Workers' Compensation

ANNUAL REPORT
2017-2018

Established 1915
BROWARD
County Public Schools

VISION

The vision of the Workers' Compensation program is to provide a culture of trust, collaboration, and clarity through criteria-based decision-making while serving as a model for our industry, the School District, and the community we so proudly serve.

MISSION

The mission of the Broward County Public Schools Workers' Compensation Unit is to effectively, efficiently, and ethically manage the WC program, thereby producing consistently superior outcomes, both in human and financial terms.

Introduction to Workers' Compensation

Workers' Compensation (WC) is a statutorily mandated (Chapter 440, Florida Statutes) entitlement program for covered employees, who become injured or ill from a work-related accident or exposure. When appropriate, WC provides specific guaranteed benefits such as relevant medical care and partial wage replacement. The goal of the Broward County Public Schools (BCPS) WC Program is to provide access to timely, high quality medical care and claims management services to our valued employees.

Program History

The BCPS WC Program has been self-insured for several decades and was managed by a Third Party Administrator (TPA) until October 2013. Under the TPA model, BCPS contracted all WC management services to an outsourced organization. During this time, the WC program was compliant with all state statutes; however, expenses began to dramatically increase in the early 2000's.

In response to these increases, the WC Program was completely reformed in fiscal year (FY) 2006-07. The new program is based on the Criteria Based Model (CBM™), a comprehensive and holistic approach to managing claims that features an evidence based, aggressive sports medicine philosophy. The CBM™ focuses on providing high quality medical care rather than obtaining financial discounts. In addition, the model also includes the assignment of a Medical Case Manager (Registered Nurse) on every claim rather than task assignments which is the industry standard. As part of the program reform, BCPS also implemented a Stay-at-Work/Return-to-Work (SAW/RTW) program to quickly restore function to employees to prevent needless disability. The new CBM™ program yielded remarkable results in all Key Performance Indicators (KPIs) including, but not limited to: customer satisfaction, annual claims costs, average incurred cost per net claim, and lost work days. While the program maintained outstanding results during the first three years, several KPIs then began to plateau or decline. This decline was attributed to the divergent interests and misaligned incentives for industry providers, as well as an increase in mergers and acquisitions of TPAs.

In order to protect BCPS' unique program from the volatile insurance and healthcare industry, BCPS made the decision in February, 2013 to move away from an outsourced TPA model to self-administration. This shifted the core decision making staff "in-house" and created internal capacity to provide services through the establishment of a BCPS Self-Administered WC Unit. This was an unprecedented, but necessary decision to ensure the continuous improvement of the WC program.

Additional history on the WC program can be found in prior annual reports on the District's WC web page at:
https://www.browardschools.com/Page/36609

Key Performance Indicators

Customer Satisfaction

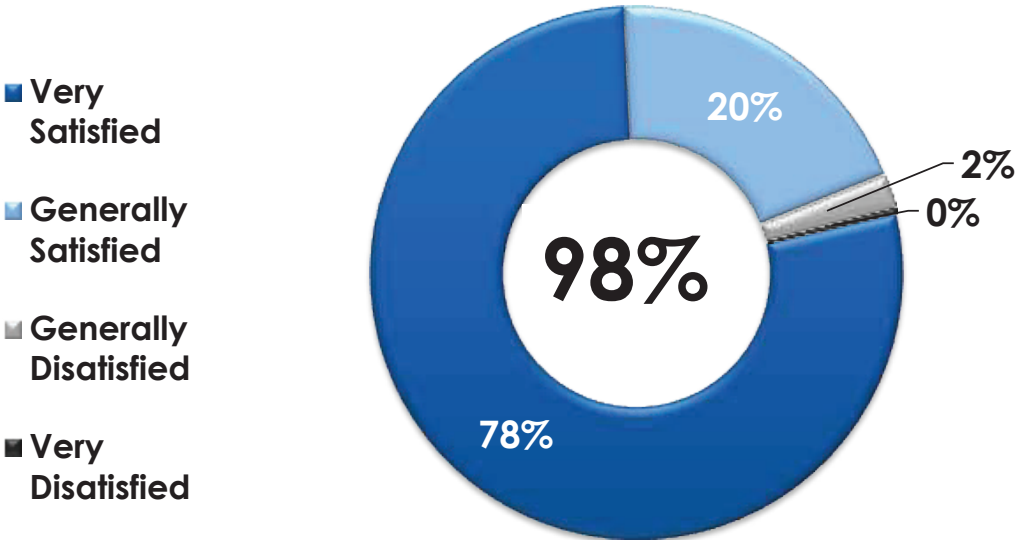
Customer Satisfaction is the metric the District uses to assess the quality of the services provided by the WC program. Customer Satisfaction surveys are used to measure how satisfied the District's injured employees are with the care and services they received through the WC program. Maintaining a high level of satisfaction helps minimize the probability of costly litigation.

WC Key Performance Indicators (KPIs) are the standard industry measurements of WC performance. Although a number of the metrics presented in this section may vary slightly throughout the claim lifecycle, here are the FY 2017-18 numbers at a glance:

The first set of KPI's pertain to injured employee satisfaction, as the priority of the WC program is to ensure the District's injured employees receive high quality medical care and excellent service. In FY 2017-18, injured employees were surveyed on two separate occasions and in two different fashions.

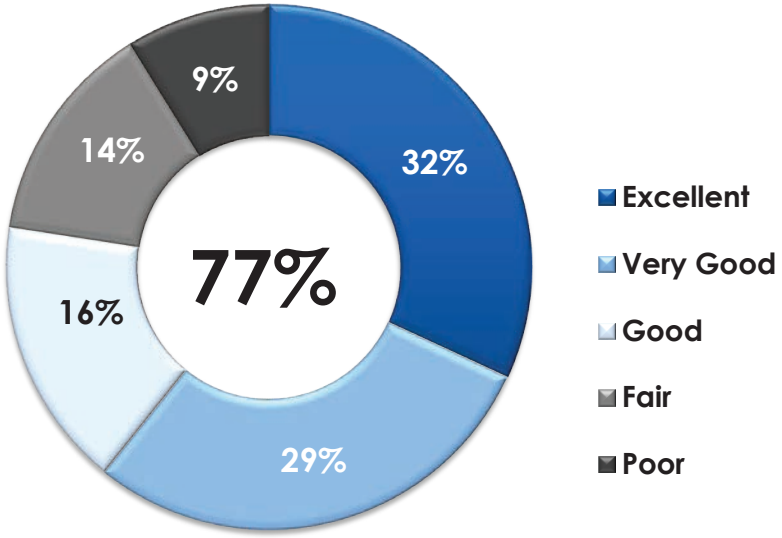
Shortly after reporting their claims, all injured employees receive informational booklets which contains a survey specific to their initial interactions with the Triage unit and their medical providers. The hardcopy survey must be returned by mail; a pre-addressed, postage-paid envelope is provided as a convenience. This survey has been in existence since the WC reform in 2006 and has consistently produced satisfaction rates around 95%. In FY 2017-18, 98% of injured employees stated they were either very satisfied or generally satisfied with the overall services they received as indicated in the first doughnut graph shown on page 4.

