5 Ways to Pay Too Much

Employers who do not manage their workers’ compensation program will pay too much for their workers’ compensation insurance. There are many ways to control the cost of workers’ compensation, but if you are making any of the 5 following common workers’ compensation program errors, you are paying too much.

1. **An Inadequate Return to Work Program**

Modified duty / transitional duty / light duty are all terms used to describe the process of putting an injured employee back to work before the injured employee is fully capable of returning to his/her regular job. For example, an employee with a lacerated hand would not be capable of returning to his regular job where two handling lifting is a frequent occurrence. However, the employee with the lacerated hand is quite capable of answering the phone; checking deliveries, counting inventory, etc., and should be placed back at work on modified duty.

The employee benefits from the modified duty program by being able to remain active and by maintaining a higher rate of compensation. Disability costs paid by the insurer are reduced, lowering the cost of the work comp claim.

Several studies comparing the results of having or not having a Return to Work Program have shown injured employees recover faster when they keep active and do not become deconditioned. This reduces medical cost. By remaining in better physical condition while recuperating, employee experience a higher level of recovery and a lower level of permanent impairment, resulting in lower indemnity cost.

1. **An Inadequate Safety Program**

Two factors that greatly impact the cost of workers’ compensation are frequency and severity of claims, with the frequency of the claims having a greater weight in the calculation of the employer’s insurance premium. The fastest and easiest way for an employer to reduce the frequency of workers’ compensation claims is through the instigation and continuation of a strong Safety Program.

A good Safety Program will include identification of all job hazards for every position within the company, a concerted effort to eliminate or reduce all identified job hazards, safety training to teach employees how to work safe and avoid actions that can cause an injury, and a safety specialist and/or a safety committee to keep safety at the forefront at all times.

1. **No Medical Management Cost Control**

With the high cost of medical care, controlling and managing the medical care provided to an injured employee is essential. There are three good techniques for controlling medical cost:

* The first technique is having a triage nurse or a worksite nurse that evaluates the injury immediately when it occurs and arranges for the injured employee to receive the proper level of medical care, whether it is first aid, an emergency clinic or a skilled specialist.
* The second medical management cost control technique is having a nurse case manager to become involved in the claim if the injured employee will miss any time from work. The nurse case manager will coordinate the medical care with all medical providers, facilitate medical treatment, assist the employer and employee in coordinating and complying with return to work options, and arrange rehabilitation services, if needed.
* The third technique is to have cost control services in place and ready to use including medical fee schedule reviews, utilization reviews, peer reviews and pharmacy benefit managers.

1. **No Fraud Prevention Program**

The failure to prevent fraud can add 10% to 20% to the overall cost of workers’ compensation. Per the National Insurance Crime Bureau, up to 25% of all workers’ compensation claims contain some element of fraud, whether it is the totally bogus claim or the employee who stays off work a few days longer than necessary.

One of the worst things an employer can do is to turn their head and look the other way when a workers’ compensation claim has an element of fraud. By ignoring one fraudulent claim, the employer encourages other employees of lower moral standards to also submit their fraudulent claims.

Every employer should have a fraud prevention program and every employee should know that the employer considers fraud a serious crime and prosecutes it thoroughly. When employees realize that insurance fraud of others hurts them by the way of lower raises and/or bonuses, the employees will be much more inclined to provide information on the employee who is committing insurance fraud through a workers’ compensation claim.

1. **No Control of the Medical Provider Selection**

The selection of the medical provider can have a major impact on the cost of medical care. There is a strong correlation between the states with the highest cost of workers’ compensation and the states that allow the injured employee to select the medical provider. In the states where the employee selects the medical provider, employees often changed doctors to find a doctor who will keep them off work longer.

In the states where the employer is given the right to select the medical provider, the employer should post the list of approved and required medical providers. When the medical provider knows the employer sent the injured employee to them, they are more inclined to return the employee to work as soon as the employee is medically able to resume their job or is medically able to work a modified duty job. It is imperative the employer/triage nurse directs the injured employee to the pre-screened and pre-approved required medical providers.

It should be noted that in the states where the employee has the right to select their own medical provider, the employer can still post a list of suggested medical provider(s), but cannot (and should not) compel the employee to seek treatment at the recommended medical provider(s).

**There are numerous other ways** to pay too much for workers’ compensation insurance. The failure to report claims timely to the claims office, the failure to stay in contact with the injured employees, the failure to have a drug testing policy, the failure to stay in contact with the work comp adjuster and nurse case manager, and the selection of the ‘low cost’ carrier for workers’ compensation can all add to the cost of workers’ compensation. For assistance on controlling what you pay for workers’ compensation, please contact us.