

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1154 (Delegates Manno and Schuler)
 Economic Matters

Workers' Compensation - Permanent Partial Disability - Benefit

This bill eliminates the first tier of the existing three-tier compensation system for permanent partial disability claims so that the maximum weekly benefit for an employee who is awarded compensation for less than 75 weeks (currently one-third of the employee's average weekly wage, subject to a \$114 cap) is equivalent to an employee who is awarded compensation for 75 to 250 weeks (currently two-thirds of the employee's average weekly wage, subject to a cap of one-third of the State average weekly wage). Thus, the bill does not affect compensation for public safety employees who are already awarded compensation for a permanent partial disability for less than 75 weeks at the higher rate.

The bill is prospective and would not affect claims filed before October, 1, 2008.

Fiscal Summary

State Effect: State workers' compensation claims costs would increase by an estimated \$671,800 in FY 2009. Future years reflect annualization and increases in average wages. No effect on revenues.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	671,800	922,600	950,200	978,700	1,008,100
Net Effect	(\$671,800)	(\$922,600)	(\$950,200)	(\$978,700)	(\$1,008,100)

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

Local Effect: Local workers' compensation costs would increase by an estimated 4.2% to 8.3% to reflect the increase in the maximum benefit and effectively merging first- and second-tier claims.

Small Business Effect: Workers' compensation costs would increase by an estimated 4.2% to 8.3% to reflect the increase in the maximum benefit and effectively merging first- and second-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 \$292).
- 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 \$658).

Background: For purposes of workers' compensation, the average weekly wage of a covered employee is based on the employee's average full-time weekly wage at the time of the accidental personal injury or last injurious exposure to the hazards of an occupational disease. This calculation must include tips and the reasonable value of housing, meals, and other similar advantages provided by the employer. The current State average weekly wage is \$877.

State Fiscal Effect: The bill would eliminate first-tier benefits and require all awards of compensation of less than 250 weeks to be paid at the second-tier rates. For the four-year period ending October 31, 2007, the Injured Workers' Insurance Fund paid 4,379 awards

at the first-tier level for a total of more than \$23.3 million. IWIF advises that if all these claims had instead been paid at the second-tier rate, the total claims would have been almost \$37.7 million. Thus, the additional cost to IWIF over a four-year period would have been more than \$14.3 million. Approximately 25% of IWIF claims arise from the State, resulting in additional costs to the State of almost \$3.6 million for the four-year period. Based on the bill's October 1, 2008 effective date, fiscal 2009 costs are estimated at \$671,761.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 18, 2008
mcp/ljm

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