Reducing Work Comp Costs

Four Practical Ways to Protect People and Your Bottom Line

For more information:

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Introduction

After nearly 20 years as Missouri’s work comp market leader, we’ve heard the story many times before: policyholders like you are saying:

“My work comp premium seems to rise right before my very eyes, while nothing in my business really seems to drive the change. Do I really have to just accept rising costs year after year with no apparent value?”

We don’t think so. At Missouri Employers Mutual, we aim to show you that even some simple steps can impact your work comp premium and add value to what seems like a standard policy. If your workplace is already injury-free, you can keep a lid on your premium, even while costs around you continue to rise. And if you’ve logged some losses, we can help you get back on track and watch your premium drop.

Workers compensation can be complex, with complicated formulas for measuring losses and sophisticated techniques for managing claims when they do occur. But there are at least four ways you can reduce work comp costs starting today.

FOUR WAYS TO REDUCE Work Comp Costs

1. Get to know your agent.
2. Choose your carrier wisely.
3. Prevent injuries.
4. Manage claims costs.
1. Get to Know Your Agent

There’s a reason MEM writes business exclusively through independent insurance agents: we believe in the value they bring to the partnership between policyholders and insurance companies. Independent agents serve several important roles for you:

- They’re a one-stop shop for all of your insurance needs, providing the convenience of having your personal and business needs met in one place.
- They understand insurance and advocate on your behalf. Work comp, and all insurance, is often more complicated than it seems on the surface. Agents are trained not just in lines and coverage, but on the numerous and changing laws and regulations. They understand the nuances and help you make sound decisions.
- They share the load. You’re busy running your business; agents can help manage your insurance needs so they don’t run you. Agents work directly with carriers to ensure that proper coverage is in place and your specific needs are met.

If you already have an agent, make sure you’re soliciting and listening to their helpful advice. Don’t hesitate to reach out to the agency when you have a need or just to review your coverage.

Don’t have an agent? Visit MEM’s website, www.mem-ins.com, and enter your zip code to find an agent near you.
2. Choose Your Carrier Wisely

Workers compensation insurance is considered a necessary evil for many employers in Missouri, where work comp is required by law for most. The cost can be a significant percentage of their overhead, and some resent having to work harder to pay premium with no perceived value.

Work comp is required in Missouri for one simple reason: to protect employees and employers. The “no-fault” coverage protects both parties when an employee is injured on the job. Employees are provided medical treatment for their injuries at no cost and reimbursed for lost wages if they are unable to return to work during recovery. The employer, in turn, is protected against lawsuits due to employees’ injuries.

The benefit in work comp comes when you select a carrier that is a partner invested in the success of your business. When that happens, work comp becomes an advantage, one that protects your people and your business’ bottom line.

Every insurance company’s workers compensation policy must conform to state statutes on coverage terms, limits of liability and benefits. To this extent, all companies are equal.

Beyond that, however, there are a number of variables that determine the value you receive for the premium you pay. You should not assume that what you receive in exchange for your work comp premium dollars will be equal from all insurance companies. Your work comp carrier should be a partner invested in the success of your business. Does your provider have the key ingredients needed to help you succeed?

Customer Service

Your provider should be easy to access when you have questions or concerns about claims, premium payment, workplace safety or any other need. Look for a company with a website for:

- conducting transactions, such as paying your premium and reporting claims.
- getting answers to your questions about work comp in general or your specific policy.
- downloading resources, such as safety meeting checklists and sample policies for your workplace.

These are valuable tools, that should be available anytime.

For the times when online interactions just won’t do, pick a carrier where an expert answers the phone, one who’s in your area, not another state or country, and can offer answers and advice in a matter of minutes, so you can get back to running your business. It’s a company’s duty to be responsive and a policyholder should expect no less.

Expertise

Many insurance companies that provide work comp insurance also provide other types, such as General Liability, Automobile Liability and Property insurance. For some businesses, having all of this insurance packaged together streamlines your choice and administration. But to get the most for your work comp premium, look for an insurance company that specializes and is an expert in workers compensation insurance. The sound advice you’ll receive on everything from classification codes to law changes and more can save you in the long run.
Very few insurance companies that provide work comp in Missouri are based in Missouri, and their underwriting and claims staff are typically located outside the state. These jack-of-all-trades types are often responsible for work comp and other lines of insurance in many states, so mastery of your work comp needs isn’t top of their list.

