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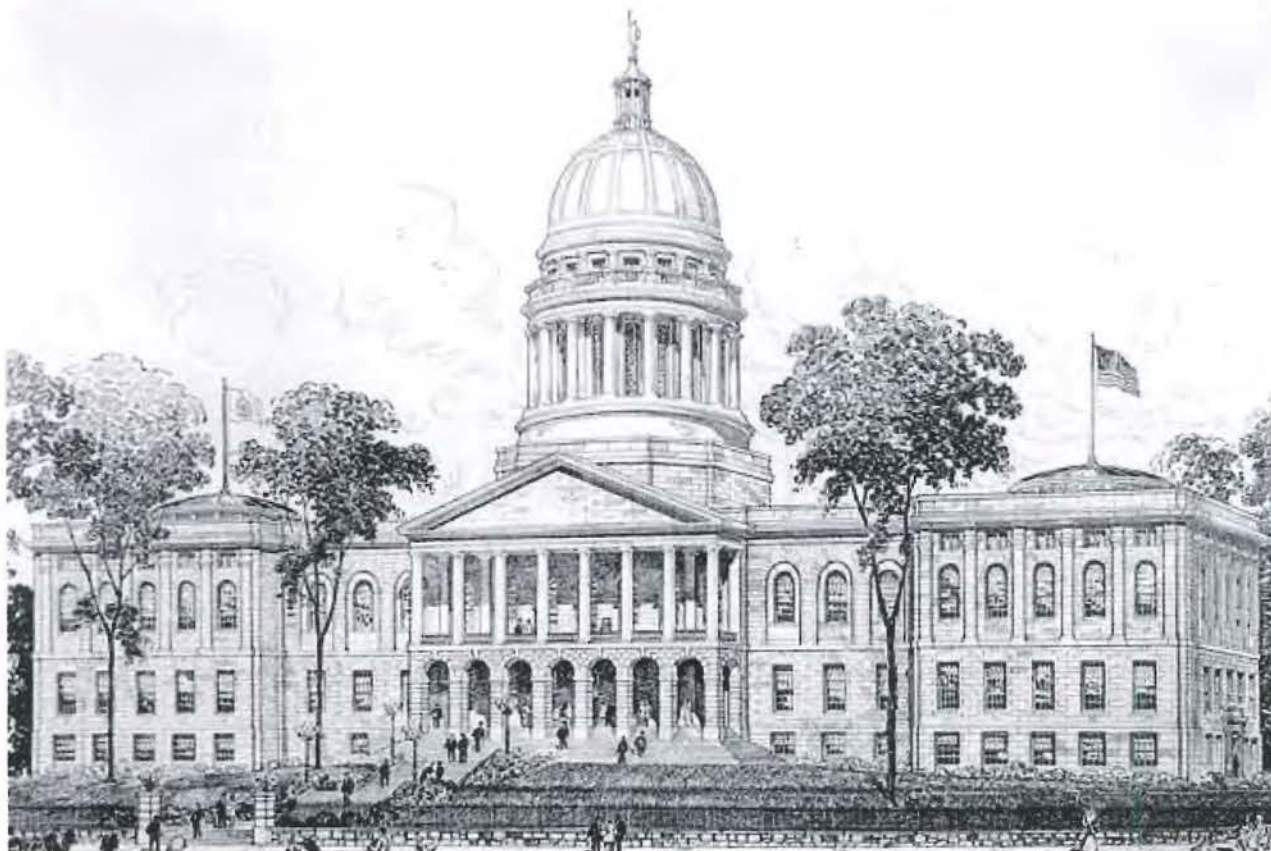


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# Maine State Employees Workers' Compensation System

*Annual Report - Fiscal Year 2001*



Prepared by the Maine Health Information Center

November 2001

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## EXECUTIVE SUMMARY

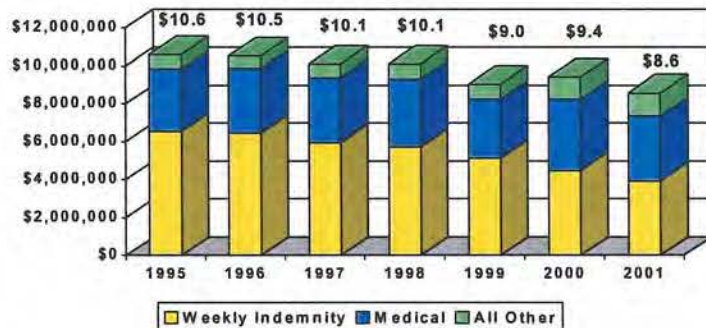
- ♦ As of June 30, 2001, total reserves for all claims had decreased 38% to \$38.2 million in two years. (p. 7)
- ♦ Total workers' compensation expenses, excluding lump sum payments, were \$8,558,140 — a 9.0% decrease over fiscal year 2000. This is the lowest amount since FY 89. (p. 2).
- ♦ The highest number of claims were settled in fiscal year 2001 since settlement efforts began in 1992. There were 107 claims settled. (p. 23)
- ♦ The average FY 99 indemnity claim had 40.5 compensated days lost compared to 49.6 for FY 98 — an 18% decrease. (p. 20)
- ♦ Medical expenses were \$3.4 million, a 9% decrease over fiscal year 2000. (p. 3)
- ♦ Weekly indemnity payments dropped an additional 12% in fiscal year 2001 to \$3,944,054 — the lowest in more than a decade. FY 2001 indemnity expenses are 60% of what they were in FY 1995. (p. 3)
- ♦ New claims increased 6.0% to an all time high of 1,351. (p. 9)
- ♦ In fiscal year 2001, sixty-nine cents of every dollar spent was for an injury that occurred before July 1, 1999 compared to eighty-two cents in fiscal year 1996. (p. 6)
- ♦ The average cost per FTE decreased 11% to \$695. Nine departments are above the average cost, with Mental Health 2.3 times above. (p. 13)
- ♦ Lump sum settlements decreased 49% to \$2,334,303 in fiscal year 2001. (p. 22)



## TRENDS IN TOTAL EXPENSES

### Expenses by Category

**Trends in Expense Categories by Fiscal Year**



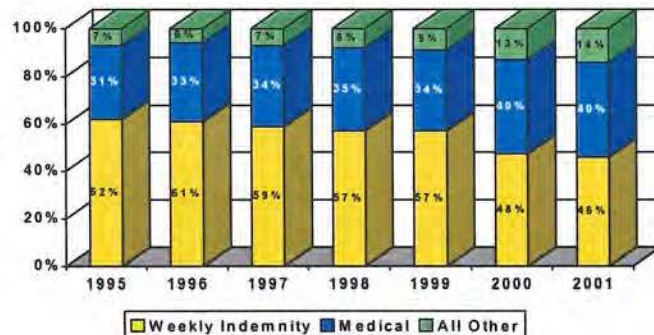
The graph at left shows trends since 1995 for total expenses and by expense category. Expenses are for all claims paid in a fiscal year, regardless of the date of injury. The fiscal year for the State of Maine is July through June.

Expenses for fiscal year 2001 decreased \$844,936 from the previous year to \$8,558,140. This was a 9.0% decrease and the lowest total expenses since 1989.

“All Other” increased by \$42,719.

### Category Expense Percent of Total

**Expense Categories as Percent of Total by Fiscal Year**

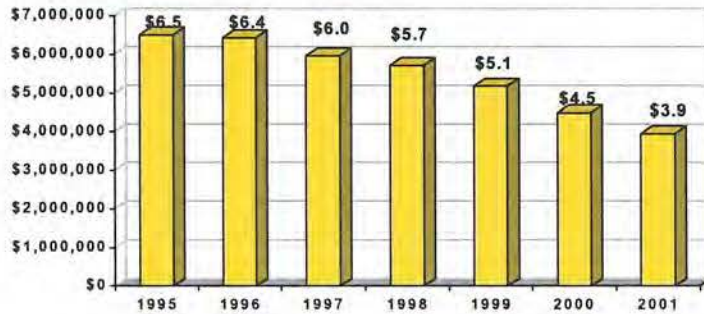


While it continues to comprise the largest percentage of all expenses, weekly indemnity represents a shrinking proportion of total expenses. For the second consecutive year, indemnity expenses represent less than 50% of total expenses.



