

JUDICIAL BRANCH WORKERS' COMPENSATION PROGRAM ADVISORY COMMITTEE
Minutes of the Business Meeting—April 10, 2015
Judicial Council of California – Sacramento
Fourth Floor, Veranda Rooms A and B
2860 Gateway Oaks Drive, Suite 400
Sacramento, California 95833

FRIDAY, APRIL 10, 2015
OPEN MEETING (RULE 10.6(A))—BUSINESS MEETING AGENDA

Advisory Body Members Present: Ms. Tania Ugrin-Capobianco, Chair, Ms. Cindia Martinez, Ms. Colette Bruggman, Ms. Jeanine Bean, Ms. Michelle Hafner, Ms. Richard Feldstein, Ms. Shelia Tolbert, Ms. Stephanie Cameron, Ms. Stephanie Cvitkovich, Mr. John Zeis, Mr.

Advisory Body Members Absent: Ms. Brenda Lussier, Mr. David Yamasaki, Ms. Jamie Lau, Ms. Elisha Allen, Ms. Heather Capps

Others Present: Mr. Greg Trout, Ms. Angela Bernard, Ms. Jacquelyn Miller, Mr. Michael Harrington, Mr. Mark Priven, Mr. Jeff Johnston, Mr. Jon Paulsen, Mr. Dominic Russo, Ms. Lynn Cavalcanti, Ms. Tricia Baker, Mr. Patrick Fuleihan, Ms. Diane Wratten, Ms. Linda Cox, Ms. Lisa Bartlow, Ms. Jade Vu, Mr. Patrick Farrales, Mr. Zlatko Theodorovic, Ms. Lucy Fogarty, Ms. Pat Haggerty, Mr. Steven Chang, Ms. Krystal Hess, Ms. Erin Allen, Enrique Estacio (on behalf of Ms. Kimberlie Turner)

I. OPEN MEETING

Call to Order

Ms. Linda Cox called the meeting to order at 9:00 a.m. in Veranda Rooms A and B on the fourth floor of the Sacramento office of the Judicial Council of California (JCC).

II. PUBLIC COMMENT

Written Comments Received

No written comments were received.

III. INFORMATION ONLY ITEMS (NO ACTION REQUIRED)

ITEM 1: ARRIVAL; CONVENE MEETING/OPENING REMARKS/AGENDA REVIEW; WRITTEN COMMENTS

Linda Cox's Remarks

Ms. Linda Cox thanked the participants for their visit at this annual meeting. She noted that due to the size of the group that it may be necessary to meet again before the next annual meeting. Ms. Cox also noted that there are additional decisions to make in preparation for the next fiscal year.

NO COMMITTEE ACTION.

ITEM 2: INTRODUCTIONS

Greg Trout's Remarks Regarding Bickmore

Bickmore began working with the Judicial Council of California about one year and one-half ago when they were selected to replace the previous administrator and broker. Bickmore is a firm of 110 employees that has operated out of Sacramento for 30 years. Bickmore's focus has been on public entities, public entity risk management programs, and self-insurance programs. Bickmore is the leading consultant that provides actuarial advice, claims management systems, risk management systems, and risk control. Mr. Trout provided details regarding his professional background which included the CSAC Insurance Authority from which the Judicial Branch Workers' Compensation Program (JBWCP) program evolved. Currently in California there are 90 other programs like the JBWCP's, such as school district, city and county pools.

The JBWCP compares to Bickmore's other clients in that it falls near the middle range with their large client pools having near \$100 million in revenue each year. One of Bickmore's largest clients is the University of California, which includes all campuses. They also have other state agency clients, such as the Department of Workers' Compensation. As a result they are very familiar with the public sector, whether that is the state, local, or county government.

Tricia Baker's Remarks Regarding AIMS

Acclamation Insurance Management Services (AIMS) began working with the JBWCP in July 2014 and were able to fully take over all claims and as the new third party administrator (TPA) effective October 1, 2014. Ms. Baker's regular duties are to transition new clients into AIMS. She has also acted as the Interim Program Manager for the JBWCP account in order to work on the transition process with the JBWCP. Patrick Fuleihan has recently joined AIMS as the Interim Program Manager.

