

Workers Compensation Cost Control Strategies



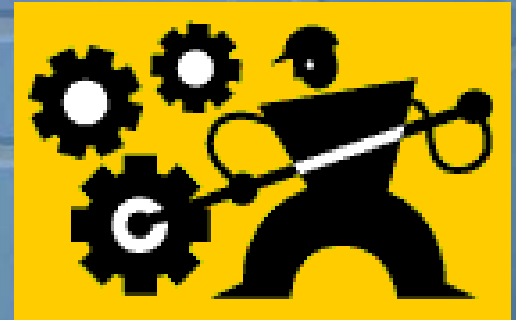
Barbara Galluppi, CPCU
on behalf of

Districts Mutual Insurance



Why are there Workers' Compensation laws?

- ❖ Industrial revolution/Age of mechanization
- ❖ Injured workers had to wait years for civil suit
- ❖ Employer could avoid responsibility
 - Contributory negligence
 - Assumption of risk doctrine



Origins of WC

- ❖ Where was the first Workers' Compensation law enacted?



Origins of WC in the US



- ❖ Wisconsin (1911) enacted the first laws covering employees
- ❖ Maryland (1914) had the first actual Workers' Compensation Act on the books
- ❖ By 1949 all US states had WC legislation.

YOU ARE ON A MISSION

**To maintain the most
advantageous loss (reserve)
history possible**



**CONTROLLING YOUR LOSSES *DIRECTLY*
AFFECTS THE COST OF YOUR INSURANCE,
REGARDLESS OF THE NATURE OF YOUR
PROGRAM.**



- ❖ Once a claim is made, it isn't about "Loss Control" any more. Now it is "*Damage Control*" mode. What YOU do is of critical importance in getting the most favorable and cost effective result for your bottom line.

**IN OTHER WORDS . . . Your loss history
dictates the cost of your insurance!**



An iceberg floating in the ocean. The tip of the iceberg, which is white, represents the visible costs of an accident. The much larger, submerged part of the iceberg, which is dark grey, represents the hidden costs. The background is a blue gradient with a faint globe pattern.

Accident Cost Iceberg - W/C

Injury Costs - \$1,000

- *medical treatment*
- *wage payments*
- *prescriptions*
- *legal fees*

Hidden Costs - \$3,000

- *lost productivity*
- *training costs*
- *customer service losses*
- *equipment damage*



Goal of Workers' Compensation

To return the injured employee to as close to their pre-injury status as possible

- ❖ Mentally
- ❖ Physically
- ❖ Emotionally

while protecting the interests of the employer.



Compensability Criteria

- ❖ Existing employer/employee relationship
- ❖ Fortuitous injury or occupational disease
- ❖ Arise out of the scope of employment (AOE)
- ❖ Occurred in the course of employment (COE)
- ❖ Causal relationship between employment and the injury or disease



