

# **FINANCIAL IMPACT OF WORKERS' COMPENSATION INJURIES**

**or**

## **How Do You Boil A Frog?**



## **Carl Burleson, AEE-1**

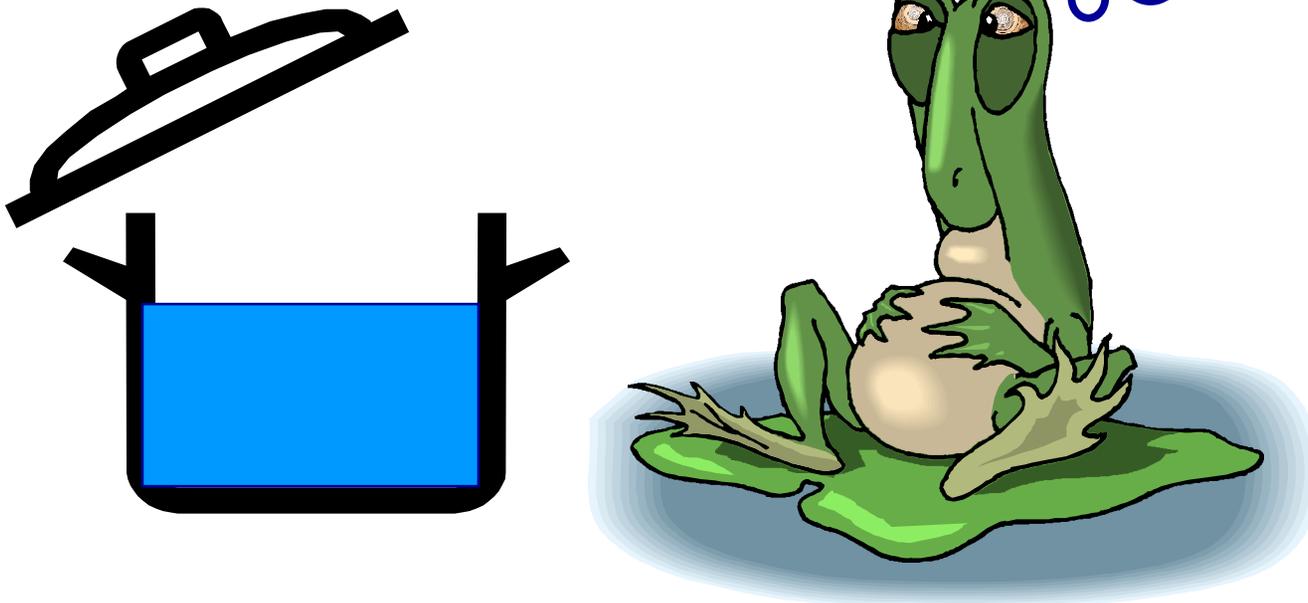
### **OSHECCOM Meeting**

### **October 18, 2001**

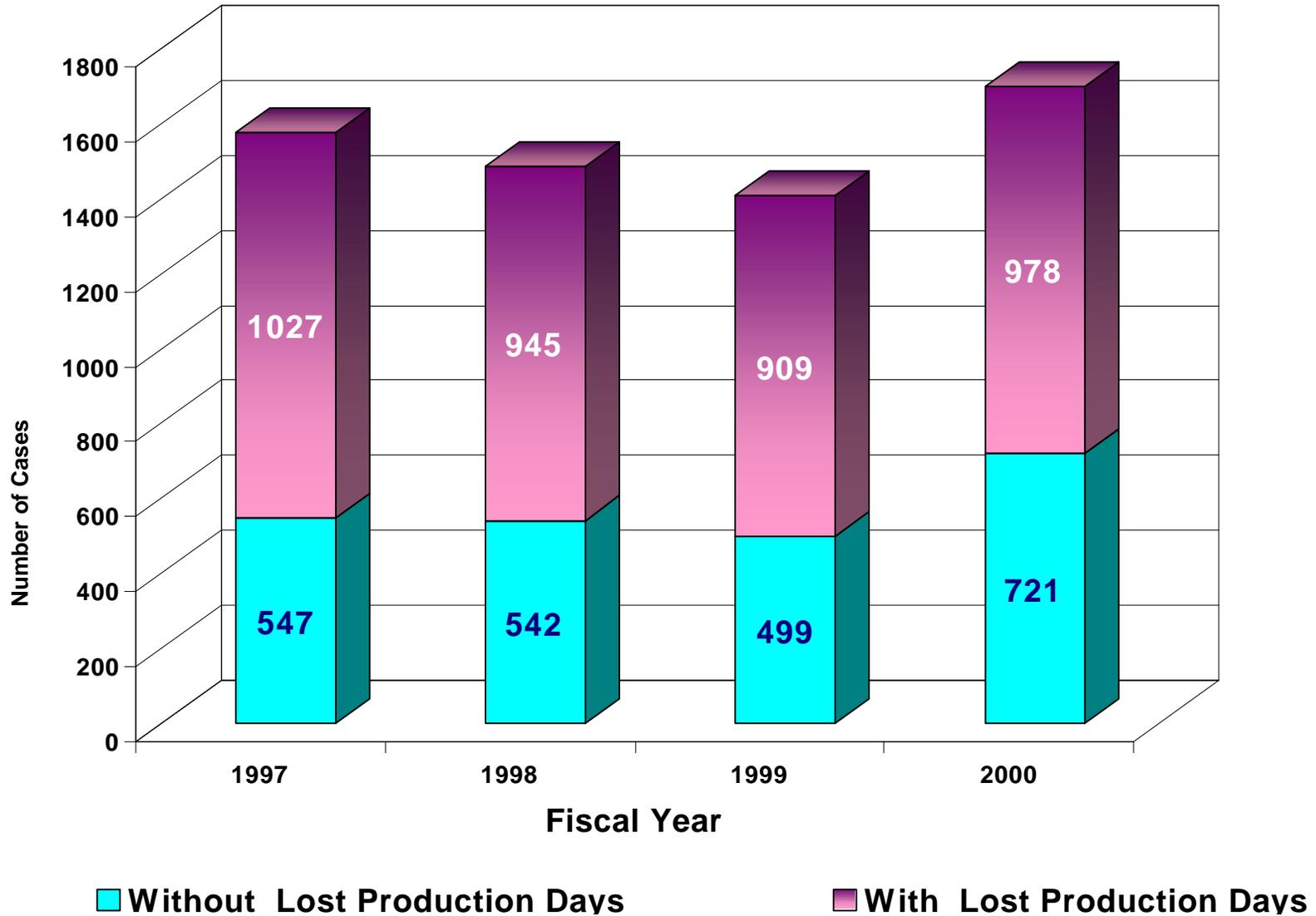
# Where is the FAA?

