

Insights From DLI Workers' Compensation System Report 2025

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Research and Data Analytics

Topics

- **Workers' Compensation System Report 2025**
 - 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 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
- 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

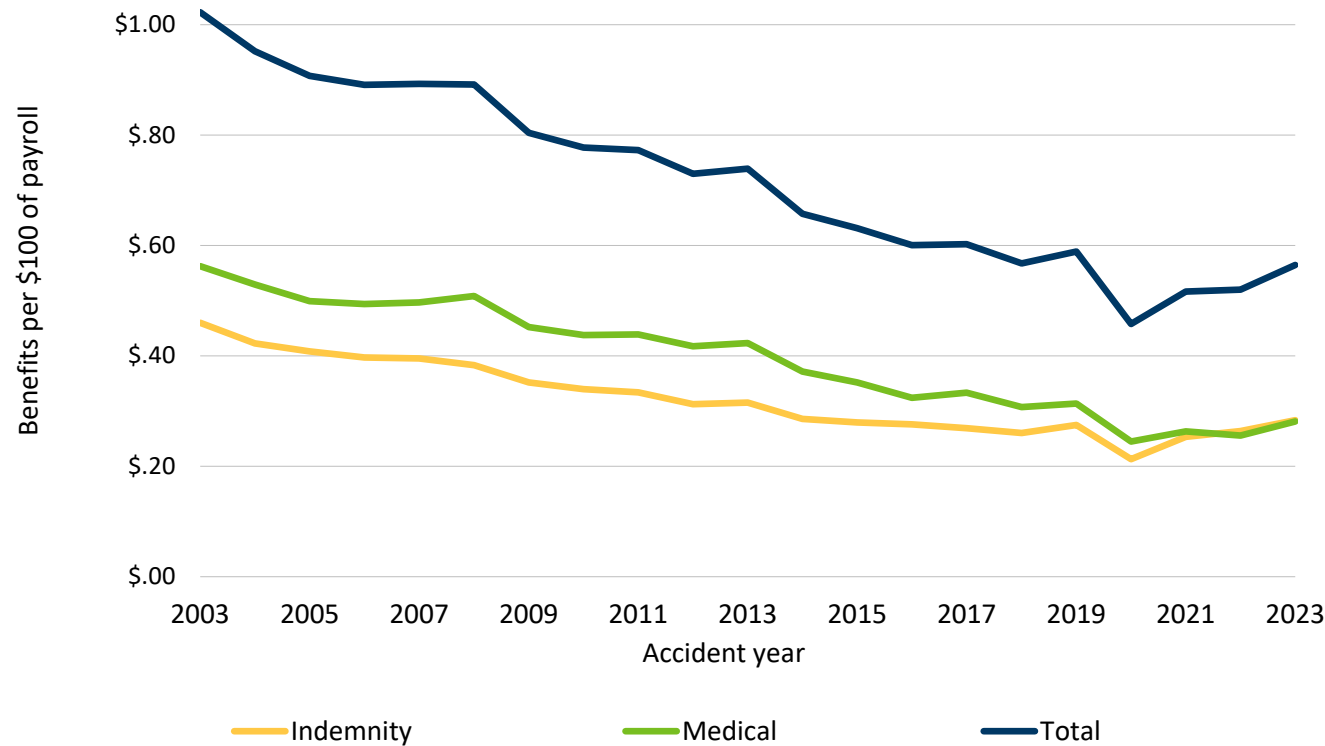
“Developed statistics”

- 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. The impact of COVID-19 on 2023 claims were minimal.
 - 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

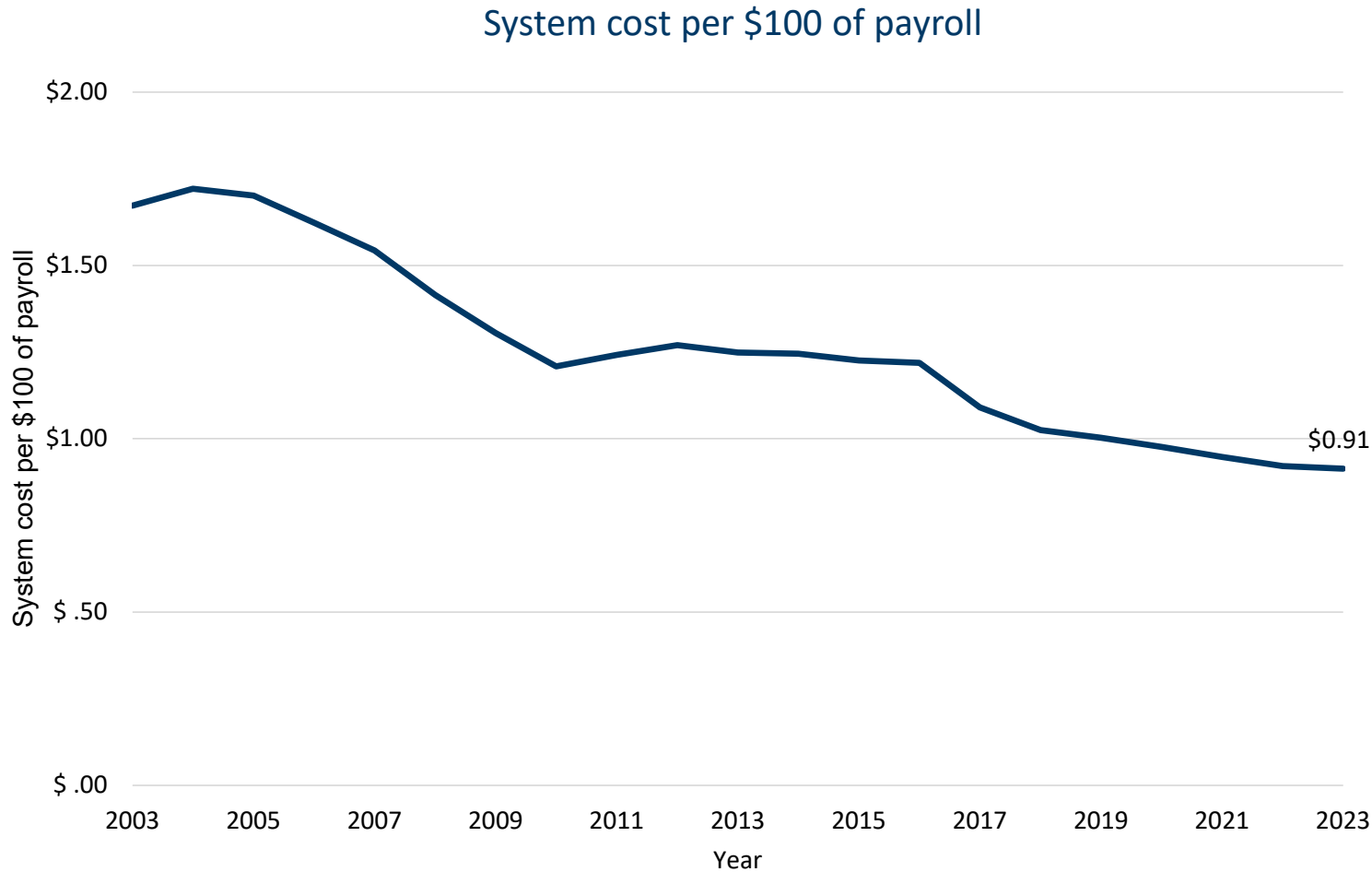
Indemnity and medical benefits continued to decrease over the last 20 years with some minor fluctuations

