

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 1261
 Economic Matters

(Delegate Schuler, *et al.*)

Workers' Compensation - Permanent Partial Disability - Compensation

This bill increases the maximum benefit for covered employees awarded compensation for less than 75 weeks for a permanent partial disability occurring on or after January 1, 2000. The maximum benefit is increased from \$114 to one-fifth of the average weekly wage, currently equivalent to \$170.

The bill applies to permanent partial disability claims filed on or after October 1, 2007.

Fiscal Summary

State Effect: State workers' compensation costs would increase by an estimated \$665,900 in FY 2008. Future years reflect annualization and inflation.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	665,900	922,600	958,700	996,300	1,035,300
Net Effect	(\$665,900)	(\$922,600)	(\$958,700)	(\$996,300)	(\$1,035,300)

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

Local Effect: Local workers' compensation costs would increase by an estimated 1.5% to 3.0% to reflect the increase in the maximum benefit for first tier claims.

Small Business Effect: Workers' compensation costs would increase by an estimated 1.5% to 3.0% to reflect the increase in the maximum benefit for first tier claims.

Analysis

Current Law: Compensation for permanent partial disability is divided into three tiers, depending on the severity of the injury.

- Compensation for a period of less than 75 weeks is generally available for the loss of a finger or a toe. Claims arising from events occurring on or after January 1, 2000 are entitled to compensation equal to one-third of the average weekly wage of the covered employee, not to exceed \$114. The maximum benefit is reduced for claims arising prior to 2000. Exceptions to maximum awards exist for certain disabilities and for specified public safety employees.
- Compensation for a period equal to or greater than 75 weeks but less than 250 weeks is generally available for the loss of a thumb, partial hearing loss, or disfigurement. These claims are entitled to compensation equal to two-thirds of the average weekly wage of the covered employee, not to exceed one-third of the State average weekly wage (currently equivalent to \$283).
- Compensation for a period of 250 weeks or more is generally available for loss of a hand, arm, foot, leg, eye, or total loss of hearing. These claims are entitled to compensation equal to two-thirds of the average weekly wage of the covered employee, not to exceed 75% of the State average weekly wage (currently equivalent to \$636).

Background: The National Council on Compensation Insurance has estimated that the bill would increase workers' compensation costs in the voluntary market between \$10 and \$20 million per year. This estimate does not include costs to self-insured entities, including the State.

The bill would affect the first tier of permanent partial disability benefits, those awarded for 75 weeks or less. The bill would not affect compensation to those covered employees whose average weekly wage is less than \$342, three times the current maximum benefit of \$114. The increase in the maximum benefit would increase benefits by up to 49% for covered employees whose average weekly wage exceeds \$342.

The bill could increase workers' compensation system costs by an estimated 1.5% to 3.0%. The maximum benefit is indexed to the State average weekly wage, so the value of benefits would continue to increase in future years (3.9% annually based on the past five years' annual increases).

State Expenditures: The Injured Workers' Insurance Fund has reviewed the National Council on Compensation Insurance's analysis of the cost of the bill. Using these assumptions, the fund advises that State costs could increase by an estimated \$887,813 on an annual basis under the new methodology. Based on the bill's effective date, fiscal 2008 costs are estimated at \$665,860.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mll/jr

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