

THE ARMSTRONG REPORT

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Employee Benefits

Group Plan Inflation Low, New Cost-saving Strategies Emerge

EMPLOYERS AND their workers continue gravitating towards high-deductible plans to stave off premium increases, which have been averaging about 3% a year this decade.

And with employers expecting that premiums will increase by an average of 4.3% in 2018, according to a recent study by Mercer, the trend is likely to continue.

That rate of increase is the highest since the passage of the Affordable Care Act in 2010, but it's still low compared to the decade before, which was marked by double-digit inflation. Employers have been countering this by shifting more costs to employees.

Fortunately though, while confusion has been swirling about the ACA's future as congressional efforts to repeal the law have foundered, and the individual market is seeing 20% rate hikes, the group market has been stable.

Both Mercer and the Kaiser Family Foundation are unsure as to why the rate of cost inflation has been so low in the employer market, since there have really been no substantial new efforts to control costs.

But one factor that they do point to is that policies have changed and shifted more costs to out-of-pocket spending for employees, which reduces premiums.

According to the Mercer survey, covered workers' average contribution to family coverage has increased 32% since 2012, and 74% since 2007.

As employees have taken on more of the cost

burden by having to pay more in out-of-pocket costs, there are concerns that the added financial pressure is taking its toll.

As many as 30% of respondents said they have trouble paying their medical bills because the cost-sharing burden is so high, the Kaiser Family Foundation found in its report. That could result in some employees putting off care because they can't afford it.

Employee costs

In 2017:

- Employees paid on average \$1,213 toward single coverage premiums, or 18% of the total premium.
- Employees paid on average \$5,714 toward family premiums, or 31% of the entire premium.
- The average deductible was \$1,221 for single coverage.
- 51% of workers are enrolled in a health plan with a deductible of \$1,000. The rest is covered by employers.

See "Focus on page 2



CONTACT US

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Workers' Compensation

Closed Claims and Adjustments to Your X-Mod

SO, YOU HAVE a workers' comp claim that's been growing in terms of costs for the last two years, and finally it has closed.

You've been fretting about its impact on your experience modification factor (X-Mod), so now that it's closed, what happens?

Under the Closed Claims rule of the Experience Rating Plan (Section VI.12) issued by the Workers' Compensation Insurance Rating Bureau (WCIRB), an experience modification may be subject to revision whenever claims that were used in calculating the X-Mod are reported as closed, meaning that no more payouts will be made on the claim.

The WCIRB uses the full amount (less expenses) your insurance company expects to pay for a particular claim, not the actual payouts to date.

In many cases you will find that, on an open claim, the insurance company may have paid out \$5,000 to date, but

may have \$15,000 in total reserved for the claim, meaning they estimate the payouts might reach that point some day.

The amount that would be reported to the WCIRB for that particular claim will be \$20,000.

If the aggregate value of all closed claims used in calculating your X-Mod is valued collectively at an amount that is less than 60% of the aggregate of the highest value at which each closed claim was previously used in a rating, then the experience rating may be revised downward using the most current reported values.

The good news is that X-Mods will not be revised pursuant to the Closed Claims rule if it results in an increase to the X-Mod.

When a claim is first reported by an insurer as closed on a unit statistical report, the WCIRB automatically reviews the policyholder's current and two immediately preceding X-mods to determine if they should be revised pursuant to the Closed Claims rule. As necessary, revised experience modifications are automatically published and the insurer is notified.

