

Workers' Compensation CLAIM FOR COMPENSATION

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Wage Loss Monitoring in California's Workers' Compensation System

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CHSWC Commission Meeting



Justice Policy Program

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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 Update on RAND's Wage Loss Monitoring Study

- Three-year project (2017-2020)
- **Three Monitoring Reports** in the first two years:
 - Monitoring for 2013 injuries (Spring 2018)
 - Monitoring for 2014-2015 injuries (Fall 2018)
 - **Monitoring for 2016-2017 injuries (forthcoming)**
- **Final Policy Report** in third year of the project

Today's Presentation Shows Trends in Earnings Over 2005-2017 Injury Dates

- Focus on workers injured in 2016-2017
- Show trends for all injured workers
- Describe earnings for groups defined by
 - Region
 - Cumulative trauma vs. other injuries
 - Industry
- New analysis of workers with permanent disability for injury dates through 2015

Workers Injured in 2016-2017 May Benefit from Sustained Reductions in Unemployment



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Workers Injured in 2016-2017 May Be Affected by Recent Policy Developments

- Legislation to reduce provider fraud
 - AB 1244, SB 1160 (2016)
- Implementation of prescription drug formulary (Effective Jan 1, 2018)

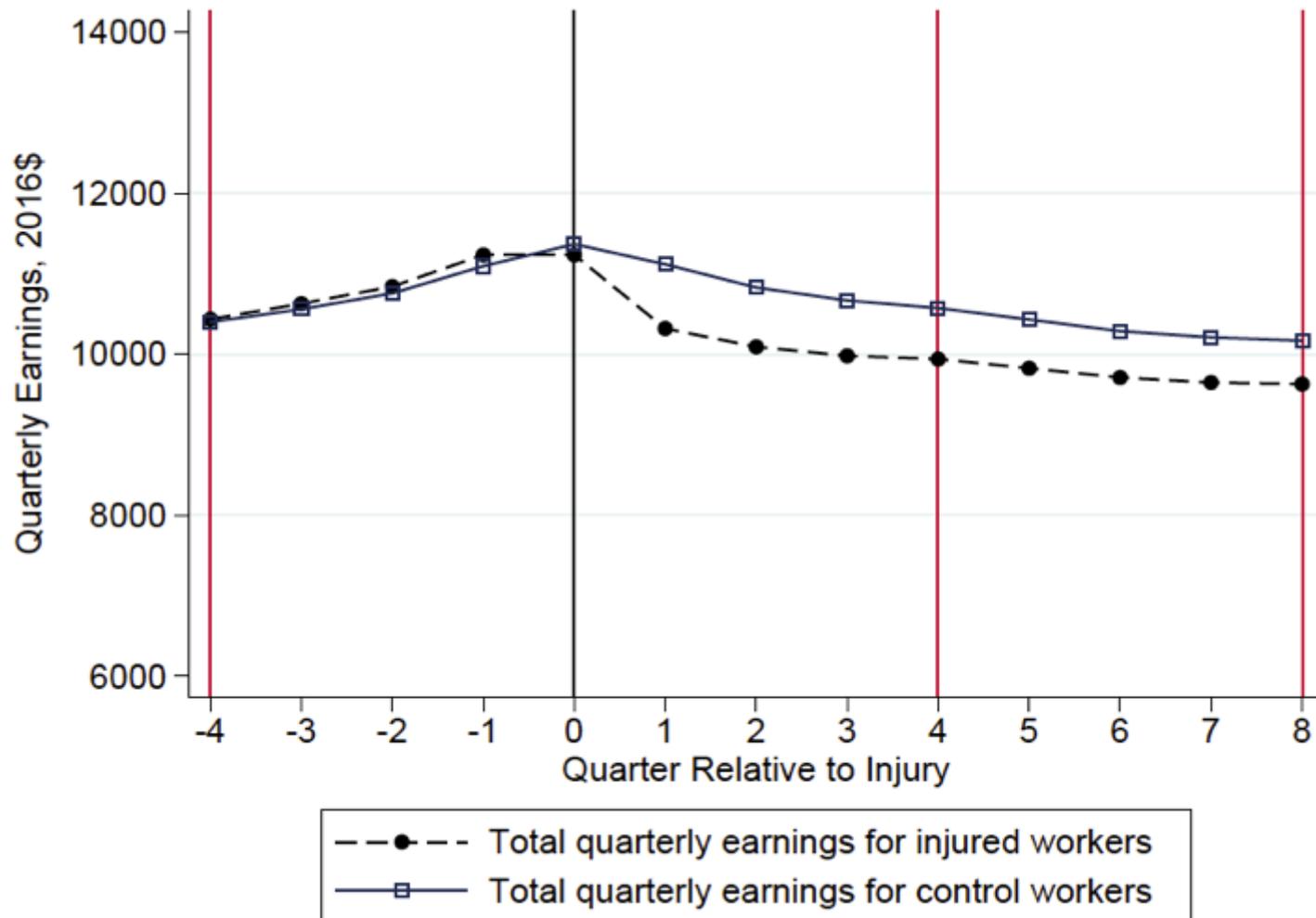
SB 863 Implementation Coincides with Economic Recovery

- SB 863 (enacted 2012) introduced major reforms
 - Overhaul of medical payment, dispute resolution
 - Increased PPD ratings, maximum weekly benefits
 - Established Return to Work Fund
- SB 863 changes rolled out during economic recovery
- Our results are not a report card for SB 863