Benefits per \$100 of payroll in the voluntary market



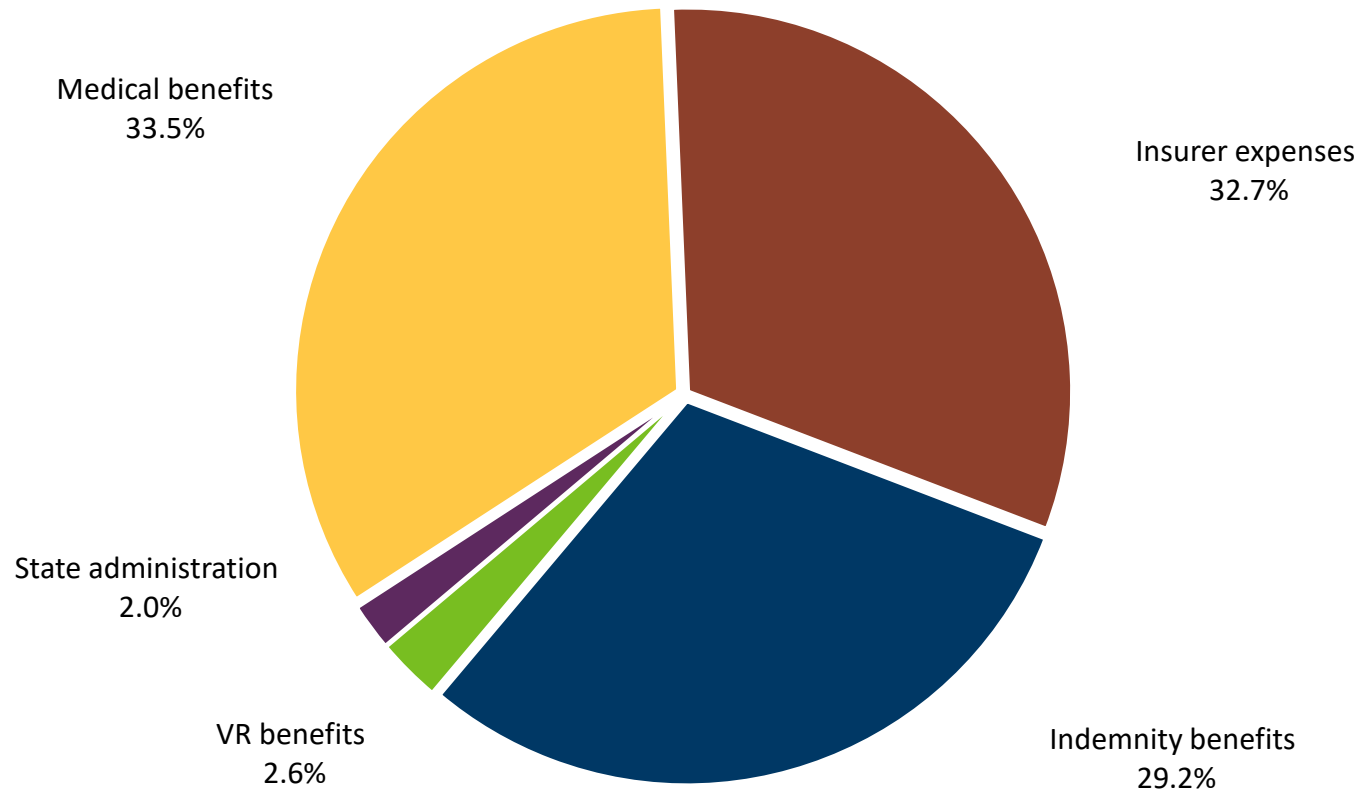
- In 2023 as compared to 2003, relative to payroll:
 - Indemnity benefits were 38% lower
 - Medical benefits were 50% lower
 - Total benefits were 45% lower

Long-term downward trend in system cost relative to payroll



- In 2023, total system cost was an estimated \$1.80 billion, or \$0.91 per \$100 of payroll.
- Long-term downward trend in system cost relative to payroll, amid some fluctuations:
 - 26% decrease from 2003 to 2023 between two comparable cycles

Medical benefits are the largest expense (2023 values)

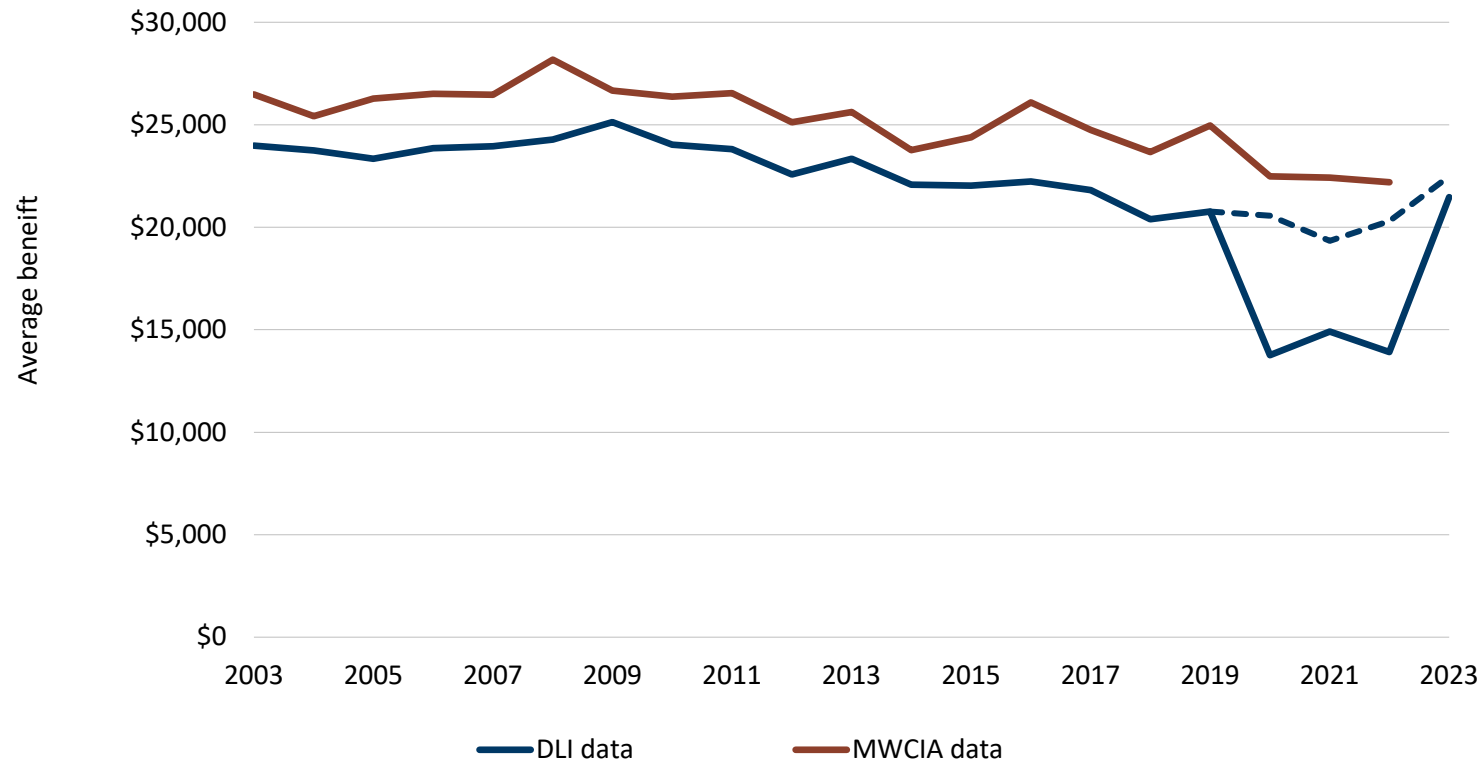


- **Compared to 2019:**
 - Share of medical benefits was down from 35%.
 - Share of insurer expenses was up from 30%.
 - Share of vocational rehabilitation benefits was down from 2.7%.
- Total benefit payments accounted for 65% of total system cost in 2023.

