



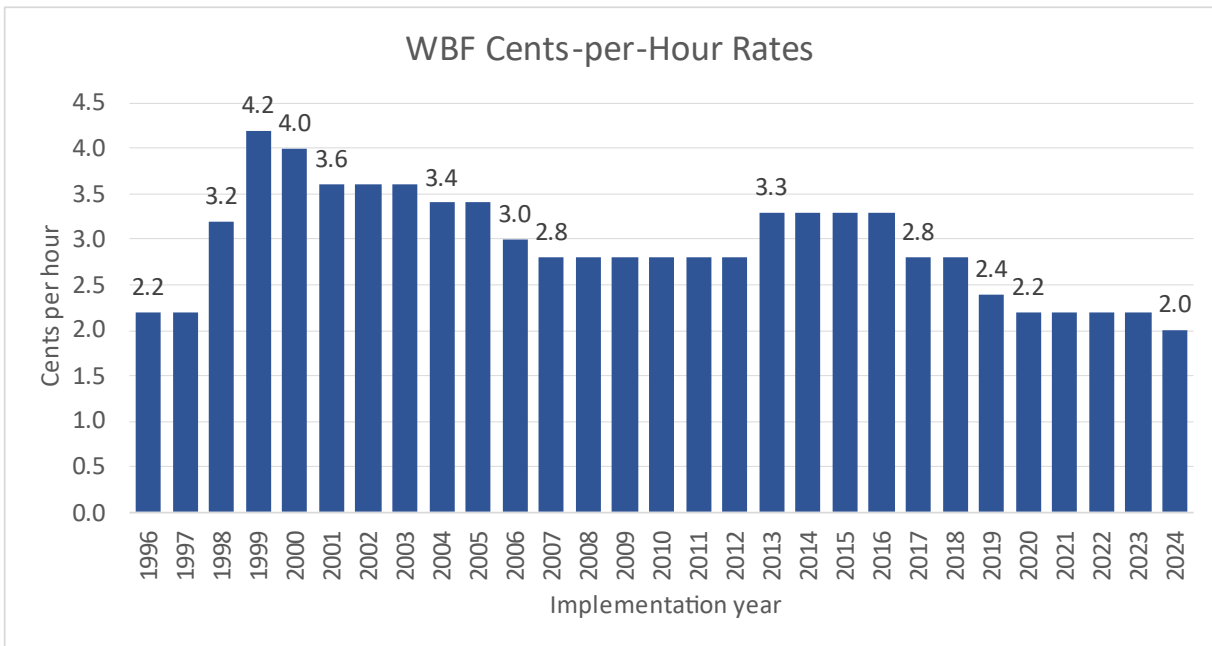
Workers' Benefit Fund 2023 Annual Update

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Introduction

This report summarizes the status of the Workers' Benefit Fund (WBF) as of Sept. 30, 2023. To summarize the WBF's finances:

- The assessment rate will decrease to 2.0 cents per hour effective Jan. 1, 2024. As shown in the figure below, this is the fund's lowest assessment rate since the fund's creation.
- As of Sept. 30, 2023, the WBF fund balance was \$138.2 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 2023, the balance in the WBF was about 22 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 lowered to 2.0 cents per hour, we expect the fund balance to decrease by several million dollars a year. The fund balance is expected to remain above the required minimum through FY 2029.



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

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

WBF Revenue and Expenditures

The table below shows the financial outcomes for the past two fiscal years and the forecast for the next four years.² It assumes the 2.0 cents-per-hour rate is retained through the forecast period. The fund collected \$70.5 million in assessment revenue in FY 2023. We expect to collect \$69.1 million in FY 2024 and \$64.6 million in FY 2025.

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 between 2.1 and 2.2 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 6.60 quarters of expenditures at the end of FY 2027; this is about 7 months more than the statutory requirement.

