

# MAINE STATE LEGISLATURE

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# Maine State Employees Workers' Compensation System

## *Annual Report - Fiscal Year 1998*



 *Maine Health Information Center*

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OCT 16 1998

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MEMORANDUM

TO: Commissioners & Agency Heads *Rose*  
FROM: Janet E. Waldron, Commissioner  
Department of Administrative & Financial Services *Janet*  
DATE: October 6, 1998  
SUBJECT: Workers' Compensation Annual Report

\*\*\*\*\*

Please find the enclosed copy of the Maine State Workers' Compensation Annual Report for FY 1998.

The FY 1998 report reveals several favorable trends. Total expenses increased by \$953,230 over FY 1997, however, all of that increase is attributable to a \$1million expansion in expenditures for lump sum settlement payments. Expenses for weekly indemnity payments decreased to a \$5.7 million, a 5.0% decline and the lowest amount since the early 1980's. Great work all!

Medical expenses increased by 4.0% to \$3.6 million. Considering that the medical inflation rate was 3.5% (from August, 1997 to August, 1998) and that medical only claims increased by nearly 15%, these data indicate earlier intervention and more responsive management of medical claims.

Lump sum payments increased over 40% to \$3.4 million in FY 1998. Lump sum expenditures represent a nearly fivefold increase since FY 1995. Over one half of the lump sum payments were for claims with dates of injury in FY 1988 and prior and nearly 90% of the expenditures were for claims with dates of injury FY 1992 and earlier. FY 1998 26% of expenses were for lump sum settlements, a necessary investment to reduce the liability of older claims which still comprise \$0.84 for every dollar spent last year.

While the volume of new claims increased 6% to 1,048, the number of lost time claims decreased by approximately 12%. Medical only claims constituted 73% of all new claims in FY 1998 compared with 54% as recently as FY 1994. These data indicate that costly lost time claims are being averted due to better claims management and more productive medical intervention.

We are just beginning to see the fruits of the new initiatives which have been introduced in the past two years. The report identifies the number of visits approved, reduced, or denied as a result of the pre certification review process. Medical review eliminated or reduced nearly half of the visits requested, thus containing costs, directing injured employees to more active treatment, and assuring appropriate medical care.

The introduction of contracted services with Granite Hill - Healthsouth and Occupational Health & Rehabilitation Services has significantly increased the volume of physical therapy visits. In FY 1998 these two preferred providers accounted for two-thirds of the PT visits and the number of employees seeking treatment within the first seven days of injury doubled.

The positive trends identified in this report are the product of the effective partnership between the Office of Employee Health & Benefits, the contractors supporting new programs, the agency designees, and you and your respective staff.

While we still have progress to achieve, the steady improvements exhibited in this annual report are a clear indication that the commitment to a collaborative effort by all departments does pay dividends.

Thank you again for the cooperation that you and your associates have provided during the past year.

If you have any questions regarding the report or would like to receive more specific data related to your department or agency, please feel free to contact Frank Johnson or Joanne Pomerleau of the Office of Employee Health & Benefits at 287-6780.

JW:sjd

Enclosure



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## EXECUTIVE SUMMARY

*Total expenses for fiscal year 1998 were \$13.3 million, an increase of 7.75% over fiscal year 1997. An expansion of over \$1 million in lump sum settlements was responsible for the increase.*

*Lump sum settlements accounted for 26% of total payments in fiscal year 1998.*

*The number of new lost time claims filed for fiscal year 1998 was at its lowest level in over a decade.*

*The number of new medical only claims filed for fiscal year 1998 increased from 667 to 766.*

*The Department of Transportation had the highest cost in fiscal year 1998 at \$3.5 million or 26% of total payments.*

*Six departments accounted for 80% of total cost for FY 1998. These departments are:*

<i>Administration &amp; Financial Services</i>	<i>Mental Health &amp; Mental Retardation</i>
<i>Corrections</i>	<i>Public Safety</i>
<i>Human Services</i>	<i>Transportation</i>

*There was wide variation in the rate of injuries and per employee cost across departments. The departments with the highest 5 year injury rates were Defense and Veteran Services, Public Safety, Mental Health and Mental Retardation, Inland Fisheries and Wildlife, Transportation and Corrections.*

*Total work days lost was 31,676 for 1991 injuries compared to 11,634 for 1996 injuries followed through 1998.*

*There were more medical only claims than lost time claims, however, cost for lost time claims significantly exceeds that for medical only claims. Lost time claims represent 32% of all claims and 77% of all cost.*

*One third of all workers injured in Fiscal Year 1998 had two or more injuries between July 1995 and June 1998.*

*The return to work program permanently placed 22 injured employees in fiscal year 1998.*

## **MAINE HEALTH INFORMATION CENTER WORKERS' COMPENSATION SYSTEM (MHICWCS)**

In 1992 the Workers' Compensation (WC) Division of the Bureau of Human Resources within the Department of Administration and Financial Services contracted with the Maine Health Information Center (MHIC) to develop, implement and maintain a customized WC Information System. The system manages the day to day administration of the program, assists in monitoring patterns in time lost and expenses and provides a comprehensive overview of the workers' compensation experience of state employees through the generation of routine and ad hoc reports.

## **MHICWCS HIGHLIGHTS - FISCAL YEAR 1997**

During fiscal year 1998, the Maine Health Information Center was involved in a number of new activities including:

- ▶ Electronic transmission of first reports to Workers' Compensation Board
- ▶ Change of drug claims processors in May, 1998
- ▶ Audit by Workers' Compensation Board
- ▶ Establishment of reserves for pre-1993 injuries by an outside vendor

Fiscal year 1998 was the first full year of operations for the following programs:

- ▶ Utilization review program for medical services
- ▶ Medical case management service contracts
- ▶ Contractual arrangement for onsite physical therapy services
- ▶ Return to work program to assist injured workers by providing transitional positions

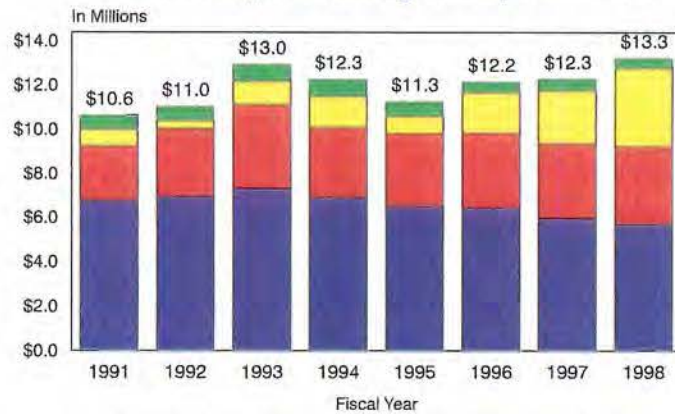
## **BACKGROUND ON THE MAINE HEALTH INFORMATION CENTER**

The Maine Health Information Center (MHIC) is a nonprofit organization incorporated in 1976 as Maine's statewide health data consortium. The MHIC operates as a private consulting firm providing data collection, processing and analysis services on a fee-for-service and/or contractual basis. The MHIC is committed to performing a public service function and enhancing the quality of life of the people of Maine by promoting the use of high quality, accurate and timely data by members of the Maine health care community.



