

# Insights From DLI Workers' Compensation System Report 2025

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Research and Data Analytics

# Topics

- **Workers' Compensation System Report 2025**
  - System overview
  - Indemnity benefits
  - Vocational rehabilitation
  - Dispute resolution

# Workers' Compensation System Report features

## Primary data sources (among others)

- Department of Labor and Industry claims database — limited to claims with lost time or paid indemnity benefits
- Minnesota Workers' Compensation Insurers Association (MWCIA) — Minnesota's WC data service organization and rating bureau

## Adjustment of cost data for average wage growth

- "Inflation adjustment"
- Adjusted costs show how much costs have grown faster or slower than wages
- If actual cost grows at same rate as wages, the net effect is no change in cost relative to payroll

# Workers' Compensation System Report features

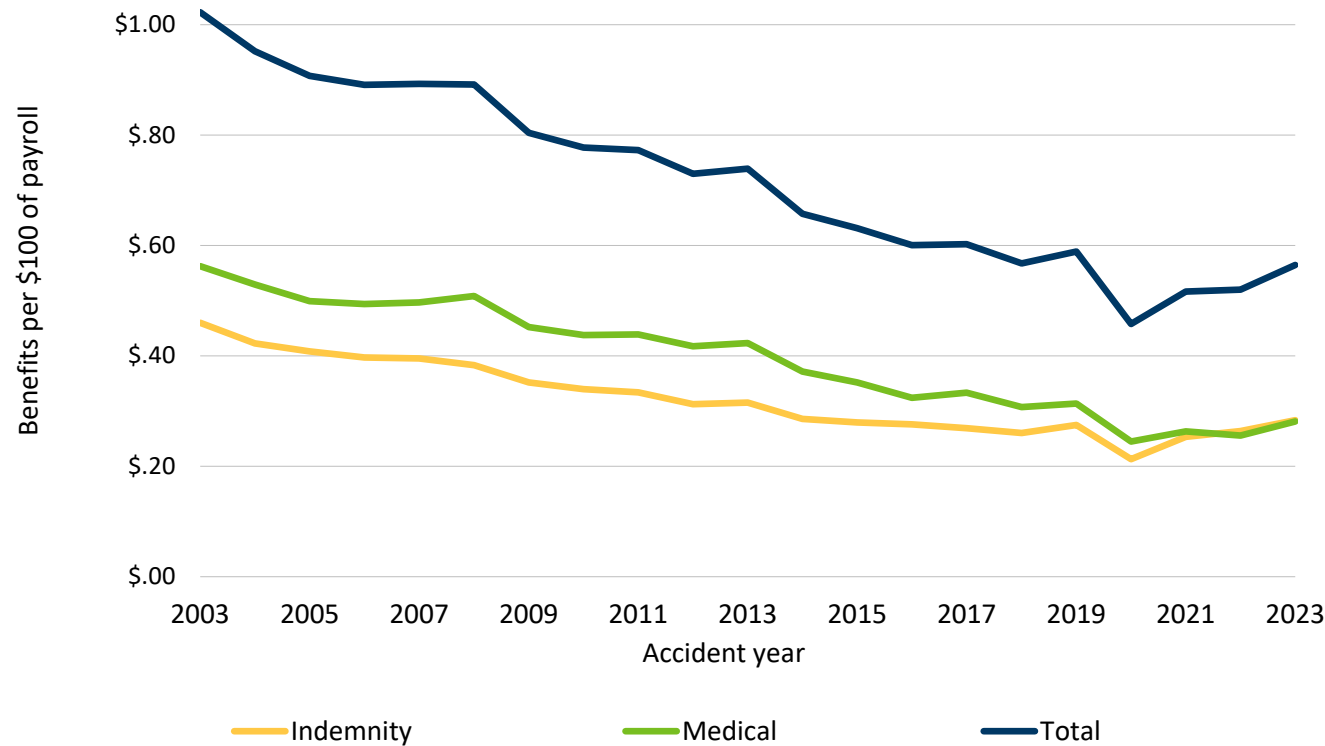
## **“Developed statistics”**

- Many report statistics are by year of injury. To make statistics comparable over time, they are projected (“developed”) to a uniform maturity. More-recent injury years are less mature because of long claim life.
- Developed statistics for recent years are subject to change.
- 2020-2022 statistics were affected by the COVID-19 pandemic, changes in the economy such as reduction in employment, and data system transition. The impact of COVID-19 on 2023 claims were minimal.
  - Claims development was computed only for the non-COVID-19 claims, which were combined with the reported, non-developed values for COVID-19 claims.
- Vocational rehabilitation plan closure years start in October and end in September of the year number.
  - This keeps years consistent with qualified rehabilitation consultant (QRC) hourly rate changes and many other aspects of workers' compensation statutes and allows full use of the available data.

# The big picture: Workers' compensation system overview

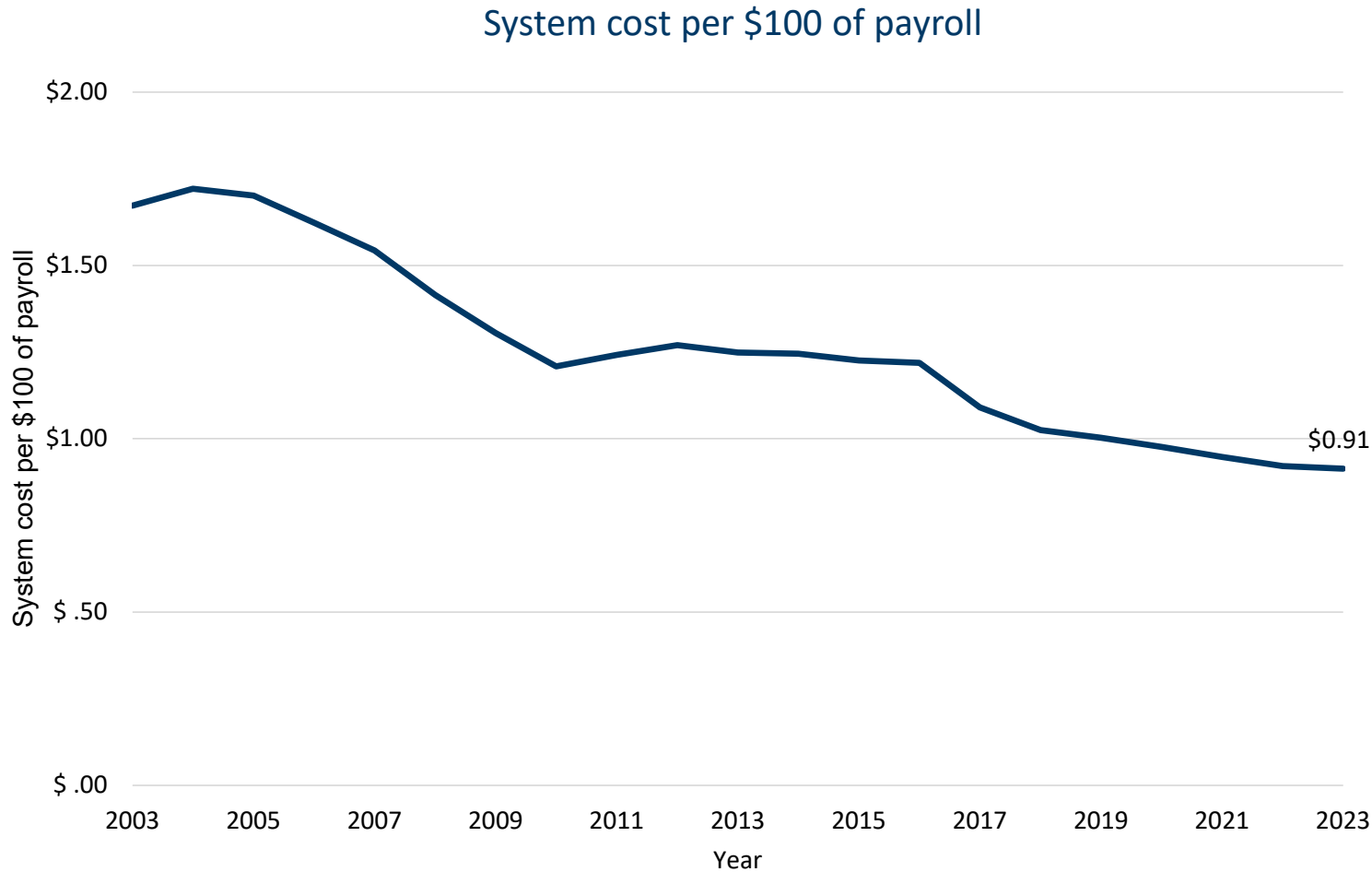
# Indemnity and medical benefits continued to decrease over the last 20 years with some minor fluctuations