- What are the issues?
- What are the solutions?
- Are we the frog?

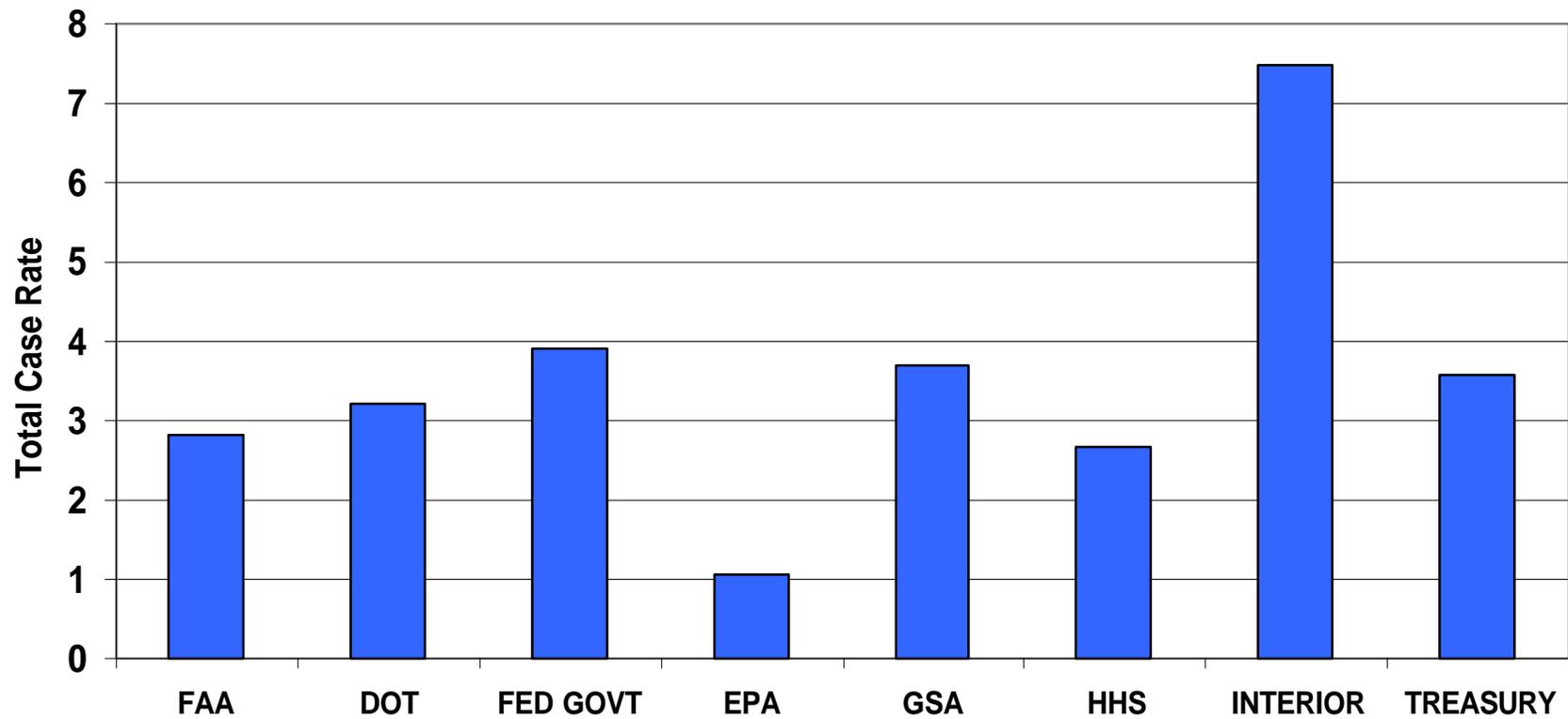
Hmm. Nice cool water. I'll take a dip. What could possibly happen?



