REDUCING WORKERS’ COMPENSATION COSTS FOR HEALTH CARE ORGANIZATIONS

PROTECTING THE HEALERS

Injuries to health care workers constitute one of the costliest risks for the health care industry. Although the severity of the average Worker’s Compensation claim does not equal that of Health Care Professional Liability claims, the total annual cost often exceeds annual aggregate Health Care Professional Liability costs for health care organizations. Reducing Workers’ Compensation costs can make a critical difference, especially in tense economic times.

Willis experts can help your organization reduce these costs in several ways.

- Working with your clinical staff to prevent claims from occurring
- Managing the claims that do occur to promote faster return to work
- Designing insurance programs that strike the optimal balance between coverage, limits, retained risks, third-party administrator (TPA) costs, etc.
- Presenting your improved risk profile to achieve better results in the insurance marketplace

The result is not only a lower total cost of risk, but a safer work environment, a more productive workforce and the ability to make better risk decisions.

GETTING STARTED

Our process starts with understanding your health care organization’s business, current risk profile and risk appetite. We analyze past losses to determine which risk management techniques will be most effective in controlling claims. For health care facilities this analytic foundation is particularly important, since the risks are complex and the insurance
required to protect them must be tailored to the exposures. The mere presence of surgical and medical instruments, bio-hazardous materials and medical waste creates risks. In a hospital setting, further hazards include infectious diseases, compressed gases, and airborne and blood-borne pathogens. Senior living facilities may or may not face the same medical risks, but in addition to numerous residential risks, they may face increased risk from unruly residents or guests.

Willis’ goal is to use our deep knowledge of the special risks of the health care industry to understand the unique risk profile of your organization. Then we can craft the most effective strategy to address your risks.

For most offices, clinics and labs, guaranteed cost is the preferred Workers’ Compensation program structure and is available through the standard insurance markets, associations or state fund programs. Premiums for standard insurance programs are often low, but one severe loss can drive your experience modification well over 1.00 and force you into a state fund program. We can help translate this unique Workers’ Compensation jargon and help you understand the pros and cons of every program alternative.

PROGRAM OPTIONS

As an organization’s premiums increase to six and seven figures, various program options become available.

- **RETROSPECTIVELY RATED PROGRAM.** A deposit premium is charged and adjustments to the total premium are made based on actual paid or incurred losses. The carrier may require collateral in the form of a letter of credit based on the financial strength of the firm.

- **LARGE DEDUCTIBLE PROGRAM.** A fixed administrative and excess premium is charged up front and the client is billed for all paid losses up to the deductible threshold. An escrow account for paid losses is usually established and collateral in the form of a letter of credit is usually required for the expected losses. These programs are usually preferred over retrospectively rated programs due to lower taxes and fees.

- **EX-MEDICAL PROGRAM (approved health care facilities only).** This is a guaranteed cost program where an approved medical facility provides some or all of the required medical services for treating its own employees’ injuries. The facility receives a reduced rate, the losses are not used in the experience modification calculation and the facility provides the medical services. This option is particularly effective for hospitals or clinics with a specialization in occupational medicine.

- **SINGLE PARENT OR GROUP CAPTIVE.** A formal insurance arrangement where the organization assumes part or all of the risk associated with the Workers’ Compensation exposure. Since Workers’ Compensation coverage needs to be licensed in each state where coverage is required, the program is often fronted on a guaranteed cost basis with a stated per-accident/aggregate loss amount assumed by the organization’s captive insurer. Alternatively, a Deductible Reimbursement policy is written to reimburse the health care organization for deductible losses.
SELF-INSURANCE. A formal arrangement filed and approved by state Workers’ Compensation boards, in which a health care organization retains a specific amount of each loss on a per-accident/aggregate basis and purchases excess insurance for coverage over the retained amount.

These programs all offer health care organizations the opportunity to control their overall Workers’ Compensation cost by preventing, controlling and containing the cost of loss either through workplace safety training, solid claim and medical management and return-to-work programs. Any of these program structures can be combined with other lines of coverage, which will often improve your negotiating position with insurers.

Risk transfer through insurance is only one part of an effective, comprehensive risk management program. Willis offers a full array of loss prevention and claim management services.

**LOSS PREVENTION**
- Risk management program audits
- Ergonomic evaluations
- Accountability/chargeback programs
- Customized training programs
- Coordinating insurer services

**CLAIM MANAGEMENT**
- Establishing claim best practices
- Claim reviews with insurers or TPAs
- Medical network development assistance
- Return-to-work program development
- Developing claim handling instructions

The most crucial ingredient in solving your Workers’ Compensation issues is partnership – partnership with professional advisers such as those in the Willis Health Care Practice with the experience, resources and flexibility to help you understand and manage your risks while arranging the most cost-effective risk financing to meet your organization’s long-term and short-term needs.

**CONTACT**

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