

Insights from DLI Workers' Compensation System Report 2024

Hared Mah, Research scientist

Research and Data Analytics

Topics

- **Workers' Compensation System Report 2024**
 - 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 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
- 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

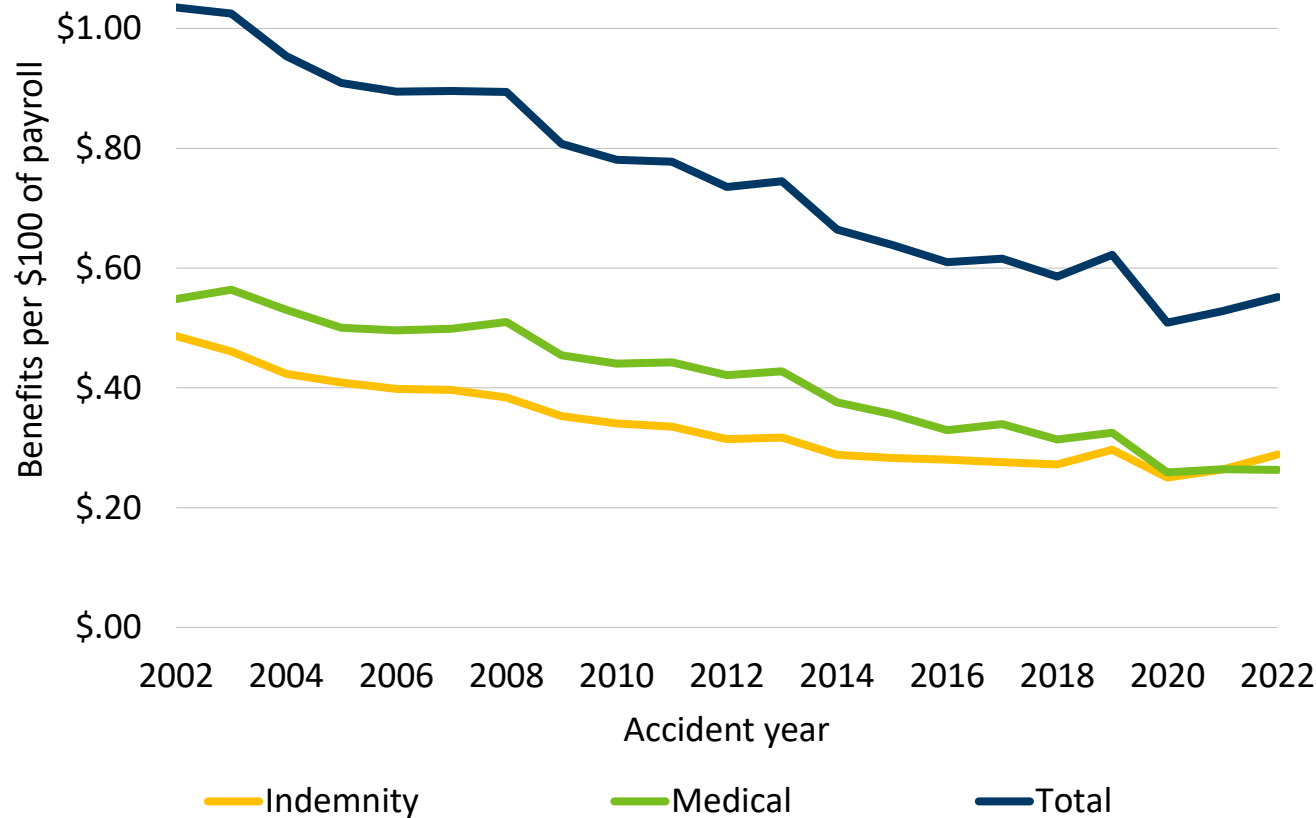
“Developed statistics”

- 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.
- Statistics from 2020 through 2022 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.
- 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

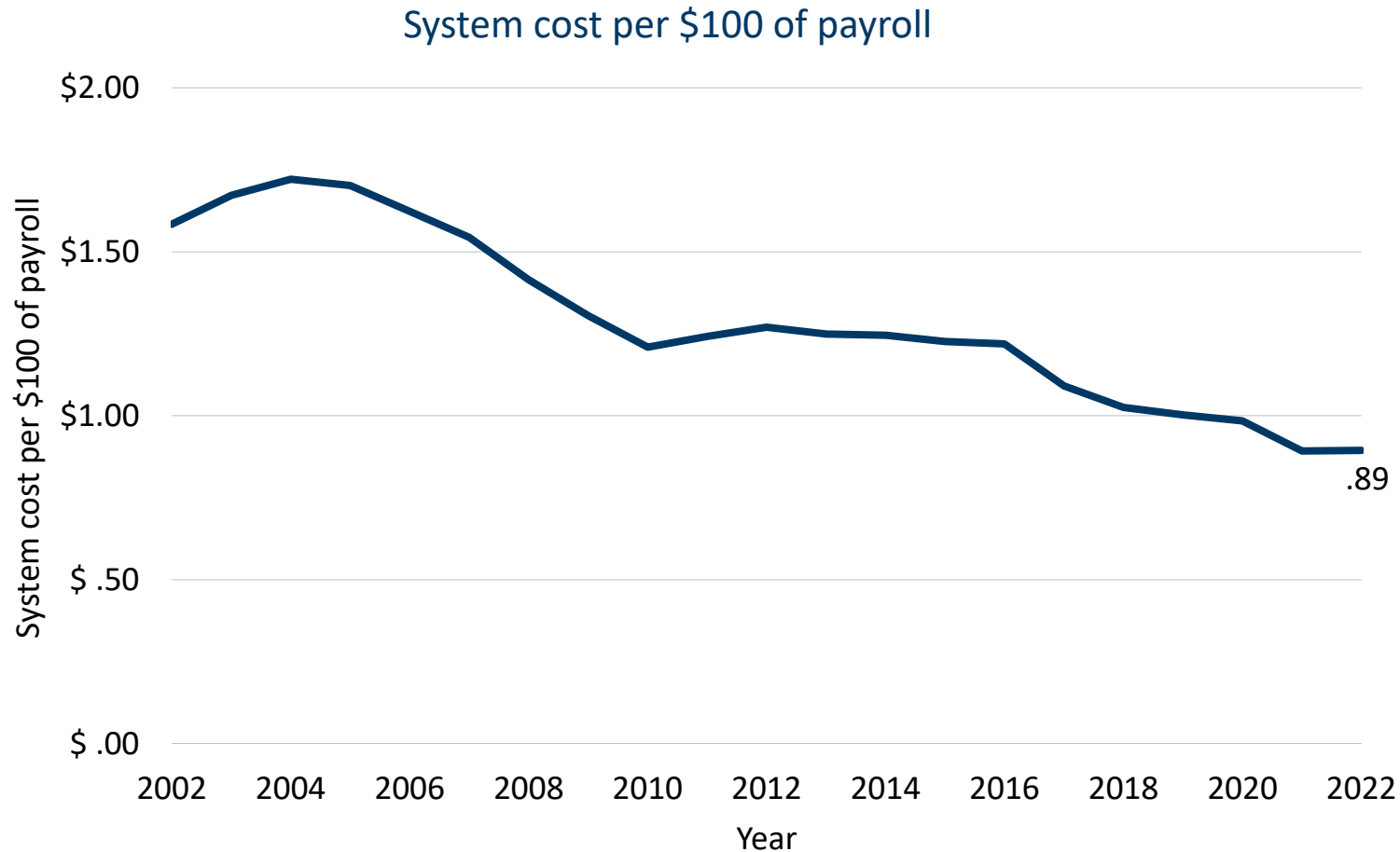
Indemnity and medical benefits continued to decrease over the past 20 years with some minor fluctuations

