

Employer-Initiated Disability Management: A New Opportunity For Workers Compensation Insurance

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Effective return-to-work strategies for getting injured employees back on the job faster—and with healthier attitudes—have long been a principal goal of the workers compensation insurance industry.

In historic practice, claims and medical managers initiated contact with employers on a case-by-case basis to put injured workers into temporary duty. At best, this was a labor-intensive effort, with the claims person often having to work with a different supervisor for each injured employee. At worst, it was a hit or miss process—with the decision to bring the employee back often based on the employer's feelings toward the injured worker rather than objective medical criteria.

This inefficient system resulted in new employer policies that called for claims and medical management staff to service an existing policy with established rules rather than try to create an individual policy for each injured worker. These new policies created a clear decision path for the process once the injured employee was identified as a candidate by the claims and medical staff.

This was an improvement. But the process was still an insurance company-initiated process rather than an employer-initiated one, delaying the return-to-work by weeks, sometimes even months—potentially adding thousands of dollars to the cost of each claim. Unfortunately, for many workers compensation insurance companies this is still considered a best practice.

Let the Employer Decide

Today, many experts are promoting a new trend of placing increasingly more responsibility for the return-to-work decision on those who best know the workplace and the employees—the employers.

However, with increased employer responsibility must also come increased employer authority. This need for trust has put insurance companies in a position where they face their biggest claims management opportunity as well as what might be their biggest challenge.

The challenge includes two major elements:

- Understanding that disability management does not belong exclusively to the insurance company
- Being forced to relax the traditional claims control process that does nothing to enhance the return-to-work process and only serves to limit the potential cost savings

At their best, employer-initiated disability management programs are cost reduction programs where employers take on ownership and responsibility for developing transitional employment assignments for injured employees. The hallmarks of such programs are the speed in which the medical contact and the return-to-work decision are made and implemented.

A New Return-to-Work Process

Consider the following comparison between the traditional return-to-work process as managed by the insurer versus the new paradigm where the employer manages the process.

Traditionally:

- The worker is injured
- A medical care provider sees the injured worker
- A report is made to the insurance company
- A claims determination is made
- The insurance company follows the claim until the injured worker is identified as a candidate for early return-to-work
- The insurance company contacts the employer for a job description
- The insurance company sends a return-to-work release form to the doctor
- The form is filled out by the doctor and sent to the insurance company
- The insurance company sends the form to the employer and tries to arrange an early return-to-work
- The injured worker comes back to a transitional employment assignment

The time lag associated with the insurance company serving as a conduit between the employer, the doctor, and the injured worker could amount to weeks and, in some cases, even months.

The employer-initiated model creates direct links between the employer, the injured employee, and the medical care provider to the treating physician at the time of the injury.

The new model looks like this:

- The worker is injured
- The worker's supervisor takes the worker to the medical care provider
- The supervisor talks to the physician about the return-to-work program and the employee's duties
- The physician releases the injured employee back to full or restricted duty
- The worker goes back to work, often the same or the next day
- The insurance company is notified

In this model, indemnity claims are turned into medical-only claims. The claims and medical management staff of the insurance company are there to expedite the return-to-work process for difficult and complicated return-to-work decisions rather than to needlessly deal with decisions that can be handled by employers on the very day of the injury.

A New Paradigm

Clearly, insurance companies should consider adopting this model. In the past, all contacts and information flowed into the insurer and were rerouted out from it. The new paradigm allows key players to contact each other directly and make return-to-work decisions on the spot.

This not only creates new opportunities but, like any change, new fears on the part of claims managers:

- The fear of change
- The fear of loss of control over elements of individual files
- The fear that the employer will ask a doctor to make a decision or fill out a form and the insurance company will be obligated to pay for the associated costs
- The fear of being taken out of the loop

These fears are unnecessary. Employer-initiated disability management programs can be designed so that each decision is given to the party who can best make that decision at the time. The scope of all decisions can be agreed on beforehand. Given these benefits, the passing of the disability management program from an insurance company-initiated model to an employer-initiated model seems to be inevitable.

The inevitability argument of employer ownership is made stronger because this is not just a workers compensation cost containment tool; it is also:

- An employee productivity tool
- A non-occupational employee disability management tool
- An older worker retention tool

Establishing a New Competitive Edge

Inevitably, insurance companies will begin to see disability management programs moved from risk management departments to human resources departments in the months and years to come.

But employer-initiated disability management programs take work to design, implement, and maintain. Workers compensation insurance companies that train their staffs to help design, work with, and provide technical assistance for these programs will have a distinct competitive edge over companies that, instead of empowering employers, limit employers' ability to control their costs.

In the past, workers compensation insurance companies have established rate reductions and made decisions on whether they would underwrite an employer based on the employer's willingness to work with the insurance company's disability management efforts. In the future, the roles may well be reversed. Employers will choose an insurance company based on the insurance company's willingness to work with the employer's disability management program.

At the end of the day, how flexible claims departments are and how willing they are to share responsibility and authority may be the difference between who writes the best employers and who writes what's left behind.

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