

2002 SPECIAL PURPOSE ACCOUNT: WORKER'S COMPENSATION

PURPOSE: This on-going account covers expenses incurred by the city as result of employee job-related injuries. This SPA consists of two sub-accounts.

The Worker's Compensation Fund sub-account (**\$7.1 million** for the 2002 proposed budget) covers expenses incurred by the city as a result of employee job-related injuries. Payments are made from the fund to those injured. These payments are partially offset by the recovery of payments from third parties,

In addition, funds are provided for the Required Employer Law Compliance (**\$70,000** for the 2002 proposed budget) in a sub-account to cover expenses incurred as a result of exposure to bloodborne pathogens in the workplace.

The 2002 proposed budget for this SPA is an **18.3%** increase from the 2001 budget.

Additionally, DER recently requested and received a transfer of \$500,000 from the Common Council Contingent Fund for reserve to supplement an anticipated shortfall in the Worker's Compensation account.

This account has a tax levy impact.

FACTORS AFFECTING FUND LEVEL: The increase in expenditures in this account is due primarily to increases in medical payments for injuries sustained by city employees while on the job. DER indicated the number of injuries has remained fairly constant in 2001, but the injuries sustained by employees are more severe than in past years. Also there are *no fee schedules or caps* for injury payments. In addition the employee can go to *any doctor* for treatment. Employees enrolled in an HMO can choose to obtain treatment from any doctor. State law mandates that the city pay for the treatment if it is related to an injury sustained on the job.

DEPARTMENT MANAGING ACCOUNT: Department of Employee Relations

EXPENDITURE TRENDS

2000 Actual	2001 Budget	Change	2002 Proposed	Change
\$5,561,314	\$6,060,000	9%	\$7,170,000	18.3%

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October 19, 2001

LRB-FISCAL REVIEW SECTION ANALYSIS

SEPTEMBER 20, 2001

ITEM 18, FILE 010672

FINANCE AND PERSONNEL COMMITTEE

MARK A. RAMION

File # 010672 is a resolution transferring \$1.225 million from the Common Council Contingent Fund to the Worker's Compensation Special Purpose Account (for reserve) at the request of the City of Milwaukee Department of Employee Relations (DER).

Background

The City of Milwaukee is self-insured under the provision of the State of Wisconsin Worker's Compensation Act. This exemption from purchasing commercial insurance requires the city to pay all claims related to worker's compensation under Chapter 102 of the State of Wisconsin statutes.

Discussion

1. The City of Milwaukee Department of Employee Relations, Employee Benefit Division and the Department of Administration Budget Office are anticipating a shortfall of \$1,372,368 in the year 2001 Worker's Compensation Special Purpose Account. This 2001 SPA is funded at \$6,000,000.
2. The shortfall is based upon a 29% increase in worker's compensation claims' expenses in 2001. DER reports that health care costs are a significant part of this increase and that worker's compensation claims are being settled for a higher amount than in the past. An increase in the wage and rate maximums (approximately 6%) set by the State of Wisconsin is another contributing factor.
3. **Historical Information:** *Worker's Compensation SPA Budget and Expenditures*

Year	Budgeted	Expended	Shortfall	Supplement	Change Prev. Yr.
1997	\$ 4,598,000	\$ 5,103,142	\$ 505,142	+ 11%	
1998	4,664,886	4,812,163	147,277	+ 3%	-6%
1999	4,731,821	5,763,071	1,031,250	+ 22%	+16%
2000	5,400,000	5,467,992	67,992	+ 1%	-5%
2001 <i>Projected</i>	6,000,000	7,373,368	1,373,368	+ 23%	+35%

4. The amounts budgeted and expended do not include the Required Employer Law Compliance sub-account balance. These monies are budgeted relative to the Bloodborne Pathogen Law and covers expenses incurred as a result of exposure to bloodborne pathogens in the workplace. Per DER, the 2001 account has a projected balance of \$88,700.

