

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

Measures Heard None

HOUSE COMMITTEE ON LABOR

February 11, 1991Hearing Room D 8:30 a.m.Tapes 26 - 28

MEMBERS PRESENT:Rep. Gene Derfler, Chair Rep. Kevin Mannix, Vice-Chair Rep. Sam Dominy Rep. Jim Edmunson Rep. Rod Johnson Rep. Bob Repine Rep. John Watt

STAFF PRESENT: Victoria Dozler, Committee Administrator Johanna Klarin, Committee Assistant

WITNESSES: Stan Long, SAIF Corporation Tom Lynch, Employment Division Catherine Ramsey, Employment Division Virlena Crosley, Employment Division

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TAPE 26, SIDE A

004 CHAIR DERFLER: Calls the meeting to order at 8:30 a.m.

INFORMATIONAL MEETING

SAIF-OVERVIEW (EXHIBITS A.1 - A.7)

020 STAN LONG, SAIF Corporation: Presents an overview of the SAIF Corporation and the Workers' Compensation System.

-He provides introductory comments.

-He describes the history of the Workers' Compensation System.

-He provides chronological information.

-He describes the mission and the financial position of SAIF.

-He describes the "assigned risk pool".

-He describes the constitution of the Board.

-He outlines the changes that have taken place due to the special legislative session.

-He discusses premium rate reductions.

166 REP. EDMUNSON: What is the loss ratio now?

MR. LONG: For SAIF it is a little under one.

REP. EDMUNSON: What is the discount ratio?

MR. LONG: I cannot answer your question in the terms you are asking it. Financial reserves are an actuarial function based upon trends of what future costs are. Discounting refers to the latitude that SAIF corporation has to recognize interest that it may earn on its investments through the state treasury law. The discount we take now is well under the interest rate that we have been earning for years.

REP. EDMUNSON: How do you determine how much money you need to reserve to meet your obligations and liabilities in the future? How does SAIF's practice compare to the practice in private industry?

MR. LONG: You make the best judgment you can and back it up with some kind of experience and analysis. I don't know what is done in the private industries, they have different methodologies.

REP. EDMUNSON: Do you take into account future changes in benefit laws?

MR. LONG: It is difficult to do that, we don't know what they are.

REP. EDMUNSON: He refers to the May special session. Did the expectation of lower claims costs for the future change the financial situation?

MR. LONG: SAIF's financial situation improved due to internal changes made. At the same time, legislation imposed changes on the system.

260 -He describes "case reserves."

-Our motive is to drive rates down while maintaining service. Our reserves are declining because we have no reason to hold on to our reserves.

-Claim filings are down about 25% which is a dramatic decline. The number of requests for hearings is also declining in the 20% range.

332 REP. DOMINY: Would you give us an estimate of a type of claim that is no longer covered since a couple of years ago, what would be the percentage of those to the overall cases?

MR. LONG: I don't have those numbers yet. Claims of long-term injuries are down. Provides an example of a "permanent total disability case" and how these cases are handled differently now.

390 REP. EDMUNSON: Refers to the permanent total disability cases. You are saying that through claims management you are able to see real number reductions and that we didn't need a statutory amendment to do that?

MR. LONG: It is not quite like that. The legislature changed the

climate in the expectations in Oregon and put some real emphasis on the idea that one ought to work. We hired twenty work specialists who do "hand to hand combat" with people who are able to go to work. The spectacular cases are still there. He describes the recent changes in the case management.

TAPE 27, SIDE A

007 MR. LONG: Continues his presentation with regard to marketing.

-He discusses "retention"--the percentage of how much of your business you can retain. In 1990 the net results of new sales and retention for SAIF is over \$23 million.

-From a marketing point of view the Industrial Accident Fund is growing and appears to be healthy.

-He discusses SAIF Corporation's Anti-Fraud Campaign.

066 REP. REPINE: What do those investigations and fraud cases consist of?

MR. LONG: Most cases are people claiming that they are not working when they are actually engaged in gainful employment somewhere else. On the provider side there have been various manipulations including overpayments and billing schemes.

-He provides statistical information regarding cases involving providers.

107 REP. JOHNSON: Do you have any evidence that this effort has had a deterring effect on similar activities?

MR. LONG: Yes. We believe that there had been a certain laxity in the system prior to January 1989. We created advertisement concerning the campaign that we undertook. This information, and letting people know that the rules were changing, resulted in many people dropping their cases.

