



MEMORANDUM

December 10, 2021

To: Sally Coen, Administrator, Workers' Compensation Division, DCBS

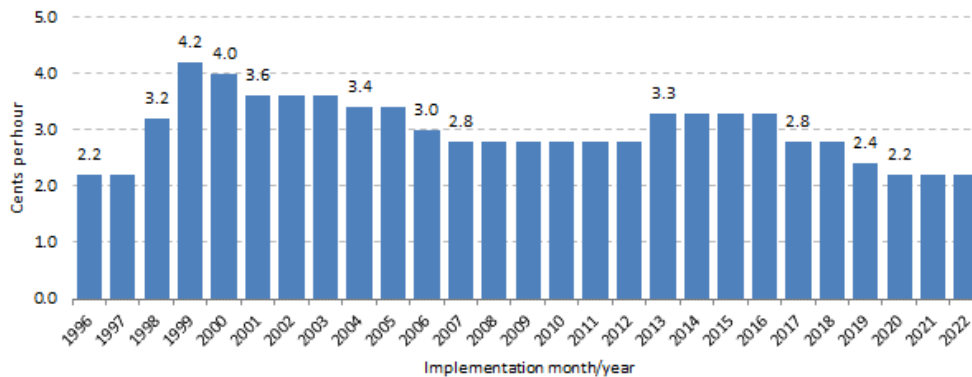
From: Justin Fuller, Senior Economist
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 Kelli Borushko, Senior Forecasting Analyst

Subject: Workers' Benefit Fund status as of September 30, 2021

This memorandum summarizes the status of the Workers' Benefit Fund (WBF) as of Sept. 30, 2021. To summarize the WBF's finances:

- The assessment rate has been 2.2 cents per hour since Jan. 1, 2020. It will remain 2.2 cents per hour effective Jan. 1, 2022. As shown in the figure below, this is equal to the fund's lowest assessment rate since the fund's creation.
- As of Sept. 30, 2021, the WBF fund balance was \$151.6 million.
- Effective Jan. 1, 2020, as provided for in House Bill 2788 (2019)¹, ORS 656.506(5) states the WBF should maintain a fund balance of at least 12 months of planned expenditures. At the end of FY 2021, the balance in the WBF is about 21 months of planned expenditures.
- With the current Office of Economic Analysis (OEA) forecast for continued employment recovery, we forecast growth in the number of accepted disabling claims (ADCs). This growth leads us to forecast increased costs for the return-to-work and Reopened Claims Programs. Retroactive Program expenditures have been stable over the last few fiscal years, but are expected to continue their long-term decline.
- If the assessment rate is maintained at 2.2 cents per hour and the revenue and expenditure forecasts are correct, we expect to continue to draw down the fund balance by several million dollars a year. The fund balance should remain above the required minimum through FY 2025.

WBF Cents-per-Hour Rates



The remainder of this memo describes the status of the WBF.

¹ See <https://olis.leg.state.or.us/liz/2019R1/Downloads/MeasureDocument/HB2788/Enrolled>

WBF Revenue and Expenditures

The table below shows the financial outcomes for the past two years and the forecast for the next four years (it assumes the 2.2 cents-per-hour rate is retained).² The fund collected \$64.4 million in assessment revenue in FY 2021. We expect to collect \$65.7 million in FY 2022 and \$66.3 million in FY 2023.

The equilibrium rate is the assessment rate needed for revenue to equal expenditures. The last line of the table shows that the equilibrium rate is expected to be 2.5 to 2.7 cents per hour. Therefore, if the 2.2 cents-per-hour rate is retained, the WBF should have a negative net cash flow each year.

The coverage ratio is the number of quarters of expenditures that the fund balance covers. This forecast shows that the fund is expected to have 4.49 quarters of expenditures at the end of FY 2025; this is approximately the statutory requirement.

