Missouri Work Comp Medical-Only Claims FAQ*

**Frequently Asked Questions*

1. What's this Medical-Only Claims FAQ about?

Most states require that all workers' compensation claims be completely handled and paid by the insurance carrier. Missouri law has an exception to this rule. It permits the employer to directly pay the medical bills for small claims under a certain dollar amount. The claim cannot involve any permanent disability or more than three days lost time.

2. Why would I pay the bill for a work comp claim after buying an insurance policy?

Every time your insurance company pays a workers' compensation claim, the total dollar amount incurred goes into your claim history. If your company has an "Experience Modifier" – a credit or debit factor issued by the National Council on Compensation Insurance (NCCI) and used by all insurance companies for premium calculation, the reported claims can increase your modifier.

The Missouri law recognizes that by paying eligible smaller yourself, you can keep these claims out of the modifier formula and potentially lower your experience modifier.

3. What is the biggest claim I am permitted to pay directly?

For claims prior to August 28, 2016, the statute allows you to pay claims up to $1,000. After that date, you may pay claims up to $3,200. This maximum limit will be adjusted annually beginning January 1, 2017.

Remember that the claim must consist only of medical bills. If the claim involves more than three days of lost time or results in any permanent disability as prescribed by law, it must be handled completely by your insurance carrier.

Also, remember that <u>all</u> claims must be reported to the Missouri Division of Workers' Compensation through your insurance carrier regardless of who pays.

4. How do I decide if I should pay eligible claims myself?

The answer to this question varies with the specific situation for each risk. Only you can decide what is best for your company. However, here are some general factors to consider.

- Without going into a lot of historical detail, the statutory permission for an employer to pay certain small work comp claims dates back many years. When this was started, 100% of the value of all claims, including medical-only, went into the experience modifier formula. Since each claim stays in the formula for three years, the general rule-of-thumb was that by paying the claim yourself, it lowered future modifiers enough to break-even in year one, and you could come out slightly ahead of the game in years two and three.
- This changed in 2011. Missouri adopted a NCCI rule used in other states. Medical-only claims were now discounted 70% in the experience rating formula. A $1,000 claim now only resulted in $300 against your modifier. The net result was it took all three years to break even for your up-front payment of the claim.
- The other concern with paying claims yourself is that you stand a good chance of losing any contractual discount the insurance company may have received. These discounts are often 25% to 50% or more of the original medical bill. For example, a 50% bill discount, followed by the 70% experience mod discount, a $1,000 claim paid by the employer may actually only keep $150 out of the modifier.
- There is one other consideration that may apply to businesses in the construction contracting business. For many contractors, it is critical that they maintain their work comp experience modifier at or below 1.00 in order to be eligible for certain construction jobs. Because we are talking about lower cost med-only claims, their impact on the experience rating formula is generally not what drives a high modifier. As such, we are typically talking about a situation where an employer's payment of such claim will have only a minor impact on their experience modifier.

  This could still be important if it keeps a contractor's modifier at 1.00 instead of 1.01, but that is a call the insured has to make well in advance. For a minor claim occurring in 2016, the payment decision must be made now, one or two years before we know the rating factors that would be used in 2017 or 2018.

5. That seems rather complex. How do I apply this to my business?

Keep in mind that we are talking about the impact of these claims on your *future* experience modifier. As such, this is nothing more than a "best guess" based on the information we have at a certain point in time. Probably the best option is review your *current* NCCI worksheet for the impact a particular claim – real or theoretical – would have on this modifier. This will give you a ballpark indication of what paying this claim – or not – would have on your future modifier and premiums. Your broker can help you with this.