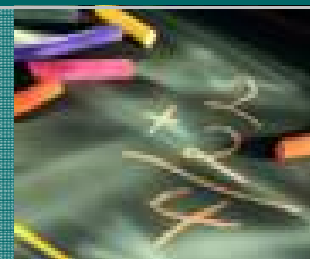




# Workers' Compensation Program

Presentation to the Board of Education  
Los Angeles Unified School District

November 10, 2009



Division of Risk Management and Insurance Services

George F. Tischler, Chief Risk Officer

Dawn C. Watkins, Director, Integrated Disability Management

# LAUSD's National Award Winning Program



- ❑ 2008 winner of the national Theodore Roosevelt Workers' Compensation and Disability Management Award in the non-profit/public sector category

"The judges were especially impressed with the level of commitment that LAUSD shows in its workers' compensation and disability management programs..."

Jack Roberts, editor-in-chief, *Risk and Insurance* magazine

- ❑ 2008 Risk Innovator of the Year awarded to Integrated Disability Management Director, Dawn Watkins, for program management excellence

# Presentation Outline



- Background
- Program Highlights
- Comparative Analysis
- Benchmarking
- Cost Containment Strategies

# LAUSD Workers' Compensation Program



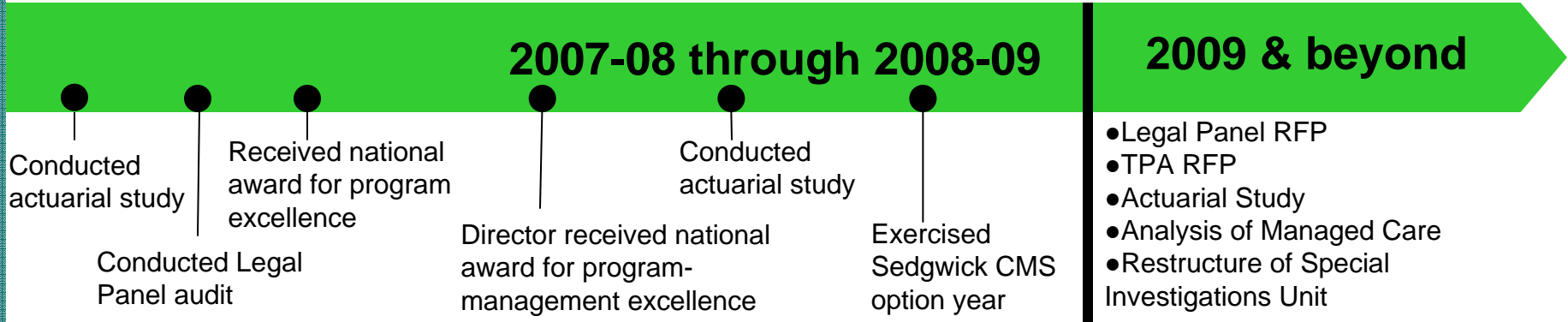
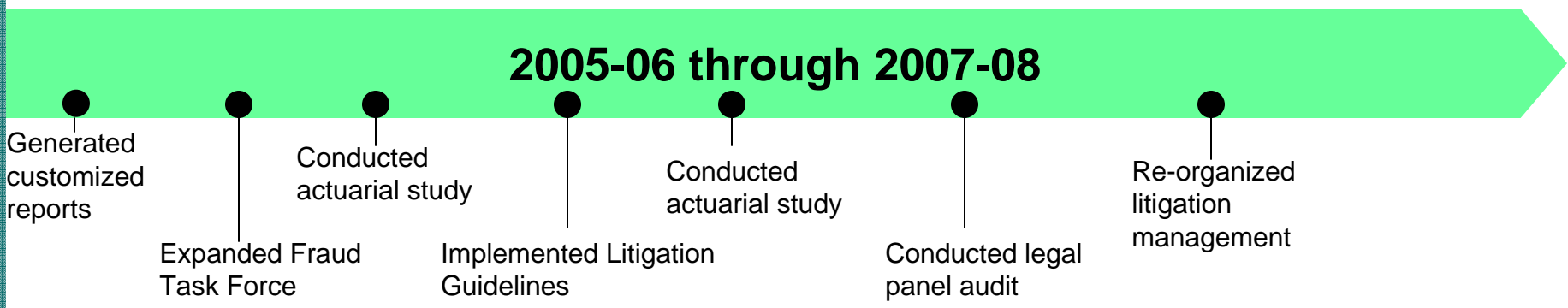
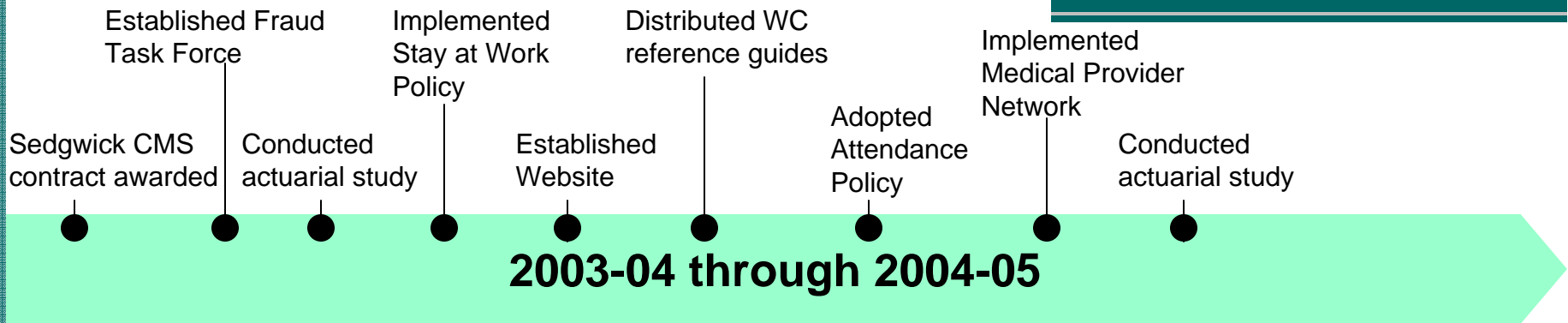
## Background

- ❑ Self-insured since 1976; District pays all claim costs
- ❑ State-mandated benefits
- ❑ Managed by Division of Risk Management & Insurance Services
  - Integrated Disability Management Branch (IDM)
    - Absence Management
    - Catastrophic Illness Donations
    - FMLA/Protected Leaves
    - Reasonable Accommodation
    - Return to Work
    - Workers' Compensation
- ❑ Workers' Compensation claims administered by Third Party Administrator (TPA)

# Timeline Highlights



## Background



November 10, 2009

Workers' Compensation Program

# Key Operational Metrics



## Program Highlights

Metric	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	% Change from 2003-04
Amount Paid	\$116.3M	\$112.4M	\$96.8M	\$86.4M	\$80.7M	\$80.6M	-31%
Number of New Claims Filed	6,818	6,574	5,984	5,699	5,775	5,498	-19%
Number of Lost Work Days	377,360	315,621	260,880	229,337	202,407	166,367	-56%
Number of Newly Litigated Claims	2,251	1,212	637	569	560	552	-75%
Number of Open Claims	7,789	6,660	5,953	6,105	5,929	5,774	-26%

Source: Sedgwick CMS

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Workers' Compensation Program

# Estimated Liability Declines



## Program Highlights

(millions)	6/30/2005	6/30/2006	6/30/2007	6/30/2008
(a) Funds Available (Asset)	\$350.0	\$464.0	\$557.9	\$585.1
(b) Estimated Outstanding Losses (Liability) <sup>1</sup>	\$685.3	\$668.5	\$509.3	\$479.6
(c) Financial Position (Fund Balance) (a) - (b)	<b>-\$335.3</b>	<b>-\$204.5</b>	\$48.6	\$105.5

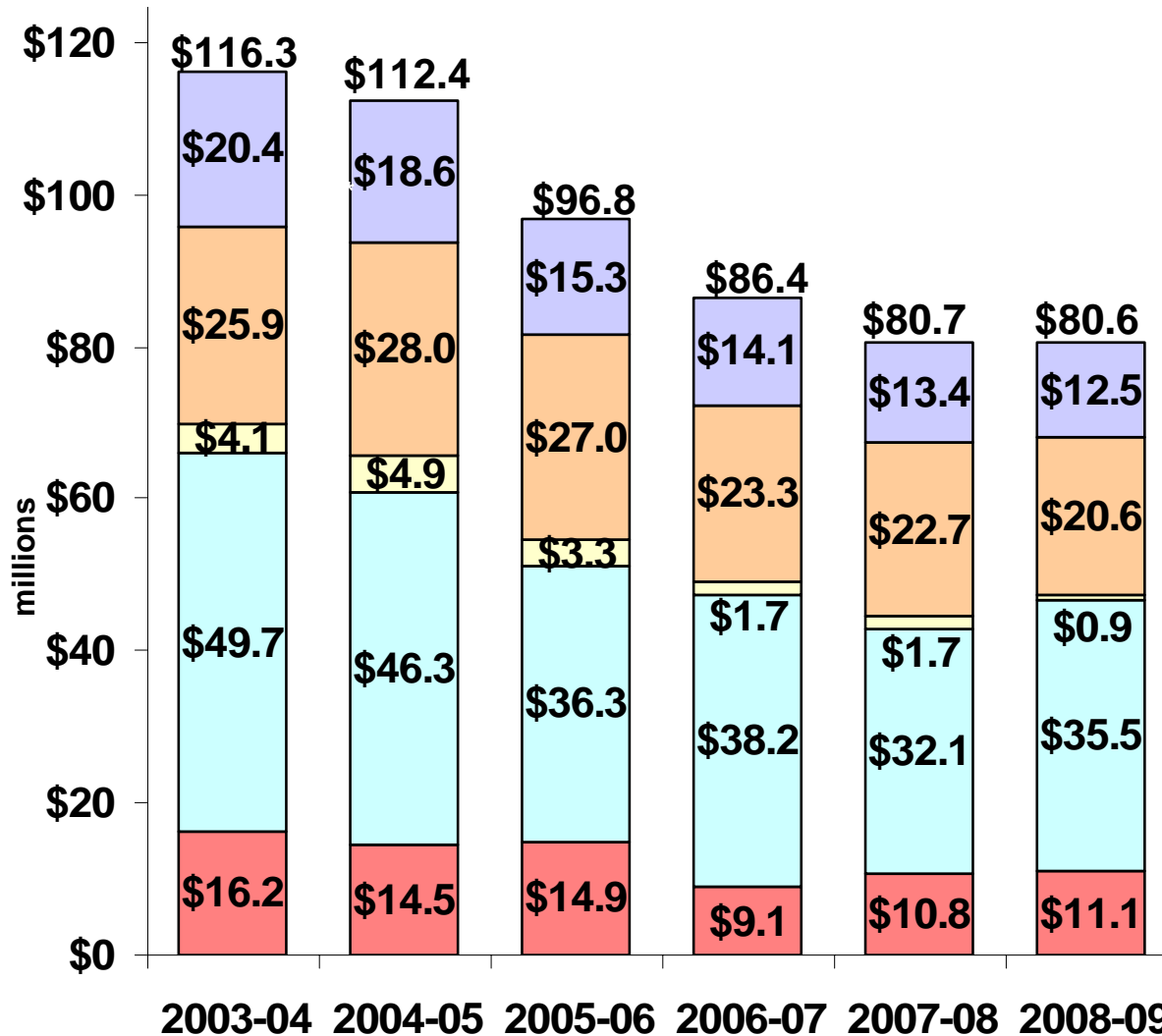
<sup>1</sup> Estimated outstanding losses are the future cost of claims

Source: (a) District Budget Office; (b) and (c) ARM Tech (actuarial consulting firm)

# Amount Paid by Category



## Program Highlights



- Temporary Disability
- Permanent Disability
- Vocational Rehabilitation
- Medical
- Expense

From 2003-04, the Total Amount Paid has declined 31%, resulting in a decrease of nearly \$36 million.

