



# **PPD benefit update proposals**

## **Presentation for the Dec. 8 WCAC meeting**

Prepared by DLI Research and Statistics

# Background

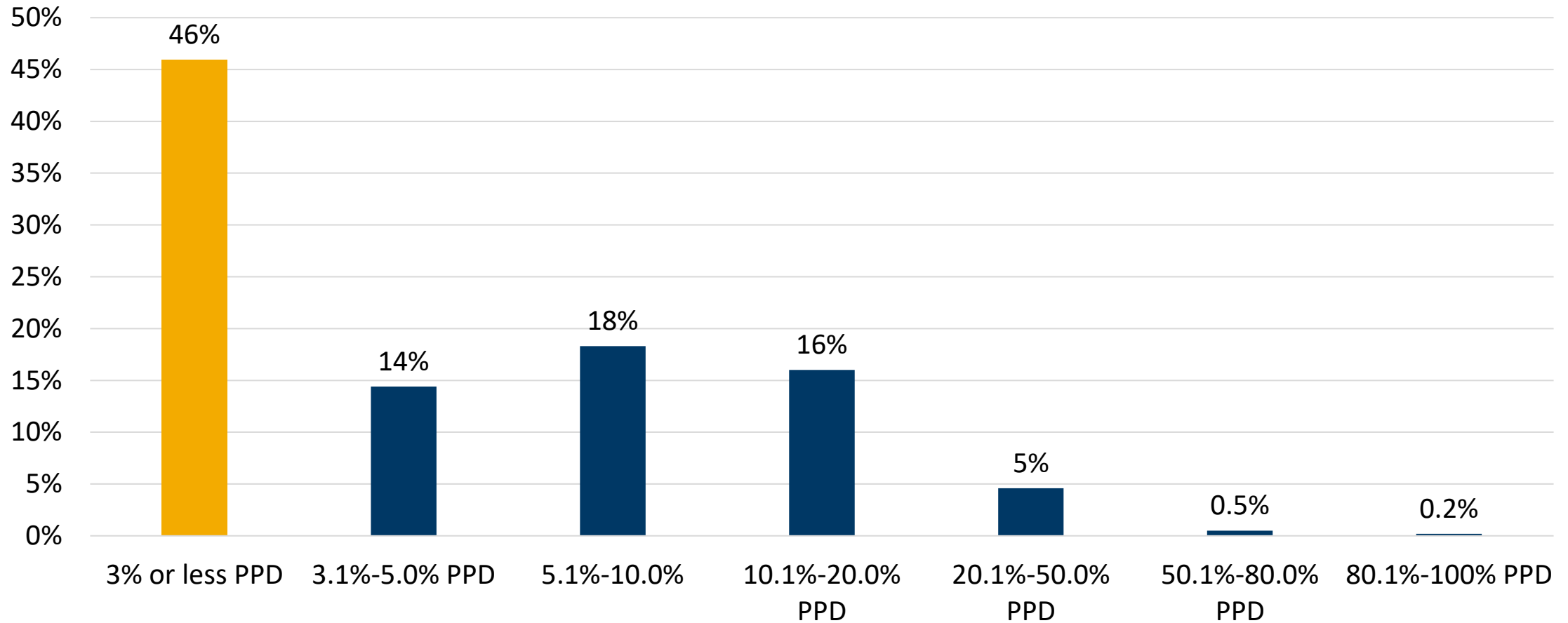
- The PPD benefit (originally called “impairment compensation,” or IC) is equal to the PPD rating times a base value for a rate range.
- The benefit amount per rate range is from a schedule fixed in statute. (Minn. Statutes chapter 176.101, subd. 2a)
- Except for law changes, the statutory schedule is not indexed for wage or price growth.
- Since the 1983 law change, the schedule has been raised twice by law changes:
  - In 2000 by 14.1% overall (different percentages for different rating levels).
  - In 2018 by 5.0% (same percentage for all rating levels).

