



Self-Insured Group Finds Success in Holistic Approach to Risk Management

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Reducing workers' compensation costs can be a difficult challenge, especially if you're a self-insured group. Learn how this 300-member auto group covering 25,000 employees made major advances in their workers' compensation program—and paid out more than \$23 million in dividends to its members.

The automobile industry was hard hit when America fell into the Great Recession a decade ago. As lending tightened and consumer spending plummeted, automobile manufacturers filed bankruptcy and dealers closed. The members of the Virginia Automobile Dealers Association (VADA) Group Self-Insurance Association (GSIA), which provides workers' compensation insurance for roughly 75 percent of franchised new car and truck dealers in Virginia, were no exception.

While VADA GSIA made great strides improving safety and reducing losses from 2000 to 2008, the recession led to more than 75 dealerships going out of business in Virginia. Those that survived cut costs and consolidated. The resulting decline in employment reduced the VADA GSIA's workers' compensation premiums, while dealerships strained to maintain safety standards and strategies such as returning workers to modified duty.

By 2012, the economy had improved, dealers were poised for growth and the time was right for VADA to advance the workers' compensation program for their self-insured group. Led by Don Hall, VADA President, Michael Allen, VADA GSIA General Manager and their TPA, PMA Management Corp., VADA GSIA took a holistic approach to the diverse exposures of dealerships. They focused on strategic loss prevention measures to reduce exposures and improve safety, while reducing the cost of claims through effective managed care and return-to-work strategies.

Today, more than 25,000 employees covered by the program work in a safer environment and VADA GSIA's 298 members and approximately 400 dealership locations are experiencing significant reductions in the total cost of risk. Their impressive results include:

- 60 percent lower loss ratio 2012-2016
- 19 percent reduction in lost-time claims frequency since 2014
- 25 percent drop in incurred costs 2012-2016
- Improvement in average days to report a claim from 6.7 in 2012 to 4.3 in 2016

To reach these results, the VADA GSIA team needed to address several unique and emerging challenges.

Diverse Exposures and Cultures

The first challenge was addressing the diverse safety hazards at auto dealers. In the Parts Shop, employees are exposed to strains from handling heavy parts, slips and falls, and cuts and scrapes. Plus, delivery drivers face the risk of auto accidents. In the Service Shop, exposures include eye injuries from flying debris or chemicals, strains from tire and parts handling, burns, slips/falls, and a large number of cuts and scrapes. The sales staff also experiences surprisingly severe claims, such as auto accidents and slips and falls due to snow, ice and rain, as well as strains from moving vehicles and equipment like sales tents. Even the business, accounting and office staff suffer from slips and falls.



Secondly, VADA GSIA was challenged with integrating the nearly 300 independent dealers into one workers' compensation culture. Dealers are scattered throughout Virginia and VADA GSIA members range from small, single-location, family-run dealerships to multi-dealership groups with no cohesive structure to large, regional operations with a strong corporate structure governing several locations.

Finally, VADA GSIA was faced with work practices and attitudes that sometimes get in the way of employees working safely. For example, service technicians are paid on "service turned"; that is, they are paid per task for a standardized number of hours. If the manufacturer's service manual says it takes two hours to change an alternator, and the technician completes the change in one hour, they still get paid for two hours of work. If any safety precaution threatens to slow them down, they are likely to skip it.

Communication is Key to Preventing Injuries

To address these exposures, VADA GSIA needed to create a culture of safety that overcame workplace obstacles across its diverse membership. VADA GSIA determined that communication needed to be consistent and sustainable. It also needed to make it easy for dealerships to manage safety within their businesses – providing innovative resources so managers did not need to perform as public speakers and teachers on safety topics.

VADA GSIA did this by taking a strategic communications approach and delivering materials and resources to its members that are effective, efficient and educational, including:

- A comprehensive, VADA GSIA-specific website of workers' compensation resources that reflect the diversity of dealers' exposures, including more than 100 safety and injury prevention education materials, and put a wealth of tailored, loss prevention resources at the dealers' fingertips.
- "High-Octane" Video email blasts to members embedded with two-minute videos focusing on safety and loss prevention matters.
- "Shop Talk" training videos designed for service, parts and body shop managers to use in safety meetings with employees.
- E-newsletters that consistently communicate strategies to keep workers safe and the bottom-line value of safety initiatives in reducing workers' compensation claims.
- "Basic Safety Rules for Automobile Dealers," a safety booklet that reinforces basic loss prevention and reduction concepts. This comprehensive and popular resource uses graphics and text to teach workers about the safety considerations particular to working in an auto dealership.
- "Dealer University" sessions – day-long seminars in a convenient Virginia location where dealers come together to discuss topics ranging from human resources to loss control.

