SE·GA ADVISOR

Workplace Consulting P.C.

March 2021 Newsletter

Spring 2021 Zoom Virtual Training Webinars for Employers & Associations

SE-GA has been providing educational services for many years and in the past these public sessions have been held in person for many companies or via private sessions for the management teams of our individual clients.

On **April 28th at 1:00 PM and May 26th at 1 to 2:30pm** a virtual Public Education Session on the Rate Framework model will be provided to Ontario employers. If your company is not yet registered for this session, please send a note to info@segaconsulting.com and we will forward you the link. This session is intended for your Occupational Health/ Human Resources team, but we recommend – due the nature of the Rate Framework Model – you also share this link with your Finance team as well.

IN THIS ISSUE

This webinar will include:

- How the WSIB determined your starting point in the RFM
- An explanation of the annual statements in RFM
- The four-year implementation plan and what happens in 2024
- Premium Rate management strategies and projections
- The impact of change
  - How a successful worker appeal will affect your premium
  - How a successful SIEF cost relief decision positively impacts your
  - premium rates both retroactively and in future years.

These education sessions will continue in 2021 and be posted on our website and promoted in future newsletters throughout the year.

We have found our best sessions are for associations and have held these types of sessions for many trade or professional groups. We would be more than happy to hear from your association and will host an education session for your group – at No-Charge.

Other available education sessions include:

- WSIB 101
- Supervisor Responsibilities
- Employee Responsibilities

These courses are also available for your Management team where the presentation material will be customized to your 2021 experience rating statements.

SEGA launches a new video on Understanding the WSIB Rate Framework

Our 4-minute video is an Executive Summary of the new program and illustrates the new statements (your Claims Detail statement and Premium Rate Extended Statement), the mechanics of the premium only model and how the application successful cost relief decision lowers your companies premium rate. If your team is looking to better understand the new system, please send a note to info@segaconsulting.com for a link and password to this video.

Premium Rate Management Rules and Tools

In January 2020, the Workplace Safety and Insurance Board replaced the MAPP (small employer) NEER (non-construction) and CAD-7 (construction) experience rating systems with the universal Rate Framework model (RFM).

NOTE: for the purpose of this article only NEER and CAD-7 will be discussed

There are many differences between the prior systems and RFM:

- Number of rate groups reduced for 155 to 35
- OLD: Retrospective – Rebate or Surcharge to reconcile performance
    - Every company in the rate group paid the same rate per $100 of insurable earnings
- NEW: Prospective – Individualized premium rate based upon performance
    - The Rate Group (now referred to as a Business Class) has a minimum of 83 unique price points (risk bands) and your company pays a specific premium rate based upon claims cost incurred over the past six years

Both the costs of the claim and when the claim costs are charged to your account are the critical factors in RFM.

It is this change that necessitates the need for **PREMIUM RATE MANAGEMENT.**

The goal for every company will be to consistently reduce their premium rate on an annual and on-going basis. The question is how can any company achieve this very obvious goal? The answer to this question is for companies to maximize both their internal and external resources.

Internal Tools

The first two tools are obvious and only function properly with an internal resource: Prevention and Claims Management. It continues to be true that the least expensive accident is the accident that is either avoided or prevented. Companies that manage to reduce the number of injuries and severity of injury rate will perform far better than companies that see these figures remain constant or increase over time.

Further, continue with your successful claims management practices:

- Immediate reporting and offers of modified work
- Have an inventory of modified work jobs for common injury types
- Monitor progress so that your injured worker can safely return to regular duties in the expected time period
- Provide transportation when necessary

The last, and least thought of component of Internal Tools, is outsourcing any functions that are not revenue generating.

SE-GA provides services to a company that manufacturers a very unique product. This company has always used their own trucks and drivers to deliver this product. Recently this company had a driver involved in a very serious automobile accident.

All costs of this claim will be charged to this employer's account – all health care and loss of earnings wage replacement benefits – unless this worker is able to return to some level of productive level of employment.

It is very likely this company will see their premium rate double over the six-year life of this workplace accident.

Why accept increased risk when there is no opportunity for increased revenue?

The big question is WHY?

There are two critical factors in understanding the drivers of claim cost in RFM:

- RFM utilizes a 6-YEAR experience rating window
  - All claims - and the claim costs – remain within the experience rating window for 6 years
  - It will take a minimum of six years for a claim to leave the experience rating window
  - The cumulative claim costs per year are used to calculate your premium rate
- Costs are charged to the year the WSIB provides payment – to either the Injured worker or the Health Care/ Service provider
  - If the workplace injury incurred in 2016 with the worker returning to work that year, but the worker receives a Non-Economic Loss pension award in 2020 the NEL award is charged to 2020
  - RFM uses a weighting system where the most recent three years carry DOUBLE weight to the first three years of the six-year window

EXTERNAL TOOLS

The goal of the internal tools is to prevent costs from being charged to your WSIB account.

