

**OSC | 11**  
Ohio Safety Congress & Expo



**#464 What you don't know about workers' compensation can hurt you**

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1:15 to 2:15 p.m.



**What You Don't Know About Workers' Comp Can Hurt You**



**Ohio Safety Congress**  
**March 30, 2011**



**Did you know?**



...one claim can make a difference in premium?  
...transitional duty & salary continuation can reduce your rates & premium?  
...new BWC programs are available to reduce your premium?



**A Tale of Two Employers**  
**Company A**

- Individually credit rated & participating in a group rating discount program
- Policies in place for accident prevention, reporting and supervisor investigation
- Early return to work practices, considers salary continuation
- Regularly meets with TPA, MCO & BWC



**A Tale of Two Employers**  
**Company B**

- Uses "honor system" for accident reporting
- Several minor injuries & 1 very expensive claim
- Doesn't "do" light duty
- Encouraged BWC temporary total compensation over salary continuation
- Doesn't meet with TPA, MCO or BWC



**What does Workers' Comp Cost?**

<u><b>Company A</b></u>	<u><b>Company B</b></u>
• Is group rated	• Is penalty rated
• Is expected to save 35% or \$55,000 on their annual premium for 2011 policy year	• Is not in group rating
	• Is not taking advantage of any BWC discount programs for penalty rated businesses
	• Is facing annual premium of \$144,000 for 2011 policy year



### Company A's Best Practices

- Accident reporting policy
- Supervisor's investigation report policy
- Transitional duty: focus on return to work before 8<sup>th</sup> calendar day of disability
- Salary continuation: consideration if early return to work is not an option
- Concentrate on return to full duty

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### Accident Reporting

- Establish & maintain written policy regarding accident reporting
- Establish guidelines
  - **Employee**
  - **Supervisor**
  - **Safety Committee**
- Policy enforcement is critical to success

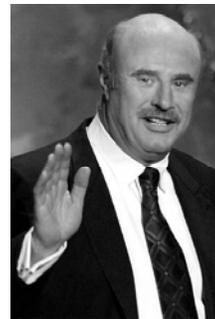


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### Reporting & Communication Flow



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“You can't change what you don't acknowledge!”

- Dr. Phil McGraw

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### Benefits of Timely, Enforced Accident Reporting & Investigation

- Prevention and/or reduction of future incidents
- Can expedite matters for employee
- Positive action by employer can dramatically impact worker satisfaction AND produce best outcome possible

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### Focus on the Days



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## Two Types of Claims

- Medical Only
  - Injured worker misses 7 or fewer *calendar* days
- Lost Time
  - Injured worker misses 8 or more *calendar* days
- Initiate early return to work practices to prevent “lost time”

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## Transitional Duty & Salary Continuation as Cost Containment Strategies

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## What is Transitional Duty?

### **Definition:**

*Early return to work of duties and/or hours other than regular job assignment*

### **Benefits:**

- Alternative to downtime
- Allows for retention of experienced employee
- Can be presented & perceived as a benefit

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## Transitional Duty *Best Practices*

- 1) Obtain restrictions from physician of record
- 2) Present offer in writing
  - Face to face or USPS & Certified Mail
  - ✓ *Either way ... get it in writing*
- 2) Payment of full earnings (prior to injury) will prevent loss of wages, payment of BWC compensation and MIRA reserves
- 3) Set “end date” with monitoring to ensure smooth return to full duty

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## What is Salary Continuation?

### **Definition:**

*Continuation of regular wages in lieu of BWC payment of temporary total compensation*

### **Benefits:**

- Employee avoids lapse in wages
- Employer contains claim costs
- Facilitates opportunity for regular communication with employee

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## Salary Continuation *Best Practices*

1. Consider the following:
  - Can employee return to work with restrictions?
  - Is employee motivated to return to work?
  - How does payment impact premium?
2. Obtain medical proof of continuing disability
3. Documentation is key (C55)
4. Regularly monitor for release to return to work with or without restrictions

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### Company B Faces the Music

- Currently penalty rated – EMR: 1.05

Consider the following:

What is projected 2011 policy year premium?

How do claim costs impact premium?

What cost strategies will be effective?

Are alternative rating programs available?