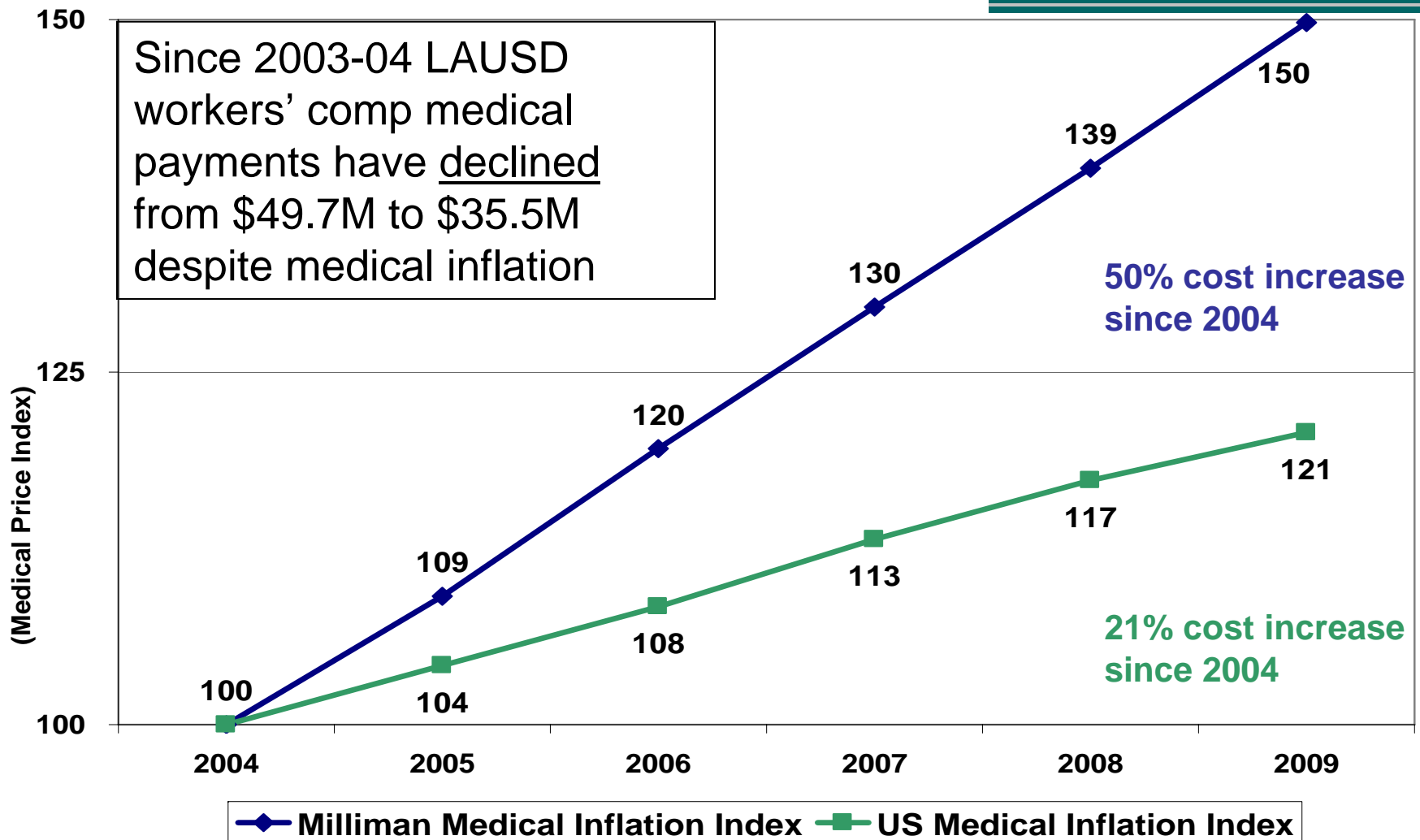
Source: Sedgwick CMS; all component figures rounded down to nearest tenth

Note: 12-31-08 sunset of vocational rehabilitation legislation

# The Healthcare System Is Experiencing Significant Inflationary Cost Pressure



## Program Highlights

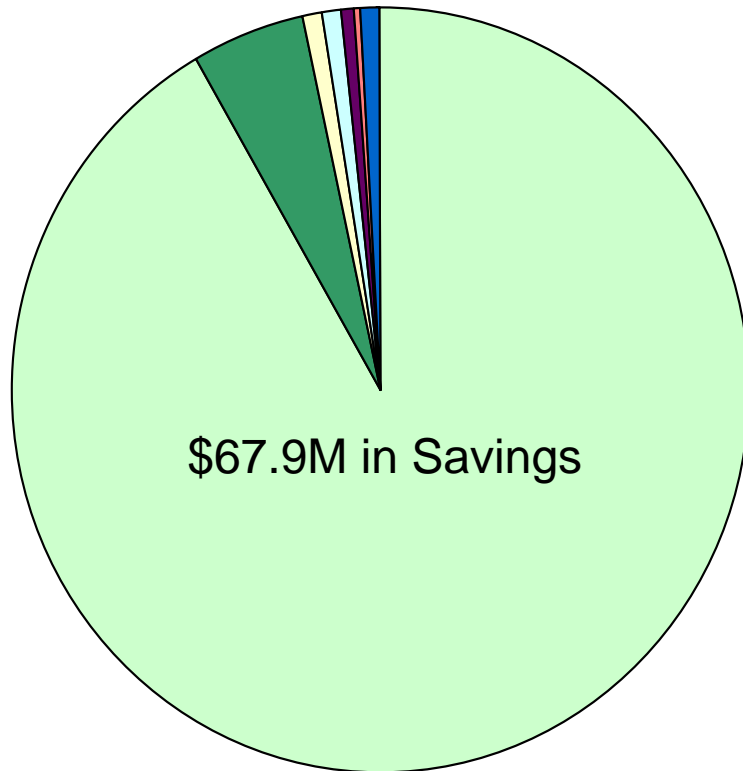


Source: Growth rates derived from Milliman Medical Index and Bureau of Labor Statistics; 2009

# Managed Care Program Results 2008-09



## Program Highlights



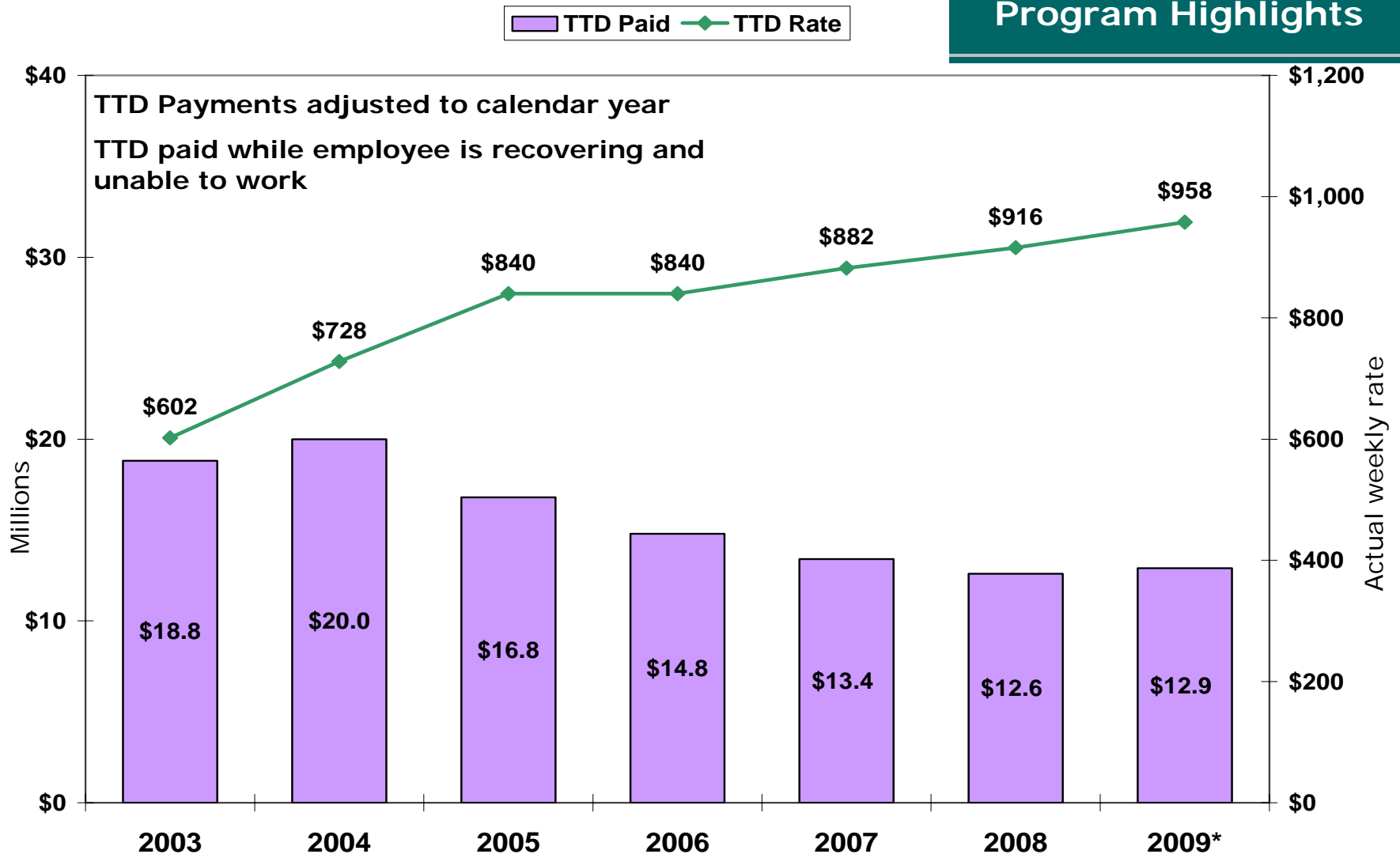
	<b>SAVINGS</b>
■ Bill Review .....	\$61.9M
■ Telephonic Case Management/Utilization Review .....	\$2.8M
■ Diagnostic Network .....	\$896K
■ Field Case Management .....	\$568K
■ Physical Therapy Network .....	\$746K
■ Non-Pharmacy Network .....	\$500K
■ Pharmacy Network .....	\$460K
<b>NET SAVINGS</b>	<b>\$67.9M</b>

