

DOER Department
of Employee
Relations 

Workers' Compensation
Program

Annual Report



State Fiscal Year
2004

Workers' Compensation
Program
Annual Report

State Fiscal Year
2004

Title: 2004 Annual Report for State of Minnesota Workers' Compensation Program

Author: Minnesota Department of Employee Relations, Employee Insurance Division

Publisher: Minnesota Department of Employee Relations

Date of Publication: November 8, 2004

Place of Publication: St. Paul, Minnesota

For additional copies contact:

Minnesota Department of Employee Relations

Employee Insurance Division

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

Internet: 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); or 711 for Minnesota Relay Service.

Table of Contents

	<u>Page</u>
Introduction	1
Executive Summary	2
How the Program Works	3
Findings	
• Claims Reported/Claims Closed	4-6
• Total Program Costs	7-8
• Benefit Costs	9-11
1. Indemnity Costs	12-13
2. Medical Costs	14-15
• Recoveries	16-17
• Payments Made for Calendar Year Injuries	18-19
• Claims/Benefits Activity by Agency	20-21
• Benefit Costs for Eight Agencies	22-23
• Composition of Reported Injuries	24-25
• Incident Rates	26-27
• Incident Rate Comparison	28
• Cost Per \$100 of Payroll	29
Appendix A: Reported Claims by Agency	30
Appendix B: Benefit Costs by Agency	31
Appendix C: Incident Rates by Agency	32

Introduction

The State of Minnesota's self-insured workers' compensation program is administered by the Minnesota Department of Employee Relations' (DOER) Employee Insurance Division. The program consists of four distinct units: claims management, disability management, legal, and safety/ industrial hygiene. It covers over 56,000 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 3,000 new claims annually and is funded by an administrative fee charged to each agency it serves. During state fiscal year 2004 (FY 2004), the program's total costs experienced a decrease of 2.8% (\$635,681).

We present the following report on the program's activities during FY 2004. This report will present 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:

Minnesota Department of Employee Relations
Employee Insurance Division
200 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155
Phone: 651/296-6521
Fax: 651/297-5471
E-mail: workers.comp.doer@state.mn.us
Internet:
www.doer.state.mn.us/deptwide/wkr-comp.htm.

All comparisons made in this report are of FY 2004 figures to FY 2003, 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 2004:

Claim Numbers

- ◆ Agencies reported more claims in FY 2004 (p. 4).

Claim Costs

- ◆ Total program costs decreased 2.8% - a decrease of \$635,681 (p. 7-8)
- ◆ Expenditures for all benefits increased 3.8% - an increase of \$623,579 (p. 9-10).
- ◆ Expenditures for indemnity benefits increased 8.0% - an increase of \$554,916 (p. 12-13).
- ◆ Expenditures for medical benefits decreased 0.4% - a decrease of \$25,534 (p. 14-15).

Recoveries

- ◆ Recoveries – funds the program received from supplementary benefits, second injury fund and subrogation – decreased 35.2% (\$1,291,378) in FY 2004 (p. 16-17).

Agency Activity

- ◆ Eight agencies (MnSCU, Human Services, Transportation, Corrections, Natural Resources, Veterans' Homes, Public Safety, and Administration) accounted for 85% of the program's payment activity (p. 20-21).
- ◆ Benefit costs for these eight largest agencies increased 4.3% (p. 22-23).
- ◆ The incidence rate increased from 4.2 in FY 2003 to 4.8 in FY 2004 (p. 26-28) for all agencies. The incident rate for individual agencies is located in Appendix C (p. 32).

Cost Per \$100 of Payroll

- ◆ 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 2004, up slightly from FY 2003 (p. 18-19).
- ◆ Most common injury continues to be 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 work 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 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 safety-related services to agencies such as worker exposure assessments, indoor air quality surveys, employee training and safety program development.

Findings

The program received more claims (Chart 1 and Appendix A)

Number of claims increased (Chart 1)

The program had a 6.4% (169) increase in the number of claims reported from FY 2003 to FY 2004. Appendix A contains an agency-by-agency breakdown of the number of claims reported for FY 2003 and FY 2004.

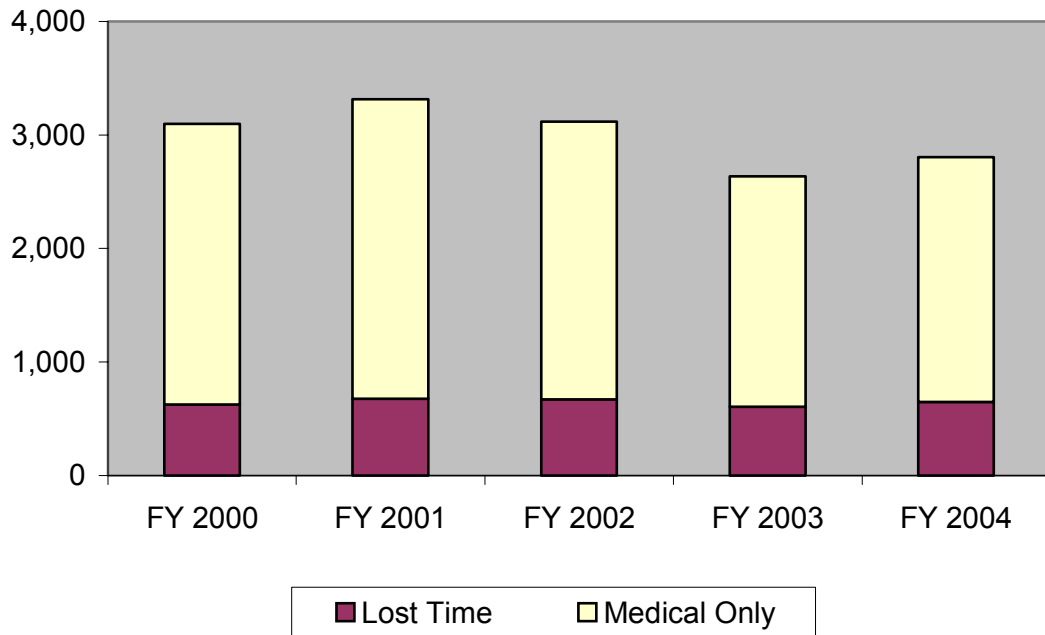
Increase in lost time claims (Chart 1)

Lost time claims, those in which the employee is disabled beyond a three calendar-day waiting period, increased 6.6% in FY 2004. *Medical only claims* increased 6.4% from FY 2003 to FY 2004.

Fewer claims were closed (Chart 2)

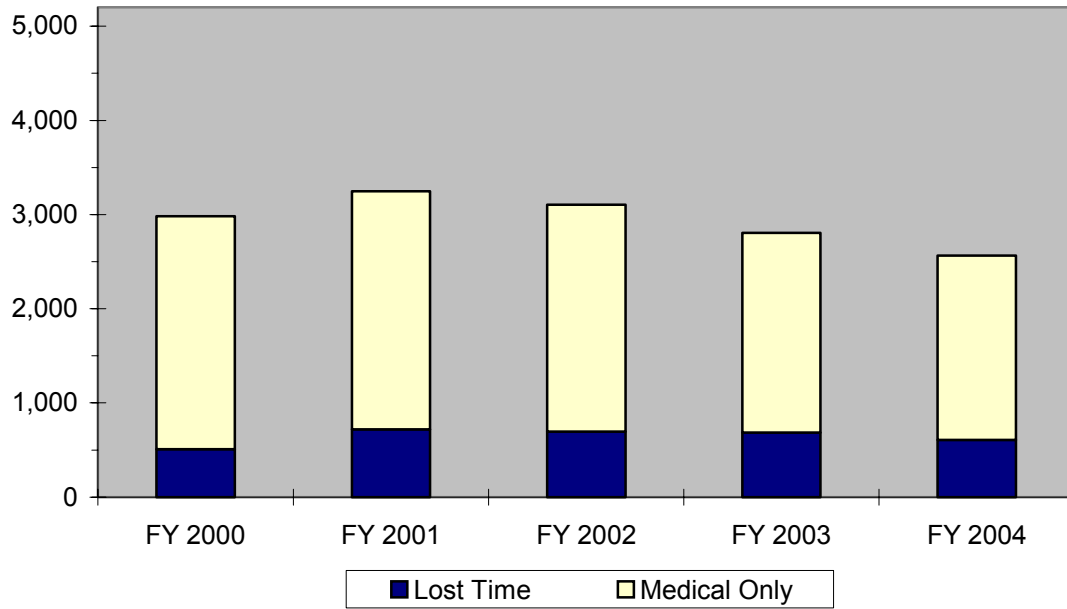
The program closed 242 fewer claims in FY 2004 than in FY 2003. The program closed fewer claims than received during FY 2004 (2,805 received vs. 2,565 closed).

Chart 1/Number of Claims Reported/FYs 2000-2004



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 00-04	FY 03-04
	Claims Reported					% Change	
<i>Lost Time</i>	627	675	672	607	647	3.2%	6.6%
<i>Medical Only</i>	2,470	2,640	2,446	2,029	2,158	-12.6%	6.4%
Totals	3,097	3,315	3,118	2,636	2,805	-9.4%	6.4%

Chart 2/Number of Claims Closed/FYs 2000-2004



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 00-04	FY 03-04
	Claims Closed					% Change	
<i>Lost Time</i>	510	720	697	685	606	18.8%	-11.5%
<i>Medical Only</i>	2,474	2,530	2,409	2,122	1,959	-20.8%	-7.7%
Totals	2,984	3,250	3,106	2,807	2,565	-14.0%	-8.6%

The program experienced a decrease in total costs (*Chart 3*)

The program's total costs decreased 2.8% (\$635,681) in FY 2004 compared to FY 2003. From FY 2000 to FY 2004, total program costs have increased 10.2% (\$2,068,311). 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 2004, these costs increased 3.8% (\$623,579) compared to FY 2003. From FY 2000 to FY 2004, benefit costs increased 17.2% (\$2,488,156).

