

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 30, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #:26 CITY-WIDE WORKERS' COMPENSATION COSTS

This budget memorandum is in response to Mayor Euille's question: "please provide Council with a summary/history of workers' compensation claims for the past ten years by total/type/costs verses budget; also, what steps/programs are being considered to reduce costs and claims?" Chart I below shows a ten-year history of workers' compensation claims and actual costs as compared to budget. The pie chart on the next page (Chart II) also shows departments that incur the most workers' compensation costs in the City. Note that only a portion of actual costs are budgeted separately.

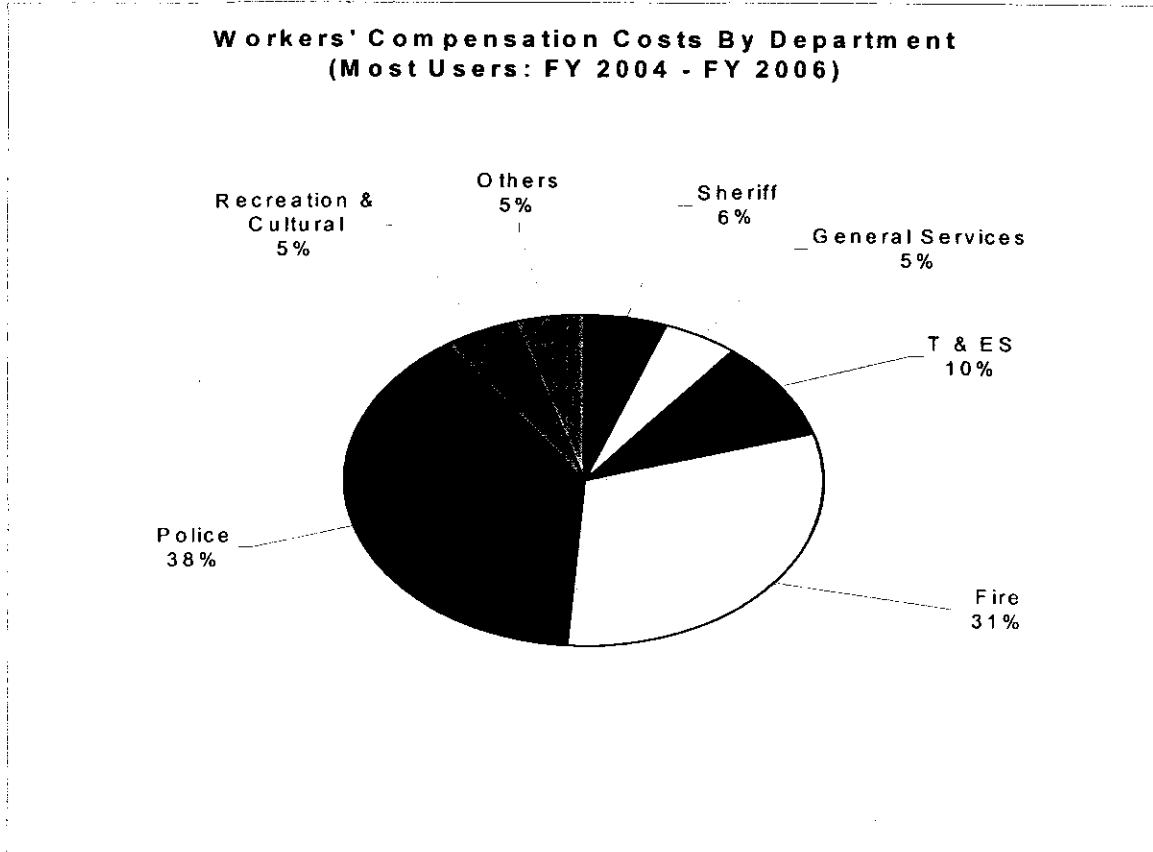
CHART I
CITY OF ALEXANDRIA EMPLOYEES
WORKERS' COMPENSATION COSTS (FY 1997 - FY 2006 - GENERAL FUND ONLY)

FISCAL YEAR	MEDICAL		INDEMNITY (Loss Time)		TOTAL CLAIMS	TOTAL ACTUAL COSTS	DIFF: BUDGET VS ACTUAL ¹
	CLAIMS	ACTUAL COSTS	CLAIMS	ACTUAL COSTS			
1997	181	\$438,077	49	\$189,340	230	\$627,417	-\$627,417
1998	144	\$263,451	31	\$126,238	175	\$389,689	-\$250,189
1999	133	\$249,301	39	\$169,826	172	\$419,127	-\$246,082
2000	133	\$390,867	37	\$273,450	170	\$664,317	-\$82,006
2001	177	\$399,520	15	\$214,480	192	\$614,000	-\$198,698
2002	140	\$722,942	28	\$300,858	168	\$1,023,800	-\$351,200
2003	164	\$766,297	33	\$243,375	197	\$1,009,672	-\$586,398
2004	188	\$1,314,878	60	\$442,333	248	\$1,757,211	-\$1,313,110
2005	193	\$1,244,226	42	\$711,158	235	\$1,955,384	-\$1,557,269
2006	197	\$1,208,257	43	\$935,229	240	\$2,143,486	-\$1,422,352

¹These actual costs not funded out of the Non-Departmental budget are absorbed by departments using salary savings within their General Fund budgets.

Chart II below shows that over the years (FY 2004 – FY 2006) the Police Department incurred the most workers' compensation costs (38%); followed by the Fire Department (31%), Transportation and Environmental Services (10%), the Sheriff's Office (6%), Recreation (5%), General Services (5%) and Others (5%).

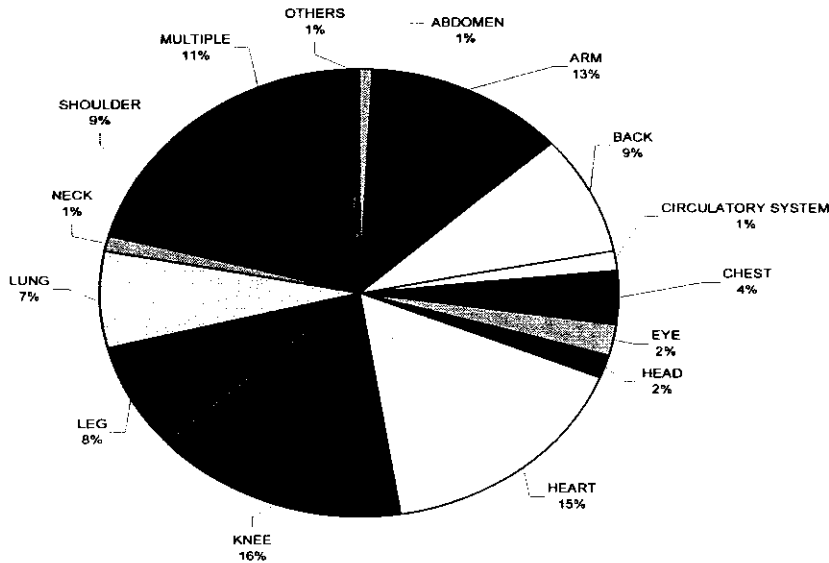
CHART II



Police and Fire represent the largest portion of workers' compensation costs because (1) many Police and Fire department employees perform more physically demanding work; and (2) State law for determining workers' compensation claims for public safety personnel is "presumption" based. This means that cardiovascular (i.e. heart, lung etc.), cancer and infectious diseases (i.e. Hepatitis, Meningococcal Meningitis, Tuberculosis, or HIV) are assumed to be job related under State law. Other injuries and illnesses, however, are subject to investigation to determine if they meet the definition of compensability under the State law.

Chart III below shows the nature of City workers compensation cases from 1997 to 2006. Most of these cases (84%) are attributable to heart (15%), knee (16%), arm and shoulder (22%), back (9%), chest and lung (11%), and multiple injuries (11%) not related to a specific body part.

CHART III
WORKERS COMPENSATION CASES (FY1997 - FY2006)



Charts IV and V on the next page show a comparison of actual workers' compensation costs per \$100 of payroll by jurisdiction, from FY 2002 to FY 2006. From FY 2002 to FY 2005, the City incurred the highest workers compensation costs per \$100 of payroll when compared to other neighboring jurisdictions. In FY 2006, however, Prince William County incurred the highest costs per \$100 of payroll (\$2.53), followed by City of Alexandria (\$2.01), Montgomery County (\$1.28), Arlington (\$1.04) and Fairfax (\$0.89). Fairfax County over the years has incurred the lowest workers compensation costs per \$100 of payroll. Among factors that influence this are age of workforce and composition of workforce (Fairfax has no road crews because VDOT performs that function).

