

# Managing the Experience Modification Factor

By Frank Pennachio

It is becoming increasingly common that contractors are prohibited from bidding on jobs if their workers' compensation Experience Modification Factor (Experience Mod) is greater than 1.00. The Experience Mod has become a common metric to determine if the contractor runs a safe operation. Thus, it is critical that contractors know how to manage and reduce their Experience Mod Factor or they may be shut out from business opportunities.

Contractors know that if they have injuries, their Experience Mod goes up, and if they reduce or eliminate injuries, it goes down. The most obvious solution is to prevent injuries through a focus on safety programs. Certainly, a safe workplace and safe work practices are essential to reducing injuries, but safety programs alone are far from sufficient in driving down injuries and their related costs. Much more can be done to control the Experience Mod including addressing the following areas:

***Effective hiring practices and employee relationships.*** Hiring employees who are both mentally and physically fit for the job is a major step in reducing costs. No matter how much attention is given to safety, if employees are not fit to do the job, they will get hurt or reinjured.

Contractors should have a medical professional conduct a post-job-offer medical exam before the employee steps onto a jobsite. Provide the medical professional with a job description that outlines the essential physical and mental functions of the job. If the contractor receives a medical opinion that the employee would pose a threat to himself or herself or others, the job offer can and should be withdrawn.

In addition, be alert to disgruntled employees and deal with human resource issues promptly. Unhappy workers have more costly injuries and create havoc inside the workers' compensation system.

***Modified-duty and return-to-work programs.*** Injured employees get well sooner when they stay on the job or return to work as soon as medically possible. Supervisors often resist bringing injured employees back to work before they are fully recovered. However, the longer an injured employee is out of work, the greater the cost of the injury, thus driving up the Experience Mod.

***Supervisor training.*** Optimizing the response and performance of the frontline supervisor is critical to improving outcomes following an employee injury. Yet, most supervisors have not been trained in how to communicate with injured employees and aid them in obtaining the care and support they need.

Supervisors need to know that they are likely the most important person to the injured employee and the best person to take on helping them recover. No one else in the system can have a more positive and effective impacts—not even the doctor.

***Medical clinic relationships.*** Another key to controlling costs is to have the right physician providing the right treatment at the right time. Not all doctors are skilled in job-related injury care. Doctors with an Occupational Health focus understand the treatment protocols for work-related injuries and the benefits of returning the employee to work.

Careful attention should be taken in selecting medical providers and having a relationship with the provider during the treatment of injured employees. Contractors and their doctors should communicate regularly on the status and next steps in assisting the injured employee to full recovery.

***Injury management coordinator.*** Contractors should assign someone to coordinate the injury management process. There are many people involved including the employee, the supervisor, the doctor, the insurance company, and others so, it is necessary that someone keeps everyone in the loop and moving in the right direction. Managing an injury can be complex and frustrating. Someone needs to be in charge of making certain things don't fall off track.

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## **OTHER EXPERIENCE MOD MANAGEMENT TIPS**

In addition to reducing the number and cost of injuries, there are a few other steps contractors must take to manage their Experience Mod. When an employee is injured, the insurance company's claims adjuster will place a "reserve" on the claim. A claim reserve is an estimate by the adjuster of what the injury will ultimately cost. Frequently, these reserves are overstated and the claim will be resolved at a much lower cost than estimated.

However, the Experience Mod is calculated using not only the dollars actually spent, but also the amount of the claim reserve. So, if the claim reserve is not appropriate, then the contractor's Experience Mod may be much higher than necessary.

It is important to communicate with the adjuster and discuss the appropriateness of claim reserves. Ask the adjuster to explain how the estimate was determined and review the reserves frequently. Often, the adjuster is the last person to know that the employee has been returned to full duty and released by their doctor. The reserve may not reflect the changes in the employee's recovery. Don't allow an inappropriately set claim reserve to drive up the Experience Mod and deny the opportunity to bid on a job.

Also, if an employee is injured by a negligent third party, such as a not-at-fault auto accident, then make certain the insurance company is subrogating the claim. Even though the employee was not at fault, the claim costs will count against the Experience Mod until the money is recovered from the negligent third party. Again, communicating with the claims adjuster is the key to making this happen on a timely basis.

As a final note, work diligently to get employees recovered and claims closed as soon as possible. The longer a claim is open, the higher the cost is likely to be and the greater the impact on your Experience Mod. Keep things moving and get to a resolution as soon as possible.

Contractors can and must take control of managing their workers' compensation Experience Modification Factor. It is not a good day when a company learns that it is not able to bid on a job because its Experience Mod is too high. In these tough times, contractors cannot afford to be shut out from any business opportunities.