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FUNDAMENTALS

Do you know
the difference
between
impairment
versus
disability?

Summer, 1998

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State Agencies To Save \$\$\$

As announced earlier this year, the State Accident Fund has **reduced** classification rates an average of 8% for all workers' compensation insurance policies issued or renewed as of January 1, 1998.

This decrease in basic premium rates has been automatically incorporated in all invoices submitted to state government policyholders for the renewal period beginning July 1, 1998.

The reduction in overall rates is in recognition of the decrease in the frequency and severity of accident claims filed during the past year.

SAF has also implemented additional premium discounts for all policyholders with modified (experience-rated) premiums that exceed \$10,055. Specific discount percentages and amounts will vary with individual policyholders. As with the basic premium reductions, these discounts will also be automatically calculated for eligible policyholders.

Other SAF policyholders will realize these savings at their next policy renewal period.

For additional information, please call Shawn Holman at (803) 737-8115 or (800) 521-6576.



Impairment Versus Disability

is a quarterly newsletter published by the SC State Accident Fund for the benefit of policyholders and other concerned customers of the agency.

Comments and contributions should be sent to:
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Many workers' compensation claims involve an injury to a specific body part(s). SC law assigns a certain value (up to a maximum number of weeks of compensation) that is payable for the loss (or permanent loss of use) of each major body part. (See SC Code 42-9-30 and Reg. 67-1101 et. al.) This type of compensation is referred to as **Permanent Partial Disability** or PPD.

When there is a 100% loss (or loss of use) of a body part, SC law dictates the degree of disability. But, what happens when there is only a partial loss (or loss of use) to the body part? The degree of medical impairment and the resulting disability must be determined.

These issues usually arise near the end of a claim when the treating physician decides that the injured worker has reached **maximum medical improvement** (MMI) and that no further treatment is recommended. A final evaluation then determines what, if any, impairment rating is appropriate.

The American Medical Association's **Guides to the Evaluation of Permanent Impairment** is generally used as a tool to determine impairment. Impairment is defined in the **Guides** as "an alteration of an individual's health status," and includes loss of motion, strength, or flexion, as well as, instability or pain.

Impairment is further defined as a condition that interferes with an individual's physical activities associated with daily living. Activities of daily living include: "*self care, personal hygiene, eating, cooking, communication, posture, standing, sitting, walking, driving, housework, as well as, recreational and social activities, and work.*"

For instance, an employee with a foot injury may be impaired because he can no longer flex his foot. The lack of a full range of motion would interfere with his walking, standing, jumping and other movements used in daily activities.

The **Guides** advise how this loss of flexion should be reviewed to assign an

impairment rating. The physician's knowledge, expertise, and thoroughness in examining the employee will also influence the rating. There is no scientific method used to determine impairment. **An impairment rating is simply the physician's opinion as to how the injury has diminished the individual's capacity to carry out daily activities.**

After the impairment rating has been assigned, the level of disability must be determined. **Disability can be described as the difference between the tasks and activities the employee could do before the injury as compared to after the injury.**

The calculation of a disability rating is **subjective**, taking into account the *impairment rating, age, sex, education, as well as, the economic and social background* of the employee. More importantly, a disability rating takes into consideration an injured employee's ability to return to his pre-injury job or other gainful employment.

In the foot case mentioned earlier, the worker may no longer be able to dance, jog, or walk for long periods of time. Those limitations will be factored into the disability calculation. So, while the physician assigned a 20% impairment, the employee may have a 50% disability.

A SAF claims adjuster will usually assess the disability rating on a claim and negotiate a settlement with the injured worker. However, the final assignment of a disability rating and the subsequent award of Permanent Partial Disability (PPD) compensation is the jurisdiction of the SC Workers' Compensation Commission (WCC).

The WCC makes a decision based on information presented during the administrative hearing process. Many times, the testimony of the injured worker is also considered.

As with other administrative actions taken by the WCC, both the employee and insurance carrier have the right to appeal for reconsideration of any award.

Is The W/C Market Headed For Tough Times?

A report recently published by HJH Group, a Tampa, FL based workers' compensation consulting firm, suggests that the health of the national workers' compensation market may be heading toward a downturn.

This cyclical event (known in the insurance industry as a "hard" market) is a response to ongoing concerns about a potential downturn in the overall economy, increasing medical costs, higher statutory benefit limits, an aging workforce, and inadequate employer participation in return-to-work programs.

