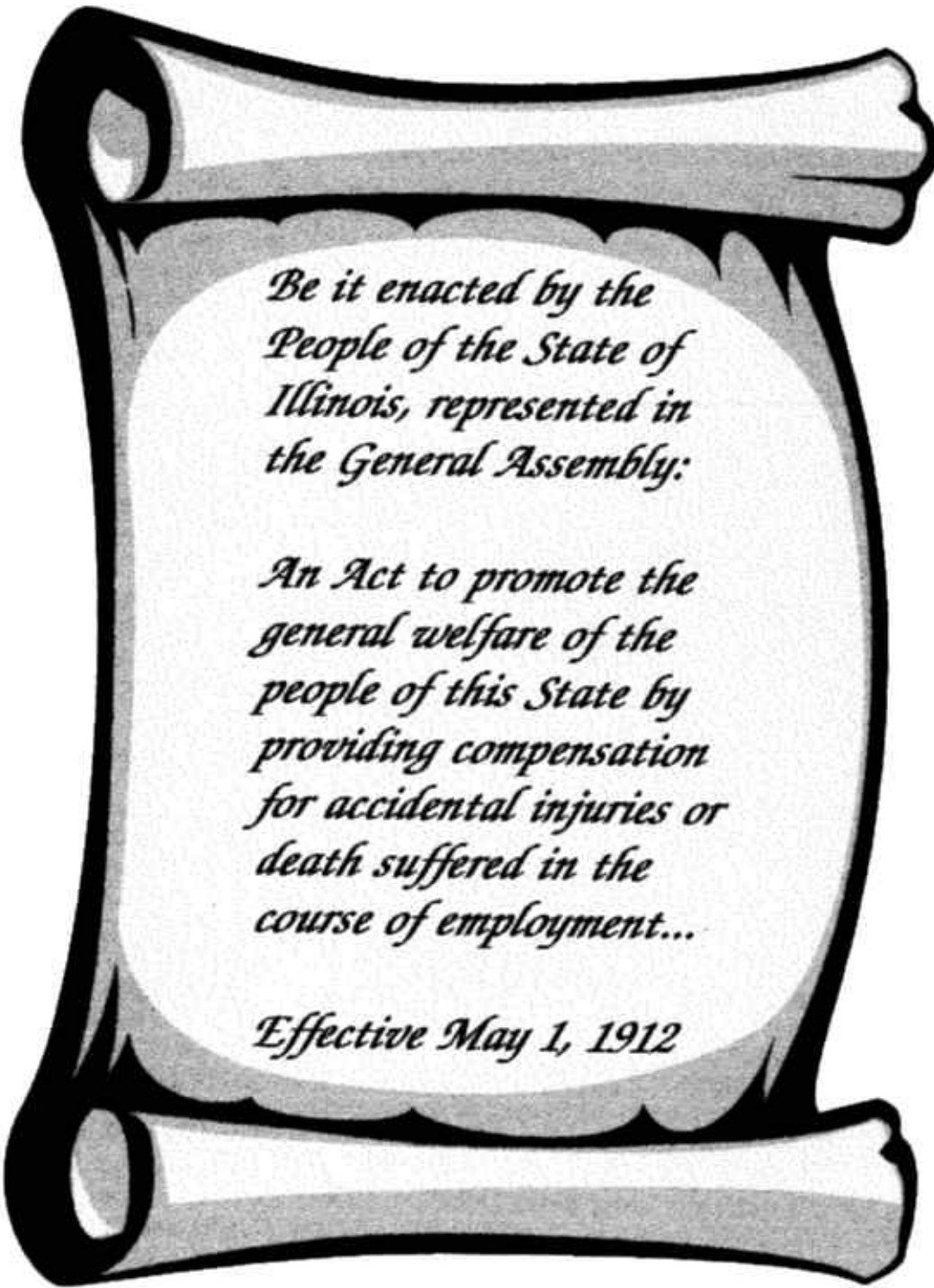


ILLINOIS INDUSTRIAL COMMISSION FY97 ANNUAL REPORT



JOHN W. HALLOCK, JR., CHAIRMAN
JIM EDGAR, GOVERNOR

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The Industrial Commission of Illinois
 100 W. Randolph, Suite 8-200
 Chicago, IL 60601
 312/814-6500

Jim Edgar
 Governor

John W. Hallock, Jr.
 Chairman

Dear Governor Edgar,
 Members of the General Assembly, and
 Citizens of Illinois:

On behalf of the entire Industrial Commission, we are pleased to submit this annual report.

In Fiscal Year 1997, we closed more cases than ever before and reduced our pending caseload by 2,500 cases. In addition, we increased our efforts to make sure all employers have workers' compensation insurance, and we took action against those who did not.

We will continue to work together to serve the employers and employees of Illinois. We ask for your support and participation in this effort.

Richard Gilgis

Richard Gilgis, Commissioner

Diane Dickett Smart

Diane Dickett Smart, Commissioner

Jacqueline A. Kinnaman

Jacqueline A. Kinnaman, Commissioner

Joseph V. Prieto

Joseph V. Prieto, Acting Commissioner

Michael L. Weaver

Michael L. Weaver, Commissioner

Douglas F. Stevenson

Douglas F. Stevenson, Commissioner

John W. Hallock, Jr.

John W. Hallock, Jr., Chairman

Janice Montoya

Janice Montoya, Assistant Secretary

ARBITRATORS

Peter Akemann
 Bernard Barasa
 Norman Brown
 Brian Cronin
 John Dibble
 Thomas Dillon

Tony Erbacci
 Robert Falcioni
 Mindy Ferrer
 Joann Fratianni
 Gilberto Galicia
 James Giordano

Kathleen Hagan
 Richard Hendershot
 Leo Hennessy
 Douglas Holland
 Milton James
 David Kane

Edward Lee
 Virginia Long
 Stephen Mathis
 Neva Neal
 Valerie Peiler
 Albert Preibis

Joseph Reichart
 Ray Rybacki
 Calvin Tansor
 Ruth White
 Robert Williams

HIGHLIGHTS

- ◆ Workers' compensation costs have been falling for the last several years in Illinois and across the country. Surprisingly, these declines have occurred despite continuing inflation and a growing workforce.

This is good news for employees, because the decreases in costs appear to be due to greater efforts to promote safety, resulting in both fewer accidents and less severe injuries.

This is good news for employers, because the savings are being passed onto them through lower insurance premiums. After adjusting for inflation, the rates actually represent a 25% decrease in premium costs since 1989.

- ◆ The Commission closed more cases in FY97 than ever before. After 12 years in which the number of pending cases grew steadily, the caseload declined by 2,500 cases.
- ◆ The Commission stepped up efforts to identify and pursue employers that fail to purchase workers' compensation insurance. Several employers obtained insurance after hearing from the Commission, and eight paid penalties for their knowing and wilful failure to insure.

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

James L. Sandner
President, Brokers Risk Placement Serv.