Workers' Benefit Fund Revenues with actual financial data through September 2021

	2019-2021		2021-2023		2023-2025	
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenue:						
Assessments	74,267,480	64,378,131	65,681,927	66,327,727	67,372,438	68,068,944
Other income	5,188,910	2,974,599	5,726,992	6,719,263	6,893,786	7,055,326
Total Revenue Excluding NCE	79,456,390	67,352,730	71,408,919	73,046,989	74,266,223	75,124,270
WBF Program Expenditures:						
Workers with Disability Program	198,433	153,905	197,934	179,066	158,737	139,508
Reemp. Assistance Prog., exc. OIOHS	25,619,493	29,789,406	28,928,743	32,769,541	34,775,343	36,511,246
Reopened Claims Program	2,441,377	2,399,286	3,894,435	3,977,972	4,127,947	4,264,966
Retroactive Program	36,727,167	38,707,671	35,876,603	36,665,100	35,951,334	35,245,778
SB 485 Multiple Wage Jobs	874,522	1,330,618	995,610	969,148	969,148	969,148
SB 1558 Claim Payments	104,751	(77,781)	19,538	10,566	9,190	8,070
WBF Program Expenditure Total:	65,965,743	72,303,105	69,912,862	74,571,392	75,991,701	77,138,716
WBF Administrative Expenditures						
DCBS Administrative Expenditures	3,606,511	6,172,718	7,004,772	7,797,990	7,299,683	6,851,738
OIOHS	1,966,017	1,848,410	1,882,847	1,969,538	1,999,217	2,019,004
BOLI Transfer Out	460,000	238,000	670,066	562,754	597,026	597,026
WBF Administrative Expenditures Total	6,099,685	9,363,114	9,862,733	10,330,282	9,895,926	9,467,768
WBF administrative percentage	8.5%	11.5%	12.4%	12.2%	11.5%	10.9%
(DCBS administrative percentage)	5.0%	7.6%	8.8%	9.2%	8.5%	7.9%
Total WBF Expenditures Excluding NCE	72,065,428	81,666,219	79,775,595	84,901,674	85,887,627	86,606,484
Transfers - Other than BOLI	0	(878,415)	(305,048)	0		
Net Cash Flow	7,390,962	(15,191,904)	(8,671,724)	(11,854,685)	(11,621,403)	(11,482,213)
NCE Program Revenue	3,035,537	4,696,524	4,508,429	3,217,864	3,217,864	3,217,864
NCE Program Expenditures	5,857,531	4,557,323	4,811,069	5,221,761	5,170,787	5,120,310
NCE Program, transfer from PAOA	2,606,062	1,130,951	1,677,163	263,821	1,927,436	1,877,208
NCE Net Cash Flow	(215,932)	1,270,152	1,374,523	(1,740,076)	(25,487)	(25,238)
Total Revenue	82,491,927	72,049,254	75,917,348	76,264,853	77,484,087	78,342,134
Total Expenditures	77,922,959	86,223,542	84,586,664	90,123,436	91,058,413	91,726,794
Net Cash Flow	7,175,030	(12,817,766)	(7,086,928)	(16,568,729)	(15,094,458)	(13,115,020)
Ending Fund Balance	162,435,562	149,617,796	142,530,868	125,962,139	110,867,680	97,752,660
Balance Coverage Ratio	11.14	7.14	6.92	5.82	5.05	4.49
Equilibrium Rate	0.022	0.028	0.025	0.027	0.027	0.027

² We have revenue and expenditure data through September 2021, so the FY 2022 figures contain three months of actual data and nine months of forecast data.

Although not shown in the table, the ending fund balances and cash flows include some estimated expenses for the WCD Modernization Program. Since there is not a finalized project list at this time, the expenditure projections may be revised.

WBF Programs

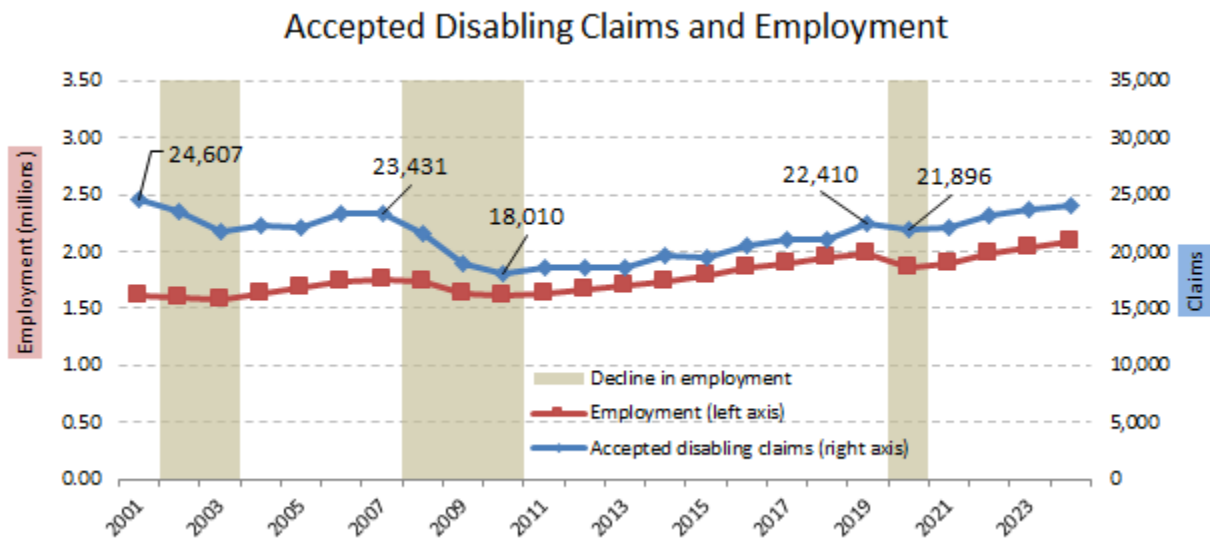
About 90 percent of the WBF’s expenditures pay for WBF programs. After fairly steady declines between FY 2012 and FY 2018, WBF expenditures have trended upward through FY 2021. These cost increases are driven by increases in the Reemployment Assistance Program and the Retroactive Program. Following are descriptions and forecasts for the WBF programs.

