



Workers' Compensation CLAIM FOR COMPENSATION

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Wage Loss Monitoring in California's Workers' Compensation System

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RAND Justice Policy Program

Why Wage Loss Monitoring Is Needed in California's Workers' Compensation System

- Employment and earnings are key indicators of worker well-being after workplace injury
- Earnings loss data are needed to evaluate benefit adequacy or return to work interventions
- Labor market outcomes are not reported to DIR, impeding monitoring, research, and evaluation
- RAND is working with DIR and EDD to build the infrastructure for regular wage loss monitoring

Today's Briefing Provides an Introduction to RAND's Wage Loss Monitoring Study

- Three-year project (2017-2020)
- Three **Monitoring Reports** in the first two years:
 - Monitoring for 2013 injuries (forthcoming)
 - Monitoring for 2014-2015 injuries (August 2018)
 - Monitoring for 2016-2017 injuries (August 2019)
- **Final Policy Report** in third year of the project
 - Examine factors shaping worker outcomes
 - In-depth focus on permanently disabled workers

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Today's Presentation Shows Trends in Earnings Over 2005-2013 Injury Dates

- Focus on earnings loss two years after injury
- Show trends for all injured workers
- Focus on workers with paid indemnity benefits
- Compare earnings for subgroups of workers to statewide average, with comparisons by
 - Industry
 - Region
 - Type of Injury
- Further outcomes, subgroup analyses in report

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Policy Challenges Over Last Decade

- Rising medical costs
- Concerns about benefit adequacy
- Growing attention to:
 - Access to care
 - Evidence-based medical care
 - Fraud
- High unemployment after Great Recession of 2008-2009

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Focus on Injury Dates Through 2013, When SB 863 Impacts May Be Limited

- SB 863 (enacted 2012) included major reforms
 - Overhaul of medical payment, dispute resolution
 - Increased PPD ratings, maximum weekly benefits
 - Established Return to Work Fund
- SB 863 impacts for 2013 injuries limited
 - Medical reforms began to be phased in during 2013, but not fully implemented
 - PPD benefit changes phased in, but not anticipated to directly affect earnings losses
- Our results are not a report card for SB 863

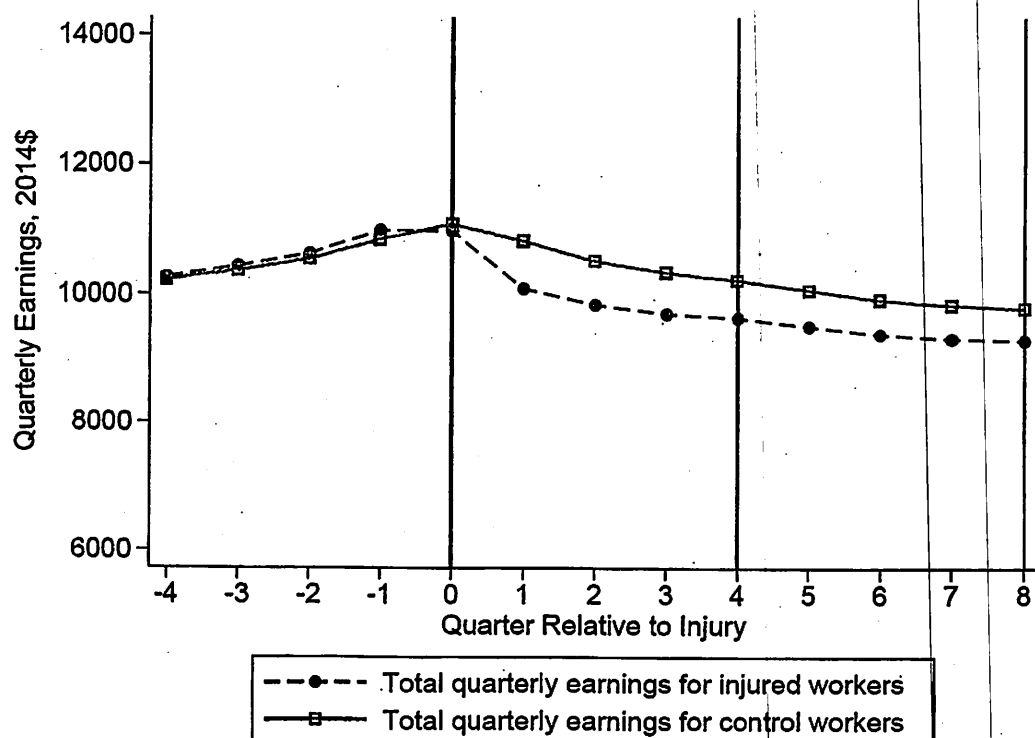
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We Built on Methods Developed in Past RAND Studies to Estimate Earnings Losses

