

# Workers' Compensation during the Pandemic Observations from Montana's Experience with Covid-19

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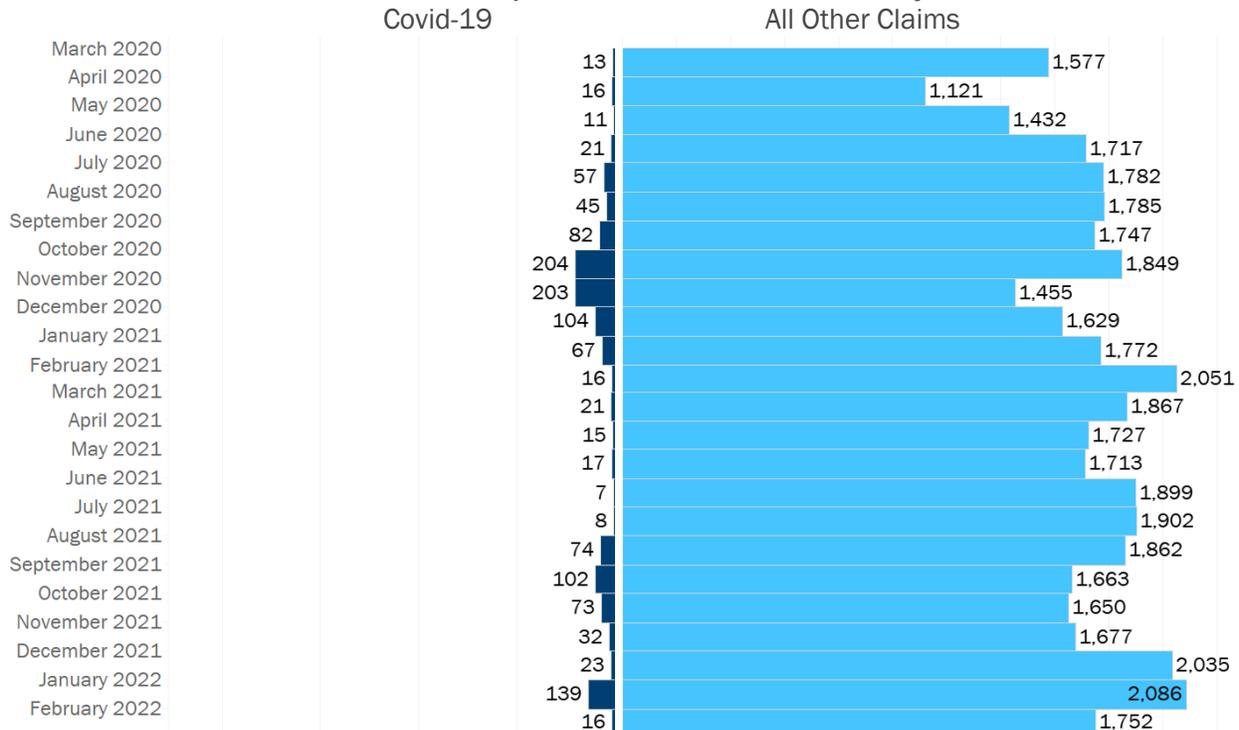
The onset of the Covid-19 pandemic and subsequent economic disruption early in 2020 challenged the Montana Department of Labor and Industry (DLI) to adapt. While the impact of the pandemic on unemployment insurance and the workforce has been profound, the workers' compensation program administered by the Employment Relations Division remained fundamentally unchanged. This report examines the information available on workers' compensation claims for Covid-19 from the pandemic's first two years using internal data from the Employment Relations Division. It finds:

- Covid-19's impact on workers' compensation fluctuated with the rate of viral transmission
- Covid-19 claims were most common in health care professions and other public-facing industries
- While benefit payouts for claims varied greatly, the majority are indemnity payments below \$1,000

Additionally, this report includes valuable background on observed trends in workers' compensation injury numbers, injury rates, and claim costs observed from the past five years. This comparative analysis suggests Covid-19's impact on workers' compensation to date has been minimal, although this finding is nuanced by industry and industry type. Please note that analysis of Covid-19 is ongoing, meaning cost figures will remain open for at least 5 years per Montana statute, and medical analysis may remain ongoing for many years to come.

