



MONTANA WORKERS COMPENSATION SYSTEM OVERVIEW

Montana Economic Affairs
Interim Committee
March 31, 2010

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About This Report

This report is developed from a review of NCCI collected Financial Data and Statistical Plan Data reported to NCCI by affiliated insurers. Other sources of Information include:

- Montana Department of Labor and Industry, Employment Relations Division Workers Compensation Annual Report Fiscal Year 2008.
- Montana Department of Labor and Industry, Research and Analysis Bureau & Bureau of Labor Statistics. Montana Occupational Injuries and Illnesses, 2007.
- United States Small Business Administration. Small Business Profile: Montana
- The Impact of Provider Choice On Workers Compensation Costs and Outcomes. Workers Compensation Research Institute

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About This Report

- This report is primarily a historical review of the workers compensation system in Montana. A series of changes have been recently implemented or proposed that may alter future costs; however, it is too early to assess their ultimate impact. These include:
 - Revised facility and non-facility fee schedules
 - Work Safe Montana's initiatives to reduce frequency and severity of claims
- The Labor Management Advisory Council, Legislative Economic Affairs Interim Committee and the Montana Department of Labor – Employment Relations Division continue to address all phases of the Montana workers compensation system. Any changes enacted will be measured and reflected in future costs.

Key Observations

- The overall frequency of lost-time claims in Montana is considerably higher than that of other states, ranging from roughly 50%-80% higher over accident years 2003 to 2007 and ranking 2nd highest in the country.
- PPD frequency in Montana has risen from being roughly 45% higher than countrywide to nearly 120% higher in the latest policy period.
- Temporary Total Disability (TTD) frequency has been declining in both Montana and countrywide, but the frequency in Montana has been consistently higher (50% higher in the latest policy period, ranking 7th highest in the country).
- Both Fatal and PTD frequency in Montana are over twice as high as the countrywide average

Key Observations

- Similar to lost-time claims, the frequency of medical-only claims in Montana is higher than countrywide and ranked 2nd in the country for the latest policy period.
- 45% of Montana workers compensation claims came from the Goods & Services industry, which represents a significant portion (31%) of Montana's workers compensation payroll.
- The percentage of ultimate claim costs associated with medical expenses for 2009 represents the majority of workers compensation costs in Montana (70%).

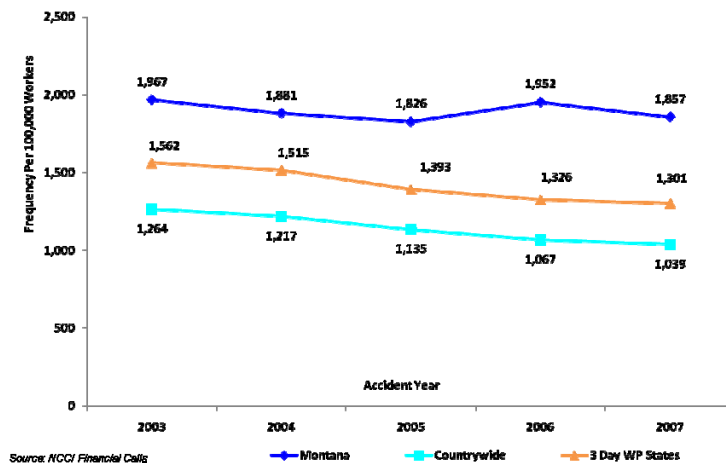
Key Observations

- The percentage of all medical costs from PPD claims is over 15 percentage points higher in Montana than countrywide.
- Montana's overall average medical cost per case has ranged from 50% to 70% higher than countrywide, partially driven by employee choice of physician in the state.
- Despite having the lowest wage level in the country, the average indemnity cost per case in Montana is similar to countrywide.
- The percentage of workplace injuries in which the employee does not return to work for 31 days or more is 23%.

Key Observations

- Despite having the lowest wage level in the country, the average indemnity cost per case in Montana is similar to countrywide.
- The percentage of workplace injuries in which the employee does not return to work for 31 days or more is 23%.
- In Montana, about a third of PPD cases use vocational rehabilitation services, compared to approximately 4% on a countrywide basis.
- The level of attorney involvement in Montana is 10 percentage points lower than countrywide and is one of the lowest in the country.

