

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

House Bill 792 (Delegate McHale)

Economic Matters

Workers' Compensation - Permanent Partial Disability - Cap on Awards

This bill provides that if a covered employee is awarded workers' compensation for a permanent partial disability for less than 75 weeks in a claim arising from events occurring on or after January 1, 2000, the employer or its insurer must pay the covered employee compensation that equals one-third of the average weekly wage of the covered employee but does not exceed \$114. Under current law, for claims on or after January 1, 1993, the maximum compensation in such instances is \$94.20 per week.

Fiscal Summary

State Effect: State expenditures (all funds) for workers' compensation payments could increase by \$319,000 per year due to the increased average weekly wage paid on "first tier" permanent partial disability awards.

Local Effect: Increase of approximately 1.0% in total workers' compensation premiums (or expenditures if self-insured) for local governments, depending on the number of "first tier" permanent partial disability awards.

Small Business Effect: Minimal. Increase of approximately 1.0% in total workers' compensation premiums (or expenditures if self-insured) for employers, including small businesses, depending on the number of "first tier" permanent partial disability awards.

Fiscal Analysis

State Expenditures: The Injured Workers' Insurance Fund (IWIF), serving approximately 22% of the market in Maryland, advises that claim costs could increase by \$1.3 million per year. This figure is based on the difference between the current cap on "first tier" benefits of \$94.20 and \$114 times 52 weeks times 1,238 awards of less than 75 weeks during calendar 1998. Such an increase in claims paid would be offset through the collection of additional premiums.

For the purposes of workers' compensation, the State is self-insured and IWIF administers the State's program. It cannot be precisely determined at this time how many of the 1,238 awards are attributable to the State and how many to other IWIF insureds. Claims by State employees equal about 25% of IWIF's total claims; if this proportion applied to "first tier" benefits, the State workers' compensation benefits would increase by \$319,000.

IWIF paid \$31 million in claims on behalf of the State in calendar 1997; \$319,000 equals an increase of about 1%.

Information Source(s): Injured Workers' Insurance Fund; Subsequent Injury Fund; Uninsured Employers' Fund; Workers' Compensation Commission; National Council on Compensation Insurance, Inc.; Department of Legislative Services

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