



RISK MANAGEMENT

The Minnesota School System Workers' Compensation Survival Guide

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Minnesota school districts are facing unprecedented budget challenges and are constantly looking at making deep cuts to their staffing. With fewer staff, larger classroom sizes and the rising cost and demand for special education, school districts are tightening already cinched belts and preparing for yet another lean school year.

Workers' compensation is an inevitable expense—you need the coverage to keep your doors open, but if left uncontrolled, it can run up hundreds of thousands of dollars—money you can surely use elsewhere in the budget.

Even tightening up one aspect of your work comp, like your claims process, can have a big financial impact for your district. This survival guide provides a number of beneficial tools and opportunities for you to get your work comp costs under control and lower the amount you pay for your work comp insurance, including:

- Managing claims and preventing injuries.
- Reducing the cost of claims by 70%.
- Get the most out of your experience mod and payroll audit.
- And much more.

Who is getting injured in schools?

Employees at higher risk for work-related injuries are not found in the classroom, but in the kitchen, behind the wheel and behind the scenes.

SFM, a Minnesota-based work comp insurance provider, examined student-related injuries in districts around the state and found the employees at highest risk of injury include:

- Food service
- Transportation
- Custodial

These three groups alone account for one third of claims filed per 100 full-time employees (FTE), with food service at the highest risk of injury. Also at higher risk of injury are employees over the age of 50 and male employees.

The biggest hazards? Slip and fall is the number one cause of injury, followed closely by struck and strain injuries—which combined, accounts for roughly four out of every five injuries. The remaining 20% of injuries include cut, puncture or scrape, exposure injuries, and striking against or stepping on injuries.

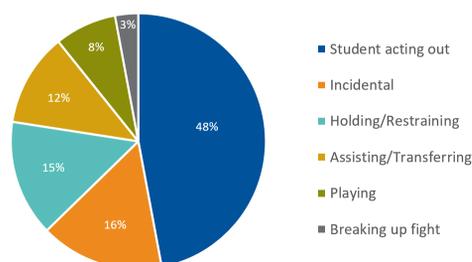
Success story: West Metro school district

Following up on open claims with the adjuster on behalf of the district, we negotiated the closure of seven claims, reducing reserves by \$115,000 before they could negatively affect the district's experience mod and premiums.

Student involvement

When students are involved (accounting for 25% of work comp claims), nearly half (46%) are caused by students acting out, followed by accidental injury at 16%. Interestingly, another 30% are caused by holding/restraining students (15%) and assisting/transferring students (12%). Breaking up a fight accounts for the lowest number of injuries (3%) while playing with students makes up another 8% of claims. While low in frequency, 17% of injuries from playing with students and 12% of injuries while transferring or assisting resulted in lost time from work.

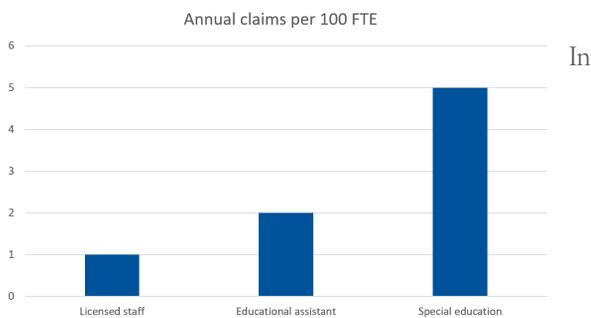
Student interactions resulting in injury



Success story: Southwest Metro school district

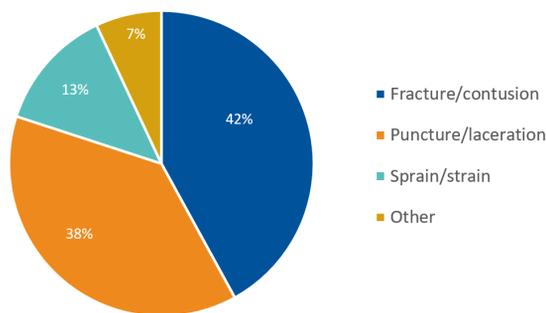
Kitchen staff had been reporting a large number of preventable injuries, mostly burns. We conducted a kitchen safety training session, and even invited a smaller neighboring district to join. The kitchen staff now have the tools and resources to help them stay safe and injury-free.

Teachers, teaching assistants and special education assistants account for the majority of claims involving a student, with special education assistants at the highest risk. These numbers are quite small, however, 1 and 2 out of every 100 FTE claims for teachers and teaching assistants respectively, and 5 out of every 100 FTE claims for special education assistants.