- Earnings loss is difference between
 - what a worker *actually* earns after injury
 - what they *would have earned* in absence of injury
- *Actual earnings* can be observed in the data
- But *potential earnings* have to be estimated
- We compare injured workers to co-workers who did not file a workers' compensation claim

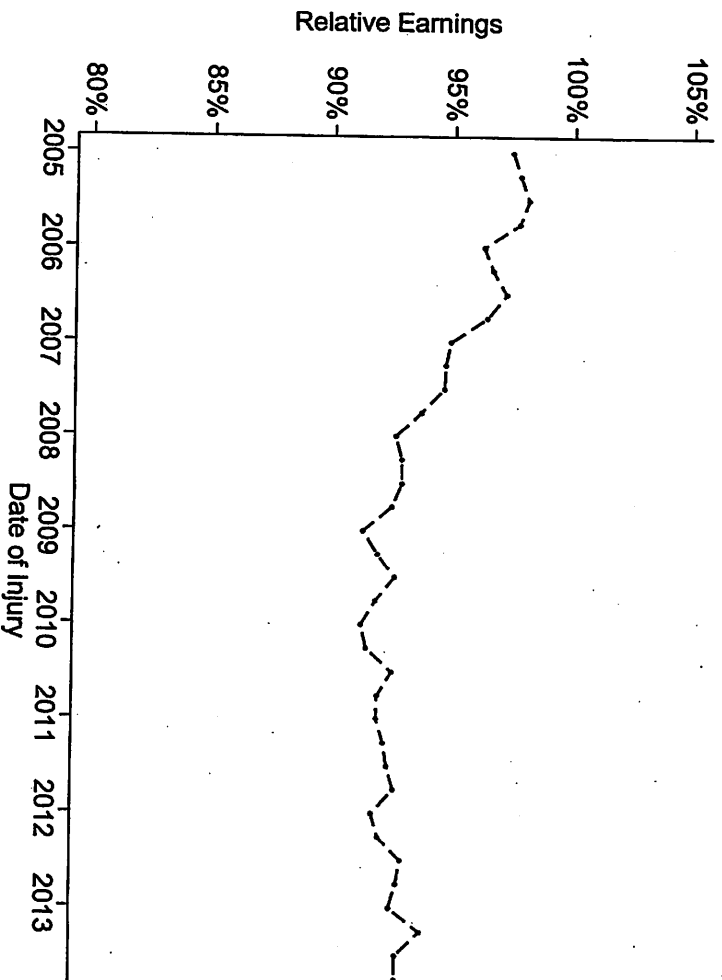
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We Focus on Earnings over Second Year After Injury Relative to Control Workers



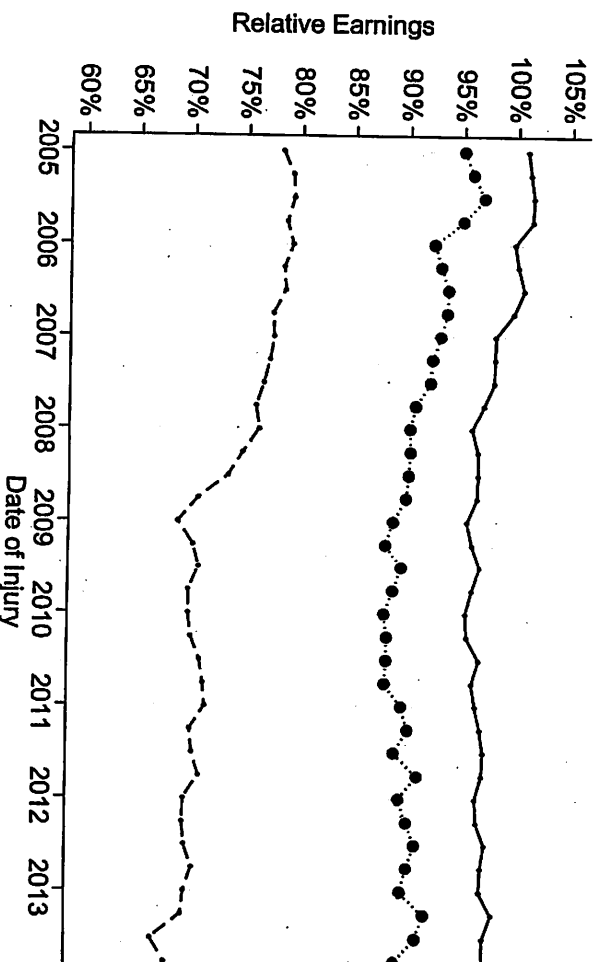
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Injured Worker Earnings As Percentage of Potential Earnings Were Higher in 2013



