



INSTITUTE FOR CIVIL JUSTICE

# ***Public and Private Efforts to Improve Return to Work***

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*Work sponsored by the*

*California Commission on Health and Safety and Workers' Compensation*

# ***Improving Return to Work is a Key Goal for State Workers' Compensation Systems***

- **Early return to work benefits injured workers**
  - **Lower earnings loss and higher productivity**
- **Employers also gain from reduced benefit payments and other payroll costs**
- **But there can be significant obstacles that make it difficult for injured workers to return to work**
  - **Even when they are willing or able**

## ***Our Study Evaluates How Private and Public Efforts Can Help Overcome these Efforts***

- **What is the role of workers' compensation policy in driving return to work for permanently disabled workers?**
- **How effective are employer programs to improve return to work?**
- **How did policy changes introduced in California in the early 2000s affect return to work?**

# *Outline*

- **Different approaches to improve return to work**
- **The effectiveness of employer programs**
- **The impact of policy reforms in California**
- **Summary and Policy Implications**

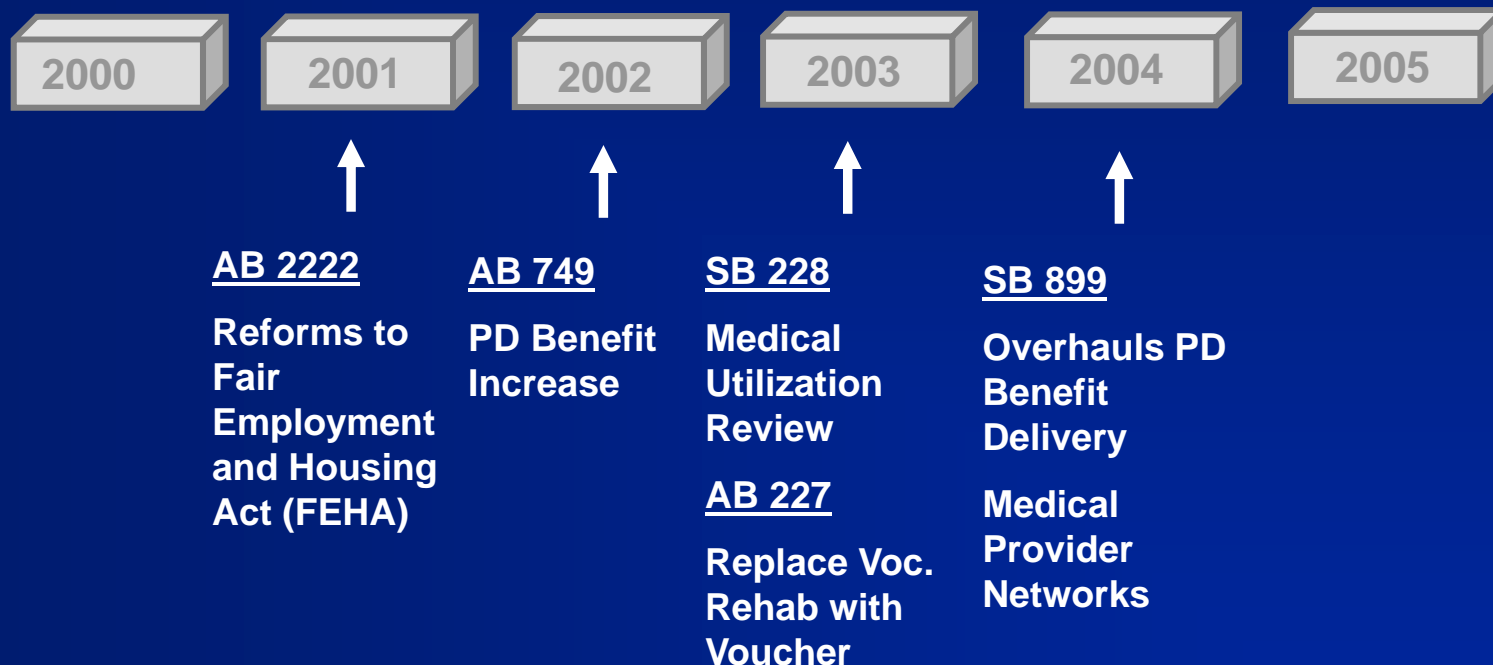
# ***Why Do We Need Interventions to Promote Return to Work for Disabled Workers?***

