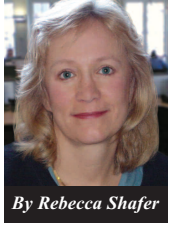


## Proactive Agents Can Help Contractors and Subcontractors Reduce Workers' Comp Costs

*Transitional duty assignments, return-to-work goals, regular communication, information gathering are all part of a solid program*



By Rebecca Shafer

When helping contractors and subcontractors reduce their workers' comp costs, focus on four key elements: accurately determine the cause of the high costs, improve communications with employees, bring employees back to work as soon as they are able to perform any type of productive tasks in the workplace, and reduce fraud and abuse.

Before selecting the best way to help your contractor/subcontractor clients reduce workers' compensation costs, determine whether their costs are above the national average and, if so, locate the cause of the high costs. One way to determine whether your clients costs are above or below the national average is to benchmark using the 2005 RIMS® Benchmark Survey™.

Once you've determined whether the client's costs are higher or lower than the national average, determine what internal practices are driving the costs of workers' compensation and consider whether Best Practices can be improved. Ask the client questions about current practices and procedures, and review the policies they use when an employee is injured on the job. WorkersCompKit.com has an online Best Practice Assessment Quiz which gives each client a WC Target Score®, much like the FICO® Score, and provides detailed recommendations for improvement.

In general, workers' comp costs are high because a company has "too many claims lasting too long." The time out of work is disproportionate to the severity of the injury. For example, in one back injury claim the employee was out of work for five months. Leslie J. Hutchinson, MD, MPH, FACOEM, President of HLM Consultants, notes that standard guidelines like the American College of Occupational and Environmental Medicine (ACOEM) (2004)

indicates that a soft tissue injury should heal in 90 days or less. If the injury lasts longer than that, it would be good to have the claims adjuster or the insurance company nurse case manager contact the treating physician to determine whether the injury is more complicated than a simple back strain. Large contractors with full or part-time medical directors should have the medical director contact the treating physician to determine whether there is more to be done to help return the employee to work.

### Transitional duty programs

Setting up a transitional duty program includes having a written policy and identifying some jobs for a "job bank." Be creative when identifying transitional duty jobs. Some work-sites have limited job classifications so think about "tasks" rather than "jobs." Ask others on the team if they have a "wish list" of things they'd like to have done which may be within a recuperating employee's restrictions. Even if it is not possible to locate a transitional duty job, include the employee in all workplace activities, such as safety meetings and group lunches so he/she feels like part of the team.

Since 70% (50% is indemnity costs, 20% is the cost of doctors visits, which would be unnecessary if employees returned to work timely) of the cost of workers' compensation is related to employees who lose time from work, make sure your clients bring employees back to work on transitional duty until they are released to full duty. Make participation in the transitional duty program a condition of employment for all employees who are medically able to perform a transitional duty assignment. Dr. Hutchinson states that, in most cases, bringing the injured employee back to work helps them recuperate faster. Employees heal much faster if they have a normal daily routine to which to look forward. Often, when employees lose their daily routine they experience clinical depression. You would want to establish a goal by which 95% of employees injured on the job

return, back to work in transitional duty or full duty within the first 4 days after an injury.

### Improving return to work ratio

To improve your Return To Work Ratio, and reduce workers' comp costs, improve communication with employees, supervisors and medical providers. Prepare a brochure on "What To Do if You Are Injured On The Job" explaining each step which should occur immediately after the accident, within the first 24 hours. Every employee should know the procedures and should be given the booklet if they are injured. You may want to send the brochure home so the employees family understand how to file for workers' compensation benefits, to what benefits the employee is entitled, how medical care is selected, and who to call (other than an attorney) if there are questions. Supervisors should know how to obtain medical care for all employees as part of their job responsibilities. They should be able to explain



the basics of workers' compensation, if necessary, when they accompany an injured employee to the clinic.