## Weekly Indemnity Expenses

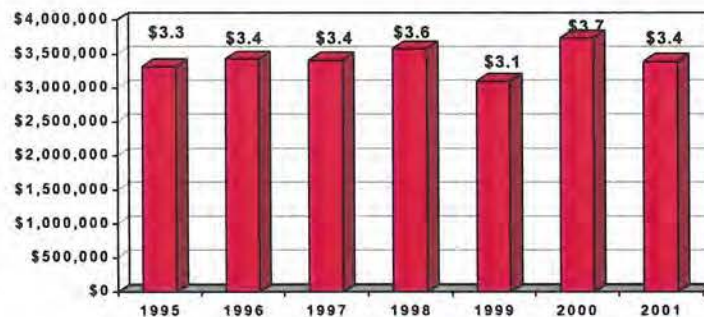
### Trends in Weekly Indemnity Expenses



The Indemnity category includes weekly payments for total and partial disabilities and for fatalities. Due to efforts to return employees to work and settle older claims, weekly indemnity payments continue to decline dramatically. Weekly indemnity payments dropped 12% in fiscal year 2001 to \$3,944,054. Since the peak level in 1993, weekly indemnity payments have dropped steadily each year. FY 2001 expenses are 60% of what they were in FY 1995.

## Medical Expenses

### Trends in Medical Expenses

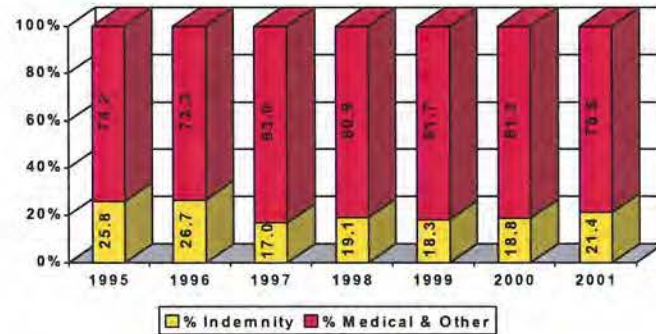


The Medical Expenses category includes payments for medical equipment and supplies; payments to physicians, hospitals, physical therapists, counselors, and pharmacies; and administrative costs for managing the injured worker's medical care.

Total medical expenses in fiscal year 2001 were \$3,391,383. This was a 9% decrease from fiscal year 2000. Total medical expenses first exceeded \$3 million in FY 92 and have varied between \$3.1 and \$3.7 for the past 10 years.

## % Indemnity vs. % Medical

**Trends in % Indemnity Expenses vs. % Medical Expenses for New Claims**

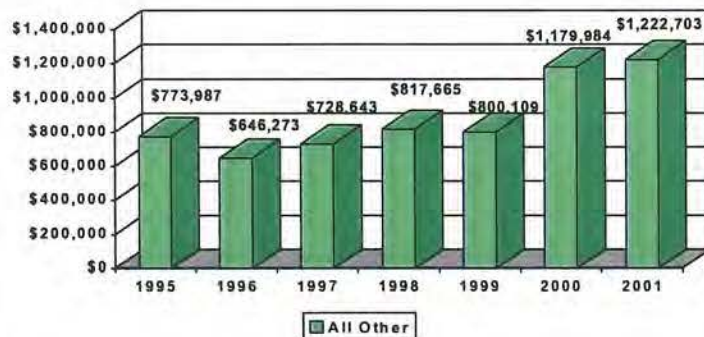


The graph at left shows the relationship between two mutually exclusive categories - Indemnity and Medical Expenses - for new claims. This relationship is often used as a surrogate measure to assess the effectiveness of a workers' compensation program. The lower the percent indemnity expenses, the more effective the plan is in preventing serious injuries and returning people to work.

Indemnity expenses are in yellow, medical in blue. In 2001, 21.4% of all expenses for new claims were indemnity and 78.6% were medical.

## All Other Expenses

**Trends in All Other Expenses**

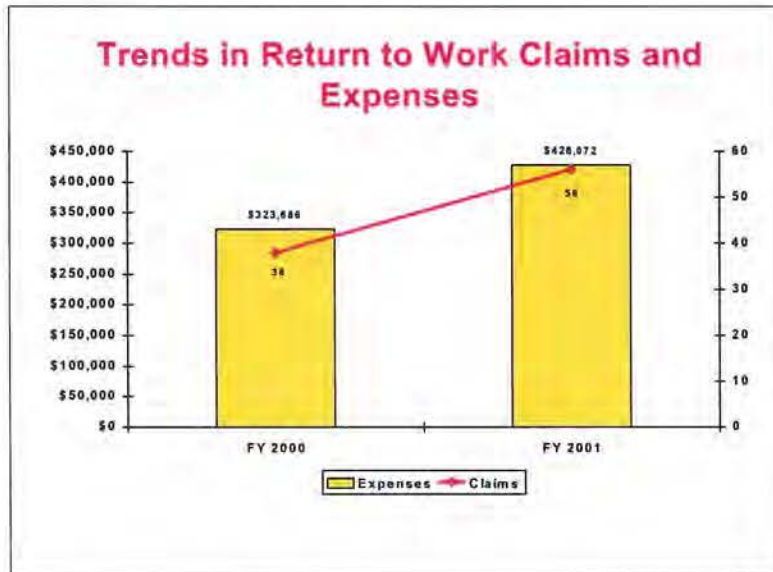


The Other category is primarily expenses associated with the administration of the workers' compensation system, including attorney fees, records copies, independent medical exams, travel expenses, and the Return to Work Program. The Return to Work payroll expenses account for the higher payments in FY 2000 and 2001 and are discussed on the next page.

Over time, the Other category has fluctuated as the laws and the administrative focus have changed. Approximately 50% of Other expenses are legal fees. Other expenses increased 3.6% from fiscal year 2000. Legal fees decreased from \$562,000 to \$521,000. Investigator payments increased 22.3% to \$102,493.



## Return to Work Claims and Expenses



Returning a healthy employee to work is the ultimate goal of any successful workers' compensation program. However, it is not always possible to return the worker to their original position. The State is committed to its Return to Work (RTW) Program to provide light duty for those workers returning from an injury and to provide alternative positions for those unable to do their former jobs. Much of the RTW Program cannot be quantified because it entails advocacy for the injured worker, evaluation of the work site, and recommendations for adaptive equipment. The placement of a worker in a transitional or alternative position is an integral part of the program and can be tracked with the data.

The graph at left shows the relationship between the total return to work expenses from FY 2000 to FY 2001 (yellow bars) and the total number of workers involved (red line). The average amount spent per claim in FY 2001 decreased 10% to \$7,644. However, the total expenses increased by one third to \$428,072 and the number of people involved increased 37% to an all time high of 56.

In FY 2001, there were 26 people who continued in the RTW Program from FY 2000 and 30 new participants. The year of injury for the 30 new participants varied from as early as 1986 to as recent as 2001. Injured workers from 16 different departments were involved in the RTW Program in FY 2001.



## FISCAL YEAR 2001 EXPENSES

### Claims and Expenses by Year of Injury



### Percent Expenses for Older Injuries



Payments were made on 2,353 claims spanning thirty-five years, with the oldest injury occurring in 1967.

In the chart at the left, the red line indicates total payments in fiscal year 2001 by year of injury and the yellow bars, total active claims by year of injury. There is an inverse relationship between the claims and the dollars paid.

2001 claims account for 43.5% of all claims with only 15.3% of all payments. Conversely, pre-1993 claims account for 16% of all active claims and represent \$4.4 million or 51% of all payments. The number of pre-1993 claims with payments decreased 21% from fiscal year 2000.

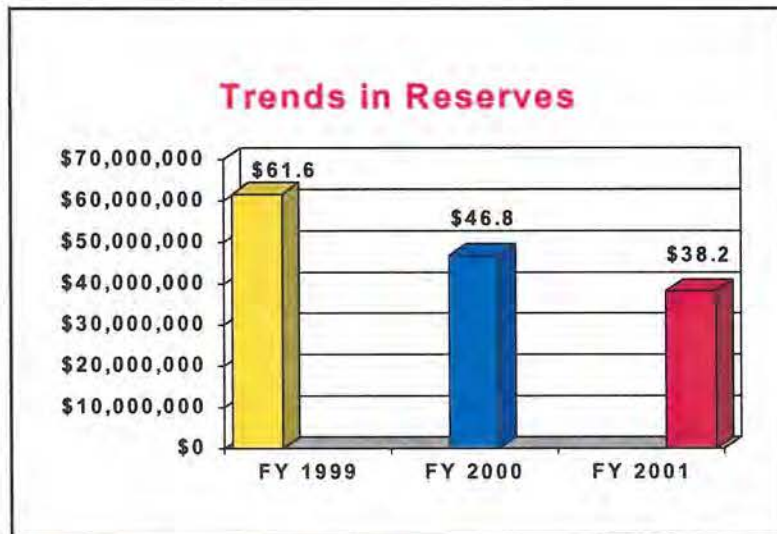
Last year, payments were made for 493 injuries from 1993 - 1998 and they totaled \$1.8 million. In FY 2001, \$1.5 million in payments were made for 440 injuries from 1993 - 1999. This was a 10.7% decrease in claims and a 15.5% decrease in payments despite expanding the cohort from six years of injuries to seven.

