



MINUTES

LOSS TRUST FUND BOARD MEETING

TELEPHONIC

Thursday, December 3rd, 2020
5:00 p.m.

PRESENT: Richard O'Connor, Chair
Suzanne Welch, Vice Chair
Dominic Bilotti
Brandon Perlow
Allan Smith

STAFF: Lori Davis, Senior City Attorney
George Woods, Acting Director of Risk Management, Claims Manager
Kevin Cullens, Safety Manager
Lauran Beebe, Human Resources Manager

1. CALL TO ORDER

Chair O'Connor called the meeting of the Loss Trust Fund Board to order at 5:00 p.m.

2. ROLL CALL

A formal roll call confirmed the presence of Board Members as stated above. Linda Warney (phonetic) joined the call as a member of the general public interested in the Loss Trust Fund Board.

OLD BUSINESS

1. Approval of the June 2, 2020 meeting minutes

Vice Chair Welch provided a spelling correction.

VICE CHAIR WELCH MOVED TO APPROVE THE JUNE 2, 2020 LOSS TRUST FUND BOARD MEETING MINUTES AS AMENDED. BOARD MEMBER PERLOW SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR O'CONNOR, VICE-CHAIR WELCH, BOARD MEMBERS BILOTTI, SMITH, AND PERLOW VOTED IN THE AFFIRMATIVE BY ROLL CALL VOTE. THERE WERE NO DISSENTING VOTES.

NEW BUSINESS

1. Introduction of George Woods, Acting Director of Risk Management and Kevin Cullens, Safety Manager

George Woods, Acting Director of Risk Management, provided a brief biographical history of himself and also introduced Kevin Cullens, Safety Manager.

2. Administrative report: Discussion on the current state of Risk Management, new initiatives and philosophy, safety partnerships and recap of the October 22nd meeting with the Industrial Commission of Arizona.

Mr. Woods stated that currently, the City's collective eMod (experience modification, which measures the severity and number of injuries), is a little high. Drivers of the eMods are public safety. He and Mr. Cullens are increasing meetings with Public Safety and increasing the frequency of interaction with the departments. Quarterly meetings have been revamped to be more of an illustration of trends, as opposed to merely providing data. One of the goals is to increase the visibility of the department, including ride-alongs with the waste department. New initiatives include TriageNow. Adjacent municipalities have seen a minimum of 20 percent reduction in claims and costs by utilizing the service. The hope is to have the system online in the next month.

In response to a question from Vice Chair Welch, Mr. Woods stated that the experience mod for the City collectively at this time is 1.53. For all employees other than public safety, the eMod is 1.01, which is well below the ICA's allotment of 1.10. The police eMod, specific to its department only, is 2.02. The fire department is 1.56. The number one driver of claims are sprains and strains, which turn into surgeries. There is also a trend of reopened claims requiring surgeries. The City will look at consulting with other municipalities on ladder equipment, better tools and safety procedures. Injury reviews will be expanded to examine risk and safety conditions. Property claims to the department's own assets (vehicles) have increased. This includes backing vehicles into stationary objects. To address this, the Accident Review Board will be revamped, including requiring defensive driving and driving safety courses. They have partnered and received a safety consultation from ADOT on the entire North Corp Yard and every department there, including HR, purchasing, fleet, solid waste and others. The partnership will allow the City to become a member of the Public Entity Partnership Program (PEPP), which exempts the City from ADOT disciplinary action or fines.

Mr. Cullens addressed safety partnerships, stating that some PEPP partners have been able to lower injury rates by 41 percent. Vice Chair Welch commented that she worked with the City of Scottsdale in risk management for 13 years. At that time, Scottsdale was part of ADOT's VPP program. Mr. Cullens stated that the City will be engaging on both

fronts, including likely rejoining VPP. Mr. Woods added that they will solicit involvement with initiatives the City is driving, such as vehicle backing claims and using TriageNow to save on worker's compensation costs.

Board Member Smith asked whether this has been proposed to the City Manager. Mr. Woods said he reports directly to Sherry Scott, City Attorney, who has frequent meetings with the City Manager. There is an executive team meeting on December 17th, where this item will be discussed.

Vice Chair Welch asked what percentage of workers are currently working from home during the pandemic and whether there are traffic specific related risks. Mr. Woods stated that thus far, there have been no claims from individuals working from home. At this time, Risk Management does not have the ability to track statistics and schedules of people working from home. Vice Chair Welch asked whether an injury at home would constitute a worker's comp claim. Mr. Woods stated that based on conversations with the adjustors, the City would analyze the situation and environment where the claim took place.