Source: Sedgwick CMS

# TTD<sup>1</sup> Paid Amount Contained Despite TTD Rate Increase



## Program Highlights



Source: Sedgwick CMS

<sup>1</sup> Total Temporary Disability (TTD) = 2/3 of weekly salary up to maximum statutory TTD rate

\*Calendar year projection by Sedgwick CMS

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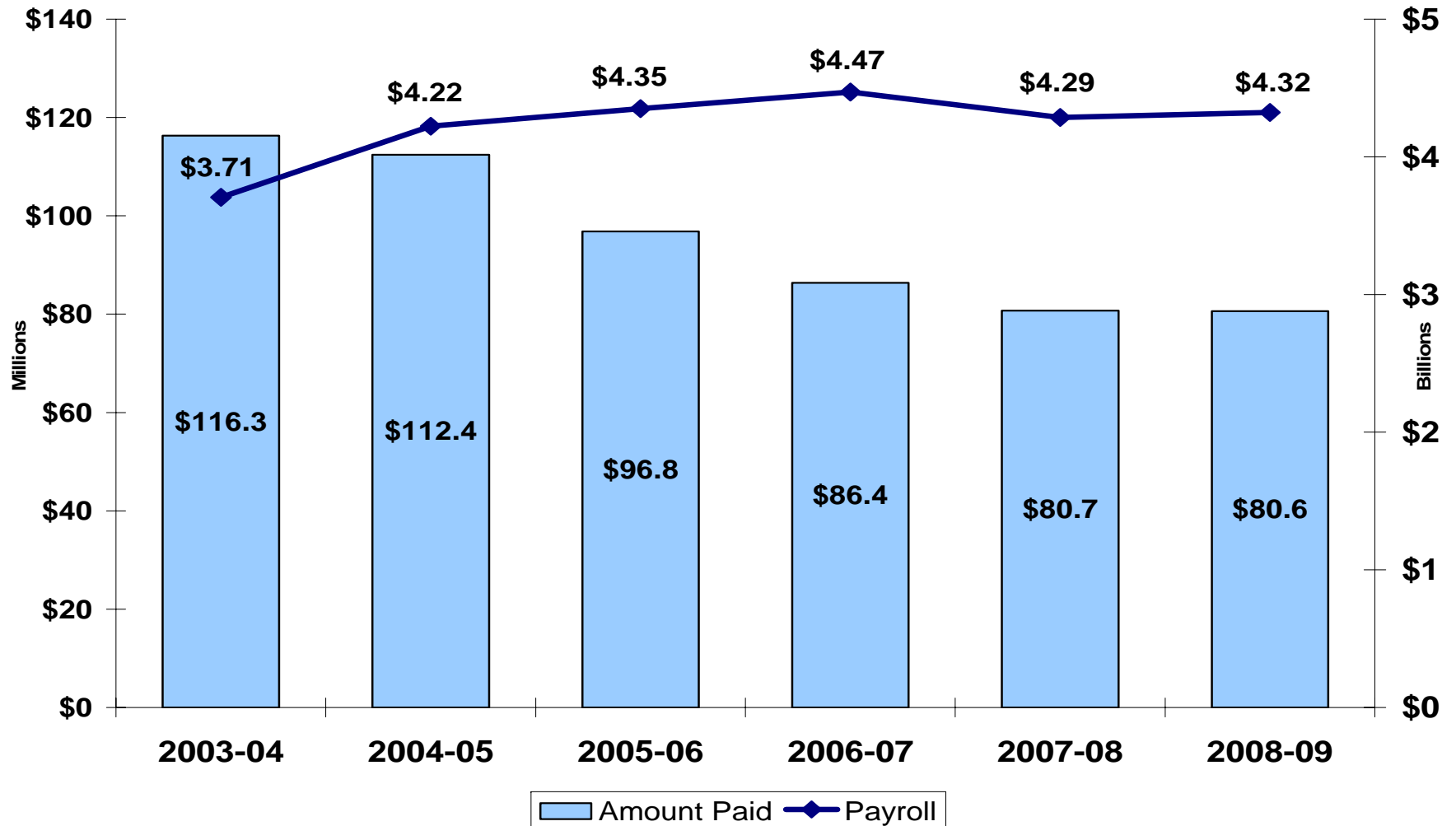
Workers' Compensation Program

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# Amount Paid Relative to Total Payroll



## Program Highlights

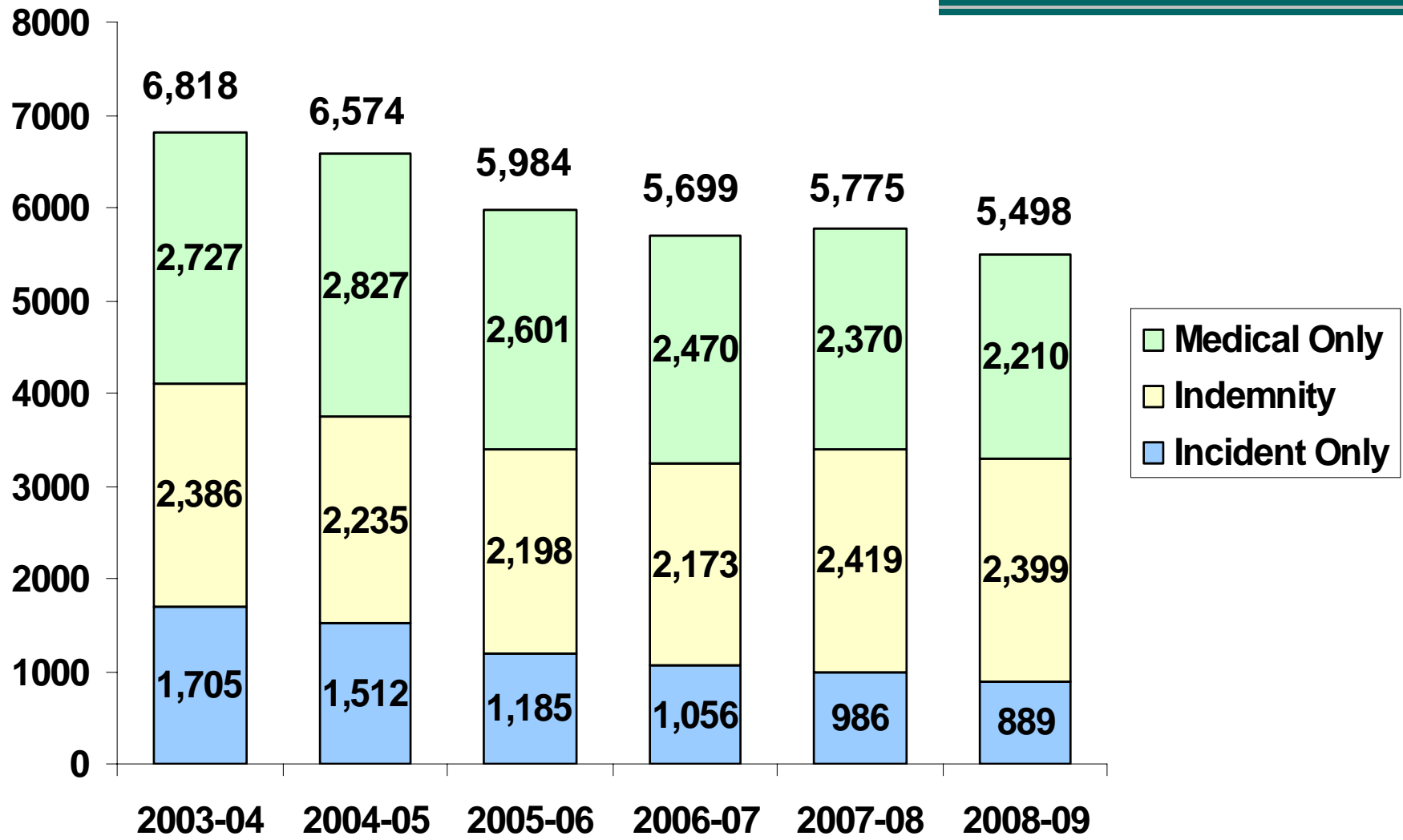


Source: Amount Paid from Sedgwick CMS. Total Payroll as reported in annual California Self-Insurer's Reports, which lists the sum of pay from all W-2's, as reported to state on EDD Form DE-6 Line M

