

## PROGRAM EVALUATION — OVERVIEW

**Background:** The Program Evaluation Model used to review return-to-work programs was developed by DCBS as part of its regulatory streamlining initiative. The model allows evaluation of the cost and benefits of programs as well as an exploration of whether government in general and DCBS in particular are the appropriate/best entities to administer or regulate the programs. The model contains the following Key Elements and questions.

**1. Is there a clear and well-defined public purpose for the program, service, regulation or activity?**

Usually found in statutes and rules.

**2. Is there a social or economic benefit to workers or consumers; are the burdens imposed on Oregon businesses proportionate to that benefit?**

What are the benefits and the costs; who benefits and who pays?

**3. If the program's benefits outweigh its costs, do accountability, equity and fairness — or another compelling reason — require that the program be regulated or administered by government?**

Can administration be privatized?

**4. If government administration or regulation is not essential, is there a readily available, effective non-governmental organization who can administer or regulate it?**

Is there a readily available organization that could effectively administer the program?

**5. If it is essential government administer the program, is DCBS the right agency to do this?**

Is the program consistent with the DCBS mission to protect and serve workers and consumers while supporting a positive business climate? The program need not do all of these things, but should do some of them.

**6. If DCBS is the correct agency to administer or regulate the program, can the program be continued or modified to:**

- a. Deliver a significant benefit to workers, consumers or business?
- b. Avoid duplication or conflict with other programs?
- c. Be clearly written and consistently administered?
- d. Be out-come based rather than merely prescriptive?
- e. Minimize intrusion into the affairs of workers, consumers and businesses without loss of program benefits?

**Deliver significant benefit?** In-house data and survey results needed to determine this.

**Doesn't duplicate/conflict with other programs?** Must review in context of other relevant programs

**Clearly written/consistently administered?** Rules and statutes easily understood by those who use them?

Interpretation of rules consistent throughout the agency?

**Out-come based?** Form over substance; results over process.

**Minimal intrusion?** Obtain desired results without undue intrusion?

**7. If the program may continue or be modified to allow continuance, then does the Director have sufficient authority and revenue to act effectively?**

Legislation required to achieve goals?

8. **If the director has sufficient authority, then is the program's purpose being consistently achieved?**

If analysis shows that the program's significant goals are met and program adds value by protecting workers and consumers while supporting a positive business climate, the value of the program is affirmed. If not, consider changes to standards, practices, rules, or elimination of program as a government function.

9. **Issues raised by this review for subsequent consideration by policy makers.**

## **EAIP Analysis — Executive Summary**

**Background:** The Employer-at-Injury Program (EAIP) is a program designed to encourage employers to return their injured workers, while they are not released to full duty, to suitable light duty as soon as possible. The primary benefit of the program is a 50% wage subsidy for up to three months. Limited worksite modification (up to \$2500 value) is also available, as are funds for purchases of tools, clothing, tuition or other items required by the worker for the light duty work assignment. This program began in 1993 and peaked in 1998, with over \$10 million dollars reimbursed to employers that year. After a drop in usage in 1999 and 2000, we have again seen an increase following rule changes, with over \$8.6 million reimbursed for 2002 program usage.

**Findings:** The program evaluation shows:

- **Well defined public purpose** — To restore the injured worker physically and economically to a self-sufficient status in an expeditious manner and to the greatest extent possible (ORS 656.012).
- Statistically significant **benefit to workers** using the EAIP — More than three years after injury, program users are employed at higher rates and with higher wage recovery than eligible workers who did not use the program.
- There is a **benefit to employers:** WCD estimates that not only does the employer benefit directly from wage subsidy, but for \$7.3 million spent in 2000 on wage reimbursements there was a \$10.8 million savings in time loss benefits. Payouts for 2002 are already over \$8.6 million.
- The **burdens are reasonable** and proportionate because
  - Use of the programs is optional for the employer
  - The program is jointly funded by workers and employers
- **Insurers privately administer the EAIP program.** Insurers receive an administrative allowance of \$60 per claim. It is **government regulated** by the Workers Compensation Division, which has a fiduciary responsibility for the integrity of the Worker Benefit Fund.
- **Supports** insurer/employer early return to work programs but **may duplicate** programs that existed prior to the inception of the EAIP program. We do not know the impact the program has had on increasing the number of workers participating in early return to work.
- **Does not duplicate or conflict with other RTW programs** within workers compensation system: Preferred Worker Program or vocational assistance. However, it **also does not coordinate benefits** with either of the other available programs.
- **Intrusion is minimal** for workers who often are unaware of the program. There is some **dissatisfaction about intrusion from insurer and employers**, with department audits of employer financial records, but audit sampling was instituted in 2003, greatly reducing the number of audited claims (100% prior to 2003).
- **Question: Does the EAIP significantly increase the rate of workers returned to light duty while claims are open?**

