



# City of Seattle Office of City Auditor

## **Follow-up Audit of Workers' Compensation: Return-to-Work Program**

**June 15, 2010**

### **Contact Us:**

#### **City of Seattle Office of City Auditor**

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### **Our Mission:**

To help the City of Seattle achieve honest, efficient management and full accountability throughout City government. We serve the public interest by providing the Mayor, the City Council, and City department heads with accurate information, unbiased analysis, and objective recommendations on how best to use public resources in support of the well-being of the citizens of Seattle.

### **Background:**

Seattle voters established our office by a 1991 amendment to the City Charter. The office is an independent department within the legislative branch of City government. The City Auditor reports to the City Council and has a four-year term to ensure his/her independence in selecting and reporting on audit projects. The Office of City Auditor conducts financial-related audits, performance audits, management audits, and compliance audits of City of Seattle programs, agencies, grantees, and contracts. The City Auditor's goal is to ensure that the City of Seattle is run as effectively and efficiently as possible.

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City of Seattle  
Office of City Auditor

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June 15, 2010

The Honorable Mayor Mike McGinn  
Seattle City Councilmembers  
City of Seattle  
Seattle, Washington 98104

Dear Mayor McGinn and City Councilmembers:

Attached is our report, Follow-up Audit of Workers' Compensation: Return-to-Work Program. This audit follows up on part of a 2007 audit performed but never completed for the City of Seattle (City) by PriceWaterhouse Coopers. That uncompleted audit covered several issues concerning the City's workers' compensation program. Our audit report focuses on two main issues discussed by PriceWaterhouse Coopers: 1) monitoring and seeking to minimize the number of future claims by injured workers with multiple claims, and 2) making potential improvements in the Return-to-Work processes for injured workers. We provide several recommendations to improve the City's Return-to-Work program.

We appreciate the cooperation and assistance we received from the Personnel Department, the Seattle Police Department, the Seattle Fire Department, Seattle Public Utilities, Seattle City Light, the Seattle Department of Transportation, and the Department of Parks and Recreation.

If you have any questions or comments about this report, please contact me at (206) 233-1095 or the Auditor-in-Charge of this report, Claudia Gross Shader at (206) 684-8038.

Sincerely,

A handwritten signature in black ink that reads "David G. Jones". The signature is written in a cursive style with a large initial "D" and a stylized "G".

David G. Jones  
City Auditor

Enclosure

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## Executive Summary

This audit follows up on part of a 2007 audit performed but never completed for the City of Seattle (City) by PriceWaterhouse Coopers. That uncompleted audit covered several issues concerning the City's workers' compensation program. Our audit focuses on two main issues discussed by PriceWaterhouse Coopers: 1) monitoring and seeking to minimize the number of future claims by injured workers with multiple claims, and 2) making potential improvements in the Return-to-Work processes for injured workers. We identified four associated finding areas, and in conjunction with the Personnel Department, developed ten recommendations for improving the City's management of repeat claimants and Return-to-Work processes.

### Summary Table of Return-to-Work Audit Recommendations

Finding Area	Potential Return-to-Work Improvement
<b>Workers with Multiple Claims</b>	<ol style="list-style-type: none"> <li>1. Departments should create quarterly reports on multiple claims so that department directors focus on this issue.</li> <li>2. The City of Seattle should initiate multiple claim triages by departments' Return-to-Work Coordinators, Safety Officers, the injured workers' supervisors, and the Personnel Department's Workers' Compensation Unit to identify patterns and find solutions to avoid injuries.</li> <li>3. The Workers' Compensation Unit and department Return-to-Work Coordinators should conduct more analysis of multiple claims including possible use of job design diagnostics experts to determine how to ensure that workers can perform their jobs safely.</li> </ol>
<b>Light Duty Accommodations</b>	<ol style="list-style-type: none"> <li>4. The City of Seattle should develop a citywide goal for providing light duty accommodations.</li> <li>5. Departments should generate monthly management reports on the status of light duty requests to increase management focus on light duty job requests that have not been accommodated.</li> <li>6. Departments should create light duty job profiles to help attending physicians understand the job requirements the returning worker will be performing. These will help departments rapidly identify light duty jobs for workers with job restrictions or limitations.</li> <li>7. The City of Seattle should explore the feasibility of creating a citywide pool of light duty jobs for use by departments that are unable to accommodate this need internally.</li> </ol>
<b>Return-to-Work Policies and Procedures Manuals</b>	<ol style="list-style-type: none"> <li>8. Each large department should develop a Return-to-Work policies and procedures manual, drafts of which should be routinely reviewed by the Workers' Compensation Unit.</li> <li>9. The Workers Compensation Unit should develop Return-to-Work Coordinator training modules for processing complex claims and developing light duty jobs.</li> </ol>
<b>Citywide Return-to-Work Coordination</b>	<ol style="list-style-type: none"> <li>10. The Workers Compensation Unit should convene regular Return-to-Work Coordinators' meetings to share experiences in areas such as multiple claims, new federal and state laws, and best practices.</li> </ol>