Benefits per \$100 of payroll in the voluntary market



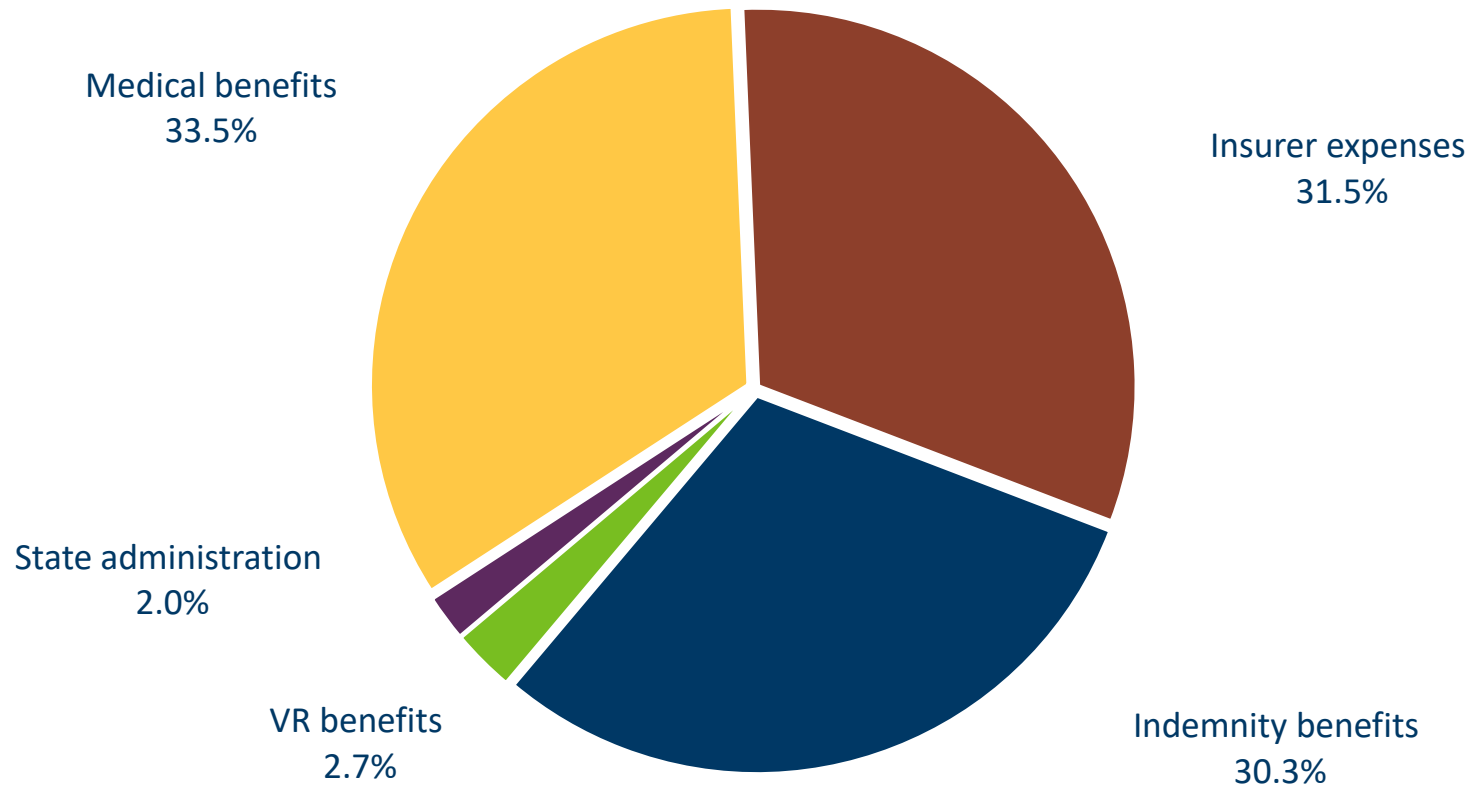
- In 2022 as compared to 2002, relative to payroll:
 - Indemnity benefits are 41% lower
 - Medical benefits are 52% lower
 - Total benefits are 47% lower

Long-term downward trend in system cost relative to payroll



- In 2022, total system cost was an estimated \$1.67 billion, or \$0.89 per \$100 of payroll.
- Long-term downward trend in system cost relative to payroll, amid annual fluctuations:
 - 26% decrease from 2002 to 2022 between two comparable cycles

Medical benefits are the largest expense (2022 values)

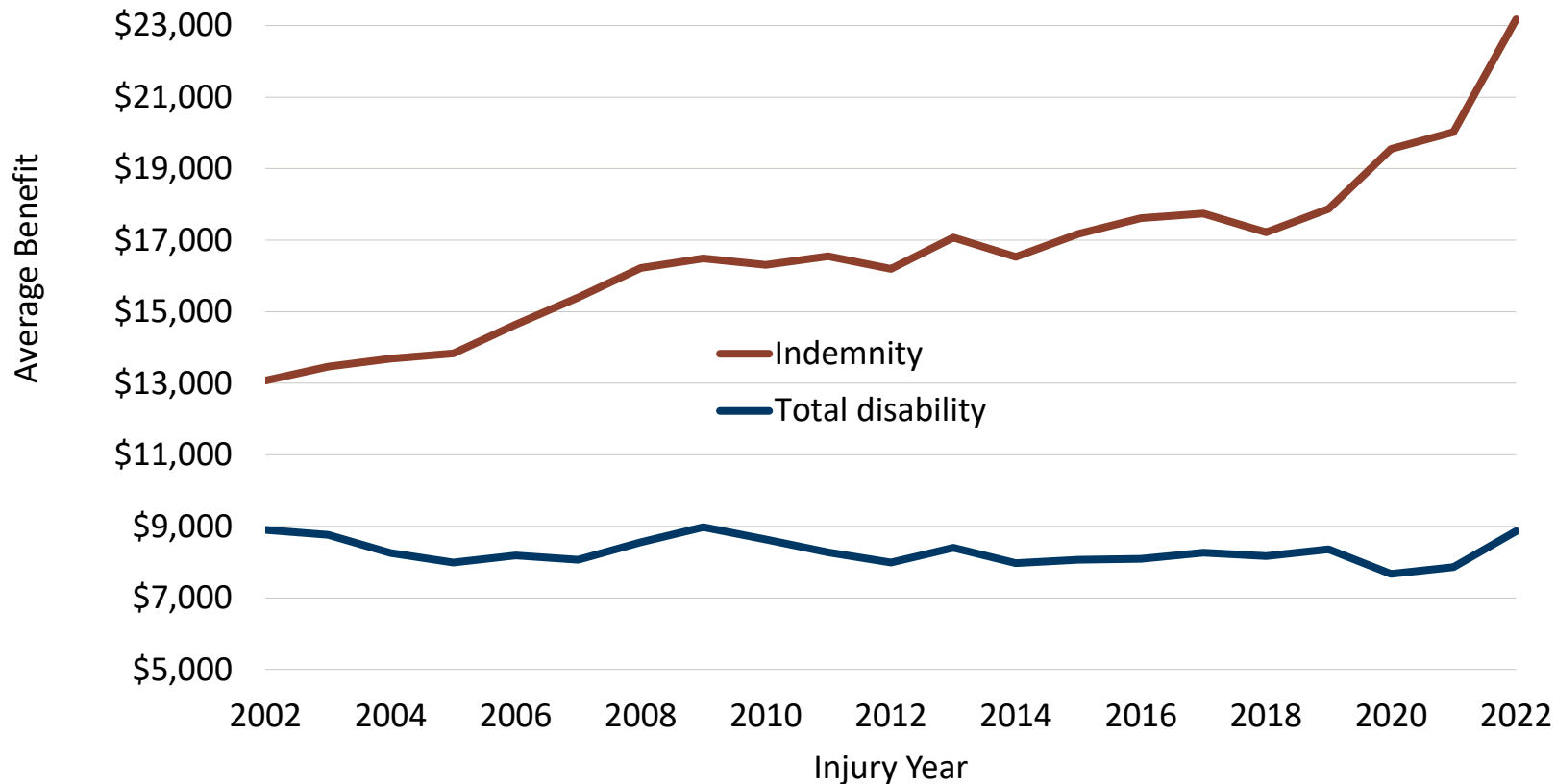


- Compared to 2019 the share of:
 - medical benefits was down from 35%;
 - indemnity benefits was up from 29%;
 - insurer expenses was up from 30% and
 - vocational rehabilitation benefits was down from 2.8%.
- Total benefit payments accounted for 67% of total system cost in 2022.