The percent spent on injuries more than two years old continues to show a marked decrease. Newer injuries represent a larger percentage of the claims but a disproportionately smaller percentage of the expenses.

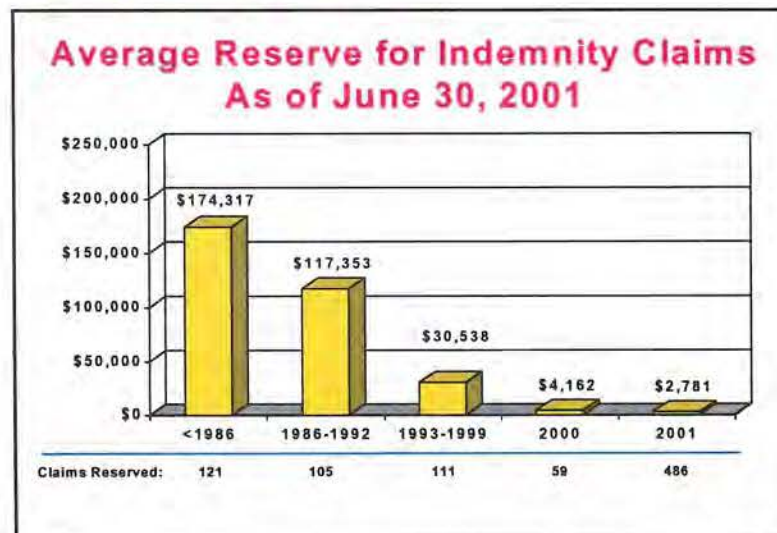
As shown in the graph at left, 69.0 cents of every dollar spent in fiscal year 2001 was for an injury that occurred before July 1, 1999. This is a 4.4% reduction from last year and the lowest level in five years. It reflects the decreasing liability associated with older claims that are being settled and closed.

## RESERVES

### Trends in Reserves



### Average Reserve Amount



When a claim is filed, the case manager reviews the claim and estimates its total future cost to the State. The estimated cost, also known as the reserve, represents the State's potential cost for the injury. Reserves are based upon the severity of the injury, lost time vs. medical only, the age and gender of the worker, the employee's compensation rate, and the workers' compensation laws in effect at the time of the injury. Reserves are regularly updated as new information is obtained. When payments are made, the reserves are reduced accordingly. More than 98% of the State's reserves are for indemnity claims.

As of June 30, 2001, total reserves for all claims for the State of Maine were \$38,248,741. This is a significant decrease from 2000 reserves (-18.3%), which were at \$46.8 million, and reflects the large number of claims settled in 2000. Since FY 1999, reserves have decreased \$23.4 million.

Injuries occurring before 1993 are typically more costly because there are no limitations on the length of incapacity or the duration of payments and there are annual cost of living adjustments. The graph at left shows the older the injury, the greater the State's liability.

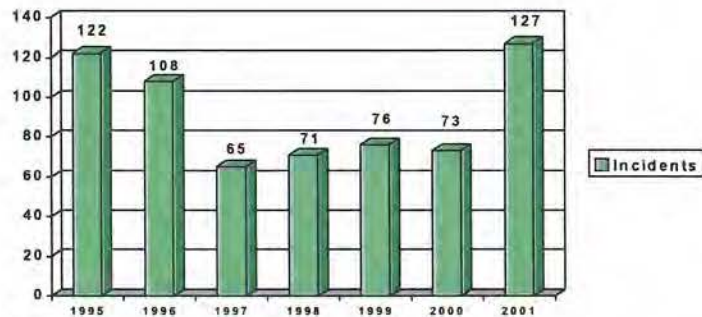
The average reserve amount for each cohort has decreased significantly. The average pre-1986 injury is estimated to be 1.5 times more expensive than the average 1986-1992 injury and 5.7 times more costly than the average 1993-1998 injury. Reserves for injuries in fiscal years 2000 and 2001 are much lower as they reflect the large number of active medical only claims, which require lower reserves.



## CLAIMS

### Trends in Incidents by Fiscal Year

**Trends in Incidents by Fiscal Year**

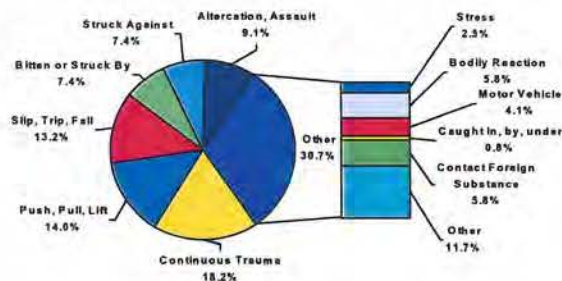


In fiscal year 2001, a new category was created to classify first reports: Incidents. Incidents are first reports which have been filed, yet no payments have been made by the workers' compensation system. Incidents have been classified historically as Medical Only claims. For this report, they have been removed from all totals of claims and appear only as incidents.

The number of incidents reported is currently at an all time high of 127. This is almost a 75% increase over fiscal year 2000. Much of the increase is due to changes in the workers' compensation system. Reporting all events that have the potential of turning into an injury with expenses positions the State for timely reporting and allows tracking of incidents for safety purposes. This upward trend is expected to continue.

### Incidents by Cause of Injury

**Incidents by Cause of Injury  
Fiscal Year 2001**

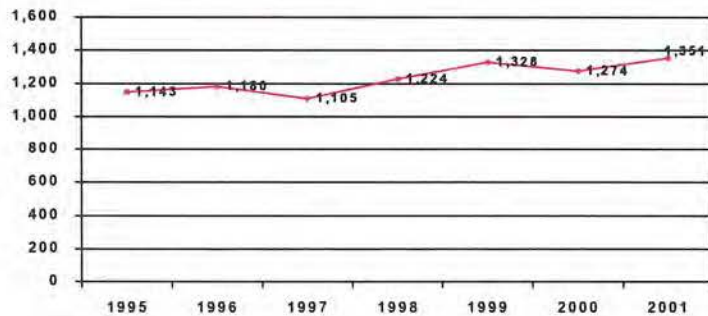


Over the years there has been great variability regarding the cause of the injury for incidents. Slips, trips, and falls have represented 10% or more of all incidents reported since 1995.

In FY 2001 the number one cause of injury for incidents was continuous trauma with 22 reports (18.2%). Altercations (11) and bitten or struck by (9) represented 16.5% of all incident reports.

## Trends in Total New Claims Filed

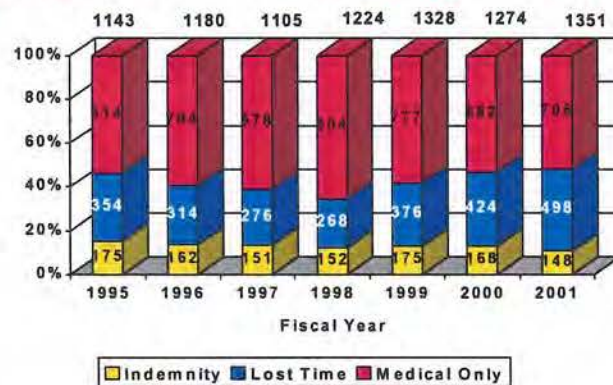
**Trends in Total New Claims Filed  
By Fiscal Year**



In fiscal year 2001, there were 1,351 new claims filed with expenses. This was a 6.0% increase over fiscal year 2000 and is the highest volume of new claims since FY 1993. Two of the factors contributing to the rise in claims files include air quality issues resulting in the closing of offices and continued awareness for early treatment, especially in regards to computer stations.

## New Claims Filed by Type of Claim

**% of New Claims Filed by Type of Claim**



Claims are divided into three categories:

- **medical only**, where no time was lost from work but an expense did occur;
- **lost time**, where the injured worker lost fewer than 40 hours but more than 8 hours and did not receive any indemnity payments;
- **indemnity**, where the employee lost more than 40 hours of work and was compensated for time lost through a weekly indemnity payment.

