



***ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT***

Effects of COVID-19 on
Workers' Compensation in
Alaska

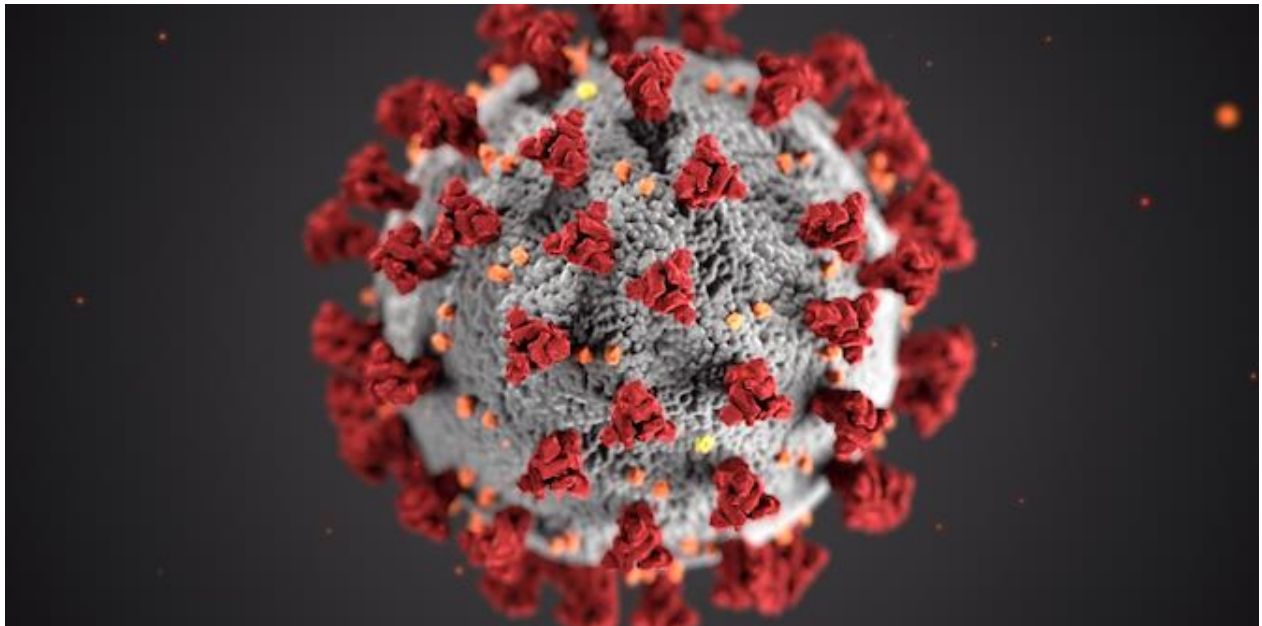
Summary

Due to the large amount of uncertainty pertaining to workplace COVID-19 reporting and infection rates, a focused look at the data is warranted.

Thus far, the impact of COVID-19 on WC losses by confirmed cases reported to the Centers for Disease and Control and Prevention, (CDC), has been relatively low thus far.

Frequency assumptions, (a key metric in estimating potential impacts), drawn from the beginning time period of the pandemic have been adjusted downward as ranges for infection have been lowered due to the increased ability of medical treatments to combat the disease.

The compensability of COVID-19 claims is still anticipated to have significant effect on future workers' compensation system costs.



Contents

Summary.....	2
Works Cited.....	3
Introduction	4
Background.....	4
Presumptions from March	4
Impacts on the System	6
Direct Impacts.....	7
Non-Direct Impacts.....	10
Future Effects.....	12

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Introduction

Background

The Workers' Compensation Division of the Alaska Department of Labor and Workforce Development has closely monitored reports of injury and disputed claims filed as related to COVID-19 by looking at specific medical CPT codes used by medical professionals to track procedures performed in the care of injured employees. The CDC has stated concerns of under reporting due to asymptomatic infection rates, Alaska workers' compensation reporting may similarly be under reported. This report references data measured from March 2, 2020 through December 11, 2020.

Presumptions from March

Initial estimates of the infection rate, medical capacity, and terminality all varied as the pandemic progressed. The lack of testing materials hindered the research and control of transmission, while authorities grappled with policy to limit the contagion. Early models suggesting an 80% infection rate were modified as we were able to better track and treat the infection. It remains unknown what the ultimate infection rate will be, however confirmed cases have been significantly lower than initial projections. Ultimately we were much more successful at treating infected patients and the terminality rate dropped significantly.

