

**Workers' Compensation
CLAIM FOR COMPENSATION**


Failure to complete this form in its entirety may result in a denial of benefits.

Submit original and three copies to the claims administrator.

**Evaluation of the Return to Work Fund
in California's WC System**

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RTW Fund Created for Disabled Workers Who Are Inadequately Compensated

- Senate Bill 863 (enacted 2012) created a \$120 million Return to Work (RTW) Fund
 - “for the purpose of making supplemental payments to workers whose permanent disability benefits are disproportionately low in comparison to their earnings loss” (Labor Code §139.48)
- Additional compensation can improve fairness relative to PD benefits based on disability ratings
- The RTW Supplement Program (RTWSP), administered by DIR, began accepting applications in April 2015

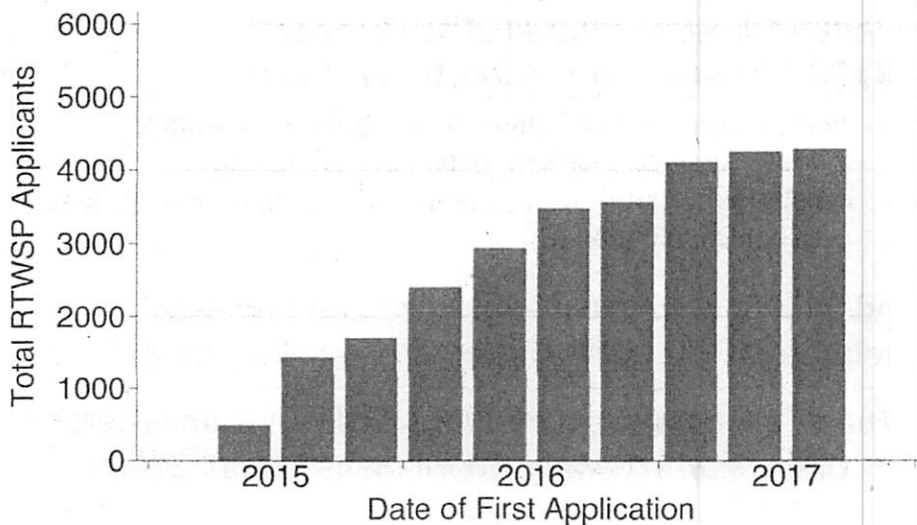
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RTW Supplement Is a \$5,000 Payment for Workers Unable to Return to Work

- Workers injured on 1/1/2013 or later are eligible if they receive the Supplemental Job Displacement Benefit (SJDB) voucher
- SJDB provides vocational rehabilitation and equipment to PD workers unable to return to work
- Vouchers are available to PD workers who do not receive an offer of regular, modified, or alternative work within 60 days of maximum medical improvement

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The Program Was on Track To Make Payments to 16,000 Workers in 2017



Source: RTWSP Program Data, Oct 2017

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DIR Asked RAND to Evaluate the Program and Suggest Improvements

- Study objectives
 - Evaluate performance to date
 - Develop policy options to improve the program
- RAND conducted mixed-methods evaluation
 - Review of regulations and program operations
 - Stakeholder interviews
 - Analysis of program data, other administrative records
- Findings and recommendations were discussed with technical advisory group

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Criteria for Evaluation

Is the Return to Work Supplement Program:	
Targeting the intended population?	
Being administered efficiently?	
Resistant to fraud/abuse?	
Reaching all eligible workers?	

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Preview of Study Findings

Is the Return to Work Supplement Program:	
Targeting the intended population?	✓
Being administered efficiently?	✓
Resistant to fraud/abuse?	✓
Reaching all eligible workers?	✗

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Is the RTW Supplement Program Targeting Workers as Intended?

- Asked stakeholders for their perspectives
 - Labor, employers, physicians, applicant and defense attorneys, claim administrators
- Analyzed RTWSP applications linked to DIR data
 - Workers' Compensation Information System (FROI, SROI)
 - EAMS data on representation status
 - Disability Evaluation Unit ratings

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Stakeholders Views on RTW Supplement Program Targeting Were Mixed

- Many agreed that workers without return to work offer were likely to have disproportionate earnings losses
- Interviewees believed that supplement payments are valuable to workers
- But some wanted program to be more narrowly targeted

