10 Ways to Find Lost Money in Workers' Compensation Loss Run Reports

by
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Nineteenth century Attorney Russell Conwell earned more than $6,000,000 delivering his famous "Acres of Diamond" speech. He said that riches are right in front of us, although most people spend their lives looking far and wide.

It's the same with Workers' Compensation. Employers get excited about lower premiums, while completely missing the big money that's right in front of them in their loss run reports.

By paying careful attention to loss run reports, employers have a road map to where they can find and recapture Workers' Comp dollars.

While it's true that a single field in a loss run report cannot provide meaningful overall information, an employer can spot a trend if that same field is reported multiple times. With this information, the picture takes shape and becomes much clearer so it can be examined, understood and used to make corrections.

Here are 10 types of information found in loss runs that can help an employer improve performance and reduce Workers' Comp costs:

1. The length of time between a loss and when it's reported. Data fields such as date of loss and date reported provide extensive information when looked at in relationship to the importance of accidents to the employer. The longer the time between the two dates can be sending a clear message to injured employees (as well as co-workers) that job-related accidents are not a priority to their employer. Employers who care make sure reports are submitted within 24- to 48-hours of an injury. This lets employees know that the company takes injuries seriously.

2. New hires experiencing injuries. Injuries within the first 90-days of employment may point to a need to review training procedures. If they occur in either a technical area or one involving machinery, it could indicate improper technique in the performance of the job.

3. The percentage of lost time claims. When reviewing a loss run report, the total number of claims should be scrutinized in relationship to the overall number of lost time claims. With a national average in the 20%-25% range, a higher percentage would seem to indicate that a review of the entire return-to-work process and policy is warranted.

4. Litigated claims. Good loss run reports indicate whether or not a claim is litigated. A high percentage of litigated claims can be a red flag that there is an overall lack of trust, fear relating to employment or an overall misunderstanding of the Workers' Compensation process.

When these conditions exist, injured workers feel they may not receive the benefits they deserve without retaining the services of an attorney. If the litigation rate is in the double-digit range, then an employer needs to address the lack of trust issue.

It's worth noting that Workers' Compensation was instituted based on the "exclusive remedy" premise, i.e., if litigation is involved in the claim process, some other part of the process is not performing as it should.

5. Repetitious claims. There should be a discussion with any employee who has more than one accident a year to determine the cause. Statistically speaking, more injuries are caused by unsafe acts rather than unsafe conditions.

Try to identify what might be driving the unsafe act. Was it a true random accident or when looking at all of the accidents in total, was it a clear call for attention to a deeper issue? If employees are not paying attention to their job so that they sustain injuries, the employer should find out why.

6. Claims with small amounts of indemnity paid. If a claim is showing less than $1,000 paid for lost wages, it could point to a missed opportunity for modified return-to-work, since the amount probably represents lost time of one to two weeks or less. Maybe, maybe not, but it's worth checking out.

7. Percentage of open claims. For a specific policy year, what percentage of the total claims remains open? The goal should be to close out all claims as quickly as possible as the longer a claim remains open, the more it costs.

Once a policy year expires and a new policy year begins, special attention should focus on the claims that remain behind. Attention to the number and costs of these claims

should be monitored monthly with an eye towards what actions are needed to resolve them. Constant monitoring results in lower costs.

8. Total costs incurred for each claim. This represents the combined total of what was paid and the *estimate* for what will be paid by the time the claim is closed.

The major issue is this: What can be done to reduce the "expected to be paid" expenses? Understand what the insurance company *expects* to occur and then analyze what might be done to change that expectation or result. You can monitor this by simply watching the average cost per claim (total occurred divided by total number of claims).

Small incremental increases in this number are expected, but large spikes should draw attention to the claim detail for that policy year and locate the claims involved to determine the specific claim that's driving up the expenses. Hopefully, you are already aware of this claim and understand why it is a cost driver. If not, it's time for regular conversations with your insurance company's adjuster about your losses.

Try to operate on the "no surprises" principle. The first time you find out about a serious claim should not be when you receive your loss run reports. It's probably far too late to have much of an impact on the results.

9. Compare departments. Not only do you want to look at the frequency and severity of accidents by department to identify problem areas but also, more importantly, to look at the departments that perform similar functions while maintaining low frequency and severity numbers. They are doing a whole lot *right!* This is an opportune time to find out why one department may be functioning at a higher level than the others and then apply the best practices to other departments.

10. Policy year totals tell the story. The number of claims and total incurred for each policy year can help determine if your program is following the same track, be it positive or negative.

The average cost per claim (total incurred divided by the total number of claims) may not be the same from year-to-year. The older policy years may have higher numbers since they have been open longer. However, the movement of the average costs from policy year to policy year can be a good indicator.

In the same way, major changes from policy year to policy year may also reflect changes in a company's structure or re-structuring. For example, a recently reviewed

employer ran a second shift for three years with an average cost per claim in excess of $15,000 each year. The fourth year the average cost per claim dropped to about $5,000. Such a change should have prompted questions as to what had occurred.

Taken together, these are effective guides for learning from loss run reports to identify problem areas and then resolve them, a process that will result in finding lost money.

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