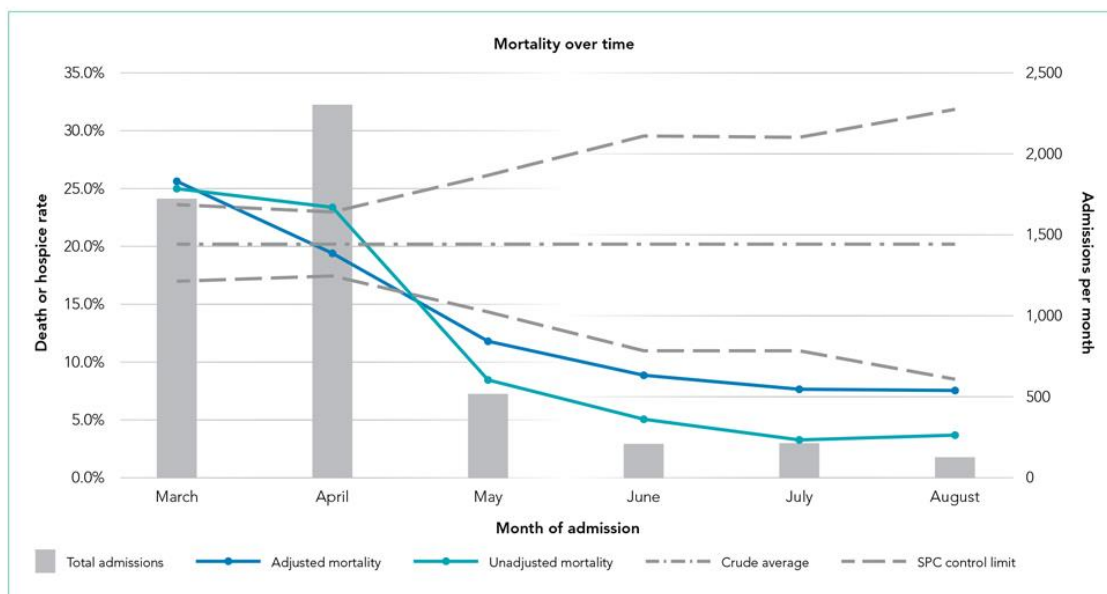
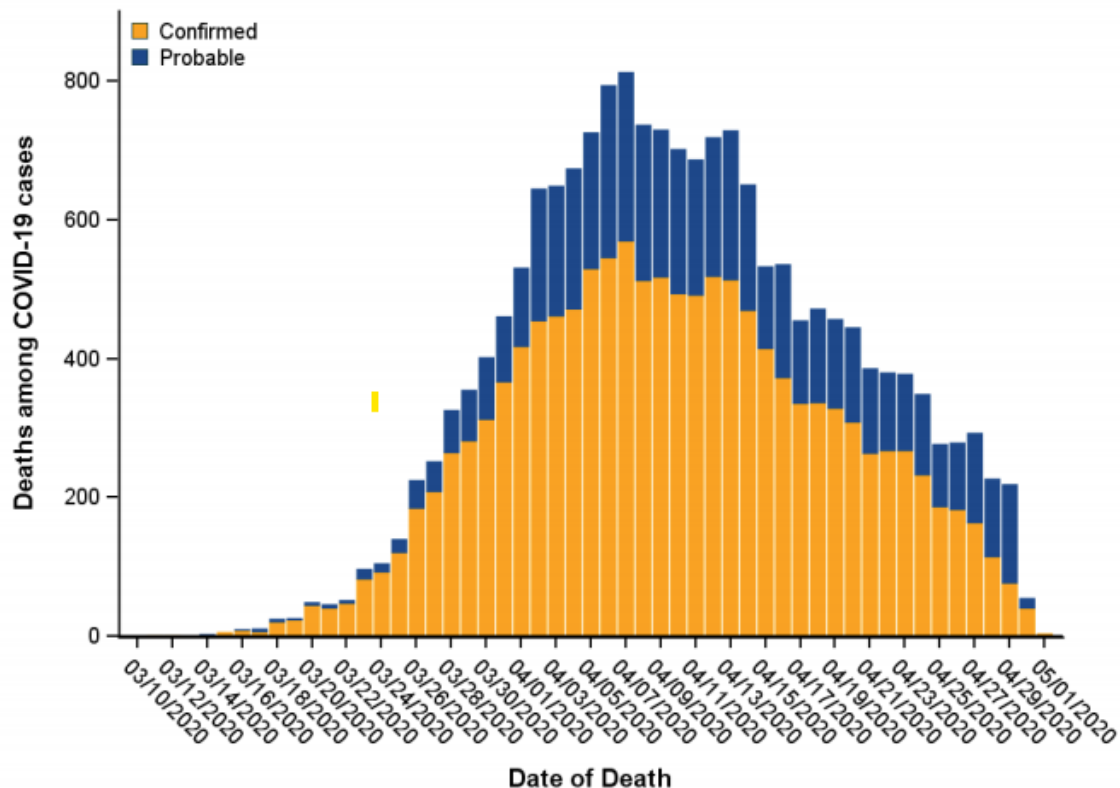


FIG. Adjusted and Unadjusted Mortality or Hospice Rate, by Month of Admission.

A preliminary study published on The Lancet (Chen Wang, 2020) provided an early estimate of a 3% fatality rate for the disease. The World Health Organization on March 3, 2020 held a media briefing stating the mortality rate estimate was 3.4%. (Ghebreyesus, 2020)

Infection rate estimates continued to fall through the spring of 2020. The State of New York reported a 1.4% infection fatality rate in May. (NYC Health, 2020) This included known and probable deaths due to COVID-19.



All data are preliminary and subject to change. Data from Bureau of Vital Statistics and Bureau of Communicable Disease.

This rate has held pretty steady in the United States. The infection rate through the end of November, 2020 is 5.7%, with 18,827,623 confirmed cases nationwide. The infection mortality rate is 1.77%, with 332,951 deaths occurring from those cases. (Worldometers.info, 2020)

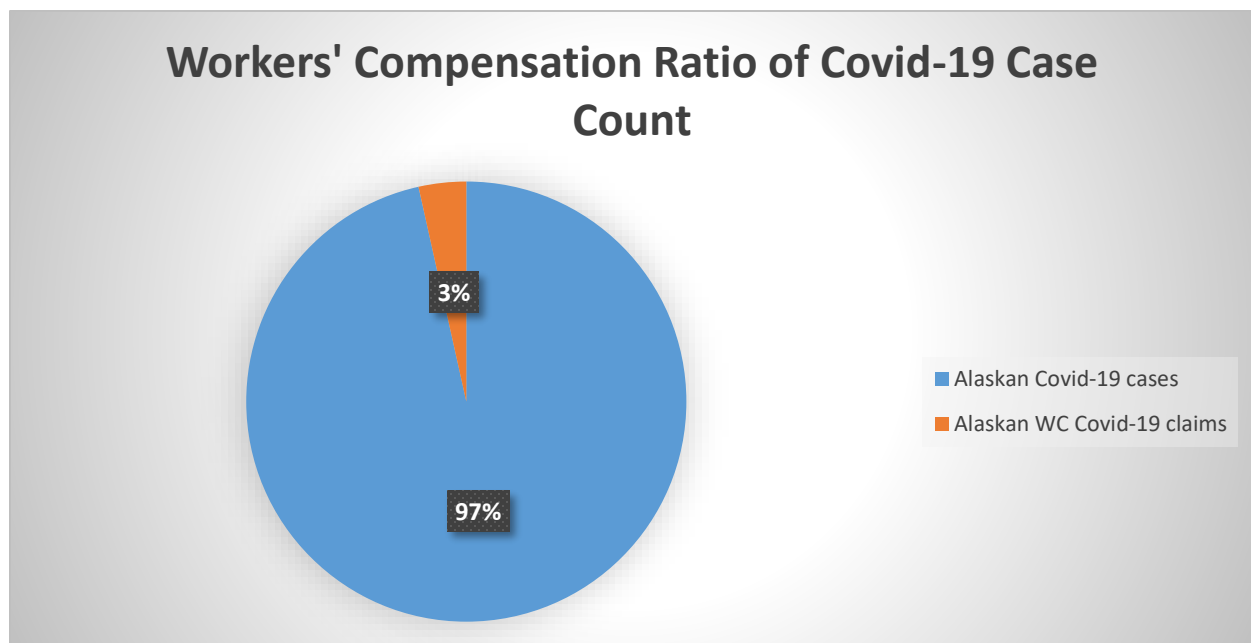
As expected the infection rate has risen as the seasons changed. Cooler weather means more time spent inside and thus closer to more people. Alaska has experienced the same rise in infection rate as the Nation with a majority of Alaska's confirmed cases reporting since October 1, 2020. This results in our rate of infection rising to 5.9% in late December. Alaska's infection mortality rate still hovers at 0.4%, with 196 Alaskan citizens succumbing to COVID-19. (Dunleavy, 2020)

