

by F. Jay Murray and Caren Arnstein

Sound management of workers' compensation claims is a bellwether for a company's overall business condition. An important way companies can enhance their financial well-being and get a leg up on the competition is to aggressively control workers' compensation costs. And perhaps the best way to do this is by integrating a claims management program into their overall business strategy. The rewards include lower direct and indirect costs, increased productivity and reduced liability. This can add millions of dollars to the bottom line with none of the risk associated with busi-

A recent William M. Mercer study found that workers' compensation costs range from 2 to 10 percent of payroll at most companies. But the financial burden of paying for ever-increasing insurance premiums or workers' compensation benefits, if self-insured, isn't the only expense that companies must bear. There are indirect costs, such as lost productivity, employee replacement and diminished company morale.

The increased number of occupational health regulations implemented in recent years is also a major stimulus for integration. These regulations include the Americans with Disabilities Act (July 1992) and a host of tough Occupa-

tional Safety and Health Administration standards, such as the Hazard Communication Standard. Along with these new laws comes a more enforcement-minded government willing to slap businesses with record fines and penalties for noncompliance.

Another important motivation behind integrating a company's

claims management with its overall business strategy, is the downsizing trend. In an effort to cut overhead and streamline operations, some companies have reduced occupational health and safety staff. Others can no longer justify supporting large, in-house medical staff. This can often increase the risk of on-the-job injuries, workers' compensation claims, and noncompliance with occupational health and safety laws and regulations.

And, finally, there's a trend toward an increase in the severity of claims. The Workers Compensation Research Institute, a Cambridge, Massachusetts-based not-for-profit public policy research organization, predicts that claims severity will increase for the near term because of the complications of injury and disease in an aging work force, the growing attention to relationships between diseases and health conditions in the occupational environment, and higher costs due to litigation involving complex claims.

TOWARD EFFECTIVE CLAIMS MANAGEMENT

Controlling workers' compensation costs begins with managing health and safety more effective-

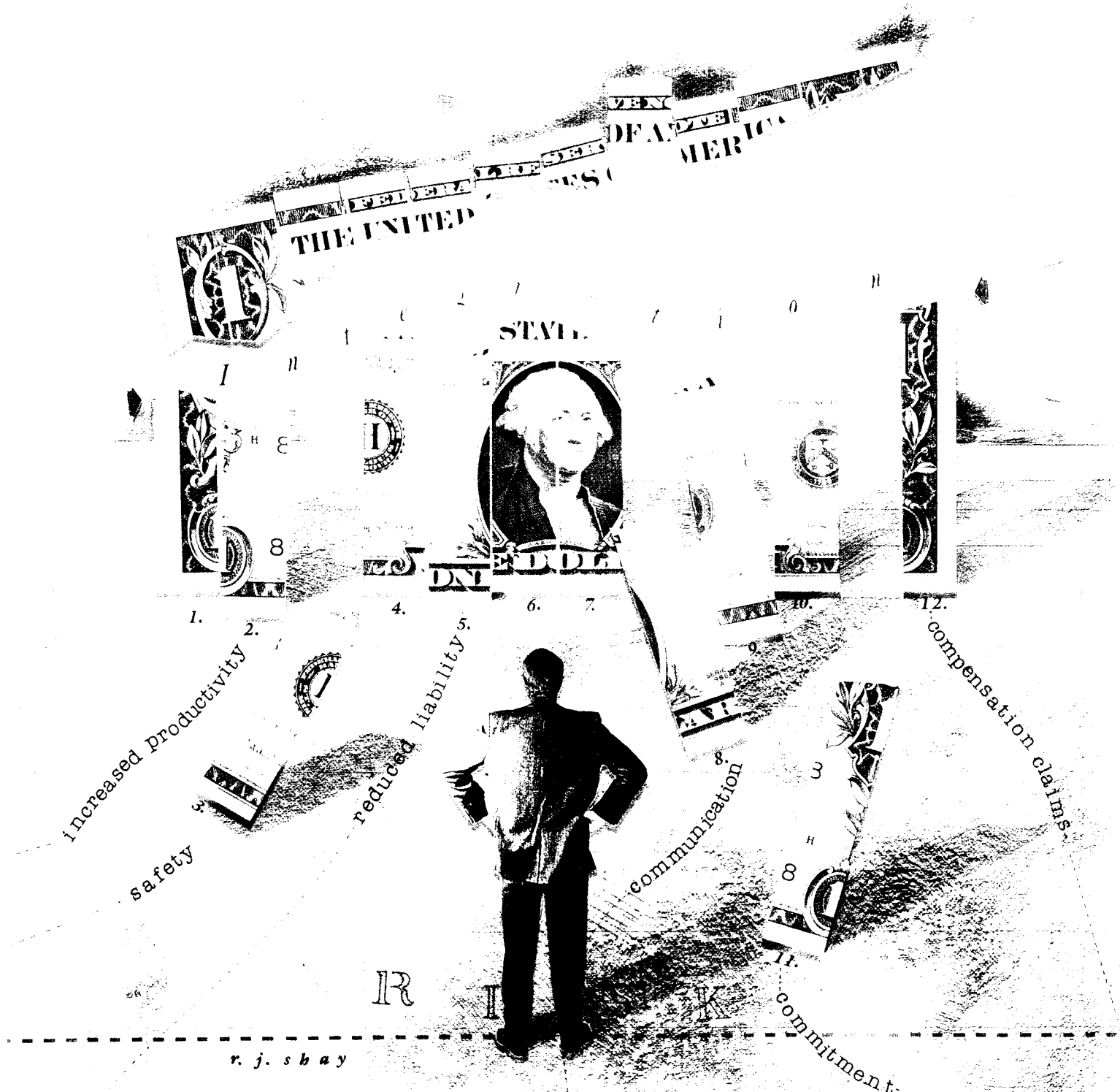
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Integrating Claims Management Programs to Get That Competitive Edge

