

DOER Department
of Employee
Relations 

Workers' Compensation
Program

Annual Report

State Fiscal Year
2003



Workers' Compensation
Program
Annual Report

State Fiscal Year
2003

Title: 2003 Annual Report for State of Minnesota Workers' Compensation Program

Author: Minnesota Department of Employee Relations, Employee Insurance

Publisher: Minnesota Department of Employee Relations

Date of Publication: October 2003

Place of Publication: St. Paul, Minnesota

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

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 3,100 new claims annually and is funded by an administrative fee charged to each agency it serves. During state fiscal year 2003 (FY 2003), the program's total costs increased 4.7% (\$998,737).

We present the following report on the program's activities during FY 2003. 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 2003 figures to FY 2002, 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 2003:

Claim Numbers

- ◆ Agencies reported fewer claims in FY 2003 (p. 4).

Claim Costs

- ◆ Total program costs increased 4.7% - an increase of \$998,737 (p. 7-8)
- ◆ Expenditures for all benefits increased 4.2% - an increase of \$654,327 (p. 9-10).
- ◆ Expenditures for indemnity benefits decreased 2.6% - a decrease of \$182,674 (p. 12-13).
- ◆ Expenditures for medical benefits increased 10.7% - an increase of \$704,783 (p. 14-15).

Recoveries

- ◆ Recoveries – funds the program received from supplementary benefits, second injury fund and subrogation – increased 32.4% (\$897,815) in FY 2003 (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 7.8% (p. 22-23).
- ◆ The incidence rate decreased from 4.9% in FY 2002 to 4.2% in FY 2003 (p. 26-28). This is the third consecutive year the rate has decreased. 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 21.9% of the program's benefit costs paid out during FY 2003 (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 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 fewer claims (Chart 1 and Appendix A)

Number of claims decreased (Chart 1)

The program had a 15.4% (482) decrease in the number of claims reported from FY 2002 to FY 2003. Appendix A contains an agency-by-agency breakdown of the number of claims reported for FY 2002 and FY 2003.

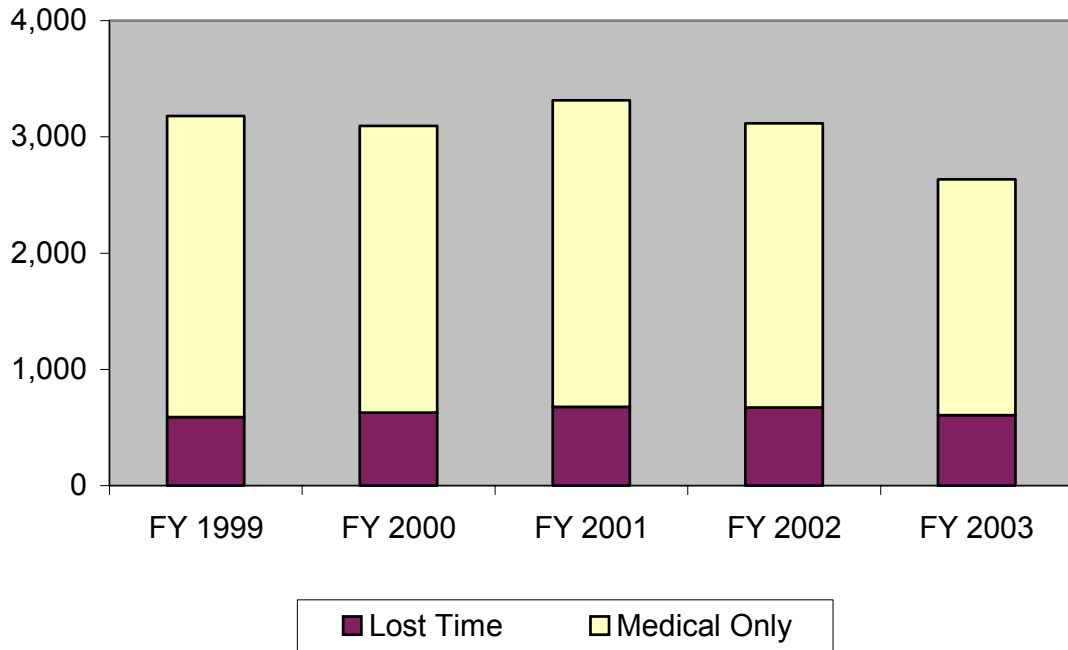
Decrease in lost time claims (Chart 1)

Lost time claims, those in which the employee is disabled beyond a three calendar-day waiting period, decreased 9.6% in FY 2003. *Medical only claims* decreased 17.0% from FY 2002 to FY 2003.

Fewer claims were closed (Chart 2)

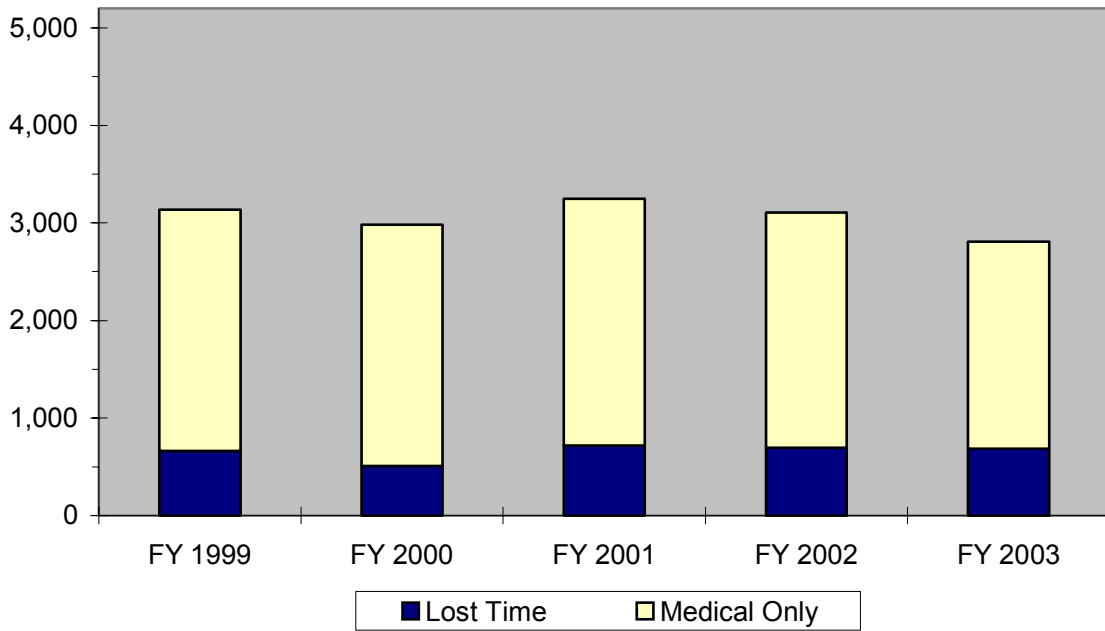
The program closed 299 fewer claims in FY 2003 than in FY 2002. This decrease correlates directly to the number of claims reported in FY 2003. The program closed more claims than received during FY 2003 (2,636 received vs. 2,807 closed). The standardized closing procedures instituted in previous years, as well as declining numbers of new claims, continues to reflect timely claims management by the program.

Chart 1/Number of Claims Reported/FYs 1999-2003



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 99-03	FY 02-03
	Claims Reported					% Change	
<i>Lost Time</i>	590	627	675	672	607	2.9%	-9.7%
<i>Medical Only</i>	2,590	2,470	2,640	2,446	2,029	-21.7%	-17.0%
Totals	3,180	3,097	3,315	3,118	2,636	-17.1%	-15.5%

Chart 2/Number of Claims Closed/FYs 1999-2003



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 99-03	FY 02-03
	Claims Closed					% Change	
<i>Lost Time</i>	662	510	720	697	685	3.5%	-1.7%
<i>Medical Only</i>	2,474	2,474	2,530	2,409	2,122	-14.2%	-11.9%
Totals	3,136	2,984	3,250	3,106	2,807	-10.5%	-9.6%

The program experienced an increase in total costs (*Chart 3*)

The program's total costs increased 8.0% (\$1,704,701) in FY 2003 compared to FY 2002. From FY 1999 to FY 2003, total program costs have increased 12.3% (\$2,524,916). These costs include all benefits, program administrative fees, special assessments, reinsurance, and managed care administrative fees.

The 8% increase includes an additional special assessment payment of \$705,964 (see Special Assessments on this page). Taking this payment out of the FY 2003 figures results in a total cost increase of 4.7% (\$998,737).

Benefits

Benefit costs include all benefits paid under Minnesota Statutes, Chapter 176. In FY 2003, these costs increased 4.2% (\$654,329) compared to FY 2002. From FY 1999 to FY 2003, benefit costs increased 10.9% (\$1,608,324).

Administration

In FY 2003, the program provided claims administration, safety and industrial hygiene consultations, and disability management/ rehabilitation services with an operating budget of \$2,936,763 compared to \$2,935,971 in FY 2002.

Special Assessments

The program's expenditure for *special assessments* increased 100% (\$1,110,048) compared to FY 2002. 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 for injuries occurring on or after 6/1/71. The increase is due to an increase in the rate from 20% to 30%, and an additional payment of \$705,964 which was made to DLI in FY 2003. In FY 2004, only one DLI assessment payment will be reported.

