

Worker's Compensation: *Managed Risk or an Unnecessary Profit Leak?*

Proven strategies to help reduce work comp costs



Agenda

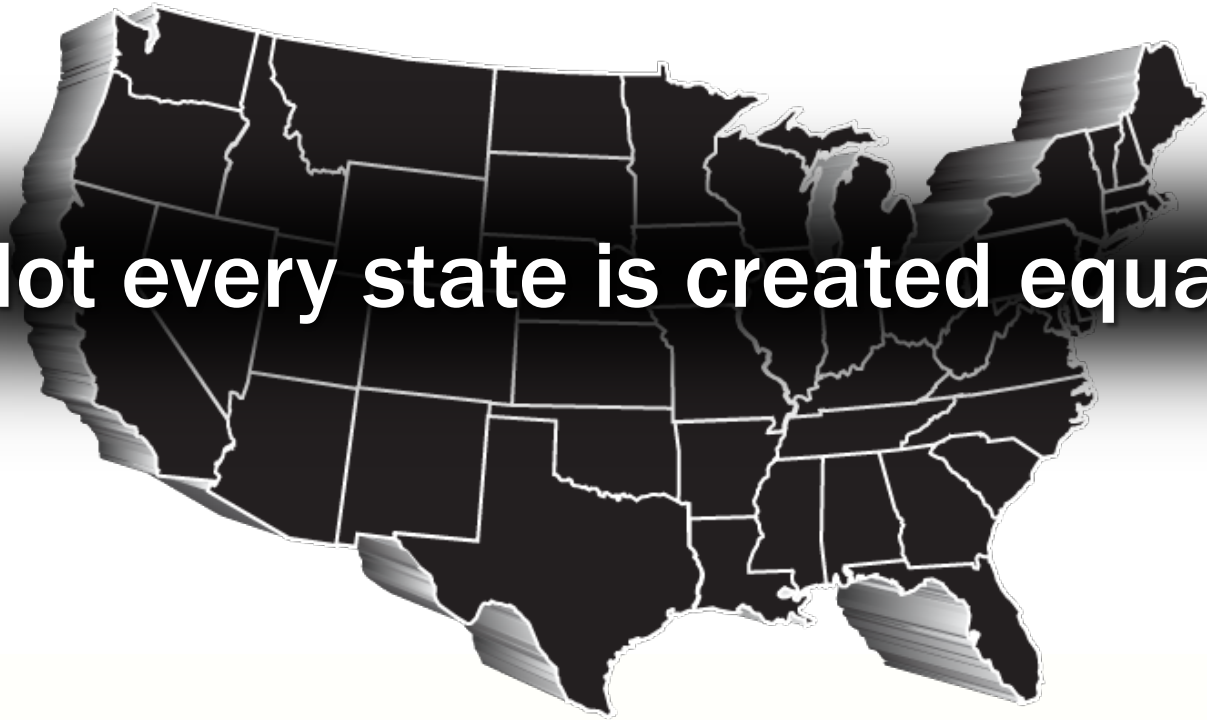
- ✔ Work Comp Experience Modifier
- ✔ Deductibles on Work Comp
- ✔ Medical Only Claims
- ✔ Managed Care Concepts

Best Practices

- ❖ Have you taken ownership of your claims history and Experience Modifier?
- ❖ Do you understand how the NCCI “split point” changes will affect you?
- ❖ How effectively are you managing your claims?

Jurisdictional Impact on WC

Not every state is created equal.



Work Comp: More than managing care

It's Not a Commodity

- ♥ Financial stability
- ♥ Knowledgeable sales force
- ♥ Field Support – Field Services, Claims
- ♥ Coverage/Product
- ♥ Consulting – nurses, claims adjusters
- ♥ Special Investigative Unit - Fraud

Experience Mod Overview

- Specific to each business
- Can provide credits or debits
- Losses leave lasting impressions
- Frequency matters more than severity
- Medical vs. indemnity claims
- Deductible: gross vs. net
- The experience mod can be managed

