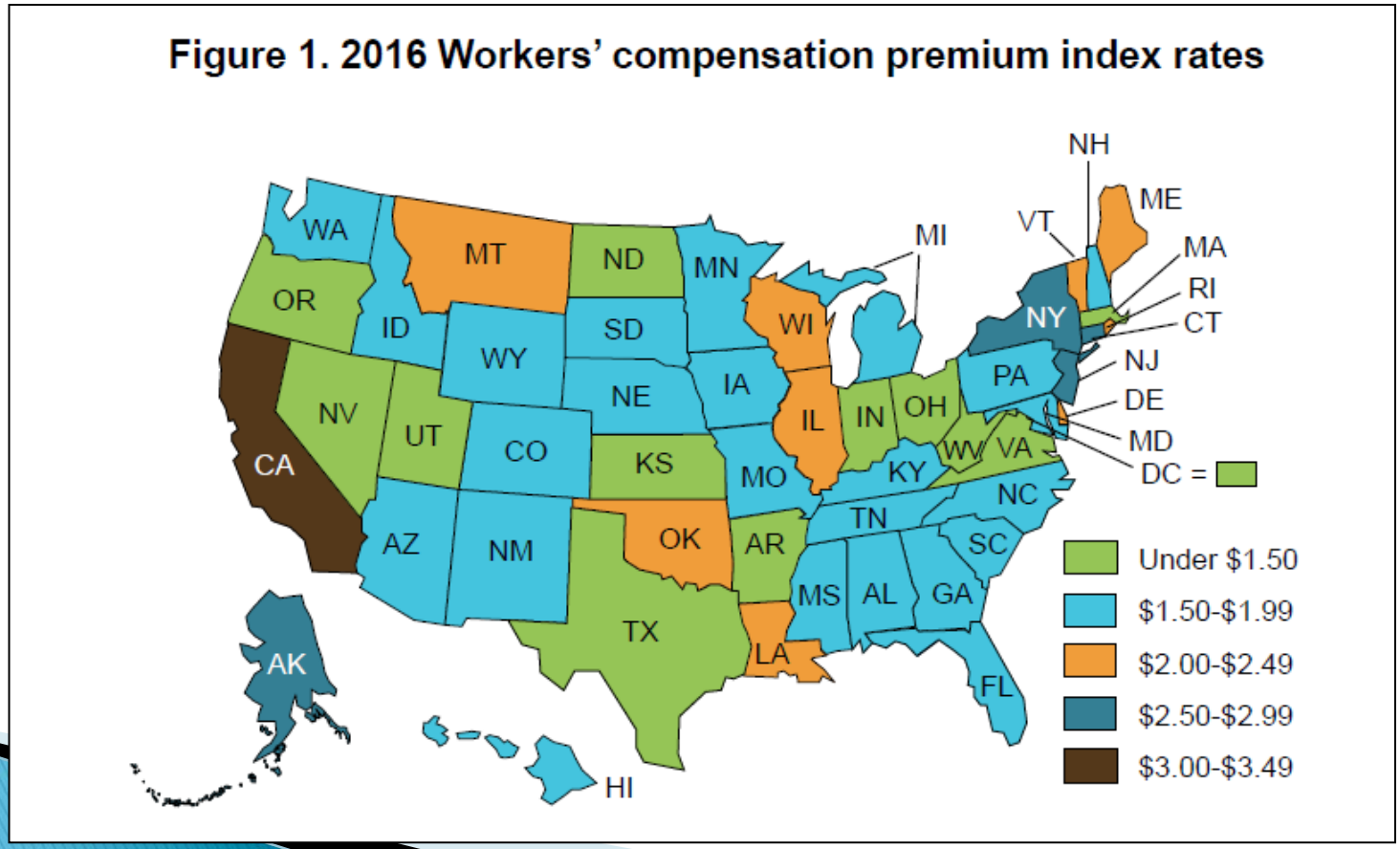
Oregon's 2016 Workers' Compensation Rate Ranking Study

Chris Day
Mike Manley
Oregon Department of Consumer & Business Services

Study team: Chris Day, Jay Dotter, Mike Manley

Oregon's Rate Ranking study

- Done in even-numbered years since 1986; the 2016 study is the 16th in the series



Key 2016 findings for Oregon

- Index Rate of $1.28, compared to study median rate of $1.84.
- Oregon rates are 31% below the median state
- Ranking: Oregon is 45th (1= highest)

Some history

Oregon WC rates in 1986: a big problem

- Rising rates (+14.2% in ’85, +26.7% in ’86)
- Another study had ranked Oregon as the most expensive state in the U.S. The available comparisons lacked data on contiguous states.

Could we do a better job by doing our own study?

The underlying problem: simple averages are often a poor tool for comparison *even if they're accurate*.

- Averages often vary due to factors other than what we want to compare.
- An invalid comparison might be misleading, and worse than no comparison at all.

