

OFFICE MEMORANDUM



**MINNESOTA DEPARTMENT OF
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TO: Patricia Todd, Shawn Peterson

FROM: Brian Zaidman

PHONE: 284-5568

SUBJECT: Construction Collective Bargaining Agreement Claims and Cost Comparison

The workers' compensation collective bargaining agreement (CBA), also called the Union Construction Workers' Compensation Program, started handling workers' compensation claims in 1997. For contractors accepted into the program, the CBA provides:

- safety services to help prevent injuries;
- dispute resolution services involving facilitation, mediation and arbitration;
- medical care through an exclusive provider organization (starting in July 2004);
- a panel of neutral doctors for second opinions; and,
- vocational rehabilitation services through a panel of neutral rehabilitation counselors.

The effectiveness of the CBA program can be assessed by comparing various workers' compensation measures with available data about the construction industry. For this comparison, information from the CBA annual data reports for 2003 and 2004 was compared to information from the Minnesota Ratemaking Report and from the DLI workers' compensation claims database. (A blank CBA annual data report form is attached.)

Overall, construction employers in the CBA program, compared to all construction industry employers, have slightly fewer claims, pay significantly lower benefits per claim, have claims that require vocational rehabilitation less often, and have fewer claims disputes. These results are consistent with a shorter average duration of indemnity benefits, in which workers are more likely to return to work without requiring additional services. The comparisons, detailed in Tables 1-3, show that:

- The indemnity claims rate per \$1 million of payroll is about 18 percent lower among the CBA employers (Table 1, measure 2);
- The overall claims rate per \$1 million of payroll is 5 percent to 10 percent lower among CBA employers (Table 1, measure 3);
- Total incurred benefit costs per \$100 of payroll are about 40 percent lower among CBA employers (Table 1, measure 8);
- Average benefits paid per claim are about 32 percent to 36 percent lower among CBA employers (Table 1, measure 13);

- Vocational rehabilitation is required half as frequently among the CBA claims as among all construction-worker claims (Table 2, measure 1);
- Vocational rehabilitation plans for CBA claimants are about half the cost of plans among all construction claimants (Table 2, measure 2);
- The CBA vocational rehabilitation plans are much more likely to result in returning injured workers to the pre-injury employer than are all construction-industry plans (Table 2, measure 3); and,
- CBA claims are much less likely to require dispute resolution services (Table 3, measures 1-4).

Detailed results and technical notes

The DLI workers' compensation claims database does not include a flag to indicate whether a claim is or is not covered by the CBA program. Therefore, direct comparisons of claims-level statistics using the DLI claims database is not possible. All the comparisons involve comparing CBA program-level statistics reported on the CBA's annual data reports with all construction claims, which include the CBA claims.

Table 1 shows the comparison of claims incidence and cost. In order to create a comparison group to the CBA program, statistics for the ten largest insurance classifications represented in the CBA program (out of a total of 56 classifications present) were combined. The ten classifications account for over 70 percent of the CBA program's payroll (see Table 4). The MWCIA's Ratemaking Reports for 2006, 2007, and 2008 were used to collect the first report statistics for the policy years corresponding to the CBA program reports for these classifications. This also had the effect of more closely matching the groups by eliminating data from classifications with less union representation, such as construction of detached residential units.

Table 1 measures 1-3 show the rates of 2003 and 2004 claims reported per \$1 million of payroll. This is used to adjust for the difference in the size of the CBA program compared to all insured construction employers. For both claims years, the CBA claims incidence rates are lower than the construction industry rates. Measures 4-8 show the incurred benefit costs per \$100 of payroll. Incurred benefits include the benefits paid to date and the case-specific reserves. While the costs for medical-only claims are the same, indemnity claim costs are much lower for CBA employers. Measures 9-13 display the average incurred costs per claim. While the medical-only claim costs are slightly higher for CBA claims, the difference is very small. The average incurred total benefit cost for indemnity claims is approximately \$8,000 lower for the CBA claims.

In Tables 2 and 3, the CBA statistics are compared to the results for all construction indemnity claims in the DLI claims database. Table 2 compares the use and outcome of vocational rehabilitation benefits. Measure 1 constructs a vocational utilization rate by calculating the ratio of the number of vocational rehabilitation plans started during the year to the number of indemnity claims occurring during the year. While this is not a "perfect" utilization rate, the same calculations were performed for both the CBA and all construction statistics. The results show that injured workers in the CBA program are much less likely to require vocational rehabilitation services.

Table 2 measure 2 shows the average cost of vocational rehabilitation plans closed during each of the years. To make the closed plan comparisons more similar, the all construction plan closures were limited to injuries occurring during or after 1997. The table shows that the average cost per closed plan among the CBA claims is approximately half the cost of the plans among all construction claims. Measures 3-5 reinforce this finding, showing that the CBA plans are more likely to close when the injured worker returns to the pre-injury employer, which is the least expensive type of plan closure (see the Minnesota Workers' Compensation System Report, 2004). Additionally, the CBA plans are much less likely to close with the worker finding a job with a different employer and are somewhat less likely to result in closing without a return-to-work.

