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## Workers' Compensation Program

# Annual Report

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State Fiscal Year  
2002



# Workers' Compensation Program Annual Report

State Fiscal Year  
2002

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**For additional copies contact:**

Minnesota Department of Employee Relations

Employee Insurance

200 Centennial Office Building

658 Cedar St.

St. Paul, MN 55155

Phone: 651/296-6521

Fax: 651/297-5471

E-mail: [workers.comp.doer@state.mn.us](mailto:workers.comp.doer@state.mn.us)

Internet: [www.doer.state.mn.us/deptwide/wkr-comp.htm](http://www.doer.state.mn.us/deptwide/wkr-comp.htm)

*This information can be made available in alternative formats, such as Braille or large print, upon request. Please call 651/296-6521 (voice); 651/297-7959 (TTY).*

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## **Introduction**

The State of Minnesota's self-insured workers' compensation program is administered by the Minnesota Department of Employee Relations' (DOER) Total Compensation Division. The program consists of four distinct units: claims management, disability management, legal, and safety/ industrial hygiene. It covers over 57,000 employees in the executive, legislative, judicial branches of state government and quasi-state agencies, such as the Minnesota Historical Society and the Minnesota State Fair.

The state's workers' compensation program receives on average 3,200 new claims annually and is funded by an administrative fee charged to each agency it serves. During state fiscal year 2002 (FY 2002), the program's total costs increased 1.7% (\$357,212).

We present the following report on the program's activities during FY 2002. This report will examine the costs of indemnity and medical benefits provided to injured state employees, summarize pertinent information regarding claims for work-related injuries, and note other significant data compiled by the program during the past fiscal year. This information is provided to state agencies, legislators, labor unions, insurance industry professionals, and others interested in the general operation of the program.

The Workers' Compensation Program welcomes comments about this report. Please direct comments to the address listed on the first page of this report.

All comparisons made in this report are of FY 2002 figures to FY 2001, unless otherwise noted, and are actual costs. The cost data has not been adjusted for inflation.

## **Executive Summary**

The following is a summary of program activity for state fiscal year 2002:

### **Claim Numbers**

- ♦ The program received fewer claims in FY 2002 (p. 4).
- ♦ The program closed fewer claims in FY 2002 (p. 4).

### **Claim Costs**

- ♦ Total program costs increased 1.7% (p. 7-8)
- ♦ Expenditures for all benefits increased 1.0% (p. 9-10).
- ♦ Expenditures for indemnity benefits decreased 4.6% - a decrease of \$347,271 (p. 12-13).
- ♦ Expenditures for medical benefits increased 13.3% - an increase of \$771,926 (p. 14-15).

### **Recoveries**

- ♦ Recoveries decreased \$114,741 (p. 16-17).

### **Agency Activity**

- ♦ Eight agencies (MnSCU, Human Services, Transportation, Corrections, Natural Resources, Veterans' Homes, Public Safety, and Administration) accounted for the majority of the program's activity (p. 20-21).
- ♦ Benefit costs for these eight largest agencies increased 0.2% (p. 22-23).
- ♦ The incidence rate decreased from 5.1% in FY 2001 to 4.9% in FY 2002 (p. 26-28).
- ♦ New to this report is Appendix C – Incident Rate by Agency for FY 2002 (p. 32).

### **Cost Per \$100 of Payroll**

- ♦ Past costs per \$100 of payroll are less than the Department of Labor & Industry's estimated average for employers in Minnesota (p. 29).

### **Other Findings**

- ♦ Claims that occurred prior to 1990 accounted for 22.3% of the program's benefit costs paid out during FY 2002 (p. 18-19).
- ♦ Most common injury was to the upper extremities (p. 24-25).

## **How the Program Works**

### **Mission and Enabling Legislation**

The Workers' Compensation Program's mission is to work in partnership with state and quasi-state agencies to manage workers' compensation risk throughout state government. The Program works primarily through each individual state agency's human resource and safety personnel.

The enabling legislation for the Program is found in Minnesota Statutes 176.541 through 176.611.

### **The Four Distinct Units**

To best serve state agencies, the Workers' Compensation Program delivers its workers' compensation services through four distinct work units: claims management, disability management, legal, and safety/industrial hygiene. Below is a brief description of what each work unit does.

#### **Claims Management Unit**

The Claims Management Unit determines liability for workers' compensation claims filed against the state and quasi-state agencies by state employees. It then contests or pays these claims in accordance with the statutory requirements of Minnesota Statutes 176. While carrying out this work, the Unit represents the interests of the state and quasi-state agencies.

In addition to its responsibility for the administration of workers' compensation benefits, the Unit also has the responsibility to direct the efforts to return injured employees back to the job, recover costs

from negligent third parties, and to seek final resolutions for all claims.

#### **Disability Management**

The Disability Management Unit provides rehabilitation services for state agencies and for injured state employees. The primary purpose of the Unit is to work with employees and state agencies to help injured employees stay on the job or return to jobs as soon as possible. The Unit provides services such as vocational screenings/assessments, on-site job analyses, job placement, statutory rehabilitation and return-to-work plans.

#### **Legal Services**

The Legal Services Unit provides legal representation to state agencies in workers' compensation disputes. Its purpose is to conduct all aspects of defense litigation and provide legal counsel to state agencies and staff members of the Workers' Compensation Program. Its objective is to protect the legal interests of state agencies in disputed cases and, to defend or resolve these cases in the best interest of the state.

#### **Safety & Industrial Hygiene**

The Safety and Industrial Hygiene Unit provides safety, ergonomics, and industrial hygiene consultative resources to all state agencies. Its purpose is to help state agencies identify and correct workplace safety hazards-both environmental and behavioral-that place employees at risk for work related injury or illness. The Unit provides an array of safety-related services to agencies such as worker exposure assessments, indoor air quality surveys, ergonomics, employee training and safety program development.

## **Findings**

### **The program received fewer claims (Chart 1 and Appendix A)**

#### ***Number of claims decreased (Chart 1)***

The program had a 5.9% (197) decrease in the number of claims reported from FY 2001 to FY 2002. Appendix A contains an agency-by-agency breakdown of the number of claims reported for FY 2001 and FY 2002.

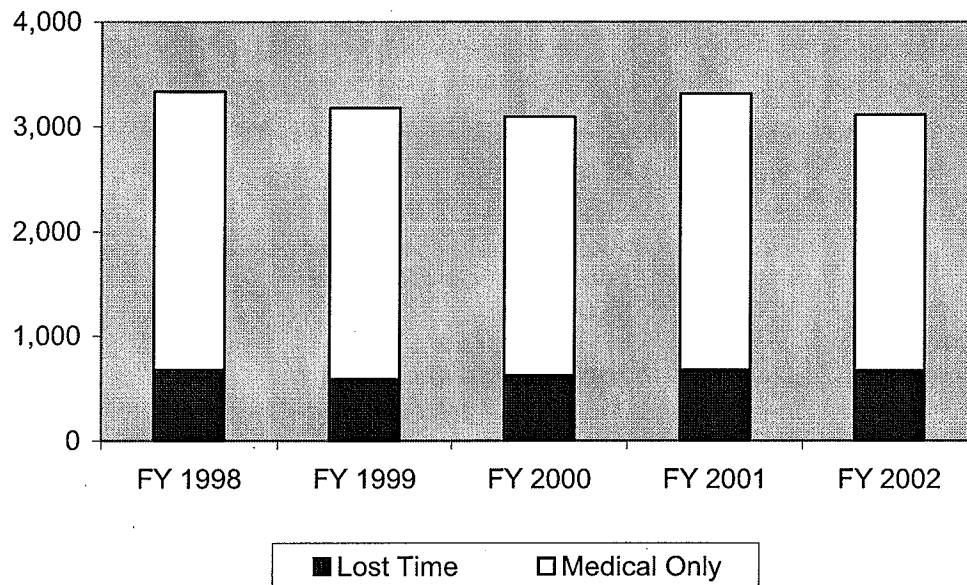
#### ***Decrease in lost time claims (Chart 1)***

*Lost time claims*, those in which the employee is disabled beyond a three calendar-day waiting period, decreased 0.4% in FY 2002. *Medical only claims* decreased 7.3% from FY 2001 to FY 2002.

#### ***Fewer claims were closed (Chart 2)***

The program closed 144 fewer claims in FY 2002 than in FY 2001. This decrease correlates directly to the number of claims reported in FY 2002. The program closed nearly as many claims as received during FY 2002 (3,118 received vs. 3,106 closed). The standardized closing procedures instituted in previous years, as well as declining numbers of new claims, have brought the closed claim numbers in line with the opened claims.