The realities of interstate rate comparison

- States' economies, and mixes of hazards, are different
- Different codes to classify risks
- Different underwriting bases
- Assessment mechanisms differ, for both administration and special funds

Fixing the problem: level the playing field, by standardizing what we don't want to measure.

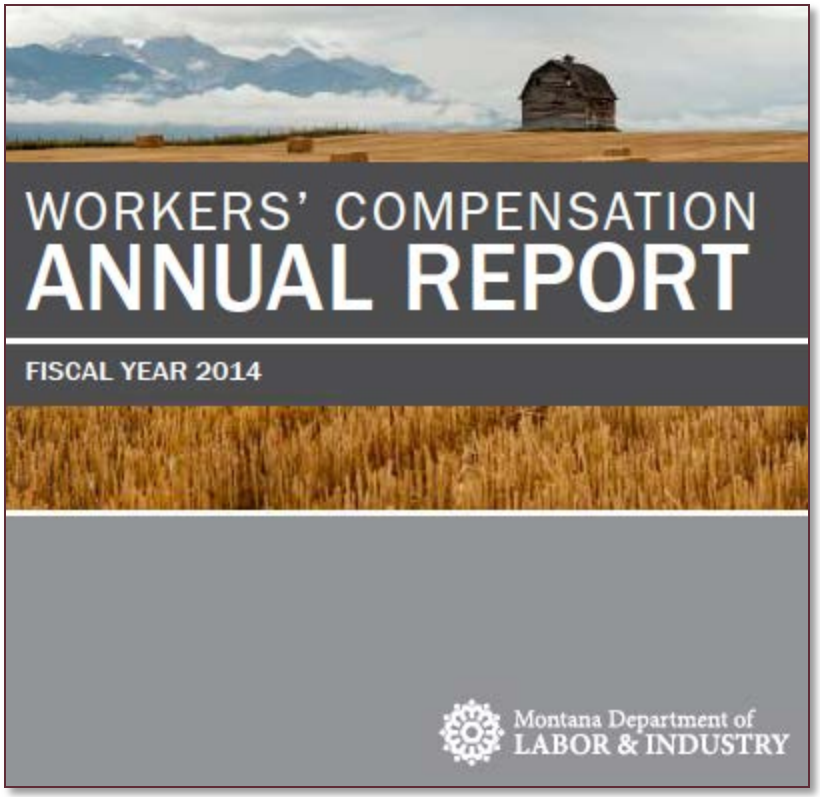
Goals of the Oregon Rate Ranking

- Produce an average rate for *comparable* employers, by controlling for industry mix
- Include all 50 states plus D.C.
- Report findings within the study year

Methodology

- Survey of all 50 states plus D.C.
- States report factors for voluntary-market manual rates, as of Jan.1 of the study year
- 50 classes with highest Oregon losses
- NCCI classification codes used (states do their own crosswalk)
- Weighted average by Oregon payrolls (the Index Rate)

Rate Ranking Study: Who's Watching Oregon?



The Oregon Premium Ranking Summary, released in October 2014, shows Montana's position continues to improve from #8 in 2012 to #11 in 2014. This improvement is significant given Montana's #1 ranking in 2010 for highest costs in the nation. More importantly, Montana's costs, at 119% of the median, are at the lowest level historically compared to other states since at least 1994.

ILLINOIS WORKERS' COMPENSATION COMMISSION

Fiscal Year 2015 Annual Report

Cost to Employers

Oregon Estimate of Premium Rates[11]

Per $100 of payroll/	1994	2000	2006	2010	2012	2014	% Change 2012-2014
Illinois	$5.48	$2.74	$2.69	$3.05	$2.83	$2.35	(17%)
Median	$4.35	$2.26	$2.48	$2.04	$1.88	$1.85	(2%)
IL as % median	26%	21%	8%	50%	51%	27%	
IL rank among 51	9	15	20	3	4	7	
(1= most expensive)							

