

Oregon Department of Consumer and Business Services

Central Services Division

Permanent Partial Disability Trends:
2013 Update to the
Workers' Compensation Management Labor Advisory Committee

May 2013

Highlights:

This is the third biennial update on permanent partial disability (PPD) benefits. This report covers PPD trends through award year 2012. Some PPD trends are:

- Fewer PPD closures due, primarily, to fewer claims. The number of claims with new PPD awards is down by more than a fifth since the pre-recession years. See [Figure 1](#) and [Figure 2](#).
- Lower total PPD payments and more of the payments are awarded under the new benefit structure. About 98 percent of the dollar value of PPD awarded in 2012 was under the new benefit structure (i.e. nearly all PPD claims involved post-2004 injuries). See [Figure 3](#).
- Higher average PPD amount per claim. For a claim closed with PPD, the average PPD amount rose more than 10 percent between 2004 and 2012. Increases in the state average weekly wage (SAWW) drive this. See [Figure 4](#).
- Roughly unchanged ratio between work-disability and impairment-only awards since 2006. See [Figure 5](#).

Introduction:

In 2003, the Oregon Legislature passed Senate Bill (SB) 757, which modified permanent partial disability rating criteria and benefit calculations. One of the goals of SB 757 was that the new benefit structure, based on the wages and benefits being paid at that time, would be roughly cost neutral with the benefit structure it replaced. To give time to implement and observe the impact of the changes, the bill made the changes effective for injury dates beginning on January 1, 2005. The bill also included a sunset provision that would revert PPD benefits to their prior (2001) structure on January 1, 2008.

In 2005, the Legislature passed House Bill (HB) 2408, which further modified PPD rating criteria and mandated that DCBS collect data and report to the Seventy-Fourth Legislative Assembly by January 30, 2007 on changes in PPD benefits. DCBS was to measure the impact from each of these two changes to permanent partial disability awards. One of DCBS's goals was to assess the cost neutrality of the various benefit provisions.

DCBS completed the HB 2408 study in July 2006. Because there was no statistically significant difference between the PPD awards made under the old and new PPD structures, the study concluded that the new structure was cost neutral. The study also found that the new benefit structure redistributed PPD benefits from workers who were able to return to work more quickly to workers with longer-term injuries and work disability. The study came to this conclusion by comparing new and old PPD award patterns within several quarters of the date of injury.

Based in part on the study findings, the Legislature passed HB 2244 during the 2007 legislative session. This bill made the new benefit structure permanent by removing the sunset and also charged the Management Labor Advisory Committee (MLAC) with a biennial review of PPD benefits. The purpose of this document is to provide information on current PPD award trends to MLAC. The primary focus is on PPD awards under the new benefit system. The PPD data described in this document come from the Workers' Compensation Division Claims Information System.

Number of PPD awards:

Figure 1 shows the trend in the share of closed claims and the share that are awarded PPD. From 1995 through 2010 there has been a steady trend of fewer claims each year, despite a brief period of increases from 2005 to 2007. Since 2010, the trend has leveled off and there have been about 17,000 resolved claims each year.

Since 2009, the percentage of all closures with a PPD award has declined from about 30 percent to about 26 percent. The percentage of all closures with a CDA has remained about at 6 percent of all closures over the same period. It is likely that some of these CDA closures would have been PPD claims as well. The counts and rates described below include PPD closures from the old benefit structure and from the new structure.

