

Workers' Compensation System Report

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Research and Data Analytics

Topics

- Workers' Compensation System Report 2023
 - System overview
 - Indemnity benefits
 - Vocational rehabilitation
 - Dispute resolution

Insights from the Workers' Compensation System Report 2023

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 workers' compensation 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

Workers' Compensation System Report features, continued

Adjustment of cost data for average wage growth, continued

- 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, continued

“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 and 2021 statistics were affected by the COVID-19 pandemic, changes in the economy – such as reduction in employment, and data system transition.
 - Claims development was computed only for the non-COVID-19 claims, which were combined with the reported, non-developed values for COVID-19 claims.

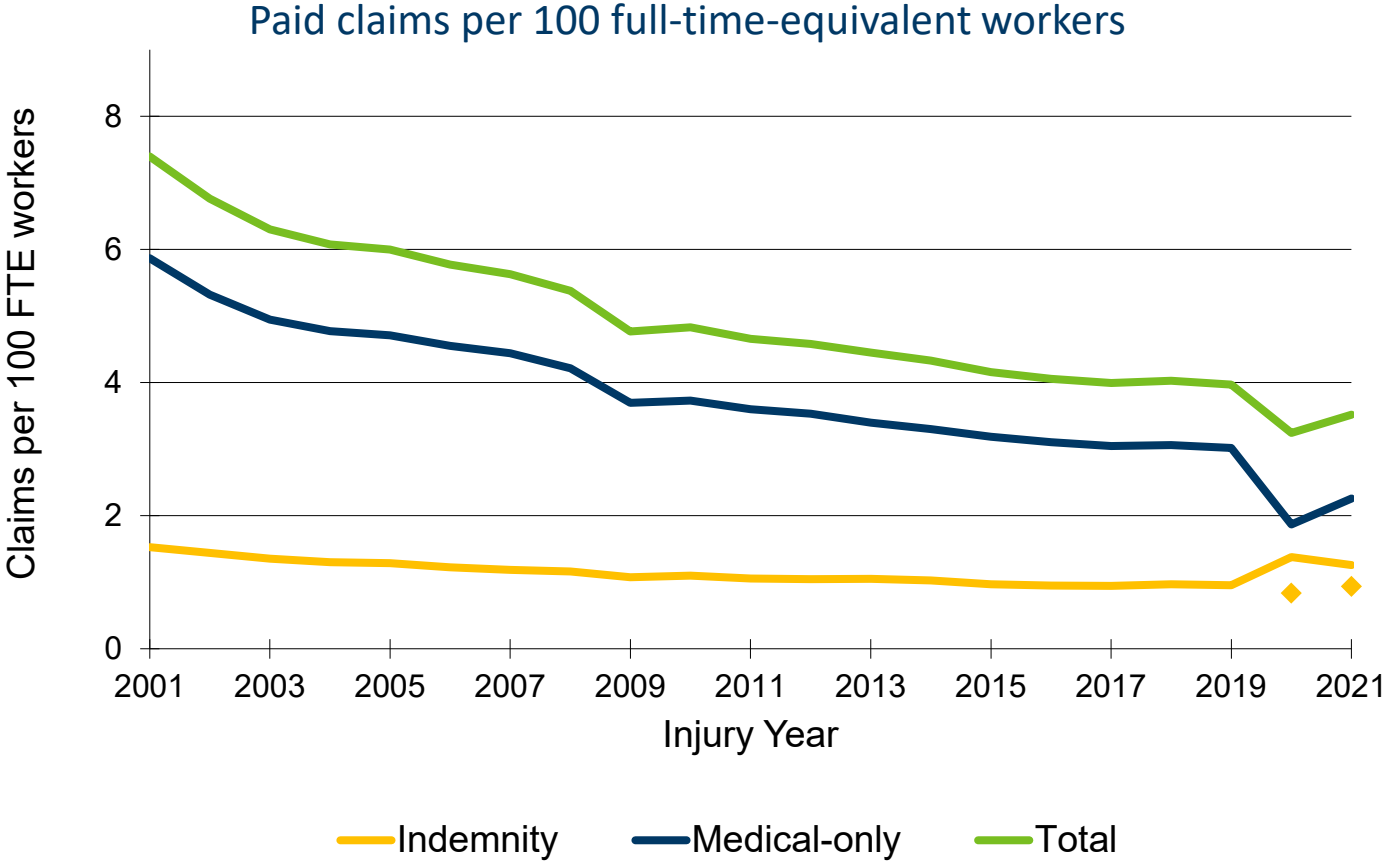
Workers' Compensation System Report features, continued

“Developed statistics,” continued

- 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

Decreasing claims rates, large COVID-19 effect in 2020 and 2021

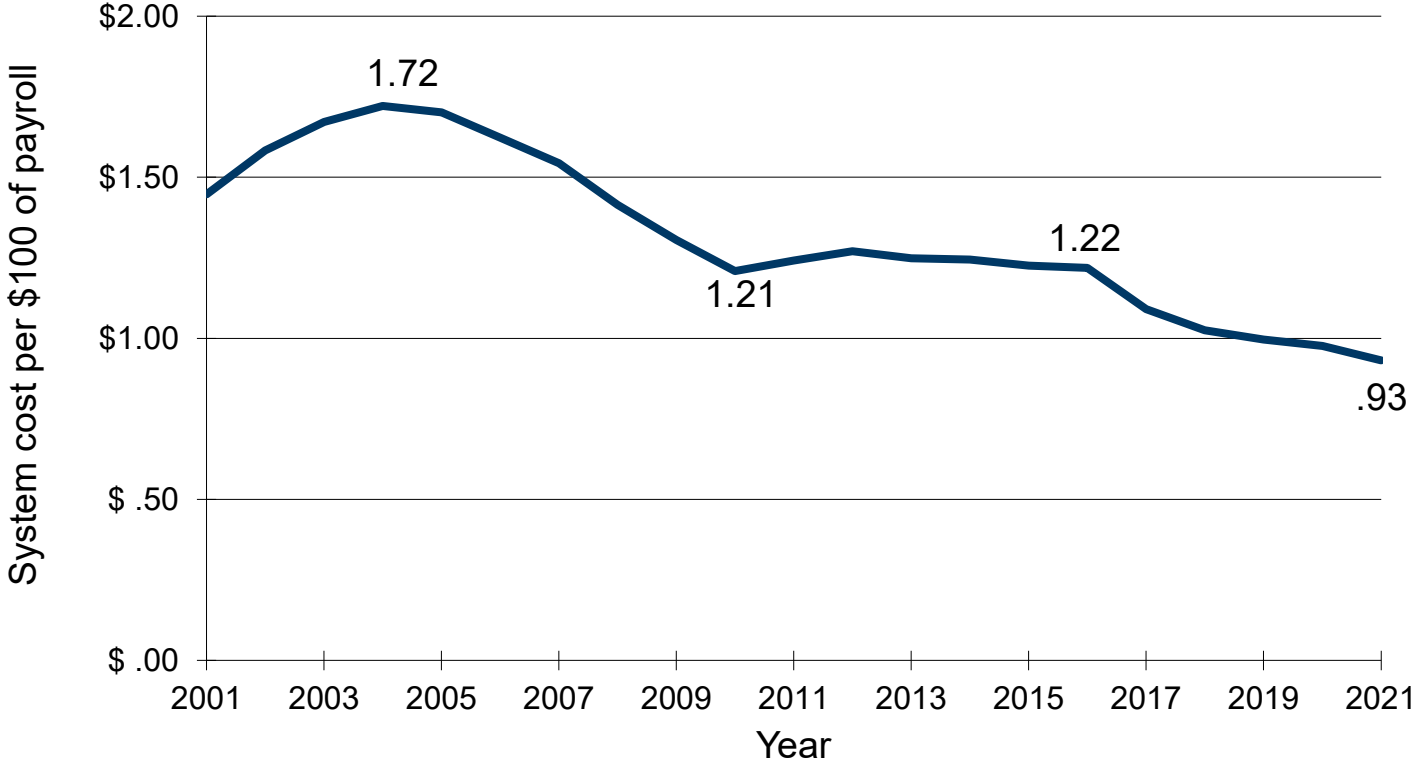


COVID-19 affected 2020 and 2021 claim rates

- 38% decrease in indemnity claims rate from 2001 to 2019
 - 30% increase from 2019 to 2021 due to influx of COVID-19 claims; majority of COVID-19 claims were for indemnity benefits
- 62% decrease in medical-only claims rate from 2001 to 2019 and 23% decrease from 2019 to 2021
- 52% decrease in total claim rate from 2001 to 2021

