2013 Workers’ Compensation Costs

The Department of Consumer and Business Services (DCBS) recently announced workers’ compensation costs for 2013. The changes include:

- A 1.7 percent average increase in the workers’ compensation “pure premium” rate for 2013. The average increase is 3.7 percent for employers in the Assigned Risk Plan.
- No change in the workers’ compensation premium assessment, which remains at 6.2 percent in 2013. (Self-insured employers and self-insured employer groups pay an additional 0.2 percent into reserves to pay claims in the event of a bankruptcy.)
- An increase from 2.8 cents per hour to 3.3 cents per hour, effective April 1, 2013, to fund the Workers’ Benefit Fund, along with a reduction in administrative costs and benefits.

What is the pure premium rate?
The pure premium rate is the base rate employers pay to their insurance company for workers’ compensation coverage, before insurance carriers’ expenses and profit are added. Workers’ compensation covers medical costs from workplace injuries and deaths, wage replacement for injured workers who lose work time, and cash benefits for permanent disability or death.

The growth in pure premium reflects claims costs in Oregon and is based on a recommendation from the National Council on Compensation Insurance Inc. (NCCI). Based in Boca Raton, Fla., NCCI manages the nation’s largest database of workers’ compensation insurance information and prepares workers’ compensation insurance rate recommendations for many states.

When making its rate recommendations, NCCI looks at various trends in Oregon claims and benefits to forecast “loss costs” – or the estimated cost of injury and illness claims. The 1.7 percent increase represents an average across all types of businesses. Premiums for specific businesses and industry groups may be higher or lower, depending on group and individual claim experience.

What is the assigned risk plan?
This plan covers employers who are unable to obtain workers’ compensation in the regular, or voluntary, market. Often, this is because the business lacks a track record of claims and is new and small. While the state oversees this plan, NCCI administers it. The council recommended an average pure premium increase of 3.7 percent for plan members in 2013 compared to 1.7 percent in the voluntary market. The intent is to reduce the subsidy provided by employers purchasing insurance through the voluntary market.

Why is the pure premium rate increasing in 2013?
Workers’ compensation insurance premiums are based on wages, and wages are not increasing at a pace fast enough to keep up with rising medical costs. From 2003-2010, wages in Oregon
increased 20 percent while medical claim costs went up 31 percent, according to NCCI data. Additionally, after years of decline, claims frequency has leveled off.

**How do Oregon’s premium costs compare to those of other states?**
In early 2012, Oregon’s premium rates were ranked 13th-lowest in the country, according to a draft DCBS study. Low workers’ compensation costs are driven largely by improvements to workplace safety and health, and those improvements are continuing in Oregon. The occupational injury and illness rate declined 35 percent between 2002 and 2010.

**What is DCBS doing about rising medical costs?**
Workers’ compensation medical costs have been rising for several years, and DCBS has worked closely with the Workers’ Compensation Medical Advisory Committee and other stakeholders to find ways to control costs. For example, the department adjusted its fee schedule to limit payments for certain medical procedures and equipment and for ambulatory surgical centers.

**What is the workers’ compensation premium assessment?**
The premium assessment pays for Department of Consumer and Business Services programs related to workplace safety and workers’ compensation, including:
- Workplace health and safety inspections
- Employer and worker consultation and training
- Enforcement of workers’ compensation laws to ensure coverage and the timely and accurate payment of benefits to injured workers
- Prompt resolution of workers’ compensation disputes and hearings
- Ombudsman services for injured workers and small businesses

**What is the Workers’ Benefit Fund assessment?**
The Workers’ Benefit Fund assessment pays for a variety of programs that help injured workers and employers. The Workers’ Benefit Fund provides benefit increases to permanently and totally disabled workers and to families of workers who died as the result of a workplace injury or disease. The fund pays cost-of-living increases that reflect increases in average wages. The fund also supports Oregon’s highly successful return-to-work programs that help injured workers return to work quickly and, on average, earn more than their pre-injury wages. The assessment is paid one-half by employers and one-half by workers.

**Why is this assessment increasing?**
The state must maintain a fund balance to cover approximately 12 months of costs. Revenues are based on the number of hours worked, and those have dropped because of the weak economy. In 2012, the assessment was 2.8 cents per hour; that rises to 3.3 cents, effective April 1, 2013. The increase means that an employer with 10 employees who paid $292 in 2012 will pay an additional $52 in 2013. A full-time employee who paid $29.20 in 2012 will pay an additional $5.21 in 2013.

**Why is the timing of the Workers’ Benefit Fund assessment changing?**
Some employers face other types of cost increases on Jan. 1, and asked that this be implemented later in the year.
What will workers’ compensation costs look like in the future?

With the uncertainty around medical costs and the economy, it is difficult to predict how the pure premium rate will change. As mentioned earlier, DCBS works closely with the Medical Advisory Committee and other stakeholders to address rising medical costs in workers’ compensation. In addition, through the Management-Labor Advisory Committee, the department continually works with employers and workers to monitor the system and evaluate areas of potential improvement. The department also continues to work on improving workplace safety to keep injury and illness rates down.

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