



## Deductibles: Another Tool to Help Control Costs in Workers Compensation

By Patrick Deem, Sr. CIC, WC Risk Management Consultant

The history of using deductibles in this line of insurance began with the hospital industry in the 1950s. The industry petitioned the rating organizations to eliminate a charge in the rate for the medical benefit, or to allow a substantial credit for the rate, as the application of the medical benefit would never be needed in a hospital environment.

Their argument was that if one of their employees was injured on the job, that employee would be taken to the emergency room of the hospital; if additional treatment was needed, the injured worker would be assigned to a hospital doctor or admitted to the hospital, which was also their employer. Ultimately, who was the hospital going to charge for the services provided—themselves? If they, as the injured worker's employer, sent a statement to their own workers compensation insurer for reimbursement of services provided, they would only be damaging their own workers compensation experience with their carrier.

A compromise was reached, resulting in the creation of the first medical deductible endorsement, with an applicable premium credit depending on the amount of the deductible chosen by the hospital. The deductible options in the 1950s were few and small compared with today's standards, but the concept of offering a premium discount based on the policyholder willingness to share in the cost of an injured worker's medical claim became the basis of the deductible plans currently available in workers compensation.

Let's examine the current deductible options in Texas and their issues. The first is eligibility. With Texas now an NCCI state, the NCCI rules obviously apply, and according to their *Basic Manual*, any insured with a total manual premium over \$5,000 is eligible for a deductible option. However, the rules do not allow the insured to have a deductible that is in excess of 50% of the estimated annual workers compensation premium for the appropriate deductible option. In other words, a \$5,000 estimated premium account cannot have a deductible higher than \$2,500.

The three primary deductible options fall under the "table

deductible" category, referring to selections made based on the NCCI hazard group and deductible selected, and include: per claim, per accident, and medical only. A per claim deductible option applies to both medical and indemnity and can be in increments of \$1,000, \$2,500, \$5,000, \$10,000, and \$25,000, subject to the 50% rule mentioned previously. Following is an example of the per claim deductible, applied to a construction company as the policyholder. With a \$1,000 per claim deductible, if five employees are involved in an accident in a company vehicle, the insured is looking at a \$5,000 cost, as opposed to a \$1,000 cost with a per accident deductible plan. The key is evaluating the appropriate plan for the policyholder.

A per accident deductible plan is based on the number of accidents, not the number of claimants. The deductible options are the same as the per claim options, and the 50% rule also applies. The obvious difference is that, as explained above, the insured would only be responsible for \$1,000, not \$5,000, under the per accident option. The other issue is that the credits applied to the premium, which are based on the NCCI hazard group and deductible amount chosen, are basically identical. That alone is another reason to consider the per accident option.

Medical only applies the per claim principles to the medical only portion of the claim. The deductible options are lower than the other two plans: \$500, \$1,000, \$1,500, \$2,000, and \$2,500; and the credits are lower as well. If the employer in the previous example chose a \$500 medical only option, the most they would be responsible for is \$2,500, no matter how serious the injuries or if indemnity payments were also part of the individual claims.

Negotiated and custom table deductibles will be examined in the next article. It is important to understand the valuable tools available through the application of deductibles. Your policyholders will be looking to you to understand the various options available and the best solution for their specific needs.

# Safety & Health Program: A Proactive Approach

By **Tipton Scruggs** Loss Control Supervisor

The vast majority of organizations would agree that their employees are their greatest asset since, without their contributions and efforts, the organization would cease to exist. As with any other asset, safeguards must be developed and implemented to protect employees and prevent injuries that can significantly disrupt the organization's goals and objectives, leading to higher costs and reduced profitability.

The current competitive marketplace fuels companies to, rightfully, adopt practices in the core business arena to meet their customer's expectations, while simultaneously overlooking the importance and necessity of protecting their most important asset—employees. Organizations often fail to develop and implement comparable programs to prevent work related injuries and fatalities. Efforts are made to manage compliance, but reducing risks associated with daily work activities often falls short of desired outcomes.

Transitioning from a compliance model to an integrated risk-based approach is an effective way to improve an organization's safety and health program. The following are program elements and practices to help identify and control hazards before injury occurs, as a proactive approach that ultimately reduces the frequency of incidents, as well as direct and indirect costs.

## Management leadership

Top management demonstrates its commitment to continuous improvement in safety and health, communicates that commitment to employees, and sets program expectations. Managers at all levels make safety and health a core organizational value, establish safety and health goals, provide adequate resources, and set a good example.

## Worker participation

Employees are involved in all aspects of the program, including working with management in setting goals, identifying and reporting hazards, investigating incidents, and tracking progress. They are encouraged and have means to communicate openly with management and to report safety and health concerns without fear of retaliation. Any potential barriers or obstacles to worker participation in the program are removed or addressed.