Initial Satisfaction Survey



As shown in the second doughnut graph below, 77% of respondents rated their overall experiences as excellent, very good, or good. Only 9% provided a response of poor. WC Leadership reviews these surveys monthly and follows up with injured employees, where appropriate. This additional communication gives the WC Leadership team the ability to implement programs, processes, and strategies designed to better manage injured employees' care as well as their expectations throughout the course of a claim.

Closure Satisfaction Survey

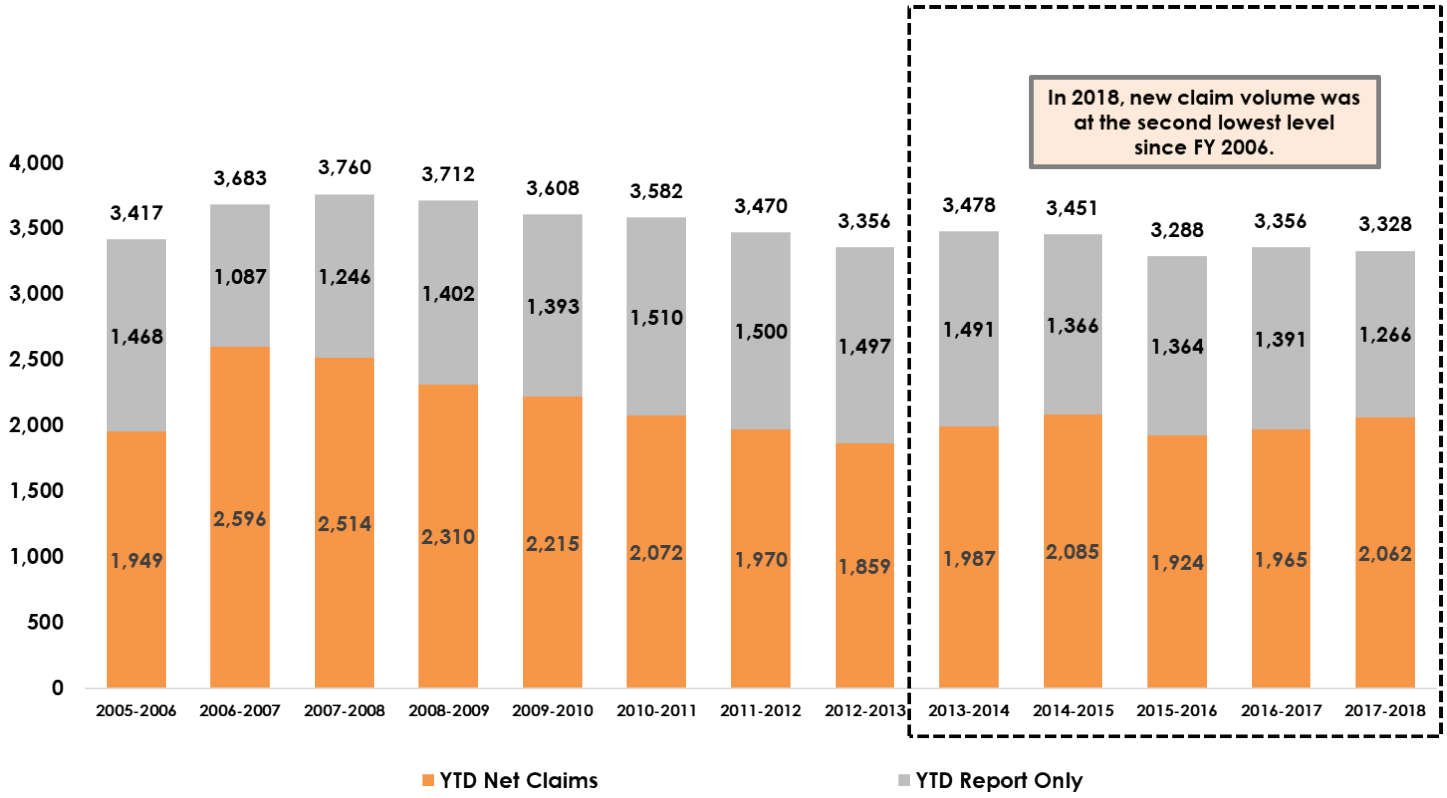


Employees were also offered a second opportunity to provide their feedback via an online survey, following the closure of their claims. While the triage survey was only provided to employees with injuries reported in FY 2017-18, the online survey was provided to all injured employees with closed claims regardless as to when their injuries occurred. For employees who were injured more than five or ten years ago, the overall satisfaction level may be influenced by changes over the years in personnel/ administration, program models, philosophies, or operations.

Key Performance Indicators

New Claim Volume

New or incoming claim volume is the total number of claims that occurred and were received during the fiscal year. There are two primary categories of claims: net claims and record only claims. Net claims are claims where an injured employee has received medical treatment. These claims have a dollar value associated with them and require that reserves be set aside for future financial liability. Net claims consist of both medical only claims and indemnity claims. Record only claims are claims where the employee does not obtain medical care at the time of reporting the injury. Record only claims have no dollar value associated with them.

