

Protect Yourself from Workers' Compensation Fraud and Risks

By: Lisa Danes

It's a common perception that workers' compensation laws favor the employee. According to Michael Pauletto, partner at attorneys Lewis Brisbois Bisgaard and Smith LLP, that perception is correct.

Workers' compensation is a form of insurance that provides wage replacement, vocational rehabilitation, medical benefits and other benefits to employees injured on the job. Workers' compensation fraud occurs often and can cost the employer greatly if not discovered or investigated.

For example, according to the California Insurance Department, the Fraud Division identified and reported 5,151 suspected fraud cases, assigned 847 new cases, made 268 arrests, and referred 309 cases to prosecuting authorities during fiscal year 2012-13.

Pauletto says you can't even the playing field, but you can arm yourself with knowledge of your rights and the employee's obligations to help minimize the damage and combat fraud.

The employer's goal

As an employer dealing with a workers' compensation claim, you have several goals to protect your business and your workforce. You want to get your good staff members healthy and back on the job. At the same time, you need to identify the problem people—who may attempt fraud—and minimize the damage.

Both of these steps will help to keep your workers' compensation premiums down. The quicker an injured worker returns to work, the lower your disability claims costs will be.

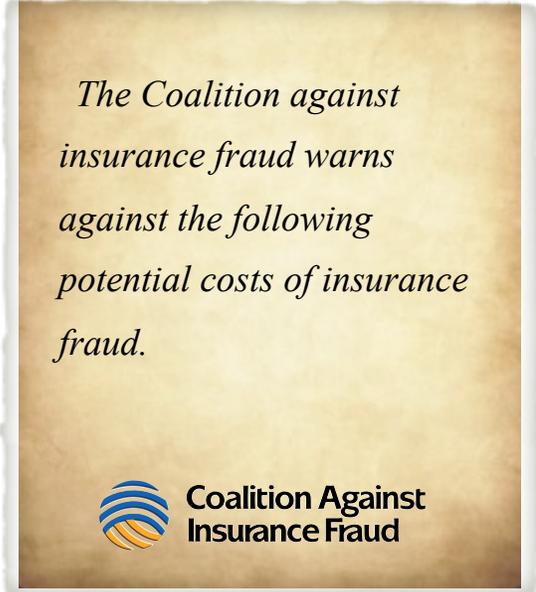
You'll also want to avoid paying Permanent Total Disability. Permanent Total Disability is when an employee loses their ability to earn a wage not only at the current employer, but permanently in any capacity.

Disability Classifications according to the New York State Workers' Compensation Board are as follows:

Temporary Total Disability – The injured worker's wage-earning capacity is lost totally, but only on a temporary basis.

Temporary Partial Disability – The wage-earning capacity is lost only partially, and on a temporary basis.

Permanent Total Disability – The employee's wage-earning capacity is permanently and totally lost. There is no limit on the number of weeks payable.



The Coalition against insurance fraud warns against the following potential costs of insurance fraud.



Coalition Against Insurance Fraud

The cost of fraud

You, your business and any remaining staff will pay the price for workers' compensation fraud. The Coalition against insurance fraud warns against the following potential costs of insurance fraud.

Higher premiums – Businesses will pay higher workers' compensation premiums because insurers pass the high costs of fraud onto their policyholders. Often the premium increases are large and can be very damaging to smaller businesses that can't afford higher premiums.

Higher sale prices – Businesses are forced to pass their higher premium costs onto customers in the form of higher prices for goods and services.

Jobs lost – Higher premiums can force a business to lay off workers to reduce costs, or even cause a business to go bankrupt.

Lost pay – Business owners may freeze or reduce pay for remaining workers as they try to offset the often sharply higher cost of premiums.

Endangered workers – Workers can find their health, safety and life savings threatened. They could have a serious work injury but no coverage because their employer illegally avoids buying insurance.

Weakened businesses – Higher workers' comp premiums can decrease a dealership's income, lower employee productivity, and force some companies to go out of business.