Experience Mod – Credits/Debits

Experience Mod

Premium

1.00



Company A

.75



Company B

1.25



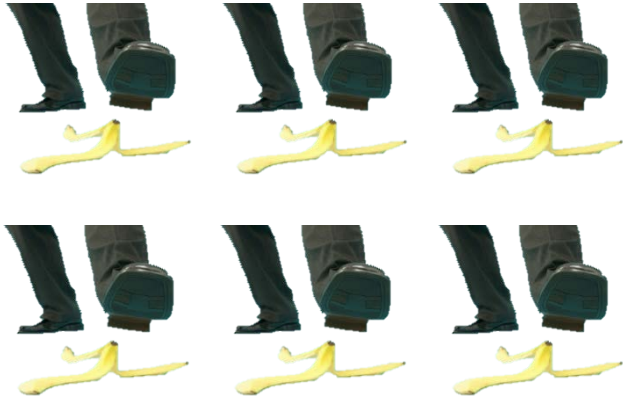
Company C

Experience Mod - Timeline



Experience rating provides time for losses to mature

Experience Mod – Frequency/Severity



VS



The impact of a single loss is limited by
the rating bureaus

Work Comp Experience Modifier

How is the Mod calculated?

- Loss experience and payroll information
- Three years prior to the current policy year

WORKERS COMPENSATION EXPERIENCE RATING

Risk Name: [REDACTED] Risk ID: [REDACTED]
 Rating Effective Date: 08/01/2010 Production Date: 05/22/2010 State: ILLINOIS

12-ILLINOIS Firm ID: [REDACTED] Firm Name: [REDACTED]
 Carrier: [REDACTED] Policy No.: [REDACTED] Eff Date: 04/15/2006 Exp Date: 08/01/2006

Code	ELR	D-Ratio	Payroll	Expected Losses	Exp Prm Losses	Claim Date	U	OF	Act Inc Losses	Act Prm Losses	
3113	2.14	.15	6,144	1,330	201	04/10/1745	5	F	3,648	3,648	
3400	3.59	.13	540,864	20,830	2,709	05/14/6406	6	F	1,115	1,115	
8910	.13	.15	154,852	201	30	04/07/1975	9	F	3,005	3,005	
						02/06/1775	3	F	3,264	3,264	
Policy Total:									796,760	51,838	11,932
									Subject Premium:		
									Total Act Inc Losses:		

12-ILLINOIS Firm ID: [REDACTED] Firm Name: [REDACTED]
 Carrier: [REDACTED] Policy No.: [REDACTED] Eff Date: 09/01/2006 Exp Date: 08/01/2007

Code	ELR	D-Ratio	Payroll	Expected Losses	Exp Prm Losses	Claim Date	U	OF	Act Inc Losses	Act Prm Losses	
3113	2.14	.15	63,904	1,330	209	09/15/8706	6	F	1,201	1,201	
3113	2.14	.15	150,804	3,294	493	02/25/7675	10	O	5,000	5,000	
3400	3.59	.13	511,206	18,352	2,388	03/25/7975	10	F	5,192	5,000	
3400	3.59	.13	1,628,044	58,800	7,644	08/16/0006	9	F	1,253	1,253	
8910	.13	.15	147,342	192	29	19/15/6806	9	F	2,002	2,002	
8910	.13	.15	391,804	509	76	21/95/6775	9	F	6,183	5,000	
						7/29/21975	3	F	14,804	5,000	
						01/19/1775	9	F	37,190	5,000	
						27/78/1575	9	F	42,326	5,000	
						9/26/08275	9	F	63,958	5,000	
						19/88/71575	9	O	64,051	5,000	
						05/14/7306	9	F	66,737	5,000	
Policy Total:									2,940,136	188,826	349,617
									Subject Premium:		
									Total Act Inc Losses:		

12-ILLINOIS Firm ID: [REDACTED] Firm Name: [REDACTED]
 Carrier: [REDACTED] Policy No.: [REDACTED] Eff Date: 08/01/2007 Exp Date: 08/01/2008

Code	ELR	D-Ratio	Payroll	Expected Losses	Exp Prm Losses	Claim Date	U	OF	Act Inc Losses	Act Prm Losses	
3113	2.14	.15	207,245	4,518	678	7/29/24775	5	F	19,646	5,000	
3400	3.59	.13	1,626,077	55,145	7,169	3/8/871875	6	F	4,010	4,010	
8910	.13	.15	490,525	638	96	10/8/27775	9	F	5,430	5,000	
						7/5/161375	9	F	12,695	5,000	
						5/6/887175	9	F	13,510	5,000	
						9/48/733375	9	F	29,492	5,000	
Policy Total:									2,233,847	125,826	84,743
									Subject Premium:		
									Total Act Inc Losses:		

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Frequency and Severity

Five Claims – \$10,000 each

NCCI **WORKERS COMPENSATION EXPERIENCE RATING**

Risk Name: _____ Risk ID: _____

Rating Effective Date: 01/01/2015 Production Date: 02/04/2015 State: INTERSTATE

This rating is not quotable.

