

E-mods

Your e-mod is the key to understanding your premium; you control it

You've probably checked your home's indoor temperature on a hot summer day. Maybe lowered the thermostat to cool the house. Maybe pulled the blinds to cool some rooms.

Your organization's e-mod number needs periodic checking, too. It's an indicator of your costs for work injuries, and it may be higher than you want.

By taking steps to reduce injuries and their costs, you lower your e-mod number and you make a direct, positive impact on your workers' compensation premium.

Many companies are doing that. They keep their premiums down by keeping a close eye on their e-mods, recognizing the things that impact it, and knowing how to respond when e-mods creep up.

What they've come to realize is that these approaches often lead to different ways of looking at decisions involving employees.

The lower, the better

Your experience modifier, or e-mod, is a number that shows how your organization's workers' compensation claims experience compares to the experience of other businesses similar in size and types of jobs.

The average for similar businesses is exactly

1.0. If your e-mod is less than 1.0, then your claims experience is better than the average. If it's more than 1.0, then your experience is worse than the average and probably worse than many of your competitors—so you may have catch-up work to do.

Your e-mod number is a multiplier used in calculating your premium. An e-mod less than 1.0 directly reduces the premium amount you pay. The lower your e-mod, the greater the reduction. See "The difference an e-mod can make" below.

To manage your e-mod, consider this two-part approach. The first focuses on you as an employer. The second focuses on your insurer.

Part 1: You, the employer

Your objective is doing what is reasonable and necessary to prevent injuries and to minimize their costs when they occur.

Most companies successful at preventing injuries have these practices in common. They:

- Are responsive to safety throughout their organizations. This shapes safety culture. It influences employee work behaviors. Typically, the many accountabilities for safety are coordinated by one or two safety point persons.
- Hire with safety in mind.

The difference an e-mod can make on your premium

Say you run an auto service shop. Below are two illustrations. In the first, your e-mod is 0.80. In the second, your e-mod is 1.20. The difference in the resulting premium amounts is significant.

Employee job class	Est. payroll		*Rate per \$100		Premium subtotal		E-mod		Changes premium by this amount	Total est. premium
Automobile service	\$250,000	X	5.00	=	\$12,500	X	0.80	=	-2,500	\$10,000
Automobile service	250,000	X	5.00	=	12,500	X	1.20	=	+2,500	15,000

*For illustration purposes, this uses Minnesota rates.

- Put into writing the kind of safety-focused organizations they are.
- Regularly train employees to work safely.

For more, a good resource is the “Guide to successful loss prevention” *CompTalk*, which can be downloaded or ordered through SFM’s “Resource catalog” at sfmic.com > Employers > Resources.

Still, injuries happen

Minimizing their costs can present difficult situations for managers. A big one is deciding whether and how to bring an injured employee back to work at a lighter-duty job.

Some employers think along these lines:

“Sam’s laid up at home with a bad leg. If I had him doing sit-down work here in the office for awhile, it’d be busy work, or I’d have to take work away from somebody else. I can’t afford that.”

These employers would be making better-informed business decisions with thinking that goes more like:

“Hmmm, how to weigh my options for laid-up Sam.... Creating sit-down work is tough, and it’ll add to my payroll costs. But if I have him stay home until he’s ready for his old job, I’ll be adding to our company’s e-mod and insurance costs. I wonder how much that would be. I’ll give my claim rep at SFM a call and have them ballpark my bottom-line costs for the two options.”

SFM can do that. Your claims representative will obtain computer estimates of the e-mod and financial impact of various return-to-work scenarios. That information can help you make informed decisions when dealing with injured employees. Bringing someone back even a day or two earlier may have a sizeable impact.

Many employers experienced at managing their e-mods have made light-duty, early return-to-work the norm. They understand its value. They work closely with the treating doctors to obtain medical releases. Some go to great lengths to accommodate an employee’s physical condition or other needs.

Your window of opportunity

They also take advantage of the “waiting period.”

These are the days right after an injury. State law allows a set number of days to elapse before mandated workers’ compensation wage-replacement benefits kick in. Some employers—even with large workforces—actively try to get every injured employee back to work within the waiting period. Every time they accomplish that, they avoid triggering expensive wage-replacement benefits. And, because they’ve been able to keep the claim “medical-only,” they take advantage of a rule that reduces by a whopping 70 percent the claim cost that’s included in their e-mod calculation. The savings are significant.

