

## The Importance of Return-to-Work Programs

One of the benefits of engaging CLEAR Employer Services as your professional employment organization is the ability to access top tier worker's compensation coverage at favorable rates. In our relationship, you pay worker's compensation premium to CLEAR and CLEAR provides guaranteed cost (first dollar) worker's compensation coverage to you.

An important component of controlling worker's compensation claims and premium expenses is offering effective light duty to employees injured on the job.

While "out of sight, out of mind" may seem to be a convenient way to manage injured employees who may not be able to return their normal occupations, it is certainly not cheaper. Employers that do not offer return to work to injured employees generally experience one or more of the following financial impacts:

- A three-year impact on your workers compensation experience modification rate
- Loss of productivity
- Cost of overtime to replace the injured employee
- Cost of hiring and training a replacement employee
- Impact on product quality

Have you ever contemplated the costs associated with days away from work? Do you know how to account for these short-term costs? Have you ever thought of accounting for lost workdays in the same way you account for inventory? The costs are just as real—they are profit dollars that are quietly evaporating from your company's profit and loss statement every month. Risk management professionals focus on identifying and controlling a company's Total Cost of Risk (TCOR).

Following is an example of a general formula you can use to calculate the cost of lost workdays in your company.

### **Injured Employee**

Average Annual Wage for Injured Employee 35,000.00

Divided by 52 Weeks in a Year 673.08

Divided by 2/3 (normal workers comp benefit) 448.72 (while CLEAR's workers comp program bears this

expense the experience mod for your business will penalize you for this amount over the ensuing three years)

Divided by 5 workdays per week **89.74**

### **Replacement Employee**

Average Annual Wage for Replacement Employee 35,000.00

Divided by 52 Weeks in a Year 673.08

Divided by 5 workdays per week **134.62**

### **Cost of Lost Workdays**

Add injured employee and replacement employee costs/day 224.36

Calculate number of lost workdays (100 for this example) 100

Cost of lost workday inventory or "waste" due to injuries **\$22,435.90**

Utilize the formula on Page 1 to calculate the costs for your company.

When coupled with the impact on the workers compensation experience modification rate, two things become clear. First, it is essential to build a strong risk management/safety culture that eliminates all employee injuries. Second, if an injury does occur, it is essential to try to accommodate an injured employee's physical limitations during the recovery period.

Even though you are part of CLEAR's workers compensation plan your business retains its own experience modification rating. The experience modification rate adjusts workers compensation premium up or down based on your actual losses versus projected losses for similar businesses. Experience modification rates contemplate a three-year historical period meaning that one bad claims year can impact your workers compensation pricing for multiple subsequent years. Strategies to mitigate lost time claims (including a return to work program) have a direct impact on your company's experience modification rate (and resulting workers compensation premium). **It is important to understand that "medical only" claims are discounted by 70% in the experience modification rate calculation. If an employee receives and indemnity (lost time or disability payment), the claims expense (including medical) is no longer discounted by 70% and the full value is used in the experience modification rate calculation.**

We are pleased to partner with your business as your professional co-employer. We look forward to continuing to provide you with risk management and workers compensation solutions. Please let us know how we can help you structure a return to work program and feel free to contact us at any time with your risk management concerns.