

ILLINOIS INDUSTRIAL COMMISSION

FY96 ANNUAL REPORT



JIM EDGAR, GOVERNOR

JOHN W. HALLOCK, JR., CHAIRMAN

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HIGHLIGHTS

- Workers' compensation costs have been falling for the last several years. Costs held steady in 1992, then declined 5% in 1993. Since then, the advisory rates for workers' compensation insurance fell 6.8% in 1995, 13.6% in 1996, and another 10.1% in 1997. These declines have occurred despite continuing inflation and a growing workforce. The savings appear to be due to greater efforts to promote safety, resulting in both fewer accidents and less severe injuries.
- ◆ The Commission closed more cases in FY96 than ever before; in fact, this was the first year since FY83 that the Commission closed more cases than were opened.
- The General Assembly corrected a long-standing problem in the Rate Adjustment Fund during FY96. Although the Commission had charged insurance carriers and self-insurers the highest amount allowed by law, it was not enough to cover the benefits due. The legislature increased the assessment paid by insurers and self-insured employers. The RAF pays cost-of-living adjustments to 1,500 individuals who are either permanently and totally disabled or the survivors of fatally injured workers. Payments are now up to date.
- Illinois has established a cost-saving system by which insurers and employers may submit reports of accidents electronically. Illinois was the first state in the country to operate an electronic reporting system and has more participants than any other state. In FY96, we received electronic reports on nearly 39,000 accidents, a 20% increase over the previous year.
- Throughout FY96, the Workers' Compensation Research Institute conducted an extensive study of the workers' compensation system in Illinois. This was the first major study of Illinois since 1989.

MISSION STATEMENT

The Industrial Commission was created to resolve disputes that occur between injured workers and their employers regarding workers' compensation. The Commission strives to assure financial protection to injured workers and their dependents at a reasonable cost to employers. The Commission performs four main functions:

- 1) *Resolve disputes.* The Commission strives to provide a fair, timely process by which disputed claims may be resolved.
- 2) *Ensure compliance with the law.* The Commission protects the rights of employees and employers under the Illinois Workers' Compensation and Occupational Diseases Acts.
- 3) *Administer self-insurance.* The Commission evaluates and approves eligible employers that wish to insure themselves for their workers' compensation liabilities.
- 4) *Collect statistics.* The Commission compiles information on work-related injuries and diseases.

The Commission intends to accomplish these goals while looking constantly for ways to improve the quality of service and treating the public and co-workers with respect. The success of this organization depends on the commitment and full participation of every member.

BOARD MEMBERS

We are grateful to the individuals who serve on our boards. All serve without compensation.

COMMISSION REVIEW BOARD

The board investigates complaints made against arbitrators and commissioners. The senior labor and business commissioners serve on the board, while arbitrators elect one Chicago and one Downstate arbitrator.

John W. Hallock, Jr., Chairman of Board
Chairman, Industrial Commission

Joseph Reichart
Chicago Arbitrator

Richard Gilgis
Senior Business Commissioner

Ann Marie Walsh
Attorney, Lord, Bissell & Brook

Robert Hanaford
Attorney, Robert H. Hanaford, Ltd.

Ruth White
Downstate Arbitrator

Jacqueline A. Kinnaman
Senior Labor Commissioner

SELF-INSURERS' ADVISORY BOARD

The board reviews applications from private companies for the self-insurance privilege and makes recommendations to the chairman. The board also ensures the continued payment of benefits to workers of bankrupt self-insurers.

John W. Hallock, Jr., Chairman of Board
Chairman, Industrial Commission

Donald A. Johnson
President, Illinois State AFL-CIO

Curtis C. Beam
Claims Mgr., Archer Daniels Midland Co.

James L. Sandner
President, Brokers Risk Placement Serv.

William K. Dwyer
Attorney, Law/Claims Division, Amoco Corp.

Todd Shivers
Attorney, Law Division, Ameritech
Illinois

Peter M. Greco
CFO, Elmhurst-Chicago Stone

WORKERS' COMPENSATION ADVISORY BOARD

The board assists the Commission in formulating policies, setting priorities, and developing administrative goals.

Michael V. Hasten, Chairman of Board
Winston & Strawn

Barbara A. Sherman
Attorney At Law

Gregory W. Baise
President, Illinois Manufacturers Assoc.

Lawrence J. Suffredin, Jr.
Attorney At Law

Terrence E. Lynch
Bus. Mgr., Intnat'l. Assoc. of Heat and Frost
Insulators and Asbestos Workers

Jim Sullivan
Business Agent, International Union of
Operating Engineers, Local 150

Donald A. Johnson
President, Illinois State AFL-CIO

Dennis R. Whetstone
President, Illinois State Chamber of
Commerce

Jay Dee Shattuck
Shattuck and Associates

OVERVIEW OF THE LAW

Workers' compensation laws were the first acts of social legislation passed in the United States and they have always been deeply controversial. At the beginning of this century, employers feared the assumption of liability for work-related injuries would destroy their businesses, while workers feared financial ruin from disabling injuries. The bargain struck between the employee and employer consisted of two tradeoffs:

1. Employees gave up their right to sue and potentially win large awards in court in exchange for more modest but sure compensation;
2. Employers gave up their common law defenses in exchange for limits on their liabilities.

Workers' compensation was established as a no-fault system. The theory behind the law is that the cost of work-related injuries or illnesses should be part of the cost of the product or service.

Before the 20th century, an injured worker seeking compensation had to file a lawsuit against his or her employer in court. At the time, the common law held that the employer had a duty to provide a safe place to work and safe tools; to give warnings of dangers; and to provide a sufficient number of appropriate fellow servants to perform the tasks.

In court, the employer could present a defense that blamed the injured worker's contributory negligence, or attributed the injury to the negligence of a fellow servant, or argued that the employee assumed certain risks in accepting the job. The process was prolonged and uncertain, with large risks to both employee and employer.

The high injury and death rates throughout the Industrial Revolution and growing dissatisfaction with the common law gradually led to the enactment of employer liability acts. Employers were held more responsible for negligence, but employees still had to file lawsuits for damages.

The first workers' compensation laws originated in Germany in 1884 with a compulsory system of accident insurance covering all employees in manufacturing, mining, and transportation. Similar laws passed in Austria in 1887, Norway in 1894, and Finland in 1895. Great Britain's law in 1897 was the prototype for U.S. laws.

The U.S. was slow to enact laws, which were passed on a state-by-state basis. Most of the early laws covered only hazardous occupations and were frequently challenged as unconstitutional. Maryland passed the first act in 1902, which was restricted to death cases. The first law of general application that withstood legal challenges was Wisconsin's act of 1911. Illinois passed its law in 1911, effective May 1, 1912.

By 1920 most states had some form of workers' compensation. The last state to pass a law was Mississippi in 1948. To this day, the provisions of the laws vary considerably from state to state.

Originally, the Illinois act was administered by the courts. On July 1, 1913, a three-member Industrial Board was created. In 1917, a five-member Industrial Commission was created within the Illinois Department of Labor under the Illinois Civil Administration Code. In 1957, the Commission separated from the Department of Labor and became a self-standing agency.

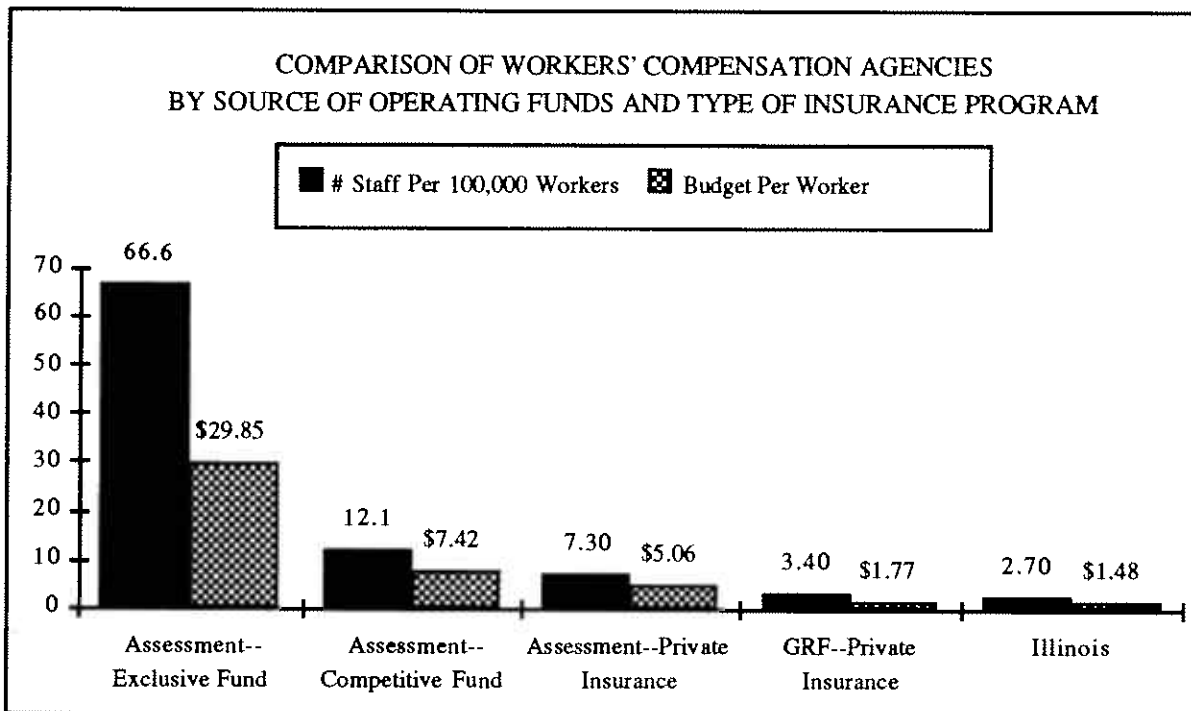
In Illinois, as in most states, workers' compensation is privately funded by insurance policies or by self-insurance. Awards are based on the worker's earnings, subject to certain limits, and are made regardless of need. Cases are first heard by arbitrators, whose decisions may be appealed to commissioners. If warranted, cases may proceed on to the circuit court, Illinois Appellate Court, and the Illinois Supreme Court.

