



How Minnesota Compares: Findings From WCRI Benchmarks

July 20, 2011



Questions Addressed Today

- Is MN a high workers' compensation cost state for employers?
- How do MN costs per claim compare?
- How have costs per claim changed?

- About the Workers Compensation Research Institute (WCRI)

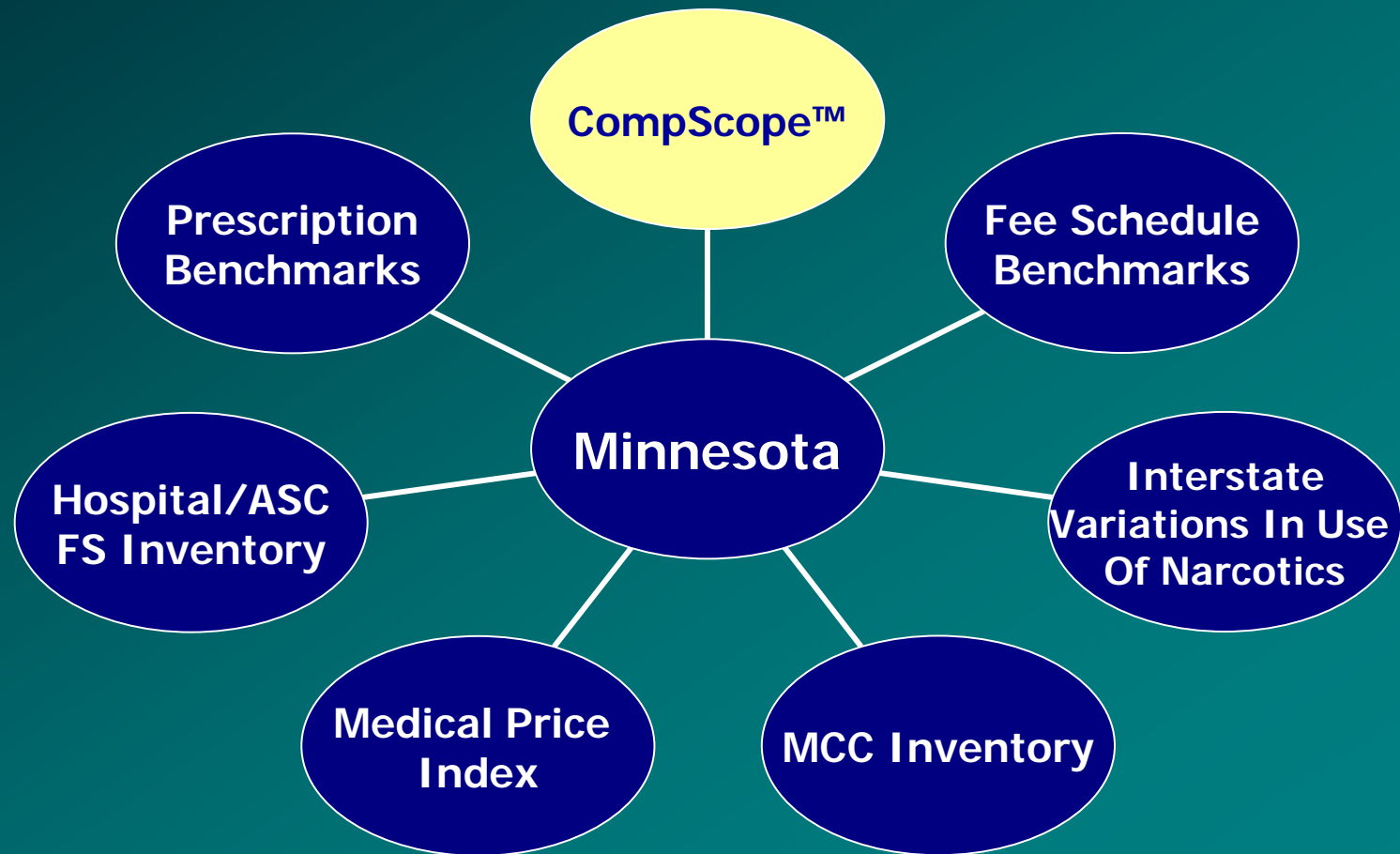
About WCRI

- Not-for-profit public policy research institute – since 1983, Cambridge, MA
- Funding from diverse membership dues
- Resource for public officials and system stakeholders
 - Content-rich website: www.wcrinet.org
 - Over 300 WC studies published

About WCRI

- Do not make recommendations or take positions on issues studied
- Studies quality-assured by external peer reviewers
- Studies focus on benefit delivery system, not on insurance mechanism or pricing

WCRI Provides Broad Scope Of Studies That Include Minnesota



Putting MN WC In Context: Higher Employers' Avg. Premium Rate And Cost Per Worker

Cost Metric	MN vs. Median State	# States Compared
Insurance Premium Rate*	+11%	50 + D.C.
Cost Per Worker**	+19%	45 + D.C.

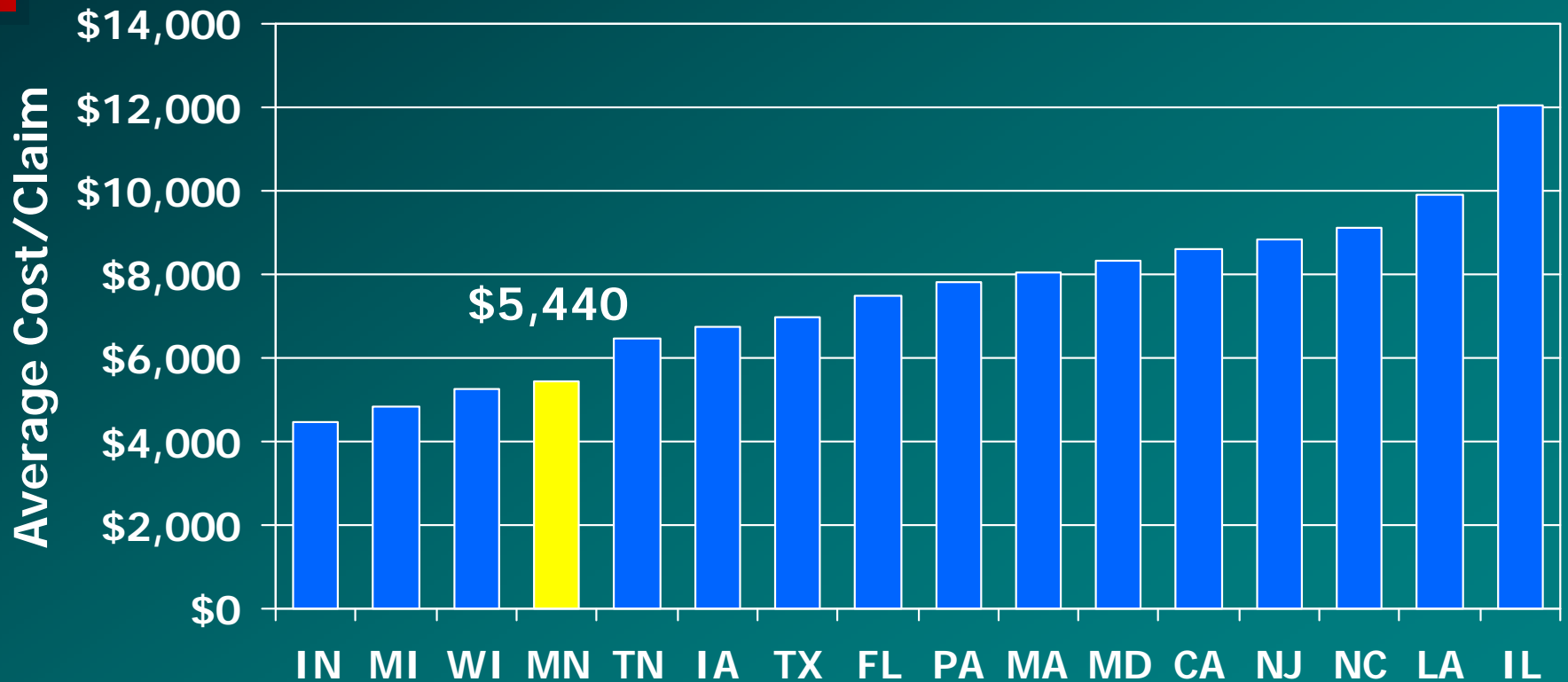
* Oregon Workers' Compensation Premium Rate Ranking, CY 2010 (2011)

** NCCI Annual Statistical Bulletins 2009–2011

Summary: How Minnesota Compares With Other States

- Costs per claim among lowest of study states
 - Faster return to work, lower PPD/lump-sum frequency contribute to lower indemnity costs/claim
 - Typical medical costs per claim despite higher fee schedule
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- Vocational rehabilitation more frequent, more costly

Cost Per Claim In Minnesota 29% Lower Than 16-State Median (All Claims)