Chart 1: Frequency of Lost-Time Claims



Source: NCCI Financial Calls

—♦— Montana —■— Countrywide —▲— 3 Day WP States

Chart 2: Distribution of Payroll by Industry Group

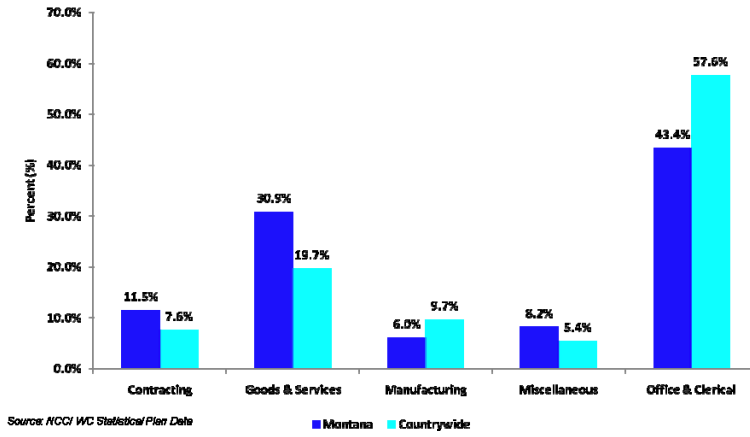


Chart 3: Distribution of Lost-Time Claims by Industry Group

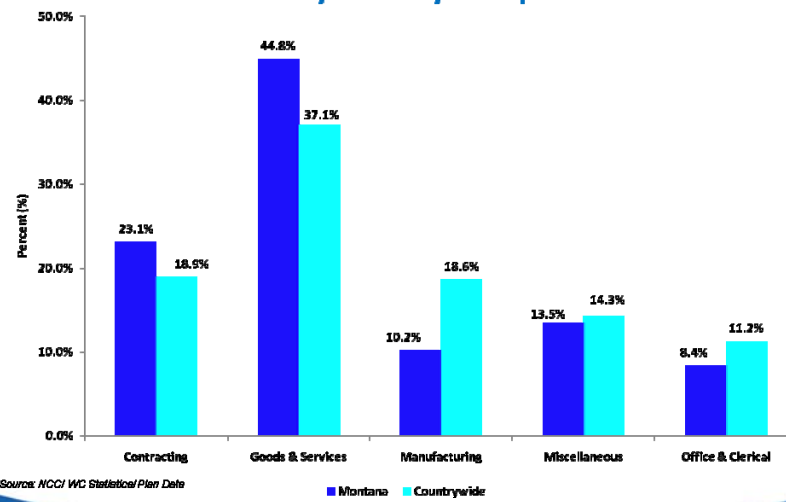
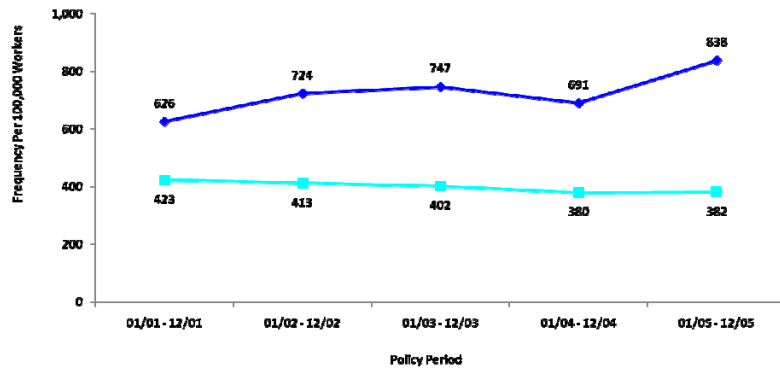


