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Background / Purpose



Traditional Workers' Compensation (WC) models were designed for physical trauma, but there is documented growth in mental health-related occupational illnesses.



Mental health claims are often more costly and have longer disability durations than standard physical injuries.



A widening "legislative gap" exists between states maintaining restrictive historical statutes and those expanding coverage to include trauma without a physical trigger.



This study explores whether the current decentralized system creates structural inefficiencies that hinder the financial performance of the broader insurance market.

Research Questions

RQ 1: Are states **expanding their mental health coverage** in WC statutes in a similar manner?

RQ 2: Do the **differences in mental health coverage statutes** in WC systems across the states explain the **financial performance of WC insurance companies**?

Terminology

- **Physical-Mental Claims:** Psychological trauma that follows a **physical injury**.
- **Mental-Mental Claims:** Psychological trauma resulting from **mental stimuli/stress** without an underlying physical injury.
- **Tail Risk:** Risk associated with mental health claims that **lack a definitive recovery endpoint**, making them difficult to quantify.
- **Total Worker Health (TWH):** An integrated approach focusing on how the work environment **promotes or hinders well-being** to reduce mental health claims.

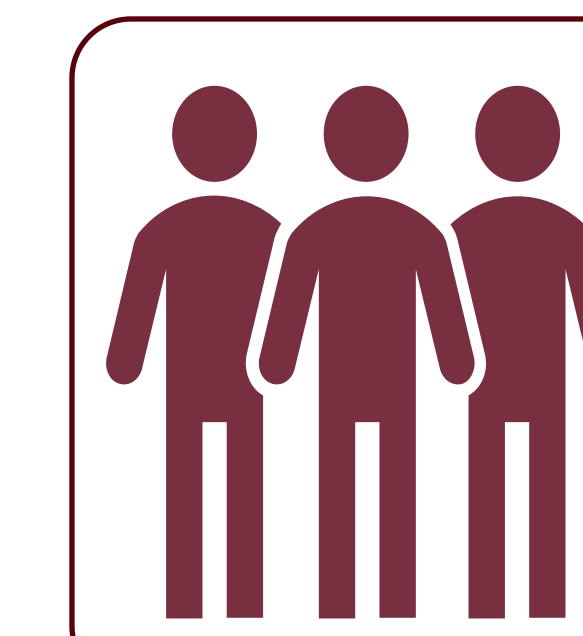
Method

- **Sample Period:** **2021–2025**, specifically chosen to capture legislative responses following the COVID-19 pandemic.
- **Data:** NAIC annual statutory statements for **insurer financial metrics** (net income, loss reserves, combined ratios). IAIABC and NCCI data for **state-level market aggregates** and **medical fee schedules**.
- **Framework:** A **Differences-in-Differences (DiD)** approach comparing the financial performances of insurers in treatment states (enacting reform) against control states.
- **Analysis:** An insurer-state-year panel analysis to **isolate the effect of legislative expansion** on mental health outcomes.

Future Steps



Administrative Friction: Future inquiry is needed regarding how inconsistent state requirements create loopholes or administrative delays/denials.



Heterogeneity: There is currently a lack of benchmarks for mental health and future research could further explore the impact on multi-state versus single-state insurers.

Select References

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