



Institute for Senior Professionals
Northwest Florida State College

Review of the Okaloosa County Risk Management Division

Prepared by
The Institute for Senior Professionals (ISP)
Northwest Florida State College

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Introduction

Background

The Institute for Senior Professionals is an independent organization which functions under the auspices of the Northwest Florida State College. Upon request from government or not-for-profit organizations within the Okaloosa-Walton County area, ISP provides problem solving, strategic planning and other advisory services voluntarily performed by substantially retired persons without charge.

Since 1991 the ISP has formed a close relationship with Okaloosa County, performing approximately 19 individual studies on issues within Okaloosa County. Four management reviews of county divisions have been conducted. The last study (2018) was the "Okaloosa County Transit Project.

Mr. John Hofstad, County Administrator requested the ISP conduct a Management Control Review of the County's Risk Management Division in a letter dated September 14, 2018. This letter is reproduced in Appendix A.

Following acceptance of the project, the ISP assigned a team to evaluate the Division. The makeup of the team is shown in Appendix B.

The Risk Management Division is in the Support Services organization under the Deputy County Administrator. This Division was first established in the early 1980's with only a Risk Manager. Eventually it had a clerical employee and over the years has evolved to a manager and four employees.

The functions and duties of the Division are:

- Analyze risk, prepare bids, recommend purchase, review, approve and renew County Insurance
 - Auto
 - General Liability
 - Property
- Analyze risk, prepare bids, recommend purchase, review, approve and renew health, life and benefits policies
- Participate in contract review process (Purchasing Department) to include analyzing risk, establishing insurance requirements and reviewing and approving Certificates of Insurance from vendors

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- Formulate, recommend and implement plan for Workers Compensation coverage
 - Purchase of insurance and/or self-insurance and renewal of Workers' Compensation Administration contracts
 - Administer the review and processing of all injury reports and the monitoring and management of all Workers Compensation claims
 - Direct the authorization and coordination of medical care and rehabilitation
 - Monitor administrator's activities to include review of all expenses and fees and approval for payment
- Monitor BCC Self-Insurance Internal Service Fund
- Manage county occupational safety and health
- Provide management of claims, litigation, damage and injury claims.
- Public Records Requests
- New employee orientation
- County wellness programs

The Division presently has four members plus a manager. The job functions and titles are:

- Risk Manager
- Benefits Specialist
- Safety Coordinator
- Claims Examiner
- Claims Examiner, Public Records and Contracts

The ISP project team interviewed each member of the Division. As ISP has found in the past, the quality of county personnel is extremely impressive. They were cooperative, knowledgeable and professional. This report contains the results and recommendations from these and other interviews.

Executive Summary

Mr. John Hofstad, County Administrator requested the ISP conduct a Management Control Review of the County's Risk Management Division in a letter dated September 14, 2018. This study has been conducted by a team of eight professionals, headed by Mrs. Pat Hollarn. All members of the present Risk Management Division and County Senior Management were interviewed.

The Risk Management Division is a small (four persons plus manager) group assigned a vast number of responsibilities. Although this group is made up of extremely competent and dedicated people, this group is presently frustrated trying to perform all assigned tasks. This is mainly due to inadequate computer facilities and complex systems. The ISP team has identified 13 recommendations, four of high priority to correct obvious difficulties. If these recommendations are applied substantial cost savings are possible.

The four top priority suggestions are:

1. A 1.29 Workers Compensation Experience Modification is strong indication of a lack of emphasis on employee safety at all levels and inadequate attention to employee injury claim handling. A goal of reducing this modification to 0.90 should be instituted immediately and programs developed in workers safety and employee claim handling to assure a reduction in costs associated with employee safety. Institute a "bottom up" safety system operated by first line supervisors. Make safety an important feature of everyone's job.
2. Rewrite the Safety Manual to consist of two portions, one short overall policy manual approved by the Commissioners, the other a specific operations manual approved by the Safety Coordinator. The present manual is hard to understand, not being followed, and requires the approval of the County Commissioners.
3. An immediate "return to work" program should be instituted in all county departments for any employee medically cleared for return to work on limited duty. All department heads and supervisors must be required to support this program. It is a common practice to send a restricted employee home rather than find applicable tasks. This increases the workers compensation program adding significantly to the cost.
4. Urgently pursue an initiative to allow more proactive claims management including "off the shelf" claims handling software to provide the Risk Management Division the ability to quickly and accurately access all information needed on both open and closed claims. The present number of open claims seems excessive due to difficulties in managing claims.