Benefits per \$100 of payroll in the voluntary market



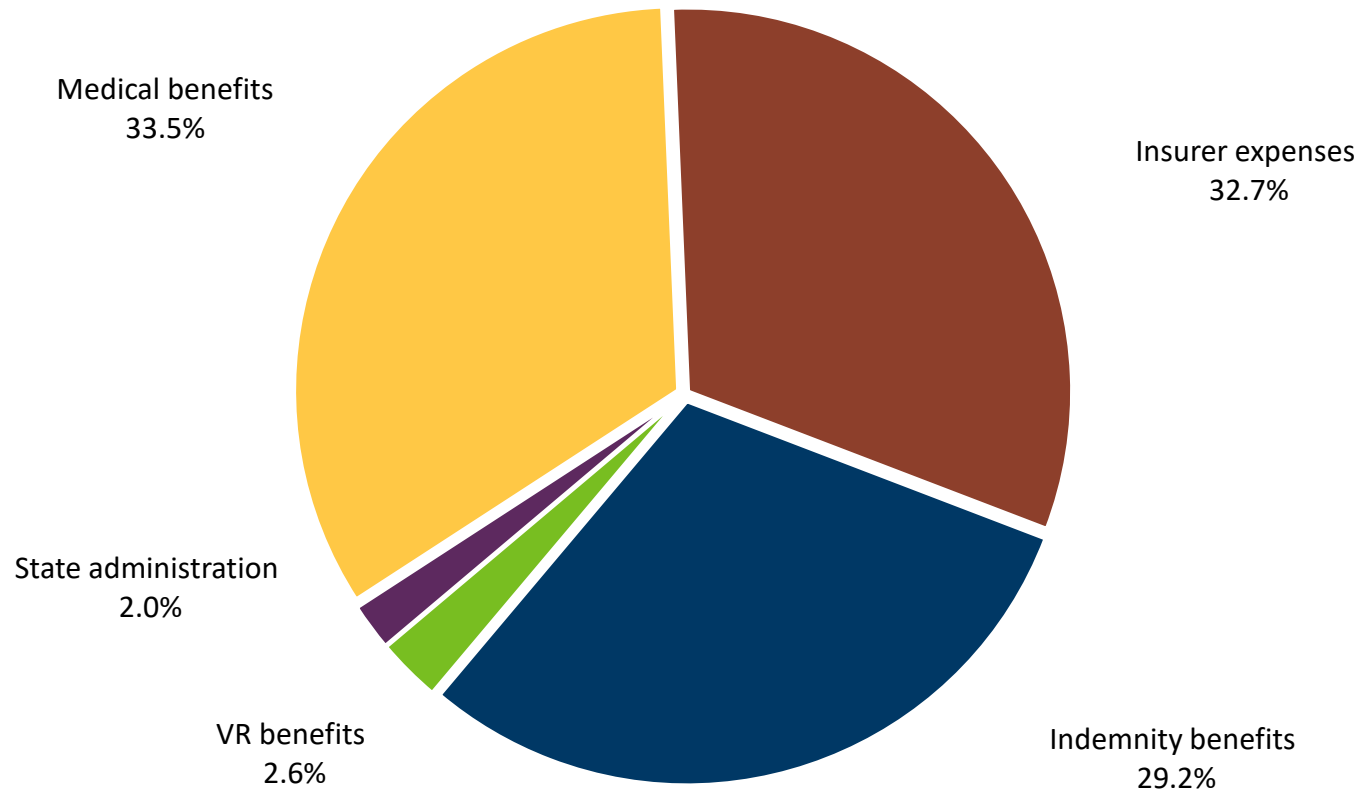
- In 2023 as compared to 2003, relative to payroll:
  - Indemnity benefits were 38% lower
  - Medical benefits were 50% lower
  - Total benefits were 45% lower

# Long-term downward trend in system cost relative to payroll



- In 2023, total system cost was an estimated \$1.80 billion, or \$0.91 per \$100 of payroll.
- Long-term downward trend in system cost relative to payroll, amid some fluctuations:
  - 26% decrease from 2003 to 2023 between two comparable cycles

# Medical benefits are the largest expense (2023 values)



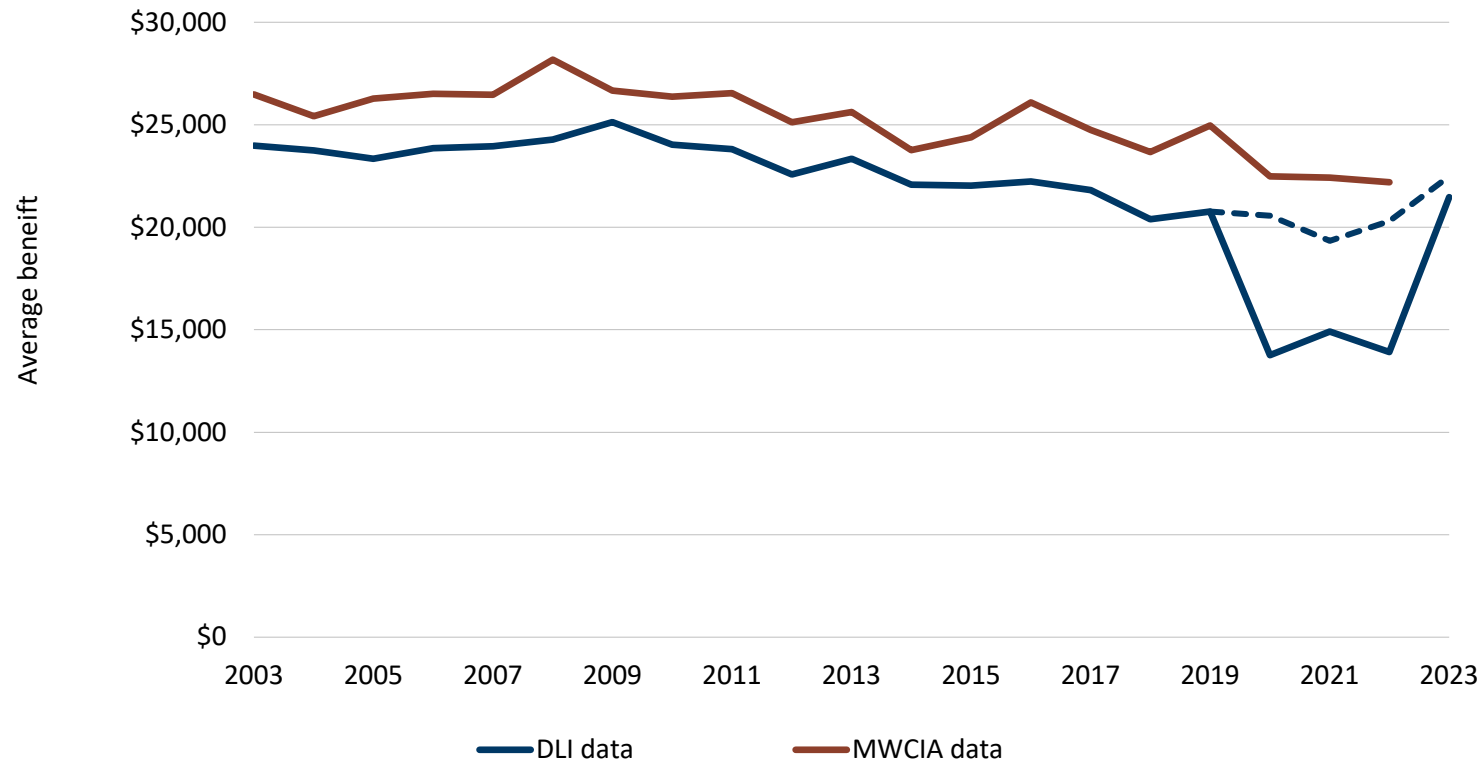
- **Compared to 2019:**
  - Share of medical benefits was down from 35%.
  - Share of insurer expenses was up from 30%.
  - Share of vocational rehabilitation benefits was down from 2.7%.
- Total benefit payments accounted for 65% of total system cost in 2023.



