

Municipal Self-Insurance Plan Reduces Workers' Compensation Budget \$170,000 with Independent Analysis

Despite a series of successful loss control initiatives, the Town of Fairfield's workers' compensation plan was consistently exceeding their annual budget goals. **How could the plan's expenses continue to rise despite a significant decrease in the number of injuries?** While this situation is frustrating for any municipality or business organization, it has become an increasingly common scenario for today's self-insured municipalities.

Searching for Answers

After consecutive years of increasingly higher claim expenses, Town Risk Manager, John Smith*, began to wonder what his self-insurance program was lacking. He had implemented a safety program, increased hazard awareness, and decreased accident rates. Yet the program was still falling short when it came to reducing overall workers' compensation expenses. He began to suspect an oversight with either his internal programs or claims administration process.

"Something didn't add up," recalls Smith. "I was reporting fewer injuries to my Third Party Administrator (TPA) but expenses and exposures continued to grow. My budget director wanted answers I couldn't provide. It was time to look for help from an external resource"

In his search for answers, Smith discovered Self-Funding, Inc. (SFI), a consulting company that specializes in making sure workers' compensation programs are competitive and managed at an optimum level. SFI's track record assured Smith that by using the company's expert, independent analysis and program services he'd save more money than the initial flat fee cost.

Preliminary Findings – A Deeper Issue Revealed

The initial assessment was a two-pronged approach: SFI reviewed the Town of Fairfield's internal claims management policies and procedures while SFI Consultant, Tia DeMatteo, embarked on an on-site claims audit of the TPA to review claims handling practices and cost containment programs. After several weeks of analysis, John received an in-depth claims audit report with a detailed history of claims management strategies, outcomes, and recommendations to move forward to improve claim outcomes and reduce costs.

On the surface, the findings appeared to be as good as Smith expected and SFI Consultant, Scott Moyer reported positively about the loss control efforts that Smith had put into place. But as Smith dug deeper into the SFI report he began to understand why his budget was growing despite his efforts. His program had experienced several transitions due to the closure of multiple TPAs and his program suffered because of it. **SFI's findings revealed that the TPA's thinning resources translated into an array of vulnerabilities that kept the program's expenses high.** Adjuster caseloads in excess of 200, inadequate pursuit of medical documentation, late reporting, auto-pay with no oversight of medical treatment or prescription utilization – these were but a few examples.

Challenge

An increasing workers' compensation budget despite significant efforts to reduced injuries and claims.

Lack of resources and expertise to monitor the quality of claims handling.

Reliance and trust upon the TPA provider.

Solution

Self-Funding, Inc.

Collaborative efforts between employer, consultant, and TPA.

Results

Town budget was reduced by more than \$170,000 and continues to see steady decreases.

Collaboration between the town, Self-Funding and their TPA is leading to better claim outcomes.

The town's outstanding liability is slowly shrinking.

Risk manager has total peace of mind knowing his program is being managed efficiently.

Moyer and DeMatteo understand how the changes in the NYS Workers' Compensation system had lead many employers to a similar fate and the issue was not uncommon for NYS employers whether self-insured or in an insured-program.

“Higher premiums and retentions for excess insurance, consolidation in the TPA market, higher indemnity rates, greater demands on claims adjusters.....the list goes on and on. Employers are more in need now than ever to have additional resources allocated to the oversight of their workers' compensation programs,” explains Moyer.

A Collaborative Solution

Just as the initial assessment was a two-pronged approach, so was the solution. Moyer identified some areas where Smith could improve and empathizing with the TPA's challenges, offered a collaborative solution focused on a singular goal: establish efficiency in the Town of Fairfield's workers' compensation program so it could be run at an optimum level.

Implementation

Working collaboratively, Smith along with his SFI consultants, TPA, and adjusters addressed immediate action items and longer-term projects. SFI and Smith set new expectations for the adjusters and how they are to handle claims moving forward while being updated with pertinent information. Bill review services, pricing, and quality expectations were rehashed and agreed upon by TPA management and made subject to audit by SFI. For cost containment programs, SFI offered partnership strategies between Smith's program and the TPA's Pharmacy Benefit Management to maximize savings resulting in positive outcomes for both parties.

After addressing the low hanging fruit, Smith and SFI turned their focus to claim mitigation and resolution strategies, developed a budget and priority list for claims settlements, and kept a close watch on the weekly and monthly expense reports. They began to address some of the Town's internal protocol deficiencies by developing a new incident report and procedure, providing training to each department, and began tracking turnaround times for reporting. Smith was thrilled as he began to see positive changes within his program and bottom line. His only regret? Wishing he contracted with SFI sooner.

“SFI's flat fee and utterly transparent approach is a refreshing change in the consulting model. Our rising workers' compensation costs created confusion and frustration. SFI eliminated that for me and freed up our cash flow considerably,” beams Smith. ***“My program is a source of pride.”***

On-going Results:

Today, Smith is confident that his program is running leaner than ever before. He continues to engage Self-Funding, Inc. in an advisory and oversight capacity and as an added resource for the adjusters who frequently collaborate with Smith and DeMatteo when developing claim strategies.

- **The Town's workers' compensation budget was reduced by over \$170,000 for 2013/14.**
- **Smith has increased trust in his TPA's and consultant's services and capabilities.**
- **The budget director and town board were thrilled with his achievements.**
- **Budget projections are favorable for 2015/16.**