Claims and benefits in detail

Increasing average indemnity benefits since 2021 driven by several factors

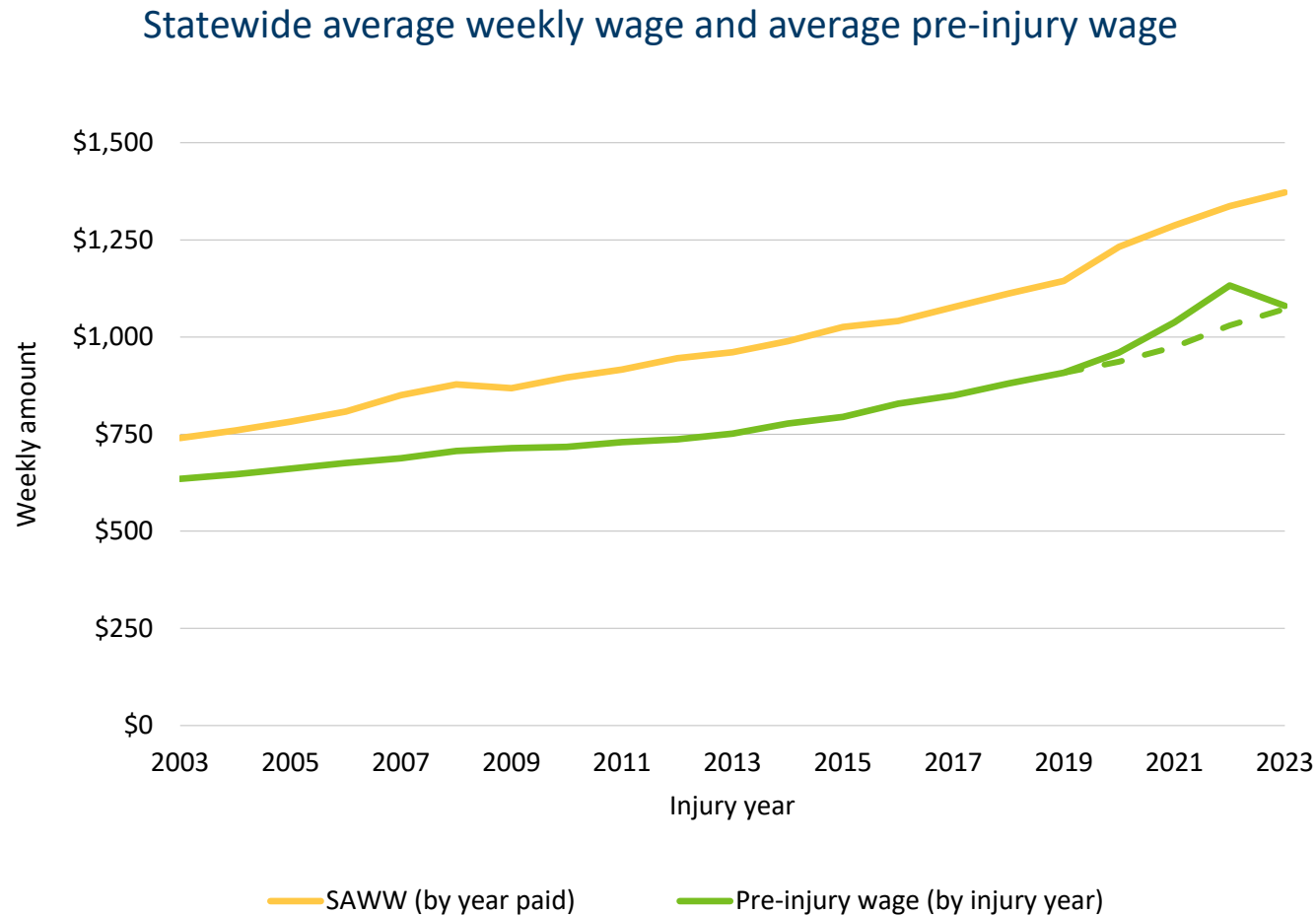
Average indemnity benefits per paid indemnity claim, adjusted for wage growth



For non-COVID-19 claims:

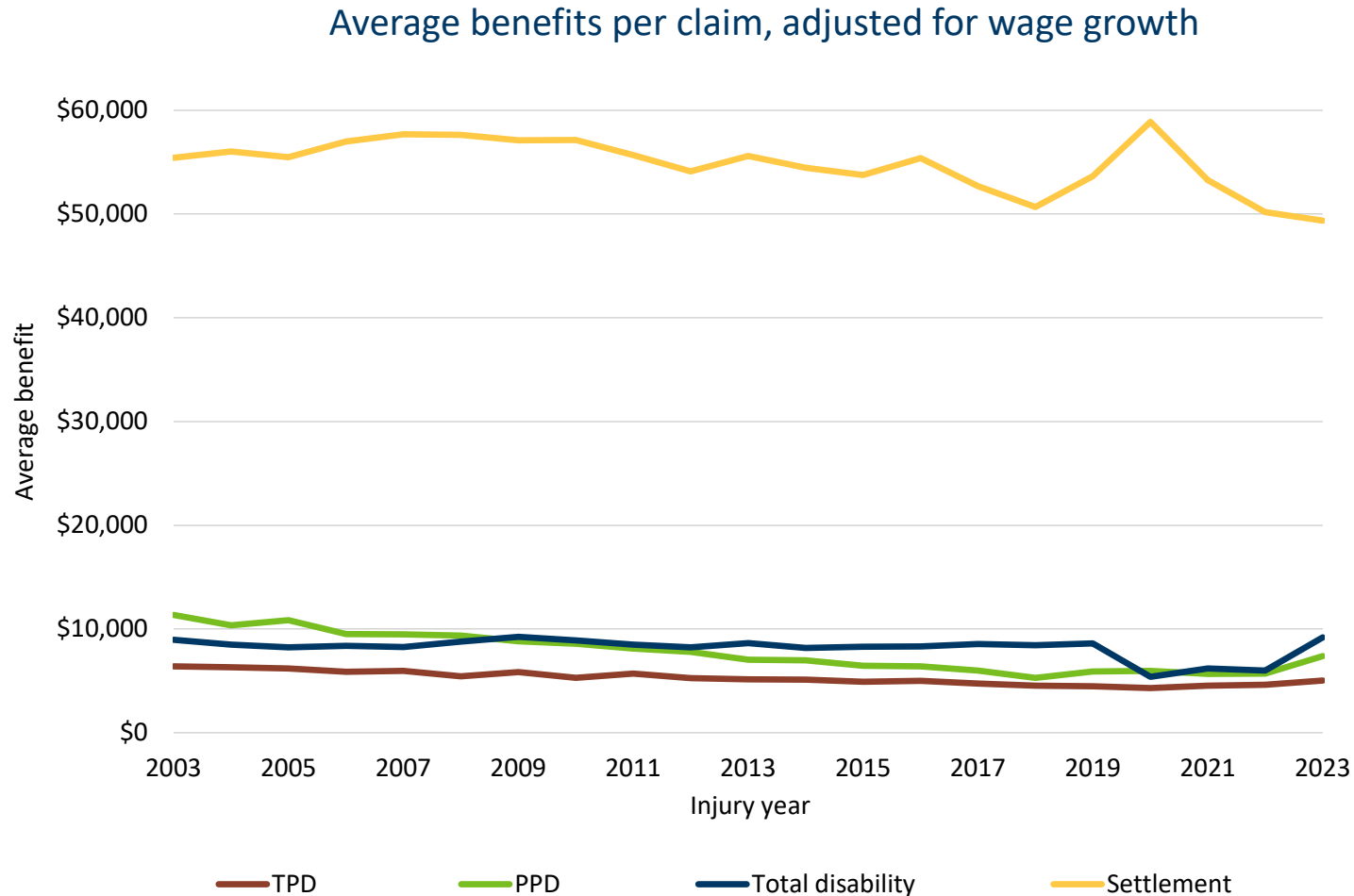
- Average indemnity benefits increased 11% from 2022 to 2023 (dotted line).
- Longer TTD duration and labor market conditions contribute to increased average indemnity benefits in recent years.
- Average indemnity benefits from MWCIA data include vocational rehabilitation benefits, while DLI data does not.

APIW grew faster than the SAWW in recent years



- Average pre-injury wage (APIW) grew 25% from 2019 to 2022, while the SAWW grew 17% during the same period.
- From 2022 to 2023, the SAWW grew by 3%, while the APIW decreased by 5%.
- APIW is less than the SAWW because, on average, injured workers are concentrated at the lower wage sectors.