Administration

In FY 2004, the program provided claims administration, safety and industrial hygiene consultations, and disability management/rehabilitation services with an operating budget of \$2,495,600 compared to \$2,936,763 in FY 2003, a decrease of 15% due to mandated budget reductions.

Special Assessments

The program's expenditure for *special assessments* decreased 35.8% (\$794,057) compared to FY 2003. Special assessments are levied by the Department of Labor and Industry (DLI) 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. The decrease is due to a decrease in the special assessment rate from 30% to 27%.

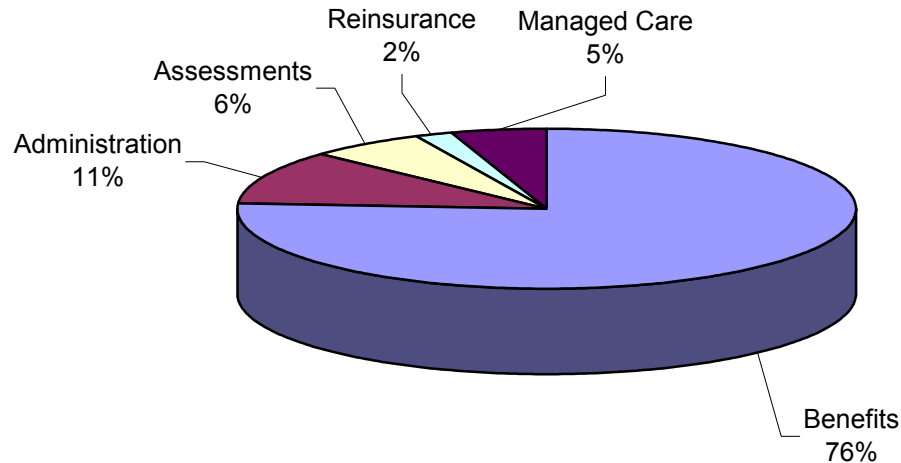
Reinsurance

The program's expenditure for *reinsurance* increased 13.7% in FY 2004 compared to FY 2003. 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 decreased 5.9% (\$67,713) from FY 2003 to FY 2004 due to a decrease in the number of state employees covered by the program. The rate for FY 2004 remained at \$1.77 per employee per month.

Chart 3/Total Program Costs/FYs 2000-2004



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 00-04	FY 03-04
Benefits	\$14,464,054	\$15,524,175	\$15,674,302	\$16,328,631	\$16,952,210	17.2%	3.8%
Administration	\$2,732,796	\$2,731,295	\$2,935,971	\$2,936,763	\$2,495,600	-8.7%	-15.0%
Assessments	\$1,693,824	\$1,284,252	\$1,110,971	\$2,221,019	\$1,426,962	-15.8%	-35.8%
Reinsurance	\$311,301	\$242,048	\$338,101	\$318,800	\$362,473	16.4%	13.7%
Managed Care	\$1,045,094	\$1,107,378	\$1,187,015	\$1,145,848	\$1,078,135	3.2%	-5.9%
Totals	\$20,247,069	\$20,889,148	\$21,246,360	\$22,951,061	\$22,315,380	10.2%	-2.8%

Assessments Overstated in FY 2003

Due to changes in the timing of payments to the Special Compensation Fund, three assessment payments were made in FY 2003. In all other fiscal years, two assessment payments were made. All three assessment payments are reported in **Chart 3**. In order to compare Total Program Costs for FY 2004, we have listed below what the Total Program Costs would be after factoring out the third assessment payment (\$705,964).

This change with the timing of the special assessment payments to DLI corrects a past practice, meaning that the reporting of two assessment payments resumed in FY 2004.

Impact on Total Program Costs/FYs 2000-2004

Subtracting the additional payment of \$705,964 results in a FY 2003 Assessments total of \$1,515,055. Consequently, the FY 03-04 column, the comparable number would be a -5.8% decrease for Assessments.

The Totals column across the bottom of the page would read as: FY 2003 \$22,245,097; FY 03-04 comparison -0.3% decrease.

The program's expenditures for benefits increased 3.8% (Chart 4)

In FY 2004, expenditures for *indemnity, medical expenses, rehabilitation, and employee attorney's fees* increased a total of 3.8% (\$623,579) compared to FY 2003. From FY 2000 to FY 2004, benefit costs have increased 17.2% (\$2,488,156).

Indemnity costs increased

Payments to compensate employees for lost wages or for permanent loss of body function increased 8.0% (\$554,916) in FY 2004 compared to FY 2003. Since FY 2000, indemnity costs have increased 4.2% (\$300,203).

Medical costs decreased

Payments for office and hospital visits, prescriptions, supplies, and reimbursements for travel and time off to see the doctor decreased slightly by 0.4% (\$25,534) in FY 2004 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 0.5% (\$3,242) from FY 2003 to FY 2004. From FY 2000 to FY 2004, expenses decreased 9.1% (\$63,400).

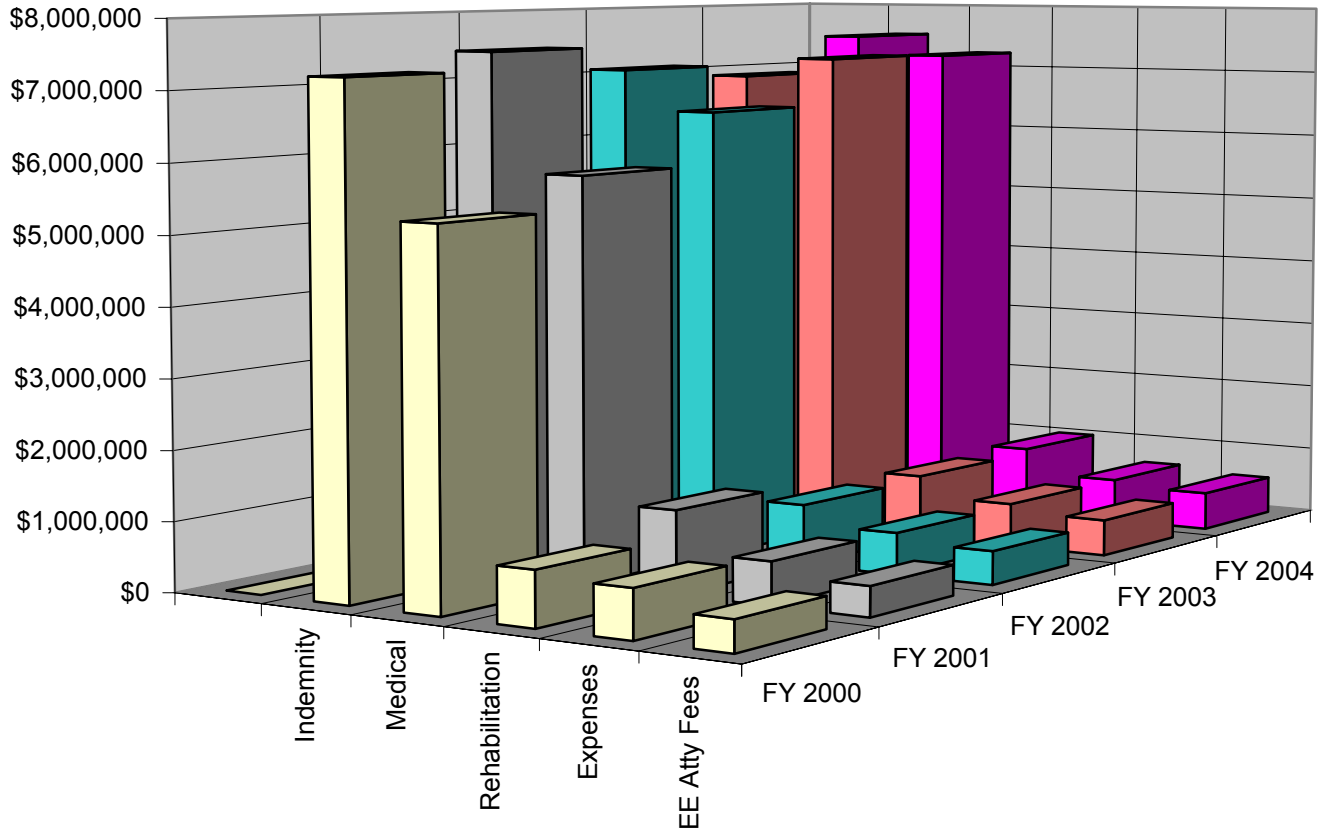
Rehabilitation costs increased

Expenditures for medical and vocational rehabilitation services that aid in returning injured employees to work increased 7.6% (\$70,725) from FY 2003 to FY 2004. Rehabilitation expenses increased 27.3% (\$215,572) from FY 2000 to FY 2004. 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 2004 increased 5.1% (\$26,714) compared to FY 2003.