## PWP Analysis — Executive Summary

**Background:** The Preferred Worker Program (PWP) is a program first developed in 1987 designed to assist injured workers who are not able to return to regular work to find new employment by offering incentives to employers who hire them. This program is activated by Preferred Workers (those workers who are eligible for this program) who may offer the benefits to employers who are willing to hire them. Benefits include: 50% wage subsidy for 6 months; premium exemption for three years and claims cost reimbursement for any new injury which occurs in the three year period; worksite modifications up to \$25,000 (more for the more serious injuries); and funds for purchases of tools, clothing, tuition or other items required for the new job. The program is funded by the Worker Benefit Fund, which is contributed to jointly by employers and workers through the cents per hour deductions.

Program usage peaked in the mid-1990s with over 4000 contracts developed for over 1000 workers in 1996, and over \$11 million spent in 1997. Total costs for 2001 were \$8.1 million. Currently there are fewer workers eligible for the programs and even fewer actually using their benefits.

**Findings:** The program evaluation shows:

- **Well defined public purpose** — To restore the injured worker physically and economically to a self-sufficient status in an expeditious manner and to the greatest extent possible (ORS 656.012).
- Statistically significant **benefit to workers** who use the PWP. Workers who return to work using their PWP benefits are 29% more likely to be employed 13 quarters after injury than Preferred Workers who do not use the program. Card users who are working make 17% more than Preferred Workers who returned to work without using their benefits.
- **Social and economic benefits:** PWP has assisted 11,000 injured workers to return to work, returning nearly **\$110 million directly to the Oregon economy**. This in turn generates tax revenues, savings in unused social support costs and reduced worker's compensation costs.
- **Benefits to employers** include not only the \$110 million in direct benefits, but also the provision of workplace modifications that can be used by other workers, reducing the likelihood of future injuries to all employees. It also helps employers hire or retain valued employees they might otherwise be unable to hire or retain.
- The **burdens** imposed are **modest** and shared by workers and employers — The PWP accounts for about .4 cents of the 3.4 cents per hour collected by the Worker Benefit Fund.
- **Government does and should administer this program.** Because the program is funded by workers and employers for their mutual benefit, and provided to workers and employers insured by all workers compensation insurers in the state, it is reasonable that this program continue to be administered publicly, with public accountability for funds expended from the WBF. **WCD has the expertise and staff available** to administer this program effectively.
- This program benefits all workers who have permanent disability and cannot return to regular work. The incentives available are not available in any other program, but can be used in conjunction with vocational assistance provided to certain workers. Thus the program **does not duplicate other programs, and supports and complements vocational assistance.**
- **Paperwork is minimal.** Over the years forms and rules continue to be simplified based on stakeholder input.
- **The program is adequately financed.** The funds that support this program are special funds provided by statute for these and other workers' compensation programs.
- **The program is under utilized.** Only 18% to 24% of eligible workers are taking advantage of this program. A number of initiatives are being undertaken to increase program usage. (see packet of outreach materials)

## Questions

- **The relationship between decrease in vocational eligibility and decrease in PWP usage should be explored.**
- **A statutory change would allow more direct return-to-work assistance to Preferred Workers through the Worker Benefit Fund and might be considered.**

