



material handling  **logistics conference**
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Adopting A Safety Culture At All Levels Of Your Organization

Track 2 Session 4



Supply Chain  **Forward.**

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Abstract

- ▶ **Safety first? If risk to employee injury is not addressed other critical business performance measures in the warehouse will be negatively impacted. Effective risk controls (pre and post injury) can have far reaching human resource and business implications. This important class lays out the components of a proven process that has driven reduced injury frequency and cost thus supporting overall expense reduction and productivity enhancement efforts.**

Agenda

- ▶ **SUPERVALU Case Study**
 - ◆ **Bringing together two dramatically different approaches to controlling risk**
 - ◆ **Metrics that defined the differences**
 - ◆ **Identification of specific practices & path forward**
- ▶ **Injury Rate and Expense Impact**
- ▶ **Initiatives that Really Work**
 - ◆ **Best practices for your consideration**
- ▶ **Questions**
- ▶ **Key Takeaways**

Two Different Approaches

Acquired Company

Risk Management and Claims functions reporting through Finance.

Risk Control (safety) reported through Operations Support group.

SUPERVALU

Risk Management, Claims and Risk Control under one umbrella, reporting through Finance.

Two Different Approaches

▶ **Claims**

- ◆ **Legacy organizations incorporated different oversight models and approach to TPA oversight**

▶ **Risk Control (Safety)**

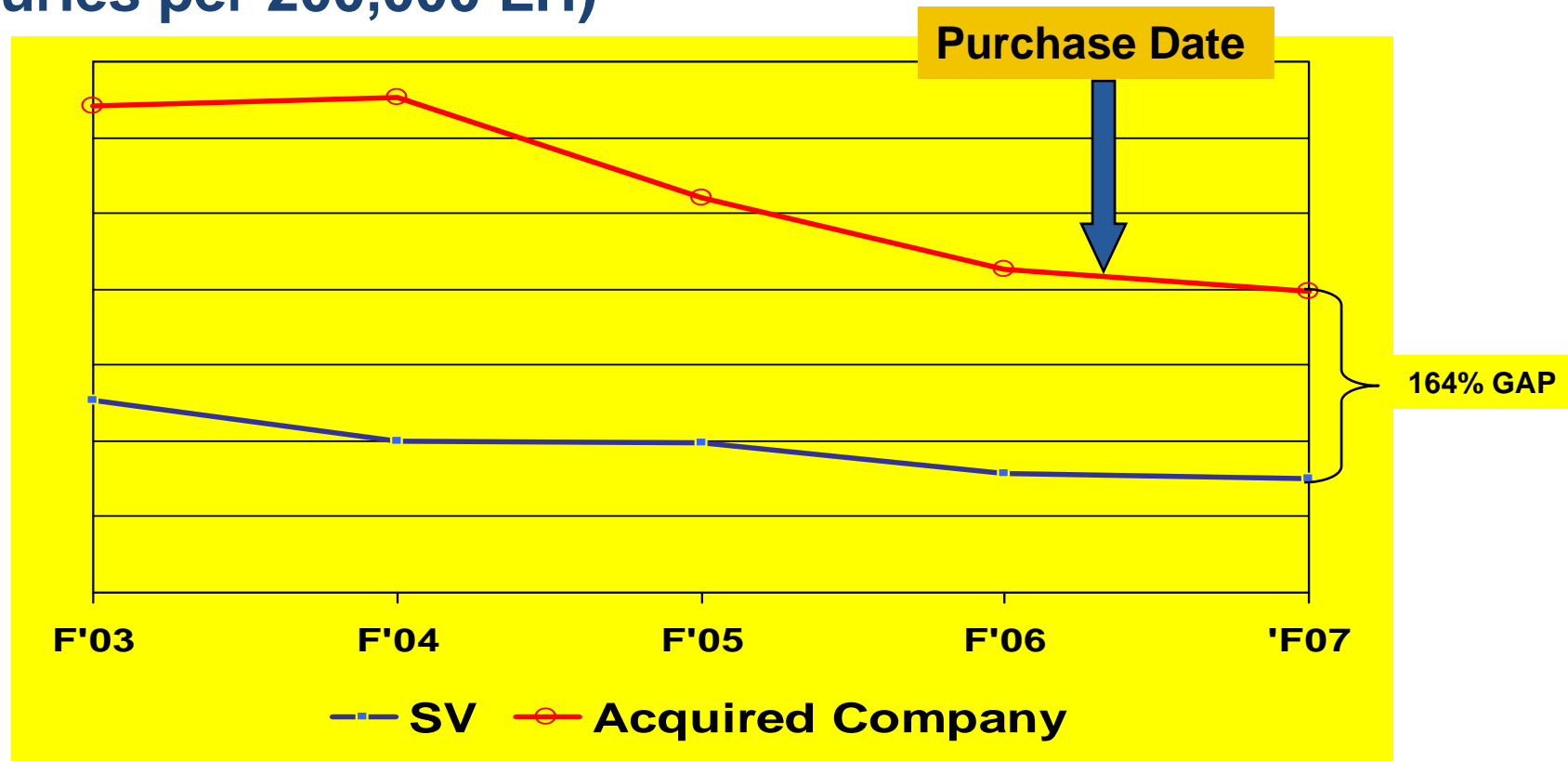
- ◆ **Significant difference in approach: Acquired Company was centrally directed; SUPERVALU was centrally guided**
- ◆ **Dramatic differences in relationship with claims and responsibility for control of injury expense**