Claims and benefits in detail

Average indemnity and total disability benefits have increased in 2022 driven by few factors

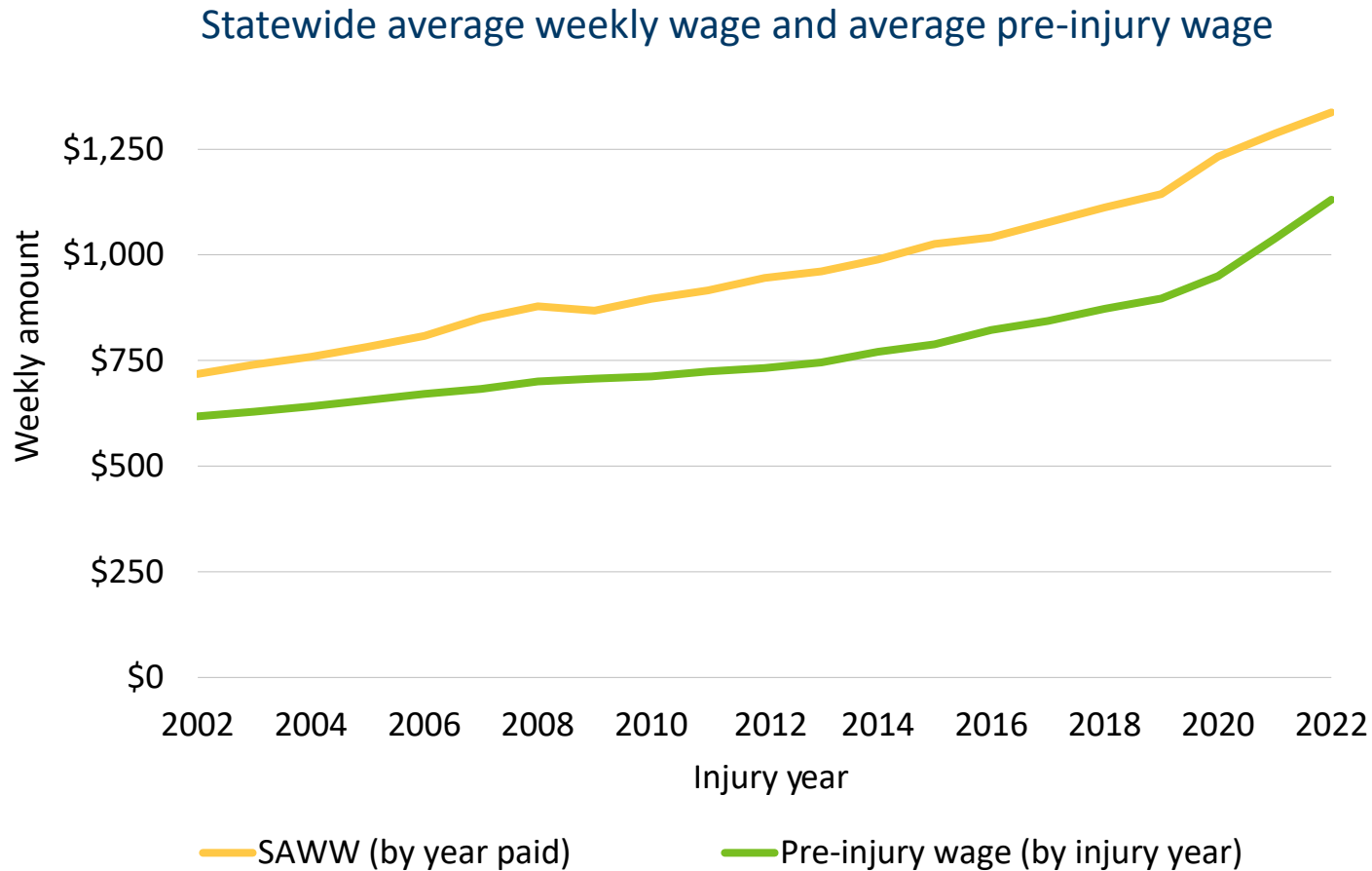
Average total disability and indemnity benefits, adjusted for wage growth



For non-COVID-19 claims:

- Average indemnity benefits increased 16% from 2021 to 2022
- Average total disability benefits increased 13% from 2021 to 2022

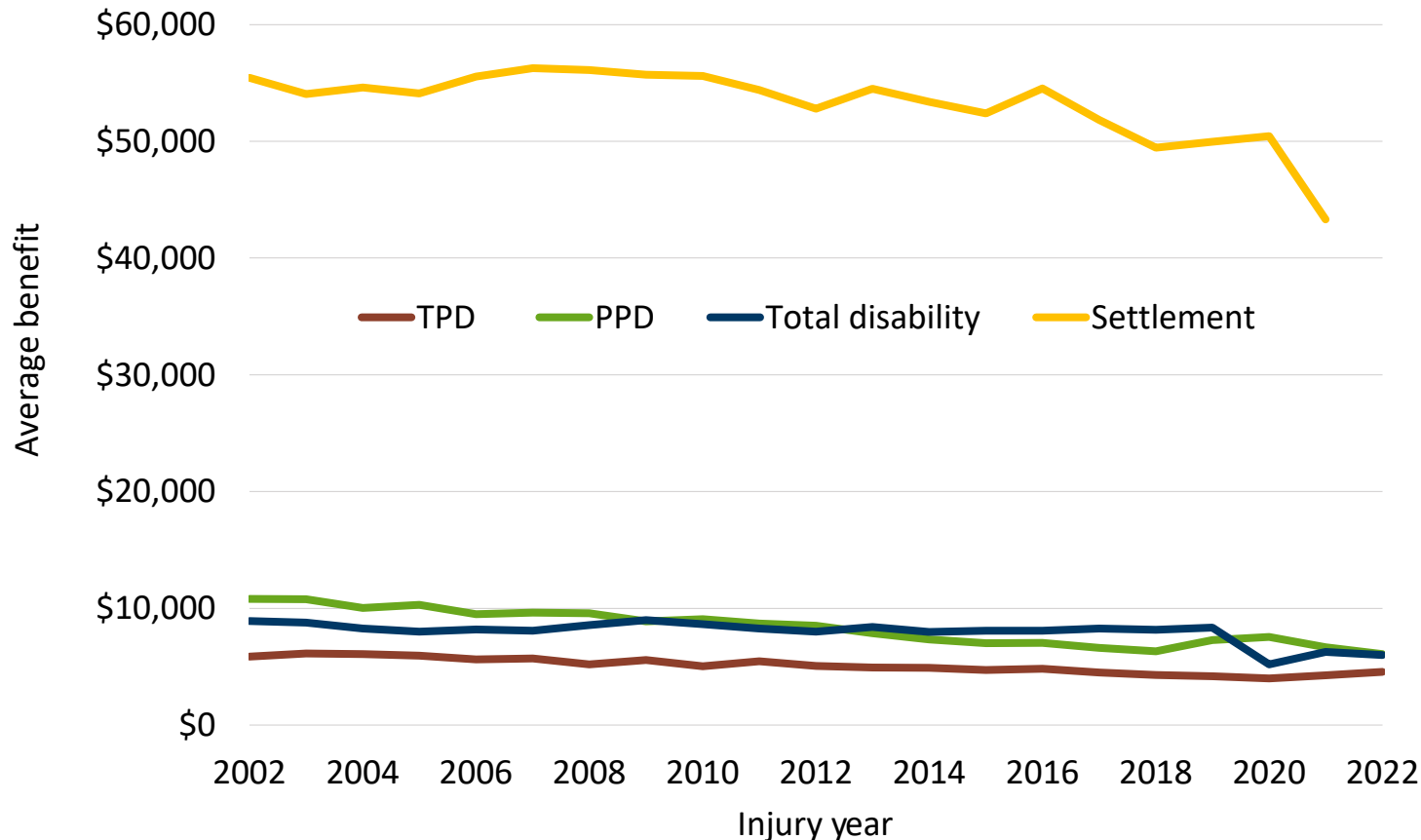
The APIW grew faster than the SAWW in recent years



- Average pre-injury wage (APIW) grew 26% from 2019 to 2022 while the statewide average weekly wage (SAWW) grew 17% during the same period.
- The 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