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But Improvement in Earnings Not Observed Among Workers with Permanent Disability



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PPD Worker Findings Subject to Change Because Cases Are Still Developing

- Difficult to interpret 2013 PPD injury trends due to incomplete claim development
- Revisit PPD trends in Final Policy Report
- Focus on average outcomes for all indemnity claims in remainder of briefing, including:
 - Any TD
 - Any PD
 - Any settled indemnity

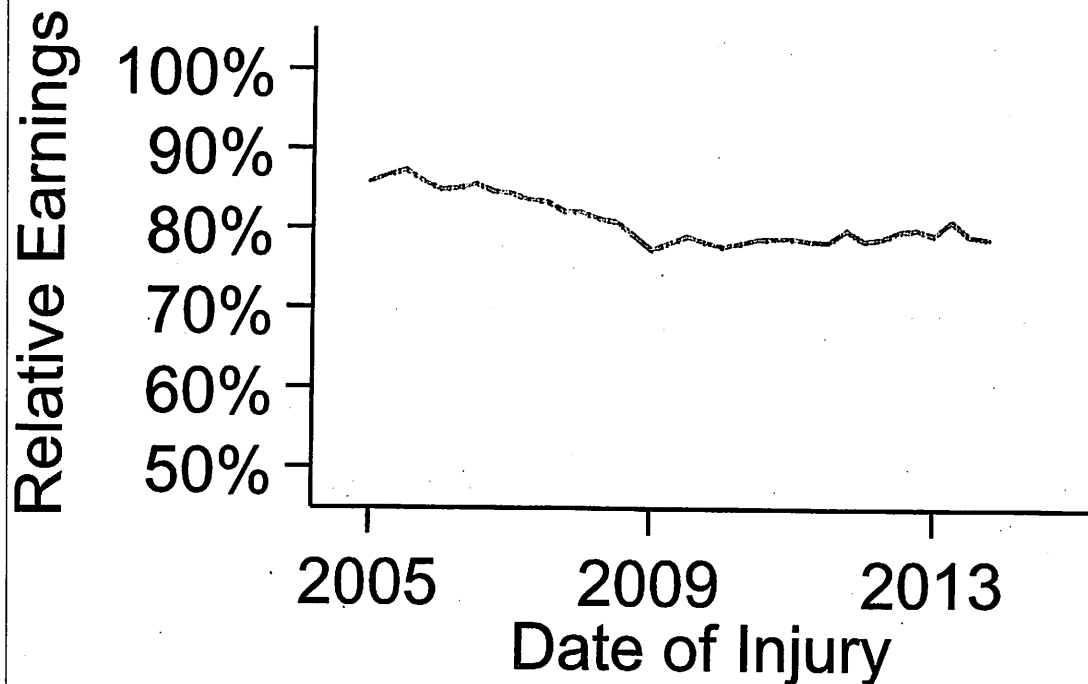
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Monitoring Report Shows Trends in Worker Outcomes for Subgroups of Workers

- Which groups of workers had better or worse outcomes compared to statewide average?
- Did any groups differ from statewide trends?
- Poor outcomes may point toward system challenges calling for closer examination