Chart 4: Permanent Partial Frequency

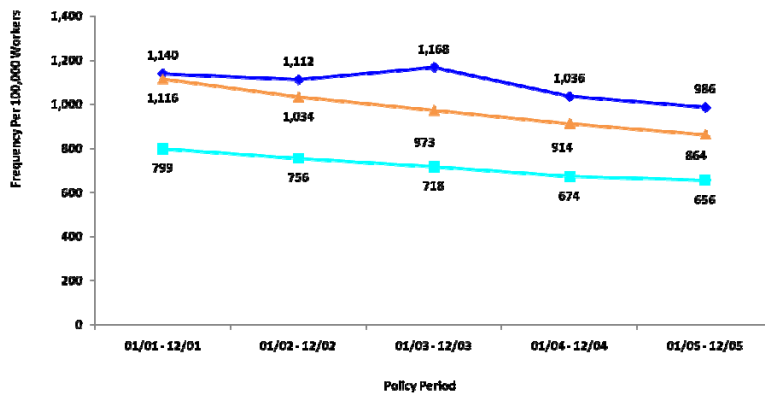


Source: NCCI WC Statistical Plan Data

—●— Montana —■— Countrywide



Chart 5: Temporary Total Frequency



Source: NCCI WC Statistical Plan Data

—●— Montana —■— Countrywide —▲— 3 Day WP States



Chart 6: Frequency of Fatal and Permanent Total Disability

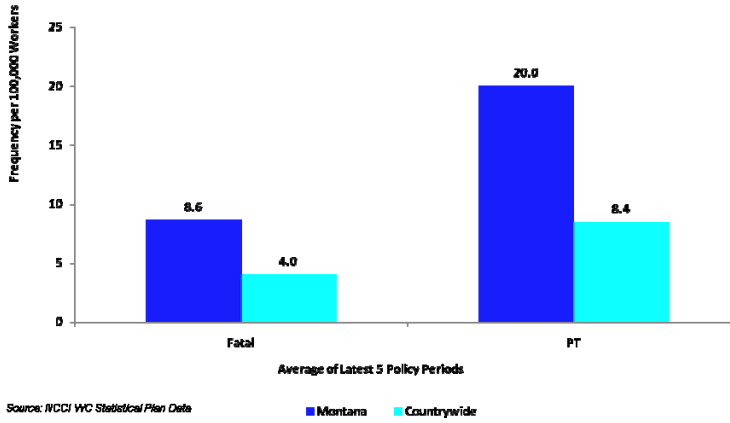


Chart 7: Frequency of Medical-Only Claims

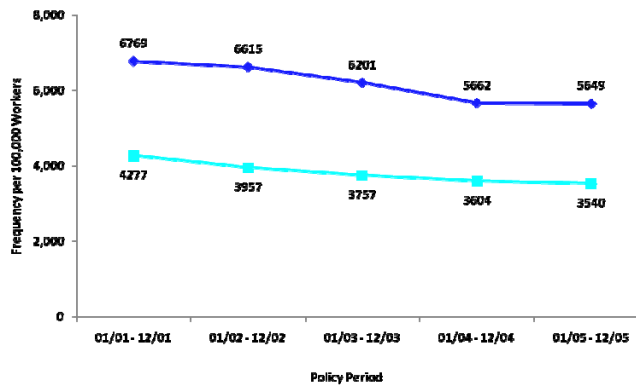
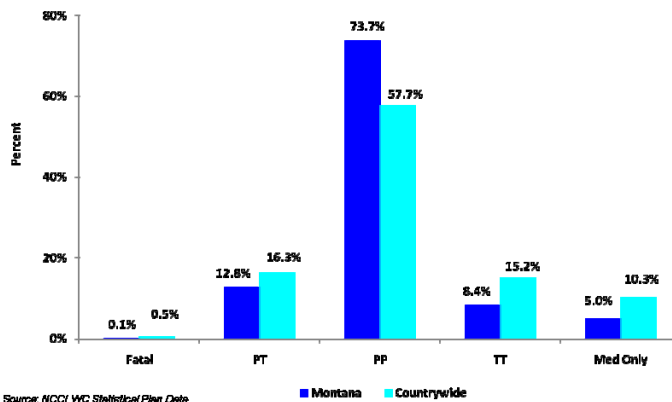


Chart 8: Distribution of Indemnity/Medical Costs Expected for 2009



Source: NCCI Financial Data

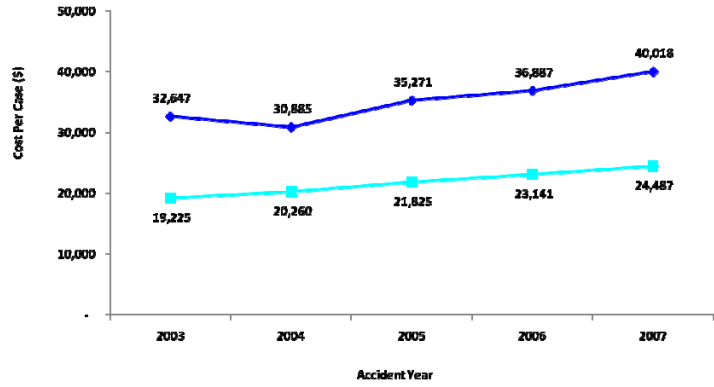
Chart 9: Distribution of Medical Costs by Type of Injury