## Claims and benefits in detail

# Increasing average indemnity benefits since 2021 driven by several factors

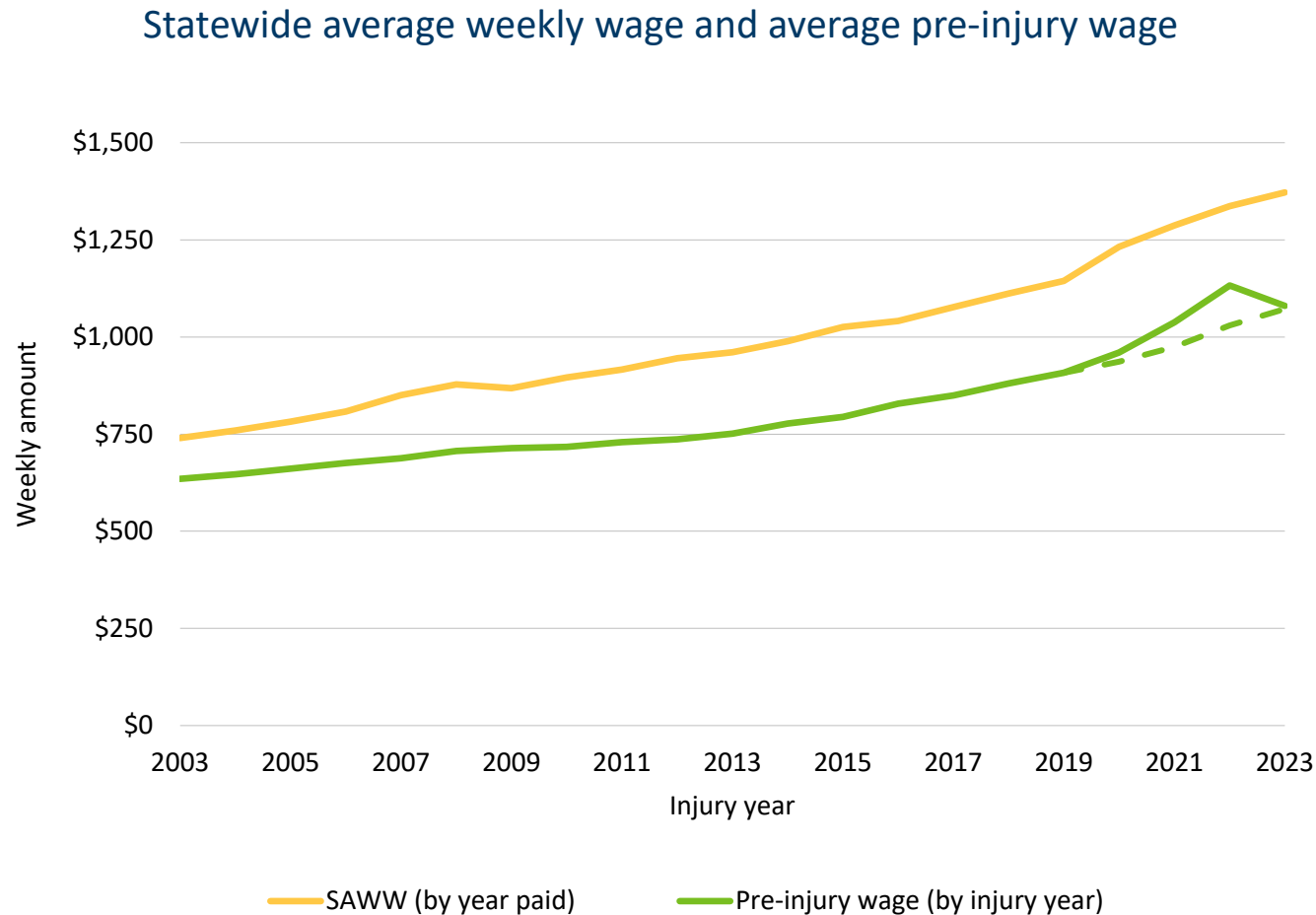
Average indemnity benefits per paid indemnity claim, adjusted for wage growth



## For non-COVID-19 claims:

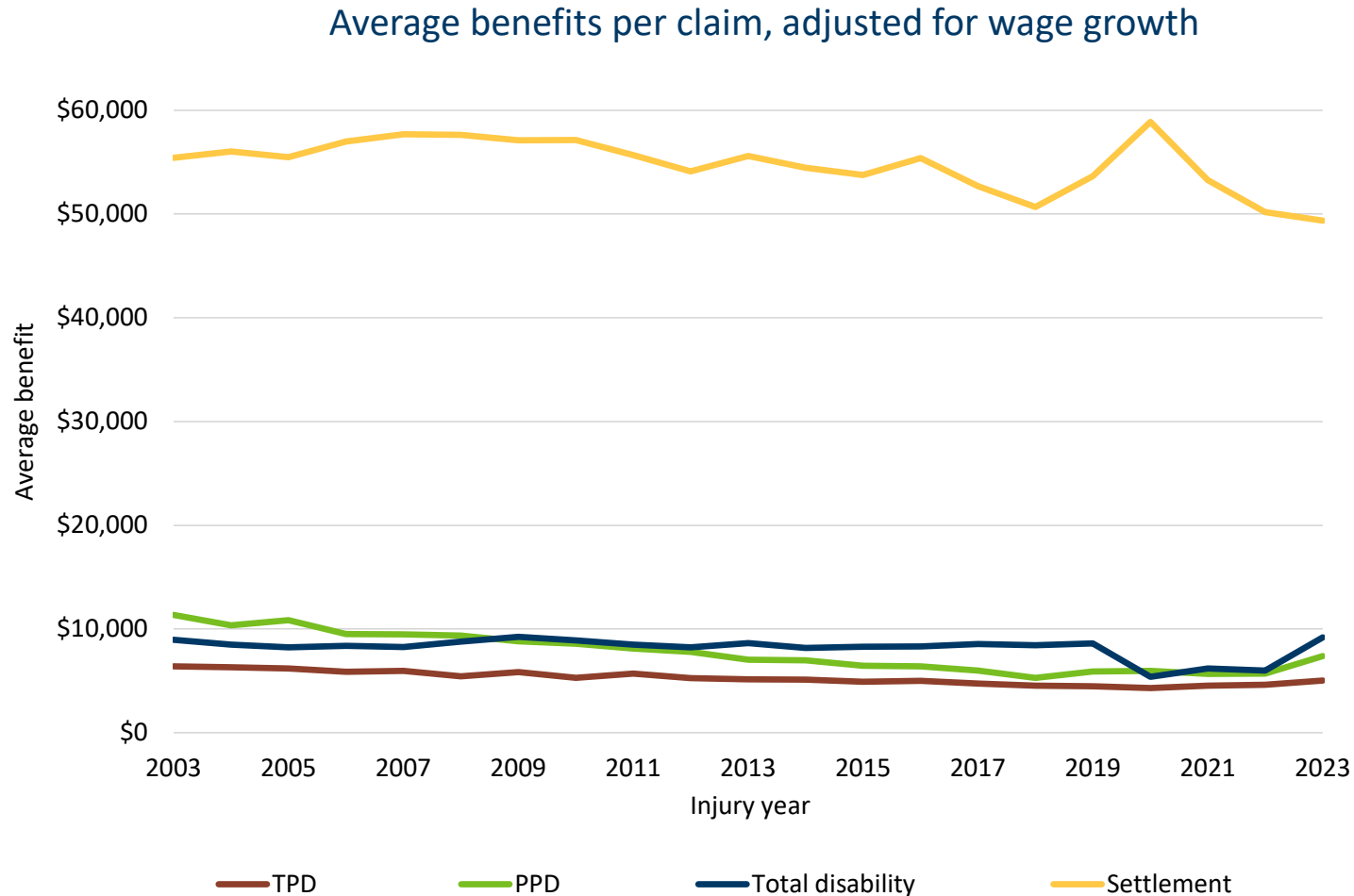
- Average indemnity benefits increased 11% from 2022 to 2023 (dotted line).
- Longer TTD duration and labor market conditions contribute to increased average indemnity benefits in recent years.
- Average indemnity benefits from MWCIA data include vocational rehabilitation benefits, while DLI data does not.

