

Saving Grace

By quickly reaching out to injured workers, employers are reducing workers' compensation costs.

by Bonnie Brewer Cavanaugh



Workers' compensation has become a prime area of focus for employers and carriers looking to save money during the current economic situation, and cost-saving measures are evolving. Speeding up the claims process, eliminating wasteful steps, opening communication and keeping a closer relationship with the injured worker are being explored in various ways.

Rebecca Shafer, a consultant and creator of the Web site, *www.reduceyourworkerscomp.com*, said her business has jumped dramatically in recent months as workers' comp writers look for economy-minded solutions.

"Companies can't increase their sales and so they're looking at what they can reduce. Out-of-pocket workers' comp costs are one area where they can really make a dent," Shafer said. Two areas are paperwork and communication, which are "so obvious, but most don't do it," she said.

An injured employee should get medical restrictions up-front, at the first doctor's visit, and having the injury treatment or medical work ability form on-hand is the key, Shafer said. The treating physician

needs the form to write an out-of-work note for the employee, and having it at the onset could speed up the process by weeks. But at this point in treatment, the employee usually doesn't have the necessary form. Instead, the employer asks to see the employee's medical restrictions, then sends the paperwork back to the doctor.

"By that time, two weeks go by," Shafer said. Her solution: Carriers could give the treatment form to the employee to bring to the first doctor visit, or even make sure that all the doctors in its network already have forms on hand.

"It's something that's so obvious, but for most carriers it's too difficult for them because they don't see the forest for the trees," Shafer said. Otherwise, the employee remains out of work for weeks while the proper forms get sent back and forth. "The paperwork is a big end of it."

Shafer said she was able to reduce workers' comp costs at her former employer by some 50% by having the adjusters keep the work ability form as part of the PPO paperwork requirements—so they'd be using it automatically.

► **The Problem:** The slumping economy has workers' comp writers and employers seeking new ways to cut costs.

► **The Cure:** Tightening claims communications and using workers' advocates to speed up the process are two solutions.

► **The Result:** Companies are seeing quicker returns to work and major savings.

Tightening up communications with the injured employee and the insurance carrier immediately following an injury is another time- and cost-saving move, Shafer said. Ideally, some contact should occur within the first 24 hours after the injury, so everyone knows the injured employee's medical status.

Yet there's currently a "big communication gap" between the carrier and the employee, who usually doesn't get involved in workers' comp talks "until they're already out of work," Shafer said. This leaves the employee in charge.

"They're saying when they're coming back to work; they're providing the information to the employer to get them back to work," Shafer said. "The employees know more; they know exactly how to do

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it. They're playing the system."

All the paperwork and back-and-forth created by the current system could cost an employer \$300,000 to pay a \$15,000 claim, Shafer said.

Aiding the Injured

Lockton Cos. works with clients to help reduce such costs and get employees back to work faster through an intermediary, or "injury counselor," who works as an advocate for the injured worker, said Fran Flowers, senior vice president for claims cost control.

Based on 2007 figures, Lockton is the ninth-largest broker worldwide with \$742 million in brokerage revenue, according to *Best's Review's* 2008 annual ranking of top global brokers.

"We help employers deal with their injured workers in a way that makes the workers get well faster and as result, the cost of doing business as associated with workers' comp goes down," Flowers said. It's important that the employer—not the claims adjusting company—immediately intervene and reach out to the injured worker following the injury, regardless of its severity, she added. That way, the injured worker has "someone who is solely dedicated to wrapping their arms around that individual, making sure their needs are met," she said.

"Then questions are answered; they have a listening ear; they have



Companies need to cut expenses in this economy, and "out-of-pocket workers' comp costs are one area where they can really make a dent."

—Rebecca Shafer,

Creator of www.reduceyourworkerscomp.com

someone who understands the system and who can get them a better resolution than they perceive it to be," she said. Such an advocate—also known in the industry as a "return to work coordinator," a "workers' comp coordinator" or simply a "hugger"—greatly reduces the adversarial nature of the process for the injured.

That's important, because not every employee who files a claim is out to rip off the employer, Flowers said. "Cigna did a number of studies that showed a huge percentage of people don't know what workers' comp is, let alone that they ought to scam it," she said.

Shafer also would like to see the return of workers' comp wallet cards for employees, similar to a health care wallet card, she said.

As recently as 10 years ago, employers gave out such cards so that pharmacists would know the injured worker belonged to a PPO, said Kevin Turner, executive vice president of Cambridge Integrated Services, a Greenwich, Conn.-based third party administrator. Drug

cards are no longer issued, which is why Cambridge and other TPAs urge employers to guide employees immediately into a PPO. That's "the name of the game," Turner said.

Cost Causes

The biggest driver of medical and pharmaceutical costs is utilization, he said, and the keys to lowering costs are prevention, wiser utilization and increased guidance. Employer-initiated prevention programs that target employee lifestyles—wellness programs, weight loss, safe driving and smoking cessation—have had a considerable impact on workers' comp reductions, he said.