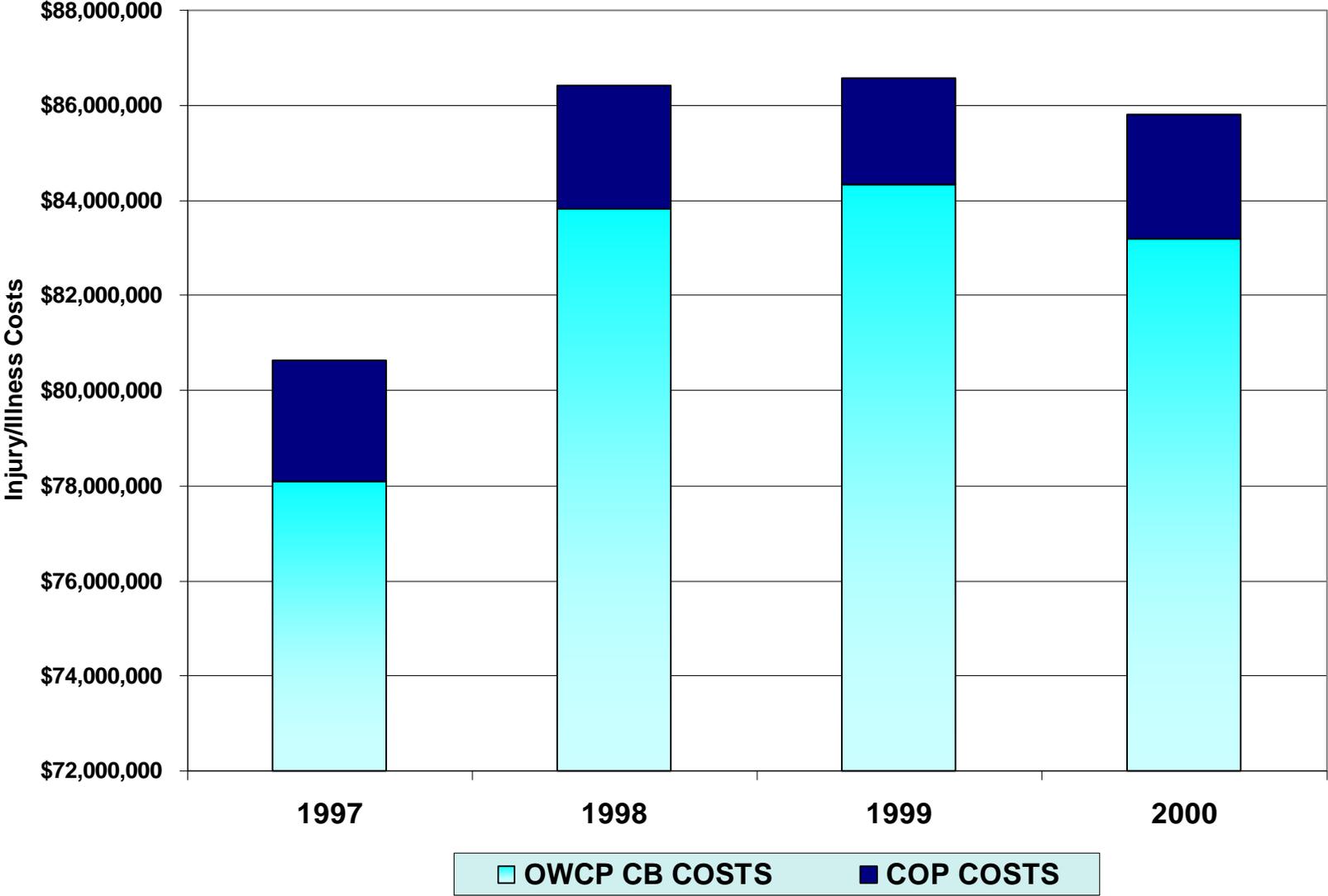
# FAA Injury/Illness Experience



# FY99 Worker Injury Total Case Rate

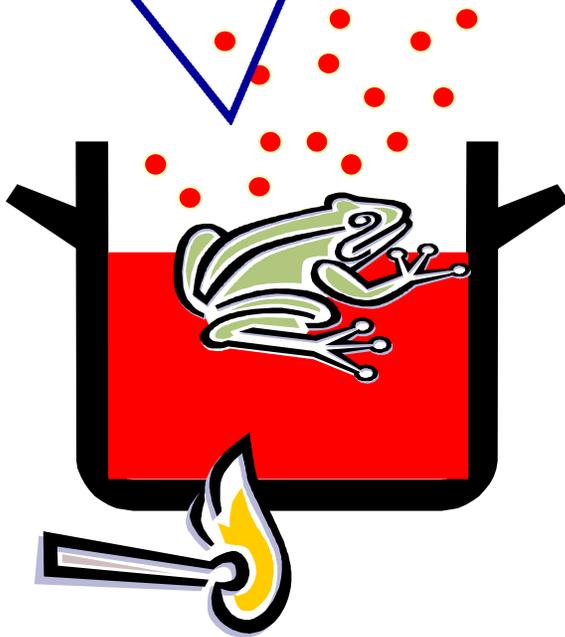