Chart 4/Benefit Costs/FYs 2000-2004

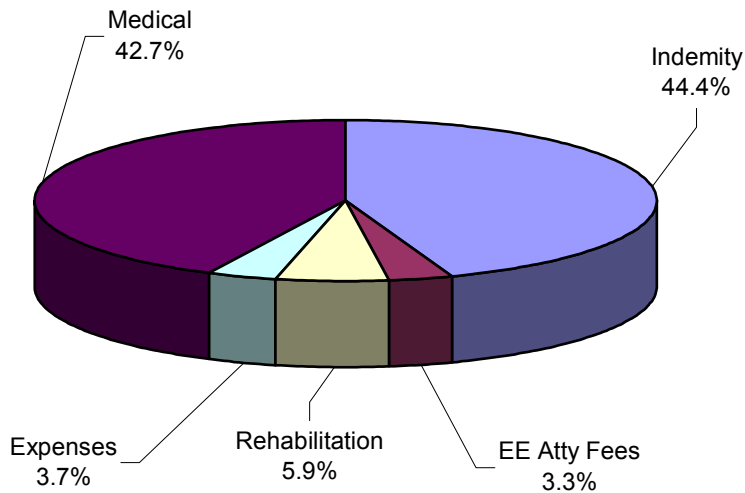


	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 00-04	FY 03-04
Benefit Costs						Change	
Indemnity	\$7,221,339	\$7,496,571	\$7,149,300	\$6,966,626	\$7,521,542	4.2%	8.0%
Medical	\$5,308,609	\$5,785,149	\$6,557,075	\$7,261,858	\$7,236,324	36.3%	-0.4%
Rehabilitation	\$789,845	\$1,194,332	\$881,068	\$934,692	\$1,005,417	27.3%	7.6%
Expenses	\$698,263	\$619,766	\$606,727	\$638,105	\$634,863	-9.1%	-0.5%
EE Atty Fees	\$445,998	\$428,357	\$480,132	\$527,350	\$554,064	24.2%	5.1%
Totals	\$14,464,054	\$15,524,175	\$15,674,302	\$16,328,631	\$16,952,210	17.2%	3.8%

**The majority of benefits were for indemnity payments to the employee
(Chart 5)**

In FY 2004, 42.7% (\$7,236,324) of the total benefits paid went to cover medical costs. 44.4% (\$7,521,542) 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. The percentage of the total benefits going directly to employees is higher by 1.7% than the previous year (FY 2003) of 42.7% (\$6,966,626).

Chart 5/Composition of Benefit Costs/FY 2004



The program's expenditure for indemnity benefits increased 8.0% — \$554,916 (Chart 6)

The program's largest expenditure, indemnity benefits, increased 8.0% (\$554,916) from FY 2003 to FY 2004. Since FY 2000, indemnity benefits have increased 4.2% (\$300,203).

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 2004, TTD payments decreased 5.8% (\$122,004) compared to FY 2003.

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 2004, TPD payments decreased 12.0% (\$74,656).

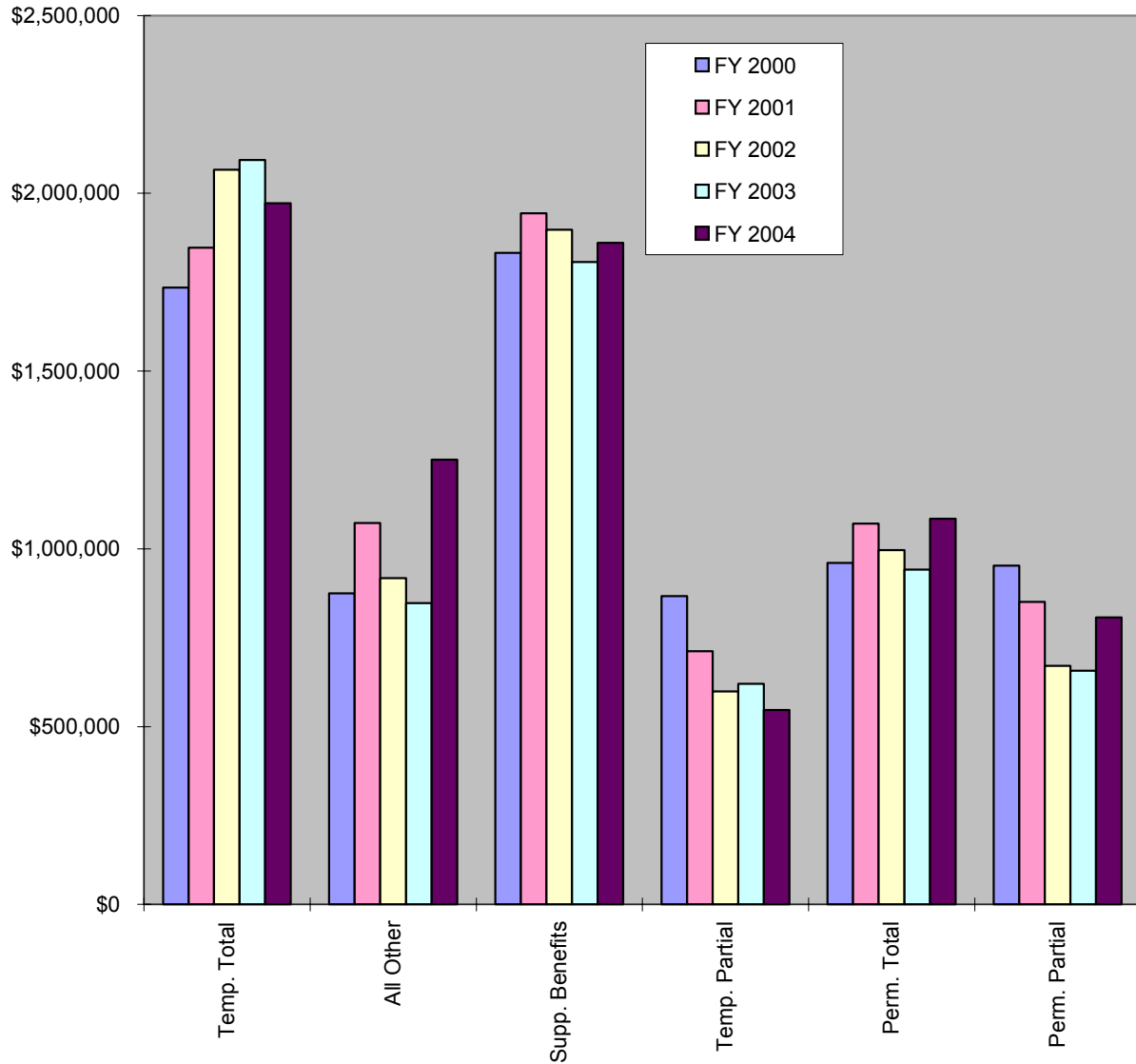
Permanent Partial Disability (PPD) benefits are paid to employees who have a permanent loss of body function. In FY 2004, PPD payments increased 22.8% (\$150,036) compared to FY 2003.

Permanent Total Disability (PTD) benefits are paid to employees who will never be able to work again. In FY 2004, PTD payments increased 15.2% (\$143,521) compared to FY 2003.

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 2004, SB payments increased 3.0% (\$54,461) compared to FY 2003. 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 2004, these payments increased 47.6% (\$403,558) compared to FY 2003. This increase is attributable to an increase in lump sum settlements paid in FY 2004.

Chart 6/Indemnity Benefit Costs/FYs 2000-2004



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 00-04	FY 03-04
Indemnity Benefit Costs						Change	
Temp. Total	\$1,734,614	\$1,846,704	\$2,066,676	\$2,093,790	\$1,971,786	13.7%	-5.8%
All Other	\$874,599	\$1,072,757	\$917,588	\$847,079	\$1,250,637	43.0%	47.6%
Supp. Benefits	\$1,832,349	\$1,943,905	\$1,897,937	\$1,806,284	\$1,860,745	1.5%	3.0%
Temp. Partial	\$866,984	\$711,799	\$599,180	\$621,049	\$546,393	-37.0%	-12.0%
Perm. Total	\$960,382	\$1,070,317	\$996,342	\$941,409	\$1,084,930	13.0%	15.2%
Perm. Partial	\$952,411	\$851,089	\$671,577	\$657,015	\$807,051	-15.3%	22.8%
Totals	\$7,221,339	\$7,496,571	\$7,149,300	\$6,966,626	\$7,521,542	4.2%	8.0%

The program's expenditure for medical benefits decreased 0.4% (Chart 7)

In FY 2004, the program paid \$7,236,324 to various medical care providers and for medical reimbursements to the employee. This was a decrease of 0.4% (\$25,534) compared to FY 2003.

The largest dollar and percentage increase was in medical office visits. The most notable decreases occurred in hospital and employee time off for a doctor appointment.

Medical office visits include all non-chiropractic care that is not provided in a hospital. From FY 2003 to FY 2004, these payments increased 7.9% (\$204,984).

Hospital payments include all inpatient and outpatient treatment that is provided in a hospital. In FY 2004, these payments decreased 9.6% (\$327,729) compared to FY 2003.

Chiropractic care payments increased 10.6% (\$18,610) in FY 2004 compared to FY 2003.

Miscellaneous medical includes payments to intervenors and diet and/or fitness centers. In FY 2004, these payments increased 70.2% (\$57,218) compared to FY 2003.

