





# The Total Cost of Risk



# Risk Management?

- Safety (prevention)
  - » Reduce/Eliminate the **FREQUENCY** of exposure
  - » Reduce / Eliminate the **SEVERITY** of potential hazardous outcomes.
- Worker's Compensation
  - » Claims filed by an employer in a given year. (**FREQUENCY**)
  - » Days away from work in addition to direct medical costs. (**SEVERITY**)



# Why the merger of Safety and Workers' Comp

- Formation of a seamless unit of Risk Management
  - » **Reduce Frequency and Severity**
  - » **Safety does accident investigations (root cause analysis)**
    - » **Lack of training,**
    - » **Behavioral or accountability issues,**
    - » **Break down in process or environment.**
  - » **Trends**





# Occupational Health and Safety Management Systems

- Continual Improvement Program
  - » **Plan, Do, Check, Act (ANSI Z10)**
- Management Leadership & Employee Participation
- Planning
- Implementation & Operation
- Evaluation & Corrective Action
- Management Review



# Management Leadership

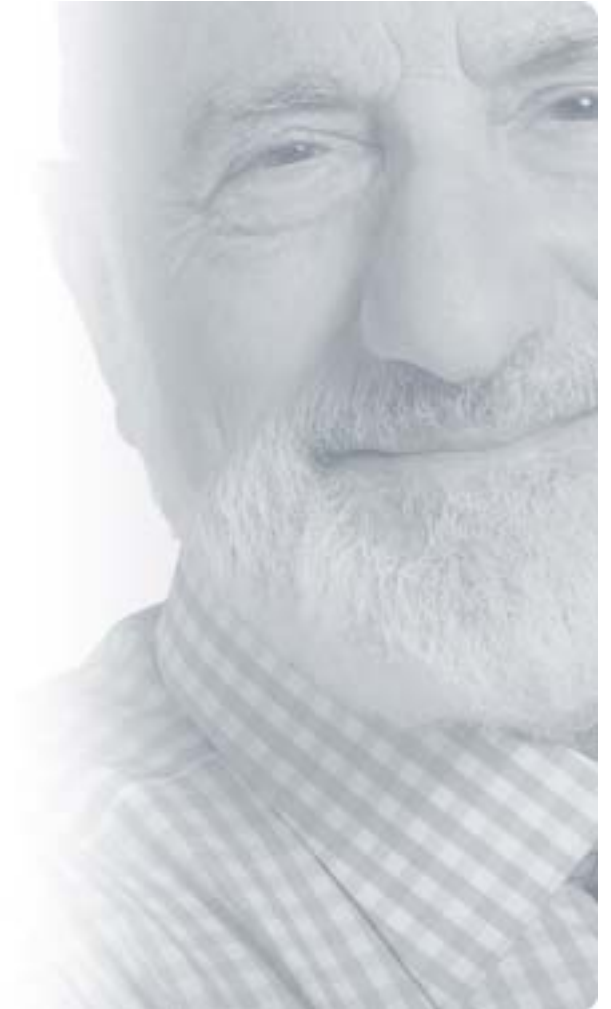
- Establish an Occupational Health and Safety Policy
- Determine responsibility and authority
  - » **Performance**
  - » **Resources**
  - » **Defining Roles**
  - » **Integration into other business processes**





# Employee Involvement

- All aspects of System
  - » **Planning**
  - » **Implementation**
  - » **Evaluation, corrective and preventive action**
- Identify and remove obstacles or barriers to participation





# Evaluation and Corrective Action

- Monitoring, Measurement, and Assessment
- Incident Investigation
- Audits
- Corrective and Preventive Actions
- Feedback to the Planning Process



# Prevention is the Key

- Management Commitment
- Effective policies
  - » **compliance**
  - » **specific and clear expectations**
  - » **accountability**
- Involvement of all employees
  - » **educating vs. training**
  - » **continuous improvement**
- Health and Safety Management is an **investment** which leads to direct impacts on the **BOTTOM LINE**



## Culture is Free

- Investment may seem farfetched, given current economic conditions – but there are options
- Remember that a change in the culture of your business can go a long way toward overall reduction in risk
- Shifting to a culture of safety requires a change in mindset and behavior, and can be done for little or no cost



# Worker's Compensation Management

- Total number of claims filed by an employer in a given 12 month period. (Frequency)
  - » **Best claim is that claim that does not happen.**
- Number of days injured worker is absent from work in a given year, due to medical issues in allowed workers' compensation claim. (Severity)
  - » **How quickly does the employee get back to work?**



## Simple tips for proactive claims management

- Analyze near-miss incidents
  - » **Insight into why and how injuries occur.**
  - » **Initiate corrective action to prevent future injury.**
- Perform a thorough accident investigation immediately following an injury.
  - » **Provides critical information about not only the injury, but also how to prevent similar injuries.**





