Maintaining the value of the TTD minimum benefit

Current TTD minimum

- The TTD minimum benefit lifts the benefits of the lowest-wage injured workers above the 67% standard benefit rate

  - The weekly TTD benefit must be at least the statutorily specified minimum, but not to exceed the worker's pre-injury wage

  - The current minimum affects workers with pre-injury wages less than $195 (150% of the minimum)

- The **current minimum benefit level of $130** became effective for injuries on or after October 1, 2000

  - The maximum level has had two statutory actions since 2000

- Example TTD payments under current system

  - Weekly wage=$100, TTD benefit=$100

  - Weekly wage=$150, TTD benefit=$130

  - Weekly wage=$200, TTD benefit=$133

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Current TTD minimum in neighboring states

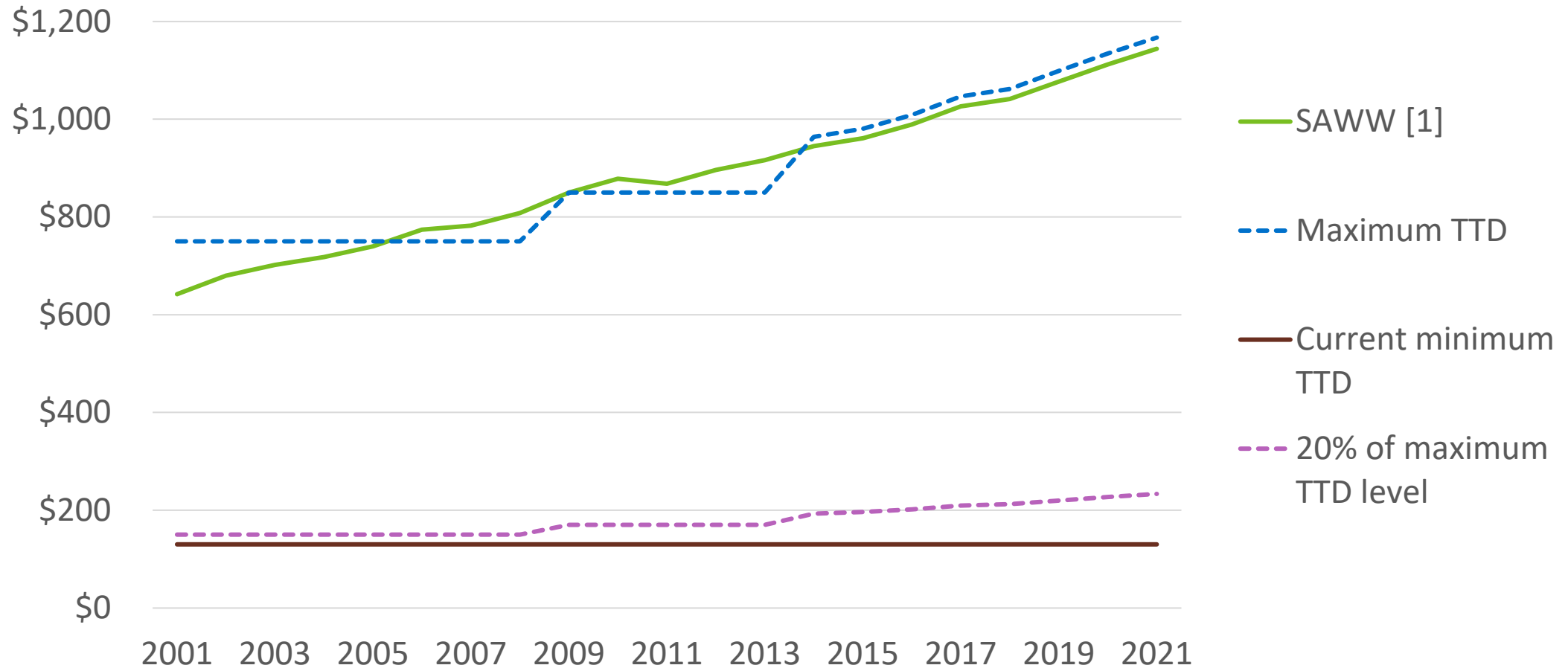| Iowa	no minimum benefit level set; all workers receive 2/3 of their weekly wage
North Dakota	60% of SAWW ($620 in July 2020), or net wages if below this level
South Dakota	50% of SAWW ($429 in July 2020), or net wages if below this level
Wisconsin	$20; noted as an obsolete value that is no longer useful except for sheltered workplaces

