

# How Adequately Do Benefits Replace Lost Wages for Injured Workers?

NASI Symposium on

*Health and Income Security for Injured Workers:  
Key Policy Issues*

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# Plan of Presentation

- Origins of Benefit Adequacy Issue
  - National Commission
  - Berkowitz and Burton
- Further Development
  - RAND Studies
  - Boden/Galizzi Study
  - Biddle Study
  - RAND New Mexico Study
- NASI Study Panel
  - Findings
  - Reservations
- Upjohn Institute/Oregon Study
  - Further Questions

# Workers' Compensation Benefits: A Primer

- Cash wage-replacement benefits only, no medical or rehabilitation
- Typically two-thirds of gross weekly earnings (36+ states) wage replacement benefit for temporary total disability (TTD) claims after waiting period of 3 to 7 days
  - Maximum (typically average wage) & minimum benefit
  - Tax free (both state & federal)
  - Benefit generally not indexed for inflation
  - No progressivity, except for max & min
  - Some states limit duration (100 to 500 weeks)
- Small group with 80 percent of net wages (7 states)
- Other variations on these themes
- Permanent partial disability (PPD) benefits can be very different from TTD benefits depending upon the jurisdiction
  - Different formulae, lump sums, time limits, etc.
  - Most of the cost is for PPD, most of the claims are for TTD

## Table 1 Sample Characteristics for Injured Workers Receiving Weekly PPD Benefits\*

	CA	CT	FL	GA	TX	WI
Average weekly wage	\$538	\$629	\$457	\$475	\$496	\$602
Average weekly PPD benefits	\$138	\$365	\$149	\$261	\$286	\$180
PPD benefit as percent of average weekly wage	26%	58%	33%	55%	58%	30%
Average incurred PPD benefits	\$24,872	\$15,479	\$14,605	\$18,995	\$9,183	\$10,832

\*Based upon data from the WCRI Detailed Benchmarking and Evaluation (DBE) database for claims with injury dates between October 1, 1999, and September 30, 2000, and involving more than 7 days' lost time. Claims were evaluated as of March 31, 2003, an average of 36 months post injury.

Source: Borba and Helvacian (2006), p. 33.

