

Workers' Compensation Budget Trends

Insight from the 2018 Loss Cost Filing

The New York Compensation Rating Board (NYCIRB) is a government agency tasked with setting base workers' compensation insurance rates annually. They recently released their 2018 update, and it contains some insights on what is happening to workers' compensation costs due to recent changes in the system. Some of the main insights are below:

2007 Reform Bill: This bill instituted a cap on lifetime indemnity (lost wage) benefits. The bill also allowed for an increase in the maximum weekly indemnity benefit, and directed the creation of Medical Treatment Guidelines.

- 57.7% of total indemnity costs are attributable to Permanent Disability claims. The cap on benefits is estimated to **save 6.2% for this portion of costs**.
- The average weekly wage benefit is increasing 2.5% in 2018 and 3.7% in 2019. NYCIRB expects an additional 1% of claimants will put in a claim simply because of the higher rates. They believe that due to the benefits of the 2007 legislation, this will only result in an **increase of 1.1% for total claim costs**.

Medical Fee Schedule Update: The WCB released a proposed medical fee schedule update for all provider fees in New York State. The schedule is currently in draft form, and the comment period closes August 6, 2018. The schedule will then be finalized and instituted.

- The NYCIRB filing document indicates that the changes are expected to increase physician costs by 22.9%. Based on the weight of these costs overall, the fee schedule increase is expected to **increase overall program costs by 3.5%**

SLU Guideline Update: New Schedule Loss of Use (SLU) guidelines were instituted January 1, 2018. There were minor adjustments to the old guidelines, but not nearly the update that carriers and self-insured employers had hoped for. While the below is the estimated impact by NYCIRB, NCAComp remains less optimistic.

- NYCIRB estimates that the updates are going to result in a decrease of 12.3% for SLU claims. Because these SLU awards represent 35% of indemnity costs, NYCIRB believes the overall impact to claims costs will be **a decrease of 4.4%**.

Loss Adjustment Expense: Loss adjustment expenses are the funds that TPAs and carriers spend to limit claims liability. NYCIRB sees an **increase of 1.1%** in these costs in the insurance industry.

Closure of New York State Reimbursement/Subrogation Funds: The closure of the 15-8 Second Injury Fund (providing reimbursement for eligible claims) and the 25a Fund for Reopened Claims (where the state takes over a claim and all costs) have been estimated to impact claims by not providing financial and administrative relief moving forward.

- 5.8% of claims will be affected by the closure of the 15-8 Fund
- 6.3% of claims will be affected by the closure of the 25a Fund
- *Cost estimates not provided*

July 18, 2018

Prepared by

NCAComp INC.

Making Workers' Compensation Work Since 1991™

If you have any questions about this publication, please contact Erin Jordan at ejordan@ncacomp.com