(A) Wt	(B)	(C) Exp Excess Losses (D - E)	(D) Expected Losses	(E) Exp Prim Losses	(F) Act Exc Losses (H - I)	(G) Ballast	(H) Act Inc Losses	(I) Act Prim Losses
.11		57,879	82,800	24,921	0	33,750	50,000	50,000
Primary Losses			Stabilizing Value		Ratable Excess		Totals	
Actual	(I)	50,000	C * (1 - A) + G 85,262		(A) * (F) 0	(J) 135,262		
Expected	(E)	24,921	C * (1 - A) + G 85,262		(A) * (C) 6,367	(K) 116,550		
ARAP		FLARAP		SARAP		MAARAP		Exp Mod
Factors	1.01							(J) / (K) 1.16



1.16 Modifier



Frequency and Severity

One Claim – \$50,000

NCCI **WORKERS COMPENSATION EXPERIENCE RATING**

Risk Name: _____ Risk ID: _____

Rating Effective Date: 01/01/2015 Production Date: 02/04/2015 State: INTERSTATE

This rating is not quotable.

(A) Wt	(B)	(C) Exp Excess Losses (D - E)	(D) Expected Losses	(E) Exp Prim Losses	(F) Act Exc Losses (H - I)	(G) Ballast	(H) Act Inc Losses	(I) Act Prim Losses
.11		57,879	82,800	24,921	34,500	33,750	50,000	15,500
		Primary Losses	Stabilizing Value		Ratable Excess		Totals	
Actual	(I)	15,500	C * (1 - A) + G 85,262		(A) * (F) 3,795		(J)	104,557
Expected	(E)	24,921	C * (1 - A) + G 85,262		(A) * (C) 6,367		(K)	116,550
		ARAP	FLARAP	SARAP	MAARAP		Exp Mod	
Factors		1.00					(J) / (K)	.90