Workers' Benefit Fund with actual financial data through September 2023

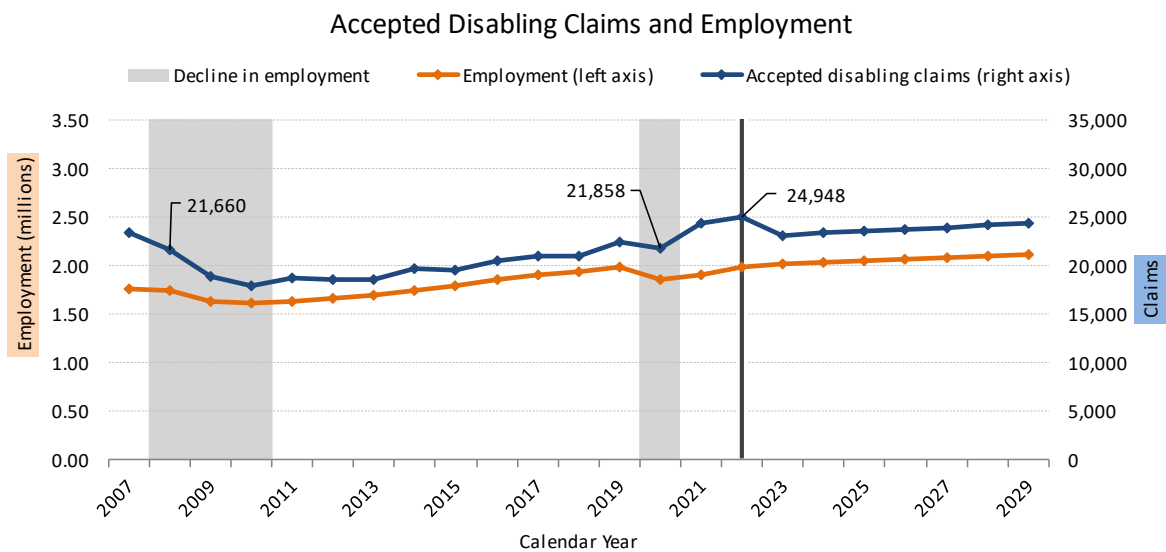
	2021-2023		2023-2025		2025-2027	
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenue:						
Assessments	68,653,030	70,512,566	69,145,843	64,622,292	65,100,413	65,604,760
Other Income	4,692,201	1,522,579	4,821,406	5,360,120	4,439,630	3,836,380
Total Revenue Excluding NCE	\$ 73,345,231	\$ 72,035,145	\$ 73,967,250	\$ 69,982,411	\$ 69,540,042	\$ 69,441,139
WBF Program Expenditures:						
Workers with Disability Program	152,866	155,516	168,161	145,339	126,647	108,926
Reemp. Assistance Prog., exc. OHSU	23,769,325	29,053,402	26,366,018	26,967,553	27,507,962	28,059,957
Reopened Claims Program	3,329,010	3,549,888	3,242,588	3,876,669	4,007,908	4,087,427
Retroactive Program	39,026,762	39,746,617	37,893,296	35,790,427	34,245,501	32,842,779
SB 485 Multiple Wage Jobs	1,271,116	1,133,773	1,352,095	1,300,867	1,300,867	1,300,867
SB 1558 Claim Payments	18,177	8,747	11,364	8,070	7,157	6,413
WBF Program Expenditure Total	\$ 67,567,255	\$ 73,647,943	\$ 69,033,521	\$ 68,088,924	\$ 67,196,041	\$ 66,406,369
WBF Administrative Expenditures:						
DCBS Administrative Expenditures	6,112,454	5,245,609	5,568,611	5,864,217	5,436,354	5,599,445
OHSU Transfer Out	1,908,750	1,975,032	2,002,420	2,019,155	2,033,702	2,048,888
BOLI Transfer Out	474,000	88,000	313,750	221,000	221,000	221,000
Miscellaneous Expenditures	64,198	58,724	16,499	0	0	0
WBF Administrative Expenditure Total	\$ 8,559,402	\$ 7,367,365	\$ 7,901,279	\$ 8,104,372	\$ 7,691,056	\$ 7,869,333
Total WBF Expenditures Excluding NCE	\$ 76,126,657	\$ 81,015,308	\$ 76,934,801	\$ 76,193,296	\$ 74,887,097	\$ 74,275,702
WBF administrative percentage	11.2%	9.1%	10.3%	10.6%	10.3%	10.6%
DCBS administrative percentage	8.0%	6.5%	7.2%	7.7%	7.3%	7.5%
WBF Net Cash Flow	\$ (2,781,426)	\$ (8,980,163)	\$ (2,967,551)	\$ (6,210,885)	\$ (5,347,055)	\$ (4,834,562)
NCE Program Revenue	6,609,334	4,592,917	5,389,179	5,299,592	5,299,592	5,299,592
NCE Program Expenditures	3,807,151	6,746,577	5,220,115	5,374,196	5,380,562	5,386,935
NCE Program, transfer from PAOA	(2,064,999)	1,122,613	948,787	11,654	84,153	90,530
NCE Net Cash Flow	\$ 737,184	\$ (1,031,047)	\$ 1,117,850	\$ (62,949)	\$ 3,183	\$ 3,187
Total Revenue	\$ 79,954,565	\$ 76,628,062	\$ 79,356,429	\$ 75,282,003	\$ 74,839,634	\$ 74,740,731
Total Expenditures	\$ 79,933,808	\$ 87,761,885	\$ 82,154,916	\$ 81,567,492	\$ 80,267,659	\$ 79,662,637
Net Cash Flow	\$ (2,044,242)	\$ (10,011,210)	\$ (1,849,701)	\$ (6,273,834)	\$ (5,343,872)	\$ (4,831,376)
Ending Fund Balance	\$ 147,573,554	\$ 137,562,344	\$ 135,712,643	\$ 129,438,809	\$ 124,094,937	\$ 119,263,562
Balance Coverage Ratio	6.23	7.22	7.37	7.03	6.88	6.60
Equilibrium rate	0.023	0.024	0.022	0.022	0.021	0.021