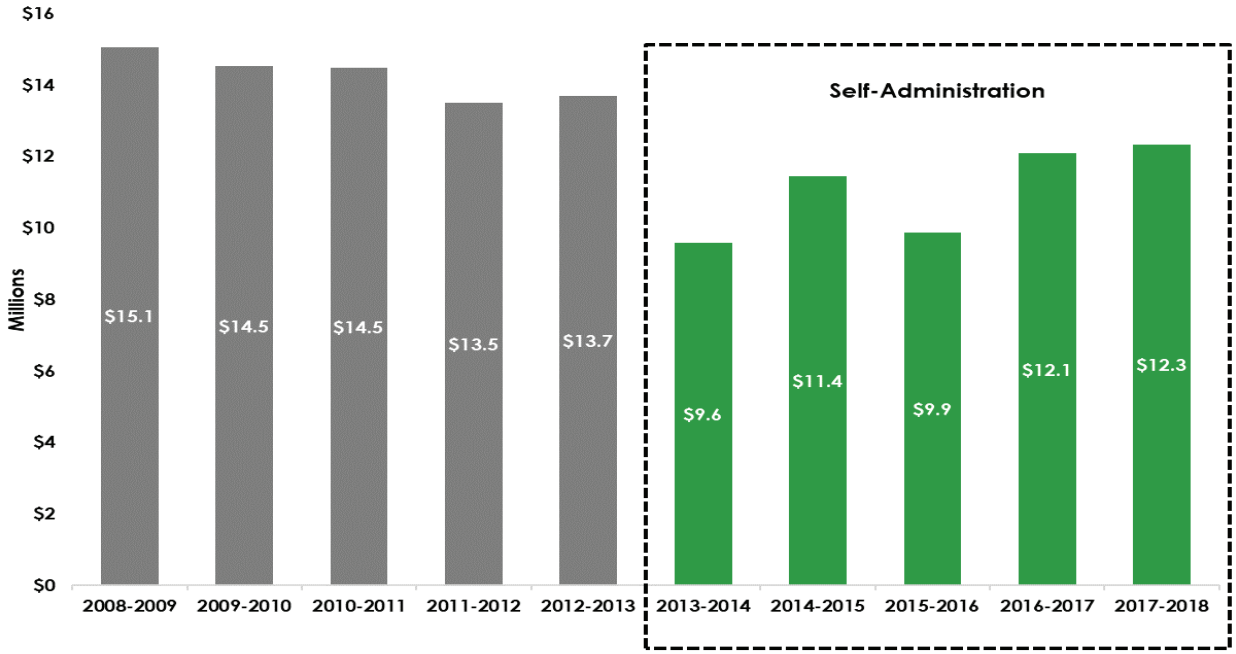


While new claim volume per year isn't truly a performance indicator, it does provide necessary context to compare KPIs from year to year. The graph above illustrates the consistency of incoming claim volume over the past 13 years averaging approximately 3,500 claims per year (2,100 net claims and 1,400 record only claims). In FY 2017-18, there were 2,062 net claims and 1,266 record only claims; both of which were below the 13-year average.

Claims Costs

Claims-related costs are paid from the BCPS Self-Insurance WC Fund to support the Workers' Compensation program. These expenses are a financial liability and directly affect the annual cash flow. The claims costs metric includes medical benefits, indemnity benefits, legal payments, and other expenses. It also includes any reimbursements for excess coverage and the Special Disability Trust Fund.

In FY 2017-18, claims costs were approximately $12.3 million. While this was a 2% increase from FY 2016-17, when comparing the yearly average claims costs in the five years since self-administration to the prior five years, there has been a reduction of $3.2 million.



Fiscal Year	Pre-Transition / Full Service TPA					Post-Transition / Self-Administration				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Claims Costs	$15,053,470	$14,526,139	$14,467,490	$13,501,523	$13,700,001	$9,574,973	$11,448,855	$9,858,802	$12,087,050	$12,338,414
5 Year Total	$71,248,623					$55,308,094				
Reduction to 5 Year Total	$15,940,529									
5 Year Average	$14,249,725					$11,061,619				
Reduction to 5 Year Average	$3,188,106									

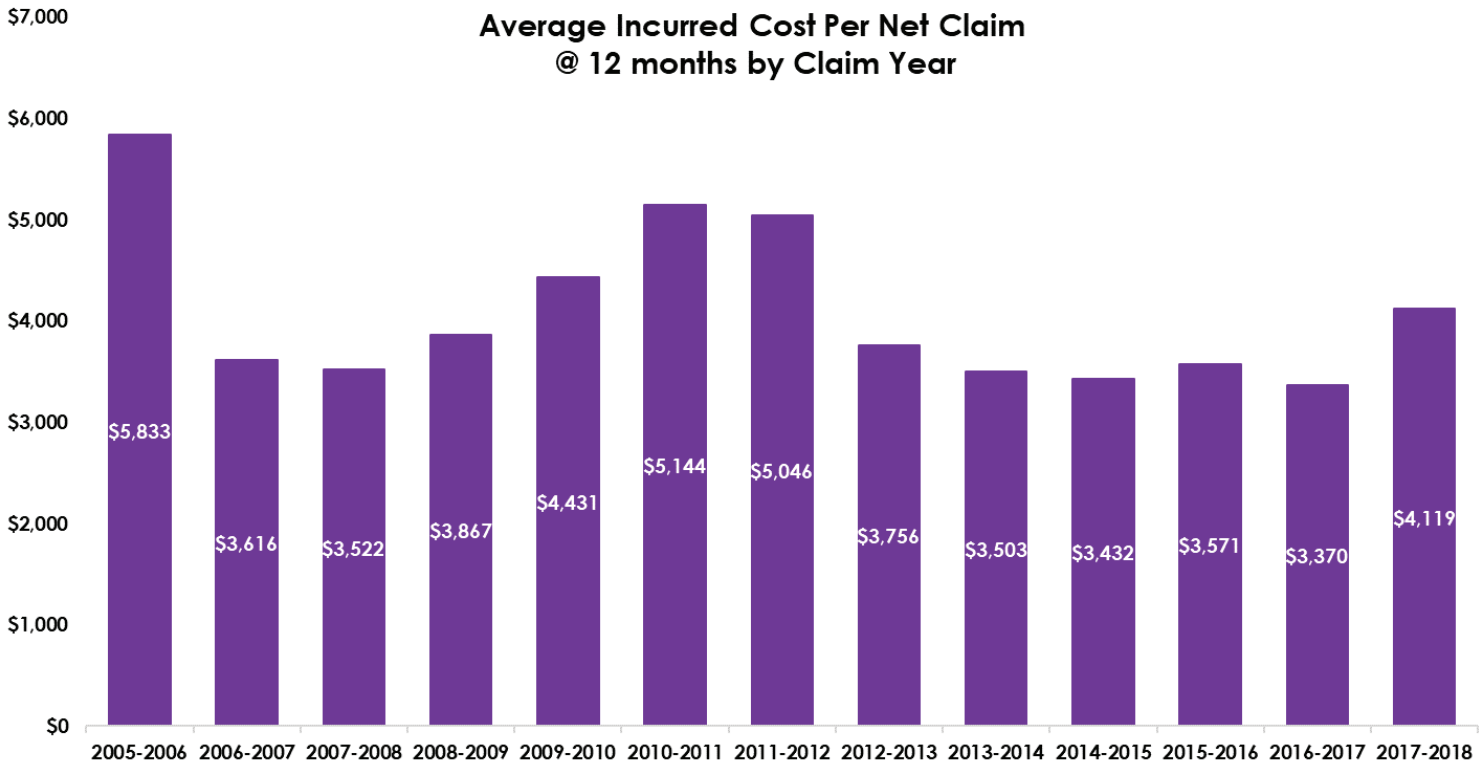
Despite the overall 2% increase, there were significant reductions in Expense and Legal payments. The substantial increases in Compensation and Medical payments can be attributed to an increase in lump sum settlements which include costs for future medical care and also may include indemnity payments.

