Wage Loss Monitoring in California’s Workers’ Compensation System

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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

• 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
2016-2017 Injured Worker Earnings Held Steady As Percentage of Potential Earnings
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
Compare Moving Average for Each Subgroup to Statewide Average
Relative Earnings in Los Angeles Improved, but Declined in the Bay Area
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

- Public administration
- Retail
- Transport
- Construction
- Wholesale
- Other
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