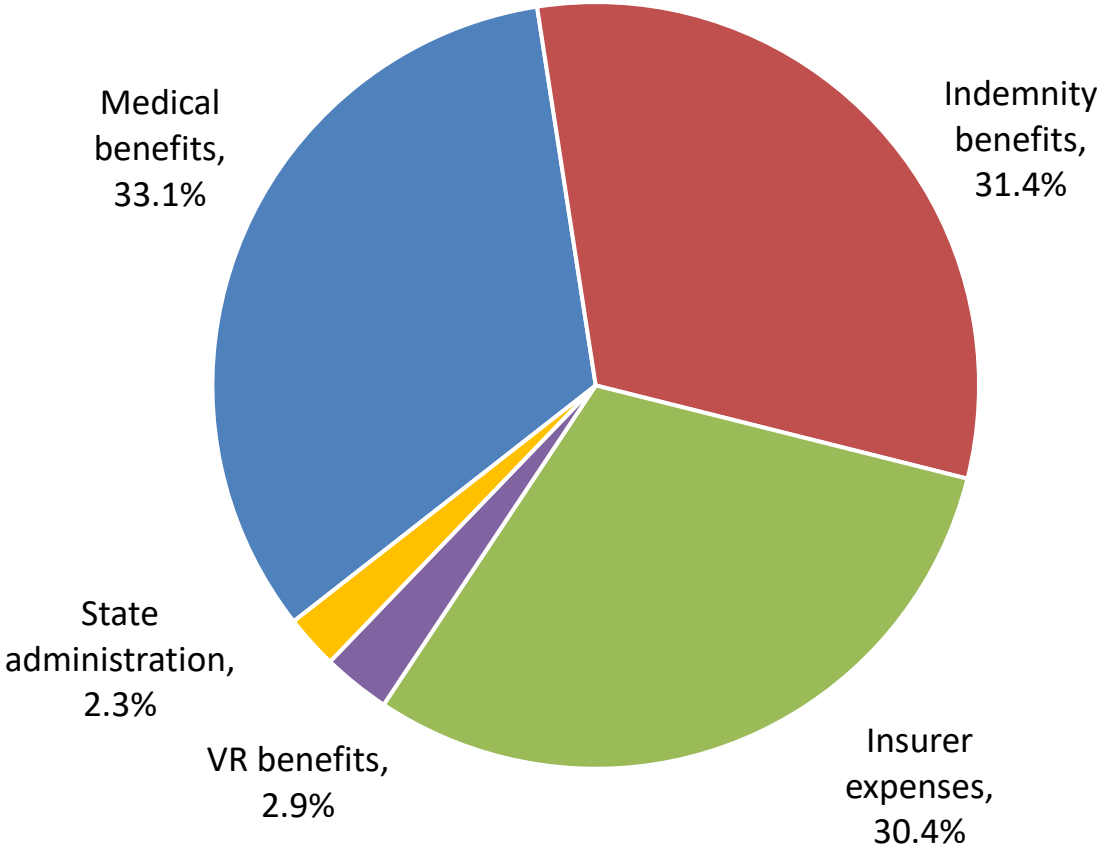
Long-term downward trend in system cost relative to payroll

System cost per \$100 of payroll



- In 2021, total system cost was an estimated \$1.62 billion or \$0.93 per \$100 of payroll
- Long-term downward trend in system cost relative to payroll, amid annual fluctuations
 - 25% decrease from 2001 to 2021 between two comparable cycles

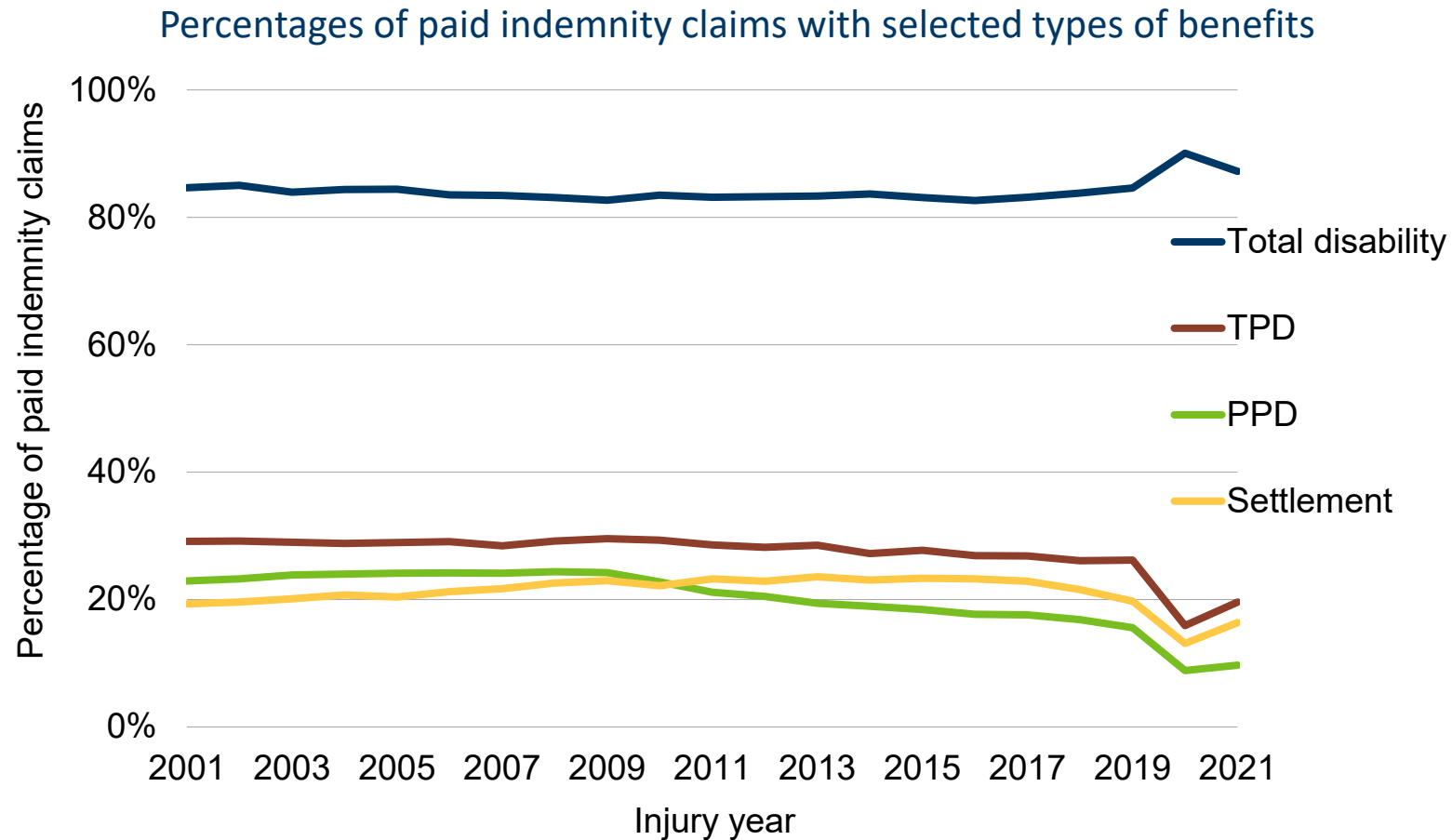
Medical benefits are the largest expense (2021 values)