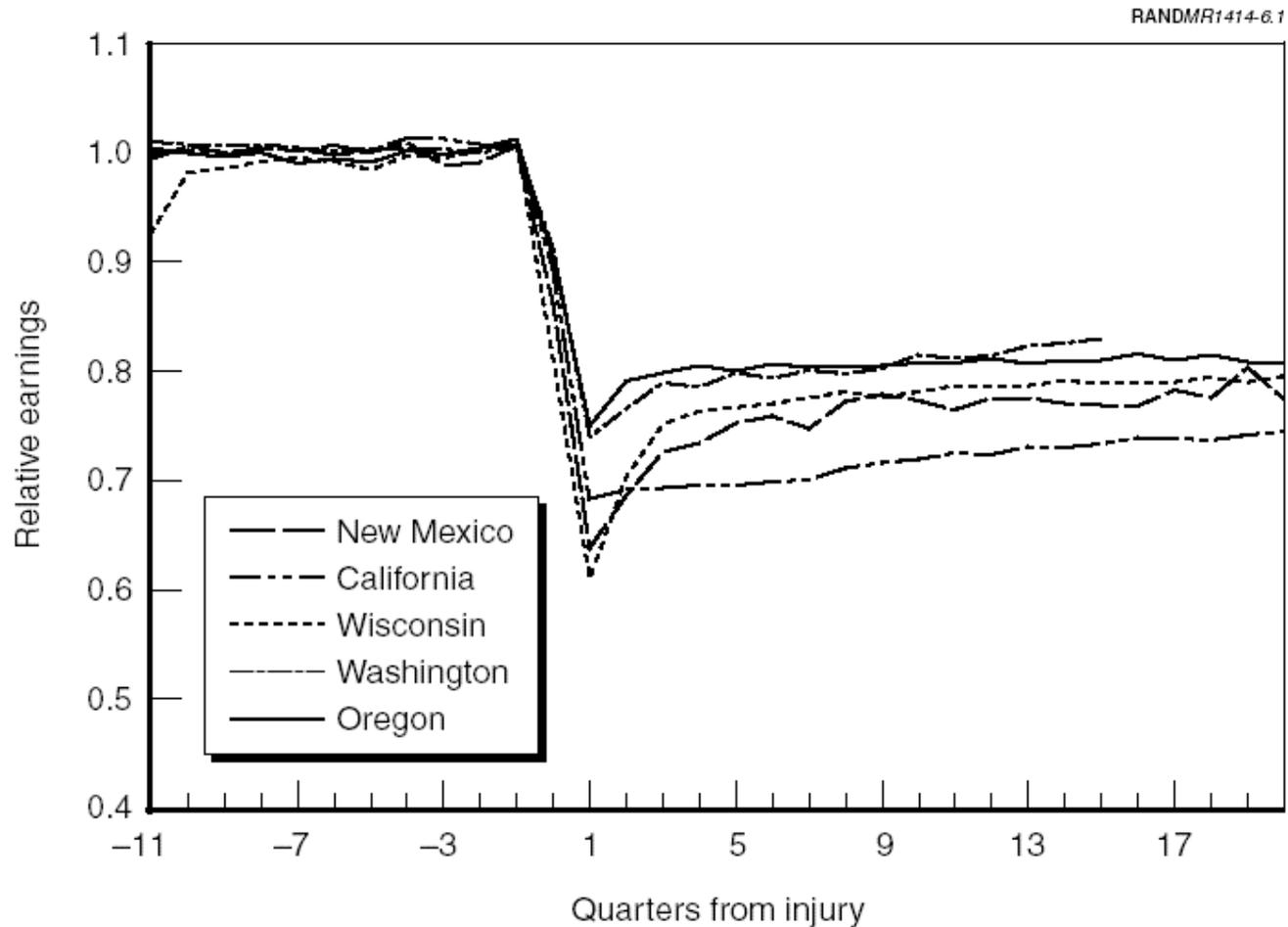
# NASI WC Benefit Adequacy Study

- Secondary research only
- Representative Study Panel
- Draft Chapters volunteered
- Evaluation by Study Panel
- Several years of meetings
- Final review by NASI
- Publication by Upjohn Institute (2004)

# Wage-Loss Studies

- Berkowitz and Burton – Rutgers Univ.
  - NSF funded/ Upjohn Institute published
  - 3 states (CA, FL, WI) permanent disability claims
  - Earnings from SSA data on 1968 injuries, followed through 1973 (5 years)
- Reville - RAND
  - Calif. Comm. on Health & Safety and WC
  - Matched workers in same firm design
  - Earnings from UI data on PPD claims from 1991-1993 followed through 1996
- Boden – Boston Univ.
  - WCRI and NIOSH sponsored study of Wisconsin
  - Regression controls with earnings from UI data on
  - Claims (>7 days) from 1989-1990 and followed through 1994
- Biddle – Michigan State Univ.
  - State of Washington legislative audit
  - Regression controls with earnings from UI data on claims from 1993-94 followed through 1996
- RAND New Mexico study of PPD
  - Compares PPD results in 5 states
  - Matched worker design with earnings from UI data
  - Methods and assumptions harmonized for all 5 states

Figure 1 Relative Earnings of PPD Claimants as a Proportion of Comparison Workers Earnings



SOURCE: Reville, et al. 2001a, p. 48.

Table 2 Ten-Year Projected Earnings Losses and Replacement Rates for PPD Claimants

