

Effective Strategies to Help Control and Reduce Your Workers' Compensation Costs

Presentation by Jennifer Chargualaf
AVP of Customer Service – Zenith Insurance
December 9, 2015

Agenda

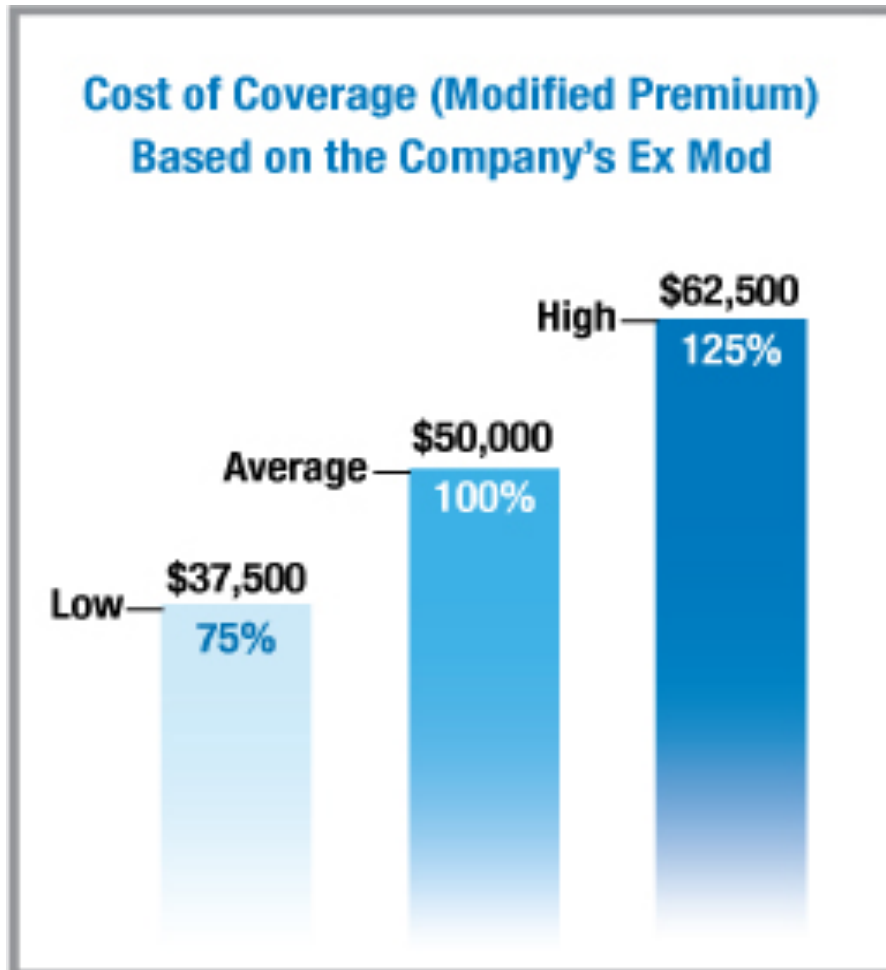
- **Experience Modification**
- **Industry Trends**
- **Reporting Requirements and Responsibilities**
- **First Aid Programs**
- **Managing Medical Care**
- **Maintaining Communication**
- **Tracking Your Policy**

Experience Modification – Ex Mod

- Calculated annually
- Effective for one year
- Payroll exposure for three years
- Compares a company's loss experience to other similar businesses (by class code)
- Adjusts the company's premiums to reflect its actual loss experience
- Published by Workers' Compensation Insurance Rating Bureau

$$\frac{\text{Actual losses}}{\text{Expected losses}} = \text{Experience Modification}$$

Experience Rating



The experience modification is applied to the starting premium which provides a company with its modified premium.

(Starting Premium X Experience Modification = Modified Premium)

If an employer's loss record is better than the average, the employer will have an ex mod below 100%, or a credit.

For example, if "Company A" has a starting premium of \$50,000 and an ex mod of 75% (or .75) based on its loss record, the company would pay \$37,500 in net premium. However, if that same company experienced a worse loss record than its industry classification average, it would have a higher ex mod, or a debit. If its ex mod was 125% (or 1.25), it would pay \$62,500 in premium.

What is an Average Experience Modification?