Workers with Disabilities Program

The Legislature created the Workers with Disabilities Program in 1981. Senate Bill (SB) 1197 (1990) restricted the program to claims for which the application for reimbursement had been made before May 1, 1990. The program reimburses employers or insurers for costs over \$1,000 for injuries suffered or caused by previously disabled workers. About \$154,000 was paid for the program in FY 2021, and program expenditures are forecast to decline after returning to trend.

Reemployment Assistance Program (RAP)

Some of the WBF forecasts depend on our forecast of accepted disabling claims (ADCs). The following figure shows that over the past 18 years, the number of ADCs has generally increased when employment has increased and declined when employment has decreased. There were about 18,000 ADCs in 2010 and 22,000 ADCs in 2020. The current OEA forecast is for all COVID-related employment losses to be recovered by 2022. Therefore, we forecast continued growth in the number of claims.



The Reemployment Assistance Program (RAP) provides incentives for employing injured workers. The Employer-at-Injury Program (EAIP) and the Preferred Worker Program (PWP) are the major programs; RAP also contain other, smaller, programs.³ In FY 2021, the program’s expenditures were about 36 percent of WBF expenditures.

Reemployment Assistance Program Expenditures

	2019 - 2021		2021 - 2023		2023 - 2025	
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
EAIP	\$17,892,225	\$22,198,880	\$21,587,323	\$24,548,570	\$26,190,515	\$27,626,458
PWP Claims Costs	\$1,413,709	\$2,931,067	\$2,558,600	\$2,603,953	\$2,653,347	\$2,683,543
PWP Wage Subsidies	\$2,603,245	\$1,791,126	\$1,882,719	\$2,241,926	\$2,389,421	\$2,523,339
PWP Worksite Modification	\$3,710,263	\$2,867,657	\$2,898,958	\$3,374,133	\$3,541,101	\$3,676,948
Other Programs	\$51	\$676	\$772	\$464	\$464	\$464
Total	\$25,619,493	\$29,789,406	\$28,928,371	\$32,769,046	\$34,774,848	\$36,510,751

The Employer-at-Injury Program provides incentives to return workers to work before claim closure. Benefits available to employers and their injured workers utilizing the EAIP include wage subsidy, worksite modifications, and work-related purchases. The program has gotten these workers back to work more quickly than they might have otherwise, and it has lowered temporary disability paid by insurers.

About 25 percent of claimants with an accepted disabling claim have participated in the EAIP. The EAIP forecast is created from the number of claims and average cost per EAIP placement. The combination of these forecasts results in a forecast for an increase in EAIP expenditures of 5.1 percent per year.

The Preferred Worker Program (PWP) assists injured workers who suffer a permanent disability and who cannot return to regular work. If an injured worker is hired as a Preferred Worker and has a new injury during the first three years of their reemployment, then the RAP pays the claims costs, including administrative costs.

The PWP program also pays for wage subsidies, for direct employment purchases, and for worksite modifications. Wage subsidy forecasts are calculated as a function of the claims and the change in the statewide average weekly wage (SAWW). Worksite modifications and obtained employment purchases are forecast as a function of the claims and inflation. Because of these assumptions, PWP costs are projected to grow by 6.2 percent per year.

Reopened Claims Program (ROCP)

The Reopened Claims Program reimburses insurers and self-insured employers for costs arising from certain claim costs after workers’ aggravation rights have expired. These rights expire five years after their first claim closure. These reopened claims benefits are given through insurer voluntary reopenings and Board Own Motion orders. Benefits are available in three circumstances:

- Medical benefits can be authorized for claims with dates of injury before January 1, 1966
- Temporary disability benefit payments can be authorized when, five years after claim closure, the worsening of a compensable injury requires inpatient surgery, outpatient surgery, or any treatment requiring hospitalization

³ The accounting system includes payments to the Oregon Institute for Occupational Health Sciences (OIOHS) in the RAP expenditures. These are removed from this table and discussed below.

