

GO Committee #3
February 4, 2013

MEMORANDUM

January 31, 2013

TO: Government Operations and Fiscal Policy Committee
FROM: Jacob Sesker, Senior Legislative Analyst *JS*
SUBJECT: Mid-year Review—Risk Management

Attendees: Joe Beach, Director, Finance; Pamela Schroeder, Chief, Division of Risk Management

The Risk Management Division of the Department of Finance is charged with administering the self-insurance program established under §20-37 of the County Code. Finance administers the program, but ultimately most cost control measures must be implemented by participating departments and agencies.

This year, as in many past years, the Committee will have a mid-year review in advance of its work on the subsequent fiscal year's operating budget. *See Update at © 1.* The Self-Insurance Internal Service Fund is substantial; consequently, the Committee has used the mid-year briefing to become familiar with risk management issues prior to beginning Committee worksessions on the operating budget. *See FY13 Budget at © 11.*

Attachments: © 1 Mid-year Risk Management Update from Finance Director
© 11 FY13 Budget



DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

January 30, 2013

TO: Nancy Navarro, Council President
Government Operations and Fiscal Policy Committee

FROM: Joseph F. Beach, Director
Department of Finance

SUBJECT: Mid-Year Risk Management Update

I am pleased to provide information in reference to the GO Committee’s annual review of the County’s risk management program. Pam Schroeder and I look forward to presenting the update and responding to your questions at the meeting scheduled for February 4, 2013.

FY12 Financial Results and FY13 Projections. The balance sheet and income statement are attached. Observations on the fund balance follow:

- Because of the strengthening of development assumptions, the reserve estimate at June 30, 2012, is \$16.7 million or 14% higher than forecasted last year.

Forecasted Loss Reserves
(000's)

Total Projected Reserve @6/30/2012 From Prior Year Study	Total Estimated Reserve @6/30/2012 From Current Year Study	Difference	% Difference
\$119,291	\$136,039	\$16,748	14.0%

- Actuarial projections have been based on a 55 percent statistical confidence level. The County’s policy is to fund claims to an actuarial confidence level of 80-85 percent, using the difference as a fund balance to account for the fluctuation in claim payments from year to year.
- The estimate of funding required for FY2013 increased 7% - 8% for Workers’ Compensation due to higher estimates of ultimate losses for prior years.
- The projection for Property increased based on higher than usual Property losses in the last three years.

Office of the Director

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- In the FY11 budget, the County began a three-year plan to restore fund balance to the level established by policy. Based on current projections and considering the current fiscal position, the funding level will be achieved by FY15.
- Since FY08 the County's Claims liability has increased by 56% from \$80.8 million to \$126.1 million. In the same time period the contributions from plan participants have needed to increase by 78% from \$31.2 million to \$55.7 million to pay claims and maintain adequate reserves for additional claims.

FY12 Claim Results and Trends

Workers' Compensation. Workers' compensation (WC) costs represent approximately 91 percent of all claims processed by the Self Insurance Fund. Observations on WC claims follow:

- For FY11, there was a slight reduction (0.3 percent) in the number of claims involving lost time from work—typically the most expensive claims. The number of claims remained static for FY12.
- So far, there appears to be a concomitant reduction in claims costs; however, since these claims are not mature, that savings may not be sustained. Workers' compensation claims can remain open for many years, especially the claims involving the public safety presumption (heart and lung diseases and some forms of cancer) and claims involving severe trauma.
- In FY11, we closed the last remaining open claim for the first year of our Self Insurance Program – 1978. There remains one open for 1979 and one for 1980.
- Currently, there are 185 open claims that occurred prior to the year 2002, for which we expect to pay at least \$7.6 million.

The following charts show the cost of workers' compensation claims per \$100 of payroll for the larger County departments and for all of the agencies participating in the County's self-insurance fund.

