Annual Effectiveness Measures: Using Trailing Indicators to Evaluate the Effectiveness of Your Agency’s Safety Program

To determine the effectiveness of any effort, it’s helpful to identify, establish, and use measures. For example, to measure improvement in your health you might track your weight, blood pressure, and cholesterol.

Why is the use of measures important? Jack Welch, ex-CEO of General Electric, is a well-known leader in business management circles. One of his often cited phrases is “what gets measured gets done.”

The Department of Labor and Industry requires that “evidence of the effectiveness and accomplishments in accident prevention” be provided, with the inclusion of measures, as part of an

Accident and Illness Prevention Program (AIPP). This is required under Article X, Section 1000(e)(6) of the Workers’ Compensation Code.

There are two different types of indicators that may be measured, namely leading and trailing. Examples of leading indicators that may be used in accident prevention are:

* Programs in place to identify and address hazardous exposures;
* Risk reduction, control, evaluation, and anticipation systems in place; and
* Employee involvement at all levels.

The annual effectiveness measures table that we use for the Commonwealth provides us a way to track trailing indicators. The measures that we track are:

* Workers’ compensation cost;
* Number of claims;
* Frequency rate per 1000 employees;
* Cost rate per employee; and
* Average cost per claim.

The annual effectiveness measures table is an effective means of tracking overall performance. The table helps to satisfy a portion of the Evaluation Methods program element and the AIPP annual reporting requirements. In addition to the table, each agency must analyze their losses to identify the types of injuries and where they are occurring. Going beyond the overall numbers enables agencies to establish goals and objectives that focus on loss reduction. An explanation of how to read and use the annual effectiveness measures table follows.

# General

The table tracks data for a number of fiscal years (July 1 – June 30). Column 1 on each of the pages is the agency number and column 2 contains the agency name. These columns repeat on all sheets, allowing tracking of the measures by agency. The number of employees by agency for several years appears on the first sheet. Let’s review each measure in detail.

# Workers’ Compensation Cost

The workers’ compensation costs are the total incurred costs for each fiscal year as a result of the claims occurring within that fiscal year. The total includes all payments made on the claims plus the reserve costs. Reserve costs on a claim are estimates of the total cost beyond those already paid. For example, where an extended period of disability is expected, the actual amount paid will be low early in the claim period with the reserve amount high. This will reverse later in the disability period, with the paid amount high and the reserves low. Comp Services, Inc. (CSI) is the third party administrator (TPA) that manages claims services and tracks these costs.

These costs are always a “snapshot” with a number of factors influencing them. It’s only when all claims are “closed out” (i.e., fully resolved with no additional payments expected) for a fiscal year that the totals will be stable. In a fiscal year that has not been completed yet, a major reason for increases is newly arising claims. In a fiscal year that was recently completed, there is still a significant chance that claims will be reported up to 120 days after their occurrence.

A reduction in your agency’s workers’ compensation cost from year to year is one obvious measure demonstrating performance improvement. What can you do to affect these costs? The most important action is to implement and manage an accident prevention program that addresses the hazards in your agency. It is also important that you be aware of the claims management efforts of the incidents that have occurred, helping to achieve early return to work. The best results are achieved when hazard prevention and claims management activities are well integrated.

# Cost Rate per Employee

The cost rate per employee is obtained by dividing the workers’ compensation cost for any fiscal year by the number of employees for that year. This rate takes into account changes in employment level. For example, if you’ve done a good job reducing workers’ compensation costs below historical levels and also had an increase in number of employees, this measure will demonstrate your doubly positive performance.

# Average Cost per Claim

The average cost per claim is obtained by dividing the workers’ compensation cost for any fiscal year by the number of claims for that fiscal year. Accident prevention efforts should strive to reduce both the frequency and severity of incident occurrence. This measure demonstrates how well your agency does in minimizing the severity of incidents that occur. Reducing this number from year to year is a measure of positive performance.

# Number of Claims

The numbers of claims for each fiscal year are all the claims received by Comp Services, Inc. minus the denied claims. A payment or cost on a claim does not have to occur for the claim to be counted. If incidents are initially determined to be work-related but later judged not to be related, the number of claims will go down. Coupling the 120 days to report a claim with the long potential period for determining work-relatedness helps to explain some of the variability of the number of claims even after a fiscal year is over.

# Frequency Rate per 1000 Employees

The frequency rate per 1000 employees is obtained by multiplying the number of claims for any fiscal year by 1000 and then dividing that figure by the number of employees for that fiscal year. It is a way to measure claims frequency while taking into consideration employment level changes. This indicator provides a reliable measure of overall safety program effectiveness. Reducing this number from year to year is a measure of positive performance.

**Questions?**

*Use this information as an aide to help you have a positive impact on your safety and health performance.* If you have any questions regarding the use or accuracy of the annual effectiveness measure table, please feel free to contact:

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