

## Return-to-Work Rates for Injured Workers with Permanent Disability

The regulations establishing the 2005 Permanent Disability Rating Schedule (PDRS) require the Division of Workers' Compensation (DWC) to compile data for 18 months (Jan. 1, 2005 - Jun. 30, 2006) and analyze the data to determine the effects of the new PDRS. DWC is required to evaluate the data to determine the aggregate effect of the diminished future earning capacity adjustment on permanent partial disability ratings under the 2005 PDRS and revise, if necessary, the diminished future earning capacity adjustment to reflect consideration of an employee's diminished future earning capacity for injuries, based on the data collected.

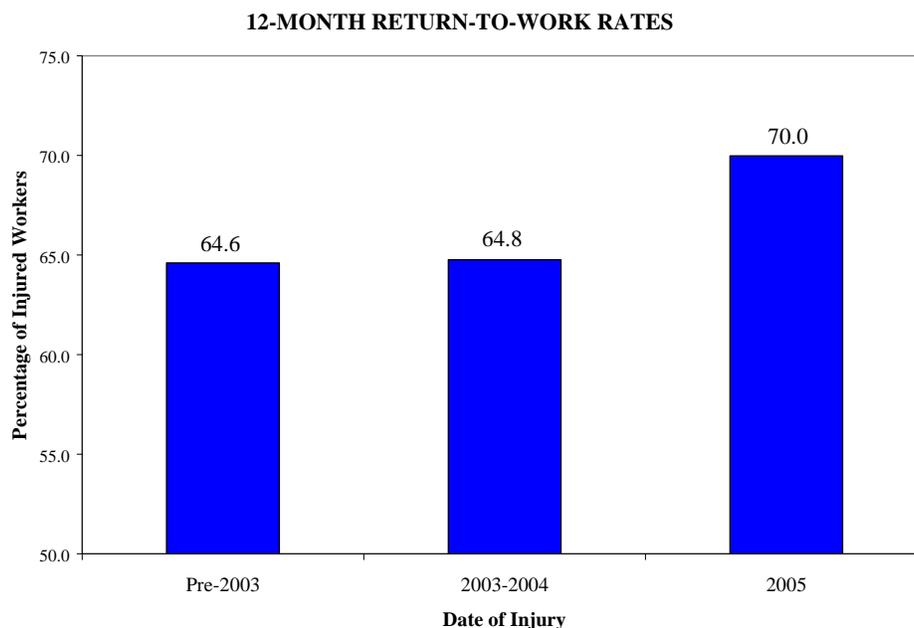
To fully evaluate the effects of the 2005 PDRS it is necessary to conduct a wage loss study. However, a wage loss study requires three years of post-injury data, which won't be available for injuries rated under the 2005 schedule until late 2008. In lieu of a full wage loss study the division is analyzing return-to-work rates. Return-to-work rates are important because the RAND Corporation concluded, among other observations about return-to-work, that injured workers who continue at the at-injury employer may actually receive benefits that exceed their earning losses after tax considerations are taken into account. The 2004 reforms contained incentives for employers to bring injured workers back to work. This analysis of return-to-work data represents the first phase of the division's plan to analyze the effect of the 2005 PDRS.

The second phase, expected to be completed by March, will include an examination of three-year wage loss information for workers injured between Jan. 1, 2003 and Jun. 30, 2003. This information will be correlated with the return-to-work rates and indemnity payments from that period to provide information on how much uncompensated wage loss there was under the 1997 PDRS. This uncompensated wage loss will then be compared to the 2005 schedule.

The return-to-work rates under the 2005 PDRS show that more employees who've sustained a rateable permanent disability are going back to work since the implementation of return-to-work incentives as part of SB 899. The percentage of permanently disabled workers employed four quarters after the quarter in which they were injured increased by over five percent - from 64.6 percent to 70 percent.

Chart 1 below shows the percentage of workers whose permanent disability was rated within 18 months of the date of injury, and who were working four quarters after the quarter of their date of injury. This time frame approximates a 12-month return-to-work rate, which RAND characterized as a strong predictor of the long-term economic outcomes of disabled workers.