That’s the surface of a deep subject. Your organization would do well to develop a working understanding of return-to-work. See: “Advanced return-to-work” *CompTalk*. Download at sfmic.com > Employers > Resources catalog.

Three places to look up your e-mod

Your official notice letter

Your organization’s official notice of its experience modifier, or e-mod, is the “workers’ compensation experience rating” sheet you receive each year prior to your policy renewal date.

If you are an employer in Minnesota, you receive your sheet from the Minnesota Workers’ Compensation Insurers Association. In Wisconsin, from the Wisconsin Compensation Rating Bureau. In South Dakota, Iowa and Nebraska, from the National Council on Compensation Insurance.

Your SFM policy information page

You can also look up your e-mod on your “SFM workers’ compensation and employer’s liability insurance policy information page.” It’s near the end.

Your organization received a hardcopy of its policy information page when you last renewed your policy. An online version is available by going to sfmic.com and logging in to CompOnline. Go to the “Policy” tab, then “Policy history.”

Your SFM premium summary

In CompOnline, under the “Policy” tab, you can also look up your e-mod in “Premium summary.”

Part 2: Your insurer

Who you select as your workers' compensation insurer significantly impacts your e-mod.

By selecting SFM, you have made a wise decision financially for your organization long term. You have partnered with an insurer whose specialization in workers' compensation produces exceptional results in controlling costs in four key areas. These are capabilities that you, as an insurance purchaser, should be aware of. They drive bottom-line results for you.

Injury prevention

Loss prevention experts that educate employers

and employees, analyze worksites, and offer recommendations to help employers reduce injuries and costs.

Resources that employers can leverage to train staff, and self-help employer guides to prevent injuries.

Claims management

Professional claims representatives—experienced and responsive—who bring claims to their best, least costly resolutions.

Teams that combine claims, medical and legal expertise to minimize the costs of problematic claims with complex issues.

What goes into your e-mod number

$$\text{Actual loss experience} \div \text{Expected loss experience} = \text{E-mod}$$

Three years of claims costs

Excludes the most recent policy year.

Example: The e-mod for a policy period beginning Jan. 1, 2008, includes claims costs for the policy periods beginning:

Jan 1, 2004	\$10,221
Jan 1, 2005	26,188
Jan 1, 2006	19,473
3-year loss total	55,882

But some claim costs are excluded

Medical-only claims: Costs are reduced 70 percent, so only 30 percent is included. This is one reason why you want to try to keep an injury a "medical-only claim."

Lost-time claims: The first \$5,000 of each lost-time claim is valued at 100 percent. Amounts exceeding that are discounted.

Claim costs include amounts paid and expected to be paid.

What it is

This is the statewide average claims cost for businesses similar to yours in size and types of jobs. It's for the same three-year policy period being used at left.

Where it comes from

All workers' compensation insurers doing business in Minnesota report claims data to the Minnesota Workers' Compensation Insurers Association. In Wisconsin, insurers report to the Wisconsin Compensation Rating Bureau. In South Dakota, Iowa, and Nebraska, insurers report to the National Council of Compensation Insurance.

These data collection organizations use the statewide data to calculate expected loss experiences.

They also calculate individual employers' e-mods using the claims cost data reported by insurers.

E-mods of employers with operations in multiple states are generally calculated by the National Council on Compensation Insurance.

Short for

Experience modification factor, or experience modifier.

What it means

1.0 is exactly average for businesses in your state similar to yours in size and types of jobs.

If your e-mod is greater than 1.0, then your losses are greater than the "expected loss experience" average for your kind of business.

Who calculates it, and when

A data collection organization (see at left) recalculates your e-mod each year about 90 days prior to your policy renewal date and reports it to you and to your workers' compensation insurer.

How it's used

Your insurer uses it as a multiplier in calculating your workers' compensation premium. The lower your e-mod, the lower your premium.

Who gets an e-mod

Generally, e-mods are assigned to any employer whose annual workers' compensation premium is more than a certain dollar threshold specified by your state, usually around \$4,000 to \$6,000.