## TRENDS IN TOTAL EXPENSES

Trends in Expense Categories by Fiscal Year



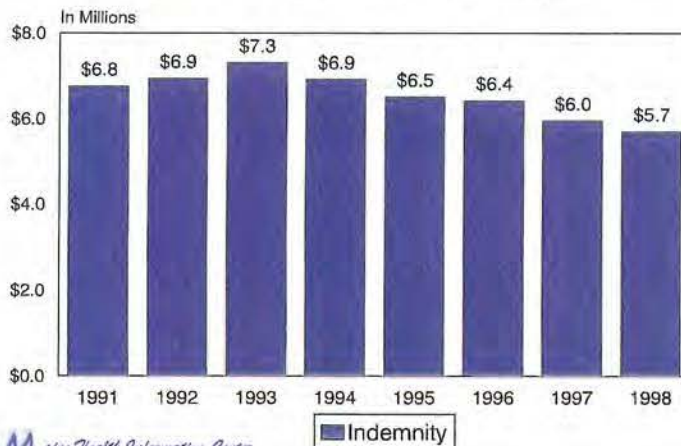
*Maine Health Information Center*

The graphic to the left presents trends in overall expenses and individual components since 1991. Expenses are for all claims paid in a fiscal year regardless of the date of injury. The fiscal year for the State is July through June.

Expenses for the fiscal year 1998 totaled \$13.3 million, an increase of \$953,230 or 7.75% over fiscal year 1997. The majority of the increase was due to an expansion in lump sum settlement payments.

## Weekly Indemnity Expense

Trends in Weekly Indemnity Expense



*Maine Health Information Center*

The largest portion of total Workers' Compensation cost is for scheduled payments to workers for lost wages or weekly indemnity payments (excluding death benefits and lump sum settlements). Total weekly indemnity expenses for 1998 were \$5.7 million, down from \$6.0 million in fiscal year 1997. This is the lowest weekly indemnity expense since the 1980's. Weekly indemnity payments have been steadily decreasing since they peaked at \$7.3 million in 1993. The decrease is the result of fewer new lost time claims filed coupled with continued increases in the number of lump sum settlements.



## Medical Expense

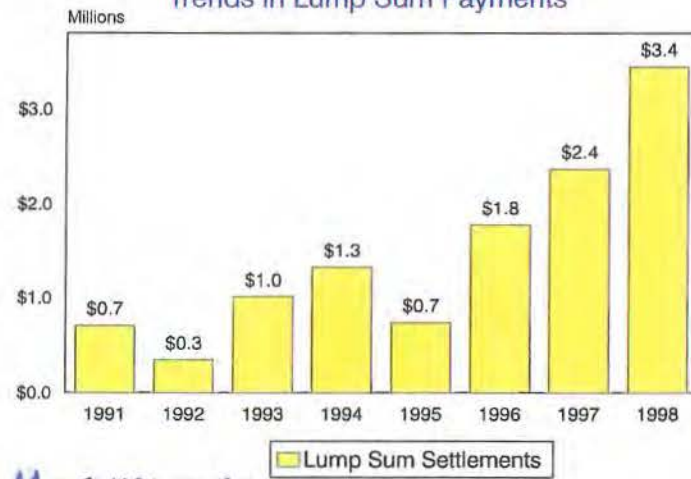
Trends in Medical Expenses



The second largest portion of total Workers' Compensation cost is for medical expenses related to injuries on the job. Medical expenses include payments to physicians, hospitals, physical therapists, rehabilitation providers and pharmacies to name a few. Medical expenses total \$3,589,883 in fiscal year 1998. This amount represents an increase of \$140,919 or 4% from 1997. According to the Consumer Price Index, the inflation rate for all medical care from August 1997 to August 1998 was 3.5%.

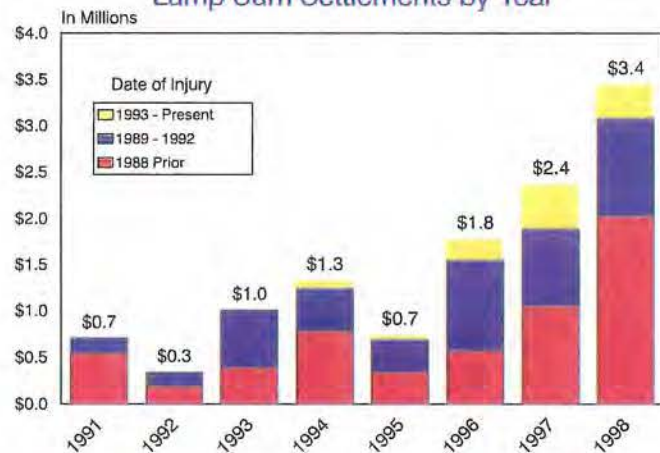
## Lump Sum Settlements

Trends in Lump Sum Payments



Lump sum payments were an insignificant share of total expenses until the late 1980's. For fiscal year 1998, lump sum settlements account for the largest total dollar amount (\$3.4 million) and the largest percentage of total dollars (26%) to date. These payments are significant in that they eliminate future liability for both medical and indemnity payments.

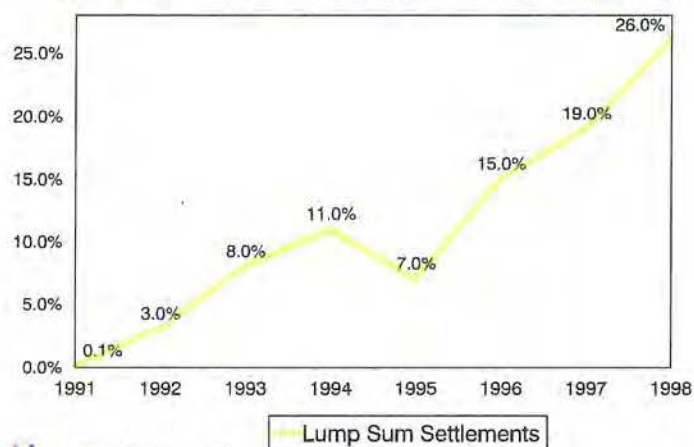
Lump Sum Settlements by Year



*Mass Health Information Center*

The graphic at left shows claims settled by year of injury. In recent years, one-third to one-half of the claims settled are for dates of injury in 1988 and prior. These older claims are subject to an annual cost of living adjustment and are not subject to limits on the duration or maximum payment amount. For these reasons, it is more advantageous to settle claims for injury dates prior to 1993.

