



A 24-Month Injury Analysis Comparing the New Hire IPCS Isokinetic Evaluation to the Previous 24-Months New Hire Applicants For A Clothing Retail DSC – A Pilot Program

Executive Summary

The analysis of the injury data clearly demonstrates that the IPCS physical capability assessment program had a dramatic impact on reducing both the frequency and severity of injury as measured by incident rate, total cost of injuries and average cost per injury in comparison to the Not Tested Group for all injuries and exertion injuries. The combination of reducing the frequency of injury and reducing the average cost per injury resulted in greater savings and return-on-investment for The Company with the IPCS program.

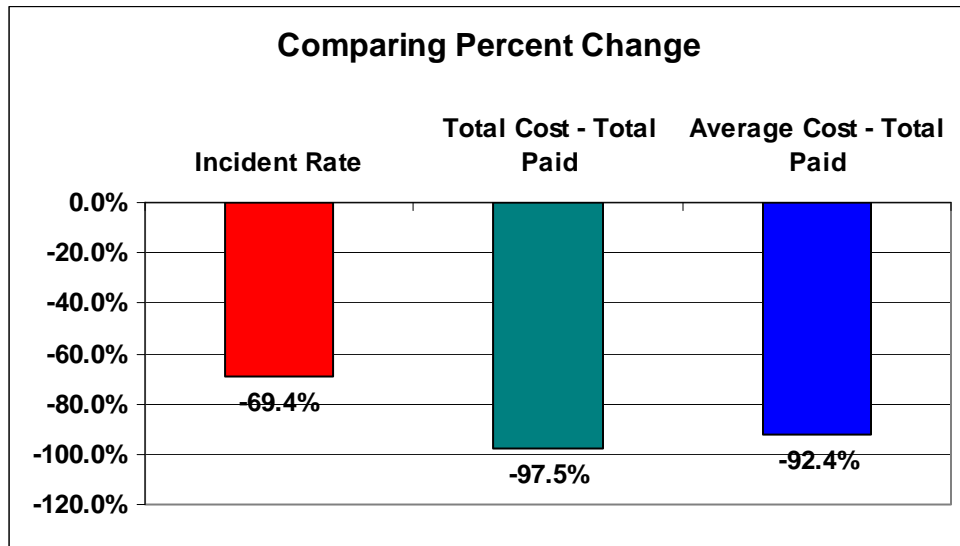
*If the IPCS program had been in place during the 24-month period for the Not Tested Group, the net savings minus the cost of the program would have been **\$513,548**.*

The following comparative study was performed to evaluate the impact of the IPCS new hire physical capability evaluation program on reducing both the frequency and severity of injuries.

- The IPCS isokinetic physical capability evaluation program was implemented at the Distribution Center on the West Coast on April 1, 2004.
- The comparison includes two groups of new hire applicants. Those individuals hired and injured from April 1, 2002 through March 31, 2004 (**Not Tested Group**) and those hired and injured from April 1, 2004 through March 31, 2006 (**IPCS Tested Group**).
 - Claim data analysis included only those claims that occurred in the two time periods identified above. If a person was hired on March 1, 2004 and injured on March 20, 2005, his/her claim was not included since the injury did not occur in the April 1, 2002 to March 31, 2004 period.
- No consistent physical capability evaluation program was in place for the **Not Tested Group**. The **IPCS Tested Group** underwent an isokinetic knee-shoulder evaluation as part of the selection process.
- For the **IPCS Tested Group**, 565 new hire applicants were evaluated and recommended for hire for the Merchandise Handler/Order Selector position – a Heavy job.
- All individuals included in the analysis worked no more than 730 days. This number represents the 24-month period for each group and provides a means to equalize the two groups based on same length of employment.

- If the **Not Tested Group** had the IPCS program in place for its 24-month period, the net savings minus the cost of the program would have been **\$502,215**.

The chart below summarizes the percent reductions in the Incident Rate of Injury (69.4%), in Total Costs for All injuries (97.5%) and the percent reduction in the average cost of All injuries (92.4.%) as a result of the IPCS program.

