

Performance Audit

**DEPARTMENT
of
PERSONNEL and CIVIL SERVICE COMMISSION**

**WORKERS COMPENSATION PROGRAM
MANAGEMENT**

Report by the
Office of City Controller

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May 2011

May 19, 2011

To the Honorables: Mayor Luke Ravenstahl and
Members of Pittsburgh City Council:

The Office of City Controller is pleased to present this Performance Audit of *City Workers Compensation Program Management* conducted pursuant to the Controller's powers under Section 404(c) of the Pittsburgh Home Rule Charter. An audit released in 2003 assessed City attempts to reduce work related injury costs and the economy of using outside legal services for Workers Compensation cases. This audit assesses City effectiveness in reducing work related injury costs since 2005 and the cost effectiveness of the current managed care and legal services providers.

EXECUTIVE SUMMARY

Workers compensation is a no fault insurance program to pay medical costs and partially reimburse the lost wages of workers who suffer job related injuries or illness. The Director of Personnel and Civil Service Commission (PCSC) and Assistant Director of Personnel and Civil Service Commission administer and oversee the City Workers Compensation program. Other staff whose duties include workers compensation matters include a Safety Manager, a Safety Specialist and an Assistant City Solicitor assigned to Personnel and Civil Service Commission.

Since mid-1981, the City's Workers Compensation Program has been managed by a third party administrator. Prior to 1996, the third party was responsible only for claims management functions such as paying claims, tracking claims and filing bureau documents. In 1996 the City expanded to a managed care program that includes medical case management and nurse case management services. The City Law Department handles no workers compensation cases and outsources all workers compensation legal services.

Findings and Recommendations

Legacy Claim Reduction

Finding: Data provided by PCSC confirms that by the end of 2010 legacy claims were reduced by 349 claims or 36% of outstanding claims. The Department attributes this reduction to a combination of aggressive management and litigation.

Yearly Legacy Claim Costs

Finding: Cost data provided by PCSC for years 2006 through 2010 shows that legacy claim costs were reduced by 45% over the 6 year period.

Finding: Because, claim costs can vary significantly, there is no direct correlation between claim count reduction and cost reduction. One catastrophic injury can cost the City more than twenty less severe injuries.

Claims by City Department

Finding: The Bureau of Police, Fire Department, Public Works, EMS and Environmental Services have the most injuries of all City Departments. The majority of personnel in these departments perform arduous jobs with a high exposure to unpredictable conditions.

Workers Compensation Claim Classifications

Workers Comp claims are classified according to the type of compensation paid out. Claims not requiring medical treatment or time off are classified as Incident Only. Claims requiring medical treatment but not indemnity payments are Medical Only claims. Restricted Duty claims involve medical treatment but no lost time because the claimant is working at an alternative duty job. Lost Time claims are the most severe, requiring medical treatment and indemnity payments for not being able to work.

Finding: From 2006 through 2009, the greatest number of claims are in the Incident Only category, with 43% of the claims, followed by the Medical Only category, with 29% of the claims.

Work Related Injury Costs by City Department

Finding: As of February 8, 2011, the Department of Personnel and Civil Service was unable to provide complete annual workers compensation injury costs for 2009.

Finding: The auditors were told that the low amount of money paid out in 2009 is due to outstanding medical bills not yet received and paid by the TPA. This implies that doctors bill differently for workers compensation cases than for other types of patients.

Recommendation: PCSC should investigate the accuracy of the assertion that doctors are not billing timely by spot calling claimants doctors to determine billing procedures for City workers compensation cases. If PCSC finds that the bills are being timely

submitted, the City's TPA claim payment processing and recording practices should be investigated.

Recommendation: If PCSC finds that doctors are not timely submitting bills, the TPA should be instructed to contact doctors' offices and request more prompt billing.

PCSC Investigation After Auditor Preliminary Findings

Finding: PCSC found that the TPA was providing information from the wrong template.

Recommendation: PCSC should periodically ask the TPA to conduct a review of all templates that generate numbers submitted to PCSC. This would help ensure the accuracy of data generated for the City.

Finding: Data from the correct template showed that workers compensation medical bills for years 2009 and 2010 had been timely submitted and had been paid.

Finding: Corrected data from the Third Party Administrator shows that the amount of medical payments for work related injuries has steadily declined since 2008.

Effectiveness of City Safety Program

Finding: The City uses a variety of venues to disseminate safety information such as new employee orientations, annual Health and Safety Month mailings to all City employees and postings on the City website.

Finding: The City has accessible safety information available to employees on its intranet site. The Safety link under Personnel and Civil Service provides links to the City Safety Manual, Safety Policy, Hazard Communication Program, Back Safety and Lifting and Heat Stress and Related Illness Info.

Finding: The City's Safety information is not readily accessible to employees such as DPW laborers and ES refuse workers who do not have on the job computer access. Back Safety and Lifting and Heat Stress information would be especially useful to these employees.

Recommendation: The Safety Manager and PCSC should explore alternate ways to disseminate safety information to City employees who do not have on the job computer access.

Recommendation: The Safety Manager should personally interact with all City Departments to reinforce the importance of workplace safety and encourage employees to report unsafe conditions.

Finding: The Safety Manager uses reports from the TPA to track causes of lost time injuries and recurring types of injuries. This information sometimes is used to provide specific training on injury cause. An example is training firefighters to dismount safely from fire trucks.

Recommendation: Occasional general safety training for all departments should be held. In the alternative, e-mails to remind all departments that safety awareness is everyone's responsibility should be sent periodically.

Finding: Data provided by the Safety Manager, indicates that the number of WC Total Number of injuries and Lost Time injuries for all City workers have dropped considerably in the last 10 years.

Finding: Data provided by the Safety Manager show similar declines in Lost Time claims in the departments with the most workers compensation claims: Police, Fire, EMS, DPW and ES.

Workplace Injury Decrease

Finding: From 2000 to 2009, the number of budgeted employees and actual employees has decreased by 24%.

Finding: The decrease in work related injuries from 2000 to 2010 cannot be attributed to the decline in the City workforce. A commensurate decrease in the injury rate per 100 employees indicates that work place safety efforts have been effective in reducing workplace injuries.

Finding: Data supplied by the Safety Manager indicates an overall decline in the rate of injury per 100 employees from 2005 through 2010 and an overall decline in the rate of lost time injuries per 100 employees from 2003 through 2010.

Cost Effectiveness of Managed Care Provider

Finding: According to Personnel, because of a change in the procedure for paying worker compensation medical costs, the City's TPA current contract costs have been greatly reduced. UPMC BMS now uses the same method for medical bill and indemnity payments, i.e., issuing payments directly from City bank accounts.

Finding: In 2010, the annual cost for managed care services was \$500.00 per employee. Eliminating medical payments as a contract cost significantly reduces the per employee cost of the managed care contract.

Cost Effectiveness of Legal Services Provider

Finding: The legal services provider has never submitted an itemized invoice of services performed and the rates charged for such service. Invoices submitted to the City for payment simply state: "For services rendered" followed by month and year, e.g., November 2010. Total hours for the month are listed as "0" and the amount charged is \$25,000.00.

Finding: The legal services provider appears to comply with the contract requirement to submit bimonthly case progress reports.

Finding: The case reports provided by Personnel ranged from 2-3 page case updates to 2 sentence letters regarding attachments such as docketing statements and certificates of service.

Finding: The volume of case report work varies from month to month. The legal services provider submitted update information on 23 cases in September, 49 cases in October and 9 cases in December.

Finding: Fifteen of the 49 October case reports were updates from September cases. Three of the nine December case reports were updates from previous months.

Finding: The majority of September, October and December 2010 case updates were regarding 'legacy claims'. Fifty five of the 63 unduplicated cases involved legacy claims.

Finding: It is difficult to tell how much time the legal services provider spends on City workers compensation cases. For example, an appeal of an initial determination consists of filling in blanks on a one page appeal form and submitting it to the WCAB. Worker compensation hearings can be concluded in as little as fifteen minutes.

Recommendation: The City should require an itemized list of the legal services performed for that month as agreed to in the contract. This would provide a sound basis for assessing the economy of the current contract, especially if the number of legacy claims continues to be reduced.

