

Transitional Duty Programs – Key to Workers’ Compensation Claims Management and Cost Control



PARKER | SMITH | FEEK

March 05, 2010

By Lynne Seville, Vice President

Many employers struggle with how to effectively manage workers’ compensation claim costs and loss of employee productivity when an employee suffers a prolonged absence from work due to an on-the-job injury. Transitional Duty Programs (TDPs) (often called modified or light duty) are a key component of claims cost management and employee recovery in most cases.

While in many states the cost of medical treatment has outpaced the cost of wage replacement (indemnity costs), time away from work continues to indicate higher claim cost leading to higher experience modifiers and potential increased insurance costs. In fact, one study showed that early return to work (prior to full recovery) improved physical recovery, which may lead to decreased medical costs. In detailing 211 cases researchers found¹:

- Surgical outcomes were worse in 175 cases in which patients who were off work and paid by work comp or were in litigation
- Only one case showed a better medical outcome while the injured worker was on work comp time loss benefits
- In the 86 non-litigated cases, odds of unsatisfactory surgical outcome were 4 times higher for those on work comp time loss

Indemnity payments, in particular wage replacement, continue to drive claims costs in the case of high wage earners. Most workers’ compensation insurance carriers will tout the advantages of return to work programs in decreasing indemnity payments. Some employers may perceive that those claims costs, which are often borne by the insurance carrier, do not outweigh the inconvenience and additional administrative burden required to place a worker in modified duty. However, in most cases, a well-designed transitional duty program can contribute to decreased long-term or total disability. In 13 high quality studies which evaluated the effectiveness of modified work programs:²

Workers who are offered modified duty return to work twice as often as those who are not

- Modified work programs cut the number of lost work days in half

One large insurance carrier found in several studies of their insureds that both the number of days away from work and the overall cost of claims significantly decreased with the implementation of transitional duty programs.³

Workers’ compensation claims adjusters often find that transitional duty can also decrease fraudulent behavior and reduce malingering.

Transitional duty (TD) programs do take preparation and creativity to assure that workers are returned to meaningful work that supports both medical recovery and business goals. Almost any business, including those with mostly heavy labor jobs, can support some level of TDP. Key points in designing and implementing a TDP include:

- TD will apply individually and not in all cases
- TD should be provided on a time-limited basis and reassessed with the worker’s medical providers regularly. Time limitations can also prevent permanent entitlement to less physically demanding jobs
- TD does not need to be a “job”; for instance, a grouping of tasks over several hours or days may provide just the needed solution
- Ask managers in your organization to develop “wish lists” of tasks and jobs that they need to complete but don’t have the personnel or time to complete them. These are often perfect TD tasks and serve a need that may be seasonal or “one-time”

Effective TDPs are thorough in application and well-conceived prior to the need for them. There are several tools that will help to assure that the TDP will be effective:

- Clear statements to employees at the time of hire regarding TDP
- Physical demands job descriptions for both regular and transitional duty tasks
- Form letters for treating physicians explaining the TDP
- Forms for physicians to assist in determining tasks that an injured worker can perform while in recovery
- Offer of transitional duty work letter to employee

Most insurance carriers or brokers can assist in providing templates and examples of these tools.

Transitional Duty Programs can also be hampered by a workforce's skill level and literacy. For instance, many transitional duty tasks require ability to read, write and communicate fluently in English (i.e. - filing in an office, writing file notes, or answering customer service inquiries). If literacy skills are not required of the worker initially, returning them to a transitional duty, or long-term to a less physically demanding job than the one for which they were hired, may be difficult or impossible. Low literacy skills can severely inhibit TD options and can lead to the need for extensive retraining.

Some employers subject to collective bargaining agreements believe that TDPs will not be workable in their environment. In almost all cases, TDPs are successful in unionized environments. Communication and collaboration with union representatives can yield a program that is highly supported by the union.

Effective Transitional Duty Programs continue to be a key component of workers' compensation claims management success. While the development and implementation of a TDP program may appear to be daunting, most of the components and assistance are readily available through insurance carriers and brokers. In the end, an effective TDP can be a win-win for both the employer who is likely to reduce claims costs, and the injured worker who is likely to recover more quickly and maintain a positive relationship with their employer.

¹ American College of Occupational and Environmental Medicine; 2006 Preventing Needless Work Disability by Helping People Stay Employed

² Journal of Occupational Rehabilitation; 11/2004; Modified Work and Return to Work: A Review of the Literature

³ Wausau Insurance Company 2004, 2007 Loss Prevention Value Stories