

**THIS PRINT COVERS CALENDAR ITEM NO. : 17**

**MUNICIPAL TRANSPORTATION AGENCY  
City and County of San Francisco**

**DIVISION: Human Resources/Workers' Compensation Division**

**BRIEF DESCRIPTION:**

Presentation of a report on the MTA's Workers' Compensation results for the last 5 years and Action Plan for the coming fiscal year.

**SUMMARY:**

- The MTA is self-insured for Workers' Compensation
- The financial liabilities for Workers' Compensation are budgeted on an annual basis
- The MTA historically budgets Workers' Compensation liabilities based on payments from the previous fiscal year, with adjustments for inflation
- The purpose of this report is to update the Board on progress the agency is making towards improving outcomes
- This information will assist the agency in forecasting budgets for the coming fiscal years

**ENCLOSURES:**

1. Workers' Compensation Executive Summary
2. PowerPoint Presentation of 5 year costs

**APPROVALS:**

**DATE**

DEPUTY OF DIVISION  
PREPARING ITEM \_\_\_\_\_

FINANCE \_\_\_\_\_ N/A \_\_\_\_\_

EXECUTIVE DIRECTOR/CEO \_\_\_\_\_

SECRETARY \_\_\_\_\_

ADOPTED RESOLUTION  
SHOULD BE RETURNED TO Jeffery L. Gary

**ASSIGNED MTAB CALENDAR DATE:** \_\_\_\_\_

## MEMORANDUM

DATE: 6-13-07

TO: Nathaniel P. Ford, Sr.  
Executive Director/CEO  
San Francisco  
Municipal Transportation Agency

THROUGH: Diana Buchbinder  
Deputy General Manager  
MTA Human Resources

FROM: Jeffery L. Gary  
Manager  
MTA Workers' Compensation Section

### **EXECUTIVE SUMMARY:**

The state of Workers' Compensation expenditures for the San Francisco Municipal Transportation Agency – a white paper prepared exclusively for SFMTA Executive Management and the MTA Board of Directors.

Attached you will find a power point presentation that summarizes the Workers' Compensation cost experience for the SFMTA over the past five (5) fiscal years.

Data for fiscal year 2007 is valued as of April 30, 2007, with accompanying projections for the full fiscal year 2007 costs included later in the body of this executive summary.

As you can see by the attached charts the MTA has experienced significant cost reductions across all major cost and claim categories over the past five (5) fiscal years.

Specifically, overall MTA Workers' Comp costs are down 17% over FY2003 costs.

Medical costs are down 27% over FY2003 and Indemnity costs are down 13% over the same period. (Comparing FY 2002/2003 paid costs to FY2005/2006)

FY 2007 to date payments were not included in these calculations, although we are currently projecting \$19,600,5488.00 in expenditures, which would be approximately \$900,548 over budget, but in line with FY 2006 expenditures. This projection does not include approximately \$200,000 in recoveries from 3<sup>rd</sup> party claims, which will reduce the budget overage to approximately \$700,000.

In addition to these results, the incidence of newly reported claims, a key indicator of how the agency is performing on injury prevention, has also seen a steady decline, with

the current fiscal year projected to be our lowest in five (5) years, approximately 850 claims.

Although the attached results are impressive and should stand on their own, there are a variety of additional factors that should be illuminated which will shed further light on our outstanding results.

### **HIGH VALUE CLAIMS:**

The projected results for the current fiscal year include costs associated with one Muni High Value Claim\* and the assumption of risk for the Department of Parking and Traffic claims, which has elevated our costs.

\*For confidentiality reason, the name of the claimant was removed from the report.

The High Value Claim was settled in October of 2006 for slightly more than \$1 million dollars. The costs on this one case alone have dramatically skewed our results for the current fiscal year, thereby, pushing our budget projections into the red.

There are several important factors that need to be addressed regarding this case:

- The claim was inappropriately handled by a prior administrator.
- The claim is currently the subject of legal action in Federal Court.
- The expectation is that we will fully recover the expenditures on this claim at the resolution of the litigation

Absent the impact of this claim, the MTA's budget projections would be at or near zero increase, which would mirror the historic results obtained in fiscal year 2006 of \$2 million dollars under budget, plus an additional \$2 million dollars in budget reductions for fiscal year 2007, resulting in \$4 million dollars net savings to the agency.

### **MODIFIED COSTS PROJECTIONS ABSENT HIGH VALUE CLAIMS**

FY2007 MTA Work Comp Budget	\$18,700,000.00
FY2007 Budget Projection	\$19,600,548.00
Projection W/Out High Value Claim	\$18,559,788.00
Projected FY 2007 Results	\$140,212.00

In addition to the above case, the Agency also assumed responsibility for management of Department of Parking and Traffic (DPT) claims in April 2005. Many of the claims assumed for DPT were not administered according to the industry's best practices and had to be re-opened for further handling. The result of this was an increase in the costs associated with DPT claims since we took over administration.

We believe that the impact of this additional administration will lessen during the next fiscal year and we should start to see a decline in DPT's claims costs as well.

Both of the above examples represent claims occurring in prior fiscal years that are significantly impacting the current year's results.

Absent any unforeseen catastrophic claims of this nature, we fully expect the 2008 fiscal year costs to reflect the continuing downward trend of the past few years.

