Glossary of Terms and Words

administrative inventory - refers to a standardized methodology developed by the Workers’ Compensation Research Institute for the review of workers’ compensation systems, with a focus on administration of the systems. These reviews are not management audits and do not evaluate or compare performance but do raises issues for consideration, called “Attention Points”

case management approach - refers to the coordination of medical care of an injured worker, including the link between the medical care and the indemnity sides of workers’ compensation. The goal of case management is to bring some form of external control into the medical care process by ensuring that there is a comprehensive treatment plan in place for each injured worker which is coordinated between the worker, the workers’ compensation insurance carrier and the employer and which facilitates the worker’s return to work

choice of provider - refers to the ability of an injured worker to choose their health care or medical provider

competitive state insurance - refers to a type of workers’ compensation system in the United States where workers’ compensation is written by the state in competition with private insurance companies. Competitive state funds operate in a fashion similar to private insurers though rates may differ and, in some cases, the state fund may return profits to employers. Often, but not always, the state insurer is the insurer of “last resort”

disaster funds - pay for extraordinary losses due to catastrophic events (e.g., a single accident that results in the death or disability of a large number of workers)

dual award approach - refers to the compensation of permanent disability by awarding the claimant with separate cash benefits for work disability and non-work-related loss or functional impairment. The work disability component of the award (“economic loss”) is based on the claimant’s wage loss after the injured worker has reached the point of maximum medical improvement (MMI), while the non-work component is based on an evaluation of the claimant’s physical impairment at MMI. The non-work component is normally awarded in a lump sum

economic loss - in relation to disability benefits means compensation or cash benefits for an injured worker to replace loss of earnings as a result of the injury. Varies referred to as “wage loss”, “earnings loss”, “projected earnings loss”, “loss of earnings capacity”, “extended wage loss”, “future loss of earnings” and “income replacement indemnity” the level and degree of economic loss can vary during the life of the worker and along the treatment and recovery period.
exclusive state funds - refers to systems in the United States where the central state fund is the sole or exclusive underwriter for workers’ compensation in that jurisdiction. Similar to the Canadian systems, the state fund is a monopoly and private insurers are not permitted to write workers’ compensation insurance, though some states allow self insurance

experience-rating programs - refers to premium or assessment rate making plans which tie the WC premium to the individual firm’s WC claims experience, as an incentive to reduce claims and increase safety. Workers’ compensation programs are usually financed by assessments on employer payrolls which are set by establishing a base premium rate for an industrial classification based on claims experience for that industry in the jurisdiction. Experience rating adjusts the industry base premium for a firm upward or downward based on a firm’s individual claims experience relative to the industry. In the U.S., there is a standard rate making methodology for both industry and firm experience rating established by the National Council on Compensation Insurance (NCCI) that is used in most states. In Canada, every province is different and experience rating is a relatively new innovation that has just recently been adopted in most jurisdictions

fee schedules - standard or set fees for provision of medical and hospital services for injured workers

functional impairment - is when a worker’s physical or mental capacities are reduced or impaired resulting in a functional loss which may, or may not, result in a projected or actual loss of earnings or economic loss (sometimes disfigurement is considered to be a functional impairment even though disfigurement does not generally result in a loss of earnings)

historic compromise - in reference to a workers’ compensation system, means a system based on statutory compensation as an “exclusive remedy” with no access to the tort system and fault based common law remedies. Sometimes referred to as the “quid pro quo” of workers’ compensation, under this “no fault” approach, employers benefit from limitation of damages whereas workers are guaranteed the partial recovery of tangible losses

Managed Care Organizations (MCOs) - are centralized health plans or programs that offer prepared, comprehensive managed care for WC benefit recipients normally on a set fee basis. In theory, MCOs deliver timely, consistent, quality medical care through the use of treatment protocols and standards, medical treatment review, utilization review, and ongoing provider education

managed care programs - a form of external management into the medical care and rehabilitation processes for injured workers with goal of controlling costs and ensuring efficient use of resources. A managed care program generally involves the use of MCOs or fee schedules, case management and utilization review

occupational disease or illness - a disease or illness caused directly by employment
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**permanently partial disability (PPD)** - a permanent functional impairment caused by accident or occupational disease

**permanent total disability (PTD)** - a permanent inability to work caused by accident or occupational disease

**privatized state funds** - refers to systems in the United States where a former state fund has been sold to the private sector and all workers’ compensation insurance is underwritten by private insurers

**provider** - refers to medical care provider

**rehabilitation incentives** - refers to policies or programs that are designed to act as an incentive to both employers and employees to participate fully in rehabilitative programs and to ensure commitment to rehabilitative services

**retrospective rating** - a plan for setting WC premiums under which a rebate is provided or a surcharge is levied after the fact depending on whether claims performance during a period is better or worse than expected (i.e. than the firm experience rating basis upon which the premium was set). This is used as an incentive to improve claims and safety performance.

**second injury funds** - are designed to encourage employers to hire workers with disabilities. These funds pay for the costs of injury that are attributable to the fact that a pre-existing condition has increased the severity of disability resulting from a second injury relative to what it would have been if there were no pre-existing condition. If a worker experiences a second injury, which when combined with the effects of a prior injury results in a condition for which the injured worker is entitled to greater compensation benefits, the insurer or self-insurer is liable only for the benefits that would have been due had the first injury not existed.

**self-administration and self management** - distinct from “self insurance”, refers to an employer who chooses, where permitted, to adjudicate and manage their own claims according to set legislation

**self-insurance** - refers to an employer who chooses, where permitted, to not insure their WC liabilities with an insurance carrier but to pay the employee WC claims directly. This can include contracting with an insurer to administer claims on the employer’s behalf without the insurer accepting any risk and can include the purchase of excess insurance or reinsurance to limit the risk accepted by the employer.
“social” rehabilitative services - as opposed to vocational and physical rehabilitation that is directed at a disabled worker’s physical health and capacity to undertake work, social rehabilitation refers to programs and services that are designed to help the disabled worker adjust to personal or social problems associated with the disability, including the provision of personal and child care, life skills retraining, and psychological and academic assistance.

State Average Weekly Wage (SAWW) or State Average Monthly Wage (SAMW) - in the U.S., the average weekly or monthly wage for the state as determined by the federal Bureau of Labor Statistics, used in many states in setting minimum and maximum wage loss benefits.

temporary total disability (TTD) - loss of the ability to work temporarily due to accident or occupational disease. Assumes that after a period of time, the worker will either fully recover and be able to return to their previous work, be found to be permanently partially disabled or permanently totally disabled.

temporary partial disability (TPD) - temporary loss of partial capacity to perform normal job or duties due to accident or occupational disease. Assumes that after a period of time, the worker will either fully recover and be able to resume their previous job or function or be found to be permanently partially disabled.

utilization review (UR) - as part of a managed care system, refers to reviews of medical care and rehabilitation processes to ensure the cost effective delivery of services required by claimants and the achievement of return to work outcomes.

WC - workers’ compensation