For more information about Illinois law or the operations of the Industrial Commission, see the *Handbook on Workers' Compensation and Occupational Diseases*, which is available from the Commission.

FINANCES

Illinois is one of only a handful of states in the country that appropriate General Revenue Funds for the administration of their workers' compensation program. Most states fund their workers' compensation agencies through assessments of various sorts, usually on insurers and self-insured employers. A joint business and labor panel created by the National Council of State Legislatures has encouraged the remaining states to consider the establishment of independent funding sources, and recommended that states levy assessments against premiums or benefits paid.

As the graph below shows, assessment-funded state agencies have considerably more resources than GRF-funded states, and most GRF-funded states have more resources than does Illinois. ¹

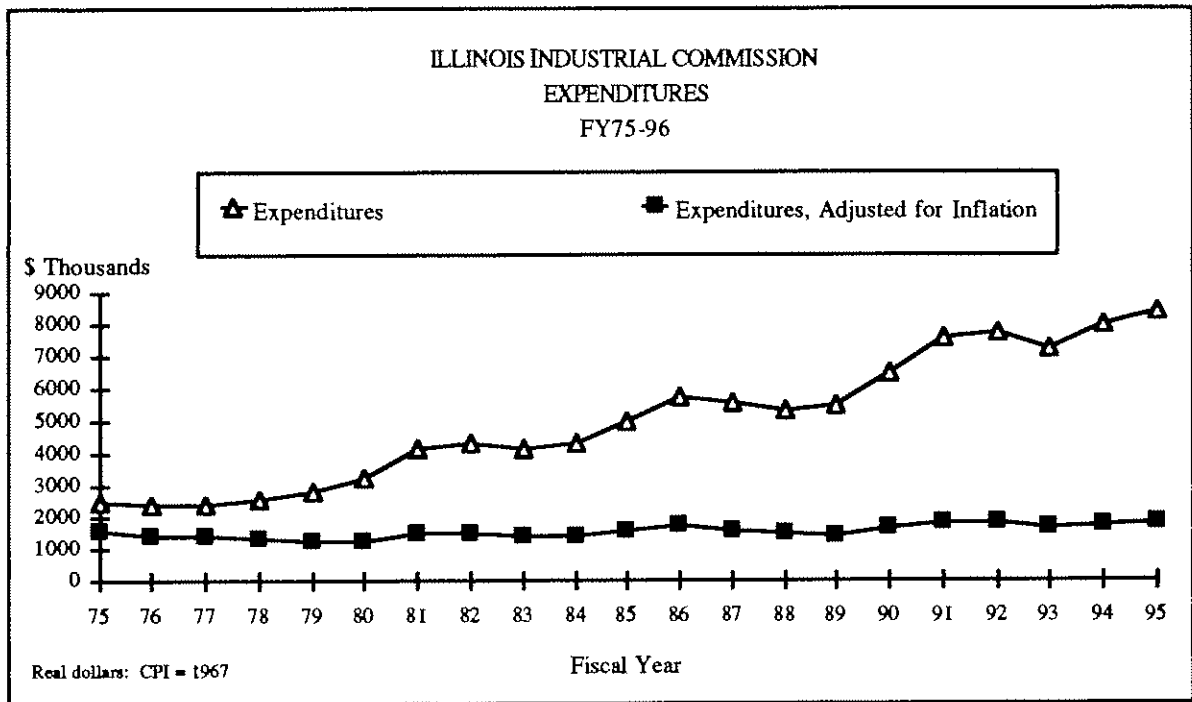


By any measure, the cost of administering Illinois' workers' compensation program is modest. In a recent study of agencies' resources, Illinois' budget per worker ranked 39th out of 44 states for which information was available. These facts should be considered when evaluating the Commission's performance.

The Commission has struggled for resources. In 1989, the legislature committed additional funds to the Commission and the agency undertook a number of improvements. This progress slowed, however, when the state's financial problems in 1992-3 forced two sets of layoffs in two years and caused the Commission to cut services.

Because of this lack of resources, the Commission continues to have a number of unmet statutory mandates: e.g., we make only minimal efforts to make sure employers have insurance, and we do not publish statistics on work-related accidents.

When the effects of inflation are factored in, it becomes clear that despite a 71% increase in the number of cases filed since the 1975 reforms expanded the workers' compensation program, the Commission's budget in real terms has remained nearly flat.



**ILLINOIS INDUSTRIAL COMMISSION
OPERATING EXPENDITURES AND HEADCOUNT
(000s omitted)**

<u>Fiscal Year</u>	<u>Operating Expenditures*</u>	<u>Expenditures Adjusted for Inflation</u>	<u>Headcount At End of Year</u>	<u>New Claims Filed</u>
75	\$2,556.7	\$1,622.3	131	40,177
76	2,426.7	1,469.8	135	44,043
77	2,472.0	1,407.7	125	52,650
78	2,605.7	1,366.4	126	61,812
79	2,829.0	1,318.3	131	77,666
80	3,245.6	1,322.0	160	76,989
81	4,168.3	1,549.6	166	64,783
82	4,358.6	1,516.6	170	58,216
83	4,229.2	1,415.4	184	51,504
84	4,395.4	1,417.4	184	51,378
85	5,061.9	1,573.0	185	54,247
86	5,783.8	1,760.7	186	55,474
87	5,589.3	1,633.8	148	54,088
88	5,331.7	1,500.2	136	56,273
89	5,532.2	1,481.6	136	60,663
90	6,556.8	1,666.3	146	65,137
91	7,635.8	1,865.1	185	66,497
92	7,767.2	1,843.2	165	67,053
93	7,250.0	1,669.0	159	68,216
94	7,990.0	1,799.5	162	68,851
95	8,444.0	1,836.1	164	71,737
96	8,869.4	1,867.2	163	68,623

*Does not include the \$4.3 million multi-year appropriation made in FY90 for the design of new computer systems.
CPI=1967

SPECIAL FUNDS

The Commission manages seven special trust funds that are independent of the General Revenue Fund.

SPECIAL FUNDS: BALANCES AS OF JUNE 30, 1996

	<u>Starting Balance</u>	<u>Income Received</u>	<u>Expenditures</u>	<u>Adjustments</u>	<u>Ending Balance</u>
GROUP SELF-INSURERS' INSOLVENCY FUND	\$218,277	\$85,950	0	0	\$302,227
RATE ADJUSTMENT FUND	(\$2,265,312)	\$4,989,545	\$8,162,466	\$900	(\$5,437,333)
SECOND INJURY FUND	\$284,482	\$1,257,022	\$1,069,302	0	\$472,202
SELF-INSURANCE ADMINISTRATION FUND	\$414,526	\$427,267	\$516,031	0	\$325,762
SELF-INSURANCE SECURITY FUND	\$5,605,100	\$1,689,739	\$1,485,454	(\$715,310)	\$5,094,075
TRANSCRIPT DEPOSIT FUND	\$27,966	\$15,505	\$18,340	0	\$25,131
WORKERS' COMPENSATION BENEFIT TRUST FUND	\$1,373,968	\$142,482	\$503,153	(\$115,205)	\$898,092

GROUP SELF-INSURERS' INSOLVENCY FUND

The Group Self-Insurance Insolvency Fund was created in 1983 to pay benefits to employees of bankrupt group self-insurers. Employers in the group self-insurance pools pay 0.5% of their workers' compensation payments into the fund on January and July of each year. If the available balance falls below \$1 million and the fund is unable to pay benefits due, the Director of Insurance may order a special assessment. If the available balance in the fund reaches \$2 million, assessments are waived. The fund has maintained a desirable balance, and no payments have ever been made. Because the Illinois Department of Insurance regulates group self-insurers (the Commission regulates individual self-insurers), we have suggested that responsibility for this fund transfer to DOI. The Department of Insurance agrees with this proposal. See Illinois Compiled Statutes, Chapter 820, Paragraph 4a.

RATE ADJUSTMENT FUND

The Rate Adjustment Fund was created in 1975 to pay cost-of-living increases to roughly 1,500 individuals who are either permanently and totally disabled or the survivors of fatally injured workers. Self-insured employers and insurance companies pay assessments into the fund, from which benefits are distributed each quarter. Twice each year, self-insured employers and insurance companies pay an amount equal to 3/4 of 1% of all indemnity payments paid in a six-month period preceding the payment date.

Individuals who receive an award or settlement for a permanent total disability or a fatal injury are eligible. RAF benefits begin on July 15 of the second year after the award or settlement is entered by the Commission. Recipients are given an amount equal to the percentage increase in the statewide average weekly wage as certified by the Department of Employment Security. If there is a decrease in the statewide average weekly wage, there is no change in the compensation rate. Benefits are paid quarterly on the 15th of January, April, July, and October.

Since 1983, the fund has had chronic financial problems because payments have exceeded the amount collected, and the liabilities of the fund are growing. As of June 30, 1996, the fund owed over \$5 million. On June 18, 1996, Governor Jim Edgar signed a bill that increased the assessment level from 1/2 to 3/4 of 1%. Payments to beneficiaries are now up to date, and the fund's debt is declining. See Illinois Compiled Statutes, Chapter 820, Paragraph 7.

SECOND INJURY FUND

The Second Injury Fund provides an incentive to employers to hire disabled workers, but Illinois' SIF is more narrowly constructed than most other states. If a worker who had previously incurred the complete loss of a member or the use of a member (one hand, arm, foot, leg, or eye) is injured on the job and suffers the complete loss of another member to the extent that he or she is permanently and totally disabled, the employer is liable only for the injury due to the work-related accident. The fund pays the amount necessary to provide the worker with a PTD benefit.

Approximately 160 individuals receive SIF benefits. In January and July each year, employers pay assessments equal to 1/8 of 1% of all compensation payments made during the previous six months. See Illinois Compiled Statutes, Chapter 820, Paragraphs 7-8.