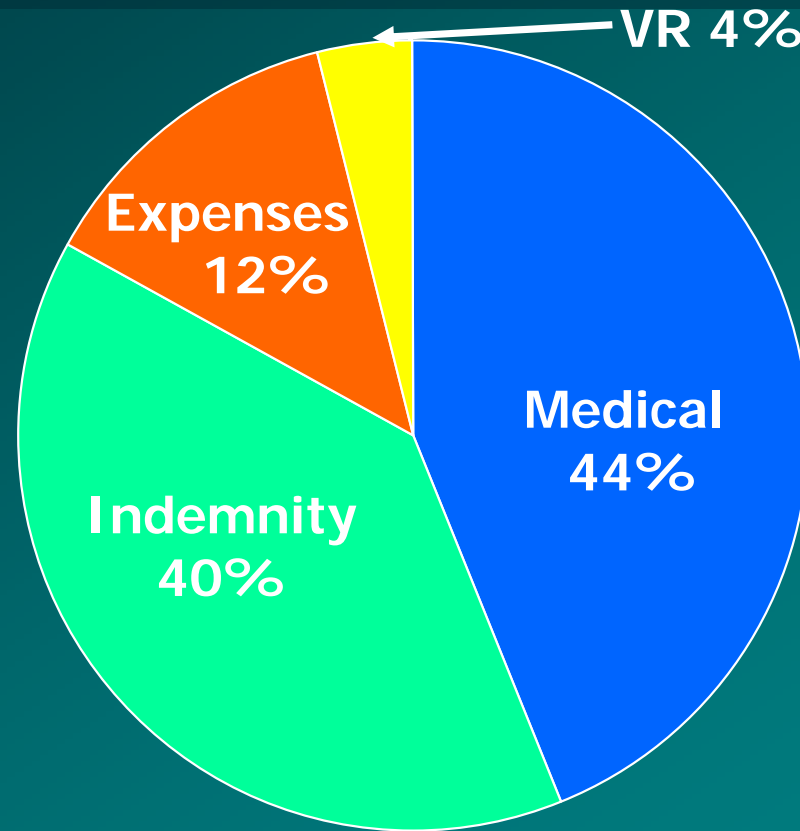


2006/09 All Paid Claims, Adjusted For
Injury/Industry Mix And Wages

Data And Methods In This Study

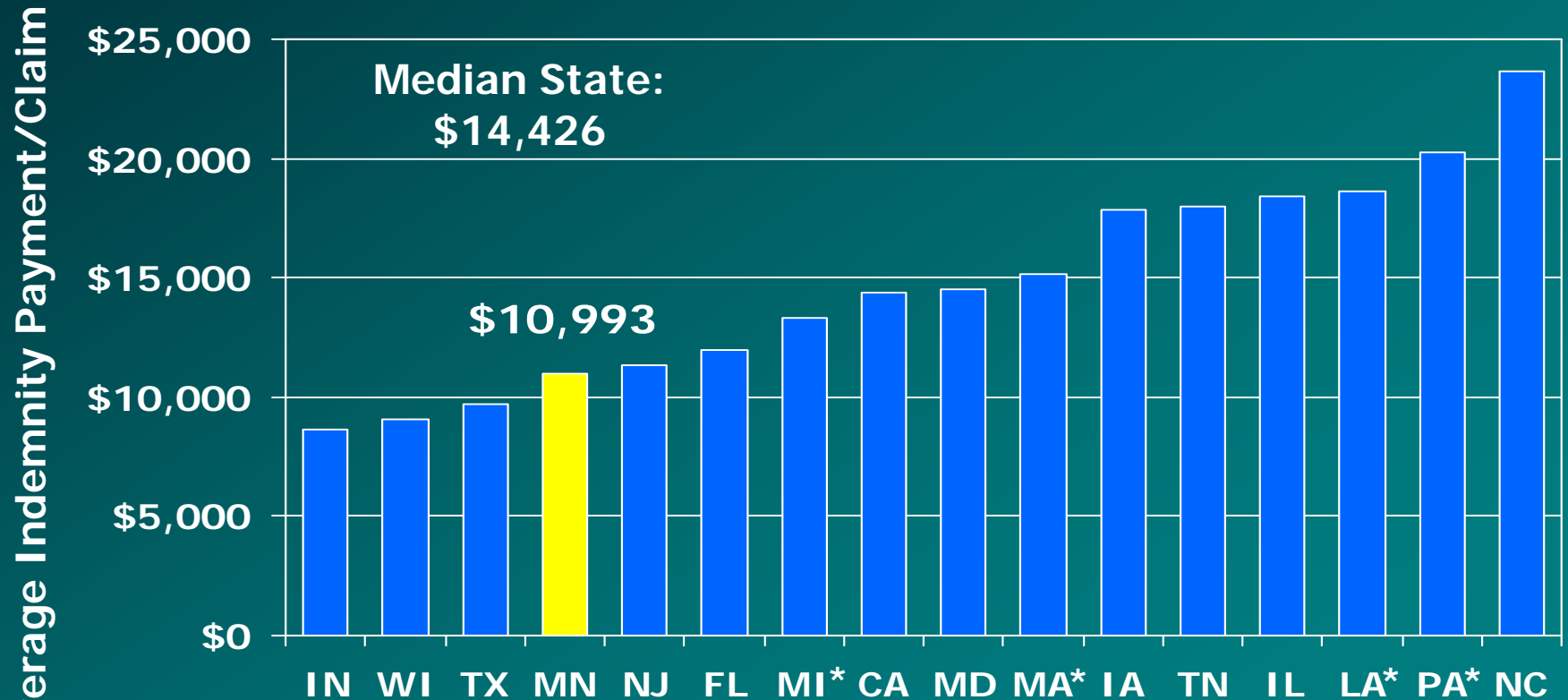
- Data reasonably representative of states' experience
 - Source: Insurers, self-insurers, state insurance funds
 - 57% of Minnesota claims; 44–80% across all 16 states
- Meaningful interstate comparisons
 - Definitions standardized across states and data sources
 - Adjusted for differences in:
 - Injury mix, industry mix, wage levels
 - Adjusted for differences in waiting periods

Medical Costs Account For Largest Share Of Costs/Claim In MN (And Most States)



Component Shares Of Total Cost Per 2006/09 Claim
With More Than 7 Days Of Lost Time

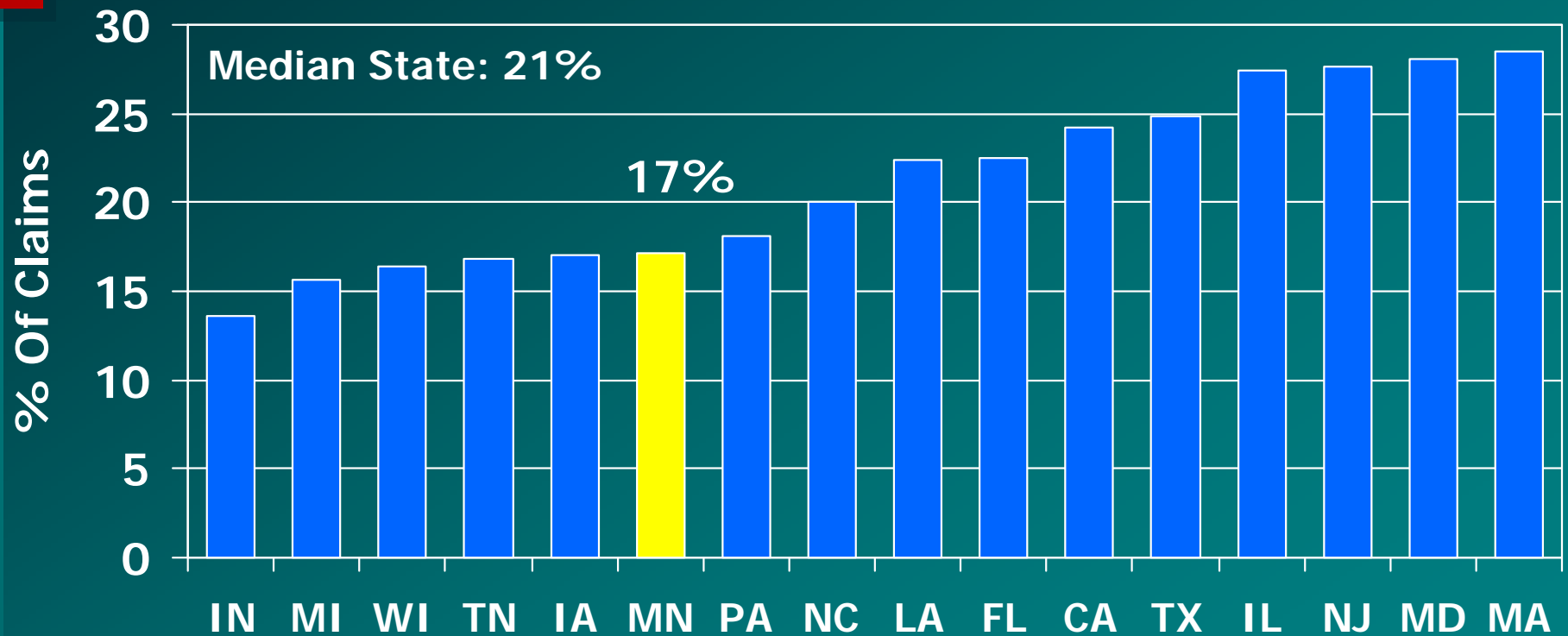
Income Benefits Per Claim In MN 24% Lower Than 16-State Median



