



# Workers' Compensation Claim Costs in Oregon

## A summary of National Council on Compensation Insurance data

Information Management Division

Department of Consumer & Business Services

October 2005

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The National Council on Compensation Insurance receives Oregon workers' compensation data from SAIF Corporation and private insurers using the Unit Statistical Reporting Plan. This research alert summarizes claim-cost data trends. NCCI shares this data annually with the Department of Consumer and Business Services as part of the annual ratemaking process. Information on 540 underwriting classifications by policy year has been summarized by the Research and Analysis Section.

Definitions are provided at the end of this research alert.

**Table 1. Annual percentage changes in the number of cases and costs in Oregon for SAIF and private insurers**

**1a. Annual percentage change in the number of cases**

Policy years	Indemnity cases	Medical-only cases	All cases	Accepted disabling claims
1987-1991	-8.8%	-7.9%	-8.2%	-7.3%
1991-1997	-1.4%	0.9%	0.2%	-1.9%
1997-2001 (first report)	-5.3%	-5.2%	-5.2%	-3.1%

**1b. Annual percentage change in the average cost**

Policy years	Indemnity cases	Medical-only cases	All cases	Indemnity cases	
				Indemnity costs	Medical costs
1987-1991	1.2%	5.7%	0.9%	1.0%	1.6%
1991-1997	1.9%	6.2%	0.8%	0.9%	3.5%
1997-2001 (first report)	5.4%	9.2%	5.7%	3.9%	7.1%

**1c. Annual percentage change in the total cost**

Policy years	Indemnity cases	Medical-only cases	All cases
1987-1991	-7.5%	-2.2%	-7.3%
1991-1997	0.5%	7.1%	1.0%
1997-2001 (first report)	0.1%	4.0%	0.5%

Note: Each percentage is the coefficient, b, of the regression equation of the form  $\ln y = a + bx$ .

The percentages give the annual percentage change over the time periods.

The period 1987-1997 is divided into two parts to show trends. During 1987-1991, the number of cases declined rapidly. There was little change in the average cost of indemnity claims, so total costs also declined. The trends during this period reflect legislative reform that cut the number of accepted claims and lowered costs. In addition, the economy was weak, which contributed to the declining accident frequency.

During 1991-1997, there was little change in either the number of claims or the average cost of indemnity claims. Therefore, total costs rose modestly at 1 percent per year.

The first report-year data for 1997-2001 suggest a new trend. Cases are again declining, but average costs are increasing. As a result, there is little change in the total cost.

Table 1a also shows the change in the number of accepted disabling claims reported to the department. They are reported by the year of acceptance. For indemnity cases, Table 1b shows the annual percentage change in indemnity costs and in medical costs.

**Table 2. Premium rate, SAIF and private insurers, Oregon**

Policy year	Premium (\$ millions)	Payroll (\$ millions)	Premium rate	% of 1988 rate
1988	\$759.134	\$15,013.7	\$5.06	100.0%
1989	882.336	16,353.3	5.40	106.7%
1990	916.152	17,323.7	5.29	104.6%
1991	887.180	18,348.0	4.84	95.6%
1992	791.402	19,146.4	4.13	81.7%
1993	735.341	20,559.0	3.58	70.7%
1994	768.605	22,235.3	3.46	68.4%
1995	799.102	23,800.9	3.36	66.4%
1996	799.286	25,667.9	3.11	61.6%
1997	744.912	28,199.0	2.64	52.2%
1998	649.389	30,097.6	2.16	42.7%
1999	638.212	32,233.2	1.98	39.2%
2000	638.084	34,281.1	1.86	36.8%
2001	618.361	34,253.2	1.81	35.7%

The premium rate is defined as the premium per \$100 of payroll. The decline in the premium rate indicates that workers' compensation insurance is much less expensive than the cost of coverage prior to the passage of legislative reforms.

**Table 3. Claims frequency, SAIF and private insurers, Oregon**

Policy year	Cases	Payroll (\$ millions)	Claims frequency	% of 1988 frequency
1988	112,856	\$15,013.7	7.5	100.0%
1989	115,795	16,353.3	7.1	94.2%
1990	100,833	17,323.7	5.8	77.4%
1991	85,908	18,348.0	4.7	62.3%
1992	84,033	19,146.4	4.4	58.4%
1993	85,024	20,559.0	4.1	55.0%
1994	86,704	22,235.3	3.9	51.9%
1995	85,231	23,800.9	3.6	47.6%
1996	84,381	25,667.9	3.3	43.7%
1997	83,576	28,199.0	3.0	39.4%
1998	81,689	30,097.6	2.7	36.1%
1999	79,212	32,233.2	2.5	32.7%
2000	75,101	34,281.1	2.2	29.1%
2001	67,168	34,253.2	2.0	26.1%

In Table 3, the claims frequency is defined as the number of cases per \$1 million in payroll. A decline in the claims frequency indicates that the same amount of premium is covering fewer claims.

