Workers' Comp & Safety News

PETRA
RISK SOLUTIONS
The Art
of Hospitality

Hospitality Insurance Specialist:

- ***Custom Tailored Insurance Programs***
- ***Loss Control and Risk Management***
- ***Safety Compliance and Training***

13950 Cerritos Corporate Drive, Suite A • Cerritos, CA 90703
800-466-8951 • 800-494-6829 fax
www.petrarisksolutions.com • Lic# 0817715

Claims Management October/November 2015 Volume 13 • Number 5

Two Techniques for Managing Claim Costs

Utilization reviews have saved companies around the country billions of dollars in workers' compensation costs since California mandated utilization review in 2004. Other techniques, such as using a specialized workers' compensation medical care network, can also work. Here's a brief overview.

Utilization Review

Utilization review is designed to bring greater efficiency to the recovery process and help injured workers return to health more quickly. It ensures that treatments are administered within established scientific guidelines — usually those compiled by The American College of Occupational and Environmental Medicine (ACOEM).

The California legislation, since adopted by many other states, requires every employer to establish a utilization review process. This is

continued on next page

Risk Note

Workplace safety has a gender gap. According to recent data from the Bureau of Labor Statistics, the number of fatal work injuries among women rose 12.5 percent in 2014. Still, only 8 percent of all fatal occupational injuries involved women. As in prior years, men accounted for 92 percent of all fatal occupational injuries.

Why is that? First, many of the most dangerous occupations, including roofing and construction, are dominated by men. Women who work in those industries often work in clerical or other less risky positions.

Men also account for more traffic fatalities. The Bu-

continued on next page

defined as the ability to prospectively, retrospectively or concurrently review, approve, modify, delay or deny medical treatment based in whole or in part on medical necessity to cure and relieve work-related illness and injury.

Studies have shown that UR effectively tames workers' compensation costs. A report prepared by the California Workers Compensation Institute on the impact of reform legislation shows that in five of six types of services, utilization review resulted in fewer visits and lower amounts paid per claim.

But Jay Garrard, vice president of Pasadena, California-based medical management company GSG Associates, warns that not all URs are created equal. Differences in approach by the client and the medical management company can cause a huge disparity in results, he explains.

For instance, all utilization review providers use registered nurses to perform the original review. If they find discrepancies, they often refer the case to a consulting physician, who charges much higher rates. Instead, it's often cheaper and more effective for the nurse to contact the provider to discuss the reasons for the apparently inappropriate treatment. "It could be something as simple as the treating physicians not being familiar with the nomenclature," Garrard says. "If the plan makes sense or the nurse can negotiate, you don't have to send the case to a physician advisor so it's a lot cheaper."

Dr Paul Umoff, the medical director at GSG Associates, notes that taking a holistic approach to medical cost management pays off for both the employer and the injured worker. "You need to look at the big picture," he advises. "You have to look at outcomes and not each request for treatment."

Garrard recommends such a strategy even if it goes beyond the formal terms of utilization review and crosses the boundary to utilization management. "Utilization review asks whether the treatment matches the medical guidelines," he says. "Utilization management is a process that starts before treatment begins and is more hands-on."

Medical care networks

But other techniques also offer important cost efficiencies, according to a study in the *Journal of Occupational and Environmental Medicine.* Led by Dr. Edward J. Bernacki of Johns Hopkins University School of Medicine, Baltimore, the study found that in workers' compensation cases, using a specialized network of occupational healthcare providers to manage the treatment of injured workers—without third-party utilization review—can still reduce missed work days and health care costs.

The researchers looked at how injury management by a specialized network affected the care and outcomes of Louisiana workers' compensation claims. In the statewide network, called Omnet Gold, each phase of treatment was coordinated by an occupational medicine physician or other specialist with experience in treating workers' compensation patients and expert knowledge of the physical demands of work. These managing physicians could call in other network specialists and were free to make diagnostic and treatment decisions without utilization review.

The study found that claims managed by Omnet Gold averaged 53 missed work days, compared to 99 missed day for cases managed in the traditional way. Cost of care was also lower for claims managed in the network.

"Utilization review seems to have little impact on the behavior of experienced healthcare providers pre-selected for their ability to appropriately treat and manage workers' compensation cases," Dr. Bernacki said.

For more information on utilization review and how to effectively use it in your workers' compensation claims, please contact us.

reau of Labor Statistics reports that transportation accidents continued to lead the causes of workplace fatalities in 2014. Transportation injuries accounted for 40 percent of fatal workplace fatalities. The majority of these fatalities were caused on roadways involving motorized land vehicles.

Men tend to account for more driving-related accidents in general, whether work-related or not. Employers can help address this risk by providing driver safety courses and encouraging all employees to attend and by screening anyone who will drive on the job for their driver safety records. For more suggestions on improving safety, please contact us.

