



PERMANENT PARTIAL DISABILITY PROPOSAL

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J U S T I C E

M I N N E S O T A A S S O C I A T I O N F O R J U S T I C E

GOAL

Statutory Changes to Minn. Stat. 176.101

- Restore PPD benefits to where they would be if indexed for wages since 1983
 - 238%
- Include a yearly COLA tied to the SAWW – similar to all other workers' compensation benefits (wage loss, medical, and vocational rehabilitation)

TODAY'S PRESENTATION

Making the Right Choice

- Permanent Partial Disability
- History of How We Got Here
- Why an Increase is Necessary
- Proposal

PERMANENT PARTIAL DISABILITY BENEFITS

- Typically referred to as PPD
- One of four types of available benefits for injured workers (wage loss, PPD, vocational rehabilitation and medical) Why an Increase is Necessary
- Prior 1974, PPD was paid to compensate for wage loss that would occur in the future due to the injury
- After 1974, PPD is compensation for “functional loss of use or impairment of function”
- A dollar amount is paid based on date of injury, body parts and percentage given to the body part or whole body.

HISTORY

Pre-1984

- Minnesota did not have a guideline for rating PPD before 1984. A doctor was able to assign any rating
- The amount of permanent partial disability was calculated by multiplying the percentage of permanent partial disability by the number of the weeks assigned to the Injured Body part or “member” and then multiplying that product by 2/3 of the injured worker is average weekly wage at the time of the injury

HISTORY

Example

- Injured Worker: 15%
- Weeks: $15\% \times 350 = 52.5$ weeks
- Amount (Max CR):
 - 1981 @ \$267 = \$14,017.50
 - 1982 @ \$290 = \$15,225
 - 1983 @ \$313 = \$16,432.50

HISTORY

Example m (cont.)

If no change to the system in 1984, a 15% PPD with today's Max CR would be:

- 2022 @ \$1,256.64 = \$65,973.60

Instead, the same disability would result in a 10.65% of the whole body (conversion under MN Rule 5223.0250)

- 2022 = \$9,510.45 (10.65% x \$89,300)

Under New Proposal

- 2023 = \$22,587.26 (10.65% x \$212,087)

HISTORY

1984 Changes

- In 1983, the legislature enacted 176.105 directing the Commissioner of Labor and Industry to establish a schedule of degrees of disability
- The legislature declared its intent that the schedule be determined on "sound actuarial evaluation"
- The PPD guidelines has been used since 1984

HISTORY

1984 - 1995

- 1984 – 1995
 - Two Tier System – introduced Impairment Compensation (IC) and Economic Recovery Compensation(ERC)
 - IC – payable if employee returned to work
 - PPD was calculated by multiplying the % PPD by the corresponding dollar amount
 - ERC – payable if employee did not receive a suitable job offer
 - $PPD \% \times \text{Weeks of Compensation} \times \frac{2}{3}\text{rds of AWW}$

HISTORY

1995-Present

- Removed Two Tier – Left IC or PPD
- PPD was calculated by multiplying the % PPD by the corresponding dollar amount
- 1995-2000 – Amounts for PPD Stayed the Same
- 2000-2018 – PPD amounts were increased overall 14.1%
- 2018- Present – 5% increase

INCREASE IS NECESSARY

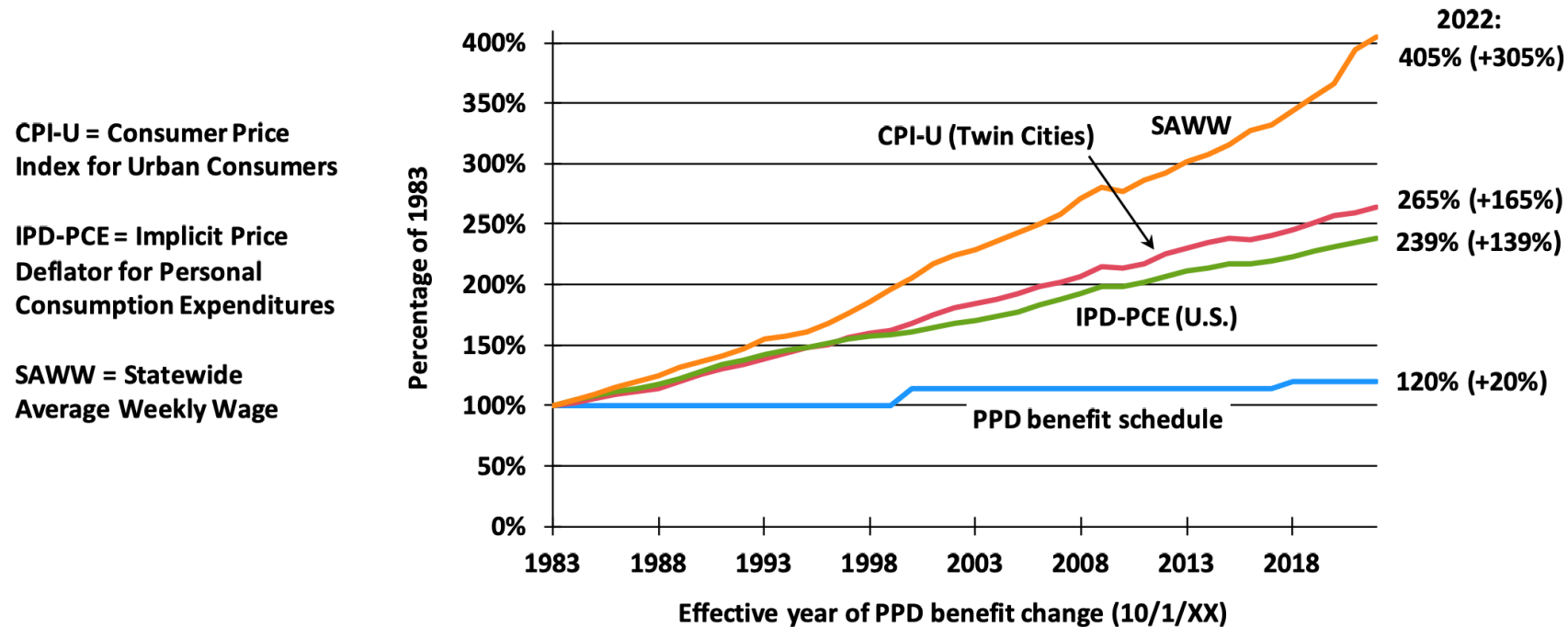
Get Us to Where We Should Be

- DOLI – 3 Reports – 2/20/21, 10/13/21 and 12/8/21
- The Department concluded that PPD which had been largely fixed between 1984 and 2021 contributed to a 9.6% decrease to the overall workers' compensation cost per \$100 of payroll. The Department indicated that if the PPD benefit had been indexed to the statewide average weekly wage since 1984, the index schedule would have exerted a neutral effect on the Workers' Compensation System per \$100 of payroll over those years.
- Restoring PPD benefits to where they would be if indexed for wages since 1983 would raise cost, but that this would occur by means of ending (or reducing) previous annual cost savings relative to payroll that accrued since 1984 as a result of non-indexing.

INCREASE IS NECESSARY

Get Us to Where We Should Be

PPD benefit schedule growth compared with wage and price growth [1]



1. 2022 values are projected.

INCREASE IS NECESSARY

Get Us to Where We Should Be

PPD benefits as percentage of total indemnity, total benefits, and total WC system cost, projected to 2022

60% of Reported PPD ratings are under 5%

PPD Benefits have a minimal impact on the WC System

	Excluding the PPD portion of settlements	Including an estimate for the PPD portion of settlements
PPD benefits as percentage of —		
Total indemnity benefits	4.2%	16.2%
Total indemnity and medical benefits	1.9%	7.4%
Total WC system cost	1.2%	4.8%

1. Estimated with data from DLI and the MWCIA. Incorporates estimates from DLI mediators regarding the composition of settlements with respect to the various benefit types.

PROPOSAL

Amendment to MN Stat 176.101

- Get PPD current based on the SAWW (238%) increase as outlined by the Dept.
- Add a COLA adjustment based on the SAWW

SUMMARY

Amendment to MN Stat 176.101

- Follow legislative intent under MN Stat. 176.105
- Get us back on track from 1983
 - System has benefited
 - Old System v New System
 - SAWW goes up - Increase in premiums
- Compensating injured workers appropriately for functional loss of use or impairment
- Will allow a COLA adjustment like other workers' compensation benefits

QUESTIONS

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