- A. 65%
- B. 75%
- C. 100%
- D. 110%



Answer

- 100% is an average experience modification
- A better than average experience modification is below 100%
- A below average experience modification is over 100%

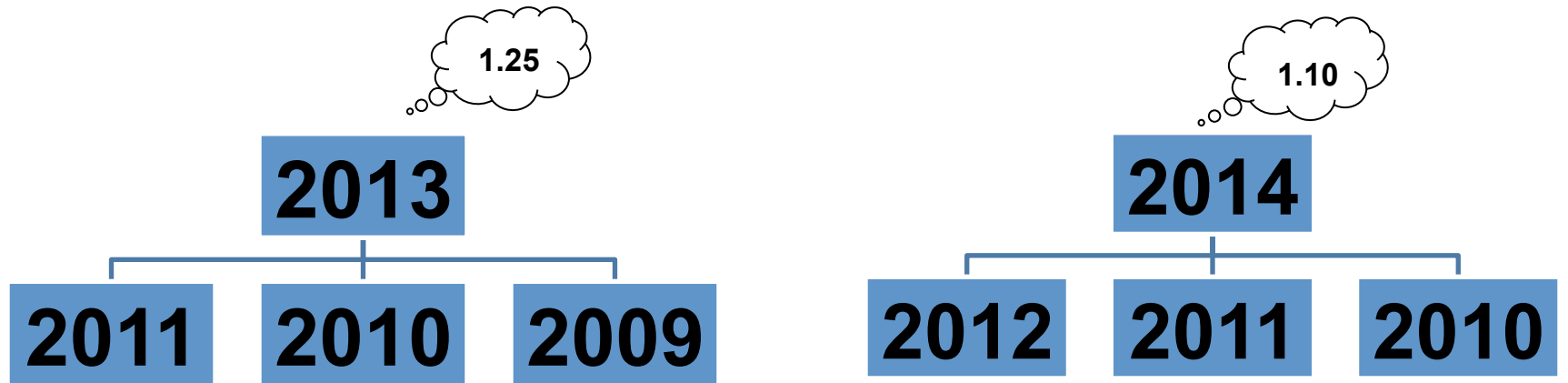
Which Factor has a Greater Negative Impact on the Experience Modification?

- A. Frequency
- B. Severity

Answer

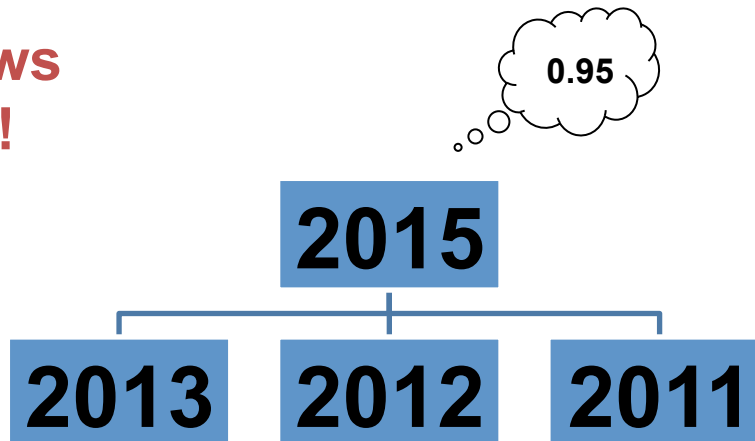
Frequency - the two examples on the next slide will show you the difference in the impact assuming the same payrolls and incurred losses for both entities.

Ex Mod



Your record follows
you for 3 years!

