

■ SELF-ADMINISTRATION

Buyers 'Do-It-Yourself' On Comp Claims

Long-term commitment can help risk managers lower long-term WC costs

BY ANNE L. LOVERDE

MOST BUSINESSES can't avoid some workers' compensation claims, but organizations that progress from self-insurance or a captive to self-administering their claims can manage a definite savings.

Both direct and indirect claim costs can be controlled further. Direct costs represent actual claim dollars spent and associated case reserves. Indirect costs include expenditures for replacement personnel, their training and the learning curve that results in decreased production.

Self-administered organizations know that consistent proactive claims management techniques make a difference in the average cost per claim. Such results can significantly affect their bottom line.

Self-administration is a long-term solution for controlling costs. However, senior management must be willing to dedicate long-term resources to achieve the desired proactive management of every claim. To replace a third-party administrator arrangement, organizations must invest in an upfront administrative program and control components.

Organizations can take ownership of their destiny through self-administration by using experts who can guide them in fulfilling state requirements of:

- ▶ Claims personnel that manage claims according to state workers' compensation laws.
- ▶ A committed safety and loss control program.
- ▶ Claims management software.
- ▶ Claims management and procedural manuals incorporating the organization's claims management philosophy and industry best practices to be applied to each reported claim.



▶ **WITH SELF-ADMINISTRATION, BUYERS CAN EMPLOY STAFF** who will adopt the firm's claims management culture, feeling ownership and handling each claim proactively.

The organization should also outline the necessary contacts so claims adjusters will be able to properly notify the human resources, payroll, labor relations, general counsel and finance departments of any actions taken on claims.

The procedure manual should delineate specific functions for the claims personnel to permit a performance evaluation against measurable and objective standards.

A well-established, successful workers' comp defense attorney firm should be retained to represent the organization when litigated claims occur. Multiple defense counsel firms and specific outside attorneys may be required depending on the number of jurisdictions involved in the program.

A medical case management specialist firm that has progressive ideas with regard to handling claims should also be retained to cover the geographical areas of the program. This firm should have the same claims management philosophy that returns the employee to work as soon as possible.

The medical case manager should also interact with the injured employee and medical providers in a timely manner to ensure that the treatment plan is aggressively progressing toward return-to-work status.

Self-administration will enable the organization to achieve numerous advantages over contracting with third party administrators/carriers. It will allow enhanced ability to employ claims staff members who will adopt the



“ Self-administration is a long-term solution for controlling costs. However, senior management must be willing to dedicate long-term resources to achieve the desired proactive management of every claim.”

—Anne L. Loverde

▶ **Anne L. Loverde** is a member of Employers Comp Advocate, LLC, a Troy, Mich.-based independent auditing and monitoring service company.

entity's culture and philosophy of claims management and who will feel ownership by handling each claim in a proactive manner.

Such claims staff will perform timely interaction with safety and loss control personnel to ensure that incident locations are thoroughly investigated.

They will also ensure that defense materials such as investigatory memos, depositions, legal memoranda and briefs, witness statements, etc. are preserved for future use within the claims management and/or subrogation process.

Selected counsel will aggressively defend litigated claims when they occur and interact with the claims staff to move claims toward cost-effective resolutions.

In addition, the organization can provide continued staff training to reinforce proactive claims management, discuss and learn about newly developed medical treatments, and review case law updates.

It also can use superior claims management software that promotes proactive claims handling while providing access to statistical data relating to program experience through specialized reports tailored

to meet the needs of the organization.

Transforming a program to self-administration is a project that will ultimately result in reduced costs. The controls self-administration activates, coupled with ownership and commitment by the management team, will positively impact the program's ultimate costs. (See accompanying "Cost Control" infographic.)

Once self-administration status has been attained, open-tail claims handled by TPA adjusters should be rolled into the established in-house unit for ongoing management. This will eliminate claims administrative expenses being paid to the TPA, and will ensure that proactive claims management is extended in a consistent and timely manner to continue a reduction in the actual claims exposure.

An organization's senior management team is ready to take the next step to self-administration if it sees a significant savings by controlling its destiny and managing its workers' comp claims. Experienced workers' comp specialists and consultants can assist in guiding the processes and in monitoring the progress. ■

COST CONTROL

HOW MUCH CAN BUYERS SAVE?



To develop a baseline to measure savings through self-administration of workers' comp claims:

- ▶ **IT IS NECESSARY TO CALCULATE** the average overall cost per claim, derived from the actual direct and indirect program costs for the past three to five program years.
- ▶ **THE AVERAGE PER-CLAIM COST** should be reduced by 15 to 25 percent for "leakage" typically seen due to missed opportunities by TPA/carrier claims adjusters who are jockeying a full caseload.
- ▶ **THE AVERAGE COST SHOULD BE FURTHER REDUCED** by a minimum of 10 percent for expected savings achieved from on-staff claims personnel who have taken ownership of the process.