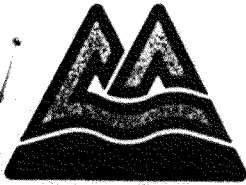


BIDS



MULTNOMAH COUNTY OREGON

Inf. #1
5/31/88

DEPARTMENT OF GENERAL SERVICES
PURCHASING SECTION
2505 S.E. 11TH AVENUE
PORTLAND, OREGON 97202
(503) 248-5111

GLADYS MCCOY
COUNTY CHAIR

MEMORANDUM

BOARD OF
COUNTY COMMISSIONERS
1988 MAY 25 PM 1:5
MULTNOMAH COUNTY
OREGON

TO: Jane McGarvin, Clerk of the Board
FROM: Lillie Walker, Director, Purchasing Section
DATE: May 25, 1988
SUBJECT: FORMAL BIDS AND REQUESTS FOR PROPOSALS SCHEDULED FOR INFORMAL BOARD

The following Formal Bids and/or Professional Services Request for Proposals (RFPs) are being presented for Board review at the Informal Board on Tuesday, 5-31-88.

Bid/RFP No.	Description/Buyer	Initiating Department
B88-900-2080	SUMP RINGS & COVERS/requirements basis	DES/Maint.
	Buyer: Jan M. Goddard Ex. 5111	Contact: Bob Pearson Phone: 5050
	Buyer: Ex. 5111	Contact: Phone:
	Buyer: Ex. 5111	Contact: Phone:

cc: Gladys McCoy, County Chair
Board of County Commissioners
Linda Alexander, Director, DGS
Caroline Miller, Commissioner

Copies of the bids and RFPs are available from the Clerk of the Board.

Page 1 of _____

TO: DAILY JOURNAL OF COMMERCE

Please run the following Classified Advertisement as indicated below, under your
"CALL FOR BID" section

MULTNOMAH COUNTY

Proposals Due: June 16, 1988 at 2:00 P.M.

Proposal No. B88-900-2080

Sealed proposals will be received by the Director of Purchasing, 2505 S.E. 11th
Ave., Portland, OR 97202 for:

Sump Rings and Covers on a requirements basis

as per specifications on file with the Purchasing Director. No proposal will be
received or considered unless the proposal contains a statement by the bidder as
part of his bid that the requirements of ORS 279.350 shall be included. Multnomah
County reserves the right to reject any or all proposals.

Specifications may be obtained at: Multnomah County Purchasing Section

2505 S.E. 11th Avenue

Portland, OR 97202

(503) 248-5111

Lillie M. Walker, Director
Purchasing Section

PUBLISH: June 2, 3 & 6th, 1988

AD2:PURCH2

DATE SUBMITTED _____

(For Clerk's Use)

Meeting Date 5/31/88

Agenda No. # 3

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: Risk Management

Informal Only* May 31, 1988
(Date)

Formal Only June 2, 1988
(Date)

DEPARTMENT Dept. of General Services

DIVISION Director's Office

CONTACT Sharon Wylie

TELEPHONE 248-3300

*NAME(s) OF PERSON MAKING PRESENTATION TO BOARD Sharon Wylie/Linda Alexander

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

Briefing and consideration of the expanded Risk Management program.

(The Risk Management Report sent under separate cover - 5/20/88)

(IF ADDITIONAL SPACE IS NEEDED, PLEASE USE REVERSE SIDE)

ACTION REQUESTED:

☐ INFORMATION ONLY ☐ PRELIMINARY APPROVAL ☐ POLICY DIRECTION ☐ APPROVAL

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA 45 minutes

IMPACT:

PERSONNEL

☐ FISCAL/BUDGETARY

☐ - General Fund

Other _____

SIGNATURES:

DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER: James W. Miller for Linda Alexander

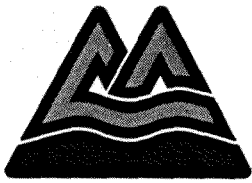
BUDGET / PERSONNEL Malinda D. Feely

COUNTY COUNSEL (Ordinances, Resolutions, Agreements, Contracts) Greg Kline

OTHER _____

(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.



MULTNOMAH COUNTY OREGON

DEPARTMENT OF GENERAL SERVICES
PORTLAND BUILDING
1120 S.W. FIFTH, 14TH FLOOR
PORTLAND, OR 97204-1934

OFFICE OF THE DIRECTOR
BUDGET & MANAGEMENT
ANALYSIS
COUNTY COUNSEL
EMPLOYEE RELATIONS
FINANCE DIVISION

(503) 248-3303
(503) 248-3883
(503) 248-3138
(503) 248-5015
(503) 248-3312

BOARD OF COUNTY COMMISSIONERS
GLADYS McCOY, CHAIR
PAULINE ANDERSON
POLLY CASTERLINE
GRETCHEN KAFOURY
CAROLINE MILLER

MEMORANDUM

TO: Gladys McCoy, Chair
Members of the Board of County Commissioners
Department Directors

FROM: Sharon Wylie *SW*

DATE: May 31, 1988

SUBJECT: Risk Management Program Document

The attached sheets are to be inserted into your Risk Management program document beginning on page 11. These changes represent expanded detail on both tort and workers compensation claims administration. The changes were made to clarify the duties of each participant. If you have any questions please call me at 248-3300.

2016F/SW/js

MAJOR DECISION AREA RISK MANAGEMENT PROGRAM IMPLEMENTATION - TORT LIABILITY CLAIMS ADMINISTRATION

ACTIVITIES/DECISIONS	PEOPLE/GROUPS INVOLVED													
	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.	
1. Intake/set up file	I	O	I	R	I	I	O	I	O	O	O	O	O	
2. Forward to County Counsel	O	O	O	R	I	A	O	O	O	O	O	O	O	
3. Set Reserve	O	O	O	R	C	O	O	O	O	O	O	*	O	
4. Investigate	O	O	O	R/C	R	I	O	C	O	O	O	*	O	
5. Direct Investigation	O	O	O	C/R	R/C	I	O	I	O	O	O	O	O	
6. Communications	I	O	I	R	C/R	I	O	I	I	O	O	O	O	
7. Evaluate legal aspects	O/I	O/I	O/I	C	R	I	O/I	O/I	I	O	O	O	O	
8. Accept														
a. Negotiate	I**	O/I	C/I	C	R	I	O	C	I	O	O	O	O	
b. Settle	A**	I	C/I	C	R	I/O	I	C	O	O	O	O	O	

*Scott Wetzel Services currently investigates, adjusts and pays claims by contract.

**Depending on circumstances approved for settlement during litigation, may involve the Chair, the Sheriff or a judge.

NOTE: For practical reasons, "I" will sometimes be satisfied through consolidated reports and summaries.

Key:

R = Responsible

O = Zero Involvement

C = Consulted

I = Informed

A = Approves

Revised 5/27/88

1631F/11

MAJOR DECISION AREA

RISK MANAGEMENT PROGRAM IMPLEMENTATION - TORT LIABILITY CLAIMS ADMINISTRATION

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
c. Issue Payment	I	O	I	I	C	I	O	I	O	O	O	R	O
9. Deny													
a. Issue response	I	O/I	I	C	R	I	O	C	O	O	O	O	O
b. Investigate/Prep for Lit	I	O	I	C/R	R	O/I	O	C	O	O	O	O	O
c. Negotiate during lit.	A	O	I	C	R	I	O	C	O	O	O	O	O
d. Settlement	A	O/I	I	C	R	I	I	C	O	O	O	O	O

*Scott Wetzel Services currently investigates, adjusts and pays claims by contract.

**Depending on circumstances approved for settlement during litigation, may involve the Chair, the Sheriff or a judge.

***A judge or mediator may be involved in negotiations and settlement approval at different stages of litigation.

NOTE: For practical reasons, "I" will sometimes be satisfied through consolidated reports and summaries.

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Revised 5/27/88

1631F/11A

MAJOR DECISION AREA RISK MANAGEMENT PROGRAM IMPLEMENTATION - TORT LIABILITY CLAIMS ADMINISTRATION

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
10. Evaluate for Prevention**	I	I	I	R	C	I	O	C/R	C	C	C	O	O
11. Enter Data MIS	O	O	I	R	O	I	I	I	O	O	O	O	O
12. Eval. Claims Admin. Function	I	I	A	R	C	C	C	C	O	O	O	O	O
Factors to Consider:													
Internal control, related													
activities, effectiveness,													
total program, cost benefits,													
numbers of claims, trends,													
alternatives													

*If contracted service is used, as at present. The report recommends that the current system continue but be evaluated for possible self-administration.

**The timing and method of evaluating prevention issues is different for tort and workers' compensation claims.

Key:

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I = Informed

A = Approves

Revised 5/27/88

1631F/12

MAJOR DECISION AREA RISK MANAGEMENT PROGRAM IMPLEMENTATION - WORKERS COMPENSATION CLAIMS ADMINISTRATION

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Intake/Create File	O	O	O	R	I/O	O	O	C	O	O	O	C/R	O
2. Investigate	O	O	O/I	R	C	C/A	O	C/R	I	I/C	O/C	R	O/C
3. Communications	O	O	I	R	C	A	O	C	I	O	O	O	O
4. Evaluate legal aspects	I	O	I	C	R	I	O	C	C	O	O	O	O
5. Accept	O	O	I	A/R	C	I/C	O	C	O	O	O	O	O
a. Issue payments	O	O	I	R	I	I	O	I	O	O	O	R	O
b. Follow worker progress	O	O	O	R	C	I	O	C	O	O	O	O	O
c. Work w/WC Board	O	O	O	R	C	O	O	C	O	O	O	O	O
d. Return to work program	O	O	I	C	C	R	I	C	O	O	O	O	O
6. Defer	O	O	O	R	C	C	O	C	O	O	O	O	O
a. Gather information/invest	O	O	O	R	C	C	O	C	O	O	O	R	O

Key:

R = Responsible
C = Consulted
A = Approves

O = Zero Involvement
I = Informed

Revised 5/27/88

MAJOR DECISION AREA RISK MANAGEMENT PROGRAM IMPLEMENTATION - WORKERS COMPENSATION CLAIMS ADMINISTRATION

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
b. Determine course of act.	O	O	O	R	C	A	O	C	O	O	O	O	O
7. Deny	O	O	O	R	C	A	O	C	O	O	O	O	O
a. Litigate	I	O	I	C	R	I	O	C	O	O	O	O	O
b. Negotiation & Settlement	I	O/I	I/C	C	R	A	O	C	O	O	O	O	O
c. Issue prints	O	O	I	I	R	I	I	I	O	O	O	R	O
d. Return to work program	O	O	I/C	C	C	R	O	C	O	O	O	O	O

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I = Informed

Revised 5/27/88

1631F/13A

MAJOR DECISION AREA RISK MANAGEMENT PROGRAM IMPLEMENTATION - WORKERS COMPENSATION CLAIMS ADMINISTRATION

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
8. Evaluate for Prevention*	I	I	I	R	C	C	O	C	C	C	I	O/C	O
9. Enter Data MIS	O	O	I	R	I	O	I	I	I	O	O	O	O
10. Admin. Return-to-Work Prog.	O	O	I	C	C	R	O	C	I	I	I	O	O
11. Eval. Claims Admin. Function	I	I	A	C	C	R	C	C	C	O	O	O	O
Factors to Consider:													
Internal control, related													
activities, effectiveness,													
total program, cost benefits,													
numbers of claims, trends,													
alternatives													

*The timing and method of evaluating prevention issues is different for tort and workers' compensation claims.

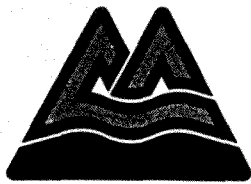
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Revised 5/27/88

1631F/14



MULTNOMAH COUNTY OREGON

DEPARTMENT OF GENERAL SERVICES
PORTLAND BUILDING
1120 S.W. FIFTH, 14TH FLOOR
PORTLAND, OR 97204-1934

OFFICE OF THE DIRECTOR
BUDGET & MANAGEMENT
ANALYSIS
COUNTY COUNSEL
EMPLOYEE RELATIONS
FINANCE DIVISION

(503) 248-3303
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BOARD OF COUNTY COMMISSIONERS
GLADYS McCOY, CHAIR
PAULINE ANDERSON
POLLY CASTERLINE
GRETCHEN KAFOURY
CAROLINE MILLER

MEMORANDUM

TO: Gladys McCoy, Chair
Board of County Commissioners

FROM: Jim Munz for Linda Alexander

DATE: May 19, 1988

SUBJECT: Risk Management Program Model

1988 MAY 26 PM 2:24
MULTNOMAH COUNTY
OREGON
CLERK OF COUNTY COMMISSIONERS

Attached you will find the proposed Comprehensive Risk Management Program for Multnomah County. We are pleased to have had the support from the Board in preparing this program. This support allowed us to take a careful and thoughtful approach.

As you will see when you review the document, there is a role for everyone in protecting the County from accidental loss. Your initial support for this project made it possible for us to define and understand those roles and the responsibilities they entail.

The new program provides a comprehensive approach by:

- Defining and explaining the important functions of risk management in clear language that all participants can understand
- Clarifying and expanding the mission and purpose of the program to emphasize prevention of accidental loss
- Identifying the tools necessary to accomplish the stated goals and objectives
- Assigning responsibility for all key functions and activities

The program document is structured in each chapter around five major functions of risk management. Those five functions are:

Exposure Identification
Risk Evaluation
Risk Treatment Selection
Risk Management Program Implementation
Risk Management Program Monitoring

Memo to Chair/BCC
May 19, 1988
Page 2

These functions are defined in the document and the activities that carry out these functions are named and assigned. All of the participants have had opportunities to discuss their involvement and roles in the proposed program during review of the document. There has been a follow up meeting with Auditor Anne Kelly Feeney and Pride Waterhouse has reviewed the document for its adequacy and responsiveness to the 1987 Audit.

The tasks and decisions that must be completed in order to implement the program are:

- Approval by the board of the new program philosophy, mission statement and distribution of responsibilities. This approval can be accomplished by resolution or rewriting Ordinance No.381.
- Approval of the budget request that adds the position of Risk Manager, Loss Control Coordinator, shifts the claims technician to the new Office of Risk Management, approves funding for the selection and installation of a risk management information system and expands the funding for training of staff both in the office of risk management and in the county as a whole.

The funding for the enhanced program will be provided from the Insurance Fund.

We plan to provide a presentation at the informal board meeting on May 31, 1988. Meanwhile, Sharon Wylie or I are available to answer questions or discuss the report on an individual basis.

1925F/SW/kd

Attachment

R I S K M A N A G E M E N T

A COMPREHENSIVE PROGRAM MODEL FOR MULTNOMAH COUNTY

MAY 1988

GLADYS MCCOY, MULTNOMAH COUNTY CHAIR



MULTNOMAH COUNTY OREGON

R I S K M A N A G E M E N T

A COMPREHENSIVE PROGRAM MODEL FOR MULTNOMAH COUNTY

MAY 1988

GLADYS MCCOY, MULTNOMAH COUNTY CHAIR

Prepared by: Sharon Wylie, Program Development Consultant
For: Linda Alexander, Director, Department of General Services
Edited by: Marsha Spellman

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EXECUTIVE SUMMARY

The recent explosion in insurance rates coupled with the taxpayers adamant refusal to pay more and more has made it imperative that Multnomah County look at risk management as a way of reducing the cost of doing business. No longer a minor issue, risk management offers numerous creative possibilities that have proven to be significant in reducing or eliminating risk.

When local jurisdictions first became involved in the insurance business, the role of risk management was simply that of self-insurance. Over the years, as the field of risk management has grown and the professionals have become better educated in determining new methods for saving the taxpayers' money, the extent of risk management activities has also increased. Risk management is now a comprehensive program of self-insurance, increased contracting expertise, adjustments of shifting liabilities and worker's rights as well as preventive programs that increase worker productivity while reducing government costs.

This proposed risk management program is a comprehensive program designed to meet the generally recognized standards for a complete system of risk management. It responds to the County Auditor's recommendations in Internal Audit Report #3-87 and is designed to be integrated with the related risk management activities already in place within Multnomah County.