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

Todd Shivers
Attorney, Law Div., Ameritech Illinois

Peter M. Greco
Asst. Corp. Sec'y., Elmhurst-Chicago Stone

Denean V. Smith
Process Leader, Illinois Power Company

Donald A. Johnson
President, Illinois State AFL-CIO

WORKERS' COMPENSATION ADVISORY BOARD

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

Mark Isaf, temporary chairman
Asher Smith and Isaf

Donald A. Johnson
President, Illinois State AFL-CIO

Gregory W. Baise
President, Illinois Manufacturers Assoc.

David F. Vite
President, Illinois Retail Merchants Assoc.

James DeLisa
Intnatl. Union of Operating Engineers #399

Dennis R. Whetstone
President, Illinois State Chamber of Commerce

William M. Dickson
Retired attorney

OVERVIEW OF WORKERS' COMPENSATION

Workers' compensation laws were the first acts of social legislation passed in the United States, and they have always been 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 1948, all states had some form of workers' compensation. 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. In 1957, the Commission separated from the Department of Labor and became a self-standing agency.

Almost every employee who is hired, injured, or whose employment is localized in Illinois is covered by workers' compensation. For the most part, benefits are paid for accidental injuries that are caused, in whole or in part, by the employee's work. This includes the aggravation of a pre-existing condition and injuries brought on by the repetitive use of a part of the body.

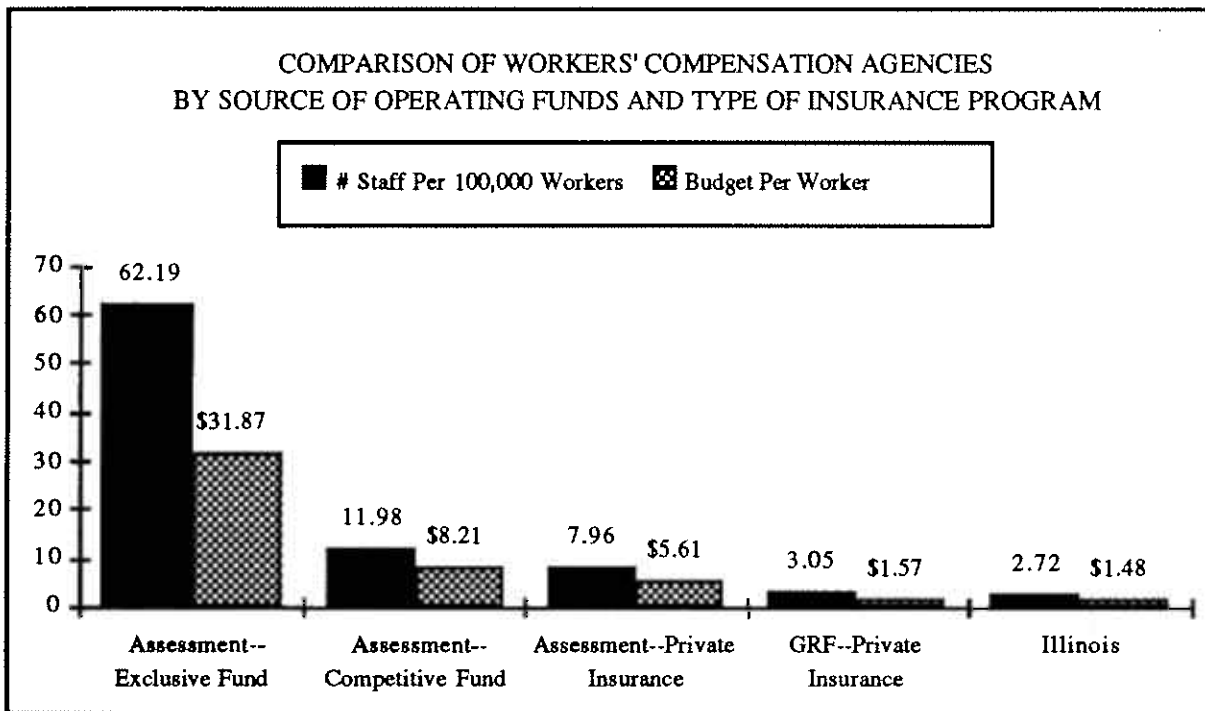
Illinois employers pay for workers' compensation benefits through insurance policies or by self-insurance. Benefits are based on the worker's earnings, subject to certain limits, and are made regardless of need. Cases are first heard by arbitrators, whose decisions may be appealed to commissioners. If warranted, cases may proceed on to the circuit court, Illinois Appellate Court, and the Illinois Supreme Court. Most cases, however, are settled between the parties.

For more information about Illinois law, benefits, 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.

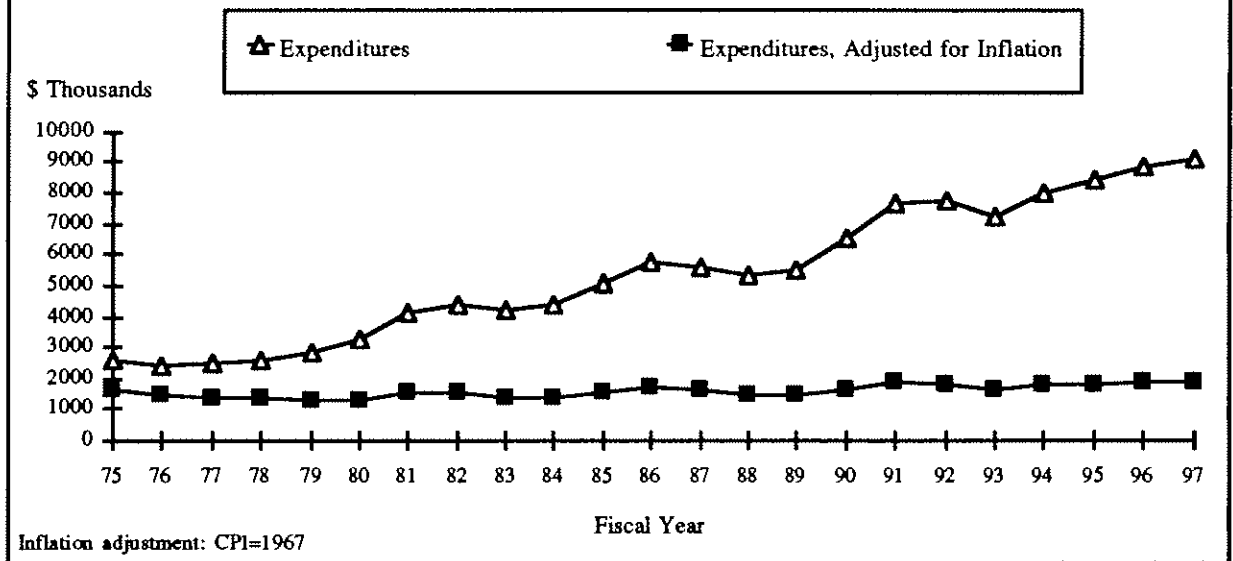
In a U.S. Department of Labor study, Illinois' budget per worker ranked 42nd out of 45 states for which information was available. As the graph below shows, assessment-funded state agencies have considerably more resources than GRF-funded states, and most GRF-funded states have more resources than does Illinois. ¹



The Commission has struggled for resources for years. 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.

