



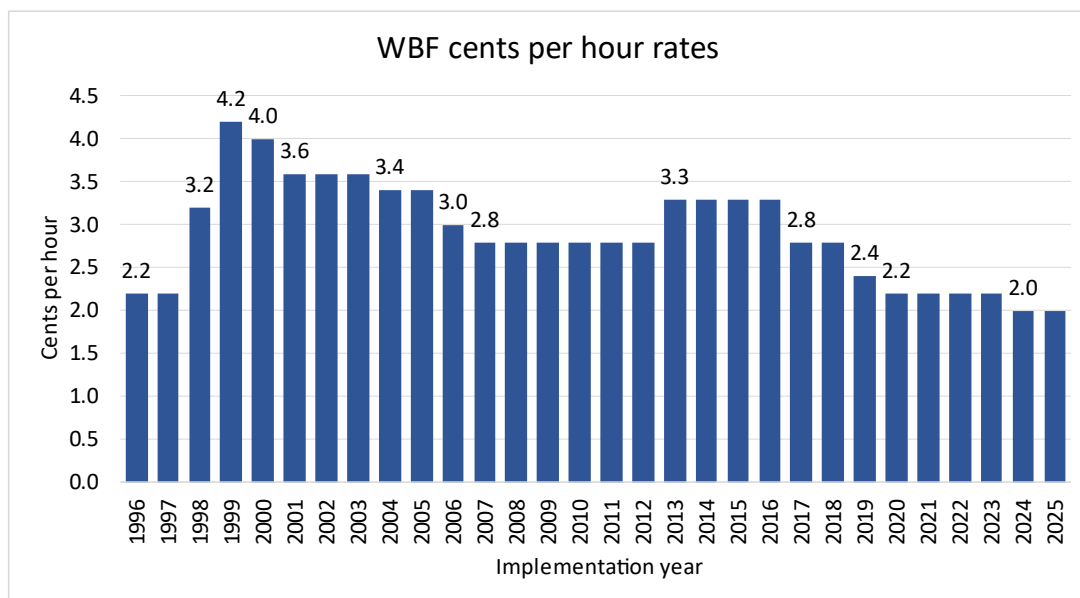
Workers' Benefit Fund 2024 Annual Update

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Introduction

This report summarizes the status of the Workers' Benefit Fund (WBF) as of Sept. 30, 2024. To summarize the WBF's finances:

- The assessment rate will remain at 2.0 cents per hour effective Jan. 1, 2025. As shown in the figure below, this is the fund's lowest assessment rate since its creation.
- As of Sept. 30, 2024, the WBF fund balance is \$131.6 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 2024, the balance in the WBF was about 22 months of planned expenditures.
- With the current Office of Economic Analysis (OEA) forecast for continued slow employment growth, we forecast slow growth in the number of accepted disabling claims (ADCs) after a spike due to the COVID-19 pandemic. 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.
- For forecast years, we assume the assessment rate will remain at 2.0 cents per hour². We also make other assumptions regarding WBF program expenditures as described below, which are subject to revision each year as conditions change and new data are available. With these assumptions and the one-time \$15 million transfer to the Bureau of Labor and Industries in FY 2026 Q1 included in the Governor's recommended budget for BI 2025-27, we expect the WBF fund balance to fall below the required minimum balance in FY 2029 Q4³.



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

¹ See <https://olis.oregonlegislature.gov/liz/2019R1/Measures/Overview/HB2788>

² The rate is maintained at the current level for forecasting purposes only. It is subject to change during each annual rate setting process at the Director's discretion. The Director considers economic conditions and the fund's finances when new data are available.

³ During DCBS' annual rate setting, maintaining a small buffer above the 4 quarter minimum is considered. The minimum balance requirement is not the trigger to increase rates.

WBF Revenue and Expenditures

The table below shows the financial outcomes for the past three fiscal years and the forecast for the next five years.⁴ It assumes the 2.0 cents-per-hour rate is retained through the forecast period⁵. The fund collected \$67.9 million in assessment revenue in FY 2024. We expect to collect \$63.6 million in FY 2025 and \$64.3 million in FY 2026.

The breakeven assessment rate is the assessment rate needed for revenue to equal expenditures. The last line of the table shows that the breakeven rate is expected to average 2.4 cents per hour through the forecast period. Therefore, if the 2.0 cents-per-hour rate is retained, the WBF will 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 3.92 quarters of expenditures at the end of FY 2029; this is just under the statutory requirement of 4 quarters.