We Employ Methods Developed in Past RAND Studies to Estimate Earnings Losses

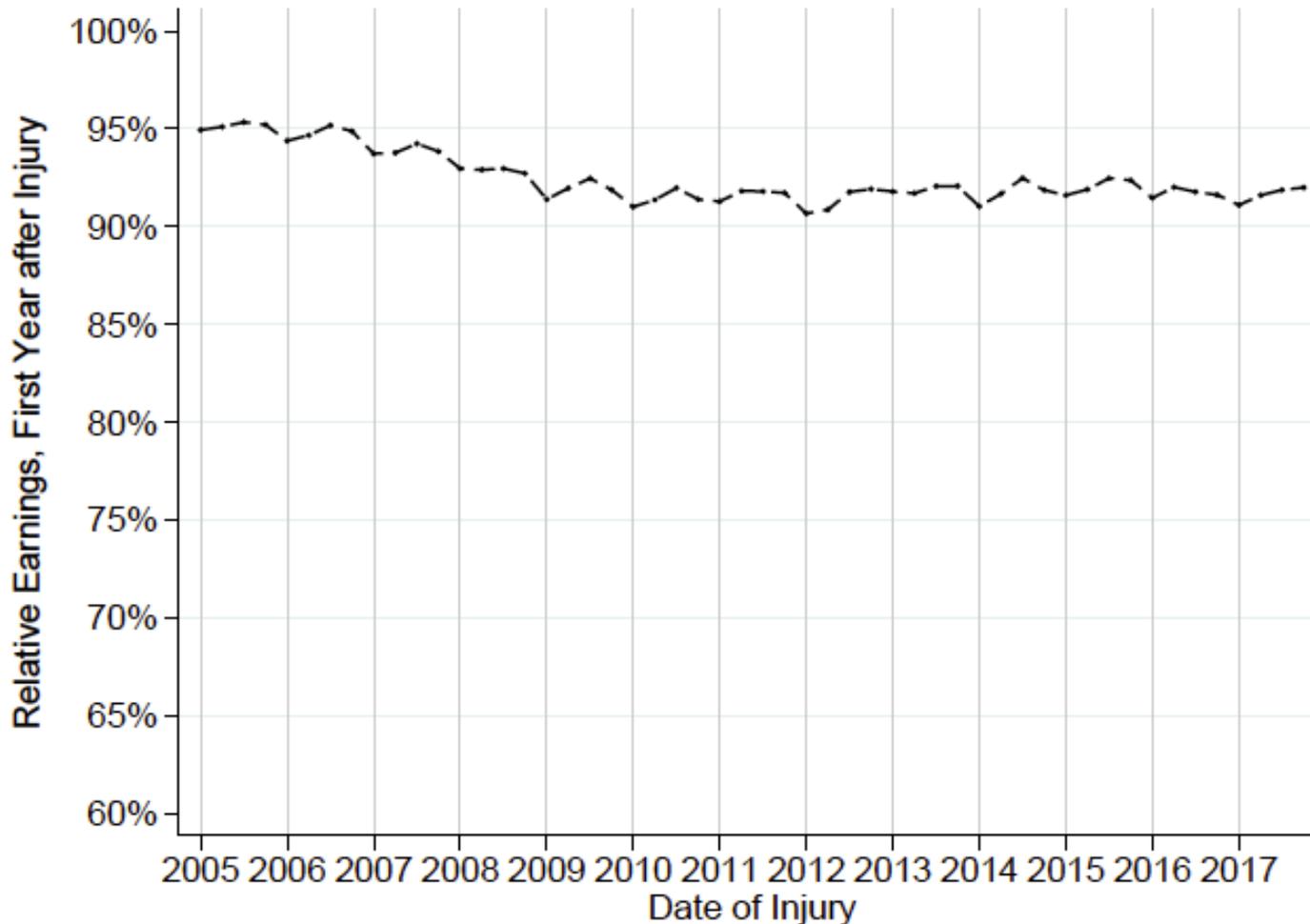
- Earnings loss is difference between
 - what a worker *actually earns* after injury
 - what they *would have earned* in absence of injury
- *Actual earnings* can be observed in the data
- But *potential earnings* have to be estimated
- We compare injured workers to co-workers who did not file a workers'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

We Examine Earnings over First Year After Injury Relative to Control Workers



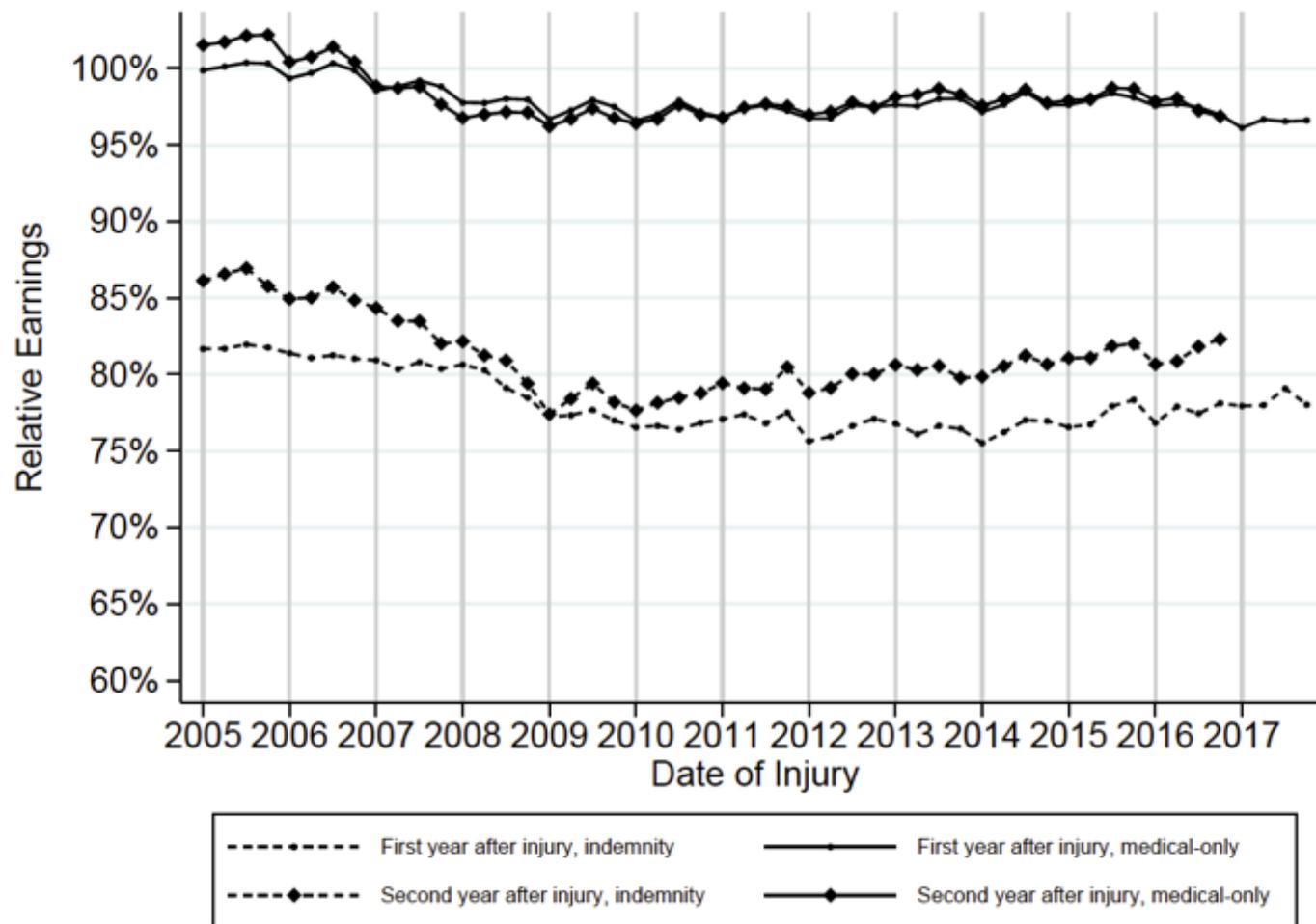
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2016-2017 Injured Worker Earnings Held Steady As Percentage of Potential Earnings