With an experienced carrier that understands the region’s work comp laws, you are better equipped to avoid lawsuits and other potential costs associated with workplace accidents. You’ll gain the peace of mind you need to run your business successfully. A strong partner will also offer numerous safety and claims professionals to provide you with timely, effective and personal service that meet the unique needs of your business.

**Fraud Prevention**

To many insurance companies, workers compensation fraud is simply a cost of doing business. This might work for large insurance companies, but they’re not the only ones footing the bill for fraud. Businesses like yours are paying for the work comp fraud of others with rising premium, and you don’t have to stand for it.

Look for an insurance company dedicated to seeking out and fighting fraud, with results to prove it. MEM is responsible for more successful fraud prosecutions than all other work comp insurers in the state combined. We develop tools for our team and our policyholders, such as the Red Flags of Fraud that help everyone combat this issue.

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**FOR A STRONG Partner**

Look for a Missouri-based insurer that:

- has a deep understanding of the region’s work comp laws,
- understands the industries and demographics of Missouri and surrounding states,
- knows the medical providers that are critical to effective claims outcomes,
- has safety and claims employees located throughout the state to serve you, and
- is active in your local community.
Reducing Work Comp Costs

Resources
Training and education are crucial to keeping your costs low. A good carrier will provide access to the staff and materials you need to keep your workplace safe and claims under control.

Every carrier sells a policy. Some give you the value-added benefit of understanding work comp and its impact on your costs. From general work comp education, to safety training specific to your workplace, if you’re interested in doing more than writing a check for your work comp policy, partner with a carrier with abundant resources to share with you.

MEM provides customized training and consultation because we know that every industry and business is unique, with their own specific set of hazards. We also offer free seminars regionally for convenience and invest in hiring staff located throughout Missouri to provide timely attention to our policyholders’ safety and claims needs.

The value you receive for your premium dollar should be of paramount importance. Each work comp company in Missouri is allowed to file their own rates, which are used with other factors to determine their price for coverage. You could find several different prices for the same coverage, but the old adage “you get what you pay for” holds true with work comp, as well.

The cheapest price often won’t deliver you the key ingredients necessary to control costs for the long term and get the best value for your premium dollar. Unfortunately, you may not realize this until an employee claim is not being handled appropriately, you need help identifying hazards in your business or you expect an answer when you call.
3. Prevent Injuries

Of course we all want to prevent injuries. Workplace injuries devastate families emotionally and financially, reduce productivity and drive up work comp premiums. So what’s stopping you? Maybe you think it requires a significant investment. Maybe you think injuries can’t happen to you. Maybe you’ve just never had the right partner.

With the proper training, insight and support, you can eliminate injuries. It starts by promoting workplace safety and ends with saving lives and costs for your business.

First, let’s understand how injuries impact your work comp premium.

What’s an E-mod and What Does it Mean for My Premium?
The experience modifier rate, or e-mod, is a calculation that uses your past loss experience to project future loss experience. It predicts whether you’re likely to have losses better or worse than the average for your industry.

In states that have adopted its use, such as Missouri, e-mods are calculated by the National Council on Compensation Insurance, a work comp rating and data collection organization. In Missouri, an employer must have premium of at least $7,000 for one year or at least $3,500 for two or more years to qualify for an e-mod.

If your e-mod is higher than 1.0, that means your losses are worse than what’s expected for your type and size of business, and you can expect to pay more work comp premium for a period of time. If your e-mod is less than 1.0, that means your losses are better than what’s expected for your type and size of business, and you can expect to pay slightly less than your competitors. The above example of an actual MEM policyholder shows the profound impact you can have on your premium by reducing your e-mod through effective loss prevention activities.
Even if your e-mod is on track or your business isn’t large enough to have an e-mod, maintaining a safe workplace is the most critical move you can make to control your work comp premium. Here’s how to start.

Establish Management Commitment
Gaining buy-in from employees and ensuring a successful safety program requires commitment from the top. Managers and supervisors must provide the resources, motivation and priorities needed for the health and safety of the workforce. When management elevates safety as a company value, it becomes contagious.