By any measure, the cost of administering Illinois' workers' compensation program is modest. Since 1975, the number of new cases filed each year has increased 70% while its expenditures (adjusted for inflation) increased 17%.

ILLINOIS INDUSTRIAL COMMISSION
EXPENDITURES
FY75-97



ILLINOIS INDUSTRIAL COMMISSION
EXPENDITURES
(In \$ millions)

Fiscal Year	Operating Expenditures*	Expenditures Adjusted for Inflation	Headcount At End of Year	New Claims Filed
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
97	9,132.7	1,890.0	160	68,219

*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.

BALANCES OF SPECIAL FUNDS AS OF JUNE 30, 1997

	<u>Starting Balance</u>	<u>Income Received</u>	<u>Expenditures</u>	<u>Adjustments</u>	<u>Ending Balance</u>
GROUP SELF-INSURERS INSOLVENCY FUND	\$304,227	\$17,328	\$0	\$0	\$321,555
RATE ADJUSTMENT FUND	(\$5,437,333)	\$7,741,857	\$7,104,527	\$498	(\$4,799,505)
SECOND INJURY FUND	\$472,202	\$1,052,310	\$1,047,537	\$0	\$476,975
SELF-INSURERS ADMINISTRATION FUND	\$325,762	\$465,018	\$488,596	\$126	\$302,310
SELF-INSURERS SECURITY FUND	\$5,094,075	\$540,897	\$4,631,117	\$942,905	\$1,946,760
TRANSCRIPT DEPOSIT FUND	\$25,131	\$16,660	\$24,605	\$0	\$17,186
WORKERS' COMPENSATION BENEFIT TRUST FUND	\$898,092	\$50,873	\$865	\$0	\$948,100

GROUP SELF-INSURERS INSOLVENCY FUND

The Group Self-Insurers 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 305, Section 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. The assessment level was increased in 1996 and is reducing the debt level of the fund.

Individuals who receive an award or settlement for a permanent and total disability or death 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. See Illinois Compiled Statutes, Chapter 820, Paragraph 305, Section 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, Paragraph 305, Sections 7-8.

SELF-INSURERS ADMINISTRATION FUND

The Self-Insurers 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 305, Section 4a-6.1.

SELF-INSURERS SECURITY FUND

The Self-Insurers 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 305, Section 4a-5,6.

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.

INSURANCE

The 282,000 private and public employers in Illinois are responsible for the payment of benefits to injured workers; employers must either purchase insurance or obtain approval to self-insure.

In FY97, the Commission stepped up efforts to identify and investigate uninsured employers. By law, the Commission may assess a penalty of up to \$500 for every day of knowing and wilful failure to insure or self-insure.

Each year, we receive numerous letters, phone calls, and visits concerning employers who may not have workers' compensation insurance. We check various databases for evidence of coverage; if we cannot find any, we write the employer and ask for proof of insurance.

In FY97, we contacted 135 employers. Of these, 82 were found to have insurance or subsequently obtained coverage. Eight of these employers entered into binding settlements and paid penalties for noncompliance. We are investigating the remaining cases, and will continue to ask employers for proof of insurance whenever it is in question. See Illinois Compiled Statutes, Chapter 820, Paragraph 305, Section 4(d) and Section 7100.100 of the Commission Rules.

INSURANCE

The workers' compensation insurance business in Illinois is healthy and highly competitive. In 1996, 348 carriers wrote workers' compensation policies in Illinois' diversified market. ² Illinois insurers writing workers' compensation policies in 1996 experienced a 20% profit on premiums, or \$355 million in profits. ³

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 have dropped significantly for the last four years, despite continuing inflation and a growing workforce. ⁴ The causes are not completely understood, but the NCCI reports that greater safety efforts have reduced both the number and severity of work-related accidents. As the following chart shows, rates are nearly back to 1989 levels; a premium of \$100 in 1989 would cost \$100.57 in 1998. After adjusting for inflation, the rates actually reflect a 25% decrease.

ILLINOIS NCCI ADVISORY INSURANCE RATES
COMPARED TO THE CONSUMER PRICE INDEX

Effective Date	-----NCCI RATES-----		-----CONSUMER PRICE INDEX-----	
	Percentage Change From Previous Year	Scale	Percentage Change From Previous Year	Scale
1/1/89		\$100.00		\$100.00
1/1/90	10.0%	110.00	4.6%	104.60
1/1/91	8.5%	119.35	6.2%	111.09
1/1/92	9.1%	130.21	3.0%	114.42
1/1/93	5.7%	137.63	3.0%	117.85
1/1/94	9.6%	150.85	2.7%	121.03
1/1/95	-6.8%	140.59	2.7%	124.30
1/1/96	-13.6%	121.47	2.6%	127.53
1/1/97	-10.1%	109.20	3.3%	131.74
1/1/98	-7.9%	100.57	1.7%	133.98

CPI 1967=100

Employers that are unable to purchase workers' compensation insurance on the open market may buy it through the residual market. Illinois has a smaller residual market than most other states, indicating the relative ease with which employers are able to obtain insurance. Nationwide, in 1996, the average proportion of workers' compensation insurance in the assigned risk plan was 10.0%, while Illinois' share was only 5.2%.⁵

Balance billing. Because employers are responsible for reasonable and necessary medical costs necessary to cure or relieve the effects of work-related injuries, most states prohibit insurance companies from trying to obtain the unpaid balance of medical bills from injured workers. Illinois is one of a few 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.

Because workers' compensation insurance premiums have been declining, some employers are choosing to purchase conventional insurance instead of self-insuring. As the following figures indicate, there has been a decrease in the number of parent companies participating in the Commission's self-insurance program.

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
6/30/97	439

Self-insurers pay 27% of the benefits paid each year in Illinois. This proportion has held steady since 1984; nationally, however, there has been an increase from 22% to 28%.⁶

PERCENT OF BENEFITS
PAID BY SELF-INSURERS

National average	28%
Illinois	27%

Neighboring States

Indiana	15%
Iowa	19%
Kentucky	33%
Michigan	43%
Missouri	50%
Wisconsin	11%
<i>Median</i>	<i>26%</i>

Large Industrial States

California	33%
Florida	55%
New York	22%
Ohio	19%
Pennsylvania	23%
Texas	9%
<i>Median</i>	<i>23%</i>

ADMINISTRATION

At the end of FY97, the Industrial Commission consisted of the chairman, five commissioners, 160 Commission employees, and 9 employees in the Self-Insurance Division.

CHAIRMAN'S OFFICE

John W. Hallock, Jr., Chairman

Headcount: 7

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

FISCAL OFFICE

Charles Kusar, Manager

Headcount: 8

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

HUMAN RESOURCES

Rebecca Loreda Paz, Manager

Headcount: 2

This office handles all personnel transactions and benefit programs.

JUDICIAL DIVISION

Blas Olivares, Manager

Headcount: 78

Arbitration

28 arbitrators

Bertha Parker, Coordinator

Arbitrators conduct hearings, issue decisions, and approve settlements of cases. Thirteen arbitrators work in the Chicago office, while 15 arbitrators travel to 33 downstate hearing sites. The arbitration support staff set schedules, conduct legal research, and provide clerical support.

