



Injury on Duty

Life of a Claim

Tulsa Maintenance Base

April 24-25, 2012



The Cost of Workers' Compensation at AA



AA's Workers' Comp Expense is expected to be \$118M

The \$118M represents the amount AA will spend on injuries occurring in 2012

- **AA's WC Insurance has a deductible of \$2.5M per incident**
- **AA pays every dollar on each claim up to the deductible**
- **The average cost per claim (nationwide) is \$20,563**
- **The average cost per claim in Oklahoma is \$24,413**
- **AA is required to keep \$441M in a cash account as collateral for its WC liability**



Estimated Annual WC Cost by Workgroup



Work Group	Total Cost	Average Cost/Claim
Fleet Service Clerks	\$48,599,380	\$21,222
Flight Attendants	\$20,492,282	\$21,083
M&E	\$26,337,792	\$20,936
Cargo	\$3,184,367	\$22,745
Airport Agents	\$5,280,340	\$15,857
Pilots	\$3,290,697	\$17,319
Other	\$2,949,142	\$17,047

Sedgwick CMS © 2011 Confidential - Do not disclose or distribute.



Other Workers' Compensation Costs



- **Salary Continuance – AA pays an employee's full base pay for up to 80 hours of compensable lost time**
- **Sick Supplement with TTD**
 - Ground employees may, at their option, draw upon available sick pay, up to $\frac{1}{2}$ of daily regular pay, provided the sum does not exceed regular base pay
 - Once sick time is exhausted, if the employee chooses not to use sick or no sick time is available, the employee is placed on Unpaid Injury-On-Duty Leave of Absence and is eligible for 12 months company provided health and life benefits



What Drives the High WC Costs?



Components of a Workers' Compensation Claim

- **Medical Costs**
- **Temporary Total Disability (TTD)**
 - The amounts paid to an employee to compensate for lost salary while away from work up to defined benefit levels specified by state WC law
 - TTD payments are not taxable or reportable income
- **Miscellaneous Expense – All other costs related to a claim (lawyer fees, etc.)**



Injury Management – First Things First



- **Obtain medical attention immediately, if necessary**
- **Manager completes accident report timely via the Automated Accident Report (AAR) on JetNet**
Employee will be provided:
 - Copy of the accident report
 - Employee IOD Information Packet
 - ✓ All contact information
 - ✓ Process for obtaining prescriptions at no cost
 - ✓ How to avoid receiving medical bills



Reporting a Claim



- **The AAR feeds into First Report and notifies the Injury Manager of the injury**
- **The Injury Manager reviews the claim and queues the claim to Sedgwick CMS if medical treatment and/or lost time is expected**
- **The system electronically transmits to Sedgwick CMS according to schedule (every 2 hours on the hour from 6:00am-6:00pm, M-F, central standard time)**
- **Sedgwick CMS Team Leader reviews report and assigns to a claim handler**
 - Medical Only
 - Lost Time



Injury Management – Stay in Touch



- **The supervisor should stay in touch with injured employees on a regular basis to assist the employee back to work as soon as medically able**
- **If the employee loses time as a result of the injury, the supervisor shall ensure AutoTA is updated with the appropriate coding**
- **Transitional duty (TD) assignments should be offered whenever possible**
 - TD is available to all employees based upon work restrictions and operational availability
 - All employees with a compensable workers' compensation injury could be eligible for up to 30 days of TD for non-surgical cases and up to 60 days if surgery is performed
- **Escalate all claim delays/issues to the Injury Manager**



About Sedgwick CMS



- **Sedgwick CMS is a privately held company**
- **We specialize in claims administration in the areas of:**
 - Workers' Compensation
 - Short Disability, Long Term Disability, FMLA
 - General, Automobile and Professional Liability
- **Approximately 9,400 colleagues in more than 190 offices in the U.S. and Canada**
- **Sedgwick CMS handles over 1.4 Million claims annually with over \$7.5 Billion in claim payments**



Sedgwick CMS Mission



- **To be the premier provider of customized claims and productivity management solutions through:**
 - ➔ Customer focused programs
 - ➔ Efficient, quality-driven process design
 - ➔ Stakeholder return on investment
 - ➔ Support and empowerment of our colleagues to do the right thing at the right time