## Introduction

In 2008, the City paid a total of \$13,274,636 on workers' compensation claims. The City is self-insured and administers the workers' compensation program in-house.

The Washington State Department of Labor and Industries' Employer's Return-to-Work guide defines Return-to-Work as follows:

*Return to work simply means helping your employee get back to work as soon as possible after a job-related injury or illness. For example, he or she could work shorter hours, do different work temporarily or perform "light duty" until fully recovered.*

The Personnel Department's Workers' Compensation Unit manages claims for all job injuries of City of Seattle employees. Each City department has a Return-to-Work Coordinator who communicates with the Workers' Compensation Unit and reviews injured workers' recovery processes, coordinates light-duty accommodations, and tracks Return to Work issues for that department. The City's Workers' Compensation and Return-to-Work processes keep the employee informed about the claim process, provide for regular contact between City staff and the injured worker, and assist the worker with returning to regular duty or limited duty work when released by health care providers. The departmental Return-to-Work Coordinators often seek assistance from Personnel's Workers' Compensation Unit for questions about returning injured workers to light duty or other issues related to injury and occupational illness claims.

This audit is the first part of a follow-up review of a workers' compensation study performed in 2007 by PriceWaterhouse Coopers under contract to the Personnel Department but never completed due to staff turnover at PriceWaterhouse Coopers. We will complete the rest of our follow-up review as soon as our workload permits us to do so.

For this audit, we focused on identifying potential improvements to the Return-to-Work process for injured workers and on evaluating opportunities to reduce repeat claims among claimants with a history of multiple claims. We worked closely with the Personnel Department's Workers' Compensation Unit to obtain claims statistics, identify departments' Return-to-Work Coordinators, and discuss issues and potential improvements. Further information on the City of Seattle's workers' compensation program can be found in Appendix I.

## Objectives, Scope, and Methodology

We limited the audit's scope to Return-to-Work processes for the six City departments with the highest number of claims processed in 2008:

- Seattle Fire Department (Fire)
- Seattle City Light (SCL)
- Seattle Police Department (Police)
- Parks and Recreation (Parks)
- Seattle Public Utilities (SPU)
- Seattle Department of Transportation (SDOT)

Together, these departments accounted for approximately 91% of incurred 2008 claims costs (as calculated on February 19, 2009 by the Personnel Department). Incurred values include paid costs plus future liabilities.

**Total Amounts for 2008 Claims  
(including future liabilities) by Department**

<b>Department</b>	<b>2008</b>
Fire	\$4,239,863
City Light	\$3,971,478
Police	\$2,271,266
Parks	\$1,783,166
SPU	\$1,283,909
SDOT	\$631,504
Total-6 departments	\$14,181,186
<b>Citywide Total</b>	<b>\$15,528,361</b>

Source: Personnel Department Workers Compensation statistics 2004-2008 generated 2/19/09

Based on our preliminary research and discussions with the Workers' Compensation Unit, we identified four areas of inquiry:

1. Departments' processes for handling injury claims for workers with multiple claims.
2. Departments' processes for handling Return-to-Work light duty requests.
3. Departments' Return-to-Work policies and procedures.
4. Coordination between the Workers' Compensation Unit and the departments.