# New Claims Filed by Type



## Program Highlights

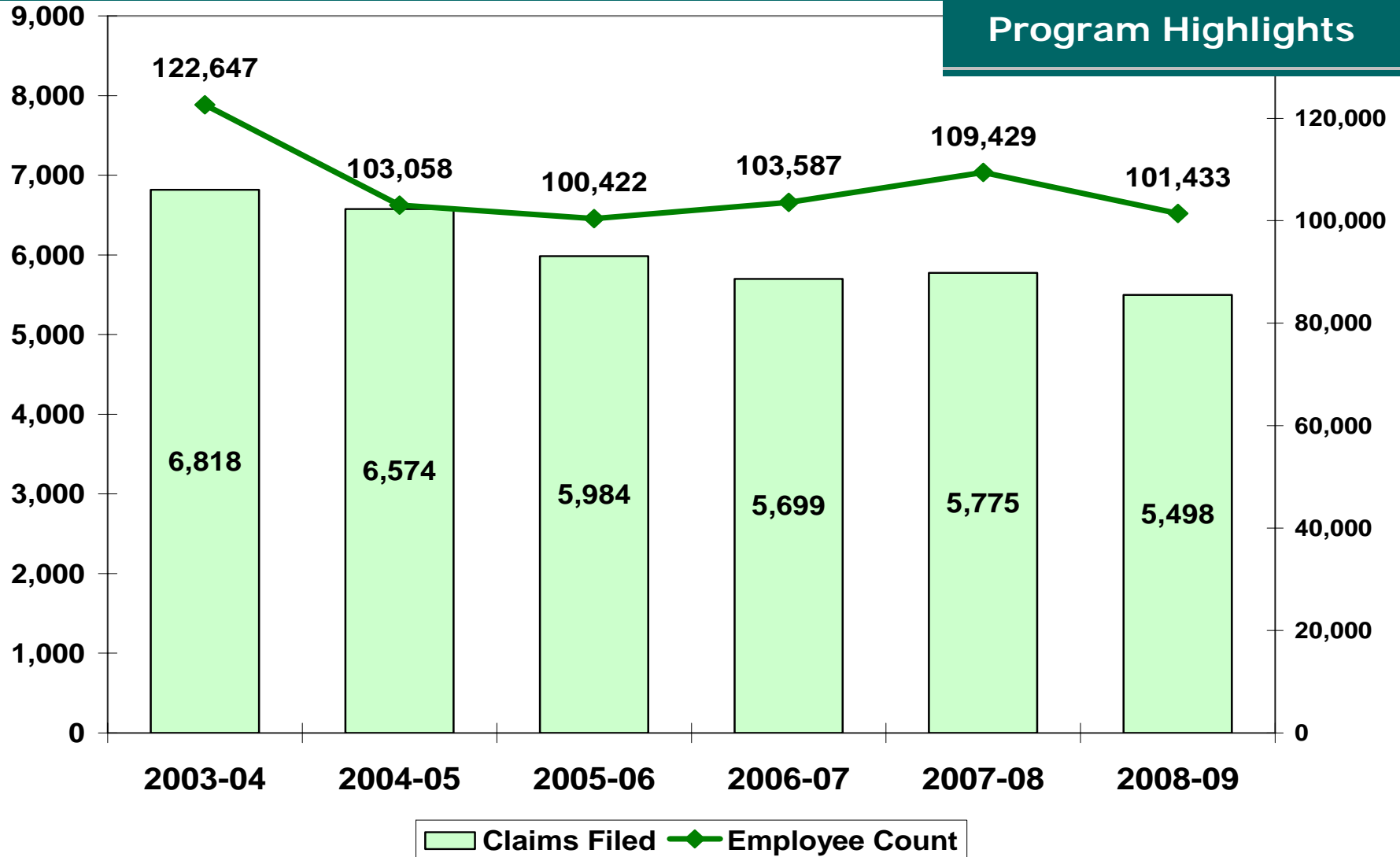


Source: Sedgwick CMS  
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# Claims Filed Relative to Number of Employees\*



## Program Highlights



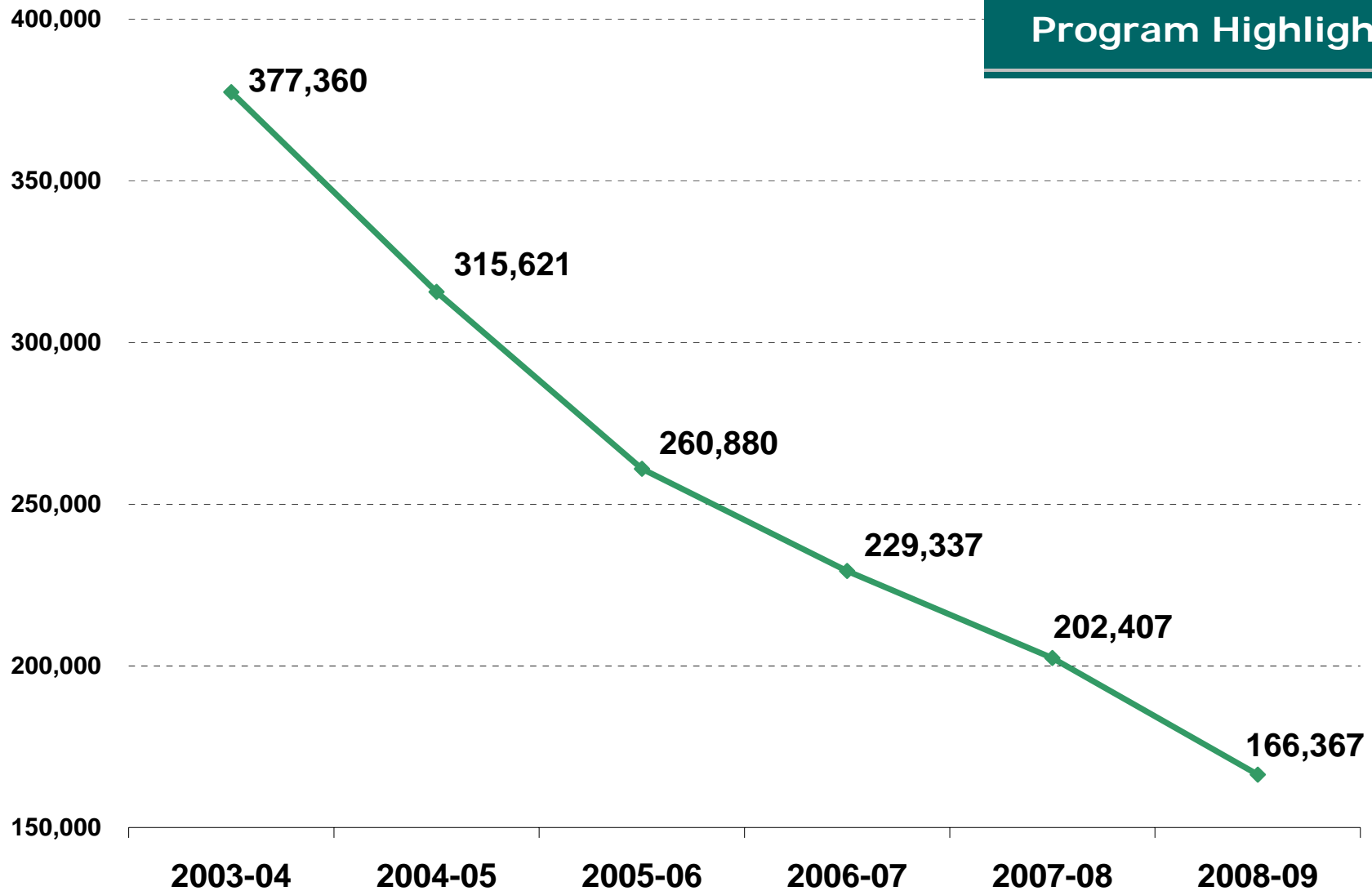
Source: Sedgwick CMS and annual California Self-Insurer's Reports, which reports all W-2's issued by LAUSD

\*Employee count based on number of W-2's issued, a state-wide WC metric

# Lost Work Days Trend Downward



## Program Highlights



Source: Sedgwick CMS

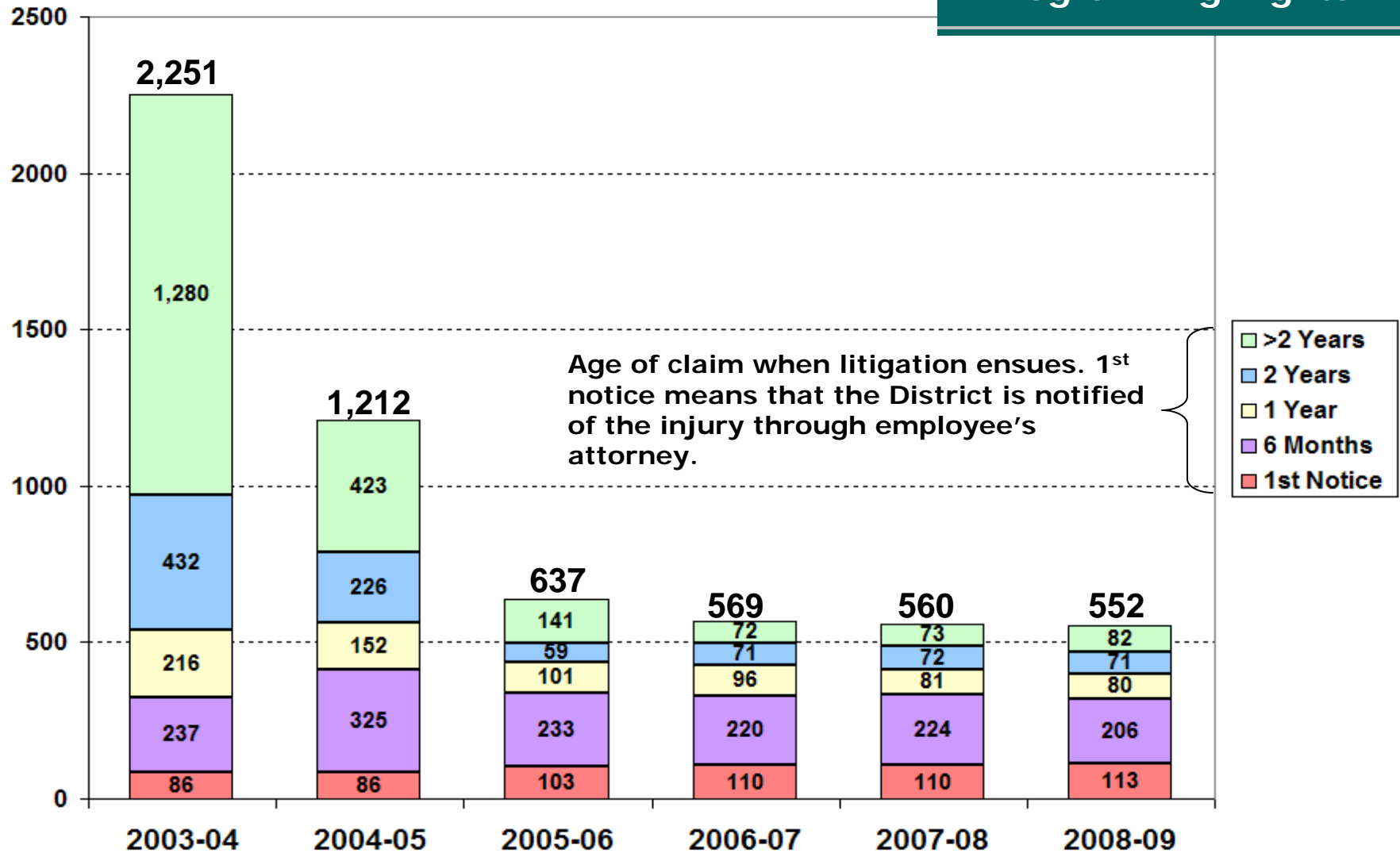
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# Sustained Decline in New Litigation