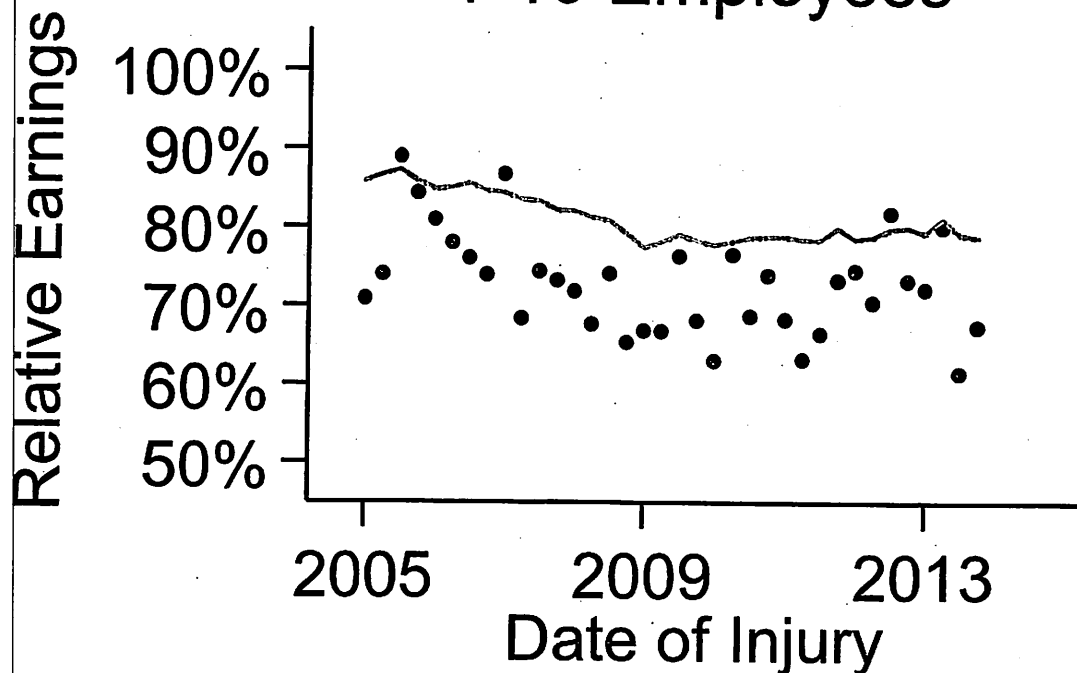
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Trends for All Workers with Indemnity Payments Serve as Point of Comparison



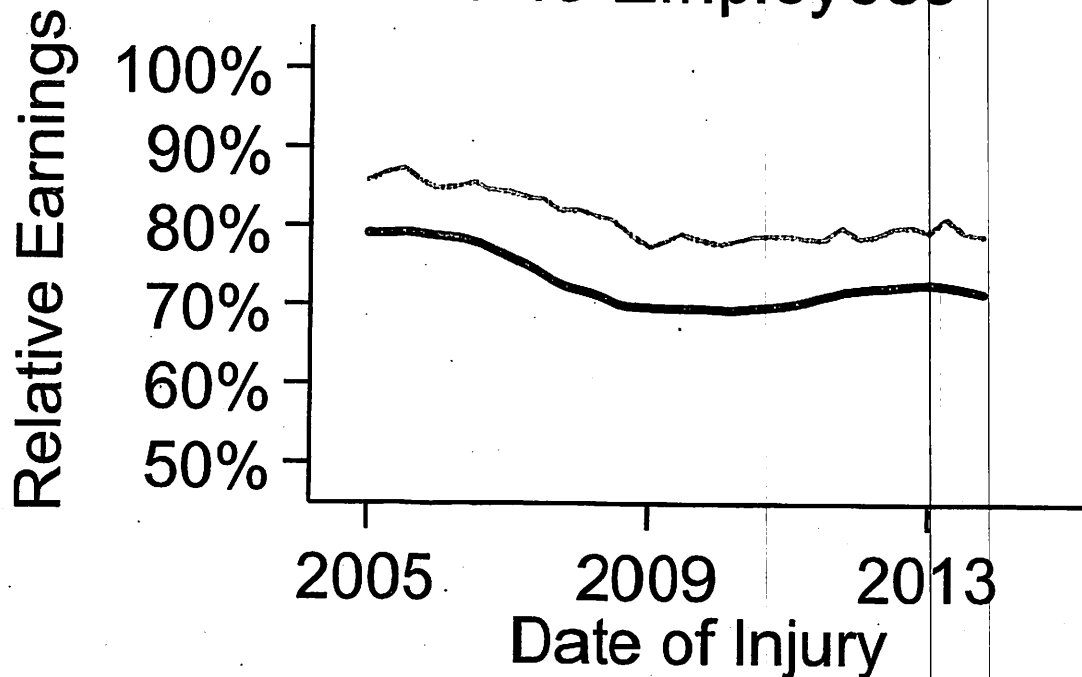
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We Calculate Relative Earnings For Workers with Indemnity in Each Quarter of Injury 1-10 Employees



