

Workers Comp Research Institute

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Permanent partial rates vary by states for similar injuries

The percentage of workers receiving workers compensation benefits for the most serious injuries vary significantly among states – even for similar types of injuries, according to a new study by the Workers Compensation Research Institute (WCRI).

The study, *Who Obtains Permanent Partial Disability Benefits*, also identified the duration of temporary benefits as a key factor associated with the incidence of benefits paid to the most seriously disabled workers – called permanent partial disability (PPD) benefits – in six study states: California, Connecticut, Florida, Georgia, Texas and Wisconsin.

The study reported that:

- In California and Texas, 54 percent of injured workers with more than seven days lost time get PPD payments. By contrast, the PPD rate (the percentage of injured workers who receive PPD benefits) is between 43 and 45 percent in Connecticut, Florida and Georgia, and 30 percent in Wisconsin.
- The difference in PPD rates between the states is even wider for back sprains and strains, ranging from 59 percent in Texas to 20 percent in Wisconsin.
- Interstate differences are smaller for workers with fractures, ranging from 41 percent in Wisconsin to 59 percent in Connecticut.

“PPD benefits are a major source of cost and litigation in workers’ compensation systems,” said Dr. Richard Victor, executive director of the Cambridge, Mass.-based WCRI. “The cost is driven by the fraction of claims that receive PPD benefits, their severity and the benefit levels awarded. Reducing the costs of these claims will have a significant impact on overall system costs.”

A significant factor affecting PPD rates is the duration of temporary disabilities, the study observed.

A clear and very strong association exists in the states studied between the duration of temporary disability benefits and the probability that a case would result in payment of PPD benefits, the study said.

“The relationship may result from more than the obvious linkage between injury severity as represented by duration, and a resulting permanent impairment,” the study noted. “The impact of duration on the PPD rate varies by state, and it varies within states by the type of injury the worker sustained.”

The study pointed out that claims of similar temporary disability duration have comparable PPD rates in Connecticut, California and Texas. Yet Connecticut has a lower overall rate of PPD than Texas and California – two of the highest PPD states in the study. The reason: Connecticut’s claims on average involve shorter periods of temporary disability.

The study pointed out that reducing the duration of temporary disability benefits may be an important means to reduce PPD rates.

“If claims of comparable severity could be resolved promptly and workers restored to employment more rapidly, particularly in the high PPD states such as California and Texas, fewer PPD cases and lower system costs may occur,” the study said.

The study also found that the absence of maximum medical improvement (MMI) standards drives the incidence of lump-sum payments and lengthens the duration of temporary disability.

Unlike most states, Georgia does not use MMI standards as the basis for ending temporary disability payments and rating workers for permanent disability. The absence of MMI in Georgia lengthens the duration of claims, increases the use of lump-sum payments and reduces the PPD rate, the study observed.

“If policymakers in Georgia wonder why the use of lump-sum payments in their state is high, they need to focus on their unusual practice of not using MMI as a point at which impairment is rated,” the study said.

The study also considered whether offsets for pre-existing conditions or social security affect the probability that workers receive PPD benefits.

The study said that while state laws regarding an offset for pre-existing conditions may affect benefit amounts, they do not appear to reduce the rate of PPD in five of the six study states, with the exception of Connecticut.

In California, Connecticut, Georgia and Texas, laws provide that the presence of a pre-existing condition can reduce the amount of the PPD award. If the potential indemnity benefit will be small, workers have weak incentives to seek PPD benefits, and one would expect a lower percent of claims, the study said. However, the study notes that state laws regarding benefit offsets do not appear to affect the rate of PPD in those states.

The study also reported that in the two study states – Connecticut and Florida – which have a Social Security retirement offset of workers compensation benefits, the data does not show a reduction in the use of PPD benefits by those aged 65 and older. □