



ORANGE COUNTY FIRE AUTHORITY AGENDA

Human Resources Committee Meeting

Tuesday, August 4, 2015

12:00 noon

Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Dave Shawver, Chair

Warren Kusumoto, Vice Chair

Noel Hatch Gene Hernandez Al Murray Phil Tsunoda

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Unless legally privileged, all supporting documents, including staff reports, and any writings or documents provided to a majority of the Human Resources Committee after the posting of this agenda are available for review at the Orange County Fire Authority Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact Sherry A.F. Wentz, Clerk of the Authority, at (714) 573-6040 Monday through Thursday, and every other Friday from 8 a.m. to 5 p.m. and available online at <http://www.ocfa.org>

If you wish to speak before the Human Resources Committee, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority. Speaker Forms are available on the counter noted in the meeting room.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Clerk of the Authority at (714) 573-6040. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Hatch

ROLL CALL

PUBLIC COMMENTS

Any member of the public may address the Committee on items within the Committee's subject matter jurisdiction but which are not listed on this agenda during PUBLIC COMMENTS. However, no action may be taken on matters that are not part of the posted agenda. We request comments made on the agenda be made at the time the item is considered and that comments be limited to three minutes per person. Please address your comments to the Committee as a whole, and do not engage in dialogue with individual Committee Members, Authority staff, or members of the audience.

1. PRESENTATIONS

No items.

2. MINUTES

A. Minutes from the July 15, 2015, Special Human Resources Committee Meeting

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT CALENDAR

No items.

4. DISCUSSION CALENDAR

A. Workers' Compensation Program Update

Submitted by: Jeremy Hammond, Director/Human Resources Department

Recommended Action:

Receive and file the report, and provide staff with further direction if the summary findings should be presented to another committee or to the full Board of Directors.

COMMENTS

HUMAN RESOURCES DIRECTOR'S COMMENTS

LEGAL COUNSEL'S COMMENTS

COMMITTEE MEMBER COMMENTS

ELECTION OF COMMITTEE CHAIR AND VICE CHAIR

CLOSED SESSION

No items.

ADJOURNMENT – The next regular meeting of the Human Resources Committee will be September 1, 2015, at 12 noon.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby, front gate public display case, and website of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 30th day of July 2015.

Sherry A.F. Wentz, CMC
Clerk of the Authority

UPCOMING MEETINGS:

Budget and Finance Committee Meeting	Wednesday, August 12, 2015, 12:00 noon
Claims Settlement Committee Meeting	Thursday, August 20, 2015, 5:30 p.m.
Executive Committee Meeting	Thursday, August 20, 2015, 6:00 p.m.
Board of Directors Special Meeting	Thursday, August 27, 2015, 5:30 p.m.

MINUTES

ORANGE COUNTY FIRE AUTHORITY

Human Resources Committee Special Meeting
Wednesday, July 15, 2015
11:00 AM

Regional Fire Operations and Training Center
Room AE117
1 Fire Authority Road
Irvine, CA 92602

CALL TO ORDER

The Special meeting of the Orange County Fire Authority Human Resources (HR) Committee was called to order on July 15, 2015, at 11:09 a.m. by Vice Chair Kusumoto.

PLEDGE OF ALLEGIANCE

Director Hatch led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL

Present: Noel Hatch, Laguna Woods
Gene Hernandez, Yorba Linda
Al Murray, Tustin
David Shawver, Stanton
Warren Kusumoto, Los Alamitos
Phillip Tsunoda, Aliso Viejo

Absent: None

Also present were:

Fire Chief Jeff Bowman	Assistant Chief Mike Schroeder
Assistant Chief Brian Young	Human Resources Director Jeremy Hammond
Communications Director Sandy Cooney	General Counsel David Kendig
Clerk of the Authority Sherry Wentz	

PUBLIC COMMENTS

Vice Chair Kusumoto opened the Public Comments portion of the meeting. Hearing no response, Vice Chair Kusumoto closed the Public Comments portion of the meeting.