How Insurers Calculate Your Comp Rates

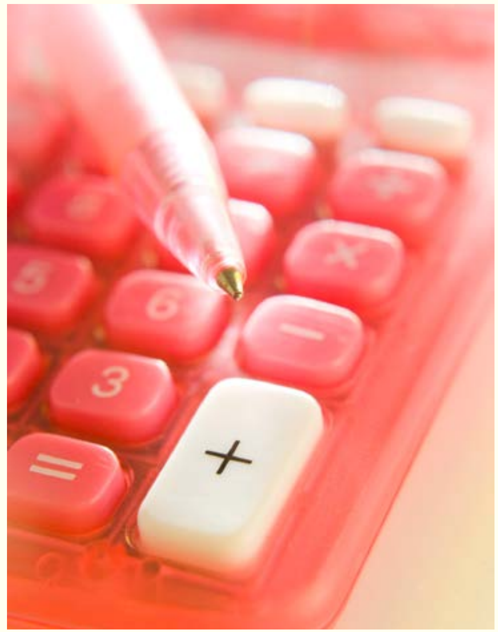
Although workers' compensation may seem complicated, only two factors affect your workers' compensation costs: your employees' job classifications and your experience modification factor.

Rating bureaus publish rates for hundreds of different job classifications, shown as rate per $100 of payroll. These rates are based on the relative hazards of each occupation. For example, it costs more per $100 of payroll to insure roofers than computer programmers, since roofers are more likely to experience severe on-the-job injuries. To avoid overpaying, you will want to review your company's occupational categories to make sure your employees haven't been misclassified.

You can't change your employees' job classifications: if an employee performs the duties of a roofer, then your insurer will classify him/her as a roofer. But you do have control over the other variable that affects your workers' compensation costs: your experience modification factor, often referred to as an ex-mod.

Stated simply, an ex-mod is a multiplier that relates to your claims experience. By multiplying the base rate for the applicable occupational class times your ex-mod, an insurer can reward or penalize you for your claims experience.

In most states, your premiums must exceed a certain minimum amount for the ex-mod to apply. If you do not pay enough in premiums, your organization will have a "minimum premium policy," in which ex-mods do not apply.



Insurance companies send information on employers' premiums and losses to the state's rating bureau. The rating bureau then calculates ex-mods based on the employer's paid claims and incurred losses for the "experience period," generally the three years prior to the last policy renewal date.

To calculate your ex-mod, expressed as a percentage, take your total actual losses for this period and divide by the total expected losses, or average losses by $100 of payroll per job classification. An employer with actual losses of $253,563 and expected losses of $352,051 would calculate the experience modification as follows:

$$\frac{253,563}{352,051} = 72\%$$

However, it's not as simple as all that. Not all losses are weighted equally. And rating bureaus use "weighting values" and "ballast values" to arrive at ex-mods that more accurately predict your company's losses.

Following is the actual formula for calculating an experience modification factor:

Actual Primary Losses	+ Ballast Value	+ Weighing Value X Actual Excess Losses	+ (1-Weighting Value) X Expected Excess Losses
Expected Primary Losses	+ Ballast Value	+ Weighing Value X Expected Excess Losses	+ (1-Weighting Value) X Expected Excess Losses

continued on next page

What do these terms mean?

- "Primary losses" are the first $5,000 of any loss; "excess losses" are all loss amounts over $5,000. Losses up to $5,000 are included in full. Losses in excess of $5,000 are included on a discounted basis. In practical terms, this means that smaller losses have a bigger relative impact on your ex-mod than larger ones do.
- The "ballast value" and "weighting value" attempt to correct for the size of the risk. In statistics, the larger the pool sampled, the more accurate the sample is. Calculating ex-mods works in the same way — the larger the payroll base, the more accurately you will be able to predict your losses.

The resulting experience modification factor is expressed in a number that generally ranges from .75 to 1.75. An experience modification of 1.00 indicates your losses reached the expected dollar amount. A number higher than 1.00 indicates that your risk of loss is greater than average, while an ex-mod of less than 1.00 indicates your risk is better than average. If you meet the minimum premium levels, you can control your workers' compensation costs by keeping your ex-mod low.

Keeping Ex-Mods Low

Keeping ex-mods low requires controlling workers' compensation claims. Focus on controlling the smaller, more frequent losses —they will impact your ex-mods more than less frequent, larger losses.

Next, you'll want to periodically review your payroll and claims information for accuracy. Make sure your payroll data is accurate and your ex-mod calculations include data from the proper years. And keep tabs on loss reserves — unused loss reserves affect your experience modification.

We can help you understand your experience modification factor and help you develop loss reduction strategies to lower your ex-mod, which will control your workers' compensation costs. For more information, please call our office.