# APIW grew faster than the SAWW in recent years



- Average pre-injury wage (APIW) grew 25% from 2019 to 2022, while the SAWW grew 17% during the same period.
- From 2022 to 2023, the SAWW grew by 3%, while the APIW decreased by 5%.
- APIW is less than the SAWW because, on average, injured workers are concentrated at the lower wage sectors.

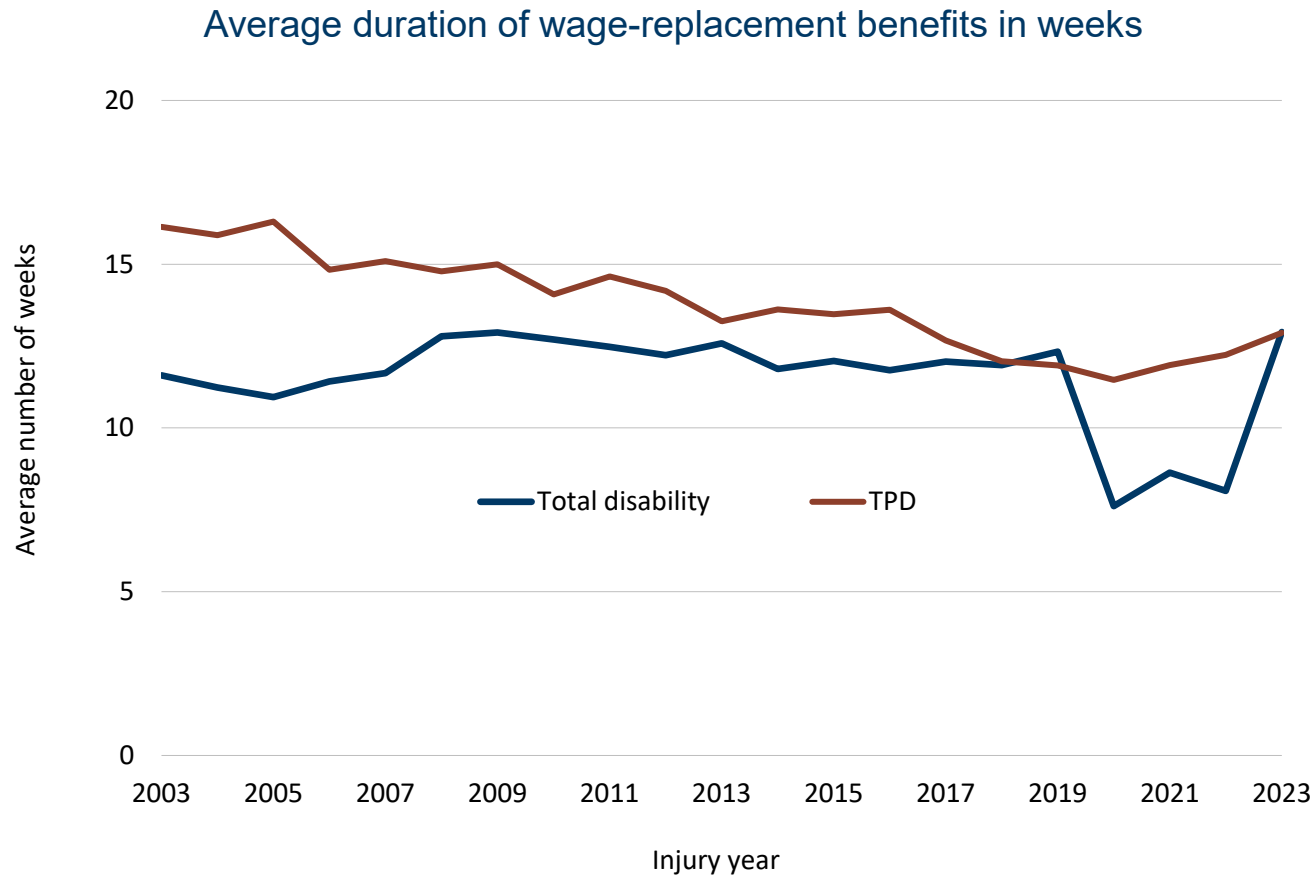
# Average total disability benefits (adjusted for wage growth) affected by COVID-19 in 2020-2022



## For non-COVID-19 claims:

- In 2023, average settlement was \$49,380 while average total disability and temp partial were \$9,670 and \$5,050.
  - Higher number of claims and average settlement per claim for police and public sector employees in 2020.
- Average total disability benefits increased 8% from 2022 to 2023.
- Average PPD benefits fell 34% from 2003 to 2023 but increased 25% from 2019 to 2023.
- The full impact of 2023 increase in PPD benefits will show up in future reports.

# Average duration workers received TTD benefits increased for non-COVID-19 claims in 2023



## Total disability benefits:

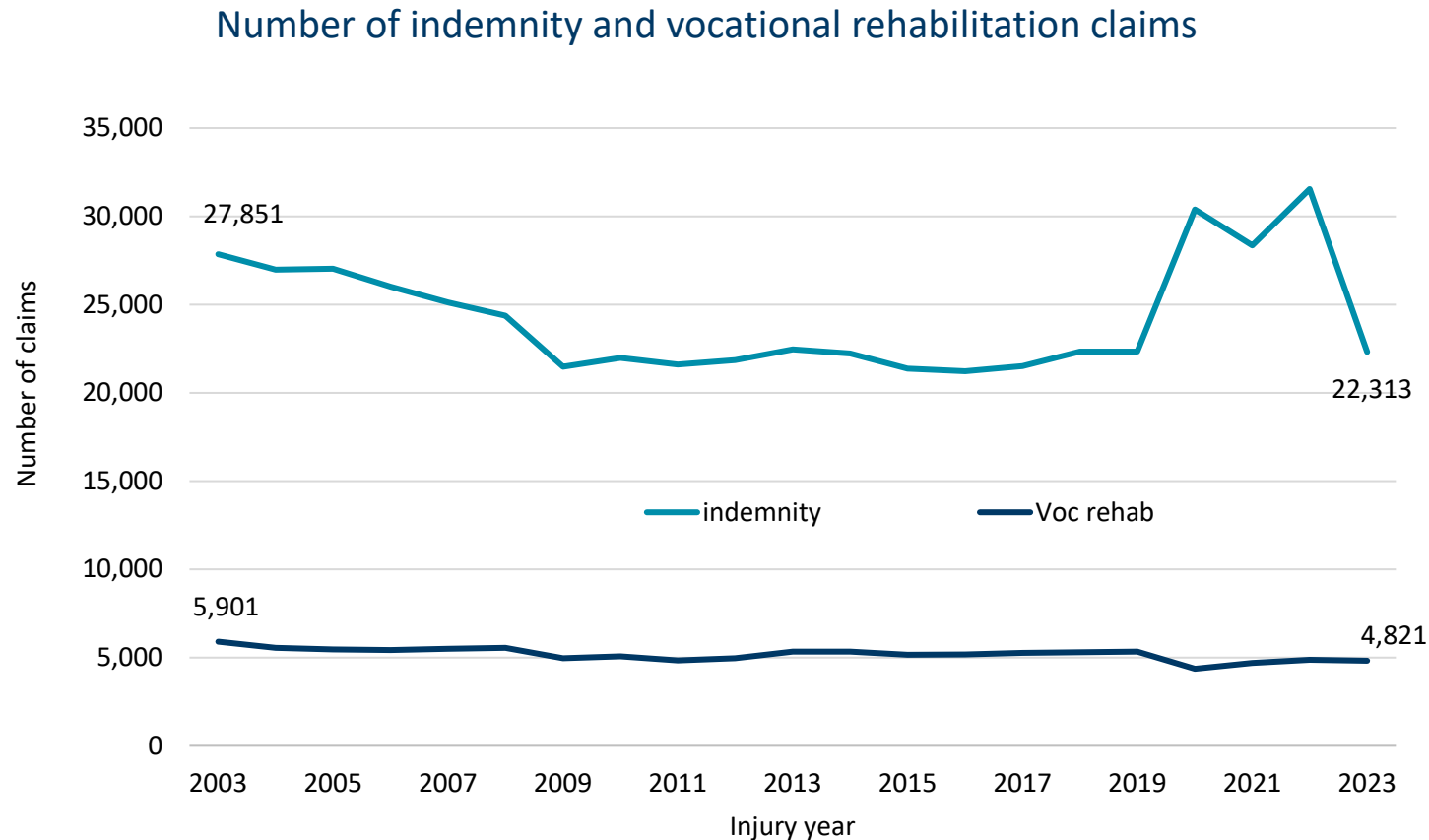
- In 2023, average duration for non-COVID-19 claims was 13.7 weeks--up from 11.6 weeks in 2003 and from 12.7 weeks in 2022.
  - When COVID-19 claims were included, total disability duration decreased 34% from 2019 to 2022.