Other programs, processes and procedures implemented by the agency over the past few years have had dramatic impact on our overall program results, including:

### **MEDICAL MANAGEMENT:**

In May of 2004, the MTA's Workers' Compensation unit implemented a medical cost control program through the auspices of David Donn Consulting. This program was implemented to negotiate more favorable rates and fees with our medical bill review provider, Fair Isaac Corporation. The results of this program are approximately \$2,463,041.00 in additional savings on medical expenses in the last three (3) years alone. Without these additional savings, the agency's medical expenses would have been significantly high over the past few fiscal years. These cost saving were possible on an investment of less than \$200,000.00 in consulting fees.

### **BackFirst**

BackFirst, the agencies innovative back strengthening, wellness and injury prevention program; along with Restore Plus, MTA's on-site physical therapy center, continues to contribute to an improved safety culture, overall healthier employee population and a reduction in disability duration for those employees participating.

As of April 13, 2007, Back First added a mobile back strengthening and wellness component to the program. This mobile unit and trained personnel rotate from site to site to all MTA operations divisions. We believe this is the only program of its kind in the country. The initial response from employees has been overwhelmingly positive.

In addition to the above mentioned service, the mobile unit also provides the following:

- Blood pressure screenings
- Cholesterol screening
- Computerized health risk assessments
- Ergo evaluations
- Chair side massage
- Yoga instruction

We continue to re-assess, refine and evaluate this program to achieve the maximum value for the investment.

## **LOST DAYS/TRANSITIONAL WORK**

Lost days from work associated with injuries have steadily declined over the past five (5) years. This is an important indication of how long employees actually stay off work. The downward trend is a good indicator that our Workers' Compensation TPA administrator is getting employees back to work in a timely manner.

In concert with the reduction in lost days, is effective management of our Transitional Return-to-Work program. We have been very aggressive in closing the loopholes and refining eligibility guidelines to minimize the ability of employees to find loopholes in the system, while maximizing the opportunity to participate for those who truly need it. There is a trade off that should be considered when evaluating the impact of Transitional work programs.

Dollars and lost days saved on the Workers' Compensation claims side are offset by the salary paid to the TWP employees; however, the Agency realizes the following positive benefits:

- TWP employees return to work sooner
- TWP employees perform productive tasks
- TWP employees are performing tasks that the agency would have been required to hire additional staff to perform

The benefits of transitional work and a lower ultimate cost of claims, makes this trade off worthwhile.

## **NEW CLAIMS**

New claims reported over the past five (5) years have shown a steady decline. The decline is reflective of the reduction in new claims reporting seen statewide since the advent of the comprehensive Workers' Compensation reform that went into effect on April 19, 2007.

This trend is likely to continue as one of the significant components of the reform was to significantly limit benefits for claims that occurred April 19, 2004 or later.

## **TPA OVERSIGHT**

Our annual audit of the Third Party Administrator, Sedgwick CMS, will begin on July 1, 2007.

As part of our annual program reviews we audit the TPA once a year. Past audit results have shown greater than 90% compliance with contract provisions. In addition to annual audits, an MTA representative is on-site at the Sedgwick offices in Roseville, California twice weekly to coordinate daily operational issues.

## **SAFETY COORDINATION/PREVENTION**

As part of our ongoing efforts to reduce costs and improve safety at the agency, the Workers' Compensation Section provides monthly reports to the MTA Health and Safety Staff for the following purpose:

- Identify potential hazards within the system
- Develop mitigation measures to minimize the hazards
- Track high incidence areas/equipment for repair or replacement
- Lower the overall exposure to risk for the agency

## **ACTION PLAN**

In order to insure that we continue to experience the positive results that we have experienced over the past five years; the Workers' Compensation Section is taking the following steps:

1. Aggressive implementation of the recent Supreme Court decision on apportionment, which allows employers to take a larger credit for prior awards of permanent disability. This is particularly significant for the MTA because we have a high percentage of employees that have prior disability awards and file new claims. This ruling will allow us to take a dollar for dollar credit against these prior awards, which we were not allowed to do in the past.
2. Investigate implementation of a Medical Provider Network (MPN) The City and County is currently implementing an MPN, which theoretically gives the employer greater medical control and by extension greater control over costs. There currently is no hard data available to indicate that this process is an effective means of cost reduction. We will evaluate the City's results and decide whether or not to implement our own MPN or adopt the City's MPN.
3. Negotiate an incentive based contract with our current claims administrator, Sedgwick CMS. We have had preliminary discussions with the TPA about employing this strategy. We believe that they will do a more effective job of managing our claims in a cost effective manner, if they have a financial incentive to perform at a higher level.
4. Increase safety awareness and training. Ultimately our goal is to prevent work-related injuries from occurring. That is truly the best way to manage a claim. We will continue to work closely with our Health and Safety Division to deploy injury mitigation and prevention strategies agency-wide.
5. Implementation of a Risk Management Information Systems (RMIS). A system of this kind will allow the agency to better track, identify and proactively manage both its existing claims inventory and new claims as they occur. In coordination

with the MTA Information Technology Division, we are currently exploring options for deploying a software-based system of this type.

JLG: sal

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