Most recent loss
year is not
counted

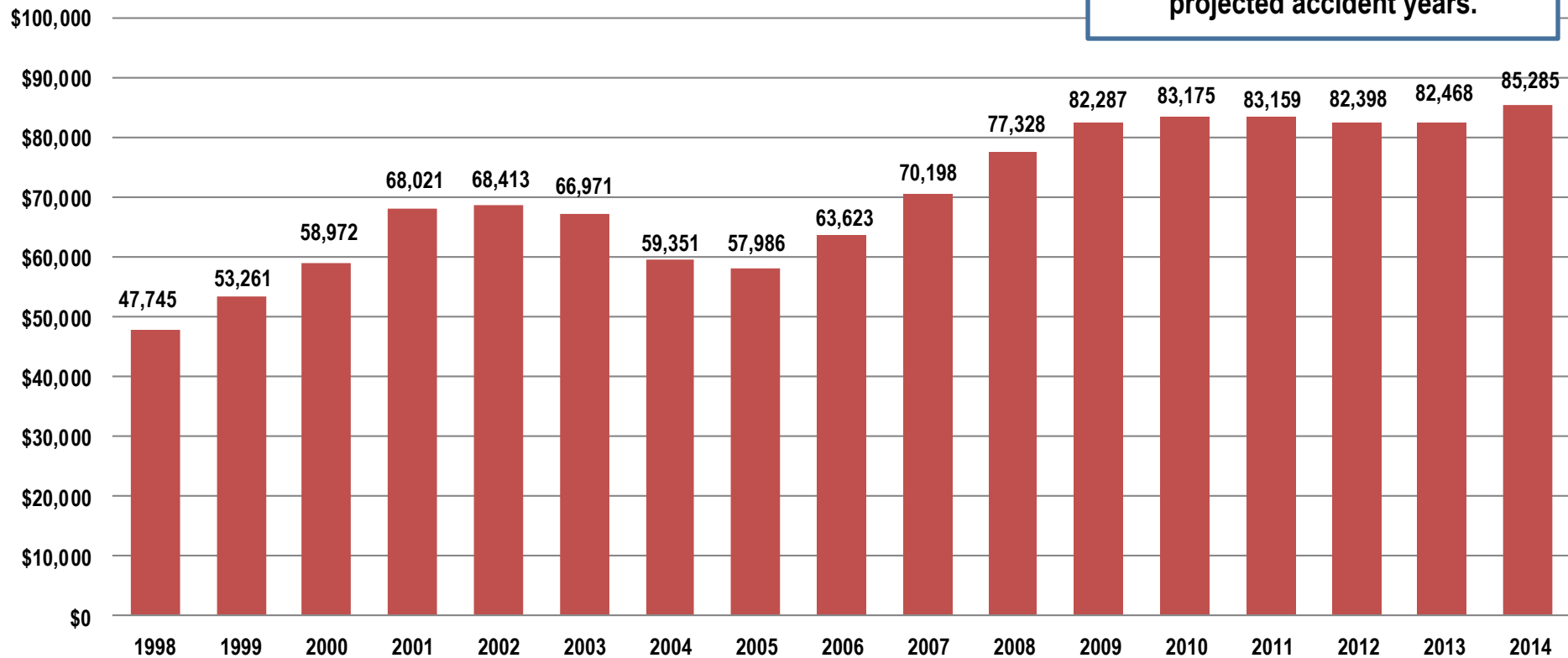


TheZenith®

A FAIRFAX Company

California Workers' Compensation Projected Ultimate Indemnity Claim Cost*

2014 average indemnity claim cost is moderately higher than recently projected accident years.

