

COSTS

This section of the Annual Report focuses on claim and premium costs. The WCA collects claim information from insurers who file First Reports of Injury and Notices of Benefit Payment. Insurers can file electronically, use the WCA website or submit this data on paper. The WCA also collects claim financial figures from the annual expenditure report submitted by insurers mid-March each year. The Economic Research Bureau (ERB) also relies on statistics released by the National Association of Insurance Commissioners (NAIC) and the National Council on Compensation Insurance (NCCI).

Cost summaries are reported in two ways: by accident year using the WCA claims database, and by expenditure year using annual expenditure summaries, as well as NAIC and NCCI statistics. Beginning in 2008, ERB enlarged the scope of financial analysis to include activity contained in the WCA inpatient database.

Private Insurer Costs

In 2010, there were 37,764 workers' compensation policies active in New Mexico. (See Appendix B.) As of January 2011, average premium rates for New Mexico

employers in the voluntary market increased by about 4.2 percent. There was no change in premium rates for employers in the assigned risk market.

Premium Rate Changes for Highlighted New Mexico Industries, 2011

Contracting	1.4%
Manufacturing	6.3%
Goods and Services	5.1%
Miscellaneous Sectors	7.7%
Office and Clerical	4.2%
New Mexico Overall	4.2%

Figure 5.2 details the movement of direct earned premiums and paid losses over the past several years.

Figure 5.3 highlights the average estimated payroll costs and paid losses for workers' compensation insurance. Payroll costs reflect the workers' compensation insurance premiums paid by employers, while paid losses are the amount actually paid out on workers' compensation claims. Average premium rates for individual industries vary widely. For example, in the assigned risk

Figure 5.1 New Mexico Annual Premium Change

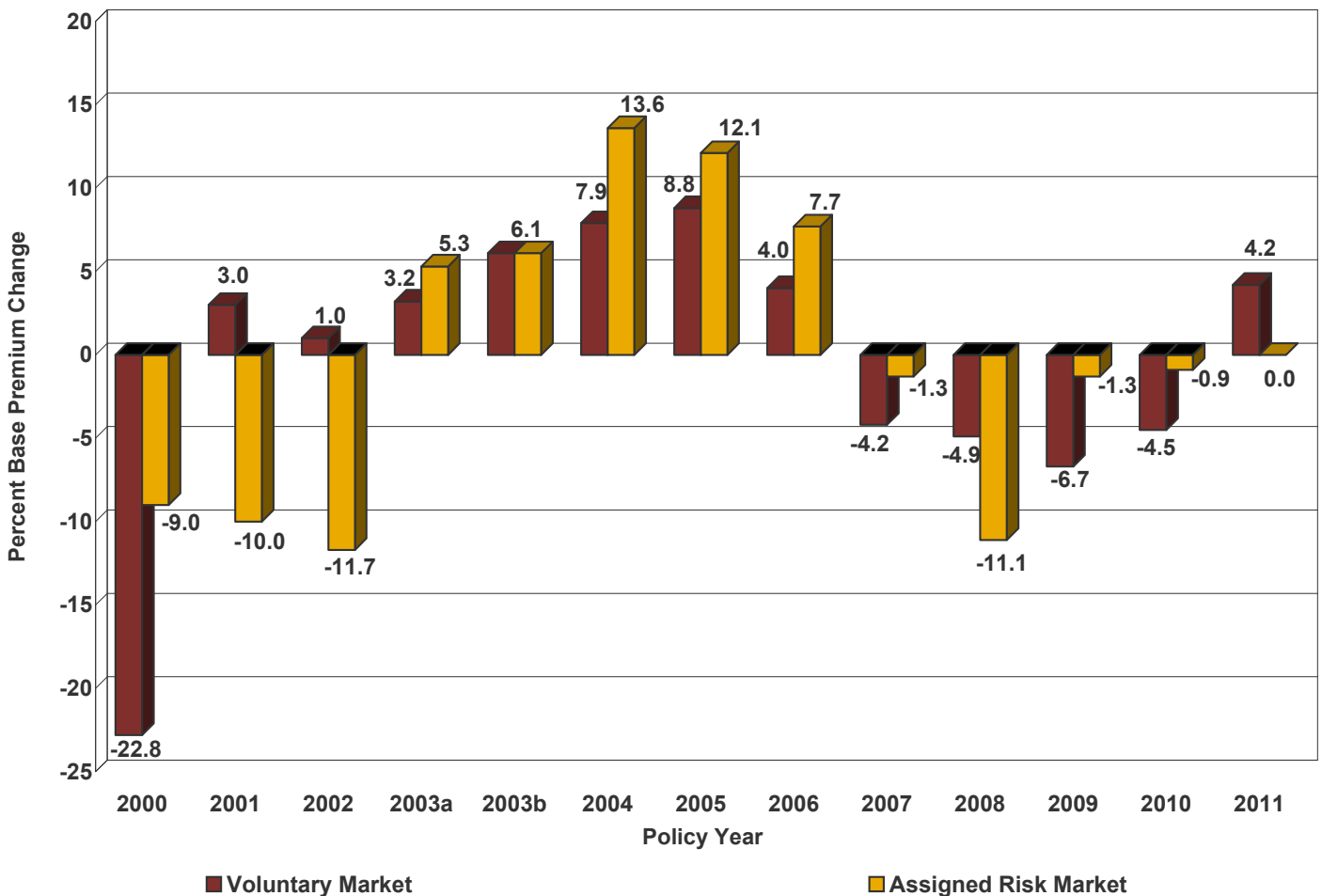
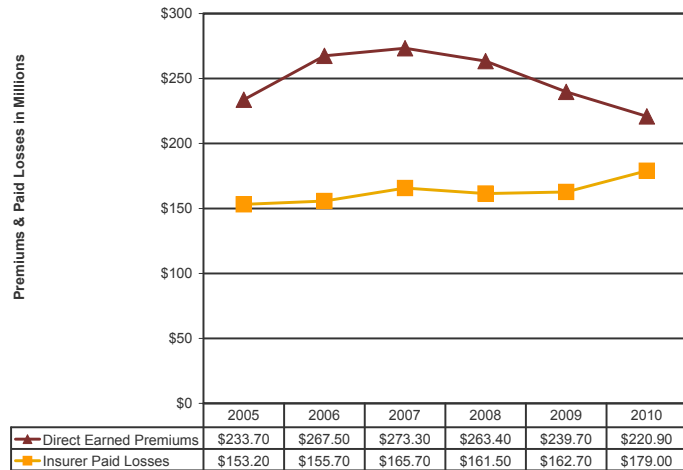


