


Winning The Workers' Compensation Game

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Presented by

Lyeng Ia
Senior Vice President

Lorenda Edmundson
Senior WC Claims Consultant





LAEDC
Advancing Opportunity and Prosperity for All



LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION
Advancing Opportunity and Prosperity for All

Joseph Torres
District Manager
Business Assistance and Economic Development
(213) 448-1804 / joseph.torres@laedc.org



The LAEDC, the region's premier economic development leadership organization, is a private, non-profit organization established in 1981 under section 501(c)(3). Its mission is to attract, retain, and grow business and jobs for the regions of Los Angeles County.

 <p>Businesses</p> <p>LAEDC provides free, confidential, strategic consulting to help businesses and key industry leaders overcome challenges, grow and thrive. We facilitate site selection, cost reduction, cost reduction, workforce development, industry councils and more.</p>	 <p>Education & Workforce Development Pros</p> <p>LAEDC assists universities, community colleges and workforce development organizations to ensure their demand for talent matches the jobs you are growing to graduate.</p>	 <p>Government</p> <p>LAEDC assists local cities and LA County on business attraction and retention, public policy analysis, fiscal impact, strategic planning and more.</p>	 <p>Investors</p> <p>West Coast Center for Angels (WCCA) Business Strategy (BSC) provides financing capital and jobs to the region. WCCA is a subsidiary of LAEDC.</p>
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Business Assistance and Development

Permit Assistance	Financing	Energy Efficiencies	Tax & Workforce Incentives	Economic Data	Reduce Risk/ Increase Bottom Line
<ul style="list-style-type: none"> Cities LA County Public Works LA County Health Dept Governor's Office of Bus. & Econ. Dev. Site Searches 	<ul style="list-style-type: none"> County Loan Programs SBA Traditional/ Non Traditional VEDC 	<ul style="list-style-type: none"> So Cal Edison Gas Co LADWP Municipal Programs 	<ul style="list-style-type: none"> America's Job Centers of California Employee Training Business Tax Incentives Workforce Incentives 	<ul style="list-style-type: none"> Economic Forecasts Demographics Industry Specific Data 	<ul style="list-style-type: none"> Lean Manufacturing/ Process Improvement Risk Management/ Employee Benefits Cost Segregation Expense Reduction Analysis



LAEDC Business Assistance/Layoff Aversion Program



The flyer contains the following text: "Times are tough, but help is only a phone call away. We exist to assist L.A. County businesses. LA County Economic Development Corporation offers a variety of services to help you stay competitive. Areas of Expertise: Permitting, Business Development, Financing, Energy Efficiency, Risk Management, Business Insurance, and Business Succession. Contact us today and let the LAEDC get to work for you! LAEDC Los Angeles County Economic Development Corporation www.laedc.org 888-4-LAEDC-1"



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Agenda

1. What is Workers' Compensation?
2. Why is learning more about WC important?
3. Best Practices: 10 Ways to Win the Game
4. Questions & Answers

Broader Perspective: Business Solutions. 

What is Workers' Compensation?



Workers' Compensation System

- Is the exclusive remedy for employees injured at work (there are exceptions)
- No fault system ensures that employee cannot file civilly for benefits, employer cannot use common law defenses to deny benefits
- Primary source of insurance for an employee injured at work or contracting an occupational illness
- Provides wage replacement, medical treatment, retraining benefits and death benefits to surviving dependents
- Is not a substitute for the employee's group medical insurance or lack thereof

Broader Perspective: Business Solutions. 

Why is Learning More About Workers' Compensation Important?

Year	Rate
1978	\$2.99
1988	\$4.21
1991	\$4.21
1998	\$2.33
2001	\$6.29
2006	\$2.90
2009	\$2.10
2011	\$2.90
2013	\$2.90
2014	\$3.04
1/15-6/15	\$2.85
7/15	\$2.85
1/16-6/16	\$2.85
7/16	\$2.85
1/17-6/17	\$2.58

Insights and Recent Trends

- Due largely to significant SB 863 savings, average insurer rates have decreased 15% since the first half of 2015.
- The Insurance Commissioner has approved five reductions in advisory pure premium rates since 2015, totaling 27% from the January 1, 2015 level.
- Current charged rates are on average lower than those charged in the late 1970s as long-term declining claim frequency has largely offset rising medical costs.