Findings

Benefits

The Division is responsible for the benefits management and accounting for approximately 1000 insured and uninsured County Employees. In addition, the function provides support to approximately 100 retirees. There are 10 to 12 different employee spending accounts and insured benefits programs requiring management (health, dental, eyes, etc.) with a monthly cost of \$800,000. In addition to the individual accounts and insurance programs the function is also responsible to manage the “wellness” program.

Wellness Program

The “wellness” program is funded by \$50,000 from Florida Blue Cross (approximately 5% of the premiums paid to Florida Blue by the county annually). It consists of various features, this year being a health fair, monthly health awareness programs, annual exams, and an incentive awards program (up to \$150) for each employee who fulfills defined health tasks. How the money is spent is determined by Risk Management with final approval by the county commissioners. The emphasis on wellness has helped, as evidenced by better participation in the health fair. However, no data is being collected or analyzed to determine the actual employee health improvement or other efficiencies like reduced absenteeism, increased productivity, etc.

Benefits Insurance Data

There are presently 10 to 12 different data entry and storage systems comprising the “benefits” program. This means that the specialist spends 90% of her time entering the same information in multiple data systems. The attendant risk of errors is significant. Only 10% of her time is available for operational efforts. In addition to the multiple entry systems requiring time, the data for analysis is contained across multiple systems each requiring familiarity. The bulk of time being spent in clerical functions requires that other members of the Division help to support employees with Benefits questions and problems.

Single data systems are available that offer either multiple insurance program entries or multiple insurance features. The selection of a single data system might offer lower cost as well as more efficient and accurate data entry. It is estimated that the specialist could manage such a system using 50% of her time in place of 90% so that she could spend more time on operations such as budget development and employee counseling. One example of a single system that would distribute data to multiple insurance programs is “People Soft” by Oracle. Another possibility is FBMC, a Tallahassee-based multiple insurance offering recently marketed to Okaloosa Schools.

Retirees Benefit Payments

About 100 retirees make their payments directly to the Clerk’s office. It has happened that the reconciliation back to the Risk Management has not been made. This means

that if a retiree becomes delinquent in his/her payments, the county might still pay for the policy premium.

Answers to Benefit Questions

It appears that a lot of benefits-related matters are being bumped up to Claims or the HR personnel when those questions could be answered by the employee's supervisor or department head. Training would accomplish a lot toward lessening this load. Additionally, for the retirees who are in the FRS system, a lot of questions could be answered either by calling Tallahassee or using the FRS portal for retirees (https://www.dms.myflorida.com/workforce_operations/retirement).

Claims

Okaloosa County is primarily self-insured for all losses including property, public liability, auto and aviation liability, crime and workers compensation through the use of high deductibles and self-insured retention, depending on type of insurance coverage.

Claims Data

All claims against the county, including employee job injuries, are reported to the office of claims examiner and are evaluated as to the proper procedure to follow to bring the claim to a satisfactory conclusion. Most claims are forwarded to Johns Eastern, a claim adjusting and third-party administrator who, by contract, provides these services to Okaloosa County. All claim payments are made by the county and fees are charged to the county by Johns Eastern for claims services based on the contract that is in place.

There is no present way to discover the status of claims. Johns Eastern has not been forthcoming in status reports and has not offered computer access. The claims office currently has no computer software to record or track claims. Johns Eastern does provide very limited ability to record and develop reports on claim status. Considerable time is required by the staff to manually track and analyze claim progress. No provision is present within the claims department to archive and track open or closed claims other than by paper files. While accurate information was not provided, indications are that somewhat in excess of \$2,000,000. in claim payments were made or reserved in 2018.

The current contract is in the process of being placed out for bid by the county. Adequate controls and status reports should be a part of this contract.

Claims Payment

Payments for claims made by the Risk Management Division are processed by the claim examiner and require signed approval of the claim examiner, risk management manager and deputy county administrator prior to payment.

The Risk Management Division makes judgement decisions on county liability on a number of the claims presented. On more complex claims, the county attorney is used for guidance on legal liability issues. When a claim has initial plaintiff attorney involvement or litigation later develops, the claim is often referred to other attorneys with

the guidance from the county attorney. Although there is a list of approved attorneys, it is not always used advantageously to the county. The required services should be rotated and controlled to minimize costs. There are presently over thirty claims in litigation.

Worker Compensation Insurance

Okaloosa county's current Worker Compensation Experience Modification is 1.29. This modification is provided by the National Council for Compensation Insurance (NCCI) for all Florida employers that have more than \$10,000 in workers compensation insurance premium in the prior two years. An expected loss level is established for the employer based on total employee compensation by job assignment. If workers compensation losses meet this expected loss amount, the modification is 1.00. This CEM is used as a multiplier of the worker's compensation insurance cost. Thus, the present Okaloosa County workers compensation cost is 29% higher than average or expected indicating an unacceptable safety program. Workers Compensation insurance costs are approximately \$160,000.

