Expensive Lessons in Safety and Loss Control

Presented by
Scott Bertulis, VP & Senior Consultant, Willis Insurance
Louis Burke, Sr. Manager, Safety & Loss Prevention, El Pollo Loco
Objectives of this Session

- Learn how to develop, and effectively implement, a comprehensive WC chargeback and Safety Incentive Program for optimal results.
- Understand how OSHA’s restaurant and food processing industry initiatives affect your operations.
- Learn the newest and best loss prevention techniques and post loss reduction strategies to minimize the frequency and severity of employee injuries within your restaurants.
Agenda

- Cost Allocation Programs
- Safety Incentive Programs
- OSHA Initiatives
- Loss Prevention Techniques
- Claim Management Techniques
- Medical Management Techniques
- Telephonic Medical Triage Services
- Questions
Workers’ Compensation Cost Allocation Programs
Cost Allocation Program
Case Law Example

Ralph’s Case

“Prachasaisoradej vs. Ralph’s Grocery”

Initial decision:

“No employer shall exact or receive from any employee any contribution, or make or take any deduction from the earnings of any employee, either directly or indirectly, to cover the whole or any part of the cost of compensation under this division [on workers' compensation and insurance].”

Could affect ability to legally implement cost allocation programs

Decision Overturned

Essentially re-opens the door for use of cost allocation programs
Cost Allocation Programs

- **Program Purpose:**
  - Increase location level awareness of financial impact that WC claims have on P&L

- **Program Goals:**
  - Interrupt the trend of increasing work-related injuries
  - Reduce the number of overall and reportable employee accidents annually
  - Reduce overall cost of insurance program
Cost Allocation Program
Selling It!

- Why are we now being charged for WC claims?
  - Assigns incurred WC expense to locations who incur losses
  - Awards locations with low accident frequency and severity
  - Creates an incentive to location managers to maintain a safe and healthful working environment
  - Fairness.....creates a level playing field in terms of adjusted revenue, counting WC claims against P&L performance

- Pitch to the COO and CEO
  - Do your homework and be prepared to fully explain how the program will work
  - Create a conservative ROI estimate (undersell and over deliver!)
Cost Allocation Program Basics

- Locations with WC claims incur chargeback
- Accident-free locations see no chargebacks
- Level of chargebacks can be based on claim types:
  - Lost Time Claims
  - Restricted Duty / Light Duty Claims
  - Medical Only Claims
- Consider average cost per claim type as a baseline for chargebacks
- Use your own WC claim experience to determine chargeback amount(s); recommend using claim data for the last 3 years
- Credits based on implementation of loss control initiatives (i.e. programs on slip resistant footwear, incident investigation, timely reporting, cut gloves, etc.)
- Penalties for negative performance (i.e. late reporting, etc.)
Cost Allocation Program - Example #1

- **Chargeback Baseline**
  - All WC claim chargebacks start at $10K

- **Chargeback Credits**
  - Early claim reporting (< 24 hours) - $2K
  - Accident Investigation Report Completed – up to $2K
  - ✓ Employee Statement ($500)
  - ✓ Witness Statement ($500)
  - ✓ Root Cause Analysis ($500)
  - ✓ Plan of Action ($500)
  - No lost time / RTW - $2K
Cost Allocation Program - Example #2

- **Chargeback based on claim type:**
  - Lost Time Claim - $10K
  - Restricted Duty / Light Duty Claim - $5K
  - Medical Only Claim - $1K

- **Penalty for late reporting:**
  - Within 24 hours – No penalty
  - After 24 hours, but less than 3 days - $1K
  - More than 3 days - $2K
Cost Allocation Programs – “Keep it Fair”
Cost Allocation Programs

Workers' Compensation Claim Cost Allocation Program (CAP)
Summary Bulletin
(Revised 01/31/08)

Exhibit 1-A

<table>
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<th>Store Number</th>
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$10,000 $1,000 $2,000 $0 $7,000
El Pollo Loco – CAP Program Cost

- Claim Costs: 68%
- WC Premium: 20%
- TPA: 7%
- Broker Fee: 3%
- Chargbacks: 2%
Yearly Comparisons Workers Compensation Accidents – Before & After CAP

-Number of WC Claims per Location-

*Note: Indicates total number of WC accidents
Safety Incentive Programs
Safety Incentive Programs

- **Pros**
  - Can get lowest level employee buy-in for safety program initiatives
  - Effective programs can lower overall number of injuries and illnesses

- **Cons**
  - May not equally reward your employees (i.e. few prizes for large group of qualified employees, etc.)
  - Can lose effectiveness over time
  - Can create a sense of entitlement for employees
  - OSHA scrutiny for “zero accident” programs
Safety Incentive Program Recommendations

- Set safety expectations: completed meetings, required safety equipment, passing compliance audits etc. (partner with operations)