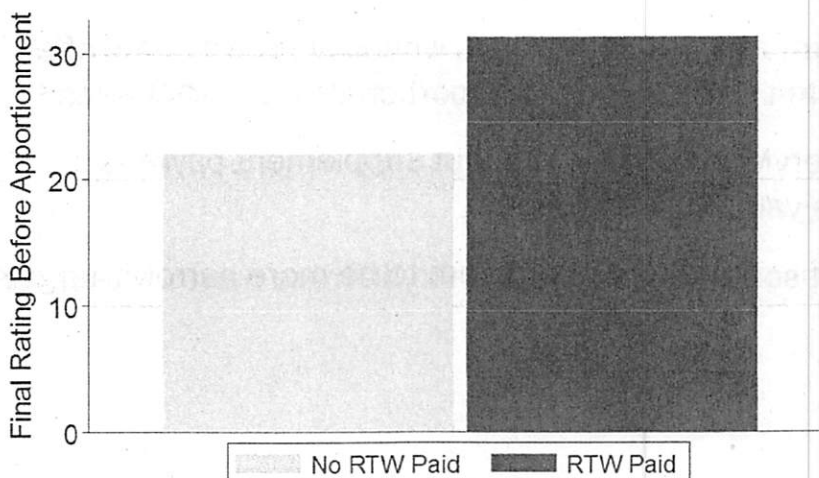
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Workers with RTW Supplement May Be More Vulnerable than Other PD Workers

- Compared RTW Supplement recipients to other PD workers with, without RTW Supplement
- Compared to workers without RTW Supplement, RTW Supplement recipients...
 - Have lower weekly wages (\$661 vs. \$813)
 - Are more likely to work in industries that are:
 - physically demanding (manufacturing or construction)
 - high-turnover (retail or admin/support svc)
 - Have higher median TD duration (58 vs. 25 weeks)

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RTW Supplement Recipients Have More Severe Impairments



Source: RTWSP program data and DEU data, 2013 injury cohort

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RTW Supplement Program Is Administered Quickly and Efficiently

- 96% of applications to date have been approved
- Almost no denials are appealed to WCAB
- Application processing and payment is very timely
 - DIR has 85 days after application to issue payment
 - Typical applicant receives payment within 2 weeks
 - 9 in 10 successful applications paid within 3 weeks
- Stakeholders perceived administration to be efficient

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RTW Supplement Program Appears to Have Good Program Integrity

- DIR procedures have eligibility checks in place to verify worker identity and eligibility
- When workers are denied for technical reasons, DIR staff work to correct issues and enable resubmission
- Stakeholders did not allege fraud or abuse related to RTW Supplement Program

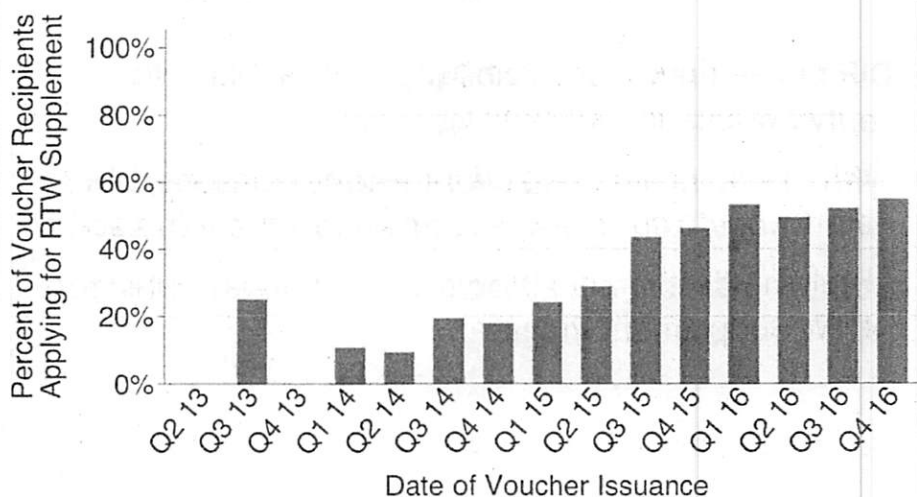
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Is the RTW Supplement Program Reaching Eligible Workers?