Workers Compensation Costs

Finding: There was a 6.58% reduction in City workers compensation costs from 2009 to 2010.

Finding: Medical, indemnity, miscellaneous payments and Safety personnel salaries comprised 86.65% of the costs in 2009 and 89.82% in 2010. Payments to third parties for managed care and legal services were responsible for 13.35% of the 2009 costs and 10.18% of the 2010 costs.

The Department of Personnel and Civil Services Commission has reduced the City's workers compensation costs by resolving outstanding legacy claims and reducing the number of on the job injuries through workplace safety efforts. We are pleased that the department has agreed to implement our audit recommendations.

Sincerely,

Michael E. Lamb
City Controller

INTRODUCTION

This performance audit of City Workers Compensation Program Management was conducted pursuant to Section 404 (c) of the Pittsburgh Home Rule Charter. This is the Controller's second audit of the program. A previous audit released in 2003 assessed the City's attempts to reduce work related injury costs and the economy of using outside legal services for Workers Compensation cases. This audit assesses City effectiveness in reducing work related injury costs since 2005.

OVERVIEW

When America was industrializing in the 19th century, work place safety was not a priority for employers. Courts ruled that workers "assumed the risk" of injury when they accepted a job in a mine, mill, factory or other work site. A seemingly endless stream of immigrant workers assured a ready supply of replacements for injured workers.

In the early 20th century the common law began to shift in favor of workers and courts began to allow tort actions against employers. A tort is a civil action for damages caused by another's intentional or negligent conduct. Because of this shift in the common law, employers sought remedies in the legislature. The result was workers compensation, the so-called "historic bargain" between workers and employers.

The state of Wisconsin enacted the first workers' compensation law in the United States in 1911. Most states passed workers compensation laws between 1911 and 1920. The Commonwealth of Pennsylvania established its law in 1915. Workers compensation remains the province of state governments and benefits vary considerably from state to state.

Workers compensation is a no fault insurance program that is supposed to pay medical costs and partially reimburse the lost wages of workers who suffer job related injuries or illness. Workers compensation is the exclusive remedy workers have against employers for workplace injuries. Workers do not have to prove fault in order to receive benefits but they cannot sue their employer even if the employer was at fault. Injured workers receive no compensation for pain and suffering.

Employers accepted liability for work related injuries, occupational diseases and death but the type and amount of compensation was determined by state statute. Minimum compensation amounts are set by state law and benefits still vary considerably from state to state. Workers compensation law is constantly evolving in response to lobbying by employers to reduce benefits and by workers groups to increase benefits for injured workers.

In Pennsylvania, employers are responsible for providing WC insurance. This requirement may be met by purchasing a policy for workers' compensation from an insurance company or from the State. Eligible employers may opt to self-insure. The City of Pittsburgh is self insured. The self-insured employer or the employer's insurance company directly pays the injured employee.

Pennsylvania Benefits

Financial Compensation

The Pennsylvania Worker's Compensation Act provides for a percentage of the employee's average weekly wages (most often 66 2/3 % of gross wages) to be paid as compensation if the injured employee is unable to work. This financial compensation or indemnity payments are paid by the employer or its insurance carrier. The amount of financial compensation depends on the status or type of the injury. Injury status is classified as Temporary Total Disability, Temporary Partial Disability, Death, Permanent Partial Disability, Permanent Total Disability or Medical Only. Medical Only status means the employee requires medical treatment but is still able to work. Medical expenses are paid for all work related injuries whether or not the employee is receiving compensation.

If permanently disabled, WC benefits are paid until death. If the employee's death is a result of the injury or is related to the injury, the employee's spouse will receive WC "widow's benefits". Widow's benefits are less than the full compensation amount when the husband was alive. Sometimes employees accept a lump sum payment as full and final compensation. Taking a lump sum allows the employee to be employed elsewhere without having his/her wages offset. If an employee accepts a regular pension his/her worker's comp benefits will end. (Prior to passage of State Senate Bill 801 in 1995, employees receiving workers' compensation could also collect pension benefits. Employees receiving both benefits prior to enactment of the bill are 'grandfathered' and still receive both benefits.)

For WC benefits to continue following retirement, a claimant must show that he/she is actively seeking employment after retirement or has been forced into retirement from the entire labor market because of the work injury. Forced into retirement means the person is unable to work in any capacity. An employee can get a disability pension and still receive WC benefits. Monthly WC payment continues and is offset by the amount of the disability pension. Workers Comp payments can be offset by Social Security Old Age payments or wages.

Heart and Lung Act

Injured police and firefighters can apply for compensation under the State Heart and Lung Act and receive 100% of their salary tax free. The Act is somewhat of a misnomer because benefits are available for any work related injury causing temporary incapacity from performing duties, not just injuries affecting heart or lungs. Police and firemen initially could opt for less wage coverage under the Worker's Compensation Act, but the auditors are not aware of this ever happening. However, if the injury is of a "lasting and indefinite nature", the injured officer or firefighter then will be covered under the Workers Compensation Act. Compensation payment then will be adjusted to 66 2/3% of his or her average weekly wage up to the maximum compensation rate for the year in which the injury occurred.

Medical Benefits

Medical expenses for work related injuries are also paid by the employer or its insurance carrier. These expenses are paid whether the employee is able to work or not.

Because the City of Pittsburgh is self insured, all workers compensation indemnity payments and medical expenses are paid by the City.

Workers Compensation Procedures - State Reporting Requirements

An employee who suffers a work related injury is required by statute to report the injury to his supervisor within 120 days of being injured or learning he or she has a work related disease. An exception exists for injuries involving progressive diseases such as carpal tunnel syndrome, occupational disease and work-related hearing loss.

The Employer must immediately report the injury to its insurance carrier or Plan administrator. If the injury results in a disability that lasts more than a day or work shift, the Employer must file a Report of Occupation Injury or Disease with the State Bureau of Workers Compensation after 7 but within 15 days of the date of injury. If an injury results in the employee's death, a report must be filed with the Bureau within 48 hours.

The City must accept or reject liability for the injury within 21 days from the date notice was given by the injured employee. The initial liability determination is made by the City's Third Party Claims Administrator (TPA). If the City concurs with the liability determination, TPA must issue a Notice of Compensation Payable or a Notice of Temporary Compensation Payable to the injured employee. Thus, benefits would begin no later than 21 days after the City receives notice of the injury.

City of Pittsburgh

The Director of Personnel and Civil Service Commission and Assistant Director of Personnel and Civil Service Commission administer and oversee the City Workers Compensation program. Other staff whose duties include workers compensation matters include a Safety Manager, a Safety Specialist and an Assistant City Solicitor assigned to Personnel and Civil Service Commission.

Since mid-1981, the City's Workers Compensation Program has been managed by a third party administrator. Prior to 1996, the third party was responsible only for claims management functions such as paying claims, tracking claims and filing bureau documents. The City expanded to a managed care program in 1996. Managed care includes medical case management and nurse case management services.

Managed Care Third Party Administrator

The City has used University of Pittsburgh Medical Center Benefits Management Services (UPMC BMS) formerly UPMC Work Partners as its workers compensation managed care third party administrator (TPA) since 2006. UPMC BMS is a wholly owned for profit subsidiary of the UPMC Health System. The initial twelve month agreement for managed care services automatically renewed for three additional years, subject to annual appropriation of funds by City Council. Compensation for subsequent contract years was to be negotiated and not exceed agreed to percentage increases over the previous year compensation. A concurrent contract with UPMC was for claims administration and nurse case management services. UPMC BMS' compensation for both contracts totaled \$22,552,217.00 for years 2006 through 2009. Included in this total were funds to pay the City's Worker Compensation medical costs.

The City's current three year (1-01-10 to 12-31-12) contract with UPMC BMS is for Claims Administration Services and Nurse Case Management Services as described in the City's RFP dated August 2009. The scope of services to be provided includes medical management of all City of Pittsburgh injury and infectious disease claims. Medical management includes injury assessment and treatment and return to work determination.