# Effects of a one-time increase in PPD benefits per rating point

- The following slides present the base rate and PPD benefit values for possible one-time increases to take effect on Oct. 1, 2022, and for the estimated cost increases of these proposed benefit level increases.
- The benefit level increases are for 5%, 10%, 20%, 30% and 40% increases to the base level values.
- The current base level values begin at \$78,800 for impairment ratings less than 5.5% to \$540,800 for impairment ratings of 95.5% and higher. The PPD rating percentage is multiplied by the base level value to compute the benefit amount.
- For reference, some representative impairments are rated as:
  - Healed sprain, strain or contusion with pain/rigidity at a single cervical or lumbar vertebral level – 3.5%
  - Herniated disc, single lumbar vertebral level, with excellent surgical results – 9%
  - Amputation of index finger – 2.5% to 13.5% depending on joint
  - Amputation of hand at wrist– 54%
  - Amputation of a lesser toe – 0%-2%
  - Loss of vision in one eye – 24%

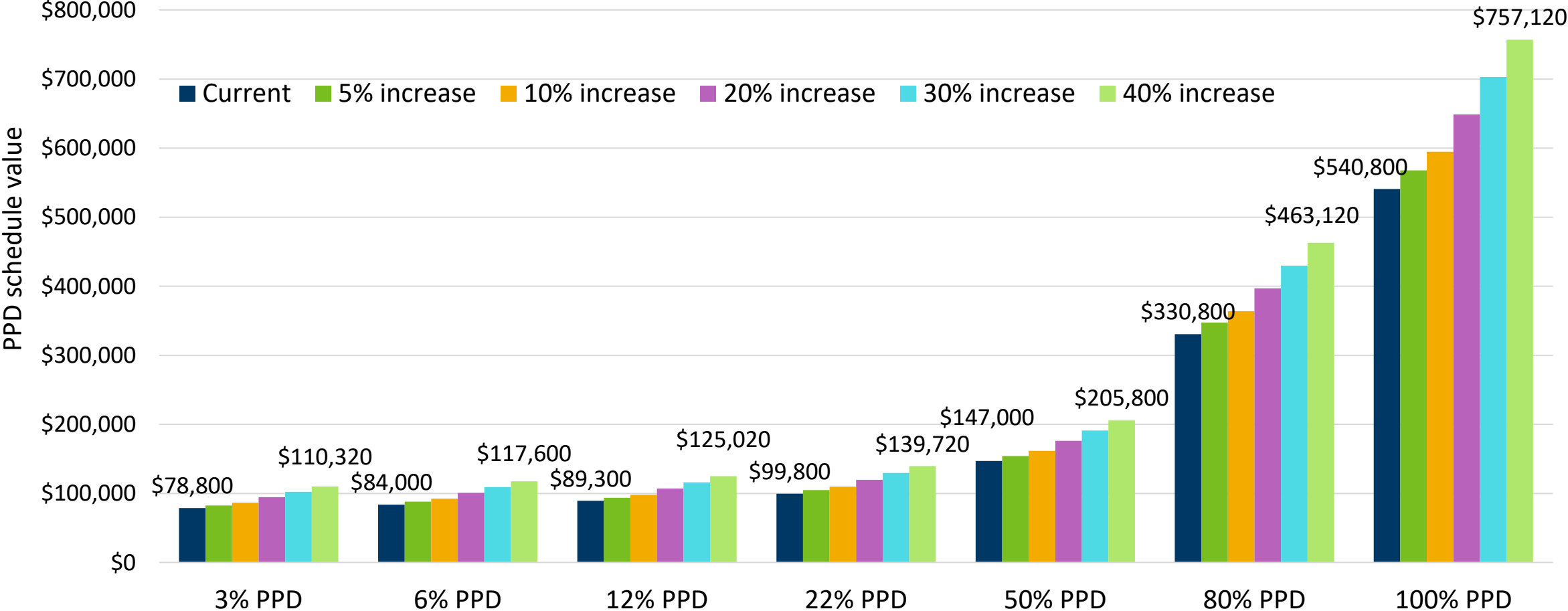
# 46% of PPD awards have impairment ratings of 3% or less, less than 1% of PPD ratings are over 50%, for claims with reported PPD ratings

Distribution of PPD percentages, 2019 and 2020 closures



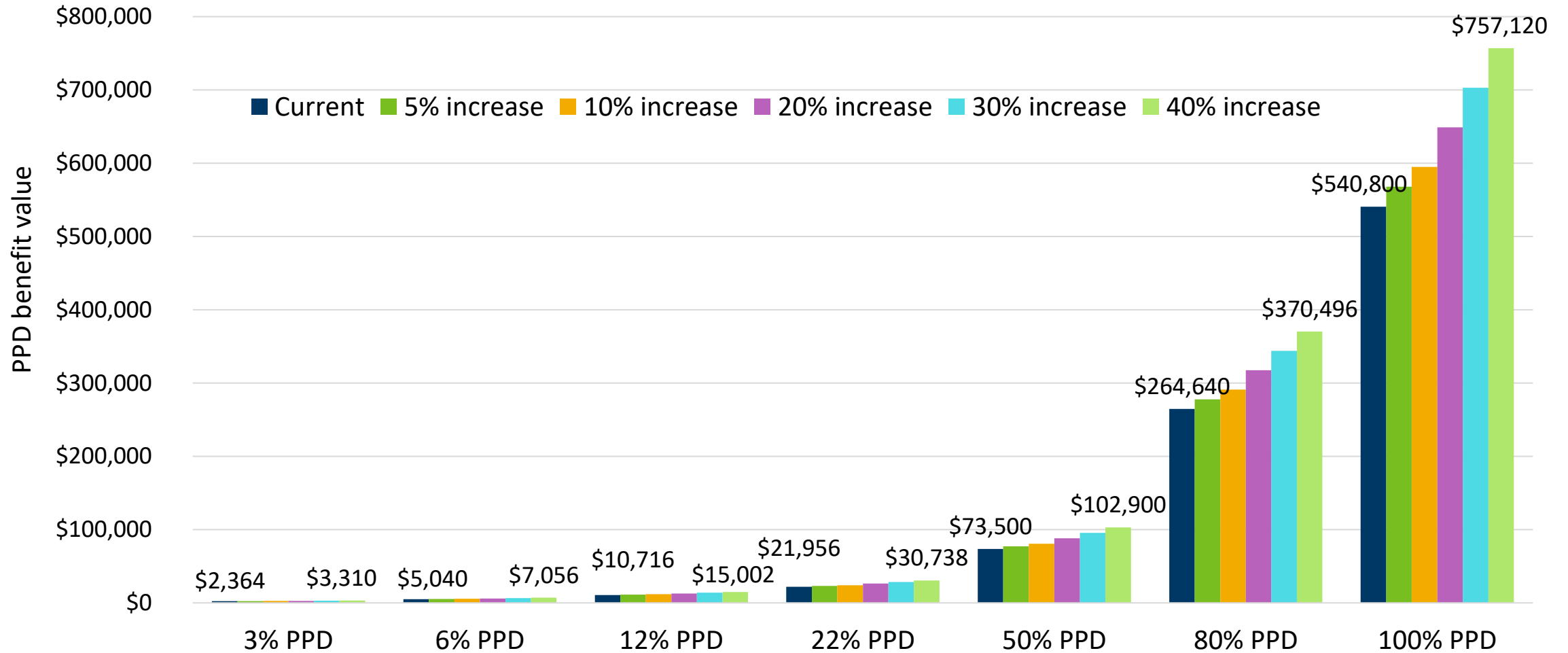
# PPD base schedule values are set in statute, used to calculate dollars from impairment percentages