- Workers are eligible if they receive SJDB voucher
- Workers with the SJDB voucher might fail to apply
- RAND obtained voucher data from claims administrators
 - *Caveat: data may not be representative of system*
- DIR is not notified when SJDB voucher is issued, so better system-wide data were not available

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Only About Half of Voucher Recipients in Our Data are Applying for RTWSP



Source: RTWSP program data and SDJB voucher data from claims administrator convenience sample, 2013-2015 injuries

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Stakeholders Identified Potential Barriers That Might Prevent Workers from Applying

- Lack of attorney representation
- English language ability
- Computer and internet access
- Distance from DWC district offices
- Different timelines/deadlines for RTW Supplement Program, SJDB utilization
- Difficulty navigating DWC website
- Unclear notification/instructions on SJDB voucher

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Attorney Representation Was the Most Important Factor Explaining Take-Up

- Lack of attorney representation
- English language ability
- Computer and internet access
- Distance from DWC district offices
- Different timelines/deadlines for RTW Supplement Program, SJDB utilization
- *Difficulty navigating DWC website?*
- *Unclear notification/instructions on SJDB voucher?*

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Program Changes Should Increase Take-Up Among Eligible Workers

- RAND identified two policy options to improve take-up
 - Making RTW Supplement payment automatic upon SJDB voucher issuance
 - Improving notification, awareness of program
- Other options not recommended at this time
 - Narrowing eligibility
 - Increasing value of benefit
- Study also uncovered concerns about SJDB

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Make RTW Supplement Payment Automatic Upon SJDB Voucher Issuance

- Program administration by DIR would continue
 - Claims administrator to notify DIR when SJDB voucher issued
 - DIR to issue RTW Supplement payment upon notification
- Eliminate need for injured worker to actively apply for RTW Supplement
- Increase take-up of RTWSP to 100% of eligible workers

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Improve Notification, Awareness of RTW Supplement Program

- Modify SJDB voucher to feature information about RTWSP more prominently
- Improve DIR website
 - Simplify navigation to RTWSP information
 - Make it easier to gain assistance with application

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Physician Reporting of RTW & Voucher Form Could Be Improved

- Physician failure to complete RTW & Voucher form may affect access to SJDB voucher
- DIR might consolidate RTW & Voucher Report, MMI Report to facilitate compliance
- New report would both establish permanent disability status and detail work restrictions
 - Would require process to redact medical information before communicating work restrictions to employers

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Concerns about SJDB Program Effectiveness and Program Integrity

- Rehabilitation is core objective of workers' compensation
 - But there is no rigorous evidence on whether the current, voucher-based SJDB system helps workers
- Some stakeholders shared anecdotes suggesting SJDB may be ineffective and prone to fraud
 - Overbilling or fraud in SJDB invoices
 - Falsified worker signatures on SJDB vouchers, invoices
 - Provision of low-value services unlikely to help workers
- Better evidence on SJDB effectiveness, program integrity could help DIR better serve workers and control costs

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RAND Recommends That DIR Require Claims Administrators to Notify DIR when SJDB Vouchers Are Issued

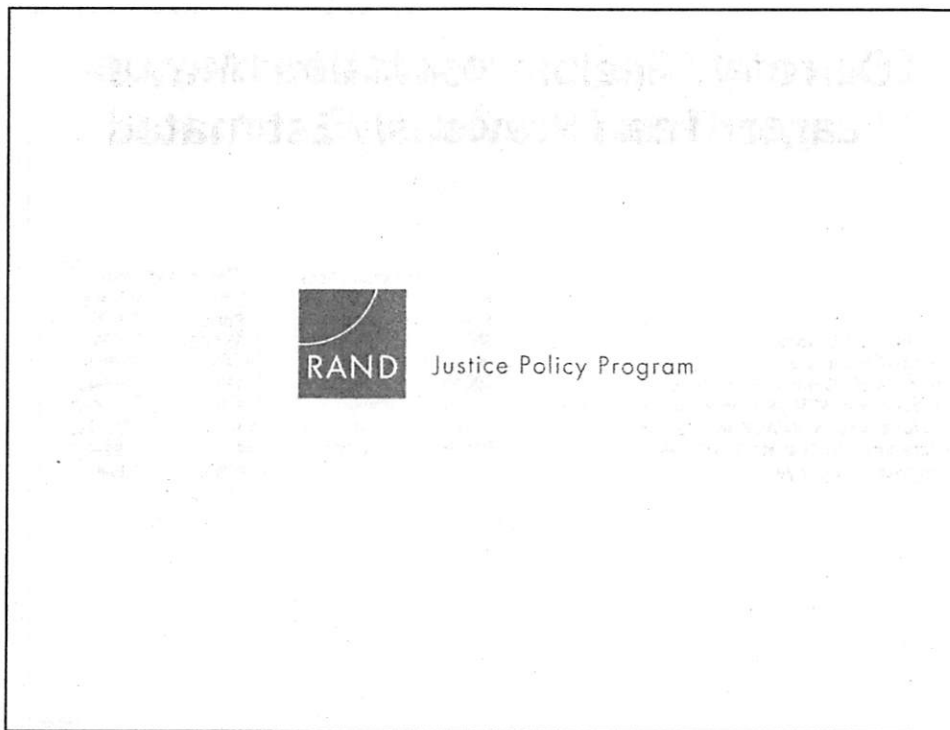
- Needed to make RTW Supplement program automatic
- Also needed for outreach if program isn't automatic
- Reporting would help track eligible population size
- Information on voucher recipient population would help evaluate SJDB integrity, effectiveness