Impacts on the System

The projection from the CDC for confirmed cases was originally set at as high as 40% of Americans becoming infected. This became a grave concern for the workers' compensation system, as claims would over run our capacity. These rates of infection were impacted by several factors:

- Social distancing
- Government-mandated lockdowns
- Business limiting operations
- Mandatory and voluntary quarantines
- Remote work practices

Additionally, infection rates for businesses varied due to exposures to the public. Balancing the safety of workers and the sustainability of business became our focus as concern for slowing the spread of COVID-19. A look at the number of Alaska's of workers' compensation claims compared to the overall case count assisted the Division in making its recommendations to the Administration.

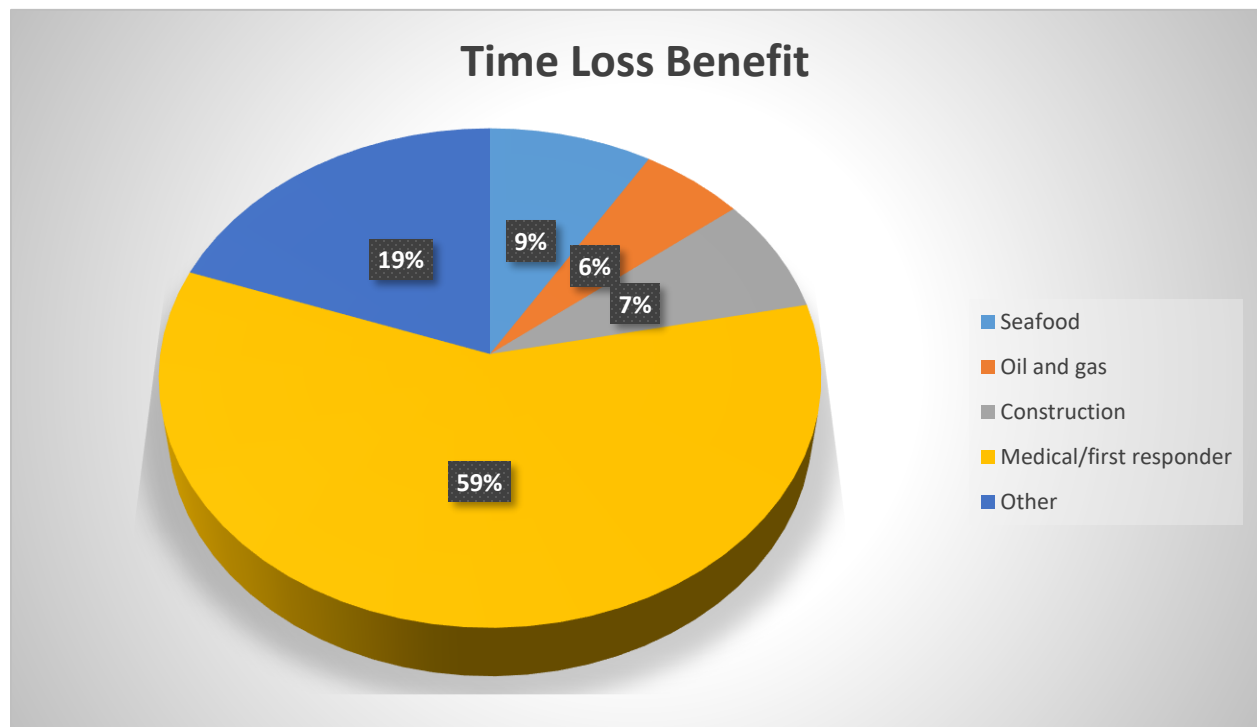


According to the National Council of Compensation Insurance, Inc. (NCCI), the confirmed case rate was between 13% and 23% for workers. (NCCI, 2020) Our numbers in Alaska were much better due to a number of factors. With our employment numbers down due to seasonal slowdown coupled with the pandemic impact on employment, the Alaska Department of Labor and Workforce Development shows 298,800 employed people in Alaska. (Analysis, 2020) The Division of Workers' Compensation reports a total of 1,620 claims filed with COVID-19 as the reported of injury. This places our infection rate

amongst the employed at 0.5%, (one half of one percent), making work a safe place. Stated in layman's numbers, about one out of every twelve cases involves transmission at work.

Direct Impacts

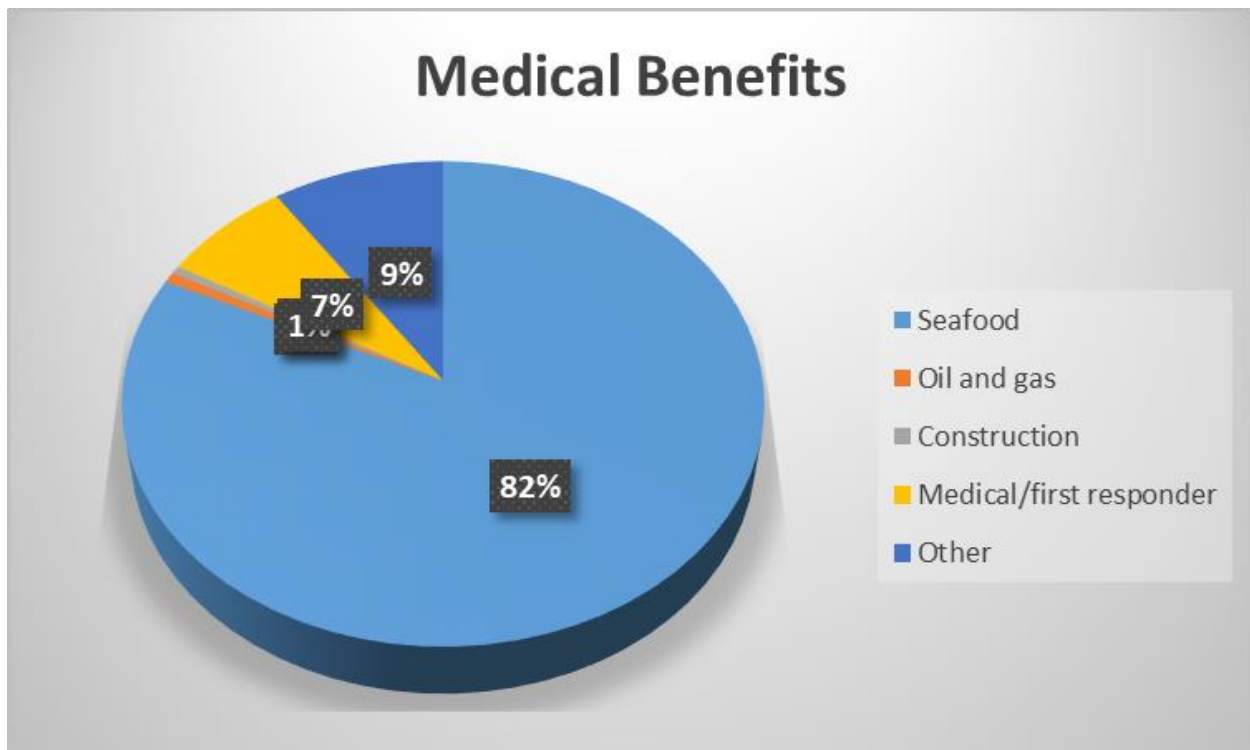
As with every case of COVID-19, the impact has a very wide range of costs associated with the occurrence. To date the Division of Workers' Compensation has tracked the 1,620 claims which show \$414,239.60 in time loss payments and an additional \$135,913.96 in medical and legal payments. The individual claim amount run from zero dollars to just under \$47,000 in one claim. Shown in the chart below, Alaskan businesses engaged with State and Local authorities to keep everyone safe by providing benefits for those employees whom were affected by COVID-19, even if it was from an abundance of caution due to symptoms while waiting on test results.



