

**THE EMPLOYERS' COSTS OF WORKERS' COMPENSATION INSURANCE IN
ONTARIO AND SELECTED OTHER CANADIAN AND U.S. JURISDICTIONS**

BY

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Table of Contents

PREFACE	iv
Introduction	1
I. Methodology for Measuring Employers’ Costs	4
A. Variations in Base Assessment Rates	4
B. Occupational Insurance Classifications	7
C. Experience Rating Modifications	11
D. Additional Adjustments – U.S. Rates	12
E. Additional Adjustments – Canadian Rates	14
1. Payroll Adjustment	14
2. Adjustments for the Unfunded Liability	16
II. The Cost of Workers’ Compensation in Ontario and Other Jurisdictions	18
A. Costs in Ontario	18
B. Cost Comparisons Among Jurisdictions	28
1. Cost Comparisons – 50 Jurisdictions	28
2. Cost Comparisons – Industrial Sectors	34
3. Cost Comparisons – Great Lakes States	41
III. Comparability of Cost Estimates Among Jurisdictions: Other Issues	46
A. Medical Costs	47
1. Price of Medical Care	48
2. The Quality of Medical Care	51
3. Cost Shifting of Medical Costs	52
(a) Cash benefits and program utilization	53
(b) Medical cost-shifting hypoetheses	55
(c) Evidence on shifting of medical costs in Ontario	55

(d) Evidence on cost shifting of medical costs in the U.S.....	56
B. Legislated Mandates in Ontario and Extra Costs in U.S. Premiums.....	59
1. Ontario Mandates	60
2. Extra Costs in U.S. Premiums	66
3. Conclusions on Mandates and Extra Costs	71
IV. Delivery System Efficiency: Methodology and Variables.....	72
A. Methodology for Estimating the Determinants of Inter-jurisdictional Cost Differences	72
B. Control Variables	73
1. Expected Cash Benefits	73
2. Medical Benefits.....	75
3. Injury Rates.....	79
4. Long-term Disability Claims as a Proportion of Total Claims.....	80
5. Union Density	82
6. Coverage	85
7. Summary.....	87
C. Methodology for Determining Delivery System Efficiency.....	87
V. Delivery System Efficiency: Empirical Results.....	88
A. Determinants of the Employers’ Costs of Insurance	88
1. Jurisdiction-wide Results	88
2. Industrial Sectors Results	90
B. Efficiency: Ontario Relative to Other Jurisdictions	94
1. Jurisdiction-wide Results	94
2. Industrial Sectors	98
C. Adjustments for Self-Insurance.....	98
1. Regression Specification.....	103

(a) Adjusted Manual rates	103
(b) Self insurance	103
2. Results	104
VI. Summary and Conclusions	109
REFERENCES.....	112
ENDNOTES.....	115

PREFACE

This report is a continuation of research we have conducted on inter-jurisdictional differences in the employers' costs of workers' compensation. We wrote a chapter on "The Cost of Workers' Compensation in Ontario and British Columbia" that was included in a volume recently published by the University of Toronto Press (Thomason and Burton 2000). We concluded that the costs of the workers' compensation programs in these provinces were less on average than the costs for similar employers in the 45 U.S. jurisdictions in our study during the period 1975-1995. We also provided several caveats to our results associated with the difficulties of making cost comparisons across national boundaries.

The current report is primarily designed to refine the methodology we use to compare workers' compensation insurance costs among jurisdictions, with particular emphasis on assuring the cost comparisons between Ontario and other jurisdictions are appropriate. In conformity with the agreement with the Workplace safety and Insurance Board, we have continued and refined our study of the employers' costs of workers' compensation insurance in Ontario and selected other Canadian and U.S. jurisdictions with a number of improvements.

(1) We extended and updated the Ontario data series through 1999.

(2) We compare the costs of workers' compensation insurance in Ontario, British Columbia, and up to 48 jurisdictions per year (depending on data availability) for the years 1975 to 1995. We added data for three states with exclusive state funds (Ohio, Washington, and West Virginia) to the jurisdictions we examined in our chapter published in 2000.

(3) We reviewed and revised the Ontario insurance classifications that we compared to the U.S. insurance classifications in order to improve comparability.

(4) We reviewed and revised the procedure used to adjust the Ontario insurance rates because the entire payroll is not used to calculate premiums.

(5) We revised and revised the procedures used to deal with the unfunded liability that has been a feature of the Ontario workers' compensation program for a number of years.

(6) We reviewed the literature and available evidence concerning the possibility of health care cost shifting in Ontario and U.S. jurisdictions. Our obligation under the current research grant is to prepare a proposal for a subsequent study of health care cost shifting, and we will submit that proposal as an appendix to this report during December 2001.

(7) We reviewed and revised the self-insurance methodology to account for the effect of self-insurance on the cost of workers' compensation for those employers who purchase insurance in the U.S.

(8) We examined the effects on inter-jurisdictional comparability of the mandates programs included in the Ontario workers' compensation insurance premiums. Likewise, we examined the effects on inter-jurisdictional comparability of the taxes included in the workers' compensation insurance premiums paid to private carriers by U.S. employers.

(9) We examined the comparability of the control (or independent) variables used in the statistical analysis of the determinant of the costs of workers' compensation insurance. We made, for example, significant changes in the data used to measure injury rates in Ontario in order to make them comparable to injury rates for U.S. jurisdictions.

This report (including the forthcoming appendix proposing a study of cost-shifting of medical care) constitutes our obligations under the current agreement. Pursuant to previous discussions with WSIB staff, we contemplate submitting a proposal for an additional stage of research. That stage would, *inter alia*, (1) expand the data for all U.S. and Canadian jurisdictions

in the study through 1999 or 2000; (2) add additional Canadian provinces to the study, subject to data availability; (3) explore the issue of unfunded liability in other jurisdictions, including some of the states with exclusive state insurance funds; (4) examine health care cost shifting as part of our research project, or help the WSIB formulate a request for proposals that would invite submissions from other researchers; (5) examine four to six jurisdictions, including Ontario and some U.S. states, concerning the mandates, services, and possible subsidization of workers' compensation from other sources of government funds to determine if these factors affect inter-jurisdictional comparability of insurance rates.

We appreciate the considerable cooperation we have received from the staff of the Workplace Safety and Insurance Board during our trips to Toronto and our extensive correspondence. We specifically acknowledge the assistance of Shelley Archibald; Richard Allingham (Director, Research and Evaluation Branch); Donna Bain (Executive Director, Health Services Management); Thomas Chan (Vice-President, Finance); Jean Gregoire (Chief Actuary); Linn Holness (Vice-President, Health Services); Linda Jolly (Vice-President, Policy and Research); Joe Morillo (Manager, Revenue Policy Branch); Willard Ramsey (Chief Actuary); Tim Reed (Actuarial Associate); David Saman (Specialist, Corporate Information Center); David Stasila (Board Auditor); Gary Thomson (General Manager, Industry Sector); and Ian Welton (Director, Revenue Policy). We also appreciate comments on an earlier draft of this report from Cam Mustard, Scientific Director of the Institute for Work & Health, and Sandra Sinclair, Associate Research Director of the Institute. We accept responsibility for all the analysis and data included in this final report, including (perish the thought) all errors and oversights.

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Catalogue of Corrections

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Figure 1 (page 19)

Figure 2 (page 21)