Healthy Aging in the Workforce

The workforce is aging, so understanding the specific needs of older workers can help you keep them healthy and on the job. Here's what you should know.

Several years ago trend-spotters started talking about the "brain drain" that would occur when skilled Baby Boomers start to retire. More recently, the upheaval in financial markets and the recession have changed the picture: employees who planned to retire need to keep working to build up their nest eggs.

Almost 12 percent of the civilian workforce is 55+ years old, according to the Bureau of Labor Statistics (BLS). Since 2006 there has been a 26 percent increase in the number of workers 65 years and older. They represent a small

continued on next page

but growing percentage of the workforce, and by 2016, the bureau projects they will account for nearly five percent of workers.

Mature workers offer companies many advantages: experience, commitment and a strong work ethic. They tend to roll with the punches, and they can offer important perspectives to younger workers.

Older Workers = Safer Workers

The BLS reports that the incidence of injuries (per 10,000 hours of full-time work) is lowest among workers 65+. Additionally, older workers in relatively hazardous manufacturing and construction-related industries have a lower frequency of workers' comp claims than younger workers, according to the National Council of Compensation Insurers (NCCI).

Those statistics support the premise that older workers have more experience and are less likely to rush through work that requires attention to detail.

Higher Severity

However, the picture isn't entirely rosy for older workers.

When accidents occur, injuries are more likely to be severe. Medical expenses are more costly because older workers' injuries tend to be more extensive and take longer to heal. NCCI estimates that medical costs are 26 percent higher for workers 65+. If a 60-year-old woman falls and breaks her wrist, it may be due partially to osteoporosis that has weakened her bones. A 20-year-old might only strain her wrist in the same fall.

The extra days that are lost on medical leave also contribute to indemnity costs for lost wages. NCCI reports that average indemnity payments per claim begin to increase at age 45, but then decline somewhat after age 65 — probably because workers who continue to work after 65 have relatively low salaries. Additionally, older workers tend to want to get back to work.

Although individual comp claims can be significant, the total number of 65+ workers continues to be small enough that they are not a significant driver of comp costs — less than three percent of claims, according to NCCI.

Understanding Older Workers

Older workers have health and wellness needs that differ from younger employees.

Physical strength peaks between 20 and 30 years of age, so older workers who do physical activity are working closer to their maximum capacity. Reaction time declines with age; eyesight and hearing also diminish. However, according to the Department of Health & Human Services (DHHS), age is less a factor in physical health than other factors such as obesity, smoking, lack of exercise and diabetes.

Mental abilities also change as people age. Older workers have slower cognitive speed. According to DHHS, they retrieve information more slowly and learn more slowly. However, they are ultimately equally successful in learning new things and may have greater retention of new material.

Loss Prevention

Slip/trip/fall injures are the biggest risk to older workers, accounting for 47 percent of injuries, versus only 20 percent for all workers, according to BLS. Older workers are also more apt to have shoulder, arm and lower back injuries.

Employers should analyze jobs to make sure all employees, regardless of their age, are not continuously doing repetitive-motion activities and do not lift items that are too heavy for their specific strength. Tasks should be modified to prevent potential problems.

Employers should evaluate their lighting systems, ensure they have slip-resistant flooring and make sure their entrances, walkways and parking lots have smooth, non-slip surfaces that are well lit — basic loss control measures that will benefit all employees.

When training employees about new tools — whether it's new machinery or computer software — it is important to realize that older workers need a slower-paced class, while young workers may need a follow-up refresher.

Wellness programs for employees of all ages can also have a positive impact on the severity of workers' comp claims. A healthier employee generally recovers faster than one who is overweight and out of shape. Encourage employees to stop smoking, eat healthy foods and exercise regularly, including taking a walk at lunchtime. The fresh air will do them — and you — a world of good.

What Safety Regulations Apply to Your Business?

When it comes to workplace safety, ignorance is no defense. OSHA safety and health regulations often apply to all businesses, regardless of size.

If you're not sure of which regulations apply to your business, OSHA provides some resources. It has created a Web-based step-by-step guide to help small employers identify some of the regulations that might apply to them. You can find this OSHA Compliance Assistance Quick Start at https://www.osha.gov/dcsp/compliance_assistance/quickstarts/index.html.

OSHA also offers employers an on-site consultation service. Trained state government staff will visit your site and provide free advice. The service is completely separate from any enforcement programs that OSHA operates, and is entirely confidential. Sessions identify and uncover potential workplace hazards and are intended to help small business owners improve their workplace safety and health systems.

If that isn't sufficient incentive, then this might be — you could qualify for a one-year exemption from routine OSHA inspections if you participate! Find out more at https://www.osha.gov/dcsp/smallbusiness/consult.html.

Your insurance broker can also help you with compliance and safety issues. For more information, please contact us.

Workers' Comp & Safety News