# OWCP + COP



# How Does the FAA Really Compare?

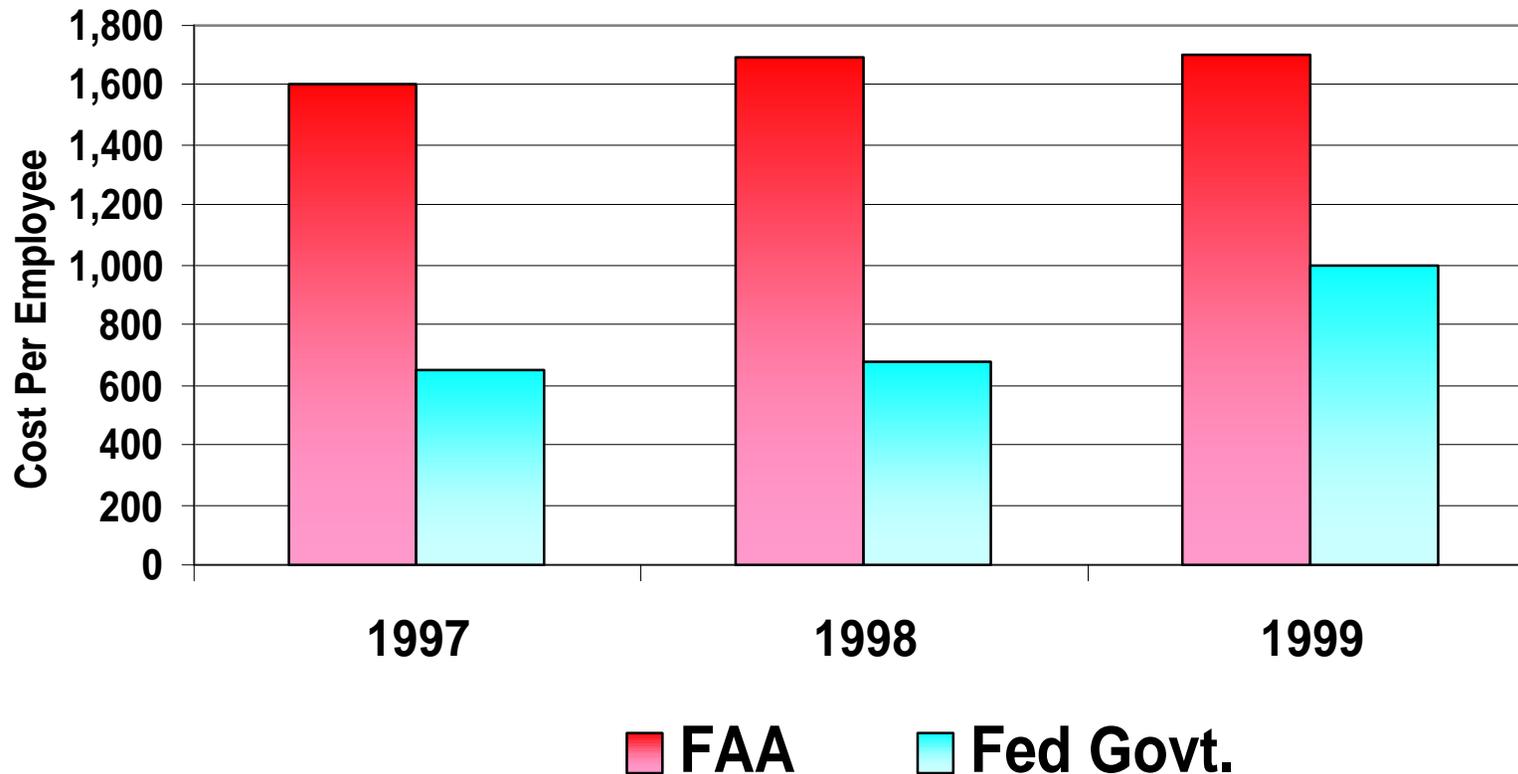
I'm still comfortable, but what are all these bubbles?