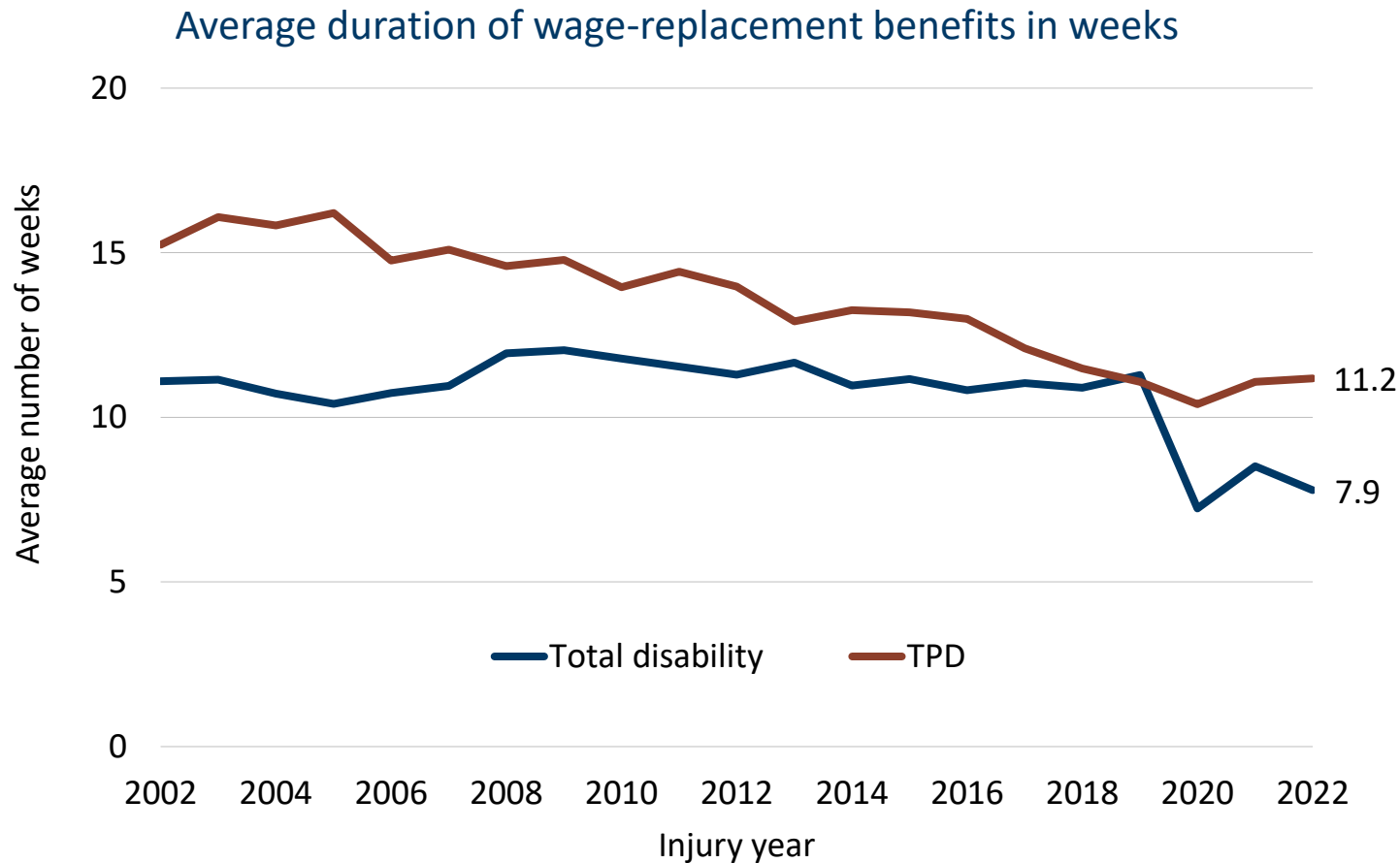
Average benefit by type per claim with that benefit type, adjusted for wage growth



For non-COVID-19 claims:

- In 2021, the average settlement was \$42,820, while the average total disability and temporary partial disability (TPD) were \$7,860 and \$4,420.
- Average total disability benefits increased 13% from 2021 to 2022, and 6% from its 2019 levels.
- Average permanent partial disability (PPD) benefits fell 42% from 2002 to 2018, but increased 6% from 2018 to 2021.

Average duration workers received TTD benefits increased for non-COVID-19 claims in 2022



Total disability benefits:

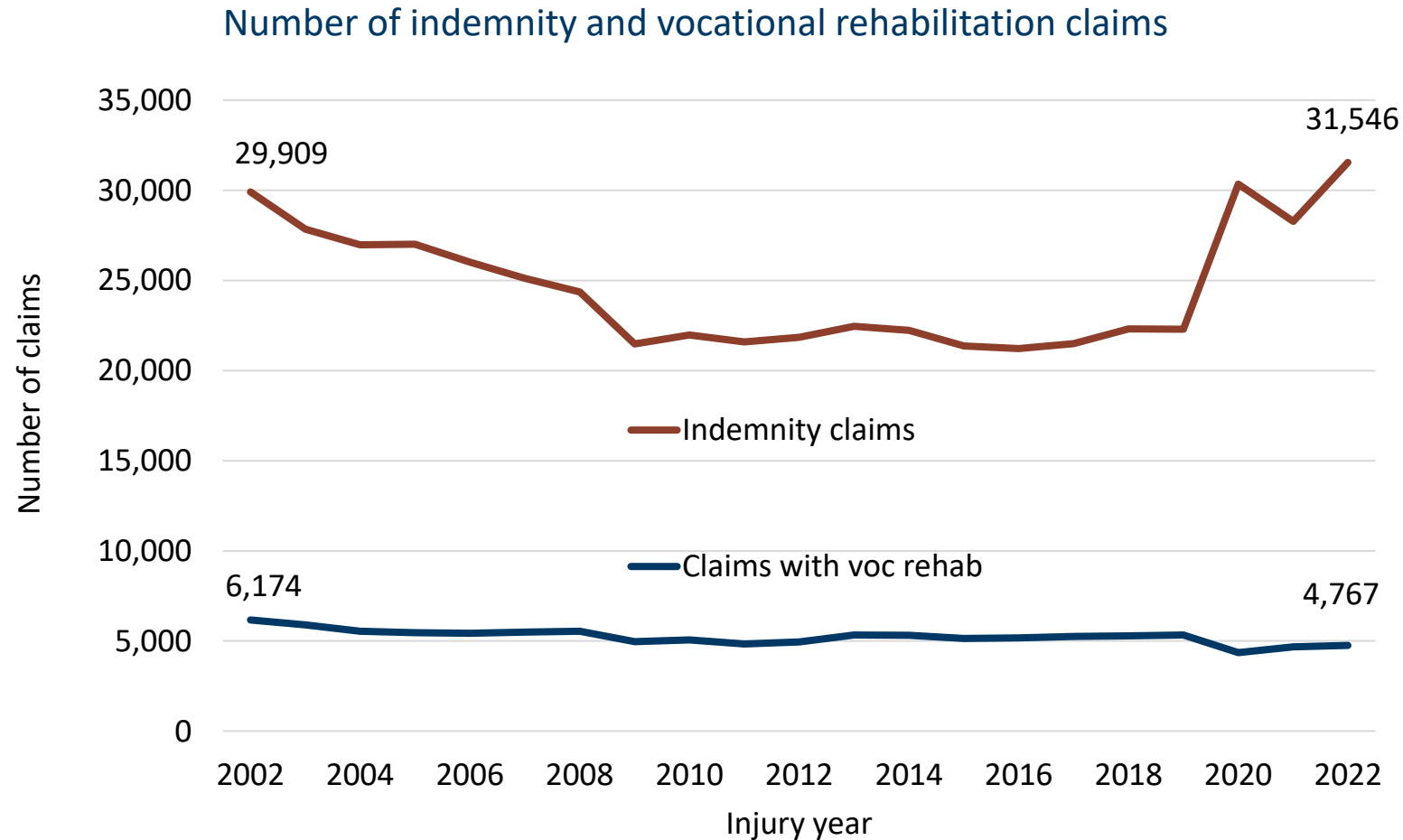
- In 2022, the average duration for non-COVID-19 claims was 12.1 weeks -- up from 11.2 weeks in 2002 and up from 11.0 weeks in 2021.
 - When COVID-19 claims were included, total disability duration decreased 30% from 2019 to 2022.

Temporary partial disability benefits:

- In 2022, the average duration for non-COVID-19 claims was 11.5 weeks -- nearly four weeks lower than 2002.
 - When COVID-19 claims were included, average duration for TPD claims was 11.2 weeks.

