

Return to Work—A Great Way to Control Your Comp Dollars

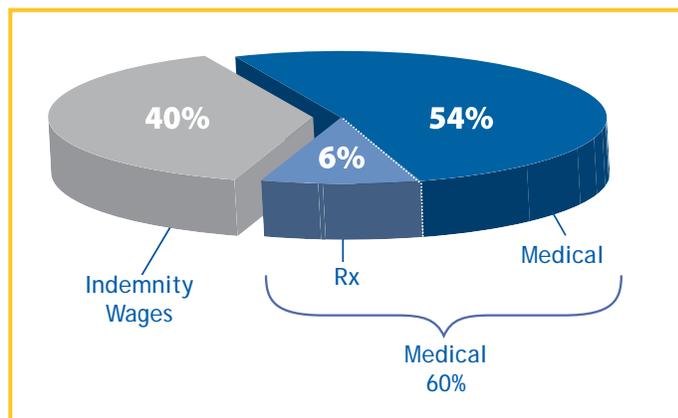
Returning injured employees to work has become more and more important in controlling claims costs. However, it is easy to think that you don't need a formal return-to-work program—until it's too late.

Dollars and sense

No matter how safe a business strives to be, accidents can still happen. The National Safety Council reports that a disabling injury occurs every 1 second in the U.S. (more than 63,000 every day), and the Social Security Administration predicts that 1 out of 4 workers entering the workforce today will acquire some type of disability before they retire.

The current economic climate and its subsequent effect on employment have called attention to the importance of doing what it takes to get employees back to work as quickly as possible. Research consistently shows that injured employees recover faster, are more satisfied with their care, return to their full-duty positions sooner, and are released from medical care earlier if they work for companies that offer transitional duty. Effective return-to-work programs can also cut workers' compensation premium costs, so you have some solid reasons to implement your own program.

Industrywide, workers' compensation medical costs now account for about 60 percent of total claims costs*



* Chart created with information gathered from NCCI studies.

“When an injured worker is at light-duty status, the one cost that employers can control is indemnity. And that’s achieved with a solid return-to-work program.”

—Bob O’Halloran
Summit’s vice president of claims



Comp claims cost more now than ever before. The National Safety Council reports that a single work-related disabling injury costs an average of \$48,000. The National Council on Compensation Insurance (NCCI) estimates that the medical costs are currently about 60 percent of the overall cost of a lost-time claim—and climbing. As an employer, you cannot control the high medical and pharmaceutical costs driving this hike, but you can affect the other cost—indemnity—which is the cost of paying an employee (who may be well enough to work at a modified or alternate job) to stay at home. A strong return-to-work program allows you to control this part of your comp dollars—and could impact the medical portion as well.

It may seem counterintuitive to pay injured employees their salary for modified or alternate work (especially because this type of work can carry a perception of decreased productivity), but the alternative is to let them use their workers' comp benefits to earn a nearly full salary—for zero productivity. More, the American College of Occupational and Environmental Medicine (ACOEM), points out that the odds of an injured employee ever returning to work drop by 50 percent at the twelfth week of disability. A claim lasting that long could affect your workers' compensation premium for several years.

Continued on page 3

Workers' Compensation—Doing the Right Thing



Carol Sipe
Summit President and CEO

This year marks the 100th anniversary of workers' compensation in the United States. Since Wisconsin passed the first successful law in 1911, workers' compensation has ensured medical care for employees injured on the job so that they could recover and return to gainful employment. Here at Summit, we are continuing to build our own history of commitment to innovative services for you and your employees. For nearly 35 years, we have been ever-mindful of the fundamental goal of workers' compensation—caring for injured workers.

