

Client Services Policy Manual

Policy Number: **ES-13**
Subject: **Administrative Cost Relief**
Chapter: **Employer Services**

Policy Statement

Administrative cost relief refers to the process of redirecting all or a part of the cost of a claim for a specific employer from that employer's experience account to a separate administrative cost relief account, thereby charging the cost to all assessed employers under collective liability.

Administrative cost relief for individual employers is generally not available in Canadian workers' compensation systems. The *Workplace Health, Safety and Compensation Act* (The Act) does not specifically address administrative cost relief. It is available through the PRIME program in the limited circumstances set out in this policy.

Administrative errors, although unintended, are a consequence of a system which requires efficiency and deals with high volumes of cases. The reasons which may lead to an administrative error are complex and can involve processes and parties outside WorkplaceNL, such as issues related to the health care system, processes and activities of the employer and/or the worker, or other parties involved in the management of the claim.

WorkplaceNL maintains the position that, for all the reasons stated above, administrative cost relief is generally not available. However, cost relief for second injury is made in accordance with the provisions under Policy ES-11 "Second Injury Relief". Transfer of injury costs resulting from negligence of another employer is made in accordance with Policy ES-12 "Transfer of Injury Costs". Collective liability is a fundamental principle of the workers' compensation system. Therefore, in establishing the assessment base rate for each industry, WorkplaceNL ensures that all the employers in that industry share the cost.

Assessment base rates are set at the industry group level, not at the individual employer level. The cost experience for an entire industry is used to establish rates. The individual cost experience for a single employer is not relevant in setting rates (refer to Policy ES-08 "Rate Setting" for further information). WorkplaceNL's PRIME program (Policy PR-01 "PRIME Overview") provides individual employers with opportunities to lower their assessments based on good prevention and return-to-work practices and claims cost experience. For this reason, administrative cost relief is only applicable at the individual employer level under WorkplaceNL's PRIME experience incentive component.

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PRIME Experience Incentive Component

Under the PRIME experience incentive component, employers are made more accountable for their individual claim cost experience. Employers' claim costs are compared to an expected range of injury costs, known as the experience incentive range. Employers who have claim costs below their expected range may receive an experience refund, while employers with claim costs above their expected range may receive an experience charge (refer to Policy PR-02 "PRIME Calculations" for further details on the impact of costs for an individual employer).

Claim costs included in PRIME experience are called PRIME costs. In general, claim costs with payment dates in the PRIME year for injuries occurring during the three year PRIME base period will be included in an employer's experience calculations.

PRIME Experience Exclusions and Maximums

Not all incurred claim costs are included in an employer's experience under PRIME. To provide fairness and to ensure that employers are protected from large increases in their assessments from year to year, PRIME experience uses exclusions and maximums. These exclusions and maximums can affect whether a cost adjustment, such as administrative cost relief, will impact an employer's PRIME experience results.

In addition, there is a maximum allowable cost per claim that can be charged to an employer's experience account in a year. For a complete list of claim costs included and excluded from PRIME experience, refer to Policy PR-01 "PRIME Overview".

The maximum rule also places a limit on the percentage that an employer's PRIME experience results can be in a less favourable state from one year to the next (refer to Procedure 505.00 "PRIME Calculations").

Applying for Administrative Cost Relief Under PRIME

WorkplaceNL may transfer appropriate claim costs out of an employer's experience account to all assessed employers under collective liability where the employer demonstrates to the satisfaction of WorkplaceNL all of the following:

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- there was an error as the result of an incorrect application of legislation or policy;
- the error impacted on an entitlement decision; and,
- the error resulted in claim costs which would not have otherwise been incurred.

Administrative cost relief can be considered when it has been determined through the appeal process that an entitlement error has occurred. The decision maker will review the decision to determine any entitlement to administrative cost relief under this policy.

In situations where administrative cost relief is granted for a year that PRIME results have been previously applied to the employer's account, WorkplaceNL will complete a PRIME adjustment as outlined in Policy PR-03 "PRIME Adjustment".

This policy does not create or introduce any new grounds of appeal to the internal review process. As is presently the case, employee performance issues and administrative delays do not constitute grounds of appeal of the entitlement decision or grounds for cost relief.

Reference: *Workplace Health, Safety and Compensation Act, Sections 96 and 116*

*Policies: PR-01 PRIME Overview
PR-02 PRIME Calculations
PR-03 PRIME Adjustments
ES-08 Rate Setting
ES-11 Second Injury Relief
ES-12 Transfer of Injury Costs
EL-04B Overpayments
AP-01 Internal Review
Procedure: 505.00 PRIME Calculations*

Amendment History

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