

**UC DAVIS
WORKERS' COMPENSATION**

**ANNUAL REPORT
2005-06**

INTRODUCTION

UC Davis continues to maintain one of the strongest Workers Compensation Programs in the UC System. Over the past three years the Campus has actively participated in University-wide efforts to significantly reduce the cost of workers compensation through a combination of strategies including enhanced loss control, tight program control and coordination, strong partnerships with our medical provider partners and utilizing the new options available from workers compensation law reform to full advantage. The strong commitment to high quality, on-site medical care, and a mandatory modified duty program continues to be the essential reason why the Davis workers compensation costs are low and going lower.

The Office of the President Risk Services Department has invested significant resources, energy, and commitment to the reduction of workers compensation claims and costs to the system. This leadership and the central investments that have been made in the areas of aggressive case settlement and closure, enhanced medical control through the development of a Medical Provider Network, and strong emphasis and support for loss prevention through injury reduction have also contributed significantly to the reduction in workers compensation costs to the Campus.

The strong Campus programs and performance coupled with the performance improvement of the UC program as a whole, have resulted in the Davis Campus returning to program surplus status in the amount of \$2,379,000 for fiscal year 2005-06. A portion of this surplus will be returned to the Campus for the first time in program history and will be used to support campus needs and programs.

Cost-allocation of the workers compensation rate has long been a goal of the workers compensation program. In 2005-06 the cost-allocation process was finalized, and after significant consultation, was rolled out in a three year phase in effective July 1, 2006.

EXECUTIVE SUMMARY

The positive trend of the past several years continued in 2005-06 with a decline in both frequency (number) and severity (cost) of claims.

Key indicators of the positive trend are:

- 7% decrease in the number of claims
- 21% decrease in the cost of claims
- 15% decrease in the average cost of claims
- 38% decrease in the number of claims costing more than \$50,000
- 9% decrease in the number of lost days for claims
- 97% of total claims with no lost days a significant improvement over 2004-05
- 10% reduction in experience based payroll rate (although the payroll rate remains the same for 06-07 due to the Be Smart for Safety program which will be described below)

Back Injuries Continue to Cause Concern

- Backs are still the #1 body part to be injured in 2005-06
- Backs are the second highest cost injury in 2005-06
- Back injuries represented 13% of the total cost of claims in 2005-06 at \$261,595

The Office of the President and the Campus has each developed a number of new initiatives and strategies for further improving the workers compensation program in the coming years. The purpose of these initiatives is to build on existing strengths, leverage resources to have the most impact, and to provide resources and leadership in the area of prevention, safety and cost-control.

Campus Initiatives

- Business process improvements through the complete revision of the claim filing process and the Employer's First Report of Injury Form
- Cost Allocation of the Campus Workers Compensation rate effective July 1, 2006
- Realignment of Workers Compensation and Employee Health under Safety Services to bring prevention and safety closer together with Environmental Health & Safety, Risk Management, and Emergency/Disaster Management

Office of the President Initiatives

- Be Smart for Safety Program
- Enterprise Risk Management

Overview of Trending Data

Frequency & Severity

2005-06 represents the third year in a row where both the number and cost of claims filed in the fiscal year have declined. Claim numbers were down by 60 from 2004-05 and claim costs were down by \$528,778. The combined cost reduction for the past two fiscal years has now exceeds \$1 million, and continues to be driven by tightly controlled medical costs, and low temporary disability payments as a result of the Davis Campus commitment to a modified duty program. These strategies have kept 97% of the injured workers in 2005-06 at work and recovering on the job.

The average cost per claim for 2005-06 was \$2491. This figure is derived from the average of cost associated with all claims (medical and indemnity) that were added during the period July 1, 2005 through June 30, 2006. This represents a 15% decrease in average cost over 2004-05.

The three highest frequency units, Office of Administration and School of Veterinary Medicine, and Student Affairs all saw reduction in frequency and severity of claims during the fiscal year period. These are encouraging trends that reflect the continuing internal and external focus on preventing injuries, although there is still more proactive work to be done. Academic units continue to remain stable in both cost and numbers of injuries.