Our audit methodology included:

- Reviewing workers' compensation legislation.
- Reviewing claims data from January 2004 through August 2009.
- Reviewing departmental policies and procedures for workers' compensation and Return-to-Work.
- Developing and administering a questionnaire on Return-to-Work processes (see Appendix II) for six large City departments.
- Interviewing workers' compensation and Return-to-Work staff from the Personnel Department and from six City departments with the largest claims costs.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Findings and Recommendations Summary

Based on our audit work, we identified four finding areas and in conjunction with the Personnel Department developed recommendations in each area:

1. Workers with Multiple Claims
2. Light Duty Accommodations
3. Return-to-Work Policies and Procedures Manuals
4. Citywide Return-to-Work Coordination

### ❖ Workers with Multiple Claims

**Current status:** Between January 2004 and August 2009, City workers filed 8,200 workers' compensation claims totaling approximately \$57 million. Of this amount, approximately \$27 million (47%) was for the 3,832 claims filed by 922 individuals who had opened three or more claims during that period (See Table 1). A smaller subset of 36 workers were more frequent claimants with 8 or more (up to 18) claims between January 2004 and August 2009. These claims represented \$2.3 million, or 4% of the total.

**Table I**  
**Claims paid for workers with 3 or more claims**  
**January 2004 – August 2009**

Department	Claims Filed	Total Payments
Fire	1,324	\$8,930,121
Police	912	5,562,458
City Light	429	5,471,110
Parks	424	2,372,506
SPU	304	2,111,085
SDOT	208	1,580,766
Fleets and Facilities Department	111	901,663
Seattle Center	82	404,256
HSD	9	59,050
Library	3	37,512
DOIT	11	6,161
DPD	6	20,409
DEA	3	8,460
Municipal Court	6	43,922
<b>Total</b>	<b>3,832</b>	<b>\$27,509,479</b>

Of the workers with multiple claims receiving payments in the five year period, 95% were employed in six departments: Fire, Police, City Light, Parks, Seattle Public Utilities, and Transportation.

These six departments do not have systems to track or report on claims by workers with multiple claims and have not developed specific policies and procedures to process claims by workers with three or more claims. By law, the Workers' Compensation Unit is required to process each claim separately unless the circumstances of a claim warrant an opening of a closed claim or benefits under a related open claim. Currently, the departments generally address each injury claim as a separate incident. However, the Seattle Fire Department Policy manual includes a section on identifying injury patterns of a worker.

### **Recommendations**

1. **Initiate reports to track workers with multiple claims.** To create more focus by department directors and managers on multiple claims, the employing departments should produce regularly scheduled reports on multiple claims. Departments should add (a) data field(s) to their existing tracking systems, or develop an agreement with the Workers' Compensation Unit to provide multiple claim information to the departments on a quarterly basis.
2. **Initiate multiple claim triage.** The City should identify a reasonable review threshold for individuals with multiple claims (e.g., three in two years) that would trigger an information meeting with the department's Return-to-Work Coordinator, Safety Officer, the injured worker's supervisor, and the Workers Compensation Unit to identify what is causing the injuries. This triage work would place each department in a better position to study injuries, reduce accidents, and to develop cost containment strategies. We would expect that these triage meetings would be documented and tracked so that the Workers' Compensation Unit and the departments could identify patterns and explore opportunities to avoid injuries. For example, if a running board step surface on a fire truck was identified as contributing to a worker's repeat leg injuries, this could inform future equipment procurement specifications.
3. **Conduct more analysis of multiple claims.** The Workers' Compensation Unit and departmental Return-to-Work Coordinators should use the tracking data on multiple claims to begin to identify potential trends, causes, and remediation strategies. This might include meeting with field unit supervisors to better understand physical requirements or exploring contracting with job design diagnostic experts (e.g., in biomechanics, ergonomics, etc.) to evaluate possible job/jobsite modifications that would reduce a worker's risk of injury or illness exposure. The City of Olympia has a full-time physical therapist to work with the supervisor and returning injured worker, which has reportedly greatly reduced Olympia's claims cost.