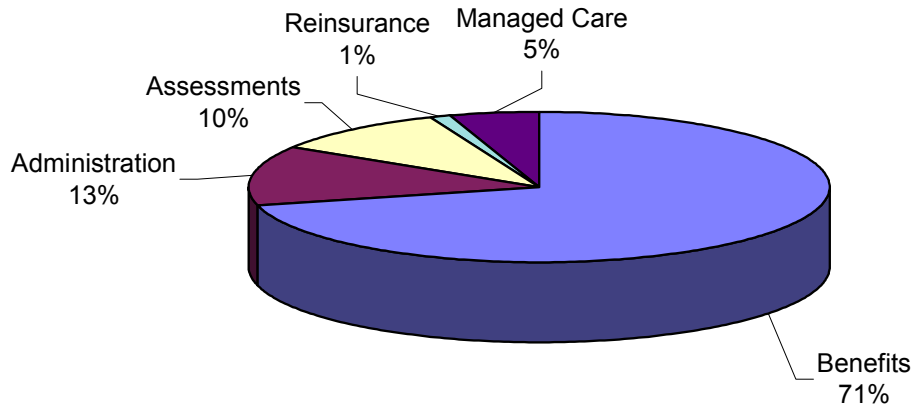
Reinsurance

The program's expenditure for *reinsurance* decreased \$19,301 in FY 2003 compared to FY 2002. 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 3.5% (\$41,167) from FY 2002 to FY 2003 due to a decrease in the number of state employees covered by the program. The rate for FY 2003 was \$1.77 per employee per month.

Chart 3/Total Program Costs/FYs 1999-2003



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 99-03	FY 02-03
Benefits	\$14,720,307	\$14,464,054	\$15,524,175	\$15,674,302	\$16,328,631	10.9%	4.2%
Administration	\$2,773,014	\$2,732,796	\$2,731,295	\$2,935,971	\$2,936,763	5.9%	0.0%
Assessments	\$1,625,109	\$1,693,824	\$1,284,252	\$1,110,971	\$2,221,019	36.7%	99.9%
Reinsurance	\$301,299	\$311,301	\$242,048	\$338,101	\$318,800	5.8%	-5.7%
Managed Care	\$1,006,416	\$1,045,094	\$1,107,378	\$1,187,015	\$1,145,848	13.9%	-3.5%
Totals	\$20,426,145	\$20,247,069	\$20,889,148	\$21,246,360	\$22,951,061	12.4%	8.0%

Why the Total Program Costs Increase is 4.7%

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 2003, 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 will resume in FY 2004.

Impact on Total Program Costs/FYs 1999-2003

Subtracting the additional payment of \$705,964 results in a FY 2003 Assessments total of \$1,515,055. Consequently, under the FY 99-03 column, the comparable number (after factoring out the additional payment) would be a -6.8% decrease for Assessments. And, under the FY 02-03 column, the comparable number would be a 36.4% increase for Assessments.

The Totals column across the bottom of the page would read as: FY 2003 \$22,245,097; FY 99-03 comparison 8.9% increase; and, FY 02-03 comparison 4.7% increase.

The program's expenditures for benefits increased 4.2% (*Chart 4*)

In FY 2003, expenditures for *indemnity, medical expenses, rehabilitation, and employee attorney's fees* increased a total of 4.2% (\$654,329) compared to FY 2002. From FY 1999 to FY 2003, benefit costs have increased 10.9% (\$1,608,324).

Indemnity costs decreased

Payments to compensate employees for lost wages or for permanent loss of body function decreased 2.6% (\$182,674) in FY 2003 compared to FY 2002. Since FY 1999, indemnity costs have decreased 5.1% (\$375,842).

Medical costs increased

Payments for office and hospital visits, prescriptions, supplies, and reimbursements for travel and time off to see the doctor increased 10.7% (\$704,783) in FY 2003 compared to the previous year.

Expense costs increased

Expenditures for investigations, independent medical examinations, medical records, court reporters, deposition fees, and legal defense costs increased 5.2% (\$31,378) from FY 2002 to FY 2003. From FY 1999 to FY 2003, expenses increased 3.0% (\$18,502).

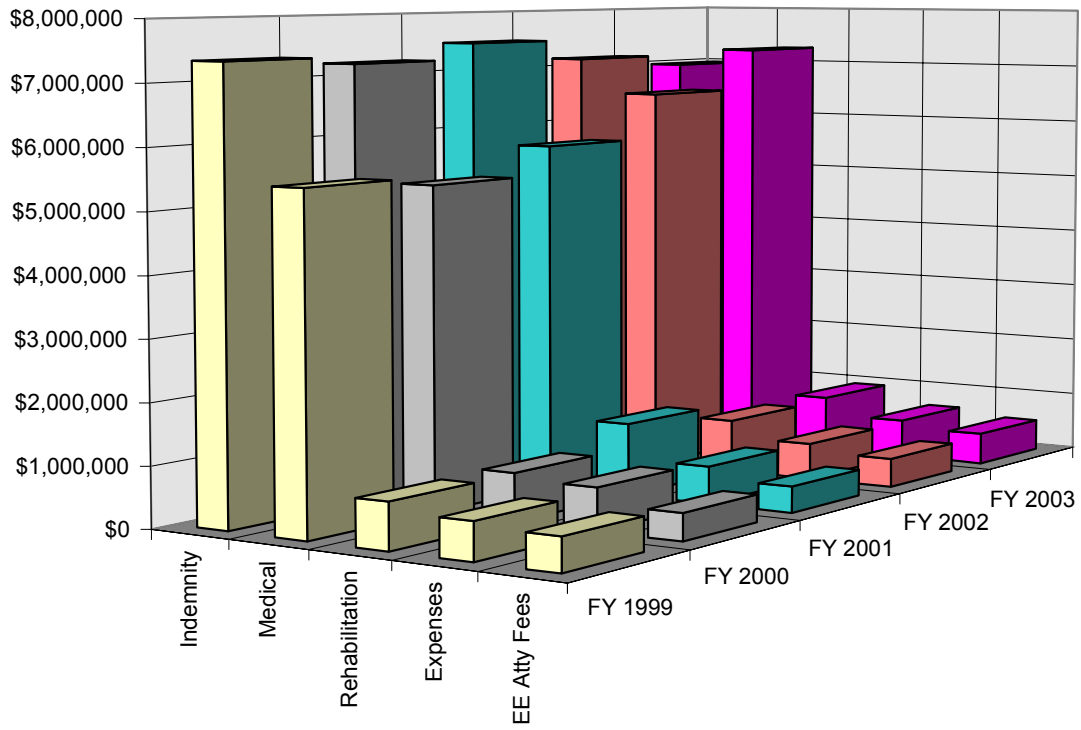
Rehabilitation costs increased

Expenditures for medical and vocational rehabilitation services that aid in returning injured employees to work increased 6.1% (\$53,624) from FY 2002 to FY 2003. Rehabilitation expenses increased 22.0% (\$168,471) from FY 1999 to FY 2003. 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 2003 increased 9.8% (\$47,218) compared to FY 2002.

Chart 4/Benefit Costs/FYs 1999-2003

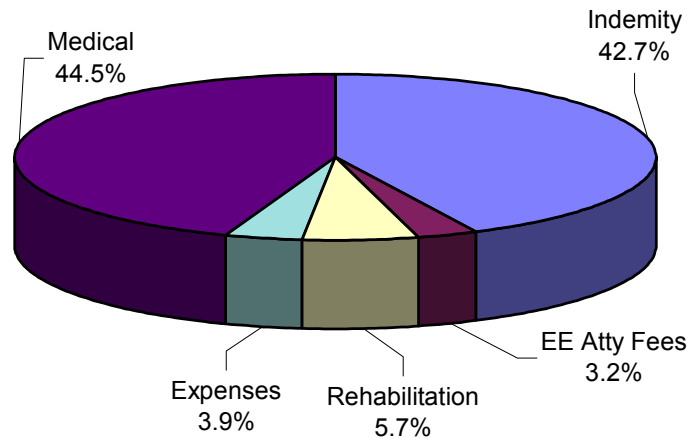


	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 99-03	FY 02-03
Benefit Costs						Change	
Indemnity	\$7,342,468	\$7,221,339	\$7,496,571	\$7,149,300	\$6,966,626	-5.1%	-2.6%
Medical	\$5,444,536	\$5,308,609	\$5,785,149	\$6,557,075	\$7,261,858	33.4%	10.7%
Rehabilitation	\$766,221	\$789,845	\$1,194,332	\$881,068	\$934,692	22.0%	6.1%
Expenses	\$619,603	\$698,263	\$619,766	\$606,727	\$638,105	3.0%	5.2%
EE Atty Fees	\$547,479	\$445,998	\$428,357	\$480,132	\$527,350	-3.7%	9.8%
Totals	\$14,720,307	\$14,464,054	\$15,524,175	\$15,674,302	\$16,328,631	10.9%	4.2%

The majority of benefits were for medical costs (*Chart 5*)

In FY 2003, 44.5% (\$7,261,858) of the total benefits paid went to cover medical costs. 42.7% (\$6,966,626) 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 lower than the previous year (FY 2002) of 45.6% (\$7,149,300). This is the first year that the percentage of total benefits for medical costs has been more than the benefits paid directly to employees.