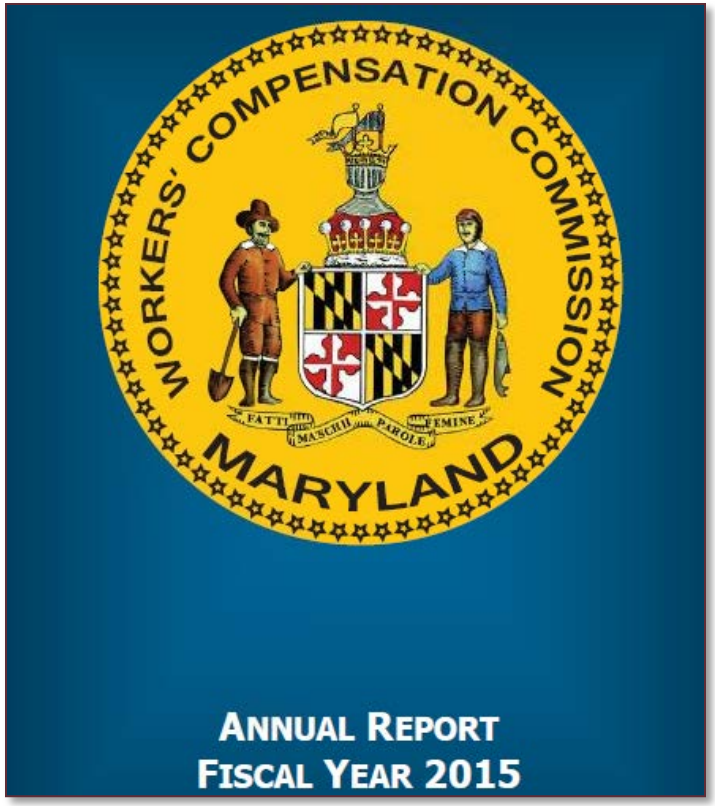
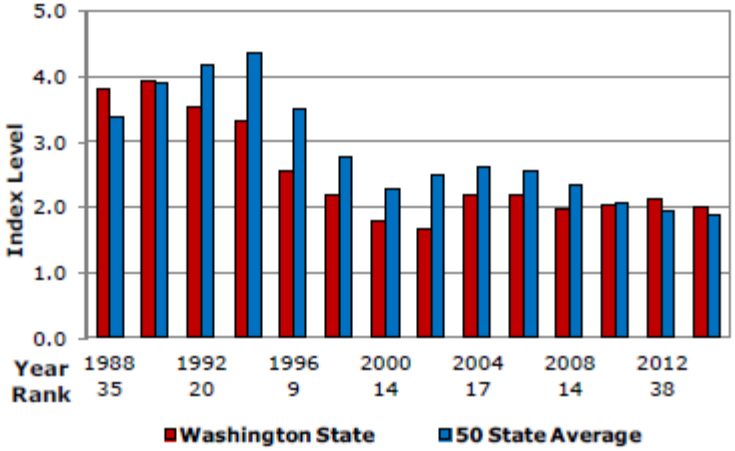


FIGURE 16 • Workers' Compensation Premium Rate Ranking

2014 Ranking	2012 Ranking	2010 Ranking	State	Median Index Rate	State % of Median
1	3	5	California	3.48	188%
2	2	6	Connecticut	2.87	155%
3	7	7	New Jersey	2.82	152%
4	5	13	New York	2.75	148%
5	1	13	Alaska	2.68	145%
6	6	4	Oklahoma	2.55	137%
7	4	3	Illinois	2.35	127%
8	14	18	Vermont	2.33	125%
9	30	34	Delaware	2.31	125%
10	15	25	Louisiana	2.23	120%
11	8	1	Montana	2.21	119%
12	9	10	New Hampshire	2.18	118%
13	10	8	Maine	2.15	116%
14	19	29	Idaho	2.01	109%
17	13	26	Washington	2.00	108%
17	16	12	South Carolina	2.00	108%

Figure 2.8: Workers' Compensation Premium Costs

Workers' Comp costs are slightly above the 50 state average



Source: Oregon Workers' Compensation Premium Rate Ranking; data through 2014

2015

ANNUAL REPORT | VIRGINIA WORKERS' COMPENSATION COMMISSION

A leading national comparison of workers' compensation systems is the Oregon Workers' Compensation Rate Ranking Study. This study has been completed in even numbered years since 1986. In 2014, Virginia was ranked 48 out of 51 jurisdictions in terms of premium rate ranking. Virginia employers in the voluntary market pay, on average, $1.17 per $100 of employee payroll, or 32% below the median of all states.

Year	Indexed Ranking	Workers' Compensation Premium Per $100 Payroll Indexed	% Below Median State	Effective Date
2010	47	$1.39	68%	4/1/2009
2012	48	$1.20	64%	4/1/2011
2014	48	$1.17	68%	4/1/2013

Source: Research and Analysis Section, Oregon Department of Consumer and Business Services (Rev. 10/14)

