DCBS | Consumer and Business Services
Workers' Compensation Division

M E M O R A N D U M

September 7, 2018

To: Management-Labor Advisory Committee

From: Lou Savage, Administrator

Subject: Employer-at-Injury Program wage subsidy

During discussions on the Worker's Benefit Fund study, several members asked about the impact of a change to the reimbursement rate for the Employer-at-Injury Program (EAIP) wage subsidy benefit. This benefit encourages early return to work by reimbursing an employer a percentage of a worker's wages. In 2013, the reimbursement for wage subsidy was reduced from 50% to 45% of the worker's gross wages.

Attached is a memo from Gary Helmer, Senior Economist, with detailed responses to your questions. The short answers are:

1. **What was the reduction in EAIP expenditures due to the 2013 change?** The reimbursement change reduced EAIP expenditures by $1.7 to $1.8 million per year.
2. **Has the 2013 change resulted in less use of the EAIP?** We are not able to isolate the impact of the 2013 benefit change on EAIP usage.

As the memo illustrates on pages 3 and 4, EAIP usage has been trending down in recent years. We are interested in the reasons for this decline, so we plan to do some outreach with insurers, self-insured employers, and service companies about the reasons for using, or in this case not using, EAIP benefits. We also suspect there may be specific industries that have lower usage rates, and we have asked Gary Helmer to sort the data by industry so we can target our outreach to those groups. We will report back to you on what we learn.

Attachment

MEMORANDUM

September 5, 2018

To: Management-Labor Advisory Committee

From: Gary Helmer, Senior Economist

Subject: Impact of lowering the Employer-At-Injury Program wage subsidy

Issue

In July 2013, WCD changed its rules regarding Employer-at-Injury Program (EAIP) wage subsidies. OAR 436-105-0520(2) lays out the rule. Currently, the subsidy provides reimbursement of 45 percent of the worker's gross wages for the wage subsidy period. This percentage change applies to all wage subsidy periods that began on or after July 1, 2013.

The previous wage subsidy was a 50 percent wage subsidy, so the rule cut the subsidy by five percentage points. This was done as a part of a package to stabilize the Workers' Benefit Fund. Along with this benefits reduction, the assessment rate was raised to generate more revenue.

At the June 4, 2018, MLAC meeting, several MLAC members asked for the following:

1) What has been the reduction in EAIP expenditures due to the July 2013 reduction in the wage subsidy from 50 percent of wages to 45 percent of wages?
2) Has this reduction resulted in less use of the EAIP?

The answer to 1) is straightforward. The wage subsidy reduction has reduced EAIP expenditures by about $1.7 to $1.8 million per year. This is described in more detail below.

The answer to 2) is not straightforward. There may have been a small impact, but it would take more time and a more complex study to determine a more definitive answer.

EAIP reporting

One obstacle to analysis is that the department does not learn of EAIP usage until the insurer requests reimbursement. By rule, this can be up to 13 months after the time of claim closure.[1] Therefore, there is often a long period between injury and the date when the department learns of EAIP use.

This is shown in the following example. In this case, the worker was injured in September 2013. Her EAIP program began in January 2014, and her wage subsidy ran from January through mid-August 2014. Her claim was closed in October 2016. The insurer requested reimbursement in January 2017. Therefore, WCD did not learn of this 2014 EAIP usage until early 2017.

Injury	EAIP program starts	Wage subsdy starts	Wage subsidy ends	Claim closed	EAIP reimbursement received
9/4/2013	1/7/2014	1/7/2014	8/22/2014	10/24/2016	1/23/2017

While this lag between EAIP usage and reimbursement request is not important for the simple reporting, such as issue 1, it causes difficulties in more complex analyses, such as issue 2.

Issue 1. Expenditure reductions due to the change in the wage subsidy

The following table shows the number of EAIP claims for which reimbursement has been requested, along with the total reimbursements and wage subsidy reimbursements. The data is for the year the reimbursement was requested. The last column shows that in the past three years, the change in the wage subsidy has lowered EAIP expenditures by between $1.7 million and $1.8 million a year.

EAIP usage and reimbursments ($ millions)