SELF-INSURANCE ADMINISTRATION FUND

The Self-Insurance Administration Fund was created in 1988 to pay the administrative costs of the Commission's self-insurance program. Private self-insured employers pay a fee of \$500 per entity when applying for or renewing the self-insurance privilege. See Illinois Compiled Statutes, Chapter 820, Paragraph 4a.

SELF-INSURANCE SECURITY FUND

The Self-Insurance Security Fund was created in 1986 to pay benefits to employees of private self-insurers who went bankrupt after 1986. Self-insured employers pay assessments based on their indemnity payments, up to a maximum of 1.2% of indemnity benefits paid during the preceding year. See Illinois Compiled Statutes, Chapter 820, Paragraph 4a.

TRANSCRIPT DEPOSIT FUND

The Transcript Deposit Fund was created under the State Finance Act. When a case is appealed to the circuit court, the fund receives \$35 from the appealing party and pays this fee to Commission court reporters for preparing the files.

WORKERS' COMPENSATION BENEFIT TRUST FUND

Created under the State Finance Act, the Workers' Compensation Benefit Trust Fund pays benefits to employees of private self-insurers who went bankrupt before 1986. Benefits are paid from securities posted by the self-insurers; any unused funds are then returned to the bankrupt estate.

ADMINISTRATION

At the end of FY96, the Industrial Commission consisted of the chairman, five commissioners, 163 Commission employees, and 11 employees in the Self-Insurance Division.

ILLINOIS INDUSTRIAL COMMISSION
STAFFING REPORT
JUNE 30, 1996

Judicial	77
Commissioners ²	5
Arbitrators	25
Court Reporters	28
Support Staff	24
Operations	52
Manager's Office	2
Central Files	8
Data Entry	23
Docket	2
Downstate Offices	3
Emergency Hearings (19(b-1))	2
Information	5
Mail Room	3
Review	3
Switchboard	1
MIS	13
Manager's Office	3
Computer Room/LAN Administration	3
Production Control	3
Systems and Programming	4
Other	21
Chairman's Office	8
Fiscal	9
Human Resources	2
Research and Education	2
Total	163
SELF-INSURANCE ³	11

CHAIRMAN'S OFFICE

8 Staff

John W. Hallock, Jr., Chairman

Working in the Chairman's Office are Frank Capuzi, legislative liaison; Barbara Clemmons, secretary; Linda Freeman, secretary; Janice Hamilton, inspector general; Robert Harris, executive assistant; Cathy Kaczanowski, MIS auditor; Kathryn Kelley, legal counsel; and Joann Pellegrini, administrative assistant to the legislative liaison.

Charles Kusar, Chief Financial Officer

The Fiscal Office develops and maintains the Commission's operating budget; manages the appropriations process; administers the Commission's seven trust funds; and handles payroll, purchasing, and property control.

HUMAN RESOURCES

2 Staff

Rebecca Loreda Paz, Manager
One personnel assistant

This office handles personnel transactions, benefit programs, the Employee Assistance Program, affirmative action, and compliance with the Americans with Disabilities Act.

JUDICIAL DIVISION

77 Staff

Arbitration Unit

Blas Olivares, Coordinator
25 arbitrators (an additional two positions were vacant, and one arbitrator was on leave)
One administrative assistant, two paralegals

Arbitrators hear, decide, and approve settlements of cases. Fourteen arbitrators work in the Chicago office, while 14 arbitrators perform the same duties at the 33 downstate hearing sites. The arbitration support staff sets schedules, conducts legal research, operates a computerized case tracking system, and provides clerical support.

Commission Unit

5 commissioners (one additional position was vacant)
12 staff attorneys
Greg Dollison, Coordinator of Commissioners' Administrative Assistants
Six administrative assistants, one clerk

Two panels of three commissioners hear, decide, and approve settlements of cases that have been appealed from the arbitration level. On each panel, one member is a representative of business, one is a labor representative, and one is a public member. The commissioners' staff attorneys analyze and summarize cases, and draft decisions and orders; the administrative assistants schedule cases, manage cases pending oral argument, and provide clerical support.

Court Reporting Unit

Marvin Goins, Supervisor
28 court reporters

Court reporters record hearings and produce typewritten transcripts of arbitration, review, self-insurance, and other hearings.

MANAGEMENT INFORMATION SYSTEMS

13 Staff

Terry W. Spurlin, Manager
Ian Green, Supervisor of Network Operations and Systems Development
One procurement specialist

Computer Room/Local Area Network

Two public service administrators, one information systems specialist

The Computer Room produces notices, call sheets, forms, reports, and other documents. The Local Area Network group manages the network that connects the computers throughout the Commission and allows users to access information.

Production Control

Three data processing specialists

This unit maintains the calendars for hearings, updates cases, and sends notices.

Systems and Programming

Two programmer/analysts, two interns

In addition to maintaining existing systems, this unit is developing new computer systems.

OPERATIONS DIVISION

52 Staff

Janice Montoya, Operations Manager and Assistant Secretary of the Commission
One management operations analyst (also serving as downstate coordinator)

The Operations Division is responsible for most of the administrative processes involved in resolving disputes. The main functions of each unit are described below.

Central Files/Vault

Walter Bennett, Supervisor
Eight clerks

This unit maintains the case files, coordinates correspondence with the downstate arbitrators, and provides copies of case records to the public.

Data Entry

Lether Scott and Sharon Clarke, Supervisors
20 office coordinators, one clerk

During FY96, Data Entry, which entered case information onto the case management system, and Word Processing, which typed decisions, merged. This allows employees to share tasks more, and has improved productivity. Employees enter data from claims, decisions, settlements, etc., thereby scheduling cases and allowing information to be disseminated. They also type the decisions of arbitrators and commissioners, and prepare documents for mailing.

Docket

Annis McMorris, Supervisor
One clerk

The Docket Unit processes all incoming claims, motions, and other case documents.

Downstate Offices

Maria Sarli-Dehlin, Downstate Coordinator (also serving as management operations analyst)
Three office associates

In addition to the main Chicago office, the Industrial Commission maintains three offices downstate. These offices answered over 18,000 calls in FY96. They also accept claims and provide clerical support for the arbitrators in those areas. The staff also assists the Chicago office in data entry work.

Chicago office:

8th floor
100 W. Randolph
Chicago, IL 60601
312/814-6611

Springfield office:

701 S. Second Street
Springfield, IL 62704
217/785-7084

Rockford office:

200 S. Wyman
Rockford, IL 61101
815/987-7292

Peoria office:

Suite 240
101 S.W. Adams
Peoria, IL 61602
309/671-3019

Emergency Hearings (19(b-1))
Theodore Stephens, Supervisor
One office coordinator

Section 19(b-1) of the Workers' Compensation Act outlines the process by which emergency cases are to be handled within 180 days. This unit tracks and manages the cases from the date a petition for emergency hearing is filed until the matter is resolved.

Information
Jeanie Thompson, Supervisor
Four staff members

Over 58,000 telephone calls were handled in FY96 by the Information staff, who explain Commission procedures and the statutes. They also distribute forms and information packets, and prepare summons for the circuit courts.

Mail Room
Velma Ephraim, Supervisor
Two clerks

The Mail Room handles nearly one-half million pieces of mail each year, responds to requests for handbooks, forms, etc., and maintains supplies.

Review
Bessie Mims, Supervisor
Two clerks

This unit maintains files for cases on review, orders and tracks transcripts, and schedules oral arguments.

Switchboard
Alice Thompson

In addition to the calls placed to Information, the switchboard handles 1,000 calls each week.

RESEARCH AND EDUCATION

2 Staff

Susan Piha, Manager
One statistician

This unit conducts research and operations analysis; handles communications; and manages training programs for arbitrators, commissioners, managers, and staff.

SELF-INSURANCE DIVISION

11 Staff

Janet Kirby, Executive Director

This division administers the self-insurance privilege and handles insolvencies of individual bankrupt self-insurers. The unit is funded separately and is not included in the Commission's headcount.

INSURANCE

The 280,000 private and public employers in Illinois are responsible for the payment of benefits to eligible injured workers; they must either purchase insurance or obtain approval to insure themselves.

INSURANCE

The workers' compensation insurance business in Illinois is healthy and highly competitive. In 1995, there were 337 carriers operating in Illinois. The market is diversified, with the company with the largest market share holding less than 13% of the market. ⁴

Nationwide, insurers writing workers' compensation policies in 1995 experienced a 21% profit on premiums, while Illinois insurers realized 23%, or \$456 million. ⁵

Since 1983, Illinois has allowed insurance companies to set their own premium rates. This is often credited as a factor in keeping Illinois' costs below the national average. While Illinois carriers are free to set their own rates, the National Council on Compensation Insurance, a private organization, issues advisory rates.

After years of increases, the advisory rates for 1995, 1996, and 1997 have dropped significantly, despite continuing inflation and a growing workforce. The NCCI reports that greater safety efforts have reduced both the number and severity of work-related accidents. ⁶

NCCI ADVISORY RATES FOR WORKERS' COMPENSATION INSURANCE IN ILLINOIS

<u>Effective Date</u>	<u>Percentage Change From Previous Year</u>
1/1/90	10.0%
1/1/91	8.5%
1/1/92	9.1%
1/1/93	5.7%
1/1/94	9.6%
1/1/95	-6.8%
1/1/96	-13.6%
1/1/97	-10.1%

Illinois has a smaller assigned risk pool than most other states, indicating the relative ease with which employers are able to obtain workers' compensation insurance. Nationwide, in 1994, the average proportion of workers' compensation insurance in the assigned risk plan was 24.7%, while Illinois' share was only 10.8%. ⁷

In the 1980s, because of budget constraints, the Commission eliminated its program to ensure that employers meet their statutory obligation to obtain workers' compensation insurance. Each year, we receive hundreds of letters concerning employers who may not have workers' compensation insurance. We ask the employers to send us proof of their insurance, but if they do not comply, we do not pursue them. It is unfair for law-abiding employers to compete with those who fail to meet their responsibilities. The Commission is taking steps to reconstitute this program.