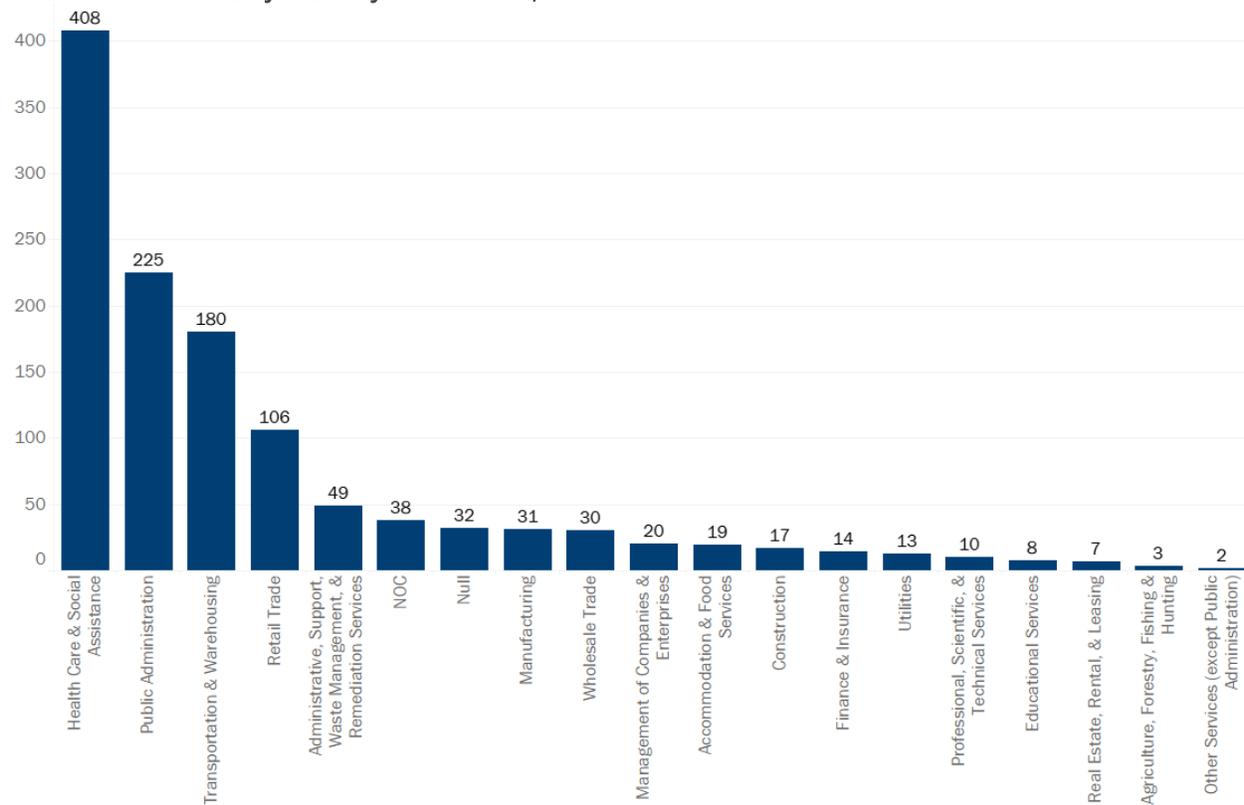
## Workers' Compensation Claims for Covid-19

