

# Worker's Compensation Terminology—Quick Reference Guide – Updated March 10, 2014

American Medical Association (AMA): It is a professional association intended for the promotion of best practices, uniform standards and peer review.

A M A Guides to the Evaluation of Permanent Impairment – 6<sup>th</sup> Edition: The latest edition required by MT law to be used as the method of rating functional impairment. The Guide is a system of rating anatomical impairments for injured workers.

Average Weekly Wage (AWW): The average weekly wage or AWW describes the amount of money that a particular worker earns each week. When employees receive workers' compensation benefits, the benefit is based on the average actual earnings for the four pay periods immediately preceding the injury; the contract of hire if less than four pay periods; or for good cause shown the employment history with the employer for up to one year.

Captive Insurance Company: A hybrid form of risk financing where a subsidiary is created to insure the risks of its parent and affiliated companies.

Case Reserves: The estimated amounts that must be paid on losses that have been reported.

Claim: A written, signed request for compensation from a subject worker or worker's representative.

Claims Examiner/Adjuster: Insurer representative, who manages a claim, makes determinations and authorizes benefit payments.

Commutation: An agreement to settle all liabilities between parties to the agreement.

Compensable Injury: An accidental injury arising out of and in the course of employment resulting in physical harm or resulting in disability or death.

Compensation: All benefits, including medical services, provided for a compensable injury to a subject worker or the worker's beneficiaries by an insurer or self-insured employer.

Contractor Registration (CR): The Department of Labor and Industry facilitates the registration of construction contractors in Montana. All construction contractors with employees must register. A construction contractor is defined, simply, as anyone who adds or takes away from a structure.

Disability: Disability represents how impairment combined with the person's age, educational background, vocational background and other factors affect an injured workers' ability to return to work. Sometimes confused with impairment. Impairment is the permanent physical harm resulting from the injury and is only one part of a disability determination.

Exacerbation: A temporary flare up of something related to a pre-existing condition, usually after an injury, but recedes to its former level within a reasonable period of time.

Excess Insurance: A type of insurance that provides coverage for losses that exceed the underlying policy limit or the self-insured retention. Excess insurance attaches above the underlying policy or self-insured retention.

Experience Modification Factor: An adjustment to Manual Premium, calculated by an advisory organization (also known as rating bureaus) such as NCCI, based on historic loss and payroll data of a particular insured.

Experience Period: The window of time from which loss and payroll data is used to calculate an experience modification factor for an employer. Normally this window is a three-year period, starting four years prior to the effective date of the experience modifier. However, rating bureaus do not wait until three full years of data are in the experience period before producing an experience rating for an employer. If an employer reaches a certain, relatively low threshold of WC insurance premiums in any one of the three years in the experience period “window”, this will make that employer eligible for experience rating.

Experience Rating: A rating technique that adjusts the industry standard premium upward or downward based on the organization’s own loss experience.

First Report of Injury (FROI): A form provided by the department that provides a full and complete report of every accident, injury, or occupational disease to an employee. A signed copy of this report constitutes a claim.

Group Captive: A captive insurer owned by multiple parent companies that are from the same industry. The function of the group captive is to insure the loss experience of its parent companies.

Group Self-Insurance Plan: One in which organizations group together to self-insure their combined workers compensation exposure.

Impairment Rating: Impairment is an anatomical or physical deficit experienced by the injured worker resulting in the medical care provider assigning a numerical rating for the type of bodily function lost or limited by the injury.

International Association of Industrial Accident Boards and Commissions (IAIABC): The IAIABC is an association of government agencies that administer and regulate their jurisdiction’s workers’ compensation acts. Along with these government entities, various private organizations involved in the delivery of workers’ compensation coverage and benefits participate in the IAIABC. Since its inception in 1914 the IAIABC has worked to improve and clarify laws, identify model laws and procedures, develop and implement standards, and provide education and information sharing.

Independent Medical Exam (IME): A *complete physical examination and records review* of an injured worker by a physician other than the worker’s treating physician upon the request of the insurer or claimant.

Loss Development Factors: Numbers developed from historical dates which, when multiplied by the dollar amount of losses, will show the expected increase in aggregate losses that will eventually be paid

for each historical year. Loss development factors may be obtained from insurance service and trade organizations, or from an insurer's own historical loss data. These factors are used primarily for forecasting liability losses, and not for property loss forecasting.