Commission

Five commissioners (one additional position was vacant)

Greg Dollison, Coordinator

Two panels of three commissioners conduct hearings, issue decisions, and approve settlements of cases that have been appealed from the arbitration level. On each panel, one member represents business, one represents labor, 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

Marvin Goins, Supervisor

Court reporters record hearings and produce typewritten transcripts of Commission hearings.

MANAGEMENT INFORMATION SYSTEMS

Terry W. Spurlin, Manager

Headcount: 10

The staff maintain the Commission's computer systems, assist computer users, and produce notices, call sheets, and other documents.

OPERATIONS DIVISION

Janice Montoya, Operations Manager/Assistant Secretary

Headcount: 53

Central Files/Vault

Walter Bennett, Supervisor

The staff maintain the case files, coordinate correspondence with the downstate arbitrators, and provide copies of case records to the public.

Data Entry

Lether Scott and Sharon Clarke, Supervisors

Employees enter data relating to cases, and type the decisions of arbitrators and commissioners.

Docket

Henriett Smith, Supervisor

Employees process all incoming claims, motions, and other case documents.

Emergency Hearings (19(b-1))

Theodore Stephens, Supervisor

This unit manages cases filed under Section 19(b-1) of the Act, which outlines the process by which emergency cases are to be handled within 180 days.

Information

Jeanie Thompson, Supervisor

Staff in four locations handled nearly 90,000 telephone calls in FY97. They explain procedures, distribute informational materials, and prepare summons for the circuit courts.

100 W. Randolph #8-200
Chicago, IL 60601
312/814-6611

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

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

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

Mail Room

Velma Ephraim, Supervisor

The Mail Room handles nearly one-half million pieces of mail each year.

Reception

Alice Thompson

The receptionist directs visitors and telephone calls to their proper destinations.

Review

Bessie Mims, Supervisor

The staff maintain files for cases on review, track transcripts, and schedule oral arguments.

RESEARCH AND EDUCATION

Susan Piha, Manager

Headcount: 2

The staff conduct research, handle communications, and manage training programs.

SELF-INSURANCE DIVISION

Maria Sarli-Dehlin, Manager

Headcount: 9

This division administers the self-insurance privilege and handles insolvencies of individual bankrupt self-insurers.

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 is unable to do so. 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. 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 received the *First Report of Injury* form electronically for roughly 44,000 accidents that occurred in FY97. We encourage more 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, while less than 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. Relying on a random sample of 25,000 cases that were filed with the Commission, the following chart shows the parts of the body that were injured.

PART OF BODY INJURED
BY FISCAL YEAR OF ACCIDENT

	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
Head	3.0%	3.6%	3.6%	3.5%
Eyes	0.7%	0.7%	0.8%	0.8%
Not specified	2.3%	2.9%	2.8%	2.7%
Neck	3.5%	3.6%	3.5%	3.5%
Trunk	26.2%	26.0%	27.1%	27.8%
Back	19.8%	19.7%	20.1%	21.1%
Shoulder	4.7%	4.7%	5.0%	4.8%
Not specified	1.7%	1.6%	2.0%	1.9%
Upper extremities	28.2%	31.0%	31.7%	31.2%
Arm	7.8%	8.5%	8.7%	8.7%
Finger	5.7%	6.8%	7.1%	6.6%
Hand	12.3%	13.8%	14.0%	14.2%
Not specified	2.4%	1.9%	1.9%	1.7%
Lower extremities	19.8%	19.4%	18.6%	19.2%
Foot	5.5%	5.5%	5.1%	5.3%
Knee	5.1%	5.4%	5.1%	5.3%
Leg	7.2%	7.0%	6.8%	7.1%
Toe	0.4%	0.4%	0.5%	0.4%
Not specified	1.6%	1.1%	1.1%	1.1%
Body systems	0.2%	0.1%	0.1%	0.1%
Multiple parts	19.1%	16.3%	15.5%	14.8%

Location of accident. Cases that arise in Cook County are randomly assigned among the 13 Chicago arbitrators. Outside of Cook County, there are 15 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.

Relying on a sample of 25,000 cases that were filed with the Commission, 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>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
Chicago	47.67%	44.52%	43.81%	43.90%
Downstate	52.33%	55.48%	56.19%	56.10%
Alton	1.32%	1.50%	1.82%	1.83%
Belleville	2.26%	2.70%	2.48%	2.37%
Benton	1.20%	1.77%	1.74%	1.70%
Bloomington	1.99%	1.90%	2.09%	1.96%
Carlinville	0.43%	0.42%	0.49%	0.48%
Carlyle	1.11%	1.18%	1.13%	1.00%
Clinton	0.35%	0.68%	0.64%	0.45%
Danville	0.85%	1.00%	1.07%	1.00%
Decatur	1.86%	2.08%	1.94%	1.81%
De Kalb	0.61%	0.58%	0.67%	0.72%
Galesburg	0.82%	0.92%	0.97%	1.06%
Geneva	3.52%	3.79%	3.53%	3.84%
Granite City	1.38%	1.25%	1.49%	1.07%
Jacksonville	0.53%	0.68%	0.94%	0.85%
Joliet	3.46%	3.52%	3.34%	3.38%
Kankakee	1.65%	1.40%	1.34%	1.34%
Kewanee	0.26%	0.32%	0.32%	0.38%
Lawrenceville	0.50%	0.76%	0.89%	0.96%
Marion	0.99%	1.05%	1.29%	1.28%
Mattoon	1.70%	2.13%	2.23%	1.99%
Mt. Vernon	0.46%	0.60%	0.56%	0.65%
Ottawa	1.24%	1.28%	1.10%	1.33%
Peoria	3.31%	3.20%	3.50%	3.50%
Quincy	0.51%	0.65%	0.65%	0.67%
Rock Falls	0.84%	0.86%	1.14%	1.06%
Rock Island	1.17%	1.24%	1.35%	1.41%
Rockford	4.36%	4.40%	4.36%	4.12%
Springfield	1.66%	1.82%	1.68%	1.72%
Taylorville	0.24%	0.17%	0.28%	0.28%
Urbana	1.40%	1.44%	1.30%	1.36%
Waukegan	3.49%	3.56%	3.28%	3.45%
Wheaton	5.53%	5.23%	5.28%	5.71%
Woodstock	1.32%	1.39%	1.29%	1.36%

Note: Given that this table uses the date of accident, the higher figure for Chicago in FY97 may reflect the greater ease of filing claims in Chicago, rather than an increase in accidents.

APPEAL RATES

Arbitration. Each year, roughly half of arbitration decisions are appealed. Regular and expedited awards are included in the calculations.