▶ **Injury Expense Allocation**

- ◆ **Acquired Company fixed cost based on payroll vs. variable cost based on reduction of injury frequency and cost**

Injury Rate Metrics

OSHA Rate Comparison – DC's (Injuries per 200,000 LH)



Expense and Claims Metrics

▶ Significant difference in outcomes

	<u>Typical annual injury expense</u> (as percent of sales)	<u># of large claims</u> (open & closed, 5 yr history)
Acquired Company	<i>Four to five times higher</i>	<i>12 to 13 times more frequent</i>

Identification of Specific Practices

Initiative/Activities	Level of Execution	
	SVU	Other Co.
Monthly Allocation of WC expense based on losses	5	1
Auditing of Risk Control Safety Practices (LCME)	5	3
Temporary Alternative Work – Claims Interaction with RCM	5	3
Key Initiatives / <u>Risk control action plans</u>	5	1
Risk Control Efforts in DC management reviews	4	2
Physical Capacities Testing	5	2
<u>Aggressive</u> HO oversight of TPA	5	0
Risk Control Training on WC for site managers. (Why risk is important)	4	2

Identification of Specific Practices

Initiative/Activities	Level of Execution	
	SVU	Other Co.
On Site Medical	4	0
Risk Control /Safety Goal setting (Efforts and Results)	4	3
Pre-Employment & Post injury drug testing	5	2
Regular reporting to profit centers of injury frequency and cost metrics beyond the chargeback	5	3
Critical Activities Management - Behavioral Safety	4	2
Comprehensive Risk Control Policy & Procedures	2	5
RMIS that facilitates casual and cost data on claims	5	2
OSHA Insp. Response Requirement	5	4

Path Forward – First Steps

- ▶ **Implemented regular process for detailed site-by-site reviews (LCME)**
- ▶ **Implemented performance-based injury expense chargeback**
- ▶ **Integrated comprehensive risk control manager model into Albertsons supply chain and trained incumbents on expanded responsibilities**
- ▶ **Established new HO claims oversight model with TPA**

LCME

- ▶ **Site by site review**
 - ◆ **Measures execution of on-site risk control practices**
 - ◆ **Is used as a performance measurement tool**
 - ◆ **Provides direction, framework and structure for consistent improvement**
- ▶ **Are measurable individual risk control actions (using Specific, Measurable, Actionable, Realistic, Time bound criteria) and numerical goals identified in performance reviews of the General Manager, Warehouse Managers and Supervisors?**

