

Self-Insurance Internal Service Fund-Workers' Comp.

General Government

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Internal Service Fund	2017-2018 Actual	2018-2019 Adjusted	2019-2020 Requested	2019-2020 Recommended	Increase/ (Decrease)
Expenditures					
Services & Supplies	\$3,972,075	\$3,553,078	\$3,668,000	\$3,668,000	\$114,922
Centrally-Budgeted Expenses	128,671	897,269	608,053	608,053	(289,216)
Medical And Dental Insur ISF Ex	8,683,539	7,850,000	7,850,000	7,850,000	0
Total Appropriations	\$12,784,285	\$12,300,347	\$12,126,053	\$12,126,053	(\$174,294)
Earned Revenues By Source					
Interest/Rents	\$610,998	\$400,000	\$400,000	\$400,000	\$0
Miscellaneous Revenues	9,175	0	0	0	0
Self-Insurance Revenue	6,760,202	9,875,000	8,000,000	8,000,000	(1,875,000)
Total Revenues	\$7,380,375	\$10,275,000	\$8,400,000	\$8,400,000	(\$1,875,000)
Revenues Over/(Under) Expenses	\$5,403,910	\$2,025,347	\$3,726,053	\$3,726,053	\$1,700,706

- Medical and Dental Insurance ISF Expenses includes self-insurance claims paid by the Workers' Compensation Insurance budget.

Purpose

The Workers' Compensation Insurance (#8595000000) budget provides for the centralized administration of the County's self-funded Workers' Compensation program.

The County's self-funded insurance programs are designed to provide quality, cost-effective benefits to eligible recipients. Frequently, market and legislative factors beyond the County's administrative control influence costs (mandated benefit levels, and usage). The County uses a combination of premium adjustments and cost containment measures to assure adequately funded programs. Funding levels and premiums are determined actuarially on an annual basis.

Major Budget Changes

Services & Supplies

- \$100,000 Increase in licenses and permits.
- \$60,210 Increase in administrative costs.
- (\$45,288) Decrease in stop-loss insurance premiums.

Centrally-Budgeted Expenses

- (\$289,216) Cost Allocation Plan adjustment.

Revenues

- (\$1,875,000) Decrease in Workers' Compensation insurance premiums.

Program Discussion

The 2019-2020 recommended budget for the Workers' Compensation program totals \$12,126,053, which is a decrease of \$174,294 from the 2018-2019 adjusted budget. The decrease is primarily due to a reduction in Cost Allocation Plan adjustments.

The following is a summary of the Worker's Compensation claims for 2018-2019 through February 28, 2019:

Claims

New	-	364
Current	-	707
Closed	-	373

Of the closed claims, there was a total cost payout for temporary disability and claim expenses in the amount of \$6,645,774. This total cost results in an average cost per claim of \$17,817.

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The County participates in the California State Association of Counties Excess Insurance Authority (CSAC EIA) and has a self-insured retention of \$500,000. Funding of this program has generally been at the 80% confidence level. The excess insurance premium is estimated at \$1.5 million, a decrease of \$45,288 from 2018-2019.

In December 2018, an actuarial report was completed. Major findings and recommendations are as follows:

- By year-end 2018-2019, outstanding liability claims are estimated at \$42.3 million at the 80% confidence level while program assets are estimated at \$40.2 million. This results in a funding deficit of \$2.1 million at the 80% confidence level.
- Compared to other CSAC EIA members, San Joaquin County's loss rate is lower than average reflecting a

lower than average cost per claim and a lower than average number of claims per \$1.0 million of payroll.

- 2017-2018 was the first year to address a funding reserve surplus. As of March 31, 2019, the program had a cash balance of \$41,677,460. Department contributions will total \$8.0 million, a decrease of \$1.9 million from 2018-2019. Remaining costs for claims and expenses will be paid by fund balance, totaling \$3.6 million.

Based on the actuarial findings and recommendations, the 2019-2020 Workers' Compensation Insurance premium is set at \$8.0 million (\$12.1 million program cost less \$3.7 million from fund balance, and \$400,000 from interest earnings). This represents a decrease of \$1.9 million from 2018-2019.