

Claim Cost Drivers A First Look

November 17, 2011

•

•

Three ways to think about high costs...

- High total costs
 - Total costs primarily include medical treatment and wage replacement
- High time loss days
 - Days away from work contribute to both direct and indirect costs
- High medical costs after closure
 - May signify lingering injury/illness, severity of impact on worker, etc.

•

•2

Highest total claim costs

Event of Injury

All claims resolved in 2010	Claims	Avg. total costs	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
	18,526	\$22,720	\$12,180	\$10,540	77

Event of injury	Claims	Avg. total costs	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
Transportation	733	\$35,304	\$18,121	\$17,183	121
Falls	3,616	\$26,958	\$14,381	\$12,577	87
Unknown	1,009	\$25,396	\$13,397	\$11,999	85
Repetitive Motion	1,912	\$22,804	\$13,185	\$9,619	87

• Only includes categories with at least 50 reported claims

• 3

Highest total claim costs

Industry

All claims resolved in 2010	Claims	Avg. total costs	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
	18,526	\$22,720	\$12,180	\$10,540	77

Industry	Claims	Avg. total costs	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
Logging/Forestry	230	\$45,361	\$24,798	\$20,563	118
Construction	1,525	\$35,642	\$21,666	\$13,976	113
Truck Transportation	752	\$29,672	\$18,229	\$11,443	93
Manufacturing	2,409	\$26,579	\$15,266	\$11,313	90
Office Trades	998	\$23,648	\$12,300	\$11,348	78
Wholesale Trade	781	\$23,405	\$12,798	\$10,607	73

• Only includes categories with at least 50 reported claims

• 4

Highest total claim costs

Nature of injury or illness

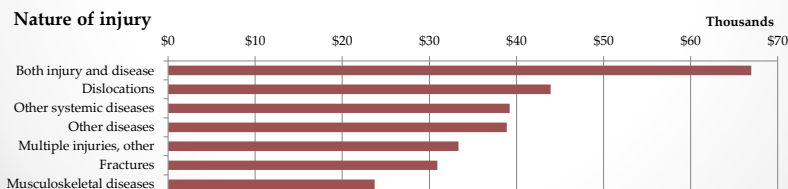
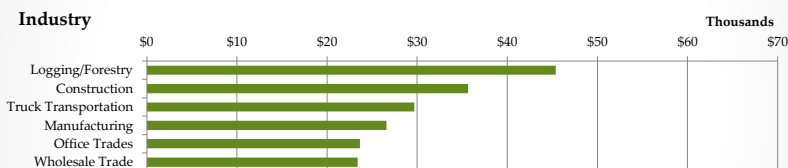
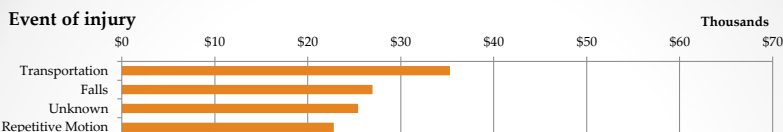
All claims resolved in 2010	Claims	Avg. total costs	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
	18,526	\$22,720	\$12,180	\$10,540	77

Nature of injury	Claims	Avg. total costs	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
Both injury and disease	1,516	\$66,977	\$39,118	\$27,859	202
Dislocations	647	\$43,911	\$24,797	\$19,114	128
Other systemic diseases	84	\$39,242	\$23,711	\$15,531	157
Other diseases	60	\$38,882	\$25,049	\$13,833	154
Multiple injuries, other	1,563	\$33,330	\$17,906	\$15,424	112
Fractures	2,065	\$30,926	\$15,817	\$15,109	95
Musculoskeletal diseases	651	\$23,705	\$13,879	\$9,826	87

• Only includes categories with at least 50 reported claims

• 5

Highest total claim costs



• Only includes categories with at least 50 reported claims

• 6

Note regarding data quality...

