UC DAVIS
WORKERS COMPENSATION PROGRAM
ANNUAL REPORT
2003-2004

Introduction

Workers' Compensation continues to be in the news in 2004 as the legislature and Governor try to figure out how to reduce workers' compensation costs for employers and preserve benefits for injured workers. The University faces the same challenge as other employers in the State and continues to look for a variety of resources in order to reduce costs. Fiscal Year 2003-04 workers' compensation rates are based on an actuarial analysis of the program status on June 30, 2003. As of that date the projected cost of the workers compensation program for the entire UC system was $147,895,000 and $7,671,000 for UC Davis (data from 6/28/04 Annual Rate Letter from Sherry Carletta to campuses). This obviously represents a huge cost to the System and the Campus which significantly reduces funding to support the research and teaching mission of the institution.

Rapidly rising medical costs, including the cost of treatment, surgery, pharmaceuticals, and supplies continue to be the most significant cost driver in workers' compensation. The mandated increase in benefits paid to temporarily and permanently disabled workers is another major factor in increased costs. All of the reforms that have been enacted in the last year were intended to reduce medical costs and get employees back to work; however, it is too early to tell if they will create a significant savings for employers. It is important to remember that in addition to the costs paid through the workers' compensation system, the costs to departments associated with lost productivity and replacement of injured workers during periods of disability are not reflected in workers' compensation cost projections. These costs are not quantified centrally, and remain a hidden cost that must always be taken into consideration when considering the overall costs associated with workers' compensation within the University.

UC Davis – 2003-04

Davis Model Program

The workers' compensation program at UC Davis continues to be strong, especially when compared with the experience of sister campuses and medical centers and the State of California as a whole. While the System grapples with the best approaches to reduce the overall program costs, the Davis Campus model continues to be cited as the ideal solution to controlling costs to the greatest extent possible. The key points of this model include: focused medical treatment handled by highly trained internal occupational health physicians; the commitment to return employees to work on modified duty; integrated support services and integrated management of the workers' compensation team. In the last year, UC San Diego, UC Santa Cruz, and the Stanford University Medical Center visited our campus to learn about out successful program.

Injuries are Stable and Costs are Coming Down

Injury experience at Davis has been and continues to be relatively stable in terms of numbers of injuries over the long term. While the number of injuries has risen each year since 2000-01, with a big jump in 2002-03, this trend has again stabilized, with a slight reduction in 2003-04.

Costs, however, took a big jump last year, with an increase of over $1 million (45%) in one year. This was a significant concern, and a great deal of effort has been expended on trying to understand and address this big jump. While there were many factors that contributed to the spike, each was examined and procedures were put into place to have an impact. These efforts have paid off, as the trend is again downward, with a cost reduction of 8.22%.

These positive trends are even more encouraging in light of the overall cost increases, and the rising medical costs within the general economy of the state and the nation. However, the campus cannot be complacent about this downward trend, as external pressures and campus growth continue to stretch the System.

Prevention a Key Concern

The best injury is an injury that never happens. Therefore, injury prevention is the key to reducing workers' compensation costs. Injury prevention is a shared responsibility with roles to play at the institutional, the departmental, the supervisory, and the individual employee level. UC Davis is committed to creating a safe environment for all members of the UCD community. Each individual must take personal responsibility for attaining this goal.

An ingrained culture of safety at the worksite is a critical element of making this goal a reality. Supervisors, managers, and employees must understand their personal roles in insuring that safe work practices are understood and followed. The workers' compensation, employee health, and safety professionals on this campus are continually working to improve processes and to provide employees with the tools necessary to enhance our results. Full participation in pilot prevention projects, and a willingness and openness to seeking out safety resources and education are all important factors in achieving injury prevention throughout the campus environment.

Root Cause Analysis Pilot Project

Back injuries have been the most frequent injury at UC Davis and have been for many years. These injuries have also represented the highest cost claims. In 2003-04 the workers' compensation program decided to focus prevention efforts on back injuries with the hope of reducing the frequency of injuries and also to reduce the severity of those injuries. Five departments with the highest number of back injuries on campus were selected to participate in a pilot project called Root Cause Analysis. This process was intended to focus injury investigation on finding the root cause of the injury. This focused process serves two functions.

First, it is a mechanism to educate supervisors and employees and to improve communication about safety and safety strategies. Second, it is a method to find the underlying cause of injuries with a goal of eliminating those "root causes" so that repetition of the same type of injuries does not continue.

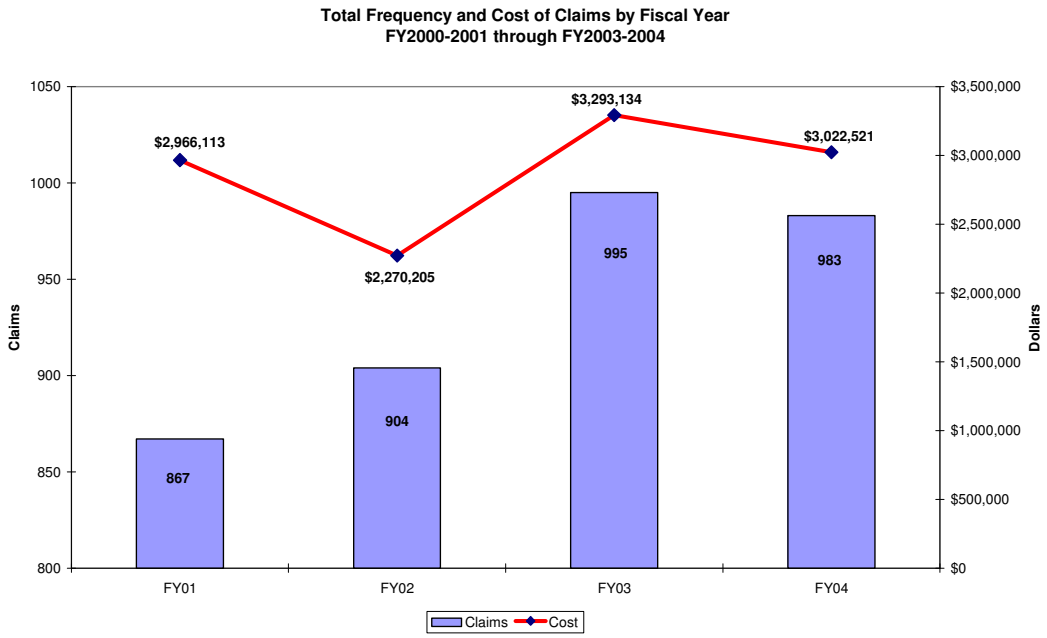
The pilot project got off to a slow start because intensive training was required, and it took longer than expected. Additionally, this is a new concept and a new process for both the safety team and the supervisors and injured workers. Finally, a need to refocus significant resources in several units to meet the demands of AAALAC accreditation, reduced the time that was available to devote focused time to working with the pilot departments. Despite this, the pilot project showed some modest, but mixed success. Overall, back injuries decreased by 6.9% and were reduced from 18% to 13.55 of campus claims. The total cost of back injuries decreased by 38.55% over 2002-03. However, back injuries actually increased in two of the pilot departments.

