

**Money Saving Secrets  
to Reduce Workers' Compensation Costs**




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	<p><b>New Jersey Medicaid Case</b> Mix Reimbursement and your Facility Insurance</p> <p>As of July 1, 2010 reimbursement for Medicaid nursing facility residents is to be paid based on new rate methodology.</p> <p>Four Rate Components:</p> <ul style="list-style-type: none"> <li>Direct Health Care (DHC) Costs</li> <li>Operating and Administrative Expense</li> <li>Gross Fair Rental</li> <li>Provider Tax Pass-through</li> </ul> <p>Two areas to address that involve direct insurance cost to facility:</p> <ul style="list-style-type: none"> <li>Direct Health Care (DHC)</li> <li>Operating and Administrative Cost</li> </ul> <p>Under the old system, there was incentive for cost manipulation. Under the new system, there is incentive for Quality Care, Efficiency and Competition.</p>
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	<p><b>New Jersey Medicaid Case</b> Mix Reimbursement and your Facility Insurance</p> <p>Direct Health Care (DHC) Costs include:</p> <ul style="list-style-type: none"> <li>Nursing compensation and fringe benefits</li> <li>Fringe benefits include nursing salaries, health, dental, life Insurance, Workers Compensation, disability cost, etc.</li> </ul> <p>Operating and Administrative Costs includes:</p> <ul style="list-style-type: none"> <li>Facility Insurance including <ul style="list-style-type: none"> <li>General/Professional Liability</li> <li>Building &amp; Contents Insurance</li> <li>Commercial Auto Insurance</li> </ul> </li> <li>Workers Compensation costs for operating &amp; Administrative Personnel</li> </ul> <p>For purposes of this seminar, we are focusing on how you can control your Workers Compensation premium cost immediately as well as long term.</p>
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	<h2>New Jersey Medicaid Case</h2> <h3>Mix Reimbursement and your Facility Insurance</h3> <p>Key points to consider with the proposed Medicaid Case Mix Reimbursement System:</p> <ul style="list-style-type: none"> <li>Once it goes into effect, Medicaid Case Mix Reimbursement becomes retroactive back to 7/1/2010.</li> <li>Once rates are set on the Administrative &amp; Operating rates, they will not be rebased for three years.</li> <li>Reducing any insurance cost can ultimately help in driving revenue to your bottom line.</li> <li>Workers Compensation premiums are one of the higher insurance expenses to a facility.</li> <li>With enlisting the AcuComp program, you can ultimately control Workers Compensation premium costs.</li> <li>Addressing these costs now, will put money back into your pocket.</li> </ul> <div style="display: flex; justify-content: space-between; align-items: center;">   </div>
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	<h2>Agenda</h2> <p><b>Who is NIA?</b></p> <p><b>Understanding Workers' Compensation</b></p> <ul style="list-style-type: none"> <li>Definition</li> <li>Components of Premium</li> <li>Experience MOD</li> <li>Fixed vs. Variable</li> <li>Problems/Opportunities to save money</li> </ul> <p><b>Selecting a Workers' Compensation Partner</b></p> <ul style="list-style-type: none"> <li>Traditional Broker Services . Before the Claim</li> <li>The NIA Solution . Before &amp; After Claim</li> </ul> <p><b>Action Items</b></p> <div style="display: flex; justify-content: space-between; align-items: center;">   </div>
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	<h2>Who is NIA?</h2> <h3>Team-Based Professional Solutions.</h3> <p><b>One Source.</b> Limitless Solutions.</p> <p><b>Choice.</b> Insurance &amp; financial programs customized to your specific needs.</p> <p><b>Confidence.</b> Largest privately held insurance broker in New York metro-area, 9th nationwide.</p> <p><b>Experience.</b> Nearly 80 years. Serving 50,000 businesses and individuals.</p> <p><b>Expertise.</b> Insurance, financial, specialty industries.</p> <p><b>Regional Strength.</b> 17 offices - NY, NJ, CT, FL.</p> <p><b>Global Reach.</b></p> <div style="display: flex; justify-content: space-between; align-items: center;">   </div>
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	<b>Insurance &amp; Financial Services</b> Product Innovation. Industry Specialization. Cross-Servicing.
	<b>Commercial Insurance</b> " Property and Casualty Insurance " Executive Risk " Specialty Coverages " Professional Liability " Claims Management " Loss Control and Risk Management  <b>Employee Benefits</b> " Health " Dental " Retirement Planning " Life/Disability " NIA Healthy Lifestyles Center " Plan Design and Employee Contribution Strategies " Benefits Communication/Outsourcing " E-Services, Employee Call Center, Compliance  <b>Personal Services</b> " Wealth Management, Life & Securities* " VIP@NIA " Fine Art/Collectibles " Home " Auto " Umbrella " InsuranceSolutions@Work (worksites insurance programs)
	<small>*Securities offered through NIA Securities, Member: NASD, SIPC, MSRB</small> 