The proposed program design is based on the following assumptions:

- All principal functions of risk management, exposure identification, risk evaluation, risk treatment, program selection, implementation and monitoring have been examined and incorporated into the plan.
- The program allows for the necessary flexibility to first focus scarce resources on the major problem areas.
- The program is based on methods of loss control successful in other organizations.
- The program has been developed slowly, with consideration given to systems already in place in the organization.
- The proposed program addresses both the need for a centralized risk management system with improved coordination and accountability and the need for distinctly different programs necessary to address diverse risks and operational settings of the various departments.

The process leading to the recommended program included a review of risk management literature, extensive interviews with a cross section of Multnomah County employees, interviews with members of similar organizations with various types of risk management programs and the use of loss control and vocational rehabilitation consultants.

DISCUSSION ISSUES

1. PROGRAM COSTS

The long term goal of the proposed program is to save the County money. However, there are two areas that will require initial investment:

- The Risk Management Information System
- Salaries for the addition of a risk manager and a loss control coordinator.

RMIS (Risk Management Information System) is the item that will require the most initial capital outlay. This includes spending money for the hardware and specialized computer software, hiring a consultant to select the appropriate package, a temporary employee to enter all past claims data and staff time to supervise and coordinate the process. Additional information on the costs associated with Risk Management Information System can be found in the appendix.

FUNDING for two new positions is crucial to the comprehensive design of the program. This includes two new salaries, for a risk manager and a loss control coordinator. A third staff person, the claims technician, will be moved from the current position in County Counsel to the new Office of Risk Management.

TRAINING AND CONSULTING FEES is a third area for increased spending for a comprehensive risk management program. The amount of money needed will be more fully determined by the types of programs found necessary after the data from the Risk Management Information System is analyzed and further needs assessments are complete. Types of training programs or consultants that might be necessary include safety and risk identification training for newly formed loss control committees and the use of actuaries to assist in evaluating newly identified exposures.

JUSTIFICATION FOR INCREASED COSTS

It is important to understand that while this program calls for increased funds for both the new computerized data collection system and additional salaries, having these programs has proven in many organizations to reduce the overall costs of risks. With the information gathered from the Risk Management Information System, risks can be reduced or eliminated. With a new risk manager, prevention, safety and other worker-related programs can be instituted that have elsewhere been able to lower the number of claims and reduce the risk management costs.

The County currently contracts claims adjustment procedures to Scott Wetzel Services for \$85,000 a year. This money eventually could be reduced either by strengthening in-house programs or assuming the claims administration function when the current three year expires next year. The capacity of some available Risk Management Information System, the need for more aggressive loss control and reduced numbers of claims may make it both cost and program effective to self administer claims. If it can be demonstrated that a change will both help the program and reduce costs, a careful transition must be negotiated and implemented.

Potential Costs of not Having a Comprehensive Risk Management Program

- Higher than necessary claims costs
- Potential cuts in other County programs in the event of unplanned, catastrophic loss
- Waste of resources
- Unfavorable review by both the County auditor and auditor of record
- continued inability to evaluate the costs of administrative activities, program costs and the relative merits of contracting for services

2. ORGANIZATIONAL PLACEMENT

The proposal recommends that the Office of Risk Management be moved from the Office of County Counsel to the Division of Employee Relations for the following reasons:

- The Health Promotion Program is a model program currently administered by the Employee Relations Division. Some employees interviewed for this project believed that this program was the risk management program. Employee Relations has developed expertise in offering this and other similar programs.
- The treatment of employees is a critical area of liability that is currently addressed by the Employee Relations Division.
- The Employee Relations Division has recently been successful in placing injured workers who have not in the past been placed in light duty positions.
- Finance, Budget and County Counsel Divisions do not have access to the information that allows a medically approved match between a position and the injured worker.

Chapter 5 contains a section describing the advantages and disadvantages of several organizational placements.

3. PRINCIPAL FUNCTIONS

Five principal functions of risk management are the foundation of the program proposed in this document. These five functions are:

**Exposure Identification
Risk Evaluation
Risk Treatment Selection
Risk Program Implementation
Program Monitoring**

These elements are those that are identified in the risk management literature as the five functions that need to be included in developing a comprehensive risk management program.

Since they are sequential, it is impossible to select or implement a risk program without a process of exposure identification and evaluation. This program has been developed using all five elements as the foundation for the recommendations. No single entity can fully address all of these function areas to the maximum extent possible. The proposed program offers expansion and additional ideas that emphasize the functional areas most needed by Multnomah County. The emphasis is on collecting information on claim and program costs to provide a focus on where limited resources will be most effective. It is assumed that program emphasis will change to address the most compelling needs.

4. RECOMMENDATIONS

Implementation of this proposal program requires adoption of the following recommendations:

RECOMMENDATION #1: Establish a new Mission Statement

The mission of the Multnomah County Risk Management Program is to prevent accidental injury to the people who reside in and who work for Multnomah County and to prevent the accidental loss of property and other assets of the County. The County is responsible for the effective use of resources committed to risk management.

This new mission statement, together with the goals and principles in Recommendation #2, establishes program intent and provide policy guidance for all risk management priorities and activities. Emphasis is on the prevention of loss and the role of employee accountability. It defines the technical and supportive role of the risk manager. The statement emphasizes prevention, cost containment and loss control.

RECOMMENDATION #2: Develop goals and fundamental principals of a comprehensive risk management program

The goals of the Risk Management Program are to:

- Identify and anticipate the costs of risk.
- Control the number and costs of claims against the County.
- Develop programs and techniques to assist departments and policy makers in controlling accidental loss of resources.
- Maintain accurate information on exposure and loss control activities.
- Effectively manage the systems and programs that finance losses and prevention and administrative activities.

The fundamental principles of Multnomah County's Risk Management Program are:

1. Department Directors are responsible to the Multnomah County Board of County Commissioners for the success of the Risk Management Program.
2. Each employee shares responsibility for the identification of exposure and the control of loss.
3. The Office of Risk Management supports the efforts of departments by coordinating all risk management activities, providing technical support and maintaining the information system necessary for targeted prevention programs and the evaluation of the effectiveness of activities and programs.

RECOMMENDATION #3: Create a new Office of Risk Management

A new Office of Risk Management should be established to carry out the mandate of the risk management mission statement providing the technical support and information necessary for divisions to succeed in loss control efforts. This office will coordinate County risk management functions and activities and evaluate the value and success of those efforts.

The Office of Risk Management should be placed in the Employee Relations Division. (See Organization Chart in Appendix.) The office should be headed by a Risk Manager (new position) and initially staffed with a Loss Control Coordinator (new position) and the Claims Technician (existing position).

RECOMMENDATION #4: Purchase and Install a Risk Management
Information System (RMIS)

Risk Management Information Systems have been developed over the past ten years that vastly increase the ability of an organization to prioritize prevention activities. These systems have become reasonably priced and worthwhile even for small organizations.

Departments cannot build loss control into their operations and the consciousness of their employees without complete information. Because the pool of information is extensive and information collection is burdensome, it makes sense to purchase the tools that will decrease the effort and increase the usefulness.

With the intense pressure on available resources, new programs must be established with a capacity to demonstrate their effectiveness in reducing cost and human misery. With a shift in mission and operations, Multnomah County's exposure is changing. Tracking the cost impact of those changes and doing everything possible to prevent accidental losses with minimum staffing requires using tools such as an automated data system.

RECOMMENDATION #5: Establish a Countywide Advisory Committee
and Departmental Loss Control Committees

A Countywide Risk Management Advisory Committee should react to policies, issues and plans for risk management activities in the County address the formulation of Countywide loss control goals and respond to emerging issues.

Departmental committees should serve as focal points for employee involvement, risk identification information and can be assigned duties related to safety and training by the department director.

RECOMMENDATION #6: Develop specific Department and Countywide
risk management goals and objectives for the fiscal year
commencing July 1, 1988 and comment on performance of a
comprehensive evaluation of risk management for the two years
ending June 30, 1991

Program Principles

The proposed program design assumes certain management activities and accountability principles to ensure the efficient and effective operation of the risk management program.

- Departmental and Countywide risk management goals and objectives will be identified, adopted and pursued.
- The achievement of these goals and objectives by both departments and by the entire Risk Management Program will be evaluated annually.
- Directors and managers will be held accountable for risk management performance in the performance appraisal process.
- Costs of all risk management activities and programs including program development, planning, decisions related to outside contracting, cost benefit analysis, litigation and staffing decisions will be identified and examined.

- An adequate information base will be developed that will assist in identifying and evaluating exposure and in evaluating risk management programs.

The specific performance goals should be tailored to the individual division after a comprehensive review of loss history and current exposure. During the first year, improvement goals would be built on:

- reducing number of claims
- reducing average cost of claims
- expanded tracking of incidents
- increasing employee awareness
- development and use of new procedures

RECOMMENDATION #7: Establish a Risk Management Cost Determination Capability

It is important to document the actual cost of all claims and programs that might affect the overall risk management program.

There are numerous activities that may reduce costs of risk. For instance, administrative decisions may reduce the number of employees involved in a claim, thereby reducing indirect internal costs. Assertive litigation may reduce the size of the payout. Conversely, the lack of a decision to refer an injured worker to a independent medical evaluation may delay an important decision of accepting or denying a claim. Current costs are estimated in the appendix. Future costs should be identified more thoroughly and used to assist in evaluating various efforts to reduce all of the costs and to enhance the various programs and activities.

The Proposed Program, through its tracking of claims information, identification of all activities and comprehensive assignment of responsibility for a balanced selection of risk management activities provides the basis for identifying more costs of risk as well as the costs of controlling risk. It will, of course, be important to balance the need for cost information necessary for adequate program evaluation against the burden entailed gathering precise cost data.

RECOMMENDATION #8: Expand and Strengthen Return-to-Work (RTW) Program

A conservative estimate of a year with low claims, such as the current fiscal year, shows that approximately \$200,000 was spent on injured worker time loss after the workers were sufficiently recovered to return to work in a reduced capacity. Many of these workers wished to come back and do something useful, but were not provided the opportunity. Other organizations have instituted programs which have demonstrated that workers who come back as soon as possible make faster recoveries. Without preventing a single accident, Multnomah County could save dollars by having a similar RTW program. To document the savings, it is necessary to note whether salaries are paid from general fund dollars in the division in which they are working, or through the insurance fund, which pays for their workers' compensation while they are home. With workers who are performing at partial capacity, the split between the insurance fund and the department benefitting should be negotiated.

Expanding the Return-to-Work Program is a prime example of changing the Risk Management Program philosophy to minimize the impact of accidents on both the County and its employees. A faster recovery time will reduce legal costs, medical costs and the human misery that accompanies a long-term injury or separation from employment. Expanding this program directly responds to Recommendation #9 of the 1987 audit.

CONCLUSION

By identifying the activities that can expand the program that currently exists into one that includes all critical parts of a comprehensive risk management system, Multnomah County has taken a major step towards a coordinated program that can accommodate prevention of loss programs. The proposed program relies on an automated system and centralized coordination in order to implement a program that provides information and tools to both focus on prevention and control costs of unavoidable loss.

I. INTRODUCTION/BACKGROUND

A. History and past decisions

The insurance crisis originating ten years ago has affected all businesses throughout the country, including local governments. As skyrocketing insurance costs and inability to obtain insurance for some activities has become the new reality, numerous alternatives to the traditional means of insurance have become commonplace. Risk management is now a major consideration in the day-to-day operations of a government.

Following the national trends, Multnomah County has also felt the impact of changes in the insurance industry. In 1979, in an effort to control the rising costs of insurance premiums, Multnomah County became self-insured for workers' compensation and torts. In 1981, a consultant recommended a centralized risk management program, an automated claims and data system and the hiring of a professional risk manager.

In 1983, with the passage of County Ordinance #381, the County established a centralized Risk Management Program. In late 1984, the risk manager left the County position. No replacement was hired and risk management was assigned to the Division of County Counsel. While departments incorporated some safety programs into their operations and programs such as the Health Promotion Program emerged, the perception was that risk management had ceased or become a purely litigative function.

Elements of the current risk management program include the following:

- All initial claims processing for workers' compensation and torts is handled by a Risk Management Technician and an Office Assistant.
- Scott Wetzel Services, the County's contracted claims administrator, provides processing, investigation and payment on all claims.
- County Counsel, as risk manager (or the attorney assigned to the case), makes the final determination on claims dispensation.
- All tort-related expenses except attorney's time costs are paid from the Insurance Fund with transfers from the General and Road Funds.
- Grant funded organizations and the Information Services Division are charged indirect costs based on administrative costs of the Insurance Fund liability claims.
- Workers' compensation claims and unemployment claims are funded based on a percentage of gross payroll.
- Medical/Dental claims are funded based on premiums charged to organizational budgets.

B. Audit Results

In October 1987, the County auditor presented the County Commission with a comprehensive audit on the state of risk management in Multnomah County. Essentially, the report indicated the need for the County to "develop a centralized function and establish a program which will emphasize prevention and education."

The County's current Risk Management Program does not address the preventative aspects of claims management. With a strong safety and prevention program, losses could be reduced and cost savings result. Observations by the Accident and Prevention Division of the States' Workers' Compensation Department suggested that with a coordinated loss prevention program, a 50% reduction in workers' compensation claims could occur. While the County may not achieve a 50% reduction in losses, the opportunity for improvement does exist.

Specifically, the County auditor made a number of recommendations that follow the above statement. The audit recommended that the County centralize its risk management function, hire a risk manager and/or loss control officer and modify the existing County Ordinance to clearly establish the intent of the new function. It also included the following suggestions:

1. Centralize risk management functions within one department. (Five possible program placement possibilities are discussed.)
2. Establish specific administrative procedures to include participation of County legal staff in regard to liability and litigation of certain claims.
3. Establish a Risk Management Advisory Committee to assist risk management staff in ensuring that the insurance needs of the County are met.
4. Develop an accountability system to help ensure that departments aggressively pursue their risk responsibilities in saving dollars, upgrading worker morale and increasing productivity.
5. Identify and monitor all administrative costs for the risk management function.
6. Computerize the tracking system of claims information for workers' compensation, torts and property. This includes information regarding claims, causes, trends, types, etc.
7. Establish a formal system for accepting and denying workers' compensation claims in a timely manner.
8. Develop objective criteria and establish specific time periods for providing workers' compensation supplementals. (As provided through its agreement with Multnomah County Employees Union Local 88.)
9. Implement a stronger Return-to-Work Program for the partially recovered worker. This includes limited duty and retraining programs.
10. Establish a formal evaluation system to assess the effectiveness of changes in the Risk Management Program.

C. Other Jurisdictions

As previously mentioned, the trend toward more complex risk management functions within local jurisdictions follows a national trend. Looking at various local neighboring entities and their developing programs gives Multnomah County an opportunity to compare a number of program options.

At this point in time, all local governments have become aware of the need to move in the direction of a greater role for risk management. However, the emphasis placed on expanding this role and the level of sophistication in its program development varies tremendously.

Of concern to all, but handled many different ways, is the staffing involved in risk management decisions and policy. It appears that the trend is toward hiring a risk manager as the central administrator. In Clackamas County, policy is proposed by a risk management committee comprised of department heads and staffed by the risk manager, who is the central risk management administrator. Policies are adopted by the Board of Commissioners. In situations where there is a risk manager with fewer responsibilities, such as Lane County, the risk manager functions primarily as an insurance coordinator. As a result, the system is somewhat fragmented and relies on the strength of individuals occupying the key positions.

Common to jurisdictions without a strong centralized risk manager is a lack of centralized information and data sharing, a major complaint of the Seattle risk manager. In Seattle, workers' compensation, torts and risk management are handled by three separate departments. Risk management is mainly involved with risk identification and evaluation, insurance purchasing and the financial management of the insurance fund. Tort claims are handled by the city attorney while workers' compensation is handled by a division within Personnel.

The role of legal counsel is a consideration in all risk management programs. How it functions, however, varies considerably. In Clackamas County, in an attempt to reduce litigation, policy guidelines limit the involvement of legal staff until necessary. Then, as a cost containment measure, outside attorneys are used in individual cases. Seattle city attorneys, on the other hand, handle all tort matters on a regular basis.

In addition to the organizational placement and personnel assignments, safety concerns and preventative programs are the most important risk management program decisions. However, there seem to be few standards to these program options.