The Occupational Health Risk Assessment Team (OHRAT) is currently reviewing the root cause analysis pilot project and plans to implement some changes as a result of the first year experience. These changes include refining the process and paperwork, retraining some department personnel, and reducing the number of participating departments to those with the most severe and ongoing problems. Other injures may be included as well, as the data shows that in this reporting period, knee injuries have actually surpassed back injuries in both number and cost. This may be a one-year phenomenon, but many of the same root causes of back injuries are relevant to knee injuries as well.

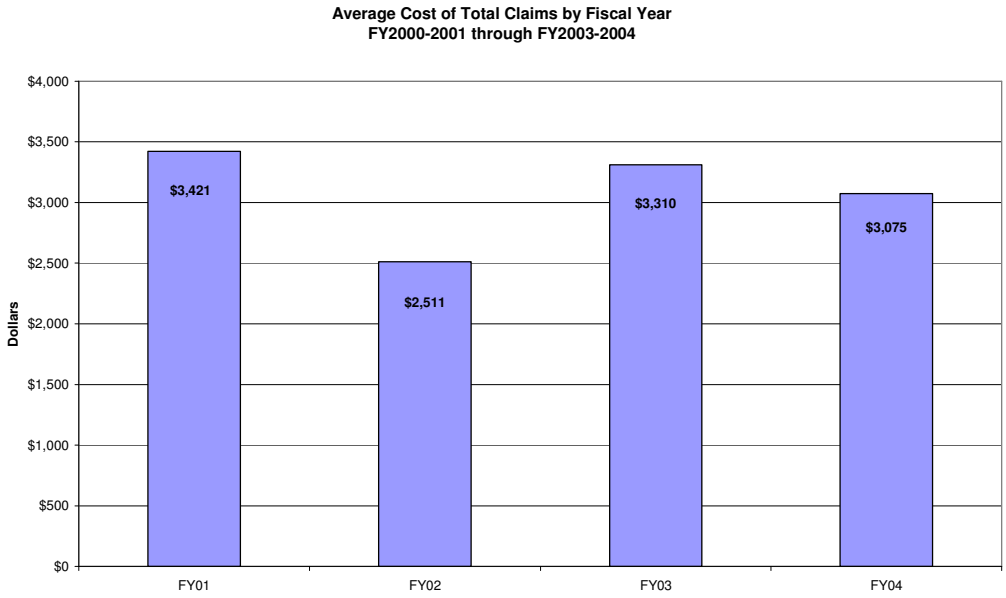
Data Analysis

UCD Claims Experience & Average Cost Per Claim

The four year trend displayed on this graph shows that after several years of rising numbers of injuries the trend has turned slightly downward in 2003-04. Additionally, the costs, which rose dramatically in 2003-04, have also turned downward by a significant 8.22%. This is a remarkable achievement given the workers' compensation environment in California in 2003-04 where medical costs and disability payments have increased markedly.



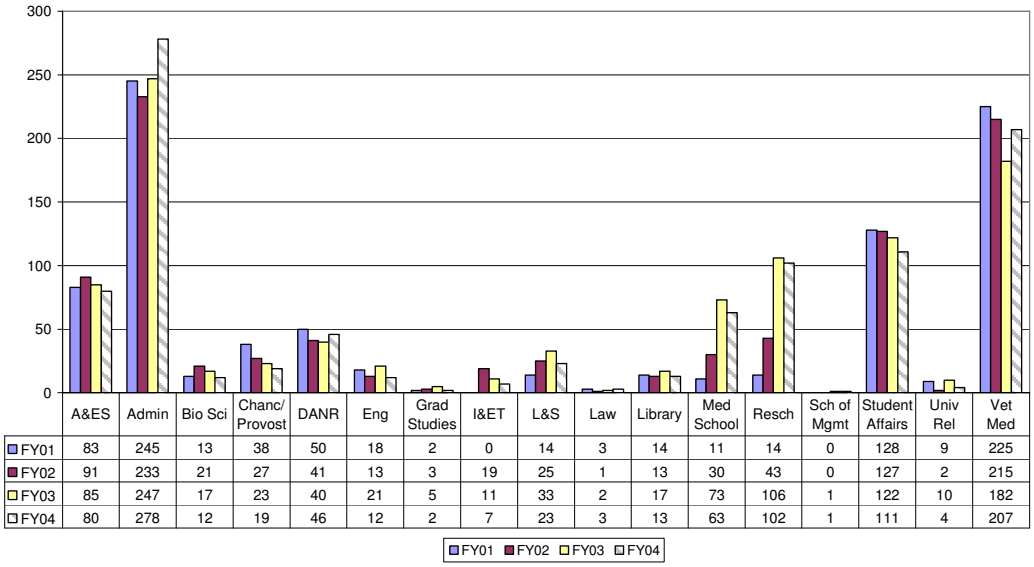
This downturn in cost is also reflected by the 7.10% drop in the average cost per claim from $3,310 per claim (all types of claims, both medical and indemnity) in 2002-03 to $3,075 in 2003-04. Again this is significant because of the overall environment of rising costs. Severity of claims is measured by costs because more severe injury claims cost more to treat and result in more lost time. In general, it appears that overall the injuries in this fiscal year were slightly less serious than in the previous year.