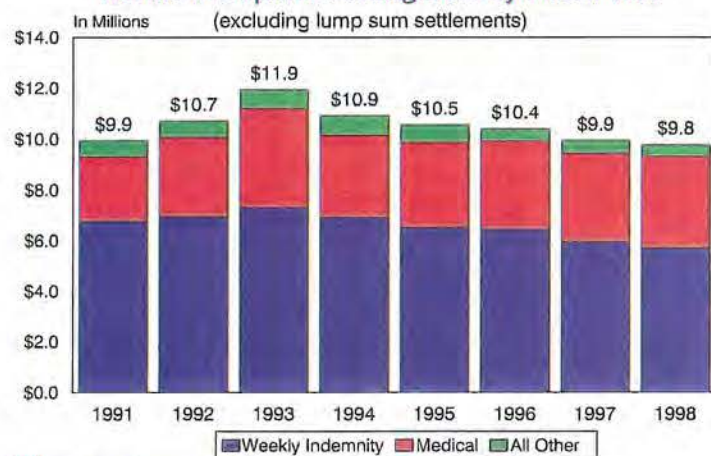
Lump Sum Settlements as a % of Total Payments



*Mass Health Information Center*

The percentage of total payments accounted for by lump sum settlements has been steadily increasing over the last several years. In fiscal year 1998, lump sum settlements accounted for 26% of all Workers' Compensation payments made.

## Trends in Expense Categories by Fiscal Year



*M* aine Health Information Center

## Death Benefit and Other Payments

When lump sum settlements are excluded from total payments, fiscal year 1998 expenses went down slightly. This reduction can be attributed to a decrease in the weekly indemnity component.

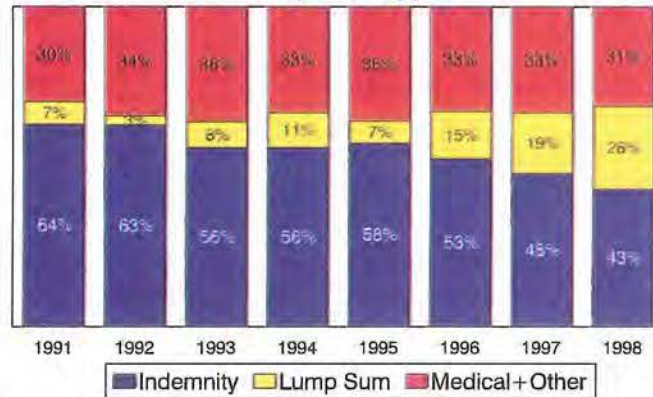
Death benefit payments include weekly indemnity costs as well as burial expenses for work related fatalities. Death benefits have consistently hovered at approximately 6% of total expenses. For fiscal year 1998, the total payments for death benefits were \$715,506.

Other expenses include legal fees, rehabilitation expenses, travel costs and other related expenses. These miscellaneous expenses totaled \$459,289 for fiscal year 1998, a reduction of over \$50,000 from the total of \$509,925 in 1997.

Total expenses are often summarized into two mutually exclusive categories: indemnity and medical expenses. The indemnity component includes those expenses directly related to lost time including lost wages, death benefits and lump sum settlements. Medical expenses are typically defined as all other expenses.



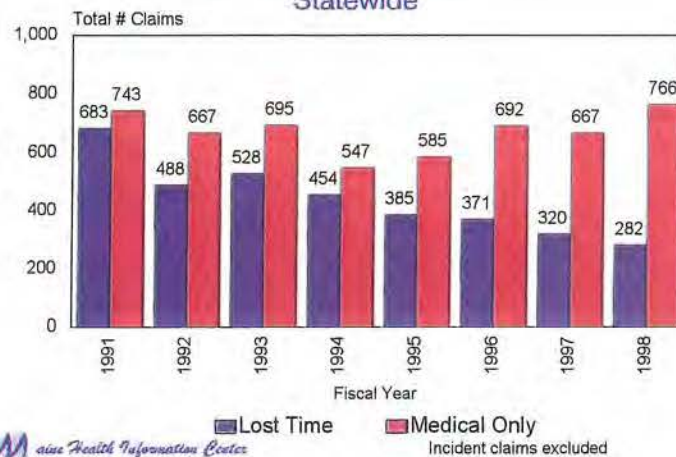
Trends in Percentage of Total Payments by Expense Type



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## New Claims

Trends in New Claims Filed Statewide



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The relationship between indemnity and medical expenses is often used as a surrogate measure to assess the effectiveness of a Workers' Compensation program; the lower the ratio of indemnity expenses, the more effective the plan in preventing serious injuries and returning people to work.

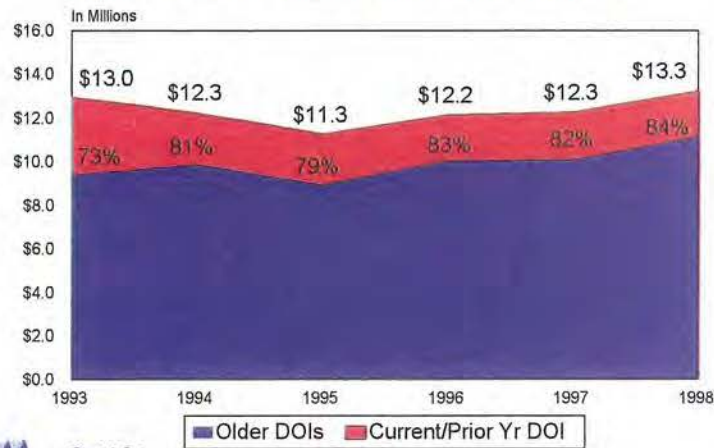
Total payments for weekly indemnity accounted for 64% of total payments in fiscal year 1991. In 1998, this percentage was reduced to 43%. Even with dramatic increases in payments for lump sum settlements, the combined percentage for weekly indemnity and lump sum settlement has been reduced from 71% to 69%.

The graphic at left displays the number of new medical only and lost time claims filed by year since 1991. Incident claims, claims filed to report a work related episode but without indemnity or medical expenses, are excluded. Although the number of medical only claims exceeds the number of lost time, lost time claims tend to be much more expensive.

The ratio of new medical only claims to indemnity claims shifted from 9 lost time claims filed for every 10 medical only in the early 1990's to less than 4 lost time claims filed for every 10 medical only in 1998. This shift indicates more serious lost time injuries are being averted.

## Old Claims/Dates of Injury (DOI)

Trends in % of Expenses from Older Injuries



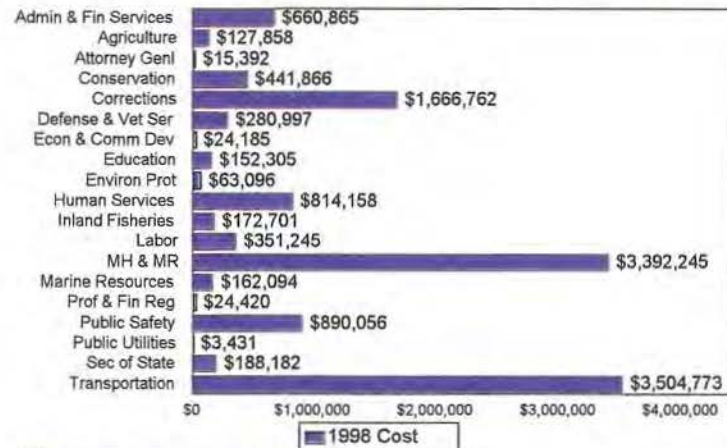
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The total per employee cost shown at left is represented as the sum of older injury (Older DOIs) cost and current injury (Current DOIs) cost. For fiscal year 1998, the proportion of the total cost attributable to older claims is 84%, up from 82% in 1997. Expenses associated with newer claims are going down, leaving older, more expensive injuries as a greater proportion of the total claims expense. In addition, lump sum payments are attributed to older injury claims.

