



Controlling Costs Through Proactive Claims Management

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It's no secret that rising medical costs are a serious issue affecting businesses today. Although medical costs associated with

healthcare insurance receive the majority of attention, they also pose a significant business cost in the context of workers' compensation insurance. In fact, medical costs associated with workers' claims are the primary driver of workers' compensation costs.¹ This is because workers' compensation insurance covers the medical and rehabilitation expenses for workplace injuries or illnesses. With medical prices escalating, businesses can take an active role in controlling their workers' compensation insurance costs through proactive claims management.

A study reported on the Occupational Safety & Health Administration (OSHA) website estimates direct workers' compensation costs alone run nearly \$1 billion per week, which include workers' compensation payments, medical expenses and costs for legal services.² And when indirect workers' compensation costs such as lost productivity, training replacement employees and equipment repairs are considered, the costs are multiplied exponentially. Whether direct or indirect, businesses ultimately bear the brunt of these costs in the form of increased insurance rates, rising premiums and productivity losses.

Businesses can best manage their workers' compensation by controlling the cost of claims through proactive claims management.



A strategic approach to workers' compensation starts with a genuine concern for the health and safety of employees through a comprehensive workplace safety and loss control program. But just as a thoughtful approach to preventing loss is important, it's also very important to have an established claims management process before a loss occurs.

Prompt Reporting



Prompt reporting of claims is an important step in proactively managing workers' compensation claims costs, and is

beneficial to all parties involved – employees, employers and insurance carriers. Ideally, claims should be reported within 24 hours of an incident. Multiple studies conducted in recent years demonstrate that on average, the sooner claims are reported, the lower their ultimate costs.³ Any delays in the reporting of claims can result in delayed access to medical care, which in some instances may lead to further injury, resulting in the need for increased treatment and associated medical costs.

Before an injury ever occurs, businesses should stress to employees the importance of immediately reporting all injuries to their managers, no matter how insignificant the injury may first seem.

Benefits of Prompt Reporting:

- Reduce medical costs
- Reduce administrative costs
- Reduce lost-work time
- Reduce litigation costs
- Reduce indemnity payments



Quick and detailed communication regarding the incident will enable the claims professionals to investigate the relevant facts and determine the compensability or validity of the claim. This information is key to making sure that invalid workers' compensation claims are not paid.

At that point, managers can evaluate the nature of the injury and facilitate the appropriate reporting process with the carrier.

As part of the company's comprehensive risk management plan, it should establish an accident reporting procedure in which everyone in the organization knows what to do in the case of an injury. The steps should be simple and easy to post in common areas like a break room or kitchen. To reinforce the procedures, regular training on the reporting process should be conducted as part of workplace safety training activities.

When engaging with the claims management specialists from the insurance carrier, businesses should describe the accident and any related events in as much detail as possible.

To be considered compensable, an accident or illness must arise from and occur in the course of on-the-job activities, which are commonly referred to as Arising Out of Employment (AOE) and in the Course of Employment (COE). In order to ensure the claim is legitimately compensable, it is important to learn the details of the accident or event and determine if there were any witnesses.



One common warning sign of an invalid or potentially fraudulent claim includes circumstances in which employees arrive at work on Monday complaining of pain or discomfort connected to a Friday accident.

With the proper procedures in place, managers can quickly collect all the facts from their employees and communicate those details to the carrier's claims management professionals. The trained claims professionals will then determine compensability.

Facilitating Immediate Care



As part of a comprehensive risk management program, employers should have pre-determined procedures in place to eliminate confusion and facilitate immediate medical care for injured employees. With a plan in place, managers and co-workers are prepared to spring into action and ensure the health and safety of their colleague. Just as prompt reporting is an important step in mitigating exposure to invalid claims, facilitating immediate care for injured employees can dramatically affect health-related outcomes, which in turn can have a significant effect on the financial and legal implications of a claim.

A Plan for Action – Managing Injured Workers' Care:

- First and foremost, evaluate the need for medical assistance. For emergencies, immediately call 911.
- For non-emergency situations, contact and coordinate care with pre-arranged medical facilities as established with the insurance carrier's medical provider network.
- Report the incident to the workers' compensation insurance carrier. This will open the line of communication with the carrier's claims management specialists who will be able to facilitate an optimized course of action.
- Maintain communication with the injured worker. This reminds them that they are valued by their company, who wants them to return to work when medically feasible.

Return to Work



A key goal of the claims management process is to provide injured employees with the appropriate medical care that facilitates their return

to work. Focusing on a prompt return to work provides many benefits to employers and is an effective way to reduce costs, retain valued employees, and improve morale and productivity. Establishing an open line of communication between the injured employee, manager, medical provider and insurance carrier claims specialist enables effective return-to-work strategies.

As part of their return-to-work program, employers should also evaluate opportunities to provide employees with Alternate Duty Employment, which is an important step in helping control workers' compensation costs. Once employees are released by their medical providers to return to work, even if at a limited capacity, employers should be prepared to offer them alternate duty. In this scenario, employers provide affected employees with options for modified duty or transitional employment. Alternate Duty Employment allows injured employees to continue working while they recover. Keeping injured employees connected to their work environments and colleagues through alternate duties enables them to remain active and in some cases facilitates faster recovery.

Effective Return to Work Benefits:

- Prevention of wage loss for employees
- Increased productivity
- Reduced lost time
- Improved morale
- Faster resolution of claims
- Reduced claims costs



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Conclusion

Next to mitigating losses in the workplace through robust loss control programs, proactive and diligent claims management is critical to controlling workers' compensation-related costs. While there are no shortcuts to effectively managing claims, businesses that make a real commitment to the health and safety of their employees by focusing on loss control programs, prompt incident reporting, facilitating immediate care and fostering return-to-work programs will be best positioned to control costs and maximize their workers' compensation investment.

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Sources

¹<http://www.amicentral.org/Loss%20Control/reference/Workers%20Comp%20-%20Containing%20Costs%20and%20Managing%20Outcomes.pdf>

²<http://www.osha.gov/dcsp/products/topics/businesscase/>

³<http://www.libertymutualagency.com/omapps/ContentServer?pagename=ramInternet%2FPages%2FramStandard&cid=1057678045661>

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CONTACT INFORMATION:

Customer Service

888-682-6671

customerservicefax@employers.com

Fraud Investigations

fraudfighters@employers.com

Loss Control

800-588-5200

losscontrol@employers.com

Claims: Reporting a Claim

Injured Employee Hotline 855-365-6010

Customer Support 888-682-6671

Audit/Collections

auditendorsements@employers.com



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