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The Business Case Method for Presenting and Developing a Return to Work Program to Your Management

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Introduction

The economy doesn't care if you're a Fortune 500 company or a mom-and-pop operation when significant cost cutting measures are required as they have been over the past year. It causes belts to tighten in organizations everywhere. Sagging profits have prodded management teams toward one common strategy: How to protect eroding assets and safeguard their bottom line.

One line item that takes a big bite out of budgets in most companies is the rising cost of Workers' Compensation and health care. There is a proven program that can result in **smart savings** during these troubled financial times, which is implementing a Return to Work Program (RTW) with transitional duty as the tool to manage Workers' Compensation and disability costs.

Return to Work Program Senior Management Presentation Strategy

In order to make your presentation and business case to Senior Management you need a strategy and presentation that drives home the cost savings of the program as presented. First, you need to give an overview of the program (not the nuts and bolts) so that Senior Management can understand the basics of what a program will entail. Next, you need to explain the program in business terms and highlight the **smart savings** that your program is going to deliver during these challenging financial times and thereafter. Third, you need to talk in financial terms such as initial investment costs, projected savings (both direct and indirect), Return on Investment (ROI), and Payback Period.

Transitional duty allows workers who are unable to perform their normal job duties because of injury or illness to return to work in temporary modified-duty capacity. By allowing workers to return in a temporarily modified role, companies can:

- Maintain an experienced work force;
- Maintain production, workflow and quality standards;
- Stabilize wage and production expenses;
- Improve compliance with state and federal employment regulations;
- Improve morale and self esteem; and
- Accelerate/improve recovery.

Transitional duty can also help decrease insurance overhead, hiring and job-training costs, use of nonessential medical treatments, injury rates, frequency of lost-time claims, litigation costs, and fraud and abuse.

Evolution of Return to Work

During the 1970's and early 1980's, Return to Work was not nearly as prevalent as it is today. For most employers, Workers' Compensation (WC) injuries were treated much like Short Term Disability, with a simple distinction of "able to perform the job" or "unable to perform job". Thus, employees were typically required to be fully recovered or "100%" in order to return to their jobs. During the 80's, many employers realized that returning employees to their jobs within their physical limitations during the **final portion** of their recovery period had benefits to both the employer and the employee. While employees often did not return to their regular jobs, they were able to mentor junior employees, provide support and produce goods and services in a limited capacity. In many cases, employees returned for shorter shifts, allowing for physical reconditioning as they gradually returned to full capacity. Over time, insurers and employers found that expected recovery times were reduced through this "conditioning period", further reducing the cost of claims.

Adding support to the growing trend, OSHA's recordkeeping rules of Total Lost Days (as a measure of workplace accident severity) allowed employers to enjoy reduced statistics by returning employees earlier than their full recovery date. The trend continued throughout the 1990's, with many employers implementing some form of RTW.

Following the recordkeeping changes in 2002, RTW underwent another change. By this time, virtually all insurers and most employers accepted that (Early) RTW was a positive factor in Workers' Compensation cost reduction; and many insurers offered significant premium credits for employers who practiced or pledged to practice RTW. By this time, full-shift RTW, but with limited duties, was largely the norm and many employers had begun the practice of paying employees full wages while they were placed on restricted work. However, many RTW programs were managed very informally, or on a "case by case" basis, with little planning and documentation regarding the duration and parameters of the program; requirements for eligibility;

planning for specific duties of the recovering employee; and extraordinary management of the job assignments and performance within restrictions. In addition, in 2002 OSHA revised the recordkeeping practice to begin tracking **cases** involving days away from work (regardless of the number of days) as well as restricted or transferred work, placing additional pressure on employers to keep the number of lost time cases low. This resulted in a growing disparity among employers in the application of RTW programs. Often frustrated by the administrative and supervisory burden, some employers have ceased accommodating injured employees until full release. Others have experienced a sort of "RTW inflation", using RTW as the **first course** of treatment, accommodating Workers' for an extended and indefinite period of time in the hope of reducing their Lost Workday Case Rate. Neither of these strategies accomplishes the cost savings intended by RTW. Taken to extremes, this situation sometimes places effective claim management at cross purposes with attempts to attain favorable OSHA rates.