Mr. Woods stated that in February of this year, the prior director and safety manager appeared before the ICA to address the unusually high eMod for the City. The ICA took the position that if the presentation, response or initiatives by the City were not up to expectation, they may decide to institute a bond or revoke the certificate. Following the meeting, the ICA continued to have questions about the direction of the program. They required another appearance by the City in October. ICA representatives were very appreciative of the City's presentation, which included TriageNow, root cause analyses and frequency with the police department. Following the presentation, Mr. Woods received compliments from each of the commissioners. The City is currently renewing its certification with the ICA and did receive an exemption with from having to provide a bond or security deposit following the presentation on October 22nd.

Mr. Woods invited questions regarding the City's programs. Vice Chair Welch asked about the Learning Management System. Mr. Cullens stated that the program is replacing the old Scottsdale University application. It will be centralized and have the ability to provide citywide training. Migration to the new system is underway. In response to a question from Vice Chair Welch, Luran Beebe, Human Resources Manager, confirmed that the new system was funded from the HR budget.

Chair O'Connor noted that in past meetings, there was an initiative where each department would recap individual summaries of losses and potential directions to be taken. He asked if this proactive method would provide more guidance and accountability by department. Mr. Woods confirmed this understanding, adding that they want to measure this in order to identify accountability.

Vice Chair Welch asked that the next agenda include an update of how well the programs are working in the next six to eight months.

Board Member Smith noted that proactivity in the risk case management process seems to drive down the severity of claims. Mr. Woods said this is exactly why they are bringing on the TriageNow service. Bringing on a nurse case manager to document visits at a telephonic level provides the employee assurance that their issue has been documented with the City for worker's compensation purposes. When the worker meets

with the nurse telephonically, this prevents the in-person doctor visit, keeping the claim from being compensable, reduces the OSHA rate and positively affects the eMod.

3. Review, discuss and take action on submission of the Annual Report to City Council for Fiscal Year 19/20.

Mr. Woods stated that Risk Management finished Fiscal Year 10/20 at a cost of risk slightly above target of 2 percent. In a review of the cost of risk, there is a 13.8 percent increase in the insurance premiums. Origami, the new claims database, significantly drove the cost of risk up. Although there were decreases in the amounts of injuries and OSHA rates, offsetting this were premiums from a property standpoint as well as the cost of the Origami system. From a property standpoint, the market is hardening. This is some difficulty in finding over the road coverage for garbage trucks. Fiscal year 19/20 ended with a fund balance that reached a confidence level of 85 percent. The funding for next year will also meet an 85 confidence level.

Ms. Beebe stated that budgets came in lower for FY 19/20, attributed to the pandemic, as treatments were postponed. There was \$32 million collected in revenues with \$30 million incurred for claims costs. Elective procedures were essentially curtailed during the period. It is unknown whether they will be largely incurred during the first half of 2021. Other factors include timing, cost and availability of the COVID vaccine. The City has an outstanding wellness program and was ranked number two by the Phoenix Business Journal. Scottsdale also placed 24th in the 1 to 100 national ranking.

Mr. Woods stated that claim payments for FY 19/20 were \$700,000 to \$800,000, slightly higher than last year. This amount represents the claim payments made within the fiscal year, regardless of when the claims were actually received. The operating budget increased slightly, due to the purchase of the Origami system at \$290,000. Excess property insurance, cyber insurance and worker's compensation were the drivers. Unemployment compensation was slightly down last year, however the number is anticipated to increase substantially as more people lose employment as a result of the pandemic. Reimbursements on special events are the highest they have ever been, with the exception of last year. Recoveries are higher than they have been in the past six years. This takes into account reimbursements received from excess carriers on worker's compensation claims. Risk Management finished slightly above target at 2.15 percent. It is anticipated that for next year, they should be at or below the target of 2 percent.

In terms of worker's compensation, there have been a lot of reopens, including individuals who may no longer be employed with the City or who may have reported an incident only. These are sometimes resulting in surgeries, which is driving up the cost of the program. The general liability program is doing well. The Reiss claim payment was issued last year. Although the claim actually occurred in 18/19, it will be reflected under the 19/20 column. Legal expenses continue to increase. This is attributable to the mantra of increasing the frequency of interactions. Board Member asked what percentage of legal costs are for outside counsel. Mr. Woods said those figures are not reflect in this report, but it can be provided as part of the report in the future.

