

Three Proven Strategies That Reduce Workers Comp Costs!

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Executive Summary

Workers Comp for many businesses account for their third largest personal costs behind payroll and group medical costs. For any business, a reduction in workers' compensation claims means a direct benefit to the business. Workers' compensation claims directly reduce profitability, and thus a \$1 savings in workers' compensation claims results in a \$1 improvement in pretax profits. For years methods to prevent and reduce workers comp costs have gone for the most part unchanged. Safety programs and block and tackle claims strategies have continued with only slight adjustments to this historical approach.

In my 40 years of working on solutions to prevent and reduce workers compensation costs, I've come to the conclusion that if an employer could adequately execute on three areas it could all but eliminate workers compensation claims. The three areas that have the greatest impact for reducing workers comp costs include:

- Positive organizational culture
- Effective pre hire screening
- Soft tissue injury management and control

Any one of these items by themselves have produced savings on an average of a low end of 45% to the high side of 88%.

Organizations with a positive organizational cultural have been shown to have fewer workers comp claims and costs.¹ Integrity testing on a pre hire basis has shown in studies to reduce workers comp claims up to 55%.² The integrity test is designed to self-eliminate candidates who are prone to theft, drug use and fraudulent acts such as filing fraudulent workers comp claims. Positive culture and integrity testing are the two of the strongest measures an organization can take to prevent workers comp claims.

For those claims that do occur, a new medical test has been developed that can tell if a worker's comp soft tissue injury is both legitimate and work related. This diagnostic test has been able to reduce soft tissue injury costs by up to 88%!⁴ The test can tell if a soft tissue injury is real, if it is work related, and if work related, can determine when the injured employee has returned to the pre injury status. Think of it as a lie detector test for soft tissue injuries.

Risk Reduction Strategy: An Overview

For many American businesses, workers compensation costs become a source of contention when claims are filed on a post termination basis or the injured employee obtains legal representation even though the claim is being processed properly and the employee is receiving defined benefits.

The secret to reducing workers comp costs is to first prevent the claims before they occur, if that fails controlling costs associated with the claims is critical. For years the traditional approach for preventing and controlling workers comp losses has been safety programs and drawn out claims processes. For many employers, years of effort and money focused on reducing costs via these programs provide no return on investment and the rate of claims continues at current levels or in some cases the problem gets worse.

Culture

Over the years we've seen a shift towards Behavioral Risk Management (BRM) as a means to reduce workers compensation claims. The premise behind BRM is that culture drives behavior, behavior drives loss, control your loss and you'll control your costs. Objectively assessing your organizational culture is the first step in making significant steps towards reducing workers comp costs.

Culture when negative will manifest itself in insurance

Three Proven Strategies that Reduce Workers Comp Costs!

related costs i.e. Workers Comp, Employment Practices Liability, E&O, Auto and D&O claims. My experience is that high workers comp costs in any organization is simply a symptom of a larger organizational problem, similar to absenteeism, turnover, product waste, theft etc. Identify underlying root cause factors in the areas of communications, trust & respect, conflict resolution team building and facilities and equipment are critical to keeping workers compensation claims to a minimum. If your company is poorly led, people will be unhappy and they'll start to peel off to go work someplace else. If they feel they can't leave and have no other option they'll look for ways to get out of work including filing workers comp claims. If they're happy, they won't!

Employee attitude surveys are the primary method for objectively evaluating organizational culture in a quantitative manner. Employee surveys allow a company to identify those issues that are impacting the culture in a negative manner. Corrective actions effectiveness can be assessed annually by re-administering the survey from year to year. Using the same survey instrument allows the organization to track improvement in critical areas. Once you have an idea of the problems, you can then fix them with honest talk about fear, trust, power and community but it will take time. Healthy cultures are built slowly, over time.

Integrity Testing

Integrity tests are selection devices designed to measure an applicant's attitudes toward theft, dishonesty, drug use, and other counterproductive work behavior. Various forms of integrity tests have existed for well over three decades, and research into understanding whether, why, and how integrity tests work continues. Integrity tests, which are specifically designed to predict the predisposition of job applicants to engage in theft, drug taking, or dishonest or otherwise disruptive work behaviors. These tests ask specific questions about these behaviors, and thus the purpose of these tests is clear to those taking them. Making no attempt to disguise their purpose, these tests ask specific questions about attitudes toward theft, self-assessments of honesty, and admissions of unethical or illegal past behaviors.³ Personality-based tests, by contrast, do not specifically try to detect theft or theft related behaviors. Instead, they use measures of personality dimensions, such as reliability,

conscientiousness, trustworthiness, and sociability, to predict a broad array of counterproductive behaviors. Consequently, the purpose of these tests is not immediately apparent to those taking the test, and many employees do not see personality-based tests as being job-related.²

By screening out dishonest employees, an integrity test can reduce workers' compensation claims by reducing the number of fraudulent claims and decreasing the frequency of exaggerated claims. In sum, if companies could screen out those who would be more inclined to use drugs at work and engage in dishonest behaviors, this could help reduce the number of workplace accidents, reduce the number of falsely reported accidents, and decrease the instances of exaggerated claims.³