The fact is that insurance always involves balancing risks and costs. Our job at Summit is to work to find ways to realistically minimize costs without sacrificing care. So,

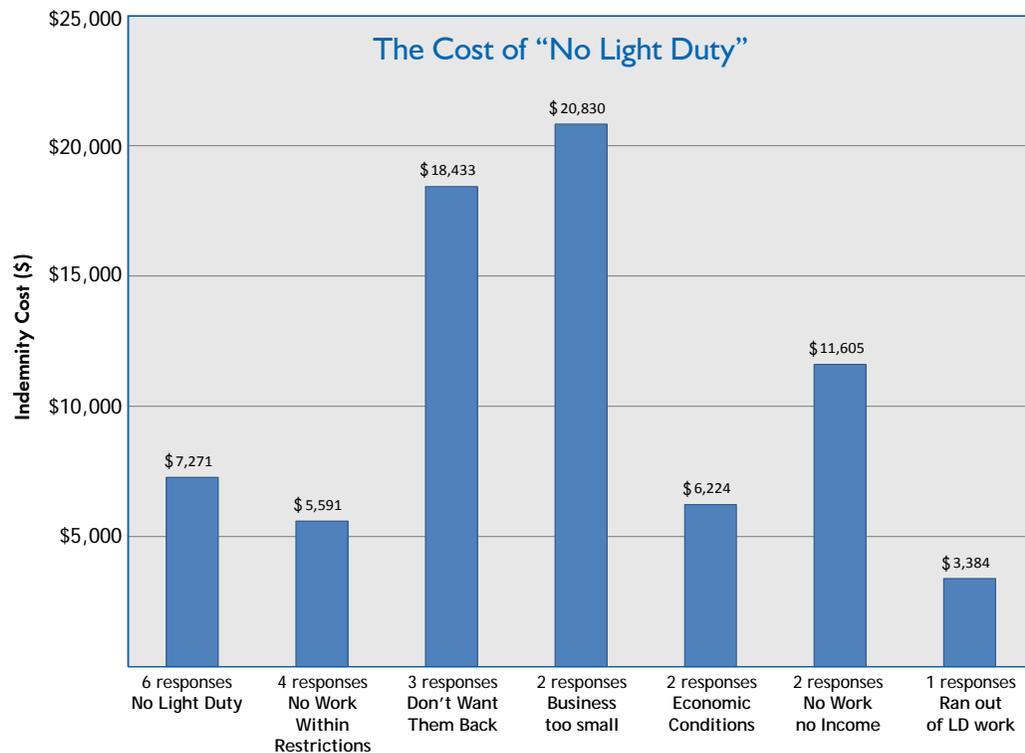
we have fine-tuned our business by tracking changing claims trends, new legislative provisions and the latest medical treatments to provide you with solid workers' comp programs—without losing sight of our commitment to doing the right thing.

As a policyholder, you have access to proven loss control techniques, innovative claims management strategies and state-of-the-art medical networks. You also have access to Back2work, our free return-to-work program—a cost saver that is worth your time and effort. (Be sure to check out the back page of this newsletter for a list of Summit services available to you.)

We work to be the people who know workers' comp, and we are committed to helping you make the most of your comp dollars. ■

When Businesses Don't Offer Transitional Duty

Every year, we see companies whose workers' comp premium dollars are used to pay temporary wage benefits (indemnity) for their injured employees, and the employers get nothing for it (in fact, it can cause their workers' comp to cost more in the future). These companies have provided a variety of reasons for not offering transitional duty from "it's too much trouble" to "we ran out of light duty work" to "we didn't want him/her as an employee anyway." Over the past year, we tracked just what those reasons cost. Our analysis of 20 companies yielded an **average indemnity cost of \$10,100**. Worse, 20 percent of these businesses went into litigation for their claims, and 25 percent continued to build the cost of their claims beyond the scope of our review. Bottom line: These businesses could have reduced their overall claims costs by offering transitional duty. It makes sense. And it pays off in the long run.



➔ **Average Cost: \$10,100/claim**

Legal matters

Increased protection from litigation is another significant benefit for offering medically appropriate alternate work. Offering a job puts you in a much stronger position because it's tough to argue that an employee who rejected a reasonable offer to return to work should expect to receive long-term work comp benefits. *Without* a return-to-work job offer, the odds of having a judge remove an employee from workers' comp benefits drops significantly. In a nutshell, employers who routinely make good faith job offers have stronger results in court.



