

# Table of Contents

|  |           |
|--|-----------|
| <b>Part I BONUS CHAPTER An Introduction to Workers Comp Cost Reduction .....</b>           | <b>1</b>  |
| About the Book.....  | 1         |
| Reasons Workers Compensation Cost are High .....   | 1         |
| It's not a "quick fix." It's a comprehensive fix!.....                                     | 2         |
| Step-By-Step Process .....   | 4         |
| <br>   |           |
| <b>Phase 1: Assessment and Recommendation .....</b>  | <b>5</b>  |
| Step 1: Assemble Project Team .....  | 5         |
| Step 2: Select Team Lead.....  | 6         |
| Step 3: Get Your Workers Compensation Score .....  | 7         |
| Step 4: Recommendation Review .....  | 8         |
| Step 5: Analyze Benchmarks and Develop Program Goals.....                                  | 9         |
| Step 6: Use Weekly Timetable .....   | 9         |
| Step 7: Determine Program Name .....   | 9         |
| Step 8: Select Injury Coordinator.....   | 10        |
| Step 9: Schedule Diagnostic File Review .....  | 10        |
| <br>   |           |
| <b>Phase 2: Design and Development.....</b>  | <b>11</b> |
| Step 10: Design Forms and Procedures.....  | 11        |
| <br>   |           |
| <b>Phase 3: Training and Implementation.....</b>   | <b>12</b> |
| Step 11: Program Awareness.....  | 12        |
| Step 12: Training.....   | 13        |
| Step 13: Implementation ("Go-Live") .....  | 13        |
| <br>   |           |
| <b>Phase 4: Monitoring and Managing .....</b>  | <b>14</b> |
| Step 14: Monitoring and Managing the Program .....   | 14        |
| <br>   |           |
| <b>Sample Document Pages .....</b>   | <b>16</b> |
| Kick-Off Letter to Divisions .....   | 16        |
| Letter to Divisions Providing Assessment Results<br>and Invitation to Conference Call..... | 17        |
| Rollout Letter.....  | 18        |
| Injury Coordinator Job Description. ....   | 19        |
| Workers Compensation Implementation Timetable .....  | 20        |
| Facilitator's Agenda for Injury Management Training.....                                   | 21        |

## **Part II How to Manage Your Workers Compensation Program**

|  |           |
|--|-----------|
| <b>Chapter 1: Workers Compensation Basics .....</b>                | <b>25</b> |
| Purpose of Workers Compensation.....                               | 25        |
| Who Pays for Workers Compensation?.....                            | 25        |
| Parties Involved in Workers Compensation.....                      | 26        |
| Benefits for the Employer.....                                     | 27        |
| Independent Contractors.....                                       | 28        |
| Benefits for the Employee .....                                    | 29        |
| Injuries Covered.....  | 31        |
| Types of Workers Compensation .....                                | 32        |
| How Losses are Categorized .....                                   | 33        |
| How Losses are Reported.....                                       | 35        |
| Calculating Your Premium.....                                      | 36        |
| How Mod Effects Your Premium.....                                  | 36        |
| Good/Bad Mod Example .....   | 37        |
| Five Ways to Reduce Your Mod.....                                  | 37        |
| <b>Chapter 2: Fundamentals of Cost Containment .....</b>           | <b>39</b> |
| Reasons Workers Compensation Costs are High.....                   | 39        |
| Who is in Charge?.....   | 39        |
| Work Ability Form Properties.....                                  | 40        |
| Who is Responsible for Managing Workers Compensation Claims? ..... | 41        |
| Who is Responsible for Managing Workers Compensation Process?..... | 41        |
| Hidden (Indirect) Costs of Workers Compensation.....               | 41        |
| Additional Costs .....   | 42        |
| Calculating WC Costs .....   | 42        |
| External Obstacles to Cost Control.....                            | 43        |
| Internal Obstacles to Cost Control.....                            | 44        |
| <b>Chapter 3: Working with Your Adjusters or TPA .....</b>         | <b>45</b> |
| What is an Insurance Adjuster?.....                                | 45        |
| What is a TPA? .....   | 45        |
| Claims Adjusters .....   | 45        |
| Bundled and Unbundled Services .....                               | 46        |
| Deductible vs Control .....  | 46        |
| Learning About Your Claim Partners .....                           | 46        |
| Meeting with Your Claims Handler .....                             | 47        |
| Reviewing Open Claims with the TPA .....                           | 47        |
| Account Handling Instructions .....                                | 47        |
| Vendor Day .....   | 48        |
| File Reviews and File Audits Introduction .....                    | 49        |
| File Review Procedures .....                                       | 49        |
| File Audit Procedures .....  | 50        |
| File Audit Participants.....                                       | 50        |
| MD Participation.....  | 51        |
| <b>Chapter 4: Injury Management Best Practices</b>                 |           |
| <b>Roles and Responsibilities.....</b>                             | <b>53</b> |
| Injury Coordinator Best Practices .....                            | 53        |
| Supervisor Best Practices .....                                    | 59        |

