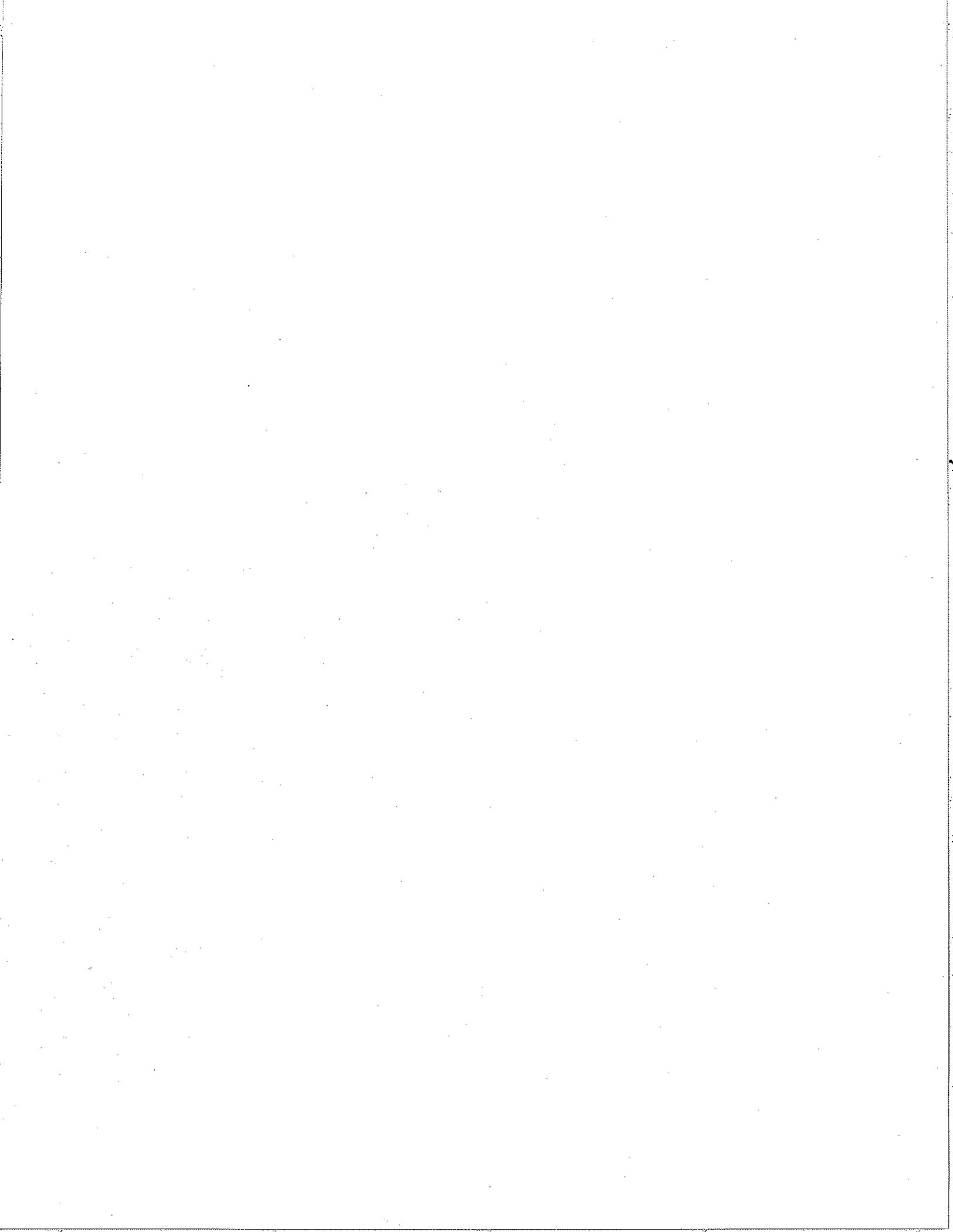


Managing Employee Injuries

November 1994



Office of the City Auditor
Portland, Oregon





CITY OF
PORTLAND, OREGON
OFFICE OF CITY AUDITOR

Barbara Clark, City Auditor
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November 23, 1994

TO: Mayor Vera Katz
Commissioner Kafoury
Commissioner Hales
Commissioner Lindberg
Commissioner Blumenauer
Board of Trustees, Fire and Police Disability and Retirement Fund
Steve Bauer, Director Office of Finance and Administration

SUBJECT: Audit of the City of Portland's Injured Worker Programs

Attached is Audit Report #200 on the City's Injured Worker Programs. The audit was conducted in accordance with our Fiscal Year 1993-94 audit schedule, and includes a summary of results at the beginning of the report.

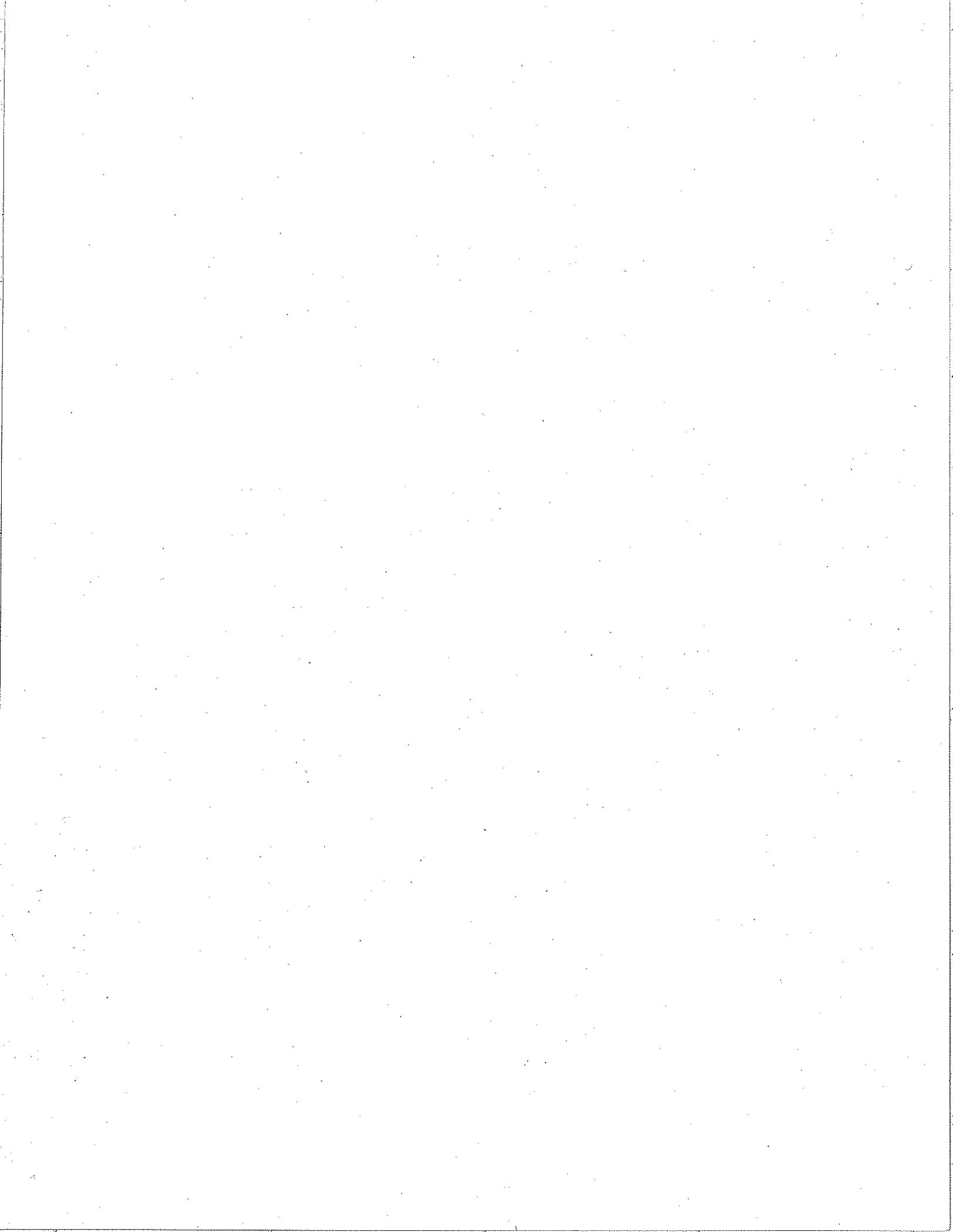
We have reviewed drafts of the report with staff from the Risk Management Division, the Fire and Police Disability and Retirement Board, and Office of Finance and Administration Director Steve Bauer. Their written responses are included at the back of the report. In six months we will ask for a status report on actions taken to address the report's recommendations.

We appreciate the cooperation and assistance we received from staff at the Risk Management Division, the Fire and Police Disability and Retirement Board, and staff from other bureaus. We also thank staff from the Wyatt Company for their expert assistance. A special thanks goes to the staff of Oregon-OSHA who provided consulting expertise at no cost to the City.

Barbara Clark

Barbara Clark, CPA
Portland City Auditor

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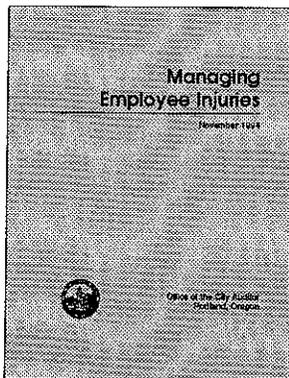


Managing Employee Injuries

November 1994

A Report by the Audit Services Division
Report #200

Office of the City Auditor
Portland, Oregon



Production/Design

This report was produced in-house using desktop publishing software on IBM and compatible personal computers, and a Postscript laser printer. Aldus Pagemaker 5.0 for Windows was used to produce the finished product. Tables were created manually using Pagemaker, while Wordperfect 5.1, ABC SnapGraphics, Harvard Graphics and Quattro Pro 4.0 were used to enter text, produce graphs/figures, and produce flowcharts.

Desktop Publishing: Robert Cowan

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Summary

The City of Portland operates two programs to protect and compensate workers who are injured on the job. The Workers' Compensation program, administered by the Risk Management Division, covers over 4,000 full- and part-time employees. The Fire and Police Disability and Retirement Fund serves about 1,400 firefighters and police officers. In FY 1993-94 these two programs provided over \$9 million in medical and time loss benefits to injured employees.

We audited both programs to evaluate efficiency and effectiveness, to determine compliance with laws and regulations, and to test whether internal controls adequately protect public resources. We followed generally accepted governmental auditing standards and obtained consulting assistance from the Wyatt Co. and the Oregon Occupational Safety and Health Division Consultative Services Section.

Decline in City Injury Claims and Spending

Over the past five years, the number and cost of injury claims made by employees of the City of Portland have significantly declined.

- Total City injury claims dropped about 9 percent, from 772 in 1988-89 to 703 in 1993-94.

- Total time loss and medical payments declined by 33 percent during the same period, from \$13 million to \$8.7 million when adjusted for inflation.

The primary factors contributing to this improved performance include changes in state and local laws and improved loss prevention and claims management practices. Specifically, since 1987:

- State legislation tightened stress injury eligibility rules, limited the type and length of certain medical treatments, and placed more emphasis on workplace safety.
- City Council passed a comprehensive City Loss Prevention Plan and added resources to better manage claims and prevent injuries.
- Citizens passed City Charter amendments that reduced the amount of benefits available to injured firefighters and police officers.
- Risk Management added more experienced staff and improved the quality of operations in its loss prevention and claims handling programs.

**Still More Can Be
Done to Prevent
Injuries and Reduce
Costs**

We found additional opportunities to prevent injuries and control the cost of new claims. While the City's injury rate has been declining, City workers continue to injure their backs, legs and arms, and muscles at higher rates than many other groups of workers in Oregon.

With the assistance of our consultants, we identified five principal areas wherein opportunities exist to further control the number and cost of worker injuries:

Fully Implement Loss Prevention in City Bureaus

- Potential hazards are not systematically identified and corrected.
- Accidents investigations do not adequately identify and correct root causes.
- Employees are not sufficiently involved in safety efforts.
- City managers do not consistently recognize and value safe work practices.

Better Manage Fire and Police Disability Fund Injury Claims

- Injury claims need more investigation to ensure they are job-related.
- Claims need to be more closely monitored to prevent excessive or ineffective medical treatment and overly long periods of disabilities.
- Record-keeping needs to be changed to provide better information for managing claims and avoiding duplicate payments.

Make More Use of Early Return to Work and Rehabilitation Programs

- The City does not do enough to ensure that light or modified-duty jobs are available to injured workers.

- Bureaus need to pursue State funds available for subsidizing wages of injured workers and purchases of safety equipment.
- Staff at Risk Management need to make sure that as many eligible injured workers as possible are referred to the Worker Reconditioning Program.

Consolidate Injury Reporting on Citywide Basis

- Injury and claims reports do not include all bureaus, making it difficult to analyze the effectiveness of Citywide injury reduction programs.

Continue to Emphasize Caring Attitude Toward Injured Workers

- Injured employees are not consistently contacted by supervisors or other City representatives during their period of disability.
- Opportunities exist for Risk Management claims staff to improve claimant satisfaction.

Substantial Savings Are Possible

We estimate that there is a potential savings of over \$1.25 million annually if the improvement opportunities we have identified are addressed. Most of the identified savings come from changes in the claims management procedures of the Fire and Police Disability and Retirement Fund. Additional savings can be realized by taking full advan-

tage of state re-employment incentives and the Worker Reconditioning Program. We also believe that additional, unquantifiable cost reductions can be achieved by improving safety efforts and by consistently conveying a caring attitude toward injured workers.

Recommendations

We make a number of recommendations in Chapter 4 of this report aimed at preventing City worker injuries and lowering the cost of injury claims. Most important, we recommend that:

- City Council assume more responsibility for injury prevention by holding bureau directors and managers accountable for claims and cost reductions
- All bureaus make more aggressive loss prevention efforts so that safety is integrated into the daily life of the City
- The Fire and Police Disability and Retirement Fund more rigorously investigate and manage fire and police injury claims

Chapter 1 Introduction

In FY 1993-94, the City of Portland spent almost \$9 million on time loss and medical payments to employees injured on the job, about 3.3 percent of annual personnel costs. In addition to actual time loss and medical payments, other hidden costs such as lost productivity, recruiting, and re-training can significantly add to the injury bill. The number and cost of claims has declined in Portland in recent years; still, there remain significant opportunities for improvement. This audit reviews the City's injured worker programs and makes recommendations to further reduce and contain costs. The audit was approved by the City Auditor and included in the Audit Services Division's FY 1993-94 Audit Schedule. We conducted our audit in accordance with generally accepted government auditing standards. We limited our audit to those areas specified in the audit scope and methodology section of this report.

Historical Development of Workers' Compensation Programs

Programs for compensating injured workers began in 1908 when the federal government first provided coverage for its civilian employees. States followed the federal government's lead in 1911, and by 1920 all but seven states had similar laws. Currently, all states have some form of workers' compensation for public and private workers. Workers'

compensation laws provide for the disbursement of cash benefits and medical care to employees injured on the job, regardless of fault. Generally, the payment of cash benefits is based on a percentage of weekly earnings, usually two-thirds of gross pay. All states place limits on the weekly amount payable, and some limit the total amount per case, the number of weeks for which compensation may be paid, and/or have a waiting period before benefits begin.

The first workers' compensation legislation was implemented in Oregon in 1914. Oregon Revised Statutes Chapter 656 has been revised several times and stipulates requirements for most employers. Employers may either purchase insurance coverage from a private carrier or the State Accident Insurance Fund (SAIF), or they may self-insure. The City of Portland chose to be self-insured.

Two Programs for Injured Workers in the City of Portland

The City of Portland has two separate programs for administering compensation claims for injured workers. One is operated by the Risk Management Division of the Office of Finance and Administration, the other by the Fire and Police Disability and Retirement Fund (the Fund).

Risk Management Division

About 4,000 employees are covered by State Workers' Compensation which is administered by the Risk Management Division of the Office of Finance and Administration. Risk Management must follow the State rules established under ORS Chapter 656. In general, these rules require timely and accurate payment of benefits and outline the rights and responsibilities of both employer and employee.

The Division's Workers' Compensation unit employs a staff of five to review injury claims, assess compensability, and manage medical treatment until the employee is medically stable and able to return to work. The unit is staffed by a manager, two claims adjusters, a claims technician, and an assistant claims technician.

In addition to the Workers' Compensation unit, the Risk Management Division has several programs to reduce the number of injury claims. The Loss Control unit coordinates the City's Loss Control Plan and provides support for safety programs in bureaus throughout the City. Risk Management also employs two persons who work on health and wellness issues, including anti-smoking and employee weight loss campaigns, employee fitness, and their Worker Reconditioning Program.

Fire and Police Disability and Retirement Fund

About 1,400 sworn fire and police employees are covered by the Fire and Police Disability and Retirement Fund established in 1948 by Chapter 5 of the City Charter. The primary purpose for the Fund is to provide disability and retirement benefits to firefighters and police officers. The Charter does not require the Fund to implement employee safety, wellness, or return to work programs for its members. It does, however, establish a subcommittee to oversee a vocational rehabilitation program. Not all police officers and firefighters are covered by the Fund. About 175 are covered by Workers' Compensation through Risk Management.

The City Charter outlines employee benefits and gives an eleven member Disability and Retirement Board, composed of the Mayor, City Auditor, City Treasurer, the Fire and Police Chiefs, and six active firefighters and police officers, the power to adopt rules to administer and pay claims. The Board also created a four member Expediting Committee to review and recommend approval for routine claims. The Expediting Committee consists of two firefighters and two police officers appointed by the Board. The total cost of the claims and the Fund's administrative expenses are paid through a separate property tax levy of up to \$2.80 for each \$1,000 of assessed property value.

Administrative support for injury claims is provided by the Fund Administrator and a staff of five. The Board also contracts with a private physician and an investigator when such services are needed. The Fund Administrator is responsible for claims management. The staff assembles and maintains member files, produces benefit reports, issues checks, and performs other duties as needed by the Board.

Primary Differences in Two Programs

The City's two worker-injury programs have different requirements for their level of benefits, term of payments, and eligibility for benefits. As shown in Table 1, there are several major differences in State workers' compensation laws and the City Charter that governs the Fund. Because of these differences, it is difficult to fairly compare the relative efficiency and effectiveness of the two programs on a cost or claim basis.

Table 1 Major Program Benefit Differences

Workers Compensation	The Fund
<ul style="list-style-type: none"> ■ Time loss benefits limited to 2/3 of gross wages up to maximum of State average wage (\$478) per week. City supplements to make total compensation equal to take-home pay for a limited time. 	<ul style="list-style-type: none"> ■ Time loss benefits limited to 75% of wages, no maximum. Continues until member returns to work, but is reduced to 50% after medically stationary <u>and</u> capable of gainful employment. Benefit amount reduced to offset any wages earned from outside employment while on disability.
<ul style="list-style-type: none"> ■ Occupational illness generally defined as caused by substances or activities to which an employee is not ordinarily subjected or exposed other than during a period of regular employment. 	<ul style="list-style-type: none"> ■ Specific list of occupational illnesses assumed to be job-related unless proven not to be: Heart Disease AIDS Tuberculosis Hepatitis B Pneumonia Hernia
<ul style="list-style-type: none"> ■ Continues long-term benefit payments as long as employee is not able to work at any suitable, gainful employment. 	<ul style="list-style-type: none"> ■ Continues long-term benefit payments for employees who cannot perform the duties of a police officer or firefighter. Wage offsets may apply.

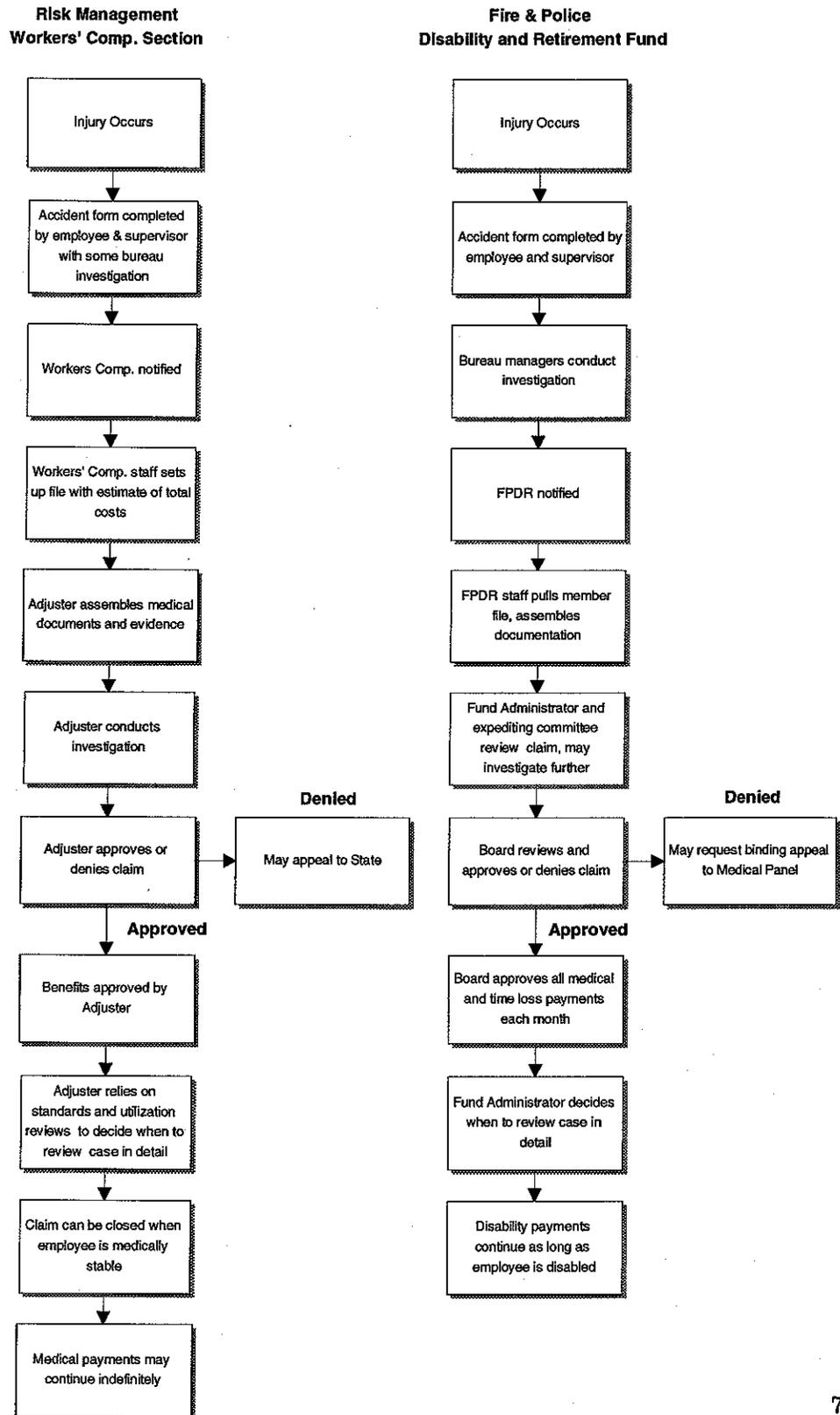
SOURCE: ORS Chapter 656, City Code Chapter 5.

How Claims Are Handled

The two systems also handle claims differently. However, both can be divided into four main phases: investigation, approval/denial, claims management, and closure. Figure 1 describes the steps for claims processing in each. The major differences in the two systems are:

- **Investigation.** The major responsibility for conducting investigations to determine whether a claim is job-related belongs to claims adjusters at Workers' Compensation. At the Fund, this responsibility belongs to the Board, who rely on reports from bureau managers, the Fund Administrator, and attending physicians.
- **Approval/Denial.** Workers' Compensation claims adjusters generally have the authority to approve claims. The Fund's Board reviews and approves all claims.
- **Claims Management.** At Workers' Compensation all medical bills are sent to INTRACORP, a company that provides a utilization review of medical bills to detect excessive and inappropriate treatment. In addition, the adjuster routinely reviews open cases using established procedural guidelines. At the Fund, the Fund Administrator reviews medical bills to determine when to bring cases to the attention of the Expediting Committee or the Board for more detailed review. The Board has final approval for all claims.
- **Claims Closure.** Injury claims are generally closed when the employee returns to work.

