

What Does a Workplace Injury Cost?

Direct Versus Indirect Costs and Their Affect to the Bottom Line

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ABSTRACT

In 2005, the U.S. Department of Labor determined that there were 4.6 injuries per 100 fulltime employees in the workplace. Injured employees required an average of 19 therapy visits (Worker's Compensation Research Institute). The average number of work days lost to secondary to work injuries was nine days and Sprains/strains accounted for 40% of the injuries. A work-related injury resulted in an average loss of approximately \$38,000 including wages, productivity loss and medical expenses (National Safety Council, 2005). Furthermore, the National Safety Council documented that the longer you wait to treat worker's compensation injuries, the greater the cost.

We have all begun to recognize that workplace illnesses and injuries are more expensive than historically thought. We have, in most cases, only reviewed and compensated for the DIRECT costs associated with injuries, and, in fact, they are considerable. According to the National Safety Council, the direct cost of workplace injuries and illnesses in the United States alone was \$142.2 billion in 2004.

The direct costs of an injury are the easiest to see and understand. These costs include emergency room and doctor visits, medical bills, medicines, and rehabilitation. But direct costs are just the tip of the iceberg. What has changed in the past few years is that risk managers and corporations are now thinking about health/safety and injury prevention and their collective recognition of the importance of the INDIRECT costs of injuries and illnesses. The indirect costs can be best described as all unbudgeted costs associated with an injury in order to get the employee back to pre-injury status.



"The direct costs are literally just the tip of the iceberg. Indirect cost multipliers for work related injuries range from 3 to 10 times as direct costs!" R .Gagne, VP Worker's Comp and Disability Fit2WRK

Most companies track the cost of accidents by tracking things such as worker's compensation claims and general medical costs for surgery or rehabilitation, but as noted above, the direct costs are only a small part of the bigger picture.

Costs associated with a work related injury may include the following:

Direct costs:

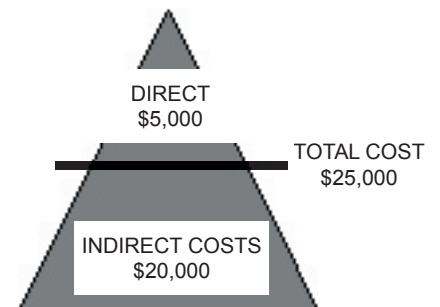
- Worker's compensation premiums
- Case Management
- Medical costs for surgery, medicine and rehabilitation
- DME or ancillary aids

Indirect costs:

- Lost/decreased productivity
- Time to go to medical appointments
- Production down time
- Administrative costs
- Additional overtime pay required
- Time to replacement hire
- Interviewing and training new employee
- Delays in shipments and filling orders
- Loss of products or services
- Unwarranted negative media attention
- Potential OSHA penalties
- Attorney fees
- Damages to equipment, machinery, materials and facility
- Higher Worker's Comp premiums
- Reputation loss
- Degraded client loyalty and support
- Managerial costs due to the accident including inspections, investigations, meetings and administration
- Loss of employee time associated with assisting with the accident, administering first aid, and witness interviews
- Loss of employee morale
- Slowed work pace due to other employees fear of injury

Consider the following example based upon the National Safety Council cost formula:

A company experiencing an employee injury with direct costs of \$5,000.00 is expected to carry Indirect costs of approximately \$20,000.00 bringing the total cost to \$25,000.00. Based on a profit margin of 10%, it would take the same company \$250,000.00 of revenue creation (and collection) to offset the expense.



The Cost

The direct cost for all U.S. workers out of work due to Musculoskeletal Disorders or MSD's is estimated at \$13-20 billion annually with indirect costs between \$26 to 110 billion annually. In the healthcare industry, inflation adjusted direct and indirect costs associated with back injuries were estimated to be 7.4 billion annually in 2008 and the average cost of a work-related injury in the U.S. in 2007-2008 was \$34,377. In 2007-2008 a claim for cumulative trauma averaged \$28,134, strains averaged \$30,744, and slips and falls averaged \$40,043.

The average back injury (sprain/strain) can cost more than \$10,000 in direct costs (NSC Statistics) and anywhere from \$30,000 up to \$100,000 in indirect costs!

The above clearly indicates why a properly constructed "preventative" program to prevent injuries from occurring in the first place is the primary objective of corporate America. From post offer screening and integrated soft tissue injury management programs to preventative maintenance protocols for the aging workforce, it is clearly a positive return on investment.

When reviewing your ROI on program implementation, be sure to review both the Direct and Indirect cost of injuries and their effect on your bottom line.

The information noted above is a summary of one of the components of Fit2WRK by USPh. This integrated model is available through USPh in close to 400 facilities and 44 states nationally. For additional information on how the Fit2WRK Model could help your organization, visit: www.Fit2WRK.com or call 1-877-Fit-2WRK.

References

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8. Health and Safety Executive (1993) The Costs of Accidents at Work, HSE, London.

Cost Calculator:

<http://www.safetymanagementgroup.com/injury-cost-calculator.aspx>

Links:

1. National Safety Council: <http://www.nsc.org/Pages/Home.aspx>
2. Center for Disease Control and Prevention: <http://www.cdc.gov/>
3. The National Institute for Occupational Safety and Health (NIOSH): <http://www.cdc.gov/niosh/>