



“WORKERS' COMP, WHERE ARE THE REAL SAVINGS?”

How can I reduce my overall workers' compensation costs? Are we going to have a reduction in rate? Although these are great questions, they have little in common. Rate is a reflection of experience and unallocated loss adjustment expense (ULAE), which are those costs that are not allocated to a particular claim. Currently both the Public and Private Workers' Compensation Groups are performing under the industry average.

As the market softens, there will be promises of lower premiums, credits will be applied for the short term and you may see 10% to 15% savings. What they don't tell you is that services provided are far less than you receive through the Groups. If they provide loss control services, it will more than likely be someone with very little, if any, hospital experience and your claims service will be handled from another state.

Goals for the Groups have been focused on providing superior service at a reasonable cost. This we have accomplished and continue to seek out beneficial solutions for improvement.

Where are the real savings to be found? Your experience modification factor or "mod" is reflective of your hospital's individual experience. Let's look at it from three areas. Firstly, there is the average or expected mod of 1.00. This is the average experience of a facility such as yours. Most tend to think that a 1.00 mod is good. At best it's average. "This is like saying a "C" on your grade school report card is good."

Secondly, there is your actual mod. This is derived from your three year experience. Finally, each facility has a minimum mod. This is different for each facility and may be as high as .90 for small risks or as low as .25 for large risks. The minimum mod reflects no losses in your three year experience.

This is where real savings on your premium are found, that which you have direct control over, the difference between your actual mod and the minimum mod. To give you an example of these potential savings, let's assume your premium at a 1.00 mod is \$100,000. The minimum mod for your facility is .50 with a premium of \$50,000. The difference or \$50,000 is the controllable mod; by reducing losses, you have a direct impact on premium.

Loss Control continues to drive home the need to reduce losses by implementing effective solutions, e.g. modified duty and return to work programs, panel of physicians, effective hiring practices and employee relations. Each of these "best practices" directly impacts your ability to reduce your worker's compensation cost and at the same time improves the health and welfare of your employees. This results in a dual effect. Studies indicate that when you have healthy happy employees, you also reap the benefits of safe quality care.

As we approach the renewal process, we will provide your facility's actual mod along with your minimum mod so that you can better understand the potential costs savings, within your control. It is our charge to work diligently with you to reduce your workers' compensation costs and improve the workplace environment for your employees and the patients they serve.

By now all workers compensation renewal forms should have been received by our office. We will be calling to remind those that have not been received. We hope to deliver renewal quotes during the month of May. Thank you for your time in preparing this information.