When AIMS took over the JBWCP program's open claims inventory they anticipated 1,170 open claims; however, 1,340 open claims were transferred. This difference was due to several reasons including the bid numbers were completed six months before AIMS had taken over the JBWCP account. This would have caused the open inventory to increase. In addition, Ms. Baker advised that October 2014 was one of the largest reporting months that the JBWCP has had with 75 new claims being reported.

While the industry standard is to have 150 claims per examiner, this program only allows for 130 claims per examiner. This lower case load sets up AIMS for success because the examiners are better able to manage their claims. AIMS estimated that they needed nine examiners to handle the anticipated open claims; however, after further review they actually need 10 examiners. When AIMS took over, they were able to close many claims which brought the case load down to 1,296 open claims at the end of January, 2015. This claims volume still requires 10 examiners. When AIMS triaged claim files, they also had to confirm the information, determine if the previous action plans remained valid or if they needed to change, determine the current claim status and develop new action plans and set diaries and work with the courts on a plan of action in moving the claims forward. To further bring down the inventory, AIMS examined expenses related to the usage of outside vendors, such as field investigators and nurses. During the triage of claims, AIMS determined that they could close 27 nurse case management assignments that were no longer required.

A standard company goal is to close as many cases as it opens, which would be a 100 percent closure ratio. Between the beginning of October 2014 and the end of January 2015, AIMS had a closure ratio of 132 percent with 250 new claims that were compared to the 284 closed claims. When the 29 reopened claims were added to the newly opened claims, totaling 279 open claims, AIMS still had a closure ratio of 101 percent. Additionally, AIMS has denied 22 claims (9%), delayed 19 claims (8%) due to compensability, and approved 209 claims (83%) – all of which fell within industry standards as a normal ratio.

Regarding the reporting of new claims, there are three ways to report it to AIMS: (1) fax the completed form to AIMS, (2) visit the 5020 website and directly enter the claim information, or (3) call the new 24-hour injury hotline call center. This call center directly and simultaneously enters the injury information into the 5020 website, so the injured worker receives his or her claim number and report immediately.

Currently AIMS is still interviewing and recruiting qualified examiners. AIMS were authorized to hire a tenth examiner who will not be assigned to a specific court. They will work behind the scenes and assist the Claims Examiners on every court and work on special projects as needed. In the event of vacations, maternity leaves or if an Examiner leaves, this position will step into the vacancy thus eliminating any down time on any desk.

No COMMITTEE ACTION.

IV. DISCUSSION AND POSSIBLE ACTION ITEMS

ITEM 3: NEW THIRD PARTY CLAIMS ADMINISTRATION VENDOR, AIMS

Diane Wratten's Remarks Regarding AIMS Services and Accomplishments

Ms. Wratten is responsible for computer access, information, reports, and anything else related to the claims data. Ms. Wratten has worked with Bickmore, the JCC and the AIMS operation team to collect JBWCP claims data to input and convert it into the AIMS system. AIMS also scheduled additional meetings with the courts, so that they were included in the transition process. This ensured that the courts' needs were heard and met.

AIMS is currently standardizing all occupational codes for the JBWCP organizational structure. They will be advancing and expanding the current JBWCP structure to building and department level. The expansion will provide more accurate claims data reporting. The JBWCP will then have a more thorough understanding of which department to allocate risk management resources in order to reduce losses. This also allows AIMS to have a better understanding of the JBWCP, a better reporting system and manage claims more efficiently. As a result of the information sharing process, AIMS will have a more global view of the JBWCP.

Ms. Wratten also reported on the many AIMS accomplishments that were achieved during the transition process. First, In November and December 2014, AIMS held two open houses – one in Northern California and one in Southern California. AIMS sister company, Allied Managed Care, also attended. Allied Managed Care handles AIMS utilization review, medical bill review, nurse case management and manages the Medical Provider Network (MPN). These open houses gave AIMS the opportunity to provide the courts with training on how to enter new claims and run routine claims reports.

Second, AIMS has created online, hands-on training webinars for all of the courts. AIMS trained 114 users on the system. AIMS continue to offer these trainings on an ongoing basis. For example, when an individual needs assistance or a refresher course with the AIMS system or if a new employee needs training.