Agency	2008 Cost / \$100	2009 Cost / \$100	2010 Cost / \$100	2011 Cost / \$100	2012 Cost / \$100	2013 Cost / \$100
Total MCG	2.53	2.47	2.81	3.16	3.05	3.13
MCPS	0.52	0.46	0.52	0.53	0.60	0.58
Montgomery College	0.14	0.12	0.16	0.16	0.19	0.22
M.N.C.P.P.C.	1.77	2.03	2.30	2.22	2.67	2.69
City of Gaithersburg	0.77	0.74	0.97	1.03	1.02	1.20
City of Rockville	2.66	2.42	2.45	0.00	-	-
MC Revenue Authority	0.79	1.38	1.04	1.03	1.18	1.28
HOC	1.38	0.61	0.72	0.83	1.49	1.30
Rockville Housing	0.43	2.09	2.02	1.27	0.84	0.81

Town of Somerset	1.07	1.67	1.51	1.42	1.53	1.17
Bethesda Urban Partnership	0.54	0.36	0.30	0.24	0.25	0.12
Friendship Heights	0.39	0.92	0.86	0.86	0.86	0.83
Totals	1.17	1.12	1.27	1.24	1.29	1.39

Montgomery County Incurred WC Cost per \$100 Payroll By Department							
6/30/2012 Revised							
Department	FY08	FY09	FY10	FY11	FY12	FY13	FY13
Fire & Rescue Svcs	5.54	6.40	6.84	7.93	7.93	7.45	8.28
Police	3.70	4.59	4.56	5.02	4.51	4.23	4.62
DPW&T	2.48						
Liquor Control	2.68	2.80	2.73	2.80	2.39	2.42	2.61
Correction	3.28	3.21	2.88	3.14	2.89	2.59	3.62
DOT		3.21	3.11	3.26	3.62	4.24	4.66
General Svcs		2.11	2.12	2.96	2.70	3.17	3.54
Other	0.32	0.32	0.38	0.41	0.47	0.59	0.60

Agency and Departmental WC Trends. The following two charts show the number of indemnity claims (lost time and permanency) for the largest agencies in the self insurance fund and for the County departments with the highest frequency.

- For FY12, the numbers in the two charts show a significant reduction from prior years. However, counts will change as claims continue to be reported.
- As the charts indicate, there can be sizeable fluctuation in claims frequency from year-to-year.
- A sustained reduction in the frequency of claims will eventually lead to lower costs.

**Montgomery County Self Insurance Program
Indemnity Claims**

Year	Program	County	MCPS	MNCPPC
2008	974	337	271	100
2009	982	324	234	100
2010	1080	368	261	120
2011	890	302	254	88
2012	887	291	285	80

Montgomery County Departments
Indemnity Claims

Year	FRS	Police	DOT	DGS	DOC&R
2008	211	163	72	17	37
2009	263	158	68	25	26
2010	267	142	97	30	29
2011	210	140	75	11	41
2012	199	101	86	18	35

Recent Risk Management Initiatives:

Recently, the Risk Management Division has begun several initiatives to review and analyze the entire self-insurance program including:

- Improvements in monitoring type and length of leave used.
- Actuarial Review. We are undertaking an actuarial review that will put our cost allocation and funding formulas under a microscope to identify potential improvements.
- Benchmarking. We are gathering information to compare our program to similar programs in other jurisdictions.
- Safety Training & Enhanced Prevention. Training efforts will be increased and consultation has been expanded to the external agencies on the Montgomery County Self Insured Program.

Workers' Compensation Recommendations. The following changes may help manage the increasing cost of WC claims. Please note that the first two recommendations would require collective bargaining.

1. Require that employees who treat for work-related injuries or illnesses may receive disability leave only if they select the treating physician from the provider network and participate in the pharmacy network.
 - If employees choose not to participate in the networks, they will not be eligible for disability leave and will be paid wage replacement benefits in accordance with the Maryland WC law.
 - This requirement would save a minimum of \$1 million per year based on current provider network penetration.
 - Montgomery County Public Schools is currently the only agency using this process.
2. Reduce the period that disability leave can be paid from current levels to a hard cap of 12 months.
3. Require all agencies participating in the self insurance program to establish light duty programs to return injured employees to work as soon as possible.

