

H B

311

Bill No. HB 311

Date April 13, 1983

Title

"An Act relating to Workers' Compensation; and providing for an effective date."

Contact: *JLM*
J. L. McClintock
465-2790

The Department of Labor and the Alaska Workers' Compensation Board support the provisions of HB 311. This bill is the result of an agreement reached by a committee representing labor and employers in the state and reflects over three years of hearings in which testimony was provided by workers, labor groups, employers, insurers, rehabilitation and medical providers, attorneys and state agency personnel. The Workers' Compensation Board and Division worked very closely with the committee in recommending amendments that provide for a more equitable and efficient workers' compensation system for employees and employers.

The major portions of the bill will result in a redistribution of benefits which will reduce disincentives to return to work and provide long term reductions in workers' compensation costs. This is based on increases in scheduled permanent partial disabilities, the minimum compensation rate, death benefits and new methods to compute gross weekly earnings.

POSITION PAPER/Department of Labor

I. REQUEST

Bill/Resolution No: _____
 Title: ".. Workers' Compensation..."
 Sponsor: _____
 Requestor: Rules Committee

II. FISCAL DETAIL

Agency Affected: Labor
 Program Category Affected: Public Protection
 BRU, Program of Subprogram(s) Affected: _____
 Administration of Workers' Compensation: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		6.5	14.3	15.7	17.3	19.0
200 TRAVEL						
300 CONTRACTUAL		51.0	15.4	16.9	18.6	20.5
400 COMMODITIES		.1	.1	.1	.1	.1
500 EQUIPMENT		.1	0	0	0	0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		58.3	29.8	32.7	36.0	39.6
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		58.3	29.8	32.7	36.0	39.6
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME		1	1	1	1	1
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not available.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: ^{MB} Jacquelyn L. McClintock
 Division: Workers' Compensation

Phone: 465-2790
 Date: March 21, 1983

Approved by Commissioner: ^{MB} Jim Robison
 Department: Labor

Date: March 21, 1983

LEG:A:19

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

FISCAL NOTE

THE LEGISLATURE OF THE STATE OF ALASKA
 FOURTEENTH LEGISLATURE

TITLE: "An Act relating to workers' compensation, and providing for an effective date."

AGENCY AFFECTED: Department of Labor
 Page 2

Data Control Clerk I (permanent halftime, 6 months first year, 12 months thereafter)

100	Personal Services	\$ 6.5	
300	Contractual	1.5	
400	Supplies	.1	
500	Equipment	<u>.7</u>	\$ 8.8

Other Contractual:

Redesign and printing of forms to accomodate additional questions	3.5*
Rewrite and printing of employee and employer booklets	12.0*
Composition and printing of benefit schedule booklet	7.0
Printing amendment of Act	1.0*
Design computer system and write programs (2 1/2 months x \$50/hour)	22.0*
Operation costs for additional computer processing	<u>4.0</u>
TOTAL	\$58.3

* Indicates one-time expense in FY 1984 for a total of \$38.5

1.	POSITION TITLE Data Control Clerk I			RANGE/STEP 9A	BARG. UNIT G	FORM 12: PAGE/LINE FN	COV	APPROV	DISAPP
2.	TYPE OF POSITION PPT	STAFF MONTHS 3	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT	LEG.	
3.	CONTINUATION LEVEL	ADDITION	XX	JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT					
	1	2	3						
	PERSONAL SERVICES*								
5.	Salary 9A (1578 x 5 mos x .5)	4,734							
6.	Benefits .1587	751							
7.	Supplemental Benefits .0613	290							
8.	Fixed Benefits 240 x 3	720							
	TOTAL PERSONAL SERVICES	01	6.5						
	Travel	02							
11.	Contractual	03	1.5						
12.	Commodities	04	.1						
13.	Equipment	05	.7						
14.	Other								
15.	TOTAL COST	8.8							
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts 1002							
17.		G.F. Match 1003							
18.	100	General Funds 1004		8.8					
19.		I-A Receipts 1005							
20.		Program Receipts 1028							
21.		Other							
FOR B&M USE ONLY									
4A KEY NUMBER _____									

The permanent half-time Data Control Clerk I position will provide additional clerical support in the Claims Section to enter and maintain data in the Division's information handling system. This position will handle the increased workload caused by the additional data input necessary for the system to monitor the compensation rate using withholding and average weekly wage information, and the maintenance of two processing systems concurrently.