2006/09 Claims With > 7 Days Of Lost Time,
Adjusted For Injury/Industry Mix And Wages

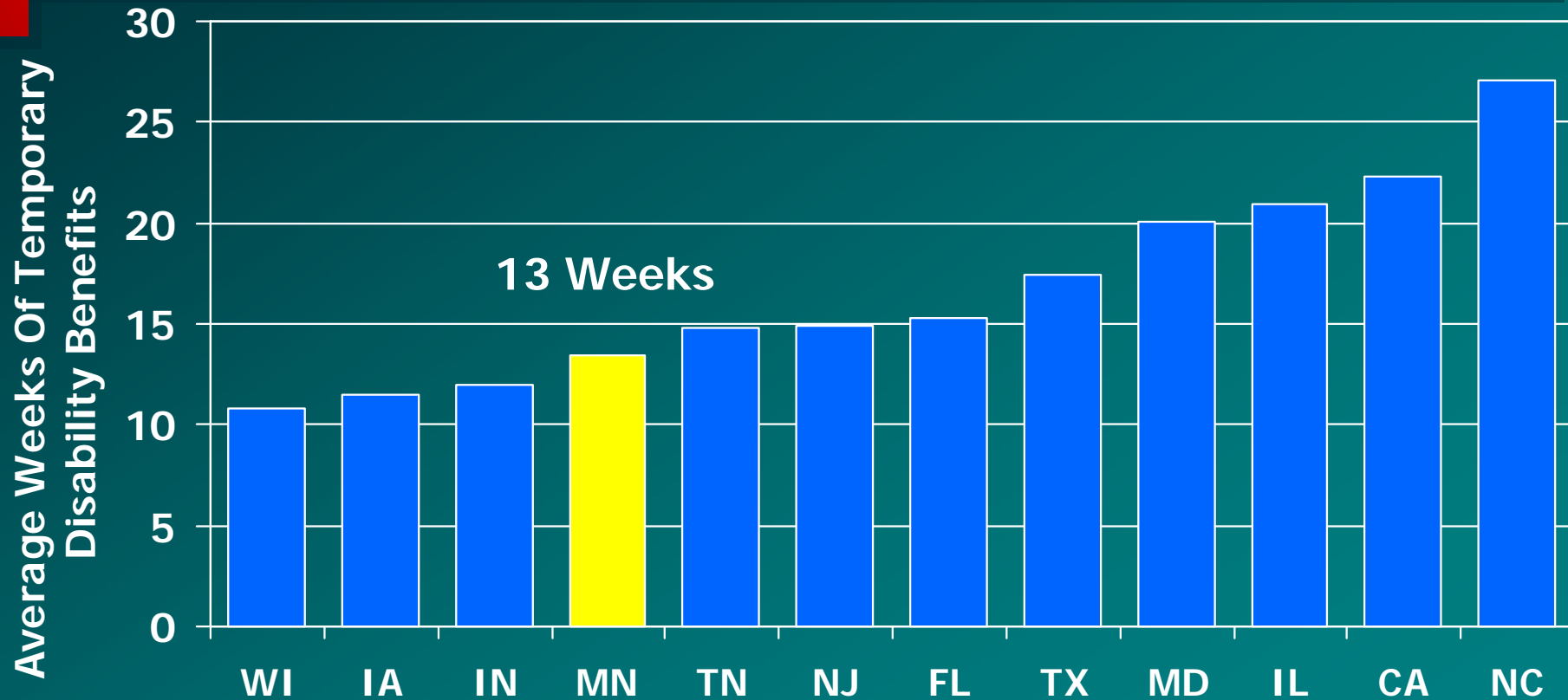
* Wage-Loss Benefit System

Fewer Workers Had More Than 1 Week Off Work In MN Than In Many States



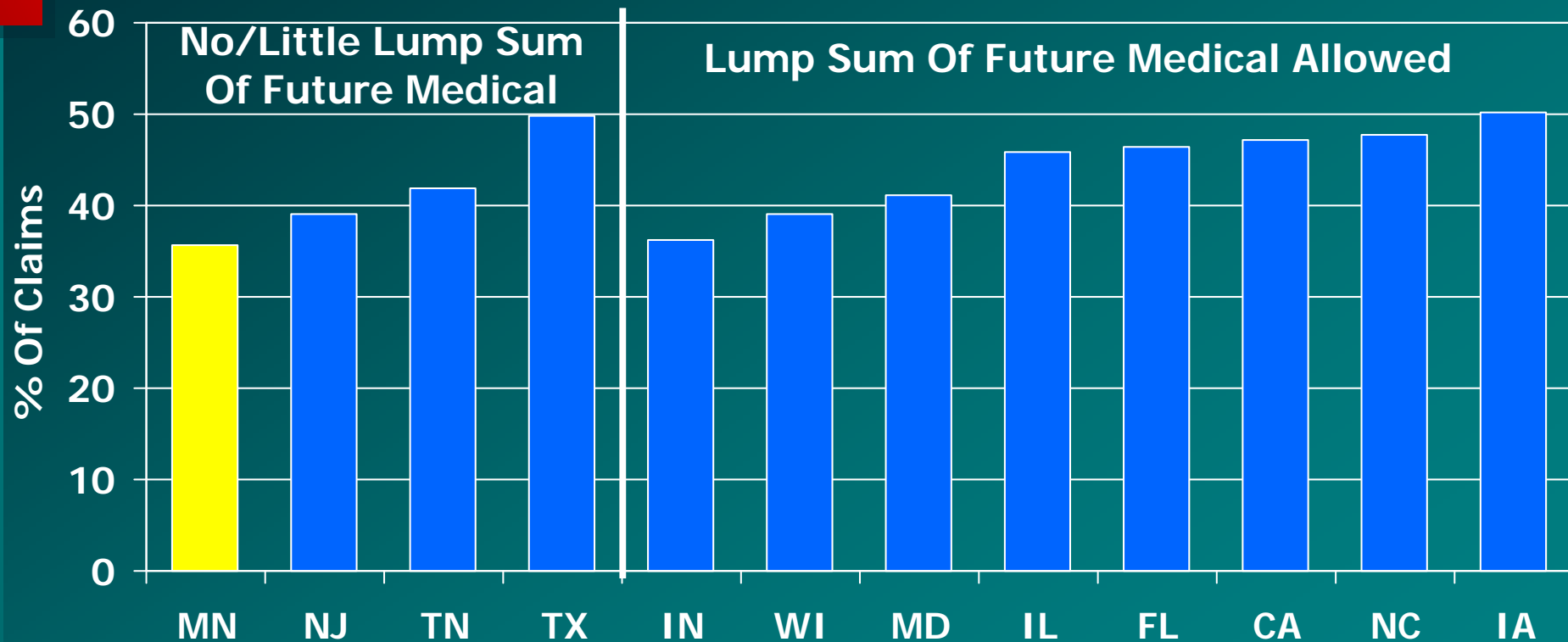
2006/09 Claims With > 7 Days Of Lost Time
As A Percentage Of All Paid Claims