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Conclusion: RTW Supplement Program is Largely Meeting Its Objectives

- RAND's evaluation found the program to be:
 - Targeting intended population
 - Efficiently administered
 - Resistant to fraud and abuse
- Incomplete take-up among eligible workers is the most important shortcoming
- RAND also identified concerns about effectiveness, integrity of Supplemental Job Displacement Benefit

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DIR Currently Lacks Data Needed to Track Size of Eligible Population

- RTWF is funded for 24,000 payments/year
 - On track for 16,000 payments in 2017
- If take-up is only 50%, RTWSP may not have funding for payments to all eligible workers
- Solvency depends on projections about claim development, SJDB issuance, and take-up rates
- Assumptions made at program inception may have underestimated size of eligible population
 - More workers with permanent disability than assumed
 - Some without paid PPD in WCIS are eligible for SJDB, RTWSP

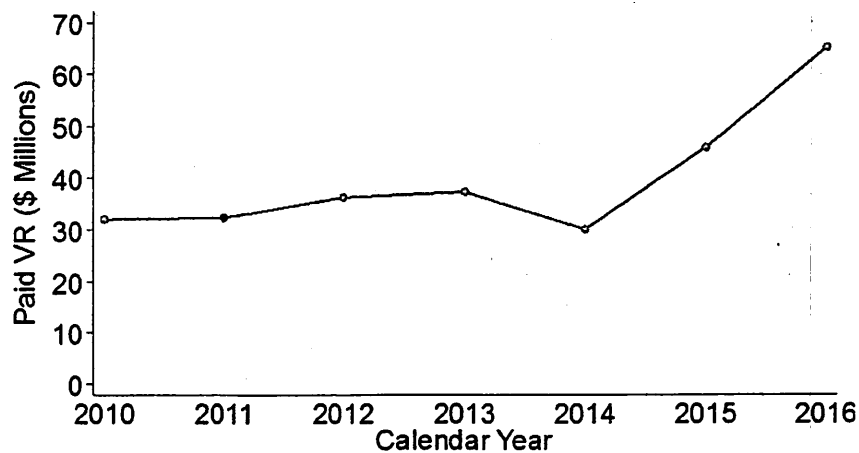
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Currently Eligible Population May be Larger Than Previously Estimated

	Old Assumptions		New Assumptions	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Number of PD workers	60,000	60,000	95,000	100,000
Proportion with SJDB	20%	40%	19.20%	45.40%
Number of PD workers with SJDB	12,000	24,000	18,240	45,400
Proportion of RTWSP-eligible workers without PD	0%	0%	7.50%	22.30%
Total Number of RTWSP-eligible workers	12,000	24,000	19,719	58,430
Total Program Cost at 100% Take-Up (dollars per injury year)	\$60 million	\$120 million	\$98.6 million	\$292.2 million

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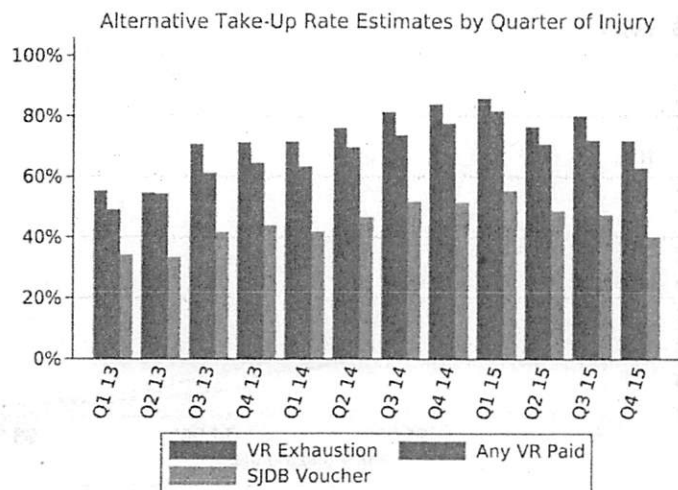
SJDB Payments Have Risen Sharply in Recent Years



Source: WCRB. Paid amounts exclude self-insured sector.