## Program Highlights



Source: Sedgwick CMS

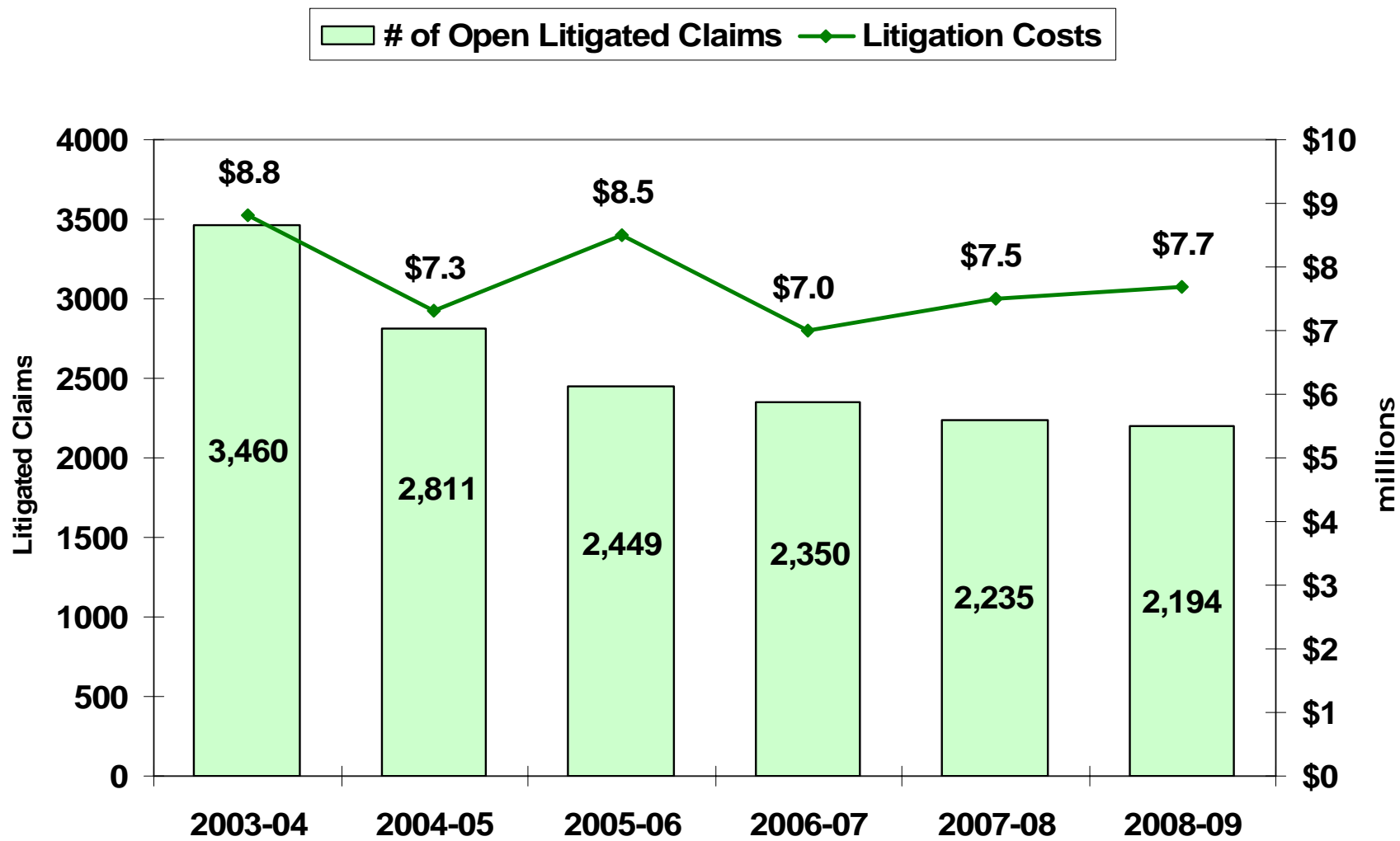
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# Litigated Claims and Costs



## Program Highlights



Source: Sedgwick CMS

November 10, 2009

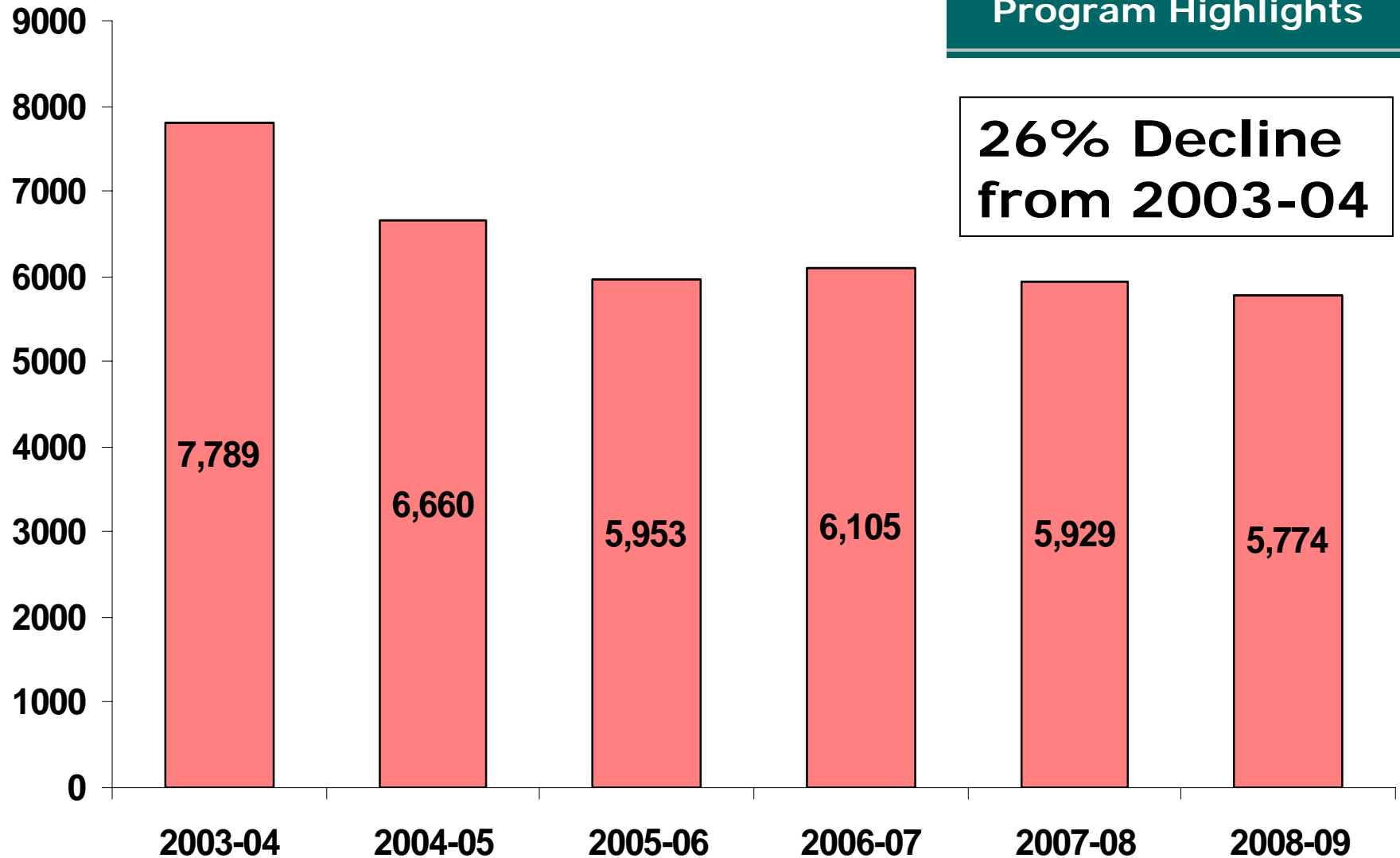
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# Open Claims (Fiscal Year-End)



## Program Highlights

**26% Decline  
from 2003-04**



Source: Sedgwick CMS

# Anti-Fraud & Abuse



## Program Highlights

- Risk Management Established Multi-Agency Task Force in August 2003
  - Task Force Members:
    - LAUSD
    - LA County District Attorney
    - California Department of Insurance
    - Sedgwick CMS Special Investigations Unit

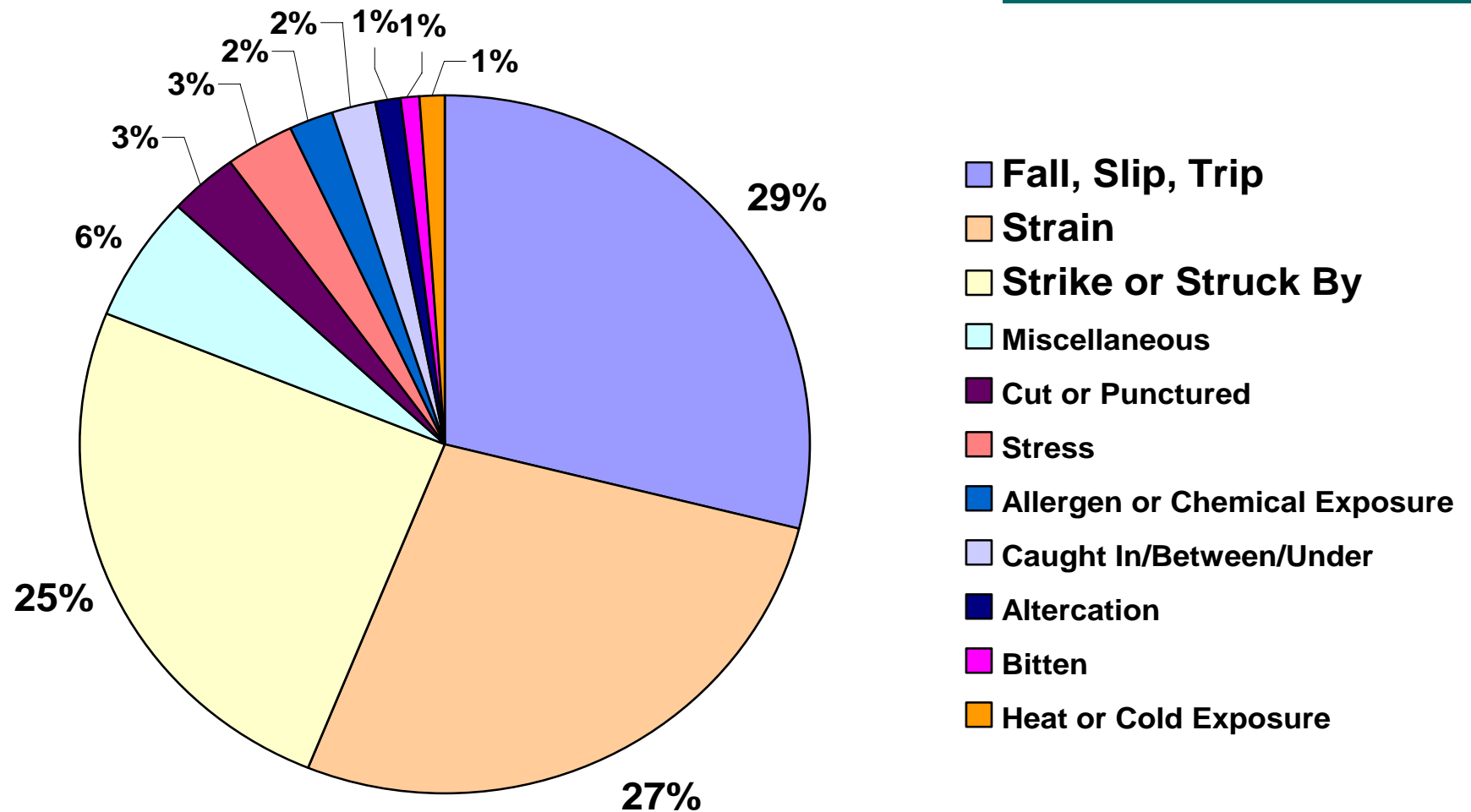
Results	
<b>Arrests</b>	<b>15</b>
<b>Convictions</b>	<b>13</b>
<b>Restitution Ordered</b>	<b>\$171,643</b>
<b>Restitution Collected</b>	<b>\$65,715</b>