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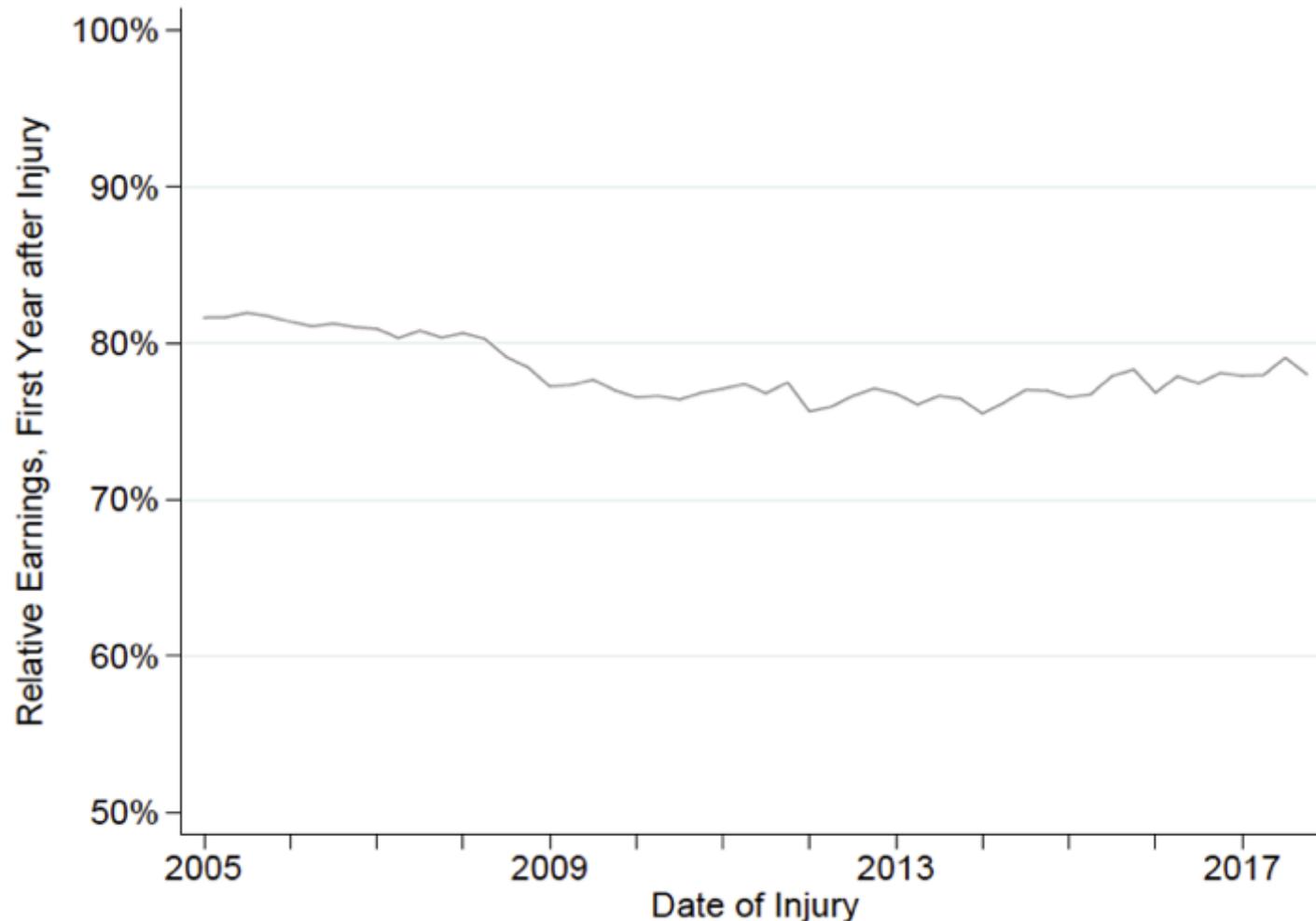
Small Improvements for 2016-2017 Injured Workers with Indemnity Payments



