

State Fund

COMPONENTS[®]

*A workers' compensation resource for
State Fund policyholders*

2011—Issue 1

In This Issue:

Attitudes and
the Workplace

Workplace Safety:
The Painless Way to Save

Return to Work Helps
Control Claims Costs

Business and Safety
Practices Pay Off

Maintain Accurate Records

Savings with
State Fund Subclasses

Your Role in
Fighting Fraud

Build a Relationship
with Your MPN Physician



Control

Your Workers' Compensation Insurance Costs



We All Like to Be In Control

Employers in California face many factors that are beyond their control when it comes to workers' compensation insurance costs. Medical costs, legal fees, or the various types of fraud that create an unlevel playing field for those who do play by the rules, are just some examples.

While these factors seem daunting and discouraging, there are some specific steps that you can take now to lower your workers' compensation insurance costs over time.

Just as homeowners have little say in utility costs, they can still make energy-efficient improvements to their property to save money in the years to come.

For example, installing double-pane windows, tankless water heaters and low-flow toilets seem insignificant at first but will more than pay for themselves in the long run. Likewise there are steps you can take to control your workers' compensation costs, such as channeling your injured employees to our Medical Provider Network (MPN), getting injured employees back to work through a Return-To-Work program, and making safety a priority.

In a previous issue of COMPONENTS, "In the Know: Understanding the Nuts and Bolts of Workers' Comp Insurance," we alerted you to workers' comp essentials. In this issue we focus on specific steps you can take to lower your insurance costs now and in the future.

Have A Good Idea for an Article? Send Us an E-mail

State Fund COMPONENTS focuses on topics related to your workers' compensation needs. Our goal is to provide information that can help you manage issues affecting your policy, workplace, and claims experience.

You can be a great help to us and California employers like yourself by giving us article suggestions for future issues. Let us know what you liked in the past, what topics we may have missed, or what topics you would like to see discussed further.

- Please e-mail us at webmaster@scif.com
- Or take our online survey at www.surveymonkey.com/s/WYQ6JKG

An Employee's Attitude Toward Work Usually Reflects Yours

Just as first impressions last forever, an employee's first day on the job sets the tone for an entire career. How co-workers and supervisors treat the new arrival, the steps you take to make the work space safe and clean, and the accommodations you provide serve as "welcome" signs for the newly hired employee. This applies to both job satisfaction and workplace safety, and it applies to both supervisors and managers.

- **Match the applicant carefully to the job.** Your careful hiring practices will go a long way toward reducing your operating costs and making your business environment a healthy and happy place to be. Base the match on the applicant's skills and abilities. Consider a pre-employment physical—this step can be very important for the safety of your potential employee, and your risk for future claims. Pre-employment physicals are a key part of a safety plan. The Department of Fair Employment and Housing offers brochures to help guide you in conducting interviews.

- **Train supervisors.** Workers' compensation law includes "supervisor" in the definition of "employer." When a supervisor fails to follow the law, it counts against you. Make sure they know all that is required of employers.
- **Management by walking around.** While this approach might not work for all managers, nor is it always possible, this strategy allows you to see what is going on beyond your office, and it allows you to listen directly to employees. By walking throughout the organization, you can make positive comments, receive important feedback, and spot possible hazards.
- **Don't forget employees out on injuries.** Show them you care about their well-being. If an employee sustains an injury and you are unable to return them to work quickly, stay in touch throughout the recuperation period.

Workplace Safety: The Painless Way to Save

When you have fewer and less-costly injuries at work, you save on workers' comp claims costs, which may reduce the premium you pay for your policy. A safe workplace can bring you other competitive benefits, such as greater productivity and higher employee morale.

- **Make safety a priority on the job everyday.** A safe workplace can lower your claims costs. It is far less expensive to prevent an accident than to pay for one.
- **The workplace environment is never the same, so be vigilant.** Whether your place of business is in the city, suburbs, farmland, or country, the workplace environment is always in a state of flux. Wet umbrellas can make any floor slippery.

A machine that was working yesterday is now broken and employees are performing tasks by hand. For those working outside, California's climate can quickly change from cold to hot and back to cold again regardless of the season. So assess your work environment with fresh eyes everyday, and be on the lookout for changes in conditions.

- **Fix dangerous conditions.** When you become aware of a hazard on the jobsite, take appropriate corrective measures. Your failure to do so could result in a "Serious and Willful Misconduct" lawsuit against you. This suit carries severe penalties that you would pay, not your insurance carrier.

Your Business and Safety Practices Can Pay Off

Do you ever compare the way you run your business to other businesses in the same industry? We do too. No two employers are alike, not even those with the same governing class, payroll, and number of employees. One employer may have state-of-the-art equipment, a clean, well-lighted shop, and low employee turnover, while another operates with obsolete machinery, a poorly ventilated building, and a never-ending supply of temporary workers.