## Temporary partial disability benefits:

- In 2023, average duration for non-COVID-19 claims was 12.9 weeks—down from 16.1 weeks in 2003. COVID-19 did not impact TPD duration.

# Vocational Rehabilitation

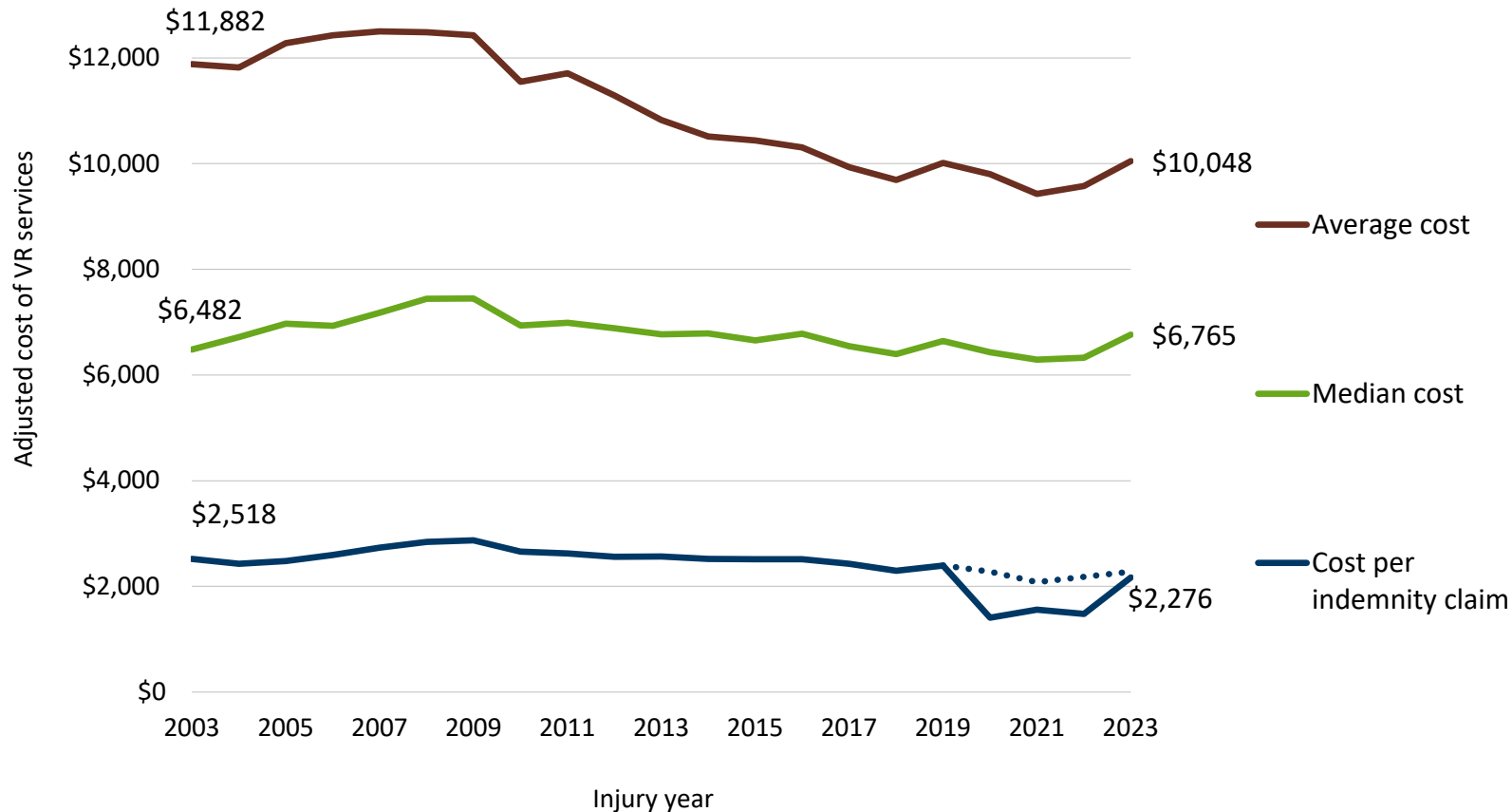
# The number of workers entering voc rehab return closer to its pre-pandemic levels after a dip in 2020



- For 2023 injuries, 21.6% of all workers with indemnity benefits had voc rehab plans.
- Among non-COVID-19 claims, 22.7% of workers had voc rehab plans, similar to pre-pandemic percentages.

# The adjusted average cost of \$10,050 for 2023 was 20% below the peak of \$12,500 in 2007

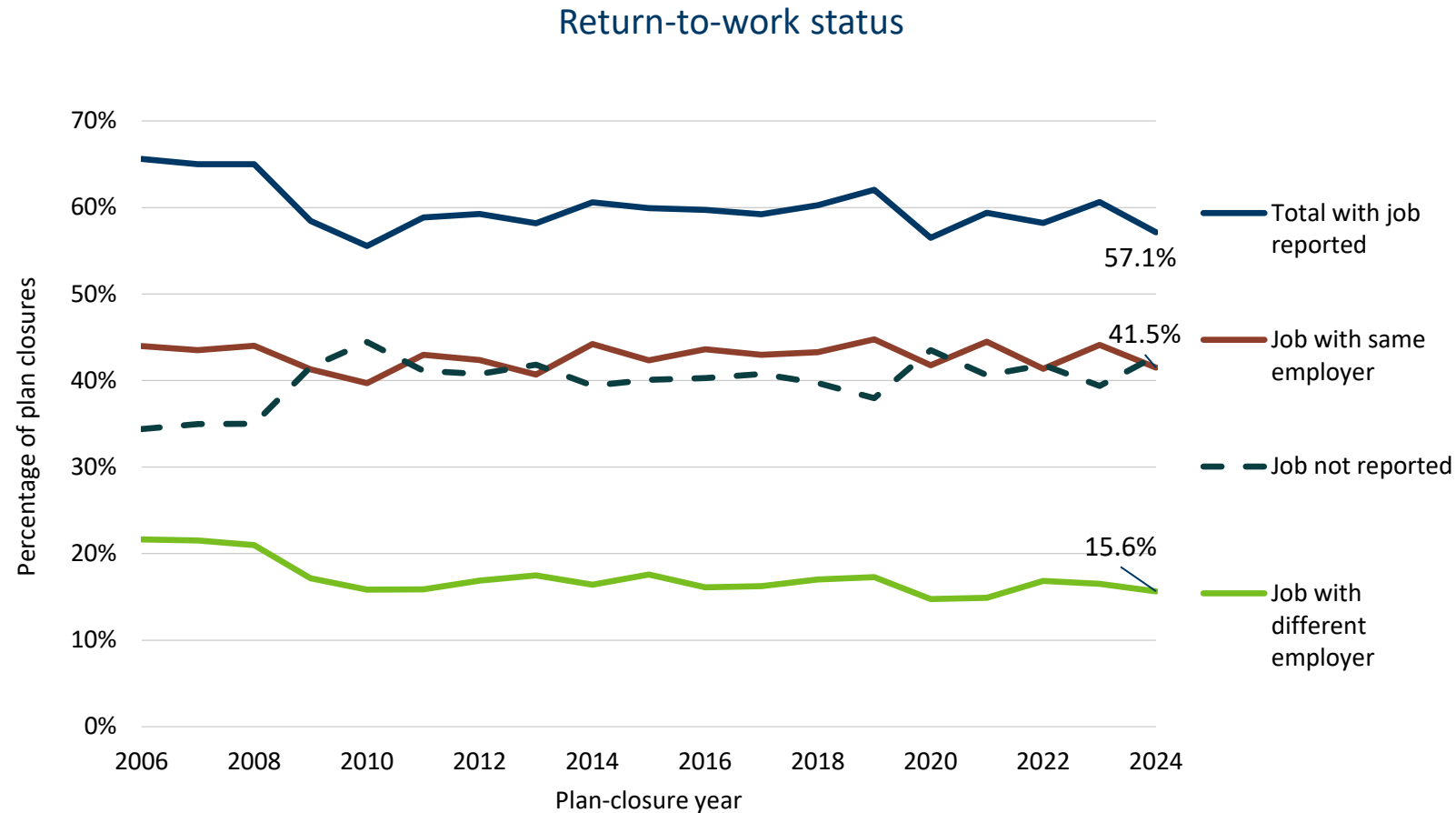
Vocational rehabilitation service costs, adjusted for wage growth



- The adjusted average cost for 2023 was 5% higher than 2022.
- The adjusted total cost of vocational rehabilitation services for injury-year 2023 is estimated at \$48.4 million, a 7% increase from 2022.
- The adjusted median cost of \$6,760 for 2023 was 7% higher than the 2021 adjusted average cost but the same as 2019.

