

CAD-7: Before and After 2020

Since the late 1980's all construction employers with more than \$25,000 in annual WSIB premiums have participated in the (mandatory) CAD-7 Experience Rating Program. This program is retrospective in nature in that employers earn rebates or surcharges based upon past performance.

- Every company is slotted into a rate group of peers based upon their business activity
 1. All companies within the rate group pay the same percentage of payroll as premiums
 2. Rebates and Surcharges act as the offset of the rate group
- In CAD-7 the outcome for companies is between a maximum potential rebate and a maximum potential surcharge
 1. For every \$1 of rebate a company can earn they risk having to pay \$4 in surcharge
 2. For example, If your maximum rebate is \$200,000 then your maximum surcharge is \$ 800,000
 3. Managed Risk = \$1,000,000 (Best Possible Rebate +Worst Possible Surcharge)
- There are two key components to CAD-7
 1. The amount of money charged to your WSIB account by the WSIB
 - Your CAD-7 costs reflect actual dollars spent by the WSIB
 - When the WSIB spends \$100 on behalf of your company it actually costs your company roughly \$70.00 in real money
 - However every year in CAD-7 counts twice
 - \$100 spent by the board costs your company \$140 over two years
 - Claim costs are charged to your account for up to 5 years (to the end of the calendar) from the date of the accident
 - An accident from 2013 will impact (at minimum) your 2014 and 2015 CAD-7 performance but could also impact 2016, 17, 18 and 2019
 2. The number of claims with at least 8 days of lost time your company incurred (FREQUENCIES)
 - The date of the accident does not count
 - The days do not have to be consecutive
 - The cost of a frequency is roughly \$25,000.00 a year
 - Frequencies are charged to your account for two consecutive years so the cost of a frequency over two years is roughly \$50,000.00

A claim where the WSIB charges your account \$10,000.00 and the worker misses 8 or more days from work will cost your company \$64,000.00 over the two-year life of the claim.

Every province in Canada has their own Worker's Compensation Board and most provinces utilize a prospective experience-rating program. The WSIB (Ontario) plans to move to a prospective plan in 2020. The most significant changes to employers are the following:

- Number of rate groups reduced from 155 to 34
 - The number of Construction rate groups will fall from 12 to 5
- Employers are grouped into a rate group based upon their business activity but with similar types of industries and services grouped together
- The only cost to employers is their premiums
 - Hard budget number based upon payroll and premium rate

- Each employer within the rate group will have an individualized rate based upon their prior six years of direct claim costs
- (Note: SE-GA can show you how this change will affect your rate group and company)

Example: ABC Sewer Contractor will be in Rate Group G2: Infrastructure Construction

- This rate group will have 83 price points
 - Lowest possible premium rate = \$ 3.26/\$100 of payroll
 - Base premium rate = \$ 5.23
 - Highest possible premium rate = \$ 16.73
 - 22 price points will be below the base premium rate
 - 60 price points will be above the base premium rate
- Starting in 2020 the WSIB take the direct claim costs from the prior 6 years with a one year gap (2019) using a weighted formula with the greatest emphasis on the most recent year

2013	2014	2015	2016	2017	2018
	2014	2015	2016	2017	2018
		2015	2016	2017	2018
			2016	2017	2018
				2017	2018
				2017	2018

- In 2021 the formula will drop 2013 and add 2019 using the same formula
 - Companies that were traditionally poor performers but made significant changes to their programs and dramatically reduced their claim costs in recent years will have a lower premium rate than a company that has been traditionally a good performer but had a high cost claim year in the most recent years of the 6-year experience rating window

The WSIB, in order to have price stability in the new program, has restricted movement in this program so that a company can only change their premium rate by +/- 3 price points per year.

For ABC Sewer Contractor that translates as follows (assumption – the company enters the program at the base premium rate):

- Base Premium Rate = \$ 5.48/\$100 of payroll
- Base -3 p.p. = \$ 4.66 (p.p. = price points)
- Base +3 p.p. = \$ 6.30
- DIFFERENTIAL = \$ 1.64 (6 price points)

IF:

- Your average wage rate is \$25.00/hour
- Your employees average 8 hours per day/40 per week
- 240 weeks working days per year
- The additional WSIB premium if your company is at +3 (compared to -3

Company A and Company B both have 100 employees

Company A is at +3 pp; Company B is at -3 pp

Company A would pay an additional \$78,700.00 per year in premiums

It is going to be fairly difficult to reduce your premium rate by 3 price points on any given year:

It is going to be fairly easy to increase your premium rate by 3 price points in any given year.

