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How Much Do Injuries Cost You?

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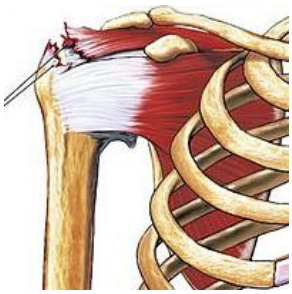
Let's take a hypothetical case (based on a real injury). I'm going to use some numbers based on published but unverified data. Feel free to fill in your own numbers and do your own calculations.



One of your older body techs or mechanics hurt his shoulder when lifting a car hood. But he's tough and figured he could keep working through the pain. He thought it would eventually heal.

After three months of working through the pain, he finally went to see a doctor. The diagnosis: a torn rotator cuff. The recommended treatment: surgery, followed by physical therapy.

Cost: Reduced productivity for three months, because your tech was favoring his shoulder.

Rotator cuff surgery puts people out of work for some time. A cost analysis published in Arthroscopy journal in 1995 estimated the average cost to be over $50,000 per patient ($82,000 in today's dollars), and average time to return to full duty, 11 months. Fortunately for you, your employee is eager to get back to work. And you'll find a way to accommodate his restrictions, once he's able to drive to work. But that's probably six weeks away.

Cost: Insurance covers the $82,000 for medical care and rehabilitation.

Once the employee has been off work for three days, Workers' Compensation will pay him up to two-thirds of his average weekly wage while he's off work. There's a cap on that, though. So your top-earning body tech won't bring home more than about $732 a week in workers' comp. You won't be paying that directly. But your workers' comp insurance company will be keeping close track of that amount.

Because you value this employee, you choose to pay for those first three days of lost time. If he's earning $1200 a week, that's $720 out of your pocket. (Once an employee misses at least ten days of work, the insurance company will go back and cover those first three days.)

Cost: $720 out of pocket. Your insurance company is on the hook for about $4400 to cover his wages.

You don't want this employee sitting at home, losing condition, losing motivation, and feeling distanced from work. That would make it even harder to get him back. So you bring him back to work as soon as you can. You can find light duty work within his restrictions, having him

train in a new technician. While that improves the new tech's productivity, you're now paying for two people and getting the work of only one.

While your employee is busy with rehab and visits to the physical therapist, who's doing his job? He was a high-producing employee. Are you asking your other body techs to work more hours? Do you turn away work? Schedule appointments farther out? That's about the same as turning away work, as you are doing less work in the same amount of time.

> Cost: During this period, your production efficiency plummets. Your average sales per technician drop by more than $3000 per month. Repair time is longer. You lose some jobs because other shops can get the repairs done faster.

Finally, seven months after surgery, your employee is back to full production. That doesn't mean your costs stop, though. Your insurer paid out nearly $96,000 for the injury – and insurance companies like to be profitable. Your workers comp premiums will be going up.

When your insurer calculates your workers' comp premium each year, the company starts with a standard rate. You pay less for jobs with fewer injuries, such as for office personnel. Then the insurer compares your losses to those of your competition. If your loss history is better than average for your industry, you're assigned an experience modification rate (EMR or mod rate) below 1. If it's worse, your EMR is above 1.

Your EMR is calculated with a formula that compares actual losses in dollars to expected losses. If the doctor had decided that your technician's torn rotator cuff could be treated with physical therapy and some job modifications, resulting in no lost time, your insurer would have discounted the cost by 70%. That claim would be treated as a $28,800 claim. That didn't happen, so the $96,000 cost is used. If that results in an EMR of 1.2, you'll be paying 20% more in workers comp insurance than your average competitor – for the next three years of your insurance cycle.

You also pay less if you have one big claim instead of multiple medium-sized claims. Why? One big claim might be attributed to bad luck. Multiple claims shows a pattern of bad safety performance.

Would you have been better off paying out of pocket and not reporting the injury to Workers' Comp? Only if you like prison orange. Not reporting is illegal and can result in a substantial fine. It also can come back to haunt you – what if the injury you don't report develops into necrotizing fasciitis, where a bacterial infection spreads rapidly throughout the body? What you thought was a $300 doctor's visit and a few days off could suddenly turn into a hospital bill in the six digits.

How can you reduce the costs?

1) Put an emphasis on safety. Remind employees that doing jobs the safe way is more important than doing them the quick and dirty way. Don't trust to luck to keep your employees from injury.

2) Remind employees to report even minor injuries right away. If that rotator cuff injury could have been treated with physical therapy and job modifications, you wouldn't have lost an employee for seven months. Telling your insurer about injuries that do not require medical treatment is a good idea, because it documents the occurrence. Don't worry about that costing you more – injuries that have no medical costs and no lost time don't affect your mod rate.
3) If employees are injured, work with them and their doctors to keep them working.

At a profit margin of 30%, you'll have to make about $352,000 more in sales this year, just to cover the indirect costs of this rotator cuff injury. Can you afford that?

This article is intended to provide general information (no advice) about current safety topics. To discuss your specific concerns and how CHESS may help, please contact CHESS at 651-481-9787 or chess@chess-safety.com

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