	APPEAL OF ARBITRATION AWARDS			
	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
Total arbitration awards issued	3,092	3,536	3,560	3,772
Percentage appealed	51%	52%	53%	53%

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

	OUTCOME OF APPEALS REVIEW DECISIONS ISSUED IN FY97			
Appeal Filed by:	<u>Petitioner (Worker)</u>	<u>Respondent (Employer)</u>	<u>Both</u>	<u>Total</u>
Affirmed	77%	59%	65%	69%
Reversed	6%	5%	2%	5%
Benefits Increased	14%	3%	19%	10%
Benefits Decreased	3%	33%	14%	16%

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. The variation among arbitrators has declined, as well.

	OUTCOME OF APPEALS REVIEW DECISIONS ISSUED DURING FY			
	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
Affirmed	69%	67%	63%	62%
Reversed	5%	4%	5%	6%
Benefits increased	10%	14%	14%	12%
Benefits decreased	16%	15%	18%	20%

Review. 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 FY97 appeal rate would be 22%.

	OUTCOME OF REVIEW DECISIONS			
	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
Total review decisions issued	1,421	1,576	1,487	1,622
Percentage appealed	29%	25%	24%	25%

ATTORNEY INVOLVEMENT

Most employees and employers who have workers' compensation cases on file with the Industrial Commission retain legal counsel. In FY97, 84% of workers had attorneys when they filed their cases. Of the cases closed in FY97, only 9% of the original settlement contracts had attorneys on file; attorneys were listed in 95% of arbitration decisions and 98% 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 \$27,697 per year, 9% lower than the statewide average of \$30,466. Paid at 66 2/3% of wages, the average temporary total disability benefit would have been \$355 per week. ⁷

	AVERAGE WEEKLY WAGE BY YEAR CLAIM FILED			
	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
Claimants' Average Weekly Wage	\$532.63	\$501.57	\$487.06	\$470.96
Statewide Average Weekly Wage as of 6/30	\$585.88	\$570.38	\$551.56	\$534.69

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, 1997

	<u>Minimum</u>	<u>Maximum</u>
TEMPORARY TOTAL DISABILITY		
Single	\$100.90	\$781.17
Married, no children	\$105.50	\$781.17
1 child under 18	\$108.30	\$781.17
2 children	\$113.40	\$781.17
3 children	\$117.40	\$781.17
4+ children	\$124.30	\$781.17

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	\$421.59
Married, no children	\$83.20	\$421.59
1 child under 18	\$86.10	\$421.59
2 children	\$88.90	\$421.59
3 children	\$91.80	\$421.59
4+ children	\$96.90	\$421.59

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 is \$781.17.

PERMANENT TOTAL DISABILITY	\$292.94	\$781.17
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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	\$292.94	\$781.17
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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 FY97 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>FY97</u>	<u>%</u>	<u>FY96</u>	<u>%</u>	<u>FY95</u>	<u>%</u>	<u>FY94</u>	<u>%</u>
Dismissals	7,650	11%	6,707	10%	8,192	12%	7,695	12%
Settlements	62,711	86%	61,712	87%	59,337	85%	55,625	85%
Decisions	<u>2,213</u>	3%	<u>2,437</u>	3%	<u>2,272</u>	3%	<u>2,422</u>	4%
Total	72,574		70,856		69,801		65,742	
Percentage change		2%		2%		6%		(1%)

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

Arbitration. As in other court systems, most disputes at the Commission are resolved through settlement. Arbitrators often hold pretrials to narrow the issues in dispute and help the parties to reach agreement. 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. ⁸

CASES CLOSED AT ARBITRATION

	<u>FY97</u>	<u>%</u>	<u>FY96</u>	<u>%</u>	<u>FY95</u>	<u>%</u>	<u>FY94</u>	<u>%</u>
Dismissals:								
Voluntary	887		1,032		918		883	
Want of prosecution	<u>6,514</u>		<u>5,470</u>		<u>7,072</u>		<u>6,509</u>	
Total dismissals	7,401	11%	6,502	10%	7,990	12%	7,392	12%
Settlements:								
Original settlements	10,570		10,212		9,876		8,862	
Before arbitration dec.	50,536		49,999		48,250		45,714	
After arbitration dec.	<u>304</u>		<u>214</u>		<u>204</u>		<u>183</u>	
Total settlements	61,410	88%	60,425	88%	58,330	86%	54,759	86%
Decisions	1,254	2%	1,368	2%	1,297	2%	1,316	2%
Total closed	70,065		68,295		67,617	1	63,467	
Percentage change		3%		1%		7%		0%

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

CASES CLOSED AT REVIEW

	<u>FY97</u>	<u>%</u>	<u>FY96</u>	<u>%</u>	<u>FY95</u>	<u>%</u>	<u>FY94</u>	<u>%</u>
Dismissals at review	249	10%	205	8%	202	9%	303	13%
Settlements:								
Before arbitration decision	903		755		487		338	
After arbitration decision	269		309		326		350	
After review decision	<u>129</u>		<u>223</u>		<u>194</u>		<u>178</u>	
Total settlements	1,301	52%	1,287	50%	1,007	46%	866	38%
Review decisions	959	38%	1,069	42%	975	45%	1,106	49%
Total cases closed	2,509		2,561		2,184		2,275	
Percentage change		(2%)		17%		(4%)		(10%)

CASES OPENED

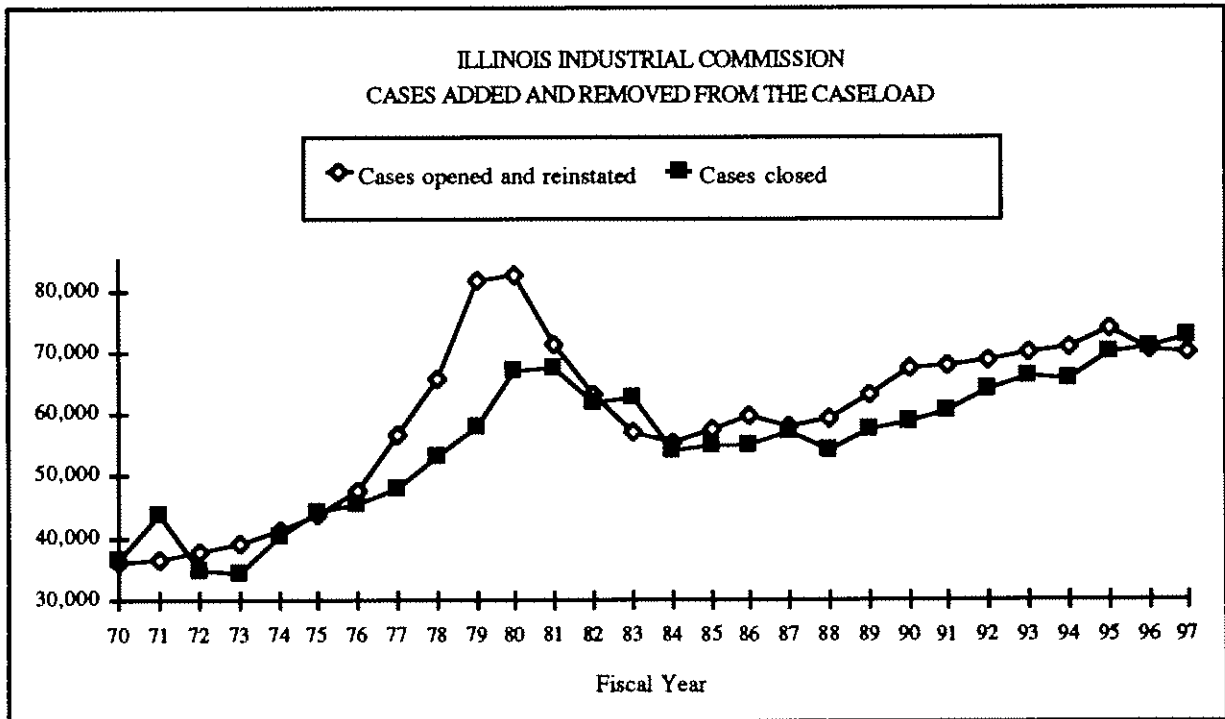
As in the rest of the country, Illinois has experienced a decline in the number of accidents, workers' compensation insurance rates, and the amount of benefits paid. This phenomenon is still being studied, but some experts attribute the changes to greater safety efforts. See the section on interstate comparisons for more information about these trends.