Source: NCCI WC Statistical Plan Data

■ Montana ■ Countrywide

Chart 10: Overall Medical Average Cost per Case

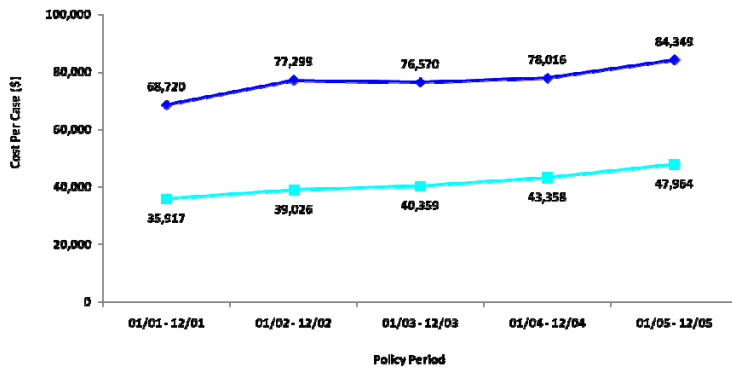


Source: NCCI Financial Calls

— Montana — Countrywide



Chart 11: Permanent Partial Average Medical Cost per Case

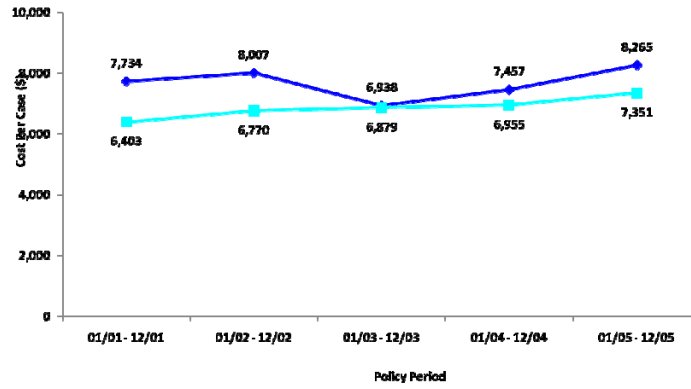


Source: NCCI WC Statistical Plan Data

— Montana — Countrywide



Chart 12: Temporary Total Average Medical Cost per Case



Source: NCCI WC Statistical Plan Data

—♦— Montana —■— Countrywide



Chart 13: Back-Related Injuries in Montana Compared to Countrywide, 2002-2006

	Montana	Countrywide	% Difference
Back-related PPD claims as a percentage of all PPD claims	36.5%	17.0%	114.7%
Back-related PPD medical incurred dollars as a percentage of total PPD medical incurred	40.4%	19.5%	107.2%
Average medical cost per case for back-related injuries (PPD Claims)	\$34,973	\$27,818	25.7%

Source: NCCI WC Statistical Plan Data

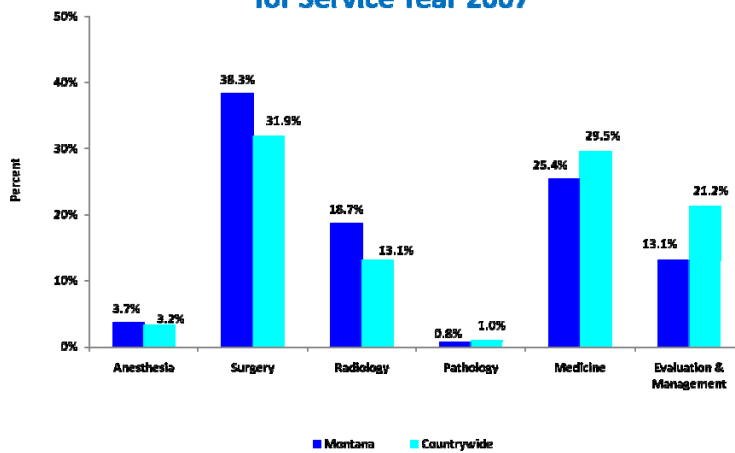


Chart 14: Montana Workers Compensation Percentage Over Medicare by Service Group

Service Group	% Greater Than Medicare	Rank (out of 42 states studied)
Surgery	153	12
Radiology	151	6
General Medicine	31	28
Physical Medicine Evaluation & Management	25	23
	0	36

Source: WCRI, *Benchmarks for Designing Workers Compensation Medical Fee Schedules: 2006*

