

Before and After

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Key Points

- * About 50% of workers' comp loss costs are wage-replacement payments.
- * Transitional-duty jobs are an important part of post-injury planning.
- * Senior management, line managers, supervisors and employees must be trained to use the new post-injury processes and to move the program from design to implementation.

Abstract

Employers get saddled with high workers' compensation costs when they have too many injuries that last too long. A program that can slash costs up to 50% or more primarily focuses on post-injury cost containment. For maximum cost reduction, a comprehensive pre-loss safety program also is necessary. Post-injury response plans, a written policy that's applied consistently, must exist for every injury. The process should cover who reports injuries, who an injury is reported to, who transports the employee to medical providers, and how medical restrictions are obtained. Senior management, line managers, supervisors and employees must be trained to use the new post-injury processes and to move the program from design to implementation. Clearly defined objectives are key to successful training. Use incentive programs that base bonuses on safety and lost days performance. If an employee is absent due to a preventable accident, he or she is not eligible for the bonus.

Employers get saddled with high workers' compensation costs when they have too many injuries that last too long. A program that can slash costs up to 50% or more primarily focuses on post-injury cost containment; for maximum cost reduction, a comprehensive pre-loss safety program also is necessary. A sound post-injury process assures that injured employees will be given the best quality medical care available and they will return to work when they are medically able to do so-not one day earlier nor one day later.

Post-injury response plans, a written policy that's applied consistently, must exist for every injury. The process should cover who reports injuries, who an injury is reported to, who transports the employee to medical providers, and how medical restrictions are obtained. The post-injury procedure must be developed in a format that can be communicated to managers, supervisors and employees. It can be a wallet card, employee brochure, flip cards set near the telephone or laminated cards hung from a chain on the notice board. Employers should provide an injury treatment form for the employee to take to the medical provider, who will provide medical and physical restrictions, which will be conveyed to the location manager and third-party administrator.

It's important to know what services the TPA does and doesn't provide. Holding a "vendor day" is a good way to have a TPA explain what services are provided. The TPA can provide examples of reports and work-products, and the cost of services also should be detailed.

Employers should request information about adjuster authority levels and how each type of claim (medical-only, lost time, catastrophic) is processed. Also ask TPAs to provide information about medical care and medical-case management, investigation and surveillance, subrogation and recovery, and risk management information systems.

By visiting the TPA's office, the employer can observe how claims are handled and follow a claim from the time it is reported until it closes. If the TPA employs doctors and nurses, the employer will gain an understanding of how they interact and how accessible they are to review issues on claims.

Employers should ask their insurance brokers for a copy of their account handling instructions, also called special handling instructions. These detail the instructions given to the adjusters. Depending on the level of risk retention, the instructions can be customized to request more involvement in the selection of counsel, settlements, use of medical case managers and surveillance. Brokers should handle the negotiation of account instruction changes and make sure account instructions are easy to read and thorough.

It also is imperative for brokers/insurers to visit several of the company's work sites to understand what employees do and to learn the range of physical requirements of the company's job positions - a basic but often overlooked step.

Evaluating the Loss

Loss data should be reviewed by looking at the number of claims and the total annual cost of these claims. To have an accurate picture of how a company is currently performing and to develop goals and benchmark progress, it's necessary to evaluate the loss data in conjunction with the number of employees and man-hours. For example, if losses increase 30%, but the work force doubled due to an acquisition, then losses have gone down, not up.

The key performance indicator is cost per full-time equivalent employee, referred to as cost per FTE. Break the losses and performance indicators down by business unit to identify those units that have the highest cost per FTE. A good goal is to have costs be half the industry average for your industry. Also evaluate the losses division-by-division by the cost as percentage of revenue and the cost as percentage of payroll.

Senior executives will want to know the cost per share or cost as percentage of earnings before interest, taxes and amortization. Supervisors, in contrast, will understand how many parts have to be produced each day to pay for injuries.

Transitional-Duty Jobs

One of the easier ways to accommodate an injured employee is to modify his or her usual job slightly; however, if that is not possible, search for a different job. Make a "wish list" of the tasks supervisors and managers wish they could do but don't have time. Add to this list jobs and tasks that are already used in the existing return-to-work program. Look for tasks that can be done with little physical effort so that employees who are starting with numerous physical restrictions can be accommodated. If the company has other divisions nearby, consider cross-divisional placements. If the restrictions allow for fewer hours of work the first week, look for gradually increased work capacity in subsequent weeks.

About 50% of workers' comp loss costs are wage-replacement payments. The faster an employee returns to work, the fewer lost days and the lower the payments. A realistic goal is to have 90% of injured employees back to work within four days. Because four days is the waiting period in many states, this means that there will be no indemnity payments made on claims of that duration.

All injured employees must return to work when they are medically able to perform any job or task that will be useful to the company. The longer an employee remains out of work, the less likely it is that he or she will ever return to work. Statistics have shown that once employees have been out of work for more than two weeks they settle in to their new schedule. When they've grown accustomed to being at home they may resist rejoining the work force. If they're out at least two weeks, there is a

50% greater chance that they will remain out of work for more than six months. Studies have shown employees working in transitional jobs recover faster and are less likely to become depressed.

As part of the post-injury protocol, employers must provide an injury treatment form for employees to take to the doctor to obtain medical restrictions. With those restrictions, the location manager can tailor a transitional-duty task if the employee can't do his or her usual job full time. It's important to make certain there is a release on that form that allows the medical providers to give the medical information to the company medical director, return-to-work coordinator or other staff members who manage claims. The employee should be offered the transitional job via a certified letter to his or her home. The letter should have a self-addressed stamped envelope as well as a place on the letter to accept or decline the transitional-duty job.