- **Key challenge is to find the match between tasks that the worker can do and the requirements of the job**
- **But there can be significant obstacles to finding the right match**
  - **Uncertainty over the work limitations and job requirements**
  - **Cost of accommodations**
  - **Conflicting agendas resulting from various legal processes**

# ***Workers' Compensation Policy Can Address these Obstacles in Multiple Ways***

- **Improving medical care**
  - Higher quality care
  - Better coordination or communication with providers
- **Changing worker or employer incentives**
  - Tiered benefit structures
  - Worker subsidies
- **Promoting accommodations**
  - Worksite modifications or alternative work

# *All of these Could Have Been Affected by Different Reforms in California*



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## ***Do Employer return to work Policies Actually Improve Outcomes?***

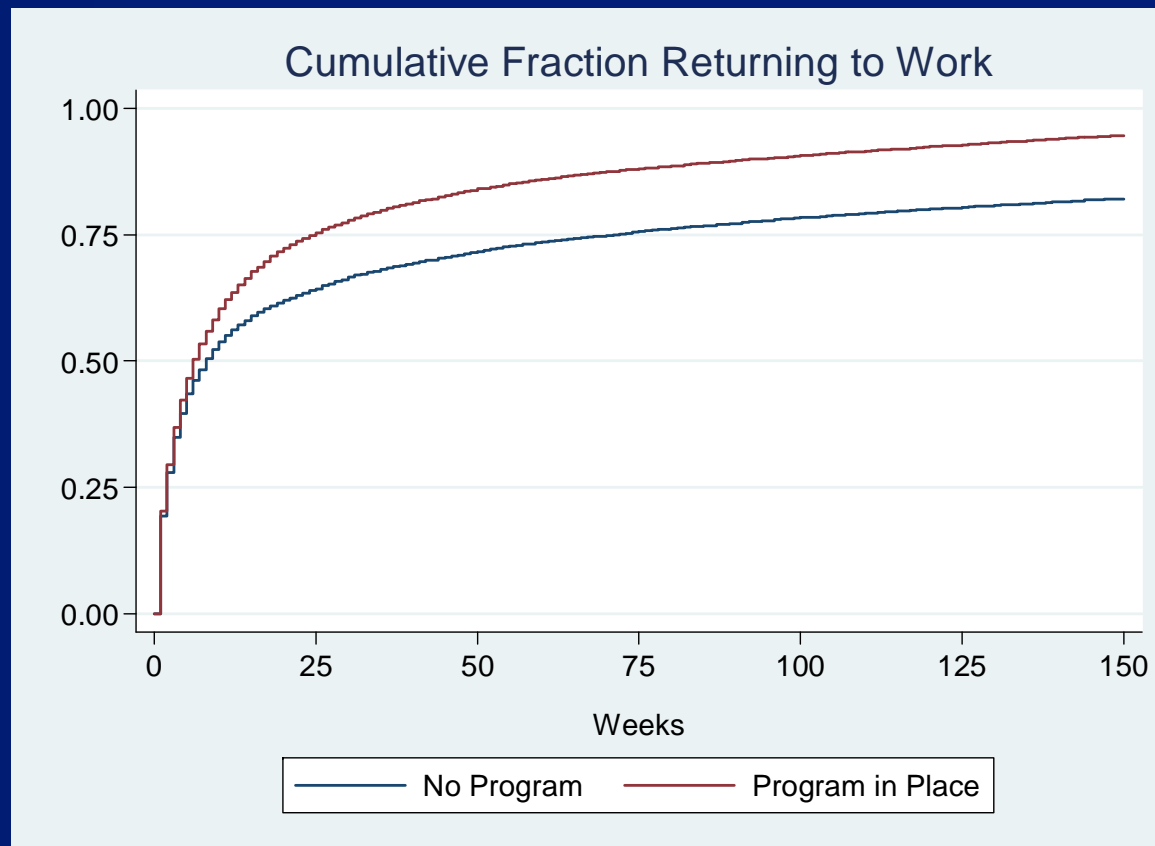
- **Incentive based policies implicitly assume that employer activities successfully bring workers back faster**
- **Past evaluations mostly focus on highly targeted, intensive interventions**
- **Need for systematic evidence of effectiveness for a more general set of policies**