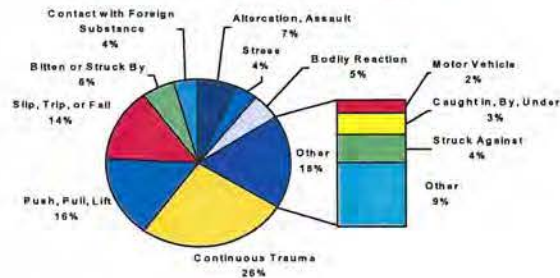
All three categories may have medical expenses.

Indemnity claims decreased 12%. Lost time claims increased to



## Claims by Type of Injury

**New Claims by Type of Injury  
Fiscal Year 2001**

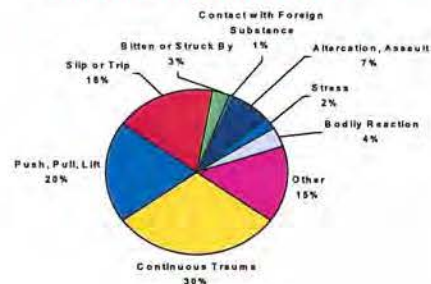


The graph at left is based upon the type of injury as stated on the first report. Continuous trauma claims (25.6%) represent the largest category of injuries, followed by push, pull, and lift (15.9%); slip, trip, or fall (14.2%); altercations (7.2%); and bitten or struck by (6.2%). This is the same ranking of type of injury that occurred in FY 2000.

Push, pull, or lift was the number one cause of injury for FY 2001 indemnity claims. Continuous trauma was the number one cause for both lost time and medical only claims. Additional details on continuous trauma claims appear on the next page.

## Expenses by Type of Injury

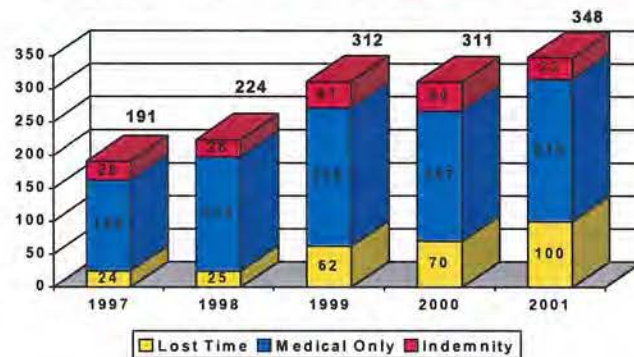
**New Claim Expenses by Type of Injury  
Fiscal Year 2001**



Looking at total expenses paid in fiscal year 2001 by type of injury gives a pie chart of similar composition to the one above by volume of new claims. Expenses for new claims totaled \$1,905,659. Continuous trauma was the highest with \$571,727; followed by push, pull, lift with \$384,157; and slip, trip, or fall with \$348,712 in expenses.

## Trends in Continuous Trauma Injuries

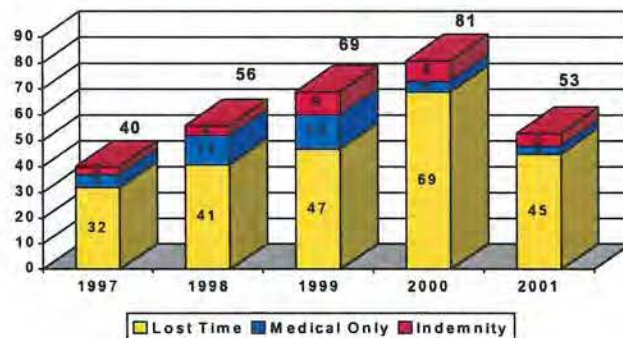
**Trends in Continuous Trauma Injuries**



Continuous trauma claims have grown steadily from 191 in fiscal year 1997 to an all time high of 348 in 2001. This represents an increase of 82% in five years. In 2001, continuous trauma claims hit all time highs in two categories: lost time (100) and medical only (215). One in five new claims in FY 2001 was indemnity or lost time compared to one in six a year ago. Similarly, the percent of new, medical only continuous trauma claims increased from 25% to 30%.

## Trends in Stress Claims

**Trends in Stress Claims**



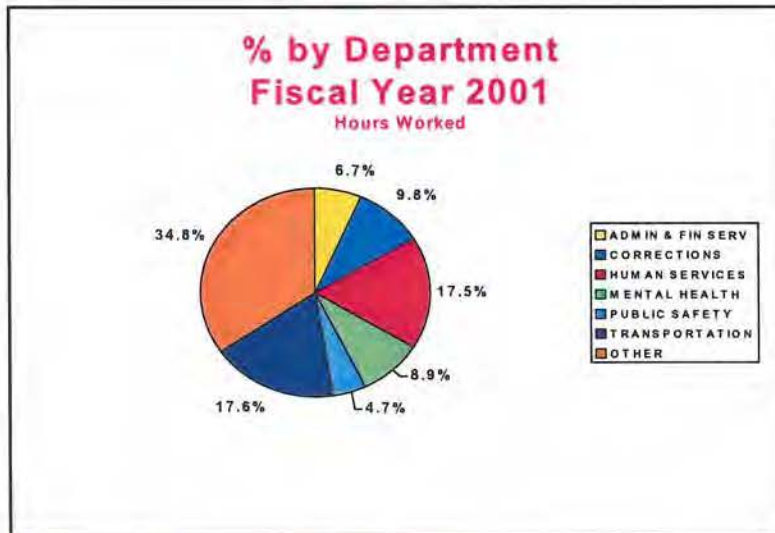
The number and percent of claims for stress grew steadily from 40 in fiscal year 1997 to a high of 81 in fiscal year 2000. In FY 2001 new stress claims decreased by one third to 53. The bulk of the reduction came from the number of lost time claims which dropped from 69 to 45. Indemnity claims dropped from eight to five and medical only from four to three.

While not a significant cost for workers' compensation (2% of new claim expenses), stress claims could result in other costs to the State in the form of absenteeism, lost productivity, health insurance claims, and short term disability.