Yet a huge part of workers' comp costs are in the mindset of the medical field and the American worker. Statistically, the prescribing and usage of medical treatments and pharmaceuticals is higher in occupational injuries than in a non-occupational setting. That's where a carrier or TPA needs to talk to an employer, and the employer needs to talk to the employee, about the



U.S. Workers' Compensation—2007 Direct Premiums Written

Ranked by 2007 direct premiums written.
(\$ Thousands)

Rank	Company/Group	AMB #	2007 Direct Premiums Written	% Change in Premiums	Market Share (%)			Adjusted Loss Ratios			% of Company Premiums
					2007	2006	2005	2007	2006	2005	
1	Amer Intl Group, Inc	18540	\$6,178,903	-8.6	12.4	12.4	10.9	55.3	61.8	74.9	19.5
2	Liberty Mutual Ins Cos	00060	5,574,362	-2.4	11.2	10.5	9.3	72.2	67.3	75.2	28.0
3	Zurich Finl Svcs NA Group	18549	2,806,382	20.1	5.6	4.3	4.1	85.6	57.9	69.5	21.6
4	Travelers Group	18674	2,806,199	0.4	5.6	5.1	5.3	71.3	73.1	54.7	12.9
5	Hartford Ins Group	00048	2,593,794	-2.9	5.2	4.9	5.3	54.5	68.9	60.1	22.6
6	State Comp Ins Fund CA	04028	2,387,692	-33.1	4.8	6.5	11.0	68.0	61.2	67.4	100.0
7	Ace INA Group	18498	1,218,925	2.9	2.4	2.2	2.0	28.0	43.0	53.1	15.8
8	W.R. Berkley Group	04655	986,664	-2.2	2.0	1.8	1.9	55.7	53.9	64.5	25.2
9	CNA Ins Cos	18313	967,295	-6.4	1.9	1.9	1.9	85.3	74.3	94.1	11.1
10	Accident Fund Group	18680	839,321	6.6	1.7	1.4	1.3	60.5	63.9	60.7	99.6
Total U.S. P/C Industry			\$49,994,241	-8.4	100.0	100.0	100.0	62.4	62.5	66.9	10.2

Source: A.M. Best Statement Products: State/Line. For more information about custom data, call 908-439-2200, Ext. 5383.

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correlation between on-the-job injuries and overutilization, Turner said.

"You see a cost-shifting in the industry with physicians and hospitals. When they see it's an occupational injury, they are allowed to bill more. There's a higher level of utilization," Turner said. "There are more MRIs in a low-back occupational injury than in a low-back injury that is not occupational. Utilization is different."

He said insurance companies and employers can fight back by educating the U.S. work force on the overuse of medical treatment. "Do you need a third MRI? Should you be able to ask an employee that?" Turner said. "It's changing the mindset of the employee."

Rising medical costs also have much to do with more claims going into "open medical for life," said Barb Galluppi, area senior vice president for Arthur J. Gallagher Risk Management Services. "This is exponentially raising the claims dollars in our client field," she said.

Rather than settling a claim once treatment is done, venues are leaving the medical portion of a claim open in case the injured employee wants more medical treatment. "It's even more incumbent on us to try and control those costs," Galluppi said. "You can imagine how it impacts a business' loss history."

It's one reason why the medical component of claims is starting to become larger than the indemnity portion, she said.

Flowers agreed, saying that over the past eight years or so, the indemnity side has shrunk to about 45% of costs. That's partially due to medical inflation and partly a function of employers who've gotten better at managing lost time in workers' comp claims, she said.

"Return to work has impacted indemnity costs drastically," Flowers said. Transitional duty placement is a huge factor. "Employers are much more willing to accommodate someone in a restrictive capacity than they used to be."

Arthur J. Gallagher tries to nego-

tiate the terms of bill review programs to be based on line charges rather than a percentage of savings, Galluppi said. "We have found it's cheaper. For a national client of ours, it saved them several hundred thousand dollars," she said.

Gallagher is also trying to stop doctors' usage of physical therapy clinics that are actually owned by the treating physicians, to limit the overuse of such clinics. "We try to discourage that and get patients shifted to an independent physical therapy center," Galluppi said.

More Savings

Shafer would like to see carriers use in-house doctors as advisers to review patterns of over- and under-treatment; participate in the transitional duty placement process; and intervene in the independent medical examination process, which can cost up to \$1,800 and take two months for results, she said.

A doctor can also look at medical reports and notes in a file and determine whether the employee is recovering in an appropriate time frame, Shafer said. Yet many insurance companies have reduced the number of doctors they use as advisers and switched to using nurses more often. Nurses command a lower pay rate—around \$95 an hour—whereas an M.D. could command \$200 to \$300 per hour.

The burgeoning concept of "nurse triage at intake" is helping reduce medical costs by having the injured employee call in directly to a nurse to report the claim, rather than having a call center employee report the injury to the carrier or TPA. This way, the nurse can immediately set the stage for what type of medical treatment may be necessary, Turner said.

"Do they need to go to the emergency room? Do they need to go home for the day and take Tylenol? Do we need to send you to an orthopedist the next day? It's that type of guidance at that very beginning of an injury that is going to control those utilization problems," Turner said.

Carriers such as Liberty Mutual and Travelers Cos. have doctors on staff just to review physician files, Shafer said.

Travelers has registered nurses in every claim office around the country, plus a national medical director who is an M.D., to help get injured workers the necessary care so that they can return to work, said spokeswoman Jennifer Bagdade.

Travelers also has a medical review team that examines medical bills above and beyond the typical network and fee schedule, she said.

Lockton Cos. no longer has in-house medical staff.

"Our whole shtick is much more directed to the employer's practices, so that whole medical component is generally managed," Flowers said.

Besides, larger employers tend to have their own medical directors, and Lockton clients really value the use of an injury counselor for medication, she said.

"They're really seen as the most important thing seen by the injured worker as a resource to fix their problems." BR

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