

EXECUTIVE SUMMARY

Firefighter Wellness Program Savings

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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The Fire-Rescue Department has clearly experienced significant reductions in Worker's Compensation costs during the period of time following implementation of SDSM's Wellness Program. The Wellness Program was put into place in January 2005 and has contributed to these results. A comparison presented by SDSM between the Police and Fire-Rescue Departments supports a link between the existence of the Wellness Program and a higher rate of decline in WC costs for Fire-Rescue as compared to Police, which does not have a Wellness Program.

From FY 2004 through FY 2009, the rate of decline in WC costs per 100 FTE was 52% for Fire-Rescue and 30% for Police. However, the degree to which Fire-Rescue's cost reductions are attributable to the Wellness Program is difficult to isolate. During this same time period, numerous WC reforms, through changes in State law, were put into effect, which also contributed significantly to cost reductions. While not as high as Fire-Rescue, cost declines for the Police Department were also significant, which lends support to the case that a portion of the WC cost reductions are due to the impact of WC reforms and other unknown factors. A portion, but not all WC cost reductions, can be attributed to the Wellness Program. Without an appropriate analysis by an expert in this field, the magnitude of the cost reductions that can be credited to the Wellness Program is uncertain.

Also, in SDSM's presentation of savings, each year's WC cost reductions were compared back to FY 2004 and totaled, to obtain an estimate of savings from the program. SDSM reported a savings figure of \$9.6 million (which equals the total WC cost reductions for the five-year period). In our review of the data, we have identified \$7.8 million in cost reductions. SDSM had utilized data for the entire department, whereas only sworn Firefighters participate in the Wellness Program.

Additionally, we believe it is appropriate to compare incremental costs from year to year in addition to comparing each year back to the base year of FY 2004. Using this approach shows a total WC cost reduction over the five-year period of \$2.0 million as compared to \$7.8 million. WC cost reductions attributable to the Wellness Program likely lie somewhere between \$2.0 million and \$7.8 million. Furthermore, a portion of such cost reductions is likely attributable to the Wellness Program, and a portion is likely attributable to WC reforms and other unknown factors. The specific apportionment is difficult to identify without analysis by an expert in this field.