Monitoring Report Shows Trends in Worker Outcomes for Subgroups of Workers

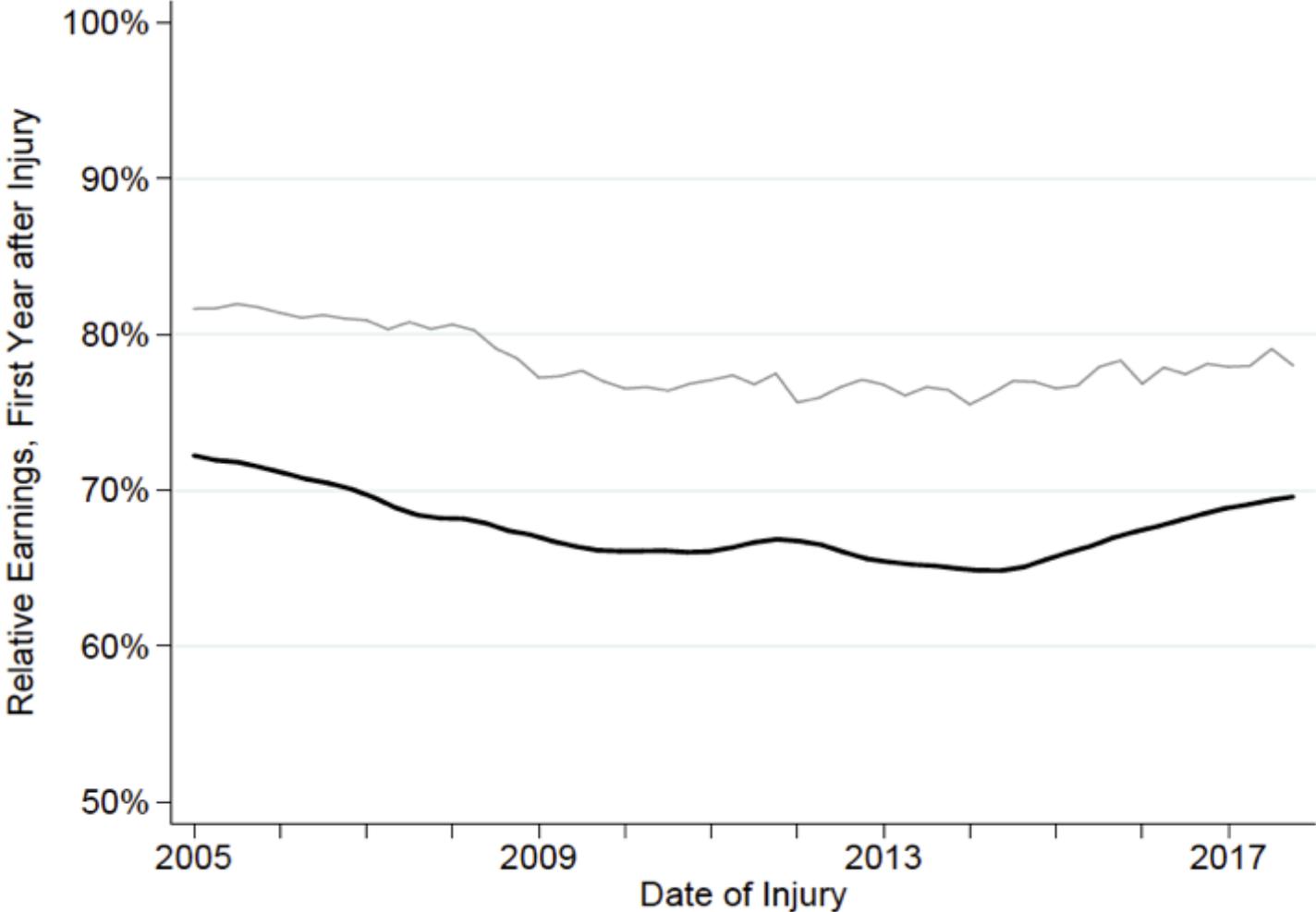
- Which groups of workers had better or worse outcomes compared to statewide average?
- Analyze changes in overall trends for workers injured during 2016 - 2017
- Poor outcomes may point toward system challenges calling for closer examination

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



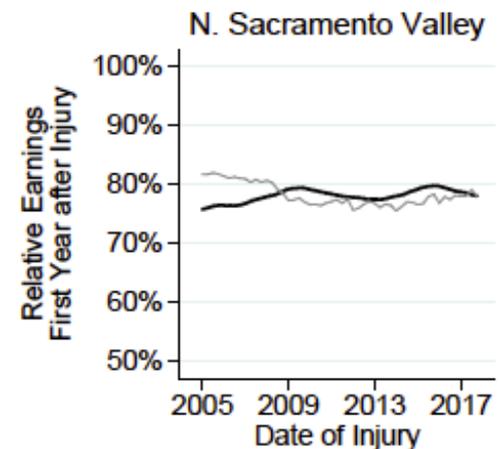
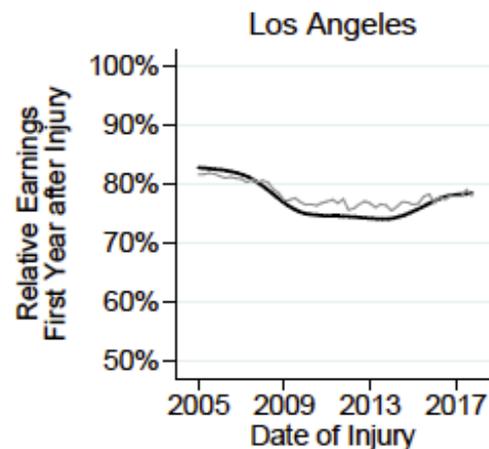
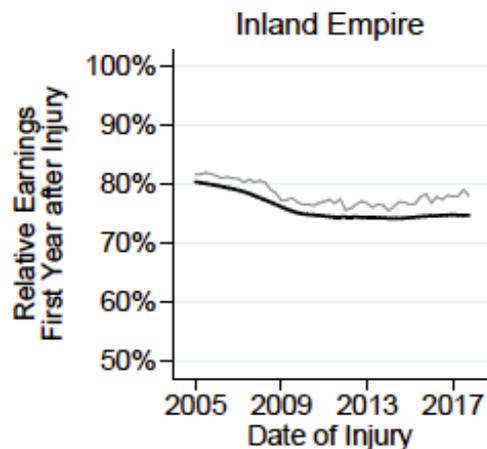
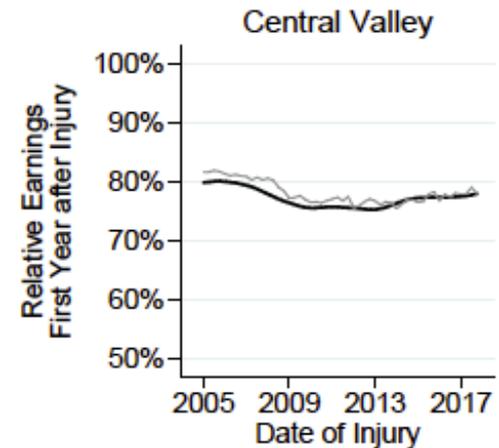
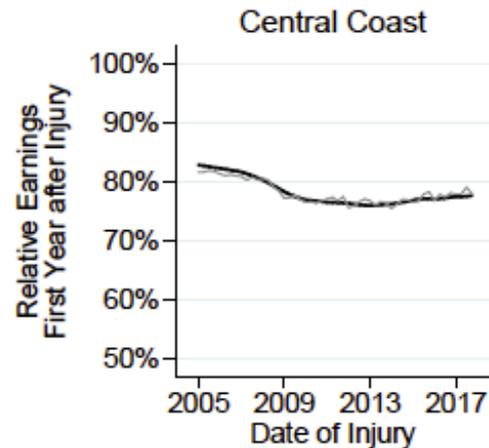
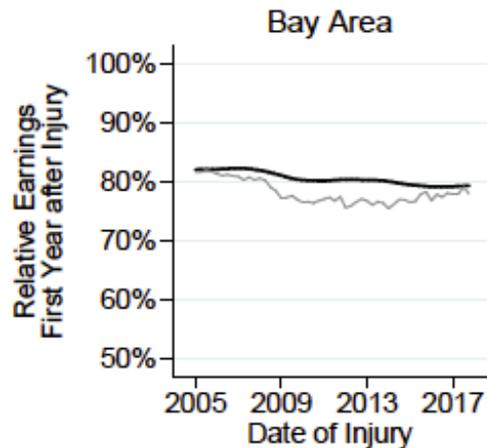
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Compare Moving Average for Each Subgroup to Statewide Average