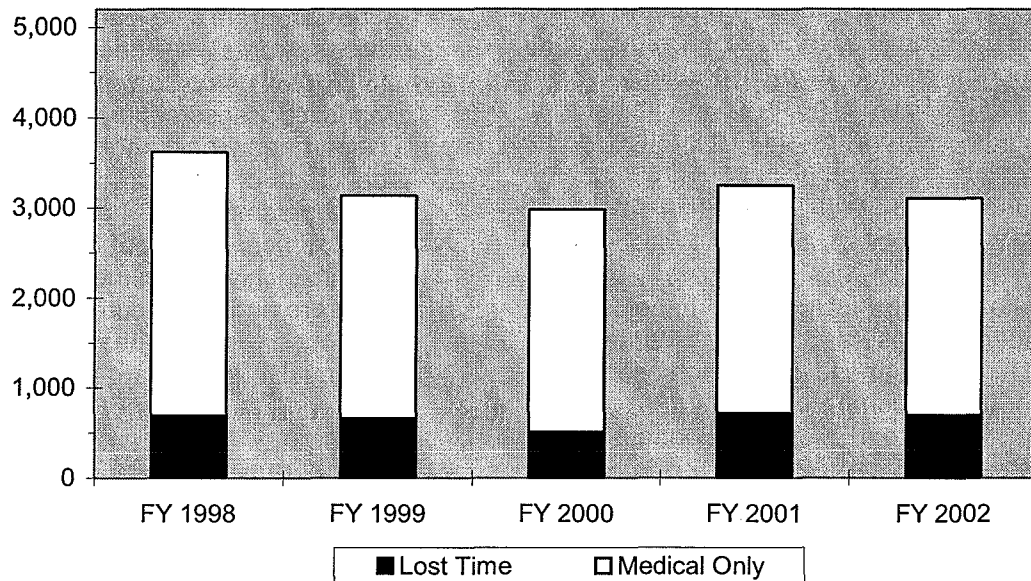
**Chart 1/Number of Claims Reported/FYs 1998-2002**



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 98-02	FY 01-02
	Claims Reported					% Change	
Lost Time	678	590	627	675	672	-0.9%	-0.4%
Medical Only	2,661	2,590	2,470	2,640	2,446	-8.1%	-7.3%
Totals	3,339	3,180	3,097	3,315	3,118	-6.6%	-5.9%



**Chart 2/Number of Claims Closed/FYs 1998-2002**



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 98-02	FY 01-02
	<b>Claims Closed</b>					<b>% Change</b>	
<i>Lost Time</i>	690	662	510	720	697	1.0%	-3.2%
<i>Medical Only</i>	2,928	2,474	2,474	2,530	2,409	-17.7%	-4.8%
<b>Totals</b>	<b>3,618</b>	<b>3,136</b>	<b>2,984</b>	<b>3,250</b>	<b>3,106</b>	<b>-14.2%</b>	<b>-4.4%</b>

**The program experienced a 1.7% increase in total costs (*Chart 3*)**

The program's total costs increased 1.7% (\$357,212) in FY 2002 compared to FY 2001. From FY 1998 to FY 2002, total program costs have increased 12.8% (\$2,413,985). These costs include all benefits, program administrative fees, special assessments, reinsurance, and managed care administrative fees.

***Benefits***

*Benefit costs* include all benefits paid under Minnesota Statutes, Chapter 176. In FY 2002, these costs increased 1.0% (\$150,127) compared to FY 2001. From FY 1998 to FY 2002, benefit costs increased 15.2% (\$2,063,362).

***Administration***

In FY 2002, the program provided claims administration, safety and industrial hygiene consultations, and disability management/ rehabilitation services with an operating budget of \$2,935,971 compared to \$2,731,295 in FY 2001, which was the operating budget since FY 1993.

***Special Assessments***

The program's expenditure for *special assessments* decreased 13.5% (\$173,281) compared to FY 2001. Special assessments are levied by the Department of Labor and Industry for payment of uninsured employer claims, reimbursement of supplementary benefits, and reimbursement of Second Injury Fund claims. This assessment is charged to all insurers and self-insured employers doing business in Minnesota based upon indemnity benefits paid for injuries occurring on or after 6/1/71.

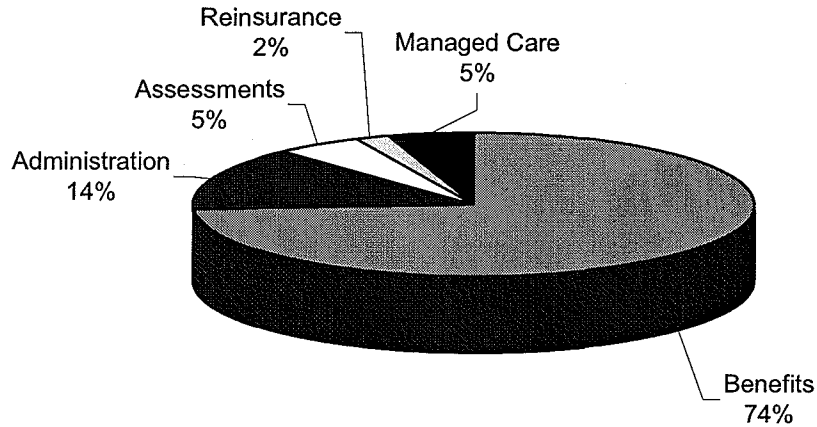
***Reinsurance***

The program's expenditure for *reinsurance* increased \$96,053 in FY 2002 compared to FY 2001. The Workers' Compensation Reinsurance Association (WCRA) provides coverage to the state on claims exceeding our deductible (retention rate).

***Managed Care***

The program's payments for *managed care* services increased 7.2% (\$79,637) from FY 2001 to FY 2002 due to an increase in the number of state employees covered by the program and an increase in the capitation rate. The capitation rate for the first half of FY 2002 was \$1.72 per employee per month. The second half of FY 2002 the rate was \$1.77.

**Chart 3/Total Program Costs/FYs 1998-2002**



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 98-02	FY 01-02
Benefits	\$13,610,940	\$14,720,307	\$14,464,054	\$15,524,175	\$15,674,302	15.2%	1.0%
Administration	\$2,508,670	\$2,773,014	\$2,732,796	\$2,731,295	\$2,935,971	17.0%	7.5%
Assessments	\$1,556,374	\$1,625,109	\$1,693,824	\$1,284,252	\$1,110,971	-28.6%	-13.5%
Reinsurance	\$201,526	\$301,299	\$311,301	\$242,048	\$338,101	67.8%	39.7%
Managed Care	\$954,865	\$1,006,416	\$1,045,094	\$1,107,378	\$1,187,015	17.9%	7.2%
Totals	\$18,832,375	\$20,426,145	\$20,247,069	\$20,889,148	\$21,246,360	12.8%	1.7%

**The program's expenditures for benefits increased 1.0% (*Chart 4*)**

In FY 2002, expenditures for *indemnity, medical expenses, rehabilitation, and employee attorney's fees* increased a total of 1.0% (\$150,127) compared to FY 2001. From FY 1998 to FY 2002, benefit costs have increased 15.2% (\$2,063,362).

***Indemnity costs decreased***

Payments to compensate employees for lost wages or for permanent loss of body function decreased 4.6% (\$347,271) in FY 2002 compared to FY 2001. Since FY 1998, indemnity costs have increased 4.4% (\$302,522).

***Medical costs increased***

Payments for office and hospital visits, prescriptions, supplies, and reimbursements for travel and time off to see the doctor increased 13.3% (\$771,926) in FY 2002 compared to the previous year.

***Expense costs decreased***

Expenditures for investigations, independent medical examinations, medical records, court reporters, deposition fees, and legal defense costs decreased 2.1% (\$13,039) from FY 2001 to FY 2002. From FY 1998 to FY 2002, expenses decreased 5.6% (\$36,218).

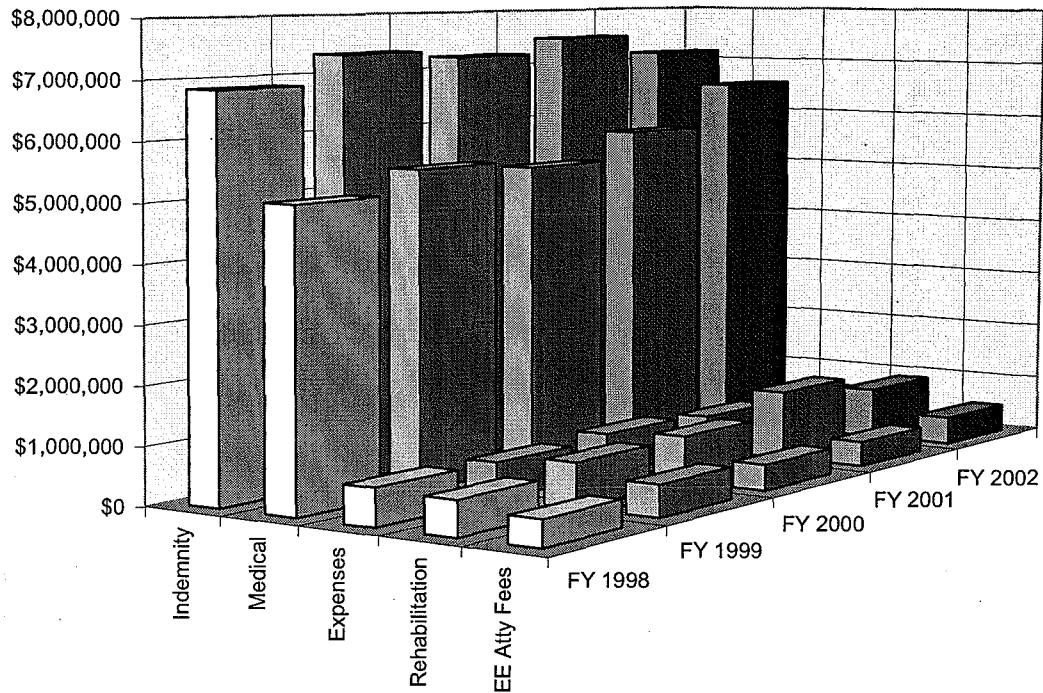
***Rehabilitation costs decreased***

Expenditures for medical and vocational rehabilitation services that aid in returning injured employees to work decreased 26.2% (\$313,264) from FY 2001 to FY 2002. Rehabilitation expenses increased 45.3% (\$274,612) from FY 1998 to FY 2002. The expenditure for rehabilitation benefits is a claims management cost that can help reduce indemnity benefits by returning employees to work as soon as they are able.

***Employee attorney costs increased***

Fees paid to attorneys representing injured employees in FY 2002 increased 12.1% (\$51,775) compared to FY 2001.