4. Potential Changes to Claim Reporting and Management. When claims are reported quickly, medical treatment is received immediately and the injured worker is communicated with frequently, claims tend to be shorter and the employee is returned to work faster. Less healing time is required, morale is improved and overall costs are less. This process will involve identifying bottlenecks in communication and delivery of service. Reporting claims within 2 days should be a standard for supervisors and should be a mandatory performance measure. This initiative has the potential of cutting claims costs by 10%.
5. As a result of the current actuarial analysis, we will consider establishing a new cost allocation formula in keeping with industry improvements and establishing a formula that is more reflective of exposure and experience. The goal is to achieve a more accurate division of costs for the participants. We also want to smooth the allocation billing for the individual participants so they can better anticipate and budget for costs increases. This action will increase the likelihood that agencies will have incentive to remain with the MC Self Insurance Program.
6. Communication improvements among team members from the third party administrator, OCA, employer representatives, and OMS. The goal is to handle the claims more effectively and efficiently with a smoother transition for the injured work to either return to work, find alternate meaningful employment, or retire on disability. There is a significant potential that claim life will be shortened and costs saved.

Self Insured Liability and Property Claims. Observations on liability and property claims follow:

- Self insured claims for automobile liability and general liability have been static for many years.
- There are infrequent claims for the two types which expose the County to damages above the limits set by the Local Government Tort Claims Act—automobile accidents that occur outside the State of Maryland and general liability claims involving constitutional violations. Departments should be prohibited from taking vehicles out of state without prior authorization from Risk Management.
- In FY10 and FY11, there was a significant increase in the number and cost of claims for damage to County vehicles over prior years.
- Historically, vehicle losses occur primarily in the Police Department; however, in the same period there have been several bus fires that have driven up costs.
- With respect to damage to County and agency structures and equipment, FY10 through FY12 year-to-date have presented challenges due to severe weather conditions and an earthquake.
- Self insured property losses for the Montgomery County Self Insured Program spiked from an average of \$900,000 per year for FY02-FY09, to \$1.7 million for FY10 and \$1.9 million for FY 11. As of June 30, 2012, losses for FY12 were at \$1.16 million.

- Total property damages were actually much higher; fortunately, the larger losses were covered by commercial insurance above the \$250,000 policy deductible.
- We have filed claims with FEMA in order to attempt collection on claims related to the Derecho in June 2012 and Storm Sandy in November 2012.

Commercial Insurance. Observations on commercial insurance follow:

- The self insurance program purchases commercial insurance to cover exposures that are not easily predictable and may lead to losses not economically feasible to self-insure.
- These policies include commercial property, excess liability, blanket crime, and fiduciary liability.
- Commercial insurance rates continue to be competitive, but the market is hardening in property due to all of the natural catastrophes worldwide.
- All policies were renewed for FY13 with premium rates that were either static or lower, with the exception of Property and Resource Recovery. Property increased by approximately \$150,000 and Resource Recovery coverage increased by \$40,000.
- As mentioned above, there have been several large weather-related property insurance claims filed in the past 30 months resulting in significant payments by the commercial insurance company. Although market conditions remain favorable, adverse claims experience may lead to higher premiums at renewal on July 1, 2013.

The two primary cost enters for WC claims are medical expenses and indemnity benefits. Indemnity benefits consist of wage replacement benefits (Temporary Total Disability, or TTD) and benefits for permanent injuries (Permanent Partial Disability, or PPD).

Medical Expenses. Medical benefits are the most costly component of WC claims. Observations on medical provider fees and prescription costs follow:

- Workers' compensation laws require an employer to pay medical bills related to the injury or illness as long as the employee requires care.
- Additionally, although the County has established a network of medical providers, the Maryland WC law allows injured employees to seek treatment with any provider they choose, and they can change providers at will.
- The provider network save the County about \$1 million per year, but approximately only 50% of the injured employee doctor visits are within the network.
- Claims outside the network are subject to a fee schedule established by the Maryland Workers' Compensation Commission (Commission).