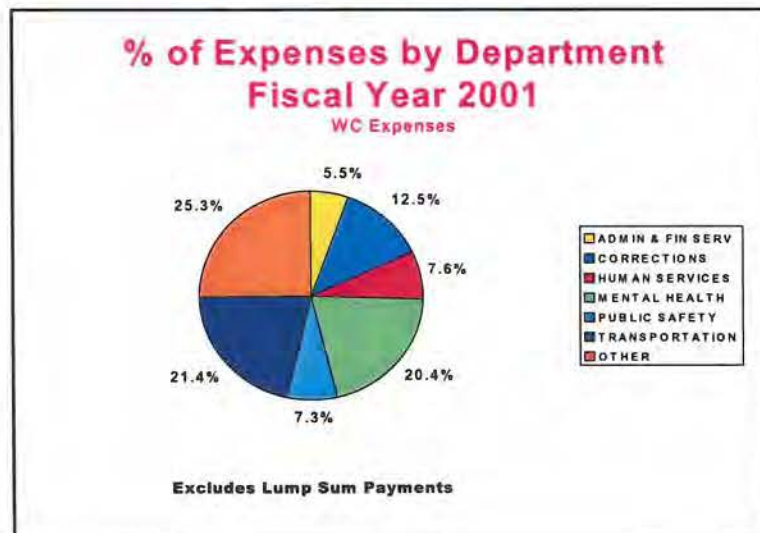


## CLAIMS AND EXPENSE BY DEPARTMENT

### Percent of Hours Worked by Department



### Percent of Expenses by Department

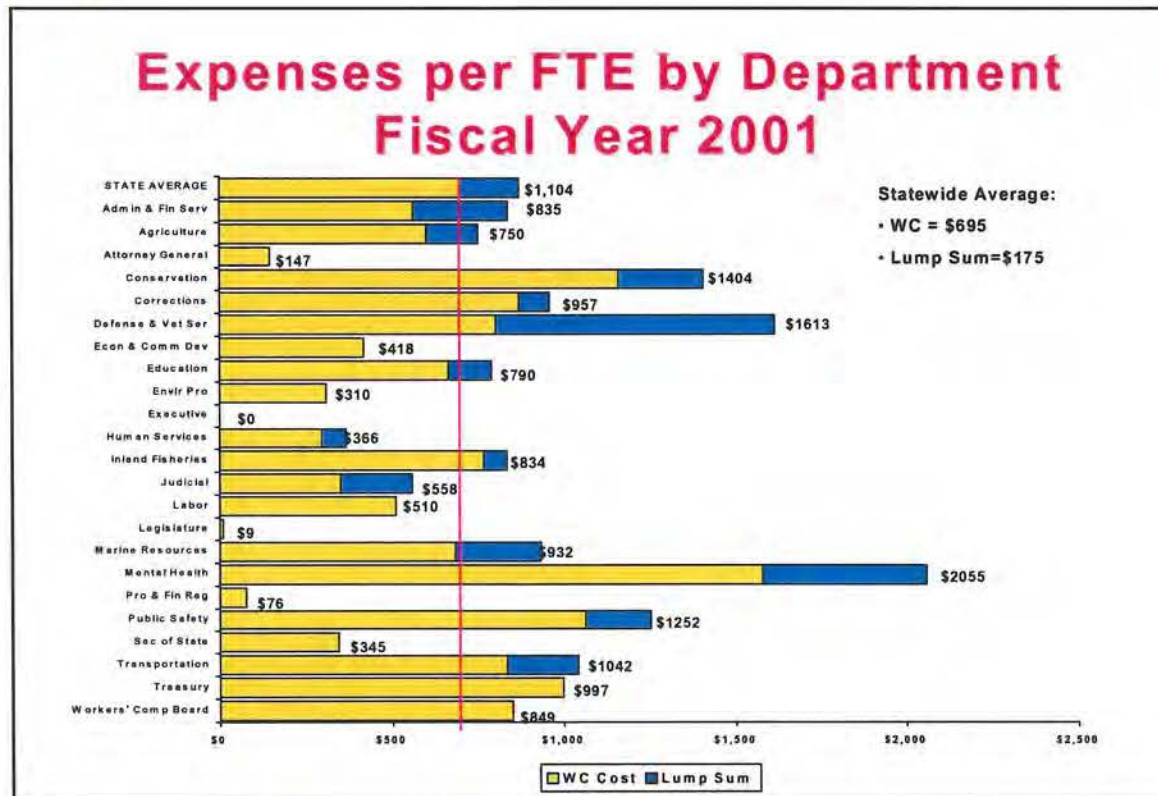


In general there is a correlation between hours worked and the number of injuries. Departments with more hours worked are likely to experience more injuries. The graph at left shows the percent of hours worked by department for fiscal year 2001. There was no change in percent of hours worked from FY 2000. Transportation (which includes both administration and the DOT crew) and Human Services are the largest departments, each with approximately 18% of total hours worked. Corrections and Mental Health are the next largest with 9.8% and 8.9% respectively. Administration and Financial Services and Public Safety are the smallest of the big six with 6.7% and 4.7% each.

Looking at the expenses for these six large departments, several departments account for a greater proportion of the workers' compensation expense than their proportion of total State hours worked. Mental Health, with the greatest difference, is responsible for 20% of the expenses while only representing 9% of the hours worked. The Department of Transportation accounted for 21% of expenses with 18% of hours worked. Human Services had the opposite experience with a greater proportion of hours than expenses.

For the first time in more than five years, Mental Health has slipped from the top ranking department in terms of total expenses. Significant emphasis has been placed on Mental Health's older claims. This resulted in a 20% reduction in their total expenses to \$1,748,510. Transportation leads the departments with \$1,831,261 in total expenses even though that represents a decrease of 15.9% from FY 2000.

## Average Cost by Department

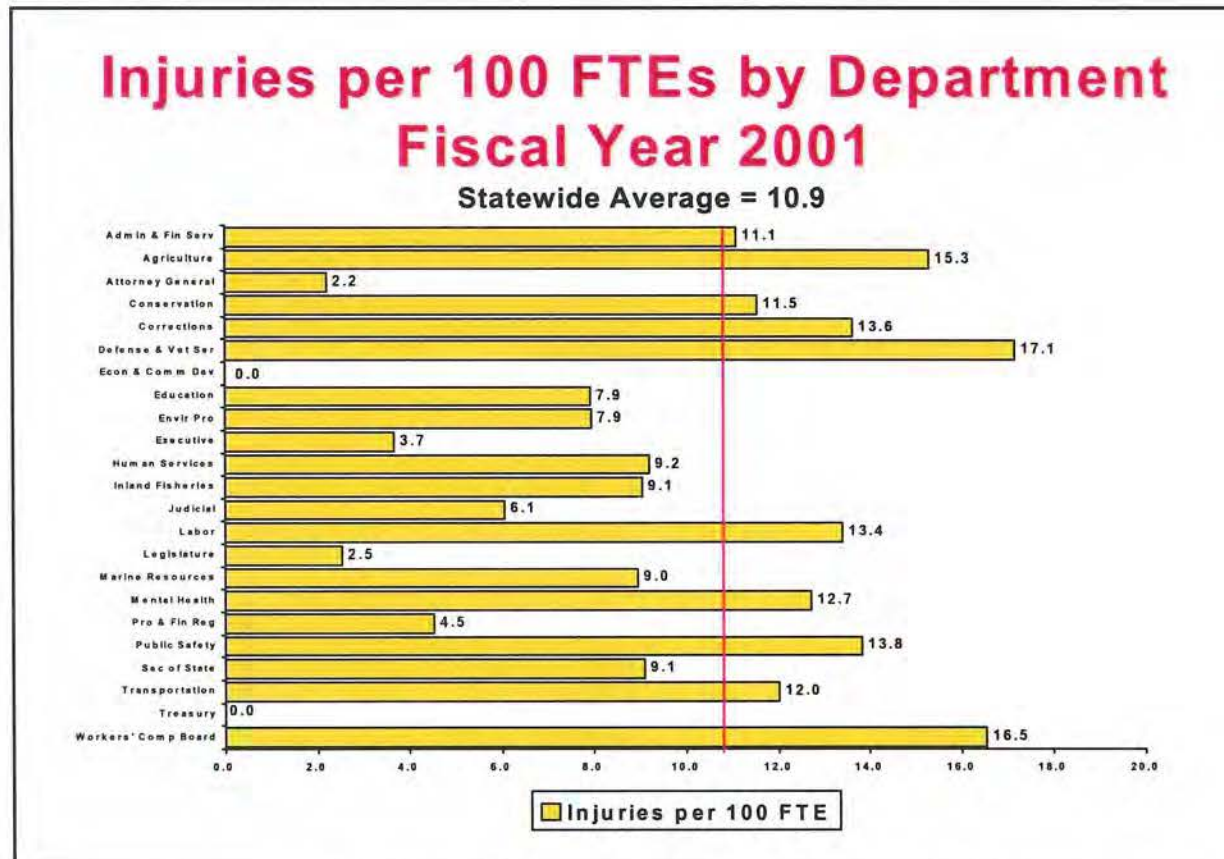


The average cost per FTE is compared across departments. The red line represents the State average for workers' compensation expenses, excluding lump sum payments. The yellow bar represents the average cost per FTE for workers' compensation expenses and the blue bar the average cost per FTE for lump sum payments.

Statewide, the average total cost per FTE for workers' compensation expenses was \$695 compared to \$785 in 2000 and \$983 five years ago. Nine departments are above the statewide average: Conservation; Corrections; Defense, Veterans and Emergency Management; Inland Fisheries; Mental Health; Public Safety; Transportation; Treasury and Workers' Comp Board. The number one department, Mental Health, is 2.3 times more than the State average.



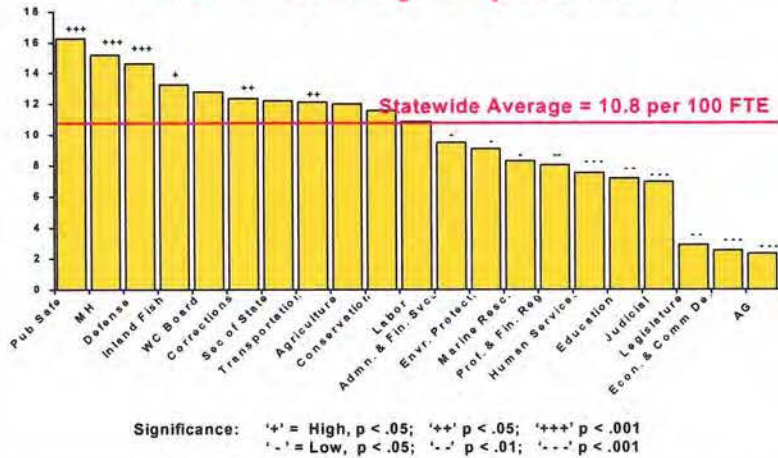
## Injury Rates by Department



This graph shows the injury rates per 100 FTE by department. The statewide average in fiscal year 2001 was 10.9 per 100 FTE. Defense, Veterans and Emergency Management had the highest injury rate (17.1 per 100 FTEs), followed by Workers' Compensation Board (16.5) and Agriculture (15.3). It is notable that Mental Health declined significantly from a high rate of 18.5 in the previous fiscal year to 12.7 in the current year.