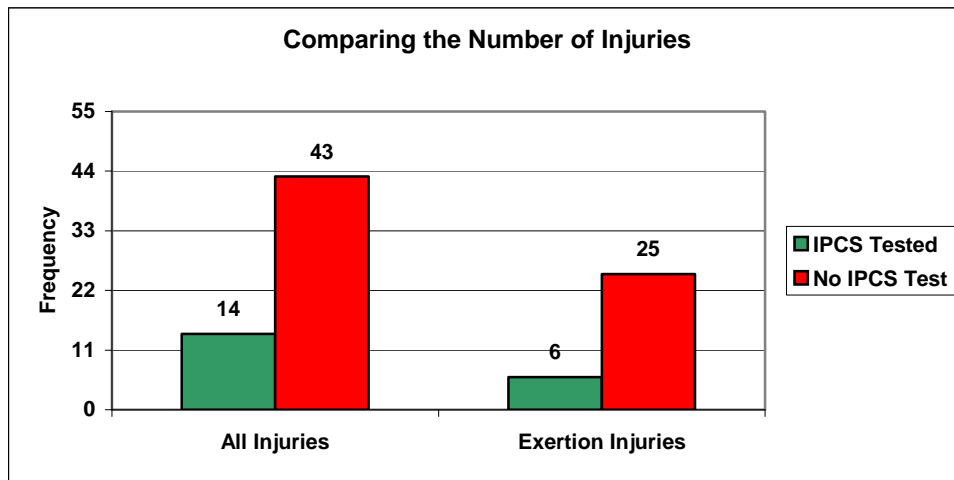


Results

Number of Injuries

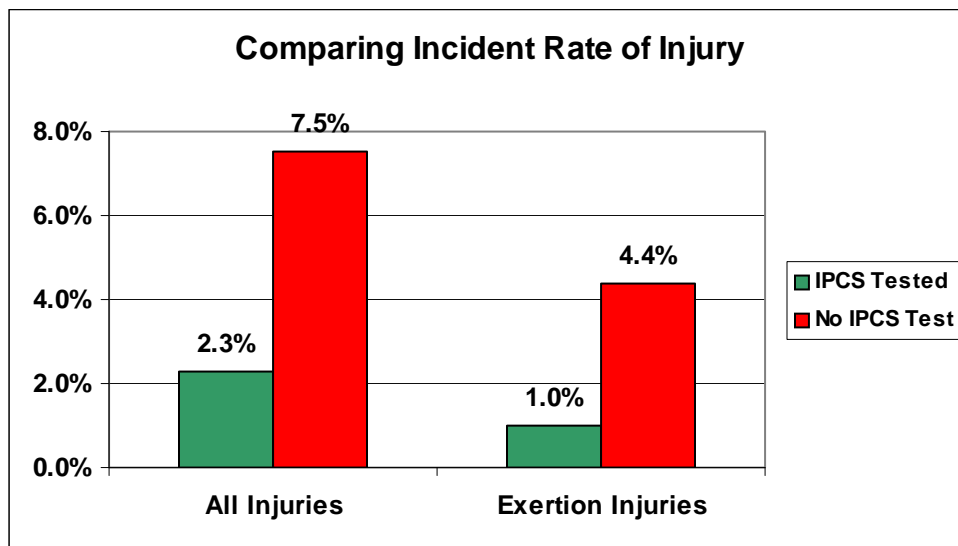
Chart 1 shows the total number of injuries that occurred for the **IPCS Tested Group** versus the **Not Tested Group** for the same time period – 24-months or less of employment. The number of injuries is also shown for exertion only. The absolute numbers show that the number of injuries for **IPCS Tested Group** was dramatically less in comparison to the **Not Tested Group** for all injuries and exertion injuries.

Chart 1



Expressing the frequency of injury relative to the headcount (incident rate) for each group shows the incident rate of injury for the **IPCS Tested Group** was about 4 times less than the **Not Tested Group** (Chart 2) for all injuries and exertion injuries. The headcount (annualized) for the **IPCS Tested Group** is 607 and **Not Tested Group** is 570.

