

# Continuously monitoring workers' comp can limit costs

A company risks losses of money, time and productivity when it operates without a plan for managing its workers' compensation program.

For many companies, workers' compensation insurance premiums often are reduced to an annual budget entry. Employers simply pay these premiums without much consideration, as they believe there is little that can be done to affect costs.

Workers' compensation programs are complex, confusing and even daunting. However, employers who are actively involved in the management of their programs are more likely to experience reductions in premiums and, more so, limit indirect costs associated with claims, such as overtime, loss of productivity and the hiring of temporary staff.

A workers' compensation program that saves on premiums while simultaneously protecting employees from injuries is possible with a management plan that focuses on three basic strategies:

## Aggressively manage new losses

When a loss occurs, "freeze the facts." This is achieved with an immediate accident investigation.

Some critical components in the timely reporting of claims include performing drug testing and recording witness statements, photographs of the accident scene and, if necessary, machinery model and serial numbers (for subrogation purposes).

Recent insurance industry studies revealed that delaying the reporting of injuries to a workers' compensation insurance carrier increased claims costs by \$2,900 per event.

It is critical that claims be reported timely to get the incident moving in the right direction.

## Resolve old losses

Although your overall plan should focus on the future, you need to be just as vigilant in resolving old claims. This is necessary because studies indicate that when injured workers remain off the job more than six months the likelihood of them returning to work diminishes significantly.

Furthermore, claims remain on an employer's loss experience for several years, which negatively impacts premiums. To successfully resolve old claims, a clear and concise plan of action must be present on each and every claim file.

For example, you may want to indicate a goal of resolving the claim within 90 days and include a list of steps to follow, such as dates for an independent medical exam, surveillance and transitional work options.

## Prevent future losses

The best way to reduce workers' compensation costs is to prevent future losses from happening. Ask your insurance broker or appointed expert to tour your facilities to identify unsafe equipment, unsafe conditions and jobs or tasks that have inherent risk — such as those that require repetitive motions.

Through a strategy that addresses prevention, as well as old and new losses, employers can get clarity on how to improve working conditions and more effectively manage and evaluate outside vendors, such as attorneys, investigators and medical professionals.

In addition, the business will be able to create provisions for injured employees to return to work on a light duty or transitional basis, when warranted, and set time frames and benchmarks for policy setting and program management.

Depending on the size of your company, a safety committee of senior managers, department supervisors and rank-and-file staff can devise and implement a safety program that improves the workplace and affects work habits.

Committee members should be responsible for the management of the workers' compensation program — even if the management is handled by someone outside the company — as they have the needed focus to understand and control its costs.

Too often, employers take the risk of relying on a third-party administrator to manage their workers' compensation program.

While third-party administrators fulfill some necessary administrative roles — filing claim forms or attending routine workers' comp hearings — more times than not, most do not have the expertise or necessary resources to manage all components of a workers' compensation program.

If your company does not have anyone on staff who can juggle all aspects of your workers' compensation program, consider employing someone who can serve in an outsourced, oversight capacity. This person should have expertise in loss prevention, accident investigation and claims settlement.

In addition, this person should have knowledge of the workers' compensation jurisdiction as he ultimately is responsible for the successful management of the program.

Regardless of your company size, options and solutions exist to manage workers' compensation programs to protect employees and diminish or remove threats to the bottom-line performance. ■

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