

Salary Continuation Policy

**By
Gary W. Hanson, President of
American Safety and Health Management Consultants, Inc.**

At the recent ORMCA Safety Committee meeting, several of the members attending the meeting began discussing ways to reduce Workers' Compensation Claim Cost. Some in the meeting were not aware that one of the best ways to reduce future workers' compensation cost, was to establish a Salary Continuation Policy. The Ohio Bureau of Workers' Compensation allows companies to pay salary continuation in lieu of workers' compensation payments. Those companies that set up a salary continuation policy can greatly reduce future claim costs.

When an employee is injured and has to be out long enough to receive paid compensation the Bureau of Workers' Compensation will establish a future reserve on this claim. A claim that would result in \$4,000 paid out in compensation could result in an additional \$20,000 reserve being put on the claim. If a claim happens near the end of the year and goes over into the next calendar year the reserve can even be higher. As a result, these claims can have an adverse impact on a company's Workers' Compensation Experience. This can be the difference between a company getting into a Group Workers' Compensation Program or being denied.

The Bureau of Workers' Compensation only establishes reserves on claims where paid compensation is made. If the Bureau doesn't have to pay compensation they don't establish a reserve. No reserves, means greatly reduced future claim costs therefore a company's workers' compensation experience rate can be reduced greatly.

Many of the companies we work with have now established a Salary Continuation Policy. If your company is interested, I recommend that the following elements be included:

- Talk with your Workers' Compensation Actuarial Company and advise them that you are interested in establishing a Salary Continuation Policy.
- Establish the parameters. I recommend that Salary Continuation be paid initially for no more than six weeks. If a longer time frame is needed, it should be reviewed carefully before it is approved.
- Pay salary continuation on certified claims.
- Set up a Transitional Duty Program and advise any eligible employee that he/she will be expected to return to work on transitional duty as soon as his/her physician gives the OK.
- Work closely with the employee's physician and advise him of your company's Transitional Duty Program.
- Explain to each employee your policy at the time of injury and the benefits.
- Have the employee sign a salary continuation policy approval form. This is required by the Bureau.
- Always notify the Bureau of Workers' Compensation in writing, of your intention of paying salary continuation and the length of time you have agreed to pay. If any changes occur notify the Bureau immediately.
- Review all serious long term claims beforehand, there may be little value in paying salary continuation if the claim could last a long time. Review these with your Workers' Compensation Actuarial Company.
- Stay in close contact with the injured employee while he/she is off work.

Paying an injured employee salary continuation may appear odd at first, but believe me it can be money well spent in the long term.

If you have any questions on your safety program or need any assistance please call American Safety & Health Management Consultants, Inc., at 1-800-356-1274.