MN Workers Off Work Shorter Time Compared To Many Study States



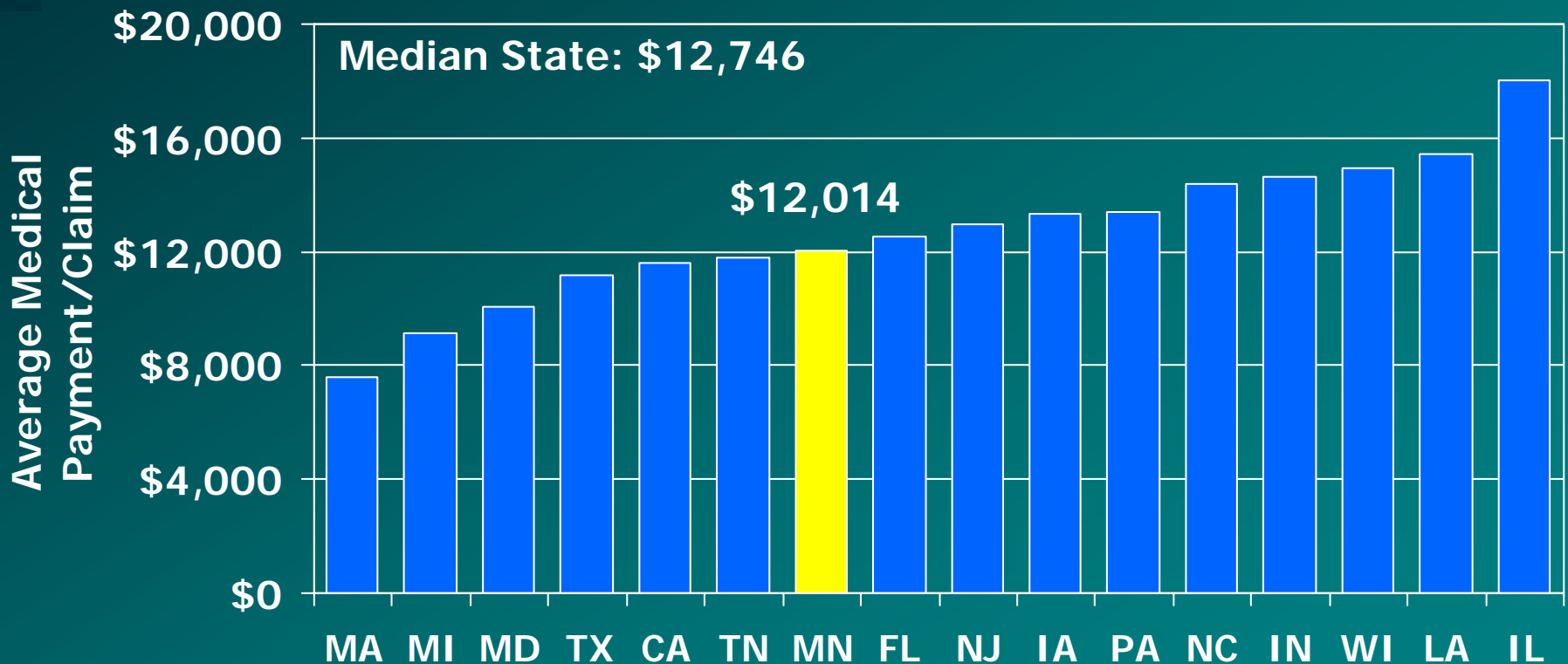
2006/09 Claims With > 7 Days Of Lost Time,
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Percentage Of PPD/Lump-Sum Claims In MN Among Lowest Study States



2006/09 Claims With > 7 Days Of Lost Time,
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Average Medical Payment Per Claim In MN Typical Of 16 Study States

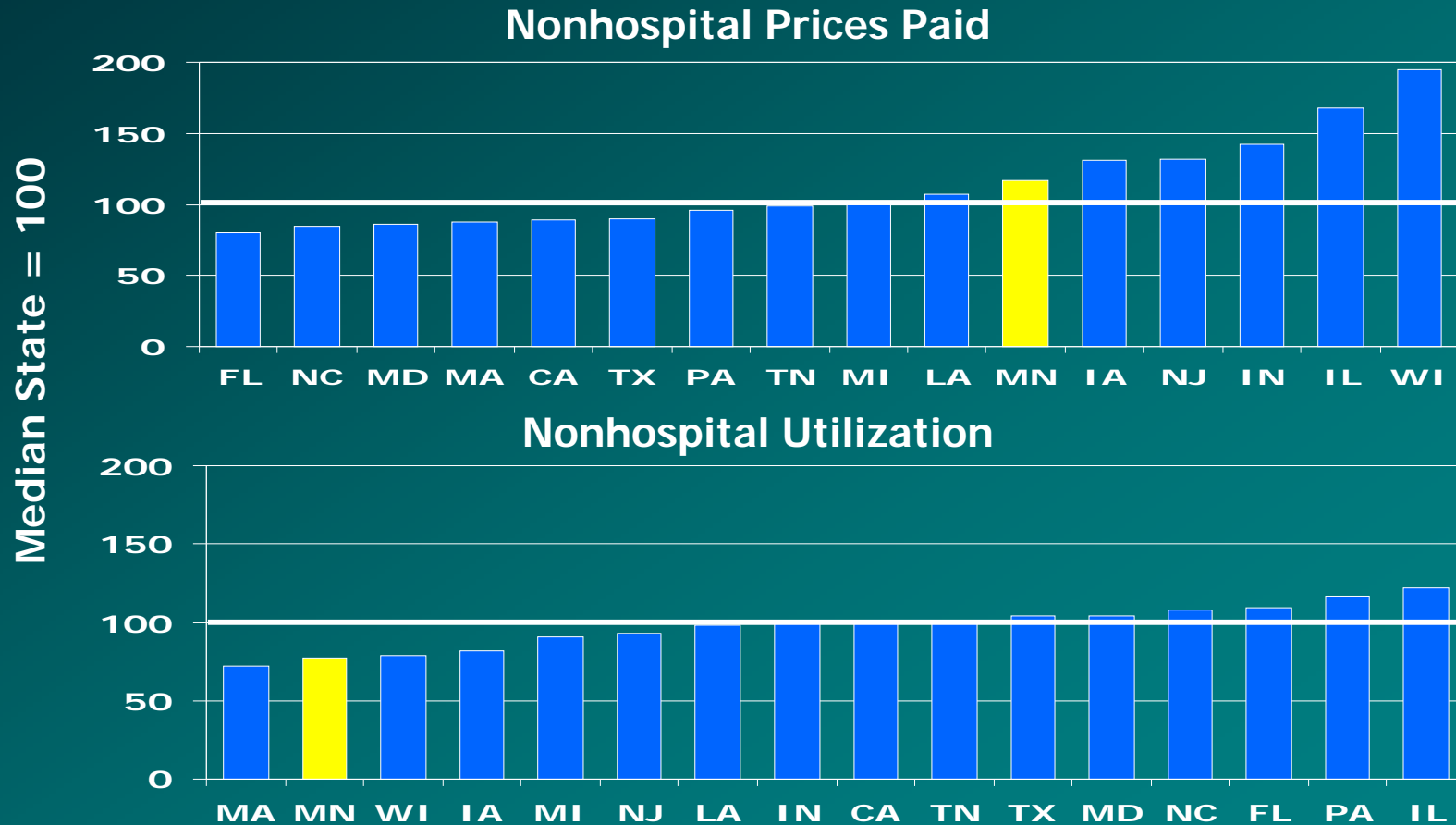


2006/09 Claims With > 7 Days Of Lost Time,
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MN Medical Costs Per Claim Typical; Masks Offsetting Factors

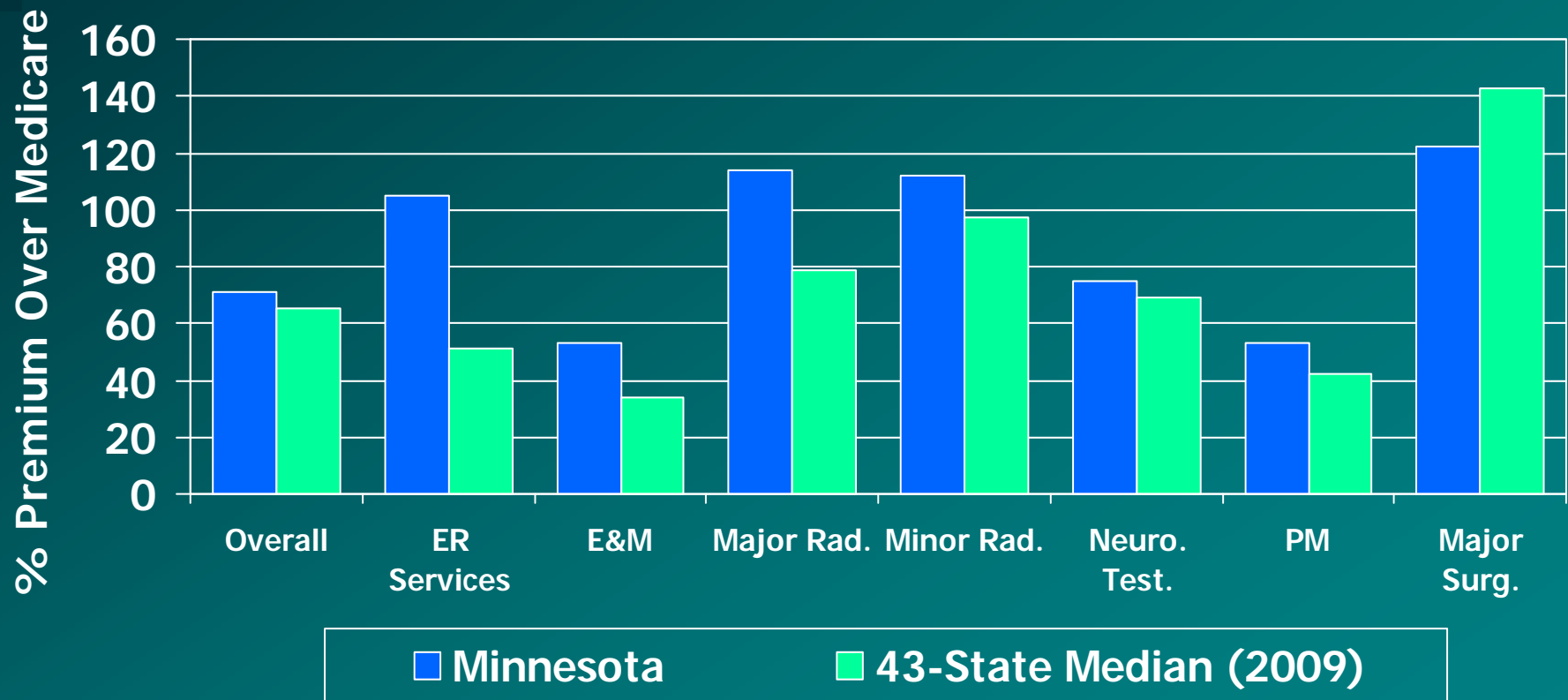
- Lower payments/claim to nonhospital providers
 - Prices paid higher for many services, tied to fee schedule
 - Utilization was generally lower, especially for physical medicine services
- Typical to somewhat higher payments/claim to hospital providers
 - Hospital outpatient payments/claim fairly typical: mostly higher payment/service, lower services/claim
 - Higher % of claims with inpatient care, but slightly lower payment per claim