For example, in Washington County, Oregon, a full-time Safety Officer will coordinate and provide technical assistance to individual departments that are now required to develop safety programs for their personnel. In King County, Washington, Workers' Compensation and Safety is a separate division that handles workers' compensation as well as the asbestos abatement program, toxic information and countywide safety programs. In a very different situation, the adjuster for Clackamas County is also a Certified Vocational Rehabilitation Specialist. The county places a high priority on retraining and placing injured workers.

D. Importance of a Comprehensive Risk Management System

Multnomah County has shifted its mission away from some programs traditionally associated with frequent claims. In addition, the state has offered some relief in tort liability. These facts may have helped Multnomah County to escape the most costly increases experienced by other governments in the area. At the same time, new types of exposures are emerging and both quality and costs of services are questioned by the public. While construction and false arrest claims may decrease, claims related to AIDS, medical malpractice, clinic supervision, contracts and jails are likely to increase. Multnomah County does not currently have the best tools in place to respond to the impact these new challenges will have and to identify the most effective management opportunities to save money.

Need for New Program Design

As the shrinking insurance dollar comes face to face with the increasing litigation climate, it is imperative that Multnomah County respond to the problems of risk management as it presently exists. To do so successfully, it must focus on two essential program elements: restructuring and centralizing risk management administration and the establishment of policy that emphasizes prevention and education as key elements of its Risk Management Program.

Furthermore, it must review the current state of risk management affairs and develop a policy that will look at ways of reducing the cost of doing business. Computerizing claims data, the role of legal counsel, processing claims in a more timely matter and the loss of productivity with injured, not working employees are only a few of the concerns to note in developing a new risk management program.

Fortunately, improved tools exist to identify opportunities to control loss at an affordable cost. Those tools are:

- the use of automated systems to track all costs
- the use of such systems to concretely evaluate program effectiveness
- the success of members of the risk management profession in other organizations in designing programs to prevent loss

The insurance program as a whole costs the County more than \$8.5 million per year. Money spent to reduce unnecessary costs becomes money available for programs that deserve and require support.

II. PROPOSED RISK MANAGEMENT PLAN

Incorporating the mission statement, two principles guide the organizational strategy of the proposed risk management plan. These are a greater emphasis on the role of preventative programs and a centralized risk management office.

This newly created Risk Management Office should be seen as the central administrator of risk activities. It is not, however, the only player in the risk management activities of the County. Rather, an Office of Risk Management is the agency that coordinates and provides technical support to the various departments that are actively creating a risk-free work environment.

In order to better understand the responsibilities of all the players in a well orchestrated risk management situation, the role of each County agency is outlined below.

COUNTY COMMISSION

The County, through the County Commissioners, begins the organizational shift to a comprehensive risk management system. All decisions must be evaluated in terms of the impact of risk on that particular decision. Specifically, the Commission participates in prevention efforts by:

- Asking for exposure information in considering activities to be added or changed.
- Setting policies that determine the response to claims and identified exposure.

COUNTY CHAIR

As the chief executive officer for Multnomah County, the Chair is involved in the issues of risk management and understands how these issues affect the policy decisions of the County. As a member of the Board of County Commissioners, the Chair participates in the prevention efforts of that commission as indicated above. In addition, the Chair does the following:

- Holds departments accountable for risk management within their departments through performance appraisals and evaluations.
- Evaluates risk management implementation activities in terms of the goals of prevention and education and in their loss control effectiveness.
- Holds the Office of Risk Management responsible for providing meaningful information to all who must make management and policy decisions.

OFFICE OF RISK MANAGEMENT

The newly created Office of Risk Management contains several roles that have not previously been a primary responsibility of any one entity. The Office both administers the programs and processes assigned to it and provides a Countywide coordination function. The new primary roles include:

- Collecting, managing and analyzing information.
- Ensuring that the information is available in a useful form for managers and policy makers.
- Providing expertise, follow-through and initiative in surveys and inspections that identify exposure.
- Documenting all activities that pertain to risk management.
- Becoming a visible focal point of the County's commitment to preventing loss.
- Identifying issues and trends that affect costs of risk.
- Ensuring notification and involvement of all concerned parties in claims administration.
- Provides the expertise and leadership in purchasing insurance and determining the best self-insurance decisions.

The Office of Risk management provides the information and technical assistance to enable all other participants to organize, direct, monitor and evaluate the prevention and treatment of accidental loss to people and property. The Office administers Countywide efforts, claims administration, issues reports, researches and evaluates identified exposures.

A key responsibility is that of informing and bringing together participants in County activities that relate to risk management. In placing an injured worker in a light duty position, the players might include Employee Relations, the department manager and risk manager. Responding to a claim might involve a strategy session with the manager, County Counsel and the claims investigator. A claim resulting from a policy decision might include the Board of County Commissioners Chair or member of the Chair's staff.

COUNTY DEPARTMENTS

The role of the various departments within the County's jurisdiction is to identify areas of probable risk within the department and through a number of activities appropriate to the needs of the department, to implement efforts to control loss within the department. It is also important for the departments to work together with the Office of Risk Management to:

- Ensure that all risk prevention activities instituted be appropriate to the operations of the department
- Assist risk management in the collection of data
- Set reasonable goals for controlling losses
- Be held accountable for meeting expected goals

OFFICE OF COUNTY COUNSEL

County Counsel is an integral element to successful risk management. It functions much the same way that it does with other County agencies, by providing support and professional expertise. It is important that an exchange process be developed to expedite the sharing of risk-related information between County Counsel and the Office of Risk Management. In particular, County Counsel would:

- Research probable legal outcomes of claims and activities.
- Assist in determining liability in risk-related activities and claims.
- Identify and evaluate exposure.
- Participate as a major player in identifying and evaluating exposure.
- When a risk activity is in litigation, to handle the case for the County.
- Negotiate settlements.

FINANCE DIVISION

The Finance Office is crucial to the operation of risk management. As it has in the past, this Office will manage the accounting of all incoming and outgoing funds necessary for risk management. In addition, the finance manager will assist the risk manager in continuous efforts to accurately identify and track both direct and indirect costs associated with the management of the insurance fund and efforts of the County to prevent loss.

The process of purchasing insurance, benefits, bonding and selecting a broker of record should be consolidated into a central committee that includes the Health and Benefits Manager, the Finance Manager and the Risk Manager.

EMPLOYEE RELATIONS

Employee Relations is the main organization supervising the Risk Management Office and the Return-to-Work program. The Health Promotion Program should be expanded to accommodate additional safety and training programs. The model of the Health Promotion Program and its method of operation should be incorporated into the efforts to involve and train employees in loss control and safety activities. In addition, this Division works with the Office of Risk Management to identify and address areas of exposure that are problematic to Multnomah County. This includes exposure risks related to classification, hiring practices, discipline issues, civil rights exposure and other employee-related exposure problems.

COMMITTEES

Advisory Committee:

It is important to set up a committee that would advise the actions of the newly created Office of Risk Management. Members of the committee would include department heads from identified departments that have a high incidence of risk or particular role in the administering risk management.

The purpose of the committee is:

- To participate in the establishment of Countywide loss control goals.
- To review all policies and procedures that have a Countywide impact.
- To provide technical and managerial input to proposals to modify risk management services or activities.
- To identify the training needs of the departments as they relate to risk management.
- To evaluate program priorities, successes and failures for the Office of Risk Management.

Departmental Loss Control Committees:

Each department must play a role in reducing risk elements within the workings of the departments. The departmental safety committees are integral to this goal. They contribute to the risk management bigger picture as outlined below:

- After review and discussion of risk issues of concern, the committees are to refer those issues and make initial recommendations to the risk manager for further study and appropriate action.
- To work with the department director in developing appropriate loss control programs and procedures.
- To encourage efforts in the workplace to reduce loss and exposure.

COUNTY STAFF

Division Managers:

Division managers are the front lines in ensuring that a comprehensive Risk Management Program is working successfully within all areas of employment in Multnomah County. Specifically, they are charged with the following responsibilities:

- Ensuring that all employees know procedures and behaviors that would reduce elements of risk within their departments.
- Ensuring that all employees understand procedures and behaviors appropriate in case of an accident.
- Identifying potential areas of exposure in their departments.
- Understanding the County's commitment to the prevention of all accidents and loss.
- Locating and supervise suitable and available work for injured workers returning to work.
- Participating in thorough investigations of claims-producing events and "near misses."

- Assisting in efforts to document to the total cost of losses to the County operations.
- Being accountable for all actions as they relate to risk.

Other County Employees

Safety for themselves and their co-workers as well as protection of County assets are important elements for employees to consider in doing their jobs. Furthermore, employees are expected to:

- Participate in efforts to identify risk in the workplace.
- Report potential risks to their supervisors or to the Office of Risk Management.
- Use care in discussing events related to litigation.
- Encourage their co-workers to be more careful in daily actions and be aware of risk.

III. PROPOSED PROGRAM DESIGN

In designing a comprehensive risk management program, five principal functions of risk management must be examined. These five functions are the standards that are used to determine the necessary elements of risk management programs elsewhere. This section will explain these functions in order to give the reader the background to understand the elements present in the proposed risk management plan.

The five functions are:

- **Exposure Identification**
- **Risk Evaluation**
- **Risk Treatment Program Selection**
- **Risk Management Program Implementation**
- **Risk Management Program Monitoring**

The types of loss that these functions identify and address include:

- liability to others
- loss of income or increased cost to operate
- loss of property and damage to property
- damage to property

The amount of emphasis given to these functions must vary with the needs of the County and should be adjusted as these needs change or are more completely identified.

Multnomah County is currently addressing those functions in an informal and fragmented manner. Clarifying the assignments and activities related to those principle functions responds to both the specific demands of the Internal Audit Report #3-87 and to good management and evaluation practices.

EXPOSURE IDENTIFICATION

Exposure is an event that might occur that would cause an accidental loss.

Identification is the group of activities and processes that collects information.

Exposure Identification is the group of activities and processes that collects information on possible accidental losses.

Establishing a system of identifying potential loss is critical in developing a good risk management program that emphasizes prevention of accidental loss. The first step in doing this is to examine the past loss history of the organization. Gathering this information is the building block for developing a solid risk management program that is able to:

- evaluate risks and develop appropriate actions
- allow sufficient funding for inevitable losses

- develop prevention programs that focus on the priorities of the organization and are efficient and effective
- increase employee awareness of risky activities

To do this, a system of gathering and organizing essential information must first be put in place. This includes determining the crucial information necessary to understanding the big loss history picture, i.e. type of loss, physical location where loss occurs, or physical injury that loss produces. Other information necessary includes: details on the activity purpose, classification of the employee, background on the employee (age, fitness, pre-employment screening, etc.).

NOTE: Computerized packages, (Risk Management Information Systems, RMIS), exist that organize the type of data necessary for this type of operation, while still allowing refinements and customizing to a particular organization.

Once comprehensive identification of exposure has occurred, risk evaluation can begin.

RISK EVALUATION

Risk evaluation is the analysis of each exposure to determine the likelihood any particular type of loss may occur and the total amount of loss possible. This is analysis for frequency and severity. This process of evaluating specific exposures provides the type of information that:

- provides a strong basis for making the best risk treatment selection possible
- provides data for prioritizing prevention efforts that must be carried out with scarce resources
- gives the organization the ability to judge whether it has the correct amount of insurance and reasonable deductibles
- can enable the organization to determine if its activities are worth the risk

Evaluating the information gathered through exposure identification can be handled in a number of ways. Adjustors, attorneys and risk managers all have skills for assessing the value of potential claims. Often actuarial studies and other research is necessary to evaluate the information. Purchasing insurance through a broker provides some analysis in the process of surveying assets, accounting practices, and number of employees.

RISK TREATMENT SELECTION

Risk treatment selection is the process of deciding on the best method of responding to identified and evaluated risks. There are four choices: Elimination, Reduction, Transfer, and Assumption.

RISK ELIMINATION

Risk Elimination is the act of stopping the activity in order to eliminate the risk. The categories of risk that might be appropriate candidates to consider for elimination are:

- High frequency and high severity risks.
- Risks that are unnecessary to the operation of the County.

The benefits to the organization of considering the possibility of risk elimination are:

- The opportunity to assess whether certain activities are important.
- To eliminate funding or insuring of unnecessary risks.

RISK REDUCTION

Risk Reduction is the act of changing the methods of operation in order to decrease the frequency and/or severity of the exposure. With a complete risk identification and evaluation effort in place, risk reduction efforts can be made at the management level, in policy decisions, or in program development. Also risk reduction activities can take place in the small decisions employees at all levels can make to reduce the chances of accidental loss.

The benefits of risk reduction are:

- Decreased exposure without substantial operational change.
- Increased awareness of risky activities by employees who participate in efforts to reduce risk.

It is important to note that risk reduction within an organization is an important component of prevention. It cannot occur without the information gained through risk identification and evaluation.

RISK TRANSFER

In Risk Transfer, another party assumes the potential cost of an exposure. There are two ways in which this can occur, through the purchase of insurance and through contract language.

At one time the purchase of insurance was the major mechanism for cities and counties to handle risk. Now purchasing insurance is only a small part of the overall risk program. The exposures most justifiably insured are usually the ones that are catastrophic and unlikely.

The decision of what to insure and with what deductible is a balanced decision that considers the type of loss, the current state of the insurance market and the capacity of the organization to absorb the cost of loss. A well constructed risk management program seeks ways to reduce the cost of both losses and insurance without increasing the risk of unanticipated costs. Potential methods include:

The liability inherent in contract language that shifts liability to another party is a complex and subject to changes through legislation and court actions.

Strategies that may offer savings include:

- Development of local government risk pools
- selection of two competing brokers of record
- consolidating all insurance needs to provide better packaging for insurance protection
- emphasis the quality and effectiveness of the organization's loss control efforts when negotiating for insurance coverage

NOTE:

A thorough self-knowledge of the organization's exposure is important in order to prevent inaccurate and costly estimates of insurance needs by the insurance representatives.

The use of contracts in risk transfer includes:

- privatization
- increasingly complex hold-harmless agreements
- better review and tracking of the insurance policies of contracting entities

The benefits to the organization in transferring risk, when appropriate are:

- reduction administrative costs
- costs that are predetermined, limited and predictable

RISK ASSUMPTION

Risk Assumption is the self-funding of the costs of loss. It can be partial, such as in setting higher deductibles. It can also be realized by setting aside funds for expected losses or by relying on the financial capacity of the organization to absorb the costs of losses.

If the organization is large enough, with insurance priced very high, and if the organization devotes the proper attention to loss control efforts, risk assumption can provide the following benefits:

- Independence from an expensive and fickle insurance market
- Increased management control over operations through the diligence and awareness that arises from excellent safety and loss control efforts
- Greater incentive to continuously evaluate costs and exposures
- Fewer injuries to employees
- The indirect productivity and morale benefits of increased attention to safety and accountability for actions.

The list of potential benefits of risk assumption presupposes organizational efforts to control loss. Organizations that assume a large amount of risk must exert effort and resources in order that the costs not be more than the organization can buy or would have paid for insurance. The loss control efforts that accompany a large organization's assumption of substantial risk are an important part of the next principle element of risk management: risk management program implementation.

RISK MANAGEMENT PROGRAM IMPLEMENTATION

Risk Management Program Implementation is the process of responsibly carrying out the activities that:

- identify, evaluate and select treatment for risk
- are the management activities that plan, direct and monitor those activities
- document those activities and their results

Within this principle function are the programs and processes that comprise a complete risk management program. These include:

- A formal system of claims administration
- Return-to-Work Program
- Loss Control and training programs
- Safety committees and advisory groups
- Review processes for new programs
- Policies for contract language
- Setting attainable goals and objectives

The documentation of the program implementation activities provides the basis for the fifth principle function, risk management program monitoring.

RISK MANAGEMENT PROGRAM MONITORING

For each of the risk management functions there must be a process of evaluating effectiveness. After presenting the documentation of activities and results, the following questions must be addressed:

- Are program objectives being met? Why or why not?
- Are the program goals being met? Why or why not?
- Are program policies and procedures being followed? Why or why not?
- What is the effectiveness of our programs to eliminate, transfer, reduce and assume risk?
- What are the recommendations for program improvements?