Workers' Benefit Fund with actual financial data through September 2024

	2021-2023		2023-2025		2025-2027		2027-2029	
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue:								
Assessments	68,653,030	70,512,566	67,861,600	63,645,569	64,254,563	64,777,105	65,271,910	65,704,350
Other Income	4,692,201	1,522,579	3,163,903	6,316,672	4,769,821	3,745,642	3,371,184	3,105,429
Total Revenue Excluding NCE	\$ 73,345,231	\$ 72,035,145	\$ 71,025,503	\$ 69,962,241	\$ 69,024,384	\$ 68,522,747	\$ 68,643,094	\$ 68,809,779
WBF Program Expenditures:								
Workers with Disability Program	152,866	155,516	169,067	155,249	127,192	109,473	92,650	76,657
Reemployment Assistance Program	23,769,325	29,053,402	26,503,711	26,641,548	29,050,283	29,395,298	29,744,767	30,095,957
Reopened Claims Program	3,329,010	3,549,888	2,227,367	3,570,092	3,181,014	3,244,127	3,389,704	3,616,208
Retroactive Program	39,026,762	39,746,617	34,306,895	44,093,916	37,238,291	35,501,399	33,901,840	32,421,349
SB 485 Multiple Wage Jobs	1,271,116	1,133,773	1,424,181	1,380,674	1,300,867	1,300,867	1,300,867	1,300,867
SB 1558 Claim Payments	18,177	8,747	76,142	11,494	7,157	6,413	5,807	5,314
WBF Program Expenditure Total	\$ 67,567,255	\$ 73,647,943	\$ 64,707,363	\$ 75,852,974	\$ 70,904,804	\$ 69,557,577	\$ 68,435,635	\$ 67,516,352
WBF Administrative Expenditures:								
DCBS Administrative Expenditures	6,112,454	5,245,609	6,214,729	5,432,698	5,885,189	6,025,600	6,206,368	6,392,559
OHSU Transfer Out	1,908,750	1,975,032	1,965,013	2,002,436	2,026,295	2,041,689	2,056,301	2,069,897
BOLI Transfer Out	474,000	88,000	460,000	483,250	15,535,000	535,000	535,000	535,000
Miscellaneous Expenditures	64,198	58,724	36,206	2,828	0	0	0	0
WBF Administrative Expenditure Total	\$ 8,559,402	\$ 7,367,365	\$ 8,675,948	\$ 7,921,212	\$ 23,446,484	\$ 8,602,289	\$ 8,797,669	\$ 8,997,456
Total WBF Expenditures Excluding NCE	\$ 76,126,657	\$ 81,015,308	\$ 73,383,311	\$ 83,774,186	\$ 94,351,288	\$ 78,159,866	\$ 77,233,305	\$ 76,513,808
WBF administrative percentage	11.2%	9.1%	11.8%	9.5%	24.9%	11.0%	11.4%	11.8%
DCBS administrative percentage	8.0%	6.5%	8.5%	6.5%	6.2%	7.7%	8.0%	8.4%
WBF Net Cash Flow	\$ (2,781,426)	\$ (8,980,163)	\$ (2,357,808)	\$ (13,811,944)	\$ (25,326,904)	\$ (9,637,120)	\$ (8,590,211)	\$ (7,704,029)
NCE Program Revenue	6,609,334	4,592,917	6,595,648	5,234,436	5,932,633	5,932,633	5,932,633	5,932,633
NCE Program Expenditures	3,807,151	6,746,577	5,857,430	6,229,182	6,945,896	7,122,506	7,303,607	7,489,313
NCE Program, transfer from PAOA	(2,064,999)	1,122,613	81,008	2,504,321	1,471,631	1,278,178	1,461,525	1,649,533
NCE Net Cash Flow	\$ 737,184	\$ (1,031,047)	\$ 819,227	\$ 1,509,574	\$ 458,369	\$ 88,305	\$ 90,551	\$ 92,853
Total Revenue	\$ 79,954,565	\$ 76,628,062	\$ 77,621,152	\$ 75,196,677	\$ 74,957,017	\$ 74,455,380	\$ 74,575,727	\$ 74,742,412
Total Expenditures	\$ 79,933,808	\$ 87,761,885	\$ 79,240,741	\$ 90,003,368	\$ 101,297,183	\$ 85,282,373	\$ 84,536,912	\$ 84,003,121
Net Cash Flow	\$ (2,044,242)	\$ (10,011,210)	\$ (1,538,581)	\$ (12,302,370)	\$ (24,868,535)	\$ (9,548,815)	\$ (8,499,660)	\$ (7,611,176)
Ending Fund Balance	\$ 147,573,554	\$ 137,562,344	\$ 136,023,763	\$ 123,721,393	\$ 98,852,857	\$ 89,304,043	\$ 80,804,383	\$ 73,193,207
Balance Coverage Ratio	6.23	7.22	7.40	6.63	4.74	4.25	4.36	3.92
Breakeven Assessment Rate	0.024	0.024	0.022	0.024	0.028	0.022	0.024	0.024

Note: The total Retroactive Program expenditures for FY 2025 appears misleadingly high, because some payments for FY 2024 Q4 were posted in FY 2025 Q1. As this apparent increase in Retroactive Program expenditures merely reflects the timing of payments, it is not projected to continue through the forecast period.