Figure 5.2 Insurer Direct Earned Premiums and Paid Losses in New Mexico



pool, the average loss cost for a grain mill employee in 2010 was \$24.35 per \$100 of payroll, while the average loss cost for a dental laboratory employee was \$1.15 per \$100 of payroll.

Figure 5.4 shows the trends in adjusted loss ratios by percentage of premium earned. The most recent available data is from 2009 (NAIC, 2010).

Figure 5.4 Countrywide & NM Adjusted Loss Ratios by Percent of Earned Premium

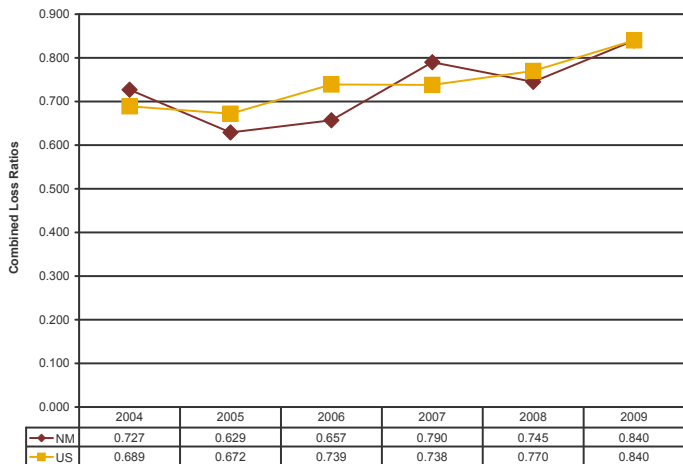


Table 5.5 details changes in workers' compensation total paid losses, total claims, and carrier and self-insured paid losses. See Appendix B for details regarding the workforce and its distribution among insurance carriers and Self-Insurers.

Tables 5.6 and 5.7 provide detailed breakdowns of expenditures by category, for insurance carriers and self-insurers. Table 5.8 contains a summary of inpatient claims costs.

Figure 5.3 Estimated Payroll Costs and Paid Losses per \$100 of payroll.