Lower Utilization Drove Lower Payments Per Claim To Nonhospital Providers, Despite Higher Prices Paid



2008/09 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

2009 MN Fee Schedule Higher Than 43-State Median For Most Services Except Surgery



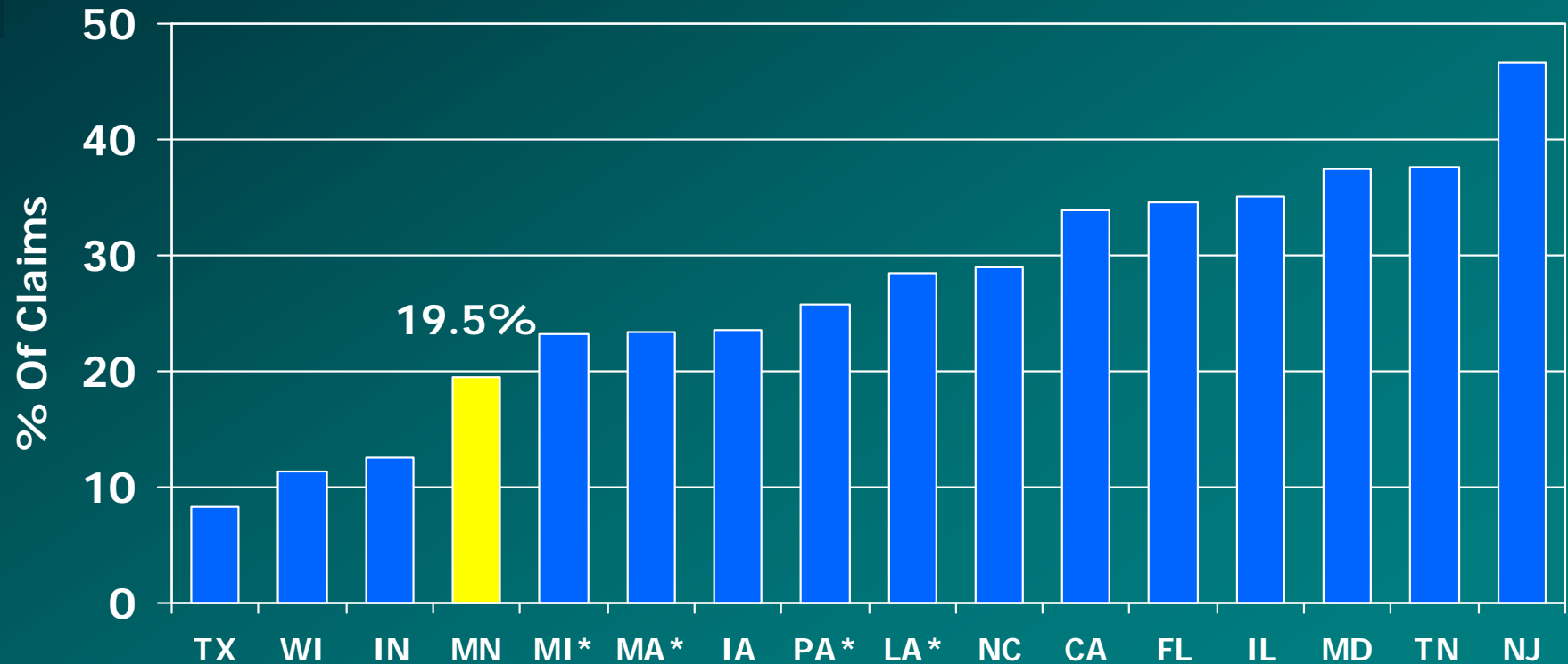
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Dispute Resolution Process: Lower % Defense Attorneys, But Higher Defense Attorney Payments Per Claim

- Extensive use of informal dispute resolution may reduce the number and increase the average seriousness of cases that require formal hearings
- Informal assistance, ADR forums may resolve issues without attorneys → **lower % defense attorneys**
- Cases with defense attorneys may require more work hours, hence **higher payments per claim to defense attorneys**
 - Cases that go to formal hearings may be more complicated
 - May be more meetings under multi-level, multi-agency dispute resolution process: multiple paths, steps, and sequence

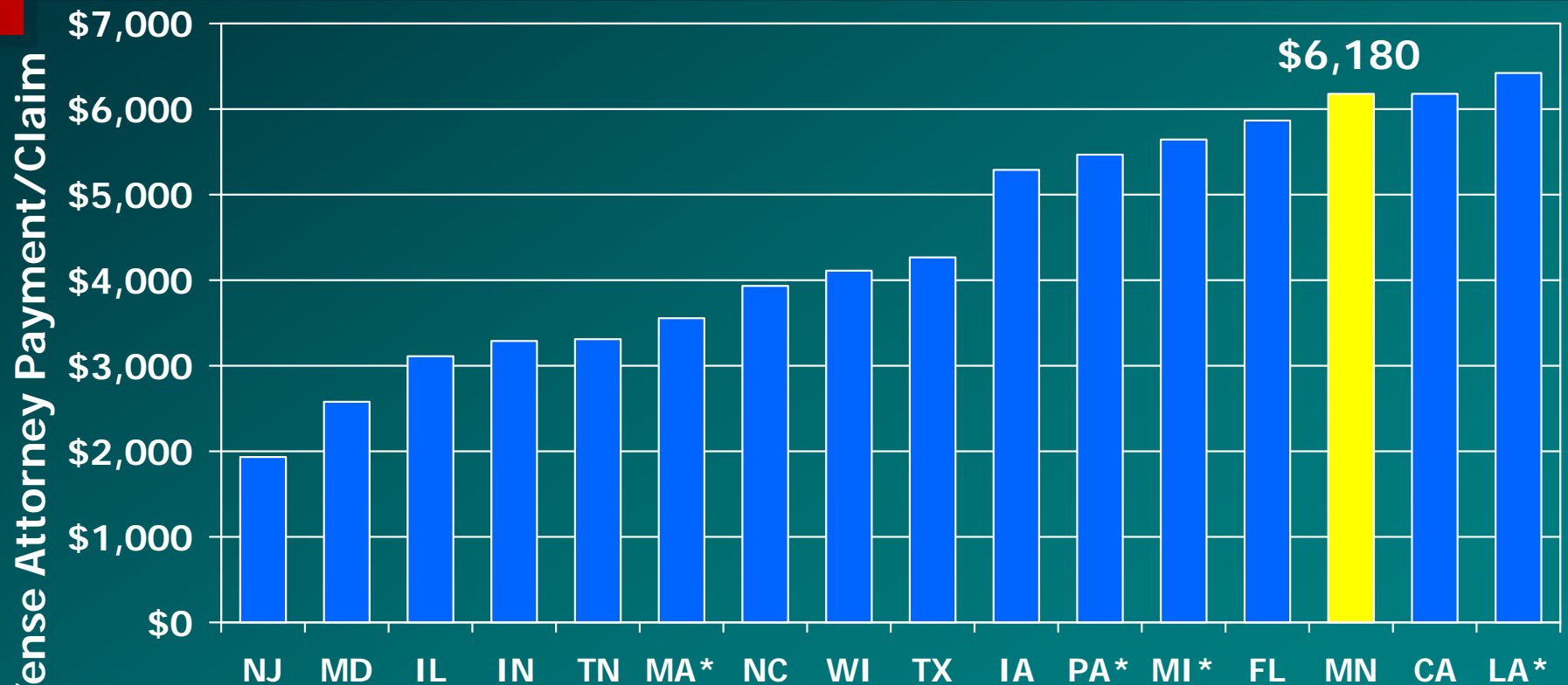
MN Dispute Resolution Design May Help Reduce Defense Attorney Involvement



Claims With Defense Attorney Payments > \$500 As Percentage Of 2006/09 Claims With > 7 Days Of Lost Time

* Wage-Loss Benefit System

Higher Defense Attorney Payments/Claim May Reflect Dispute Resolution Process (2011 Legislation Aimed Streamlining Process)