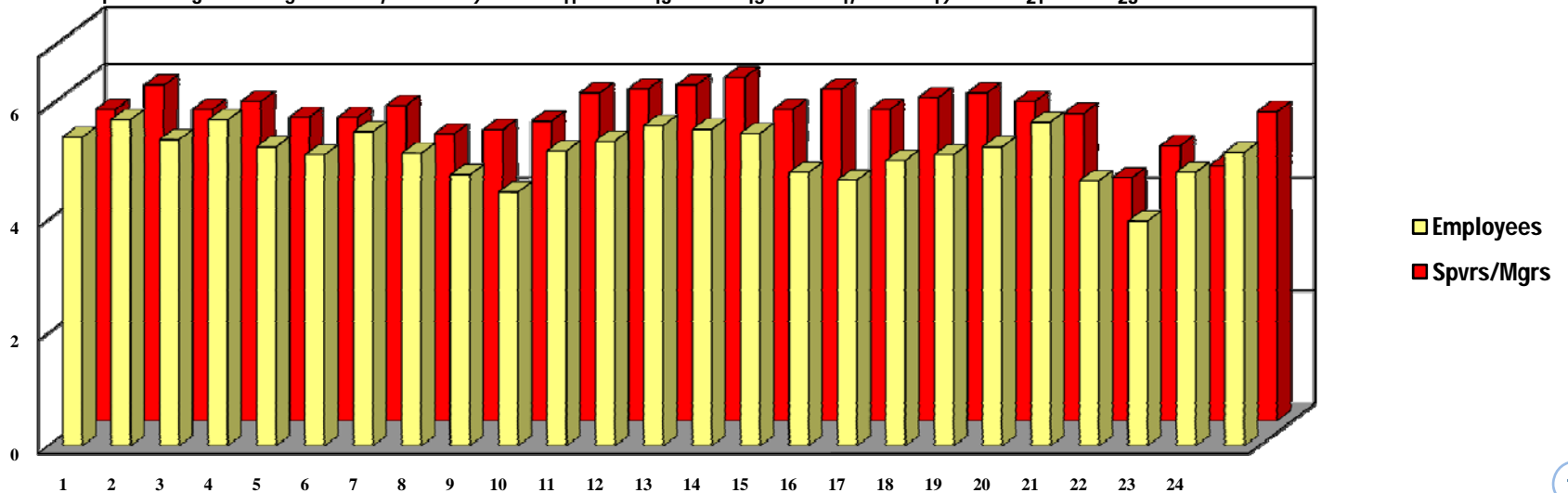
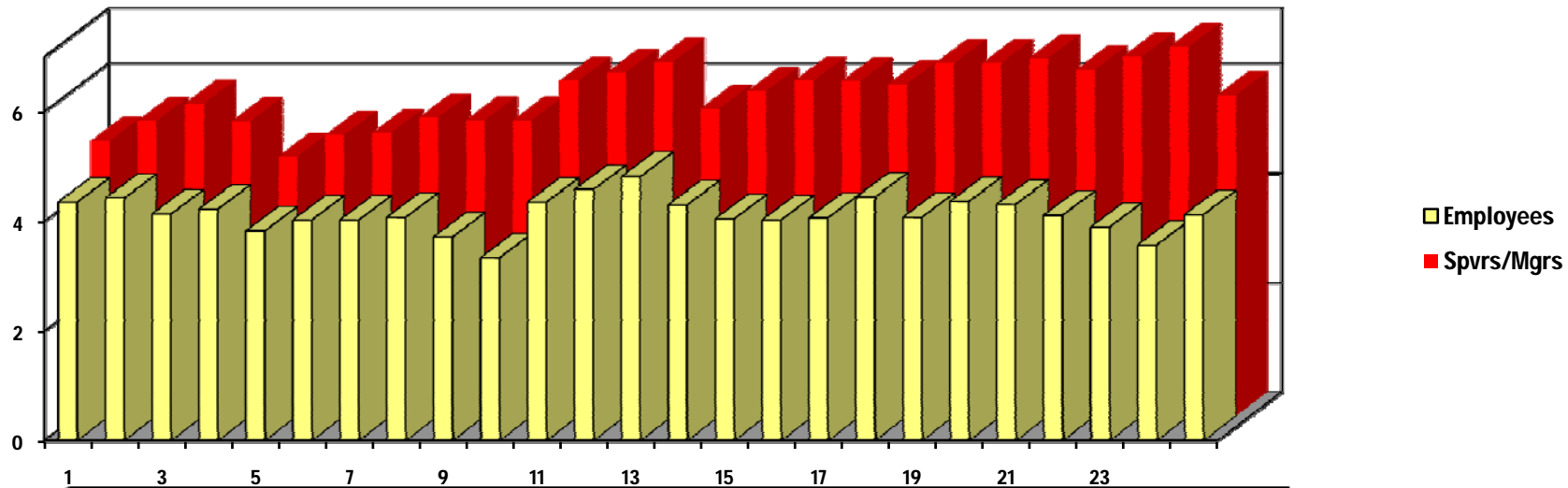
LCME

