

December 2019 Newsletter

WSIB's Rate Framework Model: Where Are We Now?

On January 1, 2020 the WSIB will cease the current MAPP, NEER and CAD-7 experience rating models and launch the universal Rate Framework system. While the WSIB has been preparing for this change for more than six years there are still many unknowns. This newsletter is both a summary and an update on what we know and is issued to assist our readers to be prepared for the new system.

**NEER and CAD-7 end December 31, 2019 but you will receive a final
NEER and CAD-7 statement next year!**

For NEER (Any Rate Group that does NOT start with a 7): In mid-November you likely received your September (2018 year-end) NEER statement. This statement reflects the following:

2018 – 1st valuation
2017 - 2nd valuation
2016 – 3rd valuation
2015 – 4th and final valuation

Traditionally after the final valuation falls outside of the 4-year experience rating window the new year is added and every year moves to its next valuation.

The 2019 year is the final NEER year and will have it's first and only valuation with your September 2020 NEER statement, with the 2016 – 2018 NEER years also having their final valuations as well.

NEER employers will see a substantial difference as the WSIB moves to the universal Rate Framework model experience rating system January 1, 2020

Biggest Positive Change: The Framework model only utilizes direct cost and DOES NOT exaggerate claim cost with Projected Future Costs and Overhead Fees. This eliminates the "6-day rule" and the "December 15 rule". If you do not understand these rules, contact SEGA as it is critical your company deftly manage your NEER year end.

Biggest Negative Change: In NEER the cost of the claim is charged ONLY to the year of the accident; In the Rate Framework the cost of the claim is charged to the year of the payment cheque (Lost Time, Health Care, etc.) from the WSIB for up to 6 years.

For CAD-7 (Any 700 series Rate Group): In early September you received your annual CAD-7 report. This statement shows the following:

Cost from any claim from 2013-2017 charged to 2017

Cost from any claim from 2014-2018 charged to 2018

And

All claims with a minimum of 8 days lost time for 2017 or 2018 claims

In CAD-7 each year is charged against your account twice. 2019 is the last CAD-7 year and 2019 will have its only valuation with the annual 2020 CAD-7 report.

CAD-7 employers will recognize a lot of similarities between the two models.

Biggest Positive Change: While the Framework model uses total claim count as a measure of predictability it does not use the 8-day FREQUENCY rule to penalize employers.

Biggest Negative Change: This is a two-part answer reflecting the Premium only system

1) Employers with a lower premium rate will have a distinct COMPETITIVE ADVANTAGE against companies with a higher premium rate as this will allow them to have a lower cost of operations and will be viewed as a measure of your safety program.

2) While Premiums are set for an entire calendar year most Construction projects have a significant lag time between the time a bid is submitted, and the work is actually started. Worse, it is not unusual for some trades to have projects that cross multiple years. If a bid does not reflect how an employer's premium rate will adjust over time (maximum swing 15% up or down on annual basis) they could OVERBID or UNDERBID a job on what is considered a fixed cost but is actually a long-term variable cost.

Your Organization Will Be in A New Rate Group Next Year:

The WSIB has radically reconfigured the Rate Group system, using the NAICS model:

- Reducing the number of Rate Groups from 155 to 34
- Every employer will contribute to only one rate group, based upon their primary business activity unless there are clear and distinct business activities

It is expected that this change will add to the overall stability of the new system as the increased number of stakeholders within the rate group will reduce the impact of poor performing companies against average to good performers.

NOTE: It is possible employers may be misclassified in the new model. If this is a concern, please contact SE-GA.

2020 – 2023 Are Transition Years in The New Model, What Does This Mean?

The Board recognized that the full implementation of the new model would cause significant cost impact to many employers and announced transition rules in the spring of this year.

The Rate Framework system is a more of a traditional insurance model with each rate group having a lowest and highest possible price point but is best measured from the starting or “base” rate. Employers are either above or below the base rate. The new rate group will have as many as 100 “risk bands” (price points) with each price point being a 5% increment (lower or higher).