Frequency, Severity and Average Claim Cost by Division

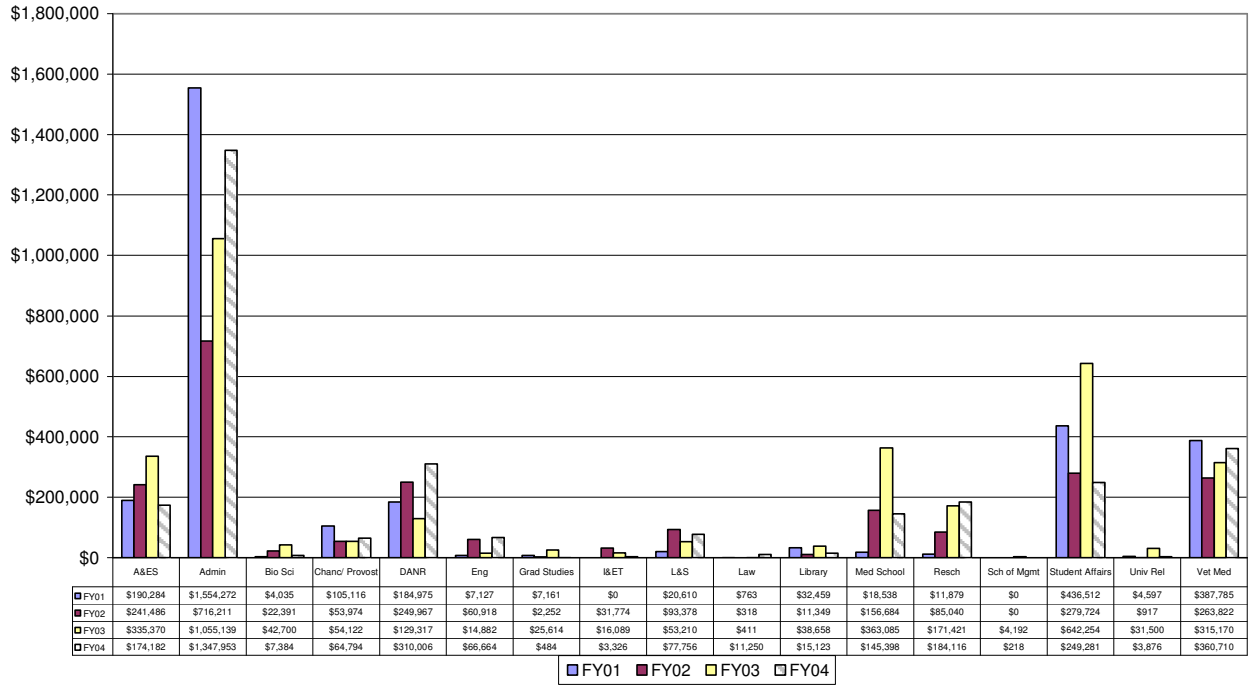
The following graphs provide a breakdown of the campus data by Division. All but three divisions saw a reduction in number of claims, and all but four saw a reduction in costs. In three of the four divisions where costs increased, and in two of the three divisions where injuries increased, there were specific, anomalous injuries which drove these trends.

Frequency of Claims by Division
FY2000-2001 through FY2003-2004

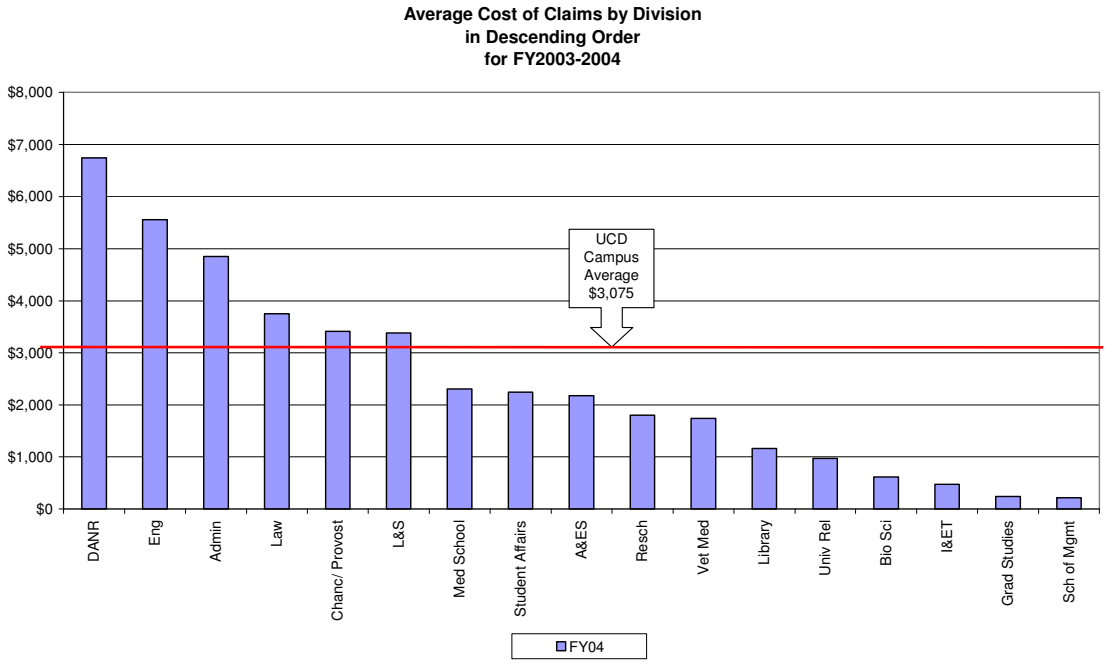


	A&ES	Admin	Bio Sci	Chanc/ Provost	DANR	Eng	Grad Studies	I&ET	L&S	Law	Library	Med School	Resch	Sch of Mgmt	Student Affairs	Univ Rel	Vet Med
FY01	83	245	13	38	50	18	2	0	14	3	14	11	14	0	128	9	225
FY02	91	233	21	27	41	13	3	19	25	1	13	30	43	0	127	2	215
FY03	85	247	17	23	40	21	5	11	33	2	17	73	106	1	122	10	182
FY04	80	278	12	19	46	12	2	7	23	3	13	63	102	1	111	4	207

Total Cost of Claims by Division
FY2000-2001 through FY2003-2004



	A&ES	Admin	Bio Sci	Chanc/ Provost	DANR	Eng	Grad Studies	I&ET	L&S	Law	Library	Med School	Resch	Sch of Mgmt	Student Affairs	Univ Rel	Vet Med
FY01	$190,284	$1,554,272	$4,035	$105,116	$184,975	$7,127	$7,161	$0	$20,610	$763	$32,459	$18,538	$11,879	$0	$436,512	$4,597	$387,785
FY02	$241,486	$716,211	$22,391	$53,974	$249,967	$60,918	$2,252	$31,774	$93,378	$318	$11,349	$156,684	$85,040	$0	$279,724	$917	$263,822
FY03	$335,370	$1,055,139	$42,700	$54,122	$129,317	$14,882	$25,614	$16,089	$53,210	$411	$38,658	$363,085	$171,421	$4,192	$642,254	$31,500	$315,170
FY04	$174,182	$1,347,953	$7,384	$64,794	$310,006	$66,664	$484	$3,326	$77,756	$11,250	$15,123	$145,398	$184,116	$218	$249,281	$3,876	$360,710



Injuries by Body Part

It is always useful to examine injuries by body part. This chart provides a four year trend of body parts that are most frequently injured and the cost of those injuries. As noted earlier, knee injuries were more severe than back injuries in 2003-04. This is remarkable because knee injuries represent the highest cost of injured body part or 17.78% of the total cost of injuries, while the number of knee injuries was low, representing only 4.88% of the claims. Knee injuries are a common injury in the aging workforce, and a focused effort should be made to examine and employee work practices that will minimize injuries to knees, while continuing to focus significant efforts on further reducing back injuries in both frequency and severity. Knowing what kinds of injuries occur to what parts of the body is useful to both supervisors and individuals in thinking about injury prevention strategies.

