



Five-Year Wage Comparisons (1998-2003), Return-to-Work Program Users Versus Similarly Disabled Workers Not Using Programs, Oregon Workers' Compensation System

Information Management Division

Oregon Department of Consumer & Business Services

March 2009

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The Oregon workers' compensation law has created several different return-to-work programs for employees with an occupational injury or disease and their prospective employers.

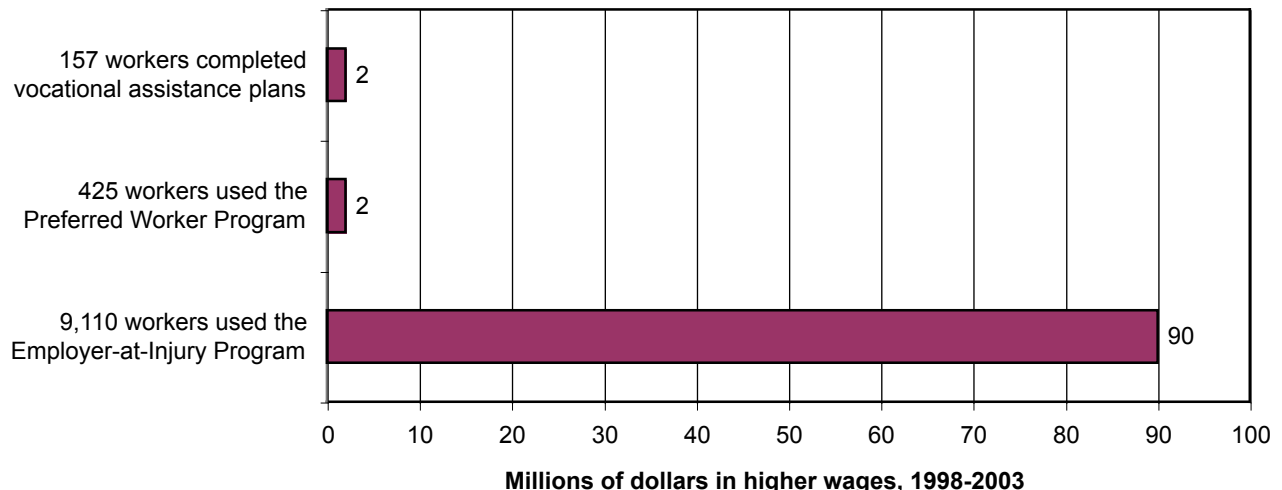
- The **Employer-at-Injury Program (EAIP)** offers wage subsidies for disabled employees who are engaged in light duty or transitional work. In addition, worksite modification and worker purchases are also available to participating employers. In the past these options have seldom been used, but rules changes in 2007 may change this trend. At the employer's option, this program may be used to keep workers with temporary restrictions at work, or hasten their return during recovery.
- The **Preferred Worker Program (PWP)** provides benefits similar to the EAIP, as well as preferred worker premium exemption and claim cost reimbursement for insurers. A preferred worker is someone with a permanent disability from an Oregon on-the-job injury who is unable to return to regular work because of that injury. A preferred worker may use this program as soon as functional limitations are known to

restrict the worker from safely performing pre-injury (regular) work on a permanent basis. The program's benefits may be used to modify regular work for permanent accommodation to limitations or assist the worker in finding a new job. Until 2005, this program was available to employers solely at the preferred worker's discretion.

- **Vocational assistance (VOC)** is professional counseling and guidance in a retraining and placement plan toward suitable re-employment of a worker permanently restricted from returning to any suitable work. The provision of this benefit by carriers is mandatory, but the worker may choose to decline service. Most often, workers choose to settle this benefit through a claim disposition agreement.

A current objective of the department's action plan is to integrate the three return-to-work programs so that the benefits are accessible to more workers. For more information about Oregon's return-to-work programs, contact the Workers' Compensation Division toll-free at 1-800-452-0288 or see the Web page http://www.cbs.state.or.us/external/wcd/site_map.html.

Figure 1. Workers using return-to-work programs had higher wages compared to non-users during 5 years after injury



Return-to-work programs facilitate disabled workers' transition through the employment and earning obstacles presented by an occupational injury or illness. Past data suggests that workers who choose to participate in these programs benefit more than those who do not. As Figure 1 indicates, workers who used return-to-work programs available under Oregon's workers' compensation law between 1998 and 2003 earned an estimated \$94 million more in wages than similarly disabled workers who had not used the programs. This wage difference is determined by comparing quarterly wages of program participants to a control group of eligible workers electing to forgo return-to-work program benefits. The comparison tracks development of one accident year's worth of claims through five years (1998-2003) and might be compared to annual program expenditures by the department:

- for administering and regulating these three return-to-work programs, including rules and direct and indirect staff support; or
- from the Workers' Benefit Fund to pay for program benefits.