Chart 15: Distribution of Physician Costs for Service Year 2007



Source: *Workers Compensation data licensed to NCCI*

Chart 16: Distribution of Indemnity Costs by Type of Injury

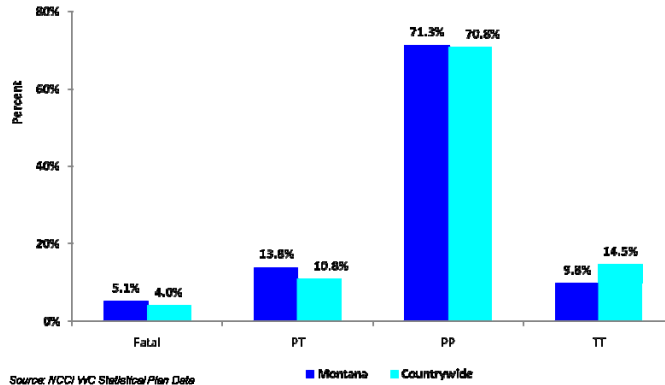


Chart 17: Overall Indemnity Average Cost per Case

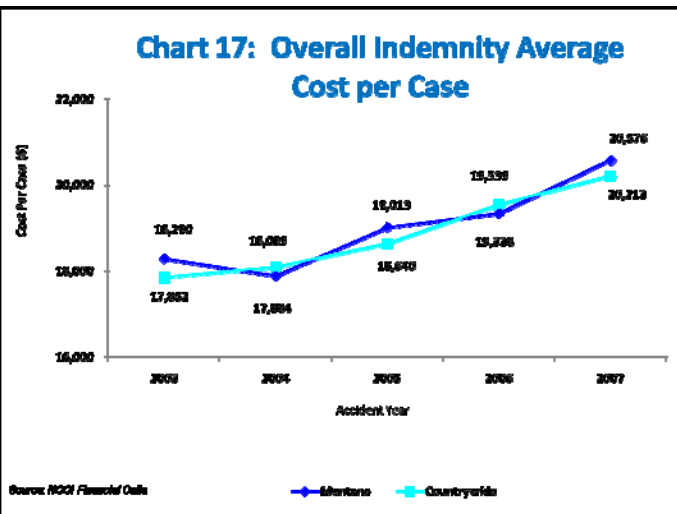
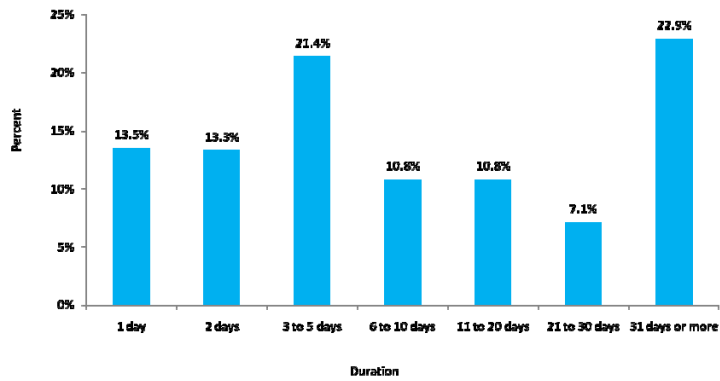
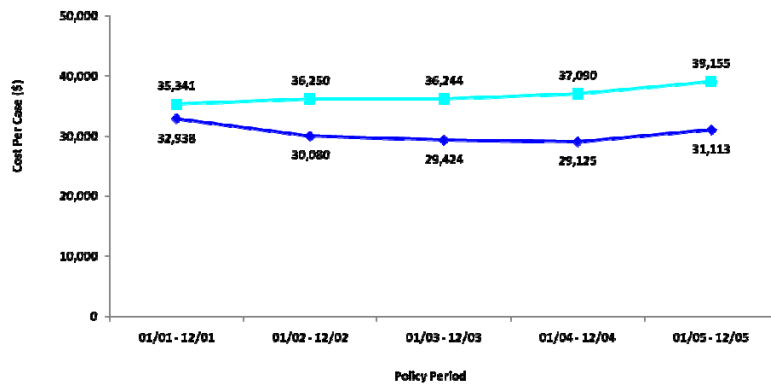