1. PRESENTATIONS

No items.

2. MINUTES

A. Minutes from the June 2, 2015, Regular Human Resources Committee Meeting (F:12.02D2)

On motion of Director Murray and second by Director Hernandez, the Committee voted unanimously by those present to approve the Minutes from the June 2, 2015, regular meeting as submitted. Chair Shawver and Director Tsunoda were absent for the vote.

3. CONSENT CALENDAR

No items.

4. DISCUSSION CALENDAR

A. Award of RFP # DC2001 – Class & Compensation Study Services

Human Resources (HR) Director Jeremy Hammond provided a report on the Award of RFP #DC2001 – Class & Compensation Study Services.

On motion of Director Hatch and second by Director Hernandez, the Committee voted unanimously by those present to direct staff to place the item on the agenda for the Executive Committee meeting of July 16, 2015, with the Human Resources Committee's recommendation to approve the contract awards to CPS HR Consulting and Ralph Andersen & Associates in an aggregate amount not to exceed \$100,000 annually and to approve two additional renewal options based on need and contract performance. Chair Shawver and Director Tsunoda were absent for the vote.

HUMAN RESOURCES DIRECTOR'S REPORT (F: 12.02D6)

Chair Shawver arrived at this point (11:20 a.m.)

Vice Chair Kusumoto returned the meeting to Chair Shawver.

HR Director Jeremy Hammond reported on the RFOTC active shooter drill that was conducted that morning. He also provided updates on the Professional Standards Unit, Firefighter Trainee recruitment process, labor negotiations, and the promotional process for sworn personnel.

Minutes

OCFA Human Resources Committee Special Meeting

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GENERAL COUNSEL’S COMMENTS (F: 12.02D7)

General Counsel David Kendig had no report.

COMMITTEE MEMBER COMMENTS (F: 12.02D4)

Director Tsunoda arrived at this point (11:40 a.m.)

Chair Shawver encouraged Committee Members and Board Members to conduct station visits within their cities. He requested that staff look into coordinating visits with all of the Directors.

Director Murray commended staff on the Fire/EMS Demonstrations held for city managers, thanked staff for controlling the 241 Fire, and spoke about a recent interview on OC Radio with Fire Chief Bowman.

CLOSED SESSION (F: 12.02D5)

Chair Shawver reported the Committee would be convening to Closed Session to consider the matter on the Agenda identified as CS1, Conference with Legal Counsel-Anticipated Litigation.

Chair Shawver recessed the meeting to Closed Session at 11:49 a.m.

CS1. CONFERENCE WITH LEGAL COUNSEL–ANTICIPATED LITIGATION

Authority: Government Code Section 54956.9(b) – Significant Exposure to Litigation
(4 cases)

Chair Shawver reconvened the meeting at 11:56 a.m., with all members present.

CLOSED SESSION REPORT (F: 12.02D5)

General Counsel David Kendig indicated the Committee took no reportable actions.

ADJOURNMENT - Chair Shawver adjourned the meeting at 11:57 a.m. The next regular meeting of the Human Resources Committee is scheduled for Tuesday, August 4, 2015, at 12:00 noon.

Sherry A.F. Wentz, CMC
Clerk of the Authority



Orange County Fire Authority
AGENDA STAFF REPORT

Human Resources Committee Meeting
August 4, 2015

Agenda Item No. 4A
Discussion Calendar

Workers' Compensation Program Update

Contact(s) for Further Information

Jeremy Hammond, Director Human Resources Department	jeremyhammond@ocfa.org	714.573.6018
Jonathan Wilby, Risk Manager	jonathanwilby@ocfa.org	714.573.6832

Summary

This agenda item provides an update on the workers' compensation self-insured program and the performance of CorVel Corporation, our third party administrator (TPA), since June 1, 2014.

Prior Board/Committee Action

Not applicable.

