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The North Carolina Industrial Commission’s continued efforts to improve the workers’ compensation system have realized tangible system-wide savings. On August 29, 2018, the North Carolina Rate Bureau filed a proposed average 17.2 percent decrease in its residual market rate filing. As part of the proposed decrease, the Rate Bureau proposed a 15.9 percent decrease in loss costs, one of the key variables used to calculate insurance rates. Workers’ compensation loss costs also decreased 10.2 percent in 2015, 14.4 percent in 2016 and 11.3 percent in 2017.1 Efforts by the Commission to control costs, particularly medical costs, were a significant factor in the decrease in loss costs.

The North Carolina Rate Bureau’s August 29, 2018 circular stated: “The general explanation for the filed decrease, which follows a decrease last year as well, is insurance carriers have had fewer workers’ compensation claims and are paying less for these claims.” The proposed average rate decreases among industry groups include a 15.9 percent decrease for manufacturing, 16.5 percent decrease for contracting, 19.3 percent decrease for goods and services, and a 19.3 percent decrease for office and clerical industry groups. The Rate Bureau proposed a 14.7 percent rate decrease for miscellaneous industry groups. The proposed rate decreases were submitted to the Commissioner of Insurance with a proposed effective date of April 1, 2019.

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1 All percentage changes in loss costs represent the percentage change in the year the change was filed. The changes become effective the following year.
North Carolina Industrial Commission Chairman Charlton Allen said, “The dramatic decreases in loss costs are a testament to the effectiveness of the needed reforms to the State’s workers’ compensation system.”

According to research from the Workers’ Compensation Research Institute, indemnity costs per claim in North Carolina have decreased from an average of $26,666 for 2009 claims evaluated in 2012 to an average of $24,675 for 2012 claims evaluated in 2015. The average period injured workers are out of work due to temporary disability has also decreased from 24.6 weeks in 2009 to 21.2 weeks in 2012, for claims evaluated at an average of 36 months after the injury.

Reforms to the Commission’s medical fee schedule have also contributed to cost savings. Payments for nonhospital providers decreased approximately 5 percent from 2014 to 2015 for claims at 12 months of experience. In the same time period, payments for hospital outpatient providers decreased 24 percent and payments for inpatient hospital providers decreased 11 percent. In its 18th Edition of Medical Benchmarks for North Carolina, the Workers’ Compensation Research Institute notes these decreases likely reflect early results from the 2015 Medicare-based fee schedule rules. The Commission will continue to review the medical fee schedule and important benchmarks as part of its ongoing efforts to improve the workers’ compensation system.