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For immediate release:  
Sept. 9, 2019

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## **Workers' compensation costs to drop for seventh-straight year**

Salem – Oregon's long-running success in managing the workers' compensation system continues as businesses will see yet another drop in costs in 2020 as the key factor behind annual cost changes dips yet again. The numbers are indicative of a long-term trend:

- Employers, next year, on average, will pay \$1.02 per \$100 of payroll for workers' compensation insurance, down from \$1.11 in 2019, under a proposal by the Oregon Department of Consumer and Business Services (DCBS). That figure covers workers' compensation claims costs, assessments, and insurer profit and expenses.
- The pure premium rate – the base rate insurers use to determine how much employers must pay for medical claims and lost wages – will drop by an average 8.4 percent, under the proposal. In fact, the pure premium – filed by a national rate-setting organization and approved by DCBS – will have declined by 45 percent during the 2013 to 2020 period.

This will mark the seventh year in a row that businesses will experience an average decrease in their workers' compensation costs. Those costs have steadily declined over the years, even as workers continue to receive good benefits. The ongoing decline in costs reflects Oregon's comprehensive approach to managing the system, including efforts by the Workers' Compensation Division (WCD) and Oregon OSHA. For example, WCD enforces requirements that employers carry insurance for their workers, keeps medical costs under control, and helps injured workers return to work sooner and earn their pre-injury wages. At the same time, Oregon OSHA enforces on-the-job safety and health rules, identifies hazards so they can be corrected, and advises employers about how to boost worker safety and health.

"The steady decline in workers' compensation costs is about more than just the numbers," said Cameron Smith, DCBS director. "It demonstrates the hard work of employers, workers, insurers, and government to maintain essential worker protection programs and robust benefits for injured workers while keeping business costs low."

Although average workers' compensation costs have experienced upticks from one year to the next, the overall trend line is one of continuing cost decreases. Average wage replacement and medical costs for injured workers "are showing a long-term downward trend," according to the National Council on Compensation Insurance (NCCI), the U.S. rate-setting organization whose recommendation DCBS reviews. Meanwhile, "Oregon's lost-time claim frequency has generally been decreasing moderately over the past few policy years," according to NCCI.

Employers’ cost for workers’ compensation insurance covers the pure premium and insurer profit and expenses, plus the premium assessment. Employers also pay the Workers’ Benefit Fund assessment, which is a cents-per-hour-worked rate.

The decrease in the pure premium of 8.4 percent is an average, so an individual employer may see a larger or smaller decrease, no change, or even an increase depending on the employer’s own industry, claims experience, and payroll. Also, pure premium does not take into account the varying expenses and profit of insurers.

The average decrease in the pure premium reflects a long-term trend of lower medical care costs and less severe claims. Helping sustain the trend is the stability of Oregon’s workers’ compensation system. The system includes the Workers’ Compensation Division, Oregon OSHA, the Workers’ Compensation Board, which resolves disputes over the state’s workers’ compensation and workplace safety laws, and injured worker and small business advocacy services.

Those successful programs are funded by the premium assessment.

The premium assessment is a percentage of the workers’ compensation insurance premium employers pay. It is added to the premium. It would increase from 7.8 percent this year to 8.4 percent in 2020. The increase is needed to partially offset the decline in pure premium and to keep pace with a growing economy. This modest increase maintains stable funding for state workers’ compensation regulation and worker protection programs that preserve historically low costs.

The Workers’ Benefit Fund assessment provides benefit increases to permanently disabled workers and to families of workers who died from a workplace injury or disease. It also supports Oregon’s efforts to help injured workers return to work sooner – through incentive programs to employers – and earn their pre-injury wages.

The fund’s revenue comes from a cents-per-hour-worked assessment. It would decrease from 2.4 cents per hour worked in 2019 to 2.2 cents per hour worked in 2020. The fund is healthy, made so by a growing economy, which allows the rate to be reduced.

The decrease in the pure premium is effective Jan. 1, 2020, but employers will see the changes when they renew their policies in 2020. The assessment changes are effective Jan. 1, 2020.

Oregon’s workers’ compensation premium rates have ranked low nationally for many years. Oregon had the sixth least expensive rates in 2018, according to a nationally recognized biennial study conducted by DCBS. That was an improvement from Oregon’s ranking as the seventh least expensive state the last time the study was done in 2016. Oregon’s experience of declines in workers’ compensation costs is part of a national trend.

The following chart summarizes all of the changes and includes the date, time, and place of the assessment public hearings: <https://www.oregon.gov/DCBS/cost/Documents/wc-summary.pdf>

<b>Workers’ Compensation Cost Summary: Effective Jan. 1, 2020</b>			
<b>What</b>	<b>Pays for</b>	<b>Cost/Change</b>	<b>Recent Rate History</b>
<b>Pure premium</b>	Medical claims and benefits for lost wages. Excludes	Average 8.4 percent decrease from 2019.	<ul style="list-style-type: none"> <li>• 2019: 9.7 percent decrease</li> </ul>

	insurer expenses and profit.		<ul style="list-style-type: none"> <li>• 2018: 14.0 percent decrease</li> <li>• 2017: 6.6 percent decrease</li> <li>• 2016: 5.3 percent decrease</li> </ul>
<b>Premium assessment*</b>	<p>State regulatory costs to administer workers' compensation and workplace safety programs.</p> <p>Self-insured employers and self-insured employer groups pay an additional amount to fund reserves that ensure prompt payment of claims in the event of insolvencies.</p>	<ul style="list-style-type: none"> <li>• 8.4 percent of premiums for insured employers, increase from 2019.</li> <li>• 8.5 percent for self-insured employers, increase from 2019.</li> <li>• 8.5 percent for public-sector self-insured groups, increase from 2019.</li> <li>• 8.9 percent for private-sector self-insured employer groups, increase from 2019.</li> </ul>	<p>The increase of 0.6 percentage points is needed to maintain workplace safety and related programs to keep pace with a growing economy. In 2019, the rate was increased to 7.8 percent for the same reason.</p> <p>Additional premium assessments will be reduced to 0.1 percent for self-insured employers and public self-insured employer groups, and to 0.5 percent for private self-insured employer groups.</p>
<b>Workers' Benefit Fund (Payroll assessment)**</b>	Special benefits for certain injured workers and their families, and return-to-work programs.	2.2 cents per hour worked, decrease from 2019. Employers and employees split the cost.	The rate had been 3.3 cents since 2013. The rate was lowered to 2.8 cents in 2017 and 2.4 cents in 2019.

\*Public hearing set for Thursday, Sept. 19, at 3 p.m. at the Labor and Industries Building, Room F, in Salem.

\*\*Public hearing set for Thursday, Sept. 19, at 4 p.m. at the Labor and Industries Building, Room F, in Salem.

Annual Oregon average pure premium rate changes and average changes by industry:  
<https://www.oregon.gov/DCBS/cost/Documents/pure-premium-rate.pdf>

More information about Oregon workers' compensation costs:  
<http://www.oregon.gov/DCBS/cost/Pages/index.aspx>

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The Department of Consumer and Business Services is Oregon's largest business regulatory and consumer protection agency. For more information, visit <http://www.dcbs.oregon.gov/>.