

# Health Care Workers Compensation Barometer

Actuarial Analysis, November 2018

Executive Summary





# Introduction

Aon's Actuarial and Analytics professionals are pleased to present the fourth edition of our biennial study of workers compensation ("WC") claim trends in the health care industry.

This study is designed with health care risk managers in mind, to enable them to measure, maintain and reduce their workers compensation exposure. Specifically, "measure" themselves against their peers, "maintain" standards of practice and safety levels, and "reduce" their overall cost of risk. Because of the unique demographic of health care systems, a benchmark that enables risk managers to compare to their health care peers is valuable for controlling the probability and/or impact of unfortunate events.

According to the U.S. Bureau of Labor Statistics, health care occupations are projected to be among the fastest growing occupational groups during the 2016–26 projections decade, contributing about one fifth of all new jobs by 2026.<sup>1</sup> Health care workers face a wide range of hazards on the job; including needlestick injuries, back injuries, latex allergy, violence, and stress. Although it is possible to prevent or reduce health care worker exposure to these hazards, health care workers continue to experience injuries and illnesses in the workplace. Cases of nonfatal occupational injury and illness among health care workers are among the highest of any industry sector.<sup>2</sup>

All participants were asked to submit a historical loss run, valued on or after December 31, 2017 and complete a benchmark survey. The health care workers compensation database consists of 66 health care systems, including 410,685 non-zero claims, representing \$3.0 billion in incurred loss dollars from 50 states (including the District of Columbia). The database contains historical claim information for ten accident years (2008 through 2017). The estimated payroll for all states, for the 2017 calendar year totals \$70.3 billion.

New in 2018, we also collected employment practices liability claim information from nine health care systems. The database of health care employment practices liability claims consists

of over 2,500 non-zero claims, representing over \$203 million in incurred loss dollars over a ten accident year period (2008 through 2017). The estimated head count represented in this database is approximately 314,000 full-time equivalents for the 2017 calendar year.

The study explores trends in frequency, severity and overall loss rates related to workers compensation for health care systems. Unless otherwise noted, these statistics can be defined as follows:

- **Frequency** – number of claims per \$100,000 of payroll.
- **Severity** (limited to \$500,000 per occurrence) – average loss per claim, where loss includes medical, indemnity, and expense.
- **Loss Rate** (limited to \$500,000 per occurrence) – annual incurred dollars per hundred of payroll.
- **Payroll** – Exposure base used for analysis, assumed to be audited from participant.

The study aggregates participants' responses to the benchmark survey questions. The survey questions were designed to provide additional insights into important issues including:

- Safe patient handling practices,
- Demographics of the workforce, and
- Return to work programs.

Participation in the health care workers compensation benchmark was open to Aon clients and non-clients. Aon is solely responsible for the design, conduct and interpretation of the barometer analysis and holds the copyright thereto.

<sup>1</sup> *Employment Projections. Bureau of Labor Statistics (BLS) of the U.S. Department of Labor.* <<https://www.bls.gov/news.release/pdf/ecopro.pdf>>

<sup>2</sup> *Healthcare Workers. The National Institute for Occupational Safety and Health (NIOSH).* <<https://www.cdc.gov/niosh/topics/healthcare/>>

# Letter to Our Readers

The purpose of this report is to provide risk managers and financial leaders of health care systems around the United States with a data-supported tool to help them better understand workers compensation cost trends within the health care industry. We hope that you will find this study to be a helpful guide to understanding your organization's cost of risk compared to various peer trend statistics contained in this report.

With each biennial edition, we strive to focus our research on emerging and noteworthy areas of interest regarding the health care workers compensation environment. In this year's study, we have focused on a variety of emerging topics including safe patient handling, the aging workforce, return to work programs, as well as, employment litigation trends.

In addition, the sections that follow present detailed findings of our benchmark analysis including historical loss rates, historical frequency and severity, workers compensation claim characteristics, as well as, trends by state.

We are confident that you will find answers, or context, to a number of risk management questions that may be of concern to your organization or operations.

Finally, this report aligns with and supports Aon's mission to provide metric-driven insights that combine robust, credible workers compensation data and leading analytical approaches to drive industry insights for clients and industry peers. We would like to thank all the participants of this study, now in its fourth edition, for making this barometer report such a credible and comprehensive source of health care workers compensation trend data. We understand it takes time to prepare and submit information for this report and we acknowledge that this analysis could not be completed without our participants.

Lastly, we would like to thank our dedicated health care benchmarking data team and other industry leaders here at Aon for contributing to this report in a variety of ways.

Should there be any questions regarding this report, we would be happy to discuss them with you.

Respectfully submitted,

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# Executive Summary

## Key Findings

Based on our actuarial analysis of the workers compensation claim data we find the following:

### Overall Workers Compensation Trends

- For the 2019 accident year, we project health care systems will experience an annual loss rate of \$0.56 per \$100 of payroll. This projection applies at the countrywide level and is made assuming a \$500,000 per occurrence limit. We project that loss rates are decreasing at a 1% annual rate.
- The frequency of workers compensation claims has been consistently decreasing over the experience period. We project that claim frequency will decrease at a 3% annual rate.
- Claim severity, including medical, indemnity and defense costs, is increasing at a modest inflationary rate of 2% per year.
- Average severity for lost time claims is approximately 5.5 times the severity for all claim types.
- Long term care providers have similar severity, but 3.0-3.5 times the claim frequency compared to industry rates for all providers.