Table 3 shows measures of disputes and dispute resolution activity. The percentage of claims involved in dispute resolution activity is the ratio of the number of disputes filed to the number of indemnity claims filed during that year. In this measure, the CBA claims are counted if they use mediation, which is the dispute resolution service beyond facilitation. Facilitation compares to the phone intervention services provided by DLI, although it is possible to hold informal conferences as part of facilitation. The CBA claims involved in their dispute resolution services do not file dispute resolution forms with DLI, so they are not included in the construction industry claims statistics. The construction industry claims are counted as requiring dispute resolution if they have at least one of the following forms files during the year: a certification request, a request for assistance, a claim petition, a request for discontinuance conference, an objection to discontinuance, or a petition to discontinue benefits. Claims with disputes in the previous year were not counted in the latter year. Claims with injuries in 1997 and later were included. Measure 1 shows that a much lower percentage of CBA indemnity claims are involved in disputes than are the construction claims as a whole.

It is possible that the construction industry dispute rates are higher because the claims are open longer, providing a greater opportunity for filing disputes. Therefore, measure 2 of dispute resolution activity was calculated by limiting the construction industry claims to those claims filed within two years of the dispute filing year. Thus, the dispute ratio for 2003 includes the disputes filed during 2003 for injuries occurring in 2001, 2002, and 2003, and the dispute ratio for 2004 includes the disputes filed during 2004 for injuries occurring in 2002, 2003, and 2004. While this reduces the construction industry dispute ratio, it remains much higher than the CBA claims' ratio.

Measures 3 and 4 are similar to the first two measures, respectively, but the construction industry disputes do not include claims with only certification requests filed. In both of these measures, the CBA claims had a lower dispute resolution activity ratio.

Comparison of the Union Construction Workers' Compensation Program (CBA) and Construction Industry Workers' Compensation Claims, Costs, and Outcomes

Table 1 Claims and Benefits

measure		2003 Claims		2004 Claims	
		CBA	Construction ¹	CBA	Construction
1	medical-only claims per million \$ payroll	1.78	1.95	1.78	1.80
2	indemnity claims per million \$ payroll	0.57	0.69	0.52	0.63
3	total claims per million \$ payroll	2.35	2.64	2.30	2.43
4	medical-only costs incurred per \$100 payroll	\$0.13	\$0.12	\$0.12	\$0.12
5	indemnity claim medical costs incurred per \$100 payroll	\$0.56	\$0.90	\$0.53	\$0.83
6	indemnity claim indemnity costs incurred per \$100 payroll	\$0.54	\$1.01	\$0.47	\$0.90
7	indemnity claim total benefit costs incurred per \$100 payroll	\$1.11	\$1.91	\$1.00	\$1.73
8	total benefit costs incurred per \$100 payroll	\$1.23	\$2.03	\$1.12	\$1.86
9	medical costs incurred per medical-only claim	\$ 710	\$ 632	\$ 700	\$ 684
10	medical costs incurred per indemnity claim	\$ 9,908	\$12,959	\$10,116	\$13,169
11	indemnity costs incurred per indemnity claim	\$ 9,562	\$14,617	\$ 9,003	\$14,238
12	total benefit costs incurred per indemnity claim	\$19,471	\$27,576	\$19,119	\$27,407
13	total benefit costs incurred per claim	\$ 5,243	\$ 7,695	\$ 4,874	\$ 7,631

¹ Construction values based on MWCIA Ratemaking Report data for ten large contractor classifications.

Table 2 Vocational Rehabilitation¹

measure		2003		2004	
		CBA	Construction ²	CBA	Construction
1	vocational rehabilitation utilization ³	12%	23%	12%	26%
2	mean vocational rehabilitation costs per closed plan ⁴	\$ 2,783	\$ 6,032	\$ 3,764	\$ 6,347
3	percentage returned to work with same employer	56%	40%	75%	41%
4	percentage returned to work with different employer	11%	26%	10%	26%
5	percentage closed without return to work	33%	34%	15%	34%

¹ Year refers to claim and form filing year (for utilization) and to year of plan closure for the other measures.

² Construction values use construction industry indemnity claims in the DLI claims database.

³ The ratio of the number of vocational rehabilitation plans filed during the calendar year to the number of indemnity claims with injury dates in that calendar year.

⁴ Mean vocational rehabilitation costs adjusted to 2005 wage levels.

Table 3 Dispute resolution¹

measure ²		2003		2004	
		CBA	Construction ³	CBA	Construction
1	dispute resolution rate, all years	11.2%	23.2%	8.7%	24.3%
2	dispute resolution rate, recent years	11.2%	18.6%	8.7%	18.2%
3	dispute resolution rate, excluding cert. requests, all years	11.2%	22.5%	8.7%	23.7%
4	dispute resolution rate, excluding cert. requests, recent years	11.2%	18.1%	8.7%	17.9%

¹ Year refers to injury year for denials and to year of dispute document filing for dispute activity.

² The ratio of the number of unique indemnity claims with a dispute filed during the calendar year to the number of indemnity claims with injury dates in that calendar year. The percentage in parentheses is the dispute resolution activity limited to indemnity claims incurred up to two years prior to the dispute filing. The four measures reflect changes in counting construction industry disputes.

³ Construction values use construction industry indemnity claims in the DLI claims database.