## 1998 FISCAL YEAR COSTS

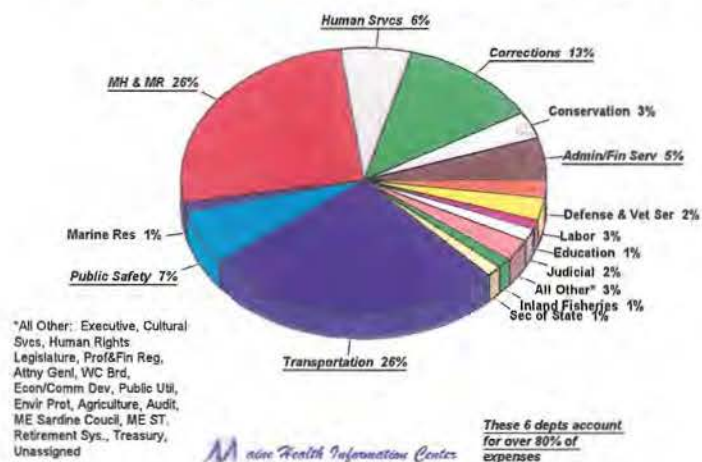
### Costs by Department Breakdown

Breakdown of 1998 Costs by All Departments



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Breakdown of 1998 Costs by All Departments



The total cost for fiscal year 1998 was \$13.3 million. Total cost by department is displayed on the graph to the left.

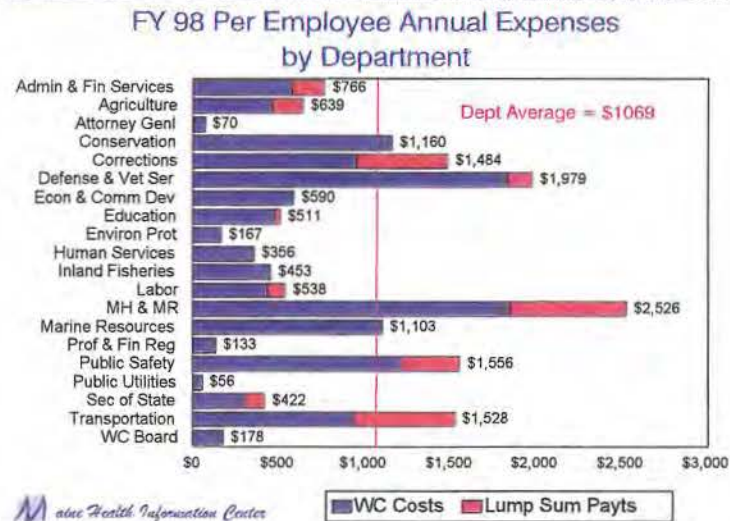
The Department of Transportation (DOT) had the highest department cost with \$3.5 million in expenses followed by Mental Health and Mental Retardation (MH & MR) with \$3.4 million. Corrections accounted for \$1,666,762; Human Services \$814,158; Public Safety \$890,056; and Administration and Financial Services \$660,865.

DOT surpassed MH & MR as the highest cost department this year rising from \$3.1 million to \$3.5 million. Total expenses for MH & MR rose from \$3.3 million to \$3.4 million in fiscal year 1998.

Six departments account for over 80% of total expenses. The pie graph to the left shows the percentage of the total dollars expended by each department as a portion of the total.



## Average Cost by Department



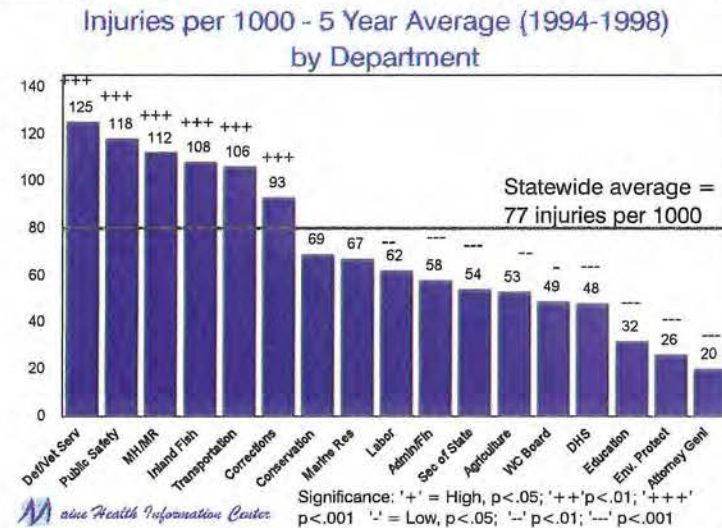
At left, the per employee average cost is compared across departments. The average per employee cost is an important indicator of the *rate* of Workers' Compensation utilization as total cost alone does not adjust for the number of employees that could potentially utilize Workers' Compensation benefits. As shown, the highest per employee average cost is for MH & MR. Caution is advised when comparing smaller departments as a high average cost may reflect one or two injuries during a fiscal year rather than a significant department trend.

## Injuries per 1000 Employees



The graphic at left looks at the number of injuries within departments along with the number of employees to come up with an injury per 1,000 rate by department. The department with the highest number of injuries per 1,000 was Defense and Veteran Services at 176.06 injuries per 1,000 employees. Comparing the number of injuries to the total per employee per month cost outlined above, it is clear that high per employee costs are being driven by the overall injury rates within departments.

## Injuries per 1000 - 5 Year Average



In order to minimize the impact of random variation in the number of injuries from year to year, data over a five year period was analyzed. This data shows large variation in the number of injuries (lost time and medical only) per thousand workers. The department with the highest number of injuries per thousand for the five year period was Defense and Veteran Services followed by Public Safety and Mental Health and Mental Retardation. These are departments that tend to have physically demanding job duties.

The table at right shows the count of actual and expected injuries. The final column is the number of injuries above or below the statewide expected number.

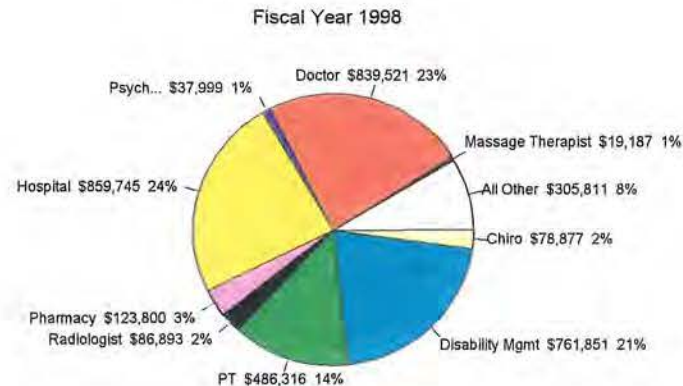
Department	Observed # Injuries 1994-1998	Expected* # Injuries 1994-1998	Injuries per 1000	# Injuries above Expected
Defense & Vet Ser	87	54	125	33
Public Safety	343	224	118	119
MH & MR	909	627	112	282
Inland Fisheries	173	124	108	49
Transportation	1244	906	106	338
Corrections	540	449	93	91
Conservation	175	197	69	-22
Marine Resources	50	58	67	-8
Labor	195	241	62	-46
Admin & Fin Svcs	271	358	58	-87
Sec of State	119	170	54	-51
Agriculture	59	86	53	-27
WC Board	27	42	49	-15
Human Services	553	892	48	-339
Econ & Comm Dev	12	21	44	-9
Public Utilities	14	25	43	-11
Education	49	119	32	-70
Environ Prot	53	155	26	-102
Attorney Genl	21	81	20	-60
Prof & Fin Reg	10	75	10	-65
Statewide	4904	4904	77	0