Vocational rehabilitation

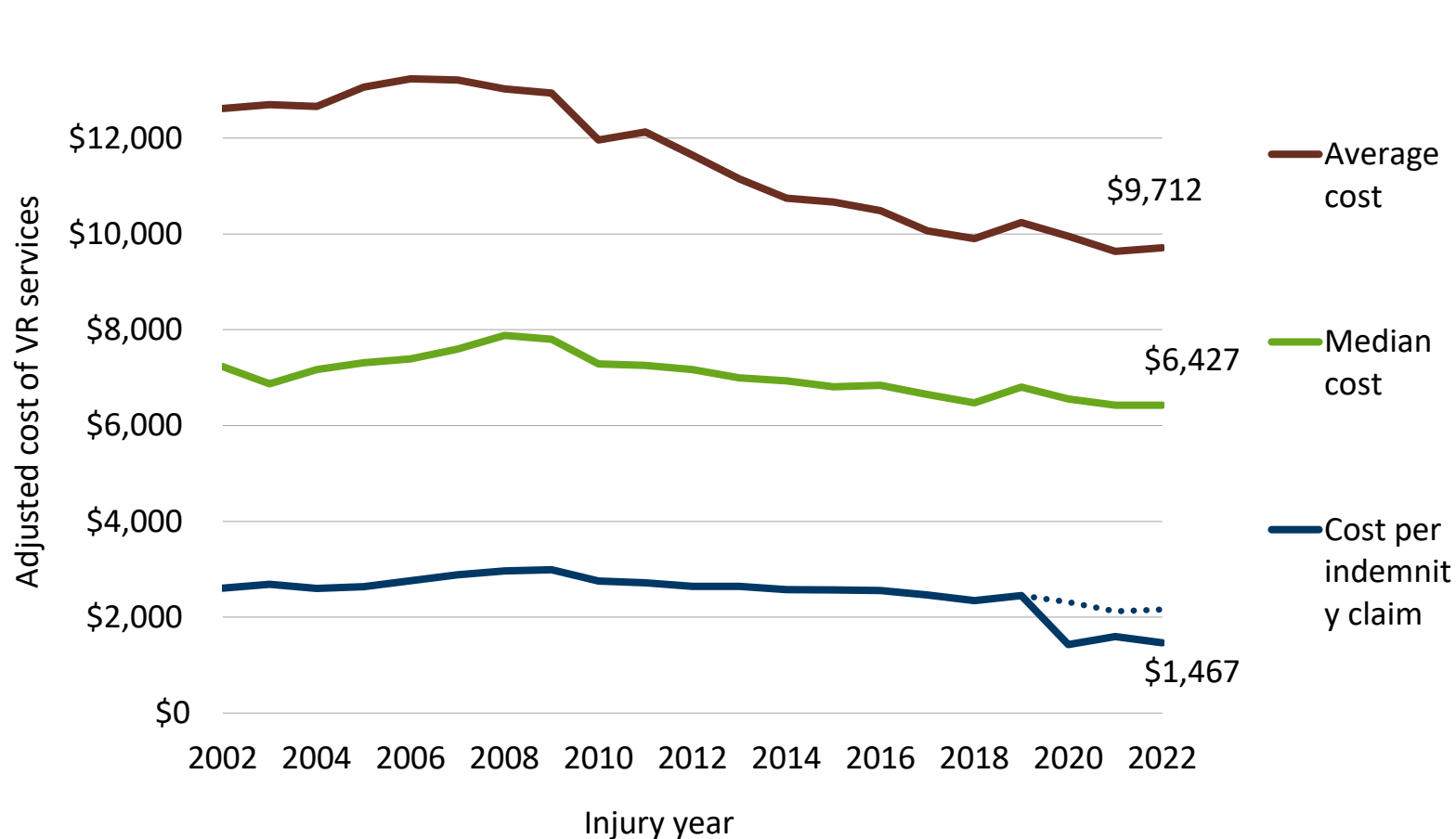
Slight decrease in the number of workers entering vocational rehabilitation plans for 2020-2022



- For 2022 injuries, 15% of all workers with indemnity benefits had vocational rehabilitation plans.
- Among non-COVID-19 claims, 22% of workers had vocational rehabilitation plans, similar to the pre-pandemic percentages.

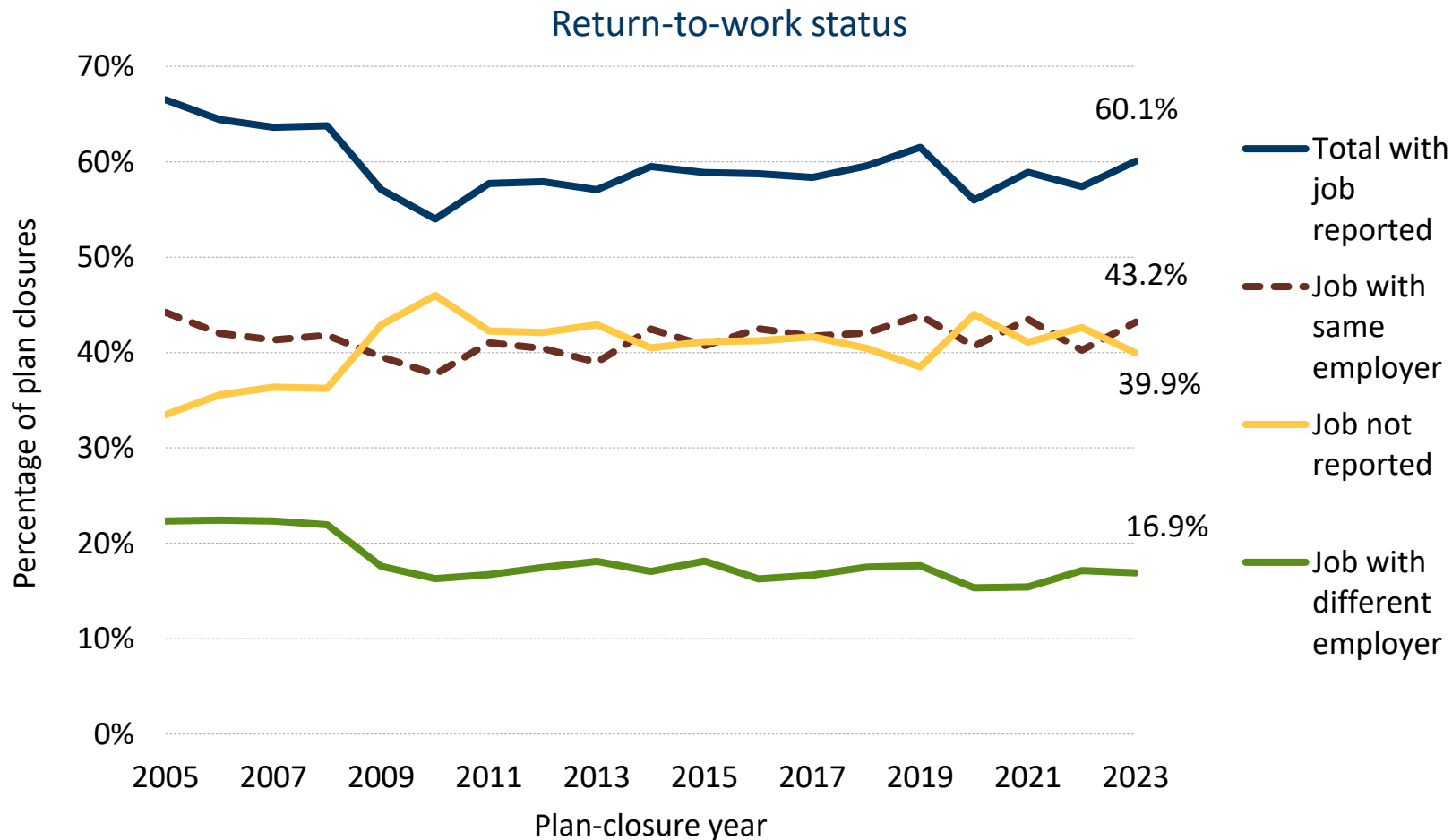
The adjusted average cost in 2022 was 2.5% lower than 2020 and 27% below the peak in 2006

