



Multiple workers' compensation organizations rank the most expensive states for employers. Where does your state rank?

As workers' compensation costs and benefits vary from state to state, we are often asked how one state compares to another in regard to costs. There are multiple organizations that publish reports using various data to provide workers' compensation rankings of all 50 states and the District of Columbia.

This issue of *Spotlight* reviews the rankings of the most expensive states for employers published this year by three organizations.

2014 Workers' Compensation Premium Rate Ranking

In February 2015, the Oregon Department of Consumer and Business Services released the final [2014 Workers' Compensation Premium Rate Ranking Study](#). This study, which has been done every two years since 1986, ranks Oregon's workers' compensation premium rates against those in all other 50 states and the District of Columbia.

This study produces premium rate rankings based on methods that place states' workers' compensation rates on a comparable basis using a constant set of risk classifications for each state. Premium rates in effect as of Jan. 1, 2014, for the 54 selected classifications were obtained directly from the states, the National Council on Compensation Insurance (NCCI) or the independent rating bureaus. To control for differences in industry distributions, each state's rates were weighted by 2008-2010 Oregon payroll to obtain an average manual rate for that state.

Premium costs are reported as cost per \$100 of payroll. In 2014, the average premium was \$1.85 per \$100 of payroll, which is the lowest since the inception of this report.

The top five most expensive states, their rates, and previous rankings were:

State	2014 Rates	2012 Ranking
California	\$3.48	No. 3
Connecticut	\$2.87	No. 2
New Jersey	\$2.82	No. 7
New York	\$2.85	No. 5
Alaska	\$2.68	No. 1

California had the most expensive workers' compensation rates as of Jan. 1, 2014. Its rate was \$3.48 per \$100 of payroll.

The state with the least expensive workers' compensation rates was North Dakota at \$0.88 per \$100 of payroll. It was also the least expensive in 2010 and 2012. Indiana was the runner-up for best rates in 2010, 2012 and 2014 at \$1.06 per \$100 of payroll. Kentucky greatly improved its ranking from 2012 to 2014 when Kentucky went from the 22nd most expensive state to 40th.

Lawmakers and workers' compensation policymakers across the nation often point to this study when advocating for reforms or policy changes.

Critics of the study point out that the report does not include the costs of self-insured employers and does not compare the differences in coverage, benefits, the dispute resolution or appeals process that each state offers.

National Academy of Social Insurance Workers' Compensation Benefits, Coverage and Costs 2013

Annually since 1997, the National Academy of Social Insurance (NASI) has issued a report to provide data on benefits, costs, and coverage for state and federal workers' compensation programs. The [annual research report issued August 2015](#) presents comprehensive data on workers' compensation national trends and details state-by-state changes in benefits, coverage and costs in 2013.

According to the report, total workers' compensation benefits in 2013 were \$63.6 billion, while employer costs were \$88.5 billion.

This report, in Table 14, provides a standardized estimate of employer costs for workers' compensation for each state aggregated across all types of insurance arrangements. The employer cost estimates also include estimates of assessments for special funds, second injury funds and guaranty funds based on assessment rates applied to premiums or losses (benefits paid). Based on this cost data, the following states had the highest employer costs for workers' compensation per \$100 of covered payroll in 2013.

Alaska	\$2.58
Montana	\$2.24
Oklahoma	\$2.24
Wyoming	\$2.03
California	\$1.95

Jurisdictions with the lowest employer costs were District of Columbia (\$0.47 per \$100 of covered payroll), Massachusetts (\$0.74 per \$100 of covered payroll), and Texas (\$0.80 per \$100 of covered payroll), although it must be noted that in Texas, workers' compensation coverage is elective for most employers.

NASI cautions readers of this report against using the estimates in Table 14 to make interstate comparisons of the employer costs of workers' compensation. The data did not include controls to account for differences in the proportions of employers in different insurance classifications in each state.

The disparate results in these two state rankings of employer costs can be explained by the approaches used. The Oregon approach is based on premiums employers would currently pay for insurance coverage in different states, whereas NASI data reflects the costs of workers' compensation in 2013 for all employers in a state, including those who self-insure.

National Council on Compensation Insurance (NCCI)

The National Council on Compensation Insurance (NCCI) is the ratemaking organization for 36 states and the District of Columbia, and provides advisory ratemaking services to the local rating organization in three other states.

A [presentation during the 2015 Annual Issues Symposium](#) listed the five NCCI states with the highest lost-time indemnity severity and the highest lost-time medical severity based on financial data evaluated as of Dec. 31, 2013. Severity refers to the average cost per claim.

The top five NCCI states with the highest lost-time indemnity severity were:

District of Columbia	\$40,185
Louisiana	\$38,647
North Carolina	\$35,826
Connecticut	\$31,972
South Carolina	\$31,956

The top five NCCI states with the highest lost-time medical severity were:

Alaska	\$54,146
Virginia	\$48,973
Louisiana	\$47,964
New Mexico	\$46,749
Alabama	\$44,536

Using different data and methodology, each of these reports provides valuable information for evaluating costs in various states. However, it is important to note that none of these reports captures recent changes in laws that may have changed the workers' compensation market within the state.

For example, Alaska which consistently appears on the above lists recognized the problem it had with medical costs and attempted to address it legislatively in 2014 with the following two (2) bills:

House Bill 141 signed into law June 24, 2014, amended Alaska Statute 23.30.097(a) to set the fee for medical treatments provided outside of Alaska to limits in the workers' compensation statutes of the state where the services are rendered, instead of Alaska's higher fees.

Subsection (h) was added to require medical providers to submit bills for treatment to employers within 180 days after the later of (1) the date of service or (2) the date the provider knew of the claim and knew that the claim was related to employment. The time limit for appealing an employer's denial or reduction of a bill is set at 60 days.

House Bill 316 was enacted on July 8, 2014, and required that instead of a UCR based fee schedule, the fee schedules must include:

- 1) A physician fee schedule based on the federal Centers for Medicare and Medicaid Services resource-based relative value scale,
- 2) An outpatient and ambulatory surgical center fee schedule based on the federal Centers for Medicare and Medicaid Services ambulatory payment classification.
- 3) An inpatient hospital fee schedule based on the federal Centers for Medicare and Medicaid Services Medicare severity diagnosis related group (DRG).

In addition, a fee or other charge for air ambulance services rendered under this chapter shall be reimbursed at a rate established by the board and adopted in regulation.

The new schedules were to be effective July 1, 2015. Despite working throughout the year when it appeared that the July 1, 2015, deadline would not be met; the committee sought an extension from the legislative sponsor of the bill.

This session Alaska **House Bill 178** was enacted to extend the effective date of regulations regarding workers' compensation fees for medical treatment and services from July 1, 2015, to **Dec. 1, 2015**

Conclusion

The premium rates and injury outcomes in a state are influenced by the industry and business mix, benefit levels, the regulatory environment and medical fees, but what we do also matters!

Understanding the challenges and opportunities in all jurisdictions where we handle claims, along with our day-to-day delivery of excellent, quality-driven claims administration ensures that we get the very best outcomes for our customers.