Premium rates, as well as the number of private carriers and self-insured funds writing workers' compensation coverage in a given state are basically driven by the peculiarities of the insurance industry and the overall economy. Low accident rates and an expanding economy create a situation (known in the insurance industry as a "soft" market) where more carriers are willing to enter the market in hopes of gaining a larger market share.

Many times, carriers will solicit business from any type of industry, regardless of the level of risk associated with work performed by covered employees. Increased competition naturally leads to price cutting. Insurance companies then have to subsidize lower rates with investment income generated from cash reserves obligated for future claims liability.

However, when investment income drops, accident rates increase, or an overall economic downturn occurs, insurance companies may be faced with financial difficulties because of depleted cash reserves. In many states, the current level of competition has already driven premium rates down to a level that industry analysts suggest may be insufficient to meet future claims obligations.

When the downturn occurs, private carriers must increase rates, drop classes of coverage, or completely withdraw from one or more markets.

The effect on policyholders in a hard market is obvious. Fewer choices in coverage mean higher premiums, or in some cases, no coverage for high-risk employees. In many states, these conditions have been disastrous to certain industries, such as coal mining in Kentucky and surrounding states.

Transitions from hard to soft markets (and back again) usually occur in 8-10 year cycles. Based on historical data, analysts predict that over the next two (2) years, SC will see the beginnings of a hard market as the number of carriers begin to decrease, prompting rate increases and consignment of many employers to the state's assigned risk pool.

At this point, you may be concerned about how your organization may fare through the coming hard market. As a government entity and SAF policyholder, you are guaranteed workers' compensation insurance through South Carolina's only assured source of coverage.

State Accident Fund's equitable rates and premium discounts ensure that all policyholders pay a fair price for workers' compensation coverage. Our operating philosophy guarantees that no one policyholder or group of employers will be given preferential treatment ("special discounts") in good economic times just for the sake of generating business.

SAF will continue to provide coverage to all state and local entities, regardless of risk or the economic climate in South Carolina. Further, the SC Budget and Control Board has asked SAF to be ready to act as a carrier of last resort for private employers. This action would occur if there were a collapse in the SC workers' compensation market caused by a mass exodus of carriers and/or significant rate increases.

The bottom line...SAF is an assured source of workers' compensation insurance in good times and bad.

Did You Know...

- * Effective 7/1/98, reimbursement to injured employees who travel more than five (5) miles from home (one-way) for medical attention increased to **32.5 cents per mile**
- * State, regional, and national information on workers' compensation issues is now available on the Web. The SC Workers' Compensation Commission now has its own website at www.state.sc.us/wcc. Stay tuned for details on SAF's new website.
- * Three (3) SC business owners received prison terms after being convicted of **workers' compensation fraud**. The FBI, in conjunction with two (2) private insurance carriers, the SC WCC, and the SC Department of Insurance uncovered a scheme designed to illegally lower the defendants' workers' compensation premiums. In addition, fines and restitution totaled over \$1 million.

Medical Update...RSI

Computers allow us to do wonderful things, like communicating with the world from the comfort of our home or office. Unfortunately, frequent computer use or other activities requiring repetitive physical movements put the human body at risk for a new class of injuries almost unheard of 15 years ago.

Causation

Repetitive strain or repetitive stress injuries (RSI) refer to those conditions characterized by neck and shoulder strain, wrist ache, and even carpal tunnel syndrome. These conditions are usually caused by activities involving repetitive wrist/hand movements, awkward hand positions, prolonged or frequent pressure over the wrist or base of the palm, or frequent use of vibrating hand tools.

Pain

The most common symptom of Repetitive Stress Injuries is pain. The pain may be constant, but may also appear during or after activities requiring repetitive use of particular parts of the body. Pain usually appears in shoulders, neck, upper back, upper arms, elbows, forearms, wrists, or fingers.