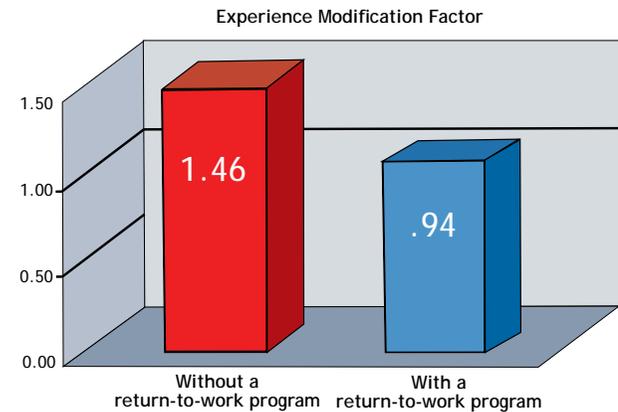
A 2010 study by the Workers Compensation Research Institute found that workers are more likely to seek legal help when they feel

threatened. Since return-to-work programs offer assurance to employees that their jobs are available, they are a huge plus. They also help combat fraud and provide timely, positive communication. According to the California Workers' Compensation Institute, calling injured employees within a week after an accident to talk about their value to the company reduces the chance of a lawsuit by 50 percent. Those are odds worth cultivating.

Upcoming mod changes

NCCI uses a complex formula that spreads the cost of loss through members of an industry likely to

experience similar workers' compensation injuries. For fairness, they apply the formula to each company's actual payroll and loss data over the prior three-year period to create an experience modification factor (mod). A 1.00 mod means you had the expected number of accidents, and you pay the average rate. You could pay less if your mod is lower than 1.00. Companies with a higher loss history (resulting in a higher mod) pay more in premium. And since the cost of an accident is less predictable than the frequency, NCCI has long given greater weight (and penalty) to companies that suffer multiple accidents versus those who might have one large claim. However, a significant change to this process—the first in 25 years—is on the horizon.



The anticipated change in NCCI's mod calculation— if approved—is proposed to begin rolling out in 2013. It is a gradual, three-year increase intended to compensate for the jump in overall claim expenses in the past years. The new formula will impact claims differently so that a company with several small losses actually receives a higher mod than a company with a single, larger loss.

The goal that employers will want to shoot for is safe workplaces and a mod of 1.00 or lower. And one significant way to get there is to implement a solid return-to-work program now—before an accident happens.

The time is now

The short story is that it's worth the effort to find light-duty positions for injured workers while they recover. Having a return-to-work program gives you a tool to manage your workers' comp costs, and it's the one variable you can control in this ever-changing economy. The small up-front costs beat the potential landslide of long-term claim-related expenses. ■

Summit's Back2work program is free

As a policyholder, you have access to many helpful workers' compensation tools. Be sure to call your agent or Summit for your free packet of information on how to create your own return-to-work program. We call it the Nuts & Bolts of Back2work. It comes with a checklist to get you started, forms you can transfer to your own letterhead and transitional-duty ideas.

If you need more information or help in setting up your program, we have Back2work specialists to help you—just give us a call!



Check out this insured company that used return to work to cut their comp costs.

A 61-year-old, heavy-equipment supervisor was a 29-year veteran employee for a successful construction company. Pinned to a wall by a forklift, he suffered severe injuries across his body. Extensive medical care for two months and intermittent care during complications eventually got him back on his feet. Four months after the accident, he accepted a light-duty offer to serve as a floor supervisor without the physical demands of his regular position. At 11 months post-injury, he was declared ready for full duty. He was happy to be back at his regular job.

The cost savings

The company reduced the cost of indemnity by \$11,171.88* because they brought their injured employee back to a light-duty position as soon as he was medically able.

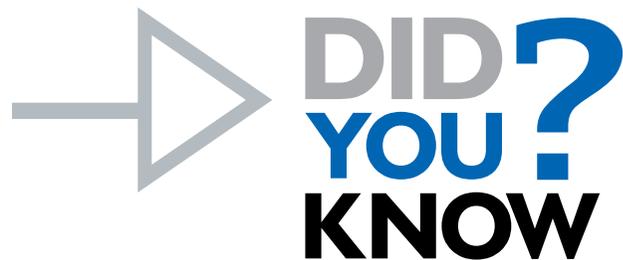
The real benefit

This employer retained a valuable employee, and an injured worker was able to continue his employment with his long-time employer.