As expected, first responder and medical staff logged the most time loss as those employers recognized the issue of infection and strove to limit the amount of spread among their employees. The chart above represents 365 claims out of the total filed, with no time loss benefits were recorded in the remainder. At first it might appear employees were just left without pay, but the data shows this was not true. While there were 179 denied claims, the majority of the employees with a report of injury due to COVID-19 were quarantined

away from work and compensated normally. While Alaska employees were certainly impacted by the pandemic and jobs were lost in 2020, those who were working and contracted the disease were covered either by workers' compensation insurance or directly by their employer. The facts show that Alaskan employers moved quickly and efficiently to protect Alaskan employees and their families. Remote work, adjusted schedules, rigorous cleaning and most importantly personal protective equipment all were implemented for workers.

Medical benefits paid show the importance of acting quickly. When seafood processors and industry members were impacted, the ability to quickly quarantine employees who were infected saved thousands of dollars. No industry in Alaska has been as effected by medical expense due to COVID-19 as the seafood industry.

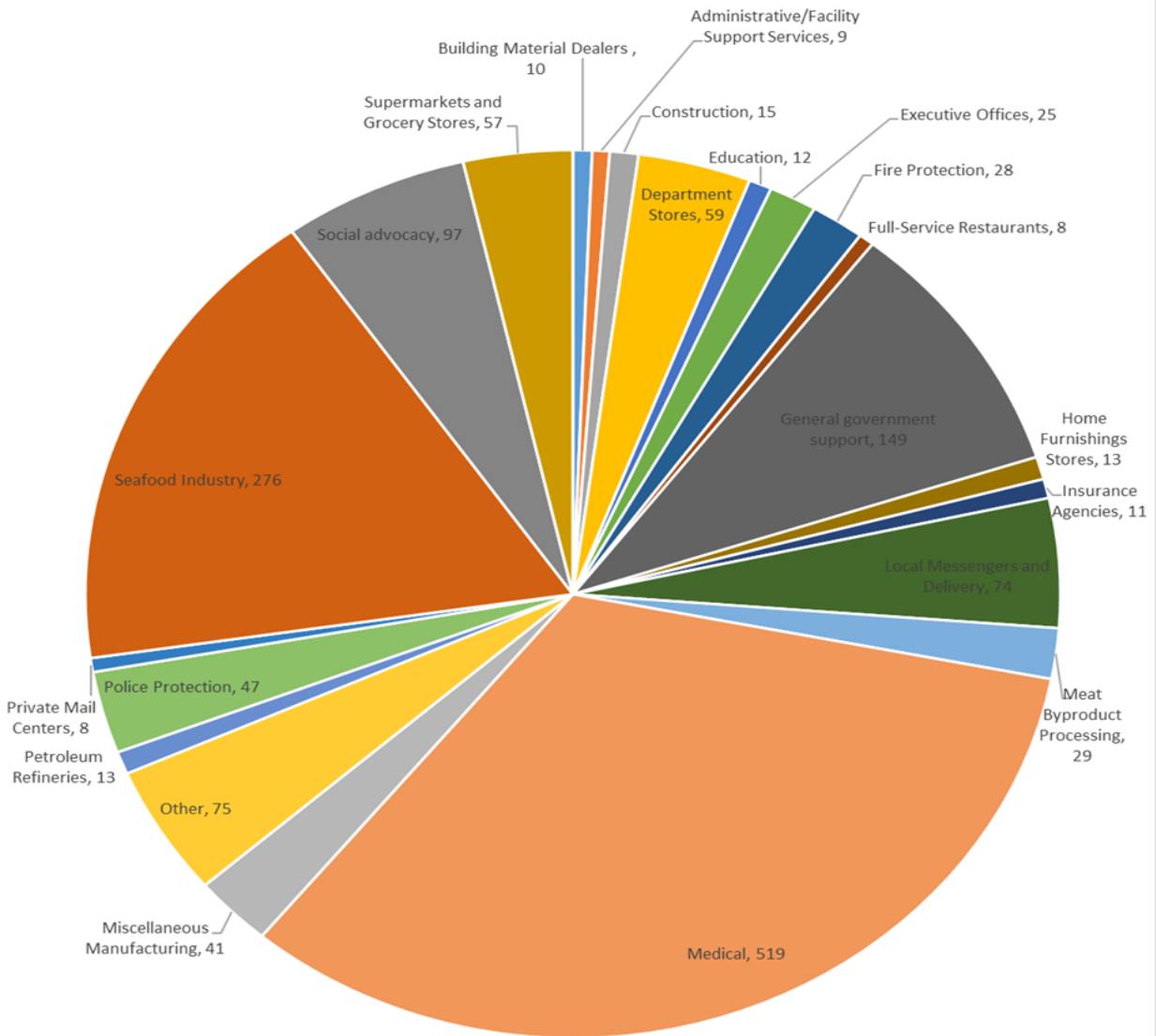


The amount of medical and legal benefits paid due to COVID-19 pales in comparison of the total amount paid for all claims.

