



## Whitehouse Marks 25th Anniversary of RI Workers' Compensation Reform

*Providence, RI* – U.S. Senator Sheldon Whitehouse this morning joined representatives of the Rhode Island Workers' Compensation Court for a breakfast marking the twenty-fifth anniversary of Rhode Island's successful 1992 workers' compensation reforms.

Whitehouse had a key role in crafting the sweeping reforms as director of the Department of Business Regulation under the late Governor Bruce Sundlun.

A transcript of Whitehouse's remarks at the event is below.

In January of 1991, readers of the *Providence Journal* opened the newspaper to a picture of a dragon spread across a news story entitled "Monster on the Loose." The monstrous dragon in question was the Rhode Island workers' compensation system.

Workers' compensation was then cited by many Rhode Island businesses as the number one business issue in the state. Business leaders marched in a torch lit parade to the State House demanding reforms.

Leviton Manufacturing had similar plants in Warwick and Brooklyn, NY. The Brooklyn plant carried workers compensation costs around \$300,000; their Warwick plant, more than a million dollars.

The average cost of a Rhode Island claim rose over \$12,500; Connecticut and Massachusetts were under \$7,000. Rhode Island injured workers were out longer, had higher medical and indemnity costs, and filed more claims than in almost any other state.

And then the insurers came in seeking a 123 percent rate increase.

That tore it, and newly-elected Governor Sundlun got to work on a reform. The General Assembly passed the new law unanimously in 1992, the Department of Business Regulation and the Workers Compensation Court implemented it by 1993, and Rhode Island started to see effects rapidly. I'll end by saying a few things about that reform, but first let me describe its results.

Number one, no rate increase. That was stopped in its tracks -- not an easy call, and one that prompted a mass exodus of all the insurance companies. So we set up our own insurance company, still going strong.

But that left Rhode Islanders on the hook, so reducing costs really mattered, and here are some of the post-reform stats:

By 1996, the number of claims per year per 100,000 covered workers had fallen below 5,000 from a pre-reform high of 9,800. Filings in the Court fell from 15,000 to around 8,000. And the conflict around those filings was so reduced that some workers compensation law firms had to close.

Permanent partial disability claims per 100,000 workers fell from over a thousand to an average of 434; permanent total disability claims fell from 43 to an average of just two.

As of 2009, Rhode Island enjoyed the lowest average medical cost per employee in the country.

Those savings flowed through to businesses: the average workers comp premium per \$100 of payroll fell from \$3.93 to \$1.77, well more than a 50 percent reduction.

Two noteworthy conclusions I draw from this reform. One is on process: we all pulled together, labor, business and legal communities; executive, legislative, and judicial branches. There were instances of real leadership, none more impressive than Chief Judge Bob Arrigan at the Workers' Compensation Court and Henry Boeniger in the General Assembly, but the magic came from everyone pulling

together and persisting, even through some knock-down-drag-out fights, to achieve a common goal. And doctors and labor and management have kept at it steadily through the years to keep balance and discipline to first principles.

The second is on substance. The reform was specifically designed not to cut benefits flowing through the system. The easiest cost-cutting is to cut the benefits that flow through a system.

We tried not to cut any benefits, but instead to cut the need for benefits, to point incentives for companies and workers in the right direction, to get people promptly back to work, to make sure everyone was being truthful, and to give timely decisions. This was a reform designed to create good incentives.

That was the magic. And in that, it provides a lasting lesson for reforms in health care, the tax code, and many other areas.

Final sentimental thank you to Bruce Sundlun, whose toughness, wisdom, and willingness to both compromise and stand firm remains a lasting example in my life.

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