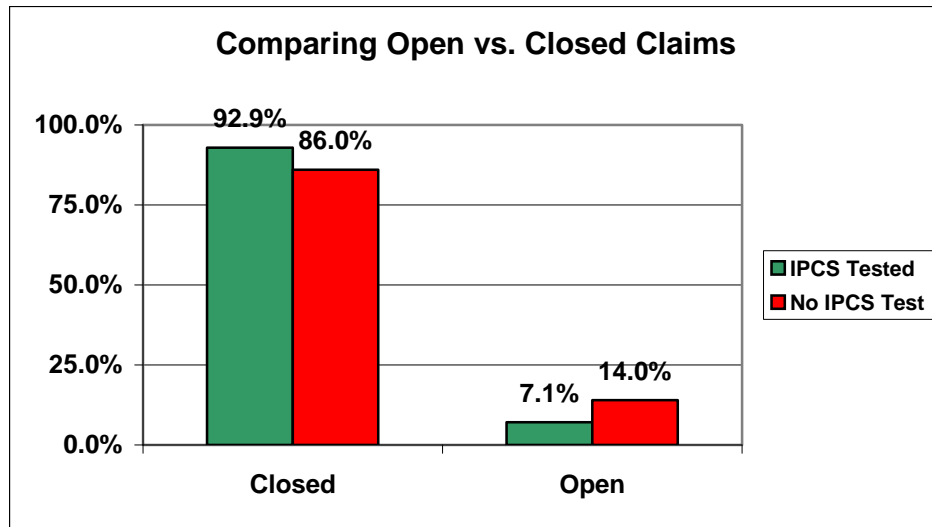
Chart 2



Open vs Closed Claims

Chart 3 shows the number of open and closed claims as a percentage of total injured for the **IPCS Tested Group** and the **No IPCS Test Group** for the time period identified on page 1. The number of open and closed claims is very similar between both groups.