Chart 5/Composition of Benefit Costs/FY 2003



The program's expenditure for indemnity benefits decreased 2.6% — \$182,674 (Chart 6)

The program's largest expenditure, indemnity benefits, decreased 2.6% (\$182,674) from FY 2002 to FY 2003. Since FY 1999, indemnity benefits have decreased 5.1% (\$375,842).

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 2003, TTD payments increased 1.3% (\$27,114) compared to FY 2002.

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 2003, TPD payments increased 3.6% (\$21,869).

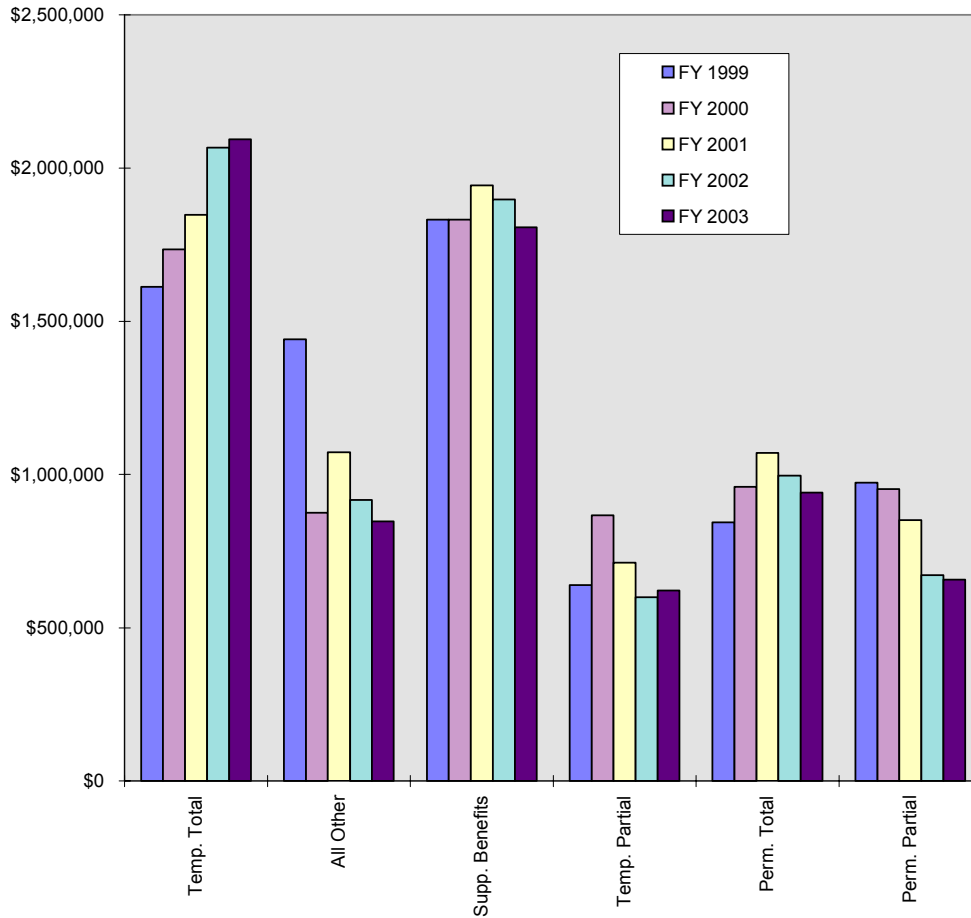
Permanent Partial Disability (PPD) benefits are paid to employees who have a permanent loss of body function. In FY 2003, PPD payments decreased 2.2% (\$14,562) compared to FY 2002.

Permanent Total Disability (PTD) benefits are paid to employees who will never be able to work again. In FY 2003, PTD payments decreased 5.5% (\$54,933) compared to FY 2002.

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 2003, SB payments decreased 4.8% (\$91,653) compared to FY 2002. 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 2003, these payments decreased 7.7% (\$70,509) compared to FY 2002.

Chart 6/Indemnity Benefit Costs/FYs 1999-2003



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 99-03	FY 02-03
	Indemnity Benefit Costs					Change	
Temp. Total	\$1,612,418	\$1,734,614	\$1,846,704	\$2,066,676	\$2,093,790	29.9%	1.3%
All Other	\$1,441,491	\$874,599	\$1,072,757	\$917,588	\$847,079	-41.2%	-7.7%
Supp. Benefits	\$1,831,530	\$1,832,349	\$1,943,905	\$1,897,937	\$1,806,284	-1.4%	-4.8%
Temp. Partial	\$639,783	\$866,984	\$711,799	\$599,180	\$621,049	-2.9%	3.6%
Perm. Total	\$843,600	\$960,382	\$1,070,317	\$996,342	\$941,409	11.6%	-5.5%
Perm. Partial	\$973,646	\$952,411	\$851,089	\$671,577	\$657,015	-32.5%	-2.2%
Totals	\$7,342,468	\$7,221,339	\$7,496,571	\$7,149,300	\$6,966,626	-5.1%	-2.6%

The program's expenditure for medical benefits increased 10.7% (Chart 7)

In FY 2003, the program paid \$7,261,850 to various medical care providers and for medical reimbursements to the employee. This was an increase of 10.7% (\$704,783) compared to FY 2002.

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 2002 to FY 2003, these payments increased 3.6% (\$89,498).

Hospital payments include all inpatient and outpatient treatment that is provided in a hospital. In FY 2003, these payments increased 22.4% (\$622,959) compared to FY 2002.

Chiropractic care payments decreased 4.5% (\$52,289) in FY 2003 compared to FY 2002.

Miscellaneous medical includes payments to intervenors and diet and/or fitness centers. In FY 2003, these payments decreased 23.6% (\$25,152) compared to FY 2002.

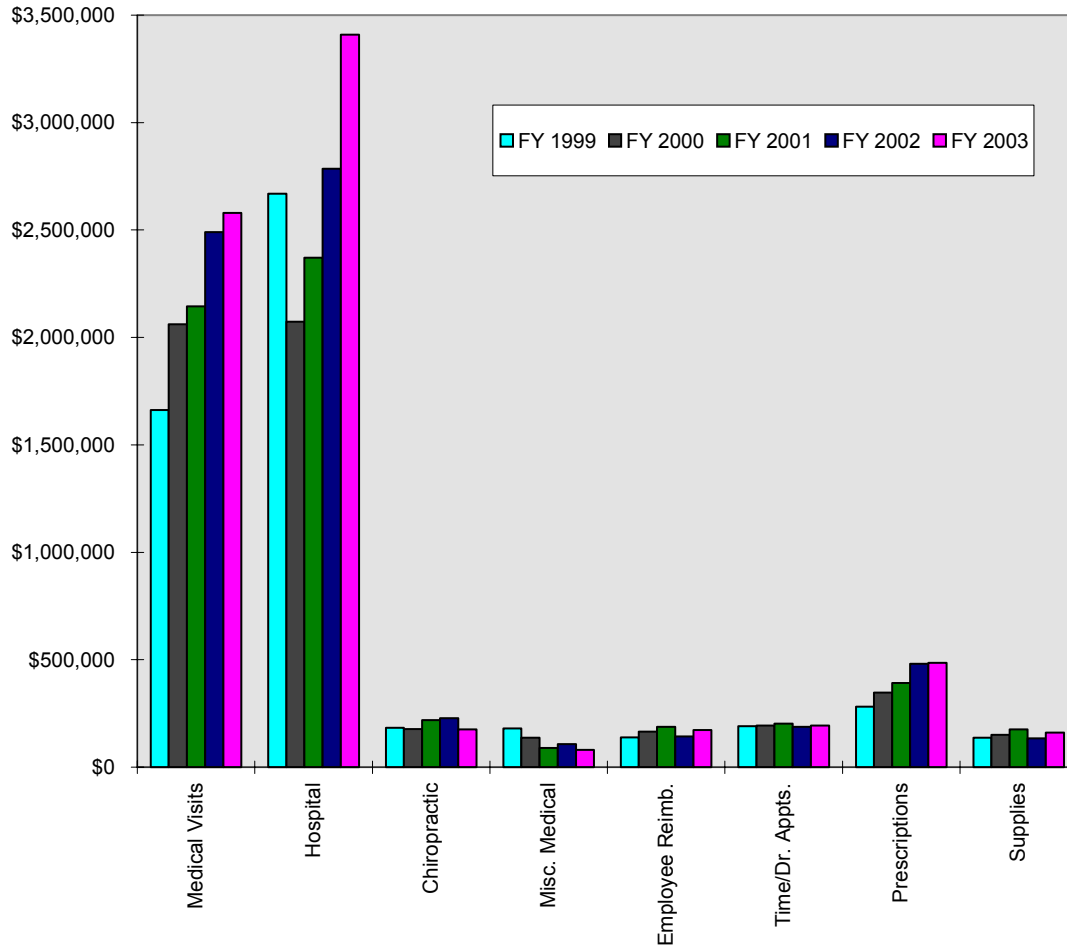
Employee reimbursements include mileage, parking, and meals. These payments increased 21.5% (\$30,772) from FY 2002 to FY 2003.

