



Managing Workers' Compensation Costs

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When the workers' compensation system was first instituted, it was devised as a cost-saving mechanism. Job safety was deteriorating, leading to an increase in accidents and injuries. Employers increasingly found themselves in court defending civil suits for work-related injuries. The workers' compensation system was seen as a way out of the problem. Today, the system is a monster, with employers spending tens of billions of dollars each year to insure their work-injury risk.

Dozens of states have turned to legal reform in an effort to control spiraling costs. Caps on recovery awards and contingency fee limits have been passed in many states, but with limited success. Other states have passed laws that provide incentives to employers who implement drug-free workplace programs.

Workers' compensation costs have an enormous impact on most employers' bottom lines, especially on those in high-risk occupations, such as construction. But by focusing on long-term objectives these expenses can be managed.

Here is a checklist that can help keep your costs down:

Establish A Comprehensive Cost Reduction Program

Any cost reduction program should be tailored to suit individual needs, but there are some common elements to the most effective programs:

- a legal, but thorough pre-employment screening program;
 - administration of agility tests to job applicants;
- conducting legal post-offer medical exams and inquiries;

- a focus on safety at orientation;
- utilization of accurate, updated job descriptions;
- strict enforcement of a substance abuse policy; and
- consistent adherence to a temporary light duty policy.

Train Managers And Supervisors On Cost Containment

Instruct supervisors on proper techniques for compiling information and background evidence from the employee and other witnesses to the accident. Train them on proper safety procedures and first-aid, accident reporting, and physician referral procedures. Instruct supervisors to show personal concern for their employees while on leave.

Train Employees To Be Safety-Conscious

Implement a comprehensive safety program that provides for regular meetings, dissemination of written materials, and hazard communication.

Know Your Insurance Policy Inside And Out

Understand the correlation between current experience and future premiums. Identify the parties responsible for attorneys' fees and determine whether those fees are reflected in your experience ratings. Determine who pays for surveillance and medical exams, and whether you have input in selecting the attorney.

Evaluate Your Organization's Claim History

Study your workers' compensation claims history over a minimum five-year period and look for patterns in injury type and frequency. Determine the most common types of injuries and look for a repeat use of the same doctors, chiropractors, and lawyers.

Periodically Audit Claims Reserves

Hire a qualified person to evaluate whether reserve computations are reasonable or excessive for the types of injuries incurred at your facility. This person should report directly to you, not the insurance company.

Handle Every Claim Individually And Aggressively

Consider possible courses of action for each file as you review it, including such options as surveillance, medical exams, termination of benefits, and light duty.

Establish A Good Working Relationship With Company Physicians

Look for an honest and conservative doctor who, in addition to providing excellent medical care, understands your point of view. Cultivate a trusting relationship with that physician over time.

Coordinate Workers' Compensation Claims With Pending Litigation

When litigation is pending with the employee, a qualified person (usually labor and employment counsel) should compare the facts contained in the workers' compensation file to the other litigation. Make an effort to obtain a full release of all claims whenever a settlement of a workers' compensation claim is reached.

Bring Employees Back To Work As Soon As Possible

Consider implementing temporary light duty policies or "work hardening" programs designed to return employees to work as soon as possible. Designate a coordinator to work with injured employees while on leave and to encourage them to return to duty as soon as possible.

Analyze The Advantages Of Self-insurance

Under "self-funding" plans, the employer is directly liable for workers compensation benefits. In states that permit it, self-funding may provide significant cost-saving advantages, particularly when insurance premiums exceed the amounts paid to employees by the carrier.

Compare Your Costs To Those of Other Companies

Contact other contractors to compare your cost figures with those of "benchmark" companies with excellent claims records. Find out what they do differently and try to determine what makes the difference.

Conclusion

Controlling workers' compensation costs has become an essential part of every employer's business. While there is no way to eliminate these costs, every employer can and should take steps now that will help it control and manage these costs in the future.

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