

Snippets:

7 steps to managing workers compensation cost



Written by Lucinda Smith, Director of Esteem People Management

30 June, 2011

Workers' compensation premiums are a significant cost to organisations, and many people falsely assume that this is a cost that cannot be controlled. The following information will provide a starting point to how you can control your workers' compensation costs.

Premium calculations are impacted by 3 main factors: 1. Wages; 2. Industry rate; and 3. Claims experience. Wages are a factor which is difficult to control to minimise premium size, and assuming this is easily done is fraught with danger due to the risk of individuals (e.g. 'Sole Traders') being considered 'Deemed Employees' and the risk of penalties for non-compliance with health and safety responsibilities for failing to act appropriately (OHS responsibilities can't be contracted out). 'Industry rate' is often assumed to be uncontrollable, however where an industry performs well, it may be reduced (and can therefore be controlled to an extent). Claims experience may also impact on premium size; although many organisations hold the view that this is controlled by the insurer and the way they manage their day-to-day operations does not have great bearing on these costs; which is not the case because claims experience is not simply dollars paid by the insurer, but dollars estimated by the insurer.

7 important steps to effectively controlling workers' compensation cost are as follows:

1. **Have an injury management system / program in place** which provides structure to workplace injury management and measure performance
2. **Review your key performance objectives** for Supervisors and Managers so they incorporate proactive return to work management behaviours - and recognise good performance. Supporting injured workers to return to work as soon as possible is critical, and Supervisors / Managers are key to this
3. **Ensure early reporting of injuries** to minimise financial costs of late reporting and improve opportunities for speedy injury recovery
4. **Be creative with suitable duties on offer** - return to pre-injury duties will reduce the wages estimate the most, and returning to work on suitable duties will result in the second lowest wages estimate
5. **Don't delay in referring to a Rehabilitation Provider** as early referrals typically get the best outcomes (and are most cost effective)
6. **Approach terminations and retrenchments of injured workers with caution** and consult with the professionals. Where an injured worker is unfit for work and retrenched / terminated at 12 months post date of injury, the Insurer must estimate for 8 years of wages in NSW. Redeployment plus durable return to work with no wage loss will result in a wages estimate of \$0
7. **Work with your industry** to improve performance across the industry - it will benefit you all (just as industry-wide poor performance will penalise you all)

By following these steps, you will support your employees and work towards effectively managing your workers' compensation risk. Obviously prevention is the best scenario, however early intervention is the second most important course of action to achieving effective risk management.