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 increased 4.2% (\$7,883) compared to FY 2002.

Prescription costs experienced a modest increase of 0.9% (\$4,378) from FY 2002 to FY 2003. Prescription costs continue to rise and have increased 72.9% from FY 1999.

Supplies include medical equipment and supplies. These payments increased 19.9% (\$26,734) in FY 2003 compared to FY 2002.

Chart 7/Medical Benefit Costs/FYs 1999-2003



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 99-03	FY 02-03
Medical Benefit Costs						Change	
Medical Visits	\$1,662,475	\$2,060,919	\$2,145,644	\$2,490,131	\$2,579,629	55.2%	3.6%
Hospital	\$2,669,008	\$2,072,753	\$2,370,609	\$2,785,688	\$3,408,647	27.7%	22.4%
Chiropractic	\$183,752	\$178,276	\$218,578	\$228,413	\$176,124	-4.2%	-22.9%
Misc. Medical	\$179,890	\$136,938	\$90,008	\$106,664	\$81,512	-54.7%	-23.6%
Employee Reimb.	\$139,449	\$166,024	\$187,582	\$143,007	\$173,779	24.6%	21.5%
Time/Dr. Appts.	\$191,062	\$194,685	\$204,208	\$186,922	\$194,805	2.0%	4.2%
Prescriptions	\$281,193	\$347,317	\$392,166	\$481,719	\$486,097	72.9%	0.9%
Supplies	\$137,707	\$151,697	\$176,354	\$134,531	\$161,265	17.1%	19.9%
Totals	\$5,444,536	\$5,308,609	\$ 5,785,149	\$ 6,557,075	\$ 7,261,858	33.4%	10.7%

Recoveries increased 32.4% — \$897,815 (*Chart 8*)

Recoveries are funds the program receives from three main sources: supplementary benefits, Second Injury Fund, and subrogation. Total recoveries in FY 2004 increased 32.4% (\$897,815) compared to FY 2002.

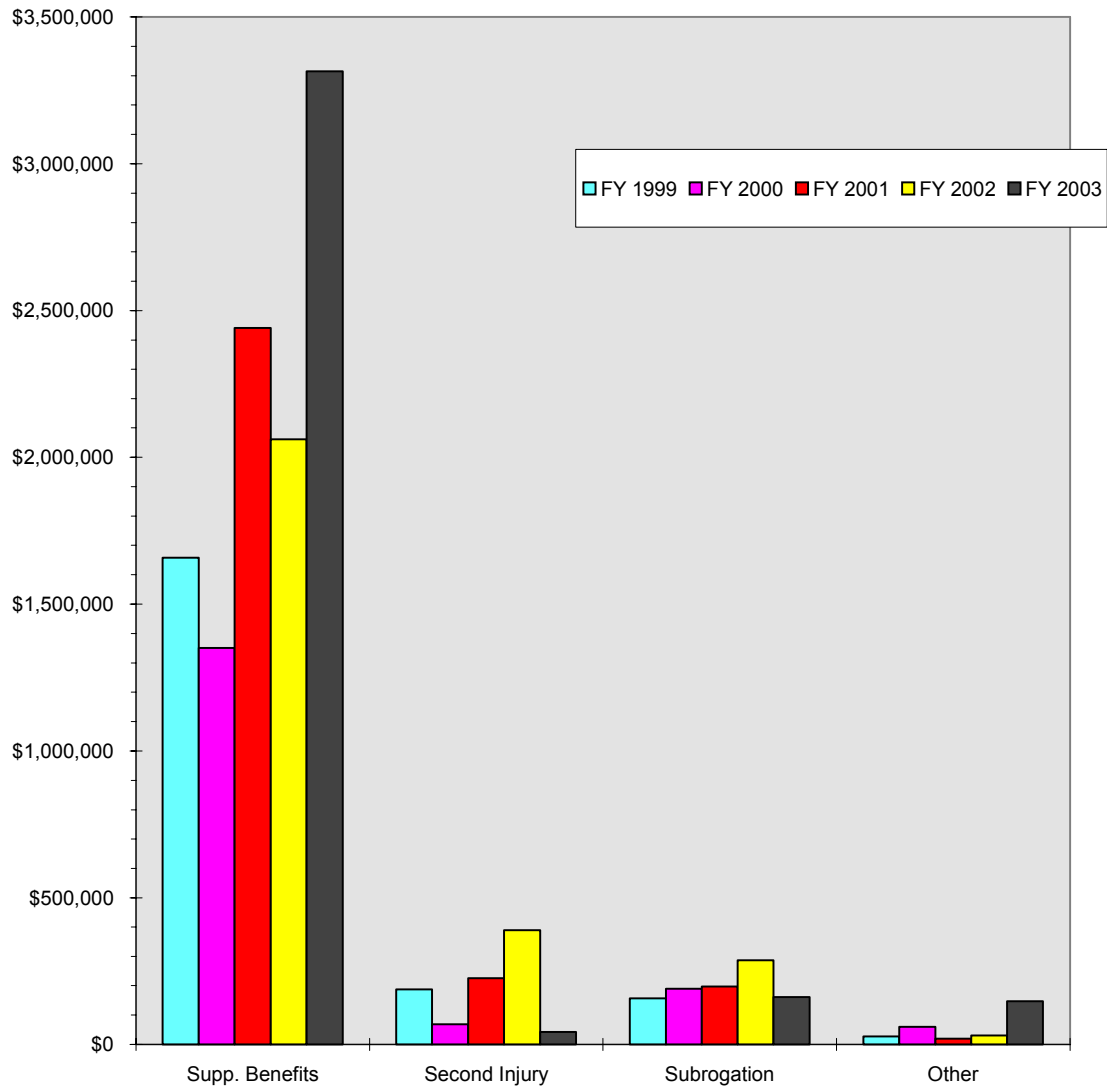
Supplementary Benefit Recoveries are reimbursed by the Department of Labor and Industry. In FY 2003, the recovery of these funds increased 60.8% (\$1,252,811) compared to FY 2002.

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 2003, the recovery of these funds decreased 89.0% (\$346,464) compared to FY 2002.

Subrogation Recoveries are funds paid by third parties who are found responsible for employees' injuries and illnesses. From FY 2002 to FY 2003, the recovery of these funds decreased 43.6%, (\$125,218).

Other Recoveries include funds obtained through contribution and reinsurance. In FY 2003, the recovery of these funds increased 378.3% (\$116,686). compared to FY 2002 mainly due to more claims qualifying for WCRA reinsurance reimbursement.

Chart 8/Recoveries/FYs 1999-2003



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 99-03	FY 02-03
	Recoveries					Change	
Supp. Benefits	\$1,657,582	\$1,350,628	\$2,440,629	\$2,061,839	\$3,314,650	100.0%	60.8%
Second Injury	\$187,573	\$68,437	\$225,837	\$389,449	\$42,985	-77.1%	-89.0%
Subrogation	\$157,877	\$189,141	\$197,524	\$287,260	\$162,042	2.6%	-43.6%
Other	\$27,194	\$60,363	\$20,144	\$30,845	\$147,531	442.5%	378.3%
Totals	\$2,030,226	\$1,668,569	\$2,884,134	\$2,769,393	\$3,667,208	80.6%	32.4%

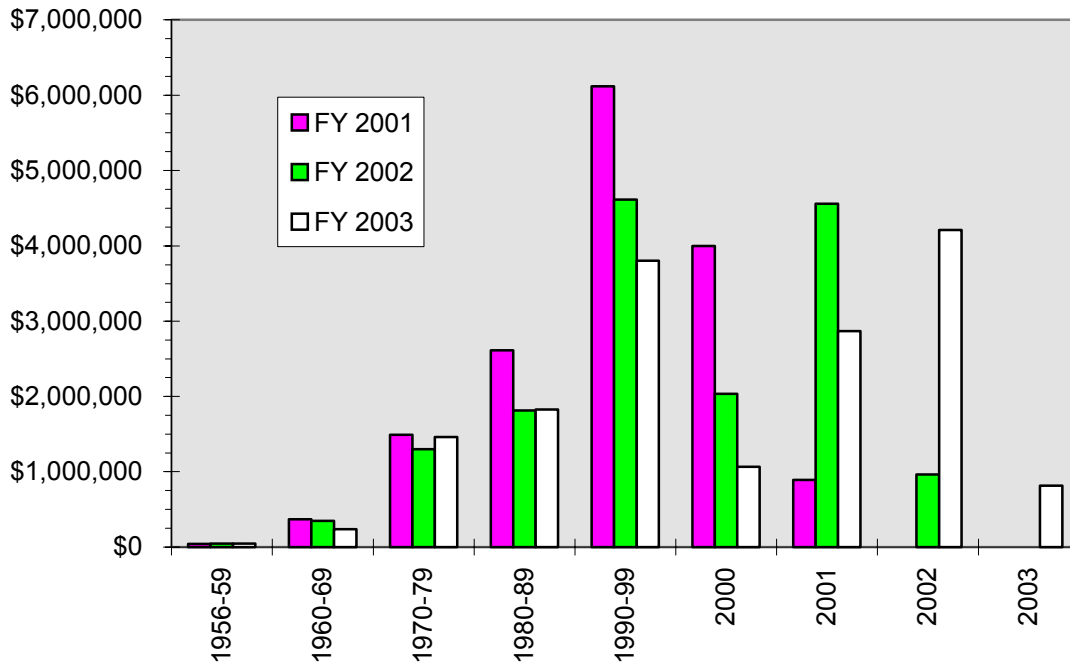
Claims that occurred prior to 1990 accounted for 21.9% of the program's FY 2003 benefit costs (*Chart 10*)

In FY 2003, the oldest claim the program managed was from 1956. Chart 10 shows a breakdown of total benefits paid from FY 2001 to FY 2003 for injuries occurring in calendar years 1956-02. In FY 2003, 21.9% (\$3,568,665) of all benefits went to employees who were injured prior to 1990. This is less than what was paid 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 2003 which demonstrate this pattern.