RECOMMENDED ACTION(S)

Receive and file the report, and provide staff with further direction if the summary findings should be presented to another committee or to the full Board of Directors.

Impact to Cities/County

Not applicable.

Fiscal Impact

The recent changes to the program have yielded an annual savings of approximately \$1,492,432.

Background

See the attached extended background that provides comprehensive detail and explanation of the programmatic enhancements and savings.

Attachment(s)

None.

Detailed Summary of Workers' Compensation Program

Background

The OCFA was approved by the Division of Industrial Relations Self-Insurance Plans in 2002 to have a self-insured workers' compensation program which is administered through a third party administrator (TPA). The TPA was York Risk Services Group until June 1, 2014 when the OCFA changed TPA by partnering with CorVel Corporation. Staff committed to provide an update on the workers' compensation program and TPA performance after the first year with CorVel Corporation.

Budgeting for Self-Insurance Fund:

An independent actuary is used twice a year to project future workers' compensation costs and to update the amount of funding required to self-insure the OCFA workers' compensation program. The projection of costs and necessary funding are determined following an analysis of claims data dating back to the beginning of the self-insured program. Claims data includes case reserves set by the TPA, historical loss experience and industry trends. The OCFA averages approximately 31 claims a month or 372 claims per year (not including first aid injuries) and currently has 749 open claims.

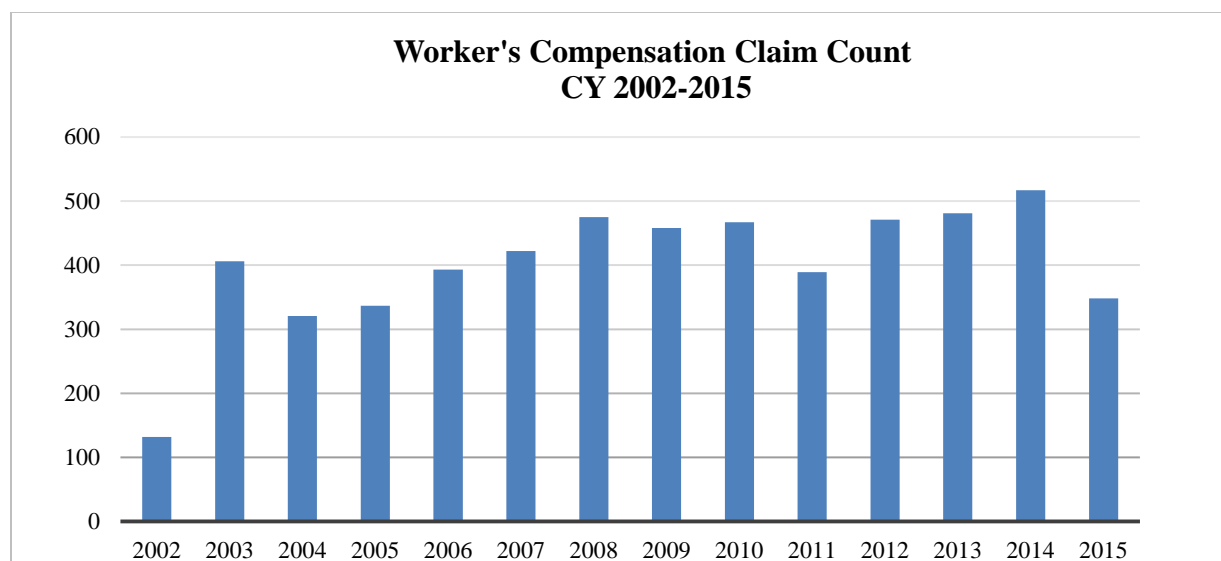


Figure 1: Workers' Compensation Claims CY 2002-2015

The actuary provides outstanding losses and projected ultimate losses at various confidence levels which is an estimate of the probability that a given dollar amount will cover a specific group of open or unreported claims. Estimated outstanding liabilities include the current liabilities and long-term liabilities. Current liabilities are the amount of estimated losses that the OCFA is expected to pay off during the next fiscal year. Long-term liabilities are the remaining estimated outstanding losses (i.e. the portion of the estimated losses that will be paid off in fiscal years beyond the upcoming fiscal year). The actuary also reviews past years' workers' compensation losses to recalculate, if necessary, a more accurate case level reserve.

