

# Workers Compensation: Controlling Costs While Helping Injured Employees

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Workers compensation insurance provides wage loss and medical benefits to an employee who is injured as a result of a work-related incident. By law, businesses must carry workers compensation insurance for employees.

The good news for employers is that the cost of workers compensation coverage can be one of the most controllable aspects of your overall insurance program. There are a number of ways to contain costs, several of which are outlined below.

## **Claims Reviews**

Holding meetings on a regular basis to review causes of workers compensation claims will give your organization a better understanding of what types of unsafe acts and unsafe conditions need to be addressed to reduce claim frequency and severity.

In addition, the claims review process will help assess the costs associated with different types of injuries. The amount paid for claims and the amount set aside for payment of future claims (reserve) determine your annual experience modification factor. The lower the experience modification factor, the lower the premium.

## **Experience Modification Review**

The experience modification factor is applied to your workers compensation premium and is developed based on your organization's claim payment history and reserve history over a three-year period. It can be either your best friend (credit modification) or your worst enemy (debit modification).

Since your experience modification factor is developed using claim data submitted by the insurance company six months prior to policy renewal, it is important to review all claims to ensure they have been properly closed with no outstanding reserves, and to make sure any open claims do not have reserves that are too high.

Closed claims and reduced reserves may not have been included in the original statistical report submitted by the insurance carrier to your state's Compensation Rating Bureau. Since a lower experience modification will result in lower premiums, this review should be conducted prior to the data being submitted to the Bureau.

### Certified Safety Committee

In Pennsylvania, you are eligible for a 5 percent credit on your workers compensation policy if you create a certified safety committee for your workplace. Safety committees have become easier to establish and maintain over the years, because you can apply for certification and submit your recertification forms online through HandS, a web-based information-management system of Pennsylvania's Health and Safety Division.

It is best to set up a safety committee with the assistance of your insurance agent, as you will need someone who is certified to conduct the annual training for you.

Safety committees must be recertified annually in order to receive the 5 percent premium credit.

### Return-to-Work Program

Developing a formal return-to-work or light-duty program has many benefits and is effective at controlling the total cost of a workers compensation claim.

Such programs can help reduce the cost of overtime paid to employees filling in for the injured worker, build a more productive workforce, and bring the injured employee back to work more quickly, all creating direct and indirect benefits to the employer.

### Physician Panel

In Pennsylvania, an employer has the right to establish a list of designated health care providers from whom, as long as the list is properly posted, an injured worker must seek treatment for a work injury for the first 90 days after their first visit.

By putting a physician panel into place, employers can avoid paying unnecessarily high fees for medical care. For example, if you send an employee to the Emergency Room for something that could be treated at an urgent care center, you could be paying three to five times more for the visit, which increases the overall claim cost and, therefore, the experience modification factor. In addition, many insurance companies have negotiated discounts with medical providers, and you may want to include those providers on your panel.

### Next Steps

By applying some or all of the methods above, you will be in a better position to contain your workers compensation costs in the short and long term.

For more information on ways to put these ideas into practice, please contact Kevin Lewis, Commercial Account Executive, at 610.527.1881.

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