- ▶ **Does the risk control manager attend and actively participate (e.g., provide periodic updates on risk control initiatives and results) in general staff meetings?**
- ▶ **When an employee is transferred to a new job, is training relative to the new job procedures completed and documented?**

LCME Elements

Management Direction, Support, Coordination	1,270
Training & Accountability	1,270
Post Incident Follow-up	1,160
Physical Conditions	1,100
Ergonomics Control	1,100
Injury/Incident Analysis & Reporting	900
Employee Training	850
Hiring & Placement	850
Fleet Operations	750
CAM	750
TOTAL	10,000

Perception Surveys



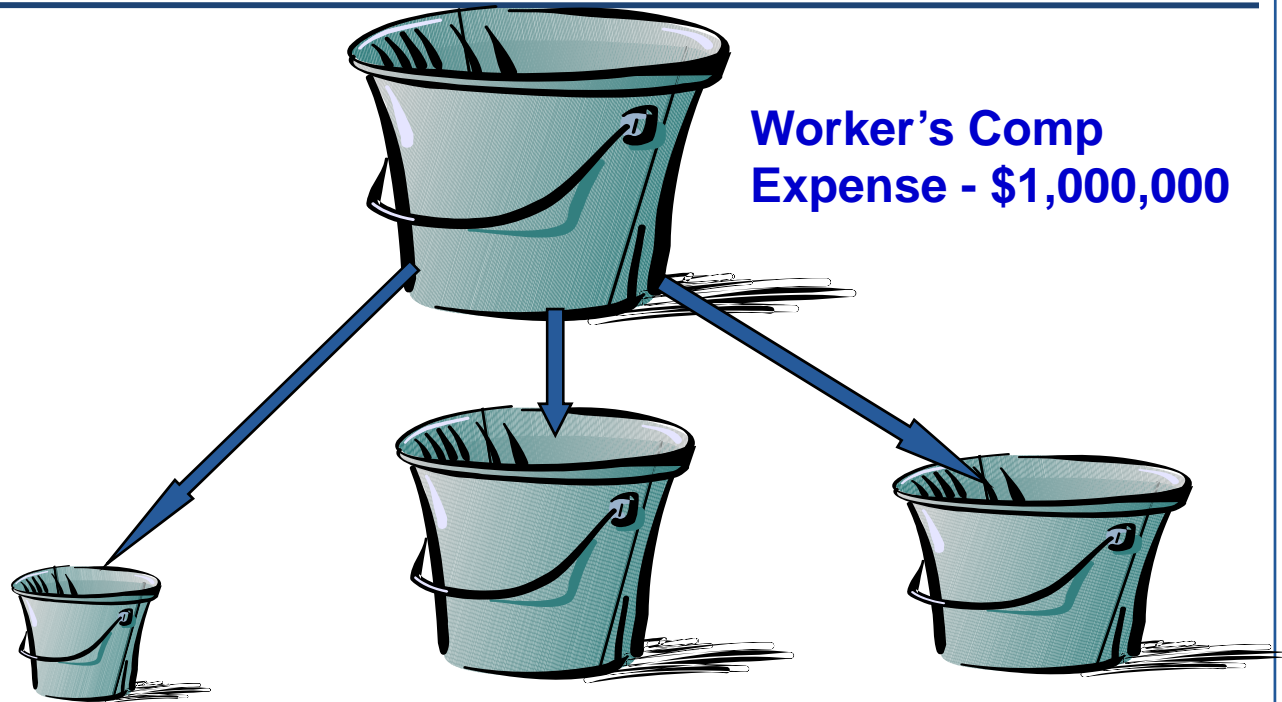
Critical Activities Management (CAM)

- ▶ **A Process to Identify Critical Activities and At-Risk Behaviors That Precede Employee Injuries**
- ▶ **A Vehicle to Monitor Conformance to Required Behaviors (Expectations) and Give Employees Feedback**
- ▶ **A systematic, data oriented approach to managing people at work that relies on positive reinforcement as the major way to maximizing performance**

