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Economy drives change in 2012 workers' compensation costs

After declining more than 60% since 1990, pure premium to increase 1.9% in 2012

(Salem) — The Department of Consumer and Business Services (DCBS) today announced workers' compensation costs for 2012: the "pure" premium rate, the premium assessment, and the Workers' Benefit Fund assessment.

The pure premium rate – the base rate employers pay their insurance company for workers' compensation coverage – will increase 1.9 percent in 2012. The rate is based on a recommendation from the National Council on Compensation Insurance Inc. (NCCI). NCCI looks at various trends in claims experience and benefits to forecast "loss costs," or the estimated cost of injury and illness claims in Oregon.

The pure premium rate has not increased since 1990, and employers saw a cumulative decrease of 62.8 percent through 2011 – resulting in significant savings.

Oregon's stagnant economy is a major factor in the increase for 2012. NCCI found that medical costs have been increasing faster than wages. Because workers' compensation insurance premiums are based on wages, the amount of premium collected is not keeping pace with the rising cost of medical benefits. Another factor is the number of workers' compensation claims filed in Oregon, which has been leveling off after years of decline.

On average, Oregon employers can expect a 1.9 percent increase in pure premium in 2012, although some employers will see rates go down and others may see no change. Specific cost changes vary from business to business, depending on the employer's industry, claims experience, workforce, and other market factors.

"Despite this slight increase in 2012, workers' compensation costs remain low for Oregon employers compared to other states," said Scott Harra, DCBS acting director. "Oregon has a stable and predictable workers' compensation system that delivers excellent results for both workers and employers."

In a study of 2010 premium rates conducted by DCBS, Oregon's workers' compensation premium costs were 11th lowest in the nation and lower than our neighboring states (California, Washington, Idaho, Nevada, and Montana). In 2011, Washington's premium costs increased 12 percent, while Oregon lowered its premium 1.8 percent.

Oregon has been able to keep rates low over time because of improvements to workplace safety. Workplace injury and illness rates in Oregon have declined 24 percent since 2004 and more than 58 percent since the late 1980s. In addition, workers who are injured get back to work faster by using Oregon's nationally recognized return-to-work programs that offer incentives to employers. These programs help about 7,500 injured workers per year.

Medical costs in workers' compensation have been rising for the past several years, and DCBS has worked closely with the Workers' Compensation Medical Advisory Committee to control them. Recently, the department adjusted its fee schedule to limit payments for implants and certain surgeries. Also, health care providers now must send justification to insurers when prescribing certain high-cost drugs.

"We will continue to work with our customers to find ways to control medical costs in workers' compensation, while ensuring injured workers have access to quality care," Harra said.

In addition to insurance premiums, employers in Oregon pay two assessments to fund workers' compensation programs: the workers' compensation premium assessment and the Workers' Benefit Fund Assessment.

DCBS is proposing to decrease the premium assessment, from 6.4 percent in 2011 to 6.2 percent in 2012. (Self-insured employers and self-insured employer groups will continue to pay an additional 0.2 percent into a reserve to pay claims in the event of a bankruptcy.) The premium assessment pays for the department's administration of workers' compensation and workplace safety programs.

"We have worked hard to keep down administrative costs while continuing to offer critical programs that are important to the success of Oregon's workers' compensation system," Harra said.

The Workers' Benefit Fund assessment, which pays for special benefits for injured workers and their employers (including return-to-work programs), will remain at 2.8 cents per hour worked in 2012. Employers and workers each pay half of the Workers' Benefit Fund assessment.

The pure premium rate increase and the Workers' Benefit Fund assessment go into effect Jan. 1, 2012. The Department of Consumer and Business Services will hold a hearing to invite public comment on the proposed premium assessment rate Tuesday, Oct. 11, at 2 p.m. in conference room 260 in the Labor and Industries Building, 350 Winter St. NE in Salem. A decision will be made in late October, and the rate will go into effect Jan. 1, 2012.

Please see links below for more information:

[Workers' Compensation Rate Questions & Answers](#)

[Workers' Compensation Rate Fact Sheet](#)

[Workers' Compensation Rate Graphs](#)

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