**Chart 4/Benefit Costs/FYs 1998-2002**

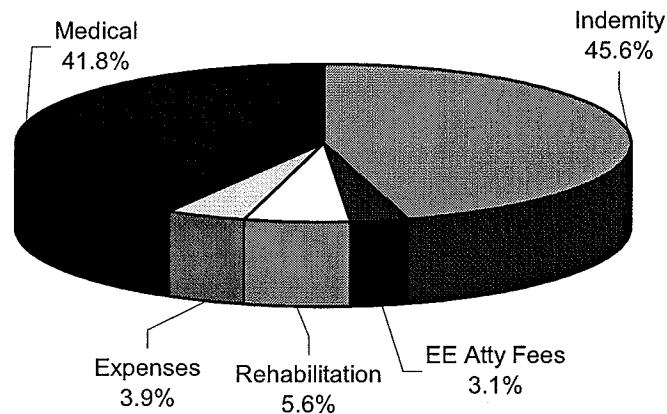


	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 98-02	FY 01-02
	<b>Benefit Costs</b>					<b>Change</b>	
<b>Indemnity</b>	\$6,846,778	\$7,342,468	\$7,221,339	\$7,496,571	\$7,149,300	4.4%	-4.6%
<b>Medical</b>	\$5,057,550	\$5,444,536	\$5,308,609	\$5,785,149	\$6,557,075	29.6%	13.3%
<b>Expenses</b>	\$642,945	\$619,603	\$698,263	\$619,766	\$606,727	-5.6%	-2.1%
<b>Rehabilitation</b>	\$606,456	\$766,221	\$789,845	\$1,194,332	\$881,068	45.3%	-26.2%
<b>EE Atty Fees</b>	\$457,211	\$547,479	\$445,998	\$428,357	\$480,132	-12.3%	12.1%
<b>Totals</b>	\$13,610,940	\$14,720,307	\$14,464,054	\$15,524,175	\$15,674,302	15.2%	1.0%

**The majority of benefits went directly to employees (*Chart 5*)**

In FY 2002, 45.6% (\$7,149,300) of the total benefits paid went directly to employees in the form of *indemnity* payments to compensate for lost wages or for permanent loss of body function. This percentage is lower than the previous year (FY 2001) of 48.3% (\$7,496,571).

**Chart 5/Composition of Benefit Costs/FY 2002**



**The program's expenditure for indemnity benefits decreased 4.6% — \$347,271 (Chart 6)**

The program's largest expenditure, indemnity benefits, decreased 4.6% (\$347,271) from FY 2001 to FY 2002. Since FY 1998, indemnity benefits have increased 4.4% (\$302,522).

***Types of Indemnity Benefits***

Indemnity benefits are usually paid on a biweekly basis to compensate employees for lost wages and permanent loss of body function due to a work-related injury. Indemnity benefits fall into one of the following categories:

***Temporary Total Disability (TTD) benefits*** are paid to employees who are unable to work, but who may be able to return to some type of work in the future. In FY 2002, TTD payments increased 11.9% (\$219,972) compared to FY 2001.

***Temporary Partial Disability (TPD) benefits*** are paid to employees who are able to work at either a reduced wage or a reduced number of hours. In FY 2002, TPD payments decreased 15.8% (\$112,619). From FY 1998 to FY 2002, expenditures for this benefit decreased 11.7% (\$79,044).

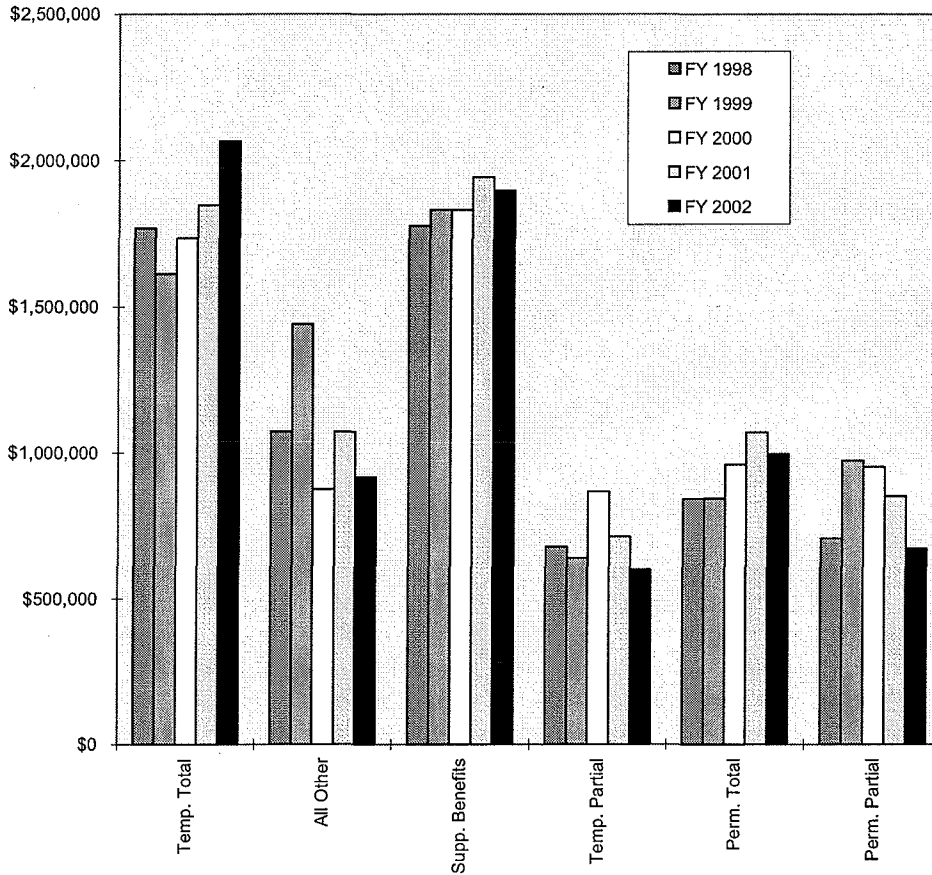
***Permanent Partial Disability (PPD) benefits*** are paid to employees who have a permanent loss of body function. In FY 2002, PPD payments decreased 21.1% (\$179,512) compared to FY 2001.

***Permanent Total Disability (PTD) benefits*** are paid to employees who will never be able to work again. In FY 2002, PTD payments decreased 6.9% (\$73,975) compared to FY 2001.

***Supplementary Benefits (SBs)*** are paid in conjunction with PTD, or to bring payments up to a percentage of the statewide average weekly wage. The majority of employees who receive SBs also receive Social Security Disability benefits. The program does not invoice agencies for these benefit payments, but rather receives full reimbursement from the Department of Labor and Industry. In FY 2002, SB payments decreased 2.4% (\$45,968) compared to FY 2001. The legislature has eliminated the requirement to pay Supplementary Benefits for injuries occurring on or after October 1, 1995.

***Other Benefits*** include lump sums to settle claims, death benefits to dependents, and retraining benefits. In FY 2002, these payments decreased 14.5% (\$155,169) compared to FY 2001.

Chart 6/Indemnity Benefit Costs/FYs 1998-2002



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 98-02	FY 01-02
<b>Indemnity Benefit Costs</b>						<b>Change</b>	
<b>Temp. Total</b>	\$1,768,842	\$1,612,418	\$1,734,614	\$1,846,704	\$2,066,676	16.8%	11.9%
<b>All Other</b>	\$1,072,056	\$1,441,491	\$874,599	\$1,072,757	\$917,588	-14.4%	-14.5%
<b>Supp. Benefits</b>	\$1,776,997	\$1,831,530	\$1,832,349	\$1,943,905	\$1,897,937	6.8%	-2.4%
<b>Temp. Partial</b>	\$678,224	\$639,783	\$866,984	\$711,799	\$599,180	-11.7%	-15.8%
<b>Perm. Total</b>	\$842,778	\$843,600	\$960,382	\$1,070,317	\$996,342	18.2%	-6.9%
<b>Perm. Partial</b>	\$707,881	\$973,646	\$952,411	\$851,089	\$671,577	-5.1%	-21.1%
<b>Totals</b>	\$6,846,778	\$7,342,468	\$7,221,339	\$7,496,571	\$7,149,300	4.4%	-4.6%



**The program's expenditure for medical benefits increased 13.3%  
(Chart 7)**

In FY 2002, the program paid \$6,557,075 to various medical care providers and for medical reimbursements to the employee. This was an increase of 13.3% (\$771,926) compared to FY 2001.

The largest dollar and percentage increases were in hospital and medical office visits. The most notable decreases occurred in employee reimbursements and supplies.

**Medical office visits** include all non-chiropractic care that is not provided in a hospital. From FY 2001 to FY 2002, these payments increased 16.1% (\$344,487).

**Hospital** payments include all inpatient and outpatient treatment. In FY 2002, these payments increased 17.5% (\$415,079) compared to FY 2001.

**Chiropractic care** payments increased 4.5% (\$9,835) in FY 2002 compared to FY 2001.

**Miscellaneous medical** includes payments to intervenors and diet and/or fitness centers. In FY 2002, these payments increased 18.5% (\$16,656) compared to FY 2001.