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A Tale Of Two Regions

Low Peninsula/Silicon Valley: 0.742

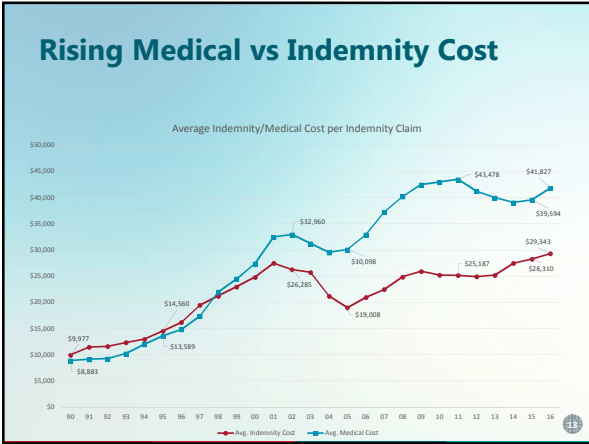
High LA/Long Beach: 1.349

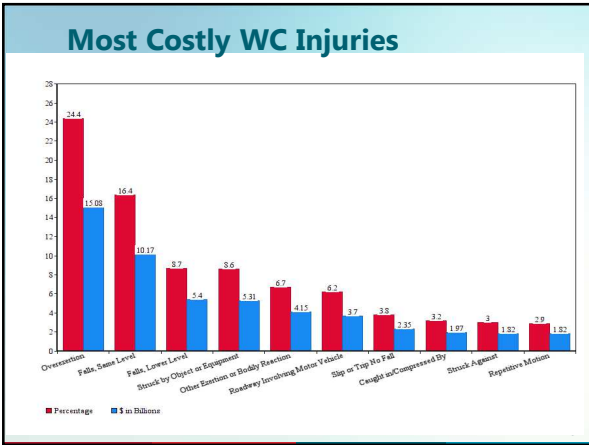
Insights and Recent Trends

- There are significant differences in frequency rates across California, even after adjusting for regional differences in industrial mix and wage levels.
- Frequency in the Los Angeles/Long Beach area is 34% higher than the statewide average.
- Frequency in the Peninsula/Silicon Valley area is 26% lower than the statewide average.

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Best Practices: 10 Ways to Win the Game

1. Preventative Loss Control

Areas to consider:

- Ergonomics – workstations, tools, job rotation, stretch program
- Lifting, Push-Pull injuries – push carts, hand dollies, motorized order pickers, two-person lift rule for awkward objects
- Safeguarding Machines – lock out/tag out program
- Materials Housekeeping – appropriate material safety data sheets (MSDS), OSHA requirement


Take Away - Identify safety hazards in your workplace and develop policies and procedures to mitigate loss. Train employees and promote a culture of safety. Document all trainings!

Broader Perspective: Business Solutions. 

2. Understand your “Exmod”

- Experience Modification factor
- A penalty or reward for managing loss
- Rate * Payroll * Exmod = Premium
- Experience Modification of 1.25 and over results in CAL-OSHA inspection
- Use of threshold reduces severity of claim; Once a claim goes over Primary Threshold any increase in the claim will not effect experience modification

Take Away – Frequency hurts more than severity! Frequency is considered controllable; severity is not.

Broader Perspective: Business Solutions. 

3. Reducing Reserves: Unit Stat Review

- WCIRB calculates and publishes experience mods based on losses
- “Paid and Future costs” are included
- Carrier reports policy losses to the WCIRB six months after policy inception date
- Meet with the carrier & broker to discuss open claims and challenge rationale of the reserves

Take Away: Be engaged in your claims to ensure that appropriate strategies are being employed for the most positive outcome to your business.

Broader Perspective: Business Solutions. 