Defense, Veterans and Emergency Management includes the National Guard with a large number of members who work one weekend per month plus two weeks per year. Since the number of National Guard FTEs is a fraction of the Guard members at risk for injury during the year, the higher injury rate is not unexpected.

## Injuries per 100 – 5 year Average

Injuries per 100 FTEs - 5 Year Average  
FY97-FY01 By Department

In order to minimize the impact of random variation in the number of injuries from year to year, data over a five-year period were analyzed. These data show a large variation in the number of injuries per 100 FTE. Statewide, there were 10.8 injuries per 100 FTE between 1997 and 2001. This was up slightly from the previous five-year average of 10.6 per 100 FTE. Public Safety was 50% above the statewide average, followed by Mental Health at 40% above and Defense, Veterans and Emergency Management at 35% above. These high rates were statistically significant.

Several departments were well below the State rate. Among the larger departments, Human Services was 30% below and Education was 34% below.

1997 – 2001 Injuries by Department  
Sorted by Injuries per 100 FTE

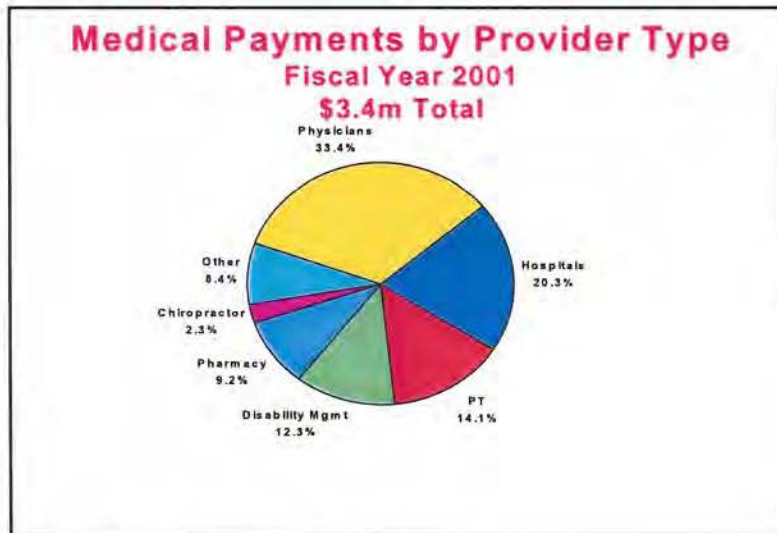
Department	Observed # Injuries 1997-2001	Expected* # Injuries 1997-2001	Injuries Per 100 FTE	# Injuries Above Expected
Pub Safe	459	306	16	153
MH	884	631	15	253
Defense	188	139	15	49
Inland Fish	189	154	13	35
WC Board	64	54	13	10
Corrections	704	619	12	85
Sec of State	240	213	12	27
Transportation	1,346	1,201	12	145
Agriculture	80	72	12	8
Conservation	228	214	12	14
Labor	315	315	11	0
Admn. & Fin. Svcs.	377	431	9	(54)
Envr. Protect.	159	190	9	(31)
Marine Resc.	58	76	8	(18)
Prof. & Fin. Reg.	71	96	8	(25)
Human Services	790	1,137	8	(347)
Education	91	137	7	(46)
Judicial	121	188	7	(67)
Legislature	31	116	3	(85)
Econ. & Comm	5	21	3	(16)
AG	24	113	2	(89)
Total	6,424	6,424	11	N/A

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

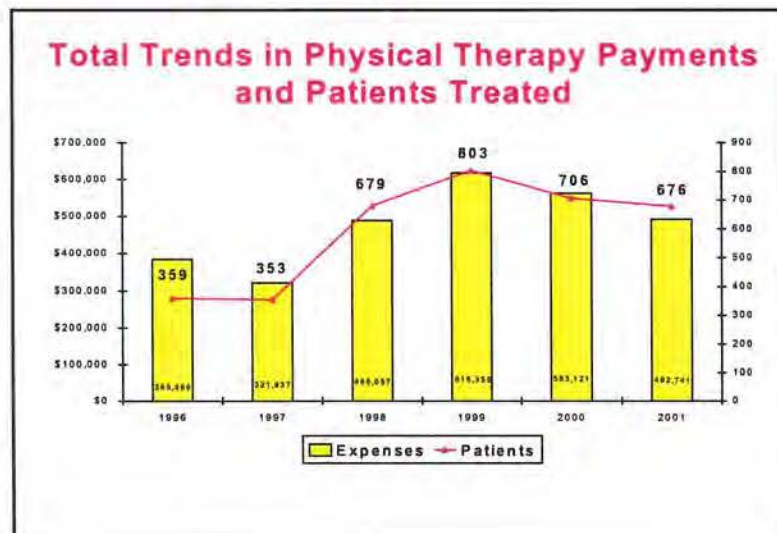


## MEDICAL PAYMENTS

### Medical Payments by Provider Type



### Trends in Physical Therapy



Payments for medical services to injured workers are made directly to the provider of care. At left is a pie chart that shows the distribution of medical payments by type of provider. Total payments decreased 10% (\$397,782) from fiscal year 2000. With the exception of pharmacy, payments to all provider types dropped in FY 2001. Pharmacy payments are discussed in detail on page 17.

Payments to physicians and hospitals constituted 54% of all medical payments. The physicians' share increased from 29% to 33.4% while the hospitals' share went down from 23% to 20.3%.

Disability management expenses represented 12% of all medical expenses and decreased 9% from fiscal year 2000. These expenses were for outside contractors focusing on the disposition of pre-1993 claims.

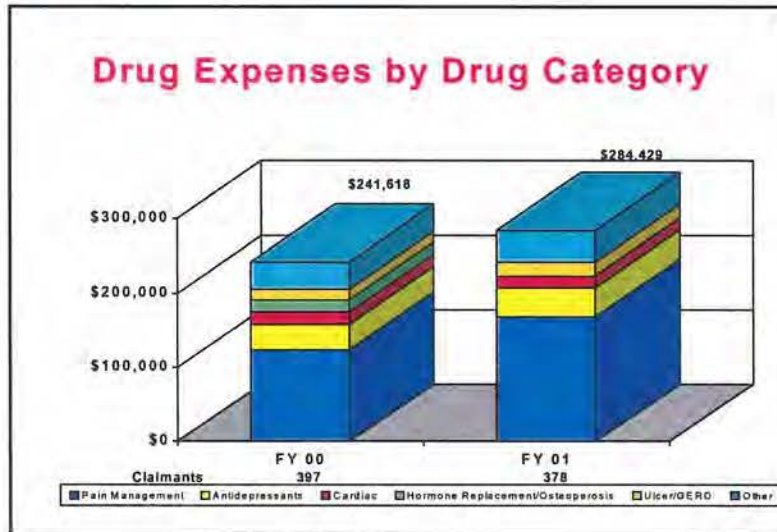
At 14% of the total, physical therapy is the third largest category of medical payments. The graph at the left shows the trend in patients receiving physical therapy services (red line) compared to the trend in payments (yellow bars).

In fiscal year 2001, payments to physical therapists declined for a second year. Payments dropped 12.5% to \$492,741. At the same time, the number of people receiving treatment dropped to 676, a reduction of 4.2%.