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### Company B's Plan of Attack

- Equipment has been replaced and ergonomic issues have been addressed
- Meet with TPA & BWC to determine claim costs and premium projections
- Decide on rating program selection

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### Company B's Premium Factors

<b>Estimated Experience Modifier %</b>	<b>1.05</b>
<b>Estimated Payroll</b>	<b>\$2,200,000</b>
<b>Estimated Premium</b>	<b>\$145,000</b>

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### Claim Costs = Premium Costs

$$\begin{array}{r}
 \text{Compensation} \\
 + \\
 \text{Medical Expenses} \\
 + \\
 \text{MIRA Reserves} \\
 = \\
 \text{Claim Costs (TML)} \\
 \text{Total Modified Losses}
 \end{array}$$

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### Company B's Threshold Value Claim Costs = Premium Costs

$$\begin{array}{r}
 \$11,381 \text{ Claim Dollars} \\
 = \\
 1\% \text{ EMR} \\
 = \\
 \$1,411 \text{ Premium Dollars}
 \end{array}$$

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### Maximum Claim Value Limit

**Definition:**

*The maximum amount (stop loss) per claim attributed to policy for rate calculation purposes*

**Benefits:**

- Protection from high dollar claims
- Reduces Total Modified Losses for rate making

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### Alternative Rating Programs Can Reduce BWC Premium

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### Alternative Rating Programs

- Drug Free Safety Program
- Safety Council
- Small or Large Deductible
- Self Insurance
- Individual or Group Retrospective Rating

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### Drug Free Safety Program (DFSP)

- Created to eliminate drug & alcohol use in the workplace
  - New 7-1-10 (*replaced DFWP*)
  - 2 levels of premium discount:
    - Basic level                   4% discount
    - Advanced level           7% discount
  - Compatible with group rating
    - Advanced level required   3% discount
  - Compatible with safety council
  - 5 year participation cap eliminated

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### Deductible Program (Large & Small)

- The greater the risk...the greater the potential savings
- Employer agrees to reimburse BWC claim costs up to the selected deductible amount regardless of date of service or payment
- Program compatibility excludes:
  - Salary Continuation
  - \$15,000 Medical Only Program

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### How Does Deductible Work?

- Different than \$15,000 Medical Only Deductible
- BWC will pay the claim costs in full
- BWC will bill the employer monthly until the deductible limit is met
- Reimbursement to BWC must occur within 28 days of invoice date
- No aggregate stop-loss component available

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### Small Deductible Program

Deductible Limit	Discount
\$ 500 Deductible	1.4 – 6.3%
\$ 1,100 Deductible	2.3 – 9.5%
\$ 2,500 Deductible	3.9 – 14%
\$ 5,000 Deductible	5.8 – 17.9%
\$10,000 Deductible	9.7 – 26%

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## Large Deductible Program

Deductible Limit	Discount
\$ 25,000 Deductible	6 – 41%
\$ 50,000 Deductible	12 – 53%
\$100,000 Deductible	22 – 65%
\$200,000 Deductible	39 – 77%

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## Deductible Programs

- Application Period
  - U-148 Application
  - Private Employer: last business day of April
  - Public Employer: last business day of October
- Employers can opt out prior to start date
- Automatic renewal; opting out requires written notification to BWC

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Pros	Cons
Up front discount Stacking permitted: Group Rating DFSP Safety Council Aggregate stop loss available for Large Deductible	Salary Continuation is not permitted Liability remains until met Claim costs attributed to TML Aggregate stop loss is NOT available for Small Deductible

## Group Experience Rating

- Traditional Group Rating
  - Break Even Factor (BEF) applied 2010 & 2011
  - No changes for 2011
    - 65% max discount less BEF = 51% max group discount
  - No stacking with safety council rebate
  - 2 hour safety class requirements

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## Group Safety Initiatives

- Two Hour Safety Training Requirement
  - All employers enrolled in 2010 group rating  
With any claims in 2008 or 2009
    - Must be completed by 6/30/11

*Ohio Safety Congress fulfills this requirement!*

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## Self Insurance

- Self Insurance
  - Dollar for dollar liability with strict financial requirements
  - 500 employees required
  - Audited financials required
  - Cradle to grave, ongoing coverage & liability
- Do the research; determine feasibility of lifetime exposure

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### Individual Retrospective Rating

- Discount on up-front premium
- 10 year, dollar for dollar liability
- 10 year buy-out with outstanding reserves
- 5 years of audited financials required
- Annual application deadline:
  - Private employers last business day of April
  - Public employers last business day of October

*The greater the risk...the greater the discounts*

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### Group Retrospective Rating

- Performance based incentive program designed to recover a portion of premium paid
- First available to private employers for the policy year beginning 7/1/2009
- Viable option for employers that do not qualify for traditional group rating
- \$25k minimum premium preferred
- No stacking permitted

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### How Does Group Retro Work?