Program monitoring can involve employees at all levels. Employees should have the opportunity to review their performance against past performances and projected goals. Managers review the goals and policy makers review the organization's efforts.

IV. CREATING A COMPLETE RISK MANAGEMENT PROGRAM

The purpose of this document is to answer the risk management concerns of the audit and offer suggestions for a better, more comprehensive system of risk management than the system currently in place in Multnomah County. It is important to note that the risk management program existing in the County is fragmented and operates in an informal manner. It lacks a centralized Risk Management Office and emphasizes litigation rather than prevention, as called for in the audit. However, there are elements of the risk management system now in place that should be considered in building the more comprehensive risk management system outlined in this document.

This section examines what the County now offers as its Risk Management Program, what elements of a new comprehensive program should be added and the steps necessary to develop the program. It is divided into the five program functions as described in the previous chapter:

Exposure Identification;
Risk Evaluation;
Risk Program Treatment Selection;
Risk Program Implementation;
Risk Program Monitoring.

Within each function, an outline follows that examines the risk management elements that currently exist, the proposed changes or additions and the action steps necessary to meet those requirements.

A. Exposure Identification

Present System

Multnomah County presently has a limited program of exposure identification. There is no comprehensive, concerted effort to identify risk. Risks that are identified are used for projecting accurate funding of claims costs. Activities include:

- Reviews and surveys conducted with the "broker of record." These surveys are done for the purpose of purchasing insurance and evaluating the County's insurance choices.
- A claims history is provided in summary form by the County's broker of record. These are monthly reports that are sent to County Counsel, not to individual departments. They do not provide extensive information on the claim.
- Actuarial studies are occasionally contracted to determine and evaluate exposure. In the past, studies to determine the adequacy of insurance funding for losses have been undertaken. Recently, a study was done to evaluate exposure in assuming liability for medical malpractice coverage in health care settings.
- In departments with safety programs, departmental inspections may identify exposure during regular on-site checks. This process is targeted and related to safety issues or equipment replacement. From a risk management perspective, these inspections are not comprehensive. They are simply used at the department level.

Proposed

This document proposes a comprehensive plan for identifying risk. Increasing the scope of risk identification efforts allows more relevant data to be gathered, and increases the organization's ability to prevent loss. The advantages gained through a complete identification program include:

- Knowledge of exposures prior to an actual claim
- Detail that allows changes in procedures that could prevent future losses
- Up-to-date information on trends that affect future claims, such as injury levels within certain employee classifications

A greater emphasis on risk identification is crucial to a more comprehensive risk management program. It is the recommendation of this study that a system be put in place to collect and track the necessary data in an organized and ongoing fashion.

To do this, a computerized risk management information system (RMIS) must be established. This is a comprehensive system that includes the computer hardware, software, and staff to enter all past and future information and operate the system on an ongoing basis.

Action Steps

Recommendations for a plan of action for risk identification includes the following:

1. Select, purchase and install Risk Management Information System (RMIS).
2. Backload available information on exposure and claims files.
3. Review high priority sources of exposure information:
 - expanded loss history material
 - survey and inspection results
 - information from discussions with operations staff
 - reviews of legislative processes
 - documents such as contracts and intergovernmental agreements
 - case law developments
 - information from employees
4. Follow up on employee concerns from Program Development interviews.
5. Develop reporting and follow up procedures for employee concerns.
6. Develop and implement training program for employees and managers in exposure identification.

B. Risk Evaluation

Risk evaluation ensures adequate loss funding and helps to select appropriate strategies for prevention. Sources of evaluation information are: loss history, the risks previously identified from operations, documents, surveys, inspections, employee reports, and legislative processes.

Present System

Multnomah County currently uses information on past claims costs, gross asset values, numbers of employees, inflation and medical care cost increases to predict the level of funding necessary for losses. The system does not develop or communicate information that could assist departments in focusing prevention strategies on specific activities.

Proposed

A comprehensive use of the information gathered through evaluation and analysis should be developed. This data can be used to insure adequate funding for loss activities as well as determining methods for preventing future losses. Since loss control experts estimate that 300 identical risky events occur for each injury causing accident, understanding the patterns of loss provided by the evaluation of data can be instrumental in correcting obvious problems and preventing loss. Understanding total exposure includes identifying and evaluating potential events and incidents that have not yet resulted in claims.

Action Steps

1. Increase the types of information gathered to include ranking of individual exposures according to frequency and severity.
2. Include information on the evaluation of that particular risk and its selected treatment in the Risk Management Information System, a computerized inventory of county operations and exposures.
3. Identify opportunities for sharing information on evaluation of risk with policy makers and department directors on a regular basis.
4. Include a review for exposure evaluation by the risk manager in the process for changing or adding programs, services and buildings.
5. Provide annual reports by the Office of Risk Management that include a summary of evaluation results of the identification program.

C. RISK TREATMENT SELECTION

As described previously, there are four choices to consider in selecting a risk treatment program. These include:

**RISK ELIMINATION
RISK REDUCTION
RISK ASSUMPTION
RISK TRANSFER**

Multnomah County's present risk treatment plan is comprised almost entirely of risk assumption, except for some property and bonding exposures. While self-insurance is appropriate to an organization of this size, other accompanying programs that would enhance the savings from self-insuring are either weak or missing.

1. RISK ELIMINATION

Present System

There is no policy or consistent consideration given to opportunities for risk elimination. Risks are eliminated either when of obvious and unnecessary seriousness, after a claim, or through natural organizational change.

Proposed System

A concerted effort to eliminate risk should be undertaken in an organized manner. A program of risk elimination should be instituted involving all departments and all levels of staff, including department heads, managers and front-line employees. All risky behaviors, situations and facilities need to be evaluated and programs developed to change these named problems.

Information gathered through the evaluation of Risk Management Information System should also be used for elimination of risk.

Action Steps

1. Following Countywide exposure identification and evaluation, risks should be categorized and reviewed for possible elimination. Likely candidates could be ones that are:
 - Divergent from County mission
 - Extremely costly to reserve or finance
 - Causes of frequent claims
2. Results of above activities should be reviewed by the Advisory Group and Board of County Commissioners.
3. Risks that have been eliminated should be documented.

2. RISK REDUCTION

Present System

As with risk elimination, there is no current risk reduction policy. Risk reduction occurs when of obvious and unnecessary seriousness, after a claim or through natural organizational change.

Proposed System

Although divisions and departments consistently view safety and liability as concerns, they do not know nor do they have a method of finding out which operations should have additional efforts to reduce their inherent exposure. If operations and activities had individual exposures that were documented as high, moderate, or low exposure, departments and divisions could develop changes that could reduce claims.

Action Steps

1. Office of Risk Management should distribute information on identified and evaluated risks in departments and offer assistance in developing reduction programs.
2. Reduction activities should be documented, and the information shared with the Advisory Group, the Board of County Commissioners and in annual risk management reports.

3. RISK ASSUMPTION

Present System

Assuming risk through self-insurance is the area of risk management where the County has placed most of its emphasis. The programs that Multnomah County has developed are as follows:

The Health Promotion Program. Although not directly tied to claims loss reduction, the origin of the program was part of an effort to address rising medical costs. The program is Countywide, very favorably received and includes many elements that address risk management needs.

Claims management. Although claims are administered through an outside contractor, the claims technician for workers' compensation coordinates all claims, interacts with injured workers and provides information to concerned parties.

Safety and prevention activities. Some departments have safety committees that provide some inspections and operational strategies to create safe work environments. Training is limited to use of equipment and specific individual work environments.

Proposed System

The County should continue its policy of self-insurance, when applicable. Also, a greater emphasis should be placed on instituting additional safety and prevention programs. These programs are essential elements of a good risk management program and have been proven to be a significant means of reducing risk and ultimately lowering insurance and self-insurance costs.

Action Steps

1. The Office of Risk Management should draft procedures for:
 - Claims and incident reporting
 - Risk Management review of major capital improvement projects
 - Reporting potential exposures
2. Departmental loss control committees should be developed and a Countywide advisory committee appointed.
3. The departments, the loss control committees and the Office of Risk Management should work together in developing appropriate prevention and safety programs and activities.

4. RISK TRANSFER

Present System

New contracts in Multnomah County routinely include language that holds the county harmless in the case of loss. In addition, the County's role as provider of social services has included increased contracting with private non-profit agencies that provide ongoing services funded in large part by County money or through state or federal funds. As older contracts expire and are renegotiated, County Counsel adds better language transferring liability.

Insurance is purchased with the assistance of a broker of record. Property insurance is purchased by County Counsel. Health and benefit insurance is purchased by Employee Relations.

Proposed System

Continue to transfer liability through contract language. The process of evaluating contracts for liability transfer should become basic to all contract negotiations. This includes evaluating all decisions made by the County Board of Commissioners for risk assumption. Department managers should become versed in understanding the need for risk transfer in awarding outside contracts.

Action Steps

1. Collect certificates of insurance in central location and monitor them.
2. For large contracts, investigate contracting entities with very large deductibles for solvency. Ensure that the insurance purchased by the contracting agency is adequate to protect the County.
3. Develop minimum guidelines for departments to use in evaluating the capacity of contracting agencies to assume liability.
4. Select two brokers of record.
5. Investigate the benefits of combining all insurances into one package for bid purposes.
6. Support efforts by County Counsel to provide training.

D. RISK MANAGEMENT PROGRAM IMPLEMENTATION

To implement the previously determined treatments for managing risk, a variety of activities, processes and programs can be selected. This section groups possible Program Implementation activities into four sections: claims management program; loss control program; return-to-work program; and administration/program management.

1. CLAIMS MANAGEMENT PROGRAM

Present System

Multnomah County currently contracts claims administration services with Scott Wetzel Services. The services provided include investigation, adjusting, monthly reports and claims payment. Scott Wetzel Services has authority to independently settle claims up to \$2500, but in fact communicates frequently with County Counsel on most claims prior to settlement. Other features of the current program include:

- The claims technician sets up the initial file, informs relevant parties, gathers information and forwards information to Scott Wetzel Services for workers' compensation claims while another support staff person in County Counsel provides this work for tort claims.
- Scott Wetzel Services provides the County with automated summaries of claims costs and activities on a monthly basis.
- County Counsel and Scott Wetzel Services determine liability. The Department where the claim originated is also involved in settlement decisions, but the role is not clearly understood or consistent with each claim.
- County Counsel prepares for litigation, using its own staff for additional investigation. Occasionally outside legal staff is hired.

Proposed System

This report proposes that Multnomah County create a Risk Management Office that is responsible for all elements of risk management. This could eventually eliminate or reduce the need for Scott Wetzel Services. The chart below identifies and assigns responsibility for activities connected to claims management in ensuring that someone is responsible for all critical functions. The proposed system assumes that the use of Scott Wetzel Services will continue until the capacity and the advantages in making a shift are clearly demonstrated. In addition, tort claims decisions will be handled with County Counsel taking responsibility for the activities that risk management assumes for workers' compensation claims. All claims will be tracked by the automated system.

Task/Activity	Lead (Responsible)	Consulted
1. Intake/Create file	RM	CC/Dept/ER
2. Investigate	RM	CC/Dept/ER
3. Communications	RM	ER
4. Determine Liability	RM/CC/ER (depending on issue)	CC/Dept/ER
5. Accept/Deny	RM	CC/Dept/ER
6. Devise organization Strat.	RM	CC/Dept/ER
7. Coordinate response	RM	CC/Dept/ER
8. Litigate	CC	RM/Dept/ER

<u>Task/Activity</u>	<u>Lead (Responsible)</u>	<u>Consulted</u>
9. Settlement	Chair or designate	RM/CC/Dept/ER
10. Issue Payment	Fin as directed by RM	CC/Dept/ER
11. Evaluate for prevention	Dept	RM/CC/ER
12. Enter Data to RMIS	RM	ER

A more comprehensive chart is found in the appendix.

Action Steps

1. Formalize new assignments
2. Write policies and procedures describing the new Risk Management plan organizational activities and key players, and reporting requirements. Approve and distribute.
3. Analyze role and activities of the outside claims administrator and the impact or change to a more aggressive in-house involvement in claims management. Factors to consider in the analysis:
 - Numbers of claims to be managed
 - Cost of having staff manage claims
 - Benefits of internal control over claims administration
 - Capacity of new automated system to make self administration efficient
 - Cost comparison of two options
 - Transition issues
 - Trends in claims within the organization

2. LOSS CONTROL PROGRAM

Loss control is the collection of activities that take place throughout the organization that seek to prevent loss from occurring. In addition, there are loss control attributes to many of the activities that take place after a loss occurs. For example, policy might mandate an aggressive, quick effort to negotiate a settlement when at fault in order to reduce legal costs as an element of a loss control program. Funding the payments for a large disability claim by purchasing an annuity might be another loss control action. Loss control programs include safety programs, training programs and the management accountability systems.

Present System

Multnomah County does not currently have a Countywide loss prevention program or policy. The elements that do exist are:

- Health promotion classes that teach stress management techniques, injury prevention, etc.
- Training provided to operators of equipment by the manufacturers of equipment.
- Safety meetings organized by unions.
- Safety training programs within some departments or particular divisions.
- Legal response.
- Occasional loss control consulting contracted by County Counsel.

Proposed System

Developing systematic and ongoing programs designed to control loss is a major concern of this report. To do this, the proposed loss control program clusters loss control into three major areas: safety, training and accountability.

a. SAFETY PROGRAM ENHANCEMENTS

Proposed System

The proposed loss control safety component acknowledges the diversity of operations within the County and strengthens departmental efforts already undertaken. The proposal calls for the creation of the safety committees to work with the Office of Risk Management in determining areas of risky activities, behaviors or facilities within the various departments and look at ways of reducing these risks. Employees are crucial in risk identification activities and training. An individual department director would work with the committee in developing training needs assessment, equipment training procedures, quality circles, etc.

Action Steps

- Appoint safety committee members
- Assign duties
- Set priorities based on loss history in division
- Determining risk reducing programs and activities
- Implement training program
- Establish reposting and follow-up procedures
- Define work plans and goals for individual divisions.

b. TRAINING PROGRAM ENHANCEMENTS

Immediate needs that should be addressed through training are safety in office settings, physical body dynamics that reduce work-related injuries, inspecting facilities for exposure, legal issues, motivation and communication. This training should be available to new committees as they begin.

c. ACCOUNTABILITY

To increase accountability in Multnomah County, specific performance goals related to risk management need to be determined. Those goals must be appraised in regular performance reviews at all levels of the organization. The specific measures of performance are:

- reduction in numbers of claims
- reduction in costs of claims
- documentation of efforts
- goals developed and attained
- procedures in place and used

3. RETURN-TO-WORK PROGRAM

Present System

The commitment to a return-to-work program exists in that funding is designated in the budget. However, this program has never been fully developed. While money is allocated to fund jobs for injured workers, policies for implementation and monitoring are undefined. Consequently, while injured workers occasionally returned to work early, most stay home until fully recovered. Where multiple problems such as disputed claims, civil rights concerns or union difficulties exist, difficulties increase. As a result, money allocated for this program has not been spent.

Proposed System

The proposed program requires a Countywide effort to return injured workers to work as soon as possible. Employees will be placed in jobs that they are able to carry out within the restrictions of their injuries or illnesses. The Division of Employee Relations is the agency that will match employees with appropriate new positions. Funds will be available from the Insurance Fund to assist departments in their responsibility to absorb placements. Making the system work requires a long-term concerted effort to deal effectively with the issues that affect the treatment of injured workers.

Action Steps

- Approve Program
- Develop procedures for return-to-work program
- Provide training for managers and directors on return-to-work issues.

4. ADMINISTRATION/PROGRAM MANAGEMENT

There are a number of processes, programs and activities that administer and manage the County's risk management program.

Present System

For those current program elements, there are some administrative processes in place. However, since the County does not have a comprehensive risk management program, its administrative policies and procedures are fragmented at best.

Proposed System

The Office of Risk Management will be the centralized administrative office for all risk management activities. It will be responsible for:

- Developing job responsibilities
- Performance evaluations.
- Identification of areas that effect cost.
- Distributing reports and information.

- Goal setting for cost reduction, program development, procedural goals, overall reduction of risky activities and behavior.
- Documenting Countywide efforts and costs.