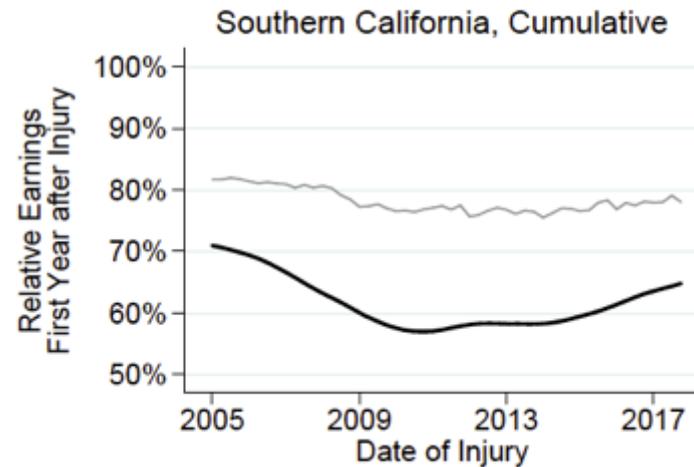
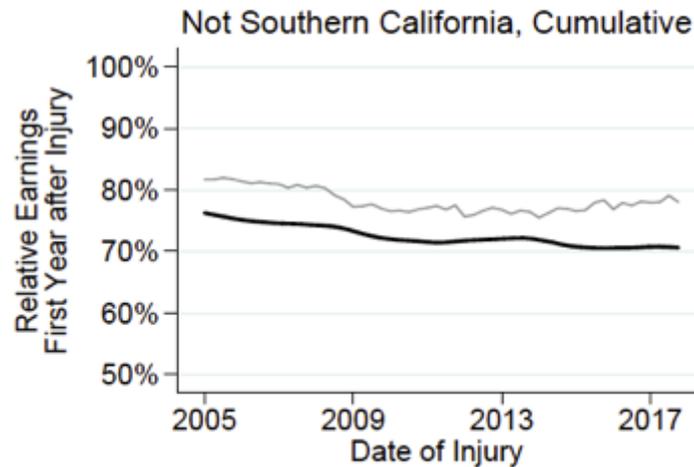
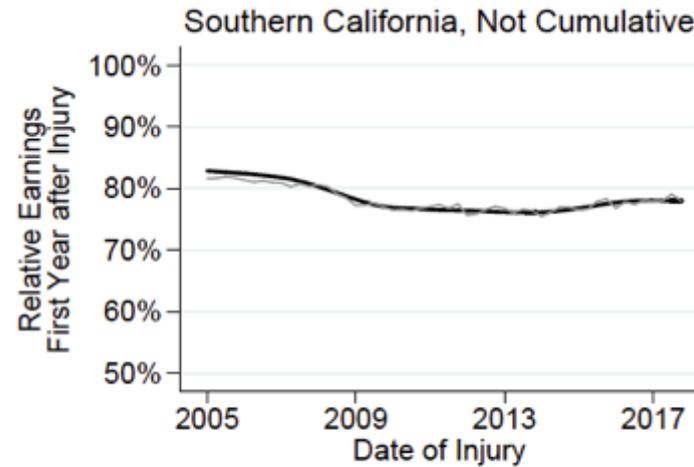
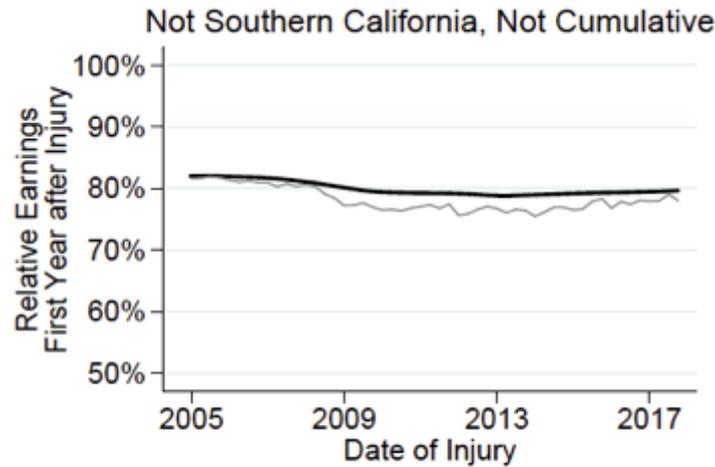
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Relative Earnings in Los Angeles Improved, but Declined in the Bay Area



