

# Reserving within CBCS

## Behind the Iron Curtain

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**THIRD-PARTY  
CLAIM ADMINISTRATION**  
CLAIMS & SAFETY MANAGEMENT

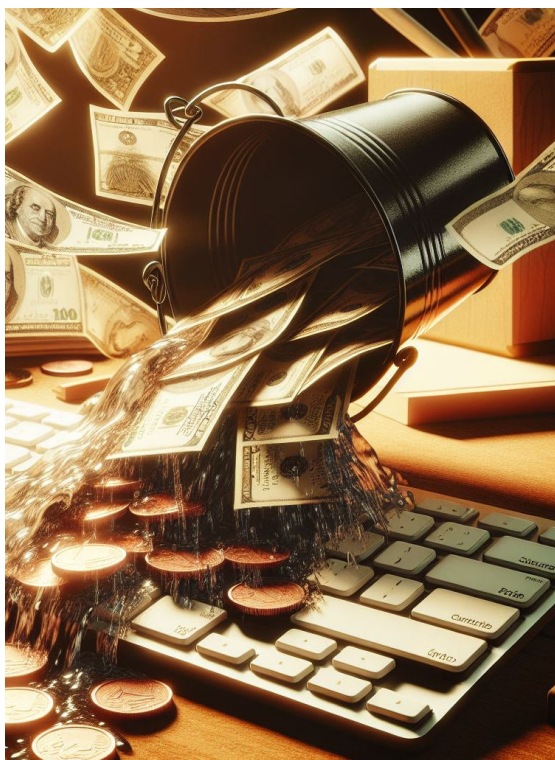
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# WHAT ARE RESERVES?



## Reserving the buckets



- 4 Primary “Buckets” of reserves
  - Medical
  - Indemnity
  - Expense
  - Legal

## MEDICAL RESERVES



## INDEMNITY RESERVES



## EXPENSE/LEGAL



## How are reserves developed?



- Factors which determine reserving
  - Injury: this is obvious
  - Comorbidities
  - Age
  - Pre-Existing Conditions
  - Jurisdiction
  - Litigation

## BUILDING A CASE FILE

Employee is a 35 year old male

No comorbidities.

Lifting a box that is 56lbs reports right sided back pain, says it feels like it's going down his leg a little. Cannot stand up without pain, dull constant pain.

AWW \$1000

TTD Rate is \$666.67 (let's just use \$667)

Employer does not have light duty work onsite.

## MEDICAL RESERVES

What treatments do we want to think through?

- ER
- Follow up appointments
- Xrays
- MRI
- Physical Therapy
- Prescriptions
- Nurse Case Management

## Building the medical reserve



- Medical treatment:  
Typical sprain strain for uncomplicated file will give the following:  
ER \$1000-\$1500  
Physician Appointments \$200 each  
Xrays \$500 to rule out fractures  
MRI \$1200 to rule out herniated disc  
PT 12-18 visits at \$200 each  
Prescriptions \$300 for muscle relaxer, pain medications
- In this case...\$6200 and here is how that happened
  - ER \$1200
  - MD Appts (3) \$600
  - Xray \$500
  - MRI \$1200
  - PT (12) \$2400
  - Rx \$300

## Building the indemnity reserves

- We know the employer does not have light duty on their facility
- We know the TTD rate is \$667
- Sprains/Strains typically resolve within 6-8 weeks.