- Permanent partial disability benefits can be authorized for new or omitted medical conditions.

ROCP expenditures were about \$2.4 million in FY 2021. The average expenditures over the previous four years were \$2.7 million. The next table below shows the costs paid for these three types of benefits by fiscal year.

Because medical benefits are limited to injuries before January 1966, medical payments were made for few claims; individual medical payments can be large and volatile. Temporary disability and PPD benefit expenditures are forecast as a function of the number claims lagged seven years and the growth in the average weekly wage. Although the number of claims has decreased over the past years, the total program costs are forecast to increase by 3.1 percent per year.

Fiscal year of payment	Medical Benefits	Timeloss Benefits	PPD Benefits	Total	Claims reimbursed	Average reimbursement
2011	\$516,428	\$3,558,133	\$730,533	\$4,805,094	415	\$11,579
2012	506,459	3,765,149	757,277	5,028,884	345	14,576
2013	329,605	3,456,458	870,979	4,657,042	328	14,198
2014	268,601	2,739,168	1,020,909	4,028,678	269	14,976
2015	178,753	2,834,435	675,164	3,688,351	263	14,024
2016	368,701	2,673,927	735,379	3,778,008	225	16,791
2017	352,597	2,258,407	757,072	3,368,077	232	14,518
2018	213,492	2,264,189	832,513	3,310,195	182	18,188
2019	99,718	1,397,894	985,106	2,482,718	179	13,870
2020	115,765	1,603,201	689,789	2,408,755	163	14,778
2021	85,200	1,362,061	979,350	2,426,610	120	20,222

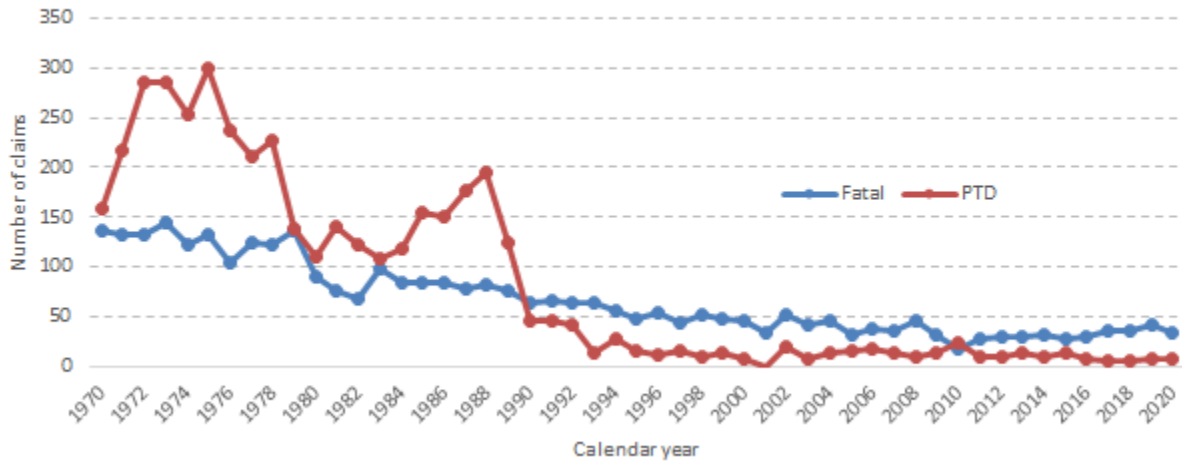
Retroactive Program

The Retroactive Program is the costliest WBF program. The program pays benefit increases to workers and their beneficiaries for benefits with levels that are lower than current levels. Insurers and self-insured employers pay the benefits and then request reimbursement from the WBF. In FY 2021, the program had \$38.7 million in expenditures, which accounted for 52 percent of the WBF program expenditures.

