

# Workers' Compensation System Report: Vocational rehabilitation trends

Hared Mah, research scientist

Research and Data Analytics

# Trends from the 2024 Workers' Compensation System Report

- System overview
- Indemnity benefits
- Disputes
- Vocational rehabilitation

# Workers' Compensation System Report features

## Primary data sources (among others)

- Department of Labor and Industry (DLI) claims database — limited to claims with lost time or paid indemnity benefits; and
- 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; and
- if actual cost grows at same rate as wages, the net effect is no change in cost relative to payroll.

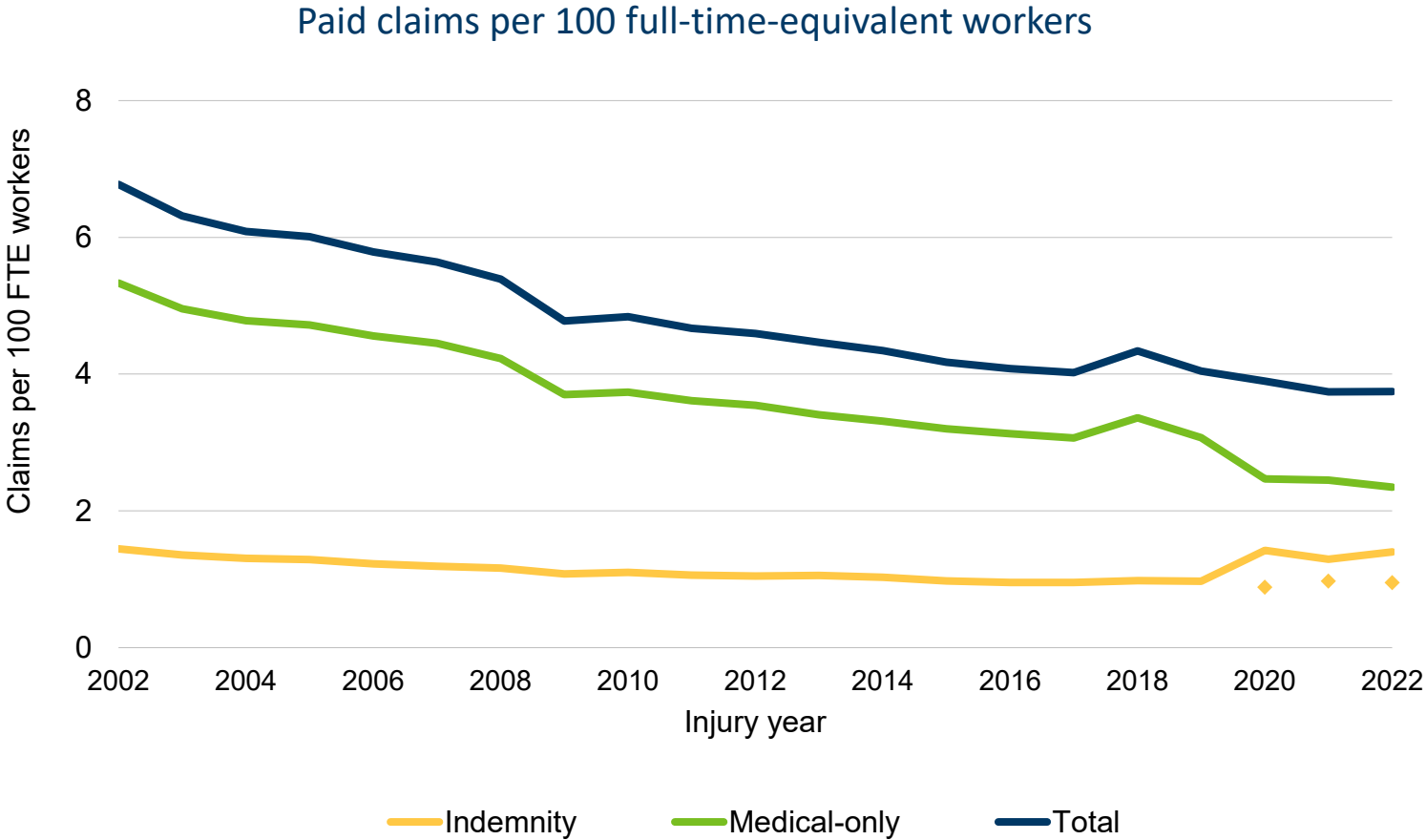
# Workers' Compensation System Report features, continued

## “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.
- 2020-2022 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.
- Vocational rehabilitation (VR) 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

