10 Key Steps to Controlling Workers’ Compensation Costs

There are a myriad of complex issues that business owners face on a daily basis in an effort to impact profitability. If these issues are acted upon in a correct and timely manner, they can have a direct impact on the business’ success and profitability. Managing the cost of workers compensation insurance is one business issue that oftentimes is viewed only at the time of renewal /effective date.

In past issues we have described the amazing results that different businesses have realized. Articles have focused in on initiatives such as incentive programs, modified duty or drug-free workplaces. This piece will provide you with an overview of what we feel to be the top ten ways to control this insurance cost. Hopefully, you will note that we bring these topics to the forefront in various ways.

1. **Understand the components of WC** such as your classification codes, the impact of the experience modification and what impact company growth spurts or acquisitions can have on your premiums.

2. **Understand where your experience modification is**, and why it is there. If you are enjoying the results of a credit (< 1.00), what can be done to keep it there or lower it? What will be the costs associated with lowering it and are you willing to do it? If you are being penalized, develop strategies to counter the problem(s) and most important, hold people accountable.

3. **Who are you hiring?** Realize that the people hired today and the injuries they incur will determine what your insurance costs will be 4-5 years from now. Too many firms make the comment of "warm bodies" being brought in. This of course, leads to the discussion of whether turnover is high, and if so, what can be done about it. Be open to possibilities such as a comprehensive drug screening program, personality profiling for team formation, anniversary rewards that make someone want to stay, or dealing with underlying problems with managers/ supervisors that have excessive problems. How do the wage ranges compare to your competitors in the job market?

Several businesses that have made significant strides in reducing losses have shared or funneled those savings back into the workforce or capital expenditures that allowed the workforce to perform better—usually reducing injuries at the same time.

4. **Employee orientation and training** is the other shoe to hiring. This is critical, especially in times of low unemployment and the availability of skilled or semi-skilled labor is tight. The existence of "pluralistic ignorance" is high in all walks of life, but tends to show itself most vividly in untrained and especially young employees. This term really reflects a basic human fault of saying to oneself that "I don't understand what you just taught me—so to avoid looking stupid, I'm not going to ask questions and just nod my head yes as if I understand." It's simple to combat by explaining the process, demonstrate the process and then ask for a successful return demonstration. If you can't get one, that's another problem.

5. **Use the personnel practices** already in place—or—if you don't have them, implement them now. Look at your loss experience. Unsafe acts are usually represented quite well in root causes of injuries. Why was this unsafe act allowed to be conducted in the first place, second, third, etc. The vast majority of companies have written disciplinary procedures, but in reality, rarely use them for injury-producing circumstances. Go back to the loss information; do the same people...
show up from year to year? How many people have been “handled” within your personnel system (documented) in the past three years regarding safety/training practices?

6. **Report claims immediately** and insist that injured employees do so to you as well. Studies point to significant increases (up to 50%) in claims costs for every week that the claim goes unreported. We featured this in a recent newsletter. If injuries are required to be reported immediately (personnel handbook), what are the consequences for not doing so? (see item 5)

7. **Investigate and document all injuries.** A claim is never really closed until the exposure is either reduced or eliminated. Although the specific injury itself may have healed, if the likelihood of another person being injured hasn’t been reduced, you will have the same injuries time and time again—the names just change. Assign the responsibility for short- and long-term corrections to someone and then follow up.

8. **Modified duty, modified duty, modified duty.** In the event that items 3-7 didn’t work, this is your only avenue to contain the cost of the claim. You should have no “arbitrary restriction barriers” for the comprehensive use of this business practice. If you cannot provide tasks/jobs for 1 hand, low weight or mobility issues, you don’t have modified duty. If you don’t have a company policy on modified duty, you are at a distinct business disadvantage. It is a comprehensive practice that needs a comprehensive approach.

9. **Invest in safety programs** that are commensurate with your operations. The degree that formalization exists is usually a “company culture” issue tied to company size; but consistency is the driving force. Read a newspaper or check out OSHA’s web site and see what’s being pursued—with fines. They are principally "written program" issues that deal with the various OSHA standards, such as lockout/tagout, PPE or Hazard Communication, just to name a few. These can be linked to items mentioned above such as orientation and training. Specific safety rules for overall operations and certain procedures (see loss info) are a must.

10. **Internalize items 1-9.** Simply put, unless the highest levels of the company believe and buy into these points, total control will most likely never be realized. Do not become dependent upon outsiders. People from outside your company are resources for information, advice, concepts and assistance/options for implementation of controls or practices. In the past we have showcased companies whose experience modifications, large dollar injuries or numbers of claims had been enormous and are now at envious levels. They are there because they internalized—from the highest levels—and worked it downward.