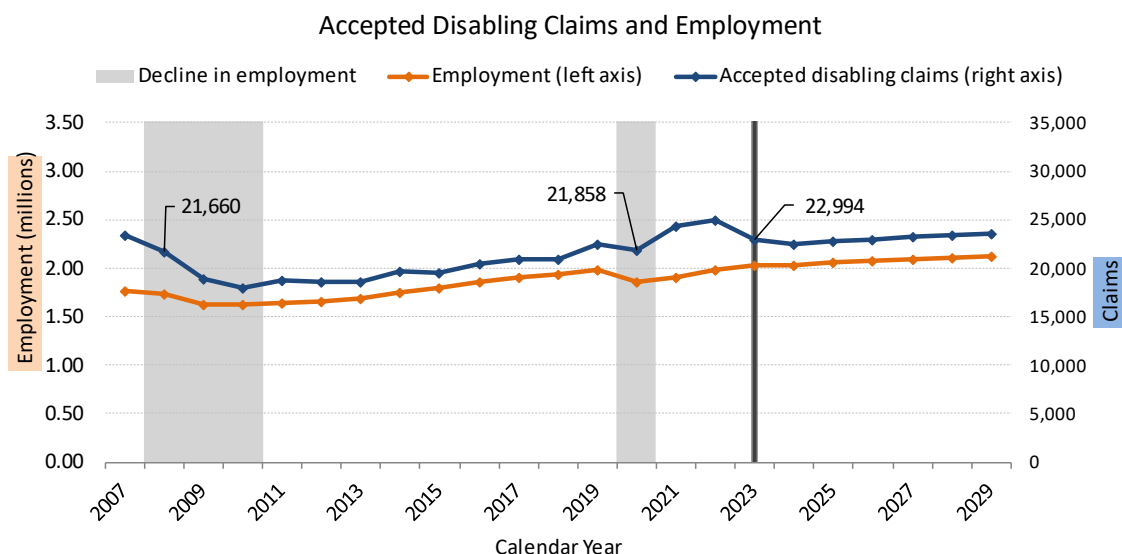
⁴ Actual revenue and expenditure data is through September 2024, so the FY 2025 figures contain three months of actual data and nine months of forecast data.

⁵ See note 2 above.

WBF Programs

After fairly steady declines between FY 2012 and FY 2018, WBF expenditures have averaged around \$77 million over the last five years. About 90 percent of the WBF's expenditures pay for WBF programs. The cost increases are driven by increases in the Reemployment Assistance Program and the Retroactive Program.

Some of the WBF program forecast expenditures depend on our forecast of accepted disabling claims (ADCs). Generally, the number of ADCs increases when employment increases and declines when employment declines. One exception was in 2023, when there were 22,994 ADCs—a decrease from the previous year's nearly 25,000. As opposed to following from trends in employment, this decrease is a result of significantly fewer COVID-19-related illnesses leading to ADCs in the post-pandemic era. The current baseline OEA forecast is for employment to grow slowly; therefore, we forecast continued slow growth in the number of claims in line with ADC counts before the COVID-19 pandemic spike.



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 only include applications for relief submitted prior to May 1, 1990. The program reimburses employers or insurers for costs over \$1,000 for injuries suffered or caused by previously disabled workers. About \$169,000 was paid for the program in FY 2024, and program expenditures are forecast to slowly decline.

Reemployment Assistance Program (RAP)

The Reemployment Assistance Program (RAP) contains other, smaller, programs providing incentives to employers for employing injured workers. The Employer-at-Injury

Program (EAIP) and the Preferred Worker Program (PWP) are the major programs. In FY 2024, the RAP expenditures were about 41 percent of WBF expenditures.