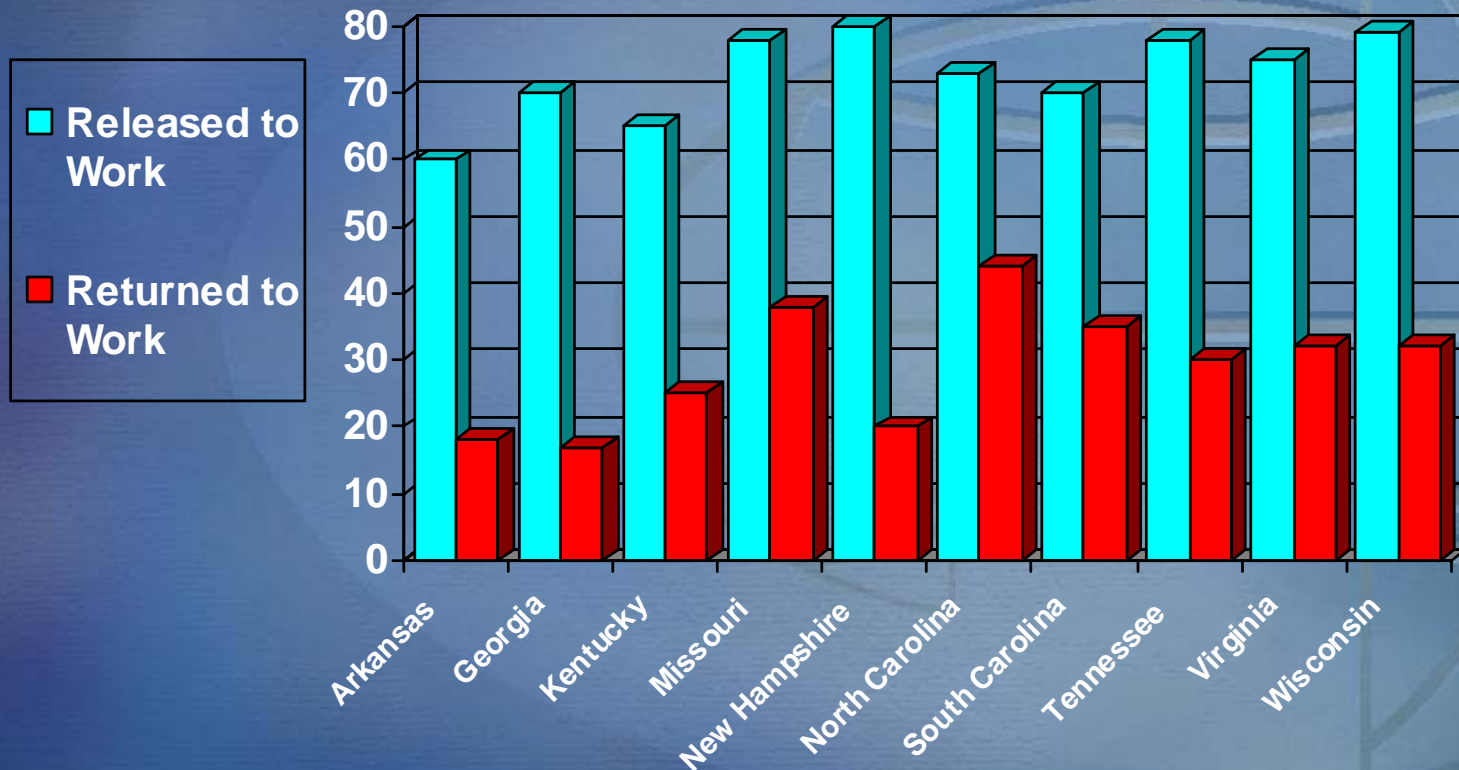
Employer Defenses

- ❖ **No employer/employee relationship**
- ❖ **Not in course and scope of employment**
- ❖ **No causal relationship**
- ❖ **Assault and battery**
- ❖ **Self-inflicted injuries**
- ❖ **Suicide**
- ❖ **Statute of limitations**
- ❖ **Horseplay**
- ❖ **Willful disobedience (PPE)**
- ❖ **Intoxication**



Medical Release⁽¹⁾ and Return-to-work by State

Percentage of Cases



(1) Release refers to release to work by treating physician.



Member Participation in the Trial/Arbitration Process

- ❖ **Attend all trials possible**
- ❖ **Line up employee witnesses**
- ❖ **Communicate with counsel**



Employer/Employee Relations Can Obviate Litigation

- ❖ **Maintain contact and communication with injured workers**
- ❖ **Assure them they are getting what they are entitled to**
- ❖ **Remind them that an attorney would get a good portion of benefits**
- ❖ **Advise to wait and see what the insurance company does for them**
- ❖ **Work to alleviate their concerns**



Internal Claims Management

- ❖ Provide transitional duty consistently
- ❖ Promptly provide job descriptions on every lost time case (regular as well as transitional duty)

*65% of Workers' Compensation costs are associated with **lost time!!***



“... but doctor, I lift elephants all day ...”



Internal Claims Management

- ❖ **Develop relationships with clinics and physicians.**
- ❖ **Utilize “record only” claim procedure.**
- ❖ **Promptly report all claims.**
- ❖ **Develop relationship with claim administrators.**
- ❖ **Maintain contact with employees.**
- ❖ **Attend physician visits.**
- ❖ **Work on reserve reductions where applicable.**



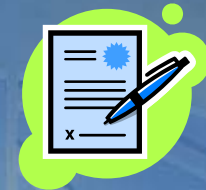
Your Internal Claims Management File



- ❖ **First Report of Injury**
 - (Original to claim department.) This is the first report of injury required by the state.
- ❖ **Supervisor's Report (see your WC manual)**
 - This is your internal report, completed by the claimant's immediate supervisor.
- ❖ **Notify Loss Control**
 - (If applicable.) Immediately correct hazard.