The data in Tables 2 and 3 are taken from the first report-year data. Cases and premium do not change much from report year to report year.

**Table 4. Cases by type of injury, SAIF and private insurers, Oregon**

Policy year	Indemnity cases				Indemnity cases	Medical-only cases	All cases	Medical-only percentage
	Fatal	Permanent total disability	Permanent partial disability	Time-loss				
1987	80	122	10,596	27,003	37,801	80,133	117,934	67.9%
1988	62	64	11,306	26,001	37,433	79,272	116,705	67.9%
1989	64	61	10,481	24,119	34,725	73,779	108,504	68.0%
1990	55	51	9,497	20,659	30,262	65,339	95,601	68.3%
1991	58	31	9,260	17,787	27,136	59,337	86,473	68.6%
1992	50	25	9,548	17,078	26,701	57,773	84,474	68.4%
1993	49	17	9,928	17,494	27,488	57,899	85,387	67.8%
1994	51	19	9,673	18,017	27,760	59,249	87,009	68.1%
1995	50	17	8,686	16,785	25,538	60,666	86,204	70.4%
1996	48	20	8,758	16,555	25,381	60,834	86,215	70.6%
1997	40	26	8,284	16,799	25,149	61,466	86,615	71.0%
1998	46	11	7,970	15,922	23,949	60,843	84,792	71.8%
1999	38	24	7,316	15,807	23,185	57,620	80,805	71.3%
2000	37	23	6,536	15,390	21,986	56,942	78,928	72.1%
2001	32	27	5,257	13,874	19,190	47,978	67,168	71.4%
<b>Average year-to-year change</b>								
1987-1991	-7.6%	-29.7%	-4.4%	-10.6%	-8.8%	-7.9%	-8.2%	
1991-1997	-4.2%	-3.5%	-2.3%	-1.0%	-1.4%	0.9%	0.2%	

Table 4 provides counts of cases by policy year. For policy years 1987-1997, fifth report-year data are shown. These data represent the final counts by policy year reported under the ratemaking data-sharing agreement between DCBS and NCCI. The policy year 1998-2001 data are the counts as of the 2003 report. They will be revised by NCCI. As these data change, the number of cases should increase slightly and the percentage of cases that are medical-only should decline slightly.

**Table 5. Average total cost per case, SAIF and private insurers, Oregon**

Policy year	Indemnity cases				Indemnity cases	Medical-only cases	All cases
	Fatal	Permanent total disability	Permanent partial disability	Time-loss			
1987	\$129,073	\$259,189	\$27,162	\$2,896	\$10,793	\$252	\$3,630
1988	173,114	251,055	24,028	3,123	10,142	264	3,433
1989	123,518	262,109	22,849	2,892	9,593	277	3,258
1990	173,286	314,026	24,957	3,089	10,785	293	3,614
1991	163,063	298,837	24,642	3,093	11,126	318	3,710
1992	149,876	364,360	23,977	3,107	11,183	357	3,779
1993	161,491	361,729	23,734	3,040	11,019	376	3,802
1994	198,177	364,972	23,241	3,180	10,776	403	3,712
1995	206,483	451,333	25,327	3,312	11,496	421	3,702
1996	206,061	397,924	25,972	3,551	11,982	447	3,843
1997	298,231	351,339	27,643	3,899	12,547	469	3,976
1998	282,515	326,383	28,609	4,384	13,128	510	4,074
1999	290,779	268,430	29,794	5,110	13,640	562	4,314
2000	214,001	372,732	32,700	5,793	14,526	616	4,491
2001	269,773	305,602	29,346	6,385	13,535	694	4,363
<b>Average year-to-year change</b>							
1987-1991	4.7%	5.1%	-1.6%	1.2%	1.2%	5.7%	0.9%
1991-1997	9.6%	3.2%	2.0%	3.7%	1.9%	6.2%	0.8%

Tables 5, 5a, and 5b provide average costs by policy year. For policy years 1987-1997, fifth report-year data are shown. These data represent the final counts by policy year reported under the ratemaking data-sharing agreement between DCBS and NCCI. The policy year 1998-2001 data are the costs as of the 2003 report. They will be revised by NCCI. As these data change, the average costs should increase.