- With Federal Govt.
- With other agencies
- Use cost per employee

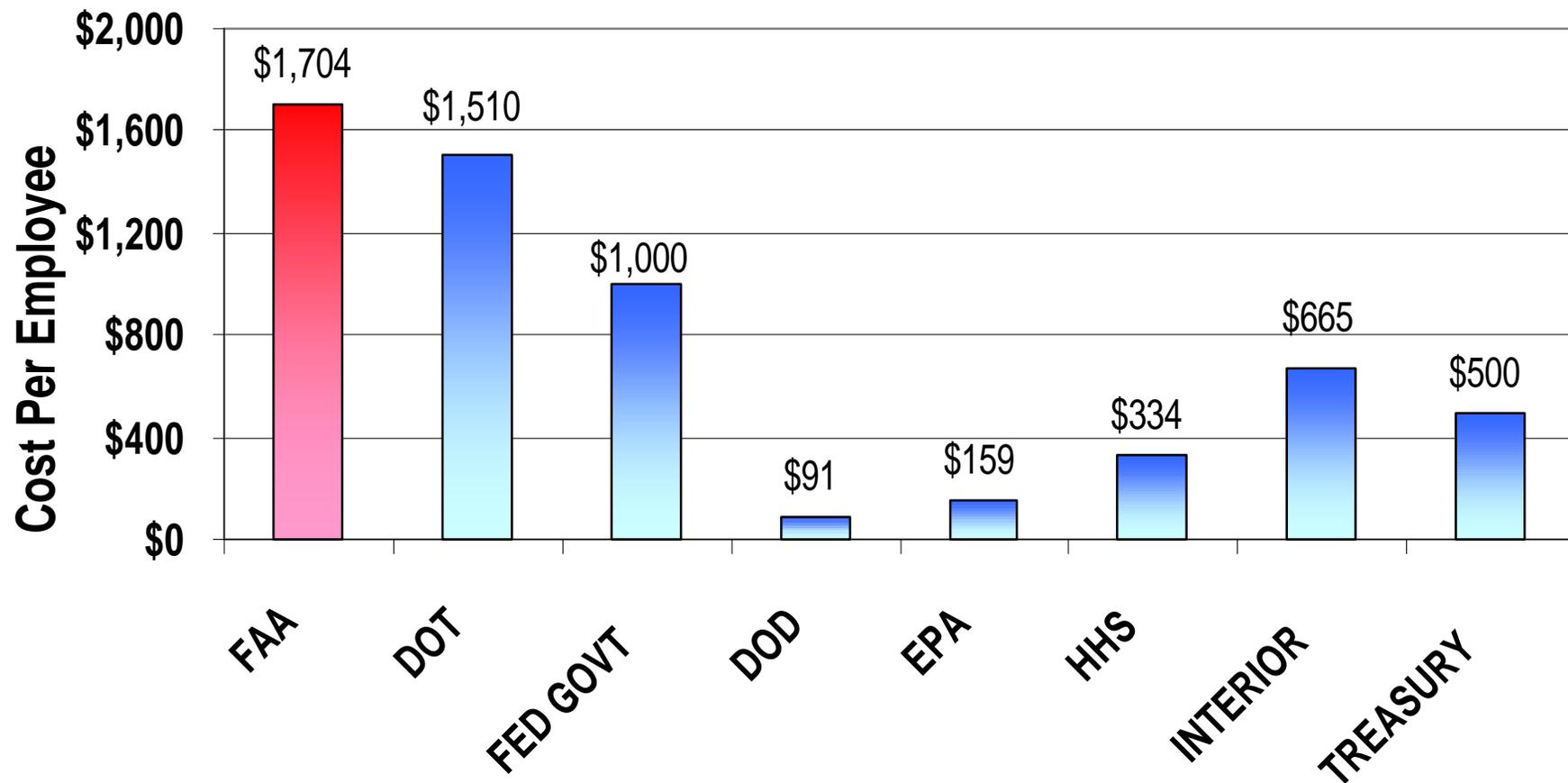
# OWCP CHARGEBACK COSTS PER EMPLOYEE

## Comparison -FAA with Federal Govt.



# 1999 OWCP Chargeback Per Employee

Comparison with Fed. Govt. and other agencies



# So Far, You've Only Heard Part of the Story

- Direct costs (OWCP + COP) are one component to the costs
- Indirect costs are the unseen component

# Direct Costs

- Easy to identify
- Easy to quantify
- Examples
  - ◆ Medical bills
  - ◆ Compensation
  - ◆ Continuation of Pay (COP)
  - ◆ Physical therapy
  - ◆ Repair costs for damaged equipment

# Indirect Costs

- More difficult to identify
- More difficult to quantify
- Estimates of indirect costs vary from one to five times direct costs



# Indirect Costs

- Cost to retrain replacement worker
- Cost of lost production/services
- Cost of overtime
- Cost of Administrative time
- Cost of investigation
- Loss of employee morale
- Cost of lost time by fellow workers
- Cost of lost efficiency due to break-up of crew (team)
- Lost production due to damaged equipment out of service