If RTW is to be successful, the benefits of Modified Duty assignment must be fairly weighed against the cost of the program.

Who is Responsible?

A Return to Work program assigns responsibilities to the injured employee, the supervisor and the RTW Coordinator such as the following:

Injured Employee:
- Reports injury immediately to supervisor;
- Completes all needed paperwork as soon as possible;
- Follows RTW guidelines and practices;
- Maintains contact with employer;
- Provides regular updates on health condition, medical status and restrictions issued
- Returns to modified duty that is within medical restrictions as set by the doctor.

Supervisor:
- Conducts initial investigation
- Completes all needed paperwork
- Informs employees of RTW program guidelines and practices
- Maintains contact with injured worker, RTW coordinator and doctor for work restrictions
- Assists in assigning or developing modified work for employee
- Identifies and offers modified duty assignment
- Monitors recovery through incoming medical work restrictions

RTW Coordinator:
- Thoroughly interacts with employee and supervisor at every stage of overall process
- Informs injured employee and supervisor of rights and responsibilities under the Workers' Compensation law
- Maintains documentation and data on status of claims and trends

National Statistics and Trends

Some companies have measured their results and found that of employees off on disability for 6 months, only 50% return to work. If the employee is off for greater than 12 months, only 5% ever go back to work. Productivity losses are estimated at double to triple total WC costs. The majority of American's with Disability Act (ADA) suits are the result of failed WC claims. One of the best defenses against ADA suits is a strong RTW program. An effective RTW program is now accepted as the best practice for reducing WC costs.

Cost Savings and Return on Investment Potential

A significant cost savings opportunity exists for companies to control Workers' Compensation and disability costs through the use of a formal Return to Work program. By keeping track of data for a particular company, a properly administered program can realize an $8 to $10 savings for every dollar invested in a proactive RTW program.

The financial improvement results will vary for companies based on many factors. The most important of these, will be Senior Management's support and the cultural acceptance by location management of the RTW program as an important part of the Company's business model and day to day practices.

In several states, workers' compensation benefit costs are rising at double-digit rates. In its "Full Cost Study", the Integrated Benefits Institute (IBI) reported that direct losses, which include time loss payments, medical, legal, and benefits costs, comprise only 28% of the total costs of a disability. The remaining 72% represent indirect costs which are not covered by insurance. These costs can include items such as: Work productivity losses; replacement worker costs; training; management or supervisor time spent due to the absence of the employee, to name just a few.

One particular company that implemented a formal Return to Work Program it was determined that the average cost for both indemnity and medical-only claims were very close to the national averages; and that timely reporting of injuries and rate of injury per 100 employees were better than the national averages. The formal RTW program resulted in the reduction of indemnity claims and resulted in significant savings and an excellent ROI as further explained below.

The projected **direct cost savings,** based on the Company's implementation of a formal RTW program and the corresponding reduction in indemnity claims were significant enough to grab senior management's attention. Even a 10% reduction in the number of indemnity claims would result in over $150,000 in savings. A 30% reduction would save in excess of $460,000, while a 50% reduction would result in savings of over $768,000, based on the company's prior 3-year history.

Based on the data above and the estimated $30,000 cost of the RTW program implementation, the ROI was projected as follows (see Table 1). Combined with the additional indirect cost factors, these cost savings are further accelerated.

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COST	SAVINGS	ROI RATIO
$30,000	$153,622 (10% Indemnity reduction)	5:1
$30,000	$460,865 (30% Indemnity reduction)	15:1
$30,000	$768,108 (50% Indemnity reduction)	25:1

Table 1: The table is a the RTW Program Implementation ROI

Numerous studies show that many organizations, after implementing RTW programs, have experienced significant reductions – 25% to 50% – in time loss payments and lost days due to workplace injuries. In an article "Evaluating the Practicality of Return-To-Work Programs," (Crawford & Company) the savings formula was reported at 54% of current workers' compensation costs. Their savings formula indicated that the Return on Investment (ROI) was nine dollars for every dollar spent by the organization in implementing an RTW program.