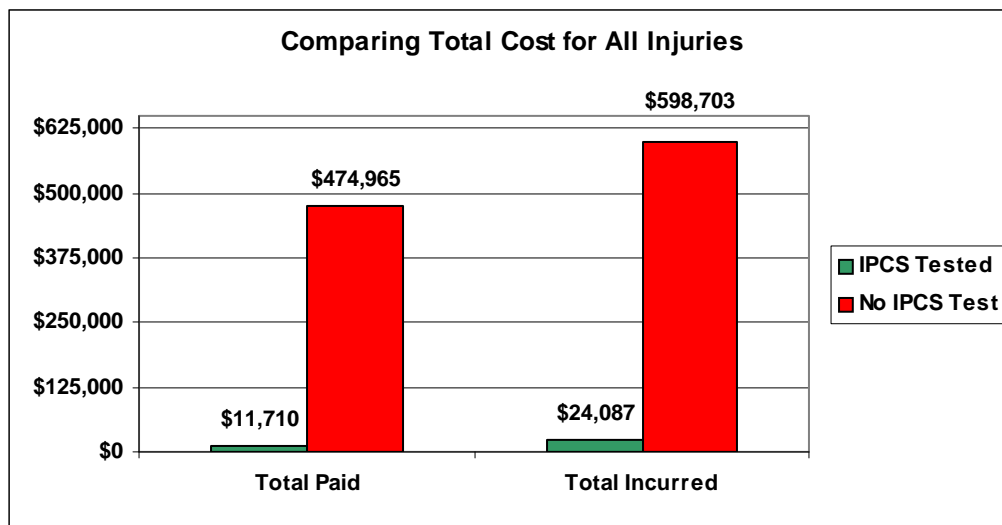
Chart 3



Costs for All Injuries

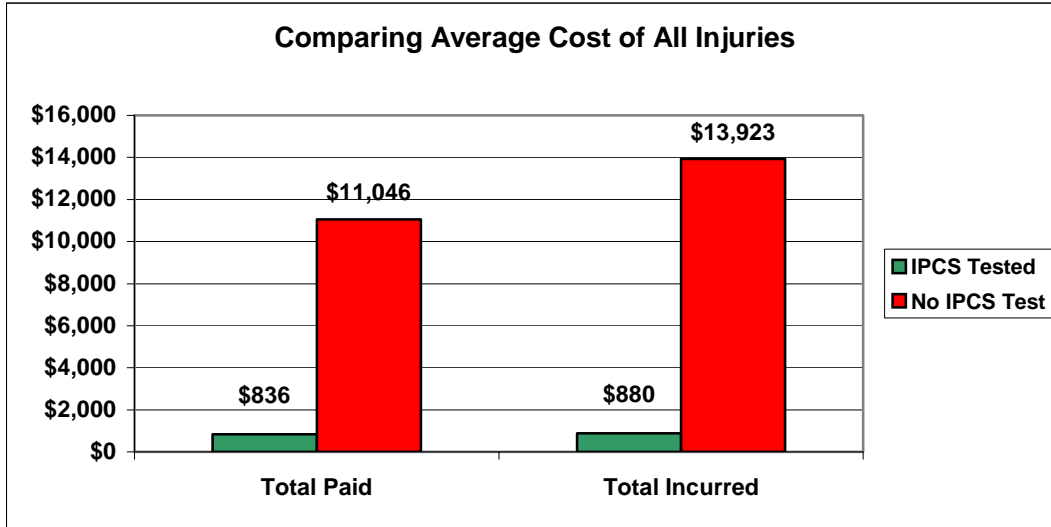
Chart 4 compares the Total Paid and Total Incurred (Total Paid plus Reserves) for All injuries for the **IPCS Tested Group** to the **Not Tested Group**. Both the Total Paid and Total Incurred Cost for the **Not Tested Group** was significantly greater than the **IPCS Tested Group**.

Chart 4



The average cost per injury was calculated as shown in Chart 5. When comparing the average cost per injury for all injuries, the average cost was at least 13 times greater for the **Not Tested Group** compared to the **IPCS Tested Group**.

