



Legislation Details (With Text)

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On agenda:	6/15/2020	Final action:		6/15/2020	
Title:	SUBJECT: Approval of Supplemental Appropriation in the Amount of \$95,000 Due to Increased Worker's Compensation Claims Activity in Fiscal Year 2019-2020				
	REPORT IN BRIEF Considers approving a supplemental appropriation in Fund 666-Worker's Compensation by \$95,000. This adjustment is necessary due to higher than projected worker's compensation claims activity than what was originally budgeted for in fiscal year 2019-2020.				
	RECOMMENDATION City Council - Adopt a motion:				
	A. Approving a transfer of \$95,000 from Fund 672 Support Services to Fund 666-Woker's Compensation; and,				
	B. Approving a supplemental appropriation of \$95,000 in Fund 666-Worker's Compensation; and,				
	C. Authorizing the Finance Officer to make the necessary budget adjustments.				
Sponsors:	Support Services Department, Rosa Winzer				
Indexes:					
Code sections:					
Attachments:					

Date	Ver.	Action By	Action	Result
6/15/2020	1	City Council/Public Finance and Economic Development Authority/Parking Authority	approved	Pass

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SUBJECT: Approval of Supplemental Appropriation in the Amount of \$95,000 Due to Increased Worker's Compensation Claims Activity in Fiscal Year 2019-2020

REPORT IN BRIEF

Considers approving a supplemental appropriation in Fund 666-Worker's Compensation by \$95,000. This adjustment is necessary due to higher than projected worker's compensation claims activity than what was originally budgeted for in fiscal year 2019-2020.

RECOMMENDATION

City Council - Adopt a motion:

A. Approving a transfer of \$95,000 from Fund 672 Support Services to Fund 666-Woker's

Compensation; and,

B. Approving a supplemental appropriation of \$95,000 in Fund 666-Worker's Compensation; and,

C. Authorizing the Finance Officer to make the necessary budget adjustments.

ALTERNATIVES

None.

AUTHORITY

Article XI - Fiscal Administration.

CITY COUNCIL PRIORITIES

As provided for in the 2019-20 Adopted Budget.

DISCUSSION

The City of Merced's Workers' Compensation program is a self-funded plan. During the annual budget process, the Human Resources department works with the City Attorney's office to estimate the needs of existing claims and pending settlements to recommend funding for this program. During this fiscal year, the City has experienced higher than anticipated workers' compensation claims activity than what was originally budgeted for in fiscal year 2019-2020

Human Resources is requesting a supplemental appropriation of \$95,000 to cover the claims and payments needed for the administration of the City's self-insured worker's compensation plan. Prior to making this request, the department has depleted all prior year funding and contingency reserves in Fund 666 for payment of worker's compensation medical and permanent disability claims.

Review and Evaluation

During the 2019-2020 fiscal year the Human Resources Department reviewed and evaluated the workers' compensation program in the following areas:

Actuarial Study

Bickmore Actuarial was contracted to perform an actuarial study of the City's workers' compensation program. On September 9, 2019, Bickmore Actuarial presented its findings of outstanding liabilities and forecast for program years 2019-2020 and 2020-2021 to the Assistant City Manager, City Attorney, Finance Officer, Director of Human Resources, and Risk Analyst.

Various scenarios were presented for funding at confidence levels of 70%, 75%, 80%, and 90% with a self-insured retention of \$350,000. This exercise helped in the development of discussion for exploration of the opportunity to join a primary layer workers' compensation pool. This would allow for the opportunity of having workers' compensation claims paid by a risk sharing pool at a lower self-insured retention level (typically from \$1 - \$100,000).

Primary Workers' Compensation Risk Sharing Pools

The City reached out to four workers' compensation risk sharing pools: Central San Joaquin Valley

Risk Management Authority (RMA), CSAC Excess Insurance Authority (CSAC), Public Agency Risk Sharing Authority of California (PARSAC), and Public Entity Risk Management Authority (PERMA).

The Assistant City Manager, Finance Officer, Director of Human Resources and Risk Analyst interviewed administrators for three of the four risk sharing pools identified above. PERMA was not interviewed as the criteria for joining their primary workers' compensation pool requires the entity to join their general liability pool.

The three remaining pools were competitively priced; however, the result is that there would be increased cost to the City to join at a primary pool level and maintain financial responsibility of current open claims. The claim coverage at a primary pool level would begin effective July 1, 2020. All existing claims prior to that date would not be covered by the pool.

It was determined to remain self-insured at \$350,000 per claim with excess coverage through LAWCX at statutory limits and to use the information obtained in the actuarial report to assist in budgeting the workers' compensation program.

Negotiations with Tristar Risk Management

Since the workers' compensation claims administration is a component of the claims expense, several meetings were held with Tristar's President, Tristar's Fresno Claims Field Office Manager, the Director of Human Resources, and the Risk Analyst to discuss the monthly claims administration fees and services.

Discussions centering around cost containment for a bundled program billing rate, bill review fees capitation, utilization review criteria, and use of nurse case management and telemedicine with Concentra TeleMed were successful in the design of a new professional services agreement for the period of July 1, 2020 - June 30, 2023.

It is the hope to have medical workers' compensation claims move faster through the administration process without unexpected additional costs within the workers' compensation system. This will help to keep the workers' compensation program's budget manageable.

On-Site Occupational Medical and Wellness Clinic

Exploration and consideration of an on-site occupational medical clinic for the City of Merced's employees began with discussions with Elite Corporate Wellness. This is an opportunity to have efficient occupational medical services provided to employees and general medical and wellness services provided to employees' family members.

At this time, this exploration has been suspended due to priority focus on efforts of staving off COVID -19 virus in the community.

IMPACT ON CITY RESOURCES

A Supplemental Appropriation in the amount of \$95,000 is necessary to fund the City's self-insured worker's compensation plan during this fiscal year. Due to savings within the FY 19-20 budget for Personnel and Risk Management there is funding available to transfer to Fund 666-Worker's Compensation in the amount of \$95,000. Both Fund 666 Workers Compensation and Fund 672 Support Services are internal service funds and are funded by services provided to all departments.

ATTACHMENTS

None.