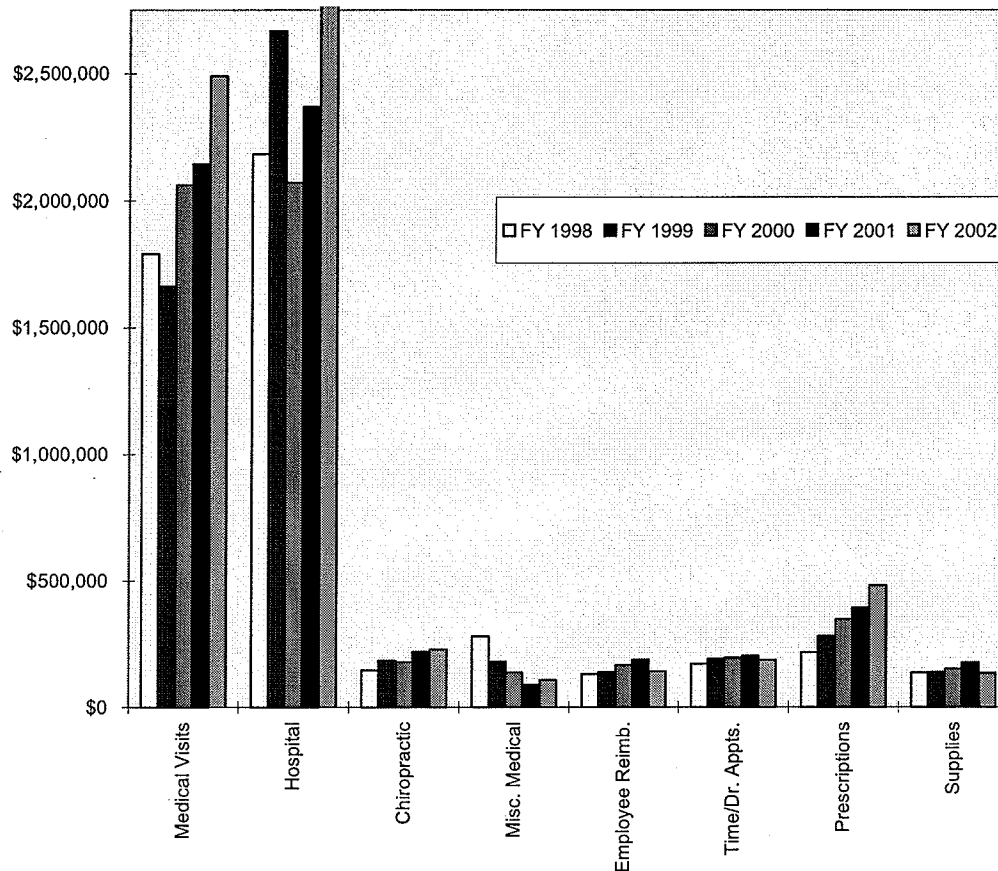
**Employee reimbursements** include mileage, parking, and meals. These payments decreased 23.8% (\$44,575) from FY 2001 to FY 2002.

**Employee time for doctor** is reimbursement of wages lost for time spent attending medical appointments. It does not include wages lost because of inability to work. These payments decreased 8.5% (\$17,286) compared to FY 2001.

**Prescription** costs increased 22.8% (\$89,553) from FY 2001 to FY 2002. Prescription costs continue to rise and have increased 122.3% from FY 1998.

**Supplies** include medical equipment and supplies. These payments decreased 23.7% (\$41,823) in FY 2002 compared to FY 2001.

**Chart 7/Medical Benefit Costs/FYs 1998-2002**



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 98-02	FY 01-02
<b>Medical Benefit Costs</b>						<b>Change</b>	
Medical Visits	\$1,790,476	\$1,662,475	\$2,060,919	\$2,145,644	\$2,490,131	39.1%	16.1%
Hospital	\$2,185,104	\$2,669,008	\$2,072,753	\$2,370,609	\$2,785,688	27.5%	17.5%
Chiropractic	\$146,063	\$183,752	\$178,276	\$218,578	\$228,413	56.4%	4.5%
Misc. Medical	\$280,774	\$179,890	\$136,938	\$90,008	\$106,664	-62.0%	18.5%
Employee Reimb.	\$131,376	\$139,449	\$166,024	\$187,582	\$143,007	8.9%	-23.8%
Time/Dr. Appts.	\$170,705	\$191,062	\$194,685	\$204,208	\$186,922	-2.2%	-8.5%
Prescriptions	\$216,678	\$281,193	\$347,317	\$392,166	\$481,719	122.3%	22.8%
Supplies	\$136,374	\$137,707	\$151,697	\$176,354	\$134,531	-1.4%	-23.7%
<b>Totals</b>	<b>\$5,057,550</b>	<b>\$5,444,536</b>	<b>\$ 5,308,609</b>	<b>\$ 5,785,149</b>	<b>\$ 6,557,075</b>	<b>29.6%</b>	<b>13.3%</b>

## **Recoveries decreased 4.0% — \$114,741 (Chart 8)**

Recoveries are funds the program receives from three main sources: supplementary benefits, Second Injury Fund, and subrogation. Total recoveries in FY 2002 decreased 4.0% (\$114,741) compared to FY 2001.

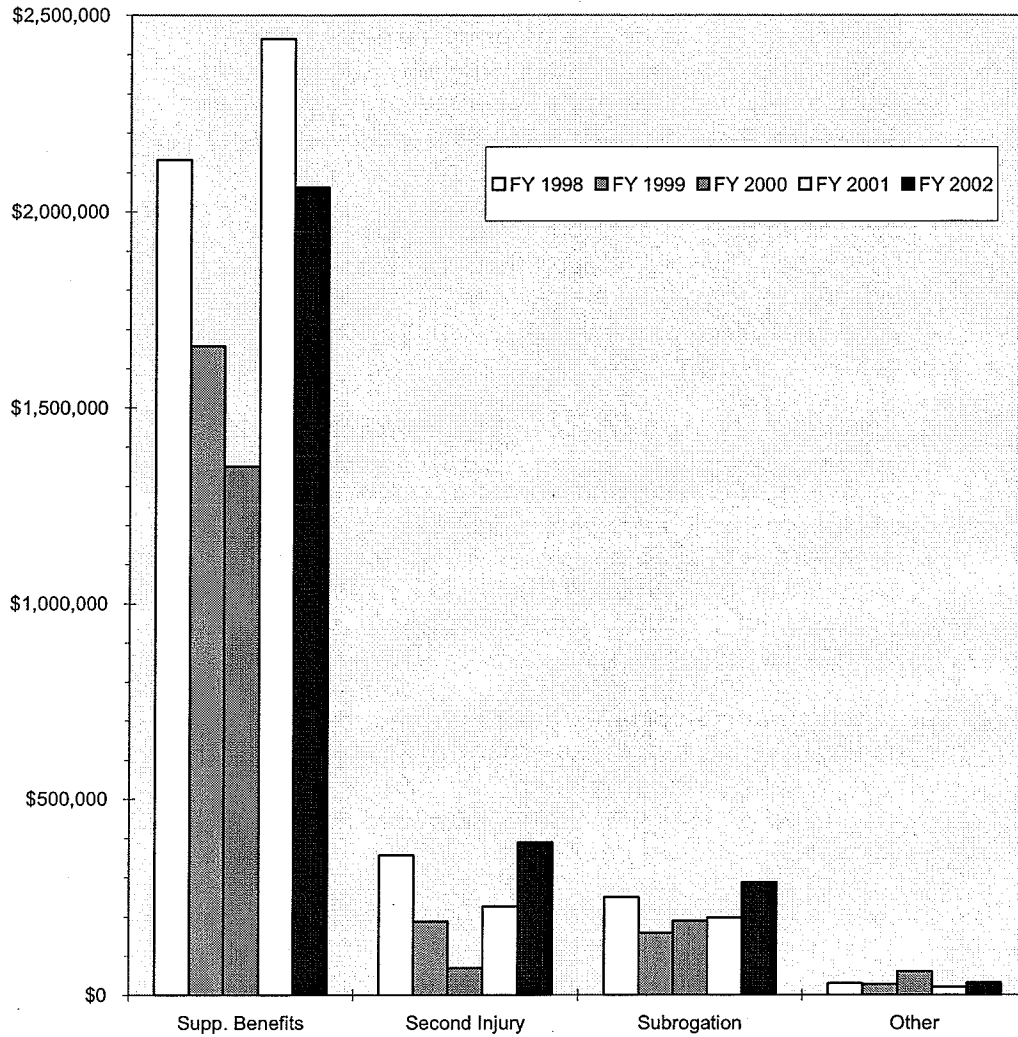
***Supplementary Benefit Recoveries*** are reimbursed by the Department of Labor and Industry. In FY 2002, the recovery of these funds decreased 15.5% (\$378,790) compared to FY 2001.

***Second Injury Fund Recoveries*** are reimbursed by the Department of Labor and Industry for benefits paid on claims in which the employee had certain pre-existing conditions. In 1992, legislation eliminated the Second Injury Fund for claims occurring on or after July 1, 1992. In FY 2002, the recovery of these funds increased 72.4% (\$163,612) compared to FY 2001.

***Subrogation Recoveries*** are funds paid by third parties who are found responsible for employees' injuries and illnesses. From FY 2001 to FY 2002, the recovery of these funds increased 45.4%, (\$89,736).

***Other Recoveries*** include funds obtained through contribution and reinsurance. In FY 2002, the recovery of these funds increased 53.1% (\$10,701). compared to FY 2001.