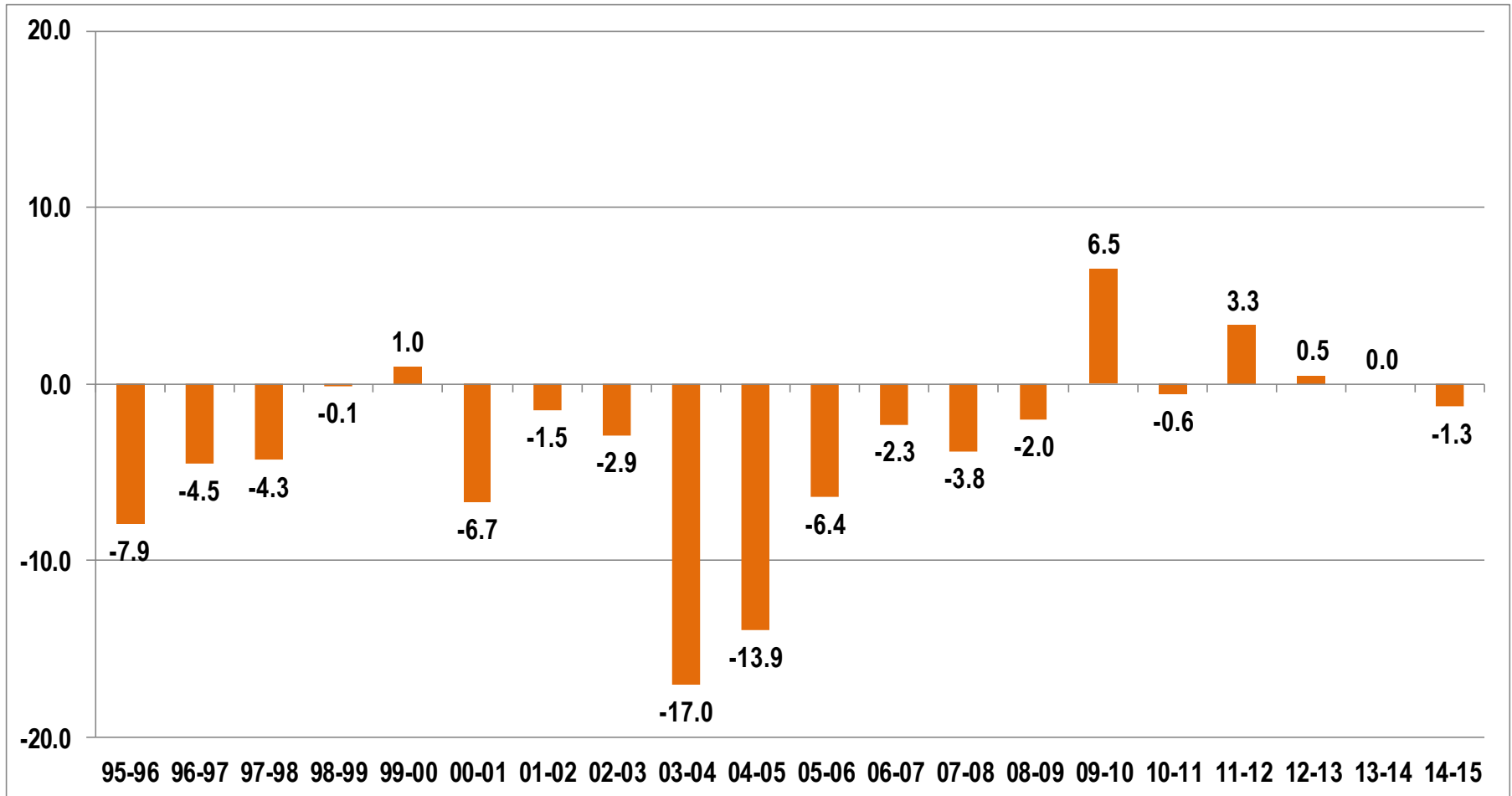


* Excludes medical-only claims.

Source: Workers' Compensation Insurance Rating Bureau 6/30/15 – Accident Year

California Workers' Compensation

Projected Percentage Change in Indemnity Claim Frequency



Source: Workers' Compensation Insurance Rating Bureau 6/30/15 – Accident Year

Why do Injured Workers Obtain Attorneys?

- **Character of Employment Relationship**
 - When workers believe that they will be fired if they report an injury
 - When workers believe their supervisor did not think their injury was legitimate
- **Claims Process**
 - Denial of care
 - Delay or denial of treatment
 - Poor communication

* Workers' Compensation Research Institute Study

Cost of Litigation

Type	Claim Count	Average TD Days	Average Medical Paid	Average Indemnity Paid	Average Total Paid
Strain/Sprain Back					
Non-Represented	2,237	44.5	\$5,500	\$3,571	\$9,473
Represented	972	196.6	\$35,303	\$21,479	\$63,509
Sprain/Strain Lower Extremity					
Non-Represented	1,379	47.3	\$4,949	\$3,130	\$8,375
Represented	304	219.7	\$34,406	\$20,062	\$60,147
Sprain/Strain Upper Extremity					
Non-Represented	591	55	\$5,116	\$3,779	\$9,254
Represented	144	173.3	\$28,478	\$17,799	\$52,298

**“... If You Do What You’ ve Always Done,
You’ ll Get What You’ ve Always Got...”**

Dr. W. Edwards Deming

TheZenith[®]

A FAIRFAX Company

Current Events

- \$500 Million Medical and Workers' Comp Fraud Conspiracy Uncovered
- Three defendants face manslaughter charges for death of baby resulting from exposure to the toxic cream.
- Two Chiropractors Arrested for Roles in Health Care Fraud Scheme
- 15 Indicted in \$150 Million Insurance Fraud, Patient Scam Conspiracy

What Can I Do to Avoid Litigation?

- Hiring Practices
- Workplace Culture
- Safety, Safety, Safety
- Claims Reporting

Takeaways – They aren't all fraud

- Injured Worker-Victim or Suspect?
- Criminally provable Applicant fraud cases are a small percentage of total claims
- AOECOE dispute does not equate to criminal fraud
- Control that which is in your control
- Least expensive injury is the one that never occurs
- We are continually looking for criminality

What is Workers' Comp?