## Case Study

- A Sequent Safety Consultant received notice from the Sequent Workers Comp team of an accident
- Injured worker and supervisor wrote out statements
- Injured worker hurt back on scaffold- no witnesses
- Investigation started to determine the root cause of accident



## Case Study

- Interviewed subcontractor
  - » **Recalled conversation with injured worker the day of the accident.**
  - » **Injured worker stated back was sore from working in his basement at home.**
- Injured worker interviewed and asked:
  - » **How did the injury occur?**
  - » **When did he report the injury?**
  - » **Why did he continue to work all day with a back injury?**



## Case Study

- Claim denied
- Signed written statement from subcontractor
- Potential large financial impact of the claim
  - » **Possible savings of \$100,000.**





## Simple tips for proactive claims management

- Communicate with the injured employee at the time of injury and during any treatment.
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# Injury Reporting: Why It's Important

## Lag Time:

- Amount of time, usually measured in calendar days, between the original date of injury and the date of filing the workers' compensation claim.

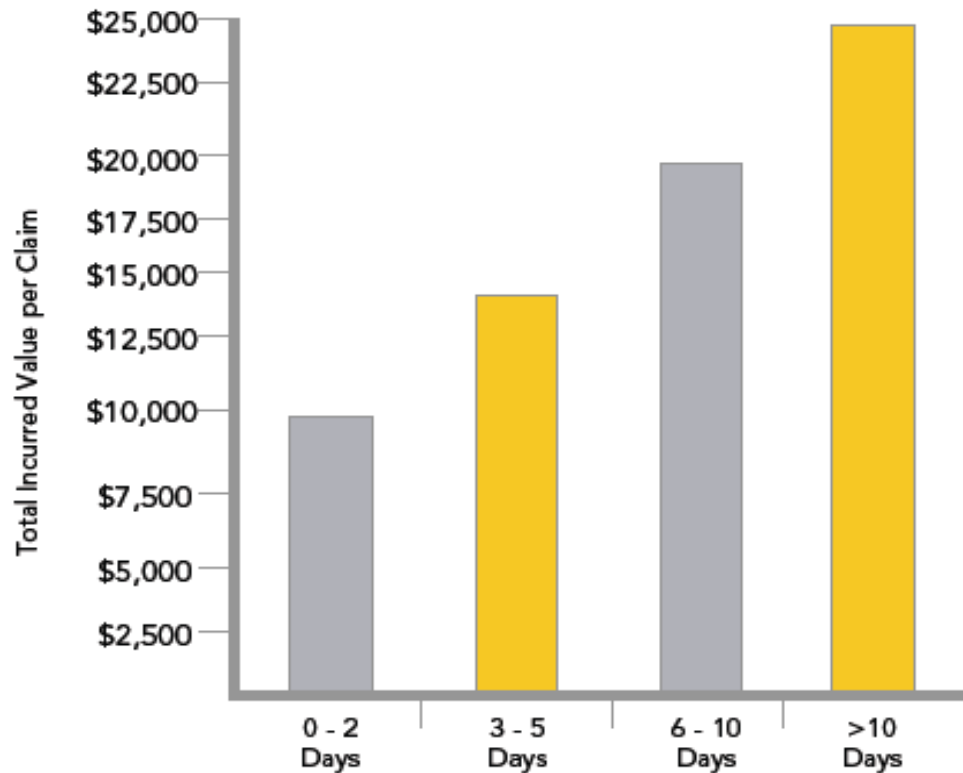


## Injury Reporting: Why It's Important

- Establish effective claims reporting procedures
  - » **Streamline current procedures to facilitate prompt reporting**
  - » **Ultimately affects your overall premium dollars.**



# Financial Impact of Prompt Claims Reporting Chart





# Keeping the reserve at bay

- Reserve:
  - » Estimated value of future financial liability for a claim at a specific point in time.
  - » Reserve drives premium.





# Keeping the reserve at bay- continuation

- **Salary Continuation**
  - » **Receive wages directly from the employer vs. Ohio Bureau of Workers Compensation.**
  - » **Wage continuation**
    - » **Paid at 100% of calculated full weekly wage for twelve (12) weeks.**



# Keeping the reserve at bay- continuation

- Salary Continuation
  - » Should the claim be denied upon final determination?
    - » Reserve the right to recover the funds that were paid as wage continuation.
    - » Receipt of wage continuation will be in lieu of workers compensation lost time benefits.