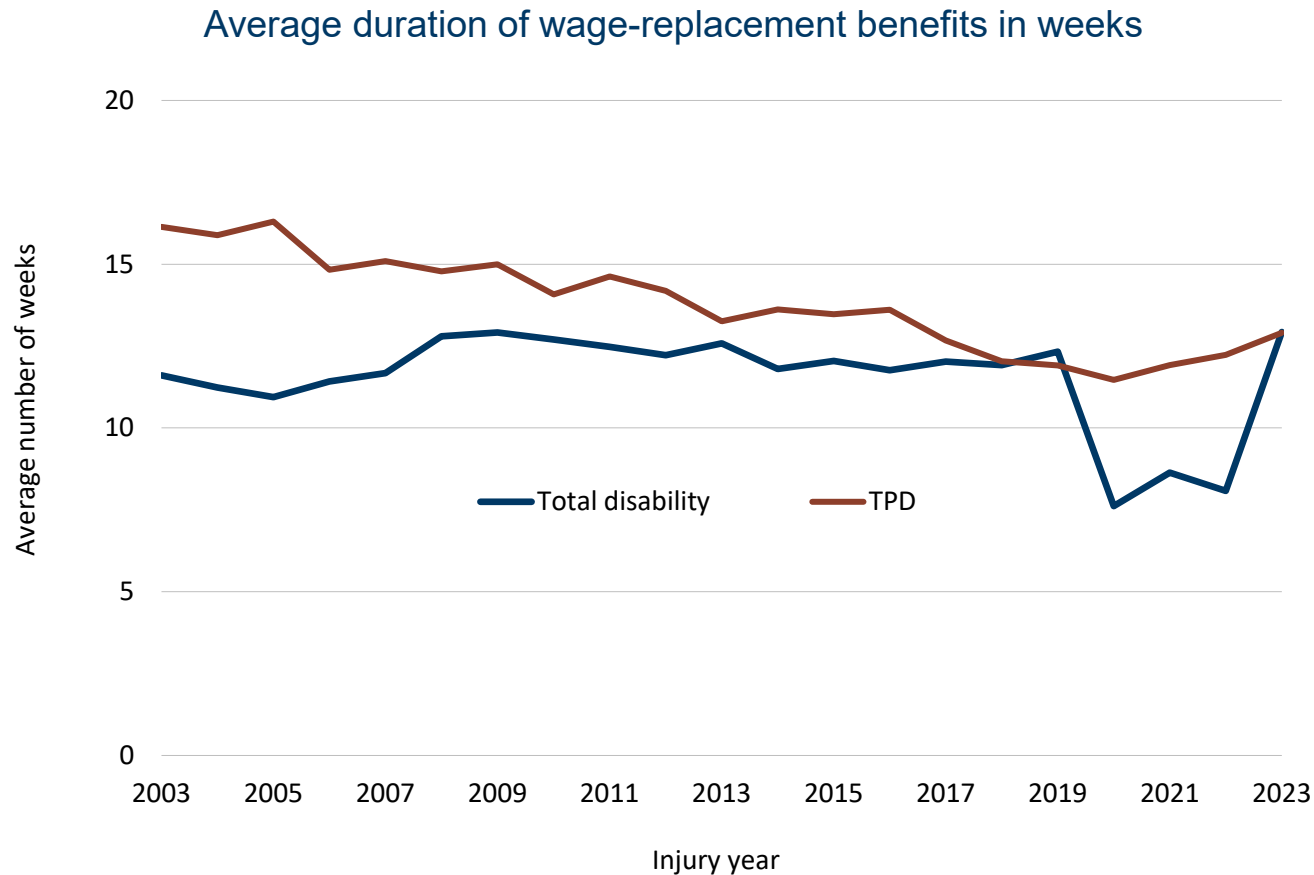
Average total disability benefits (adjusted for wage growth) affected by COVID-19 in 2020-2022



For non-COVID-19 claims:

- In 2023, average settlement was \$49,380 while average total disability and temp partial were \$9,670 and \$5,050.
 - Higher number of claims and average settlement per claim for police and public sector employees in 2020.
- Average total disability benefits increased 8% from 2022 to 2023.
- Average PPD benefits fell 34% from 2003 to 2023 but increased 25% from 2019 to 2023.
- The full impact of 2023 increase in PPD benefits will show up in future reports.

Average duration workers received TTD benefits increased for non-COVID-19 claims in 2023



Total disability benefits:

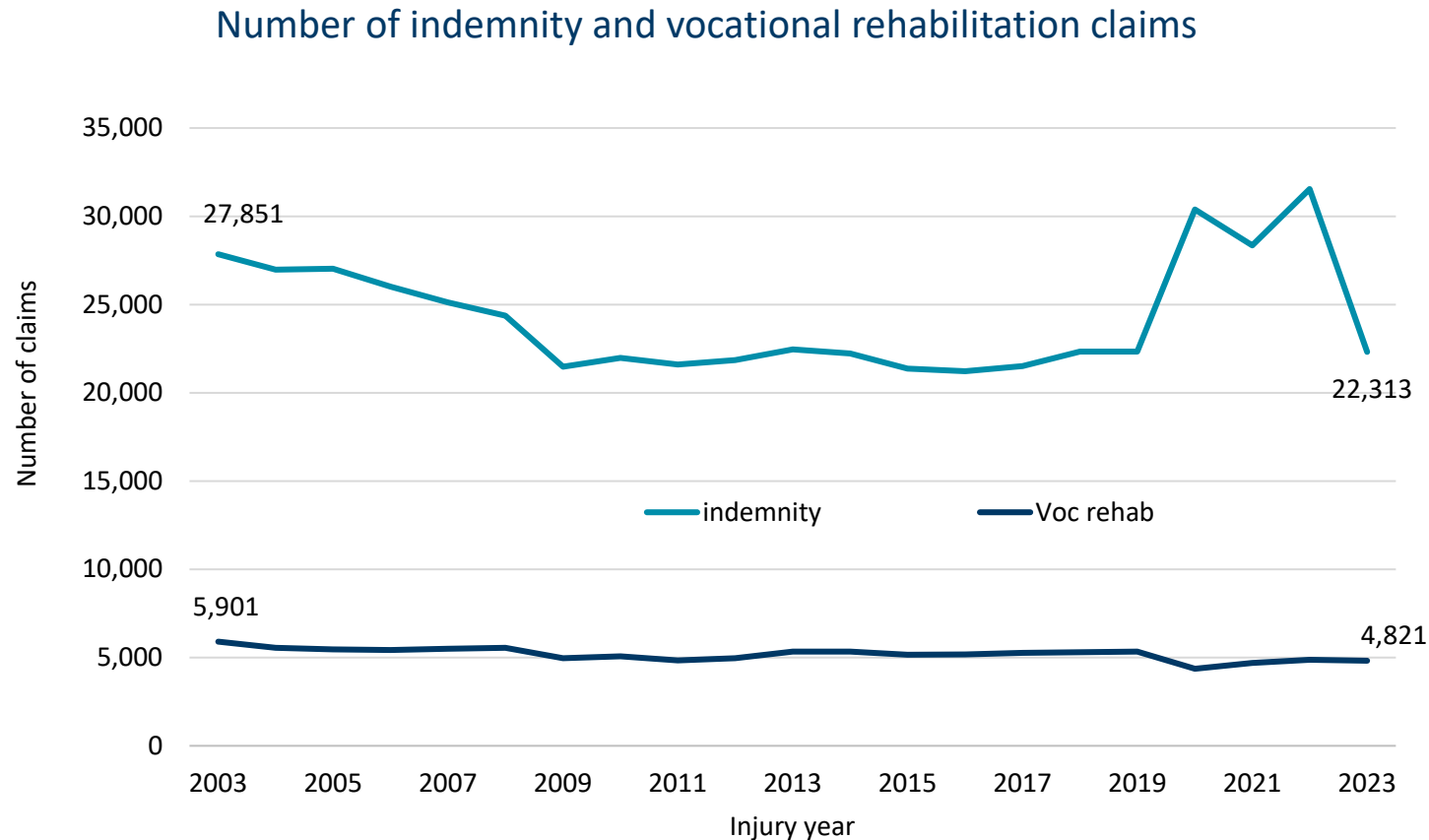
- In 2023, average duration for non-COVID-19 claims was 13.7 weeks--up from 11.6 weeks in 2003 and from 12.7 weeks in 2022.
 - When COVID-19 claims were included, total disability duration decreased 34% from 2019 to 2022.