### **❖ Light Duty Accommodations**

**Current status:** Most workers' compensation claimants return directly to their regular job duties. Currently, when an injured employee is cleared by her/his physician for less than full Return-to-Work, that is, with some restrictions (e.g., on number of hours to be worked per day, limits on lifting, etc.), the departmental Return-to-Work Coordinator works with supervisors and managers to find or develop an appropriate short-term assignment for the employee. However, the Workers' Compensation Unit found that such light duty jobs were not available for the first half of 2009 to all injured workers cleared for modified work. During this time, the City paid \$191,041 in time loss benefits (partial wage replacement) to workers who were cleared by their doctors to perform light duty work, but could not be placed in a light duty assignment. These costs were approximately 6% of the total paid to injured workers during the first half of 2009.

Instances of un-accommodated light duty (i.e., the City was unable to find a suitable light duty position for an injured worker) and the associated costs are not currently tracked by any department. However, five of the six departments we interviewed send some type of workers' compensation report to departmental directors and managers. One department only distributes the report to managers upon request. The Return-to-Work Coordinators indicated that they believe that as managers and supervisors become more familiar with the reports, they will ask for more information.

Fire officials indicated that they have met with supervisors to market internally the benefits of accommodating light duty workers. According to Fire's Return-to-Work Coordinator, the outreach effort has led to the development of many productive light duty positions. The Coordinator stated that, in his experience, the more supervisors understand about how to use light duty personnel, the more willing they are to request light duty workers.

City department staff indicated that some physicians have been vague or general when describing returning workers' job limitations. According to the departments we interviewed, this lack of clarity about job restrictions makes matching light duty jobs with returning workers difficult and time consuming. The Fire Department indicated that having a job analysis for the most common jobs clarifies for the doctor exactly what is expected of the employee. The doctor is better able to determine how long it will be before the employee can return to full duty and if they are able to work modified duty in the interim.

### **Recommendations**

4. **Develop a Citywide goal for light duty accommodations.** The goal would be to reduce time loss payments for un-accommodated light duty by having enough light duty work available to meet demand. The goal should nevertheless recognize there will always be some small amount of un-accommodated light duty demand. An example provided by one department concerned the difficulty and time required to develop a job for a severely burned utility worker released to light duty work.
5. **Generate monthly management reports.** Monthly management reports should highlight available light duty positions, light duty placements and remaining un-accommodated light duty requests. The report could help keep management focused on reducing injuries and cost.
6. **Create light duty job profiles.** Each department should develop and provide light duty job descriptions to attending physicians. The detailed information will provide the physician the opportunity to be precise when identifying the specific job activity limitation or restriction for the returning worker.
7. **Explore development of a citywide light duty job pool.** If departments are unable to accommodate light duty, the City should explore the feasibility of developing a system to connect departments that have excess light duty capacity with departments that are experiencing un-accommodated light duty.

### **❖ Return-to-Work Policies and Procedures Manuals**

**Current status:** Of the departments that we interviewed, only the Seattle Fire Department and Seattle Public Utilities had clear and up-to-date policies and procedures manuals for their

Return-to-Work program. Seattle Police Department staff stated that they have an online procedures manual. Seattle City Light had an out of date Return-to-Work policies and procedures manual when our audit work began. However, City Light indicated that a revised Return-to-Work policies and procedures manual was completed in September 2009. The Seattle Department of Transportation, and the Parks and Recreation Department do not have Return-to-Work policies and procedures manuals.

The lack of departmental policies and procedures could result in an inefficient and inconsistent Return-to-Work process. Departmental policies and procedures would help promote more consistency of service during these types of staff transitions.

### **Recommendations**

8. **Require Return-to-Work policies and procedures manuals for all large departments.** Each large department without a Return-to-Work policies and procedures manual should develop such a manual. Departments should also develop a schedule to update the Return-to-Work policies and procedures manuals every two to three years. The Workers' Compensation Unit should review and comment on the drafts before they are signed by the department heads
9. **Develop Return-to-Work Coordinator training.** The Workers' Compensation Unit should work with departments to develop job-aids (i.e., desk manuals) for departmental Return-to-Work Coordinators. This might include tip sheets, tutorials, or reference guides for processing complex claims and developing light duty jobs. These job-aids would be especially helpful for new department Return-to-Work Coordinators.