Because the Preferred Worker Program and vocational assistance are typically used well after the date of injury, there is some probability that a 10-year analysis would show significantly higher wage advantages beyond those found in the five-year analysis.

This study included DCBS records of 104,000 workers with claims for occupational injury or disease for incidents occurring in 1998. Extrapolating from biennial Oregon Population Survey statistics, the analysis includes at least 80 percent of workers who filed Oregon workers' compensation claims for workplace incidents in 1998. Just over 99,000 of the records (95 percent) matched Oregon Employment Department data, indicating wages reported in any of the four quarters prior to the incident.

Oregon's wage loss model

Early in the decade, the RAND Institute and partner researchers developed a benefit-adequacy model for New Mexico, with cooperation from Oregon, California, Washington, and Wisconsin. The model measures wage loss and economic recovery, including the effects of workers' compensation disability benefits for workers with relatively sudden onset of disability (accepted workers' compensation claims).

The model assumes that a reasonable proxy for the potential earnings of similarly injured workers may be determined from the wage patterns of a control group of

comparable workers with no occupational disabilities. The control group then serves to estimate the potential uninjured worker wages for the disabled workers.

Thus, wage losses for injured workers with occupational incidents of similar severity equals potential uninjured wages minus observed post-injury wages. If, for example, the control group's wage patterns indicate that a group of injured workers with permanent partial disability claims had a five-year earnings capacity of \$5 million over five years (if not for injury), but instead earned \$4 million (due to injury), then that group of injured workers had \$1 million in wage losses.

The department verified the statistics resulting from RAND's analysis of Oregon's data, which included DCBS claim and medical billing data and the Oregon Employment Department's wage data. It then adapted the RAND model to construct an Oregon wage loss-model.

The Oregon model differs from RAND's in several important respects. It uses wage and employment patterns for medical-only claims to calculate potential uninjured wages, rather than a sample of similar uninjured workers from the employers at injury. The Workers' Compensation Research Institute suggested this alternative in a 1998 study, and Washington state adopted medical-only claims as its proxy for measuring wage loss as well. In addition, the Oregon model categorizes claims into three levels of severity, according to the ability of the worker to return to regular work at maximum medical improvement. Levels include:

1. Can return to regular work
2. Can return to modified work
3. Unable to return to suitable work

Each severity level provides the analytical framework for evaluating differences in wage losses among return-to-work program users and non-users. Level 1 is for the Employer-at-Injury Program; level two, Preferred Worker Program; and level 3, vocational assistance.

Thus far, the model has yielded a 12-year statistical data set that supplies annual performance measures and subsidiary statistics relating to return-to-work programs in Oregon. These measurements have been taken at the 13th quarter after injury.

The Workers' Compensation Research Institute (WCRI) addressed the return-to-work performance measures in a recent study of the Oregon workers' compensation system and described system features that other states

might consider for adaptation. The WCRI researchers also offered suggestions for improvement of the return-to-work performance measures, many of which echoed concerns already discussed within the department.

The statistics presented in this research alert resulted from several refinements made to the Oregon wage loss model that have not been applied to the department's performance measures. The first of these refinements includes changing the unit of analysis to workers rather than claims. Second, statistics measure five years (20

quarters) of wage loss rather than the 13th quarter's wage losses. Third, level 1 severity calculations (those who can return to regular work at maximum medical improvement) include workers with Employer-at-Injury Program placements for nondisabling claims and workers with temporary disability claims, as well as workers with EAIP placements for disabling claims and workers with permanent disability claims who were able to return to regular work. Some of these refinements may have implications for the department's performance measures.

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Acknowledgments

Oregon Employment Department: Graham Slater and John Glen.

Oregon Department of Consumer and Business Services: Greg Malkasian, John Shilts, Ronni Rachele, Tracy O'Connor, Mike Manley, Nate Johnson, and Sata Hackenbruck.

Workers' Compensation Research Institute: Duncan Ballantyne and Richard Victor

Upjohn Institute for Employment Research: H. Allan Hunt

Washington Department of Labor and Industries: Samuel Harvey

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