## Hazard identification & assessment

Procedures are put in place to continually identify workplace hazards and evaluate risks. An initial assessment of existing

hazards, exposures, and control measures is followed by periodic inspections and reassessments to identify new hazards. Any incidents are investigated with the goal of identifying root causes, and identified hazards are prioritized for control.

## Hazard prevention & control

Employers and employees cooperate to identify and select methods for eliminating, preventing, or controlling workplace hazards. Controls are selected based on hierarchy of engineering controls, safe work practices, administrative controls, and PPE. A plan is developed to ensure controls are implemented, interim protection is provided, progress is tracked, and the effectiveness of controls is verified.

## Education & training

All employees are trained to understand how the program works and how to carry out the responsibilities assigned to them. Everyone receives training on safety concepts and their responsibility for protecting workers' rights and responding to workers' reports and concerns. The entire staff is trained to recognize workplace hazards and to understand the control measures that have been implemented.

## Program evaluation & improvement

Control measures are periodically evaluated for effectiveness. Processes are established to monitor program performance, verify program implementation, and identify program shortcomings and opportunities for improvement.

## Communication & coordination for host employers, contractors, and staffing agencies

Commit to providing the same level of safety and health protection to all employees. Communicate the hazards present at the worksite and the hazards that contractors may create on-site. Host employers establish specifications and qualifications for contractors and staffing agencies. Before beginning work, coordinate on work planning and scheduling to identify and resolve any conflicts that could affect safety or health.

Shifting the organization's focus to include employee safety has a much wider impact on company success than might be assumed. Implementing the recommended safety practices and programs allows for other benefits related to production, quality, processes, employee morale and retention, and corporate image to be achieved.

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## Question:

I am one of three principals in our agency, and I am tired of people complaining. We operate one of the most lenient agencies – we allow employees to bring a sick child to work, create remote capabilities, and work around all kinds of personal issues, in addition to all the financial support we give through larger and larger corporate contributions to our health plan to keep costs down. But it feels like a constant gripe fest around here. Do I have the wrong employees?

## Answer:

First, let me assure you that you are not alone. I hear this quite often from agency principals, and conversely, I hear from employees who repeatedly tell me that the principals often ask too much—but that's for a future article. For now, let's look at what we know about complaining and how to handle it.

### Complaining is contagious

As the expression goes, misery loves company. It doesn't take very many employees who like to share their particular brand of agony to build up quite a momentum of environmental unhappiness in the work place. If complaining is allowed to continue unchecked, you could easily find yourself with a pool of employees with low morale, which equates to less productivity, increased absenteeism, and could easily affect their engagement with your clients. It is difficult for negative employees to share a positive image.

### Identify the instigators

Although there seem to be much more pressing issues for an agency principal to address, this one is every bit as important as the next big account. You have to identify the employees who are at the basis of discord for your agency. Every day that they continue their negative commentary, your agency loses a little more of its positive culture. It won't take you long to separate the employees who occasionally have a question or complaint from those who seem to have a chronic condition – complaining about everything.

### Uncover the problem

I say this knowing that in many situations you will never know what is really at the root of the negative and complaining attitude. The goal is to listen sympathetically and determine if there is an issue that needs to be addressed within your agency. Employees want to have a platform where they feel heard, and hopefully this one-on-one will allow them to say what they need to say and remove some of their negative attitude.

### Fix the identified problem

If you are fortunate enough to identify a problem that can be fixed, then move as swiftly as possible to remedy the situation. Hopefully, your complainer brought one or two solutions to the table for consideration. Again, this is assuming there is a legitimate complaint. With this outcome, you don't want to forget to thank the employee for their concern and ask that in the future they bring issues to management directly, rather than through the agency gossip pool.

### Manage the chronic complainer

Any employee who is exposed to repetitive, nonstop whining or complaining by a coworker is going to be impacted. This is heightened further if the complainer can transfer their negative feelings on to the coworker. As the principal of the agency, your entire work force is looking to you for leadership. You must engage with any employee causing this kind of negativity and make it clear that they must change their behavior to continue with the firm. Yes, you are professionally warning the employee of the repercussions of continuing to create a negative environment. This is a serious issue, and there can be no misunderstanding that either it must stop or they can move on.

Here's the good news: it is possible that your employee is not aware of their behavior, that it's simply a habit. Habits can be broken. Suggest they start the process by changing their focus to what is working, rather than what isn't working; review the many benefits and opportunities afforded by the agency. Recognize that, all in all, it's a good place to work.

Dealing with this type of toxic employee is never easy, but as one of the principals of the agency, you must address all employee issues. To protect the continued success of your agency in a very competitive work space, you must hold everyone accountable for their positive or negative impact on your coworkers, carriers, and customers. Any activity to protect your business culture is well worth the effort.