.90 Modifier



Frequency and Severity

5 claims at \$10,000 each



1.16 Modifier



1 claim at \$50,000

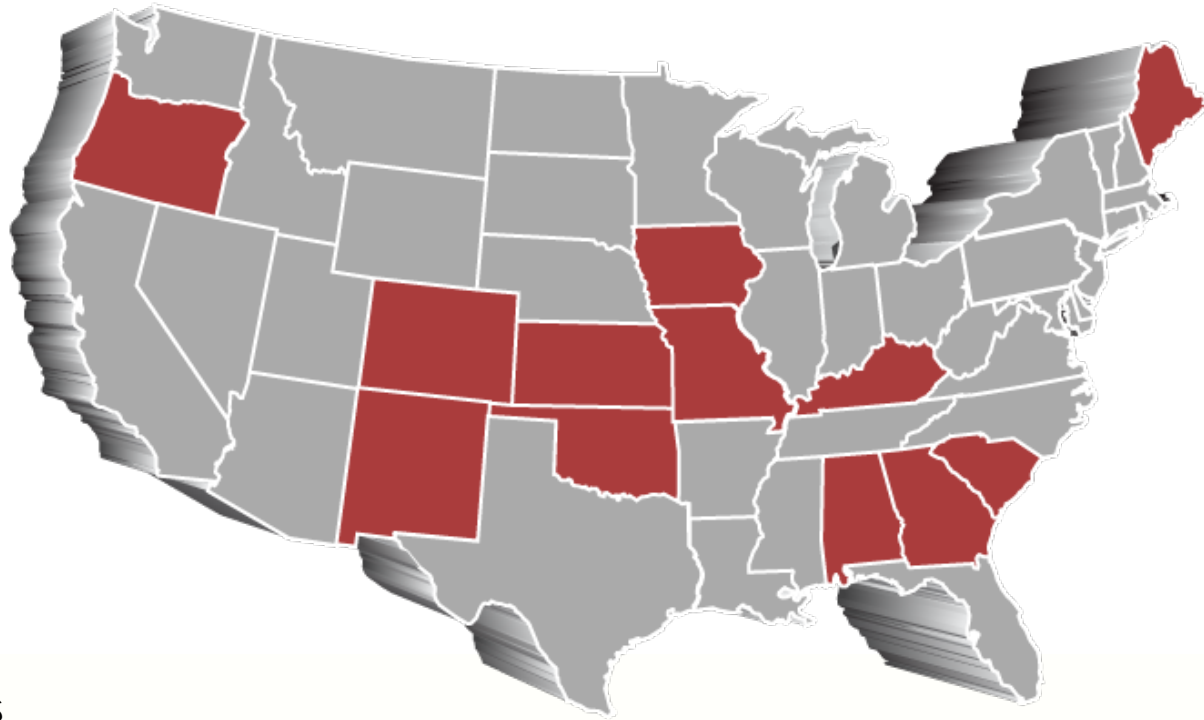


.90 Modifier



\$19,500 premium difference, almost a 30% difference!

Net vs. Gross States



Net States

Gross States

Net vs. Gross Claim

Company A

- ✔ No deductible
- ✔ Gross claim: \$1,000
- ✔ Net claim: \$1,000

Company B

- ✔ \$1,000 deductible
- ✔ Gross claim: \$1,000
- ✔ Net claim: \$0





Net vs. Gross Claim

Benefit of Deductible

- Regardless of state there is a premium savings
- If Net state, shields claim cost from Experience Mod calculation

Medical Only Claims

Why is it important to limit the cost of the claim to 'medical only'?

- Many Work Comp Experience Mod formulas reduce the medical only cost of the claim by 70% (Experience Rating Adjustment(ERA) states)
 - Even if no 70% reduction available, keeping the employee at work helps keep claim costs down and may reduce negative impact to experience mod calculation

