VSEA Comments
Risk management privatization

1. The administration claims the privatization of risk management will save 37% by being operated by PMA Companies of New England. This is inaccurate. The spreadsheet previously provided to Senate Government Ops includes $560,000 in savings from the Auditor's recommendations from his 2013 report. These are not savings, as they were never included in any budget; these positions never existed.

2. The previous cost of operating risk management was $1,052,402 annually, compared to $979,075 for the current services provided by PMA Companies of New England. This is an actual savings of $73,327, or 7% from the previous cost when Risk Management was operated by state employees. This does not meet the statutory requirements of the privatization statute; 10% savings.

3. Not an apples to apples comparison; state employees previously provided four FTEs of Medical Case Management, PMA provides only one FTE of Medical Case management. State Employees provided 8320 hours of medical case management, versus 2080 hours by PMA Companies of New England. Risk management previously had one FTE safety coordinator, 2080 hours, versus the 1,200 hours currently provided by PMA Companies.

4. The Auditors proposed investment to hire six Workplace Safety Officers was intended to reduce claims costs. Based on the Size of the state workforce, workplace safety experts recommended the state investing in six workplace safety officers which could have reduced workplace injuries and workers compensation claims, potentially paying for the investment and creating further savings.

5. The privatization statute should include a retrospective provision, allowing the state to exit privatization contracts after one year if the projected savings aren't realized. Currently, a vendor must only **project** 10% savings. State programs should not be privatized on flimsy assumptions which could easily end up costing the state more, or reducing the quality of services