- The share of medical benefits was down from 35% and the share of indemnity benefits was up from 29% in 2019
- Total benefit payments accounted for 67% of total system cost

Claims and benefits in detail

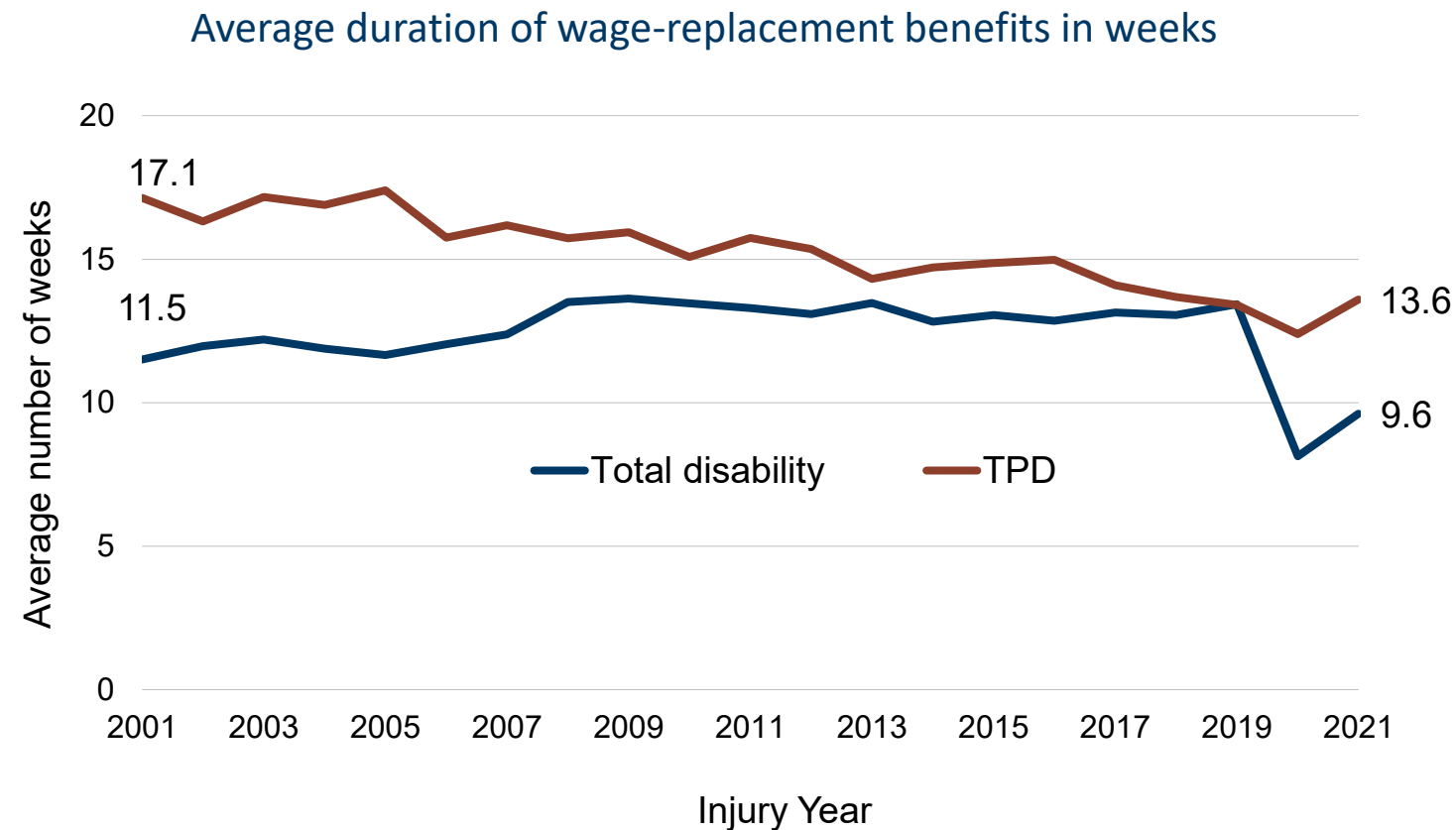
Proportion of claims with total disability benefits decreased from 2020, while all other benefits increased



In 2021

- The proportion of claims with total disability benefits decreased while all other benefits increased relative to 2020
- Among **non-COVID-19** claims
 - 84% received total disability benefits
 - 25% received TPD benefits
 - 13% received PPD benefits
 - 22% received settlement benefits

Average duration of benefits decreased due to COVID-19 in 2020; returned closer to pre-COVID-19 levels in 2021



