



A winning strategy for workers' compensation management



ZURICH®



Calvin (Cal) Beyer,
Head of Manufacturing,
Zurich North America Commercial

Based out of Zurich in North America's corporate headquarters in Schaumburg, Ill., Beyer is the senior leader of the Manufacturing segment and is responsible for the strategic development and profitable growth of this diverse industry group. He is a frequent presenter at regional and national industry events on various risk management topics, including emergency preparedness, crisis management, reputation risk management and business continuity. In addition, he is an author and co-author of several published articles.

Introduction

Unfortunately, workers' compensation too often becomes a battleground between employees and employers. This article uses an analogy of comparing workers' compensation to the world of sports and how that strategy can help you improve your company's workers' compensation performance.

The winning strategy for workers' compensation is to prevent employee injuries through proactive and preventive management starting with a zero injury philosophy and culture. The workers' compensation system exists to protect the rights of injured employees and their employers alike. Workers' compensation does not have to be a zero sum game with winners and losers; it can be a win-win game achieved by neutralizing the negative aspects that make workers' compensation claims so frustrating.

Home field advantage: why it's hard to win away games

In the world of professional sports, it is well known that it is difficult for a visiting team to win a game on the road. The home field advantage for most teams is distinct and real. In fact, even teams with overall losing records will frequently win more games at home than on the road.

Some of this home field advantage is the psychological edge of playing at home with the overwhelming support of the fans. Some of the advantage is also not having disruptions in normal routines and having fewer distractions. However, championship teams have to win their share of away games on their way to the playoffs and ultimately advance to the big game.

Workers' compensation as an away game

To many companies, workers' compensation is the ultimate away game: a game with odds seemingly skewed against the employer. Factors that make workers' compensation an away game include:

- Administrative and adjudicated processes overseen by judges from the legal system,
- Involvement by attorneys of some injured employees and
- Unrelenting medical cost inflation.

In some companies, the recurring frustrations with workers' compensation claims leads to a management malaise that there is nothing that can be done to change the system. They feel victimized and begin blaming outside forces seemingly at work against them. In these companies, leadership has lost the psychological edge. The focus is on survival or not losing vs. on playing to win.

The winning workers' compensation strategy

It takes resolve to win on the road. Coaches prepare teams differently for away games. Winning away games takes focus, discipline and execution of the game plan. So it is with instituting a special game plan for winning the workers' compensation "game." To neutralize the away game disadvantage of the workers' compensation system, companies should consider the following elements of a proactive and comprehensive management vision, philosophy and strategy:

Recruit and train your team

It is important to make workers' compensation a team sport in your company. This is not an individual sport, and it is not a spectator sport. It takes a team effort to win at workers' compensation.

Selecting and training an interdisciplinary team to help manage the workers' compensation process is an effective strategy for small and medium-size companies. A team approach allows employers to gain greater control over the prevention and control of employee injuries. In this era of technological connectivity, a virtual team is an acceptable way for this team to meet. In some companies, a safety committee will have the dual purpose of overseeing workers' compensation risk improvement.

Ideally, the team will have interdisciplinary representatives consisting of the following participants:

- Company operations and supervisory representative
- CFO/controller or the insurance coordinator
- Human resource manager
- Risk manager/safety director
- Claim coordinator
- Insurance agent/broker claim consultant
- Insurance carrier claim adjuster

Know the rules of the game

One aspect of workers' compensation that makes it so challenging is the statutory requirements and administrative rules which vary by state. There are more dissimilarities than similarities between various states on workers' compensation. Yet, you can rest assured your claim professional will be familiar with these idiosyncrasies and help guide you across the goal line. One constant is that all states require for an employee injury to "arise out and during the course of employment" to be deemed compensable under workers' compensation.

Winning prevention and severity reduction strategies

If claims frequency is the opponent:

- Focus on leading types of injuries.
- Utilize personal protective equipment and safety devices.
- Train on proper procedures.
- Institute a workplace stretching program.
- Supervise to correct “at risk” behaviors.
- Build root cause incident analysis to prevent recurrence.

It is important that your company understand the rules in each state in which your company does business. Some of the major rules to understand include:

1. Claim reporting requirements – The requirement for reporting by employees and employers is important. The problem with late reporting is well known and states allow some flexibility on when employees are allowed to report claims but do not restrict employers’ rights to impose rules regarding the timely reporting of injuries and symptoms.
2. Waiting periods vs. retroactive periods – Most states have a waiting period provision whereby workers’ compensation indemnity benefits are not paid unless the injured employee is not back at work by the retroactive date. In states with large gaps between waiting periods and retroactive periods, this is an opportunity to seek a win-win by using modified duty return-to-work whenever possible.
3. Medical direction: employee vs. employer choice of treating physician – In some states, the employer can select the treating physician for employee injuries, and in other states, the employee is free to choose the medical provider. In some states, employees must choose from medical panels designated by the employer. Some states have limits on the number of times a different doctor, including specialists, can be consulted.
4. Medical cost reimbursement – Some states have established a standard fee schedule for the payment of medical providers, whereas other states allow usual and customary charges to apply. With double-digit medical cost inflation rates, states with uniform fee schedules offer an advantage over states allowing usual and customary reimbursements. A medical bill review and repricing for preferred provider networks offered by your workers’ compensation carrier will help with cost containment.
5. Impairment ratings – The workers’ compensation system allows for different levels of indemnity benefits to be paid depending on the severity of the injury and the resulting degree of permanent impairment of the body part or multiple parts as determined by treating physicians. Thus, it is important to focus first on prevention and second on prompt return-to-work.