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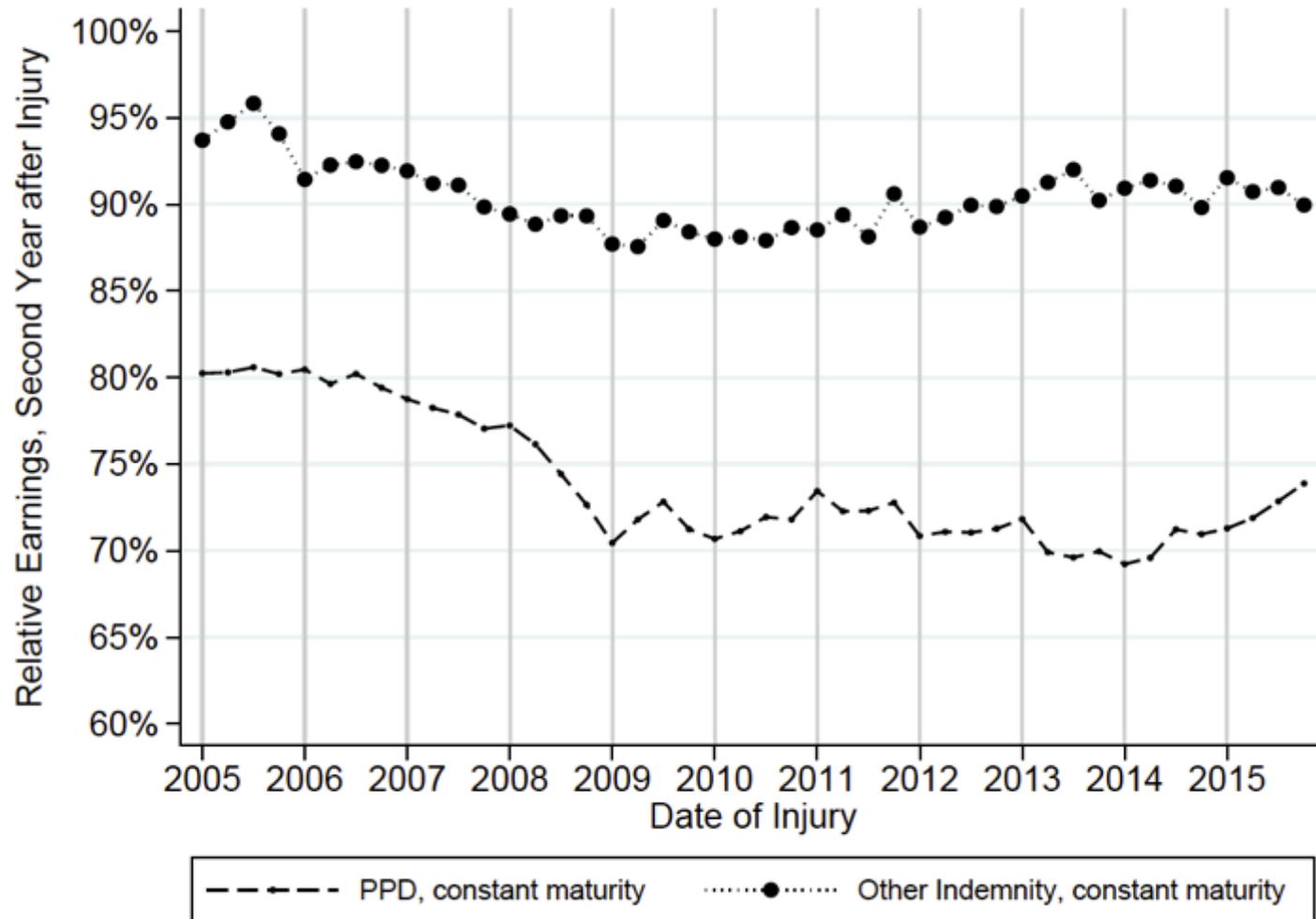
Outcomes for Cumulative Injuries in Southern California Improved in 2016-2017