Injury Frequency and Expense Based Chargeback - *Example*

Start With Primary Bucket:

Worker's Comp Expense - \$1,000,000



Divide into 3 Secondary Buckets:

Premiums
\$38,000

Frequency
55% of Total less
Premium - \$529,100

Severity
45% of Total less
Premium - \$432,900

Allocated Expense

= Divided equally Between DC's + DC's Percent of Frequency Bucket + DC's Percent of Severity Bucket

Integrated Comprehensive Risk Control Manager Model

- ▶ **Cost savings opportunity starts the minute management has notice of the injury and continues until all issues are resolved**
- ▶ **To be effective, coordination between the on-site contact (RCM) and adjuster (with oversight by home office claims group is very important)**

Claims Responsibilities for On-Site RCM

- ▶ **Reports all injuries to TPA – (electronic)**
- ▶ **Ensures initial on site investigation is completed**
- ▶ **Refer associates to assigned clinic**
- ▶ **Coordinates return to work TAW or full duty**
- ▶ **Communicates with TPA on medical management and/or return to work**
- ▶ **Administers quarterly claims review**

HO Claims Oversight Model

Establishes framework for claims communication between DC TPA and HO expert. Assures correct protocols are followed

On Site responsibilities for RCM

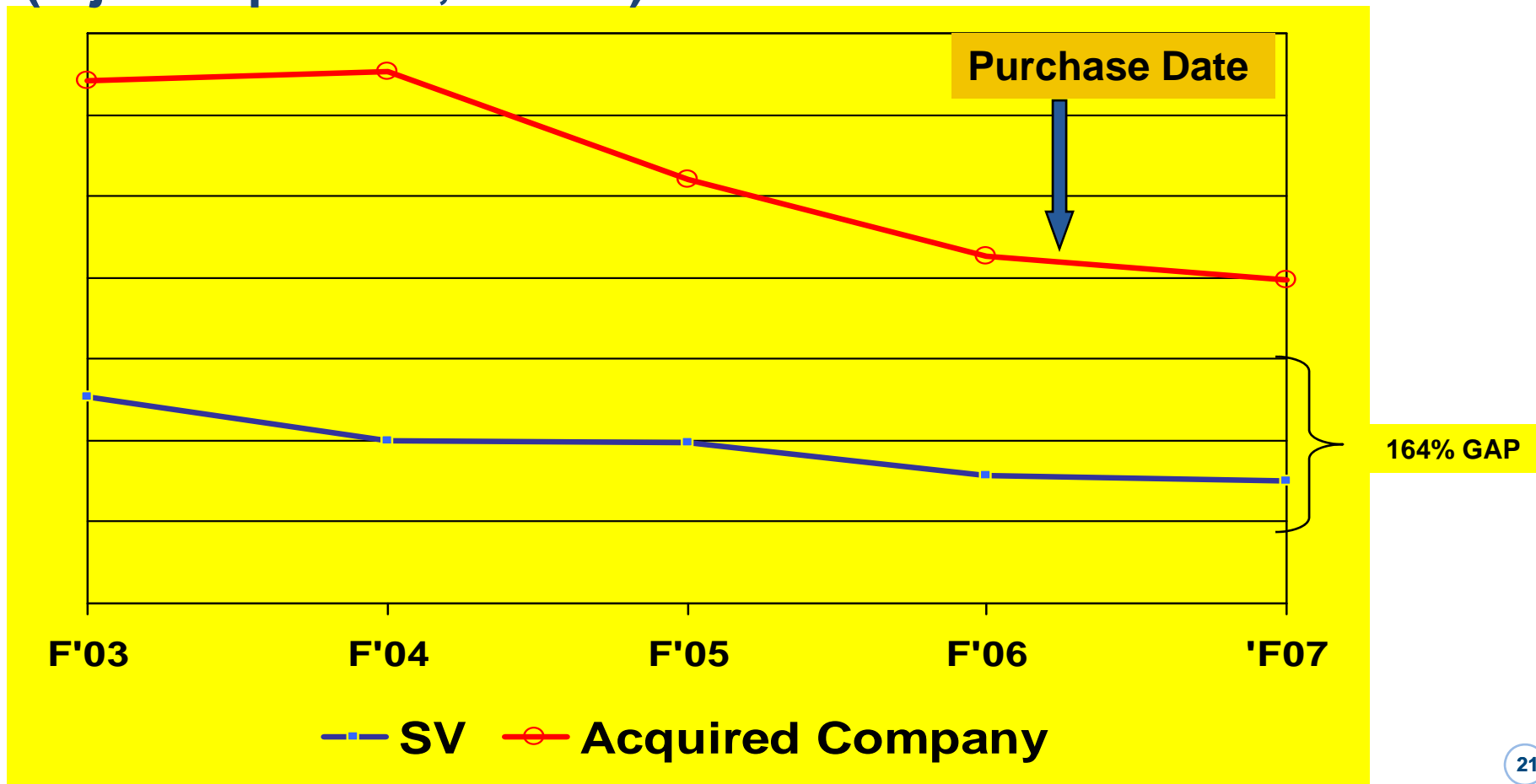
- ▶ Reports all injuries to TPA
- ▶ Ensures initial on site investigation is completed
- ▶ Refer associates to assigned clinic
- ▶ Coordinates return to work TAW or full duty
- ▶ Communicates with TPA on medical management and/or return to work
- ▶ Arranges quarterly claims review