Line 11 - Contractual: Space (transfer to DOA) \$.9
Indirect (13.17 x 4734) .6

Line 12 - Commodities: General Office Supplies .1

Line 13 - Equipment: Desk and Chair .7

AGENCY Labor

PROGRAM Worker Protection

BRU Workers' Compensation

COMPONENT Workers' Compensation Administration

FY 84

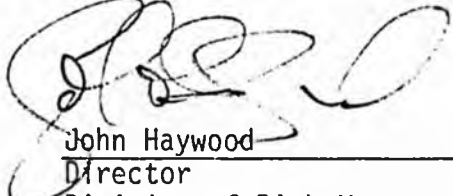
13 REQUEST FOR NEW POSITION

Page 1 of 1
Revised Date

CS HR 311
POSITION PAPER

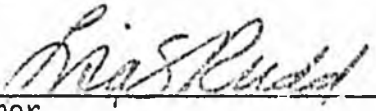
Weekly Workers' Compensation (W.C.) benefits are now based on 66 2/3% of an employees average weekly wage based on gross earnings. As W.C. benefits are not taxable an employee can receive higher income while off work. This bill would base benefits on 80% of spendable (or after-tax) income. The Department of Administration supports this adjustment.

The bill provides for an increase in funeral benefits, the minimum rate of weekly compensation, and payment for scheduled permanent injuries, such as a loss of limb. There has been no increase in these benefits since 1975. The Department of Administration supports these adjustments. The impact on the Division of Risk Management will be insignificant.



John Haywood
Director
Division of Risk Management
Department of Administration

Date

Lisa Rudd 
Commissioner
Department of Administration

Date 5/16/83

I. REQUEST

Bill/Resolution No.: C.S. H.B 311
 Title: An Act relating to workers
Compensation
 Requestor: Furnace and Szymanski

II. FISCAL DETAIL

Agency Affected: Risk Management
 Program Category Affected: _____
 Sponsor: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	0	0	0	0		
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: John Haywood
 Division: Risk Management

Phone: 465-2180
 Date: May 2, 1983

Approved by Commissioner: Lisa Rudd
 Department: ADMINISTRATION

Date: May 2, 1983

Distribution:

- Original to Legislative Finance
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3/8/83



Scott Wetzel Services Incorporated

An Affiliate of The Home Group, Inc

741 Sesame Street • Suite 1A • Anchorage, Alaska 99503

Phone: (907) 561-1725

FEBRUARY 8, 1983

THE HONORABLE RICHARD I. ELIASON
CHAIRMAN, LABOR & COMMERCE COMMITTEE
ALASKA STATE SENATE
STATE OF ALASKA
POUCH V
JUNEAU, AK 99811

RE: ALASKA WORKERS' COMPENSATION ACT
SECTION 23.30.155(c)

DEAR SIR:

I WOULD LIKE TO CALL YOUR ATTENTION TO SECTION 23.30.155(c) OF THE ALASKA WORKERS' COMPENSATION ACT WHICH REFERS TO THE EXCESSIVE PENALTIES WHICH ARE BEING ROUTINELY ASSESSED AGAINST SELF-INSURED EMPLOYERS AND INSURANCE CARRIERS IN THIS STATE FOR FAILURE TO FILE REPORTS WITH THE WORKERS' COMPENSATION DIVISION WITHIN A 14 DAY TIME PERIOD.

all insurance
→ all employer

FIRST OF ALL, I CALL YOUR ATTENTION TO THE FACT THAT THE PENALTY IS \$100 FOR THE FIRST DAY THAT THE REPORT IS LATE AND \$25 PER DAY THEREAFTER TO A MAXIMUM OF \$2500 AND THE RECIPIENT OF THESE PENALTIES IS THE STATE OF ALASKA.