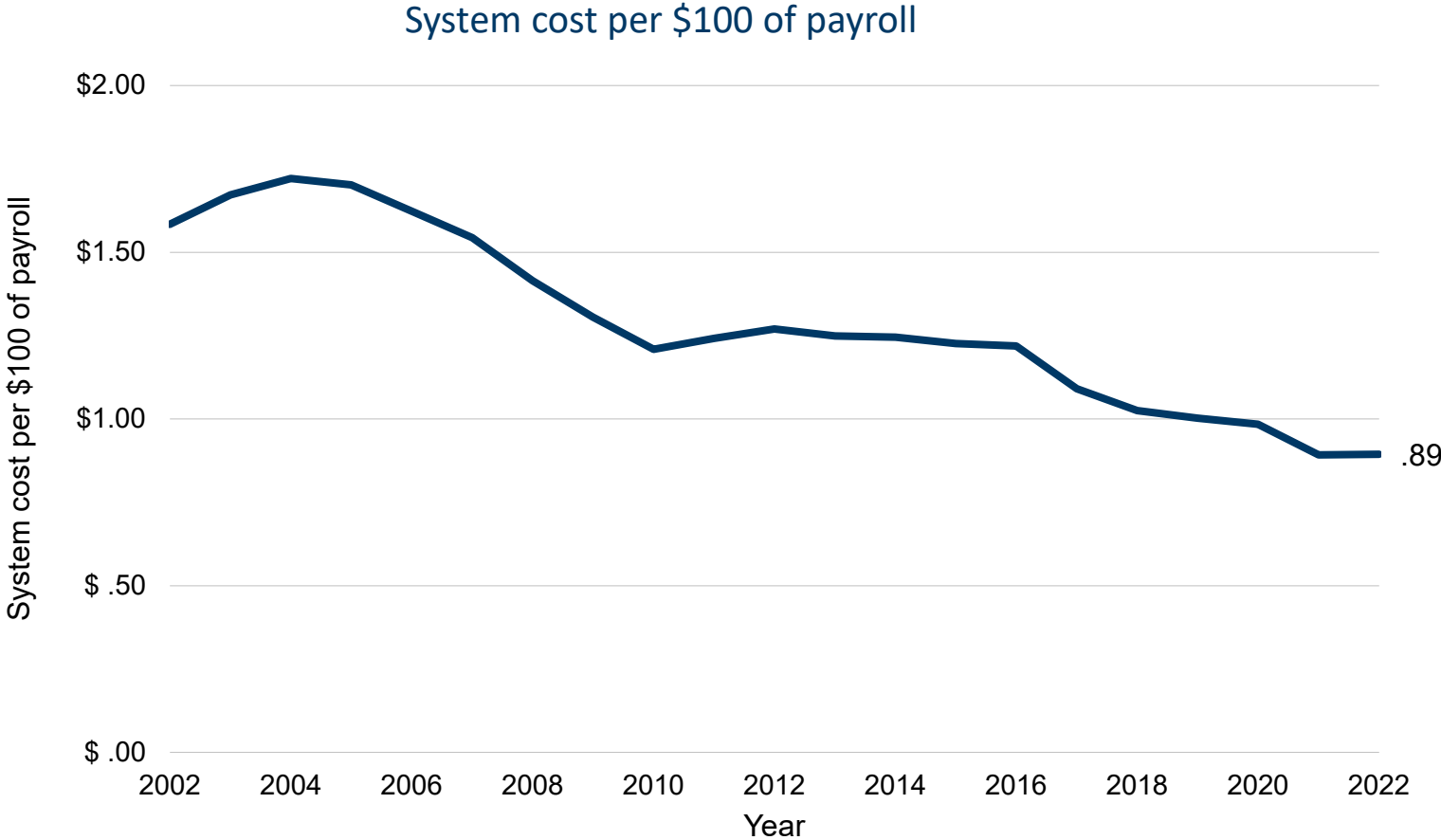
# Decreasing claim rates; large COVID-19 effect in 2020-2022



COVID-19 affected 2020-2022 claim rates:

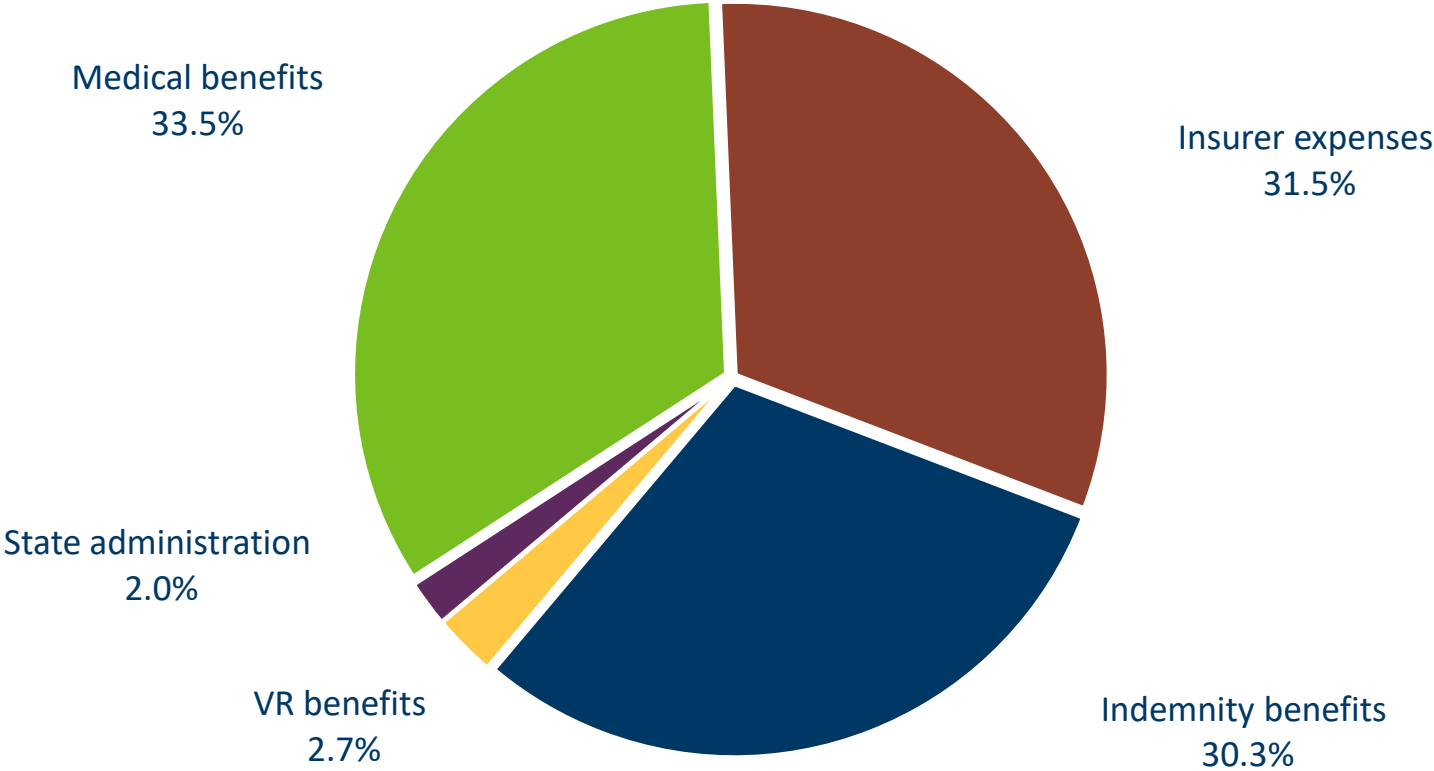
- 33% decrease in indemnity claim rate from 2002 to 2019:
  - 44% increase from 2019 to 2022 due to influx of COVID-19 claims. Majority of COVID-19 claims were for indemnity benefits.
- 42% decrease in medical-only claim rate from 2002 to 2019 and 24% decrease from 2019 to 2022; and
- 45% decrease in total claim rate from 2002 to 2022.