- The rates were revised higher in 2008 and are now tied to Medicare reimbursement rates, plus an annual percentage increase based on the cost of living. Medical costs for the Self Insurance Program increased about 10% after the change.
- We are waiting to learn if the proposed reduction in Medicare reimbursement rates by the federal government will have any affect on the WC fee schedule in Maryland.
- Prescriptions under WC programs tend to cost 50-70% more than group health pharmacy programs.
- The County has established a pharmacy network that saves an average of about \$500,000 per year.
- The Commission has established a fee schedule for prescriptions that became effective during 2012.
- The fee schedule for prescriptions provides discounts below the average wholesale price of drugs, but the discount is not as much as the County currently realizes. However, the new fee schedule will help to alleviate the practice of physicians dispensing prescription drugs during office visits at a very high cost.
- Following is an analysis of major categories of medical payments since FY08.

**Montgomery County Self Insurance Program
Medical Payment Summary Analysis - FY 2012**

Description	Paid					Total	% of Total
	FY08	FY09	FY10	FY11	FY12		
Treating Physician	2,780,054	2,580,868	2,411,275	2,223,847	4,546,788	14,542,832	28.3%
Hospital (In)	582,961	1,528,338	2,598,007	1,436,334	1,417,735	7,563,375	14.7%
Hospital (Out)	2,061,618	1,529,021	1,123,436	1,242,722	1,037,561	6,994,358	13.6%
Phys Therapy	1,529,391	1,408,276	1,643,817	1,641,851	1,633,430	7,856,765	15.3%
Prescriptions	1,361,895	1,432,291	1,576,935	1,859,534	2,185,239	8,415,894	16.4%
Diagnostic	497,709	629,475	599,780	532,338	859,024	3,118,326	6.1%
Ortho Surgery	455,534	836,270	653,134	896,454*		2,841,392	5.5%
						51,332,942	100.0%

*Combined with Treating Physician

Temporary Total Disability (TTD)

- Employees unable to work as a result of a work-related injury or illness are entitled to receive TTD weekly benefits equal to two-thirds of their average weekly wage not to exceed 100% of the state average weekly wage, or \$965.00 for 2012.
- The wage replacement benefit is payable until the employee returns to work or reaches Maximum Medical Improvement.

- The County and other agencies in the self insurance program have bargained for or have personnel regulations that require a supplemental salary payment on top of the weekly TTD benefit amount up to the employee's regular take-home pay.
- The supplemental salary payment is for 12-18 months, depending on the agency and collective bargaining agreements.
- Controlling TTD is challenging in some cases since some employees may select providers who allow them to stay out of work.
- Providing alternative or light duty assignments is an important tool to help control the length of disability.
- The County's program provides for alternative duty assignments for up to six months. However, some departments allow longer periods of light duty assignments.
- Some of the other agencies have weak or ineffective light duty programs, leading to extended periods of disability and TTD payments.
- Substantial funds could be saved by the self insurance program if other agencies embraced light or alternative duty programs.

Permanent Partial Disability (PPD)

- Permanent Partial Disability claims are the second largest component of workers' compensation claims.
- PPD benefits are awarded to an injured employee when their medical condition has reached a plateau referred to as Maximum Medical Improvement (MMI).
- When an injured employee reaches MMI no further curative treatment is needed and in the overwhelming majority of claims the employee has returned to regular job duties.
- An injured employee's attorney normally files for a hearing before the Commission for a determination on whether or not the employee has suffered any PPD as a result of the injury or illness.
- Under Maryland WC law, injured employees' attorneys are not paid unless there is such a finding. Consequently, a hearing is requested in virtually every claim when the employee is represented by counsel.
- Our experience has been that the Commission will issue an award in virtually every case, which leads to some counterintuitive situations as explained below.

The Commission has found that employees who may have incurred minor soft tissue injuries, lost no time from work, and have had only one or two doctor visits, have suffered permanent partial disabilities and made awards for tens of thousands of dollars. In other cases, the Commission has found employees 50% or more disabled (making the claim cost \$200,000 or more), yet the employees are

performing their regular job duties with no restrictions and have had no impact on normal activities of daily living.