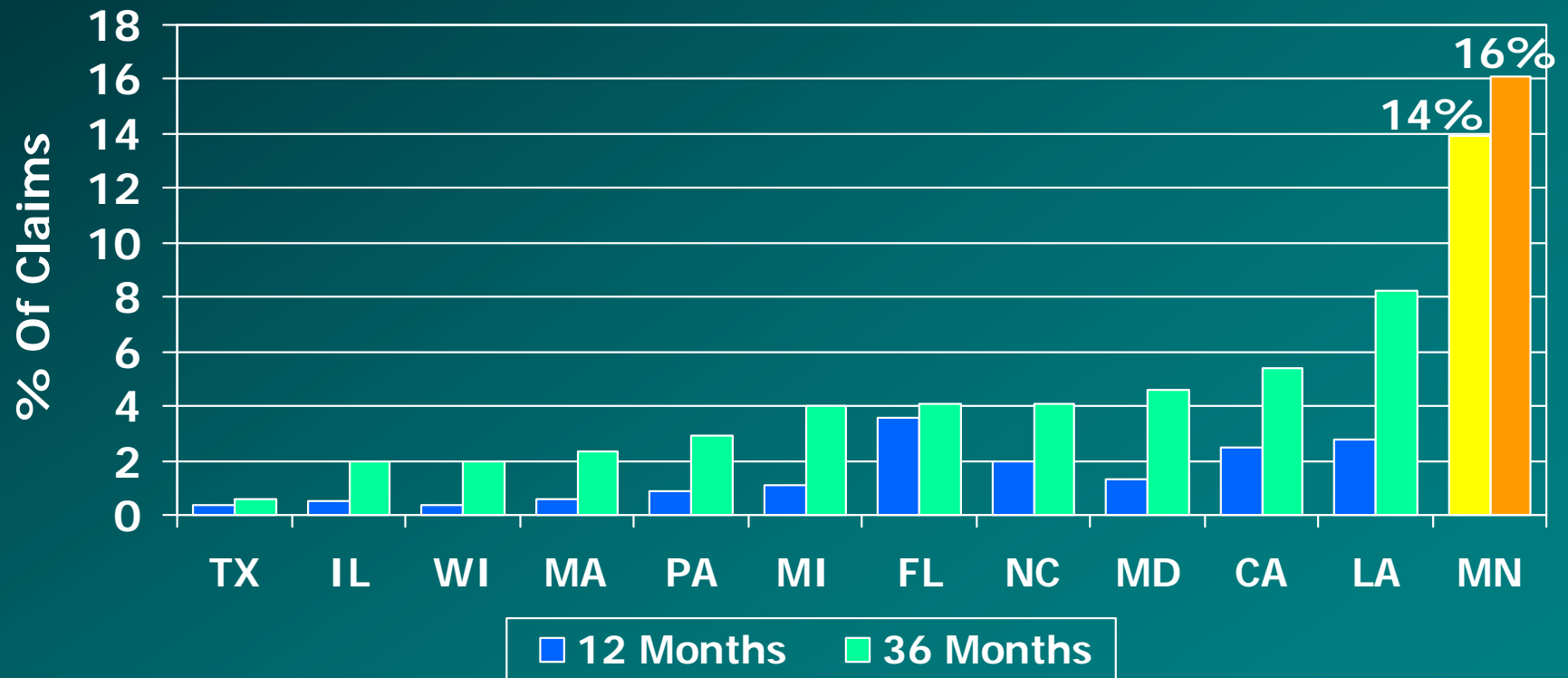
2006/09 Claims With > 7 Days Of Lost Time With Attorney Payment > \$500 (Indexed), Adjusted

* Wage-Loss Benefit System

Summary: How Minnesota Compares With Other States

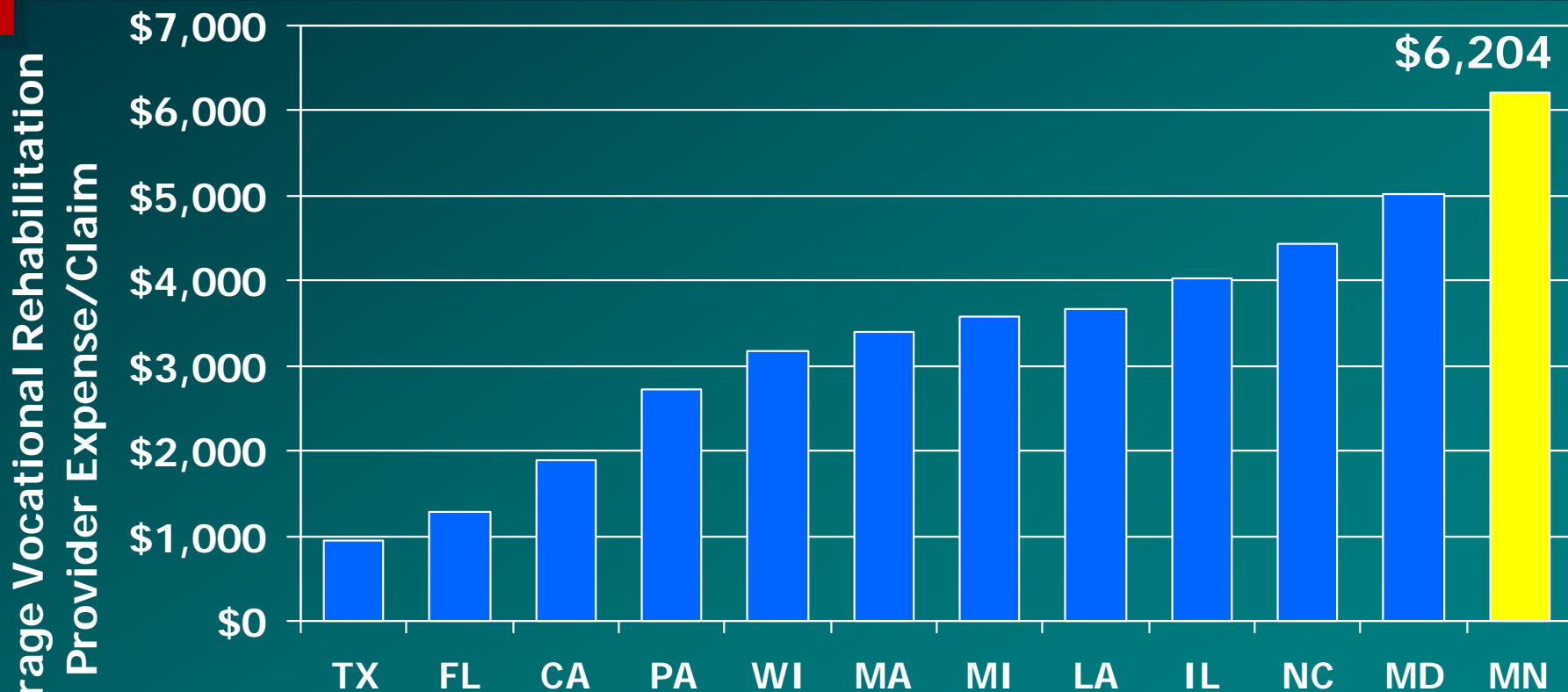
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MN Had Much Higher % Of Claims With VR Provider Expenses: Early Involvement



2006 Claims With > 7 Days Of Lost Time And Vocational Rehabilitation Provider Expenses, Adjusted For Injury/Industry Mix

MN Had Highest VR Provider Expenses/Claim Among Study States: May Include Additional Services