Key Performance Indicators

Average Incurred Cost Per Net Claim

The total incurred cost for a WC claim is the amount BCPS expects to have paid out at the time the claim is closed. For open claims, it is calculated by taking the total paid on a claim and adding it to the outstanding reserve. For closed claims, there is not an outstanding reserve, so the total paid and total incurred are equal.

The average incurred cost per net claim measures how much BCPS expects to pay out for each claim filed by injured employees. It is calculated by dividing the Total Incurred Cost of all claims by the total number of net claims. With this KPI, it's important to look at claims at progressive valuations, since each valuation will differ in average cost.

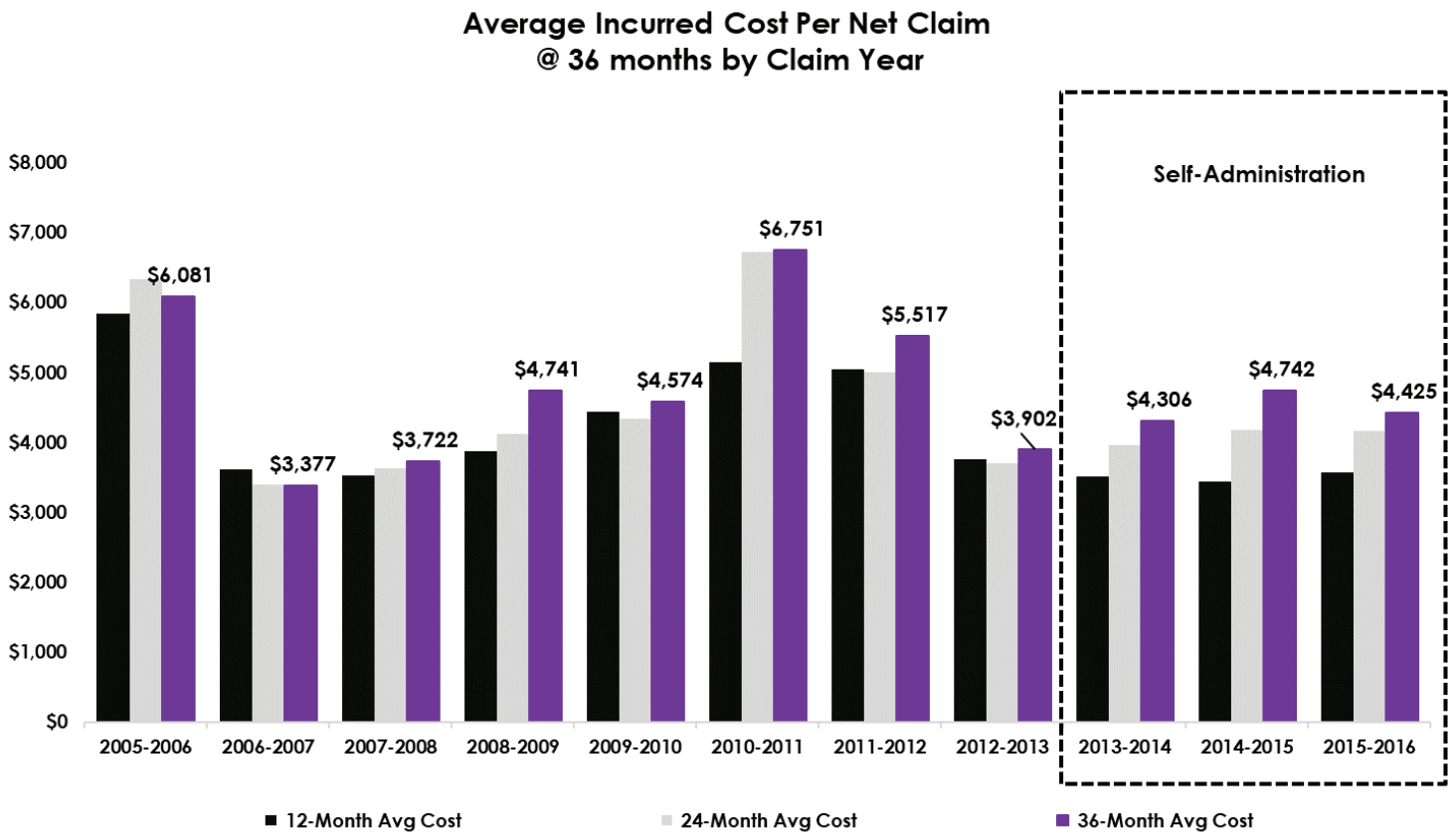


The average incurred cost per net claim is the most accurate statistic to make a comparison of annual claims costs, because it takes variations of net claim volume into account. The graph above illustrates this KPI over the last 13 fiscal years at the 12-month valuation time period. While the 36-month valuation periods and beyond provide a more accurate prediction since more claims close and develop, the 12-month valuation period is useful leading indicator of future exposure. In FY 2017-18, the average cost per claim, was $4,119.

We can now evaluate the first three years of self-administration at the 24-month and 36-month valuation periods as shown in the graph on page 8.

For those claims received in FY 2013-14, the $3,503 average cost per claim increased 13% at the 24-month mark to $3,962 and an additional 9% after 36 months to reflect an average cost per claim of $4,306. This 36-month average reflects a 10% increase when comparing claims received in FY 2013-14 to those received in FY 2012-13.

For those claims received in FY 2014-15, the $3,432 average cost per claim increased 22% at the 24-month mark to $4,172 and an additional 14% after 36-months to reflect an average cost per claim of $4,742. This 36-month average reflects a 10% increase when comparing claims received in FY 2014-15 to those received in FY 2013-14.



