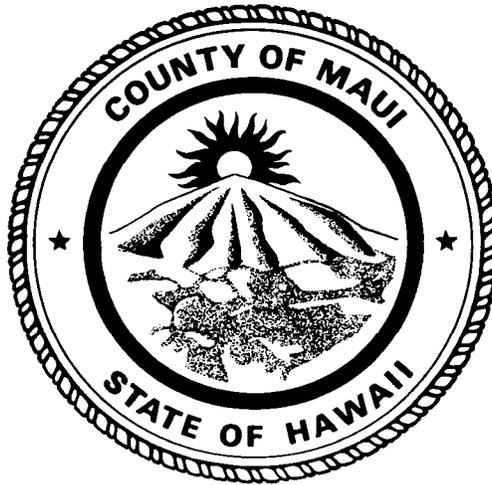


# **COUNTY OF MAUI**



## **COST OF GOVERNMENT COMMISSION**

### **COMPLIANCE LOSSES AND RISK MANAGEMENT PRACTICES IN MAUI COUNTY**

**November 2018**

# **COST OF GOVERNMENT COMMISSION COUNTY OF MAUI**

## **Compliance Losses and Risk Management Practices in Maui County**

**November 2018**

*The Commission shall have the power and duty to:*

*Study and investigate the organizations and methods of operations of all departments, commissions, boards, offices, and other instrumentality of all branches of the county government and determine what changes, if any, may be desirable to accomplish the policy set forth herein.<sup>1</sup>*

Paul Kailiponi, Chair  
Sharron Courter, Vice Chair<sup>2</sup>  
Noemi Barbadillo, Member  
Bonnie DeRose, Member  
Paula Heiskell, Member  
Stanford Lantias, Member  
Barbara Mattson, Member<sup>3</sup>

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<sup>1</sup> Charter, County of Maui, Section 3-9.3 (2017 Edition)

<sup>2</sup> Sharon Courter began her term as Vice Chair in June 2018. Former Commissioner Bradley Bunn served as Vice Chair from February 2017 – March 2018.

<sup>3</sup> Other individuals who served as Commissioners during the 2017 – 2018 term included Bobbie Patnode, Dale Thompson, and John Watling.

# COST OF GOVERNMENT COMMISSION

## Compliance Losses and Risk Management Practices in Maui County

### I. INTRODUCTION

The Cost of Government Commission (“COGC” or “Commission”) was created in 1976. In its final report dated February 19, 1976, the Charter Commission stated, “The Cost of Government Commission would provide a cyclical review of cost and efficiency of the both the legislative and executive branches of County government. The [Charter] Commission believes that this Commission [COGC], if adopted, will be one of the first of its kind in local government.”<sup>1</sup>

A Charter amendment establishing the Office of the County Auditor (“OCA”) in 2012 states the Commission “shall be advisory to the county auditor.”<sup>2</sup> According to the County Charter, the purpose of the Commission is to “[s]tudy and investigate the organizations and methods of operations of all departments, commissions, boards, offices, and other instrumentality of all branches of the county government and determine what changes, if any, may be desirable to accomplish the policy set forth herein.”<sup>3</sup> These responsibilities correspond to the County’s policy “to promote economy, efficiency and improved service in the transaction of the public business in the legislative and executive branches of the county.”<sup>4</sup> The Commission develops an annual report that outlines avenues through which economy and efficiency can be established through policy or operational change.

The Commission is made up of nine (9) volunteers with various educational and employment backgrounds. The cumulative wisdom and experience of its members are notable and, collectively, the commissioners have dedicated their time and knowledge to improving Maui County. Unfortunately, the Commission has limited time and resources, which precludes a full examination of these complex and difficult subjects. Nonetheless, the Commission believes its recommendations should be a catalyst for more in-depth discussions and a foundation for the development of legislation and improved processes and/or policies on the subject investigated.

The Commission encourages the Mayor and the Maui County Council to implement policies that will continue to give taxpayers the best value for their money. Best management practices are strongly recommended to increase systemic efficiencies while reducing uneconomical or wasteful expenditures. The Mayor and the Maui County Council should

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<sup>1</sup> Report of the Maui County Charter Commission, p. 5 (1976), located at [http://mauicharterarchive.org/pdf/COM\\_76\\_760219\\_REP\\_Final\\_Report.pdf](http://mauicharterarchive.org/pdf/COM_76_760219_REP_Final_Report.pdf) (accessed on Sept. 6, 2018).

<sup>2</sup> Charter, County of Maui, Sections 3-9.1, 3-9.3 (2017 Edition), located at <https://www.mauicounty.gov/DocumentCenter/View/83827/Charter-2017-Edition?bidId=> (accessed on Sept. 6, 2018).

<sup>3</sup> Id., Section 3-9.3(1).

<sup>4</sup> Id., Section 3-9.

collaborate to improve government processes, increase efficient implementation of these processes and policies, and balance spending against the efficiency of the provided service. The Commission endorses sound methodologies of analysis that are transparent and evidence based. The Commission acknowledges the need for involvement of all stakeholders to these issues (e.g. government sector, private sector, public) so that all viewpoints are considered in any analysis.

The Commission encourages the Mayor and the Maui County Council to review and consider the Commission's findings and recommendations in this report.

## II. EXECUTIVE SUMMARY

Risk management policies are vitally important for large organizations in limiting the liability of that organization against workplace and compliance litigation. Apart from protecting the organization against potential litigation, risk management policies protect the safety and well-being of employees.

In 2016, the Cost of Government Commission decided to evaluate compliance losses and risk management practices of Maui County. This topic was chosen as a result of commissioner expertise and the existence of a positive working relationship between the Commission and County departments tasked with managing operational risks.<sup>5</sup>

During its 2017–2018 term, the Commission continued its investigation into Maui County's risk management policies and operations, with the Commission subsequently narrowing its focus to two areas: (1) Maui County's total incident rate for reportable injuries from the four departments identified as having the highest risk exposures by Sedgwick, the firm contracted by the County to manage the worker's compensation, auto, and general liability insurance programs; and (2) an evaluation of the benefits to Maui County of adopting a behavior-based safety program with an emphasis on incident prevention. As part of the investigation, comparisons to national standards and industry peer groups were made with the total incident reporting received for four selected Maui County departments for Fiscal Years 2014, 2015 and 2016.<sup>6</sup>

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<sup>5</sup> It is important to make the distinction between operational risk related to the continuing day-to-day activities of County employees and financial risk management related to portfolio management of County assets. This report will deal exclusively with operational risk management.

<sup>6</sup> By letter dated July 25, 2018, the Department of the Corporation Counsel provided additional total incident reporting figures for Fiscal Years 2017 and 2018. See Exhibit C, p. 3.

## A. FINDINGS

1. Maui County has an opportunity to improve its safety programs and can achieve cost savings by reducing the frequency and severity of incidents.
2. Safety programs that achieve consistently low injury/incident rates include behavior-based safety (BBS) with an emphasis on prevention as components in their programs.
3. Behavior-based safety policies produce a positive rate of return on the cost of their program by reducing the frequency and severity of incidents as well as associated cost of claims/incident management and lost productivity. The reduction in human costs also provides incalculable benefits to local families and individual employees.
4. Marginal reductions in workplace incidents can result in cost savings of approximately \$250,000. Reductions in new claims to national standards can result in savings of over \$1 million per year.

## B. RECOMMENDATIONS

Based on the findings summarized above, the Commission offers the following recommendations.

1. Incorporate preserving the safety and health of employees as a core value and as an integral part of the County's culture and process through a set of "guiding principles" that prioritize preventative actions and accountability.
2. Develop and implement safety and health roles and responsibilities for every level in the County, including senior leadership, department managers, safety managers, supervisors, and employees.
3. Work with Sedgwick to identify additional resources, including a third-party safety consulting company/consultant, to support the adoption and implementation of a behavior-based safety program as an additional component of the County's current safety and health program.
4. Implement a dashboard of measurement metrics, which includes metrics such as total incident rate (TIR) and incident severity. These metrics should be updated at least monthly, published throughout the departments, and used as a performance measure within the departments and by the Administration and County Council.

### III. BACKGROUND

The topic of operational risk management was one that resonated with the members of the Commission who had experiences in industries with elevated levels of occupational risk. Due to this mixture of industry experience, interest in the topic, and possibilities for substantive operational efficiency gains, the Commission felt that the topic merited a formal investigation. In order to investigate the role played by risk management in the County, the Commission initially spoke with Corporation Counsel Patrick Wong and Risk Manager Lydia Toda.<sup>7</sup>

Mr. Wong provided the Commission with access to the 2016<sup>8</sup> and 2017<sup>9</sup> Sedgwick Stewardship Reports and to risk officers within Corporation Counsel. Sedgwick is a claims management company contracted to manage the worker's compensation, auto, and general liability insurance programs for the County of Maui. As part of its services, Sedgwick prepares an annual summary or stewardship report of current activity with a three-year trail. The data in the reports is valued to coincide with the County's fiscal year which ends on June 30 of each year. Maui County transitioned to Sedgwick as its insurance program manager effective April 1, 2015, so only two reports were available for the Commission to review.

Commissioners Bradley Bunn and John Watling took responsibility for the investigation and began by consulting the Sedgwick reports to identify opportunities for improvement within Maui County. Between recommendations found in the Sedgwick reports and discussions with risk management professionals in Corporation Counsel, the focus of the investigation narrowed to evaluating the total incident rate information received for four selected Departments and to determining how the County could best realize the significant opportunities for improvement identified by Sedgwick through adoption of a behavior-based safety program with an emphasis on incident prevention.

The four departments selected for further investigation were the Departments of Water Supply, Public Works, Parks and Recreation, and Environmental Management. The departments were selected based on recommendations included in the Sedgwick Reports, as well as the elevated occupational risk encountered within these departments due to the mixture of tasks performed by its employees.

An initial set of questions was distributed to the four selected departments. These questions attempted to better understand the context of risk management practices within each selected department as well as gather objective data to compare occupational risk outcomes in these departments.

In addition, Total Incident Rate (TIR) data was provided by both Corporation Counsel and the four departments studied. This objective occupational safety data was then compared with national risk

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<sup>7</sup> Cost of Government Commission Meeting Minutes (Sept. 8, 2016), pp. 2–3, located at <https://www.mauicounty.gov/ArchiveCenter/ViewFile/Item/22272> (accessed on April 9, 2018).

<sup>8</sup> County of Maui, 2016 Sedgwick Stewardship Report, presented by Glenn Betts and Kurt Sibayan (March 16, 2016). See Exhibit A.

<sup>9</sup> County of Maui, 2017 Sedgwick Stewardship Report, presented by Kurt Sibayan (May 8, 2017). See Exhibit B.

rates to assess the amount of improvement possible within each department and by extension the rest of the County.

Behavior Based Safety (BBS) was identified as a standard of practice that focuses on a culture of safety and has a proven track record of improving occupational safety measures in many different industries. The goal of BBS is to reduce the number of workplace injuries by convincing people that “the best course of action, both on and off the job, is to adopt the safest behaviors available to them because that is meaningful to them, their co-workers, their families, and their companies.”<sup>10</sup> A movement towards a culture of safety can lead to sustained improvements in occupational safety and reduce risk to the County of Maui. While the financial savings of improved occupational safety can result in significant savings, the most beneficial outcome of BBS is realized by individuals and families who work in an increasingly safe environment and avoid tragic workplace events.

Provisional risk-related savings from the adoption of BBS practices as a component of a safety program that emphasizes prevention was then assessed for Maui County. The projected savings were based on the assumption that incorporating BBS as part of the safety program would be distributed across all Maui County departments. By estimating the marginal savings from BBS, County officials can make decisions concerning the appropriate amount of money that can be spent on additional safety measures.

The Commission’s report<sup>11</sup> is broken down into the following sections:

1. Workplace Safety, Behavior-Based Safety, and Benchmarking
  - a. History of workplace safety
  - b. Development of behavior-based safety
  - c. Components of behavior-based safety programs
  - d. Accepted measurement benchmarks
  - e. Behavior-based safety programs — benefits and costs
2. Workplace Safety in Maui County
  - a. Comparison of selected Maui County Departments to accepted measurement benchmarks
  - b. Potential savings to Maui County through a preventive safety program that includes behavior-based safety as a component
3. Findings and Recommendations

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<sup>10</sup> Mike Caro, CUSP, “Behavior-Based Safety: What’s the Verdict?” Incident Prevention Magazine (Oct. 16, 2014), p. 1, located at <https://incident-prevention.com/ip-articles/behavior-based-safety-what-s-the-verdict> (accessed on April 9, 2018).

<sup>11</sup> On July 10, 2018, the Commission sent a copy of its draft report to the following County departments: Corporation Counsel, Environmental Management, Parks and Recreation, Public Works, and Water Supply. The Commission received responses from all departments except for Parks and Recreation. The responses can be found in their entirety at the end of the report. See Exhibits C – F. Footnotes are also used within this report to identify department responses related to that specific report section.

## IV. WORKPLACE SAFETY, BEHAVIOR-BASED SAFETY, AND BENCHMARKING

### A. HISTORY OF WORKPLACE SAFETY

The history of workplace safety in the United States began during the era of industrialization, which occurred between the Civil War and World War I. The U.S. Department of Labor's website page on Government Regulation of Workers' Safety and Health, 1877-1917, contains the following summary of this period.

The initial pressure for government remedies came primarily from labor groups. Investigations by state labor bureaus of dangers to workers' safety and health helped fuel a successful drive by labor for state factory acts in the industrial North, beginning with the Massachusetts Factory Act of 1877. The system of factory inspection that evolved produced significant improvements in the workplace. After 1900, middle- and upper-class Progressives added their support to the movement for government regulation of workers' safety and health. These reformers sought to overcome shortcomings that had developed in factory legislation and enforcement. They also introduced the twin innovations of workers' compensation and administrative rule making by industrial commissions. Complementing these new public initiatives, many corporations established voluntary safety programs. In addition, industrial health received special scientific and public attention in the Progressive period and was the subject of several government and private investigations.<sup>12</sup>

The years between World War I and World War II saw a reduction in worker fatalities and improvements in worker safety. Tighter labor markets meant fewer new employees who were more likely to get hurt, and changes in technology led to improved safety. Collectively, these factors helped to reduce manufacturing injury rates by about 38 percent between 1926 and 1939.<sup>13</sup>

When the Golden Gate Bridge Construction Project began construction on January 5, 1933, industry had come to expect one death for every million dollars spent on a project.<sup>14</sup> However, Joseph Straus, the Project's Chief Engineer, insisted on a rigid code of safety, supported by the latest safety innovations. Straus was determined to not accept fatalities as just a normal part of business and the Golden Gate Construction Project was the first to enforce safe behavior and the use of safety equipment with the threat of dismissal.<sup>15</sup> Eleven workers still lost their lives during the project, including 10 who died after a portion of scaffold

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<sup>12</sup> Judson MacLaury, "Government Regulation of Workers' Safety and Health, 1877-1917," located at <https://www.dol.gov/general/aboutdol/history/mono-regsafetintrotoc> (accessed on May 29, 2018).

<sup>13</sup> Mark Aldrich, "History of Workplace Safety in the United States, 1880-1970," Economic History Association, EH.Net's Encyclopedia of Economic and Business History, p. 4, located at <http://eh.net/encyclopedia/history-of-workplace-safety-in-the-united-states-1880-1970/> (accessed on April 9, 2018).

<sup>14</sup> "Cheating Death: Worker Safety During Construction," located at <http://goldengatebridge.org/research/CheatingDeath.php> (accessed on May 6, 2018).

<sup>15</sup> *Id.* (citing Stephen Cassady, "Spanning the Gate" (p. 104)).

fell through the safety net and into the water. However, without the net and other strict requirements, that number would have been much higher.<sup>16</sup>

During World War II, economic growth and rapid turnover in the labor market contributed to an increase in worker injuries. After World War II, however, labor unions increased their role in improving working conditions, so injury and death rates began to decline. With economic expansion of the 1960s, injury rates again began to rise, but mounting political pressure led to the passage of the Occupational Safety and Health Act and the creation of the Occupational Safety and Health Administration (OSHA) in 1970.<sup>17</sup>

## B. DEVELOPMENT OF BEHAVIOR-BASED SAFETY

At the same time that OSHA was in its infancy in the 1970s, industry began to consider how behavioral science could improve business production and efficiency, thereby increasing profitability. As companies saw some financial success, they began considering whether behavioral theories could also influence workplace safety. This led to the creation of behavior-based safety (BBS) as a concept in the modern workplace. By the mid-1990s, there was a significant boost in the number of companies implementing BBS. The theory and practice of BBS continues to the present day.<sup>18</sup>

The goal of behavior-based safety is to reduce the number of workplace injuries by convincing people that “the best course of action, both on and off the job, is to adopt the safest behaviors available to them because that is meaningful to them, their co-workers, their families, and their companies.”<sup>19</sup> Two of the early developers of BBS, E. Scott Geller and Thomas R. Krause, define it as “focus[ing] on what people do, analyz[ing] why they do it, and then apply[ing] a research- supported intervention strategy to improve what people do . . . in order to reduce [worker] injuries.”<sup>20</sup>

Behavior-based safety has evolved over time to become an integrated model that includes employees, management, and ownership in the overall process, and focuses on improving safety behavior through the creation of a safety culture. The implementation of a BBS system, however, is easier said than done. Successfully integrating BBS policies requires a high level of cooperation and commitment on the part of all employees and should be guided by sound management and consistent regulations. When implemented properly as part of an organization’s overall values, BBS is a proven method in reducing the incidence of injury and improving safety.<sup>21</sup>

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<sup>16</sup> Id.

<sup>17</sup> Aldrich, supra note 13, p. 5.

<sup>18</sup> Caro, supra note 10, p. 1.

<sup>19</sup> Id.

<sup>20</sup> Id.

<sup>21</sup> Id., p. 2.

The concluding section of the article, “Behavior-Based Safety: What’s the Verdict?” by Mike Caro is very instructive:

BBS has been around for more than 30 years. That kind of longevity in the safety world is rare and typically indicates that a system is working. That would certainly seem to be the case with BBS. It is not a magic spell that will suddenly make all of a company’s safety woes disappear, nor is it designed to be. Criticisms of the system can be well founded if the system is not installed correctly and handled by knowledgeable, experienced practitioners. In BBS systems in which reinforcement is given in the form of rewards and prizes, a great deal of caution must be exercised. Incentive programs that focus on giving employees tangible items for being safe – usually translated as not having any injuries – can quickly drive down incident reporting and create a culture that encourages hiding injuries. That is a recipe for disaster from both regulatory and ethical standpoints.

The hard data that has been collected over the years provides evidence that BBS is effective at reducing injuries and the associated injury rates. The behavioral principles upon which it is founded are sound and time-tested. Large, well-respected companies continue to devote sizable resources to the development and maintenance of BBS systems. All of this collectively points to a successful, fruitful, dependable methodology that gets results. The company that decides to implement a BBS system at their site, however, must remember a truth that is echoed by some of the early designers: BBS must never be instituted in a vacuum. The company must use it as part of a robust overall program that will reinforce and be reinforced by the BBS system. When used as an integrated part of the overall whole, BBS can and should help any company improve safety.<sup>22</sup>

### C. COMPONENTS OF BEHAVIOR-BASED SAFETY PROGRAMS

To be effective, behavior-based safety (BBS) programs rely on certain components. Jim Spigener and Rebecca Fisher of Behavior Science Technology, Inc., have identified four steps to assess and improve what they call the “working interface”: (1) identifying critical behaviors; (2) gathering data, (3) providing ongoing feedback, and (4) removing barriers.<sup>23</sup>

**Identifying critical behaviors** — In this step, a steering team reviews a representative selection of the site’s incident reports looking for the behaviors critical to safe performance. It’s common for the team to discover 20-35 behaviors that are implicated in 90-95% of recent incidents. Wage-roll team members, who are most familiar with the daily risks of the job, will sometimes

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<sup>22</sup> Id., p. 3.

<sup>23</sup> Rebecca Fisher & Jim Spigener, “The Behavior-Based Solution to Safety Improvements,” EC&M Magazine (June 16, 2003), p. 4, located at <http://www.ecmweb.com/contractor/behavior-based-solution-safety-improvement-0> (accessed on April 9, 2018).

identify additional behaviors that may not be implicated in incident reports but that they know to be critical to worker safety. Committee members then define each of the identified behaviors in operational terms and categorize them for inclusion in a data sheet.

**Gathering data** — Trained observers use the data sheet to measure the level of exposure to risk in the workplace. The operational definitions not only provide an objective measure of safe performance, they help foster a new common vocabulary for safety. While many sites train supervisors in behavior-based observation procedures, the observer corps at most sites is made up primarily of wage-roll personnel who perform regular observations of their peers, after which they provide performance feedback.

**Providing ongoing feedback** — After gathering data, observers have informal discussions with their co-workers about the safe and at-risk behaviors they observed. The observer points out the places where the employee was performing safely—providing success feedback—and tries to discover the reasons behind any observed at-risk behaviors. The observer records co-worker suggestions—without recording the employee’s name—and ideas about barriers to safe work. Data recorded in the observation is then analyzed by computer software. Posted reports and charts of workgroup performance provide additional ongoing feedback.

**Removing barriers** — Perhaps most critical to improving the working interface, barrier removal uses observation data to target those areas where workers are exposed to risk. The steering team uses the observers’ written comments to identify the number and kinds of remedies needed. Keeping in mind that the pool of exposure comprises three categories of behavior—enabled, non-enabled, and difficult — the BBS steering team can tailor interventions appropriately. In the case of enabled behaviors, or those that are easily within the control of the worker, the team may rely on ongoing feedback or training sessions to increase the occurrence of safe behavior. In the case of non-enabled, or those that are impossible for the worker to perform, and difficult, or those that require extra effort, the team will work with management to remove barriers in systems or equipment that are exposing workers to risk.<sup>24</sup>

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<sup>24</sup> Id., pp. 4–5.

Successful BBS initiatives engage all levels of the organization in safety support and success, including front-line employees, supervisors and team leaders, and senior leaders and management. Fisher and Spigener explain:

**Front-line employees** — In many organizations, BBS offers the first real opportunity for front-line employees to contribute to safety. Typically front-line employees are responsible for running the process, from conducting observations to running meetings to data analysis and action plan completion. Successful organizations ensure that key individuals have adequate training for their role. This training typically consists of interaction skills and behavior-based principles for observers and more specific time management and organization skills for team facilitators.

**Supervisors and team leaders** — Supervisors have the most influence over day-to-day activities that affect performance outcomes. While some sites do allow supervisors to conduct observations, most have supervisors take a supporting role, providing work coverage so employees can conduct observations, and assisting in barrier removal action plans. Some organizations are providing supervisors and team leaders with training in performance management skills to help them work with employees to meet overall safety objectives.

**Senior leaders and managers** — Research shows that one of the most critical factors in the success of BBS is leadership. Through what they choose to focus on and how they go about doing the things they do, leaders telegraph what's really important to the organization. Typically not engaged in on-the-floor observations or barrier removal, senior leaders can still set the stage for BBS success by fostering a healthy organizational culture. Site managers can get more directly involved by becoming process champions or by helping with action plans to remove barriers to safe behavior. Many leaders and managers are also engaging in directed coaching that helps them leverage their actions for optimum effect throughout the organization.<sup>25</sup>

#### D. ACCEPTED MEASUREMENT BENCHMARKS

OSHA has established specific mathematic calculations that enable any company to report their recordable incident rates, lost time rates, and severity rates, so that they are comparable across any industry or group. The standard base rate for the calculations is based on a rate of 200,000 labor hours. This number (200,000) equates to 100 employees, who work 40 hours per week, and who work 50 weeks per year. Using this standardized base rate, any company can calculate their rate(s) and get a percentage per 100 employees.<sup>26</sup>

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<sup>25</sup> Id., pp. 5–6.

<sup>26</sup> New Mexico Mutual, “Formulas for Calculating Rates,” located at [http://www.nmmcc.com/wp-content/uploads/FORMULAS\\_for\\_CALCULATING\\_RATES1.pdf](http://www.nmmcc.com/wp-content/uploads/FORMULAS_for_CALCULATING_RATES1.pdf) (accessed on May 29, 2018).

Incident rates, of various types, are used throughout industry. Rates are indications only of past performance (lagging indicators) and are not indications of what will happen in the future performance of the company (leading indicators). Incident rates have been standardized, so that OSHA and other regulatory agencies can compare statistically significant data and determine where industries may need additional program assistance. OSHA uses the recordable incident rates to determine how different classifications of companies (e.g., manufacturing, food processing, textiles, machine shops) compare with each other with regard to past safety performance. Although OSHA could potentially use this data for enforcement action, unless incident rates are consistently high for a small company over a number of years, they do not normally target particular industries or companies for enforcement action.<sup>27</sup>

In 2004, the American Society of Safety Engineers held a two-day symposium that focused on defining “world class safety.” One of the symposium speakers, Dr. James Stewart, was featured in an article reviewing the event.