hawaii.gov

HOUSE OF REPRESENTATIVES
TWENTY-EIGHTH LEGISLATURE, 2016
STATE OF HAWAII

H.B. NO. 2715 H.D. 2 S.D. 1 C.D. 1

A BILL FOR AN ACT

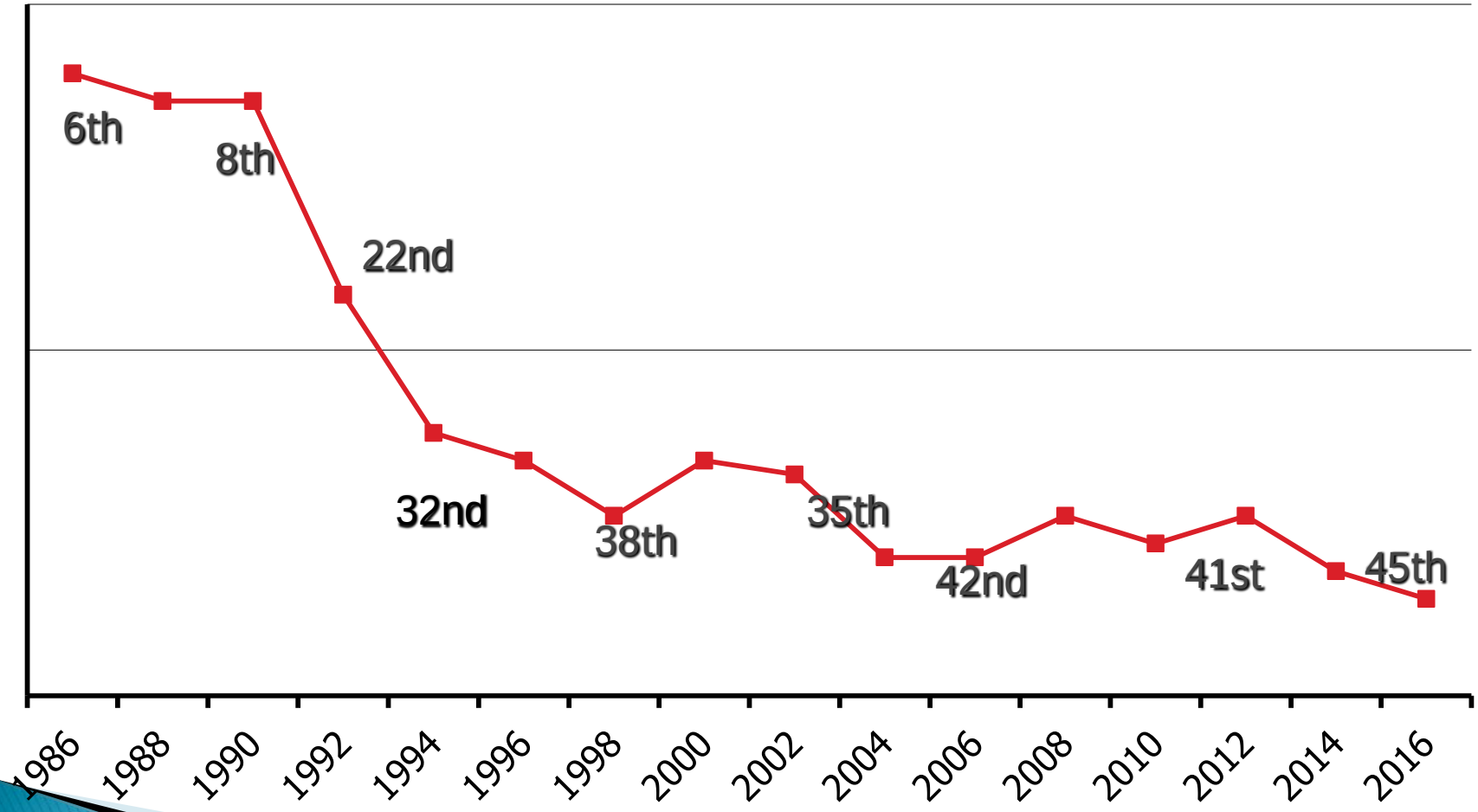
RELATING TO WORKERS' COMPENSATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that although workers' compensation premiums in Hawaii have dropped significantly since the reforms in the mid-1990s and are now ranked twenty-seven from the top nationwide, legislation is introduced every year alleging unfair treatment of injured workers, including slow processes. In 2015, the legislature adopted House Concurrent Resolution No. 168, H.D. 2, S.D. 1, which required the department of labor and industrial relations to convene a working group to streamline the State's workers' compensation process, of which results are due to the 2017 legislature. Despite this action, a closed claims study is warranted to

Study findings: trends over time

Findings: Oregon's Ranking Over 30 Years



What factors can drive changes in states' index rates from one study to the next?

- Premium rate changes
- Expense factor and assessment changes
- Changes in the set of classifications used
- Changes in payroll mix within classifications