* Using a compensation rate multiplied by the 30 weeks between returning to work and full-duty status, minus the intermittent temporary salary paid during his injury and subsequent complications.

Tell us your Back2work story!

Many employers successfully offer modified or alternate work. If you have a story, we'd love to hear it! Please e-mail back2work@summitholdings.com



Work injuries and HR problems don't mix

State laws may differ, but firing an employee as a result of a workplace injury is a minefield of problems in today's business world. It creates the potential for litigation, and various courts have already ruled that improperly discharged employees can be entitled to compensatory damages, which are often greater than workers' comp benefits. The best solution is to get your employee healed and back on the job—then let human resources work on issues that are unrelated to the comp claim.



10 WAYS to increase your control over claims and decrease the cost of your workers' comp coverage

- 1 Know your company's experience modification factor
- 2 Offer transitional duty (modified or alternate work) as soon as possible
- 3 Create an effective workplace safety program
- 4 Establish a drug-free workplace policy
- 5 Teach supervisors how to respond to workplace injuries
- 6 Know how to do a thorough incident investigation
- 7 Visit medical providers in your area to establish a working relationship
- 8 Communicate regularly with your employee after a workplace injury
- 9 Call your Summit claims adjustor with claim updates and any questions
- 10 Contact your independent insurance agent for assistance

What Can Summit Do for You?

Summit offers a variety of services and programs aimed at controlling your workers' compensation costs and making the most of your premium dollars. Here's a sampling of some of the tools we have available at no additional cost to you.

- **Online Business Center**, where you can—
 - Check claims activity
 - Print and download loss runs
 - Print certificates of insurance (COIs) or waivers
 - Find a doctor in our workers' comp network
- **Back2Work™**, Summit's return-to-work program gives you the tools you need to create a plan for your business
- **SafetySmart Online**, a valuable web-based safety training tool offered at no charge as part of your workers' compensation coverage through Summit.
- **Open for Business**. Create and save your own detailed plan for disaster recovery online—it's free!
- **Easy claims reporting**. We offer three easy ways to report a claim 24 hours a day, seven days a week—
 - Call 1-800-762-7811
 - Visit us at summitholdings.com and click on **Report an Injury**
 - Fax your report to (863) 667-1871
- **Specialized provider network**,* consisting of more than 16,000 doctors and specialists experienced in occupational medicine and workers' compensation.
- **Tailored loss-control services**, including—
 - Safety consultations
 - Drug-free workplace assistance
 - Safety education, training materials, classes and webinars
- **For more information**, tips on workers' comp and frequently asked questions, visit our website at summitholdings.com.

** Proprietary network in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. In Arkansas and Texas, Summit uses contracted networks that offer our clients benefits comparable to our proprietary arrangement.*

For a list of sources related to the information contained in this newsletter, please visit our website.

Summit Consulting Inc. has used its best efforts to select information for this publication from reliable sources, but cannot warrant that it is complete or accurate. Summit Consulting Inc. does not assume and hereby disclaims any liability to any person for loss or damages caused by error or omission. Please check with your agent or attorney for details about the laws as they may affect your specific business situation.

How to Reach Us

Customer Service

1-800-282-7648

Injury Reporting Hotline

24 hours a day, 7 days a week

1-800-762-7811

Florida/Corporate Office

1-800-282-7648 • (863) 665-6060

Southeast Region

Georgia, Kentucky, North Carolina,
South Carolina, Tennessee

1-800-971-2667 • (678) 450-5825

Southwest Region

Arkansas, Alabama,

Louisiana, Mississippi, Texas

1-800-421-2944 • (225) 926-3264

Summit Manages

BusinessFirst Insurance Company

RetailFirst Insurance Company

Retailers Casualty Insurance Company

Bridgefield Casualty Insurance Company

Bridgefield Employers Insurance Company



Summit includes Summit Consulting Inc.
and its subsidiaries.

© 2011 Summit Consulting Inc.

summitholdings.com