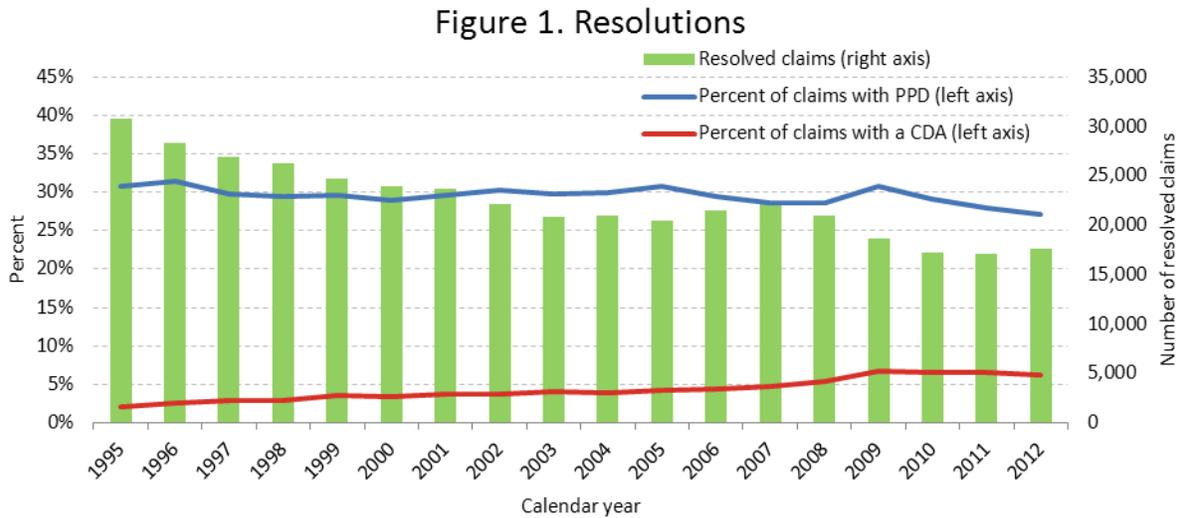
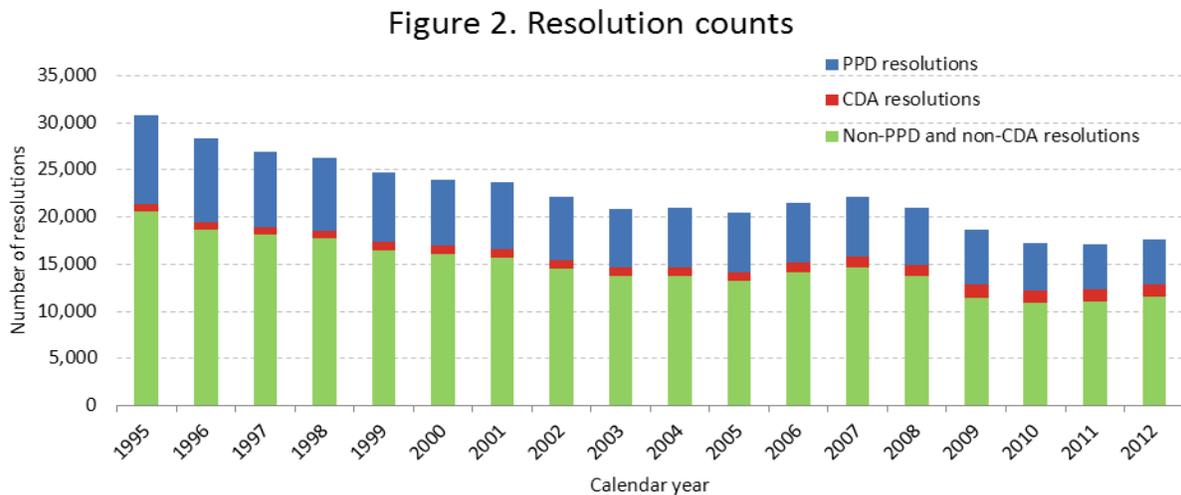


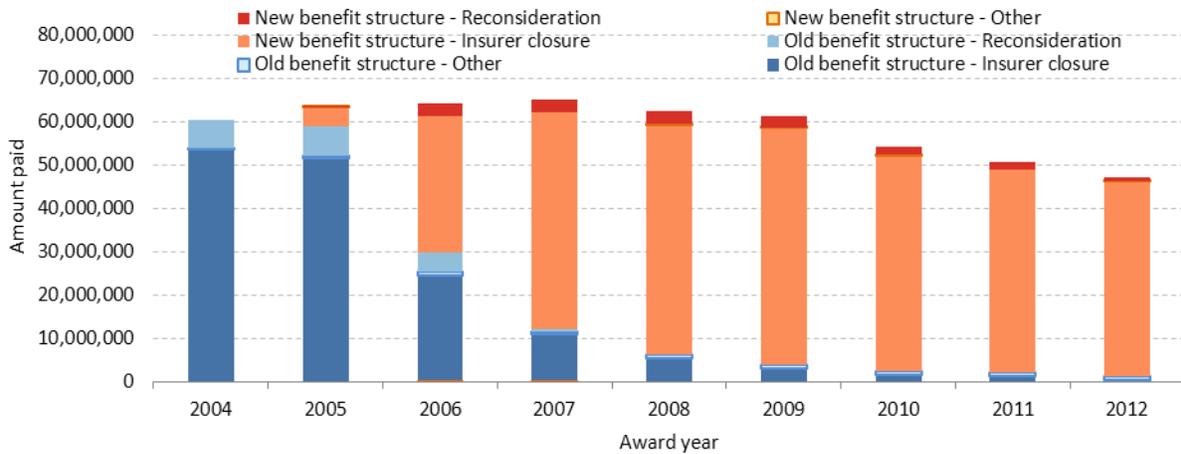
Figure 2 shows the counts of all claims closed through PPD, a CDA, or with neither PPD or a CDA. These trends affect the total dollars of PPD awarded. Over the period shown, counts of PPD claims have been declining until 2010 when they have flattened out. Note that these charts use data by year of closure rather than year of injury. This factors out much of the effect of differences in claim age.