Figure 1 City of Portland Disability Claims Handling



SOURCE: Office procedures, job descriptions, personal interviews

**Audit Objectives,
Scope, and
Methodology**

The primary objectives of our audit were to assess compliance with laws and regulations, assess the adequacy of controls, and evaluate the efficiency and effectiveness of the City's injured worker programs.

Interviews and Literature Review

Through our interviews and review of literature, we gained an understanding of the processes at work in the City's disability system and were able to compare this system with others. We interviewed staff members who handle disability claims at the Fund office and in the Workers' Compensation section of Risk Management. We interviewed the Manager of the Risk Management Division, both the Director and the Budget Manager of the Office of Finance and Administration, staff members from the Bureau of Personnel Services, the City Attorney's Office, and the State Workers' Compensation Department. We spoke with all seven professional loss prevention employees at the bureau level and all the designated Return to Work Coordinators. Appendix D is a bibliography of literature used in our research. In addition, we conducted several limited surveys whose participants included:

- Seven private businesses in Portland, concerning their supplemental pay policies
- 57 injured City workers regarding their insights about the disability system
- Seven other cities regarding injury rates and certain basic workers' compensation claims handling issues

In our survey of injured workers, we mailed 152 surveys to employees covered by both the Fire and Police Disability Fund and Workers' Compensation. We received 26 responses from Workers' Compensation-covered employees and 38 from Fund-covered employees. The 64 total responses represent about 25 percent of all claims which were closed during FY 1993-94. We should note that, although survey recipients were randomly chosen, those who responded may or may not reflect the views of the overall population.

In addition, we reviewed applicable State workers' compensation regulations and the City Charter. We reviewed the last two years of State quarterly audits and last year's State field audit and found the City's Workers' Compensation unit consistently exceeds State standards. We also reviewed the work papers of the most recent annual financial audit of the Fund conducted by Coopers and Lybrand.

The State reviews accuracy of payments for Workers' Compensation as previously discussed. Variances were found during a 1993 field audit by the State and subsequent changes to the process were made to assure more accurate benefit payments.

We reviewed recent journal articles and trade publications in the areas of risk and disability management. We reviewed the policies and procedures of both the Fund and the Workers' Compensation unit. We also collected and reviewed past reports and audits on the disability program in the City of Portland and those in other cities. Table 2 lists recent, major audits of Risk Management and the Fire and Police Disability and Retirement Fund.

Table 2 Prior Audits of Portland Disability Programs

Auditing Agency	Auditee	Major Recommendations	Results
Audit Services Division, 1985	Risk Management	<ol style="list-style-type: none"> 1) Improve loss prevention program 2) Revise supplemental pay policy 3) Restore loss reserves and revise cost recovery formula 	<ol style="list-style-type: none"> 1) City Code amended, plans formalized 2) Policy revised for all union employees 3) Cost allocation formula revised
Wyatt Co., 1989	Risk Management	<ol style="list-style-type: none"> 1) Improve office procedures and staffing for Workers' Comp. 2) Improve loss control system 3) Modify cost allocation system to fairly distribute costs to bureaus 	<ol style="list-style-type: none"> 1) Claims staff and procedures improved 2) Loss control staff added 3) Cost formula modified
State of Oregon Workers' Comp. Department, Quarterly	Workers' Compensation	<ul style="list-style-type: none"> ■ Improve timeliness, accuracy 	<ul style="list-style-type: none"> ■ Consistently exceeds State standards
Audit Services Division, 1986	Fire and Police Disability Fund	<ul style="list-style-type: none"> ■ Study ways to reduce disability benefits 	<ul style="list-style-type: none"> ■ Charter change reduced benefits
Audit Services Division, 1992	Fire and Police Disability Fund	<ul style="list-style-type: none"> ■ Adopt formal procedures for finding light duty positions for returning employees 	<ul style="list-style-type: none"> ■ No procedures adopted

SOURCE: Audit Services Division research.

Consulting Assistance

To assist us in evaluating loss prevention, claims management, and medical bills, we obtained the services of three outside consultants.

■ **Wyatt Company.** The Wyatt Company is an international consulting agency providing actuarial and management services in the areas of risk management, retirement benefits, and employee compensation. The consultant from the Wyatt Company reviewed case files at both Risk Management and the Fund to determine the adequacy of documentation and investigation and to provide an expert opinion on the adequacy of the compensability decision-making process and the claims management procedures. He reviewed 54 cases from the Fund and 44 cases from Risk Management. He also reviewed local laws and regulations and interviewed Workers' Compensation and Fund staff members.

■ **Oregon OSHA.** The Oregon Occupational Safety and Health Division (OR-OSHA) is part of the State Department of Consumer and Business Services. Its purpose is to carry out the general administrative rules (OAR Chapter 437 Division 1) for administering the Oregon Safe Employment Act. OR-OSHA has the authority to conduct hazard inspections, issue citations, impose penalties, and investigate complaints made directly to them by employees.

At our request, staff from the Oregon OSHA Consultative Services Section reviewed the City's loss prevention efforts. OSHA consultants also reviewed City bureau safety

plans and conducted detailed reviews of the loss prevention efforts in four bureaus: Fire, Transportation Maintenance, General Services, and Parks. Ninety-five employees participated in the review. The City's loss prevention programs were compared against State safety regulations and good loss prevention management principles.

■ **INTRACORP.** We submitted 75 medical provider invoices from the Fund to this medical bill auditing service for a utilization review. Risk Management contracts with INTRACORP to audit medical bills.

We relied on information in the Bureau of Risk Management's injury information system and on time-loss and medical payment data from the Fire and Police Disability Fund office. We did not conduct direct tests of data from computer-based information systems. We believe the information is valid and reliable, based on work performed by other auditors.

We conducted our review in accordance with generally accepted government auditing standards. The City Auditor, who directs the activities of the Audit Services Division, is also designated by City Charter as Secretary of the Fire and Police Disability and Retirement Fund. Although the City Auditor is only one of 11 members of the Board and lacks overall management authority for the Board, the Audit Services Division is not fully organizationally independent from the Fire and Police Disability and Retirement Fund. Generally accepted government auditing standards require disclosure of this independence limitation.

Chapter 2 Significant Improvements in Controlling Costs and Reducing Injury Claims

During the 1980s, business and government determined that better management of injury claims could help reduce injuries and control costs. Organizations with low claims rates have a number of common features:

- Health and wellness programs
- A strong loss prevention program
- Pro-active claims management
- An emphasis on returning employees to work as soon as possible
- Integrated management information systems to monitor services and outcomes

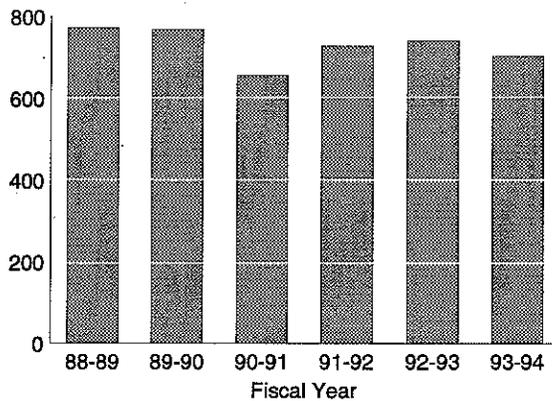
We found that the City of Portland has made significant strides in controlling both the number and cost of worker injuries. This chapter describes the changes made over the past several years in State and local workers' compensation and disability management and the impact these changes have had on injury rates and costs in the City of Portland.

Decline in Injury Claims for Portland

The total number and cost of new claims in the City of Portland has declined over the past five years. As shown in Figure 2, total new Workers' Compensation and Fire and

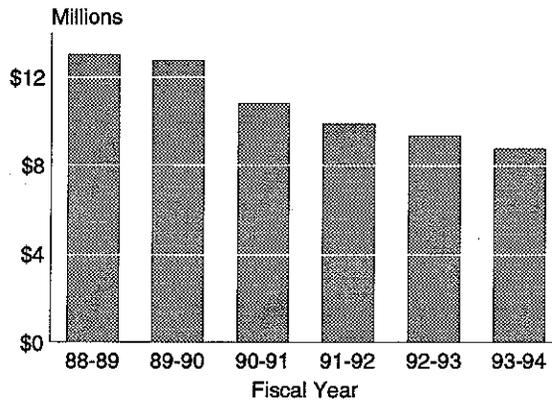
Police Disability Fund claims are down almost 9 percent for the five year period since FY 1988-89, from 772 to 703. Figure 3 shows that total expenditures for time loss and medical payments are down 33 percent during the same period, from an inflation-adjusted high of \$13,004,207 to \$8,735,204.

**Figure 2 Injury Compensation Claims
(Workers' Compensation and Fire and Police Disability)**



SOURCE: Risk Management and Fire and Police Disability Fund records, Audit Services Division analysis.

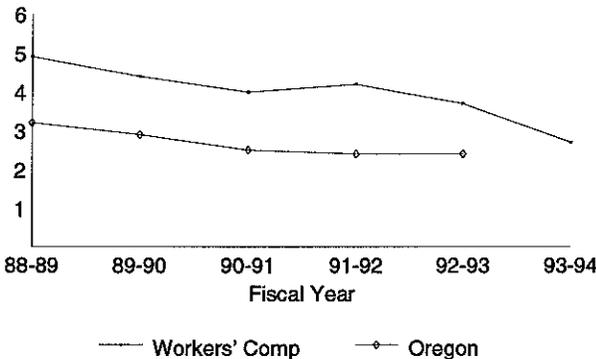
**Figure 3 Total Injury Compensation Costs
(Workers' Compensation and Fire and Police Disability)
(adjusted for inflation)**



SOURCE: Risk Management and Fire and Police Disability Fund records, Audit Services Division analysis.

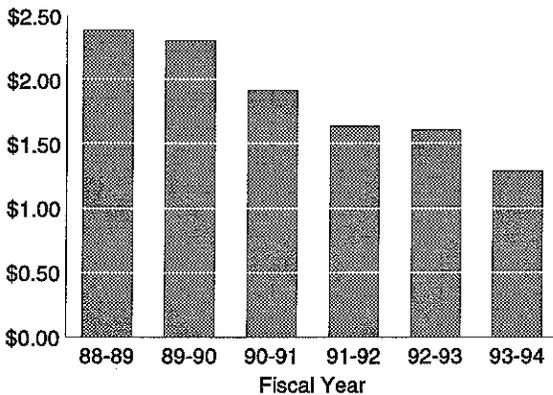
As seen in Figures 4 and 5, the Workers' Compensation system's rate of accepted time loss claims is falling more rapidly than the State's, and disability payments for every \$100 of payroll dropped 46 percent between FY1988-89 and FY1993-94.

Figure 4 Accepted Workers' Compensation Time Loss Claims per 100 Employees



SOURCE: Risk Management claims records, Central Payroll employment records, State of Oregon Dept. of Consumer and Business Services, Audit Services Division analysis.

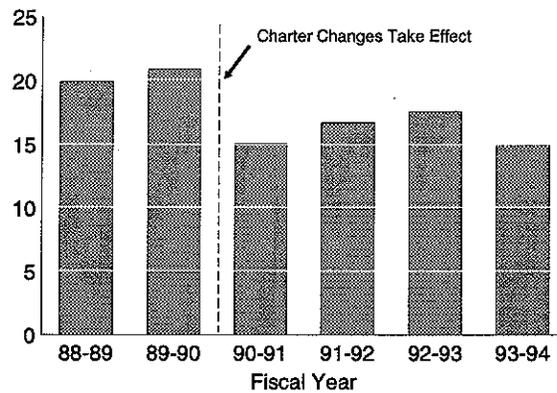
Figure 5 Workers' Compensation Disability Payments per \$100 of Payroll



SOURCE: Risk Management claims records, Audit Services Division analysis.

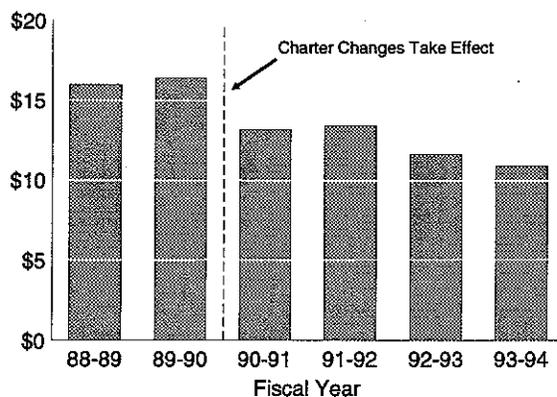
Similarly, accepted time loss claims for police officers and firefighters covered by the Fund have declined by 25 percent over the past six years, while disability payments per \$100 of payroll have dropped 32 percent.

Figure 6 Accepted Fire and Police Disability Fund Time Loss Claims per 100 Employees



SOURCE: Fire and Police Disability Fund records, Audit Services Division analysis.

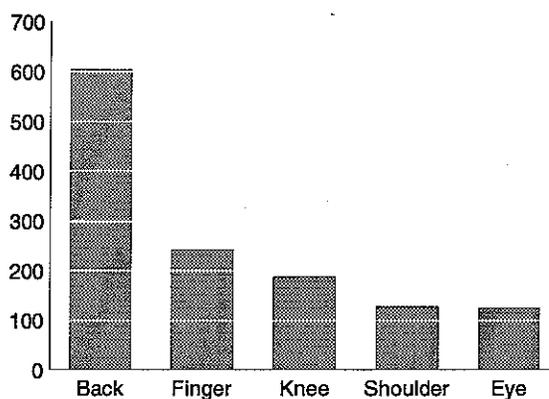
Figure 7 Fire and Police Disability Fund Payments per \$100 of Payroll



SOURCE: Fire and Police Disability Fund and Risk Management Division records, Audit Services Division analysis.

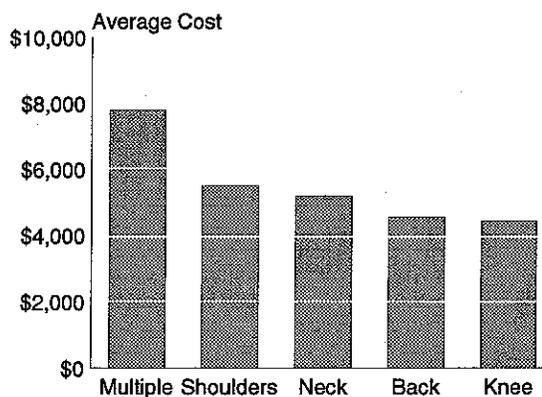
The part of the body most commonly injured is the back (see Figure 8), but it is not the highest in average claim cost (see Figure 9). Back injuries do, however, consistently cause the highest number of lost workdays. Another type of injury claim that has received attention is mental stress

**Figure 8 Workers' Compensation Injuries by Type
(Claims by Body Part Injured: Fiscal Years 1989-94)**



SOURCE: Risk Management Division records, Audit Services Division analysis.

**Figure 9 Workers' Compensation Injury Costs by Type
(Cost by Body Part Injured: Fiscal Years 1989-94)**



SOURCE: Risk Management Division records, Audit Services Division analysis.

and depression. While these claims are not that frequent, they are among the highest in average cost and in days of paid leave. Appendix C contains a list of the most frequent injuries and those with the highest costs from FY1988-89 through FY1993-94.

Table 3 shows the variability of injury rates among the City's major bureaus.

Currently, there are six City of Portland workers that are permanently disabled under the Workers' Compensation program and 132 permanently disabled workers covered by the Fund. The two programs have different rules regarding permanent disability. Workers' Compensation

Table 3 Injury Claims Rates by Major Bureau per 200,000 Hours Worked

BUREAU	FY90	FY91	FY92	FY93	FY94
BOEC	8.21	12.07	36.90	26.97	12.79
Buildings	3.36	6.08	7.52	5.05	9.42
Environmental Services	12.33	8.7	8.56	9.25	7.71
Fleet Services	41.94	22.77	39.23	47.36	32.12
Maintenance	27.90	32.22	30.18	24.32	26.89
Parks	19.83	18.41	27.41	23.61	20.66
Water	19.60	19.94	16.57	18.76	20.13
Police (Workers' Comp.)	11.31	13.23	8.05	10.59	9.64
Fire (Workers' Comp.)	17.24	22.25	19.06	17.78	25.85
Police (FPDRF) (1)	23.42	15.53	18.33	15.76	13.33
Fire (FPDRF) (1)	22.08	14.59	16.67	19.74	17.01

(1) Includes time loss claims only

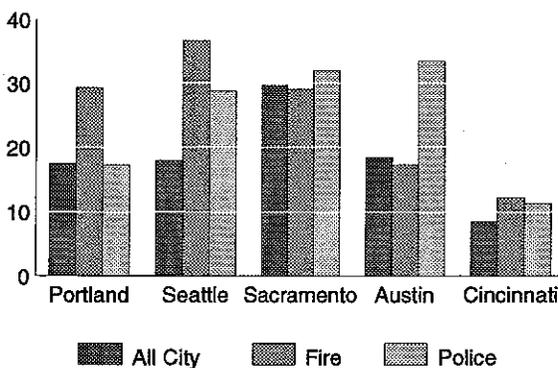
SOURCE: Risk Management and Fire and Police Disability Fund Records, Audit Services Division Analysis.

defines permanent disability as any injury that incapacitates a worker from regularly performing work at a gainful and suitable occupation. Under FPDRF rules, a member is permanently disabled if he or she cannot perform the duties of a police officer or firefighter.

The City has had three on-the-job fatalities since becoming self-insured in 1978. Two were related to forestry work and one to police work. Between 1983 and 1993 the State reported 838 job-related deaths. Thirty-one percent of these deaths were due to highway motor vehicle accidents. The (combined) Agriculture, Forestry, and Fishing industry reported the greatest number of deaths in 1992 (the last year for which a detailed breakdown is available). However, the National Safety Council reports that three out of four deaths, and more than half of the injuries suffered by workers in the U.S. in 1993 occurred off the job.

Although City of Portland injury rates are higher than for Oregon public employers in general, they are comparable to four other cities we contacted (see Figure 10).

Figure 10 1993 Injury Rates Comparison to Other Cities (OSHA Injuries per 200,000 Hours Worked)



SOURCE: OSHA 200 Summary Reports, Audit Services Division analysis, survey of cities.

Major Reasons for Declining Claims Rates and Costs

The decreases in the number and costs of claims are due to a combination of legislative and administrative changes at both the State and local levels. Legislative changes from the State and program improvements at Risk Management have brought claims and costs down for Workers' Compensation, while the 1989 City Charter changes resulted in a decline in the number of claims at the Fund.

State-wide Legislative Changes

Major changes to the State workers' compensation laws were made in recent years. The most significant changes include the following.

- "Clear and convincing evidence" required of employees to demonstrate that stress injuries are job related
- Number of physicians an employee can select during the life of a claim reduced from five to three
- Penalties for safety violations increased, and the State's safety consultation services were enhanced
- Definition of "attending physician" restricted to include only medical doctors, oral surgeons, and osteopaths
- Establishment of managed care organizations encouraged, return-to-work programs promoted, and employers with more than ten employees required to establish labor-management safety committees

City of Portland: Risk Management Program Improvements

Risk Management has made many changes since our audit in 1985 and a subsequent audit by the Wyatt Company in 1989. Major changes include the following.

- Adoption of a comprehensive Loss Control Plan in 1992 by City Council
- Addition of experienced safety staff at Risk Management and at the larger bureaus
- Upgrading of staff with more experienced claims adjusters, and the recent creation of a rehabilitation specialist position to concentrate on claims management and to conduct utilization reviews in-house
- Creation of detailed procedures to guide investigations and case management
- Upgrading of computer system for improved claims tracking

City of Portland: Fire and Police Disability Fund Charter Changes

In 1989, the City Charter was amended by the voters primarily to comply with Oregon law, which requires the Fund's retirement plan to be equal-to-or-better than the State equivalent. The changes also reduced the level of disability benefits so that members are thereby encouraged to return to work rather than stay on disability when injured. Major changes include:

- Making disability benefits more restrictive

- Offsetting time loss benefits by income earned from outside employment while on disability
- Allowing the job-related nature of occupational illnesses to be challenged
- Addition of vocational rehabilitation

In addition to the above changes, the Fund recently created a position in each of the Fire and Police Bureaus through which it can maintain contact with injured workers and find appropriate positions for their early return to work. The Board of the Fund also recently directed the Fund Administrator to develop fee arrangements with medical providers.

Chapter 3 Additional Opportunities for Improvement

The City can take additional steps to improve worker safety and lower the costs of worker injuries. Significant changes have occurred in both City programs, and more are planned. We believe action is needed in five major areas to build on the improvements of the past several years:

- Fully implement loss control efforts
- Better manage Fire and Police Disability Fund injury claims
- Strengthen early return to work efforts
- Consolidate public reporting of all City injury information
- Continue to emphasize a caring attitude toward injured workers

In some cases, the action required is simply to complete implementation of existing plans, while other actions require major changes in the way business is done. This chapter highlights these five major areas of change and refers to the detailed findings of our consultants which are contained in Appendices A and B. Chapter 4 contains our specific recommendations for improvement.

Fully Implement Loss Prevention Efforts

At our request, the Consultative Services Section of the Oregon Occupational Safety and Health Division (OR-OSHA) conducted a review of the City of Portland's Loss Prevention Program. We asked OR-OSHA to assess the strengths and weaknesses of the program and to make recommendations for improvement. The consultants reviewed City safety policies and plans, interviewed Risk Management personnel, and conducted detailed audits of safety programs in four bureaus: Fire, General Services, Transportation Maintenance, and Parks. They also interviewed over 95 City managers, supervisors, and employees. In addition, Audit Services Division staff interviewed safety representatives in seven major bureaus: Police, Fire, Parks, Transportation Maintenance, Water, Environmental Services, and General Services.

There is significant variation in the degree to which City bureaus have implemented loss prevention and safety programs. Some bureaus, including the Bureaus of Environmental Services, Police, Water, and Transportation Maintenance, have made significant progress in improving safety programs. Others are in various stages of improving workplace safety. Consequently, while the OR-OSHA recommendations that follow are useful for all City bureaus, they apply most specifically to those bureaus that have not yet aggressively pursued prevention of on-the-job injuries.

OR-OSHA found that the City has in place the elements of an effective loss prevention program. However, the City has not yet integrated these elements into its daily activities and business. The consultants made twelve specific observations and recommendations for improvement. Ap-

pendix B contains the full OR-OSHA report. In general, the OR-OSHA recommendations address four areas:

- More management support and commitment
- Better accident investigation and hazard assessment
- Increased employee involvement and communication
- Additional training

More Management Support and Commitment

Additional management support and commitment can help improve the City's loss prevention efforts. OR-OSHA found that good safety performance is not consistently recognized and that top managers do not convey the value and necessity of safe work practices as a priority.

Additionally, the OR-OSHA consultants state that while the City Charter has placed responsibility for loss prevention on Risk Management, it does not give Risk Management authority over bureaus to ensure that these responsibilities are carried out. As a result, there is little accountability to insure that the Loss Control Plan is implemented.

While the adopted Loss Control Plan establishes processes for implementing and evaluating the program, such as a City Loss Control Advisory Committee, a Loss Control Data System, and an annual formal management review, Audit Services Division research shows that these key elements are not functioning as intended. Specifically, we found through interviews with bureau safety coordinators and Risk Management personnel that:

- Loss Control Advisory Committee meetings are attended primarily by bureau safety coordinators rather than top City managers, as required by City Code Chapter 3.54.010. These safety coordinators are frustrated by their lack of policy-making authority.
- Bureaus are not using the central Loss Control Data System developed by Risk Management. This is due to the perception that the system is cumbersome and hard to use.
- Most bureaus are not holding formal, annual management reviews with Risk Management and top bureau personnel.