Tables A and B provide a detail of frequency and severity for the 2005-06 academic year and the four preceding years. Table C provides a 5 year summary of experience by administrative and academic unit and it provides an injury rate and cost per 100 headcount as well. This allows units to examine their experience in comparison to similar units on campus. The headcount includes Campus employees. This headcount also includes student employees since they are covered by the workers' compensation program when they are working within the scope of their student employment.

Table A

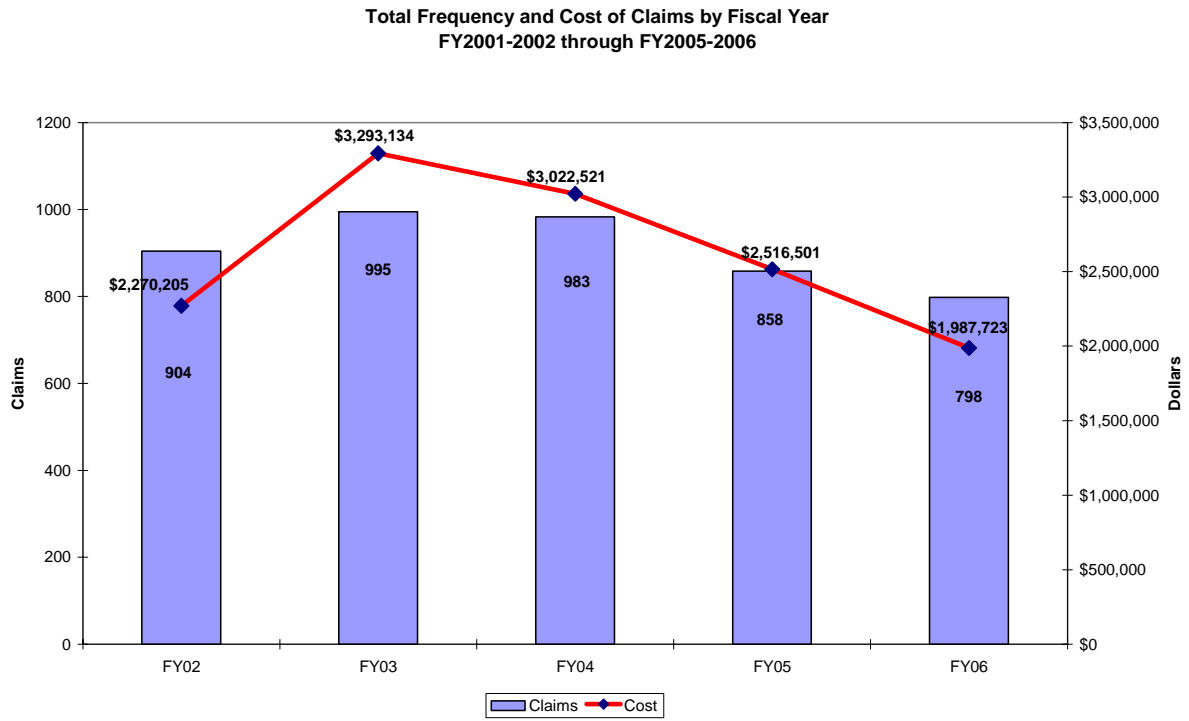


Table B

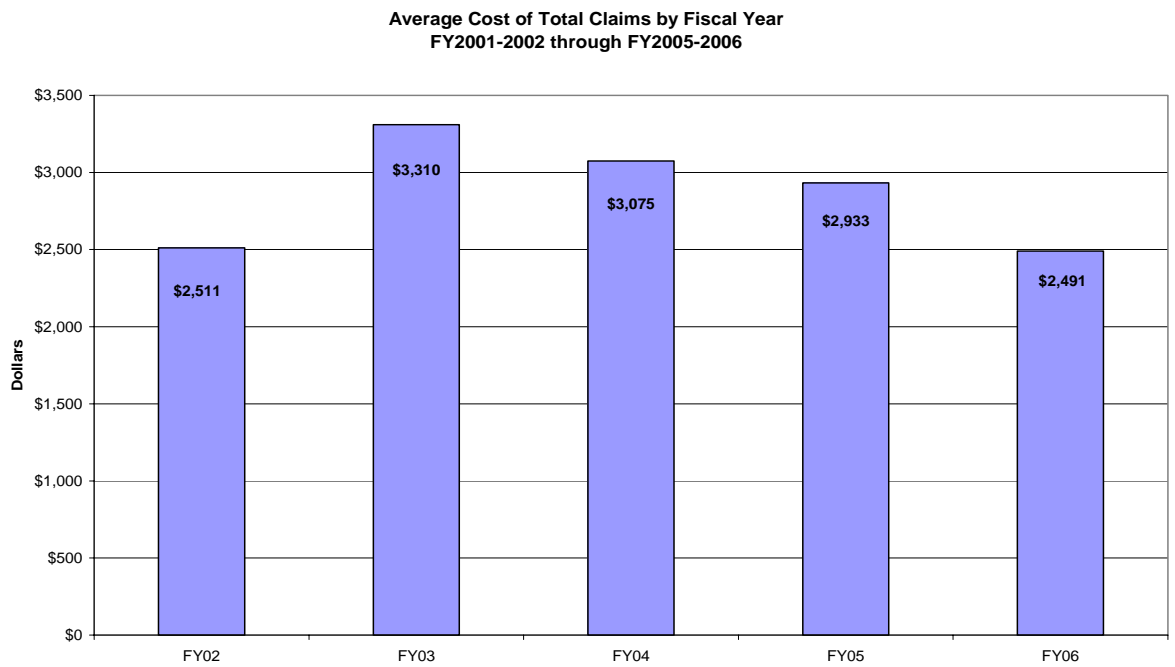


Table C

**Frequency and Total Cost of Claims by Division
by Fiscal Year
FY2001-2002 through FY2005-2006**

Claims						Total Cost				
<i>Division</i>	FY02	FY03	FY04	FY05	FY06	FY02	FY03	FY04	FY05	FY06
A&ES	91	85	80	74	69	\$241,486	\$335,370	\$174,182	\$300,790	\$140,967
Administration	233	247	278	222	187	\$716,211	\$1,055,139	\$1,347,953	\$836,362	\$642,137
Bio Sci	21	17	12	17	14	\$22,391	\$42,700	\$7,384	\$18,995	\$12,770
Chancellor/Provost	27	23	19	19	9	\$53,974	\$54,122	\$64,794	\$30,927	\$43,763
DANR	41	40	46	39	36	\$249,967	\$129,317	\$310,006	\$219,527	\$209,805
Engineering	13	21	12	16	17	\$60,918	\$14,882	\$66,664	\$21,458	\$31,673
Grad Studies	3	5	2	1	3	\$2,252	\$25,614	\$484	\$0	\$28,908