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Proposal: Keep the minimum weekly TTD benefit consistent with wages

Set the minimum benefit to **20% of the maximum TTD benefit**

- • Similar to the 20% of SAWW in effect prior to 1995 and re-set in 2000

- • Annual change is determined by the SAWW, the same as the change used for the maximum TTD benefit

- The minimum is currently 11.4% of the SAWW and 11.1% of the maximum TTD benefit

- The current level of $130 is equivalent to 12.9 hours of work at the minimum hourly wage ($10.08 effective Jan. 1, 2021) and workers earning up to 19 hours at the minimum hourly wage would be eligible for this benefit level. Under the proposed minimum, workers earning up to 35 hours at the minimum wage would be eligible for the minimum TTD benefit.

- Increasing the benefit at the same rate as payroll is <u>neutral to premium rates</u>. Under the current system, where the benefit is not increasing with wages, pressure is applied to decrease premium rates.

- Benefit level increases to maintain compensation value will no longer require WCAC and legislative action

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Maximum TTD increased 56% since Oct. 2000, minimum TTD increased 0%

SAWW, maximum and minimum weekly benefit levels

Legend:
- SAWW [1]
- Maximum TTD
- Current minimum TTD
- 20% of maximum TTD level

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The value of the minimum TTD benefit is decreasing

Relative to the Statewide Average Weekly Wage (in the year it was paid) the $130 minimum TTD being paid now is equivalent to $75 in 2000.

The minimum fell from 17% of the maximum benefit in 2000 to 11% in 2020.

Percentage of value relative to minimum to SAWW ratio in 2000

58%

Percentage of initial value

Injury year
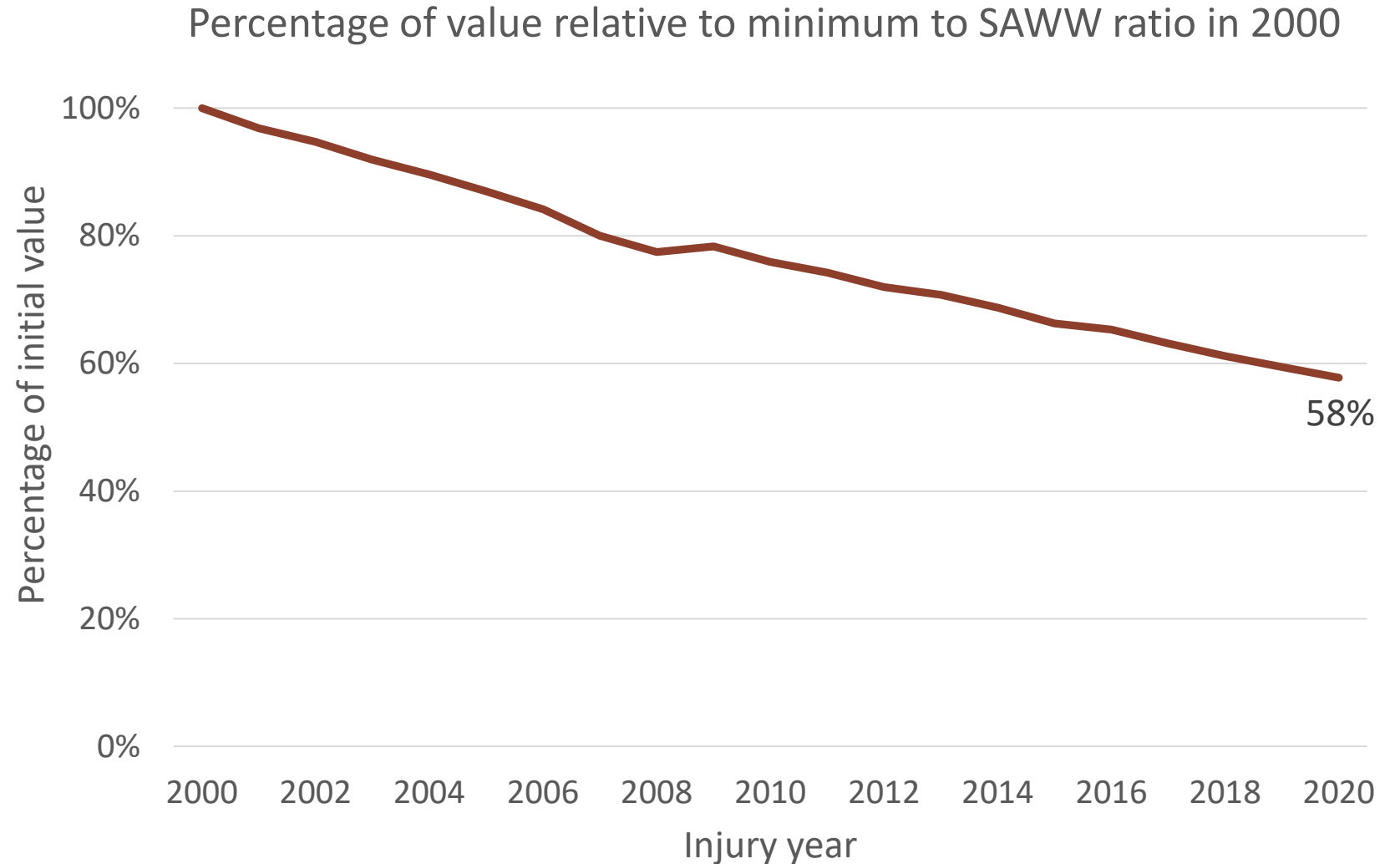
Only 2.2% of injured workers qualify for current minimum benefit