# 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)

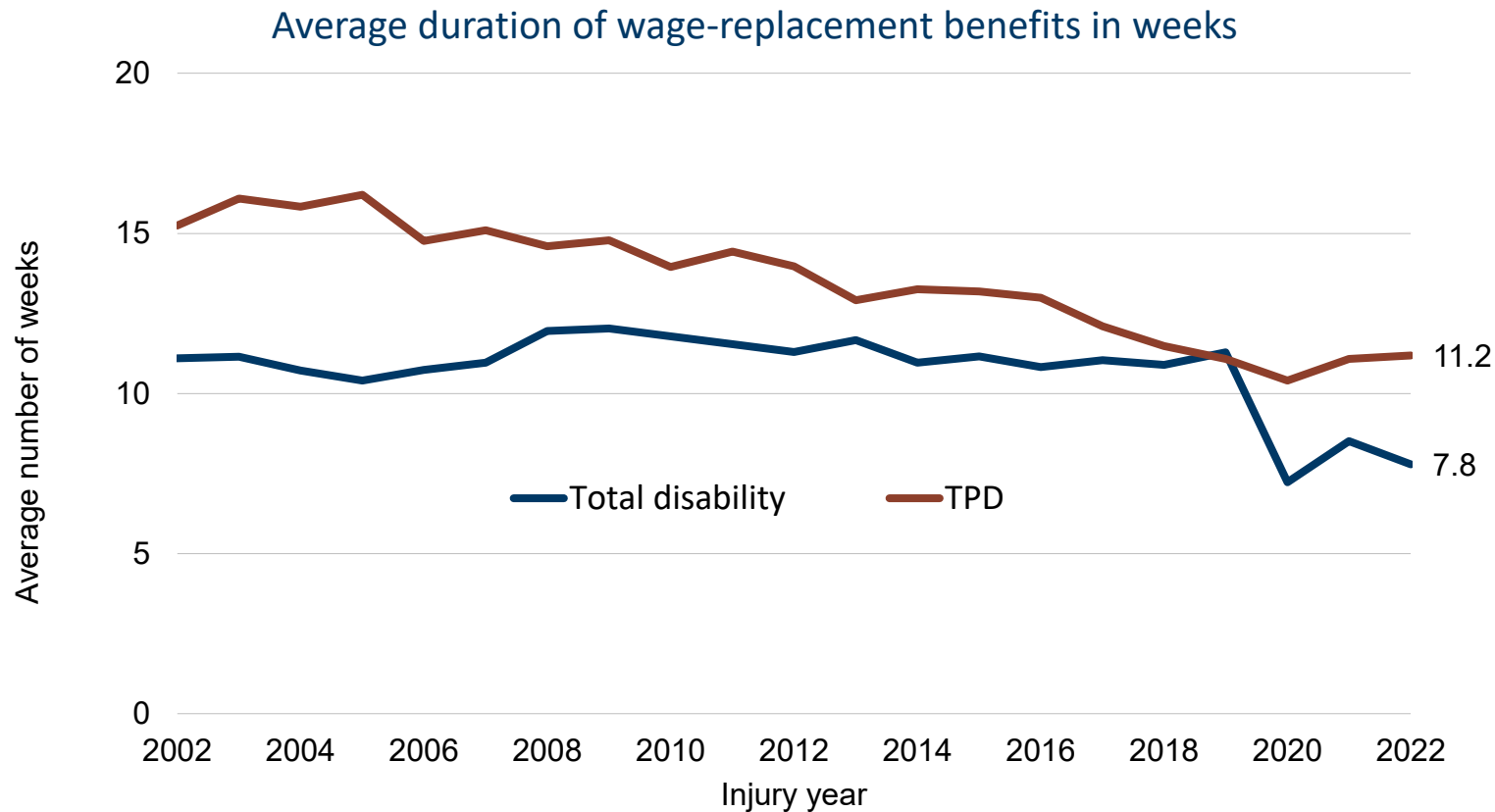


- Compared to 2019:
  - share of medical benefits was down from 35%;
  - share of indemnity benefits was up from 29%;
  - share of insurer expenses was up from 30%; and
  - share of vocational rehabilitation benefits was down from 2.8%.
- Total benefit payments accounted for 67% of total system cost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



