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DEPARTMENT OF TRANSPORTATION

STATE OF MINNESOTA
OFFICE MEMORANDUM

TO : Distribution D, M & N

August 30, 1988

FROM : Richard B. Keinz
Assistant Commissioner



(612) 296-3005

SUBJECT: Workers Compensation Cost Report

Attached is a copy of the 1988 Workers Compensation Cost Report. We are pleased to report that significant reductions have occurred in several important categories. These direct reductions also have an impact on our service charges.

There has been improvement in communications in case work which has been instrumental in the reduction of long term cases as identified in the included special report. The reinsurance savings shows that other less noticeable areas of concern can also be addressed.

Team effort is beginning to pay off. Instituting consistent approaches is showing success. We are headed in the right direction with our Workers Compensation Cost Containment Program. My thanks to all and with your continued support and efforts, we can repeat the trend in 1989.

Attachment

1988 WORKERS COMPENSATION COST REPORT

Containing and then reducing our Compensation costs was our goal for FY 1988. The following report should signify that we are headed in the right direction. In a year where costs for almost everything increased, we have:

- | | |
|---|--------|
| a. reduced ongoing indemnity | 26.0%; |
| b. reduced one-time payments, including settlements | 22.6%; |
| c. while medical costs have been increasing, held our costs even; | |
| d. reduced our rehabilitation (QRC) costs | 38.7%; |
| e. reduced our miscellaneous costs | 26.5%; |
| and | |
| f. reduced total Workers Compensation costs State-wide | 19.7% |

In the 1987 Workers Compensation (W/C) Report, we identified an increase in the Special Fund assessment from 25% to 31%. Even with this increase in assessment percentage, the resulting cost to Mn/DOT was reduced over \$16,000 or 5.5%; this, as a direct result of our significant reduction in our indemnity payments.

The only item on the State-wide Report that showed an increase was the administration fee. Although the administration fee percentage was increased by 50% (from 8% to 12%), our costs in this category increased from \$167,034 to \$212,331 or 27%; again, because of our reduced W/C costs.

All the above reductions are based on 1987 costs. As these costs would have been affected by normal inflation, the compensation cost reduction of 19.7% becomes even more significant. The attached special case study report more clearly identifies our successes.

During fiscal 1988 other events took place. A review of the Workers Compensation Reinsurance Association's classification system resulted in a change of classification to our highway techs which, in turn, resulted in a first-year saving in premium of \$65,000 to Mn/DOT. See attached memos.

A study of the medical bill paying process led to an understanding with DOER as to Mn/DOT's role in that process. This issue is continuing to be explored. A copy of the results of that study is included.

An examination of the fines and penalties being levied on Mn/DOT for late filing of Comp claims led to a number of fines being rescinded. In addition, it is now an understanding with DOER that any penalties or fines for late filing that were not a fault of Mn/DOT will be paid out of DOER's General Operating Fund and not billed to Mn/DOT.

In addition, we have been taking a more aggressive and informed stance in claims handling which has resulted in reduced settlements of claims.

Issues for fiscal 1989 will include:

- o a continued review of the medical payment costs;
- o a further reduction in the "long-term" cases;
- o a reduction in the administrative fee as it pertains to Mn/DOT;
- o a better cost reporting system possibly broken down to A & B maintenance areas;

1988 WORKERS COMPENSATION COST REPORT (Continued)

- o faster case review; more accountability of Central Office to the Districts.

The \$335,000 reduction in Workers Comp costs was the result of a systematic approach to cost containment. We can do it again in fiscal 1989--thanks to all.

SPECIAL REPORT

STUDY OF LONG-TIME CASES

At the end of FY 1986 there were 31 long-time cases throughout the Department. A long-time case was one that the employee

- 1) had been out for a minimum of one year;
- 2) was still out at the close of the fiscal year; and
- 3) was being paid full wage benefits by Mn/DOT.

If we chose to do nothing with these cases we would have seen increases in costs. These would have included an estimated 4 percent wage increase, possibly 10 percent increase in medical costs and QRC and miscellaneous costs increasing by an estimated 8 percent.

The following chart shows what might have happened had we not become aggressive in case management.