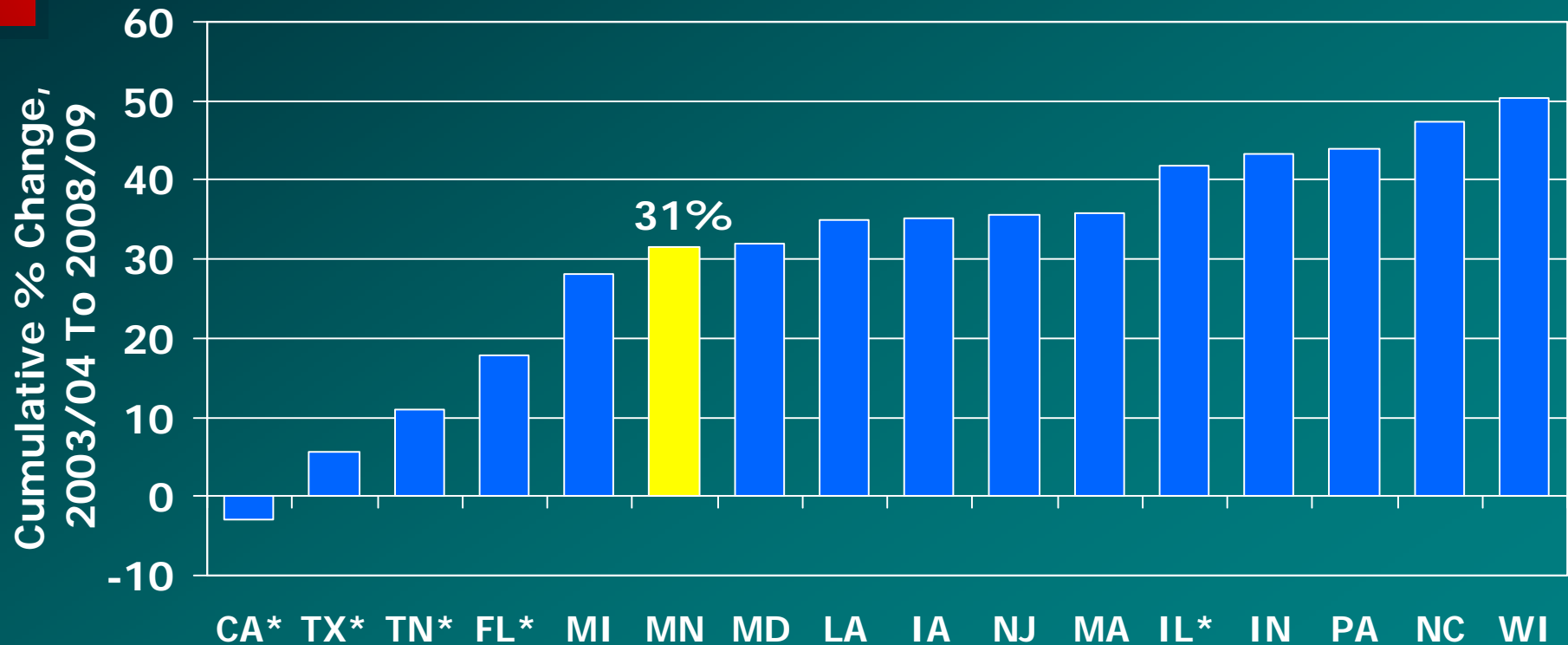


2006/09 Claims With > 7 Days Of Lost Time With
Vocational Rehabilitation Provider Expenses,
Adjusted For Injury/Industry Mix

Summary: How Minnesota Costs Per Claim Have Changed

- Costs per claim grew less than many non-reform states from 2003 to 2008
- Medical was main driver of growth; faster growth for hospitals
- Little change in indemnity costs per claim in most years
- Medical cost containment drove growth in expenses per claim

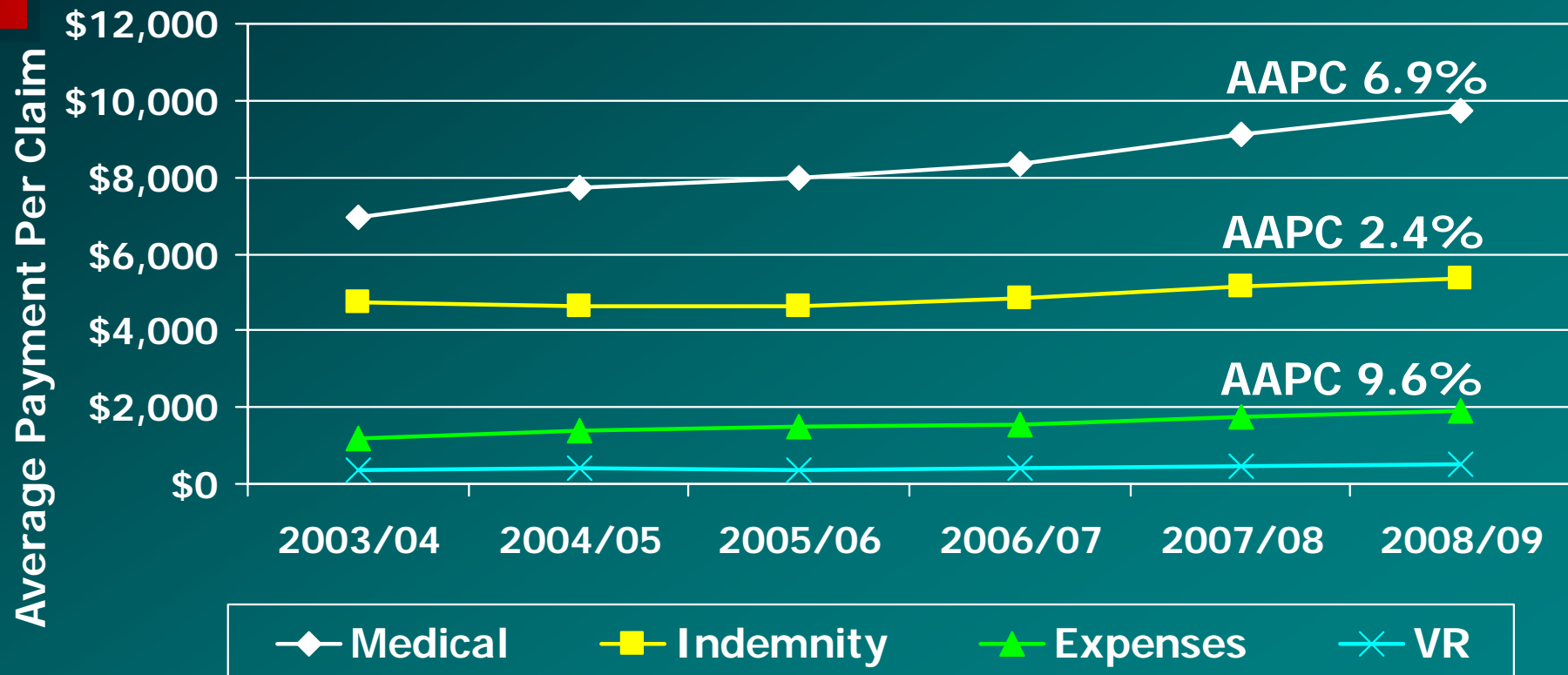
MN Had Slower Growth In Cost Per Claim Among Non-Reform Study States



Total Cost/Claim With > 7 Days Of Lost Time,
Not Adjusted For Injury/Industry Mix

* States With Major Reforms During Period

Medical Was Main Driver Of Growth In Minnesota Total Cost Per Claim



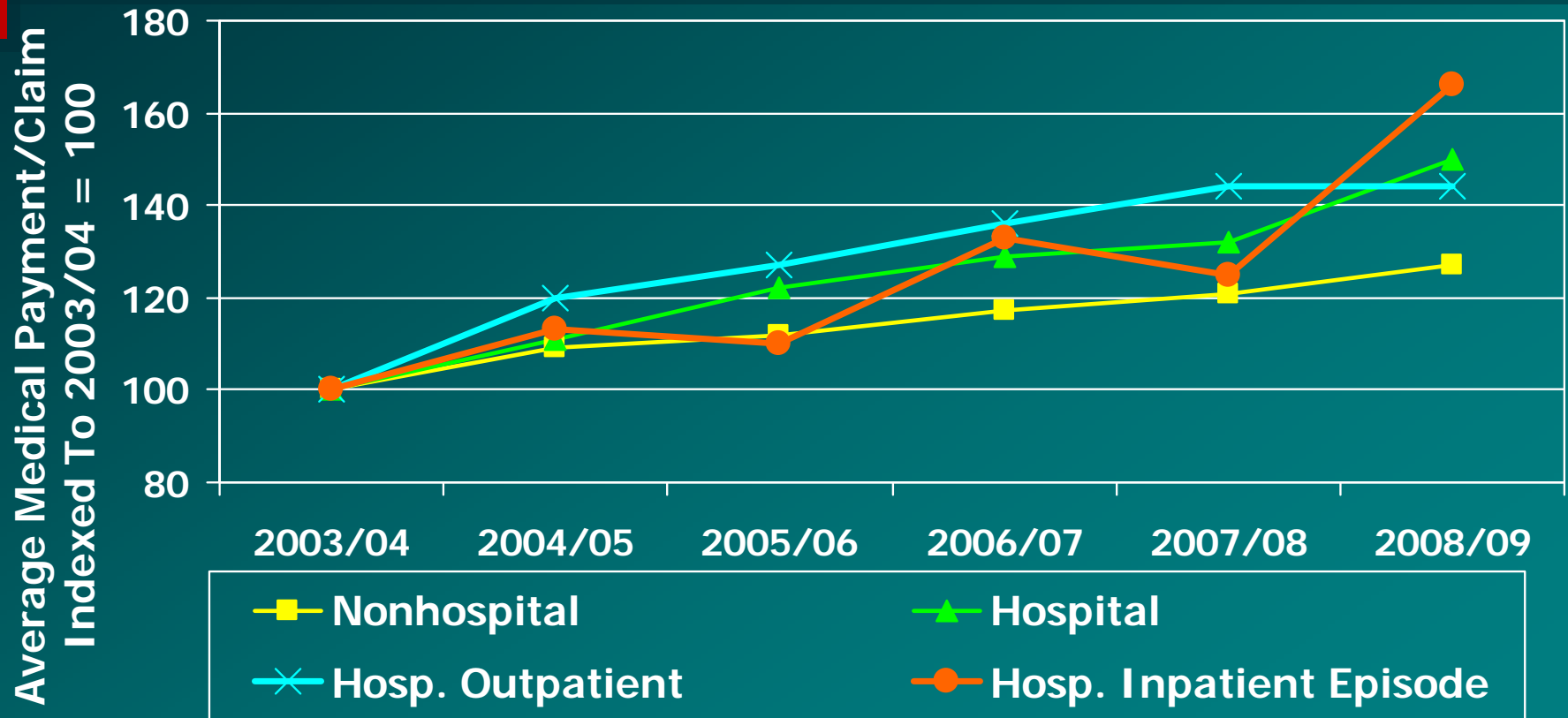
Average Payment Per Claim With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Case Mix