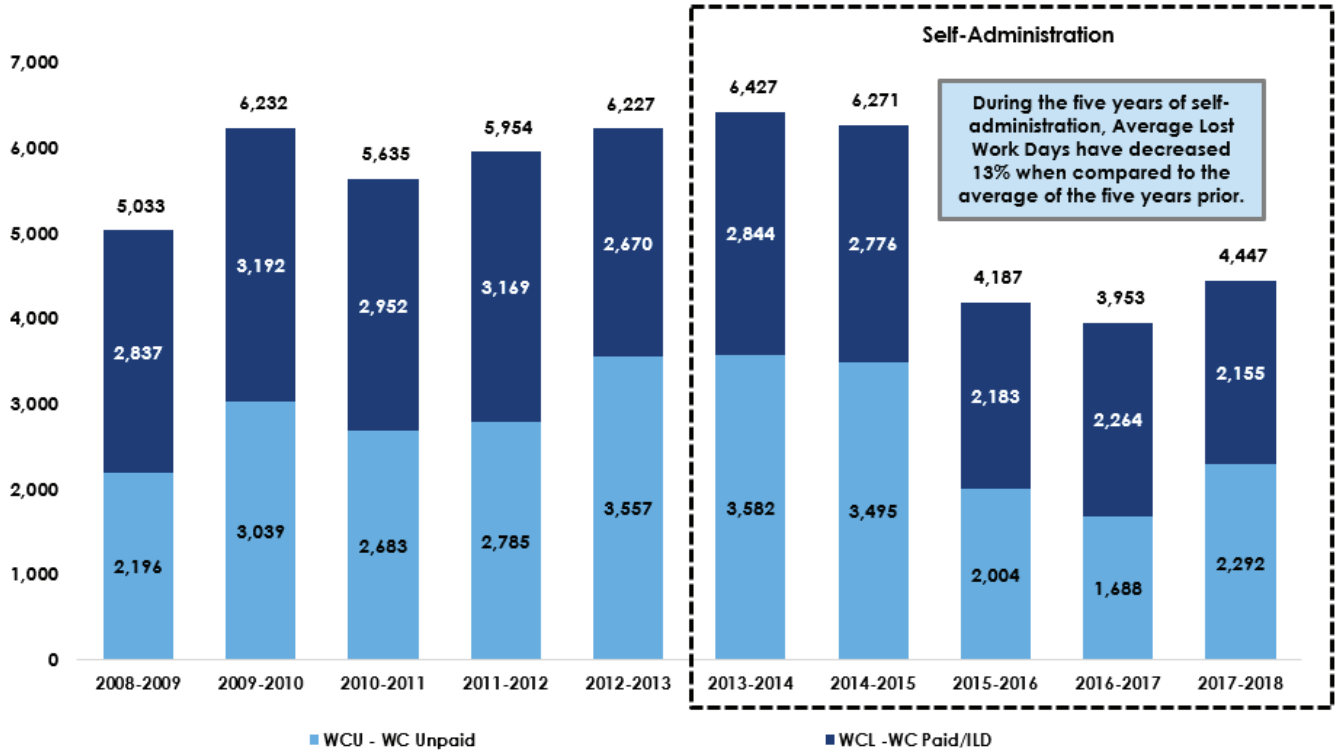
For claims received in FY 2015-16, the $3,571 average cost per claim increased 16% at the 24-month mark to $4,157 and an additional 6% after 36-months to reflect an average cost per claim of $4,425. This 36-month average reflects a 7% decrease when comparing claims received in FY 2015-16 to those received in FY 2014-15.

At the 36-month valuation period, the average cost incurred in the first three years of self-administration is $4,491. This is a reduction of 17% when compared to the average of the last three years under the TPA model ($5,390). Additionally, the self-administered average is consistent with the ten year average of the CBM™ at 36 months ($4,740). WC staff continually reinforces the importance of proper reserving to accurately predict the ultimate cost of specific claims and overall claim years. Fluctuation of this metric should decrease in future valuation periods (48 months and beyond), as the aggressive BCPS model emphasizes closing claims timely and reserving accurately under the CBM™.

Key Performance Indicators

Lost Work Days

Each fiscal year, BCPS measures absences due to a work-related injury as lost work days. There are two primary absence codes in which lost days are measured in the District's payroll system: WCL (WC Paid) and WCU (WC Unpaid). WCL refers to Illness in the line of duty days which are paid regular salary from the District's payroll system. WCU is the absence code used when an injured employee has exhausted their WCL allotment and begins to receive payments from the WC claims system.