SECONDLY, THESE PENALTIES IN NO WAY, EITHER DIRECTLY OR INDIRECTLY, INURE TO THE BENEFIT OF THE INJURED WORKER AND DO NOT AFFECT HIS CASE ONE WAY OR THE OTHER. THESE REPORTS ARE FILED WITH THE ALASKA DEPARTMENT OF WORKERS' COMPENSATION SOLELY FOR THE PURPOSE OF PROVIDING THEM WITH STATISTICAL INFORMATION AND TO KEEP THEM CURRENTLY ADVISED ON THE ACTIONS AND STATUS OF THE WORKERS' COMPENSATION CLAIMS. I AM IN AGREEMENT THAT THE BOARD NEEDS THIS INFORMATION AND I HAVE NO QUARREL WITH THAT, HOWEVER, I AM IN COMPLETE DISAGREEMENT THAT WE SHOULD BE SUBJECT TO HUGE FINES FOR FAILING TO FILE A REPORT WITHIN A TIME FRAME WHICH IS BOTH UNREALISTIC AND UNNECESSARY.

THESE PENALTIES ARE A DIRECT COST TO THE EMPLOYER AND/OR THE INSURANCE CARRIER WHICH ARE REFLECTED IN THEIR COST OF DOING BUSINESS, THIS COST IS EVENTUALLY PASSED ON TO THE GENERAL PUBLIC AND CONSUMERS, OF COURSE, AND NO ONE BENEFITS BUT THE STATE OF ALASKA.

THE PORTION OF THIS LAW THAT SERIOUSLY CONCERNS ME IS THAT THERE IS ABSOLUTELY NO ALLOWANCE FOR HUMAN ERROR AND THE LAST INDIVIDUAL WHO WAS NOT SUBJECT TO HUMAN ERROR ALSO WALKED ON WATER.

I WOULD LIKE TO GIVE YOU A COUPLE OF EXAMPLES THAT HAVE OCCURRED IN OUR OFFICE TO SHOW YOU HOW RIDICULOUS THIS ENTIRE SITUATION HAS BECOME.

Prob-ast
Jackie - Workers'
Comp
—
John Lewis —
Pamphlet on Workers'
Comp

How does Anch
deal with self-
insurance if am no
employer regs are
written - Can group
fall into line?

THE HONORABLE WALTER FURNACE

PAGE TWO

FEBRUARY 8, 1983

WE RECEIVED A MINOR CLAIM ON AN EMPLOYEE WHO LOST ONE DAY OF TIME AND HIS COMPENSATION RATE WAS BASED ON THE MINIMUM COMP. RATE AND HIS TOTAL COMPENSATION PAYMENT FOR THE ONE DAY WAS \$9.29. HE WAS PAID IN A PROMPT AND TIMELY MANNER. THE CLAIMS EXAMINER PAID THE OUTSTANDING SMALL MEDICAL BILL AND CLOSED THE FILE, FAILING THROUGH HUMAN ERROR TO FILE THE REQUIRED TERMINATION REPORT REQUIRED BY THE STATE WORKERS' COMPENSATION DIVISION. VERY FORTUNATELY FOR US, A WEEK OR TWO LATER ANOTHER SMALL MEDICAL BILL CAME INTO OUR OFFICE WHICH CAUSED US TO PULL THIS FILE FROM OUR CLOSED FILES AND AT THAT POINT IT WAS NOTICED THAT WE HAD FAILED TO FILE THE TERMINATION REPORT AND THE REPORT WAS SUBSEQUENTLY FILED AND AS A RESULT WE RECEIVED A PENALTY OF \$200 OR \$300. HAD IT NOT BEEN FOR THE FACT THAT ANOTHER MEDICAL BILL CAME INTO OUR OFFICE AND BROUGHT THIS FILE TO OUR ATTENTION, OUR FIRST NOTICE THAT WE HAD FAILED TO FILE A FINAL REPORT WOULD HVE BEEN A LETTER FROM THE STATE DIVISION OF WORKERS' COMPENSATION ASSESSING US A \$2500 PENALTY FOR A CLAIM THAT INVOLVED \$9.29 TO THE WORKMAN WHICH WAS PAID TO HIM IN A TIMELY FASHION. NO ONE WAS HURT OR DAMAGED IN ANY MANNER. IN OTHER WORDS, I WOULD LIKE TO KNOW HOW THE PUNISHMENT FITS THE CRIME.

