

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Risk Management**



**Fiscal Year 2018 Budget Oversight Public Hearing**

Testimony of

**Jed Ross**

Director, Office of Risk Management

Before the

Committee on Labor and Workforce Development

Council of the District of Columbia

The Honorable Elissa Silverman, Chairperson

May 9, 2017

Room 412

John A. Wilson Building

1350 Pennsylvania Avenue, NW

Washington, D.C. 20004



Good afternoon, Chairperson Silverman, Committee Members, and Council staff. I am Jed Ross, Chief Risk Officer for the District of Columbia and Director of the Office of Risk Management (ORM). I am pleased to provide testimony on Mayor Bowser's Fiscal Year 2018 budget entitled, "DC Values in Action, a Roadmap to Inclusive Prosperity." Last month, Mayor Bowser presented the District's 22<sup>nd</sup> consecutive balanced budget. It reflects the ideas and priorities of District residents and fulfills our commitment to deliver for District residents each and every day. Mayor Bowser's FY 2018 budget makes strategic investments in education, affordable housing, transportation, infrastructure, public safety, job training, and employment services that keep residents on the pathway to the middle class. These investments reflect the key priorities identified by District residents at Budget Engagement Forums held during the budget formulation process.

I am pleased to report that the Mayor's budget for ORM demonstrates her leadership and commitment to our shared DC Values and ensures that all District residents have an opportunity to benefit as we work to attain inclusive prosperity. I will speak specifically about ORM's four budget lines: the Office of Risk Management (RK0), the Captive Insurance Agency (RJ0), the Employee's Compensation Fund (BG0), and the Settlements and Judgments Fund (ZH0).

### **Office of Risk Management (RK0)**

Under the Mayor's proposed Fiscal Year 2018 budget for ORM, the agency's operating budget is \$3,964,691 with 37.0 Full Time Employees (FTEs). The proposed Fiscal Year 2018 budget, as compared to the approved Fiscal Year 2017 budget, represents a net decrease of



\$8,704 (-0.2%) with the addition of one (1) FTE to the agency's operating budget. Of the \_\_\_\_\_ was provided to maintain Current Services Funding Level (CSFL) to account for adjustments to fringe benefit costs. In addition, \$15,628 was provided for projected salary step increases. The balance was provided to the agency to hire FTEs to meet its mission of efficient risk identification, insurance analysis, and support to District agencies. The new positions will be divided among agency programs to include: three (3.0) FTEs to meet the needs of the Risk Prevention and Safety Division, which will support the agency's efforts to better protect our workers with Occupational Safety and Health inspections; three (3.0) dedicated FTEs to appropriately staff our Risk Insurance Division, which will allow ORM to improve our insurance procedures and review contracts more efficiently; three (3.0) FTEs will be committed to the Subrogation Task Force managed under the Tort Liability Division to increase subrogation recoveries and to analyze trends while mitigating potential risks based on data collection for the Workers' Compensation Program and Tort Liability Division. The ultimate objective is to reduce overall taxpayer expenditures and fully collect on damages and losses expended by the District which resulted from a third party's actions; and finally two (2.0) FTEs will support our Workers' Compensation program, specifically the Return-To-Work Program that provides career connections, workforce training, and returns injured workers back to work in a modified or full duty capacity.

### **Captive Insurance Agency (RJ0)**

The Captive Insurance Agency (RJ0) Fiscal Year 2018 budget is \$2,320,321. The proposed Fiscal Year 2018 budget, as compared to the approved Fiscal Year 2017 budget represents a net increase of \$12,198 (0.5%) with two (2.0) FTEs to the agency's operating



budget. The fund increase reflects the annual cost of property insurance for District government real property assets and the two (2.0) new FTE positions to administer the Captive's insurance activities and to provide insurance advice regarding District procurements. Please note that \$3,000,000 of RJ0's budget is dedicated to underwriting the medical malpractice insurance for qualified non-profit health centers in the District that serve primarily those who cannot afford medical treatment elsewhere.

### **Employee Compensation Fund (BG0)**

The proposed Fiscal Year 2018 budget for the Employee's Compensation Fund (BG0) is \$21,708,502; this represents a net increase of \$187,500 (0.9%) as compared to the approved Fiscal Year 2017 budget. The increase will support D.C. Law 21-39, also known as the Injured Worker Fair Pay Amendment Act of 2015, which requires that Public Workers' Compensation Program (PSWCP) participants receive increases in benefit payments commensurate with any District employee salary scale across the board increases. Those enrolled in the Public Workers' Compensation Program are District employees who are receiving Worker's Compensation due to an injury sustained while on duty.

As mentioned in March before this Committee, ORM published a Notice of Proposed Rulemaking to repeal and replace the existing workers' compensation regulations. Concurrent with the proposed rulemaking, ORM adopted several sections of the proposed rules by emergency to provide, amongst other things, a transparent and uniform process for calculating workers' compensation indemnity benefits in preparation for the Program's transition to PeopleSoft as the new PSWCP benefits payment platform. The proposed rules improve transparency by creating a uniform process for how claims are filed and setting objective



standards for how medical evidence is evaluated, how and when notices are issued, and how benefits are calculated. The proposed regulations also set a medical fee schedule and expressly lay out the responsibilities and obligations of medical providers who provide service to injured workers. The existing regulations provided for only a general administrative framework and were prone to inconsistent implementation. The proposed regulations combat this problem by setting clear guidance and standards consistent with the authorizing statutes. The objective standards laid out in the proposed regulations make the PSWCP more transparent and benefit injured workers. Injured workers will know exactly what the Program's obligations are and can more readily hold it accountable when it deviates from those standards by way of an appeal to the OAH or Chief Risk Officer, followed by review of the Compensation Review Board/Court of Appeals or D.C. Superior Court, respectively.

Beyond this, the proposed rules also create a standard to hold compensation benefits recipients to account for their continued entitlement to indemnity benefits through medical evidence. The Program's data shows that its medical to indemnity expense ratio greatly deviates from a 1:1 national average, with approximately 90 % of all payments being made for indemnity wage replacement, and only 10 % towards medical expenses. The data evidences the existing regulations' failure to implement an efficient process to manage compensation claims that correlates indemnity payments to medical evidence and actual injury. The changes in the proposed rulemaking will bring the administration of claims more in line with best practices elsewhere in the country and ensure that injured workers obtain the care they need.

As a side note related to the PSWCP, I would also like to mention that during the Fiscal Year the District finally settled the Jones Class Action suit, a case pending since 2007,



concerning cost-of-living adjustments (COLAs) for District employees, who were part of collective bargaining units.

### **Settlements and Judgments Fund (ZH0)**

The Settlements and Judgments Fund will have no proposed changes as compared to the approved Fiscal Year 2016 budget in the amount of \$21,292,448. The Fund is responsible for addressing litigation and pre-litigation against the District government and at present the budget is sufficient for its purposes.

### **Conclusion**

ORM looks forward to continuing its mission of reducing and mitigating risk by working with the other agencies in the District government, interested members of the public, and this Committee and the Council to ensure that mission is met. Thank you, Committee Chairperson Silverman and Committee members, for allowing me the time to testify on the above four budget chapters. ORM looks forward to your support and partnership as we continue our efforts in fulfilling our mission. At this time, I am available to answer any questions you may have on our budget.