Percentage of workers with indemnity claims qualifying for minimum and maximum weekly benefit
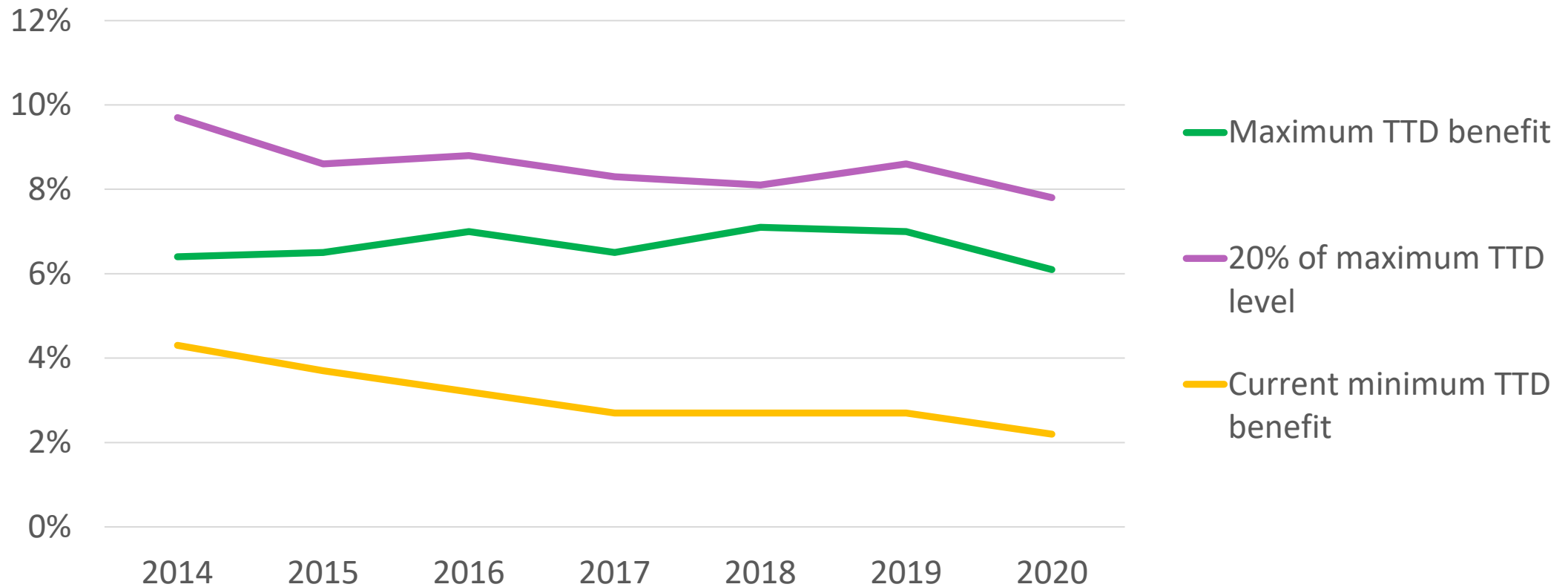