DEPARTMENT OF CONSUMER & BUSINESS SERVICES

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2011 Workers' Compensation Costs
Questions and Answers

The Department of Consumer and Business Services (DCBS) recently announced workers' compensation costs for 2011. On average, costs for employers will be flat. The changes include:

- A 1.8 percent decrease in the workers' compensation "pure" premium rate for 2011. The reduction marks the fifth straight year for a rate decrease and the 21st consecutive year with no rate increase.
- A proposed 1.8 percentage point increase in the workers' compensation premium assessment, from 4.6 percent in 2010, to 6.4 percent in 2011. (Self-insured employers and self-insured employer groups pay an additional 0.2 percent into a reserve to pay claims in the event of a bankruptcy.) The assessment rate has decreased four times since 2002.
- No change in the Workers' Benefit Assessment. It will remain at 2.8 cents per hour.

What is the pure premium rate?

The pure premium rate is the base rate employers pay to their insurance company for workers' compensation coverage. It reflects the actual cost of workplace injury and illness claims before insurance carriers' administrative expenses and profit are added. The 1.8 percent reduction represents an average across all types of businesses. Rates for specific businesses and industry groups may be higher or lower depending on group and individual claim experience.

How does the department calculate the rate each year?

The department sets the pure premium rate based on a recommendation from the National Council on Compensation Insurance Inc. (NCCI). Based in Boca Raton, Fla., NCCI manages the nation's largest database of workers' compensation insurance information and prepares workers' compensation insurance rate recommendations for many states.

When making its rate recommendations, NCCI looks at various trends in Oregon claims experience and benefits to forecast "loss costs" – or the estimated cost of injury and illness claims.

Why are pure premium rates going down?

Improvements in workplace safety have resulted in decreasing frequency and severity of claims. Workplace injury and illness rates in the state have declined 24 percent since 2004 and more than 58 percent since the late 1980s.

In addition, DCBS has worked with management and labor to reduce claims costs by helping workers return to work faster, controlling medical costs, and several other initiatives. The following are some of the recent measures that have contributed to reduced workers' compensation costs:

- Employers continue to use the department's return-to-work programs, which help injured workers return to work faster with good wages. Use of the "Employer at Injury Program" has grown significantly since the department simplified requirements and processes.

- The Workers' Compensation Medical Advisory Committee established standards for when artificial disc replacements are appropriate for workers, to control the costs of these expensive procedures and improve outcomes for workers. The committee also screens the use of new and experimental medical procedures, to ensure workers receive quality and cost-effective care.

- Hundreds of employers have obtained coverage in the voluntary market instead of the assigned risk pool through efforts among the department, NCCI, and insurers. Fewer employers in the assigned risk pool reduces the expense for the majority of employers in the voluntary market that subsidize the pool.

- The department has moved to electronic reporting for medical cost reporting and proof of insurance coverage, saving time and money for insurers.

What is happening with worker benefits?

Worker benefits have improved significantly in Oregon as costs have gone down. The following are examples of changes that have benefited workers:

- Maximum benefits for permanent partial disability have increased about tenfold since the late 1980s, and they now go up automatically as statewide wages increase, due to statutory changes in the past three legislative sessions.
- Injured workers who need interpreter services when visiting their medical provider have better access to help because of rules the department developed that make it clear how to pay and bill for interpreter services.
- Workers who are permanently and totally disabled no longer lose their benefits even if they become able to work a few hours a week.
- The rate at which workers' claims are denied has held steady over the past five years.
- Injured workers are receiving medical benefits more quickly. By using alternative dispute resolution, the Workers' Compensation Division has reduced the average time it takes to resolve medical disputes 79 percent since 2005.

What is the workers' compensation premium assessment?

The premium assessment pays for Department of Consumer and Business Services programs related to workplace safety and workers' compensation, including:

- Workplace health and safety inspections,
- Employer and worker consultation and training,
- Enforcement of workers' compensation laws to ensure coverage and the timely and accurate payment of benefits to injured workers,
- Prompt resolution of workers' compensation disputes and hearings, and
- Ombudsman services for injured workers and small businesses.

Why is the department proposing to increase the assessment?

An increase in the premium assessment is necessary to preserve critical workers' compensation programs that have driven Oregon's savings and success. DCBS reduced the assessment four times since 2002, as the economy grew. However, because the assessment is based on payroll, revenue has declined significantly since the start of the recession. The department has taken a variety of actions to address the revenue decline, including reducing expenditures, implementing pay freezes and furloughs, and cutting staff department-wide.

However, the department's goal is to avoid cuts that would jeopardize Oregon's stable and cost-effective workers' compensation system.

What is the Workers' Benefit Fund assessment?

The Workers' Benefit Fund assessment pays for a variety of programs that help injured workers and employers. The Workers' Benefit Fund provides benefit increases to permanently and totally disabled workers and to families of workers who died as the result of a workplace injury or disease, to reflect improvements to benefits and changes in average wages. The fund also supports Oregon's highly successful return-to-work programs that help injured workers return to work quickly and, on average, earn more than their pre-injury wages. The assessment is paid one-half by employers and one-half by workers, and has not increased in the past eight years.

When do the new rates take effect?

The pure premium rate decrease and the Workers' Benefit Fund assessment go into effect Jan. 1, 2011. The Department of Consumer and Business Services will hold a hearing to invite public comment on the proposed premium assessment rate Tuesday, Sept. 21, at 2 p.m. in conference room 260 in the Labor and Industries Building, 350 Winter St. NE in Salem. A final decision will be made in late September, and the rate will be effective Jan. 1, 2011.

Will workers' compensation costs increase in the future?

Through the Management-Labor Advisory Committee, the Department of Consumer and Business Services continues to work with employers and workers to monitor the system and evaluate areas of potential improvement. The department also continues to work on improving workplace safety to keep injury and illness rates down.

However, the system remains susceptible to outside pressures, such as the increasing cost of health care, which could put upward pressure on the pure premium rate.

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