

Controlling Workers' Compensation Costs

Ohio Bureau of Workers' Compensation

Ways to Reduce Workers' Compensation Costs

Mark Shearman – BWC Injury Management Supervisor

Ohio Bureau of Workers' Compensation

Ratemaking

The main question is ...

- How does BWC determine what an employer pays in premium?
 - BWC must collect enough money in premium to pay claims costs
 - Costs must be equitably divided among all employers

Ohio Bureau of Workers' Compensation

Claims Costs

- Medical Costs
- Indemnity (Compensation)
- Reserves

Controlling Workers' Compensation Costs

Max Value Claim

- Each employer is assigned a maximum value for each individual claim
- Based on employer size (determined by payroll)
- Prevents large claims from negatively impacting small employers
- Injured employee receives all benefits due
- Amounts over Max Value are a shared liability

Expected Claims Costs

- Amount of claims costs an employer is expected to have, based on business pursuit and payroll level
- This value is also a four-year figure, based on the same time period as the actual claims cost figure

BWC Ratemaking

- Once actual claims costs and expected claims costs are obtained, BWC uses that information to determine the rate that the employer will pay
- Note that the BWC is "revenue neutral" when it comes to ratemaking

Controlling Workers' Compensation Costs

Ohio Bureau of Workers' Compensation

Experience Rating

Credit-rated

- An employer has less claims cost than BWC would expect. The experience modifier (EM) is less than 1.00

Debit-rated

- An employer has more claims cost than BWC would expect. The EM is greater than 1.00

Ohio Bureau of Workers' Compensation

Experience Rating

There is a limit on credit rating

- A private employer (PA) can be no more than 53% credit-rated (EM = 0.47)
- A public employer (PEC) can be no more than 65% credit-rated (EM = 0.35)

There is no limit to debit rating (surcharge) for an employer

- The higher the surcharge, the higher the premium paid by an employer

Ohio Bureau of Workers' Compensation

Savings Through Discount Programs and Optional Rating Plans

- Group Rating
- Group & Individual Retrospective Rating
- Deductible Program
- Drug-Free Safety Program
- Safety Council Rebate
- Grow Ohio
- \$15K Program
- One Claim Program
- 100% Cap on EM Increase
- Self-Insurance
- Destination Excellence

See Program Compatibility chart

Controlling Workers' Compensation Costs

What is Destination: Excellence?

- It's a customizable BWC rating plan consisting of seven new and existing program options.
- Helps employers build a risk-management plan focused on:
 - Policy maintenance;
 - Prevention;
 - Return to work.

Policy Maintenance

Go-Green Discount

Purpose: Encourages employers to interact with BWC electronically;

Actions: Receive payroll report, file payroll and pay premium online

Incentive: 1-percent premium discount; up to \$1,000 every six months

Policy maintenance

Lapse-Free Discount

Purpose: Encourages timely payments from employers

Actions: Have no lapses in last 60 months; can use one-time forgiveness to stay current

Incentive: 1-percent premium discount; up to \$1,000 every six months

Controlling Workers' Compensation Costs



Prevention

Drug-Free Safety Program

Purpose: Encourages employers to eliminate drugs and alcohol in the workplace

Actions: No changes to current requirements

Incentive: 4- to 7-percent premium discount



Prevention

Safety Councils

Purpose: Encourages employers to participate in local safety councils and improve safety performance

Actions: No changes to current requirements

Incentive: 2-percent premium discount for attendance; 2-percent for performance



Prevention

Industry-specific safety

Purpose: Encourages employers to conduct a risk assessment and participate in activities to reduce accidents

Actions: Includes completing a risk assessment; providing data; and completing between one and three safety activities (depending on size of employer)

Incentive: 3-percent rebate of yearly premium

Controlling Workers' Compensation Costs



Return to work

Transitional Work

Purpose: Encourages employers to bring workers back to work quickly and safely

Actions: Set up a program for addressing lost-time claims

Incentive: Grants for employers to set up program; up to 10% bonus for using an established program to return injured worker(s) to work – any claim with date of injury in that policy year



Controlling Workers' Compensation Costs

Direct and Indirect Costs



Direct and indirect costs

- Medical costs
- Compensation costs
- BWC reserves
- Hiring/training replacements
- Overtime (lost work)
- Legal expenses
- Product / tool damage
- Production delays

Controlling Workers' Compensation Costs

Why is a wellness program part of controlling workers' compensation costs?