Vocational rehabilitation service costs, adjusted for wage growth



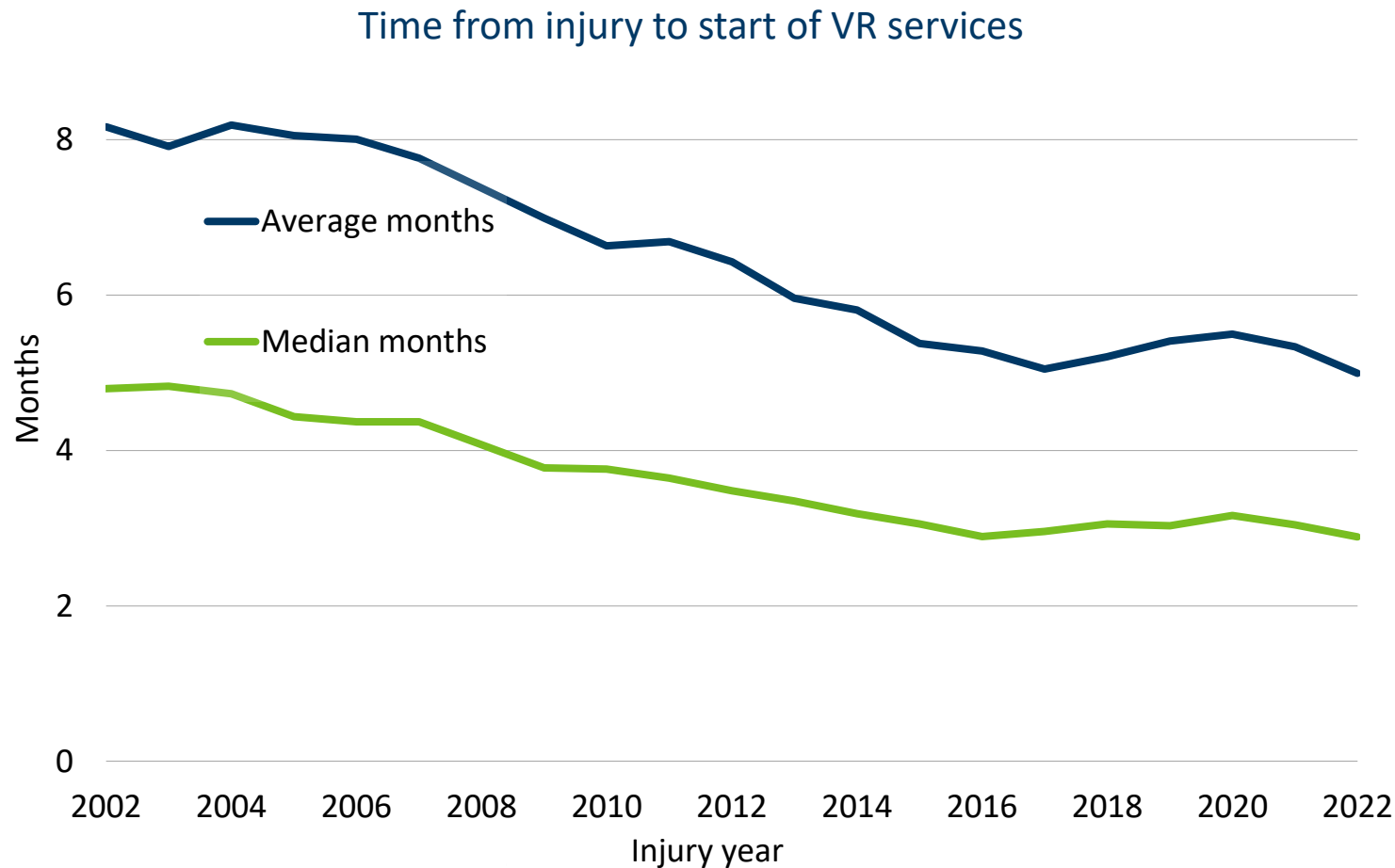
- The average cost in 2022 was 27% below the average cost in 2006.
- The median cost was 18% below the 2008 median.
- The average cost per indemnity claim for non-COVID19 claims was \$2,160 in 2022. This is 12% below the adjusted 2019 value.

Sixty percent of VR plans closing in 2023 showed participants back to work, 3% increase from 2022



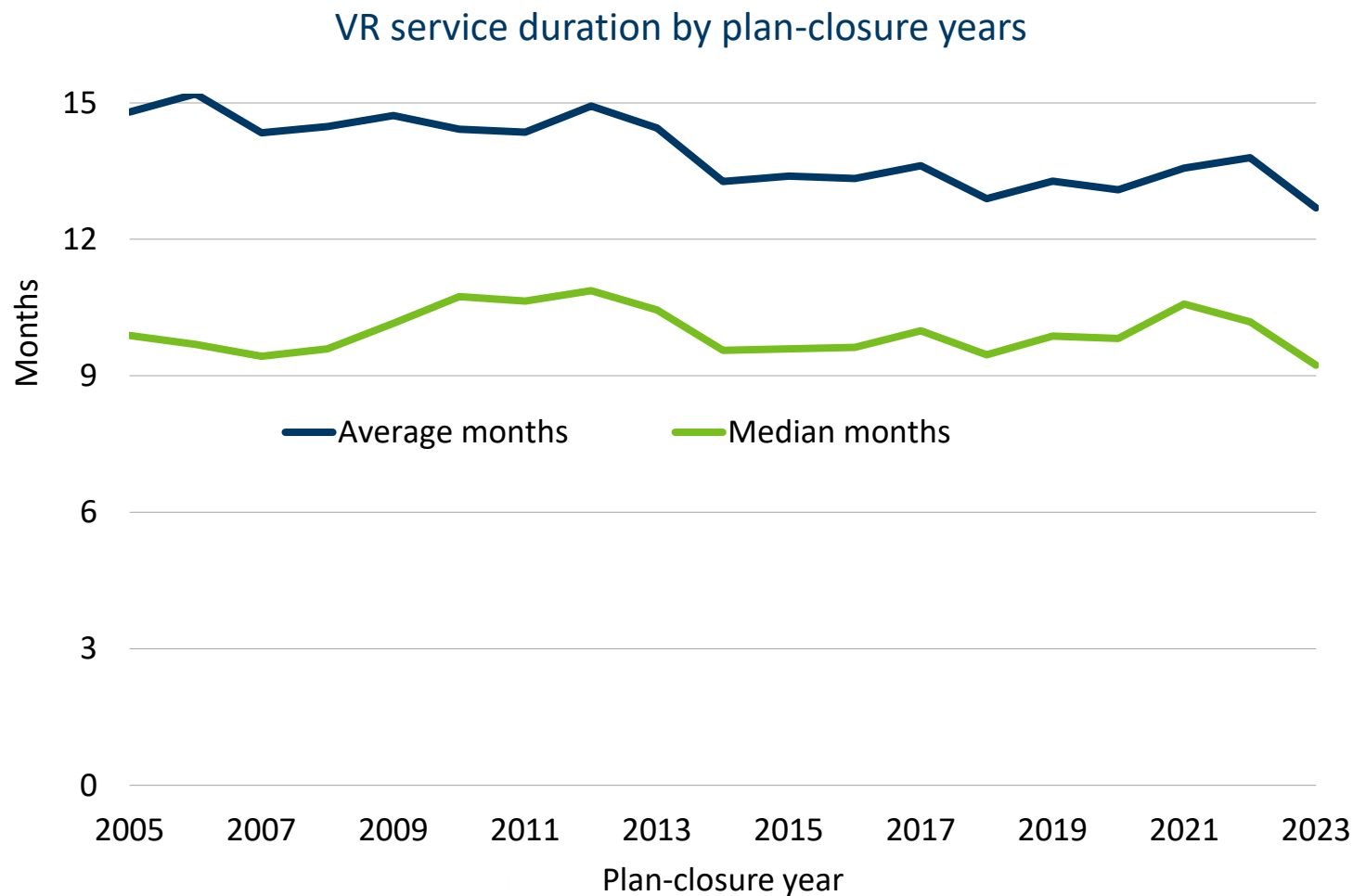
- The estimated percentage of vocational rehabilitation participants with a job reported at plan closure in 2023 was the highest since 2019.
- A return to work was reported for 98% of workers with completed plans and for 25% of workers whose plans closed for any other reason.

The time from injury to the start of services has been steadily declining over the past 20 years



- The average time from injury to the start of vocational rehabilitation services has decreased by three months since 2006.
- A quicker start of services (within three months versus one year after an injury) is associated with:
 - lower median cost (13%);
 - shorter durations (median) of service (22%); and
 - a better chance of returning to work at plan closure (62% versus 55%).