For **2020** your company received your PREMIUM RATE STATEMENT in September which showed your 2020 premium rate. This rate is largely driven by your direct claim costs for 2016 – 2018.

For **2021** your company can only move up 1 price point based upon direct claim cost from 2016 – 2019 but can decrease as many price points as cost relief and other cost reduction methods allow.

For **2022** your company can only move up 2 price points based upon direct claim cost 2016 – 2020 but can decrease as many price points as cost relief and other cost reduction methods allow.

The system will be fully implemented in **2023** and the price movement will be limited to three price points depending upon 2016 – 2021 direct cost performance. In **2024**, 2107 will be removed from the system and 2022 will be added.

COST RELIEF: The key lesson of the transition period: It is critical employers attempt to gain SIEF cost relief where possible, on every costly claim that occurred between 2016 and 2019 and on a go-forward basis. NOTE: Cost Relief can only be awarded if a pre-existing medical condition played a role in the claim, either in terms of causing or exaggerating the impact of the injury and/ or prolonging the recovery. The seriousness of the workplace accident is also a determining factor. It is often necessary to continue an appeal to the Workplace Safety and Insurance Appeals Tribunal (the third level of appeal) and have a submission from a Doctor (independent third party) appropriate to the nature of the injury. If your company has recently applied for cost relief and been denied or received a lesser amount than expected please contact SE-GA to discuss the merits of the appeal. If your company has yet to apply for cost relief, please discuss with SE-GA before launching appeals as this can be a far more productive and efficient use of your resources.

Extended Premium Rate Statement:

The WSIB has sent all employers their premium rate for 2020 but they have not provided the rationale for how that rate was determined. If requested, the Board will send employers their [Extended Premium Rate Statement](#) (EPRS). This document is a very complicated 10-step equation. However it is important for determining not only your 2020 premium rate but your future year trending as well.

What We Don't Know Yet, And Would Really Like to Know:

The *text plan*, which is the policies and procedure of the Rate Framework model will not be released until January 2020 at the earliest. As a result there are still many unanswered questions about the new model.

Part of the reason there are so many questions is this system is very much an individual model. A company with 100 employees will have different drivers of claim costs than a company with 1000.

The single most important question is this:

What are my tipping points “how much claim cost can I absorb in a year and still move down one or more price points?”

It is our understanding that once the text plan has been released, and in conjunction with the EPRS that this is a question that can be answered.

Quick Reminders:

- The new system is direct cost only
 - o Projected future cost and overhead cost factors which were the drivers of NEER charges are not a part of the Framework Model
- In NEER you were likely better off establishing a new claim than reopening a claim from a prior year
 - o In the framework you are most likely better served by working to show the medical (or job modification) continuation of the original claim
 - o This is so the claim will end the 6-year experience window as fast as possible; You do not want to restart the clock!
- All dollars spent by the WSIB are equal in the new system
 - o Where possible it is recommended, within WSIB guidelines, to seek private healthcare, such as for cases where on-going physiotherapy will be required
- The maximum claim cost limit is changing from 5x maximum insurable earnings over the 4-year life of a claim to 7x (to roughly \$630,000)

And, Most Importantly:

- The cost of the claim will be charged to the year the WSIB issues payment either for Loss of Earnings Wage Replacement, Healthcare or Retraining Costs etc.

This change alone will lead to significant premium rate increases over time for any employer that sees a worker placed into the Work Transition Program.

Remember, the WSIB uses the risk of financial penalty to change behaviour. This new system continues that methodology but with far greater downside risk.

Consider a claim that is so costly that a company's premium rate is increased by 3 price points every year for 6 years. At the end of that period their premium rate will be 18 price points higher than they were the year the accident occurred (this would result in your premium rate increasing by roughly 17% per year, peaking at double the original premium rate). It would take a minimum of 11 years for a claim of this nature to “cycle out” and return a company to their original premium rate.

