



JUST THE FACTS

by the Washington State Labor Council, AFL-CIO

The Department of Labor and Industries has announced an average 7.6% workers' compensation premium increase for 2010. (This doesn't affect large self-insured employers like Boeing, Microsoft and about 400 others covering about one-third of the state's workers.)

L&I says the increase is needed because the national recession has taken its toll: an estimated \$1 billion hit on the State Fund reserves. Investments have suffered, unemployment is up, and work hours have been cut, so less money is flowing into the system.

Some business groups and legislators say the 2010 rate increase is evidence that our system is broken. They want "reforms" that lower costs by reducing injured workers' benefits. But in making their case, they are making misleading or false claims about the system.

CLAIM: Workers' compensation premiums had risen more than 40% in the 10 years before 2010's 7.6% increase.¹

This is true. But it is also true that the **premiums had only risen a total less than 8% in five years** leading up to 2010's increase. Also, premiums have been unchanged or *decreased* in eight of the past 15 years. As always, statistics are easily manipulated and don't paint a clear picture of the history of premiums. (See the chart.)

During the 8-year period from 1995-2002, when investment returns were high due to a booming stock market, employers and workers got about \$1.4 billion in rate reductions and one-time dividends, averaging \$175 million in savings per year.

The 2010 premium increase will raise an estimated additional \$117 million. To put that in further perspective, the 6-month "rate holiday" in 2007—where employers and workers paid NOTHING for the medical portion of their insurance—cost the system an estimated \$315 million, more than 2½ times the cost of the 2010 increase.

PREMIUM INCREASES ('95-present)	
1995	0 %
1996	-10.0 %
1997	0 %
1998	-5.0 %
1999	-12.3 %
2000	0 %
2001	2.2 %
2002	1.8 %
2003	29.0 %
2004	9.8 %
2005	3.7 %
2006	0 %
2007	-2.0 %
2008	3.2 %
2009	3.1 %
2010	7.6 %

Dot-com Bust
market crash



The Great
Recession



Average general rate increases. Source: Dept. of Labor and Industries.

CLAIM: Nearly half of injured workers never return to their jobs.¹

This is false. Nearly 3 out of 4 claims (72.5%) by injured workers are medical-only, covering treatment only and NO time off work, and 19.5% involve short-term disability with less than 90 days of work missed. In other words, **92% of injured workers miss NO work or miss less than 90 days.** Only about 1.5% of the total number of injured workers' claims become pensions, where the worker is found to be unable to return to work permanently.

CLAIM: The average injured worker in our state misses 266 days of work, nearly three times the national average.^{1,2,3}

This is false. The 266-day figure is an actuarial index used to measure trends among the longest and most serious claims over decades. It's an average for all injured workers currently receiving time-loss benefits, but it excludes nearly three-quarters of all injured workers who miss NO work. It also excludes injured workers who were kept on salary by their employers, and it excludes workers who lose three days of work or less. It includes claims dating back as many as 50 years, which grossly distorts the average. The number is meaningless for

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assessing how many work days claimants typically miss, and is deliberately being used to exaggerate the duration of benefits.

A better indication of the duration of work missed by injured workers would be the median, where one-half of all claimants miss more work and one-half miss less. From March 2008 to March 2009, **the median duration of time-loss benefits in Washington was less than 40 days.** This compares favorably to a national study by the National Council on Compensation Insurance of 37 states that shows a median time-loss duration of 45 days.



CLAIM: **Administrative costs have risen 28% in the past year.**^{1,2,4}

This is false. Workers' compensation premiums are based on what is needed to pay the lifetime costs, including administration, of all of that year's claims. A serious injury occurring in 2009 could require 20 or more years of administration, but it must all be paid in 2009. These expenses don't reflect year-to-year changes in L&I's budget. **The real budget increase for administrative expenses for the workers' compensation system was 7%** between FY 2008 and FY 2009.

In terms of total overhead, based on lifetime expenses for claims, the national workers' compensation industry's costs over a 10-year period as a percentage of total benefits paid are 55.4%, according to A.M. Best, a national firm that analyzes insurance industry performance. Labor and Industries' was 14.8%. In other words, **in Washington, total overhead for the system is about one-quarter of the national average.** That's one big reason why Washington maintains its status as a high-benefit, low-cost state.*

CLAIM: **L&I's medical payments are well above the national average and rising faster than inflation.**¹

This "cherry-picks" data and is misleading. L&I's cost-containment efforts have historically **kept medical inflation for our system well below national trends.** For example, in FY 2007, Washington's medical inflation rate was 5.2%, while the national average was 7.7%. In the past year, medical inflation increased from prior estimates of 5.5% to 8%. L&I has responded with new efforts to stem rising medical costs. But over time, including the past two years combined, L&I's medical inflation rate has been less than the national average.

1. "Fix Washington's failing workers' compensation system" by Sens. Holmquist, Honeyford and King, *Seattle Times*, 9/23/09
2. "Workers' comp premiums going up and heading higher" by AWB President Don Brunell, *The Columbian*, 9/25/09
3. "Lawmakers must reform workplace insurance" (editorial), *Spokesman-Review*, 9/25/09
4. "Review L&I operations before allowing tax increase" (editorial), *Yakima Herald-Republican*, 9/25/09

* "The 2009 Workers' Compensation Premium Rate Ranking Study" by the Oregon Department of Consumer and Business Services ranks Washington as having the 38th highest premiums in the country. Considering that Washington workers pay 28% of those premiums, **only four states have lower employer costs for workers' compensation than Washington.**

"The Workers' Compensation System Performance Audit" conducted in 1998 by Washington's Joint Legislative Audit and Review Committee found Washington was in the lowest 25% of states for costs to employers, and the highest 25% in terms of benefits to injured workers.



Learn more about our workers' compensation system at

www.wslc.org

A message from the Washington State Labor Council, AFL-CIO