

Work Comp Roundup

Reduce Your Workers Comp Costs

Examine 3 Common Disincentives to Return to Work

Michael B. Stack · Wednesday, April 12th, 2017



Understanding the psychology of human nature is an important component to reducing workers' compensation program costs. While most employees are genuinely interested in gainful employment, various collateral sources of benefits in the form of workplace perks can promote higher workers' compensation costs. In order to run an effective program, it is important for interested stakeholder and employers to evaluate the financial incentives they provide employees to determine possible detriments to return-to-work and reducing costs associated with workers' compensation matters.

Common Examples of Collateral Disincentives

Employers offer a variety of different benefits to employees to boost morale and encourage employment. Some common incentives that can drive higher workers' compensation costs include:

- **Salary Continuation Programs:** Under these programs, an employer may offer employees suffering any disability, including one resulting from a work-injury, 100% salary or partial wage replacement greater than what they would receive under a workers' compensation wage loss rate. In a majority of these instances, benefits are capped at after period. Studies demonstrate these replacement programs result in longer disability periods for employees suffering work-related disabilities and injuries.

- **Disability Benefits:** Many employers offer employees short- and long-term disability benefits. These benefits are paid instead of salary for disability. While some employers require employees to subsidize the cost of these benefits, others are willing to pay the price. Depending on the policy language, an employee suffering a workers' compensation claim can receive a "windfall" recovery by receiving disability benefits under a private program, plus wage loss benefits under workers' compensation.
- **Supplemental Wage Replacement:** Some employers offer supplemental pay for employees when they are off of work. While this is often used in the correct manner, it can be common for employees off work due to a workplace disability to game the system and prolong their recovery.

In many instances, these well-intended incentives can have perverse outcomes. This is why all parties interested in reducing costs in their workers' compensation program should evaluate the effectiveness of rewards and fringe benefits on a regular basis.

Reducing Work Comp Costs and Promoting Efficiency

Employers offering generous rewards and other forms of financial compensation to employees should be prepared to expect the worse. Human nature dictates a certain percentage of the employee population will "game the system," other otherwise delay recovery. Concerns regarding a slow recovery should be monitored closely.

Employer representatives and other interested stakeholders should pay close attention to employee benefit programs and workers' compensation costs. Action should be quick and decisive if it is suspected an injured worker is delaying their return to work. If this is the case, the following tools can be used to correctly ascertain the true medical status and workability of an employee:

- **Independent Medical Examination (IME):** There are limitations on when and how an IME can be used. In many jurisdictions, this type of examination can only be used once. Other jurisdictions allow for additional visits by a defense medical expert if there is a documented change in condition, or need to properly assess restrictions or maximum medical improvement (MMI) following surgery.

- **Independent Vocational Evaluations (IVE):** IVE's are conducted by a trained vocational or rehabilitation expert. It involves a number of different tests, which can require the employee to undergo physical activities to determine mobility and function. Other testing can be educational in nature to measure cognitive function and mental abilities. The timing of the IVE typically coincides with the placement of the employee at MMI.
- **Surveillance:** This tool can also be used to determine the true physical ability of an injured worker. It should be performed in a manner consistent with state law and rules governing workers' compensation proceedings. Failure to do so can result in adverse consequences to the defense of a workers' compensation claim, admissions against interest and/or sanctions.

Conclusions

All employees deserve dignity and respect. However, sometimes attempts to extend courtesy can lead to perverse consequences. Interested stakeholders in workers' compensation programs should be mindful of unintended consequences and monitor matters to ensure the true intent of generosity is extended in return.

For additional information on workers' compensation cost containment best practices, register as a guest for our next live stream training.



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