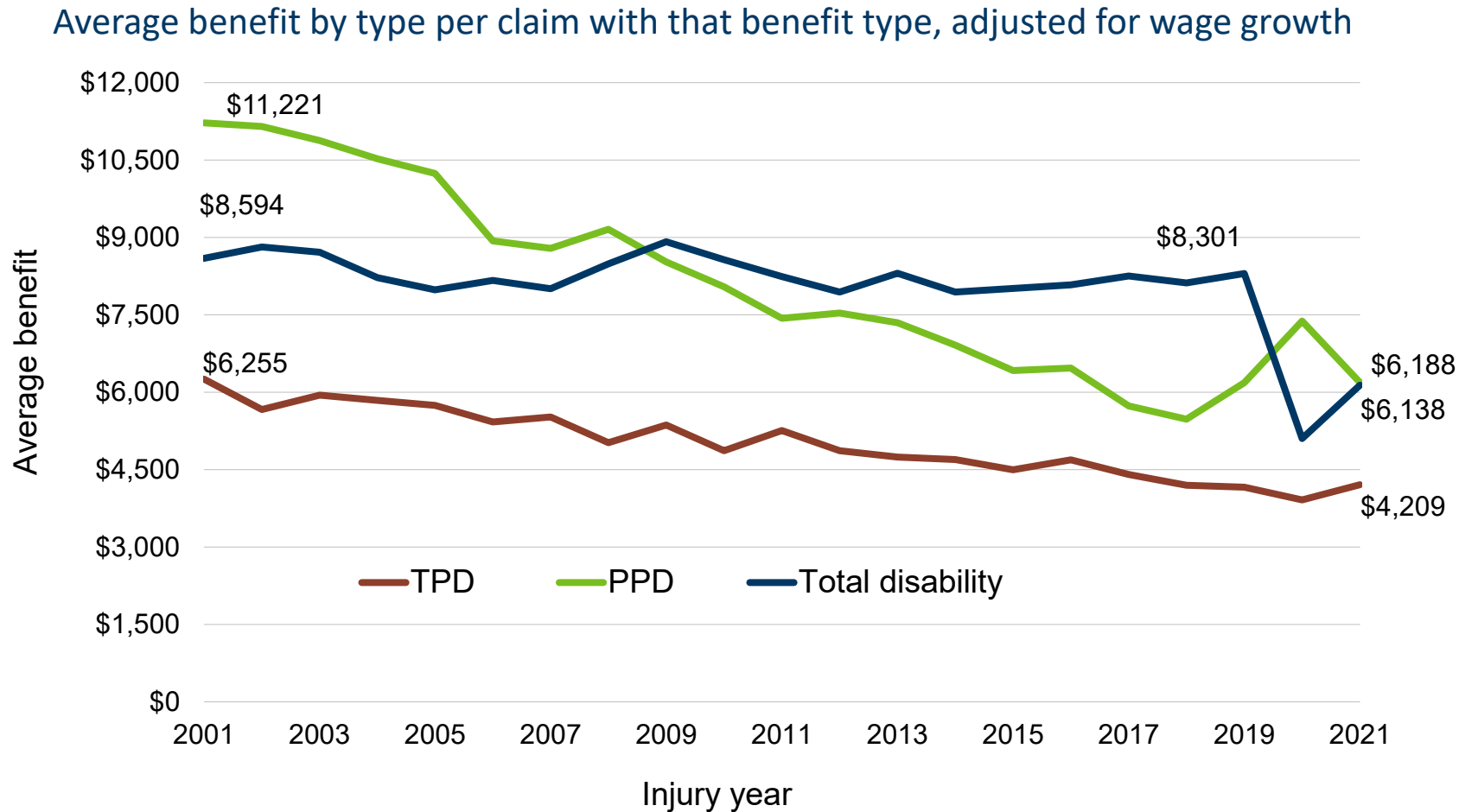
Total disability benefits

- In 2021, average duration was 17% below 2001 (but 19% higher for non-COVID-19)
 - 28% decrease from 2019 to 2021 largely driven by COVID-19
 - For non-COVID-19 claims, average duration was 14 weeks in 2021, one week up from 2020, but only slightly higher than 2019

Temporary partial disability benefits

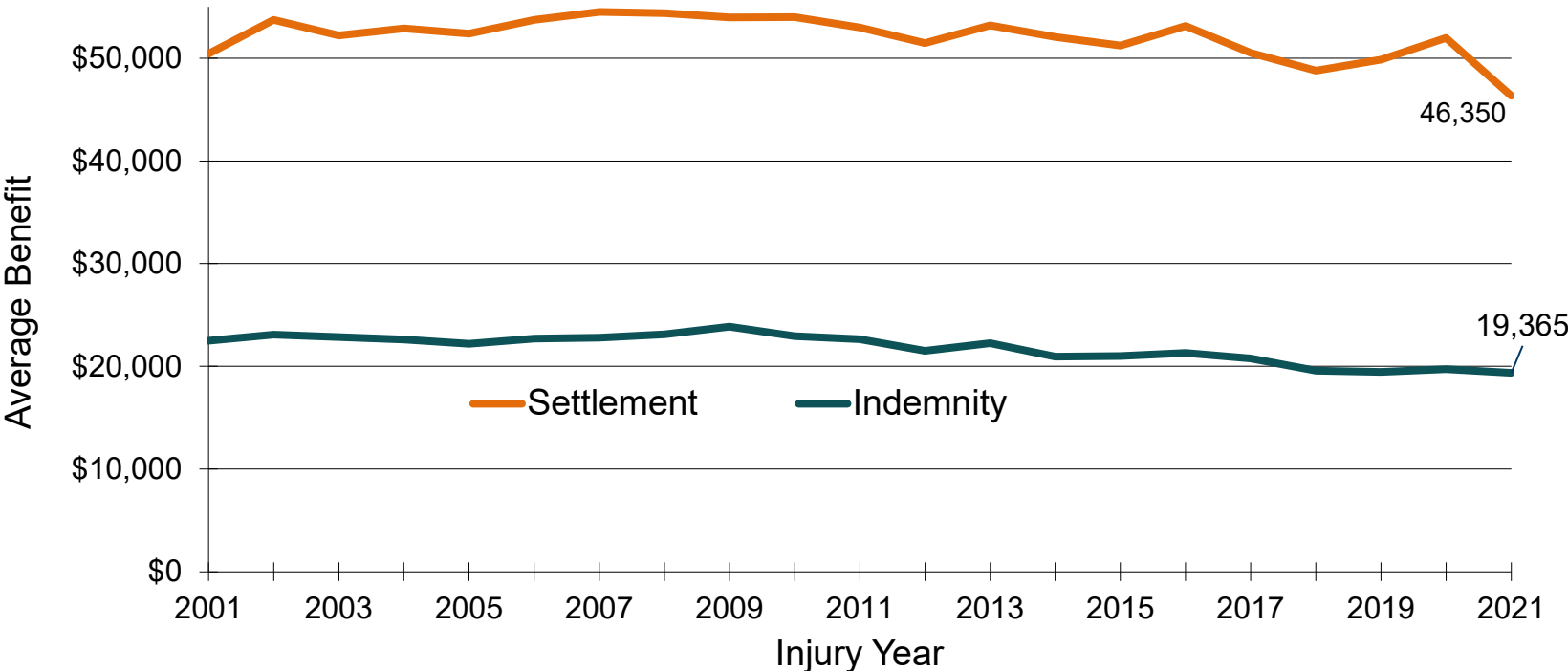
- In 2021, average duration was 21% (16% for non-COVID-19), below 2001
 - For non-COVID-19 claims, average duration was 14 weeks in 2021, a week higher than 2020

Average total disability benefits (adjusted for wage growth) affected by COVID-19 in 2020; and in 2021 to some extent



Average settlement benefits (adjusted for wage growth) decreased from 2020 to 2021

Average benefit by type per claim with that benefit type, adjusted for wage growth



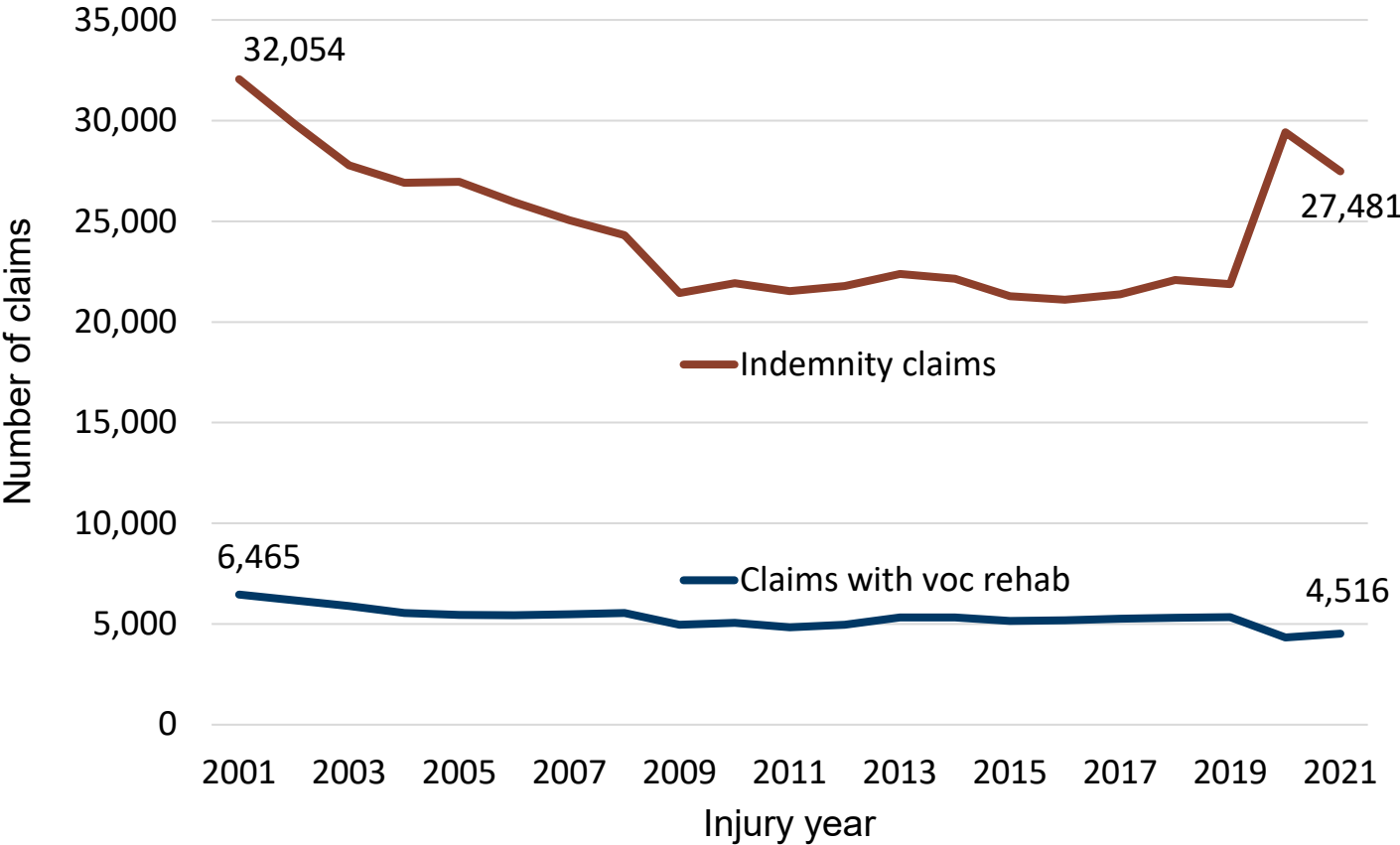
For non-COVID-19 claims in injury-year 2021