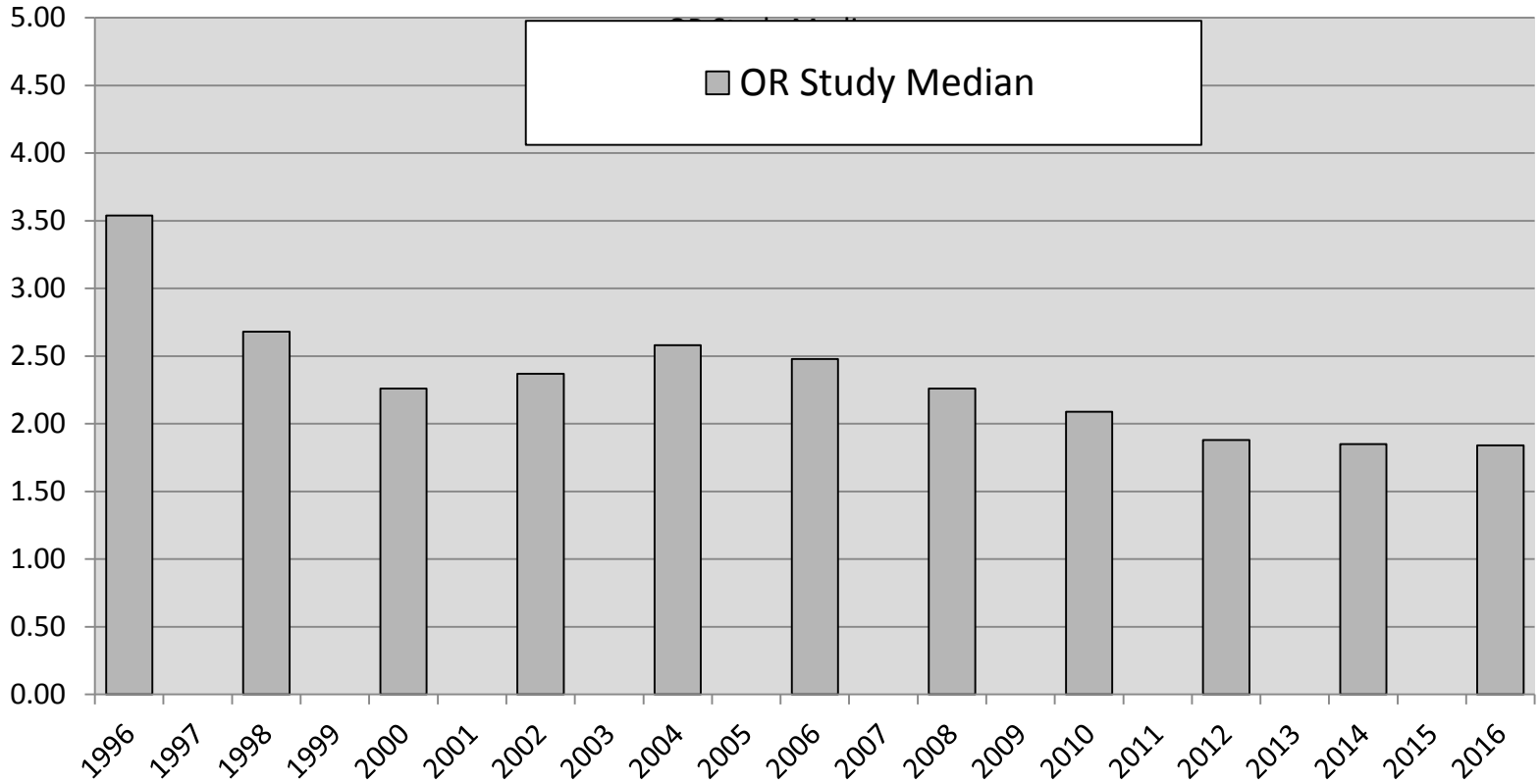
- Premium rate changes
- Expense factor and assessment changes
- **Changes in the set of classifications used**
- **Changes in payroll mix within classifications**

Two of the factors that drive index rate changes across studies also create problems with comparability over time.