Corporate Responsibilities

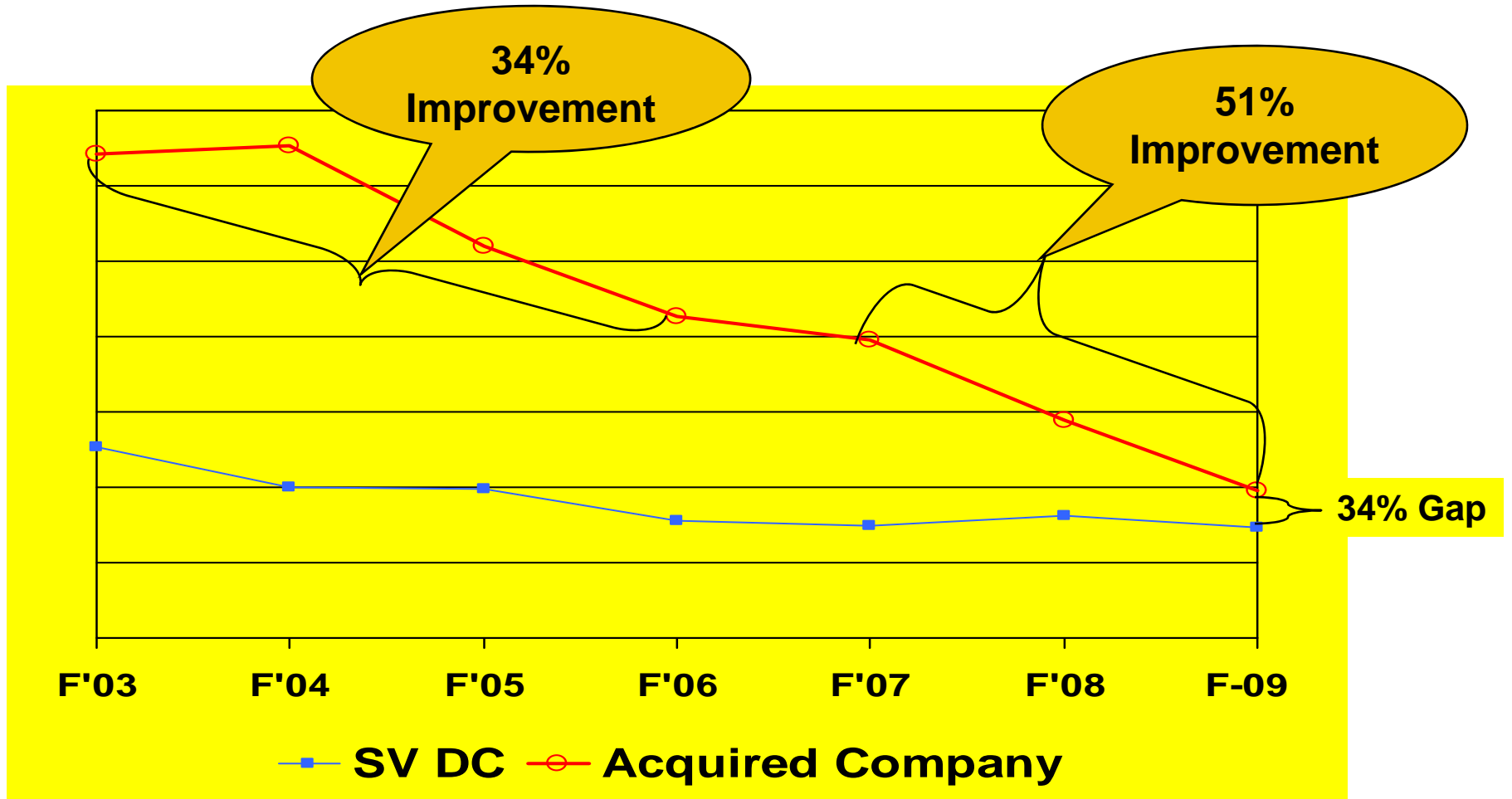
- ▶ Close oversight of large claims
- ▶ Expertise on reserve accuracy
- ▶ Coordination with all parties on RTW issues
- ▶ Coordination of clinic selection
- ▶ Strategy support (30 day plans)
- ▶ Injury trend identification
- ▶ Selection and ongoing evaluation of assigned defense firms
- ▶ Coaching / training for RCM's
- ▶ Oversees quarterly claim reviews
- ▶ Coordination of global settlements