	1986	1987	1988
Wages	\$416,546	\$438,208	\$450,536
Medical	116,941	128,635	141,498
QRC & Misc.	60,486	66,535	73,188
	-----	-----	-----
TOTAL:	\$593,973	\$628,378	\$665,222

By becoming involved and working on these cases we have accomplished the following:

Returned to work	9
Working part time	2
Retired	2
Resigned	4
Litigation	2
Still on leave of absence	12
	--
	31

This action has resulted in the following actual costs saving:

	1986	1987	1988
Wages	\$416,546	\$319,551	\$261,659
Medical	116,941	58,185	54,518
QRC & Misc.	60,489	61,580	28,928
	-----	-----	-----
TOTAL:	\$593,973	\$439,316	\$352,909

By working to solve these 31 cases alone, we have saved an estimated \$241,064. As you can see, returning the employee to work has been the solution in most of these cases and it has been the most cost effective. We will continue to look at the remaining 12 cases and hope to be able to report significant progress next year.

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

LOCATION - STATE WIDE

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$ 694,620	\$ 699,056	\$ 515,616	-26.0%
One-time Indemnity - 202, 204, 206	\$ 334,569	\$ 544,230	\$ 152,768	
Settlements - 241, 242			\$ 278,484	-22.6%
Total Indemnity	\$1,121,106	\$1,253,286	\$ 946,868	-25.0%
Medical Payments - 300	\$ 471,781	\$ 454,256	\$ 454,713	
Rehabilitation (QRC) - 399	\$ 99,540	\$ 96,446	\$ 59,110	-38.7%
Miscellaneous - 400, 401, 602, etc.	\$ 20,500	\$ 42,790	\$ 31,470	-26.5%
Total Medical, etc.	\$ 591,821	\$ 593,492	\$ 545,293	- 8.0%
Total District W/C Costs	\$1,712,927	\$1,846,799	\$1,492,161	-19.7%
Special Assessment	--	\$ 300,169	\$ 283,587	- 5.5%
Administration Fee	--	\$ 167,034	\$ 212,331	+27.0%
TOTAL ALL COSTS:		\$2,313,982	\$1,988,079	-14.5%

(Credits/Refunds:)

STATISTICS:

Total Employees	4,888	4,907	4,983
Workers Compensation (W/C) Cost per Employee	\$ 350	\$ 376	\$ 299
Total Number of W/C Recipients:	617	631	614

LOCATION - DISTRICT 1

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$ 52,272	\$ 45,690	\$ 51,039	
One-time Indemnity - 202, 204, 206	--	6,750	18,013	
Settlements - 241, 242	--	--	15,345	
Total Indemnity	\$ 52,274	\$ 52,440	\$ 84,397*	+60.9%
Medical Payments - 300	\$ 33,166	\$ 45,710	\$ 28,583	
Rehabilitation (QRC) - 399	18,794	8,034	7,683	
Miscellaneous - 400, 401, 602, etc.	1,423	2,663	3,599	
Total Medical, etc.	\$ 53,383	\$ 56,407	\$ 39,865	
Total District W/C Costs	\$105,679	\$108,847	\$124,262	+14.0%
Special Assessment			\$ 26,259	
Administration Fee			\$ 17,868	
TOTAL ALL COSTS:			\$168,389	
STATISTICS:				
Total Employees	463	479	484	
Workers Compensation (W/C)				
Cost per Employee	\$228	\$227	\$257	
Total Number of W/C Recipients:	54	63	61	

* Note increase in one-time and settlement payments which may, in part, account for District overall increase in W/C costs.

LOCATION - DISTRICT 2

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$ 6,451	\$ 4,898	\$ 1,826	
One-time Indemnity - 202, 204, 206			12,466	
Settlements - 241, 242	120,000	20,151		
Total Indemnity	\$126,451	\$ 25,049	\$ 14,292	-42.9%
Medical Payments - 300	\$ 9,907	\$ 22,668	5,454	
Rehabilitation (QRC) - 399	--	5,303	2,813	
Miscellaneous - 400, 401, 602, etc.	787	511	35	
Total Medical, etc.	\$ 9,907	\$ 28,482	\$ 8,302	
Total District W/C Costs	\$137,145	\$ 53,531	\$ 22,594	-58.0%
Special Assessment			\$ 4,429	
Administration Fee			\$ 3,659	
TOTAL ALL COSTS:			\$ 30,682	
Credits/Refunds:				
STATISTICS:				
Total Employees	236	244	251	
Workers Compensation (W/C)				
Cost per Employee	\$581	\$219	\$ 90	
Total Number of W/C Recipients:	31	33	33	