Electrodiagnostic Functional Assessment

Probably the most costly problem facing your company today is work-related, soft-tissue injuries, more commonly known as work-related musculoskeletal disorders (WRMSD). According to OSHA, WRMSD account for 34% of lost work days in the U.S., as well as a third of the dollars spent in workers' compensation and of all work-related injury cases.^{6, 7}

What if there was a way to tell if a worker's comp soft tissue injury was both legitimate and work related? Until recently employers were powerless when it came to objective testing for soft tissue injuries and treatment. For the first time ever, we are able to take what once was a subjective interview between the doctor and patient to an objective medical diagnosis.

Electrodiagnostic Functional Assessment (EFA) is a new proprietary FDA approved device for the diagnosis of soft tissue injuries. The test is a simple, non-invasive baseline test that compares a soft tissue injury from current to pre-injury status.⁴ The EFA combines five medically accepted tests to objectively evaluate muscles in the neck, shoulder, back and extremities. The EFA can objectively determine the nature, acuity, and extent of the injury, the precise location of injury and source of referred pain, the significance of disc pathology and site specific treatment.⁵ The EFA is the integration and enhancement of accepted diagnostic tests into one dynamic evaluation. Specifically, EFA incorporates

Three Proven Strategies that Reduce Workers Comp Costs!

surface electromyography (EMG) to measure myoelectrical signals of muscle groups recorded from up to 18 sensors affixed to the skin surface of underlying muscle groups while simultaneously assessing functional capacity at rest and during full range of motion (ROM). The resulting output is an accurate representation of muscle function and effort.⁴

The technology is simple, imagine how an EKG uses electrodes to monitor your heart; the EFA uses electrodes to measure the engagement of the major muscle groups of the body. The EFA program includes an initial assessment (a baseline) based upon the job duties of the employee. The baseline is not read or reviewed and is stored until an injury is reported. After an injury, a second assessment is performed on the injured body part and a comparison between the two tests are made. Only the change from the baseline is accepted as a compensable injury.⁵

The EFA will objectively quantify the injury and outline site-specific treatment to return the injured employee back to work sooner. It has proven to be the best tool available to truly help your employees if they have a sprain/strain injury, and it will also ferret out those that may tend to falsify an injury.

The EFA has been upheld in court and meets the Daubert requirements, has been upheld in Orders to Compel testing issued in multiple jurisdictions across the US and has been admitted as primary evidence in multi-million dollar claims in both Federal and State courts. In *Geressy v. Digital Equipment Corporation*, U.S. District Court verdict was overturned based on EFA evidence. This ruling has resulted in repetitive stress claims being withdrawn based upon the ruling in *Geressy*.⁸

Data provided by the manufacture of the EFA equipment indicates that of 15,000 EFA baseline studies conducted, 0.18% had claimed a soft tissue injury, 0.03 resulted in a change in condition and 99.9% resulted in no claim.⁸

Marten Transport is a multi-faceted provider of transportation services offering over the road (OTR), regional, intermodal and temperature-controlled truckload services. The company has 15 operational centers and more than 3,670 employees and contractors. It needed to provide better care for WRMSD injuries while not accepting liability for

injuries occurred outside the scope of work. Marten decided to institute the EFA Soft Tissue Management (EFA-STM) program in February 2015 to determine which injuries were work-related and which were not, as well as to provide better care.

The EFA program is a paradigm shift in workers' compensation because it provides benefits for all stakeholders by accurately separating work-related injuries from those that are not work-related and by providing objective information and, thus, better care for the work-related condition. The key question is what the physical condition of the employee was before the incident and what needs to be done to return him to pre-injury status. EFA-STM provides the required data.

To determine the benefit of the EFA program, Marten's workers' compensation claims data from 2010-2014 was compared with claims data from 2015. The average rate of soft tissue injuries (STI) per 100 hires from 2010-14 was compared with the 2015 rate. The result was a 60% drop in the rate of STI injuries per 100 hires in 2015. This translates into 40 fewer claims in 2015. Using the 2010-14 average cost per claim, the EFA program yielded a direct ROI of 3.7: 1.⁸

Conclusions

Management is the bottom line in reducing workers' compensation costs. Success starts and ends with management commitment and involvement. The three areas that have the greatest impact for reducing workers comp costs include:

- Positive organizational culture
- Effective pre hire screening
- Soft tissue injury management and control

Studies indicate the need to address employee behavior as a primary means of reducing injury rates and associated workers' compensation costs. Positive culture along with pre hiring integrity testing have proven to be effective in reducing workers compensation claims. Efforts to further reduce soft tissue injuries (STI) is achieved when EFA baseline and post injury testing is adopted by the organization.

For more information about Workers Compensation reduction strategies or insurance please contact the author at 760-822-2030 or email at lsukay@patrisk.com

Three Proven Strategies that Reduce Workers Comp Costs!

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