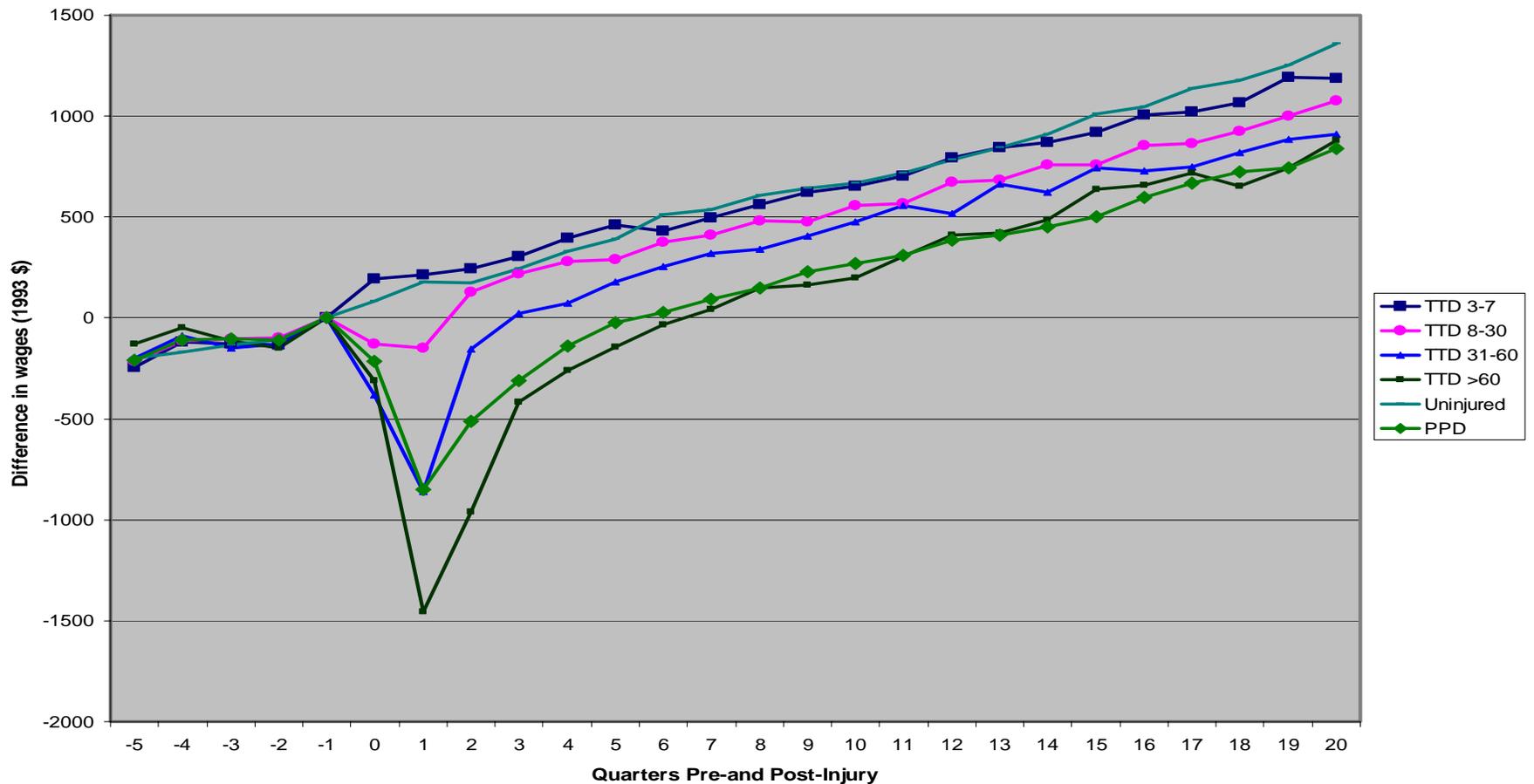
	CA	NM	OR	WA	WI
Potential earnings (\$)	238,262	167,244	197,737	250,251	222,055
10-Year Projected Losses (\$)	61,767	34,314	39,202	41,220	49,477
Proportional wage loss (%)	25	20	20	16	23
Total WC Benefits (\$)	22,612	15,832	16,636	16,734	14,452
<b>Pre-tax replacement rate (%)</b>	<b>37</b>	<b>46</b>	<b>42</b>	<b>41</b>	<b>29</b>

SOURCE: Adapted from Reville, Boden, Biddle, Mardesich 2001, p. 50.