Chart 8/Recoveries/FYs 1998-2002



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 98-02	FY 01-02
Recoveries						Change	
Supp. Benefits	\$2,131,498	\$1,657,582	\$1,350,628	\$2,440,629	\$2,061,839	-3.3%	-15.5%
Second Injury	\$356,691	\$187,573	\$68,437	\$225,837	\$389,449	9.2%	72.4%
Subrogation	\$248,984	\$157,877	\$189,141	\$197,524	\$287,260	15.4%	45.4%
Other	\$29,764	\$27,194	\$60,363	\$20,144	\$30,845	3.6%	53.1%
Totals	\$2,766,937	\$2,030,226	\$1,668,569	\$2,884,134	\$2,769,393	0.1%	-4.0%

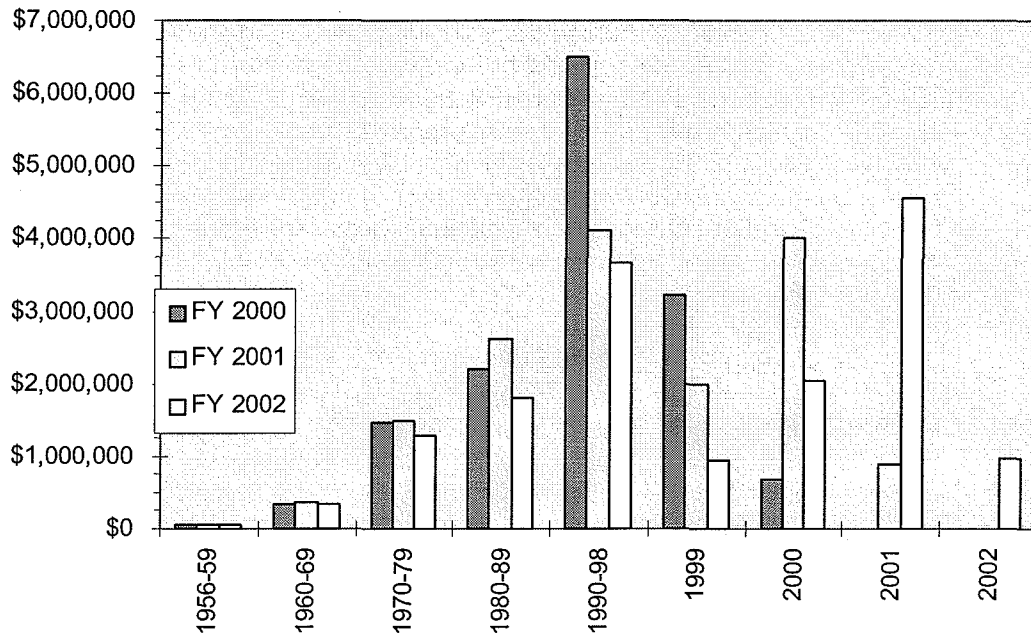
**Claims that occurred prior to 1990 accounted for 22.3% of the program's FY 2002 benefit costs (*Chart 10*)**

In FY 2002, the oldest claim the program managed was from 1956. Chart 10 shows a breakdown of total benefits paid from FY 2000 to FY 2002 for injuries occurring in calendar years 1956-02. In FY 2002, 22.3% (\$3,501,104) of all benefits went to employees who were injured prior to 1990. This is considerably less than what has occurred in past fiscal years and can be attributed to the aging of these claims.

***Claims follow predictable pattern***

In terms of cost, claims tend to undergo a "maturing" process. Claim costs tend to rise in the year following the injury as further benefits are paid. Then, in subsequent years, claim costs tend to decrease. Chart 10 shows claims payments made in FY 2002 which demonstrate this pattern.

**Chart 10/Payments Made for Calendar Year Injuries/FYs 2000-2002**



Calendar Years	FY 2000	FY 2001	FY 2002
1956-59	\$41,214	\$43,769	\$45,267
1960-69	\$349,113	\$368,817	\$346,345
1970-79	\$1,473,402	\$1,489,978	\$1,297,156
1980-89	\$2,208,841	\$2,614,427	\$1,812,336
1990-98	\$6,496,072	\$4,117,431	\$3,677,838
1999	\$3,223,506	\$1,998,681	\$936,765
2000	\$671,906	\$4,000,761	\$2,035,444
2001	\$0	\$890,311	\$4,559,779
2002	\$0	\$0	\$963,372
<b>Totals</b>	<b>\$14,464,054</b>	<b>\$15,524,175</b>	<b>\$15,674,302</b>

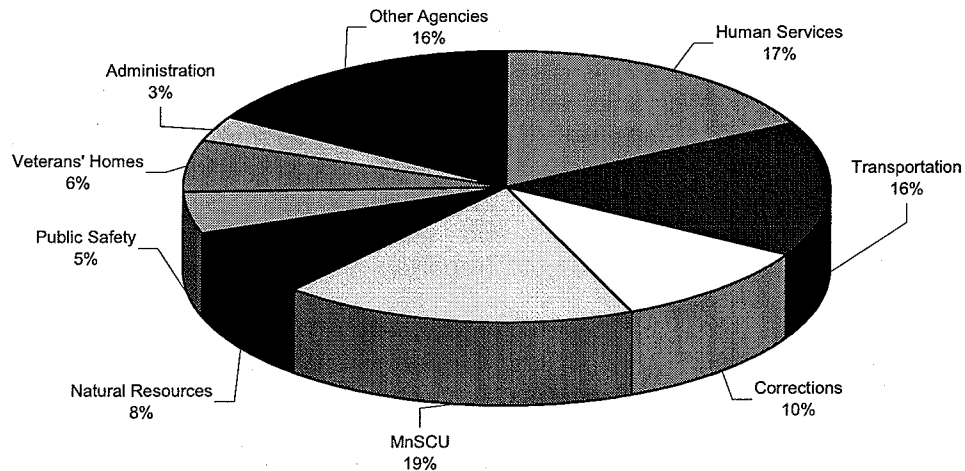
**Eight agencies accounted for the majority of the program's activity  
(Charts 11, 12, and Appendices A, B)**

The following eight state agencies reported 83.6% (2,608) of all claims and paid 81.7% (\$12,807,854) of all benefits in FY 2002. The eight agencies are: Human Services, MnSCU, Transportation, Corrections, Natural Resources, Public Safety, Veterans' Homes, and Administration. This compares with 82.9% (reported) and 82.4% (paid) in FY 2001.

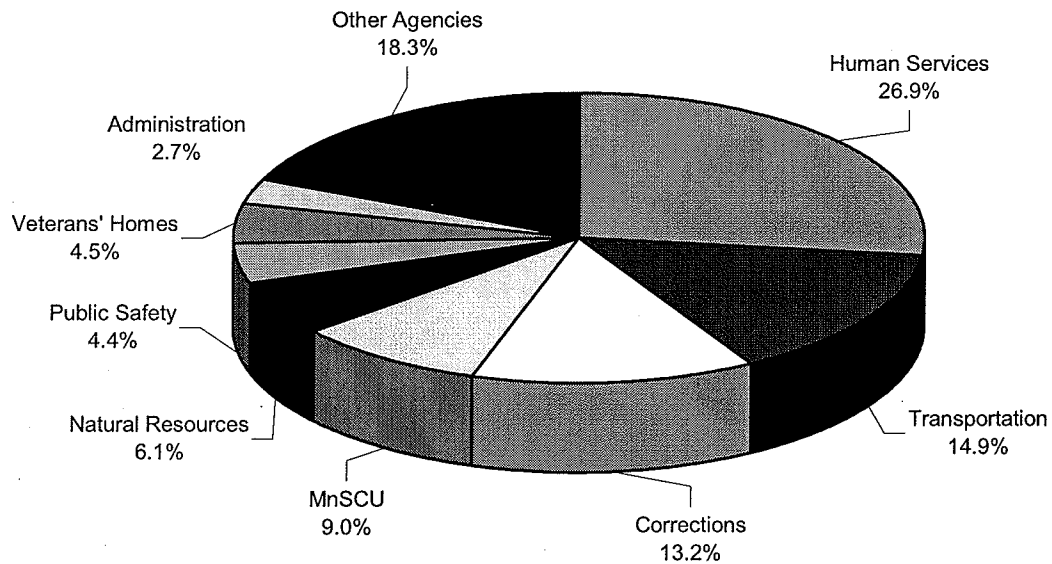
To a great extent, the volume can be attributed to the agencies' size and/or the type of work they do. Agencies where a majority of the employees are engaged in office work tend to have fewer injuries than agencies with employees who work in non-office settings.

Charts 11 and 12 contain information on these eight agencies, while Appendices A (Reported) and B (Benefit Costs) contain agency-by-agency comparison of the number of claims reported and the amount of benefits paid in FY 2001 and FY 2002.

**Chart 11/Composition of Reported Claims by Agency/FY 2002**



**Chart 12/Composition of Benefits Paid by Agency/FY 2002**





**Benefit costs for these eight agencies increased 0.2%  
(Chart 13 and Appendix B)**

Combined benefit costs for the eight large agencies increased a total of 0.2% (\$24,761) from FY 2001 to FY 2002. Chart 13 shows data for these eight agencies. Cost data for the remaining agencies is contained in Appendix B.

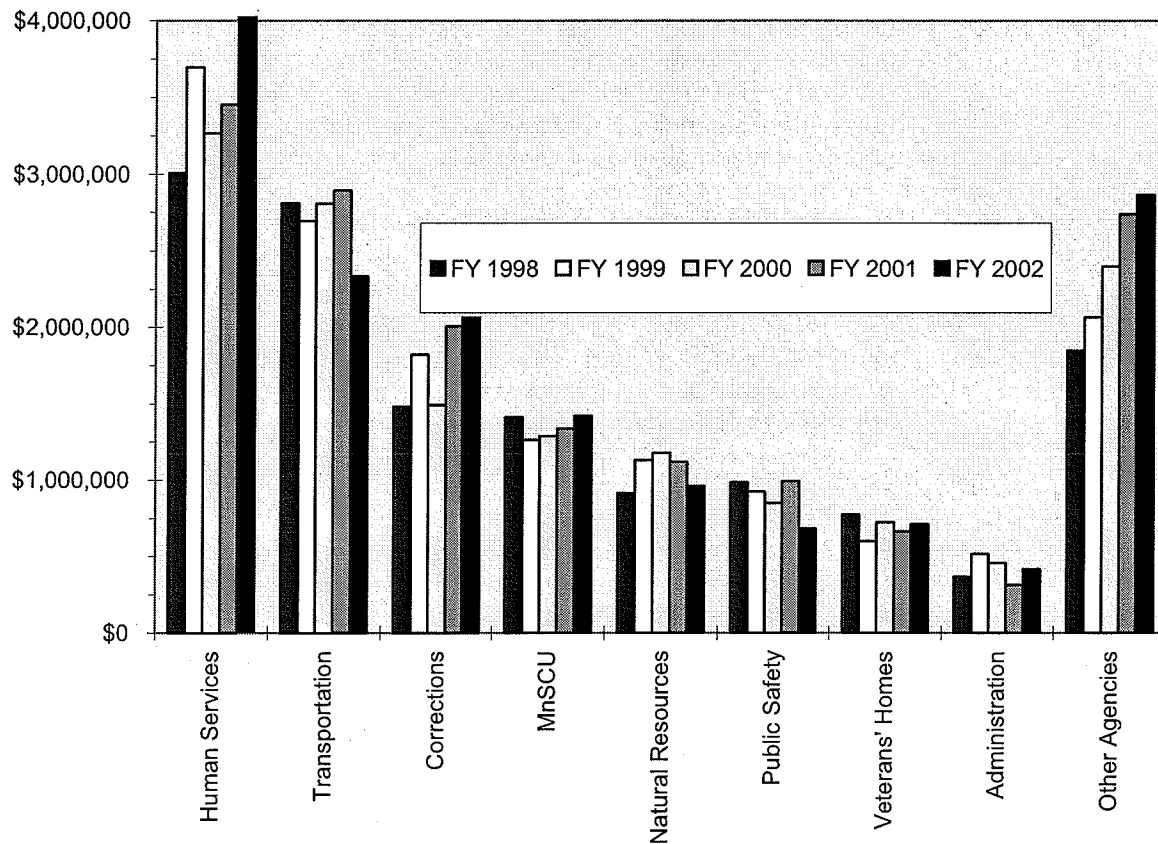
***Caution urged when comparing agencies***