The Risk Management Loss Control Manager told us that more emphasis will be placed on recognizing good safety performance this year. A safety week is planned for later this year to formally recognize good performance.

Better Accident Investigation and Hazard Assessment

OR-OSHA reports that workplace accidents are not adequately investigated to identify root causes of injuries, and hazards are not identified, tracked, and resolved systematically. For example:

- Near-miss accidents are not reported so that situations which might lead to accidents can be corrected.
- Some safety committees are not conducting quarterly workplace inspections.
- Risk Management reports are difficult for bureau personnel to use, making injury patterns hard to recognize.

- Facility and equipment maintenance is not done in a uniform fashion.
- Hazard analysis for new equipment is not well integrated into bureau safety programs.
- No systematic assessment of workplace design problems has been made to reduce repetitive motion injuries, sprains, and strains.

Risk Management recently produced an "Accident Investigation Standard" for use by bureaus. This policy explains the importance of accident investigations and important elements of a successful investigation. It also includes criteria by which Risk Management will evaluate and grade the bureaus' conduct of investigations. The policy includes an element for reporting near-miss incidents. In addition, bureau safety personnel reported to the Audit Services Division that Risk Management has made recent efforts to improve the usefulness of their reports.

Increased Employee Involvement and Communication

Based on over 90 interviews in four bureaus, OR-OSHA consultants concluded that City personnel do not have a clear understanding of the City's safety program. While most were familiar with their bureau's safety committee and loss control representative, many employees believe that safety is someone else's job and lack a personal sense of responsibility for safety in the workplace. Employees are not instructed on the hazard potential of their jobs or why personal protective equipment is needed.

Information on safety is not effectively communicated. While broad goals and plans are set in the budget process, these plans do not get communicated adequately to em-

ployees in the form of actions and responsibilities. Also, OR-OSHA consultants found that employees are not adequately involved in the safety process. Employees possess a great deal of knowledge about the work environment but are not involved sufficiently in identifying and correcting potential hazards. More active communication between the employees, supervisors, loss control representatives, and the safety committee would help instill more commitment to, understanding of, and responsibility for safety throughout bureaus.

Additional Training

OR-OSHA consultants found that the City offers a great deal of excellent health and fitness training for its personnel. Additionally, training on such generic issues as back injury prevention has been provided. However, OR-OSHA believes that more specific training on the hazards of particular jobs would be useful in certain high-injury positions. The consultants suggest that the City perform Job Safety Analysis (JSAs) for specific jobs, so that training can be developed and offered to employees holding these positions. OR-OSHA states that the City has no consistent method of training new workers on the specific hazards of jobs because they have not been documented through JSAs. The City's Loss control manager told us that JSAs have been done on about 10 positions in the City.

Better Manage Fire and Police Disability Fund Injury Claims

Claims management is critical for a successful disability system. Claims management means taking an active role in determining compensability, in monitoring and assessing the cost and quality of an employee's treatment, and in doing the most to assure that the injured worker returns to

a productive capacity as soon as is possible without the danger of aggravating his or her condition.

To assist us in reviewing the handling of City injury claims, we contracted with the Wyatt Company. The Wyatt Company consultant found that the Workers' Compensation unit of Risk Management operates an effective system and had only minor suggestions for improvement. However, there is significant opportunity for improvement in the Fire and Police Disability and Retirement Fund, where better claims management could result in significant savings. The following paragraphs summarize the findings of the Wyatt Report relating to the Fire and Police Disability Fund. We have included the full text of the report in Appendix A.

Inadequate Verification of Injuries and Their Causes

The Wyatt consultant found the current investigative process inadequate to verify the relationship of injury or disease to employment. As a result, the Fund lacks assurance that injuries are always work-related and therefore eligible for time loss and medical payments. Wyatt found that supervisors in the Fire and Police Bureaus conduct initial investigations of injury claims to verify the occurrence of the injury at work. However, supervisors are not trained to ask questions relating to medical condition for the purposes of determining potential non-work causes. In addition, attending physicians who attest to the service connection of the injury are generally not specialists in occupational medicine and may not be fully qualified to determine whether an injury occurred on the job.

Many cases are also not well documented. Investigative reports and physician reports are sometimes missing or

inadequate to verify service connection. Consequently, the level and quality of investigation in these cases is unclear.

Inadequate Monitoring of Medical Treatment

The Wyatt consultant found that the Fund does not adequately monitor and review the on-going medical treatment of injured workers. For example, the consultant found that treatment plans are typically left to the injured employee and treating physician and that independent medical exams are rarely done. He also found some cases which appeared to go without monitoring for long periods of time. The consultant also found instances of excessive treatment, overly lengthy disabilities, and duplicate payments to providers. (See examples of case files in Appendix A.)

Although the Audit Services Division staff found evidence that the Board seems genuinely concerned with excessive and inappropriate treatment, and that four of the past five budget requests include goals for either studying or implementing fee arrangements, the Board has not until recently directed the Fund Administrator to implement significantly new procedures for case evaluation, outside medical bill review, or fee arrangements. At the October meeting of the Board, the Fund Administrator was directed to develop medical fee arrangements with service providers.

We asked INTRACORP, a private company that provides medical bill review services to the Risk Management Division, to review 75 medical invoices from the Fund totalling \$16,151. INTRACORP uses a computer program to compare medical bills to the State Workers' Compensation fee schedule. INTRACORP identified \$1,181 in

reductions against the State fee schedule, about 7.3 percent of the bills reviewed. They indicated that reductions of up to 15 percent may have been realized if additional medical documentation had been readily available. INTRACORP also reviews bills to make sure that treatments relate appropriately to specific injuries and that the number of treatments fall within accepted guidelines. If the Fund reduced medical payments by only 10 percent, over \$100,000 could be saved annually. We realize these bills were compared against the State fee schedule which the Fund is not obligated to follow, but it gives an indication of the possible savings the Fund might realize by adopting some type of uniform payment schedule.

The Wyatt consultant also concluded there is a lack of formal training and experience in disability claims management in the Fund office. Except for the Board physician, none have formal training other than what is learned on the job. The complex medical management issues and the determination of compensability in many cases requires an experienced claims specialist to produce the most efficient results.

Insufficient Records Management

The Fund's system of filing records hinders effective claims management. Because each injury claim is included in the member's personal file and is not assigned a claim number, it is hard to review all information related to a single claim, or develop aggregate claims data. The Wyatt consultant stated that, by contrast, most disability claim records systems are based on claim and not membership. Consequently, managers lack current, ready information

on the costs of specific claims, costs for types of claims, costs for certain types of treatment, and other necessary management information.

Opportunities for Substantial Savings

The Wyatt company reports that significant savings can be achieved by implementing more systematic and rigorous injury claims management methods.

- The length of disabilities could be reduced by improving treatment plans and by actively seeking to return members to work.
- Excessive treatments could be minimized through better monitoring of claims.
- Claims could be reduced by more thorough investigation resulting in a denial of benefits to ineligible claimants.
- The quality of care could be improved and the fees reduced by utilizing such managed care techniques as provider networks and utilization reviews.
- Payment errors could be reduced through better claims processing.

An exact dollar amount of savings is difficult to determine, due to the time required to evaluate all of the Funds' current claims and the lack of readily available claims data. However, Wyatt indicates that savings up to 50 percent of current claims costs are realistic, based on their experience with other programs, their review of current Fund claims, and professional literature. Given that the Fund had approximately \$2.5 million in short-term medi-

cal and time-loss payments during FY 1993-94, the savings in the Fund could reach \$1.25 million.

**Strengthen Early
Return to Work
Efforts**

The City is not taking full advantage of opportunities to help injured workers return to work as soon as possible. While some bureaus actively encourage and support early return to work, other bureaus need to do more. Modified or light duty positions have not been identified throughout the City and made available to injured workers regardless of bureau. In addition, two programs intended to help support early return to work have been underutilized by City bureaus. Risk Management and the bureaus also lack information on the number of workers participating in early return to work assignments.

Ten bureaus have identified Return To Work Coordinators. They are responsible for maintaining contact with the injured workers and finding positions for them upon their release for employment. We interviewed these coordinators and used our survey of injured workers to find out about the implementation of individual programs.

As shown in Table 4 below, a number of bureaus have employees working in modified duty assignments. Payroll records indicate that most of the largest bureaus reported assigning employees to modified work days, except for the bureaus of Parks and Fire. Representatives from the Parks and Fire Bureaus said that a few employees did work in modified positions, but hours were not reported to central payroll as requested. While the information presented in Table 4 may not be accurate for all bureaus, it confirms

Table 4 Employee Modified Work Days by Bureau

Bureau	Modified Work Days
Transportation	788
Fleet	374
Police	183
Environmental Services	160
City Attorney	98
Water	91
Buildings	17
Emergency Communications	4
Fire	0
Parks	0

SOURCE: City of Portland Central Payroll Records, January-June 1994.

that employees are being assigned to modified duty positions.

In addition, our survey of injured workers showed that the majority of workers' compensation-covered respondents were placed in temporary, modified duty positions before returning to their regular jobs. Most reported that assignments were appropriate for their skills and interest, and they were generally satisfied. Employees also reported feeling their bureaus made reasonable efforts to speed their return to their old jobs.

Only the Parks and Fire Bureaus' return to work coordinators said they felt a lot more could be done at their level to improve the rate of bringing back injured workers to modified assignments. The Parks coordinator told us he requested supervisors to identify modified duty assign-

ments, but the information was not forthcoming. He recently asked top managers in Parks to support this and they indicated they would.

The Fire Bureau return to work coordinator told us that several reasons hinder the bureau's efforts to make modified work assignments. There is a lack of light duty type of assignments available in the bureau because there are not many places in a Fire organization for someone who is not able to lift and carry heavy equipment. Also, most of the sworn Fire Bureau employees are members of the Fire and Police Disability and Retirement Fund, and the Fund has only recently played an active role in getting members back to work.

The City does not require bureaus to identify potential light duty positions that would be available to injured workers. Only the bureaus of Water, Transportation Maintenance, Traffic Management (Parking Patrol), and Environmental Services report detailed lists of positions that include task descriptions.

The Workers' Compensation Manager told us that, prior to 1988, injured employees were placed in light duty jobs in other bureaus, but this practice was discontinued after an employee grievance and after many bureaus expressed concerns about paying employees to perform work in other bureaus. As a consequence, the City is missing opportunities to reduce costs by helping injured workers connect back to productive work as soon as possible.

Also, while Risk Management promotes early return to work, they do not collect any data to evaluate or report on the progress of the program. The individual bureaus also

lack data on their own return to work activities. None of the bureau return to work coordinators were able to tell us with any confidence how many employees worked in modified assignments or for how many hours or at what cost. Without information on the results of return to work efforts, it is difficult for managers to assess its benefits and to decide on the need to expand opportunities.

Reconditioning and State Reimbursement Programs Not Fully Utilized

Risk Management and City bureaus are not fully using two programs directed at helping the City return injured workers to productive jobs: the Worker Reconditioning Program (WRP) and the State Employee at Injury Program (EAIP).

Worker Reconditioning Program. The Worker Reconditioning Program (WRP) is run by the Health and Fitness Coordinator at Risk Management. The program is intended to both reduce medical costs and minimize the chance of re-injury. The six to twelve week program of work hardening gradually builds up the physical condition of injured employees to prepare them for a return to full-time work at their regular post. Risk Management contracts with the Portland Orthopedic Clinic to provide job-site therapy, evaluation, and oversight at a cost of about \$1,670 per employee. This contrasts with about \$8,000 per employee for off-site rehabilitation. The program manager reports very little use of the program. Only ten employees participated in the program during FY 1993-94.

The Workers' Compensation and WRP managers said that many more workers should be referred to WRP and could benefit from this service. The WRP manager told us she could accommodate about 10 more program partici-

pants. More resources would be needed to significantly expand the number of program participants. Coordinating therapy sessions with the employees, supervisors, and therapists, and maintaining contact with the attending physicians seem to demand the most staff time and resources.

Employer at Injury Program. The Employer at Injury Program (EAIP) is a State incentive program that provides money for work site modifications, subsidies for wages and for equipment and training. The program is part of a total pool of \$100 million available for return to work programs. Work site modifications are reimbursed up to a maximum of \$2,500 per case, and wage subsidies are 50 percent of wages for three months, while the employee is in a modified duty assignment.

In order to obtain wage reimbursements, the City must have on file a task description of the modified work assignment which is signed by the employee's attending physician, a letter documenting that the employee was given formal notice of the assignment (called a Notice of Available Employment), and documentation of the hours worked and wages paid to the employee during the modified work period. The Workers' Compensation manager told us that supervisors do not consistently contact her office when workers start or finish modified duty assignments. Further, timekeepers do not log time as "Modified Duty" on Time and Attendance Reports. Therefore, there is no accurate record of the time and wages paid to employees working modified duty assignments. This makes it difficult to apply for wage reimbursements from the EAIP.

Although a description of the program and the requirements are included in Risk Management's Early Return to

Work Program policy, few bureaus have requested and received State reimbursements. Return to Work Coordinators in several bureaus reported using the program, but only in a very limited capacity. Coordinators for the Water Bureau and Bureau of Environmental Services said they have made requests for wage reimbursements. Three other bureau coordinators made requests for small equipment and equipment modifications. Most bureau return to work coordinators said they were not aware of how the program works. Based on the number of restricted days reported in Table 4, we estimate that \$80,000 in wage subsidies might have been requested from January to July of 1994.

Consolidate Public Reporting of City Injury Information

Currently, there is no consolidated reporting of Citywide claims and injury data. Accurate and complete information is needed to evaluate the overall effectiveness of loss prevention and return to work efforts. Without such reporting, the City cannot analyze efforts and make changes to improve programs.

The City has a need primarily for two types of injury information. One need is for the detailed information on compensable claims. While Risk Management has a very complete system for reporting on Workers' Compensation-covered employees, it does not include information on injury claims made by the 1,400 Fire and Police Bureau employees covered by the Fire and Police Disability and Retirement Fund. Therefore, current public reports do not present a complete picture of claims trends for the City, nor do they provide City policy makers complete information to evaluate the disability system.

The second need is for complete and accurate information on all injuries and near injuries, whether or not they result in compensation claims. The Federal OSHA requires the City to have an annual summary report of recordable injuries on file. Risk Management staff recognizes that past reports have not been accurate or complete, due to reporting errors from bureaus. Also, summary information has not included data kept separately at the Fire and Police Bureaus. The safety manager told us they are training bureau safety coordinators and timekeepers on the OSHA requirements so that data can be reported accurately. He also indicated that summary logs now under development will consolidate injury information from the Fire and Police Bureaus.

**Continue to
Emphasize Caring
Attitude Toward
Injured Workers**

One of the most important factors in disability management is the employee's perception of his or her importance to the organization. Disability management literature suggests that claims are lower when employees perceive the employer as fair and the organization as caring about them. Once a work-related accident occurs, the employer should make it a top priority to contact the injured worker. Open lines of communication will reduce the "disability mentality." It is also likely that an employee who perceives an employer as caring may be less inclined to litigate a claim.

The Wyatt Company found that initial contact with claimants is acceptable, but there are opportunities for improvement. Of 36 case files reviewed, Wyatt reported that 31 (86 percent) had satisfactory contact with injured workers, while 5 (14 percent) lacked satisfactory contact by

Risk Management. The consultant indicated that verbal contact with injured workers is very important and should exceed 90 percent. In addition, we found in our survey of injured workers that, despite instructions in the Injured Worker Packet provided by Risk Management, only about half of the Workers' Compensation-covered employees had been personally contacted by their supervisors.

We also found that there are opportunities to improve the quality of the contact with injured workers. We received completed surveys from 26 of the 121 employees who had closed Workers' Compensation claims in FY 1993-94. Forty-three percent of those who responded believed that Risk Management was most concerned with balancing their needs for compensation, while minimizing costs to the City. In addition, 46 percent were satisfied or very satisfied with the claims management process. However, slightly over half of the respondents (52 percent) believed that Risk Management was most concerned about only minimizing costs to the City, and 38 percent were dissatisfied with the way their claims were handled. By contrast, 95 percent of the survey respondents covered by the Fund were satisfied with the way their claims were handled.

While adjusters are encouraged to be friendly and professional, they have an obligation to ask specific questions about the nature and cause of injuries that may seem intrusive and unnecessary to claimants. Risk Management acknowledges this is a difficult balance to achieve, and there is a need to continue to educate all City employees about the Workers' Compensation process and to emphasize to claimants that the City cares. Claims analysts have recently received training on how to effectively present information to claimants.

Chapter 4 Recommendations

The City of Portland can make additional progress in controlling the number and costs of worker injuries. We support the efforts and accomplishments of the City Council, the Risk Management Division, the Fire and Police Disability and Retirement Fund, and many bureaus throughout the City. The following recommendations are intended to reduce disability costs and help make safety a management priority.

- CITY COUNCIL**
- 1. The Council should take more responsibility for ensuring that loss prevention is implemented throughout the City.***

Bureau managers should be held accountable for meeting injury and cost reduction goals. Good performance should be rewarded and poor performance should have consequences. Rewards and consequences should be directly related to annual budget appropriations or to the performance evaluations of individual Bureau Directors.

- 2. The Council should schedule a formal annual review of safety programs.***

The review should evaluate bureau progress toward meeting goals and objectives and toward fulfilling the intentions of the Loss Prevention Plan. This should be done in addition to the annual review of the Risk Management Report.

3. ***The Mayor should assign the Risk Manager as her representative on the Board of the Fire and Police Disability and Retirement Fund.***

This assignment will improve communication and coordination between the City's two disability programs as well as bring insurance and safety expertise to the Board's deliberations.

4. ***Council should give Risk Management the responsibility for collecting and reporting on injury information on a Citywide basis and for monitoring and reporting on safety activities.***

City-wide claims information should include data from the Fire and Police Disability and Retirement Fund. Risk Management should also be given specific responsibility to report on how bureaus carry out the recommendations of this report.

**BOARD OF THE FIRE
AND POLICE
DISABILITY AND
RETIREMENT FUND**

5. ***The Board should develop and implement new procedures for reviewing, approving, and monitoring injury claims.***

Specific written procedures should include:

- a. ***Criteria for screening claims*** to determine whether further review is needed by a claims

analyst, Board physician, the Board, or other medical management organization. The Wyatt Report in Appendix A contains some suggested criteria which could be used to trigger detailed claims review.

- b. ***A monitoring system that initiates frequent review of open claims.*** A mandatory 30 day review of open claims should be standard. At a minimum, reviews should evaluate treatment plans and progress reports from attending physicians, evaluate the need for independent medical exams, outline strategies for return to work and claim closure, and make sure that all documentation is in place.
- c. ***A written treatment plan for all medical services*** with specific emphasis on repetitive treatments, such as acupuncture, massage, and chiropractic care. At a minimum, the treatment plan should state why the treatment is needed, how often and long the treatment will be needed, expected results and cost of the treatment, and how the provider will coordinate with the attending physician.
- d. ***A standard fee schedule*** for payments to individual providers of medical treatment to injured Fund members. The Board should consider adopting the Oregon State Workers' Compensation fee schedule or another industry-accepted "usual and customary" schedule. The Board has the option of making fee

arrangements under Chapter 5, Section 5.306 of the City Charter, which states, "The Board may limit reimbursement to particular medical and hospital service providers with which it has made fee arrangements ..."

- e. **An automated method of reviewing all medical bills** for excessive and inappropriate treatment against the adopted fee schedule. This could be done in-house or with an outside vendor once a fee schedule is adopted.
- f. **Written documentation in files for all claim activities**, including claimant contacts, investigative reports, medical management and treatment plans, physician notes, and correspondence.

We recommend that the Board contract with a disability management consulting firm to draft appropriate policies and procedures which are in line with current industry-accepted practices and which will meet the specific requirements of the City Charter.

- 6. **The Board should create a new staff position and hire a trained, experienced claims analyst who would report to the Fund Administrator.**

This may be a part-time or contracted position, as the caseload warrants. This person should be formally trained in disability management practices, specifically, workers' compensation, long term disability, and rehabilitation. The duties of the analyst

should include initial claims receipt and review, claims investigation, recommendations for approval or denial of claims, development of claims management plans, and monitoring of treatments and return to work efforts. The Board should eliminate the duties of the Expediting Committee once the Claims Analyst is in place and performing duties as recommended in this section.

- 7. The Board should require that all injured members seek medical services from a provider network or other medical providers who have agreed to the Board's adopted fee schedule.**

Consideration should be made in cases where the member has an established relationship with an attending physician. All medical specialists should be members of the provider network or have agreed to the Board's fee schedule.

- 8. The Board should direct the Fund Administrator to develop a revised, claim-based filing and record-keeping system.**

This system could work in conjunction with the existing member-based record system. This system should be designed to facilitate the management and review of individual claims, help ensure that duplicate medical payments do not occur, and assist in the preparation of management information on overall claim trends and expenditures. This system would also feed summary information and claims rates and costs to Risk Management for annual Citywide reporting.

**RISK MANAGEMENT
DIVISION**

- 9. *The Risk Management Division should monitor and report on Citywide early return to work efforts.***

The Division should encourage the placement of injured employees in modified positions throughout the City regardless of their original bureau. The Division may wish to experiment with a program to subsidize or defray the costs of employees placed in assignments outside their original bureau. Bureau supervisors and timekeepers should be required to log modified duty work hours accurately on Time and Attendance Reports. In addition to providing management information, this will provide backup documentation for wage reimbursement through the State EAIP. EAIP reimbursement of wages could be used to offset affected bureaus' personnel costs by reimbursing 50 percent of wages for up to three months.

- 10. *The Risk Management Division should develop procedures to ensure that all claimants are verbally contacted as soon as possible after injury or illness.***

The purpose of the contact should be clear – emphasize a caring attitude for the employee's welfare, and focus on helping the employee return to work as soon as medically possible. An injured worker survey could be accomplished by inserting a comment card into Injured Worker Packets. Employee input would help Risk Management revise office procedures and continue to improve relations with injured workers.

11. *Workers' Compensation staff working with attending physicians should increase the number of qualified referrals to the Worker Reconditioning Program.*

The Worker Reconditioning Program manager should also actively solicit the referral of injured workers covered by the Fire and Police Disability Fund. To ensure the program is used optimally, staff should conduct an awareness program aimed at physicians, employees, and bureaus. The Worker Reconditioning Program Manager should be given resources, as warranted by cost saving projections, to fully implement the program. We recommend that Risk Management explore giving more responsibility for coordinating appointments to the contractor in order to free more staff time to expand the program.

12. *The Risk Management Division should take responsibility for reporting complete Citywide injury and claims information to the Council and the public.*

In addition to reporting claims information comprehensively, all OSHA data should be collected and reported from Risk Management. Reports on OSHA recordable injuries and claims should include information from the Fire and Police Bureaus and the Fire and Police Disability and Retirement Fund.

13. *The Risk Management Division should continue to actively consult with City bureaus to provide expert advice.*

The Division should continue its emphasis on safety planning, hazard assessment, accident investigation,

Job Safety Analysis, workplace design, and other efforts to improve safety and reduce accidents.

- 14. *The Risk Management Division should review and update the Loss Control Plan to ensure full compliance with State regulations, to incorporate new policies and procedures.***

Oregon OSHA consultants recommend several changes in the City Loss Control Plan so it will more fully comply with Oregon Administrative Rules Chapter 437, Division 1.

- CITY BUREAUS**
- 15. *City bureau managers need to establish and communicate their safety plans, goals, and objectives to all employees.***

Employees should be actively involved in identifying hazards and setting achievable safety goals. Management should recognize and reward good safety performance. Bureaus should conduct an annual management evaluation of safety performance, as called for in the City's Loss Control Plan, and report the results to the Council during the budget process.

- 16. *City bureaus should conduct thorough investigations of accidents and near-miss accidents in order to identify and eliminate causes, as called for in Risk Management's "Accident Investigation" policy.***

Also, bureau safety committees should play a larger role in accident review.

