The Liversidge *e*-Letter

An *Executive Briefing* on Emerging Workplace Safety and Insurance Issues

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The state of WSIB finances:
Stronger financial discipline but . . .
"WSIB at a delicate stage"

WSIB appears before Standing Committee on Public Accounts October 2, 2013

In a frank and open statement to the **Standing Committee on Public Accounts**, WSIB Chair Elizabeth Witmer advised that while the WSIB's state of affairs is much improved, things are still pretty fragile. The Board is not out of the woods yet, and won't be for some time to come. In speaking to WSIB progress in meeting the 60, 80 and 100% "sufficiency ratios" by 2017, 2022 and 2027 respectively (required by O. Reg. 141/12), Chair Witmer said:

> **As you know, the board's costs were totally out of control, and action was desperately needed to ensure the financial sustainability of the board . . . (Hansard, October 2, 2013, P-290).**

While a very strong statement, this candid assessment is at some level, refreshing. It is the type of honest account that over time builds credibility. Contrast this with statements made not that many years ago:

> "*We are starting to turn the financial corner*" **(2006 WSIB Annual Report)**;
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> "*We have improved management, controllership, and budget processes*" **(2007 WSIB Annual Report)**;
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> "*The WSIB has a long history of adapting and streamlining its services and programs to ensure the highest levels of service in a financially responsible manner*" **(2008 WSIB Annual Report)**.

As I reported in the December 18, 2009 issue of **The Liversidge *e*-Letter**, the Board and government were bullish on the state of affairs at the Board as late as November, 2009, when I repeated a statement made by the then Labour Minister:

> "*. . . the WSIB confirms that its ability to fund the ongoing obligations of the workplace safety and insurance system remains secure*".

And yet, things weren't so peachy after all. Just a few weeks after the release of that buoyant proclamation, the **Ontario Auditor General** had a very different take. In a late November, 2009 press-release under the headline, "***WSIB's Unfunded Liability Could Threaten Future Benefits***", the Auditor General stressed "*there is a risk that the WSIB may not be able to meet its obligations*".

And with that stark declaration, we entered a new era. Four years ago, on December 18, 2009 I said this:

> <u>The significance of the AG Report</u>
>
> The AG's assessment is unprecedented. It represents a milestone. ***The key debate right now, and for the next many years, is the very sustainability of the Ontario workers' compensation system.***

Three years after that, in the December 12, 2012 issue of **The Liversidge *e*-Letter**, I suggested that this was all the clearer by the Board's subsequent actions:

> Since the release of the **Auditor General's 2009 Annual Report** (see the December 18, 2009 issue of **The Liversidge *e*-Letter**, "***The Auditor General Report: WSIB UFL a threat to future benefits***"), the state of the Board's finances has been <u>the</u> issue. Almost every major WSIB initiative, from the **Harry Arthurs Funding Review**, value for money audits, a benefits policy review, case management upgrades, a renewed approach to return-to-work and the current **Doug Stanley Rate Framework Review**, to name a few, has been focused on one thing – attention to the bottom line.

So, while a new pragmatism has entered the WSIB lexicon, things *are* improving. Chair Witmer made this clear before the committee. Noting that "*there is a stronger financial discipline within the system*" (P-290), there has been some significant achievements, such as the unfunded liability ["UFL"], which "*now is $13.2 billion, down from $14.2 billion"* (P-291). Before the champagne is uncorked, I hasten to note that had the UFL not climbed to over $14 billion, the current level of $13.2 billion would be the high water mark. So, while things are "better", they are not yet "good". There is certainly more to do. But, the Board is now clearly saying that. No more ducking the hard choices.

But, it is the "*getting better*" that is the story. Chair Witmer explained how and where the Board is improving. She noted that the Board's current approach to return-to-work and medical management is paying off:

5700 Yonge St., Suite 200, Toronto, ON M2M 4K2 Tel: 416-590-7890; Fax: 416-590-9601 E-mail: lal@laliversidge.com **ISSN 1710-5757**

. . . we have focused on return to work. As a result, our claim costs are coming down. We now have one of the lowest new claims costs among all the provinces in Canada. (P-291)

We have transformed our medical strategy, our work transition and our return-to-work programs. As a result, we have seen a reduction in our benefits costs from $3.2 billion in 2009 to $2.7 billion in 2012.

In 2012, 92% of all workers were back to work with no wage loss, compared to 85% in 2009.