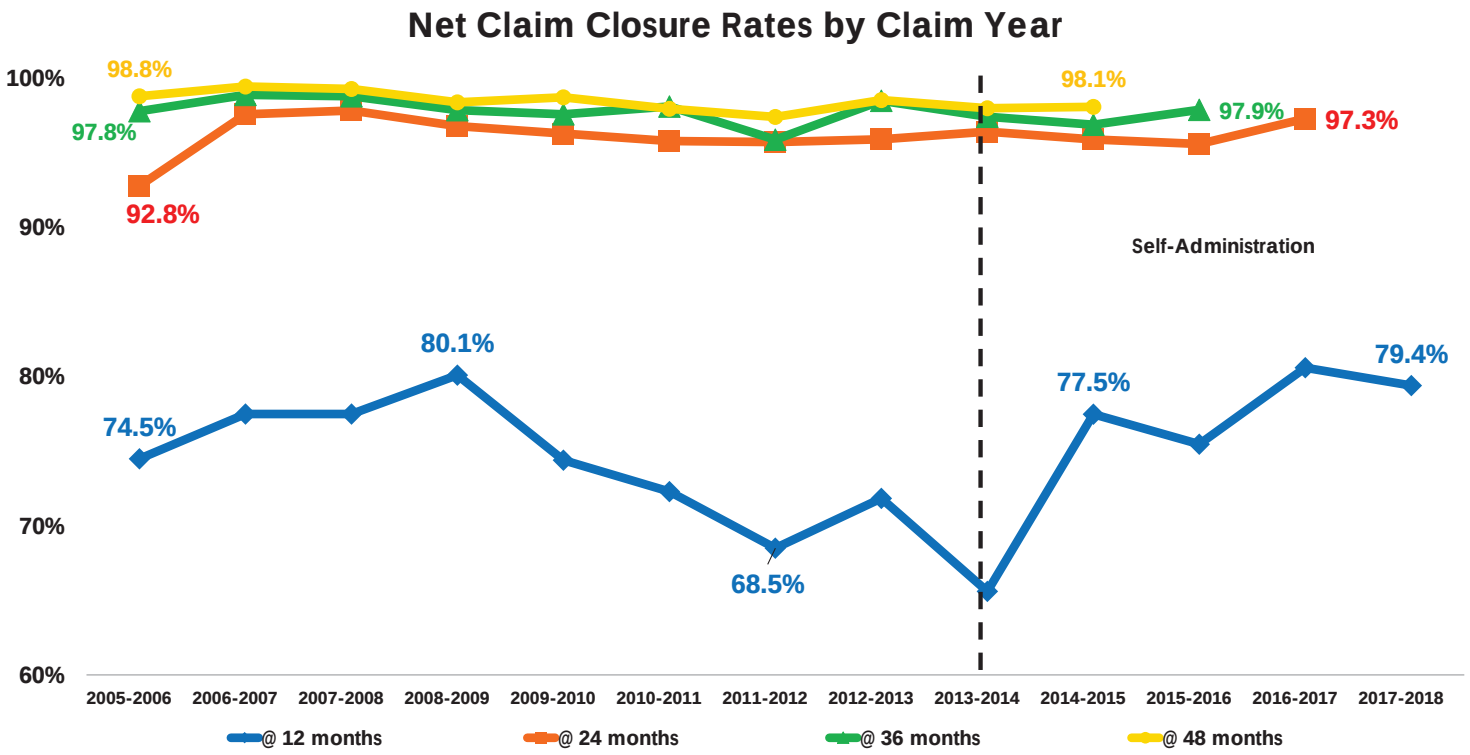


During the course of their claim(s), injured employees may be absent for several reasons under WC such as: (1) having a "no work" restriction from their authorized WC physician; (2) having a temporary work restriction from their WC physician that cannot be accommodated by their location; (3) to attend a medical visit (md visit, physical therapy, diagnostic test, etc.). Lost work days measures the total number of days injured employees must miss work for reasons stated above, to recover from their WC injuries during the fiscal year. It also is an indicator of how effective the District's Stay at Work/Return to Work (SAW/RTW) program is performing. The lower this measure is, the greater staff attendance is in order to operate consistently and effectively to achieve all of the District's goals, most importantly increasing student achievement.

Prior to the inception of the District's Stay-at-Work/Return-to-Work Program in 2006, total lost work days were routinely over 20,000 days per year. Since becoming self-administered, BCPS has experienced a 13% reduction in total lost work days, when compared to the five years prior, as showin in the graph above. In FY 2015-16, WC leadership began an initiative to have a weekly meeting to discuss the status of injured employees who were unable to work, to formulate action plans to expedite a safe, appropriate return-to-work. In the three years since the weekly meetings, total lost work days were all below 4,500 days, which was more than 500 days better than the previous best year in FY 2008-09 (5,033 days). These results demonstrate a continued commitment by BCPS to accommodate employees who may have temporary restrictions while recovering from their injuries.

Claim Closure Rates

Each year, the WC program measures the number of claims that were closed based upon the year in which the claim was received. Closing claims is an indicator of the rate and duration at which injuries are being resolved and reduces the overall financial liability of BCPS.



Most often, a claim is closed after an injured employee receives the appropriate medical care, the employee is released by his or her authorized WC physician(s), and all bills and expenses have been paid. However, in some instances, a claim may close as part of a voluntary global settlement. Additionally, claims may remain open due to litigation. Finally, there are rare circumstances where an injured employee is deemed Permanently and Totally Disabled. In those cases, the injured employee is picked up either voluntarily by the District (which allows for additional investigation) or as a result of a court order/adjudication (which would entitle that employee to lifetime indemnity and medical benefits).

The graph above displays the District's net claim closure rates by valuation up to 48 months over the last 13 fiscal years. Although there was significant variation at 12 months prior to self-administration, the net claim closure rate has since stabilized. As of FY 2017-18, the net claim closure rate has remained relatively consistent for each valuation period thereafter, yielding 97.3 % at 24 months, increasing to 97.9% at 36 months, and plateauing at 48 months with a closure rate of 98.1%.

Key Performance Indicators

Self-Insurance Experience Modification

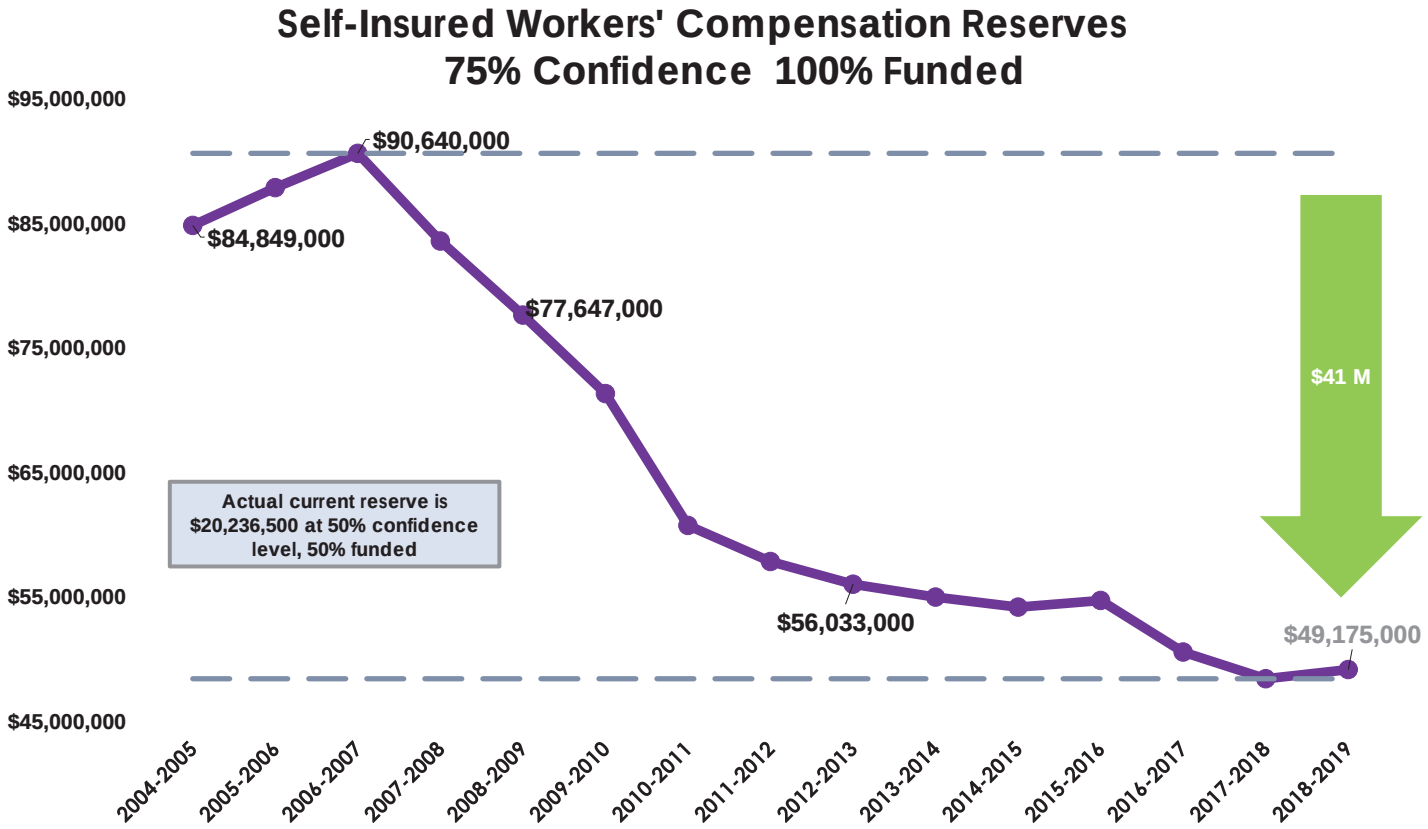
Insurance companies and individual self-insurers are required, in accordance with Sections 440.51 and 440.49(9), Florida Statutes, to pay assessments to the Workers' Compensation Administration Trust Fund (WCATF). These assessments are based on experience modifiers that are used in the pricing of Workers' Compensation Insurance to adjust the premium upward or downward based on the employer's claims history.