Source: Sedgwick CMS Special Investigations Unit

# Leading Causes of Injury 2008-09



## Comparative Analysis

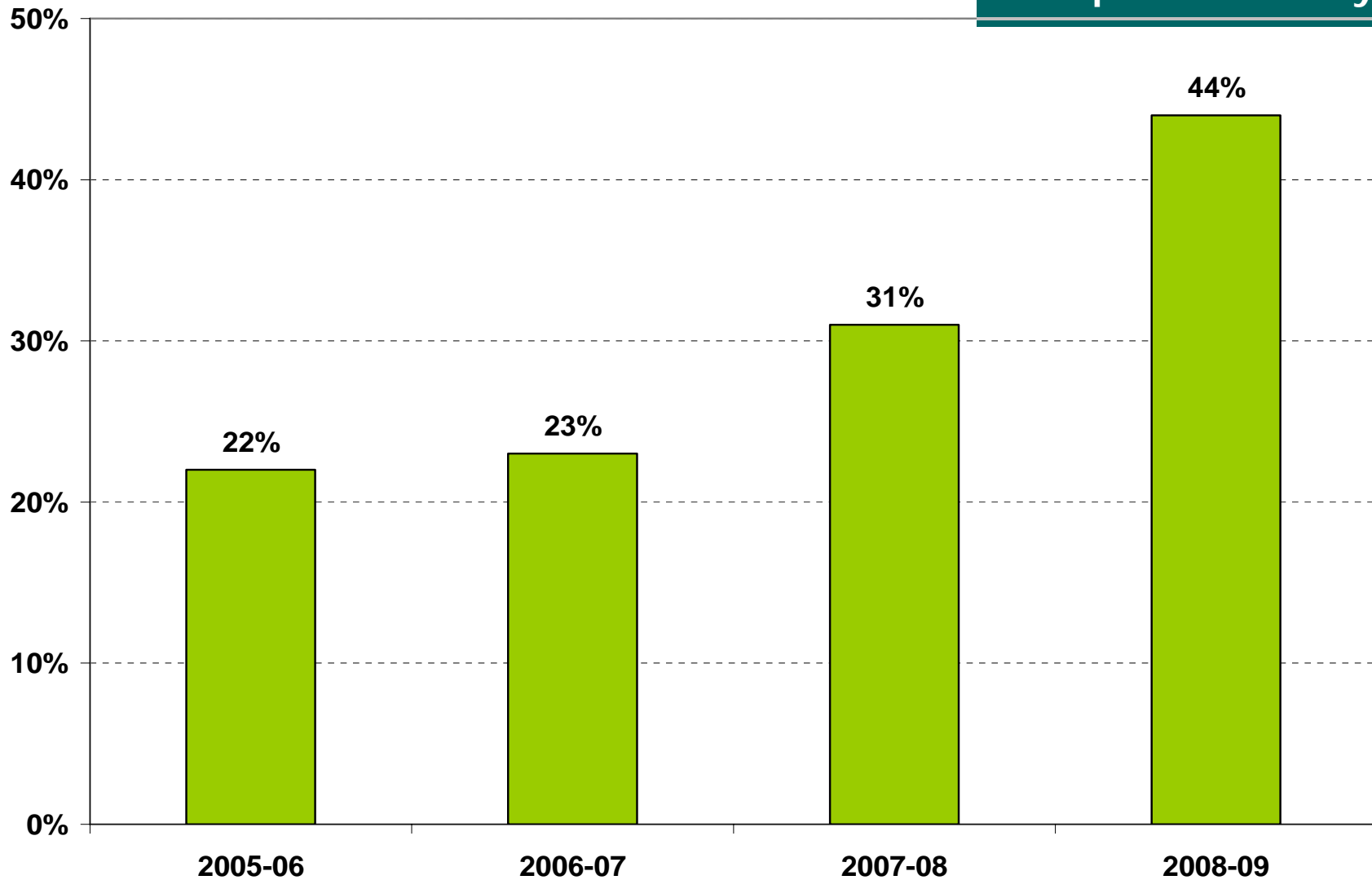


Source: Sedgwick CMS; standard industry terms for causes of injury

# Increase in Accident Investigation Reports Submitted to OEHS



## Comparative Analysis

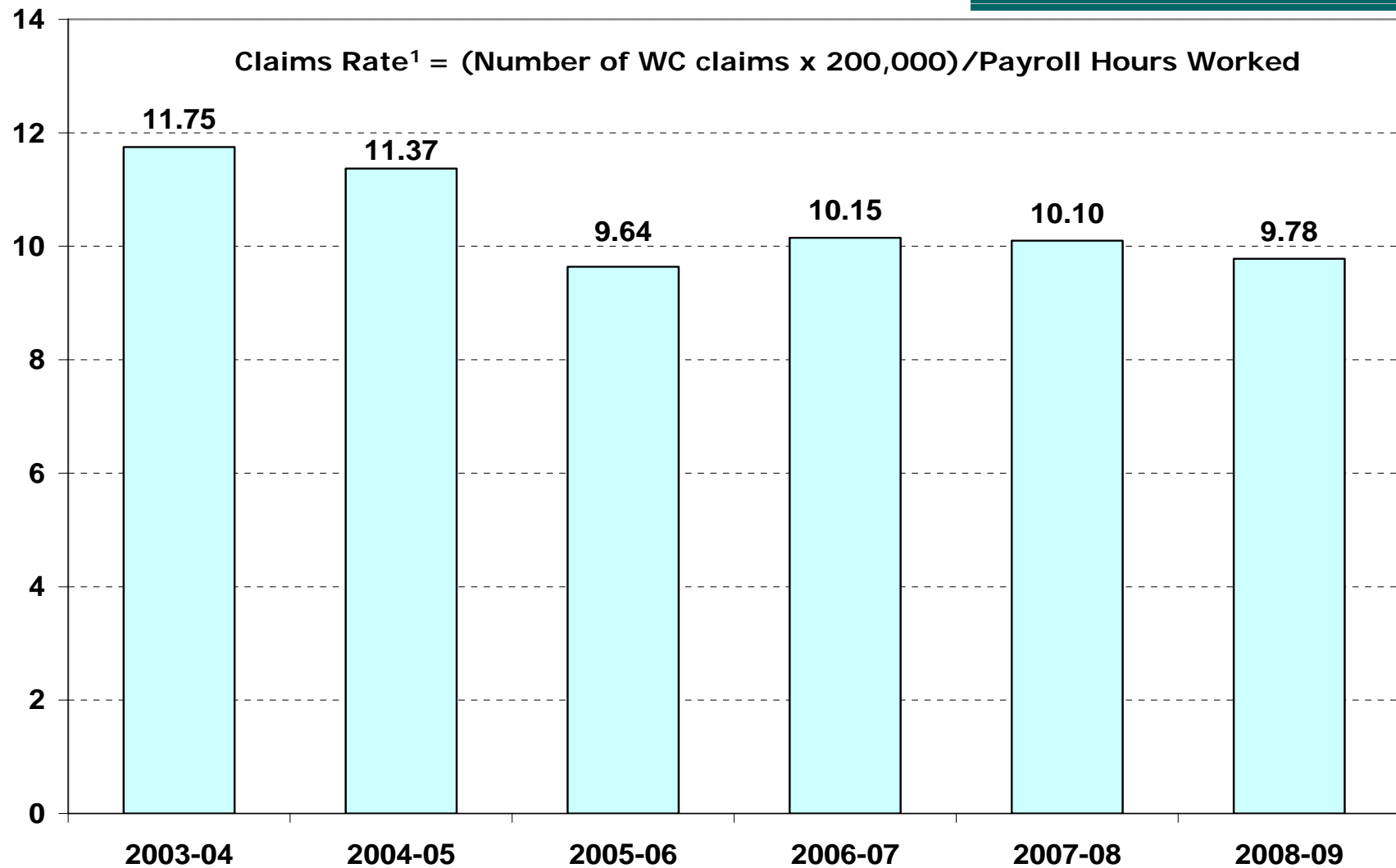


Source: Office of Environmental Health & Safety

# Workers' Compensation Claims Rate



## Comparative Analysis

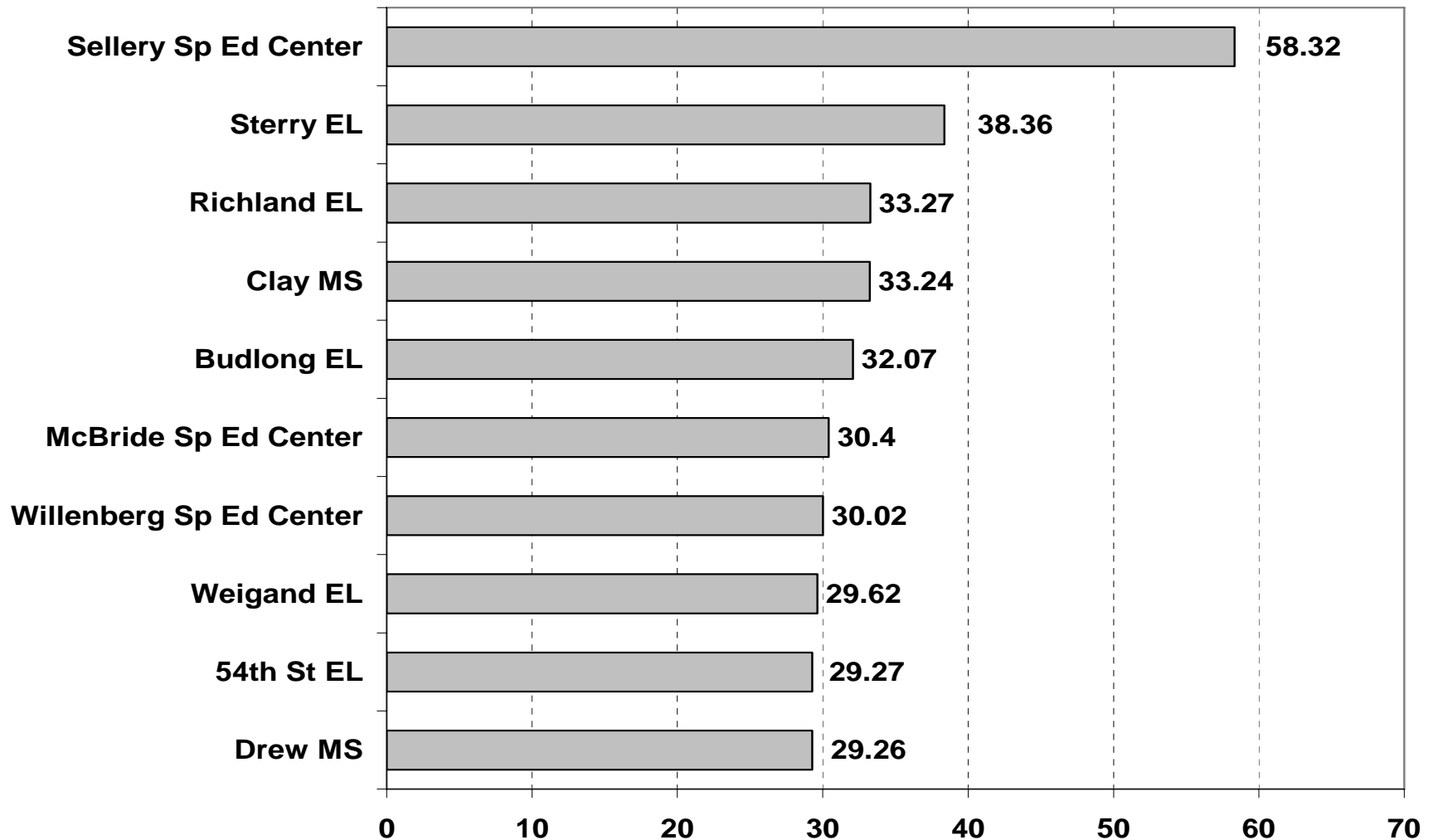


Source: Office of Environmental Health & Safety; <sup>1</sup>Industry standard computation  