Lastly, AIMS actively monitors who has access to their system to ensure that only those people who need access to the system have access. They also send out a quarterly report to the courts via E-mail to verify who has access, what level of access they have, and what their titles are for verification and termination as needed.

FOLLOW UP

AIMS would like the JBWCP to provide them with names of new and discharged employees as the information becomes available.

Tricia Baker's Remarks Regarding AIMS Accomplishments

AIMS scheduled Claims Examiner trainings with staff and discussed customer service, policies and procedures, how to enter notes into the claims systems and training on how to use their paperless system. Ms. Cox also gave a separate presentation to the Claims Examiners regarding the JBWCP which provided them with historical and current information regarding the California courts.

AIMS implemented their pharmacy benefits program. During the transition from the prior Third Party Administrator (TPA) to AIMS, the prior TPA could not provide social security numbers until the actual data transferred. This was difficult because the pharmacy program needed social security numbers to issue cards to injured workers. As a result, AIMS could not prepare any cards in advance. Once AIMS received the raw data for 1,300 files they had to input all of this data within six weeks in order to distribute cards to injured workers. In the interim, AIMS sent all of the injured workers pre-welcome letters that provided them with AIMS contact information, basic instructions and when their old cards would be deactivated and their new cards activated. Once AIMS did receive the data, they were able to input all of the information within three weeks instead of six weeks as anticipated. The new pharmacy benefits program can now electronically ask for authorization and bill, which has greatly improved the timeframe for injured workers to obtain their prescribed medication.

AIMS had worked with Allied Managed Care to construct the framework for AIMS' MPN. AIMS was able to receive input from all of the courts on preferences and that information was incorporated into the customization. Thirty-nine courts now participate in the MPN. The MPN helps control the medical costs and includes contracted physicians who help maintain quality care within established policies and procedures. The MPN became effective in March 2014, and AIMS hopes to have all injured workers currently treating outside the MPN moved into the network within 60 to 90 days.

Ms. Baker next spoke about additional changes that have taken place since AIMS came on board with the JBWCP. AIMS has a nurse review and triage all new claims as a form of early intervention.

Once the new claims are triaged the reports are provided to the manager and supervisor who will review and determine if the claim should be referred for medical case management. If it is determined that nurse case management services are needed the court will be consulted for their concurrence as to the specific task goal, length of service and associated costs.

The last change is the claim file documentation. AIMS has claim file templates that include litigation strategies, plans of action and more basic detail to ensure that all issues are addressed. The templates require the Claims Examiner to input more detailed information including a plan of action every 90 days. The Claims Supervisors also review claims within established timeframes to identify any roadblocks that are preventing this claim from moving forward or closing.

Diane Wratten's Remarks Regarding Future Improvements

Ms. Wratten then spoke about future improvements of AIMS. AIMS will be providing a list of the past three years claims data – open and closed – so that these claims can be reassigned to their proper organizational structure in the JBWCP's new court location hierarchy. This reorganization will allow for better reporting, managing of claims and understanding of the losses for follow up risk management activities. AIMS' goal is to begin this process in May 2015, and it will take effect once AIMS has finished expanding the JBWCP's hierarchy. AIMS is also differentiating between the courts based on their size and potentially with regional locations of the courts. Once completed this would allow AIMS to compare like-sized courts with other like-sized courts. Lastly, Ms. Wratten thanked the JBWCP for their help, assistance and cooperation.

Patrick Fuleihan's Remarks Regarding Joining the Program

Mr. Fuleihan thanked the JBWCP and is excited to participate in this program. He stated that transitioning is a work in progress and it takes time, but he is going to make this program the best program that it can be.

Linda Cox's Remarks Regarding AIMS' Program Administrator

Ms. Cox stated that one of the key components of this program was to have a person from AIMS fully dedicated to act as the program administrator to oversee the AIMS team assigned to the JPBWCP program.

QUESTIONS ASKED

What is the role of Allied Managed Care?

Ms. Baker stated that Allied Managed Care is an AIMS sister company. They perform utilization and medical bill review as well as nurse case management services.

In situations of delays in treatment, is the examiner or Allied Managed Care the best route?

Ms. Baker and Mr. Fuleihan together answered that Allied Managed Care does perform many of AIMS authorizations, but the examiners have a certain level of authority, so it hard to say without looking at an individual case itself. If anyone would like a claim reviewed Mr. Fuleihan is available to determine the reasons for the delay. As a note, utilization review has five days to make a medical determination and fourteen days if they are not presented with all of the relevant information.

