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## Understanding Workers' Comp Costs

- ▶ Indiana Potpourri
- ▶ Impacting Factors
- ▶ Understanding the Experience Mod Rating
- ▶ Experience Rating Period
- ▶ Controllable Minimum
- ▶ Return-to-Work Impact
  - ▶ Why and Who?
  - ▶ Policy
    - ▶ Communicated
  - ▶ Duration
  - ▶ Costs
  - ▶ Limitations

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## Indiana Potpourri

- ▶ Direct care life of claim
- ▶ Designated medical providers
- ▶ 7 calendar day waiting period
- ▶ 66 2/3 % of AWW
- ▶ 2-year statute of limitations

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## Impacting Workers' Compensation Costs

- ▶ Safety Inspections & Safety Training
- ▶ Accident Investigation
- ▶ Loss Trending
- ▶ Hiring Practices
- ▶ Managing Claim Costs & the Injured Worker
- ▶ Timely Reporting
- ▶ Experience Mod Rate
- ▶ Experience Mod Analysis
- ▶ Return-to-Work

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## Timely Reporting

- ▶ Faster treatment
- ▶ Prevents injury exacerbation
- ▶ Future loss prevention
- ▶ Lower costs
- ▶ 7 days/24 hours
- ▶ \$50/\$150/\$300
- ▶ 2<sup>nd</sup> week – 18% increase
- ▶ 3<sup>rd</sup> – 4<sup>th</sup> week – 30% increase
- ▶ >1 month – 45% increase
- ▶ Back injuries – 1 week delay = 40% increase

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## Return to Work

- ▶ Statistics show that 80 to 90 percent of people injured on the job would rather return to work than collect disability.
- ▶ RTW programs contribute to employee morale, training, and replacement costs, and fewer fraudulent claims.
- ▶ An employee off work for more than six months, has less than a 50% chance of ever returning to the workforce.

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## Experience Mod Rate

- ▶ Uses past experience – your losses used to project future losses.
- ▶ Calculation using actuarial rates to compare company's experience to state averages for similar companies.
- ▶ Once calculated, the rate is utilized to modify a company's workers' compensation premium.

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## EMR to Premium

- ▶ Based upon your payrolls, classification codes and associated insurance rates with those classification codes.

That total is called a company's manual or pure premium. Then, your EMR is applied to the premium.

- ❖ If you have an average EMR of 1.0 no modification is made to the premium
- ❖ If your EMR is over a 1.0 – let's say 1.10 premium would be assessed a 10% debit
- ❖ Conversely, if your EMR was under a 1.0 – let's say .90 premium would be assessed a 10% credit

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### Workers' Compensation Experience Rating Worksheet

Effective Date: 2/1/2016

Risk ID:

State: IN

1	2	3	4	5	6	7	8	9	10	11
CODE	ELR	D-RATIO	PAYROLL	EXPECTED LOSSES	EXP. PRIM. LOSSES	CLAIMDATA # ID	IJ	OF	ACT. INC. LOSSES	ACT. PRIM. LOSSES
****Indiana										
Policy Period: 2/1/2013 to 2/1/2014			Policy #: 0400134749							
3638	0.62	0.43	11,385,639	70,591	30,354	041300017755	5	F	5,971	5,971
8742	0.16	0.36	219,621	351	127	041300009074	5	F	6,557	6,557
8810	0.09	0.42	1,206,009	1,085	456	041300010029	5	F	8,361	8,361
						041300021644	5	F	25,975	15,500
						041300006378	5	O	61,036	15,500
						21 Sm. losses	6	*	18,495	18,495
Policy Period Totals			12,811,269	72,028	30,936				126,395	70,384
Policy Period: 2/1/2014 to 2/1/2015			Policy #: 0400141908							
3638	0.62	0.43	12,737,911	78,975	33,959	Sm. loss	5	F	1,771	1,771
8742	0.16	0.36	224,780	360	129	041400011322	5	F	15,297	15,297
8810	0.09	0.42	1,322,749	1,190	500	041400016790	5	O	21,219	15,500
						041400011511	6	F *	2,144	2,144
						041500000086	6	F *	4,624	4,624
						041400013053	6	F *	6,672	6,672
						25 Sm. losses	6	*	16,851	16,851
Policy Period Totals			14,285,440	80,525	34,589				68,579	62,860

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		(D) - (E)			(H) - (I)				
0.22	"W" VALUE	128,561	225,356	96,795	77,873	39,325	201,541	123,668	
A	B	C	D	E	F	G	H	I	
# Limited loss		Experience Modification Calculation		11	12	13	14	15	
s Subrogation or other special loss.		PRIMARY LOSSES		STABILIZING VALUE	RATABLE EXCESS	ADJUSTED TOTALS	EXP MOD		
16		ACTUAL		(I)	(C) X (1 - A) + (G)	(A) X (F)		(J) / (K)	
ARAP 1.00 if applicable		123,868		139,803	17,132	280,403		1.06	
		EXPECTED		(E)	(C) X (1 - A) + (G)	(A) X (C)			
		96,795		139,803	28,283	264,881			

\* Rating reflects a decrease of 70 percent medical-only primary and excess loss dollars where ERA is applied, only in totals (F), (H), and (I). Projection Only

The ARAP surcharge shown is for those states in the rating that have approved the ARAP program. It was calculated based on the general interstate formula and maximum, however, the maximum surcharge may vary by state.

