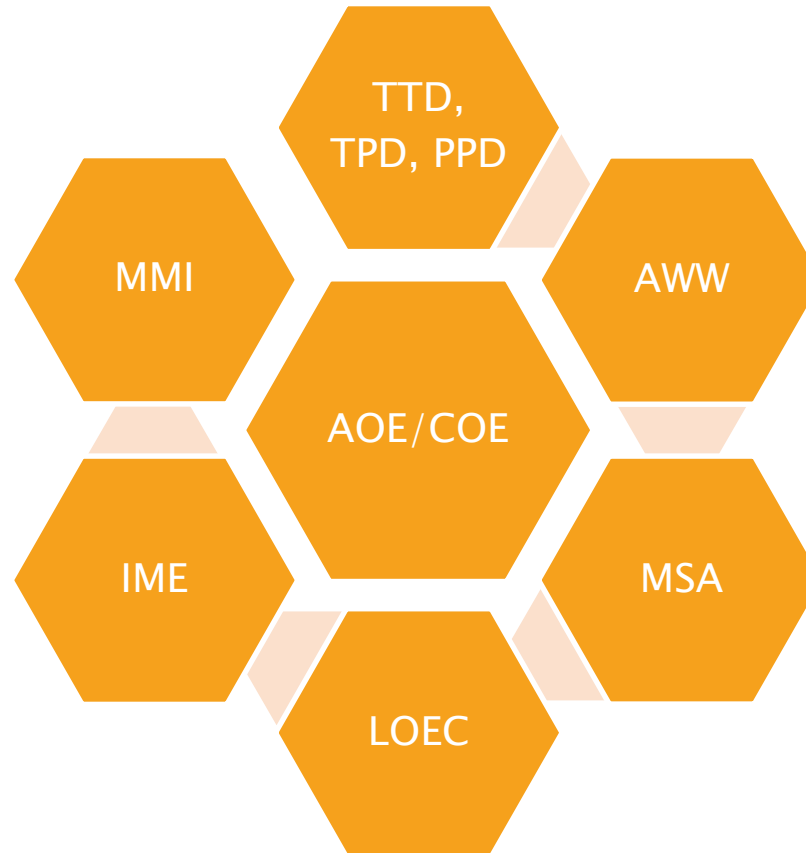


WORK COMP REFRESHER: CONNECT THE DOTS FROM WORK COMP TO EXPERIENCE RATING

■ KEY TAKEAWAYS

- Investigation and Compensability
- Medical Care Management and Cost Containment
- Basics of Litigation
- Elements of Reserving
- Basics of the Experience Rating
- Experience Rating Calculation and Implications

■ ARGH THE JARGON!



■ WORK COMP – IT'S THE LAW

- 1911 saw the first comprehensive state-based Workers' Compensation law passed in Wisconsin.
- WC is a no fault system; employees cannot sue their employers for work related injuries when receiving benefits.
- It provided for payment of medical bills and lost wages resulting from work-related injuries.



■ WORK COMP – IT'S ALSO INSURANCE

- Workers' compensation insurance is compulsory
- Premium is determined based on type of industry and loss experience
- The one component an organization has the most control over is their experience rating (MOD)



■ INVESTIGATION

Key Components of an Investigation:

- Interview the injured worker as soon as possible, after emergent medical care has been rendered
- Interview any witnesses
- Visit the site and take pictures – video
- Conduct a root cause analysis



■ INVESTIGATION

- Implement corrective action following your investigation to prevent a recurrence
- Report any suspicious findings to your insurance carrier
- If there is equipment failure, shut down operations until it is safe to continue
- Look for any subrogation potential



■ COMPENSABILITY

- Investigation completed by an adjuster.
- Provide copies of all internal investigation.
- Interviews the employer, employee and medical provider.
- Reviews the medical records



■ COMPENSABILITY

- AOE/COE
 - Physical Harm
 - Mental Harm
 - Accidental Injury
 - Occupational Disease
- Factual defense
 - Did the injury happen?
 - Can a legitimate doubt be raised?
- Medical defense
 - Medical support required
 - Treating Physician Opinions



■ BENEFITS

- Temporary Total Disability (TTD)
- Temporary Partial Disability (TPD)
- Permanent Partial Disability (PPD)
- Permanent Total Disability (PTD)
- Reasonable Medical Expense
- Vocational Rehabilitation (VR)
- Death



■ MEDICAL MANAGEMENT

- 24/7 Nurse Triage
- Nurse Case Management (NCM)
 - Telephonic
 - Field
- Independent Medical Examinations (IME)
- Medical Record Review (MRR)



■ COST CONTAINMENT

- Stay at Work Program (RTW)
- Medical Bill Review
- Pharmacy Benefit Manager (PBM)
- PPO Networks
- Durable Medical Equipment (DME)
- Diagnostic Testing Networks



■ LITIGATION

- Appeals filed with the Department of Workforce Development (DWD)
- Pre-hearing
- Mediation
- Settlement
- Hearing
- Appeals to Labor and Industry Review Commission (LIRC)



■ RESERVES

- Medical Condition/Prognosis
- Work Status
- Litigation
- Claimant Characteristics
- Probable Outcome




EXPERIENCE RATING FACTOR

Let's connect the dots!

EXPERIENCE RATING FACTOR (MOD)

WORKERS COMPENSATION EXPERIENCE RATING



Risk Name:

Risk ID:

Rating Effective Date: 07/01/2011

Production Date: 01/20/2012

State:

State	Wt	SRP	Exp Excess Losses	Expected Losses	Exp Prim Losses	Act Exc Losses	Ballast	Act Inc Losses	Act Prim Losses
MD	.10	0	39,786	45,241	5,455	204,787	22,250	234,499	29,712

(A) Wt	(B)	(C) Exp Excess Losses (D - E)	(D) Expected Losses	(E) Exp Prim Losses	(F) Act Exc Losses (H - I)	(G) Ballast	(H) Act Inc Losses	(I) Act Prim Losses
.10		39,786	45,241	5,455	204,787	22,250	234,499	29,712

	Primary Losses	Stabilizing Value	Ratable Excess	Totals
Actual	(I) 29,712	$C * (1 - A) + G$ 58,057	(A) * (F) 20,479	(J) 108,248
Expected	(E) 5,455	$C * (1 - A) + G$ 58,057	(A) * (C) 3,979	(K) 67,491

	ARAP	FLARAP	SARAP	MAARAP	Exp Mod
Factors					(J) / (K) 1.60

Here's my MOD, how did I get here?

→

■ MOD

In very simple terms, the MOD is the ratio of an organizations actual losses to their expected losses.

ACTUAL/EXPECTED

If you experience more losses than expected then your MOD will be over 1.0.

■ EXPECTED LOSSES

Your company's expected losses are determined using the following formula:

$$\text{Expected losses} = (\text{ELR} / 100) \times \text{Payroll}$$

ELR is the expected loss rate that is determined by the bureau and is both state and class specific

For example:

If \$100,000 of your payroll is classified as clerical and the ELR is .14 then your expected losses are \$140.

Likewise, if \$100,000 of your payroll is classified as pile driving and the ELR is 10.73 then your expected losses are \$10,730.

■ ACTUAL LOSSES

- Include both paid amounts and amounts in reserve
- There is a discount applied for medical only claims
- Losses are valued 6 months into a policy period
- Insurer reports Unit Stat data to the appropriate bureau

■ A SLIGHT MISUNDERSTANDING...

- Your MOD is your report card
- Most companies believe a 1.0 is good
- Besides the impact on premium calculation, the mod is particularly important for organizations that have contract requirements or bid for work.



QUESTIONS?