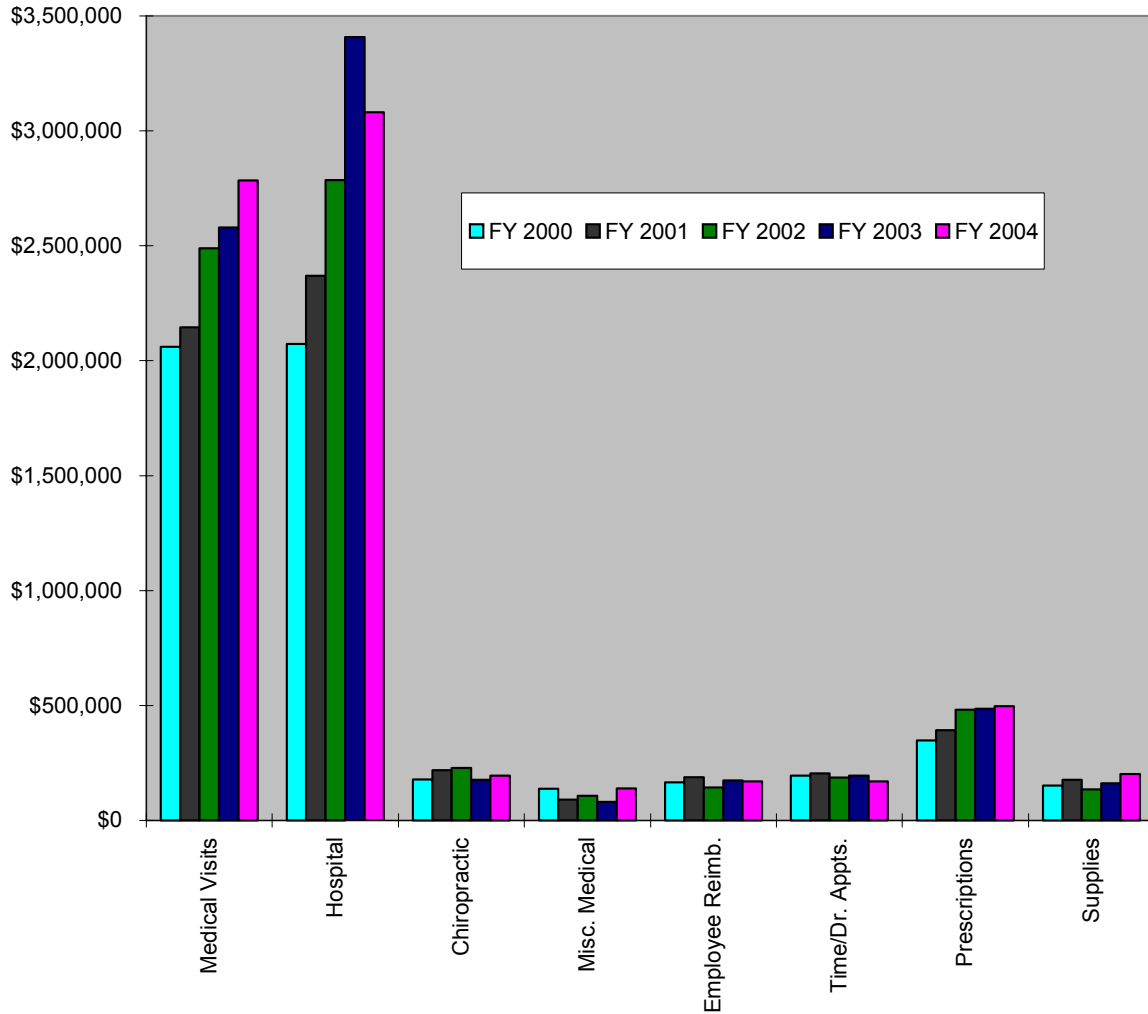
Employee reimbursements include mileage, parking, and meals. These payments decreased 2.4% (\$4,108) from FY 2003 to FY 2004.

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 12.9% (\$25,165) compared to FY 2003.

Prescription costs increased 2.0% (\$8,819) from FY 2003 to FY 2004.

Supplies include medical equipment and supplies. These payments increased 25.3% (\$40,837) in FY 2004 compared to FY 2003.

Chart 7/Medical Benefit Costs/FYs 2000-2004



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 00-04	FY 03-04
Medical Benefit Costs						Change	
Medical Visits	\$2,060,919	\$2,145,644	\$2,490,131	\$2,579,629	\$2,784,613	35.1%	7.9%
Hospital	\$2,072,753	\$2,370,609	\$2,785,688	\$3,408,647	\$3,080,918	48.6%	-9.6%
Chiropractic	\$178,276	\$218,578	\$228,413	\$176,124	\$194,734	9.2%	10.6%
Misc. Medical	\$136,938	\$90,008	\$106,664	\$81,512	\$138,730	1.3%	70.2%
Employee Reimb.	\$166,024	\$187,582	\$143,007	\$173,779	\$169,671	2.2%	-2.4%
Time/Dr. Appts.	\$194,685	\$204,208	\$186,922	\$194,805	\$169,640	-12.9%	-12.9%
Prescriptions	\$347,317	\$392,166	\$481,719	\$486,097	\$495,916	42.8%	2.0%
Supplies	\$151,697	\$176,354	\$134,531	\$161,265	\$202,102	33.2%	25.3%
Totals	\$5,308,609	\$ 5,785,149	\$ 6,557,075	\$ 7,261,858	\$ 7,236,324	36.3%	-0.4%

Recoveries decreased 35.2% — \$1,291,378 (Chart 8)

Recoveries are funds the program receives from three main sources: supplementary benefits, Second Injury Fund, and subrogation. Total recoveries in FY 2004 decreased 35.2% (\$1,291,378) compared to FY 2003.

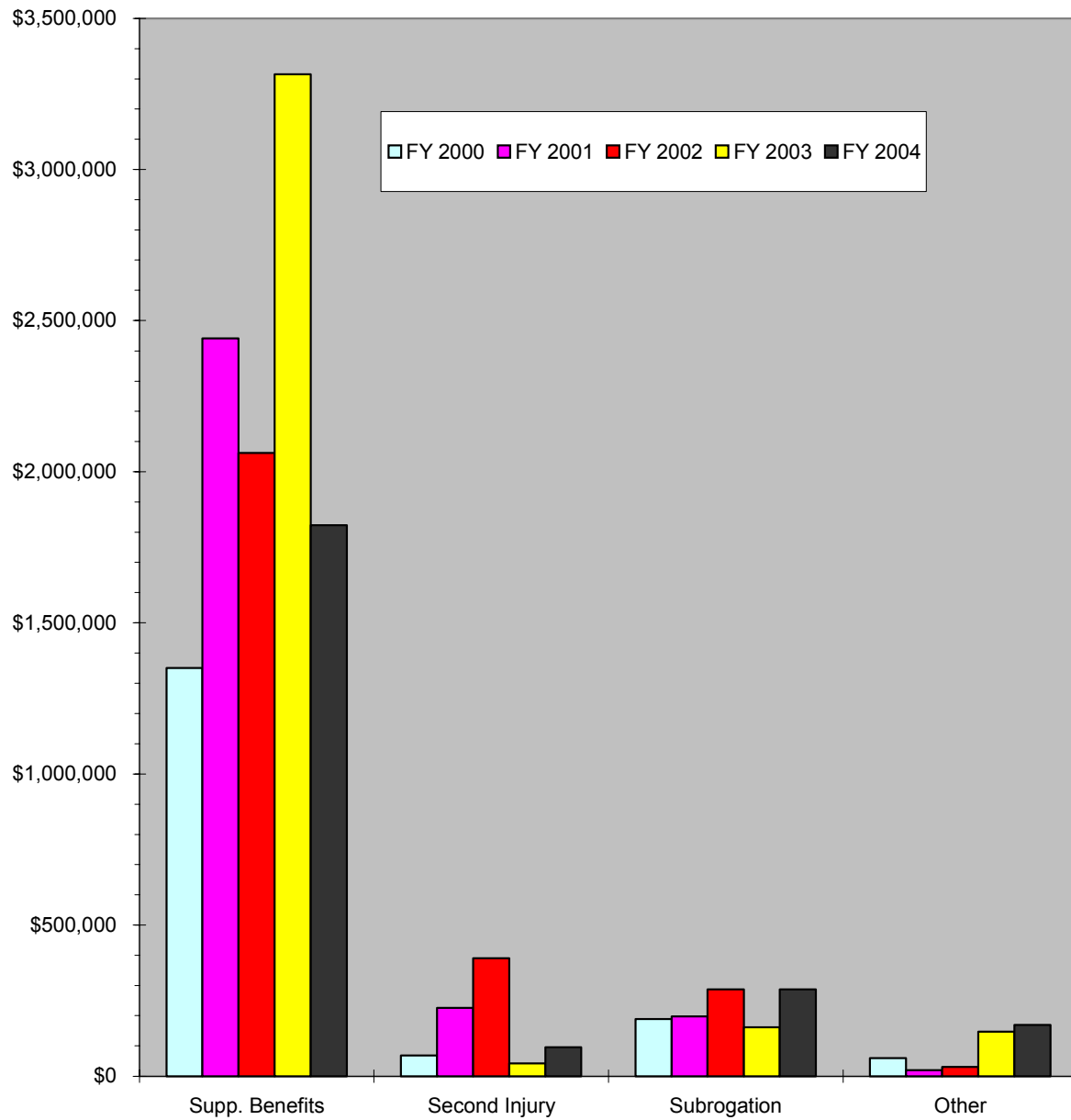
Supplementary Benefit Recoveries are reimbursed by the Department of Labor and Industry. In FY 2004, the recovery of these funds decreased 45.0% (\$1,491,234) compared to FY 2003.

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 2004, the recovery of these funds increased 124.3% (\$53,414) compared to FY 2003.

Subrogation Recoveries are funds paid by third parties who are found responsible for employees' injuries and illnesses. From FY 2003 to FY 2004, the recovery of these funds increased 77.1%, (\$124,859).

Other Recoveries include funds obtained through contribution and reinsurance. In FY 2004, the recovery of these funds increased 14.6% (\$21,583) compared to FY 2003 mainly due to more claims qualifying for WCRA reinsurance reimbursement.