Analysis of Actuary Projections from the January 28, 2015 Actuary Report:

The OCFA policy is to fund the workers' compensation program at the 50% confidence level for outstanding losses which includes medical payments, indemnity payments, allocated and unallocated expenses. The actuarial projection for all estimated outstanding liabilities at the 50%

confidence level is \$62,372,690 which is less than a 1% increase from the estimated outstanding liabilities identified in the July 14, 2014 actuary report.

Projected Liabilities – the actuary has projected the ultimate loss liabilities estimated to be paid in the 2015/16 fiscal year to be \$12,729,592.

The increase in cost associated with the actuarial study reflects all outstanding paid claims to include reserves and incurred but not reported claims in addition to the statutory benefits up to the OCFA self-insured retention level of \$2.0M. The reserve increase reflects injury presumptions for safety personnel as well as an aging workforce which contributes to a longer recovery time and higher permanent disability. Additionally, the OCFA increased its workforce in 2012 with the addition of the City of Santa Ana.

Workers’ Compensation Program Overview:

Risk Management evaluated the workers’ compensation program in 2013 and identified deficiencies that did not allow the program to maximize care to the employee necessary to “cure and or relieve the effects of the injury” or provide for ultimate cost savings to the OCFA. The program review identified enhancements in the following areas that when implemented would better serve the needs of the injured employee and the financial needs of the OCFA: 1) TPA contract; 2) medical provider network (MPN) and occupational clinics; 3) pharmacy benefit management (PBM) program; 4) alternative dispute resolution (ADR) program; and 5) return to work program.

Third Party Administrator (TPA):

CorVel Corporation was awarded the contract to administer the workers’ compensation program as of June 1, 2014 following a competitive and complex request for proposal (RFP) process. The award of the contract has resulted in a decrease in TPA administrative fees, bill review fees and utilization review fees of \$541,022 (36% reduction).

TPA Administrative Services	FY 2013/14	FY 2014/15	Savings
TPA Administrative Fees	\$690,000	\$528,753	\$161,247
Bill Review Fees	\$516,860	\$358,446	\$158,414
Utilization Review Fees	\$283,376	\$62,015	\$221,361
Total	\$1,490,236	\$949,214	\$541,022

Table 1: FY 2013/14 vs FY 2014/15 TPA Administrative Services Fees

CorVel Corporation has partnered with Risk Management in the development of the enhancements listed above and has reduced open claims by 14.5% (876 to 749) which impacts long-term liabilities and provides financial savings to the OCFA.

Open Claims	FY 2013/14	FY 2014/15	% Change
Death	4	3	-25.0%
Indemnity	639	615	-3.8%
Maintenance	197	84	-57.4%
Medical Only	36	47	30.6%
Total	876	749	-14.5%

Table 2: Open Claims Administered by CorVel Corporation

Medical Provider Network (MPN):

Legislation was created in 2004 authorizing employers to create MPNs which allow physicians who understand and practice workers’ compensation medical care to treat injured workers. The benefits of creating a MPN are prevention of treatment and utilization review delays and cost savings due to physicians treating under the medical fee schedule. CorVel Corporation assisted Risk Management in identifying high quality medical professionals to include in our MPN such as Kerlan and Jobe, Southern California Orthopedic Institute (SCOI) and other specialist and subspecialty medical professionals. The usage rate since inception is 86.7% of employees treating within the MPN. Additionally, implementation of the MPN has reduced backfill costs due to workers’ compensation injuries by streamlining the return to work process. Employees treating within the MPN no longer require a second evaluation through UCI before returning to work.