5. On average, over the past five years, the Worker's Compensation SPA has experienced a shortfall of 12% relative to its budgeted amount.
6. If the entire projected amount for 2001 is expended, the Worker's Compensation SPA will require an additional \$148,368.
7. A 25% increase in the Worker's Compensation SPA expenditures will require approximately \$9,216,710 for 2002. A 30% increase in the Worker's Compensation SPA expenditures will require approximately \$9,585,378 for 2002. *These estimations for 2002 are based upon the amount projected for expenditure in 2001.*

Additional Information

1. For 2001, DER anticipates reimbursement for worker's compensation claims from Milwaukee Public Schools (\$2.5 million), DPW-Water (\$657,000) and the Parking Fund (\$33,500). The current projected shortfall takes into account these reimbursements.
2. DPW, Police and Fire departments, the city's largest departments, account for 65% of worker's compensation expenses through August 2001.
3. Individual city departments are responsible for their respective safety programs and requirements.

Fiscal Impact

1. The total cost relative to this request is \$1,225,000 to be transferred from the Common Council Contingent Fund to the Worker's Compensation SPA for reserve.
2. The Contingent Fund Balance on September 14, 2001 was \$4,289,440.
3. The Contingent Fund Balance, upon approval of this transfer, will be \$3,064,440.

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LRB-Fiscal Review Section
September 17, 2001

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LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE AND PERSONNEL COMMITTEE

ITEM 6, FILE # 011108

DECEMBER 19, 2001

MARK A. RAMION

File # 011108 is a resolution transferring \$500,000 from the Common Council Contingent Fund to the Worker's Compensation Special Purpose Account at the request of the City of Milwaukee Department of Employee Relations (DER).

Background

1. The City of Milwaukee is self-insured under the provision of the State of Wisconsin Worker's Compensation Act. This exemption from purchasing commercial insurance requires the city to pay all claims related to worker's compensation under Chapter 102 of the Wisconsin Statutes.
2. In September 2001, the Council approved File # 010672 transferring \$500,000 from the Common Council Contingent Fund to the Worker's Compensation Special Purpose Account.

Discussion

1. The year 2001 Worker's Compensation Special Purpose Account is experiencing a shortfall. This 2001 SPA is funded at \$6,000,000.
2. The shortfall is based upon a 29% increase in worker's compensation claims expenses in 2001. DER reports that health care costs are a significant part of this increase and that worker's compensation claims are being settled for a higher amount than in the past. An increase in the wage and rate maximums (approximately 6%) set by the State of Wisconsin is another contributing factor.
3. **Historical Information:** *Worker's Compensation SPA Budget and Expenditures*

Year	Budgeted	Expended	Shortfall	Supplement	Change Prev. Yr.
1997	\$ 4,598,000	\$ 5,103,142	\$ 505,142	+ 11%	
1998	4,664,886	4,812,163	147,277	+ 3%	-6%
1999	4,731,821	5,763,071	1,031,250	+ 22%	+16%
2000	5,400,000	5,467,992	67,992	+ 1%	-5%
2001 <i>Projected</i>	6,000,000	7,000,000	1,000,000	+ 17%	+22%

4. The amounts budgeted and expended do not include the Required Employer Law Compliance sub-account balance. These monies are budgeted relative to the Bloodborne Pathogen Law and covers expenses incurred as a result of exposure to bloodborne pathogens in the workplace. Per DER, the 2001 account has a projected balance of \$9,400.

5. On average, over the past five years, the Worker's Compensation SPA has experienced a shortfall of 11% relative to its budgeted amount.

Additional Information

1. For 2001, DER anticipates reimbursement (approximate) for worker's compensation claims from Milwaukee Public Schools (\$2.5 million), DPW-Water (\$657,000) and the Parking Fund (\$33,500). The current projected shortfall takes into account these reimbursements.
2. DPW, Police and Fire departments, the city's largest departments, account for approximately 65% of worker's compensation expenses through November 2001.
3. Individual city departments are responsible for their respective safety programs and requirements.
4. The **2002** Worker's Compensation SPA is funded at \$7,170,000.

Fiscal Impact

1. The total cost relative to this request is \$500,000 to be transferred from the Common Council Contingent Fund to the Worker's Compensation SPA.
2. The Contingent Fund balance on December 14, 2001 was \$2,287,641.
3. The Contingent Fund balance, upon approval of this transfer, will be \$1,787,641.

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December 17, 2001

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