² Actual revenue and expenditure data is through September 2023, so the FY 2024 figures contain three months of actual data and nine months of forecast data.

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 forecasts depend on our forecast of accepted disabling claims (ADCs). The following figure shows that over the past 15 years, the number of ADCs has generally increased when employment has increased and declined when employment has decreased. There were 21,660 ADCs in 2008 and 24,948 ADCs in 2022. The current OEA forecast is for employment to grow slowly; therefore, we forecast continued slow growth in the number of claims.



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 \$156,000 was paid for the program in FY 2023, 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.³ In FY 2023, the RAP expenditures were about 39 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	\$20,589,677	\$21,185,859	\$21,574,560	\$21,970,393	\$22,373,488	\$22,783,979
PWP claims costs	\$2,490,506	\$2,255,766	\$2,384,337	\$2,401,039	\$2,424,512	\$2,448,215	\$2,472,150	\$2,496,318
PWP wage subsidy	\$1,118,626	\$1,316,634	\$1,199,014	\$1,320,192	\$1,383,929	\$1,450,522	\$1,521,700	\$1,596,226
PWP worksite modifications/purchases	\$1,614,492	\$2,345,908	\$2,192,204	\$2,059,416	\$2,123,914	\$2,189,781	\$2,261,162	\$2,334,937
Other programs	\$1,639	\$0	\$413	\$551	\$551	\$551	\$551	\$551
Total	\$23,769,326	\$29,053,402	\$26,365,646	\$26,967,057	\$27,507,467	\$28,059,462	\$28,629,051	\$29,212,012

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 about 1.8 percent per year beginning in FY 2026.

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 2.6 percent per year beginning in FY 2026.

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

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.

conditions.

ROCP expenditures were about \$3.5 million in FY 2023. 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 2014 - 2023