NO COMMITTEE ACTION

ITEM 4: PRESENTATION OF DRAFT ACTUARIAL REPORTS (ACTION REQUIRED)

Mr. Harrington of Bickmore gave a brief overview of actuarial terminology which included definitions for “Incurred Loss,” “Allocated Loss Adjusting Expense (ALAE),” “Unallocated Loss Adjusting Expense (ULAE),” “Incurred but Not Reported (IBNR),” and “Ultimate Loss.”

Mr. Harrington explained that the two goals of the actuarial study are to determine: (1) how much does one owe for claims that have already been incurred (outstanding claims liabilities), and (2) how much money does the JPWCP need to keep the program running for the next fiscal year (funding/allocation). Mr. Harrington reviewed the loss development of the trial courts and state judiciary separately with the committee.

PRESENTATION OF ACTUARIAL RESULTS FOR OUTSTANDING CLAIMS LIABILITIES

TRIAL COURTS

When Mr. Harrington performed last year’s review of the trial court program, the development for **incurred losses** (paid and case reserves) from 2000-01 through 2013-14 was expected to be \$13.8 million for all years. However, in performing the actuarial review this year, it was determined that the actual loss development was \$14.6 million. As a result, the trial courts’ incurred loss increased \$840,000 more than was expected in the prior year’s report.

There are factors to take into consideration for the difference between expected and actual incurred losses one of which is that the prior TPA estimated the amounts differently than AIMS and may have had a different philosophy in their reserving practices. For this reason, Mr. Harrington looked at the trial court’s paid loss development.

For **paid losses**, last year’s actuarial study showed that from 2000-01 through 2013-14 the paid losses were expected to be \$13.97 million. However the actual paid losses were \$14.1 million which resulted in a paid loss of about \$143,000 more than was estimated in the prior year report.

Mr. Harrington reviewed the trial court’s **ultimate losses** shown in this year’s study. When conducting last year’s review, the actuary expected ultimate losses from 2000-01 through 2013-14 to be \$214.8 million. The actual ultimate loss was \$214.1 million which is a \$716,000 decrease from the prior year report.

Mr. Harrington reviewed the **total outstanding liabilities** for the trial courts. The total reserves (case reserves plus IBNR plus TPA costs) from 2000-01 through 2013-14 increased from \$74.53 million shown the prior report to \$76.29 million, resulting in an increase of \$1.76 million.

QUESTIONS ASKED

In 2002-2004, why was the estimated ultimate loss so much higher than later years where the loss has plateaued?

Mr. Harrington explained that in 2003-2004 there were workers’ compensation reforms enacted specifically SB899, by the legislature which reduced benefits throughout the state. This made the process less profitable for lawyers to get involved in dealing with claims and made it less worthwhile for claimants to file claims because the benefits were reduced. Because of the reduced benefits the new claims being filed decreased in frequency resulting in a 25 percent immediate decrease in costs.

Is it common in older years for the change in ultimate loss to be a negative number?

Mr. Harrington explained that the more claims linger the more they will cost, so older years may have a higher ultimate loss but as claims are resolved the costs will come down. However, Bickmore has seen cases where the older years develop more adversely and the more recent years develop better than expected. Next year, the reported loss numbers will carry more weight because AIMS will have been adjusting claims for at least one full year.

JUDICIARY

Last year's review of the judiciary program showed **incurred loss** development (paid and case reserves) from 2000-01 through 2013-14 was expected to be \$631,000. However, in performing the actuarial review this year, it was determined that the actual loss development was \$249,000 resulting in a decrease of \$382,000. Because the actual loss was less than the expected loss, this was very favorable to the judiciary and it showed that the judiciary is headed in a good direction.

For **paid losses**, last year's actuarial study showed that from 2000-01 through 2013-14 the judiciary's paid losses were expected to be \$938,000. However the actual paid losses were \$704,000 which is a decrease of \$234,000 from the estimates in prior year report.

Mr. Harrington reviewed the judiciary's **ultimate losses** shown in this year's study. When conducting last year's review, the actuary expected ultimate losses from 2000-01 through 2013-14 to be \$20.6 million. The actual ultimate loss was \$20.27 million which is a \$337,000 decrease from the prior year report.

