

## **Changes to the California Experience Modification Calculation *Use Them to Lower Your Total Cost of Risk***

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What is an Experience Modification? Simply put, the experience modification compares all eligible employers' workplace accidents and injuries against those of their peers. The resulting rating is one factor that is used to modify the workers compensation insurance premium. If a firm has lower injury frequency than is expected for a company of its size and type, the experience modification rating will be below 100. If it has more, it will be above 100.

### **What's New?**

The experience modification calculation has always penalized high claim frequency. However, in 2017 and 2018, changes were made to the calculation including:

- Greater emphasis on preventing injuries
- Increased penalties for high claim frequency, especially for larger employers
- Eliminating an employer's ability to handle a first aid incident without making a report to their insurer.

Up until 2017, employers could send an injured employee to be treated by an occupational medical provider. As long as that treatment stayed within a narrow definition of *first aid care*, the employer



could pay the bill out of pocket and avoid affecting their experience modification. Once a claim went beyond first aid and was reported to the insurance company, that claim went into the experience modification. In the experience modification formula, the first \$7,000 in paid and reserved costs was weighted heavily for all employers. After that, each dollar went into the calculation at a discount up to the maximum value of \$175,000. The impact of each dollar between \$7,000 and \$175,000 was dependent on how large the employer was. The organization that promulgates the rating (California Workers Compensation Rating Bureau or WCIRB) felt that larger firms had greater ability to reduce claim severity through controls like return to work programs.

However, as of 2017, the WCIRB began assigning a number called a *primary split threshold* to each employer based on expected losses (amount of payroll multiplied by expected loss rates for each class code). Under the new experience rating

formula, this number represents the portion of each claim heavily weighted in the calculation. It rises as payroll increases, and fluctuates with published expected loss rates. Any reserved or paid amounts above a firm's primary split threshold are forgiven and no longer impact the rating. This means that if a small firm and a large firm each have a \$50,000 carpal tunnel claim, the smaller firm might be penalized for as little as \$4,500 of that claim, while the larger firm may be penalized for up to \$75,000; potentially the entire loss.



In 2018, the WCIRB also began requiring insurers to report all injuries that required any medical payout, regardless of who paid the bill. In order for insurance companies to meet their obligation to the WCIRB, they began passing the requirement to report all injuries onto their clients (you). This meant that even if a company paid out of pocket for a first aid treatment versus submitting it for payment by an insurance company in an attempt to avoid having to count that incident as a claim, those payments

## 2018 Risk Management Seminar Series



### **Safety Management Systems 101**

*(Note: This is an all-day seminar)*

Wednesday, Oct. 3

7:30am Registration

8:00am - 4:00pm Program

### **Human Resources Legal Update**

Wednesday, November 7

7:30am Registration

8:00am - 10:00am Program

### **Sexual Harassment Prevention Training**

Wednesday, December 5

7:30am Registration

8:00am - 10:00am Program

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would now be counted against them in the experience modification calculation. This removed one of the most effective ways employers had to control their claim frequency. In combination with new, often higher, primary split thresholds, we began to see experience modifications increase for a number of employers despite the fact that their claim frequency and severity hadn't actually changed.

Luckily, there is one more change on the horizon for January 2019, when the WCIRB will begin forgiving the first \$250 of each claim, whether the treatment was considered first aid or not. This change will allow employers to streamline their process, focus on getting their injured workers great care, and let the insurance company do some of the heavy lifting with regards to first aid costs.

## What Does This Mean For My Company?

The key to controlling the experience modification in 2019 is preventing injuries. Your insurance company and insurance broker should be able to work with you on a schedule of services to do just that. In addition to preventing injuries, it's important to know

what dollar amount of each claim will impact your experience modification, and to make claim management decisions specifically tailored to your calculation. These strategies might include aggressive light duty programs, a strong relationship with your chosen medical provider, or regular claim reviews, depending on how high your firm's primary split threshold is.

It's also important to understand that under most circumstances, paying for first aid care out of pocket is no longer going to help you control your rating. Instead, quickly send your employees to an in-network clinic for minor care, and report the claim right away so your insurance company can promptly negotiate and pay the bills. Once those bills have been reduced according to the state fee schedule and any preferred provider discounts your insurance company has negotiated with the clinic, the cost of a first aid injury is almost always going to be significantly less than the original billed amount and may be under or close to the \$250 forgiveness threshold. This means you are saving out-of-pocket dollars, the injury should have little to no impact on your experience modification rating, and you can return to the business of running your business.