Of all the speakers in New Orleans, Dr. Stewart was most specific about defining world class status in workplace safety. You need exceptional numbers, backed by exceptional, meticulous recordkeeping, he said.

Specifically, your lost-workday incidence frequency should be less than 0.1 per 200,000 hours worked. Your total recordable incident frequency should be less than 0.7. And your off-the-job lost-workday incidence rate should be lower than 0.5.

‘Most companies are amazed at how good the rates are of world class companies,’ said Dr. Stewart. In researching the best of the best, Dr. Stewart studied five Canadian companies with an LWIF average of 0.008 over a five-year period.

Keep in mind in 2002, U.S. industry averaged a total recordable rate of 5.3 and a lost-workday rate of 2.8.<sup>28</sup>

As noted above, the average U.S. industry recordable injury rate in 2002 was 5.3. This rate steadily improved over the next decade and, by 2016, it had fallen to 2.9 per 100 workers.<sup>29</sup> These improvements illustrate the movement of industry towards more rigorous standards of safety across all injuries.

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<sup>27</sup> Id. See also <http://www.newmexicomutual.com/employers/safety/calculating-rates/> (accessed on May 29, 2018).

<sup>28</sup> Dave Johnson, “World Class,” Industrial Safety & Hygiene News (April 2, 2004), p. 1, located at <https://www.ishn.com/articles/82296-world-class> (accessed on June 7, 2018).

<sup>29</sup> U.S. Department of Labor, Bureau of Labor Statistics, News Release, “Employer-Reported Workplace Injuries and Illnesses – 2016,” USDL-17-1482 (Nov. 9, 2017), p. 1, located at [https://www.bls.gov/news.release/archives/osh\\_11092017.pdf](https://www.bls.gov/news.release/archives/osh_11092017.pdf) (accessed on June 7, 2018).

## E. BEHAVIOR-BASED SAFETY PROGRAMS – BENEFITS AND COSTS

The human toll and impact on people’s lives resulting from a lack of a commitment to worker safety are immeasurable and extend well beyond any financial impacts.<sup>30</sup> It is much easier to quantify an organization’s safety performance and in turn its commitment to safety. As cold and calculating as measuring the costs of injuries may seem, there is a strong argument to be made that identifying these costs will make the business case for safety investments that will save real lives while still contributing to the bottom line.

In 2002, the Department of Energy issued a draft report on behavior-based safety (BBS) and found that incorporating BBS at its facilities resulted not only in a significant improvement in measurable safety and performance, but also monetary savings with large positive return on investment.<sup>31</sup> In 2002, the Lawrence-Berkeley National Laboratory initiated a BBS program at a cost of \$230,000 with the goal of significantly lowering occupational risk and producing savings through a reduction in workers’ compensation and associated management costs. The laboratory reported a payback period in savings within one year (7.2 months) of initiating the program. At the time of reporting, the BBS program had resulted in a net value of \$648,000 in loss prevention savings, half of which came from lower outlays in workers’ compensation. The BBS program initiated by Lawrence-Berkeley National Laboratory included a combination of team-based coaching, training curriculum, software tracking/benchmarking and consultancy<sup>32</sup> These findings indicate that effective training and data management can lead to substantive improvements in safety for an organization that can result in savings within a short time period.

A second example of successful BBS implementation is the Westinghouse Savannah River Company. In 1996, the Westinghouse Savannah River Company initiated a series of BBS initiatives to lower the total recordable case rate within its organization of approximately 250 workers. Within six years of BBS implementation, the company had decreased its total recordable rate from 2.44 to 0.2, resulting in a savings of over \$200,000.<sup>33</sup>

The human and monetary benefits of adopting a vigorous safety program are not limited to the federal sector. In 1982, OSHA created the Voluntary Protection Program (VPP), which is a safety and health program that a business can choose to join.<sup>34</sup> The goal of VPP is to

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<sup>30</sup> National Safety Council, “Journey to Safety Excellence: The Business Case for Investment in Safety – A Guide for Executives,” (2013), p. 4, located at <https://www.nsc.org/Portals/0/Documents/JSEWorkplaceDocuments/Journey-to-Safety-Excellence-Safety-Business-Case-Executives.pdf> (accessed on June 7, 2018).

<sup>31</sup> U.S. Department of Energy, “Department of Energy Behavior-Based Safety Process; Volume 1: Summary of Behavior Based Safety,” DOE Handbook (Nov. 18, 2002), located at <http://www.oshatrain.org/pdf/doebbs.pdf> (accessed on May 30, 2018).

<sup>32</sup> *Id.*, Appendix C (Site Experiences), Part A, p. 32.

<sup>33</sup> *Id.*, Appendix C (Site Experiences), Part B, p. 33.

<sup>34</sup> U.S. Department of Labor, Occupational Safety and Health Administration, “All About VPP,” located at [https://www.osha.gov/dcsp/vpp/all\\_about\\_vpp.html](https://www.osha.gov/dcsp/vpp/all_about_vpp.html) (accessed on May 29, 2018).

maintain injury and illness rates to one that is below overall federal injury rates reported annually. The average VPP worksite has an “injury with days away” rate that is 52% below the average for its industry.<sup>35</sup> According to OSHA, “[W]orkplaces that establish safety and health management systems can reduce their injury and illness costs by 20 to 40 percent. In today’s business environment, these costs can be the difference between operating in the black and running in the red.”<sup>36</sup>

An OSHA study showed how Ritrama lowered its workers' compensation premiums with a good safety and health program. The entire company saw benefits, including insurance premium decreases of \$44,000 over a three-year period, an increase in average sales of 7.5%, and decreased manufacturing waste of approximately \$2.25 million over a four-year period.<sup>37</sup> Similarly, Lockheed Martin’s maritime systems facility joined OSHA’s Voluntary Protection Program in 1999 and experienced a 75% decrease (\$740,000 down to \$188,869) in worker’s compensation costs over a one-year period.<sup>38</sup>

The above cases show both the financial impact of adopting BBS standards as well as the improvement in the safety of workers. The cases also show that the financial costs associated with implementing many of these programs can be recouped and ultimately lead to significant savings for the organization. Substantive reductions in recordable cases due to the adoption of BBS is also relevant to the protection and well-being of a vital workforce to both public and private entities.

An example from the public sector and good analogue for the County of Maui is the Beaufort Jasper Water and Sewer District Safety Project that “successfully navigated from the ‘swamp’ of worker injuries and failed programs, to ‘excellence.’”<sup>39</sup> The EPA Water Research Foundation summarizes the success of the Beaufort Jasper safety program:

The [safety and health] program at Beaufort Jasper . . . achieved the milestone of 1,000,000 man hours without worker injury and . . . implemented exemplary practices such as root causes analysis of near miss incidences. Over the course of [the] project it became evident that many water utilities [did] not include safety and health considerations in the

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<sup>35</sup> U.S. Department of Labor, Occupational Safety and Health Administration, “Success Stories,” located at [https://www.osha.gov/dcsp/vpp/success\\_stories.html](https://www.osha.gov/dcsp/vpp/success_stories.html) (accessed on May 29, 2018).

<sup>36</sup> U.S. Department of Labor, Occupational Safety and Health Administration, “Safety and Health Add Value,” located at <https://www.osha.gov/Publications/safety-health-addvalue.html> (accessed on May 29, 2018).

<sup>37</sup> U.S. Department of Labor, Occupational Safety and Health Administration, “Ritrama Invests in Safety and Improves its Bottom Line,” located at [https://www.osha.gov/dcsp/success\\_stories/compliance\\_assistance/gac\\_case\\_study.html](https://www.osha.gov/dcsp/success_stories/compliance_assistance/gac_case_study.html) (accessed on May 29, 2018).

<sup>38</sup> U.S. Department of Labor, Occupational Safety and Health Administration, “Safety and Health a Priority at VPP Lockheed Martin Sites Result in Lower Injury and Illness Rates and Higher Worker Compensation Savings,” located at [https://www.osha.gov/dcsp/success\\_stories/vpp/reg2\\_ss\\_lockheedmartin.html](https://www.osha.gov/dcsp/success_stories/vpp/reg2_ss_lockheedmartin.html) (accessed on May 29, 2018).

<sup>39</sup> John Borowski & Paul Adams, “Water Utility Safety and Health: Review of Best Practices,” Water Research Foundation (2010), p. 37, located at <https://docplayer.net/15843293-Water-utility-safety-and-health-review-of-best-practices.html> (accessed on June 7, 2018).

development of strategic plans or capital improvement plans and therefore did not take stock of the importance of safety and health performance and the value of its improvement over time. Close examination of the events, hazard controls, and celebrations that marked milestones in the Beaufort Jasper [safety project] reveal the importance of leadership in initiating actions, elevating the visibility and importance of safety performance, and providing the resources required to sustain continuous improvement.<sup>40</sup>

The National Safety Council's White Paper "A Journey to Safety Excellence," published in 2013, does an excellent job reinforcing the business case for investing in safety.<sup>41</sup> According to the report, employers paid nearly \$1 billion per week in 2010 for direct workers compensation costs for the most disabling workplace injuries and illnesses. By contrast, each prevented lost-time injury or illness saves \$37,000, and each avoided occupational fatality saves \$1.39 million. In addition, over 60% of CFOs reported that each \$1 invested in injury prevention returned \$2 or more, and over 40% said productivity was the greatest benefit of an effective workplace safety program.<sup>42</sup> Although just a tiny snapshot, the figures above demonstrate why decisionmakers at the highest levels need to understand that investing in health and safety make sense.

According to numerous case studies<sup>43</sup> of BBS adoption:

- Best practices safety programs that incorporate behavior-based safety (BBS) achieved significantly lower incident and severity of rates, resulting in positive rates of return on program cost through the significant reduction in both economic cost and human cost.
- Best practice benchmarks of total incident rates (TIR) below one (1) have been achieved across the spectrum of private, public, local, state and federal entities.
- Entities that successfully implement best practices in their safety program often realize higher overall operational performance and efficiency.

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<sup>40</sup> Id.

<sup>41</sup> National Safety Council, supra note 30.

<sup>42</sup> Id., p. 2.

<sup>43</sup> Id. See also U.S. Department of Energy, supra note 31, pp. 4–6.

## V. WORKPLACE SAFETY IN MAUI COUNTY

### A. COMPARISON OF SELECT MAUI COUNTY DEPARTMENTS

The benchmarking process can be used to assess occupational safety outcomes and identify opportunities to reduce injury and the associated liability to the County. The Commission worked with the County’s Risk Management Division to gather Total Incident Rate (TIR) information for four County departments: Public Works (DPW); Parks and Recreation (DPR); Water Supply (DWS); and Environmental Management (DEM) for Fiscal Years 2014, 2015, and 2016.<sup>44</sup> The Commission focused on these departments because they were identified by Sedgwick as consistently reporting a large number of recordable injuries. Tables 1 – 4 below list the TIRs for each of the departments studied. The last column of each table (“National TIR”) has been added by the Commission to provide a point of comparison for national incident averages for similar work. National TIR codes were selected based on reference notes located in the annual OSHA tables.<sup>45</sup> In cases where a department’s work was not directly referenced in the table, a choice was made by the Commission that focused on the single primary activity of the department. Further refinement of national TIR data to department responsibilities should be undertaken to improve benchmarking figure comparisons.

**Table 1 – Recordable Incident Rate - Department of Public Works (DPW)**

Fiscal Year	Total Recordable Claims	Total Hours Worked	Total Incident Rate (TIR)	National TIR <sup>46</sup>
2014	12	430,390	5.6	8.6
2015	17	419,181	8.1	8.0
2016	14	424,669	6.6	9.1

<sup>44</sup> By letter dated July 25, 2018, the Department of the Corporation Counsel provided additional total incident reporting figures for Fiscal Years 2017 and 2018. See Exhibit C, p. 3. In addition, the Department of Environmental Management provided comment regarding the difference between reporting by calendar year, as done in this report, and reporting according to the fiscal year. See Exhibit D, p. 1.

<sup>45</sup> See U.S. Department of Labor, Bureau of Labor Statistics, “TABLE 1. Incidence rates of nonfatal occupational injuries and illnesses by industry and case types, 2014,” pp. 26, 30, located at <https://www.bls.gov/iif/oshwc/osh/os/ostb4343.pdf> (accessed on June 7, 2018); U.S. Department of Labor, Bureau of Labor Statistics, “TABLE 1. Incidence rates of nonfatal occupational injuries and illnesses by industry and case types, 2015,” pp. 44, 51, located at <https://www.bls.gov/iif/oshwc/osh/os/ostb4732.pdf> (accessed on June 7, 2018); U.S. Department of Labor, Bureau of Labor Statistics, “TABLE 1. Incidence rates of nonfatal occupational injuries and illnesses by industry and case types, 2016,” pp. located at <https://www.bls.gov/iif/oshsum.htm> (2016 Summary Table 1 (XLS)) (accessed on June 7, 2018).

<sup>46</sup> Based on ‘Construction’ TIR for Local Government in annual OSHA tables. See *supra* note 45.

**Table 2 – Recordable Incident Rate - Department of Parks & Recreation (DPR)**

Fiscal Year	Total Recordable Claims	Total Hours Worked	Total Incident Rate	National TIR <sup>47</sup>
2014	50	475,652	21.0	4.6
2015	36	479,796	15.0	4.5
2016	44	503,816	17.5	4.4

**Table 3 – Recordable Incident Rate - Department of Water Supply (DWS)**

Fiscal Year	Total Recordable Claims	Total Hours Worked	Total Incident Rate	National TIR <sup>48</sup>
2014	22	404,614	10.9	5.5
2015	16	381,901	8.4	7.1
2016	13	349,342	7.4	6.0

**Table 4 – Recordable Incident Rate - Department of Environmental Management (DEM)<sup>49</sup>**

Fiscal Year	Total Recordable Claims	Total Hours Worked	Total Incident Rate	National TIR <sup>50</sup>
2014	29	457,600	12.7	5.1
2015	22	455,520	9.7	4.5
2016	17	463,840	7.3	4.0

According to these tables, incident rates of recordable injuries across the studied departments are higher than national TIR rates, with the exception of the Department of Public Works. The average of the recordable injury rates for FY2016 reported by the four Maui County departments is 9.7 recordable injuries per 100 workers. The benchmark for

<sup>47</sup> Based on 'Landscaping services' TIR in annual OSHA tables. *See supra* note 45.

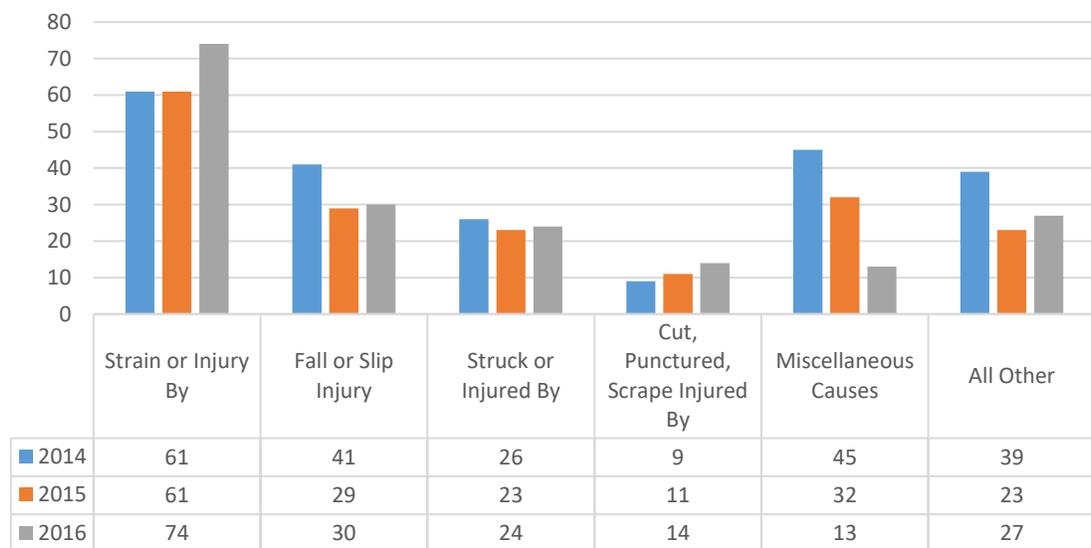
<sup>48</sup> Based on 'Water, sewage and other systems' TIR in annual OSHA tables. *See supra* note 45.

<sup>49</sup> Following its review of the Commission's July draft report, the Department of Environment Management provided a response regarding combining the TIR rates of both divisions in the Department. *See* Exhibit D, p. 1.

<sup>50</sup> Based on 'Waste management and remediation services' TIR in annual OSHA tables. *See supra* note 45.

world class safety is considered by many experts to be .7 recordable injuries per 100 workers. According to national OSHA data, there was an incident rate of 5.0 injuries in the ‘Local Government’ industry for 2016.<sup>51</sup> Cost-saving analyses will use the current incident rate, national average, and world class benchmarks to identify estimated savings through improved safety outcomes. This indicates that there is a significant potential for improvement to lower the incident rate of injury along with its associated costs.

The type of reportable injuries recorded by all Maui County departments is recorded in the Sedgwick Report and detailed in Figure 1 below.<sup>52</sup>

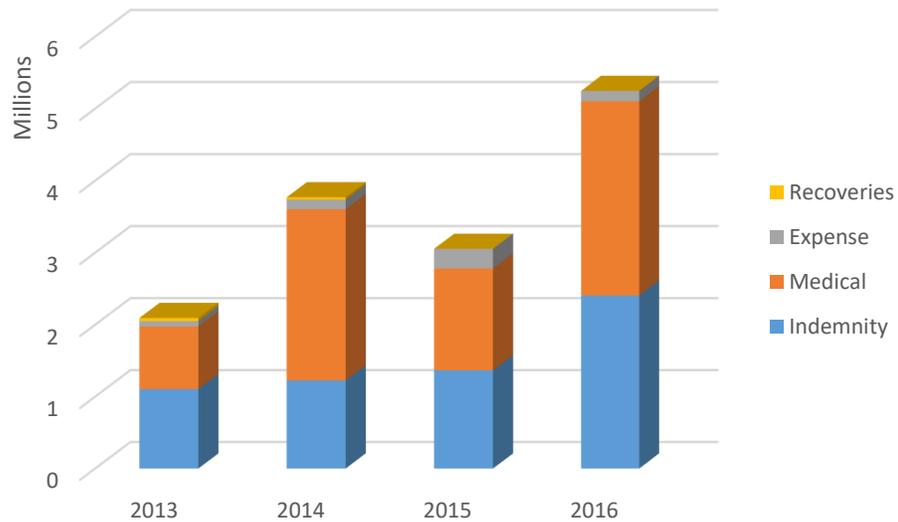


**Figure 1 – Workers’ Compensation – New Claims**

<sup>51</sup> U.S. Department of Labor, Bureau of Labor and Statistics, “2016 Survey of Occupational Injuries & Illnesses Charter Package,” (Nov. 9, 2017), p. 7, located at <https://www.bls.gov/iif/osch0060.pdf> (accessed on June 7, 2018).

<sup>52</sup> County of Maui, 2017 Sedgwick Stewardship Report, *supra* note 9, p. 17

The total workers' compensation costs incurred by Maui County between 2013 and 2016 increased significantly from just under \$2 million in 2013<sup>53</sup> to over \$5 million in 2016,<sup>54</sup> as shown in Figure 2 below.



**Figure 2 – Total Workers' Compensation Costs – Maui County 2013–2016**

The steady rise in overall claim costs, coupled with a reportable incident rate almost twice the national average, indicates that significant cost savings can be achieved through improved safety measures. Cost savings in this analysis is based on estimated savings through a reduction in risk-related claims from the current baseline level to both national averages and best practice. This will provide a realistic range of change possible for Maui County.

The Commission requested additional information from the four departments to learn more about the degree to which best practice measures are used within their departments.

The Commission asked the directors to examine their department's organizational structure, culture, and accountability as related to safety and health performance, and transmitted the following benchmark questions<sup>55</sup> for their consideration:

<sup>53</sup> County of Maui, 2016 Sedgwick Stewardship Report, supra note 8, p. 10.

<sup>54</sup> County of Maui, 2017 Sedgwick Stewardship Report, supra note 9, p. 9.

<sup>55</sup> The benchmark questions were modeled after questions created for water utilities embarking on a benchmarking and best practices process. The statistical information, practices, and procedures detailed in the water utilities report are comparable to the operations of the various departments of Maui County. See Borowski & Adams, supra note 39, p. 38.

1. Does your department track safety and health performance using proactive performance metrics, or does it simply count losses?

If yes, what are your results? For example:

- What is your OSHA recordable rate?
  - How many days away from work?
  - How many days of lost time or restricted duty?
  - How many days without an injury?
2. Do senior managers visibly demonstrate leadership and commitment to safety and health performance?
  3. How are middle and senior leaders held accountable for safety performance of the department?
  4. Is safety and health performance considered in annual performance reviews for all managers and supervisors?
  5. Are safety and health programs audited annually and, if so, do these audits include assessments of safety practices and procedures by operations and maintenance groups?
  6. Do workers or their representatives participate in the development and implementation of safety and health programs?
  7. Has your department committed sufficient staff resources to support safety and health programs, i.e., leadership of skilled safety professional(s)?
  8. Is safety and health integrated into the culture and business processes as a “Business Value”?

Written responses<sup>56</sup> to the questions submitted by the Commission can be found as Exhibits to this report.

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<sup>56</sup> Email from Yassin Oleiwan, Safety Specialist II, Department of Parks and Recreation, to the Cost of Government Commission (February 21, 2017); Letter from Stewart Stant, Director, Department of Environmental Management, to the Cost of Government Commission (March 7, 2017); Letter from Dave Taylor, Director, Department of Water Supply to the Cost of Government Commission (April 12 2017); Letter from David C. Goode, Director of Public Works, to the Cost of Government Commission (August 8, 2017). See Exhibits G – J.

Responses by the various departments provide some context as to safety and health programs that exist within their specific areas of responsibility. According to testimony provided to the Commission by Lydia Toda, Risk Manager with the Department of Corporation Counsel, reporting of health and safety incidents is compiled by her office for review and processing.<sup>57</sup> Some departments have their own safety officers who work directly within their department's chain of command and are charged with making sure their employees are up to speed on safety-related issues. These departments can also ask for assistance from the Risk Management Division.<sup>58</sup>

Ms. Toda stated that incident reports are provided to the Risk Management Division on a daily basis. The Division also monitors loss data to pinpoint areas that need improvement, and will typically have a safety specialist work with the department in a consultative role. A Senior Safety Officer is retained within the Division who will meet with department safety specialists and provide training where necessary.<sup>59</sup>

Because of the specific duties of the Department of Corporation Counsel, a majority of work in Risk Management deals with the management and review of claims stemming from safety and health incidents. Ms. Toda mentioned that most work tended to be reactive, but that she could identify patterns from incident reports that allow them to be more proactive.<sup>60</sup>

Testimony concerning risk and safety operations within a department was also provided by Deputy Director Rowena Dagdag-Andaya and Administrative Officer Nancy Mahi of the Department of Public Works (DPW). They informed the Commission that while safety was an integral part of many managers' roles within the DPW, there was currently no position tasked with direct responsibility over safety. DPW previously had a dedicated safety officer, but the position was moved into the Risk Management Division to serve the greater County. Oversight in DPW was subsequently assigned to the individual division chiefs.

According to Ms. Dagdag-Andaya, DPW performs safety discussions during employee performance evaluations, and occasionally at a staff meeting, but these discussions are usually in reaction to an accident that occurred. Safety training is also discussed in daily morning meetings with Highways Division staff, where employees review situational awareness and potential safety hazards before they leave for the worksite.

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<sup>57</sup> Cost of Government Commission Meeting Minutes, September 8, 2016, pp. 2–3, located at <https://www.mauicounty.gov/ArchiveCenter/ViewFile/Item/22272> (accessed on April 9, 2018).

<sup>58</sup> *Id.* In addition, after reviewing the Commission's draft report in July, the Department of the Corporation Counsel sent a letter to the Commission outlining a number of initiatives aimed at improving reporting and response to risk-related injuries. *See* Exhibit C, p. 2. Similarly, the Department of Water Supply provided a written response concerning health programs its Department has initiated. *See* Exhibit F, p. 1.

<sup>59</sup> *See* Cost of Government Commission Meeting Minutes, *supra* note 57, pp. 2–3.

