

Dear CESA Members;

In this newsletter we have included material that we hope you will find useful including:

1. State Fund's mid year rate announcement, which could provide additional rate reductions to our members whose policies renew after July 1, 2008.
2. An excerpt from an article titled "Back Safety for Long Term Care Employees", by CESA's safety consultant – Michael Boldt, NHA, ARM. The complete article can be found on our website.
3. An article by Frank Pennachio, a co-founder of the Institute of Work Comp Professionals, that discusses the eight mistakes employers should avoid so they can achieve long-term savings in workers comp. This article is especially relevant since, with medical inflation on the rise, the Workers' Compensation Insurance Rating Bureau of California has recently recommended a 16% overall average increase to pure premium rates for new and renewing policies as of January 1, 2009.

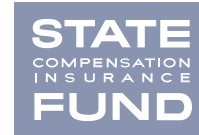
In the past few years we have witnessed major reductions in workers compensation insurance premiums. However this should not stop safety efforts, since the most effective way to make certain that workers comp premiums stay low, is by reducing occupational injuries. This is what we at CESA are committed to doing.

And finally, one administrative matter – for those who haven't previously done so, please send in your 2008 membership applications and annual membership fee of \$50.

Sincerely,

Stewart Edelman

Stewart Edelman, CPA
Chief Operating and Financial Officer



State Fund Announces July 1, 2008, Rate Filing

State Fund filed a July 1, 2008, rate filing that will result in an anticipated 3.5 percent reduction in collectible premium. While base rates will remain unchanged, State Fund has expanded the Merit Rating and Claims Free Credit plans to lower rates for policies with superior safety records. The new rate filing will apply to new and renewal workers' compensation policies with effective dates on or after July 1, 2008.

The Claims Free Credit discount for some small employers with superior safety records will increase from 10 percent to 13 or 15 percent. Additionally, for the first time, new business accounts may also qualify for a Claims Free Credit discount based on experience with their prior carrier.

State Fund is also enlarging the range of accounts that qualify for its Expanded Merit Rating Plan, allowing underwriters greater discretion in pricing accounts that generate more than \$100,000 in premium. State Fund's underwriters will be able to base more of the pricing decision on each individual account's experience, providing the opportunity for deeper discounts on accounts with excellent safety records.

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PRESIDENT'S message

Welcome to CESA

It is my pleasure to welcome you to CESA. I am Hannah Edelman, President of Convalescent Employers Safety Association (CESA) and I invite you to peruse our newly formatted newsletter.

CESA, in association with the State Compensation Insurance Fund, provides group workers compensation insurance programs to California nursing homes and residential care facilities. The partnership between CESA and State Fund has provided employers with stable and superior services since 1980.

CESA members receive an automatic group discount of 6% on their workers' compensation insurance, along with additional benefits and safety services designed to reduce members' occupational injuries.

In this and future newsletters, you will find articles that are of interest to our industry. As an aside, if there are any particular areas of interest to you, please let us know and we will try to incorporate information concerning those subjects in future newsletters.

This and other newsletters can always be found on our website www.cesa-cal.com. The website also contains other safety information, including safety articles and other safety resources. Please log on and visit us.

Please see below CESA's contact information.

Again, thank you for joining our group and we look forward to being of service to you.

Hannah Edelman

Hannah Edelman

CESA'S CONTACT INFORMATION

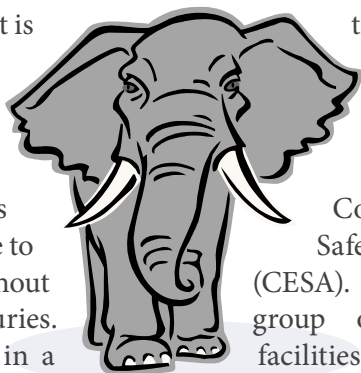
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Back Safety for Long Term Care Employees: Take a Bite out of WC Losses

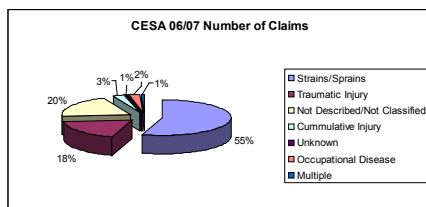
In 2006, 9.8 out of every 100 workers in nursing care facilities suffered some nonfatal injury or illness; 6.3 out of every 100 suffered injuries that required time off, modified duty or job transfer. 121,100 persons employed in nursing care facilities suffered some nonfatal injury in 2006. (675,200 in the health care and social assistance industries combined)
—Bureau of Labor Statistics, US Department of Labor, October 2007