Reemployment Assistance Program Expenditures								
Program	2021-2023		2023-2025		2025-2027		2027-2029	
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
EAIP	\$18,544,063	\$23,135,094	\$20,696,068	\$21,094,161	\$23,192,258	\$23,365,263	\$23,539,557	\$23,715,152
PWP claims costs	\$2,490,506	\$2,255,766	\$2,340,787	\$2,356,318	\$2,434,962	\$2,473,187	\$2,512,012	\$2,551,447
PWP wage subsidy	\$1,118,626	\$1,316,634	\$1,180,136	\$1,076,778	\$1,145,546	\$1,202,682	\$1,262,275	\$1,323,799
PWP worksite	\$1,614,492	\$2,345,908	\$2,284,410	\$2,113,507	\$2,276,471	\$2,353,121	\$2,429,876	\$2,504,513
Other programs	\$1,639	\$0	\$2,310	\$371	\$495	\$495	\$495	\$495
Total	\$23,769,326	\$29,053,402	\$26,503,711	\$26,641,134	\$29,049,732	\$29,394,748	\$29,744,216	\$30,095,406

The Employer-at-Injury Program provides incentives, such as wage subsidies, worksite modifications, and work-related purchases, to return workers to work before claim closure. This program aims to return workers to employment more quickly than they would have without assistance. About 19 percent of claimants with an accepted disabling claim have participated in the EAIP over the last five years. We forecast the EAIP expenditures to grow by less than one percent per year beginning in FY 2027.

The Preferred Worker Program (PWP) assists injured workers who suffer a permanent disability and 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, direct employment purchases, and 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 2.9 percent per year beginning in FY 2027.

Reopened Claims Program (ROCP)

The Reopened Claims Program reimburses insurers and self-insured employers for 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 re-openings 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
- Permanent partial disability benefits can be authorized for new or omitted medical conditions.

ROCP expenditures were about \$2.2 million in FY 2024. The average expenditures over the previous five years were \$2.8 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. We forecast expenditures to increase about one percent per year.

Reopened Claim Program Expenditures, FY 2015 - 2024

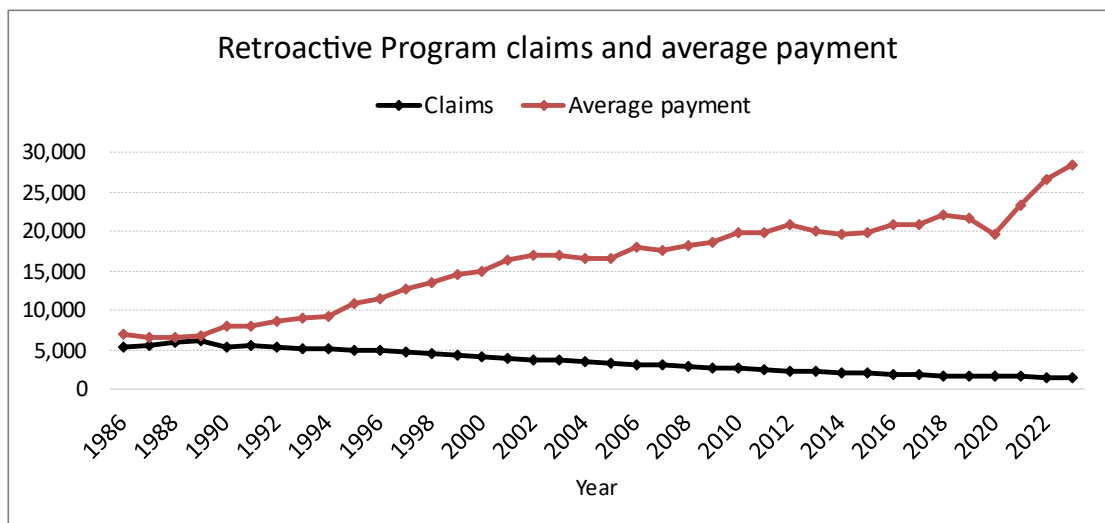
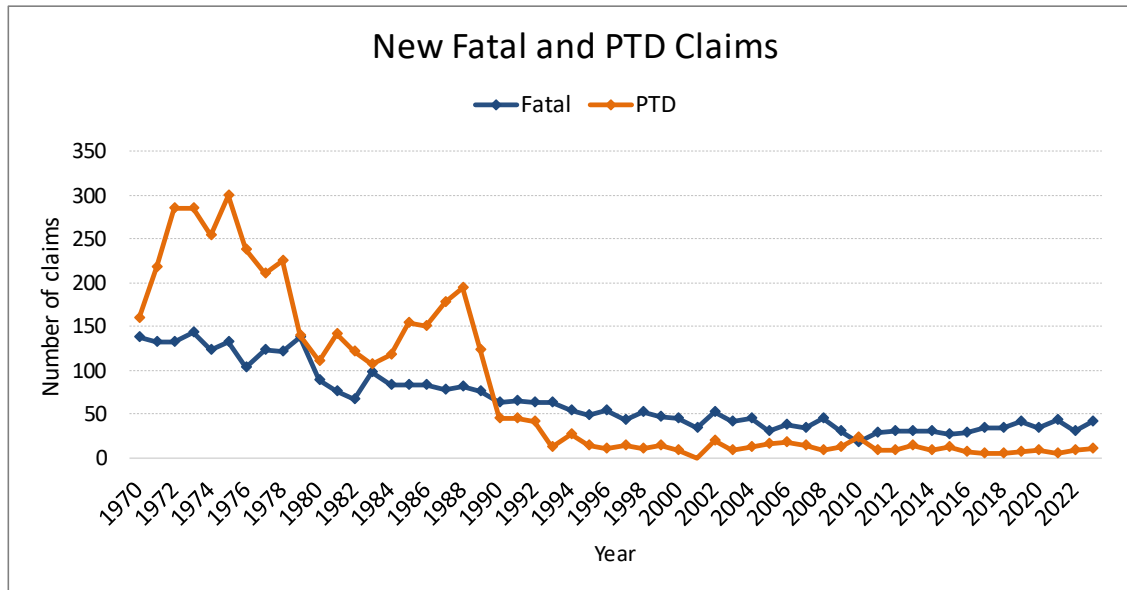
Fiscal year of payment	Medical Benefits	Timeloss Benefits	PPD Benefits	Total	Claims reimbursed	Average reimbursement
2015	178,753	2,834,435	675,164	3,688,351	263	14,024
2016	368,701	2,673,927	735,379	3,778,008	225	16,791
2017	352,597	2,258,407	757,072	3,368,077	232	14,518
2018	213,492	2,264,189	832,513	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
2022	38,190	2,445,142	845,678	3,329,010	140	23,779
2023	87,696	2,740,428	721,765	3,549,888	135	26,295
2024	94,588	1,625,674	507,105	2,227,367	103	21,625