ness expansion or start-up. However, integration cannot succeed unless a well-developed communications and training program is in place. Communications will help build awareness, reinforce the company's commitment to health and safety, and facilitate appropriate behavior for policy and procedures compliance.

Why integrate? The need to integrate claims management into overall business strategy is being shaped by a number of market forces. Employers paid out \$70 billion in workers' compensation premiums in 1991, according to the U.S. Chamber of Commerce. That's twice the amount paid only six years earlier. In California, the cost of the workers' compensation system rose more than 200 percent from 1981 to 1991, while the size of the work force increased only 25 percent over the same period. The National Council on Compensation Insurance reports the average claim costs \$19,444. The average cost of a workers' compensation claim has more than tripled over the past 10 years. Many of these costs came about because employees remained absent from their jobs far longer than necessary.

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Tips for Better Health & Safety Management

Benchmark against the best.

Determine the companies that have the best occupational health and safety programs, not only in your industry but in the country or world, and use that as your gauge.

Conduct a base-line assessment. To identify opportunities for improvement, it is necessary to conduct a base-line assessment of current compliance status. Such an assessment or audit is an objective evaluation of a company's success in meeting certain health and safety objectives, requirements, standards or criteria. Health and safety audits may be integrated with environmental audits.

Develop a strategy. Don't focus on specific tactics until you've developed an overall strategy.

Measure performance. Pick objective measures of performance and then manage that performance.

Develop a compliance management program. Incorporate into the program compliance actions, methods and systems that have been identified as being effective.

Integrate occupational health and safety with your business. View occupational health as something that gives your company a competitive advantage if you do it well and cost-effectively.

Establish communication between health and safety professionals and company executives. Health and safety professionals need to communicate to senior management the value of an aggressive program in bottom-line terms that managers understand.

ly. Companies that are proactive and integrate good occupational health and safety practices and processes with their overall business achieve a significant advantage over their competition by being healthier and safer places to work. And being proactive means that companies implement a health and safety management program aimed at getting out in front of the regulations. An analogy would be preventive medicine. By taking action now, companies can minimize a more costly "cure" later on. One factor contributing to a proactive program is that integrated companies have management performance measures for workers' compensation, and individual managers and supervisors have clear accountability for injury compensation management practices, such as a workers' compensation chargeback system. But the key element of such successful programs is employee communication and awareness training so that employees are clear about their roles and responsibilities; thus, messages need to be reinforced regularly.

