Report lag: Truths and myths

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Report lag has been a hot topic in workers' compensation risk management for decades. The long-held belief is that if companies reduce report lag, then financial outcomes will improve. Is that true?

> Report lag is the number of calendar days between an injury occurring and that injury being reported to the carrier or third-party administrator.

Lockton looked at why measuring report lag is important and examined some existing myths surrounding report lag.

Importance of measuring report lag

Report lag is commonly analyzed as an indicator of the overall "health" of a claims management program. Timely claim reporting:

- Keeps communication open between parties.
- Gets injured workers to proper medical providers.
- Allows adjustors to fully investigate claims in a timely manner.
- Facilitates compensability decisions.
- Empowers the return-to-work process.
- Protects income streams initiated for injured workers.

Late claim reporting can indicate the following issues:

- Poor culture, where the message is that getting injured at work is not acceptable.
- Need for employee and supervisor training.
- Lack of proactive post-injury focus.
- High volume of soft tissue injuries.
- Elevated litigation rates.

Common myths about report lag

Because report lag is easy to measure, it often becomes a target for fixing problems. Here are some of the common myths about report lag and the corresponding truths you should know:

Myth: Reducing report lag will reduce claim costs. You might have also heard that:

- Report lag is a cost driver.
- Reducing report lag by 5 percent will result in a 10 percent reduction in claim costs.
- The average cost of a claim increases with each additional day of report lag.

Truth: Report lag alone is not a statistical driver of claim cost. Report lag is correlated with many variables which do drive cost, but alone it is not a causal factor. Focusing solely on reduction of report lag will not impact claim costs.

Myth: Reporting all incidents and injuries might adversely affect my OSHA recordable rate.

Truth: Recordability and compensability are not the same thing. Claims can be one and not the other. If an employee reports an injury, it is better to report it and begin investigation and treatment rather than to delay reporting of a claim.

OSHA recordables are defined as accidents that 1. require professional medical treatment, 2. cause lost time on the next scheduled work day after the accident, or 3. result in job restrictions that prevent the worker from doing their usual job, requiring transfer to another job.

Myth: Incentive programs do not impact timeliness of reporting.

Truth: Some companies provide incentives for achieving certain milestones related to things like number of days without an incident/claim. Incentive programs often have significant impact on report lag time. When employees are rewarded for not reporting claims, it usually results in suppression of reporting. The claims don't go away; they simply aren't reported in a timely manner. And the incentives aren't always formal but rather part of the informal culture. For example, an incentive for not reporting a claim may be to avoid retribution.

Myth: Extended report lag causes litigation.

Truth: There is correlation, but not causation. Specific claim types cause both an increase in report lag and litigation prevalence. When claims are not reported within the state's statutory window, we can say that report lag is a causal factor in litigation. But for most litigated claims, report lag is not a causal factor.

Does reduced report lag improve claim outcomes?

Now that we know why report lag is an important measurement and have dispelled some common myths, let's look at whether it affects outcomes.

Leveraging Lockton's proprietary database (Infolock® P&C) with more than $21 billion in workers' compensation claims, we found:

- Report lag has no statistically significant relationship with claim cost if reported within 12 days of injury.
- After 12 days of report lag, the correlation between report lag and claim cost is largely driven by the type of claim.
- Increases in allocated loss adjustment expenses are correlated with increases in report lag.

For the details behind this research, check out Lockton's paper entitled Deconstructing Report Lag.

Lockton's approach to report lag

Rather than focusing solely on reducing report lag, Lockton INSIGHT™ helps to diagnose the drivers of our clients' claims. Some drivers have the dual effect of increasing claim costs as well as increasing report lag, such as:

- The types of claims you experience.
- Inefficiencies in the claims process.
- Culture, management behavior or key performance indicators.

If report lag is higher than it should be, Lockton INSIGHT digs in to look for root causes such as:

- Source of delay (employee or employer).
- Types of claims (injury distribution).
- Process inefficiencies.
- Return to work effectiveness.
- Ratio of medical-only to lost time claims.

Poor report lag is not a diagnosis; it is a symptom of a broader issue. **Focusing on reducing report lag without understanding the root cause may cause you to miss primary cost drivers, which may result in a negative impact on overall loss costs.**

Finding the root cause can uncover practical solutions to improve workers' compensation costs. Lockton INSIGHT can help you identify opportunities to get better or give you peace of mind that you've got it right. Lockton stands ready to help you further diagnose your operation and provide industry-leading advice.

For more information, visit lockton.com/insight.