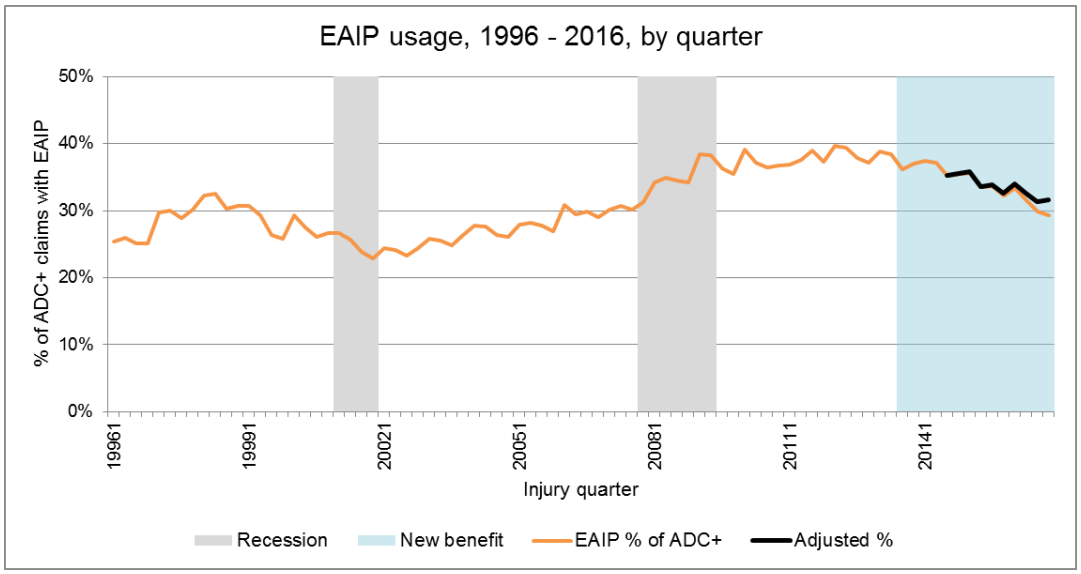
Reimbursement request year	EAIP claims	Total remiburstment	Wage subsidies	Wage subsidy % of total	Wage subsidy reductions
2005	6,475	$10.0	$9.5	94%	
2006	7,424	$11.9	$11.2	95%	
2007	7,770	$13.9	$13.0	93%	
2008	8,815	$18.2	$16.4	90%	
2009	8,608	$18.7	$16.5	89%	
2010	7,571	$16.5	$14.4	87%	
2011	8,387	$19.2	$16.7	87%	
2012	8,951	$20.7	$17.9	86%	
2013	9,100	$22.7	$18.7	82%	$0.1
2014	8,515	$20.9	$17.1	82%	$1.2
2015	8,010	$20.0	$16.6	83%	$1.8
2016	7,529	$18.3	$15.0	82%	$1.7
2017	7,899	$19.0	$16.2	85%	$1.8

[1]In rule, the allowed time lag for reimbursement requests is one year and 30 days from claim closure for accepted disabling claims, one year and 30 days from the date of denial for denied claims, and one year and 30 days from the medically stationary date for nondisabling claims.

Issue 2. Impact of the wage subsidy reduction on EAIP usage

The following analysis looks at EAIP usage before and after the July 2013 benefit change. The analysis is done with the set of claims we have called "ADC+ (ADC plus)" claims. These are the set of accepted disabling claims, plus the denied and nondisabling EAIP claims.

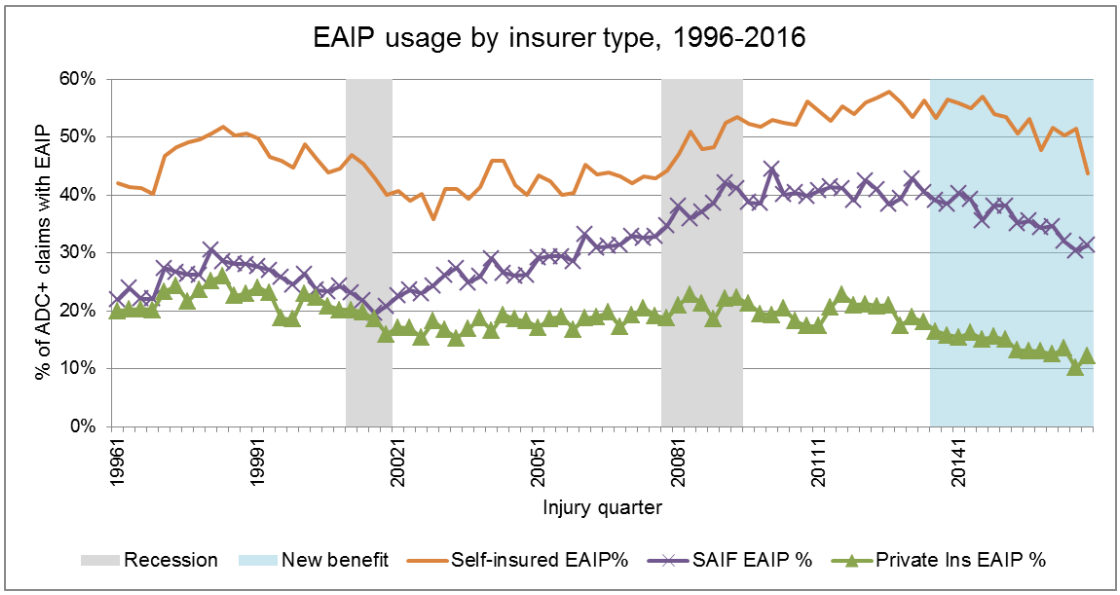
The following figure shows the percentage of ADC+ claims for which the workers used the EAIP. The data are the quarterly percentages by date of injury since the first quarter of 1996 through the end of 2016. The graph shows that usage increased and then decreased during the late 1990s. It grew fairly steadily during the first decade of the 2000s and peaked during 2010-2012.