UPMC BMS's compensation for the current three year contract, including program and administrative costs, is not to exceed \$5,419,650.00. Not to exceed total annual compensation per contract year is as follows:

Year 1 (2010): \$1,748,500
Year 2 (2011): \$1,811,500
Year 3: (2012): \$1,859,650

Legal Services

If a worker does not agree with a return to work determination and does not return to work, the City's contracted attorneys will file a Petition to Terminate, Modify or Suspend the workers' compensation benefits. The employee can seek another medical opinion. At this point, the employee's ability to return to work becomes an issue of fact for a Worker's Compensation hearing at which the City will be represented by outside counsel.

The City Law Department handles no workers compensation cases. However, the Assistant City Solicitor assigned to Personnel ensures that union contracts and other City requirements are complied with during workers compensation proceedings. The City contracts for legal services "in connection with the defense of worker's compensation matters and claims brought against the City under the Worker's Compensation Act and the Heart and Lung Act".

The City has entered into a four year contract with O'Brien, Rulis and Bohecchio to provide legal services in connection with the defense of certain workers compensation claims and claims brought against the City under the Workers Compensation Act and the Heart Lung Act. The contract term is January 1, 2009 to December 31, 2012. Compensation for the four year contract is \$1,200,000.00 or \$300,000.00 per year. According to the Assistant Director of Personnel, a priority of the legal services provider is to pursue and resolve the City's outstanding or 'legacy' claims to reduce the City's work related injury costs.

Effective Workers Compensation Program

An effective Workers Compensation Program should:

1. Provide quality health care for injured workers;
2. Return injured employees to work promptly and safely;
3. Reduce the City's work related injury costs;
4. Create a safety culture through the utilization of an effective safety program.

OBJECTIVES

1. To assess City effectiveness in reducing legacy claims.
2. To assess City effectiveness in reducing work related injury costs by City department.
3. To assess the cost effectiveness of the current Managed Care provider and legal services provider.
4. To make recommendations for improvement.

SCOPE

Audit scope is the number of legacy and new workers compensation claims since 2005 and the current City contracts for workers compensation managed care and legal services.

METHODOLOGY

Auditors met with the Director and Assistant Director of Personnel and Civil Service Commission (PCSC) to discuss the current City's Worker's Compensation Program and changes that have been made since the last audit was conducted in 2003.

Claim Data and Cost

Information requested included yearly Workers Compensation (WC) costs, number of claims by department, bureau or division for years 2003 through 2009, WC costs by type of injury for each City department, bureau or division. PCSC did not trust the integrity of claim data from the former Third Party Administrator. Claim data was provided from 2006, the first year that the City contracted with the current Workers Compensation Managed Care Third Party Administrator. Claim data was updated to include year 2010. Also requested was the number of legacy claims and total paid since 2005.

The auditors could not verify the accuracy of the data but used it to calculate the following: number and percent of total workers compensation costs for 2009 and 2010, total number of legacy claims and costs from 2005 through 2010, the number of claims and type of claim by departments, bureaus or divisions identifying the top 5 with the greatest number and percentage of claims, the classification and corresponding percentage identifying the top 5 with the greatest number of claims from 2006 through 2009, yearly WC costs by city department/bureau/division for all claims filed in 2007, 2008 and 2009, Total WC costs for 2007, 2008, 2009 and 2010, and WC breakdown of cost by claim type for all claims filed in 2008.

Data was also obtained from the City Controller's 2009 Comprehensive Annual Financial Report (CAFR) showing the budgeted and actual number of City employees from 2000 through 2009.

Safety Manager Data

The auditors met with the City Safety Manager and discussed current safety programs and available statistics for workplace injuries. The Safety Manager uses reports from the TPA to track number of injuries, number of lost time injuries, causes of lost time injuries and recurring types of injuries. The Safety Manager's data was calculated for years 2000 through 2010 by overall totals and totals per 100 employees.

Third Party Costs

Documents reviewed include contracts with University of Pittsburgh Medical Center Benefits Management Services (UPMC BMS) for managed care third party administrator services and with O'Brien, Rulis and Bohecchio (ORB) for legal services. Both contracts were reviewed for scope of services and cost to the City.

The legal services provider is required to submit a written report every 2 months about the progress of each case. Case progress reports for September, October and December 2010 were reviewed to determine case type, case progress report type and monthly case volume. ORB provided estimated monthly time summary reports for October 2009 through July 2010. Recommendations were made for better assessing the economy of the current legal services contract. Third party costs were calculated as a percent of total workers compensation costs for 2009 and 2010.

FINDINGS AND RECOMMENDATIONS

Legacy Claim Reduction

A legacy claim is defined by the Department of Personnel and Civil Service Commission (PCSC) as an open or active claim with a claim date prior to January 1, 2006.

Finding: Data provided by PCSC confirms that by the end of 2010 legacy claims were reduced by 349 claims or 36% of outstanding claims. The Department attributes this reduction to a combination of aggressive management and litigation.

TABLE 1

OPEN LEGACY CLAIMS (claims filed before 2006)		
YEAR	CLAIM COUNT	CLAIM REDUCTION FROM PREVIOUS YEAR
2005	965	
2006	955	10
2007	813	142
2008	707	106
2009	637	70
2010	616	21
	TOTAL	349

The legacy claim count for each year is the number of open lost time claims as of December 31 of that year.

Yearly Legacy Claim Costs

Finding: Cost data provided by PCSC for years 2006 through 2010 shows that legacy claim costs were reduced by 45% over the 6 year period.

Table 2 shows the Indemnity, Medical, Expense/Other and Total Paid annual costs of the Legacy Claims.

According to PSCS, ‘expense/other’ costs are anything other than medical or indemnity costs such as fees the City has to pay to claimants attorneys, vocational training costs and remodeling of injured workers home.

TABLE 2
ANNUAL LEGACY CLAIM COSTS
2005 TO 2010

FISCAL YEAR	NUMBER of CLAIMS	INDEMNITY	MEDICAL	EXPENSE/ OTHER	TOTAL PAID
2005	966*	\$18,771,096.56	\$4,047,219.51	\$239,251.89	\$23,057,567.96
2006	955	14,276,847.27	2,517,027.66	169,254.71	16,963,129.64
2007	813	14,666,619.27	1,651,672.39	261,981.46	16,580,273.12
2008	707	12,183,480.98	1,571,557.22	502,262.88	14,257,301.08
2009	637	12,168,292.86	1,536,959.96	434,774.62	14,140,027.44
2010	616	11,017,286.45	1,365,691.24	347,914.11	12,730,891.80

*Table 1 shows 965 Legacy claims were open at the end of 2005, and Table 2 shows 966 legacy claims were paid on in 2005. This is because at some point in 2005 one claim was no longer open.

Finding: Because, claim costs can vary significantly, there is no direct correlation between claim count reduction and cost reduction. One catastrophic injury can cost the City more than twenty less severe injuries.

Claims by City Department

Table 3 shows the number of claims filed by City Department in years 2006 through 2009. Data was supplied by the Department of Personnel.

TABLE 3

TOTAL CLAIMS BY DEPARTMENT, BUREAU OR DIVISION FOR YEARS 2006-2009				
DEPARTMENT ETC.	2006	2007	2008	2009
Animal Control Division	0	0	8	8
BBI	3	4	4	6
City Controller	3	1	1	0
City Planning	0	0	1	0
Civilian Police Review Board	0	0	0	1
Council	3	2	0	1
Crossing Guards	14	14	17	20
EMS	101	124	117	141
Environmental Services	91	97	76	82
Finance	1	5	4	6
Fire	196	239	144	194
General Services	9	6	7	10
Human Relations	0	0	0	1
Law	1	1	0	1
Mayor	6	8	6	7
Parks	24	18	21	8
Personnel	1	2	9	3
Police	284	329	358	404
Public Works	107	103	120	88
Unknown Division	1	0	0	0
TOTALS	845	953	893	981

Shaded areas are the departments with the most claims.

Finding: The Bureau of Police, Fire Department, Public Works, EMS and Environmental Services have the most injuries of all City Departments. The majority of personnel in these departments perform arduous jobs with a high exposure to unpredictable conditions.

TABLE 4

TOP FIVE DEPARTMENTS WITH THE MOST CLAIMS AND THE PERCENT OF TOTAL CLAIMS			
YEAR	CLAIM TOTAL	TOTAL CLAIMS FROM TOP 5 DEPARTMENTS	PERCENTAGE OF TOTAL CLAIMS
2006	845	779	93%
2007	953	892	94%
2008	893	815	92%
2009	981	909	93%

Finding: The top five departments with the most claims are responsible for over 90% of total City works compensation claims.