The goal of external tools is REMOVE costs from your WSIB account.

Employers that maximize their cost recovery opportunities will drive costs away from their experience rating calculations. This will be particularly true for decisions that grant a low quantum of cost relief and that decision is not appealed to increase that award.

The Rule of 4.5 to 1

As an example to the impact of cost relief in Rate Framework allow us to describe a situation with a mid-sized client who paid the maximum NEER surcharge for the 2018 accident year (4.00*performance index) due to one lingering claim.

To date our team was able to gain 25% SIEF on this claim (MINOR pre-existing condition with a MODERATE workplace accident). This claim is of such substantial value, and the injured worker received Loss of Earnings benefits in 2019) that the discounted claim cost still resulted in that accident year remaining at the maximum performance index limit of 4.00.and on-going basis. The question is how can any company achieve this very obvious goal? The answer to this question is for companies to maximize both their internal and external resources.

NOTE: NEER claim costs were the sum of Actual claim costs (direct spend) + reserved costs + WSIB administrative fees. In RFM only the WSIB's direct spend is charged to your account.

In Rate Framework the impact of cost relief was realized with their 2020 premium rate and will continue to be realized until 2025 when this claim leaves the six-year experience rating window.

For 2020 - Without cost relief this company would have been in risk band 68 and their annual premiums would have been $300,000.

The application of the 25% SIEF credit on this file moved this company to risk band 67 – and resulted in a 5% premium rate reduction – thereby reducing their annual premiums by $15,000.

Using the 4.5 to 1 rule the total savings from this one SIEF decision – to grant 25% cost relief – will save this company $67,500 over the six-year life of this claim. It should also be noted that there is a current appeal to increase the quantum of cost relief assigned to this claim.

It should be noted that not every claim is eligible – or should be considered – for a cost relief appeal. Talk to your SE-GA representative about any cost relief appeal before it is launched to determine the merits of the appeal.

The second external tool will increase in importance as companies continue into RFM – **ANALYTICS**.

With the tools in your online account your RFM documents can be replicated and updated so that your company will have a budget number for your premium rate in coming years.

Tracking both your year-to-date claim costs – for any accident in the six-year experience rating window and against both your Year to Date and Cumulative six-year insurable earnings will provide both forecastable future premium rates as well as analysis of your company's trends.

The critical documents for a detailed analytics report are your year to date monthly accident cost statements, Claims Detail Statement and Premium Rate Extended Statement

Weak links that affect claim costs/premium rates?

The greatest opportunity to improve your WSIB performance is to acknowledge your company will have a workplace accident and be prepared with a FRONT-END CLAIMS MANAGEMENT SYSTEM. While many companies believe they have such a program in place, an audit of this system often finds gaps in:

- Reporting
  - Do your employees know how to report a workplace injury?
  - To Whom they should report the incident?
  - What if they seek health care after work?
  - Do they know there is an expectation to participate in modified work? And are they reminded on a regular basis?
  - Do you have current contact information for all staff?
- Inventory of Modified Work jobs
  - What are the tasks that would be assigned if you had additional resources?
  - Are they suitable for your common injury types?
  - Are there any issues that would prevent an injured worker from performing one/ all of the jobs in your list of modified work jobs?
- Documents
  - Do you have written instruction – before the accident happens – for?
    - The injured worker
    - Their immediate supervisor
    - The treating physician/ Their family Doctor
- Resources
  - Transportation
  - Assignable laptop with external wi-fi

The biggest challenges often come not from your system but from your own management employees:

- Pushback from supervisors who say they are too busy to manage a modified work job
- Pushback from senior management about the cost of unproductive labour while the injured worker performs their temporary modified work assignments
- Pushback from team members who think the injured worker is getting special treatment

Or from external sources

- The medical professional who has provided written instruction for the worker to recover at home from their workplace injuries
- The worker's friends and families telling them that the company can't make them do light duties

Most WSIB problems come from KNOWLEDGE GAPS.

Training is available for your entire team so that everyone knows what to expect with your next workplace accident – either specific courses based upon your needs or even in a one-day BOOTCAMP format where everyone will be involved but only for these courses that impact their role.

The goal of the training is to help your company identify your gaps, make every staff member aware of their role and responsibility when a workplace accident happens and provide a cost/benefit analysis of better performance.

Rate Framework – Premium Rate Extended Statement – Analysis of Change

Recently we were asked to review the premium rate change for a mid-sized Food Service company. The company is in business class (F1 – Petroleum, Food, Motor Vehicles and Miscellaneous Wholesale) where the class rate is $1.90/$100 of insurable earnings.

NOTE: The class rate equals risk band 60. Think of risk bands as a golf score, where the goal is to be below par.