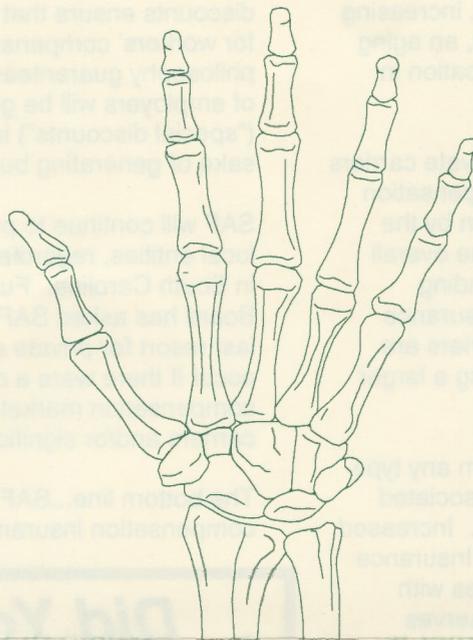
Weakness

RSI often causes weakness in the hands or forearms, accompanied by feelings of heaviness and fatigue. Difficulty opening and closing hands, lack of endurance, tingling, and numbness or loss of sensation are also common indicators of RSI.

Stiffness

Stiffness, especially in hands, is often symptomatic of RSI. Difficulty using hands to perform tasks such as turning

pages in books, turning doorknobs or faucets, buttoning clothes, putting on jewelry, or holding a coffee cup is another indicator.



Cold Hands and Self-Massage

If you find yourself frequently rubbing your hands due to chronically cold or stiff fingers, you may have another common symptom of RSI.

Treatment

Conservative treatment (such as splints and anti-inflammatory medication) will

usually decrease or alleviate the symptoms in most cases. However, severe injuries may require surgery, such as a carpal tunnel release. Little, if any permanent impairment occurs with this type of injury, except in extreme situations where numbness or a loss of motor function is present.

However, recovery may be hindered if the injured employee returns to a workplace environment where he/she is exposed to the same conditions which caused the original injury.

Prevention

In many cases, RSI can be prevented or minimized through the use of proper ergonomic concepts in the design of computer work stations and other areas where repetitive activities may occur.

For more information on how to make your workplace more user-friendly, call Michelle Berry at (803) 737-8214

make your plans to attend SAF's...

WORKERS' COMPENSATION UPDATE '98

claims session - September 16, 1998 9a.m. - 4 p.m.

premium session - October 7, 1998 9 a.m. - 12 p.m.

safety session - October 7, 1998 1 p.m. - 4 p.m.

at SAF in Columbia, SC

Update sessions will focus on providing SAF policyholders with timely & practical information designed to enhance the operation of your workers' compensation program. Registration is free, but space is limited.

The tentative **Claims** agenda includes:

- legislative and regulatory update
- changes in SAF's claims management process
- panel discussion on *managed care* as part of the claims process
- electronic data interchange (EDI) of First Reports of Injury (WCC 12-A) and other forms
- how to establish a *designated treating physician* program
- developing a *return-to-work* program
- forum with adjusters on how to speed processing time on new claims

The tentative **Premium** agenda includes:

- new premium invoices
- understanding the impact of claims on your premium expense
- one-on-one assistance with completing payroll reports

The tentative **Safety** agenda includes:

- how to create a safety program
- a preview of SAF's safety video library
- how to prevent common problems found during an OSHA inspection

Final agenda, lodging information, and a map will be sent 2 weeks before each session. Meals not included. Call Walter Caudle at (803) 737-7546 for more information or to make special arrangements.

SAF WORKERS' COMPENSATION UPDATE '98 Registration

PO Box 102100 Columbia, SC 29221-5000

Name _____ Title _____

Organization _____

Mailing Address _____

Phone(____) _____ Fax _____ SSN _____

Circle session(s) you wish to attend:

Claims: Wednesday 9/16/98

Premiums: Wednesday 10/7/98

Safety: Wednesday 10/7/98

Your responsibilities (circle all that apply): claims filing premiums safety supervision/management

When Will You Start a RTW Program?

According to a recent survey, the vast majority of lost work time associated with workers' compensation claims could be prevented through the use of effective return-to-work programs.

ManagedComp conducted the survey during a recent convention of the American Conference of Occupational and Environmental Medicine. Over half of the survey participants agreed that only one injury in 20 should require lost time from work. In reality, one out of every four workplace injuries results in a lost time claim.

Two-thirds of the doctors surveyed said that most out-of-work situations occur for reasons not

related to the medical condition of injured workers. Most of the problems relate to employers' inability or refusal to provide some kind of transitional or modified duty program for employees. Other problems are associated with doctors who do not specialize in occupational medicine and may not be fully prepared to evaluate work restrictions and limitations.

Did you know that both of these problems can be prevented. Do you want to save money and get your employees back to work faster? Make plans to attend SAF's Workers' Compensation Update '98. See page 3 for registration information or call Walter Caudle at (803) 737-7546.

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