Workers Compensation Claim Classifications

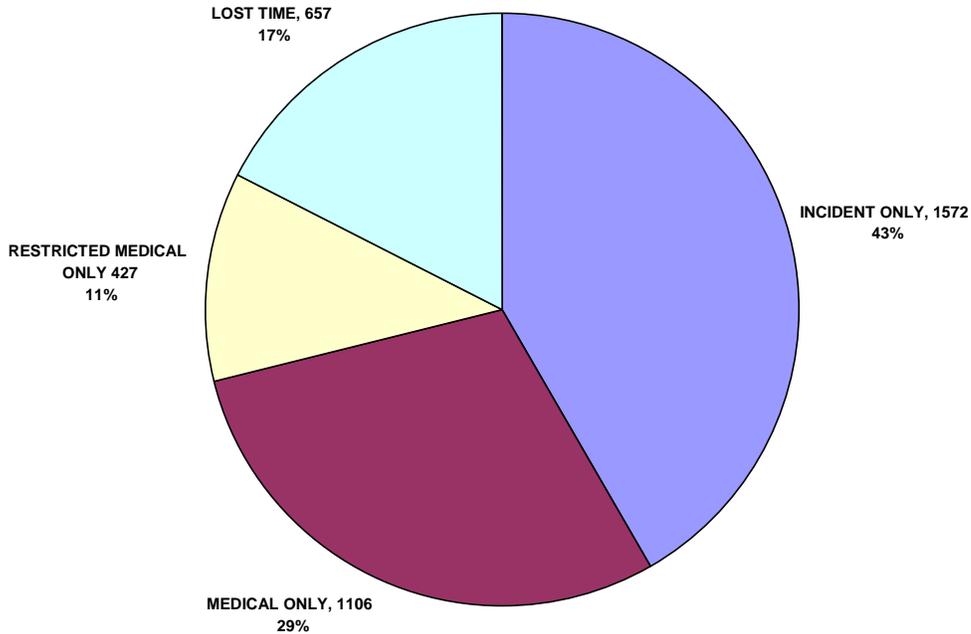
The City classifies Workers Comp claims according to the type of compensation paid out. Claims not requiring medical treatment or time off are classified as Incident Only. Claims requiring medical treatment but not indemnity payments are Medical Only claims. Restricted Duty claims involve medical treatment but no lost time because the claimant is working at an alternative duty job. Lost Time claims are the most severe, requiring medical treatment and indemnity payments for not being able to work.

Chart 1 shows the breakdown of all workers compensation claims by type of claim from 2006 through 2009.

Finding: The greatest numbers of claims are in the Incident Only category, with 43% of the claims, followed by the Medical Only category, with 29% of the claims.

CHART 1

Workers Compensation Injury Classifications for 2006-2009



Claim Classification by City Department

Table 5 shows the number of Incident Only, Medical Only, Restricted Medical Only and Lost Time occurrences by city division, department or bureau. The time period covered is 4 years, from 2006 through and including 2009.

Finding: Police and Fire Bureaus have the most overall claims in all claim classifications'. These bureaus are followed closely by EMS, Public Works and Environmental Services in number of total claims.

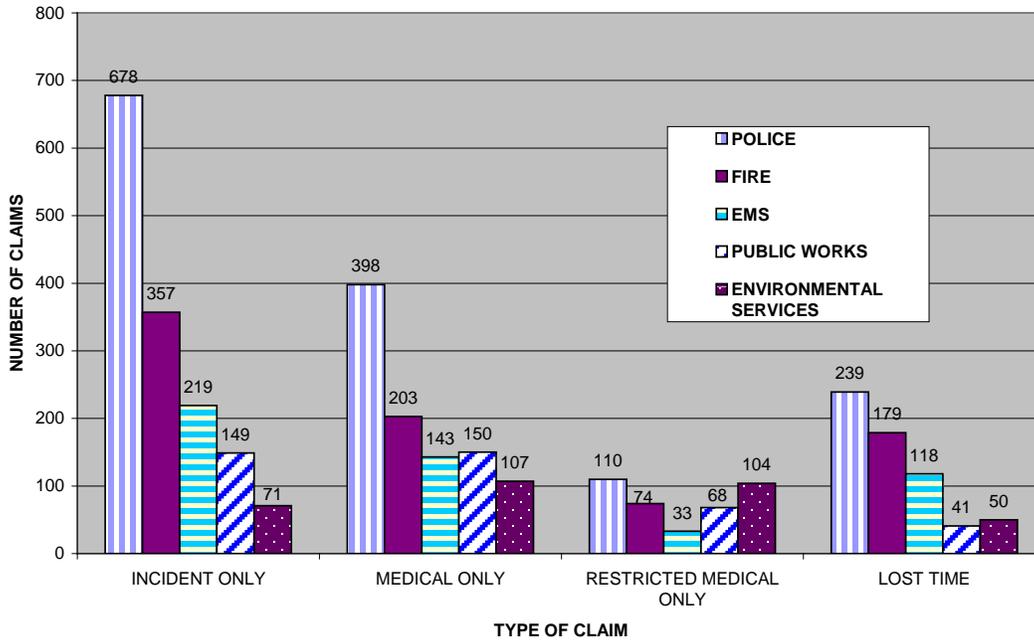
TABLE 5

NUMBER OF INCIDENTS, MEDICAL ONLY, RESTRICTED MEDICAL ONLY AND LOST TIME OCCURRENCES BY CITY DIVISION, DEPARTMENT OR BUREAU FROM 2006 THROUGH 2009				
DIVISION, DEPARTMENT OR BUREAU	INCIDENT ONLY	MEDICAL ONLY	RESTRICTED MEDICAL ONLY	LOST TIME
ANIMAL CONTROL DIVISION	7	4	2	1
BBI	6	7	2	2
CITY CONTROLLER	1	2	0	1
CITY PLANNING	0	0	1	1
CIVILIAN POLICE REVIEW BOARD	1	0	0	0
CITY COUNCIL	2	4	0	0
CROSSING GUARDS	28	22	6	13
EMS	219	143	33	118
ENVIRONMENTAL SERVICES	71	107	104	50
FINANCE	10	6	0	0
FIRE	357	203	74	179
GENERAL SERVICES	7	13	8	2
HUMAN RELATIONS	0	0	1	0
LAW	1	2	0	0
MAYOR	11	8	4	2
PARKS	17	34	10	7
PERSONNEL	6	3	4	1
POLICE	678	398	110	239
PUBLIC WORKS	149	150	68	41
UNKNOWN DIVISION	1	0	0	0
TOTALS	1572	1106	427	657

Shaded areas are the departments with the most claims.

The following bar chart compares the injury claim types for the five departments with most injuries with most injuries.

**CHART 2
FIVE DEPARTMENTS WITH MOST INJURIES
BY CLAIM TYPE
FROM 2006 THROUGH 2009**



Most Common Injury Causes

According to the Safety Manager, the most common injury causes in the five departments with the most workers compensation claims are as follows:

- | | |
|-------------------------|-------------------------|
| Police: | Altercation with Actors |
| EMS: | Lifting |
| Fire: | Slip, Trip or Fall |
| Environmental Services: | Lifting/ Throwing |
| Public Works: | Contact with object |

Examples of 'contact with object' injuries include a tree limb falling and hitting an employee, an employee hitting his/her hand off of a truck, a hand laceration from broken glass in garbage bag and grass debris in the eye.

Finding: The most common injury causes for police officers, firefighters, paramedics, public works employees and refuse workers are unintended outcomes of performing daily job duties.

Work Related Injury Costs by City Department

The auditors requested annual workers compensation costs by City department/bureau for 2007 to 2009. Table 6 displays the information provided by PCSC.

The auditors were told by Personnel that doctors are slow to bill and the City is still receiving bills from 2006. The auditors could not confirm the dollar amount of late bills or percent of total medical bills this represents.

Finding: As of February 8, 2011, the Department of Personnel and Civil Service was unable to provide complete annual workers compensation injury costs for 2009.

Finding: The auditors were told that the low amount of money paid out in 2009 is due to outstanding medical bills not yet received and paid by the TPA. This implies that doctors bill differently for workers compensation cases than for other types of patients.

