

## **Eight steps to controlling workers' compensation costs in your company**

Many companies have recognized a basic truth about workers' compensation: that the worksite is the best place to control losses, and that they, as employers, have the maximum leverage to lower losses. These employers no longer try to hand the problem off to their legislators, their insurers or their attorneys; instead, they manage workers' compensation as a controllable expense. This fundamental shift in attitude empowers employers to take charge of workers' compensation.

How have they done this? What are the key steps foresighted employers take? Over the last 25 years, our company, Lynch Ryan, has been privileged to assist many of America's leading corporations as they struggled with this issue. I've now concluded that there are eight essential strategies that help savvy employers turn workers' compensation liabilities into assets. The principles are simple, founded on basic human values. They involve a concrete action plan and sound management. More important, they work.

Today, we'll focus on the first three steps, and over the course of this week, we'll post the other five.

### **Step 1 – Make a commitment**

As with any major corporate endeavor, commitment starts at the top. Make sure that workers' compensation is afforded priority status throughout the organization. Set realistic and attainable goals, and communicate them to the organization from the top down.

If you approach injury management simply as the "idea of the month," you will certainly fail. Commitment involves building safety and injury management into the very fabric of your organization. You should never lose sight of your goals. And you should never compromise your commitment to safety by drifting toward expedient, short-term objectives that place production quotas above the safety of your people.

### **Step 2 – Focus on reducing lost time**

Chances are, your company has been working to create a safe working environment. That's good. Safety is essential in controlling workers' compensation, but it's only half the equation. Good safety programs have a positive effect on the frequency of injuries, but the best safety program in the world will not eliminate all accidents. People being human, injuries will happen. Try as we all do, work conditions change and we make mistakes. To really attack workers' compensation costs, you need to focus on reducing severity: the length of time injured employees stay out of work. Severity is the real cost driver in workers' compensation. Every day that an employee is off the job costs you money.

When your machines break, you fix them immediately. Think of something as simple and common as a department's copier. When you purchased or leased that machine, you insisted that prompt maintenance or even replacement was part of the deal. An out-of-order copier slows production. You need to do the same for your most important resource, your employees. So your goal must be to keep days away from work to an absolute minimum. You need to focus, laser-like, on the goal of returning every injured employee to work, through modified or transitional duty if needed, and to the original job as quickly as possible. That's good for you and it's also good for the employee.

### **Step 3 – Develop an injury action plan**

Many employers think that when an injury occurs responsibility for getting the injured worker back to work shifts to the claim adjuster. Nothing could be further from the truth, and it is this basic misunderstanding that causes many claims to deteriorate with oftentimes tragic consequences for both worker and employer.

The claims adjuster's job is to determine compensability, coordinate benefits, follow the law and work within it and the workers' compensation insurance contract to resolve the claim satisfactorily. And while adjusters play a vital role in the process, they can never be your human resource director.

Misunderstanding the role of the adjuster creates an atmosphere in which injured employees are left to drift, groping their way through a quagmire of medical services, uncertain benefits and a cloudy future. In fact, a truism in workers' compensation is, "When a claim goes south, costs go north." As the employer, you need to structure a clearly defined path from the moment of injury through early return to work back to full employment. What you do or don't do in the first few hours after an injury has a significant impact on your ultimate costs.

Employers need to create a turnkey action plan – a clear set of policies, procedures and expectations with supporting tools and documentation. The plan must include a way to stay in continuous contact with injured workers throughout the recovery process, keeping employees connected to your organization and motivated to return to work.

### **Step 4 – Establish a relationship with a high-quality medical provider**

A close relationship with medical providers of exceptional quality who understand work-related injuries is essential to managing costs. The pivotal emphasis should be on quality, not price. This sounds paradoxical in these times of higher and higher medical costs, where medical treatment now accounts for nearly 60% of workers' compensation loss costs. However, ample research shows that doctors who specialize in occupational medicine with a sports medicine approach and who follow ACOEM (American College of Occupational and Environmental Medicine) guidelines, consistently provide injured workers with high-quality treatment while shepherding them back to the workplace in a compassionate and caring manner. Board-certified occupational medicine physicians know that a worker should remain out of work no longer than is medically necessary. This leads to an active recovery and lower costs.

Take the time to shop for a provider who offers the highest-quality care with an active sports medicine philosophy. Look for physicians who will take the time to understand your needs, perhaps through actual work site visits. Once you have identified a potential provider, develop a written agreement that sets explicit procedures for handling workplace injuries. Be sure that the provider is willing to identify specific restrictions resulting from injuries and work with you to accommodate appropriate modified duty placements.