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	<b>What is Workers Compensation?</b>
	A form of insurance that reimburses medical cost for employees injured on the job. It also provides lost wages in accordance with the Workers Compensation law in each state.
	

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	<b>Components of Workers Compensation Premium</b>
<b>Fixed</b> Classification Code Payroll Classification Rate State Surcharges	<b>Variable</b> Experience Modification
	

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### What is an Experience Modification?

An experience modification is a factor calculated by state rating bureaus.

The experience modification causes a credit or debit adjustment on Workers Compensation premium.

The adjustment is calculated on the prior years payroll and loss data.

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### How is a Modification Calculated?

The rating bureaus compare the payroll and loss data of your company to the average loss data of all other employers in your state who share the same classification codes.

The bureaus determine the expected loss factor for each classifications code.

The modification is calculated by calculating your expected loss ratio based on your payrolls and comparing it to your actual losses. If your losses exceed the expected losses there is a debit and if your losses trend better than the expected losses there is a credit.

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### The Facts

Total Incurred Losses



reserves (variable)

paid (fixed)

Experience Modification =

$$\frac{2}{1} = 2$$

Expected Losses

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	<p><b>Components of Total Incurred – Reserves &amp; Paid Claims</b></p> <p>Medical Expenses</p> <p>Lost Wages</p> <p>Permanency Awards</p> <p>Litigation Expenses</p>
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	<p><b>Costs are Rising</b></p> <p>Medical costs are increasing</p> <p>Disability income is increasing</p> <p>More employees are retaining attorneys</p> <p>Litigation costs are increasing</p> <p>New types of compensable injuries, i.e., stress related illnesses, repetitive use, pulmonary, occupational (noise, pollution, radiation)</p> <p><b>Factors contributing to Workers' Compensation Claims:</b></p> <p>American workforce is aging (people working longer)</p> <p>Shrinking employee base</p>
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	<p><b>The Facts</b></p> <p><b>Did you know?</b></p> <p>Overcharges occur nearly 70% of the time within all Workers' Compensation premiums?</p> <p><b>Why?</b></p> <p>Two-thirds of claim documentation have some element of impropriety. Reserves are set for ultimate settlement . versus what they actually support.</p> <p><b>Conclusion</b></p> <p>Reserves are overstated for unit statistical plan filing purposes causing an experience MOD to be on average, close to 30% higher than it should be.</p>
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### The Facts

#### Claims Adjusters

Have mounds of claims to process

**...70% of what they process has some element of IMPROPRIETY**

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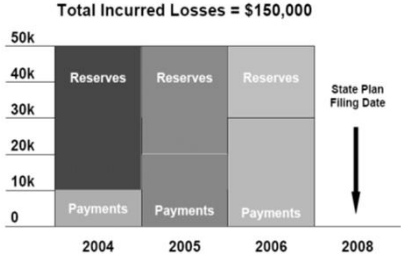
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### The Facts