Lost time: Medically recommended time away from work due to an injury or occupational disease while the worker recovers from the injury.

Managed Care: Managed care includes preferred provider organizations, health maintenance organizations, and diagnostic related groups. The MCO (Managed Care Organization) works with health care providers on behalf of insurers to manage and coordinate the medical treatment and help limit costs of medical procedures and equipment on claims.

Managed Care Organization (MCO): An organization with which an insurer may contract to provide medical services.

Maximum Medical Improvement (MMI): Also called medical stability or maximum healing. Means a point in the healing process when further materials functional improvement would not be reasonably expected from medical treatment.

Mediation: Is the process required by statute for parties with issues in dispute to conference with an impartial Mediator to attempt to find resolutions to the disputed matters prior to filing with the Workers' Compensation Court (WCC). It is a confidential and private conference where the results range from complete resolution/agreement between the parties to negotiated settlement of the claim. If the process is not successful in resolving issues, a written recommendation is provided and the parties are free to pursue the matter at WCC.

Medical Director: A physician hired by the department to conduct independent medical reviews and reopening of closed claims and provides leadership in administering the medical utilization and treatment guidelines and medical fee schedules.

Medical Fee Schedules: Schedules developed and implemented by the department that provide maximum reimbursement rates insurers pay to medical providers for treatment and services.

Medical-Only Claims: Claims for which the only cost is medical care, without any lost-time benefits being paid.

Medical Travel Reimbursement: Travel costs (including mileage, lodging and food) are paid to the injured worker for medical appointments at specific rates commensurate with state employee travel costs. These are generally considered to be medical benefits and are generally only available for travel outside of the injured workers' home area. Modified/Alternative Employment: When the Time of Injury job (TOI) must be modified to meet an injured worker's temporary or permanent physical restrictions. If this is not feasible, alternative employment which meets those restrictions may be utilized until the injured worker reaches MMI. NCCI: The National Council on Compensation Insurance—the organization responsible in many states for determining proper WC classifications, Experience Modification Factors, and collecting data used for ratemaking. NCCI also writes the manuals used in many states to calculate

WC premiums, and also administers the Assigned Risk Plan in many jurisdictions. NCCI is a private organization, not connected with government.

National Federation Independent Business (NFIB): Founded in 1943, and headquartered in Nashville, Tennessee, the National Federation of Independent Business is America's leading small-business advocacy association.

Occupational Disease (OD): Under Montana statutes, an "occupational disease" refers to physical problems or conditions caused by exposures occurring on more than a single work shift or day, usually involving work of a repetitive nature. They are defined as separate from injuries but entitle the injured worker to the same benefits.

Palliative Care: Medical treatment which usually occurs after stability has been achieved and is intended to help keep the claimant at MMI and able to return to work. It does not include medical treatment involving diagnoses or healing time and is not intended to permanently alleviate or eliminate a medical condition.

Peer Review: An examination (or records review) by either an individual medical provider, or perhaps a panel of medical professionals, to provide medical opinions regarding causation, MMI, impairment, or responses to other medical questions.

Permanent Partial Disability (PPD): Once an injured worker reaches maximum medical improvement, has a Class 2 or higher permanent impairment and no wage loss; or when the worker has any class of permanent impairment and a wage loss, the worker is considered to be entitled to PPD benefits. The calculation of benefits is based on specific criteria.

Permanent Total Disability (PTD): Permanent Total Disability status is determined when an injured worker's condition has reached maximum medical improvement and, based on the opinions of their treating physician, a vocational rehabilitation specialist (and other factors) they do not have a reasonable expectation of being able to perform regular employment. Plan 1 Insurer (Self-Insurance): Employers approved by the department to have the financial ability to pay all workers' compensation liabilities of their employees.

Plan 2 Insurers (Private Insurance Carrier): Insurance carriers approved to write workers' compensation in Montana.

Plan 3 Insurer (Montana State Fund): The state compensation insurance fund provided for in law.

Preferred Provider Organization (PPO): A provider or group of medical providers who provide discounted service fees in return for a high volume of referrals.