E. RISK MANAGEMENT PROGRAM MONITORING

Present System

The function of Risk Management Program Monitoring is new to Multnomah County. It cannot exist without the information that will be available through the use of a Risk Management Information System and more detailed analysis of performance and exposure.

Proposed System

Following the setting of reasonable risk management goals and objectives, activities can then be evaluated. The Office of Risk Management will be responsible for monitoring all activities. Using the Risk Management Information System information, the following questions should be considered.

- Given the inherent risk of an activity, is sufficient attention to prevention being provided?
- If the County changes its operations, how should that affect claims and insurance costs?
- How are we doing compared to last year? The year before? Why?

Action Steps

1. Determine whether goals have been met at the division, department and Countywide level.
2. Determine whether policies and procedures exist and are being followed. Do they need revision?
3. Determine whether there has been progress in eliminating and reducing exposure.
4. Determine if the numbers of claims and the costs of claims been reduced.
5. Determine if the dollars spent on these efforts justify the cost.
6. Issue a program effectiveness report.
7. Evaluate total program effort.

CAIRO CHARTS

Definitions of "consult," "approve," "informed," "responsible" and "no involvement," and charts using these terms show who is involved and what their responsibilities are for countywide risk management.

C - - - CONSULT

A - - - APPROVE

I - - - INFORMED

R - - - RESPONSIBLE

O - - - NO INVOLVEMENT

Definitions

C = Consulted

The individual holding a "C" must be invited to contribute to a decision before it is communicated. This invitation must be made with a reasonable lead time and any key staff work which supports the impending decision must be provided as well. If the holder of the "C" fails to respond within the established time frame, that individual forfeits the opportunity to influence the decision.

If the person having the "R" decides to follow a course of action that is contrary to a strong recommendation by a person having a "C," the person having the "C" must be notified promptly when the decision has been made.

A = Approves (Veto Power)

The individual holding the "A" must concur with the decision prior to its becoming formal or being communicated. This person has veto authority over a decision and must verify within an established time frame whether the decision has been approved or disapproved. A decision to disapprove also includes the obligation to explain the reason for the disapproval and to suggest a modification that would result in approval.

I = Informed

The individual holding the "I" has no required involvement in making the decision but must be informed of the decision after it has been made. This individual is usually influenced by the decision or needs the information to carry out his or her job.

R = Responsible (Prime)

The individual holding the "R" initiates the process for making the decision. This individual usually directs the appropriate staff work, reviews alternatives, and actually makes the decision (subject to the approval of another person holding an "A"). This individual normally has accountability for the decision in his or her job description or RIO.

O = No Involvement

The "O" merely completes a CAIRO document by filling a blank on the chart. It is used where an individual is formally called out on the chart for some decisions but has no involvement with others.

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Risk Management Inf. System*													
a. Approve	A	A	R	C	I	C	C	I	C	I	I	C	I
b. Select Consultant	I	I	A	R	I	C	C	I	I	O	O	C	C
c. Def. Selection Criteria	I	I	A	R	C	C	C	C	C	I	O	R/C	C
d. Supervise Process	I	O	A	R	O	C	O	O	O	O	O	O	I/C
e. Select	I	O	A	R	I	C	C	O	C	O	O	O	C
f. Install	I	O	I	C	O	O	O	O	O	O	O	R	O
g. Train	O	O	I	C	I	C	O	O	O	O	O	R	C/R
h. Load Loss History	O	O	R	O	C	O	C	O	O	O	O	C/R	O
2. Prioritize Information	I	I	I	R	C	A	I	C	C	C	I	C	O
Sources													

*assume selection and installation occurs prior to addition of Risk Manager.

Key:

R = Responsible
C = Consulted
A = Approves

O = Zero Involvement
I = Informed

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.	
Issue Reports	I	I	I	R	I	C	I	I	I	I	I	O	O	
3. Loss History	I	I	I	R	C	C	I	I	I	I	I	C/O	O	
4. Documents Review	I	I	I	R	C	A	C	C	I	O	O	C/O	O	
5. Surveys:														
a. Define scope	I	I	A	R	C	A	I	C	C	I	I	C/O	O	
b. Develop Checklist	I	O	O	R	C	A	O	O	C	O	O	O	O	
c. Conduct	I	I	I	R	I	C	I	C	C	I	O	O	O	
d. Document	I	I	I	R	I	A	I	I	I	I				
6. Inspections:														
a. Develop scope	O	O	I	R	C	A	C	R	C	C	I	O/C	O	
b. Develop Checklist	O	O	I	R	O	A	O	C	C	O	O	O	O	

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PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
6. c. Conduct	O	O	I	C/I	C	I	O	R	C	R/I	I	O/C	O
d. Document	I	I	I	R	C	C	I	C	I	O	O	C/O	O
7. Legislative Process	I	I	I	R	C	C	O	I	I	O	O	O	O
a. Review Dec. Documents	I	I	C	R	C	C	O	I	I	O	O	O	O
b. Analyze for Risk Issues	I	I	I	R/C	C/R	C	O	I	I	O	O	O	O
c. Document	O	O	O	R	O	I	O	O	O	O	O	O	O
8. Compile/Maintain Exposure Inventory	I	I	I	R	O	I	I	I	I	O	O	O	O
9. Reports from Employees	O	O	I	C	C	O	O	C	O	O	R	O	O
10. Identify Risk from Employees Concerns	I	I	I	R	C	C	I	R	I/C	I/C	I	O	O

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PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Apply Evaluation													
Criteria to Identify Eval.													
a. Frequency	I	I	I	R	C	I	O	C	C	I	I	C	O
b. Severity	I	I	I	R	C	C	O	C	O	O	O	O	O
c. Community needs	C/R	R	I	C	C	C	O	C	O	O	O	O	O
d. Available alternatives	I	I	I	C	C	C	O	R	O	O	O	O	O
e. Organizational mission	C/R	R	C	I	C	I	O	I	C	I	I	O	O
f. Risk financing	I	I	I	R	I	C	C	I	I	O	O	O	O
g. Interested groups	R/C	R	I	I	I	I	O	C	I	I	O	O	O
affected	O	O	I	R	C	A	C	C	C	C	I	O/C	O
2. Review	C	I	C	R	C	C	I	C	C	I	O	O	O

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PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
3. Recommend Action	I	I	A	R	C	C	I	I	C	I	I/O	O	O
4. Decide to Eliminate Risk	R/C	R	I	C	C	C	I	C/R	I	I	I	O	O
5. Decide to Reduce Risk	C	I	I	C	C	C	C	R	C	R/C	R/I	O	O
6. Decide to Assume	A	I	A/C	R	C		C						
7. Decide to Transfer	A	I	A/C	R	C	C	C	* A/C	I	I	O	O/C	O
8. Document Evaluation Results	I	I	I	R	C	I	I	I	I	O	O	O	O
9. Document Decisions	I	I	I	R	I	I	O	I	O	O	O	O	O

*The approval of some transfer decisions may belong to departments when designated funds are involved.

Key:

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I = Informed

A = Approves

MAJOR DECISION AREA

RISK TREATMENT SELECTION - ELIMINATION

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Identify Priority Risks for Elimination	I	I	I	R	C	C	O	C	C	I/C	I	O	O
2. Decide to Eliminate	R/C	R	I	C	C	I	I	C	I	I	I	O	O
3. Implement Elimination of Risk	I	I	I	C/I	I	C/I	I	R	I	I	I	O	O
4. Document Risks Eliminated	I	I	I	R	I	I	O	I	I	O	O	O	O
5. Integrate Elimination Information into Insurance Program	I	I	I	R	C	C	C	I	I	O	O	O	O

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MAJOR DECISION AREA

RISK TREATMENT SELECTION - REDUCTION

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Identify Risks that can be Reduced	A	I	C	C	C	C	I	R	I/C	I/C	I/C	O/C	O
2. Devise Methods													
- Train	I	I	I	C	I	R/C	I	R/C	I	I/C	I/C	C/R	O/R
- Change operation	I	I	I	C	I/C	I/C	I	R	I	I	I	O	O
- Share risk	I	I	I	R/C	R/C	C	I	C/R	I	I	I	O	O
3. Implement Reduction	A	I	I	I	I	I		R	I	I	I		
4. Document Risks Reduced	I	I	I	R	I	I	O	I	I	O	O	O	O
5. Integrate Reduction into Insurance Program	I	I	A	R	I	I	I	I	I	O	O	O	O

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ACTIVITIES/DECISIONS	PEOPLE/GROUPS INVOLVED													
	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.	
1. Decide Which Risks to Assume	I	I	A	R	C	C	I	I	I	I	I	O	O	
2. Develop Plan to Control Risk	I	I	A	R/C	C	C		C/R	C	C				
3. Implement Control	A	I	I	C	C	A	I	R	I/R	I/R	I/R	O/C	O	
4. Document Risks Assumed	I	I	I	R	I	I	C	I	I	I	O	O	O	
5. Ensure Financing for Risks														
Assumed														
- Recommend Amount	I	I	A	R	C	C	C	I	I	I	O	C	O	
- Approve Funds	A	R	I	I	I	I	I	I	I	O	O	O	O	
- Manage Funds	O	O	O	O/C	I	I	R	I	I	O	O	O	O	
- Allocate Funds	I	I	I	R	I/C	I/C	I	I	I	O	O	O	O	

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MAJOR DECISION AREA

RISK TREATMENT SELECTION - TRANSFER

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Decide Which Risks to													
Transfer:													
- by contract	A	A	C	R	C	C	I	C	I	O	O	O	O
- by insurance purchase	C	I	C	R	C	A	C	C	I	O	O	O	O
2. Develop Model Contracts	I	I	A	C	R	C	C	C	I	O	O	O	O
3. Develop Policy for	C	A	C	R	C	C	I	C	C	O	O	O	O
Contracting Risks													
4. Develop Procedures for	A	I	I	R	C	C	O	C	C	I/C	O	O	O
Contracting Risks													

Key:

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ACTIVITIES/DECISIONS	PEOPLE/GROUPS INVOLVED													
	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.	
5. Insurance Programs														
a. Package Risks to be Insured	I	I	A	R	C	C/A	C	C	I	O	O	O	O	
6. b. Select Broker(s)	A	I	C	R	I	C	C	I	O	O	O	O	O	
c. Develop Strategy	A	I	C	R	C	C	C	O	O	O	O	O/C	O	
d. Review Options	I	C	I	R	C	C	C	O	O	O	O	O/C	O	
e. Select Coverage/Package	A	I	C	R	C	C	C	I	O	O	O	O/C	O	
f. Inventory & Report Risks	I	I	I	R	I	A	O	I	I	O	O	O	O	
Transferred through														
1) contracts 2) insurance														

Key:

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MAJOR DECISION AREA

RISK MANAGEMENT PROGRAM IMPLEMENTATION - TORT LIABILITY CLAIMS ADMINISTRATION

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Intake/set up file	I	O	I	R	I	I	O	I	O	O	O	O	O
2. Forward to County Counsel	O	O	O	R	I	A	O	O	O	O	O	O	O
3. Set Reserve	O	O	O	R	C	A	O	O	O	O	O	*	O
4. Investigate	O	O	O	R	R	C	O	C	O	O	O	*	O
5. Direct Investigation	O	O	O	C/R	R/C	C	O	I	O	O	O	O	O
6. Communications	I	O	I	R	C/R	I	O	I	I	O	O	O	O
7. Evaluate legal aspects	O/I	O/I	O/I	C	R	I	O/I	O/I	I	O	O	O	O
8. Accept/Negotiate/Deny	I	I	I	A	R	C	O	I	O	O	O	O	O
9. Prepare/Litigate	O	O	O	C	R	C	O	C	C	O	O	O	O
10. Negotiate during Litigation	A**	O	I/C	C	R	C	O	C	O	O	O	O	O

*Scott Wetzel Services currently investigates, adjusts and pays claims by contract.

**Depending on circumstances approved for settlement during litigation, may involve the Chair, the Sheriff or a judge.

NOTE: For practical reasons, "I" will sometimes be satisfied through consolidated reports and summaries.

Key:

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I = Informed

A = Approves

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
12. Issue Payment	I	O	O	I	R	I	R	O	O	O	O	R*	O
13. Evaluate for Prevention	I	I	I	R	C	I	I	C/R	C	C	C	O	O
14. Enter Data MIS	O	O	I	R	C	I	I	I	O	O	O	O	O
15. Eval. Claims Admin. Function	I	I	A	R	C	C	C	C	O	O	O	O	O
Factors to Consider:													
Internal control, related													
activities, effectiveness,													
total program, cost benefits,													
numbers of claims, trends,													
alternatives													

*If contracted service is used, as at present. The report recommends that the current system continue but be evaluated for possible self-administration.

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MAJOR DECISION AREA RISK MANAGEMENT PROGRAM IMPLEMENTATION - WORKERS COMPENSATION CLAIMS ADMINISTRATION

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Intake/Create File	O	O	O	R	I/O	O	O	C	O	O	O	C/R	O
2. Investigate	O	O	O/I	R	C	C/A	O	C/R	I	I/C	O/C	R	O/C
3. Communications	O	O	I	R	C	A	O	C	I	O	O	O	O
4. Evaluate legal aspects	I	O	A	R	R/C	A	O	C	C	O	O	O	O
5. Accept/Deny	O	O	I	A/R	C	I/C	O	C	O	O	O	O	O
6. Devise Organizational Strag.	I	I	A	R	R	R	O	R	I	I	I	O	O
7. Coordinate response	O	O	A	R	C	C	O	C	I	I	I	O	O
8. Implement response	I	O	A	R	C	R	I	R	I	I	O	O	O
9. Prepare for trial	O	O	I	C	R	C	O	C	O	O	O	O	O
10. Litigate	I	O	I	C	R	I	O	I	O	O	O	O	O
11. Negotiate	A	O/I	A	R	C	A	I	C	I	I	O	O	O

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MAJOR DECISION AREA RISK MANAGEMENT PROGRAM IMPLEMENTATION - WORKERS COMPENSATION CLAIMS ADMINISTRATION

ACTIVITIES/DECISIONS	PEOPLE/GROUPS INVOLVED													
	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.	
12. Issue Payment	I	O	I	R/A	C	A	I	I	I	O	O	R	O	
13. Evaluate for Prevention	I	I	I	R	C	A	O	C	C	C	I	O/C	O	
14. Enter Data MIS	O	O	I	R	I/C	A	I	I	I	O	O	O	O	
15. Admin. Return-to-Work Prog.	O	O	I	C	C	R	O	C	I	I	I	O	O	
15. Eval. Claims Admin. Function	I	I	A	R	C	A	C	C	C	O	O	O	O	
Factors to Consider:														
Internal control, related														
activities, effectiveness,														
total program, cost benefits,														
numbers of claims, trends,														
alternatives														

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MAJOR DECISION AREA

RISK MANAGEMENT PROGRAM IMPLEMENTATION - LOSS CONTROL PROGRAM

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Safety Program													
a. Establish Loss Control Committee in departments	A	I	I	C	I	C	I	R	C	C	I	O	O
b. Assign duties to dept. Committees	I	I	I	C	I	C	I	R	C	C	I	O	O
c. Employee Involvement	I	I	I	C	O	R	O	C	C	C	C	O	O
d. Training Program	I	I	I	C	I	R	I	C	C	C			
e. Inspections	I	I	I	C	C	I	I	R	C	R/C	I	O	O
f. Follow-up on reported risks	I	I	I	R	C	A/C	I	I	I	I	I	O	O
g. Revise reporting proc.	A	I	I	R	C	C	I	C	C	I	I	O	O

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MAJOR DECISION AREA

RISK MANAGEMENT PROGRAM IMPLEMENTATION - LOSS CONTROL PROGRAM

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. h. Define goals of program	A	A	A	C	I	C	I	C	R	I	I	O	O
2. Training													
- Safety	I	I	I	C	I	C/R	I	R/C	C	C	C	O/R	O
- Inspection	I	I	I	C	I	C/R	I	R/C	C	C	C	O/R	O
- Identification	I	I	I	R	C	A	I	C	C	C	C	O/R	O
- Legal	I	I	I	C	R	I/R	I	C	C	C	C	O/R	O
3. Accountability													
- Set goals	I	I	C	C	C	C	I	R	I	I	I	O	O
- Monitor effectiveness													
a. Divisions	I	I	I	C	I	C	I	R	I	I	I	O	O
b. Departments	R	I	I	C	I	C	I	C	I	I	I	O	O
c. Countywide	A	R	I	C	I	I	I	C	C	I	I	O	O