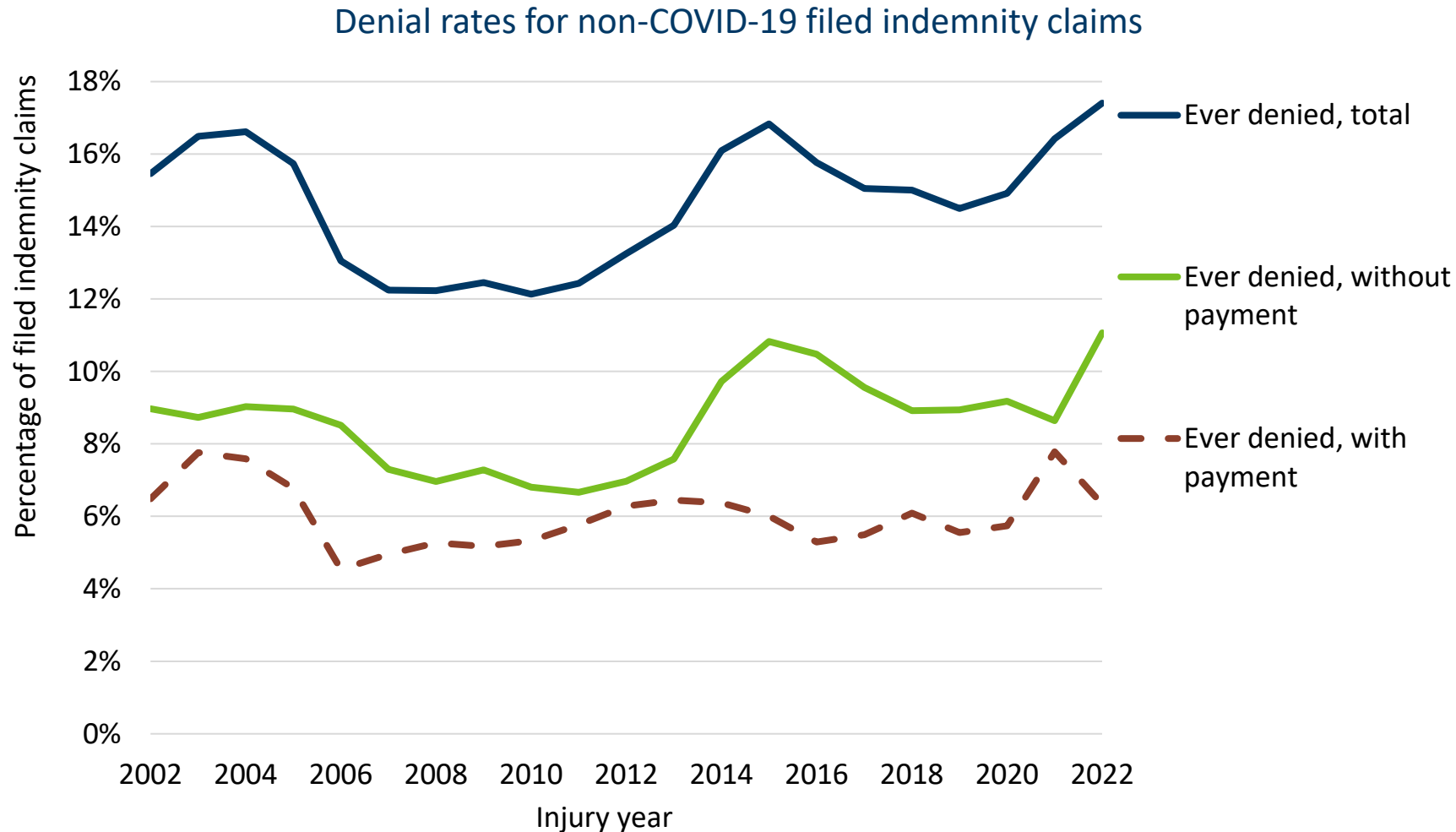
Average and median vocational rehabilitation service durations have remained stable for the past 10 years with some fluctuations



- The average time from the time of initial consultation to plan closure has dropped two months since 2012.
- The median duration was about nine months for plans closing in 2023, the shortest in the time span indicated on the chart.