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These efforts had significant results. For example, VADA GSIA reduced “struck by” injuries by 19 percent from 2014 to 2016 by educating dealers about OSHA requirements on providing employees with Personal Protective Equipment (PPE) and enforcing its use. They helped dealers educate employees about using mechanics gloves, safety glasses and other PPE, providing sample written policies, a safety video and other resources.

And in 2015, VADA GSIA’s TPA developed custom claims coding, enabling them to drill down to the type of strain by category (tire handling, pushing a vehicle, etc.). As a result, they detected an uptick in tire handling strains in 2016 and developed additional resources – including Shop Talk videos – to address them.

Risk Assessment and Assistance

Dealership risk control visits and risk assessments are an important part of how VADA GSIA supports worker safety efforts among dealerships. While these visits were implemented years earlier to address safety issues and prevent OSHA fines, over the last five years, the visits have become more frequent and thorough.

With two dedicated specialists from PMA Management Corp., the VADA GSIA increased the number of visits/assessments from 340 in 2012-2013 to 484 in 2015-2016, a 42 percent increase. Each dealer now receives a visit from a risk control consultant at least once every 12 months. These consultants conduct a safety review of facilities, review claims history and identify opportunities for improvement.

Following the visit, dealers receive an assessment to help them understand how they rate on measures of management, safety procedures, general building conditions and safety in the service, parts and body shop departments. Frequency ratings, based on the OSHA incident rating, and severity ratings, based on the dealer’s loss ratio, are also compared against industry-recognized benchmarks. Any dealership not meeting expectations receives more frequent, focused visits.

These visits and assessments played a big role in reducing the frequency of slips, trips and falls by one third from 2014 to 2016. During the visits, VADA GSIA and its TPA reviewed housekeeping, immediate spill clean-up and oil containment, and then helped dealers develop a housekeeping plan and monthly safety checklist.



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A key component to the success of these visits and assessment was VADA GSIA's ability to overcome the perception among dealers that they were punitive measures. VADA communicated these visits as a value-added benefit of choosing the group for workers' compensation insurance, focusing on helping dealers protect workers and avoid OSHA visits and fines. More managers now look forward to these visits as an opportunity to gain insights that help them save money.

Additional support is provided for high-risk dealerships—those who do not meet the benchmarks of frequency and severity – through a Risk Assistance Program (RAP). VADA GSIA's TPA has two dedicated consultants working with the dealership's upper management to create a detailed, specific plan for addressing worker safety issues and hazards, and communicates the plan to every manager, with each held accountable.

Controlling Claims Costs

The second part of VADA GSIA's holistic approach to workers' compensation is to manage the cost of claims through managed care and return-to-work programs. To manage medical costs, VADA fully leverages its TPA's medical and pharmacy programs:

- Claims reps and nurse case managers provide ongoing medical management for the injured worker; while pharmacy nurses focus on managing narcotics trends.
- If needed, a nurse case manager is available for assessments for lost-time claims and provides support for serious, medical-only claims.
- Nurse clinical evaluations are used to assess the appropriateness of treatment.
- The TPA negotiates savings and discounts with specialty provider networks, PPO networks and out-of-network providers.

Physician panels are another key component of cost control. Since many VADA GSIA members were not keeping their panels up-to-date or readily accessible, VADA GSIA set up an "auto generation" program that automatically generates new panels on April 1 and October 1, distributing them by email to members, customized for each location.

VADA GSIA has also helped shape workers' compensation reform in Virginia, where workers' compensation costs are high compared to many other states. Led by Michael Allen, VADA GSIA took this challenge to the state legislature and a new medical fee schedule has been adopted by Virginia, effective January 1, 2018.

Providing Education through a Return-to-Work Program

As part of an overall focus on claims resolution, the VADA GSIA emphasizes the importance of returning injured workers to work as soon as medically indicated. VADA GSIA encourages dealers to develop a written return-to-work program so they

have an advance plan. During risk control visits, their TPA consultants discuss job duties that might be transitional duty. Claims reps also work with the dealership management to encourage light or transitional duty when an injury occurs.

VADA GSIA is so committed to return to work that Michael Allen personally intervenes on lost-time claims. He



carefully monitors data to see if employees are out on lost-time claims and then calls managers to reinforce the benefits of returning to work and brainstorm creative solutions with them. In fact, Allen's ability to establish a direct line of communication with dealer leadership and provide a nuts-and-bolts perspective on the importance of safety initiatives and return-to-work strategies has been pivotal to VADA GSIA's success.

Conclusion

VADA GSIA's focus of preventing claims, reducing the cost of claims, and educating management and employees is paying off.

VADA GSIA's most recent success is rooted in commitments it made to safety nearly 20 years ago, spending up-front for a program that would improve safety and reduce claims costs for years to come. As a result, dividends have been returned to workers' compensation program members every year since 2007, and now total more than \$23 million over this period. This proactive approach will continue to not only pay dividends in dollars but in workers' safety for years to come. ■



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