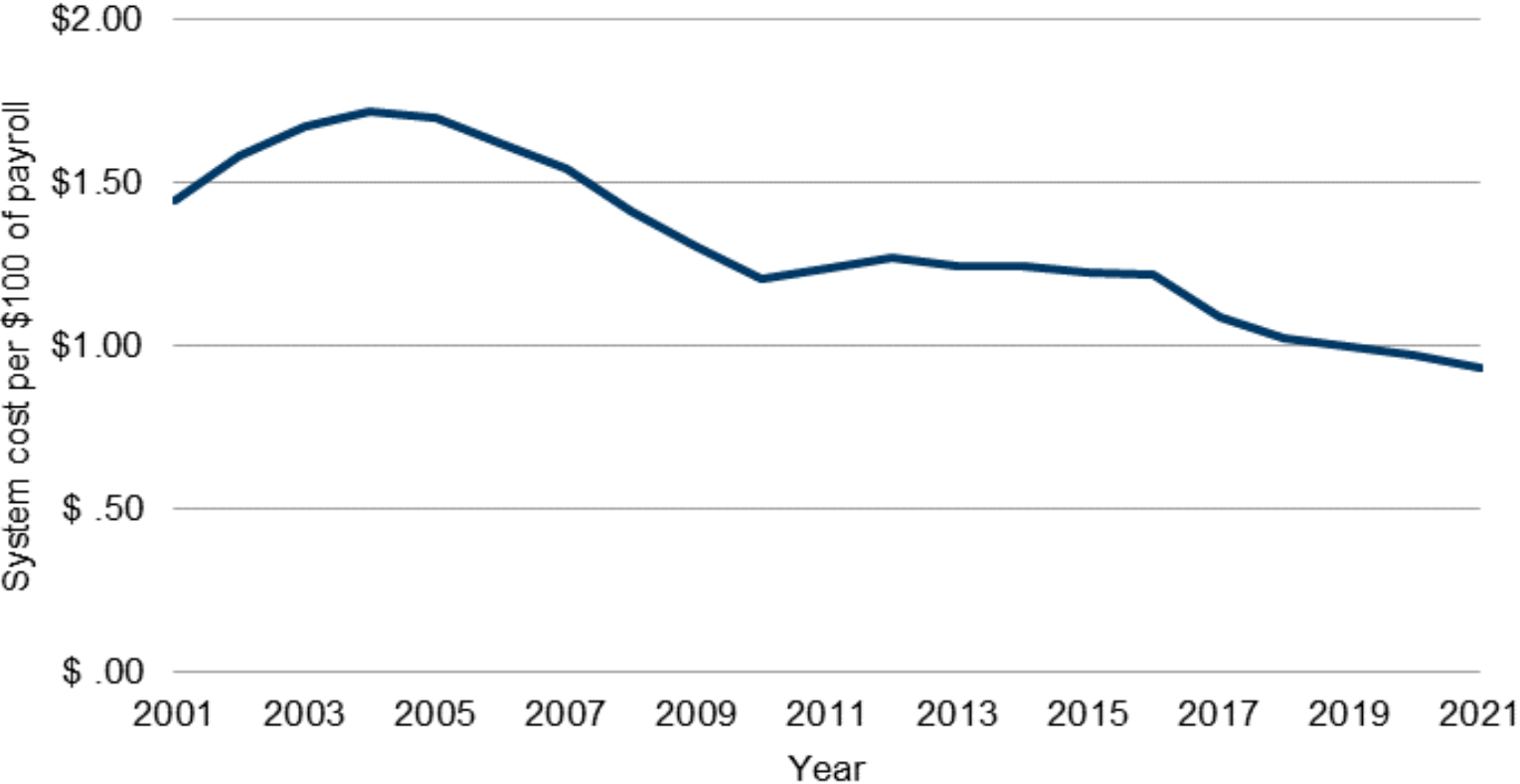


Projected increase in system cost resulting from indexing PPD benefits

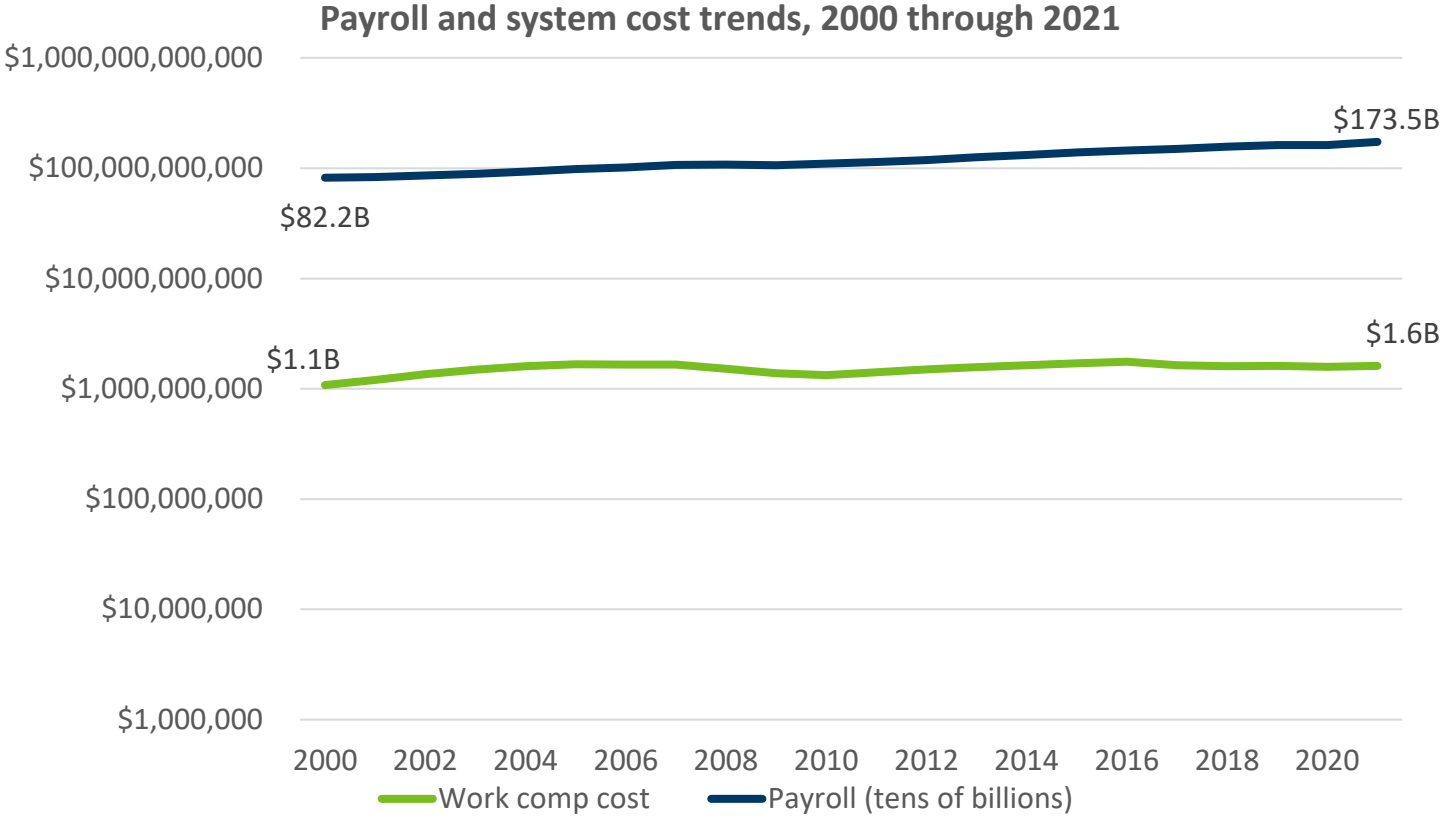
Research and Statistics
Hared Mah, research scientist

Long-term downward trend in system cost relative to payroll



- In 2021, total system cost was an estimated \$1.62 billion or \$0.93 per \$100 of payroll
- Long-term downward trend in system cost relative to payroll, amid annual fluctuations:
 - 35% decrease from 2001 to 2021 between two comparable cycles

Long-term downward trend in system cost relative to payroll



- System cost grew 50% from 2000 to 2021 while payroll grew 111% during the same period.
- From 2019 to 2021, the workers’ compensation system cost grew 0.14% while payroll grew 7%.
- If the workers’ compensation system cost kept pace with payroll since 2000, the 2021 system cost would be at \$2.26 billion, \$660 million higher than the present cost.

