



**FOR MARCH 6, 2003**

## **WORKERS' COMPENSATION**

At a meeting tonight of the House Select Committee on Workers' Compensation this critical issue took another step along its journey toward reform.

Members heard two presentations on the factors that are driving up costs, the first made by an economist with the Workers' Compensation Research Institute (WCRI), a non-profit, non-partisan think tank. For several years now WCRI has been conducting research into the workers' comp systems of Florida and 12 other states with comparable arrangements.

According to WCRI's studies, Florida's permanent impairment benefits, as outlined in statute, average 25 to 50 percent of what other states provide by law. The benefits actually paid in Florida, however, are much higher.

WCRI has also discovered a similar disparity in the cost for care provided in a hospital setting. Florida has a very stingy schedule of fees to be paid for treatment of injured workers, but the cost of treatment is much higher here than elsewhere. Much of the discrepancy is attributable to the cost for care provided in a hospital setting. The costs of non-hospital medical services are among the lowest in the nation. Hospital-based lab tests, on the other hand, are ranked the highest in cost among the other states, as are minor x-ray procedures. On average the nationwide cost for x-rays performed in a hospital are two times the costs of non-hospital x-rays. In Florida, the ratio is six to one.

The presenter made one final observation: "Anything you do to reduce complexity of the system will reduce defense attorney costs."

The next speaker was an actuary from the National Council for Compensation Insurance (NCCI) a not-for-profit rating, statistical and data management services organization. In his presentation he reviewed various statistics comparing costs in Florida to the rest of the nation. Florida's average loss costs, for example, are twice as high as those in other southeastern states, and about 80 percent higher than those in the rest of the nation.

In Florida medical costs comprise 63.6 percent while they constitute an average 47.1 percent of the system's costs nationwide. Permanent-total costs in Florida are 22 percent of total costs compared to eight percent throughout the rest of the country.

The NCCI's research reveals three primary cost drivers:

- 1) Frequency of permanent-total claims is five times higher than it is countrywide, and permanent total costs are four times greater.
- 2) Medical costs for permanent-partial claims are nearly two times higher than the national average; as a result Florida's total cost for permanent-partial claims is 15 percent higher.
- 3) Medical costs for temporary-total claims are 80 higher than they are for the rest of the nation, resulting in a total cost for temporary-total claims that is 40 percent higher than the rest of the nation.

The NCCI presenter traced the higher costs back to attorney involvement, which is significant in Florida and helps explain the cost drivers. According to the NCCI database, Florida's average cost per case is comparable to the rest of the nation when there is no attorney involved. When an attorney is involved, however, Florida's costs are almost 40 percent higher on average.

The statistics presented by both WCRI and NCCI provide compelling evidence that the cornerstone of workers' comp reform must be provisions to reduce attorney involvement in the system.

**AIF supports legislation to increase worker benefits and reduce litigation expense. Promoting greater fairness and efficiency in the system is necessary to curtail escalating costs for the business community.**

Stay tuned to our daily brief and to our web site at [www.fbnet.com](http://www.fbnet.com) as the legislature makes some very important decisions on the state's economy. These decisions will have a major impact on the business community and AIF will be reporting to you everything that happens.

Please send your comments or suggestions to us at [aif@aif.com](mailto:aif@aif.com) or call the Governmental Affairs department at (850)224-7173.

- For more information on all of the important legislative information concerning the business community, go to our "members only" Florida Business Network web site at <http://fbnet.com>
- Send us your E-mail address and we will begin to send this report to you automatically via E-mail.