Establish team rules (company policies, procedures and protocols)

Experienced coaches know the importance of establishing team rules to maintain control and to ensure fairness. Team rules provide the basis for accepted conduct and allow coaches to understand how well their system is being implemented.

Seven common, effective company rules for workers’ compensation include:

1. All known or suspected industrial injuries must be reported immediately to first line supervisors.
2. First aid and medical treatment must be administered as needed.

Winning prevention and severity reduction strategies

If claims severity is the opponent:

- Accompany injured employee to medical provider.
- Deliver timely claim reporting to insurance carrier.
- Institute a modified duty return-to-work program.
- Utilize occupational clinics in preferred provider network.
- Follow up with injured employee.

3. The first line supervisor will follow internal injury reporting procedures before the end of the shift in which the injury occurred so that the workers' compensation carrier is notified timely.
4. A company representative is to accompany injured employees to the medical provider.
5. A root cause accident investigation must begin by the end of the shift in which the injury occurred and be completed within 24-48 hours of the incident.
6. The company will report the employee injury to their insurance agent/broker and the insurance carrier within two days to begin seeking modified duty return to work.
7. Return to work will be accomplished the same day or day following the employee's release to modified duty.

Understand your opponent

A championship team typically has high caliber offensive and defensive teams. This offensive and defensive strategy also applies to winning at workers' compensation.

For example, focusing on preventing injuries is analogous to a strong offense; whereas focusing on claim management and cost containment is analogous to a strong defense. It is important to understand if your company has a bigger challenge in controlling the frequency of workers' compensation claims or in managing the severity of these claims. There is no doubt that prevention of claims in the first place is the most effective long-term strategy. However, it will take time to adopt a zero injury culture and to successfully eliminate "at-risk" behaviors to decrease claim frequency. Realistically, most companies will need to concurrently address both frequency and severity reduction strategies.

If your company has a history of recurring but minor injuries or sees a pattern of similar types of serious injuries, a good start could be to focus on injury prevention. Conversely, if your company has few employee injuries, but these injuries turn into costly workers' compensation claims, then focusing on severity reduction through improved claim management practices is recommended.

Develop a game plan and focus on the fundamentals

Typically, the team that executes on the fundamentals better than their opponent will win the game. In football, as in business and life, the fundamentals are known as blocking and tackling. Coaches call the game plan the "x's and the o's." The game plan identifies keys to winning on both the offensive and defensive sides of the game.

Keep your eye on the scoreboard

It is vitally important to monitor the progress your company is making in achieving your goals. One challenge with workers' compensation is that most of the available metrics are lagging indicators focused on the outcomes of past injuries, including the following examples:

- Average cost per indemnity claim
- Workers' compensation Experience Modification Rating (EMR)
- OSHA frequency rate, the Total Recordable Incident Rate (TRIR)
- OSHA severity rate, the Days Away, Restricted or Transferred (DART)

Successful coaches of winning teams make adjustments throughout a game. Similarly, it is possible to shift the emphasis from lagging indicators to real-time and leading indicators by establishing key performance indicators to focus on the prevention-based activities that will impact your company's workers' compensation performance. One example is considering posting a scoreboard to highlight the number of days your company (or individual departments) has worked without either a recordable injury or a lost time injury.

Other examples of risk performance metrics that can help shift your company's focus from lagging to leading indicators include:

- Number of safety orientations conducted within the allotted time frame for all new or transfer employees
- Number of jobsite safety inspections completed
- Number of behavioral safety observations completed
- Percentage of daily pre-planning meetings completed and documented
- Percentage of workers' compensation claims reported to the insurance carrier within two days of injury
- Number of employee injuries successfully accommodated with modified duty return-to-work assignments

Conclusion

Making workers' compensation management a priority can pay huge dividends for companies. By improving workers' compensation performance, management can focus on improving operations, including the attention to achieving quality and financial goals.

By reducing the number of injuries and the severity of workplace injuries, workplace morale can further improve teamwork and productivity. Committing to a strategic game plan for workers' compensation management can mean the difference between a winning or losing team.

Zurich

1400 American Lane, Schaumburg, Illinois 60196-1056
800 382 2150 www.zurichna.com

The information in this publication was compiled from sources believed to be reliable for informational purposes only. All sample policies and procedures herein should serve as a guideline, which you can use to create your own policies and procedures. We trust that you will customize these samples to reflect your own operations and believe that these samples may serve as a helpful platform for this endeavor. Any and all information contained herein is not intended to constitute legal advice and accordingly, you should consult with your own attorneys when developing programs and policies. We do not guarantee the accuracy of this information or any results and further assume no liability in connection with this publication and sample policies and procedures, including any information, methods or safety suggestions contained herein. Moreover, Zurich reminds you that this cannot be assumed to contain every acceptable safety and compliance procedure or that additional procedures might not be appropriate under the circumstances. The subject matter of this publication is not tied to any specific insurance product nor will adopting these policies and procedures ensure coverage under any insurance policy.

©2011 Zurich American Insurance Company

Zurich HelpPoint
Here to help your world.

 **ZURICH**[®]
Because change happenz[®]