### 1. Covid-19 Claims vs All Other Work Comp Claims, March 2020 – February 2022



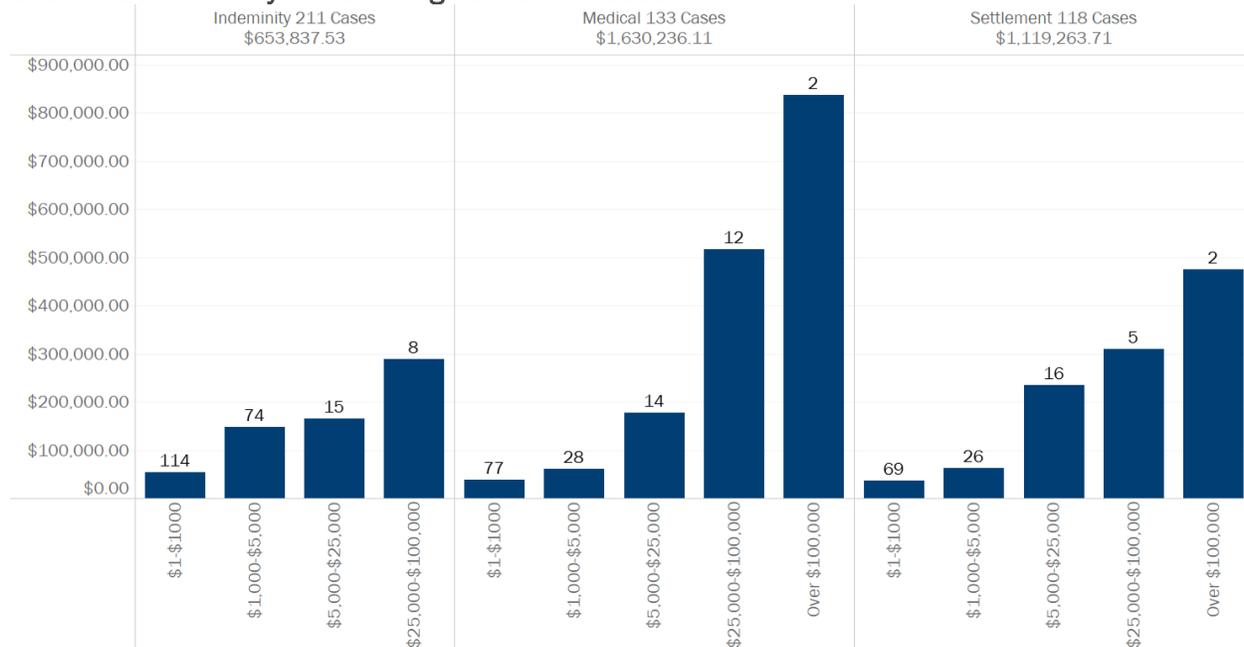
The Covid-19 pandemic officially arrived in Montana on March 13<sup>th</sup> of 2020, and workers suspected to have it began filing workers' compensation claims within a matter of days. However, Covid-19 claims only accounted for 0.5% to 2% of all claims for most months between the start of the pandemic and the present. The exceptional periods seen on figure 1 (Winter 2020, Fall 2021, and January 2022) correlate with the Alpha, Delta, and Omicron waves of Covid-19, respectively; during these outbreaks, Covid-19 claims made up as high as 12% of all workers' compensation claims. The number of Covid-19 claims filed in each observed month generally rose and fell with the number of positive Covid-19 cases reported to the Montana Department of Public Health and Human Services, although only a small fraction of all Covid-19 cases resulted in workers' compensation claims. Reasons for this include the requirement that a claimant be an employee (omitting unemployed people as well as independent contractors) and the difficulty in determining that the worker contracted Covid-19 in the workplace instead of somewhere else.

## 2. Covid-19 Claims by Industry of Claimant, 2020 & 2021



The total number of workers' compensation claims for Covid-19 by industry provides a good indicator of the industries with the greatest risk of exposure. About a third of these claims were reported in various health professions, which were identified early in the pandemic as high-risk occupations for exposure to Covid-19. Other industries with notable shares of Covid-19 workers' compensation claims include public administration, transportation & warehousing, and retail trade. Many positions in these industries were interacting with the public, increasing the likelihood of disease transmission.