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## Experience Rating Worksheet

1	2	3	4	5	6	7	8	9	10	11	
CODE	ELR	D-RATIO	PAYROLL	EXPECTED LOSSES	EXP. PRIM. LOSSES	CLAIMDATA # ID	II	OF	ACT. INC. LOSSES	ACT. PRIM. LOSSES	
3040	2.30	0.36	605,000	13,915	5,009			5	F	15,000	15,000
3632	1.10	0.39	535,000	5,885	2,295			6	F	15,000	15,000
3824	1.72	0.39	2,500,000	43,000	16,770	10 Sm. losses		6	F	15,000	15,000
7380	1.78	0.39	55,000	979	382						
8742	0.16	0.36	500,000	800	288						
8810	0.09	0.42	2,200,000	1,980	832						
Policy Period Totals			6,395,000	66,559	25,576				45,000	45,000	

- ▶ Claims coded -“6” are medical only and are discounted by 70%.
- ▶ Medical only claims do not involve Indemnity.
  - ▶ (lost time, wage differentials, PPI's or legal settlements)
- ▶ \$ 1 of Indemnity makes a claim 100% reportable on the mod.

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## Loss Sensitivity Detail

Three years of past experience, not including the current policy period.

- Experience Mod effective 7-1-19

7-1-17/19 – not included in calculation, policy year not fully developed

7-1-16/18 – included in calculation

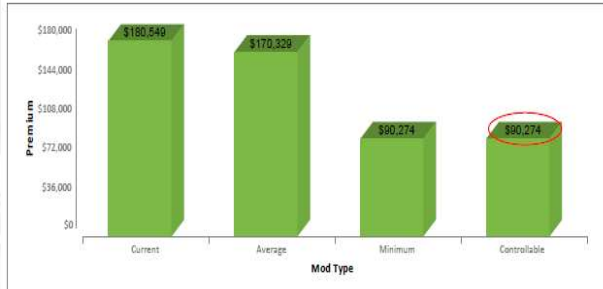
7-1-15/17 – included in calculation

7-1-14/16 – included in calculation

7-1-13/15 – loss experience dropping off

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## Mod Impact on Premium Analysis

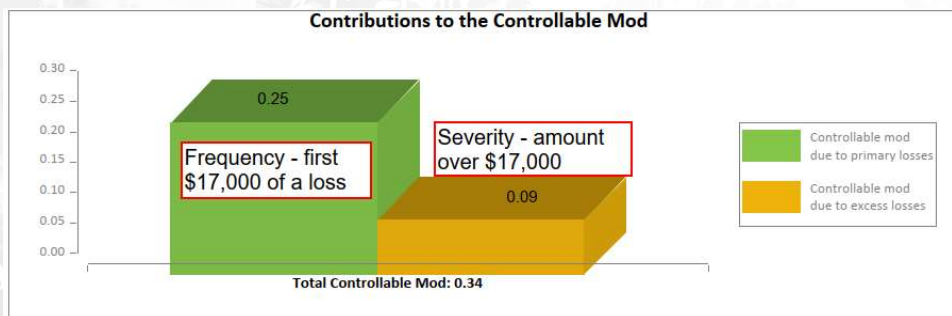


Mod Type	Mod Value	Premium	Description
Current	1.06	\$180,549	Your actual mod and estimated premium.
Average	1.00	\$170,329	The average mod is always 1.00. This premium represents what the average competitor in your industry is paying.
Minimum	0.53	\$90,274	The lowest mod and premium you could achieve if you had zero losses in the experience rating period.
Controllable	0.53	\$90,274	The mod points and premium amount you could have saved if you had zero losses in the experience rating period.

EACH MOD POINT IS VALUED AT \$1,703 PREMIUM DOLLARS

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## CONTROLLABLE?



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## Return-to-Work, Why?

- ▶ Underwriter's pricing decision may be impacted by whether or not you have a bona fide return-to-work plan.
- ▶ Opportunity capture those motivated employees, control claim costs and retain valuable employees.
- ▶ Positive impact on duration and costs of work disabilities.
- ▶ Internal/External Compliance
  - ▶ Stay within RTW Program
  - ▶ Legal
  - ▶ HIPPA
  - ▶ FLMA
  - ▶ ADA
  - ▶ Insurance Carrier Guidelines
  - ▶ Insurance Fraud

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## Return-to-Work, Who?

- ▶ Shared responsibility at all levels
  - ▶ Organization should hold everyone responsible
- ▶ Organization should have a Plan and Identify a Team
  - ▶ Coordinator - HR
  - ▶ Claims Representative
  - ▶ Insurance Company
  - ▶ Physician
  - ▶ HSE
  - ▶ Supervisor
  - ▶ Employee

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## Return-to-Work, Commitment

Failure of top management to be committed to a RTW will result in uncontrolled costs.

- ▶ Employees respond to attitude – top down.
- ▶ Failure to assign responsibility, train, and accountability.
- ▶ Failure to communicate between healthcare providers.
- ▶ Failure to build relationship with Insurance / Claims team.
- ▶ Failure to have internal documentation.

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## Return-to-Work, Without

- ▶ Claim costs are driven up
- ▶ Additional points on Mod
- ▶ Significant factor in premium costs
- ▶ Soft costs
  - ▶ Lost production
  - ▶ Hiring
  - ▶ Training replacements
  - ▶ Wasted administrative time

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## Review

- ▶ Timely Reporting – Key (Report Only)
- ▶ Experience Mod Rate (Decrease claim costs by 70%)
- ▶ Experience Mod (Get involved)
  - ▶ Ask about Premiums
  - ▶ WC – Claims Analysis
  - ▶ Set Goals – Savings (3yrs)
  - ▶ Insurance Carrier
- ▶ Return-to-Work
  - ▶ Review, Manage one(1) RTW
  - ▶ Manage – LT/PPI

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# Q&A

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