LOCATION - DISTRICT 3

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$ 72,158	\$ 79,257	\$ 61,548	
One-time Indemnity - 202, 204, 206	--	--	13,085	
Settlements - 241, 242		16,275	--	
Total Indemnity	\$ 72,158	\$ 95,532	\$ 74,633	-21.9%
Medical Payments - 300	\$ 23,764	\$ 55,377	\$ 24,612	
Rehabilitation (QRC) - 399	4,129	5,209	1,523	
Miscellaneous - 400, 401, 602, etc.	919	3,246	517	
Total Medical, etc.	\$ 28,812	\$ 63,832	\$ 26,652	
Total District W/C Costs	\$100,970	\$159,382	\$101,285	-36.0%
Special Assessment			\$ 23,078	
Administration Fee			\$ 14,469	
TOTAL ALL COSTS:			\$138,832	
STATISTICS:				
Total Employees	333	314	342	
Workers Compensation (W/C)				
Cost per Employee	\$303	\$508	\$296	
Total Number of W/C Recipients:	60	59	61	

LOCATION - DISTRICT 4

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$ 23,171	\$ 15,623	\$ 15,087	
One-time Indemnity - 202, 204, 206			6,500	
Settlements - 241, 242	93,500	271,580	36,500	
Total Indemnity	\$116,671	\$287,203	\$ 58,087*	-79.0%*
Medical Payments - 300	\$ 20,936	\$ 16,384	\$ 11,415	
Rehabilitation (QRC) - 399	420	1,651	2,732	
Miscellaneous - 400, 401, 602, etc.	2,541	4,673	5,762	
Total Medical, etc.	\$ 23,897	\$ 22,708	\$ 19,909	
Total District W/C Costs	\$140,568	\$309,911	\$ 77,996	-73.7%*
Special Assessment			\$ 18,917	
Administration Fee			\$ 10,484	
TOTAL ALL COSTS:			\$107,397	
Credits/Refunds:				
STATISTICS:				
Total Employees	265	270	278	
Workers Compensation (W/C)				
Cost per Employee	\$ 530	\$1,148	\$ 280	
Total Number of W/C Recipients:	43	44	32	

* Note 1987 costs included one payment of \$248,972 to one employee. This reduction in District Comp costs should not be considered normal or average.

LOCATION - DISTRICT 5

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$112,284	\$ 82,984	\$ 75,034	
One-time Indemnity - 202, 204, 206	--	--	27,935	
Settlements - 241, 242		26,109	67,512	
Total Indemnity	\$112,284	\$109,093	\$170,481*	+56.3%
Medical Payments - 300	\$ 62,206	\$ 71,407	\$ 80,403	
Rehabilitation (QRC) - 399	14,661	15,199	9,010	
Miscellaneous - 400, 401, 602, etc.	5,532	10,734	3,011	
Total Medical, etc.	\$ 82,399	\$ 97,340	\$ 92,424	
Total District W/C Costs	\$194,683	\$206,435	\$262,905	+27.4%
Special Assessment			\$ 52,646	
Administration Fee			\$ 39,774	
TOTAL ALL COSTS:			\$355,325	
STATISTICS:				
Total Employees	629	625	644	
Workers Compensation (W/C)				
Cost per Employee	\$309	\$330	\$408	
Total Number of W/C Recipients:	103	107	95	

* Note the increase in one-time and settlement payments which may, in part, account for the increase in the District's W/C costs. The trend in on-going indemnity gives a better picture as to the District W/C costs.

LOCATION - DISTRICT 6

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$ 86,467	\$ 82,557	\$ 57,093	
One-time Indemnity - 202, 204, 206			20,477	
Settlements - 241, 242	41,944	56,894	1,200	
Total Indemnity	\$120,656	\$139,541	\$ 78,770*	-43.0%*
Medical Payments - 300	\$ 42,353	\$ 49,042	\$ 34,493	
Rehabilitation (QRC) - 399	5,252	14,124	5,400	
Miscellaneous - 400, 401, 602, etc.	3,269	3,344	2,312	
Total Medical, etc.	\$ 50,874	\$ 66,510	\$ 42,205	
Total District W/C Costs	\$171,530	\$205,961	\$120,975	-41.0%
Special Assessment			\$ 24,415	
Administration Fee			\$ 16,773	
TOTAL ALL COSTS:			\$162,163	
Credits/Refunds:				
STATISTICS:				
Total Employees	479	393	393	
Workers Compensation (W/C)				
Cost per Employee	\$358	\$524	\$308	
Total Number of W/C Recipients:	67	80	74	

* The reduction in settlement payments accounts, in part, for the large cost reduction. Look at the reductions in medical and on-going indemnity for a more accurate picture of cost trends.