## BUILDING THE EXPENSE RESERVES



## Differences in reserves

West Coast:	Midwest:
Medical: \$ 4975 Office visit/follow up visit(s) - \$1375 Diagnostics (MRI) - \$1200 Physical Therapy - 8-12 visits @ \$200 = \$2400  Expense: \$ 747 15% PPO/Bill Review Fees  Indemnity: \$6670 Estimated 10 weeks of TTD (AWW @ 667x10)	Medical \$10,500 Doctor \$2000 MRI/X-ray/CT \$2500 PT \$2500 Possible injection \$3000 RX \$ 500  Expense Bill review/PPO \$1575  Indemnity 4 weeks TTD (est) \$2750

## COMORBIDITIES – HOW THEY IMPACT THE CLAIM?

Risk Assessment Score (RAS): 🟡 40.95

ICD Codes: S92.354A

DOL Job Class **Medium** ▼

- ☐ Depression
 ☐ Diabetes
 ☐ Hypertension  
☐ Legal Representation
 ☐ Obesity
 ☐ Smoker  
☐ Opioids
 ☐ Substance Abuse
 ☐ Surgery or Hospital Stay

Best Practice	Typical	Max
40	45	50

Reserve	Best Practice	Typical	Max
Indemnity	\$5,093.31	\$5,729.98	\$6,366.64
Medical	\$2,450.75	\$3,171.67	\$4,556.99
Expense	\$976.21	\$744.53	\$879.33
	Sum: \$8,520.27	Sum: \$9,646.18	Sum: \$11,802.96

## COMORBIDITIES – ADDING A LAYER

Risk Assessment Score (RAS): + 69.31

ICD Codes: S92.354A

DOL Job Class **Medium**

- ☐ Depression
 ☐ Diabetes
 ☒ Hypertension  
☐ Legal Representation
 ☐ Obesity
 ☒ Smoker  
☐ Opioids
 ☐ Substance Abuse
 ☐ Surgery or Hospital Stay

Best Practice	Typical	Max
40	62	144

Reserve	Best Practice	Typical	Max
Indemnity	\$5,093.31	\$7,894.64	\$18,335.93
Medical	\$2,450.75	\$5,692.01	\$12,572.42
Expense	\$976.21	\$1,049.98	\$2,048.29
	Sum: \$8,520.27	Sum: \$14,636.63	Sum: \$32,956.64

## COMORBIDITIES – ADDING A LAYER

Risk Assessment Score (RAS): 🟡 76.93

ICD Codes: S92.354A

DOL Job Class Medium

☐ Depression

☐ Diabetes

☒ Hypertension

☐ Legal Representation

☒ Obesity

☒ Smoker

☐ Opioids

☐ Substance Abuse

☐ Surgery or Hospital Stay

Best Practice	Typical	Max
40	83	212

Reserve	Best Practice	Typical	Max
Indemnity	\$5,093.31	\$10,568.63	\$26,994.57
Medical	\$2,450.75	\$7,447.75	\$18,512.78
Expense	\$976.21	\$1,320.74	\$2,805.31
	Sum: \$8,520.27	Sum: \$19,337.12	Sum: \$48,312.66

## HOW IT IMPACTS YOU

Risk Assessment Score (RAS): 🟡 75.71

ICD Codes: S92.354A

DOL Job Class Medium

- ☐ Depression
 ☐ Diabetes
 ☐ Hypertension
- ☒ Legal Representation
 ☐ Obesity
 ☐ Smoker
- ☐ Opioids
 ☐ Substance Abuse
 ☐ Surgery or Hospital Stay

Best Practice	Typical	Max
40	108	199

Reserve	Best Practice	Typical	Max
Indemnity	\$5,093.31	\$13,751.95	\$25,339.24
Medical	\$2,450.75	\$6,003.51	\$12,246.92
Expense	\$976.21	\$9,449.43	\$12,842.55
	Sum: \$8,520.27	Sum: \$29,204.89	Sum: \$50,428.71

## GROUP WORK!

45-year-old female, pulling on straps to secure freight when she feels a sharp pull in her left shoulder. EE is known to have prior workers' compensation claims, and one has been in litigation. Outside of work, she is active in a local softball league.

Let's build out the reserves:

Medical

Indemnity

Expense

## Conclusion



- Reserves are set based on the facts of the claim as we know them for all medical only and lost time files.
- We can mitigate reserves through.
  - Employee Wellness
  - Active light duty program
- Regular communication with employees

# Questions?

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