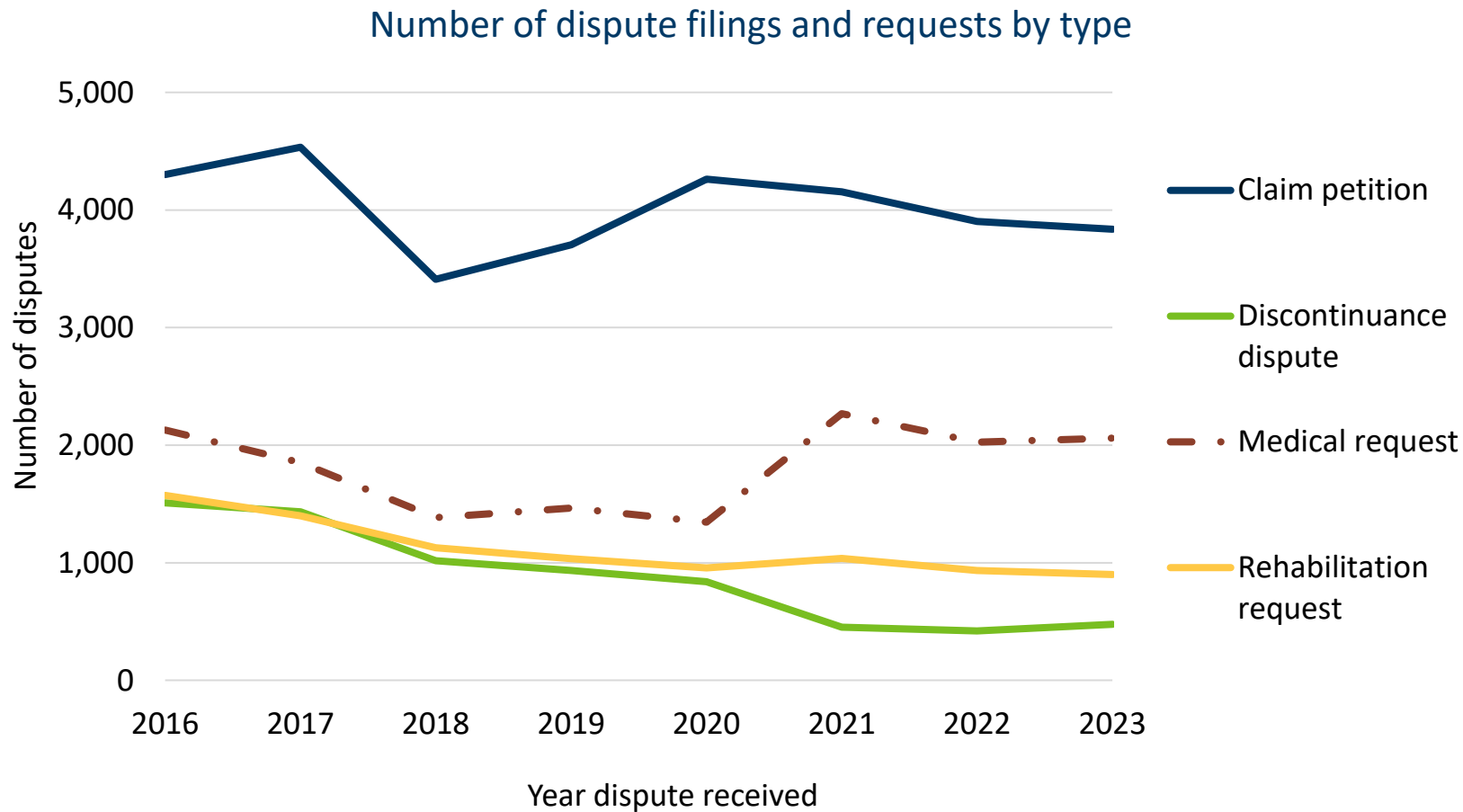
Dispute resolution

Denial rates increased from 2021 to 2022, but still within historical range



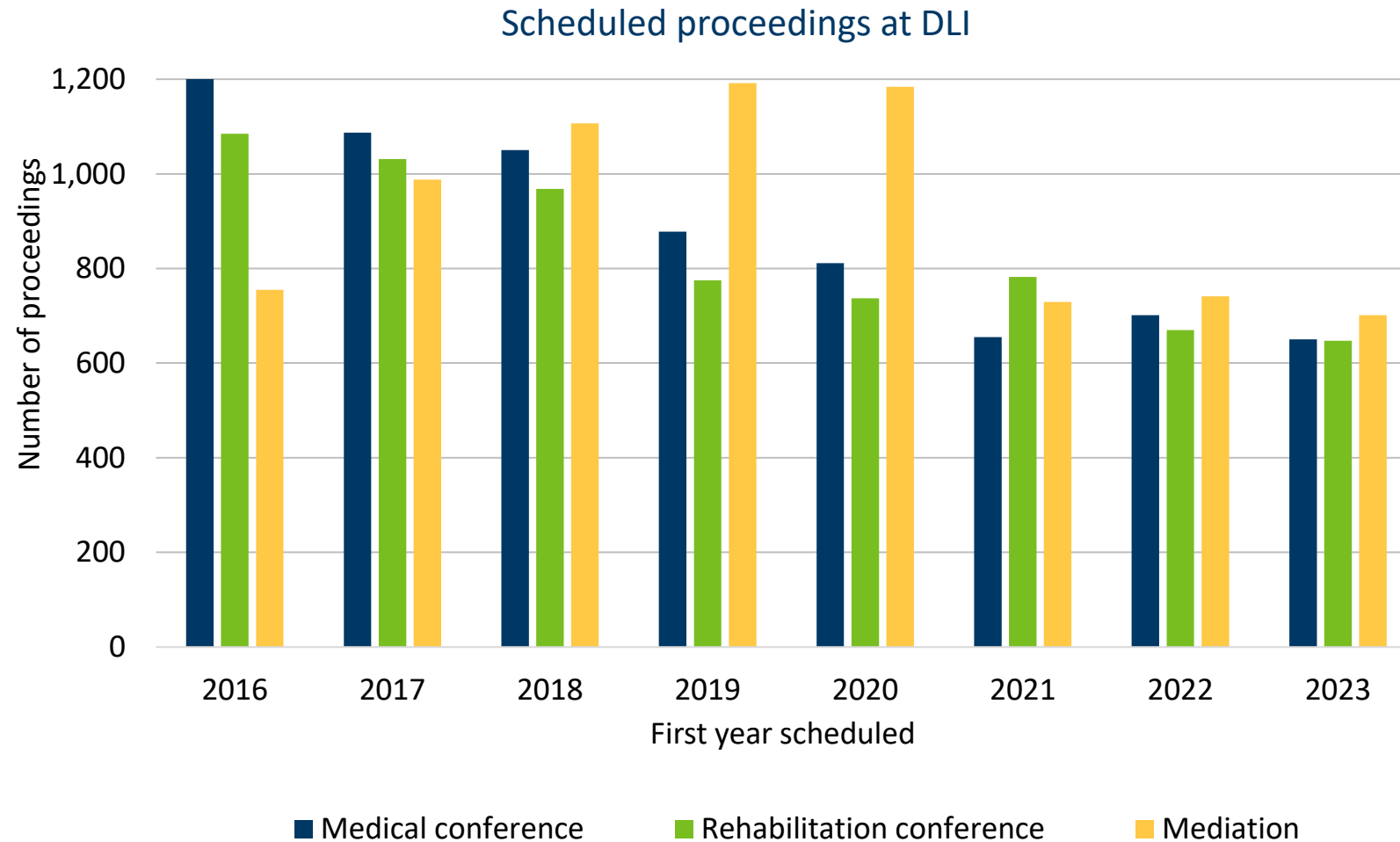
- COVID-19 claims appear to have affected the 2020 through 2022 denial rates.
- The denial rate for COVID-19 claims was 38%, significantly higher than the 17% rate for non-COVID-19 claims in 2022.

Disputes fluctuated between 2016 to 2020, but have been slowly decreasing since



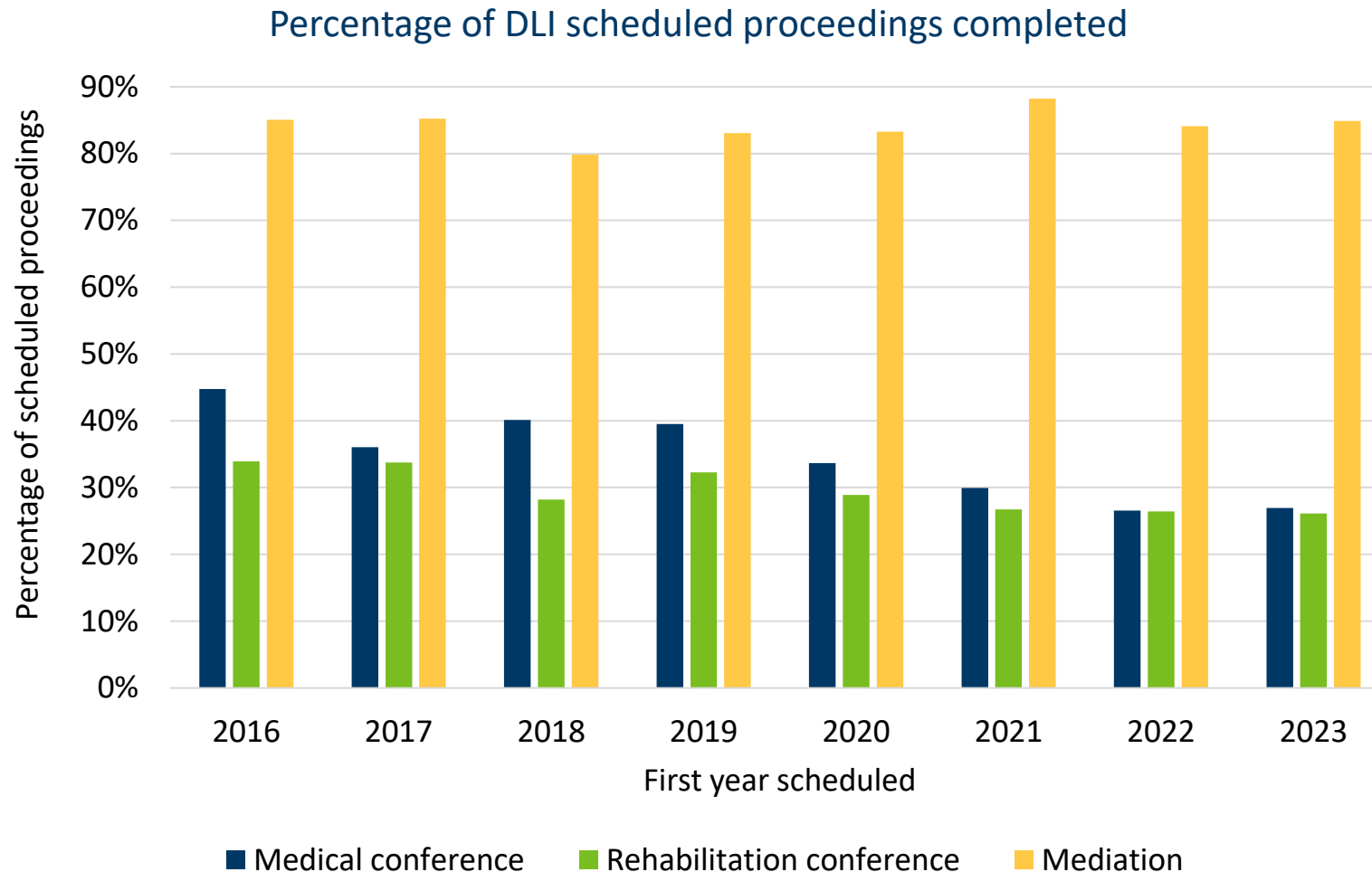
- Claim petitions in the DLI database decreased 10% from 2020 to 2023.
- Discontinuance disputes decreased by 55% from 2018 to 2021, and dropped 5% from 2021 to 2023.
- The number of medical requests decreased 27% from 2017 to 2019, but increased 41% from 2019 to 2023, returning closer to its 2016 level.

Since 2016, both medical and rehabilitation conferences scheduled has been decreasing



- In 2021, the number of rehabilitation conferences scheduled surpassed the number of medical conferences for the first time, but the two were equal in 2023.
- The number of mediations scheduled decreased from 2020 to 2021, and has been since stable since then.

Most of the mediation schedule proceedings are completed



- More than half of medical and rehabilitation conferences ultimately did not take place due to the Alternative Dispute Resolution unit helping forge an agreement without needing a conference.
- More than 80% of mediations were held between 2016 and 2023.

Thank you

Hared Mah | hared.mah@state.mn.us