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PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Approve Program	A	R	C	C	C	R	I	C	I	I	I	O	O
2. Fund Program	A	R	I	C	I	A/C	C	C	I	I	I	O	O
3. Administer Program	I	I	C	C	C	A/R	I	C	C	I	I	O	O
4. Determine readiness for RTW	O	O	I	C	C	R/A	O	C	O	O	O	C	O
5. Identify Placement	I	O	I	C	C	R	O	C	I	O	O	O	O
6. Communicate/Notify	I	I	I	T	C	C	O	I	I	O	O	O	O
7. Determine Source of Funds	A	O	A	R	O	C	I	C	I	O	O	O	O
8. Determine Length of Placement	A	O	A	R	C	C	I	C	I	O	O	O	O
9. Document Placement	O	O	O	R	I	I	I	I	O	O	O	O	O
10. Coordinate Related Issues:	O	O	I	C	C	R	O	C	O	O	O	O	O
Legal, Coll. Barg. Safety													

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MAJOR DECISION AREA

RISK MANAGEMENT PROGRAM IMPLEMENTATION - RETURN-TO-WORK PROGRAM

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
10. Identify Costs of Claims	I	I	I	R	C	C	C	C	I	0	0	0	0
11. Enter Data/Documents	I	I	I	R	I	I	I	I	I	0	0	0	0

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PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Set Goals Using:													
a. Number of claims	I/A	I	A	R	I	C	I	C	I	O	O	O	O
b. Costs of claims	I/A	I	A	R	I	C	I	C	I	I	O	O	O
c. Tracking incidents	I/A	I	A	R	I	C	I	C	I	I	O	O	O
d. Increasing awareness	I/A	I	A	R	I	C	I	C	I	I	O	O	O
e. Increasing employee contacts	I/A	I	A	R	I	C	I	C	I	I	O	O	O
f. Procedures written/used	I/A	I	A	R	I	C	I	C	I	I	O	O	O
2. Establish Procedures:													
- Claims management	A	I	A	R	C	C	I	C	C	I	I	O	O
- Risk identification	A	I	A	R	C	C	I	C	C	I	I	O	O

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MAJOR DECISION AREA

RISK MANAGEMENT PROGRAM IMPLEMENTATION - ADMINISTRATION/PROGRAM MANAGEMENT

PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
- Return-to-work	A	I	I	R	C	A/C	I	C	C	I	I	O	O
3. Performance Appraisal	R/A	I	A	C	I	A/C	I	C	I	I	I	O	O
4. Identify all Costs	I	I	I	R	I	A/C	C	C	C	C	I	O	O
5. Issue Report	I	I	A	R	I	A/C	I	I	I	I	I	O	O

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PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
1. Goals Met:													
a. Division	I	O	O	I	O	O	O	R	I	I	C/R	O	O
b. Department	R	I	I	C	I	C	I	C	I	C	O	O	O
c. Countywide	I	I	I/A	R	I	A	I	I	I	I	I	O	O
3. Policies/Procedures Followed	I	I	I	R	C	C	O	C	C	C	I	O	O
4. Progress Toward Eliminating/	I	I	A	R/C	C	C	I	R/C	C	C	I	O	O
Reducing Risk:													

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PEOPLE/GROUPS INVOLVED

ACTIVITIES/DECISIONS

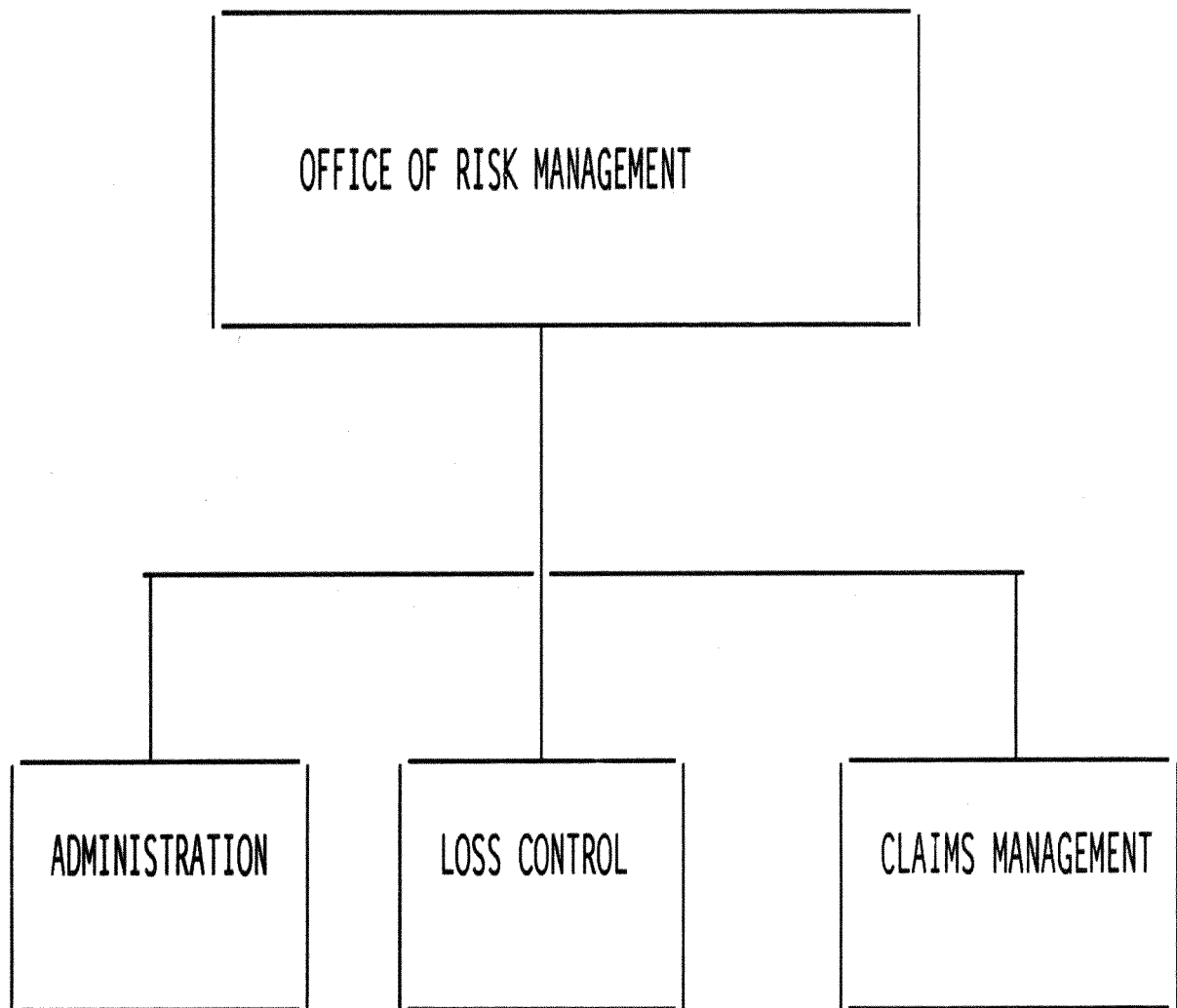
	Chair	Board of Commissioners	Director of DGS	Office of Risk Mgmt.	Office of C. Counsel	Div. of Emp. Relations	Division of Finance	Departments	R.M. Advisory Group	Loss Control Comm.	Employees	Outside Consultants	Inf. Services Div.
a. Number of claims													
b. Cost of claims													
c. Incidental reports													
d. Costs of risk financed													
5. Issue Program Effectiveness	I	I	A	R	I	C	I	I	C	I	I	O/C	O
Report													
6. Evaluate Total Program	R	A	C	C	C	C	I	C	C	C	C	O/C	O

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APPENDIX



ISSUES AND OPTIONS

Adopting a comprehensive approach to risk management is not a quick fix to a major problem. It depends on a long-term commitment and a prioritized wish list of goals and actions. While this report offers specific solutions to the risk management problem, it also offers flexibility in program placement, funding and scheduling.

The foundation for the entire program that is recommended by this report is the Risk Management Information System (RMIS). Without this system to collect and sort necessary information, a comprehensive program of identification and evaluation of exposure is not possible. Without a program of evaluation, instituting new risk reducing programs is unlikely and we will continue to see the same fragmented system that exists currently.

While this system requires an initial capital expenditure, it is the contention of this study that this money is well spent and is an investment that will be returned through developing future cost reducing programs. Recognizing the financial limitations of the County, this report offers a priority list of activities and requirements. Program elements could be added over the years, as money allows.

MINIMUM REQUIRED ACTIVITIES

- Purchase a computerized data collection system (RMIS).
- Create an Office of Risk Management with adequate staffing.
- Hire a director for the Office of Risk Management.
- Hire a loss control and safety coordinator; move the claims technician for the Office of County Counsel to the Office of Risk Management.

MINIMUM REQUIRED COMMITMENTS

- The support of policy makers and top management
- The commitment to train and involve all County employees.
- The understanding by participants of the goals of the program and their relationship and responsibilities for achieving those goals.

Within these constraints there are some options. These options involve scheduling or phasing new activities and the organizational placement of the program.

1. RISK MANAGEMENT INFORMATION SYSTEM

The selection process for the automated data system could be started prior to the new fiscal year.

Advantages:

1. Earlier availability of information means earlier possibility of actions that could result in savings.
2. Doing it sooner lessens the delay in responding to one of the key recommendations of the Internal Audit Report #3-87.
3. Money budgeted but not spent on the Return-to-Work Program is available now.
4. Most automated systems offer increased capacity to self administer claims. Our claims administrator contract expires June 30. If the existence of the automated system allows us to negotiate for less costly claims service, it would be better to know before the contract expires. The contract is for approximately \$80,000 in services.
5. Purchasing the system has been recommended since 1981 and it is an initial cost, not an operational cost.

Disadvantages:

1. If the risk manager is not hired until July, there is a possibility that the person hired may have either special knowledge or a preference which is not included in the process.
2. Delaying this step delays spending money, making that money available for other activities. This is a known amount of money as compared with the unknown amount of savings that might be realized through earlier implementation.

2. IMPLEMENTATION OF PROGRAM

Option: Rather than begin the Risk Management Program in stages, the entire program could begin at once prior to the new fiscal year.

Advantages:

1. Avoids continuance of fragmented system.
2. Takes advantage of the attention focused on the adoption of the program to create initiative and momentum.
3. Responds more promptly to the Internal Audit Report #3-87.
4. If we assume that a risk management program will save money, then savings will begin earlier.
5. Because the program is to be funded through the Insurance Funds, it is separate from other new programs.

Disadvantages:

1. Creating a program outside of the budget process without an obvious crisis may create an undesirable precedent.
2. It is close enough to the end of the year that it may be inconsequential to begin any earlier.

NOTE: The proposed budget for the proposed Risk Management Program already includes phasing of several costs. For instance, the additional staffing of the Health Promotion Program to implement the start-up training program does not occur until the needs assessment and exposure identification and evaluation effort is completed.

ORGANIZATIONAL PLACEMENT

County Ordinance #381 places the risk management function within the Department of General Services. Research done in the course of this project did not show any reason to alter that assignment. Prior to assigning most of risk management functions to County Counsel, with some parts to Finance and Employee Relations, it had been a subdivision of the Finance Division. This section outlines some advantages and disadvantages to placement in Employee Relations, Finance and the creation of a new division, a Division of Risk Management.

CREATE A DIVISION OF RISK MANAGEMENT

Advantages:

1. Creates more independence and authority. Demonstrates the importance of the function.
2. Allows the upgrading of the salary scale to Program Manager II, which is more similar to salaries for risk managers of centralized systems in comparatively sized organizations. This gives the County the possibility of hiring a better qualified staff person.
3. By consolidating all risk management functions into its own division, it avoids possible conflict in identifying risky activities and recommending changes.
4. Risk management is a multi-disciplinary, interdepartmental activity with important differences from any entity to which it is assigned. It must relate as much to Finance, Budget and County Counsel as to Employee Relations and the various departments to which it provides technical assistance.

Disadvantages:

1. Risk Management will always be a small unit. There is within Multnomah County a reluctance to create new, small subdivisions without a compelling reason.
2. The Director of General Services already has a large number of diverse divisions directly reporting to her.
3. There are many activities that risk management must perform in a cooperative or team manner. Operating as a separate Division might create isolation.

PLACE IN EMPLOYEE RELATIONS:

Advantages:

1. Risk management must work very closely with Employee Relations since the area of employment practices is perhaps the area of greatest vulnerability in terms of tort liability.
2. The Health Promotion Program currently is a positive, Countywide program. The association will strengthen both programs.
3. Employee benefits is a costly area that would benefit by close teamwork with the Office of Risk Management in purchasing and administering benefits.
4. The training program administration is already located in Employee Relations. Creating a separate method of administering training for safety and loss control would duplicate the present effort.
5. Staff is able to match physician's release information with available work in the different departments.
6. The research phase of the project revealed that the need for early intervention in management and discipline problems was necessary in order to prevent the most difficult and damaging workers compensation claims: stress claims in combination with discipline and grievance problems. The management development efforts planned in Employee Relations dovetail nicely with the needs from a risk management perspective. The two efforts can be coordinated and duplication avoided if both programs are in the same division.
7. The new mission statement emphasizes people and the prevention of accidents and loss. This is compatible with the mission of Employee Relations.

Disadvantages:

1. Traditional views of a personnel function often view it as a relatively weak bureaucratic organization without the organizational strength of either the Finance and Budget divisions or an independent division.
2. It may be difficult for a risk manager to advocate for change if assigned to a division needing the change.
3. New initiatives by Employee Relations and increased demands on Employee Relations may deflect resources from risk management efforts.

PLACE IN THE FINANCE OR IN THE PLANNING AND BUDGET DIVISIONS

Advantages:

1. Counters the disadvantages found in assigning to Employee Relations.
2. Budget and Finance may provide more authority for the program.
3. Could provide an easier transition should the County decide to implement other types of financial accountability methods later.

4. The continuing efforts to improve financial accountability is an important and compatible mission that both Finance and Budget and Risk Management share.

Disadvantages:

1. The involvement of all employees is not part of the mission of these divisions.
2. All three divisions provide technical services and consulting to all County operations. Finance and Budget do not have programs in place that are already readily identified as similar to or compatible with loss control, safety or risk management.

SUMMARY

Placement of the risk management function varies in other organizations. Effectiveness depends on the credibility of the program over the long haul and the support given to it at the highest management and policy level. The reasons for placing in one division over another are not compelling. In selecting the location, the following questions need to be asked:

- Where will risk management receive the support and organizational strength needed to do the job?
- What placement will offer the best access to Countywide information, to help identify exposure and offer loss control opportunities?
- Which placement offers opportunities for effective cross training?
- Which placement best demonstrates the level of commitment that has created the expanded program?