### Safe Patient Handling

- Patient Handling claims have the highest average total cost of all workers compensation causes of loss at \$14,100 per claim.
- New this year, we studied workers compensation claims utilizing sub-coded tasks that provide more detail on the root cause of the workers compensation claim.
- Repositioning in bed, where a caregiver moves a patient side to side or up in a bed, cot or gurney had the highest total frequency of all sub-codes studied.
- Fall prevention (preventing a patient fall) had the highest average total cost of all sub-codes studied.

### Aging Workforce in Health Care

- Nurses, including registered nurses, licensed practical nurses, and nursing assistants, represent over 43% of the health care and social assistance sector. In addition, most nurses are over age 50.
- The average total cost of employees aged 51 and older is \$8,900 compared to an average of \$3,200 for the age group of 18-35-year olds.

- For those older than 50, the most common injuries are to the back and shoulders.
- Slip/Trip/Fall claims are the most frequent cause of a workers compensation claim for those older than 50.

### Return to Work Programs

- The longer health care systems take to get employees back to full recovery and regular work, the higher the workers compensation cost to organizations.
- 87% of health care systems provide on-site medical services, regardless of whether it is required or optional.

### Employment Litigation Trends

- According to Equal Employment Opportunity Commission (EEOC) data, the number of sexual harassment cases in 2018 is estimated to reach its highest level since 2012.
- Regardless of the monetary costs, workplace harassment can have a significant adverse business impact, such as damage to an organization's reputation and challenges with respect to attracting and retaining employees.
- The 2018 Aon Barometer analysis of Employment Practices Liability (EPL) claims indicates that retaliation has high average defense and indemnity payments.
- Wage and Hour Insurance can often be a helpful solution to mitigate or transfer risk from these common employment class action suits.

### State Trends

- Frequency, severity and loss rate benchmark statistics vary by state. We have separately analyzed thirteen states.
- New York has the highest loss rate of all states published.
- Texas has the lowest loss rate of all states published.

## Countrywide 2019 Advisory Benchmarks

### All Health Care Providers

The following table presents a summary of our overall findings for health care workers compensation, including all health system types.

#### Health Care WC Results and Annual Trends for Losses Limited to \$500,000 per Occurrence

Advisory Benchmark	Projected 2019 Benchmark	Selected Annual Trend
Frequency*	0.063	-3.00%
Severity	\$8,900	2.00%
Loss Rate*	\$0.56	-1.00%

\* per \$100,000 of Payroll

\* per \$100 of Payroll

### Long Term Care Health Care Providers

The following table presents a summary of our findings for health care workers compensation for long term care providers only.

#### Long Term Care WC Results and Annual Trends for Losses Limited to \$500,000 per Occurrence

Advisory Benchmark	Projected 2019 Benchmark	Selected Annual Trend
Frequency+	0.215	-3.00%
Severity	\$9,520	2.00%
Loss Rate*	\$2.04	-1.00%

+per \$100,000 of Payroll

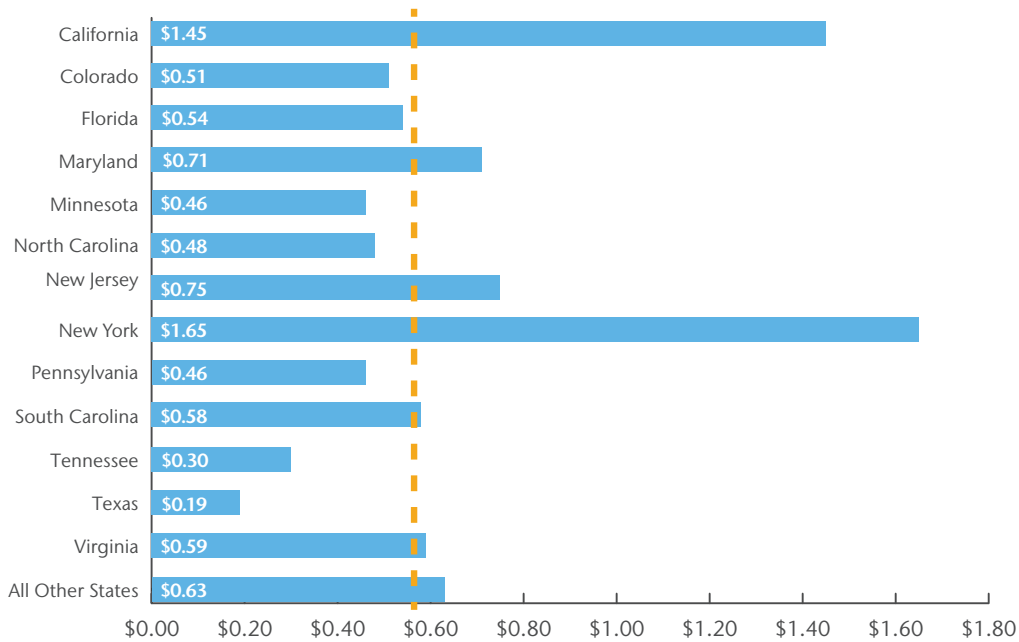
\*per \$100 of Payroll

## State 2019 Advisory Benchmarks

The health care workers compensation database includes claims from 50 states, including the District of Columbia. In this report, we provide benchmark statistics for states having the necessary volume of experience to make the resulting benchmark statistics credible. In measuring credibility, we reviewed payroll, claim counts and volatility of the results.

The following table provides benchmark statistics by state for individually reviewed states in the database. The yellow dashed line represents the 2019 countrywide advisory loss rate (\$0.56).

### 2019 Loss Rates per \$100 of Payroll by State – Losses Limited to \$500,000 per Occurrence







## About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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