Because employers are responsible for reasonable and necessary medical costs necessary to cure or relieve the effects of the injury, most states prohibit insurance companies from trying to obtain the unpaid balance of medical bills from injured workers. Illinois is one of only four states in the country that do not prohibit this practice, called balance billing.

SELF-INSURANCE

Employers may insure themselves for their workers' compensation liabilities. Public employers may self-insure without obtaining approval. Private employers may join a pool of employers or accept the responsibility independently if they obtain approval. The Industrial Commission evaluates individual self-insurers, while the Illinois Department of Insurance evaluates group self-insurers.

The number of parent companies participating in the Commission's self-insurance program appears below.

PARENT COMPANIES PARTICIPATING IN THE INDIVIDUAL SELF-INSURANCE PROGRAM

<u>Date</u>	<u>Number of Parent Companies</u>
6/30/91	390
6/30/92	390
6/30/93	425
6/30/94	483
6/30/95	496
6/30/96	449

All together, self-insurers pay 27% of the benefits in Illinois. Self-insurance plays a larger role in Illinois than in most other states. ⁸

PERCENT OF BENEFITS PAID BY SELF-INSURERS

National average	23%
Illinois	27%

Neighboring States		Large Industrial States	
Indiana	12%	California	31%
Iowa	16%	Florida	38%
Kentucky	30%	New York	21%
Michigan	46%	Ohio	22%
Missouri	35%	Pennsylvania	21%
Wisconsin	13%	Texas	12%
<i>Median</i>	23%	<i>Median</i>	22%

STATISTICS

Illinois law directs the Industrial Commission to compile information from employers' reports of accidents and publish the data each year. Due to a lack of resources, however, the Commission has never operated a computer system for accident reports. After the legislature made a special appropriation in 1989, we designed an accident reporting system, but subsequent statewide financial problems prevented the Commission from receiving the funds to fully operate the system.

In response, we invited insurance companies and self-insured employers to send us the accident reports electronically. Electronic transmission is considerably less expensive than the labor-intensive data entry of paper forms.

In FY96, we received electronic reports from insurance companies or self-insured employers on nearly 39,000 accidents, a 20% increase over the previous year. We have more participants in the electronic reporting program than any other state.

In addition, the International Association of Industrial Accident Boards and Commissions gave Illinois an award for being the first state to operate an electronic reporting system. We are encouraging insurance companies and self-insurers to participate in the program.

Until reliable accident information is available, the Commission will continue to report information that is available from the case management system. There are about 400,000 work-related accidents in Illinois each year, and roughly 70,000 claims are filed with the Commission; the statistics in this section refer only to those cases that are filed with the Commission.

ACCIDENT

Part of body injured. The table below is based on information provided by the employee on the claim form; it does not represent the final outcome of the case.

PART OF BODY INJURED
BY FISCAL YEAR ACCIDENT OCCURRED

	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
Head	3.6%	3.5%	3.5%	3.4%
Eyes	0.7%	0.7%	0.8%	0.7%
Not specified	2.9%	2.8%	2.7%	2.7%
Neck	3.7%	3.6%	3.6%	3.5%
Trunk	26.1%	26.3%	27.4%	28.3%
Back	19.7%	19.6%	20.6%	21.6%
Shoulder	4.7%	4.9%	4.9%	4.8%
Not specified	1.7%	1.8%	1.9%	1.9%
Upper extremities	29.6%	31.3%	31.4%	31.0%
Arm	8.0%	8.6%	8.7%	8.5%
Finger	6.5%	6.8%	6.4%	6.5%
Hand	13.1%	14.0%	14.5%	14.3%
Not specified	2.0%	1.9%	1.8%	1.7%
Lower extremities	18.8%	18.9%	18.9%	19.1%
Foot	5.2%	5.2%	5.2%	5.1%
Knee	5.1%	5.2%	5.1%	5.5%
Leg	6.9%	7.0%	7.1%	7.0%
Toe	0.4%	0.4%	0.4%	0.4%
Not specified	1.2%	1.1%	1.1%	1.1%
Body systems	0.1%	0.1%	0.1%	0.1%
Multiple parts	18.2%	16.3%	15.1%	14.7%
Total	100.1%	100.0%	100.0%	100.1%

Location of accident. Cases that arise in Cook County are randomly assigned among the 14 Chicago arbitrators. Outside of Cook County, there are 14 downstate arbitrators covering 33 hearing sites throughout Illinois.

Downstate, cases are assigned to the hearing site near the place of the accident. If the accident occurred outside of Illinois, the case is assigned to the hearing site closest to the petitioner's home; if the petitioner lives outside of Illinois, the case is set at the site most convenient to the parties.

The following table groups the 1,200 cities and towns in Illinois by the hearing sites to which the claims were assigned.

	LOCATION BY FISCAL YEAR OF ACCIDENT			
	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
Chicago	46.26%	44.37%	44.08%	44.05%
Downstate	53.74%	55.63%	55.92%	55.95%
Alton	1.41%	1.58%	1.73%	1.87%
Belleville	2.53%	2.50%	2.47%	2.51%
Benton	1.57%	1.59%	1.63%	2.03%
Bloomington	1.80%	1.96%	2.00%	1.90%
Carlinville	0.38%	0.50%	0.55%	0.62%
Carlyle	1.07%	1.05%	1.05%	1.14%
Clinton	0.53%	0.54%	0.45%	0.47%
Danville	0.90%	0.98%	0.99%	0.97%
Decatur	2.02%	1.99%	1.82%	1.85%
De Kalb	0.62%	0.67%	0.70%	0.70%
Galesburg	0.88%	1.03%	0.98%	0.94%
Geneva	3.81%	3.66%	3.78%	3.71%
Granite City	1.20%	1.41%	1.09%	1.11%
Jacksonville	0.72%	0.91%	0.89%	0.79%
Joliet	3.47%	3.51%	3.37%	3.33%
Kankakee	1.34%	1.38%	1.44%	1.49%
Kewanee	0.34%	0.35%	0.38%	0.36%
Lawrenceville	0.61%	0.87%	0.93%	0.94%
Marion	1.01%	1.22%	1.27%	1.23%
Mattoon	2.08%	2.24%	2.04%	1.75%
Mt. Vernon	0.55%	0.55%	0.61%	0.60%
Ottawa	1.21%	1.08%	1.31%	1.28%
Peoria	3.32%	3.42%	3.41%	3.40%
Quincy	0.54%	0.69%	0.67%	0.53%
Rock Falls	0.86%	1.12%	1.02%	1.05%
Rock Island	1.14%	1.23%	1.40%	1.45%
Rockford	4.14%	4.31%	4.07%	4.19%
Springfield	1.92%	1.76%	1.76%	1.84%
Taylorville	0.18%	0.26%	0.29%	0.30%
Urbana	1.42%	1.28%	1.36%	1.25%
Waukegan	3.43%	3.35%	3.47%	3.55%
Wheaton	5.34%	5.31%	5.58%	5.56%
Woodstock	1.41%	1.32%	1.39%	1.26%

Note: Given that this table uses the date of accident, the higher figures for Chicago in FY96 may reflect the greater ease of filing claims in Chicago, rather than an increase in accidents.

APPEAL RATES

Arbitration. Roughly half of arbitration decisions are appealed each year.

	APPEAL OF ARBITRATION DECISIONS			
	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
Total arbitration decisions issued	3,536	3,560	3,772	3,968
Percentage appealed	52%	53%	50%	53%

As shown below, the outcome of the appealed cases varies by the party that requested the review.

Appeal Filed by:	OUTCOME OF APPEALS REVIEW DECISIONS ISSUED IN FY96			
	<u>Petitioner (Worker)</u>	<u>Respondent (Employer)</u>	<u>Both</u>	<u>Total</u>
Affirmed	73%	64%	56%	67%
Reversed	5%	3%	3%	4%
Benefits Increased	19%	6%	20%	14%
Benefits Decreased	3%	27%	21%	15%

Since FY91, arbitrators have received statistics on their appealed cases. As shown below, there has been an increase in the percentage of cases in which the arbitrators' decisions were affirmed by the commissioners and a decrease in the percentage of cases in which benefits are decreased. The variation among arbitrators has declined, as well.

	OUTCOME OF APPEALS REVIEW DECISIONS ISSUED DURING FY			
	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
Affirmed	67%	63%	62%	59%
Reversed	4%	5%	6%	3%
Benefits increased	14%	14%	12%	14%
Benefits decreased	15%	18%	20%	24%

Review. The appeal rates have stayed relatively constant over the last several years. Because our computer codes do not indicate which orders are appealable and which are not, orders are excluded from the following calculations. If orders were included, the appeal rates would be in the range of 20%.

	OUTCOME OF REVIEW DECISIONS			
	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
Total review decisions issued	1,576	1,487	1,622	1,832
Percentage appealed	25%	24%	25%	25%

ATTORNEY INVOLVEMENT

Most employees and employers who have workers' compensation cases on file with the Industrial Commission retain legal counsel. In FY96, 85% of workers had attorneys when they filed their cases. Of the cases closed in FY96, only 12% of the original settlement contracts had attorneys on file; attorneys were listed in 95% of arbitration decisions and 99% of review decisions.

If the employee obtains a lawyer, Illinois law governs the relationship. Generally the attorney's fee is limited to 20% of the amount recovered, unless additional fees are allowed by the Commission after a hearing. For more details, please refer to the *Handbook on Workers' Compensation and Occupational Diseases*.

AVERAGE WEEKLY WAGE

Claimants' wages generally lag behind the statewide average weekly wage. Claimants' wages averaged \$26,362 per year, 11% lower than the statewide average of \$29,660. Paid at 66 2/3% of wages, the average temporary total disability benefit would have been \$338 per week. ⁹

	AVERAGE WEEKLY WAGE BY YEAR CLAIM FILED			
	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
Claimants' Average Weekly Wage	\$506.96	\$497.38	\$477.15	\$463.12
Statewide Average Weekly Wage as of 6/30	\$570.38	\$551.56	\$534.69	\$516.11

BENEFIT RATES

Unless otherwise noted, benefits are paid at 66 2/3% of the injured worker's gross average weekly wage (AWW) during the year preceding the accident or last exposure. Benefits are limited by the statewide average weekly wage (SAWW) in effect at the time of the injury or exposure. The Illinois Department of Employment Security publishes the SAWW every six months.