- **Workers' comp is a no-fault system**
 - Employees who are legitimately injured as a result of their work receive benefits as set by law, regardless of who is at fault
 - Benefits include:
 - Payment of all appropriate medical bills
 - Assistance with return to work
 - Payment of temporary and/or permanent disability
 - Vocational rehabilitation or supplemental job displacement benefit voucher
 - Death benefits
- **Injuries/Accidents covered:**
 - Course and scope of employment
 - Specific work-related injuries, cumulative injuries, and occupational diseases

Types of Claims

First Aid – Example: Minor cuts, bruises and burns

- Verify Insurance Company Policy for reporting/employer pay program
- Treatment completed within two visits
- Care does not include prescription medication
- Employee is able to return to work regular duty post date of injury

Medical Only – No lost time

- Minimal medical treatment

Indemnity – Reserves required

- Injured employee is off work due to injury
- Potential for permanent disability
- Delayed claims

TheZenith[®]

A FAIRFAX Company

Reporting Requirements & Time Frames

Emergency Situations:

- The employer should refer the injured employee to the nearest hospital or urgent care (provider need not be in the medical network)
- If ambulance transportation is required:
 - Verify the designated hospital

Non-Emergency Situations:

- **Authorize** treatment with a provider in the network within **24 hours** of knowledge of an injury
- Ensure initial medical appointment is scheduled within **3 business days** of the knowledge of an injury
- Report the injury to carrier **within 24 hours**

TheZenith[®]

A FAIRFAX Company

Impacts of Late Reporting

Costs Increase With Lag in Reporting

4-14 Days	16% Higher
15-30 Days	31% Higher
31+ Days	40% Higher

Source: 2009 Zenith Countrywide

Late Reporting Gives Higher Odds of Litigation

# of Days	Litigation Chance
0-10	22%
11-20	29%
21-30	34%
31+	47%

TheZenith[®]

A FAIRFAX Company

Importance of Timely Reporting



- The carrier has 90 days to investigate if a claim is compensable or not.
- The 90 day clock starts ticking upon the employer's date of knowledge of the injury.
- The carrier must authorize and pay for reasonable medical treatment during the 90 day investigation period up to \$10,000.
- Employers responsible for preserving evidence pertaining to the accident.

When Is a “Claim” Deemed a Claim?



- **When is an injury accepted?**
 - AOE = Arising out of employment
 - COE = In the course of employment
- **When is an injury disputed?**
 - Does not meet AOE/COE requirement
 - Affirmative defense applies – Examples include:
 - Independent Contractor
 - Intoxication
 - Horseplay
 - Post-termination claim



Medical Provider Selection / Relationship

- Choose a provider within your medical network
- Meet with the medical provider
- Establish a profile:
 - FA Policy
 - Return-To-Work Philosophy
 - Job Descriptions with Functionality
 - Pre-Employment Physical Capabilities Test
 - Pre/Post Injury Drug Testing
 - Red Flag Procedures
 - Work Status Updates

Medical Provider Selection / Relationship

- **Tour the medical facility**
- **Request the head physician tour your facility**
- **Quarterly/annual meetings with provider**
- **Request assistance on preventive ideas:**
 - **Stretching breaks**
 - **Ideas to remove repetitive duties**

How to Retain the Benefits of the Medical Network

- Use Posting Notices (DWC 7/Network Notices)
- Post medical placards
- Make sure all employees have been notified of their rights by providing the following notices:

At Hire:	<ul style="list-style-type: none">– “New Hire” Packet
At Injury:	<ul style="list-style-type: none">– Report the injury to your carrier– “Time of Injury” Packet– DWC 1

Proactive Communication During the Claim Process

- **Meet with your employee post notification of incident/injury**
- **Conduct a post accident investigation with your employee**
- **Determine if medical treatment/first aid is required**
 - Offer transportation to the initial appointment
- **Review claim form/medical network notices**
- **Complete declination of care if care is not required**

Proactive Communication During the Claim Process

- Report claim within 24 hours to your carrier
- Send get well cards/flowers for lost time or catastrophic injuries
- Review policies regarding medical visits
- Review policies regarding lost time:
 - Date of injury
 - 3 day waiting period