In terms of medical billing, the City utilizes CorVel to reduce hospital bills to typical and customary charges. The savings have been consistent (63 to 69 percent) over the past

four years. The CorVel contract will expire in May or June of 2021. The intent is to put bill review services out for bid in January.

In terms of property damage, Mr. Woods is seeking buy-in from departments to have reductions on depreciated assets, based on life expectancy of the damaged or lost materials. Approximately 40 percent of vehicle accidents are backing accidents. Safety review boards need to drive home the message for having more care with vehicles. Board Member Perlow asked if all City vehicles have rearview cameras. Mr. Woods stated that the majority of new vehicles have a camera or backup sensor. However, the City utilizes assets until they reach their life expectancy, which means that some vehicles are not equipped with new technology. It is being proposed with the fleet director to purchase external cameras. Another approach is to have personnel receive a discipline to the backing accident, such as defensive driving schools and safety modules.

Board Member Smith asked if the severity column represents the annual incurred amount for the year subject to the retention. Mr. Woods stated that it is the amount incurred subject to the retention. Board Member Smith stated that it would be helpful to take a look at quantifying the average severity. Mr. Woods referred to the actuary report, which quantifies average costs and severity per claim as well as the expected frequency of the claim. This can be included as part of the annual report going forward.

There has not been a huge spike in the number of charter loss performance, however current litigation is pending. That same is true for the administrative services department, with only three claims. WestWorld is the driver of the property damage portion, due to the high number of events and weather conditions, which may damage property. There has been a reduction year to year in terms of reportable claims. The Origami software helps to differentiate between an incident and an actual claim.

The learning management system will be used. They will be updating and centralizing all injury and accident review boards to bring all departments under the risk management umbrella. Currently, the water department, police department and other departments each have their own safety reviews. Another plan is to develop a focused-based safety and health training.

There are anticipated increases in worker's compensation case severity within the fire department. This is solely due to the inherent nature of the job. Mr. Woods has met with the fire department five times in the last two months and meets with battalion chiefs each week in order to reinforce the safety message. The department did have a reduction of three reportable claims as well as a reduction of number of days away. There was an increase in the number of work restricted days. In terms of vehicle liability, the police department is higher than the fire department, because police vehicles are on the street and travel more miles per shift. The police department is also the major culprit in terms of striking stationary objects. Mr. Woods met with the new chief to reinforce the message in regard to this statistic. The goal is to see a 2 to 5 percent reduction in both the fire and police departments.

Worker's compensation claims are a bit high in public works. This is due in part to the necessary use of smaller garbage cans to accommodate the older population. These cans cannot be lifted automatically and must be emptied by hand. It is proposed that monthly or quarterly meetings be held with the department. The water department had a

very good year, due to the work of its two dedicated safety personnel. It is the only department with its own full-time safety staff.

Ms. Beebe addressed the self-insured medical and dental portions of the report. They continue to institute and increase programs, such as the blood pressure program and diabetes prevention. Most wellness programs have been transferred to virtual and online. A new program is centered around strength training for musculoskeletal issues.

Mr. Woods stated that the overall financial results of the trust fund appear to be strong, currently funded at an 85 confidence level and ending last year at the same 85 percent level. Future budgets and operations will be designed to minimize losses, increase loss prevention efforts and maintain 85 percent confidence level. He noted that included in the presentation of the annual report will include approval of the transmittal letter.

Vice Chair Welch noted a minor spelling correction that she had previously forwarded to Mr. Woods. She suggested that in the future, the report and transmittal letter be approved separately.

VICE-CHAIR WELCH MOVED TO APPROVE ANNUAL REPORT AND TRANSMITTAL LETTER TO CITY COUNCIL FOR FISCAL YEAR 19/20 AS AMENDED. BOARD MEMBER PERLOW SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR O'CONNOR, VICE-CHAIR WELCH, BOARD MEMBERS BILOTTI, SMITH, AND PERLOW VOTED IN THE AFFIRMATIVE BY ROLL CALL VOTE. THERE WERE NO DISSENTING VOTES.

OPEN CALL TO THE PUBLIC

There were no comments submitted.

ADJOURNMENT

BOARD MEMBER PERLOW MOVED TO ADJOURN. VICE CHAIR WELCH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR O'CONNOR, VICE-CHAIR WELCH, BOARD MEMBERS BILOTTI, SMITH, AND PERLOW VOTED IN THE AFFIRMATIVE BY ROLL CALL VOTE. THERE WERE NO DISSENTING VOTES.

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:39 p.m.

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