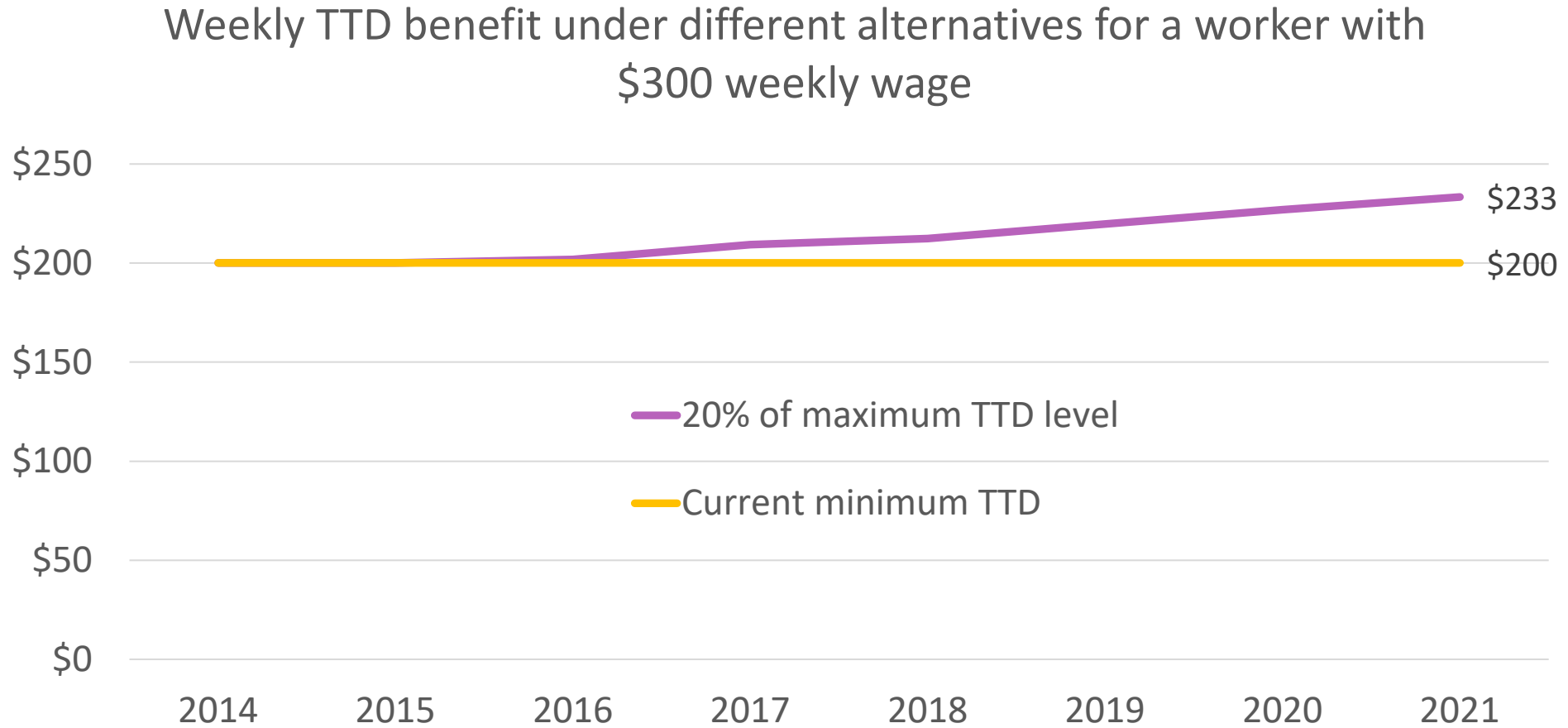
Workers earning $200 to $300/week would see the largest increases in weekly benefits under these alternatives in 2021

