

QUESTION & ANSWER:

WORKERS' COMPENSATION



Maurice Turner, CEO of AIK Comp, a large group self-insurance fund located in Louisville, Kentucky has been active in worker's compensation for over thirty years.

Prior to his arrival at AIK Comp in 1998, he worked as a state regulator in the workers' compensation arena and was President and CEO of the Kentucky Coal Producers Self-Insurance Fund.

How are injuries caused by poor ergonomics affecting the workers' compensation system?

“Strains and sprains to backs, necks and other soft tissue areas are the main cost drivers for lost time injuries in the workplace today. These injuries are expensive to treat, require a good deal of time to heal and may be aggravated and/or reoccur easily. As workers' compensation provides maintenance for time away from the job as well as 100% of medical expenses associated with the injury, the costs can be staggering.”

If there are high costs involved with these injuries, how are these affecting rates?

“Workers' compensation insurance is designed and operates on the principle of “risk sharing.” Although there are specific multipliers and factors that are calculated for individual policyholders, costs are spread over the multitude to make accelerated costs of the few acceptable for all. In short, everyone shares part of the burden of additional costs.”

“Today, workers' compensation rates are increasing substantially, nationwide. Medical expenses are a significant cost driver and there appears to be no abatement on the horizon. Rates increase according to loss and expected loss. There are many programs designed to reduce

the severity of claims cost such as fee schedules, managed care and superior claims handling. However, these are only cost reductions once a claim has occurred. A system that eliminates or significantly reduces the number of claims is the ultimate cost saving device.”

Are there other ways companies are absorbing the costs besides through rates?

“Aside from the normal cost associated with a workers' compensation lost-time claim, there are additional embedded costs that sometimes go unnoticed. First, there is the physical and psychological damage to the employee that can be life altering. Severe or minor disablements create difficult situations that may result in loss of ability to function at the most basic level. A young father cannot play baseball with his son; a mother may not be able to hold her infant. Feelings of inadequacy or impairment may follow and be devastating. For the employer, a lost-time claim means that either another employee takes over duties of the injured worker, or more likely, a replacement must be found and trained. Time spent on searching for a replacement, training and acclimating him/her to the new position may be considerable and the inefficiencies and lost production are usually even more pronounced creating additional costs for the employer.”

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Can companies who adopt an ergonomics program receive lower insurance rates or plan discounts?

“Workers’ compensation insurance rating plans include an Experience Modification Factor (Mod) that is calculated through a mathematical process that may go back in time to capture the loss experience for the previous three to five years. The “Mod” takes into account the number of injuries as well as the severity.

The number derived from the calculation is a multiplier. For example, if the calculated premium is \$10,000, a Mod of .75 will decrease the cost to \$7,500 while a Mod of 1.25 will increase the cost to \$12,500. By adopting an ergonomics program, employers will reduce the number and severity of workplace injuries. This, in turn will ultimately reduce the “Mod” or multiplier that will cause a corresponding reduction in premium. Good experience is rewarded but the ultimate effects are not immediate. The good experience must be maintained for two to three years to see the effects.”

How will the workers’ compensation system be affected in the future without ergonomic intervention?

“The U.S. has an aging workforce. In Kentucky, the average age is 43 years old. This is significant because as we age, we injure easier and take longer to heal. Repetitive action or motion that is ergonomically unsound will, over a prolonged period of time, cause a variety of problems such as carpal tunnel, back strain, neck strain and similar conditions.

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If we do not address these problems we run the risk of losing valuable employees with the attendant problems

of replacement and efficiency as well as substantial costs associated with lost-time from the job and medical treatment cost that continues to skyrocket. The result will be higher cost of workers’ compensation and medical care.”

STATISTICS TELL THE STORY

- U.S. corporations face more than sixteen million lost workdays each year as a result of Cumulative Trauma Disorders (CTDs).⁹
- \$1 out of every \$3 spent on workers’ compensation goes for MSD-related claims.¹⁰
- The National Institute for Occupational Safety and Health (NIOSH) estimates that the average carpal tunnel case costs about \$3,000 in benefits and \$40,000 in medical costs. (NIOSH, 1989)⁹
- Musculoskeletal disorders (MSDs) cost the nation up to \$50 billion a year; employers pay between \$15–\$18 billion in workers’ compensation costs alone.¹⁰
- This broad definition of Repetitive Stress Injury (RSI) has opened the workers’ compensation gates to the point where 30% of all new claims are RSI related, with each claim costing an average of \$18,268 (Guste, 1995).⁹
- Low back pain costs approximately \$24 billion per year in direct medical expenses and another \$27 billion per year in lost productivity and compensation. Total annual costs for back pain increased from \$35 to \$56 billion when disability costs were included.¹¹