absent)
    - Evaluate skills and abilities for limited duty assignments
    - Development individualized action plan for employees unable to perform their normal job functions
    - Monitor and measure progress of all injured or ill employees

# Absence Management Program (cont'd)

- Limited Duty Program:
  - Transitions employee back to work
    - Takes time to get back to 100%
    - Provides opportunities to be productive
  - Based on physician's restrictions
  - Utilizes use of temporary assignments in own or another department
  - Allows employee to be paid while recovering
    - Workers' Compensation payment
    - Wage Supplementation

# Absence Management Program (cont'd)

- Assistance For Those Not Able To Return To Work:
  - With finding a different job
    - Within the family of City Departments, if possible
    - Outside the City of Dallas, if necessary
  - With Disability Retirement, if necessary
  - With termination process as a last resort
- Benefits worker productivity and ability to return to work sooner
- Reduces overall costs to operations and workers comp

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# Consolidate staffing

- Currently the Financial side of Risk Management reports to the Office of Financial Services
  - Assistant Director, Sr. Risk Analyst, 3 Senior Risk Analysts and an Accountant
- The Operations side of Risk Management reports to Human Resources
  - Client Service Manager, 3 Worker's Comp Coordinators; and a Manager of Safety with 3 Safety Officers
  - (An additional 15 Safety Officer jobs exist throughout the organization)



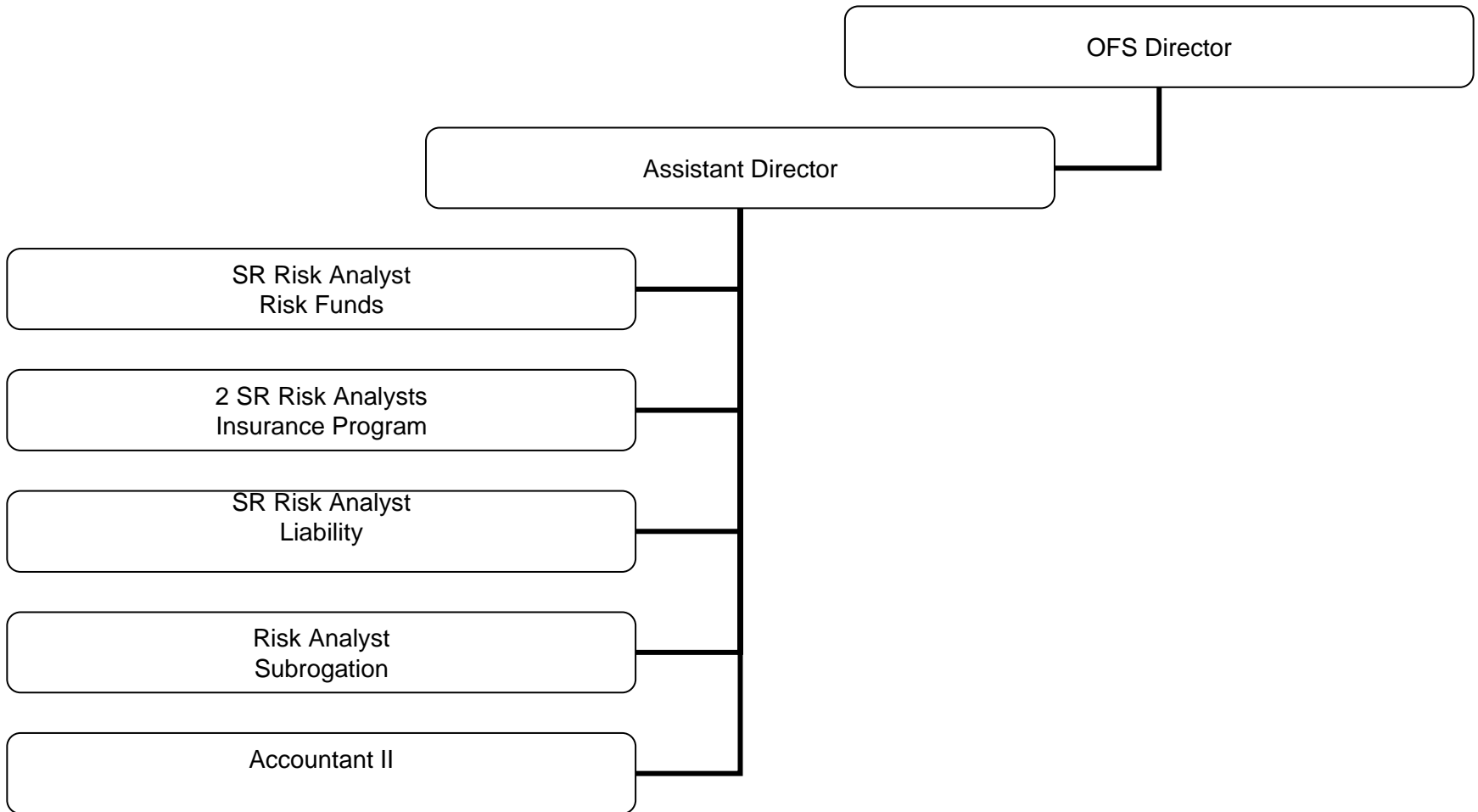
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# Consolidate Staffing (Cont'd)