### 3. Covid-19 Claim Payments through December 2021



Payouts for Covid-19 claims varied greatly in both cost and nature. Over \$3 million was paid on Covid-19 claims during the first 2 years of the pandemic, but most claimants received benefits below \$1,000. The greatest costs were associated with medical claims, although roughly half of all medical costs were a result of two claims that exceeded \$100,000 each. Indemnity costs, including wage loss and fatality benefits, resulted in the greatest number of individual claims while accounting for the smallest portion of the costs. Settlements also accounted for a substantial portion of payouts, but as with medical and indemnity, much of the expense was a result of a few high-cost claims. As a final point, only 13% of Covid-19 claims have associated payments, although DLI usually experiences a delay in benefit payment data, making this figure subject to future revision.

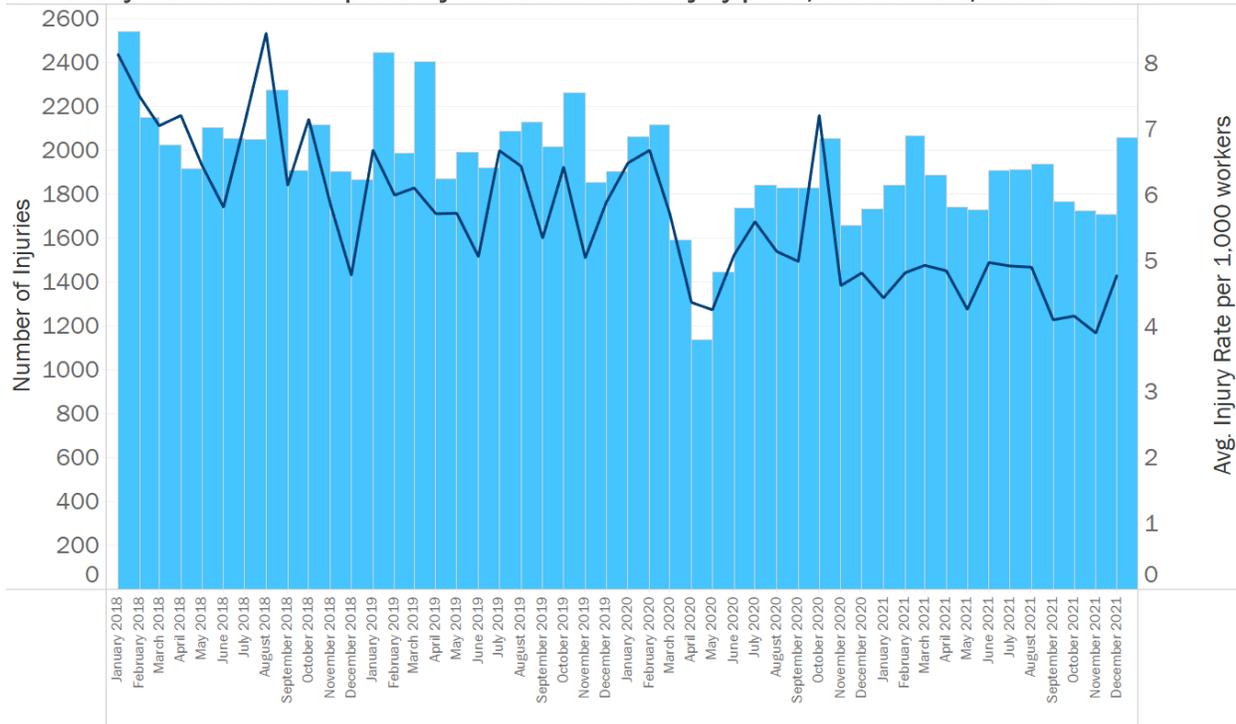
While the pandemic continues to impact workers and employers, and the final costs will take years to calculate, the available information suggests Covid-19's impact on workplace illness and workers' compensation are very circumstantial, and certainly less extreme than the impact experienced elsewhere in public health and administration. It is reasonable to conclude that Covid-19's prevalence as a workplace illness correlates with the prevalence of Covid-19 in society as a whole, as workers' compensation claims for Covid-19 rose and fell in tandem with new cases. Additionally, certain industries experienced more Covid-19 claims than others, with the most impacted industries being those closest to either the pandemic or the public.