17. City bureaus should develop and implement effective hazard assessments. Improvements to hazard assessments should include the following actions:

- **Train all Safety Committee members in hazard identification** and require quarterly inspections of facilities.
- **Develop an easy to use record system to record and track identified hazards and corrective actions.** The current Loss Control Data System could fill this need, but bureaus must be encouraged to use it. Adjustments may be needed to make the current system more user-friendly.
- **Establish and conduct preventive maintenance schedules for all equipment.**
- **Conduct Job Safety Analyses** for all high-risk positions. Ensure employees receive orientation on the hazards of individual jobs.
- **Systematically evaluate workplace design for potential hazards.**

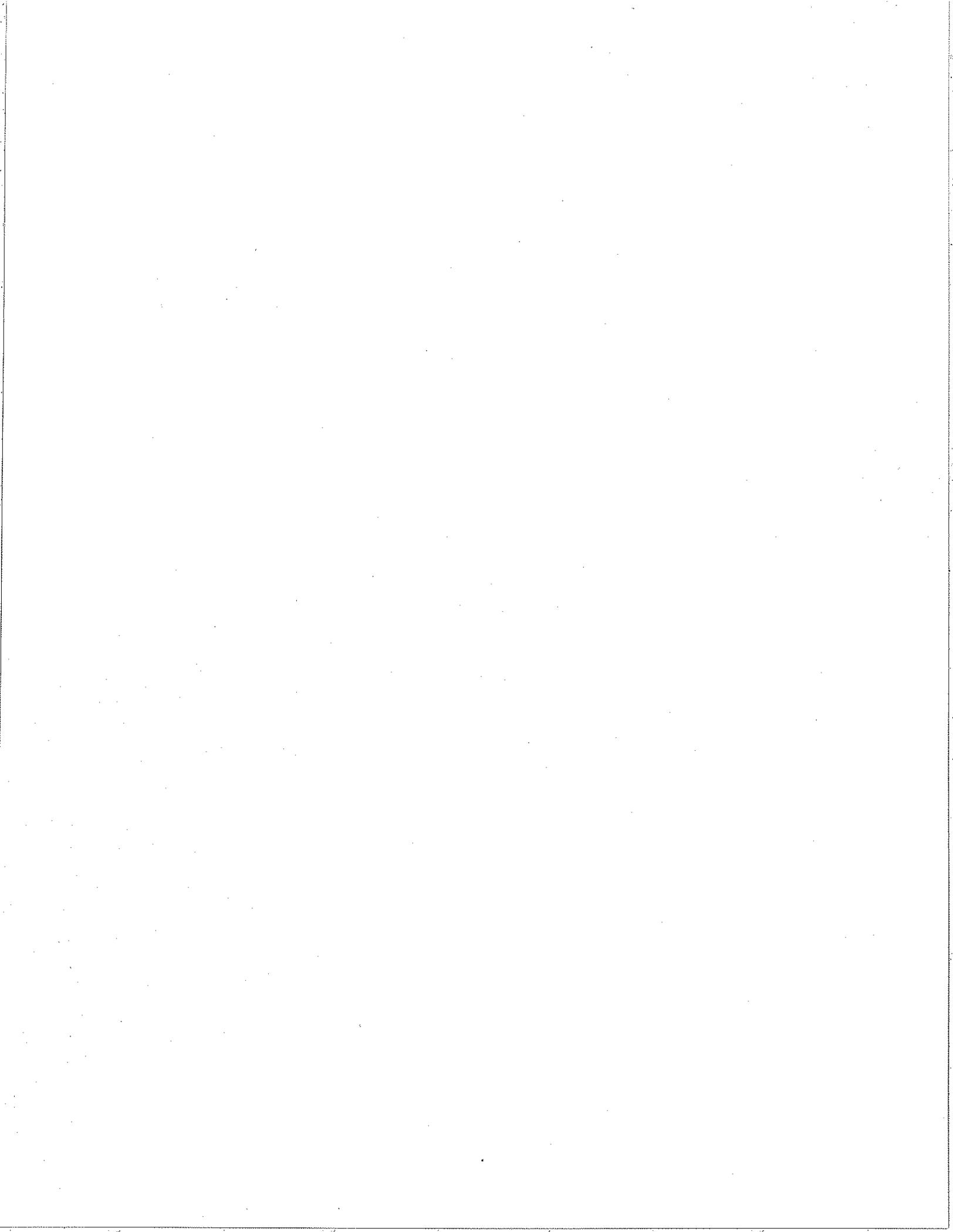
18. City bureaus should ensure employees understand the need for and use of personal protective equipment.

19. City bureaus should identify specific modified duty positions or tasks available for injured workers.

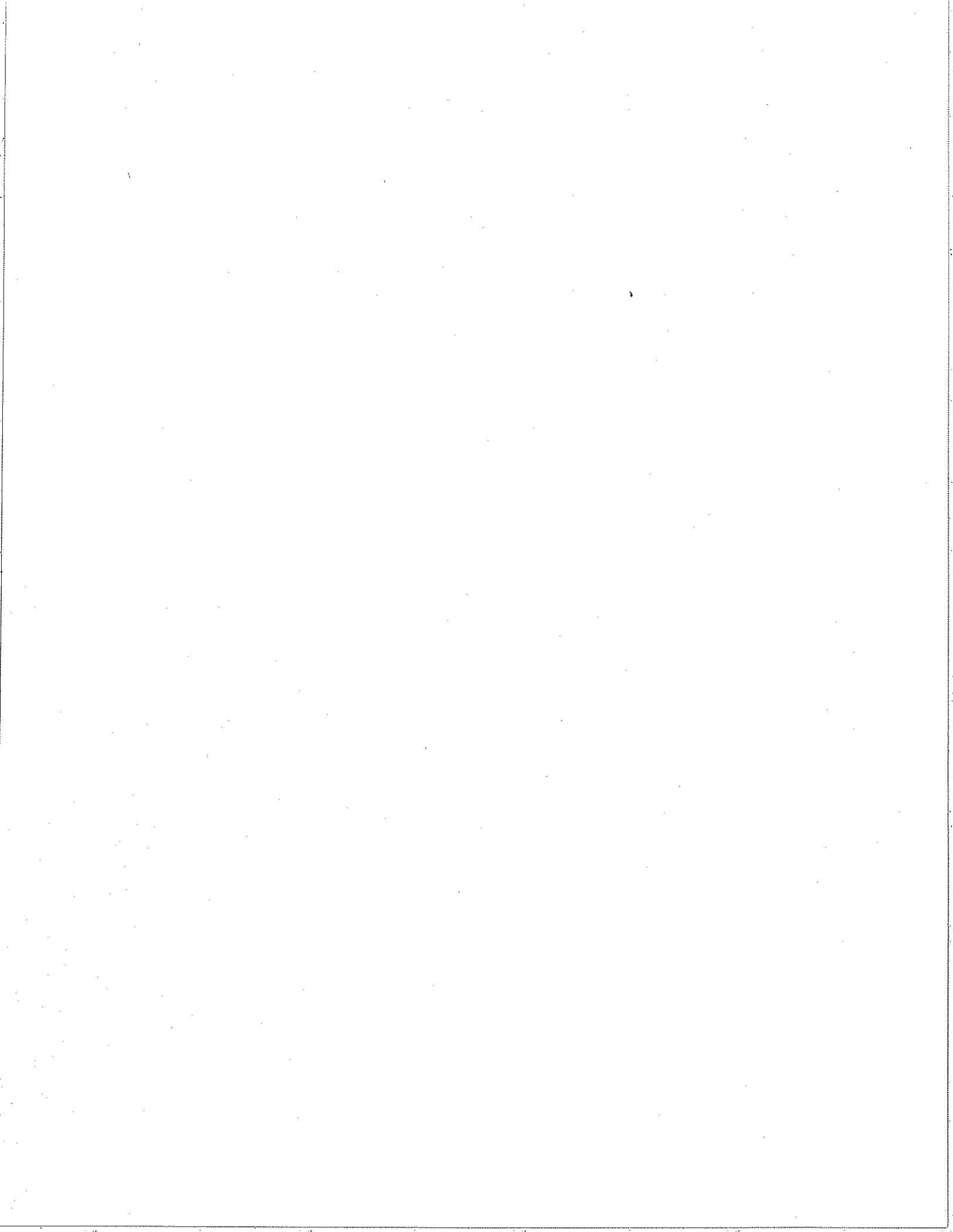
The modified duty positions should clearly define task requirements and the physical capabilities needed to

perform them. Lists of current modified duty assignments should be kept at Risk Management. Bureaus should keep accurate records on the number of employees participating in light or modified duty assignments.

Appendices



Appendix A
Wyatt Company Reports



Wyatt

Fire & Police Disability
and Retirement System Fund
Claims Audit

CITY OF PORTLAND

*Prepared by
The Wyatt Company
October 1994*

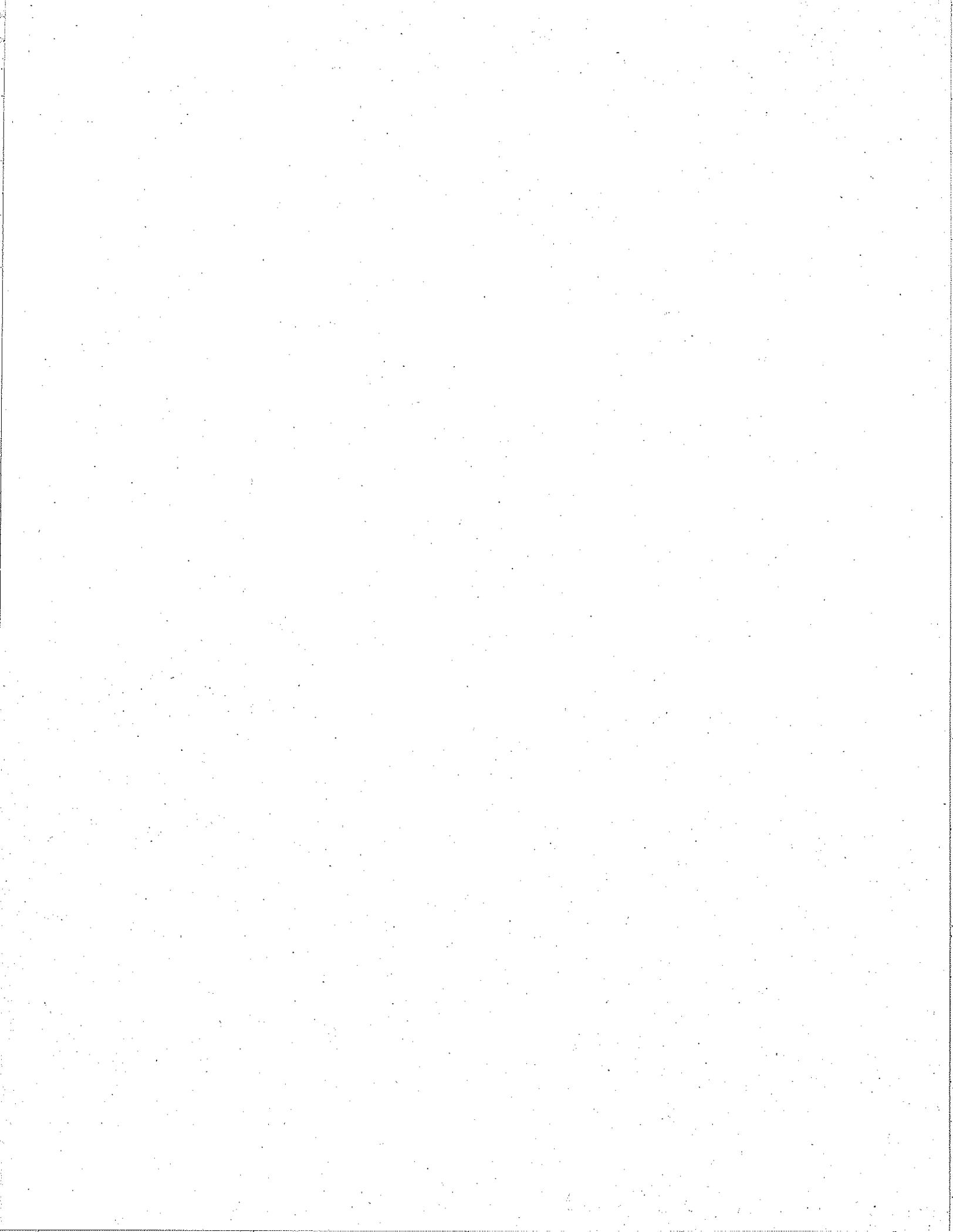
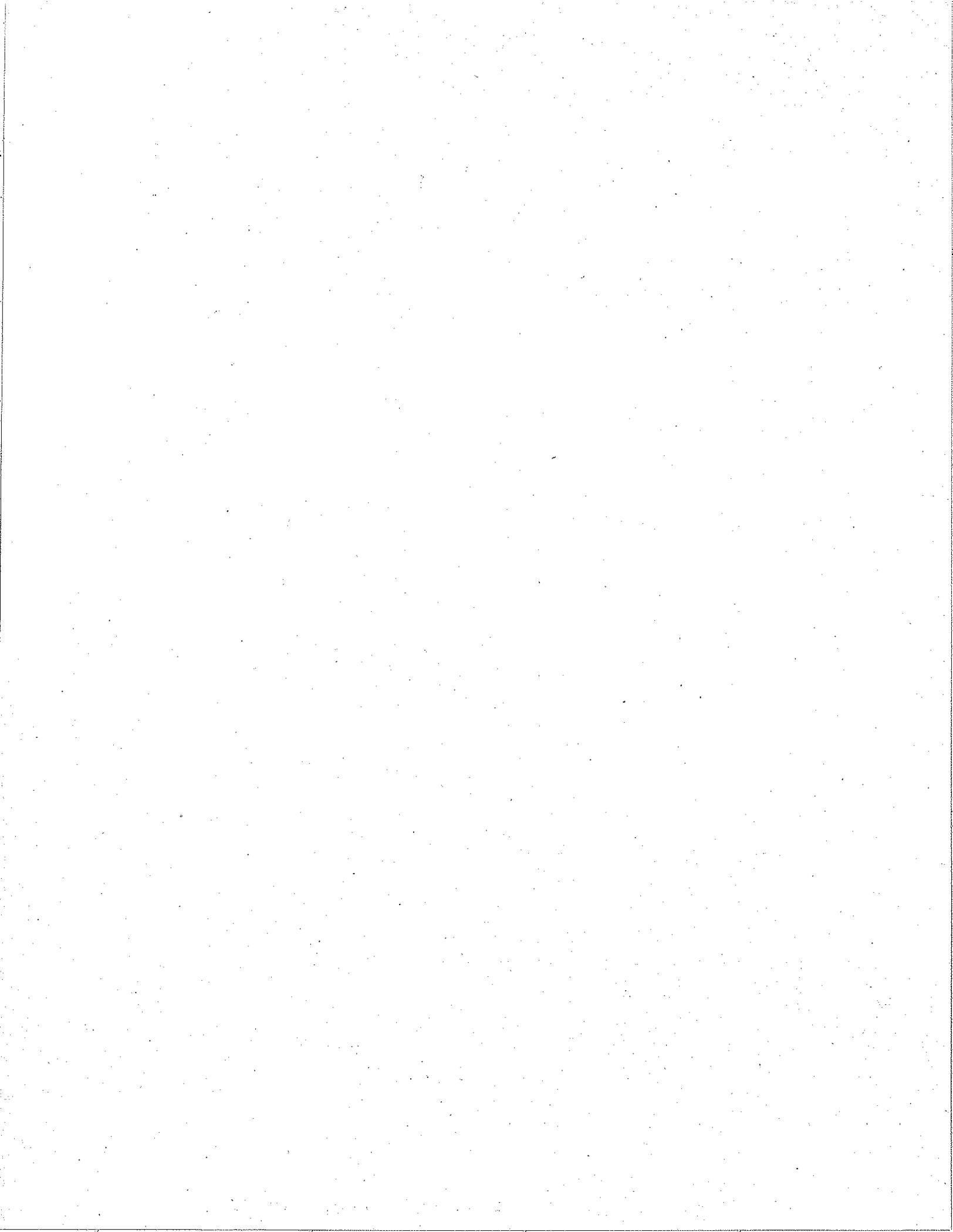


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I. Introduction

At the request of the Audit Services Division of the City of Portland, Oregon, The Wyatt Company conducted a review of the City's Fire & Police disability claims program which is administered by the City Fire & Police Disability and Retirement Systems Fund (FPDRS - also referred to in this report as "the Fund" or "the Plan").

The objective of Wyatt's review was to assist the City Audit Services Division in assessing the quality of investigation, compensability decisions, and effectiveness of ongoing management of disability claims.

It should be noted that some areas which typically would be included in a claims review, e.g., productivity, workflow, staffing and caseload, alternative medical treatments, additional research/survey of other cities, and management information system were not included in the Wyatt review. It is Wyatt's understanding that the work in these areas is performed by the City Audit Services Division. In this regard, any Wyatt's findings or observations in these areas which are reported herein are incidental as they relate to the specific area being assessed. Furthermore, this is a review of claims administration and no assessment has been made with respect to the design of the system.

II. Executive Summary

As a result of our review, we found that there have been some positive developments which will improve the claims administration process, but the current process does not ensure that the investigation and management of claims will be adequate for proper verification of injuries and their causes, proper monitoring of treatment, a timely return to productive work for the claimants, and avoidance of payment errors.

The positive developments include:

- o Implementation on July 1, 1994 of the return-to-work coordinator positions at the Police and Fire bureaus to help facilitate a modified-work concept.
- o A short-term plan to implement a medical bill review process using an outside medical review vendor.
- o A long-term plan to develop a provider network arrangement to improve coordination of treatment.

The shortcomings in the current process include:

- o A "reactive" philosophy of investigation and ongoing management of claims, i.e., often a claim is investigated only when there are questions by the claimant's supervisor or co-employees, and treatment plan is typically left up to the claimant and the treating physicians without being monitored and analyzed for possible alternatives.
- o A lack of experience and training in disability claims handling.
- o A lack of formal protocols for claims handling.

II. Executive Summary (Cont.)

- o A recordkeeping system - both paper file and computer system - that is not claim specific and therefore not conducive for claims handling.

The following are our recommendations to be considered by the City:

- o Adding a position of a disability claims analyst for daily claims handling and reporting to the Fund Administrator. This position should be filled by personnel well-trained in disability claims management.
- o Establishing formal claims handling protocols including a diary system, medical and disability management, and documentation.
- o Providing some basic training to current personnel on medical terminology and basic claims principles.
- o Modifying the recordkeeping system from a membership-based system to a claim specific system.

It is important to note that the overwhelming majority of claims, we believe, are legitimate. The purpose of investigation and claims management is not to always find ways to resist claims, but to identify the minority of claims where questionable circumstances exist, and to help ensure appropriate medical treatment and facilitate an timely return-to-work for all claimants. In some of the claims reviewed, it was clear that there was work done consistent with these concepts (including one case where we found that surveillance work was done to verify whether or not the claimant was working elsewhere). This work needs to be done more consistently. We believe that the opportunity exists to reduce the Fund expenditures, improve medical treatments, reduce disability through modified-work programs, and minimize illegitimate claims which cost

II. Executive Summary (Cont.)

taxpayers money and create morale problems among the Police and Fire bureaus. We believe this "win-win" situation can be achieved. While an in-depth analysis was not done as part of this review for an accurate estimate of potential savings, based on the experience of similar programs, we believe a significant cost reduction up to 50 percent of current expenditure is possible through the implementation of our recommendations and current plans by the Fund to improve the process.

Respectfully submitted,



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III. Background

The City FPDRS has been established since 1948 by Chapter 5 of the Charter of the City of Portland. Important changes to the FPDRS were made in 1989 following a study by a task force commissioned by the Mayor. For the purpose of this audit, the key changes included the following:

- o More restrictive benefits for service-connected (work-related) disabilities, which should encourage return-to-work and reduce incentive to stay off work.
- o Introduction of vocational rehabilitation and modified-work concepts, which also encourage return-to-work.
- o More restrictive provisions for occupational disease and stress claims.

As discussed in both the Mayor's Task Force 9/89 report and the 4/88 City Club report, there was a need for changes in the claims administration process to accommodate changes in the Charter. These administrative changes were made effective February of 1992. Accordingly, this review by Wyatt focused on the administration of the new Plan, and in particular since 1992.

IV. Scope of Work

The claims review was conducted in July 1994 and consisted of the following:

1. *A review of documents*

For the FPDRS claims review, the following documents were reviewed:

- o A report by the Office of the City Auditor dated June 1992 entitled "Fire & Police Disability and Retirement Plan: Status of 1989 City Charter Amendments"
- o Job descriptions of the Fund administrative staff
- o Fire & Police Disability and Retirement Fund, Chapter 5 of the Charter of the City of Portland, Oregon
- o The Plan administrative rules
- o The Mayor's Task Force 9/89 Brief Summary Report of the study of the Fund (only parts pertaining to the claims administration process)
- o A report dated April 15, 1988 on the City of Portland's Fire & Police Disability and Retirement Plan, published by the City Club (only part pertaining to the claims administration process)
- o The general orders of the Police Bureau and the File Bureau regarding claims reporting and investigation procedures.

IV. Scope of Work (Cont.)

2. *Staff interviews*

To complement the review of documents, interviews were conducted of the following personnel:

- o the Fund Administrator;
- o the Senior Financial Analyst;
- o the Secretary/Clerk II responsible for the processing of all medical payments; and
- o the Secretary/Clerk I responsible for the issuance of service connected disability checks.

3. *A review of claim files*

A sample of 54 disability claim files were reviewed. These were selected randomly from the last three years of claims. Claims filed under the old Plan were not reviewed.

The file review was conducted on-site at the office of the Fund Administrator during the week of July 18, 1994.

Each claim file was evaluated in the following areas:

- o timeliness and quality of contact with the claimant, the department, any witnesses and the treating physician;

IV. Scope of Work (Cont.)

- o timeliness and adequacy of documentation, e.g., physicians report, and other reports such as the investigative officer reports or other records; and
- o timeliness and appropriateness of additional investigation, e.g., field investigation (i.e., accident scene investigation), special investigation (e.g., background check, surveillance), and independent medical exams (IMEs).

Each of the above activities was to verify the cause of injury, extent of injury, necessity of treatment, time loss authorization, and possibility of an early return-to-work in a modified capacity.

Each of these activities was assessed for both the initial period - when investigation was needed to make the initial decision to accept or deny a claim - and the subsequent, ongoing period - for continuous verification of disability and medical treatment.

A claim was defined by Wyatt for the purpose of this review to cover an "episode", i.e, most often a period of disability indicated by a disability application - although related treatment and condition outside this disability period was also evaluated.

Relative to other disability plans, e.g., a long-term disability (LTD) benefit plan or workers' compensation, the FPDRS is less restrictive. This fact was taken into consideration in our review. The requirements for investigative work applied in our file review here were more lenient than what would be for reviewing LTD or workers' compensation claims.

IV. Scope of Work (Cont.)

Some references to claims handling practices for LTD and workers' compensation are made in this report. It should be noted that the FPDRS and the above systems are different systems and therefore any direct comparison of benefits would be inappropriate. However, there are general claims handling principles for disability claims which should be universal according to our experience and research. It is clearly necessary for investigation to be conducted to some extent, in the form of the activities described above, before a claim can be accepted or denied. Only in the context of these claims handling principles was any comparison made in this report.

V. Details of Findings and Recommendations

1. Staff Qualifications

There is an eleven-member Board of Trustees which approves or denies a claim as well as oversees all claims matters. The investigative and management work, the subject of this review, is essentially the responsibility of a Fund Administrator and his staff.