Chart 10/Payments Made for Calendar Year Injuries/FYs 2001-2003



Calendar Years	FY 2001	FY 2002	FY 2003
1956-59	\$43,769	\$45,267	\$47,106
1960-69	\$368,817	\$346,345	\$237,488
1970-79	\$1,489,978	\$1,297,156	\$1,459,990
1980-89	\$2,614,427	\$1,812,336	\$1,824,081
1990-99	\$6,116,112	\$4,614,603	\$3,805,265
2000	\$4,000,761	\$2,035,444	\$1,063,972
2001	\$890,311	\$4,559,779	\$2,867,510
2002	\$0	\$963,372	\$4,209,178
2003	\$0	\$0	\$814,041
TOTALS	\$15,524,175	\$15,674,302	\$16,328,631

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

The following eight state agencies reported 84.1% (2,217) of all claims and paid 84.5% (\$13,801,473) of all benefits in FY 2003. The eight agencies are: Human Services, MnSCU, Transportation, Corrections, Natural Resources, Public Safety, Veterans' Homes, and Administration. This compares with 83.6% (reported) and 81.7% (paid) in FY 2002.

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 2002 and FY 2003.

Chart 11/Composition of Reported Claims by Agency/FY 2003

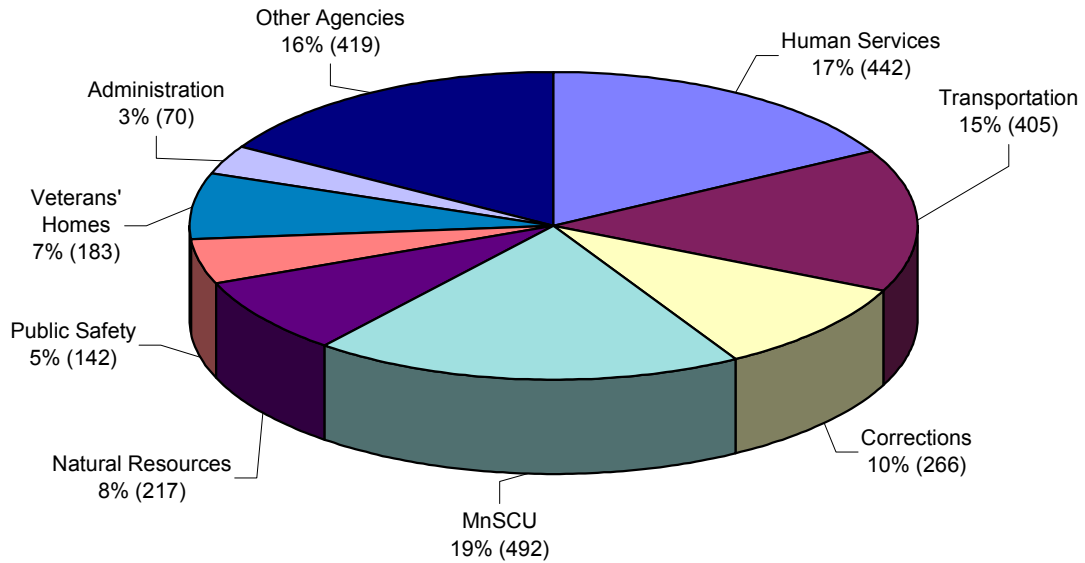
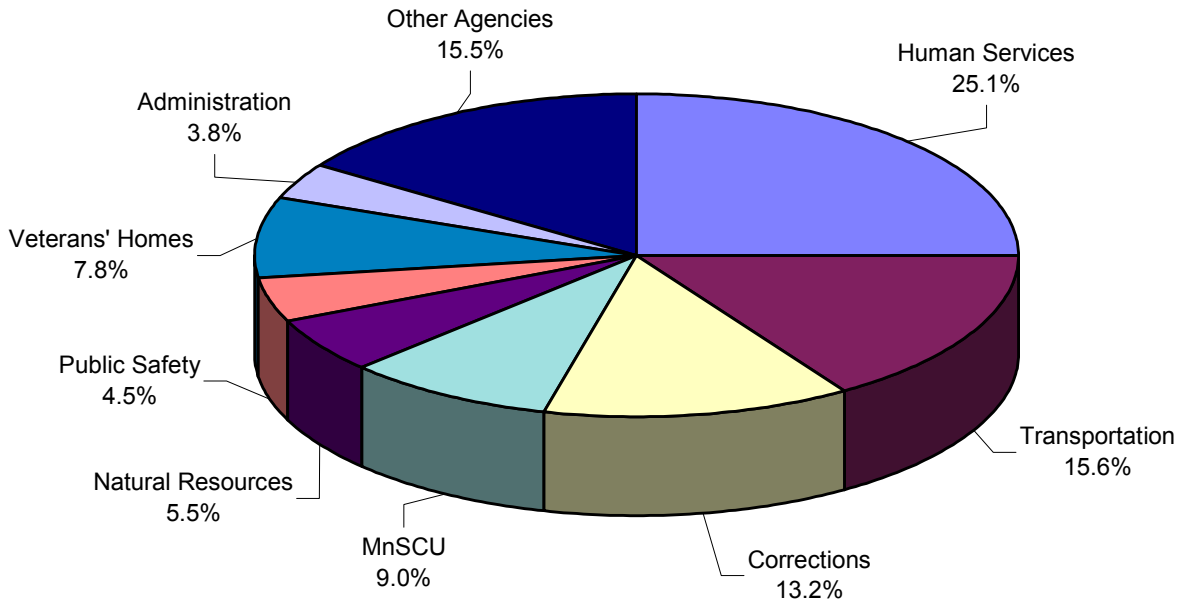


Chart 12/Composition of Benefits Paid by Agency/FY 2003



**Benefit costs for these eight agencies increased 7.8%
(Chart 13 and Appendix B)**

Combined benefit costs for the eight large agencies increased a total of 7.8% (\$993,619) from FY 2002 to FY 2003. Chart 13 shows data for these eight agencies. Cost data for the remaining agencies is contained in Appendix B (p. 31).

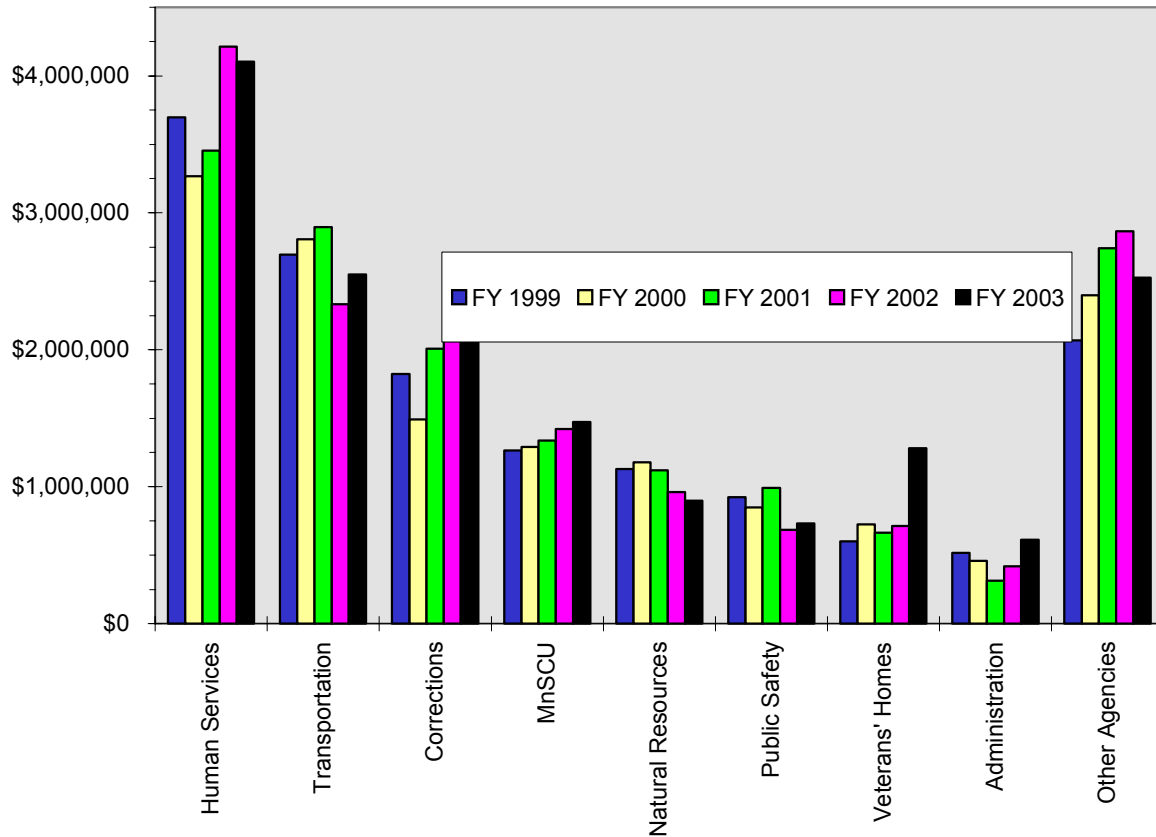
Caution urged when comparing agencies

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 Department of Human Services and for Department of Natural Resources

The Department of Human Services' benefit costs in FY 2003 declined \$108,493 (2.6%), and the Department of Natural Resources' benefit costs declined \$64,952 (6.8%). The other six large agencies experienced a range of increases from 3.7% to as much as 79.6%. The combined total of all other agencies experienced a decrease in benefit costs of 11.8% (\$339,290) from FY 2002 to FY 2003.