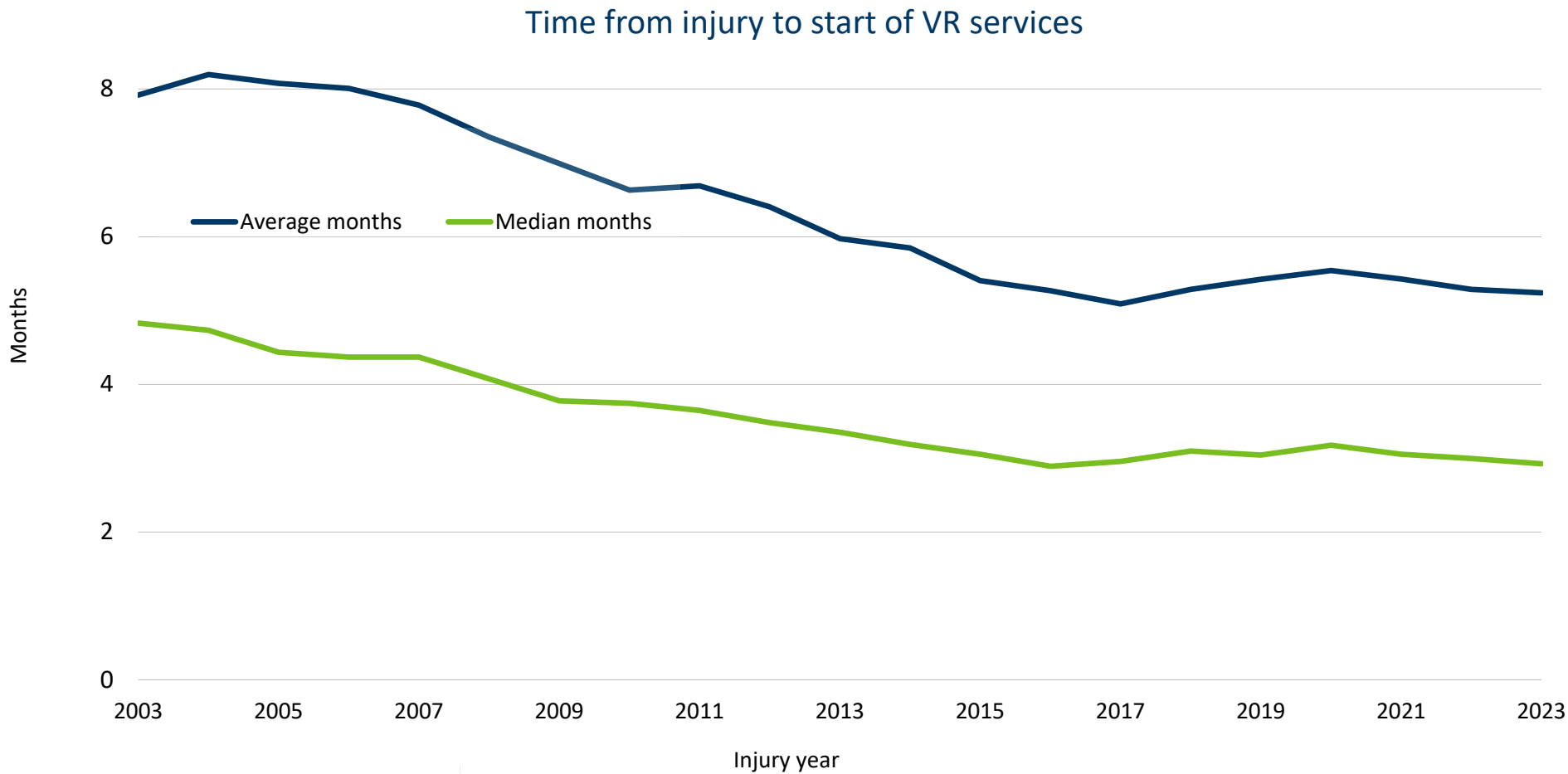


# 57% of VR plans closing in 2024 showed participants back to work, 3% decrease from 2023

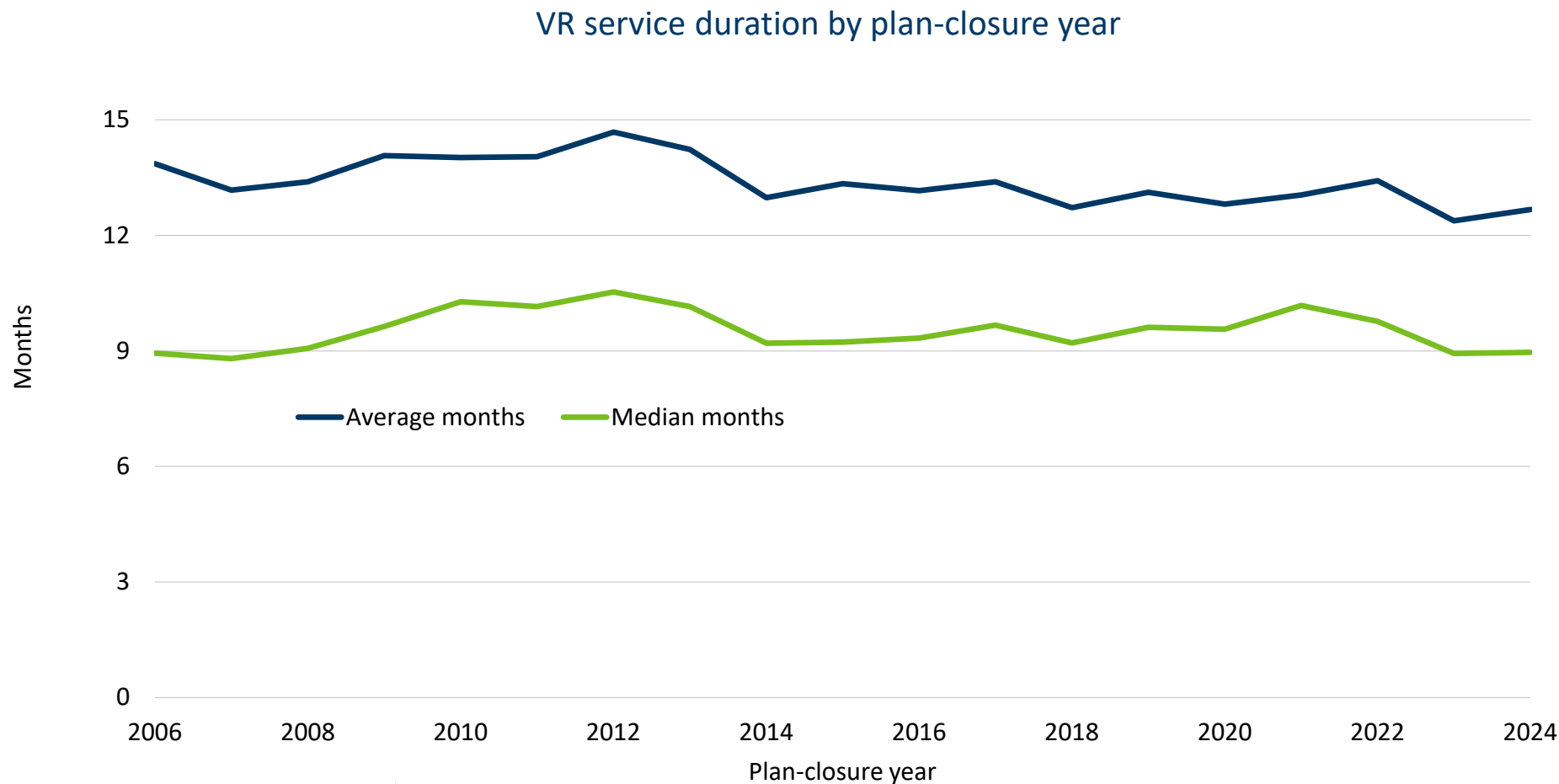


- The estimated percentage of vocational rehabilitation participants with a job at plan closure in 2024 was three percentage points lower than in 2023.
- A return to work was reported for 98% of workers with completed plans and for 26% of workers whose plans closed for any other reason.