With respect to disability claims, the following are responsible personnel:

- o The Fund Administrator, who is a retired police officer and has been at this position for several years, with overall responsibility for investigation.
- o A Secretary/Clerk I, who has only been recently hired (5/94) as a replacement to the then-retiring secretary, responsible for the issuance of disability checks at disability rates determined by the Fund Administrator. Her job is mainly clerical.
- o A Secretary/Clerk II, who has been in this job for over 9 years, responsible for the issuance of medical payments. Her job is also mainly clerical.
- o A Board physician, responsible for reviewing claimants' disability status and medical treatment.
- o The injured employee supervisors, who are responsible for the initial investigation to confirm the facts of the claim.
- o An investigator who conducts all investigative work as assigned by the Fund Administrator. His involvement was minimal in the files reviewed.

V. Details of Findings... (Cont.)

Except for the Board physician, all the above personnel have no formal medical training other than as learned on the job. No one had any previous experience or training relating to any type of disability claims handling. This is also true for the modified-work coordinator positions being established at the Police and Fire bureaus, except that one has prior experience as a medic. In contrast, the City workers' compensation claims adjustors (risk management staff) and LTD claims analysts (Standard Insurance personnel) are formally trained in medical terminology, claims investigation, and disability management.

We see the need for an experienced disability claim specialist in the process, reporting to the Fund Administrator. We see the Fund Administrator's role as that of overall administration and management, and the other jobs described above as clerical in nature, which would warrant some, but not extensive training. The exception is the modified-work coordinator positions which should receive extensive training. We were advised that some internal training is being provided to these coordinators, and other staff has been included in these sessions. Also, there are meetings planned between the Fund and Risk Management staff for sharing of experience and ideas. These are steps in the right direction, in our opinion.

We recommend the addition of a disability claim specialist position. The following would be the duties and responsibilities of this position:

- o Review all incoming disability applications and perform any necessary investigation;
- o Recommend approval or denial of claims;
- o Develop a claims management plan, or action plan;

V. Details of Findings... (Cont.)

- o Support the modified-work coordinators in identification of modified-work candidates, their medical limitations and skills, and possible job modifications;
- o Maintain contact with the employee, and the treating physicians, and the employee's bureau; and
- o Monitor treatments and make recommendations for possible intervention by the Board physician, independent medical exams or second opinions, or utilization review, following medical management protocols (to be established).

There would potentially be overlapping efforts by the Fund Administrator, the modified-work coordinators, and the recommended position of a disability specialist. Further reviews may be necessary to clarify the roles and responsibilities of each party, but conceptually we suggest the following delineation:

- o The disability specialist's job should be to "manage" the claim according to medical and disability management principles.
- o The Fund Administrator's job should be to ensure proper delivery of benefits, and serve as a liaison to the Board.
- o The modified-work coordinators' job should be to serve as contact/liason between the Fund, the injured employee, and the bureaus in all efforts regarding returning to work.

V. Details of Findings... (Cont.)

2. Policies and Procedures

Policies and procedures for the claims administration process are informal. Specifically, there are no clear procedures for the following:

- o *A diary system* -- The current procedures do not allow for effective monitoring of disability or medical treatment. Despite a procedure for all cases to be approved for disability status every two weeks, some cases we reviewed did appear to have gone on for a long time without any monitoring. A mandatory 30-day or 60-day diary is common for disability claims handling, and is recommended.
- o *Medical and disability protocols* for the purpose of screening claims to be further reviewed by the Board physician and/or the Board. The current process relies solely on the individual discretion of personnel who are not formally trained in this area. These protocols can be developed with the help of consultants or utilization review vendors. Examples of medical management protocols are included as Exhibit 1. We also understand the Fund is working in conjunction with the City Employee Health Benefit program to develop a medical utilization review process whereby providers' bills will be reviewed for reasonable and customary charges and adjusted by an outside vendor. The long-term plan is to develop a preferred providers arrangement. We believe these are steps in the right direction.
- o *File documentation* of activities such as claimant contact and action plan. We were advised by the Fund Administrator that there is a plan to improve file documentation with the implementation of the return-to-work coordinator positions at the Fire and Police bureaus.

Exhibit 1 - Examples of Medical Management Protocols
(Page 1)

The following are guidelines for claims to be reviewed by the Board physician and possibly need an IME:

- For soft tissue injury, excess of:
 - o 20 physician's visits or 3 months of treatment
 - o 35-40 physical therapy sessions or 3 months of treatment
 - o 45-50 chiropractic visits or 6 months of treatment
- Excessive physician's charges per visit
- All TMJ (Temporomandibular Joint Dysfunction) cases
- Concurrent treatments MD, chiropractic, and physical therapy
- Thermography, CT scan, MRI if:
 - o ordered by chiropractic
 - o or within 90 days of accident
 - o or soft tissue injury only
- No reduction of frequency in general for chiropractic & physical therapy visits
- Chiropractic treatment for children under 12 years old
- Physical therapy treatment not ordered by MD
- Vehicle accidents with minor property damage but large medicals
- Psych, naturopath, acupuncture, biofeedback
- Any question or appearance of excessive treatment, medical supplies, drugs (i.e., durable medical equipment not ordered by MD)

Note that for claims to be easily checked against the above guidelines, claims information need to be maintained via a claim-specific records system.

Exhibit 1 - Examples of Medical Management Protocols
(Page 2)

The following are guidelines for bills to be reviewed by an audit service vendor:

- Surgery bills over \$5,000, possible cosmetic surgery, or when assistant surgical fee exceeds 20% of surgical fee
- Hospital bills over \$5,000 for one stay
- Two chiropractic or physical therapy visits a day
- Chiropractic office visit charge with every manipulation
- Chiropractic & physical therapy re-evaluations more frequent than 30 days
- More than 3 modalities (chiropractic & physical therapy) per visit.

V. Details of Findings... (Cont.)

In addition, *the records system* is not conducive for claims management in our opinion. The Fund records system is designed based on membership so that all records - as maintained in physical files and in computer system database - are by member. Separate records and physical claim files are not created for each claim episode. Medical bills and their payments are not part of the paper file records but filed separately by date.

There are pros and cons for any approach, but according to our research and experience, most disability claim records systems are based on claim and not membership.

In our opinion, the following are key weaknesses in the current system employed by the Fund:

1. It is difficult to review all information relating to a single claim since documents are filed separately and difficult to track. For example, medical bills and their payments for a single disability claim may be filed in several different batches as they are received and paid over time. The difficulty in reviewing all information about a claim would lead to difficulties in managing it.
2. Duplicate payments can easily occur, since there is no quick way to verify if a bill is a duplicate. Payment information is available on the system but needed to be printed out for viewing. Our understanding of the process is that this payment information is printed once a month and filed in a member file, not at the time when a bill is approved for payment. If for some reason it was not printed, the payment information in the file, which is relied upon by the secretary when she approves bills for payments, may be incomplete.

V. Details of Findings... (Cont.)

We recommend:

1. A separation of paper file records by claim - this can be easily done by adding a suffix to a member number; and
2. Modifying the data system accordingly. (Note: Additional observations regarding the system are included in a subsequent section of this report.)

V. Details of Findings... (Cont.)

3. Results of File Review

The following summary exhibit (Exhibit 2) illustrates the results of the file review. Additional comments follow this exhibit.

Exhibit 2

City of Portland FPDRS Summary of File Review Findings

Contact	Initial Activity		Ongoing Activity	
	No. of Cases Applicable	Satisfactory	No. of Cases Applicable	Satisfactory
Claimant	25	1 (4%)	24	1 (4%)
Department	13	1 (8%)	11	0
Witness	0	0	0	0
Treating Phys.	7	1 (14%)	11	1 (9%)
Documentation				
Medical reports/records	52	45 (87%)	28	25 (89%)
Other reports/records	21	19 (90%)	3	3 (100%)
Additional Investigation				
Field Investigation	0	0	0	0
Special Investigation	0	0	1	1 (100%)
IME	4	0 (0%)	6	2 (33%)

An activity is rated unsatisfactory when it was:

- not done but should have been done; or*
- late; or*
- done, but the quality of work was deficient.*

Measurement was performed only with respect to the applicable cases for each category, based on the information in the file. Not all categories were applicable for all 54 cases reviewed. For example, 25 cases were thought to have required initial contact with the claimant, and documentation of this contact was found in only one of these 25 cases.

V. Details of Findings... (Cont.)

- o We believe that there was a lot more work done with respect to the handling of claims than was documented in the files. For example, we know that claimant contact frequently occurs as the claimants are required to come in the Fund Administrator's office for paperwork. Although the Fund Administrator often meets with the claimant at that time to discuss benefits and disability plan, this activity has not been documented in the claim file. Our findings, as shown in Exhibit 2, may be affected by this lack of documentation.

Recommendation: All claims handling activity, e.g., all contacts, investigation work, analysis of treatment plan, plan of action, etc., should be clearly documented as part of the claim file.

- o There was evidence of investigative efforts by the investigative officers at the Police and Fire bureaus. Several of the files reviewed contained investigative reports in addition to the disability application. But there is a limit to the results of these investigations: the investigative officer can only verify the occurrence of an incident at work, perhaps contact witnesses, and provide additional background, but he/she is not trained to ask questions relating to medical condition to identify potential non-work causes. Also, not all claims were accompanied by an investigative report, and in those cases it was unclear how much investigation was actually done. This leads to a related finding and recommendation below.

V. Details of Findings... (Cont.)

- o Investigation regarding the relationship of injury or disease with employment was inconsistent. In several cases it was either inadequate or not documented. (It should be noted that we would expect a very high performance level in this area because, typically, only a very small number of claims would not be work-related.) Physician reports are sometimes missing or inadequate to verify service-connection or time loss authorization. Since benefits are structured differently for non-service vs. service-connected disabilities, a failure to clarify whether or not an injury was work-related would result in excessive payments if the disability was classified as service-connected.

Recommendation: Additional investigation needs to be done by the Fund to supplement the work of the investigative officers. This additional investigation should focus on medical related issues. Note that some investigative work is also done by the claimant's supervisor for other systems, e.g., workers' compensation or long-term disability claims, but it does not replace the next level of investigation done by claims adjusters. In this regard, the Fund is unique in not having formally trained claims specialists for investigative and management work.

- o The claims investigation and management process overall could be described as *reactive*. Any initial investigation by the Fund Administrator and/or his staff is done only when there are questions raised by a claimant's supervisor or co-employees. The same is true for ongoing investigation, such as to verify that a claimant is not working elsewhere without the knowledge of the Fund. This reactive (and inconsistent) characteristic of the investigative work is illustrated by the finding of only one special investigation (a surveillance) performed among the 54 cases

V. Details of Findings... (Cont.)

reviewed. It is also inconsistent with the overall direction of the Fund in view of the current developments regarding the plans to use medical bill review and provider network.

Medical and disability management is reactive after the initial acceptance of the claim. Treatment plan is typically left to the injured employee and his/her treating physicians. Independent medical exams are rarely done (IMEs were done in 2 out of the 54 cases reviewed). For example, there does not appear to be a practice of obtaining a second opinion for surgery.

We found instances of excessive treatments and length of disability. We believe that this was a direct result of the above findings, and also by a record systems that is not claims specific and a lack of protocols for the claims process.

Recommendation: In order to provide effective treatments, return claimants to productive work, and reduce costs, the claims investigation and management process must be pro-active. A pro-active claims process requires the following to be done for every claim:

- A prompt initial investigation to verify that the medical condition is work related;
- Prompt delivery of benefits;
- Early assessment of limitations and options for returning to work, and ongoing analysis of same;

V. Details of Findings... (Cont.)

- Careful monitoring of treatment plan to minimize duplicative, unnecessary, or ineffective treatments;
 - Ongoing analysis of possible alternatives for medical treatment or vocational rehabilitation aiming at returning the claimant to work; and
 - A plan of action from the outset for the above.
- o Contact with the treating physicians and with the bureaus is inadequate to explore potential for early return-to-work through work modifications. It is our understanding that, effective 7/1/94, one position each will be available at the Police and Fire bureaus to coordinate the return-to-work program. These positions will be temporarily filled by employees who could return to work but not yet ready for full duty. The positions are funded by the Fund. It is likely that improvements will occur in this area. However, since the employees filling these positions will do so only temporarily and since they are not extensively trained in this area, their effectiveness will be limited without the support of medical/disability management professionals.

Recommendation: As previously recommended, a disability claims analyst should be added to the Fund staff to provide expertise and support in this area.

Examples of findings are provided as Exhibit 3.

Exhibit 3
(Page 1)

Examples of claims findings:

1.

A 49-year old police officer submitted a stress claim in February 1994. Information in the claim file shows that the claimant was off work for coronary artery disease with some periods of depression in 1990. There was no medical exam to identify the possibility of heart-related condition to his job. The only physician's report in the file was a psychologist report alluding to exams by other physicians and the hospital who found nothing wrong with the claimant. There was no discussion regarding past medical history in this psychologist's report. There was no investigation regarding the possibility of job stress, i.e., no personnel file records were reviewed, no interviews were conducted of supervisors or co-employees, or of the claimant himself.

2.

A 29-year old police officer submitted a disability claim in February 1994. Her claim was paid but there was no disability application or supporting physician report in the claim file.

3.

A 43-year old police officer submitted a disability claim in February 1994. The alleged injury was to the neck and shoulder area. The disability period was alleged to be caused by a recurrence of an old job injury to the shoulder in October 1991. The file shows no treatment in 1992 or 1993 for this shoulder injury. (The file also shows a 1992 ankle claim and a 1993 stress claim.) There was no documentation in the claim file regarding whether the recurrence occurred at work. According to the investigative officer's report, there was no specific incident mentioned by the claimant. The claimant eventually had surgery in May 1994. There was no medical exam performed to provide second opinion regarding the necessity or appropriateness of surgery.

Exhibit 3
(Page 2)

4.

A 38-year old firefighter suffered an injury originally in 1982 while fighting fire. He re-injured it in 1992. Treatment to date included over 100 chiropractic visits since January 1992, not counting any concurrent physical therapy treatment. There was a request from the Board physician in file for a second opinion in April 1992 which did not appear to be acted upon. In October 1992, the treating chiropractor also recommended a second opinion. Duplicate payments were made for services of February 6 and February 10th.

5.

A 38-year old firefighter submitted a pneumonia claim. Disability benefits were paid from 5/26 to 6/1/94 but there was no physician authorization for time loss in the file.

6.

A 33-year old male firefighter submitted a hernia claim in February 1994. The hernia was discovered during routine physical exam and there was no evidence that this was work-related. Surgery was performed in February 1994. There was no operative report in the file. Bill for anesthesia in the amount of \$572.00 was paid twice.

7.

A 47-year old police officer submitted a heart claim in October 19, 1991. By-pass surgery was performed November 1991. The claimant was told by the physician to return to work "when ready" but he was confused by a letter by the Fund waiving further filing of disability reports indefinitely (this is done sometimes when it is clear that a claimant will be disabled for a long period of time) and thought officially retired. Because of this, the claimant returned to work in September 1992 when he could have returned in April 1992 according to the physician. There was no active follow-up to confirm disability.

8.

A 27-year old police officer submitted a claim for back/neck injury in December 1993. According to the file, he has been treating with a chiropractor since September 1993. The number of chiropractic visits since September 1993 has reached 93 and is continuing. There is no action documented with regards to a plan to request an independent medical examination or seek alternative treatments.

V. Details of Findings... (Cont.)

4. Possible Savings

As a result of this review, we are convinced that significant cost savings can be achieved. The savings would come from the following areas:

- Denying benefits to ineligible claimants through better investigation;
- Eliminating payment errors, e.g., duplicate payments, through better claims processing;
- Minimizing excessive treatments through better monitoring of claims;
- Reducing length of disability, both by improving treatment plan and by actively seeking modified-work opportunities; and
- Utilizing managed-care techniques, such as provider network and utilization review, to improve quality of care at possibly reduced fees.

Opportunities for savings from the first four areas above can be recognized through the examples in Exhibit 3. The last item is an accepted method by claims administration organizations and the medical community for medical management. Further, our reading of the city Charter is that the FPDRF Board has the right to practically limit providers choice.¹

¹ Chapter 5, Section 5-306 (e) Medical and Hospital Expenses. "...The Board may limit reimbursement to particular medical and hospital service providers with which it has made fee arrangements and may join in the purchase of services and administration of claims for other employees of the City of Portland."

V. Details of Findings... (Cont.)

We have not performed an in-depth analysis as part of this project to estimate the extent of potential savings. It is also questionable whether such an in-depth analysis could provide accurate results due to an overall unavailability of data. (The only way to collect meaningful data for such analysis would be to manually review all member file records and reconstruct claim payments.) Industry estimates of savings by each cost management method vary and are difficult to verify. But based on the literature available, our experience with various claims programs, and our review of the Fund claims, significant savings up to 50 percent of current expenditures are not unrealistic.²

² A control study by the Florida Insurance Department found that workers' compensation claims costs can be reduced over 50 percent through the use of managed-care programs. This study divided thousands of state employees into two control groups, one enrolled in an HMO and one not, and tracked results over the last two years. We believe this is the only major control study on the effectiveness of managed care that has published results to date. More information on the Workers' Compensation Managed Care Pilot Project is available from the Florida Department of Insurance, telephone: (904) 922-3100. Note that this is only an example. There is significant information on other non-controlled studies among the literature available in the medical and disability management area.

V. Details of Findings... (Cont.)

5. Other Observations

The following observations were made, but not thoroughly investigated, as they were related to areas outside the scope of Wyatt's work:

- o There is some late reporting of incidents by the Police and Fire bureaus which lead to a lost opportunity for early medical or disability management.
- o The computer system software currently being utilized for claims data processing and payment issuance does not have the capability to build a database for aggregate analyses. Information regarding average claim costs, length of disability, most common type of injuries and treatments, for example, are not readily available for analyses and policy decisions. The City should explore alternative systems.
- o It is our understanding that the workers' compensation cost would affect a bureau's budget but the Fund expenditures do not. One of the potential effects this may have, as pointed out in prior reports concerning the Fund, is that it would encourage the Police and Fire Chiefs to place higher priority on exploring modified-work opportunities for injured personnel under the workers' compensation system. (About 55 of the 900-men police force, and 129 of the 700-plus firefighters are under the workers' compensation system.) The City may want to review its budgeting process for the Fund expenditures.

V. Details of Findings... (Cont.)

- o The Fund eleven-member Board of Trustees consists of the Mayor, the Treasurer, the Auditor, and the rest from the Fire and Police bureaus. Eight of the current eleven Board members are beneficiaries of the Plan. We noted that concerns regarding potential conflict of interests have been raised in the past by observers of the system. We would endorse the idea of including independent members on the Board. These independent members can include people from other City bureaus or civic groups, and people with medical and/or disability management expertise (e.g., physicians, nurses, disability claims professionals).

Wyatt

Workers' Compensation
Claims Audit

CITY OF PORTLAND

*Prepared by
The Wyatt Company
October 1994*

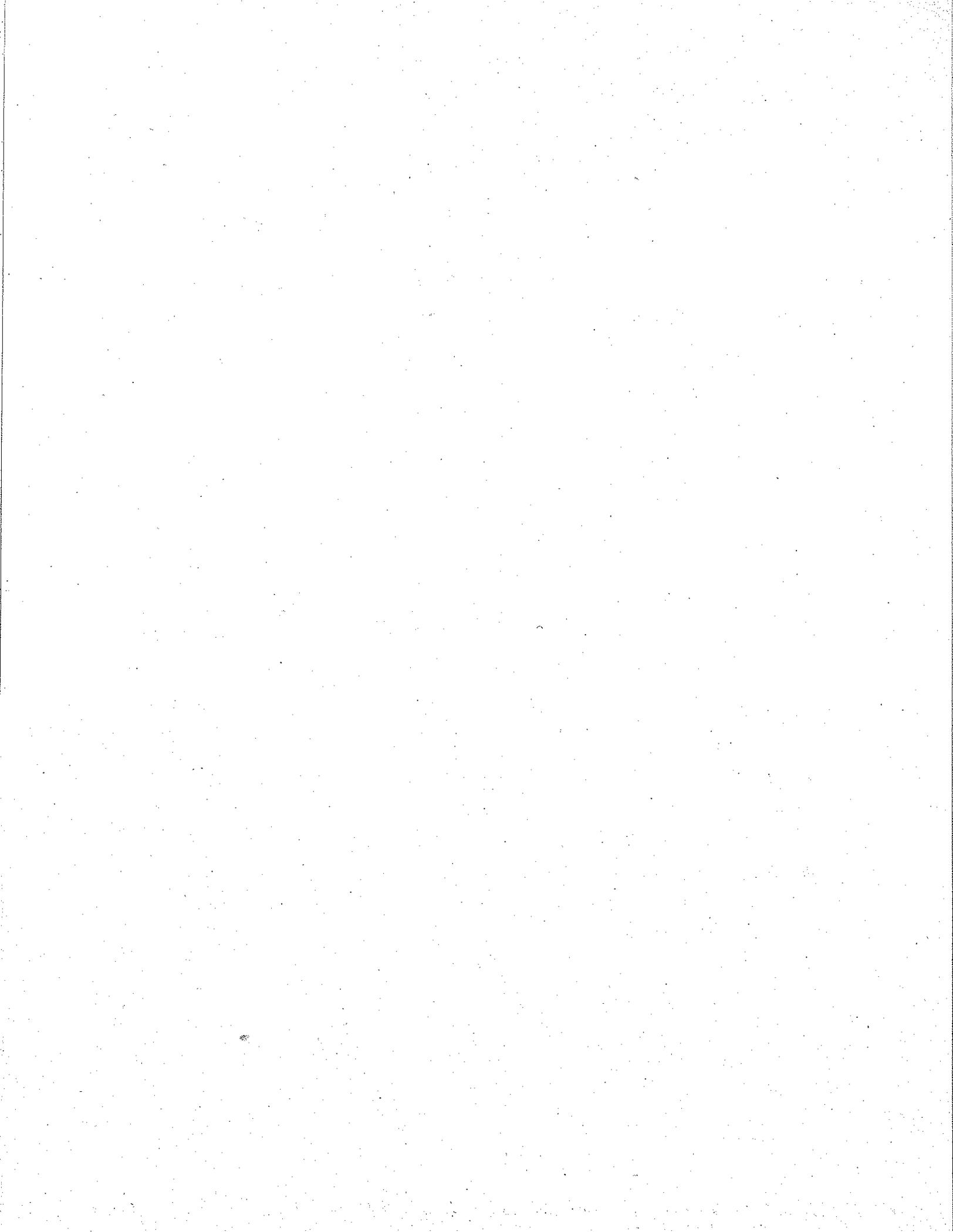
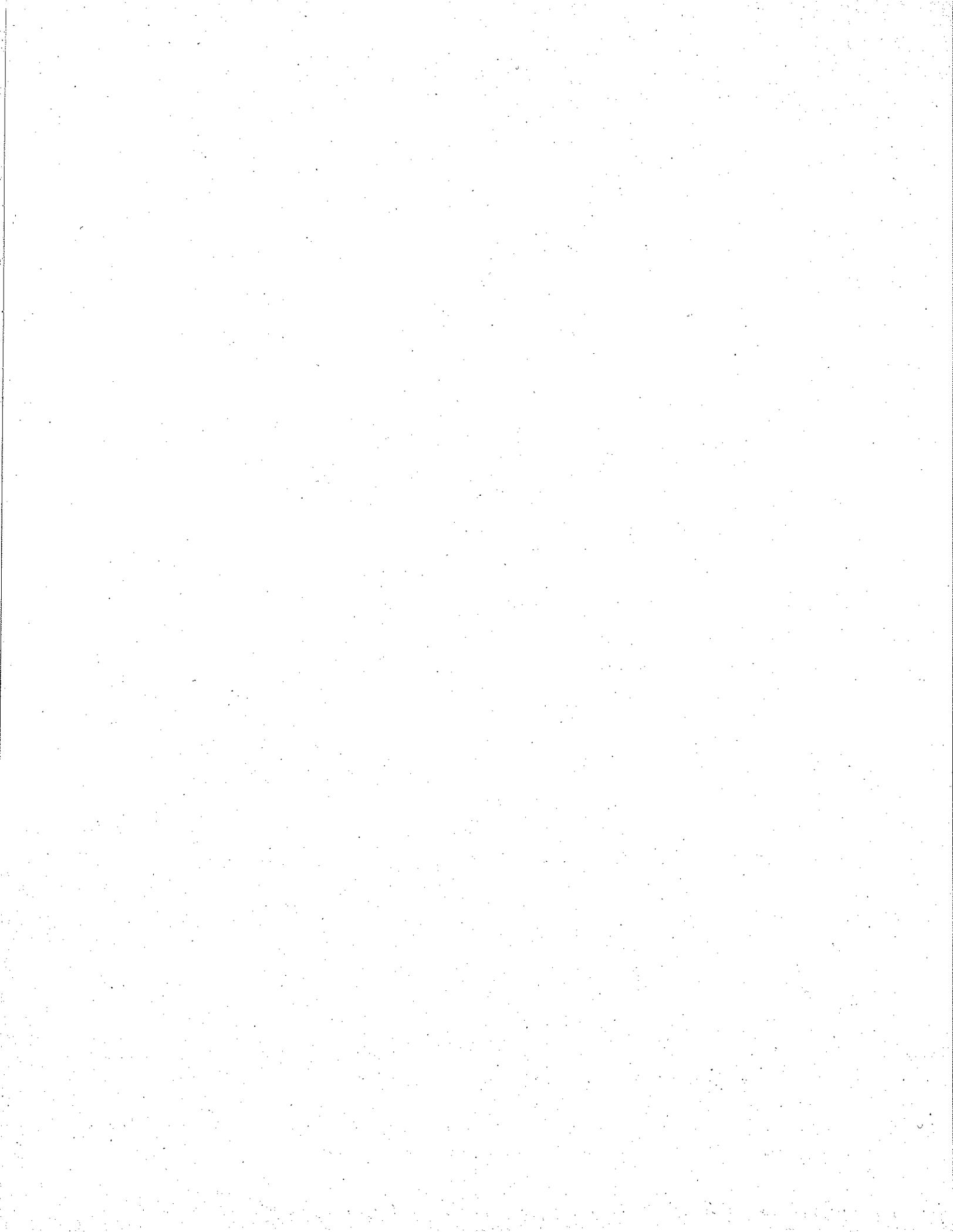


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I. Introduction

The City of Portland self-insures its workers' compensation exposures. Claims have been self-administered by the Risk Management staff of the City.