Present practice is that worker compensation insurance employees who are returned to work with restrictions are sent home rather than finding reduced requirement jobs. This practice adds to the negative records for workers compensation. Supervisors should be informed that this practice is damaging and should be avoided.

Safety

The span of safety management covers approximately 800 people with the challenge of geographical distribution over the entire county. The approach to safety management uses a decentralized approach with Department managers assigned numerous responsibilities within the Safety Manual. The safety coordinators office Interfaces with the Clerk of Courts, County Supervisor of Elections, Property Appraiser's Office, Water and Sewer, and Tax Collector, among others. The Sheriff's Department is independent. Under the decentralized approach, the Safety Director does not have authority to implement safety changes. When he visits a facility, if he sees a safety issue, he will document the issue, take pictures, and write a report going back to the department that has an issue. The department is responsible for making changes or corrections to safety issues. Some safety corrections might require significant expense and may be deferred due to budget limitations within the department. The scope of safety problems requiring budgetary support is not defined due to lack of centralized tracking of hazards and hazard abatement.

Workers Compensation Experience

The present Safety program is inadequate as shown in the 1.29 workers compensation experience modification as discussed previously. Because of the "top down" approach, workers are not made aware of safety procedures. The safety program should be reformed to be a "bottom up" system where first line supervisors are responsible for

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consistent, daily safety training and awareness. Recognition for good safety practices should be offered to supervisors and employees alike.

Safety Manual

While the County has a safety manual (about 250 pages produced circa 2008), the County is non-compliant with its own manual. It is a very complex document and is difficult to follow. The manual should be broken into two documents. One a short overall policy statement to be approved by the Board of County Commissioners (BCC). The other document would be a procedures document which could be changed as needed without the necessary complication of coordination and approval by the BCC. (To refresh the manual, the County should consider exploiting the resources available through the University of South Florida Safety Florida program and the Safety Writer tool.)

The safety manual is available on the Intranet for county employees who have access. Forms to report safety incidents are available on the Intranet but few people are aware of what is available on the intranet.

Public Records

The Public Records function is a state required effort that consists mainly of receiving requests, maintaining a record of the request, asking the applicable department to answer the request, then furnishing the information to the requester with an applicable charge. At first the project members questioned if this function should be in Risk Management as the bulk of counties handle this function in the County Attorney's Office, others use the Public Information Office. This is a task that requires substantial effort, no matter the location. There is no obvious advantage in moving the function from Risk Management. This function is being handled well by the Risk Management Division.

Contract Review

The contract review function is being handled by the Risk Management Division to verify that sufficient insurance requirements are present in the contracts. Templates for contract requirements are being developed and need to be continued.

Recommendations

Top Priority Recommendations

1. A 1.29 Workers Compensation Experience Modification is strong indication of a lack of emphasis on employee safety at all levels and inadequate attention to employee injury claim handling. A goal of reducing this modification to 0.90 should be instituted immediately and programs developed in workers safety and employee claim handling to assure a reduction in costs associated with employee safety. Institute a “bottom up” safety system operated by first line supervisors. Make safety an important feature of everyone’s job.
2. Rewrite the Safety Manual to consist of two portions, one short overall policy manual approved by the Commissioners, the other a specific operations manual approved by the Safety Coordinator. The present manual is hard to understand, is not being followed, and requires the approval of the County Commissioners.
3. An immediate “return to work” program should be instituted in all county departments for any employee medically cleared for return to work on limited duty. All department heads and supervisors must be required to support this program. It is a common practice to send a restricted employee home rather than find applicable tasks. This increases the workers compensation program adding significantly to the cost.
4. Urgently pursue an initiative to allow more proactive claims management including “off the shelf” claims handling software to provide the Risk Management Division to quickly and accurately access all information needed on both open and closed claims. The present number of open claims seems excessive due to difficulties in managing claims.

Other Important Recommendations

1. Consider moving towards a single data distribution system or a multiple insurance offering. This change would potentially save money, reduce errors and free the Benefits Specialist to support County employees.
2. Establish a system to determine the effectiveness of the wellness program through actual employee health improvement or other efficiencies like reduced absenteeism, increased productivity, etc. There is no data presently to show the effectiveness of the \$50,000 spent on the wellness program.
3. Review the process of Retiree’s policy payments. It has happened that the county has paid for insurance policies when the retiree has not paid.
4. Train Department heads and supervisors to answer simple benefits questions rather than sending to HR or Claims. This should reduce the load on HR and Claims while making Department Heads and supervisors more knowledgeable about benefits and employees.