139 REP. DOMINY: Could you give us some numbers, in terms of dollars, regarding the fraud relating to the three groups--employees, employers and providers?

MR. LONG: The bulk of our efforts have been the providers--excessive billings, unscrupulous interpretations of injuries and over-treatment.

165 REP. EDMUNSON: What is the profile of a non-complying employer?

MR. LONG: Our audit program is very successful. Last year we collected approximately a million dollars. All employers don't pay their fair share and the honest business person remains at a disadvantage. I don't know what the rates would be if everybody paid their share. I don't believe we are anywhere near equity.

REP. EDMUNSON: Can you tell us if there has been an increase in non-compliance?

MR. LONG: No, I can't answer that.

227 REP. EDMUNSON: I would appreciate if you could provide us with information concerning compliance.

MR. LONG: Our numbers show only the cases that we know about, not the ones where there has been no enforcement. He provides an example of a successful audit case from southern Oregon.

262 He continues with the overview and describes the Reformed Worker's Compensation System.

-He discusses the extensive medical audit program. These bills are reduced by almost \$2 million.

-He discusses the problem concerning claims for medical payments that are not related to injury at the work place; they are filed by people who are simply looking for insurance.

333 REP. EDMUNSON: Do you have an estimate of what degree of cost shifting may occur because of unavailability of health insurance?

MR. LONG: No. It remains a fundamental problem.

REP. EDMUNSON: Have you considered offering universal coverage for employers?

MR. LONG: If we had the legal authority to write a low-end, basic, minimum coverage, I would be working on that night and day. We don't have the legal authority to do that.

390 REP. MANNIX: What is your reaction, conceptually, to the idea that all the non-complying employer claims ought to be sent out for processing on the same basis as the assigned risk pool? SAIF is put under a burden or privilege to process those right now.

MR. LONG: It is not a success for us to dominate the market in any respect. Our job is to provide competition, honesty and benchmarks in the market place. I have an open mind to the concept that everybody should do non-complying employer cases. We don't want a monopoly. The point is to get those people to sign up an insurance policy and pay a premium.

-He provides an example from Florida as to how to deal successfully with this problem administratively.

466 REP. DOMINY: What has happened in SAIF in the areas of the length of time people have to wait and the penalties for non-compliance? Have you improved?

TAPE 26, SIDE B

022 MR. LONG: I don't have the exact figures. I look at the closure rates. Historically at SAIF it has been approximately 8%. Today it is 60%. This does not mean that we have solved the problem for the claimant. There are significant backlogs, not only with carriers but at the Board. He describes cases that are backing up.

045 REP. DOMINY: The palliative care claims are not filed against SAIF?

MR. LONG: No.

REP. DOMINY: Could you give me a dollar amount concerning the increase in the benefits that workers are receiving?

MR. LONG: I cannot answer this from the top of my head. From a broad perspective, the amount of dollars during 1990 that went to injured workers in increased benefits provided by statutes was roughly equivalent to the amount of dollars we reduced premium.

093 REP. MANNIX: Is there any element in the legislative package from the reform bill generally that you think we should deal with during this session?

MR. LONG: I cannot speak for the Board. I don't see a need for any reform measures now. We are busy now, we need time to build a good system. We need time to sort out some ground level problems.

MR. MANNIX: Are you referring to a lack of financial resources in terms of people power?

MR. LONG: Their plates are full. They need help.

REP. MANNIX: The money pot for DIF with regard to workers' compensation administration is a totally separate money pot from the one that Ballot Measure 5 affects.

MR. LONG: Yes, there is money available. Those programs should be enhanced.

141 REP. REPINE: Can we take money from the state?

MR. LONG: I suppose you could.

150 REP. MANNIX: There are unused resources in the Preferred Worker Fund, at least \$56 million. We should make a better use of it.

MR. LONG: There are some related rule issues that need to be sorted out.

REP. MANNIX: Do you have a position whether or not we need to reevaluate the Preferred Worker Program?

MR. LONG: Suggests that the legislature look into whether the rules are consistent with the established goals.

REP. MANNIX: Suggests the Preferred Worker Program be shifted to the Employment Division.

MR. LONG: That is a very sound concept.

184 REP. EDMUNSON: Does SAIF pay property tax?

MR. LONG: Yes.

REP. EDMUNSON: What will be the savings due to Ballot Measure 5?

MR. LONG: The savings are about \$100,000.