**1987-88 RISK MANAGEMENT COSTS AS IDENTIFIED THROUGH
INTERVIEWS AND BUDGET DOCUMENT**

Premiums, Claims and Reserves

1.	Property Insurance Premium	\$ 163,825.00
2.	Self Insured (deduct.) loss this year	3,889.00
3.	Medical/Dental (Premium)	5,435,063.00
4.	LTD Premium	83,005.00
5.	Life Insurance Premium	96,559.00
6.	Liability Self Insured	620,000.00
7.	WC Self Insured	1,377,182.00
8.	Unemployment Benefits	<u>153,020.00</u>
	Subtotal	\$8,016,206.00

Programs

9.	Health Promotion Program	\$ 60,580.00
10.	Hazardous Material	10,000.00
11.	(5) Limited Light Positions	<u>119,854.00</u>
	Subtotal	\$ 190,434.00

Contract Services

12.	EAP (Cascade Counseling)	\$ 55,000.00
13.	Loss Control	20,000.00
14.	Professional Services (includes SWS contract; \$85,000)	<u>140,000.00</u>
		\$ 215,000.00

Administration and Staffing (General Fund)	\$ 128,141.30
Administration and Staffing (Insurance Fund)	<u>81,147.00</u>

Subtotal \$ 209,288.30

TOTAL \$8,630,928.30

**1987-88 STAFF COSTS FOR
ADMINISTERING INSURANCE FUND AND OTHER RISK MANAGEMENT FUNCTIONS**

<u>County Counsel</u>	<u>FTE</u>	<u>Salary</u>	<u>Benefits</u>
1. County Counsel	.15	\$ 9,182	\$
3,213.70			
2. CL Deputy	.20	9,562	3,346.70
3. RM Tech WC	1.00	23,109	8,088.15
4. OA Torts	1.00	20,000	7,000.00
5. Tort Atty	.40	16,000	5,600.00
6. Tort Atty	.40	12,800	4,480.00
7. Tort Atty	<u>.25</u>	<u>8,000</u>	<u>2,800.00</u>
 TOTAL	 3.40	ST \$98,653	\$34,528.55

Employee Relations/Labor Relations

8. Employment Analysts	.25	\$ 7,250 (low)	\$ 2,537.50
9. Health Promotino	1.00	37,000	12,950.00
10. Tech	<u>.20</u>	<u>4,800</u>	<u>1,680.00</u>
	1.45	ST \$49,050	\$17,167.50

Finance

11. Finance Manager	.05	\$ 2,050	\$ 717.50
12. Benefits Administrator	.25	7,175	2,513.75
13. Benefits OA	<u>1.00</u>	<u>20,000</u>	<u>7,000.00</u>
	1.30	ST \$29,223	\$10,231.25
	TOTAL	\$132,826	\$61,924.30

Total Salary and Benefits for internal
administration of insurance fund activities
TOTAL = \$194,750.30

RISK MANAGER SALARY SURVEY

SPRING 1988

ORGANIZATION	TOTAL EMPLOYEES	----- ANNUAL SALARY BOTTOM	----- TOP
Salem	950	\$ 30K	\$ 38K
Eugene	1,100	37	47
Tacoma	2,500	39	48
Portland	4,000+	50	
Vancouver	420	29	37
Port of Portland	780+	41	63
Washington County	850	35	43
Marion County	840	34	45
Clackamas County	1,100	28	36
Clark County (WA)	850	31	43

All data as of March 1988

Data provided by the Oregon Chapter of PRIMA (Public Risk Insurance Managers Association)

NOTE: All are centralized, including employee benefits and insurance as well as claims administration. Many other organizations only have a part-time risk manager. The smallest (under 1,000 employees) tend to contract for claims administration.

1290F/SW/kd

SUMMARY OF THE RESPONSE TO INTERNAL AUDIT REPORT #3-87

1A. Centralize the program, focus on prevention:

- New mission statement establishes importance of prevention;
- New mission statement and program assigns responsibilities and accountability specifically;
- Reorganization and creation of Office of Risk Management is a tool to focus management attention on activities related to identification and evaluation of exposure and increased participating and awareness of loss control techniques and expectations.

B. Hire risk manager and/or safety officer:

- Office of Risk Management is proposed with a risk manager and a safety officer. In addition, it is recommended that claims self-administration included but phased in to allow a smooth transition.

C. Modify Ordinance:

- The mission statement can be incorporated into the ordinance.

2. Include a procedure for County Counsel involvement:

The proposed program requires _____ County Counsel in the initial review of all new claims, in the decision process to accept/deny claims and retains County Counsel responsibilities for tort claims. Risk management is the intake for all claims. The department and the risk manager are "clients".

3. Departmental Accountability:

The specific techniques proposed in this program to achieve departmental accountability are:

- Publication of loss data by appropriate organizational units
- Establishment of loss reduction goals. Review of goal performance through annual Risk Management report
- Increased recordkeeping on past, present and future performance
- Incorporation of loss control activities into performance appraisal criteria
- Strong linkage to increased management development efforts to provide other technical support for better management in general

4. Identify and monitor all costs:

- Current costs are identified and/or estimated based on available information in the appendix
- Program requires a risk management information system to assist in cost tracking and analysis. The projected costs for the new system and program expansion will be identified in the technical amendments to the budget following approval of the program
- Detailed cost data must be part of annual report
- The tracking of administrative, direct and indirect costs is included in Claims Management Program
- All costs of claims and risk management activities should be charged to Insurance Fund. Programs and activities related to loss control should be weighed against impacts on claims costs

5. Institute a Risk Management Committee that includes a cross section of employees:

- Program recommends the development of loss control committees for each department
- Program institutes a Countywide advisory committee of Department Directors. Roles of each are defined in the program plan

6. Establish a formal system for accepting or denying claims:

- The action plan requires that specific procedures be established during the first six months of implementation of the new program;
- The proposed program defines the participants in the acceptance and denial of each claim.

7. Automated Data System for Tracking and Analysis:

- The proposed program requires on such a program;
- Furthermore, the use of such systems as are available in the marketplace may make self-administration both less costly than contracting out and more effective from a central and accountability standpoint.

8. Establish objective criteria and time periods for supplementals.

The advisory group should recommend policy for a standard supplemental. Achieving that goal must include coordination with the collective bargaining process.

9. Strengthen Return-to-Work Program:

- Increased effort from Employee Relations already in place;
- Responsibility and activities defined in Return-to-Work Program description.

10. Develop measurable goals and evaluate within two years:

- Program goals for proposed program are described in the Mission Statement and Action Plan;
- Performance goals for loss control should be established after information is available through the Risk Management Information System through division and departmental review and participation.
- Major areas of performance measurement identified in the proposal include:
 - claims reduced
 - claims costs reduced
 - total costs of each claim identified
 - policies and procedures in place and followed
 - reports issued to departments and divisions
 - total program effort reviewed

ACKNOWLEDGEMENT OF CONTRIBUTORS

The following individuals and organizations provided invaluable assistance and information during the development of this report. The shared knowledge and candid assessments of what makes a comprehensive, cost effective risk management program were greatly appreciated and invaluable in the development of this report.

Participants in Multnomah County's current program:

- Larry Kressel, Mindy Brown and Mary Cosby in the Division of County Counsel
- Department and division managers in all departments
- The sixty plus employees who agreed to tell me about their concerns, their jobs and their good ideas on how to provide a good risk management program

Participants in other governmental programs:

City of Portland
City of Springfield
Lane County
Washington County
Clackamas County
City of Gresham
City of Seattle
King County Washington
Thurston County Washington

Non-governmental programs:

Standard Insurance
Portland General Electric

Consultants:

James Morris - Risk management software systems
Robert Pater - Safety and Loss Control
Richard Hill - Program elements, research in other states, project design
Marsha Spellman - Editing and jargon reduction (elimination of jargon being an ideal rather than a reality)
Parry Ankerson, Price Waterhouse - Review and comments

Professional organizations:

Public Risk Insurance Management Association (PRIMA)
Association of Washington Cities Municipal Risk Pool
International City Managers Association

Price Waterhouse



May 12, 1988

Ms. Sharon Wylie
Risk Management Program
Development Specialist
Multnomah County
1120 S.W. Fifth
Portland, Oregon 97204-1934

Dear Ms. Wylie:

In accordance with our agreement, we have completed an analysis of your Proposed Risk Management Plan based on your "Draft" revision of April 27, 1988. This analysis was limited to four specific items. These items are:

- o Determine whether the Proposed Risk Management Plan addresses and incorporates all Multnomah County Auditor recommendations presented in Internal Audit Report #3-87.
- o Determine whether Multnomah County is properly accounting for risk management related liabilities and related expenses.
- o Determine whether the proposed risk management program design includes, identifies and describes essential risk management functions and activities.
- o Determine whether recommended staffing and resource allocation are suitable and sufficient to implement the Proposed Risk Management Program.

The results of our analysis are presented below. These results assume that all elements of the Proposed Risk Management Plan will be accepted, endorsed and funded by the Multnomah County Commission and that the program will be efficiently and effectively implemented by County managers and staff. To the extent these assumptions are not realized, the following results may be affected.



Ms. Sharon Wylie
May 12, 1988
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Response to County Auditor Recommendations

The Multnomah County Auditor presented ten recommendations regarding the County's Risk Management Program. All ten of these recommendations have been addressed in your Proposed Risk Management Program Plan.

Risk Management Accounting Issues


The key to proper accounting for risk management issues is "matching." For expenditures to be appropriate for inclusion in the generally accepted accounting principles (GAAP) financial statements and the budgetary based financial statements they must be matched with the year in which the incident that gave rise to a cost occurred.

The insurance industry has traditionally had a problem with matching costs to the period in which the liability arises. This is caused by the long-term nature of many types of insured pay-outs. For instance, if a worker is injured in a fall, the fact that there has been a substantial injury may not be known for several months, and the amount of the payments required under Workers' Compensation law and the duration of the payments is not known on the injury date with any certainty.

For the County to properly account for risk management expenses the cost of each incident that is covered under the County's self-insurance program must be estimated as accurately as possible and accrued into the period (year) in which the incident occurs.

Occurrences which happen in relatively large numbers, such as health insurance claims, can be estimated based on historical trends and industry averages adapted for the County's specific situation. Costs associated with such estimates are acceptable for GAAP, but such estimates must be updated each year by individuals who possess sufficient expertise to have a valid opinion.

Occurrences, such as workers' compensation claims that occur with some frequency, but that can vary in value from a very small dollar amount up to quite significant amounts, need a case-by-case evaluation by a professional in the field.




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May 12, 1988
Page 3

Claims that result from incidences that have occurred but have not been reported to the County, called incurred but not reported (IBNR) claims, must be estimated based on the County's history and industry averages. These IBNR claims can occur in any insured area.

The most difficult valuations are of the possible liability for damage judgments and settlement amounts resulting from the County's exposure to tort (civil) liability. Because of the diverse nature of the cases, each is unique and generalities can usually not be made about each case. The vigor with which the County wishes to defend each individual case, coupled with the available legal manpower (and the experience of that manpower) may have a significant impact on the outcome of tort cases. The estimated expenses related to these cases generally can not be judged very accurately, but must be approximated by those who are administering them. This estimate must usually be made by the attorneys who are defending the cases.

Because tort cases, and workers' compensation cases, often extend over several years, the estimates of liability may change over time. This is normal and natural. GAAP does not forbid the using of updated estimates based on better information, in fact it encourages such changes, if appropriate. When estimates change, the dollar value of the change is accounted for as a period expense in the year in which the better estimate is made. No attempt is required to make a prior period adjustment to the year in which the original occurrence took place. The estimates of costs used to form the expenses in the risk management area must be checked periodically. The ultimate outcome of each workers' compensation case and each tort case should be measured against the original estimate of the cost. The measure of error should become the basis for instructing the estimators as to how to make better estimates in the future. Ongoing education is important for maintaining a good risk management function.

GAAP does not allow expenses and liabilities to be put into an insurance program if those expenses are not the result of the best professional estimate available of the costs of incurred incidents. It is not appropriate, for



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instance, for the County to postulate that, eventually, there will be a large flood and that the County will need significant resources in the future, so it will establish a reserve each year to accumulate a large reserve in the year estimated to be the occurrence of the flood.

This does not mean, however, that the County can not set aside money to act as a prudent reserve for unexpectedly high loss years. These reserves would have to be, however, cash transfers into the self-insurance funds with a corresponding County Commission resolution or budget intent to segregate (reserve) the funds for future loss contingencies. When a loss occurs for which the Commission wishes to use such reserves, then the Commission should "release" such reserves and any related loss expense would run through the operating statements like any other expense.

The County has accounted for risk management liabilities and expenses appropriately in the past. A question has been raised related to whether the estimates of ultimate costs made by the County's consultants and County Counsel's office have been sufficiently accurate to meet the "best estimate" test that GAAP seems to imply. To our knowledge no original estimate to actual pay-out analysis of tort liabilities has been performed. We recommend that such analysis be conducted.

Risk Management Program Elements

A comprehensive risk management program has five major functions. These functions are:

- o Exposure Identification
- o Risk Evaluation
- o Risk Control
- o Risk Program Implementation
- o Risk Program Monitoring

Your proposed Risk Management Program Plan includes those functions normally found in a comprehensive Risk Management Program.



Ms. Sharon Wylie
May 12, 1988
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The Exposure Identification function encompasses eight major activities. The activities are:

- o Loss History Analysis
- o Document Analysis
- o Discovery Surveys
- o Agency Interviews
- o Inspections
- o Legislative Monitoring
- o Operations Flow Analysis
- o Expert Engagement

Your Proposed Plan incorporates those activities normally found in a well developed exposure identification function.

The Risk Evaluation Function encompasses eight major activities. These activities are:

- o Frequency/Severity Analysis
- o Potential Loss Analysis - Documents
- o Potential Loss Analysis - Surveys
- o Potential Loss Analysis - Interviews
- o Potential Loss Analysis - Inspections
- o Loss/Cost Impact of Legislation Analysis
- o Potential Loss Analysis - Operations Flow Reviews
- o Potential Loss Analysis - Expert Identification

Your Proposed Plan incorporates those activities normally found in a well developed risk evaluation function.

The Risk Control Function encompasses four major activities. These activities are:

- o Risk Elimination
- o Risk Reduction
- o Risk Assumption
- o Risk Transfer

Your Proposed Plan incorporates those activities normally found in a well developed risk control function.



Ms. Sharon Wylie
May 12, 1988
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The Risk Program Implementation Function encompasses four major activities. These activities are:

- o Eliminate Identified Exposures
- o Reduce Identified Exposures
- o Assume Identified Exposures
- o Transfer Identified Exposures

Your Proposed Plan incorporates those activities normally found in a well developed risk program implementation function.

The Risk Program Monitoring Function encompasses five major activities. These activities are:

- o Evaluate Risk Elimination Effectiveness
- o Evaluate Risk Reduction Effectiveness
- o Evaluate Risk Assumption Effectiveness
- o Evaluate Risk Transfer Effectiveness
- o Present Results

Your Proposed Plan incorporates those activities normally found in a well developed risk program monitoring function.

Risk Management Program Resources

Our analysis of the Proposed Risk Management Program Plan identified four principal Risk Management resource requirement increases. The increases are:

- o Add a risk manager
- o Add a loss control coordinator
- o Procure and install a Risk Information Management System (RIMS)
- o Expand manager and employee training.

The claims technician proposed to be assigned to the Office of Risk Management would transfer from the Office of County Counsel. This transfer has no net impact on the level of risk management resources.



Ms. Sharon Wylie

May 12, 1988

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Given the significant expansion in the scope and depth of risk management activities, the anticipated increase in the level of employee Risk Management involvement, particularly exposure identification and the lack of an effective management performance, claims tracking and cost accounting capability, this initial resource request seems reasonable.

We have not been provided with an analysis of expected costs for the Proposed Risk Management Program Plan and, accordingly, have no views on this area.

If you should have any questions, please contact Darrell Dorrell, Partner or Parry Ankersen, Manager at 224-9040.

Yours very truly,

Prisc Waterhouse

DATE SUBMITTED _____

(For Clerk's Use)
Meeting Date 5/31/88
Agenda No. #4

REQUEST FOR PLACEMENT ON THE AGENDA

Subject: Restructure of Human Resources Div.

Informal Only* May 31, 1988
(Date)

Formal Only June 2, 1988
(Date)

DEPARTMENT Dept. of General Services DIVISION Employee Relations

CONTACT Lloyd Williams TELEPHONE 248-5015

*NAME(s) OF PERSON MAKING PRESENTATION TO BOARD Linda Alexander

BRIEF SUMMARY Should include other alternatives explored, if applicable, and clear statement of rationale for the action requested.

Reorganization of Employee Relations, Labor Relations and County Counsel.

(IF ADDITIONAL SPACE IS NEEDED, PLEASE USE REVERSE SIDE)

ACTION REQUESTED:

☐ INFORMATION ONLY ☐ PRELIMINARY APPROVAL ☐ POLICY DIRECTION ☒ APPROVAL

INDICATE THE ESTIMATED TIME NEEDED ON AGENDA 1 hour

IMPACT:

PERSONNEL

☐ FISCAL/BUDGETARY

☐ -General Fund

Other _____

BOARD OF
COUNTY COMMISSIONERS
1988 MAY 24 PM 4:39
MULTNOMAH COUNTY
OREGON

SIGNATURES:

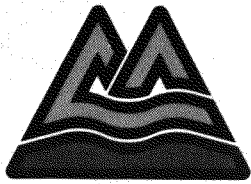
DEPARTMENT HEAD, ELECTED OFFICIAL, or COUNTY COMMISSIONER Linda Alexander

BUDGET / PERSONNEL Melinda J. Teedy

COUNTY COUNSEL (Ordinances, Resolutions, Agreements, Contracts) [Signature]

OTHER _____
(Purchasing, Facilities Management, etc.)

