

Workers' Compensation Savings Strategies

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By **Anmarie Geddes Lipold**

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Employers do not have to be held hostage to rising workers' compensation costs. But it takes strategic planning to get and keep them under control. Here are some ways to control costs and to build a top-notch workers' compensation program at the same time:

Keep employees healthy. MCG Health, Inc., is not experiencing workers' compensation premium increases largely because it is committed to keeping employees healthy, says William Hayes, vice president of human resources for the nonprofit corporation and head of the health system of the Medical College of Georgia. "Healthy employees are less likely to file for workers' compensation benefits."

MCGHI's 3,000 employees stay healthy because of a health insurance plan that provides annual physicals and low-cost coverage to encourage them to get necessary medical care. The organization also has a wellness program and an exercise facility.

Prevent workplace injuries and illnesses. "Preventing claims is always the most effective strategy," says Eric Oxfeld, president of the National Foundation for Unemployment Compensation and Workers' Compensation in Washington, D.C.

Prevention also demonstrates a company's commitment to employee health--a morale booster--while saving money on other insurance such as group health and disability, says Sara Taylor, president of Structured Health Resources Inc., a Chicago disability-management consulting company.

Go beyond compliance with Occupational Safety and Health Administration (OSHA) regulations and examine workers' compensation claims to find high-risk areas, says Paul Moss, vice president for global health, safety, and environment at Dade Behring Inc. For this medical-diagnostics manufacturer, motor vehicle accidents and ergonomics were the biggest workers' compensation costs. To reduce accidents for the 750 employees who operate cars and vans, the company provides annual defensive-driver training and requires accident reports for every incident.

Dade Behring also initiated an ergonomic program. Initially, 77 percent of the employees assessed experienced varying degrees of physical discomfort. After training and changes to the work environment, 90 percent of those employees reported the reduction or elimination of symptoms.

Keep employees happy. Good labor relations are crucial, Oxfeld says. "The workers' compensation experience is always worse in work environments where there is a lot of labor-management tension."

Promote early claim reporting. Front-line managers need to know how to handle a work-related injury or illness. At Dade Behring, front-line managers are trained to contact the proper personnel, ensuring that claims are handled as quickly as possible, Moss says.

Manage medically. International Truck and Engine is taking medical case management a step further by targeting its "highest-risk plant"--a 3,500-employee facility that files 70 percent of the 17,000-employee company's workers' compensation claims--says Dr. William Bunn, vice president of health, safety, and productivity. The self-insured company is working with medical providers near the Springfield, Ohio, plant to develop treatment guidelines. Injured employees will receive the same quality of care, regardless of their medical provider, so that they can return to work as quickly as possible.

Establish a return-to-work program. Taylor recommends a "work maintenance program" in which employees stay at work while getting the medical attention they need. For example, an employer could help an employee with carpal tunnel syndrome by setting up surgery on a Friday afternoon, arranging transportation, and getting the employee back to work, with restrictions, on Monday morning.

Even better, create a disability-management culture. Employers need to change their attitudes about disability, Taylor says. "Disability is negotiable." What should determine employee disability is not the medical provider but the employer's willingness to adapt to the restrictions or limitations of an injured employee.

Manage vendors. Make sure internal departments and external vendors are clear about their roles and responsibilities, Taylor says. Establish accountability. At Dade Behring, Moss says, it is necessary to "aggressively manage" its third-party administrator to ensure that cases are handled thoroughly.

Develop supporting plans. Company policies describe how the corporate culture prevents and manages disability, Taylor says. Awareness of current policies is essential to improving disability-management efforts and to making better purchasing decisions.

Benchmark results to measure progress. "Internal data must be captured to analyze the effects of your program," Taylor says. Begin by assessing the cost of workers' compensation as a percentage of payroll or the cost of lost productivity per injured worker. Also track claim-specific information, such as number of workers' compensation claims, number of lost workdays, average claim cost, and average claim duration.

Shop around. "A lot of medium-sized employers are going to find their rates going up rapidly," says John Burton, publisher of *Workers' Compensation Policy Review*. To get a better deal, employers should investigate policies with larger deductibles, state-based assigned-risk pools, or group self-insurance, which is typically offered through state-based trade associations.

For Moss, pricing was about the same from several insurers, so he looked closely at value-added services, such as claim-management services, and the insurers' records for closing cases. After shopping around, Dade Behring kept its insurer--but with higher service expectations.

Consider self-insurance. Even though MCGHI has not seen a premium increase, it will begin self-insuring its workers' compensation program in 2003, Hayes says. He expects that selfinsuring will cut costs in half.

The organization currently has a \$250,000 deductible for workers' compensation insurance and is paying a total of about \$400,000 a year in workers' compensation expenses.

Get involved. Employers play a key role in developing state workers' compensation laws, Oxfeld says. "States will listen when employers can show they are having a problem."

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Annmarie Geddes Lipold is a freelance writer based in Arlington, Virginia. To comment, e-mail editors@workforce.com.