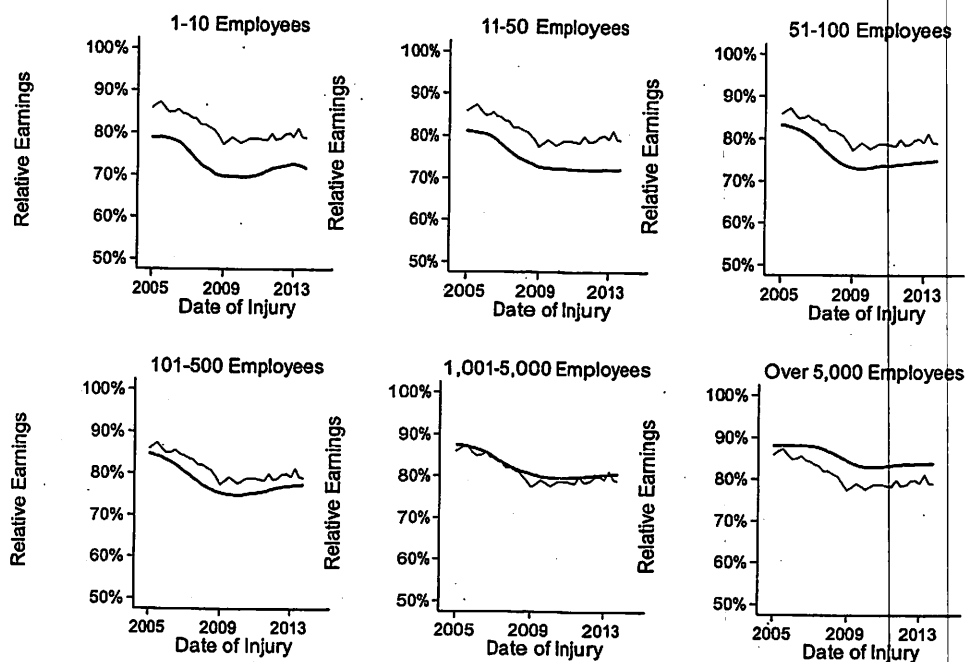
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Compare Moving Average for Group to Statewide Average 1-10 Employees



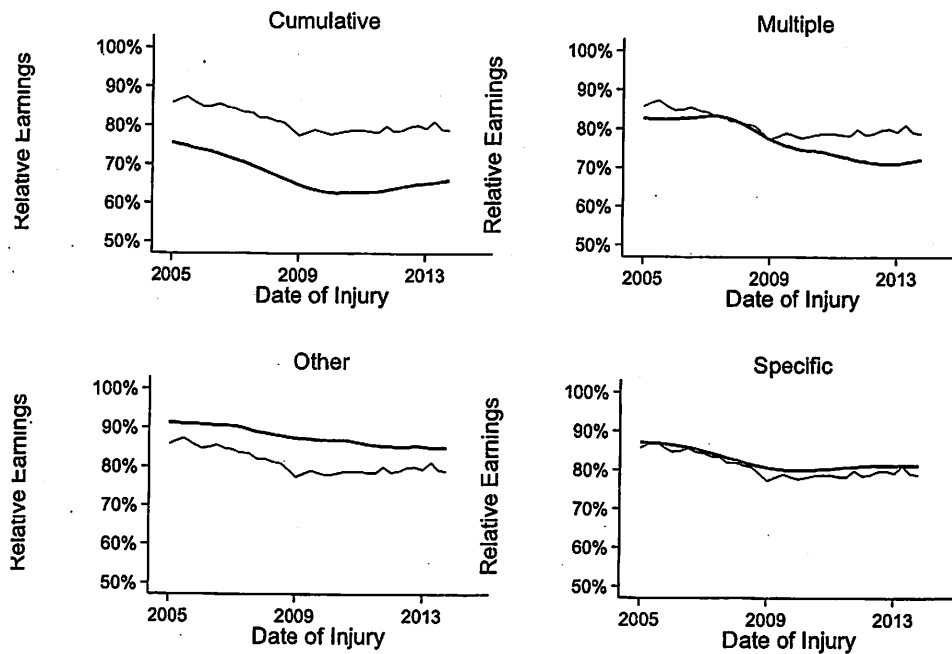
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Compare Outcomes Across All Subgroups of Workers to Identify Differences in Trends