Internal Claims Management



❖ Witness Statements

Results of Internal Site Investigation

Maintain a report of the internal findings, post accident.

❖ Names of Coworkers

Prepare a list of the employees that were in the vicinity of the claimant on the date of incident.

Internal Investigation

❖ Wage Statement

- On lost time cases, it will be necessary to provide the insurance carrier with the injured worker's weekly wages for the past 12 months. Overtime wages should be listed separately. If overtime is over 50% of claimant's straight time, it is included in the AWW.

❖ Application for Employment

- This should be kept handy for possible forwarding to the claim handler in the event of misrepresentation by the employee.

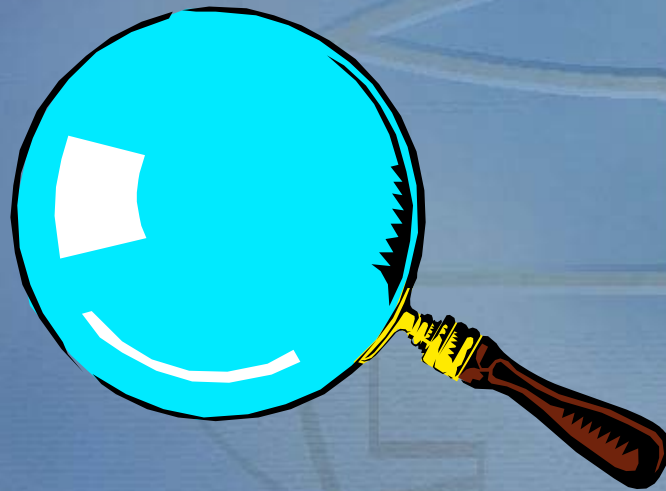


Internal Investigation



- ❖ **Daily Log of Activity**
 - **Phone calls, conversation with claimant, claim administrator, physician, etc.**
 - **Chronological reporting of activities regarding claim and injured employee may be necessary and especially important should you be called to testify at a hearing**
 - **Also aids compensability investigation**
- ❖ **Copies of All Correspondence**
- ❖ **Signed Medical Authorization**

Claims Adjusting Investigations



Adjuster Responsibilities

- ❖ Prompt payments
- ❖ Transitional duty
- ❖ Verification of lost time
- ❖ IME's
- ❖ Surveillance
- ❖ Activity check
- ❖ Medical background check
- ❖ Medical/vocational rehabilitation
- ❖ Medical cost containment
- ❖ Subrogation



Expectations

- ❖ Three-point contact
- ❖ Witness statements
- ❖ Employee statements
- ❖ Employee interests, hobbies, family physicians, medical history
- ❖ Job descriptions
- ❖ Modified/transitional duty
- ❖ Prompt payments



Expectations

- ❖ Verification of lost time
- ❖ IME's
- ❖ Surveillance/activity check
- ❖ Medical/vocational rehabilitation
- ❖ Medical cost containment
- ❖ Subrogation



CUMULATIVE TRAUMA CLAIMS



- ❖ Obtain the EXACT medical restrictions keeping the claimant off work
- ❖ Obtain the EXACT offending job duties and tasks being alleged as harmful
- ❖ Medical history, including the name of the family physician
- ❖ Prior medical records including Trace America search, if necessary
- ❖ Sports, hobbies and special interests and other spare time activities of the Claimant

- ❖ Job description for regular and transitional duty
- ❖ Prior employment history and records if possible
- ❖ Comparison of prior medical records with current records to establish if the condition has changed, is truly an aggravation and to determine when any such alleged aggravation has long since resolved bringing the claimant back to the pre-injury status.
- ❖ Ask the doctor to comment on causal relationship after all the information is in on prior medical and the job description is available.



Teamwork!



- ❖ **The College**
- ❖ **The Adjuster**
- ❖ **Defense Counsel**
- ❖ **Physicians**
- ❖ **NCM**



Q & A