Take Advantage of Free Safety Resources
Safety doesn’t need to be expensive or time consuming. Many resources are available for free; the best come from the insurance carrier who evaluates the safety of your workplace to determine your premium. Some important resources available in the market include:

- Loss Prevention Consultants who help you understand what’s driving your losses and how to control these risks with a reasonable action plan. To serve you better, MEM has more Loss Prevention Consultants in Missouri than other insurance companies.
- Seminars on work comp and a variety of safety topics. Attendance nets you the know-how to better understand how to control your exposures and manage your work comp costs. Maintaining certifications by gaining continuing education or certification credits can be an added benefit.
- Custom training. No need to send your staff to one-size-fits-all training. Some carriers, like MEM, offer customized training so you get just what you need for your unique business. No time or money wasted.
- Online resources. If you can Google, you can find safety material. MEM has the primary resources you need in one place: worksafecenter.com. You don’t have to be a policyholder to take advantage of everything on this site, from detailed step-by-step tutorials to one-sheet Toolbox Talks for your next safety meeting.
4. Manage Claims Costs

If you’ve experienced claims in your workplace, you know they can be confusing, frustrating and expensive. But it doesn’t have to be that way. There’s at least one important reason to be ready now to manage claims effectively, whether you’ve already experienced them or not: medical costs continue to rise.

**Medical Costs and Their Impact on Your Premium**

Medical costs continue to rise and have become a bigger piece of total work comp costs during the last 10 years. Why should this matter to you? Two important reasons:

1. Medical costs impact your work comp premium.
2. You can control medical costs.

Controlling medical costs can have a big impact on your overall work comp costs. There’s no need to feel helpless in this regard. Choose a carrier with resources in place to make managing medical costs easier. MEM has a comprehensive program in place to combat medical costs, and it’s working. MEM’s medical costs per claim are far lower than the average costs achieved by other carriers, both in Missouri and nationwide.

Ask your carrier how they’re equipped to help you handle rising medical costs. Look for elements such as:

- a pharmacy benefit program that allows access to any pharmacy, anytime.
- in-house nurse case managers to help injured employees get the care they need.
- a robust medical network and strong partnerships to provide outstanding medical services while reducing costs.
- specialized staff devoted to eliminating work comp fraud, assisting with complex medical issues, overseeing catastrophic claims and recovering costs from third parties.

Medical costs are rising, but you can control them. You can also make two small but significant changes in the way you manage claims to reduce your overall work comp costs.

**Report Claims Promptly**

Know how to report a claim to your carrier and what to expect from them in return. MEM policyholders ranked “ease of reaching MEM to report an injury” a 9.1 on a 10-point scale, where 10 is extraordinary. We offer reporting tools online, by phone and any way you can send them to our offices. Why? Because reporting claims—promptly—is the only way to get resources working for you, managing claims effectively for everyone involved.

If your idea of managing work comp claims effectively means getting injured employees to the ER, you’ve been misled. By sending them to an appropriate medical provider and returning them to work as safely and swiftly as possible, you both benefit.

**Return Injured Employees to Work**

Putting in place a transitional duty return to work program sounds like a mouthful, not to mention expensive and time consuming. It is not, in fact, and can save you thousands in work comp costs.

A transitional duty return to work program aims to return injured employees back to work—and life—as safely and successfully as possible. The longer injured employees are off work, the less likely they are to return. So if you thought you were only dealing with the expense of being short-staffed temporarily after an injury, think again.
The cost of replacing an employee can mean a significant investment for your business—on average up to one third of a new hire’s annual salary. It can also take a new employee more than a year to become efficient at their job.

Communicate with employees that you have a return to work program and you care about their recovery. MEM offers policyholders unmatched resources to develop a complete and effective program, but anyone can take advantage of our expert advice, including sample job duties. Check them out on worksafecenter.com and prepare to save today.

**MISSOURI Medical Severity**

- **2002**
  - Indemnity: 51%
  - Medical: 49%

- **2012**
  - Indemnity: 37%
  - Medical: 63%

Medical costs have become a much bigger piece of total claims costs over the last 10 years, making medical expense management critical to controlling work comp expenses.
Take Action

Manage your work comp costs; don’t wait until they’ve managed you. We’ve shared four key ways you can reduce your work comp costs based on our nearly 20 years as Missouri’s work comp market leader. Now it’s time for you to take action.

Find more MEM resources on our website at www.mem-ins.com or worksafecenter.com.