Keep a Time Limit on Workers' Comp Claims and Hold Down Costs

Workers' compensation claims are a major cost of doing business, and the length of time a claim remains open has a large effect. Claims that stay open for long periods of time are more likely to involve attorneys, high medical bills, and significant payments for lost wages. According to the Insurance Information Institute, between 2002 and 2007 the medical cost per lost-time claim (claims where the injured employee is unable to work) rose 50 percent faster than the annual rate of medical inflation for the economy as a whole. The institute estimates that attorney fees increase claim costs by 12 to 15 percent with no net gain in benefits to the worker. Most states index the maximum payment for lost wages to the state's average weekly wage, a figure that generally rises each year.

Limiting the duration of workers' compensation claims is an important strategy in the effort to hold down costs. To do this, employers have several options at their disposal:

- Prompt notice of claims to the insurance company hastens the onset of medical treatment, speeds up the injured worker's recovery and return to work, and reduces the likelihood that he will hire an attorney. Therefore, requiring workers to immediately report all injuries, however minor, and promptly reporting them to the insurance company can have a huge impact on the duration of a claim.
- A prompt and thorough investigation of the incident is just as important. Interviews with the injured worker and witnesses, photographs, and other information gathered as soon as possible will help the insurance company to properly adjust the claim.
- If the employee will be out of work for an extended length of time, the employer should keep in regular contact. An injured worker who gets the sense that his employer does not care will become a receptive audience for plaintiff attorneys. Employers may want to call the worker periodically to check on his condition, offer assistance with completing the paperwork, and generally to check on his emotional state.
- The employer should have a good understanding of the state law pertaining to the waiting period for benefits covering lost wages. This is especially true if the employer operates in several states, as their laws may vary widely. Understanding how the law applies to the worker's situation will help the employer set expectations properly. This reduces the chance of misunderstandings that can lead to problems down the road.
- Building relationships with the physicians treating the employee will keep the employer better informed as to his condition, treatments, medications, and expected duration of disability. This should eliminate surprises and help the employer get the employee back to work sooner.
- Return to work programs can shorten claim duration and reduce costs significantly. These programs permit an injured employee to return to work in some capacity before he has recovered to the point where he can resume his previous duties. They reduce payments for lost wages, meet the worker's need to feel productive again, and remove incentives for the worker to hire an attorney.
- Employers should review loss reports with their insurance agents and claim adjusters and ask questions about losses that do not appear to be progressing toward closure. They should also look for patterns in the loss reports to identify correctible factors that raise the cost of lost-time injuries.

Employers owe it to their workers to provide a safe workplace and benefits to help them should they get hurt. With some extra care and attention, employers can meet those obligations and keep costs in check.