Aggressive case management and early intervention in the workers' compensation claims process are critically important in order to achieve a positive outcome for both the employee and the company. Case management activities include staying closely involved and informed after an accident or injury is reported, assisting in the recovery process and return to

work, assuring the well-being of the employee, and managing the costs associated with the treatment and recovery process. There are several key ingredients in an effective claims management program: program orientation; injury reporting system; case management; case management strategy; light/modified duty program; red flag claims evaluation; and vocational rehabilitation.

Critical to the success of an effective claims management program is the involvement of senior management. Their participation and support of the program send an important message to all employees that the company takes their health and safety seriously, wants to prevent injuries and accidents from occurring in the first place, and needs the injured worker to return to work as soon as possible.

Taking a multi-disciplinary approach is also key. Disability management teams should be developed and their efforts coordinated with medical providers and insurance companies. Members of the disability management team will vary depending on the size and organization of a company, but the typical team includes: supervisors; staff from human resources, risk management/loss control, medical, and health and safety departments; employees; and labor union representatives.

A well-organized program takes a streamlined approach to avoid delays and optimize system efficiency. One way to achieve efficiency is to delegate authority to appropriate levels. For example, make supervisors responsible for assigning modified or light duty for employees. Accountability is also a crucial factor. It is vital that all participants in the system realize their responsibilities. Make workers' compensation roles and responsibilities part of the employee performance appraisal process. Disciplinary action needs to be taken for nonperformance or program violations.

INJURY REPORTING SYSTEM

Requirements for informing workers what their workers' compensation rights are vary from state to state, as do requirements for reporting injuries. Each company should develop its own injury notification system in adherence to state guidelines. Use an easy-to-follow internal form that includes insight into how the injury occurred. The form should also alert all members of the disability management team.

Medical treatment authorization forms are a vital part of the information loop. They link employees and supervisors with claims case managers and medical providers. To aid medical providers, the forms should contain job descriptions as well as information about the availability of light and/or modified duty for the employee.

Make sure medical providers submit a writ-

ten report of the injury within five work days. The report should include a treatment plan as well as an estimated return-to-work or modified/light duty program. Risk managers must insist that their medical provider supplies them with regularly scheduled progress reports and notifies them as soon as a worker's condition permits him or her to return to work.

Regarding case management, early intervention is key. It begins with the first notice of injury or illness. The disability management team must: communicate with the worker immediately and regularly; inform the injured worker of his/her benefits; treat the injured worker with respect, while emphasizing the company's policy of being "firm and fair"; and maintain a level of concern throughout the course of the injury and recovery. The entire disability management team should attend regularly held (quarterly at a minimum) claims management review meetings. Since costs tend to creep up, these review meetings will provide a chance to intervene early.

During a claim investigation, don't look for blame. Accidents will happen. Instead, find out why the accident occurred. Talk to the injured worker, co-workers and supervisors. It's possi-

ble that the accident was just waiting to happen. By finding out the cause, it can be prevented from happening again. Once facts have been gathered, findings should be discussed with the insurer. If the injury is clearly not a result of work, then deny the claim and provide the facts for denial.

CASE MANAGEMENT STRATEGY

The strategy of any company's workers' compensation program should be to encourage prevention so accidents and injuries don't occur in the first place. As such, risk managers can create incentives for department and division managers to ensure worker safety and to prevent accidents. For example, risk managers can build in systems like chargebacks to a department's budget for lost-time accidents, and account for and measure missing labor.

When an injury or illness does occur, supervisors should move quickly to talk with employees to determine the cause and extent of the claim. It is important that the supervisor communicate with the employee in a non-biased, non-judgmental manner. Early investigation of accidents and claims should also be conducted in a non-biased way. Look at the

The workers' compensation crisis:



There's light at the end of the tunnel.

Tips for Controlling Workers' Compensation Costs

Don't underestimate the supervisor's role. The supervisor is the key person in getting an injured worker back to work as soon as possible, in conjunction with the doctor, the insurance company or the case manager. Make sure to communicate your expectations to supervisors and focus awareness training here first.

Communicate with the injured worker. Supervisors should communicate the company's concern to the injured worker immediately after an injury. Telling an injured worker that he or she is valuable and the company needs him or her back as soon as possible will help speed the employee's return.

Match the right medical provider to your company's needs. A provider with a strong occupational focus and understanding of a particular industry's health risks and concerns can spare expense and ensure quality. To get the best results, make sure the provider completely understands your company's expectations and procedures.