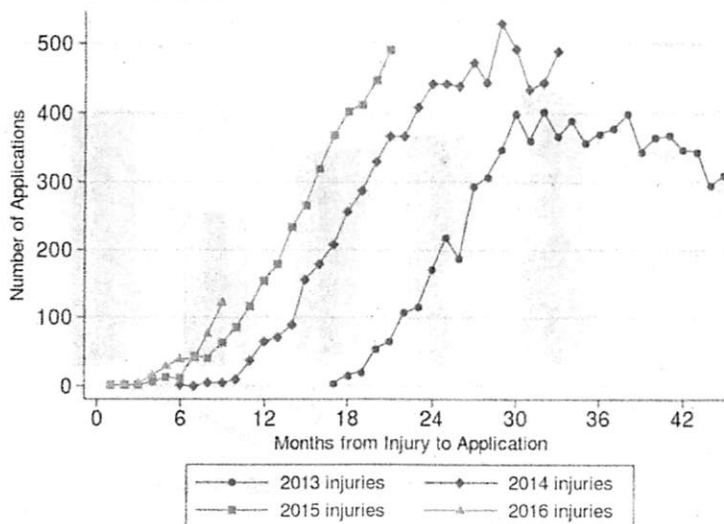
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Data on Voucher Issuance Reveals Take-Up To Be Lower than Previously Thought



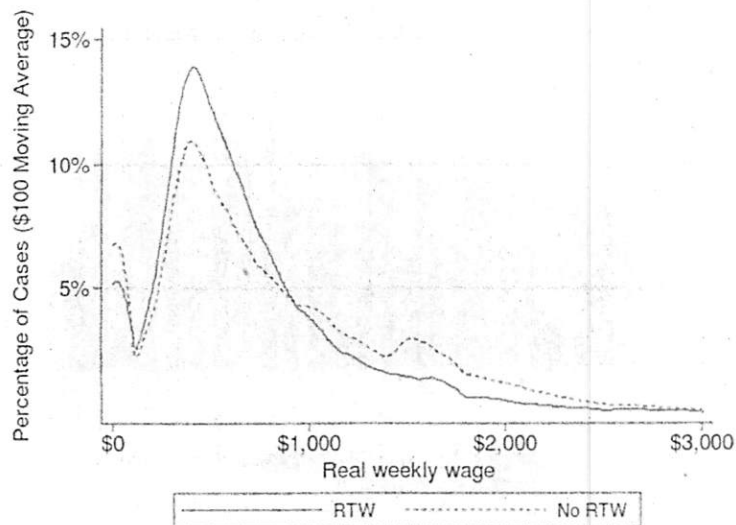
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Application Volumes Appear to Be Rising Over Successive Injury Years



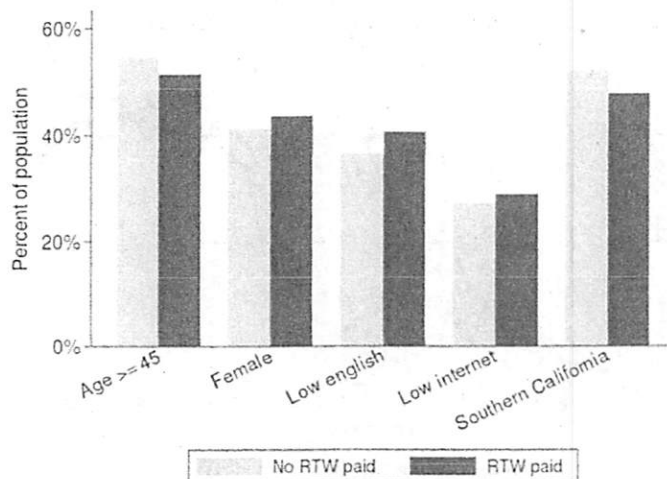
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Supplement Recipients Have Lower Weekly Wages Than Other PPD Workers