## ***Our Approach***

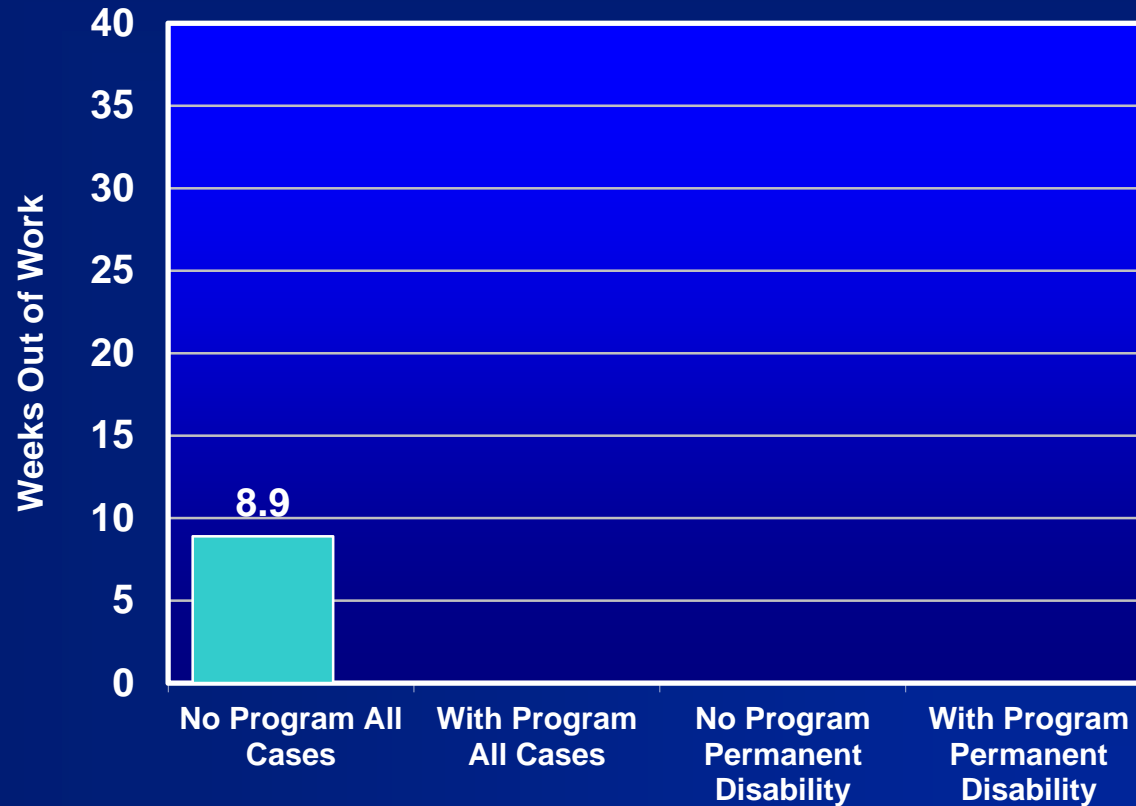
- **Data from a survey of 40 large, private self-insured employers**
  - Data prior to reforms
- **Collected detailed information about efforts to improve return to work**
  - Nature of policies
  - Activities taken
  - Coordination with medical providers
- **Match with data on outcomes for injured workers**