Mr. Harrington reviewed the **total outstanding liabilities** for the judiciary. The total reserves (case reserves plus IBNR plus TPA costs) from 2000-01 through 2013-14 decreased from \$5.96 million shown the prior report to \$5.86 million, resulting in a decrease of \$96,000 which is very positive for the judiciary.

TRIAL COURTS AND JUDICIARY COMBINED

Mr. Harrington presented an exhibit showing the outstanding liabilities (loss and ALAE) for the trial courts and state judiciary combined as of June 30, 2015 to be \$75.9 million. When the ULAE component is added, the total is \$82.1 million. This exhibit also shows increases at various confidence levels.

QUESTION ASKED

The total ultimate loss for 2013-2014 is almost \$15 million, so do we know how much was paid in premiums that year?

Mr. Harrington responded that there is a difference between the total ultimate loss numbers and the allocations. The court allocations used the expected cash payments for the year, so when the premiums were set in the past, only a portion was related to that year and the remainder is related to the previous years. Historically, there was not a direct connection between the funding amount that goes into the court allocations and total ultimate loss.

For informational purposes Mr. Harrington presented two more exhibits comparing:

- Ultimate cost projections for new claims occurring between 7/1/2015 and 6/30/2016 (\$16.4 million for the trial courts and \$824,000 for the judiciary; and
- Projected payments that will be made between 7/1/2015 and 6/30/2016 for all claims – all years (\$14.3 million for the trial courts and \$780,000 for the judiciary).

PRESENTATION OF ACTUARIAL RESULTS FOR MEMBER PREMIUM ALLOCATIONS, 2015-16

Mr. Harrington gave the committee an overview of the JBWCP allocation model – what costs are allocated and the method in which those costs are allocated. Using the **cash flow funding** bases, the allocation components for **both the trial courts and judiciary** are loss and ALAE payments of \$15.1 million, TPA fees of \$2.25 million, excess premiums of \$480,114 (trial courts only), and consulting and brokerage fees of \$465,591, for a total of \$18.34 million.

QUESTIONS ASKED

Can the actuarial report on the allocations be presented to the Judicial Council without first addressing the fund balance, fund reserves, or solvency of the program?

Ms. Cox answered that information will be presented to the Judicial Council in difference segments. The actuarial report discussing the total value of the program will be presented and accepted and then the court allocations will be presented as well for approval

In the projection and allocations is there is no reduction for any investment income?

Mr. Harrington replied that if you reflected investment income in the funds, then you can discount your reserves. Ms. Pat Haggerty added that the investment is held in a state investment money fund. This money, \$51,000, is held in the fund balance and remains within this program and continues to grow with interest in a positive direction.

COMMITTEE ACTION

Michelle Hafner motioned to accept the actuarial report and present it to the Judicial Council. Shelia Tolbert seconded that motion. No one opposed. No one abstained.

ITEM 5: DISCUSSION OF PROGRAM FUNDING ALTERNATIVES (ACTION REQUIRED)

Mr. Harrington explained the differences between two funding method options: (1) **Cash Flow Funding** where premiums are charged to cover the *cost of claims paid* in a given fiscal year, and (2) **Ultimate Cost Funding** where premiums are charged to cover the *ultimate cost to claims occurring* in a given fiscal year. The current method used by JBWCP is the Cash Flow Funding method.

The total cash flow funding for 2015-16, combining the trial courts and judiciary is \$18.34 million. This represents total amount expected to be paid between July 1, 2015 to June 30, 2016 for all claims and program expenses. Overall, the program has liabilities of about \$82 million

and assets of about \$51 million. This program is strongly funded for any projected short-term cash flow scenarios for about the next 20 years; however, in the long term the program is not fully funded.

The gap between program assets and program liabilities keeps increasing because the addition of new claims per year is higher than what is collected using the cash flow funding basis. Bickmore has recommended two program funding goals to close this gap. First, the short-term goal is to prevent the gap from increasing. Second, the long-term goal is to eliminate the gap and fully fund the program.