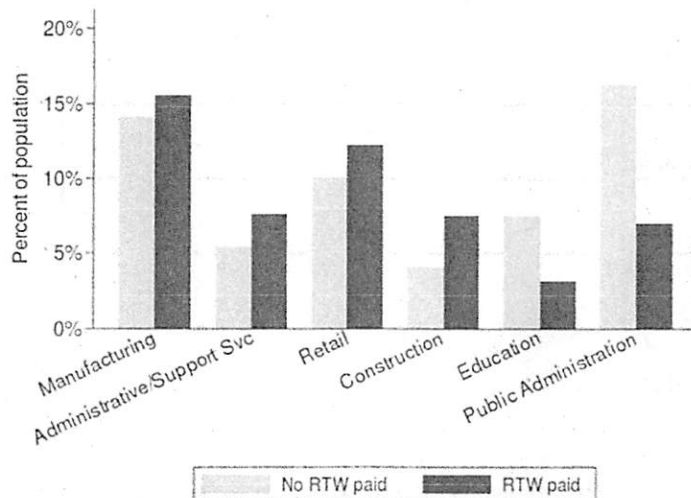
Source: RTWSP program data and WCIS. 2013-2014 injuries with paid or settled PPD as of October 2017. Slide 31

Supplement Recipients Are Slightly Younger, More Female, Less Likely to Live in Southern California



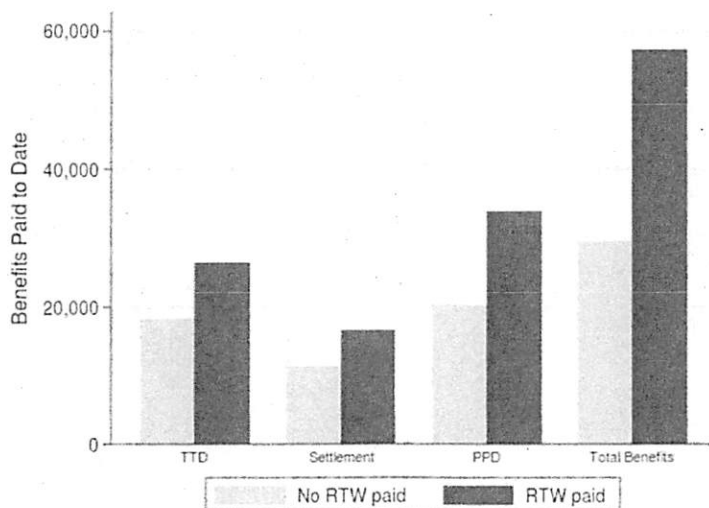
Source: RTWSP program data and WCIS. 2013-2014 injuries with paid or settled PPD as of October 2017. Slide 32

RTWSP More Common in Manufacturing, Some High-Turnover Industries



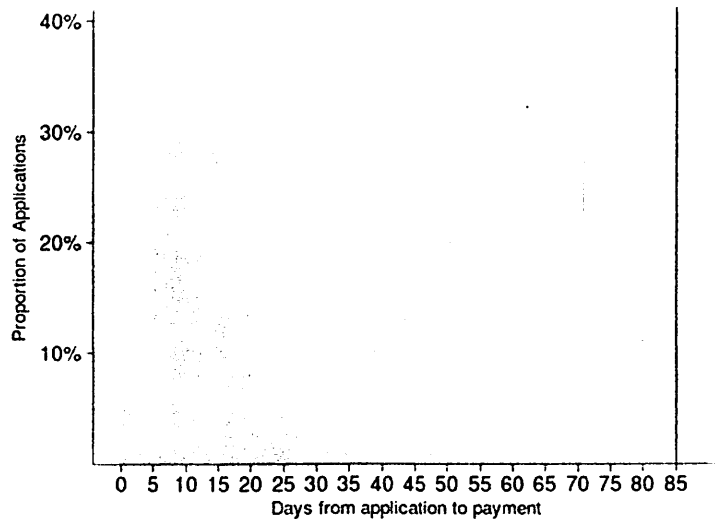
Source: RTWSP program data and WCIS. 2013-2014 injuries with paid or settled PPD as of October 2017. Slide 33

RTW Supplement Recipients Have Higher Benefits Than Other PPD Workers



Source: RTWSP program data and WCIS. 2013-2014 injuries with paid or settled PPD as of October 2017. Slide 34

RTWSP Application Processing and Payment Has Been Very Timely



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