I&ET	19	11	7	4	8	\$31,774	\$16,089	\$3,326	\$6,334	\$19,677
L&S	25	33	23	28	31	\$93,378	\$53,210	\$77,756	\$47,810	\$128,019
Law	1	2	3	2	2	\$318	\$411	\$11,250	\$20,937	\$1,327
Library	13	17	13	9	9	\$11,349	\$38,658	\$15,123	\$68,394	\$15,335
Med School	30	73	63	54	53	\$156,684	\$636,085	\$145,398	\$145,705	\$65,292
ORMP	0	0	0	0	3	\$0	\$0	\$0	\$0	\$8,091
Research	43	106	102	90	95	\$85,040	\$171,421	\$184,116	\$168,611	\$185,060
Sch of Education	0	0	0	0	1	\$0	\$0	\$0	\$0	\$0
Sch of Management	0	1	1	0	2	\$0	\$4,192	\$218	\$0	\$888
Student Affairs	127	122	111	123	108	\$279,724	\$642,254	\$249,281	\$246,629	\$207,468
Univ Relations	2	10	4	8	2	\$917	\$31,500	\$3,876	\$19,398	\$1,150
Vet Met	215	182	207	152	149	\$263,822	\$315,170	\$360,710	\$364,623	\$245,393
Totals	904	995	983	858	798	\$2,270,205	\$3,566,134	\$3,022,521	\$2,516,500	\$1,987,723

Single Claims over \$50,000

High cost claims represent the most severe injuries incurred by our employees. The high cost is generally the result of both costly specialist medical care (usually surgery) and significant lost time resulting in the need to provide temporary disability income replacement benefits. This indicator has continued to show a decline over the last six years. This year, the decline was significant with a 38% decrease over last year, with only four claims falling into this category. Table D provides the detail of these high cost claims.