<sup>60</sup> *Id.*

Perhaps most interesting in the discussion with Ms. Dagdag-Andaya was one centered on the culture of safety that existed within the department. Ms. Dagdag-Andaya stated that she would appreciate a County discussion on what the private sector is doing. She explained that DPW had reached out to Goodfellow Bros. Inc. a few years ago to learn about its Maka'ala safety program. She stated that the County does try to mirror some of what they learned, but the challenge is developing the culture of safety and making sure everyone looks out for each other. Ms. Dagdag-Andaya added that she thought it would be beneficial for the County to have an ad-hoc safety committee that would include the "labor-intensive" departments (i.e., Public Works, Environmental Management, Water Supply, and Parks and Recreation), and involve midlevel supervisors, administrative officers, and risk management.<sup>61</sup>

The written and oral testimony received by the commission illustrates the state of safety culture and procedures in the County. The key components of a BBS program include the development of clear responsibilities at the operational level of an organization and focus throughout the organization on explicit safety standards. This culture of safety is key to improving employee safety and lowering incident rates.

## B. POTENTIAL SAVINGS TO MAUI COUNTY

In Fiscal Year 2016, the total incident rate in Maui County for the four studied departments (DPW, DPR, DWS, DEM) was 9.7 recordable injuries per 100 workers. The County's TIR is well above the incident rates of 5.0, 2.9, and 0.7 for local government, private industries, and best practices (world class safety standards) accordingly. In Fiscal Year 2018, Maui County budgeted in excess of \$12 million for insurance programs and self-insurance. The Commission maintains that by driving down its TIR, Maui County can achieve significant savings in its insurance and self-insurance programs.<sup>62</sup>

The Commission can estimate the marginal savings in risk-related costs for each potential improvement from the actual recordable incident rate to national average or world class safety standards. The first step is to identify actual risk management costs, and the Commission looked to the 2016 and 2017 Sedgwick Reports<sup>63</sup> for this information. Figure 3 below identifies the total risk-related costs for fiscal years 2013–2016.<sup>64</sup>

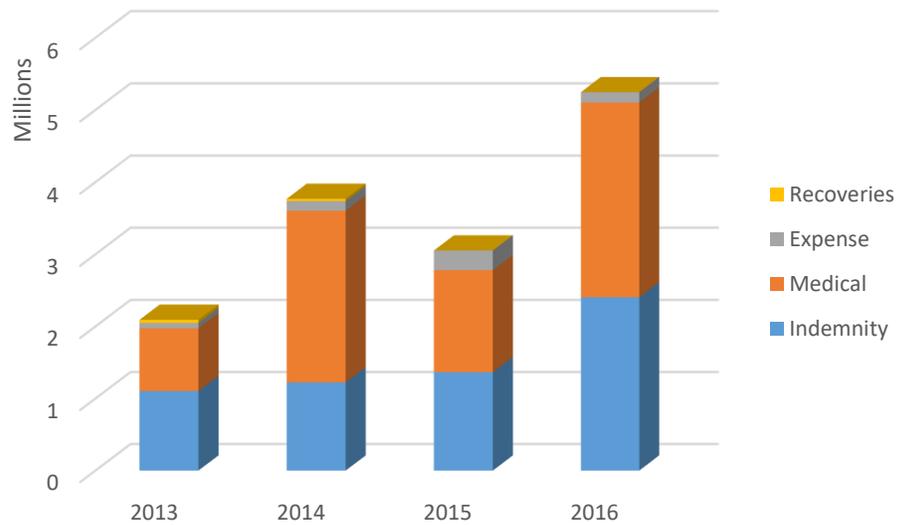
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<sup>61</sup> Cost of Government Commission Minutes Meeting, August 10, 2017, pp. 2–3, located at <https://www.mauicounty.gov/ArchiveCenter/ViewFile/Item/24252> (accessed on April 9, 2018).

<sup>62</sup> In response to its review of the Commission's July draft report, the Corporation Counsel clarified that the County's Excess Workers' Compensation & Employer's Liability insurance is a more accurate representation of insurance cost reductions. See Exhibit C, p. 2.

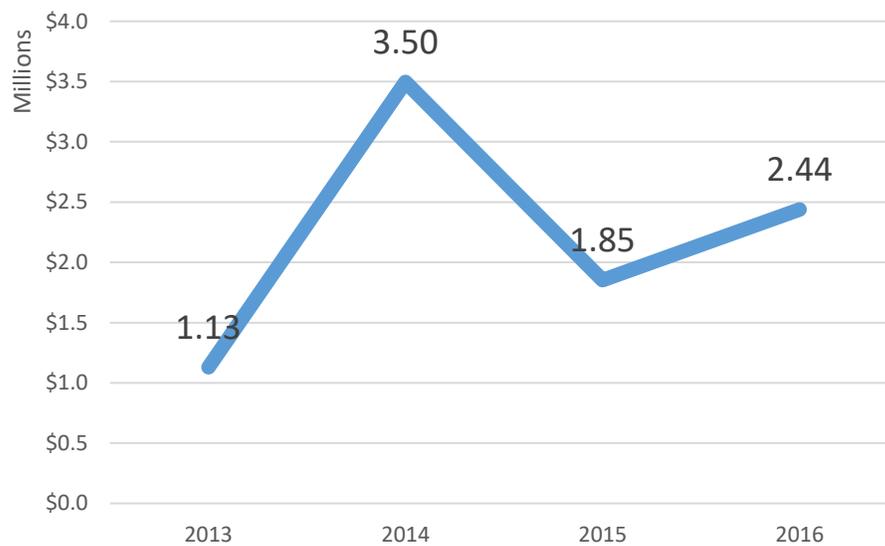
<sup>63</sup> See *supra* notes 8–9.

<sup>64</sup> Note Figure 3 is identical to Figure 2, but repeated for ease of reference.



**Figure 3 – Total Workers' Compensation Costs – Maui County 2013–2016**

According to Figure 3 above, there have been relatively consistent increases to overall costs of workers' compensation over the assessed period of time. Figure 4 below disaggregates the costs to only new claims made throughout each respective fiscal year. This disaggregation was made given that any adoption of new safety practices would only affect new claims and have no effect on existing claims to the County.



**Figure 4 – Costs for New Workers' Compensation Claims – Maui County 2013–2016**

The spike in the costs to new claims shown in 2014 was due to a tragic plane crash in February of 2014. Even with the inclusion of the costs attributed to the tragic 2014 event, total costs for new claims has consistently increased over the studied time period.

Combining the information from Figure 4 with the incident rates across the studied Maui County departments, it is possible to estimate savings due to a reduction in new claims to both the national OSHA average and best practice. The key assumption in estimating cost savings is that the adoption of behavior-based safety practices would lead to consistent savings across different injuries and claim types. Table 5 delineates the potential savings to Maui County for new claims costs at both the national and best practice levels.

**Table 5 – Potential Cost Savings Due to Lower Incident Rates**

	<b>Average Incident Rate</b>	<b>New Claims Costs</b>	<b>Potential Savings Estimate</b>
Actual New Claims (2016)	9.7	\$2,439,025	-----
Local Government	5.0	\$1,257,230*	<b>\$ 1,181,795</b>
Private Industry	2.9	\$729,193*	<b>\$ 1,709,832</b>
Best Practice	0.7	\$176,000*	<b>\$ 2,263,025</b>

\* estimated new claim costs:  
 \$251,446 per incident rate  
 (\$2,439,025/9.7)

One key assumption of this assessment is that the adopted safety standards will result in lower incident rates across all Maui County departments and not just in those that were included in this study.

Table 5 (above) suggests that significant savings in excess of \$1 million per year can be reached by lowering incident rates to national standards. The analysis can also provide estimated marginal savings for any reduction in the average incident rate. According to the information collected, each 1.0 reduction in the average incident rate could potentially save the County approximately \$251,446 a year. These savings represent those achieved through a reduction in risk-related outlays. Savings that would occur due to increased efficiency, reduced disruption, and improved work conditions are not included in the estimated savings.

It is the Commission’s opinion that the savings estimated in Table 5 are a conservative estimate of total savings possible through improved safety programs or the adoption of BBS practices. Workplace safety initiatives, including many of those outlined in cited case studies,<sup>65</sup> that are estimated to reduce total average TIR within the County by as little as 1.0 a year would be cost effective as long as the total costs of those initiatives were less than \$250,000. Due to the significant amount of improvement possible in Maui County between the current TIR rate and both local government and private industry standards, the

<sup>65</sup> See *supra* Section IV.E.

Commission asserts that BBS processes can be adopted at a cost that would result in significant savings to the County in terms of:

- Reductions in risk-related outlays in terms of medical and indemnity costs
- Improvements to efficiency and workplace morale through the adoption of an improved safety culture
- Reductions in human costs of business in Maui County. Ultimately, these initiatives can result in the continued safety of County employees and improved stability to themselves and their families.

## VI. FINDINGS AND RECOMMENDATIONS

### A. FINDINGS

1. Maui County has an opportunity to improve its safety programs and can achieve cost savings by reducing the frequency and severity of incidents.
2. Safety programs that achieve consistently low injury/incident rates include behavior-based safety (BBS) with an emphasis on prevention as components in their programs.<sup>66</sup>
3. Behavior-based safety policies produce a positive rate of return on the cost of their program by reducing the frequency and severity of incidents as well as associated cost of claims/incident management and lost productivity. The reduction in human costs also provides incalculable benefits to local families and individual employees.
4. Marginal reductions in workplace incidents can result in cost savings of approximately \$250,000. Reductions in new claims to national standards can result in savings of over \$1 million per year.

### B. RECOMMENDATIONS

Based on the findings summarized above, the Commission offers the following recommendations.

1. Incorporate preserving the safety and health of employees as a core value and as an integral part of the County's culture and process through a set of "guiding principles" that prioritize preventative actions and accountability.
2. Develop and implement safety and health roles and responsibilities for every level in the County, including senior leadership, department managers, safety managers, supervisors, and employees.<sup>67</sup>

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<sup>66</sup> Following its review of the Commission's July draft report, the Department of the Corporation Counsel provided a response regarding the adoption of BBS guidelines. See Exhibit C, p. 1.

<sup>67</sup> Following its review of the Commission's July draft report, the Department of Water Supply provided a written response concerning the need for funding a new Safety Technician position. See Exhibit F, p. 2. See also Cost of

3. Work with Sedgwick to identify additional resources, including a third-party safety consulting company/consultant, to support the adoption and implementation of a behavior-based safety program as an additional component of the County's current safety and health program.<sup>68</sup>
4. Implement a dashboard of measurement metrics, which includes metrics such as total incident rate (TIR) and incident severity. These metrics should be updated at least monthly, published throughout the departments, and used as a performance measure within the departments and by the Administration and County Council.

## VII. CONCLUSION

Risk management policies are vitally important for large organizations in limiting the liability of that organization against workplace and compliance litigation. Successful risk management policies emphasize incident prevention and the protection, safety and well-being of employees.

Behavior Based Safety (BBS) is a standard of practice that focuses on a culture of safety and has a proven track record of improving occupational safety measures in many different industries. The goal of BBS is to reduce the number of workplace injuries by convincing people that "the best course of action, both on and off the job, is to adopt the safest behaviors available to them because that is meaningful to them, their co-workers, their families, and their companies."<sup>69</sup> A movement towards a culture of safety can lead to sustained improvements in occupational safety and reduce risk to the County of Maui. While the financial savings of improved safety can result in significant savings, the most beneficial outcome of BBS is realized by individuals and families who work in an increasingly safe environment and avoid tragic workplace events. Substantive reductions in recordable cases due to the adoption of BBS is equally relevant to the protection and well-being of a vital workforce of both public and private entities alike.

It is the Commission's opinion that savings through improved safety programs or the adoption of BBS practices can lead to substantive improvements to occupational safety in Maui County. Workplace safety initiatives cited in this report can be the basis for operational change. Due to the potential for significant improvement in Maui County's current TIR rate, as compared to both local government and private industry standards, the Commission asserts that BBS processes can be adopted as an additional component of the County of Maui's safety program and risk management policies at a cost that would result in significant savings to the County.

Ultimately, the adoption of these recommendations can result in the continued safety of County employees and improved stability to themselves and their families.

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Government Commission Meeting Minutes (August 9, 2018), p. 4, located at <https://www.mauicounty.gov/ArchiveCenter/ViewFile/Item/25323> (accessed on September 6, 2018) (oral testimony of Gladys Baisa, Director, Department of Water Supply).

<sup>68</sup> The Department of Environmental Management provided a response expressing concern about hiring an outside consultant. See Exhibit D, p. 2.

<sup>69</sup> Caro, supra note 10, p. 1.

## VIII. ACKNOWLEDGEMENTS

The Commission would like to thank the members of the Arakawa Administration for responding promptly and professionally to the requests for information made by the Commission. The Commission is also thankful for the participation of Managing Director Keith Regan, former Budget Director Lynn Araki-Regan, Personnel Director David Underwood, Energy Commissioner Frederick Redell, and Office of Economic Development Director Teena Rasmussen.

The Commission would also like to thank the members of the Maui County Council who have continued to support and consider the Commission's work.

The Commission also thanks First Deputy the Corporation Counsel Edward Kush and Deputy Corporation Counsel Gary Murai for their guidance, advice, and assistance in ensuring that the Commission is adhering to all matters correctly and efficiently.

The Commission would like to thank John Buck and Mike Molina, who have served as Ex-Officio Members of the Commission. Their time, attention, and assistance in communicating our concerns and questions to the Mayor are greatly appreciated.

The Commission would like to thank former Commission Vice-Chair Bradley Bunn, whose work has been central to this report. He exemplifies public service and care for this community and its workers.

Finally, the Commission would like to extend its appreciation to Shelley Pellegrino, technical writer and consultant to the Commission. Her professional experience, skills, and knowledge of County government have been an extremely important and incredible asset.

**Respectfully Submitted:**

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**PAUL KAILIPONI, CHAIR**  
**2017 – 2018 COMMISSION TERM**

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**DATE**

## **COST OF GOVERNMENT COMMISSION**

### **COMPLIANCE LOSSES & RISK MANAGEMENT PRACTICES IN MAUI COUNTY**

**November 2018**

#### **LIST OF EXHIBITS**

- Exhibit A County of Maui, 2016 Sedgwick Stewardship Report, presented by Glenn Betts and Kurt Sibayan (March 16, 2016)
- Exhibit B County of Maui, 2017 Sedgwick Stewardship Report, presented by Kurt Sibayan (May 8, 2017)
- Exhibit C Letter from Patrick Wong, Corporation Counsel, to Paul Kailiponi, Chair, Cost of Government Commission, Regarding “Cost of Government Commission Draft Report on Compliance Losses and Risk Management” (July 25, 2018)
- Exhibit D Letter from Stewart Stant, Director, Department of Environmental Management, to Paul Kailiponi, Chair, Cost of Government Commission, Regarding “Cost of Government Commission Draft Report on Compliance Losses and Risk Management (July 25, 2018)
- Exhibit E Email from Rowena Dagdag-Andaya, Deputy Director, Department of Public Works, to Shelley Pellegrino, Technical Writer, Cost of Government Commission, Regarding “COGC Draft Report – DPW Review” (July 30, 2018)
- Exhibit F Letter from Gladys C. Baisa, Acting Director, Department of Water Supply, to Paul Kailiponi, Chair, Cost of Government Commission, Regarding “Cost of Government Commission Draft Report on Compliance Losses and Risk Management” (July 25, 2018)
- Exhibit G Email from Yassin Oleiwan, Safety Specialist II, Department of Parks and Recreation, to Shelley Pellegrino, Technical Writer, Cost of Government Commission, Regarding “Compliance Losses and Risk Management Practices – Request for Information from Cost of Government Commission (February 21, 2017)
- Exhibit H Letter from Stewart Stant, Director, Department of Environmental Management, to Commissioners Brad Bunn and John Watling, Cost of Government Commission, Regarding “Compliance Losses and Risk Management Practices” (March 7, 2017)
- Exhibit I Letter from David Taylor, Director, Department of Water Supply, to Commissioners Brad Bunn and John Watling, Cost of Government Commission, Regarding “Compliance Losses and Risk Management Practices (April 12, 2017)
- Exhibit J Letter from David C. Goode, Director, Department of Public Works, to Paul Kailiponi, Chair, Cost of Government Commission, Regarding “Compliance Losses and Risk Management Practices (August 8, 2017)

# Exhibit A

County of Maui, 2016 Sedgwick Stewardship Report,  
presented by Glenn Betts and Kurt Sibayan (March 16, 2016)



Kahului, HI  
March 16, 2016

**Presented by:**  
Glenn Betts and Kurt Sibayan



# 2016 SEDGWICK STEWARDSHIP REPORT



## County of Maui

Lydia Toda

Risk Management Officer

## Sedgwick

Glenn Betts  
Kurt Sibayan

VP Client Services  
Client Services Manager



This executive summary is structured to illustrate the current state of the program, identify changes in the environment that may impact the program, and propose strategies that will assist in meeting County of Maui's organizational objectives.

By design, the analysis herein is provided in a summary format. However, the detail behind the analysis may be accessed from the [Data Set Details](#) section of this presentation or from the secure file transfer upon request.





- **Program implementation 3/1/2015**
- **Workers' Compensation, Auto, GL**
- **Managed Care Services**
  - Sedgwick National Bill Review
  - Pharmacy Management
  - Telephonic Case Management
  - Utilization Review
  - Pharmacy Utilization Review
  - Field Case Management





**This is our initial Stewardship meeting with the County of Maui. The data is valued as of 6/30 so as to coincide with County of Maui's fiscal year. Per County request the financial valuation on a claim level has been capped at \$500k.**

**Services currently provided include, workers' compensation, auto and general liability administration as well as managed care services.**

**The purpose of this meeting will be to present the County of Maui with a 3-year snapshot of program trends. We will provide substantial data and analysis as well as provide the County with areas of opportunity/improvement.**

**Findings that we will discuss include:**

- **Increase in incurred in 2014**
- **Reserve increases necessary in 2015**
- **Decrease in average cost per indemnity claim**
- **Reduction in total paid**



# Achievements



●	Having dedicated adjusters allows for closer monitoring of claim files resulting in more accurate reserves, timelier RTW process, and overall claims management of the file.
●	Audits of the transferred claim files resulted in identifying claim files that were significantly under reserved due to outstanding medical bills and unpaid settlements.
●	Constant communication between the adjusters, Risk Management, and the DPO's has helped with earlier RTW dates resulting in a reduction in TTD costs.
●	Successful Program Transition to Sedgwick as of 4/1/2015
●	Cleared 800 + outstanding bills that were received from AIM's
●	Streamlined travel process for injured workers needing to fly to Oahu.
●	Corrected wage calculation process of prior TPA that was resulting in overpayment of benefits

# Opportunities



Current State	Strategies	Desired State
Low PPO Penetration	Increase PPO utilization through use of clinical consultation	Increase usage by 20%
Significant severity increase by Dept.	Training for PW/EM/P&R	Bring severity in line with other departments.



Data Set – Measurement Definitions				
Data Set	Beginning Range	Ending Range	Measurement Year	Valued “as of” Date
New	7/1/2012	6/30/2013	2013	6/30/2013
	7/1/2013	6/30/2014	2014	6/30/2014
	7/1/2014	6/30/2015	2015	6/30/2015
Pending			2013	6/30/2013
			2014	6/30/2014
			2015	6/30/2015
Closed	7/1/2012	6/30/2013	2013	6/30/2013
	7/1/2013	6/30/2014	2014	6/30/2014
	7/1/2014	6/30/2015	2015	6/30/2015
Payments	7/1/2012	6/30/2013	2013	6/30/2013
	7/1/2013	6/30/2014	2014	6/30/2014
	7/1/2014	6/30/2015	2015	6/30/2015

**Definition:**

- New Claims are Open and Closed Claims with Date of Loss in each measurement period.
- Pending Claims are Claims with Claim Status Open valued as of the end of each Measurement Year.
- Closed Claims are claims with Closed Claim Status and date closed in each measurement period regardless of date of loss.
- Payments are based on Date Paid in each measurement period regardless of which year claims occur.



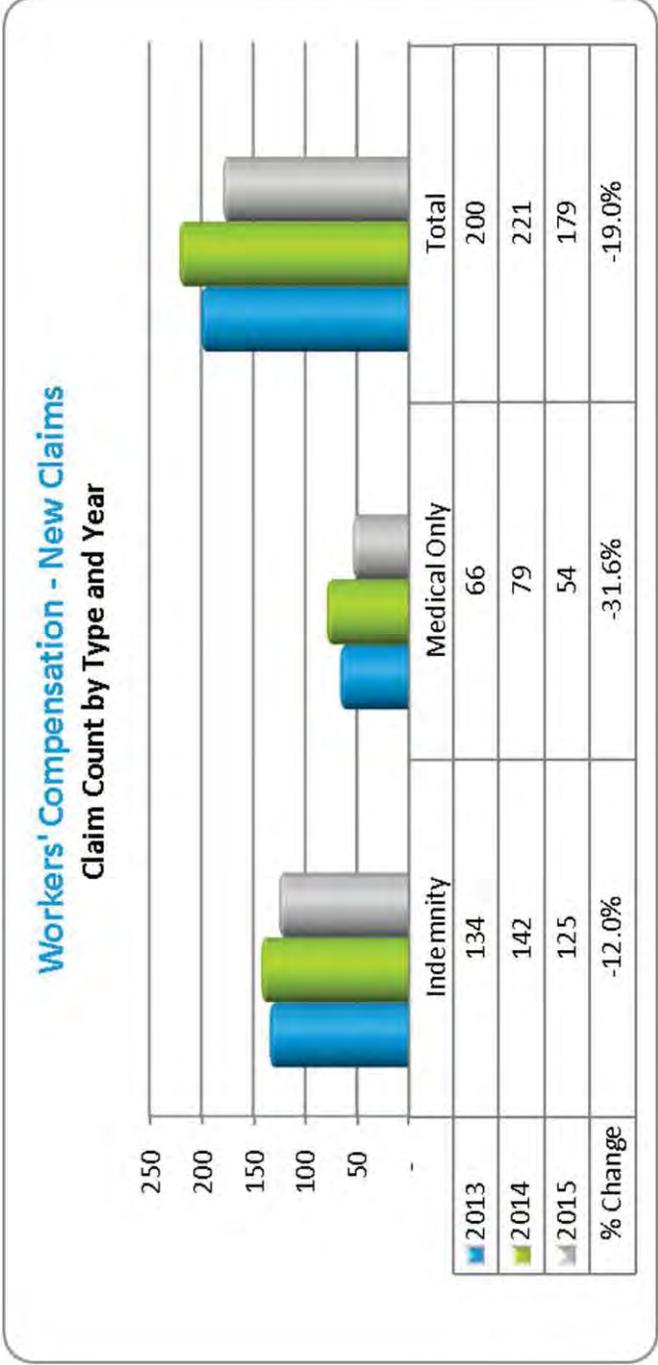
# Workers' Compensation



## Workers' Compensation Summary

	Client Metric	2013	2014	2015	% (-/+)
New Claims	Indemnity Claims	134	142	125	-12.0%
	Total New Claims	200	221	179	-19.0%
	% Indemnity	67.0%	64.3%	69.8%	5.5%
	Average Incurred	\$5,648	\$15,824	\$10,352	-34.6%
Pending Claims	Indemnity Claims	216	219	260	18.7%
	Total Pending Claims	299	265	285	7.5%
	% Indemnity	72.2%	82.6%	91.2%	8.6%
	Average Incurred	\$36,708	\$55,404	\$58,958	6.4%
	Total Incurred w/ Incurred >\$100K	62.1%	66.7%	62.6%	-4.1%
Closed Claims	% Litigated on Indemnity Only	0.9%	0.5%	0.4%	-0.1%
	Indemnity Claims	108	167	104	-37.7%
	Total Closed Claims	128	292	183	-37.3%
	% Indemnity	84.4%	57.2%	56.8%	-0.4%
	Average Paid	\$13,484	\$9,630	\$7,289	-24.3%
	Average Days Open	550	596	354	-40.6%
	Closing Ratio	54.7%	113.2%	90.1%	-23.1%
	Total Paid w/ Paid >\$100K	30.4%	36.4%	32.5%	-3.9%
	% Litigated on Indemnity Only	0.0%	0.6%	0.0%	-0.6%

	Client Metric	2013	2014	2015	% (-/+)
Paid Claims	Total Indemnity Paid	\$1,103,119	\$1,224,936	\$1,365,712	11.5%
	Total Medical Paid	\$872,569	\$2,378,129	\$1,414,902	-40.5%
	Total Expense Paid	\$74,211	\$134,950	\$272,717	102.1%
	Total Recoveries	\$43,186	\$30,869	\$0	-100.0%
	Total Paid	\$2,049,899	\$3,738,015	\$3,053,330	-18.3%
	% Indemnity	53.8%	32.8%	44.7%	11.9%
	% Medical	42.6%	63.6%	46.3%	-17.3%
	% Expense	3.6%	3.6%	8.9%	5.3%



2014 represents increase in claims filed and total incurred. Much of this can be explained by the tragic event resulting in multiple claim filings.