At the request of the City Audit Services Division, The Wyatt Company conducted a review of the workers' compensation claims program which is administered by the City Risk Management Bureau.

This workers' compensation claims review is a follow-up of a previous audit conducted by The Wyatt Company in 1989.

The objective of Wyatt's review was to assist the City Audit Services Division in assessing the quality of investigation, compensability decisions, and effectiveness of ongoing management of claims.

It should be noted that some areas which typically would be included in a claims review, e.g., productivity, workflow, staffing and caseload, alternative medical treatments, additional research/survey of other cities, and management information system were not included in the Wyatt review. It is Wyatt's understanding that the work in these areas is performed by the Audit Services Division. In this regard, any Wyatt's findings or observations in these areas which are reported herein are incidental as they relate to the specific area being assessed.

II. Executive Summary

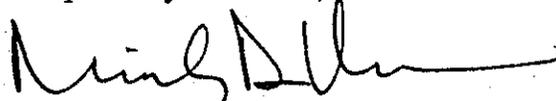
As a result of the audit, we found great improvements in claims handling performance compared to results of the audit in 1989. The City's workers' compensation claims are administered by an experienced staff. We found claims to be very thoroughly investigated, the decision making proper, and there is active ongoing management. Other improvements with the processing of claims, compared to results of the 1989 audit, were also noted.

There are, however, two areas for further improvement:

- o Claimant contact -- There were some late contact and some not documented. While overall performance is not unacceptable, it should be improved for this important activity.
- o Supervision -- The process is not well documented and needs enhancements to ensure that all claims will be adequately monitored. It was noted that this is an area where the manager has planned to implement additional procedures in the near future.

Details of findings and recommendations are further discussed in the rest of this report, following discussions on background and scope of work.

Respectfully submitted,



Minh D. Vu, CPCU

Consultant

(415) 984-2404

III. Background

- *Key Findings of The Wyatt Company 1989 Audit*

To the extent that the 1994 audit was a follow-up of the 1989 audit, a brief summary of the 1989 audit is included herein as reference.

In 1989, The Wyatt Company conducted a comprehensive audit of the workers' compensation claims administration program on behalf of the City. This audit revealed several deficiencies in the way claims were handled. With regard to the quality of investigation and decision making, which is the subject of the 1994 audit, the key relevant findings included the following:

- an ineffective staffing structure;
- a lack of procedures for investigation activities (e.g., claimant contact, protocols for utilization of independent investigators, etc.);
- late or lack of claimant contacts;
- a lack of timely follow-ups - many claims went on for a long time without being monitored;
- a lack of formal file reviews and supervision;
- the claims staff made a good effort in resisting compensability for the whole claim when the accident was not work-related but often failed to monitor the medical treatment, thus paying for parts of the injury that probably were unrelated; and
- an ineffective diary system, which contributed to the above.

III. Background (Cont.)

The Wyatt report on the 1989 audit made a number of recommendations to correct these findings. These recommendations included the development of a claims procedure manual, changes in staffing structures, a more formal supervision, and improvements in the diary system.

- *The Intervening Oregon Workers' Compensation Reform*

The State of Oregon, traditionally, had been a state with highly liberal workers' compensation benefits structure and a jurisdiction climate that favored the claimant and was costly for employers to litigate claims. This was the workers' compensation climate at the time of the 1989 audit by Wyatt.

As escalating workers' compensation costs reached crisis magnitude, Oregon passed a reform bill in 1991 which has significantly reduced the state workers' compensation cost. A feature of this reform, relevant to this report, is the introduction of strict rules on the utilization of treatments (physical therapy and chiropractic treatments, in particular, which were highly utilized prior to the reform) which automatically reduced the claims adjustor work in the monitoring and challenging of unwarranted treatments. The implications of this intervening reform were taken into account by Wyatt in the 1994 audit. Whereas in the 1989 audit we were mindful of the fact that it could be arguably futile to attempt to manage treatment, we now believe that it is imprudent not to do so under the current laws, and expect workers' compensation claims to be handled accordingly.

IV. Scope of Work

The claims review was conducted in July 1994 and consisted of the following:

1. *A review of documents*

For the workers' compensation claims review, the following documents were reviewed:

- o the Risk Management Division Annual Report for Fiscal Year 1992/93;
- o the Workers' Compensation Policies/Procedures Manual;
- o the Workers' Compensation Quality Improvement Plan (2/94 draft); and
- o the State Claims Audit Reports.

2. *Staff interviews*

To complement the document review, interviews were conducted of the following personnel:

- o the Workers' Compensation Manager;
- o 2 Claims Adjustors; and
- o 1 Claims Technician.

IV. Scope of Work (Cont.)

3. *A review of claim files*

A sample of 44 workers' compensation claim files were reviewed. These claims were selected randomly from the last three years of losses.

The file review was conducted on-site at the office of Risk Management during the week of July 18, 1994.

Each claim file was evaluated in the following areas:

- o timeliness and quality of contact with the claimant, the department, any witnesses, and the treating physician;
- o timeliness and adequacy of documentation, e.g., physicians report, and other reports such as an AOE/COE (arising out of employment/in scope of employment) investigative reports or other records; and
- o timeliness and appropriateness of additional investigation, e.g., field investigation (AOE/COE investigation, scene inspection), special investigation (e.g., background check, surveillance), and independent medical exams (IMEs).

Each of the above activities was to verify the cause of injury, extent of injury, necessity of treatment, time loss authorization, and possibility of an early return-to-work in a modified capacity.

Each of these activities was assessed for both the initial period - when investigation was needed to make the initial compensability decision - and the subsequent, ongoing period - for continuous verification of compensability.

V. Details of Findings and Recommendations

1. Staff Qualifications

The City Risk Management Staff responsible for the handling of workers' compensation claims include:

- o A workers' compensation claims manager with several years of workers' compensation experience who has been with the City since 1989.
- o Two claims adjusters - one with the City since March 1991 with 8 years of prior experience with an insurance company, and the other with the City since early 1990 (as a consultant and since Dec. 1992 as an employee) with prior experience of about 15 years with other insurance companies and third-party administrators - who are responsible for the handling of serious indemnity claims (claims involving time loss from work and/or permanent disability).
- o One claims technician, who has been with the City for several years, responsible for the handling of the less serious indemnity claims.
- o One staff specialist whose responsibility is to perform medical bill review and coordinate the return-to-work program.
- o One assistant claims technician who is responsible for the processing of medical-only claims and general clerical support.

V. Details of Findings... (Cont.)

Both the two adjustors and the claims technician hold the Oregon State Claims Examiner certificate which was mandated by the state in 1990 for workers' compensation claims handling. Typical of workers' compensation claims personnel, all three received training in claims handling and medical terminology from insurance courses provided by insurance companies or industry-sponsored associations such as the Insurance Education Association, the Oregon Workers' Compensation Adjusters Association, the Oregon Self-Insurers Association, and the Insurance Institute of America. We noted that the claims technician also received prior training as a nurse aide. In terms of general experience and qualifications, the City claims handling staff are above average in our opinion.

The current staffing structure of 2 adjustors and 1 technician was changed from a previous structure of 1 adjustor and 2 technicians in 1989 as recommended by Wyatt to accommodate the City's claims inventory which is more complex than average.

2. Policies and Procedures

As recommended by Wyatt following the 1989 audit, a written claims procedure manual has now been in place for sometime. In interviewing the claims staff and observing the workflow, we found that the work process is consistent among the staff, which is a great improvement from 1989 when each person more or less followed her own individual working style and habits.

V. Details of Findings... (Cont.)

An area that should be improved is the quality control process. While it is true that in a small group supervision is often informal because there is active day-to-day contact between a supervisor and her subordinates, a lack of formal supervisory diary and file review based on a set of well-defined criteria means that not all the checks and balances are in place to ensure that all claims will be adequately monitored. Our review of claim files revealed little documentation of file monitoring activities by the manager. Upon further discussion with the manager, it is our understanding that there are reviews by the manager based on system generated reports listing files meeting certain criteria, such as high reserves. To ensure that all claims will be monitored properly, we recommend an additional criteria for files to be reviewed based on how long they have been open regardless of reserve levels. We also recommend that file reviews by the manager be documented in the claim file.

There are apparently continuing efforts to improve the process, as evidenced by efforts to flowchart the claims handling process this year, and as documented by a well-written quality improvement plan drafted by the manager.

3. Results of File Review

Compared to results from the 1989 audit, Wyatt found great improvements in the claims handling performance overall regarding investigation, decision making, and ongoing management of claims.

The following summary exhibit illustrates the high level of satisfactory performance recorded from the 1994 audit. Additional comments follow this exhibit.

Exhibit

City of Portland Workers' Compensation
Summary of File Review Findings

Contact	Initial Activity		Ongoing Activity	
	No. of Cases Applicable	Satisfactory	No. of Cases Applicable	Satisfactory
Claimant	36	31 (86%)	23	21 (91%)
Department	26	24 (92%)	5	4 (80%)
Witness	3	3 (100%)	0	0
Treating Phys.	27	26 (96%)	25	24 (96%)
Documentation				
Medical reports/records	44	44 (100%)	29	28 (97%)
Other reports/records	6	6 (100%)	0	0
Additional Investigation				
Field Investigation	2	2 (100%)	0	0
Special Investigation	1	1 (100%)	0	0
IME	11	11 (100%)	12	12 (100%)

An activity is rated unsatisfactory when it was:
-- not done but should have been done; or
-- late; or
-- done, but the quality of work was deficient.

V. Details of Findings... (Cont.)

- o Compensability decisions were deferred for almost all of the claims reviewed pending investigation.
- o A formal statement of the claimant or a witness was secured in 9 of the cases reviewed. This frequency of statementization is comparable to that of insurance companies and probably higher than most self-administered organizations. It demonstrates the thoroughness of investigation by the City of Portland's workers' compensation claims staff, in our opinion.
- o There was evidence of thorough verification verbally or in writing with the treating physicians on work causation and extent of injury.
- o The letters to the IME physicians were particularly well-written detailing all the background information and the questions to be answered. The IME physicians were selected based on their specialty, and on occasion more than one IME was done if the nature of the injury required more than one specialty. The finding that IMEs were done for 11 cases initially and 12 cases on an ongoing basis out of 44 cases reviewed indicate a very active claims investigation and management style.
- o On complex claims, the opinion of the City Workers' Compensation Attorney was solicited early. There was also evidence of team discussion on compensability of certain complicated claims.
- o An indication of the thoroughness of investigation and decision making is the fact that not all police officers or firefighters' claims were automatically accepted despite the presumption that certain diseases are work-related, since the presumption is not unconditional, by law. It was noted that none of these denials has been overturned on appeal to date.

V. Details of Findings... (Cont.)

- o The two areas warranting improvements are claimant contact, which we expect a better performance than 86% for the initial contact (this is one of the most important activities and performance should exceed 90%), and documentation of supervisory activities - we found documentation of the manager's review of the file in only 5 out of all the cases reviewed.

4. Other Observations

Additional training

It appears that there is an opportunity for improvement through additional training for claims handling personnel as well as department personnel. Some of the areas for which additional training may be beneficial may include:

- o AOE/COE investigation for claims personnel - this is an area where the claims staff do not have extensive experience (which is not unusual since this type of work is easily carried out by a different type of claims specialist)
- o Training for department personnel (e.g., department supervisors) regarding general workers' compensation knowledge, what to look for/what to do when there are questions regarding whether an injury or accident is work-related, and preservation of evidence in cases where there is a potential subrogation recovery.

V. Details of Findings... (Cont.)

Other Improvements from the 1989 Audit

We noted a number of other miscellaneous improvements including:

- o Better performance results regarding compliance with state requirements as reported by the state audits.
- o Better work delegation from the technical claims staff to the clerical support level.
- o Better caseload assignment - the manager no longer carries a caseload except for a few claims of a sensitive nature.

Claims Management System

The current system is good for data reporting/loss analysis purposes but is not really designed for a claims management process (this was previously discussed in the 1989 audit report).

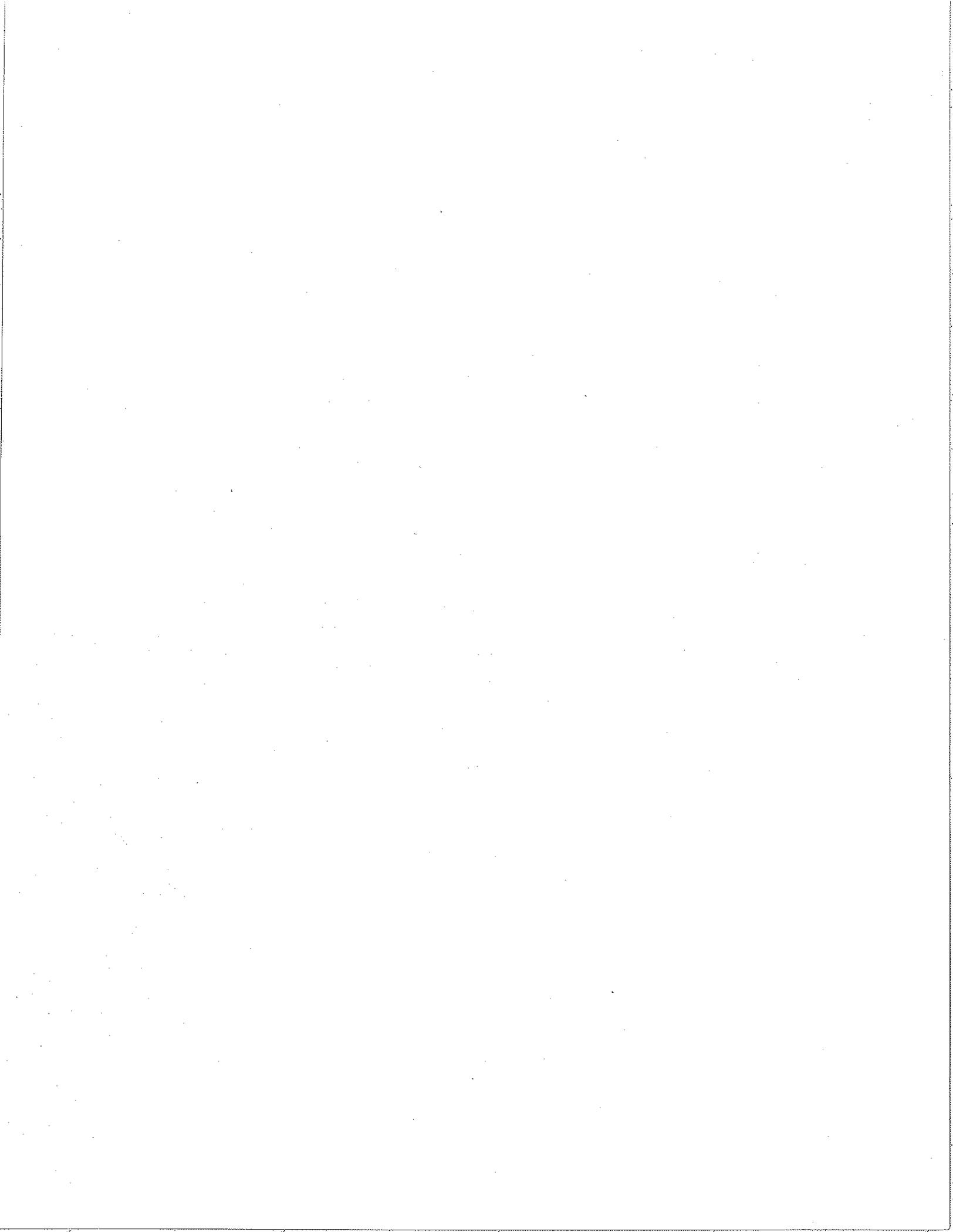
It is our understanding that the City plans to change to an off-the-shelf software system. We endorse this plan.

V. Details of Findings... (Cont.)

Fire and Police claims

Part of the City of Portland's Fire & Police force come under the workers' compensation system and the others under the Fire & Police Disability Retirement System (FPDRS). According to the Risk Management Bureau's record, there are 129 firefighters and 55 police officers who would be under the workers' compensation system. The risk management staff often receive inquiries from firefighters and police officers as to the different treatment of claims under the two systems. The impression seems to be that workers' compensation benefits are much more restricted. It is our observation that the risk management staff do not have a clear understanding of the differences in the two systems to satisfactorily respond to these inquiries. The risk management staff would benefit from some training on how to answer questions of this nature. They should be told not to offer any explanation of the FPDRS or comparison of benefits between the two systems. On a larger scale, the City may consider some additional communication to the Fire and Police workforce in this regard.

Appendix B
Oregon OSHA Report



September 2, 1994

Ken Gavette, Senior Management Auditor
City of Portland, Oregon
Office of the City Auditor
1220 SW 5th Avenue
Portland OR 97204



RE: City of Portland Loss Prevention Audit

Dear Ken:

The Consultative Services Section of the Oregon Occupational Safety and Health Division (OR-OSHA) has completed its review of the City of Portland's Loss Prevention Program.

Our review consisted of a comparison of actual activity and perceptions of randomly selected bureau personnel against laws, rules, regulations, plans and widely accepted national standards which control and define the City's Loss Prevention Program. The base documents which guided our work were:

- A) ORS 654.010 - Safe Place of Employment
- B) OAR 437-01-1060 - Self-Insured Loss Prevention Effort
- C) OAR 437-40-045 - Safety Committee Requirements
- D) City Charter Chapter 3-3.54 Loss Control and Prevention
- E) City of Portland Loss Control Plan - October 1992
- F) Key elements of an effective Workplace Injury and Illness Prevention Program - Oregon OSHA 440-2293 2/94
- G) Portland Audit Services Division Scope of Work

Four City bureaus were selected at random for the loss prevention review. In each bureau, bureau directors, managers, supervisors and workers were randomly selected to answer approximately 60 questions each, and to provide information and documentation about the bureau and the City's loss prevention efforts. The questions were designed to gather information in seven key result areas of occupational safety and health:

- Top management commitment;
- Labor and management accountability;
- Employee involvement;
- Hazard identification and control;
- Incident /accident investigation;
- Training of workers; and
- Periodic program evaluation.

Ninety-five employees of the City participated in the review. Each interview lasted approximately 1 hour.

Our findings reveal that prevention of occupational injuries and illnesses is receiving a great deal of attention in the City. Department of Consumer and Business Services, Workers' Compensation claims statistics show a continued downward trend of accepted disabling workers' compensation claims for the City each of the past three calendar years.

Our review has identified a number of areas in the bureau's loss prevention programs which need improvement. These areas of program performance will be presented individually in the body of this report. In summary, the individual items presented in this report indicate an overall need for City bureaus to consolidate the occupational safety and health activity which is occurring in each bureau into a well defined cohesive safety and health program. Most of the key elements of an effective health and safety program are there, but they are not tied together to work in concert with each other. Out of the 95 or so respondents to our field review, the majority described their bureau's Loss Prevention Program by describing the activity of their safety committee. A safety committee is only one part of a safety and health program or effort. The City must refocus efforts on injury and illness prevention and should integrate prevention into the daily activities and management of City business, along with customer service, production, quality and serving the public well.

Item 1: Observation: City personnel did not have a clear understanding of their bureau and the City's Health and Safety Program. Most personnel when describing their Health and Safety Program, were actually describing the activity of the safety committee or their bureau loss control person.

Top management has not conveyed a clear description of the program down through all of the levels of the organization. Consequently, employees do not know where they fit into the program and mistakenly believe that safety and health is someone else's job. By their lack of knowledge of the program and their sense that safety and health is someone else's job, the City is losing the potential of the combined creative talent and expertise of its employees.

Recommendation: Each City bureau should review its Health and Safety Program to determine if all key elements of an effective program are in place and are integrated. Top management should provide a clear description of the program to all employees, including a description of each person's role in the success of the program.

Item 2: Observation: The City-wide Loss Control Plan prepared by Risk Management Division and the Loss Control Advisory Committee is a 25 page document which was adopted by City Council Resolution 35054. The resolution states that, "The Oregon Occupational Safety and Health Code, Division 1, General Administrative Rule 437, requires a written Loss Control Plan for workers' health and safety."

The referred to Administrative Rule, however, requires under 437-01-1055 that, "Each self-insured employer shall establish and implement a written Occupational Health and Safety Loss Prevention Program for each establishment."

Having reviewed the Loss Control Plan the OR-OSHA Consultative Services Section finds the following major deficiencies with the plan:

- (1) The Loss Control Plan approved by City Council should have been put together as a "Loss Prevention Program." A Loss Control Plan and a Health and Safety Loss Prevention Program are two entirely different documents. Loss control and loss prevention are not interchangeable terms, nor are plan and program.
- (2) The Loss Prevention Program required by 437-01-1055 provides for such a program to be implemented at each establishment in the City. The City's Loss Control Plan does not clearly convey that the plan (program) be implemented at each establishment.
- (3) The Loss Control Plan does not include or describe the 10 elements of a loss prevention effort which is a part of the required Loss Prevention Program (OAR 437-01-1055(2) and OAR 437-01-1060), and how those elements will be integrated into the normal functions of City business.

Recommendation: The City must go back to Oregon Administrative Rules, Chapter 437, Division 1 and put together a Loss Prevention Program for each establishment in the City. The program is outlined in OAR 437-01-1055 and 437-01-1060. City Council should amend resolution 35054 to correct the error which called for a plan rather than a program.

Item 3: Observation: The Bureau of Risk Management plays a vital roll in loss prevention in the City. City Charter 3.54.020 outlines both the responsibility and authority of the bureau. Risk Management's "Authority and Responsibility" tends to be all responsibility and no authority. When compared against the defined responsibilities and authority of bureaus and the loss control and prevention advisory committee, an interesting paradox is apparent. None of the definitions contained in the City Charter provide a description of how the various groups are responsible for prevention. They "develop," "submit," "advise," "monitor," "review," "obtain," and "suggest." Hardly a list of words that bring about action and accountability.