Table D

**Single Claims Greater than \$50,000 by Division and Body Part
Part
FY2001-2002 through FY2005-2006**

Division	Body Part	Cost
<i>FY2006</i>		
Administration	Back-Cervical	\$90,571
Administration	Multiple Body Parts	\$61,408
DANR	Hip(s)	\$104,089
L&S	Wrist(s)	\$50,555
Total Cost		\$306,623
<i>FY2005</i>		
Administration	Cardiovascular System	\$84,568.64
Administration	Back - Lumbar	\$71,465.00
Administration	Skull	\$51,602.76
Library	Multi-Back/Spine	\$63,084.77
Research	Face	\$72,178.20
Vet Med	Multiple Body Parts	\$150,355.00
Total Cost		\$493,254
<i>FY2004</i>		
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
<i>FY2003</i>		
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
<i>FY2002</i>		
Administration	Multi-Upper Extremity	\$52,298
DANR	Back - Lumbar	\$86,875
Med School	Ankle(s)	\$76,350
Total Cost		\$215,523

Back Injuries

Back injuries continue to be the number one body part injured on the Davis Campus. There were 123 back injury claims during the period at a cost of \$261,595, reflecting an average cost per back claim of \$2126. This average cost is less than the overall campus average, which represents an encouraging decrease in overall severity of back injury claims. However, these injuries continue to have a significant impact on the work productivity through either lost time, or significant restrictions during periods of modified duty. The aging workforce is another factor that will continue to impact our ability to reduce back injuries, and ongoing proactive prevention efforts and new initiatives will be required to keep ahead of these injuries and the demographic realities of the Campus. Table E illustrates the distribution and cost of back injuries for 2005-06.