It must be noted that comparisons of agencies' workers' compensation costs may be misleading and must be kept in perspective. One must consider many factors when comparing costs among agencies: the number and age of employees, the type of work done, the salaries paid, the number of hours worked, and the type and severity of injuries.

***Declines in Costs for Department of Transportation, Department of Natural Resources, and Department of Public Safety***

The Department of Transportation's benefit costs in FY 2002 declined \$562,254 (19.4%), Department of Natural Resources' benefit costs declined \$158,250 (14.1%), and Public Safety's benefit costs declined \$307,331 (31.0%). The other five large agencies experienced a range of increases from 2.9% to as much as 33.5%. All other agencies experienced an increase in benefit costs of 4.6% (\$125,366) from FY 2001 to FY 2002.

Chart 13/Benefit Costs for Eight Agencies/FYs 1998-2002

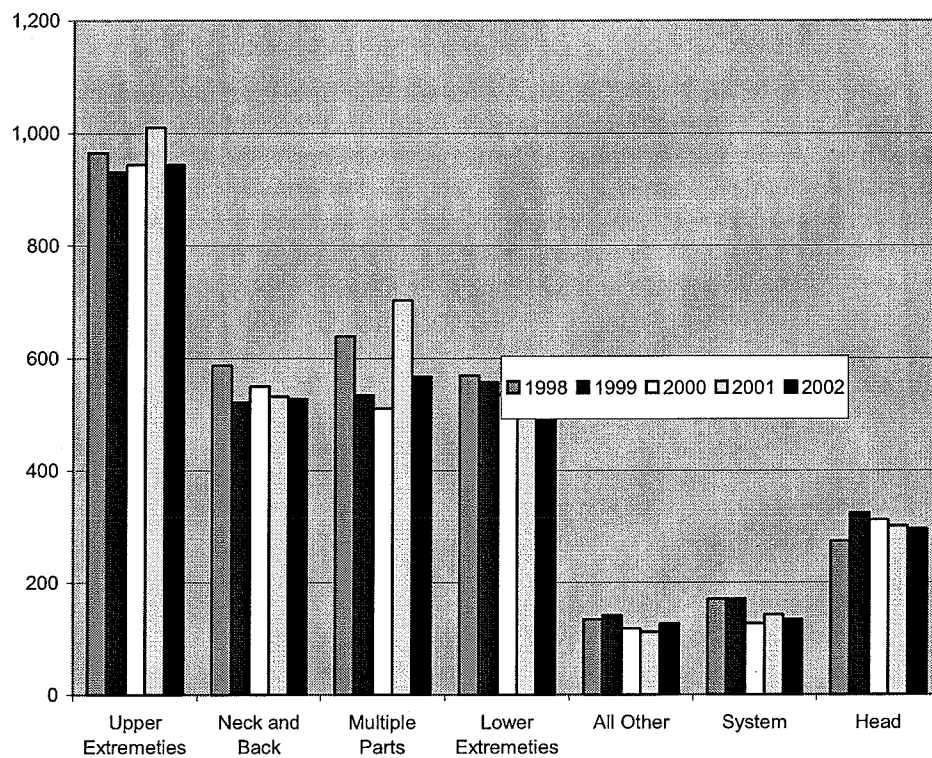


	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 98-02	FY 01-02
	Benefit Costs					Change	
Human Services	\$3,006,076	\$3,695,353	\$3,267,093	\$3,453,933	\$4,212,445	40.1%	22.0%
Transportation	\$2,813,376	\$2,695,133	\$2,806,936	\$2,894,599	\$2,332,345	-17.1%	-19.4%
Corrections	\$1,483,129	\$1,822,690	\$1,491,505	\$2,007,067	\$2,064,536	39.2%	2.9%
MnSCU	\$1,411,966	\$1,264,193	\$1,288,666	\$1,336,432	\$1,419,566	0.5%	6.2%
Natural Resources	\$915,400	\$1,130,597	\$1,179,644	\$1,119,645	\$961,395	5.0%	-14.1%
Public Safety	\$987,037	\$925,101	\$848,405	\$992,676	\$685,345	-30.6%	-31.0%
Veterans' Homes	\$776,821	\$601,811	\$723,734	\$664,555	\$712,880	-8.2%	7.3%
Administration	\$369,980	\$517,796	\$458,683	\$314,186	\$419,342	13.3%	33.5%
Totals 8 Agencies	\$11,763,785	\$12,652,674	\$12,064,666	\$12,783,093	\$12,807,854	8.9%	0.2%
Other Agencies	\$1,847,155	\$2,067,633	\$2,399,388	\$2,741,082	\$2,866,448	55.2%	4.6%
Totals Overall	\$13,610,940	\$14,720,307	\$14,464,054	\$15,524,175	\$15,674,302	15.2%	1.0%

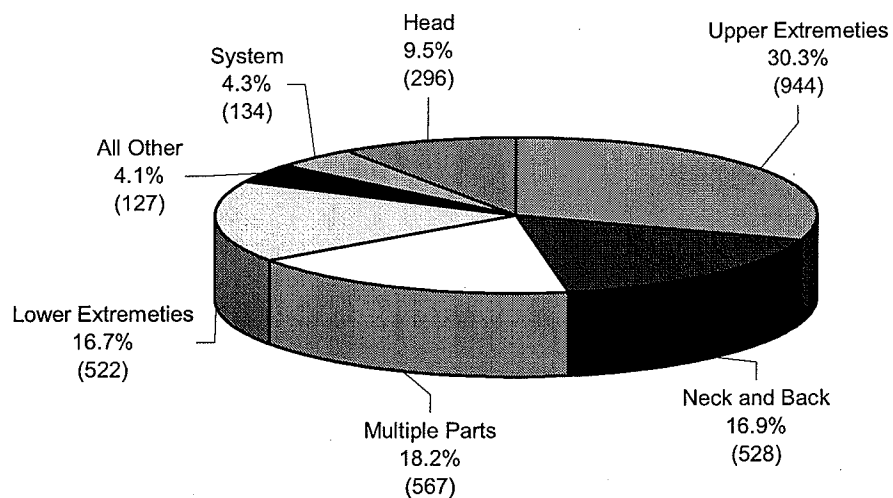
**Most common injury was to the upper extremities, followed by multiple parts, neck/back, and lower extremities (*Charts 14 and 15*)**

In FY 2002, 30.3% of all reported injuries were to the upper extremities (arm, shoulder, elbow, wrist), 18.2% involved multiple body parts, 16.9% to the neck/back, and 16.7% to the lower extremities. This composition of reported injuries is consistent with FY 2001 data and it follows the trend of reported injuries since FY 1998.

**Chart 14/Composition of Reported Injuries/FYs 1998-2002**



**Chart 15/Composition of Reported Injuries/FY 2002**



**The average incident rate for these eight agencies and for all other agencies decreased (*Chart 16*)**

The *incident rate* is an indicator of an agency's claims experience. It is an approximation of the number of reportable claims paid per year, per 100 full-time employees and is calculated as follows:

