

COMMITTEE OF THE WHOLE - APRIL 18, 2005

WSIB SCHEDULE 2 - FINANCIAL PERFORMANCE FOR 2004

Recommendation

The Commissioner of Legal & Administrative Services and the Director of Human Resources recommend:

That the report on WSIB Schedule 2 - Financial Performance for 2004 be received;

That Council direct staff to continue with the 2003 Council directed practice to include \$75,000 per year in a Benefits Reserve account;

That the Human Resources Department continue to budget for the provision of Disability Management Services at a minimum of \$30,000 per year.

Purpose

To report on the financial performance in relation to the City's decision to move to WSIB Schedule 2, including an update on the premium cost savings achieved as a result of Council's decision to transfer our Workplace Safety & Insurance Board (WSIB) coverage from Schedule 1 (collective liability) to Schedule 2 (individual liability) effective January 1, 2004.

Background - Analysis and Options

On September 22, 2003 Council adopted without amendment the human resources staff recommendations outlined in item 2, report 65. Effective January 1, 2004, The City of Vaughan transferred its Workplace Safety & Insurance (WSIB) account status from Schedule 1 to Schedule 2.

The transfer has now been completed and the first year of experience has now been fully analyzed from the perspective of financial impact.

Schedule 1 - 2003 Billed Premiums	\$621,000*
<i>*Net Cost = actual premium cost at \$800,000 less rebate of \$179,000</i>	

Schedule 2 – 2004 Actual Costs	\$ 18,558
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Year over year savings	\$434,442
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The month to month performance on premium costs is illustrated in Appendix "A". These significant premium savings can be attributed to:

- Effective case management of our employee workplace incidents. This includes early intervention initiatives that return staff safely to suitable work. A very significant amount of Human Resource staff time is dedicated to ongoing case conferencing with the treating physician and work with the front line managers.
- Schedule 2 employers do not pay premiums on a monthly basis based on the size of our assessable payroll. Instead paid premiums represent actual benefit costs plus a monthly administration fee based on the cost of claims.

While there have been significant premium cost reductions with the move to Schedule 2, the Corporation must take steps to ensure that the financial liability is limited in the event of catastrophic workplace accident or injury. In the short term, the most effective way to limit this liability is to purchase Stop Loss Insurance. A claim against this insurance would be made in the event that a catastrophic workplace incident was to occur where the financial liability to the Corporation was exceptional. In 2004, the cost of Stop Loss Insurance was \$97,000.

When the original report was approved by Council in 2003, the recommendations included the provision of \$75,000 to be placed in Benefits Reserve commencing in 2004. The understanding at that time was, if this amount were placed in Benefits Reserve in a number of successive years, which in due course, the Corporation could choose to give up the costs associated with the continued purchase of Stop Loss Insurance. In fact, a number of municipalities that are WSIB Schedule 2 employers have done this. For example, the City of Brampton holds a sufficient Benefits Reserve that they have chosen to forego the cost of Stop Loss Insurance.

The continued support of the Disability Management Program with the \$30,000 expenditure for professional services is an important component of the continued financial success of this program. The dollar value of this expenditure is based on an analysis of the actual costs over past years. It is inclusive of independent medical assessment costs and case management costs. While the expertise of our staff is adequate for many cases, there are often situations where it is necessary to engage external medical professionals to ensure thorough accurate assessments.

The following chart summarizes the true costs of providing WSIB at the City of Vaughan for 2003 and 2004.

2003	Debits	Credits	Balance (true costs)
Premiums	\$804,000		
Disability Management Program fees	\$30,000		
Annual Rebate		\$179,000	
Total			\$655,000

2004	Debits	Credits	Balance (true costs)
Benefit costs/admin fee	\$18,558		
Disability Management Program fees	\$30,000		
Stop Loss Insurance	\$97,000		
Benefits Reserve contribution	\$75,000		
Total			\$220,558

The true savings to the City of Vaughan for 2004 is \$434,442. These savings are reflected in the fringe benefits account line where all employee benefits and source deductions are captured.

Conclusion

The transfer of our WSIB account from Schedule 1 to Schedule 2 has been financially rewarding and we expect that the over \$400,000 savings will continue for years to come.

It is important to continue setting aside \$75,000 per year of these savings in a Benefits Reserve account in order to give the Corporation the opportunity to forego the costs of purchasing Stop Loss Insurance at some point in the future.

Finally, the continued support of sound disability management through the continued allocation, in future budget years, of current funding to the Human Resources Department is critical. This minor investment has demonstrated its value more than ten fold in savings. Future savings will be predicated on the effective management of workplace absences and the early, safe and healthy return to work for all employees.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Attachments

Attachment "A" – WSIB Premiums 2003 vs 2004

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Respectfully submitted,

Robert Swayze
Commissioner of Legal & Administrative Services

Cathrine Berge
Director of Human Resources

APPENDIX "A"

WSIB Premiums 2003 vs 2004



	1st quarter	2nd quarter	3rd quarter	4th quarter
■ 2003	\$201,000	\$201,000	\$201,000	\$201,000
□ 2004	\$1,843	\$3,967	\$3,576	\$9,145