# Benefit Adequacy Issues

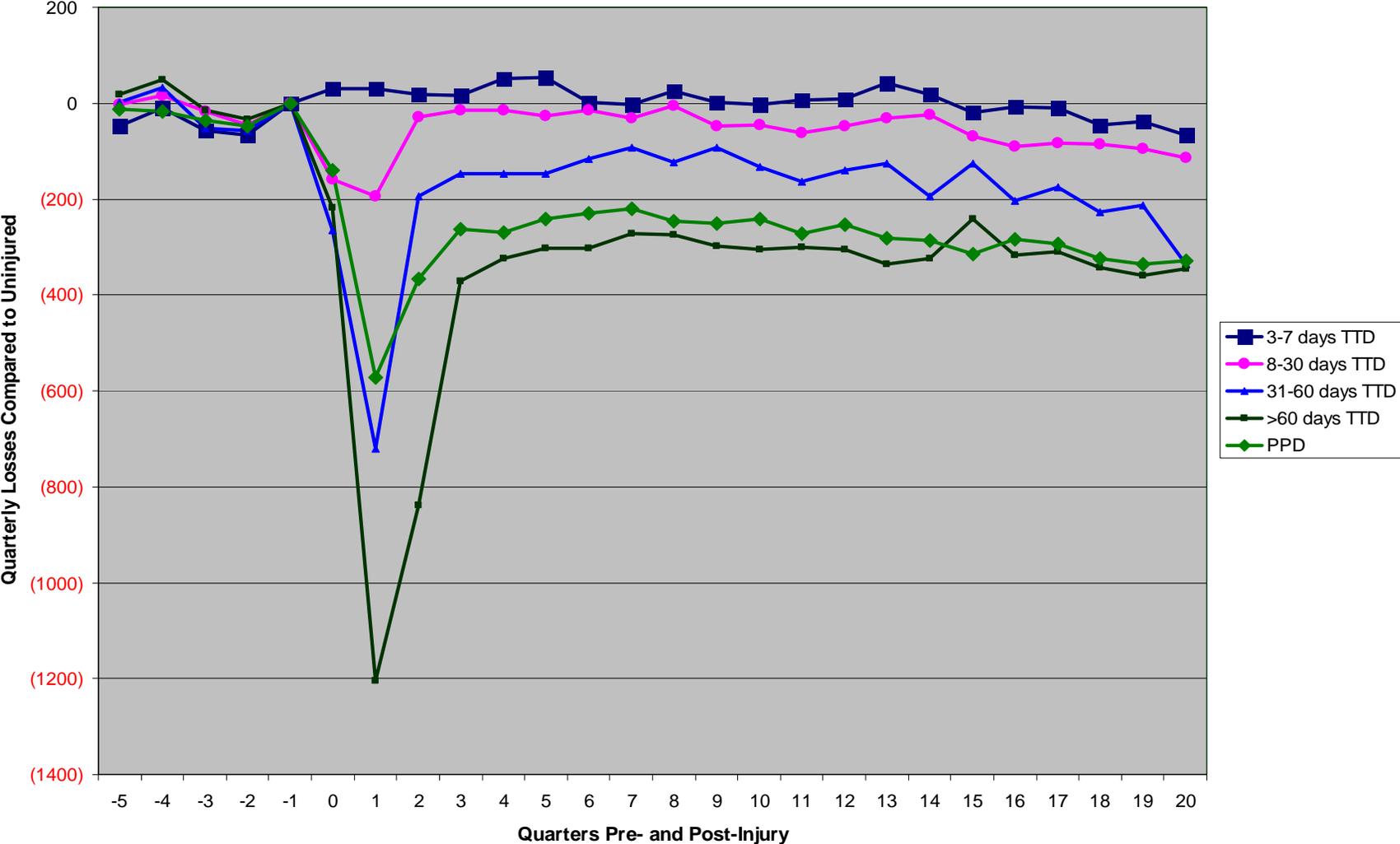
- Analytical/data problems?
  - Missing data or zero earnings?
  - Injury related or unrelated?
  - Match or regression method?
  - Assumptions?
- Standard of benefit “adequacy?”
- Post-injury term considered (10 years?)
- What about TTD?
- Wage loss only? What about benefits?
- Aggregate or individual assessment?

# Figure 2 Changes in Quarterly Wages Relative to Own Pre-Injury Wage – Injured Workers (age <=50) and a Sample of Uninjured Workers