TABLE 6
YEARLY WC COSTS
BY CITY DEPARTMENT/BUREAU/DIVISION
ALL CLAIMS FILED IN THAT YEAR

DEPARTMENT	AMOUNT PAID 2007	AMOUNT PAID 2008	AMOUNT PAID 2009
Animal Control Division	\$3,135.73	\$4,295.80	\$1,437.95
Civilian Police Review Board	\$0.00	\$0.00	\$0.00
Bureau Of Building Inspection	\$1,919.26	\$108,338.95	\$4,438.40
Office Of City Controllers	\$5,171.16	\$0.00	\$0.00
City Clerk	\$735.56	\$0.00	\$0.00
City Council	\$1,021.64	\$0.00	\$0.00
School Guards	\$34,081.89	\$45,060.30	\$25,057.50
EMS	\$302,115.97	\$798,798.30	\$34,535.00
Environmental Services	\$420,473.71	\$523,024.85	\$63,716.20
Department of Finance	\$433.50	\$788.00	\$0.00
Fire-Engine Companies, Fire Academy, Administration	\$1,003,520.74	\$844,628.85	\$130,241.10
General Services	\$6,212.73	\$19,704.55	\$0.00
Human Relations	\$0.00	\$0.00	\$0.00
Department Of Law	\$3,431.24	\$0.00	\$0.00
Office Of The Mayor	\$4,052.17	\$27,890.00	\$1,120.00
Parks/Senior Centers/Swimming Pools Etc.	\$14,143.77	\$307,884.95	\$9,031.50
Personnel - Pgh Partnership	\$488.08	\$963.45	\$710.00
City Planning	\$0.00	\$0.00	\$0.00
Police/Zones/Administration/Academy Etc.	\$1,110,574.80	\$1,864,770.85	\$98,312.65
Public Works	\$152,239.23	\$519,960.05	\$82,011.75
TOTALS	\$3,063,751.18	\$5,066,108.90	\$450,612.05*

*Total updated after PCSC investigation. See Tables 6-A and 6-B below.

RECOMMENDATION NO. 1:

PCSC should investigate the accuracy of the assertion that doctors are not billing timely by spot calling claimants doctors to determine billing procedures for City workers compensation cases. If PCSC finds that the bills are being timely submitted, the City's TPA claim payment processing and recording practices should be investigated.

RECOMMENDATION NO. 2:

If PCSC finds that doctors are not timely submitting bills, the TPA should be instructed to contact doctors' offices and request more prompt billing.

PCSC INVESTIGATION AFTER AUDITOR PRELIMINARY FINDINGS

After reviewing the preliminary audit draft, PCSC conducted an immediate investigation into the TPA assertion that the lack of information available for 2009 and 2010 was due to untimely billing by medical providers.

Finding: PCSC found that the TPA was providing information from the wrong template.

RECOMMENDATION NO. 3:

PCSC should periodically ask the TPA to conduct a review of all templates that generate numbers submitted to PCSC. This would help ensure the accuracy of data generated for the City.

Finding: Data from the correct template showed that workers compensation medical bills for years 2009 and 2010 had been timely submitted and had been paid.

Finding: Tables 6-A and 6-B displays the corrected WC costs for 2009 and 2010.

TABLE 6-A

YEARLY WC COSTS FOR ALL CLAIMS FILED IN THAT YEAR			
AMOUNT PAID 2007	AMOUNT PAID 2008	AMOUNT PAID 2009	AMOUNT PAID 2010
\$3,063,751.18	\$5,066,108.90	\$3,353,850.19	\$2,851,397.46

Finding: The amount of medical payments for work related injuries has steadily declined since 2008.

TABLE 6-B

YEARLY WC COSTS BY CITY DEPARTMENT/BUREAU/DIVISION ALL CLAIMS FILED IN THAT YEAR		
DEPARTMENT	AMOUNT PAID 2009	AMOUNT PAID 2010
Animal Control Division	\$15,487.01	\$5,501.82
Civilian Police Review Board	\$0.00	\$0.00
Bureau Of Building Inspection	\$21,555.21	\$3,340.58
Office Of City Controllers	\$0.00	\$0.00
City Clerk	\$0.00	\$0.00
City Council	\$0.00	\$2,315.67
School Guards	\$111,749.20	\$152,901.46
EMS	\$349,070.49	\$196,666.52
Environmental Services	\$267,184.55	\$321,251.23
Department of Finance	\$0.00	\$5,440.91
Fire-Engine Companies, Fire Academy, Administration	\$477,979.79	\$728,793.82
General Services	\$5,291.17	\$53,938.90
Human Relations	\$1,944.15	\$0.00
Department Of Law	\$112.00	\$0.00
Office Of The Mayor	\$1,757.33	\$3,853.51
Parks/Senior Centers/Swimming Pools Etc.	\$21,037.94	\$36,336.17
Personnel - Pgh Partnership	\$3,790.10	\$5,960.34
City Planning	\$0.00	\$0.00
Police/Zones/Administration/Academy Etc.	\$1,376,334.91	\$968,906.46
Public Works	\$700,556.34	\$356,450.47
TOTALS	\$3,353,850.19	\$2,851,397.46

Annual Cost by Claim Type

Table 7 is a breakdown by cost and claim type by City Department, Bureau or Division for 2008. Year 2008 was the most current year with complete cost and claim information available prior to the revised information from the correct template.

TABLE 7

**WC BREAKDOWN OF COSTS
BY CLAIM TYPE FOR ALL CLAIMS FILED IN 2008**

DEPARTMENT—BUREAU OR DIVISION	# of Incident Only	Incident Only Cost	# of Lost Time	Lost Time Cost	# of Medical Only	Medical Only Cost	# of Restricted Duty	Restricted Duty Cost
ANIMAL CONTROL DIVISION	4	\$0.00	0	\$0.00	2	\$1,110.65	2	\$3,185.15
BUREAU OF BUILDING INSPECTION	1	\$0.00	1	\$108,338.95	1	\$0.00	1	\$0.00
OFFICE OF CITY CONTROLLER	0	\$0.00	0	\$0.00	0	\$0.00	1	\$0.00
SCHOOL GUARDS	9	\$0.00	4	\$44,560.30	4	\$500.00	0	\$0.00
EMS	60	\$0.00	32	\$734,134.95	23	\$60,708.95	2	\$3,954.40
Environmental Services	17	\$0.00	8	\$434,393.60	29	\$47,046.90	22	\$41,584.35
DEPT OF FINANCE	2	\$0.00	0	\$0.00	2	\$788.00	0	\$0.00
FIRE-Engine Co's, Fire Academy, Administration	65	\$0.00	42	\$771,562.80	35	\$69,435.65	2	\$3,630.40
General Services	2	\$0.00	1	\$8,697.80	1	\$2,721.65	3	\$8,285.10
OFFICE OF THE MAYOR	2	\$0.00	0	\$0.00	2	\$2,069.50	2	\$25,820.50
PARKS/Senior Centers/Swimming Pools etc.	4	\$0.00	3	\$291,080.00	8	\$1,547.40	6	\$15,257.55
PERSONNEL - PGH PARTNERSHIP	4	\$0.00	1	\$0.00	1	\$963.45	2	\$0.00
CITY PLANNING	0	\$0.00	1	\$0.00	0	\$0.00	0	\$0.00
POLICE/Zones/Administration/Academy etc.	192	\$0.00	63	\$1,577,449.35	90	\$253,746.35	13	\$33,575.15
PUBLIC WORKS	48	\$0.00	8	\$364,451.50	45	\$62,118.25	19	\$93,390.30
TOTALS	410	\$880,009.70	164	\$3,264,151.00	243	\$561,828.65	75	\$360,119.55

Effectiveness of City Safety Program

Staffing

The Department of Personnel and Civil Service employs two full time safety personnel: a Safety Manager and Safety Specialist. Prior to July 2007, these positions were paid through the TPA contract.

Safety Information Dissemination

Finding: The City uses a variety of venues to disseminate safety information such as new employee orientations, annual Health and Safety Month mailings to all City employees and postings on the City website.