198 CHAIR DERFLER: Would you comment about the bills introduced relating to safety rules issues?

MR. LONG: The legislature created us for the purpose of putting benchmarks out as to what peer competition is. We don't run a workers' compensation system in order to create profit for private carriers or medical providers. We want the system for the benefit of employers and employees. Our job is to be the market place standard.

240 CHAIR DERFLER: Recesses the meeting at 9:50 a.m.

REVIEW OF DISLOCATED WORKER COMMITTEE (EXHIBITS B.1-B.3)

240 TOM LYNCH, Manager of the Labor Market Information Program, Employment Division: Presents an overview of the Dislocated Worker Committee. He discusses the following subjects:

-Employment Division's work with the legislative interim committee on forest products policy (Exhibits B.1 and B.2).

-The Dependent Communities Desktop Analysis, outlining the impacts on the individuals and their families in terms of unemployment benefits, education and retraining needs, and family support needs (Exhibit B.1).

203 REP. DOMINY: Have you included dislocated workers other than those as a result of mass layoffs?

MR. LYNCH: Yes, we extended our data system so that it looked at all the claims filed in that time period including workers that would not fall under the federal reporting requirement.

Mr. Lynch continues with his presentation with regard to the "desktop" analysis.

362 CHAIR DERFLER: Would you give a definition of secondary wood products?

MR. LYNCH: Firms who manufacture door frames, moldings, etc.

-He continues with his presentation focusing on problems in the logging industry.

386 REP. REPINE: Could you provide us the chart from the interim session, which you presented, dealing with job opportunities and educational levels?

MR. LYNCH: Yes, this report dealt with a wider range of occupations. A manager in a plant would not require the same kind of retraining than someone who might have to go through a community college program to get the skills necessary to be retrained. We will supply that information.

428 -He describes a "cost allocation model", and two scenarios 1) outcomes if present laws and programs remain, and 2) if an "ideal" set of laws and programs were available.

-He discusses Senate Bills 368, 369 and 370 which have been introduced as a result of this analysis.

TAPE 27, SIDE B

027 CHAIR DERFLER: What kind of training programs do you anticipate doing for these people?

MR. LYNCH: We have looked into seven different kinds of training. Job search and job finding would be just one of those. The training would stretch from a short 30 day program to a two-year community college program depending on the skills assessment.

CHAIR DERFLER: Have you studied what jobs will be available in the

future?

036 MR. LYNCH: Yes, and also the pay levels of those jobs.

043 REP. DOMINY: Have you considered the age factor? Are there any plans that are especially focusing on those over 50 years old?

MR. LYNCH: Entrepreneurial programs might be the most suitable.

061 REP. JOHNSON: What happens if new industry and jobs are not introduced into these geographic areas?

MR. LYNCH: We found that the loggers have a very unique occupational culture, and probably many of these people would not leave their community and maybe choose hunting or even poaching.

-He refers to concepts on page 3 of the Exhibit B.1 relating to the above discussion.

-He describes the services that the Employment Division is currently offering or proposing: Worker services through regional offices; Vocational education unemployment benefit; Rapid response teams; Technical assistance to local organizations; Plans to expand field offices and outreach offices.

133 REP. REPINE: What is happening with the concept of "start up money"?

MR. LYNCH: We discussed the possibility of using unemployment benefits for this purpose.

154 REP. DOMINY: These senate bills include some other possible funding mechanisms. Could you explain them in more detail?

MR. LYNCH: Refers to the \$100 million package deal which was discussed in connection with this concept.

-One of the bills would create a Family Support Fund, but no funding source was identified.

-He explains the results of the studies made for possible funding sources and vocational education.

191 CHAIR DERFLER: Do we have jobs for these people once they are trained?

MR. LYNCH: He describes the Occupational Program Planning System within the Employment Division.

CHAIR DERFLER: Today we would not have a place for these 11,000 trained people to go. Do you think there will be jobs for them in the future?

MR. LYNCH: Yes. We have looked at the possible new jobs and the restructuring of existing jobs.

227 REP. DOMINY: Is there any economic development money dedicated for the communities with dislocated workers?

MR. LYNCH: The economic development programs are for a longer term and not as crisis oriented as dealing with the workers. We are looking at the workers over a four to five-year period whereas the economic development plans to cause structural change within a community is a 10

to 15-year proposition.

REP. DOMINY: I thought we were going to focus some short-term economic development into these communities.

MR. LYNCH: Leadership development is needed on a local level. ECO Northwest has provided some recommendations concerning this issue in their report.