# Workers Return Sooner with a Program in Place

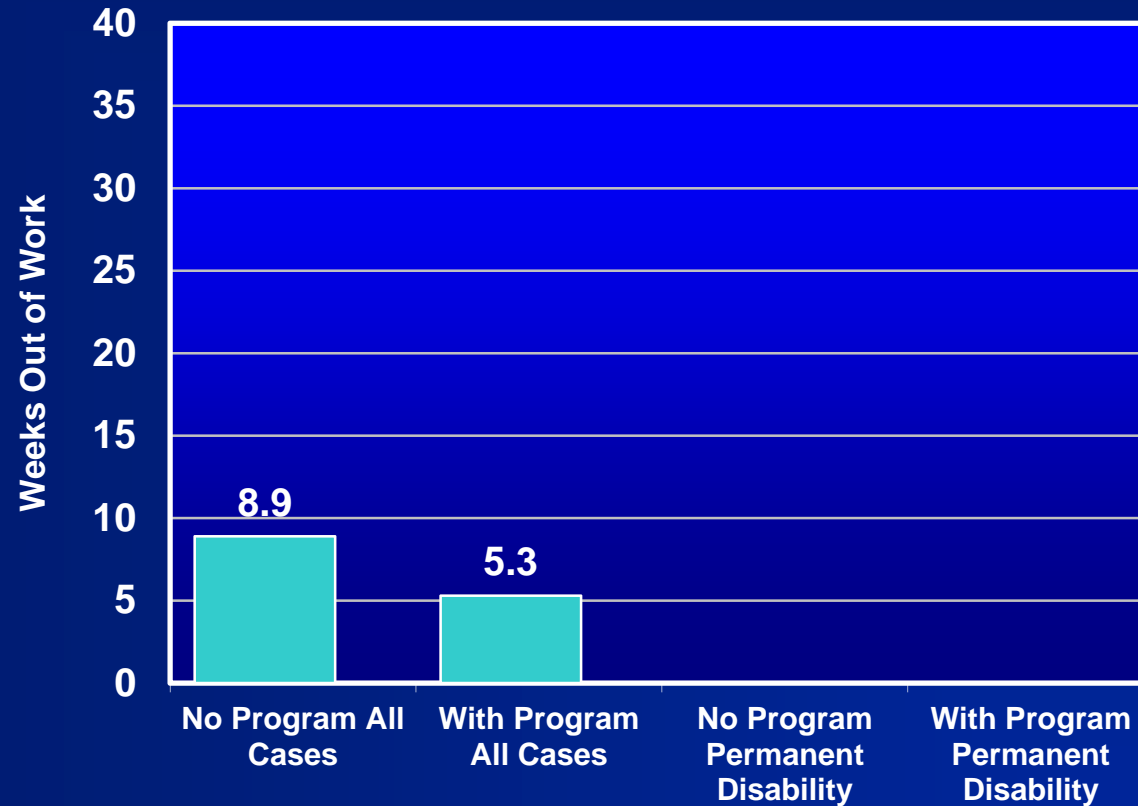
RTW Measure: Weeks to Sustained Employment



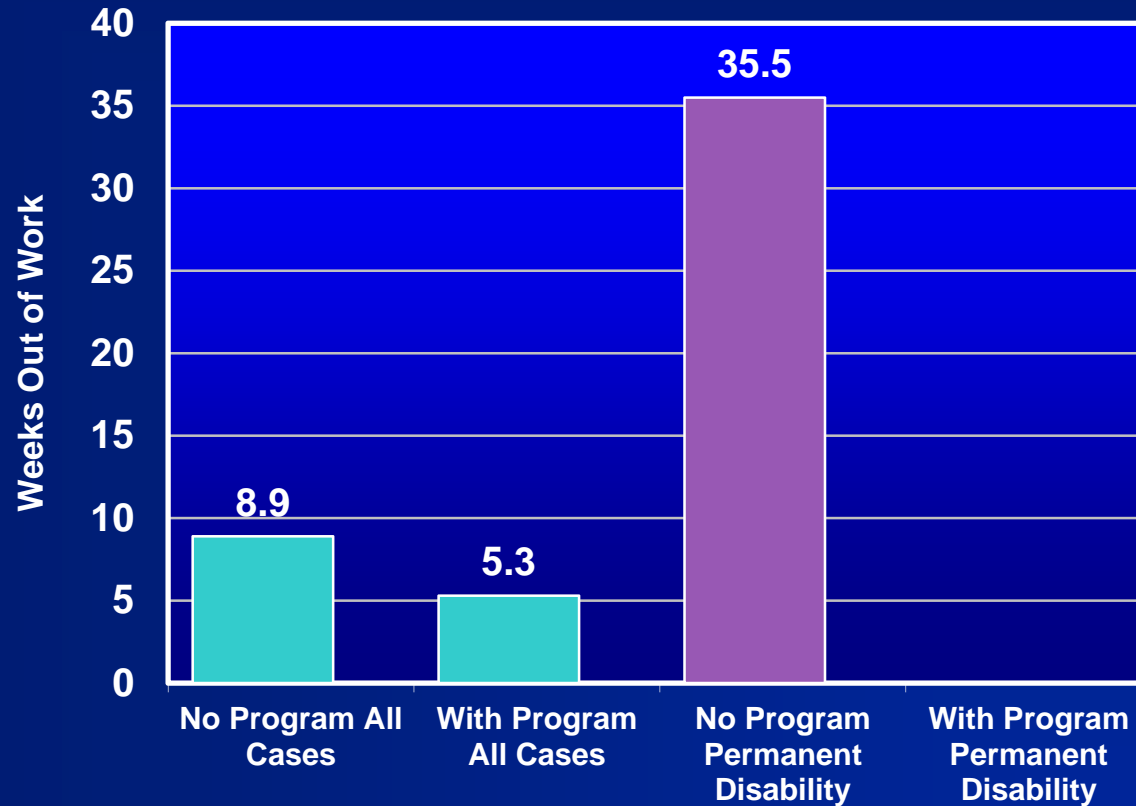
# *Estimated Reduction in Time Out of Work after Program Adoption*



