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Workers' Comp Windfall

I hope you had a wonderful holiday season. Many of us have come back to a work environment of economic uncertainty, budget cuts, and definitely not business as usual. The way companies have operated until recently is now a thing of the past. Money and credit is extremely tight, which means cutting costs versus spending money is the focus of attention. Companies are making difficult decisions to maintain profitability and in some cases solvency.

That's the bad news. The good news is that difficult times always spawn new ways of thinking and doing things. New and profitable ideas are often the result of troubled times. For example, let's take a look at your workers' comp costs. Can you really afford to keep spending at your current level? Your workers' comp has been bloated for way too long. What would it mean to your company to find a way to reduce workers' comp spending by 20%, 30%, 40% or 50% this year? What a windfall that would be!



Workers' Comp Windfall?

Most executives don't associate workers' comp with the word "windfall." After all, a windfall is defined as a "sudden unexpected gain or advantage" and workers' comp conversely is a huge disadvantage. We have been consulting businesses of all sizes and descriptions for over 15 years. We have never experienced a more critical time for companies to connect these two seemingly discordant concepts - windfall and workers' comp.

Here is how! The workers' comp paradigm in the United States has been to spend 98% of workers' comp costs on the medical treatment and administration of those claims and only 2% goes to preventing them. How could that be? Because business has always found ways to afford it and workers' comp was seen as a "cost of doing business." Welcome to 2009. This impractical, reactionary, and unbalanced approach doesn't work any longer.

The prevention of your most expensive claims must be part of your total risk management strategy. Imagine living your personal life as you do your workers' comp "life." No preventive dental appointments, no check ups, no exercise, no car tune-ups? Prevention of personal pain, accidents, illness, and automobile breakdowns are such a part of our lives we don't even take notice that we are doing them throughout our daily lives.

Traditionally, claims management is critical and prudent, but it is only part of your solution. Your workers' comp savings windfall comes from the new piece and biggest potential piece of the pie, the proactive prevention of claims. Why pay for them when you now have a choice to make them disappear?

The prevention of claims, particularly back and other sprain/strain injuries causes a significant impact on your company's profitability. If there was ever a time your company needed a workers' comp hero/heroine now is the time.

The following is an outline of how to lower workers' comp costs by committing to include "claims prevention" as a part of your claims management strategy:

Make the decision that you will do something to substantially lower workers' comp costs.

Evaluate existing workers' comp data to see if at least 35% of incurred costs and lost workdays are attributable to sprain/strain type injuries (this would encompass injury categories such as repetitive motion injury, cumulative trauma injury, back, shoulder, wrist, neck, knee incidents, tendonitis, etc.)

If this represents at least 35% of total incurred costs or lost days, honestly evaluate what preventive programs may already be in place. You will probably find one of these situations:

- a. There are existing attempts to prevent sprain/strain, but employees won't listen or comply.
- b. Past attempts were made to prevent sprain/strain, but generated very little results and return on investment so injury prevention initiatives were dropped.
- c. 98% of your workers' comp time and money are spent on existing claims. There is currently no upper management or mid-management mandate to avert future claims specifically. Your workers' comp department is mostly reacting when claims occur not before they occur.
- d. You have implemented and maintained successful injury prevention programs to combine with aggressive post claim management strategies and workers' comp costs are the lowest they have ever been.

Letter 'd' scenario above is the position you want to be in and according to our research a very small percentage of American and Canadian companies are enjoying the benefit of being in this position.

The norm is the 'a', 'b', or 'c' scenario, unfortunately. It is unfortunate because these scenarios predict and are actual precursors to higher and unnecessary workers' comp spending.

The good news is that to go from a, b, or c to the d scenario can happen very quickly and it doesn't require a lot of capital to do. The quick and inexpensive part of this change in philosophy is the key and is how to turn your workers' comp into a windfall.

It is 2009 now and business conditions have changed. As said above, some very good things can come out of times like these. Lowering your workers' comp costs forever can be one of these very good things!



Prevent tomorrow's injuries today! TM
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