Please let me know if the Committee has questions or would like further information.

Following is a synopsis of the background of the program.

Background

The County's Self-Insurance Program was established July 1, 1978. The Self-Insurance Program has been funded on an actuarial basis since 1991. Risks covered include workers' compensation, general liability, automobile liability, automobile physical damage and first-party property damage (including real and personal property).

Participating agencies include Montgomery County Government, Montgomery County Public Schools, Montgomery College, Montgomery County Revenue Authority, Maryland-National Capital Park and Planning Commission, Housing Opportunities Commission of Montgomery County, Rockville Housing Enterprise, Town of Somerset, Bethesda Urban Partnership, Village of Drummond, the Village of Friendship Heights, The Maryland-National Capital Park and Planning Commission is separately funded. The City of Gaithersburg and the independent fire corporation of Montgomery County participate for workers' compensation coverage only.

Effective July 1, 2010 the City of Rockville and the City of Takoma Park withdrew from the program. Effective July 1, 2011 the Village of Martin's Addition also withdrew.

The Self-Insurance Program has never carried commercial workers' compensation coverage. Property is commercially insured with \$250,000 retention and a per occurrence loss limit of \$500 million. For general and auto liability, excess insurance was carried for \$2 million/\$5million above a self-insured retention of \$2 million from program inception until June 30, 1985. Between July 1, 1985 and February 28, 2007, excess liability was in place as coverage became affordable. As of March 1, 2007 excess insurance is in place for \$10 million above a \$3 million retention for liability exposures except environmental and medical malpractice.

A contracted third party claims administrator (TPA) investigates and settles all claims. From the inception of the Self-Insurance Program, (July 1, 1978), until September 1, 1991, the claims administration was contracted to one firm. A second TPA handled claims from September 1, 1991 through June 30, 2000, a third TPA beginning July 1, 2000, a fourth TPA beginning July 1, 2005, (i.e. The Schaffer Companies, Ltd.), and a fifth TPA, Gallagher Bassett Services, Inc., effective July 1, 2007. A sixth TPA will assume administration effective July 1, 2012. The Office of the County Attorney handles all litigation associated with the Self-Insurance Program.