Chart 8/Recoveries/FYs 2000-2004



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 00-04	FY 03-04
	Recoveries					Change	
Supp. Benefits	\$1,350,628	\$2,440,629	\$2,061,839	\$3,314,650	\$1,823,416	35.0%	-45.0%
Second Injury	\$68,437	\$225,837	\$389,449	\$42,985	\$96,399	40.9%	124.3%
Subrogation	\$189,141	\$197,524	\$287,260	\$162,042	\$286,901	51.7%	77.1%
Other	\$60,363	\$20,144	\$30,845	\$147,531	\$169,114	180.2%	14.6%
Totals	\$1,668,569	\$2,884,134	\$2,769,393	\$3,667,208	\$2,375,830	42.4%	-35.2%

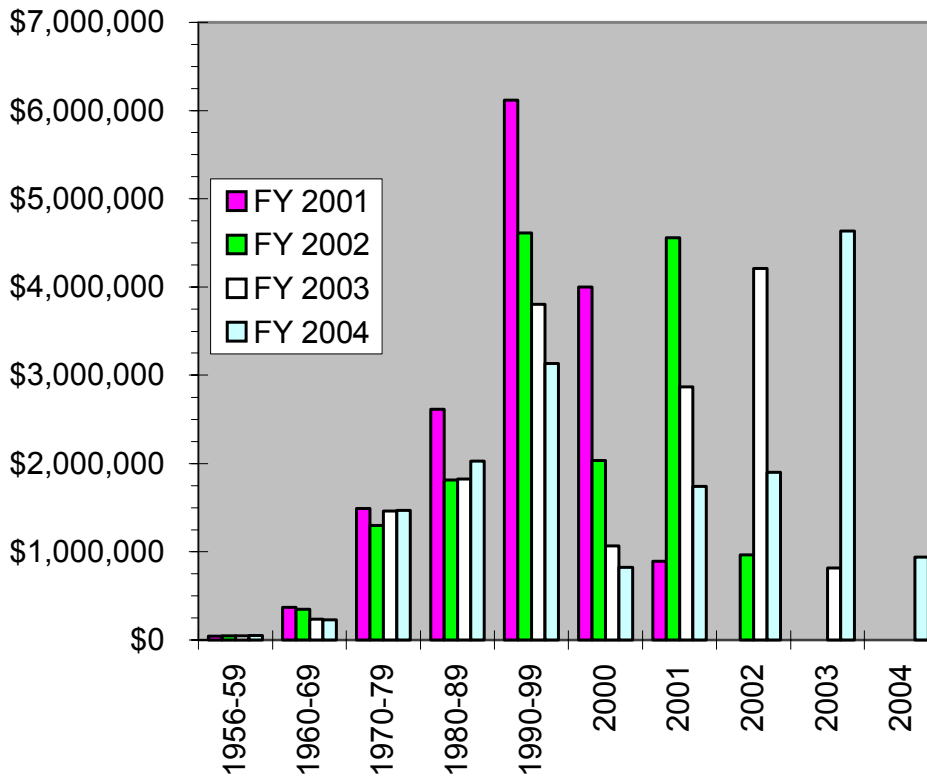
Claims that occurred prior to 1990 accounted for 22.3% of the program's FY 2004 benefit costs (*Chart 10*)

In FY 2004, the oldest claim the program managed was from 1956. Chart 10 shows a breakdown of total benefits paid from FY 2001 to FY 2004 for injuries occurring in calendar years 1956 through June 30, 2004. In FY 2004, 22.3% (\$3,777,051) of all benefits went to employees who were injured prior to 1990 which is a 5.8% increase of what was paid out in FY 2003 (\$3,568,665).

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 2004 which demonstrate this pattern.

Chart 10/Payments Made for Calendar Year Injuries/FYs 2001-2004



Calendar Years	FY 2001	FY 2002	FY 2003	FY 2004
1956-59	\$43,769	\$45,267	\$47,106	\$50,159
1960-69	\$368,817	\$346,345	\$237,488	\$231,210
1970-79	\$1,489,978	\$1,297,156	\$1,459,990	\$1,466,754
1980-89	\$2,614,427	\$1,812,336	\$1,824,081	\$2,028,928
1990-99	\$6,116,112	\$4,614,603	\$3,805,265	\$3,132,262
2000	\$4,000,761	\$2,035,444	\$1,063,972	\$825,163
2001	\$890,311	\$4,559,779	\$2,867,510	\$1,739,945
2002	\$0	\$963,372	\$4,209,178	\$1,901,366
2003	\$0	\$0	\$814,041	\$4,637,530
2004	\$0	\$0	\$0	\$938,893
TOTALS	\$15,524,175	\$15,674,302	\$16,328,631	\$16,952,210

**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% (2,322) of all claims and paid 85% (\$14,400,242) of all benefits in FY 2004. The eight agencies are: Human Services, MnSCU, Transportation, Corrections, Natural Resources, Public Safety, Veterans' Homes, and Administration. This compares with 84% (reported) and 85% (paid) in FY 2003.

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 2003 and FY 2004.

Chart 11/Composition of Reported Claims by Agency/FY 2004

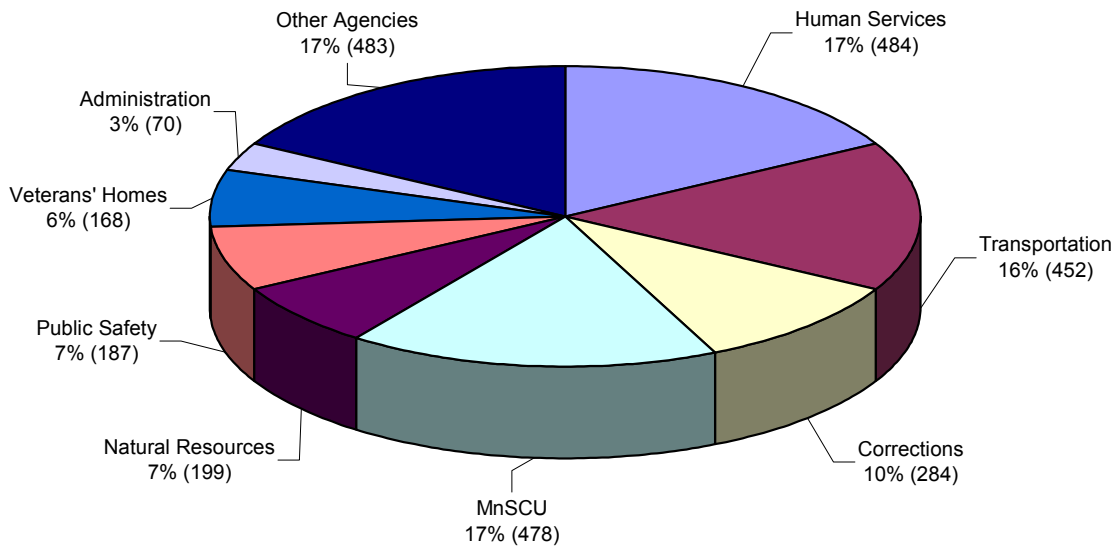
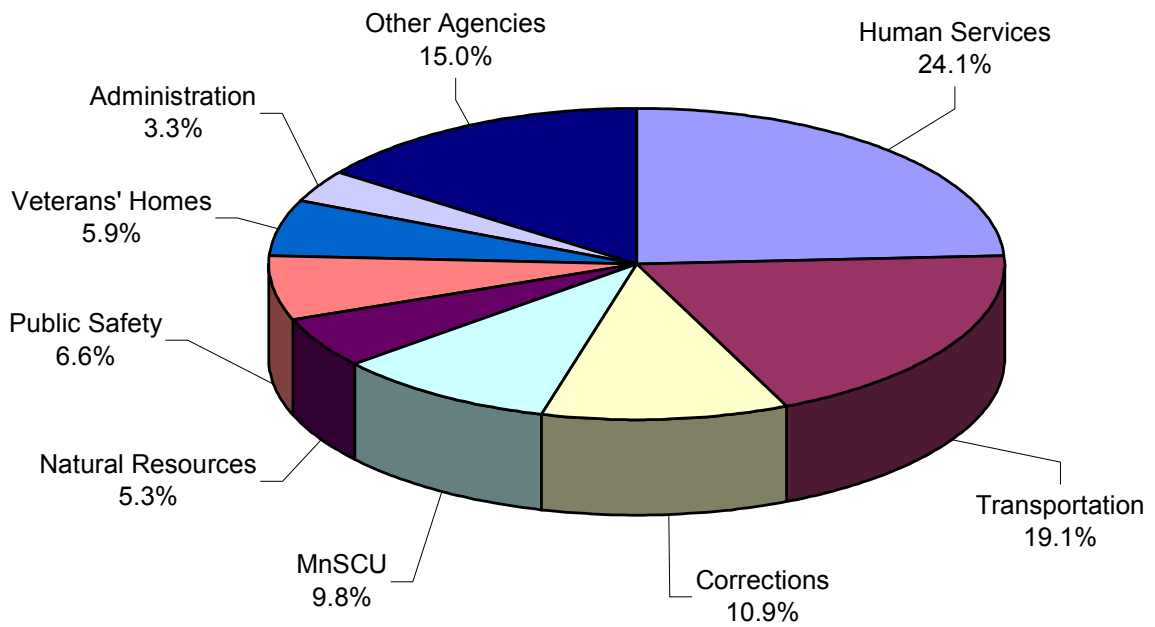


Chart 12/Composition of Benefits Paid by Agency/FY 2004



**Benefit costs for these eight agencies increased 4.3%
(Chart 13 and Appendix B)**

Combined benefit costs for the eight large agencies increased a total of 4.3% (\$598,769) from FY 2003 to FY 2004. Chart 13 shows data for these eight agencies. Cost data for the remaining agencies is contained in Appendix B (p. 31).

