

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 8, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: BUDGET MEMO # 51 : BUDGET AND EXPENDITURE HISTORY OF UNITED HEALTHCARE SELF FUNDING, WORKERS COMPENSATION AND LIABILITY CLAIMS AGAINST THE CITY

This memo is a response to Mayor Euille's request for the following information:

- Total Workers Compensation Costs for FY 2011 compared to FY 2010 budget, FY 09 actual expenditures and FY 2010 spending to date
- Total Liability Claims against the City and/or the self-funded health insurance program for United Health Care for FY 2011 compared to FY 2010 budget, FY 2009 actual expenditures and FY 2010 spending to date compared to what is designated in fund balance currently

On the following page the tables show the actual spending for both workers compensation medical expense claims, as well as wages paid through workers compensation claims.

Workers Compensation

The tables below depict the City's spending for workers compensation costs, both wages and medical expenses. It should be noted that the amount budgeted for workers compensation does not directly correlate to the amount spent. A small amount is budgeted in the Non-Departmental account that is available for both medical costs and wage costs. At the end of the year if departments are unable to absorb the costs associated with workers compensation, the expenditures are either transferred to the Non-Departmental account or additional budget authority is transferred to the department to cover the unbudgeted expenses via the June Transfer Resolution.

Workers Compensation Medical Costs

Department	FY09 Actuals	FY10 Approved	FY10 Through Month 9	FY11 Proposed
Fire	\$506,307		\$153,034	
Police	404,488		146,448	
TES	197,708		58,728	
Sheriff	130,808		68,571	
Recreation	72,512		29,048	
General Services	33,058		3,210	
All Others	16,730		20,546	
Total	\$1,361,611	\$0	\$399,711	\$0

Workers Compensation Wage Costs

Department	FY09 Actuals	FY10 Approved	FY10 Through Month 9	FY11 Proposed
Fire	\$299,946		\$219,240	
Police	194,820		159,023	
TES			-10,364	
Transit	146,462		138,037	
Sheriff	77,238		51,304	
General Services	48,720		954	
Recreation	15,975		18,811	
All Others	16,427		11,093	
Non-Department	0	442,000	0	442,000
Total	\$799,587	\$442,000	\$477,802	\$442,000

	FY09 Actuals	FY10 Approved	FY10 Through Month 9	FY11 Proposed
Subtotal Medical Costs	\$1,361,611		\$399,711	
Subtotal Wage Costs	\$799,587		\$477,802	
Non-Department		\$442,000		\$442,000
Total Workers Compensation	\$2,161,198	\$442,000	\$877,513	\$442,000

It should be noted that negative expenditures year to date are the result of refunds submitted to us throughout the year by the state for previous payments made that should have been paid by the state. The refunds may lag from one fiscal year to the next.

United Health Care Self-Funding Claims

The City self-funds claims filed through United Health Care. It is funded by payroll deductions and City contributions. The City pays a management fee to process the claims. The table below reflects the TOTAL costs (both management fees and claims) incurred in FY 2009 and through February 2010.

	FY09 Actuals	FY10 Approved	FY10 Through Month 8	FY11 Proposed
Claims	\$12.9 million	\$13.6 million	\$8.8 million	\$15.0 million

Liability Claims Against the City

Liability claims are made against the City for damage to persons or property. The City carries insurance to offset some of these expenses. In addition, there is a designation in Fund Balance of \$5 million. The designation is designed to protect the City in the event of an extraordinary incidence of liability. In previous years, it has been unnecessary to appropriate this designation. The tables below show both the unreimbursed direct payments made by the City for liability claims as well as the premiums paid to insurance companies for liability coverage on our behalf.

Liability Claims Paid for by the City (not by an insurance company)

	FY09 Actuals	FY10 Approved	FY10 Through Month 8	FY11 Proposed
Claims	\$77,693	\$0	\$94,000	\$0

Liability Insurance Premiums Paid

	FY09 Actuals	FY10 Approved	FY10 Through Month 9	FY11 Proposed
Liability Property Insurance	\$218,042	\$208,207	\$232,765	\$245,000
Professional Liability*	\$117,588	\$154,194	\$104,787	\$104,787
General Liability	\$379,061	\$393,000	\$297,205	\$471,000
Total Liability Insurance	\$714,691	\$755,401	\$634,757	\$820,787

* Amount paid through month 9 represents total costs for the year.

Liability Property Insurance covers our damages to real and personal property. Professional liability covers our medical and dental malpractice claims, and general liability covers voting booths, special events, vacant buildings, volunteers and commercial crime.