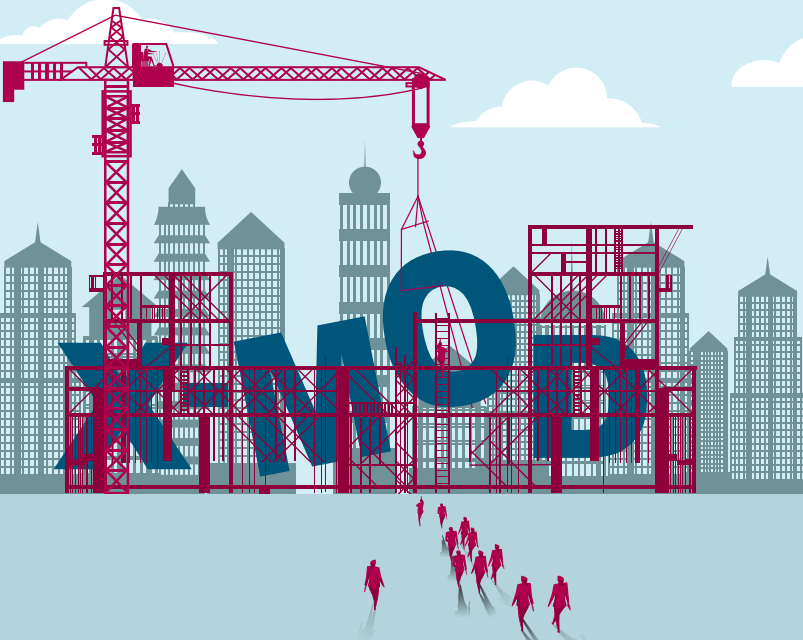
Finally, remember that X-Mods are calculated looking back over a three-year experience period (the expiring year is not included).

In most cases, all payroll and losses developed under any policy incepting or starting within the experience period will be used in determining your X-Mod.

The experience period begins four years and nine months prior to your anniversary rating date and terminates one year and nine months prior to the anniversary rating date.

So, if your anniversary rating date is January 1, 2018, the experience period is April 1, 2013 to April 1, 2016.

For more information regarding your X-Mod, you can always contact our office or refer to the WCIRB website at www.wcirb.com.



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Employers Focus on Improving Employee Engagement

Controlling costs

Mercer projected that the actual underlying cost growth from 2017 to 2018 would be 6%. That's the amount employers would expect to see if they didn't take steps to reduce cost growth.

Strategies employers said they would use to manage costs, without further raising employee out-of-pocket spending, include:

- Providing care coordination and support for high-cost claimants.
- Addressing quality by using incentives to direct employees

to centers of excellence and other high-performance provider networks.

- Shifting away from traditional fee-for-service provider reimbursement toward new payment models that reflect the value of the services provided, rather than just the quantity.
- Taking steps to manage specialty drugs.
- Encouraging employees to seek care from accountable care organizations and medical homes.
- Promoting and growing their wellness programs. ♦

Ag Safety

The Right Way to Extract Stuck Vehicles in the Field

(O)NE OF THE regular hassles in the agricultural sector is getting trucks or tractors stuck in the mud, dirt or snow. Unfortunately, during these times workers stand a greater chance of getting injured, or worse. Serious, disabling injuries and deaths have occurred when a towing device failed.

But you can avoid the chances of that happening by training your workers in safe towing practices when dislodging a stuck vehicle.

Safety techniques will vary depending, among other things, on:

- Soil conditions
- How deep a vehicle is stuck
- How much the stuck vehicle weighs
- How much the towing vehicle weighs

First step: Breathe easy

Too often the workers and supervisors are in too much of a hurry to extract the vehicle. When people are rushing, they tend to make mistakes, and they can be costly in terms of property damage and injuries.

Second step: Know the weights

Determine how much weight you need to move and how heavy the towing vehicle needs to be. You can get the deadweight in your vehicle owner's manual. But you need to calculate the total gross weight of what is stuck, including the vehicle, possible trailer, and the payload that you will need to pull.

A good rule of thumb is that the towing vehicle needs to be of equal weight to the stuck vehicle.

If the vehicle is only slightly stuck, then the weight of the pulling equipment should be at least equal to the loaded weight of the stuck vehicle. Improve traction by removing or digging out dirt around the sidewalls and in front of the tires.

Ideally, you want to position the towing vehicle on higher ground.

Third step: Clear the gawkers

Extractions and stuck vehicles always attract onlookers. Clear the area of non-essential personnel for everyone's safety.

Fourth step: Use a proper device

A long towing chain designed to support the towed load is recommended over nylon ropes or cables. Chains will break at their weakest point, so check welds and hooks prior to use.



