OSC|12
Ohio Safety Congress & Expo

WELL AT HOME. SAFE AT WORK.

# 101 Safety Requires Time and Money: How To Get Both

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Thursday, March 29, 8:30 to 9:30 a.m.

Ohio | Bureau of Workers' Compensation

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## Safety Requires Time & Money
## How To Get Both


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## Presentation Focus

- Time
  - Employee training, continuing education, auditing, impacts to production, safety committee meetings, etc.
- Money
  - Your salary, new equipment, additional staff, drug testing, protective equipment, consultants
- Executives need to know there will be a return to justify investments. Make a financial case.

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## Today's Agenda

- Calculate the real cost of workplace injuries
  - Avoid "Soft Costs"
  - State Fund Examples
  - Self Insured Examples
- Justify the company investment in time and money to improve/maintain safety conditions
- Determine the return-on-investment in safety
- Present financial arguments to company executives

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## Calculate The Real Cost of Injuries

- First, Categorize Injuries
  - Year, Location, Cause, Etc.

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## Calculate The Real Cost of Injuries

- State Fund Example #1 - Convenience Store Chain

| D | C | D | E | F | G | H | I | J | K | L | M | N | O |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Claim Number | Benefit Type | NW Name | Date of Injury | Accident Description | Claim Status | Filing Lag Days | RTW Date | Episodes | Days Absent | ICD-Code | ICD-Description | Manual Number | Variance In Days Absent |
| 11-000000 | Lost Time | Doe, Jane | 12/16/2011 | LIFTING 3 GALLON BUCKET... | ALLOW | 3 | 12/17/2011 | 1 | 0 | <842.00> | SPRAIN OF WRIST NOS | 8350 | -6 |

- "CAUSE" is not included
- For 2012, categorize 2010, 2009, 2008, 2007 dates of injury
- 2011 is the "Green Year" – Claims are still developing

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## Calculate The Real Cost of Injuries

- State Fund Example #1 - Convenience Store Chain

| Cause | Claims Count | Claims Costs |
|---|---|---|
| Slips/Trips/Falls | 11 | $77,335 |
| Lifting Objects | 5 | $76,839 |
| Moving/Transferring Objects | 4 | $68,183 |
| Cuts | 13 | $8,926 |
| Caught Between Objects | 2 | $5,735 |
| Slip/Trip/Falls – Ice | 2 | $2,455 |
| Dropped Object | 4 | $1,549 |
| Burn | 2 | $447 |
| | Total | $241,469 |

- Claims Cost is NOT Premium

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## Calculate The Real Cost of Injuries

- State Fund Example #2 - City

| Job Classification | Number of Claims | Claims Costs |
|---|---|---|
| Police | 60 | $647,659 |
| Fire | 67 | $171,388 |
| Laborers / Equipment Handlers | 31 | $71,005 |
| Auto Mechanics | 1 | $38,945 |
| Miscellaneous Occupations | 8 | $36,373 |
| Other | 39 | $64,905 |
| | Total Claims Costs | $1,030,275 |

- Claims Cost is NOT Premium

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## Calculate The Real Cost of Injuries

- Self Insured Example - Manufacturing

| Year | Claims | Total | Ave. Per Claim |
|---|---|---|---|
| 2008 | 35 | $419,544 | $11,986 |
| 2009 | 24 | $66,311 | $2,763 |
| 2010 | 27 | $108,997 | $4,037 |
| 2011 | 21 | $114,745 | $5,464 |

- Claims Cost is Out of Pocket

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## Calculate The Real Cost of Injuries

- Next, Compare To a Benchmark
  - State Fund Example #1 - Convenience Store Chain

| Cause | Claims Count | Claims Costs |
|---|---|---|
| Slips/Trips/Falls | 11 | $77,335 |
| Lifting Objects | 5 | $76,839 |
| Moving/Transferring Objects | 4 | $68,183 |
| Cuts | 13 | $8,926 |
| Caught Between Objects | 2 | $5,735 |
| Slip/Trip/Falls – Ice | 2 | $2,455 |
| Dropped Object | 4 | $1,549 |
| Burn | 2 | $447 |
| | Total | $241,469 |

| 4 Year Limit on Losses |
|---|
| $94,675 |
| EMR |
| 1.51 |

- Total Limited Losses
- Experience Modification Rate
- Premiums = $297,873

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## Calculate The Real Cost of Injuries

- Compare To a Benchmark
  - State Fund Example #2 - City

| Job Classification | Number of Claims | Claims Costs |
|---|---|---|
| Police | 60 | $647,659 |
| Fire | 67 | $171,388 |
| Laborers / Equipment Handlers | 31 | $71,005 |
| Auto Mechanics | 1 | $38,945 |
| Miscellaneous Occupations | 8 | $36,373 |
| Other | 39 | $64,905 |
| | Total Claims Costs | $1,030,275 |

| 4 Year Limit on Losses |
|---|
| $1,062,937 |
| EMR |
| 0.98 |

- Total Limited Losses
- Experience Modification Rate
- Premium = $872,451

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## Calculate The Real Cost of Injuries