The statistics above are staggering. Working as a care giver in a long term care setting is consistently one of the most hazardous jobs. It is our duty as care givers, administrators, and operators to create a safe environment in which our employees and colleagues are able to provide good care without suffering avoidable injuries. The subject of safety in a nursing home is vast. We are left, therefore, with the age-old conundrum “How does one eat an elephant?” The answer is, of course, “One bite at a time”.

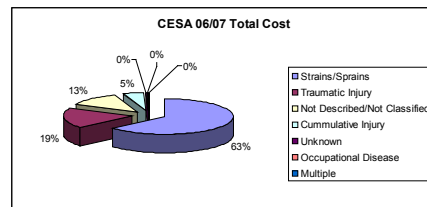


It is appropriate to begin devouring this great beast by identifying the most frequent and expensive

injuries in the long term care setting. The most recent statistics from the California State Compensation Insurance Fund confirm that *sprains and strains* are by far the most prevalent and costly injuries among the current members of Convalescent Employers Safety Association (CESA). Within this select group of long term care facilities, 55% of the reported injuries and 63% of claims costs resulted from strains and sprains.



The most written about subject within this broad category is back injury prevention. Implementing strategies prescribed by industrial hygienists to reduce back injuries, for the most part, reduce the



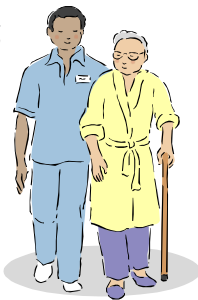
injuries included within the broad category of sprains and strains. This article will present the job functions that lead to back injuries; why these duties are so potentially dangerous; and lastly provide some strategies used to reduce the danger to healthcare workers.

Job Functions

Among the hazardous activities performed by long term care workers in a facility treating patients whose diagnoses are primarily medical, the most dangerous involves bearing the weight of patients. For the minority of skilled nursing, residential care and board and care facilities who primarily provide services related to mental illness and developmental disabilities, injuries related to patient combativeness are far more prevalent if not more severe. Because this article proposes to address issues related to the most common and costly injuries suffered by long term care workers as a whole, patient handling remains the obvious choice of topics on which to focus.

What are the activities associated with patient handling? One commonly used guide lists the following (Feletto and Graze, 1997):

- Manual lifting
- Laterally transferring between two horizontal surfaces
- Ambulating
- Repositioning in bed or chairs
- Manipulating extremities
- Transporting patients, residents and equipment
- Performing activities of daily living
- Stopping falls or transfers from the floor



Anyone who has worked in a nursing home or residential care facility has, at least, a general understanding of the above listed activities. All of the activities, with the exception of the last one, "Stopping falls or transfers from the floor", are performed on a regular basis by a caregiver and they are anticipated. Let it suffice to say that the main danger involved in all of these activities involves the

healthcare worker bearing weight.

Reasons for Danger

The subject of bearing weight is one of the most studied and written about ergonomic issues and is usually included in a larger subject known as "Material Handling". There is general agreement regarding the proper body mechanics that should be used by a human being to lift an object.



Workers should learn to squat over the item to be lifted, and face it squarely. In this position, the back gets added lifting strength and power from the legs and arms. Teach workers to tilt the item on edge with its long axis straight up so the center of the weight is as high as possible above the ground. Next, the worker should move up close to the item, because the backbone must act as a supporting column, and it takes the least strain close in. In this position, the worker is ready to lift. Still squatting, the feet should be set with legs pointed right at the load, with the back straightened, the worker may then grasp the load with both arms and slowly stand up with it. —State Compensation Insurance Fund, Safety Meeting Topics, Back Injuries – Get Your Workers Back in Control, 2000

The above guidelines work very well for a bushel, box, basket or barbell. The guideline's usefulness regarding patient handling, however, brings another "B" word to mind. A patient is heavier than most objects moved in an industrial setting and because they are fragile and must be handled with

dignity, optimal body mechanics is nearly impossible. Most patient areas are cramped and caregivers must lean over a bed, a foot rest or shower chairs and extend their arms to even touch a patient. Lastly patients sometimes unwittingly or purposely change positions during a move which can subject the load bearer to a great deal of unexpected and sudden force. (Continued)

To get some general strategies for addressing the dangers discussed above, read the whole article at www.CESA-Cal.com.