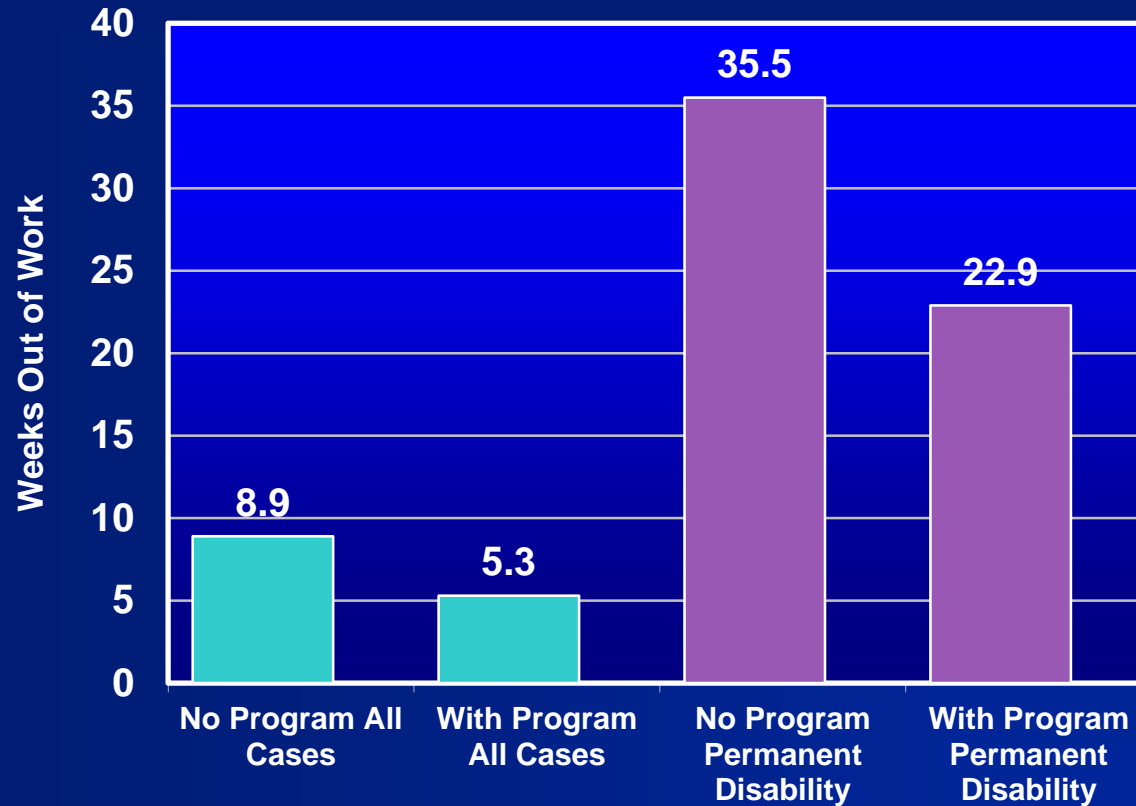
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## ***Evidence Suggests the Programs are Cost-Effective on Average***

