

# POLICY NOTES

## Benchmarking the Performance of Workers' Compensation Systems

### How Does Georgia Compare with Other States?

by Sharon E. Fox and Carol A. Telles

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*Study...provides benchmark comparisons of state workers' compensation systems.*

**Background** According to the National Academy of Social Insurance (NASI), approximately 7 million workers in the United States suffer occupational injuries and illnesses each year. Nearly one-third of these individuals lose time away from work. Workers' compensation, one of the first social insurance programs authorized in the early twentieth century, is the primary mechanism for paying wage-loss and medical benefits to workers who suffer occupational injuries or illnesses. Annual wage-loss and medical benefit expenditures for workers' compensation are approximately \$41.7 billion (NASI 2000).

Workers' compensation continues to be a topic of considerable interest to Georgia policy makers, as evidenced by Governor Barnes creating a Workers' Compensation Advisory Commission in January 2000. In the past decade, many states, including Georgia, have made significant statutory and regulatory changes to their workers' compensation programs (U.S. Chamber of Commerce 1999). State efforts at reform, however, encounter difficult challenges. For example, policy makers often lack basic data and information about current or emerging problems, making it hard to target opportunities for improvement. Further, most states have not been able to reliably examine their programs relative to those of other states. Without this broader context, states are unable to set realistic performance goals or fully appreciate the magnitude of their program's strengths and weaknesses.

In an effort to help state policy makers fill these gaps, the Workers Compensation Research Institute, an independent nonprofit organization located in Cambridge, Massachusetts, recently initiated a research program that provides benchmark comparisons of state workers' compensation systems. The first multistate study released by the program in August compares more than 75 measures in eight states: California, Connecticut, Florida, Georgia, Massachusetts, Minnesota, Pennsylvania, and Texas (Fox, Casteris, and Telles 2000). Together these states account for at least 40 percent of the nation's workers' compensation benefits. (See Table.)

Georgia's Outcomes on Selected Performance Measures Compared to the Average State (as of June 30, 1997)		
Performance Measure	State Outcomes	
	Average State*	Georgia
Claims—first payment within 21 days of injury	52%	46%
Claims—first payment within 14 days of insurer notice	58%	50%
Average paid benefit per claim (all claims)	\$2,152	\$1,833
Average paid benefit per claim	\$8,843	\$10,474
Average medical payment per claim	\$4,800	\$5,659
Average indemnity (income replacement) payment per claim	\$4,048	\$4,834
Claims with defense attorney payments	17%	28%
Average defense attorney fee per claim with defense attorney fees	\$1,888	\$2,162
Claims with medical cost-containment fees	74%	80%
Average medical cost-containment fee per claim with fees	\$550	\$462
Claims—less than or equal to 7 days' lost time	80%	86%
Average duration of payments	22 weeks	29 weeks

Note: Unless noted, measures are shown for claims with more than 7 days of time away from work due to injury or illness.  
\*This is not the average of 50 states; rather it is the average of the 8 states studied. These 8 states are among the nation's 25 highest in average costs per claim.

**Key Findings for Georgia** The study found wide variation in system costs and delivery of benefits among the eight states. For example, injured workers in Georgia wait longer to receive their initial workers' compensation benefit payment than do those in most states analyzed. In Georgia, only 50 percent of workers receive their first income replacement payment within 14 days of insurer notice of injury, compared with an average of 58 percent in the other states studied.

The study also found that litigiousness and attorney fees are higher in Georgia. Defense attorneys were involved in 28 percent of workers' compensation claims, a rate that is nearly two-thirds higher than the average state (17 percent) and more than any other state reviewed. The average fee paid to defense attorneys in Georgia was \$2,162 per claim. This is nearly 15 percent higher than the average in other states (\$1,888).

Managed care and medical cost-containment services are used frequently in Georgia, and medical cost-containment expenses—such as fees for bill review, case management, or preferred provider networks—were found in 85 percent of claims (second only to Florida's 91 percent). However, the average medical cost-containment expense for these claims in Georgia is lower than average, \$412 per claim versus \$492 in the typical state.

Policy debates about workers' compensation reform are driven by perceptions that a state is a higher or lower cost state. A state's reputation as higher or lower cost may influence efforts to attract and retain business and affect the opportunity to examine the adequacy of benefits. The set of claims being compared or the group of states included in the comparisons can influence conclusions about a state's workers' compensation costs. This is particularly evident in Georgia. Examination of a subset of claims with more than seven days of lost time from work shows that Georgia's average paid benefit per claim is among the highest in the states studied (\$10,474 vs. an average of \$8,843). However, based on the broadest perspective that includes all claims in the system, Georgia's costs are considerably lower than average (\$1,833 vs. \$2,152). Compared with other states, Georgia has the lowest percentage of claims with more than seven days of lost time (14 percent vs. an average of 20 percent). This offsets the impact of the costs of the lost-time claims on total costs.

An important issue for Georgia policy makers to consider is why workers in Georgia are less likely to lose time away from work than are similar workers in other states (standardized at over seven days). It is, of course, possible that injuries in Georgia are less severe or that employers in Georgia have more aggressive programs aimed at returning injured workers to work. However, Georgia also has the lowest weekly benefit maximum among the states studied (U.S. Chamber of Commerce 1999). This factor may discourage injured workers in Georgia from filing claims or from leaving work.

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## Selected Resources

- Fox, S. E., C. S. Casteris, and C. A. Telles. 2000. *Benchmarking the Performance of Workers' Compensation Systems: CompScope™ Multistate Comparisons*. Cambridge, Mass.: Workers Compensation Research Institute.
- Gormley, W. T., Jr., and D. L. Weimer. 1999. *Organizational Report Cards*. Cambridge, Mass.: Harvard University Press.
- National Academy of Social Insurance (NASI). 2000. *Workers' Compensation: Benefits, Coverage, and Costs, 1997–1998 New Estimates*. Washington, D.C.: NASI
- U.S. Chamber of Commerce. 1999. *1999 Analysis of Workers' Compensation Laws*. Washington, D.C.: U.S. Chamber of Commerce.

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