



CONQUER your Experience Mod or it will cost you plenty

One of the most confusing components of your Workers' Compensation Policy may be the Experience Modification Factor. You watch it increase and decrease from year to year. What's often missing is an understanding of how the Experience Mod factor works and exactly what you can do to manage it to the *absolute minimum*.

Do you know what your best available Minimum Mod is?

Most employers intuitively suspect that if they have injuries, their Experience Mods will go up and if they reduce or eliminate injuries they will go down. At a basic level, this intuition is correct, but there is much more to know and do to actually control Workers' Compensation costs.

The designers of the formula for calculating the Experience Mod complain bitterly about any reference that the Experience Mod is meant to be punitive. Their theory is that it should operate as a "predictive indicator" of future losses. In other words, if you have had injuries in the past, then you are more likely to have them in the future, so you should pay more.

YOU ULTIMATELY PAY FOR INJURIES, NOT THE INSURANCE COMPANY

You must understand that "*The use of the Experience Mod causes Workers' Compensation policies to behave more like a line of credit, than an insurance policy*". Ultimately, in almost all instances, employers (you) pay for the employees' injuries. In many cases, employers will pay back more than the cost of the injuries because of the impact of the Experience Mod. In effect, because of the use of the Experience Mod, employers are simply financing their injuries, not insuring them.

When we analyze your Experience Mod, you will see:

- The cost of the injuries by employee name
- The number of Modification points attributed to each injury
- The current year increase in premium cost due to that specific injury
- The cumulative increased premium cost over a three-year period, which is how long a claim has an effect on the Mod.

Employers' perceptions of Workers' Compensation change when they grasp this analysis. They recognize clearly and quantifiably that they themselves ultimately pay for employee injuries and the insurance company is just financing them. As a result, driving down injury costs makes your company more profitable and competitive.





This shift in understanding needs to be driven through your entire organization. It's critical that not only management, but also supervisors and front-line staff are aware that it is the *employer's* money that is being spent, not that of the insurance company. We must foster a change in the predominant view of employees that "accidents happen, that's why we have insurance."

Employers buy Workers Compensation Insurance for two reasons. First, it is usually a State Law. Second, a Workers' Compensation Policy levels out the peaks and valleys of injury costs by financing them over a three- to four-year period.

YOUR MINIMUM X-MOD

A number you need to know: your lowest possible Experience Mod. Many employers are amazed when they discover that their Mod could be as much as 20 – 50 points lower than it is. When you see what your lowest "Available Mod" is compared to where you are now, we can shift your focus even more. ***The gap between costs generated by the current Mod and the best possible Mod is a controllable cost.*** The lowest possible mod is a result of planning and implementing a specific system to get there.

When this gap is exposed, it becomes apparent that "**getting quotes**" on Workers' Compensation has little to do with reducing costs. ***Going out to bid actually limits the employer's cost reduction method to what the insurance marketplace and pricing cycle offers them.*** A reduction in a "rate" from one year to the next may have minimal or no impact on the employer's total "cost." For example, the rate may decline by 15 percent, but the costs increase by 30 percent because of an increase in the Experience Mod due to a lack of a system to achieve the lowest possible mod.

In order to reduce costs, employers must move beyond the bidding process and the basic commodity transaction of placing insurance. You should demand assistance with the implementation of proven methods for reducing your Experience Modification Factor and keeping it at the lowest available number. .

The most obvious but often over-hyped solution is the prevention of injuries through a focus on safety programs. Certainly, a safe workplace and safe work practices are essential to reducing injuries, but safety programs are a far from sufficient factor in driving down injuries and their related costs.

Employers must also address these areas:

- Effective hiring practices and employee relationships
- Modified Duty and Return to Work Programs
- Medical Clinic relationships
- Supervisor Training





When a challenging injury occurs, employers often say, “*I should have never hired that person or I should have gotten rid of him when I had the chance.*” Dealing with Human Resource problems inside the Workers’ Compensation system is usually a costly endeavor. Plus, hiring the employee that is fit for the job is a major step in reducing costs.

Supervisors often resist bringing an injured employee back to work before they are fully recovered. They typically want a “whole person, or no person.” However, the longer an injured employee is away from the workplace the more injury costs rise. You will find that supervisors are far more likely to support an injured employee with frequent communication and modified work if they know the money is coming out of the employer’s pocket instead of some faceless insurance company.

In addition, compensation and performance bonuses can be tied to injury costs by departments. Supervisors compensated on a production-only basis can actually be operating their unit at a loss due to injury costs.

ARE YOU CHOOSING THE WRONG DOCTORS?

The right physician providing the right treatment at the right time is essential to controlling costs. Not all doctors are skilled in job-related injury care. Careful attention should be taken in selecting medical providers. Otherwise, you may be handing them a blank check and the injured employee may be receiving less than optimum care.

Once you shift your thinking and view Workers’ Compensation insurance as a financing mechanism you are on your way to reducing a mandatory cost. Less attention should be paid to “going out for bids” and more devoted to those factors that actually reduce costs and increases profits.

The key is changing your perception of Workers’ Compensation and then taking the steps that can make a dramatic difference.

We have created the **WORK COMP *Elite*** system to address these frustrating features of the workers compensation system. Together we can crush your Work Comp costs. Our agents are **Certified Work Comp Advisors (CWCA)**, working with a **CWCA** does not cost you anymore. **NOT** working with a **CWCA** can cost you thousands for years to come.

This article originated from the Institute for Work Comp Professionals (IWCP). The IWCP supports the CWCA agents and is dedicated to helping employers control costs.

Contact us today to find out how we can help you Crush your Work Comp Cost, once and for all.

David A Hemme, CWCA
Direct 951.265.8784
david@k2brokers.com