Temporary partial disability benefits:

- In 2023, average duration for non-COVID-19 claims was 12.9 weeks—down from 16.1 weeks in 2003. COVID-19 did not impact TPD duration.

Vocational Rehabilitation

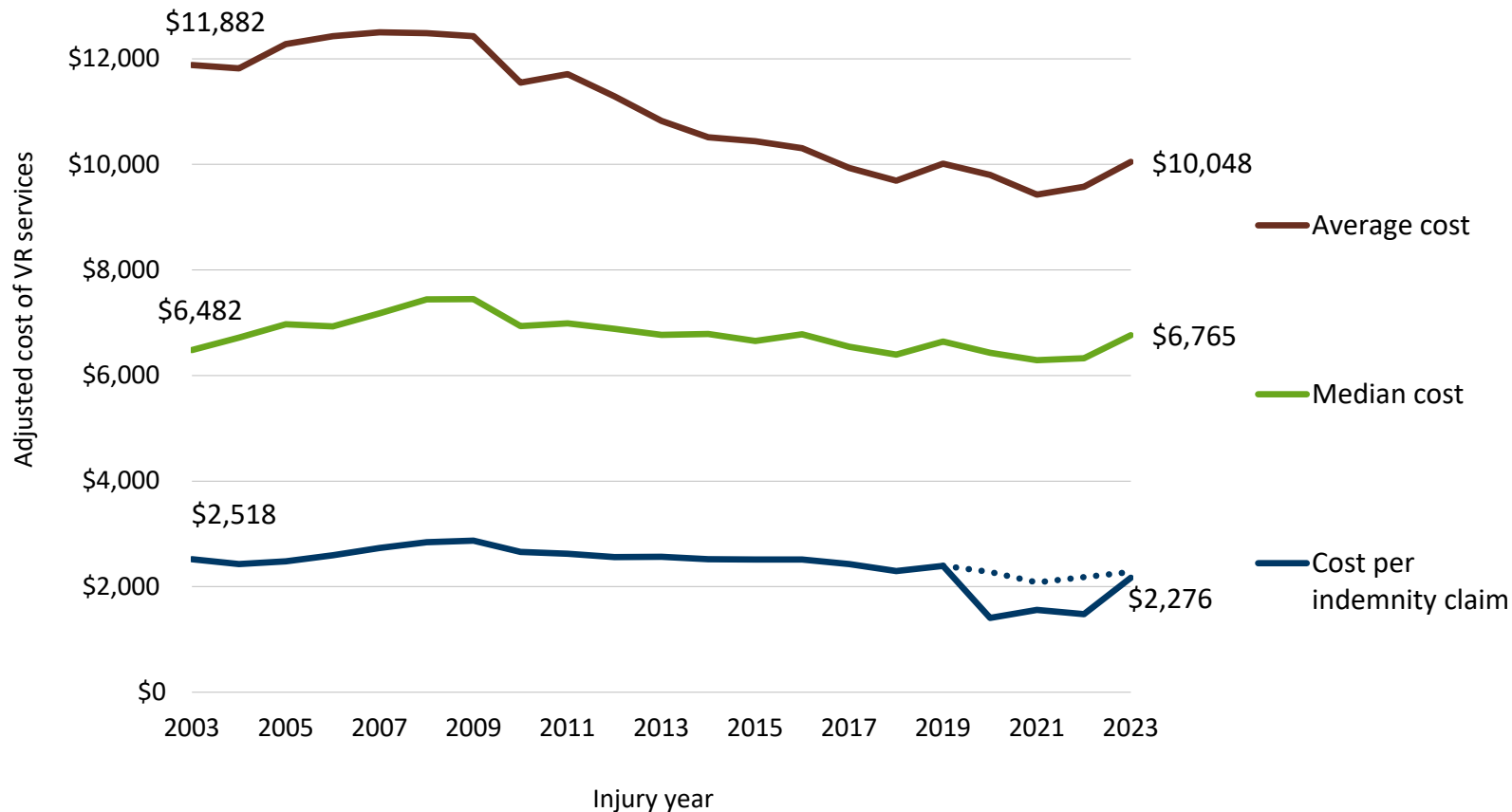
The number of workers entering voc rehab return closer to its pre-pandemic levels after a dip in 2020



- For 2023 injuries, 21.6% of all workers with indemnity benefits had voc rehab plans.
- Among non-COVID-19 claims, 22.7% of workers had voc rehab plans, similar to pre-pandemic percentages.

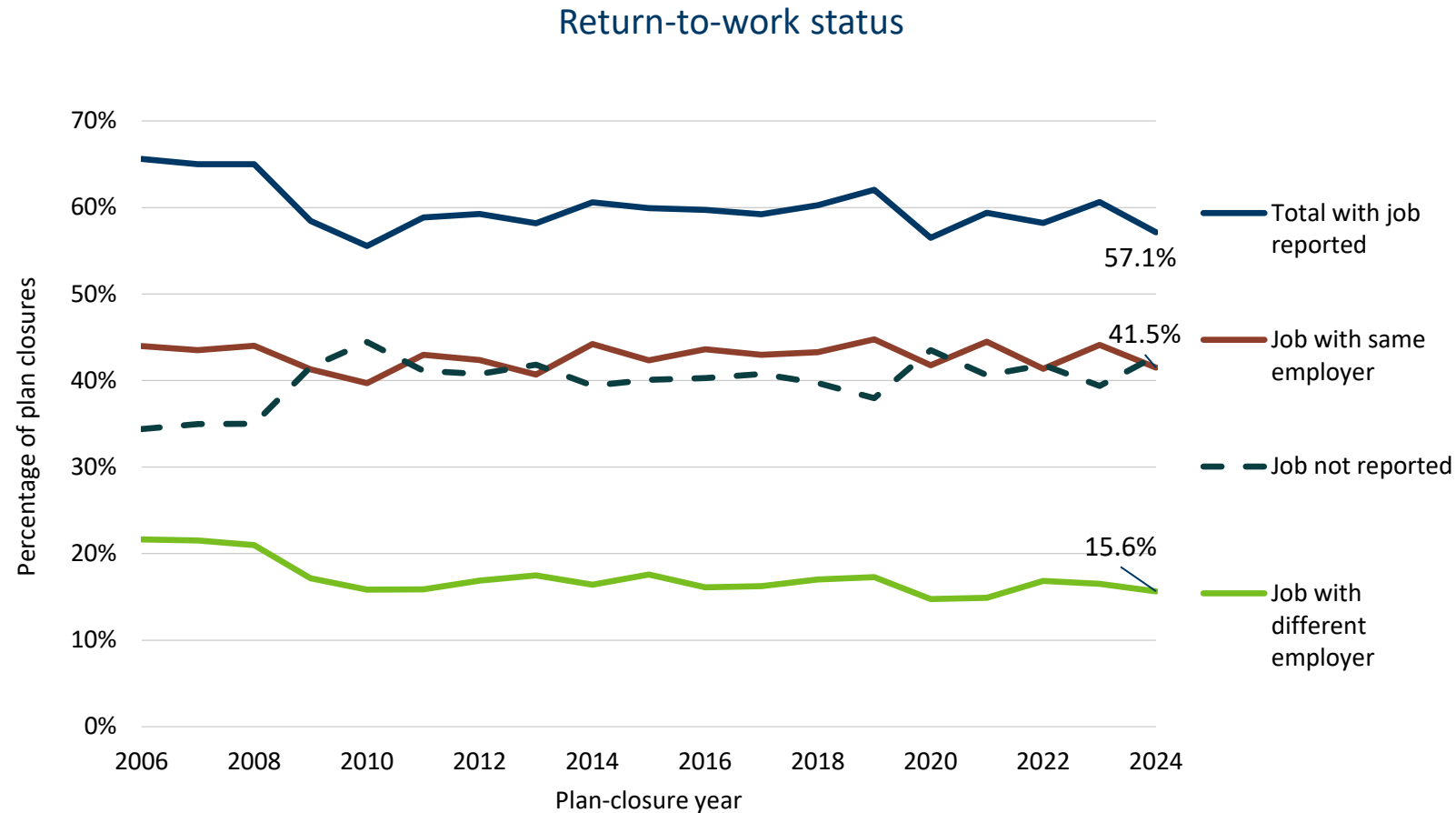
The adjusted average cost of \$10,050 for 2023 was 20% below the peak of \$12,500 in 2007