- Employers pay individual premiums to BWC
- Following completion of policy year, BWC compares total premiums paid to total developed losses and “standard” premium in that year, resulting in dividend or assessment
- 3 benchmark reviews:
  - 12 months
  - 24 months and
  - 36 months after end of policy year

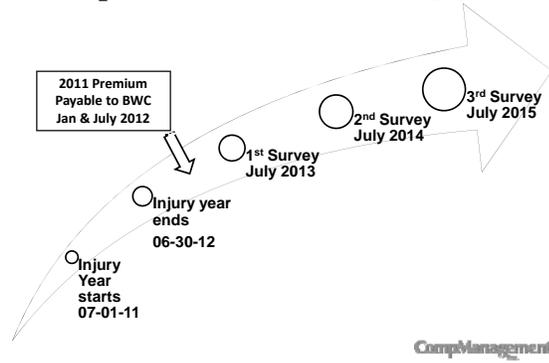
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### Group Retro Example (Private Employer)

- Participation for policy year 7-1-11 to 6-30-12
- Premium payments to BWC
  - January and July 2012
- 3 benchmark reviews of claim occurring in policy year 7-1-10 to 6-30-11 on
  - 6-30-13 (12 month evaluation)
  - 6-30-14 (24 month evaluation)
  - 6-30-15 (36 month evaluation)

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### Group Retro Timeline (Private Employer)



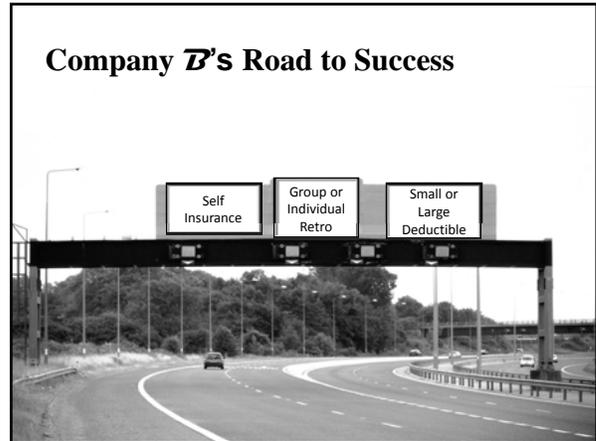
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### Group Retro Example

- If calculated retrospective premium is less than group’s total standard premium, the participants will receive a refund
- If calculated retrospective premium is greater than the group’s total standard premium, an assessment will be applied by BWC to the group
- Each group limits the maximum assessment (5-100% of merit rated premium)

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Pros	Cons
Safety in pooling risk	No up front discount
Salary continuation is permitted	Potential savings/rebate is deferred
Maximum liability is identified before plan year begins	Cannot stack Drug Free or Safety Council



PROGRAM	SAVINGS/LOSS	LIABILITY	FEASIBILITY
Drug Free + Safety Council	\$7,900	None	Possible
Small Deductible 8.1% upfront discount	<b>(-\$4,875)</b>	\$5,000 per claim in policy period	None
Large Deductible 28% upfront discount	Full Term <b>(-\$25,000)</b>	\$50,000 per claim with aggregate stop loss option	None
Self Insurance	\$2,900	Lifetime, dollar for dollar	Unlikely
Individual Retrospective Rating 42% upfront discount	<b>(-\$92,500)*</b> *based on claims history	Maximum Risk: standard premium + \$125,000	None
Group Retrospective Rating	Potential rebate 19% \$22,420	Maximum Risk: 5% \$6,250	Possible

### One Size Does *not* Fit All!



Program selection depends on:

- **risk tolerance**
- **size of business**
- **payroll/premium**
- **cash flow needs**

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### Company B's Road to Success

- ✓ Identified Resources
- ✓ Identified Areas of Improvement
- ✓ Determined Cost of BWC Premium
- ✓ Identified Potential Cost Containment Strategies & Rating Programs

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