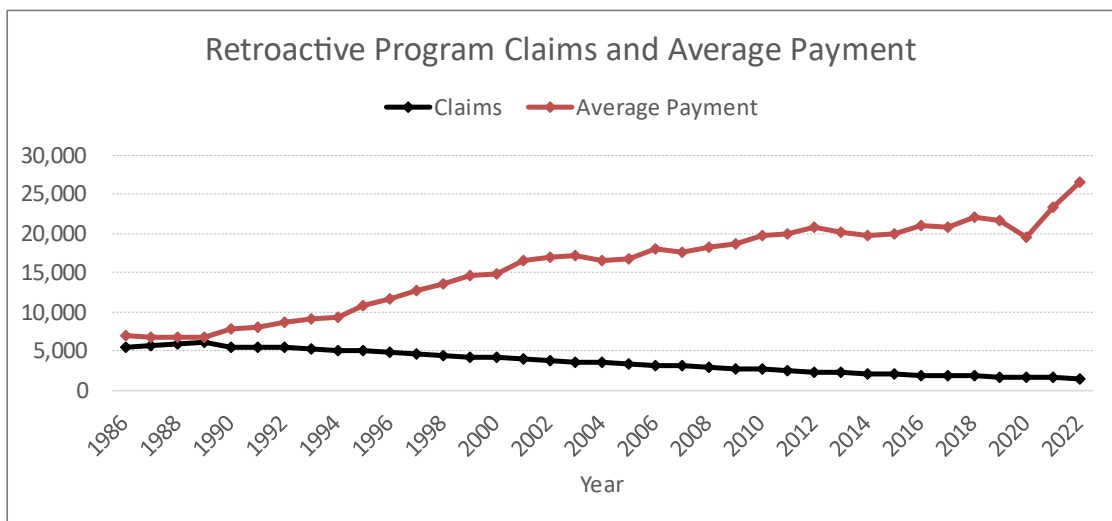
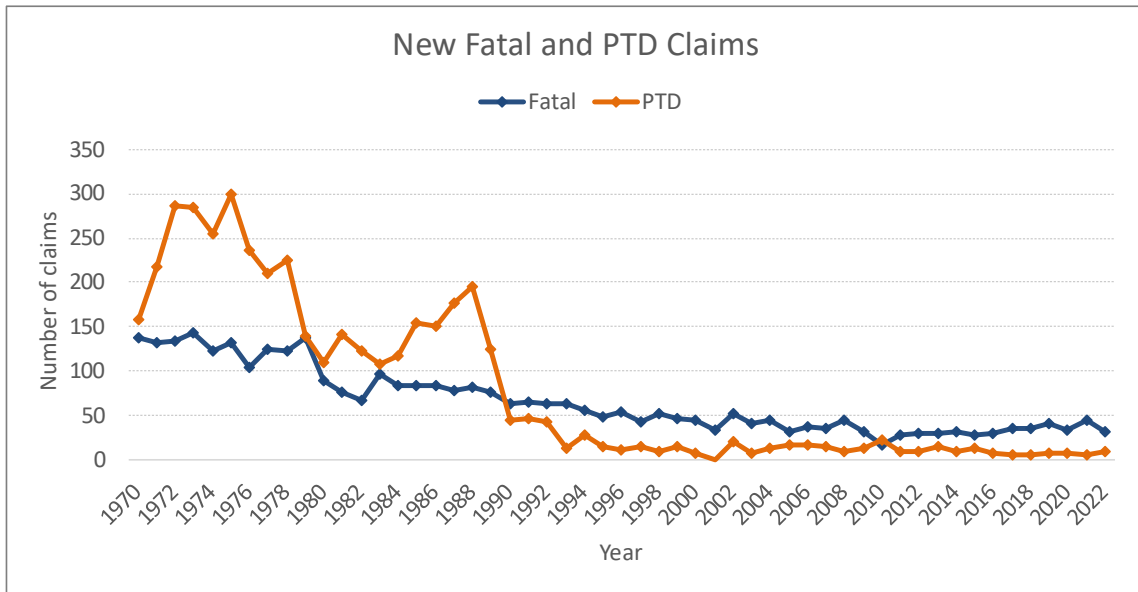
Fiscal year of payment	Medical Benefits	Timeloss Benefits	PPD Benefits	Total	Claims reimbursed	Average reimbursement
2014	268,601	2,739,168	1,020,909	4,028,678	269	14,976
2015	178,753	2,834,435	675,164	3,688,351	263	14,024
2016	368,701	2,673,927	735,379	3,778,008	225	16,791
2017	352,597	2,258,407	757,072	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
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

Retroactive Program

The Retroactive Program pays benefit increases when the benefits granted under the Retroactive Program bulletin exceed the benefits in effect at the time of the injury for workers or their beneficiaries who are eligible to receive either death or permanent total disability benefits. 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 2023, the program had \$39.7 million in expenditures, which accounted for 54 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 2022, WBF payments were made on 1,521 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 4.7 percent per year.



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 \$1.13 million was paid for these claims in FY 2023. The reimbursement amount is expected to be about \$1.35 million in FY 2024.

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 \$8,700 was paid in FY 2023. Small amounts are expected to be paid in future years.

WBF Administrative Expenditures

In FY 2023 state agency administrative expenditures were about 9.1 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 about \$88,000 from the WBF in FY 2023.

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. The revenue includes NCE recoveries, fines and penalties, and interest. The expenditures are payments to the NCE claims administrator. The NCE expenditures totaled \$6.7 million in FY 2023. When expenditures exceed revenue, there is a transfer from PAOA to cover the difference; the FY 2023 transfer was about \$1,123,000. When revenues exceed expenditures, the excess is transferred to PAOA.