



# Workers' Compensation Dethroned for Staffing Organizations

Since the introduction of the Affordable Care Act (ACA) many staffing companies have become singularly focused on trying to understand the Act and comply with its many complexities – the most recent top-of-mind challenge is how to track and report eligibility and participation.

The ACA has caused many executives to lose focus on their core business – securing new clients, enhancing relationships with existing clients, recruiting a talented workforce to fill open positions, developing internal staff, expanding into new regions and managing controllable costs. Despite the enormous amount of energy channeled toward the ACA over the past few years, workers' compensation remains the single largest controllable expense for most staffing organizations.

Accordingly, workers' compensation should retake its throne within your organization. As your organization begins to refocus its primary energies back on workers' compensation, here are some main considerations to keep in mind:

- » **Consider overhauling both your client and employee selection protocols.** It's often said that organizations don't have workers' compensation issues until they hire them.
- » **Understand your claim cost drivers** (e.g. nurse triage call center, allocated loss adjustment expenses, nurse case management strategy, medical management fees, self-administration philosophy, settlement strategy, etc.) and manage toward best outcomes.
- » **Advance your workers' compensation program structure** (e.g. guaranteed cost, retrospective, deductible, captive, self-insurance, etc.). For a variety of reasons, a program structure that made sense five years ago may not be relevant for your organization today.
- » **Negotiate sun-set provisions upfront.** It's nearly impossible to negotiate the various separation terms after you give notice of your intent to move your program.
- » **Don't underestimate the value of cash.** Cash is king. Even in today's relatively low interest rate environment, it's very impactful to hold cash, rather than parting with some to over-fund premium payments via unfavorable payment terms and/or cashed-backed letters of credit (LOC).
- » **Explore the many forms of collateral options** (pay-go cash-backed, depleting cash, LOC, surety bond, deferred security, etc.) relative to loss sensitive programs. Understand the financial implications of each, as well as the run-out terms and conditions.
- » **Know the insurance kingdom** (a.k.a. carrier marketplace). It's robust and expanding. There are several carriers that have recently entered the staffing marketplace and some known staffing underwriters are expanding their footprint. Indeed, 2016 may be the beginning of a softer market cycle.

For many staffing organizations workers' compensation is the #1 controllable cost and often the difference between operating profitability and loss. As such, workers' compensation should always keep its crown.



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