LOCATION - DISTRICT 7

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$ 77,309	\$ 61,011	\$ 50,292	
One-time Indemnity - 202, 204, 206			8,906	
Settlements - 241, 242	66,525	44,116	2,376	
Total Indemnity	\$143,834	\$105,127	\$ 61,574*	-59.0%*
Medical Payments - 300	\$ 92,061	\$ 25,934	\$ 32,501	
Rehabilitation (QRC) - 399	3,793	2,324	1,546	
Miscellaneous - 400, 401, 602, etc.	2,345	1,061	272	
Total Medical, etc.			\$ 34,319	
Total District W/C Costs	\$242,033	\$134,446	\$ 95,893	-29.0%
Special Assessment			\$ 19,084	
Administration Fee			\$ 14,084	
TOTAL ALL COSTS:			\$129,061	

Credits/Refunds:

STATISTICS:

Total Employees	320	331	334
Workers Compensation (W/C)			
Cost per Employee	\$756	\$406	\$287
Total Number of W/C Recipients:	65	55	55

* The reduction in settlement payments accounts for a large portion of the cost reduction in the indemnity area. Look at the on-going indemnity and the medical payments for a more accurate picture of the District's cost trends.

LOCATION - DISTRICT 8

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$ 70,061	\$ 42,838	\$ 25,705	
One-time Indemnity - 202, 204, 206	--	--	2,251	
Settlements - 241, 242	2,000	16,255	56,116	
Total Indemnity	\$ 72,061	\$ 59,093	\$ 84,072*	+42.2%
Medical Payments - 300	\$ 29,076	\$ 18,444	\$ 18,733	
Rehabilitation (QRC) - 399	12,856	15,109	\$ 3,301	
Miscellaneous - 400, 401, 602, etc.	323	2,112	3,649	
Total Medical, etc.	\$ 42,255	\$ 35,665	\$ 25,683	
Total District W/C Costs	\$114,316	\$ 94,751	\$109,755	+16.0%
Special Assessment			\$ 26,567	
Administration Fee			\$ 17,374	
TOTAL ALL COSTS:			\$153,696	
Credits/Refunds:				
STATISTICS:				
Total Employees	217	222	219	
Workers Compensation (W/C)				
Cost per Employee	\$527	\$427	\$501	
Total Number of W/C Recipients:	24	31	41	

* Note the increase in settlement payments. On-going indemnity and medical costs more accurately reflect the W/C cost trend.

LOCATION - DISTRICT 9

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$195,954	\$147,863	\$112,870	
One-time Indemnity - 202, 204, 206			27,760	
Settlements - 241, 242	14,600	102,760	99,435	
Total Indemnity	\$206,555	\$250,623	\$240,065*	- 4.27*
Medical Payments - 300	\$114,928	\$129,215	\$165,120*	
Rehabilitation (QRC) - 399	29,772	27,404	21,549	
Miscellaneous - 400, 401, 602, etc.	--	12,199	9,545	
Total Medical, etc.	\$144,700	\$168,818	\$196,214	
Total District W/C Costs	\$357,478	\$419,441	\$436,279	+ 3.07*
Special Assessment			\$ 74,797	
Administration Fee			\$ 60,104	
TOTAL ALL COSTS:			\$571,180	
Credits/Refunds:				
STATISTICS:				
Total Employees			663	
Workers Compensation (W/C)				
Cost per Employee			\$658	
Total Number of W/C Recipients:	103	102	105	

* Note the reduction in on-going indemnity. The increase in medical costs is due, in part, to a \$40,000 plus payment to one old comp case. The on-going indemnity and medical cost give a more accurate picture of district cost trends.