### **❖ Citywide Return-to-Work Coordination**

**Current status:** Staff we interviewed reported that there is little information sharing or interaction among the departmental Return-to-Work Coordinators. In 2007, the Workers Compensation Unit held one citywide Return-to-Work Coordinator meeting. However, no further meetings were held due to Workers' Compensation Unit staff-time limitations. All six interviewed departments and the Workers' Compensation Unit agreed that a regular citywide meeting would provide a useful opportunity for sharing information. We learned that the City's Americans with Disabilities Act (ADA) coordination office conducts two to three ADA coordination meetings per year. These meetings involve many of the same departmental staff members who perform the Return-to-Work coordination functions.

### **Recommendation**

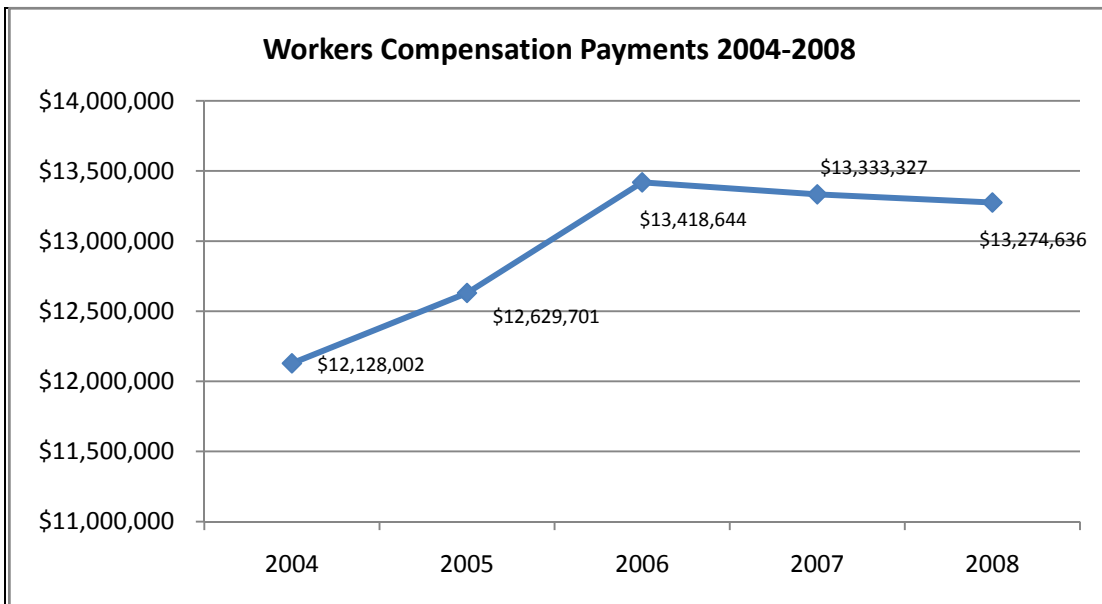
10. **Convene a Citywide Return-to-Work Coordinator meeting.** The Workers' Compensation Unit should convene regular citywide Return-to-Work coordination meetings in collaboration with the ADA coordination office. The meeting would provide a forum for departments to share experiences and discuss suggestions to reduce workers compensation expenses and improve the Return-to-Work processes. The Workers' Compensation Unit could provide information about industry best practices, cost containment strategies, and regulatory changes.

## Appendix I: Background Information on the City of Seattle's Workers' Compensation Program

The City is self-insured (Chapter 296-15 Washington Administrative Code) and administers its workers' compensation claims program. Responsibility for this program rests with the Personnel Department's Workers' Compensation Unit. Among its many duties, the Workers' Compensation Unit helps departments in returning injured workers to light duty or with issues related to injury claims.

In 2008, the City paid a total of \$13,274,636 on its workers compensation claims. A five-year summary of workers compensation payments is provided in the table and chart below.