#### Broken Wrist Claim File

Total Incurred Losses = \$150,000



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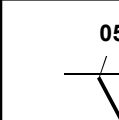
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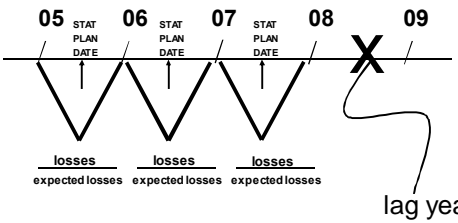
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### The Facts



Unit stat date is calculated 6 months prior to renewal,  
i.e., 1/1/09 renewal, 7/1/08 unit stat

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## MOD Readjustments - Opportunities

There are only four reasons a modification can be recalculated after the bureau has set the factor:

- An error is made when the payroll or incurred losses were reported to the bureau;
- The claim was found to be fraudulent;
- The second injury fund accepts a claim;
- Subrogation is received on a claim.





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## Understanding Workers' Compensation Liens and Subrogation - Opportunities

If an employee is injured due to the fault of another they may choose to file a bodily injury claim or civil suit against the responsible party. In the event the injured worker is successful in receiving an award on their file, they are required to pay back two-thirds of the Workers' Compensation claim. If this occurs a MOD can be readjusted retroactively.





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## Selecting A Workers' Compensation Partner

### Traditional Services Provided

- Risk Management/Loss Control
- Safety Training
- Safety Incentive Programs
- Set-up Safety Committee
- Safety Manuals
- Hiring Strategies
  - Pre-employment Screening & Testing
- Drug-Free Workplace
- Return to Work Program/Modified/Light Duty/Employee Contact System
- Claims Reporting Procedures/Training
- Proactive Accident & Investigation Program





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## Selecting A Workers' Compensation Partner

Traditional Services Provided (cont'd)

- Managed Care Credit & Direct Care (Employer Friendly Occup. Docs)
- Utilize Carrier PPO to Control Costs
- Review Loss Runs
- Identify Frequency, Repeaters & Problem Areas
- Fraud Detection
- Larger Premiums
- Large Deductible
- Retro
- Loss Sensitive
- Self Insurance



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## Reality Check!

Accidents and Claims

Will Happen





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## The NIA Solution

Traditional Services Plus

NIA Team & Resources

- Trained Specialists
- Claims Experts
- Independent Workers' Compensation Auditors
- Diligent Analysis of Prior Claims History
- Audit State and Insurance Company Reporting
- Manage WC Claims by Negotiating Reserves & Payments
- Challenge & Obtain Reductions of Inappropriate Reserves
- Manage Litigation Costs
- Audit Claims Files
- Managing Injury / Claim is indeed Compensable
- Managing Proper Treatment Rendered
- Review and Audit Medical Bills



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### The NIA Solution

Traditional Services Plus<sup>®</sup> (cont'd)

Detailed Customized Reporting:

- No Cost Analysis
- Claims Under Audit
- Claims Status
- Experience Modification
- Actual Liability Avoided
- Cumulative Activity
- What-If Scenarios

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### More Money Saving Opportunities

Past

Present

Future

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### Quiz

1. What is a variable component of your Workers Compensation Premium? **Experience Modification.**
2. Overcharges occur nearly **70** % of the time within Workers Compensation premium.
3. Reserves are set for **ultimate** settlement versus what they actually support.
4. The Unit Stat Date is calculated **6** months after renewal and calculates data from the prior **3** years.

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	<p><b>Quiz (contd)</b></p>
	<p>5. There are four reasons a modification can be recalculated after the Bureau has set the factor. What are they?</p> <p><b>An error is made when the payroll or incurred losses were reported to the Bureau.</b></p> <p><b>The claim was found to be fraudulent.</b></p> <p><b>The second injury fund accepts a claim.</b></p> <p><b>Subrogation is received on a claim.</b></p>
	

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	<p><b>Action Item</b></p> <p>Who is holding your WorkersqCompensation Carrier Accountable?</p>
	<p><b>It's Your Money!</b></p> <p><b>The NIA Group will!</b></p> <p><b>Start Today</b></p>
	

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