

Insurance Issues

WORKMAN'S COMP

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Injuries Down, Costs Up

Helping Solve this Insurance Paradox

A perplexing paradox exists in the world of workers' compensation insurance.

Thanks to safety professionals and the efforts of employers, employees have much safer workplaces, greatly reduced risks for injuries, and far better education in how to avoid injuries in the workplace than they did a decade ago. According to the annual "Issues Report" of the National Council on Compensation Insurance (NCCI), from 1990 to 2004, there was a 45 percent decrease in work-related injuries.

Fewer injuries would cause a reasonable person to assume that the total cost of work-related injuries has also gone down, but therein lies the paradox. In spite of the number of employee injuries plummeting over the period described, NCCI reports that the total costs for work-related injuries over that same period have more than doubled.

Employers must look for alternative solutions if they want to achieve this second goal. Fortunately,

many of the factors that are driving up injury costs in the face of decreased injury claims can be found in areas where employers can make a difference ... if they know about them. It is critical for employers to understand what factors are driving up work-related injury costs and how to drive them back down.

The Most Important People

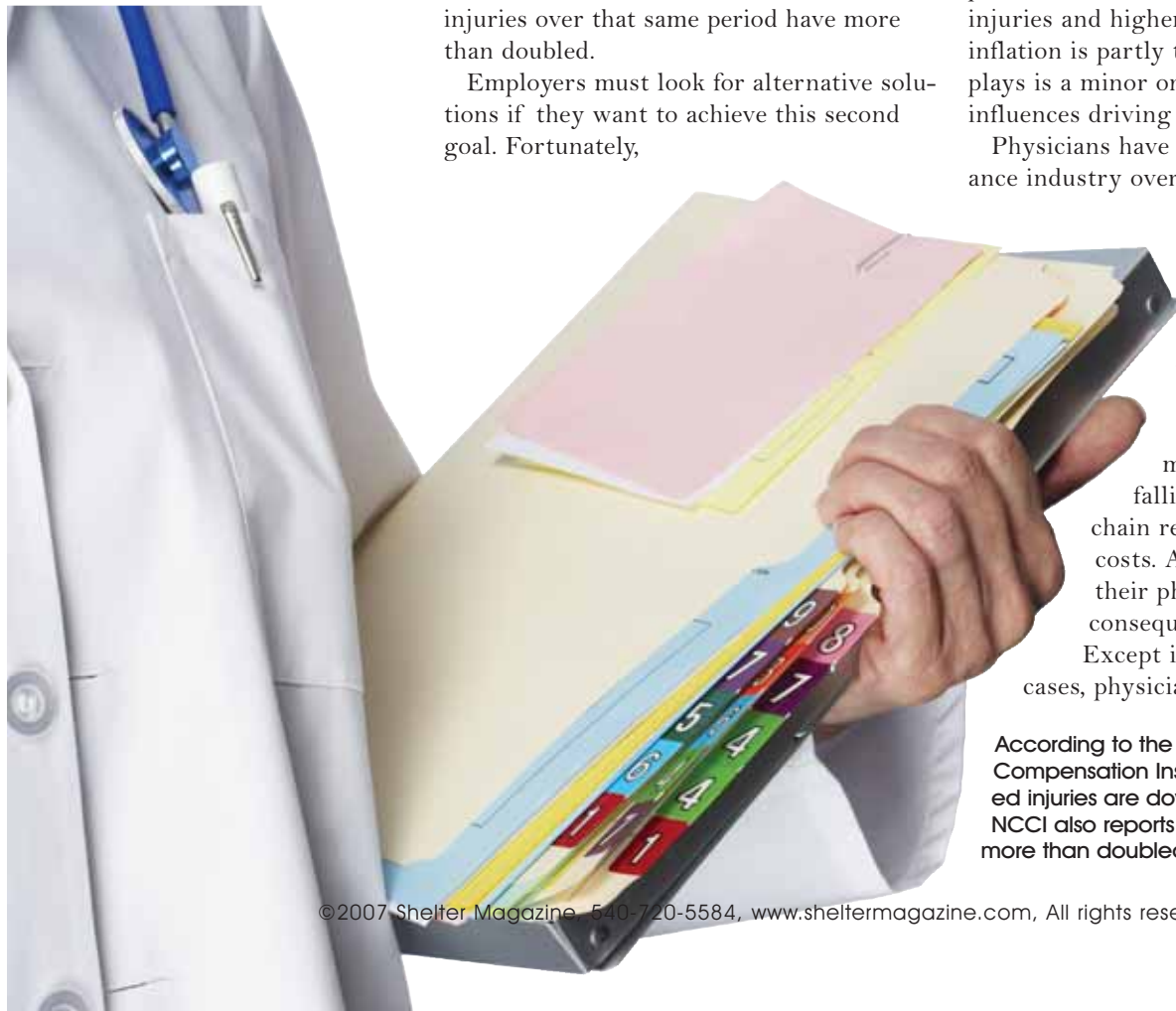
To see why costs have increased and to realize where action can be taken for reduction, employers should look at the three most important people involved in returning an employee to work after injury: the physician, the employer and the employee.