\*Not adjusted for age, sex, or job classification



## PROVIDER TYPES

### Medical Payments by Provider Type

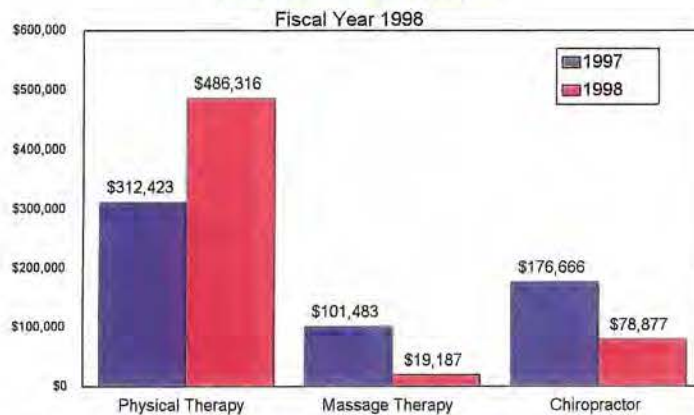


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Provider payments are made for medical services to injured workers. At left are medical payments by provider type. Doctors were paid \$884,529, hospitals \$868,249 and disability management providers \$761,851.

Disability Management expenses include payments to three disability management companies, occupational health nurses and vocational rehabilitation councilors to insure that all injured workers are being provided the most appropriate medical care to insure their return to productive employment. Disability Case Managers and Vocational Rehabilitation Counselors have provided support to case managers by acquiring medical records, arranging medical and functional evaluations and acting as a support to the injured workers.

### Provider Payments



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With the introduction of a precertification review program and contracts with two companies to provide physical therapy services, there has been a shift in dollars between fiscal year 1997 and 1998. Chiropractor payments decreased 55%, massage therapy payments decreased 78% and physical therapy payments increased 63%. The changes in these services are addressed in the New Programs section of this report.



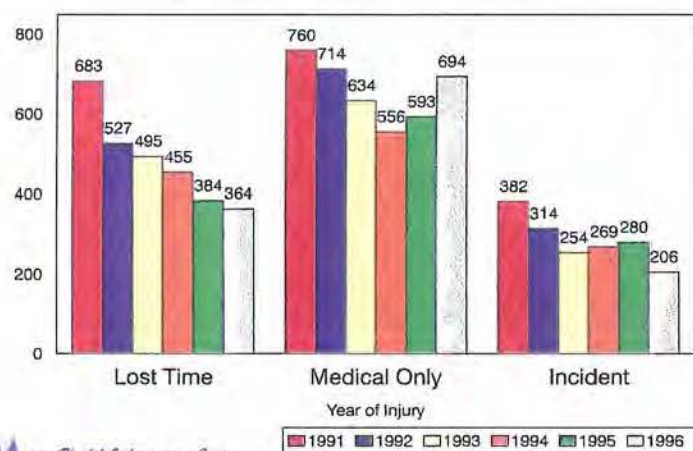
## 2 YEAR COHORT

### Explanation of Concept, Benefits

Because of the high percentage of total cost produced by extended lost time injuries, old claims information needs to be excluded in order to assess more recent progress. To remove the impact of older injuries and allow a standardized analysis over the same amount of time, data on injuries over a two year period from the date of injury have been extracted and analyzed separately. This *Two Year Cohort* allows all expenses to be attributed to the fiscal year of injury and all injuries to be followed for a consistent time frame. Injuries occurring in 1991 to 1996 (to allow for two year run out) are analyzed, including both medical and indemnity payments

### Trends in Number of New Claims Filed

Number of New Injury Claims

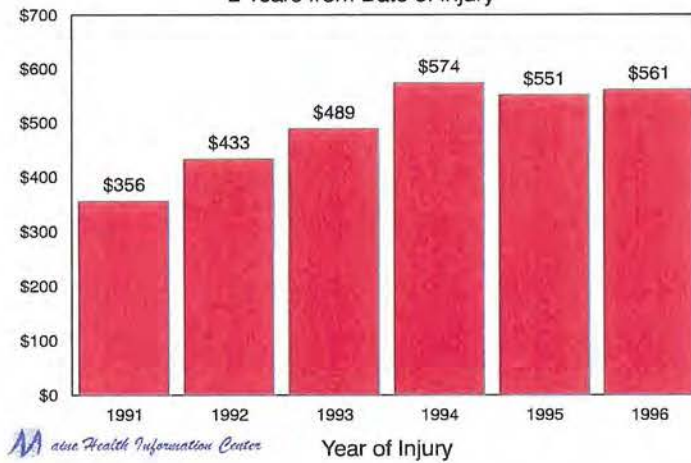


 Maine Health Information Center

The number of new injury claims is broken down into those with lost time expenses, medical only expenses or those filed as a Workers' Compensation "incident" but with no expenses incurred.

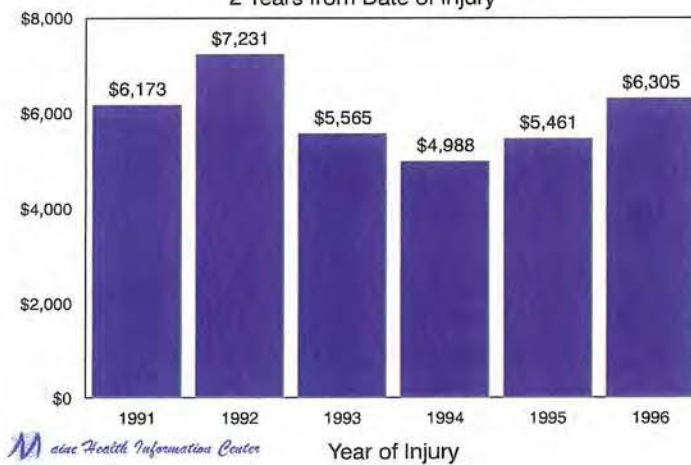
The number of medical only claims rose from 593 for 1995 injuries to 694 for 1996 injuries; an increase of 17%. Lost time and incident claims both went down.