Recommendation: The City Charter should be amended to place at least some authority with Bureau of Risk Management for seeing that the Loss Prevention Plan cosigned by Risk Management Division and the Loss Control Advisory Committee, is carried out and that accountability for the plan be clearly established.

Item 4: **Observation:** The City does an excellent job of setting broad goals for prevention of occupational injuries and illnesses through the budget process and in bureau plans. The goals, however, do not get communicated down to all employees in the form of action plans which they can work to support as a team. For example, in the four bureaus sampled, none of the respondents was able to describe their bureau's goals and objectives for safety and health, other than to state in a broad sense that reduction of injuries and illnesses was the bureau's goal.

Recommendation: Top management should set clear, achievable and measurable health and safety goals and allow employees to participate in developing action plans to work toward those goals as a team. In doing so the City will enlist the support of a significantly larger number of personnel who become stakeholders in injury/illness prevention.

Item 5: **Observation:** The current management culture in the City does not consistently recognize good health and safety performance by employees. Some evidence was gathered by the OR-OSHA consultants which indicates that poor performance is identified and is properly dealt with through warnings or other disciplinary measures. OR-OSHA consultants discussed the issue of recognizing proper health and safety work practices with bureau directors and management staff. All of these individuals agreed that not enough is being done presently to reward good safety performances, either through incentives, recognition programs or other systems. In looking at the issues of accountability though from the standpoint of accentuating the positive rather than the negative, good performance is not rewarded.

Recommendation: Top management in each bureau should convey to mid and lower line management the value and absolute necessity of recognizing proper safe work practices and performance. Such recognition must be sincere and genuine and be anchored in the organization's values.

Item 6: **Observation:** Employees recognize the priority to get appropriate medical treatment for an injured worker. Direct transportation to an emergency care facility or contacting emergency responders through the 911 system is used, depending on the severity of the injury. Employees understand the reporting process for injuries requiring treatment by going directly to their supervisors and getting paperwork filled out (e.g., 801 forms).

Although getting medical assistance and reporting of injuries requiring treatment is understood, the process of fully investigating accidents to determine root causes and applying controls to prevent recurrence is not. In some cases, participants in our survey felt more emphasis was placed on finding fault than working toward solutions.

Our findings also indicated that principles of accident investigation are not clearly understood and applied. While a variety of forms ask for needed information regarding an accident, the process breaks down in analyzing the events leading to the injury.

Near-misses are usually not reported. Any knowledge of near-miss occurrences was related to individual experience or informal discussions among co-workers. Follow-through to determine cause and efforts to correct these are thus lacking.

Safety committees are not involved in the review process for accidents that have been reported or investigated. Safety committee involvement may include looking for trends based on accident statistics. Confidentiality of the injured worker(s) was cited as a contributing factor for lack of review.

Recommendation: Accident/incident investigation training has been emphasized recently in two of the four bureaus surveyed. In one bureau, revision of forms has aided in collecting more useful data for conducting thorough investigation and analysis. Progress has also been made in developing procedures for accident/incident and near-miss reporting and investigation.

The Risk Management Division is working toward a standardized policy and procedure that will be implemented later this year. This is an important step in improving the City's efforts to control existing losses and preventing potentially serious accidents, injuries or fatalities.

By Oregon Administrative Rule, safety committees are required to "establish procedures for investigating all safety related incidents including injury accidents, illnesses and deaths. This rule shall not be construed to require the committee to conduct the investigations." The efforts originating with the Risk Management Division should include input via the bureau safety committees. The bureau safety committees must be included in the ongoing development and implementation of the City-wide policy.

Item 7: Observation: A great deal of excellent health and safety training has or is being provided to City personnel. Training is available from Risk Management Division personnel and from outside vendors. The training has focused on actual problem areas such as back injury prevention or trench rescue and has also been provided in other generic topical areas.

A significant problem exists throughout the City with regard to employees not having been properly trained (from a health and safety standpoint) for the specific job which they have been assigned to do. The City has not consistently analyzed each job for the hazards inherent to that job and has not trained the workers to avoid those hazards. Such a process is known as a JSA or Job Safety Analysis. The City has no consistent method of training new workers or workers who move from one position to another because these job hazards have not been documented.

Recommendation: Each bureau should embark on a long term project to apply the process of job safety analysis throughout their organization. Hazards identified through JSA should be documented, retained in hard copy or computer and used during the training process by the supervisor. Oregon OSHA's Training Section routinely provides training workshops dealing with the issues of job safety analysis. Schedules of training may be accessed by calling 1-800-922-2689.

Item 8: Observation: Bureaus have clearly demonstrated commitment to supply its employees with the personal protective equipment (PPE) needed for daily work assignments. Employees reported ready access to obtaining replacement PPE as needed. In some instances we found that employees did not clearly understand why certain equipment was required for particular jobs. For example, in all bureaus surveyed, the Oregon OSHA consultants were not able to identify employees who had been instructed in the hazards inherent to their job and which particular type of PPE, i.e., rubber gloves versus leather gloves was to be used and why.

Recommendation: Maintain the ongoing effort to keep appropriate PPE available to employees. When reviewing the specific hazards employees face in their daily job duties, emphasize the selection criteria used for required PPE ensembles. This can be determined through conducting job safety analyses. Information can be conveyed through crew meetings as a topic for discussion.

Item 9: Observation: A number of problem areas were noted during our review of the issues of hazard assessment and control. The OR-OSHA consultants found that:

- Some safety committees are not conducting quarterly inspections of their locations;
- Hazards which are identified are not being tracked to ensure prompt corrective action in all cases;
- Industrial hygiene expertise which is so critical to the evaluation and control of illnesses is not available in-house to the City;
- Injury and illness pattern analysis is difficult to conduct due to hard to read statistics from Risk Management;
- Facility and equipment preventative maintenance is not done in a uniform fashion; and,
- Hazard analysis of new equipment, material or processes has not been well established and integrated into bureau health and safety programs.

Recommendation:

- (1) Properly train all safety committee members in hazard identification in the workplace and ensure that quarterly inspections are made of all facilities.

- (2) Ensure that hazards identified are tracked for corrective action. Computer software is readily available for this task.
- (3) Obtain the regular services of an industrial hygienist to ensure that the City is routinely looking at its workplaces from a health perspective.
- (4) Risk Management Division should continue improvement of their injury and illness statistics to ensure they are usable by the bureaus for trending and prevention. Data should be assembled in a way to avoid technical terms used by insurance loss control people. City bureaus are looking for the data to be directly usable for prevention and for focusing their safety and health efforts.
- (5) Each bureau should establish a preventative maintenance program for all equipment and facilities.
- (6) Employees and management should work together as a team to review new equipment, material or facilities from a health, safety and ergonomic approach prior to purchase or operation.

Item 10: Observation: The evaluation of workplace design, layout and operation, and assistance with job site modifications occurs primarily in response to injuries or where trends in accident statistics are identified. Examples include office workstations and carpal tunnel injury, back injury prevention and proper lifting techniques. In some areas, voluntary use of backbelts has been implemented. Pre-work stretching and work-hardening programs have also been used in relation to specific tasks or job duties.

A systematic approach to evaluate workplaces with prevention as the motivating force has not been developed. Worker training to recognize conditions and situations which lead to sprains, strains and repetitive motion injuries has not been completed.

Recommendation: In light of the majority of workers' compensation claims resulting from sprains, strains and repetitive motion, the City should incorporate into its loss prevention efforts the means to routinely evaluate workplaces for ergonomic-related hazards.

An approach that identifies hazards and seeks correction before the severity of injury reaches devastating proportions is highly recommended. An ergonomic standard will be proposed later this year by Federal OSHA that will require this and other steps to be taken. The city should take action now to be ahead of the requirements.

Worker training regarding ergonomic hazards is also recommended. This would include topics such as risk factors that produce injury (e.g., posture, force, repetitive motion), symptoms, and means to avoid potential injury.

One perceived outcome of training is that the increased awareness of workers will lead to more reporting of work-related injuries. Initially, this may be true. In the long term, however, earlier reporting of symptoms lead to a decrease in the severity of injuries, earlier interventions and lower costs.

Item 11: Observation: Employee involvement in the loss prevention effort is critical to the success of the program. Employees possess tremendous information about the ongoing work done on a daily basis. Their input can go a long way toward the identification of hazards and development of workable solutions.

Employee involvement is mainly a verbal process between the employee and supervisor. Communication may extend to the loss control manager within the bureau as a means to get safety hazards resolved.

Safety committees deal with issues that are not resolvable through the verbal process. The use of a Safety Deficiency Report is encouraged. However, these forms are not widely used and are available by going through someone else versus being readily available. One required function of a safety committee is to establish a system to allow the members to obtain safety-related suggestions, reports of hazards, and other information directly from all persons involved in the operations of the workplace. This type of system is not well-defined in the City. Participants in our survey for the most part could not identify who is on the safety committee. Their primary frame of reference was the loss control manager for their bureau.

The role of the loss control manager in some bureaus produces interesting results. The individual can be fairly well known and approachable by the majority of the employees. However, an underlying expectation develops that the individual will work to solve safety-related concerns. Job duties and expectations for supervisors shift to the loss control person. The level of activity attributed to the loss control position diminishes employee involvement due to competing demands.

Recommendation: The comments above are positive in many ways. The opportunity exists for the city and bureaus to draw more extensively on their employees. This can be accomplished by making the input process more visible and active. The safety committee is the group to make this happen.

The situation to avoid is to have the loss control person so intricately involved in the details of hazard recognition and correction that others assume its the job of that individual to get things done. This position should remain focused on being a resource to employees, supervisors and managers to keep the preventative aspects of the safety program flowing.

Item 12: Observation: A uniform method has not been established for conducting annual reviews to determine overall effectiveness of the various bureau Loss Prevention Programs.

Overall improvement in the City's loss prevention efforts is viewed as a long term goal by addressing the working culture and climate of each bureau. Risk Management sees its role in the process by mapping out how to do business with each bureau through the development of service contracts (reaching agreements with each bureau on how Risk Management can best meet its needs).

Recommendation: Periodic evaluation by each bureau of their health and safety program should be undertaken. Each critical component of the Loss Prevention Program should be evaluated to determine what is working well and what changes, if any, are needed. Results of evaluations can be integrated into bureau goals and action plans by listing the major changes or improvements needed, and working out specific plans for making that change. All employees should be involved as they constitute a vital role in implementing the action plans.

The last question the Oregon OSHA consultants asked City personnel was, "If there is one thing you could change in this bureau to better employee safety and health what would that be?" Some examples of the responses received which relate to the other observations and recommendations in this report are:

"Encourage more fitness and more time allotted to maintaining physical fitness and better equipment."

"Mandatory physical fitness and time to do it, routinely."

"Managers need to better project their commitment to safety. More visibility in observing work practices and procedures."

"Communicate safety importance better."

"More leadership by example from management to improve attitudes toward safety."

"Need more time (2 years) to develop and implement safety and health program."

"Identify goal areas and safety program areas."

"More formal training for management and workers."

"Better training in safety and health requirements."

"Better communication both ways."

"Clear statement from bureau director, i.e., safety and health mission."

"New job specific guidelines on what is expected regarding safety and health."

"Better rapport between bureau and risk management."

"Listen to employees' input regarding PPE and how to improve its use and purchase."

"More personnel are needed to help with the loss prevention effort."

"Establish an incentive program for safe work."

"Need specific mandate to require use of PPE."

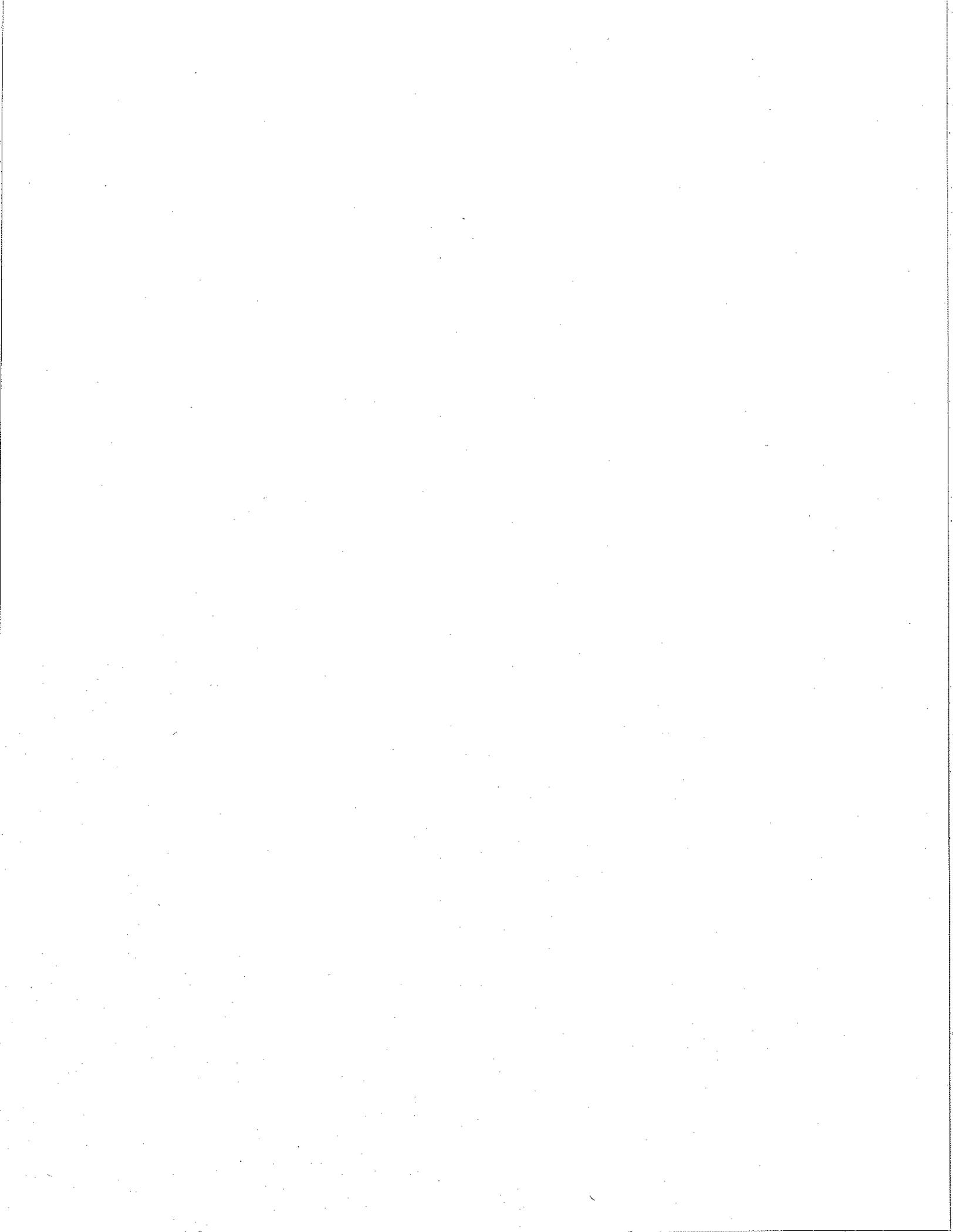
Sincerely,



Stephen G. Beech, Manager
Consultative Services Section
Oregon Occupational Safety & Health Division
(503) 378-3272

1225-ORCON/CLM

Appendix C
**Listing of Most Frequent and
Costly Injury Claims**



Appendix C Listing of Most Frequent and Costly Injury Claims

Workers' Compensation Claims by Part of the Body Injured

FY 1989				FY 1990			
<i>Frequency</i>		<i>Average Cost</i>		<i>Frequency</i>		<i>Average Cost</i>	
Injury	Number	Injury	Cost	Injury	Number	Injury	Cost
Back	124	Multiple	\$12,688	Back	95	Shoulder	\$10,896
Eye	46	Knee	7,383	Knee	38	Neck	5,933
Finger	40	Back	6,169	Multiple	32	Back	4,373
Shoulders	33	Shoulder	6,009	Shoulder	30	Knee	3,404
Knee	29	Hips	4,892	Finger	30	Hips	2,871
FY 1991				FY 1992			
<i>Frequency</i>		<i>Average Cost</i>		<i>Frequency</i>		<i>Average Cost</i>	
Injury	Number	Injury	Cost	Injury	Number	Injury	Cost
Back	101	Back	\$4,948	Back	97	Multiple	\$9,523
Finger	49	Multiple	4,652	Finger	45	Neck	7,238
Eye	38	Elbow	4,376	Eye	40	Back	4,051
Hand	32	Wrist	4,055	Respiratory	37	Knee	3,991
Multiple	30	Nervous Sys.	3,789	Knee	35	Foot	3,986
FY 1993				FY 1994			
<i>Frequency</i>		<i>Average Cost</i>		<i>Frequency</i>		<i>Average Cost</i>	
Injury	Number	Injury	Cost	Injury	Number	Injury	Cost
Back	97	Multiple	\$13,765	Back	89	Chest	\$9,564
Multiple	53	Neck	5,961	Multiple	35	Body Sys.	7,844
Finger	39	Shoulder	5,032	Shoulder	34	Knee	7,009
Knee	34	Elbow	3,640	Knee	31	Arm	5,483
Shoulder	30	Hand	3,522	Finger	29	Back	4,070

SOURCE: Risk Management Division Records

**Workers' Compensation
Claims by Nature of Injury**

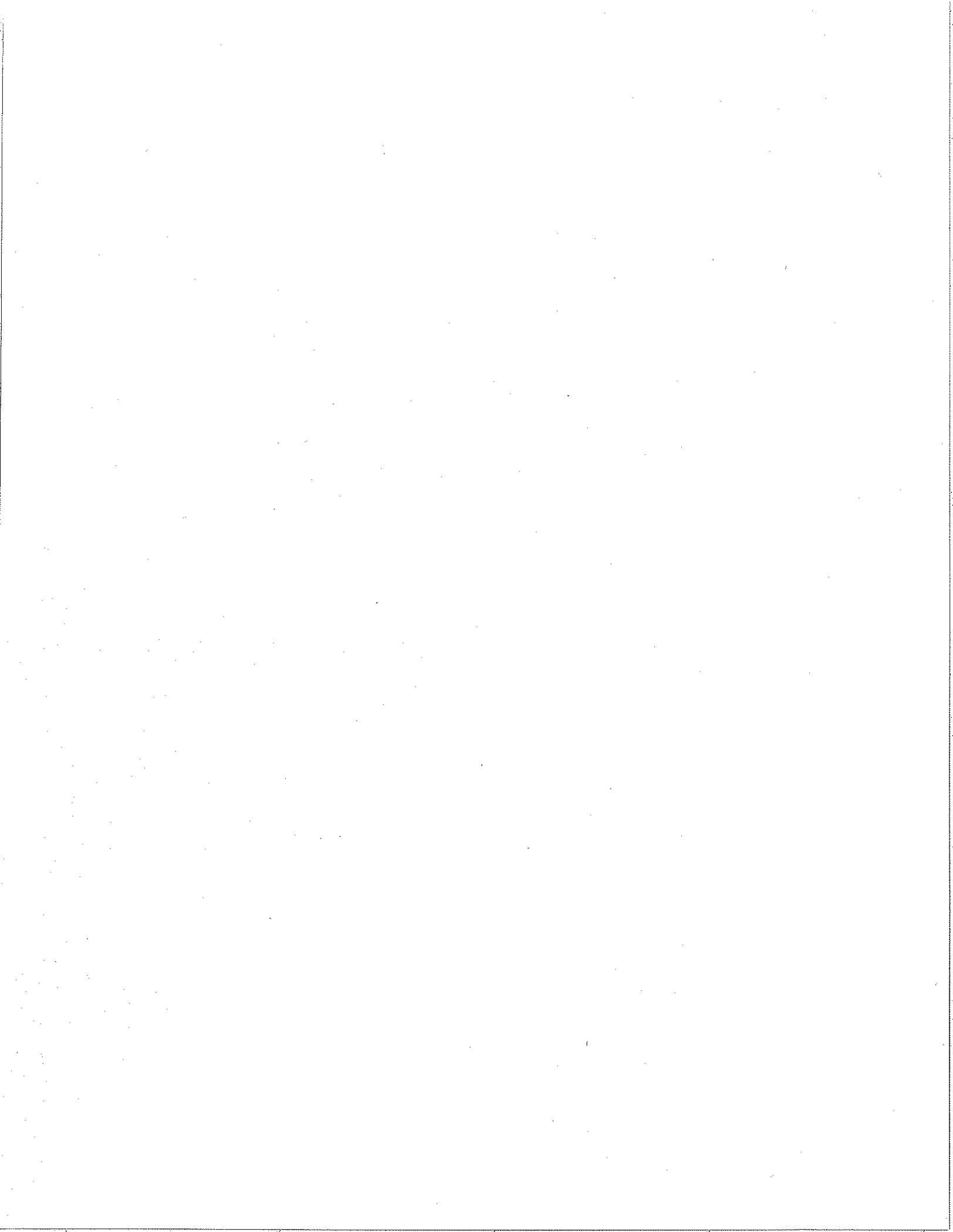
FY 1989				FY 1990			
Frequency		Average Cost		Frequency		Average Cost	
Injury	Number	Injury	Cost	Injury	Number	Injury	Cost
Sprain/Strain	214	Stress	\$9,779	Sprain/Strain	221	Other NEC ⁽¹⁾	\$25,940
Contusions	70	Fracture	5,668	Contusions	66	Inflamed Jts	4,622
Cuts	58	Sprain/Strain	5,458	Cuts	54	Sprain/Strain	3,574
Inflamed Joints	27	Inflamed Jts	2,921	Inflamed Joints	22	Fracture	3,510
Scratches	26	Contusions	1,621	Scratches	20	Contusions	654
FY 1991				FY 1992			
Frequency		Average Cost		Frequency		Average Cost	
Injury	Number	Injury	Cost	Injury	Number	Injury	Cost
Sprain/Strain	197	Sprain/Strain	\$4,059	Sprain/Strain	214	Inflamed Jts	\$5,456
Contusions	53	Inflamed Jts	3,919	Cuts	49	Fractures	4,977
Cuts	45	Stress	3,536	Contusions	48	Sprain/Strain	3,924
Inflamed Joints	33	Fractures	3,162	Inflamed Joints	38	Respiratory	3,289
Scratches	30	Contusions	973	Respiratory	38	Contusions	664
FY 1993				FY 1994			
Frequency		Average Cost		Frequency		Average Cost	
Injury	Number	Injury	Cost	Injury	Number	Injury	Cost
Sprain/Strain	227	Multiple	\$50,076	Sprain/Strain	190	Stress	\$15,457
Cuts	43	Stress	12,350	Inflamed Joints	45	Fracture	8,886
Contusions	42	Unclassified	7,126	Contusions	36	Unclassified	6,539
Inflamed Joints	30	Other NEC	4,982	Unclassified	35	Other NEC	6,043
Unclassified	29	Inflamed Jts	4,648	Cuts	34	Inflamed Jts	5,265

