



Setting the nation's standard  
in workers' compensation cost reduction

**Idaho Industrial Commission  
Annual Conference  
23 October 2014 – Boise, ID**

**The Workplace is the Best Place to Reduce  
Employer Workers Compensation Costs.**

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### Current Thinking

Medical cost escalation is the prime driver of high workers' compensation costs as evidenced by:

1. The opioid epidemic
2. Physician dispensing
3. Pharmacy compounding
4. Overutilization of physician services
5. The High incidence of testing & imaging
6. ETC.

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### My Hypothesis

The fundamental driver of workers' compensation costs is excessive lost time, which leads to:

1. The opioid epidemic
2. Physician dispensing
3. Pharmacy compounding
4. Overutilization of physician services
5. The High incidence of testing & imaging
6. ETC.

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**Workers' Comp's Most Basic Problem**

**The longer injured workers stay out of work, the harder it is for you to bring them back.**

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**And**

**The longer injured workers stay out of work, the more medical services they use. Medical services increasingly cascade over time.**

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**NCCI & others have found that excessive lost time leads to:**

- Depression**
- Opioid addiction**
- Marital difficulties**
- Alcoholism**
- Suicide**

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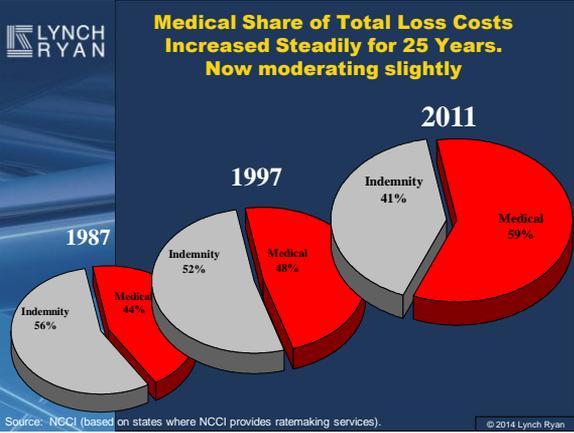
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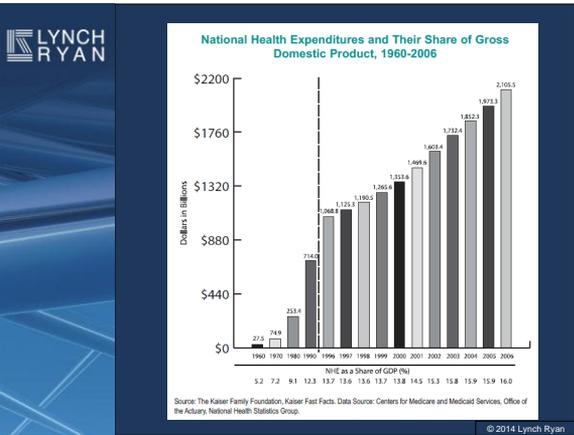
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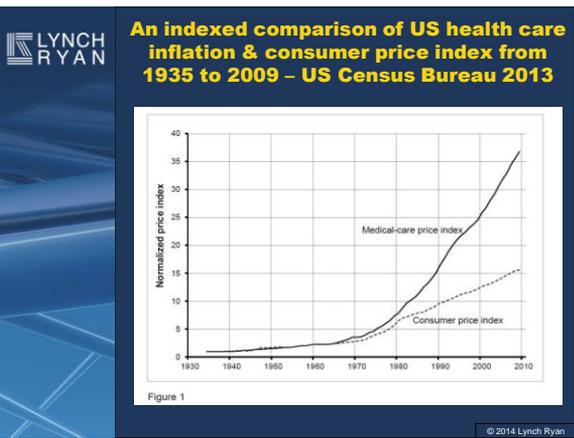
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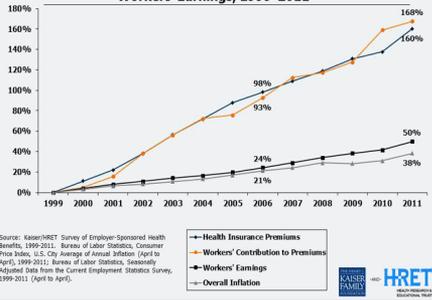
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**Cumulative Increases in Health Insurance Premiums, Workers' Contributions to Premiums, Inflation, and Workers' Earnings, 1999-2011**



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2011; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Statistics (April to April, 1999-2011); Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2011 (April to April).