Monitor medical providers' performance. Medical providers should manage cases aggressively to get workers back to work as quickly as is medically prudent. They should understand company policy and be in constant communication with the company and the case manager.

Identify questionable claims. Your company should know the warning signs of questionable claims and should contest them through the workers' compensation system. Alert employees and medical case workers that fraud will not be tolerated. Fraud cases should be prosecuted to the fullest extent of the law.

Establish return-to-work guidelines. Having an effective light/modified duty program and a vocational rehabilitation program will help speed a worker's return to prior performance.

Prevent the accident from occurring in the first place. Get your employees focused on safety.

practices and evaluate near misses as well as accidents. If there is a clear indication that the claim is questionable, then pursue further investigation and document any reasons for denial.

Risk managers should establish a written case management plan that estimates a return-to-work date and identifies the type of treatment. Risk managers should also work with insurance companies and communicate early and often with medical providers. Upon return to work or with long-term disability cases, worker satisfaction surveys need to be conducted to determine the strengths and weaknesses of a company's program. Then, companies must act on this feedback.

LIGHT/MODIFIED DUTY PROGRAM

A light/modified duty program should be highly encouraged, but it needs support from top management to work. Again, top management support signals to the employees that not only does the company care about their health and safety, but also that the employees are important to the success of the organization.

Furthermore, positions within the company that can be made available to returning workers need to be identified. These may be job sharing positions or shifted responsibilities — ask workers and labor union representatives for their ideas. Then, communicate to employees the availability of light and/or modified duties. The worker should be kept productive as long as it doesn't place an additional burden on his or her co-workers.

One important thing to remember is that this is a temporary position. So, risk managers must monitor the duration of light and/or modified work, coordinate with medical reports and furnish medical providers with information about the employee's ability to perform tasks. Bear in mind that resources must be made available to pay for light and modified work. Therefore, supervisors shouldn't be punished in the cost allocation process if modified work is encouraged.

RED FLAGS

The sort of "red flags" questionable claims often raise include accident timing, unwitnessed accidents, late reports and unlikely scenarios. It is important to document accidents and investigate them if red flags are spotted. The findings of the investigation then should be shared with case managers and insurers.

Investigation can help determine the cause behind repeated accidents. Some causes include: poor understanding of the job and/or of safety by the employee; the employee's medical condition; drug or alcohol abuse; psychological or emotional problems; and physical inability to perform the job. To help reduce the number of questionable claims, companies must communicate simultaneously their commitment to care for injured workers and their intolerance of fraudulent claims.

While requirements for vocational rehabilitation vary from state to state, they typically require a company to submit a vocational rehabilitation plan within 90 days of determining the employee's vocational feasibility. Approaches to vocational rehabilitation also differ. Programs can include one or more components, including provisions for working "in-house," looking for opportunities outside the organization and offering transferable skills training. Still, bear in mind that companies are not required to provide the employee with whatever he or she wants.

ROLE OF COMMUNICATIONS

Fostering an environment of trust and goodwill is a key element to any successful workers' compensation claims management program. To achieve that, companies need to develop and implement effective communications and train-

ing programs that will build awareness, reinforce the company's commitment to health and safety, and facilitate appropriate behavior for policy and procedures compliance. The communications program should also have a component that will allow managers to track achievements and progress toward goals.

The primary target of a communications program should be company employees at all levels, comprising three distinct audiences. Ideally, internal communication and training should begin at the senior management level, then roll out to supervisors and, finally, to all employees. The communications and training materials must be inspirational, and sufficiently persuasive to motivate a change of thinking and behavior within the company to help achieve short- and long-term accident prevention and cost reduction goals.

The challenge is to present these policy and technical issues in a meaningful and clear manner. Because management and employee audiences may be skeptical of each other's motives, effective communications must cut through adversarial perceptions to address the core health, safety and business issues in plain English. This will help managers and employ-

ees alike understand how their decisions impact the company's health and safety record, medical costs and the employee's emotional well-being, as well as the ramifications of overall competitiveness in the marketplace. An added benefit of the communications program is the pride and improved relations it offers to employees.

