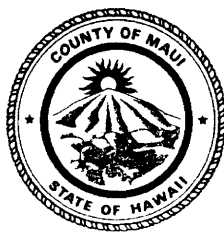


ALAN M. ARAKAWA
Mayor



PATRICK K.WONG
Corporation Counsel

EDWARD S. KUSHI
First Deputy

LYDIA A. TODA
Risk Management Officer
Tel. No. (808) 270-7535
Fax No. (808) 270-1761

DEPARTMENT OF THE CORPORATION COUNSEL
COUNTY OF MAUI
200 SOUTH HIGH STREET, 3RD FLOOR
WAILUKU, MAUI, HAWAII 96793
EMAIL: CORPCOUN@MAUICOUNTY.GOV
TELEPHONE: (808) 270-7740
FACSIMILE: (808) 270-7152

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April 16, 2018

FOR TRANSMITTAL TO:

VIA INTER-OFFICE

HONORABLE G. RIKI HOKAMA, Chair
Budget and Finance Committee
Maui County Council
200 South High Street
Wailuku, Hawaii 96793

SUBJECT: REQUESTS/QUESTIONS FROM THE APRIL 5, 2018 MEETING (CC-5)(BF-1)

Dear Chair Hokama:

Below are responses to your April 9, 2018 correspondence. I was unable to reach any of your Committee staff for clarification on the parameters for question #2b, specifically (1) the type of cost, (2) the type of claim, and (3) the review period. Therefore, I selected parameters that would provide the most meaningful response, and inserted them in question #2b in *italics*.

1. Relating to the reallocation of the Executive Assistant I position to a Safety Specialist II (MD-0015 of the Budget Details), what is the starting salary of the position? Is the position filled? (RH)

Answer: As of July 1, 2018, the starting salary for a SR-22C Safety Specialist II, is \$52,956.

The position is not filled. DPS has been asked to post because there is currently no eligibles list.

2. Relating to the County's workers' compensation program (page 6-66 and 6-67) of the Budget details):
 - a. What are the new third party administrator costs as a result of recent contract negotiations? How much will costs be lowered from last year?

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(BF-110) Submitted by Budget and Finance
Committee Chair

Answer: The costs for the most recent Third Party Administrator (TPA) contract extensions for the period April 1, 2018 to March 31, 2019 are:
Contract #C5750-Workers Comp: \$210,000
Contract #C5749-GL & Auto Liability: \$42,000

The contracts are lower than the prior year by \$20,000 and \$3,000, respectively. See Attachment 2a for a year by year comparison.

- b. What is the average cost *incurred per claim*¹ and the average length of time or duration for claims filed in the 2.75-year period from FY15 through Q3/18?

Answer: The average cost incurred¹ per workers' compensation (WC) claim in the 2.75 year period from FY15 through Q3/18, was \$38,741.00, based on 201 compensable claims reported in the period.

The average duration of a WC claim for the 2.75-year period from FY15 through Q3/18, is 406 days based on 201 compensable claims reported in the period.

- c. Provide a timeline for the Department to address the auditor's concerns relating to oversight of claim monitoring requirements.

Answer: See Attachment 2c for proposed timeline and corrective action plan, which includes a completion date of June 30, 2018 for outstanding items, and a summary of the progress made to date.

Respectfully submitted.

Lydia A. Toda | Risk Management Officer

LT:mm/attachments: 2a, 2c

APPROVED FOR TRANSMITTAL


PATRICK K. WONG
Corporation Counsel

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c: Mayor Alan Arakawa
Sandy Baz, Budget Director

¹ Incurred = Total Claim Costs (paid + reserves)