Bickmore recommends a change from Cash Flow Funding to Ultimate Cost Funding for FY15-16 because (1) without such a change, the gap between the program assets and liabilities will increase each year, (2) this is the standard best practice for pooled self-insurance programs, and (3) this is the accepted practice for risk enterprise funds.

QUESTIONS ASKED

How long has the Cash Flow Funding method been in place?

Mr. Harrington answered that to his knowledge it has been in place since the existence of the program.

Is there a five year history of the gap?

Mr. Harrington answered that at this time there is no historical report on the gap.

Mr. Harrington presented exhibits showing the cost to fund the 2015-16 program year on an ultimate cost basis. The allocation components for **both the trial courts and judiciary** are loss and ALAE payments of \$17.1 million, TPA fees of \$2.25 million, excess premiums of \$480,114 (trial courts only), and consulting and brokerage fees of \$465,591, for a total of \$20.45 million. This is approximately \$2.1 million more than funding on a cash flow basis.

Mr. Harrington informed the committee that historically the judiciary has not purchased excess insurance because the costs of such coverage have been unreasonably high. However an option has been presented for the judiciary to purchase excess insurance for 2015-16 at reasonable cost compared to what has been offered in prior years. The net cost to the judiciary to purchase this coverage would be \$270,000. If it is decided to purchase the coverage this amount the judiciary's 2015-16 funding would also be increased by that amount.

In summary, a change to the ultimate cost funding method would achieve the program's **short-term** funding goal of preventing the gap between assets and liabilities from growing.

Looking to the future, the change to ultimate cost funding this year addresses the goal of preventing the asset to liability gap from growing but does not close the gap. The next step is to reduce the gap to the point where the program is fully funded. Bickmore recommends addressing this over the course of the 2015-16 year by developing a long term plan for reducing the gap. This plan would be brought to the committee for review and adoption and potentially implemented with the calculation of the 2016-2017 program premiums. It is expected that a funding plan will take a multi-year approach in order to ultimately achieve the funding goal.

QUESTION ASKED

Is there any reason why the JBWCP would not want excess insurance for the judiciary?

Mr. Harrington answered that the judiciary was grandfathered in without excess insurance and there has not been a claim anywhere near a catastrophic loss. If the excess insurance were purchased, losses would be capped if a catastrophic claim over \$2 million occurred.

Mr. Trout added that the excess insurance responds not only to individuals, but also to events, such as if there were a strong earthquake where many workers were injured. In the past a reasonable quote was never obtained and it was never a good time to purchase the excess coverage. This is a good time to obtain a reasonable quote and purchase excess insurance coverage.

Ms. Cox added that in prior years, excess insurance was not provided for the judiciary because the quotes received were unreasonably priced for the JBWCP to provide that coverage. However, the JBWCP has received a reasonable quote for FY15-16, so now is the opportune time to propose this action to move forward toward along with a fully funded workers' compensation program. This would enable the JBWCP get acclimated to paying for this additional amount of excess insurance for the judiciary and to take advantage of the lower cost.

QUESTIONS ASKED

If an earthquake struck San Francisco, how would excess insurance apply to so many entities that are affected?

Mr. Paulsen answered that the excess program covers all of the members, so it acts as an entity that is responsible for the group members and the rest of the pool, but the policies for the trial courts and judiciary are separate.

As a committee should we look more holistically at ways to reduce the gap before we change our methodology?

Ms. Ugrin-Capobianco answered that they would like to move on from the cash flow funding method so that they can be fully funded. The committee needs to be more proactive and begin dealing with this gap now rather than wait and do it one year from now.

Mr. Trout stated that there has been a \$4 million gap in collecting the funding in just the last two years, so now is the time to address this and start closing the gap.

Mr. Harrington then stated that the ultimate funding would not only bring the JBWCP to where Bickmore recommends it should be. Even without looking at a longer history pattern of the gap, you can see that the payments are developing worse in recent years. The gap is not going to recover without taking action now and or will continue to grow.

Mr. Feldstein stated that it is critical to deal with this now because this is not the only gap that the trial courts have to deal with, so the sooner that the JBWCP can move forward to address this gap, then the more favorable the decisions will be.

Why was the excess insurance quote received by JBWCP at a lower rate this year than it was quoted last year? And how do we know that it is not a teaser rate?