268 REP. JOHNSON: What gaps are there left in the proposed legislation to deal with this problem? What would you suggest?

MR. LYNCH: Some of the legislation does not address the need for resources to deal with this issue adequately.

-He discusses the problems that community colleges have with the lack of resources in the effort to implement vocational training.

315 REP. JOHNSON: The problem then is the lack of money?

MR. LYNCH: That is part of the answer. It is also a question of targeting the resources.

324 MS. CATHERINE RAMSEY, Manager, Salem Employment Division Office: Addresses the issue of dislocated workers in the wood products industry.

-She describes participation in rapid response teams.

-She describes the work of the 12 dislocated worker placement specialists.

-She discusses a comprehensive state-wide system that would offer specialized services to the unemployed.

-She discusses the alternative skill assessment.

391 CHAIR DERFLER: Refers to the example that Representative Dominy gave of himself. What would you do, what would be the process?

395 MS. RAMSEY: Explains the steps in the assessment of dislocated workers' needs. Often it is only a matter of brushing up skills.

436 REP. DOMINY: What do you do if the person doesn't want to acquire further education?

MS. RAMSEY: We would apply the Career Information System program. It is an opportunity for the worker to assess his skills, abilities and knowledge and explore career opportunities.

455 REP. DOMINY: How do we get over the immediate response of many dislocated workers that they don't want to further their educational goals?

TAPE 28, SIDE A

016 REP. WATT: I urge the Employment Division to be sensitive to the frustrations and fear that these people face, a little bit of caring humanity should be included in the process. These people should be treated with the respect that they deserve.

MS. RAMSEY: I can empathize with your feelings. The placement specialists are people who spend time with the dislocated workers on



individual assessment and individual analysis of their family needs.

040 REP. JOHNSON: What is the status of funding these 12 additional positions?

044 MR. LYNCH: You will get a response that explains the whole process.

051 VIRLENA CROSLEY, Assistant Administrator for Research and Statistics, Employment Division: In the diversion package there are 12 identified FTE's in the base budget to do this kind of work.

064 MS. DOZLER: Is this dependent upon getting part of the enhancement package for the satellite offices?

MS. CROSLEY: That is a separate package and it would make it easier.

073 CHAIR DERFLER: This is a very ambitious program. To address 11,000 employees is going to take more than 12 FTE's.

MR. LYNCH: We are expecting to address 4400-6200 people over a five year period.

086 MS. RAMSEY: Highlights briefly the areas that the additional 12 FTE's would concentrate on: Work ethic basics and resume development; Job service selection system; Coordination with other training providers; Career Information System; Self employment projects; Matching skills.

124 CHAIR DERFLER: What kind of federal funds are available?

MS. RAMSEY: I believe that there are some additional dollars for training that came through the Job Training Partnership Act.

CHAIR DERFLER: How much are we talking about?

MR. LYNCH: About \$2.5 million.

MS. RAMSY: She describes the plans to help the whole family of the dislocated worker. Helping them to get back into the labor force.

151 CHAIR DERFLER: What is the anticipated cost of extending the unemployment benefits from 26 weeks to 104 weeks?

MR. LYNCH: The additional cost is approximately \$20 million.

CHAIR DERFLER: How is that going to affect the tax rates?

MR. LYNCH: It wouldn't have very negative impact. We need to get an updated estimate on this issue.

CHAIR DERFLER: We need to look at that if we are going to take an additional \$40 million out of the trust fund.

183 MS. DOZLER: If all the diversion funding went through, to what extent would you be able realize these goals?

192 MR. LYNCH: Projects possible case worker loads and plans for automation.

231 CHAIR DERFLER: We are looking at \$50 million and that must have an effect on the tax rates that employers pay?

MR. LYNCH: The payout of the \$40 million will be over five years, so the impact will be slow. We will get back to you with the completed analysis.

CHAIR DERFLER: We have two bills coming up, HB 2528 and HB 2529. I would like to refer those bills to Ways and Means without any recommendation.

267 CHAIR DERFLER: Adjourns the meeting at 11:00 a.m

Submitted by:      Reviewed by:

Johanna Klarin      Victoria Dozler Assistant                      Administrator

EXHIBIT LOG:

A.1 - A.7                      -                      SAIF Corporation Overview - Stan Long - 58 pages B.1 -  
B.3                      -                      Review of Dislocated Worker Committee - Tom Lynch - 15 pages