- Proposed Consolidated Staff
  - Consolidate all functions under Human Resources with a liaison relationship to Office of Financial Services on financial matters
  - Assistant Director, Risk Management will oversee implementation and management of Citywide Safety and Absence Management Programs

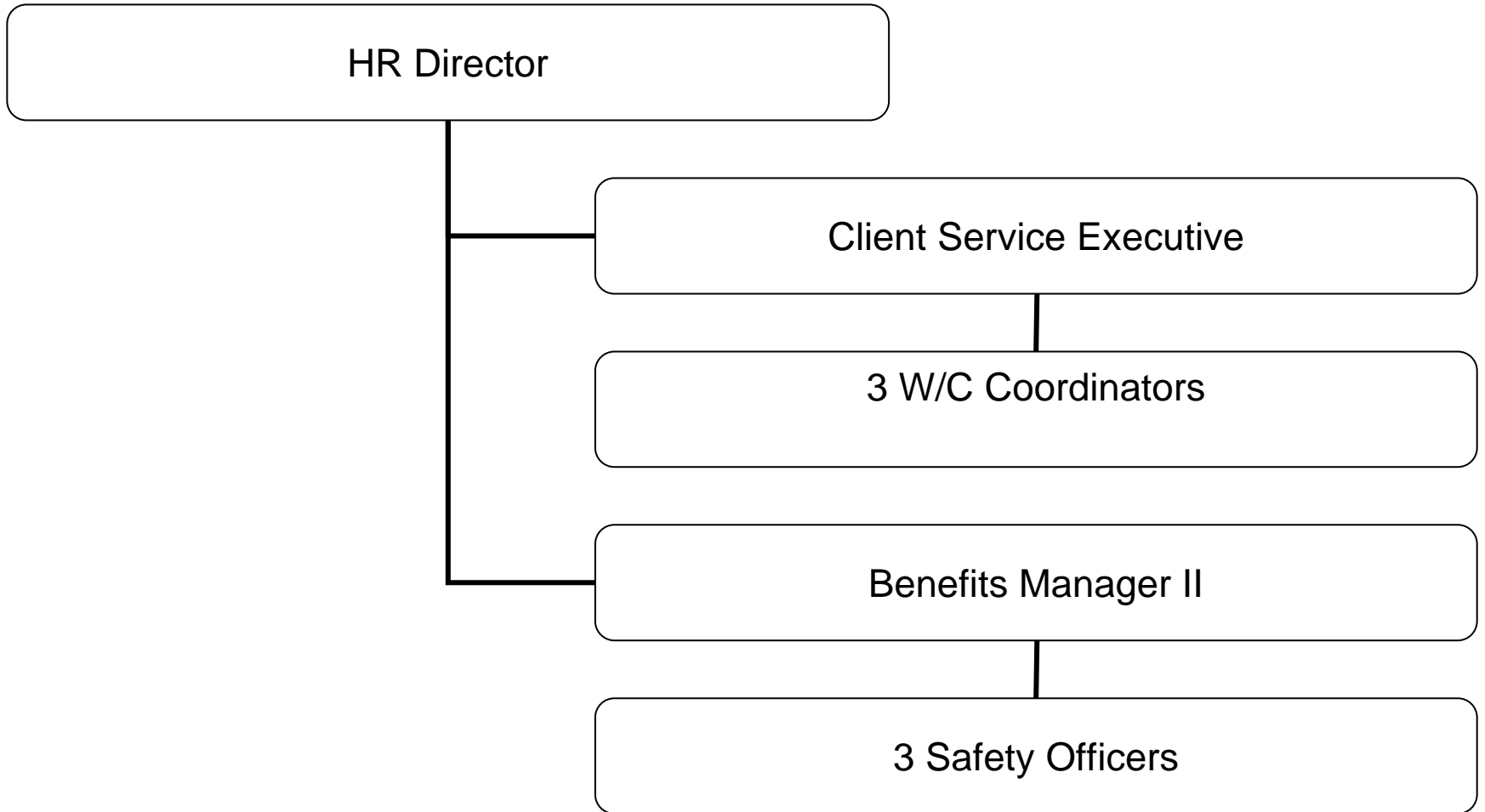
# Consolidate Staffing

## Current Organization-Part 1

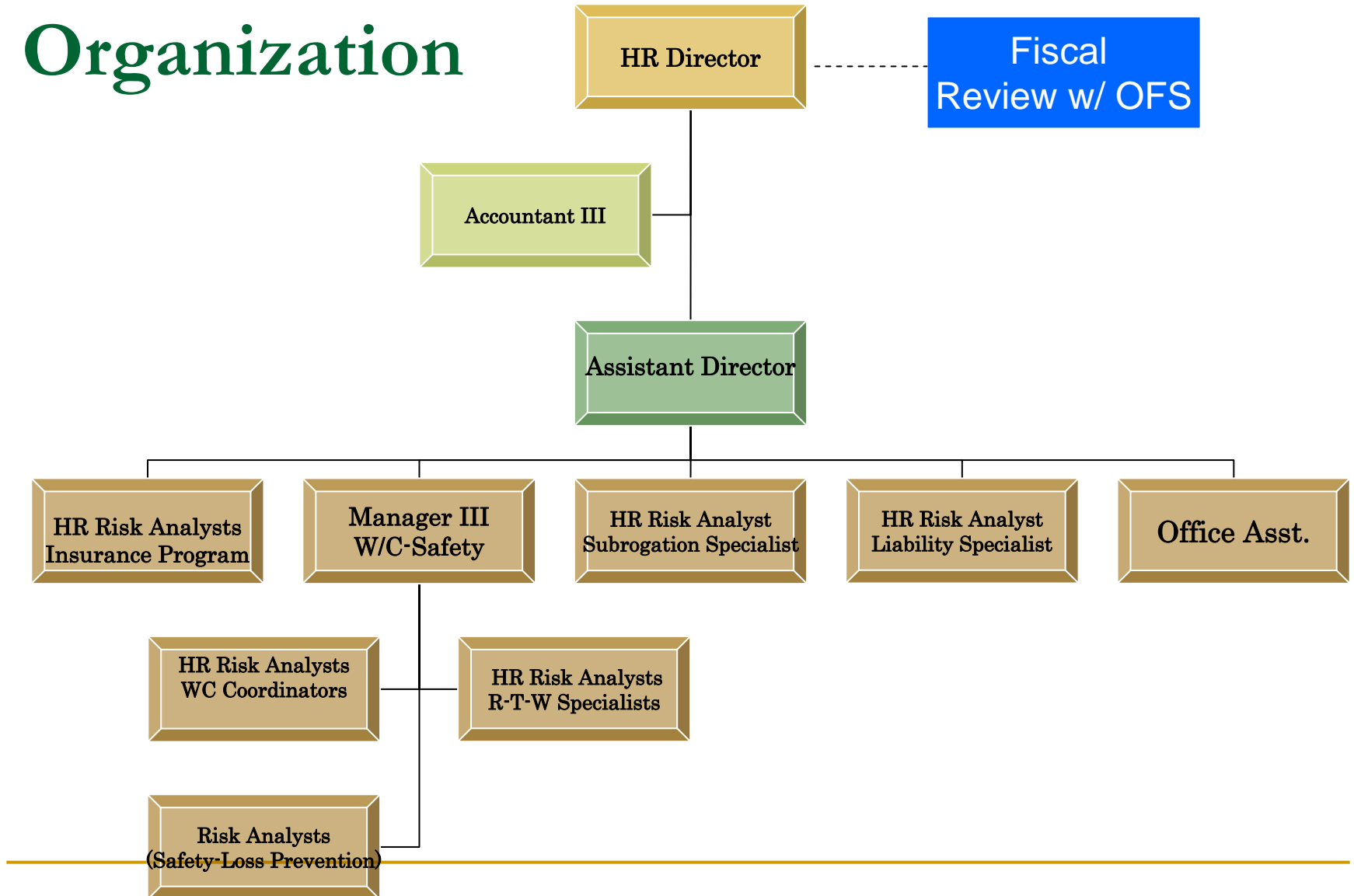


# Consolidate Staffing

## Current Organization-Part 2



# Consolidate Staffing-Proposed Organization



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# Next Steps

- Consolidate Risk Management Staffing in Human Resources
- Develop Detailed Program Guidelines
- Develop Program Budget Impacts
- Communicate Changes to Departments
- Begin Program Implementation

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# Additional thoughts from Commission on Productivity and Innovation

- Workers' Compensation
  - Hire firm for training/inspections on an incentive basis
- Auto Liability
  - Review all claims for last 5 years
  - Secure loss control recommendations from other large fleet operations
- Premises Liability-Fire
  - Provide inspection criteria to building maintenance
  - Design periodic inspections and reporting functions
- Risk Management Organization
  - Consolidate all safety functions in the City under HR