|  |           |
|--|-----------|
| Employee Best Practices.....                                 | 62        |
| Middle Manager Best Practices.....                           | 63        |
| Risk Manager Best Practices .....                            | 64        |
| Medical Department and Medical Director Best Practices ..... | 65        |
| Senior Management Best Practices .....                       | 66        |
| Legal Department Best Practices .....                        | 67        |
| <b>Chapter 5: Communication with Employees.....</b>          | <b>69</b> |
| Proactive Communication.....                                 | 69        |
| Reactive Communication.....                                  | 69        |
| Keep Complete Records .....                                  | 69        |
| Two Types of Communication .....                             | 69        |
| Employee Brochure.....                                       | 70        |
| Meeting with Your Employee.....                              | 71        |
| First Day Phone Call .....                                   | 71        |
| Weekly Contact.....  | 72        |
| Weekly Meeting Guidelines .....                              | 72        |
| Scheduling Weekly Meetings .....                             | 72        |
| <b>Chapter 6: Reporting a Claim.....</b>                     | <b>73</b> |
| Immediately Report All Losses .....                          | 73        |
| Critical Issues.....   | 73        |
| Reporting Procedure .....                                    | 73        |
| Intake Procedures .....                                      | 74        |
| Essential Intake Considerations .....                        | 74        |
| Nurse Triage .....   | 75        |
| Employer's First Report of Injury .....                      | 76        |
| <b>Chapter 7: Post-Injury Response Procedure .....</b>       | <b>79</b> |
| Post-Injury Response Procedure Guidelines .....              | 79        |
| Benefits of a Consistent Post-Injury Response.....           | 79        |
| Post-Injury Response Procedure Worksheet.....                | 79        |
| Implementing Post-Injury Response on the Road.....           | 80        |
| Sample Post-Injury Response Procedure.....                   | 81        |
| Summary Steps and Format.....                                | 84        |
| <b>Chapter 8: Directing Medical Care .....</b>               | <b>87</b> |
| Gain Cooperation from Medical Providers .....                | 87        |
| Types of Doctors .....                                       | 88        |
| Occupational Health Clinics.....                             | 88        |
| Remote Health Services.....                                  | 89        |
| Methods of Doctor Selection .....                            | 90        |
| If the Employer Can Direct Care.....                         | 90        |
| Ten Considerations for Your Company Doctor .....             | 91        |
| Eleven Reasons NOT to Select a Doctor.....                   | 91        |
| The PRIMARY Treating Physician (PTP) .....                   | 92        |
| Understand the PTP's Perspective.....                        | 92        |
| Information You Need from the Doctor .....                   | 93        |
| Understanding KEY Medical Injury Terms .....                 | 93        |
| Directing Medical Care in California .....                   | 94        |