LOCATION - CENTRAL OFFICE

WORKERS COMPENSATION - 3-YEAR COST COMPARISON

CATEGORY - SWA CODE	1986	1987	1988	% Change
Ongoing Indemnity - 101, 102, 192, 292	\$ 55,846	\$ 88,327	\$ 65,122	
One-time Indemnity - 202, 204, 206	15,250	41,348	15,375	
Settlements - 241, 242	--	--	--	
Total Indemnity	\$ 91,917	\$129,675	\$ 80,497	-38.0%
Medical Payments - 300	43,338	20,075	53,399	
Rehabilitation (QRC) - 399	9,863	2,090	3,553	
Miscellaneous - 400, 401, 602, etc.	3,361	2,229	2,768	
Total Medical, etc.	\$ 56,562	\$ 24,394	\$ 59,720	
Total District W/C Costs	\$148,479	\$154,069	\$140,217	- 9.0%
Special Assessment			\$ 13,395	
Administration Fee			\$ 18,630	
TOTAL ALL COSTS:			\$172,242	
Credits/Refunds:				
STATISTICS:				
Total Employees	1,416	1,380	1,375	
Workers Compensation (W/C)				
Cost per Employee	\$105	\$112	\$102	
Total Number of W/C Recipients:	63	57	57	

WORKERS COMPENSATION - DISTRICTS COST COMPARISONS

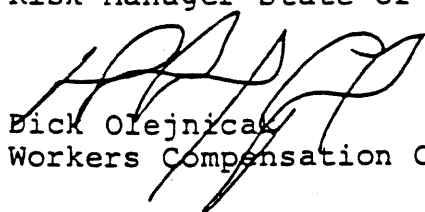
DISTRICT	INDEMNITY	MEDICAL, ETC.	TOTAL	COST PER EMPLOYEE
1. DULUTH/VIRGINIA	\$ 84,397	\$ 39,865	\$ 124,262	\$257
2. BEMIDJI/CROOKSTON	14,296	8,302	22,594	90
3. BRAINERD/ ST. CLOUD	74,633	26,652	101,285	296
4. DETROIT LAKES/MORRIS	58,087	19,909	77,996	280
5. GOLDEN VALLEY	170,481	92,424	262,905	408
6. ROCHESTER/OWATONNA	78,770	42,205	120,975	308
7. MANKATO/WINDOM	61,574	34,319	95,893	287
8. WILLMAR	84,072	25,683	109,755	501
9. OAKDALE	240,065	196,214	436,279	658
CENTRAL OFFICE	80,497	59,720	140,217	102
TOTALS:	\$ 946,868	\$ 545,293	\$1,492,161	\$299

DEPARTMENT OF TRANSPORTATION

STATE OF MINNESOTA
OFFICE MEMORANDUM

TO : Fred Johnson
Risk Manager State of Minnesota

December 9, 1987

FROM : 
Workers Compensation Coordinator

(612) 296-6414

SUBJECT: Reinsurance Classification

Before we can discuss the differences in hazard exposure between the maintenance and construction operations within Mn/DOT, I must first identify the sources of the data I am using in this report.

First, you must understand that the number of employees fluctuates from pay period to pay period. I have used the actual number of employees on the payroll as of the last of December in the year identified. As the payroll generally increases during the summer months, this period should reflect the lowest number of employees.

The number of injuries are the actual injuries reported to Mn/DOT by its employees. This includes lost time, medical only and simple reports requiring no action. By comparing the lowest number of employees to the highest number of reported injuries, we should get the worst case scenario.

As to the identification of maintenance and construction employees, I must clarify a few points. First, for purposes of accounting, all Mn/DOT employees are considered either maintenance or construction. In the districts, the distinction between the groups is quite clear as are the duties.

Central Office on the other hand is not as clearly defined. Central Office maintenance personnel consist mainly of support groups such as Training, Human Resources, Finance, Budget, plus Central Shop and Central Office Maintenance. Central office construction personnel consists of units like Traffic Engineering, Materials, Aeronautics, Standards, etc. I have included in this report a complete breakdown of Mn/DOT service groups and their locations. Where Central Office Maintenance has virtually no highway maintenance people, Central Office Construction has a high percentage of Highway Techs doing field type work. A comparison between these two groups would not be representative of a true exposure picture. I have included them to be certain that

all Mn/DOT employees are represented in this report.

The maintenance and construction people located in the districts would give a more clear comparison of hazard exposure between the groups. There are a number of accepted methods used to define exposure. One way is to use the frequency rate - this formula uses the number of disabling injuries which comprise only a portion of our total injuries. Another method is to calculate the severity rate thus comparing the days lost to the hours worked. Although the information to use either of the above noted methods is available, and in our annual reports to O.S.H.A. it is used, there is no comparison between the two groups. You can see by the copies of the reports I have enclosed, the lost time comparisons between the groups is somewhat comparative to the number of injuries. In this report, I have chosen to use all injuries reported and relate them to the total employees in each group. Doing this, I get an injury per employee ratio - this in itself should show the great disparity between the two groups.