(1) Other Not Elsewhere Classified

SOURCE: Risk Management Division Records

Appendix D

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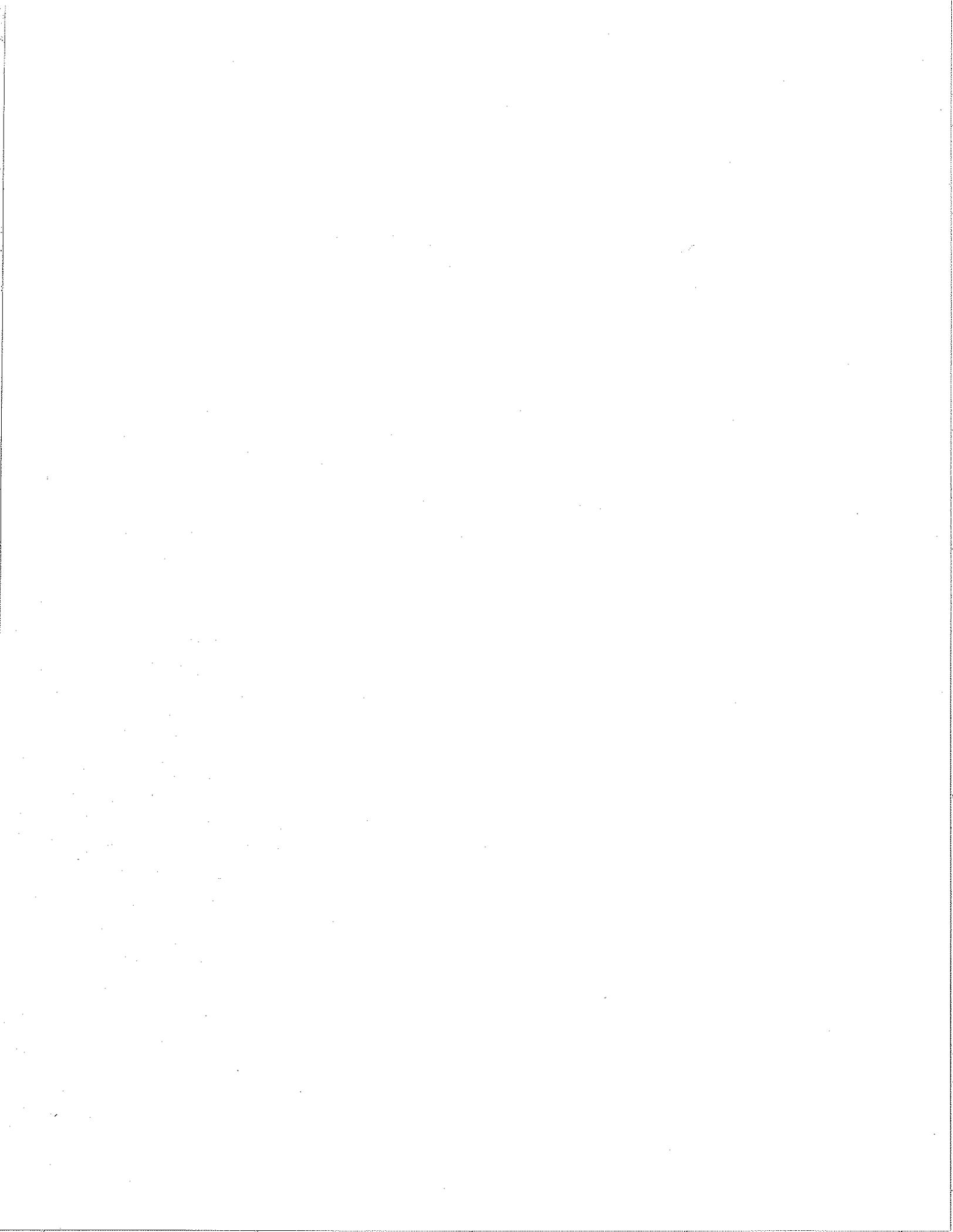
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Responses to the Audit





City of Portland
Vera Katz
Mayor

November 18, 1994

To: Dick Tracy, Director of Audits
City Auditor's Office

From: Mayor Vera Katz *V.K. Katz*

Subject: Managing Employee Injuries - City Auditor's Office Report, October 1994

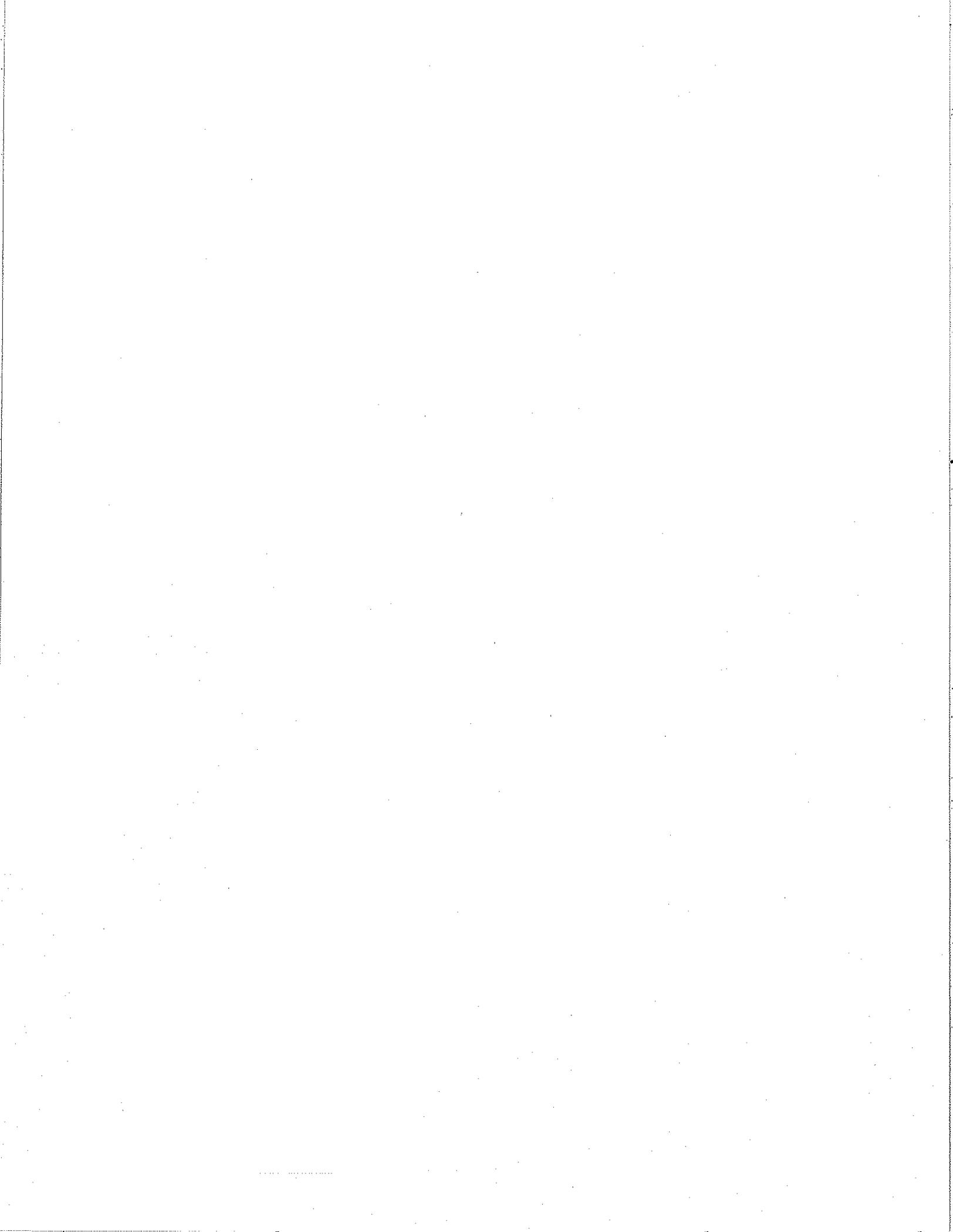
Thank you for your research and work on Managing Employee Injuries. This report provided a good historical background and graphical comparison of the City of Portland's two injured worker disability systems. They are two distinct programs in terms of process and administration, but both have been successful in reducing claims costs and time loss claims. The City's injury rate, when compared with four other comparable cities, ranks second, with the best overall injury rate.

The Occupational Health and Safety Loss Prevention Management program is healthy and is having a positive effect on the statistical results of claims. That is, a downward trend is occurring in "total injury compensation costs", "accepted workers' compensation time loss claims per 100 employees" and "workers' compensation disability payments", as illustrated on pages 14 and 15 of your report.

However, the report has identified opportunities for improvement in both Disability Management and Occupational Health and Safety Loss Prevention Management. I will seek advice and recommendations from Fire and Policy Disability and Retirement Fund staff, bureau directors, City Council and Risk Management regarding program improvements. I will bring this group together, including the City Auditor, to discuss an improvement plan and actions to take on those items having the highest priority. The goal would be to create a shared vision and commitment to continuous improvement. We must find the most efficient and cost effective ways to process claims and manage loss prevention citywide.

I believe your recommendations to City Council are valid and well founded, and I will ensure we discuss and consider them in depth.

Thank you again for your team's fine work and thorough report.





CITY OF

PORTLAND, OREGON

OFFICE OF FINANCE AND ADMINISTRATION
BUREAU OF ADMINISTRATIVE SERVICES

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TDD: (503) 823-6868

Memorandum

November 16, 1994

To: Dick Tracy, Director of Audits
City Auditors Office

From: Fred Cuthbertson, CPCU, ARM *FC*
Risk Manager

Subject: City Auditor's Report - Managing Employee Injuries
October 1994 - Risk Management's Response

The report included four responsible parties, Risk Management, Fire and Police Disability and Retirement Fund, City Bureaus, and City Council. I will respond to those areas effecting the Risk Management Division. The two areas audited were injured worker disability management and Occupational Health and Safety Loss Prevention management.

The report contained pertinent findings and valuable recommendations that we intend to implement as part of our continuous improvement process. There were findings and recommendations that were not pertinent and recommendations with which we do not agree or agree with in part. The bolded recommendation statement was specific and often acceptable. The narrative beneath the bolded statement is less focused and not entirely acceptable as written. That is our opinions differ from the specific statement to the general statement.

The recommendations in Chapter 4, page 41 through 50 that we agree with are as follows:

11. **Workers' Compensation staff working with attending physicians should increase the number of qualified referrals to the Worker Reconditioning Program.**

Comment: This is not entirely within Risk Management's control but we agree with the recommendation. Cooperation from FPD&R is necessary and resources are required to implement the recommendation. The increased costs are not known at

this time nor are the benefits. This needs further analysis.

12. The Risk Management Division should take responsibility for reporting complete citywide injury and claims information to the Council and the public.

Comment: The data system is in place for consolidating Fire and Police injury information. The Fire and Police Pension Fund staff would need training to code and input their claims data into the system. The implementation would require clerical resources for coding and data input.

OSHA reporting is currently collected and reported centrally by Risk Management and it could include the Fire and Police injury reports as well.

13. The Risk Management Division should continue to actively consult with City bureaus to provide expert advice.

Comment: Risk agrees with this recommendation with one caveat. It is imperative to this process that a shared vision, a commitment, and a partnership between management at all levels, employees and Risk Management is established. The consultative services provided and requested need to be implemented for successful results.

14. The Risk Management Division should review and update the Loss Control Plan to ensure compliance with State regulations, to incorporate new policies and procedures.

Comment: Agree and it will be implemented.

Risk Management disagrees in part with the following recommendations for the reasons noted. Therefore, we will not pursue full implementation of these recommendations.

9. The Risk Management Division should monitor and report on citywide early return to work efforts.

This is one of those agree/disagree recommendations. We agree that a monitoring system be established but its integrity would depend on accurate bureau record keeping of restricted days or modified duty assignments. Risk does not have the capability of monitoring activities such as light duty or modified duty. The report could be generated by Risk if the record keeping is kept accurately at bureau level and reported to Risk.

Comment: Disagree

The narrative below the bolded recommendation statement suggests placement of injured workers' in modified positions throughout the City. Risk disagrees for the

following reason. Early Return to Work (ERTW) is a bureau function. ERTW is normally a restricted duty or light duty assignment for ninety (90) days while the worker is rehabilitating in preparation to return to normal job duties. Light duty or restricted duty assignments should not be the responsibility of another bureau. ERTW is part of the rehabilitation process and is best accomplished in the company of the injured worker's coworkers and not in a strange environment.

The narrative suggest that the Risk Management Division experiment with subsidizing a program for placement of injured workers' citywide. The Risk Management Division does not have the resources to defray or subsidize costs for employees placed in citywide assignments.

Agree

Risk agrees with the narrative portion of the recommendation that "bureau supervisors and timekeepers should be required to log modified duty work hours accurately on Time and Attendance Reports" (TAR). Recording restricted days is an OSHA requirement. Keeping records on TARs would also help in evaluating the cost of the ERTW program and meet one of the eligibility requirements of the State's Employer At Injury Program qualifying us in part for wage reimbursements of injured workers' placed on modified duty or light duty assignments.

If this were kept accurately Risk or payroll could produce a report of restricted or modified duty assignments citywide.

10. The Risk Management Division should develop procedures to ensure that all claimants are verbally contacted as soon as possible after injury or illness.

Comment: Disagree

Risk disagrees with the recommendation as we feel this is being done presently. Injured worker contact is established immediately upon our notice of claim. Risk does not always receive immediate notice and their may be a delay of as much as 72 hours or more.

Agree

Risk agrees that an injured worker evaluation card could be placed in the injured worker packet and we will implement this recommendation. We do want to improve upon benefits delivery and claim services in a caring and effective manner.

One recommendation under the City Council items with which we disagree is recommendation 3. "The Mayor should assign the Risk Manager as her representative on the Board of the Fire and Police Disability and Retirement Fund. We feel that the Risk Manager should maintain a neutral role with the Fire and Police Pension Fund. It may compromise our ability to influence and persuade them in matters of loss prevention and worker injury. We do welcome a role in an advisory capacity and not part of the board.

While we do not feel comfortable commenting on the balance of the recommendations to Council and the bureaus we do feel these recommendation would enhance the efforts of Occupational Health and Safety Loss Prevention management citywide.

cc: Steve Bauer, Director, Office of Finance and Administration



CITY OF

PORTLAND, OREGON

FIRE AND POLICE DISABILITY AND
RETIREMENT FUND

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Edwin L. Freeman, Fund Administrator

November 10, 1994

The Honorable Barbara Clark
City of Portland
City Hall, Room 202
Portland, Oregon 97204

Dear Auditor Clark:

The Board of Trustees of the Fire and Police Disability and Retirement Fund wish to thank you for the opportunity to respond to your final draft of the Report #200 entitled "Managing Employee Injuries". The individual members of the Board discussed in detail the findings and recommendations of the final draft at their regular meeting on November 8, 1994.

The Board was pleased that the audit report noted that injury claims are down in general, and that accepted time loss claims for Police and Fire have declined 25 percent over the past six years. At the same time, disability payments per \$100 of payroll have dropped 32 percent.

The "methodology" used to come up with the findings and recommendations is a concern of the Board. In effect, the audit recommends that the Board develop a more formal methodology for approving and reviewing disability claims and states that by doing so the Fund may expect savings in the amount of \$1.25 million per year. But, when the auditors are asked to explain their methodology for arriving at that figure, they, in effect, acknowledge that their findings are based primarily on opinion rather than factual data. In a meeting of the Board of Trustees with the auditors, they were asked for factual data to support the statement that we could reduce our disability costs by up to 50%. They referred us to a control study (page 26 of final draft) conducted in the State of Florida. The audit staff, when asked for a copy of the report, admitted they did not have a copy of the report and had not read it! When the consultant's office in San Francisco was asked for a copy of the report, they also admitted they did not have a copy. In short, the auditor and the consultant appear to be guilty of the same lack of scientific process that is the basis for their criticism.

It is difficult to respond to these kinds of findings because they are based on comparators and thus there is no raw data to evaluate. The study provides no specific information about the design of the plan(s) which the Fire and Police Pension Plan is being compared. This is important because the design of the Plan is going to dictate how it is managed. For example, if the audit had been comparing the "Old Plan" with plans which have a vocational rehabilitation component, the Board would not be able to duplicate any of the savings recognized by a plan with a vocational rehabilitation component because the Old Plan did not have a vocational rehabilitation component. We did finally receive a copy of the Florida study. Page I-10 of that report support in their own words the concerns the Board had relative to comparisons to other plans.

At the Board's direction, the following addresses each recommendation that was made by the audit pertaining to this office and our operations, as listed in Chapter 4 of the Final Draft.

City Council:

3. Recommendation: The mayor should assign the Risk Manager as her representative on the board of the Fire and Police Disability and Retirement Fund.

Observation: While the Risk Manager of the City of Portland may be a highly qualified individual, the intent of section 5-201(a) of the Charter of the City of Portland is to have someone serving in the place of her who is assigned to her respective office. The Board feels it should be someone from the Office of the Mayor who on a daily basis is in a position to advise and inform the Mayor (Chair of the Board) on Board-related matters. The Fund Office is in possession of a legal opinion from the City Attorney's Office that supports this concept.

4. Recommendation: Council should give Risk Management the responsibility for collecting and reporting on injury information on a citywide basis, and for monitoring and reporting on safety activities.

Observation: This recommendation seeks to combine data about two very different systems into one report. The audit notes that "current public reports do not present a complete picture of claims trends for the City, nor do they provide City policy makers complete information to evaluate the disability system." The policy-making process for the Fire and Police Disability and Retirement System is, as established by City Charter, different than that of the Workers' Compensation System. It is of questionable value to combine data into one report for public presentation when the rules, regulations, and benefit provisions of the two systems are not comparable. For example, Risk Management has included a graph in their annual report for 1992-93 comparing the expenditures of the two systems over a 5-year period. This report provides no explanation about the differences in the two systems, and therefore provides a very misleading comparison.

Board of Trustees

5. Recommendation: The Board should develop and implement new procedures for reviewing, approving and monitoring injury claims. Specific written procedures should include:

a. Criteria for Screening Claims.

Observation: The Board does review, monitor and approve new claims for payment on a frequency of every two weeks. You will find in the Administrative Rules of the Board section II, D(2)(a) the procedure for such review and approval.

We are reviewing the consultant's recommendations and will, with Board approval, implement any recommendation that we feel will improve operations.

b. A monitoring system that initiates frequent review of open claims.

Observation: A better system is needed to make sure all documentation is in place; management and staff are working together to improve this area.

As stated previously, we do monitor all open claims on a bi-weekly schedule; each members file is initialed by the Chair of the Expediting Committee indicating that the member may be paid benefits for the prior pay period. Early return to work strategies are developed by the Board's Benefits Coordinators, where condition and availability of work are appropriate.

c. A written treatment plan for all medical services.

Observation: The Board and staff see merit in the recommendation that every case of repetitive treatment such as acupuncture, massage and chiropractic should have a treatment plan. A review of recent and open cases discloses that a majority of the files are in compliance but improvement is needed. We will institute a system so that we may be in compliance in all open cases.

d. A standard fee schedule.

Observation: The Fund Administrator will present to the Board of Trustees, at the regular meeting of December 13, 1994, a plan and contract for approval by the Board with a third party administrator to begin to monitor billing, by diagnosis codes, and to make payments (after Board approval) of all medical claims. The first stage is voluntary compliance by member's following an informational campaign asking them to participate in the City's Preferred Provider Organization. Stage 2 will commence in December 1995, when members, except in authorized cases, must utilize medical and hospital service providers with whom we will have made fee arrangements.

e. An automated method of reviewing all medical bills for excessive and inappropriate treatment.

Observation: A meeting was held on November 9, 1994 with the City's Benefits Manager, and a draft agreement with her office and a Third Party Administrator was discussed to accomplish this recommendation. It will be brought to the Board of Trustees on December 13, 1994 for approval.

f. Written documentation in files for all claim activities.

Observation: The Fund Administrator will develop a policy that requires documentation action by staff members to make sure that every contact with claimants, investigators, liaison officers, physicians, and other providers is noted in the members' file. All correspondence, treatment plans, physician notes, etc., are currently placed in the members' file.

6. Recommendation: The Board should create a new staff position and hire a trained, experienced claims analyst reporting to the Fund Administrator. ...the Board should eliminate the duties of the Expediting Committee when the Claims Analyst is in place and performing duties as recommended in this section.

Observation: This recommendation is not without merit. Staff of the Board is now exploring this possibility; has obtained job descriptions, met with the Risk Management Workers' Compensation supervisor, and has scheduled future meetings to discuss the duties and responsibilities of such a person. If we see a need for such a person, the administrator will ask the Board for authority to proceed in such a venture. Note: The Board of Trustees was not inclined to eliminate the Expediting Committee even after such a person was in place.

7. Recommendation: The Board should require that all injured members seek medical services from a provider network or other medical providers who have agreed to the Board's adopted fee schedule.

Observation: See #5 (d) and (e) above.

8. Recommendation: The Board should direct the Fund Administrator to develop a revised claim-based filing and record-keeping system.

Observation: The Fund administrator, at the Board's direction, is currently investigating this recommendation. We have, prior to the Final Draft of this Audit, ordered a stock of file dividers with printed tabs to be used in segregating within a file all information pertaining to a particular disability, as well as sections for personnel information, etc. Tabs will be used to separate type of claim as well as the date.

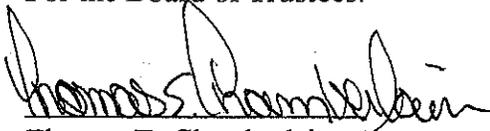
Regarding feeding summary information to Risk Management for annual citywide reporting, we have had some bad experiences with feeding summary information related to claim rates and costs for their annual city-wide reporting. Last year we provided such data; we were not allowed to review the draft report, nor were we even given a final report, and an inaccurate, inflammatory, and self-serving document was produced and distributed. Not unlike several parts of this audit, no consideration was given to the differences in the systems, length of obligation for total and permanently injured members, etc. We do not have the luxury by law of settling claims with some finality and/or retiring them under the state PERS system. When the next request comes for such data, agreements must be in place regarding how it is to be portrayed.

Lastly, it would be remiss of this Fund Administrator not to mention the Wyatt Consultant's comments on page 28 of the Report concerning potential conflicts of interest. The Board, in our meeting with Mr. Vu, Mr. Tracy, and Mr. Gavette, laboriously explained to them what the definition of a conflict of interest is; obviously to no avail. Our Trustees are scrupulously careful not to vote or debate claims on their own behalf, or to vote or debate claims in which they have

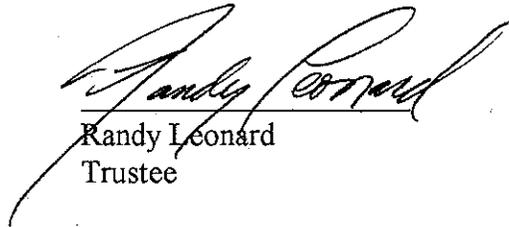
had union association, official or supervisory responsibility at their respective Bureaus. Many officials in the City, including elected officials, debate, discuss and even vote on their own compensation packages. I am pleased to report that when those areas on issues arise, our Trustees abstain from discussion and voting on these issues. I would have also thought that the audit team could find more meaningful things to address rather than issues that should have been dealt with during pension reform in the late 1980s when the City had representatives on the pension reform Task Force.

Please feel free to call the Fund Administrator if you have any questions regarding this response.

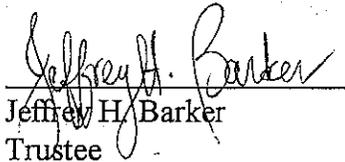
For the Board of Trustees:



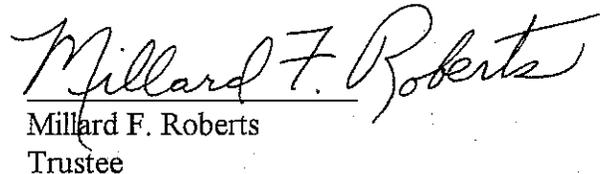
Thomas E. Chamberlain
Trustee



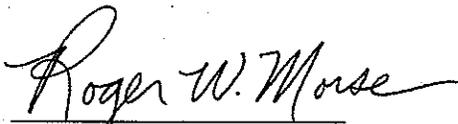
Randy Leonard
Trustee



Jeffrey H. Barker
Trustee

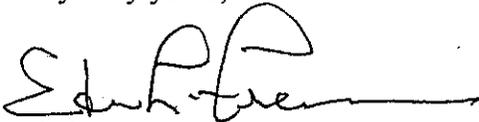


Millard F. Roberts
Trustee



Roger W. Morse
Trustee

Very truly yours,



Edwin L. Freeman
Fund Administrator

ELF:bfm

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