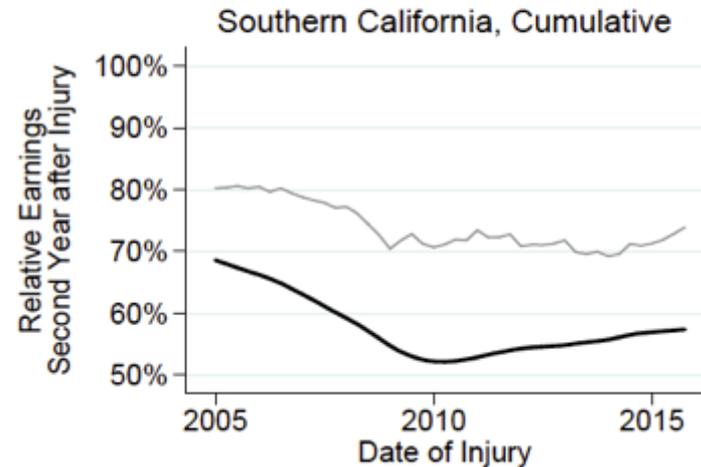
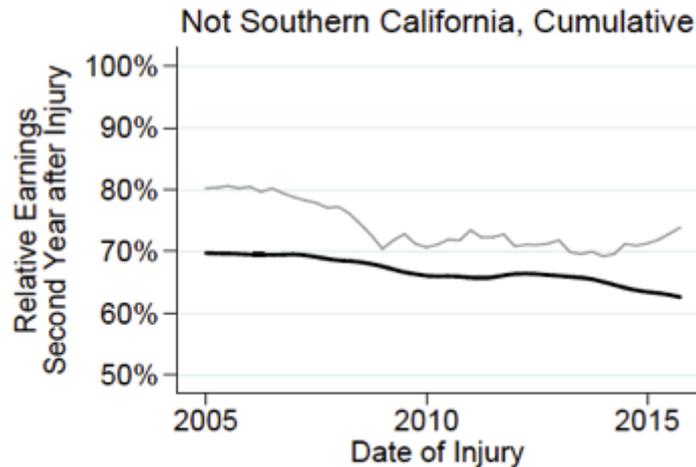
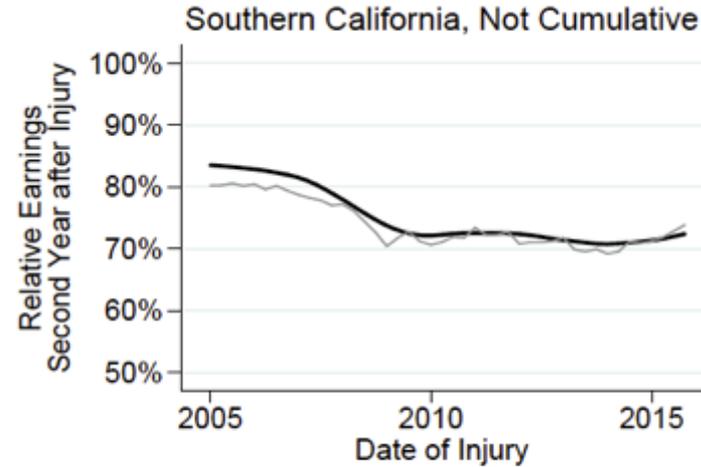
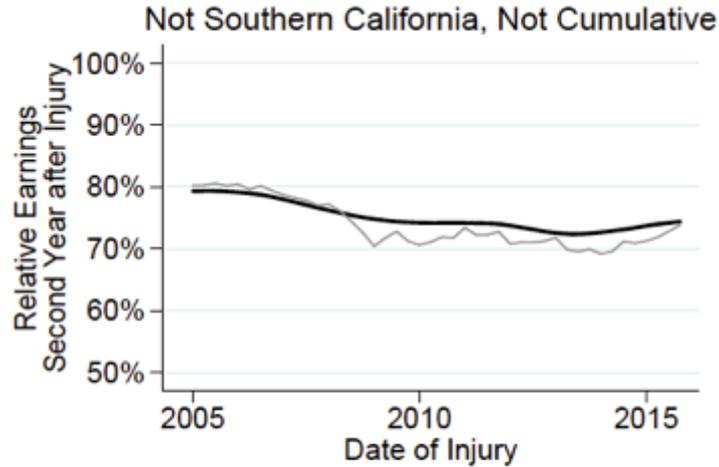
We Also Analyze Outcomes for Workers with Permanent Disability through 2015

- PD claims take longer to emerge
- Ideally, allow for at least 3 years post-injury to have valid comparisons over time
- Focus on *constant-maturity* sample of PD claims
 - Workers who receive PD benefits within 36 months of injury date
 - E.g., workers injured in December 2015 who had PD benefits begin by December 2018

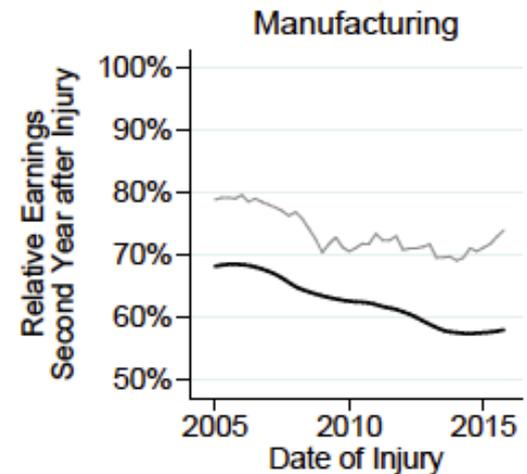
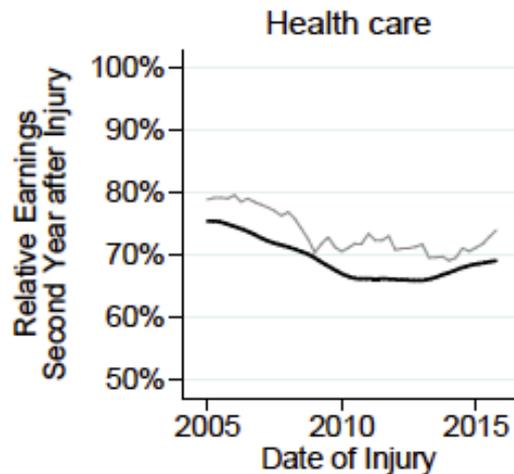
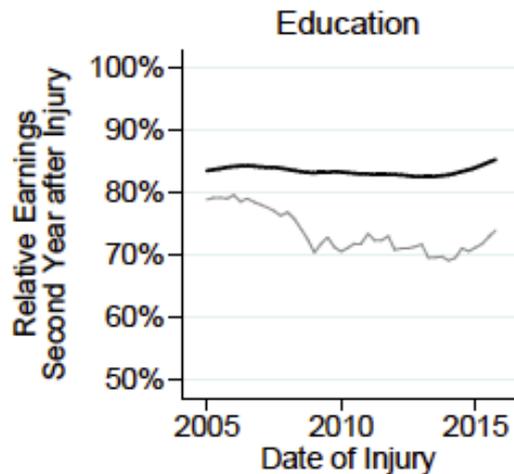
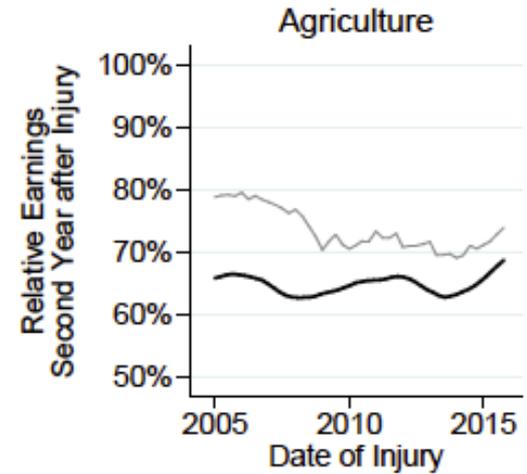
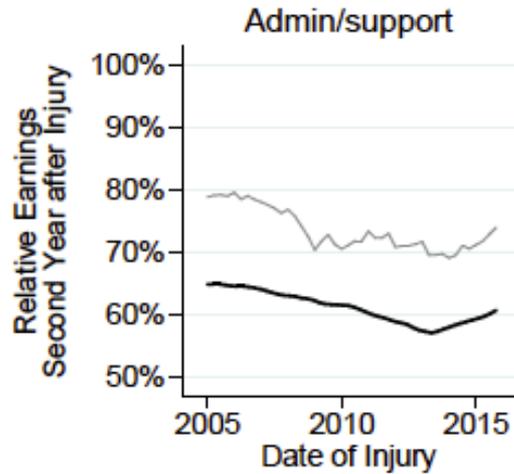
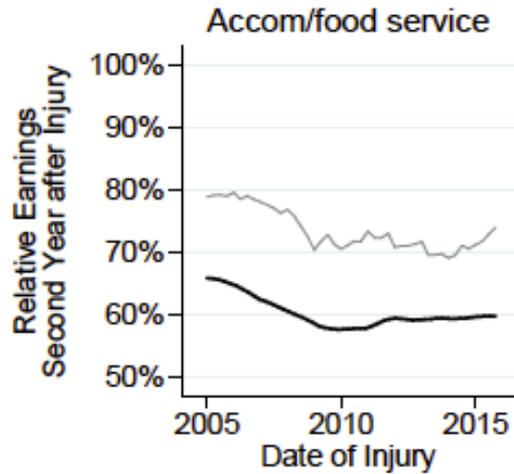
Improvements Observed for Workers with Permanent Disability in 2014-2015