- Settlement benefits averaged about \$46,490 per claim
- In comparison, total disability benefits averaged about \$8,010: temporary partial disability benefits, \$4,370; and permanent partial disability benefits, \$6,190

Vocational rehabilitation

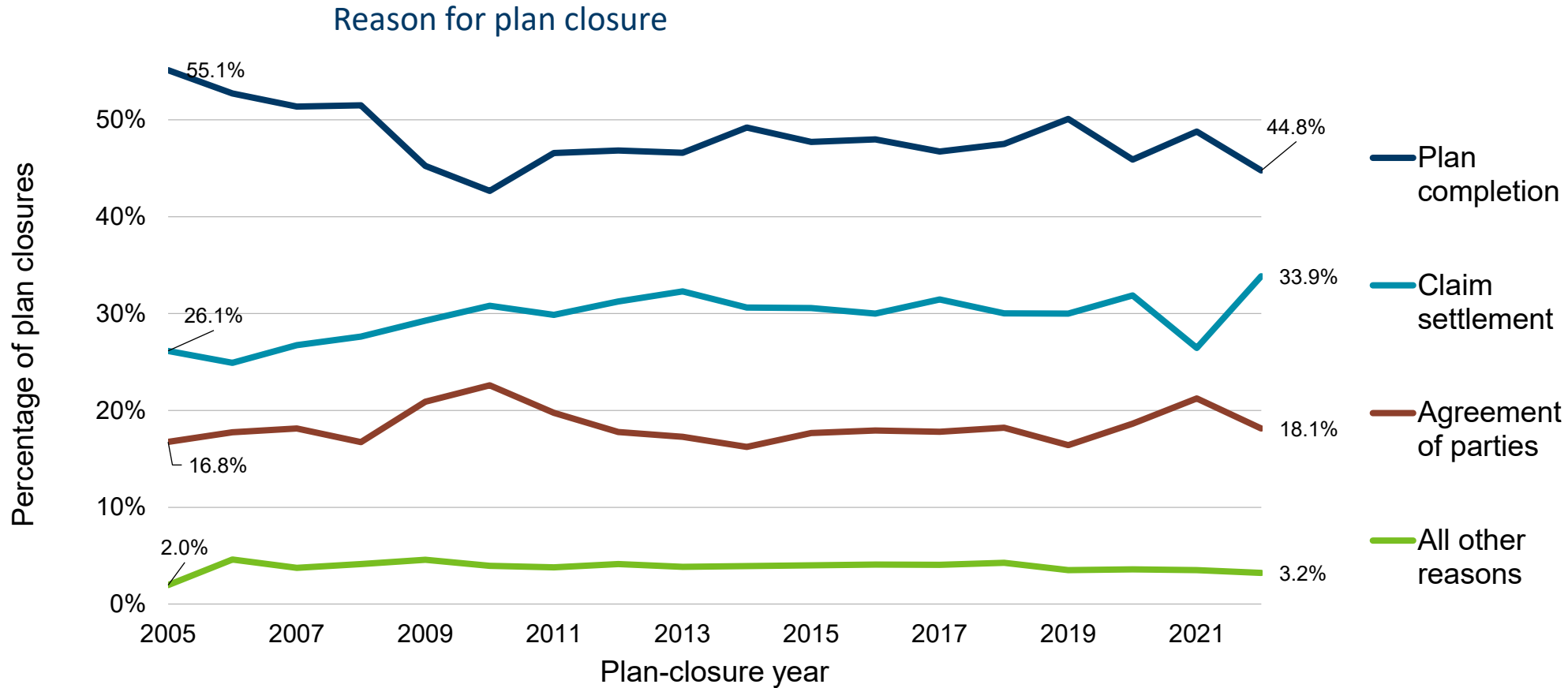
Consistent indemnity claims, workers with vocational rehabilitation, 2009-2019; drop-off in 2020 from COVID-19