Chart 13/Benefit Costs for Eight Agencies/FYs 1999-2003



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 99-03	FY 02-03
	Benefit Costs					Change	
Human Services	\$3,695,353	\$3,267,093	\$3,453,933	\$4,212,445	\$4,103,952	11.1%	-2.6%
Transportation	\$2,695,133	\$2,806,936	\$2,894,599	\$2,332,345	\$2,549,547	-5.4%	9.3%
Corrections	\$1,822,690	\$1,491,505	\$2,007,067	\$2,064,536	\$2,152,379	18.1%	4.3%
MnSCU	\$1,264,193	\$1,288,666	\$1,336,432	\$1,419,566	\$1,472,436	16.5%	3.7%
Natural Resources	\$1,130,597	\$1,179,644	\$1,119,645	\$961,395	\$896,443	-20.7%	-6.8%
Public Safety	\$925,101	\$848,405	\$992,676	\$685,345	\$732,581	-20.8%	6.9%
Veterans' Homes	\$601,811	\$723,734	\$664,555	\$712,880	\$1,280,657	112.8%	79.6%
Administration	\$517,796	\$458,683	\$314,186	\$419,342	\$613,478	18.5%	46.3%
Totals 8 Agencies	\$12,652,674	\$12,064,666	\$12,783,093	\$12,807,854	\$13,801,473	9.1%	7.8%
Other Agencies	\$2,067,633	\$2,399,388	\$2,741,082	\$2,866,448	\$2,527,158	22.2%	-11.8%
Totals Overall	\$14,720,307	\$14,464,054	\$15,524,175	\$15,674,302	\$16,328,631	10.9%	4.2%

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

In FY 2002, 31.1% of all reported injuries were to the upper extremities (arm, shoulder, elbow, wrist), 17.2% involved multiple body parts, 16.6% to the neck/back, and 16.5% to the lower extremities. This composition of reported injuries is consistent with FY 2002 data and it follows the trend of reported injuries since FY 1999.

Chart 14/Composition of Reported Injuries/FYs 1999-2003

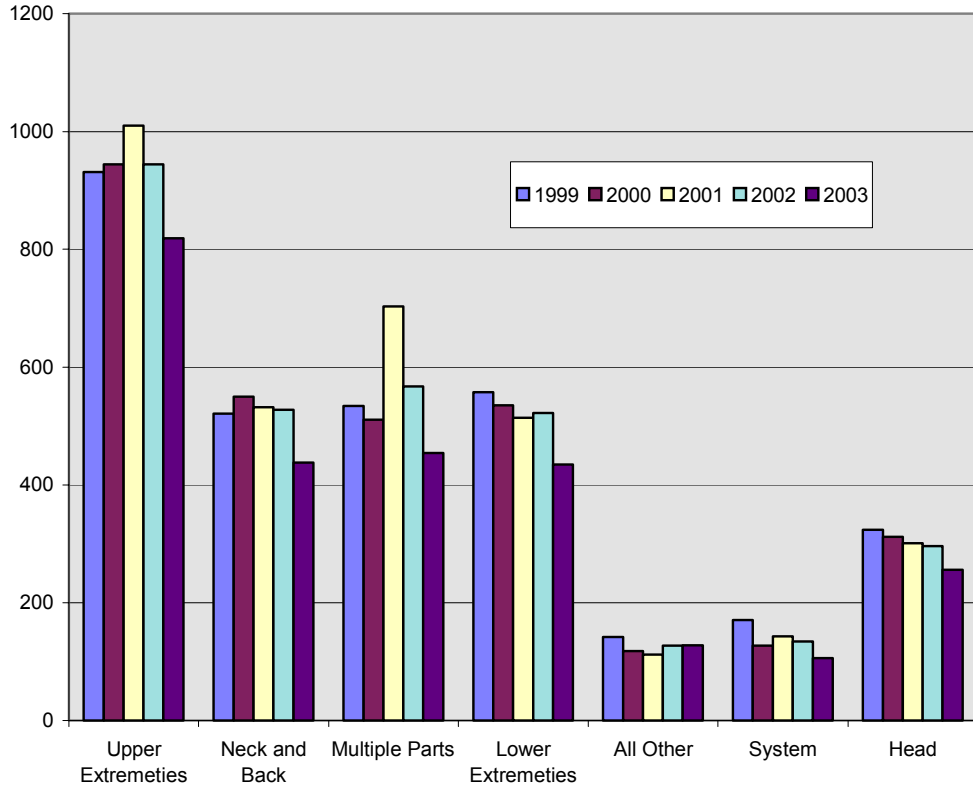
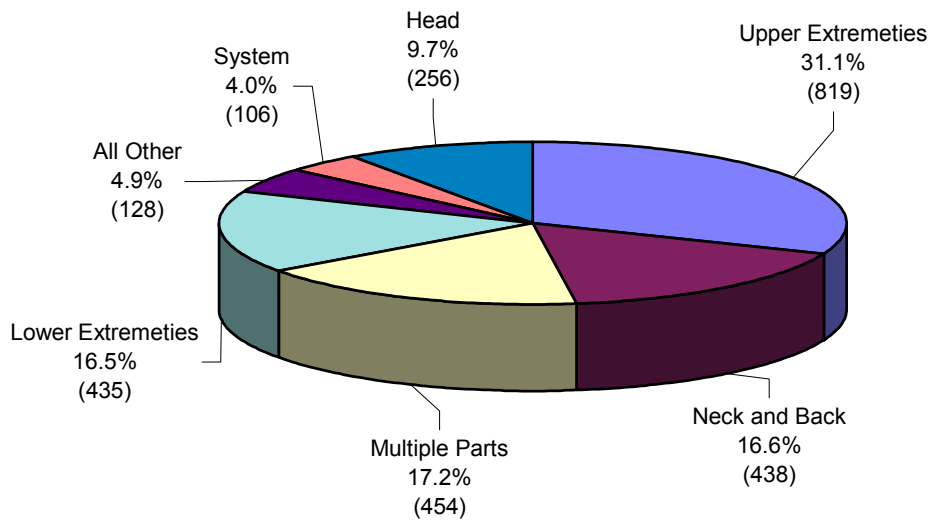


Chart 15/Composition of Reported Injuries/FY 2003



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:

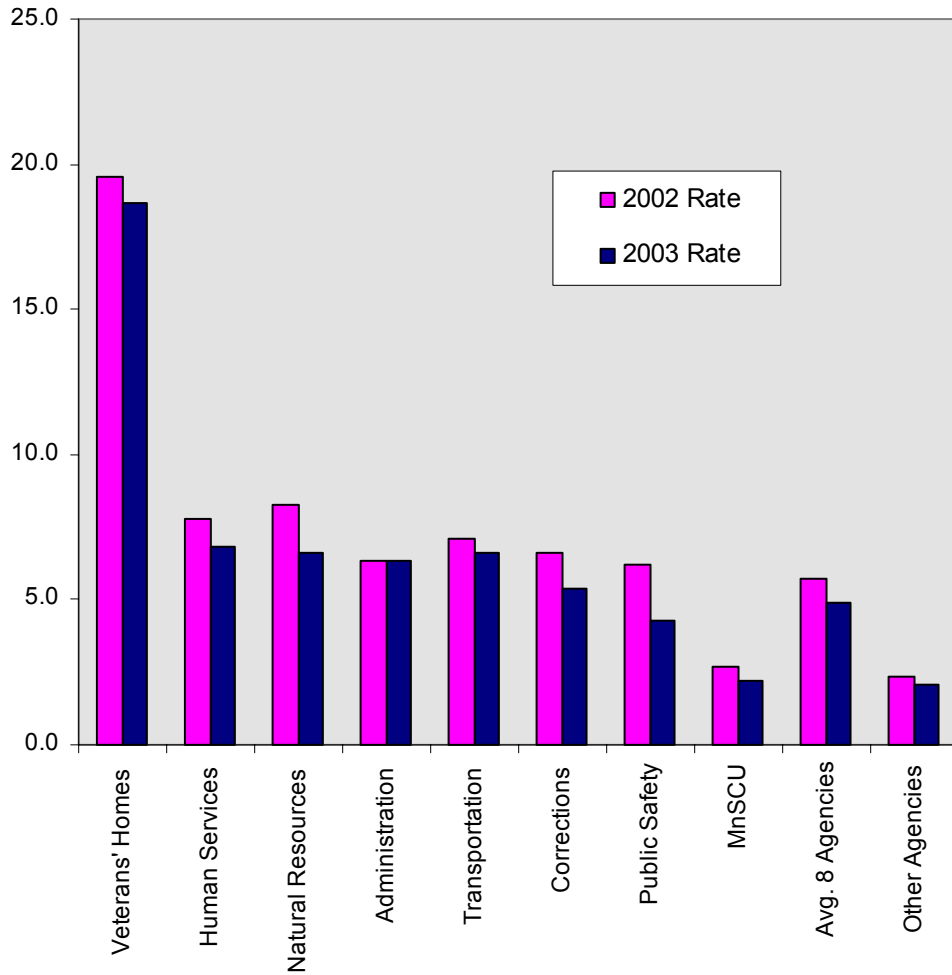
$$\text{Incident Rate} = \frac{\text{Number of Reportable Claims Paid} \times 200,000}{\text{Total Employee Hours Worked}}$$