# Claims and benefits in detail

# Average duration workers received temporary total disability benefits increased for non-COVID-19 claims in 2022



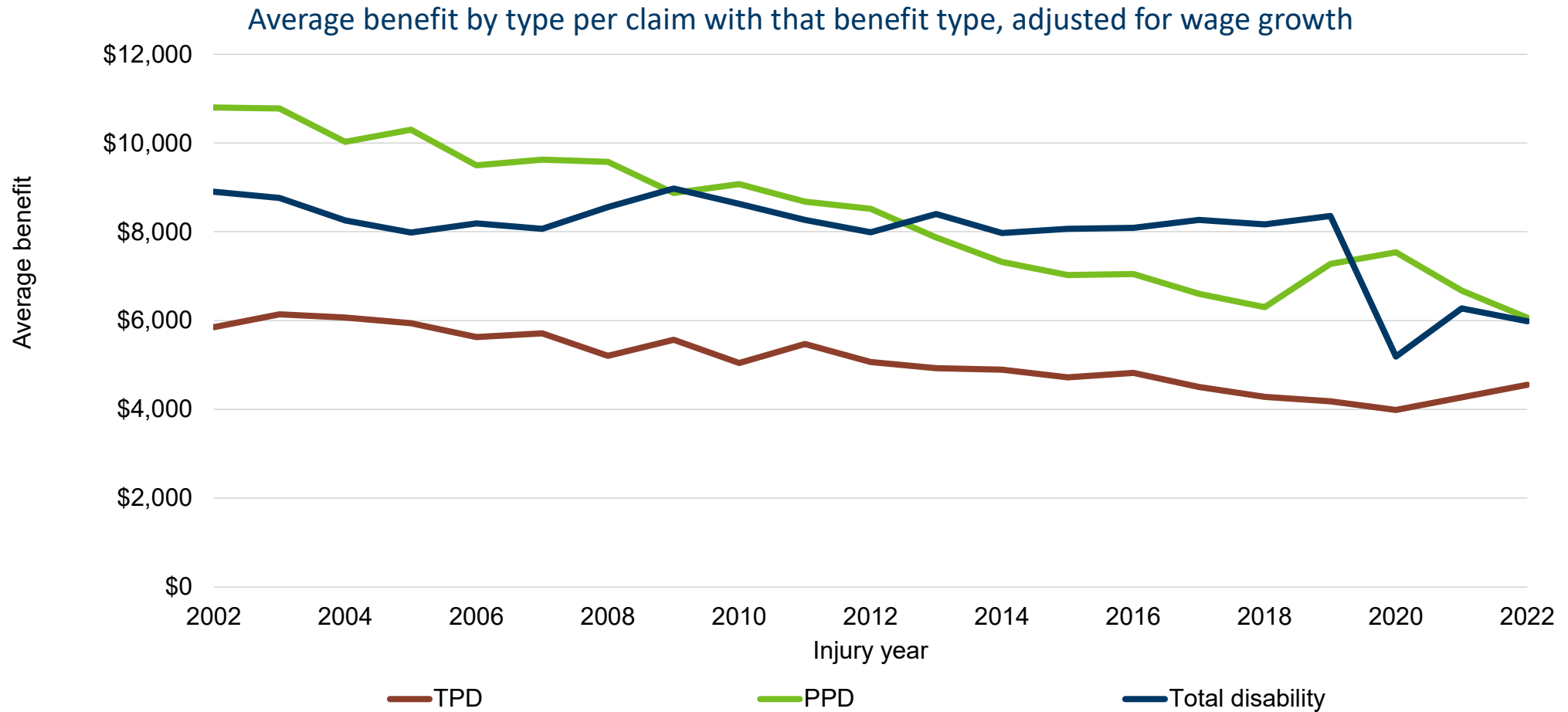
## Total disability benefits:

- In 2022, 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 (TPD) benefits:

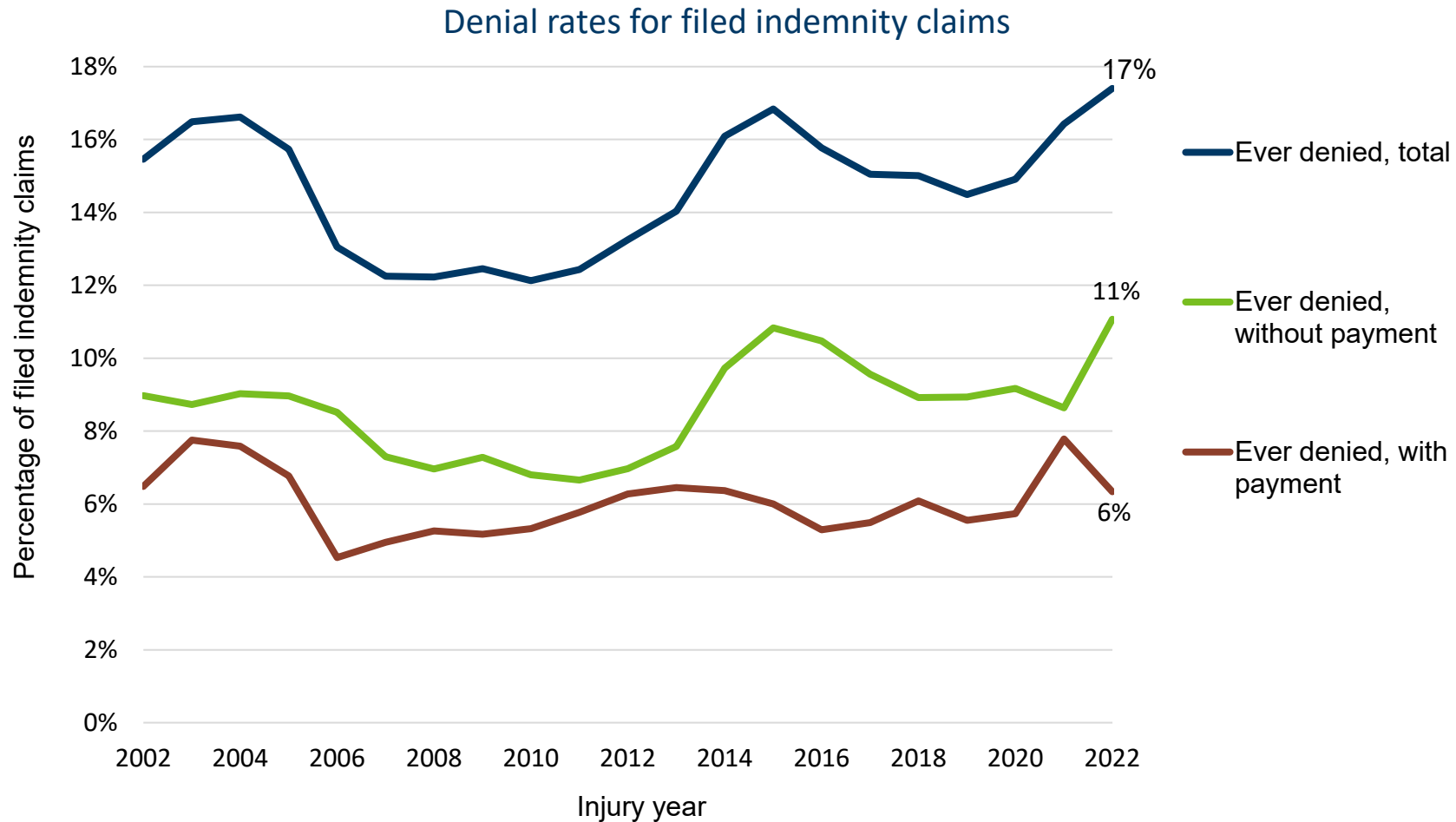
- In 2022, average duration for non-COVID-19 claims was 11.5 weeks--nearly four weeks lower than 2002:
  - when COVID-19 claims were included, average duration for TPD claims was 11.2 weeks.