Discuss downward trending of new claims with Risk Management



2014 had three claims with total incurred of \$1 million plus which is an anomaly that is skewing the total incurred for 2014 and 2015.

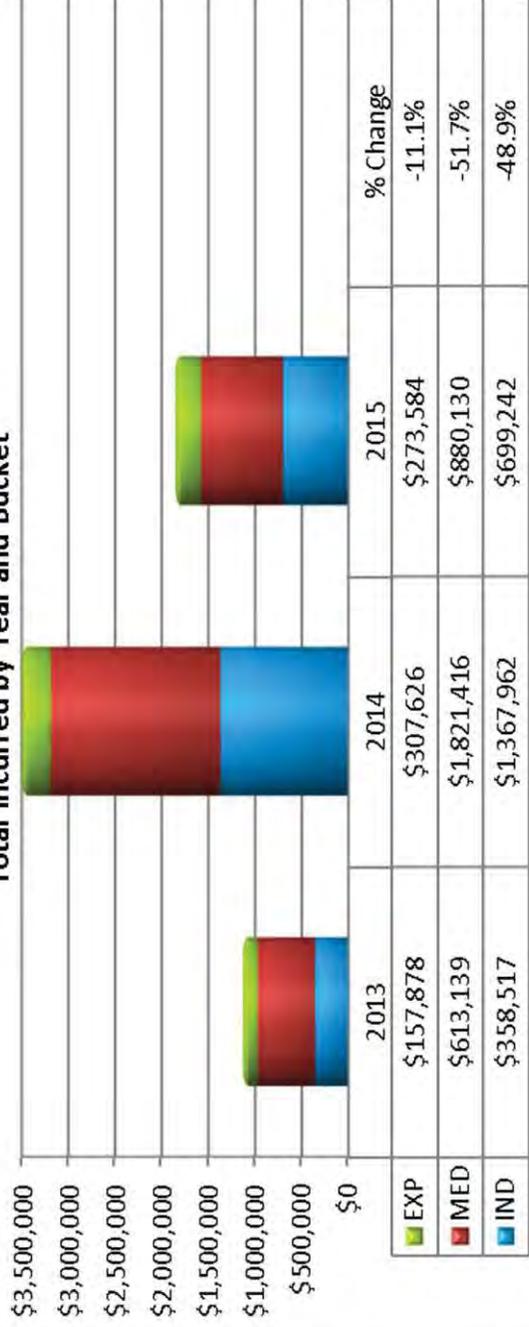
But for the five catastrophic claims in 2014 the total incurred for 2014 would be roughly 14% less than 2015.



**Workers' Compensation - New Claims**  
Total and Average Incurred by Year



**Workers' Compensation - New Claims**  
Total Incurred by Year and Bucket



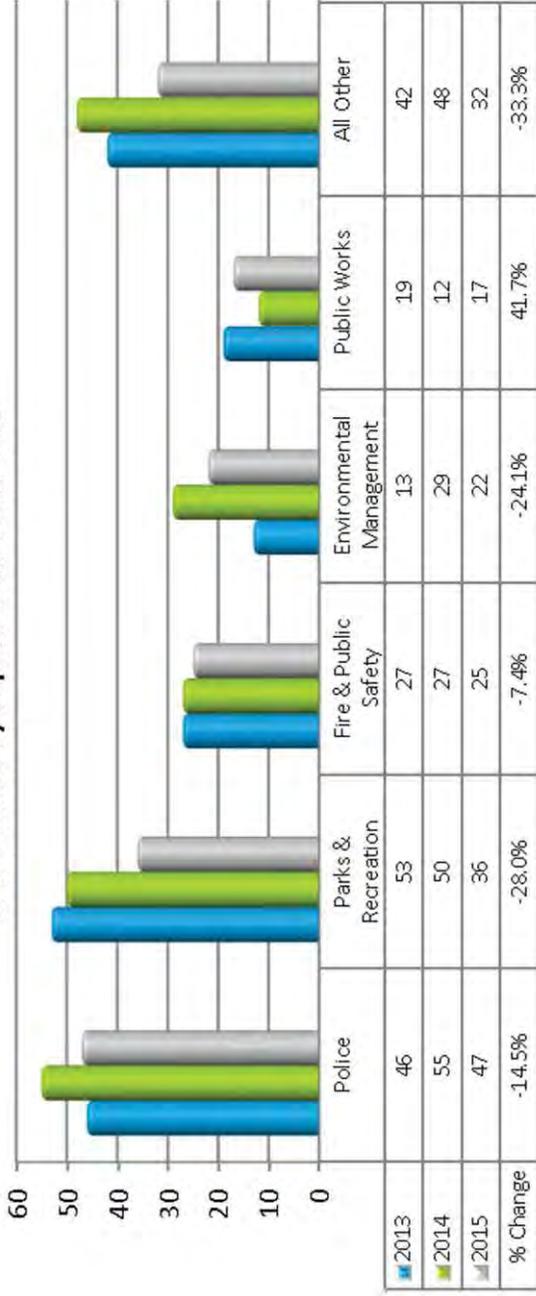


**2014 “all other”**  
 impacted by the  
 catastrophic claims.  
 Identify changes within  
 the Public Works  
 department to account  
 for frequency and  
 severity changes.

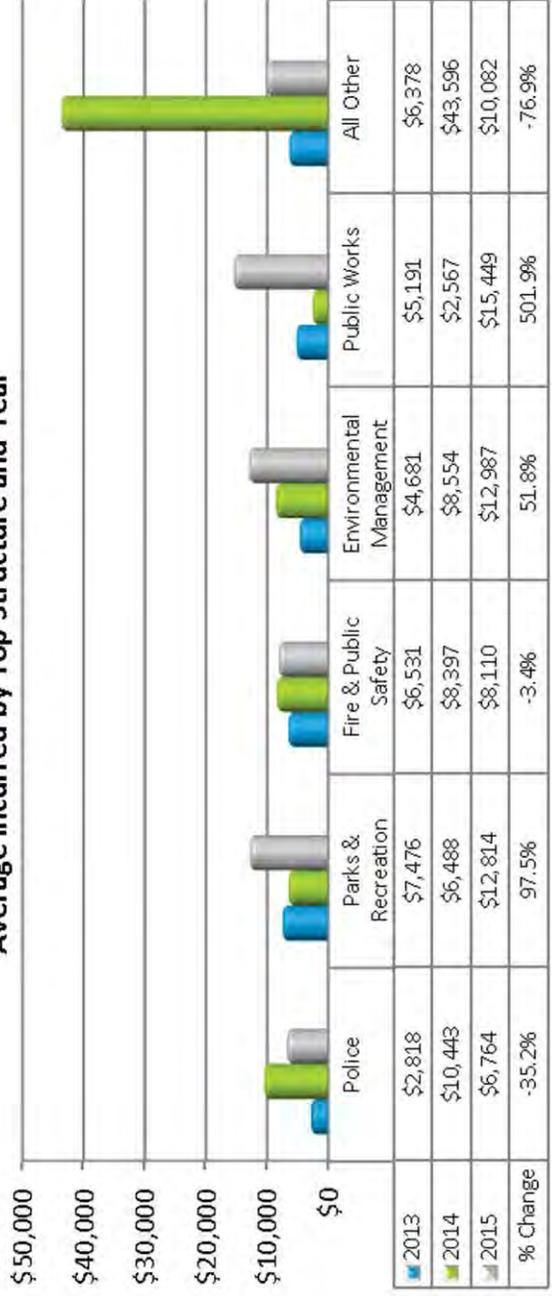
**Parks and Recreation**  
 severity increase of  
 nearly 100% in 2015.

**Training opportunities**  
 for Public Works,  
 Environmental Mgmt.  
 and Public Works

**Workers' Compensation - New Claims**  
**Claim Count by Top Structure and Year**

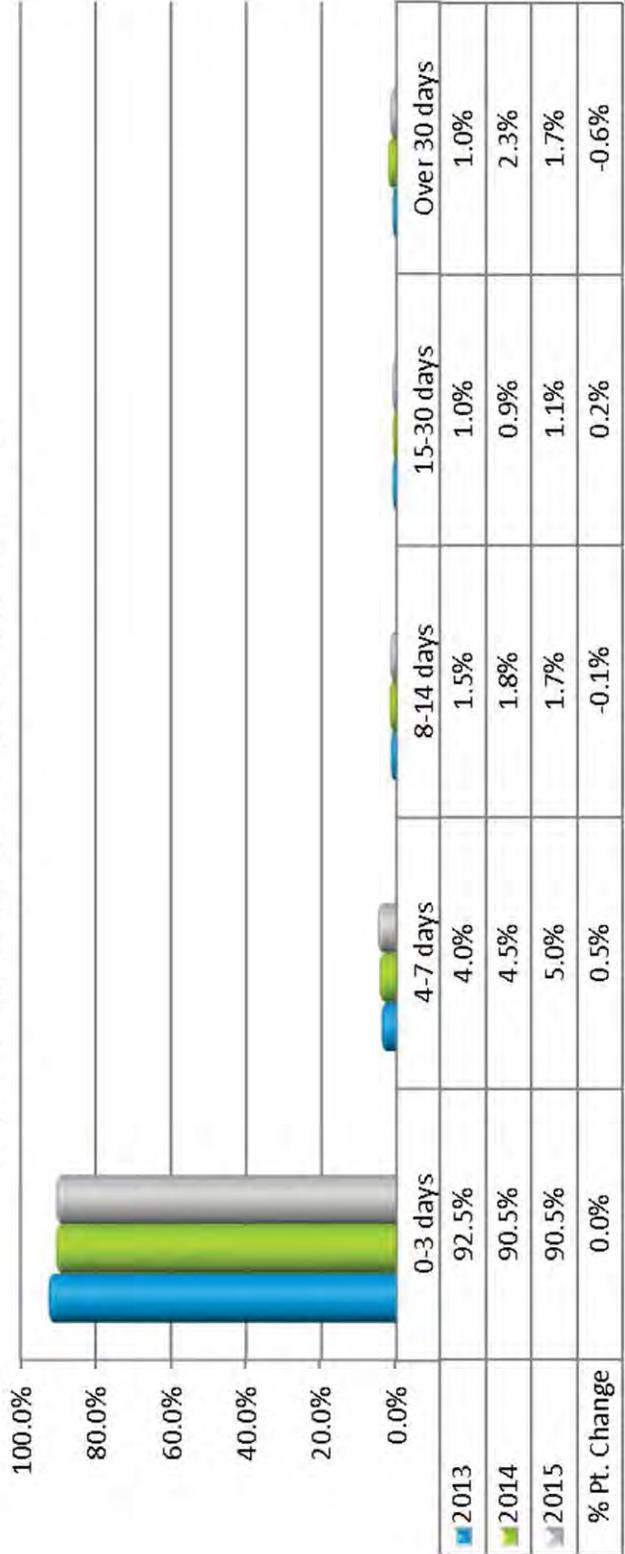


**Workers' Compensation - New Claims**  
**Average Incurred by Top Structure and Year**





**Workers' Compensation - New Claims**  
 % of Total Claims by Lag to Client Stratification and Year



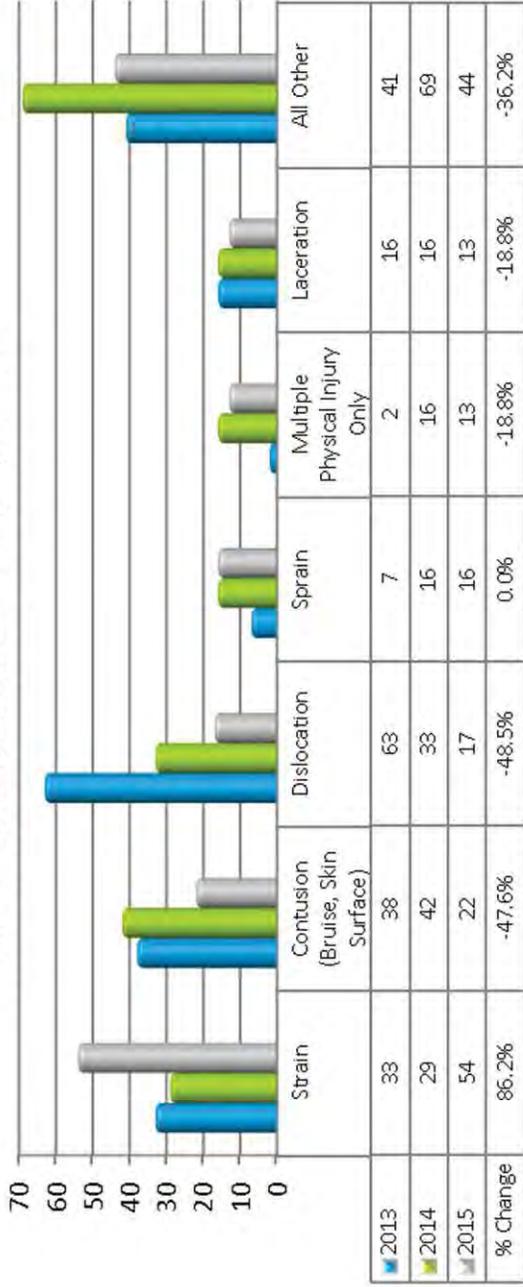
**This slide represents time from injury to notification to employer. 90% average is an excellent result. The County should be proud of this outcome.**



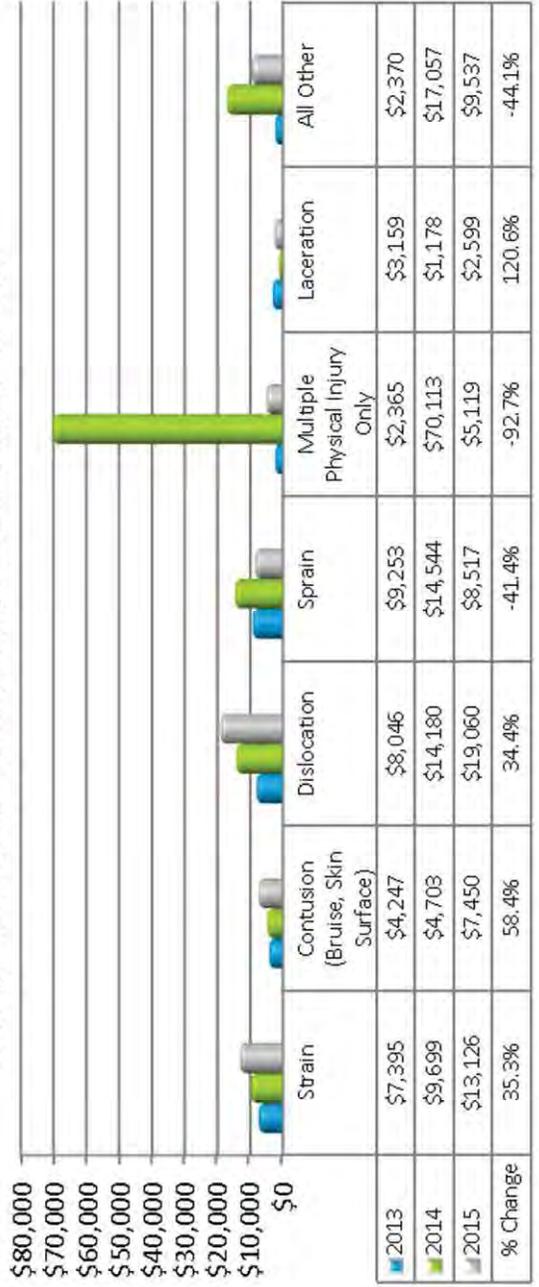
Significant increase in “strain.” Currently reviewing to determine if coding is responsible due to change in claims administrator or actual increase in strain events.

Multiple physical injury in 2014 is the catastrophic event. However there is still substantial increase in severity from 2013 to 2015.

**Workers' Compensation - New Claims**  
Count by Top Frequency Nature of Injury and Year



**Workers' Compensation - New Claims**  
Average Incurred by Top Frequency Nature of Injury and Year





Older workers from 40-59 show significant decrease in total incurred but this is because the three catastrophic claims were from workers in that age bracket.

The decrease from 2014 to 2015 for the 40-49 and 50-59 age groups is artificial based on the specific event of 2014 resulting in 3 claims over \$1 million in incurred.

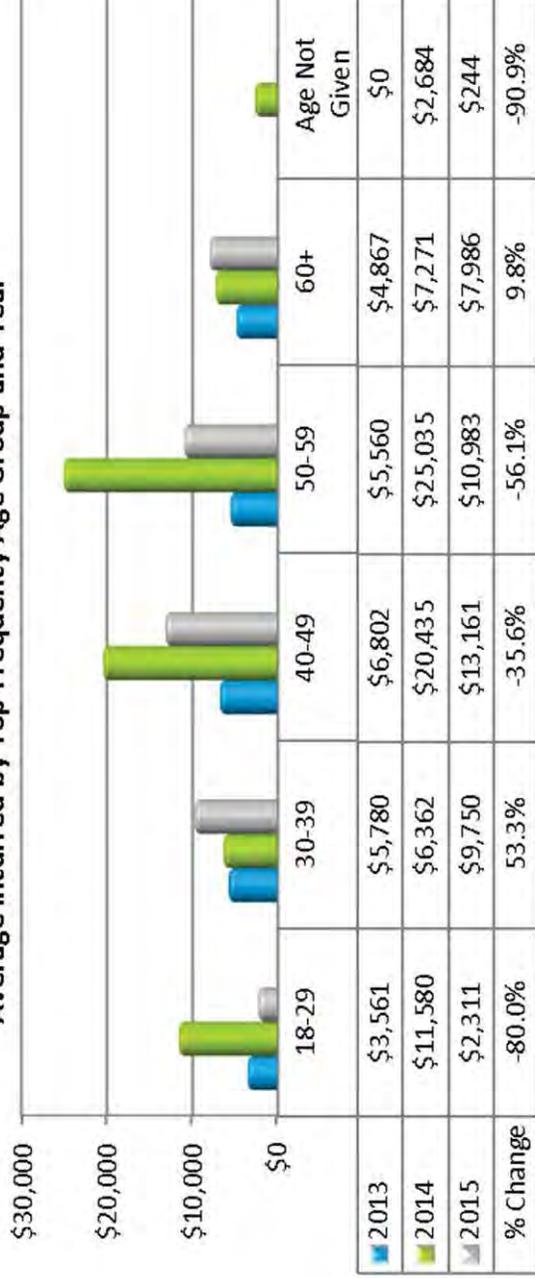
## Workers' Compensation - New Claims

% of Total Claims by Top Frequency Age Group and Year



## Workers' Compensation - New Claims

Average Incurred by Top Frequency Age Group and Year





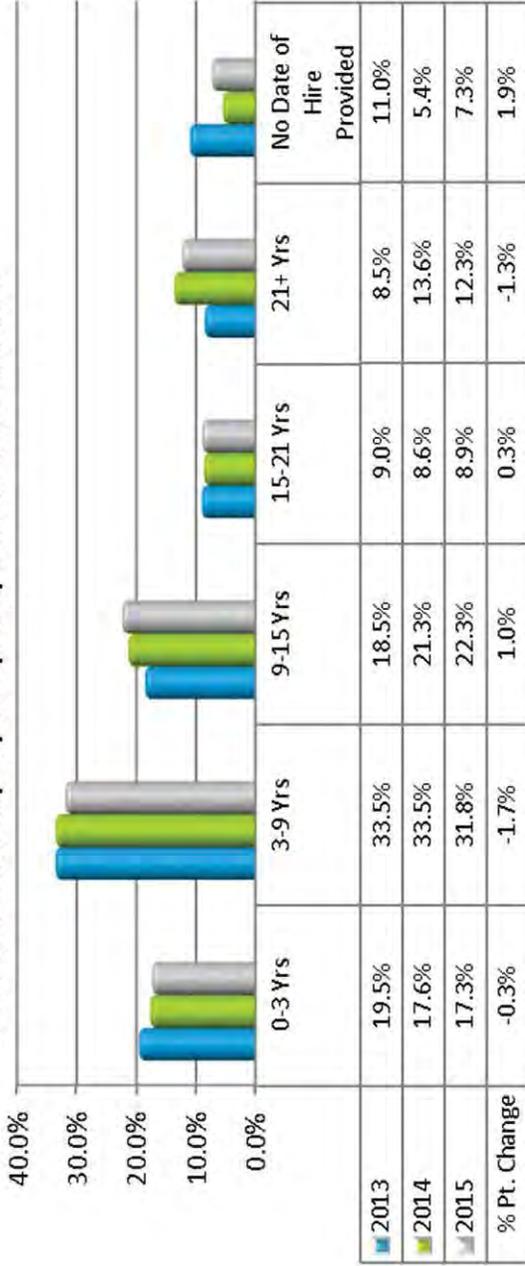
Employees under 9 years of experience account for almost 50% of all injuries. Severity trend continues with longer term employees (older) have more severe claims

Discussion point: Can County provide employment breakdown by years of service so that deeper analysis can be done in identifying possible trends.

This would also assist in targeted training

## Workers' Compensation - New Claims

% of Total Claims by Top Frequency Service Years and Year



## Workers' Compensation - New Claims

Average Incurred by Top Frequency Service Years and Year

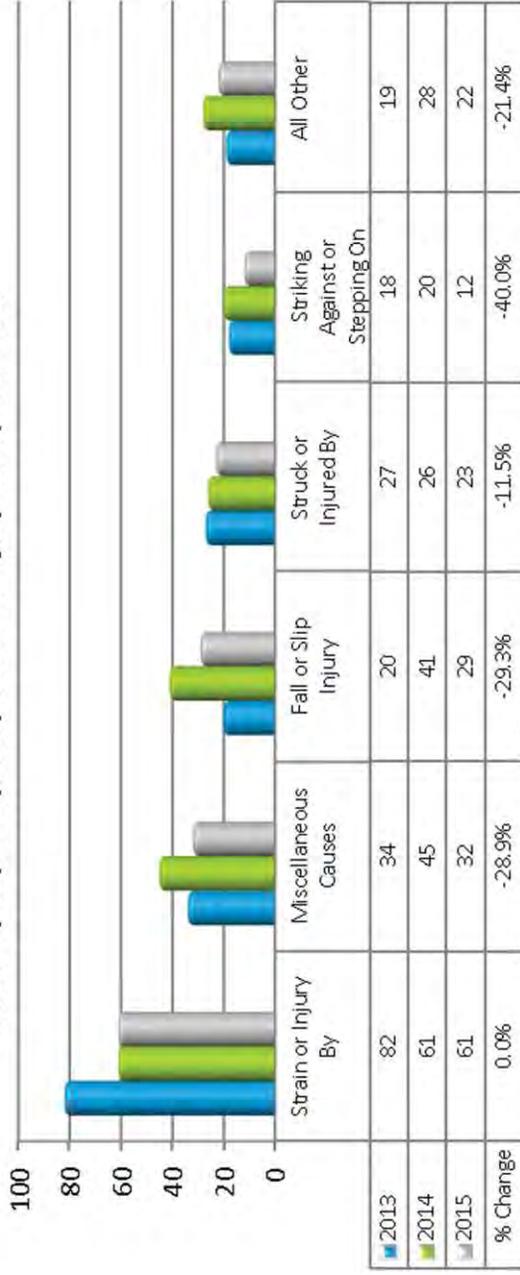




Strains are the most common type of injury and can be caused in a variety of ways. A review of the specific injuries did not reveal a specific area of concern.

Again the “all other” incurred is a known event.