- Can reduce use of workers' compensation and health insurance
- Likelihood of on-the-job injury is decreased
- Healing is faster after injury

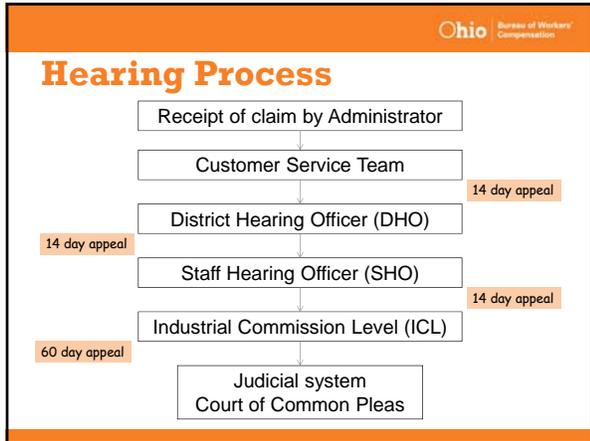
Wellness Grants

- Up to \$15,000 over 4 year period or \$300 for each participating employee (up to 50)
- Establish wellness program including Biometric screening & HRA
- Contract with a Wellness Program Vendor
- Exercise equipment, wages and incentives are not eligible for grant funds

Controlling Workers' Compensation Costs

Risk Management Strategies

Controlling Workers' Compensation Costs



Ohio Bureau of Workers' Compensation

Who are the players?

- Injured worker
- Employer
- Managed Care Organization (MCO)
- BWC
- Third Party Administrator (TPA)

Ohio Bureau of Workers' Compensation

The injured worker's role

- Reports all workplace injuries to management regardless of treatment
- Notifies employer if a claim is filed
- Follows medical restrictions
- Keeps employer informed of progress and obstacles encountered

Controlling Workers' Compensation Costs

Ohio Bureau of Workers' Compensation

The employer's role

- Employer and/or MCO reports claim timely
- Investigates accident promptly
- Decides to certify or reject the claim

When an employer certifies a claim, it is stating that:

1. An injury occurred at work
2. The injured person was its employee

Ohio Bureau of Workers' Compensation

The employer's role

- Follows up with its injured worker
- Coordinates remain-at-work / return-to-work strategies with MCO, medical providers, and BWC

Ohio Bureau of Workers' Compensation

The MCO role

- Every employer has an MCO
- Paid by BWC
- Manage medical
- Approve medical treatment
- Drive return-to-work programs

Controlling Workers' Compensation Costs

The BWC role

- Investigate and determine claim allowance
- Manage lost time benefits
- Adjudicate additional conditions
- Determine eligibility for Rehab
- Assist with bringing the claim to resolution

Third Party Administrator role

- Employer not required to have TPA
- Private contract between employer and TPA
- Manage claims for employer
- Settle claims and pursue handicap reimbursements
- Represent employer at I.C. hearings

Cost control strategies

- Claim management
- Timely reporting of claims
- Wage/salary Continuation
- Claim settlement
- Handicap reimbursement
- Subrogation
- Recreational waiver
- Fraud control

Controlling Workers' Compensation Costs

Ohio Bureau of Workers' Compensation

Claim management

- Remain At Work
- Transitional Work
- Return To Work

Ohio Bureau of Workers' Compensation

Wage/salary continuation

- Employer continues to pay employee their normal wage
- Employee continues to accrue seniority, retirement, leave, etc.
- Health insurance continues, if employer provides it

Ohio Bureau of Workers' Compensation

Company settlement policy

- Settlement efforts should be on-going
- Create a system in which Human Resources automatically contacts your TPA or attorney when an employee departs

Controlling Workers' Compensation Costs

Settlement benefits

- Money for settlement is paid by BWC, not employer
- A \$5,000 settlement may reduce the employer's premium \$10,000 a year
- Settlement may lower an employer's Experience Modifier

Handicap Reimbursement

- 26 Allowed Conditions
- Discount based on relationship to injury
 - Prolongs healing process
 - Contributes to the injury
- The % of discount is charged to the surplus fund

Diabetes
Epilepsy
Arthritis
Cardiac Disease

See list in manual for complete listing

Subrogation

- The right to recover benefits from a third party because of negligence
- For FY 2010, BWC recovered \$22M in subrogation cases
- Monies recovered are credited to employer

Controlling Workers' Compensation Costs

Ohio Bureau of Workers' Compensation

Questions?