

WORKERS COMPENSATION CLAIMS OVERVIEW: PART II

by Monte Gale, JD, CPCU

“Value-added” services can go far to help agents get, and keep, new business. In the second of a two-part article, Monte Gale focuses on techniques for keeping Workers Comp costs — and your clients’ premiums — under control.

The second part of this article will focus on curbing Workers Comp payout costs through third-party claims administration, managing reserves, and employee education

CLAIMS MANAGEMENT

An insurer should maintain primary claims management functions internally while outsourcing claims administration to a Third Party Administrator (TPA) that can demonstrate “best practices” compliance.

At a minimum, the TPA’s functions should include:

- Identification and pursuit of fraud cases to completion;
- Maintenance of updated adjusters’ diaries available to the company in real time;
- Full documentation of case investigations for possible mitigation of claims payments;
- Check of claimant’s current work status for concurrent employment;
- Review of Second Injury Fund relief availability;
- Examination potential claim offsets, such as Social Security or state credits;
- Monitoring compensation payments for death claims;
- Study of possible subrogation options;
- Review claimants’ rejection of simple medical and surgical treatment
- Audit of medical bills and charges.

An insurer can reduce overall claims costs significantly by requiring its TPA to aggressively investigate and deny fraudulent claims, fully utilize alternative funds, and pursue subrogation opportunities.

RESERVE MANAGEMENT

An insurer should manage its reserves aggressively by continually reviewing open claims to ensure that they represent its true exposure. An accurate reserve valuation is essential to

maximizing the leverage of its surplus to premium ratio (and, conversely, guarding against writing premium off the back of loss reserves — the Workers Compensation industry currently has an estimated reserve deficit of \$19 billion!).

As part of the initial claim reviews, the claims manager must verify: the claimant's average weekly wage (AWW); the scheduled percentage applied to AWW, estimated medical treatment schedule; independent medical examiner results; date of maximum medical improvement; percentage rate for temporary partial disability; and percentage rate for permanent partial disability.

EMPLOYEE EDUCATION

Many carriers don't take an aggressive approach to "petitions" (formal hearings by claimant to dispute or demand benefits). Carrier attorneys often aren't briefed before hearings, don't have an updated claim files, and/or arrive at the hearings without a case file. However, if a claimant is ready for the hearing, no continuances are granted – the carrier simply doesn't present a case. What's more, carriers seldom appeal adverse rulings, believing that the petition process in most states is biased toward claimants.

Despite carrier ineptitude and frustration with the petition process, the best defense against hearings is to avoid having them filed. By having employers educate their employees about Workers Compensation benefits. Although employees usually know that they can receive Comp benefits if they're injured on the job, surprisingly few are aware of the types and amount of those benefits.

Some employers prefer to keep employees in the dark, fearing that making such information available will lead to such abuses as: staging accidents; filing claims for injuries sustained outside the scope of employment; extending the period of disability following a legitimate injury, etc. What such employers don't realize that economic uncertainty creates understandable anxiety in injured workers and — worse — that what the employer doesn't tell them, an attorney will.

Carriers should encourage all Workers Comp policyholders educate their employees on both a pre and post-injury basis. This educational process should include:

- Providing posters and brochures in the workplace with concise, easy-to-read explanations (in multiple languages ,where necessary) of employees rights and benefits under the applicable Workers Comp law;
- Making videos DVDs it available to all employees;
- Offering general information about the Workers Comp system and what to do when an accident occurs;
- Giving any employee who loses at least one workday to an on-the-job accident a document that offers such information as when benefits begin (most states have a waiting period),the types and amounts of benefits that they'll receive, how medical bills are paid, what the law requires of the employee, how the

injury will affect their employment, and who to contact for more information or if a problem or question arises.

Last, but far from least, the carrier should expedite the payment of all valid claims. When insurers meet their expectations, few clients hire attorneys.

CONCLUSION

The more effectively Workers Compensation carriers and employers can join forces to keep claims costs – and premiums– under control, the better for insurers, businesses, workers, and the economy.

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