- Exercise caution about drawing strong conclusions
 - Average costs, particularly on few claims, are highly susceptible to data errors (e.g., an extra zero) and outliers (e.g., a particularly expensive claim)
- Claims with missing data regarding the event of injury (**unknown event**) are some of the more costly claims
 - Perhaps this should be taken into consideration when determining how diligent we will be in pursuing missing data.
- Claims with **multiple injuries** have a significant cost attached to them
 - The "Multiple Conditions Project" will provide much more information about these claims

•7

Highest total claim costs

- When looking at the highest costs within a given category, generally the same patterns emerged
 - For example, the highest cost events in the construction industry are Transportation, Falls, Overexertion, etc.
- There are some notable exceptions...

•8

Highest total claim costs Logging and Forestry

	Claims	Avg. total costs	Avg. time loss days
All claims resolved in 2010	18,526	\$22,720	77
Logging and Forestry	230	\$45,360	118.2

Event of injury	Claims	Avg. total costs	Avg. time loss days
Struck by or against	89	\$54,673	114
Falls	64	\$37,889	127.3

- Only includes categories with at least 50 reported claims

• 9

Highest total claim costs Fractures from Falls in Construction

	Claims	Avg. total costs	Avg. time loss days
Falls in Construction	352	\$47,672	131.7
Fractures from Falls in Construction	129	\$59,612	155.1

Most expensive fractures

Event of injury	Claims	Avg. total costs	Avg. time loss days
Fall from scaffold	10	\$155,125	254.3
Fall to floor, same level	24	\$66,882	166.2
Fall from roof	7	\$56,636	237.3
Fall from ladder	44	\$51,772	168.1
Falls, not elsewhere classified	13	\$50,317	113.4

•

• 10

Highest total claim costs

Back Dislocations

	Claims	Avg. total costs	Avg. time loss days
Back injuries	4,078	\$18,815	68.9
Dislocations	647	\$43,911	127.9
Back Dislocations	152	\$81,628	213.8

Event of injury	Claims	Avg. total costs	Avg. time loss days
Overexertion	69	\$95,346	272.8
Unknown	12	\$76,406	212.3
Bodily Reaction	28	\$73,946	170.9
Repetitive Motion	20	\$72,369	162.3
Falls	16	\$64,044	146.1

- Only includes categories with at least 5 reported claims

• 11

Other ways to think about high costs...

- High time loss days
 - Highly correlated with total claim costs and did not yield notably different results in initial analysis
- High medical costs after closure
 - Only just begun looking at this data
 - Approximately 25% of claims have some sort of medical costs after closure
 - Claims with "Both injury and disease" significantly more likely to have costs after closure (55% of claims)
 - Generally medical costs are most likely pharmaceuticals
 - Would be interesting to see distribution of services used (pharma, surgical, physical therapy, etc.)

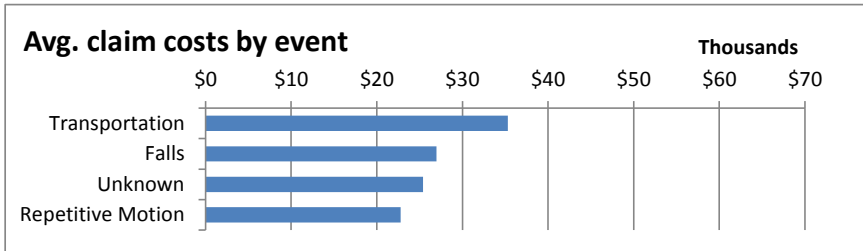
•

• 12

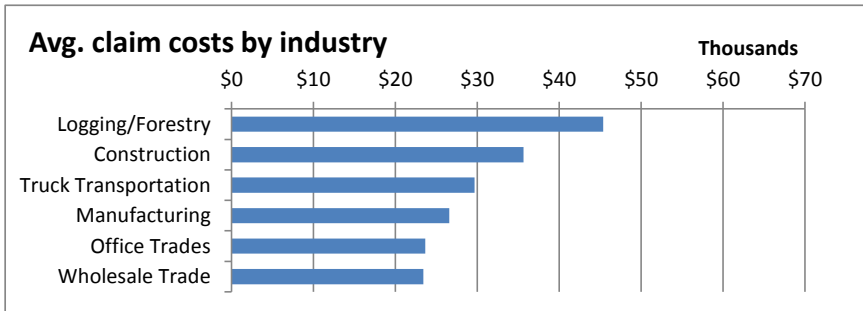
Average temporary disability days and average claim costs paid for resolved accepted disabling claims, Oregon, 2010
Top categories with highest average claim costs for event of injury, nature of injury, and industry

