

### WORKERS' COMPENSATION

#### ISSUE

**Are further reforms to Minnesota's workers' compensation system needed?**

#### POLICY

The Legislature should not consider any changes to the workers' compensation system unless the Workers' Compensation Advisory Council approves them. The Advisory Council was created in 1992. Its membership is equally divided between labor and management. Now that major reform is complete, the Advisory Council can and should be able to recommend changes to the system.

PIM recommends that the Advisory Council approve medical cost containment reforms that deal with pharmaceutical costs, managed care, hospital costs, the medical fee schedule and utilization review. Measures are needed because workers' compensation medical costs have dramatically increased. According to the Minnesota Department of Labor and Industry's Workers' Compensation System Report – 2006, average medical costs per claim were up 70 percent in 2005 from 1997, and are now 59% of total loss costs.

PIM supports maintaining workers' compensation as the exclusive remedy for workplace injuries and will oppose any legislative effort to erode it. The exclusive remedy is the foundation of the workers' compensation system. In Minnesota, and the rest of the nation, the workers' compensation system was established when employers agreed to pay wage loss and medical benefits to all workers injured in the course of employment regardless of fault, and labor agreed that the new workers' compensation system would be the exclusive remedy.

#### BUSINESS IMPACT

Workers' compensation costs have increased since 2000 for a variety of reasons. However, medical costs seem to be the dominant factor. According to the Department of Labor & Industry, medical benefits, relative to payroll, increased 15% between 1997 – 2006. The Minnesota Workers' Compensation Insurers Association (MWCIA) reports that medical costs now represent more than half of all loss costs within the workers' compensation system. The MWCIA also notes that medical costs will be a major driver of future premium increases.

Legislation to allow employees to sue their employers outside of the workers' compensations system for workplace injuries would essentially eliminate the exclusive remedy of Minnesota's law. It would encourage lawsuits against businesses and drive up system costs.