The actual savings and ROI for Companies will be dependent on the level of implementation of a formal RTW program organization-wide. As explained above, an effective and thorough implementation, sooner rather than later, with full support of Senior Management and a cultural acceptance by location management, will result in substantial savings, as evidenced by Companies' historical data and studies quoted above.

Addressing Common Barriers and Pitfalls to Transitional Duty Programs

"We don't have any modified-duty jobs."

One can:

- Modify the job to meet the restriction;
- Look at the tasks of the job to determine which tasks can or cannot be performed;
- Look at other areas within the facility where help may be needed and at the same time keep the employee within his/her restrictions, i.e. filing, greeting customers, answering phones, etc.

"What if an employee's condition gets worse by coming back early?"

Many studies suggest the longer an employee remains at home, the less likely they will return to work. Motivation and "psychiatric overlay" can become issues. The benefits to returning the employee to work early can far outweigh the risk of re-injury.

"I have a lot of work to be done…I need everyone to be able bodied."

There is a cost to absenteeism with or without a transitional duty program. If you need a certain number of able bodies to work, you need them with or without transitional duty, so the hiring of a temporary is a "sunk cost." By allowing the employee to return to work in a transitional duty capacity, you are benefiting from that person's ability to provide some productivity rather than none.

"The budget doesn't allow for 'extra' employees."

Your employee is not "extra." They are your employee. A technique one can use to overcome this barrier initially is to create a transitional duty cost center. By shifting the employee's salary to a transitional duty cost center, and having the employee perform some functions of their job, the department is receiving productivity with no effect on the (departmental) budget. This “cost center strategy” has often been effective as supervisory personnel become familiar with transitional duty and developing modified duty assignments.

"Modified duty is bad for morale or encourages favoritism."

There is no favoritism. Modified duty should be offered to everyone who is disabled by a workplace injury and has restrictions placed on his/her ability to perform all essential functions of the job. If the program is introduced in a positive light, and if management supports this positive culture, the morale should change. Cultural change takes time, but it does occur with management support and commitment.

"The program is too time consuming to administer."

Perform the cost/benefit analysis comparing the time it takes to administer vs. the savings realized by having this program in place. Designate someone to be the program coordinator to streamline the process. Outline that person's responsibilities to administer the program, and gain everyone's support to keep the administration simple.

"I can't have everyone on permanent light-duty assignments."

Consider placing a time limitation on your transitional duty program, perhaps 60 or 90 days. Remember, transitional duty is a temporary modification of someone's job to meet restrictions. If the restrictions haven't been lifted after 90 days, there is a possibility the restrictions are becoming permanent. If this is the case, this now may be an ADA issue, and a decision has to be made whether to provide a reasonable accommodation for the permanent restrictions. Your transitional policy must be clear that the program ends once the restrictions are deemed permanent.

"The program costs too much."

A comprehensive cost/benefit analysis of the direct and indirect costs of employee absenteeism should reveal the benefit in returning employees to work on transitional duty. Ask yourself: “How will the work get done? Will it require payment of overtime or hiring of additional temporary staff?” Consider the morale of the Workers’ who are picking up additional duties for the employee who is absent. Consider the insurance costs for the payment of disability benefits. These are all quantifiable, and will support the benefit of transitional duty implementation.

"The union will never agree to this."

When the benefits of the program are properly presented to the union, most will agree to it. If the employee is receiving his/her whole salary while working in a transitional duty capacity, both the employee and the union benefit from the program. If presented to employees in a positive light, it could boost morale.

Common Pitfalls

Employers many times fall into some common “traps”. Many most common traps and some strategies to avoid them include:

Failure to adequately determine whether the injury has been caused by a workplace condition or practice. In these cases, the employee reports to the employer and subsequently to the physician the nature of their symptoms and their own description of the work environment. The physician begins to treat the case as a WC injury barring any strong challenge from the employer. If conservative treatment and Modified Duty is sought as the *primary and initial course of treatment* and the injury is not work-related (i.e. caused by lifestyle factors outside of their employment), the Modified Duty assignment may continue indefinitely with little to no resolution (since the causal factors, outside of work, have not changed). Eventually, after conservative treatment proves ineffective, more aggressive treatment is needed, driving costs higher through additional medical payments, possible lost time indemnity costs and additional restricted duty time.

