

Letter Report

# **State Worker's Compensation Benefits**

*August 2005*



**Legislative Audit Bureau**

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**STATE OF WISCONSIN**  
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Janice Mueller  
State Auditor

August 19, 2005

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We have completed a review of the worker's compensation benefits paid to state employees from fiscal year (FY) 1999-2000 through FY 2003-04. During that five-year period, benefit payments for physical and mental injuries that resulted from accidents or illnesses sustained during the course of employment totaled \$59.2 million. The worker's compensation program is managed by the Department of Administration and funded through premiums that are paid by state agencies, based primarily on their claims experience.

Although the number of paid claims declined by more than 16.0 percent during our review period, benefit payments increased 30.0 percent, from \$10.0 million in FY 1999-2000 to \$13.0 million in FY 2003-04. The average cost per paid claim increased 43.0 percent from its low of \$2,005 in FY 2000-01 to \$2,867 in FY 2003-04. Costs per claim increased primarily because of rising health care costs, which include hospital and physical therapy charges and prescription drugs. Three agencies—the University of Wisconsin System, the Department of Health and Family Services, and the Department of Corrections—accounted for 72.4 percent of FY 2003-04 payments.

The types and severity of on-the-job injuries sustained by state employees varied substantially, from twisted ankles caused from falls to life-threatening injuries sustained in automobile accidents. The most costly injury category was lifting, moving, or restraining a load, which led to strained or pulled muscles. Benefit payments related to these injuries increased from \$1.2 million in FY 1999-2000 to \$3.5 million in FY 2003-04.

We appreciate the courtesy and cooperation extended to us by Department of Administration staff in conducting this review.

Sincerely,

Janice Mueller  
State Auditor

JM/JZ/bm



## STATE WORKER'S COMPENSATION BENEFITS

The Bureau of State Risk Management in the Department of Administration (DOA) manages the worker's compensation program for all state agencies and the University of Wisconsin (UW) System. Worker's compensation benefits are paid for physical and mental injuries that result from accidents or occupational diseases sustained during the course of employment. The program is funded by assessments that are levied against each state agency and university campus, based largely on their claims experience. DOA's responsibilities include determining benefit eligibility, managing claims, and implementing programs to control injury-related costs. Claims management for cases within the Department of Transportation and UW System is the responsibility of those agencies.

To receive worker's compensation benefits, an employee must report the work-related injury to his or her supervisor, who completes an incident report that is forwarded to the agency's worker's compensation coordinator and entered into an electronic tracking system. Both the claim and the employee's medical records are then reviewed by a claims manager who is employed by DOA and determines the legitimacy of the claim and associated payments. If a worker's compensation claim is denied, the employee may file an appeal with the Worker's Compensation Division of the Department of Workforce Development.

### Benefit Payments

As shown in Table 1, worker's compensation benefit payments increased from \$10.0 million in FY 1999-2000 to \$13.0 million in FY 2003-04, or by 30.0 percent. However, the number of paid claims has declined 16.3 percent from a high of 5,429 in FY 2000-01 to a low of 4,546 in FY 2003-04. The average cost per claim increased 43.0 percent from its low of \$2,005 in FY 2000-01 to \$2,867 in FY 2003-04. In total, \$59.2 million in benefits were paid to state employees over the five-year period.

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Table 1  
**Worker's Compensation Benefits Paid**

	Number of Claims Paid <sup>1</sup>	Amount	Average Cost per Claim
FY 1999-2000	4,814	\$10,049,200	\$2,087
FY 2000-01	5,429	10,887,100	2,005
FY 2001-02	5,179	11,817,200	2,282
FY 2002-03	4,982	13,391,200	2,688
FY 2003-04	4,546	13,033,900	2,867
<b>Total</b>	<b>24,950</b>	<b>\$59,178,600</b>	<b>\$2,372</b>

<sup>1</sup> Ongoing claims may be paid in multiple years.

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UW System and the departments of Health and Family Services and Corrections accounted for 72.4 percent of benefit payments in FY 2003-04. Among the ten largest agencies, only the Department of Workforce Development saw benefit payments decrease from FY 1999-2000 through FY 2003-04. As shown in Table 2, the Department of Agriculture, Trade and Consumer Protection had the largest increase—394.9 percent—largely because of claim payments of \$141,500 for a slip and fall in FY 2003-04.

Table 2  
**Worker’s Compensation Benefits**

Agency	FY 1999-2000	FY 2003-04	Percentage Change
UW System	\$ 3,169,900	\$ 3,790,500	19.6%
Health and Family Services	2,498,300	2,797,100	12.0
Corrections	1,818,300	2,855,100	57.0
Transportation	724,700	1,096,700	51.3
Natural Resources	560,700	795,600	41.9
Veterans Affairs	257,700	440,900	71.1
Administration	227,300	232,300	2.2
Public Instruction	93,500	170,100	81.9
Workforce Development	175,000	147,700	(15.6)
Agriculture, Trade and Consumer Protection	62,500	309,300	394.9
All Other Agencies	461,300	398,600	(13.6)
<b>Total</b>	<b>\$10,049,200</b>	<b>\$13,033,900</b>	29.7

The majority of claims are paid for recent injuries. However, during the five years we reviewed, more than \$2.6 million was paid for 252 claims that were at least 10 years old, including 12 claims that were more than 20 years old. The oldest claim, for which an associate vice president in UW-System Administration was paid a total of \$598 during our review period, originated in FY 1962-63.