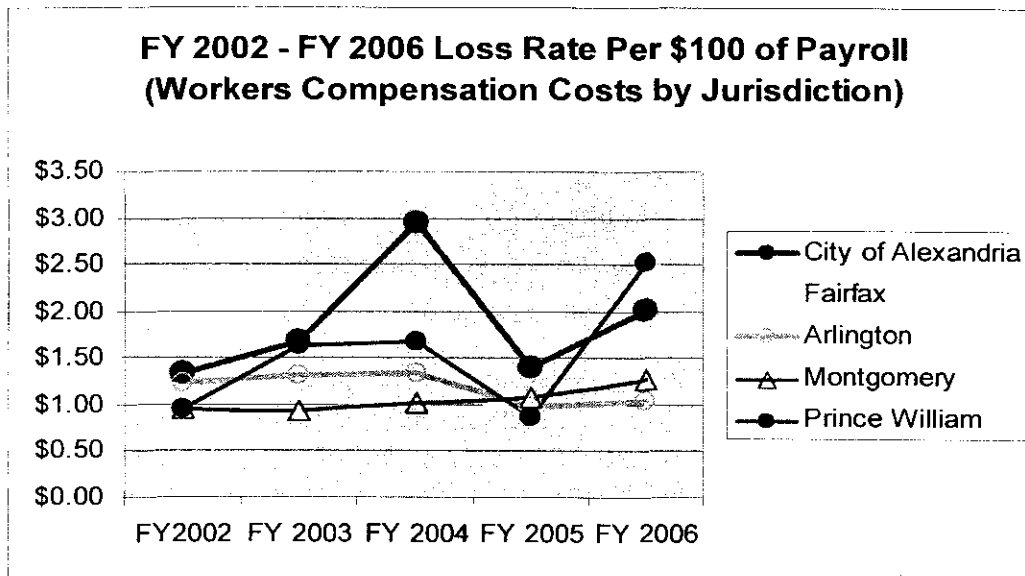
The City's loss rate per \$100 of payroll increased by \$1.27, from \$1.67 in FY 2003 to \$2.94 in FY 2004. This was attributable to several major claim payments (\$966,946), including multiple injury (\$195,288), two back injuries (\$334,806), knee (\$109,827), shoulder (\$109,595), circulatory (\$106,616) and respiratory system injuries (\$110,814), respectively. It should be noted, however, that the City's loss rate per \$100 of payroll decreased by \$1.54, from \$2.94 in FY 2004 to \$1.40 in FY 2005, although it increased slightly by \$0.61 cents, to \$2.01. Most claims paid in FY 2005 and FY 2006 were less than \$100,000.

CHART IV

Workers' Compensation Cost per \$100 of Payroll					
By Jurisdiction					
Jurisdiction	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
City of Alexandria	\$1.34	\$1.67	\$2.94	\$1.40	\$2.01
Fairfax	\$0.87	\$0.84	\$0.80	\$1.08	\$0.89
Arlington	\$1.23	\$1.32	\$1.34	\$0.98	\$1.04
Montgomery	\$0.96	\$0.94	\$1.01	\$1.08	\$1.28
Prince William	\$0.95	\$1.64	\$1.68	\$0.88	\$2.53

Source: Interjurisdictional survey by City staff.

CHART V



The above performance measure data shows the value of benchmarking the City with other jurisdictions. After seeing this, I have asked Personnel, OMB and the City Risk Management staff to see why workers' compensation costs are higher than neighboring jurisdictions, and to see what we can learn from these jurisdictions about workers' compensation/employee health and related training (such as safety programs).

To help manage workers' compensation costs City-wide, the City has implemented the following measures:

1. The City contracts with a company (called Sedgwick Claims Management Services) that investigates City employee workers' compensation claims and makes payments on behalf of the City. The City also contracts with Genex Services to evaluate all newly reported workers' compensation claims to ensure that initial treatments are appropriate, to follow-

up with medical providers about employees' ongoing care, to facilitate appointments and to assist employees with medical questions. In addition, it helps to expedite the return to work of injured employees. These contractors meet quarterly with City employee representatives, including the Risk Manager, Police and Fire Departments, as well as representatives from other departments that may have workers' compensation issues. The discussions include the progress of workers' compensation claims, return to work issues, and obstacles for employees to return to full duty. The meetings also discuss the recovery status of those who have not yet been released from medical care.

2. A City Safety Officer position was approved in FY 2000 to evaluate safety awareness in departments, workplace inspections, and to respond to departmental requests for assistance on safety-related matters.
3. A Safety Officer position was approved in FY 2006 to develop and implement safety training programs in Transportation and Environmental Services, and General Services. Other duties of the position include to inspect work sites, investigate accidents and to coordinate the City's compliance with safety regulations.
4. A promotion by Risk Management of departmental safety committees to monitor safe work practices, review accidents and incidents and to ensure proper safety awareness in City Departments.
5. Frequent involvement of Risk Management and City Attorney staff to ensure proper application of the Workers' Compensation Act.
6. An establishment of a weight loss and other activities in the City Employee Wellness Program to help reduce workers' compensation costs, by reducing on-the-job injuries.
7. Ongoing use of modified or light duty assignments for injured employees who cannot return to regular duty during recovery. (A very small number of employees stay off duty for long periods of time due to on-the-job injuries. This is monitored weekly).
8. Excess workers' compensation insurance to protect against the exposure of catastrophic injury.

A majority of workers' compensation costs are absorbed by the departments through the use of vacancy savings. The costs that cannot be absorbed within a department's budget are expended in the Non-Departmental budget. As part of the FY 2008 budget review process, the Non-Departmental workers' compensation budget was reduced by a total of \$342,433, from \$964,433 to \$622,000 to reflect a 3-year average actual cost (FY 2004 – FY 2006).

CHART VI

CITY OF ALEXANDRIA EMPLOYEES												
WORKERS' COMPENSATION COSTS (FY 1997 - FY 2008 - GENERAL FUND ONLY)												
FISCAL YEAR	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
NON-D BUDGET	\$0	\$139,500	\$173,045	\$582,311	\$415,302	\$672,600	\$423,274	\$444,101	\$398,115	\$721,134	\$964,433	\$622,000

Cc: Ignacio Pessoa, City Attorney