# Appendix Chart 1

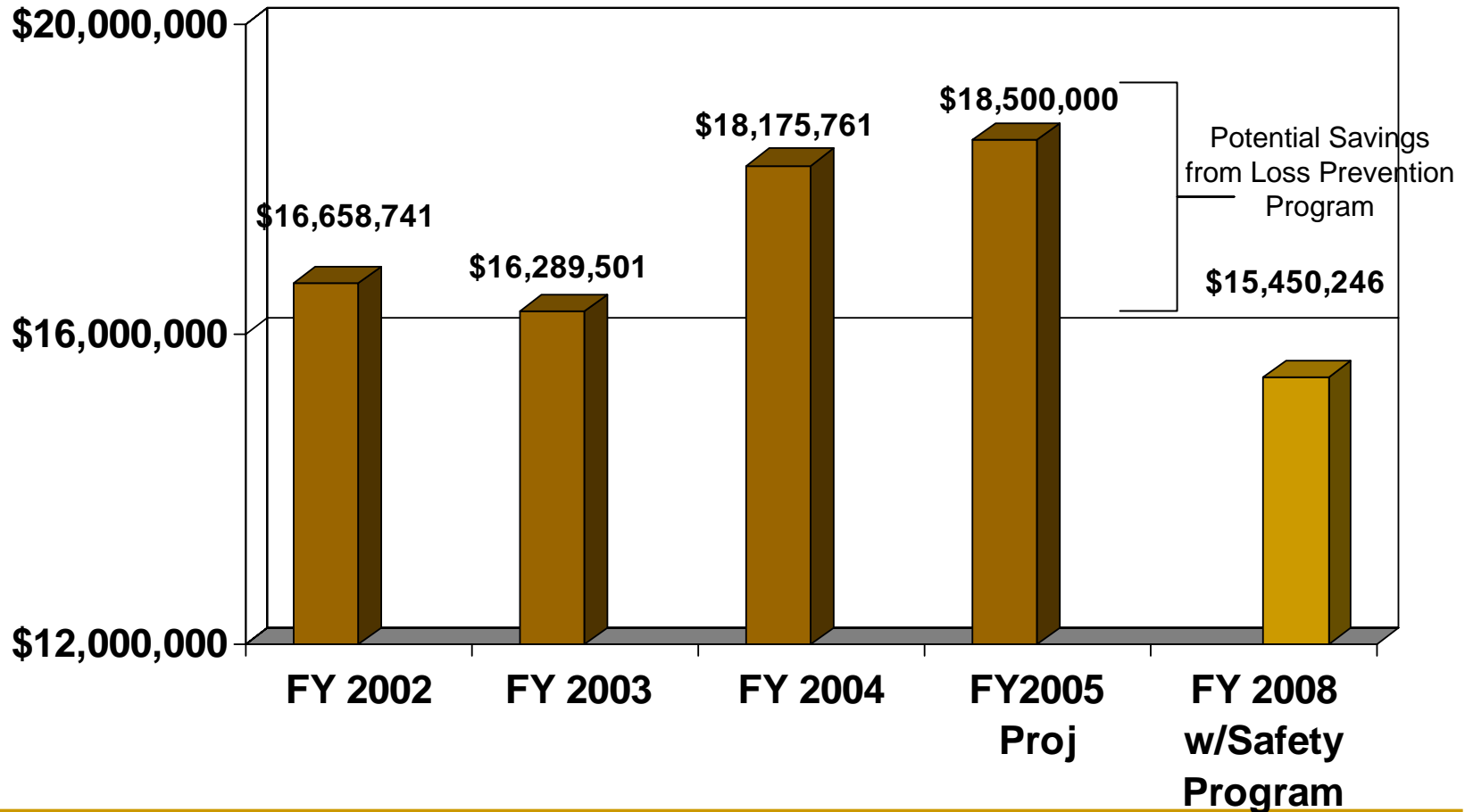
## Wage Supplementation Programs in Large Texas Cities

City	Eligibility	Length	Calculation
<b>Ft. Worth</b>	All employees	1 Year	Civilian based on Seniority
<b>El Paso</b>	Does not have wage supplementation	N/A	N/A
<b>Austin</b>	All employees	1 Year-Civil Service 80 hrs. Non-CS	Gross Pay minus WC=WS
<b>San Antonio</b>	Uniform employees Only	Up to 104 Weeks	Gross Pay minus WC=WS
<b>Houston</b>	All	104 Weeks Uniform 26 Weeks Civilian	Gross Pay minus WC uniform-Net City
<b>Dallas</b>	All	Up to 52 Weeks	Gross Pay minus WC=WS

# Appendix Chart 2

## Workers' Compensation Claims Costs

### Citywide W/C Claim Costs



This program will save us approx.  
\$3M annually by FY 2008