Profitability

Figure 5.9 summarizes the profitability of private insurance companies in New Mexico compared to countrywide underwriting results. (NAIC, 2010a)

The residual market saw a continued decline in the number of policies in 2010: 2,219 residual market policies were active in 2010, down from 2,392 in 2009. Residual market total premium volume also decreased, from \$5,602,465 effective during the second quarter of 2009 to \$5,443,637 in 2010. (NCCI 2011)

Table 5.5 NM Workers' Compensation Insurance Paid Losses by Calendar Year

Year	Total Paid Losses	Total Claims	Carrier Paid Losses	Self-Insured Paid Losses
1995	\$148,977,576	47,126	\$85,106,087	\$63,871,489
1996	\$151,299,869	46,937	\$81,845,452	\$69,454,417
1997	\$138,342,361	43,114	\$79,421,560	\$58,920,801
1998	\$140,305,995	39,882	\$85,589,832	\$54,716,163
1999	\$138,216,833	41,046	\$85,086,514	\$53,130,319
2000	\$148,699,658	41,562	\$91,904,666	\$56,794,992
2001	\$164,865,425	42,897	\$107,197,974	\$57,667,451
2002	\$182,178,921	40,822	\$118,468,365	\$63,710,556
2003	\$197,013,598	44,833	\$126,402,918	\$70,610,680
2004	\$204,564,887	40,432	\$126,130,813	\$78,434,074
2005	\$240,446,243	48,884	\$153,179,382	\$87,266,861
2006	\$250,576,145	54,701	\$155,667,449	\$94,908,696
2007	\$256,480,244	49,643	\$165,748,684	\$90,731,560
2008	\$254,522,479	51,759	\$161,494,197	\$93,028,282
2009	\$256,514,970	46,402	\$165,639,812	\$90,875,158
2010	\$283,590,181	40,856	\$195,090,470	\$88,499,711

Table 5.6 Medical Costs Associated with Indemnity Claims for New Mexico's Insurance Carriers and Self-Insured Employers, 2005-2010

	2005	2006	2007	2008	2009	2010
INSURANCE CARRIERS						
Facility	\$20,015,863	\$20,902,682	\$18,292,247	\$18,299,179	\$16,819,075	\$20,639,968
Avg. Cost Per Claim	\$1,703	\$1,511	\$1,327	\$1,179	\$1,172	\$1,608
Physician	\$11,690,172	\$15,556,943	\$16,375,294	\$16,030,910	\$15,067,490	\$16,339,510
Avg. Cost Per Claim	\$995	\$1,124	\$1,188	\$1,033	\$1,050	\$1,273
Therapy	\$15,093,071	\$6,934,235	\$7,682,837	\$6,970,095	\$8,821,465	\$8,982,120
Avg. Cost Per Claim	\$1,285	\$501	\$557	\$449	\$615	\$700
Medication	\$7,843,630	\$7,989,440	\$10,636,846	\$9,940,485	\$9,271,148	\$11,057,200
Avg. Cost Per Claim	\$668	\$577	\$771	\$640	\$646	\$861
Vocational Rehab	\$2,824,383	\$986,124	\$1,331,806	\$591,809	\$2,058,828	\$1,576,026
Avg. Cost Per Claim	\$240	\$71	\$97	\$38	\$144	\$123
Other	\$11,802,151	\$15,919,230	\$22,087,564	\$18,820,640	\$27,413,169	\$30,772,874
Avg. Cost Per Claim	\$1,004	\$1,150	\$1,602	\$1,213	\$1,911	\$2,397
Grand Total for Year	\$69,269,270	\$68,288,654	\$76,406,594	\$70,653,118	\$79,451,175	\$89,367,698
Total No. of Claims	11,750	13,837	13,788	15,522	14,347	12,839
Avg. Cost per Claim	\$5,895	\$4,935	\$5,542	\$4,552	\$5,538	\$6,961
SELF INSURERS						
Facility	\$13,682,206	\$12,795,484	\$10,317,042	\$11,906,330	\$11,992,322	\$11,127,518
Avg. Cost Per Claim	\$1,798	\$1,677	\$1,314	\$1,535	\$1,648	\$1,785
Physician	\$8,870,757	\$10,058,811	\$9,131,140	\$9,911,753	\$10,042,900	\$10,112,518
Avg. Cost Per Claim	\$1,166	\$1,318	\$1,163	\$1,278	\$1,380	\$1,622
Therapy	\$4,599,441	\$5,913,287	\$5,698,939	\$5,434,276	\$5,354,591	\$6,353,117
Avg. Cost Per Claim	\$604	\$775	\$726	\$700	\$736	\$1,019
Medication	\$5,411,524	\$5,410,914	\$5,775,273	\$7,255,294	\$7,106,270	\$6,646,730
Avg. Cost Per Claim	\$711	\$709	\$736	\$935	\$977	\$1,066
Vocational Rehab	\$643,208	\$246,847	\$268,467	\$257,194	\$357,235	\$305,713
Avg. Cost Per Claim	\$85	\$32	\$34	\$33	\$49	\$49
Other	\$9,400,676	\$10,101,473	\$11,484,964	\$10,451,707	\$9,548,989	\$8,481,895
Avg. Cost Per Claim	\$1,235	\$1,324	\$1,463	\$1,347	\$1,312	\$1,360
Grand Total for Year	\$42,607,812	\$44,526,816	\$42,675,825	\$45,216,554	\$44,402,307	\$43,027,491
Total No. of Claims	7,609	7,630	7,850	7,758	7,276	6,235
Avg. Cost per Claim	\$5,600	\$5,836	\$5,436	\$5,828	\$6,103	\$6,901