Table E

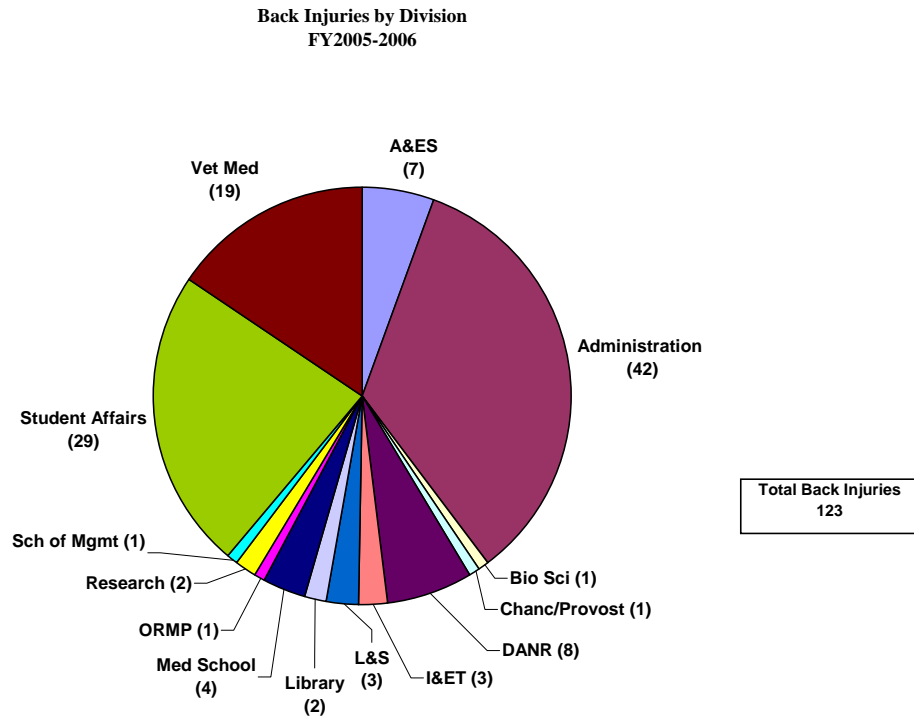
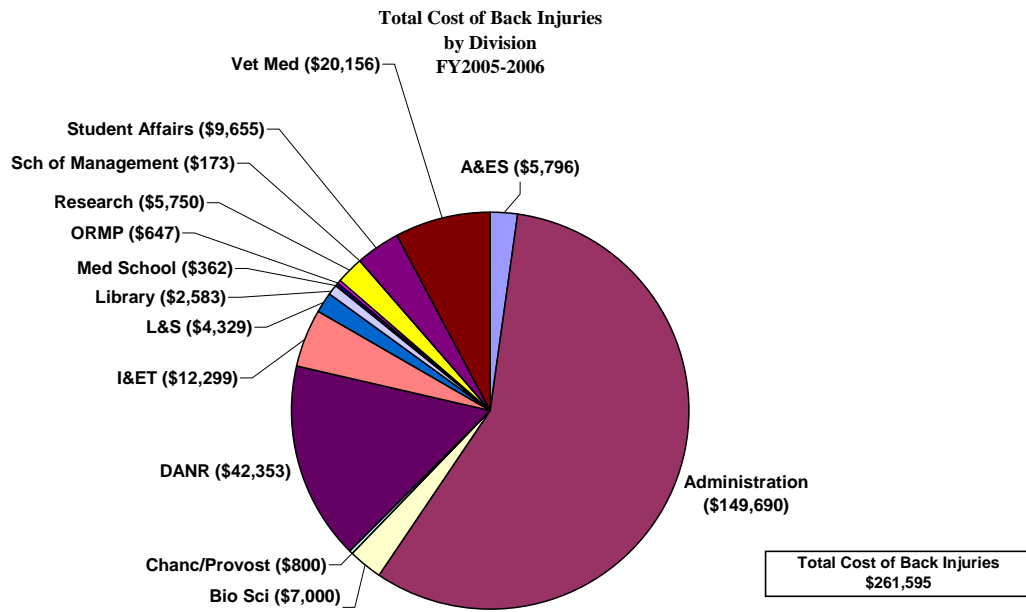