Upjohn Institute calculations from data supplied by Oregon DCBS

# Figure 3 Average Quarterly Wage Losses of WC Claimants in Oregon



# Figure 4 Median Quarterly Wage Losses of WC Claimants in Oregon

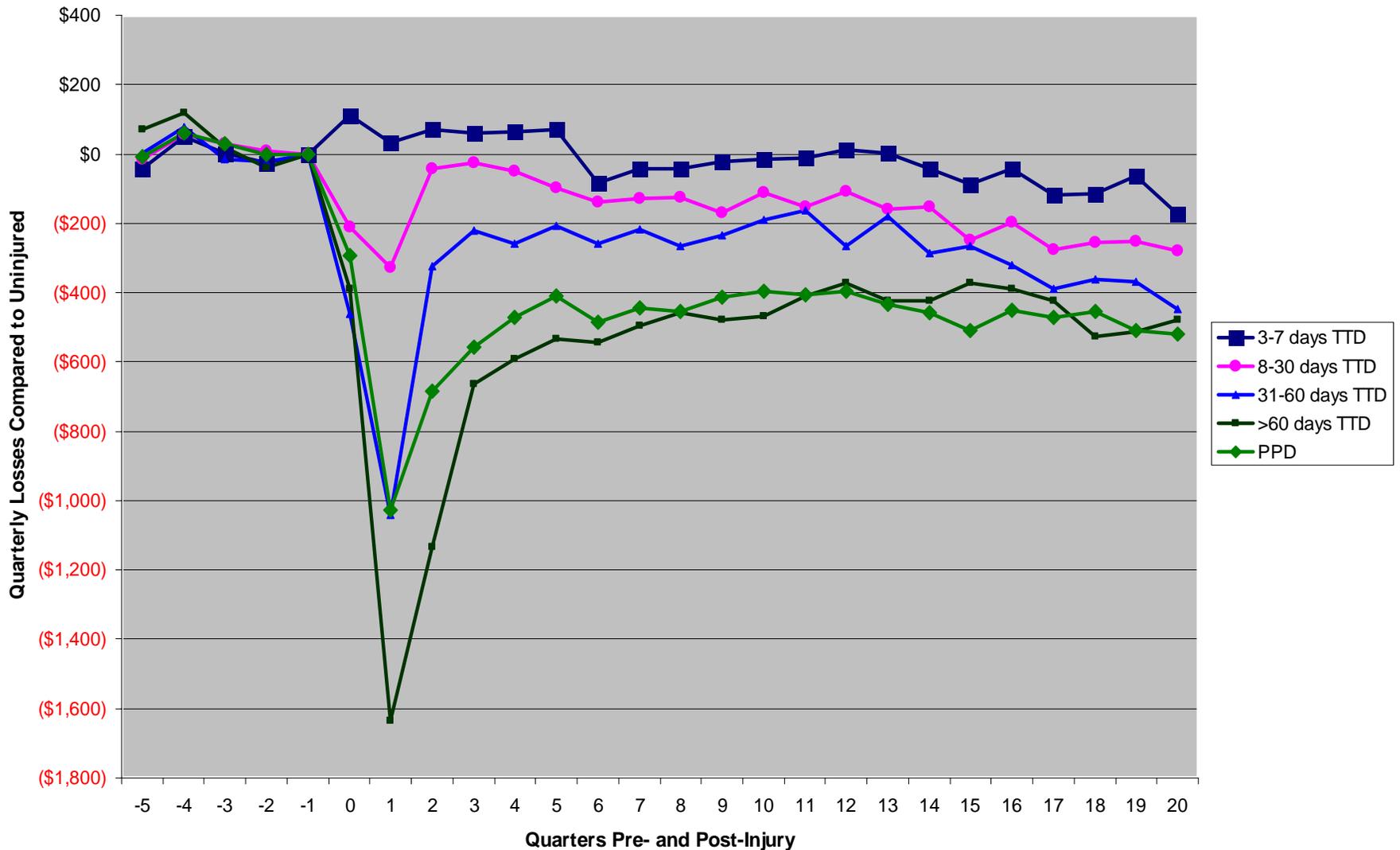


Table 3 Estimated Losses, Compensation and Replacement Rates by Paid Disability Duration in Oregon for Five Years Following Compensable Injury

Groups by paid duration of disability	N	Mean wage-loss compensation paid (1993 \$)	Mean cumulative earnings loss (1993 \$)	Aggregate real replacement rate (%)
TTD 3-7 days	7,480	268	1,123	24
TTD 8-30 days	9,303	820	3,545	23
TTD 31-60days	3,162	2,028	6,422	32
TTD > 60 days	2,468	7,117	10,359	69
PPD	12,655	13,373	8,764	153

# Table 4 Distribution of Earnings Losses and Compensation Paid

Groups by duration of paid disability	% of workers with <b>no earnings losses</b> over 5 years	% of workers with replacement rates >65% of gross loss
TTD 3-7 days	59.7	2.9
TTD 8-30 days	56.4	6.4
TTD 31-60 days	50.8	14.1
TTD > 60 days	44.6	38.3
PPD	46.3	56.2