All claims resolved in 2010	Claims	Avg. cost per claim	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
	18,526	\$22,720	\$12,180	\$10,540	77

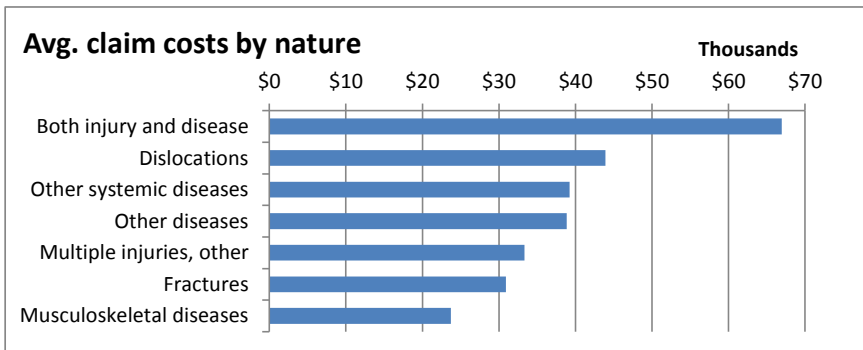
Event of injury	Claims	Avg. cost per claim	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
Transportation	733	\$35,300	\$18,120	\$17,180	121
Falls	3,616	\$26,960	\$14,380	\$12,580	87
Unknown	1,009	\$25,400	\$13,400	\$12,000	85
Repetitive Motion	1,912	\$22,800	\$13,190	\$9,620	87



Industry	Claims	Avg. cost per claim	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
Logging/Forestry	230	\$45,360	\$24,800	\$20,560	118
Construction	1,525	\$35,640	\$21,670	\$13,980	113
Truck Transportation	752	\$29,670	\$18,230	\$11,440	93
Manufacturing	2,409	\$26,580	\$15,270	\$11,310	90
Office Trades	998	\$23,650	\$12,300	\$11,350	78
Wholesale Trade	781	\$23,410	\$12,800	\$10,610	73



Nature of injury	Claims	Avg. cost per claim	Avg. indemnity costs	Avg. medical costs	Avg. time loss days
Both injury and disease	1,516	\$66,980	\$39,120	\$27,860	202
Dislocations	647	\$43,910	\$24,800	\$19,110	128
Other systemic diseases	84	\$39,240	\$23,710	\$15,530	157
Other diseases	60	\$38,880	\$25,050	\$13,830	154
Multiple injuries, other	1,563	\$33,330	\$17,910	\$15,420	112
Fractures	2,065	\$30,930	\$15,820	\$15,110	95
Musculoskeletal diseases	651	\$23,710	\$13,880	\$9,830	87



**Average temporary disability days and average claim costs paid for
resolved accepted disabling claims, Oregon, 2010
Top categories with highest average claim costs for event of injury, nature of injury, and industry**

Footnotes:

Accepted disabling claims are claims, accepted by insurers, arising from occupational injuries or diseases that entitle workers to compensation for disability or death. Fatality claims, permanent total disability (PTD) claims, claims with no indemnity, and claims with unreasonably high indemnity, as well as their associated costs, are excluded from this analysis.

Claims are reported by the year of claim resolution, which is the year of the latest notice of claim closure, determination order, or claim disposition agreement for initial claim openings. This may be different than the year of injury or year of claim acceptance.

Event and nature of injury are classified according to the Bureau of Labor Statistics' Occupational Injury and Illness Classification System (OIICS).

Industry is classified according to the North American Industrial Classification System (NAICS), 2002 edition. Employees of client leasing companies are reported by the industry in which they were working at the time of injury.

Claim cost is the composite of medical and indemnity costs. The components of indemnity are temporary disability, permanent partial disability, claim disposition agreement, disputed claim settlement, and vocational assistance. Average cost statistics are means, unless otherwise specified. Costs have been rounded, and components may not sum to composite averages. In addition, due to the estimation process, conclusions should not be drawn for rows with a small number of claims.

