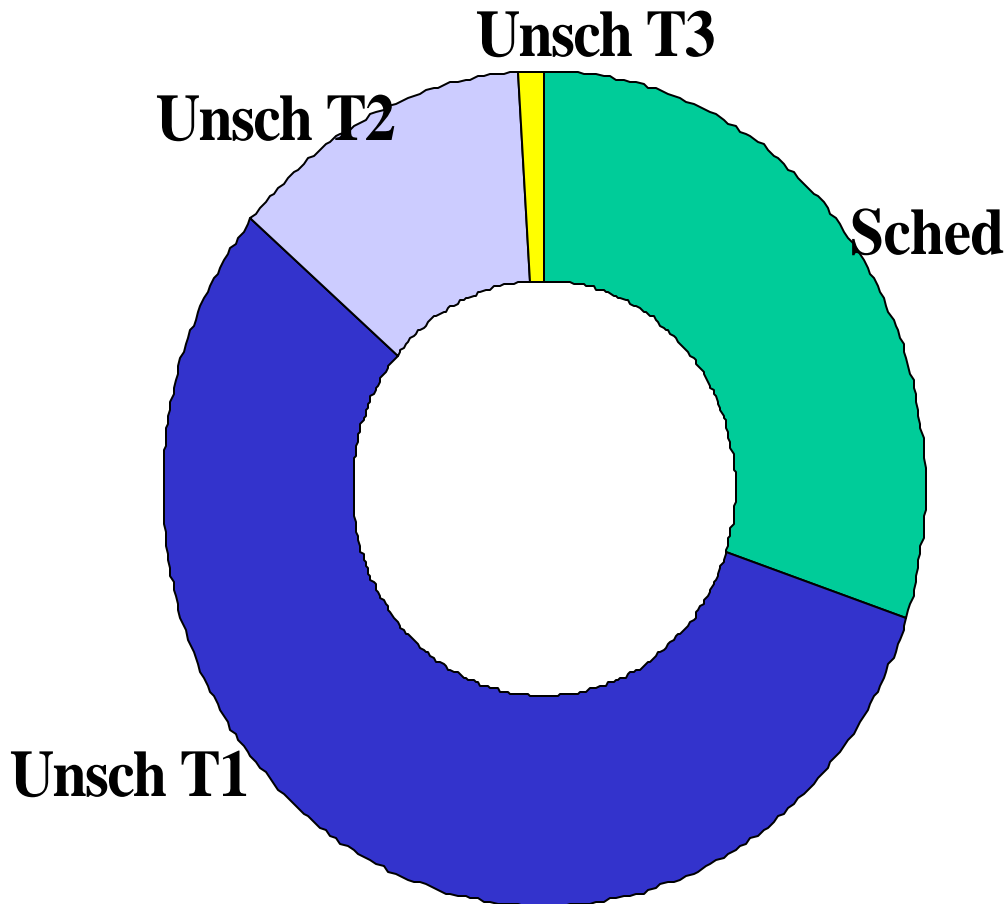


PPD policy objectives

- Retain predictable, objective factors
- Explore wage-based benefits in order to better match compensation to lost earnings
- Simplify the tiered benefit structure
- Achieve, maintain, or exceed parity with the benefit generosity of other states.
- Encourage return to work.

