Workers’ Compensation Trends: Forces Changing The Face of The Market

When thinking of the most hazardous jobs, first responders, aircraft pilots and construction workers often come to mind. Yet, according to the Bureau of Labor Statistics (BLS), registered nurses (RNs) rank among the top five occupations with the most (and some of the worst) work-related injuries. Given the rigorous physical lifting, transferring and repositioning of patients, it is not surprising that RNs suffer from numerous musculoskeletal disorders (MSDs) such as degenerative disc disease, ruptured or herniated discs, rotator cuff tears, and many more.

Today, new technology such as robotic exoskeletons can enable nurses to lift patients with ease, sidestepping often crippling injuries and making their jobs potentially safer. In the construction industry, wearables such as high-tech vests and helmets that vibrate to alert employees to potentially dangerous surroundings help reduce the number of injuries.

Training is also an important component in the ergonomic process. It ensures that workers are aware of ergonomics and its benefits, become informed about ergonomic-related concerns in the workplace and understand the importance of reporting early symptoms of MSDs.

Medical advancements are also impacting workers compensation outcomes. What was once a permanent or partial permanent injury may now have treatments available and be temporary, allowing injured workers to return to work — and return sooner.

In addition, the implementation of corporate return-to-work programs is an important practical approach, allowing injured employees to return sooner into a modified or alternate job role, helping to reduce workers’ compensation costs for businesses.

The National Council on Compensation Insurance (NCCI) reported that workplace injury and illnesses are continuing to decline about 2% to 3% annually across all demographic categories but are dropping most precipitously among younger workers. According to the study, based on data from the BLS, while historically younger workers between the ages of 25 and 34 suffered more workplace injuries and illnesses than workers in other age brackets, the incident rate for illnesses and injuries among younger workers decreased by nearly 50% between 2006 and 2017.

The NCCI recommended a 16.8% overall average rate reduction in 2019 for the voluntary market (Figure 1). The steady decline in accidents and injuries on the job mirrors the decline of workers’ compensation claims and the change in the U.S. workplace, including how different jobs are rated compared to 1969 or even 1999.

**Figure 1. Proposed 2019 workers compensation rate changes**

<table>
<thead>
<tr>
<th>Category</th>
<th>Voluntary market</th>
<th>Assigned risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>-17.5%</td>
<td>-20.4%</td>
</tr>
<tr>
<td>Contracting</td>
<td>-17.6%</td>
<td>-20.6%</td>
</tr>
<tr>
<td>Office &amp; Clerical</td>
<td>-17%</td>
<td>-20%</td>
</tr>
<tr>
<td>Goods &amp; Services</td>
<td>-15.9%</td>
<td>-18.9%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-17.1%</td>
<td>-20.1%</td>
</tr>
<tr>
<td>Overall</td>
<td>-16.8%</td>
<td>-19.8%</td>
</tr>
</tbody>
</table>

*Source: National Council on Compensation Insurance*
**Key Forces Reshaping the Sector**

Key findings from the NCCI’s survey of insurance company leaders found that their greatest concerns were not only new and changing risks associated with an aging workforce, unskilled workers, independent contractors and new technology, but with assessing these and other unknown risks. Additionally, the future of the workers’ compensation industry, opioid abuse and medical marijuana, and advancements in technology are all top of mind. New concerns for worker safety are tied to the hiring of more unskilled workers, distracted drivers and the challenge of “under the influence” workers.

**The steady decline in accidents and injuries on the job mirrors the decline of workers’ compensation claims and the change in the U.S. workplace.**

**Physical and mental issues in the workplace**

While some occupations have seen a drop in physical injuries, others, such as first responders, are dealing with new traumas. An increase in weather-related catastrophes as well as school incidents and workplace violence have resulted in an increase in post-traumatic stress disorder (PTSD). “Getting Out in Front of PTSD,” a 2016 report by Willis Towers Watson, found that 34% of first responders were diagnosed with clinical depression or PTSD, and that it is likely that 20% to 37% of first responders will be diagnosed with PTSD at some point. There are now 33 states and the District of Columbia that permit the use of medical marijuana to treat first responder PTSD. The lack of persuasive scientific evidence is irrelevant; there is a sentiment over science that marijuana helps with PTSD.

**Workplace violence and safety issues**

Violence has emerged as an important safety and health issue in today’s workplace. The most extreme form, homicide, is the third-leading cause of fatal occupational injury in the country, accounting for about 9% of all workplace fatalities in 2015, according to the BLS. In addition, the National Safety Council reports that in 2016, 17% of workplace deaths were the result of violence. Homicide is not the only concern. Sexual harassment, patient attacks on health care workers and even mass casualty events impact a company’s workers’ compensation program. Workplace violence is a challenge for employers striving to maintain a safe working environment for their employees. There must be an emphasis on training, planning and solid programs to prepare and react to these threats.

**Advanced medical technology in controlling claim costs**

One of the most significant concerns for workers’ compensation underwriters is a potential surge in claim costs stemming from the increased use of advanced medical technology. As treatments become more complex, more effective and more expensive, there is a concern that workers’ compensation claim costs will rapidly escalate.

Paradoxically, health companies have established that wearable devices can be a preventative measure to injury and illness — but what about the privacy issue? Do employees want their employer to have access to their Fitbit and other wearables?