MPN Usage	
Total MPN Usage %	86.7%
Total Bills Received*	2,077
Total Bills in MPN	1,800
MPN Savings	\$81,539

**does not include med-legal, DME or Rx bills*

Table 3 : MPN Usage and Savings

Occupational Clinics:

The OCFA did not utilize occupational clinics for non-emergency first care treatment of injuries prior to 2014 which resulted in most injured employees seeking treatment at emergency rooms. The OCFA was not taking the opportunity to exercise the first 30-day control of medical treatment which left the employees to make unfamiliar medical choices often with delayed results in treatment and expensive costs. Risk Management identified, evaluated and provided protocols to fourteen (14) occupational clinics that would be used to service all of our fire stations. Each station has access to an occupational clinic within a seven (7) mile radius that provides 24/7 non-emergency medical treatment. Occupational clinic usage has been 56.5% since Risk Management began their monitoring. The cost of an occupational clinic visit is 29% less than an emergency room which resulted in a projected savings of \$122,429.

Occupational Clinic Usage	
Total Claims Reported	368
Total Claims using Occupational Clinics	208
Occupational Clinic Usage %	56.5%
Projected Savings	\$122,429

Table 4: Occupational Clinic Usage and Projected Savings

Risk Management monitors the performance of the occupational clinics in meeting the protocols and service expectations of the OCFA through the use of electronic surveys distributed to employees following their visits to the facilities.

Pharmacy Benefit Management Program (PBM):

The PBM was designed to reduce the cost of medication and medical supplies by providing generics wherever possible and ensuring pharmacists in the program comply with Labor Code §4600.2. The pharmacy first fill card instituted as part of the program has prevented prescription delays and out of pocket expenses to the employee and increased savings above the official medical fee schedule.

PBM Program	2014 Q1	2014 Q2	2014 Q3	2014 Q4	Total
Total Prescriptions Dispensed	412	682	546	463	2,103
Prescriptions Dispensed through PBM	111	348	364	345	1,168
CorVel PBM Usage %	26.9%	51.0%	66.7%	74.5%	44.5%
Prescription Charges	\$74,023	\$99,721	\$95,729	\$77,875	\$347,348
Total Paid	\$48,201	\$52,367	\$49,765	\$39,573	\$189,906
Savings	\$25,822	\$47,354	\$45,964	\$38,302	\$157,442

Table 5: PBM Program Usage and Savings

Alternative Dispute Resolution Program (ADR):

The ADR program is a collaborative effort between the International Association of Firefighters (IAFF) Local 3631 and Executive Management which was designed to expedite the delivery of workers' compensation benefits by eliminating the delay process of the traditional workers' compensation system when disputes arise. The program was approved by the Department of Industrial Relations and became effective on October 1, 2014.

The ADR program requires that medical appointments are made within 10-days and that disputes are resolved and a decision of compensability made within timeframes less than the 90-day statutory requirement. The ADR program has resolved disputed claims in as short as 57-days as compared to 90-180 days in the traditional workers' compensation system which results in employees returning to work at a much faster rate. Backfill costs in FY 2014/15 due to workers' compensation decreased by \$592,000 (14%) compared to FY 2013/14 as a result of the ADR program and the streamlined return to work process described earlier.

ADR Tracking	2011 Pre- ADR	2012 Pre-ADR	2013 Pre-ADR	10/1/2014 Post-ADR	2015 Post- ADR	Total
Count of claims that went to an QME/AME (2011-2013) or IME (2014-2015) appointment	10	21	13	8	25	77
Average # of days from Statutory Decision Date to actual IME/QME/AME appointment	201.90	92.57	95.15	16.13	-27.00	N/A
Pre ADR Backfill Costs	\$468,391	\$268,559	\$184,706	N/A	N/A	\$921,656
Pre ADR Average Annual Backfill Costs						\$307,219
Post ADR Backfill Costs	N/A	N/A	N/A	\$0.00	\$0.00	\$0.00
ADR Savings						\$307,219