- Tie the program in to meaningful loss control initiatives by giving employees extra chances or points when they are observed:
  - Displaying proper body mechanics when lifting
  - Wearing slip resistant shoes
  - Using cut gloves, when needed
  - Cleaning up spills immediately
  - Attending safety training sessions
  - Submitting a valid safety suggestion
  - Safely using ladders or step stools

- Continued on Next Slide -
Safety Incentive Program
Recommendations

- Recognize appointed Safety Coordinators / General Managers
- Make sure program rewards safe behaviors; not just absence of injuries/illnesses
- Set time frame for safety contest contests along with budget
- Give employees an equal chance of winning; document observations for all employees.
- Publish and tout results; recognize employees in meetings and/or through employee bulletin boards for exhibiting safe behaviors
- Get feedback from operations: “what works vs. what doesn’t”
- Don’t be afraid to change or “tweak” the program
OSHA Initiatives

New reporting requirements, beginning January 1, 2015; must report within 8 hours of occurrence any of the following:

- amputations,
- singe hospitalization, and
- loss of an eye

Added food industries to OSHA’s recordkeeping requirements include:

- Bakeries and tortilla manufacturing
- Beer, wine, and liquor stores
- Specialty food stores
- Special food services
OSHA Initiatives

- Site specific inspection targeting program; DART (Days Away Restricted & Transferred) case rates above 15.0 (primary list) and 7.0 (secondary list) for 2011 year. Program expires March 6, 2015.

- Youth worker restaurant safety eTool covers safety tips and requirements for the following:
  - Serving
  - Cleanup
  - Drive Thru
  - Cooking Food Prep
  - Delivery
  - General
  - Resources – child labor law links
## OSHA Top Violations
### Food Services and Drinking Places
#### Oct 2013 to Sept 2014

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Slip Resistant Footwear Programs

- **Pros**
  - Prevent falls on slick floors
  - Guarantees on certain products (i.e. Shoes for Crews $5K back on SF claims)
  - Payroll deduction program helps to keep cost realistic for hourly employees
  - Good stop gap solution for slick floors vs. replacing floors with slip resistant flooring solutions

- **Cons**
  - Only works if employees wear shoes
  - Shoes wear out in 6 months or less
  - Administrative time to manage program
  - Employee complaints about shoe fit, wear, etc.
  - Some “slip resistant” shoes don’t work as well as others
  - Ongoing cost of the program
  - Cannot make program mandatory if the cost of the shoes reduces wages below minimum wage
Slip Resistant Floor Coatings

**Pros**
- Increase slip resistant quality of floors (standard is .6+ COF)
- Relatively low cost
- Product guarantees for 2-5 years
- Reduces maintenance costs / labor savings
- Engineering solution – not dependent upon employee participation
- Great stop gap solution to delay high cost for floor replacement and hit to cap ex budget

**Cons**
- Must prep floor properly before application
- Eventually wears out
- Can change look of flooring surfaces
- Possible floor transition issues
“Cut Glove” Programs

- Reduce employee hand lacerations
- Relatively low cost
- Many glove options with added antimicrobial quality; washable
- Must focus on employee compliance to get program to work
- Must have accompanying program for infection control; QA compliance
Claim Management Techniques

- **Incident Investigation**
  - Photographs, as necessary
  - Conduct injured employee interview
  - Conduct witness interviews
  - Preserve evidence, if needed
  - Determine main and root causes of the incident

- **Assist & Communicate with Employee**
  - Show a “we care” attitude toward the employee at all levels
  - Send “Get Well” card or flowers for lost time claims
  - Let them know what to expect when on WC; no surprises
  - Actively communicate with injured or ill employee at least weekly to check progress or issues

- Continued on Next Slide -
Claim Management Techniques

- **Strive for 100% return to work**
  - Create a log of restricted/light duty tasks
  - Consider an alternative RTW program, such as charity based RTW

- **Actively manage the claim**
  - Restaurant locations should regularly communicate status changes, etc.
  - Full circle communication...restaurants, corporate, adjuster
  - Participate in claim reviews!
  - Push adjusters to actively manage your claim... “the squeaky wheel gets the oil!”
Medical Management Techniques

- **Occupational Medical clinic selection**
  - Proximity to location
  - WC Carrier PPO network
  - Diagnostic Equipment (on-site)
  - Good past results, recommendations from other businesses

- **Protocols**
  - WC Authorization
  - Medical Billing
  - Drug testing
  - RTW paperwork
  - Referrals to vetted specialists (i.e. hand, knee, shoulder, etc.)
Telephonic Medical Triage Services

- Many national providers, such as Medcor, Corvel, WellComp, WorkCare, Coventry, etc.
- Basic service will determine if the injury or illness can be a “self-treated” first aid or if a visit to the clinic is needed
- Proven reduction in med only claim frequency
- Better initial documentation of claim details
- Features may include:
  - Audio recordings
  - Soft/hard channeling to pre-selected occupational medical clinics
  - Completed first report of injury
  - Language interpretation
- Ensure that the service is independent and truly serving your needs; carrier provided triage may not have your best interest in mind.
Questions?