

FINANCE COMMITTEE MEETING
THURSDAY, MAY 16, 1996, 10:00 AM
ROOM 564, COUNTY COURTHOUSE

Present: Marshall Faircloth, Commissioner
Billy King, Commissioner
Lee Warren, Commissioner

OTHERS: Cliff Strassenburg, County Manager
James Martin, Deputy County Manager
Carlisle McCutcheon, Finance Director
Doug Canders, County Staff Attorney
James Silman, Safety/Risk Management Director
Rhonda R. Davis, Deputy Clerk

The meeting was duly called to order.

AGENDA ITEMS:

1. Discussion of Workers' Compensation Insurance Changes

James Silman, Safety/Risk Management Director offered the following background information:

Cumberland County's workers' compensation insurance and Third Party Administration (TPA) of claims is currently provided through the North Carolina Association of County Commissioners Workers' Compensation Pool. For the current fiscal year the county's premium would be approximately \$305,799. The current insurance provides for a Self Insured Retention (SIR) of \$250,000. Current TPA services are less than the general industry standard (for example, no preferred provider network, no negotiated discounts from the North Carolina fee schedule).

Cumberland County has requested proposals for TPA services and excess reinsurance for Fiscal Year 1997 based on a manual premium of \$1,407,975.

It is our experience that the most important ingredient in reducing workers' compensation claims cost is aggressive management of claims. The TPA of choice must have a solid, aggressive claims management strategy with a focus on cost containment. Key Risk Management Services, Inc. is the only TPA with a Managed Care program in place dedicated to worker' compensation and the TPA that most mirrors the attitude of the county in reducing workers' compensation costs. Fortunately, Key Risk provides these services for the lowest cost.

Cumberland County in it's history of workers' compensation claims has had only one claim above \$250,000. The claim is coming to closure and it appears will be settled for approximately \$290,000. Based upon claims history, self-insurance appears to be the fiscally responsible approach to reinsurance.

Depending on options selected savings will range from \$250,279 to \$277,699 for the upcoming fiscal year.

His recommendation is as follows:

That the Finance Committee approve Key Risk as the TPA for workers' compensation claims and allow the Risk Management Director to enter into a three year contract for services.

That the County self-insure for workers' compensation claims.

If self-insurance is not an option that reinsurance be purchased with an SIR of \$500,000 through Midwest Employers.

That the finance committee forward the approved recommendations to the Board of County Commissioners for approval.

Mr. Silman noted our current TPA, Sedgewick James does not have a managed care system in place and has no plans to have one. Key Risk does have a managed care system. Sedgewick James has no electronic filing system. Everything is done on paper. They do not have a computer on-line service to inquire about the status of cases. The Association has contracted with a legal firm to represent clients in the pool. This firm has not won one case for the County or any other county in the pool. He believes the County's in-house counsel can do much better in representation before the Industrial Commission. In instances where county employees are injured by other parties, such as automobile accidents that are not the employees fault, the Association is not going after the other parties involved to recover expenses incurred by the County in these cases. Key Risk Management will do what the current staff is doing to manage claims and bring closure more quickly. He also noted he would rather have a higher deductible because of the county's record.

Commissioner King noted he is very familiar with Sedgewick James and he has not heard complaints from across the state.

Mr. Strassenburg noted most of the other counties in the pool are much smaller than Cumberland. Cumberland County is the largest county in the pool. These other counties have less in-house capabilities. He noted Mr. Silman has requested a Clerk for the next budget year to take on the additional responsibilities. He noted the County has notified the Association that we will be pulling out of the pool.

Commissioner King noted Cumberland County's withdrawal from the pool will have a significant impact on the premiums for the other counties in that pool.

Mr. Silman noted Sedgewick James did not try to get closure on the county's cases in a timely manner. He noted costs for workers' compensation claims have been reduced due to coordination by his staff with supervisors for light duty and doctors to get employees back to work. He feels the County will receive better service from Key Risk Management Services, Inc. He noted the County has approximately 150 claims per year. Currently there are 105 to 110 open claims.

Commissioner Faircloth asked if the County is obligated in any way since notice has been given to the Association that the County will be pulling out of the pool.

Mr. Strassenburg advised the County is required to give 90 day notice to the Association prior to pulling out of the pool. However, if the decision is made to stay in the pool, there is no problem with notifying the Association before June 30th.

Commissioner King noted the money savings is something that must be considered. He asked if the County could get out of the contract with Key Risk during the three year period.

Mr. Silman stated the County could get out of the contract. The reason for getting a three year contract was to lock in Key Risk Management's fees for those years.

Commissioner Faircloth asked how soon the committee needs to make a decision.

Mr. Strassenburg advised a decision needs to be made by June 30th.

Commissioner King noted he would be in contact with Sedgewick James concerning the problems the County has had.

Mr. Silman noted he has been in contact with Sedgewick James and they are aware of the County's concerns.

MOTION: Commissioner Warren offered a motion to follow the recommendation of the Safety/Risk Management Director as follows:

1. Approve Key Risk as the TPA for workers' compensation claims and allow the Risk Management Director to enter into a three year contract for services.
2. Reinsurance be purchased with an SIR of \$500,000 through Midwest Employers.
3. The Finance Committee recommend approval to the full Board of Commissioners.

SECOND: Commissioner Faircloth
VOTE: UNANIMOUS

2. Other Committee Concerns

Carlisle McCutcheon asked the committee members to consider allowing the County to offer a 5% reduction in insurance premiums to employees who have participated in the Wellnes Program for one year and a 5% decrease for non smokers. The Wellness Program has had positive results on medical care costs for employees.

Mr. Strassenburg noted there are some employees who have refused to participate in the Wellnes Program and this may be the incentive needed to get them to reconsider.

Mr. McCutcheon also stated he would like the Committee to consider allowing retirees to participate in the Wellness Program if there will be no additional costs to the County to do so.

Mr. Strassenburg stated he would like Mr. McCutcheon to gather information on the costs involved with offering the decrease in premiums as well as the costs to include retirees and report the information back to the Committee for additional consideration.

It was the general consensus of the Committee to allow the Finance Director to begin gathering the necessary information regarding the offering of a percentage decrease in insurance premiums to employees and including retirees in the County Wellness Program and to report back to the Committee.

Commissioner King reported there is going to be a push for legislation by the Sheriff's Association to allow jailers and other law enforcement employees who are not covered under the Law Enforcement Retirement System to be classified as law enforcement officers and allowed to join the system.

Commissioner King also asked if incentives to get more employees involved in the 401K plan have been developed.

Mr. Strassenburg noted law enforcement employees are automatically in the system and the County contributes a 5% match to their funds. This benefit can be given to all County employees in the form of a Cost of Living increase. This item will be discussed during the budget review sessions.

Meeting adjourned at 10:45 AM.