Number of indemnity and vocational rehabilitation claims

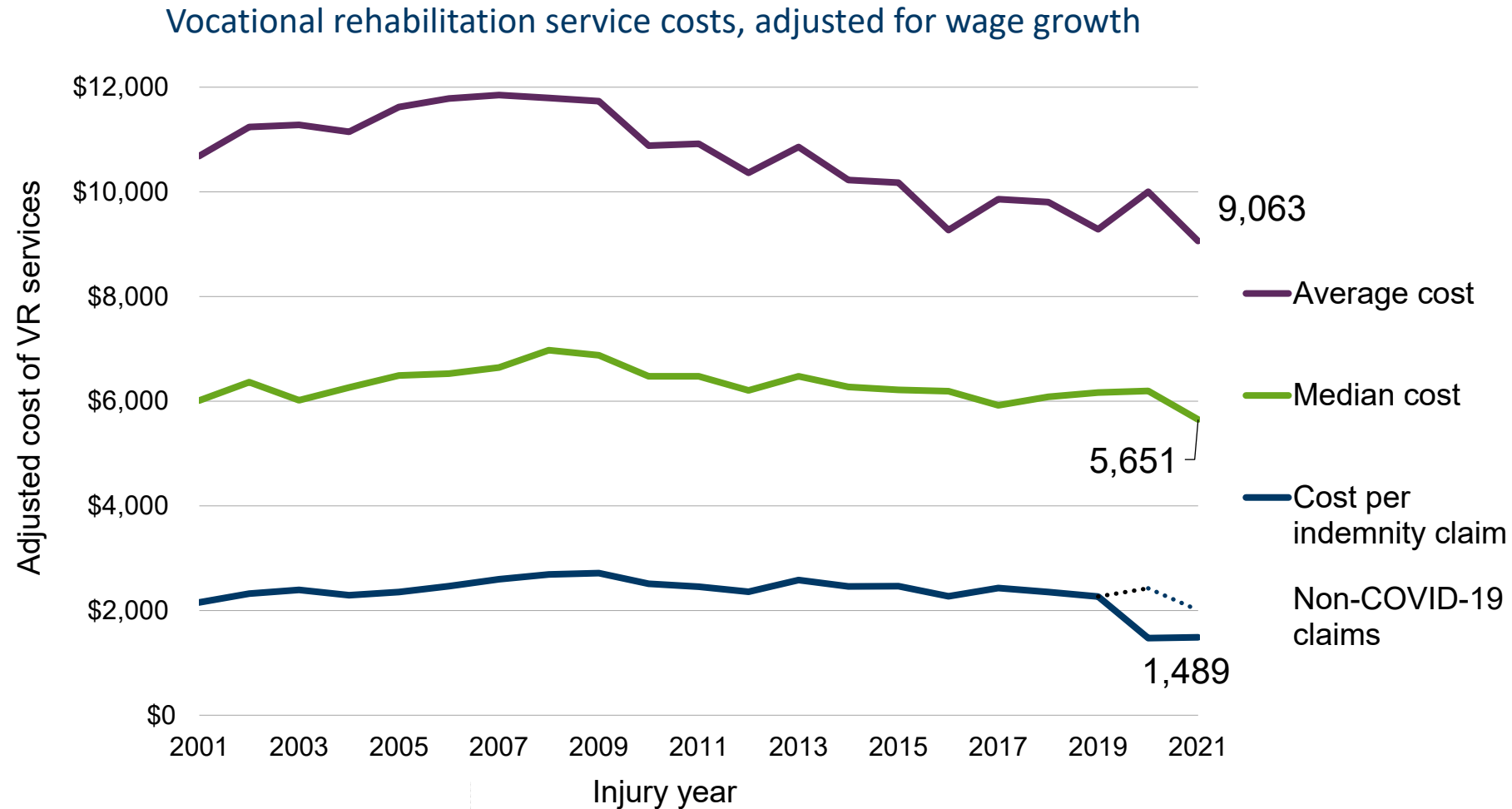


- 7,100 COVID-19 claims in 2021, 28% of all indemnity
- 10,100 COVID-19 indemnity claims in 2022, but expect return to pre-pandemic indemnity numbers in 2023
- Only 65 COVID-19 claims used vocational rehabilitation (0.9% of COVID-19 claims)

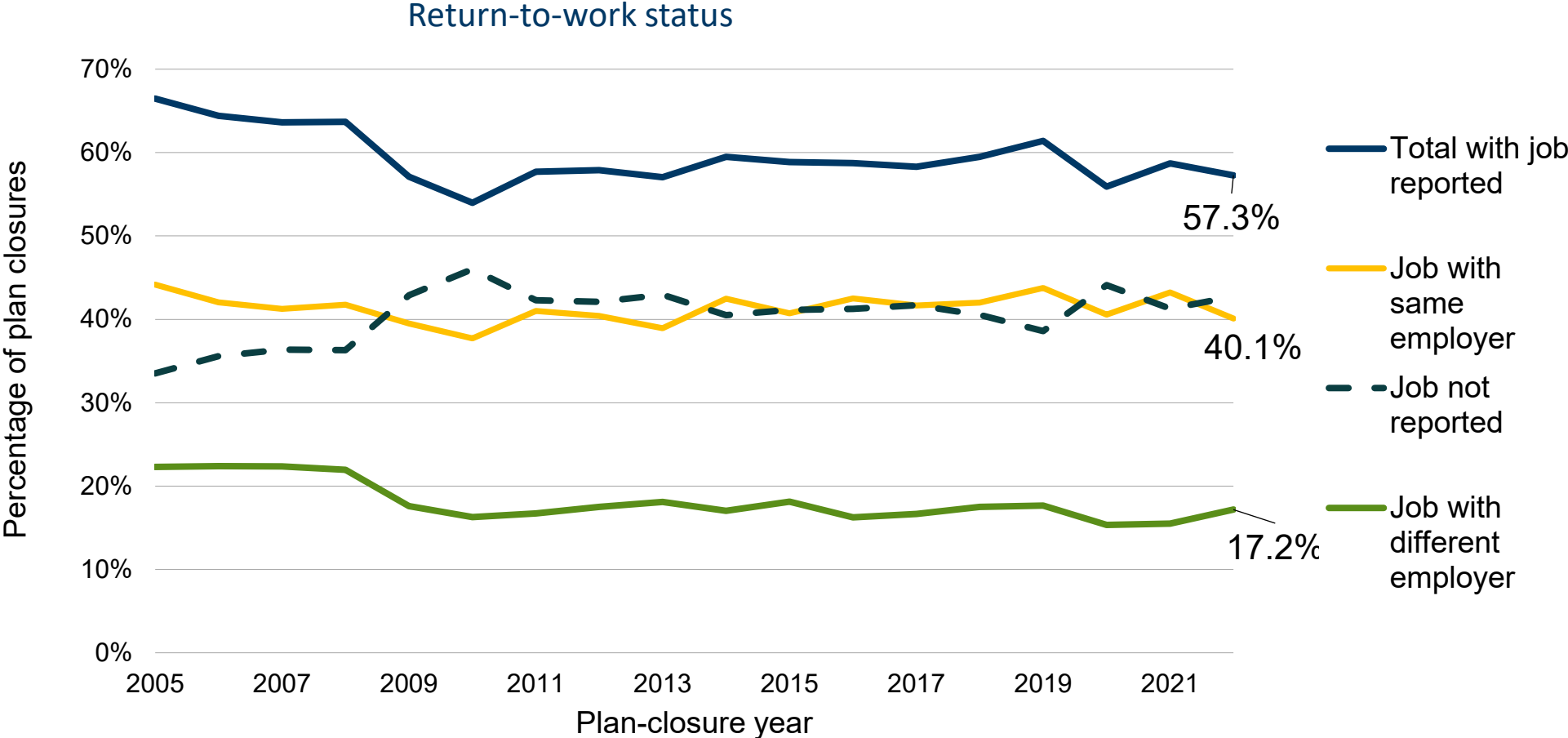
Settlement closures increased while agreement closures decreased in 2022