WE HAVE AN EVEN MORE BLATANT RECENT CASE WHEREIN THE INJURED WORKER WAS OVERPAID ON HIS COMPENSATION CLAIM BECAUSE HE HAD RETURNED TO WORK SEVERAL DAYS BEFORE WE WERE NOTIFIED. AS A RESULT OF THIS, THE CLAIMS EXAMINER WROTE HIM A LETTER ASKING FOR REIMBURSEMENT OF THE OVERPAYMENT AND SHE FAILED TO FILE A REPORT WITH THE STATE ADVISING THEM THAT THE BENEFITS WERE TERMINATED AND THAT THE CLAIM HAD BEEN OVERPAID. SO NOW WE ARE FACED WITH NOT ONLY HAVING OVERPAID THE WORKER BUT PAYING A RATHER LARGE PENALTY TO THE STATE IN ADDITION, AND AGAIN ON A CLAIM WHERE ABSOLUTELY NOBODY WAS DAMAGED IN ANY WAY BY OUR FAILURE TO FILE THE REPORT.

YOU WILL NOTE THAT THE LAW STATES, "IF THE EMPLOYEE FAILS TO NOTIFY THE BOARD WITHIN 14 DAYS, THE BOARD SHALL ASSESS AGAINST THE EMPLOYER A CIVIL PENALTY OF \$100 PLUS \$25 FOR EACH DAY IN EXCESS OF 14 DAYS...."

I HAVE RECEIVED INFORMATION RECENTLY FROM VARIOUS PEOPLE WHO WERE INVOLVED IN THE FORMATION OF THIS LAW, AND IN FACT EVEN ONE ATTORNEY WHO WAS INSTRUMENTAL IN DRAFTING THIS LEGISLATION, AND IT WAS THEIR OPINION THAT THIS PENALTY WOULD NOT BE ROUTINELY ASSESSED BUT WOULD BE USED ONLY IN CASES OF WILFULL AND CONTINUAL VIOLATIONS OF THE REPORTING REQUIREMENTS. THIS IS CERTAINLY NOT THE CASE, NOR CAN IT BE, BECAUSE THE LAW CLEARLY STATES, "SHALL ASSESS" AND DOES NOT SAY "MAY ASSESS IN CASES OF WILFULL AND WANTON NEGLECT," OR WORDS TO THAT EFFECT.

I WOULD AGAIN LIKE TO REITERATE THAT WE HAVE NO OBJECTION TO FILING THESE REPORTS AND, IN FACT, WE HAVE ALWAYS FILED ALL REPORTS WHICH ARE REQUIRED BY THE WORKERS' COMPENSATION BOARD AND WE WILL CONTINUE TO DO SO WITH OR WITHOUT THE THREAT OF ANY PENALTY. WE COMPLY WITH THE LAW AS FULLY AS WE POSSIBLY CAN IN ALL SITUATIONS, BUT BELIEVE IT OR NOT, WE ARE SUBJECT TO AN OCCASIONAL HUMAN ERROR. I CANNOT BEGIN TO TELL YOU THE EFFECT THAT THIS DISCRIMINATORY PENALTY PROVISION HAS HAD ON THE MORALE OF THE EMPLOYEES IN NOT ONLY MY OFFICE BUT THROUGHOUT OUR INDUSTRY.

THE HONORABLE WALTER FURNACE
PAGE THREE
FEBRUARY 8, 1983

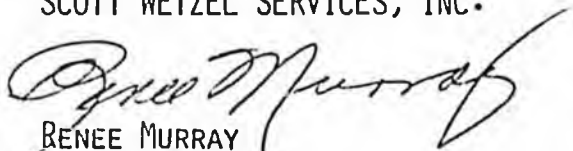
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VERY TRULY YOURS,

SCOTT WETZEL SERVICES, INC.