It is not only low new claim costs that are notable. Chair Witmer commented on massive adjustments to health care costs:

Not only are we improving our health services, but we're reducing our overall health costs. Leading up to 2009, health costs were escalating at a rate of about 8.5% each year. Since 2009, our costs each year have decreased by 10.5%; however, the cost for each injured worker is increasing. We are paying more to support them.

But, while these are serious accomplishments, Chair Witmer made it very clear that the Board could easily slip back into the quagmire:

I want to emphasize, though, that we are at a delicate stage. The next 80% funding requirement is going to be more challenging than achieving this first 60%, so we need to keep making gains. We need to build on our achievements, and we need to recognize that the system is still very fragile. As Professor Arthurs said, we are at the tipping point, and the success could easily be undone, but we are going to maintain our focus.

So, there it is. The Board is doing better but things remain "delicate". I interpret this to mean one or two missteps and the Board is "*back in the soup*" (well, I guess it is more precise to say it *stays* in the soup . . . it hasn't yet actually got out yet – but it is getting there).

The Board's media message doesn't match the message to the Standing Committee

I was therefore more than a little surprised to read the Board's October 2nd media release which spins a bit of a different message. This is what they said under the headline, "***WSIB transforming and improving financial sustainability***" (which is both true and reasonable). But, what follows doesn't tell the whole story (for the entire news release go to www.WSIB.on.ca).

TORONTO, October 2, 2013 - Appearing today before the Standing Committee on Public Accounts, the Workplace Safety and Insurance Board (WSIB) confirmed that significant progress has been made to strengthen its financial future, improve its efficiency and raise the bar on customer service.

"*We welcome the opportunity to report on our improvements and describe the transformation of the WSIB to a modern, sustainable and accountable workplace insurance system for workers and employers — a system that is important to the economic growth and productivity of our province*," said WSIB Chair Elizabeth Witmer.

The WSIB has turned its finances around largely through enhancements to its Service Delivery Model, Work Reintegration Program and Health Care strategy that are driving improved return-to-work and recovery outcomes for injured workers and employers.

As a result of investing in these areas, today 92% of all injured workers are back to work within one year of their injury with no wage loss, compared to just 85% in 2008. Because more workers are getting safely back to work sooner, annual benefit costs have also come down by over $500M.

The WSIB is firmly committed to delivering the best services to the 4.2 million workers and 255,000 Ontario employers it serves especially to the quarter of a million people who are receiving benefits and support from the WSIB at any given time. "*Our goal is to provide fair benefits and stability to injured workers, while ensuring fairness and predictability to employers, for generations to come*," concluded Witmer.

The WSIB is one of North America's largest insurance companies, processing over $2.7 billion a year in worker benefits, $4.3 billion in employer accounts and oversight for an investment portfolio of over $18 billion

Now, based on the testimony in the committee, all of this seems true enough and certainly the Board has arguably earned the right to crow a bit about its achievements. Perhaps, even more than a bit. As I have said recently in these pages what the Board has achieved over the last three plus years is quite remarkable.

But, there is a risk in putting too aggressive a spin on these successes without publicly repeating that things remain fragile. The Board clearly admits (in committee at least) things are still a bit dicey. The game is really just starting. It is hardly over. ***It is way too early to take a victory lap.***

This was made ever the more clear by WSIB President David Marshall near the end of the Board's appearance. Almost one of the last things said by the Board, in response to a question "*Do you think the WSIB will be able to reach full sufficiency by 2027?"* was this:

Mr. David Marshall: —I just want to put in context what the chair mentioned about the challenge at hand. We were about 55% funded, so to get to 60% is 5%, but to go from 60% to 80% is 20%, four times more difficult. That's really what we're talking about in terms of we've only just begun. **(Hansard, P-306)**.

So what's the big deal about the October 2nd media release? Why shouldn't the Board fluff its feathers as much as it wants? Well, its actually pretty simple. The current (and remember very recent) focus on the very sustainability of the Ontario workplace safety and insurance system didn't come about just because the finances were in a mess. They were in a mess for years. Not that long ago, when the Board was bleeding year-to-year operational deficits in the hundreds of millions of dollars, it was crowing that it had "*turned the financial corner*". Well, it hadn't. The Board only started to act *after* the Auditor General got involved. Only when it was *publicly recognized* that the Board was financially anaemic did things get going. But, it needed a blood transfusion long before that. ***So, once everyone begins to believe the crisis is yesterday's news, it is destined to again become tomorrow's headline.***