



Preliminary Cost Impact Analysis

OREGON SENATE BILL 705-2 *As Amended on February 28, 2025*

NCCI has completed a preliminary cost impact analysis of Oregon revised Senate Bill (SB) 705-2. This analysis includes a description of the changes, an indication as to the approximate magnitude of potential cost impact, and identifies potential additional considerations. NCCI estimates that the proposed changes, if enacted, may result in a significant¹ increase in system costs.

The provisions contained in SB 705-2 are proposed to become effective on January 1, 2026, and were analyzed on a prospective basis only (i.e., claims for temporary disability compensation filed on or after January 1, 2026).

The analysis was completed in an expedited manner and is considered preliminary. NCCI may supplement this document with a complete and final analysis of the bill at a later date. It is possible that the magnitude of the estimated impact of the final analysis could differ from what is provided in this document. Note that the absence of an update to the preliminary analysis does not signify that this is NCCI's final assessment of the cost impact of the bill.

Summary and Analysis

Currently in Oregon, injured workers eligible for Temporary Total Disability (TTD) benefits receive 66 2/3% of their average weekly wage (AWW), subject to a maximum of 133% of the Oregon State Average Weekly Wage (SAWW) and a minimum of either 90% of their weekly wage or \$50, whichever is less.

For injured workers whose AWW is less than or equal to the current Oregon SAWW, SB 705-2 proposes to increase the TTD compensation rate² from 66 2/3% of the injured workers wages to 80% of the injured workers wages. For injured workers whose AWW is greater than the Oregon SAWW, the injured worker would receive 80% of their AWW up to the SAWW as well as 66 2/3% of their wage above the SAWW, subject to the maximum of 133% of the SAWW. SB 705-2 further sets the minimum weekly wage to \$50 a week.

In order to evaluate the impact of the proposed changes in SB 705-2, NCCI analyzed the weekly TTD benefit awards under the current and proposed benefit structure. NCCI has provided several hypothetical scenarios in the table below. For each scenario, NCCI assumed that benefits are based on the current Oregon SAWW of \$1,331.48 (\$69,000 annually). Thus, for the purposes of these

¹ Significant is defined in this context to be an impact on overall system costs of greater than 5%.

² Including temporary total benefits paid during an injured worker's healing period prior to a permanent partial disability award.



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scenarios, the majority of injured workers above as well as below the SAWW would see an increase in benefits awarded by the changes in SB 705-2.

(A)	(B)	(C)	(D)	(E) = [(D) / (B)] - 1
Scenario Impacts on Workers at Different AWWs	Current Weekly TTD Benefits Awarded	<u>Wages Subject to Benefit Determination Under SB 705-2</u>	Proposed TTD Weekly Benefits Awarded Under SB 705-2	Scenario Cost Impact
Worker #1 AWW = \$45.00	\$40.50 = (lesser of 90% of AWW, or \$50)	\$36.00 = (\$45.00 x 80%); or subject to the minimum benefit of \$50	\$50.00	+23% = (\$50.00/\$40.50 - 1)
Worker #2 AWW = \$63.00	\$50.00 = (lesser of 90% of AWW, or \$50)	\$50.40 = (\$63.00 x 80%)	\$50.40	+1% = (\$50.40/\$50.00 - 1)
Worker #3 AWW = \$1,331.48	\$887.70 = (\$1,331.48 x 66 2/3%)	\$1,065.18 = (\$1,331.48 x 80%)	\$1,065.18	+20% = (\$1,065.18/\$887.70 - 1)
Worker #4 AWW = \$1,332.00	\$888.04 = (\$1,332.00 x 66 2/3%)	\$1,065.53 = (\$1,331.48 x 80%) + (\$1,332.00 - \$1,331.48) x 66 2/3%	\$1,065.53	+20% = (\$1,065.53/\$888.04 - 1)
Worker #5 AWW = \$2,500.00	\$1,666.75 = (\$2,500 x 66 2/3%)	\$1,844.23 = (\$1,331.48 x 80%) + (\$2,500 - \$1,331.48) x 66 2/3%; or the max TTD benefit awarded at 133% of the SAWW of \$1,770.87	\$1,770.87	+6% = (\$1,770.87/\$1,666.75 - 1)
Worker #6 AWW ≥ \$2,656.17	\$1,770.87 = (\$1,331.48 x 133%); Or the max TTD benefit awarded (= 133% of the SAWW)	\$1,948.35 = (\$1,331.48 x 80%) + (\$2,656.17 - \$1,331.48) x 66 2/3%; or the max TTD benefit awarded at 133% of the SAWW	\$1,770.87	0% = (\$1,770.87/\$1,770.87 - 1)

Note the subtle change in the calculation in benefits when comparing Scenarios 3 and 4. The worker's AWW in Scenario 3, which is currently equal to the Oregon SAWW, is calculated slightly differently than the worker in Scenario 4 where benefits are determined by the amount of the worker's AWW below the SAWW (i.e., at 80% of AWW) plus the amount of the worker's wages above the SAWW (i.e., at 66 2/3%).

In order to estimate the potential impact of proposed SB 705-2 on overall workers compensation system costs, NCCI analyzed the impact of the increased TTD compensation rate for various ranges of injured worker annual income. The Workers Compensation Division (WCD) provided a breakdown of average annual income brackets for workers with accepted workers compensation disability claims in



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2024. Based on the WCD report, approximately 80% of all injured workers had an income of less than the current Oregon SAWW.

Annual Income	(1) Workers in Income Bracket (%)	(2) Estimated Direct Cost Impact:
<\$30,000	15.3%	+19.6%
\$30,000-\$50,000	41.1%	+20.0%
\$50,000-\$70,000	23.2%	+20.0%
\$70,000 - \$90,000	9.8%	+17.2%
\$90,000 - \$110,000	5.2%	+13.8%
>\$110,000	5.4%	+7.6%
(A) Impact on TTD Benefits ³		+18.6%
(B) TTD Benefits as a % of Total Losses ^{4,2}		28.6%
Overall Impact = (A) x (B)		+5.3%

Additional Considerations

- Studies⁵ indicate that significant benefit increases are typically accompanied by changes in claimant behavior, known as utilization. The potential impact of utilization would likely add to the estimated cost impact of this proposed change.
- The first sentence of Oregon Revised Statutes ORS 656.210(1)(a), which currently states “When the total disability is only temporary...,” was amended in SB 705-2 to “During a period

³ The overall impact on TTD benefits is equal to the percentage of workers in each bracket multiplied by the cost impact for each bracket, summed over all income brackets.

⁴ Based on NCCI Workers Compensation Statistical Plan (WCSP) data for Oregon policies becoming effective during the 24-month period ending December 31, 2021, brought to the current benefit level and developed to an ultimate basis by type of injury, as well as trended, developed and on-leveled Financial Call data from the latest approved NCCI experience filing for Oregon, effective January 1, 2025.

⁵ Moss, Robert, Pistole, Ashley, Ritter, Bruce. “Impact on Utilization From an Increase in Workers Compensation Indemnity Benefits” (National Council on Compensation Insurance, 2009).



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of total disability that is temporary...", removing the word "only" from the proposed language. It is possible that other injury types, (e.g., Permanent Total Disability (PTD), for the period of disability prior to such time that the PTD status has been determined) could be impacted by the higher proposed compensation rates. Such an interpretation was not contemplated in the overall impact.

- If compensation rates increase for TTD benefits from 66 2/3% to 80% of wages as described under SB 705-2, while compensation rates for Permanent Partial Disability remain unchanged, it is possible that such a change could serve as incentive to lengthen the healing period portion of any underlying PPD injuries.

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