

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 693  
Economic Matters

(Delegate Kramer)

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

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This bill decreases the maximum weekly compensation benefit that a covered employee may receive for a permanent partial disability that lasts for less than 75 weeks from 16.7% of the State average weekly wage (\$172 in 2016) to \$114. The bill's change only applies to a claim that arises from events that occur on or after January 1, 2017.

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**Fiscal Summary**

**State Effect:** Expenditures (all funds) decrease significantly beginning in FY 2017 as covered employees who receive a permanent partial disability award for less than 75 weeks receive a smaller weekly benefit as compensation. Revenues are not affected.

**Chesapeake Employers' Insurance Company (Chesapeake) Effect:** Expenditures decrease significantly beginning in FY 2017 as covered employees who receive a permanent partial disability award for less than 75 weeks receive a smaller weekly benefit as compensation. Revenues are not affected.

**Local Effect:** Local government expenditures decrease significantly beginning in FY 2017 as covered employees who receive a permanent partial disability award for less than 75 weeks receive a smaller weekly benefit as compensation. Revenues are not affected.

**Small Business Effect:** 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).

For example, 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 (\$172 in 2016). For 2016, the State average weekly wage is \$1,027. 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 (\$343 in 2016).

Prior to 2009, the maximum weekly first tier benefit that a covered employee could receive for a permanent partial disability award was an actual value. For calendar 2000 through 2008, the maximum weekly benefit was \$114. Chapter 85 of 2008 changed the maximum benefit to be a percentage of the State average weekly wage. It increased the maximum weekly benefit amount on an incremental basis over three calendar years to 14.3% of the State average weekly wage in calendar 2009, 15.4% in calendar 2010, and 16.7% in calendar 2011 and thereafter.

**State/Chesapeake/Local/Small Business Expenditures:** State, Chesapeake, local government and small business expenditures (all funds) decrease significantly beginning in fiscal 2017 as covered employees who are injured for less than 75 weeks receive a smaller weekly benefit as compensation; however, the magnitude of the impact cannot be reliably estimated at this time.

*For illustrative purposes only, the Maryland Workers' Compensation Commission Annual Report for Fiscal Year 2015 indicates a total of 9,886 permanency awards were made in fiscal 2015, and 70.2% (6,936) of the awards were for less than 75 weeks. The maximum weekly benefit that an employee could receive for such an award was \$168 in that year. Assuming that all 6,936 employees received a permanent partial disability award at the maximum benefit of \$168 for an average of 60 weeks means that total expenditures across all employers may have been \$69.9 million in that year for those awards. In this situation, had the bill been in effect in that year (having a maximum weekly benefit of \$114 instead of \$168), expenditures would have decreased by \$22.5 million across all employers in the State.*

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 534 (Senator Klausmeier) - Finance.

**Information Source(s):** Chesapeake Employers' Insurance Company, Uninsured Employers' Fund, Workers' Compensation Commission, Montgomery County, Department of Legislative Services

**Fiscal Note History:** First Reader - February 12, 2016  
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