Workers' Compensation

Frequency and Cost of Claims by Body Part by Fiscal Year

FY2000-2001 through FY2003-2004

	Claims				Cost			
Body Part	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2001**	**FY2002**	**FY2003**	**FY2004**
Abdomen	2	3	4	3	$1,900	$27,103	$12,361	$2,663
Ankle(s)	21	19	29	24	$18,407	$134,116	$108,370	$13,304
Arm(s)	35	36	30	15	$113,296	$55,910	$126,944	$44,234
Auditory System	7	4	5	2	$60,276	$20,719	$15,323	$170
Back	126	123	145	135	$319,392	$318,738	$610,099	$374,923
Brain	0	0	1	0	$0	$0	$8,056	$0
Buttocks	1	2	0	2	$2,500	$4,040	$0	$171
Cardiovascular System	5	3	2	8	$154,682	$7,360	$24,360	$24,942
Central Nervous System	1	0	0	5	$8,400	$0	$0	$8,166
Chest	11	6	5	9	$21,660	$1,190	$3,827	$5,058
Circulatory System	0	2	1	0	$0	$1,094	$674	$0
Digestive System	6	13	12	10	$3,681	$10,468	$7,847	$4,809
Ear	0	1	1	4	$0	$600	$0	$581
Elbow(s)	18	23	27	20	$26,695	$62,498	$69,443	$76,377
Eye(s)	45	40	28	37	$12,868	$26,619	$15,774	$36,025
Eyelid(s)	1	3	6	0	$94	$815	$1,623	$0
Face	15	16	12	13	$16,941	$7,648	$7,256	$20,262
Finger(s)	130	112	128	104	$87,958	$182,776	$127,486	$61,947
Foot/Feet/Toe(s)	20	24	27	31	$40,913	$20,661	$39,825	$46,283
Forearm(s)	16	16	24	19	$19,664	$3,980	$45,114	$37,313
Genito-Urinary System	1	0	0	0	$364	$0	$0	$0
Groin	7	5	7	3	$11,464	$42,647	$60,355	$7,954
Hands	66	70	100	97	$88,715	$118,978	$244,227	$325,365
Head	20	10	19	14	$169,073	$1,504	$114,649	$6,157
Heel(s)	0	3	1	2	$0	$430	$12,893	$522
Hip(s)	5	6	3	4	$21,589	$24,745	$1,123	$2,938
Immune System	0	3	2	2	$0	$1,187	$1,054	$314
Knee(s)	57	41	39	48	$384,585	$164,163	$199,802	$537,395
Leg-Calf-Thigh(s)	24	22	24	30	$40,122	$44,549	$24,577	$140,288
Mouth	2	2	4	0	$50	$407	$566	$0
Multi-head	2	1	4	2	$276	$421	$9,288	$5,889
Multi-lower Extremity	3	3	5	7	$281	$4,300	$1,839	$55,704
Multiple-Stress	14	13	18	22	$122,068	$57,657	$131,999	$153,251
Multiple Body Parts	49	49	71	118	$510,732	$172,301	$336,957	$371,481
Multi-upper Extremity	22	34	51	38	$31,018	$174,333	$277,544	$144,369
Neck	33	27	18	21	$318,680	$38,510	$94,439	$67,376
Nose	4	2	1	3	$4,368	$3,610	$386	$2,600
Other	3	0	0	0	$521	$0	$0	$0
Pelvis	0	0	1	0	$0	$0	$16,656	$0
Reproductive System	1	0	2	0	$40	$0	$7,444	$0
Respiratory System	20	41	26	34	$193,936	$84,858	$124,074	$49,405
Ribs	2	2	4	1	$2,252	$7,550	$6,956	$312
Sacrum-Coccyx	0	1	6	1	$0	$0	$3,564	$455
Shoulder(s)	26	44	38	43	$63,405	$136,331	$149,836	$216,449
Skull	1	0	4	2	$1,000	$0	$1,163	$219
Teeth	1	1	3	1	$95	$320	$8,646	$245
Throat	0	2	0	0	$0	$20,984	$0	$0
Wrists	44	76	57	49	$92,154	$284,086	$238,713	$176,605

Single Claims Over $50,000

Single claims over $50,000 represent the most severely injured workers. These injuries usually require expensive treatment resulting in much lost time from work. The costs displayed on this graph only represent the costs that have been paid within the workers' compensation system. They do not reflect the additional costs incurred at the department level in sick leave, reduced productivity, replacement costs, etc. Again, there has been an encouraging downward trend in these single claims with a 13.5% reduction in 2003-04. It is also notable that there is only one back injury in this category this year.

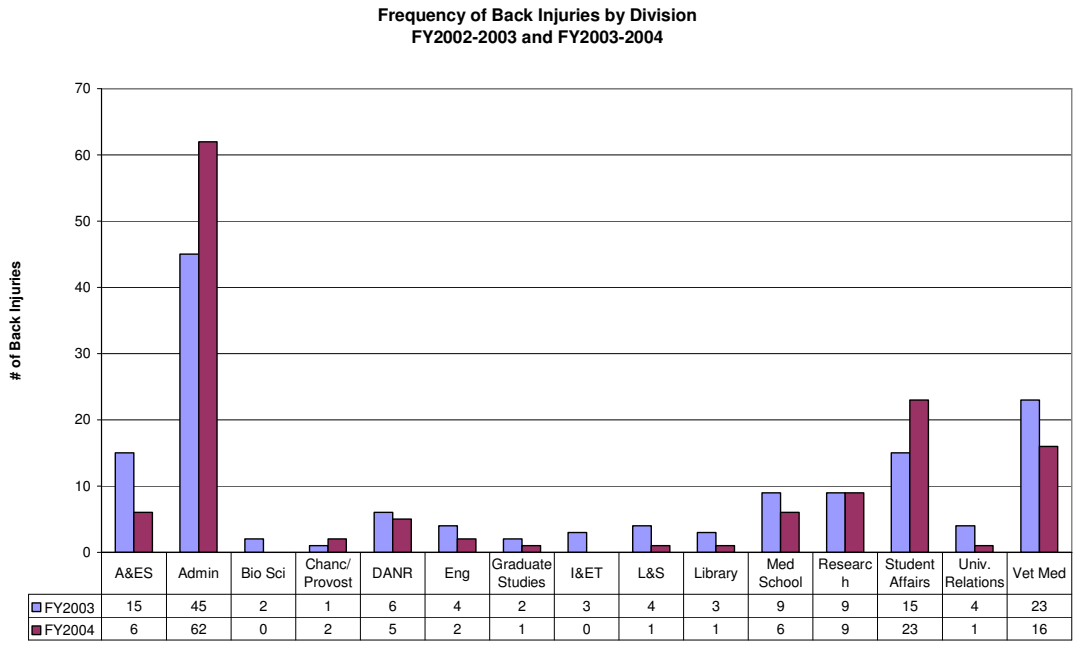
Single Claims Greater than $50,000 by Division and Body Part
FY2000-2001 through FY2003-2004