	CASES OPENED			
	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
New claims filed	57,525	58,315	61,812	59,756
Original settlements ⁹	<u>10,694</u>	<u>10,319</u>	<u>9,925</u>	<u>9,095</u>
Total new cases filed	68,219	68,634	71,737	68,851
Percentage change	(1%)	(4%)	4%	1%
Reinstated	1,682	1,736	2,031	1,641
Remanded to arbitrator	41	102	51	66
Remanded to commissioner	<u>91</u>	<u>71</u>	<u>86</u>	<u>84</u>
Total cases returned to caseload	1,814	1,909	2,168	1,791
Total additions to the caseload	70,033	70,543	73,905	70,642
Illinois employment*	5,702,994	5,627,539	5,534,175	5,392,967
Percentage change	1%	2%	3%	4%

*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

After several years in which more cases were opened than closed, the Commission closed more cases in FY96 and FY97 and reduced the pending caseload.



DURATION OF DISABILITY

After years of steady increases in the average duration of temporary total disability, durations peaked in FY94 and have declined since then.

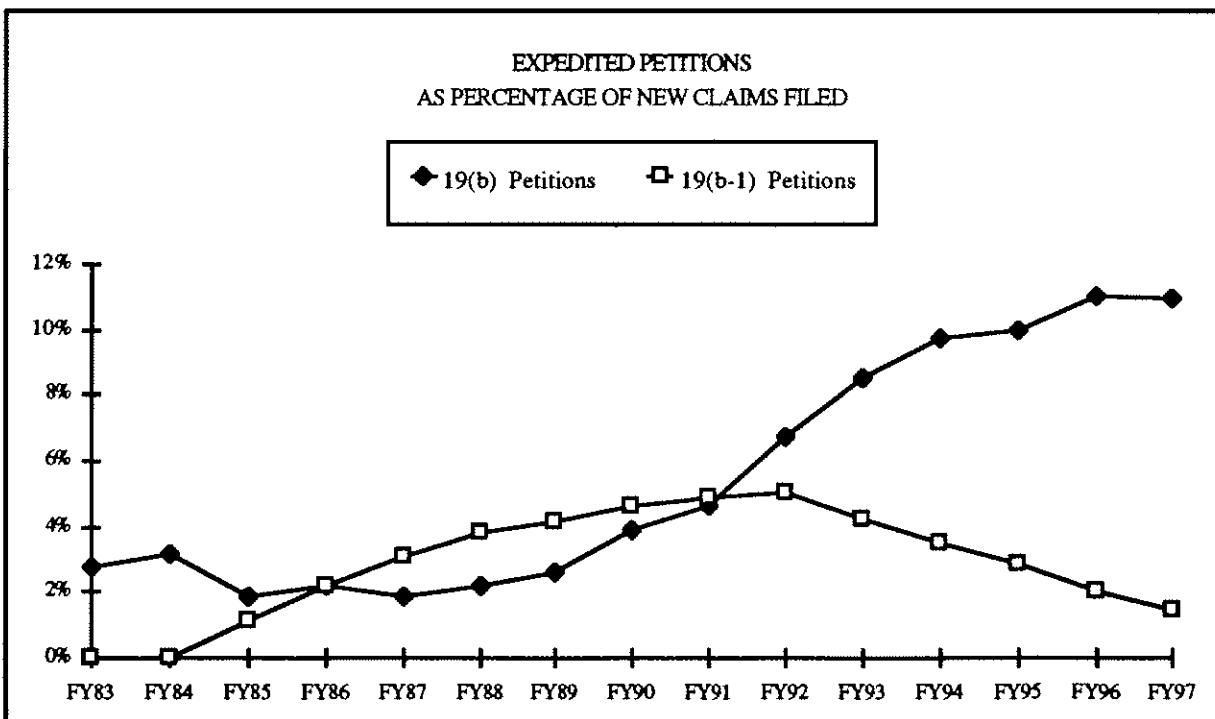
AVERAGE NUMBER OF WEEKS OF TTD
IN CASES SETTLED OR DECIDED BY THE COMMISSION
BY YEAR CASE CLOSED

	<u>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
Female	21.8	22.2	22.7	22.9
Male	23.0	23.7	24.7	25.3
Over 40 years old	25.5	26.1	27.7	27.8
40 years or under	20.7	21.4	21.9	22.6
Total	22.6	23.2	24.1	24.6

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.

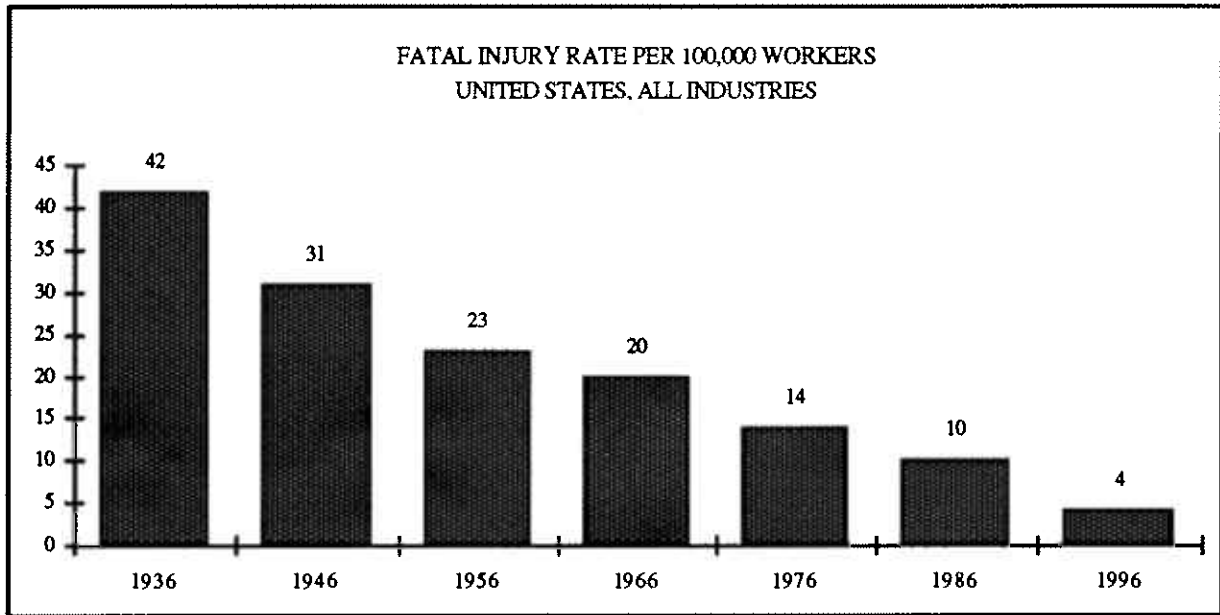
Over the years, there has been a clear movement away from 19(b-1) petitions, which involve statutorily set deadlines, to 19(b) petitions, where the deadlines are not defined but expedited hearings are set. The proportion of the caseload involving expedited petitions of either sort has steadily increased from 3% to 12% of new claims filed.



