

Department of Legislative Services
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 874
Finance

(Senator Klausmeier)

Workers' Compensation - Temporary Total Disability - Incarcerated Employees

This bill establishes that an employer, or its insurer, is not liable for the payment of temporary total disability compensation under the State's workers' compensation laws when the covered employee to whom benefits are otherwise due is incarcerated, unless the employee participates in a work release program. An employer, or insurer, must resume payments when the employee is released if the employee is still entitled to receive temporary total benefits.

The bill applies prospectively and may not be applied or interpreted to have any effect on or application to any claims filed for temporary total disability before October 1, 2015.

Fiscal Summary

State Effect: Potential minimal decrease in workers' compensation costs (all funds) to the extent payments are reduced as a result of the bill. No effect on revenues.

Chesapeake Employers' Insurance Company (Chesapeake) Effect: Potential minimal decrease in Chesapeake benefit payments as a result of the bill.

Local Effect: Potential minimal decrease in workers' compensation costs from reduced benefit payments as a result of the bill.

Small Business Effect: Potential minimal.

Analysis

Current Law: A covered employee who is temporarily totally disabled due to an accidental personal injury or an occupational disease may file a claim for workers' compensation payments. The employer, or its insurer, must pay the employee compensation that equals two-thirds of his or her average weekly wage. However, the payment may not be more than the average weekly wage of the State (as determined by the Workers' Compensation Commission) or less than \$50. The payments continue throughout the period that the employee is temporarily totally disabled. According to the Workers' Compensation Commission, the 2015 average weekly wage is \$1,005.

Temporary total disability compensation under the State's workers' compensation laws must be paid to covered employees even during periods of incarceration.

Background: In 1996, the Maryland Court of Appeals held that, under the Workers' Compensation Act, an employer may not terminate or suspend temporary total disability benefits based solely on the incarceration of the worker. *Bowen v. Smith*, 342 Md. 449 (1996). The court grounded its opinion on the fact that the language of the Act did not justify the exclusion of the employee's right to compensation based on his incarceration. The Act does not provide for the suspension of disability benefits while a claimant is incarcerated, and as a result, the court held that it would not create such an exclusion. The court stated further that workers' compensation is a statutory responsibility and any change or addition to the law is a function of the legislature and not the courts.

Temporary total disability is paid as a wage replacement while the injured worker is unable to work due to injury. An injured worker may remain on temporary total disability until he or she reaches maximum medical improvement. Maximum medical improvement occurs when an injured employee reaches a state where his or her condition cannot be improved any further. At that point, no further healing or improvement is deemed possible. When a worker who is receiving workers' compensation benefits reaches maximum medical improvement, his or her condition is assessed and a degree of permanent or partial impairment is determined. This degree impacts the amount of permanent disability benefits the worker is able to receive.

State/Chesapeake/Local Fiscal Expenditures: Chesapeake advises that it does not track whether or not individuals are incarcerated, and there is no requirement that Chesapeake be notified. Chesapeake further advises that occasionally an adjuster may become aware that a claimant is incarcerated, but such cases are very rare. Due to the rarity of the situation addressed by the bill, any decrease in State, Chesapeake, or local benefit payments is expected to be minimal.

Additional Information

Prior Introductions: SB 608 of 2010 was withdrawn after a hearing in the Senate Finance Committee. SB 520 of 2009 received a hearing in the Senate Finance Committee, but no further action was taken on the bill. Its cross file, HB 1036, received an unfavorable report from the House Economic Matters Committee. Similar legislation was also introduced in previous years.

Cross File: None.

Information Source(s): Chesapeake Employers' Insurance Company, Workers' Compensation Commission, Montgomery County, Subsequent Injury Fund, Department of Legislative Services

Fiscal Note History: First Reader - April 13, 2015
mar/ljm

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510