Division	Body Part	Cost
FY2004		
Administration	Knee(s)	$221,685
Administration	Multiple - Stress	$70,835
Administration	Multi-Upper Extremity	$56,403
Administration	Back - Lumbar	$52,951
DANR	Leg-Calf-Thigh(s)	$95,873
Engr	Multiple Body Parts	$56,428
	Total Cost	$554,175
FY2003		
A&ES	Multi-Upper Extremity	$61,753
A&ES	Arm(s)	$56,042
DANR	Multiple Body Parts	$58,211
Med School	Head	$73,123
Student Affairs	Back - Lumbar	$106,380
Student Affairs	Ankle(s)	$87,680
Student Affairs	Back - Lumbar	$70,816
Student Affairs	Multiple - Stress	$62,059
Vet Med	Back - Lumbar	$64,579
	Total Cost	$640,644
FY2002		
Administration	Multi-Upper Extremity	$52,298
DANR	Back - Lumbar	$86,875
Med School	Ankle(s)	$76,350
	Total Cost	$215,523
FY2001		
Administration	Multiple Body Parts	$340,429
Administration	Head	$154,382
Administration	Cardiovascular System	$146,500
Administration	Respiratory System	$125,500
Administration	Neck	$107,636
Administration	Neck	$57,078
Chancellor/Provost	Multiple Body Parts	$55,925
Vet Med	Neck	$56,793
Student Affairs	Back - Cervical	$60,315
Student Affairs	Knee(s)	$55,143
	Total Cost	$1,159,701

Back Injuries

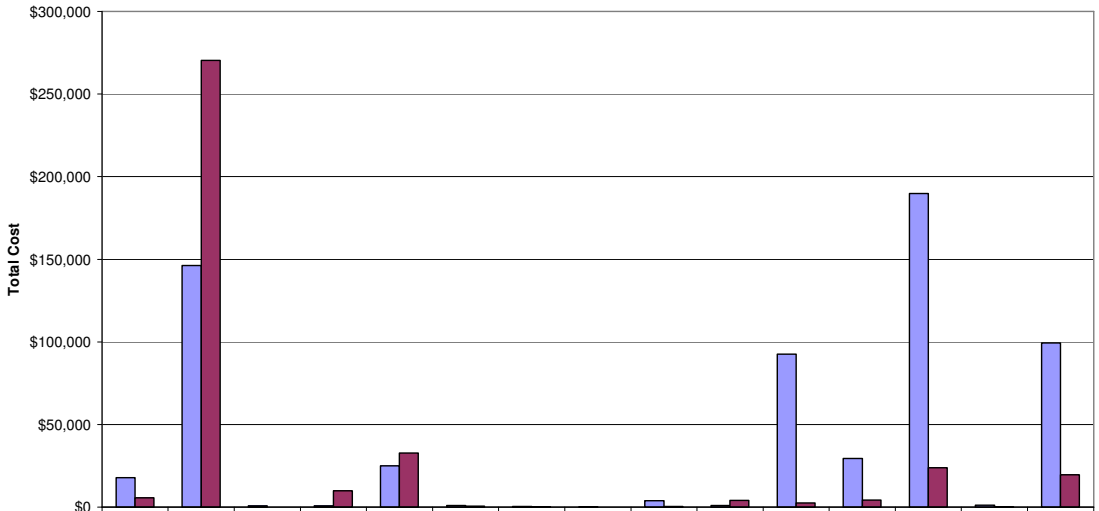
Back injuries continue to be some of the most severe injuries on the Davis Campus. It is not surprising, that the two units responsible for the hardest physical labor, Office of Administration, Operations and Maintenance and Student Affairs, Student Housing, would be the units where employees are likely to sustain back injuries. In addition to the ongoing efforts of campus workers' compensation, employee health, disability management and the safety team, both units have dedicated significant resources and personnel to reverse these injury trends.

The following four graphs depict the campus trends for back injuries by division, and as well as the specific experience of the departments participating in the root cause analysis pilot project. While there is some cause for optimism, especially with regard to the reduction in number and severity of back injuries in Veterinary Medicine (the VMTH) and Office of Research (Primate Center) where numbers of injuries were stable, but severity of injuries was reduced significantly, there is still much work to be done to address this on going problem, and back injury prevention will continue to be a top priority on an ongoing basis.



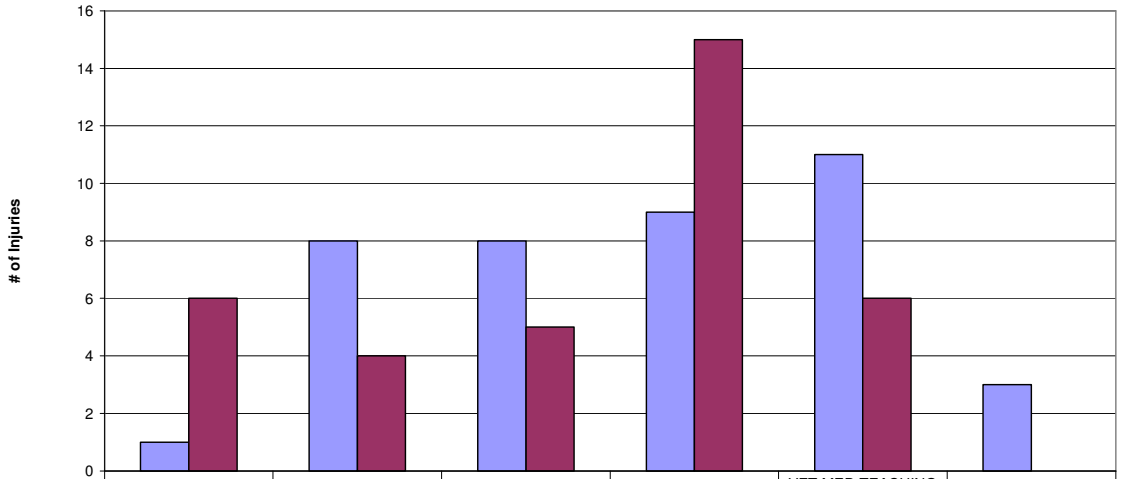
	A&ES	Admin	Bio Sci	Chanc/ Provost	DANR	Eng	Graduate Studies	I&ET	L&S	Library	Med School	Research	Student Affairs	Univ. Relations	Vet Med
FY2003	15	45	2	1	6	4	2	3	4	3	9	9	15	4	23
FY2004	6	62	0	2	5	2	1	0	1	1	6	9	23	1	16