Finding: The City has accessible safety information available to employees on its intranet site. The Safety link under Personnel and Civil Service provides links to the City Safety Manual, Safety Policy, Hazard Communication Program, Back Safety and Lifting and Heat Stress and Related Illness Info.

Finding: The City's Safety information is not readily accessible to employees such as DPW laborers and ES refuse workers who do not have on the job computer access. Back Safety and Lifting and Heat Stress information would be especially useful to these employees.

RECOMMENDATION NO. 4:

The Safety Manager and PCSC should explore alternate ways to disseminate safety information to City employees who do not have on the job computer access.

RECOMMENDATION NO. 5

The Safety Manager should personally interact with all City Departments to reinforce the importance of workplace safety and encourage employees to report unsafe conditions.

Safety Manager Injury Data

Finding: The Safety Manager uses reports from the TPA to track causes of lost time injuries and recurring types of injuries. This information sometimes is used to provide specific training on injury cause. An example is training firefighters to dismount safely from fire trucks.

RECOMMENDATION NO. 6:

Occasional general safety training for all departments should be held. In the alternative, e-mails to remind all departments that safety awareness is everyone's responsibility should be sent periodically.

Finding: Chart 3 and 4 provided by the Safety Manager, indicates that the number of WC Total Number of injuries and Lost Time injuries for all City workers have dropped considerably in the last 10 years.

CHART 3

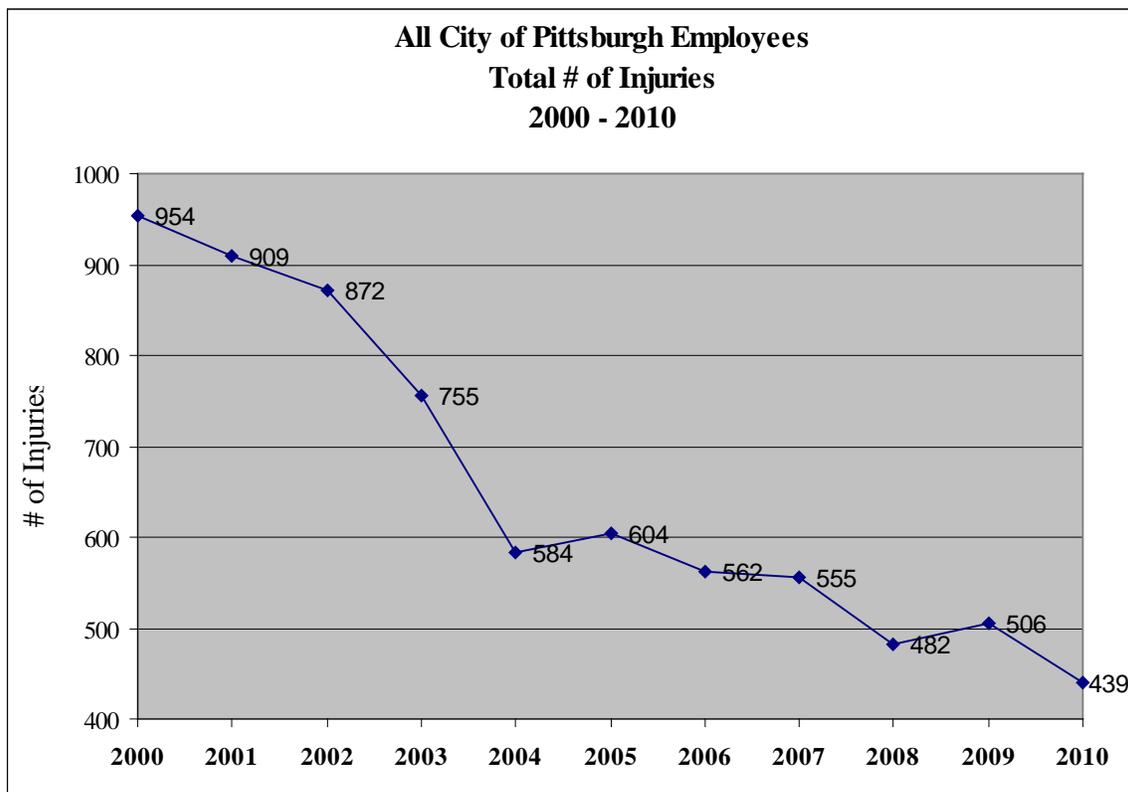
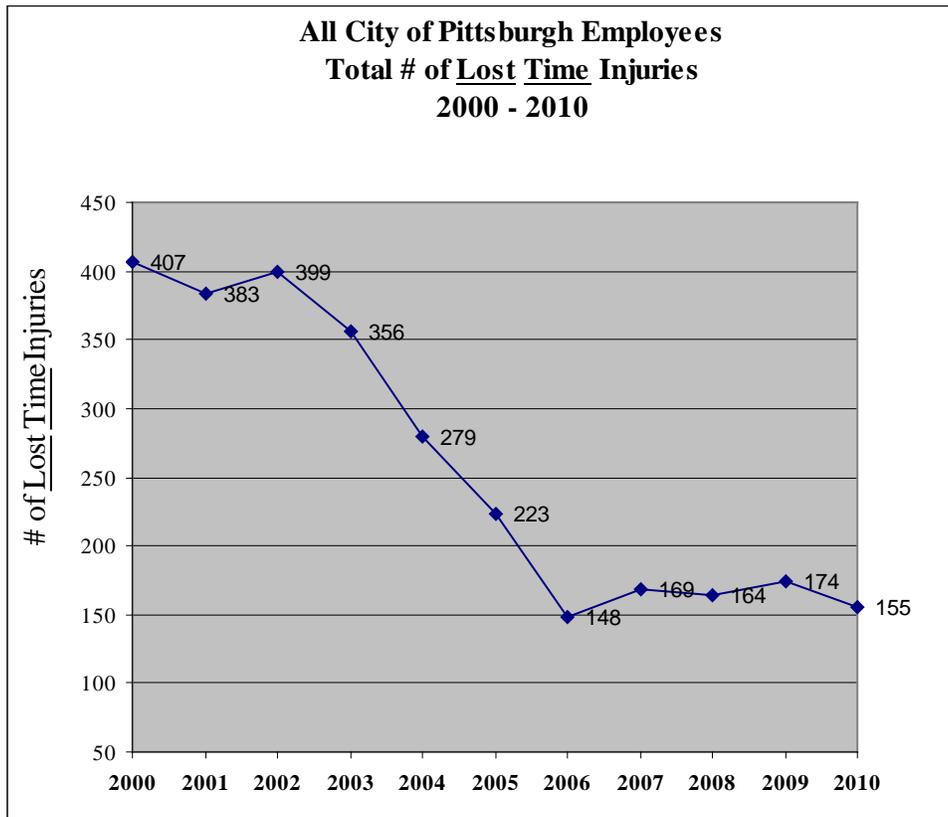


CHART 4



Finding: Charts provided by the Safety Manager show similar declines in Lost Time claims in the departments with the most workers compensation claims: Police, Fire, EMS, DPW and ES.

These charts can be found in the Appendix.

Workplace Injury Decrease

Since 2000, the City work force has been shrinking. The data in Table 8 from the City Controller’s 2009 Comprehensive Annual Financial Report (CAFR) shows the budgeted and actual number of City employees from 2000 through 2009.

TABLE 8

CITY WORKFORCE 2000 THROUGH 2009		
FISCAL YEAR	REGULAR BUDGETED POSITIONS	ACTUAL SUBSEQUENT JANUARY PAYROLL
2000	4,365	4,236
2001	4,359	4,246
2002	4,352	4,099
2003	4,337	3,654
2004	3,700	3,312
2005	3,634	3,007
2006	3,313	3,221
2007	3,341	3,281
2008	3,363	3,177
2009	3,310	3,213

Finding: From 2000 to 2009, the number of budgeted employees and actual employees has decreased by 24%.

Finding: The decrease in work related injuries from 2000 to 2010 cannot be attributed to the decline in the City workforce. A commensurate decrease in the injury rate per 100 employees indicates that work place safety efforts have been effective in reducing workplace injuries.

Finding: Data supplied by the Safety Manager in Charts 5 and 6 indicates an overall decline in the rate of injury per 100 employees from 2005 through 2010 and an overall decline in the rate of lost time injuries per 100 employees from 2003 through 2010.