# Example

- Worker injured
- Short hospital stay
- Rehabilitation



# Direct Costs

➤ Medical bills	\$ 12,670
➤ Rehabilitation	1,000
➤ Continuation of Pay COP	4,800
◆ 20 days away X 8 hrs. X \$30/hr.	
➤ Estimate of direct costs	<b>\$ 18,470</b>

# Indirect Cost Totals

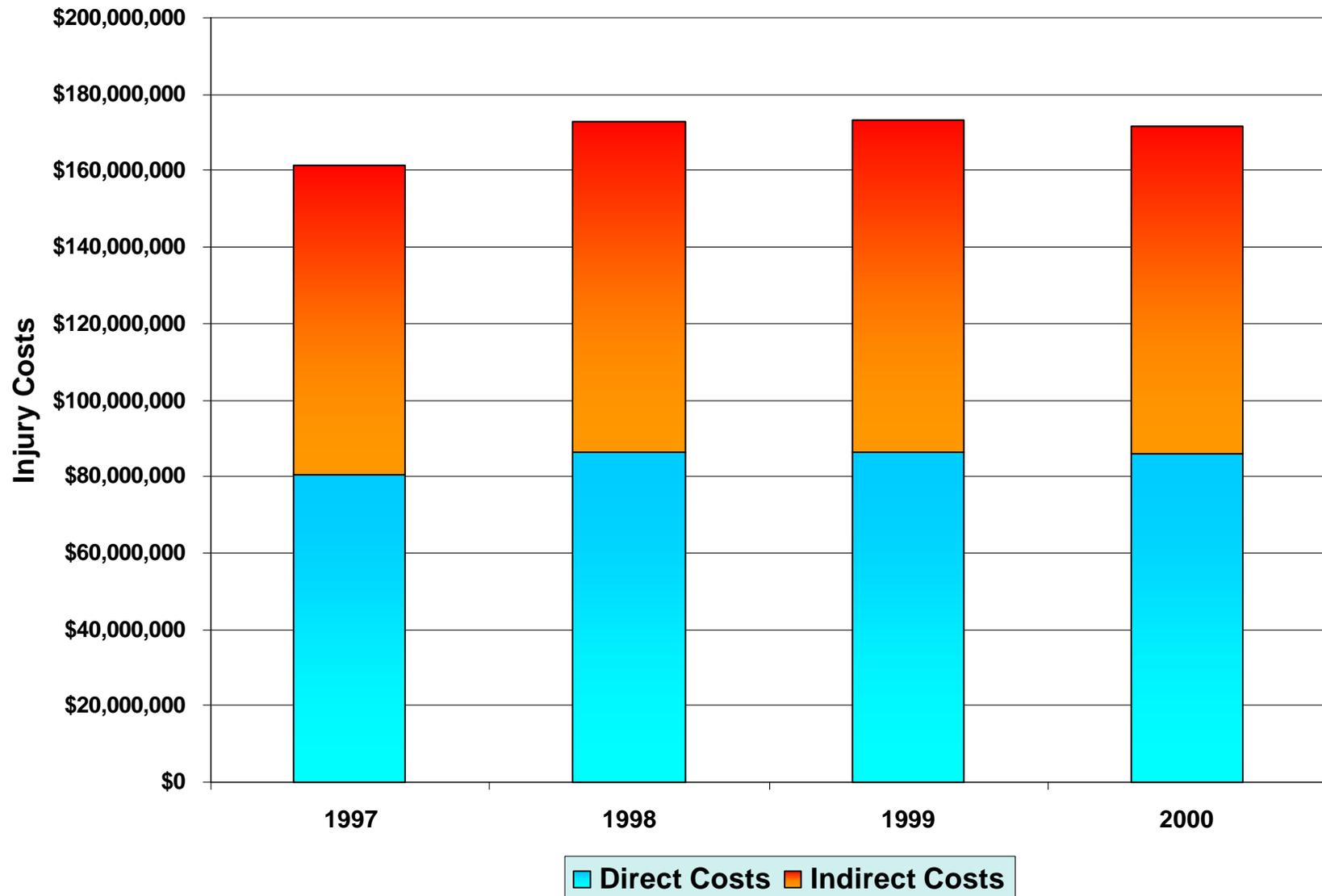
➤ Overtime	2,400
➤ Retraining costs	7,200
➤ Instructor	750
➤ Lost production/services	1,200
➤ Investigation	1,200
➤ Administrative time	800
➤ “Talking” about accident	<u>750</u>
Estimate of Indirect Costs	<b>\$ 14,300</b>