Total Cost of Back Injuries by Division
FY2002-2003 and FY2003-2004



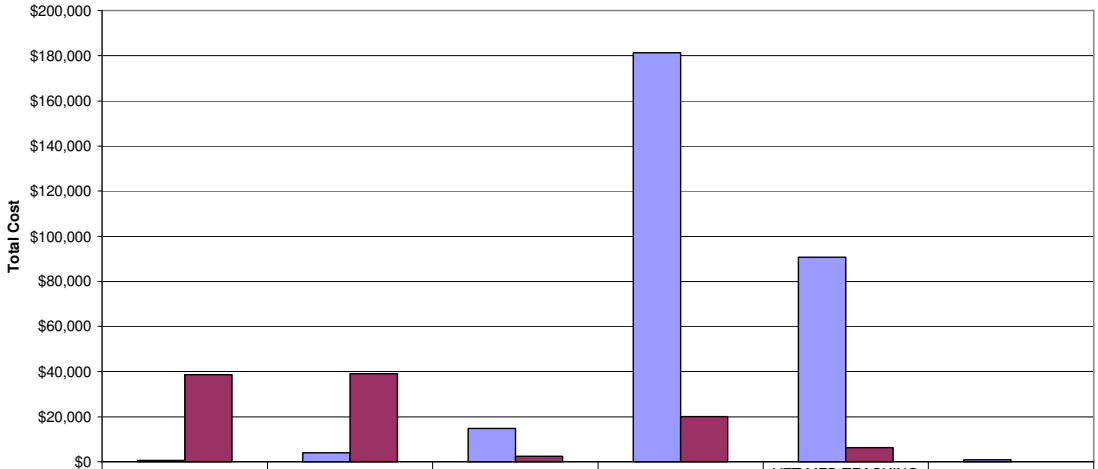
	A&ES	Admin	Bio Sci	Chanc/ Provost	DANR	Eng	Graduate Studies	I&ET	L&S	Library	Med School	Research	Student Affairs	Univ. Relations	Vet Med
FY2003	$17,967	$146,196	$856	$730	$24,988	$1,074	$537	$260	$3,906	$993	$92,622	$29,374	$189,912	$1,310	$99,374
FY2004	$5,676	$270,251	0	$9,872	$32,877	$612	$364	0	$507	$4,073	$2,539	$4,436	$23,982	$232	$19,502

Frequency of Back Injuries
by Root Cause Analysis Pilot Program Departments
FY2002-2003 and FY2003-2004



	MAIL DIVISION	GROUNDS SERVICES	PRIMATE CENTER	STUDENT HOUSING	VET MED TEACHING HOSPITAL	VEG CROPS
FY2003	1	8	8	9	11	3
FY2004	6	4	5	15	6	0

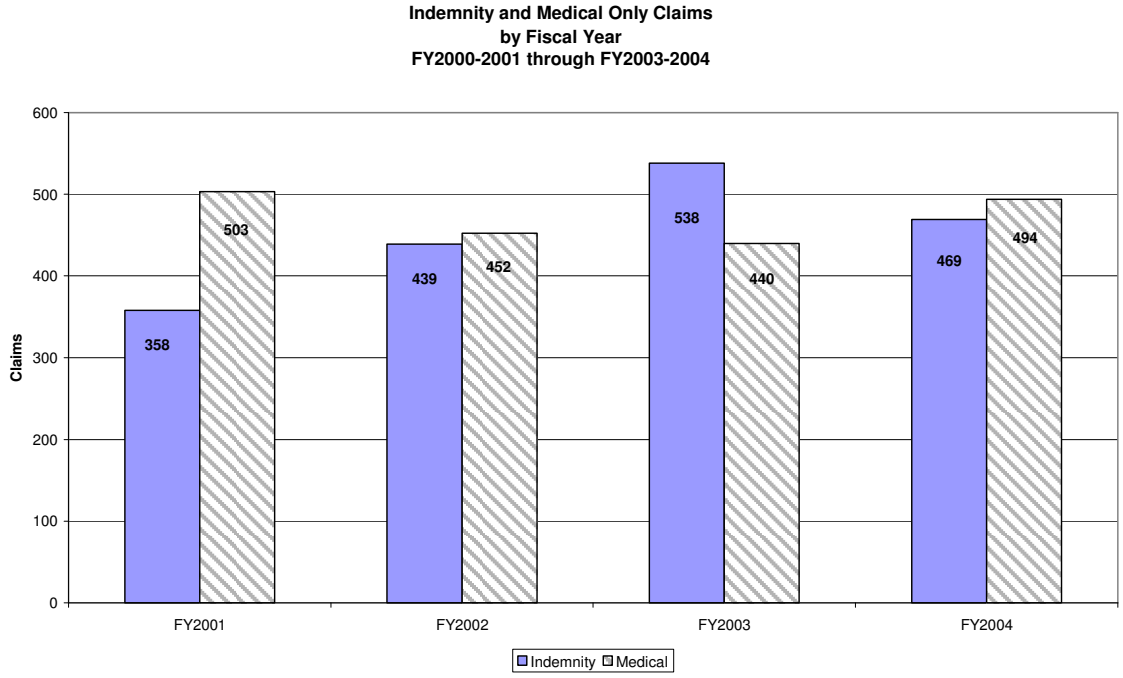
Total Cost of Back Injuries
by Root Cause Analysis Pilot Program Departments
FY2002-2003 and FY2003-2004



	MAIL DIVISION	GROUNDS SERVICES	PRIMATE CENTER	STUDENT HOUSING	VET MED TEACHING HOSPITAL	VEG CROPS
FY2003	$596	$4,068	$14,895	$181,298	$90,756	$836
FY2004	$38,707	$39,087	$2,504	$20,037	$6,303	$0