Creating a useful time series: measure relative to a benchmark

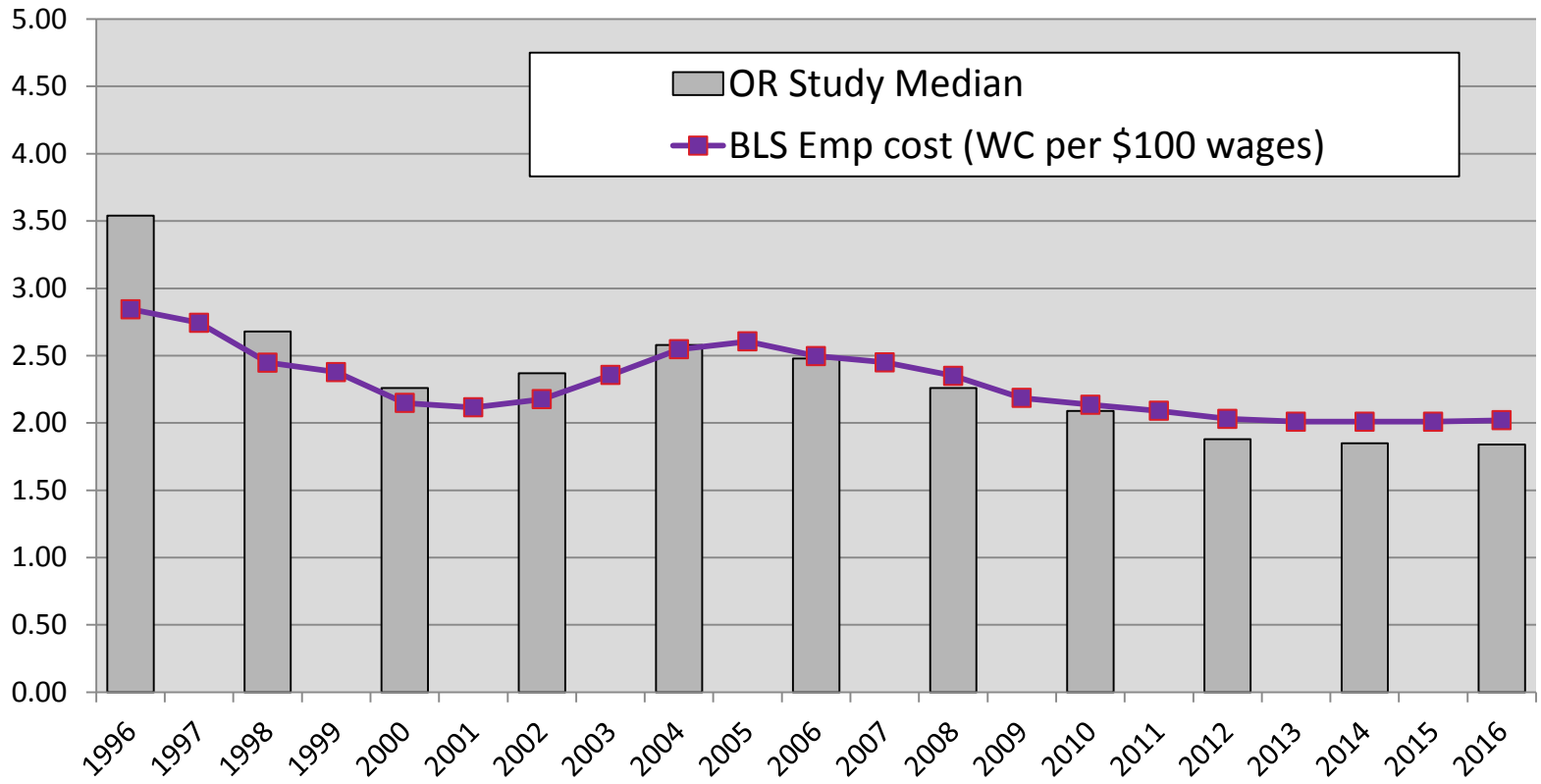
- How does the Oregon study's median index rate compare to a national benchmark?

20 years of Oregon studies: Median study Index Rate tracks closely with BLS Employer costs



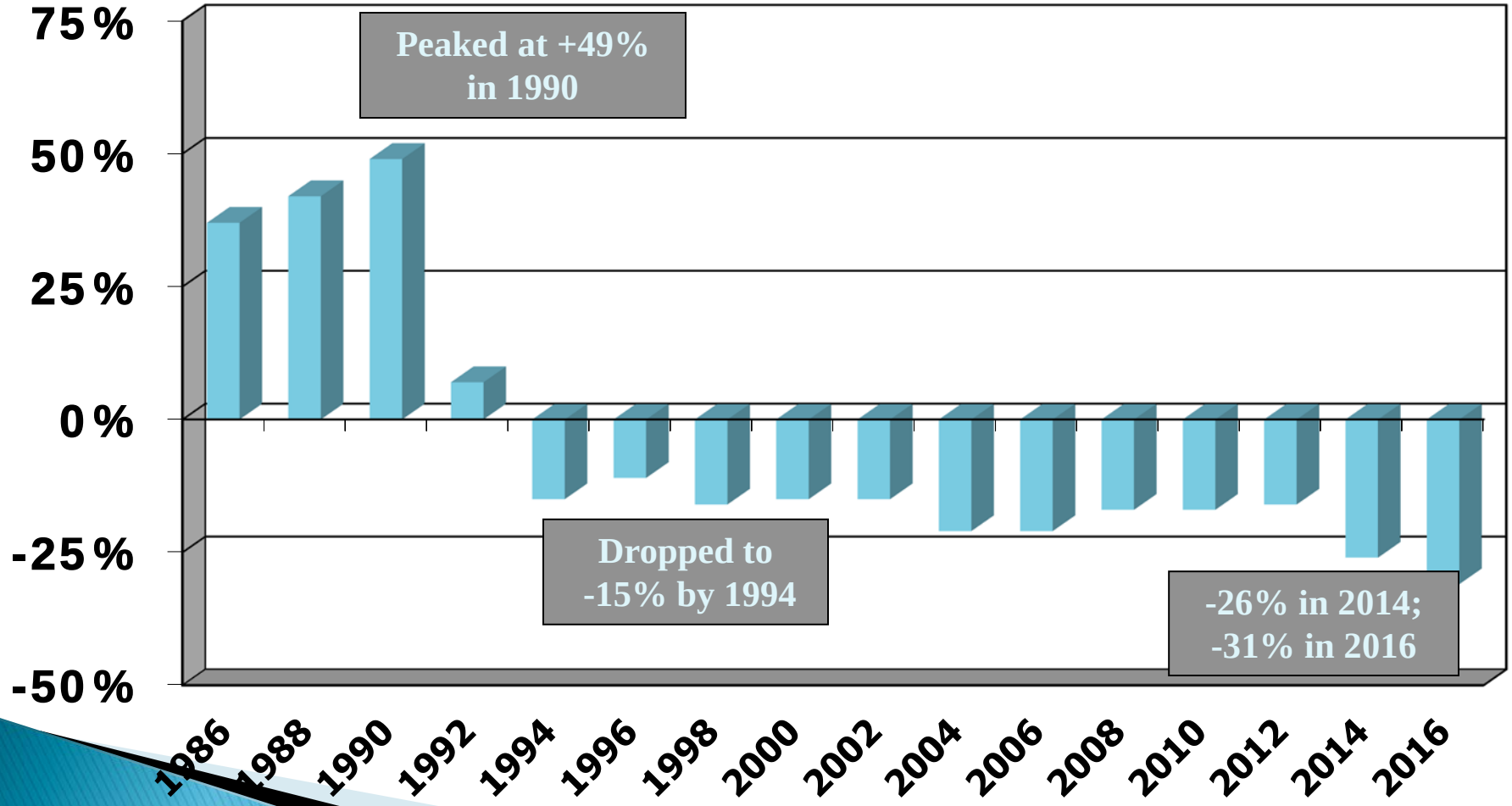
Note: BLS data are through 2nd Quarter 2016

