HB 635

Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 635 (Delegate Wood)
Economic Matters

Workers' Compensation - Permanent Partial Disability - Petition to Reopen

This bill specifies that when an employee receives additional compensation for a permanent partial disability (PPD) on a petition to reopen a claim, the additional compensation cannot increase the amount of compensation previously awarded and paid.

Fiscal Summary

State Effect: The bill could potentially result in decreased State workers' compensation claims paid by $175,000 annually.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	$0	$0	$0	$0	$0
GF/SF/FF Exp.	(175,000)	(175,000)	(175,000)	(175,000)	(175,000)
Net Effect	$175,000	$175,000	$175,000	$175,000	$175,000

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Potential minimal decrease in local government workers' compensation costs.

Small Business Effect: Potential minimal.

Analysis

Current Law: The Workers' Compensation Commission (WCC) may modify any finding or order it considers justified. WCC can only modify an award if applied for within five years after the latter of:

- the date of the accident;
- the date of the disablement; or
- the last compensation payment.

If an employee is awarded compensation for a period between 75 and 249 weeks, the employee receives compensation equal to two-thirds of their average weekly wage not to exceed one-third of the State average weekly wage (currently $786).

For compensation for 250 weeks or more, if a covered employee receives additional compensation on a petition to reopen, the additional compensation may not increase the amount of compensation previously awarded and paid.

Background: PPD awards can be placed in three tiers, depending on the duration of the award. Permanent partial injuries for which durations of disability are determined to be:

- 75 weeks or less are eligible for first tier benefits (33 1/3% rate of compensation; minimum weekly benefit = $50; maximum weekly benefit = $114);

- at least 75 weeks but less than 250 weeks are eligible for second tier benefits (66 2/3% rate of compensation; minimum weekly benefit = $50; maximum weekly benefit = $250.61); or

- over 250 weeks are eligible for third tier benefits (66 2/3% rate of compensation; 33 1/3% additional weeks; $50 minimum weekly benefit; maximum weekly benefit = $563.93).

The bill would prevent a claimant from receiving an increased award for amounts previously received (*i.e.*, original award) when a PPD claim in the first tier moves to the second tier upon reopening. Since in the first tier the weekly benefit is smaller, this would prevent a retroactive payment reflecting a higher benefit for the time period covered by the original award. The new payments would be at the higher rate.

State Expenditures: According to the National Council of Compensation Insurance (NCCI), data provided by WCC indicates that the bill would have resulted in a 20% to 30% decrease in award amounts from 1991 through 2004. Using that information, NCCI estimates that the bill is expected to result in an overall system costs savings of up to $3.2 million (0.4%).

The Injured Workers' Insurance Fund is the State's workers' compensation insurer. Actual workers' compensation claims paid in fiscal 2004 totaled $43.8 million. If overall workers' compensation claims paid were to decrease by 0.4%, State expenditures could decrease by approximately $175,000.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/jr

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