A secondary target of a communications program is the external audience — the medical care providers located near the company's facilities who should be informed about the firm's workers' compensation claims management policy and procedures. For example, in order to implement an effective light duty or vocational rehabilitation program, it is essential for physicians to understand the company's policy and need for clear job restrictions. This type of communication will ensure that all parties in the process understand their responsibilities and the company's expectations. It will also position the company as a responsible corporate citizen and showcase some of the firm's innovative activities in the health and safety arena.

The first step in developing a communications program is to identify specific management and employee concerns. One method is

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Nurse Your Workers' Compensation Costs Back to Health

by Jenifer Haas

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Workers' compensation costs can be reduced dramatically by using trained and qualified occupational health nurses (OHN) to manage specially designed occupational health programs. Take the case of a pilot program begun at a large international manufacturer and tested at its three separate U.S. plant locations. OHNs were retained to manage workers' compensation and personal disability cases on a case-by-case basis. By overseeing the medical care, decreasing plant management time spent on medical issues and speeding employees' return to work, the program was able to achieve significant cost savings at each location.

The first plant, for instance, saved more than \$52,000 in the first year, even after deducting the cost of the OHN's salary. The second plant, which employs between 250 and 300 workers, saw its direct workers' compensation costs drop to \$50,000 from an average of \$250,000 a year. And the third plant saved enough money in the

first six months to more than pay for the OHN's recruitment costs and annual salary.

A number of factors were credited by the company's plant managers for the program's success, including: close coordination of OHN's efforts with supervisors; meaningful "return to work" and "light duty" policies that sped workers' return as soon as possible; guidance and oversight of treatment by appropriate medical providers; workers' positive response to OHN personal attention; and successful communication between OHNs and physicians.

In addition to managing workers' compensation cases closely, the OHNs provided quality assurance, developed networks of local medical providers, evaluated the physical demands and requirements for each job, developed accident prevention strategies, and coordinated health and safety programs to comply with appropriate state and federal OSHA regulations. These proactive actions resulted in reduced lost-time accident rates and led to additional indirect cost savings as well. By expanding the program company-wide, the manufacturer will achieve a considerable return on its investment.

the use of a tailored employee survey that can identify potential health and safety problems and barriers that must be overcome in the communication and training process as well as pinpoint perceptions and concerns. Among the specific objectives of such a survey would be to: identify concerns regarding the company's workers' compensation program; understand employee attitudes and behaviors regarding the company's policy and procedures as well as any barriers to implementation; identify employee misperceptions about the workers' compensation cost reduction program; quantify employee satisfaction with the system; test credibility and acceptance of information that may be included in employee communications; and solicit ideas regarding preferred communication vehicles, method and tone.

Once this information has been analyzed, the challenge is to develop messages that directly

address concerns while at the same time presenting a strong, consistent and positive picture. For employees, messages must deal with the emotional issues and misperceptions about management's motives (e.g., management's view: employees milk the system; employees' view: management cares only about reducing costs). It is essential the messages be straightforward and honest on all issues, including acknowledging past problems, and all messages need to be presented as clearly and concisely as possible.

The objectives of this program also include establishing a dialogue with physicians and providing information and communication tools that will inform them of the program and the company's goal of returning employees to work as soon as possible. This will also help to increase the physicians' understanding of the claims management process and the importance of ascertaining the light/modified duty abilities of each patient, and will emphasize the benefits of working with the company.

Communicating the company's workers' compensation philosophy, goals, employee responsibilities and progress to both internal and external audiences requires a variety of communication tools. These may include white papers for senior management, concise guides for supervisors, case management booklets for employees and brief informational packages for physicians.

One tool that has been developed that can be especially effective is a short video training program aimed at supervisors. The goal of the video is to provide supervisors with information to prevent an employee from losing time from work as the result of an injury, or to return an injured worker to work as soon as is safely possible. The video quickly walks the supervisor through the case management program from the moment an employee announces a problem through the final step in the process. On-camera interviews with senior management, first line supervisors and employees are used for added credibility. Role play scenarios show proper procedures and dispute common myths. Additional learning aids, such as a checklist for supervisors, increase the effectiveness of the training video.

Developed correctly, a communications and training program will not only ensure that employees at all levels, as well as physicians, understand their responsibilities, but also allow the company to establish a two-way dialogue to directly address issues as they arise. And by using a well-developed communications plan to reinforce workers' compensation programs, companies can control costs, reduce liability, and increase productivity while honing their competitive edge.

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