Table 5.7 Insurance Carriers' (Voluntary & Assigned Risk) Workers' Compensation Insurance Paid Losses by Calendar Year, 2005-2010

Loss Category & Claims Count	2005	2006	2007	2008	2009	2010
INSURANCE CARRIERS						
INDEMNITY Claims						
A. Wage Replacement Benefits	\$59,014,830	\$56,948,714	\$59,270,584	\$58,779,373	\$60,457,183	\$79,204,616
B. Medical Costs	\$54,642,736	\$51,708,178	\$53,008,138	\$51,088,824	\$49,979,178	\$57,018,798
C. Attorney Fees	\$9,204,285	\$11,509,644	\$11,109,883	\$13,432,722	\$9,078,081	\$7,001,252
D. Vocational Rehab Costs	\$2,824,383	\$986,124	\$1,331,806	\$591,809	\$2,058,828	\$1,576,026
E. Other Benefits ¹	\$11,802,151	\$18,355,579	\$24,930,295	\$22,037,283	\$29,995,054	\$33,725,597
F. Indemnity Claims Subtotal	\$137,488,385	\$139,508,239	\$149,650,706	\$145,930,011	\$151,568,324	\$178,526,289
G. No. of Indemnity Claims	11,750	13,880	13,794	15,496	14,347	12,839
MEDICAL-ONLY Claims						
H. Medical Costs Subtotal	\$15,690,997	\$16,159,210	\$16,097,978	\$15,564,186	\$14,071,488	\$16,564,181
I. No. of Medical-Only Claims	15,324	15,461	15,478	14,968	13,638	12,693
J. Grand Total: Paid Losses	\$153,179,382	\$155,667,449	\$165,748,684	\$161,494,197	\$165,639,812	\$195,090,470
K. Grand Total : No. of Claims	27,074	29,341	29,272	30,464	27,985	25,532
L. Average Loss per Indemnity Claim = F/G	\$11,701	\$10,051	\$10,849	\$9,417	\$10,564	\$13,905
M. Average Loss per Medical-Only Claim = H/I	\$1,024	\$1,045	\$1,040	\$1,040	\$1,032	\$1,305
N. Average Loss per Carrier Claims =J/K	\$5,658	\$5,305	\$5,662	\$5,301	\$5,919	\$7,641
SELF INSURERS						
INDEMNITY Claims						
A. Wage Replacement Benefits	\$29,127,980	\$31,771,614	\$30,497,364	\$30,430,015	\$28,273,635	\$29,360,565
B. Medical Costs	\$32,563,928	\$35,395,965	\$30,901,480	\$34,484,097	\$34,396,083	\$34,239,883
C. Attorney Fees	\$3,124,660	\$3,652,410	\$3,427,448	\$4,000,722	\$3,823,244	\$4,236,342
D. Vocational Rehab Costs	\$635,062	\$246,847	\$268,467	\$257,194	\$357,235	\$305,713
E. Other Benefits ¹	\$9,056,075	\$12,072,582	\$12,791,775	\$11,932,479	\$10,982,456	\$9,650,838
F. Indemnity Claims Subtotal	\$74,507,705	\$83,139,418	\$77,886,534	\$81,104,507	\$77,932,653	\$77,793,341
G. No. of Indemnity Claims	7,609	7,826	7,844	7,758	7,276	6,235
MEDICAL-ONLY Claims						
H. Medical Costs Subtotal	\$12,759,156	\$11,769,279	\$12,845,026	\$11,923,775	\$12,942,505	\$10,706,370
I. No. of Medical-Only Claims	14,201	17,534	12,527	13,537	11,141	10,705
J. Grand Total: Paid Losses	\$87,266,861	\$94,908,697	\$90,731,560	\$93,028,282	\$90,875,158	\$88,499,711
K. Grand Total : No. of Claims	21,810	25,360	20,371	21,295	18,417	16,940
L. Average Loss per Indemnity Claim = F/G	\$9,792	\$10,623	\$9,929	\$10,454	\$10,711	\$12,477
M. Average Loss per Medical-Only Claim = H/I	\$898	\$671	\$1,025	\$881	\$1,162	\$1,000
N. Average Loss per Carrier Claims =J/K	\$4,001	\$3,742	\$4,454	\$4,369	\$4,934	\$5,224

