



**WORKERS' COMP
TRAINING CENTER**

How to Measure Workers' Comp Success w/ 5 Critical Metrics

Introduction: (5 minutes)

- Welcome to WC Mastery training
 - Drowning in information, starving for meaning
 - Score of the game
- Introduce 3 Main Points:
 - Why Metrics Are Important & Top-Line Metrics
 - 5 Critical Metrics Formulas & Calculations
 - Leverage Metrics to Make An Impact

Notes:



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Main Point #1: Why Important & Top-Line Metrics (10 minutes)

- Response to registration question re: greatest challenge with benchmarks & metrics
 - Don't know what to measure
 - How measure looking forward
 - Big Variance in Employees – Apples – Apples comparison
- Write a good story about it
 - Story of where you are
 - Story of how well doing with leading indicators
 - Story of how far you've come to not take for granted
- How do these relate to your organization, what do they mean for you?
 - Senior managers know how many flights delayed, cancelled
 - Don't know how many employees out of work, or what they means for bottom line.
- What companies currently using: RIMS Benchmark 2010
 - 42% Cost as % of payroll.
 - 36.5% cost per FTE
 - 21.4% premium
 - 19.6% cost as % of revenue

Notes:



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Top Line Metrics

- Number of Claims:
 - Total
 - Medical Only
 - Lost Time
 - **National average 25%** of claims involve lost time
 -
- Average cost
 - Total
 - **National average:** \$10,600; Low \$6,233 (MN) – High \$16,290 (Louisiana)
 - Medical Only
 - Lost Time
 - **National average lost time:** WCRI's \$42,200, NCCI \$54,300
- Litigation Rate
 - **National average:** 31% of LTC claims
 - Low 15% (Texas & Wisc), High - 54% (NJ)
- *Notes:*



<50 claims annually

Experience Mod Calculations:

- minimum mod (stabilizing value / expected total)
- controllable mod & premium
- actual losses vs expected losses

	Primary Losses	Stabilizing Value	Ratable Excess	Totals
Actual	(I) 3,500,000	$C * (1 - A) + G$ 3,500,000	(A) * (F) 4,500,000	(J) 11,500,000
Expected	(E) 3,000,000	$C * (1 - A) + G$ 3,500,000	(A) * (C) 6,750,000	(K) 13,250,000

Main Point #2: Calculate & Track 5 Critical Metrics

What is your goal, what is goal of your audience? Start with ONE METRIC that has meaning

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Metric #1 Cost per FTE (15 mins)

- Incurred Losses x 2000 / Man Hours
 - $1m * 2000 = 2b / 2500 * 2000 = 5m$
 - $2b / 5m = \$400$
- Formula Components:
 - Incurred losses (GC: premium)
 - paid, reserves, expenses
 - valuation date of data; (point in time numbers)
 - Don't get too hung up on valuation date
 - 2,000
 - 50 weeks x 40 hrs week
 - Man Hours
 - productive work hrs
 - Doesn't include vacation, sick leave, etc.
- What to do with it
 - Compare to RIMS benchmark survey
 - By Division, best to worst
 - Savings To Date / If we hadn't improved
 - Projected Savings to FTE Goal

Notes:



	Corp FTE	Div 1	Div 2	Div 3
Period 1				
Period 2				
Period 3				

- Notable observations:
 - Higher cost, lower FTE due to EE count
 - Small division high or low cost
 - Division to roll out pilot
 - ROI on WC management investment

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Metric #2 Sales to Pay for Accidents (5-10 minutes)

- Safety Pays Calculator - OSHA direct & indirect cost

Incurred Losses (or controllable premium) / profit margin.

- $1\text{m} / 5\% = 20\text{m}$ revenue
- $100\text{k} / 5\% = 2\text{ m}$ revenue

Make it Meaningful

How much revenue to pay for work comp costs

- 1) How many widgets to sell to cover?
- 2) How much compared to replacing equipment, cost of hiring a new employee, etc.
- 3) Be Creative

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LEADING INDICATORS

- Intermediate steps may not be directly measurable in dollars right away,
- Can demonstrate improvements that will show up on bottom line.

Metric #3 Lag Time (5 mins)

Leading indicator of success;

- Every TPA can run monthly, review for accuracy;
- By division & by period.
- Worst to Best List
- Injury Triage helps here
- Study: Hartford Insurance - Cost
 - 2 weeks 18% more expensive
 - 3 weeks 29%
 - 4 weeks 31%
 - 5 weeks 45%
- NCCI – Litigation Rate
 - Immediate 12.8%
 - 1 week, 23% increase
 - 3 weeks, 55% increase
 - 5 weeks+, 148% increase
- Lag Time is Great Metric to Get Started Tracking

Notes:



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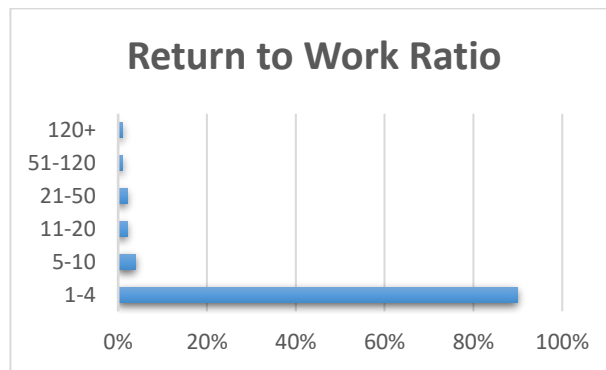
Metric #4 Return to Work Ratio (5-10 min)

- # days OOW: Date Injured – Date Back to Work (Mon – Tues = 1 day)
- 90-95% back to work 0-4 days
- Story it tells:
 - Strong indicator of SYSTEM success
 - Lost time claim roughly 4-5x more expensive on average,
 - Needless work disability, 5% of claims, 80% of costs
- How to track:
 - Track via: spreadsheet
 - TPA summary of lost work days; adjusters pay for lost wages according to how many days out of work.
 - Start manually in ONE division or location
- *Draw out spreadsheet of 5 claims*
- *Draw out graph with bars for each*

Notes:



Employee	Injury Date	Return to Work Date	# Days
Jane Smith	6/20	6/20	0
Tom Anderson	5/20	5/28	8
Bill Jacobs	4/15	5/15	30



Additional RTW Points:

- Easily track # of Lost work days from here
- Next Step: Track claim outcome compared to EBM injury duration guidelines

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Metric #5 OOW Right Now (5 mins)

- If don't know OOW, can't get back to work.
- Drill down, how many out > 6 months – start here for weekly claims meetings

Notes:

Main Point #3: Leverage Information to Make An Impact (5 mins)

- What are your goals?
- What are the goals of your audience?
- How can you articulate information so your AUDIENCE can easily understand?
- One-Pager

Notes: