

Permanent Partial Disability (PPD) Benefit Restructuring Approaches

The PPD Benefits subcommittee of the Management Labor Advisory Committee has been discussing ways to improve the adequacy and equity of Oregon PPD benefits. In looking at ways to restructure benefits, the following policy objectives were identified:

- ◆ 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; and
- ◆ Encourage return to work.

Three proposed models to meet these objectives are being considered by the subcommittee. Of course these models are just a few of many possibilities. **Models 1 and 2** retain the existing rating concepts for scheduled and unscheduled PPD, but change the dollar computation from a flat-rate degree-based amount to a function of the worker's wage at injury, subject to weekly minimums and maximums.

Model 1 uses each degree of disability in the current system as one week of PPD benefits, paid at the worker's TTD rate, subject to a minimum of 33% of the State Average Weekly Wage (SAWW) and a maximum of 100% of SAWW. The maximum benefit (320 weeks/320 degrees) under this model would be \$206,400 at the current SAWW rate of \$645.00 per week.

Model 2 uses a maximum of 260 degrees (weeks) of disability, rather than the 320 in the current system. Awards less than 100% are proportionate to the 260-week maximum. Each week of PPD benefits would be paid at the worker's TTD rate, subject to a minimum of 33% of the State Average Weekly Wage (SAWW) and a maximum of 133% of SAWW. The maximum benefit (260 weeks/260 degrees) under this model would be \$223,041.

Models 3 and 3B eliminate the distinction between scheduled and unscheduled body parts and disabilities. In their place are benefits for impairment and loss of earning capacity (LEC), which can potentially be paid for injury to any body part. Impairment would be rated on a "whole person" basis in every claim, and paid at a flat percentage of the SAWW. Loss of earning capacity would be rated only for those claims where the worker cannot return to regular work, using the same factors currently used for rating unscheduled disability. The LEC benefit would be based on the worker's wage at injury; a percent rating would equate to a certain number of weeks of wage-based benefits. Models 3 and 3B differ only in their allocation of benefits between Impairment and LEC benefit types.

- **Model 3.** Specifies the Impairment benefit at a flat 40 percent of SAWW. The LEC benefit would be one week of wages for each percent of rated LEC, with a weekly minimum of 33% of SAWW and a maximum of 133% of SAWW. The overall maximum benefit would be \$168,345.
- **Model 3B.** Specifies the Impairment benefit at a flat 30 percent of SAWW. The LEC benefit would be proportional to 156 weeks (3 years) of wages, with each week a minimum of 33% of SAWW and a maximum of 133% of SAWW. The overall maximum benefit for this model is \$195,745.