Amount of PPD awarded:

The amount of PPD awarded has been declining since 2007. The amount of PPD paid under the old structure has declined each year since 2005. New PPD benefits now constitute approximately 98 percent of PPD closures and 98 percent of the dollar amount awarded in the most recent full year of claim closures. The percentage of PPD paid through the new benefit structure has continued to increase.

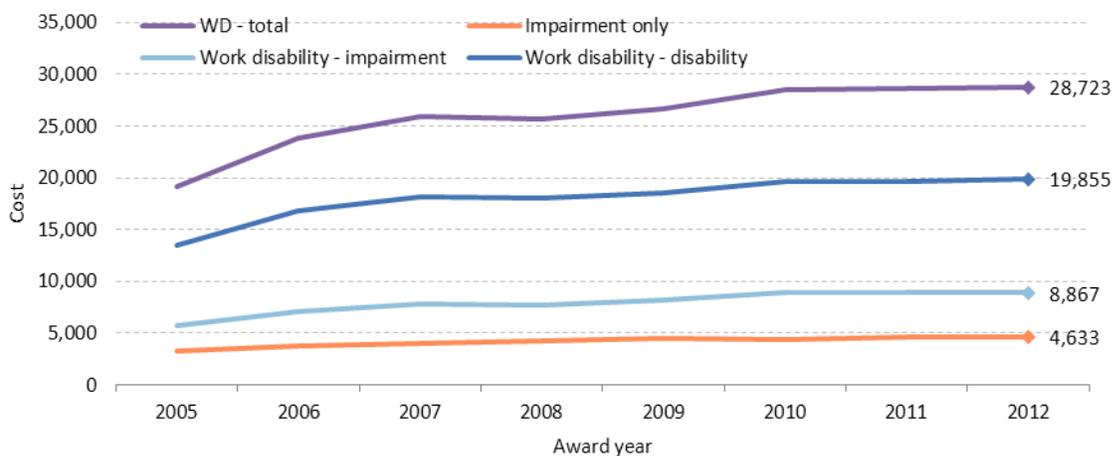
Figure 3. PPD payments



Average PPD award:

The average PPD award, across all benefit types, has remained roughly the same since 2010. Figure 4 shows the average award by PPD benefit type, including the relative contribution of impairment and work disability benefits to the average PPD claim with work disability. The work disability portion of benefits provides over two-thirds of the PPD award for these claims. These two benefits sum to over \$28,500 for PPD claims with work disability awarded, compared to just under \$5,000 for those with impairment only. Over 57 percent of PPD benefits are going to the most disabled 18 percent of claims—those receiving work disability.

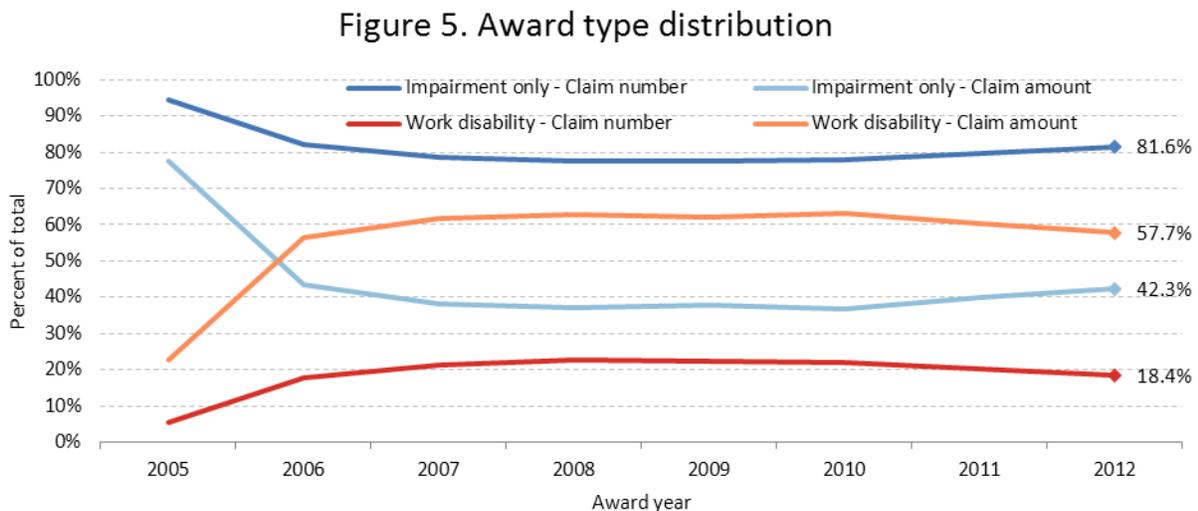
Figure 4. Average component cost



Severity:

Since injury year 2006, the worker's release-to-regular-work status has been the threshold for work disability benefits. When the worker is not released to return to regular work, work disability benefits are awarded in addition to impairment benefits. Thus, some workers will receive one PPD benefit type (impairment) while others receive both types (impairment and work disability).

Figure 5 shows the distribution of benefit types in new PPD claims. Claims that close in any particular year represent a mix of claims that arose in both that year and prior years. About 18 percent of 2012 PPD closures had work disability benefits.



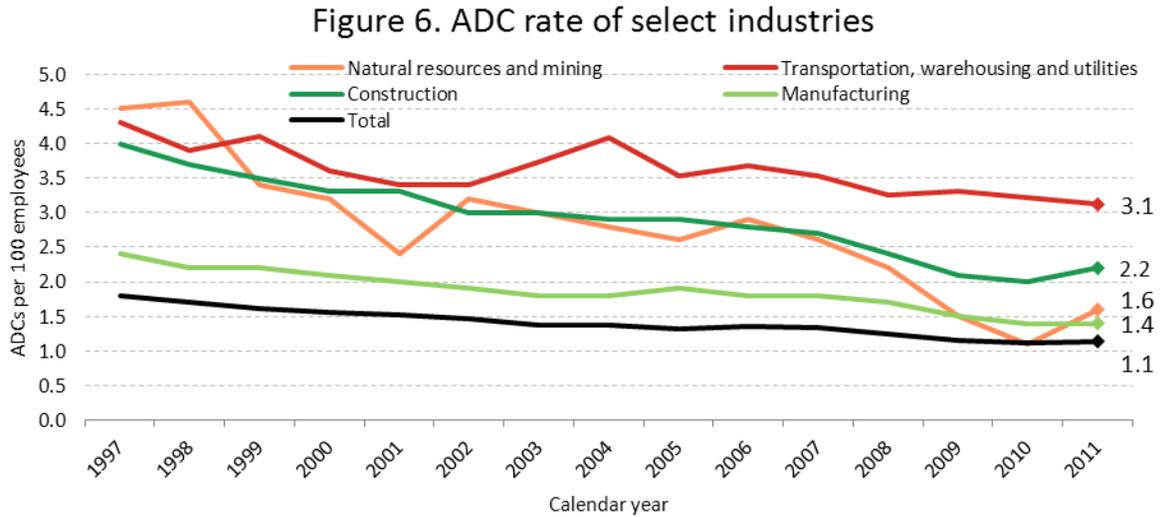
Factors affecting PPD awards:

A number of factors influence the number of claims awarded PPD and the size of the awards:

- Overall frequency of disabling claims and underlying injury severity (see [Figure 6](#)).
- The economy, both in general and in high-hazard industries.
- Trends in wages:
 - The state average weekly wage, which adjusts impairment benefits and overall benefit maximums (see [Figure 7](#)), and
 - Wages of injured workers, which drive work disability awards. Note that the wages of injured workers can have different trends than wages overall.
- The share of claims that settle with a CDA rather than go through the claim closure process. For claims that have a CDA instead of a closure, there is no way to know whether there would have been a PPD award. However, it is likely that without the settlement, some would have been awarded PPD (see [Figure 8](#)).
- Trends in appeals on extent of disability.

Risk and industrial composition:

The industrial composition of Oregon and trends in risk profile within each industry, influence the total number of accepted disabling claims. All four of the riskiest industries in Oregon in 1997 have trended downward in claims rate, as measured by the number of ADCs per 100 employees.