- Compare To a Benchmark
  - Self Insured Example - Manufacturing
  - Hours Worked & Bureau of Labor Statistics

| Year | Claims | Hours Worked | Injury Rate (per 100 FTEs) | B.L.S. Rate** | Total |
|---|---|---|---|---|---|
| 2008 | 35 | 904,259 | 7.74 | 5.58 | $419,544 |
| 2009 | 24 | 852,842 | 5.63 | 5.02 | $66,311 |
| 2010 | 27 | 896,321 | 6.02 | 4.07 | $108,997 |
| 2011 | 21 | 937,086 | 4.48 | 4.07* | $114,745 |

*The latest data available is 2010. Therefore, the 2010 rate was used for the 2011 comparison
** Blended based on hours worked for NAICS 326, 323 & 333

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## Justify the Company Investment

- Now, Calculate The Savings From Addressing an Injury Category
- State Fund: Convert Reduction in Claims Costs to Premium
  - EMR = 1+((Claims Costs –Limited) / Limit) * CR%
  - Base Rates x EMR x Payroll = Premium

## Justify the Company Investment

- State Fund Example #1 - Convenience Store Chain
  - Without Slips/Trips/Falls or Lifting/Moving/Transferring Objects

| Cause | Claims Count | Claims Costs |
|---|---|---|
| Cuts | 13 | $8,926 |
| Caught Between Objects | 2 | $5,735 |
| Slip/Trip/Falls – Ice | 2 | $2,455 |
| Dropped Object | 4 | $1,549 |
| Burn | 2 | $447 |
| | Total | $19,112 |

| 4 Year Limit on Losses |
|---|
| $94,675 |
| EMR |
| 0.75 |

- Premium Projection = $150,175
- Annual Savings = ($147,698)

## Justify the Company Investment

- State Fund Example #2 - City
  - Impact of Top 3 Job Classifications
  - Remove Cost of Claims for Job Classification and Re-Calculate the EMR and Premium
  - Remember: Premium = $872,451

| Job Classification | Number of Claims | Annual Cost Impact / Savings Potential |
|---|---|---|
| Police | 60 | $349,963 |
| Fire | 67 | $87,525 |
| Laborers / Equipment Handlers | 31 | $35,038 |

## Justify the Company Investment

- Self Insured - Manufacturing
  - "What If" – They Performed At the B.L.S. Rates
  - "What If" – They Reduced the Average Cost Per Claim

| Year | B.L.S. Rate | Resulting Claims | Ave. Per Claim* | Revised Comp. Cost | Savings |
|---|---|---|---|---|---|
| 2008 | 5.58 | 25 | $1,900 | $47,500 | $372,044 |
| 2009 | 5.02 | 21 | $1,900 | $39,900 | $26,411 |
| 2010 | 4.07 | 18 | $1,900 | $34,200 | $74,797 |
| 2011 | 4.07* | 19 | $1,900 | $36,100 | $78,645 |

Total 4 Year Savings Potential = $551,897

## Determine the ROI

- State Fund
  - 2-Year Lag
  - Remember: 2012 Premium Is Based On Claims Costs From 2010, 2009, 2008, 2007 Injuries
  - Limit Is Also a 4 Year Number
  - You Still Need To Show Progress
  - Divide Limit By 4 To Create Annual Claims Cost Budget

## Determine the ROI

- State Fund
  - State Fund Example #1 - Convenience Store Chain
  - 2012 Limit = $94,675
    - 4 year number based on payroll from 2007, 2008, 2009, 2010
  - Claims Costs
    - 2007 = $1,749
    - 2008 = $94,473
    - 2009 = $92,013
    - 2010 = $53,234
    - 2011 = $37,692

$241,469

$277,412

## Determine the ROI

- State Fund
  - Claims Costs
    - 2007 = $1,749
    - 2008 = $94,473
    - 2009 = $92,013
    - 2010 = $53,234
    - 2011 = $37,692
    - 2012 = $2,000

2012 Claims: $241,469

2013 Claims: $277,412

2014 Claims: $184,939

## Determine the ROI

- State Fund - Convenience Store Chain

| | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Limit | $94,675 | $94,675 | $94,675 | $94,675 |
| Claims Costs | $241,469 | $277,412 | $184,939 | $92,926 |
| EMR | 1.51 | 1.64 | 1.31 | 0.99 (35% group) |
| Premium | $297,873 | $318,107 | $262,653 | $148,308 |
| **Intervention Cost** | ($80,000) | | | |
| Savings | | ($20,234) | $55,454 | $114,345 |
| Return | | ($100,234) | ($44,780) | **$69,565** |

## Determine the ROI

- Self Insured Example - Manufacturing

| | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| **Claim Cost** | **$114,745** | **$83,592** | **$20,898** | **$7,600** |
| Claims | 21 | 18 (15% less) | 9 (50% less) | 4 |
| Average Cost | $5,464 | $4,644 (15% less) | $2,322 (50% less) | $1,900 |
| **Intervention Cost** | ($50,000) | ($10,000) | | |
| Savings | | $31,153 | $62,694 | $13,298 |
| Return | | ($28,847) | **$33,847** | **$47,145** |

## Present Financial Argument

- Realistic Expectations
- When Do You Break Even?
- Progress Updates
- Address The Lag In State Fund Up Front

**Questions?**

**Thank You!**

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