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 FY97, on average, 19(b-1) cases were resolved in 81 days at the arbitration level and 101 days at the review level, for a total of 182 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. ¹⁰



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. ¹¹

LEADING CAUSES OF DEATHS IN ILLINOIS

	1996		1995		1994		1993	
	#	%	#	%	#	%	#	%
Assault or violent act	50	19%	43	17%	50	20%	50	20%
Contact with objects/equip.	46	18%	38	15%	42	17%	45	18%
Exposure to harmful subst.	30	11%	33	13%	32	13%	30	12%
Fall	34	13%	44	18%	40	16%	35	14%
Fire or explosion	7	3%	12	5%	4	2%	10	4%
Transportation accident	95	36%	78	31%	79	32%	81	32%
Other	0	0%	1	0%	0	0%	1	0%
Total	262		249		247		252	

FATAL INJURIES BY INDUSTRY IN ILLINOIS

	1996		1995		1994		1993	
	#	%	#	%	#	%	#	%
Agriculture	28	11%	30	12%	43	17%	40	16%
Construction	56	21%	63	25%	48	19%	38	15%
Government	14	5%	19	8%	9	4%	16	6%
Manufacturing	32	12%	35	14%	25	10%	36	14%
Mining	3	1%	0	0%	4	2%	4	2%
Services (incl. Finance)	35	13%	28	11%	34	14%	38	15%
Transportation	52	20%	38	15%	43	17%	34	14%
Wholesale and retail trade	42	16%	32	12%	35	15%	39	16%
Other	0	0%	4	2%	6	2%	7	3%
Total	262		249		247		252	

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. Over the last decade, the proportion of female claimants has increased significantly: in FY85, 22% of claimants were female; in FY90, 26% were female; and in FY97, 32% were female.

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 a few states in the country that does not prohibit this activity. 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 16 of the Act, the Commission may order the respondent to pay the petitioner's attorneys' fees if the respondent or its agent has unreasonably delayed benefits to an employee, intentionally underpaid an employee, engaged in frivolous defenses, or has otherwise treated an employee unfairly.

Under Section 19(k), the Commission may award the petitioner additional compensation equal to 50% of the amount of compensation 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 the petitioner additional 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>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
19(k)	6	8	10	7
16 and 19(k)	31	35	30	20
19(l)	44	58	73	72
16 and 19(l)	2	2	1	7
19(k) and 19(l)	10	10	9	14
16, 19(k), and 19(l)	<u>41</u>	<u>73</u>	<u>44</u>	<u>41</u>
Total	134	186	167	161

POST-AWARD PETITIONS

Cases that were once closed by settlement or award 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>FY97</u>	<u>FY96</u>	<u>FY95</u>	<u>FY94</u>
8(a)	101	114	87	95
19(h)	20	31	19	42
8(a) and 19(h)	<u>63</u>	<u>68</u>	<u>89</u>	<u>122</u>
Total	184	213	195	259

REHABILITATION

Rehabilitation plans are rarely used. We do not have solid data, but it is reported that cases involving rehabilitation are usually settled for a lump sum instead.

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 and 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. For more information, see National Tea Company v. Industrial Commission, 97 Ill.2d 424 (1983).

TURNAROUND TIME

In 1989, the legislature prohibited the introduction of new evidence at the review level. Since then, cases at arbitration have taken longer and cases at review have moved more quickly. On average, in FY97 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 FY97, 86% 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 prearbitration cases is almost wholly dependent on the parties, because they decide when they are ready to settle. On average, these cases were settled 1.8 years after the claims were filed.

This time period 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 costs in Illinois rank below the national average and the average for large industrial states. Whereas Illinois used to be higher than most of its neighbors, it is now in the middle of the pack. In addition, Illinois' total payments are growing at half the rate of its neighbors and other large industrial states. This data refers to 1995, the latest year for which information is available. ¹²

AVERAGE BENEFITS PAID PER COVERED EMPLOYEE

		National average	\$413
		Illinois	\$310
Neighboring States		Large Industrial States	
Indiana	\$164	California	\$615
Iowa	\$193	Florida	\$534
Kentucky	\$391	New York	\$429
Michigan	\$428	Ohio	\$489
Missouri	\$351	Pennsylvania	\$579
Wisconsin	\$249	Texas	\$397
<i>Median</i>	<i>\$300</i>	<i>Median</i>	<i>\$512</i>

BENEFITS AS PERCENTAGE OF WAGES

		National average	1.51%
		Illinois	1.04%
Neighboring States		Large Industrial States	
Indiana	0.65%	California	2.05%
Iowa	0.86%	Florida	2.22%
Kentucky	1.69%	New York	1.24%
Michigan	1.41%	Ohio	1.84%
Missouri	1.37%	Pennsylvania	2.12%
Wisconsin	1.01%	Texas	1.47%
<i>Median</i>	<i>1.19%</i>	<i>Median</i>	<i>1.95%</i>

INCREASE IN TOTAL INDEMNITY (CASH) AND MEDICAL BENEFITS, 1986-1995

		National average	83%
		Illinois	45%
Neighboring States		Large Industrial States	
Indiana	111%	California	92%
Iowa	78%	Florida	157%
Kentucky	104%	New York	152%
Michigan	100%	Ohio	58%
Missouri	171%	Pennsylvania	142%
Wisconsin	86%	Texas	9%
<i>Median</i>	<i>102%</i>	<i>Median</i>	<i>117%</i>

TOTAL WORKERS' COMPENSATION BENEFIT PAYMENTS

In \$billions	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>
Illinois	\$1.438	\$1.582	\$1.668	\$1.750	\$1.745	\$1.607	\$1.432	\$1.277
% Change	(9%)	(5%)	(5%)	0%	9%	12%	12%	20%
U.S.	\$40.113	\$41.461	\$41.743	\$42.752	\$39.171	\$35.344	\$31.556	\$27.973
% Change	(3%)	(1%)	(2%)	9%	11%	12%	13%	13%

When costs are broken down by type of benefits, Illinois generally costs more than neighboring states but less than other large industrial states. ¹³