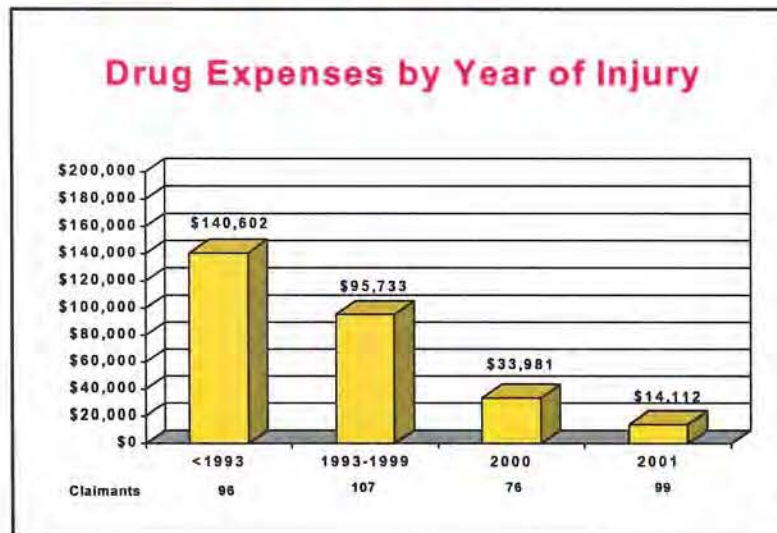
In FY 1998, the State contracted with two companies to provide physical therapy services. Employees were encouraged to seek treatment from these companies without waiting for a referral. This explains the sharp increase in payments in FY 1998. Currently, the State has a contract with a single company which treats over three-fourths of the injured workers.



## Drug Expenses by Category



## Drug Expense by Year of Injury



The rising cost of prescription drugs is well known. Factors contributing to the rise include increased marketing, a corresponding increase in consumer demand and utilization, and more rapid product development. Other factors include decreased regulatory approval times and increasing costs of product development. For the first time, this annual report includes information regarding prescription drug utilization.

In fiscal year 2001, there were \$284,429 in expenses for prescription drugs, an increase of 17.7%. The majority of drugs used in workers' compensation are within three categories. The largest category of drugs is for pain management, which accounted for \$168,000 in fiscal year 2001. This category of drugs includes NSAIDs, analgesics, anti-convulsants, and sedatives. The most well known pain management drug is Oxycontin, known not only for its effectiveness, but also its high cost. This category increased 35.7%. The second largest category is for antidepressants, which accounted for \$40,000 in fiscal year 2001. The use of cardiac drugs in the workers' compensation program (\$15,000 in FY 2001) is noteworthy since it indicates that underlying heart disease and age may be contributing to worker injury and disability.

The number of days supply increased 31.5% from 111,197 in FY 2000 to 146,217. The average amount paid per day decreased from \$2.17 to \$1.95 in FY 2001.

Unlike the majority of medical expenses, drug expenses are often incurred many years after the date of injury. The graph at left shows the distribution of fiscal year 2001 drug expenses by year of injury. For 2001 expenses, 5% are for new injuries, 12% are for injuries occurring in the prior fiscal year, 34% are for injuries occurring between 1993 and 1999 and 49% are for injuries occurring before 1993.



## TWO YEAR COHORT

### Explanation of Cohort

Injury Occurred							Track Expenses Through								
19	JULY						99	20	JULY						01
S	M	T	W	T	F	S	S	M	T	W	T	F	S		
		1	2	3	4	5	6				1	2	3	4	
7	8	9	10	11	12	13		5	6	7	8	9	10	11	
14	15	16	17	18	19	20		12	13	14	15	16	17	18	
21	22	23	24	25	26	27		19	20	21	22	23	24	25	
28	29	30	31					26	27	28	29	30	31		

In order to assess recent trends in workers' compensation costs, it is necessary to exclude older claims from the analysis and standardize the reporting period for each claim. For this standardized approach, we have created the "Two Year Cohort." The Two-Year Cohort takes all injuries in a single fiscal year and tracks the expenses for each claim for two years after the date of injury. For an injury occurring July 15, 1999, we track all expenses incurred for that claim between July 15, 1999 and July 14, 2001. Similarly, an injury occurring on March 12, 1998 will be tracked until March 11, 2000. For the Two-Year Cohort, the most recent fiscal year available with the complete two-year run out is fiscal year 1999.

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



Total expenses two years from date of injury have remained essentially flat since 1994.

For the fiscal year 1999 cohort, total two-year expenses increased from the previous year. The total number of injuries in the cohort was only one higher than the 1998 cohort and expenses increased \$124,613 or 5%.

The average cost over two years of an FY 1999 claim was \$1958 compared to \$7106 for an FY 91 claim — a decrease of over 72%.

### Average Payments - Medical Only

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



The graph at left shows the six year trend in the average cost of a medical only claim two years after the injury. Costs have declined for the most recent two years. In FY 99 the average cost of a medical only claim was \$552 - a 9.2% decrease from the FY 97 peak of \$608.

### Average Payments - Medical Only by Payment Category

**Average Payments - Medical Only  
2 Years from Date of Injury  
By Payment Category**

Payment Category	1997	1998	1999
Physician	\$140	\$143	\$129
Hospital	\$127	\$95	\$85
Physical Therapy	\$130	\$236	\$273
Disability Management	\$94	\$45	\$25
Chiropractor	\$26	\$15	\$12
Radiologist	\$20	\$15	\$10
Other	\$71	\$43	\$28
Total	\$608	\$592	\$562

As the table on the left shows, medical expenses for medical only claims have been decreasing in all provider categories except physical therapy. Overall, the average payment per claim has decreased 7.6% between FY 97 and FY 99 to \$562. The greatest decrease was \$42 in hospital payments. Physical therapy increased 110% to \$273. Other includes pharmacy (\$10), imaging (\$7), and utilization review (\$3).



## Average Payments - Lost Time and Indemnity Claims

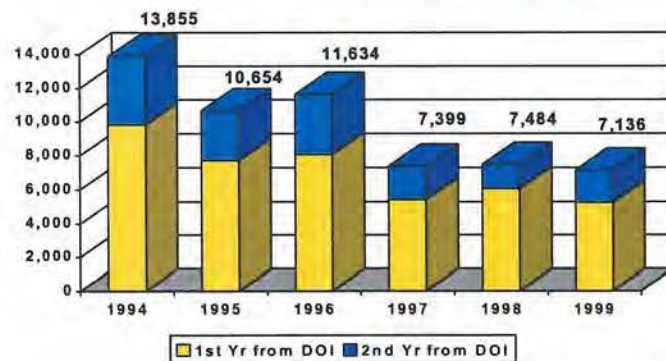
**Average Payments - Lost Time & Indemnity Claims  
2 Years from Date of Injury**



The chart at left shows the trend in average payments for all claims with an employee losing time from work. This includes claims with indemnity payments (indemnity claims) and claims where time was lost but it was uncompensated by the workers' compensation program (lost time claims). The average cost for a claim with lost time peaked in FY 96 at \$5,111. Fiscal year 99's average cost of \$3,892 is 24% below the peak.

## Trends in Days Lost

**Trends in the Number of Days Lost  
2 Years from Date of Injury**

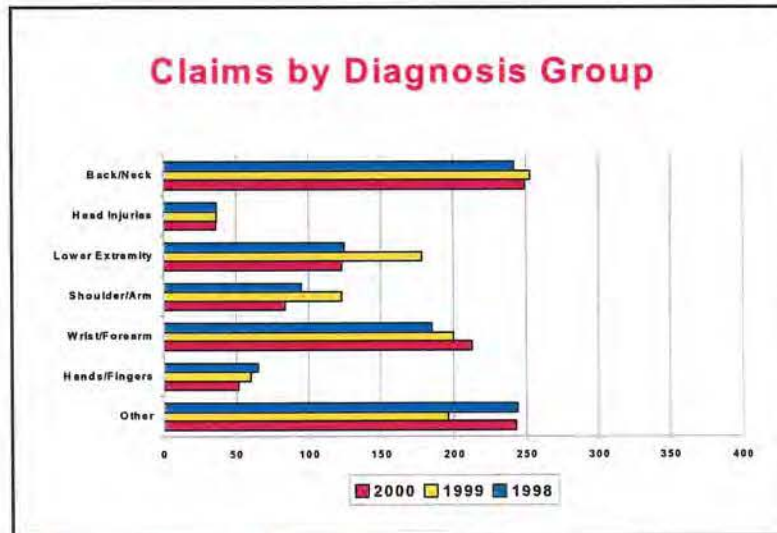


In fiscal year 1999 the number of lost days two years after the date of injury hit an all time low of 7,136 days lost.

There were 176 claims with compensated lost days compared to 151 in the previous year. The average FY 99 indemnity claim had 40.5 compensated days lost compared to 49.6 for FY 98 - an 18% decrease. At the end of two years (730 days following the injury) there were four FY 99 injuries receiving compensation, the same number as the previous two years.