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



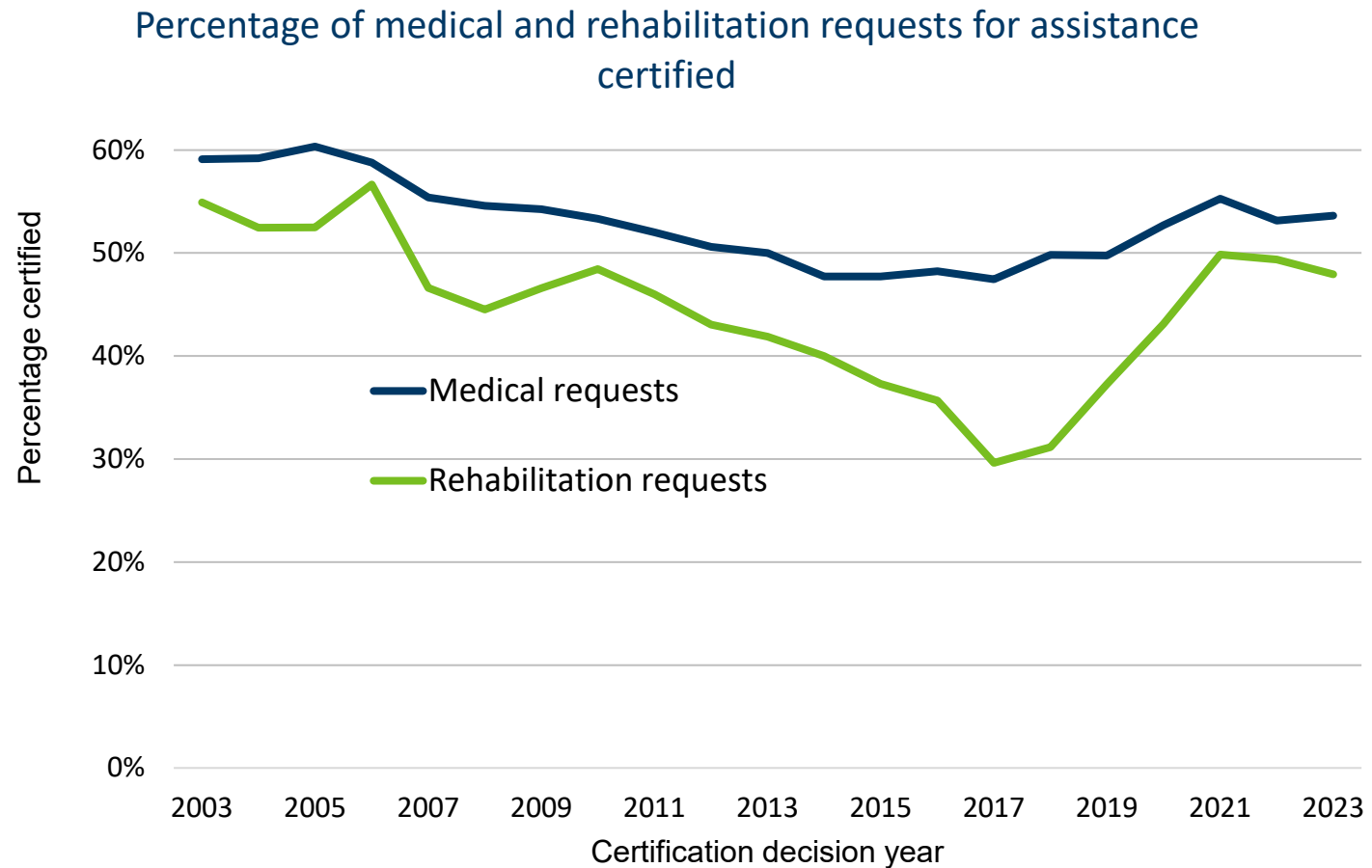
# Disputes

# COVID-19 claims affected the 2020-2022 denial statistics



- COVID-19 claims appear to have affected the denial rates from 2020 through 2022.
- The denial rate for COVID-19 claims was 38%, significantly higher than the 17% rate for non-COVID-19 claims in 2022.
- Only 3.5% of the COVID-19 claims with a denial had an indemnity benefit payment, compared with 36% among 2022 non-COVID-19 claims with a denial.