**Average Payments - Medical Only Claims**  
2 Years from Date of Injury



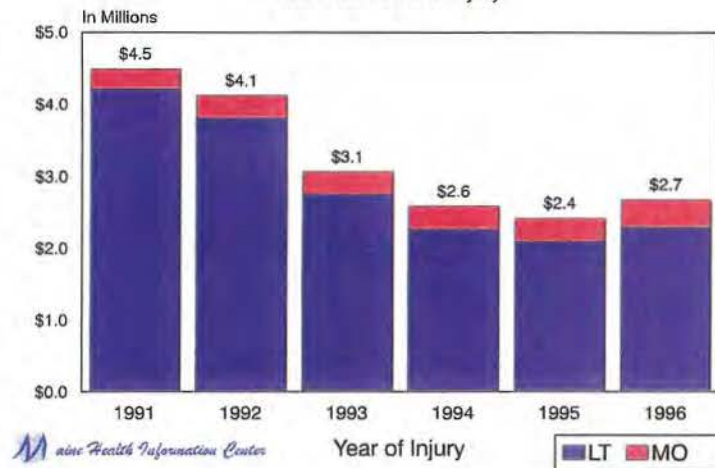
The cost of medical only claims during a two year period from the date of injury rose a modest 2%. This is less than the inflation rate for medical services of about 4%.

**Average Payments - Lost Time Claims**  
2 Years from Date of Injury



Average payment for lost time claims in the two years following the injury rose by almost \$1000 or 15.5% from \$5461 to \$6305.

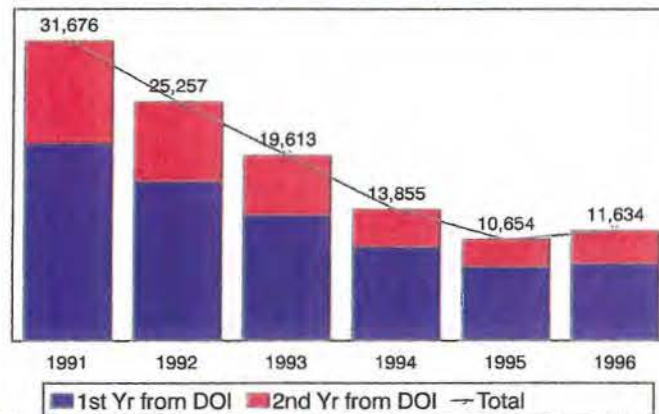
### Trends in Total Cost 2 Years from Date of Injury



Overall costs during a two year period from the date of injury rose by 11% for FY 96 injuries. The increase of over \$260,000 was due to an increase in the number of medical only claims coupled with an increase in the cost of lost time claims.

### Trends in the Number of Days Lost

#### Trends in Lost Days - 1st and 2nd Year from DOI - All Departments



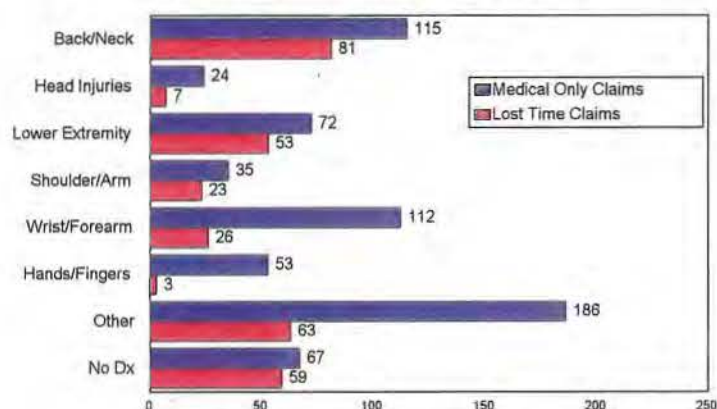
The number of lost days during the first and second year from the date of injury rose slightly for injuries occurring in 1996 and followed through fiscal year 1998. The overall increase appears to be a result of increased lost days during the second year of an injury. An increase in days lost also impacted the increase in average payments for lost time claims.



## INJURY TYPES

### Claims by Injury Type

Number of Claims by Injury Type\*

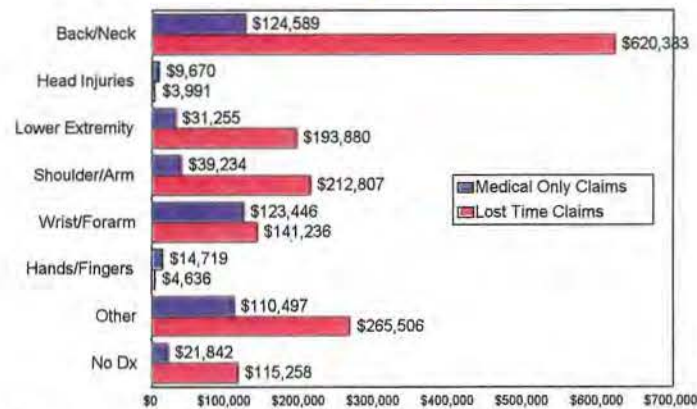


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\*Claims with Date of Injury in Fiscal Yr 97 expenses through FY 98

### Cost by Injury Type

Claims Cost by Injury Type\*



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\*Claims with Date of Injury in Fiscal Yr 97 expenses through FY 98

The graphic at left compares the number of medical only claims to the number of lost time claims by diagnosis type. For all injury types the number of medical only claims exceeds the number of lost time claims.

The Back/Neck injury type had the highest number of lost time claims while the largest number of medical only claims was in the Other category. The Other injury category includes diagnoses related to limb pain, foreign bodies, burns and fractures to name a few.

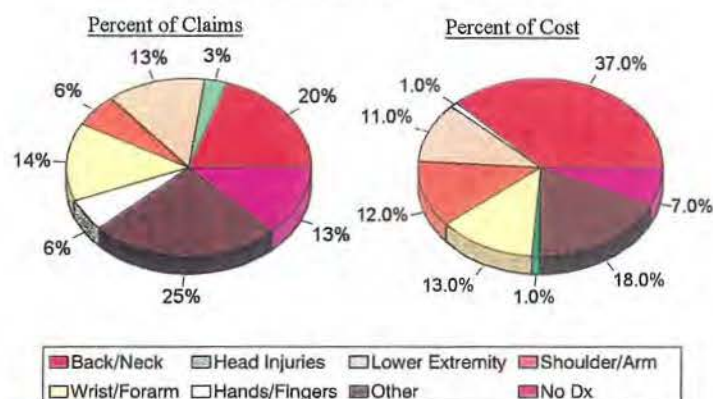
Although medical only claims are much more frequent, lost time claims are much more expensive. The cost of lost time claims exceeds that of medical only for every major injury type.

By far, Back/Neck injuries had the highest total expense however average cost per lost time injury was highest for shoulder injuries (\$9252) followed by Back/Neck (\$7659) and Wrist/Forearm (\$5432). Total cost for a Back/Neck injuries occurring in fiscal year 1997 followed through the end of fiscal year 1998 was over \$620,000, down from a total of over \$900,000 last year. There were 81 new lost time back injuries in fiscal year 1997 compared to over 100 in fiscal year 1996.