AVERAGE INDEMNITY COST PER CASE BY INJURY TYPE
POLICY YEAR 1993, UNLESS OTHERWISE NOTED

	Temporary <u>Total</u>	Permanent <u>Partial</u>	Permanent <u>Total</u>	<u>Fatal</u>
Illinois	\$3,321	\$19,160	\$210,634	\$185,413
Neighboring States				
Indiana	\$2,031	\$9,360	\$144,940	\$95,032
Iowa	\$1,644	\$15,267	\$173,763	\$163,913
Kentucky	\$2,635	\$24,938	\$171,565	\$196,740
Michigan	\$3,405	\$43,128	\$211,725	\$100,545
Missouri	\$2,441	\$10,803	\$202,113	\$131,302
Wisconsin	\$1,513	\$13,689	\$178,408	\$94,798
<i>Median</i>	\$2,236	\$14,478	\$176,086	\$115,924
Large Industrial States				
California	\$1,084	\$19,603	\$182,696	\$90,254
Florida	\$3,476	\$36,463	\$326,712	\$89,153
New York	\$3,681	\$44,476	\$583,407	\$222,789
Pennsylvania (PY90)	\$3,842	\$64,934	\$360,109	\$261,792
Texas	\$3,689	\$16,518	\$114,510	\$348,397
<i>Median</i>	\$3,681	\$36,463	\$326,712	\$222,789

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.¹⁴ The following information compares Illinois' medical costs lag to other states. ¹⁵

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%
Missouri	na
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. ¹⁶

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. ¹⁷

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%	6%
Large Industrial States			
California	19%	74%	7%
Florida	21%	78%	1%
New York	16%	78%	6%
Ohio	6%	78%	16%
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. ¹⁸

WORKERS' COMPENSATION AND UNEMPLOYMENT INSURANCE
MAXIMUM WEEKLY BENEFITS AS OF 1/1/97

		<u>WC</u>	<u>UI</u>			
		Illinois	\$781	\$341		
Neighboring States			Large Industrial States			
	<u>WC</u>	<u>UI</u>		<u>WC</u>	<u>UI</u>	
Indiana	\$428	\$217	California	\$490	\$230	
Iowa	\$873	\$274	Florida	\$479	\$250	
Kentucky	\$447	\$246	New York	\$400	\$300	
Michigan	\$533	\$300	Ohio	\$521	\$328	
Missouri	\$513	\$175	Pennsylvania	\$542	\$370	
Wisconsin	\$509	\$282	Texas	\$491	\$266	
<i>Median</i>	\$511	\$260	<i>Median</i>	\$491	\$283	

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. ¹⁹

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	

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. ²⁰

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. ²¹

FREQUENCY OF INJURY
BY TYPE PER 100,000 WORKERS
POLICY YEAR 1993, 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	1,133	5,174	941	3	5	7,225
Neighboring States						
Indiana	1,301	9,042	422	3	1	10,768
Iowa	1,703	6,440	639	5	2	8,790
Kentucky	1,442	7,905	670	6	2	10,024
Michigan	1,711	8,278	381	4	4	10,377
Missouri	1,345	5,906	1,192	5	3	8,450
Wisconsin	2,270	8,411	680	3	1	11,366
<i>Median</i>	1,573	8,092	655	5	2	10,201
Large Industrial States						
California	1,576	6,159	1,123	6	4	8,869
Florida	1,344	6,436	486	4	9	8,277
New York	1,019	3,836	766	4	4	5,629
Pennsylvania (PY90)	2,012	8,488	374	5	23	10,903
Texas	1,031	4,054	570	4	7	5,665
<i>Median</i>	1,344	6,159	570	4	7	8,277

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- ¹ U.S. Department of Labor, *State Workers' Compensation Administrative Profiles*, October 1997; U.S. Chamber of Commerce, *1997 Analysis of Workers' Compensation Laws*. Averages were calculated from the 45 states for which information was available. In the six exclusive fund states, the state manages all liabilities for workers' compensation; in the 11 competitive fund states, employers may purchase insurance either through the state or on the private market; in the 28 private insurance states (six of which are GRF-funded), the state does not operate an insurance fund.
- ² Illinois Department of Insurance, *Market Share Report*, July 27, 1997.
- ³ National Association of Insurance Commissioners, *Report on Profitability by Line by State, 1996*, pages 36 and 50, November 1997.
- ⁴ NCCI filings with the Illinois Department of Insurance. Note that, in the past, 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.
- ⁵ National Council on Compensation Insurance, *Staying on Track: Continued Depopulation and Financial Stability, 1997*, pages 10 - 11.
- ⁶ *Research Bulletin: A Publication of the National Foundation for Unemployment Compensation and Workers' Compensation*, September 15, 1997, Table 5. (1995 data) Nationally, in 1995, 52.7% of benefits are paid by private insurance, 27.8% by self-insurers, and 19.5% by state funds.
- ⁷ When filing a claim, the worker lists his or her average weekly wage. The arbitrator or commissioner may decide the wage is different than the amount originally reported. In the past, our data entry staff entered the wage off the claim form, and did not correct the amount if it was changed. The staff now replaces the wage if appropriate. The figures in this report reflect the new practice, and are more accurate.
- ⁸ 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).
- ⁹ 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. If an IC5 is given a case number but is never approved, 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.
- ¹⁰ National Safety Council, *Accident Facts: 1997 Edition*, page 49. The NSC changed its methods significantly in 1970 and again in 1992, making comparisons difficult. In 1992, the NSC started using data from the U.S. Bureau of Labor Statistics Census of Fatal Occupational Injuries.
- ¹¹ *Census of Fatal Occupational Injuries: Illinois, 1996*, Illinois Department of Public Health. Those interested in more details may contact the Division of Epidemiologic Studies at IDPH at 217/785-1873.
- ¹² *Research Bulletin: A Publication of the National Foundation for Unemployment Compensation and Workers' Compensation*, September 15, 1997, Tables 1, 6, and 7. (1995 data)
- ¹³ National Council on Compensation Insurance, *Annual Statistical Bulletin, 1996 and 1997 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.
- ¹⁴ 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; WCRI, *Cost Drivers in Six States, 1992*, pp. xx ff.

15 "Workers' Compensation Benefits Paid to Workers," *John Burton's Workers' Compensation Monitor*, March/April 1996, Table 2G, page 12.

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

17 Workers' Compensation Research Institute, "Income Replacement in Maine," December 1996, and "Income Replacement in Indiana," December 1995. The WCRI indicates that most of the replacements over 100% in Illinois are due to high maximum benefits.

18 U.S. Chamber of Commerce, 1997 Analysis of Workers' Compensation Laws, Chart VI, and National Foundation for Unemployment Compensation and Workers' Compensation, *Highlights of State Unemployment Compensation Laws*, January 1997, Table 18. These figures reflect the maximum benefit levels as of January 1, 1997 and were rounded to the nearest dollar amount. To obtain the maximum benefit, a claimant must meet certain income and family requirements.

19 *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).

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

21 National Council on Compensation Insurance, *Annual Statistical Bulletin*, 1996 and 1997 editions, Exhibit XII. 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.