For 2020 (which measures the claim costs from 2013-2018 in a weighted claim costs model) this company was an excellent performer and landed in risk band 51 (minus 9). For 2021 (2014-2019) this company landed in risk band 58 (Premium Rate $1.71). This increase is due to high costs for 2019 claims and legacy costs for claims in 2018 that continued to draw claim costs in 2019. While risk band 58 is still an excellent score (-2) it is an increase of 7 risk bands from the prior year. (NOTE: there are limits to increases in risk bands, contact your SE-GA representative to discuss how risk bands apply to your company).

BENEFITS OF COST RELIEF: This company is a long-term client and we have been successful gaining cost relief on many claims.

If SE-GA had not gained the cost relief for this company their weighted claim costs would have been 23% higher. The return to their "earned" claim costs would have increased their risk band from 58 to 62, and the premium rate from $1.71 to $2.09.

NOTE: Premium Rate Calculations are found on the Premium Rate Worksheet in your Premium Rate Extended Statement. The factors in the Rate Framework worksheet are either pre-determined or the outcome of the mathematical formula. The only variable in the formula are your Weighted Claim Costs.

INCREASE IN WEIGHTED INSURABLE EARNINGS: This company also asked how their premium rates would change if their company had (larger weighted insurable earnings) more employees.

For this exercise we returned their weighted claim costs to their original amount and increased their six year weighted insurable earnings for the last six years by $2,000,000 (7% increase).

When compared to their original expected 2021 premium rate (risk band 58 and premium rate of $1.71) the increased weighted insurable earnings reduced their risk band by one (risk band 57) and their premium rate 5% (1.63).

NOTE: In Rate Framework all tools necessary to limit new claim costs (prevention and return to work techniques) and to reduce existing claim costs (cost relief) are far more critical to short-term and long-term premium rate performance than the impact of payroll change (increases or decreases).

2021 RATE FRAMEWORK REMINDERS

The WSIB, as part of their COVID-19 response, is repeating Year One of the three phase-in on the Rate Framework Experience Rating Model

- Your companies 2020 premium rate will be repeated in 2021
- Year Two of Rate Framework will begin January 1, 2022
  - Maximum premium rate increase: 1 risk-band (5%)
  - Maximum premium rate decrease: No limit
- Year Three of Rate Framework will begin January 1, 2023
  - Maximum premium rate increase: 2 risk-bands (10%)
  - Maximum premium rate decrease: No Limit
- **Year Four of Rate Framework will begin January 1, 2024**
  - **Maximum premium rate increase: 3 risk-bands (15%)**
  - **Maximum premium rate decrease: 3 risk-bands (15%)**
  - **Rate Framework is fully integrated with Year Four and the maximum risk-band changes are locked-in at that point**

While the Rate Framework model presents considerable, and long-term, downside risk there are several advantages of the model as well:

- It is EXTREMELY predictable!
  - If your finance team will benefit from tracking your claim cost to project your future premium rates please contact your representative at SE-GA or e-mail info@segaconsulting.com
- It is very easy to measure the impact of change (such as cost relief) or to measure the return on investment of prevention programs
- Your company will never again have to accrue for, or worse be surprised by a SURCHARGE!

Rate Framework statements (Premium Rate Extended Statement and Claims Detail Statement) are only issued once a year – in late September

- It is critical your company review your monthly accident cost statement and track your WSIB claim costs

The current Experience Rating window – for future premium rate calculations - is January 1, 2016 through December 31, 2021.

- Remember all accident costs are charged to the year the WSIB incurs that expense – the year the Board writes the cheque
- If a 2016 claim draws cost in 2021 those costs are charged to 2021 for the purpose of premium rate calculations.

Remember, SE-GA is here to help your company your navigate the change to the new experience rating model through either services or training.
Wishing every company a safe, productive and Covid-Free 2021.

WSIB REVENUE/PAYROLL AUDITS – CLAIMS SUPPRESSION

Many companies have experienced audits of their payroll and recording of payments of their subcontractors, known as PAYROLL AUDITS. Often these audits confirmed your company was both in the correct rate group and that their premium rates were accurate.

Beginning in 2020, with the launch of the Rate Framework Model, the purpose of the Payroll Audit also includes a review of your claims history. This is called a Claims Suppression Audit.

In Rate Framework total six-year insurable earnings and total claim count contribute to determine Actuarial Predictability (AP). If a company under reported their insurable earnings this would likely impact your AP.

This is also true if your company had not reported all of their WSIB claims.

Your company can easily avoid any premium rate increases (through an increase to your AP) through keeping detailed records:

- Log all Form-7s in chronological order – for the six-year experience rating window
- Maintain a consistent log of all incidents and note any incidents where a Form-7 was not required (such as internal first aids)
    - Maintain a list of all on-site service providers, including the clearance certificate at the time of that service

SE-GA Workplace Consulting P.C. is a legal services firm specializing in WSIB Cost Management for Employers and is an approved vendor for multiple Ontario healthcare purchasing organizations.