# The time from injury to start of services has been steadily declining over the last 20 years with some fluctuations

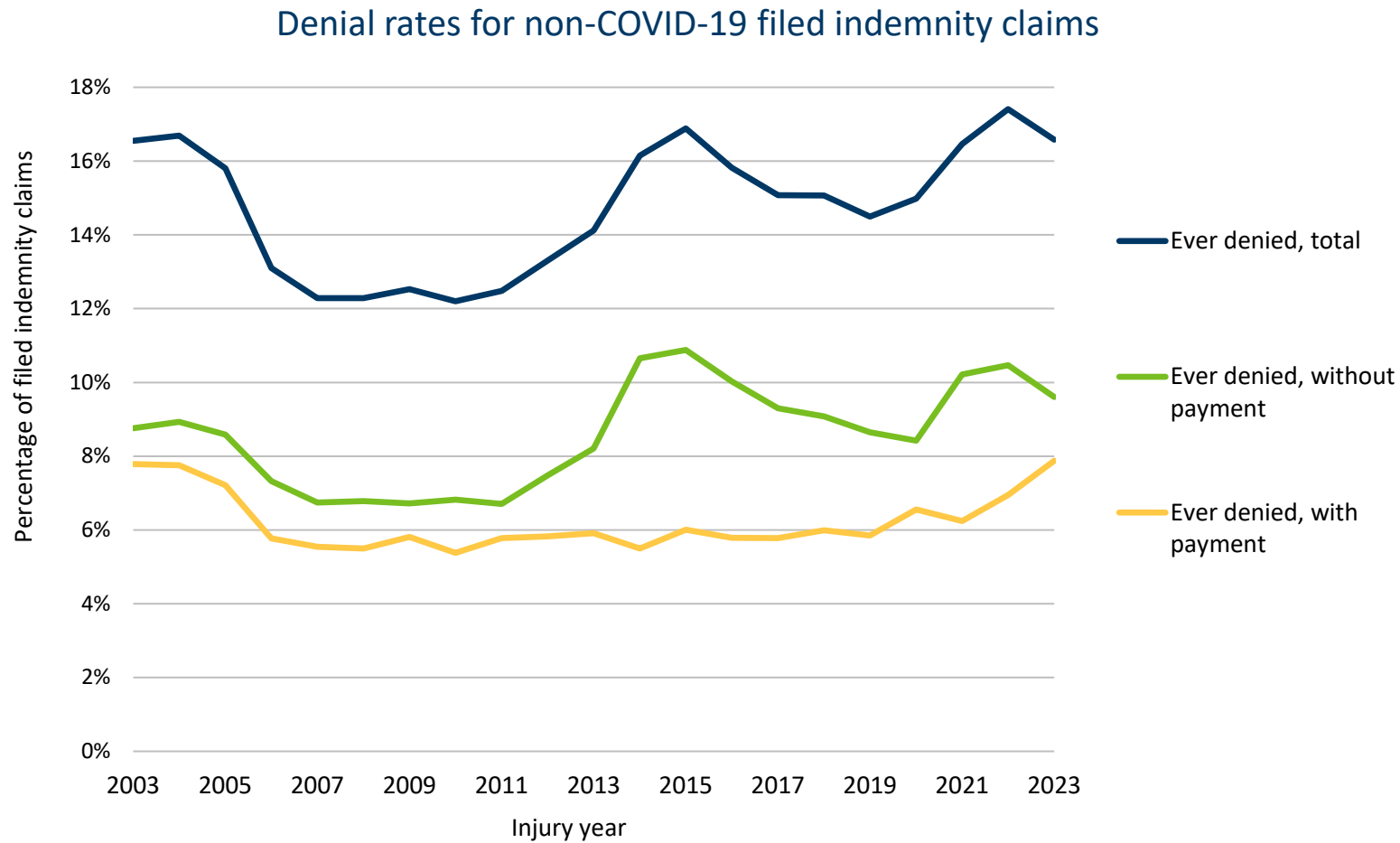


# Average and median voc rehab service durations have remained stable for the last 10 years with some fluctuations



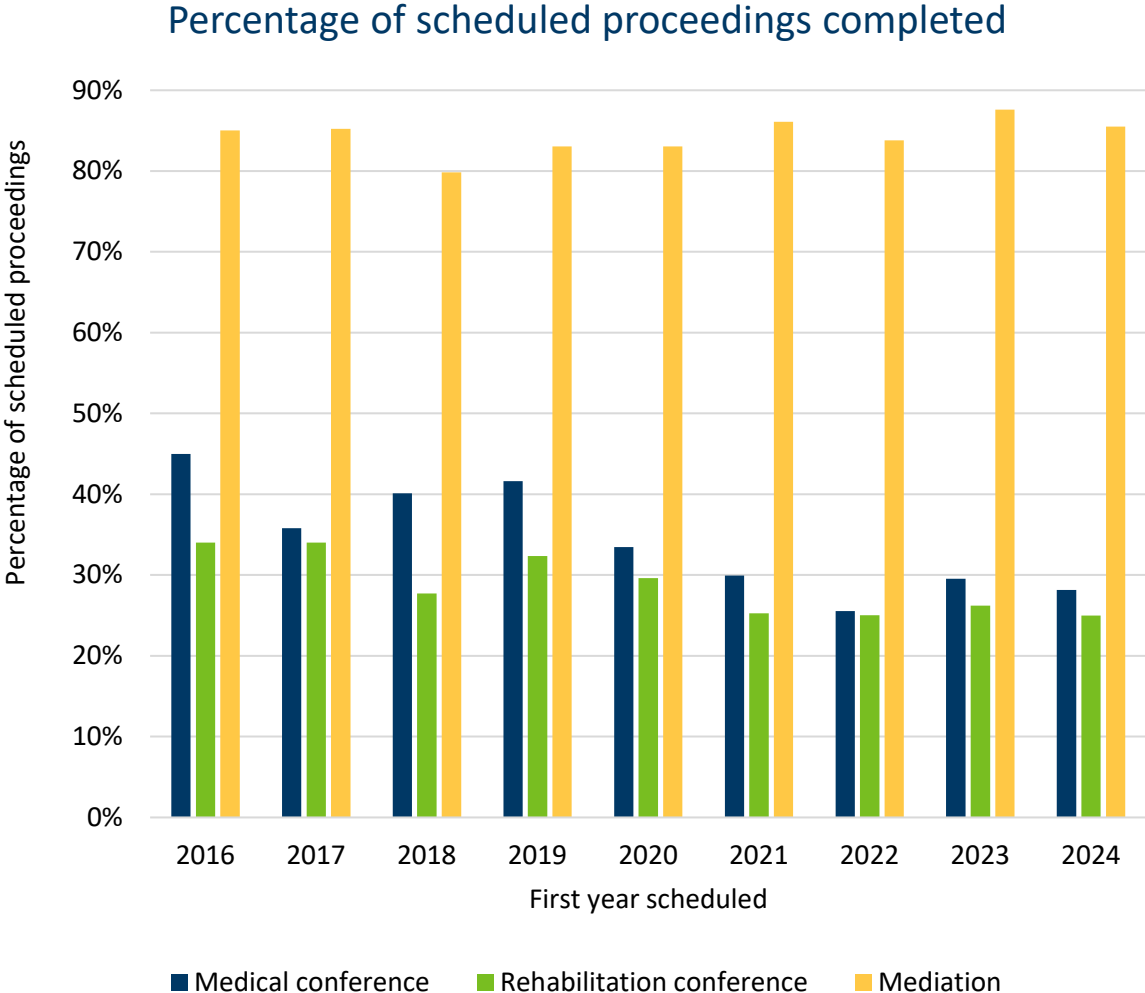
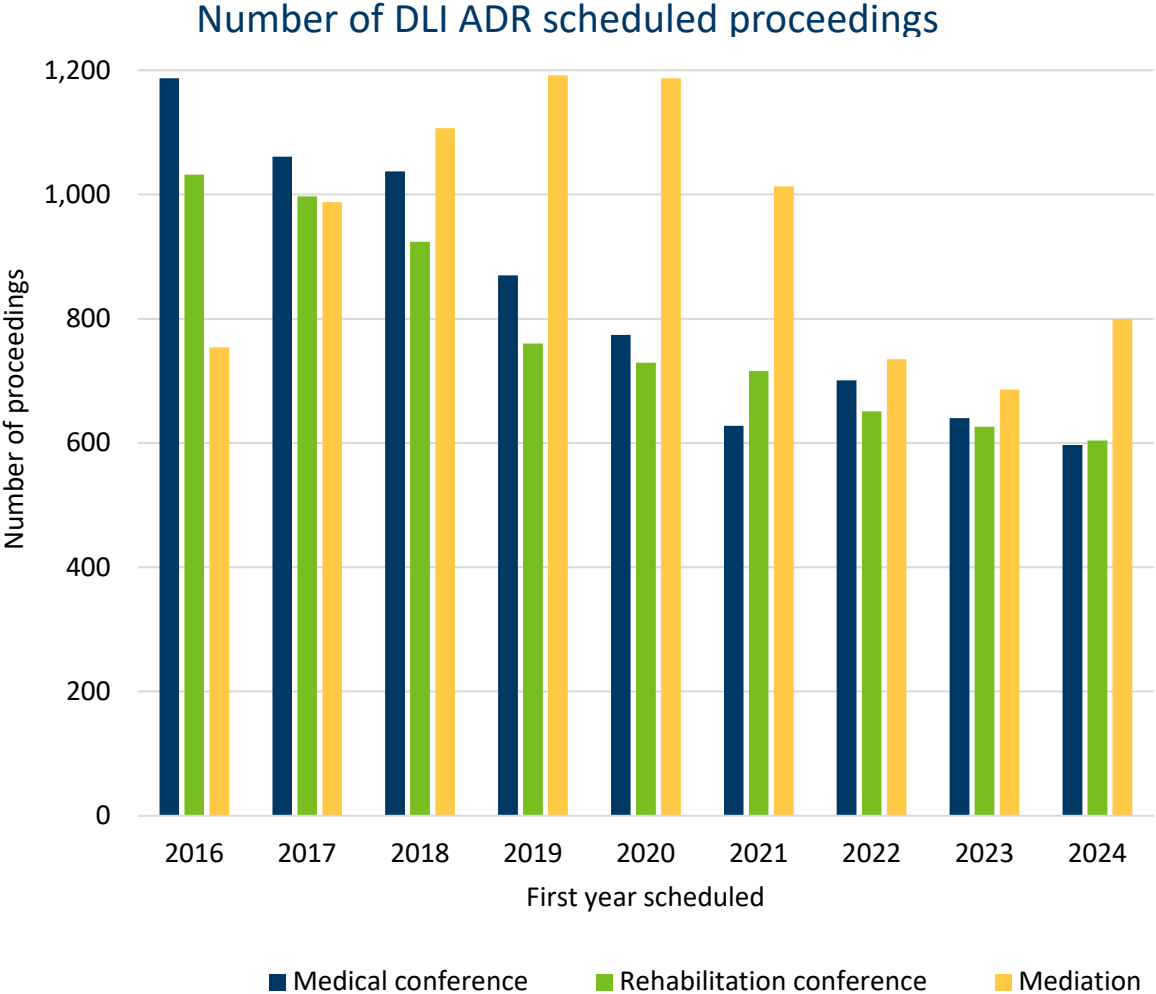
# Dispute Resolution

# Denial rates have been increasing from 2019 to 2022 but remained within historical range



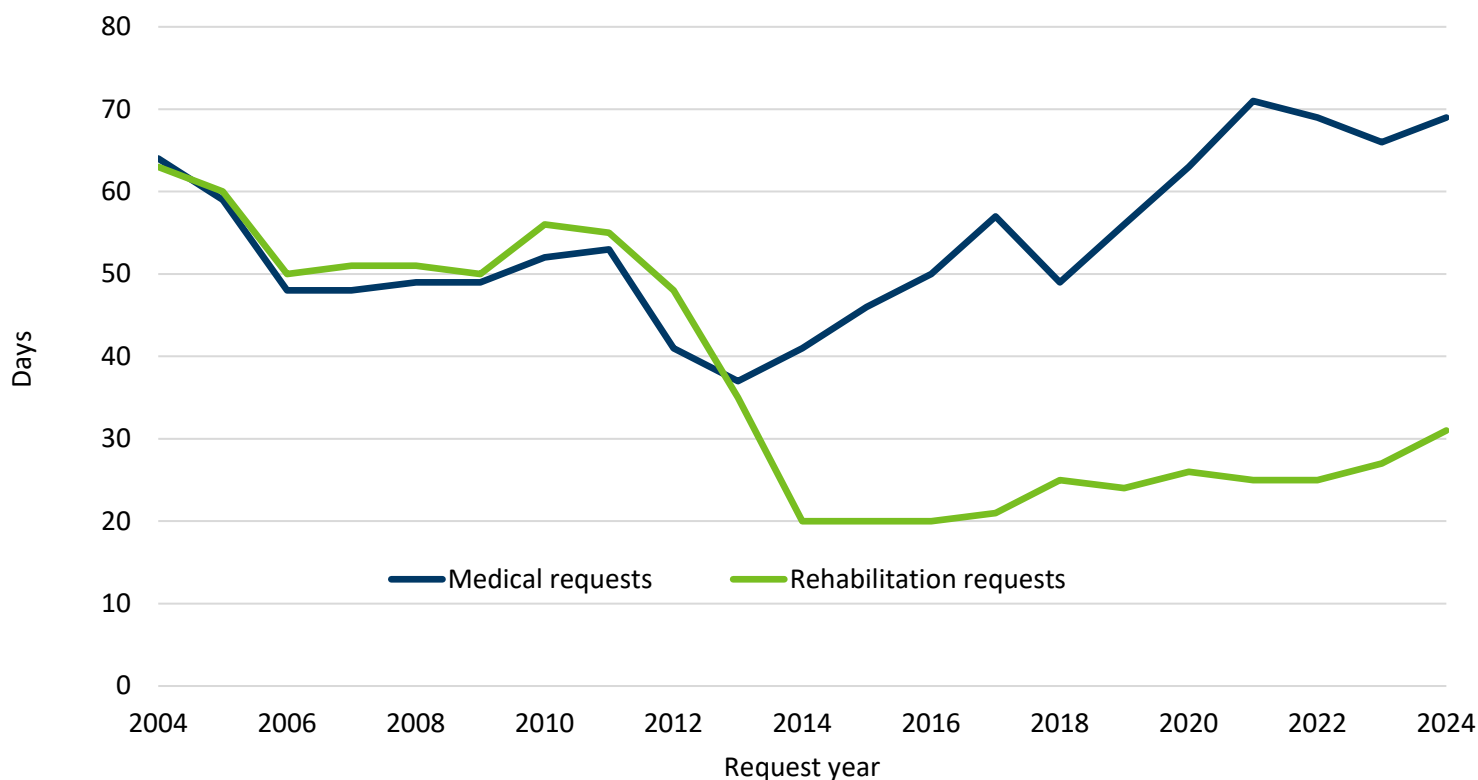
- COVID-19 claims appear to have affected the 2020-2023 denial rates.
- The denial rate for COVID-19 claims was 50%, significantly higher than the 16.6% rate for non-COVID-19 claims in 2023.

# Decreasing number of scheduled conferences, increasing number of mediations



# Increased period from requests to scheduled conference

Median days from dispute filing to first scheduled conference at DLI



- The time from medical and rehabilitation requests to the first scheduled conference at DLI has diverged in recent years.
- 2013 law change required rehab request conferences to take place within 21 days of the request. This impacted the timing for both medical and rehab conferences.

# Thank you

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