**Chart 1**

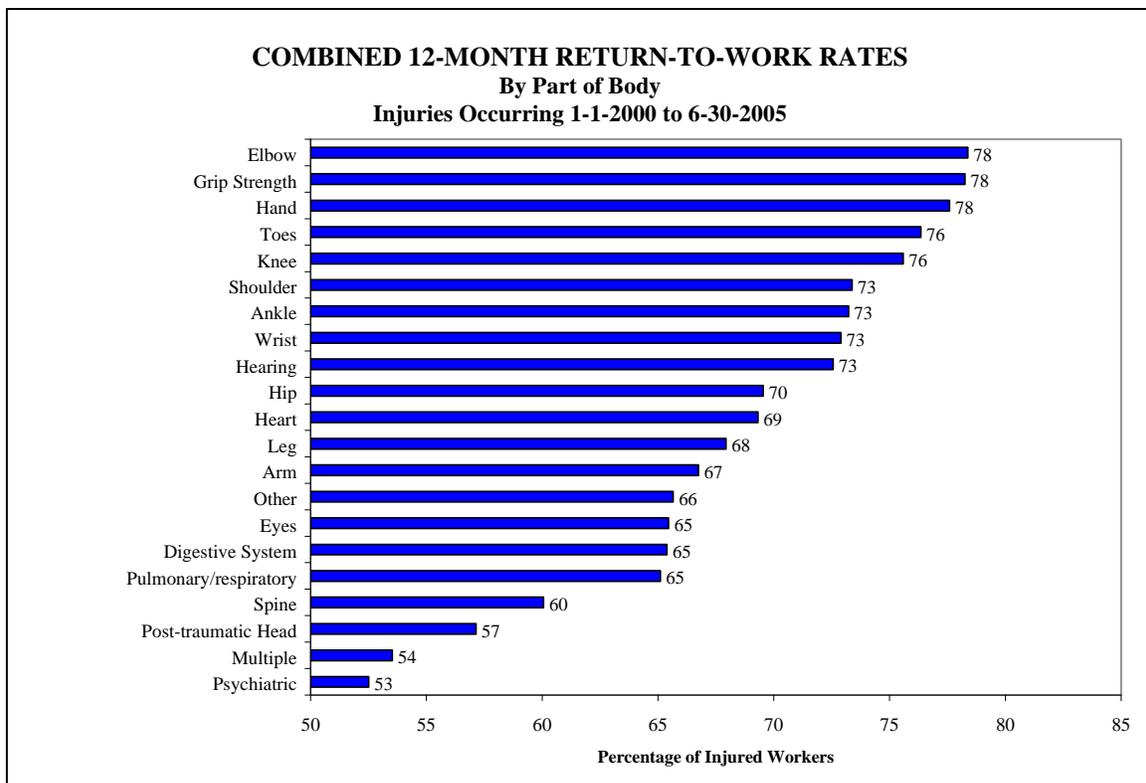


The sample analyzed includes only those injured workers who had been rated for permanent disability within 18 months (six calendar quarters) after the calendar quarter in which they were injured. Limiting the sample to only those rated within 18 months allowed the DWC to control for injury severity within each of the three sample groups. This is because workers with more severe injuries tend to have a longer recovery period between their injury date and the date they become permanent and stationary, resulting in a longer period before they are included in DWC's Disability Evaluation Unit automated system of permanent disability ratings.

The DWC also analyzed the return-to-work experience of permanently disabled workers by part of body for the entire study period (2000 through 2005) to examine how injuries to different body parts affected return-to-work rates overall. The DWC examined combined return-to-work rates for the entire study period because the 2005 sample was too small (3,323 total observations) to be statistically valid in most of the categories.

Chart 2 below shows the highest return-to-work rates correspond to elbow, hand and grip strength injuries. The lowest return-to-work rates were associated with psychiatric injuries and post-traumatic head syndrome.