Background on permanent partial disability benefits

- The permanent partial disability (PPD) benefit (originally called “impairment compensation” or “IC”) is equal to the PPD rating times a benefit amount per rating point.
- The benefit amount per rating point is from a schedule in statute. Except for law changes, the statutory schedule is fixed – not indexed to 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); and
 - in 2018, by 5.0% (same percentage for all rating levels).
- A higher tier (“economic recovery compensation” or “ERC”) was paid instead of IC in certain circumstances. ERC was eliminated for injuries on or after Oct. 1, 1995.

Estimated increase in system cost resulting from one-time increase in PPD benefits in 2023

Increase PPD benefits by	Estimated percentage increase in system cost resulting from one-time increase in PPD benefits in 2023
94% **	4.61% (\$74.5M)
60%	2.93% (\$47.5M)
50%	2.45% (\$34.5M)
30%	1.47% (\$23.8M)
23.3%**	1.14% (\$18.5M)
10%	0.490% (\$7.9M)
\$14M*	0.865% (\$14.0M*)

Increase in system cost after one-time PPD benefit increase in 2023:

- Increasing PPD benefits by 94% in 2023 would lead to 4.61% (\$74.5M) increase in system cost in 2023
- Increasing PPD benefits by 60% in 2023 would lead to 2.93% (\$47.5M) increase in system cost in 2023
- Increasing PPD benefits by the 10% reduction in hospital outpatient fee schedule (HOFS) would lead to 0.865% (\$14M) increase in system cost

*If PPD benefits were to be increased by the amount that would have resulted from a 10% reduction in HOFS

**Increase in PPD benefits if indexed to SAWW from base years of 2000 and 2018, respectively

Projected increase in system cost resulting from 2-3% increase in PPD benefits annually after one-time 94% increase in 2023

Year	Estimated increase in system cost if PPD benefits are raised by 3% each year	Estimated increase in system cost if PPD benefits are raised by 2.5% each year	Estimated increase in system cost if PPD benefits are raised by 2% each year
2024	0.272% (\$4.62M)	0.227% (\$3.84M)	0.181% (\$3.07M)
2025	0.279% (\$4.75M)	0.231% (\$3.94M)	0.184% (\$3.14)
2026	0.286% (\$4.89M)	0.237% (\$4.04M)	0.188% (\$3.20M)
2027	0.294% (\$5.04M)	0.242% (\$4.14M)	0.191% (\$3.36M)

Increase in system cost from 2024 to 2027 if PPD benefits are increased by 2-3% each year following 94% increase in 2023:

- Three percent increase in PPD benefits in 2024 would mean 0.272% (\$4.62M) increase in system cost
- Two-and-a-half percent increase in PPD benefits in 2024 would mean 0.227% (\$3.84M) increase in system cost
- Two percent increase in PPD benefits in 2024 would mean 0.181% (\$3.07M) increase in system cost

Projected increase in system cost resulting from 2-3% increase in PPD benefits annually after one-time 60% increase in 2023

Year	Estimated increase in system cost if PPD benefits are raised by 3% each year	Estimated increase in system cost if PPD benefits are raised by 2.5% each year	Estimated increase in system cost if PPD benefits are raised by 2% each year
2024	0.228% (\$3.80M)	0.190% (\$3.17M)	0.152% (\$2.54M)
2025	0.234% (\$3.92M)	0.194% (\$3.25M)	0.155% (\$2.59M)
2026	0.240% (\$4.04M)	0.198% (\$3.33M)	0.157% (\$2.64M)
2027	0.247% (4.16M)	0.203% (3.41M)	0.160% (\$2.69M)

Increase in system cost from 2024 to 2027 if PPD benefits are increased by 2-3% each year following 60% increase in 2023:

- Three percent increase in PPD benefits in 2024 would mean 0.228% (\$3.80M) increase in system cost
- Two-and-a-half percent increase in PPD benefits in 2024 would mean 0.190% (\$3.17M) increase in system cost
- Two percent increase in PPD benefits in 2024 would mean 0.152% (\$2.54M) increase in system cost

Projected increase in system cost resulting from 2-3% increase in PPD benefits annually after one-time 50% increase in 2023