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 5.7 (claims per 100 FTE's) in FY 2002 to 4.9 in FY 2003 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 2003, compared to FY 2002 by 0.3. This is the third consecutive year that the incident rate has decreased. This equates to fewer reportable injuries occurring for every 100 full-time employees. See Appendix C for individual agency incident rates for FY 2003.

Overall, the incident rate decreased from 5.1 in FY 1999 to 4.2 in FY 2003. See Chart 17 for five year rate comparison.

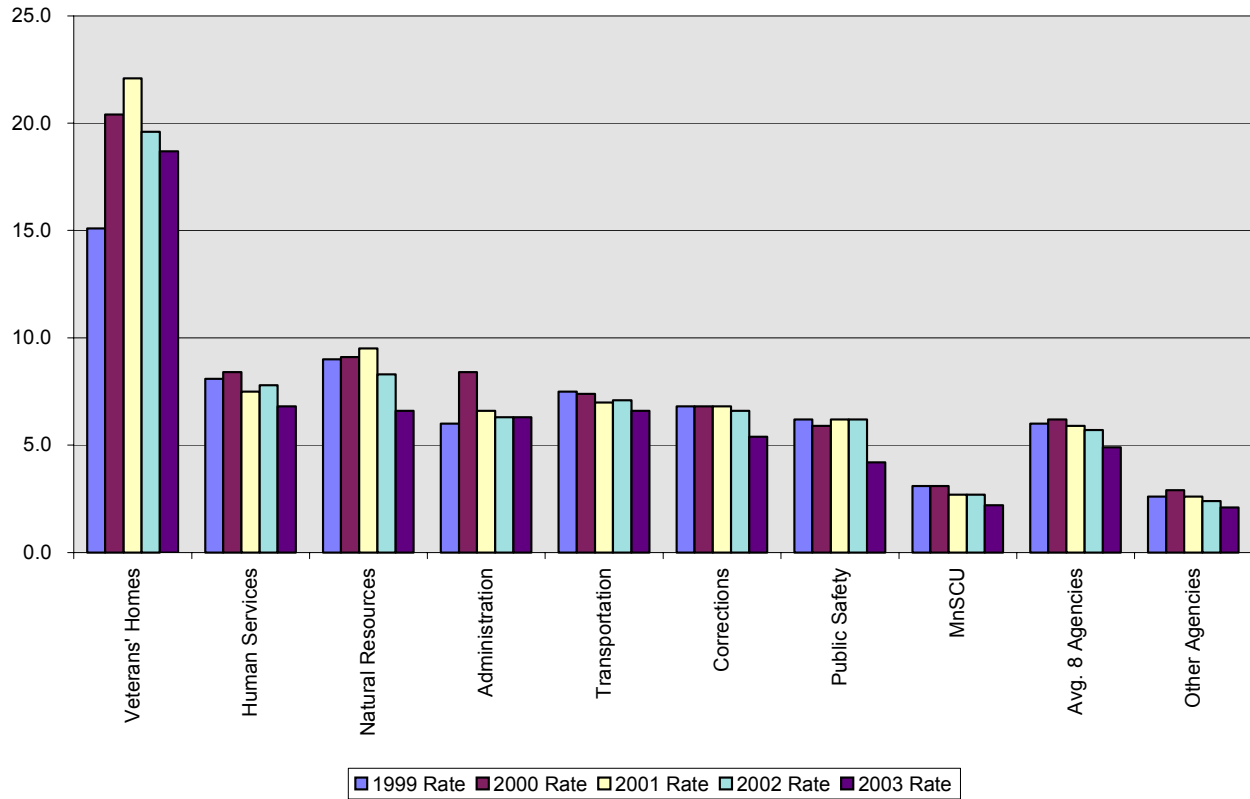
Chart 16/Incidence Rates/FYs 2002-2003



Agency	FY 2002		FY 2002 2002 Rate	FY 2003		FY 2003 2003 Rate	FY 02-03 Rate Change
	Reportable Claims	Hours Worked		Reportable Claims	Hours Worked		
Veterans' Homes	152	1,553,903	19.6	149	1,597,773	18.7	-0.9
Human Services	412	10,578,875	7.8	358	10,530,769	6.8	-1.0
Natural Resources	211	5,106,759	8.3	161	4,883,379	6.6	-1.7
Administration	50	1,581,454	6.3	48	1,514,696	6.3	No change
Transportation	325	9,194,611	7.1	296	8,974,805	6.6	-0.5
Corrections	213	6,471,133	6.6	175	6,500,355	5.4	-1.2
Public Safety	110	3,536,200	6.2	75	3,539,379	4.2	-2.0
MnSCU	336	25,275,176	2.7	276	25,411,567	2.2	-0.5
Avg. 8 Agencies	226	7,912,264	5.7	192	7,869,090	4.9	-0.8
Other Agencies	255	21,683,791	2.4	227	21,812,390	2.1	-0.3
All Agencies	2,064	84,981,902	4.9	1,765	84,765,113	4.2	-0.7

*Source of Hours Worked is SEMA4.

Chart 17/Incident Rate Comparison/FYs 1999-2003



	1999 Rate	2000 Rate	2001 Rate	2002 Rate	2003 Rate	99-03 Rate Change
Veterans' Homes	15.1	20.4	22.1	19.6	18.7	+3.6
Human Services	8.1	8.4	7.5	7.8	6.8	-1.3
Natural Resources	9.0	9.1	9.5	8.3	6.6	-2.4
Administration	6.0	8.4	6.6	6.3	6.3	+0.3
Transportation	7.5	7.4	7.0	7.1	6.6	-0.9
Corrections	6.8	6.8	6.8	6.6	5.4	-1.4
Public Safety	6.2	5.9	6.2	6.2	4.2	-2.0
MnSCU	3.1	3.1	2.7	2.7	2.2	-0.9
Avg. 8 Agencies	6.0	6.2	5.9	5.7	4.9	-1.1
Other Agencies	2.6	2.9	2.6	2.4	2.1	-0.5
All Agencies	5.5	5.1	5.4	5.1	4.2	-1.3

**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 all employers and, that the experience is better than other self-insured employers as of FY 2001.

Please note that the FY 2001 estimate has been adjusted from \$.99 to \$1.14 due to a change in the WCRA data upon which the original calculation was made.

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 have 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					
All State Agencies		Estimated Average for MN Employers			
			<u>All</u>	<u>Insured</u>	<u>Self-Insured</u>
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	\$1.14	CY 01	\$1.41	\$1.56	\$1.11
FY 02	\$1.18	CY 02	\$1.58		

