

Today's Veterinary Business

BUSINESS PROTECT & DEFEND



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Why You Should Care About X-Mods

Data mistakes and classification errors can drive up a veterinary practice's workers' compensation costs.

In today's business landscape, workers' compensation insurance premiums pose a significant challenge to the operations and finances of every veterinary organization. To best address the issue, employers must implement a comprehensive risk-mitigation strategy that cohesively combines claims management, risk control and analytics. Proactive efforts can achieve reductions in workers' compensation premiums of up to 30% or more.

Every U.S. state uses a classification system to rate individual employers on their claims history, providing them with a financial incentive to mitigate work-related accidents. Each year, every business with an annual payroll exceeding a predetermined minimum is automatically assigned an experience modification factor, often referred to as X-mod, Ex-mod, E-mod or EMF.

X-mod indicates an employer's workers' compensation loss history compared to peers in the same industry and state. Each business's X-mod becomes a multiplier to either increase or decrease the company's annual workers' compensation policy premium. For example, an X-mod of 1.25 leads to a 25% hike, while 0.75 lowers the premium by 25%.

Employers should evaluate these two aspects of their annual X-mod:

- The X-mod calculation worksheet.



- The controllable mod to determine which losses are controllable.

The evaluations become the basis for devising a focused risk-management strategy.

Check for Mistakes

Determining a business's X-mod is complex and often results in errors and inflated premiums. These factors drive the calculation:

- **Job classifications:** Changes in operations, staff and job responsibilities can cause miscodes and bloated workers' compensation premiums. For example, are your clerical (8810) and animal-related (8831) classifications accurate?



- **Payroll:** Overtime, bonuses and certain executive compensation might be overstated.
- **Claims:** Are your claims and reserves accurate? Your X-mod considers the past three years of claims history (not including the most recent year). Inflated loss reserves will negatively impact the X-mod. Additionally, clerical errors when inputting data can lead to one insured company's claims erroneously finding their way into another policyholder's X-mod calculations.

An error in any of these three areas can cause your practice to overpay for workers' compensation insurance.

Unlock Cost Savings

After you review and confirm your X-mod, a comprehensive analysis is critical for quantifying further improvements. This step is when controllables and risk-management strategies come into play. A detailed analysis will determine which claims and trends drive your current X-mod. The evaluation should focus on trends, such as the nature, cause and location of losses, with additional attention given to how the incidents affect your X-mod and workers' compensation premiums.

Risk Control

Adverse workers' compensation claims can lead to a less accessible insurance market, further underscoring the need for robust risk-control tactics. Insurance companies routinely decline policy renewals to

HOW AN ADVISOR CAN HELP

Your insurance agent is the first line of defense in ensuring an accurate annual X-mod. The person should have access to the same tools and information used by your state's regulatory agency and should work with your carrier on any corrections. By evaluating historical and state-generated data, loss trends and risk-control plans, your veterinary practice can:

- Prevent statistical errors.
- Project expected X-mod changes. Identify trends.
- Develop or modify a risk-control plan.
- Implement programs after a loss, including modified-duty return-to-work protocols.

clients and reject new applications when an organization has a poor claims history.

The most effective way to alter a poor claims trajectory should involve analytics, claims and risk-control teams working seamlessly to curtail the frequency of incidents, mitigate their severity and reduce the overall costs. Tactics include:

- **Injury prevention:** Animal bites and scratches are a leading cause of workers' compensation claims in the veterinary workplace. Other common issues include musculoskeletal injuries, particularly from animal handling, poor ergonomics, slips, trips and falls.
- **New technology:** Multiple products and procedures are available to mitigate injury risks.
- **Employee training and safety programs:** Implementing them can significantly reduce

the frequency and severity of workplace injuries.

- **Early return-to-work programs:** Employees who are back on the job as soon as they are medically able have better long-term outcomes. A study by the Integrated Benefits Institute found that for every \$1 invested in a return-to-work program, the potential savings in workers' compensation costs is \$3 to \$10.

Preventing Injuries

Employers can proactively prevent claims through:

- **Identifying and mitigating risks:** Your insurance company can assist with risk-management evaluations.
- **Safety training:** Educate all employees about on-the-job risks and how to minimize them. Your insurance broker should be able to provide veterinary-industry training modules and ancillary resources.
- **Safety policies:** Ensure employees know the guidelines and procedures and where to find documentation.
- **Regular inspections:** Look for potential workplace hazards and address issues promptly.
- **Hazard reporting:** Encourage employees to report hazards and close calls. Create a culture where reporting is encouraged and not met with repercussions.
- **Safety equipment:** Provide appropriate protective equipment and ensure that employees use it.