Attachment 2a

COUNTY OF MAUI, Risk Management Division

Third Party Administrator Fee Contracts

As of 4/13/19

	<u>Contract Year / Program Type:</u>	<u>Contract Total</u>	<u>\$ Difference by Program</u>	<u>% change btwn WC Program per Year</u>	<u>% change btwn GL AU Programs per Year</u>
3rd Extension (current)	<u>Apr 1 2018 - Mar 31 2019</u>				
	Contract #C5750 - Workers Compensation Program	\$ 210,000	\$ (20,000)	-9%	
	Contract #C5749 - Third Party General & Automobile Liability Program	\$ 42,000	\$ (3,000)		-7%
2nd Extension	<u>Apr 1 2017 - Mar 31 2018</u>				
	Contract #C5750 - Workers Compensation Program	\$ 230,000	\$ (55,300)	-19%	
	Contract #C5749 - Third Party General & Automobile Liability Program	\$ 45,000	\$ (22,500)		-33%
1st Extension	<u>Apr 1 2016 - Mar 31 2017</u>				
	Contract #C5750 - Workers Compensation Program	\$ 285,300	\$ (82,895)	-23%	
	Contract #C5749 - Third Party General & Automobile Liability Program	\$ 67,500	\$ 15,366		29%
Initial YR	<u>Mar 1 2015 - Mar 31 2016 (13 mo. Contract)</u>				
	Contract #C5750 - Workers Compensation Program	\$ 368,195			
	Contract #C5749 - Third Party General & Automobile Liability Program	\$ 52,134			

Attachment 2c

#	Finding	Action	Owner	Due Date	Status
2017-001	<p>Condition: During the transition to new vendor in early 2015, all County manual files held by the previous vendor were scanned into electronic files into the new online system. The scanned files were not properly named and therefore difficult to find the WC-1, WC-2 & WC-3 forms. In addition, some electronic claim files were incomplete and documents were obtained from Risk Management Officer rather than the vendors scanned files. Cause: The County did not have a monitoring process over workers compensations claims throughout the change in vendors. Effect: Documentation that should be maintained in claimant files was not easily located. The County's worker's compensation files are not organized and appear incomplete.</p>	<p>1) Closed cases will not be modified however will be retained until 8 years after final insurance payment date. These are rarely accessed and information is available with minimal effort/time in rare event the case is reopened. A full review of old, takeover cases including 237 Indemnity and 20 Medical only cases, has been completed.</p>	Lydia Toda	4/15/2018	DONE
		<p>2) Remaining Open Cases from the transition as determined by the above evaluation will be populated with required forms WC 1, 2 & 3.</p>	Lydia Toda	6/30/2018	In Process
		<p>3) When using a third-party vendor to support RM functions, RM assigns an individual with appropriate oversight to manage the relationship. This includes maintaining frequent contact with key vendor personnel, follow up on unusual items, resolving issues and reporting any issues to the county. Ongoing: Risk Management Officer and Sedgwick are in constant contact -- daily with claims adjusters; quarterly to review key performance indicators on select WC claims (standard industry practice); annually to discuss Stewardship (program performance) report; and as-needed to discuss operational, non-claims issues. Other Risk Management personnel are assigned who also frequently interact with Sedgwick to manage case workflow and integrity of system data inputs.</p>	Lydia Toda	Ongoing	Ongoing
		<p>4) Monitor the quality of WC case data inputs on an ongoing basis to ensure required forms are being submitted to and/or exchanged with Sedgwick and being added to each entity's Risk Management Information System (RMIS). COM RMIS=Legal Files. Sedgwick RMIS=Juris/viaOne portal.</p>	Bridget Nakama	Ongoing	Ongoing
		<p>5) Sedgwick to input and clearly classify WC-1, WC-2 and WC-3 forms in ViaOne electronic file system of open cases since April 2015 to ensure easy reference and completeness of both paper and digital reporting for all open and future cases.</p>	Kurt Sibayan	6/30/2018	In Process

Attachment 2c

#	Finding	Action	Owner	Due Date	Status
		6) Monitor quality of injury/medical only being input into ViaOne System, develop metrics and analyse injury trends from county injury data.	Mark Middleton	Ongoing	Ongoing
Past Audit Items					
2016-002	When using a third-party vendor to support County functions, the County's Risk Management Department should assign an individual with appropriate oversight to manage the relationship. This includes maintaining frequent contact with key vendor personnel, following up on unusual items, resolving issues in a timely manner and reporting any issues to the County.	1) Weekly implementation phone meetings were held throughout the transfer process with a dedicated implementation transition team from Sedgwick assigned to COM's account to ensure project deliverables were met. Minutes available upon request. Project commenced 2/2015, final sign off 6/2015.	Lydia Toda	Done	Done
		2) Vendor management & oversight is a continuous process consisting of daily, monthly, quarterly, annual and as-needed email, phone and in-person contact.	Lydia Toda	n/a	Continuous
		3) Ensure data required for Workers Compensation and General Liability business is available as needed. Regardless of location and depth of digital keyword labeling and categorization, all required files are accessible and maintained in accordance with record retention guidelines being 8 years from final insurance payment.	Lydia Toda	Ongoing	Ongoing