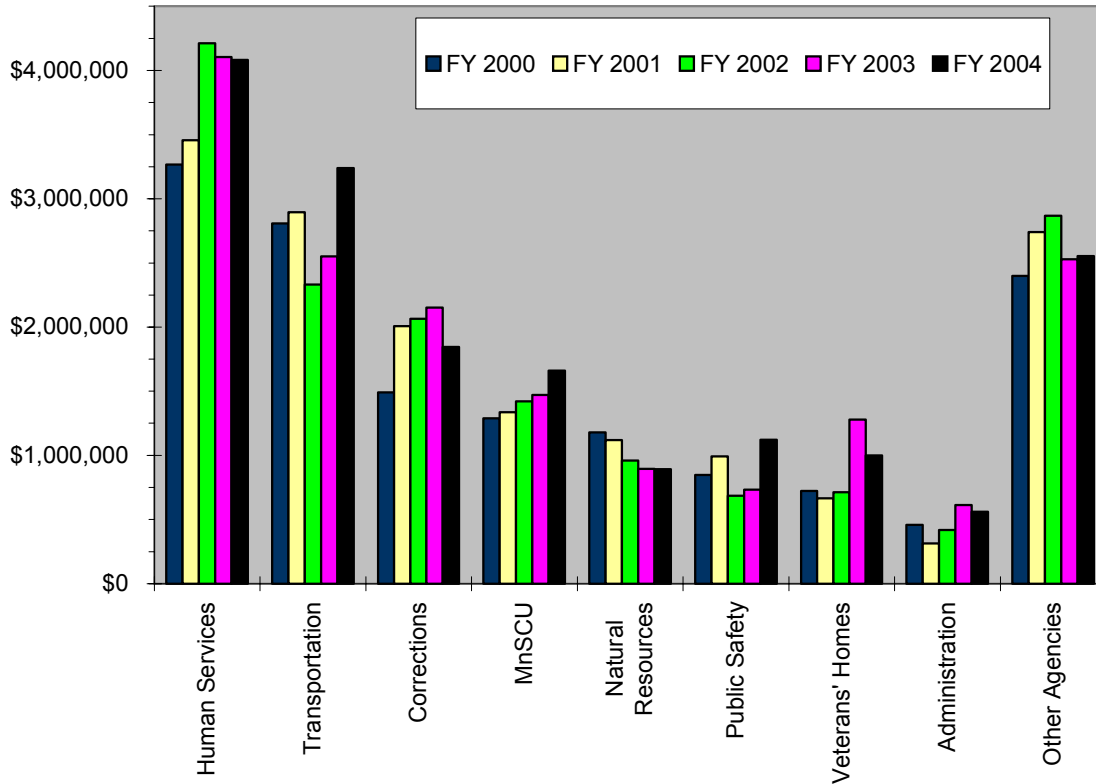
Caution urged when comparing agencies

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 Five of the Largest Eight Agencies

The Department of Human Services' benefit costs in FY 2004 declined \$21,652 (0.5%), the Department of Natural Resources' benefit costs declined \$2,991 (0.3%), the Department of Corrections' benefit costs declined \$306,732 (14.3%), the Veterans Homes Board's benefit costs declined \$281,277 (22.0%), and the Department of Administration's benefit costs declined \$52,818 (8.6%). The remaining three agencies experienced a range of increases from 12.8% to as much as 52.9%. The combined total of all other agencies experienced an increase in benefit costs of 1.0% (\$24,810) from FY 2003 to FY 2004.

Chart 13/Benefit Costs for Eight Agencies/FYs 2000-2004



	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 00-04	FY 03-04
	Benefit Costs					Change	
Human Services	\$3,267,093	\$3,453,933	\$4,212,445	\$4,103,952	\$4,082,300	25.0%	-0.5%
Transportation	\$2,806,936	\$2,894,599	\$2,332,345	\$2,549,547	\$3,238,122	15.4%	27.0%
Corrections	\$1,491,505	\$2,007,067	\$2,064,536	\$2,152,379	\$1,845,647	23.7%	-14.3%
MnSCU	\$1,288,666	\$1,336,432	\$1,419,566	\$1,472,436	\$1,660,488	28.9%	12.8%
Natural Resources	\$1,179,644	\$1,119,645	\$961,395	\$896,443	\$893,452	-24.3%	-0.3%
Public Safety	\$848,405	\$992,676	\$685,345	\$732,581	\$1,120,193	32.0%	52.9%
Veterans' Homes	\$723,734	\$664,555	\$712,880	\$1,280,657	\$999,380	38.1%	-22.0%
Administration	\$458,683	\$314,186	\$419,342	\$613,478	\$560,660	22.2%	-8.6%
Totals 8 Agencies	\$12,064,666	\$12,783,093	\$12,807,854	\$13,801,473	\$14,400,242	19.4%	4.3%
Other Agencies	\$2,399,388	\$2,741,082	\$2,866,448	\$2,527,158	\$2,551,968	6.4%	1.0%
Totals Overall	\$14,464,054	\$15,524,175	\$15,674,302	\$16,328,631	\$16,952,210	17.2%	3.8%

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

In FY 2004, 31.6% of all reported injuries were to the upper extremities (arm, shoulder, elbow, wrist), 18.8% involved multiple body parts, 14.0% to the neck/back, and 17.4% to the lower extremities. This composition of reported injuries shows that upper extremities continue to be the leading type of reported injury.

Chart 14/Composition of Reported Injuries/FYs 2000-2004

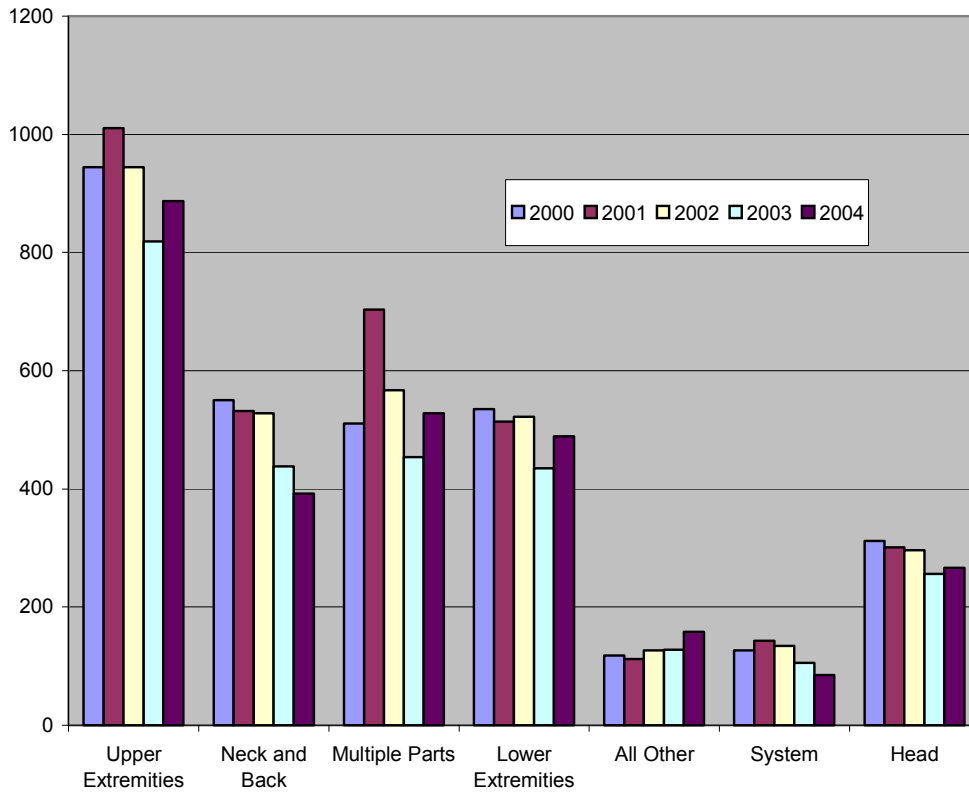
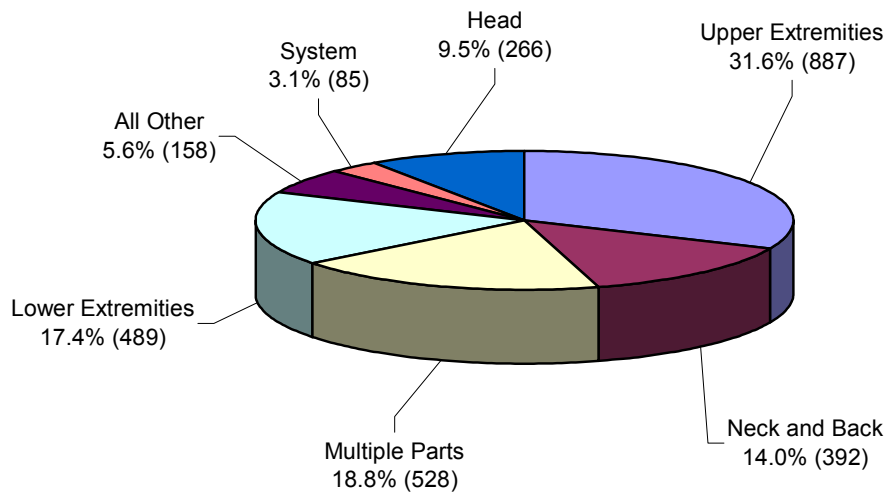


Chart 15/Composition of Reported Injuries/FY 2004



The average incident rate for these eight agencies and for all other agencies increased in FY 2004 (*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:

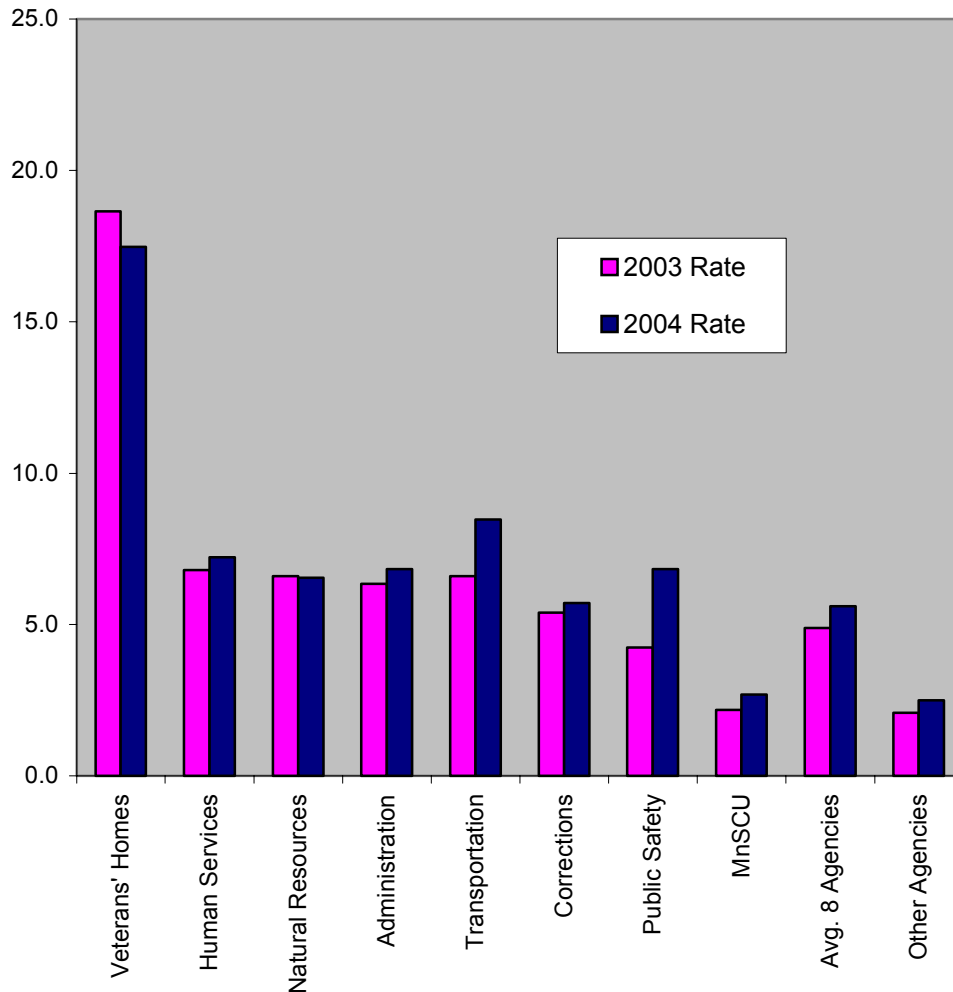
$$\text{Incident Rate} = \frac{\text{Number of Reportable Claims Paid} \times 200,000}{\text{Total Employee Hours Worked}}$$

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

The average incident rate increased from 4.9 (claims per 100 FTE's) in FY 2003 to 5.6 in FY 2004 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 increased in FY 2004, compared to FY 2003 by 0.4. This equates to more reportable injuries occurring for every 100 full-time employees. See Appendix C for individual agency incident rates for FY 2004.

Overall, the incident rate decreased from 5.1 in FY 2000 to 4.8 in FY 2004. See Chart 17 for five year rate comparison.

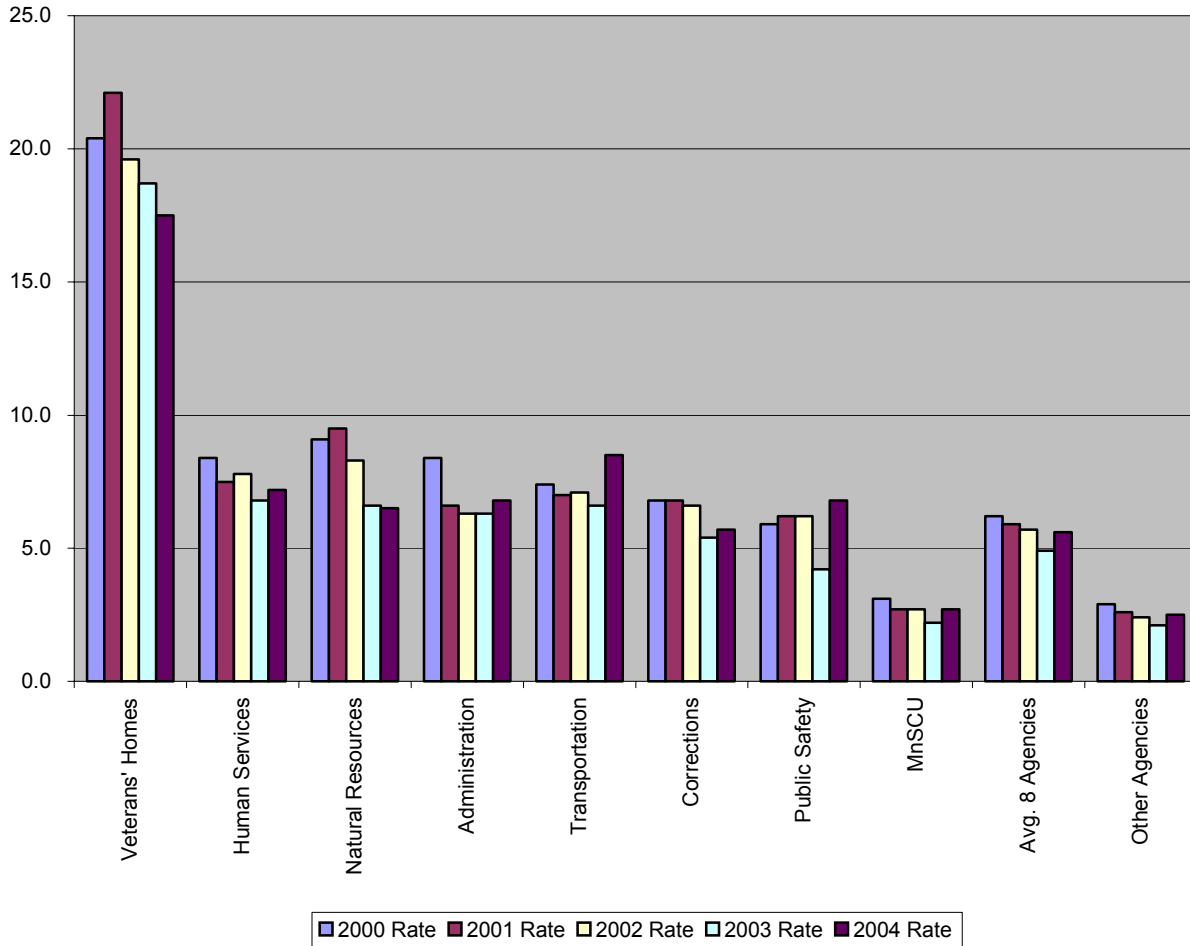
Chart 16/Incidence Rates/FYs 2003-2004



Agency	FY 2003		FY 2003		FY 2004		FY 2004		FY 03-04
	Reportable Claims	Hours Worked	2003 Rate	Reportable Claims	Hours Worked	2004 Rate	Rate Change		
Veterans' Homes	149	1,597,773	18.7	139	1,591,012	17.5	-1.2		
Human Services	358	10,530,769	6.8	385	10,657,194	7.2	0.4		
Natural Resources	161	4,883,379	6.6	151	4,616,081	6.5	-0.1		
Administration	48	1,514,696	6.3	50	1,465,878	6.8	0.5		
Transportation	296	8,974,805	6.6	349	8,232,444	8.5	1.9		
Corrections	175	6,500,355	5.4	184	6,452,326	5.7	0.3		
Public Safety	75	3,539,379	4.2	117	3,427,138	6.8	2.6		
MnSCU	276	25,411,567	2.2	323	24,100,811	2.7	0.5		
Avg. 8 Agencies	192	7,869,090	4.9	212	7,567,861	5.6	0.7		
Other Agencies	227	21,812,390	2.1	264	21,215,893	2.5	0.4		
All Agencies	1,765	84,765,113	4.2	1,962	81,758,777	4.8	0.6		

*Source of Hours Worked is SEMA4.

Chart 17/Incident Rate Comparison/FYs 2000-2004



	2000 Rate	2001 Rate	2002 Rate	2003 Rate	2004 Rate	00-04 Rate Change
Veterans' Homes	20.4	22.1	19.6	18.7	17.5	-2.9
Human Services	8.4	7.5	7.8	6.8	7.2	-1.2
Natural Resources	9.1	9.5	8.3	6.6	6.5	-2.6
Administration	8.4	6.6	6.3	6.3	6.8	-1.6
Transportation	7.4	7.0	7.1	6.6	8.5	+1.1
Corrections	6.8	6.8	6.6	5.4	5.7	-1.1
Public Safety	5.9	6.2	6.2	4.2	6.8	+0.9
MnSCU	3.1	2.7	2.7	2.2	2.7	-0.4
Avg. 8 Agencies	6.2	5.9	5.7	4.9	5.6	-0.6
Other Agencies	2.9	2.6	2.4	2.1	2.5	-0.4
All Agencies	5.1	5.4	5.1	4.2	4.8	-0.3

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

Estimated cost per \$100 of payroll (Chart 18) benchmarks state agencies' total cost 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 total cost experience compares favorably to the estimated average for all Minnesota employers.

The estimated average for Minnesota employer's data will be added to this report when the figures are announced and released by DLI. DLI updates the estimates annually, including the estimates that had been previously reported. The Workers' Compensation Program will announce the addition of this data by sending out a Workers' Compensation Bulletin.

