



SAFETY NOW

A Division of Bongarde Media

HOW TO SAVE MONEY ON WORKERS' COMPENSATION

HOW TO REDUCE YOUR RISKS, LIABILITIES & COSTS
WHILE KEEPING EMPLOYEES SAFE

A blue-toned photograph showing several business professionals in a meeting room. In the foreground, a man in a white shirt and tie looks towards the right. Next to him, a woman in a dark blazer is smiling. Behind them, another man in a grey shirt is seen from behind, looking upwards. The background shows large windows and office equipment.

IN ADDITION TO THEIR SOCIAL COSTS, WORKPLACE INJURIES AND ILLNESSES HAVE A MAJOR IMPACT ON AN EMPLOYER'S BOTTOM LINE. IT HAS BEEN ESTIMATED THAT EMPLOYERS PAY ALMOST \$1 BILLION PER WEEK FOR DIRECT WORKERS' COMPENSATION COSTS ALONE.

Responsible business owners want their employees to be happy, healthy, and safe on the job. However, we are all aware that accidents can sometimes occur.

Workplace injuries and illnesses are costly. If you own a small business and have two or more employees, by law your business may have to carry Workers' Compensation Insurance (It's worth mentioning that in some states workers' comp is mandatory and in others, it is not.). Just consider the following numbers on worker-related accidents:

- **\$1 billion per week.** The estimated

amount an employer pays per week for Workers' Compensation direct costs. Direct costs include Workers' Comp, medical and legal costs. Indirect costs include lost productivity, training staff, investigations, and corrective measures.

- **Average cost per claim is \$39,424.** According to the National Safety Council Injury 2016 study, the average combined costs per Workers' Comp claim.
- **8 days.** According to the Department of Labor & Statistics, the average number of days a worker is out of

work as the result of a workplace injury or illness.

- **\$1,000 per employee.** The injury impact is the value of goods or services each worker must produce to offset the cost of work injuries. It does not represent the average cost of a work-related injury.
- **\$164.6 billion.** The 2017 National Safety Council Injury Facts on costs of work-related injuries and deaths in the U.S.
- **47.2 million.** The number of workplace injuries and illnesses a year.

If you want to ensure that your business

can handle the significant risk that a workers' comp claim could pose, it is essential to have a plan. That's why we compiled a list of steps you can take to reduce the cost of workers' compensation and protect your company.

"WORKPLACE INJURIES AND ILLNESSES ARE COSTLY."



SAFETY SHOULD
NEVER BE A PRIORITY.
IT SHOULD BE A
PRECONDITION.

Paul O'Neill

HOW ARE WORKERS' COMP RATES DETERMINED?

Every state has its own requirements for workers' compensation, and each state has a rating bureau that sets the baseline cost (or rate) used in calculating how much you'll pay in insurance premiums. In general, a state's rates are based on a combination of the following:

- Business risks
- Benefit levels
- State-specific regulations
- Healthcare costs

While some states have established their own rating bureaus, most rely on the National Council on Compensation Insurance. NCCI is a private company that gathers workers' comp data, analyzes trends, and makes rate recommendations to states.

In most states, you have the option to compare quotes with private insurance carriers or a state workers' comp fund. However, North Dakota, Wyoming, Ohio, and Washington only allow businesses to purchase a policy through a workers'

compensation state fund.

For business owners, the amount you will pay in workers' compensation premiums depends on:

- **Your payroll.** If your business operates in multiple states, it will depend on the number of people you employ who work in each state.
- **Claims history.** Insurance rates for almost any insurance policy depend, in part, on past workers' compensation claims – the type, amount, and frequency of losses.
- **Worker classification codes.** The level of risk associated with your business will also play a role in determining your workers' comp rates. Class codes categorize every business and job type by level of risk, and your small business may have a range of worker

classifications.

The formula looks something like this:

Employee Classification Rate x Employer Payroll (Per \$100) x Experience Mod Rate (Mod) = Your Workers' Comp Premium

Employee Classification Rate. First, a rate is assigned to your employee class code. This is a 4-digit code for the specific type of work performed by each employee. The system helps to identify the risk associated with different types of work. In most states, the National Council on Compensation Insurance (NCCI) determines the employee classification rate, although some states have their own system.

Employer Payroll. Workers' Comp premiums are tied directly to the employer's payroll. For each employee class code, the employer pays on every \$100 of payroll.

Experience Mod Rate. Also factored into the premium is the Experience Mod Rate (EMR), also called Mod. This is a number based on how your business compares to other businesses in your industry with similar employee classifications. A company's Mod is determined based on a number of factors, including the age of the business and the severity, frequency and number of claims. An average Mod starts at 1.0. If your business experiences fewer and less severe accidents than the industry average, your Mod would be assigned a number less than 1.0. And if you recorded higher and more severe accidents, your Mod will be higher than 1.0. Once the classification rate and payroll are determined, the Mod is then applied to the premium. For a Mod of 1.10, the premium would be assessed a 10 percent debit and a Mod of .90, a 10 percent credit.