September 2020 NEER Projections

With the information in your September 2019 NEER statement SE-GA can provide a projection to your 2020 NEER rebate/surcharge position. It is recommended this projection be updated every quarter (with the Dec/19, March and June/2020 statements) as NEER can change very quickly based upon any new claim activity for prior year (2016 – 2019) claims.

NOTE: Your monthly Accident Cost Statement (ACS) contains information on any claim that drew benefits in the past month. Your NEER (and ERFS) starts with claim from January 1, 2016. Any claim with an accident prior to January 1, 2016 does not impact you financially regardless of its costs.

DECEMBER 15th IS THE MOST IMPORTANT DATE OF THE FINAL NEER YEAR. DO NOT RISK YOUR 2020 NEER REBATE DUE TO POOR NEER MANAGEMENT BETWEEN NOW AND DECEMBER 31st, 2019!

Unfortunately many employers successfully manage their WSIB cases for the entire NEER year but still earn a NEER surcharge. This can be the result of an injured worker receiving LOE benefits into the next year.

As an example assume a worker is injured December 1, 2019 and receives LOE benefits until January 15th, 2020. This claim will remain active (claim code 03) on your final NEER issued September 2020.

The company in this example would pay a substantial NEER surcharge with their September 30, 2020 NEER statement due to this one minor claim.

In order to avoid this type of NEER surcharge:

- For all late year claims immediately offer modified work
- Pay the full daily/weekly wage rate to avoid WSIB LOE wage top-ups
- Remember to pay these workers for the upcoming statutory holidays (or the WSIB will)
- Call SE-GA to discuss case specific strategies if you have a lost time accident between now and the end of the year

CAD-7 Projections for your 2020 Report are also available from SE-GA

Best Practices as we move into the unknown:

- Maintain current practices for immediate offers of modified work regardless of Doctor's notes and the worker's complaint of pain or any other obstacles
- Identify any gaps in your system and fix them, such as:
 - Reporting delays
 - Unchecked absenteeism
 - Push Back from the workers
 - Push Back from Supervisors
 - Push Back from Senior Management

Remember claims can go bad quickly and will impact your company for a minimum of 6 years.

YEAR END TIP: Safety Talk on Your return-to-work responsibilities

To avoid a year end 2019 claim extending into 2020 and becoming extremely costly, get ahead of any misunderstanding between you and your workers by reminding them there is a role for both parties in the event of a workplace accident. For your year end Safety Talk, visit the WSIB's link to Return to Work Responsibilities of both parties at:

<https://www.wsib.ca/en/injured-or-ill-people/returnwork/your-return-work-responsibilities>

2020 Understanding the Rate Framework Seminars

SE-GA hosted public "Understanding the Transition from NEER & CAD-7 to the Rate Framework" seminars in 2019 in Orillia, Ottawa, Kingston, Windsor, Kitchener-Waterloo, Mississauga and Montreal as well as many in-house corporate seminars. We will continue to host these information seminars in 2020 and announce the dates after the WSIB's next round of Rate Framework Updates.

When we host an in-house presentation, we incorporate a client's NEER or CAD-7 statements so that we can identify the financial impact of RTW and effective claims management techniques.

Upon request SE-GA will meet with you in your office and provide a no-charge explanation of your NEER or CAD-7 and future Rate Framework performance and discuss strategies to obtain a final NEER or CAD-7 rebate and lower future premiums on a sustainable basis.

If you have NEER/CAD-7 or Rate Framework questions or would like to forecast your September 2020 NEER please contact us at 416-463-7342 EXT 4

- Many employers have asked SE-GA for an in-house session to their staff about Worker's Responsibilities under the Workplace Safety and Insurance Act. This session has proved very helpful in misspelling worker's misconceptions and their obligation to report accidents and participate in modified work.

Finally, from our team to yours, we wish you a healthy and happy end to 2019 and a very safe and prosperous 2020!

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