Vocational rehabilitation service costs, adjusted for wage growth



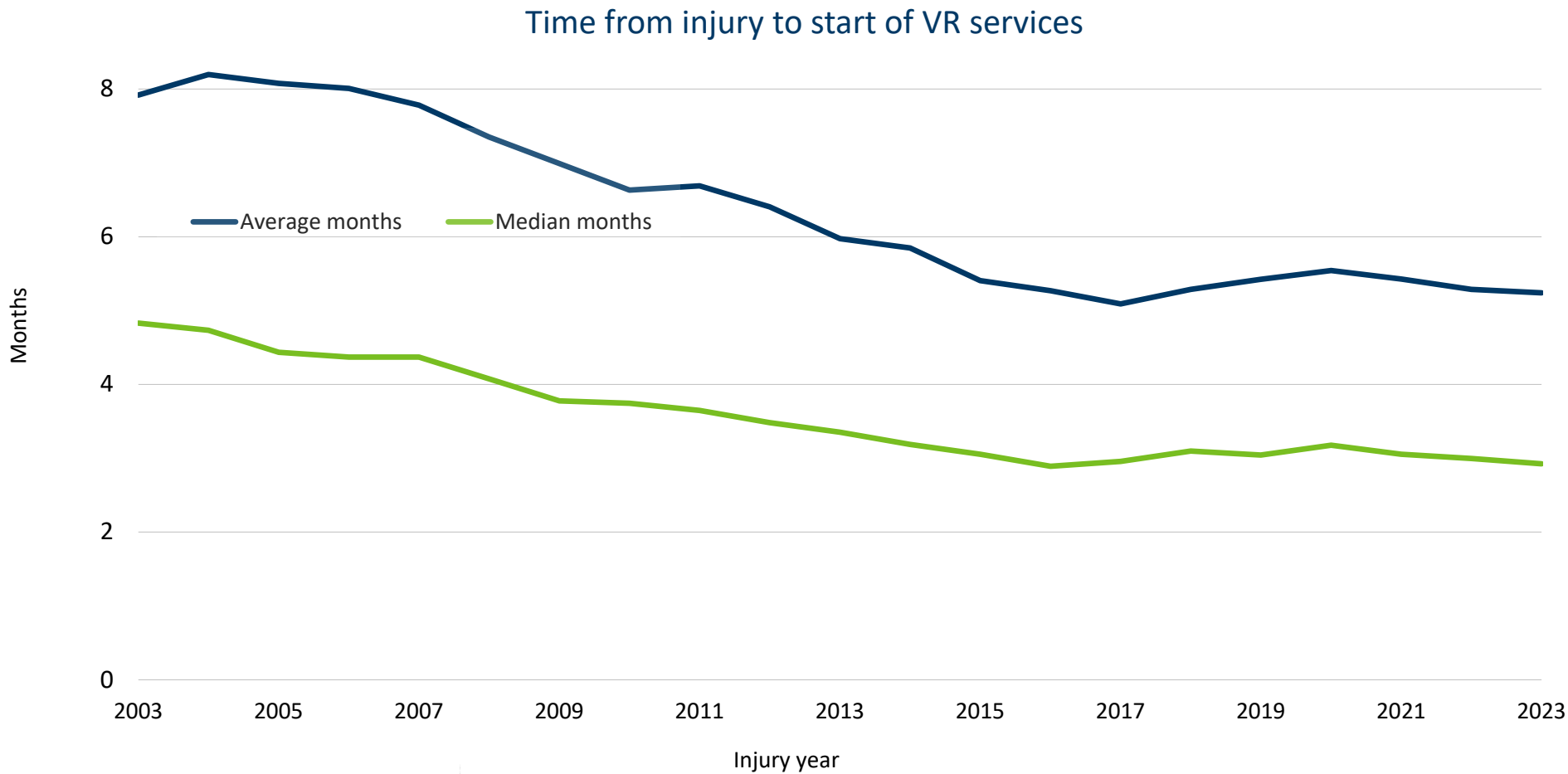
- The adjusted average cost for 2023 was 5% higher than 2022.
- The adjusted total cost of vocational rehabilitation services for injury-year 2023 is estimated at \$48.4 million, a 7% increase from 2022.
- The adjusted median cost of \$6,760 for 2023 was 7% higher than the 2021 adjusted average cost but the same as 2019.

57% of VR plans closing in 2024 showed participants back to work, 3% decrease from 2023

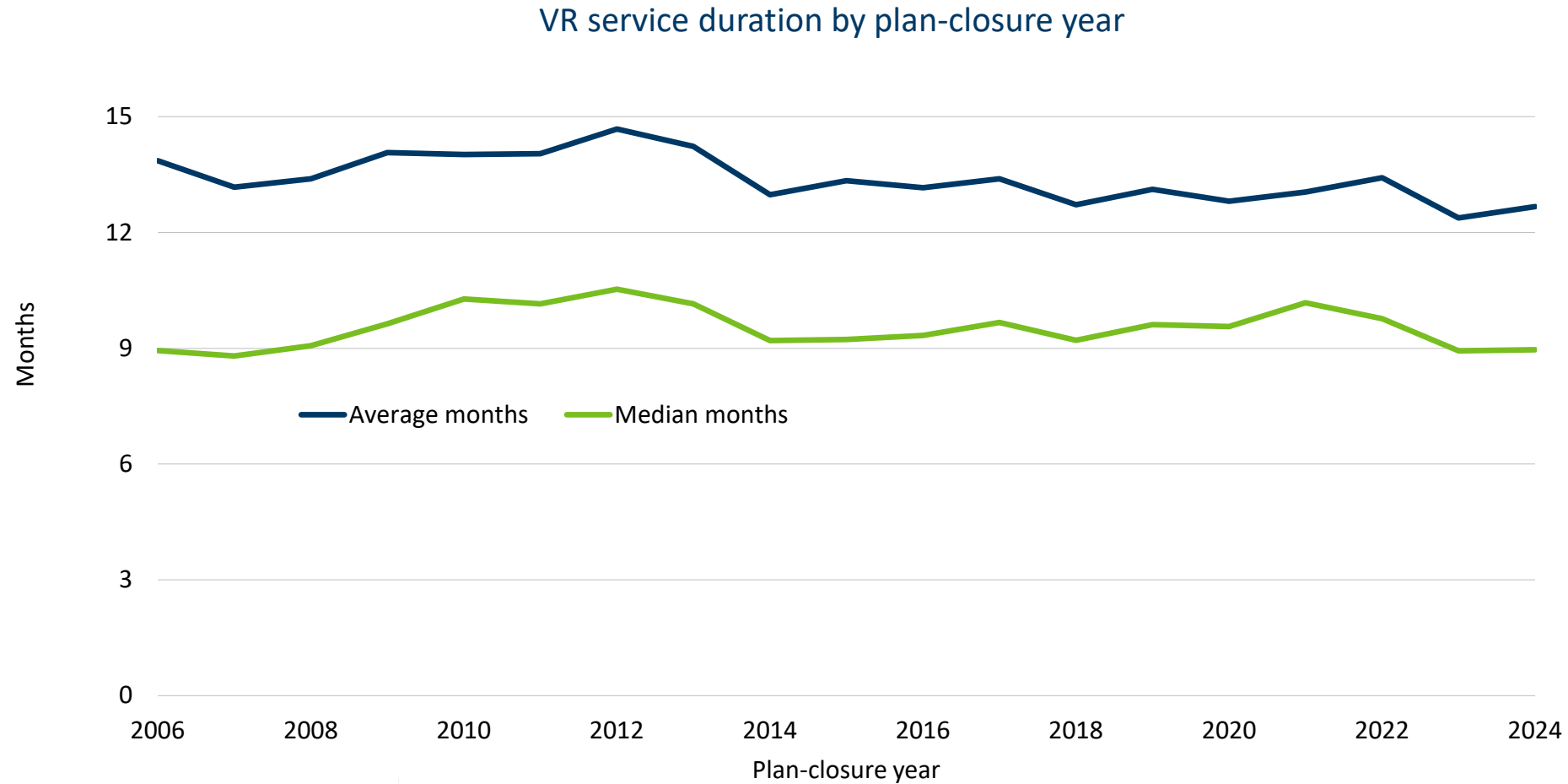


- The estimated percentage of vocational rehabilitation participants with a job at plan closure in 2024 was three percentage points lower than in 2023.
- A return to work was reported for 98% of workers with completed plans and for 26% of workers whose plans closed for any other reason.