KAISER FAMILY FOUNDATION HRET

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**Changes in Workers' Comp Medical Costs Compared to Medical CPI 1996 - 2005**



1. Based on NCCI States
2. Represents cost of claims resulting in lost time
3. Source: U.S. BLS, NCCI & III

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**The Cascade of Medical Services and Associated Longitudinal Costs Due to Nonadherent Magnetic Resonance Imaging for Low Back Pain**

**Key Points:**

\* MRI without clear indications led to a cascade of subsequent diagnostic and therapeutic services (including surgery), which generally occurred within 6 months after imaging.

\* This cascade was more related to the MRI than to severity, pain indicators, or demographic characteristics.

\* Even after grouping by severity and controlling for pain indicators and demographic factors, early MRI was significantly associated with a large and sustained escalation in medical costs.

Spine: 1 August 2014, Pransky, et al. Study sponsored by Liberty Mutual Research Institute for Safety, Hopkinton, MA

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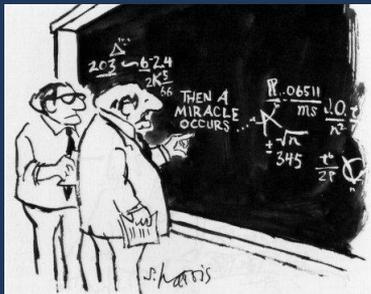
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### What's an employer to do?



"I think you should be more explicit here in step two."

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### What's an Employer To Do?

"Consider the psychology of the individual."

Reginald Jeeves

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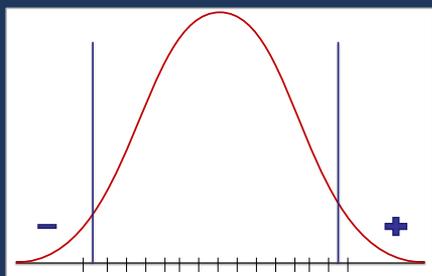
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### Life is a Bell Curve



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Know what's expected of them?  
Starting time?  
Coffee break?  
When's lunch and for how long?  
Work rules?  
Tools?  
What day is payday?

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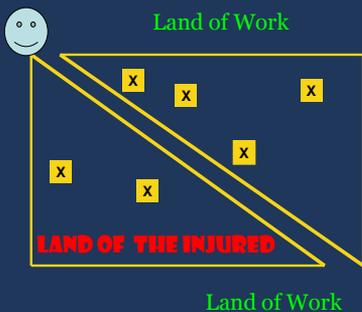
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### Injuries & Recoveries



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### Eight Essential Steps

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## Step 1

### Make a Commitment

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1. Requires organizational priority
2. Set realistic, attainable goals
3. Communicate the goals
4. Put someone in charge
5. Create a monthly performance dashboard

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## Step 2

### Focus on reducing lost time

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1. Consider the office copier
2. Report all injuries within 24 hours (better yet – 1 hour)
3. Do not let the cord between the injured worker and the workplace break

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### Step 3

## Develop an injury action plan

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1. Your claims adjuster is **NOT** your Injury Action Plan
2. The first few hours are critical
3. What's required are well-thought-out, written policies and procedures
4. Caring communication and coordination with the injured worker and physician will smooth return to work

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## Step 4

### Establish a relationship with a high-quality medical provider

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1. Use an Urgent Care facility rather than an ER, if possible, for initial treatment
2. Visit the Urgent Care facility and discuss your safety & injury management programs
3. Focus on quality over price
4. Offer to compensate the doctor for the extra time it might take to treat your injured workers
5. Try to find Board-Certified Occupational Health physicians, or at least physicians with a sports medicine approach

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## Step 5

### Stress early return to work or modified duty

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1. No workers' comp management program will succeed without a high-quality modified duty program
2. Create a job bank of modified duty short term tasks
3. Make sure physicians cite restrictions for injured workers
4. Match restrictions to the modified duty job bank.
5. Every supervisor has an "I'll get to it tomorrow" file

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## Step 6

**Create a partnership with your insurer or TPA**

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1. You are the client. Good claims adjusters appreciate and value educated and involved clients.
2. Make sure there is a strategy for every open claim.
3. Do not focus on reserves. You can't do anything about them. Focus on speedy return to work. If that happens, reserves go away.

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## Step 7

### Measure & track results

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1. What you measure becomes important
2. The cost of losses per hundred dollars of payroll compared to the Expected Loss Rate
3. Cost of losses per full time equivalent employee
4. Lost time per every 200,000 hours worked – The Severity Rate

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## Step 8

### Define and communicate responsibilities

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1. Everyone in the organization should know his or her role in accident prevention and injury management
2. The roles should be written in policies and procedures that all can understand

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**One final thought**

**Workers' compensation is not an insurance problem. It is a management problem.**

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