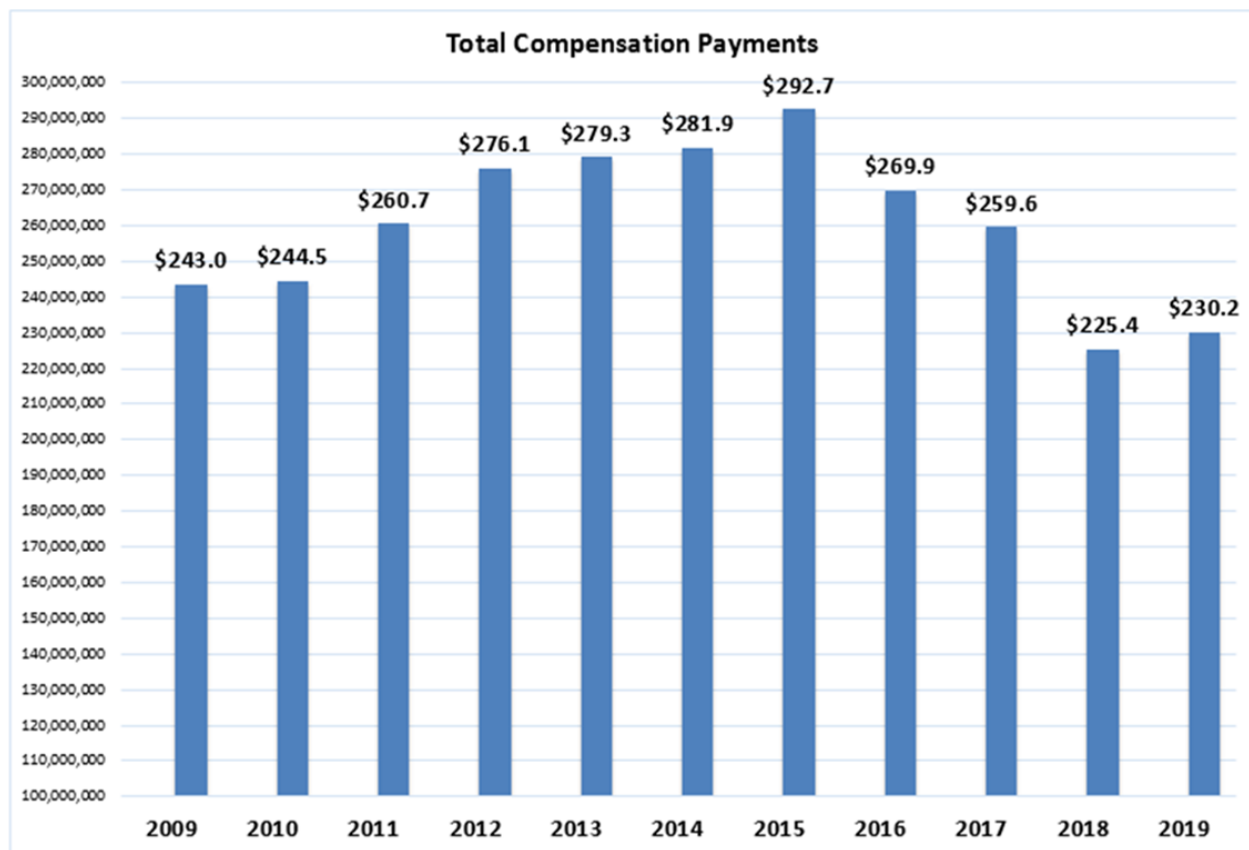
Opened	Closed	Current	Paid	BTC to date	OBT to date	EP to Date	Denials (04)
1620	789	831	454	\$414,239.60	\$135,913.96	\$116,481.22	179

On average, the Division will report about 18,000 claims with a total benefit spent of approximately 230 million dollars.

Covid 19 Claims by Industry



12/15/2020



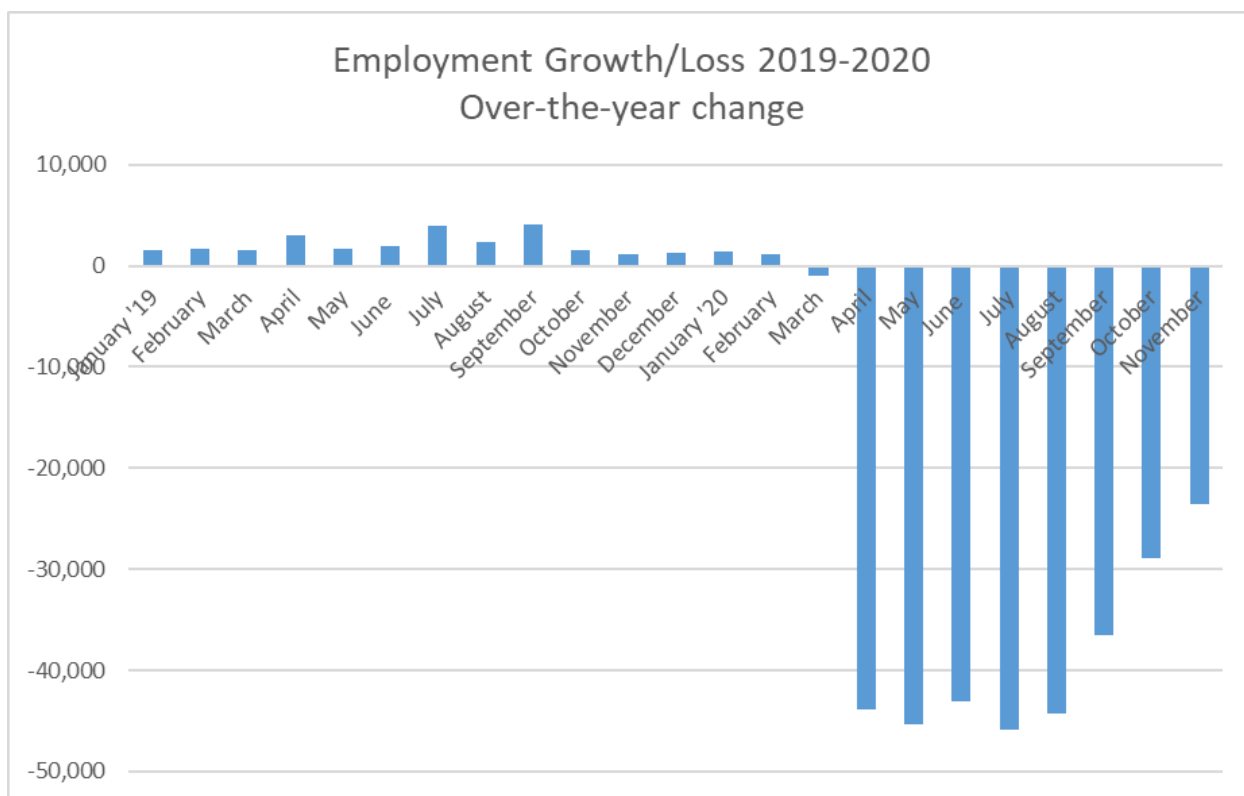
Non-Direct Impacts

Of concern to the Department of Labor and Workforce Development is the loss of revenue to the system. As Alaska businesses were idled, especially in tourism and hospitality, Alaska jobs were shed. The effect of lost jobs has been

