

Advice to city: Rethink disability

Health costs - A firm says Portland would save millions by shifting police and fire to state workers' compensation

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Outside consultants hired by the city to examine the Portland police and fire disability system are recommending that Portland move its public safety personnel into Oregon's workers' compensation system.

In a preliminary report to be shared with the City Council today, the consultants said the switch would save the city millions of dollars in administrative costs, allow professionals to evaluate claims and bring the city's police and firefighter disability system in line with others across the country.

"Workers' compensation has the accountability that will hold up to public scrutiny if you're going to be spending public funds," said Maria Henderson, a partner with the Colorado-based firm Health and Disability Management Solutions.

Although the shift would require a charter change approved by voters, the firm recommended the city also take immediate steps to get injured officers and firefighters back to work sooner and institute preventive measures in the police and fire bureaus to reduce injuries.

The disability program, part of an \$87 million-a-year fund that also pays police and firefighter pensions, came under scrutiny in a two-part series in The Oregonian in July. The newspaper found that lax rules and generous benefits pushed the city's disability costs far above the average for police and firefighters elsewhere in Oregon. It also showed that the system --which costs the average Portland homeowner \$373 a year in property taxes -- creates little financial incentive for City Hall to shrink disability rolls and help return injured police and firefighters to work.

By November, the consultants will release a final report to the Independent Review Committee, a citizen group tasked with recommending reforms to the City Council by the end of the year.

The citizen committee is still conducting background research on the Portland Fire and Police Disability and Retirement Fund and has not debated the consultants' findings, said Jeff Furnish, committee chairman.

Yet the consultants' initial report already has raised concerns among some fire and police bureau members who want to retain control of police and firefighter benefits.

"The guys I work with are going to be scared to death," said Bob Lemon, a Portland firefighter and fund trustee.

The consultants suggest the city set a cutoff date by which any future disability claims would then be handled under the state workers' compensation system, instead of keeping all current employees under the city fund and only placing new hires in the state system. If not, cost-savings won't be realized for 10 years, the consultants said.

Fund staff cautioned that a cutoff date could cause a "filing frenzy" of claims to the fund before the deadline, and the split in how claims are handled might spark lawsuits. But city attorneys said they believe applying the new system to only future claims would stand up in court.

Today, the fund spends \$2.4 million a year in administrative costs to manage disability claims, which isn't practical when another city bureau is capably managing claims for all other city employees, the consultants said.

The consultants said one of the biggest problems with the fund, which has administered most Portland police and firefighter disability claims since voters created it in 1948, is its board of trustees. In marked contrast to the state system's professional staff who accept or deny claims, the fund's trustees are police,

firefighters and city officials who have no clinical background, case management or vocational rehabilitation experience, they said.

"The fundamental flaw is that the board is making the decisions," said Michael Neal, one of the consultants.

They said the state workers' compensation system also does a better job of managing cases, containing costs and trying to get injured workers back to their jobs, rehabilitated or trained for other employment.

Henderson said "it's kind of laughable" that the fund waits a year after officers or firefighters have been on disability to initiate discussions about vocational rehabilitation. Most systems start as soon as a doctor determines the workers will have permanent limitations that will keep them from returning to their regular jobs.

While the police and fire unions fear that the state workers' compensation system is more apt to deny claims, the consultants said their review of five years of claims showed the state compensation denial rates are within industry norms.

Further, the consultants reported that seriously or catastrophically injured police and firefighters would benefit under the workers' compensation system. Medical coverage for the injuries that led to their claims would be covered indefinitely. Portland police and firefighters now collecting disability benefits from the fund may lose their health insurance coverage after two years on disability.

Public safety personnel under workers' compensation also would get preference to fill other city jobs if they were capable of returning to work but couldn't return to their prior jobs.

The consultants said the city, though, should take the following steps now to get injured public safety personnel back to work faster:

Assign a qualified staff person to serve as a return-to-work coordinator and set up a team to track progress.

Design a process to get as many officers and firefighters unable to return to their regular jobs but capable of employment into other bureau or city jobs.

Lastly, the firm challenged the city to have senior managers work together to protect injured police and firefighters who are in need but to also contain costs. Currently, the city charter precludes the fund from helping prevent injuries, and the police and fire bureaus have no incentive to get injured workers back to their jobs because money for the disability benefits doesn't come out of their budgets.

"Everybody is kind of working in their own silo," Henderson said. "We're not seeing a synergy."

The citizen committee also hired actuarial consultant Milliman Inc. to study the long-term costs of paying the retirement benefits of newly hired officers and firefighters, rather than continuing the pay-as-you-go taxpayer-funded system. It found that the costs would inch up for about 32 years, but then sharply decline. The council work session on the consultants' preliminary report and the citizen committee's progress will be held at 9:30 a.m. in council chambers.