Chart 18/Estimated Cost Per \$100 of Payroll

Cost Per \$100 of Payroll			
<u>All State Agencies</u>		<u>Estimated Average for MN Employers</u>	
			<u>All</u>
FY 97	\$1.35	CY 97	\$1.61
FY 98	\$1.19	CY 98	\$1.45
FY 99	\$1.18	CY 99	\$1.39
FY 00	\$1.18	CY 00	\$1.34
FY 01	\$1.14	CY 01	\$1.41
FY 02	\$1.18	CY 02	\$1.58
FY 03	\$1.10	CY 03	

FY 2004 Annual Report - Workers' Compensation Program

Appendix A: Reported Claims/FY 2003 – 2004 by Agency

Agency	FY 2003	FY 2004	% of Change
Administration	70	70	No Change
Agriculture	11	21	90.91%
Animal Health Board	0	0	No Change
Attorney General	14	9	-35.71%
Boards & Commissions	7	8	14.29%
Perpich Center for Arts Educ	1	2	100.00%
Commerce & Commerce Weights & Measures	16	15	-6.25%
Corrections	266	284	6.77%
Court of Appeals	2	1	-50.00%
Education	7	12	71.43%
Employment & Economic Development	44	39	-11.36%
Employee Relations	9	1	-88.89%
Examining Boards	6	7	16.67%
Faribault Academies	24	21	-12.50%
Finance	1	3	200.00%
Friends of MN Conservation Corp	0	21	100.00%
Gambling Control	0	0	No Change
Governor's Office	0	0	No Change
Health	40	29	-27.50%
Higher Educ Services Office	1	4	300.00%
Historical Society	18	10	-44.44%
House of Representatives	2	7	250.00%
Housing Finance	6	2	-66.67%
Human Rights	2	0	-100.00%
Human Services	442	484	9.50%
Indian Affairs Council	0	0	No Change
Investment Board	0	0	No Change
IRRRB	8	4	-50.00%
Judicial	16	13	-18.75%
Judicial Standards Board	0	0	No Change
Labor & Industry	8	11	37.50%
Legislative Auditor	0	0	No Change
Legislative Coord Committee	1	0	-100.00%
Lottery	9	5	-44.44%
Mediation Services	0	0	No Change
Military Affairs	25	27	8.00%
Minnesota Planning	2	0	No Change
MN State Retirement	0	0	No Change
MNSCU	492	478	-2.85%
Natural Resources	217	199	-8.29%
Office of Environmental(Waste Mgt)	1	0	-100.00%
Ombudsman-Corrections	0	1	100.00%
Ombudsperson for Families	0	0	No Change
Pollution Control Agency	12	30	150.00%
Public Defense Board	6	4	-33.33%
Public Employee Retirement Assoc.	4	8	100.00%
Public Safety	142	187	31.69%
Public Utilities Commission	0	0	No Change
Racing Commission	0	0	No Change
Revenue	32	23	-28.13%
Revisor of Statutes	3	0	-100.00%
Secretary of State	1	2	100.00%
State Arts Board	2	0	-100.00%
State Auditor	0	3	100.00%
State Fair	31	28	-9.68%
State Senate	2	4	100.00%
State Treasurer	0	0	No Change
Tax Court	0	0	No Change
Teachers Retirement Assoc.	1	3	200.00%
Transportation	405	452	11.60%
Trial Courts	26	85	226.92%
Veterans Affairs	1	1	No Change
Veterans Home Board	183	168	-8.20%
Work Comp Court of Appeals	0	1	100.00%
Zoo	17	18	5.88%
TOTAL	2636	2805	6.41%

FY 2004 Annual Report - Workers' Compensation Program

Appendix B: Benefit Costs/FY 2003 – 2004 by Agency

Agency	FY 2003	FY 2004	% of Change
Administration	\$613,478	\$560,660	-8.61%
Agriculture	\$169,357	\$125,399	-25.96%
Animal Health Board	\$17,536	\$0	-100.00%
Attorney General	\$4,187	\$46,051	999.86%
Boards & Commissions	\$91,535	\$144,515	57.88%
Perpich Center for Arts Education	\$0	\$7,020	100.00%
Commerce & Commerce Weights & Measures	\$123,608	\$168,698	36.48%
Corrections	\$2,152,379	\$1,845,647	-14.25%
Court of Appeals	\$0	\$22,917	100.00%
Education	\$30,792	\$60,586	96.76%
Employment & Economic Development	\$215,020	\$320,757	49.18%
Employee Relations	\$17,970	\$21,042	17.10%
Examining Boards	\$11,063	\$9,796	-11.45%
Faribault Academies	\$182,781	\$94,686	-48.20%
Finance	\$1,231	\$1,162	-5.61%
Friends of MN Conservation Corp	\$0	\$4,894	100.00%
Gambling Control	\$15,382	\$8,243	-46.41%
Governor's Office	\$0	\$122	100.00%
Health	\$202,587	\$116,474	-42.51%
Higher Educ Services Office	\$3,171	\$2,846	-10.25%
Historical Society	\$16,125	\$6,040	-62.54%
House of Representatives	\$6,144	\$5,409	-11.96%
Housing Finance	\$47,890	\$22,172	-53.70%
Human Rights	\$11,659	\$20,702	77.56%
Human Services	\$4,103,952	\$4,082,300	-0.53%
Indian Affairs Council	\$0	\$0	No Change
Investment Board	\$0	\$0	No Change
IrrRRB	\$126,521	\$101,344	-19.90%
Judicial	\$17,050	\$85,436	401.09%
Judicial Standards Board	\$0	\$0	No Change
Labor & Industry	\$92,948	\$43,572	-53.12%
Legislative Auditor	\$0	\$130	100.00%
Legislative Coordinating Committee	\$0	\$0	No Change
Legislative Reference Library	\$322	\$0	-100.00%
Lottery	\$41,896	\$55,473	32.41%
Mediation Services	\$23,542	\$25,090	6.58%
Military Affairs	\$326,793	\$154,663	-52.67%
Minnesota Planning	\$2,359	\$5,319	125.48%
MN State Retirement	\$0	\$0	No Change
MNSCU	\$1,472,436	\$1,660,488	12.77%
Natural Resources	\$896,443	\$893,452	-0.33%
Office of Environmental(Waste Mgt)	\$225	\$497	120.89%
Ombudsman-Corrections	\$0	\$0	No Change
Ombudsman-Crime Victims (AGY abolished)	\$47,095	\$1,003	-97.87%
Ombudsperson for Families	\$0	\$0	No Change
Pollution Control Agency	\$63,417	\$30,116	-52.51%
Public Defense Board	\$2,781	\$22,701	716.29%
Public Employee Retirement Assoc.	\$14,425	\$55,116	282.09%
Public Safety	\$732,581	\$1,120,193	52.91%
Public Utilities Commission	\$0	\$0	No Change
Racing Commission	\$0	\$0	No Change
Revenue	\$116,429	\$123,056	5.69%
Revisor of Statutes	\$897	\$0	-100.00%
Secretary of State	\$304	\$2,133	601.64%
State Arts Board	\$0	\$0	No Change
State Auditor	\$39,497	\$29,798	-24.56%
State Fair	\$27,861	\$45,500	63.31%
State Senate	\$3,124	\$468	-85.02%
State Treasurer	\$0	\$0	No Change
Tax Court	\$0	\$0	No Change
Teachers Retirement	\$0	\$1,335	100.00%
Transportation	\$2,549,547	\$3,238,122	27.01%
Trial Courts	\$98,630	\$258,078	161.66%
Veterans Affairs	\$18,274	\$840	-95.40%
Veterans Home Board	\$1,280,657	\$999,380	-21.96%
Work Comp Court of Appeals	\$43,692	\$36,103	-17.37%
Zoo	\$251,038	\$264,666	5.43%
TOTAL	\$16,328,631	\$16,952,210	3.82%

FY 2004 Annual Report - Workers' Compensation Program

Appendix C: Agency Incident Rates/FY 2004

Agency	# of Hours Worked	Reportable Claims	Incident Rate
Administration	1,465,878	50	6.82
Agriculture	735,368	15	4.08
Animal Health Board	55,138	0	0.00
Attorney General	633,283	6	1.89
Boards & Commissions	356,789	3	1.68
Perpich Center for Arts Education	131,025	2	3.05
Commerce & Commerce Weights & Measures	546,849	11	4.02
Corrections	6,452,326	184	5.70
Court of Appeals	150,468	1	1.33
Education	699,914	10	2.86
Employment & Economic Development	3,264,189	21	1.29
Employee Relations	261,615	0	0.00
Examining Boards	331,455	2	1.21
Faribault Academies	309,661	15	9.69
Finance	268,607	2	1.49
Friends of MN Conservation Corp	Not Available	* 17	Not Available
Gambling Control	50,018	0	0.00
Governor's Office	73,988	0	0.00
Health	2,293,498	21	1.83
Higher Educ Services Office	120,429	3	4.98
Historical Society	Not Available	* 7	Not Available
House of Representatives	Not Available	* 6	Not Available
Housing Finance	317,297	1	0.63
Human Rights	78,292	0	0.00
Human Services	10,657,194	385	7.23
Indian Affairs Council	8,841	0	0.00
Investment Board	35,377	0	0.00
IRRRB	159,648	4	5.01
Judicial	464,764	9	3.87
Judicial Standards Board	3,307	0	0.00
Labor & Industry	579,541	7	2.42
Legislative Auditor	108,741	0	0.00
Legislative Coord Committee/Revisor of Statutes	157,075	0	0.00
Lottery	290,867	4	2.75
Mediation Services	29,954	0	0.00
Military Affairs	429,870	22	10.24
MN State Retirement	96,241	0	0.00
MNSCU	24,100,811	323	2.68
MNSCU-Student Workers	Not Available	* 37	Not Available
Natural Resources	4,616,081	151	6.54
Office of Environmental Assistance	108,764	0	0.00
Ombudsman-Corrections	116	0	0.00
Ombudsperson for Families	7,009	0	0.00
Pollution Control Agency	1,311,971	21	3.20
Public Defense Board	861,935	4	0.93
Public Employee Retirement Assoc.	153,124	5	6.53
Public Safety	3,427,138	117	6.83
Public Utilities Commission	70,224	0	0.00
Racing Commission	12,543	0	0.00
Revenue	1,970,661	15	1.52
Secretary of State	144,250	1	1.39
State Arts Board	18,385	0	0.00
State Auditor	197,705	1	1.01
State Fair	Not Available	* 19	Not Available
State Senate	Not Available	* 2	Not Available
State Treasurer	572	0	0.00
Tax Court	10,026	0	0.00
Teachers Retirement	149,090	3	4.02
Transportation	8,232,444	349	8.48
Trial Courts	2,734,333	37	2.71
Veterans Affairs	57,154	1	3.50
Veterans Home Board	1,591,012	139	17.47
Work Comp Court of Appeals	23,233	0	0.00
Zoo	342,689	17	9.92
TOTAL	81,758,777	1,962	4.80

* Reportable Claim #'s not included in 1,962 TOTAL