American Airlines – Dedicated Leadership Team



- **Program Manager – Robert Cunningham**
 - ➔ Primary client contact responsible for overall program performance and improvement
- **Operations Manager – Justin Goodrich**
 - ➔ Establishes policy and procedures to assure consistent delivery of company standards, industry best practices, client requirements
- **Client Performance Manager – Russell Smith**
 - ➔ Responsible for quality compliance & colleague training
- **Data Analyst – Rosalynd Billiter**
 - ➔ Develops comprehensive reports to identify program achievements and areas of opportunity



American Airlines – Dedicated Service Team



- **Sedgwick CMS has a dedicated team of 44 colleagues to service American Airlines and American Eagle**
- **Sedgwick CMS service team:**
 - Latasha Branch – Claims Team Lead
 - Julie Carrico – Lost Time Claims Examiner
 - Carolyn Davis – Lost Time Claims Examiner
 - Yolanda Hawkins – Backup/Overflow
 - Jomara Tiburcio - Medical Only Examiner



Claims Examiner Role



- **Initial 3 point contacts**
 - Injured employee
 - Medical provider
 - Injury manager
- **Completes a thorough investigation**
 - Compensability
 - Subrogation
 - Fraud
- **Reserves**



Claims Examiner Role



- **Medical Benefits**
 - Prompt direction to an authorized treating physician
 - Providing timely authorization for reasonable and necessary medical care
 - Coordinating with medical providers and injured employees
- **Indemnity Benefits**
 - TTD – Temporary Total Disability
 - TPD – Temporary Partial Disability
 - PPI – Permanent Partial Impairment



Supervisory Role



- **Sedgwick CMS Supervisor receives, reviews and assigns new losses**
 - Injuries assigned based on details of loss and examiner experience
 - Provides specific direction to the examiner
- **Supervisor completes appropriate follow-up to ensure that medical and indemnity benefits are provided timely**
- **Supervisor serves as back-up customer service contact**





- **Medical Bill Review**
- **Network Management**
- **Telephonic Case Management**
- **Utilization Review**
- **Ancillary Medical Services Management**
 - Pharmacy program (PMSI)
 - Physical Therapy (MedRisk and Concentra)
 - Diagnostic network (OneCall Medical)
 - Durable Medical Equipment (MSC)



Oklahoma State Specific Rules



- **The waiting period is seven (7) days. Indemnity benefits begin on the 8th day of disability.**
- **The State determines the maximum rate and these benefits are not taxable or reportable income**
 - Maximum weekly benefits rate effective 11/1/2011 is \$735
 - The rate is 70% of the Average Weekly Wage (AWW)
 - AWW is based upon the 52 weeks of wages prior to the date of injury
 - Wages are provided by AA
 - The maximum weekly benefit rate that is in effect at the time of the injury stays the same for the life of the claim



Oklahoma State Specific Rules



- **Soft tissue injuries:** Temporary Total Disability (TTD) benefits shall not exceed 8 weeks
- **Surgical cases:** The injured employee may receive TTD benefits up to a maximum of 156 weeks from the date on which income benefits begin to accrue if justified by medical evidence



- **Direction of Care: Oklahoma law allows an employer to direct an employee to a specific physician**
- **Change of Physician**
 - Oklahoma law allows the injured employee one change of physician for any affected body part
 - The injured employee shall provide 3 physician names to the adjuster
 - The adjuster can either select one of the physicians or will provide a list of 3 other physicians to the employee
 - If no agreement can be reached between the adjuster and the injured employee, the court will make the decision



Oklahoma Medical Treatment



- **Effective 3/1/2012 all treatment related to the cervical, thoracic, and lumbar spine must be in accordance with the Oklahoma Treatment Guidelines (OTG)**
- **All other treatment must be in accordance with the Official Disability Guidelines (ODG)**
- **Physicians may choose to participate in a voluntary pre-authorization process**



MMI, Impairment, and Settlements



- **Permanent Partial Impairment (PPI) Ratings**
 - Determination made once the injured employee reaches MMI
 - Rates are determined by the State
- **Form 26: Agreed Order**
- **Joint Petition:** Full and final settlement of all medical and indemnity benefits

