OMNI Health Systems, Inc.
434 NE Evans Street
P O Box 708
McMinnville, Oregon 97128

Phone: 503-472-7268 Fax: 503-472-0756

1990 Workers' Compensation Reform In Oregon

Senate Bill 1197 l, which enacted our reforms, was signed by Neil Goldschmidt on May 8, 1990 following a historic special session of the Oregon Legislature. This will give you a brief overview of the process that led to that reform.

In the mid to late 80's, Oregon ranked high among states in the cost of workers' comp insurance as well as in the frequency of injuries. At the same time, Oregon ranked relatively low in the benefits actually delivered to the injured workers. Government leadership recognized that Oregon had to make changes in order to improve the overall economic climate for businesses in the state. There was an opportunity to improve benefits and quality of medical care for injured workers, while simultaneously reducing overall workers' compensation expenses.

With the support of the state's quasi-public State Accident Insurance Fund (SAIF)), and control from his party in the legislature, Governor Neil Goldschmidt hand-selected leaders from management and labor to form a task force to develop ideas for change. Each "side" had seven members. The group met privately in the Governors' residence, ("Mahonia Hall"), and crafted concepts for providing a good workers' compensation benefit system for injured workers that would also be affordable for the business community. Meetings behind closed doors began in the Fall of 1989. The scheduled meetings were bi-monthly, but quickly became weekly, and long. Lawyers, insurance companies, health service providers, unions and others were naturally anxious to participate in the discussions. But these interest groups were only involved in providing guidance and expertise when requested. The ultimate recommendations came from the labor and business members of the "Mahonia Hall" task force. The concept of Workers' Compensation established in the early 1900's was a relationship between business and workers. Those two groups were the "real parties in interest", and therefore appropriately designed the reform package that would directly affect them both in the future.

The package was designed on the premise of, "W*hat would a good workers' compensation system look like?"* This theme permeated all discussions on each and every issue. Cost increases and cost decreases were estimated with each proposal. After 4 months of intense deliberations, the negotiation process began to stall. Business wanted cost reductions tied to "system costs", while labor was focused on benefit improvements that business believed would drive costs even higher. An impasse was developing. It was at this point that Governor Goldschmidt announced that the business climate in Oregon was desperate. SAIF was seriously considering the cancellation of all insurance for the myriad of small businesses they insured because costs were out of control. This crisis seemed to be the turning point in the negotiations. Labor became more open to the idea that cost savings could come primarily from system expenses, not from the benefits provided injured workers. Central to the control of system expenses was the creation of Managed Care Organizations ("MCO's), entities whose function would be defined by statute, and regulated by the Workers' Compensation Department for the state. Significant reductions in health care and wage-loss expenses were projected to result from quality over-sight of medical care through the use of these MCO's. Such cost reductions, if tied to increased quality of care, were recognized by labor as having the potential for a "win-win" situation for all concerned. How could anyone seriously argue against workers getting the best possible medical care? The answer is, no one could.

As part of the reform package that resulted from the "Mahonia Hall" meetings, SB 1197 also created a Management-Labor Advisory Committee, ("MLAC"). In the future, all workers' compensation legislation would have to be approved by this Committee in order to get to the Legislature. The goal was to have the MLAC hold the line on any attempt by special interest groups to make substantive changes in the law before enough time had passed to assess its performance. It was important for both sides of the agreement to see the results. The MLAC mechanism worked. The reforms were left largely intact for over ten years. The successful reduction in costs and improvement in benefits that resulted proved that the reform package in general, and the contributions of MCO's in particular, were critical to that success.