# THE REALITY

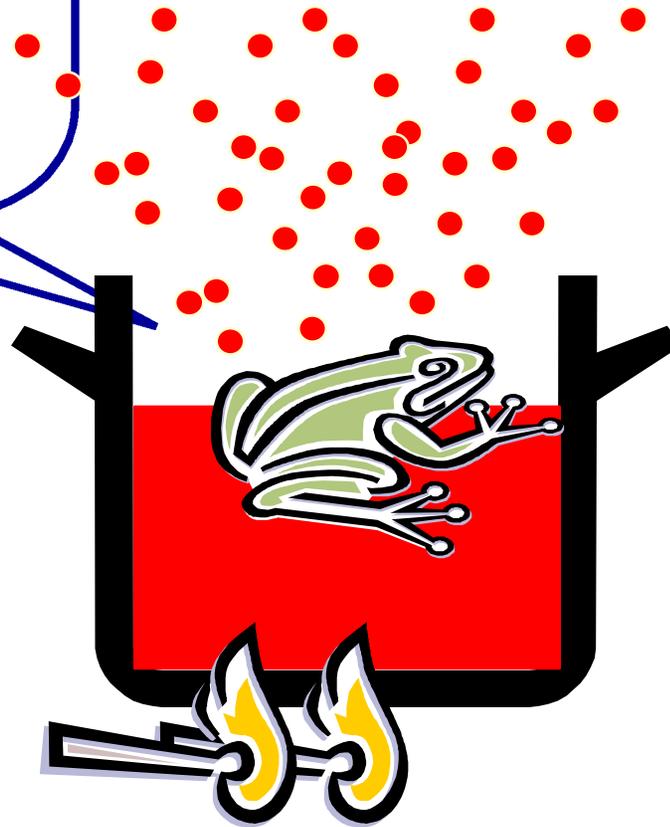
➤ Direct costs =	\$	18,470
➤ Indirect costs =		<u>14,300</u>
Real cost of the injury	\$	<b>32,770</b>

# True Cost of Injuries

## Direct + Indirect Costs



Something  
seems to be  
happening, but  
I'm not sure  
what it is...