Mr. Paulsen answered that the large commercial excess insurers do not offer teaser rates. The insurance quote is valid for two years with an option to lock in the rate for the second year as long as the losses do not worsen. The insurance carrier would not have provided Merriwether with an amount that they were not comfortable with.

COMMITTEE ACTION

Cindia Martinez motioned to use the Ultimate Cost Funding method with the amendment to approve the increase in cost for the 15-16 fiscal year' by \$2.1 million and to also include the purchase of excess insurance to the judiciary. Jeanine Bean seconded that motion. No one opposed. Michelle Hafner and Stephanie Cvitkovich abstained.

ITEM 6: LUNCH – PRESENTATION ON THE WORKERS' COMPENSATION INDUSTRY STATUS AND TRENDS

Mark Priven explained the industry status and trends. In California, employers have paid more than employers in other states for workers' compensation. Injured workers in California have been paid less than injured workers in other states. Labor and management had gotten together to negotiate how to bring these two together. One method used to complete this goal was to take expenses out of the situation, such as frictional costs.

QUESTION ASKED

Why was there a drastic difference in closure rates?

Mr. Priven answered that Workers' compensation was reformed so that no one in the new system is worse off than when he or she have entered under the old system. A few of the reforms were an adjustment for age and the use of an independent medical review system. Since the reforms have been in place claims have closed at record pace.

When the JBWCP was compared to the rest of the public sector self-insurers in California statewide, the JBWCP faired very favorably. The JBWCP was either at the same as the other public sector self-insurers or at the same level for incurred costs per claim.

When the JBWCP was compared to the rest the country regarding frequency of claims, California had a much higher claim frequency than compared to the rest of the states. California had roughly the same amount of OSHA injury claims, but almost 50 percent more permanent disability claims than other states. When broken down all regions of California with the exception of Los Angeles, are aligned with the national average.

Regarding cumulative and repetitive motion injury claims, the JBWCP as a whole had a high frequency of claims. Since 2008, the Bay Area's claims had plateaued; however, the Los Angeles area has steadily increased. This showed that culture and environment may have been contributing factors because the Bay Area and Los Angeles area operate under the same rules, yet the Los Angeles area had more claims.

When the JBWCP was compared to California as a whole regarding cumulative and repetitive motion injury claims (including those who are not only self-insurers), it favored quite well. When the percentage of claims was examined by the type of injury, the JBWCP had a higher percentage than the Workers' Compensation Insurance Rating Bureau of California (WCIRB) for

CT/repetitive injures and slip/trip/falls. The JBWCP had a lower percentage of claims than the WCIRB for strains and the other catch-all category. This was expected because the JBWCP is mostly office-based positions, rather than field-based positions where these types of injuries are more likely to occur.

NO COMMITTEE ACTION.

ITEM 7: STATUS REPORT ON THE PROGRAM YEAR 2015-2016 EXCESS INSURANCE RENEWAL (DISCUSSION)

Jon Paulsen presented the status report for the 2015-2016 excess insurance renewal. Currently, only the trial court, not the judiciary, purchases excess insurance. It is at a \$2 million self-insured retention with a \$50 million limit. If a catastrophic claim were filed with the trial courts, they would pay the first \$2 million and the excess insurance company would pay the remainder up to \$50 million. This is an occurrence-based insurance, not per claimant... For example, if there were a single occurrence such as an earthquake that injured multiple workers at once, the trial courts would still only pay the first \$2 million of the claim.

Next, Mr. Paulsen reviewed premium estimates received by various companies that offer excess insurance policies. Currently, Safety National has offered very competitive terms, while he also expects Arch Insurance to also offer competitive terms. Safety National offered the trial courts a renewal at a zero percent increase to the rate which is a \$2 million deductible with a \$50 million limit. Safety National also offered the same terms, but with separate policies to the judiciary.

QUESTION ASKED

Why do the trial courts and judiciary need to be looked at separately?

Mr. Paulsen answered that he does not believe you must look at them separately. If they are looked at separately, then each the trial courts and the judiciary have their own policy that they can turn to for greater coverage if a catastrophic event occurs. Ms. Cox added that premiums could increase because the judiciary is a higher risk since it is in an area that is prone to earthquakes and where the majority of workers are located. As a result, it may be less expensive to keep polices separate. Historically the policies have always been separate because the funding mechanisms are different for the trial courts as opposed to the judiciary.