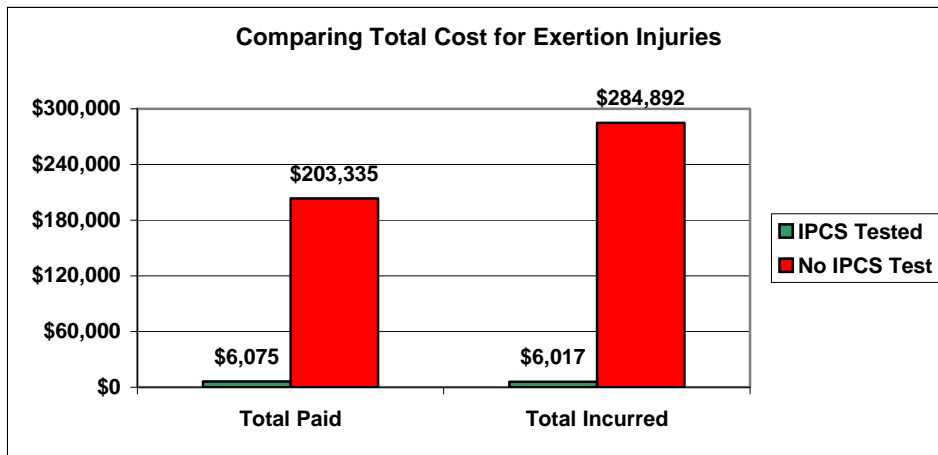
Chart 5



Costs for Exertion Injuries

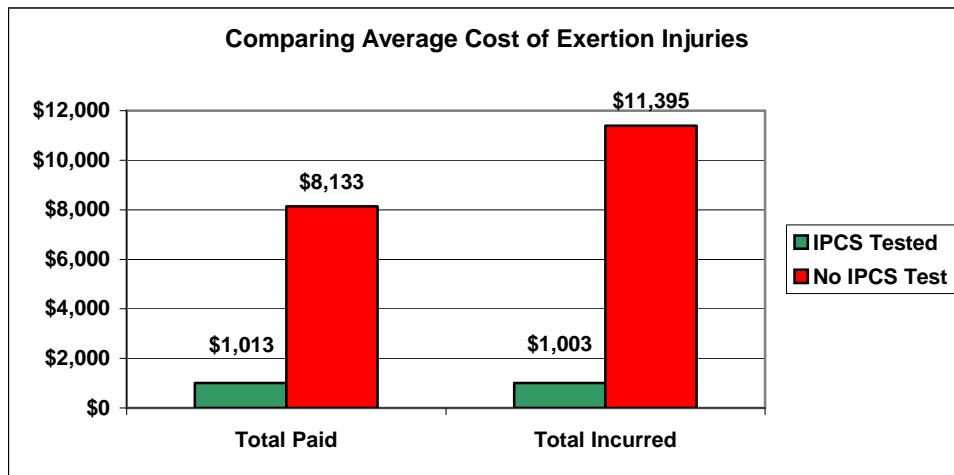
Chart 6 compares the Total Paid and Total Incurred for Exertion injuries for the **IPCS Tested Group** to the **Not Tested Group**. Both the Total Paid and Total Incurred Cost for the **Not Tested Group** was at least 35 times greater than the **IPCS Tested Group**.

Chart 6



The average cost per injury was calculated as shown in Chart 7. When comparing the average cost per exertion injury, the average cost was at least 7 times greater for the **Not Tested Group** compared to the **IPCS Tested Group**.

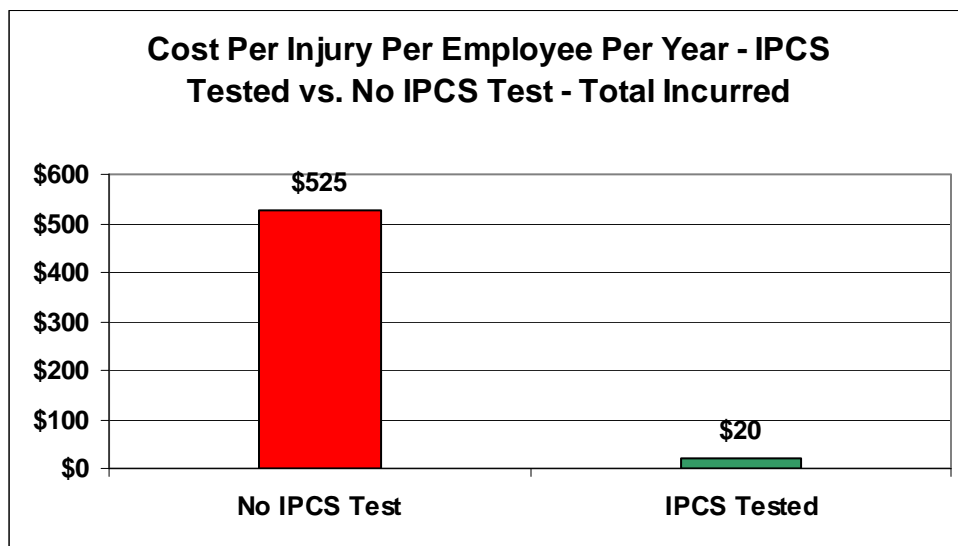
Chart 7



Cost Per Injury Per Employee

When representing the injury cost based on headcount, Chart 8 shows that the cost per injury per worker is 26 times less for the **IPCS Tested** employees compared to the **Not Tested** employees. The results are based on the Total Incurred for All Injuries.

Chart 8



Side Note

Two individuals were IPCS tested and not recommended for hire, but were hired and injured. Total Incurred cost for these two claims were \$41,680. One injury was a fractured wrist and the other a lumbar strain. These results were not included in the analysis.