TTD payment for different wage levels, Oct. 2020
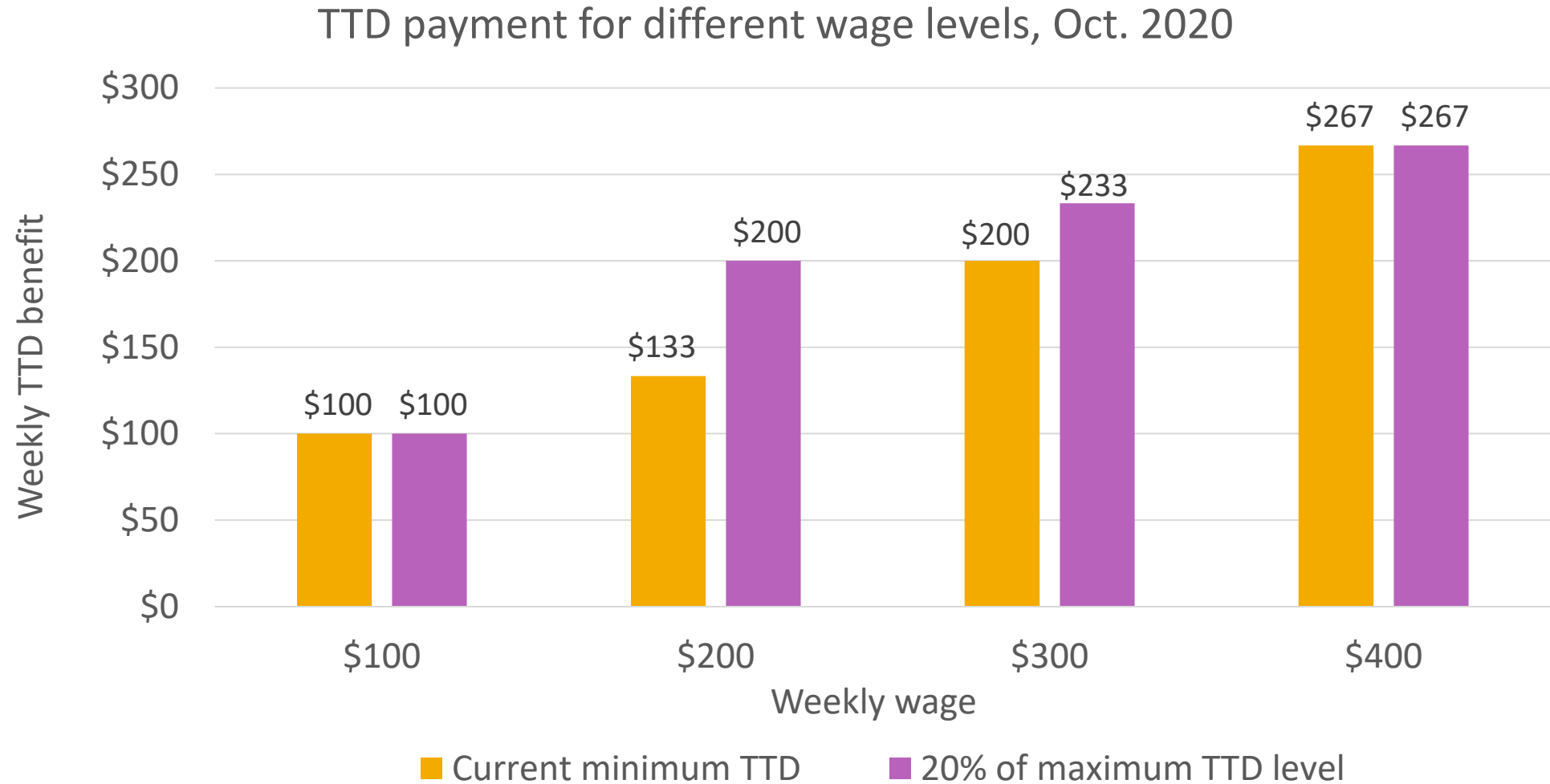
A worker earning $300/week would receive $33 more in weekly benefits under these alternatives in 2021

Weekly TTD benefit under different alternatives for a worker with $300 weekly wage

Changing the minimum TTD will have very little effect on premium levels

- Implementing the change this year will result in an estimated 0.3% increase in TTD payments, which translates to 0.02% of system costs. Delaying the action may result in a slightly higher initial effect.

- System costs were $1,610,000,000 in 2018 and if the minimum TTD rate was set to 20% of the maximum TTD rate, it would have added $300,000 to this total.

- This means that for every $10,000 in employer cost, $1.91 would be added from the change in the minimum TTD.

- Annual changes in the minimum level at the same rate as wage changes will not exert any force to increase or decrease premium levels.

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Thank You!

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