RISK & INSURANCE

In-Depth Series: Workers' Comp

TCOR as Problem Solver

An accurate picture of total cost of risk emboldens different management layers to work together to seek solutions.

By: Roberto Ceniceros | November 1, 2017
Topics: Analytics | November 2017 Issue | Return to Work | WC Cost Containment | Workers' Comp | Workers' Comp Forum

Vague return-to-work instructions from doctors can frustrate an employer's need to clearly define the roles returning employees can play following a disabling workplace injury. For example, a doctor's instructions may say the worker cannot lift more than 15 pounds.

That saddles employer return-to-work efforts with the onerous responsibility of matching the doctor's scant instructions with actual allowable work site tasks, explained Judie Tsanopoulos, system director workers' compensation and risk control at Providence St. Joseph Health.

"A big struggle for an employer is the sometimes vague and ambiguous restrictions the physician community provides when it comes to returning people back to work," Tsanopoulos said.

"They are not specific and [their restrictions] are not unique to that individual's position."

Tsanopoulos credits a total cost of risk analysis for alleviating that problem. It helped her win upper management's support for a job function matching, analysis and testing program that substantially reduced lost work days.

Several other strategic advantages flow from calculating a workers comp program's total cost of risk, or TCOR.

Know Your TCOR

A TCOR analysis, for instance, can help risk managers confirm that implementing a seemingly counterintuitive strategy ultimately proved the appropriate measure, said Barry D. Bloom, managing principal at The bdb Group.

As an example, a risk management department may consistently fail to resolve contested claims when claimants' attorneys decline low settlement offers.

But then the risk management department shifts strategies, more frequently offering greater settlement amounts to close claims full and final.

In that scenario, the risk management department initially would incur greater cash-flow expenses but ultimately reduce loss development factors and administration costs by closing more claims earlier.

The risk management department would not realize the ultimate cost reduction resulting from its shift in strategy until it conducted a TCOR evaluation, Bloom said.

Source: riskandinsurance.com/tcor-problem-solver/

"You are using TCOR to justify a practice, philosophy or policy, and the TCOR provides the proof that the counterintuitive solution is the right one," he elaborated.

While there are various applications for a TCOR analysis, savvy risk managers cite winning upper management's engagement as one of the most significant benefits. TCOR is a powerful tool for winning support for an array of programs known to mitigate workers' comp exposures, they note.

Engagement is a primary benefit resulting from tracking the TCOR for Albertsons Companies, said Matt Peters, finance director of risk management for the national retailer with more than 2,300 stores.

"Our total cost of risk was the most advantageous item we could share to truly engage senior leadership," said Peters.

Once a TCOR analysis detailed the organization's workers' comp spending, management asked how those costs could be reduced, Peters said. The inquiry into reducing TCOR opened the door to winning backing for a plan to drive safety awareness throughout the company.

"That instantly brought engagement once they truly understood our total exposure and what it is costing us as an organization," Peters said.

"Then we took that information and inquiry from senior leadership and leveraged it into an incentive-based program to assist in our reduction of expense and exposure."

The incentive-based program holds Albertsons' business-unit managers accountable for their areas' workers' comp losses.

Albertsons is self-insured with a risk management department that operates like an insurance company. It charges decentralized business units premiums for their risk exposures.

The incentive-based program for reducing worker-injury losses has both carrot and stick elements to encourage safety education and training, Peters explained. Putting that in place required senior leadership's commitment to fund and back it as a company directive.

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"If [the business units] contribute and reduce their accidents, they are rewarded through rebate of their premiums." Peters said.

"We used TCOR to engage and sell that approach to and through senior leadership."

As a counter balance, increased losses result in passing related costs on to business units. Yet Albertsons' risk management department understands accidents still occur even when managers pay serious attention to safety.

So, a unit experiencing an accident can still avoid the penalties by, say, prioritizing return-to-work efforts.

"Because we want you to engage with employees, and we want you to bring them back to work," Peters said.

"We want you to accommodate them as much as possible."

Sandra Little, director enterprise risk at Bar-S Foods Co. agrees that a TCOR analysis helps improve claims outcomes by serving as a persuasive tool for convincing senior managers to support risk management initiatives.

She joined Bar-S in December 2013, when the company lacked a sophisticated risk management program.

Early efforts to change that required providing education while gathering information to help her and senior leaders comprehend the company's total exposure.

A TCOR analysis helped her show management the company's risk profile, which included an aging employee population working in a manufacturing environment and experiencing issues such as repetitive motion injuries.

The TCOR analysis highlighted those loss characteristics and helped gain support for mitigation measures such as focused safety training, nurse case management and the assistance of a return-to-work services provider.

In short, the TCOR analysis shared with management helped make a cultural change.

It was an eye-opener for managers. “It was something they hadn’t experienced before,” Little said.

St. Joseph’s program for eliminating physicians’ vague return-to-work instructions required winning upper management’s support for hiring a licensed physical therapist trained in job-function matching and for the purchase of $1,500 worth of equipment.

“You have to finance the [program] so how do you sell it to your C suite?” Tsanopoulos asked.

“You look comprehensively at total cost of risk.”

The physical therapist analyzes and catalogues the physical demands of typical jobs performed for St. Joseph.

An injured worker’s treating physician can order a test that the physical therapist conducts to scientifically establish a worker’s physical capabilities for when they are potentially able to return to work.

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The physical therapist supervises the test in a clinical setting, carefully meeting Americans with Disabilities Act mandates, while simulating the essential functions and physical demands of the worker’s job.

Sharing the results with injured workers helps them gain confidence that they are capable of performing specific duties, Tsanopoulos said.

It helps doctors take the guess work out of determining which tasks a returning worker is capable of performing. The doctor may learn, for example, that the worker is capable of performing seven of the 10 essential functions of the job.

“That is a very tangible description to return somebody back to work with,” Tsanopoulos said. “It’s not vague. It’s not ambiguous. It’s specific.”

Supervisors also benefit by knowing the precise work their returning subordinates may perform.

The arrangement provides more than a mere return-to-work program, Tsanopoulos explained. It has an injury prevention aspect as part of a post-offer employment testing component.

St. Joseph first launched the program in 2006 at a work site with 5,000 employees. Those workers previously tabulated 3,600 lost days per year due to industrial accidents. That number dropped to 2,600 days after a year, and 630 days after 24 months.

“It came out of frustration with vague and ambiguous work restrictions,” Tsanopoulos said.

“It was unrealistic to expect the physicians to know what every occupation is and what every physical demand is.”

Roberto Ceniceros is a retired senior editor of Risk & Insurance® and the former chair of the National Workers’ Compensation and Disability Conference® & Expo.