



OHIO NURSING HOME QUALITY IMPROVEMENT PROJECT

Ohio Nursing Home IF (Injury-Free) Movement

Measuring Workers' Compensation Costs

Calculating Cost

Every time a Workers' Compensation claim is made, there are direct costs that are incurred. Direct costs, such as: medical bills, time-off wages, and permanent disability benefits — plus insurance premium impact. However, the total expense is hidden in the indirect cost. To calculate indirect cost, consider the areas that contribute:

- Production delays/work stoppage
- Accident investigation
- OSHA penalties
- Equipment damage
- Hiring and training
- Clean-up and rework
- Legal fees
- Increased stress
- Decreased morale and productivity
- Delivery delays and unhappy customers

Because indirect costs represent between 70 to 80 percent of the total cost of injuries, it is important to calculate their impact. A basic two-step formula helps measure the total cost of a Workers' Compensation claim:

Step One: Direct Cost X Cost Multiplier = Indirect Cost

Step Two: Direct Cost + Indirect Cost = Total Cost

The "cost multiplier" in Step One varies with the level of direct cost. Use the following chart to determine the cost multiplier.

<u>Direct Cost</u>	<u>Multiplier</u>
\$0 - \$2,999.....	4.5
\$3,000 - \$4,999.....	1.6
\$5,000 - \$9,999.....	1.2
\$10,000 and above.....	1.1