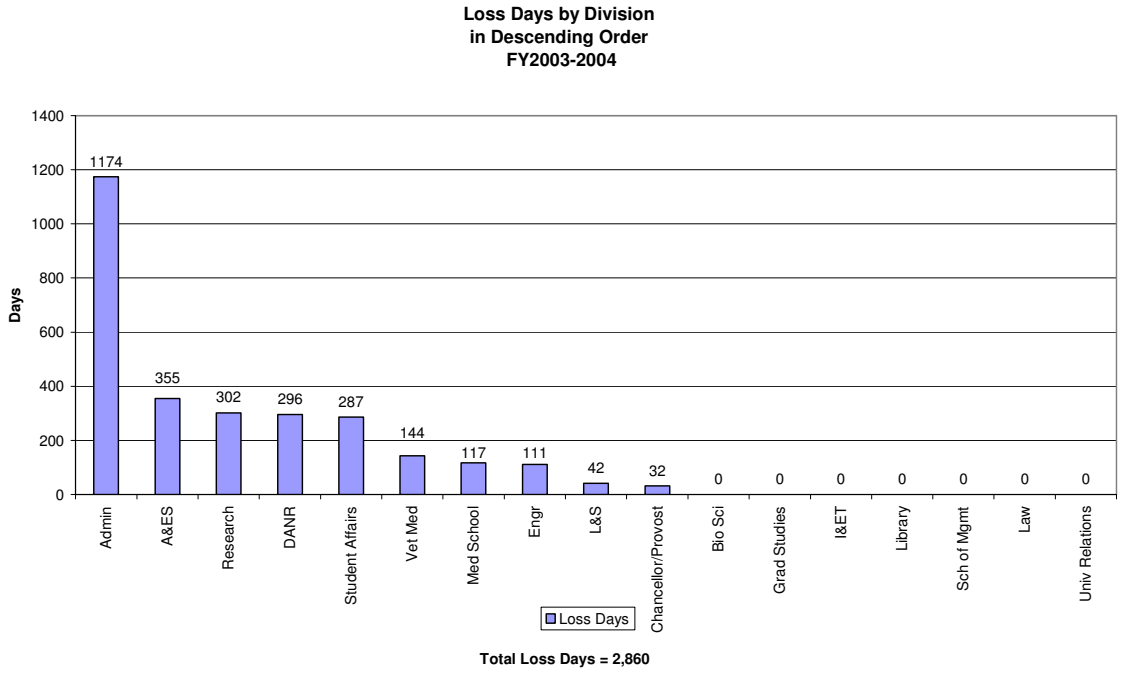
Indemnity & Medical Claims Analysis

Indemnity Claims are the most severe claims because they reflect injuries where employees loose more than 3 days of work and receive serious and sustained medical treatment. Medical Claims are claims were less than three days of work are lost (usually no days are lost) and where medical treatment is short term and finite. Until last year, Davis has generally experienced a higher number of medical claims and a lower number of indemnity claims, which has been one significant reason for our low workers' compensation costs. Another reason is the fact that almost all injuries that occur on campus are treated on site at the Employee Health Clinic, where physicians are focused on treating injuries quickly, and aggressively, and getting employees back to work, usually on the same day. One driver of our $1 million dollar cost increase was a measurable shift in the opposite direction where indemnity claims shot up significantly. It is very encouraging to note that our normal experience has been restored in this fiscal year and that indemnity claims have been reduced by 12.83%. This has had a direct impact on our decreased cost in 2003-04.

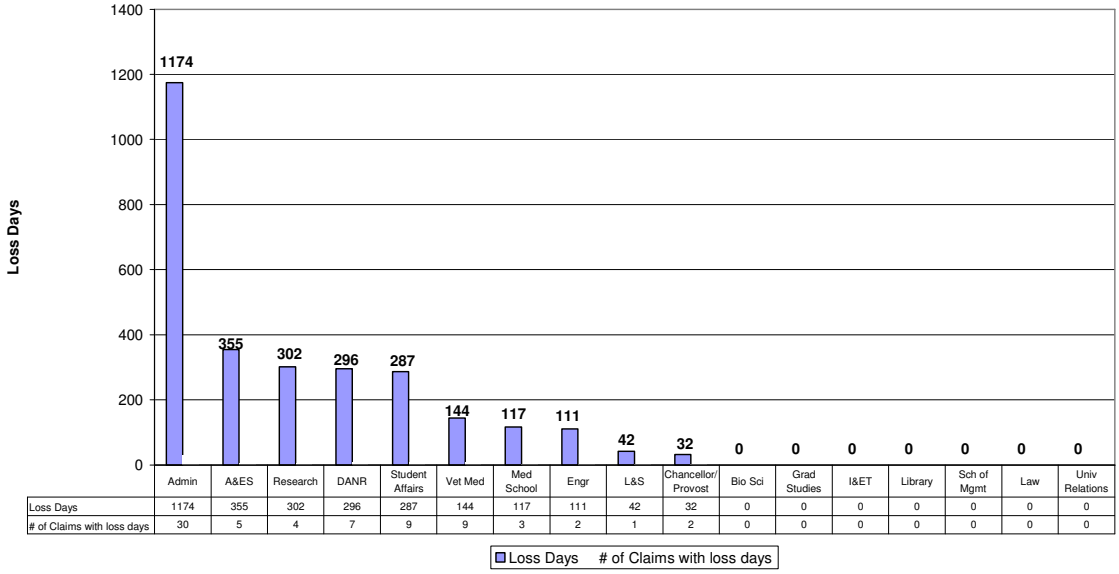


Lost Days

We began tracking lost days from work in 2002-03 when the information became available in our claims management system. One of the real secrets to our success at Davis is the very low number of claims that have lost days and the very low number of lost days that are experienced by claimants in general. Again this can be largely attributed to our occupational health physicians at Employee Health Services and their commitment to treating injured workers who continue to work and maintain productivity. This is most dramatically illustrated in the analysis of claims by division with **no** lost days, where between 94% and 99% of the claims resulted in no lost time. It is notable that even in units such as Office of Administration and Student Affairs where there are many and more severe injuries, 97% of the claimants continued to work while they recovered from their injuries. Another significant factor in these remarkable data is the commitment of supervisors to working with their employees and the physicians to insure they can find alternate work on a temporary basis. This commitment is another key aspect of the Davis success story.