WEEKLY BENEFIT LIMITS AS OF JUNE 30, 1996

	<u>Minimum</u>	<u>Maximum</u>
TEMPORARY TOTAL DISABILITY		
Single	\$100.90	\$760.51
Married, no children	\$105.50	\$760.51
1 child under 18	\$108.30	\$760.51
2 children	\$113.40	\$760.51
3 children	\$117.40	\$760.51
4+ children	\$124.30	\$760.51

The minimum benefit is the worker's AWW or the amounts listed above, whichever is lower. The maximum benefit can be no more than 133 1/3% of the SAWW. Less than 10% of claimants are affected by either the minimum or maximum benefit levels.

PERMANENT PARTIAL DISABILITY

Single	\$80.90	\$410.43
Married, no children	\$83.20	\$410.43
1 child under 18	\$86.10	\$410.43
2 children	\$88.90	\$410.43
3 children	\$91.80	\$410.43
4+ children	\$96.90	\$410.43

Benefits are paid at 60% of the worker's AWW. The minimum benefit is the worker's AWW or the amounts listed below, whichever is lower. The maximum benefit can be no more than the published maximum rate. In cases of amputation or enucleation of an eye, the maximum rate is \$760.51.

PERMANENT TOTAL DISABILITY	\$285.19	\$760.51
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The minimum benefit cannot be less than 50% of the SAWW. The maximum benefit can be no more than 133 1/3% of the SAWW.

FATALITY	\$285.19	\$760.51
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The minimum benefit cannot be less than 50% of the SAWW. The maximum benefit can be no more than 133 1/3% of the SAWW. Benefits are paid for up to 20 years or \$250,000, whichever is greater.

CASES CLOSED

The Commission closed more cases in FY96 than ever before. Figures for prior years have been adjusted to more accurately distribute the settlements approved by arbitrators and commissioners.

TOTAL CASES CLOSED ARBITRATION AND REVIEW LEVELS

	<u>FY96</u>	<u>%</u>	<u>FY95</u>	<u>%</u>	<u>FY94</u>	<u>%</u>	<u>FY93</u>	<u>%</u>
Dismissals	6,707	10%	8,192	12%	7,695	12%	5,725	9%
Settlements	61,712	87%	59,337	85%	55,625	85%	57,753	87%
Decisions	2,437	3%	2,272	3%	2,422	4%	2,684	4%
Total	<u>70,856</u>	100%	<u>69,801</u>	100%	<u>65,742</u>	101%	<u>66,162</u>	100%
Percentage change		2%		6%		(1%)		3%

Note: Because of rounding, percentages do not always add up to 100.

Arbitration. As in most court systems, most disputes at the Commission are resolved through settlement. Arbitrators often hold pre-trials to help the parties narrow the issues in dispute, which helps the parties to reach agreement. Please note that, at arbitration, a case is counted as closed if it was settled or dismissed, or if a decision was issued and no appeal was filed.¹⁰

CASES CLOSED AT ARBITRATION

	<u>FY96</u>	<u>%</u>	<u>FY95</u>	<u>%</u>	<u>FY94</u>	<u>%</u>	<u>FY93</u>	<u>%</u>
Dismissals:								
Voluntary	1,032		918		883		969	
Want of prosecution	<u>5,470</u>		<u>7,072</u>		<u>6,509</u>		<u>4,544</u>	
Total dismissals	6,502	10%	7,990	12%	7,392	12%	5,513	9%
Settlements:								
Original settlements	10,212		9,876		8,862		9,279	
Before arbitration dec.	49,999		48,250		45,714		47,238	
After arbitration dec.	<u>214</u>		<u>204</u>		<u>183</u>		<u>187</u>	
Total settlements	60,425	88%	58,330	86%	54,759	86%	56,704	89%
Decisions	1,368	<u>2%</u>	1,297	<u>2%</u>	1,316	<u>2%</u>	1,429	<u>2%</u>
Total closed	68,295	100%	67,617	100%	63,467	100%	63,646	100%
Percentage change		1%		7%		0%		4%

Review. A sizable backlog in review cases has been eliminated, fewer cases are pending, and cases are progressing smoothly.

CASES CLOSED AT REVIEW

	<u>FY96</u>	<u>%</u>	<u>FY95</u>	<u>%</u>	<u>FY94</u>	<u>%</u>	<u>FY93</u>	<u>%</u>
Dismissals at review	205	8%	202	9%	303	13%	212	8%
Settlements:								
Before arbitration decision	755		487		338		410	
After arbitration decision	309		326		350		407	
After review decision	<u>223</u>		<u>194</u>		<u>178</u>		<u>232</u>	
Total settlements	1,287	50%	1,007	46%	866	38%	1,049	42%
Review decisions	1,069	<u>42%</u>	975	<u>45%</u>	1,106	<u>49%</u>	1,255	<u>50%</u>
Total cases closed	2,561	100%	2,184	100%	2,275	100%	2,516	100%
Percentage change		17%		(4%)		(10%)		(6%)

CASES OPENED

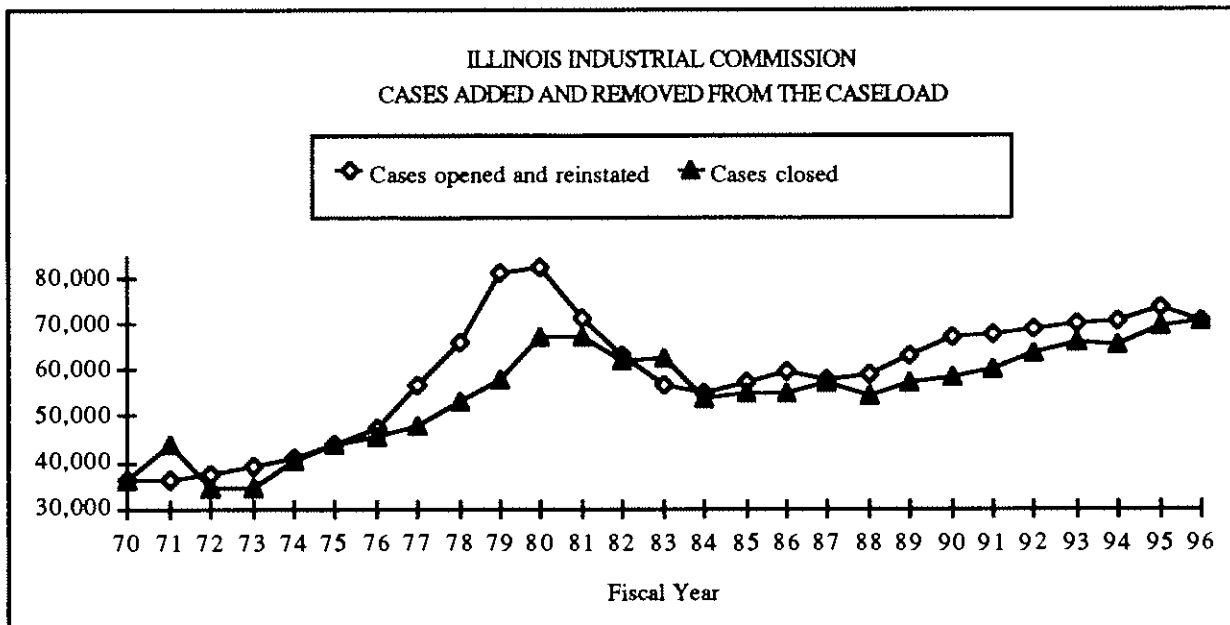
After the workers' compensation program was expanded in 1975, the number of claims filed with the Commission increased rapidly, hitting record levels in FY79 and FY80. During the 1980s, filings moderated, although they stayed considerably higher than pre-1975 levels. After several years of modest increases during the 1990s, FY96 saw a decline in the number of new cases filed.

	CASES OPENED			
	FY96	FY95	FY94	FY93
New claims filed	58,315	61,812	59,756	58,430
Original settlements ¹¹	<u>10,319</u>	<u>9,925</u>	<u>9,095</u>	<u>9,786</u>
Total new cases filed	68,634	71,737	68,851	68,216
Percentage change	(4%)	4%	1%	2%
Reinstated	1,736	2,031	1,641	1,601
Remanded to arbitrator	102	51	66	70
Remanded to commissioner	<u>71</u>	<u>86</u>	<u>84</u>	<u>80</u>
Total cases returned to caseload	1,909	2,168	1,791	1,751
Total additions to the caseload	70,543	73,905	70,642	69,967
Illinois employment*	5,647,300	5,534,175	5,392,967	5,207,791
Percentage change	2%	3%	4%	(1%)

*Source: Illinois Department of Employment Security. These figures represent the average annual employment, excluding federal employees. (Federal workers are covered under a federal workers' compensation program.)

CASES PENDING

As the following chart indicates, FY96 was the first time since FY83 that more cases were removed from the caseload than were added.



COVERAGE OF EMPLOYEES

In most cases, an employee who is hired or injured in Illinois, or whose employment is localized in Illinois, is covered by the Illinois Workers' Compensation and Occupational Diseases Acts. The law does exempt certain farm workers, domestic workers, and commission-only sales agents. The Social Security Administration has estimated that 86% of Illinois workers are covered by the act. See the chapter on interstate comparisons for more information.

DURATION OF DISABILITY

After years of steady increases in the average duration of temporary total disability, durations declined in FY95 and FY96.