‘Medical Only’ Case Study

An employee has a \$1000 MRI



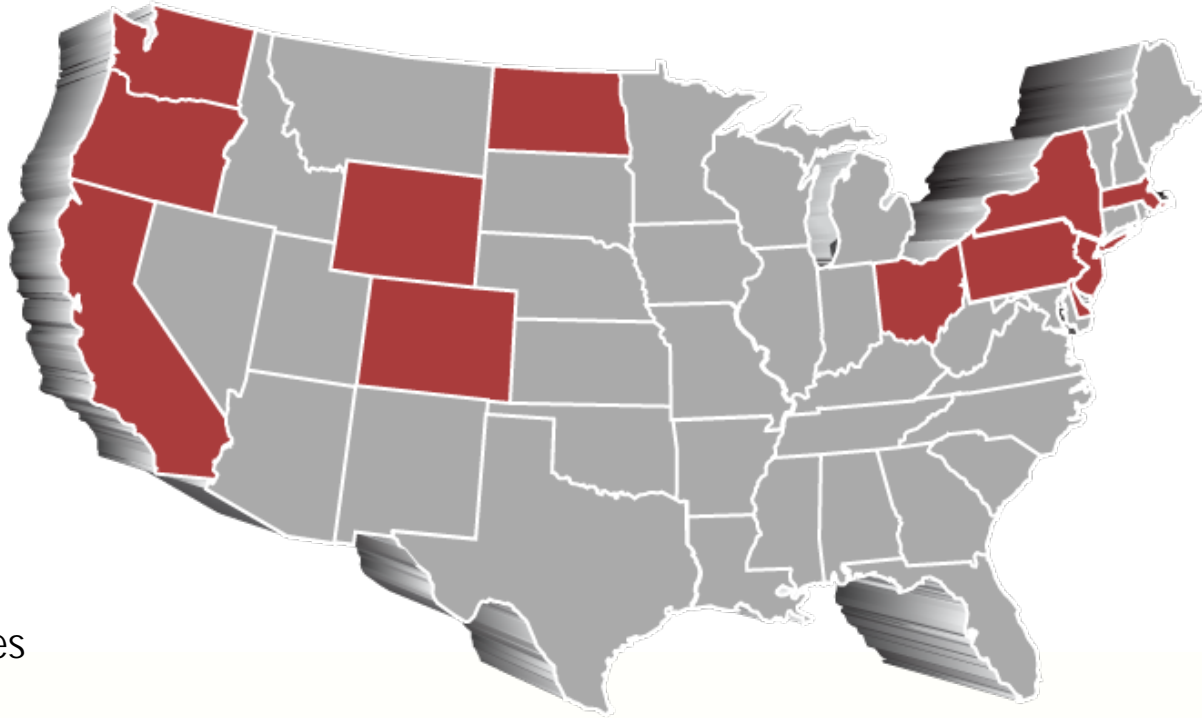
Example 1 – Employee continues working

\$1000 cost is calculated as just \$300 on experience mod calculation

Example 2 – If Employee has ‘lost time’ payment for missing work due to the injury

\$1000 cost is directly placed into the experience mod calculation, along with the ‘lost time’ wages

Experience Mod - ERA



 ERA States

WC - Managed Care

Critical Elements of Managed Care

- Prompt Reporting
- Modified Duty
- Providers with Occupational Focus
- Drug-Free Workplace

Prompt Claims Reporting

Federated's Goal:

> 70% of WC claims reported within seven days of injury

Federated Results:

Per claim average shows claims reported late paid
25-50% more than Promptly Reported Claims

♥ Federated claims data 2012-2016

Prompt Claims Reporting

Direct Benefits

- Allows opportunity to interview witnesses, secure evidence
- Allows for direction of medical care to in-network facilities specializing in Work Comp/Modified Duty
- Allows for timely and appropriate claims management
- Prompt filing of state forms can preserve legal defenses
- Allows for prompt drug testing, with potential reduction or elimination of claims exposure

Modified Duty Programs

Formal program is important for loss of work time claims

- Employees typically are able to return in some capacity
- “Release” obtained from treating physician
- Employer accommodates restrictions within Return To Work Program guidelines

Modified Duty Programs

Benefits to Employers:

- ✔ Returns experienced employees to work in a safe and timely manner
- ✔ Helps reduce training costs for replacement workers
- ✔ Helps maintain good employer/employee relationships and shows employees they are valued
- ✔ May help lower Experience Mods

Benefits to Employees:

- ✔ Helps reduce concern about financial uncertainty and job security
- ✔ Helps maintain sense of attachment with co-workers
- ✔ May help improve recovery time and quality of life

Modified Duty Programs

Modified Duty Considerations:

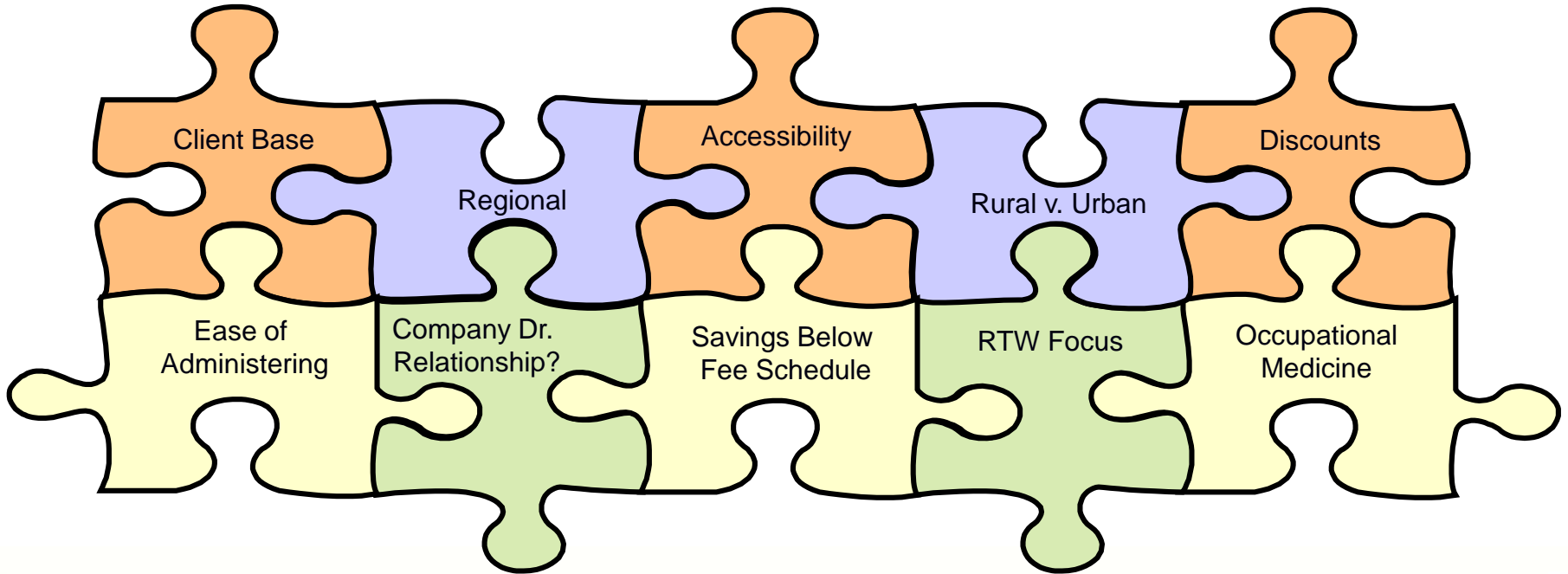
- Invite providers to visit your sites
 - safety meetings, equipment/tour, etc.
- Have written job descriptions
 - support modified duty assignments as appropriate
- Discuss modified duty w/ employees before injury