## Claims Management- not claims processing

- Facilitate appropriate treatment and safe return to work through Managed Care Organization
- Coordinate a return to work
  - » **Match available job duties to the medical restrictions.**
- Review all potential options
  - » **Disability exams, hearings, appeals, legal representation, settlements and other claims management or cost reduction strategies.**



## Transitional work

- Job, task, function or combination of tasks or functions that worker with restrictions may perform safely, without the risk of re-injury.
- Benefits:
  - » **Eliminate /decrease time away from work**
  - » **Increase productivity**
  - » **Keep reserve at bay**

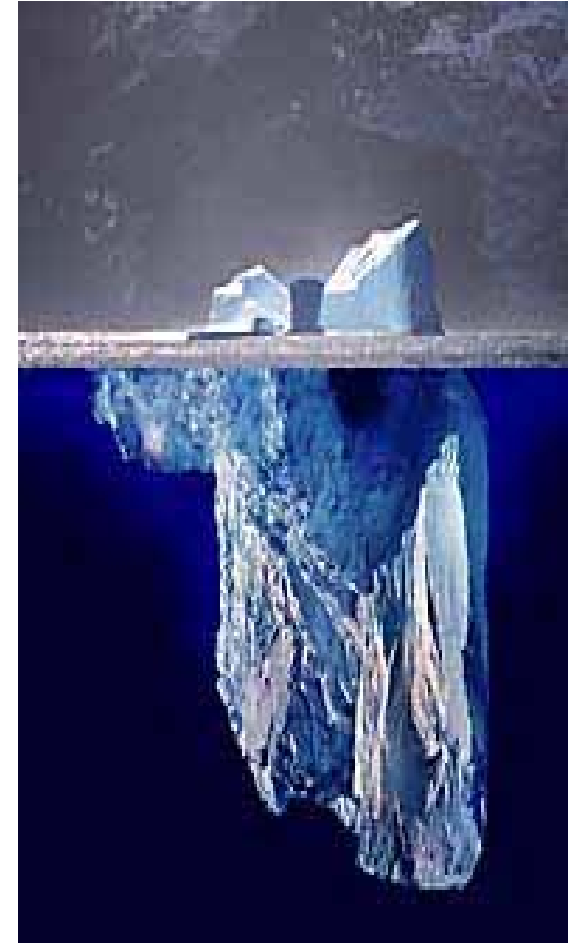




# Total Cost of Risk (TCOR)

Direct Costs

Indirect Costs





## Direct Costs (DC)

- Disability Compensation
- Medical
- Pharmacy
- Physical Therapy
- Dependent Benefits
- Death Benefits
- Excess Premium
- Claims Administration Expenses
- Other (surety, assessments, taxes, etc.)
- Regulatory Fines
- Legal Settlements



## Indirect Costs (IC)

- Lost Productivity
- Additional Supervision
- Temporary Labor
- Overtime Costs
- OSHA Fines
- Property Damage
- Tools/Equipment Damage
- Product/Materials Damage
- Emergency Supplies
- Interim Equipment Rentals
- Accident Investigation Costs
- Accommodations Made for Injured Worker
- Recruiting, Hiring and Training Replacement Workers
- Loss of Business & Goodwill



# Offsetting the Cost of an Accident

$$RR = TCOR / PM$$

Revenue Required to Offset Loss (RR)

Total Cost of Risk (TCOR)

Profit Margin (PM)

» **most companies operate between 5 – 20%**



## Example # 1

- Amputation / Severe finger laceration
  - » **Direct Cost - \$3,500 (medical)**
  - » **No lost time**
  - » **Indirect Cost factor = 3**
    - » **Ranges from 3 – 30 depending on severity of outcome, resources, complexity of task, etc.**
  - » **Profit Margin = 20%**



## Example # 1

Direct Cost = \$3,500

Indirect Cost = \$3,500 X 3 = **\$10,500**

TCOR = \$10,500 + \$3,500 = **\$13,500**

**TCOR / PM = RR**

**\$13,500/.20 =**

**\$67,500**





## Example # 2

- Carpal Tunnel Syndrome
  - » **Direct Cost - \$23,000 (medical);**
  - » **Open claim / physical therapy**
  - » **Indirect Cost factor = 3**
    - » **Ranges from 3 – 30 depending on severity of outcome, resources, complexity of task, etc.**
  - » **Profit Margin = 20%**



## Example # 2

Direct Cost = \$23,000

Indirect Cost = \$23,000 X 3 = \$ 69,000

TCOR = \$69,000 + \$23,000 = \$92,000

**TCOR / PM = RR**

**\$92,000/.20 =**

**\$460,000**



Is "Safe" behavior common sense?

Can we rely on common sense for accident prevention?

If we guaranteed 100% compliance, could we say that we were 100% SAFE?



**Why?**



## For more information or questions contact Sequent

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