## Comparison of Total Claims/Cost by Injury Type

### % Claims versus % Cost by Diagnostic Group

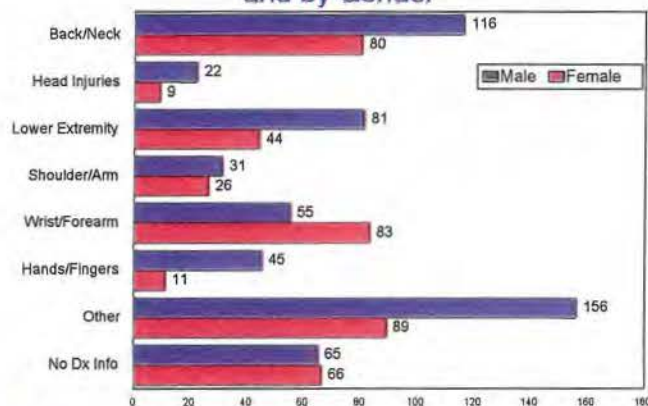
FY97 Date of Injury - Expenses thru FY 98



*Mass Health Information Center*

## Claims by Gender

### Number of Claims by Injury Type and by Gender\*



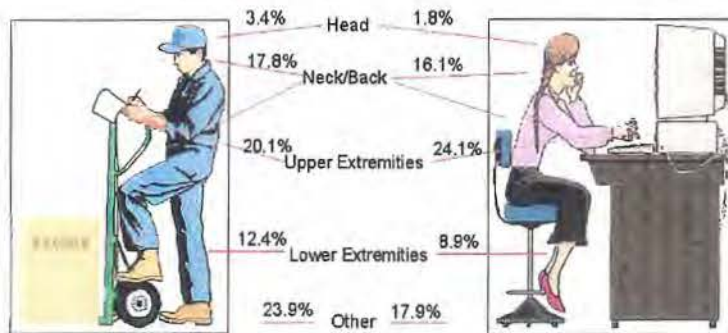
\*Claims with Date of Injury in Fiscal Yr 97 expenses through FY 98

*Mass Health Information Center*

Putting all medical only and lost time claims together and comparing injury types; back injuries account for 20% of the claims but 37% of the total cost.

The types of injury differ by gender. Males tend to have more back and lower extremity injuries while females experience more wrist/forearm injuries. For injuries occurring in fiscal year 1997, men experienced 36 more back injuries than women and 37 more lower extremity injuries. Men had 55 wrist/forearm injuries while women had 83.

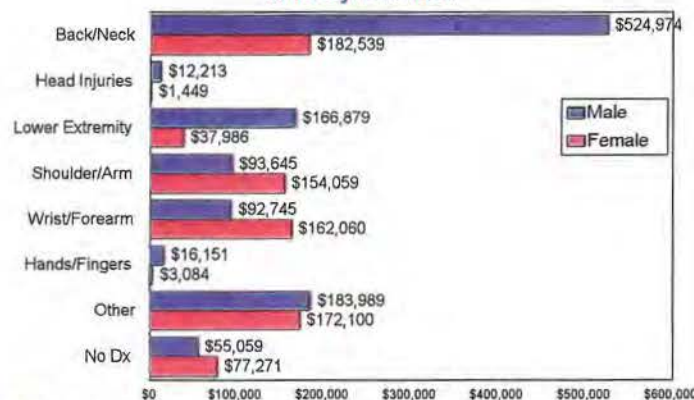
## WC Injuries-Males versus Females



Looking at the percentage of injury type by gender, women tend to have a greater percentage of upper extremity injuries while men have more lower extremity injuries. As shown below, although women and men experience a similar number of work related back injuries, males are much more expensive. Claims without diagnostic information are excluded.

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## Claims Cost by Injury Type and by Gender\*



\*Claims with Date of Injury in FY 97 expenses through FY 98

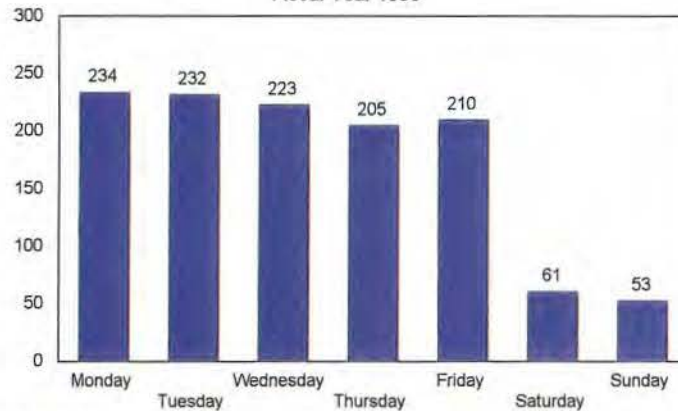
*M*rise Health Information Center

The cost of work related injuries varied between men and women. While men had 45% more back/neck injuries than women, the costs for these injuries were 187% higher. Men had 84% more injuries involving the lower extremities, however these injuries cost 339% more for men than women. In general, men work in more physically demanding occupations and therefore may experience more severe injuries.



## New Injuries by Day of the Week

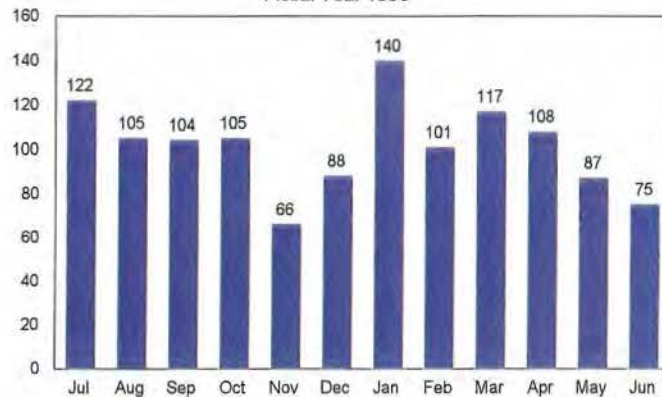

Fiscal Year 1998


 Missouri Health Information Center

The majority of injuries occur during the standard Monday through Friday workdays. There was little variation in the number of injuries by day of the week within the five day period.

## New Injuries by Month

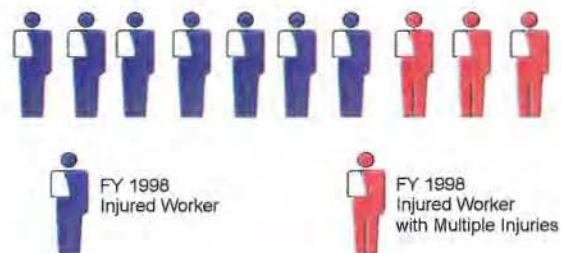
Fiscal Year 1998


 Missouri Health Information Center

Injuries by month of the year showed large variations. January had the highest number of injuries with 140 followed by July with 122. The number of injuries reported by month of injury does not take into consideration the number of workers employed or hours worked. Seasonal adjustments in the number of workers may be partially responsible for observed variations.