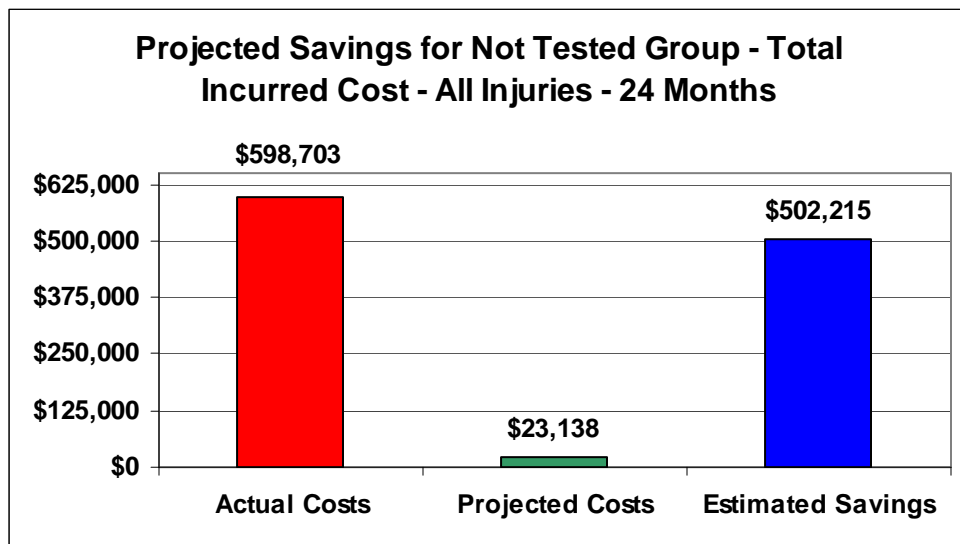
Projected Savings

To calculate the projected savings for the 24-month time frame identified, the average cost per injury for all injuries for the IPCS group (\$880) was multiplied times the product of the incident rate for All injuries for the **IPCS Tested Group** (2.3%) times the headcount for the **Not Tested Group** (570) times 2 (represents 2 years) [$.023064 \times 570 = 13.11$ injuries x 2], which equaled the Projected Costs on Chart 9 (page 7).

The Actual Cost for All injuries for the **Not Tested Group** was obtained from Chart 4 (\$598,703). The Savings was calculated by subtracting from the Actual Cost, the estimated cost to complete the number tests for the **Not Tested Group** (about 815 evaluations) plus the Projected Cost.

The Projected Savings is **\$502,215** had the IPCS program been in place for the **Not Tested Group** for the 24-month period identified. This represents a 84% reduction in the cost.

Chart 9

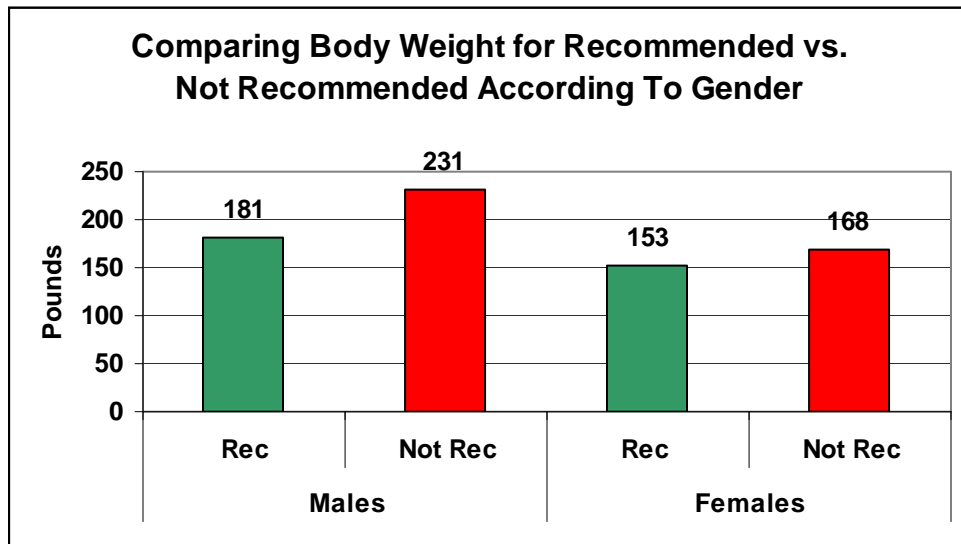


Added Health Benefit

The obese employee costs a company not only more money in direct costs but much more in terms of indirect costs – loss of productivity, added training and replacement costs and so on. Because of obesity, the available pool of healthy and fit workers to perform physically demanding jobs is rapidly shrinking. When IPCS performs a new hire evaluation, in addition to many physical strength measurements, body weight is also factored in the calculation when determining whether a new hire applicant is recommended or not recommended for hire. Body weight is used to make sure the amount of torque generated is adequate to support the new hire applicant's weight and capability to safely perform the essential functions of the job.