Average costs for the indemnity components are computed over the total claims resolved. The temporary disability days and dollars include estimates of temporary disability for initial claims resolved by claim disposition agreements rather than claim closure. Insurers do not report this data to the department. Indemnity costs incurred after claim closure that were paid through mid-April 2011 are also included in this table. This primarily includes permanent partial disability modified by dispute resolution, disputed claim settlements, and vocational assistance costs. These costs after resolution generally increase over time. Worker, employer, and insurer reimbursements from the Workers' Benefit Fund are also excluded.

Medical costs include estimates for initial claims resolved by claim disposition agreement rather than claim closure. Medical costs after claim resolution, which are often substantial, are not included in this report.

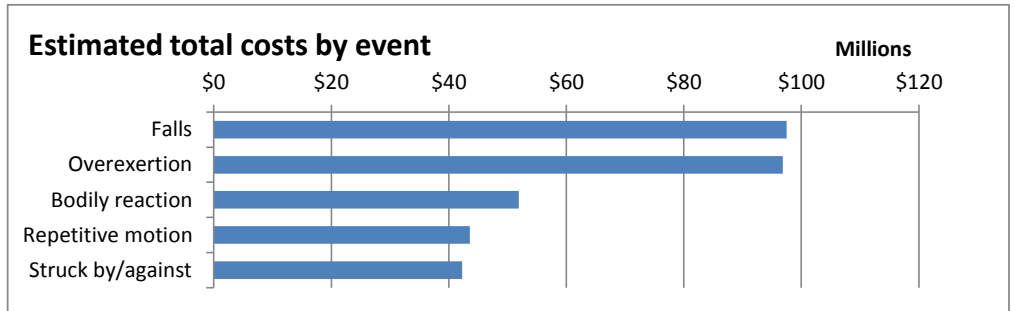
Data in this table will change. The claim counts will change as claims are reopened and resolved. Also, as mentioned above, post-closure costs will increase over time. However, if past trends continue, then the temporary disability days and costs for the most recent year will decline as claims are reopened and then closed in future years.

Source: Information Management Division, Oregon Department of Consumer and Business Services, January 2012

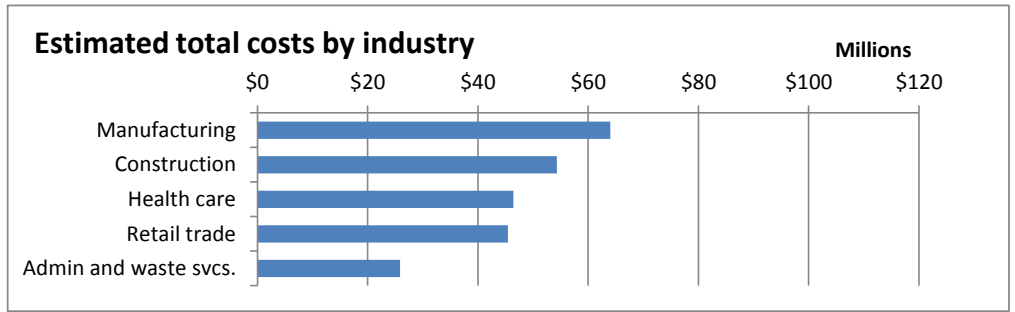
Average temporary disability days, average claim costs paid, and estimated annual total costs paid for resolved accepted disabling claims, Oregon, 2010
Top five categories with highest estimated annual costs for event of injury, nature of injury, and industry

All claims resolved in 2010	Claims	Avg. cost per claim	Avg. indemnity costs	Avg. medical costs	Avg. time loss days	Estimated total system cost
	18,526	\$22,720	\$12,180	\$10,540	77	\$420,910,720