**Table 5a. Average indemnity cost per case, SAIF and private insurers, Oregon**

Policy year	Indemnity cases				Indemnity cases	Medical-only cases	All cases
	Fatal	Permanent total disability	Permanent partial disability	Time-loss			
1987	\$122,000	\$196,329	\$17,127	\$1,454	\$6,732	\$0	\$2,158
1988	160,823	156,141	14,750	1,569	6,078	0	1,950
1989	117,686	170,577	14,099	1,446	5,776	0	1,849
1990	165,283	185,930	15,744	1,555	6,616	0	2,094
1991	152,006	161,456	15,565	1,475	6,788	0	2,130
1992	146,661	177,494	15,078	1,426	6,745	0	2,132
1993	157,198	163,090	14,733	1,392	6,588	0	2,121
1994	183,930	226,786	14,229	1,432	6,381	0	2,036
1995	202,331	187,330	15,348	1,464	6,703	0	1,986
1996	204,264	187,131	15,693	1,572	6,974	0	2,053
1997	287,568	174,911	16,318	1,708	7,154	0	2,077
1998	275,527	173,553	16,975	1,909	7,528	0	2,126
1999	272,428	134,310	17,615	2,233	7,666	0	2,200
2000	210,503	151,161	18,634	2,528	7,821	0	2,179
2001	262,540	151,943	15,436	2,627	6,779	0	1,937
<b>Average year-to-year change</b>							
1987-1991	4.7%	-2.2%	-1.3%	0.2%	1.0%	-	0.5%
1991-1997	10.1%	1.7%	0.9%	2.4%	0.9%	-	-0.8%

**Table 5b. Average medical cost per case, SAIF and private insurers, Oregon**

Policy year	Indemnity cases				Indemnity cases	Medical-only cases	All cases
	Fatal	Permanent total disability	Permanent partial disability	Time-loss			
1987	\$7,073	\$62,860	\$10,036	\$1,442	\$4,061	\$252	\$1,473
1988	12,291	94,914	9,278	1,554	4,064	264	1,483
1989	5,832	91,532	8,750	1,446	3,817	277	1,410
1990	8,002	128,096	9,213	1,534	4,169	293	1,520
1991	11,057	137,381	9,077	1,618	4,338	318	1,579
1992	3,215	186,866	8,899	1,680	4,438	357	1,647
1993	4,293	198,639	9,001	1,648	4,430	376	1,681
1994	14,247	138,186	9,011	1,748	4,395	403	1,676
1995	4,152	264,003	9,979	1,848	4,792	421	1,716
1996	1,798	210,793	10,279	1,979	5,008	447	1,790
1997	10,663	176,428	11,325	2,190	5,393	469	1,899
1998	6,988	152,830	11,633	2,475	5,600	510	1,948
1999	18,350	134,120	12,179	2,877	5,973	562	2,115
2000	3,498	221,571	14,066	3,265	6,705	616	2,312
2001	7,233	153,659	13,910	3,758	6,756	694	2,426
<b>Average year-to-year change</b>							
1987-1991	4.6%	18.6%	-2.1%	2.2%	1.6%	5.7%	1.6%
1991-1997	-4.7%	4.6%	3.8%	4.8%	3.5%	6.2%	2.6%

**Table 6. Total costs (millions of dollars), SAIF and private insurers, Oregon**

Policy year	Indemnity cases				Indemnity cases	Medical-only cases	All cases	Medical-only percentage
	Fatal	Permanent total disability	Permanent partial disability	Time-loss				
1987	\$10.326	\$31.621	\$287.814	\$78.210	\$407.971	\$20.163	\$428.134	4.7%
1988	10.733	16.068	271.663	81.199	379.663	20.959	400.622	5.2%
1989	7.905	15.989	239.483	69.752	333.129	20.414	353.543	5.8%
1990	9.531	16.015	237.017	63.808	326.370	19.172	345.542	5.5%
1991	9.458	9.264	228.187	55.011	301.920	18.854	320.774	5.9%
1992	7.494	9.109	228.933	53.056	298.592	20.639	319.231	6.5%
1993	7.913	6.149	235.631	53.189	302.882	21.770	324.652	6.7%
1994	10.107	6.934	224.807	57.297	299.146	23.854	322.999	7.4%
1995	10.324	7.673	219.988	55.589	293.574	25.531	319.106	8.0%
1996	9.891	7.958	227.465	58.790	304.104	27.222	331.326	8.2%
1997	11.929	9.135	228.995	65.492	315.552	28.826	344.377	8.4%
1998	12.996	3.590	228.010	69.808	314.404	31.046	345.451	9.0%
1999	11.050	6.442	217.973	80.771	316.236	32.371	348.608	9.3%
2000	7.918	8.573	213.729	89.149	319.368	35.064	354.432	9.9%
2001	8.633	8.251	154.272	88.582	259.739	33.303	293.041	11.4%
<b>Average year-to-year change</b>								
1987-1991	-2.9%	-24.6%	-6.0%	-9.4%	-7.5%	-2.2%	-7.3%	
1991-1997	5.4%	-0.3%	-0.3%	2.8%	0.5%	7.1%	1.0%	