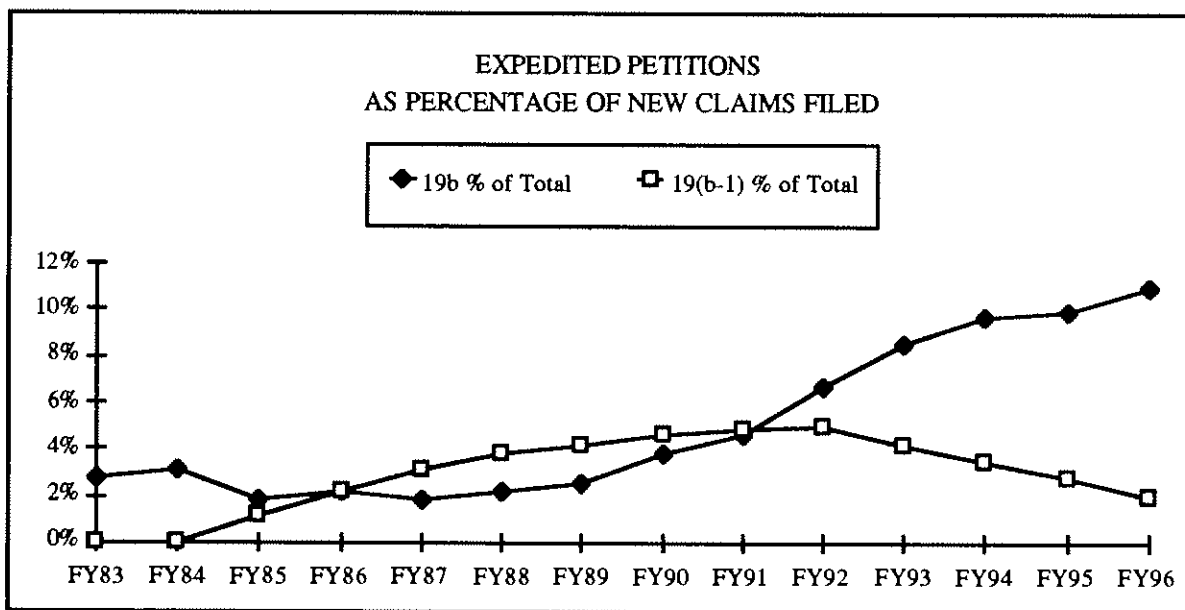
AVERAGE NUMBER OF WEEKS OF TTD
IN CASES SETTLED OR DECIDED BY THE COMMISSION
BY YEAR CASE CLOSED

	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
Female	22.2	22.7	22.9	22.3
Male	23.7	24.7	25.3	24.5
Over 40 years old	26.1	27.7	27.8	27.7
40 years or under	21.4	21.9	22.6	21.6
Total	23.2	24.1	24.6	23.9

EXPEDITED CASES

In 1984, the legislature created a special process under Section 19(b-1) of the act to expedite cases. If the injured worker is not receiving temporary total disability benefits or medical benefits, he or she may petition for an emergency hearing. Alternately, the worker may choose to file under 19(b) of the Act if he or she is not receiving temporary total disability benefits.

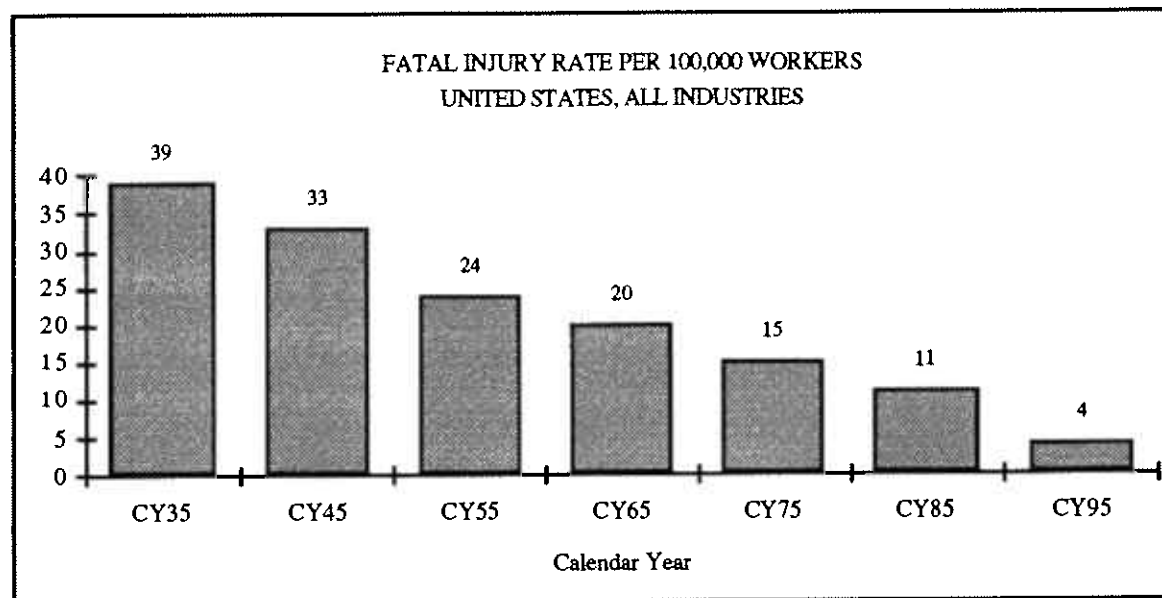
Over the last several years, there has been a clear movement away from 19(b-1) petitions, which involve statutorily set deadlines, to 19(b) petitions, where the times are not defined but expedited hearings are set. Overall, the proportion of the caseload filing expedited petitions of either sort has steadily increased.



By law, the Commission is to resolve 19(b-1) cases through both the arbitration and review levels within 180 days, or 6 months. In FY96, on average, 19(b-1) cases were resolved in 77 days at the arbitration level and 87 days at the review level, for a total of 164 days. Statistics on individual turnaround times are provided to each arbitrator and commissioner.

FATAL INJURIES

The rate of work-related fatal injuries in the United States has dropped steadily and significantly.¹²



Bureau of Labor Statistics study. The Industrial Commission provides information on fatal workers' compensation claims to the Illinois Department of Public Health, which has participated in the U.S. Bureau of Labor Statistics Census of Fatal Occupational Injuries since 1992. The CFOI methodology does not correspond exactly to workers' compensation criteria, but the figures provide a standard measure of fatal injuries (not illnesses) for the country.¹³

LEADING CAUSES OF DEATHS IN ILLINOIS

	1992		1993		1994		1995	
	#	%	#	%	#	%	#	%
Assault or violent act	41	16%	50	20%	50	20%	43	17%
Contact with objects/equip.	45	17%	45	18%	42	17%	38	15%
Exposure to harmful subst.	27	10%	30	12%	32	13%	33	13%
Fall	37	14%	35	14%	40	16%	44	18%
Fire or explosion	10	4%	10	4%	4	2%	12	5%
Transportation accident	97	37%	81	32%	79	32%	78	31%
Other	3	1%	1	0%	0	0%	1	0%
Total	260	99%	252	100%	247	100%	249	99%

FATAL INJURIES BY INDUSTRY IN ILLINOIS

	1992		1993		1994		1995	
	#	%	#	%	#	%	#	%
Agriculture	31	12%	40	16%	43	17%	30	12%
Construction	43	17%	38	15%	48	19%	63	25%
Government	16	6%	16	6%	9	4%	19	8%
Manufacturing	41	16%	36	14%	25	10%	35	14%
Mining	7	3%	4	2%	4	2%	0	0%
Services (incl. Finance)	44	17%	38	15%	34	14%	28	11%
Transportation	43	17%	34	14%	43	17%	38	15%
Wholesale and retail trade	33	13%	39	16%	35	15%	32	12%
Other	2	0%	7	3%	6	2%	4	2%
Total	260	101%	252	101%	247	100%	249	99%

GENDER

Women constitute approximately 45% of the work force in Illinois, but they file a smaller share of workers' compensation claims. The most dangerous industries--agriculture, construction, etc.--are still male-dominated. There has been a steady increase in the proportion of female claimants; in FY85, 22% of claimants were female; in FY90, 26% were female; and in FY96, 32% were female.

CLAIMANTS BY GENDER BY YEAR CLAIM FILED

	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
Female	32%	32%	31%	30%
Male	68%	68%	69%	70%

MEDICAL CARE

By law, the employer is required to pay for medical care that is reasonably required to cure or relieve the employee from the effects of a work-related injury or disease. The employer shall pay for all necessary first aid and emergency services, two treating physicians, surgeons, or hospitals of the employee's choice, and any additional medical care providers to whom the employee is referred by the two physicians, surgeons, or hospitals.

The employer shall also pay for necessary physical, mental, and vocational rehabilitation of the employee. The employee must cooperate in reasonable programs to assist in his or her recovery and return to work.

Balance billing is a practice by which medical providers try to obtain payment of any unpaid balances of medical bills from the injured worker. Workers may be pursued by collection agencies and their credit records may be damaged for bills that were never their responsibility.

Illinois is one of only four states in the country that does not prohibit this activity. The other states are Idaho, North Carolina, and Utah. Individuals who experience such problems may contact the Consumer Services Division at the Illinois Department of Insurance (217/782-4515) for assistance.

Reliable information on medical benefits is not available from the Commission's current computer system. Some medical data from external sources appears in the chapter on interstate comparisons.

PENALTIES

Under Section 19(k) of the Act, the Commission may award to the petitioner compensation equal to 50% of the amount payable at the time of the award if there was an unreasonable or vexatious delay of payment, or an intentional underpayment of compensation.

Under Section 19(l), the Commission may award to the petitioner compensation of \$10 per day for every day that a weekly compensation benefit has been withheld without good and just cause, up to \$2,500.

CASES WITH PENALTIES AWARDED BY YEAR AWARDED

	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
19(k)	40	36	27	46
19(l)	61	69	74	64
19(k) and 19(l)	84	51	53	48
Total	185	156	154	158

POST-AWARD PETITIONS

Cases that were closed by awards or certain settlements may return to the Commission for additional hearings. Under Section 8(a) of the Act, an injured worker may petition the Commission to order payment for additional medical treatment. Under Section 19(h) of the Act, either party may petition if the injured worker's physical condition changes significantly within 30 months of an award or settlement.