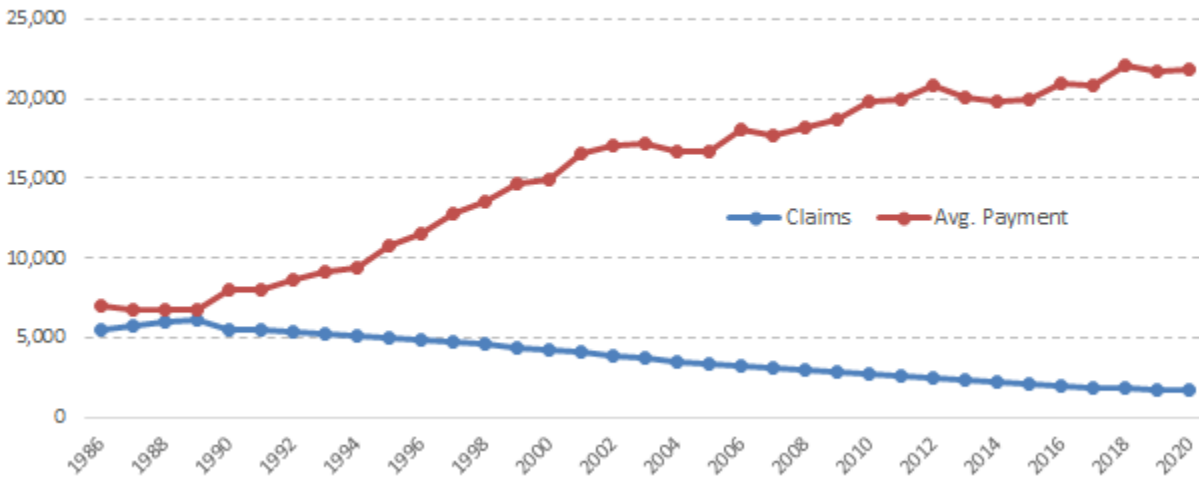
The next figures illustrate the Retroactive Program's trends. Few new claims are entering the program. During the 1970s, there was, on average, one new fatal or permanent total disability (PTD) claim each day; over the last decade, there was less than one new fatal or PTD claim each week. In 2020, WBF payments were made on 1,761 claims.

Future expenditures are estimated by forecasting the decline in the number of claims for which there will be reimbursement and the increase in average payments. These forecasts indicate that expenditures should decline by about 2.0 percent per year.

New Fatal and PTD Claims



Retroactive Program Claims and Average Payment



Senate Bill 485 - Wages for Multiple Jobs

In 2001, Senate Bill 485 added a new component to the WBF. SB 485 allowed wages from multiple jobs to be considered in temporary disability computations. Previously, only the wages from the job at injury could be used in these calculations. This provision was effective for claims with injuries that occurred on or after January 1, 2002. The insurers' payments for these jobs are reimbursed from the WBF. About \$1.3 million was paid for these claims in FY 2021. The reimbursement amount is expected to be about \$996,000 in FY 2022.

Senate Bill 1558 - Claims Payments

In 2014, Senate Bill 1558 permitted the orderly dissolution of self-insured groups that wished to disband. Of the seven existing self-insured groups, three disbanded. The statute provided that the WBF would pay claims costs for the employees of members of the disbanded groups once the groups' reserves were exhausted. The reserves for all three groups were exhausted by the end of FY 2015. All claims payments are now being paid from the WBF.

About \$7.8 million has been paid from the WBF for these claims, of which about \$31,000 (after excluding a large reimbursement from a carrier) was paid in FY 2021. Small amounts are expected to be paid in future years.

WBF Administrative Expenditures

In FY 2021, state agency administrative expenditures were about 11 percent of WBF expenditures. Of this amount, about 66 percent were DCBS expenditures, and the remaining third were paid to other agencies.

By statute, the WBF makes payments to the Oregon Institute of Occupational Health Sciences (OIOHS) of 1/16th of a cent per hour worked. These amounts are matched by equal payments from the Premium Assessment Operating Account (PAOA). These monies provided 39 percent of OIOHS's revenue in CY 2020.⁴ The Employment Department and the Department of Revenue receive funds to cover the costs of collecting the WBF assessment. These agencies received about \$550,000 for these services in FY 2021. The Bureau of Labor and Industries (BOLI) receives payments to enforce anti-discrimination laws. BOLI received about \$238,000 from the WBF in FY 2019.

Noncomplying Employers (NCE) Program

The Noncomplying Employers (NCE) program revenue flows into and out of the WBF. Although the NCE monies are housed in the WBF, the WBF assessment does not fund the program. The revenue includes NCE recoveries, fines and penalties, and interest. The expenditures are payments to the NCE claims administrator. The NCE expenditures totaled \$4.6 million in FY 2021. When expenditures exceed revenue, there is a transfer from PAOA to cover the difference; the FY 2021 transfer was \$1.1 million. When revenues exceed expenditures, the excess is transferred to PAOA.

⁴ p. 25. Downloaded 11/29/2021.