FOLLOW UP

Ms. Hafner would like to see an excess insurance premium quote for both the trial courts and judiciary combined into a single policy and also quotes for separate policies.

NO COMMITTEE ACTION.

ITEM 8: JBWCP REVIEW (DISCUSSION)

Ms. Cox reviewed the memorandum of coverage. This will be issued to the members and it sets forth provisions for workers' compensation coverage pursuant to California law. This will provide an understanding of who is covered, the coverage period, subrogation, and coverage disputes.

Next, Ms. Miller discussed the workers' compensation oversight services provided by Bickmore. Judicial Council staff member, Lisa Bartlow provides oversight of the claims TPA. Both Ms. Miller and Ms. Bartlow are available to assist the members in understanding the workers' compensation system and coordinate the complex cases at AIMS. They participate in claim reviews and they have resources available to members that are outside of AIMS, such as identifying ergonomics situations.

Ms. Miller also developed and implemented a spot-check program. She will review 25 claims from the courts to ensure there is compliance with 19 measurable and specific areas such as the ability to accommodate modified duties.

QUESTION ASKED

Is there any support from Bickmore to identify why the claims are so high?

Ms. Cox answered that she and Mr. Fuleihan can look into the data and identify which types of claims were submitted and see from where they coming. She can work with Mr. Johnston at Bickmore in the risk control department to see if he has any ideas that may be of assistance to the courts.

Ms. Miller stated that because the JBWCP had transitioned TPA's last year, only a technical audit was performed, not a managed care audit. However, for 2015-2016, both a technical and managed care audit will be performed. The managed care audit will evaluate the services provided by Allied regarding managed care services. They will be evaluated by encounters or referrals made. This will be done June 1, 2015 with AIMS. The technical claims audit will begin July 15, 2015 at AIMS. This will provide the opportunity to determine if any areas need improvement and to focus resources on those areas.

QUESTION ASKED

Are there a targeted number of cases to review?

Ms. Miller answered that there will be 100 encounters for the managed care audit and 112 files for the technical audit. This allows for two files per court to be evaluated. If a court does not have any cases to review, then Bickmore will audit additional cases at courts that have a larger number of cases.

Ms. Cox then reviewed the member survey results. This survey focused on the members' experience regarding the transition of TPA services. A total of 41 courts participated in the survey and 72 percent responded. Overall, 15 courts (37%) responded that the transition was seamless with no disruptions, 21 courts (51%) felt there were some bumps along the way, and five courts (12%) report that they encountered issues. The comments regarding the transition expressed concern about adjuster turnover and that claims data transfer seemed to take longer than expected.

Furthermore regarding the helpfulness of the communications, 26 courts (64%) said that the communications regarding the transition were very helpful, 14 courts (34%) said it was somewhat helpful, and one court (2%) said it was not helpful. And 38 courts (93%) said that the communications were frequent enough. Additionally, 36 courts (88%) said they were satisfied with the claim adjusters' responsiveness and communication, while only five courts (12%) said they were not satisfied. This survey is done once every year.

NO COMMITTEE ACTION.

ITEM 9: FOCUS AND GOALS FOR THE FUTURE (DISCUSSION)

Mr. Johnston discussed the focus and goals of the future with respect to loss control services.. A customized on-line portal of safety and loss control resources has been created specifically for the courts. It includes highlighted loss control programs such as ergonomics and safety communications, which also include customized yet basic and time manageable, training videos, sessions, and webinars.

Lastly, Ms. Cox discussed the master agreement ergonomic evaluation phases. She explained that the first phase that the JBWCP has worked on a master agreement for ergonomics to get statewide consistency and gain control over how evaluations are done. And phase two is to obtain controlled pricing of common ergonomic equipment and seek percentage rate discounts.

No COMMITTEE ACTION.

ITEM 10: CLOSING COMMENTS AND DISCUSSION

No comments received.

No COMMITTEE ACTION.

V. ADJOURNMENT

This meeting adjourned at 2:37 p.m.

VI. CLOSED SESSION (CAL. RULES OF COURT, RULE 10.75 (D) (2))

This meeting was called to order at 3:00 p.m. and adjourned at 3:37 p.m.