To view trends in agency claims, we calculated the number of paid claims per 100 full-time equivalent (FTE) staff at the largest state agencies. As shown in Table 3, the average for these agencies decreased from 7.4 per 100 in FY 1999-2000 to 6.7 per 100 in FY 2003-04. This decline indicates that the increase in worker’s compensation benefit payments is not due to an increase in the frequency of claims. The departments of Health and Family Services and Veterans Affairs, which employ large numbers of health care workers who are responsible for moving and lifting patients and caring for individuals with aggressive personalities, have the most claims per 100 employees.

Table 3  
**Claims Paid per 100 FTE Staff Positions**

Agency <sup>1</sup>	FY 1999-2000	FY 2003-04
Health and Family Services	18.0	18.1
Veterans Affairs	16.2	19.9
Corrections	10.8	9.1
Natural Resources	9.8	9.9
Transportation	8.6	7.7
<b>State Agency Average</b>	<b>7.4</b>	<b>6.7</b>
Administration	5.1	4.3
UW System	4.8	4.4
Revenue	2.4	2.1
Workforce Development	2.1	2.9

<sup>1</sup> Agencies with at least 900 FTE staff positions.

### Payment Type

Since both the number and the frequency of paid claims have declined in recent years, the increase in worker's compensation benefit payments can be attributed to increased costs per claim. To determine why these costs have increased, we reviewed trends in worker's compensation expenditures by payment type, such as for lost wages, hospital bills, and prescription drug charges. Lost wages accounted for 35.7 percent of FY 2003-04 payments. However, as shown in Table 4, the largest increases were related to health care costs and included prescription drugs (144.2 percent over the five-year period), hospital and physical therapy charges (81.9 percent), and other medical expenditures (71.3 percent).

Table 4  
**Expenditures by Payment Type**

Payment Type	FY 1999-2000	FY 2003-04	Percentage Change
Lost Wages	\$ 4,099,000	\$ 4,658,300	13.6%
Hospital/Physical Therapy	2,164,200	3,937,300	81.9
Physicians	1,940,800	1,830,100	(5.7)
Other Medical	428,300	733,700	71.3
Chiropractors	410,600	414,600	1.0
Prescription Drugs	161,500	394,400	144.2
Medical Case Management	406,700	365,600	(10.1)
All Other Transactions <sup>1</sup>	438,100	699,900	59.8
<b>Total</b>	<b>\$10,049,200</b>	<b>\$13,033,900</b>	29.7

<sup>1</sup> Includes expenses such as vocational rehabilitation services and travel expenses for medical appointments.

### Injuries Sustained

The types and severity of injuries sustained by state employees on the job included a twisted ankle caused by slipping on ice, treatment for carpal tunnel syndrome caused by repetitive motion tasks, and serious and fatal injuries sustained in auto accidents. As shown in Table 5, lifting, moving, or restraining a load became the most costly injury category and increased 184.7 percent, from \$1.2 million in FY 1999-2000 to \$3.5 million in FY 2003-04. Examples of these injuries include a strained back while moving or lifting a resident or patient, a pulled groin from lifting boxes, and a strained neck from shoveling gravel. The largest percentage change in benefit payments was in “contact with an object,” which includes doors and projectiles and which increased 282.6 percent over the five-year period.



Table 5  
**Benefits Paid by Type of Injury**

Type of Injury	FY 1999-2000	FY 2003-04	Percentage Change
Lifting, Moving, or Restraining a Load	\$ 1,241,000	\$ 3,533,500	184.7%
Slip, Trip, or Fall	1,829,300	3,078,900	68.3
Motion of Claimant <sup>1</sup>	2,110,300	2,379,400	12.8
Other Person(s)	604,800	1,080,700	78.7
Vehicle/Transportation	719,700	658,700	(8.5)
Contact with an Object <sup>2</sup>	168,800	645,900	282.6
Unsafe Act	1,779,400	389,600	(78.1)
Machinery	191,600	205,300	7.2
All Other Causes <sup>3</sup>	1,414,300	1,061,900	(24.9)
<b>Total</b>	<b>\$10,049,200</b>	<b>\$13,033,900</b>	<b>29.7</b>

<sup>1</sup> Includes injuries caused by repetitive and abrupt movements.

<sup>2</sup> Includes injuries caused by contact with objects such as doors and projectiles.

<sup>3</sup> Includes injuries caused by stress, hazardous substances, and animals.

DOA attributes the increases in the lifting, moving, or restraining a load and slip, trip, or fall categories to an aging workforce. In addition, changes can be partially explained by DOA's efforts to shift claims recorded as unsafe acts to more specific categories.

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