Notes: The gray bars indicate the two recessions. The blue bar indicates the period of the reduced wage subsidy. The black line indicates the estimated usage that has not been fully reported.

The figure shows there has been a decline in usage since the benefit change (the period shown in blue). As discussed earlier, there can be a multi-year lag between an injury and the date WCD learns of EAIP usage. We would expect, therefore, a decline for the most recent period. We can use historical patterns of the lag from injury to reimbursement request to estimate the data for the most recent years. These estimates are shown in with the black line in the figure above. This suggests that when all of the recent EAIP usage is reported, there will be a decline from the peak 2010-2012 period.

The next figure shows the same information by insurer type. Self-insured employers have used the EAIP for the largest share of their claims. SAIF had the largest growth in usage, while private insurers had no growth in EAIP usage. There has been some decline in usage for all three groups since mid 2013.



Notes: The gray bars indicate recessions. The blue bar indicates the period of the reduced wag subsidy.

While this data shows that EAIP use has declined from its peak, it does not demonstrate that the change in the wage subsidy caused the decline. There was a similar decline in the late 1990s, when the wage subsidy did not change. We have looked at simple regression models to see whether there is an indication that EAIP usage is significantly different since the benefit change. The results are not conclusive. In part, they suffer from the incompleteness of the more recent data.

We also do not know that a decline in EAIP usage is necessarily bad. WCD staff have heard anecdotally that with the strong economy, some employers want their workers back to work regardless of the EAIP benefits.

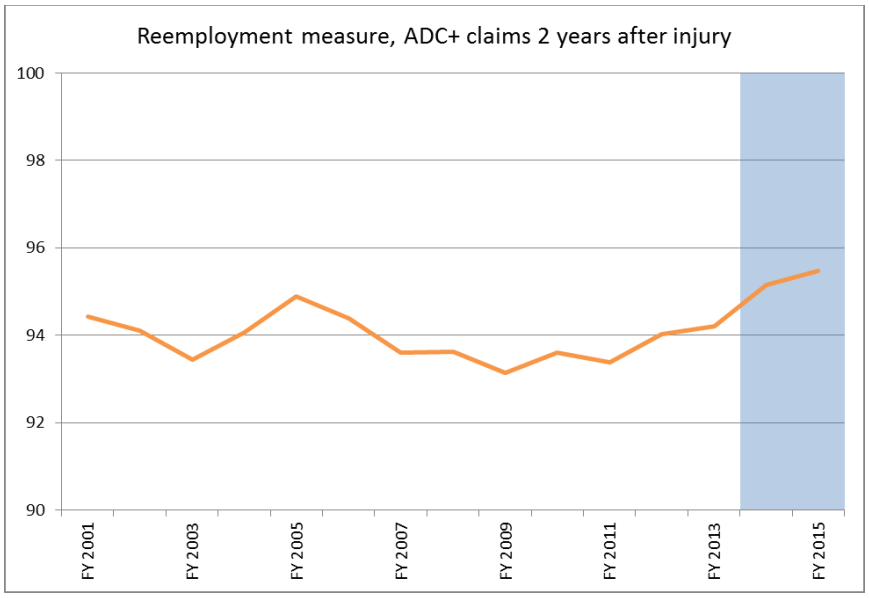
The final section of this memo describes another measure of reemployment and its recent trends.

Reemployment measure

The department looks at workers with ADC+ claims who have returned to work two years after injury. It compares these people to workers with accepted nondisabling claims who did not use EAIP (the control group). The wage subsidy change took effect at the beginning of FY 2014, so we can compare the FY 2014 and FY 2015 results to earlier results to see if there is a suggestion that the wage subsidy change affected overall employment.

The following figure shows the results. For the measure, a value of 100 indicates that workers in the ADC+ category were employed at the same rate as the workers in the control group. A value of 95 indicates the employment rate of the ADC+ workers was 5 percentage points below that of the control group. The goal of reemployment programs is to get this measure as close to 100 as possible.

The figure shows that prior to FY 2014, the measure had a value of around 94. In FY 2014 and FY 2015, the measure had a value of over 95. This suggests the EAIP subsidy reduction did not have an overall negative impact on employment.



In conclusion, based on currently available data, we cannot say the July 2013 benefit change led to a decline in EAIP usage or had a negative impact on employment.