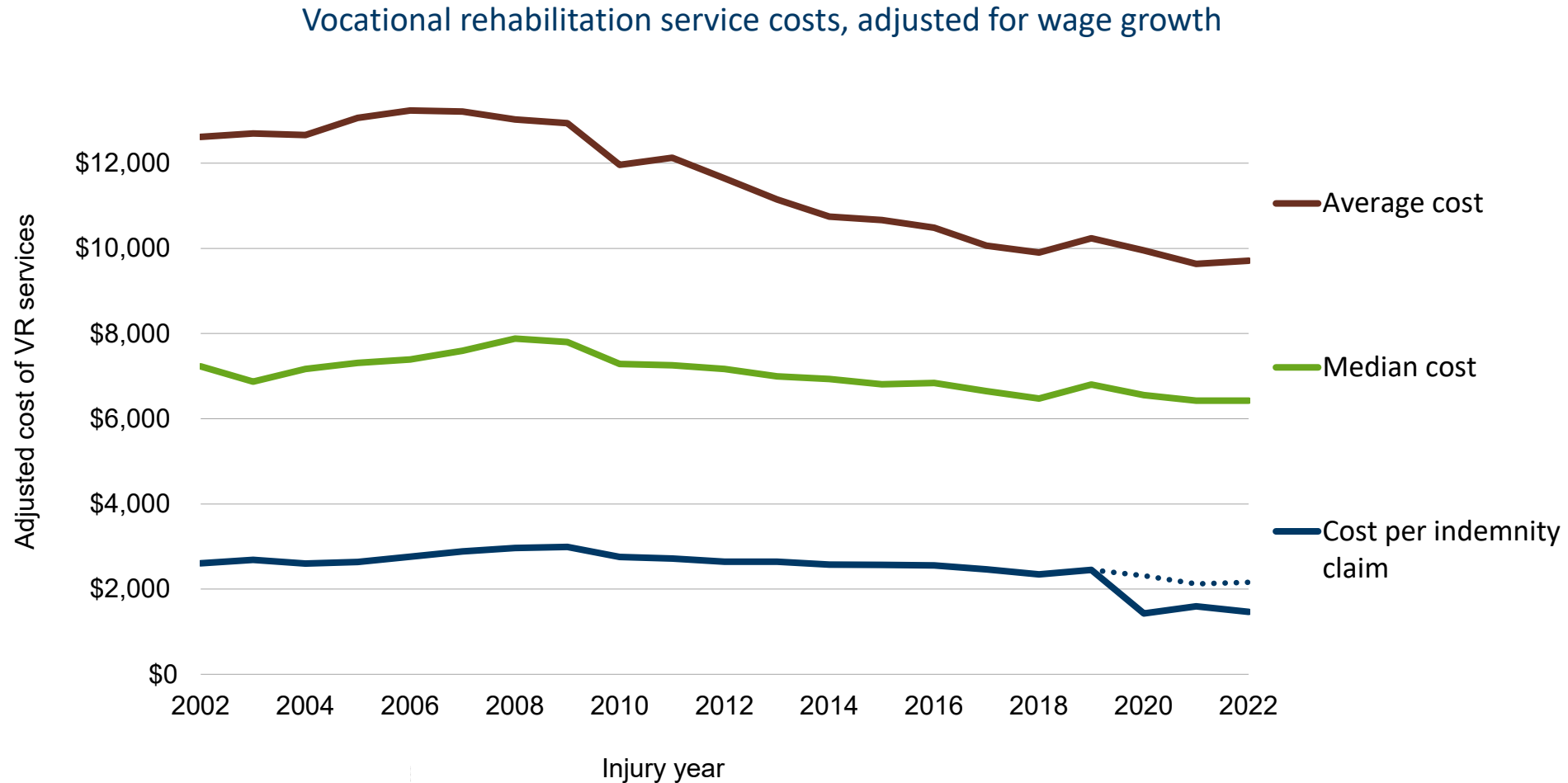
# Percentage of medical and rehabilitation requests for assistance certified



- The percentage of medical and rehabilitation requests that are certified as disputes followed a downward trajectory prior to 2017 but has been increasing since then:
  - % of medical request for assistance increased from 47% in 2017 to 54% in 2023;
  - % of rehabilitation request for assistance increased from 30% in 2017 to 48% in 2023; and
  - 70% of medical requests not certified were resolved by ADR in 2023.

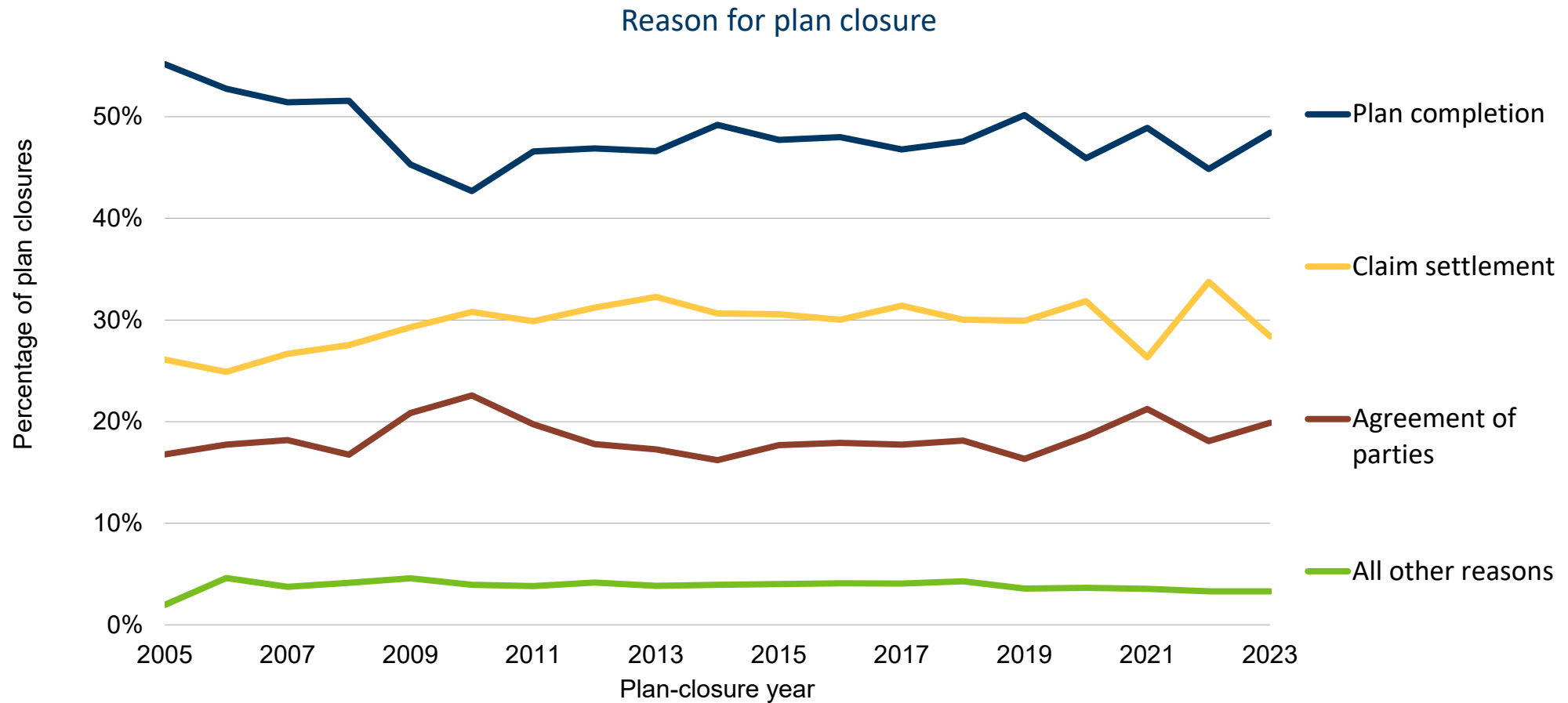
# Vocational rehabilitation (VR)