Network Partners

Medical networks

- ✔ Throughout the U.S.
- ✔ Discounts when treated in the PPO Network

Network Partners



Network Partners

“When employers did recommend health care providers, injured workers followed their recommendation 92% of the time...”

– The Journal of Workers Compensation

Drug-Free Workplace

In most states, Work Comp benefits can be denied based on drug use or intoxication

- ♥ Several states reduce benefits only. Some have no provisions.

Drug-Free Workplace

From Our Files:

- ▮ Delaware: 26-year-old tech; emergency transport for knee injury; morphine and heroin in system
 - ▮ Claim denied w/ no dispute

Drug-Free Workplace

From Our Files:

- ▮ Idaho: 26-year-old w/ back pain from stacking product; marijuana in system; terminated
 - ▮ Medical covered under Comp, no lost time benefits paid

Drug-Free Workplace

From Our Files:

- ❖ Tennessee: 36-year-old w/ bleach/chemicals in eye; drug screen “refusal to cooperate”; employee voluntarily terminated
 - ❖ Claim denied w/ no dispute

Drug-Free Workplace

38-50% of all work comp claims are related to substance abuse in the workplace.

Source: "Working Partners", National Conference Proceedings Report; Sponsored by the US Dept of Labor, the SBA, and the Office of Nat'l Drug Control Policy

Drug-Free Workplace

Substance abusers file 3-5 times more WC claims.