Now, admittedly, this approach can be difficult in the 21st century workers' compensation medical environment. Large medical management companies have enrolled more physicians than there are entries in the New York City telephone directory and have wrung out of each a discounted rate for service. This arrangement might be good for the medical management companies, but not necessarily for you. In workers' compensation, like in most everything else, you get what you pay for. So, our suggestion is that you should be prepared to negotiate higher payment for the good service you expect. It is well worth it in the long run.

As with any valued vendor, you should provide positive feedback to physicians who take the time to care well for your injured workers. However, while everyone appreciates praise for a job well done, you should always remember that a physician's first responsibility is to the patient. The more that the physician understands that you have the same outlook, the more the physician will trust you and work with you to accommodate the injured workers needs appropriately.

#### **Step 5 - Stress early return to work**

Time away from work can be frightening and debilitating for injured workers. Their physical, emotional, and financial well-being are often in turmoil. They are worried about their job and how they will pay their bills, particularly so in today's economic climate. They often begin to think of themselves as "disabled." The longer they are out of work, the harder it becomes to get them back into the work routine. Consequently, it is crucial to speed recovery through the use of modified duty, one of the most important tools an employer has to reduce loss time and costs.

Modified duty is a bridge back to full duty, keeping workers active and part of the team. Instruct your medical provider to focus on what the employee cannot do while injured, clearly delineating work restrictions.

For a moment, put yourself in the skin of the injured worker and imagine you are talking with your doctor about your injury. Would you want the doctor to list for you the potentially countless physical tasks you could actually still do while injured? Or, would you want the doctor to tell you the realistically few things you should not do? The latter approach is the one doctors prefer, too.

Once you have the medical restrictions, work with your supervisors to develop progressive, short-term transitional jobs and tasks. Most important, make sure that employees and supervisors carefully follow the physician's restrictions: The goal is to speed recovery, not aggravate the condition and make things worse. As medical treatment continues and your medical provider gradually lifts restrictions, increase job demands to ease the employee back to his or her original job.

#### **Step 6 – Establish a partnership with your claim service provider**

The role of the insurer or third party administrator (TPA) is not to solve your workers' compensation problem. That is something you do together. The insurer or TPA administers and manages your company's claims according to relevant law and brings a diverse array of claims-related services to the table, including utilization reviews, intensive case management for catastrophic injuries and investigation of dubious claims. Your goal should be to develop a close working partnership. On your side, you need to report claims immediately and establish good documentation to serve as the basis for the insurer's work.

Together, you and your insurer or TPA should maintain a steady and consistent focus on every open claim. Use all the tools and resources available to return your injured workers to the job; where this is not possible, work diligently to reach agreement on the appropriate way to reach closure on the case.

#### **Step 7 – Measure and track results**

You know the drill – what you measure becomes important.

Be sure to establish clear objectives for what you want to accomplish and communicate them in concrete terms.

Here are three simple, but effective, ways to measure performance. These are measurements that senior management can readily understand and track on a monthly basis.

First, measure the total costs of losses per full-time-equivalent (FTE) employee. Doing so factors out both overtime and part time employment.

Second, measure the cost of losses per hundred dollars of payroll.

Third, measure days lost due to injury per every 200,000 hours worked (equivalent to one hundred employees working 2,000 hours per year). This is the OSHA Severity Rate and is an excellent way to measure lost time.

With this data in hand, ask your insurance broker or carrier what the averages are for these metrics in your industry. They should be able to tell you. Then, benchmark yourself against your industry and yourself.

Track results and report them just as you would track and report production or quality objectives. Moreover, discuss the results with employees. If senior management pays consistent attention to the organization's loss reduction performance, everyone else will, too.

Another measurement factor focuses on accountability: make support of your injury management system an ongoing part of performance reviews for management and supervisory staff. Not doing this sends a subtle message – safety and injury management are really not that important at your company.

#### **Step 8 – Define and communicate responsibilities**

In a well-coordinated injury management system, everyone knows his or her proper role and responsibilities. Each person must understand how to respond. Injured workers must notify supervisors immediately of any injury.

Supervisors must respond in a caring manner and make sure that workers who sustain injuries are escorted quickly from the work site to the right medical provider. Supervisors also are charged with analyzing accidents and taking steps to ensure they don't happen again. Supervisors should thoroughly document accidents and injuries with the assistance of injured workers. And senior management should follow through by making sure that corrective action identified actually does occur.

It is a truism of business that well-defined responsibilities go a long way toward assuring that objectives are met or exceeded. Workers' compensation cost control is no different.

#### **Conclusion**

Workers' compensation is not an insurance problem. It is a management problem. Employers committed to taking control can reduce costs significantly. At the same time, their companies will benefit from improved morale and productivity. Like so many of life's thorny issues, workers' compensation can be managed if you only have the will to do it.