Change in PPD base values for selected ratings



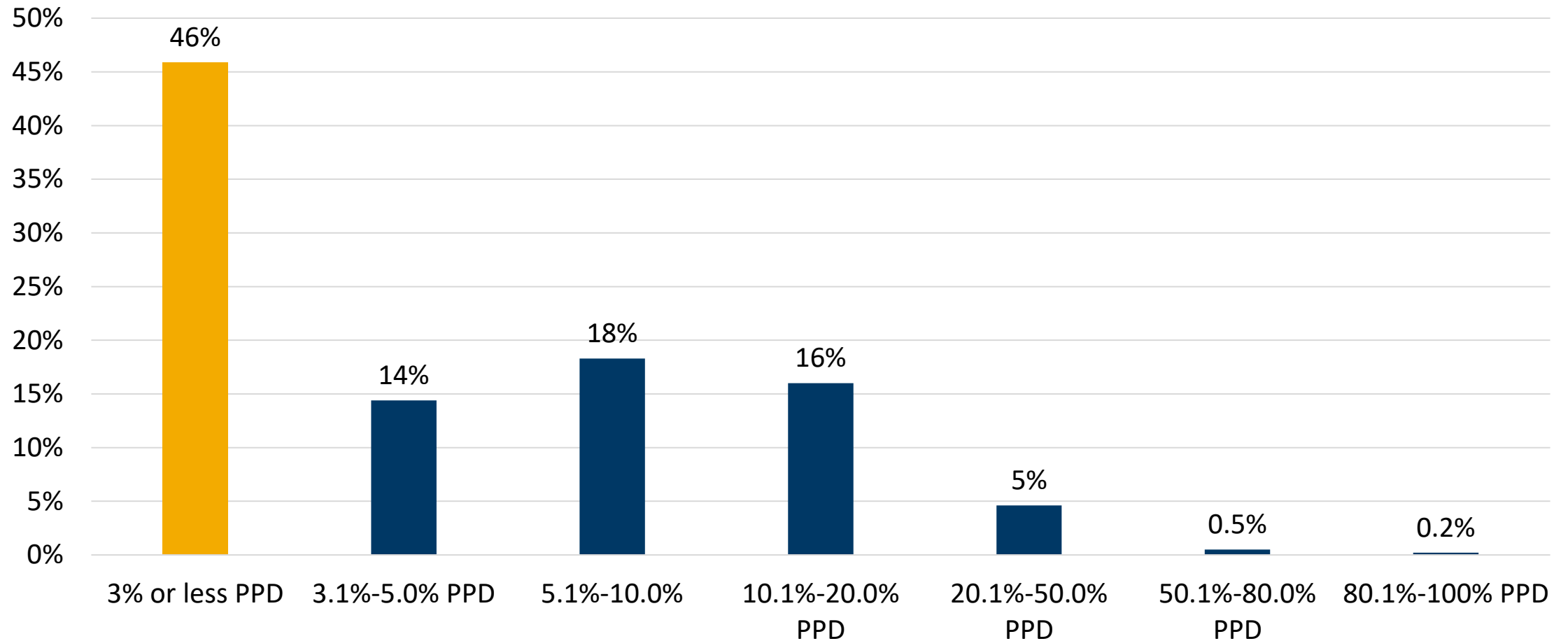
# PPD benefit amounts calculated from proposed base values