11 WAYS TO CUT WORKERS' COMPENSATION COSTS

1. EDUCATE EMPLOYEES ON WORKPLACE SAFETY

The most effective way to reduce workers' comp costs is by creating a culture of safety at your company and making sure all your employees know about it. Here are some tips on how to do that:

- **Make health and safety a priority:** Tell your team it's your no. 1 priority to make sure they're safe. OSHA has a lot of great tools, including one that tells you what standards apply to you and tips

on how to meet them.

- **Get workers involved in shaping your workplace safety program:** They can help create policies, set goals, develop incident investigation procedures, and decide how to measure progress. [For a deep dive on how to create a safety program.](#)
- **Train your team:** Train your workers so that they know what kind of dangers to look for in the work environment, recognize their role in preventing harm,

and understand their responsibilities in your safety program. Make this safety training part of your onboarding process for new employees.

- **Encourage your workers to report hazards:** Implement ways people in the company can easily (and maybe even anonymously) report workplace hazards or behaviors that put others at risk. You can also do periodic inspections to make sure people are following the rules.
- **Get rid of those hazards:** Work with your employees to eliminate, prevent, and control the workplace hazards they notice.
- **Ensure everyone is on the same page:** Make sure your general contractors, subcontractors, and staffing agencies know about your safety standards, and

are just as committed to meeting them.

- **Show instead of tell:** Both you and your managers should lead by example. Follow the safety protocols you've set up for your workers.
- **Reassess your program:** Evaluate the program periodically and improve on issues you see.

2. KEEP CLEAR AND ACCURATE REPORTS

When an injury occurs, promptly provide any necessary documents to your insurance agent to process claims quickly. Keep a record of all communication with the claims adjuster and medical provider so no charges are missed or duplicated.

You should also ensure that employees are classified correctly on payroll, as misclassification can lead to unnecessarily high pricing. For example, workers'

compensation premiums for an office worker are generally significantly lower than that of an equipment operator.

Never deliberately misclassify employees. This may lower your workers' compensation rate in the short term, but you could be subject to penalty fees, lawsuits, or even prosecution after an audit.

Report injuries instantly

Reporting an injury as soon as it happens will ensure that you comply with all state deadlines. Failure to report an accident or an injury immediately can lead to long-lasting claims and higher worker compensation costs.

Employees and supervisors need to know who to contact in the event of an injury, so it is important to create a communication policy. The point person responsible for reporting claims at your company must act urgently.

3. FIND THE BEST WORKERS' COMPENSATION INSURANCE

Just like with health and vehicle insurance, you need to provide the best workers' compensation insurance for your business. Failing to obtain workers' comp insurance that will cover your expenses can be detrimental to your finances.

The employees that are covered by workers comp insurance will not have to worry about medical bills, missed wages, salary benefits, and much more. Taking the time to talk with various insurance providers will increase your chances of landing a monthly rate that fits your finances the best. It's worth mentioning that the higher the number of employees you have, the higher the fee you will have to pay in monthly workers comp fees.

4. PREVENT ON-SITE INJURIES



One of the most cost-effective ways to reduce expenses is to prevent work-related illnesses and injuries. Your company should be proactive in supporting safety, ergonomics, and health programs. Incentivize your employees to give you advice and ideas on how you can make the workplace safer and discuss ongoing issues in meetings regularly.

If an accident, workplace injury, or occupational illness occurs, you must make sure that they are thoroughly investigated. However, it's in your best interest to completely avoid accidents and that's why you should train your employees to exercise safety while on the job.

The ROI of workers' training is well proven. Safety awareness will be maintained constantly and the chances of accidents that can damage your property or injure a worker will be significantly reduced.

5. HAVE AN INJURY PROCEDURE IN

PLACE

A tip to reduce workers' comp costs is to manage any sustained injuries quickly before they become worse. The way to go about this is to have a proper plan in place in the event of an onsite work injury. This type of plan should be part of the company's culture of safety and include immediate actions that should be undertaken by managers, supervisors, workers, as well as the claims adjuster.

To ensure that this process runs smoothly, everyone should be assigned a specific role. As you put a plan in place, you empower your staff to make decisions that can minimize the severity of workplace injuries. In addition, it reassures your employees that should they ever get injured, the company and their colleagues will know what to do.

6. HAVE PROPER EMPLOYEE CLASSIFICATION

This step is often overlooked by many businesses, but it's important to remember that high workers' compensation rates are often due to classification errors.

Each type of business has its own overall rate. However, every employee will be charged an additional cost for their compensation and their classification.

A bookkeeper working for a construction company shouldn't be classified in the same bracket as a construction worker because they aren't at the same risk. Double-checking to ensure everyone is correctly classified can save you a lot of money.

7. HAVE A RETURN-TO-WORK PROGRAM

When an employee gets injured on the job, it's important to help that employee get back to work as soon as possible! Returning to work has enormous benefits to your employee, and it also benefits you.

Benefits to the Employee

When an employee is injured and home from work, they are often more sedentary which often delays the healing process. Sometimes a doctor may encourage an employee to rest at home during the healing process, but more often doctors encourage their patients to resume some activities to encourage recovery.