Develop a Return to Work Program

- Stated in employee handbook
- Job description with functional capacity
- Return to work offer letter
- Task list for transitional work assignments

Transitional Work Assignments

- **Part-time hours or reduced wages as appropriate**
- **Identify special tasks that are not currently being done by anyone**
- **Consult with the employee who may have suggestions you might not have been aware of**
- **Make sure transitional work tasks have business value**
- **Check-in with the employee as restrictions change**

Identifying Appropriate Claims

Criteria for referral for the nonprofit program:

- Employee is not yet MMI / P&S
- Employee released by physician with clear work restrictions anticipated to last at least 30 days
- Employer is unable to accommodate in-house transitional work or is no longer able to do so

Resolution

Transition2Work placement will end when:



- **Transitional / light duty becomes available** at employer's worksite and employee returns to work
- Employee is **released to full duty** and returns to work
- Employee becomes **P&S / MMI**
- Season ends for seasonal employee
- Injured worker's continuation in assignment is no longer feasible due to a participation barrier



Program Outcomes

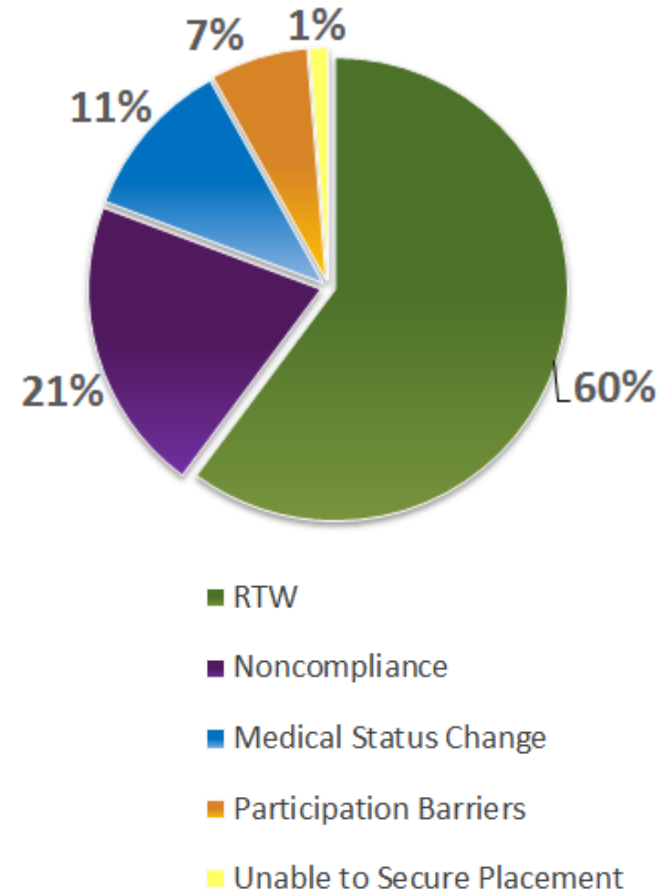
Actual Transition2Work Program outcomes through 12/31/2014

56% of Injured Workers referred to Transition2Work participate in placement

23% of Injured Workers referred to Transition2Work **returned to work before** participating in placement