Injury Rate Metrics

OSHA Rate Comparison – DC's (Injuries per 200,000 LH)

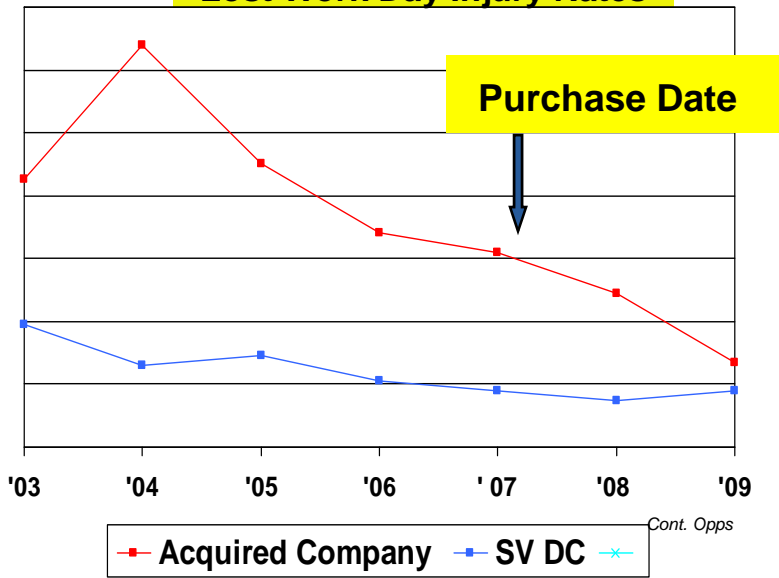


Impact of Changes



Rate and Expense Impact - *Other Measures of Impact*

**SUPERVALU DC's
Lost Work Day Injury Rates**

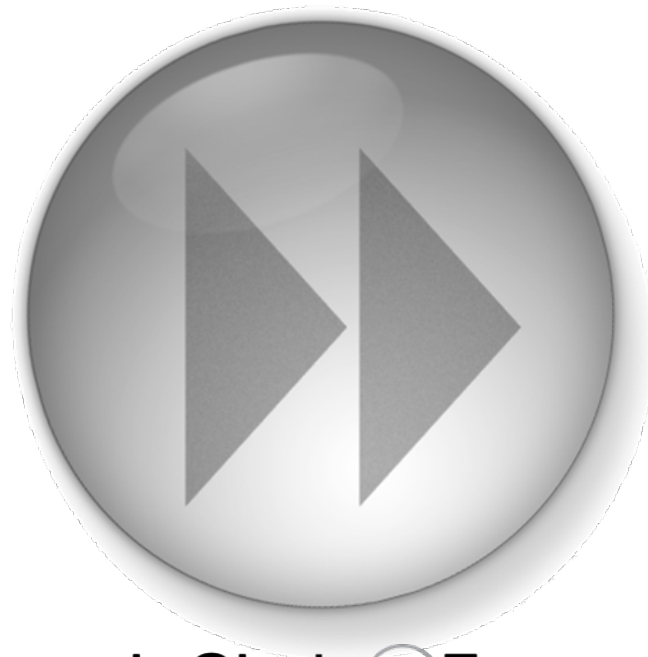


Days Lost /100 Employees

	FYE-07	FYE-08	FYE-09
Acquired Company	322	263	163
S/V	51	50	44

Rate and Expense Impact - *Expense and Claims Metrics*

Reduction from Fiscal '07 to F '09	
Year end incurred WC expense	Down 51%
Allocated ultimate WC expense (Basis Pts)	Down 16%
Raw WC Claim Counts (Claims >\$1.00)	Down 44%
OSHA Rate	Down 51%



Supply Chain  **Forward.**

Initiatives That Really Work

Key Takeaways That You Can Use

Initiatives that Really Work: First Rule

- ▶ **“The first duty of business is to survive, and the guiding principle of business economics is not the maximization of profit, it is the avoidance of loss.”**

Peter Drucker, founding father of the study of management, commenting on high-performing companies

Efficiency

Initiatives that Really Work

- ▶ **Performance-based injury expense chargeback**
- ▶ **Risk control efforts in DC management performance reviews**
- ▶ **Auditing of risk control safety practices (LCME)**
- ▶ **Key Initiatives/Risk Control Action Plan**