42% of cases involving a student, employees suffered a fracture or contusion, followed very closely by strain/sprain injuries. Puncture or laceration accounts for 13% of injuries, and “other” accounts for the remaining 7%.

How school employees are being injured



How you can prevent injuries

Taking steps to prevent injury is a good place to start. The SFM study recommends several ways to lower the risk of workplace injuries in schools, including:

- Train staff to “participate with purpose” and not play with students, and take a hands-off approach.
- Invest in equipment to reduce lifting and physical demands.

Success story: Large North Metro school district

The district started with seven pages of open claims on their experience mod worksheet. We worked with the claims adjuster to close open claims and reduce reserves, taking open claims down to one page and lowering the cost of insurance premium for the district.

- Promote wellness by encouraging movement, stretching and strengthening exercise, and offering a wellness program.
- Prevent falls by keeping parking lots and sidewalks clear of snow and ice.
- Use slip-resistant shoes, floor treatments and track-off mats.

Accident investigation and fraud prevention

Understanding the root cause of an accident or near-miss incident can help your district prevent fraudulent claims and future injuries. Take the time to investigate all workplace accidents from near-miss incidents to serious injuries.

Investigation checklist

Administer first aid or seek medical treatment for the injured employee. In a life-threatening emergency, call 911.

- Secure the area: Use caution tape to keep others out.
- Gather investigation tools: keep them in a portable container and store in an accessible place.
- Interview the injured worker, when possible.
- Interview witnesses.
- Document the scene with photos and/or videos.

Success story: Central Minnesota school district

While reviewing a new claim, discovered a past claim from a similar incident. Neither incident had been investigated. We helped the district manage both claims and implement an accident investigation process to prevent repeat incidents and injuries.



- Complete an accident investigation form.
- Complete and submit the first report of injury (FROI) to your work comp insurance company.

The cost of claims: Med-only vs. medical plus indemnity

The clock starts ticking the moment an employee gets hurt. To encourage getting injured employees quickly and safely back to work, workers' compensation offers two benefits to employers: the 3-day waiting period and the 70% rule.

3-day waiting period

The moment an employee misses time from work due to an injury, the employer has three calendar days to get them cleared to return to work. Any time after that gets counted as lost-time and wages get paid. If after 10 days the employee still has not been cleared to return to work, your insurance carrier will then pay those first three days of lost time wages. Claims that include both medical bills and lost-time wages are referred to as medical + indemnity claims.

70% rule

The 70% rule applies to medical-only claims. If you are able to get an injured employee back to work within the 3-day waiting period, the insurance carrier pays the medical bills, but does not pay lost-time wages. In addition to the upfront savings, when the rating agency calculates your experience mod, medical-only claims are reduced by 70%.

Your experience mod includes three years of claims data, not including the most current year, and every claim gets factored into the amount you pay for work comp insurance. Since the cost of every claim is essentially multiplied by three—it is within your best interest to take full advantage of the benefits offered to you by the state and keep the cost of claims as low as possible.

Compare the difference between two example claims. One only included medical bills while the other includes lost-time wages:

Medical-only	Medical and indemnity
Medical = \$2,000	Medical = \$2,000
Wages = \$0	Wages = \$100
Reduced by 70% = \$600	No 70% Reduction = \$2,100
3-Year Premium = \$1,800	3-Year Premium = \$6,300

Keeping the claim medical-only results in a \$4,500 savings over three years. Just think of what you can do with an additional \$1,500 a year—and that's only on one claim!

Who determines the experience mod for your school district?

The Minnesota Worker's Compensation Insurer's Association (MW CIA) is the rating bureau responsible for collecting, processing and analyzing the work comp data for Minnesota-based employers, including school districts. MW CIA then takes that information to calculate your experience mod, which in turn, gets factored into how much you pay for workers' compensation.

How you can keep claims medical-only

How well you manage injuries can mean the difference between a small medical-only claim and a big, pain in the neck lost-time claim. Round out your injury prevention efforts with an injury management plan:

- Train supervisors on the true cost of work comp claims for employees.
- Set up a nurse care line to assess injuries, recommend treatment and care, and assist with scheduling appointments. Care line nurses also follow up with the injured employee, the clinic and the insurance carrier, and can assist in getting the necessary forms and proper treatment for injured employees.