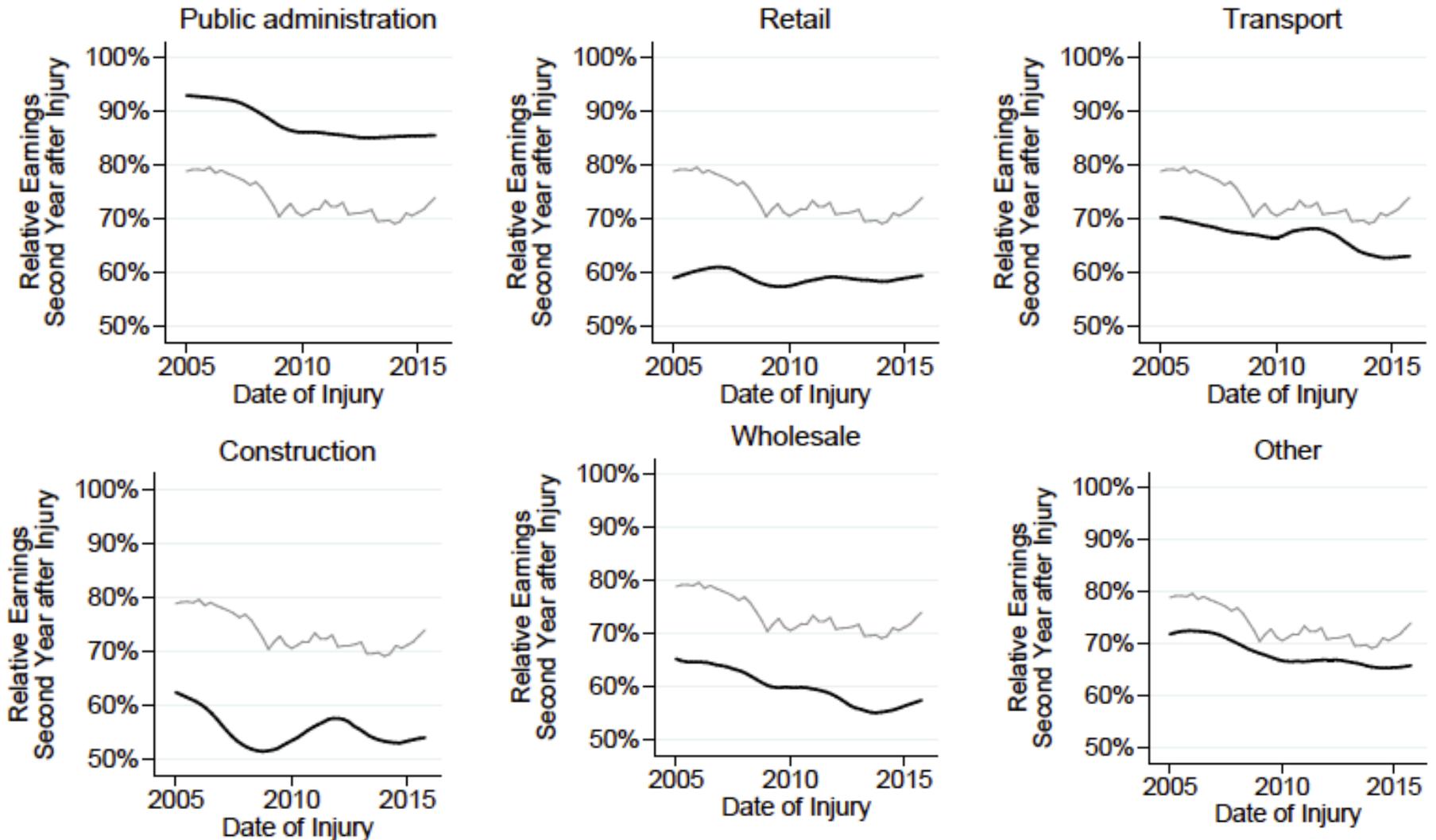
Outcomes Improved for Permanent Disability Cumulative Injuries in Southern California



Trends in Relative Earnings by Industry, Constant-Maturity Permanent Disability



Trends in Relative Earnings by Industry, Constant-Maturity Permanent Disability



Conclusions of Third Interim Report on Wage Loss Monitoring

- Overall labor market outcomes have held steady for workers injured during 2016 - 2017
- Improvements in outcomes for Cumulative Injuries in Southern California
- Some preliminary evidence of improving outcomes for workers with permanent disability

Next Steps on Project: Final Policy Report in Sept 2020

- Updated data for longer follow-up
- Deep dive on findings from interim reports
 - Understanding trends in relative earnings and benefit adequacy for workers with permanent disability
 - Explore characteristics of Cumulative Injuries in Southern California
 - Consider impact of broader economic indicators on injured workers



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