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

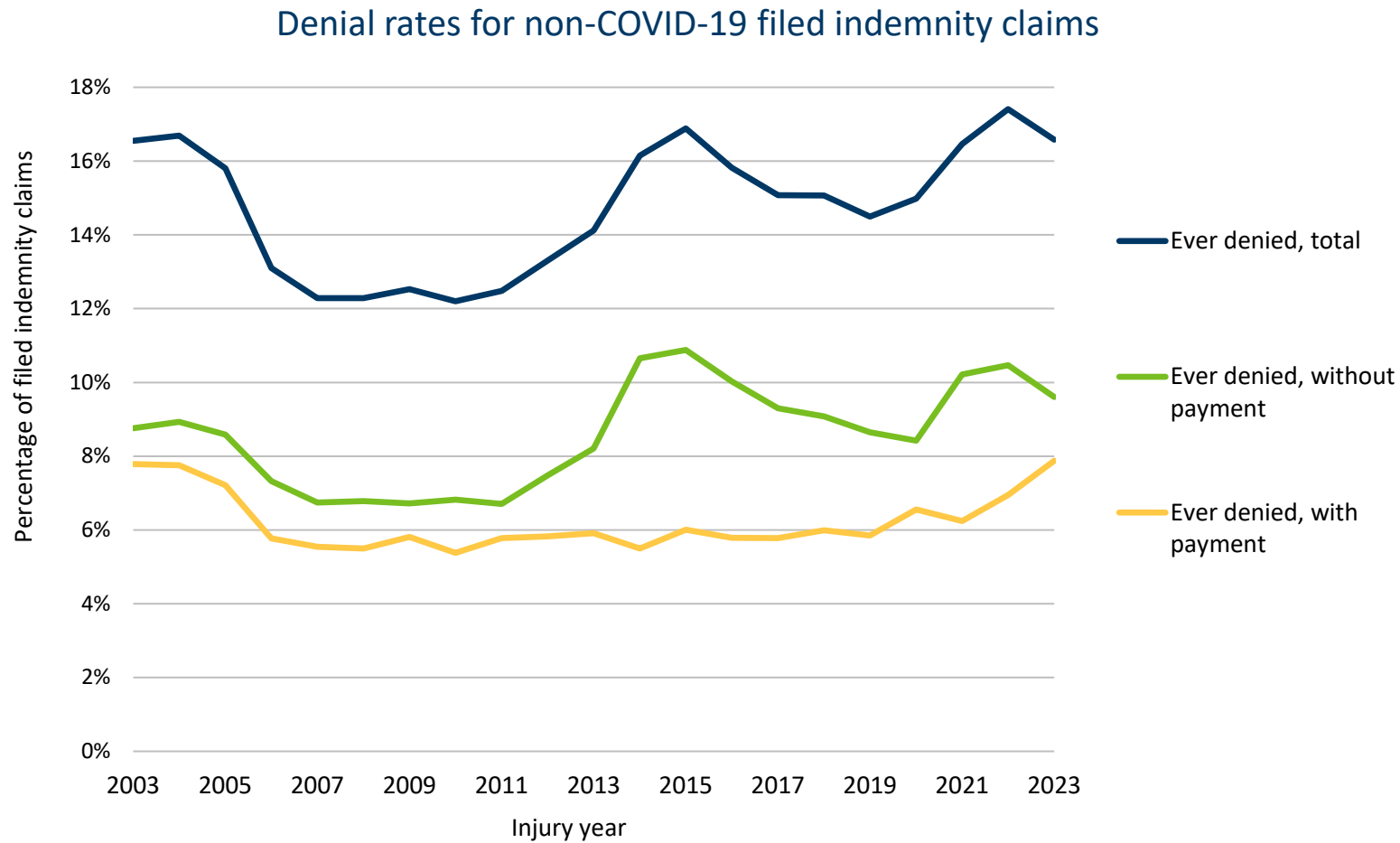


Average and median voc rehab service durations have remained stable for the last 10 years with some fluctuations