Medical Accounted For 2/3 Of Growth In MN Cost/Claim From 2003 To 2008

Avg. Payment Per Claim	2003/04	2008/09	Difference	Share of Change
Total	\$13,307	\$17,495	\$4,188	100%
Medical	\$6,970	\$9,752	\$2,782	66%
Indemnity	\$4,755	\$5,353	\$598	14%
Expense	\$1,200	\$1,897	\$697	17%
Vocational Rehabilitation	\$382	\$494	\$112	3%

Claims With > 7 Days Of Lost Time At 12 Months Of Experience,
Not Adjusted For Case Mix

Growth In MN Medical Payments/Claim 2003/04–2008/09 Was Faster For Hospitals, Esp. Inpatient Episodes In Latest Year



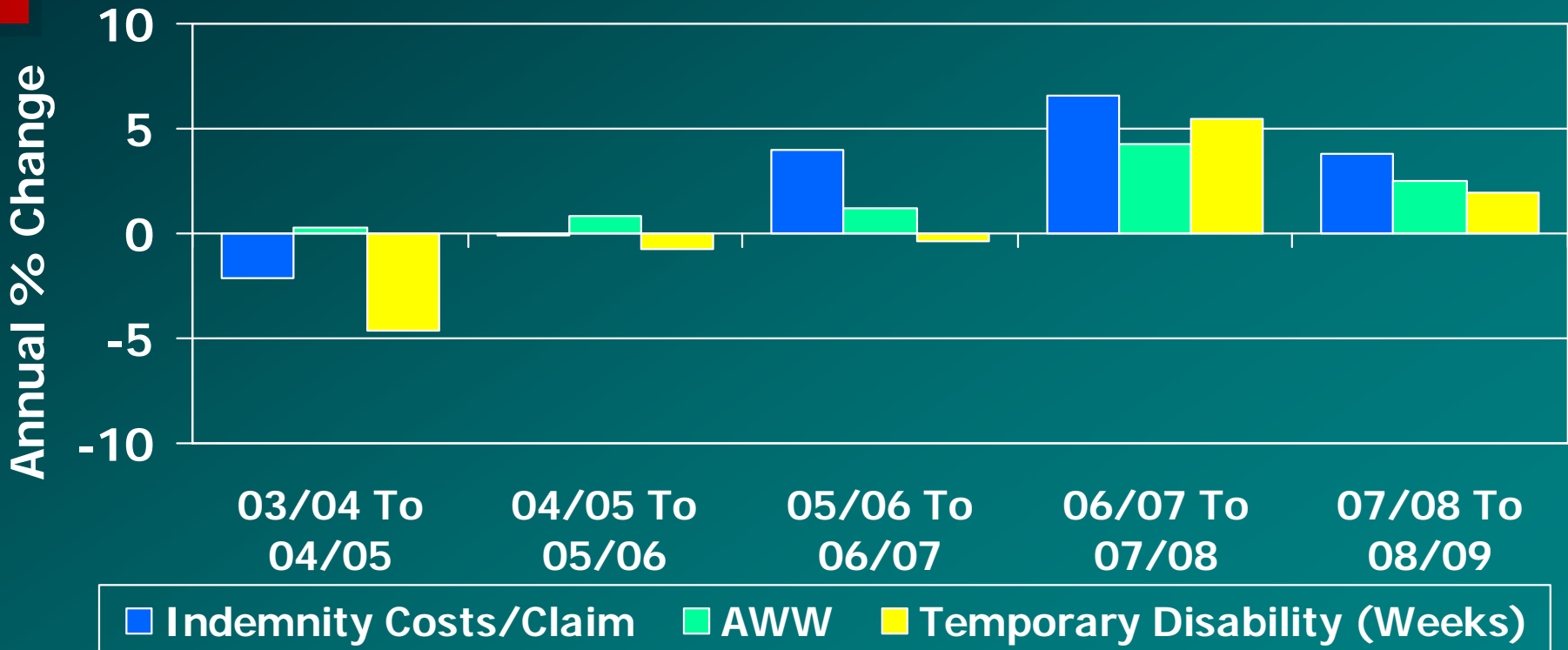
Claims With > 7 Days Of Lost Time At 12 Months Of Experience,
Not Adjusted For Injury/Industry Mix

MN Growth Faster Than Typical For Hospital Outpatient Payment/Service And Payment/Inpatient Episode

Cumulative Percentage Change 2003/04 To 2008/09	MN	16-State Median
Nonhospital Payment/Claim	27%	35%
Prices Paid	9%	11%
Utilization	12%	14%
Hospital Outpatient Payment/Claim	44%	31%
Payment/Service	38%	20%
Services/Claim	4%	4%
Hospital Payment/Inpatient Episode	66%	53%

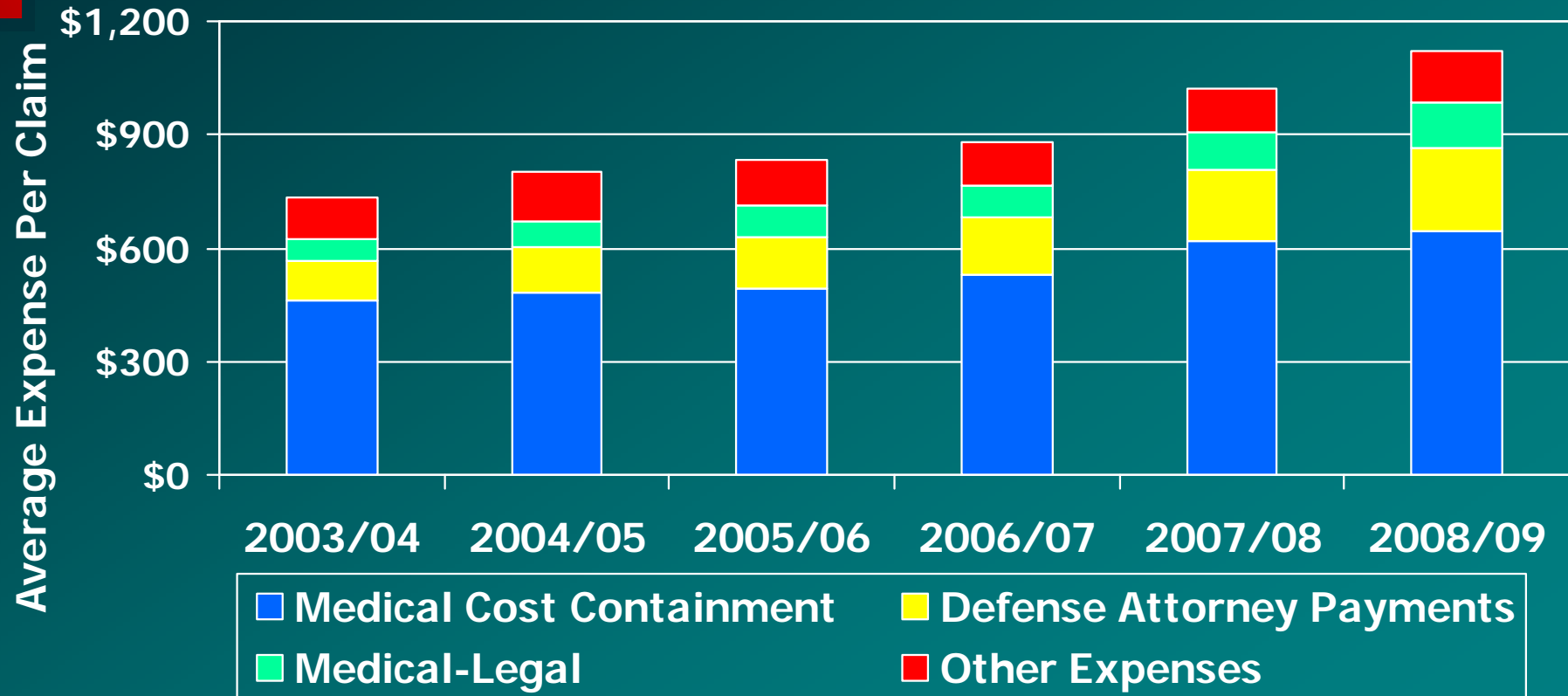
Claims With > 7 Days Of Lost Time At 12 Months Of Experience

Little Change In MN Indemnity Costs Per Claim In Most Years



Change In Indemnity Cost, Wages, And TD Duration In Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Case Mix

Medical Cost Containment Main Driver Of MN Expenses Per Claim; Also Defense Attorney Payments



Average Benefit Delivery Expense Per Claim With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Case Mix

Please Direct Questions And Comments About WCRI Findings To:

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