



ANTONIO R. VILLARAIGOSA
MAYOR

November 8, 2005

Honorable Members of the Los Angeles City Council
c/o City Clerk
Room 395, City Hall
Los Angeles, CA 90012

Re: Alternative Dispute Resolution (ADR) for Workers Compensation Disputes

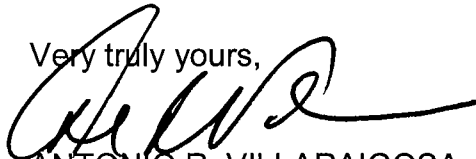
Honorable Members:

Last year, the City spent over \$9 million on attorney costs alone litigating workers' compensation claims. In addition, the City lost hundreds of hours of productivity while these claims were disputed. Fortunately, a recent amendment to the California Labor Code (Section 3201.7) allows employers and unions to create pilot programs for alternative dispute resolution (ADR) regarding workers' compensation disputes.

The Personnel Department and the Service Employees International Union (SEIU) Local 347 have developed a one-year ADR pilot program that will allow injured workers to use ADR services (e.g. ombudsman, mediation and arbitration). Under the program, the Personnel Department, SEIU and an ADR service provider will work together to: (1) reduce litigation, (2) improve claim resolution times, (3) reduce workers' compensation claim costs, and (4) increase injured workers' satisfaction.

I would appreciate your immediate consideration and approval of this important project.

Very truly yours,



ANTONIO R. VILLARAIGOSA
Mayor

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REPORT
FROM



THE PERSONNEL
DEPARTMENT

TO: The Honorable City Council (Personnel and Budget and Finance Committee)	DATE: November 2, 2005
REFERENCE:	COUNCIL FILE:
SUBJECT: ALTERNATIVE DISPUTE RESOLUTION (ADR) PILOT PROGRAM – REQUEST FOR AUTHORITY TO RELEASE A REQUEST FOR PROPOSALS	

Recommendation:

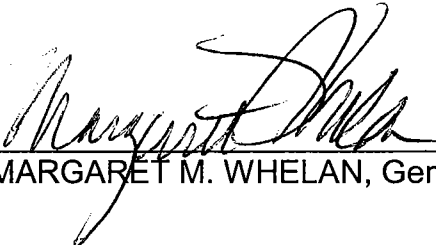
1. Authorize the General Manager of the Personnel Department to release a Request for Proposal and negotiate and execute a contract for a one-year pilot Alternative Dispute Resolution Program for the workers' compensation program, subject to the City Attorney review as to form and legality.
2. Authorize the Controller to transfer up to \$300,000 from Human Resources Benefits, Fund 100/61 WC Benefits Account 9910 to Personnel Department Fund 100/66, Contractual Services Account 0304.

Background:

Senate Bill 899, (Labor Code Section 3201.7) passed in April of 2004 provides employers the option of entering into a labor-management agreement for an alternative dispute resolution (ADR) program to govern disputes regarding workers' compensation benefits between employees and employers. This option was previously available only to employers and employees in the construction industry, where the program is similar and very effective in reducing costs and ensuring employee satisfaction.

The City and Service Employees International Union (SEIU) Local 347 have been working to develop a one-year pilot program under which injured employees can utilize certain ADR services, including the following: ombudsman, mediation, arbitration. The goals of the pilot program are as follows:

1. Reduce litigation
2. Improve claim resolution time
3. Reduce workers' compensation claim costs
4. Increase injured workers' satisfaction


MARGARET M. WHELAN, General Manager

SEIU represents 6,957 City employees. During the 2003-2004 fiscal year, medical and indemnity benefit expenditures for SEIU represented employees totaled \$6.4 million and \$1.5 million respectively which accounts for 4.6% of the City's total expenditures in these areas, in addition to \$377,200 in outside counsel costs. If this one-year pilot program is successful, the City may, under separate RFP, pursue a broader and perhaps Citywide program for its entire workers' compensation program on which approximately \$130 million is expended annually for medical, indemnity, temporary total disability, and expenses.

The selected ADR contractor will work with the City and SEIU to apply to the State for approval of its ADR program, design and organize ADR services, market the program to SEIU employees, and provide training to City and SEIU staff. The contractor will provide the services of an ombudsman, mediators, and arbitrators. At the conclusion of the one-year pilot program the contractor will provide an evaluation of the pilot program, a component of which will be a closing report identifying savings in order to determine if a broader program is justified. This evaluation will include how the pilot program performed in reducing litigation, improving claims resolution time, reducing workers' compensation claim costs, and increasing injured workers' satisfaction, as well as quantifying the City's savings. The closing report shall also include notification to the City of any trends the ombudsmen finds in quality of care, frequency in type or location of accidents within a department, etc. This report will be subject to validation by the City Administrative Office and/or the Personnel Department.

All SEIU employees will participate in this program. This program does not in any way diminish the entitlement of these employees to workers' compensation benefits and does not deny employees the right to representation by counsel at all stages of the alternative dispute resolution process. Additionally, ADR decisions are subject to the same appeals processes as non-ADR cases, including but not limited to, review by the Workers' Compensation Appeals Board. The success of the program is expected to result largely from employees' perception that they do not need to rely on legal representation to obtain their fair workers' compensation benefits and that the alternative, as provided by the ADR system, will ensure that their rights and benefits are protected. It is expected that the reduction in reliance on legal representation will increase the percentage of benefits that go directly to the claimant.

Fiscal Impact:

Preliminary estimates indicate that a one-year pilot program would cost approximately \$120,000 on a flat fee schedule. Funding is available in the Human Resource Benefits budget for Fiscal Year 2005-06.