CASES WITH POST-AWARD PETITIONS FILED BY YEAR PETITION FILED

	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>	<u>FY93</u>
8(a)	114	87	95	61
19(h)	31	19	42	30
8(a) and 19(h)	68	89	122	101
Total	213	195	259	192

REHABILITATION

If an injury substantially impairs an employee's earning capacity, the employer may be required to pay for the physical, mental, and/or vocational rehabilitation of the employee. Before the Commission will order rehabilitation, there must be a reasonable and cost-effective plan that will likely lead to a job, increase the employee's earning capacity, and improve his or her job security.

According to Industrial Commission Rules (Section 7110.10), the employer must prepare a rehabilitation plan when it becomes clear that an injured worker will be unable to resume his or her previous duties, or when the period of temporary total disability exceeds 120 continuous days, whichever comes first. The document must include a written assessment of the employee's medical condition and treatment, and an assessment of the rehabilitation that will be necessary to physically and economically restore the worker.

The plan should identify an occupation for which there is a stable job market in the employee's area and which the employee may reasonably train for and obtain. Although the employer is required to prepare a rehabilitation plan, either party may submit a plan for approval.

The employee must cooperate with the rehabilitation or risk termination of compensation benefits. If the employee has sufficient skills to obtain satisfactory employment without further training, or so lacks skills and educational abilities as to make employment unlikely, the Commission may find rehabilitation inappropriate.

TURNAROUND TIME

In 1989, the legislature prohibited the introduction of new evidence at the review level. This seems to have affected the turnaround time of cases at both arbitration and review. Cases at arbitration have been extended and cases at review have moved more quickly. On average, in FY96 arbitration decisions were issued 2.7 years from the date a claim was filed; review decisions were issued 1.1 years from the date the petition for review was filed.

In FY96, 87% of all resolutions occurred by settlement. In most of these cases, the parties reach a settlement without ever going to trial. The time involved in these pre-arbitration cases is almost wholly dependent on the parties, because they decide when they are ready to settle. On average, these cases were settled 1.7 years after the claims were filed.

This time period has held relatively steady for the last several years and may represent the time necessary for an injured worker to become medically stationary and the parties to reach agreement. This is important to remember when considering the timeliness of the Commission's actions.

INTERSTATE COMPARISONS

BENEFITS

Workers' compensation benefits cost more in Illinois than most neighboring states, but they are lower than the national average, and are growing at a slower rate. ¹⁴

AVERAGE BENEFITS PAID PER COVERED EMPLOYEE

	National average	\$466		
	Illinois	\$379		
Neighboring States			Large Industrial States	
Indiana	\$177		California	\$680
Iowa	\$212		Florida	\$391
Kentucky	\$385		New York	\$374
Michigan	\$418		Ohio	\$534
Missouri	\$332		Pennsylvania	\$569
Wisconsin	\$265		Texas	\$452
<i>Median</i>	\$299		<i>Median</i>	\$493

BENEFITS AS PERCENTAGE OF WAGES

	National average	1.80%		
	Illinois	1.35%		
Neighboring States			Large Industrial States	
Indiana	0.74%		California	2.36%
Iowa	1.01%		Florida	1.71%
Kentucky	1.77%		New York	1.14%
Michigan	1.50%		Ohio	2.13%
Missouri	1.40%		Pennsylvania	2.22%
Wisconsin	1.15%		Texas	1.76%
<i>Median</i>	1.28%		<i>Median</i>	1.95%

INCREASE IN TOTAL INDEMNITY AND MEDICAL BENEFITS, 1984-1993

	National average	152%		
	Illinois	102%		
Neighboring States			Large Industrial States	
Indiana	171%		California	187%
Iowa	101%		Florida	149%
Kentucky	136%		New York	176%
Michigan	96%		Ohio	87%
Missouri	236%		Pennsylvania	187%
Wisconsin	155%		Texas	64%
<i>Median</i>	146%		<i>Median</i>	163%

WORKERS' COMPENSATION BENEFIT PAYMENTS IN BILLIONS OF DOLLARS

	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>
Illinois	\$1.668	\$1.750	\$1.745	\$1.607	\$1.432
% Change	(5%)	0%	9%	12%	12%
United States	\$42.925	\$44.660	\$39.171	\$35.344	\$31.556
% Change	(4%)	14%	11%	12%	13%

When costs are broken down by type of benefits, Illinois generally costs more than neighboring states but less than other large industrial states. ¹⁵

AVERAGE COST PER CASE BY INJURY TYPE
POLICY YEAR 92, UNLESS OTHERWISE NOTED

	Temporary <u>Total</u>	Total <u>Medical</u>	Permanent <u>Partial</u>	Permanent <u>Total</u>	<u>Fatal</u>
Illinois	\$3,037	\$2,181	\$19,980	\$264,725	\$152,587
Neighboring States					
Indiana	\$1,965	\$1,243	\$9,790	\$99,493	\$88,977
Iowa	\$1,633	\$1,635	\$15,391	\$207,319	\$175,753
Kentucky (PY91)	\$2,033	\$2,892	\$23,881	\$88,120	\$181,626
Michigan	\$3,062	\$1,669	\$55,086	\$217,177	\$101,904
Missouri	\$2,351	\$2,017	\$10,992	\$141,203	\$172,053
Wisconsin	\$1,519	\$1,637	\$14,245	\$271,687	\$76,951
<i>Median</i>	\$1,999	\$1,653	\$14,818	\$174,261	\$136,979
Large Industrial States					
California	\$1,058	\$2,827	\$18,156	\$179,820	\$78,417
Florida	\$2,755	\$5,427	\$42,860	\$165,023	\$87,248
New York	\$3,787	\$2,349	\$47,719	\$436,457	\$233,325
Pennsylvania (PY90)	\$3,842	\$2,618	\$64,934	\$360,109	\$261,792
Texas (PY93)	\$3,689	\$4,051	\$16,518	\$114,510	\$348,397
<i>Median</i>	\$3,689	\$2,827	\$42,680	\$179,820	\$233,325

Nationwide, medical benefits account for 52% of total workers' compensation costs and are growing at a faster rate than general medical services and workers' compensation cash benefits. In Illinois, medical costs represent 42% of total costs (although the high rate of lump-sum settlements in Illinois could cause the medical share to be underreported), and most of our cost growth is due to indemnity benefits. ¹⁶ The following information compares Illinois' medical costs lag to other states. ¹⁷

COST OF MEDICAL BENEFITS PER 100,000 WORKERS
FOR EMPLOYERS WHO PURCHASED WORKERS' COMPENSATION INSURANCE IN POLICY YEAR 1991-92
AS PERCENTAGE OF U.S. AVERAGE

	<u>Medical Benefits</u>
Illinois	73.4%
Neighboring States	
Indiana	53.6%
Iowa	64.8%
Kentucky	143.0%
Michigan	75.9%
Wisconsin	86.5%
<i>Median</i>	75.9%
Large Industrial States	
California	157.5%
Florida	144.1%
New York	60.7%
Pennsylvania	142.2%
Texas	NA
<i>Median</i>	143.2%

Actual benefits paid to Illinois workers are much less than the statutes would indicate. Illinois' statutory benefits are well above the national average, but the actual cost of benefits per 100,000 workers is below the national average.¹⁸

BENEFITS PROVIDED BY STATUTE
COMPARED TO ACTUAL BENEFITS PAID PER 100,000 WORKERS
AS A PERCENTAGE OF THE U.S. AVERAGE

	<u>Statute</u>	<u>Actual</u>		<u>Statute</u>	<u>Actual</u>
National average	100%	100%			
Illinois	157%	98%			
Neighboring States			Large Industrial States		
	<u>Statute</u>	<u>Actual</u>		<u>Statute</u>	<u>Actual</u>
Indiana	64%	32%	California	44%	124%
Iowa	90%	58%	Florida	126%	106%
Kentucky	92%	na	New York	100%	195%
Michigan	314%	98%	Ohio	93%	na
Missouri	na	na	Pennsylvania	98%	na
Wisconsin	70%	61%	Texas	167%	76%
<i>Median</i>	90%	60%	<i>Median</i>	99%	115%

Generally, benefits are based on 66 2/3% of a worker's gross income. Because of changing tax brackets, limits on benefit amounts, and other factors, states vary in the amount of after-tax income they replace. If benefits fall below 80% of the net wages earned before the injury, workers can be jeopardized; on the other hand, if benefits exceed previous wages, the program has created a disincentive to return to work. Among the states studied, Illinois has one of the higher rates of excess income replacement and one of the lower rates of low replacement.¹⁹

PERCENTAGE OF WORKERS
AT DIFFERENT
NET INCOME REPLACEMENT RATES

	<u>Below 80%</u>	<u>80-100%</u>	<u>Over 100%</u>
Illinois	5%	78%	17%
Neighboring States			
Indiana	21%	78%	1%
Michigan	3%	92%	5%
Missouri	19%	76%	5%
Wisconsin	12%	83%	5%
Large Industrial States			
California	19%	74%	7%
Florida	21%	78%	1%
New York	16%	78%	6%
Pennsylvania	8%	59%	33%
Texas	3%	91%	6%

The maximum cash benefit under workers' compensation in Illinois is considerably higher than the maximum benefit provided by unemployment insurance. In addition, Illinois' maximums are considerably higher than those in other states. ²⁰

MAXIMUM WEEKLY BENEFITS:
WORKERS' COMPENSATION AND UNEMPLOYMENT INSURANCE

		<u>WC</u>	<u>UI</u>		
Illinois		\$761	\$321		
Neighboring States			Large Industrial States		
	<u>WC</u>	<u>UI</u>		<u>WC</u>	<u>UI</u>
Indiana	\$428	\$217	California	\$448	\$230
Iowa	\$846	\$274	Florida	\$465	\$250
Kentucky	\$416	\$232	New York	\$400	\$300
Michigan	\$524	\$300	Ohio	\$511	\$328
Missouri	\$491	\$175	Pennsylvania	\$509	\$360
Wisconsin	\$479	\$274	Texas	\$480	\$259
<i>Median</i>	\$485	\$253	<i>Median</i>	\$473	\$280