## Trends in Workers' Compensation, 2018 - 2021

Understanding Covid-19's impact on workers' compensation is best accomplished by identifying what changes have occurred since the pandemic began. In the past few years, the following trends have been identified in workers' compensation:

- Statewide, workplace injury and the rate of workplace injury per worker has declined steadily
- The rate of workplace injury declined in nearly all industries
- Medical costs continue to make up the majority of all costs associated with claims

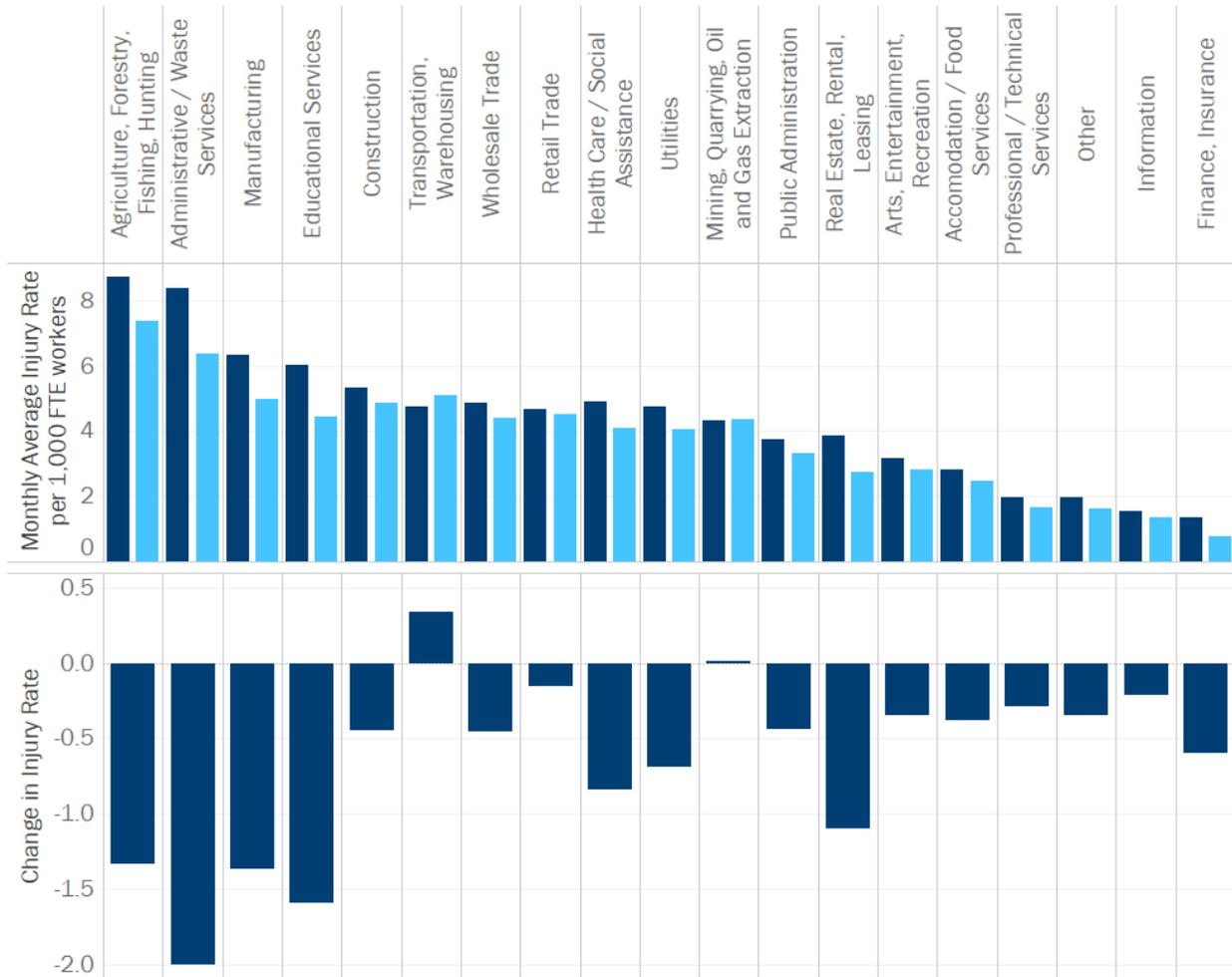
### 4. Monthly Number of Workplace Injuries and Rate of Injury per 1,000 workers, 2018 - 2021