20 years of Oregon studies: Median study Index Rate tracks closely with BLS Employer costs



Note: BLS data are through 2nd Quarter 2016

Oregon's Premium Index Rate relative to each study median

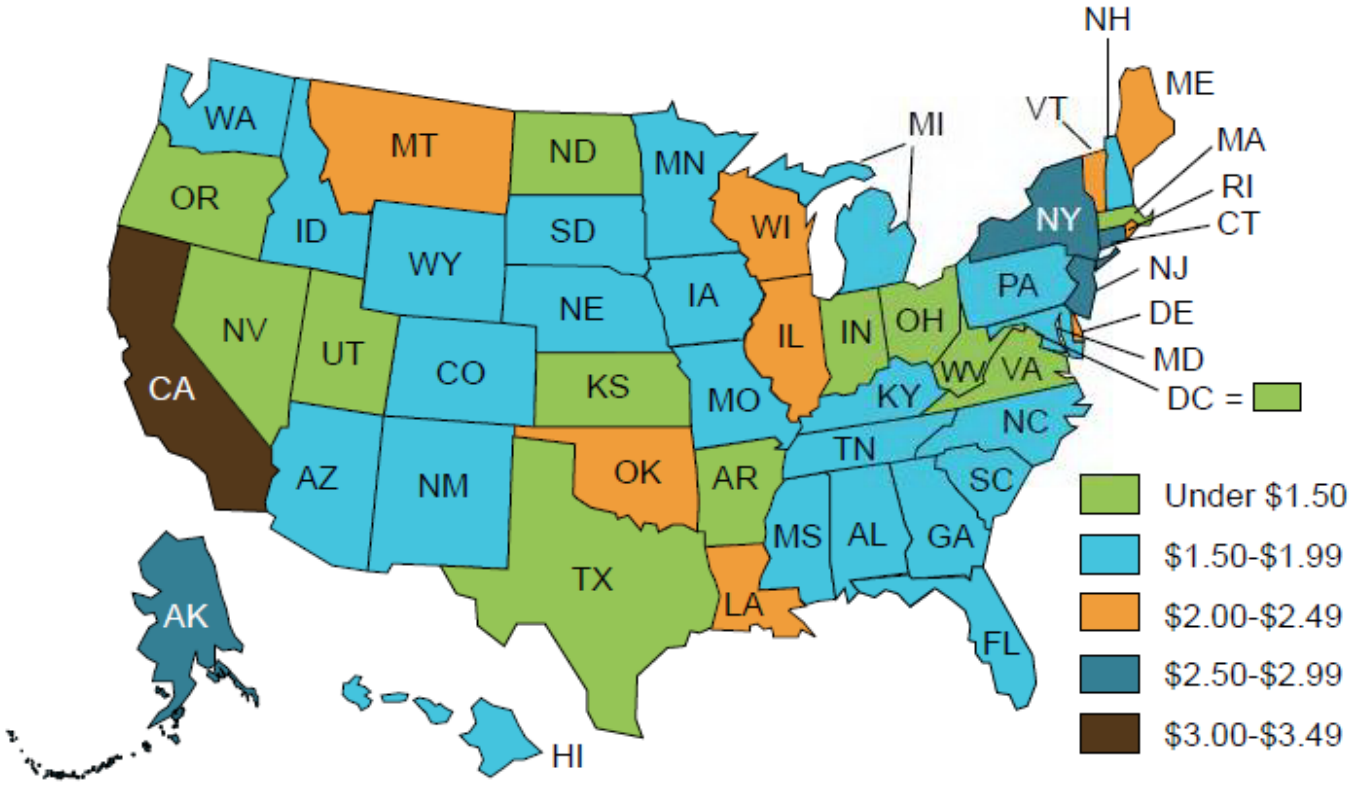


2016 study findings by state

Key 2016 findings for Oregon

- Index Rate of $1.28, compared to study median rate of $1.84.
- Oregon rates are 31% below the median state
- Ranking: Oregon is 45th (1= highest)