Chart 10 shows the body weight of males who were not recommended weighed 50 pounds more than the males recommended and the females not recommended weight 15 pounds more than those females not recommended.

Chart 10



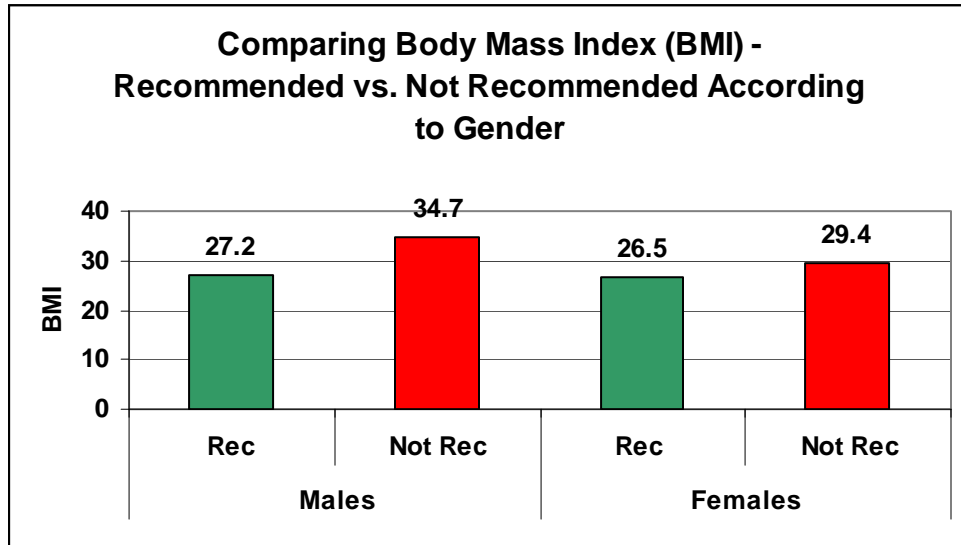
The height in inches for the new hire applicant tested by IPCS during the 24-month period was the nearly the same for both the recommended and not recommended groups.

Body Mass Index

Body mass index (BMI) has been used for many years in research to determine obesity, but recently it has gained in popularity with the consumer because of so much emphasis on obesity. IPCS uses BMI for research purposes only. It is not used to determine the applicant's final rating. Many web sites have BMI calculators so individuals can determine their BMI scores. Usually scores of less than 25 are considered healthy. A BMI of 25 or greater but less than 30 is considered overweight. A BMI score of 30 or higher is considered obese and 40 and greater is morbidly obese. BMI uses both height and weight in its calculation.

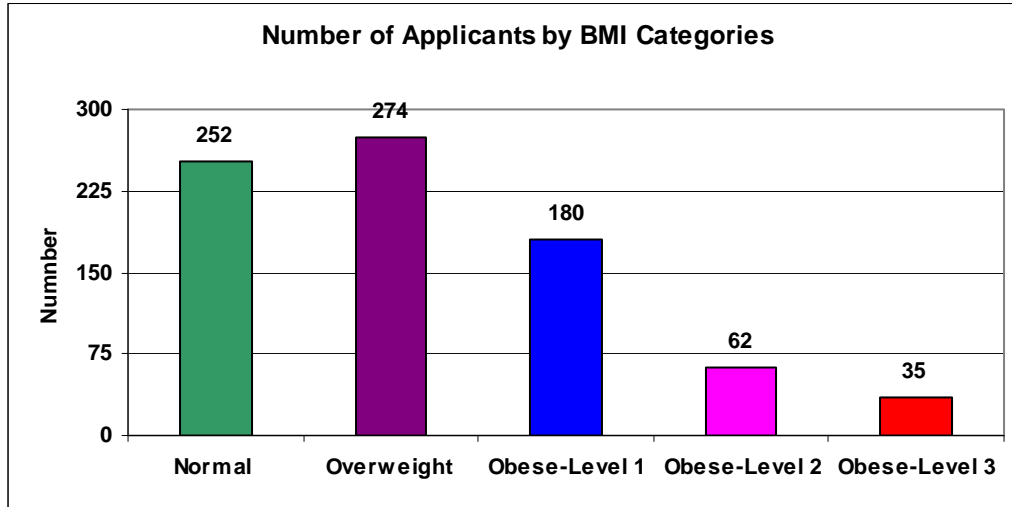
Chart 11 clearly shows that the males tested by IPCS and not recommended have a BMI of 34.7, which puts them in the obese category. The males recommended have a BMI of 27.2, which classifies them as overweight. The females not recommended are overweight with a BMI of 29.4; whereas the females recommended are considered overweight.