Fiscal Year	Experience Modification	State Self-Insurer Assessment
2006-2007	2.33	$2,134,260
2007-2008	1.99	$1,561,101
2008-2009	1.76	$1,076,701
2009-2010	1.39	$650,385
2010-2011	1.21	$251,181
2011-2012	1.31	$321,652
2012-2013	1.27	$425,013
2013-2014	1.25	$484,785
2014-2015	1.43	$513,785
2015-2016	1.14	$381,316
2016-2017	1.16	$367,990
2017-2018	1.08	$378,707
2018-2019	**1.04**	**$266,192**

As a self-insured entity, the District is required to pay an annual assessment to the state. This assessment is based on a formula called the Experience Modification Factor which uses payroll risk classifications and claim loss data submitted by the District to compare the claims experience of the District to other organizations with similar risk in the state. If the actual claim experience is better (less) than expected, the modification factor will be less than one (1.00), and will serve to lower the assessment charged. Conversely, if the actual experience is worse (greater) than expected, the modification factor will be greater than one (1.00), and increase the assessment charged. The state provides the Experience Modification and Self-Insurer Assessment in advance of the current fiscal year, based on last year's data. As shown in the table above, the District's Experience Modification Factor for FY 2018-19 is 1.04 which is the lowest since the WC program reform in 2006. This generated a reduction of $112,000 for the State Self-Insurer Assessment compared to FY 2017-18. This is an excellent illustration of the continuous improvement of the District's WC program and the significant financial reductions it has generated.

Self-Insured Workers' Compensation Reserve

Financial reserves are estimated for outstanding workers' compensation claim liabilities at the end of each fiscal year. This is a requirement to remain compliant with Government Accounting Standards Board Statement Number 10 ("GASB 10").



The District receives an annual actuarial report from AMI Risk Consultants to make recommendations on the District's Self-Insured WC Reserve. Using the 75% cofidence level and 100% funding level, which was in place when the District implemented the CBM™ in FY 2006-07, there has been a $41 million decrease ini the Self-Insured WC Reserve. This remains the most conistent way to measure this KPI despite two changes to the District's funding and confidence levels. Based on the current funding (50%) and confidence (50%) level, the District's actual reserve is $20,236,500.

