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New Haven: Working hard to limit Workers’ Compensation costs

Mayor John DeStefano, Jr. announced today that the City of New Haven has achieved a savings of nearly two million dollars due to proactive and innovative workers’ compensation initiatives. Nationally, Workers’ Compensation costs have been a case of good news, bad news, and more bad news. While the frequency of on-the-job injuries has steadily declined across the nation for over a decade, the medical and time-off costs have increased dramatically, according to the National Council on Compensation Insurance, Inc. Its newly released annual report for 2008 states that payments for lost-time, known as indemnity costs, to workers, have increased 60% and medical costs have increased a staggering 108% since 1998.

The City of New Haven contracted with CIRMA, the Connecticut Interlocal Risk Management Agency, back in the mid 1990s to administer its Workers’ Compensation claims and help it control these rising costs. Since then, CIRMA, a non-profit, member-owned organization of Connecticut municipalities and school districts, has won four more competitive bids, the most recent in 2007. CIRMA and the city have implemented a series of programs to control workers compensation claims costs and safely return injured employees to work.

The programs are working: in 2007-08 workers’ compensation losses had dropped to $5.6 million, lower than the six year average, and lower than the $7.8 million in losses incurred back in 2001-02. The state’s average lost-time and medical costs for 2006, the latest available figures from NCCI, are $43,000—well above New Haven’s average cost of $15,900 for 2005 and $31,000 for 2006.

Larry Rusconi, the city’s budget director said, “CIRMA, unlike other outside claims administrators, provides us strategies, risk management expertise, and the business processes to help us control costs. This year CIRMA ramped up its claims negotiating efforts to review and settle outstanding claims, reducing the city’s exposure and the eliminating specter of lengthy, expensive litigation, saving the city an estimated $1.9 million.

Rusconi credits CIRMA’s nurse case management programs, preferred provider network savings, and the city’s implementation of risk control best practices for the success of its cost control efforts. Bills aren’t paid blindly. By using CIRMA’s bill review system, which audits provider bills against a set fee schedule and treatment plan, and CIRMA’s pharmacy benefit and medical imaging services, the city paid $4.6 million for services that would have otherwise cost $7.2 million if purchased outside the CIRMA network, a savings in excess of 36%.
CIRMA has on staff a team of professional nurses who coordinate care, monitor treatment, and act as a liaison between the employer, the injured worker, and the healthcare provider. When an injury is catastrophic, New Haven employees have access to the Best Doctors program, which provides immediate access to the nation’s leading experts for similar injuries. Specialists are consulted immediately, within 24 hours of the injury. They review diagnosis, treatment plans and care with the local doctors, to ensure the best treatment is provided right from the start. In fact, the program’s specialists were most recently consulted in the treatment of Patrol Officer Diane Gonzalez, after a collision left her critically injured.

CIRMA and the city continue to meet and map out new strategies to contain costs such as a reconnaissance audit of the city’s risk management programs, best practices, training and education plans, an identifying new areas for cost reductions. A goal for New Haven in upcoming months is to increase awareness of the many benefits of the Best Doctors program, especially in those departments with a higher risk of catastrophic injury. CIRMA firmly believes that high quality care is the most cost effective because of more accurate diagnoses, fewer treatment errors and complications, and a faster recovery.

“Getting injured employees back to work safely, in some capacity, is another important way to lower claims costs,” says Bruce A Wollschlager, Chief Executive Officer of CIRMA. “The state of Connecticut mandates Workers’ Compensation rates that are among the highest in the nation, making time-off costs 20% higher on average for New Haven and other state municipalities.

Because prolonged time-off is strongly linked to increased rates of depression, getting injured employees back to work as soon as possible benefits the employee, too. CIRMA’s nurse-case managers’ expertise facilitates an injured worker’s return to productive activity while preventing reinjury.

The NCCI figures track only the direct costs—medical treatment and time-off—they don’t track the indirect costs—such as pay for a substitute teacher. “Those indirect salary costs and administrative costs often exceed the direct costs for an on-the-job injury, notes Wollschlager. “Because they are folded into many different budget line items, they are difficult for municipalities and school districts to identify, track, and control,” he further noted.

CIRMA continues to work with the city to reduce those indirect costs as well as the direct. CIRMA’s recommendations include monitoring claims that involve salary continuation payments, increase employee safety training, increase usage of generic drugs when appropriate, and pursue payments from responsible third parties.

About the Connecticut Interlocal Risk Management Agency

The Connecticut Interlocal Risk Management Agency (CIRMA) was established as a service program of CCM in 1980. Today, CIRMA is Connecticut’s leading provider of municipal risk financing and risk management service in Connecticut. CIRMA’s financial strength enables it to provide assured rate stability, open availability, and expert risk management and claims services.
A member-owned and governed agency, CIRMA provides high quality, tailored insurance for municipalities, school districts, and local public agencies. CIRMA operates two risk pools, the Workers’ Compensation and the Liability-Auto-Property pool. It also provides Heart & Hypertension claims services and claims administration and risk management services to self-insured municipalities.

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