Adjusted average cost in 2021 was 9% lower than 2020, 24% below 2007 peak

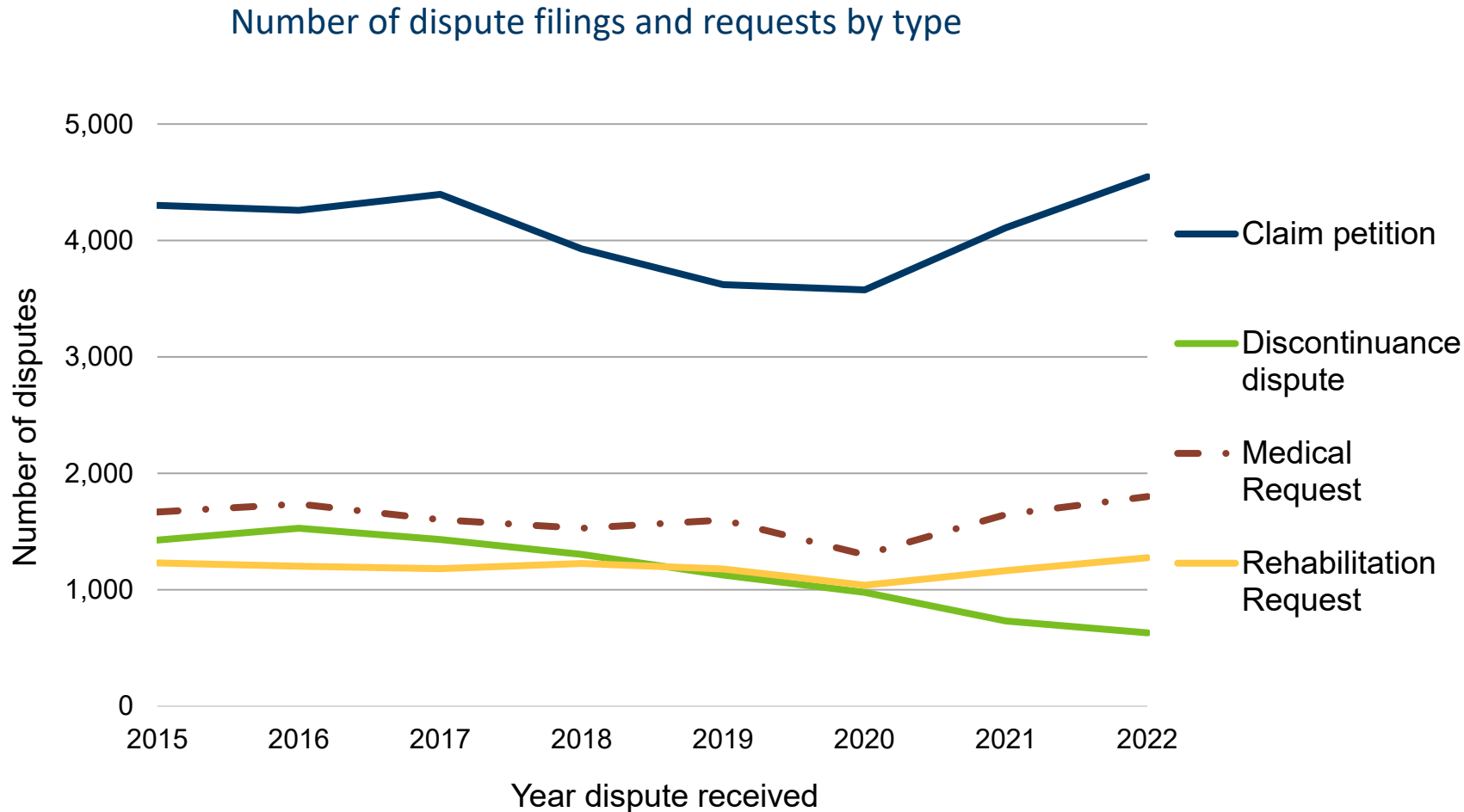


Fifty-seven percent of vocational rehabilitation participants back to work in 2022, 2% decrease from 2021



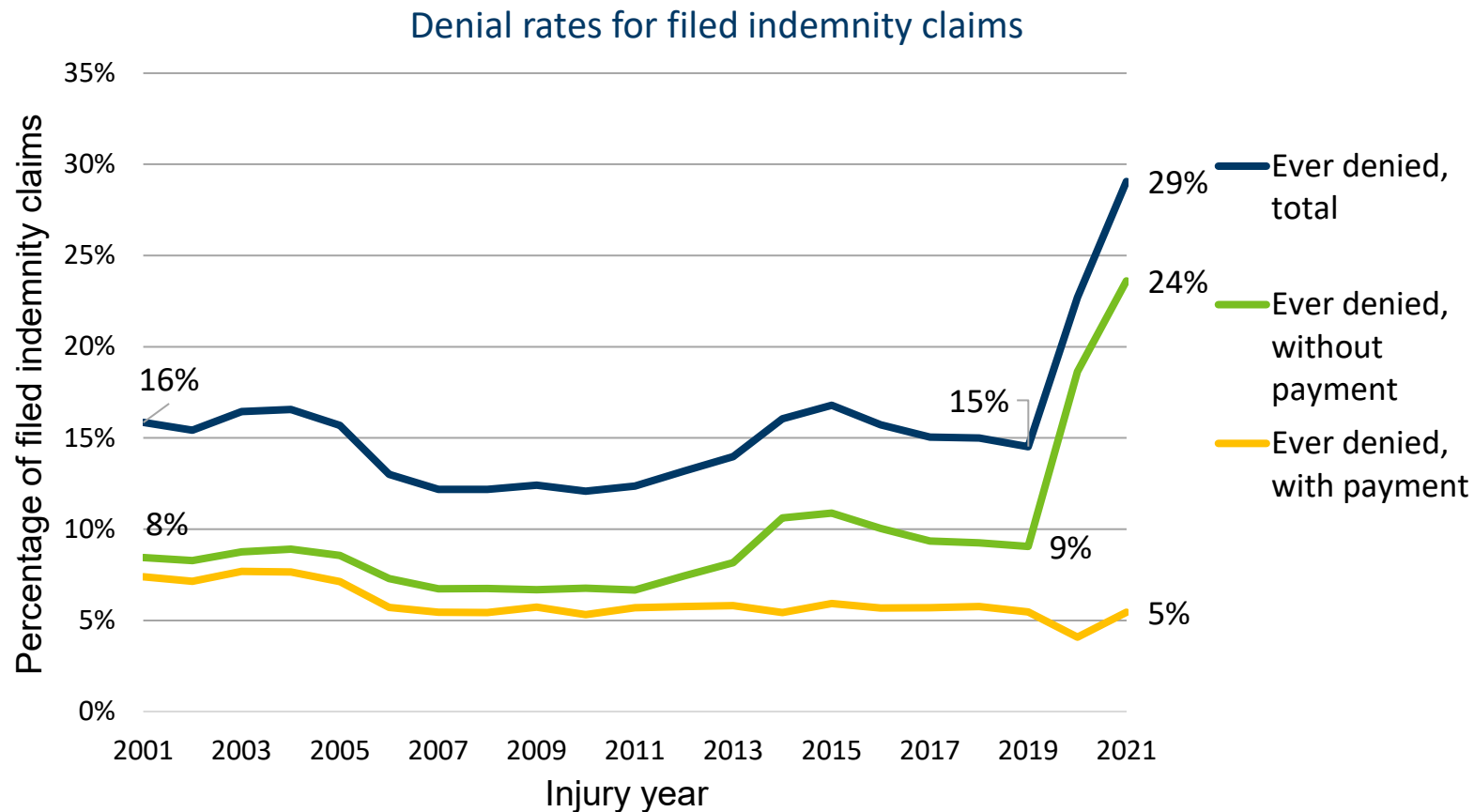
Dispute resolution

Disputes decreased from 2017 to 2020, and all except discontinuance disputes increased in 2022