Figure 1. 2016 Workers' compensation premium index rates



2016: More Costly Rates (Above 110% Of Median; 12 States)

State	2016 Index Rate	Percent of study median
California	3.24	176%
New Jersey	2.92	158%
New York	2.83	154%
Connecticut	2.74	149%
Alaska	2.74	149%
Delaware	2.32	126%
Oklahoma	2.23	121%
Illinois	2.23	121%
Rhode Island	2.20	119%
Louisiana	2.11	115%
Montana	2.10	114%
Wisconsin	2.06	112%

2016: Middle Ground (90% To 110% Of Median; 21 States)

Vermont	2.02	110%
Maine	2.02	110%
Washington	1.97	107%
Hawaii	1.96	107%
New Hampshire	1.96	106%
South Carolina	1.94	105%
Missouri	1.92	104%
New Mexico	1.92	104%
Minnesota	1.91	104%
North Carolina	1.91	103%
Wyoming	1.87	101%
Iowa	1.86	101%
Alabama	1.85	100%
Pennsylvania	1.84	100%
Georgia	1.80	98%
Idaho	1.79	97%
Mississippi	1.70	92%
Tennessee	1.68	91%
Nebraska	1.67	91%
South Dakota	1.67	91%
Florida	1.66	90%

2016: Lower Rates (Under 90% Of Median; 18 States)

Michigan	1.57	85%
Colorado	1.56	84%
Kentucky	1.52	82%
Arizona	1.50	82%
Maryland	1.50	82%
Texas	1.45	79%
Ohio	1.45	79%
Kansas	1.41	77%
District of Columbia	1.37	74%
Nevada	1.31	71%
Massachusetts	1.29	70%
OREGON	**1.28**	**69%**
Utah	1.27	69%
Virginia	1.24	67%
West Virginia	1.22	66%
Arkansas	1.06	57%
Indiana	1.05	57%
North Dakota	0.89	48%

Oregon compared to six nearby states

State	2016 Index Rate	Percent of 2016 study median	Rank (1=highest)
California	3.24	176%	1
Alaska	2.74	149%	5
Montana	2.10	114%	11
Washington	1.97	107%	15
Idaho	1.79	97%	28
Nevada	1.31	71%	43
OREGON	**1.28**	**69%**	**45**

Some frequently asked questions

Q: Why not add a benefit ranking so we can compare both costs and benefits?

- Benefits are far too complex to be boiled down to a single measure. For example, the IAIABC/WCRI law comparison includes 66 different benefit attributes:

  - 5 for Medical benefits
  - 18 for Temp Total benefits
  - 8 for Perm Total benefits
  - 20 for Perm Partial benefits, and
  - 15 for Fatal benefits

Q: What about factors like discounts, experience mods, dividends, etc?

- These factors apply to individual employers, not the state as a whole, so we can't use them.
- The available data aren't consistent or timely for all states.

Q: Does the study's use of Oregon payroll weights mean that the results don't apply to other states?

Largest Classifications In The Study

Code	Description
8810	Clerical Office Employees NOC
8742	Salespersons – Outside
8868	COLLEGE: Professional Employees & Clerical
8832	Physician and Clerical
9079	Restaurant NOC
8833	Hospital: Professional Employees
8017	Store: Retail, NOC

These top 7 Oregon classes are all in the top 10 classes in NCCI country-wide payrolls. Together, they represent over 75% of the payroll weight in the study.

Q: Do relatively high rates mean that a system isn't cost effective?

- No, effectiveness involves meeting other program objectives.
- A system that encourages safe workplaces, delivers adequate benefits and quality medical care, promptly resolves disputes, and maximizes return to work might well be relatively costly, but nevertheless a great value for the money.

Lowering rates with high benefits: Oregon's approach is to do better at controlling 4 areas:

- *Duration*
- *Frequency**
- *Friction*
- *Medical cost growth*

QUESTIONS
?

Oregon WC Research Publications on the Web

WC Rate ranking reports

- http://www.oregon.gov/DCBS/reports/Pages/general-wc-system.aspx

All WC research topics

- http://www.oregon.gov/DCBS/reports/Pages/index.aspx

Thank You

Chris Day
Mike Manley

Central Services Division,
Oregon DCBS