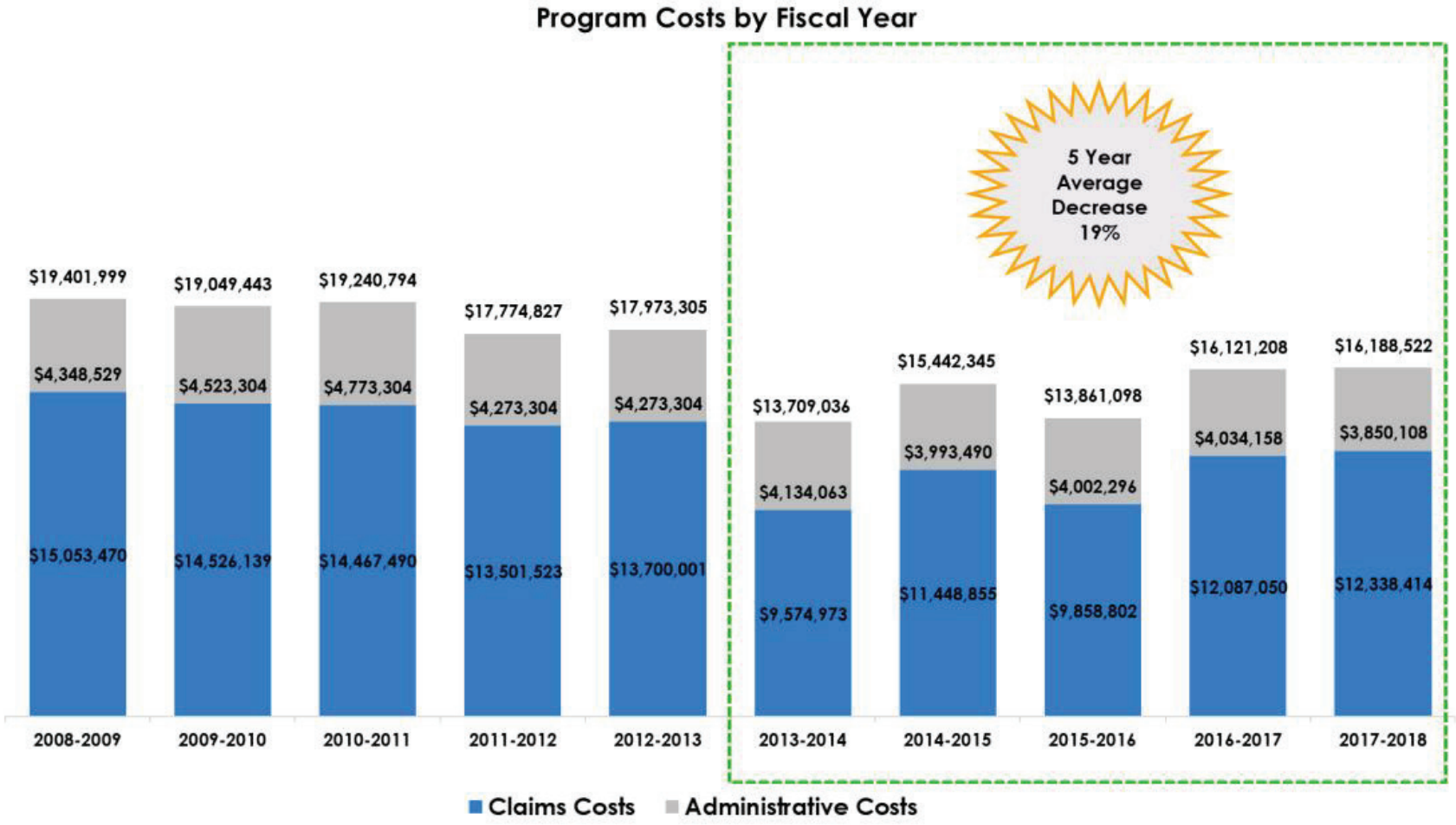
Key Performance Indicators

Overall WC Program Cost

The sum of Claims Costs and Administrative Costs are the total cost of the WC program to BCPS annually. The overall financial impact of the District's Self-Insured, Self-Administered WC Program for FY 2017-18 was $16,188,522 as shown in the chart below. This is an increase of only $67,314 which is under half a percent.

The table below shows the breakdown of the costs that comprise the overall WC Program Cost to the District, annually. As the table illustrates, when comparing the first five years of the self-administered (in-house) program to the last five years of the TPA (outsourced) program, there has been an overall reduction of over $18 Million (19%). This translates to a reduction of more than $3.6 Million per year when comparing the averages of each 5-year period.

Fiscal Year	Pre-Transition / Full Service TPA					Post-Transition / Self-Administration				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
TPA Fees	$4,100,000	$4,250,000	$4,500,000	$4,000,000	$4,000,000	$2,350,000	$1,800,000	$1,800,000	$1,600,000	$1,640,000
WC Staff (Salary and Benefits)	$248,529	$273,304	$273,304	$273,304	$273,304	$1,784,063	$2,193,490	$2,202,296	$2,434,158	$2,210,108
Total Administrative Costs	$4,348,529	$4,523,304	$4,773,304	$4,273,304	$4,273,304	$4,134,063	$3,993,490	$4,002,296	$4,034,158	$3,850,108
Claims Costs	$15,053,470	$14,526,139	$14,467,490	$13,501,523	$13,700,001	$9,574,973	$11,448,855	$9,858,802	$12,087,050	$12,338,414
Total WC Costs	$19,401,999	$19,049,443	$19,240,794	$17,774,827	$17,973,305	$13,709,036	$15,442,345	$13,861,098	$16,121,208	$16,188,522
5 Year Total	$93,440,368					$75,322,209				
Reduction to 5 Year Total	$18,118,159									
5 Year Average	$18,688,074					$15,064,442				
Reduction to 5 Year Average	$3,623,632									



This is a significant achievement, as this reduction was achieved despite ongoing increases in medical costs, employee salaries/ compensation rates, etc. The information and data provided in this report continue to support the decision to Self-Administer our WC program and our commitment to providing a "Best-in-Class" program to injured BCPS employees.

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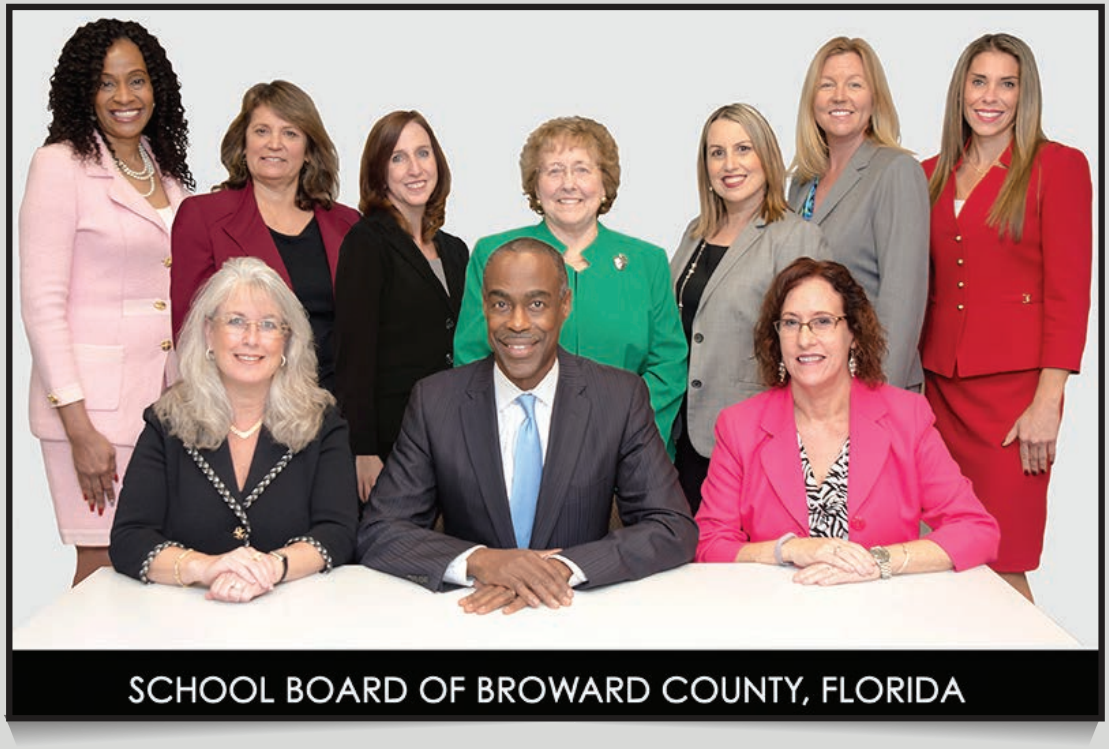

Top Row: (L to R) Dr. Rosalind Osgood, Laurie Rich Levinson, Robin Bartleman, Ann Murray, Patricia Good, Heather P. Brinkworth (Vice Chair) , Donna P. Korn

Front Row: (L to R) Abby M. Freedman, Robert W. Runcie (Superintendent of Schools), Nora Rupert (Chair)

For Questions or Comments Please Contact

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