The key to this program is your starting premium rate. The best way to lower your premium rate is to remove costs from the 2013 – 2017 CAD-7 years and to have excellent prevention and claims management practices in 2018.

SE-GA is recommending every company undertake an SIEF cost recovery review of all past costly WSIB claims in order to decrease their total claim costs for the 2013 – 2018 CAD-7 years.

Would you like to know your upcoming rebate or surcharge?

- For construction employers we can help you predict your 2019 rebate or surcharge as well as improve upon the results.

Contact us at info@segaconsulting.com

SEGA's Recent WSIAT Decisions

WSIAT Decision 69/17 – Repetitive Strain Injury results in 100% Cost Relief

This is a case of a worker who suffered from Carpal Tunnel Syndrome (CTS), and suffered a workplace accident six months into his employment. He notified his employer that he had been diagnosed with CTS 10 years earlier and his condition, including prior surgeries, had deteriorated since his initial diagnosis.

The Case Manager determined there was no grounds to grant cost relief and on appeal, the file was granted 25% cost relief (minor pre-existing condition, moderate accident). SE-GA continued this appeal to the Tribunal, including an Independent File Review by Dr. Weinberg, and achieved 100% cost relief (major pre-existing condition, minor accident) which would normally merit 90% cost relief but was increased to 100% cost relief in this case due to the worker's short employment history with his current employer.

WSIAT Decision 2786/17 – 50% Cost Relief outside of the Experience Rating Window

This is a case of a 68 year old cement finisher who suffered a debilitating injury from bending over to pick up a piece of plywood. The worker sought medical attention at the time of the injury and was able to continue work for 1 year until the pain of the injury led him to retire.

His injuries were:

- Thoracic & low back strain
- Neck and shoulder pain

In 2011 he had an MRI scan that found the following:

- Multi-level degenerative changes with disc bulging from T7 to T10
- Osteophyte disc compression C3 to C7 with a focal left C5-6 osteophyte disc complex

His claim was granted entitlement but the benefits did not extend to injuries to his cervical spine. Further the worker was granted a 12% permanent impairment award for the thoracic spine injury. This claim was deemed to be a moderate accident.

SE-GA sought cost relief on the grounds that the pre-existing conditions played a significant role in both the onset of the injury and for the prolonged recovery of the worker. Further we argued that this accident should not have caused, or been expected to cause, a debilitating injury. Therefore the severity of this accident should be changed to minor.

From the Case Manager and the Appeals Resolution Officer we received 0% Cost Relief.

SE-GA continued this case to the Tribunal where the Vice-Chair accepted our submission and granted 50% cost relief.

The Vice-Chair wrote :

" In agreeing to this conclusion, I am satisfied that the accident itself was minor in nature. Bending over on a site and picking up a relatively light piece of wood would not be unexpected. Even if I accept that the worker used some force in this activity, I do not find it rises to the level where it would be expected to cause a disabling injury. Of note, the worker finished his work day and did not think there would be a problem until the pain increased and he sought medical attention later. I accept the worker had a work injury, one that turned out to have significant ramifications for him; however, the mechanics of injury would not be expected, in the normal course of events, to have had the effect they did. The initial diagnosis was of a soft tissue injury and a return to work was anticipated to occur quickly."

Further, the Vice-Chair granted, as per SE-GA's request, that the employer was entitled to a retroactive adjustment to their prior CAD-7 results even though this claim was outside of the 5 year CAD-7 experience rating window. This decision was granted on two grounds:

- 1) The Employer (Through SE-GA) had shown due diligence, by seeking cost relief, and continuing the appeal through to the Tribunal, since the first year of the claim
- 2) The delays were not the fault of the employer but the fault of the appeals process

Coming SOON!

- Return to Work and Experience Rating Seminars. SEGA will be announcing our next round of seminars across the province shortly. If you are interested in having SEGA speak with your association or hosting an in-house seminar directly please contact us at info@segaconsulting.com for more details.
- Rate Framework Modernization forecasting for your 2020 starting premiums:

As the WSIB will soon be releasing the formulas for calculating employers starting premiums in the new system, SEGA will be assisting our clients with before and after scenarios utilizing the benefits of applying SIEF to their costly claims.

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