**Chart 2**



Past research by RAND and others has shown a direct relationship between return-to-work rates and wage loss. Table 1 below ranks the return-to-work rates for the parts of the body from the highest rate to the lowest rate, and shows the current diminished future earning capacity (DFEC) adjustment for each part of the body. If the wage loss study to be conducted in phase two of the PDRS analysis confirms a direct correlation between return-to-work rates and wage loss, this table suggests where there may need to be some adjustments between body parts to restore equity.

**Table 1**

Part of the Body	Current DFEC Modifier	12-month RTW Rate (2000-2005)
Elbow	2	78.38%
Grip	4	78.26%
Hand	1	77.58%
Toes	5	76.35%
Knee	2	75.58%
Shoulder	7	73.38%
Ankle	2	73.23%
Wrist	4	72.90%
Hearing	8	72.56%
Hip	5	69.55%
Heart	5	69.32%
Leg	5	67.94%
Arm	5	66.75%
Other	2	65.65%
Eyes	1	65.45%
Digestive	6	65.38%
Pulmonary	7	65.10%
Spine	5	60.06%
Head	6	57.14%
Psych	8	52.51%

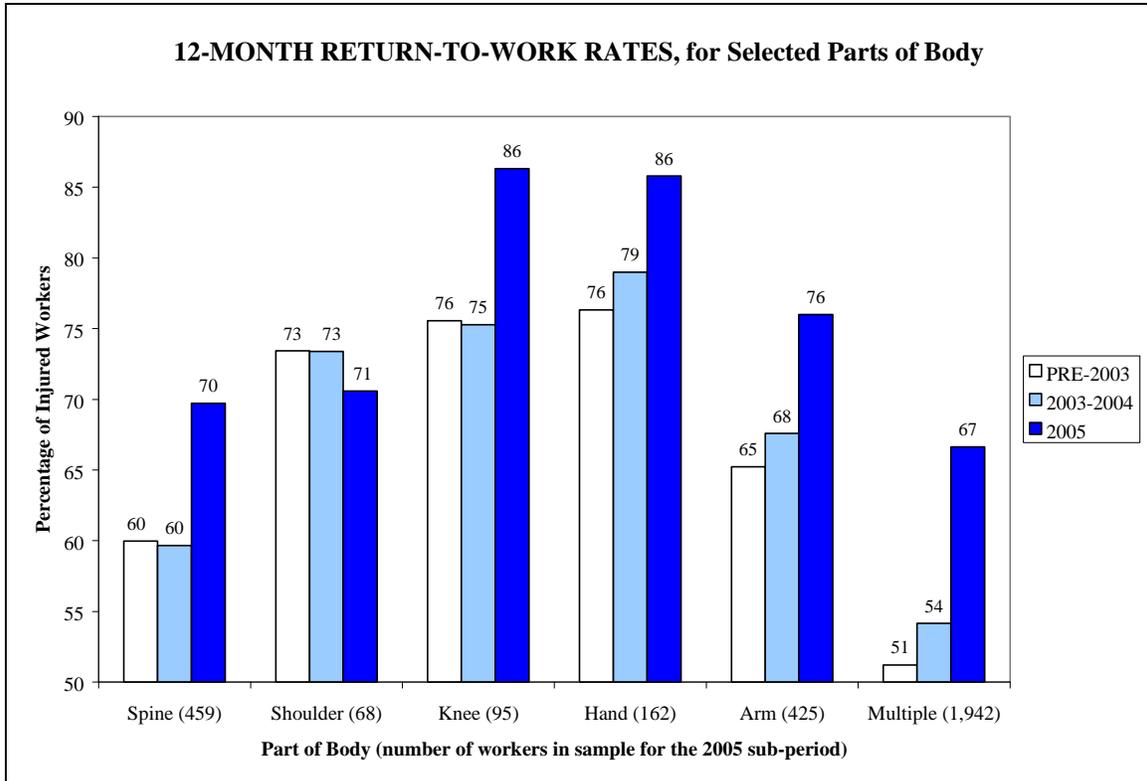
As previously stated, there were only 3,323 observations with PD ratings in the post-2005 sample, which restricted DWC's ability to make statistically valid comparisons of return-to-work rates for all parts of the body. However, there were six body categories with at least 60 observations in the 2005 sample.

