The 5 Critical Metrics To Measure Workers' Comp Success

The path to workers' compensation mastery is proven and well worn. One of the most critical elements to understand where you are in the path, and how far you've come, is to measure your workers' compensation program.

THE KEY TO USING METRICS:

Knowing what metrics to use and how to calculate these metrics is only a small percentage of the value. The key to using metrics is the ability to tell a story.

- ☑ *The key to using metrics is the ability to tell a story.*
- ☑ *If YOU are not tracking workers' compensation metrics and calling attention to the impact and meaning for your organization, then no one is.*

Metric #1: Cost Per FTE

One of the most powerful and impactful metrics is Cost Per Full Time Equivalent Employee. This metric will allow you to tell a meaningful story in a snapshot. The formula is:

$$\frac{\text{Incurred Losses x 2,000}}{\text{Man-Hours}}$$

Give Meaning to FTE Calculation

Using the above formula to calculate your cost per FTE only becomes valuable with a basis for comparison and tracking. Use your cost per FTE for the following:

1. Compare to your industry in annual RIMS Benchmark Survey.
2. Compare to your own company by period to track improvement and savings to date.
3. Create and publish an internal worst to best list by division to create competition and peer pressure.

Metric #2: Sales to Pay for Accidents

The sales to pay for accidents metric is designed for one main reason: to compare workers' compensation costs to something meaningful at your organization. The formula is:

$$\frac{\text{Incurred Losses}}{\text{Profit Margin}}$$

***Example:** Acme Corporation*

- **Incurred Losses = $1 m**
- **Profit Margin = 5%**

$$\frac{\$1{,}000{,}000}{.05}$$

= *Acme Corporation needs to sell $20,000,000 in revenue to cover workers' compensation costs.*

- How many widgets do you have to sell to get to $20m?
- Compare this number to something meaningful at your company, examples include:
  - Cost of employees
  - Cost of mac hinery / cost of equipment
  - Be creative

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Metric #3: Lag Time

One of the most common and easiest reports to track from your claims handler is your Lag Time Report. This report tells you how quickly, on average, employees report their injuries. This number can range between 1 – 15 days or greater.

In 2000 Hartford Insurance published a lag-time study based on 53,000 permanent partial and temporary claims. The results show how much more expensive claims become as each week passes compared to those reported in the first week:

- Reported within 2 weeks were 18% more expensive than within one week.
- Reported within 3 weeks were 29% more expensive than within one week.
- Reported within 4 weeks were 31% more expensive than within one week.
- Reported within 5 weeks were 45% more expensive than within one week.

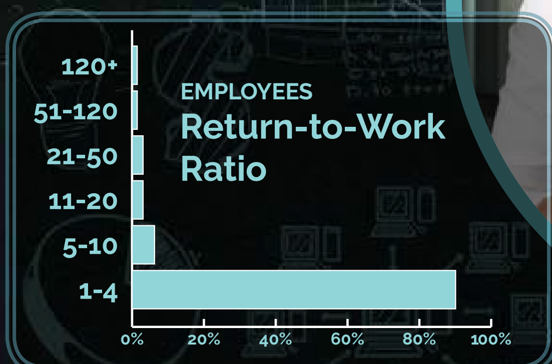
Track this number by period and division, along with the Cost Per FTE.

Metric #4: Return-to-Work Ratio

The Return to Work ratios is the ratio of employees that return to work following an injury within 0-4 days. The goal for your program should be > than 90% of your employees return to work in 0-4 days. Best-in-class programs will have at return to work ratios > 95%.

To track this ratio below, compare the injury date to the date the employee returned to work.

Your first goal is to get one employee back to work just one day sooner, the build on this success to create momentum toward positive change.



Metric #5: Number of Employees Out of Work Right Now

This metric is very simple, yet very powerful. How many employees are out of work at your organization right now? If you do not know how many employees are out of work, how are you going to get them back to work?

The key to using metrics is the ability to tell a story.

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