Getting back to work as soon as possible helps your employee with the healing process. It benefits their mental health, often provides emotional support, and almost always contributes to their physical recovery.

Benefits to the Employer

Every dollar spent in a work comp claim is generally going to cost you the employer between \$1.50 and \$2.00 (depending on the size and location of your firm). How can that be?

Insurance companies use these three factors to determine your workers' compensation premium: experience modifier, rating tier, and credits.

Experience modifier: When you have an accident at your workplace and a workers' compensation claim is filed, your experience modifier will automatically go up. Insurance companies use this modifier in part of their calculations on your workers' compensation policy. When your experience modifier goes up, you will experience higher workers' compensation premiums for the next three years.

Rating Tier: Also, insurance companies consider the number and overall costs of workers' compensation claims that you have filed when determining what tier they will use to calculate your premium. Fewer claims will generally place you in a better tier, whereas more claims will place you in a higher tier and your premiums will

be higher. Insurance companies use your past claims as a predictor of your future claims which means they will charge you accordingly through higher rates than your peers with lower claims.

Credits: Lastly, insurance companies offer credits to companies with good workers' compensation records. If you file even one large claim, you may notice that the credit you received last year on your workers' compensation policy is removed when you renew the next year.

Other Costs When an Employee is Home from Work

Every day that your employee is home from work, your workers' compensation will be paying a portion of their lost wages increasing the overall amount of the claim. Extending the healing time of an employee can result in a lot more medical costs. Getting your employee back to work will benefit you as the employer because it will

lessen the total amount of your workers' compensation claim.

Also, a workers' compensation claim increases with the amount of wages that employees receive through their workers' compensation benefits along with the amount of their medical claims. These factors contribute to higher workers' compensation surcharges in the future. When you renew your policy, there will be increases in your workers' compensation premium.

8. PARTNER WITH A PROFESSIONAL EMPLOYER ORGANIZATION

Trying to reduce your workers' compensation costs can seem like an uphill battle. One of the best ways for your business to control workers' comp costs and reduce your burden is to partner with a professional employer organization (PEO) because this might save you a lot of time and money.

A trusted PEO will provide your company with access to HR experts that can help you implement changes necessary to keep your workers' compensation rates down, manage any injury claims, and help you avoid getting hit with huge premiums all while making sure this complies with both state and federal laws.

In addition, a PEO can provide you with a comprehensive suite of services such as assisting your business to navigate safety at the workplace by providing consultations, safety inspections, and helping you reduce the number of claims by eliminating fraudulent claims.

9. DEVELOP A SAFETY COMMITTEE

Having a safety committee that meets monthly can help your business earn a 5% discount on your workers' compensation premium PLUS any additional indirect savings from avoided claims. Many businesses have these committees in

place.

When you establish a safety committee, the committee members should be a mix of management and front-line workers. Your committee will also require a facilitator (this might be your insurance agent, a safety professional, or someone within your company). The facilitator of this committee plays a vital role. This person needs to engage the other members of the committee and cast a vision for the importance of safety policies, improvements, and measures.

To help with your workers' compensation costs, your committee needs to be certified by an approved person. A representative from your insurance company or a risk management firm will be able to certify your committee and to conduct the required annual training.

Your committee will do the following:

- Discuss your workplace environments seeking to uncover any risks
- Conduct a safety review of a site inspection or job inspection
- Discuss any accidents, incidents, or near misses
- Define appropriate actions to avoid risks moving forward
- Plan job safety talks for employees
- Notify supervisors of recommended training for employees
- Make recommendations on policies to organizational leadership

10. FOCUS ON SAFETY

One great way to reduce the costs associated with workers' compensation and improve morale at your company is to cultivate a culture of safety. Creating a culture of safety is easier than it sounds.



You are already probably doing some of this work. First, make sure you continually provide your employees with essential safety knowledge resources and best practices. If you don't have them already, institute safety checks at regular intervals. Regular safety checks throughout the day are vital as they help to keep employees thinking about safety any time they are in the workspace. More comprehensive safety checks can be scheduled weekly and/or monthly. Focusing on safety will not only reduce the number of accidents and injuries among your employees, but it will also show them that you care about them and their safety.

11. ASK ABOUT SAFETY

REWARDS

After starting to implement some of these ideas, you may notice a reduction in workplace accidents. Check with your insurance provider to see if they will give you credit for having had a year of improved safety. These types of safety rewards are usually paid out after a policy has expired, and after having one year of fewer claims. These rewards aren't guaranteed, so it's good to check with your provider to see if safety rewards are available.

FINAL WORD

Workers' compensation is a necessity for any business. But it doesn't have to be a complete financial burden to keep your employees safe. There are many ways to encourage safety routines and programs that will help you to reduce your workers' compensation costs.

Knowing these various strategies can make

a huge difference in controlling workers' compensation costs. It will help you save money and create a culture that's centered around safety which will ultimately lead to higher morale and happier employees.

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