## Conclusion

The experience modification formula can be confusing, and it is always changing. It can be challenging for businesses to stay ahead of these changes and determine what strategies will best help them control costs. The ideal solution is to partner with a risk control-oriented insurance company and insurance brokerage, who can equip your company with a strategy based on your organization's individual calculation and help you lower your total cost of risk. ■



Health and wellness tips for your work and life—  
presented by Cavnac & Associates



## Foodborne Illness is on the Rise: Protect Yourself

It's scary, but it's the truth. You've likely seen the news reports this year, announcing recall after recall of produce, eggs and other foods. According to the Centers for Disease Control and Prevention (CDC), the overall number of diagnosed cases of listeria and salmonella, among others, increased 96 percent in 2017 alone.

Foodborne illness is no joke—1 in 6 Americans get sick and 3,000 die every year from one of 31 known pathogens. Globally, this number increases drastically.

To avoid contracting a foodborne illness, be sure to prepare your food safely and monitor the CDC's outbreak [webpage](#). If an outbreak is reported or a recall is issued, don't risk it! Follow the CDC's advice so you don't get sick.

## HBP Guidelines Have Changed: Do You Know Your Risk?

The American Heart Association and the American College of Cardiology redefined what is considered high blood pressure (HBP) in November 2017, based on new evidence supporting a lower threshold. Stage 1 high blood pressure, also known as hypertension 1, is consistently measured at 130 over 80 or greater. The previous threshold was 140 over 90.

HBP is a serious condition that, if left untreated, can lead to coronary heart disease, heart failure, stroke, kidney failure and other health problems.

### The New Guidelines & You

Under these new guidelines, nearly 46 percent of American adults are considered to have high blood pressure. Over one-third of Americans would be recommended for high blood pressure medication.

### Your Next Steps

HBP is referred to as the "silent killer" because those who have it don't typically experience symptoms. The best way to find out if you have HBP is to get your blood pressure checked every two years and speak with your doctor.

In some cases, HBP can be prevented by living a healthy lifestyle that includes exercising regularly, eating a healthy diet low in salt, fat and alcohol, avoiding smoking and managing stress.

For more information, speak with your doctor.

## Beets, Beans and Greens

¼ cup lemon juice  
1 garlic clove (finely chopped)  
2 tsp. mustard  
2 tsp. vegetable oil  
2 cups beets (cooked, sliced)  
1 head of lettuce (washed, torn into pieces)  
2 cups beans (cooked, rinsed)  
Salt and pepper (to taste)

### PREPARATIONS

1. Combine lemon juice, garlic, mustard, oil, salt and pepper in a large bowl to make a dressing.
2. Place sliced beets in a separate bowl. Toss 1 Tbsp. of dressing with beets to coat.
3. Toss the lettuce pieces and beans with the remaining dressing in the large bowl.
4. Plate dressed salad and beans. Add dressed beets on top.

Makes: 6 servings

### Nutritional Information (per serving)

Total Calories	150
Total Fat	5 g
Protein	6 g
Carbohydrates	22 g
Dietary Fiber	7 g
Saturated Fat	1 g
Sodium	176 mg
Total Sugars	5 g

Source: USDA

## Fruits and Veggies: How Much is Enough?

If you're like the majority of Americans, you're most likely not eating enough fruits and vegetables. Fruits & Veggies – More Matters, a national health observance that occurs every September, wants to change that.

Fruits and vegetables contain essential vitamins, minerals, fiber and other naturally occurring substances that may help prevent chronic diseases.

### How Much is Enough?

According to [MyPlate](#), the U.S. Department of Agriculture's symbol for healthy eating, the recommended adult daily serving for fruits and vegetables are:

- Fruits
  - Women: 2 cups (ages 19-30), 1 ½ cups (ages 31+)
  - Men: 2 cups (ages 19+)
- Vegetables
  - Women: 2 ½ cups (ages 19-50), 2 cups (ages 51+)
  - Men: 3 cups (ages 19-50), 2 ½ cups (ages 51+)





# Cavignac & Community



Cavignac & Associates is proud to support local and non-profit civic organizations, including Serving Seniors.



## Emilio's Story

When Emilio was diagnosed with Acute Lymphoblastic Leukemia (ALL), his parents Richard and Diane felt their world turned upside down cycling through emotions including fear, promise, desperation, and hope. Despite a relapse, intensive chemotherapy, marrow registry search, and a transplant, the Nares family say they felt lucky. They had family, friends, even strangers reaching out to help them. However, while living at the hospital, it became clear not everyone has the same kind of support.

After Emilio passed away just before his sixth birthday, he passed the torch on to his parents.

Richard and Diane honored his memory by creating the Emilio Nares Foundation (ENF) to help low-income underserved families meet basic needs, especially transportation. Emilio's spirit can be felt in the hundreds of young patients ENF helps annually — laughter in the van, a comforting hand during hard times at the hospital, and the smiling eyes of our families. He looks after us all.