Table E

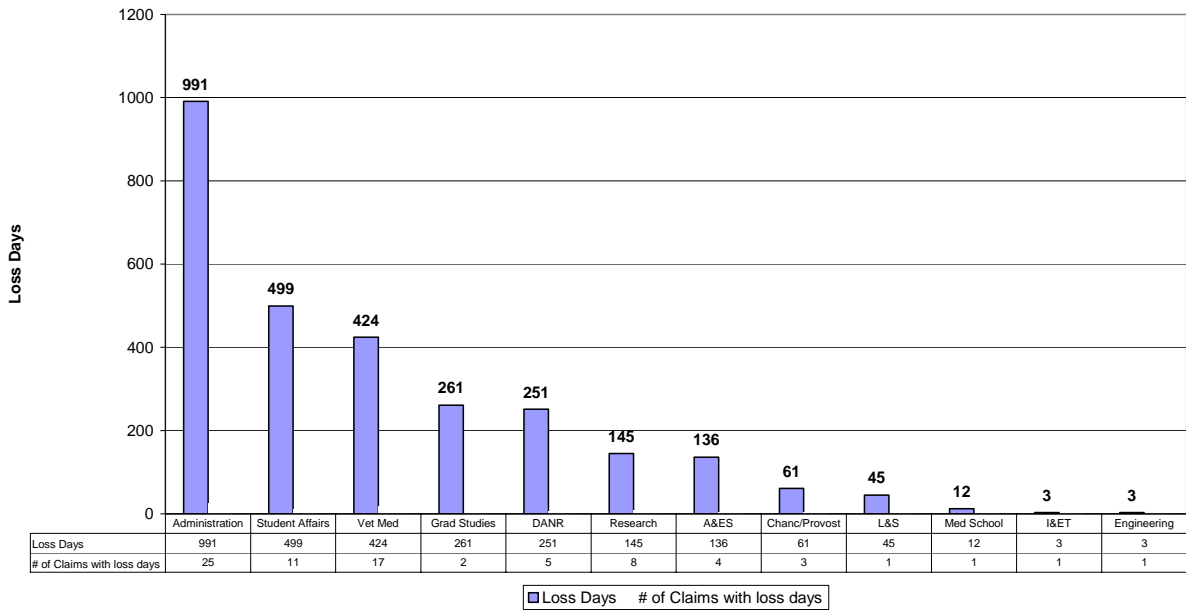


Lost Day Claims

As noted above, lost day claims declined by 9% over last year, with only 2831 lost days for injuries reported during 2005-06. 97% of these claims had no lost days. Lost days are defined by the number of days for which temporary disability payments are made by the third party administrator and charged against our campus costs. Sick leave usage for the first three days of an injury (or for a full year for police and fire) are not included in this statistic. The Davis Campus continues to be a leader in insuring that lost days are minimized due to the strong “recovery in place” philosophy of our occupational health physicians and our strong modified duty program. Table F displays specific data on lost-day claims.

Table F

**Number of Claims with Loss Days
by Division in Descending Order
FY2005-2006**



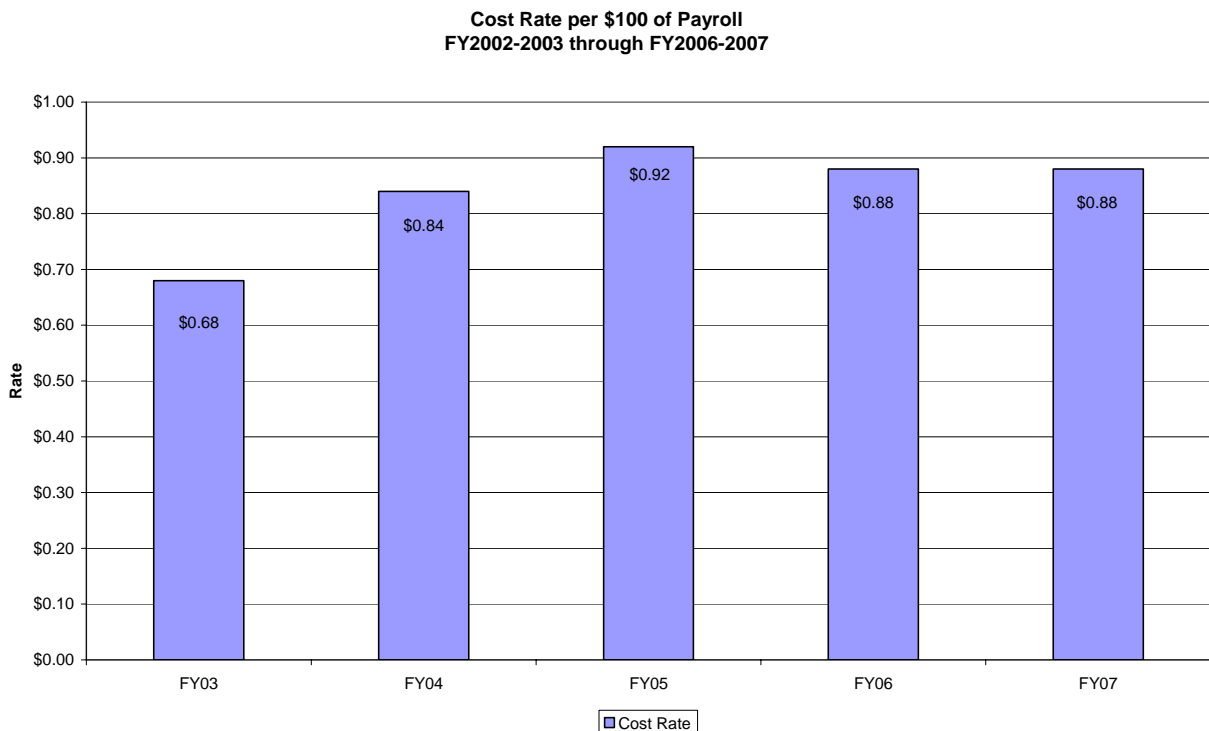
Payroll Rate

The UCD payroll rate for 2005-06 began a decline after two years of increases and was \$.88/\$100 of payroll. The strong performance of the campus in 2005-06 has resulted in a program surplus of \$2,379,000 of which \$1,071,000 has been returned to the campus for reallocation by the Office of Resource Management and Planning on July 1, 2006. The remainder of the surplus is retained in the trust fund account as a contingency amount.