Chart 11



The next chart shows the number of new hire applicants from April 1, 2004 who fell into the various BMI categories. Of the 815 applicants evaluated, 277 of the applicants were obese or 34 percent.

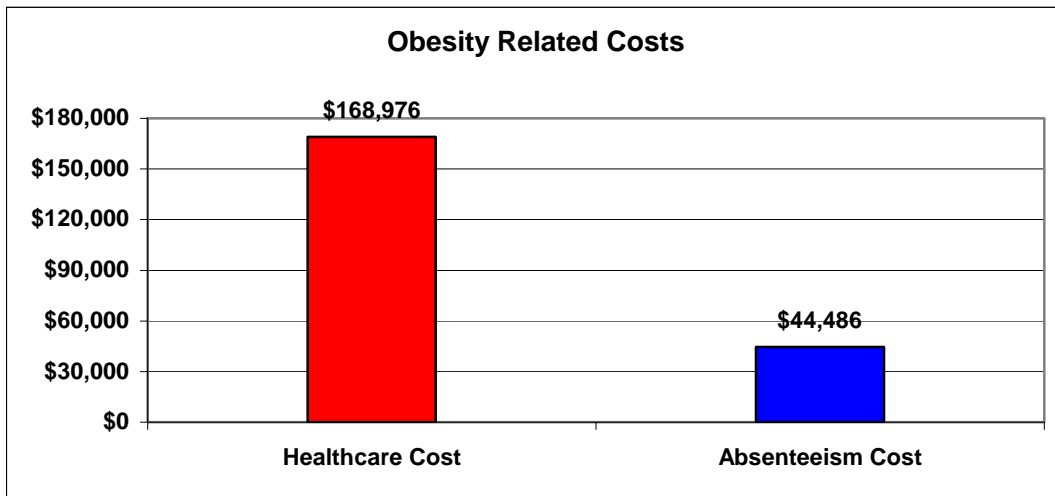
Chart 12



In addition to the savings due to the reduction in the frequency and severity of injury, the obesity related savings is \$213,462 as shown in Chart 13. This calculation is based on reviewing the BMI results of those not recommended and applying the following cost savings:

- Current research clearly shows the obese worker cost a company \$1,432 more per year in added healthcare costs. Since 14.5% of new hire applicants had BMI's 30 or higher who were not recommended, the savings would be \$168,976 (118 X \$1,432) at the IPCS locations.
- Current research clearly shows the obese worker cost a company \$377 more per year in absenteeism and presenteeism cost compared to that of the normal weight and overweight worker. This would result in another savings of \$44,486 at the IPCS locations.
- Thus, the total Health Related Savings is **\$213,462**.

Chart 13



Conclusion

The analysis of the injury data clearly demonstrates that the IPCS physical capability assessment program had a dramatic impact on reducing both the frequency and severity of injury as measured by the number of injuries, total cost of injuries and average cost per injury in comparison the **Not Tested Group**. The combination of reducing the frequency of injury and reducing the average cost per injury resulted in greater savings and return-on-investment for the Company's DSC with the IPCS program.

Further, The IPCS program is contributing to the Company's effort to control healthcare costs by recommending healthier individuals, which in the long run will bring added cost benefits to the company.