Workers' Comp

High Dollar Claims Driving Workers' Compensation COVID-19 Claims Costs

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4 MIN READ

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The workers' compensation industry is still feeling the effects from COVID-19 and working to manage changing claim volumes and trends. To help better understand the effects the pandemic has had on our industry, Mitchell analyzed its workers' compensation claims data to identify how trends have changed from the start of the pandemic through December 2021. Below, we've included our top takeaways based on this analysis. Please note that most likely, this dataset does not yet show the effects of the Omicron variant due to the timing of the data set compared with the rise in the variant.

Key Findings in Mitchell's Claim Data

Our analysis of workers' compensation claims through the end of 2021 demonstrated two major trend changes since our last report:

- COVID-19-related workers' compensation claim costs are rising, which can be attributed to a small percentage of high-dollar claims.
- Most industry sectors returned to or exceeded pre-pandemic claim volumes in 2021, with the exception of the Accommodation and Food Services industry sector, which came up just short of 2019 volumes.

COVID-19-Related Claim Costs are On the Rise

This chart shows costs related to COVID-19 claims from January 2020-December 2021. COVID-19-related claims are defined as any claim with a Nature of Injury Code related to the virus (testing, treatment, etc.).

The average cost of COVID-19 related claims increased significantly in the last six months of 2021. As of December, the average indemnity cost for a COVID-19 claim increased 40% when compared with Mitchell's analysis of data in June 2021 to about $3,500 per claim. Average medical costs went up even more, growing 76% to about $10,000 per claim. The percentage of COVID-19 related claims with only indemnity costs has remained steady since the start of the pandemic.

Though COVID-19 claim costs are up significantly, we believe a small number of large dollar claims have inflated the average. Only 12% of COVID-19 related claims had over $4,000 in indemnity paid, and 4% had over $10,000 in indemnity paid. When that top 4% of claims are excluded, the average indemnity cost per claim drops to $1,452.

A preliminary analysis of this data shows that many of the high-dollar claims in the Mitchell dataset were settled claims related to death or extreme illness due to COVID-19, accounting for the high-dollar indemnity claims. It is too soon to tell if this is a new trend of more high-dollar COVID-19 settlements. We will continue to monitor and see if this continues in Mitchell's 2022 mid-year report.

Claim Volumes Returned to Pre-Pandemic Levels



The graph above demonstrates the workers' compensation claim volume by industry in 2021 compared to 2020 and 2019.

As the COVID-19 pandemic continues, most industries are showing clear signs of recovery. As vaccines and boosters became more widely available in the U.S. in 2021, most jurisdictions significantly rolled back their pandemic restrictions by lifting capacity limits, removing restrictions on bars and restaurants and more. Even as new variants appeared last year, most states implemented mask mandates or vaccine requirements, but many did not apply the same types of restrictions or stay-at-home orders that we saw at the start of the pandemic.

As most industry sectors were not affected by major COVID-19 restrictions, especially toward the second half of 2021, workers' compensation claim trends have begun to return to pre-pandemic levels. Through an analysis of Mitchell claims data, we've identified that most of the industry sectors that make up the majority of workers' compensation claim volume returned to or exceeded 2019 claim volumes in 2021. The Accommodation and Food Services industry sector is the only of this group to report fewer claims in 2021, even though the difference was minimal.

If COVID-19 claims and regulatory patterns continue in the same way in 2022, we expect that most industries should continue to report steady claim volumes moving forward.

Our Data

The data in this article is an aggregate of Mitchell statistics from workers' compensation claims from January 1, 2020 through December, 2021. Industries were identified as per the two-digit North American Industry Classification System (NAICS) code classifications. Mitchell publishes this data twice a year to show how COVID-19-related claims trends have changed. The next report is expected mid-year 2022. You can read our

previous reports here: January-June 2020, January-December 2020, January 2020-June 2021.



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