Table 6 provides total claims costs by policy year. For policy years 1987-1997, fifth report-year data are shown. These data represent the final counts by policy year reported using the reporting mechanism under the ratemaking data-sharing agreement with DCBS. The policy year 1998-2001 data are the costs as of the 2003 report. They will be revised. As these data change, the amounts should increase and the medical-only percentage should decrease.

## Definitions

**Policy year:** The 12 months after a policy's inception or renewal. For example, if a policy went into effect on April 1, 1997, the claims for injuries that occurred between April 1, 1997, and March 31, 1998, would be counted in policy year 1997. Policy year 1997 therefore includes about half of the claims for injuries occurring between January 1, 1997, and December 31, 1998.

**Report year:** According to the data-sharing agreement between the Department of Consumer and Business Services and the National Council on Compensation Insurance, data are reported five times for each policy year. The first report occurs 18 months following the inception of the contract. For example, the first report for a policy that went into effect on April 1, 1997, would be October 1, 1998. The fifth report would occur October 1, 2002. The fifth report year is considered to provide final data for class ratemaking purposes. The last report for any policy year 1997 claim would occur June 30, 2003.

For this research alert, fifth report-year data are presented for policy years 1987-1997. Most of the tables provide 1987-2001 data as of the 2003 report year. Data for policy years 1998 through 2001 will change with subsequent reports. The summary tables (Tables 1a-1c) provide trends from first report-year data for policy years 1997-2001. This is done to show recent trends using a common base.

**Cases:** A workers' compensation claim for which a loss payment has been made or a loss reserve established. The reporting rules vary by state. In Oregon, cases include claims for which the insurers anticipate recovering losses from other parties.

**Indemnity cases:** Claims for which time-loss payments were made, which had or may have permanent disability, or which involved fatalities. The types of indemnity cases:

**Fatal:** A fatality claim in which an insurer has incurred liability.

**Permanent total disability:** A claim that is a permanent total disability as defined under Oregon's law or that the insurer judges will result in permanent total disability. Legislative changes in 1987 and 1990 greatly reduced the number of PTDs.

**Permanent partial disability:** A claim that results in permanent disability other than permanent total disability, a claim for which a lump-sum settlement is made, or a claim for which the extent of future liabilities cannot be determined. In Oregon, lump-sum payments consist of claim-disposition agreements and disputed-claim settlements.

**Temporary disability:** A claim with indemnity payments or expected indemnity payments that does not fall into one of the categories above.

**Medical-only cases:** Cases that are not indemnity cases; claims for which only medical payments were made.

**Indemnity costs:** All paid and outstanding indemnity amounts. These include time-loss payments, permanent disability awards, the indemnity portions of lump-sum payments (claim-disposition agreements and disputed-claim settlements), the non-medical portions of vocational rehabilitation costs, the non-medical portions of legal expenses for the benefit of claimants, penalties against insurers that are paid to workers, indemnity payments that are later reimbursed by employers, and death benefits. The costs are reduced by the indemnity portion of anticipated recoveries from third parties. For policy year 1997, indemnity costs in the fifth report year were 28 percent higher than in the first report year.

**Medical costs:** All paid and outstanding medical amounts, the medical portions of lump-sum payments, the medical portions of vocational rehabilitation costs, the medical portions of legal expenses for the benefit of claimants, insurer medical exams, the amounts employers reimburse insurers for medical costs on medical-only claims, medical payments that are later reimbursed by employers, and all reserves for future payments. The costs are reduced by the medical portion of anticipated recovery from third parties. Because the reported medical costs include reserves, there is less change between report years. For policy year 1997, medical costs in the fifth report year were six percent higher than in the first report year.

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