



# Report Highlights

## Workers' Compensation Costs in Louisiana

DARYL G. PURPERA,  
CPA, CFE

Audit Control # 40130054  
Performance Audit Services • February 2015

### Why We Conducted This Audit

The purpose of this report is to evaluate workers' compensation costs in Louisiana and to identify ways to control these costs.

### What We Found

Workers' Compensation indemnity, medical, and expense costs for state employees totaled approximately \$408 million and have increased by 49% from fiscal year 2006 to 2013 as shown below:

Cost Categories of Payments for State Employees Fiscal Years 2006 to 2013				
Cost Category	2006	2013	% Change 2006 to 2013	Total Costs 2006 through 2013
Indemnity costs	\$18,934,573	\$33,292,971	75.8%	\$183,396,575
Medical costs	27,110,481	34,288,494	26.5%	237,661,953
Expense costs	2,631,248	4,496,493	70.9%	33,034,532
<b>Total*</b>	<b>\$44,315,246</b>	<b>\$66,217,666</b>	<b>49.4%</b>	<b>\$408,417,472</b>

\*This total deducts approximately \$46 million in Second Injury payments, subrogation, and other recovery categories  
**Source:** Prepared by legislative auditor's staff using ORM data.

For private industry employees, workers' compensation indemnity, medical, and expense costs were higher than most states and grew faster from calendar year 2006 to 2011 as shown below:

Average Cost Per Claim for Private Industry Employees in Louisiana Compared to 16-State Median Calendar Years 2009-2012				
	Louisiana	16-State Median	% Difference from Median	% Growth 2006 to 2011
Average indemnity cost per claim	\$23,840	\$17,079	40%	9%
Average medical cost per claim	20,741	16,173	28%	7%
Average expense cost per claim*	8,686	5,139	69%	8%
<b>Overall cost per claim</b>	<b>\$53,513</b>	<b>\$36,188</b>	<b>48%</b>	

\*WCRI defines these as benefit delivery expense, including litigation expenses.  
**Source:** CompScope Benchmarks for Louisiana, 14th Edition, October 2013.

*Continued on next page*

# Workers' Compensation Costs in Louisiana

---

## What We Found (Cont.)

Overall, we found the following:

- **Louisiana has higher indemnity costs than other southern states because it does not limit how long individuals can receive temporary total disability benefits.** If Louisiana limited temporary total disability benefits to 104 weeks, it would have saved approximately \$37.4 million in benefits to state employees from fiscal years 2006 through 2013. If benefits were limited to 500 weeks it would have saved approximately \$7 million for the same time period.
- **Indemnity costs are also higher because Louisiana workers are off the job longer than workers in other states.** One reason state workers are off longer than workers in private industry is because State Civil Service rule 11.21 allows workers to use sick and/or annual leave to make up the difference between disability payments (calculated at 66.67% of their salary) and their full salary.
- **Overall medical costs are higher than other states because Louisiana uses an outdated fee schedule with reimbursement amounts higher than Medicare.** Maximum amounts outlined in the fee schedule have not been updated since the development of the fee schedule in 1992, resulting in maximums that are higher than what Medicare would currently pay.
- **Reimbursement amounts for outpatient procedures are higher than other states and commercial insurance because Louisiana does not require that these procedures be billed according to the fee schedule.** Outpatient costs for state employee claims have increased from approximately \$6 million in fiscal year 2011 to \$10.2 million in fiscal year 2013. In addition, Workers Compensation Research Institute (WCRI) data on private industry employees shows that hospital outpatient payments per claim were among the highest of the 16 study states, with Louisiana's outpatient cost per claim at \$8,075 compared to the median of \$5,252.
- **Prescription drug costs are high because Louisiana pays higher prices, has more prescription drugs per claim, and ranks highest among states for long-term use of narcotic prescriptions.** In addition, Louisiana does not use a drug formulary that could help it reduce both costs and abuse. WCRI data shows that prescription drug costs in Louisiana for private industry employees averaged \$1,182 per claim making it the highest among 17 study states and above the median of \$512. WCRI also found that Louisiana ranked highest among 21 study states for long-term use of prescription narcotics.
- **Workers' compensation costs for state agencies could be reduced in all categories by adopting standard private industry practices, such as drug testing and collecting information on pre-existing injuries.** State employees are not required to take a drug test after they injured on the job. In addition, state employees are not required to report information on pre-existing injuries.