Upjohn Institute calculations from data supplied by Oregon DCBS

## Table 5 RTW Measures in Seven States—WCRI

	<b>CA</b>	<b>FL</b>	<b>MA</b>	<b>PA</b>	<b>TN</b>	<b>TX</b>	<b>WI</b>
% not returning to work due to injury	10	14	8	6	13	13	7
% with no substantial return to work due to injury	<b>16</b>	<b>20</b>	<b>14</b>	<b>10</b>	<b>18</b>	<b>25</b>	<b>10</b>
% with return to work who had second absences due to same injury	19	21	16	13	15	22	12
% with returns to work who went back to pre-injury employer	87	92	89	94	94	83	95

Source: Fox, Victor, Liu (2005)

# Figure 5 Labor Force Participation Rates of Matched Injured Workers in Oregon

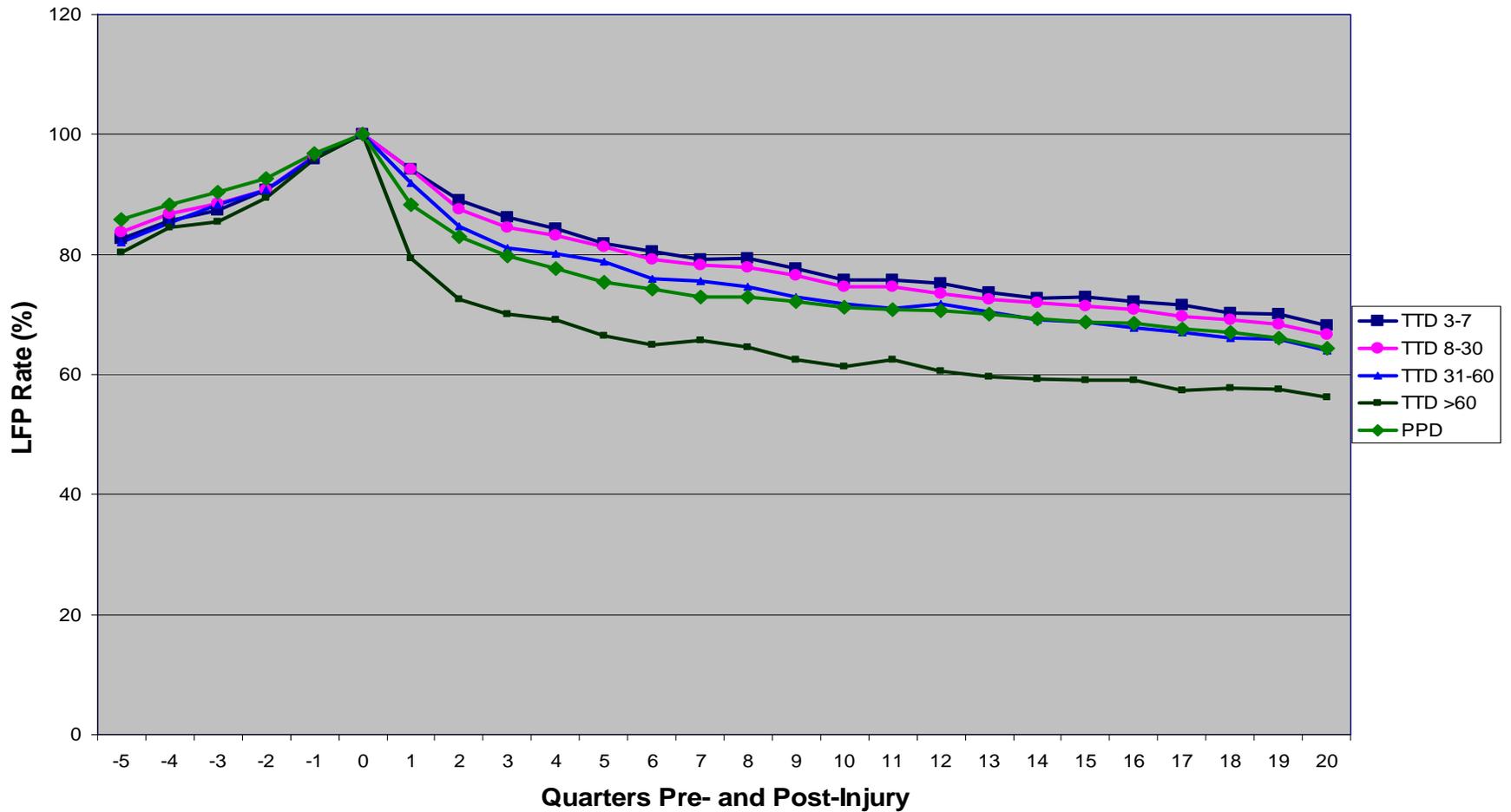
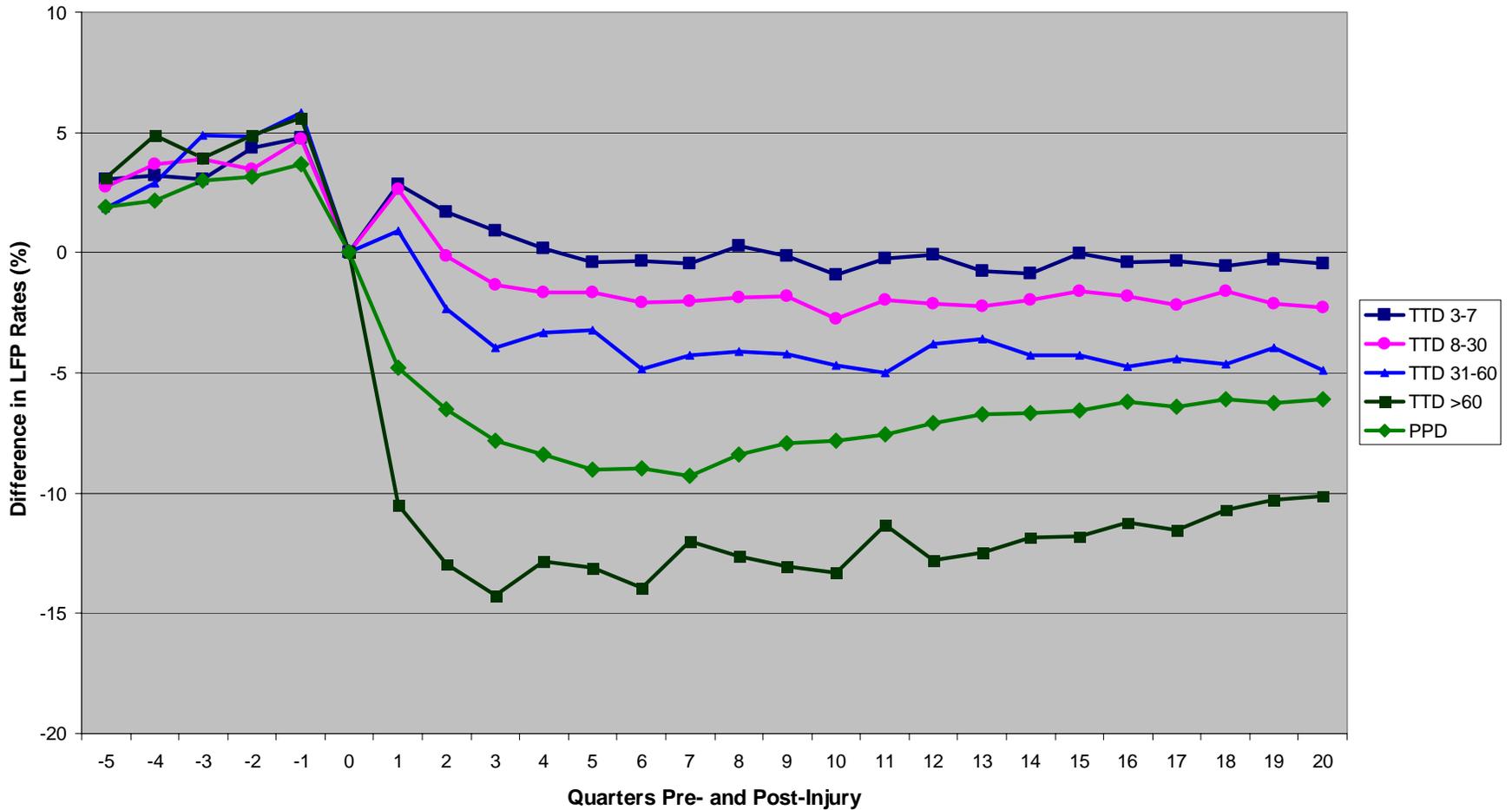


Figure 6 Differences in Labor Force Participation Rates of Matched Injured Workers and Their Controls  
(LFP Rate of Injured Workers Minus LFP Rate of Controls)



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