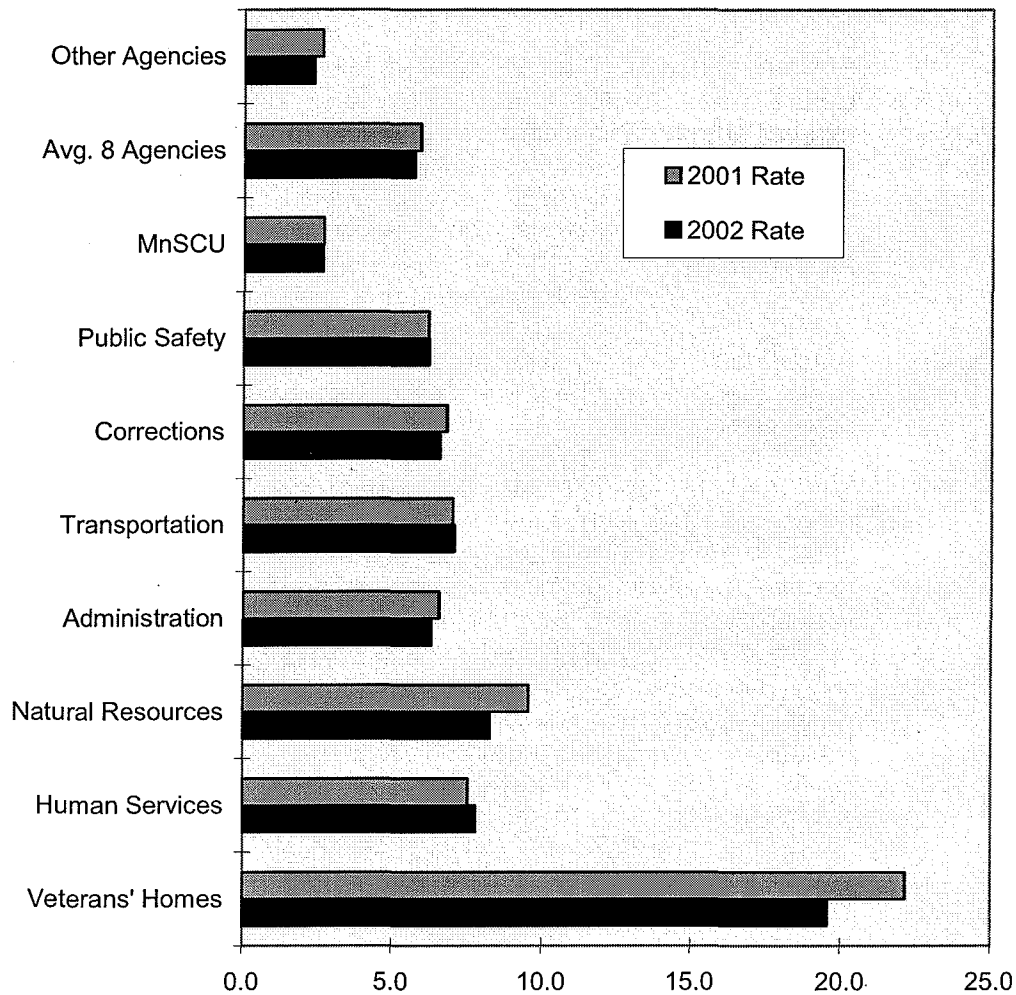
$$\text{Incident Rate} = \frac{\text{Number of Reportable Claims Paid} \times 200,000}{\text{Total Employee Hours Worked}}$$

A *reportable* claim is one in which an employee seeks medical treatment, we accept liability, and expenses are paid.

The average incident rate decreased from 5.9 (claims per 100 FTE's) in FY 2001 to 5.7 in FY 2002 for the eight large agencies who account for the majority of the program's claims reported and benefits paid. The rate for all other agencies decreased in FY 2002, compared to FY 2001 by 0.2. This is the second consecutive year that the incident rate has decreased. This equates to fewer reportable injuries occurring for every 200,000 hours worked. See Appendix C for individual agency incident rates for FY 2002.

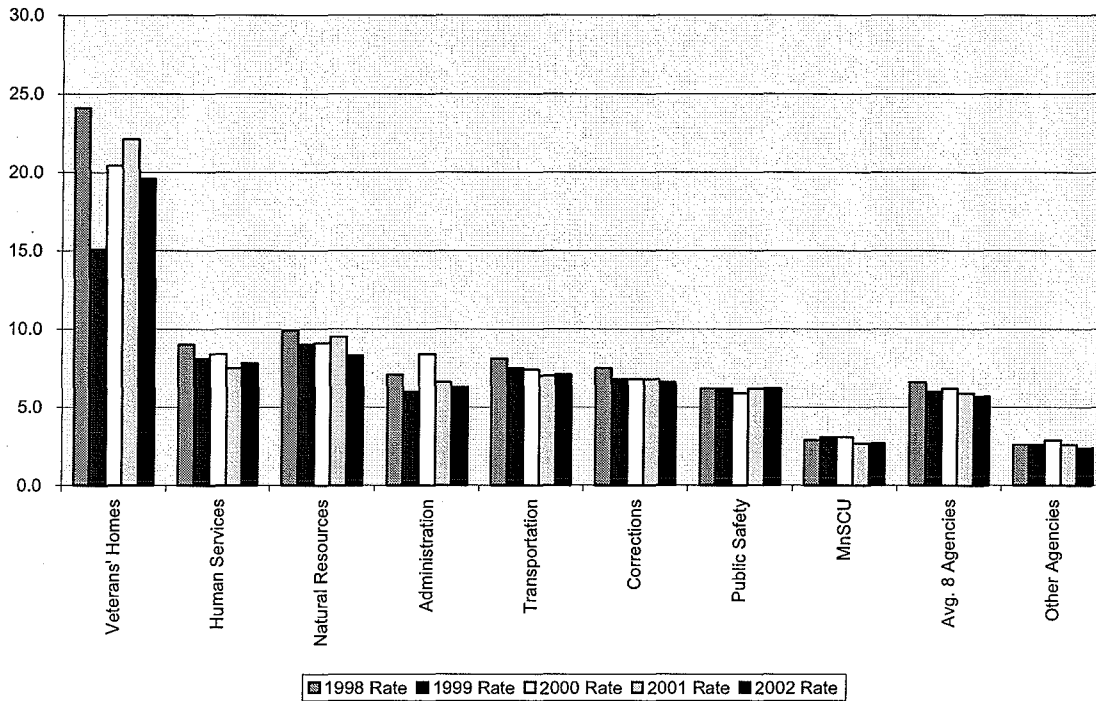
Overall, the incident rate decreased from 5.5 in FY 1998 to 4.9 in FY 2002. See Chart 17 for five year rate comparison.

**Chart 16/Incidence Rates/FYs 2001-2002**



	FY 2001			FY 2002		
Agency	Reportable Claims	Hours Worked	2001 Rate	Reportable Claims	Hours Worked	2002 Rate
Veterans' Homes	181	1,634,454	22.1	152	1,553,903	19.6
Human Services	404	10,721,346	7.5	412	10,578,875	7.8
Natural Resources	251	5,259,228	9.5	211	5,106,759	8.3
Administration	52	1,582,951	6.6	50	1,581,454	6.3
Transportation	335	9,540,535	7.0	325	9,194,611	7.1
Corrections	224	6,566,983	6.8	213	6,471,133	6.6
Public Safety	110	3,547,537	6.2	110	3,536,200	6.2
MnSCU	337	25,173,777	2.7	336	25,275,176	2.7
Avg. 8 Agencies	237	8,003,351	5.9	226	7,912,264	5.7
Other Agencies	288	21,875,450	2.6	255	21,683,791	2.4
All Agencies	2,182	85,902,261	5.1	2,064	84,981,902	4.9

Chart 17/Incident Rate Comparison/FYs 1998-2002



	1998 Rate	1999 Rate	2000 Rate	2001 Rate	2002 Rate	98-02 Rate Change
Veterans' Homes	24.1	15.1	20.4	22.1	19.6	-4.5
Human Services	9.0	8.1	8.4	7.5	7.8	-1.2
Natural Resources	9.9	9.0	9.1	9.5	8.3	-1.6
Administration	7.1	6.0	8.4	6.6	6.3	-.8
Transportation	8.1	7.5	7.4	7.0	7.1	-1.0
Corrections	7.5	6.8	6.8	6.8	6.6	-.9
Public Safety	6.2	6.2	5.9	6.2	6.2	No change
MnSCU	2.9	3.1	3.1	2.7	2.7	-.2
Avg. 8 Agencies	6.6	6.0	6.2	5.9	5.7	-.9
Other Agencies	2.6	2.6	2.9	2.6	2.4	-.2
All Agencies	5.5	5.1	5.4	5.1	4.9	-.6

## **State Agencies Experience Compares Favorably to Other Employers (Chart 18)**

Estimated cost per \$100 of payroll (Chart 18) benchmarks state agencies' experience against all other employers in Minnesota. This is an estimate derived from data reported to the Department of Labor & Industry (DLI) and the Workers' Compensation Reinsurance Association (WCRA).

The estimate for state agencies was calculated from payroll and workers' compensation loss data reported to the WCRA and DLI. All administrative costs related to the operations of the Workers' Compensation Program were factored into the calculation.

The data indicates that state agencies workers' compensation experience compares favorably to all employers and, that the experience is better than other self-insured employers as of FY 2001. Data for FY 2002 will be reported in the next annual report.

Please note that DLI adjusted the benchmarks for CY 2000, which were reported in our FY 2001 report.

In the November 2002 Compact, DLI cited the following reasons for cost increases for Minnesota employers:

- ◆ Workers' compensation benefit costs have increased;
- ◆ Low investment returns for insurers;
- ◆ Insurers undercharged premiums and now are "making up" for not collecting adequate premiums in the past.

**Chart 18/Estimated Cost Per \$100 of Payroll**

Cost Per \$100 of Payroll					
All Agencies		Estimated Average for MN Employers			
			All	Insured	Self-Insured
FY 97	\$1.35	CY 97	\$1.61	\$1.67	\$1.44
FY 98	\$1.19	CY 98	\$1.43	\$1.48	\$1.29
FY 99	\$1.18	CY 99	\$1.37	\$1.41	\$1.24
FY 00	\$1.18	CY 00	\$1.32	\$1.35	\$1.20
FY 01	\$.99	CY 01	\$1.44	\$1.56	\$1.11