**Workers' Compensation - New Claims**  
Count by Top Frequency Cause of Injury Group and Year

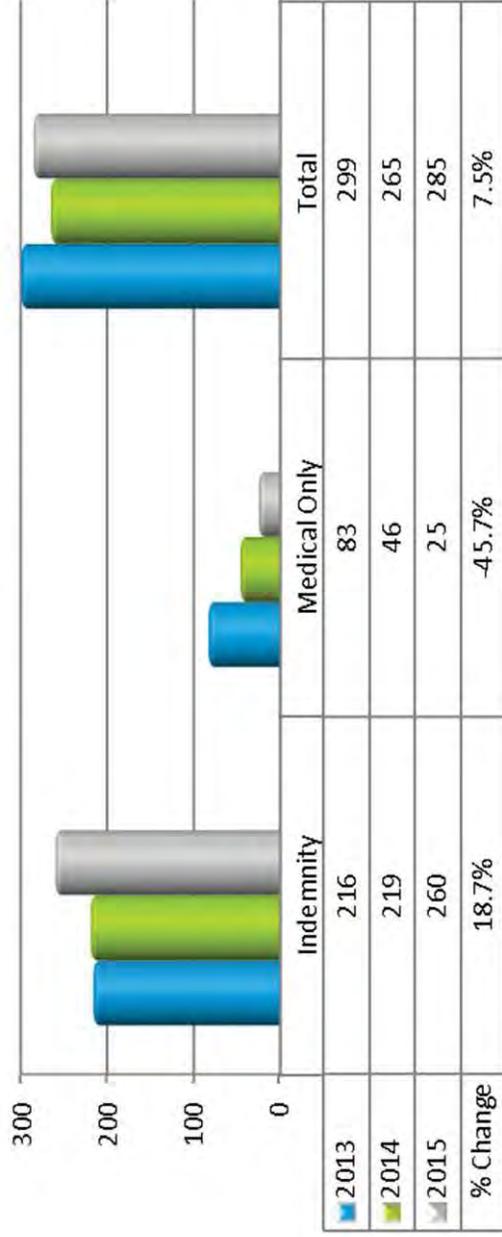


**Workers' Compensation - New Claims**  
Average Incurred by Top Frequency Cause of Injury Group and Year





**Workers' Compensation - Pending Claims**  
Claim Count by Claim Type and As of Year



Indemnity claims have gone up almost 19%. Severity of claims has increased. Training will be discussed as part of the recommendations.

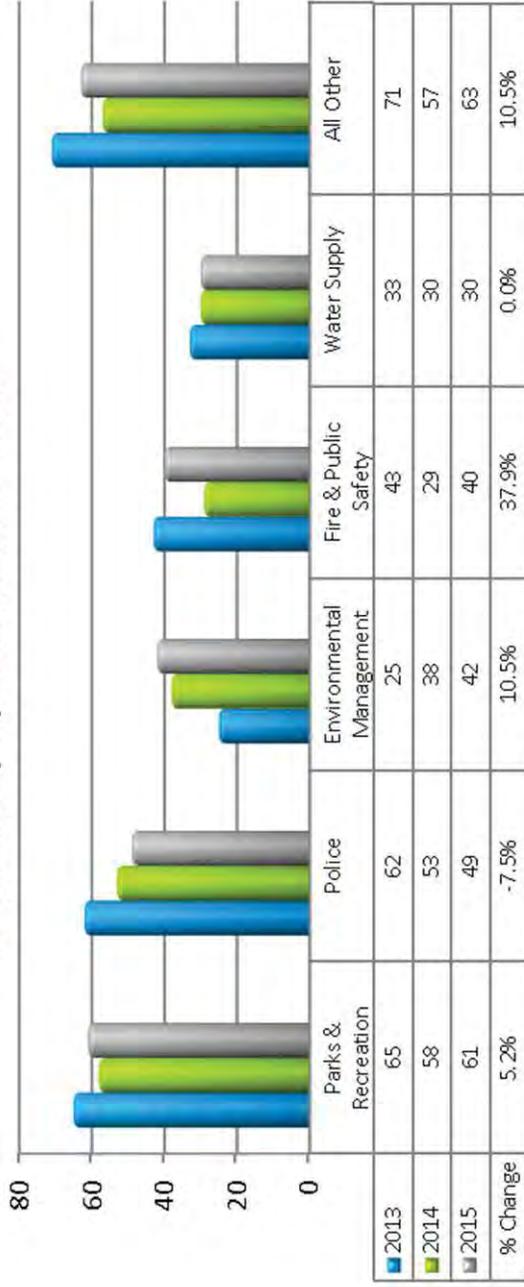




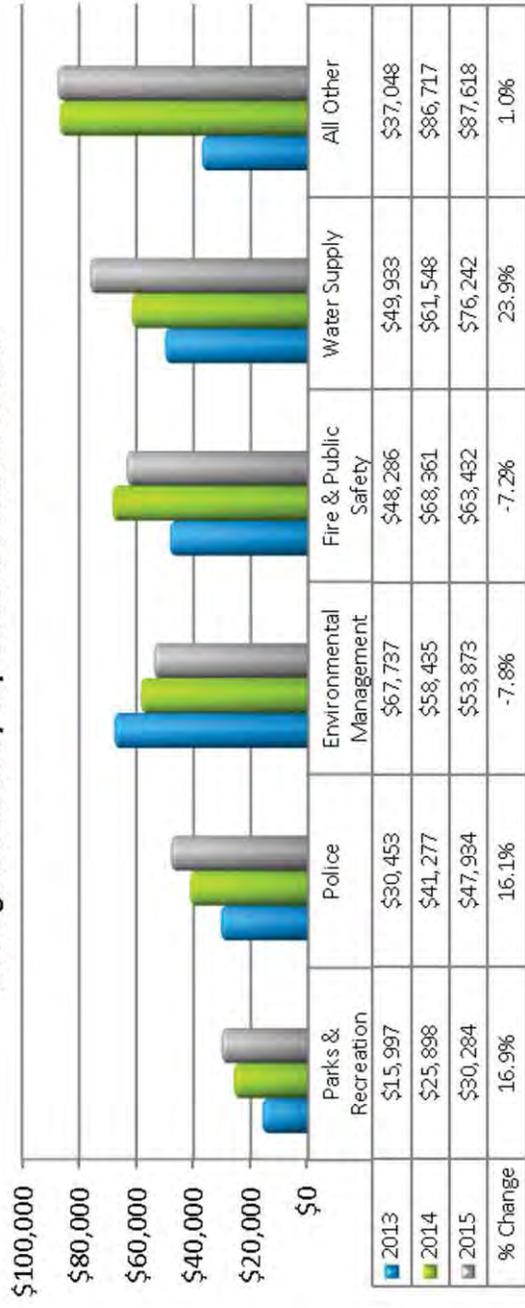
Average incurred for water supply is troubling and we are recommending further discussions for training and review.

Parks and Recreation have higher frequency but lowest severity. This is likely due to age distribution of workers.

**Workers' Compensation - Pending Claims Claim Count by Top Structure and As of Year**



**Workers' Compensation - Pending Claims Average Incurred by Top Structure and As of Year**





The 2014 “event” artificially skewed total incurred for the 2014 and 2015 years by approximately \$4.4 million gross.

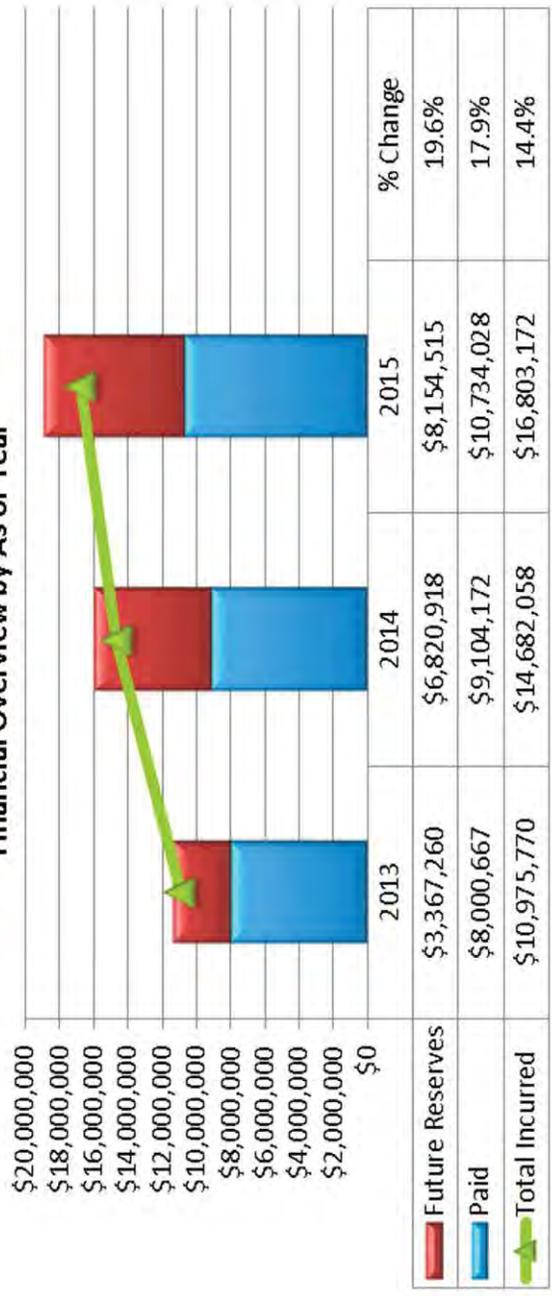
Subtracting \$4.4 million from 2015 would represent a 12% increase over 2013

Reserve adjustments at takeover likely account for a good portion of these increases on the 2014 and 2015 claims.

## Workers' Compensation - Pending Claims Total Incurred by Claim Type and As of Year



## Workers' Compensation - Pending Claims Financial Overview by As of Year



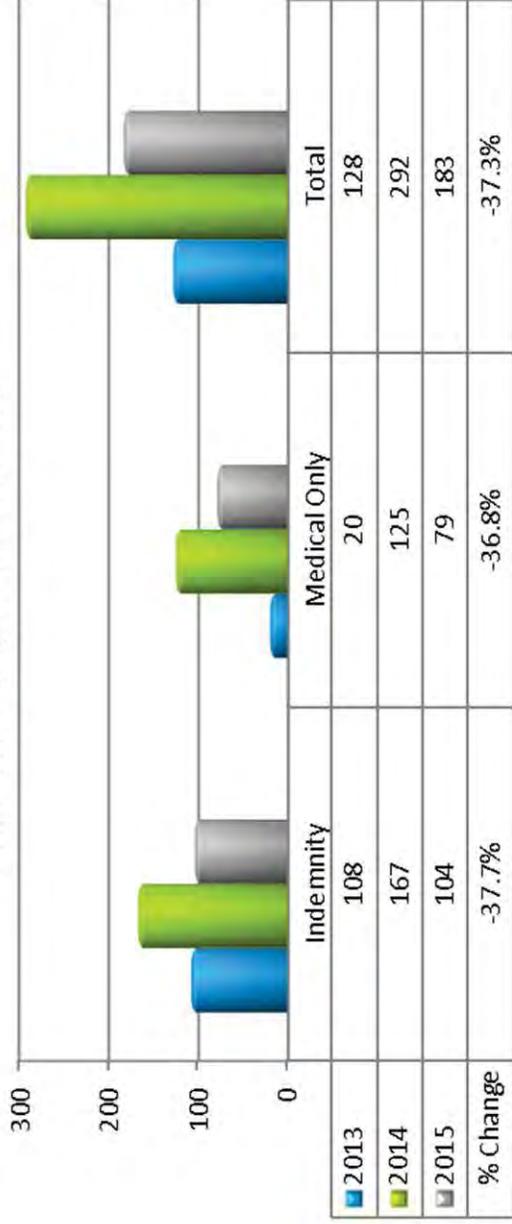


There was a push by the prior administrator in 2014 to close claims that were “primed” for closure at the urging of the client/broker.

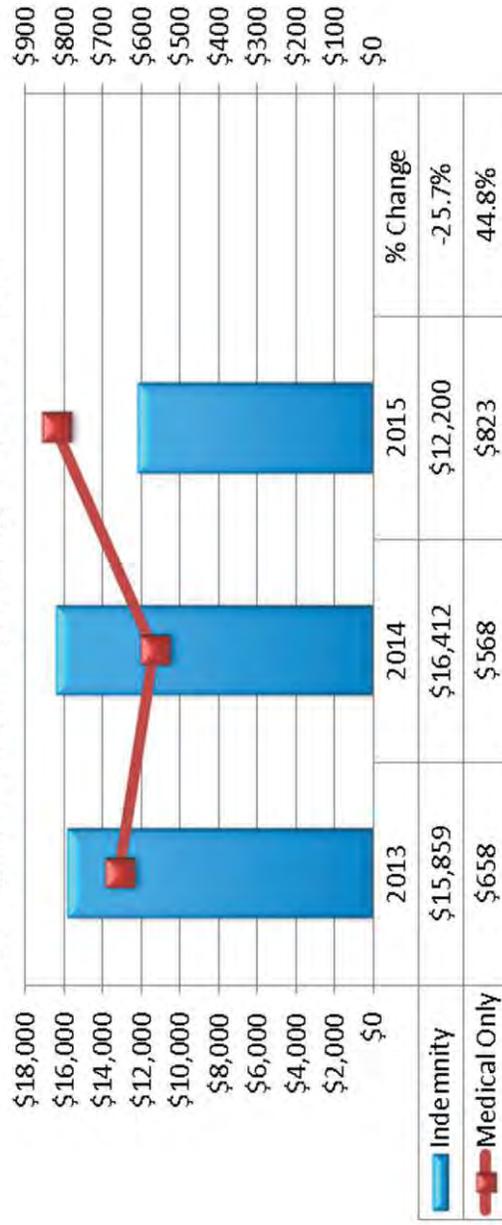
This accounts for the large increase in closures in 2014.

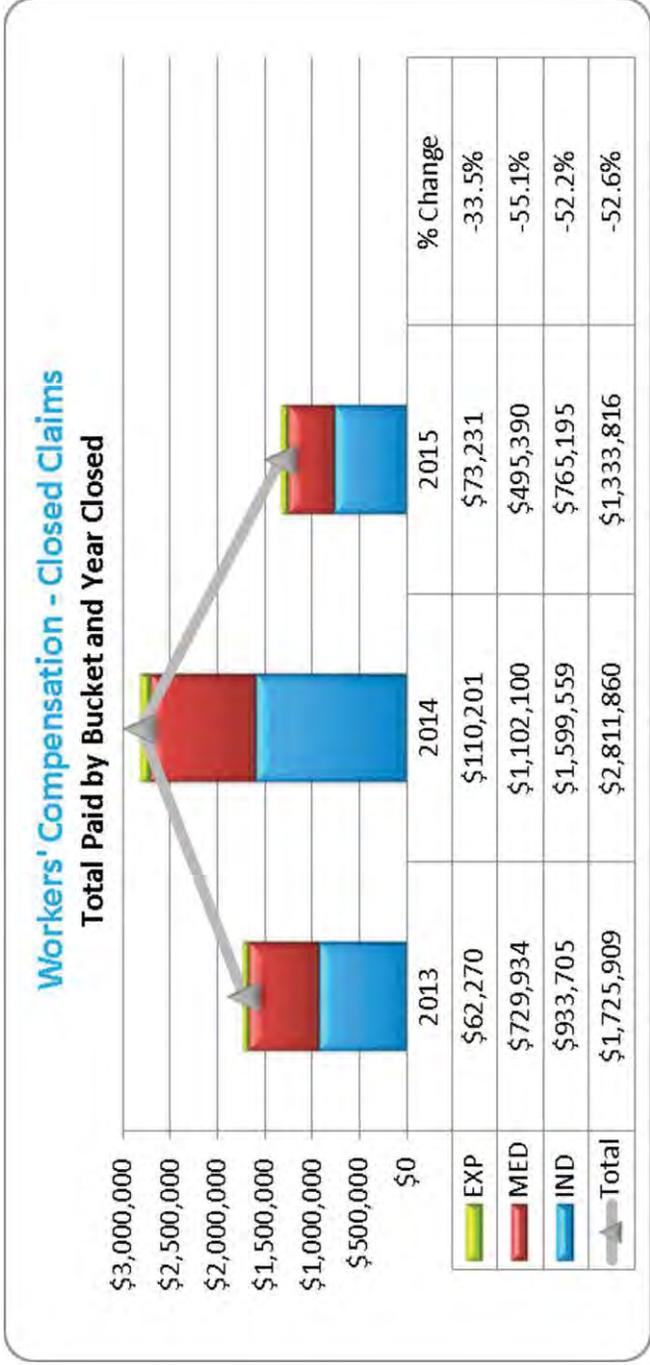
2015 Closures were low as a result of the “push” as well as a change in administrators mid-term.

**Workers' Compensation - Closed Claims**  
Claim Count by Type and Year Closed



**Workers' Compensation - Closed Claims**  
Average Cost of Claim by Claim Type and Year Closed





The large exposure claims from 2014 remain open and will at some point cause a significant increase in total paid by year closed. Client should be prepared for a spike in the numbers for this graph when that occurs.



## Workers' Compensation - Closed Claims

Avg. Cost and Lost Work Days on Indemnity Claims by Year Closed



Lost work days have increased slightly from 2013 but management of the medical and expense has improved, resulting in overall lower claim costs on indemnity claims (closed claims).



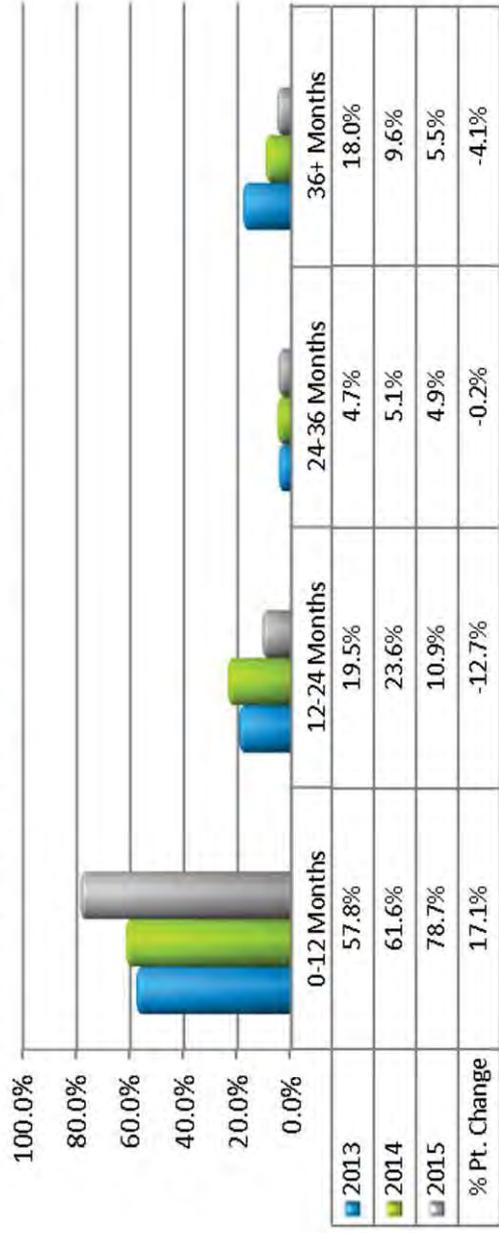


Significant improvement is seen in claims closing within the first year as well as the claims 36+ months.

Focus should be on the 12-36 month aged claims.

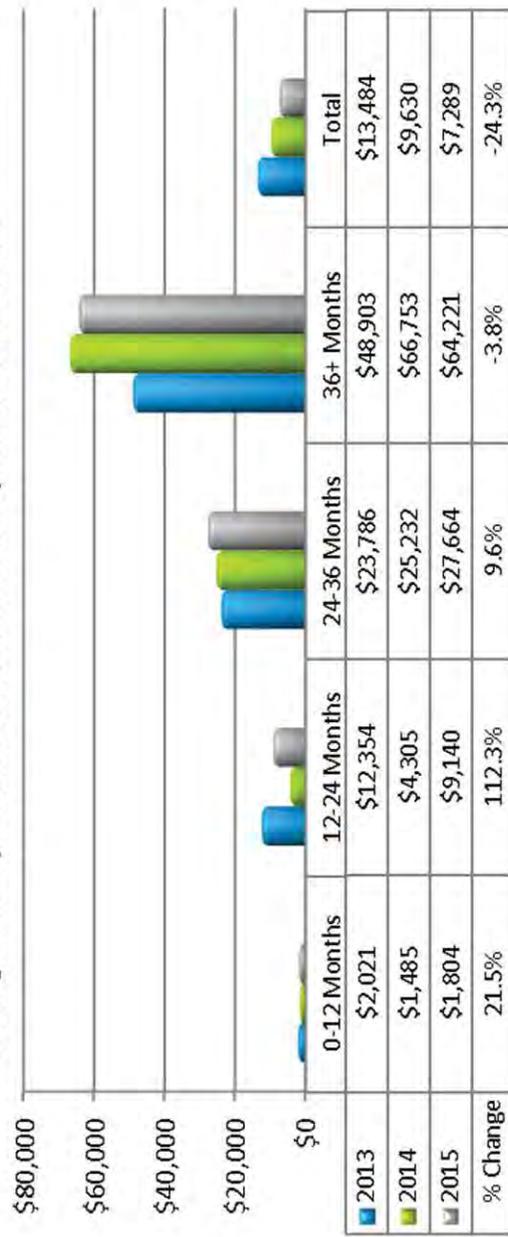
## Workers' Compensation - Closed Claims

% of Total Claims by Stratification of Months Open and Year Closed



## Workers' Compensation - Closed Claims

Average Paid by Stratification of Months Open and Year Closed

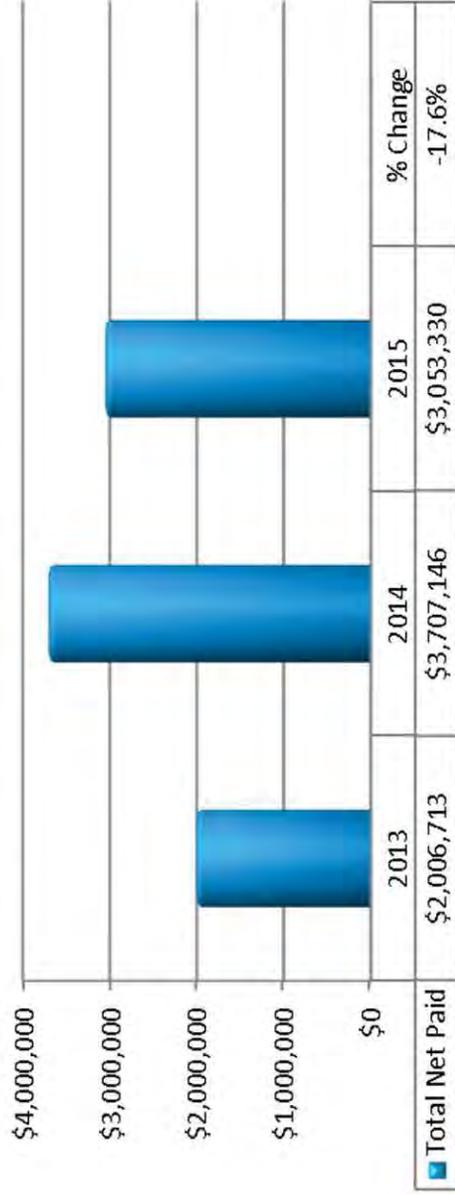




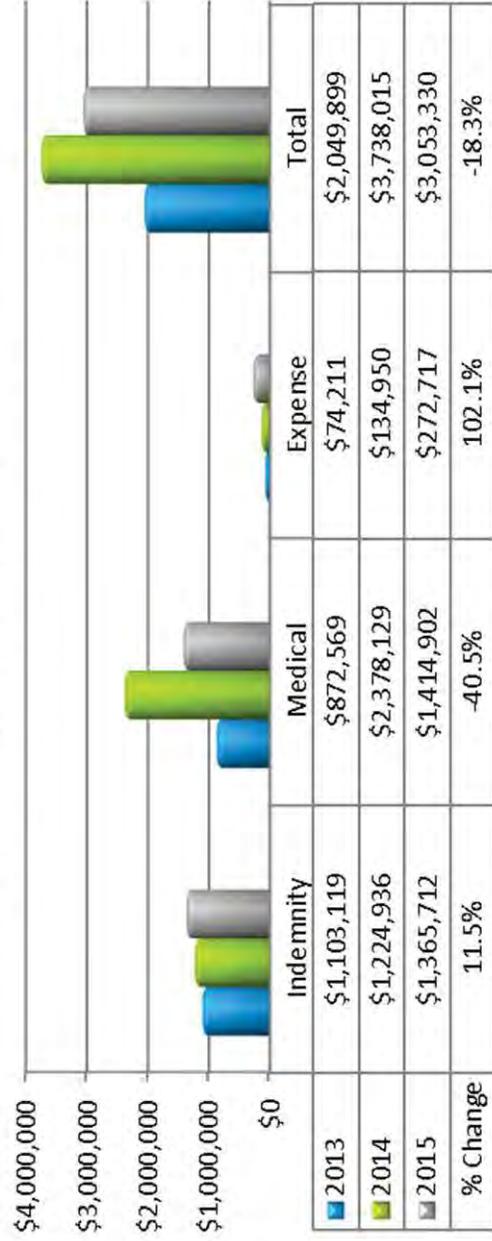
Indemnity and Medical increase in 2014 and 2015 is expected based on the catastrophic claims incurred in 2014.