November 10, 2009  
Workers' Compensation Program

# Schools with Highest Claims Rate, 2008-09



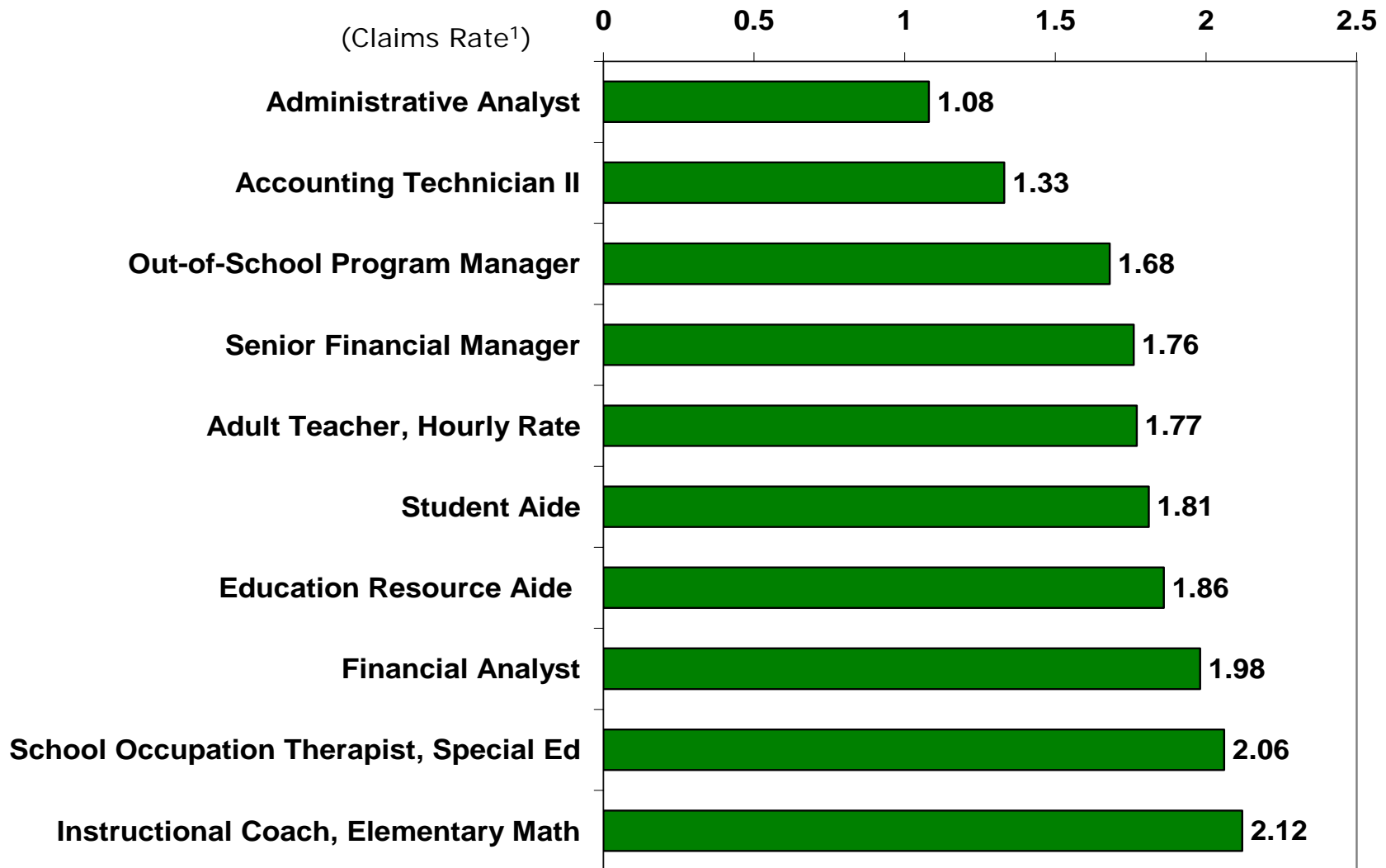
## Comparative Analysis



Claims rate = (Number of Workers' Comp claims opened x 200,000) / (Payroll hours worked)

Source: Office of Environmental Health & Safety

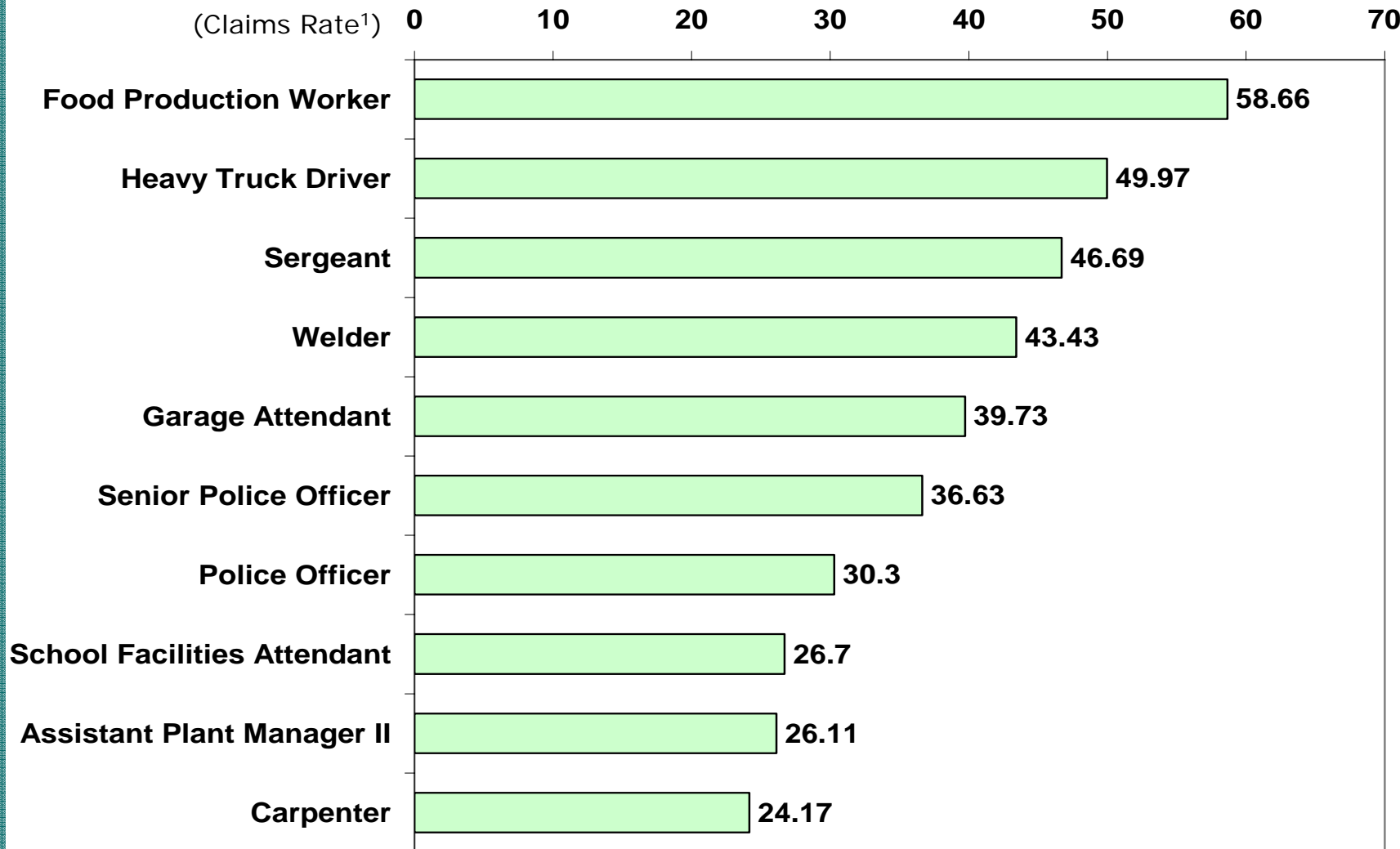
# Job Classes with the Lowest Claims Rate, 2008-09



<sup>1</sup> Claims rate = (Number of Workers' Comp claims opened x 200,000) / (Payroll hours worked); includes job classes with a minimum of 50,000 worked hours

