

The State Workers' Compensation Program Advisory Board held its meeting on February 15, 2024 via Webex. In attendance were Jack Engle (Chairperson), Ken Werts (Senate Minority Leader Appointee), Michelle Porro (Speaker of the House Appointee), Jim Nichelson (REV), Laura Hammann (CMS Risk Management), Andrew Hall (CMS Risk Management), Nicole Featherstone (CMS Risk Management), Joli Schroeder (CMS Risk Management), Joe Derringer (CMS Assistant Deputy Director), Justin Hammersmith (DOI), George Sweeney (DOI), David Christensen (OAG), Christina Smith (OAG), Michael Brennan (Workers' Compensation Commission), Jim Sterr (DOT), Glendon Bradley (DOT), Mohammed Rashid (CMS), and Brett Kolditz (OAG).

To begin the meeting, Jack discussed all aspects of performance tracking and inventory management. This included a comparison of December 2023 numbers to the previous 3-month and 12-month average. December results indicated open inventory decreased by 681 since December 2022. Med only conversions to indemnity declined to 101 compared to the 12-month average of 213. Overall, results are favorable. Closure rates dipped to 93% in December 2023 which is a significant reduction when compared to 184% for the prior three months and 114% for the prior 12 months. The goal is to close more claims than we receive, and this should be attainable with the claims staff that Gallagher Bassett has working claims. We currently have 894 claims valued in excess of \$250,000. This is an increase of 11 claims since the prior 3-month period and an increase of 24 in the prior 12-month period.

Next, claim reporting lag-time was addressed. For the month of December, 78% of claims were reported within one day which was a notable decline from 83%, for the prior 3-month period, and 88%, for the prior 12-month period. Jack advised that we continue to monitor and express the importance of timely or immediate reporting to the Workers' Compensation Coordinator population. We have received several Carpal Tunnel claims via application or an Attorney. These large lags do impact the overall result if greater than 6 months when filed. The percentage of claims setup within 6 days was 95% for December, 91% in the prior 3 months and 84% in the prior 12 months. This is a positive trend.

Jack moved on to discuss the financial impact of lost work days utilizing the same measures as before. In December, 13% of claims involved lost work days which is slightly higher than the previous 3 and 12 month periods (12% and 8%). The actual number of lost work days for December was 75 which sat right between the 3 and 12 month numbers of 77 and 73. Finally, the average indemnity incurred per open claim was reported at \$68,101 which again fell between the amount for the 3-month period at \$69,062 and the amount for the 12-month period at \$66,809.

In terms of financial tracking and establishing reserves, Gallagher Bassett is properly executing reserve maintenance. The first metric reviewed, reserve development, compares incurred total at 365 days versus total incurred at closure. December showed the highest percent at 48% whereas the previous 3 months was 35% and the previous 12 months was 42%. Next, the percent of outstanding versus total incurred was reported which was consistent among all three period at 51%, 52% and 52%. The financial cost of claims saw a slight increase for the average paid in December but a decrease in the total paid in December.

The next metric reviewed was managed care in which we saw medical billings decrease approximately 300 bills in December when compared to the prior 3 months and 105 when compared to the prior 12 months. The average charges declined approximately \$500 when compared to the prior two measurements. The lower volume of billing resulted in a reduction in savings that was approximately \$360 less than the comparison periods. We did meet our KPI of 63% even with the lower volume of billings and discounts. Jack moved on to discuss Direction of Care (D.O.C.) bills noted on the table. Specifically, Jack noted where treatment was obtained outside of Illinois and how that State's laws or rules were used to process the billings. There were only 77 bills totaling approximately \$50,000 that were received in 2023 with approximately \$17,000 paid. D.O.C. savings averaged 66%, however, a few states discounted certain procedures at 98-100%. The smaller quantity has a minimal impact when compared to the \$52,000,000 paid in 2023.

Financial review was continued with the analysis of litigation. File maintenance resulted in significant inventory for the Attorney General and Gallagher Bassett. Notably, there were 104 litigated claim files closed in December and 83 new files received. This is a favorable result that we hope to continue. Currently, 63% of our open claims inventory is in litigation. This is a 2% increase when compared to the prior 3-month and 12-month periods (61%). We have seen a significant drop in claims value (approximately \$6,000,000) and settlements/awards (approximately \$5,000,000) completed in December compared to the previous 3-month average. Overall, we have seen a claim file reduction of 600 on claims open greater than 5 years. This result could not be attained if not for the partnership with the office of the Attorney General, CMS and Gallagher Bassett.

Subrogation recoveries continue to trend favorably. Subrogation results improved by \$100,000 in calendar year (CY) 2023, in comparison to 2022, and totaled over \$3,400,000. To date, we have recovered approximately \$2,000,000 in fiscal year (FY) 24. Our intercept program which recovered \$8,635 in 2023 continues to increase subrogation recoveries.

Jack reviewed the metrics regarding settlements and awards across CY21, 22, and 23. In CY23, 752 claims were settled, and 196 awards processed for a total of 948 claims closed. In CY22, a total of 952 claims closed via settlement or award by the Commission. Jack did note that total spent in CY23 was nearly \$6,000,000 more than CY21; however, the total spent in CY23 was just over \$3,000,000 less than CY22. The lower numbers in CY21 results can be attributed to the Pandemic slowing treatment and pursuit of claims.

Claims administration costs were discussed including the claim fees, the software and reporting provided by Gallagher Bassett and the managed care/nursing aspect of the program. The weekly funding for TTD, settlements, awards, medical and any other fees reimbursed to claim files totaled nearly \$111,000,000 for 2023. The State has paid approximately \$114,000,000 in CY23 to Gallagher Bassett for the handling of our Workers' Compensation program. Our FY24 appropriation is \$113,000,000. We will continue to monitor the financial aspect of the program as we wrap up FY24.

After reviewing the last of the metrics, Jack proceeded on to provide updates occurring within the Workers' Compensation program. The Workers' Compensation Coordinator training held in October

2023 had a total of 169 Coordinator attendees over the course of three sessions in three locations throughout the State. During these in-person trainings we noted an opportunity to conduct smaller group trainings to address the similar needs with agencies that have similar types of claims or claims volume. These additional trainings will be held in March and June in a virtual environment with in-person trainings in October. We are also implementing settlement days with the Attorney General's staff. The first sessions are scheduled on March 6th and 7th in Chicago, and we have identified a population of claims to discuss in person with the opposing counsels that represent the injured workers. Chairman Brennan provided input and advised he would be willing to offer up an Arbitrator and meeting rooms as well as assist in any manner possible to help us with this initiative. Jack advised he appreciated the offer and that Dave and his staff will reach out at the appropriate time to discuss further. Future dates and intervals will be determined after the success of the initial meetings is determined. George Sweeney with the Illinois Department of Insurance advised that they have referred two State of Illinois cases for prosecution.

Jack wrapped up the meeting with a discussion of the next steps for the Worker's Compensation Advisory Board which primarily focused on the final FY24 advisory board meeting. At this meeting, at which Gallagher Bassett will attend, the 1st year of performance for the TPA will be reviewed. This will include any changes that will be made to continue to enhance performance as well as a discussion of the implementation of new Best Practices. Jack would like to discuss changes being made to how the Tollway and ISP are handling Workers' Compensation moving forward. Finally, Jack will work to prepare the annual report to be submitted to the Governors office.