Table 6: ADR Program Decision Timeframes and Costs

Enhanced Transitional Return to Work Program:

Risk Management assessed how injured employees were returned to transitional, alternative and/or modified duty and determined an enhancement to the program was necessary to better serve the injured employee and the organization. A program was created that utilizes a transitional duty job bank based on the needs of the departments that can be paired with injured employees work restrictions, existing skillset and experience. The program will allow the injured employee to heal while providing a more rewarding experience for them. Additionally, disability will be reduced, job skills expanded, productivity and retention improved, and statutory workers' compensation benefits maximized for the injured employee.

Summary and Conclusions:

The partnering with CorVel Corporation and program changes implemented over the past year have resulted in enhanced medical care to the injured employee and significant financial savings to the OCFA.

	FY 2013/14	FY 2014/15	Savings
TPA Administration Charges	\$690,000	\$528,753	\$161,247
Bill Review Fees	\$516,860	\$358,446	\$158,414
Utilization Review Fees	\$283,376	\$62,015	\$221,361
MPN Savings	\$0	\$81,539	\$81,539
Occupational Clinic Savings	\$0	\$122,429	\$122,429
PBM Savings	\$0	\$157,442	\$157,442
ADR Average Costs*	\$307,219	\$0	\$307,219
Backfill Costs	\$4,360,000	\$3,770,000	\$590,000
Total			\$1,492,432

**ADR savings is not added in the total as it is already reflected in total backfill costs*

Table 7: Overall Workers' Compensation Program Savings

August 4, 2015

Chairman,

In the Worker's Compensation report page 1-2, it discusses how the OCFA budgets for this line item. Local 3631 is absolutely dead set against how much money is being set aside for Workers Compensation. Even at the 50% level it is too much when you consider the organizational priorities. This will be a long term discussion for the entire JPA board of directors going forward.

Chairman Shawver,

I wanted to let you know how excited Local 3631 is with results of several Workers' Compensation programs that we collaborated with the OCFA on in the last year. You will be seeing the report as an agenda item for your committee on Tuesday.

1. Alternate Dispute Resolution (\$307,000)

- A 3631 sponsored program that has shown great success. We petitioned the State of California to remove the employees from the State Worker's Compensation system because we believed the system was broken, unresponsive and costing the OCFA too much money. Had we implemented this idea in 2010, the program would have saved millions.
- Dave, please ask staff specifically what the cost savings will be (up to this point) as the \$307,000 is just an average of previous years ADR costs. Ask them to get back to you on the specific cost savings at the one year mark of October 2015.

2. Occupational Clinics (\$122,000)

- Local 3631 and OCFA Risk Management had lengthy discussions on transitioning to the use of occupational clinics for workplace injuries. Prior to the change, OCFA sent its injured employees to the emergency room as they should have. They were "patients" and should be treated that way for workplace injuries. Risk management engaged us to change our position on this issue. They felt for lower level injuries there could be a cost savings and quality care at the occupational clinic level. After discussions and site visits to clinics and an entire vetting process we agreed to go forward collaboratively. It has shown positive results.

3. Return to Work Program

- Local 3631 and OCFA Risk management had lengthy discussions on crafting a new policy on firefighters returning to work after injury. The previous return to work policy was dysfunctional, arbitrary and sometimes punitive. Our members often returned to work to do nothing meaningful. Together we crafted new SOP language. We found common ground that gets the employee back to work quicker (cost savings) by removing redundant doctor visits. Risk Management is also attempting to match an employee's knowledge, skills and abilities with available light duty assignment so that they are more engaged when they do return to work. **According to the second paragraph on page 4 this change and Alternate Dispute Resolution saved (\$592,000).**

Local 3631 was more than happy to collaboratively work with the OCFA on all these programs. Together, we strove for better workplace policies that would enhance employee satisfaction, create less bureaucracy for staff and by the way a pretty dramatic costs savings.

Ray Geagan