Change in PPD benefit values for selected ratings



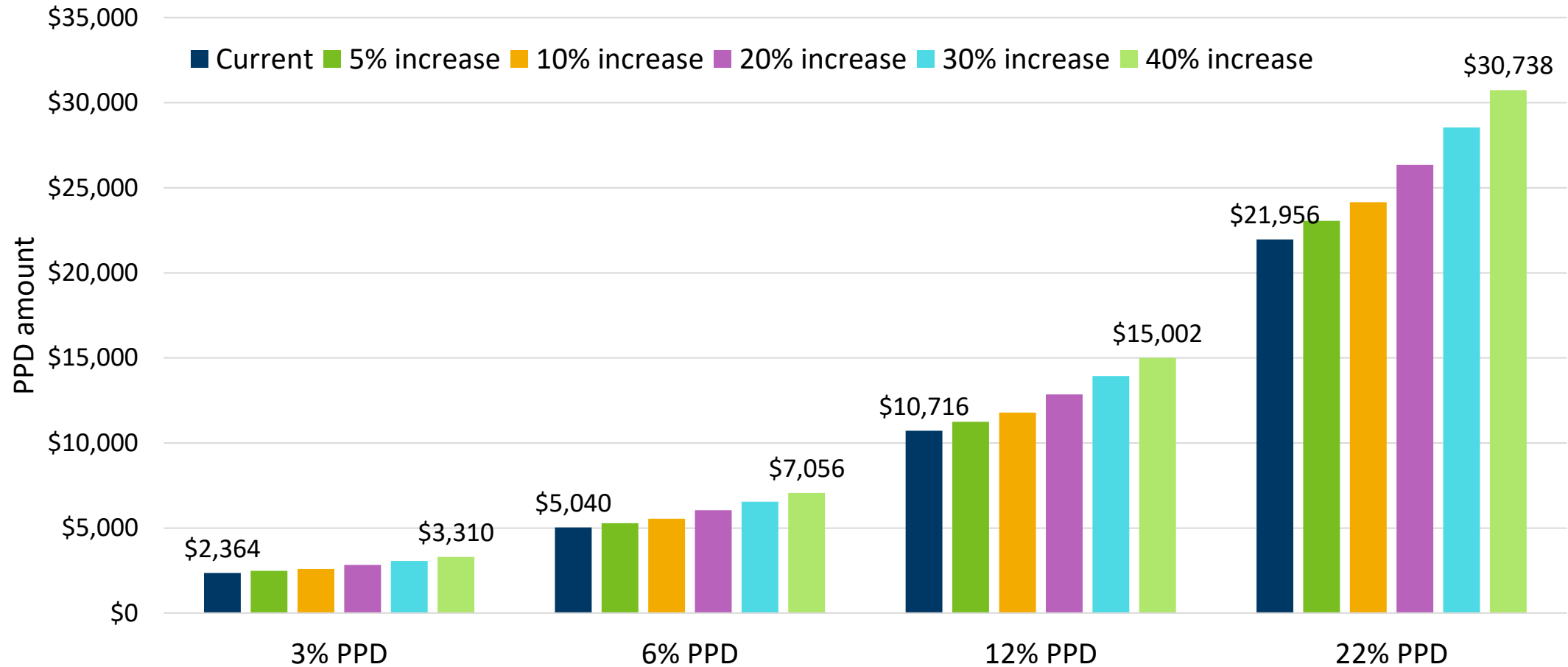
# Remember, 60% of reported PPD ratings are under 5% impairment

Distribution of PPD percentages, 2019 and 2020 closures



# A closer look at the lower end of the PPD schedule, where most actual PPD ratings fall

Change in PPD benefit values for selected ratings





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

PPD benefits as percentage of —	Excluding the PPD portion of settlements	Including an estimate for the PPD portion of settlements
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.

# A 40% increase adds less than \$30 million to system cost

*It is assumed that the benefit increase takes effect on October 1, 2022.*

*Except as otherwise noted, all statistics below relate to that date.*

	Increase in PPD benefit schedule				
	5%	10%	20%	30%	40%
Increase in PPD benefits paid	4.9%	9.8%	19.5%	29.1%	38.8%
Increase in indemnity benefits	0.8%	1.6%	3.2%	4.7%	6.3%
Increase in WC system cost (%)	0.2%	0.5%	0.9%	1.4%	1.8%
Increase in WC system cost (2019 \$)	<b>\$3.8M</b>	<b>\$7.5M</b>	<b>\$15.0M</b>	<b>\$22.4M</b>	<b>\$29.9M</b>