- Find an occupational health provider in your area who understands the impact of workplace injuries and can help get your employees quickly and safely back to work.
- Or provide physician training to a local clinic willing to work with your district.
- Create a list of light duty positions and job descriptions and send them to the designated clinic, or have injured employees bring them with to their appointment.

How much time off is actually medically necessary?

The American Medical Association's *AMA Guides to the Evaluation of Work Ability and Return to Work* estimates time off is medically unnecessary in 60-80% of workplace injuries. In most cases, there is no medical reason why an injured employee should not be able to return to work, with or without light duty accommodations.

The benefit of a nurse care line

In a life-threatening emergency, you should call 911 or seek emergency medical care. But in most cases, a call to a nurse triage phone care line can help determine the right care, keep costs low and help employees recover faster and more fully at work.

Unlike the nurse hotline offered by your clinic or health insurance, a work injury care line is focused solely on workplace injuries and getting employees quickly and safely back to work.

Benefits of using a work injury nurse care line include:

- Immediate access to a registered triage nurse any time there's a workplace injury, including nights and weekends.
- Injury assessment to determine severity and recommend immediate treatment options, including medical or self-care.
- Assistance with scheduling an appointment, if medical care is needed.
- Assistance with obtaining important documents to get claims closed quickly.

Your work comp insurance provider may already offer a nurse care line. Make sure you take full advantage of this critical service to help curb the costs of your work comp claims.

Good financing vs. bad financing

Compare two claims. Both cost \$13,000, but one claim was kept medical-only and reduced by 70% on the experience mod. Because of the reduced cost on the mod, the district only paid back \$9,548 in premium over 3 years, about \$4,300 less than the initial overall cost of the claim. Imagine taking out a loan for \$13,000 and you only have to pay back \$9,500.

The other \$13,000 claim cost the same district 3 times more than the initial claim in premium over 3 years. The difference? The insurance company paid lost-time wages so the entire cost of the claim stayed on the experience mod. Now imagine taking out a loan for \$13,000 and paying back \$31,000. Which is the better financing option?

What's your minimum mod?

By now, you should have a basic understanding of how your experience mod is calculated, but not necessarily how it impacts your insurance premium.

Success story: Suburban Minneapolis school district

Client was concerned about red flags on a new claim, starting with some unusual restrictions from the doctor. We asked the carrier to assign a lost-time adjuster to the claim and worked with the district, adjuster and work comp defense attorney to come up with a solution. We assisted the client with drafting a letter for the doctor and a light duty job offer to get the employee on the road to recovering at work.

Here's how it works: your experience mod tells your insurance carrier about your claims history—how many claims you've had, how bad, and how often. The carrier then uses that information to assess the frequency and severity



of claims at your school district, and determine an expected claim rate for your district. If you've had a lot of claims over the past couple of years, the insurance carrier can reasonably assume you will continue to have a lot of claims—and charge you accordingly.

The insurance industry considers a 1.00 mod to be average. A mod below 1.00 means your claims experience is better than other school districts similar to yours in size, and a mod above 1.00 means your experience mod is worse than similar school districts.

Every employer, school districts included, has a minimum mod, the lowest possible rating they could achieve, given the number of employees and inherent risks they are exposed to. In the case of school districts, the lower your experience mod, the more money you have to spend educating your students.

But figuring out your minimum mod is not as simple as you'd think:

$$\frac{\text{Actual primary losses} + \text{Ballast value} + W \times \text{Actual excess losses} + (1-W) \times \text{Expected excess losses}}{\text{Expected primary losses} + \text{Ballast value} + W \times \text{Expected excess losses} + (1-W) \times \text{Expected excess losses}}$$

How you can calculate your minimum mod

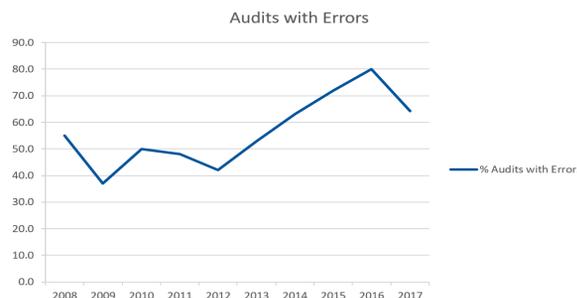
You need to find a copy of your mod worksheet, then pull the expected losses. Substitute 0 for the actual primary and actual excess losses —zero because this is a perfect year without losses. Subtract, add, multiply and divide and there's your minimum mod.