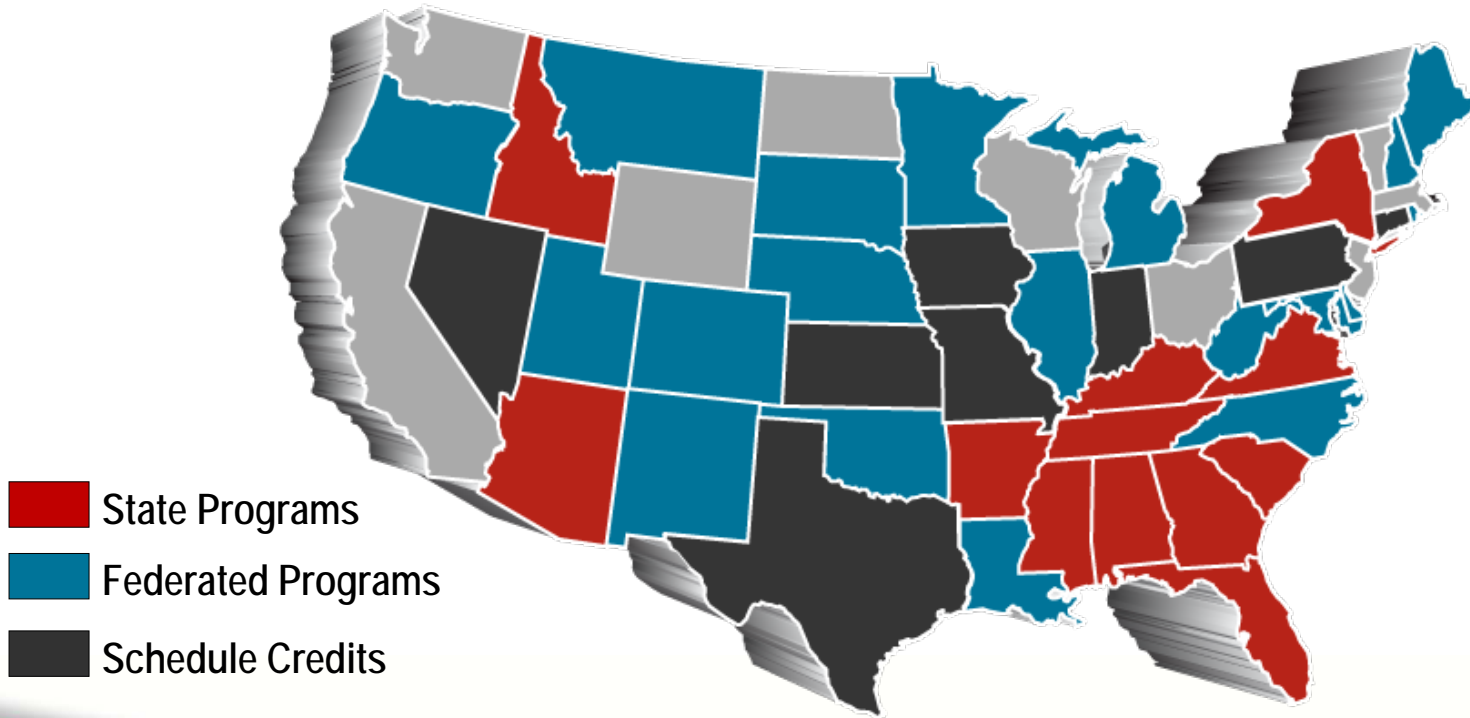
Source: "Working Partners", National Conference Proceedings Report; Sponsored by the US Dept of Labor, the SBA, and the Office of Nat'l Drug Control Policy

Drug-Free Workplace

Nearly 75 percent of all adult illicit drug users are employed, as are most binge and heavy alcohol users.

Source: National Institute on Drug Abuse

Drug-Free Workplace



Claims Management

Claims Management/Responsibilities

- Injured worker
- Business owner/risk manager
- Claims adjuster
- Nurse
- Medical bill processing
- Providers

Claims Management

Unmanaged Claim

- Employee self-treats
- Reported two weeks after incident
- No post-incident drug screen
- Options for direction of care are now limited

Claims Management

Unmanaged Claim

- Physician approves a return to work, with restrictions
- Employer won't accommodate restrictions
- Employee obtains all treatment outside of network
- Claim drags on...

Claims Management

Managed Claim

- Injury reported promptly
- Employee obtains treatment in-network
- Employer accommodates work restrictions
- Employee returns to full-time work
- Claim closes

Claims Management

Unmanaged Claim

Medical Bills (retail)	\$5,000
Non-network treatment.....	<u>-\$0</u>
	\$5,000
Lost wages; no RTW program...	<u>\$3,000</u>
	\$8,000
Late reported claims cost 30% more (on average) ...	<u>\$2,400</u>
Grand Total.....	\$10,400

Managed Claim

Medical Bills (retail)	\$5,000
In-network treatment (avg. 40% reductions)	<u>-\$2,000</u>
No lost wages; ERA state	\$3,000
70% medical only reduction	<u>(\$2,100)</u>
	\$900
Grand Total.....	\$900

What questions do you have?

Thank you!

This presentation is for general information and recommendations regarding risk prevention and should not be considered legal advice. The information is not a substitute for any statutory or regulatory standards which may apply. The recommendations herein may help reduce the risk of loss but are not a guarantee of reduced losses or lower premiums. The illustrations herein should not be construed as actual premium amounts. Qualified counsel should be sought with questions specific to your circumstances and applicable state laws.



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