The second major piece of information to be considered is the cost comparisons. Getting costs for 5 years between the two groups would be next to impossible. I do have one year that was put together by hand. This one year does show a difference far more dramatic than the injury ratios. This might imply that not only do construction employees have considerably fewer injuries, but the cost per injury is much lower:

Below is a 5 year average comparison.

MAINTENANCE

Average Employees per year	2,690 Average
Injuries per year	514 = 19.1%/total
Employee/Injury ratio	5.23:1

CONSTRUCTION

Average Employees per year	2,035
Average injuries per year	111 = 5.4%/total
Employee/Injury ratio	18.33:1

Comparison - 5.23:18.33 = 3.54:1

This shows that, taking into account the difference of numbers of employees, the maintenance workers' job is 3-1/2 times more hazardous than the construction workers' job.

I do have additional figures, Fred, but these should be sufficient to prove our case. I'll see you on the 15th.

REPORTED INJURY COMPARISON - MAINTENANCE VS. CONSTRUCTION

LOCATION	YEAR					5 Yr. Average
	1983	1984	1985	1986	1987	
Maint. (Districts) Employees	2172	2182	2215	2245	2263	4.56
Injuries	513	493	510	491	433	
Employee/Injury	4.23	4.43	4.34	4.57	5.23	
Maint. Central Office Employees	415	449	498	514	478	18.35
Injuries	24	26	24	23	34	
Employee/Injury	17.30	17.30	20.75	22.35	14.06	
Maint. Total Employees	2587	2631	2731	2759	2741	5.23
Total Injuries	537	519	534	514	467	
Employee/Injury	4.82	5.07	5.11	5.37	5.87	
(Districts) Construction Employees	1107	1096	1133	1195	1225	15.13
Injuries	67	86	80	81	70	
Employee/Injury	16.52	12.74	14.16	14.75	17.50	
(Central Office) Construction Employees	874	902	873	896	889	26.52
Injuries	36	34	30	30	39	
Employee/Injury	24.30	26.50	29.10	29.90	22.80	
Construction Total Employees	1964	1998	2006	2091	2114	18.44
Total Injuries	103	120	110	111	109	
Employee/Injury	19.06	16.65	18.24	18.84	19.39	

DEPARTMENT : ADMINISTRATION

STATE OF MINNESOTA

Office Memorandum

DATE : April 14, 1988

TO : Mike Holmquist
Department of Employee RelationsFROM : Dick Olejnicak, Department of Transportation and
Frederick R. Johnson, Director of Risk Management

PHONE : 296-6414/296-1001

SUBJECT : Rating Classification Request

The Department of Transportation has several job classifications coded to WCRA Classification 5506, Street or Road Construction paving or repairing-all kinds and drivers.

Based upon the job description, the frequency of loss and the amount of losses over the last five years, the Department of Transportation requests that the following job descriptions be reclassified as WCRA Classification 8601, Engineer or Architect Consulting.

Highway Technician
Highway Technician, Intermediate
Highway Technician, Senior

Job Description:

The Highway Technician classes are more technical in structure and not related to construction as are maintenance worker classifications. Their duties include such position purposes as

- o To prepare visual aids and preliminary written and geometric documentation for proposed highway construction projects.
- o To prepare and process traffic orders, along with the collection of miscellaneous data, to provide for the safe flow of traffic.
- o To draft, check calculations and provide related technical assistance, as required, to complete a set of road construction plans.

The formal description of typical duties are as follows:

Highway Technician:

Perform entry level technical work in highway engineering. Perform field, office or laboratory

Memo to Mike Holmquist, Department of Employee Relations
From Dick Olejnicak and Frederick R. Johnson Jr.

April 14, 1988

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duties under close supervision. Do routine drafting and mapping, tests, and field inspections. Test and report on construction materials. Assist in surveying. Make necessary computations, keep job accounts and collect statistical data.