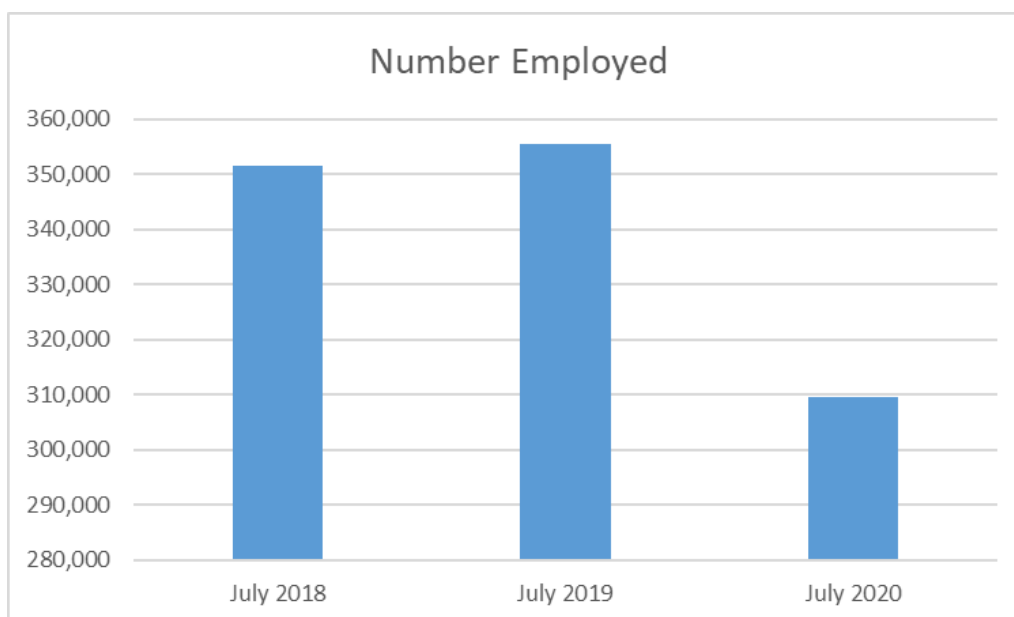


devastating on the Alaskan economy, communities and families. The issue does not stop there. While some impacts on the system are readily seen, such as the growth in Unemployment Insurance Division staff and work load, other impacts are also a concern for the Department. The Division of Workers'

Compensation is funded entirely by a service fee on payments or premiums as prescribed in AS 23.05.067 which the Division forecasts to decline for 2020. As insurance premiums are partially based on active employment and payments on claims will be lessened in a pandemic impacted economy, the percentage of service fees will correspondently decline as well.



As shown in the chart, provided by our own Research and Analysis Division, employment numbers have plummeted for 2020. As year-end audits are performed by insurance carriers on Alaskan businesses, we expect the premium paid by employers statewide will be adjusted down due to lessened employment. This, combined with the reduced total spent for workers' compensation claims will lower the amount of funding available for the Division in fiscal year 2022. Alaska had a strong trend in employment with our

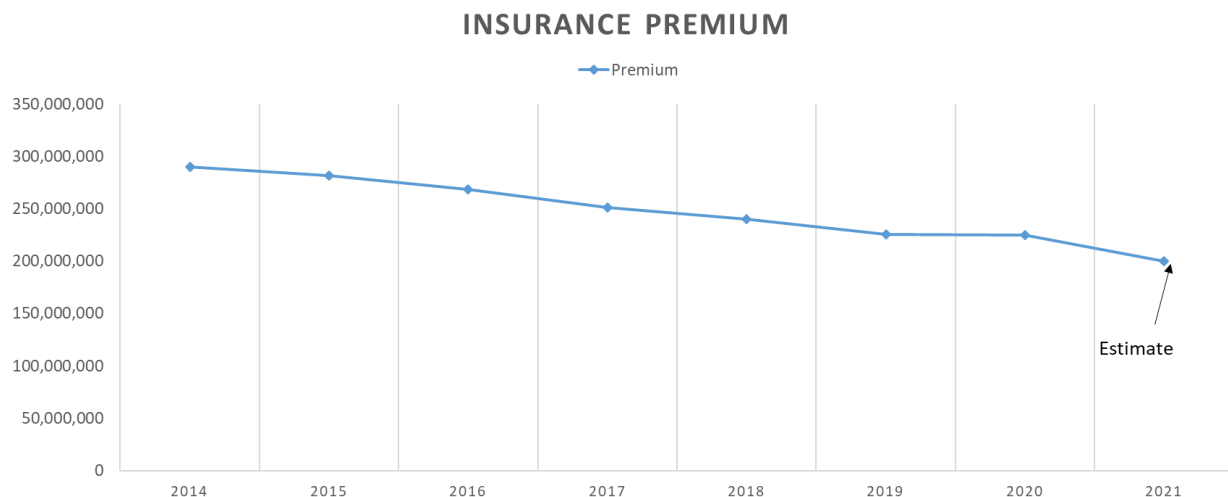


consistently highest employment numbers shown in July every year. With the pandemic arriving at the most inopportune time for Alaska, the affect will be

