



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

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WORKERS' COMPENSATION COSTS IN LOUISIANA

Although the number of Louisiana workers' compensation claims has decreased more than 30 percent among state employees between fiscal years 2006 and 2013, the costs to state agencies have increased from \$44.3 million to more than \$66.2 million in the same period, according to a report on the expense of workers' compensation issued Monday by Legislative Auditor Daryl Purpera.

The informational report, prepared by the state auditor's Performance Audit Service section, also showed that costs per claim among private-sector workers in Louisiana were "higher than most states and grew faster from calendar year 2006 to 2011." During the same time period, the overall cost per claim in the Louisiana private sector was more than \$53,500, compared to the 16-state median of \$36,188. The report said the claims cost in the state "were higher than most states and grew faster from calendar year 2006 to 2011."

The data includes medical costs, payments for lost time at work, and administrative expenses for managing and litigating claims.

The report was submitted to lawmakers as a way "to evaluate workers' compensation costs in Louisiana and to identify ways to control these costs." The report said that a January 2014 national study of workers' compensation rates in the Oregon Workers' Compensation Premium Rate Ranking Summary, shows Louisiana paid the 10th highest premiums in the nation for its public and private workers.

"We found that the high cost of workers' compensation is due, in part, to unlimited temporary disability benefits, an increase in the amount of time workers are off the job, the use of an outdated fee schedule to reimburse medical providers" that pays more than Medicare rates, a costly dispute-resolution process, and the lack of a list of approved drugs that can be used by injured workers.

The report pointed out that the cost of lost time at work due to an injury to a state employee went from \$18.9 million in 2006 to almost \$33.3 million in 2013; medical costs increased from \$27.1 million to \$34.3 million during that time; and expense costs for managing claims and related lawsuits increased from \$2.6 million to almost \$4.5 million in the seven-year period.

Louisiana has higher indemnity costs for lost time at work as a result of an injury than other Southern states "because it does not limit how long individuals can receive temporary disability benefits," according to the report from the state auditor. The report said in the 2006-13 period, \$131.4 million of the \$183.4 million in indemnity payments went to employees with "temporary disabilities.

The average duration of temporary benefits among state workers was 115 weeks, ranging from a low of one week to a high of 33 years as of June 2013. The report said one reason state workers "are off



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longer than workers in private industry” is a state Civil Service rule that allows an injured employee – who may be entitled to up to two-thirds of salary while out – to use leave time accrued to make up the other one-third pay from accrued leave time, while still earning leave while away from the job.

If the state limited “temporary” leave benefits to 104 weeks as Texas and Florida do, the state “would have saved approximately \$80.4 million in benefits” from 2006-13. If the benefits were limited to 500 weeks, as they are in North and South Carolina, “it would have saved approximately \$16 million for the same time period.”

From 2006 to 2011, the length of time Louisiana workers in private industry were off work and receiving temporary disability increased about four weeks to an average of 33 weeks.

“Overall, medical costs are higher than other states because Louisiana uses an outdated fee schedule with reimbursement amounts higher than Medicare” payments to medical providers, according to the report. It said that the Louisiana Workforce Commission developed the fee schedule in 1992 and has updated it only twice, but never adjusted the maximum amounts to be paid.

For example, for a lumbar spine fusion, workers’ compensation allows a payment of \$3,150 compared to a 2014 Medicare rate of \$1,581. Although the LWC is attempting to revise the schedule, the report points out that past efforts to change it have drawn opposition from providers “who could not come to a consensus on what the maximum allowable amounts should be.”

Prescription drug costs are also high because the state “pays higher prices, has more prescription drugs per claim, and ranks highest among states for long-term use of narcotic prescriptions.” It also does not use a drug formulary – a list of approved drugs – which “could help it reduce both costs and abuse,” according to the report.

It said that narcotic pain medication for state employees accounted for at least 24 percent of the \$44 million in prescription medication used by state workers between 2006 and 2013. The WCRI data indicated that drug costs for private-sector workers in Louisiana averaged \$1,182 a claim, “making it the highest among 17 study states and above the median of \$512.” The report said the WCRI data indicated that 17 percent of the injured workers in Louisiana’s private sector who did not undergo surgery “were considered long-term users of narcotics,” the highest percentage among 21 states studied.

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On Twitter: Workers’ compensation claims have decreased, but costs are up.