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RECENT GROWTH IN TEXAS WORKERS COMPENSATION CLAIM COSTS PARTLY REFLECTS IMPACT OF REFORMS, SAYS NEW STUDY

CAMBRIDGE, MA, December 20, 2011 – The average cost of a workers compensation claim in Texas grew five percent in 2009, reflecting the impact of recent medical fee schedule increases and possibly some effect of the recession, according to a new study by the Workers Compensation Research Institute (WCRI).

While the modest growth in the average cost per claim is similar to the two prior years, the drivers of growth differed according to WCRI's study, *Monitoring the Impact of Reforms and Recession in Texas: CompScope™ Benchmarks, 12th Edition*.

Growth in indemnity benefits per claim — payments for lost wages — accounted for nearly two-thirds of the change in total costs per claim from 2006 to 2007, reflecting the increase in the weekly statutory maximum benefit under House Bill (HB) 7, effective October 2006.

From 2007 to 2008, growth in medical payments per claim accounted for about one-half of the increase in total costs per claim. This mainly reflects fee schedule increases under HB 7, most of which applied to services provided on or after March 1, 2008.

Growth in medical payments per claim accounted for 46 percent of the increase in total costs per claim from 2008 to 2009, while growth of indemnity benefits accounted for 41 percent. Medical payments per claim in Texas rose seven percent in 2008 after being stable in 2007 and following several years of decreases beginning in 2002. That increase is related in part to increases in fee schedules.

The study reported that the recent growth in indemnity benefits per claim may be related to the recession, while earlier growth reflects an increase in the maximum benefit under HB 7.

Indemnity benefits per claim grew five percent from 2008 to 2009, in part the result of a three percent increase in the duration of temporary disability — nearly one-half week. This was the first increase in temporary disability duration in many years and may be related to the recession.

Medical payments in Texas dropped significantly because of reform legislation (HB

2600 in 2001 and HB 7 in 2005), along with increased payor focus and effort on managing medical care. Prior to the reforms, Texas medical payments per claim were the highest among 16 states studied by WCRI. In 2009, medical payments per claim were 16 percent lower than the typical state.

The Cambridge-based WCRI is recognized as a leader in providing high-quality, objective information about public policy issues involving workers' compensation systems.

ABOUT WCRI:

The Workers Compensation Research Institute (WCRI) is an independent, not-for-profit research organization based in Cambridge, MA. Since 1983, WCRI has been a catalyst for significant improvements in workers' compensation systems around the world with its objective, credible, and high-quality research. WCRI's members include employers; insurers; governmental entities; managed care companies; health care providers; insurance regulators; state labor organizations; and state administrative agencies in the U.S., Canada, Australia and New Zealand.

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