Includes data from the US Bureau of Labor Statistics<sup>i</sup>

Figure 4 includes the total number of workplace injuries in Montana for each month (left side, light-blue bars) and the rate of workplace injury for every 1,000 full-time equivalent (FTE) workers (right side, dark-blue line). While workplace injuries continue to affect thousands of Montana workers every month, their prevalence has decreased consistently since the 2008 recession. Perhaps more important, the rate of injury has declined even faster, as the decline in total injuries occurred alongside consistent growth of Montana's workforce. Montana's survey of occupational injuries and illnesses indicates a decline in the rate of workplace injury between 2018 and 2020.<sup>ii</sup> The arrival of Covid-19 as a workplace illness did not impact the long-term trend, but the brief drop in both number of claims and rate of claims seen in the Spring of 2020 is largely attributed to the economic turbulence observed in the pandemic's first few weeks. Previous DLI research has illustrated how a decline in employment rate correlates with a decline in workplace injury frequency.<sup>iii</sup> Montana's unemployment rate jumped from 3.6% to over 12% in the early weeks of the pandemic; at the same time, workplace injury reports dropped by 33%. Once initial panic subsided, many workplaces reopened, the unemployment rate fell, and workplace injuries rose.

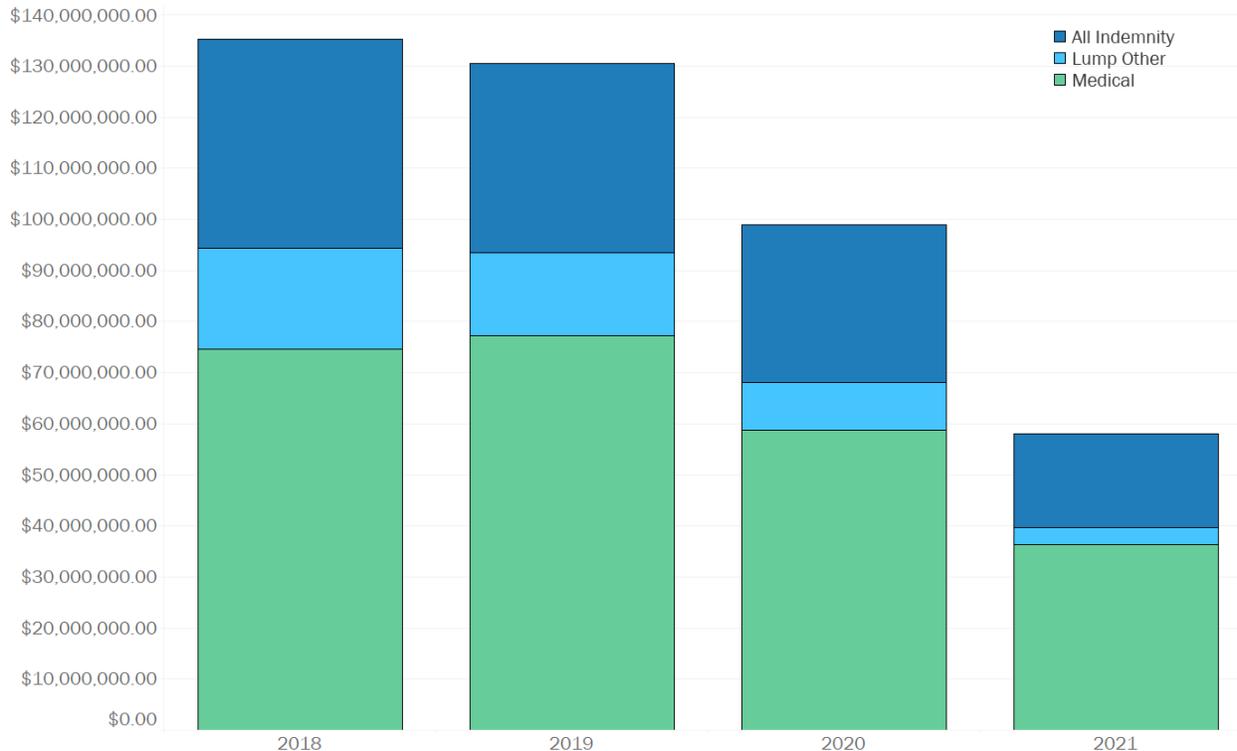
### 5. Rate of Injury Per 1,000 FTE By Industry in '18-'19 vs '20-'21 and Change in Rate of Injury