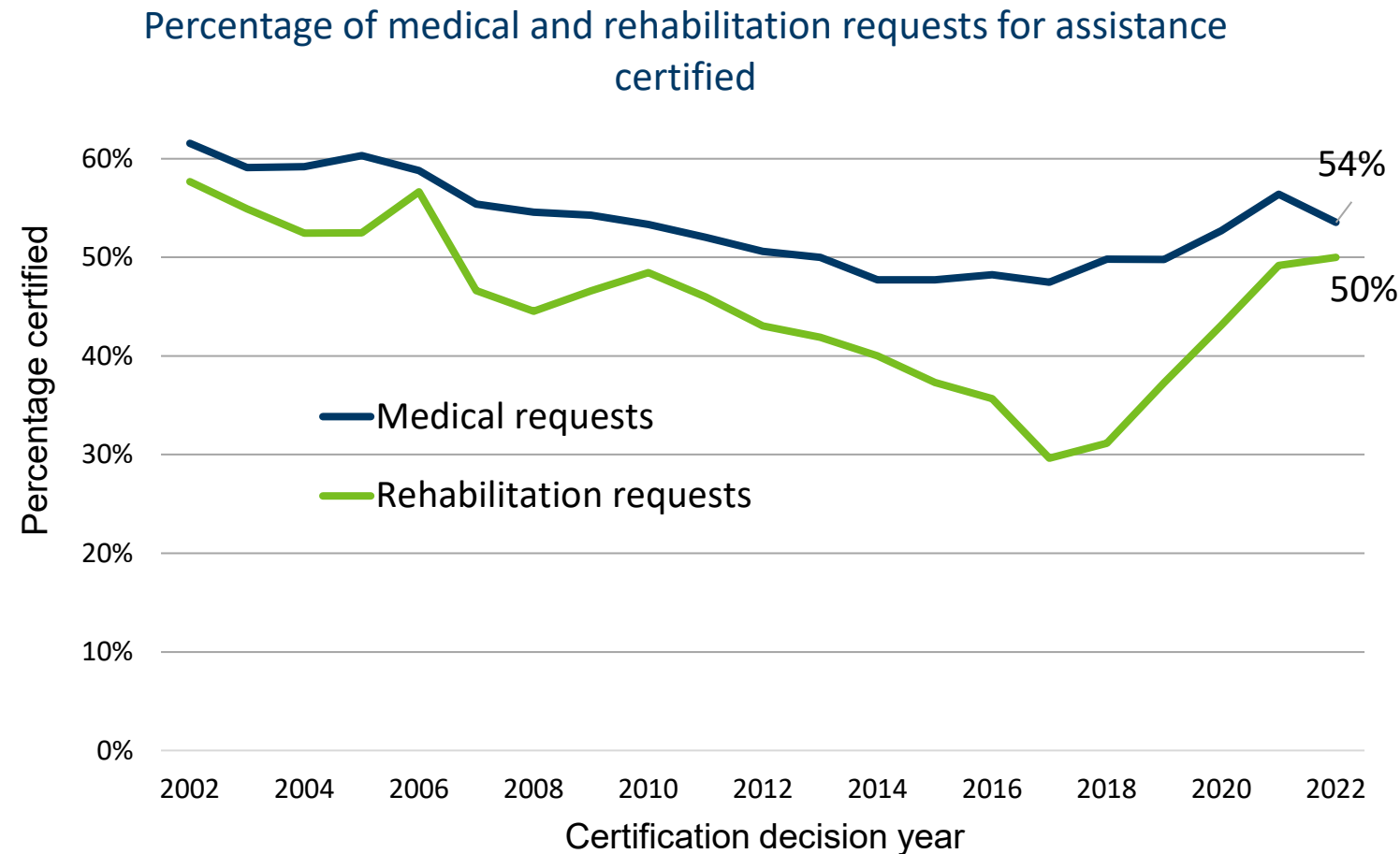
- Claim petitions in the DLI database dropped from 4,400 to 3,500 from 2017 to 2020, and then increased to 4,500 in 2022
- Discontinuance disputes decreased by 43% from 2018 to 2021, and dropped 14% from 2021 to 2022
- Number of medical requests decreased from 2019 to 2020, but has been increasing since 2021 to a level higher than in 2016

COVID-19 claims affected the 2020 and 2021 denial statistics



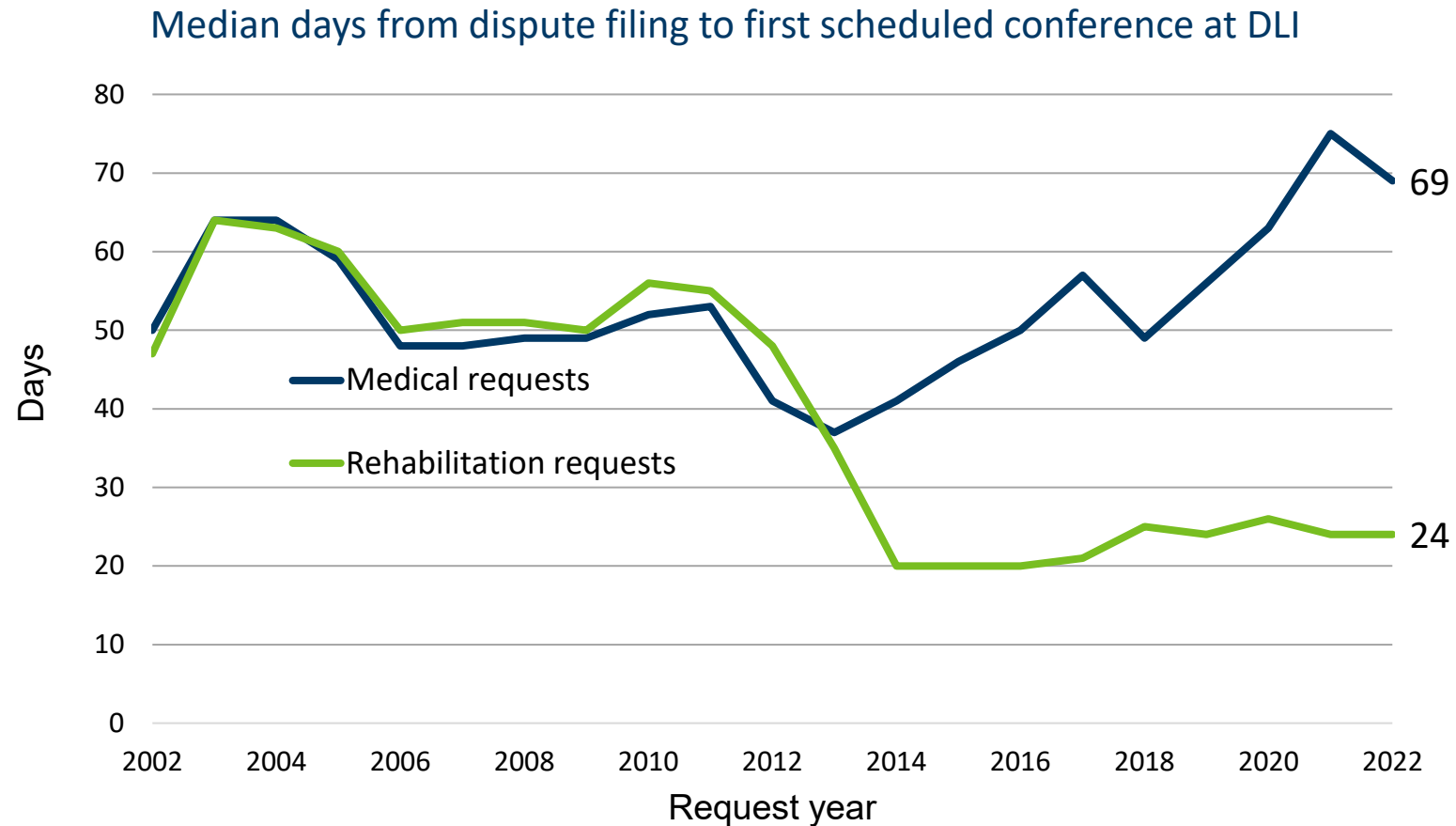
- COVID-19 claims appear to have affected the 2020 and 2021 denial rates
- Denial rate for COVID-19 claims was 39%, significantly higher than the 24% rate for non-COVID-19 claims in 2021
- Only 4% of the COVID-19 claims with a denial had an indemnity benefit payment, compared with 29% among non-COVID-19 claims with a denial in 2021
- Higher normal denial rates for non-COVID-19 claims could be explained by reporting changes

Percentage of medical and rehabilitation requests for assistance certified



- Percentage of medical and rehabilitation requests for assistance certified are lower in 2022 than 2002, but have been increasing in recent years
 - Percent of medical request for assistance increased from 47% in 2017 to 54% in 2022
 - Percent of rehabilitation requests for assistance increased from 30% in 2017 to 50% in 2022
 - Seventy-four percent of medical requests not certified were resolved by Alternative Dispute Resolution in 2022

Increased period from medical request to scheduled conference



- Time from medical and rehabilitation requests to the first scheduled conference at the Department of Labor and Industry has diverged in recent years
- 2013 law change required rehabilitation request conferences to take place within 21 days of the request, impacting the timing for both medical and rehabilitation conferences

Thank you

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