Here are some smart and practical actions that can have a positive effect on your workers' compensation insurance costs:

Management Business Practices

- **Personnel Practices:** Having specified job requirements for hiring, pre-employment medical screenings, drug-free workplace policy and exit interviews.
- **Employee Benefits:** Providing health insurance, employee physicals, wellness programs, and an employee assistance program.
- **Financial Stability:** Establishing a good payment history with State Fund, including timeliness of premium payment, cooperating with auditors, and being an established business.
- **Employer/Employee Relationship:** Establish good employee relationships as measured by employee turnover rate, and number of litigated claims.
- **Workers' Compensation Practices:** Reporting claims timely, consistently channeling injured workers to physicians in our Medical Provider Network, developing and implementing an effective Return to Work program.

Management Safety Practices

- Consistent and across-the-board commitment to employee safety.
- Maintenance of equipment and plant or workplace.
- Hazard identification and appropriate controls.
- Identify opportunities for ergonomic improvements to work processes and environments. State Fund policyholders can get help with ergonomic evaluations from our loss control professionals.
- Employee training and supervision.
- Established material handling procedures.
- Compliance with Federal/State OSHA standards.

Good business and safety practices are within your control, and help reflect your company's individual risk characteristics in the premium you pay. These best practices can also positively affect employee morale, foster safe workplaces, reduce injuries, keep claims costs down, and make your business eligible for discounts on your State Fund premiums.

Benefits of a Relationship with Your Medical Provider Network Physician

The State Fund Medical Provider Network (MPN) provides your injured employees with appropriate medical treatment administered by quality physicians. Establishing a good relationship with your MPN physicians and the medical office personnel is beneficial for you and your injured employees. The benefits are many:

- Becoming acquainted and developing rapport with your MPN physicians fosters a sense of trust and peace of mind. You are confident that your injured employees are in good hands and are receiving appropriate care from quality physicians.
- Communication regarding an injured employee's work status is easier when the provider knows you and your business.
- A provider who understands your business and your employees' specific job duties can be a partner in identifying transitional tasks that would facilitate an employee's rehabilitation. Returning an injured employee to a modified job translates into cost savings for your company.

Having the MPN provider on your team plays a significant role in returning the employee safely back to work without unnecessary delay.

Maintain Accurate Records

Your personnel files can be of great assistance to you and to State Fund in dealing with claims. Information about an employee's job description, wages, previous work history, recreational activities, any current work problems, and previous injuries, is essential when fighting a disputed claim.

Need More Information? Contact Us

For more information you are welcome to contact the State Fund Customer Service Center (877) 405-4545 or visit our Web site at www.statefundca.com. If you are represented by an insurance broker, you may also contact your broker for assistance.

Do you know about State Fund Online? It's a great way to get a closer look at your workers' comp policy. You can check your policy and claims information, submit payroll reports and payments online, print certificates of insurance, and more. If you haven't registered yet, go to www.statefundca.com and look for the State Fund Online box on the right.



Know Your Role in Fighting Fraud

Workers' compensation is no different than any other field of human endeavor; there are those who try to cut corners and seek unfair advantage. Everyone—employers, employees, medical providers, and insurance carriers—has an important role to play in identifying those who cheat. Fighting fraud is a big job, but you can take some simple steps to prevent fraud from affecting your workplace and wallet.

- **Educate your employees about workers' compensation.** The law requires you to inform your employees about their workers' compensation rights. They should understand the workers' benefits for legitimate claims and the penalties for fraudulent ones. Don't be afraid that, by receiving too much information, they'll abuse the system. Chances are they've already been exposed to misleading information, and you can put an end to any misconceptions.
- **Publicize your tough stance against fraud.** Inform employees that all suspicious claims will be investigated and all improper claims fought through proper legal channels.
- **Protect yourself by acting responsibly.** Fraud is a serious accusation that, if not handled correctly, could put you in the middle of a lawsuit for libel or slander. Give yourself added protection. Voice your suspicions only to your State Fund representative. Let State Fund be responsible for validating your suspicions and reporting appropriate cases to authorities.

Substantial Savings with State Fund Subclasses

The prefix "sub" doesn't have a good connotation these days. We immediately think of subprime mortgages or subpar or substandard. However, the "sub" in State Fund subclasses refers to those businesses whose operations have lower hazards than what is the norm for such classifications.

All subclass base rates are at least 15 percent lower than the general class codes. In fact, our restaurant subclass is 20 percent less.

State Fund's 15 subclasses are targeted at segments of four industries:

- Farming (mechanized production, plus a new subclass for bush berry crops)
- Auto/truck operations (estimators, including a new subclass for tire dealers)
- Trucking (local hauling)
- Restaurants with higher revenue (new for 2010, the subclass rate is now 20 percent below the standard classification rate)

These State Fund subclasses offer employers an excellent opportunity to reduce their operating costs.



Return to Work Minimizes Time Loss

Numerous studies have shown that injured employees recover faster when they return to work. In addition, their return can decrease claims expenses, limit downtime, and eliminate the need for additional staff.

A well-planned Return to Work (RTW) program can help bring your injured employee safely back to work as early as possible in a modified or transitional position. You gradually adjust the transitional job to accommodate the employee's improving physical condition until they can return to their usual duties.

You reduce your costs. Your employee can return to a self-supporting status. Everybody benefits. Doesn't that make good sense?

If you have an open claim, let your claims representative know if you may be able to provide your injured employee with a transitional, modified, or alternative job. Our RTW coordinators will help you develop a program for your business.



CONTROL COSTS

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