Includes data from the US Bureau of Labor Statistics

Comparing the pre-pandemic years (2018-2019) with the years of the pandemic (2020-2021), most industries experienced a decline in the monthly rate of injury per 1,000 full time equivalent staff. The most notable exception was transportation and warehousing, which saw the rate of injury per worker increase; the actual number of injuries also increased during this time by over 10%. Further analysis suggests this was partially due to the pandemic, but also a result of increases in common job injuries including sprains, strains, falls, and cuts. The only other industry to see an increase in injury rate was mining, quarrying, and oil / gas extraction. This was partially a result of reduced employment in the sector, which shrunk about 15% with the start of the pandemic. All other industries saw their injury rate drop, with five industries reporting at least 1 fewer injury per 1,000 workers. Even the health care and public administration industries, which experienced Covid-19 claims to the greatest degrees, saw a decline in injury rate.

## 6. Claim Payments by Injury Year



While claim payment data for the past few years is still being collected, there are some observations that can be made with the data available. Medical costs continue to account for over half of all claim payments between 2018 and 2021. National data provides further insight on the increase in claim cost relative to the decrease in number of claims. The National Council on Compensation Insurance has stated the number of claims has decreased by 45% from 2005 to 2019. However, during this same time period, costs for indemnity claims have increased 34.9%, while medical claim costs have increased 49.3%.<sup>iv</sup>

## Review of Findings

This overview of data available from the first 2 years of the Covid-19 pandemic provides some important insight into long-term trends, as well as recognition of the impacts of public health and the economy when considering workers' compensation. The information indicates workplace injuries continue to become less frequent, and that most industries continued to observe this trend throughout the Covid-19 pandemic. Nevertheless, Montana will need to continue monitoring claim costs and workplace injury trends for the next several years before finalized conclusions on the impact of Covid-19 on workers' compensation can be made.

<sup>i</sup> U.S. Bureau of Labor Statistics. *Montana*. U.S. Bureau of Labor Statistics.

<https://www.bls.gov/regions/mountain-plains/montana.htm>

<sup>ii</sup> Coggeshall & Haney. (2021). Montana SOII Annual Report 2020.

<https://erd.dli.mt.gov/docs/research/oshs/MT-SOII-Report-2020.pdf>

<sup>iii</sup> Healy. (2021). ERD Research Hour. Montana Department of Labor and Industry.

[https://erd.dli.mt.gov/docs/work-comp-research/ERDResearchHour\\_GovConf2021.pdf](https://erd.dli.mt.gov/docs/work-comp-research/ERDResearchHour_GovConf2021.pdf)

<sup>iv</sup> Johnson & Deacon. (2022). Montana State Advisory. National Council on Compensation Insurance.

[https://www.ncci.com/Articles/Documents/II\\_StateAdvisoryForumState\\_MT-StateRpt-WorkersComp-System-2022.pdf](https://www.ncci.com/Articles/Documents/II_StateAdvisoryForumState_MT-StateRpt-WorkersComp-System-2022.pdf)