Highway Technician Senior:

Perform difficult and specialized technical highway engineering tasks using some independent judgment. May supervise junior technicians in routine technical activities, act as chief of survey or inspection team, perform or supervise field or laboratory testing, collect and analyze data and/or prepare reports, graphs, tables, maps and plans. Options include: bridge design, geodetics, inspection, materials and research, policy and planning, right of way, road design, stereoplotter, surveying, traffic.

The Technician classifications are design oriented, as opposed to physical labor to maintain or repair the highway or adjoining areas. Appendix A includes several position descriptions for the various technician classifications as well as the construction descriptions to highlight the differences.

Frequency of Loss:

A study dated December 9, 1987 (attached), concluded that "A maintenance worker's job is 3 1/2 times more hazardous than the construction worker job."

Five Year Average Comparison

Maintenance

Average Employees Per Year	2,690
Average Injuries Per Year	514
Employee/Injury Ratio	19.1%

Construction

Average Employees Per Year	2,035
Average Injuries Per Year	111
Employee/Injury Ratio	5.4%

Memo to Mike Holmquist
From Dick Olejnicak and Frederick R. Johnson Jr.

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The lost time vs medical only represent about the same ratios.

Amount of Losses

A study of 1986 losses utilizing DOER loss information and a Pure Premium on current classifications and rates would reveal a 34% overall loss ratio. Because of the number of years the state's self-insurance program has been in effect, these loss figures should have some credibility and maturity.

At Current Rate \$6.94 per \$100 of payroll, Maintenance and Construction;

	<u>1986 Losses</u>	<u>Pure Rate</u>	<u>Loss Ratio</u>
Maintenance	1,506,000	2,518,859	59.8%
Construction	<u>56,000</u>	<u>2,020,116</u>	<u>2.7%</u>
Total	<u>1,562,000</u>	<u>4,538,975</u>	<u>34.4%</u>

At Proposed Rates \$6.94 for Maintenance and Code 8601 \$1.56 for Construction Worker;

	<u>1986 Losses</u>	<u>Pure Rate</u>	<u>Loss Ratio</u>
Maintenance	1,506,000	2,518,859	59.8%
Construction	<u>56,000</u>	<u>454,089</u>	<u>12.3%</u>
Total	<u>1,562,000</u>	<u>2,972,948</u>	<u>52.5%</u>

The revised rates would still provide for a permissible loss ratio below the 55% expected.

Conclusion:

The effect of the proposed change to more accurately reflect the actual risk and the experiences of these job classifications would represent a savings to MN/DOT of approximately \$95,000.00

FRJ:m
Attachment

Estimated Effect on WCRA Premiums

Pure Premium Code 5506		
\$90,514,100 x \$6.94	=	\$6,281,679

Revised Rate Code 5506 & 8601

\$61,406,800	6.94	4,261,562
<u>29,108,300</u>	1.56	<u>454,089</u>

\$90,514,100		\$4,715,651
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Pure Premium Cost Reduction		\$1,566,028
Payroll Base Factor	x	<u>.9</u>

Pure Premium Adjustment Factor	x	<u>1.20</u>
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1986 Assessment		<u>\$1,691,310</u>
		<u>.056</u>

\$	94,713
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May 9, 1988

Gary Christiansen
District Safety Officer
Oakdale

Dick Olejnicak
Worker's Compensation Manager
Employee Services Section

296-6414

District Tour

In reviewing the premiums charged to Mn/DOT for its reinsurance, it came to my attention that both Mn/DOT Highway Maintenance Workers and Construction Workers were being charged at the same rate. As a result of this discovery, Fred Johnson, Risk Manager for the State of Minnesota, and I toured portions of District 9 to give Fred a better understanding of what our people do. This was done in conjunction with my efforts to review the different hazard exposures between our Highway Maintenance Workers and our Construction Workers.

We are now asking the Worker's Compensation Reinsurance Association (WCRA) to have the Construction Workers (specifically Highway Technicians; Highway Technician, Intermediates; and Highway Technician, Seniors) reclassified. To this end, Richard Hertle, Audit Coordinator for WCRA, has requested an opportunity to view the two different groups in operation. I would like to set this up for May 19. I feel a tour of Oakdale facilities, plus a visit to a major construction site, a visit to a truck station, a bridge repair site, and a road maintenance job site, should be sufficient. Can you set this up and let me know. Thanks, Gary.

cc:
Richard Hertle, WCRA
Richard Keinz
Roger Durbahn
Richard Anderson

pk
Card 15
Purge date: 6-6-88