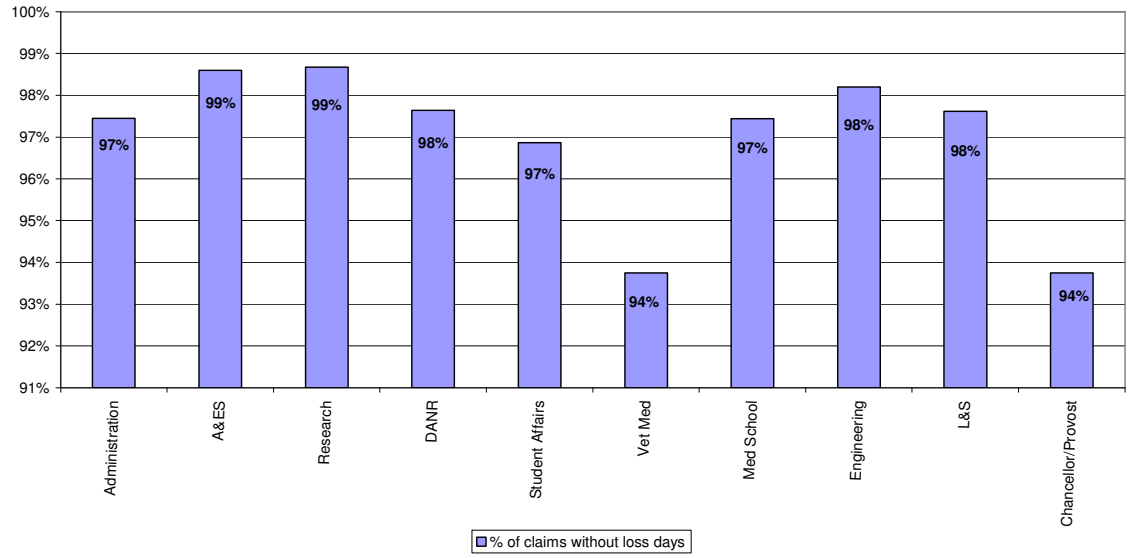


Number of Claims with Loss Days
by Division in Descending Order
FY2003-2004



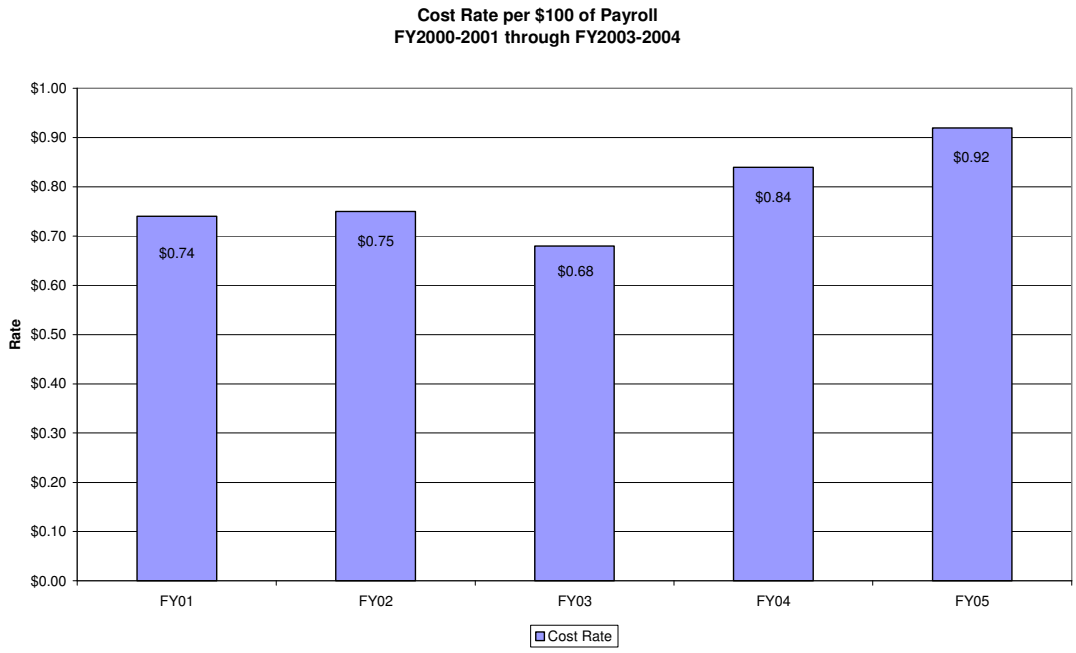
	Admin	A&ES	Research	DANR	Student Affairs	Vet Med	Med School	Engr	L&S	Chancellor/ Provost	Bio Sci	Grad Studies	I&ET	Library	Sch of Mgmt	Law	Univ Relations
Loss Days	1174	355	302	296	287	144	117	111	42	32	0	0	0	0	0	0	0
# of Claims with loss days	30	5	4	7	9	9	3	2	1	2	0	0	0	0	0	0	0

Percentage of Total Claims Without Loss Days
by Division
FY2003-2004



Campus Payroll Rates

Workers' Compensation is paid for by an assessment on payroll that is assigned to the campus each year after an actuarial study of the campus experience. This assessment is contained in the overall benefits costs for each employee. Campus payroll rates have been rising over the past four years as the overall UC system experience worsens, despite the campus' continuing success at containing workers compensation costs. Even with this rise in rates, Davis still enjoys a much lower rate than our sister campuses and (our rate is significantly lower than the campus/lab composite payroll rate of 0.98 per $100 of payroll in 03-04).



Summary

The $1 million spike in costs in 2002-03 was a wake-up call for the Davis Campus. Despite a well run program, supervisors who are committed to the concept of modified work, and our dedicated Employee Health Services medical staff there is always room for improvement. Aggressive efforts to understand and control all costs within our purview, heightened efforts to work more closely with Octagon Risk Services to manage our claims, and increased attention to prevention programs, have all served to refine our management of the workers' compensation program, and to trim costs to the greatest extent possible. The fact that the costs have turned downward is encouraging, but there is no room for complacency. The workers' compensation team will continue to work to reduce costs, and to help departments understand how they can contribute to this effort through enhanced prevention and continued commitment to modified duty and keeping injured workers productively at work.

Strategies for Cost Reduction and Injury Prevention for 2004-05

- Continue to work with the workers' compensation partners to maintain the excellent programs that have been so effective at keeping UCD the model program in the System.
- Refine and refocus the root cause analysis process on fewer high injury units, and expand its use beyond back injuries to knee injuries as well.
- Promote a safety culture at all levels of the organization through programs and activities highlighting safety and injury prevention.
- Aggressively monitor all costs throughout the year and implement cost control measures.
- Continue to explore injury prevention strategies that can be effective in this diverse work setting.
- Explore the development of a Safety Recognition Award program and annual awards lunch similar to the disability award recognition award lunch.
- Integration of a cost allocation strategy for workers' compensation rates.

The workers compensation team thanks all the employees who work safely each day, all the supervisors who support them, and the administration of the UCD campus for having the vision to create the model program that we enjoy on this campus and the willingness to sustain the support needed to maintain it.

Respectfully submitted,

Elizabeth A. Meyer, Director
Occupational Health, Injury and Disability Services

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