## ***FY 2002 Annual Report - Workers' Compensation Program***

### **Appendix A: Reported Claims Paid/FY 2001 – 2002 by Agency**

<b>Agency</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>% of Change</b>
Administration	86	96	11.63%
Agriculture	40	50	25.00%
Animal Health Board	4	5	25.00%
Attorney General	16	15	-6.25%
Boards & Commissions	22	12	-45.45%
Perpich Center for Arts Educ	7	3	-57.14%
Children, Families & Learning (Educ)	20	17	-15.00%
Commerce	10	13	30.00%
Corrections	348	316	-9.20%
Court of Appeals	1	2	100.00%
Economic Security	43	33	-23.26%
Employee Relations	8	12	50.00%
Examining Boards	5	0	-100.00%
Faribault Academies	19	10	-47.37%
Finance	2	3	50.00%
Gambling Control	0	1	100.00%
Governor's Office	2	0	-100.00%
Health	40	28	-30.00%
Higher Educ Coord Board	1	8	700.00%
Historical Society	10	27	170.00%
House of Representatives	11	7	-36.36%
Housing Finance	8	8	0.00%
Human Rights	3	6	100.00%
Human Services	557	541	-2.87%
Indian Affairs Council	0	0	No Change
IRRRB	12	9	-25.00%
Judicial	16	11	-31.25%
Labor & Industry	21	22	4.76%
Legislative Auditor	2	0	-100.00%
Legislative Coord Committee	0	0	No Change
Legislative Reference Library	0	0	No Change
Lottery	6	15	150.00%
Mediation Services	0	1	100.00%
Military Affairs	37	31	-16.22%
MN State Retirement	1	2	100.00%
MNSCU	554	557	0.54%
Natural Resources	292	253	-13.36%
Office of Environmental(Waste Mgt)	2	1	-50.00%
Ombudsman-Corrections	1	0	-100.00%
Ombudsman-Crime Victims	0	1	100.00%
Ombudsperson for Families	0	0	No Change
Pollution Control Agency	14	11	-21.43%
Public Defense Board	2	3	50.00%
Public Employee Retirement Assoc.	0	3	100.00%
Public Safety	166	153	-7.83%
Public Service	4	0	-100.00%
Racing Commission	0	0	No Change
Revenue	54	39	-27.78%
Revisor of Statutes	1	0	-100.00%
Secretary of State	4	4	No Change
State Arts Board	2	1	-50.00%
State Auditor	2	6	200.00%
State Fair	34	27	-20.59%
State Senate	5	4	-20.00%
Strategic & Long Range Planning	4	2	-50.00%
Tax Court	0	0	No Change
Teachers Retirement Assoc.	3	0	-100.00%
Trade & Economic Development	2	4	100.00%
Transportation	540	502	-7.04%
Trial Courts	35	34	-2.86%
Veterans Affairs	0	3	100.00%
Veterans Home Board	204	190	-6.86%
Work Comp Court of Appeals	0	0	No Change
Zoo	32	16	-50.00%
<b>TOTAL</b>	<b>3315</b>	<b>3118</b>	<b>-5.94%</b>

# **FY 2002 Annual Report - Workers' Compensation Program**

## **Appendix B: Benefit Costs/FY 2001 – 2002 by Agency**

<b>Agency</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>% of Change</b>
Administration	\$314,186	\$419,342	33.47%
Agriculture	\$174,906	\$179,959	2.89%
Animal Health Board	\$3,004	\$18,754	524.20%
Attorney General	\$7,641	\$18,664	144.26%
Boards & Commissions	\$52,931	\$71,392	34.88%
Perpich Center for Arts Education	\$24,304	\$508	-97.91%
Children, Families & Learning (Educ)	\$73,007	\$31,966	-56.22%
Commerce	\$38,061	\$56,273	47.85%
Corrections	\$2,007,067	\$2,064,536	2.86%
Court of Appeals	\$211	\$224	6.20%
Economic Security	\$224,807	\$255,731	13.76%
Employee Relations	\$32,411	\$51,371	58.50%
Examining Boards	\$118	\$90	-23.44%
Faribault Academies	\$178,348	\$97,334	-45.42%
Finance	\$645	\$0	-100.00%
Gambling Control	\$8,132	\$17,998	121.34%
Governor's Office	\$0	\$0	No Change
Health	\$102,019	\$78,585	-22.97%
Higher Educ Coord Board	\$2,414	\$14,350	494.34%
Historical Society	\$48,519	\$50,423	3.93%
House of Representatives	\$591	\$3,147	432.49%
Housing Finance	\$5,736	\$8,261	44.02%
Human Rights	\$24,466	\$9,796	-59.96%
Human Services	\$3,453,933	\$4,212,445	21.96%
Indian Affairs Council	\$5,080	\$6,618	30.28%
IRRRB	\$121,115	\$148,390	22.52%
Judicial	\$17,466	\$8,788	-49.69%
Labor & Industry	\$113,108	\$184,849	63.43%
Legislative Auditor	\$3,142	\$2,235	-28.86%
Legislative Coordinating Committee	\$0	\$0	No Change
Legislative Reference Library	\$0	\$0	No Change
Lottery	\$86,920	\$96,711	11.26%
Mediation Services	\$21,612	\$22,634	4.73%
Military Affairs	\$226,528	\$417,361	84.24%
MN State Retirement	\$429	\$556	29.73%
MNSCU	\$1,336,432	\$1,419,566	6.22%
Natural Resources	\$1,119,645	\$961,395	-14.13%
Office of Environmental(Waste Mgt)	\$7,321	\$302	-95.87%
Ombudsman-Corrections	\$373	\$0	-100.00%
Ombudsman-Crime Victims	\$0	\$38,520	100.00%
Ombudsperson for Families	\$0	\$0	No Change
Pollution Control Agency	\$36,200	\$127,113	251.14%
Public Defense Board	\$9,025	\$15,389	70.52%
Public Employee Retirement Assoc.	\$46	\$14,679	31999.28%
Public Safety	\$992,676	\$685,345	-30.96%
Public Service	\$80,979	\$77,408	-4.41%
Racing Commission	\$0	\$0	No Change
Revenue	\$142,148	\$136,453	-4.01%
Revisor of Statutes	\$7,339	\$0	-100.00%
Secretary of State	\$2,542	\$2,289	-9.94%
State Arts Board	\$0	\$0	No Change
State Auditor	\$32,207	\$86,559	168.76%
State Fair	\$59,949	\$34,450	-42.53%
State Senate	\$13,576	\$4,563	-66.39%
Strategic & Long Range Planning	\$1,510	\$15,511	927.38%
Tax Court	\$0	\$0	No Change
Teachers Retirement	\$2,578	\$0	-100.00%
Trade & Economic Development	\$19,286	\$8,019	-58.42%
Transportation	\$2,894,599	\$2,332,345	-19.42%
Trial Courts	\$416,254	\$167,964	-59.65%
Veterans Affairs	\$31,352	\$15,227	-51.43%
Veterans Home Board	\$664,555	\$712,880	7.27%
Work Comp Court of Appeals	\$75,232	\$37,383	-50.31%
Zoo	\$205,497	\$231,651	12.73%
<b>TOTAL</b>	<b>\$15,524,175</b>	<b>\$15,674,302</b>	<b>0.97%</b>

# **FY 2002 Annual Report - Workers' Compensation Program**

## **Appendix C: Agency Incident Rates/FY 2002**

<b>Agency</b>	<b># of Hours Worked</b>	<b>Reportable Claims</b>	<b>Incident Rate</b>
Administration	1,581,454	50	6.32
Agriculture	808,645	22	5.44
Animal Health Board	54,776	4	14.60
Attorney General	752,939	6	1.59
Boards & Commissions	443,378	5	2.26
Perpich Center for Arts Education	143,783	2	2.78
Children, Families & Learning (Educ)	908,955	12	2.64
Commerce	604,534	6	1.99
Corrections	6,471,133	213	6.58
Court of Appeals	153,687	1	1.30
Economic Security	2,974,386	15	1.01
Employee Relations	369,630	5	2.71
Examining Boards	321,375	0	0.00
Faribault Academies	302,282	8	5.29
Finance	296,032	0	0.00
Gambling Control	53,972	0	0.00
Governor's Office	84,890	0	0.00
Health	2,177,787	21	1.93
Higher Educ Coord Board	136,945	7	10.22
Historical Society	Not Available	18 *	Not Available
House of Representatives	Not Available	3 *	Not Available
Housing Finance	319,851	5	3.13
Human Rights	97,656	2	4.10
Human Services	10,578,875	412	7.79
Indian Affairs Council	11,834	0	0.00
Investment Board	40,469	0	0.00
IRRRB	202,604	8	7.90
Judicial	441,622	9	4.08
Judicial Standards Board	3,555	0	0.00
Labor & Industry	637,864	15	4.70
Legislative Auditor	131,749	0	0.00
Legislative Coordinating Committee	Not Available	0 *	Not Available
Lottery	342,182	7	4.09
Mediation Services	35,352	0	0.00
Military Affairs	441,475	23	10.42
MN State Retirement	78,067	1	2.56
MNSCU	25,275,176	336	2.66
MNSCU-Student Workers	Not Available	39 *	Not Available
Natural Resources	5,106,759	211	8.26
Office of Environmental(Waste Mgt)	105,709	0	0.00
Ombudsman-Corrections	5,993	0	0.00
Ombudsman-Crime Victims	7,320	1	27.32
Ombudsperson for Families	5,199	0	0.00
Pollution Control Agency	1,210,411	8	1.32
Public Defense Board	963,574	3	0.62
Public Employee Retirement Assoc.	148,068	3	4.05
Public Safety	3,536,200	110	6.22
Public Service	2,680	0	0.00
Public Utilities Commission	75,832	0	0.00
Racing Commission	12,165	0	0.00
Revenue	1,935,840	16	1.65
Revisor of Statutes	Not Available	0 *	Not Available
Secretary of State	173,232	1	1.15
State Arts Board	33,058	0	0.00
State Auditor	240,031	3	2.50
State Fair	Not Available	21 *	Not Available
State Senate	Not Available	3 *	Not Available
State Treasurer	24,870	0	0.00
Strategic & Long Range Planning	131,052	1	1.53
Tax Court	10,568	0	0.00
Teachers Retirement	149,943	0	0.00
Trade & Economic Development	383,232	3	1.57
Transportation	9,194,611	325	7.07
Trial Courts	2,257,976	17	1.51
Veterans Affairs	55,156	1	3.63
Veterans Home Board	1,553,903	152	19.56
Work Comp Court of Appeals	24,632	0	0.00
Zoo	354,974	14	7.89
<b>TOTAL</b>	<b>84,981,902</b>	<b>2,064 *</b>	<b>4.86</b>

\* Reportable Claim #'s not included in total on Chart 16