Average time in placement of **53 days**

\$4,900 average indemnity savings per claim



TheZenith®

A FAIRFAX Company

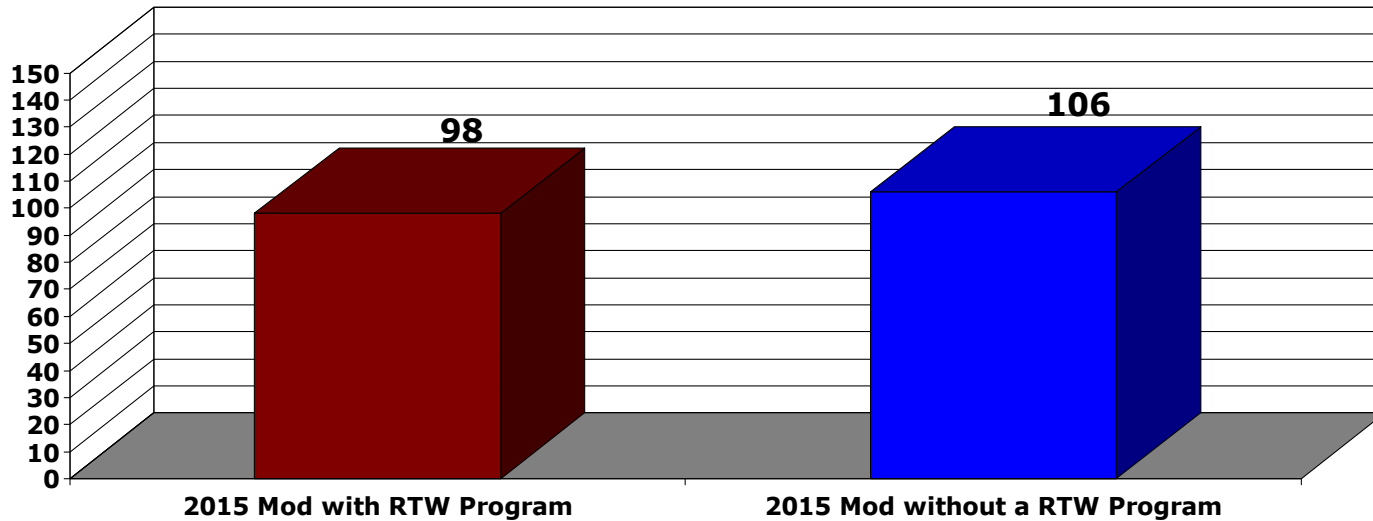
Return-To-Work

Potential Transitional Work Cost Savings

	RTW: No lost time No TD	RTW Part-Time @ 8 weeks Paid Wage Loss	Off work 8 weeks Paid Full TD
Technician Avg. Weekly Wage: \$1,700 TD @ \$1,103.29 per week (based on statutory AWW max \$1,654.94)	\$ 0.00	\$ 4,293.01 (earning \$850 wk)	\$ 8,826.32
Pre-school Teacher Avg. Weekly Wage: \$800.00 TD @ \$533.33 per week	\$ 0.00	\$ 2,133.36 (earning \$400 wk)	\$ 4,266.64
Part-time Laborer Avg. Weekly Wage: \$200 TD @ \$165.49 per week (based on statutory AWW min \$248.24)	\$ 0.00	\$ 790.61 (earning \$100 wk)	\$ 1,323.92

The above rates are based on the 2015 TD Rates

2015 Premium Savings Based on RTW Efforts



Component	Mod Points	1 Year Premiums	3 Year Premiums
2015 Mod with RTW Program	98	\$554,501	\$1,663,503
2015 Mod without RTW Program	106	\$600,332	\$1,800,996
2015 Savings	8	\$45,831	\$137,493

Temporary Disability Payment Savings \$61,746

Track Your Policy Loss Runs and Claim Status Reports

Loss Runs Track:

- Claims open or closed per policy year
- Brief description of injuries reported
- Payment summary and outstanding reserves on open claims

Claim Status Reports:

- Narrative regarding the claim with reserve outline

Claim Reviews:

- Opportunity to share information between the employer, carrier and producer
- Particularly meaningful prior to Unit Stat filing

Tracking Claim Frequency and Severity

Maintain a spreadsheet for your Manager...

- Name
- Occupation
- Date of Injury
- Nature of Injury
- Last Seen
- Next Appointment
- Current Status

** Additional information as needed by your Manager

Carrier Free Resources

- Postings
- Medical Network Forms
- Tailgate Topics/Safety Videos
- IIPP Resources
- Training

Summary

- **Report injuries timely**
- **Determine if a first aid program fits your organization**
- **Maintain a relationship with your employee and provider**
- **Develop a proactive return to work program**
- **Track your policy**
- **Utilize online loss runs and free materials or training**

DISCLAIMER

The information contained in this presentation is meant to provide employers and producers with a general understanding of certain aspects of workers' compensation and a general understanding of some of Zenith Insurance Company's workers' compensation services. The information contained in this presentation is not to be construed as legal advice and is not meant to be a substitute for legal advice.

To the extent this presentation is based on data from outside sources, Zenith believes, but does not warrant, such data from outside sources to be accurate or complete. Past results do not guarantee future performance.

No part of this presentation may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without express written permission from a Zenith officer.

TheZenith[®]

A FAIRFAX Company

Questions?

© 2012 Zenith Insurance Company. All rights reserved.
Zenith Insurance Company/ZNAT Insurance Company
Corporate Office 21255 Califa Street, Woodland Hills, CA 91367
Zenith and TheZenith are registered U.S. service marks.