This situation can be avoided by providing the physician with objective information regarding the workplace and its exposures, including full Job Descriptions, Job Safety Analysis, and thorough Accident Investigations when the employee first reports to the treating medical professional. The employer and adjuster can and should require a medical diagnosis and statement of causality from the provider before initiating Modified Duty under a WC treatment program. For complex cases, a videotape of the job and/or a nurse case manager assignment may be necessary to adequately determine whether or not the injury should be handled as a WC or STD case.

Delay in reporting often accompanies the first factor. This occurs most often in workplaces where some form of on-site medical services is provided outside the WC system by the employer. (On-site nurse, periodic physician visits, and on-site physical therapy are common examples.) If the on-site medical representative is empowered by the employer to issue restrictions (with or without documented diagnosis and statement of causality), the treatment often enters a cycle of accommodated/full duty until the employee seeks alternative medical care outside the facility. Because the employer has accommodated the employee for a significant length of time, the opportunity for the adjuster to adequately investigate the claim as compensable is lost and the employer has foregone the option of denying the claim as work-related.

If employers choose to use on-site medical services in some form, these services should be used primarily for **triage** of injuries and treatment of first aid only. Protocols for interaction with injured or complaining employees should be clear, and treatment plans (including modified duty) prescribed by occupational physicians with full knowledge of the workplace exposures. Modified duty assignments should specify a time period for accommodation and the expected results of the less-demanding assignment in terms of medical recovery.

Lack of Strategic Plan for subsequent claim management actions. If no expected outcome is predetermined for the Modified Duty assignment and no follow-up information is requested by the employer, the claim may enter a repeating cycle. Adjusters typically do not aggressively follow claims if the employee is working. If the employer also believes that as long as the employee is working the situation is acceptable, the claim may follow this pattern:

- Employer maintains "status quo" with Modified Duty assignment, awaiting information on changes from the adjuster
- Adjuster continues to process and pay medical bills, awaiting revised work status from the physician
- Physician schedules appointments with employee at 4-8 week intervals with no communication of progressive/regressive restrictions in the interim; criteria for removal from restrictions becomes employee's account of level of discomfort

In order to avoid this situation, the employer should begin by predetermining the interval between review of restrictions (as part of the overall RTW program), and communicating these to the physician, adjuster, and employees. The adjuster should then ensure that physician visits are scheduled so that timely medical information is available for these periodic reviews, and that criteria are set for the expected outcomes of the restricted assignment. In this way, an early and objective determination of whether or not the Modified Duty is contributing to recovery may be made, and more aggressive treatment sought if necessary. This also promotes and reinforces the RTW program as a **temporary arrangement**.

Lack of documentation including the aforementioned job exposure information, accident investigation, past treatment history (including lost and restricted time periods), and specific information on the Modified Duty assignment (job steps, weights handled, frequency of tasks, tools used, rotation schedule and assistance devices) are necessary to determine when Modified Duty is no longer benefiting the employee and employer. When the stakeholders have this information available, the most cost effective outcome may be determined, whether a return to full capacity, more aggressive medical treatment, or permanently issued restrictions and re-evaluation of the employee's ability to perform the job.

Conclusion

In order to make your presentation and business case to Senior Management you need a strategy that drives home the cost savings of the RTW program you plan to present. First you need to give an overview of the program (not the nuts and bolts) so that Sr. Management can understand the basics of what your RTW program will entail. Next you need to explain the program in business terms and highlight the **smart savings** that your program is going to deliver. Third, you need to talk in financial terms such as initial investment costs, projected savings (both direct and indirect savings), Return on Investment (ROI), and Payback Period. If you follow these simple guidelines your program will be embraced by Senior Management and you will be well on your way to having an effective RTW program that delivers the desired results.

Bibliography

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