



Rate Setting Review - Program Policy Background Paper

Proposed Program Policy for Practice Incentives Rebate Program

March 2012

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Purpose of this Paper

In December 2011, the WCB of Nova Scotia released a discussion paper providing an overview of proposed Rate Setting Model enhancements to motivate employers to embrace a safety culture. Stakeholders were invited to provide feedback on the proposed program policy changes for consideration by the Board of Directors before making a final decision.

At that time, certain key details for one of the enhancements, the proposed Practice Incentive Rebate Program, were still being determined. These details have now been finalized and so this paper kicks off Stage 2 consultation for the proposed new program policy for the Practice Incentive Rebate Program. Similar to the other proposed rate setting model enhancements, Stage 1 consultation on the Practice Incentive Rebate Program proceeded by way of numerous one-on-one consultations in 2011 with key stakeholders representing employers, labour and injured worker groups to gather their views on the new program. The input received during Stage 1 consultation was considered by the WCB and informed the development of this new proposed program policy.

Prior to finalizing the new proposed program policy for the Practice Incentive Rebate Program, the WCB would like to hear stakeholders' views. The Board of Directors will consider the input received and determine whether revisions are required to the draft program policy before making a final decision.

DEADLINE FOR COMMENTS: April 30, 2012

Please review the background paper and draft program policy, and provide your written feedback to:

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This paper is also available at www.wcb.ns.ca on the home page under News.

Practice Incentive Rebate Program

The proposed Practice Incentive Rebate Program is part of a package of WCB Rate Setting Model enhancements. These enhancements are designed to use financial levers to promote and encourage safe work practices with the aim of minimizing workplace injuries and the losses attributable to them.

The proposed Practice Incentive Rebate Program will reward employers who implement an effective health and safety management system, based on an independent assessment. The implementation of such a system exceeds regulatory requirements, and ensures there are comprehensive management systems in place to provide a safe work environment. The intent

of the proposed program is to encourage employers to implement effective health and safety management systems as an important step towards reducing the risk of workplace injury. Employers whose health and safety management system successfully meets the requirements of a WCB approved health and safety system accreditation program (as an example, Certificate of Recognition (COR)) will be eligible to receive a rebate of a given percentage of their assessment premiums.

The WCB is testing this proposed incentive program with the construction and trucking industries prior to a full launch to all industries. These industries have support for health and safety management system accreditation from a large portion of their employers and have been issuing CORs for a number of years. The WCB has been engaging other industry sectors to work towards this level of commitment and will work with any industry that expresses interest in participating in the practice incentive rebate program.

Employers in the construction and trucking industries will be eligible to receive a practice incentive rebate beginning in 2014, if they meet the following requirements:

- Must have a health and safety management system in place that has successfully passed a certification audit by a WCB-approved audit provider using a WCB-approved audit instrument;
- Must receive certification prior to December 31st of the previous year (i.e. 2013);
- Must be in good standing, as defined by the WCB; and
- Must have no fatal claims in the previous year up to the point the rebate is issued;

The amount of rebate will vary depending on the size of the employer – rebate of 5 per cent of WCB assessment premiums if employer paid premiums of \$10,000 or more; rebate of 10 per cent of WCB assessment premiums if employer paid premiums of \$5,000 or less; or rebate of \$500 if employer paid premiums between \$5,001 and \$9,999. This approach creates a sliding scale where those employers with premiums just over \$5,000 will get just under 10 per cent back and those with premiums just under \$10,000 will get just over 5 per cent back. The rationale for this scaling rebate approach is to ensure that the rebate amount is meaningful to all employers, regardless of size.

The proposed Practice Incentive Rebate Program will not be retroactive and rebates will be available for employers in the construction and trucking industries starting in 2014 that meet the above criteria for 2013. This program will use an industry-based funding approach; therefore, assessment rates for non-participating industries will not be impacted by this program.

Example Rebate Calculations

Scenario A: For an employer that meets the program criteria outlined above and pays \$10,000 or more in WCB premiums in a given assessment year, their practice incentive rebate will be calculated as follows:

Employer 'X' – classified in Trucking Industry

Annual Assessable Payroll - \$6,300,000

Annual Base Rate - \$4.00 / \$100 of Assessable Payroll

Annual premiums - \$250,000

Calculation: (5% x Base Rate) x Assessable Payroll

$$\left(5\% \times \frac{\$4.00}{\$100} \right) \times \$6,300,000$$

5% calculated rebate = \$12,600

Scenario B: For an employer that meets the program criteria outlined above and pays \$5,000 or less in WCB premiums in a given assessment year, their practice incentive rebate will be calculated as follows:

Employer 'X' – classified in Construction Industry

Annual Assessable Payroll - \$86,000

Annual Base Rate - \$3.50 / \$100 of Assessable Payroll

Annual premiums - \$3,000

Calculation: (10% x Base Rate) x Assessable Payroll

$$\left(10\% \times \frac{\$3.50}{\$100} \right) \times \$86,000$$

10% calculated rebate = \$300

Scenario C: Any employer that meets the program criteria outlined above and pays between \$5,001 and \$9,999 in WCB premiums in a given assessment year will receive a \$500 practice incentive rebate.