FY 2003 Annual Report - Workers' Compensation Program

Appendix A: Reported Claims/FY 2002 – 2003 by Agency

Agency	FY 2002	FY 2003	% of Change
Administration	96	70	-27.08%
Agriculture	50	11	-78.00%
Animal Health Board	5	0	-100.00%
Attorney General	15	14	-6.67%
Boards & Commissions	12	7	-41.67%
Perpich Center for Arts Educ	3	1	-66.67%
Commerce & Commerce Weights & Measures	13	16	23.08%
Corrections	316	266	-15.82%
Court of Appeals	2	2	0.00%
Education (Children, Families, & Learning)	17	7	-58.82%
Economic Security	33	40	21.21%
Employee Relations	12	9	-25.00%
Examining Boards	0	6	100.00%
Faribault Academies	10	24	140.00%
Finance	3	1	-66.67%
Gambling Control	1	0	-100.00%
Governor's Office	0	0	No Change
Health	28	40	42.86%
Higher Educ Services Office	8	1	-87.50%
Historical Society	27	18	-33.33%
House of Representatives	7	2	-71.43%
Housing Finance	8	6	-25.00%
Human Rights	6	2	-66.67%
Human Services	541	442	-18.30%
Indian Affairs Council	0	0	No Change
Investment Board	0	0	No Change
IRRRB	9	8	-11.11%
Judicial	11	16	45.45%
Judicial Standards Board	0	0	No Change
Labor & Industry	22	8	-63.64%
Legislative Auditor	0	0	No Change
Legislative Coord Committee	0	1	100.00%
Lottery	15	9	-40.00%
Mediation Services	1	0	-100.00%
Military Affairs	31	25	-19.35%
Minnesota Planning	2	2	0.00%
MN State Retirement	2	0	-100.00%
MNSCU	557	492	-11.67%
Natural Resources	253	217	-14.23%
Office of Environmental(Waste Mgt)	1	1	0.00%
Ombudsman-Corrections	0	0	No Change
Ombudsman-Crime Victims	1	0	-100.00%
Ombudsperson for Families	0	0	No Change
Pollution Control Agency	11	12	9.09%
Public Defense Board	3	6	100.00%
Public Employee Retirement Assoc.	3	4	33.33%
Public Safety	153	142	-7.19%
Public Utilities Commission	0	0	No Change
Racing Commission	0	0	No Change
Revenue	39	32	-17.95%
Revisor of Statutes	0	3	100.00%
Secretary of State	4	1	-75.00%
State Arts Board	1	2	100.00%
State Auditor	6	0	-100.00%
State Fair	27	31	14.81%
State Senate	4	2	-50.00%
State Treasurer	0	0	No Change
Tax Court	0	0	No Change
Teachers Retirement Assoc.	0	1	100.00%
Trade & Economic Development	4	4	0.00%
Transportation	502	405	-19.32%
Trial Courts	34	26	-23.53%
Veterans Affairs	3	1	-66.67%
Veterans Home Board	190	183	-3.68%
Work Comp Court of Appeals	0	0	No Change
Zoo	16	17	6.25%
TOTAL	3118	2636	-15.46%

FY 2003 Annual Report - Workers' Compensation Program

Appendix B: Benefit Costs/FY 2002 – 2003 by Agency

Agency	FY 2002	FY 2003	% of Change
Administration	\$419,342	\$613,478	46.30%
Agriculture	\$179,959	\$169,357	-5.89%
Animal Health Board	\$18,754	\$17,536	-6.49%
Attorney General	\$18,664	\$4,187	-77.57%
Boards & Commissions	\$71,392	\$91,535	28.21%
Perpich Center for Arts Education	\$508	\$0	-100.00%
Commerce & Commerce Weights & Measures	\$133,681	\$123,608	-7.54%
Corrections	\$2,064,536	\$2,152,379	4.25%
Court of Appeals	\$224	\$0	-100.00%
Education (Children, Families, & Learning)	\$31,966	\$30,792	-3.67%
Economic Security	\$255,731	\$198,939	-22.21%
Employee Relations	\$51,371	\$17,970	-65.02%
Examining Boards	\$90	\$11,063	12192.22%
Faribault Academies	\$97,334	\$182,781	87.79%
Finance	\$0	\$1,231	100.00%
Gambling Control	\$17,998	\$15,382	-14.53%
Governor's Office	\$0	\$0	No Change
Health	\$78,585	\$202,587	157.79%
Higher Educ Services Office	\$14,350	\$3,171	-77.90%
Historical Society	\$50,423	\$16,125	-68.02%
House of Representatives	\$3,147	\$6,144	95.23%
Housing Finance	\$8,261	\$47,890	479.71%
Human Rights	\$9,796	\$11,659	19.02%
Human Services	\$4,212,445	\$4,103,952	-2.58%
Indian Affairs Council	\$6,618	\$0	-100.00%
Investment Board	\$0	\$0	No Change
IRRRB	\$148,390	\$126,521	-14.74%
Judicial	\$8,788	\$17,050	94.01%
Judicial Standards Board	\$0	\$0	No Change
Labor & Industry	\$184,849	\$92,948	-49.72%
Legislative Auditor	\$2,235	\$0	-100.00%
Legislative Coordinating Committee	\$0	\$0	No Change
Legislative Reference Library	\$0	\$322	100.00%
Lottery	\$96,711	\$41,896	-56.68%
Mediation Services	\$22,634	\$23,542	4.01%
Military Affairs	\$417,361	\$326,793	-21.70%
Minnesota Planning	\$15,511	\$2,359	-84.79%
MN State Retirement	\$556	\$0	-100.00%
MNSCU	\$1,419,566	\$1,472,436	3.72%
Natural Resources	\$961,395	\$896,443	-6.76%
Office of Environmental(Waste Mgt)	\$302	\$225	-25.50%
Ombudsman-Corrections	\$0	\$0	No Change
Ombudsman-Crime Victims	\$38,520	\$47,095	22.26%
Ombudsperson for Families	\$0	\$0	No Change
Pollution Control Agency	\$127,113	\$63,417	-50.11%
Public Defense Board	\$15,389	\$2,781	-81.93%
Public Employee Retirement Assoc.	\$14,679	\$14,425	-1.73%
Public Safety	\$685,345	\$732,581	6.89%
Public Utilities Commission	\$0	\$0	No Change
Racing Commission	\$0	\$0	No Change
Revenue	\$136,453	\$116,429	-14.67%
Revisor of Statutes	\$0	\$897	100.00%
Secretary of State	\$2,289	\$304	-86.72%
State Arts Board	\$0	\$0	No Change
State Auditor	\$86,559	\$39,497	-54.37%
State Fair	\$34,450	\$27,861	-19.13%
State Senate	\$4,563	\$3,124	-31.54%
State Treasurer	\$0	\$0	No Change
Tax Court	\$0	\$0	No Change
Teachers Retirement	\$0	\$0	No Change
Trade & Economic Development	\$8,019	\$16,081	100.54%
Transportation	\$2,332,345	\$2,549,547	9.31%
Trial Courts	\$167,964	\$98,630	-41.28%
Veterans Affairs	\$15,227	\$18,274	20.01%
Veterans Home Board	\$712,880	\$1,280,657	79.65%
Work Comp Court of Appeals	\$37,383	\$43,692	16.88%
Zoo	\$231,651	\$251,038	8.37%
TOTAL	\$15,674,302	\$16,328,631	4.17%

Appendix C: Agency Incident Rates/FY 2003

Agency	# of Hours Worked	Reportable Claims	Incident Rate
Administration	1,514,696	48	6.34
Agriculture	800,314	8	2.00
Animal Health Board	52,311	0	0.00
Attorney General	714,062	3	0.84
Boards & Commissions	411,465	3	1.46
Perpich Center for Arts Education	139,359	0	0.00
Commerce & Commerce Weights & Measures	585,031	10	3.42
Corrections	6,500,355	175	5.38
Court of Appeals	154,134	1	1.30
Education (Children, Families, & Learning)	848,864	2	0.47
Economic Security	3,067,077	26	1.70
Employee Relations	334,143	6	3.59
Examining Boards	340,626	1	0.59
Faribault Academies	305,241	21	13.76
Finance	280,818	1	0.71
Gambling Control	51,243	0	0.00
Governor's Office	71,835	0	0.00
Health	2,298,053	26	2.26
Higher Educ Services Office	127,315	0	0.00
Historical Society	Not Available	7 *	Not Available
House of Representatives	Not Available	1 *	Not Available
Housing Finance	329,904	4	2.42
Human Rights	92,260	1	2.17
Human Services	10,530,769	358	6.80
Indian Affairs Council	10,434	0	0.00
Investment Board	39,527	0	0.00
IRRRB	173,606	6	6.91
Judicial	478,639	8	3.34
Judicial Standards Board	3,452	0	0.00
Labor & Industry	616,602	3	0.97
Legislative Auditor	121,130	0	0.00
Legislative Coordinating Committee	Not Available	0 *	Not Available
Lottery	344,866	8	4.64
Mediation Services	33,028	0	0.00
Military Affairs	397,309	19	9.56
MN State Retirement	85,179	0	0.00
Minnesota Planning	101,535	1	1.97
MNSCU	25,411,567	276	2.17
MNSCU-Student Workers	Not Available	43 *	Not Available
Natural Resources	4,883,379	161	6.59
Office of Environmental(Waste Mgt)	109,993	1	1.82
Ombudsman-Corrections	2,533	0	0.00
Ombudsman-Crime Victims	296	0	0.00
Ombudsperson for Families	7,115	0	0.00
Pollution Control Agency	1,270,573	9	1.42
Public Defense Board	984,706	3	0.61
Public Employee Retirement Assoc.	153,291	3	3.91
Public Safety	3,539,379	75	4.24
Public Utilities Commission	74,823	0	0.00
Racing Commission	11,541	0	0.00
Revenue	1,996,683	19	1.90
Revisor of Statutes	Not Available	1 *	Not Available
Secretary of State	160,719	0	0.00
State Arts Board	32,028	1	6.24
State Auditor	235,995	0	0.00
State Fair	Not Available	23 *	Not Available
State Senate	Not Available	0 *	Not Available
State Treasurer	22,381	0	0.00
Tax Court	10,572	0	0.00
Teachers Retirement	152,554	0	0.00
Trade & Economic Development	343,631	3	1.75
Transportation	8,974,805	296	6.60
Trial Courts	2,399,135	14	1.17
Veterans Affairs	52,218	0	0.00
Veterans Home Board	1,597,773	149	18.65
Work Comp Court of Appeals	24,599	0	0.00
Zoo	357,642	16	8.95
TOTAL	84,765,113	1,765	4.16

* Reportable Claim #'s are not included in 1,765 TOTAL