COMPLIANCE WITH 1972 RECOMMENDATIONS

Illinois has one of the higher rates of compliance with the recommendations issued by the 1972 National Commission on State Workmen's Compensation Laws. ²¹

NUMBER OF 19 ESSENTIAL RECOMMENDATIONS MET

National average		12.70	
Illinois		15.00	
Neighboring States		Large Industrial States	
Indiana	11.50	California	11.00
Iowa	15.50	Florida	12.00
Kentucky	14.25	New York	10.75
Michigan	9.75	Ohio	15.50
Missouri	14.75	Pennsylvania	13.75
Wisconsin	15.00	Texas	12.50
<i>Median</i>	14.50	<i>Median</i>	12.25

COVERAGE OF EMPLOYEES

In Illinois, fewer workers are covered by workers' compensation than in the nation as a whole, and its rate generally falls below that of most comparable states. ²²

PERCENTAGE OF WORKERS
COVERED BY WORKERS' COMPENSATION ACT

National average		88%	
Illinois		86%	
Neighboring States		Large Industrial States	
Indiana	81%	California	94%
Iowa	92%	Florida	81%
Kentucky	82%	New York	87%
Michigan	91%	Ohio	94%
Missouri	89%	Pennsylvania	94%
Wisconsin	99%	Texas	72%
<i>Median</i>	90%	<i>Median</i>	91%

SAFETY

Employers' safety efforts may affect their workers' compensation costs more than a state's public policy. A well-known study found a six-fold variation in costs among states; that is, the state with the highest costs (Maine) spent six times that of the lowest-cost state (Indiana).

Yet researchers found that within each of 29 different industries within one state (Michigan), some employers had 10 times the number of claims per 100 employees than others. The researchers concluded that employers that engage in safety efforts, maintain an open management style, and take steps to prevent and manage disability are most likely to have low workers' compensation claims. ²³

Illinois has fewer total injuries per 100,000 workers than both neighbors and other large industrial states. For years, however, permanent partial disabilities have been significantly more frequent than in most other states. ²⁴

FREQUENCY OF INJURY BY TYPE
PER 100,000 WORKERS
POLICY YEAR 92, UNLESS OTHERWISE NOTED

	Temporary <u>Total</u>	Medical <u>Only</u>	Permanent <u>Partial</u>	<u>Fatal</u>	Permanent <u>Total</u>	<u>Total Injuries</u>
Illinois	1,240	5,618	1,016	3	3	7,880
Neighboring States						
Indiana	1,402	9,242	454	3	1	11,102
Iowa	1,795	6,771	696	6	3	9,271
Kentucky (PY91)	1,573	8,610	817	6	8	11,013
Michigan	1,730	8,470	438	5	3	10,646
Missouri	1,490	5,889	1,247	4	1	8,630
Wisconsin	2,437	8,571	723	4	1	11,735
<i>Median</i>	1,652	8,521	710	5	2	10,830
Large Industrial States						
California	1,873	6,752	1,445	6	5	10,081
Florida	966	5,173	449	3	18	6,609
New York	1,110	4,219	830	4	4	6,167
Pennsylvania (PY90)	2,012	8,488	374	5	23	10,903
Texas (PY93)	1,031	4,054	570	4	7	5,665
<i>Median</i>	1,110	5,173	570	4	7	6,609

¹U.S. Department of Labor, *State Workers' Compensation Administrative Profiles*, October 1996; U.S. Chamber of Commerce, *1996 Analysis of Workers' Compensation Laws*. Averages were calculated from the 44 states for which information was available. In the six exclusive fund states, the state manages all liabilities for workers' compensation; in the 10 competitive fund states, employers may purchase insurance either through the state or on the private market; in the 28 private insurance states (five of which are GRF-funded), the state does not operate an insurance fund.

² The chairman and commissioners are paid from a special account for state officials and are not included in the Commission's headcount.

³ This unit is funded by self-insurers' assessments and is not included in the Commission's headcount.

⁴ Illinois Department of Insurance, *Market Share Report*, July 25, 1996.

⁵ National Association of Insurance Commissioners, *Report on Profitability by Line by State, 1995*, pages 37 and 51, November 26, 1996.

⁶ NCCI filings with the Illinois Department of Insurance. Before 1991, the differential between the assigned risk plan and the voluntary market fluctuated. Since 1/1/90, the assigned risk plan has been set at 20% higher than the voluntary market. The assigned risk plan consists of approximately 300 high-risk companies that cannot obtain workers' compensation insurance on the open market, and represents about 10% of the Illinois w.c. insurance market. For more information, call the Illinois Department of Insurance (217/524-8361). For information about the assigned risk pool, see National Council on Compensation Insurance, *Annual Statistical Bulletin, 1996 edition*, Exhibit XIII.

⁷National Council on Compensation Insurance, *Annual Statistical Bulletin, 1996 Edition*, Exhibit XIII.

⁸ *Research Bulletin: A Publication of the National Foundation for Unemployment Compensation and Workers' Compensation*, July 16, 1995, Table 5. (1993 data) Nationally, on average 51% of benefits are paid by private insurance, 23% by self-insurers, and 26% by state funds. Of Illinois' neighbors, only Michigan had a state fund in 1993, from which 8% of benefits are paid. Illinois does not have a state fund.

⁹ An error was discovered in the computer program that calculates claimants' average weekly wage. The figures for prior years have been changed from previous reports.

¹⁰ In FY95 a change was made in the way dismissals are counted. All dismissals are now counted as closing a case; if a case is reopened, it is counted in the number of cases added to the caseload (see Cases Opened).

¹¹ In FY95, we changed our method of counting original settlement contracts. Most new cases are filed with the Commission on a claim form (IC1), and these cases are set on a three-month cycle of continuances. An original settlement (IC5) is filed directly, without a claim form, and the cases are not set on the three-month cycle. If an IC5 is given a case number but is never approved, and never set on the three-month cycle, it falls into limbo. Previously, we counted the total number of original contracts *filed* during a fiscal year, but if the parties do not bring in the contract, we cannot close the case, and the pending caseload is then overstated. To correct this problem, we now count only the number of original contracts *approved* during a fiscal year. Source of Illinois annual average civilian employment data: Illinois Dept. of Employment Security.

¹² National Safety Council, *Accident Facts: 1995 Edition*, page 49. The NSC changed its methods significantly in 1970 and again in 1992, making comparisons before and after those dates difficult. Beginning in 1992, the NSC starting using data from the U.S. Bureau of Labor Statistics Census of Fatal Occupational Injuries.

¹³ *Census of Fatal Occupational Injuries: Illinois, 1994*, Illinois Department of Public Health; "National Census of Fatal Occupational Injuries, 1994," U.S. Department of Labor press release, August 3, 1995. Those interested in more details may contact the Division of Epidemiologic Studies at the Illinois Department of Public Health at 217/785-1873.

¹⁴ *Research Bulletin: A Publication of the National Foundation for Unemployment Compensation and Workers' Compensation*, July 16, 1995, Tables 1, 6, and 7. (1993 data)

¹⁵ National Council on Compensation Insurance, *Annual Statistical Bulletin, 1995 and 1996 editions*, Exhibit XI. This information refers only to the experience of employers with insurance, not self-insurers. Ohio has a monopolistic state fund and is therefore not included. The data for fatalities and PTDs come from small numbers of cases and should be viewed with caution.

¹⁶ Medical costs share: National Council on Compensation Insurance, *Annual Statistical Bulletin, 1996 editions*, Exhibit X. Cost growth: Workers' Compensation Research Institute, *Review, Regulate, or Reform? What Works to Control Workers' Compensation Medical Costs*, September 1994, p. 26; Workers' Compensation Research Institute, *Cost Drivers in Six States*, 1992, pp. xx ff.

¹⁷ "Workers' Compensation Benefits Paid to Workers," *John Burton's Workers' Compensation Monitor*, March/April 1996, Table 2G, page 12. Data for policy year 1991-2 was collected from 1988-95 editions of the NCCI *Annual Statistical Bulletin*.

¹⁸ *John Burton's Workers' Compensation Monitor*, September/October 1993, Tables 3 and 4.

¹⁹ Workers' Compensation Research Institute, "Income Replacement in Indiana," December 1995. The WCRI indicates that most of the replacements over 100% in Illinois were due to high maximum benefits. The National Commission recommended states replace 80% of net wages: *The Report of the National Commission on State Workmen's Compensation Laws*, July 1972, p. 18.

²⁰ U.S. Chamber of Commerce, 1996 Analysis of Workers' Compensation Laws, Chart VI, and National Foundation for Unemployment Compensation and Workers' Compensation, *Highlights of State Unemployment Compensation Laws*, Table 18. These figures reflect the maximum benefit levels as of January 1, 1996 and were rounded to the nearest dollar amount. To obtain the maximum benefit, a claimant must meet certain income and family requirements.

²¹ *John Burton's Workers' Compensation Monitor*, November/December 1992, page 6. The group issued 84 recommendations concerning the coverage of employees and diseases, income protection, medical care, worker safety, and program administration. They identified 19 of the 84 recommendations as essential to ensuring a minimum level of protection. Today, compliance levels range from 7.25 in Mississippi to 18.75 in New Hampshire. Illinois does not comply with the National Commission's recommendations 2.4 (Illinois exempts farm workers below a certain number of hours), 2.5 (Illinois exempts household workers and casual workers below a certain number of days), 2.6 (Illinois exempts some governmental employees (Chicago police and fire fighters)) and 2.7 (Illinois exempts certain classes of employees, such as those noted above).

²² *John Burton's Workers' Compensation Monitor*, July/August 1992, Table 1.

²³ Edward M. Welch, *Why Some Employers Have a Better Workers' Compensation Experience Than Others*, 1991, pp. 3-7.

²⁴ National Council on Compensation Insurance, *Annual Statistical Bulletin, 1996 edition*, Exhibit XII, p. 296. This information refers only to the experience of employers with insurance, not self-insurers. Ohio has a monopolistic state fund and is therefore not included.