## **Vocational Assistance Program Analysis — Executive Summary**

**Background:** Vocational assistance has been provided to some injured workers since the inception of workers compensation in Oregon. In 1966, the legislature determined that all workers who could not return to regular work should receive assistance through the Vocational Rehabilitation Division or by private providers. Between 1977 and 1984, the Field Services Division of the Workers Compensation Department administered the program through a fund established for that purpose. In 1986, the insurers once again became responsible for providing vocational assistance as a claims cost. Because of the expense of the program and limited benefit to many workers who ultimately returned to regular work, the vocational assistance program was radically reformed in 1987. Only workers who lacked the knowledge, skills and abilities to perform physically suitable employment paying at least 80% of their wages at injury were determined to have a substantial handicap to employment, and only those workers were entitled to vocational assistance. This had an immediate impact, reducing the number of eligible workers from over 8000 a year to around 2000. Since then the number has dropped by more than 90 percent since 1987, and currently is provided to about 4% of injured workers. Those eligible for the program can receive up to 16 months of training (21 months if additional criteria are met), with payment of all direct costs (up to the fee limits) and time loss throughout the training program.

**Findings:** The program evaluation shows:

- **Well defined public purpose** — To restore the injured worker physically and economically to a self-sufficient status in an expeditious manner and to the greatest extent possible (ORS 656.012).
- **Social benefits:** A New Zealand study shows that workers, their families and their communities all benefit when a worker returns to work. A Florida study shows that injured workers who return to work collect fewer unemployment benefits, require less public assistance, and have lower incarceration rates than injured workers who remain unemployed for extended periods of time. DCBS research demonstrates that workers who complete vocational assistance return to work at 20% higher rates than comparable workers who do not complete vocational assistance programs.
- **Statistically significant benefit to workers who complete vocational plans** — not only do they return to work at 20% higher rates, but recover pre-injury wages more completely than workers who do not.
- **Economic benefits to consumers and taxpayers:** An injured worker who returns to work at the state's average weekly wage of \$665 per week may pay nearly \$3000 a year in taxes and also uses earnings to purchase goods and service. They also have less need for any social services.
- **The burden imposed aggregately is modest** — about 1.4% of all earned premiums. However the cost per case is high — the average completed training plan is about \$21,000 plus the cost of time loss benefits provided during training.
- **Does the benefit justify the cost?** For those workers who complete training, the benefit is significant. The benefit is also significant for employers hiring these trained workers, because they do not need to bear the cost of training. The costs to the worker, employer, and community of NOT returning to work also need to be considered in determining whether the benefit justifies the cost.
- **Vocational assistance is administered by insurers and regulated by government.** In the past, the program was administered by government as well, through the Vocational Rehabilitation Division or by the Field Services Division. The results of the program analysis suggest the importance of continued and possibly increased government regulation. Because of the costs per program, there is an incentive to insurers to avoid providing vocational assistance. A system review in 1997 showed that eligibility evaluations were not completed, or were completed late, 26% of the time. Since workers are usually medically stationary and no longer receiving time loss benefits, the impact of a delay in the provision of vocational assistance can be significant to the worker who has no income.

- Since WCD is responsible for regulating the workers compensation system as a whole, it is **reasonable for WCD to regulate** the provision of vocational assistance. At one point OVRs (formally the Vocational Rehabilitation Division) was involved in administering vocational assistance, but it is not a regulatory agency.
- Vocational assistance **does not duplicate or conflict with the Preferred Worker Program or the Employer at Injury Program**. While some services available through this program could be available to some workers through OVRs, the focus of the two programs are sufficiently different that more often they would complement rather than duplicate each other.
- The program **may be seen as intrusive** by workers because of demands made upon them to become and remain eligible for assistance; and by employers who may be asked to submit evidence such as payroll records to support an eligibility decision.
- A significant concern is that there may be insufficient regulation by WCD of these programs. There is no regular audit to determine if insurers have determined eligibility for workers; or regular review of plans to determine conformance with the rules.

#### **QUESTIONS:**

- Many services are ended by CDA or workers CDA before entitlement to vocational assistance eligibility is determined. As a group, workers who CDA have poor return-to-work outcomes (there may be many reasons for this result.) Should there be any change to the CDA process?
- Should the department regulate vocational services in a more proactive manner?
- Should workers who do not meet current eligibility requirements but who cannot return to regular work be provided any assistance beyond what is available through the current Preferred Worker Program?