|  |            |
|--|------------|
| <b>Chapter 9: Return to Work.....</b>                              | <b>97</b>  |
| Transitional Duty Policy Overview .....                            | 98         |
| Benefits.....  | 98         |
| Drafting a Transitional Duty Policy.....                           | 98         |
| What to Include in a Transitional Duty Policy.....                 | 99         |
| Characteristics of Transitional Duty Assignments.....              | 100        |
| Estimating the Duration of an Injury .....                         | 101        |
| Types of Transitional Duty .....                                   | 102        |
| Transitional Duty Tips.....  | 103        |
| Putting Return-to-Work into Action .....                           | 104        |
| Alternative Off-Site Jobs.....                                     | 104        |
| Non-Profit, Volunteer or Charitable Positions .....                | 104        |
| Employees Who Never Return to Work .....                           | 104        |
| Americans with Disabilities Act Issues.....                        | 105        |
| Coordinating WC with Federal and State Leave Statutes .....        | 106        |
| Workers Compensation, ADA, and FMLA Interactions .....             | 107        |
| Case Study .....   | 109        |
| <b>Chapter 10: Other Indemnity Cost Containment Services .....</b> | <b>111</b> |
| Work Hardening .....   | 111        |
| Independent Medical Evaluations (IME) .....                        | 112        |
| Timeframes for Scheduling and Obtaining IME .....                  | 112        |
| Functional Capacity Evaluations (FCE) .....                        | 113        |
| Vocational Rehabilitation.....                                     | 114        |
| Managing the Vocational Rehabilitation Process.....                | 114        |
| Retraining Programs .....  | 115        |
| Telephonic Disability Intervention .....                           | 115        |
| <b>Chapter 11: Medical Cost Containment.....</b>                   | <b>117</b> |
| Medical Cost Containment Services.....                             | 117        |
| URAC Certification .....   | 117        |
| Preferred Provider Organizations .....                             | 118        |
| Telephonic Nurse Case Management (NCM).....                        | 119        |
| Field Case Management (FCM) .....                                  | 120        |
| Mental Health RNs .....  | 121        |
| Chronic Pain Programs .....  | 121        |
| An Aging Workforce .....   | 121        |
| Peer Review/Utilization Review (UR) .....                          | 122        |
| Medical Advisors and Medical Directors .....                       | 123        |
| Independent Medical Evaluation (IME) .....                         | 124        |
| Durable Medical Equipment (DME) .....                              | 125        |
| At Home Recovery Services.....                                     | 125        |
| Medical Bill Review Services.....                                  | 126        |
| Medical Fee Schedules .....  | 126        |
| Fee Schedule Coding.....   | 127        |
| ICD-9 and CPT Codes .....  | 128        |

|   |            |
|---|------------|
| <b>Chapter 12: Physical Therapy and Physical Rehabilitation .....</b> | <b>129</b> |
| What is Physical Therapy.....   | 129        |
| What is Physical Rehabilitation .....                                 | 129        |
| Differences between Physical Rehabilitation Programs.....             | 130        |
| Physical Rehabilitation Networks.....                                 | 130        |
| Physical Rehabilitation Specialties .....                             | 130        |
| Determining Rehabilitation Needs .....                                | 131        |
| Physical Rehabilitation Facilities.....                               | 132        |
| Measuring Physical Rehabilitation Outcomes.....                       | 133        |
| Physical Therapy and/or Occupational Therapy .....                    | 134        |
| Determining Physical Therapy Needs.....                               | 135        |
| Physical Therapy Settings.....  | 137        |
| Physical Therapy Cost .....   | 138        |
| <b>Chapter 13: Pharmacy Benefits Management Program .....</b>         | <b>139</b> |
| Pharmacy Benefits Managers .....                                      | 139        |
| Authorized Drug Formulary .....                                       | 139        |
| Why Use Pharmacy Benefits Management .....                            | 139        |
| Reviewing Your Program.....   | 140        |
| Key Service Points for a PBM .....                                    | 141        |
| Have Prospective and Retrospective Components.....                    | 142        |
| Prescription Monitoring Programs .....                                | 143        |
| Toxicology Screening .....  | 143        |
| Implementing the Program .....  | 144        |
| <b>Chapter 14: Fighting Fraud and Abuse .....</b>                     | <b>145</b> |
| When to Investigate a Claim.....                                      | 145        |
| Types of Investigation .....  | 146        |
| When Does a Claim Raise Red Flags? .....                              | 147        |
| Medical Terminology Used to Identify Malingering .....                | 148        |
| Important Times to Use Surveillance .....                             | 149        |
| How to Use the Results.....   | 149        |
| When Not to Use Investigation .....                                   | 150        |
| Reviewing Investigation Reports and Videos.....                       | 150        |
| Avoid "Good Day/Bad Day" Syndrome .....                               | 150        |
| Additional Fraud Controls .....                                       | 151        |
| <b>Chapter 15: Training and Building Commitment .....</b>             | <b>153</b> |
| Key Training Responsibilities .....                                   | 153        |
| Management Awareness.....   | 154        |
| Presenting to Supervisors .....                                       | 154        |
| Conflicting Role of Supervisors .....                                 | 155        |
| Supervisors Must Be Involved .....                                    | 155        |
| Develop Supervisor Guide.....   | 155        |
| Building on Success.....  | 156        |
| Consider Use of Tools.....  | 156        |
| Bringing Employees on Board .....                                     | 157        |
| Your Company Message .....  | 157        |
| <b>Chapter 16: Claims Resolution and Settlements .....</b>            | <b>159</b> |