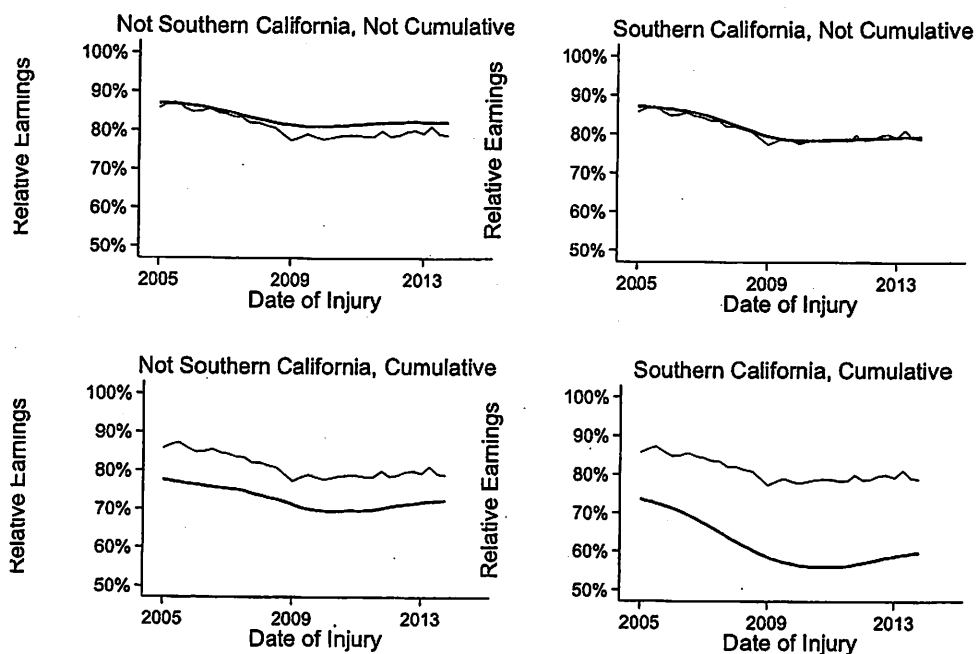
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Cumulative Injuries, Multiple Injuries Associated with More Severe Earnings Loss



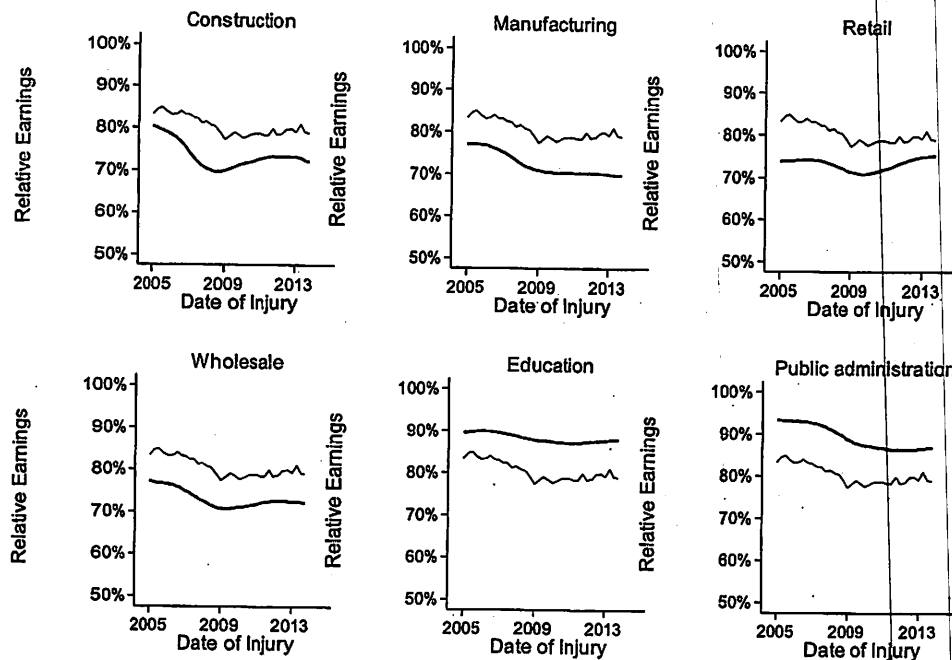
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Cumulative Injuries in Southern California Have Especially Poor Outcomes