- The use of employer RTW programs is associated with improvements in outcomes for workers
  - Return 3.6 weeks sooner overall
- Approximately \$1,577 savings per injured worker from lower TTD benefits
  - Other savings include productivity gains, etc.
- Average reported program cost of \$1,174 per injured worker
  - Strong evidence of cost effectiveness *for large, self-insured employers*

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# *Measuring Return to Work*

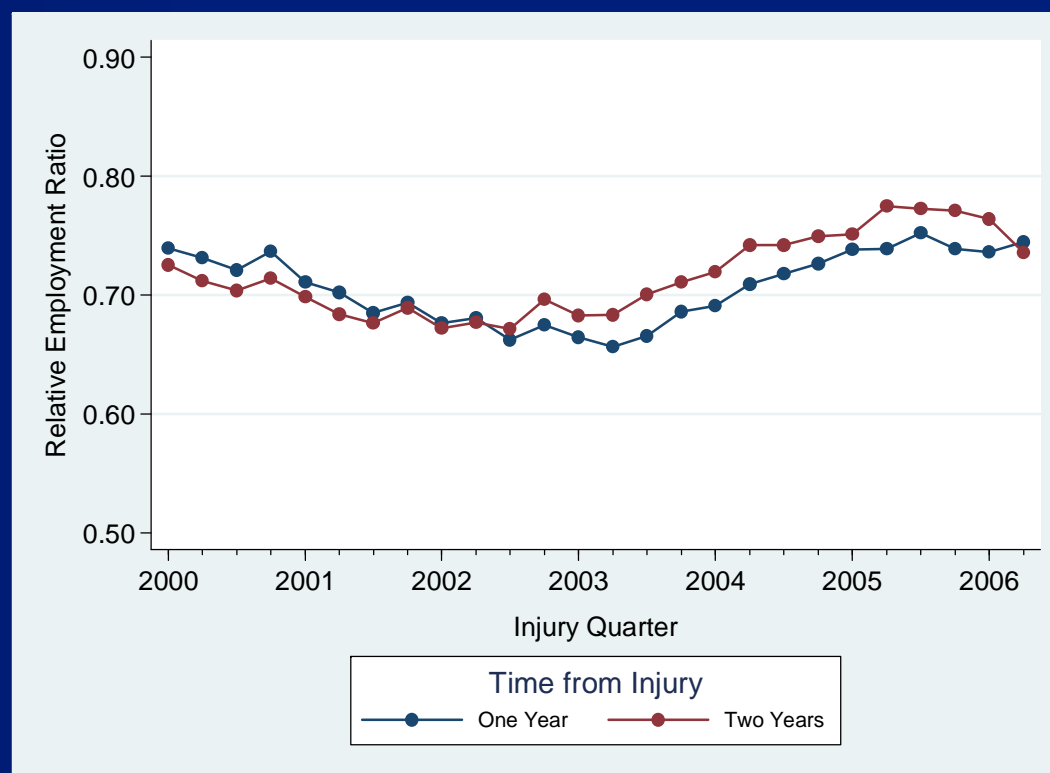
- **Employment data include earnings in a quarter**
  - Define someone as working if they have any earnings in a quarter
- ***Relative employment ratio:***
  - Likelihood injured workers are employed in quarter divided by the likelihood their control workers are employed
- **We examine how this differs**
  - Over time
  - Across different characteristics (e.g. firm size, disability severity)

## *Data Used for This Analysis*

- **Claims from the Workers' Compensation Insurance Rating Bureau (WCIRB)**
  - Injury dates Q1 2000 – Q2 2006
  - First report of injury
  - Linked to earnings data through Q2 2008
- **Claims from the Disability Evaluation Unit (DEU)**
  - Injury years 2000-2007
  - Linked to earnings data through Q4 2008

# Overall Return to Work in California Improved

Relative Employment One and Two Years After-Injury by Quarter of Injury, WCIRB Sample