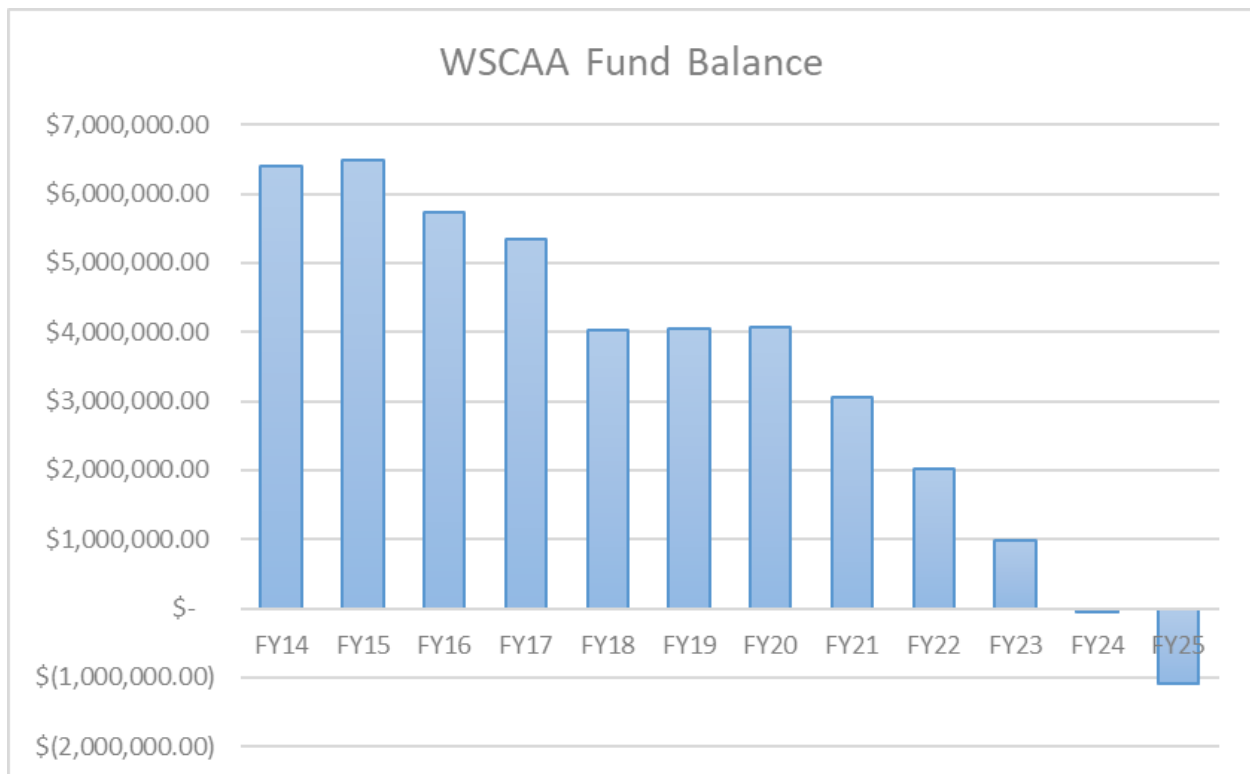
multiplied as the entire summer season was lost for many employers and their workers. This equates to some businesses never opening their doors in 2020 or purchasing those workers' compensation policies. Realizing this, the Division has moved to reduce spending while still offering all services needed for the operation of the Division going forward. This includes carefully managing positions for work load optimization, remote meetings and hearings by virtual means, less travel and a closer relationship with other Divisions within the Department of Labor and Workforce Development.

Future Effects

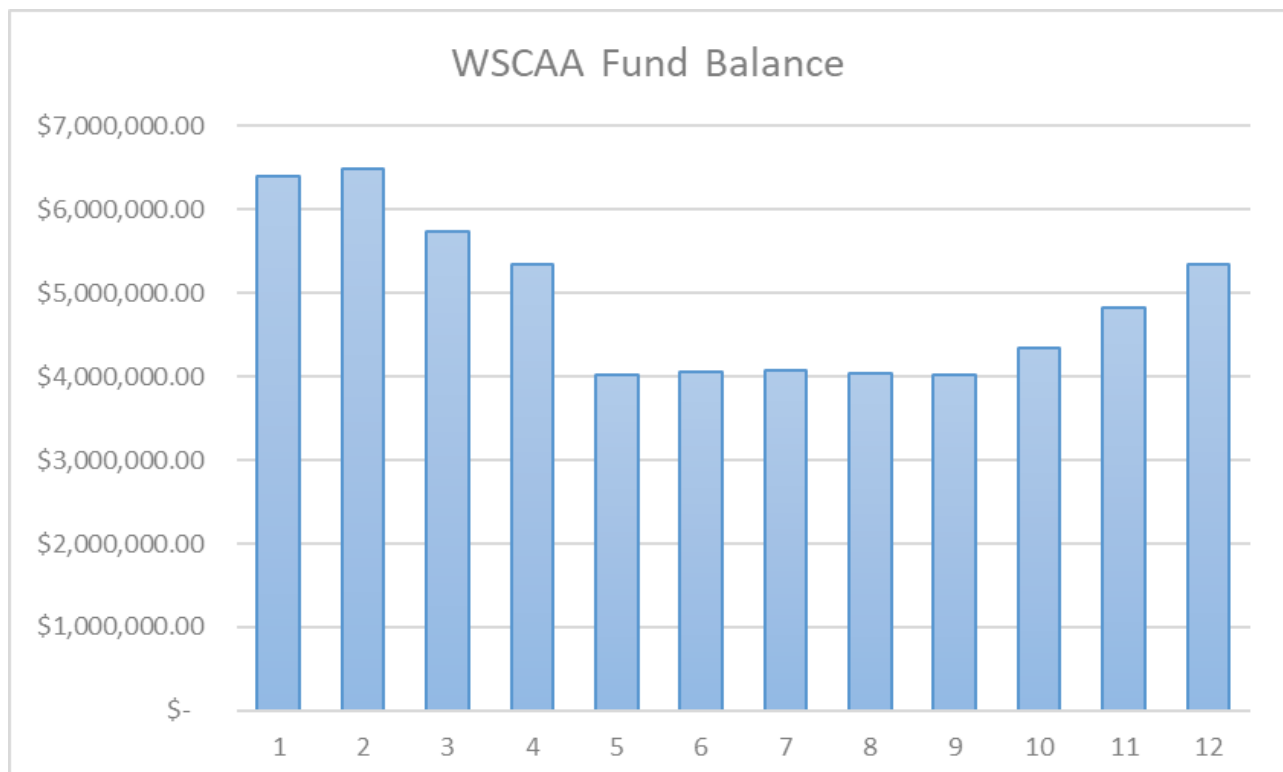
Businesses all over Alaska are concerned about the effect the pandemic will have moving into 2021. While the Division cannot forecast how great an impact COVID-19 will have on all business aspects in 2021, we can state that no effect will be felt in workers' compensation insurance premiums. As stated in an earlier press release, No. 20-38 dated October 30, 2020, premium rates will decrease by an average of 14.9% over 2020 rates. Alaskan workers' compensation rates have declined 46% since 2015, and 2021 will mark the eighth consecutive year of decrease.