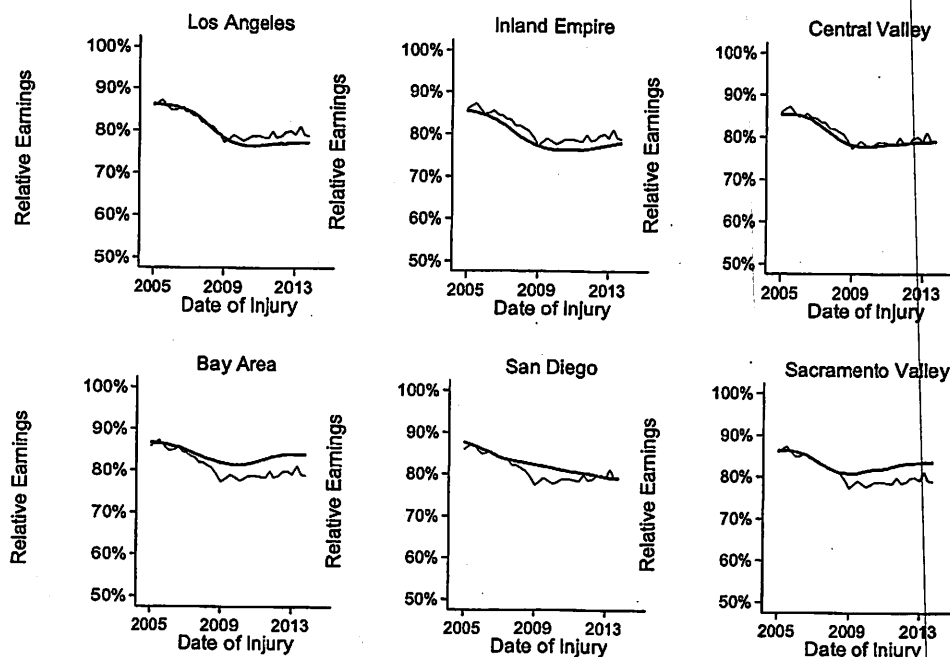
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Construction, Manufacturing, Retail, and Wholesale Workers Have Worse Outcomes



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Impact of Great Recession Felt Throughout State, Though Recovery Has Been Uneven



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Outcomes for Cumulative Injuries in Southern California Suggest Need for Improvement

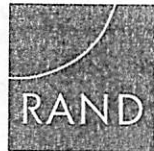
- Study did not explore mechanisms driving poor outcomes for these cases in Southern California
 - Differences in provider fraud/abuse?
 - Higher concentration of post-employment claims?
 - Poor-quality health care more broadly?
 - Case mix differences from rest of state?
- Additional study needed to identify problems and design solutions

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Conclusions of First Interim Report on Wage Loss Monitoring

- Overall labor market outcomes improved slightly in 2013 compared to 2010-2012
- No evidence of recovery from Great Recession for PPD workers, but findings subject to change
- Recession impacts felt broadly, but with regional and industry differences in strength of recovery
- Understanding regional differences could help improve policy for cumulative trauma injuries

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RAND Previously Found that SB 863 Raised Wage Replacement Rates for PPD Workers

Table S.3
After-Tax Wage Replacement Rates by Year of Injury

Characteristic	Pre-Recession (2005–2007) (%)	Recession (2008–2009) (%)	Post-Recession (2010–2012) (%)	All Years (%)
S.B. 899 benefits	64.3	57.1	52.4	58.8
S.B. 863 maximum applied to S.B. 899 ratings	76.3	66.8	61.2	69.2
S.B. 863 benefits and ratings	85.4	74.3	66.4	76.8
S.B. 863+return to work fund	89.0	77.6	69.8	80.2