If the company has no medical director and the carrier's doctors are not available to review claims, hire a part-time physician to review claims to determine whether the injuries are work-related. Not every claim needs to be reviewed, but many lost-time claims should have a medical review before they are accepted for payment. Some claims that appear to be related to workplace injuries are attributable to pre-existing conditions, but this will remain unknown unless a consulting physician reviews the case before the claim is accepted.

Often, medical records are insufficient to determine whether the injury was an exacerbation of an old injury or a new injury. Have a medical adviser prepare for independent medical examinations by reading medical reports. Occasionally an adjuster will request an independent medical examination to get the claim moving forward, but it may be more productive to have the company medical adviser review the medical history to determine if treatment is appropriate and timely.

Doctors use medical language and medical tests to help determine the extent of an injury and whether a patient is exaggerating his or her symptoms. An adjuster will often interpret this information incorrectly. For example, a positive axial compression test is not a sign of severe lumbar injury; it is a sign of malingering. Have your doctor review the medical reports and office notes for comments that indicate malingering.

Regular communication methods should be established to bring the injured employee into the information loop. "First-day phone calls" are made to employees who are not able to return to work the same day. Employers can ask how they are feeling and address matters such as what items they may need from their desk or work station.

Weekly meetings should be held with each employee who is out of work or on transitional duty. Discussion should focus on how recovery is progressing, how the transitional-duty position is working and what the company can do to help the employee recuperate. The date of the next doctor's appointment can be noted and any transitional-duty obstacles can be addressed.

Use surveillance when there are one or more red flags. For example, if an employee refuses a transitional-duty assignment, the local manager may know that the employee had a vacation planned. This may be a good time to invest in surveillance to determine the extent of claimed disabilities. In claims where the claimant says he or she is totally disabled, it will take little evidence to dispute the employee's claim.

Use surveillance when a claim could be financially devastating. Before a large settlement is paid out, authorize an undercover investigation to confirm the extent of a severe injury.

Training

Senior management, line managers, supervisors and employees must be trained to use the new post-injury processes and to move the program from design to implementation. Clearly defined objectives are key to successful training. What do you want your managers, supervisors and employees to do

differently? The training program will be designed around those objectives, which will be different for each audience. For example, a training session for general managers will be much more in-depth than one for senior executives, which will cover financial highlights and focus on gaining overall support. Information sessions for employees will focus on medical care they will receive when they are injured and the new transitional-duty program requirements. This can be encapsulated into an employee brochure, and supplemented with a wallet card with the telephone number of the medical provider and general manager.

Classroom training is still the most effective method, but Web-based training or DVD/CD training also can be effective if followed by a group conference call. A complete training-program package should include the facilitator's talking points or script as well as exercises that allow participants to try the skills they are learning. For example, if the training is for general managers who will be conducting weekly meetings, have them do an exercise called "Just Ask Joe," where each manager practices conducting a mock weekly meeting.

It's important that the doctors who treat employees know about the specific business and understand job demands at the facility. Invite them for a facility tour and discuss transitional-duty job tasks. Clearly state your expectation to require each employee to return a completed injury treatment form with medical and physical restrictions so a transitional-duty job may be identified.

For employees, use incentive programs that base bonuses on safety and lost days performance. If an employee is absent due to a preventable accident, he or she is not eligible for the bonus. On the executive level, implement a chargeback system that allocates losses to the division in which the losses are incurred.

Each of these steps makes a small but significant contribution to lowering workers' comp costs. Put them all together in a comprehensive, logical program, and you'll experience a major ongoing cost reduction.

Developing a Good Workers' Comp Manager

When investigating whether to hire a workers' compensation manager, employers should be aware that it's not necessary to hire an expert defense lawyer or a seasoned claims professional. What is necessary is a can-do person who has excellent project management skills and can implement new ideas.

The workers' comp manager should have a senior-level title providing the clout to drive changes throughout the organization. A rookie manager must spend a few months getting acquainted with the field of risk management and workers' comp. He or she should attend two workers' comp risk management conferences during the year, subscribe to some workers' comp newsletters, read several workers' comp cost-containment books and consult sites such as www.WorkersCompensation.com for updates on state laws.

Since the workers' comp manager will be working closely with the claims administrator and insurance company, he or she will need to find out who they are and what the insurance arrangement is. The type of insurance arrangement that covers the company and the level of risk the company retains dictate how much control the workers' comp manager ultimately has in directing the management of claims. A fully insured program will provide more control than a program with a \$250,000 deductible.

The workers' comp manager should ask the insurance broker's claims vice president and the claims account executive from the third-party administrator to join the post-injury implementation team. These people are claims experts and will be able to offer valuable suggestions when designing a post-injury plan. Have the team set up before the program is designed so they can offer input.

Next, schedule weekly conference calls to brainstorm ideas and share progress reports. Begin by asking the claims experts for advice if workers' comp costs are too high. The TPA account executive can poll the adjusters who handle the company's claims and offer excellent insight.

Who Has Transitional Work Programs?

75% - Percentage of employers in 2001 that had a temporary transitional work policy for people disabled by occupational injuries.

50% - Percentage of employers in 2001 that had such a program for people with nonoccupational disabilities.

Source: Insurance Library Association of Boston. Marsh and Mercer Human Resource Consulting

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