

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 13, 2007

To: Board of Supervisors

From: Personnel Services

Subject: Report Back On Workers Compensation Program

Contact: Denise Currie, Workers Compensation Manager, 876-5005

BACKGROUND

At the September 5, 2007, budget hearings the Board inquired if any audits had been performed on the Workers Compensation Program.

DISCUSSION

There are several different types of audits done on the Workers Compensation Program each year. An actuary study is performed annually by Bickmore Risk Associates. This study is more of a financial review aimed at providing recommendations that will assure the County has the finances needed to fulfill its obligations. Benchmarking with five other counties is included in the study. The most recent comparison shows that Sacramento County has an average cost per claim and a lower than average number of claims per \$1 million of payroll.

The State Department of Industrial Relations, Division of Workers' Compensation performs program audits every five years per California Labor Code. The most recent was completed in April 2005 for the years 2002 through 2004. The audit consists of a review of key claims performance areas based on a sampling of claims over a period of two years. A profile audit review (PAR) performance rating is calculated based on specific factors of the randomly chosen claims such as the percentage of claims with late first payments, notices of salary continuation, violations involving failure to timely advise injured workers of procedures and many other factors. The PAR performance rating is compared to the State standard to determine passing or failing scores. Sacramento County passed its audit.

The Workers Compensation Program is also audited every two years by an independent auditor hired by California State Association of Counties-Excess Insurance Authority (CSAC-EIA) which is also the provider of the County's excess insurance policy. The

most recent audit was completed in September 2006 for the period September 2004 to September 2006. The audit is quite extensive and scores the program in multiple areas including the following:

- Compensability determinations – reviews the decisions that are made to accept, delay or deny a particular claim including inquires on adequate background investigations and communication with the relevant departments.
- Employee contact - reviews whether the claims examiner makes early telephone contact with each injured worker according to industry standards and whether this contact continues as appropriate.
- Benefit payments – inquires into the timeliness and accuracy of benefit payments checked against the standards of the Administrative Director of the Division of Workers' Compensation and also the administrator's medical cost containment efforts.
- Case planning – reviews the initial case planning, subsequent case planning and tactics for appropriateness to the case.
- Medical administration – reviews the timeliness and appropriateness of the treating physicians' reports as required by Labor Code.
- Litigation – focuses on the efficient use of defense counsel.
- Finalization – Very important area in that it is essential to conclude every case at the earliest possible moment. Reviews the amount of time cases are handled and the timely closing of claims compared to ill effects that may occur such as paying benefits needlessly.
- Excess reporting – assesses proper reinsurance reporting to the Excess Insurance Authority.
- Subrogation – reviews the timeliness and effectiveness of claims examiners ability to consider other sources of claim reimbursement.

The average County score in the areas listed above was 94.63% in this most recent CSAC-EIA audit. The audit noted in summary the most important strong point is the initial and on going contact with injured employees.

Each of these audits provide the Workers Compensation Program with recommendations that help improve processes and procedures so that the Program not only remains within legal requirements but also insures the County's obligation to treat employees fairly and get them back to work as quickly as possible. In addition to the audits the County's Personnel Policy and Procedures G-6 Early-Return-to-Work-Program is specifically aimed at returning eligible employees back into the County workforce at the earliest

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medically allowable date and in accordance with their medical treatment plan and provides the employee with guidelines to follow.

We will continue to focus on the recommendations of both the financial and program audits as they are routinely provided making continuous improvement and will provide the Board with summaries of the audits as they occur.

Respectfully submitted,

DAVID DEVINE, Director
Personnel Services

APPROVED
TERRY SCHUTTEN
County Executive

By _____
MARK NORRIS, Administrator
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