Retroactive Program

For death or permanent total disability benefits, when the benefit under the Retroactive Program bulletin exceeds the benefit granted at the time of injury, the workers or beneficiaries become eligible for Retroactive Program benefits increases. The program also covers benefits payable due to death from permanent total disability or temporary total disability with injury dates prior to April 1, 1974. Insurers and self-insured employers pay the benefits and then request reimbursement from the WBF. Due to the length of time eligible workers and their beneficiaries can receive benefits, the Retroactive Program is the costliest WBF program. In FY 2024, the program had \$34.3 million in expenditures, which accounted for 53 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 CY 2023, WBF payments were made on 1,491 claims.

Future expenditures are estimated by forecasting the decline in the number of reimbursable claims and the increase in average payments. Over the past ten years, claims have decreased by about four percent per year. Meanwhile, the average payment has increased by 43 percent from 19,790 in CY 2014 to 28,401 in CY 2023.



Senate Bill 485 - Wages for Multiple Jobs

In 2001, Senate Bill 485 added a new component to the WBF. SB 485 allows 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 is 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 \$1.42 million was paid for these claims in FY 2024. The reimbursement amount is expected to be about \$1.38 million in FY 2025.

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 \$76,000 was paid in FY 2024. Small amounts are expected to be paid in future years.

WBF Administrative Expenditures

In FY 2024 state agency administrative expenditures were about 11.8 percent of WBF expenditures (see table on page 2 of this memo). Of this amount, about 72 percent were DCBS expenditures, and the remaining amount was 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). The Bureau of Labor and Industries (BOLI) receives payments to enforce anti-discrimination laws. BOLI received \$460,000 from the WBF in FY 2024. The governor's budget proposes an additional one-time transfer of \$15 million in FY 2026 to BOLI. The WBF forecast includes the impact of this proposed transfer.

Noncomplying Employers (NCE) Program

The Noncomplying Employers (NCE) program revenue flows into and out of the WBF. Although the NCE funds are housed in the WBF, the WBF assessment does not fund the program, and NCE revenues cannot be used to fund WBF programs. Because NCE funds are not used to fund WBF expenditures, when determining compliance with the WBF balance limit specified in House Bill 2788, NCE monies do not count toward the WBF balance.

NCE revenue includes NCE recoveries, fines and penalties, and interest. The expenditures are payments to the NCE claims administrator, Sedgwick Claims Management Services, Inc. The NCE expenditures totaled \$5.9 million in FY 2024. When expenditures exceed revenue, there is a transfer from PAOA to cover the difference; in FY 2024, this transfer was about \$81,000. When revenues exceed expenditures, the excess is transferred to PAOA.