CHART 5

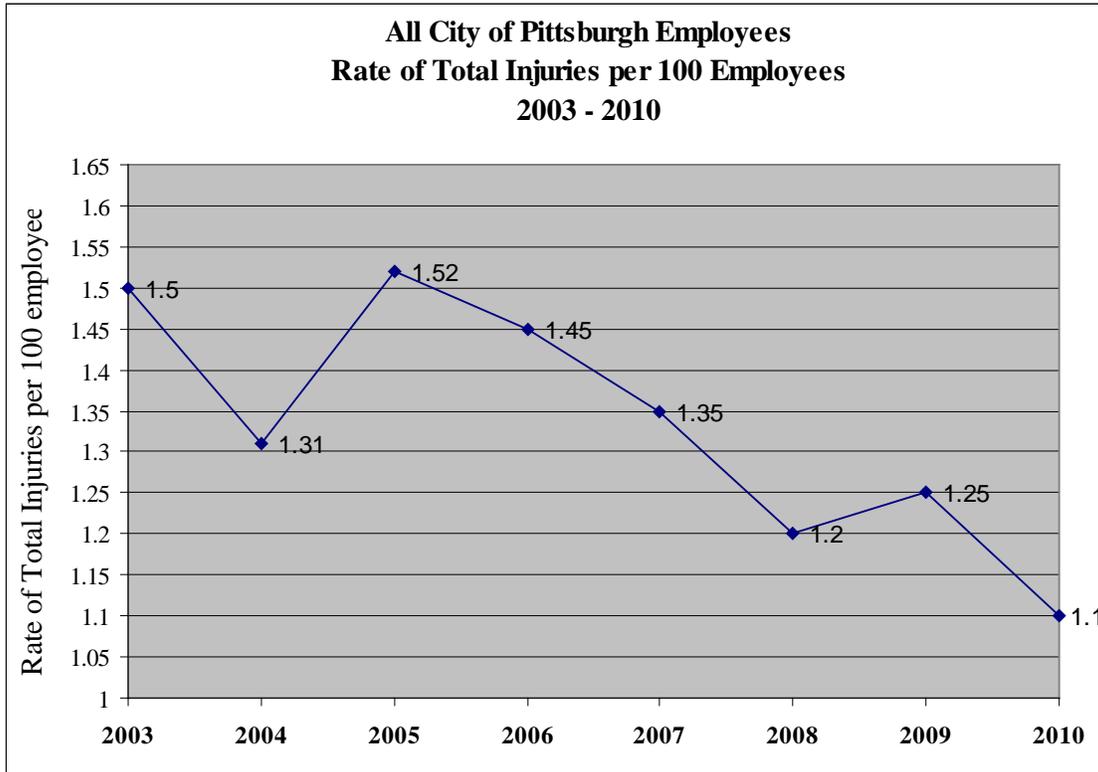
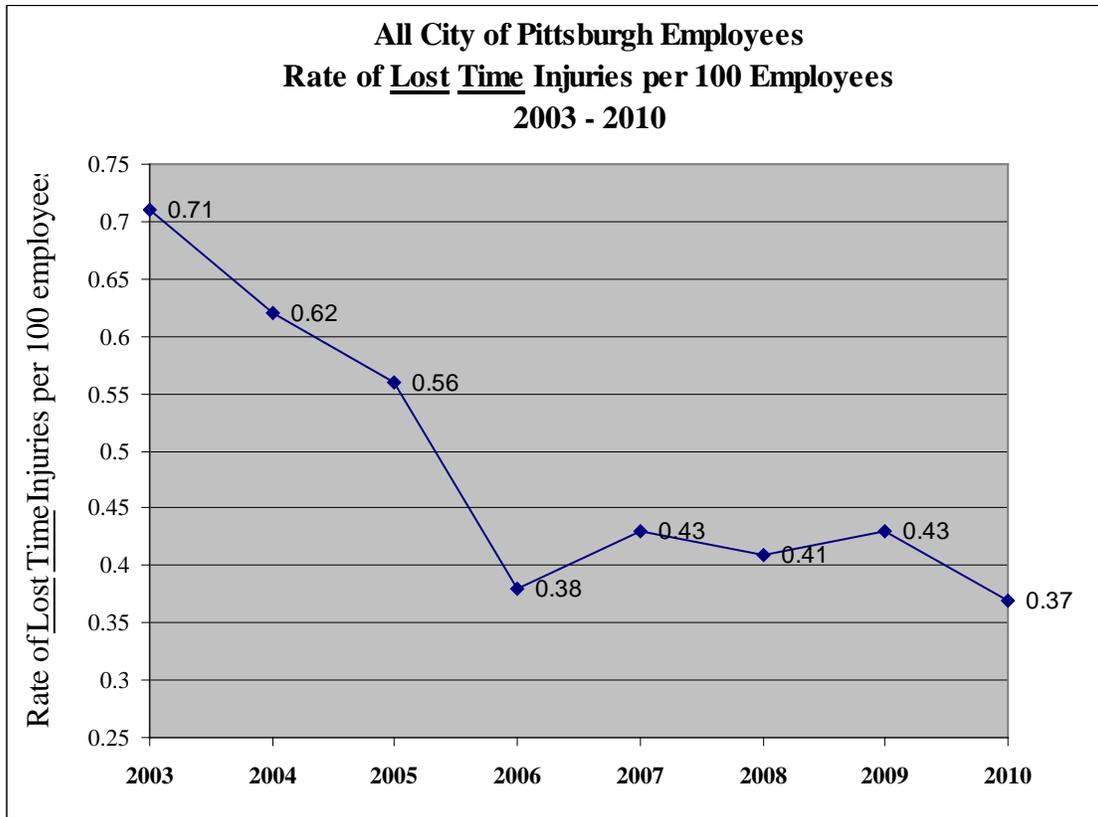


CHART 6



Cost Effectiveness of Managed Care Provider

UPMC Benefits Management Services (UPMC BMS) compensation for contract years 2006 through 2009 was not to exceed \$22,552,217.00. UPMC compensation for the current three year contract (2010-2012) is not to exceed \$5,419,650.00. The scope of work in both contracts is relatively unchanged.

Finding: According to Personnel, because of a change in the procedure for paying worker compensation medical costs, the City's TPA current contract costs have been greatly reduced. UPMC BMS now uses the same method for medical bill and indemnity payments, i.e., issuing payments directly from City bank accounts.

The former contract required the TPA to carry excess medical insurance to pay workers compensation medical bills out of its own account. This account was infused with funds by the City. Under the current contract, the City deposits monies from its Workers Compensation Trust Fund into City PNC bank accounts. The TPA issues payment for medical bills and indemnity payments from these City accounts.

Current Contract Costs per Employee

The Managed Care contract requires the City to pay UPMC BMS "on a monthly basis (1/12 of total compensation amount per month) subject to completion of said professional services in a manner satisfactory to City and receipt and approval by City of a certified invoice".

Under this arrangement, the City will pay UPMC BMS \$145,708.33 per month in 2010, \$150,958.33 per month in 2011 and \$154,970.83 per month in 2012. To determine the per employee cost, the auditors divided 3497 (the highest number of City employees in 2010) into the annual contract cost.

Finding: In 2010, the annual cost for managed care services was \$500.00 per employee. Eliminating medical payments as a contract cost significantly reduces the per employee cost of the managed care contract.

Cost Effectiveness of Legal Services Provider

Legal Services Compensation

The City's contract for Workers Compensation/Heart Lung Act legal services requires the City to pay the provider "monthly increments in the amount of \$25,000". The contract also requires that "Payment of said fee shall be made upon completion of said professional services in a manner satisfactory to City and after receipt and approval by City of a certified invoice, **itemizing the services performed and the rates charged for such service**".

Finding: The legal services provider has never submitted an itemized invoice of services performed and the rates charged for such service. Invoices submitted to the City for payment simply state: “For services rendered” followed by month and year, e.g., November 2010. Total hours for the month are listed as ”0” and the amount charged is \$25,000.00.

Estimated Attorney Hours

The legal services provider produced monthly time summary reports for October 2009 through July 2010 which averaged to 280.45 hours per month. The reports listed the name of attorney and number of hours worked that month on the City contract. The estimate was accompanied by this caveat: “Because we are a flat fee client, the attorneys are not required to input every minute and generally only input large chunks of time.”

