



● WORKERS' COMP

Facing an Internal Affair

Proper sleuthing can dig up a wealth of inefficiencies in a workers' compensation program. Here is a guide for what to look for.

BY REBECCA A. SHAFER

As companies reposition themselves to be more competitive in today's marketplace, they strive to eliminate unnecessary costs. And—surprise!—workers' compensation is fertile ground for cutting yet more costs.

By thoroughly assessing your company's program, you can find areas that deserve trimming, or even wholesale reform. But be warned: Never skip the assessment stage and try to fix problems before you understand the root causes.

While some external factors such as state laws, which may allow employees to select their own physicians or allow plaintiffs' attorneys to be paid by

contingency fees, may increase the costs of a comp program, make no mistake about it, internal factors and the lack of appropriate management systems within the company, for example, are responsible for most of the costs.

Thus, a company that has no return-to-work program, nor the personnel to coordinate a transitional-duty program, nor brochures communicating the program to the employees, will incur higher workers' comp costs than one that does.

These higher costs will come from claims that last longer than necessary and where the length of

time out of work is disproportionate to the severity of the injury.

Worse yet, some companies often target the wrong area because they don't understand how all the pieces of their program fit together. They implement solutions based on assumptions instead of facts.

At one company I worked with, the chief financial officer thought the third-party administrator was using nurse case management too frequently and that it was too expensive. When a physician reviewed a sampling of claims, however, he found that the nurse case management was used *too late* in the claims process to have an impact. The CFO ended up hiring the physician to review all claims where an employee was losing time from work.

THE SEARCH FOR FACTS

For more advice on how to cut your workers' comp claims costs up to 60 percent, take the first step and hunt down a few facts.

Visit the insurer's or third-party administrator's claims office nearest you. Take a moment to understand how the claims office is set up, how many claims each adjuster has, and whether supervisors manage claims themselves or just supervise the management of claims. If the caseload is unrealistically high, adjusters won't be able to spend sufficient time on each claim—go figure.

Dig beneath the surface. When I was called in to evaluate claims-handling for a major manufacturer, for example, I discovered that the lost-time adjuster had more than 200 claims.

However, when I toured the claims office, I found that this adjuster had a full-time administrative assistant to help with routine tasks delegated by the adjuster.

The supervisor of the unit did not have a caseload, which was also very good because it allowed him to review each claim as it came into the office, making recommendations to the adjuster on initial intake. So while a caseload of 200 sounds outrageously high, review the situation in its entirety.

To prepare for your visit, do your homework and gather all the literature from the claims administrator. Have all sales brochures sent to you in advance and review the response to the request for proposal. Familiarize yourself with all the capabilities described in the brochures and the proposal; learn each service's name and find out how much it costs.

For example, is the nurse case manager a *telephonic* nurse case manager or a *field-based* nurse case manager who will attend medical visits with the injured employees? Is the case manager an RN, an LPN or a nonlicensed person with internal medical training?

The claims vice president at your brokerage firm should review whether account instructions and industry best practices are being met. Your broker can find out how often the adjuster reviews each worker's file, whether the supervisor is reviewing the files, whether medical restrictions are being obtained if there is a return-to-work program, and whether adjusters are actively pursuing all subrogation.

The doctor should review whether employees are getting the proper medical care, and whether doctors are undertreating or overtreating, and whether the independent medical exam cover letters specify why such an exam is being requested.

Use equalized data, such as cost per full-time equivalent and the return-to-work ratio. Cost per full-time equivalent offers a comparison of your company's divisions regardless of how many employees work full time or part time. The return-to-work ratio tells you what percentage of employees return to work quickly after the accident. Ideally, 95 percent of injured employees should return to work within the first four days after an accident.

THE MOST IMPORTANT PART OF THE ASSESSMENT IS TO VISIT YOUR OWN OPERATIONS! IT SOUNDS ALMOST TOO BASIC TO PUT IN WRITING; HOWEVER, THE NUMBER OF PEOPLE HANDLING WORK-RELATED INJURIES WHO HAVE NEVER VISITED ONE OF THEIR COMPANY'S OPERATIONS ASTOUNDS ME, AND THUS THEY HAVE NO IDEA WHAT THE WORKERS REALLY DO.

—Rebecca A. Shafer



Next, review internal policies and procedures, either through telephone interviews or on-site interviews. Each person in your company involved with managing workplace injuries should be interviewed to determine how workers' comp management

works. This can include the medical director, human resources director, safety-committee members, regional vice presidents, director of labor relations, corporate counsel, and perhaps a supervisor and injured worker. Look for gaps in current

processes. Besides key people in your own company, interview the account executive at your claims-adjusting company and the vice president of claims at your broker.

The claims office supervisor and adjusters also should offer valuable

insights. The adjuster and broker are "on the ground" with the claims and thus are probably aware of reasons why your claims last forever and cost too much.

In the medical department, determine the role of the medical director. Does the medical director treat employees or only monitor their progress? Find out if the medical director speaks with the treating physicians about an employee's progress. Do they discuss potential transitional-duty jobs? Does the medical director review the independent medical exams for all claims? Ideally, the medical director should review all claims where an employee is losing time from work, where an independent medical exam is required or when there are injuries in which the complaints of pain far exceed the mechanism of the injury.

From the safety department, find out what data they review and how often they meet with senior management.

Physically reviewing documentation will help you see how policy and practice differ. During each interview with corporate personnel, request copies of any policy or procedure that relates to workers' comp. Ask for the injury-treatment form, post-injury process, employee witness statements and other forms. Understand what steps occur when workers are injured. Who do they notify? How do they get to the doctor? Are they required to bring any documents to the doctor? If they cannot drive, how do they get home?

The most important part of the assessment is to *visit your own operations!* It sounds almost too basic to put in writing. Yet I am astounded by the number of people handling work-related injuries who have never visited one of their company's operations. They have no idea what the workers really do, can't answer detailed questions from the adjuster and can't structure potential modified-duty tasks. If your company is a manufacturing operation, visit a plant. If you are an airline, go out to the hubs and tour each part of the operation. See how injuries are handled in each department.

A thorough, impartial assessment is an indispensable part of improving quality. Focus on which elements of a complete workers' comp management program already exist and whether they are effective. With that understanding, you can then fix any ineffective components and fill in the missing ones.

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