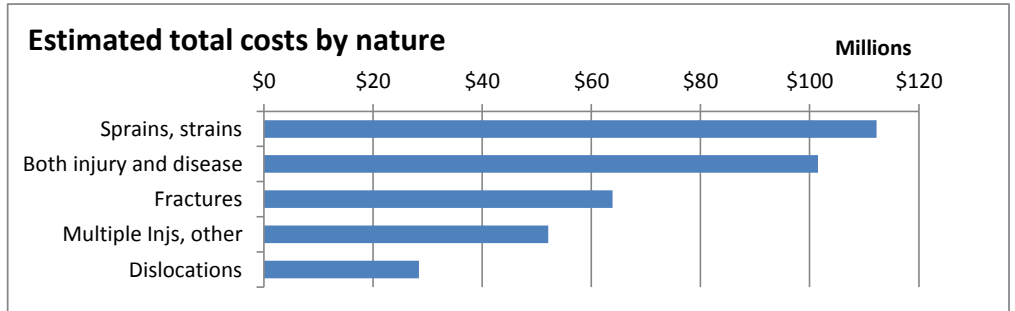
Event of injury	Claims	Avg. cost per claim	Estimated total costs	Avg. time loss days
Falls	3,616	\$26,960	\$97,480,600	87
Overexertion	4,263	\$22,720	\$96,849,160	82
Bodily reaction	2,714	\$19,130	\$51,917,570	71
Repetitive motion	1,912	\$22,800	\$43,601,770	87
Struck by/against	2,409	\$17,540	\$42,247,950	54



Industry	Claims	Avg. cost per claim	Estimated total costs	Avg. time loss days
Manufacturing	2,409	\$26,580	\$64,029,230	90
Construction	1,525	\$35,640	\$54,353,840	113
Health care	2,744	\$16,930	\$46,447,440	68
Retail trade	2,254	\$20,150	\$45,424,760	78
Admin and waste svcs.	1,173	\$22,070	\$25,892,330	80



Nature of injury	Claims	Avg. cost per claim	Estimated total costs	Avg. time loss days
Sprains, strains	8,554	\$13,130	\$112,268,700	55
Both injury and disease	1,516	\$66,980	\$101,536,830	202
Fractures	2,065	\$30,930	\$63,862,130	95
Multiple Injs, other	1,563	\$33,330	\$52,095,320	112
Dislocations	647	\$43,910	\$28,410,520	128



Footnotes on following page

**Average temporary disability days, average claim costs paid, and estimated annual total costs paid for
resolved accepted disabling claims, Oregon, 2010**
Top five categories with highest estimated annual costs for event of injury, nature of injury, and industry

Footnotes:

Accepted disabling claims are claims, accepted by insurers, arising from occupational injuries or diseases that entitle workers to compensation for disability or death. Fatality claims, permanent total disability (PTD) claims, claims with no indemnity, and claims with unreasonably high indemnity, as well as their associated costs, are excluded from this analysis.

Claims are reported by the year of claim resolution, which is the year of the latest notice of claim closure, determination order, or claim disposition agreement for initial claim openings. This may be different than the year of injury or year of claim acceptance.

Event and nature of injury are classified according to the Bureau of Labor Statistics' Occupational Injury and Illness Classification System (OIICS).

Industry is classified according to the North American Industrial Classification System (NAICS), 2002 edition. Employees of client leasing companies are reported by the industry in which they were working at the time of injury.

Claim cost is the composite of medical and indemnity costs. The components of indemnity are temporary disability, permanent partial disability, claim disposition agreement, disputed claim settlement, and vocational assistance. Average cost statistics are means, unless otherwise specified. Costs have been rounded, and components may not sum to composite averages. In addition, due to the estimation process, conclusions should not be drawn for rows with a small number of claims.

Average costs for the indemnity components are computed over the total claims resolved. The temporary disability days and dollars include estimates of temporary disability for initial claims resolved by claim disposition agreements rather than claim closure. Insurers do not report this data to the department. Indemnity costs incurred after claim closure that were paid through mid-April 2011 are also included in this table. This primarily includes permanent partial disability modified by dispute resolution, disputed claim settlements, and vocational assistance costs. These costs after resolution generally increase over time. Worker, employer, and insurer reimbursements from the Workers' Benefit Fund are also excluded.

Medical costs include estimates for initial claims resolved by claim disposition agreement rather than claim closure. Medical costs after claim resolution, which are often substantial, are not included in this report.

Estimated totals are calculated by multiplying the average cost across all reported claims.

Data in this table will change. The claim counts will change as claims are reopened and resolved. Also, as mentioned above, post-closure costs will increase over time. However, if past trends continue, then the temporary disability days and costs for the most recent year will decline as claims are reopened and then closed in future years.

Source: Information Management Division, Oregon Department of Consumer and Business Services, January 2012