It's by no means easy to figure out, and next to impossible to achieve a perfect "zero loss" year, but knowing your minimum mod gives you a goal to work toward and helps to lower your mod—and your insurance premium—in the process.

Don't pay for someone else's mistakes

For over 20 years, the MWCIA has conducted an annual test audit review, pulling from a sample of employers across the state, including public school districts. Designed to

verify the accuracy of the statistics reported to the MWCIA, the test audit program reviews the work of auditors working for or on behalf of insurance carriers.



The result has been an increasing trend in the number of errors and audits that are flat-out wrong. Most errors work in favor of the industry, often resulting in an inflated experience mod and higher cost of work comp insurance for the employer.

Audit errors occur for many reasons, but the main reason is the right questions are not being asked, or the employer does not know the rules.

Why isn't more being done to ensure accuracy?

The MWCIA conducts the test audit, but think of it more as a clearing house. Whatever the carrier submits, right or wrong, is what the MWCIA uses to calculate your mod, and consequently, what you pay for insurance.

Most brokers simply do not have the time, training or resources to dedicate to reviewing audits.

Success story: Northeast Metro school district

Worked with the adjuster on behalf of the client to lower reserves and close claims, resulting in a \$60,000 reduction in reserves, and big savings for the client.

School districts are not helpless, however. You can get your mod corrected—you just have to know where to look.



Review your experience mod and audit worksheet for these common errors:

- Look for 000s
When have you ever had a year where your payroll was a flat amount? If you notice 000s for payroll in your summary sheet, then it's wrong.
- Look at what counts as payroll
Employers may not know what should be included as payroll and auditors typically do not ask. In the state of Minnesota, there are exceptions, also known as "excluded remuneration." If you include these exceptions in your payroll count, you're inflating your own mod and paying more for it.
- Look for incorrect class codes
The state rates each class of employee based on their level of risk. A clerical worker who sits at a desk all day is at lower risk for a workplace injury than a bus driver out on the road. If your employees are coded incorrectly, it could mean you are paying more for exposures that do not exist.

Success story: Northern Minnesota school district

Discovered an error on the district's experience mod, artificially inflating the cost of work comp insurance. We appealed to the carrier on behalf of the client to get the error corrected, saving the district \$26,000 on their premium.

Payroll audit checklist

Payroll is used to determine how much you pay for work comp coverage, but many employers don't know what should **and should not** be counted toward payroll. Certain benefits and wages that should be excluded from payroll are referred to as "excluded remuneration," and it's a persistent problem. Employers include excluded remuneration as payroll by mistake, and these exclusions

often get overlooked by the auditor.

How you can avoid excluded remuneration

Use the checklist below when preparing for your next payroll audit. If you check off any of the items, remove them from your payroll calculations.

- Overtime wages
- Tips or gratuity
- Payments by the employer to group insurance or group pension plans for employees* (see [Rule 2](#) for exceptions)
- Payment by the employer into a third-party trust*
- The value of rewards for individual invention or discovery
- Severance payments, except for time worked or accrued vacation
- Payments for active military duty
- Employee discounts
- Expense reimbursements
- Reimbursement expenses and flat expense allowances*
- Supper money for after-hours work
- Uniform allowances
- Sick pay from supplemental insurance
- Employer perks including the use of company vehicles, airplane tickets, incentive vacations, discounts, club memberships and /or tickets for entertainment events
- Employer contributions to employee benefit plan including employee savings plans, retirement plans and cafeteria or flex plans

*See [Rule 2](#) in the Minnesota Basic Manual for exceptions.

Aggravated inequity

Success story: Southeast Metro school district

While reviewing the payroll audit for the district, we discovered \$20,000 in uniform allowances were included when they did not actually count as payroll. We got the audit corrected for the school district, saving them money on their work comp premium.



According to Minnesota’s work comp laws, you can get your experience mod corrected, but only if you can figure out what went wrong in the first place. The so-called “aggravated inequity” rule allows you to get an updated mod, but only if three things happen first:

1. An open claim on the experience mod closes between valuation and your renewal date.
2. The claim results in a five point or greater reduction in your experience mod.
3. You can prove it to the carrier.

The carrier then issues new data or “stat cards” to the rating bureau, which then uses the updated information to issue a new mod.

How you can get your mod corrected

It’s not the responsibility of the insurance company to know when your experience mod is being calculated. If you want a new mod, it’s up to you to go get it. Contact the carrier with proof of the error and ask them to issue new stat cards to MWCIA. MWCIA will then send you a new mod in the mail and include it in their public database for download.