FY14 RM Balance Sheet

October 23 2012

BALANCE SHEET	FY 08 ACTUAL	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Budget	FY12 Actual	FY13 Budget	FY13 Projected
ASSETS								
CASH & INVESTMENT	96,052,685	89,870,769	88,983,647	96,847,361	105,705,990	103,899,436	119,852,128	110,236,358
CASH-RESTRIC	0							
OTHER ASSETS	300,000	300,000	278,106	196,867	300,000	189,987	300,000	300,000
TOTAL	96,352,685	90,170,769	89,261,753	97,044,227	106,005,990	104,298,637	120,152,128	110,536,358
LIABILITIES & EQUITY								
CLAIMS PAYABLES	80,831,000	88,141,000	94,833,000	102,026,000	99,869,000	121,888,000	110,157,000	126,056,000
OTHER LIABILITIES	1,200,000	1,264,321	1,419,743	1,247,316	1,200,000	1,707,376	1,200,000	1,200,000
CONTRIB CAPITAL	0							
EQUITY/FUND BAL	14,321,685	765,448	(6,990,990)	(6,229,089)	4,936,990	(19,296,739)	8,795,128	(16,719,642)
TOTAL	96,352,685	90,170,769	89,261,753	97,044,227	106,005,990	104,298,637	120,152,128	110,536,358
INCOME STATEMENT								
REVENUES								
CONTRIBUTIONS	31,253,956	32,061,588	39,666,206	51,656,201	55,672,810	55,701,182	55,672,810	55,672,810
RECOVERED LOSSES	507,978	513,560	622,710	634,766	900,000	744,325	900,000	900,000
INVESTMENT INCOME	5,182,510	1,740,521	218,318	28,748	250,000	754	250,000	25,000
INVEST INC-ESCROW								
G F TRANSFER	68,480	24,030						
MISC INCOME	489,825	224,286	223,733	447,147	100,000	541,077	100,000	100,000
TOTAL	37,502,749	34,563,985	40,730,987	52,766,862	56,922,810	56,987,338	56,922,810	56,697,810
EXPENSES								
CLAIMS EXPENSE	25,897,416	29,242,713	29,128,614	32,418,783	31,134,000	36,985,994	31,503,000	35,334,000
RESERVE/IBNR ADJUSTMENT	5,332,000	7,310,000	6,692,000	7,193,000	3,226,000	19,862,000	4,336,000	4,168,000
MISC ADJUSTMENT								
OTHER INSUR COSTS	9,813,739	9,035,810	10,094,856	9,891,471	11,090,170	10,405,942	11,472,870	11,472,870
COUNTY ATTORNEY	1,941,843	2,044,281	2,195,938	2,068,954	2,513,070	2,290,982	2,513,071	2,513,071
GEN L & ADMIN	517,668	487,418	376,017	432,753	400,450	510,070	632,772	632,772
PREMIUM REFUND								
MEDICAL PROGRAM								
INTEREST EXPENSE								
UNEMPLOYMENT								
INTEREST EXP-ESCROW								
LOSS ON INVESTMENT								
TOTAL	43,502,666	48,120,222	48,487,425	52,004,961	48,363,690	70,054,988	50,457,713	54,120,713
NET INCOME (LOSS)	(5,999,917)	(13,556,237)	(7,756,438)	761,901	8,559,120	(13,067,650)	6,465,097	2,577,097
BEGINNING BALANCES								
OTHER CHANGES								
EQUITY/FUND BAL	20,321,602	14,321,685	765,448	(6,990,990)	(6,229,089)	(6,229,089)	2,330,031	(19,296,739)
ESCROW FUND								
ENDING BALANCES								
EQUITY/FUND BAL	14,321,685	765,448	(6,990,990)	(6,229,089)	2,330,031	(19,296,739)	8,795,128	(16,719,642)
ESCROW FUND								

FY13 Approved Changes	Expenditures	FTEs
FY12 Approved	657,470	7.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	269,045	2.00
FY13 Approved	926,515	9.00

Notes: Multi-program adjustments include a shift of CIP Tech Modernization positions to assume Home Operation Responsibilities.

Tax Operations

This program is responsible for the timely and accurate collection and processing of all County administered taxes, including property taxes (which are the County's largest revenue source), transfer and recordation taxes (relating to real property transfers and recordation of instruments of writing), and several excise taxes (fuel/energy, telephone, hotel/motel). The program is also responsible for the administration of the County's Working Families Income Supplement program, the Public Advocate for Assessments and Taxation (Public Advocate) program, and numerous tax credit, deferral, and assistance programs. The property tax portion of this program provides the calculation and distribution of tax bills; accounting and distribution of tax collections to the State of Maryland, municipalities, and other entities; collection of delinquent accounts through the tax lien sale process; and communication of and access to tax and account information by attorneys and title companies for preparation of property settlements; and customer service assistance to the public for complex tax-related matters and issues. The transfer and recordation tax portion of this program ensures that all other taxes, fees, and charges associated with the property tax account are paid in full prior to recording of the deed for that property by the State of Maryland. The Public Advocate program provides an independent review of State-determined property assessment valuations for fairness and accuracy and, therefore, protects the public interest by acting on behalf of the taxpayers and the County.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Average number of seconds to answer customer calls to the Treasury Call Center ¹	130	NA	NA	NA	NA

¹ FY11 - function was transferred to the MC311 Call Center in FY10.

FY13 Approved Changes	Expenditures	FTEs
FY12 Approved	1,675,010	16.80
Enhance: Homestead Property Tax Credit - Resident Compliance - Add Program Manager II	105,020	1.00
Shift: Chargeback to Parking Districts, Solid Waste Services, Water Quality Protection and Leaf Vacuuming for Billing, Collection and Processing Services	13,700	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	167,157	0.70
FY13 Approved	1,960,887	18.50

Treasury Operations

This program is responsible for providing coordination and oversight of treasury operations and customer services through the cashiering function. All money received by the County, directly through the Treasury cashiering operation, from other County agencies, or through the internet and bank lockbox operation, is processed, administered, and recorded in a timely fashion in the County's accounting system. This program handles property, transfer and recordation, and excise taxes; fines and fees; and offers specific employee services, such as the fare media pass. Functioning as a banking operation, the tellers are a primary provider of person-to-person customer service to County residents.