About the Author: Michael Boldt is the president of Boldt Risk Management Solutions Inc. Mr. Boldt is a Licensed Nursing Home Administrator, an Associate of Risk Management, and has passed the Workers' Compensation Self Insurance Administrators Exam. Michael is currently contracted by Convalescent Employers Safety Association CESA to provide expert advice regarding the association's safety efforts and to provide individualized safety services to CESA member facilities. Contact Michael at safety@cesa-cal.com or Michael.Boldt@BRMSinc.com.

REFERENCES

Feletto, M and Graze, W., *A Back Injury Prevention Guide for Health Care Providers*, CAL/OSHA Consultation Services, November, CA 1997

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The information and advice provided in this article is general in nature and should not be considered a substitute for a customized safety program prepared by an ergonomic or safety professional.

8 major Workers Comp mistakes

Throughout much of the country, declining Workers Compensation rates are music to employers' ears. After all, that seems like long-awaited good news, particularly since Workers Compensation is, more often than not, viewed as a necessity and a significant cost of doing business.

Yet, looking at Workers Compensation as a business necessity or a commodity is a major fallacy. Although most employers fail to recognize it, Workers Compensation is a core business practice and a means for improving the bottom line.

Rather than diverting attention and finances during periods of lower Workers Compensation rates to other business priorities, employers can benefit by taking steps to guarantee long-term savings. Here are eight mistakes employers should avoid so they can achieve long-term Workers Compensation savings:

1 Confusing lower premium rates with cost reductions

Many employers are surprised to learn that a reduction in rates does not always mean a reduction in costs. Let's begin with a basic understanding of what determines the cost of Workers Compensation insurance. Unlike other

insurance, Workers Compensation functions like a credit line to finance the costs of injuries. As such, rates alone do not determine the overall cost. An Experience Modification Factor (Mod) tailors the cost of insurance to the individual loss performance of an employer. A Workers Compensation premium is calculated by this formula: Rate x \$100 Payroll x Experience

Modifier.

The Mod calculation is complex. But an employer generally is compared with similar employers in the same industry classification, and if past losses are lower than average, a credit rating reduces the premium. Conversely, if past losses are higher than average, a debit rating can actually increase costs in spite of lower rates.

2 Becoming complacent

Declining rates act as blinders for many employers. With lower prices, it's easy to shift focus away from injury management and cost containment to other, more pressing business matters.

While increased attention to safety led to a decline in the number of workplace accidents, which resulted in fewer claims and lower rates, claim frequency is only one part of the equation. The other part, claim cost including indemnity (lost wages) and medical care, continues to rise.

In many industries where there are tight labor markets, wage gains are expected to trend higher, suggesting further increases in indemnity severity. At the same time, medical care costs have marched relentlessly upward since the mid-1990s.

Even more disturbing is the fact that the growth in Workers Compensation medical costs has been much steeper than in the health care industry as a whole, indicating that not only medical inflation but a mix of services and overutilization are driving up costs.

If claims remain open and injury costs escalate, reserves (estimate of ultimate cost of injury) rise and adversely affect the employer's Experience Modification Factor, thus increasing costs. Employers need to understand what is impacting medical costs and measure key metrics such as cost per claim trends adjusted for diagnosis and severity.

3 Focusing on direct costs only

Ask a businessperson how much he or she spends on Workers Compensation and almost all will respond with the price of the premium. Yet, the direct costs of Workers Compensation often represent only 20 to 30 percent of the overall injury expenses.

Indirect costs, including overtime, temporary labor, increased training, supervisor time, production delays, unhappy customers, increased stress, and property or equipment damage represent several times the direct cost of the injury. A 2002 Safety Index report by Liberty Mutual tallied the direct cost of workplace injuries at \$40.1 billion. The total financial impact of both direct and indirect costs was estimated to be as much as \$240 billion.

Injury costs, both direct and indirect, will have a much greater impact on an employers' overall costs than rate decreases.