	2004	2005	2006	2007	2008
Payment (dollars)	\$12,128,002	\$12,629,701	\$13,418,644	\$13,333,327	\$13,274,636
Source: City of Seattle Personnel Department data, 2/19/2009					



From 2004 to 2008 and projected through 2009, the Workers' Compensation Unit will have processed 8,683 claims by City workers. About 40% of all claims involve time loss and other benefit matters (e.g., pensions) in addition to medical treatment, while 60% involve medical care only. Workers in Fire, Police, Parks, City Light, Seattle Public Utilities and Transportation, filed 89% of the claims in the six year period.

Highlights of the City's Workers Compensation program are listed below:

- For a City employee missing work for four or more days due to a workers' compensation condition, the City pays 80% of the worker's regular gross wage. The first 60% to 75% of the regular gross wage, up to a daily maximum, is calculated in accordance with Washington statutory requirements. Seattle Municipal Code 4.44.020 then requires that City employees' disability (i.e., workers') compensation be brought up to a full 80% of their normal hourly rate of pay, with no maximum, during the initial 261 days of disability not counting the first three days following the injury/illness. Historically, this has been interpreted to mean 261 days of disability, even if incurred over a longer period. This supplemental benefit is paid only to City employees; all other state workers are entitled to receive only 60-75% of their wage, which is capped.
- Workers' compensation payments are tax free.
- Regular employees continue to accumulate sick leave and vacation benefits while off work and receiving workers' compensation payments.
- Certain injured workers released to Return-to-Work, may require temporary "light duty" to meet a medical restriction.
- During Return-to-Work in a light duty position, pay reverts to 100% of regular wages.

## Appendix II: Return-to-Work Questionnaire

### General Position Information

1. What is your job title?
2. Where is your position housed in your departmental organization?
3. What other duties do you perform besides Return-to-Work?
4. How long have you been performing Return-to-Work functions?
5. What kind of training have you received in Return-to-Work?
6. Where do you get help if you have a question about a Return-to-Work issue?
7. How many workers compensation claims did you work on in your department in 2008?
8. During 2008 how many claims did you work on that were simple and took 1-2 days to process versus complex claims lasting a month or longer?
9. Describe your relationship with the working unit's manager/supervisor.

### Policies and Procedures

10. What manuals and reference materials (including web resources) do you use in performing Return-to-Work functions?

- 11. What specific policies and procedures do you follow?
- 12. What improvements might you recommend for the policies and procedures that you use in performing Return-to-Work functions?

### Process

- 13. When do you make first contact with the injured worker?
- 14. Do you meet with them in person, via phone, e-mail?
- 15. Describe in general terms your role in the process from claim initiation to closure.
- 16. Are there any established policies or practices about communication with the injured worker, such as the first contact, timing of communications, etc.?
- 17. Describe the frequency and types of communication that you have with the injured worker for the duration of the claim.
- 18. Describe the frequency and types of communication that you have with the injured workers' supervisor for the duration of the claim.
- 19. Describe the frequency and types of communication that you have with the injured workers' physician for the duration of the claim.
- 20. Describe the frequency and types of communication that you have with the department's safety officer for the duration of the claim.

21. When a modified job (temporary or permanent) is required, describe how the modified job duties are developed. What is the Return-to-Work Coordinator role in that process?
22. Does your department have enough capacity/options to offer modified jobs when needed? Do the claims come in bunches or are they spread out over time?
23. What kind of performance measures do you track for Return-to-Work activities, such as the number of contacts, duration of claim, duration on modified job, etc.?
24. Who reviews these performance measures?
25. What improvements might you recommend for the Return-to-Work process in your department?

#### Multiple Claims

26. In 2008, how many claims did your department have from injured workers who had three or more claims in their City career?
27. Do you follow any different policies or procedures when the injured worker has had three or more claims in that position?
28. Do you follow any different policies or procedures when the injured worker has had five or more claims in that position?
29. What improvements might you recommend for the Return-to-Work process for workers with multiple claims?

## Coordination

30. Describe the nature and the frequency of your communication with the Personnel claims analyst over the duration of a claim. Give examples for simple and complex claims.
31. Are you knowledgeable of other city department Return-to-Work practices? How do they vary from your practice?
32. Do the City Return-to-Work Coordinators share their ideas and questions?
33. What improvements might you offer for citywide coordination of Return-to-Work processes?