FY13 Approved Changes	Expenditures	FTEs
FY12 Approved	304,240	5.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	34,890	0.00
FY13 Approved	339,130	5.00

Notes: Multi-program adjustments include actual Personnel Costs required to fill vacancies that were budgeted at entry level.

Insurance

The Montgomery County Self-Insurance Program, established under County Code 20-37, provides comprehensive property and casualty insurance for the County and participating agencies. The program is funded through contributions from the agencies, which are based upon an annual actuarial analysis of outstanding and projected future claims filed against the participants. The program provides accurate and timely insurance and risk management advice to participating agencies and reduces County and participating agency exposure to risk by: comparing the cost of commercially available coverage to evaluate the best method of funding exposure

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to loss; transferring contractual risk under indemnification/hold harmless agreements; avoiding risk; operating proactive safety programs; and purchasing commercial insurance policies.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Number of Workers' Compensation claims resulting in lost work time	579	550	550	550	550
Workers' Compensation Cost per \$100 of Payroll	\$2.87	\$2.95	\$3.07	\$3.07	\$3.07

FY13 Approved Changes	Expenditures	FTEs
FY12 Approved	45,488,590	4.00
Increase Cost: Adjustment to Claims Reserves	1,110,000	0.00
Increase Cost: Claims Expense	369,000	0.00
Increase Cost: Contract for Claims Administration	166,000	0.00
Increase Cost: Commercial Insurance	16,570	0.00
Decrease Cost: Biennial Claims Audit	-30,000	0.00
Decrease Cost: Adjustments due to Agency Allocation for Rate Setting Purposes	-481,110	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	25,771	0.00
FY13 Approved	46,664,821	4.00

Occupational Safety and Health

This program coordinates reporting to Federal and State regulatory agencies on health and safety issues. The State-required injury reports and the mandated safety training and record keeping are completed on schedule. The program responds promptly to inspections and queries from the Maryland Occupational Safety and Health Administration. Accident prevention programs are conducted, and training is provided continuously in loss prevention and loss control to promote a safe and healthy work environment for County employees.

Program Performance Measures	Actual FY10	Actual FY11	Estimated FY12	Target FY13	Target FY14
Workers Compensation - Cost per \$100 of payroll	\$2.87	\$2.95	\$3.07	\$3.07	\$3.07
Workers Compensation - Number of cases resulting in lost work time	622	480	550	550	550

FY13 Approved Changes	Expenditures	FTEs
FY12 Approved	604,630	4.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	-13,191	-1.00
FY13 Approved	591,439	3.00

Notes: Multi-program adjustments include the shift of a position to the Operations and Administration section.

Legal Services

This program funds activities of the Office of the County Attorney, which provides legal services including investigation, negotiation, and litigation on behalf of the County and agencies that participate in the Self-Insurance Program.

FY13 Approved Changes	Expenditures	FTEs
FY12 Approved	2,513,070	19.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs. Other large variances are related to the transition from the previous mainframe budgeting system to Hyperion.	1	0.00
FY13 Approved	2,513,071	19.00

Operations and Administration

This program includes operational support for the Department as well as the administrative portions of the Director's Office, the Division of the Controller, the Treasury Division, and the Division of Risk Management. The program provides support for efficient, effective, and timely accomplishment of the Department's mission, including budget development and oversight, personnel administration, strategic planning, and contract administration. It is also responsible for accurate revenue and economic forecasting, and publishing reports on economic and revenue analysis on a monthly and quarterly basis for dissemination to the County Council and public. The program provides high quality consulting services for County agencies, managers, staff, elected officials, and residents.

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