4 Thinking rates will stay low

Historically, the Workers Compensation price cycle has repeated in a predictable pattern: Rates decline, insurance is purchased for a lower price, employers shift focus away from Workers Compensation, claim costs do not fall in relationship to reduced rates and employers' Mod increases, legislative reforms erode or become ineffective, insurance company profits diminish and rates increase.

During a declining rate cycle, the plan expects that if rates go down, so should injury costs. If employers do not manage injury effectively and claims do not go down, the employers' Mod will go up. When rates rise again, the increased Mod will wipe out any savings garnered during the declining rate cycle.

5 Viewing Workers Compensation as an expense

Employers should recognize that Workers Compensation is more than a necessary expense; it is a controllable aspect of business that, if managed properly, will have a measurable and positive return on investment (ROI).

In "ROI Selling," authors Michael Nick and Kurt Koenig note three measures of ROI, writing, "Return on investment occurs when a company realizes an increase in revenue, a reduction in cost or an avoidance of cost."

Viewing Workers Compensation as an ongoing process and not an expense can accomplish all three. When injuries do occur, employers can increase their revenues by getting employees back to work quickly and reduce their costs

by managing the injury effectively. By recognizing that Workers Compensation begins at the date of hire, employers can avoid costs by hiring the right people.

6 Separating Workers Compensation from employee retention

Retaining skilled employees is one of the most difficult challenges facing businesses today. Turnover is extremely costly. According to estimates it is anywhere from 50 to 150 percent of an employee's annual salary.

If a work-related injury is not managed properly, it can result in the unnecessary loss of a skilled, trained employee. The longer employees are away from the job, the less likely they are to return. Statistics show that if employees are not back to work within 12 weeks, they only have a 50 percent chance of ever returning.

The fundamental reason for most lost time is not medical necessity but the non-medical decision making and lack of a process that occurs after an employee is injured. The workplace response is key: Studies show employees' satisfaction with their employer's response has a much larger impact on employment stability than their satisfaction with healthcare itself. Being guided by a plan that focuses on communication and return to work will be far more effective than declining rates in both reducing Workers Compensation costs and improving productivity.

7 Devaluing your relationship with the insurance company or agency

In a time of declining rates and new competition, there is a tendency to shop for the lowest price. The insurance industry is not immune to the old adage, "You get what you pay for." Chasing the lowest rate can result in poor service or having to deal with an insurance company's unstable finances. In every "soft market" cycle, insurance companies have gone bankrupt and been unable to pay claims. It is critical for employers to investigate the insurer's stability as well as its long-term commitment to the Workers Compensation market to mitigate the possibility of a financial failure.

Furthermore, selecting an agent and carrier with an excellent understanding of Workers Compensation is very

important. The added benefits of improved hiring practices, medical relationships and comprehensive injury management services will reduce both the number of claims and the costs of claims, resulting in a lower Mod. Unlike declining rates, a reduced Mod is a guaranteed way to drive down costs over the long term.

8 Measuring the wrong thing

Prominent statistician John Tukey, Ph.D., said, "When the right thing can only be measured poorly, it tends to cause the wrong thing to be measured well. And, it is often much worse to have a good measurement of the wrong thing, especially when it is so often the case that the wrong thing will, in fact, be used as an indicator of the right thing, than to have a poor measure of the right thing."

When Workers Compensation is treated as a commodity, the decision is reduced to the lowest possible common denominator: price. This shortsighted approach is equivalent to expecting gourmet food on a fast food budget. If employers are not measuring the true financial impact of work-related injuries, they cannot effectively manage them.

Viewing Workers Compensation as a core business practice of comprehensive risk management, the focus shifts from price to tangible metrics that are driving claims costs. With this information, employers can address the underlying circumstances and conditions that are pushing up work-related injury costs and measure the value of their actions.

The declining rate period provides an opportunity and a challenge for employers. The opportunity is to use the "found" money to implement practices that will improve their company and profits: better hiring, injury management and improved education and training. The one constant that separates employers from their competitors is their workforce. The challenge is to protect it.

Frank Pennachio, CWCA, is the cofounder and director of curriculum for the Institute of WorkComp Professionals, an organization that tests and certifies insurance professionals with the skills and knowledge necessary to alert employers about the hidden costs and overcharges in the workers compensation insurance system.

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