

Agenda Report

TO: CITY COUNCIL **DATE:** JANUARY 9, 2006

THROUGH: FINANCE COMMITTEE

FROM: CITY MANAGER

SUBJECT: STATUS REPORT ON HAZELRIGG RISK MANAGEMENT SERVICES' WORKERS COMPENSATION CLAIMS ADMINISTRATION AND REQUEST TO EXTEND SERVICES FOR AN ADDITIONAL YEAR FOR AN AMOUNT NOT TO EXCEED \$385,245.

RECOMMENDATION

It is recommended that the City Council:

- 1) Receive the following status report on workers compensation claims administration for the Police and Fire Departments performed under contract by Hazelrigg Risk Management Services;
- 2) Authorize the City Manager to extend contract number 18,820 with Hazelrigg for an additional year at an amount not to exceed \$385,245 for administration of workers' compensation claims for the Police and Fire Departments; and,

BACKGROUND

On April 11, 2005 the City Council authorized a contract with Hazelrigg Risk Management Services (HRMS) to administer the City's Workers' Compensation claims related to the Police and Fire Departments. While the staff recommendation was for a two year contract term, both the Finance Committee and the City Council requested a review within the first year to determine whether or not it is advantageous to continue the contract services or increase the number of city staff managing claims. This report is intended to serve as that review and is being presented prior to the completion of a full year in order to maintain continuity of service.

At the beginning of the contract, 435 existing claims were transferred to HRMS including 337 indemnity claims, 25 medical-only claims and 73 re-opened claims that had been previously processed. HRMS conducted a complete audit of all claims within the first 90 days of service and determined which claims were ready for immediate closure, those that should be reclassified to medical only, and those which were to remain as open indemnity cases.

On June 1, 2005, HRMS began administering new claims related to the Police and Fire Departments. During the period from July 1 through December 21, 2005, HRMS was able to reduce both the number of open cases and the associated reserves as indicated by the following tables:

Indemnity Cases:

As of date:	Total Paid:	Outstanding:	Total Incurred:
7/01/2005	\$22,355,003	\$10,198,649	\$32,553,652
12/21/2005	\$20,474,350	\$ 9,079,676	\$29,554,026
Net Difference	(\$1,880,653)	(\$1,118,973)	(\$2,999,626) (9.3%)

The corresponding ratios of cases opened and closed during the same period (July 1 through December 21, 2005) are illustrated in the following table:

New Indemnity Cases Opened	Indemnity Cases Closed	Indemnity Case Closing Ratio
63	116	184%
New Medical-Only Cases Opened	Medical-Only Cases Closed	Medical-Only Closing Ratio
41	58	141%
Combined Closing Ratio		163%

Timely and accurate claims administration by HRMS has ensured that the City has not incurred any penalties for delayed or late payments on any Police and Fire Department claims. Additionally, an aggressive program to “settle” or resolve outstanding claims has moved a significant number of indemnity cases to a medical only or “future medical” status, reducing the City’s exposure to ongoing temporary disability payments. HRMS has conducted on-site status meetings with representatives from the Police and Fire Departments and Workers’ Compensation staff to discuss selected open claims and over customer service and satisfaction issues. Both the Police and Fire Departments have expressed a high level of overall satisfaction with the claims administration service provided by HRMS.

Additionally, the City’s cash reserve policy calls for a reserve in the Workers Compensation Fund equal to 75% of the estimated cost of open workers compensation claims. Unfortunately, given the number of claims in recent years, the Workers Compensation Fund has been unable to meet this reserve level. As a result of the increased number of case closures the target level of reserves is reduced thus improving the funding ratio. For the period July 1 through December 21, HRMS’ efforts reduced the required reserve level by approximately \$1,118,973.

The City continues to administer all non-Safety related claims with in-house staff, and has also experienced improved performance. The City’s in-house administration staff experienced a case closure rate of 124% during the same period, resulting in the release of \$295,764 in outstanding reserves. City staff has also improved the timeliness of preparation and delivery of monthly and quarterly reports. Reports are now delivered within 30 days or less of the end of each month following the close of a quarter, down from as much as 60 to 90 days following the close of a quarter.

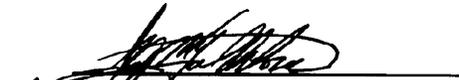
FISCAL IMPACT

Funds are available in the Workers' Compensation Fund. The cash balance in the Fund as of November 30, 2005 was \$5,115,948.

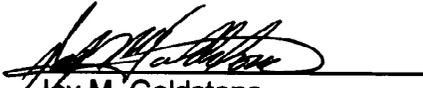
Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

Prepared by:


Shari M. Thomas
Deputy Finance Director

Approved by:


Jay M. Goldstone
Director of Finance

Appendix 'D'
Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment of 2000
Pasadena City Charter, Article XVII

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than a 10% equity, participation, or revenue interest in Contractor/Organization, as follows:
(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name:

HAZELRIGG RISK MANAGEMENT SERVICES, INC.

2. Name(s) of trustees, directors, partners, officers of Contractor/Organization:

ARLENE HAZELRIGG IS THE SOLE DIRECTOR & OFFICER
FOR THE ORGANIZATION.

3. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:

ARLENE HAZELRIGG

Prepared by: JAMES J. GREGG

Title: GENERAL COUNSEL Date: 1/3/2006

For office use only:
Contract/Transaction No. _____
If not a contract, type of transaction: _____