

Refocusing the Workers' Compensation Subsequent Injury Program

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SUMMARY

Subsequent Injury Benefit Trust Fund (SIBTF) Started as a Narrowly Focused Benefit. The state's SIBTF pays generous lifetime workers' compensation benefits to injured workers who also have pre-existing health issues. The state first enacted SIBTF to offset employers' workers' compensation costs for veterans and other workers whose serious pre-existing disabilities made a new work injury more disabling and therefore more costly to the employer. The program has evolved since then and now rivals the size of the standard workers' compensation system but with looser standards, broader eligibility, and more generous benefits. Nearly all claimants receive the state's most generous disability benefit, \$1,700 per week for life, a rarity in standard workers' compensation. Most SIBTF claims cite common health issues as pre-existing disabilities (rather than severe conditions as originally intended). These include hypertension, sleep apnea, arthritis, diabetes, headaches, acid reflux, asthma, allergies, and sexual dysfunction.

Employer SIBTF Tax Has Increased, but Nevertheless Understates Program Costs. Increased use of SIBTF has led to an increase in employer taxes that are used to fund benefits—from \$35 million in 2014-15 to \$850 million in 2024-25. This increase nevertheless understates employer costs. This is because, at present, the state processes about one-fifth of incoming claims each year, leading to a backlog of about 25,000 claims for which employer taxes are not yet due. Employers likely face lifetime benefit costs of \$2 billion to \$3 billion for each annual cohort of claims.

SIBTF Not Aligned With Legislature's Workers' Compensation Structure. The broadened SIBTF benefit program is no longer aligned with the Legislature's intended benefit structure for workers' compensation. This is because many injured workers with less severe injuries eventually receive the most generous benefit under SIBTF when they otherwise would have received much smaller awards under the standard workers' compensation benefit system as designed by the Legislature.

Influx of SIBTF Claims to Cause Further Delays. State processing staff have not been able to keep up with the rising number of SIBTF claims in recent years. As a result, claims processing that is already delay-prone is set to drag on longer: workers submitting SIBTF claims today might expect to wait five to ten years.

Refocusing SIBTF. We suggest the Legislature look to refocus SIBTF to more closely align with its original purpose. To do so, the Legislature would need to reassess several dimensions of the program. Key options include: (1) establishing stricter criteria for pre-existing conditions, (2) returning the eligibility threshold to only cover moderate and severe work injuries, (3) requiring that pre-existing conditions were previously documented, (4) requiring claims to be reviewed by an agreed-upon physician, (5) limiting SIBTF to pre-existing disabilities that actually worsen the work injury, and (6) revisiting how multiple conditions are added together. We also recommend the Legislature consider fast-tracking backlogged claims from workers with the most severe pre-existing conditions.