In addition, the provider estimated that supervisory personnel spend a minimum of 20 and 60-70 hours per month “working on City files”.

Legal Services Provider Duties

Compensation for the City’s four year workers compensation legal services contract (January 1, 2009 to December 31, 2012) is \$1,200,000.00 or \$300,000.00 per year. The contract requires the legal provider to submit a written report once every 2 months to notify the City and Third Party Administrator about the progress of each case. In November 2010, the auditors requested the legal provider’s most recent case submissions from Personnel and Civil Service.

The auditors were told that City Personnel and Civil Service does not keep copies of the bi monthly reports. However, on November 11 the auditors received “a sample of the case reports issued to us . . .” from Personnel. It was noted that many of the reports from the October 6th meeting had been filed prior to receiving the request. The reports were dated September and October 2010.

Finding: The legal services provider appears to comply with the contract requirement to submit bimonthly case progress reports.

Finding: The case reports provided by Personnel ranged from 2-3 page case updates to 2 sentence letters regarding attachments such as docketing statements and certificates of service.

September, October and December Case Progress Reports

Finding: The volume of case report work varies from month to month. The legal services provider submitted update information on 23 cases in September, 49 cases in October and 9 cases in December.

Finding: Fifteen of the 49 October case reports were updates from September cases. Three of the nine December case reports were updates from previous months.

Finding: The majority of September, October and December 2010 case updates were regarding 'legacy claims'. Fifty five of the 63 unduplicated cases involved legacy claims.

Finding: It is difficult to tell how much time the legal services provider spends on City workers compensation cases. For example, an appeal of an initial determination consists of filling in blanks on a one page appeal form and submitting it to the WCAB. Worker compensation hearings can be concluded in as little as fifteen minutes.

RECOMMENDATION NO. 7:

The City should require an itemized list of the legal services performed for that month as agreed to in the contract. This would provide a sound basis for assessing the economy of the current contract, especially if the number of legacy claims continues to be reduced.

Workers Compensation Costs

The City Workers Compensation program costs consist of TPA, outside attorney, medical bill, indemnity payments and miscellaneous payment costs and City Personnel and Civil Service department staff time.

The auditors could not calculate accurately the percent of time spent on Workers Compensation matters by the PCSC Director, PSCS Assistant Director and Assistant City Solicitor. Salaries for the Safety Manager and Safety Specialist that were formerly paid by the TPA and are now paid by the City are included in the cost calculations.

Table 9 shows City workers compensation costs for 2009 and 2010. Medical, Indemnity and Other payments are payments made in 2009 and 2010 on all open worker compensation claims.

TABLE 9

WORKERS COMPENSATION COSTS		
Costs	2009	2010
TPA-Managed Care	\$2,576,861.44	\$1,748,500.00
Medical, Indemnity, Other Payments	\$18,576,386.49	\$17,986,035.65
Safety Personnel	\$94,749.00	\$94,749.00
Legal Services	\$300,000.00	\$300,000.00
TOTALS	\$21,547,996.93	\$20,129,284.65

Finding: There was a 6.58% reduction in City workers compensation costs from 2009 to 2010.

Finding: Medical, indemnity, miscellaneous payments and Safety personnel salaries comprised 86.65% of the costs in 2009 and 89.82% in 2010. Payments to third parties for managed care and legal services were responsible for 13.35% of the 2009 costs and 10.18% of the 2010 costs.

CONCLUSION: The Department of Personnel and Civil Services Commission has been effective in reducing the City's workers compensation costs by resolving outstanding legacy claims and reducing the number of on the job injuries through workplace safety efforts.

APPENDIX

**CHARTS SUPPLIED BY SAFETY MANAGER
JANUARY 26, 2011**

CHART 7

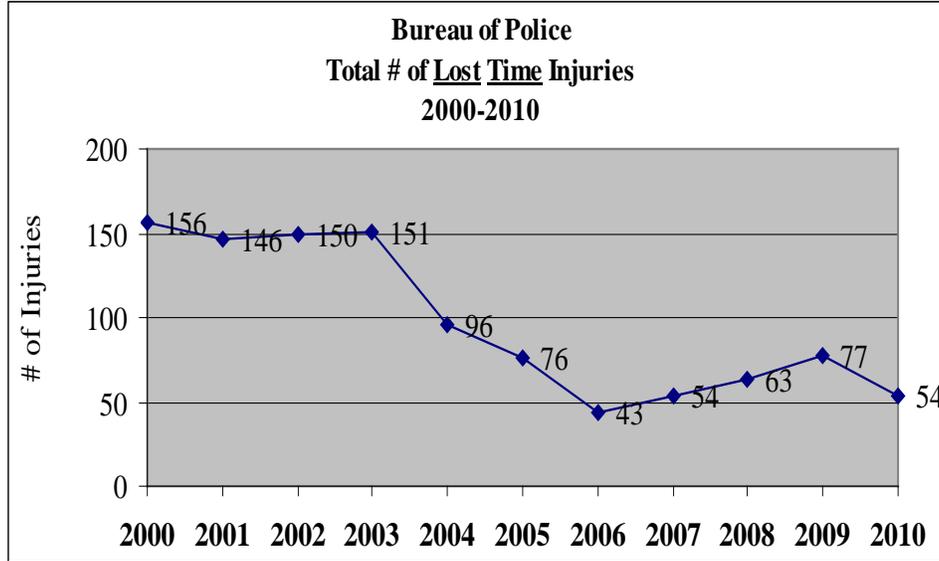


CHART 8



CHART 9

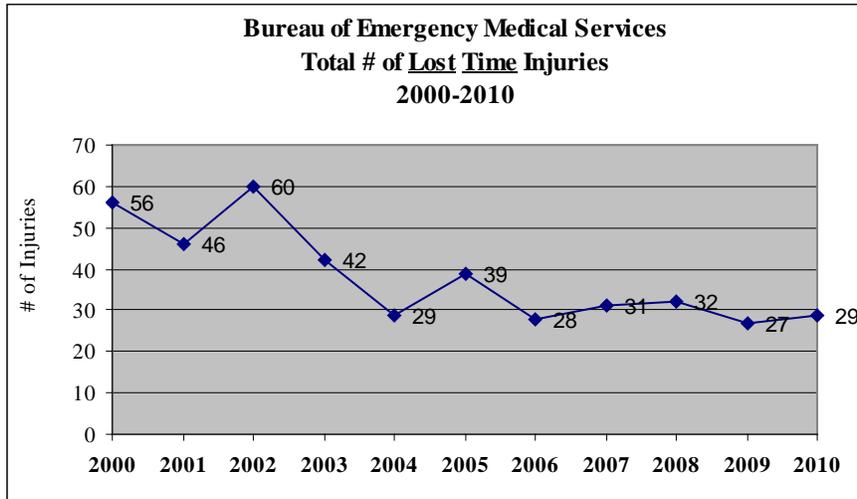


CHART 10

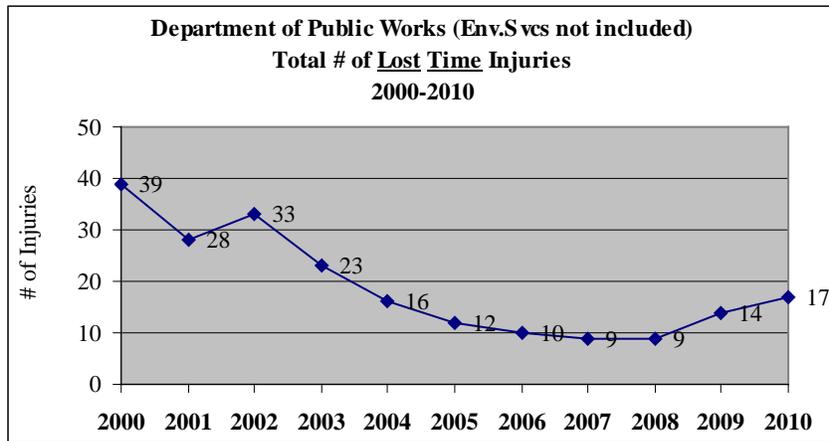


CHART 11

