Loss Control Alert

Workers' Compensation Claims Cost Containment Strategies

Despite efforts by policyholders to control workers' compensation claim costs, Everest National Insurance Company estimates these costs account for about 40% of an employer's total insurance related costs. In addition, current studies show that uninsured costs arising from a disabling injury often exceed the cost paid by insurance by two to five times. These uninsured claim costs include:

- Additional time, paperwork, and phone calls with claim adjusters, managed care providers, and injured workers.
- Lost production resulting from work stoppages while the injured worker is attended and other workers discuss the incident among themselves.
- The cost of hiring and training temporary labor or re-assigning and training other workers to handle the job of the injured employee until the employee returns to full duty.
- The cost due to production losses and errors that occur during this transition period.
- The cost of replacing equipment and materials damaged during the accident.
- Loss of customers resulting from price increases due to higher, accident driven, operating costs, insurance premiums, or an inability to bid on jobs due to your accident rate.

Developing a strategy to effectively manage and contain workers' compensation claim costs requires an integrated, holistic approach. This approach should include cost containment strategies applied before an incident occurs, during disability, and when the worker returns to work.

This Loss Control Alert discusses these cost containment strategies and offers solutions to help our policyholders implement and strengthen their own programs.

Accident Prevention:

If your cost containment efforts focus only on medical and indemnity expenses <u>after</u> an accident, you will be missing a great opportunity to substantially reduce your costs through accident prevention. As its name implies, an effective accident prevention program avoids accidents thus eliminating claims and their related costs. An effective program should include:

- Top Management Commitment
- Accountabilities and responsibilities throughout an organization
- Safety/Accident Prevention Coordinator
- Safety Committee
- Safety Procedures such as Worker and Management Training; Safety Rules; Job Hazard Analysis; Accident Investigation and Analysis; Employee and Management motivation; Safety Inspections and Program Audits

As you develop and strengthen your accident prevention program, focus on areas that produced past accident and operations that have a high potential to cause injury.

Claims Cost Containment Strategies:

Should an accident occur, the next best strategy is to contain the costs of this loss. Effective claims cost containment practices begin before the accident occurs. Your pre-incident practices should include:

Pre-incident Preparedness:

Claims handling procedures: These procedures should specifically outline the steps injured workers and their supervisors should take in the event of an accident. Your procedures should include the following:

Employee:
- Immediate reporting of all injuries to the applicable supervisor
- Use of designated medical care providers
- Follow-through on prescribed treatments and medications
- Maintain regular contact with your employer

Supervisor:
- Render immediate care to the injured worker.
- Immediately report, within 24 hours, all claims to your insurance carrier.
- Immediately investigate all accidents.
- Maintain communication with the injured worker.
- Immediately report any suspicious events, statements, or observations to the insurance carrier.

Employer:
- Obtain a list of qualified medical providers from your managed care provider.
- Post your list of preferred medical providers and employee accident handling procedures in common areas such as the lunchroom.
- Train and educate all workers and management throughout your facility as to their claim handling responsibilities.
- Regularly remind workers and management of your claims handling procedures through communications such as envelope stuffers, memos, and letters.
- Identify jobs that can be modified to permit an early return to work by the injured worker.
- Maintain communications with the managed care provider and claim adjuster.
- Review your procedures with your insurance carrier. Your carrier may have suggestions to enhance them.

Return to Work Program: A return to work program is designed to accommodate injured workers, modifying jobs to meet their capabilities, returning them to productive assets as quickly as possible. The goal of a return to work program is to accelerate an employee's return to work by addressing the physical, emotional, attitudinal, and environmental factors that otherwise inhibit a prompt return.

Elements of a Return to Work Program include:

1. Management Commitment – Management must be committed to returning injured workers to productive roles. This commitment must be translated into specific responsibilities and accountabilities. Performance measures should be established to track the effectiveness of the program.

2. Job Profiles – Profiles of existing jobs considered suitable for early return to work should be developed. A profile should define the job in terms of overall physical demands, motions

required, environmental conditions, the number of times the job is performed per week and its duration.

3. Job Modification – Systematic analysis of specific jobs for the purpose of modifying them to accommodate the unique needs of the injured worker. Job modifications should be performed by individuals trained and skilled in ergonomic task analysis, engineering, safety and biomechanics. In most cases your managed care provider can assist in your job modification needs.

4. Communication of Return to Work opportunities: The presence of jobs that can accommodate injured workers and your return to work program should be communicated to your managed care provider, claims adjuster, and injured worker. In addition, regular contact with the injured worker, claims adjuster, and managed care provider should occur.

5. Changing Needs: Following the successful early return of an injured worker, review the job modifications with the worker to assure they meet his/her needs. Communicate any problems with your job modification team and insurance carrier. Work with your managed care provider and worker to move them to full production status in their assigned jobs as quickly as possible.

For more information on a return to work program access our web site for our Loss Control Alert "Return to Work Programs".

Injury Handling Practices:

At the time of injury, employers should concentrate on medical management and claim processes. Managers must act quickly to ensure that injured workers receive appropriate medical treatment from the start. Employers must effectively communicate their concern for the injured worker and their commitment to fulfill their obligations. Ultimately, the employer must control the process and not let its role be usurped by medical providers or a claimant's attorney. Your injury handling practices should include:

Immediate handling of worker injuries: Render first aid as available or needed. Direct workers to one of the preferred medical providers. Based on the nature of the injury, arrange for worker transportation or transport the worker to the medical provider.

Immediate reporting of all injuries: Report all injuries to the insurance carrier within 24 hours of occurrence.

Accident Investigation: Interview the injured worker as soon as possible, after medical care has been rendered. Interview any witnesses. Investigate the injury site and review the actions leading up to the injury. Gather the facts and look for possible causal factors. Implement corrective action following your investigation to prevent a recurrence. Report any suspicious findings to your insurance carrier.

During Disability:

As the worker is recovering, employers need to maintain continued communications with the injured worker, managed care provider, and the insurance carrier. It is important that this communication take place on a regular and continued basis. Workers need to be re-assured that their needs and concerns are being addressed, that they are important to your organization, and that their early return to work is desired.

Regular communication with your managed care provider and claims adjuster needs to occur. Inform them of early return to work opportunities and update their knowledge of worker status.

Employers should analyze their jobs, identifying those that can accommodate the needs of the injured worker, as well as those that can be modified to fit these needs.

<u>**Post Return to Work:**</u>

A good opportunity to review and enhance your claims cost containment efforts is to review them following the return of injured workers. Audit your procedures and obtain input from recovered workers regarding their satisfaction with provider services. Communicate provider satisfaction information to your managed care provider.

Summary:

It is your responsibility to contain the operating costs of your organization. Insurance claim costs can represent a sizeable portion of these costs. Exercising good claims cost containment strategies will help to contain overall operating costs, enhance worker morale, and increase profits.

Remember, Everest National Insurance Company offers loss control services to help you in your loss prevention efforts. If you would like more information about these services, visit our web site at www.everestnational.com.

Loss Control is a daily responsibility of your individual management. This publication is not a substitute for your own loss control program. The information provided in this Alert should not be considered as all encompassing, or suitable for all situations, conditions, or environments. Each organization is responsible for implementing their safety/injury/illness prevention program and should consult with legal, medical, technical, or other advisors as to the suitability of using the information gained in this Alert.