## Multiple Injuries

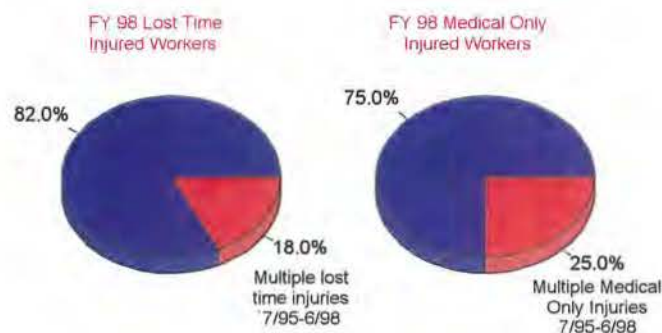
### Percent Workers with Multiple Injuries in 7/95-6/98



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Three out of every 10 workers injured in FY 1998 had reported multiple injuries between July 1995 and June 1998. This figure has remained constant for the past three fiscal years. In FY 1998, 1,124 employees, 2.8% of the work force, reported 1,256 injuries. 775 of the injured workers reported a single injury between July 1995 and June 1998, leaving 349 workers with multiple injuries over the 36 month period. Ten percent of all injured workers reported 3 or more injuries in the 36 month period ending June 1998. In reviewing the individual claims, it is clear that the majority of these represent new injuries and not the reoccurrence of an old injury.

### Lost Time and Medical Only Injured Workers



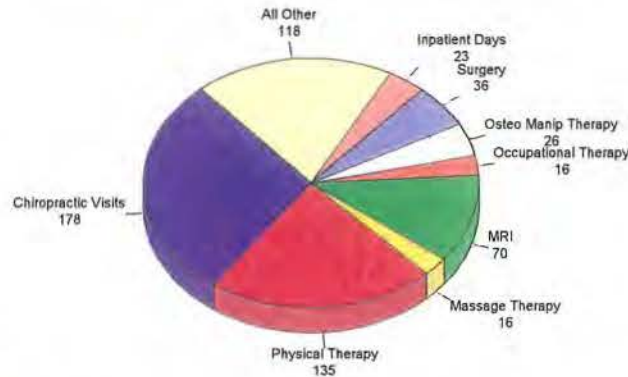
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Separating lost time injuries from medical only, we see at left that 18% of all workers reporting a lost time injury in FY 1998 had one or more lost time injuries over the previous 36 month period. Similarly 25% of all medical only injured workers were reporting a subsequent injury. This trend has continued from FY 1996 and FY 1997.

## NEW PROGRAMS

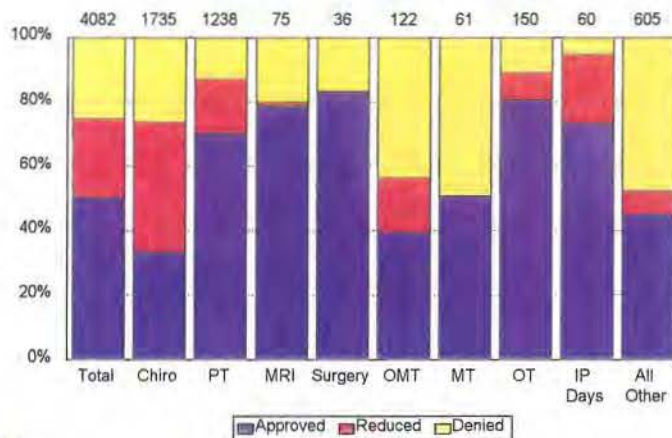
### Precertification/Medical Review

Precertifications by Type of Service



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Precertified Visits by Status



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During FY 1998 the State contracted with Concentra Managed Care for the medical review and precertification of selected services. They reviewed all inpatient stays and requests for surgery more than 3 days after the injury. Concentra also precertified all chiropractic, massage therapy (MT), osteopathic manipulative therapy (OMT) and occupational therapy (OT) services occurring 28 days after the first such service. Physical therapy visits occurring after 28 days at providers other than Healthsouth - Granite Hill and Occupational Health and Rehabilitation Services were also reviewed by Concentra. Lastly all MRIs and any other service specifically identified by the State were reviewed.

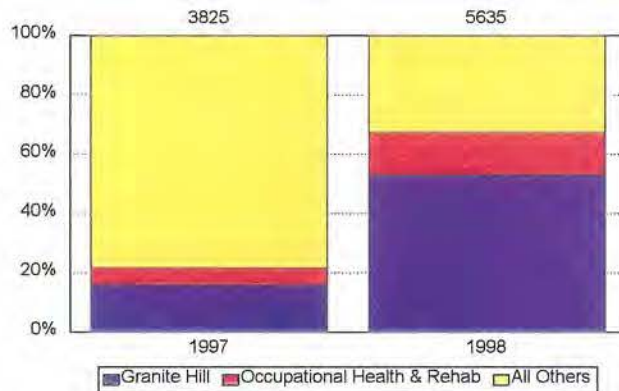
A total of 618 requests for review were handled by Concentra. A breakdown by type of service is shown in the pie chart at left. Almost 50% of the services involved chiropractic or PT visits. The all other category included requests for a wide range of services including acupuncture, aqua therapy, biofeedback, pain management, psychotherapy, and health club memberships.

Each review included a request for a specific number of visits, services or inpatient days. Concentra approved the request as stated, denied it in its entirety or approved less than the total number requested. There were a total of 4082 services requested. By eliminating 1,010 services and denying 1,018 services, slightly more than 50% of the original number requested were approved. The approval rate varies greatly across service types from a low of 33% for chiropractic services to a high of 83% for scheduled surgeries.



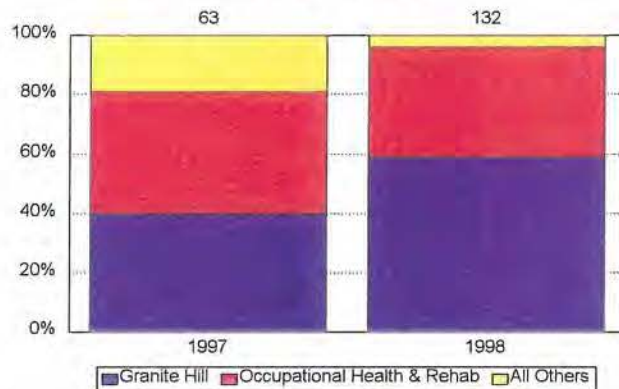
## Physical Therapy Services

### Physical Therapy Providers by Percent of Visits



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### Physical Therapy Treatment Within 7 Days of Injury



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During fiscal year 1998 State employees could receive physical therapy treatment from two companies without pre-approval by Concentra, the State's utilization review contractor. The State contracted with Healthsouth at Granite Hill to provide physical therapy services for Augusta area employees and with Occupational Health and Rehabilitation Services to provide PT in the Bangor, Lewiston and Portland areas. As a result of these contractual relationships, the program experienced an almost 50% increase in the number of PT visits between FY 1997 and FY 1998. In addition the market share shifted for the two companies under contract from one fifth of all visits in FY 1997 to two thirds in FY 1998.

With the Granite Hill facility located in the Augusta State House complex and employees being encouraged to seek treatment as soon as possible with either Healthsouth - Granite Hill or Occupational Health and Rehabilitation Services, more employees were seeking treatment within the first 7 days of injury. Although the number of new claims with PT services increased 50% between 1997 and 1998, the graphic at left shows that those receiving PT within the first 7 days doubled between FY 1997 and FY 1998. With the program's goal to provide treatment earlier to reduce the severity of the injury, we will need FY 1999 data to evaluate whether this goal is being achieved.

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