Success story: Minneapolis charter school

Able to get the charter’s mod correct twice in the last five years, resulting in 10% savings on their premium each year.

Subrogation

Third-party liability, or “subrogation,” essentially occurs when an employee gets injured under circumstances where both your school district and a party other than the district are liable. Your employee is compensated through your work comp insurance company, but you also pursue damages through the other party’s insurance company. If the other party’s insurance company refuses to comply, you can have your district’s insurance company go after the other party’s insurance company by filing a claim and paying the deductible. Once your district’s insurance company has been compensated, they refund your deductible.

Subrogation is of particular importance for school districts where so much of the support work is contracted out—to a food service or bus company, for example. In many cases, employers may not know that subrogation is an option for certain injuries, files the claim and pays the deductible.

How you can leverage subrogation

Proactively monitoring open claims is your best way to identify subrogation. Review open claims for possible third-party involvement, then notify your work comp insurance carrier. Continue to follow up with the adjuster on open claims and work to get them closed in a timely manner. Even if you do not uncover subrogation claims, regular contact with the adjuster will help you close claims faster and lower open reserves, reducing your mod and lowering your premium payment.

Valuation: The most critical date for your work comp

The vast majority of employers and insurance brokers concentrate on the status of open work comp claims when policy renewal is approaching. This strategy is “too little, too late.” The reality is by the time of renewal, the most important date has already come and gone—valuation.

Valuation is the specific date that the insurance carrier uses to provide a “snapshot” of your claims to the rating bureau, typically 6 months before renewal. The rating bureau uses this snapshot when calculating the mod. At the time of valuation, some of your open claims may have a reserve—a dollar amount set by the adjuster that serves as an estimate for the total cost of the claim. If, for example, the adjuster thinks the injury might require surgery, they put money for that surgery in reserve, in case they need to pay it out later. This is important because the rating bureau applies open reserves to your mod calculation, whether or not that amount gets used. And since the experience mod helps determine how much an employer pays for work comp insurance, an inflated mod can drive up the premium.

Again, this all happens six months —half a year—before your policy renews, and a lot can happen in 6 months. Let’s say a month after valuation, the claim closes lower than expected and the reserves get wiped out. The rating bureau does not



Success story: North Metro charter bus company

Successfully corrected two years on the client's mod by following up on a claim under subrogation. Mod dropped 11 points, lowering premium by \$39,000.

know the claim has been closed and uses the snapshot with the open reserve to calculate your mod. Or recovery is going well and surgery is no longer needed, so the reserve can be lowered, but the adjuster—and the rating bureau—is unaware of the change. The mod gets calculated using outdated information. It is important to note that it is not the responsibility of the insurance carrier to know when the employer's mod is being calculated.

How you can lower open reserves

Best practice dictates negotiating reserves with the carrier prior to valuation, and monitoring open claims after valuation, so that your district does not have an inflated mod when it's time to renew.

Calculate your valuation date

Valuation is six months after your policy renews. That six-month snapshot will impact your next renewal, but you can appeal changes that impact your mod +/-5 points.

Work comp opportunities checklist

Work comp is more complex than it seems, but it does leave room for opportunities to save money on your premium, keep your employees happy and productive, and streamline your processes so you no longer waste your time on claims.

Success story: Northeast Metro school district

We completed a claim review prior to valuation and was able to negotiate with the adjuster on behalf of the client to get 20 claims closed, reducing open reserves by \$90,982. As a result, the district saw a drop in their mod, and savings on their work comp premium.

Take some of these tools and start applying them to your district, and you will see improvements within the year:

- Keep claims medical-only
- Review experience mod for errors and appeal to the carrier to get them fixed
- Review and monitor claims for aggravated inequity candidates and subrogation opportunities
- Negotiate open reserves with the insurance adjuster before valuation date
- Take advantage of loss control resources provided by the insurance company
- Train supervisors on the financial, physical, and emotional impact of work comp claims
- Identify medical providers who understand the importance of getting employees back to work
- Create an open relationship between your district, medical providers, and insurance adjusters
- Take advantage of a 24/7 nurse care line designed specifically for workplace injuries

For help managing your workers' compensation costs and claims, [contact us](#).

Success story: South Central Minnesota school district

We provided Work Comp 101 training to district staff to illustrate the physical, financial, and emotional impact of workplace injuries for employees and their families, but also co-workers, supervisors and the district.