DWC reviewed return-to-work rates for the six part of body categories with at least 60 observations in the 2005 sample and compared the 2005 return-to-work rates for these six categories to the return-to-work rates in the earlier periods. Return-to-work rates increased during the study period for five of the six part of body categories for which significant numbers of observations were available in 2005:

- The return-to-work rate for spine injuries, the largest category, increased from 60 percent to 70 percent
- The return-to-work rate for knee injuries increased from 75 percent to 86 percent
- Both hand and arm saw an increase in return-to-work rates
- There was a decrease in return-to-work rates for shoulder injuries, from 73 percent to 71 percent.

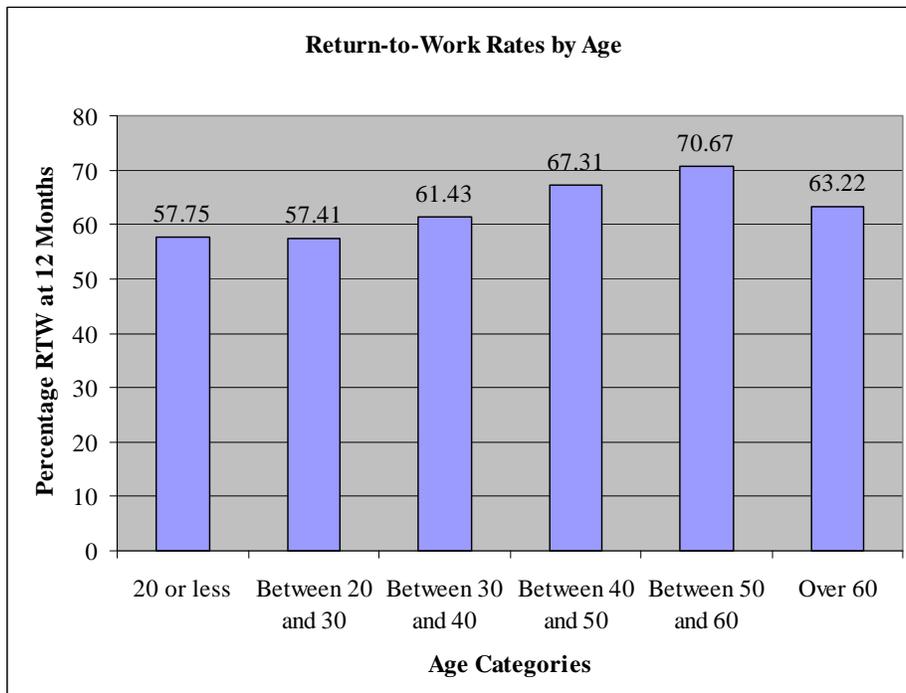
Chart 3 below shows return-to-work rate increases for spine, knee, hand, arm and multiple parts of body injuries, and a decreased return-to-work rate for shoulder injuries.

**Chart 3**



DWC also calculated return-to-work rates by age. Interestingly, the return-to-work rates steadily increased as the workers aged, up to age 60, but even the 60+ age group had a higher return-to-work rate than any age group under 40. Chart 4 below details the return-to-work rates by age.

**Chart 4**



The data in this analysis is based on wage records maintained by the Employment Development Department, information from the Workers' Compensation Information System (WCIS), and permanent disability ratings from the Disability Evaluation Unit automated system.

The following table details the size of the Division of Workers' Compensation (DWC) study sample for each of the three time periods in the study.

Date of injury	Referenced periods	Number of injured workers in sample
Pre-2003	Q4 2000 to Q4 2002	57,934
2003 & 2004	Q1 2003 to Q4 2004	30,118
2005	Q1 2005 to Q2 2005	3,323
Total	Q4 2000 to Q2 2005	91,375