Rating Bureau: See NCCI. Some states maintain their own separate rating bureau, although these often follow NCCI rules and use NCCI manuals. Currently, the states of California, Delaware, Hawaii, Indiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Pennsylvania, Texas, and

Wyoming operate their own non-NCCI rating bureaus. Many of these largely follow NCCI rules for computing premiums and classifications, but California, Delaware, Texas, and Pennsylvania are notably different than NCCI in some aspects of classification and premium computation.

Regular Employment: work on a recurring basis performed for remuneration in a trade, business, profession, or other occupation in this state.

Reinsurance: The process by which one insurance company pays a fee to transfer its insured loss exposures to another company (the re-insurer). Reinsurance is purchased by the insurer to increase its insurance capacity or to stabilize its underwriting results.

Retention: A risk financing technique where an organization uses its own resources to pay for its own losses.

Retrospectively Rated Insurance: An insurance plan where the ultimate premium paid by the insured is calculated after the end of the policy year based on the insured's actual losses during the year. Retrospectively rate insurance plans can be constructed as either incurred retrospective plans or paid loss plans.

Scopes Manual: Manual produced by NCCI, which details what kinds of workplace exposures belong in particular WC classification codes.

Self-Insured Retention Plan: A formal retention plan that uses an insurance policy to provide benefits above the retention. The insurance policy is said to attach when the self-insured retention is exceeded. Self-Insured retentions are different from deductibles. With a self-insured retention, the insured is responsible for adjusting and paying losses that are within and up to the self-insured retention level. With a deductible plan, the insurer adjusts and pays all losses, and is reimbursed by the insured for losses that are below the deductible.

Settlement: A means to achieve resolution on a claim and may be "global", encompassing all types of benefits (wage loss, medical, vocational rehabilitation etc) or can be specified for one or more types of benefits while leaving others in reserve (open). Settlement petitions contain the agreement language, amount to be paid, what is held in reserve if anything and are usually approved by the Department of Labor prior to actual payment of the settlement amounts. Specific Excess Policy: An excess policy that provides coverage for losses in excess of one accident or occurrence. It is usually written over a self-insured program where the insured retains a certain amount on a per accident/occurrence basis.

State Average Weekly Rate (SAWW): the mean weekly earnings of all employees under covered employment, as defined and established annually by the department before July 1<sup>st</sup>.

Stay at Work/Return to Work (SAW/RTW): A process of returning a worker to work as soon as it is medically safe to do so.

Subrogation: The insurer's right to recover from a third party who has caused a loss after the injured worker has been made whole.

Subsequent Report of Injury (SROI): A periodic report that provides all of the benefits paid on an individual indemnity claim. The report is required to be sent to the department every 6 months from the date of injury until all benefits have been paid.

Temporary Partial Disability (TPD): a physical condition resulting from an injury, in which a worker, prior to MMI is temporarily unable to return to the time of injury job, can return to work in a modified or alternative employment and suffers a partial wage loss.

Temporary Total Disability (TTD): a physical condition resulting from an injury that results in total loss of wages and exists until the injured worker reaches MMI.

Third Party Administrator: An outside or third-party organization that handles claims for an insurer or a self-insurer.

Time of Injury (TOI): The position held at the time the worker is injured or suffers an occupational disease.

Total Rehabilitation Benefits: Wage loss payments made to disabled workers while completing agreed upon rehabilitation plans for either job placement or retraining up to two years.

Uninsured Employers Fund (UEF): A program that brings uninsured employers into compliance with the mandatory workers' compensation insurance coverage and pays limited benefits to the injured workers of an uninsured employer. The fund is funded by penalties assess to the uninsured employer and reimbursement of the paid benefits.

Utilization and Treatment Guidelines (U & T Guidelines): Evidence based or consensus based guidelines that are used by medical providers to treat injured workers and are presumed to be reasonable and compensable medical treatment.

Utilization Review (UR): Evaluating medical care in terms of its necessity, frequency, and cost in order to determine whether treatment has been unnecessary or inappropriate.

Vocational Rehabilitation (VR): When an injured worker achieves MMI and cannot return to his/her time of injury job, the Claims Examiner and/or a vocational rehabilitation specialist may determine if they are eligible for vocational rehabilitation assistance. The level of this assistance varies greatly and is dependent on impairments, work history, education, wage loss and other factors. It may involve simply helping with a résumé or minimal brush-up on needed skills all the way through full payment of TRB while the injured worker participates in a re-training program of up to two years.