Real-Life Example of Why this Matters

- Client has an initial Exmod of 158
- After review of the claim, taking into account facts of the case, it is agreed by the adjuster to reduce the reserve of a claim by \$96,000.
- New reserve goes into Exmod calculation and produces a reduced Exmod of 146.
- A 12 point drop in Exmod results in a premium decrease of \$60,000 (based on a \$500,000 premium policy)

PRICELESS!

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4. Hiring Procedures

Are you hiring your next WC claim? No direct way to know if they have a prior WC claim - laws regarding privacy

Possible Questions to Ask:

- "What did your last job entail?"
- "What have you been up to since your last job ended?"
- "Tell me about this gap in your work experience."

Policy and Process Recommendations:

- "Pre-employment Drug Testing" signage in reception area or personnel office
- Random Drug Testing Program (only for reasonable suspicion, post accident or DOT occupations is legal in California)
- Post Offer physicals may reveal limits in physical capabilities required for the job leading to whether the employee requires a reasonable accommodation

Take Away: Be VERY diligent in your hiring process. Use extensive background checks: criminal, credit, domestic violence, drug convictions. Scrutinize applications and do a Google search. Social Media is your friend.

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5. Trend Analysis

Analyze possible relationships between claims: common type of loss, common location, day of the week, job function, etc.


- 30% of claims are slip and falls:
 - Need new shoes?
 - Failure to clear spills?
 - Hazards?
 - Mats needed?
 - Moisture?
- Overuse injuries from reaching, carrying, push/pull, repetitive motion:
 - Consider ergonomic review
- New hires often injured within 90 days of employment:
 - Training procedures and..
 - Hiring procedures may need to be revamped
- Repeated injuries by same employee:
 - Maybe more unsafe acts than unsafe conditions
 - Fraud?

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6. Timely Reporting

- Length of time between loss & reporting should be less than 24 hours
 - Carrier has only 90 days from employer’s knowledge to investigate and formally deny the claim or it is considered compensable
- Obligation to report even suspected fraud
- Compensability determination made by carrier based on factual, medical or legal basis

Take Away: You have to evaluate where your losses are coming from to determine what actions you can take to prevent and/or mitigate loss. VERY important to report losses within 24 hours to give the carriers the best opportunity to deny a claim.


Broader Perspective: Business Solutions. 

7. Ways to Help Avoid Litigation

Claims can get bigger when attorneys become involved, e.g. conditions get added – sleep disorder, psychological issues, other body parts, etc.). Attorneys likely do not want employees to go back to work. To help combat this:


- Notifying carrier as soon as possible
- Providing immediate medical treatment
- Taking employee to clinic, waiting, making sure they have a ride – utilize industrial clinic’s resources (taxi, uber)
- Follow up with employee to express your concern for their well being

Take Away: Make sure injured employee feels cared for. Pre-select industrial clinic partners who know your business and have strong communication between you, the clinic physician and the employee.

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8. Discipline Procedures

- Create a culture of accountability by instituting and adhering to discipline procedures
- Write up employees who perform in an unsafe manner things
- Employee handbook should indicate what disciplinary actions will be taken
- Critical that all employees are treated the same way

Broader Perspective: Business Solutions. 

9. Safety Awareness Program

- Department Raffles for “Days without injuries”
- Create morale based on safety
- Only Nominal rewards for reduction of injuries and safety compliance. Competition for expensive items can lead to hiding injuries and employee intimidation

Take Away: *Be firm and consistent on bad behavior; promote and reward good behavior.*

Broader Perspective: Business Solutions. 

10. Foster Awareness of the Cost of Workers’ Compensation

- Consider telling employees what it costs to carry Workers’ Compensation coverage for them. Present it as a benefit...which it is.
- Explain what it provides:
 - Medical benefit
 - Wage loss benefit
 - Retraining voucher
- Decreasing fraud helps everyone, more employment, more profits
- Awareness of cost makes employees less likely to report fraudulent claims

Take Away: *Educate your employees about how WC claims impact the financial stability of the organization and the organization’s ability to be profitable equates to higher pay, bonuses, more employees, etc.*

Broader Perspective: Business Solutions. 

Thank You.

Lyeng Ia
(626) 535-1805
lia@boltonco.com

Lorenda C. Edmundson
(626) 535-1815
ledmundson@boltonco.com

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