Employer Financial Incentive Programs: Newfoundland and Labrador's Experience

Presented by: Brenda Greenslade, Executive Director Employer Services, Workplace Health, Safety and Compensation Commission

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PRIME Program Development

PRIME needed to:

1. Reward efforts as well as results
2. Include more employers
3. Increase accountability of employers
4. Improve clarity and effectiveness
How PRIME works

Part 1: Practice Incentive

• 5% refund based on compliance with five criteria in the areas of:
  • Occupational health and safety
  • Early and safe return-to-work
• Specific Practice requirements depend on Employer Category (size)
• Employer completes questionnaire on Annual Employer Statement

Part 2: Experience Incentive

• Additional refund (or charge) based on claims experience
• Must meet Part 1 criteria to get an Experience Refund under Part 2
Part 1: Practice Incentive

<table>
<thead>
<tr>
<th>Practice Requirement</th>
<th>Employer Category *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Statements</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Injury Reporting System</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Worker H&amp;S Representative, Designate &amp;/or an OH&amp;S Committee</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>Occupational Health and Safety Program</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Return-to-Work Program</td>
<td>✓</td>
</tr>
</tbody>
</table>

*Construction employers must also be COR™ Certified with a valid Letter of Good Standing to be considered for PRIME Refunds.
Part 2: **Experience Incentive**

- **Charge**
  - Charge equals amount that claims costs are above the range

- **Refund**
  - Refund equals amount that claims costs are below the range
  - Maximum refund occurs when there are no claims
Part 2: Experience Incentive Example

• An employer has an experience incentive range of $40,000 to $60,000.

• If claim costs are $10,000
  • There is a $30,000 refund ($40,000-$10,000)
    • Employer will only receive this credit if they meet their Practice Incentive Requirements

• If claim costs are $50,000
  • There is neither a refund nor a charge

• If claims costs are $80,000
  • There is a $20,000 charge ($80,000-$60,000)
The Commission's Experience

- **Stakeholder Communication**
  - Massive communication campaign targeted at primary stakeholders

- **Stakeholder Reaction**
  - Employers
  - Injured Workers
  - Internal Staff
The PRIME Program Today

Practice - Comparative Year Results

**Chart 1**
% Employers who received Practice refunds
(number of employers)

- 2008: 25.5%
- 2009: 26.9%
- 2010: 29.7%
- 2011: 31.7%

**Chart 2**
% Available Practice refund dollars applied
(refund $)

- 2008: 53.1%
- 2009: 66.8%
- 2010: 68.9%
- 2011: 69.4%
Experience - Comparative Year Results

% of Employers who received Experience refunds and charges, 2008-2011
Practice Results - by Employer Size

2011 Practice Results (% of employers)

All Employers
(15,929)

- 68.3%
- 31.7%

Large Employers
(447)
Average Assessment ≥ $48,000

- 24.8%
- 75.2%

Small & Medium Employers
(15,482)
Average Assessment < $48,000

- 30.5%
- 69.6%

% Practice Refunds Applied
% Practice Refunds Forfeited
Experience Results - by Employer Size

2011 PRIME Experience Results (% of employers)

All Employers
- 30.5% Experience Refunds Applied
- 61.9% Experience Charges Applied
- 4.7% Experience Refunds Forfeited
- 2.9% Within Range (Neither Result)

Eligible Employers = 14,187

Large Employers (Average Assessment ≥ $48,000)
- 14.2% Experience Refunds Applied
- 21.3% Experience Charges Applied
- 13.0% Experience Refunds Forfeited
- 51.5% Within Range (Neither Result)

Eligible Employers = 431

Small & Medium Employers (Average Assessment < $48,000)
- 4.1% Experience Refunds Applied
- 29.8% Experience Charges Applied
- 2.6% Experience Refunds Forfeited
- 63.4% Within Range (Neither Result)

Eligible Employers = 13,756
Increased general level of awareness of specific Early and Safe Return-to-Work (ESRTW) policies and procedures.

Has given employers and employees the opportunity to have a more consistent and fair approach to ESRTW through the development of a program.

Increased cooperation between management and employees.
- Due to requirement to engage in joint and meaningful consultation on the RTW program.

Has allowed employees to be more engaged and have a sense of ownership of the ESRTW process.

Has increased employers use of ESRTW options for injured workers given the potential cost implications associated with PRIME.
20-year Lost Time Incidence Rate

Lost Time Incidence Rate per 100 Employees and Employment, Newfoundland Labrador 1990 - 2011

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Lost Time Incidence Rate per 100 Employees and Employment</th>
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<tbody>
<tr>
<td>1990</td>
<td>5.03</td>
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<tr>
<td>1991</td>
<td>206,900</td>
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<td>1992</td>
<td>204,700</td>
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<td>2009</td>
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<tr>
<td>2010</td>
<td>222,000</td>
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<tr>
<td>2011</td>
<td>225,400</td>
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</tbody>
</table>

Emp. Numbers

Incidence Rate
Percentage of Injury Free Employers
2000 to 2011

Note: Claims include lost-time, health care only, and fatalities.
Q&A

Newfoundland and Labrador's Employer Financial Incentive Program