

WORK SAFE. FOR LIFE.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Rate Setting Enhancements *Model changes toward a safer Nova Scotia*

February 2012



Agenda

- Background and history: Rate model
- Objectives
- Recommendations
- Input and discussion

Background

- Current rate model implemented 1996
- Rate model determines equitable cost recovery and
- Rate model is a critical pillar of injury prevention
- Reviewing pursuant to 2010-2014 Strategic Plan
- Stakeholders envision rates more responsive to workplace reality and to reflect proactive action rather than simply consequences

Background

- Several scenarios considered to improve rate setting model
- Worked with consultant Morneau Shepell
- Recommended several enhancements beginning with 2013 rates

Our objectives today

- Share proposed changes
- Discuss and gain input

Changes at a glance

1. **Linkages** to fatalities and other items longer term (change how fatalities are handled in ER)
2. **Conditional refund of surcharges** to match investment in safety by surcharged employers
3. **Straight to surcharge** vs. warning when already surcharged once
4. **Enhanced responsiveness** by changing internal limit in ER
5. **Practice incentives** to reward safety behaviour based upon independent assessment of a safety program (e.g. COR)

- Improve links between claims costs and rate setting
- **Summary:**
 - *ER impact of a compensable fatality strengthened*
 - *In future could consider link with OH&S prosecutions and investigations*

2 – Conditional surcharge refund

- Surcharge revenue would no longer be counted when calculating average rate
- Surcharges collected would be set aside and eligible for a refund
- **Summary:**
 - *WCB may refund surcharged employer for any safety investments*
 - *Up to the amounts of surcharges paid*

3 – Straight to surcharge

- Reinstatement previously surcharged employers to the surcharge list if their improvement (drop below the 200% threshold) was only temporary.
- Currently about 80 surcharge employers per year
- **Summary:**
 - Reinstatement surcharges ***without*** a new warning period if the employer has been surcharged within the last 3 years
 - For example, a firm above 200% threshold in 2012 and gets surcharged, then drops below threshold in 2013 and 2014
 - Above 200% again in 2015 – surcharge implemented without new warnings
 - Impacts about 5 employers per year

4 – Making ER More Responsive

Summary: Double the limit on costs included in model

- By changing the limits, merit and demerit balancing becomes easier.
- Many employers will receive rate reductions as a result.
- Some employers with poor experience will see higher rates.

Guiding Principles

- Ultimate focus: Develop a prevention and RTW culture
- Build leadership support for best practices in prevention and RTW
- Approach should recognize different capacity of employers depending on size of work force
- Develop monitoring process from the outset to measure program effectiveness over time

Summary:

- *Provide rebate (5-10%) for qualified employers*
- *Broad industry acceptance, OH&S program, independent audit*
- *CoR? Many elements met – some challenges outstanding*

Conclusion

- Changes reflect stakeholder feedback and discussion of representative Board of Directors
- Changes make rates more responsive and incentive positive change vs. being punitive
- Ultimate goal remains reducing the human and financial cost of workplace injury in the province, and growth of a safety culture

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Discussion



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Appendix 1: Further background and detail



Surcharges: Background

- First warnings issued in 2006, first surcharges in 2008
- Annual totals approximately
 - 160 first warnings, 80 second warnings, 80 surcharges
- Surcharges begin when an employer's cost experience is at least 200% higher than their rate group's for a prescribed number of years, which varies by size of employer
- Surcharges end once costs are no longer 200% higher than the group – the number of years is reset to zero

Surcharges: Results to date

Year of First Warning	Number of Firms Warned	Years Since First Warning	Percent of firms with improved results by 2010
2006	241	6	95%
2007	152	5	98%
2008	147	4	93%
2009	162	3	80%
2010	166	2	77%
2011	168	1	53%
2012	195	0	N/A

Making ER More responsive

- Current Experience Rating (ER) system has internal rules that limit costs included
- Attempts to balance merits and demerits per RG by shifting the group cost ratio downward
- Effectively increases number of individual demerits and lowers merits until that balance point is found

Making ER More responsive

- Cap helps avoid demerits exceeding the firm's actual cash costs above the industry average
- Changing this internal limit would recognize that experience rating costs signal future impact on system from long lasting claims.

Making ER More responsive

	Merit Count	Demer. Count	Demer. Capped by Internal Limit	Merit \$	Demer. \$	Net \$	# Rate Incr	# Rate Decr
Status Quo	13,677	2,867	1,797	\$13.9M	\$11.7M	-\$2.2M	NA	NA
Double limit	13,943	2,612	899	\$16.5M	\$16.8M	+\$0.3M	1,217	2,719

Making ER More responsive

- Impacts at a glance
 - More employers would get merits (about 260)
 - Average demerit increases 58%
 - Average merit increases 16%
 - 1,217 employers would see a net rate increase (About 300 >10%)
 - ***Change will be phased in over 3 years***

Practice Incentives

Background and research

- CoR is audit-based best-practice certification in health and safety
- Used in rebate program in other jurisdictions
- Study in BC indicated CoR-certified companies have claims costs 15-20% lower than non-CoR
- Some industries in Nova Scotia are further ahead than others with CoR implementation, and there is room to improve the program over time: For example: Adapt for large and small employers; add RTW component

Practice Incentives

- Potentially could implement in Construction, 2013
 - Demonstrated readiness with regard to CoR through industry certification processes
- Consider adding RTW component to CoR in future
- Other industries, when ready
- Program will become more robust over time as more industries demonstrate readiness
- Model exists in other jurisdictions

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Appendix 2: Other changes considered



Other changes considered

Small Employer Parallel Rate System

- Explored separate rate setting model for small employers
- Primary reason not moving forward
 - Complicated to set up different system for small and large employers
 - In Nova Scotia, benefits from an insurance perspective did not justify the effort

Other changes considered

Long term claim incentive

- Explored incentive for long-term claims
- Primary reasons not moving forward
 - More gains by focusing on prevention, particularly at small employer level because RTW is more challenging
 - Several incentives such as OJT already in place
 - Worker incentive may be something to consider in the future, while being mindful of populations where RTW not possible

Other changes considered

Weighting factors: Experience Rating and Rate Setting

- Explored increasing weights to increase responsiveness
- Primary reasons not moving forward
 - Not likely to deliver much additional practice changes as effect is minimal.
 - Current approach already at top-end of responsiveness.