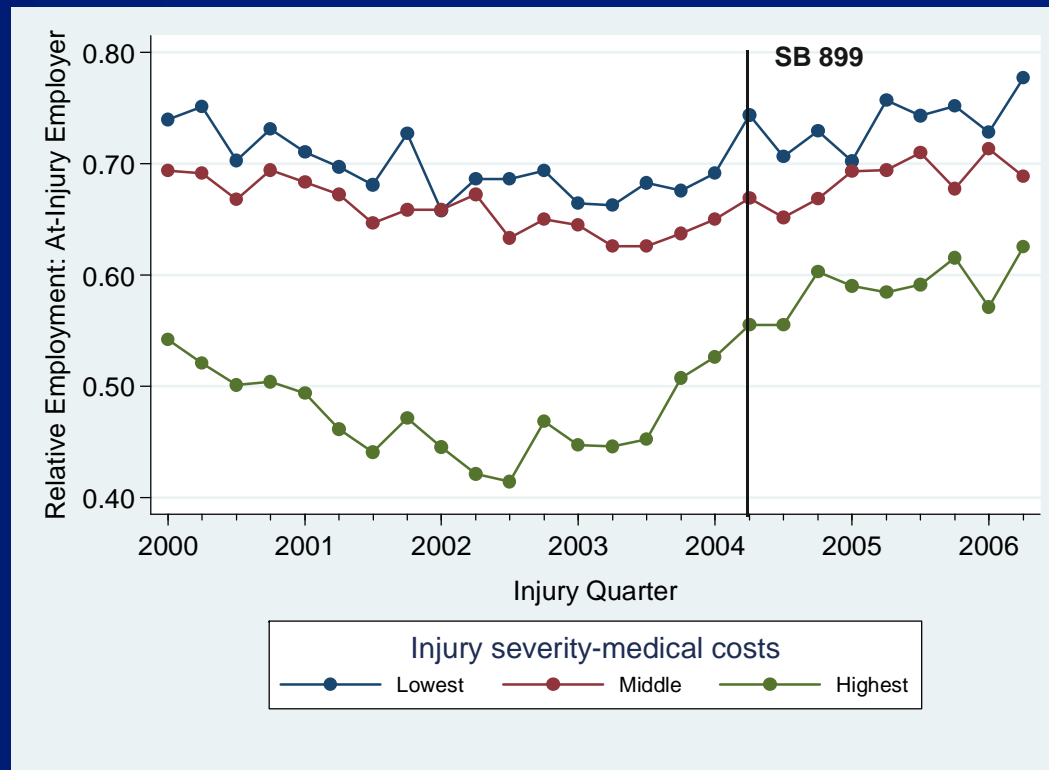
# Biggest Gains Observed for Return to the At-Injury Employer by Most Severe Injuries

Relative Employment for At-Injury Employer by Injury Severity and Quarter from Injury, WCIRB Sample



# Evidence of a Trend Prior to the Incentive Based Return to Work Reforms

Relative Employment for At-Injury Employer by Injury Severity and Quarter from Injury, WCIRB Sample



## *Summary of RTW Trends*

- RTW was declining but began to improve for injuries in 2002-2003
  - Much of the improvement appears to pre-date the return to work reforms in SB 899
- Why might these trends have occurred?
  - Antidiscrimination policies
  - Medical care reforms
  - Employer initiatives to contain WC costs

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## *Summary of Key Findings*

- **Employer return to work programs are cost-effective for large employers**
- **Return to work of disabled workers in CA has improved significantly in the wake of key reforms**
  - **Biggest gains for the most severely disabled**
- **The exact cause of the RTW gains is uncertain**
  - **Improvements started before the 2004 reforms**
- **Most of the gains seem more likely due to medical reforms, antidiscrimination policy, or private efforts**

## *Policy Implications*

**We find mixed evidence for the impact of different return to work programs:**

- **Old CA vocational rehabilitation system appears to have been largely ineffective**
- **Incentive reforms seemed to have at most a minor effect**
  - **Implementation problems**
- **How can we better integrate policies that affect return to work decisions?**

## *Policy Implications (3)*

**System needs careful monitoring:**

- **Can the return to work gains be sustained?**
- **How are disability ratings being applied?**
  - **We find evidence of an upward trend**
- **Will the overlap between FEHA and workers' compensation continue to grow?**
  - **How can we better integrate return to work decisions in the two systems?**



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