Medical cost control

In-house nurses and occupational therapists who work with injured employees facing long-term treatment.

In-house occupational medicine physicians who help produce better diagnostic assessments, work-focused treatment plans and more accurate disability ratings.

Medical bill review that's thorough in identifying duplicate charges and other mis-billings, and results in fair and equitable provider reimbursements.

Provider networks that control medical and pharmacy costs at the point of purchase through negotiated lower rates.

Legal cost control

SFM's in-house law firm provides legal advice to employers, helping them avoid costly litigation. In cases where litigation is an appropriate business decision, Lynn, Scharfenberg & Associates' attorneys deliver a high litigation win rate.

Third-party liability recoveries, managed by dedicated SFM staff, have increased significantly. It's important for employers to see the connection between a subrogation recovery and a reduced e-mod, especially because subrogation's legal process can hold a claim open a long time. The employer's patience and cooperation in pursuing the case can result in a third party paying a substantial portion of a claim's costs.

SFM routinely follows through after a significant third-party recovery to be sure the data collection organization receives adjusted claims cost data promptly. The data collection organization recalculates the employer's e-mod. (See "What goes into your e-mod number," "Who calculates it, and when" on page 3.)

Prompt in getting e-mods updated

SFM also re-files the employer's Unit Statistical Card when a claim that initially had been expected to incur medical and possibly wage-loss benefits is closed without any costs.

In addition, before the stat card is filed each year, SFM reviews the policyholder's open claims and adjusts reserves if appropriate, so the policyholder's claims experience for its policy terms is accurately reported and can be fairly factored into its e-mod.

Employers sometimes are solicited by outside firms marketing e-mod history review services. They are unnecessary. Filing stat card data and reviewing claims' reserves are services you already receive as an SFM policyholder.

The results: improved e-mods

These specialized cost-control capabilities result in improved e-mods. On average, SFM policyholders see continuous, long-term improvement in their e-mods, according to an analysis of employers whose e-mods were greater than 0.9 when they became SFM policyholders.

The longer they are with SFM, the greater the improvement.

Bottom line

Your e-mod is an indicator of loss experience that makes workers' compensation unlike other types of insurance. It is your workers' compensation history bottled into a single number. You carry your e-mod with you regardless who your insurer is.

By taking steps to avoid injuries and minimize their costs, you together with SFM can achieve your greatest gains to your e-mod. You'll impact your bottom line, and possibly your organization's ability to compete as well.

Ten ways to lower your e-mod

1. Emphasize early return-to-work.

Offer a temporary or lighter-duty job to an injured employee who cannot return right away to his regular job because of medical restrictions.

In some cases, you may be able to return the employee to work within the state-prescribed “waiting period” and take advantage of the medical-only discount.

If time off exceeds the waiting period, work with the treating doctor to minimize the payment of wage-loss benefits. Offer the employee a temporary position at a reduced wage if necessary.

2. Report claims right away.

If you don’t have all the information, report what you have and call back later with the rest. If you smell something fishy about a claimed injury, call your claims representative.

3. Set an example with every claim.

It influences how other workers expect they’ll be treated if injured and whether they think they’d need outside legal help.

4. Analyze your work injury data.

Use loss history reports to help spot problem areas and to see where to invest your injury prevention resources.

5. Fire up your injury prevention program.

Your safety committee is the spark plug. Educate your employees. Influence their behavior. Evaluate their workspaces.

6. Learn from the past.

When an injury happens, look for causes. Take steps to address them.

7. Invest in education for your employees.

Think of it as part of your injury prevention program.

8. Develop a wellness program.

Encouraging healthy lifestyles can also raise productivity.

9. Make good employee practices a priority.

Tune in to employee concerns. Deal with performance problems promptly and separately from workers’ compensation issues.

10. Use the resources SFM makes available.

For listings of resources on preventing injuries and working with injured employees, see your SFM Employer Kit or the online “Resource Catalog” at sfmic.com>Employers>Resources. Resources are available at no charge to you as an SFM policyholder.

SFM Companies
3500 American Blvd. West, Suite 700
Bloomington, Minnesota 55431-4434

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