Names and locations of doctors, clinics, and hospitals should be clearly posted in the workplace. If employees are working off-site or in multiple job sites, give them wallet cards or visor kits with laminated information about medical treatment, weekly meetings, transitional duty assignments and contact information. Make sure to visit the medical providers periodically to ensure they are well-staffed and clean. Have the medical providers visit your workplace so they are familiar with the jobs your employees perform, and what transitional duty assignments are available. If there are no transitional duty assignments available, which is often the case when a project is completed, develop a working relationship with a local rehabilitation clinic and explore work hardening options.

When the employee goes to the doctor for the first time, make sure they bring a form with them to collect the necessary information. For example, a Work Ability Form should request information about medical restrictions on the job and at home. If an employee is restricted from doing activities on the job, they should have those same limitations in the non-work setting also.

Barbara Galluppi, CPCU, Area Senior Vice President, Arthur J. Gallagher, indicates that "her consultants have been successful in reducing claim costs for contractors by assuring the upfront claim investigations determine whether a claim is compensable. This can include inquiry into the claimant's baseline medical condition prior to the injury." Galluppi explains that, "while it is true in most jurisdictions that the employer is responsible for an aggravation to a pre-existing condition, unless that condition is verified through prior medical

records, it is impossible to determine exactly how much is an aggravation and how much existed prior to the injury."

An employer should follow-up with an injured employee in weekly meetings at the company. Typically, it is the medical director, company nurse or human resource director who meets with the employee. These meetings should emphasize how the employee is feeling, whether they are progressing and whether there are any obstacles to them returning to work at full capacity when the doctor has specified.

One way to make all of this easy is to use WorkersCompKit.com, which includes all the tools an agent or broker needs to help their

clients reduce workers' comp costs. The kit includes a Best Practice Assessment, Benchmarking Calculators, Lost Time Calculator, and a 10-Module Improvement Plan, which has documents your clients can customize, such as the Work Ability Form and Employee Brochure. Or, you can customize these tools for your clients. It's online, easy to use and walks you through the cost containment process step-by-step. Live Help is available to get you started.

### Fighting abuse

To combat abuse of the workers' compensation system, make sure to have frequent contact and communication with every injured employee. If an employee is not available for weekly meetings, misses medical appointments or is always unavailable by phone, it may be an indicator that the injury is not as severe as indicated. Make sure to let the claims adjuster know about your instincts and the red flags you observe. He/she may want to use an undercover investigator to determine the severity of the injury in order to observe the employee's physical limitations. Some insurance companies have Fraud Hotlines. Make sure you, as the agent, know about all services the underwriter

offers so your clients can take advantage of them.

Periodically, provide your clients with "Repeater Reports" to determine if there are any employees who are repeatedly injured on the job at their worksites. This may be an indication that the employee is not physically able to safely perform the functions of the job to which they are assigned. Or, it may mean that the employee is working the system and trying to get benefits to which they are not entitled. In either case, work with your legal and human resources departments to make sure only legitimate injuries are paid. Checks for indemnity benefits should have an "endorsement statement" on the back of each check indicating direction above the signature line that endorsing the check for benefits to which they are not entitled is fraud and can be punishable by law.

"While there are several innovative ways to reduce workers' compensation costs, group captives remain a popular strategy. Not only does it allow a safe contractor the ability to earn back over 60% of their premiums, the contractor can include their general liability and automobile exposure as well," says John Simios, ARM, AAI, Division Vice President of Gallagher Captive Services. "A hidden benefit within captives," Simios points out, "stems from the networking among captive participants. For example, a contractor in New Jersey can brainstorm with a similar contractor in Minnesota, California and Texas, regarding a claim situation or safety idea."

### Reference

ACOEM. Occupational Medicine Practice Guidelines, Second Edition. Beverly Farms, Massachusetts:OEM Press. 2004.

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***About the Author:** Rebecca Shafer is an attorney and a risk consultant specializing in the field of cost containment. After 20 years in the industry, she recently developed the Workers' Compensation Injury Management Tool Kit™, an online service located at [www.WorkersCompKit.com](http://www.WorkersCompKit.com), designed to help companies of all sizes manage their workers compensation costs. Her clients typically reduce their workers comp costs by 20-50%. She can be reached at [Info@WorkersCompKit.com](mailto:Info@WorkersCompKit.com)*