## DIAGNOSIS GROUPS

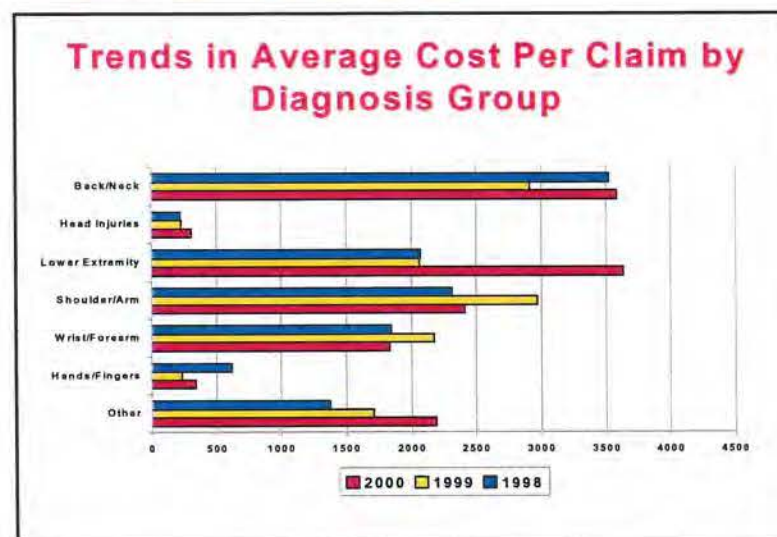
### Claims by Diagnosis Group



The graph at left shows the number of claims by diagnosis group for fiscal years 1998 - 2000.\* Fiscal year 2001 cannot be evaluated until all injuries have one full year of activity. Claims were classified based upon the ICD-9 diagnosis code from the medical bills. A claim has been assigned to a single diagnosis code. The Other category includes diagnoses related to limb pain, foreign bodies, burns, and fractures.

Wrist/Forearm, the group that includes carpal tunnel syndrome, continues to increase each year. Back/Neck, the largest category with 249 new claims, decreased. Lower extremity injuries returned to their normal level after an unusually high number in FY 1999.

### Average Cost by Diagnosis Group



With the exception of Back/Neck and Lower Extremity, the average cost per claim was less than or equal to that of FY 1999. The average payment for a Back/Neck claim in FY 2000 was \$3580 and \$3634 for a Lower Extremity claim.

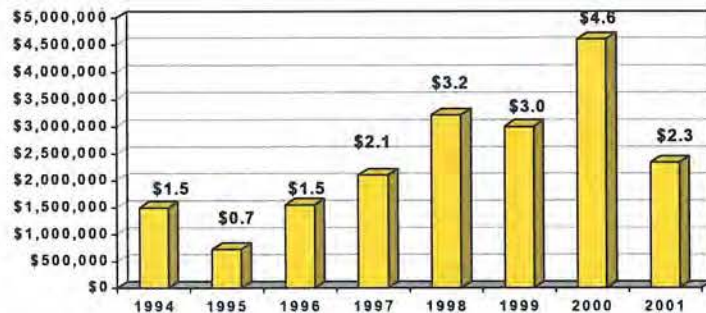
\* Medical bills and indemnity payments have been tallied for 365 days after the injury for each claim.



## LUMP SUM SETTLEMENTS

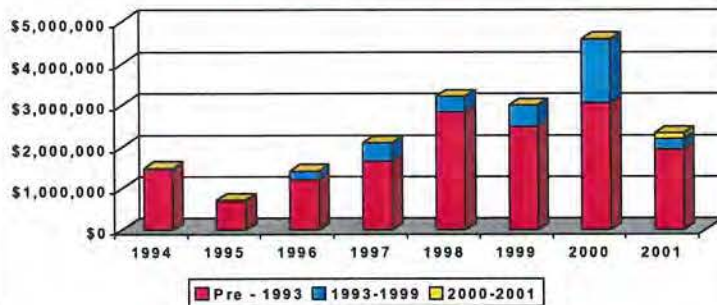
### Trends in Lump Sum Settlements

#### Trends in Lump Sum Settlements



#### Trends in Lump Sum Settlements

#### Trends in Lump Sum Settlements by Payment Year



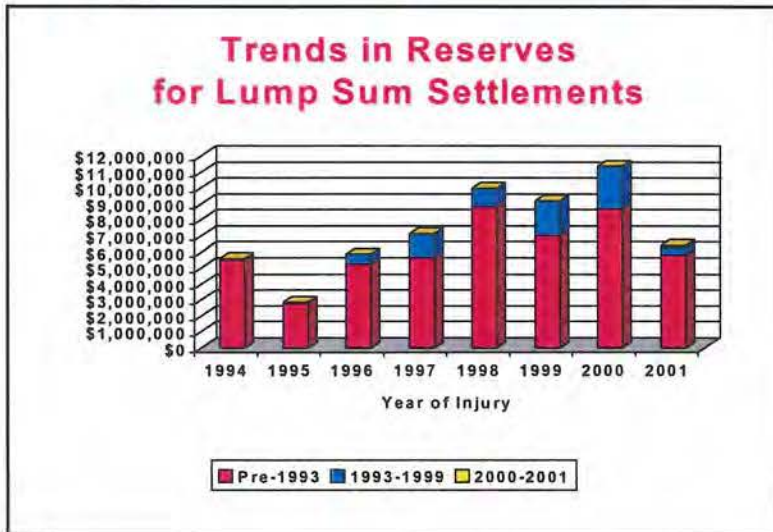
When it has been determined that an injured employee will not be returning to work, discussion may be initiated to settle the claim. Once an agreement has been reached, a lump sum amount or settlement is established and the claim is closed.

In fiscal year 2001 there were 107 claims settled. This is a 35% increase over the previous high of 79 claims in fiscal year 2000.

In fiscal year 1994, the State's workers' compensation system was centralized and funds were specifically allocated for the settlement of claims. The graph at left shows the trend in lump sum settlements since fiscal year 1994. In fiscal year 2001, lump sum settlements decreased 49% to \$2,334,303.

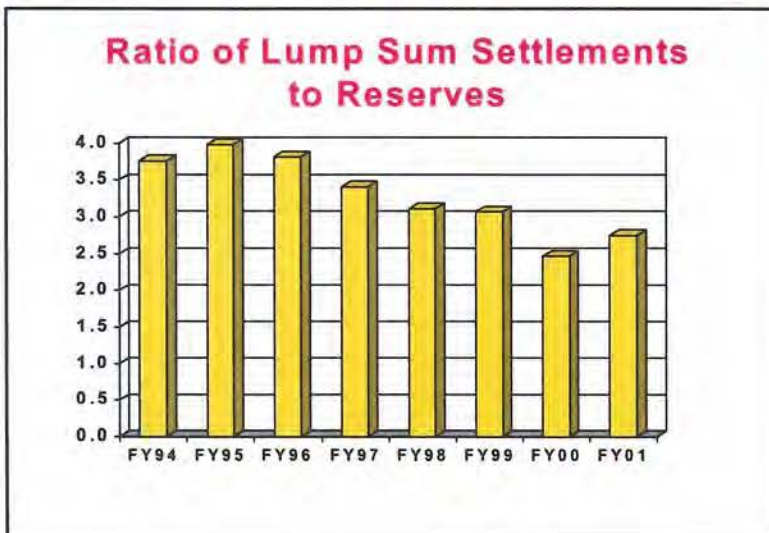
From payment years 1994 through 1997 the primary emphasis was placed on settling pre-1993 claims (red bars). In fiscal year 2000, settlements for injuries occurring in more recent years were a larger part of total settlement expenses (blue bars). Over 80% of the settlements in fiscal year 2001 were for pre-1993 injuries compared to two-thirds in fiscal year 2000. Settlements for injuries occurring in 2000-2001 accounted for 6% of the settlements.

### Trends in Reserves for Lump Sum Settlements



Once agreement has been reached for a lump sum settlement, the claim is closed and the State's future liability for the claim (the claim's reserves) is zero. The graph at left shows the trends in total reserves by year of injury for settled claims. Each grouping of bars shows the reserves for a given year's settlements. Red is used for pre-1993 and blue for 1993 - 1999 injuries. Ninety percent of the reserves for settlements in 2001 were for pre-1993 injuries. In fiscal year 2001, there were 107 claims settled with reserves totaling \$6.4 million.

### Trends in Ratio of Reserves to Lump Sum Settlements



The ratio of reserves to settlements can be viewed as a return on investment. This number can vary widely on a claim by claim basis.

More recent injuries have a lower average reserve amount. In FY 2001 the ratio is 2.75 compared to an all time low of 2.5 last year. Looking at just pre-1993 injuries, the ratio is 3.0.