Proposed Program Policy Approach

The practice incentive rebate program will reward employers who implement effective health and safety systems based on an independent assessment of the safety system. The WCB proposes a new program policy that will outline the key elements of the practice incentive rebate program. Please refer to Appendix A for a copy of the proposed program policy.

The following is an overview of the proposed new program policy.

Paper

Preamble and Definitions

The preamble section of the proposed program policy provides a brief description of the Practice Incentive Rebate Program, the rationale for the program and which industries are eligible to participate during the test phase. The WCB has chosen to include definitions for “assessment year” and “qualifying year” to clarify the time period for certification that will be eligible for a practice incentive rebate.

Policy Statement

Section 1 – Program Eligibility Criteria: This section details the criteria an employer in the construction or trucking industry must meet to be eligible for the practice incentive rebate, including the timing of the criteria.

Section 2 – Practice Incentive Rebate: This section outlines how the practice incentive rebate will be payable, including the timing of the rebate and the timing of appropriate health and safety certification. It also provides details on how the rebate will be calculated, based on the size of employer's payroll.

Application

This program policy applies to employers in the construction or trucking industry, as defined and classified by the WCB. It will apply from 2013 onward.

Providing Your Comments

We would like to hear your comments on proposed program policy for the Practice Incentive Rebate Program and the information presented in this paper. In particular, we encourage you to consider whether there are any recommended changes you would like considered in finalizing the proposed program policy. Comments received will assist the WCB in ensuring that all issues are considered in the development of this new program policy.

You may provide comments by e-mail to Janet Rutherford at janet.rutherford@wcb.gov.ns.ca, or by mail at:

Janet Rutherford, Manager Projects and Change Management
Workers' Compensation Board of Nova Scotia
PO Box 1150, Halifax, NS B3J 2Y2
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The deadline for comments is **April 30, 2012**

APPENDIX A – PRACTICE INCENTIVE REBATE DRAFT POLICY

PROGRAM POLICY

NUMBER: 11.1.3

Effective Date: to be inserted

**Topic: Practice Incentive Rebate
Program for Construction (and
Trucking) Industry**

Date Issued: to be inserted

Section: Prevention

Date Approved by Board of Directors: to be inserted

Subsection: Practice Incentive Rebate Program

Preamble

The WCB's focus on injury prevention and safe and timely return to work recognizes that societal and cultural change is essential for creating a culture of health and safety in the workplace. The WCB encourages employers to implement effective health and safety management systems as an important step towards reducing the risk of workplace injuries and illnesses. The Practice Incentive Rebate Program gives an added incentive to employers classified in the construction or trucking industry to attain health and safety certification, to strengthen their commitment to safe work, to continue expanding worker knowledge of safe work practices through training and awareness, and to improve safety performance overall.

The Practice Incentive Rebate Program will apply to construction and trucking firms that meet the criteria established by the WCB and receive or maintain certification for effective health and safety management systems (i.e. Certificate of Recognition (COR)).

Employers with appropriate certification will be eligible for a practice incentive rebate in accordance with this policy.

Definitions

“assessment year” is the period from January 1 to December 31.

“qualifying year” is the assessment year preceding the year in which the practice incentive rebate for an employer may be awarded.

Policy Statement

1.

Program Eligibility Criteria

To qualify for the practice incentive rebate, an employer must meet the following requirements:

- Employer must operate in the construction or trucking industry, as defined and classified by the WCB;
- Employer must have a health and safety management system in place that has successfully passed a certification audit by a WCB-approved audit provider using a WCB-approved audit instrument;
- Employer must pass the certification audit and receive certification prior to December 31st of the qualifying year;

- Employer must be in good standing with WCB of NS at the time the rebate is issued. This means the employer:
 - Has WCB coverage;
 - Has met all payroll reporting requirements; and
 - Has paid all premiums to date.
- Employer must have no fatal claims during the qualifying year up to the point the rebate is issued.

An employer who does not meet the criteria established by the WCB will not receive the practice incentive rebate until the criteria are met, as determined by the WCB.

2. Practice Incentive Rebate

An employer who obtains health and safety management system certification (i.e. COR) and who has met the criteria outlined in this policy will receive the following rebate:

- A 5 per cent rebate of assessment premiums paid in the qualifying year for employers with premiums of \$10,000 and above; or
- A 10 per cent rebate of assessment premiums paid in the qualifying year for employers with premiums of \$5,000 or less; or
- A \$500 rebate for employers with premiums between \$5,001 and \$9,999.

An employer is eligible for a practice incentive rebate each assessment year. To be eligible for subsequent practice incentive rebates an employer must maintain health and safety management certification (i.e. COR) and meet the eligibility criteria outlined above in section 1.

Application	This program policy applies to employers in the construction or trucking industry, as defined and classified by the WCB for 2013 onward.
References	<i>Workers' Compensation Act</i> (Chapter 10, Acts of 1994-95), Section 121(5).

Executive Corporate Secretary