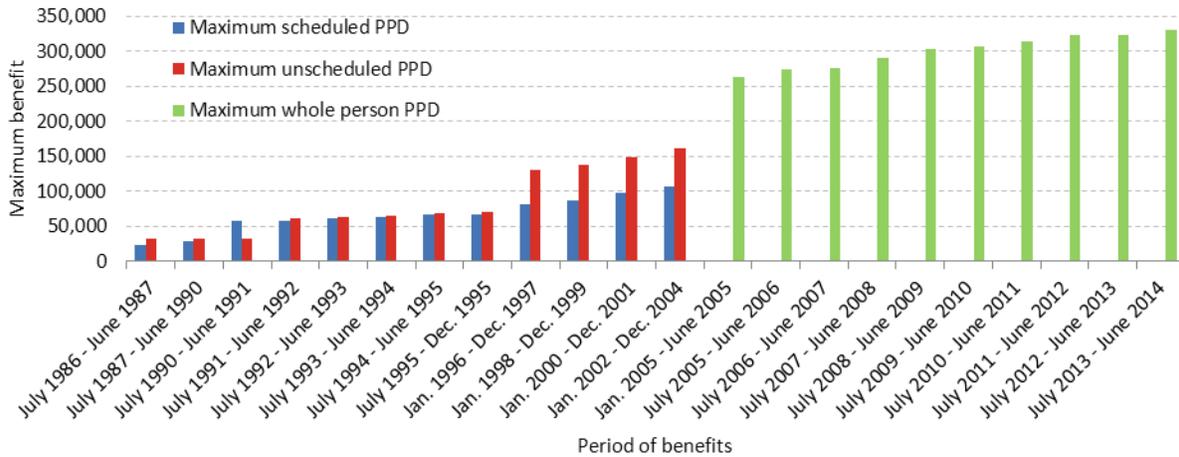


From 1990 through 2012, the number of Oregonians working in manufacturing and resource extraction industries declined. There are more people working in construction and the trade, transportation, and utilities sectors. However, growth in safer industries such as professional and business services, education and health services, and leisure and hospitality has been faster, increasing the relative safety of Oregon’s industrial mix.

Maximum statutory benefits:

With the new benefit structure, Oregon no longer has scheduled and unscheduled PPD benefit types; instead, all disabilities are rated on the “whole person” basis. Benefit maximums rose substantially under the new benefit structure due to reallocation of benefits to those with greater economic loss, and annual adjustments keep benefits in line with wage changes. Figure 4 shows benefit maximums since July 1986. The FY 2012 maximum under the new structure is more than double the old unscheduled maximum.

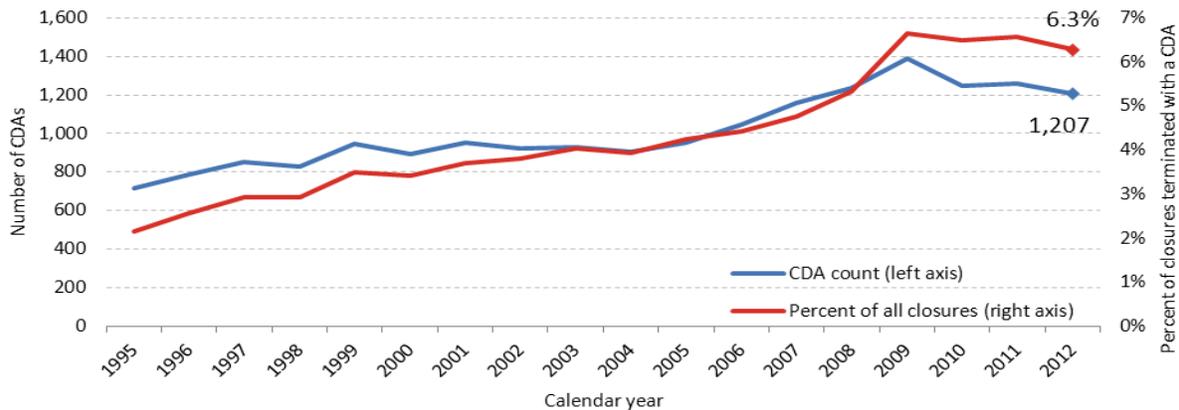
Figure 7. Maximum PPD benefits



CDAs:

Claim disposition agreements peaked in both raw numbers and as percent of all closures in 2009. Since then, the percent of CDA closures has been static while there are fewer total CDAs each year.

Figure 8. Claim disposition agreements



Conclusion:

Under the new benefit structure, PPD awards have been relatively stable in recent years. Fewer claims and changes in settlement patterns have driven declines in the number and the amount of PPD awards. In the eight years since changes took effect, PPD award characteristics appear to have remained consistent with original expectations and the policy decisions that were made at the time.

Current data are not available to compare Oregon’s maximum PPD benefits to other states. The last such publication, by the US Department Labor, was for 2006. In that comparison, Oregon’s whole-person PPD maximum was at the 70th percentile of comparable states. Because states change benefit formulas infrequently, and Oregon benefits have been growing with average wages, it is likely that Oregon has maintained or improved its relative position since 2006.