NOTE: If requesting unanimous consent, state situation requiring emergency action on back.



MULTNOMAH COUNTY OREGON

DEPARTMENT OF GENERAL SERVICES
PORTLAND BUILDING
1120 S.W. FIFTH, 14TH FLOOR
PORTLAND, OR 97204-1934

OFFICE OF THE DIRECTOR
BUDGET & MANAGEMENT
ANALYSIS
COUNTY COUNSEL
EMPLOYEE RELATIONS
FINANCE DIVISION

(503) 248-3303
(503) 248-3883
(503) 248-3138
(503) 248-5015
(503) 248-3312

BOARD OF COUNTY COMMISSIONERS
GLADYS MCCOY, CHAIR
PAULINE ANDERSON
POLLY CASTERLINE
GRETCHEN KAFOURY
CAROLINE MILLER

MEMORANDUM

TO: Gladys McCoy, Chair
Board of County Commissioners

FROM: Linda Alexander, Director
Department of General Services *Linda Alexander*

DATE: May 23, 1988

SUBJECT: Reorganization of Employee Relations, Labor Relations and County Counsel

The purpose of this briefing is to update you on changes in General Services that have resulted in the need for a reorganization. Some changes that have already occurred include:

- Combining Health Promotion and Benefits under one section manager.
- Increased activity to identify Countywide management support and training needs.
- A clearly developed focus on a service-oriented human resources function serving the entire County.
- Completion of a Risk Management Program Development Project recommending that Human Resources and Risk Management work very closely together and in the same division.
- Transfer the Affirmative Action Office to Employee Relations. This reflects the connection between employment processes, training and management support to success in ensuring representation of women and minorities in all of the operations of the County.

This proposal will complete the realignment of staff and functions by making the following changes:

- Change the name of Employee Relations to Human Resources to accurately reflect the emphasis on the management of employees as resources and the investment they represent.
- Make Labor Relations an entity organizationally separate from Human Resources, reporting to the director and working closely with the board and with departments.

- Structure the department to allow County Counsel to focus on litigation, the training of staff and emphasizing the prevention of claims. County Counsel will continue to have control of tort claims management and the handling of legal problems for the County.
- Transfer the Workers Compensation claims technician to the new Office of Risk Management from the Office of County Counsel. Workers compensation claims management will be more intensely addressed by Human Resources, Risk Management and by departments.

These changes bring the County closer to a well-managed Human Resources program and are part of my ongoing effort to identify responsibilities, assignments, working relationships and accountability within the Department of General Services.

The expected results of these changes are:

- Human Resources will manage a broad spectrum of human resource issues.
- County Counsel will participate in the prevention orientation of the County and continue to manage the legal issues of the County.
- Labor Relations will manage all union, grievance and discipline issues.
- The Director of General Services will directly manage the Insurance Fund.
- Shared and primary responsibilities will be understood and assigned to a logical unit of organization, thereby resulting in better accountability and use of resources.
- All three functions will continue to report to the Director of DGS.

The organization charts attached to this document identify the functions and processes within the proposed "Human Resources" Division. They include the proposed changes from the Risk Management project and the Compensation and Classification project that was approved in the budget process.

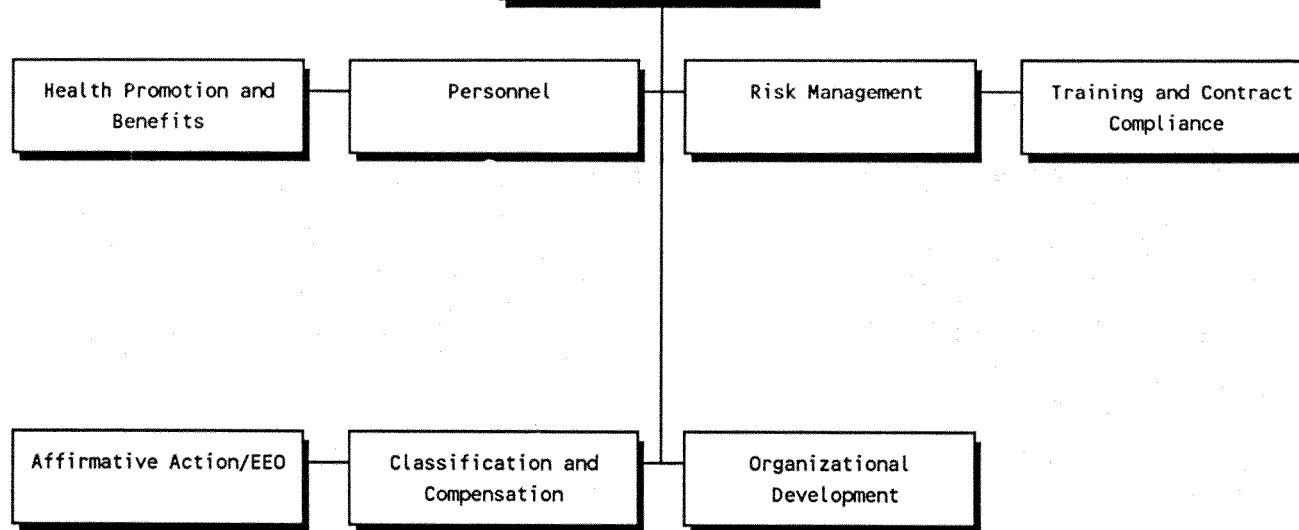
The change will officially occur on June 15, 1988.

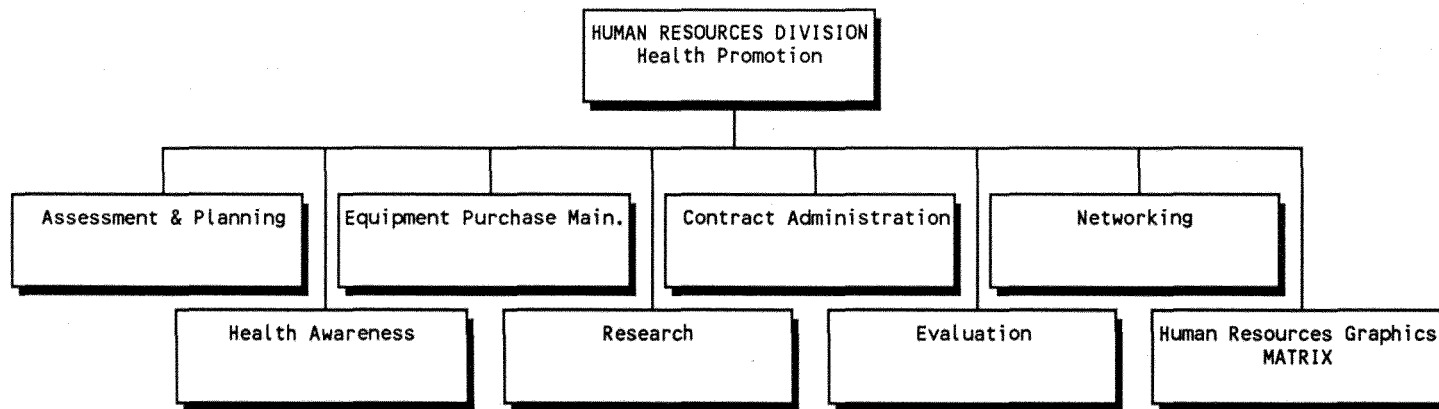
If you have any questions, please contact me at your earliest convenience.

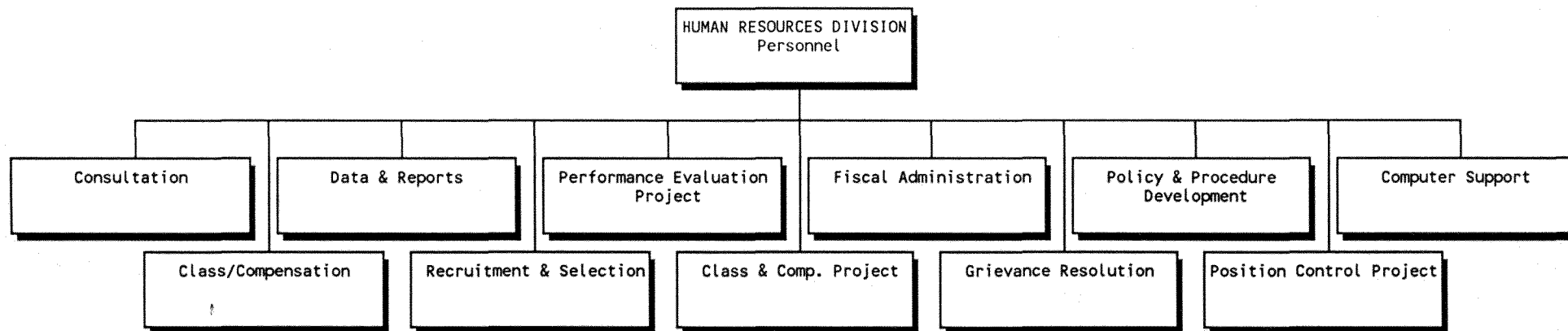
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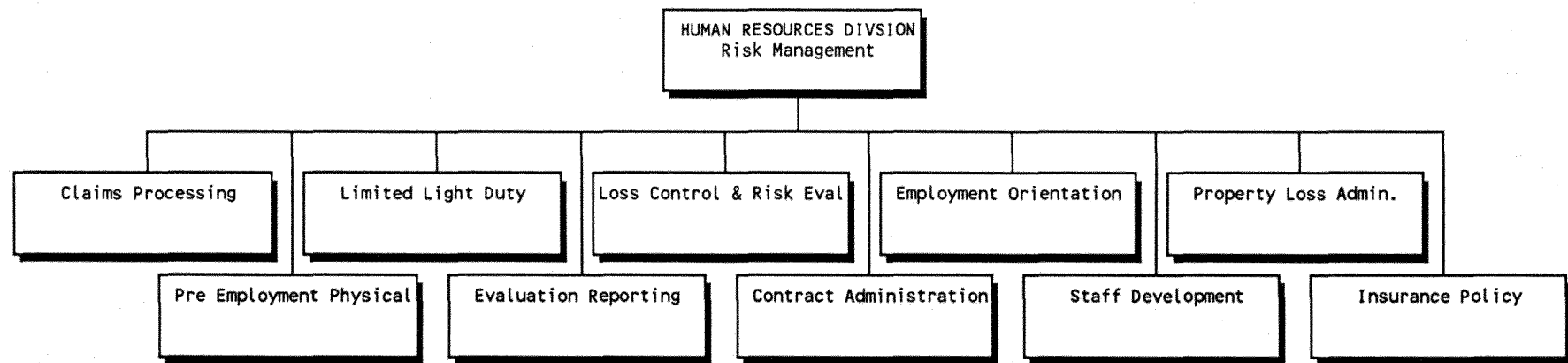
Attachments

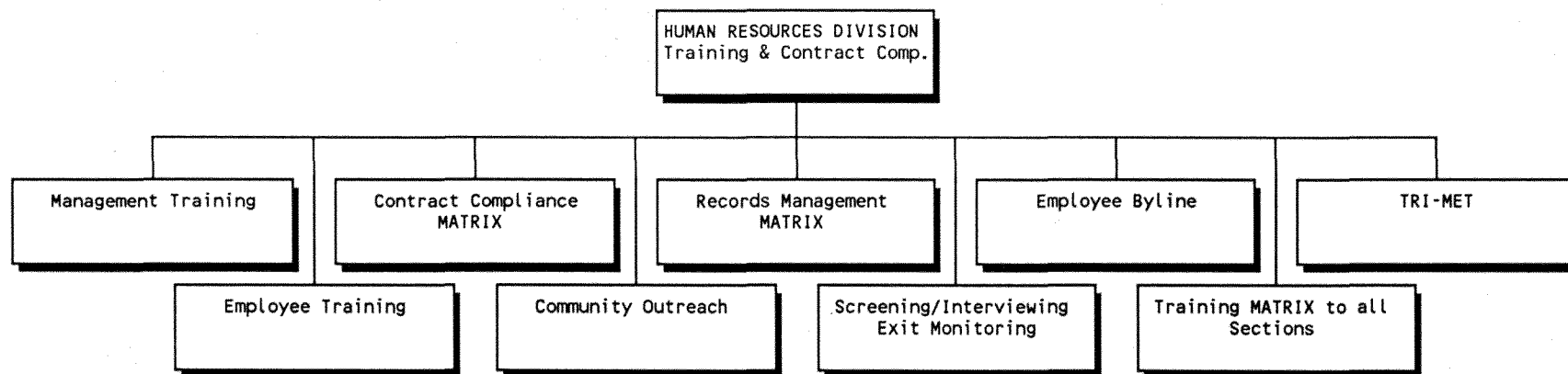
HUMAN RESOURCES DIVISION
Dr. Lloyd Williams, Dir.
(Structural Chart)

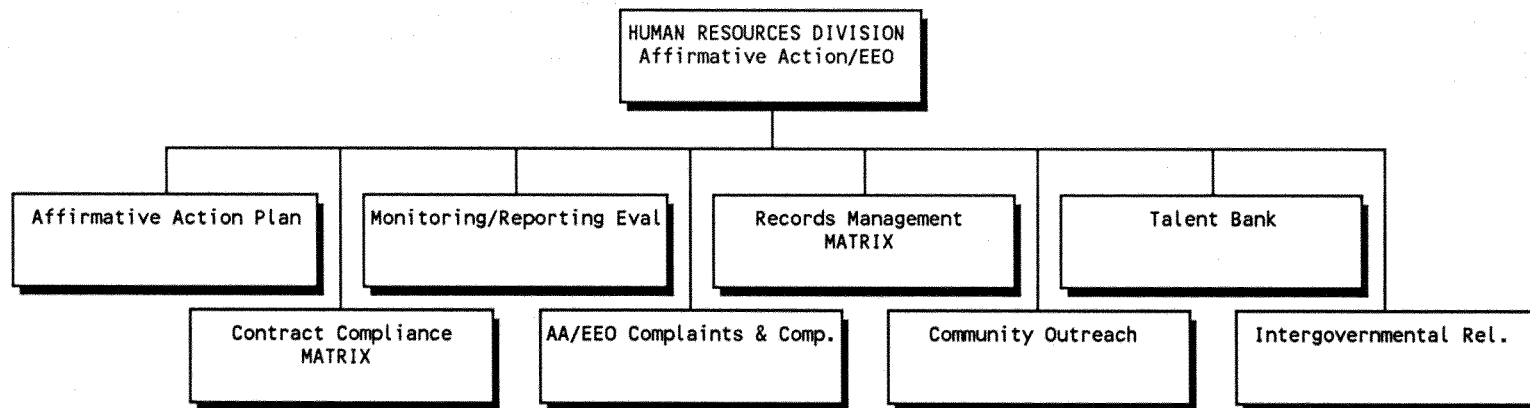












HUMAN RESOURCES DIVISION
Classification/Compens.

RFP Development

Select Consultant

Begin Appeals Process

Develop Comp. Strategy

Implement Mgmt. Class

Begin Renog. with Unions

Negotiate Compensation

Hire Staff

Begin Class/Comp Process
Mgmt and Non Management

Review & Alter Class.

Finalize Mgmt Class

Finalize Non-Mgmt Class

Implement Non-Mgmt Class.

*Proposed
Ordinance to come
for Agenda 6/16/88*

Director of General Ser.
Linda Alexander

Human Resources Division
Lloyd C. Williams, Dir.
(O.D. Matrix Work)

Name To be changed

Labor Relations
Ken Upton, Manager

County Counsel
Larry Kressel, Cnty Coun.

Personnel

Affirmative Action

Contract Negotiations

Grievance/Discipline

~~Land Use Law~~

Tort Claims Management

To be Taken off

Training

Health Promotion/Benefits

Arbitration/legal interf.

Employee Relations Law

Labor Law

Risk Management

Classification/Compensat.

Departmental Consultants