Expense has increased due to the need to obtain IME's to get the older claims moving to closure.

**Workers' Compensation**  
Total Net Paid by Year of Allocation



**Workers' Compensation**  
Total Paid by Bucket and Year of Allocation





COUNTY OF MAUI		03/01/2015 - 12/31/2015
Key Performance Metrics:		
Total Number of Bills		2,954
Total Number of Lines		12,964
Total Provider Charges		\$2,997,860
Total PPO Bills		873
Total PPO Bill Penetration %		30%
Total PPO Charges		\$1,471,081
Total PPO Charge Penetration %		49%
FS/UCR Savings		\$712,630
PPO Savings		\$16,661
Out of Network Negotiated Savings		\$7,759
Inpat FS/UCR Savings		\$546,881
Other Savings		\$0
Total Savings		\$1,283,931
Bill Review Fees		\$22,664
PPO Fees		\$11,138
Nurse Fees		\$345
Other Fees		\$1,082
Total Fees Invoiced		\$35,229
Net Savings		\$1,248,703
Net % of Savings		42%
Net Return on Investment		35:1
Avg Net Savings per Bill		\$423





# Auto Liability



## Auto Liability Summary

Client Metric		2013	2014	2015	% (-/+)
New Claims	Total New Claims	14	27	18	-33.3%
	Total Incurred	\$18,958	\$77,540	\$178,842	130.6%
	Average Incurred	\$1,354	\$2,872	\$9,936	246.0%
Pending Claims	Total Incurred w/ Incurred >\$100K	0.0%	0.0%	0.0%	0.0%
	Total Pending Claims	15	20	20	0.0%
	Total Incurred	\$79,873	\$95,071	\$251,830	164.9%
	Average Incurred	\$5,325	\$4,754	\$12,592	164.9%
	Total Incurred w/ Incurred >\$100K	0.0%	0.0%	0.0%	0.0%
Closed Claims	% Litigated	0.0%	0.0%	0.0%	0.0%
	Total Closed Claims	18	28	28	0.0%
	Total Paid	\$39,240	\$71,965	\$42,115	-41.5%
	Average Paid	\$2,180	\$2,570	\$1,504	-41.5%
	Average Days Open	319	181	444	145.2%
	Closing Ratio	105.9%	84.8%	100.0%	15.2%
	Total Paid w/ Paid >\$100K	0.0%	0.0%	0.0%	0.0%
	% Litigated	0.0%	0.0%	0.0%	0.0%
Client Metric		2013	2014	2015	% (-/+)
Paid Claims	Total Loss Paid	\$9,916	\$2,000	\$13,302	565.1%
	Total Expense Paid	\$31,323	\$70,797	\$18,998	-73.2%
	Total Recoveries	\$0	\$0	\$0	0.0%
	Total Paid	\$41,238	\$72,797	\$32,300	-55.6%
	% Loss	24.0%	2.7%	41.2%	38.5%
	% Expense	76.0%	97.3%	58.8%	-38.5%



# General Liability



## General Liability Summary

Client Metric		2013	2014	2015	% (-/+)
New Claims	Total New Claims	42	48	43	-10.4%
	Total Incurred	\$5,655	\$33,044	\$431,253	1205.1%
	Average Incurred	\$135	\$688	\$10,029	1356.8%
Pending Claims	Total Incurred w/ Incurred >\$100K	0.0%	0.0%	85.8%	85.8%
	Total Pending Claims	47	40	30	-25.0%
	Total Incurred	\$14,503	\$107,191	\$473,827	342.0%
	Average Incurred	\$309	\$2,680	\$15,794	489.4%
Closed Claims	Total Incurred w/ Incurred >\$100K	0.0%	0.0%	0.0%	0.0%
	% Litigated	0.0%	0.0%	0.0%	0.0%
	Total Closed Claims	36	66	73	10.6%
	Total Paid	\$83,998	\$74,744	\$35,332	-52.7%
	Average Paid	\$2,333	\$1,132	\$484	-57.3%
	Average Days Open	219	351	324	-7.7%
Paid Claims	Closing Ratio	66.7%	111.9%	115.9%	4.0%
	Total Paid w/ Paid >\$100K	0.0%	0.0%	0.0%	0.0%
	% Litigated	0.0%	0.0%	0.0%	0.0%
	Total Loss Paid	\$1,492	\$1,023	\$6,207	506.9%
	Total Expense Paid	\$29,265	\$67,245	\$29,934	-55.5%
Paid Claims	Total Recoveries	\$0	\$0	\$0	0.0%
	Total Paid	\$30,758	\$68,268	\$36,141	-47.1%
	% Loss	4.9%	1.5%	17.2%	15.7%
	% Expense	95.1%	98.5%	82.8%	-15.7%

# Action Items



Activity*	Objective	Owner	Due Date
Departmental Training	Reduce Severity	CoM/broker	10/1/2016
Clinical consult presentation	Improve PPO Penetration	Sedgwick	6/30/2016

*\*The activities listed above are merely suggestions from Sedgwick on how to implement the strategies designed to meet program objective. These activities will only be undertaken upon approval from County of Maui*





sedgwick®

## Kurt Sibayan

*Client Services Manager*

P: 808-523-3265

[Kurt.Sibayan@sedgwickcms.com](mailto:Kurt.Sibayan@sedgwickcms.com)



sedgwick®

## Glenn Betts

*VP Client Services*

P: 714-258-5440

[Glenn.Betts@sedgwickcms.com](mailto:Glenn.Betts@sedgwickcms.com)



sedgwick.

# Exhibit B

County of Maui, 2017 Sedgwick Stewardship Report,  
presented by Kurt Sibayan (May 8, 2017)



Kahului, HI  
May 8, 2017

**Presented by:**  
Kurt Sibayan



# 2017 SEDGWICK STEWARDSHIP REPORT



## County of Maui

**Patrick Wong**

**Corporation Counsel**

**Lydia Toda**

**Risk Management Officer**

## Sedgwick

**Kurt Sibayan**

**Client Service Manager**



This executive summary is structured to illustrate the current state of the program, identify changes in the environment that may impact the program, and propose strategies that will assist in meeting County of Maui organizational objectives.

By design, the analysis herein is provided in a summary format. However, the detail behind the analysis may be accessed from the [Data Set Details](#) section of this presentation or from the secure file transfer upon request.





- **Program implementation: 3/1/2015**
- **Lines of Coverage: Workers' Compensation, Auto, GL**
- **Managed Care Services**
  - Sedgwick National Bill Review
  - Pharmacy Management
  - Telephonic Case Management
  - Utilization Review
  - Pharmacy Utilization Review
  - Field Case Management
- **Broker changed from Aon to Atlas in 2016**



**This is the second Stewardship meeting with the County of Maui. The data is valued as of 6/30/16 so as to coincide with County of Maui's fiscal year. Per County request the financial valuation on a claim level has been capped at \$500k.**

**Services currently provided include, workers' compensation, auto and general liability administration as well as managed care services.**

**The purpose of this meeting will be to present the County of Maui with a 3-year snapshot of program trends. We will provide substantial data and analysis as well as provide the County with areas of opportunity/improvement.**

**Findings that we will discuss include:**

- **Decrease in New and Pending Indemnity claims in 2016**
- **Increase in total claims closed in 2016**
- **Increase in average cost per indemnity claim**
- **Increase in total paid in 2016**



# Achievements



●	Combined closing ratio up 19% in 2016 *(Increase from 90.1% to 109.3%)
●	Aggressive claims handling postured difficult claim in to settlements.
●	Increase in closures were the result of settling old claims.
●	Constant communication between the adjusters, Risk Management, and the DPO's has helped with earlier RTW dates resulting in a reduction in TTD costs.
●	Settled and closed Haupū, Ligsay, and Pauole, all of which were very challenging and high exposure claims.





Data Set – Measurement Definitions				
Data Set	Beginning Range	Ending Range	Measurement Year	Valued “as of” Date
New	7/1/2013	6/30/2014	2014	6/30/2014
	7/1/2014	6/30/2015	2015	6/30/2015
	7/1/2015	6/30/2016	2016	6/30/2016
Pending			2014	6/30/2014
			2015	6/30/2015
			2016	6/30/2016
Closed	7/1/2013	6/30/2014	2014	6/30/2014
	7/1/2014	6/30/2015	2015	6/30/2015
	7/1/2015	6/30/2016	2016	6/30/2016
Payments	7/1/2013	6/30/2014	2014	6/30/2014
	7/1/2014	6/30/2015	2015	6/30/2015
	7/1/2015	6/30/2016	2016	6/30/2016

**Definition:**

- New Claims are Open and Closed Claims with Date of Loss in each measurement period.
- Pending Claims are Claims with Claim Status Open valued as of the end of each Measurement Year.
- Closed Claims are claims with Closed Claim Status and date closed in each measurement period regardless of date of loss.
- Payments are based on Date Paid in each measurement period regardless of which year claims occur.



# Workers' Compensation



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## Workers' Compensation Summary

	Client Metric	2014	2015	2016	% (-/+)
<b>New Claims</b>	Indemnity Claims	142	125	111	-11.2%
	Total New Claims	221	179	182	1.7%
	% Indemnity	64.3%	69.8%	61.0%	-8.8%
	Average Incurred	\$15,824	\$10,352	\$13,401	29.5%
	Total Incurred w/ Incurred >\$100K	54.5%	11.8%	9.0%	-2.8%
<b>Pending Claims</b>	Total claims w/ Incurred >\$100K	2.3%	1.1%	1.1%	0.0%
	Indemnity Claims	219	260	220	-15.4%
	Total Pending Claims	265	285	266	-6.7%
	% Indemnity	82.6%	91.2%	82.7%	-8.5%
	Average Incurred	\$55,404	\$58,958	\$59,595	1.1%
<b>Closed Claims</b>	Total Incurred w/ Incurred >\$100K	66.7%	62.6%	58.2%	-4.4%
	Total claims w/ Incurred >\$100K	14.7%	14.4%	12.4%	-2.0%
	% Litigated on Indemnity Only	0.5%	0.4%	4.1%	3.7%
	Indemnity Claims	167	104	175	68.3%
	Total Closed Claims	292	183	224	22.4%
<b>Paid Claims</b>	% Indemnity	57.2%	56.8%	78.1%	21.3%
	Average Paid	\$9,630	\$7,289	\$20,696	184.0%
	Average Days Open	596	354	707	99.6%
	Closing Ratio	190.2%	313.9%	335.7%	21.8%
	Total Paid w/ Paid >\$100K	36.4%	32.5%	43.6%	11.1%
<b>Total Claims</b>	Total claims w/ Paid >\$100K	1.4%	1.1%	5.4%	4.3%
	% Litigated on Indemnity Only	0.6%	0.0%	0.6%	0.6%
	Indemnity Claims	\$1,224,936	\$1,365,712	\$2,405,455	76.1%
	Total Indemnity Paid	\$2,378,129	\$1,414,902	\$2,697,002	90.6%
	Total Medical Paid	\$134,950	\$272,717	\$143,504	-47.4%
<b>Medical Claims</b>	Total Recoveries	\$30,869	\$0	\$245	100.0%
	Total Paid	\$3,738,015	\$3,053,330	\$5,245,961	71.8%
	% Indemnity	32.8%	44.7%	45.9%	1.2%
	% Medical	63.6%	46.3%	51.4%	5.1%
	% Expense	3.6%	8.9%	2.7%	-6.2%



In 2016 there was a decrease in the number of Indemnity claims filed, with a slight increase in the number of Medical Only claims being filed. Although you would like to see a decrease in both Indemnity and MO claims, I would put far greater weight in the reduction of the Indemnity claims.



# WC - New Claims



Of the \$2.4m incurred in 2016, \$1.03m came from 13 claims with reserves over \$50k each.

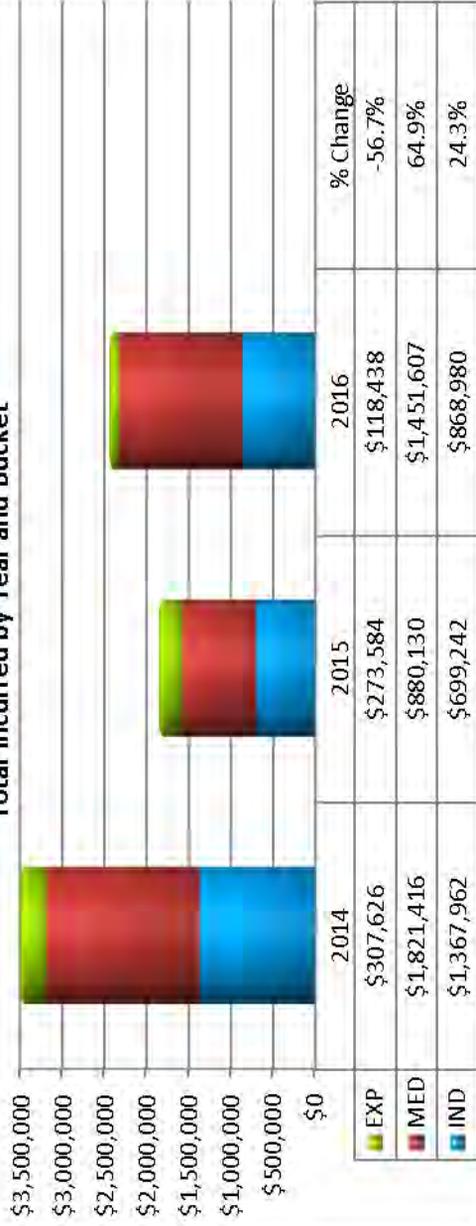
The average incurred went up a little but still quite low.

The total Medical Incurred went up almost 65% but these claims are very green and \$565k of the \$1.4m came from 13 claims.

**Workers' Compensation - New Claims**  
Total and Average Incurred by Year



**Workers' Compensation - New Claims**  
Total Incurred by Year and Bucket



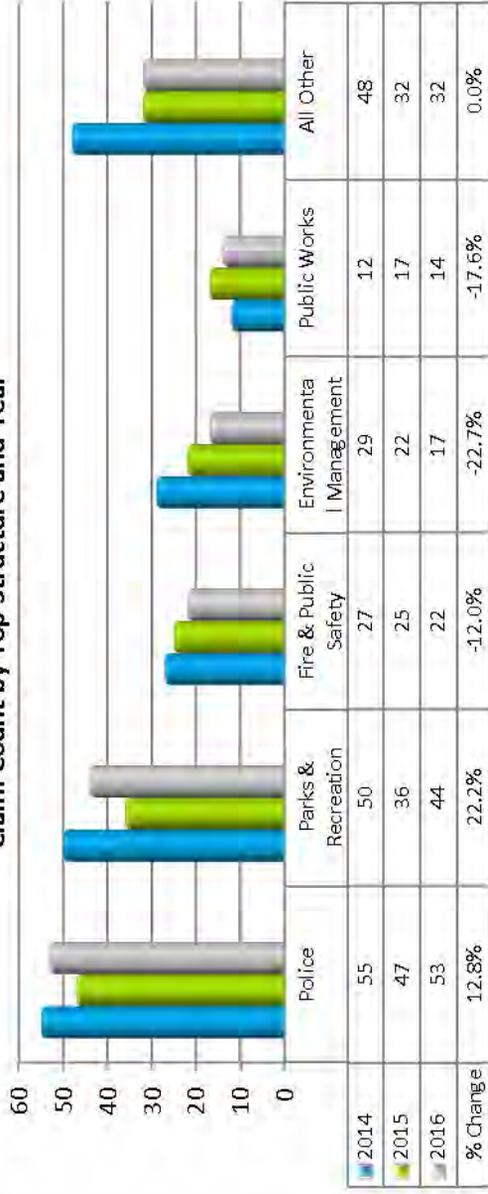


Total claim counts went down in all divisions except for Police and Parks & Rec with increases of 6 and 8 claims respectively.

Despite an increase in claims in the Police Dept the average incurred went down 33% (\$79k)

The most significant jump was in Fire & Public Works with Fire only incurring 3 less claims but the average incurred went up 195% (\$16K). PW up 70% (\$10k)

**Workers' Compensation - New Claims**  
Claim Count by Top Structure and Year

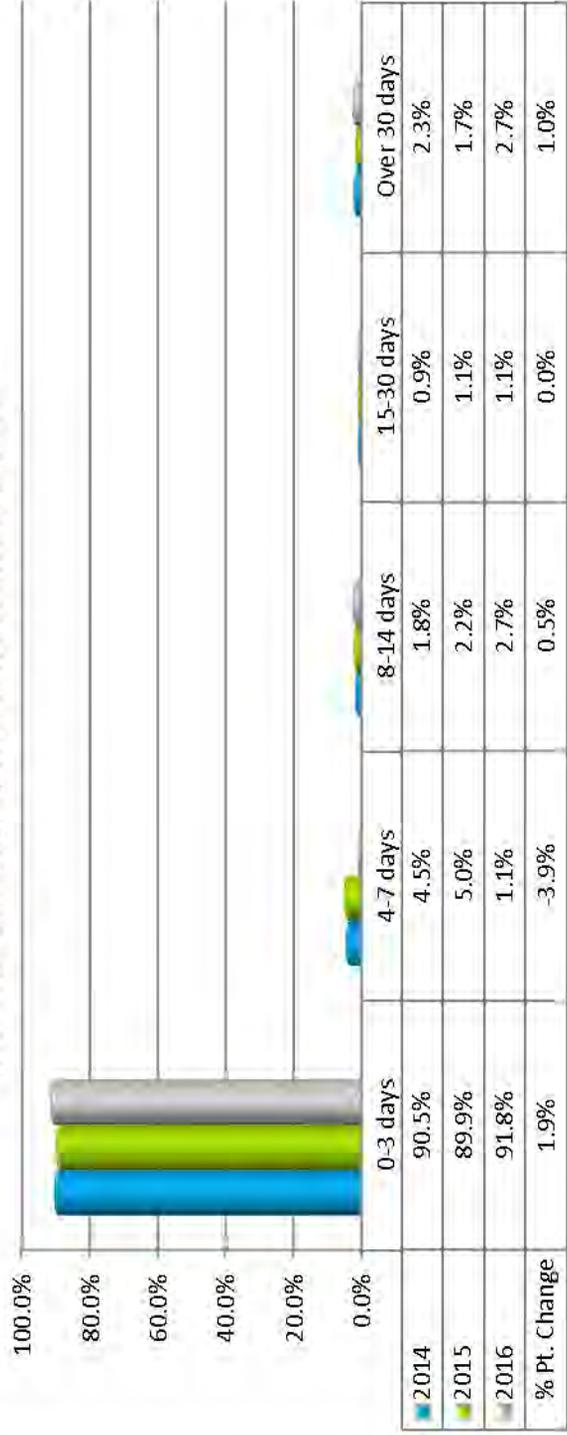


**Workers' Compensation - New Claims**  
Average Incurred by Top Structure and Year





**Workers' Compensation - New Claims**  
 % of Total Claims by Lag to Client Stratification and Year



The COM continues to improve in this area with a Lag Time average of 92% in the 0-3 day range with is excellent!





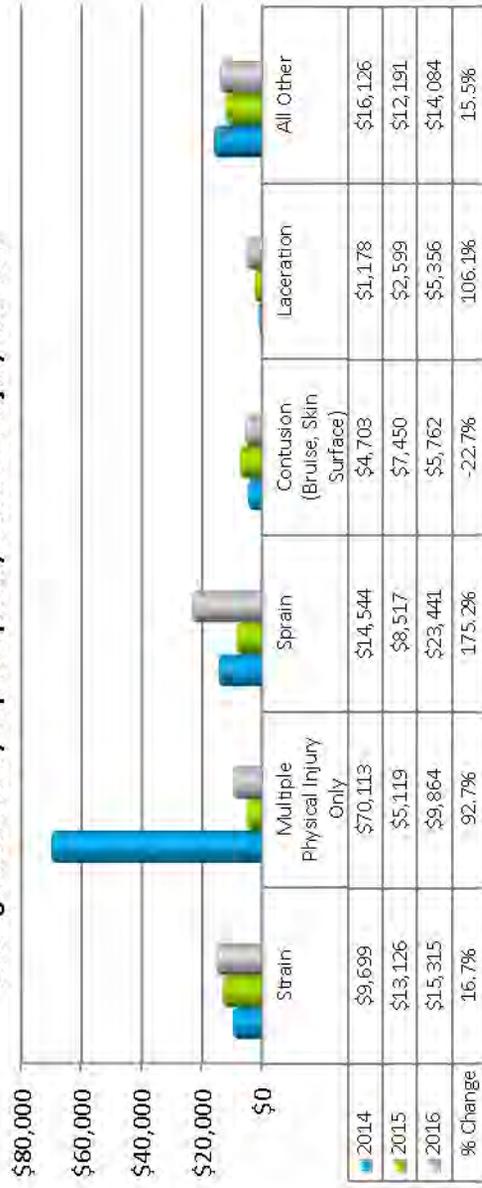
Strains, which is typically the most common type of injury is your loss leader and has continued to increase. It is up 26% from the prior year, with a majority of the claims coming from the Police and Parks & Rec Departments.

Sprains, which is typically lumped with strains was the leader in average incurred which increased 175% from last year. However, 1 claim out of the 15 filed contributed to 1/3<sup>rd</sup> of the total incurred.

**Workers' Compensation - New Claims**  
Count by Top Frequency Nature of Injury and Year



**Workers' Compensation - New Claims**  
Average Incurred by Top Frequency Nature of Injury and Year



# WC - New Claims



There was a 9% increase in the number of claims filed by the 18-29 year old category which was the lowest a year prior.

Of the 28 claims filed, 13 or almost 1/2 of the claims were from employee's with less than 1 year on the job.

Of the 13 claims with less than 1yr of service, 7 were police recruits and 4 were police officers.

## Workers' Compensation - New Claims

% of Total Claims by Top Frequency Age Group and Year



## Workers' Compensation - New Claims

Average Incurred by Top Frequency Age Group and Year



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As shown in the prior slide, employee's with the least amount of service had the largest increase in claim count which coincides with the 71% increase in average incurred.

Recommend looking into the new hire training protocol, particularly in the police department and see if accident/injury awareness can be stressed in their training.

## Workers' Compensation - New Claims

% of Total Claims by Top Frequency Service Years and Year



## Workers' Compensation - New Claims

Average Incurred by Top Frequency Service Years and Year





The only real increase was the strain injury by various causes with a 21% increase.

No Other Cause – 22  
 Lifting – 13  
 Overexertion – 9  
 Push/Pull – 8  
 Total Inc - \$887k

All Strains (74) - \$1.4m

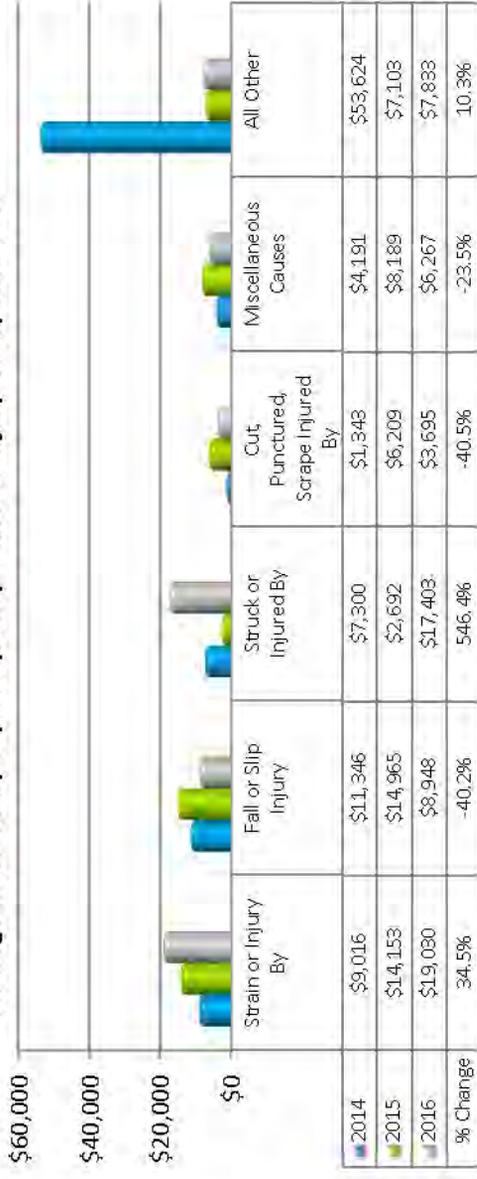
## Workers' Compensation - New Claims

Count by Top Frequency Cause of Injury Group and Year



## Workers' Compensation - New Claims

Average Incurred by Top Frequency Cause of Injury Group and Year





**Workers' Compensation - Pending Claims**  
Claim Count by Claim Type and As of Year



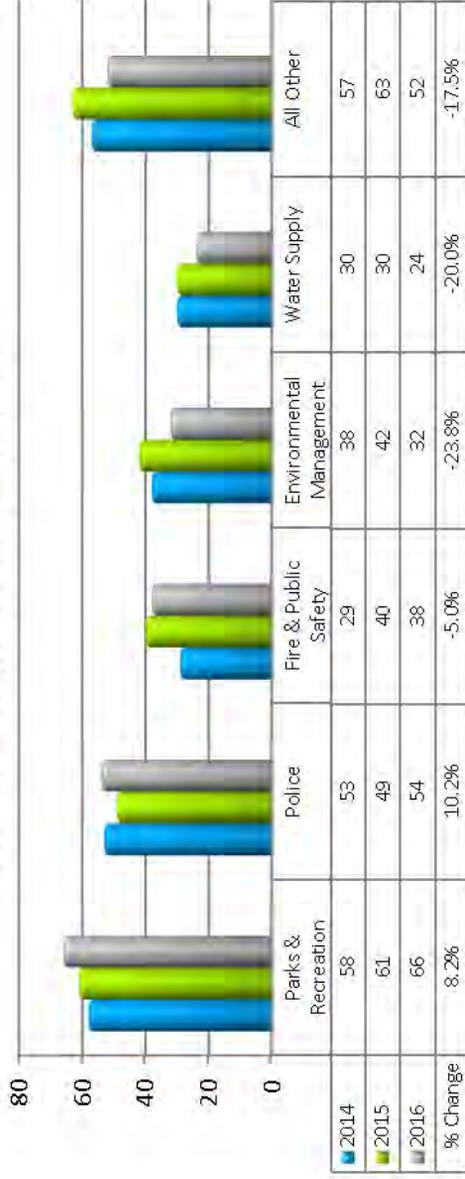
Overall claim counts went down almost 7% with Indemnity claims going down 15%. Med Only claims went up but in the big picture reducing the number of Indemnity claims by 40 holds far more weight than the increase in MO claims.