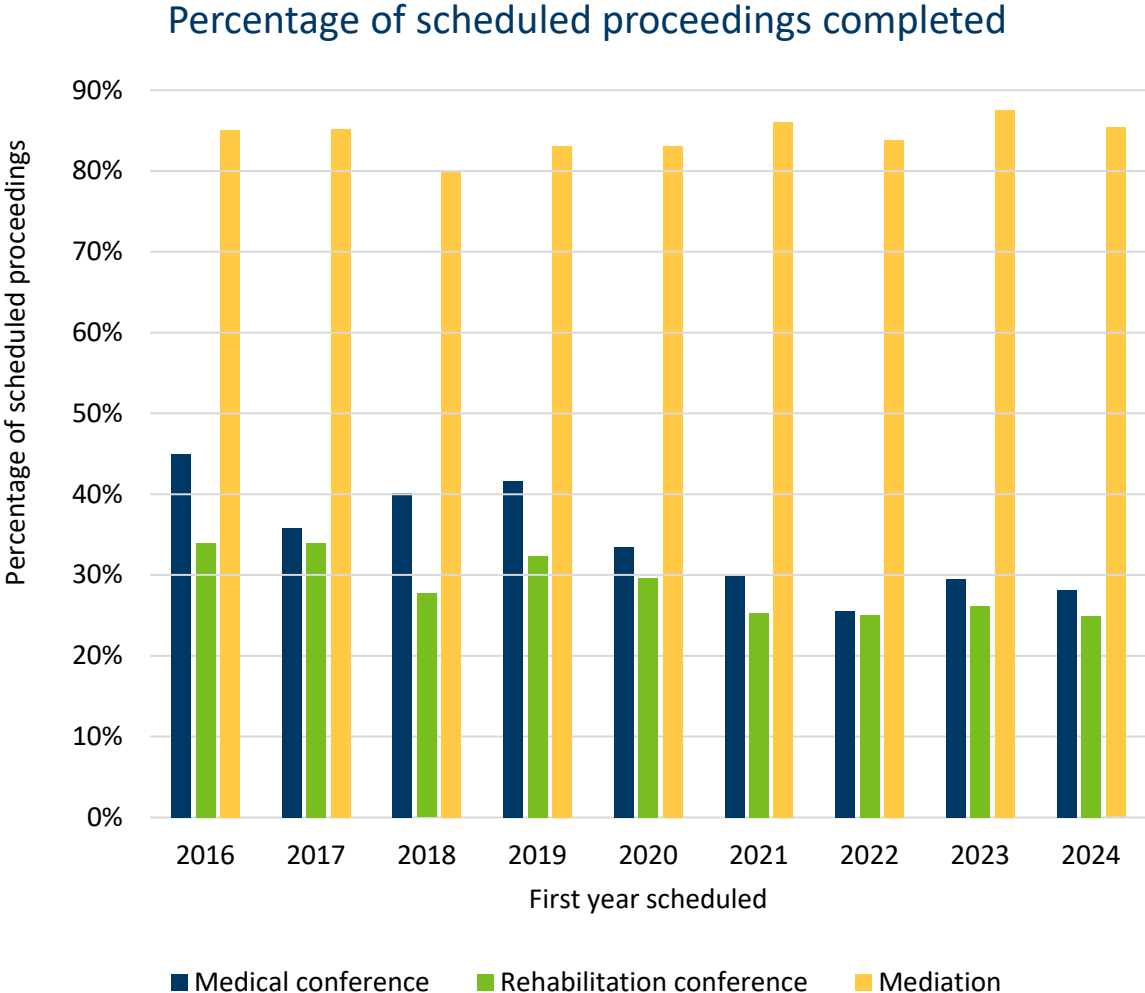
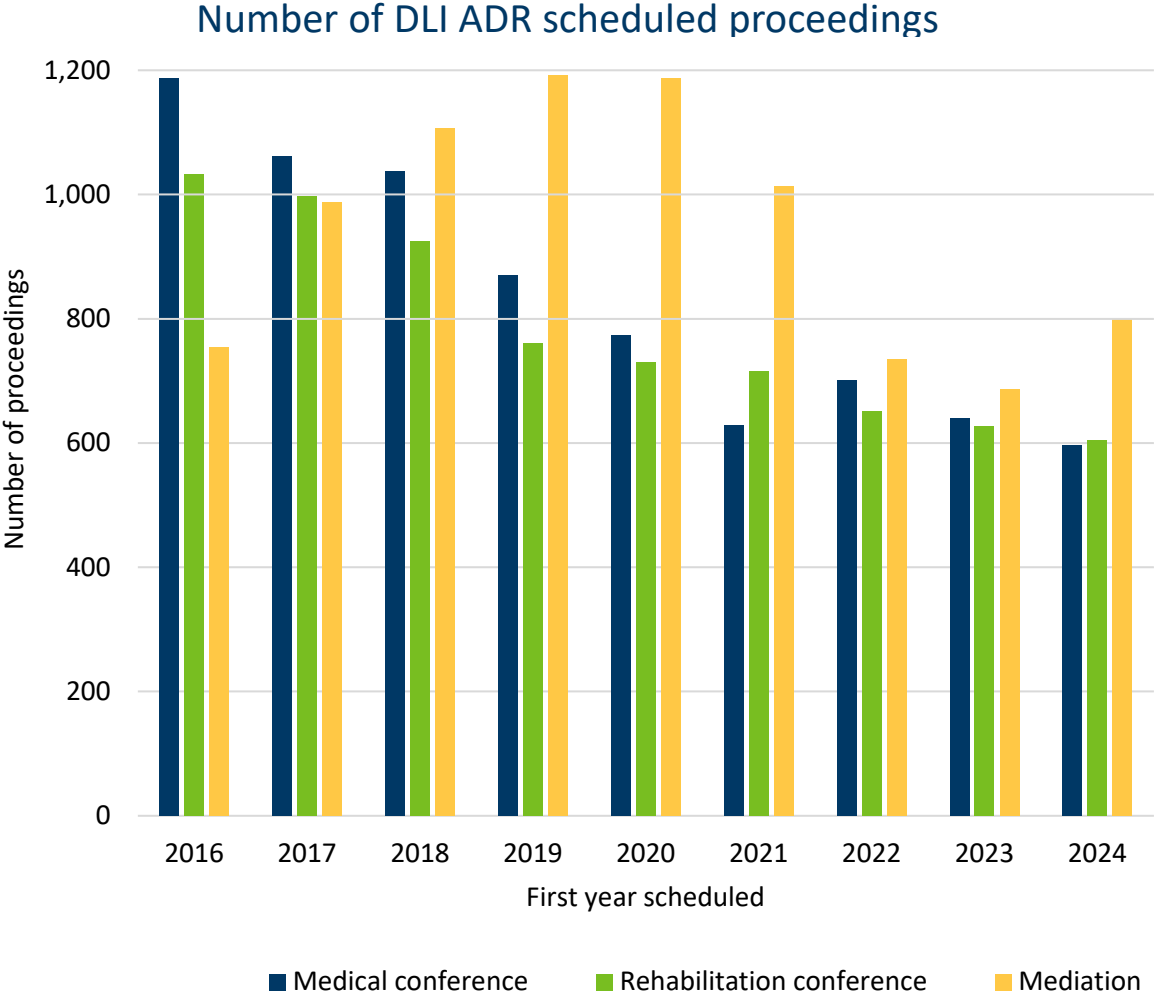
Dispute Resolution

Denial rates have been increasing from 2019 to 2022 but remained within historical range



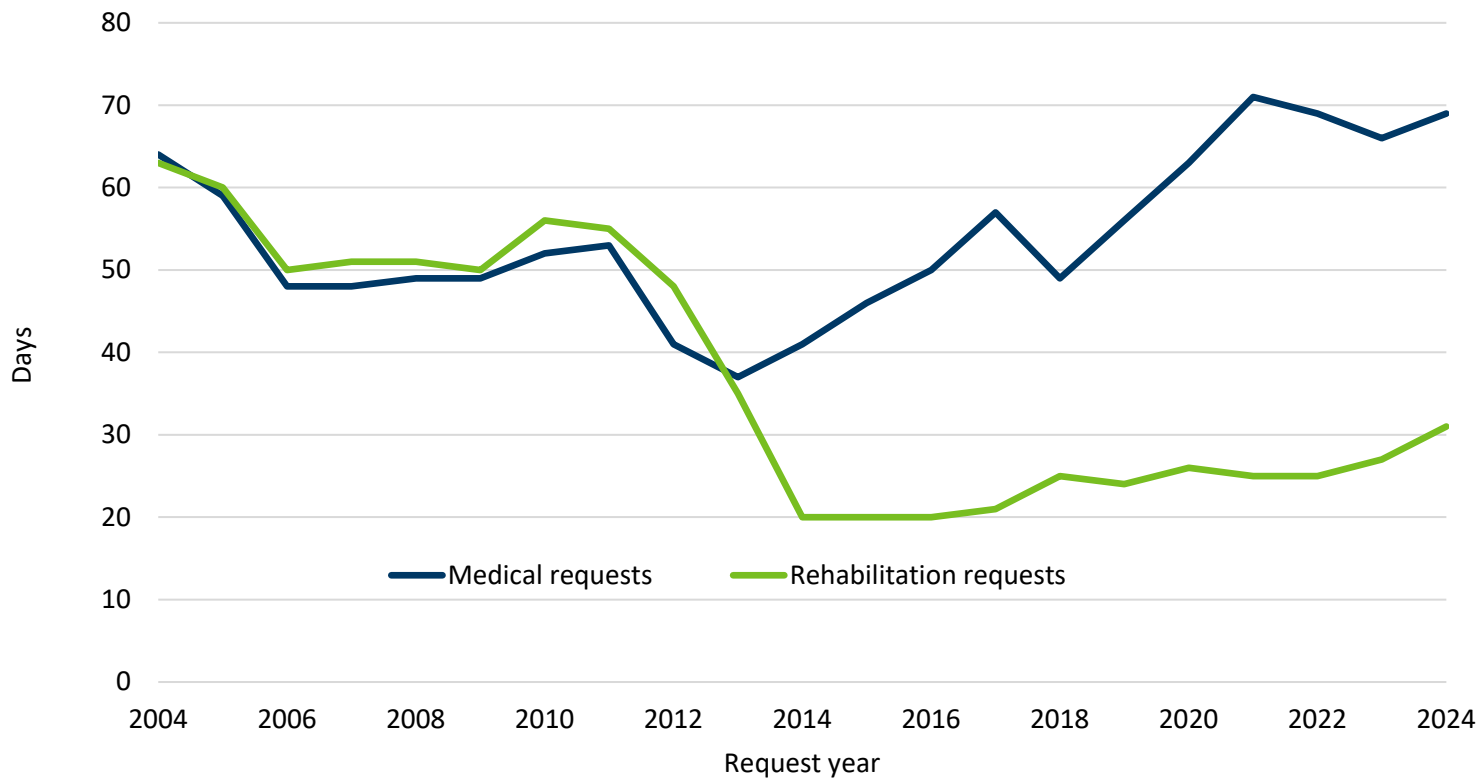
- COVID-19 claims appear to have affected the 2020-2023 denial rates.
- The denial rate for COVID-19 claims was 50%, significantly higher than the 16% rate for non-COVID-19 claims in 2023.

Decreasing number of scheduled conferences, increasing number of mediations



Increased period from requests to scheduled conference

Median days from dispute filing to first scheduled conference at DLI



- The time from medical and rehabilitation requests to the first scheduled conference at DLI has diverged in recent years.
- 2013 law change required rehab request conferences to take place within 21 days of the request. This impacted the timing for both medical and rehab conferences.

Thank you

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