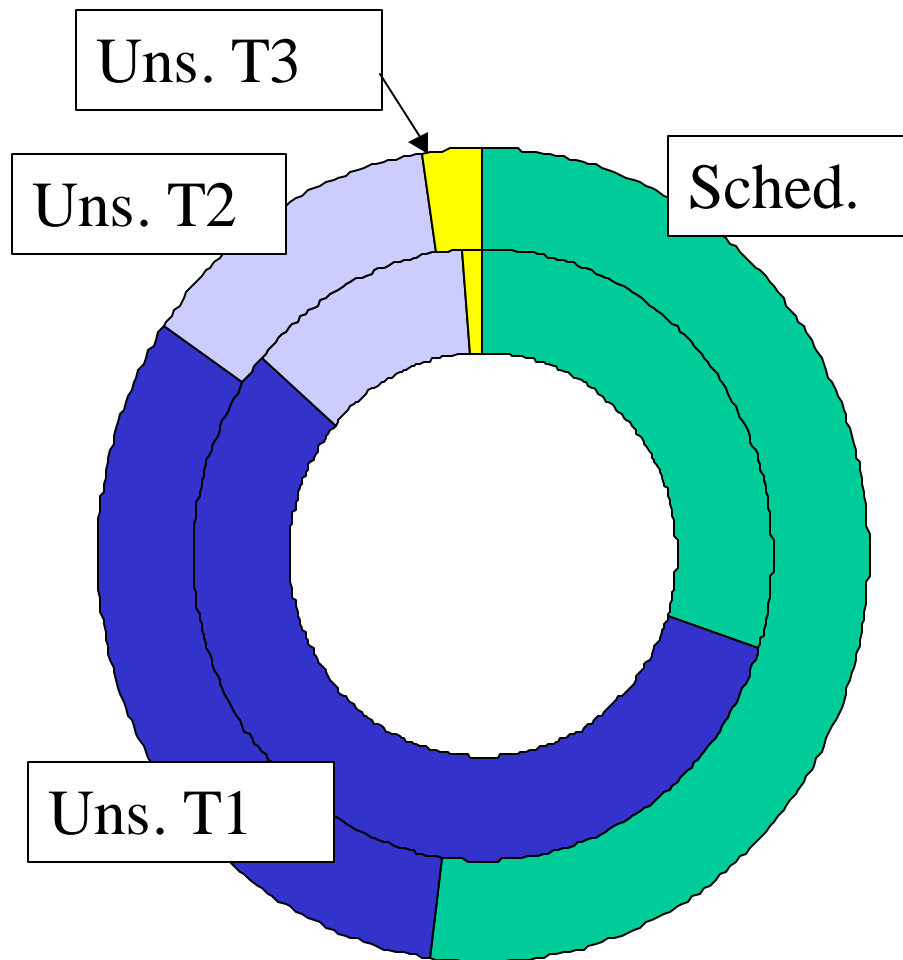
Degrees in the current system:



- **Scheduled awards account for about 30% of degrees awarded**
- **Unscheduled Tier 1 is about 56% of degrees**
- **Unscheduled Tier 2 is about 13% of degrees**
- **Unscheduled Tier 3 is about 1% of degrees**

Degrees vs dollars in the current system

(outer ring = \$ distribution)



- **Scheduled awards account for 30% of degrees; 53% of \$**
- **Unscheduled Tier 1 is 56% of degrees; 32% of \$**
- **Unscheduled Tier 2 is 13% of degrees and \$**
- **Unscheduled Tier 3 is 1% of degrees; 2% of \$**

Alternative PPD Models

- **Models 1 and 2:**

- use existing ratings and degrees
- use the same \$ values for scheduled and unscheduled injuries
- use the TTD rate ($\frac{2}{3}$ of wages) for most workers, rather than a fixed degree value
- employ maximum and minimum benefits

It's important to keep in mind...

- Models 1 & 2 maintain the different bases for rating PPD: impairment only for scheduled; loss of earning capacity for unscheduled.
- overall cost is influenced by many factors
- the maximum benefit is not a good indicator of generosity for most workers
- tying benefits to wages provides an annual adjustment mechanism

Comparing Models 1 and 2

Model 1:

- each degree = 1 week of benefits (max 320)
- maximum = 100% of SAWW (320 degrees = \$206,400)
- minimum = 33% of SAWW (320 degrees = \$68,803)
- total cost = \$104.6 M

Model 2:

- each degree = 1 week of benefits (max 260)
- maximum = 133% of SAWW (260 degrees = \$223,041)
- minimum = 33% of SAWW (260 degrees = \$55,903)
- total cost = \$86.9 M

Model 3 overview

- Creates two benefit types: **Impairment** and **Loss of earning capacity**
- Eliminates the scheduled/unscheduled distinction
- Both benefit types can be paid in the same claim, but the two types are compensated differently.
- Basically, we are compensating separately for loss of use and loss of earnings.

Model 3--Impairment benefit:

- Rated for every disability
- Impairment is a flat rate regardless of wage
- Each degree = 40% of SAWW

Model 3--Earning Capacity benefit:

- Rated only when the worker does not return to regular work.
- Earning capacity can be rated on any disabled body part, with the factors currently used for unscheduled disability.
- Benefit is wage-based: each % of rated disability = 1 week, subject to minimum & maximum rates.
- Rated only once per closure.

Advantages to Model 3

- Matches compensation more closely to economic loss.
- Existing rating factors could still be used,
- Conceptually unifies and clarifies benefits.
- Does away with “tiered” benefit structure.
- Preserves impairment as a “floor” to PPD compensation amounts.
- Benefits escalate automatically with SAWW changes.
- Expands re-employment incentives to scheduled injuries.
- Multiple-job wages could be used.

Summary of cost impacts (*preliminary estimates*)

- **Current (SB 485)** \$94.1 million
- **Model 1:** \$104.6 million
- **Model 2:** \$86.9 million
- **Model 3:** (Imp.= 40% of SAWW;
LEC=100 weeks of wages) \$90.5 million
- **Model 3B:** (Imp.= 30% of SAWW;
LEC=156 weeks of wages) \$94.1 million