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5. A part time employee should be added to claims staff to perform claim clerical duties allowing the claims examiner time to develop training programs on claim issues with department heads and supervisors.
6. Consideration should be given to providing the claims examiner a level of claim payment authority without other staff approval to streamline claim payments. Smaller or obvious claims could be accelerated, helping employee morale and perhaps reducing claims litigation.
7. A study should be made on the possibility of paperless storage of claim files to make review and retrieval more efficient.
8. A limited list of “approved attorneys” used by the county for each type claim should be developed to improve efficiency and costs on litigated claims. The selection from the list of approved attorneys should be made by the Risk Management Division on a rotating basis, with input from the County Attorney only as needed.
9. A key requirement in the negotiation of the contract with the claims third party administrator should be full direct access, using county computers, by the Risk Management staff to the administrator’s software system used to manage claims being processed for the county.

APPENDIX A



State of Florida

County Administrator's Office

September 14, 2018

Mr. Phillip Hoge, Chair
Institute for Senior Professionals
Northwest Florida State College
100 College Blvd
Niceville, FL 32578

Via E-Mail prhogg@aol.com

Dear Mr. Hoge,

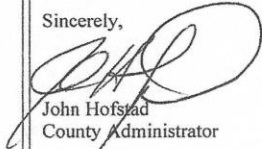
Okaloosa County strives to strengthen its internal control procedures with the assistance of experienced, dedicated individuals such as those found within the Institute for Senior Professionals. Earlier this year, ISP completed a Management Control Review of the County's Public Transit System, which identified key areas for further focus by the County. The County is taking steps to rectify deficiencies noted by the team.

We are now requesting your assistance with a Management Control Review of the County's Risk Management program. The Risk Management Division's primary responsibilities are to avoid, minimize or eliminate risks and to protect the physical and financial assets of the Board of County Commissioners. In addition, the Risk Management department is responsible for the County's Self-Insurance Fund, other County insurance coverages (property, liability, vehicles, etc.), employee benefits and wellness, contract review, claims management, occupational safety and health, and the coordination of public records requests.

Attached is a general scope of work. As before, we understand this project would require interaction with county senior management staff, and we certainly anticipate this being a joint effort with county participation throughout. Upon review, please let us know if this is a project that you would be willing to consider either in part or in full.

Once you have had the opportunity to review our request and identify a project team, we welcome the opportunity to speak with you further about the next steps in accomplishing this goal. If you have specific questions, you may address them to County Deputy Administrator Kay Godwin, who is the staff point of contact for this project. She can be reached at 850-689-5007, and email address is kgodwin@myokaloosa.com. Thank you in advance for any support you might be able to provide.

Sincerely,


John Hofstad
County Administrator

Okaloosa County Administration Building
1250 N Eglin Parkway, Suite 102
Shalimar, Florida 32579
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Email: managerinfo@myokaloosas.com

Scope of Work

Conduct a comprehensive Management Control Review that identifies the County's Risk Management department's key business functions/goals and identifies the risks to achieving them. The assessment should identify and evaluate controls (policies and procedures) in place that minimize, to an acceptable level, the risks identified. Such will involve assessing the County's risk tolerance. Fraud should be a consideration in this project.

- The process should include interviewing key board and clerk employees responsible for carrying out identified controls.
- Produce a report that includes a grid of key business functions, your assessment of the county's risk tolerance associated with these functions, risks associated with those functions, controls in place to mitigate those risks and any residual risk.
- Make recommendations for controls (policies and procedures) that minimize any risks that have not been reduced to an acceptable level.
- Work with identified County/Clerk staff members throughout the process and produce a tool that may be used by them in performing in-house, periodic management control reviews going forward.
- Review program options including a proposal from the Florida Association of Counties Trust (FACT) for the insurance program.

Appendix B

Okaloosa County Persons Interviewed:

- Kay Goodwin, Deputy County Administrator of Support Services
- Grant Dugre, Executive Assistant, Okaloosa County
- Karen Donaldson, Claims Examiner, Public Records and Contracts
- Kelly Bird, Claims Examiner
- Carmen Horne, Benefits Specialist
- Edith Gibson, Risk Manager
- Tom Martin, Safety Coordinator

ISP Team Members

- Pat Hollarn, Team Leader
- Mike Anderson
- Neville Edenborough
- Wayne Fair
- Darrell James
- Tom Reynolds
- Dick Roberts
- Dick Schoditsch
- David Underwood