Year	Estimated increase in system cost if PPD benefits are raised by 3% each year	Estimated increase in system cost if PPD benefits are raised by 2.5% each year	Estimated increase in system cost if PPD benefits are raised by 2% each year
2024	0.215% (\$3.57M)	0.179% (\$2.97M)	0.143% (\$2.38M)
2025	0.220% (\$3.67M)	0.183% (\$3.05M)	0.146% (\$2.43M)
2026	0.226% (\$3.78M)	0.197% (\$3.12M)	0.148% (\$2.48M)
2027	0.233% (\$3.81M)	0.191% (\$3.20M)	0.151% (\$2.52M)

Increase in system is cost from 2024 to 2027 if PPD benefits are increased by 2-3% each year following 50% increase in 2023:

- Three percent increase in PPD benefits in 2024 would mean 0.215% (\$3.57M) increase in system cost
- Two-and-a-half percent increase in PPD benefits in 2024 would mean 0.179% (\$3.06M) increase in system cost
- Two percent increase in PPD benefits in 2024 would mean 0.143% (\$2.38M) increase in system cost

Projected increase in system cost resulting from 2-3% increase in PPD benefits annually after one-time 30% increase in 2023

Year	Estimated increase in system cost if PPD benefits are raised by 3% each year	Estimated increase in system cost if PPD benefits are raised by 2.5% each year	Estimated increase in system cost if PPD benefits are raised by 2% each year
2024	0.188% (\$3.09M)	0.157% (\$2.58M)	0.124% (\$2.06M)
2025	0.193% (\$3.18M)	0.160% (\$2.67M)	0.126% (\$2.10M)
2026	0.198% (\$3.28M)	0.164% (\$2.71M)	0.129% (\$2.15M)
2027	0.204% (\$3.38M)	0.167% (\$2.78M)	0.131% (\$2.19M)

Increase in system cost from 2024 to 2027 if PPD benefits are increased by 2-3% each year following 30% increase in 2023:

- Three percent increase in PPD benefits in 2024 would mean 0.188% (\$3.09M) increase in system cost
- Two-and-a-half percent increase in PPD benefits in 2024 would mean 0.157% (\$2.58M) increase in system cost
- Two percent increase in PPD benefits in 2024 would mean 0.124% (\$2.06M) increase in system cost

Projected increase in system cost resulting from 2-3% increase in PPD benefits annually after one-time 23% increase in 2023

Year	Estimated increase in system cost if PPD benefits are raised by 3% each year	Estimated increase in system cost if PPD benefits are raised by 2.5% each year	Estimated increase in system cost if PPD benefits are raised by 2% each year
2024	0.179% (\$2.93M)	0.149% (\$2.44M)	0.119% (\$1.96M)
2025	0.184% (\$3.02M)	0.152% (\$2.51M)	0.121% (\$1.99M)
2026	0.189% (\$3.11M)	0.156% (\$2.57M)	0.124% (\$2.03M)
2027	0.194% (\$3.21M)	0.159% (2.63M)	0.126% (\$2.08M)

Increase in system cost from 2024 to 2027 if PPD benefits are increased by 2-3% each year following 23% increase in 2023:

- Three percent increase in PPD benefits in 2024 would mean 0.179% (\$2.93M) increase in system cost
- Two-and-a-half percent increase in PPD benefits in 2024 would mean 0.149% (\$2.44M) increase in system cost
- Two percent increase in PPD benefits in 2024 would mean 0.119% (\$1.96M) increase in system cost

Projected increase in system cost resulting from 2-3% increase in PPD benefits annually after one-time 10% increase in 2023

Year	Estimated increase in system cost if PPD benefits are raised by 3% each year	Estimated increase in system cost if PPD benefits are raised by 2.5% each year	Estimated increase in system cost if PPD benefits are raised by 2% each year
2024	0.161% (\$2.62M)	0.134% (\$2.18M)	0.107% (\$1.74M)
2025	0.165% (\$2.69M)	0.137% (\$2.24M)	0.109% (\$1.78M)
2026	0.170% (\$2.78M)	0.140% (\$2.29M)	0.111% (\$1.82M)
2027	0.174% (\$2.86M)	0.143% (\$2.35M)	0.113% (\$1.85M)

Increase in system cost from 2024 to 2027 if PPD benefits are increased by 2-3% each year following 10% increase in 2023:

- Three percent increase in PPD benefits in 2024 would mean 0.161% (\$2.62M) increase in system cost
- Two-and-a-half percent increase in PPD benefits in 2024 would mean 0.134% (\$2.18M) increase in system cost
- Two percent increase in PPD benefits in 2024 would mean 0.107% (\$1.74M) increase in in system cost