- ▶ **On-site medical**
- ▶ **Training for managers and supervisors on why risk is important**
- ▶ **Physical capacities testing**
- ▶ **Pre-Employment & post injury drug testing**

Initiatives that Really Work

- ▶ **DC access to claims data system, claim notes and causal analysis.**
- ▶ **Critical Activities Management – Positive reinforcement model**
- ▶ **On-site manager working with TPA and HO claims**
- ▶ **Active oversight of TPA by HO claims - consistent practices**
- ▶ **Aggressive temporary alternate work - RTW the day of injury**
- ▶ **Standard job demand profiles**
- ▶ **On-site quarterly claim reviews**
- ▶ **Medical management - assigned clinics/PPO's**

Ultimate Goal

Net Earnings Efficient, Effective Operations

RESULTS

Forced Let Down

Lost Work Day Injury

Property Damage

Overtime

Near Miss

Equipment Breakdown

Orders Short

Service Level Impact

Damaged Product

First Aid Case

Miss-Picks

Recordable Injury

Performance Problems

Fatality

NON-CONFORMANCE

NON-CONFORMANCE

CONFORMANCE

ACTIONS

BEHAVIORS

CAM

MANAGEMENT CONTROLS

TRAINING

ORIENTATION

JOB PROCEDURES

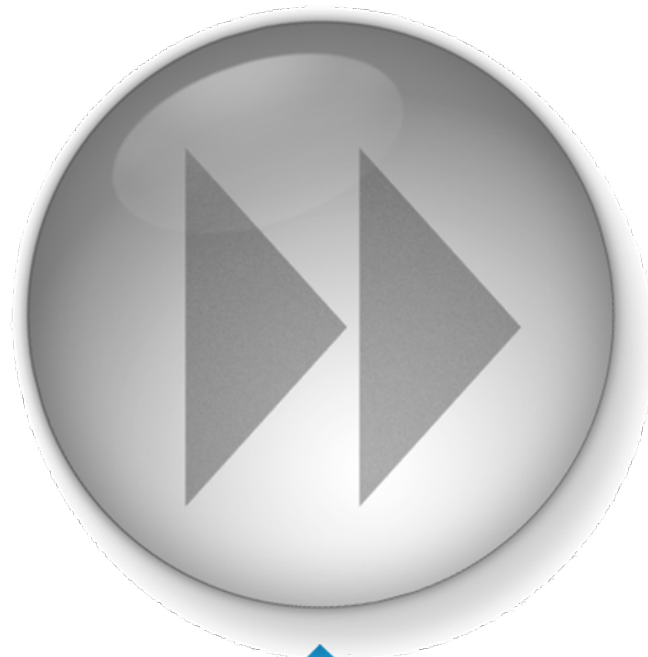
ENFORCEMENT

PROBLEM SOLVING

PERFORMANCE FEEDBACK

GOAL SETTING

JOB OBSERVATION



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Questions?