



## NSM Insurance Group's Social Services & Behavioral Healthcare Practice

### "Don't Be a Victim"

#### 10 Proven Strategies to Control Workers' Compensation Costs

By Sean Conaboy, MSW, MPA

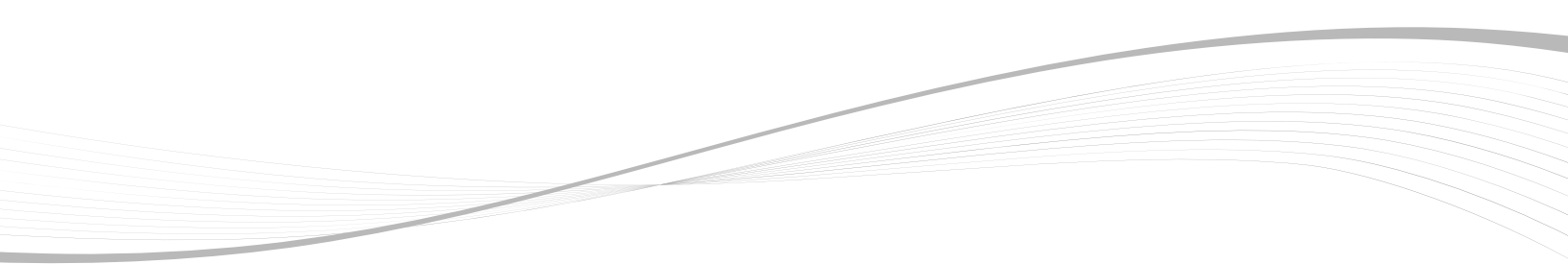
Workers' compensation coverage has quickly become the costliest coverage for many Treatment Providers. Due to a "hardening" of the market & many workers' comp carriers exiting the marketplace, premiums are at an all-time high. The escalating medical costs and the loss of time at work associated with employee injuries make it challenging for programs to predict workers' comp costs. Many program administrators simply do not realize the level of control they can actually have on the variables that drive costs.

NSM typically outlines a program for clients, consisting of ten proven methods to control workers' compensation costs. We call it managing risks because it offers a clear path to control costs using three types of strategies: prevention, management and financing. A distinct advantage of this program is that any company can implement the strategies without hiring a consultant or making a large financial investment. The real investment is a long-term commitment.

#### The Strategies

- 1. Create a safety culture focused on accountability from the top-down to establish the driving force behind controlling your costs.** This is the catalyst for any successful loss control program. Your leadership team must set the tone for a culture that emphasizes safety by exemplifying the standards to which you expect all your employees to adhere. When management leads by example, employees will also exhibit these "normal" behaviors.
- 2. Educate your employees on the factors that influence the company's Experience Modification Factor.** Your experience mod is the number that insurance companies use to determine your premium. Share your mod, as well as the common causes, costs and impacts of an injury, with your employees. This builds awareness and you will likely see a difference in your employees' behaviors and their individual commitment to helping the company.
- 3. Establish effective hiring and orientation procedures to reduce accidents caused by new hires.** Studies indicate that more than 40% of workplace injuries occur within the injured employee's first year of employment. You can control this number by adhering to policies such as requiring pre-employment physicals that include drug and alcohol tests; providing detailed job descriptions to new hires; offering training and mentoring with "ideal" employees; and requiring safety orientation tests.

- 4. Designate a Workers Compensation Coordinator.** Developing these strategies and documenting them is important, but implementing and following through is vital. Your coordinator should be someone within your current leadership team who fully endorses your company's philosophy.
- 5. Develop a system to actively manage claims to ensure proper reporting and filing.** Both the frequency and the severity of claims impact your costs, so each claim should be proactively managed to minimize its impact. At a minimum, you should conduct quarterly claims reviews which include status reports and action items for all claims. You should also actively work with your Risk Advisor and claims adjuster to mitigate the cost of claims.
- 6. Conduct thorough accident investigations.** Aside from satisfying regulatory requirements, thoroughly investigating the cause of each accident will allow you to prevent recurrences. Your claims coordinator and/or supervisors should be the first contact upon an accident. Establishing accident review teams, that include members from management, is also effective in ensuring compliance and that corrective action is taken. This review team should also research the legitimacy of claims to protect your company from fraud.
- 7. Establish an effective Early- Return-To-Work program.** Getting an employee back to work after he or she has had an accident can be paramount in controlling your overall costs. A claim with lost work time impacts your costs considerably more than a medical-only claim. Utilize a modified duties plan and explain your program to physicians and clinics. A qualified Risk Advisor can assist you with developing a successful return-to-work program. This program will have a tremendous impact on your company's safety culture as well.
- 8. Implement an incentive program.** Although sharing the impact of your costs with employees and mandating policies is effective in creating a safety culture, most employees respond to incentives for safe behaviors. Many organizations use company-wide challenges that offer incentives for no lost-time injuries within a certain time period or for meeting accident frequency goals. You will find that employees will make an effort not to be the individual who prevents the team from meeting the goal.
- 9. Conduct thorough audit verifications.** Many experience mods are incorrect as a result of clerical errors. These errors are often found in payroll classifications. Each classification is associated with a different rate, so be sure that each of your employees are properly designated. There are additional auditing activities that your risk advisor should complete on annual basis.
- 10. Establish systems and procedures to lower the medical costs associated with each claim.** Many companies require that injured employees use a preferred physicians and/or occupational health clinics. These providers are trained in occupational injuries and often have unique treatment practices that



minimize costs and work with employers to help their employees return to work as soon as possible. Promoting wellness in your company is also critical to the success in this strategy.

At NSM, we find that Workers' Compensation costs are most successfully managed when a strategy is integrated with a company's unique dynamics and specific needs. We recommend that companies identify, develop and implement the strategies that will have the most impact on their bottom line, rather than attempting to simultaneously implement all ten.

After making a commitment to the implementing these strategies, the next step to achieving your goals is finding a partner to help you create a plan that fits your unique environment and needs. Working with an insurance broker experienced in risk management with expertise in your industry will be critical to the success of your program.

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*Sean Conaboy is a Licensed Property/Casualty Broker specializing in the Design of Insurance and Risk Management programs exclusively for Addiction Treatment & Behavioral Healthcare Providers. He works with NSM Insurance Group's Private Equity and Corporate Acquisitions Services.*