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

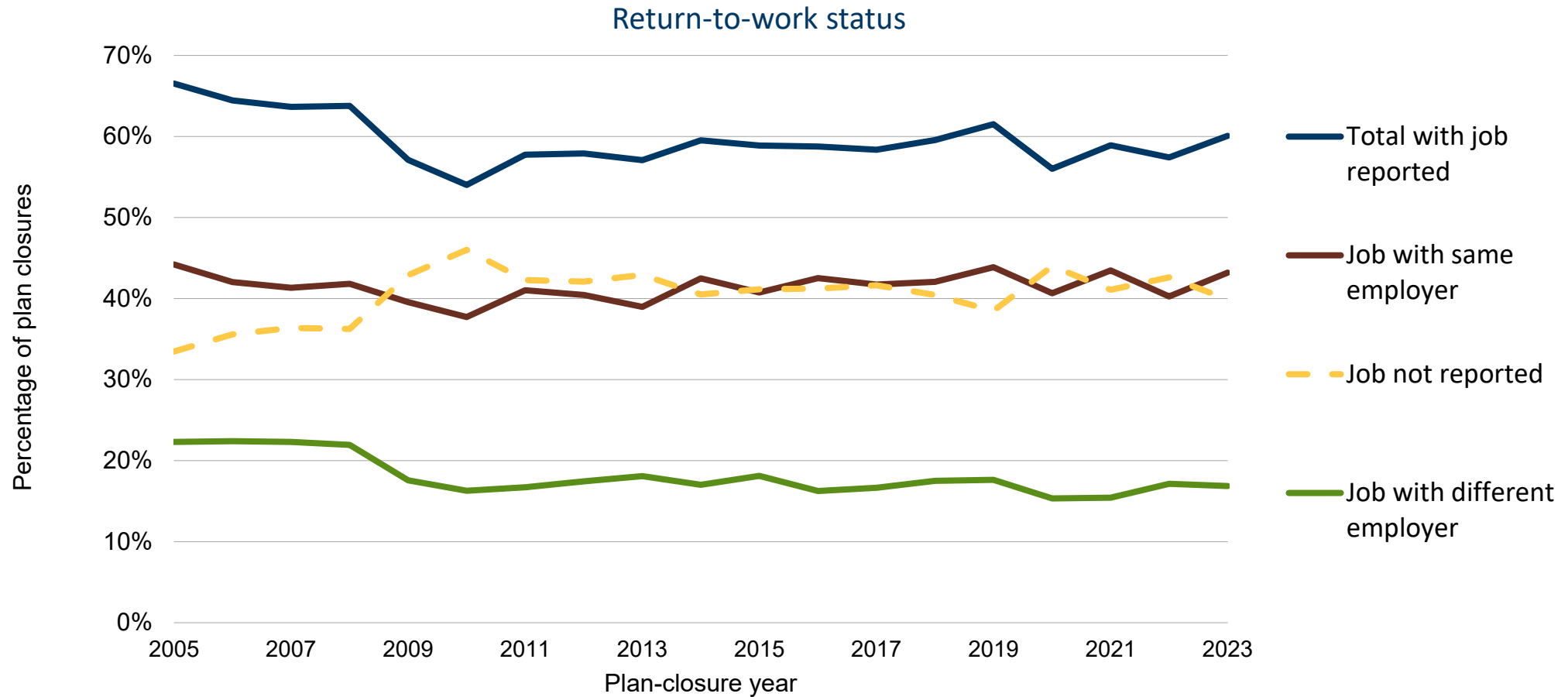




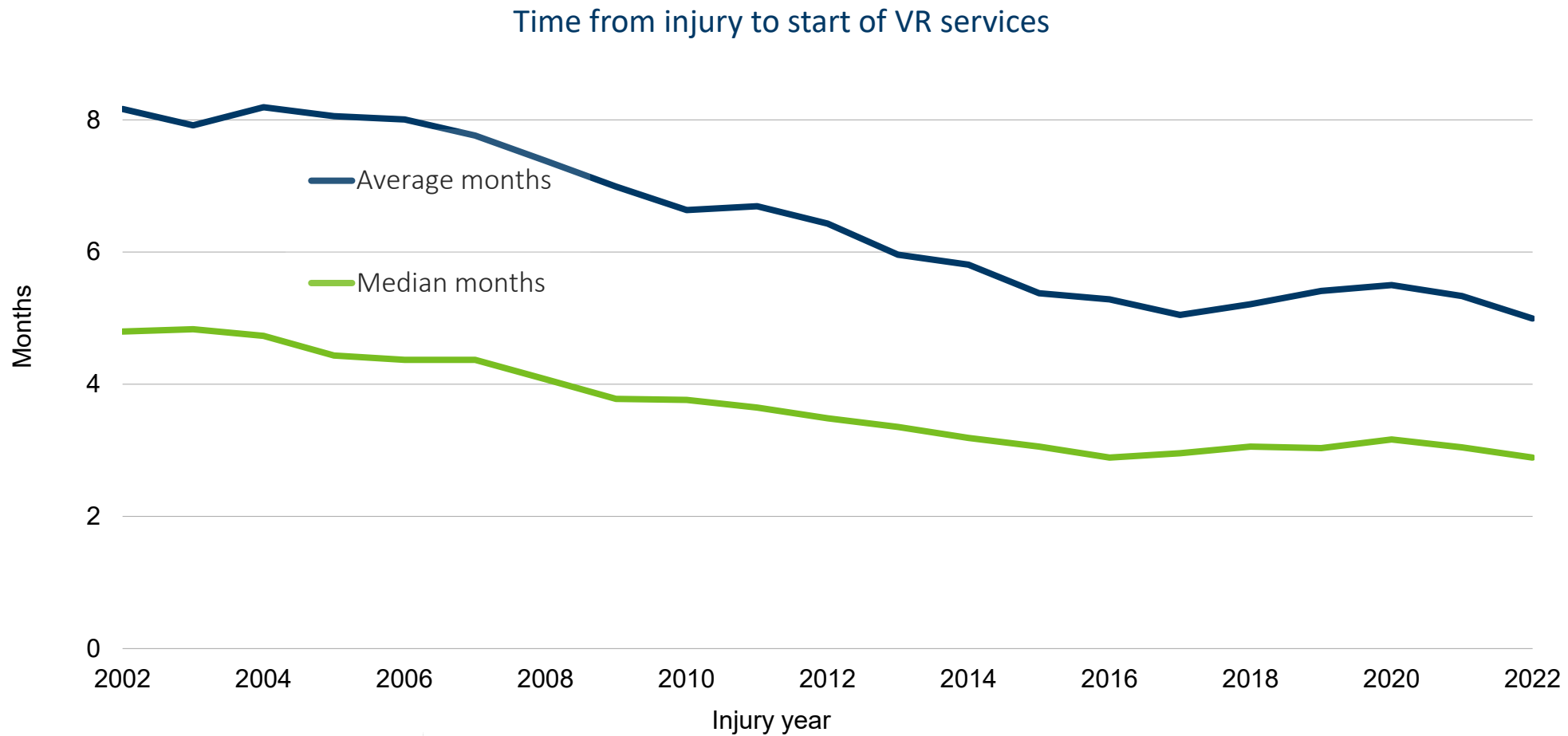
# Settlement closures decreased while agreement closures increased in 2023



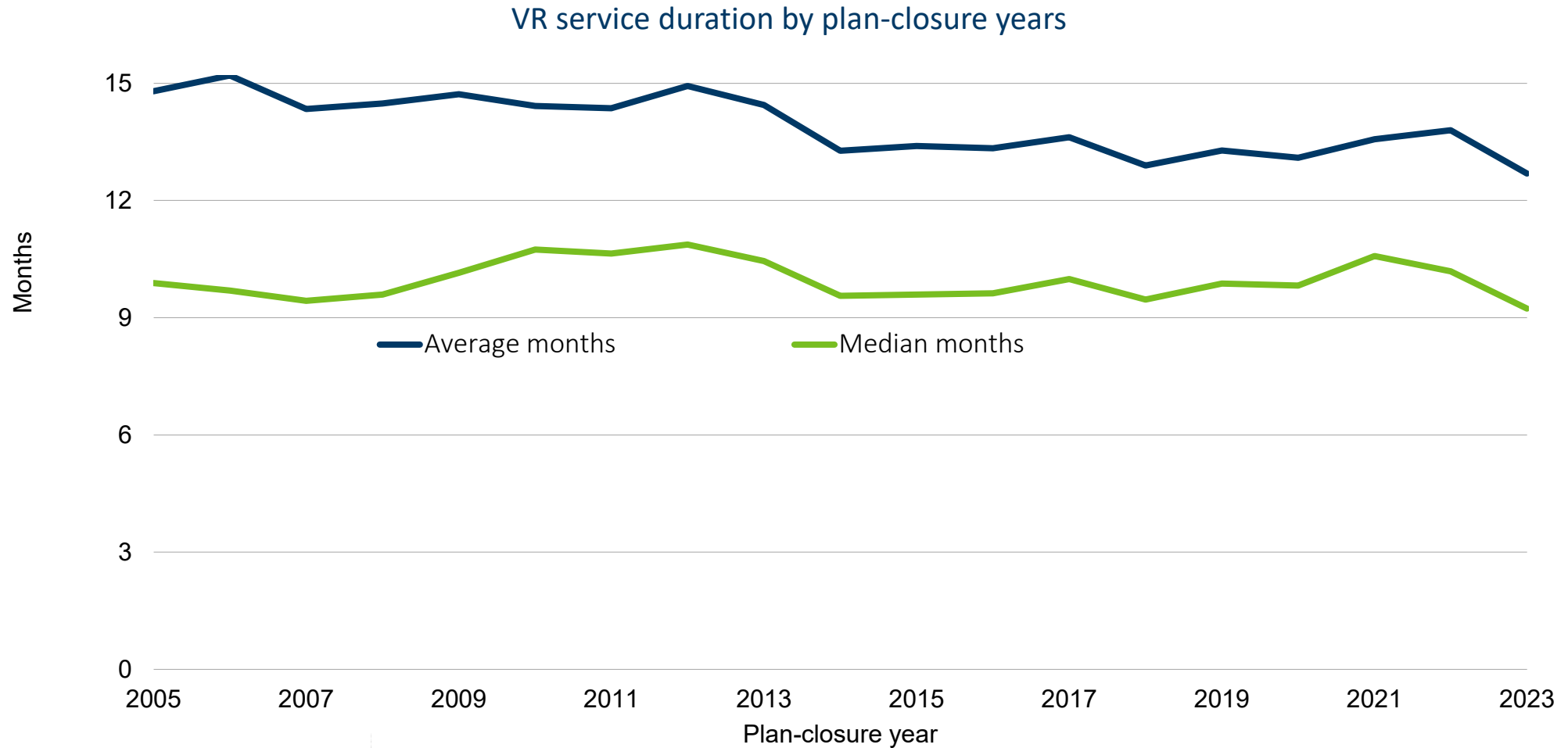
# 60% of VR participants back work in 2023, 3% increase from 2022



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



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



# Thank you

Hared Mah  
[hared.mah@state.mn.us](mailto:hared.mah@state.mn.us)