Source: Office of Environmental Health & Safety

# Job Classes with the Highest Claims Rate, 2008-09



<sup>1</sup> Claims rate = (Number of Workers' Comp claims opened x 200,000) / (Payroll hours worked); includes job classes with a minimum of 50,000 worked hours

Source: Office of Environmental Health & Safety

# Local Districts/Divisions with Highest Claims Rate, 2008-09



## Comparative Analysis

Division	Hours Worked	# Claims	Claims Rate <sup>1</sup>
School Police	1,023,932	140	27.35
Business Division	2,890,655	215	14.88
Facilities Services Division	6,242,667	391	12.53
Local District 7	8,504,247	523	12.3
Local District 3	9,016,084	546	12.11
Local District 8	8,548,130	472	11.04
Local District 2	10,925,522	575	10.53
Local District 5	10,966,,785	566	10.32
Div of Risk Mgmt & Ins Servs	163,198	8	9.8
Local District 1	12,173,658	561	9.22
Student Health & Human Servs	1,493,275	63	8.44
Personnel Comm & Staff	1,817,809	74	8.14
Local District 4	10,287,704	416	8.09
Local District 6	6,622,498	258	7.79
Professional Development	276,700	9	6.51

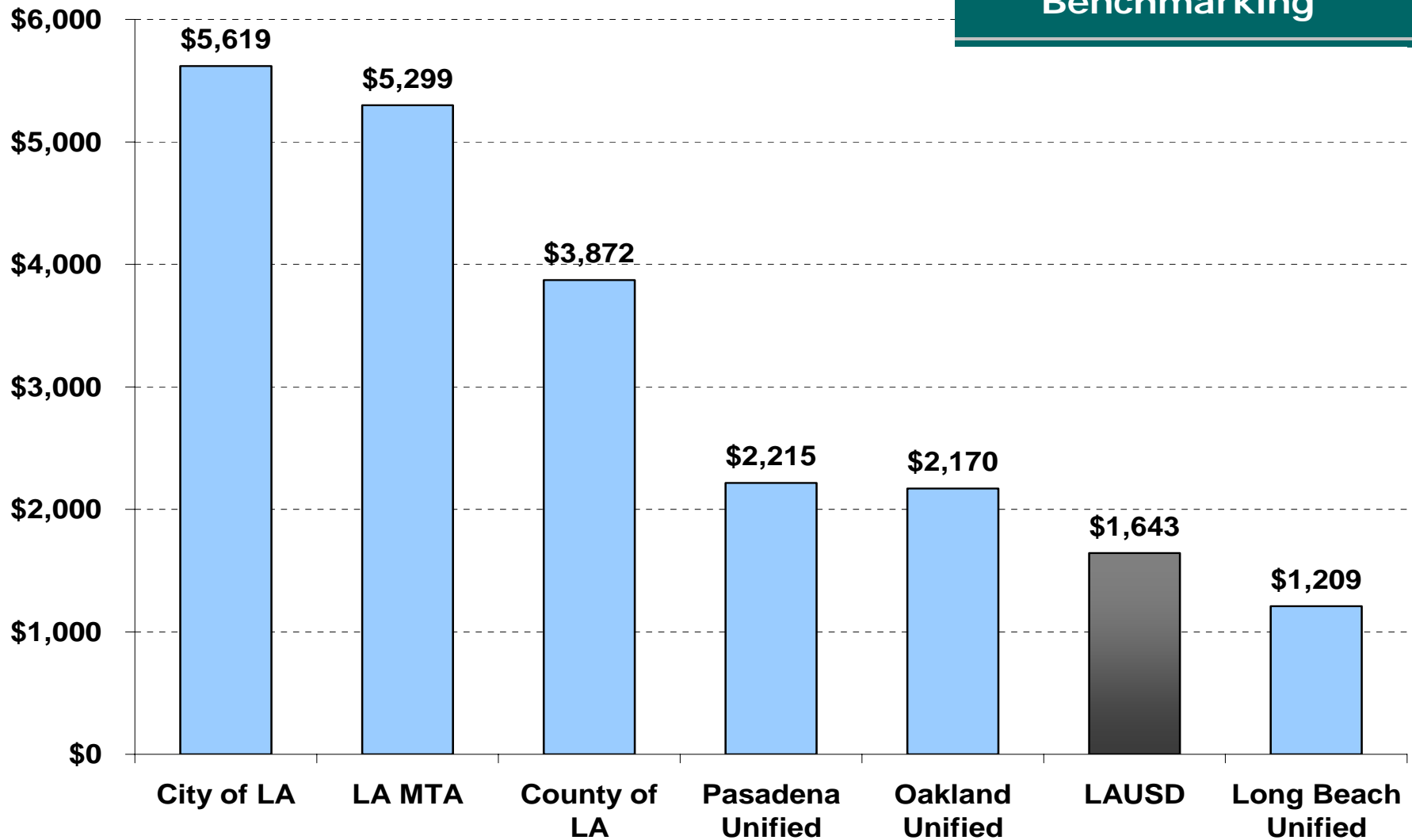
<sup>1</sup> Claims rate = (Number of Workers' Comp claims opened x 200,000) / (Payroll hours worked)

Source: Office of Environmental Health & Safety

# Benchmarking: Amount Paid per \$100K Payroll



## Benchmarking

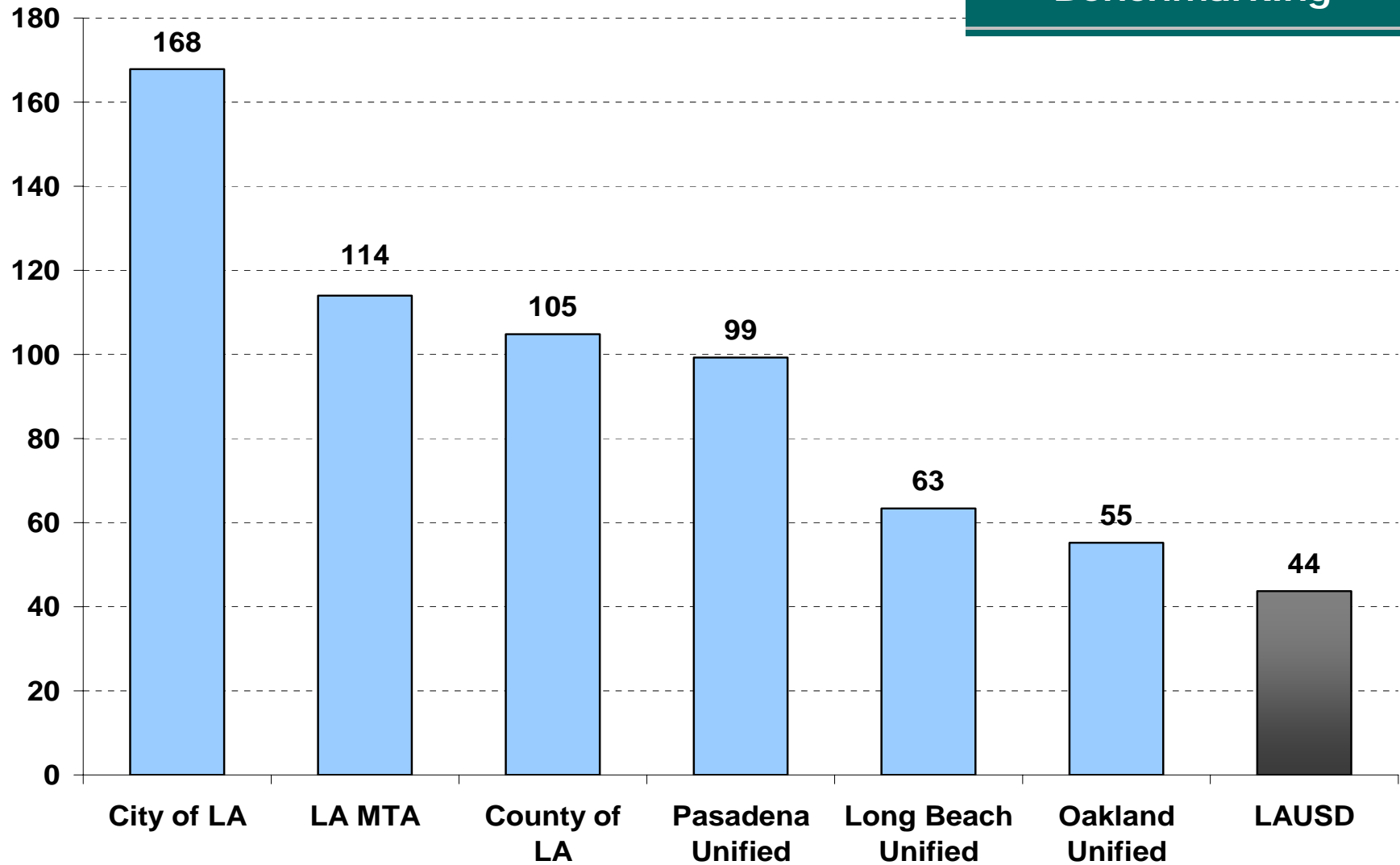


Source: Annual California Self-Insurer's Reports; FY 2007-08, latest available

# Benchmarking: Claims Filed per 1,000 W-2's issued



## Benchmarking



Source: Annual California Self-Insurer's Reports, FY 2007-08, latest available

# Strategies to Contain Workers' Compensation Costs



## Cost Containment

### ❑ Managed Care

- Bill review: repricing of medical bills to the State fee schedule
- Utilization review
- Diagnostic and physical therapy networks
- Pharmacy benefit manager
- Durable medical equipment and other ancillary service networks
- Medical Provider Network

### ❑ Claims Management

- TPA oversight
- Claim reviews

Continued on Next Page

# Strategies to Contain Workers' Compensation Costs (Cont.)



## Cost Containment

- Return to Work
- Reasonable Accommodation
- Litigation Management
  - Claim roundtables with defense counsel
  - Global Settlements
- Office of Environmental Health and Safety (OEHS)
  - Accident investigations
  - Corrective action notices
  - High-injury rate location training
- Anti-Fraud and Abuse
  - Fraud Task Force
  - Special Investigations Unit

# Current State & National Workers' Compensation Challenges



## Cost Containment

- Medical utilization
- Medical inflation
  - Rising pharmacy costs
- Recent and pending judicial decisions
- Liens
- New theories of disability
- Economy
- Medicare set-asides

# Initiatives



## Cost Containment

- ❑ Focused review of all high exposure claims
- ❑ Block or global settlements of liens
- ❑ Reporting of workers' compensation costs
- ❑ Analysis and Recommendations
  - Alternative Dispute Resolution
  - Unbundled ancillary services
  - Managed care program



# Thank You