There is a natural tendency to blame medical cost inflation as the primary culprit for this inverted trend of fewer injuries and higher costs. While medical inflation is partly to blame, the role it plays is a minor one; there are far greater influences driving up injury costs.

Physicians have been asked by the insurance industry over the past decade to do more for less. Asking them to accept reduced fees while at the same time asking them to increase their assistance with disability management was probably not a good idea. It may have been the first falling domino that started a chain reaction to greater injury costs. Anyone who has been to their physician has seen the consequences.

Except in the most extreme cases, physicians are stretched thin

According to the National Council on Compensation Insurance (NCCI), work related injuries are down in recent years. But NCCI also reports that related costs have more than doubled over the same period.



and are forced to spend less time with each patient per visit. Much like non-medical businesses tried to reduce injuries to help cut workers' compensation costs, the spike in malpractice premiums likely has made physicians much more cautious in deeming employees "healthy" or "work-ready."

The result has been more office visits and an extended convalescence. This has a

multitude of negative effects on the employers' businesses. Loss of productivity and the cost of overtime to make up for the loss of an employee are the two most obvious.

But extended recovery has the potential to have a far greater impact.

As we know, the employee's state of mind has a lot to do with his recovery. If before being released to full duty an employee goes to the doctor ten times for a single injury instead of three, that employee may begin to think, "There must be something seriously wrong with me." This thinking delays the return to work and claims spiral out of control.

Chain of Events

Employers need to be aware of this chain of events. Once they are, they find that it is not that difficult to fix. Physicians can provide employees with the best possible care without dragging out the process.

Employers just need to work with physicians to help them understand the business.

Cooperation begins with employers reaching out to physicians and the two becoming "partners" in the care of, not just injured employees, but the entire medical concern of the business. For example, employers can pledge to help increase physicians' patient volumes by utilizing their services not only for examining

injured employees, but also for such things as pre-employment drug testing and physical examinations.


The longer an employee stays out of work, the greater the likelihood that the claim will evolve to a severe level. It is therefore critical to get employees back to work, even at a reduced capacity, and to educate supervisors on supporting and

accommodating restrictions.

In most cases, if the doctor and the employer are taking steps in a positive direction aimed at returning an employee to work as soon as

possible, injured employees will follow their lead. Numerous studies have shown employees generally want to return to work as soon as possible. If employees are not following that lead, it may be a sign that the employer needs to reevaluate his hiring policies.

Up to this point, there has been no mention of claims adjusters or attorneys, and for good reason. When things go bad, these are the people that usually catch most of the blame for high claims costs, but this should only happen if the employer and physician fail to work together and make poor decisions. When the partnership fails, the adjuster's job is almost impossible, the intervention of an attorney is usually warranted and claim costs rise.

Their intervention, however, can be minimized. When the employer and the doctor work together and make good decisions regarding an injured employee and are willing to accommodate injured employees as necessary and fitting, a claims adjuster's job is easy and there is not much need for an attorney. The result—their shares of the final price tag are reduced greatly. 

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