

Department of Legislative Services  
Maryland General Assembly  
2015 Session

**FISCAL AND POLICY NOTE**

Senate Bill 898  
Finance

(Senator Klausmeier)

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**Workers' Compensation - Permanent Partial Disability Benefits - Compensation**

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This bill increases the number of weeks for which an injured employee with a permanent partial disability must be awarded compensation to be eligible to receive weekly benefits equal to two-thirds of his or her weekly wage (instead of one-third of his or her weekly wage), and it makes conforming changes. Specifically, the bill increases the number of weeks from at least 75 weeks of compensation to at least 100 weeks of compensation for the injured employee to receive weekly benefits equal to two-thirds of his or her average weekly wage.

The bill applies prospectively and may not be applied or interpreted to have any effect on or application to any claims for workers' compensation benefits filed before October 1, 2015.

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**Fiscal Summary**

**State Effect:** State expenditures (all funds) decrease due to the increase in the number of weeks an injured employee with a permanent partial disability must be awarded compensation in order to receive second tier weekly benefits. Any additional hearings before the Workers' Compensation Commission (WCC) can be handled with existing budgeted resources. Revenues are not affected.

**Chesapeake Employers' Insurance Company (Chesapeake) Effect:** Chesapeake expenditures decrease due to the increase in the number of weeks an injured employee with a permanent partial disability must be awarded compensation in order to receive second tier weekly benefits.

**Local Effect:** County and municipality expenditures decrease due to the increase in the number of weeks an injured employee with a permanent partial disability must be awarded compensation in order to receive second tier weekly benefits.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Current Law/Background:** Permanent partial disability claims are the most common type of workers' compensation case and can be caused by work-related injuries or occupational diseases. A permanent partial disability means that some sort of impairment exists, which makes a worker unable to perform his or her normal job duties at full capacity. Common examples of this type of injury include amputation of a body part, hearing loss, or knee injuries.

Maryland Workers' Compensation Law specifies the length of compensation (in weeks) for permanent partial disability awards based on the type of injury that has occurred. Furthermore, depending on how long a compensation award lasts, the injured employee is entitled to a specified percentage of his or her weekly salary; however, this amount may not exceed a specified percentage of the State average weekly wage (which is also dependent on how long the compensation award lasts).

Compensation benefits that are awarded for less than 75 weeks are considered "first tier benefits." An employee who receives first tier benefits is entitled to weekly compensation that equals one-third of his or her average weekly wage over the entire period, but the total amount may not exceed 16.7% of the State average weekly wage (\$168 in 2015). For calendar 2015, the State average weekly wage is \$1,005. Compensation benefits that are awarded for at least 75 weeks and less than 250 weeks are considered "second tier benefits." An employee who receives second tier benefits is entitled to weekly compensation that equals two-thirds of his or her average weekly wage over the entire period, but the total amount may not exceed one-third of the State average weekly wage (\$335 in 2015).

**State/Chesapeake/Local/Small Business Expenditures:** Expenditures decrease beginning in fiscal 2016 due to the increase in the number of weeks for which an injured employee with a permanent partial disability must be awarded compensation in order to receive second tier weekly benefits. The exact impact depends on the number of injured employees who are awarded compensation for a period that lasts between 75 and 99 weeks in future years and, thus, cannot be reliably estimated.

*For illustrative purposes only,* Chesapeake advises that, in calendar 2014, the total actual cost for permanent partial disability claims that lasted between 75 and 99 weeks was \$5.1 million. If the bill had been in effect in 2014, the same awards would have only cost \$2.5 million, resulting in an expenditure decrease of \$2.6 million in that year for

Chesapeake. Other employers or insurers in the State – including the State and local governments – are similarly affected.

The National Council on Compensation Insurance advises that the decrease in costs may be partially mitigated due to increased litigation costs to the extent the bill results in more claimants appealing award determinations due to the bill's alteration of the weekly benefit rate; however, such an impact cannot be reliably estimated at this time.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Chesapeake Employers' Insurance Company; Carroll, Harford, and St. Mary's counties; Maryland Association of Counties; National Council on Compensation Insurance; Subsequent Injury Fund; Workers' Compensation Commission; Department of Legislative Services

**Fiscal Note History:** First Reader - April 13, 2015  
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