**Changing demographics in the workplace**

The gig economy, which includes temporary drivers, laborers and independent professionals, is transforming the U.S. workforce. A study by Intuit predicts that by 2020, 40% of U.S. workers will be independent contractors. This trend carries benefits and risks. Independent contractors can exercise flexibility in their schedules and workload; however, ambiguity in medical coverage for injuries occurring on the job is a long-standing discussion. Who is really going to be responsible? As technology improves and companies find ways to cut operating costs, we will continue to see a growth in the gig economy. But as the workforce changes, are companies adapting to or ameliorating the safeties and benefits of workers?

Another concern for insurers is the aging workforce, putting a strain on the pool of skilled workers and resulting in increased severity and duration of care (Figure 2). Not only do older workers want to work longer, they often need to work longer. Changes in pension plans, increased health care costs and longer life expectancy have led to a postponement of retirement. Further, as jobs change and become more automated, workers are being asked to do more tasks involving technology. Less skilled workers in complex jobs are more likely to become injured.

Additionally, employees are living longer with more chronic diseases. Conditions such as diabetes, heart disease...
and obesity can complicate treatment and recovery from a work-related injury, creating more ambiguity in medical losses. As the average age of the workforce increases, this issue will affect workers’ compensation costs even more than in years past.

**Opioid epidemic**
According to the Centers for Disease Control, opioid overdoses claim more than 40,000 lives each year in the U.S., and the numbers are rising. Workplace injuries often result in some degree of chronic pain, and a starting point for relief and treatment has typically been prescription opioids. However, state governments and insurers are becoming increasingly proactive in mitigating abuse and monitoring for red flags.

**Legalization of marijuana**
The legalization of cannabis creates a huge issue for many states with regard to drug testing. Already legal for medical use in most states, 10 states have now legalized marijuana for recreational use, despite its classification as a Schedule 1 substance under the Controlled Substances Act. Schedule 1 drugs are illegal because they are considered to have high abuse potential, no medical use and severe safety concerns. This generates challenging scenarios for insureds and policyholders when it comes to marijuana. What are the implications when someone is legally allowed to have it but is considered impaired when operating machinery? Are companies restricted from terminating employees with prescribed opioids or cannabis who cannot safely return to regular work duties? Companies are focused on defining pain management protocols. Carriers are trying to expedite worker recovery and oversee treatment and pain management, knowing that non-traditional treatments are now standard treatments.

Employers and policymakers will need to continue to adapt as the benefits and harms of cannabis become clearer. Both marijuana and opioids impact the existing pain treatment protocols, making it increasingly important for companies to focus on personalized treatment plans with more rigorous oversight and change in formularies for chronic pain conditions. This will impact pain evaluation criteria, communication and interaction with patients and, potentially, the introduction of other

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**Figure 2. The Labor Force is Aging**

**Percent Distribution of the Labor Force by Age Group**

<table>
<thead>
<tr>
<th>Year</th>
<th>16-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55+</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>16.5</td>
<td>26.2</td>
<td>26.9</td>
<td>18.6</td>
<td>11.9</td>
</tr>
<tr>
<td>2024 Projected</td>
<td>22.5</td>
<td>22.0</td>
<td>19.4</td>
<td>24.8</td>
<td>16.5</td>
</tr>
</tbody>
</table>

*Source: Bureau of Labor Statistics*
holistic pain management services as approved treatments.

**Data breaches and cyberthreats in the workers’ compensation claim process**

Data breaches and cyberthreats impact all lines of insurance; workers’ compensation is not immune. Companies must be vigilant to the susceptibilities that exist before a data breach or cyberattack occurs because of the type of personal information that can be accessed. When a claim is initiated in the workers’ compensation process, there is personal information that becomes an integral component in ensuring that the claim is handled properly including personal health information, credit and social security numbers that are communicated to physicians, hospitals and other insurers.

In 2017, health systems locally and worldwide were hit with ransomware, shutting down hospital and private practice computer systems while demanding money in exchange for digital keys to unlock the systems. Patient data hacks have resulted in medical device malfunctions and treatment delays — a cyberattack on Merck impacted its ability to produce medicines. History shows companies without a solid cyberinsurance program put their business at risk. Companies and customers will place even greater emphasis on cybersecurity in the future, so it’s important that networks are secured, using encryption appropriately and making sure employees are trained on how to keep confidential data protected.

**An Industry on the Cusp of Transformation**

While technology hasn’t transformed workers’ compensation yet, artificial intelligence (AI), machine learning and other new technologies are helping to improve the claim and underwriting processes and, ultimately, the customer experience.

**Advanced analytics in the claim process**

By combining claim data with detailed medical transaction data, predictive models can supplement the claim administration process to estimate and score an injured worker’s propensity for high future medical costs and accelerate treatment. This can ultimately reduce workers’ compensation costs and improve claim settlement rates. In addition, technology is empowering adjusters to focus on customer service. Machine learning apps may also help to predict high-risk claims while claim management software reduces manual workflow to improve claim handling.

**The Future of Workers’ Compensation**

Despite numerous challenges related to aging workers, increased opioid usage and higher medical costs, industry innovations addressing these issues have kept rates steady or declining and should continue to do so through 2019.

Despite numerous challenges related to aging workers, increased opioid usage and higher medical costs, industry innovations addressing these issues have kept rates steady or declining and should continue to do so through 2019. Technology is opening new frontiers in risk management, but whether this downward trend in workers’ compensation rates continues in 2020 and beyond remains to be seen and will require close attention and further study.

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Kathryn Walker, FCAS, is a senior director with Willis Towers Watson’s Insurance Consulting and Technology, Americas P&C practice.