Despite a decrease in frequency, Water Supply continues to have the highest average incurred, but this is due to old dog claims from '09-'13.

Parks & Rec had the largest increases in average incurred with a 21% jump. Not that significant but the increase in frequency each year is what needs to be looked into further.

**Workers' Compensation - Pending Claims Claim Count by Top Structure and As of Year**



**Workers' Compensation - Pending Claims Average Incurred by Top Structure and As of Year**





Total Indemnity Claims Incurred is down 6% which is great, but Medical Only had a 30% increase, but overall there is still an almost 6% decrease in total incurred for 2016.

Future Reserves, Amount Paid, and Total Incurred has all trended downward from 2015 which is a good sign.

## Workers' Compensation - Pending Claims Total Incurred by Claim Type and As of Year



## Workers' Compensation - Pending Claims Financial Overview by As of Year

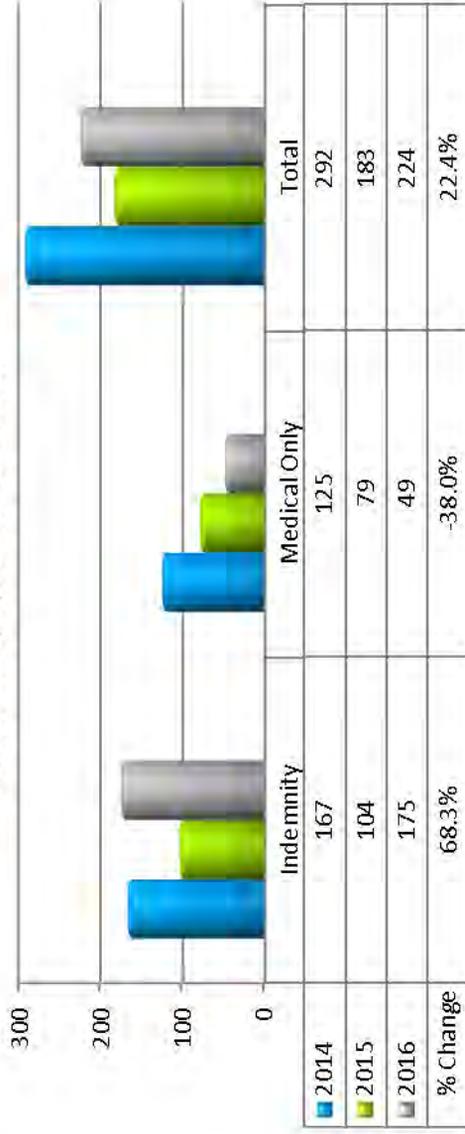




A total of 224 claims were closed in 2016 which is up 22% from 2015. Of the 224 closures, 175 were Indemnity claims which is almost 70% more than in 2015. These are great numbers as the Indemnity claims are much harder to settle and close.

As a result of all the Indemnity closures there was an increase in the average cost of Indemnity claims, but that is expected.

**Workers' Compensation - Closed Claims**  
Claim Count by Type and Year Closed



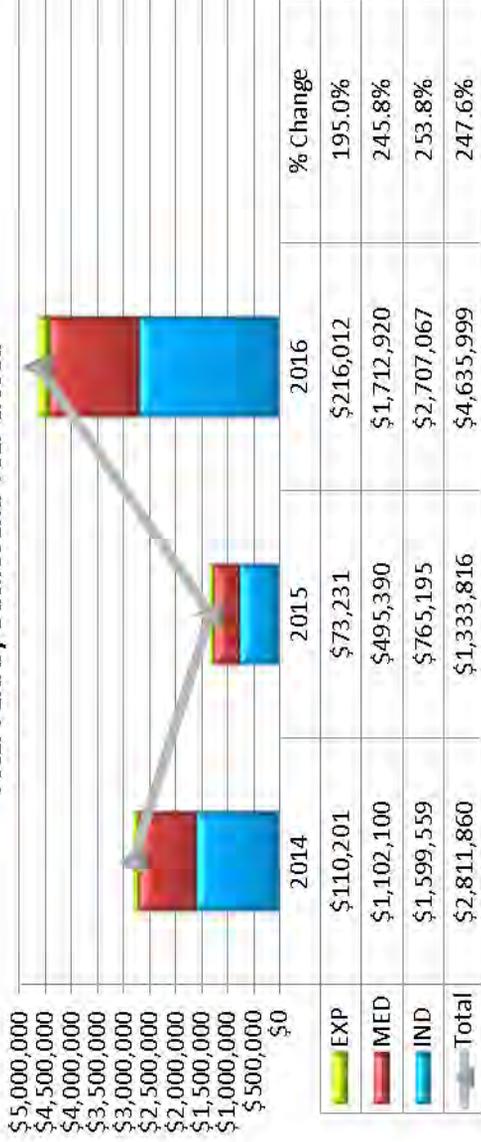
**Workers' Compensation - Closed Claims**  
Average Cost of Claim by Claim Type and Year Closed





## Workers' Compensation - Closed Claims

Total Paid by Bucket and Year Closed



The large spike in Total Paid was expected as stated in last years report, so there is no reason to be alarmed here. In order to settle and close the claim reserves needed to be increased in order to pay the settlements.





## Workers' Compensation - Closed Claims

Avg. Cost and Lost Work Days on Indemnity Claims by Year Closed



The big jump in 2016 (115%) for average cost and LWD was due to the fact that a lot of the old dog claims that had been open for a long time were closed this past year. A direct result to all of the closings in 2016.





Although claim closures in the first 12 months went down 28%, closures in all of the other 3 categories all went up, especially in the most important period of 36+ months.

Again, as a result of the 36+ month increase in closures the average paid also went up.

There may be a decline in the number of 36+ month closures next year though.

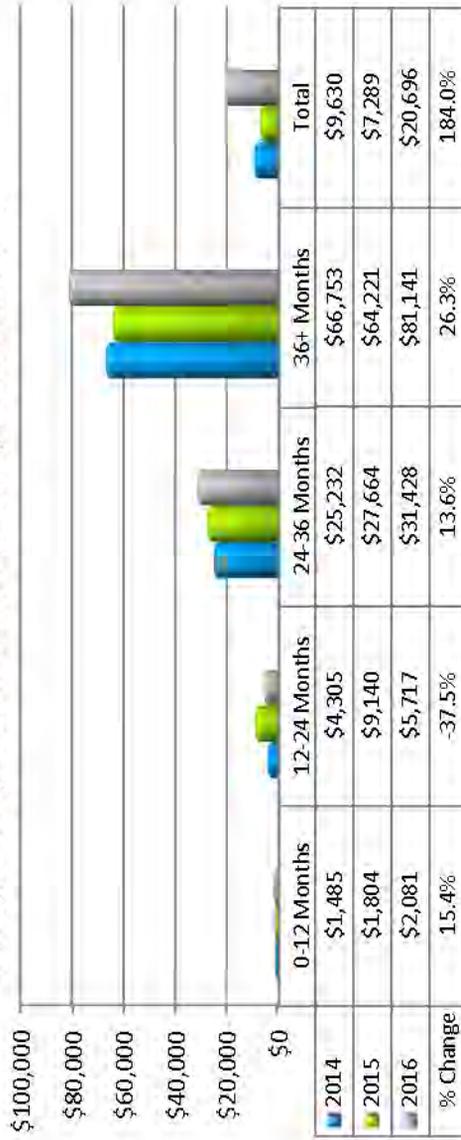
## Workers' Compensation - Closed Claims

% of Total Claims by Stratification of Months Open and Year Closed



## Workers' Compensation - Closed Claims

Average Paid by Stratification of Months Open and Year Closed

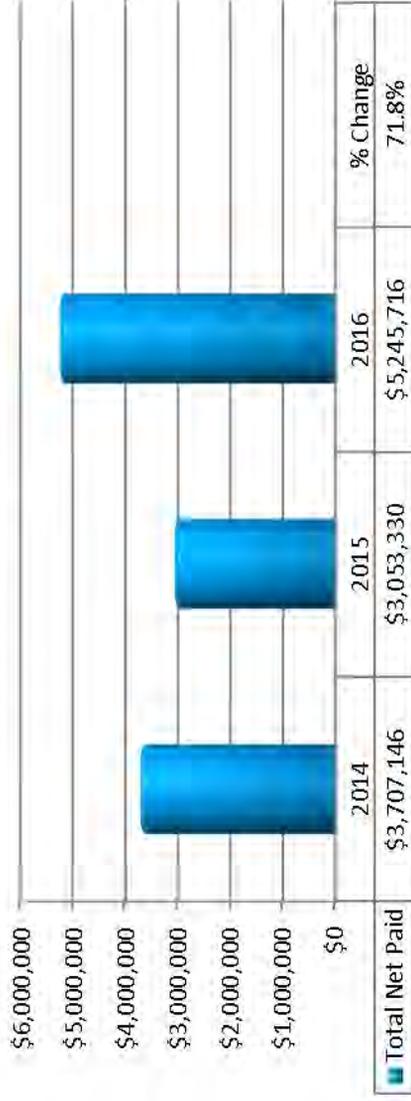




Although there were increases in both the Total Net Paid as well as the Indemnity and Medical buckets, this was a direct result of the settlements in 2016.

However, the expenses went down 47% because the IME/PPD exams were conducted in 2015 in order to move the claims to closure in 2016.

**Workers' Compensation**  
Total Net Paid by Year of Allocation



**Workers' Compensation**  
Total Paid by Bucket and Year of Allocation





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## Medical Bill Review Scorecard

Summary of Medical Bill Review Results

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### 6395 - County Of Maui Risk Management Division

Medical Bill Review Summary	7/1/15 - 6/30/16	7/1/14 - 6/30/15
Total Number of Bills	4,306	793
Total Number of Lines	17,573	3,096
Total Provider Charges	\$3,313,538	\$859,758
PPO Metrics*		
Total PPO Bills	1,205	197
Total PPO Bill Penetration %	29.9%	26.6%
Total PPO Charges	\$1,544,090	\$201,307
Total PPO Charge Penetration %	56.8%	55.6%
Savings Metrics		
Bill Review Savings	\$978,651	\$655,131
PPO Savings	\$40,757	\$8,801
Other Below Fee Schedule Savings	\$4,985	\$4,574
Total Savings	\$1,024,393	\$668,507
Cost Metrics		
Bill Review Fees	\$32,624	\$6,136
PPO Fees	\$17,644	\$2,376
Other Fees	\$1,392	\$1,032
Total Fees	\$51,660	\$9,545
Overall Performance		
Net Savings	\$972,733	\$658,962
Net % of Savings	29.4%	76.6%
Net Return on Investment	18:1	69:1
Avg Net Savings per Bill	\$226	\$831

Report includes Specialty Networks and excludes full duplicate denials. \* PPO Metrics exclude zero allowance bills. Report Generated 05/02/2017 13:28



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# Auto Liability



Auto Liability Summary

Client Metric		2014	2015	2016	% (-/+)
New Claims	Total New Claims	27	18	25	38.9%
	Total Incurred	\$77,540	\$178,842	\$78,435	-56.1%
	Average Incurred	\$2,872	\$9,936	\$3,137	-68.4%
	Total Incurred w/ Incurred >\$100K	0.0%	83.9%	0.0%	-83.9%
	Total claims w/ Incurred >\$100K	0.0%	5.6%	0.0%	-5.6%
Pending Claims	Total Pending Claims	20	20	19	-5.0%
	Total Incurred	\$95,071	\$251,830	\$146,007	-42.0%
	Average Incurred	\$4,754	\$12,592	\$7,685	-39.0%
	Total Incurred w/ Incurred >\$100K	0.0%	59.6%	0.0%	-59.6%
	Total claims w/ Incurred >\$100K	0.0%	5.0%	0.0%	-5.0%
Closed Claims	% Litigated	0.0%	0.0%	0.0%	0.0%
	Total Closed Claims	28	28	33	17.9%
	Total Paid	\$71,965	\$42,115	\$116,807	177.4%
	Average Paid	\$2,570	\$1,504	\$3,540	135.3%
	Average Days Open	181	444	252	-43.2%
Paid Claims	Closing Ratio	142.4%	260.7%	283.9%	23.2%
	Total Paid w/ Paid >\$100K	0.0%	0.0%	0.0%	0.0%
	Total Claims w/ Paid >\$100K	0.0%	0.0%	0.0%	0.0%
	% Litigated	0.0%	0.0%	0.0%	0.0%
	Total Loss Paid	\$2,000	\$13,302	\$111,203	736.0%
Paid Claims	Total Expense Paid	\$70,797	\$18,998	\$412	-97.8%
	Total Recoveries	\$0	\$0	\$0	0.0%
	Total Paid	\$72,797	\$32,300	\$111,615	245.6%
	% Loss	2.7%	41.2%	99.6%	58.4%
	% Expense	97.3%	58.8%	0.4%	-58.4%





# General Liability



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General Liability Summary

Client Metric		2014	2015	2016	% (-/+)
New Claims	Total New Claims	48	43	43	0.0%
	Total Incurred	\$33,044	\$431,253	\$89,345	-79.3%
	Average Incurred	\$688	\$10,029	\$2,078	-79.3%
	Total Incurred w/ Incurred >\$100K	0.0%	85.8%	0.0%	-85.8%
	Total claims w/ Incurred >\$100K	0.0%	2.3%	0.0%	-2.3%
Pending Claims	Total Pending Claims	40	30	31	3.3%
	Total Incurred	\$107,191	\$473,827	\$592,126	25.0%
	Average Incurred	\$2,680	\$15,794	\$19,101	20.9%
	Total Incurred w/ Incurred >\$100K	0.0%	78.1%	62.5%	-15.6%
	Total claims w/ Incurred >\$100K	0.00%	3.33%	3.23%	-0.1%
Closed Claims	% Litigated	0.0%	0.0%	3.2%	3.2%
	Total Closed Claims	66	73	63	-13.7%
	Total Paid	\$74,744	\$35,332	\$99,170	180.7%
	Average Paid	\$1,132	\$484	\$1,574	225.2%
	Average Days Open	351	324	245	-24.4%
Paid Claims	Closing Ratio	187.0%	260.0%	316.7%	56.7%
	Total Paid w/ Paid >\$100K	0.0%	0.0%	0.0%	0.0%
	Total Claims w/ Paid >\$100K	0.0%	0.0%	0.0%	0.0%
	% Litigated	0.0%	0.0%	0.0%	0.0%
	Total Loss Paid	\$1,023	\$6,207	\$98,500	1486.8%
Paid Claims	Total Expense Paid	\$67,245	\$29,934	\$24,785	-17.2%
	Total Recoveries	\$0	\$0	\$0	0.0%
	Total Paid	\$68,268	\$36,141	\$123,284	241.1%
	% Loss	1.5%	17.2%	79.9%	62.7%
	% Expense	98.5%	82.8%	20.1%	-62.7%





Activity*	Objective	Owner	Due Date
Supervisor Department Training	Safety Awareness	COM/*Atlas/Sedgwick	6/28/17
Risk Consulting Service Plan	Safety Training & Evaluation	*Atlas Risk Control	
Address training for new hires	Reduce injuries to employee's with less than 1 year of employment	COM/*Atlas	

**\*Atlas is only be suggested here, this is not to indicate that they are the owner of this activity.**

*\*The activities listed above are merely suggestions from Sedgwick on how to implement the strategies designed to meet program objective. These activities will only be undertaken upon approval from County of Maui*





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## Kurt Sibayan

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## Mark Behrman

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## Exhibit C

Letter from Patrick Wong, Corporation Counsel,  
to Paul Kailiponi, Chair, Cost of Government Commission,  
Regarding “Cost of Government Commission Draft Report  
on Compliance Losses and Risk Management” (July 25, 2018)

ALAN M. ARAKAWA  
Mayor



PATRICK K. WONG  
Corporation Counsel

EDWARD S. KUSHI  
First Deputy

LYDIA A. TODA  
Risk Management Officer  
Tel. No. (808) 270-7535  
Fax No. (808) 270-1761

DEPARTMENT OF THE CORPORATION COUNSEL  
COUNTY OF MAUI  
200 SOUTH HIGH STREET, 3<sup>RD</sup> FLOOR  
WAILUKU, MAUI, HAWAII 96793  
EMAIL: CORPCOUN@MAUICOUNTY.GOV  
TELEPHONE: (808) 270-7740  
FACSIMILE: (808) 270-7152

July 25, 2018

Mr. Paul Kailiponi, Chair  
Cost of Government Commission  
2145 Wells Street, Suite 106  
Wailuku, HI 96793

Re: **COST OF GOVERNMENT COMMISSION DRAFT REPORT ON  
COMPLIANCE LOSSES AND RISK MANAGEMENT**

RECEIVED  
18 JUL 27 A9:26  
OFFICE OF THE  
COUNTY AUDITOR

Dear Mr. Kailiponi:

We appreciate the thoughtful analysis and input focused on Maui County reducing its injury experience rates. Reducing injury rates and severity are primary goals of the County of Maui's Risk Management Division and all additional efforts to that end help us significantly. While we are a bit cautious about the effectiveness and value of some behavioral based safety program elements, such as potentially burdensome monitoring and reporting processes, excessive training and meeting requirements, caution around reporting quotas and cards if utilized, and ensuring balanced focus on all levels of employees while avoiding any *blame-game* traps, we do agree with the majority of the elements mentioned in the report. We agree that unsafe behaviors are one of the primary causes of injuries we experience and we concur fully with the need for strong management commitment and involvement, clear roles and responsibilities for all employees and positions, well communicated policies, and key performance indicators inclusive of national benchmarked rates.

We also agree that progressive motivation, including recognizing safe actions and behaviors, and disciplining unsafe actions and behaviors, is critical. Full involvement with the safety program and culture from all employees is also critical to our success. In addition to strongly focusing on injury causes and behaviors, we believe that driving early reporting of hazardous conditions and unsafe behaviors will further reduce our long-term incident rates. Through early identification and correction of problem areas and unsafe actions, we will dramatically reduce our most severe incidents by preventing them before they occur.

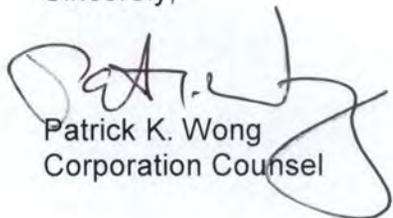
We agree that injury rates must come down and remain below national benchmark levels while we strive toward eventual world-class levels. To that end, several ongoing efforts are as follows:

1. Developing a set of key indicators to track primary safety incident rates across the County. These include risk indicators, as well as standard safety indicators, of *Recordable*, *Days Away*, and *Severity* rates. We expect these to be shared and used broadly on a quarterly basis across all County departments.
2. Focusing on improving reporting of minor incidents, unsafe acts, and hazardous conditions. We see our ratio of *Recordable* to *Days Away* cases as an opportunity area that we can improve upon. While we have some unique challenges in the state of Hawaii around working without occupational physicians, we still have ample areas to improve and drive earlier engagement in injury prevention.
3. Analyzing our injury data, slicing and dicing our incident histories, evaluating causal factors, and actively sharing our findings to help County departments focus on high frequency areas such as strains, sprains, and overexertion injuries.
4. The ultimate success of a world class safety program is leadership, commitment, and management support. We continue to strive to improve our success in this area and have several upcoming initiatives that we are working to implement by the end of the year. These include county-wide safety steering team coordination, formalizing and increasing safety management by *walking around* (addressing behaviors) in all departments, county-wide key performance indicators (Item No. 1 above), and implementing a safety self-assessment program to engage top leadership in the overall county safety and health system.

Up-to-date recordable injury rates for the four departments identified in your report are included below for your information and use. One additional note for clarity is that our annual Excess Workers' Compensation & Employer's Liability insurance is \$432,000. This more accurately represents our opportunity for insurance cost reduction related to injury experiences.

Again, thank you for the opportunity to comment. We look forward to receiving your final report in the very near future.

Sincerely,



Patrick K. Wong  
Corporation Counsel

FY2014- FY2018 Recordable Injury Rates

**Department of Public Works (DPW)**

	# Recordable Claims	200,000	Total Hours Worked	TIR
FY2014	12	2400000	430390	5.6
FY2015	17	3400000	419181	8.1
FY2016	14	2800000	424,669	6.6
FY2017	18	3600000	413,842	8.7
FY2018	6	1200000	424,703	7.1

\* National Avg based on '16 Local Gov. Construction = **11.7**

**Department of Parks & Recreation (DPR)**

	# Recordable Claims	200,000	Total Hours Worked	TIR
FY2014	50	10000000	475652	21.0
FY2015	36	7200000	479796	15.0
FY2016	44	8800000	503816	17.5
FY2017	25	5000000	505321	9.9
FY2018	18	3600000	501605	10.4

\* National Avg based on '16 *Private Industry* Landscaping = **4.4**

**Department of Water Supply (DWS)**

	# Recordable Claims	200,000	Total Hours Worked	TIR
FY2014	22	4400000	404614	10.9
FY2015	16	3200000	381901	8.4
FY2016	13	2600000	349342	7.4
FY2017	7	1400000	337165	4.2
FY2018	6	1200000	336290	3.6

\* National Avg based on '16 Local Gov. Waste & Sewage = **6.0**

**Department of Environmental Management (DEM)**

	# Recordable Claims	200,000	Total Hours Worked	TIR
FY2014	29	5800000	457600	12.7
FY2015	22	4400000	455520	9.7
FY2016	17	3400000	463840	7.3
FY2017	3	600000	457600	1.3
FY2018	7	1400000	478400	2.9

\* National Avg based on '16 Local Gov. Waste & Sewage = **6.0**

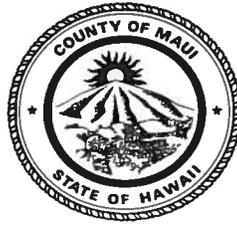
## Exhibit D

Letter from Stewart Stant, Director, Department of Environmental Management, to Paul Kailiponi, Chair, Cost of Government Commission, Regarding "Cost of Government Commission Draft Report on Compliance Losses and Risk Management (July 25, 2018)

ALAN M. ARAKAWA  
Mayor

STEWART STANT  
Director

MICHAEL M. MIYAMOTO  
Deputy Director



MICHAEL RATTE  
Solid Waste Division

ERIC NAKAGAWA, P.E.  
Wastewater Reclamation  
Division

TAMARA FARNSWORTH  
Environmental Protection &  
Sustainability Division

**COUNTY OF MAUI  
DEPARTMENT OF  
ENVIRONMENTAL MANAGEMENT**

2050 MAIN STREET, SUITE 2B  
WAILUKU, MAUI, HAWAII 96793

July 25, 2018

Paul Kailiponi, Chair  
Cost of Government Commission  
2145 Wells Street, Suite 106  
Wailuku, Hawaii 96793

Dear Mr. Kailiponi:

**SUBJECT: COST OF GOVERNMENT COMMISSION DRAFT REPORT ON  
COMPLIANCE LOSSES AND RISK MANAGEMENT**

In response to your July 10, 2018 request for comments to the draft report, we offer the following:

1. The Department of Environmental Management (DEM) consists of two individual services to the public. Our Wastewater Reclamation Division (WWRD) is responsible for all County of Maui wastewater systems. The operations are very similar to the Department of Water Supply (DWS) so I would expect their Total Incident Rate (TIR) to be similar with the DWS instead of DEM being lower than DWS as shown in the report. If anything, our TIR should be higher due to the more technical equipment involved with Wastewater Operations.