Chart 18: Montana's Distribution of Days Away from Work



Source: US Bureau of Labor Statistics

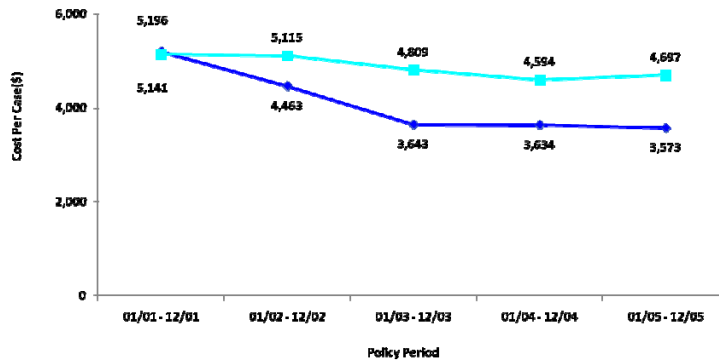
Chart 19: Permanent Partial Average Indemnity Cost per Case



Source: NCCI WC Statistical Plan Data

— Montana — Countrywide

Chart 20: Temporary Total Average Indemnity Cost per Case



Source: NCCI WC Statistical Plan Data

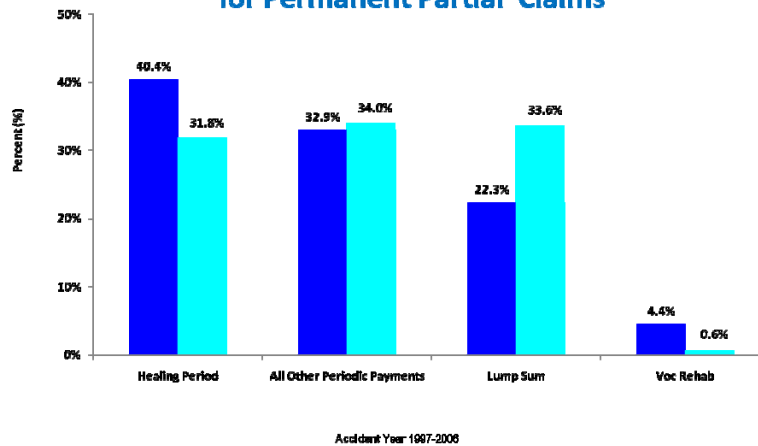
—♦— Montana —■— Countrywide

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Chart 21: Breakdown of Indemnity Benefits for Permanent Partial Claims



Source: NCCI Detailed Claim Information

Accident Year 1997-2006

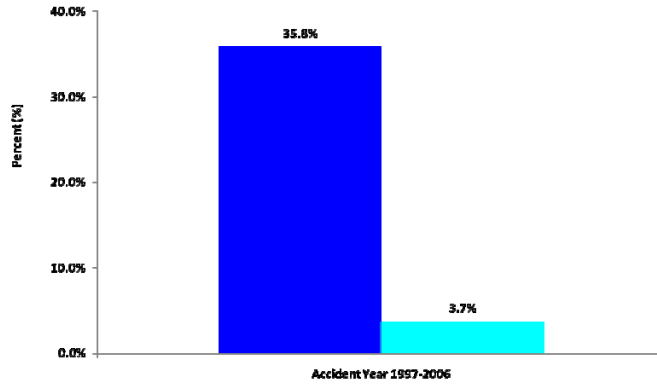
■ Montana ■ Countrywide

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Chart 22: Percentage of PPD Cases with Vocational Rehabilitation Services

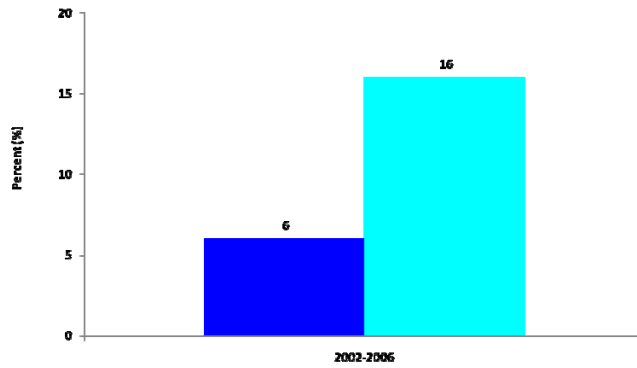


Source: NCCI Detailed Claim Information

■ Montana ■ Countrywide



Chart 23: Percent of Cases With Attorney Involvement



Source: NCCI Detailed Claim Information

■ Montana ■ Countrywide





QUESTIONS?

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