With no changes in employment and no measures implemented by the Workers' Compensation Division, expenses would soon outpace revenue. This is reflected in the following chart.



By enhanced management of our resources, including moving some tasks to within the Department for shared budgetary and enhanced offerings to injured employees, we will not only survive the pandemic but provide a better outcome for those we serve. First, we enhance the use of our budgetary techniques to conserve funds for the next budget year.

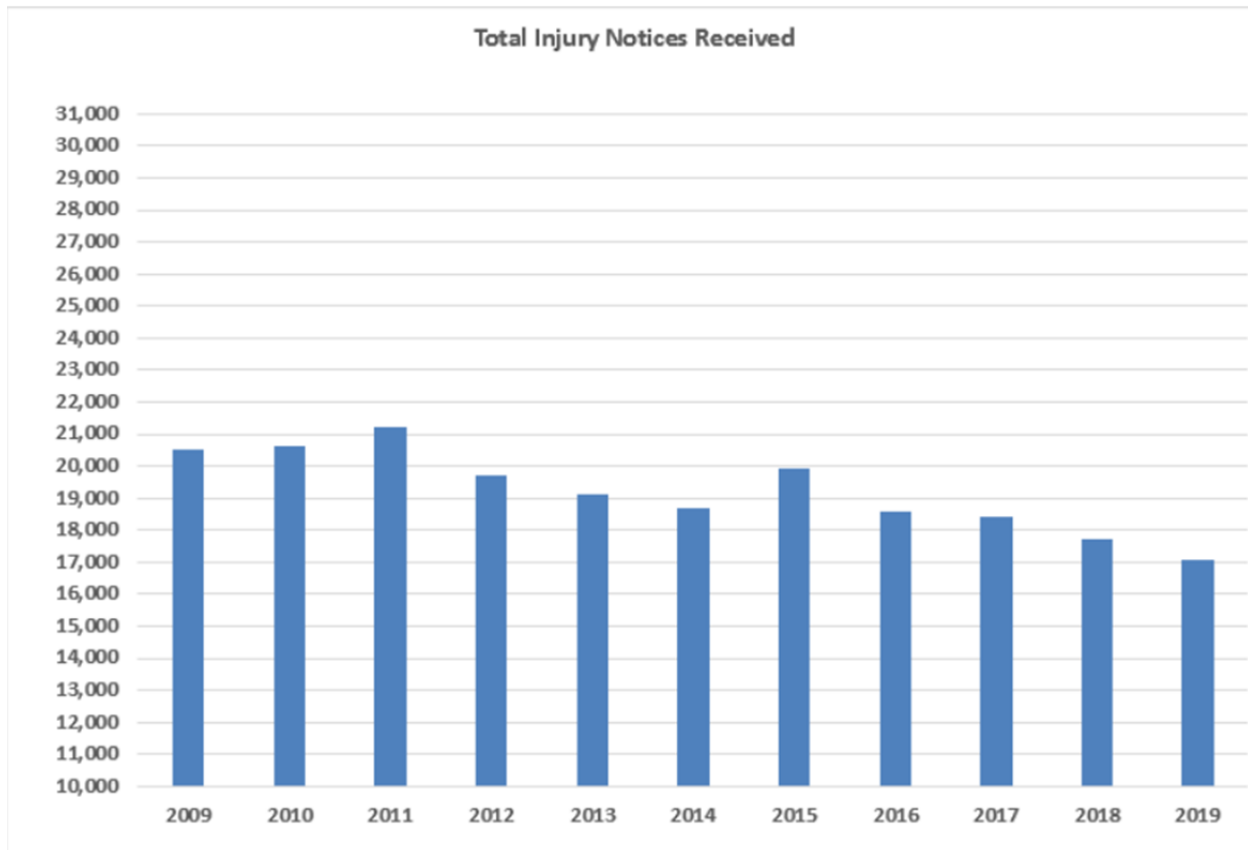


Secondly, we turn our focus to a “Return to Work” program within the entire Department. The Department of Labor and Workforce Development has the expertise and experience to rehabilitate and assist with reemployment of injured workers on hand. Our Reemployment Benefits Administrator and her team have the training and experience to perform the evaluations of injured employees and complete a schedule for and retraining needed. The Department has excellent resources to assist with rehabilitation housed in the Vocational Rehabilitation Division. Injured employees with needs arising from a disability or injury at work will receive the best services available in the State of Alaska. Those in need of skill enhancement and continued education could be referred to the Department’s training center. Alaska Vocational Technical Center or AVTEC, is a hidden gem of educational expertise. Injured employees striving to move forward and return to work will find the education and support needed to assist them with gaining the skills necessary to compete in Alaska’s job market. To assist the injured employees in returning to work, the Alaska Job Centers can provide assistance with placement in jobs along with expertise on resume writing and job interview tips.

Third, by using the tools developed within our Department, we can better serve Alaska’s employees and improve our competitiveness in the world’s economy. This translates to a better use of resources that are currently in short supply. A 2019 study by the American Action Forum (Douglas Holtz-Eakin, 2019) projects a shortage of 800,000 workers with some college or skilled training in the United States. Businesses looking for employees who have more than a high school diploma, showing the ambition and persistence to continue training are in high demand. This same study estimates Alaska will be short 21,000 bachelor degree and 7,000 some college education workers by 2029. Injured and retrained Alaskan workers can help fill this gap.

Finally, we have no choice. Budgetary constraints will force us to look for avenues of change. The Division of Workers’ Compensation must improve delivery of service. Every year we monitor expenditure of several million dollars with limited success in return to work metrics. Too often the injured worker returns to same type of work and is either unsuccessful at retaining their job or is reinjured. For example, out of 562 evaluation referrals in 2019, after spending \$2.1 million in evaluation costs, \$2.6 million in injured worker wage benefits and over \$600,000 in plan costs, we had 13 employees finish their plans. Another 47 quit and took job relocation benefits, and 98 are still in system. I recommend we look at an in-house solution based on “Return to Work”.

The Department of Labor and Workforce Development, Labor Standards and Safety Division works with organizations to promote safety so that resources can be marshaled and used to reduce the menace of accidental death and injury.



The Department of Labor and Workforce Development continues to monitor, educate and support businesses operating in Alaska to ensure worker safety. Our efforts have made Alaska a safer and more profitable location to work.



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