|   |            |
|---|------------|
| Knowing When and How to Settle a Workers Compensation Claim .....   | 159        |
| Disability Rating .....   | 159        |
| Jurisdictional Issues .....   | 159        |
| Include Future Medical in the Settlement.....                       | 160        |
| Determining the Disability Rating/Permanency Rating.....            | 161        |
| Challenging Impairment Ratings.....                                 | 162        |
| Medical Issues .....  | 163        |
| Disputed Issues.....  | 163        |
| Offsets and Deductions .....  | 164        |
| Prior Injury Offsets.....   | 165        |
| Subrogation.....  | 165        |
| Pre-existing Conditions and Second Injury Funds .....               | 165        |
| Availability of Future Employment in the Marketplace.....           | 166        |
| Voluntary Resignations .....  | 166        |
| Strengths and Weaknesses of Both Sides.....                         | 166        |
| Negotiations .....  | 166        |
| Waivers and Releases .....  | 167        |
| Include Medicare in Release .....                                   | 168        |
| Medicare Set-Asides .....   | 168        |
| Conditional Payment and Final Demand .....                          | 169        |
| Pharmacy Component of MSA .....                                     | 169        |
| Structured Settlements and Annuities .....                          | 170        |
| California Settlement Process .....                                 | 171        |
| <b>Chapter 17: Safety and Loss Control .....</b>                    | <b>173</b> |
| How to Develop an Effective Safety Program.....                     | 173        |
| Initial Assessment .....  | 174        |
| Goals .....   | 174        |
| Assignment of Roles and Responsibilities .....                      | 174        |
| Safety Program Documentation/Injury and Illness Recordkeeping ..... | 174        |
| OSHA Record Keeping for Work-Related Injuries .....                 | 175        |
| Select Safety Committee, Chairman, and Recording Secretary.....     | 176        |
| Safety Committee Responsibilities .....                             | 176        |
| Safety Committee Meetings .....                                     | 176        |
| Communication Methods.....  | 177        |
| Conduct a Thorough Workplace Assessment.....                        | 177        |
| Hazard Correction/Safety Work Order Tracking System.....            | 177        |
| Develop Written Policies, Procedures and Programs .....             | 178        |
| Accident Investigation Program.....                                 | 178        |
| Education and Training for Employees, Supervisors and Managers..... | 179        |
| Who Receives Training? .....  | 179        |
| Safety Equipment Required Signs.....                                | 179        |
| Safety Awareness Posters .....                                      | 180        |
| Safe Days Posters.....  | 180        |
| Safety Recognition and Incentive Programs.....                      | 181        |
| <b>Appendix A: Documents Referenced In Book .....</b>               | <b>183</b> |