¹ Includes Death and Funeral Benefits

Table 5.8 Inpatient Summary Costs

Admission Year	Number of Inpatient Claims	Average Length of Stay (days)	Average Room Rate	Average Billed Costs
2006	733	5.6	\$1,290	\$13,336
2007	522	7.2	\$1,274	\$18,695
2008	513	5.4	\$1,304	\$19,413
2009	384	4.2	\$1,222	\$18,309
2010	813	5.8	\$1,344	\$17,473

Figure 5.9 Countrywide & NM Underwriting Profit and NM Combined Ratio Based on Percent of Earned Premiums

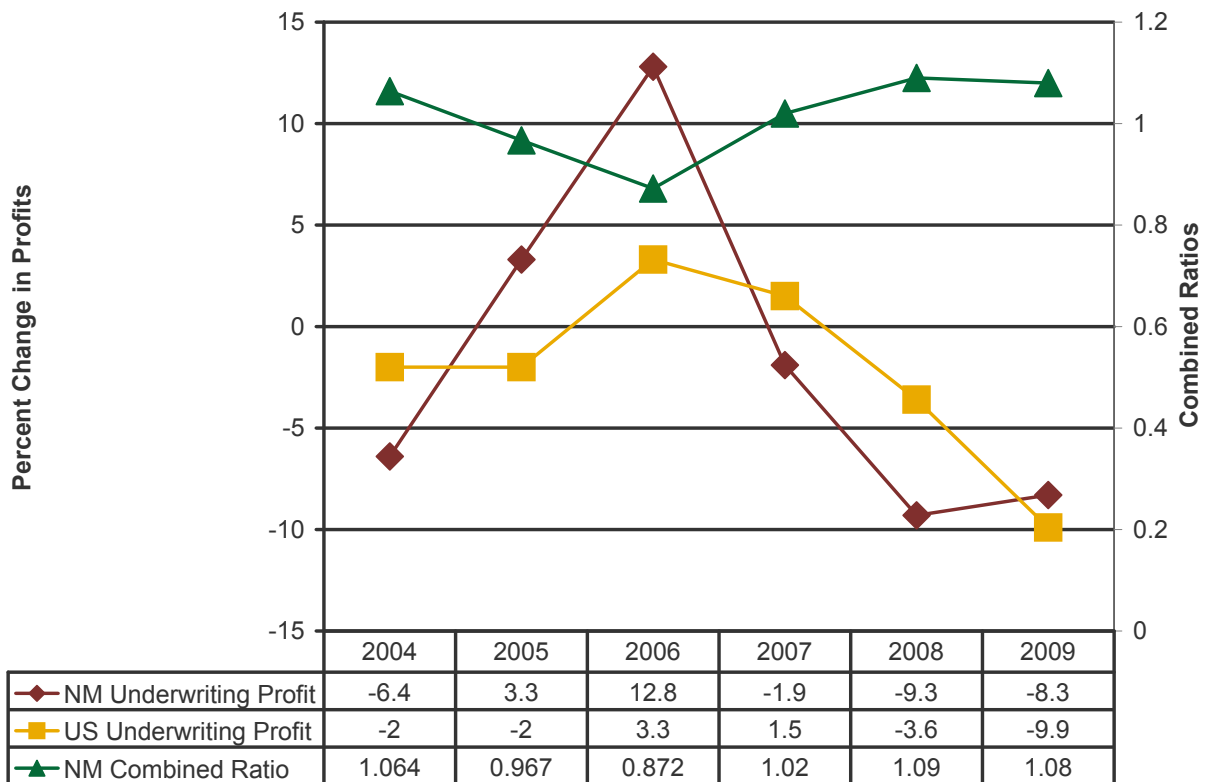


Figure 5.10 Indemnity Expenditures

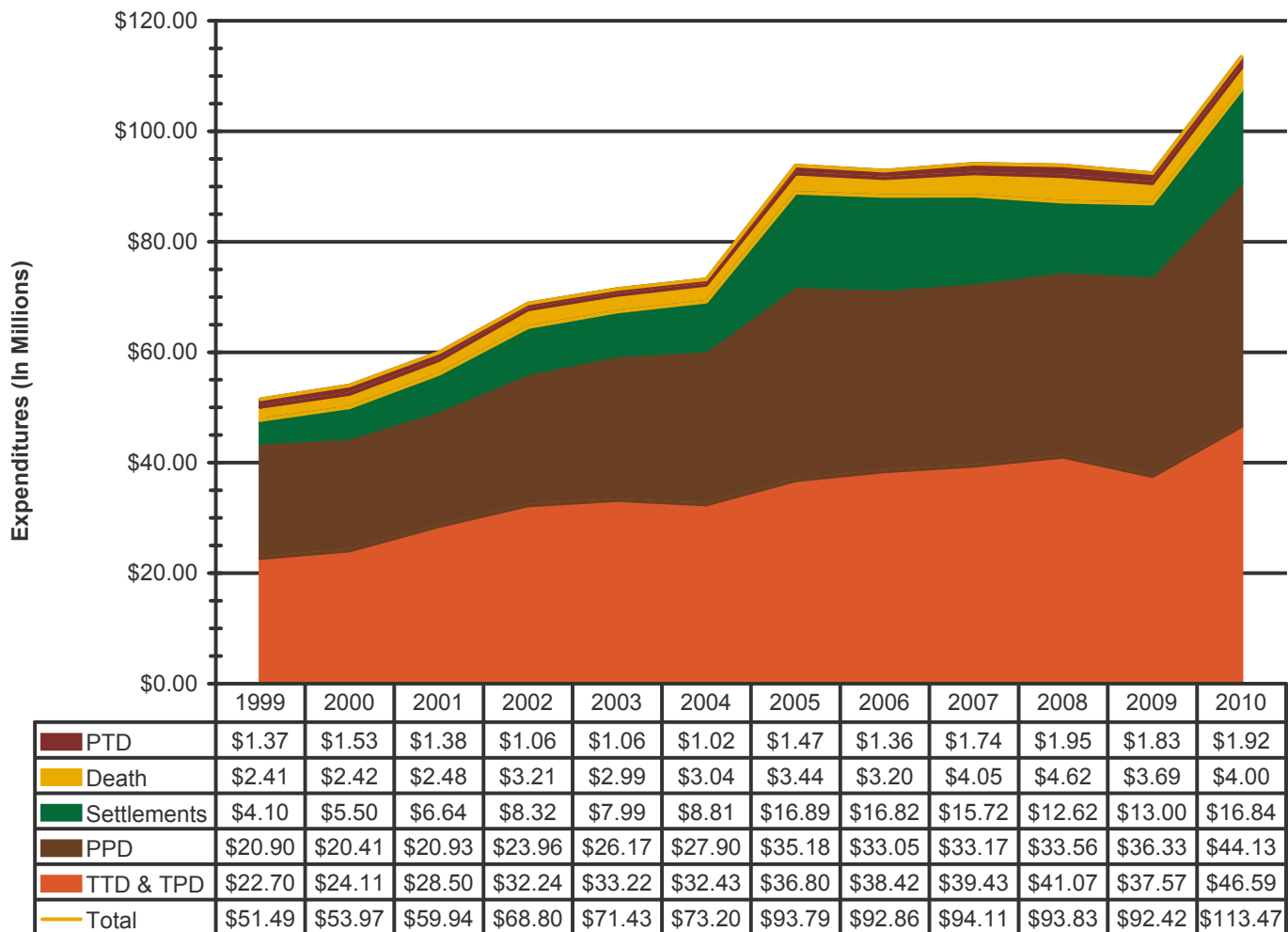


Figure 5.11 Medical Expenditures