The second division is the Solid Waste Management Division (SWD) that provides Residential Refuse Collection and Landfill operations. This division operates more heavy equipment than our WWRD but has less mechanical equipment like pumps and valves. I would expect their TIR to be close to the WWRD's TIR.

As we have two major divisions providing very different public services, the combining of the two TIR and statistics to be represented as one is inappropriate. Statistics from each division should be evaluated separately with TIR's similar to the DWS. We take safety and training serious in each division as each division has their own safety officer that tailors training to work specific.

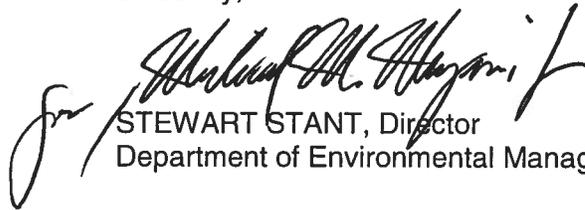
2. We noticed that this report chose to report on fiscal year when the OSHA reports are on calendar year. Was the raw data available or was half of each year's rate added together to get the fiscal year? For example, the SWD incident rate for calendar year 2016 was 6.9 and the rate for calendar year 2017 was 4.9, how did you get the fiscal year rate?

3. We have reviewed the recommendations and in fact have in place some of the recommendations. We can work to implement the others. We are concern about hiring a consultant to tell us what to do. The County does have a Risk Management Division and we have industry specific safety and training officers for our divisions that get training regularly.

As I worked in the WWRD for 25+ years, I appreciate the emphasis on safety and now being the Director, I conduct quarterly supervisor trainings on how to supervise and safety.

Should you have any questions, please contact me at ext. 8230.

Sincerely,



STEWART STANT, Director  
Department of Environmental Management

## Exhibit E

Email from Rowena Dagdag-Andaya, Deputy Director,  
Department of Public Works, to Shelley Pellegrino,  
Technical Writer, Cost of Government Commission,  
Regarding “COGC Draft Report – DPW Review” (July 30, 2018)

## Books Maui

---

**From:** Rowena Dagdag-Andaya <Rowena.Dagdag-Andaya@co.maui.hi.us>  
**Sent:** Monday, July 30, 2018 10:58 AM  
**To:** Books Maui  
**Cc:** David Goode; Nancy Mahi  
**Subject:** COGC Draft Report - DPW Review  
**Attachments:** COGC\_Compliance Losses and Risk Management\_DPW.pdf

Aloha Shelley,

Mahalo for the opportunity to review the COGC's draft report on compliance losses and risk management. Attached is a little revision that we'd like to suggest for the report. Please let me know if you have any questions. And again, thank you for allowing us to review. We're looking forward to seeing the final report.

-Rowena

-----  
Rowena M. Dagdag-Andaya  
Deputy Director, Department of Public Works  
County of Maui  
200 S. High Street, Wailuku, Hawaii 96793  
PH: (808) 270-7845  
FAX: (808) 270-7955

DPW previously had a dedicated safety officer, however, that position was moved into Risk Management to serve the greater county. Safety is everyone's responsibility, and the oversight in Public Works was assigned to the individual division chiefs.

Testimony concerning risk and safety operations within a department was also provided by Deputy Director Rowena Dagdag-Andaya and Administrative Officer Nancy Mahi of the Department of Public Works (DPW). They informed the Commission that while safety was an integral part of many managers' roles within the department, there was currently no position tasked with direct responsibility over safety. ~~DPW previously had a safety officer, but the position was eliminated and responsibility was transferred to the division chiefs. The safety officer position was eliminated because he/she did not have a good rapport with staff, and that there was a significant number of safety issue and workers' compensation claims.~~

According to Ms. Dagdag-Andaya, DPW also performs safety discussions during employee performance evaluations, and occasionally at a staff meeting, but these discussions are usually in reaction to an accident that occurred. Safety training is also discussed in daily morning meetings with Highways Division staff, where employees review situational awareness and potential safety hazards before they leave for the worksite.

Perhaps most interesting in the discussion with Ms. Dagdag-Andaya was one centered on the culture of safety that existed within the department. Ms. Dagdag-Andaya stated that she would appreciate a County discussion on what the private sector is doing. She explained that DPW had reached out to Goodfellow Bros. Inc. a few years ago to learn about its Maka'ala safety program. She stated that the County does try to mirror some of what they learned, but the challenge is developing the culture of safety and making sure everyone looks out for each other. Ms. Dagdag-Andaya added that she thought it would be beneficial for the County to have an ad-hoc safety committee that would include the "labor-intensive" departments (i.e., Public Works, Environmental Management, Water Supply, and Parks and Recreation), and involve midlevel supervisors, administrative officers, and risk management.<sup>46</sup>

Written responses<sup>47</sup> to the questions submitted by the Commission can be found in the Exhibit section of this report.

The written and oral testimony received by the commission illustrates the state of safety culture and procedure in the County. Many of the key components of a BBS program is the development of clear responsibilities at the operational level of an organization and focus throughout the organization on explicit safety standards. This culture of safety is key to improving employee safety and lowering incident rates.

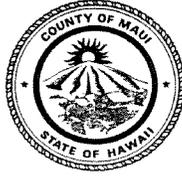
<sup>46</sup> Cost of Government Commission Minutes, August 10, 2017, pp. 2-3.

<sup>47</sup> Email from Yassin Oleiwan, Safety Specialist II, Department of Parks and Recreation, to the Cost of Government Commission (February 21, 2017); Letter from Stewart Stant, Director, Department of Environmental Management, to the Cost of Government Commission (March 7, 2017); Letter from Dave Taylor, Director, Department of Water Supply to the Cost of Government Commission (April 12 2017); Letter from David C. Goode, Director of Public Works, to the Cost of Government Commission (August 8, 2017).

## Exhibit F

Letter from Gladys C. Baisa, Acting Director, Department of Water Supply,  
to Paul Kailiponi, Chair, Cost of Government Commission,  
Regarding “Cost of Government Commission Draft Report  
on Compliance Losses and Risk Management” (July 25, 2018)

ALAN M. ARAKAWA  
Mayor



GLADYS C. BAISA  
Acting Director

SHAYNE R. AGAWA, P.E.  
Deputy Director

**DEPARTMENT OF WATER SUPPLY**  
**COUNTY OF MAUI**  
200 SOUTH HIGH STREET  
WAILUKU, MAUI, HAWAII 96793-2155  
www.mauewater.org

July 25, 2018

Paul Kailiponi, Chair  
Cost of Government Commission  
County of Maui  
2145 Wells Street  
Wailuku, HI 96793

Dear Mr. Kailiponi:

Subject: Cost of Government Commission Draft Report on  
Compliance Losses and Risk Management

Thank you for seeking the Department of Water Supply's feedback on the draft report on compliance losses and risk management. We provide the following comments:

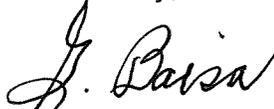
- At the Department of Water Supply (DWS), health programs have been developed and implemented, safety training is offered, and appropriate PPE is issued to employees. The DWS purchases and supplies tools and equipment to the extent funding permits.
- The DWS monitors accidents and addresses trends.
- The DWS would appreciate an opportunity to explain operations and challenges, and would be happy to meet with members of the Commission and/or Risk Management to go over survey responses and provide further information.
- The DWS would appreciate the opportunity to meet with other departments such as Public Works, or the private sector such as Goodfellow Bros. Inc. to see their best management practices.
- Maui County's remote location can be a challenge when ordering safety equipment in a timely manner.
- We cannot ignore the fact that like water utilities across the nation, the department's workforce is aging. Of the department's 197 employees, nearly 20% are age 60 or over. Less than 5% of the workforce is under 30 years of age.
- A possible long term goal for the DWS: incorporate safety standards in remote areas and/or minimize work hours needed in those areas. The Waikamoi Flume upgrade, which was very expensive and took years to complete, is an example of success.

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- Safety needs to be a priority for department heads, division heads, supervisors on down. It must be taken seriously. Time must be allotted for safety training on a regular basis.
- Consultants can help with creating safety policies, purchasing, and contracting guidelines that we can rely on and will affect all areas in the county.
- We would also like to share with the COG Commission that in determining the need for a much larger emphasis on prevention, we included a new Safety Technician position in the FY 2019 Budget; however, it was not approved by County Council. We need staff and funding to take safety to the level desired.
- We welcome any help in improving the DWS safety program and reducing injuries. We would also appreciate the COG Commission acting as an advocate for the departments at the County Council budget meetings – please help council members understand the return on investment for safety spending.

Feel free to contact me at 270-7834 if you would like to schedule a meeting to discuss this further.

Sincerely,



Gladys C. Baisa  
Acting Director of Water Supply

C: Lauren Farmer, Safety Specialist II

## Exhibit G

Email from Yassin Oleiwan, Safety Specialist II, Department of Parks and Recreation, to Shelley Pellegrino, Technical Writer, Cost of Government Commission, Regarding “Compliance Losses and Risk Management Practices – Request for Information from Cost of Government Commission (February 21, 2017)

## Books Maui

---

**From:** Yassin Oleiwan <Yassin.Oleiwan@co.maui.hi.us>  
**Sent:** Tuesday, February 21, 2017 12:17 PM  
**To:** booksmaui@hawaii.rr.com  
**Subject:** Fwd: Compliance Losses and Risk Management Practices -- Request for Information from Cost of Government Commission

1. Does your department track safety and health performance using proactive performance metrics, or does it simply count losses?

We use OSHA 300 record to indicate what classes of injuries. Also, we look closely to the repetition of type of injuries that we prioritize it on our safety awareness and re-training.

2. Do senior managers visibly demonstrate leadership and commitment to safety and health performance?

Yes. They are in compliance with Maui County Health and Safety programs. They support the safety training offered to their staff and uphold the mandatory status for safety training. All staff attend safety training, no exception.

3. How are middle and senior leaders held accountable for safety performance of the department? District Supervisors work with the Safety Specialist in correcting safety hazards found during safety inspection.

4. Is safety and health performance considered in annual performance reviews for all managers and supervisors?

There is a section in the annual performance review that is required for blue-collar workers.

5. Are safety and health programs audited annually and, if so, do these audits include assessments of safety practices and procedures by operations and maintenance groups?

Yes

6. Do workers or their representatives participate in the development and implementation of safety and health programs?

No

7. Has your department committed sufficient staff resources to support safety and health programs, i.e., leadership of skilled safety professional(s)?

Yes

8. Is safety and health integrated into the culture and business processes as a "Business Value"?

Yes, the mission of Parks and Recreation states as follow: "The mission of the Department of Parks and Recreation is to *"Provide safe, satisfying and cost effective recreational opportunities for the residents of and visitors to Maui County"*.

Yassin Oleiwan, DBA

Safety Specialist II

Maui County

Parks and Recreation

700 Halia Nakoia St. Unit 2

Wailuku, HI 96793

Phone: (808) 270-5781

Fax: (808) 270-7942

>>> "Books Maui" <booksmaui@hawaii.rr.com> 2/10/2017 2:45 PM >>>

Aloha Mr. Buenconsejo,

Attached for your review and response are a memo and set of questions prepared by Brad Bunn and John Watling, two members of the Cost of Government Commission (COGC). The COGC is conducting research into the compliance losses and risk management practices of the County and would appreciate your assistance. If you have any questions, feel free to contact me at (808) 344-3348.

Mahalo,

Shelley Pellegrino

Technical Writer, Cost of Government Commission

Shelley Pellegrino, Owner

*Pu'umakani Publishing, LLC*

P.O. Box 967, Wailuku, Maui, Hawaii 96793-0967

808.344.3348

[booksmaui@hawaii.rr.com](mailto:booksmaui@hawaii.rr.com)

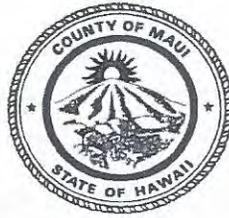
## Exhibit H

Letter from Stewart Stant, Director, Department of Environmental Management, to Commissioners Brad Bunn and John Watling, Cost of Government Commission, Regarding “Compliance Losses and Risk Management Practices” (March 7, 2017)

ALAN M. ARAKAWA  
Mayor

STEWART STANT  
Director

MICHAEL M. MIYAMOTO  
Deputy Director



MICHAEL P. RATTE  
Solid Waste Division

ERIC NAKAGAWA, P.E.  
Wastewater Reclamation Division

COUNTY OF MAUI  
**DEPARTMENT OF  
ENVIRONMENTAL MANAGEMENT**  
2050 MAIN STREET, SUITE 2B  
WAILUKU, MAUI, HAWAII 96793

March 7, 2017

Brad Bunn, Commissioner  
John Watling, Commissioner  
County of Maui  
Cost of Government Commission  
2145 Wells Street  
Wailuku, Hawaii 96793

Dear Commissioners Bunn and Watling:

**SUBJECT: COMPLIANCE LOSSES AND RISK MANAGEMENT PRACTICES**

The Department of Environmental Management (DEM) is in receipt of the above Cost of Government Commission requested information dated February 10, 2017. Your questions and the corresponding answers are provided below:

1. ***Does your department track safety and health performance using proactive performance metrics or does it simply count losses? Yes***

***If yes, what are your results? For example:***

- ***What is your OSHA recordable rate?*** Wastewater – 5, Solid Waste – 8.2
- ***How many days away from work?*** Wastewater – 73, Solid Waste – 121
- ***How many days of lost time or restricted duty?*** Wastewater – 65, Solid Waste – 0
- ***How many days without an injury?*** Wastewater – 360, Solid Waste - 133

2. ***Do senior managers visibly demonstrate leadership and commitment to safety and health performance?***

Yes, one of the ways senior management demonstrates leadership and commitment to safety and health performance is by supporting both internal and external safety training opportunities. Our Solid Waste Division is currently working with the ITS group to coordinate installation of safety and training computers at each of our base yards. They also promote and obtain certifications such as the Managers of Landfill Operations certification and Refuse Collection safety & training.

From the Director's office on down, we mandate proper Personal Protective Equipment at all times, which reduces injuries.

**3. *How are middle and senior leaders held accountable for safety performance of the department?***

When an injury/illness occurs, the Facility Supervisor is tasked with investigating the cause of the injury/illness. Part of the investigation also tasks the Supervisor to determine other methods which could be used to perform a task to minimize or eliminate any hazards that caused the original injury/illness.

**4. *Is safety and health performance considered in annual performance reviews for all managers and supervisors?***

Yes and no. No it is not a specific category currently on performance evaluation forms and yes it is considered when considering supervisors' performance in the various evaluation categories.

**5. *Are safety and health programs audited annually and, if so, do these audits include assessments of safety practices and procedures by operations and maintenance groups?***

Yes and we are following the County of Maui's Risk Management guidelines which may be audited by outside staff annually. We also have base yard specific safety and health programs.

**6. *Do workers or their representatives participate in the development and implementation of safety and health programs?***

Our Wastewater Reclamation and Solid Waste Divisions each have Safety Officers that work with Management, Supervisors and other staff in developing safety and health programs. We utilize programs that have been developed and present them to our staff.

**7. *Has your department committed sufficient staff resources to support safety and health programs, i.e., leadership of skilled safety professional(s)?***

Yes, our Wastewater Reclamation and Solid Waste Divisions each have a position specific staff member for training and safety. The Director's office supports them with our Administrative Officer and clerk by providing the divisions with notices of available training and safety opportunities offered by the County.

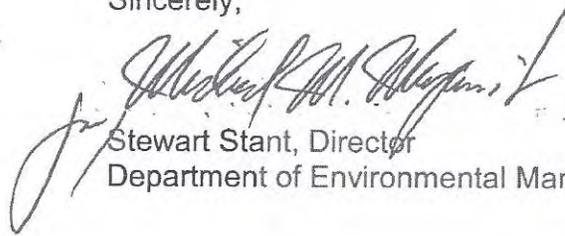
**8. *Is safety and health integrated into the culture and business process as a "Business Value"?***

Brad Bunn & John Watling  
Cost of Government Commission  
March 8, 2017  
Page 3

Both the Wastewater Reclamation and Solid Waste Divisions have significant operations staff and so training and safety are paramount in our operations. Injuries and illnesses while it impacts our employees, it also impacts our operations and our service to the public. The divisions provide their Safety and Training officers with an annual budget to perform their work. Regular training, safety and health programs are provided.

Should you have any questions, please call me at (808) 270-8230.

Sincerely,

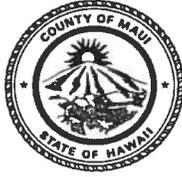
A handwritten signature in black ink, appearing to read "Stewart Stant", is written over the typed name. The signature is fluid and cursive.

Stewart Stant, Director  
Department of Environmental Management

# Exhibit I

Letter from David Taylor, Director, Department of Water Supply,  
to Commissioners Brad Bunn and John Watling,  
Cost of Government Commission, Regarding "Compliance Losses and  
Risk Management Practices (April 12, 2017)

ALAN M. ARAKAWA  
Mayor



DAVID TAYLOR, P.E.  
Director

GLADYS C. BAISA  
Deputy Director

**DEPARTMENT OF WATER SUPPLY**  
**COUNTY OF MAUI**  
200 SOUTH HIGH STREET  
WAILUKU, MAUI, HAWAII 96793-2155  
[www.mauiwater.org](http://www.mauiwater.org)

April 12, 2017

Mr. Brad Bunn, Commissioner  
Mr. John Watling, Commissioner  
Cost of Government Commission  
200 South High Street  
Wailuku, HI 96793

Dear Messrs. Bunn and Watling:

**SUBJECT: COMPLIANCE LOSSES AND RISK MANAGEMENT PRACTICES**

I testified as to these issues at your previous meeting. Below are our written responses:

1. *Does your department track safety and health performance using proactive performance metrics, or does it simply count losses?*

Proactive Performance Metrics for Year 2016

*What is your OSHA recordable rate?* 2

*How many days away from work?* 222

*How many days of lost time or restricted duty?* 0

*How many days without an injury?* So far 5 days since last injury

2. *Do senior managers visibly demonstrate leadership and commitment to safety and health performance?* Yes
3. *How are middle and senior leaders held accountable for safety performance of the department?* Performance Evaluations
4. *Is safety and health performance considered in annual performance reviews for all managers and supervisors?* Yes

*"By Water All Things Find Life"*

Mr. Brad Bunn, Commissioner  
Mr. John Watling, Commissioner  
Cost of Government Commission  
April 12, 2017  
Page two

5. *Are safety and health programs audited annually and, if so, do these audits include assessments of safety practices and procedures by operations and maintenance groups? Yes. Yes.*
6. *Do workers or their representatives participate in the development and implementation of safety and health programs? Yes*
7. *Has your department committed sufficient staff resources to support safety and health programs, i.e., leadership of skilled safety professional(s)? Yes*
8. *Is safety and health integrated into the culture and business processes as a "Business Value"? Yes*

Sincerely,



DAVE TAYLOR  
Director

## Exhibit J

Letter from David C. Goode, Director, Department of Public Works,  
to Paul Kailiponi, Chair, Cost of Government Commission,  
Regarding "Compliance Losses and Risk Management Practices  
(August 8, 2017)

ALAN M. ARAKAWA  
Mayor

DAVID C. GOODE  
Director

ROWENA M. DAGDAG-ANDAYA  
Deputy Director

Telephone: (808) 270-7845  
Fax: (808) 270-7955



COUNTY OF MAUI  
**DEPARTMENT OF PUBLIC WORKS**  
200 SOUTH HIGH STREET, ROOM NO. 434  
WAILUKU, MAUI, HAWAII 96793

GLEN A. UENO, P.E., P.L.S.  
Development Services Administration

CARY YAMASHITA, P.E.  
Engineering Division

JOHN R. SMITH, P.E., ACTING  
Highways Division

August 8, 2017

Mr. Paul Kailiponi, Commission Chair  
County of Maui  
Cost of Government Commission  
2145 Wells Street  
Wailuku, Maui, Hawaii 96793

Dear Commission Chair Kailiponi:

**SUBJECT: COMPLIANCE LOSSES AND RISK MANAGEMENT PRACTICES**

The Department of Public Works (DPW) is in receipt of an email from Shelley Pellegrino dated April 19, 2017 from your office. Her email included the following questions and requested a response from our Department. Your questions and corresponding answers are provided below:

1. **Does your department track safety and health performance using proactive performance metrics or does it simply count losses? Yes.**

**If yes, what are your results? For example:** There are zero incidents within our Engineering and Development Services Administration (DSA) Divisions. Highways Division results are below.

- **What is your OSHA recordable rate?** 13 recordable cases in 2016.
- **How many days away from work?** 394 (time lost, Temporary Total Disability [TTD]).
- **How many days of lost time or restricted duty?** 292 (restricted, light duty work).
- **How many days without an injury?** 21 days (last accepted claim was 6/9/17, no TTD)

**2. Do senior managers visibly demonstrate leadership and commitment to safety and health performance?**

Yes, senior management supports internal and external safety training opportunities. Proper Personal Protective Equipment (PPEs) is mandated at all times to reduce injuries. Various safety reminders are reviewed on a weekly basis as part of our front-line staff meetings.

**3. How are middle and senior leaders held accountable for safety performance of the department?**

When an industrial injury is reported, the Supervisor must complete an incident investigation report. Part of this investigation report requires the Supervisor to consider other methods which could have been used to minimize or prevent the injury, thus helping them to make corrections for the future. These reports are reviewed from middle management up through the Director.

**4. Is safety and health performance considered in annual performance reviews for all managers and supervisors?**

Yes, it is the third item on our performance evaluation reports which are reviewed annually for all employees, and is a required review for all Blue-collar employees. This section measures the employee's performance in applying the knowledge of safety practices, rules, and procedures of the profession; using and operating equipment in a safe manner, and maintaining of tools, equipment, and other apparatus. This also includes operating office-related equipment in a safe and acceptable manner.

**5. Are safety and health programs audited annually and, if so, do these audits include assessments of safety practices and procedures by operations and maintenance groups?**

Yes, as part of the Occupational Safety and Health Administration (OSHA) regulations, we make an annual accounting of recordable work injuries and post them in each location as required by law. We also follow the County of Maui's Risk Management guidelines which include quarterly Workers' Compensation claims reviews by our third-party insurance company, Sedgwick CMS. The Highways Division also collects a "Monthly Safety and Accident Report" from each baseyard and then creates a final tally for the Division.

**6. Do workers or their representatives participate in the development and implementation of safety and health programs?**

Highways Division District Supervisors prepare a list of safety topics that they review each week during morning baseyard meetings. Our District Supervisors also work with our Highways Division Chief in providing practical information to Risk Management when requested to help support development of training.

**7. Has your department committed sufficient staff resources to support safety and health programs, i.e., leadership of skilled safety professional(s)?**

Through the Administrative Officer's (AO) team, notices of available County training opportunities are offered to Division staff. The Highways Division employs an Equipment Operations Instructor. This position supports safety and health programs and is responsible to plan, develop and conduct various driver education and safety classes for motor vehicle operators. The instructor regularly trains employees on vehicle and equipment inspections, cargo and load securement, forklift safety training. The instructor also offers equipment operations courses for employees seeking Commercial Driver License (CDL) licenses.

**8. Is safety and health integrated into the culture and business processes as a "Business Value"?**

Yes, we encourage an open-door policy. AO and staff meet with each Division and Section annually to review important information and benefits available to them as part of their County employment (i.e.: Employee Assistance Program [EAP], AFLAC, Kaiser Active & Fit Gym Membership, Workers Compensation [WC], etc.).

Mr. Paul Kailiponi, Commission Chair  
August 8, 2017  
Page 4

Should you have any questions, please call me at (808) 270-7845.

Sincerely,



DAVID C. GOODE  
Director of Public Works

DCG:RMDA:jso

xc: Alan M. Arakawa, Mayor

Keith A. Regan, Managing Director

S:\rowena\paul kailiponi\_cost of govt 08.08.17

*fl*