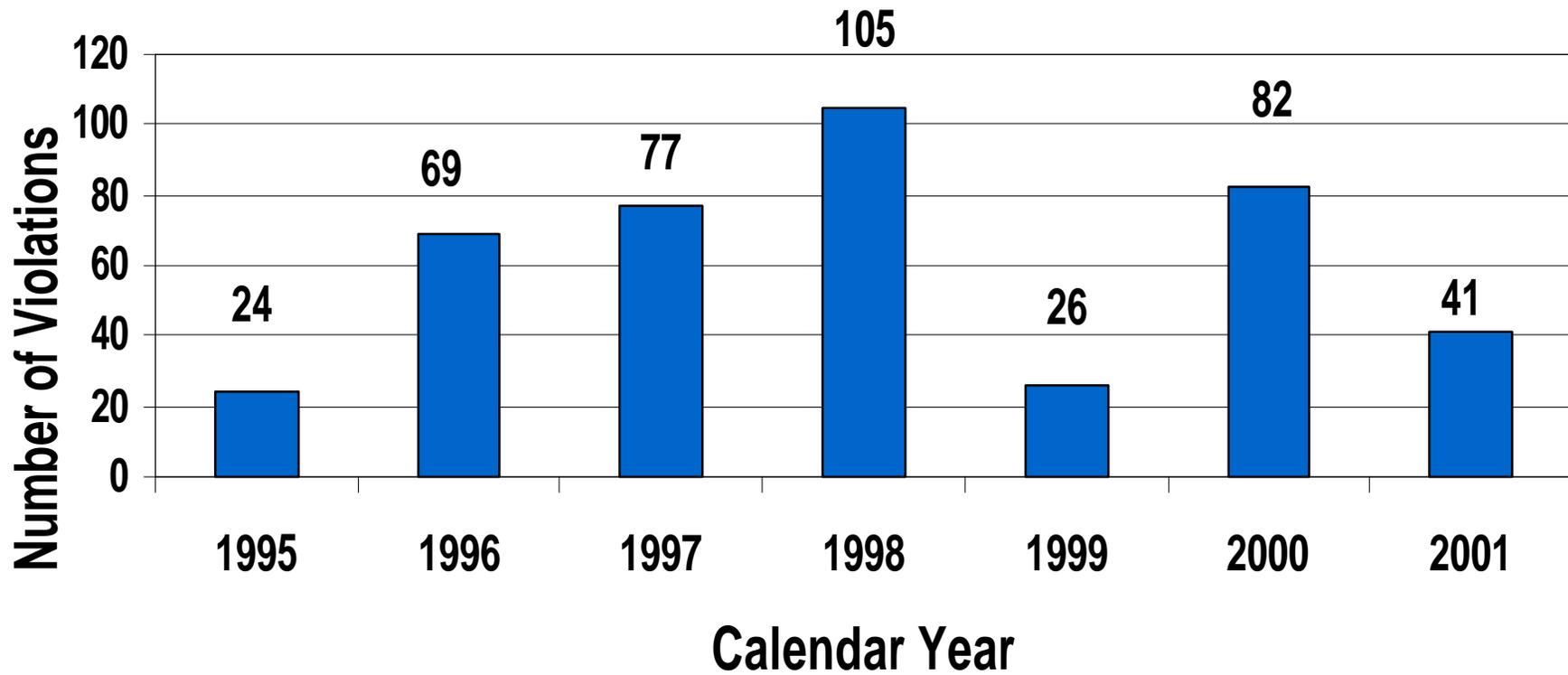


# What else impacts workers' compensation costs?

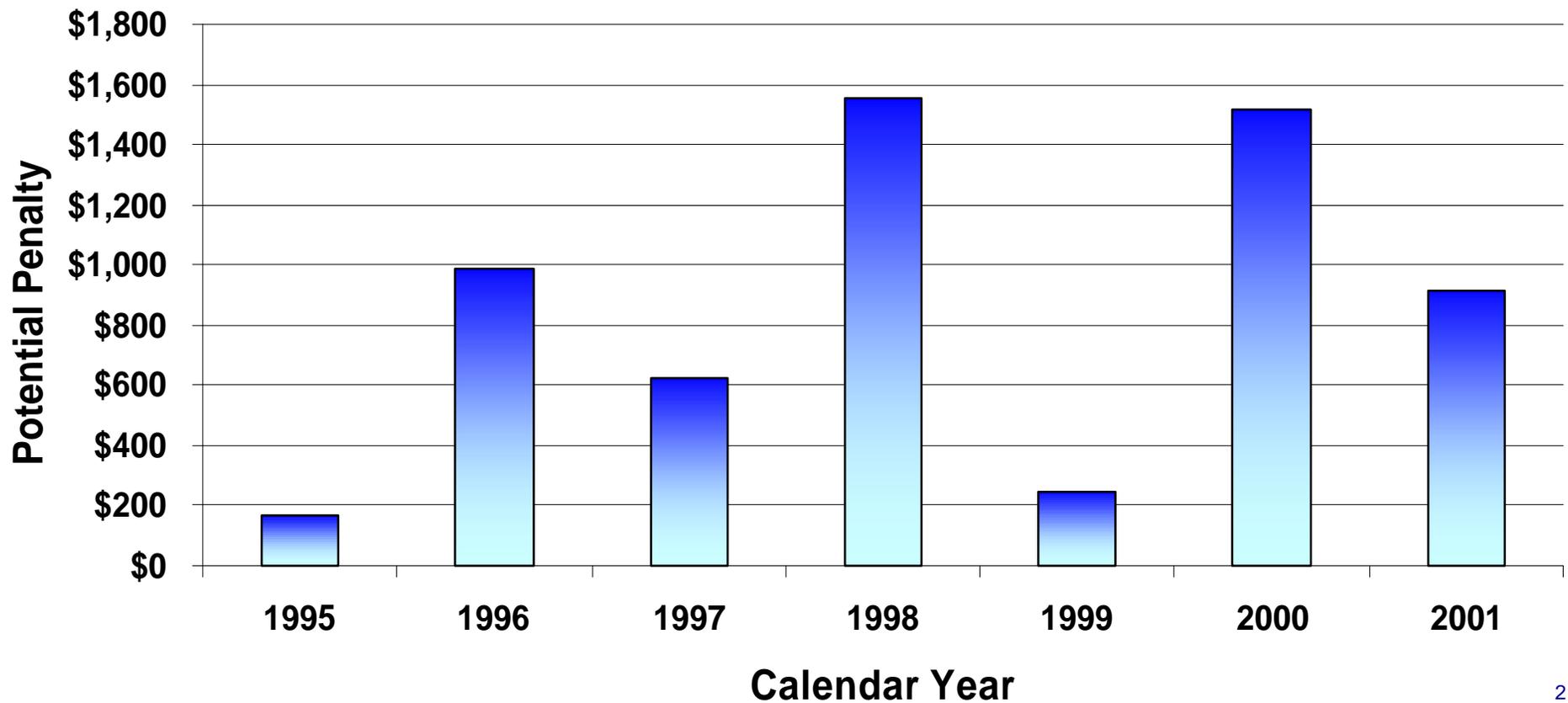
## ➤ OSHA violations

- ◆ Indicate shortcomings in occupational safety and health (OSH) programs that could lead to injuries or illnesses
- ◆ Reduce employee morale

# FAA OSHA Violations



# Potential OSHA Penalties 1995 – 2001 ~ \$6Million



# Recap

- Above average worker compensation costs per employee
- Incurring \$160 million in costs per year
- Trend is not improving
- Our OSHA record needs improvement

# What can YOU do?

- Employee **Safety Performance Goals** into all management performance standard
- Collaborate with your LOB OSH and OWCP POCs to strategize how your LOB can reduce worker injuries, illnesses and their costs.
- Support use of the Safety Management Information System (SMIS)
- Commitment to Supervisory Training.

# What can YOU do?

- Safety must be integral to how we do our work.
- Solutions require commitment of both management and employees.

# That's how the FAA can escape!