Fifth step: Precautions

You should always do the following:

- Assess how badly the equipment is stuck and figure out if further damage may result if you continue. If so, call a professional.
- Determine whether the axles are dragging.
- Determine if the vehicle bellied out or is resting on the frame.
- Can the cargo shift if the equipment is pulled?
- Assess the condition of the ground under the pulling vehicle.
- Take steps to protect drivers and bystanders from flying debris.
- Determine whether the equipment is leaning to one side.
- Know where power lines are located, to avoid contact with them.

Sixth step: Pre-towing checks/coordination

Double-check all attachments to ensure they are secure.

If using more than one pulling vehicle, the drivers must coordinate with each other. Everyone else involved should know the plan for extraction.

Each operator should understand the situations that will stop the towing process. If using hand signals to communicate between operators, ensure everyone knows their meaning.

When starting to tow, apply power smoothly with no jerking.

Stop and re-evaluate at the slightest sign of danger, if the tractor front end lifts off the ground or if there is a slip in the towing device. ♦



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Risk Management

Surveillance Cameras and Video Monitoring

IF YOU ARE concerned about loss through employee theft, thieves breaking in after you close, or just want to improve security on your premises, video surveillance is the way to go.

Video monitoring and surveillance have become extremely affordable, easy to implement and effective, and they are excellent risk management and loss reduction tools.

For a small investment, cameras can stream video so you can monitor and record activities at your business, on-site or remotely.

Image storage is almost limitless and the video history of the store can be kept in multiple locations for safety and ease of replacement.

Each day of video can be kept in a log and easily indexed.

This video record has multiple uses. In real time, monitoring can deter violent crime, shoplifting or employee theft. It can help address customer service by dispatching employees to underserved areas of a store, and recognize a need for restocking merchandise or securing a blind area on the premises.

It also helps keep an eye on employees when there are no supervisors monitoring behavior, as well as enabling you to monitor your business from any remote location.

Effective uses of monitoring, surveillance

Certainly, watching the perimeter of the business, exits, entrances and sensitive areas prevents break-ins and provides evidence when crimes occur. Monitoring the inside of the business after hours does much the same and helps detect fires, water leakage, earthquake damage and other losses where a quick response is vital.

Video on your business's premises can:

- Discourage criminals from choosing your facility as a target,
- Catch parking lot fender-benders and other accidents,
- Be useful inside a store to prove the legitimacy or illegitimacy of slip and fall claims, and
- Create a record of what occurs (and doesn't) on your premises.

It can also be an effective training tool. You can use tape to:

- Show staff and new hires examples of good customer service, poor service and difficult customers;
- Help new employees identify regular customers on sight;
- Demonstrate good lifting techniques and other safety tips;
- Show examples of correct and incorrect behavior.

You cannot possibly see and know everything that goes on in your business without employing many eyes.

Cameras and surveillance equipment work 24 hours a day, seven days a week for a one-time cost that is very affordable.

No vacations, no health benefits, and reliable and accessible from anywhere at any time. And, their memories are flawless.

Drawbacks

There are also a few disadvantages of setting up video surveillance systems in the workplace:

- Employee privacy – It is not necessary that the employer should monitor the employees' each and every step and activity. There is also a limit to the surveillance factor, and the employer is required to take steps keeping the conditions in mind.
- Moreover, if the video surveillance systems and cameras are set up at inappropriate places, you can be liable for invasion of privacy claims. It is important to keep in mind the potential legality involved in such claims, and devise and incorporate the video surveillance system accordingly for the purpose of averting pricey legal formalities and actions.
- Decrease in morale – Video surveillance can really have a bad effect on the morale of employees. It can create a feeling in the minds of workers that the company does not trust them and has a doubt about their activities. This might even lead to unhealthy relations between the employees and company management, and a decrease in productivity.
- False sense of security – An employee surveillance system can sometimes lull you into a false sense of security. When you have active surveillance, you automatically assume that you have all of the necessary angles covered.
- Not 100% foolproof – Employees that want to defeat your monitoring system can find methods that you may have missed when you installed the system.

A final word on what to do if you catch someone doing something illegal. If you are confronted with a situation that could turn confrontational, you may want to consider having trained security personnel at the ready. ♦