The new aggregate rate for 2006-07 will remain at \$.88/\$100 of payroll. This is because the Office of the President has added a new program that will be funded through funds made available in the workers' compensation rate. This program, Be Smart for Safety, allows the Campus to dedicate funds to a variety of programs that will directly affect injury prevention and the reduction of workers' compensation costs. A variety of strategies including equipment purchases, training, and start up funds for innovative programs in high risk units will be funded by this program. The Workers' Compensation program in partnership with Environmental Health and Safety, Office of Resource Management and Planning, and the Office of the President, will administer and evaluate funding needs that meet OP established criteria for the use of Be Smart for Safety funds. Regular progress reports on the effectiveness of this new program will be provided to the Office of the President and an annual audit will be conducted.

Table G provides a 5 year history of the workers' compensation rate including the new rate for 2006-07. The 2006-07 reflects the overall rate that will be assessed against campus payroll. However, as discussed below, this rate will be cost allocated beginning July 1, 2006.

Table G



Cost-Allocation Begins on July 1, 2006

After several years of planning and preparation, experience based cost-allocation will begin on July 1, 2006. The final methodology for cost-allocation of the workers' compensation rate was determined after extensive consultation with the workers compensation program actuary, campus decision-makers, key constituents and the Office of Administration and Office of Resource Management and Planning. This methodology combines a socialized component and an experience based component to the rates for the designated units. The new methodology will be phased in over the next three fiscal years. The ratio of the combined components is 90% socialized and 10% experience based. The campus decided to choose a hybrid model, as a way to reasonably address differential injury experience among units, while at the same time recognizing that the highest cost units provide broad-based campus services, or student support, and fully experience based cost-allocation would have a negative impact on student fee and recharge rate funded programs. Adjustments in this model can easily be made if anticipated performance improvements are not realized.

The goal of cost-allocation is to provide both awareness and financial accountability to units where injuries occur and costs are incurred. Cost-allocation information allows units to more fully understand the financial as well as the human toll of a work-related injury. Campus resources are available to advise and assist departments in training, awareness, and in finding ways to enhance safe practices, with a goal of reducing injuries as much as possible.

Business Process Improvements

The workers' compensation program has received feedback for a number of years requesting a simplification and clarification of the claims process and the departmental investigation and feedback process. Legal requirements in the claims process have made it difficult to fully respond to these requests, however, this year, a major step forward was made when the Employer's First Report of Injury form was completely revised. This process, accompanied by significant campus training and outreach efforts, has made this form much more user friendly and has provided more timely and meaningful information from the supervisors. The form has been in place since February, 2006. It has been positively received and feedback indicates that the changes have made the process of completing the "workers' compensation paperwork" much easier. Members of the Worker's Compensation Unit continue to be available for individual unit training upon request. A further goal for these processes is to introduce on line incident reporting. Investigation and analysis of potential technology options which will allow this enhancement is ongoing.

SUMMARY AND CONCLUSIONS

Campus workers' compensation experience continues to improve after several years of spiking costs and injury numbers. 2005-06 saw a further reduction in both injuries and costs. There are many factors that have contributed to this improvement, all involving collaboration between the campus and the Office of the President, our Third Party Administrator, Octagon Risk Services, multiple campus units including Workers Compensation, Employee Health Services, Environmental Health and Safety, Disability Management, Employee and Labor Relations, and Office of Resource Management and Planning. However, the most effective efforts have occurred at the department level, where individual employees and their supervisors work every day to employ safe work practices, and proactive injury prevention strategies. The Be Smart for Safety program and new organizational alignments of the partners in the coming year are two new strategies that will assist departments and the campus as a whole in reducing injuries and costs. But as always, the best injury is the one that never happens, and that is within the control and responsibility of each employee at UCD.

Elizabeth Meyer, Director
Occupational Health, Injury and Disability Services

July 1, 2006