RENEE MURRAY
ALASKA MANAGER

RM/vp

ENC. SEC. 23.30.155(c) ALASKA WORKERS' COMP. ACT



Scott Wetzel Services Incorporated

An Affiliate of The Home Group Inc

741 Sesame Street • Suite 1A • Anchorage, Alaska 99503

Phone: (907) 561-1725

FEBRUARY 8, 1985

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CHAIRMAN, LABOR & COMMERCE COMMITTEE
ALASKA STATE SENATE
STATE OF ALASKA
POUCH V
JUNEAU, AK 99811

RE: ALASKA WORKERS' COMPENSATION ACT
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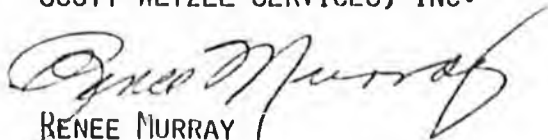
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VERY TRULY YOURS,

SCOTT WETZEL SERVICES, INC.



RENEE MURRAY
ALASKA MANAGER

RM/vp

ENC. SEC. 23.30.155(c) ALASKA WORKERS' COMP. ACT



Alaska State Legislature

Senate

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

Proposed Amendment: Page 10, Line 10, add the following:

AS 23.30.155 (c) Upon making the first payment, and upon an increase, reduction, determination, suspension, resumption, or a change in rate or type of compensation paid, the employer shall notify the board within 14 days, on a form prescribed by the board, that payment of compensation has begun or has been increased, reduced, terminated, resumed, changed, or suspended, as the case may be. If the employer fails to notify the board within 14 days, the board shall assess against the employer a late penalty of \$100 plus \$10 [\$25] for each day in excess of 14 days that the employer fails to give notice. Total penalties under this section may not exceed \$1,000 [\$2,500] for each failure to file a required report.

Renumber other sections accordingly.



Scott Wetzel Services Incorporated

An Affiliate of The Home Group, Inc.

741 Sesame Street • Suite 1A • Anchorage, Alaska 99503

Phone: (907) 561-1725

FEBRUARY 8, 1983

J. PAUL HOUSE, ADMINISTRATOR
SECOND INJURY FUND
WORKERS' COMPENSATION DIVISION
STATE OF ALASKA
P.O. BOX 1149
JUNEAU, AK 99811

DEAR PAUL:

MARION BERRY HAS REFERRED TO ME YOUR MEMO OF 2/2/83 REFERENCE A LATE REPORT PENALTY ON STEVE SCHOONMAKER AND THE LETTER ATTACHED ASSESSING A \$1,575 LATE REPORT PENALTY.

MARION IS VERY UPSET THAT YOU ARE QUESTIONING HER HONESTY AND INTEGRITY AND RIGHTFULLY SO. NO ONE IN OUR OFFICE IS GOING TO LIE TO YOU AND WE STRONGLY OBJECT TO BEING ASKED TO PROVIDE AN AFFIDAVIT ON THIS OR ANY OTHER CLAIM.

IN THIS PARTICULAR CASE, THERE IS A VERY SIMPLE EXPLANATION IN THAT TWO FILES HAVE BEEN SET UP IN YOUR OFFICE, ONE UNDER FILE NUMBER 222819-SCHOONMAKER AND A SECOND FILE NUMBER 226313-SHOONMAKER. WE FEEL CERTAIN THAT IF YOU CHECK BOTH FILES YOU WILL FIND THE ELUSIVE REPORT WHICH WILL PROVE TO YOU THAT WE DID IN FACT FILE IT ON 11/4/82 AS INDICATED.


WHAT THIS WHOLE SITUATION DOES ILLUSTRATE QUITE POINTEDLY IS HOW RIDICULOUS AND UNFAIR THIS PENALTY SITUATION IS IN THAT WE COULD HAVE BEEN ASSESSED A \$1,575 PENALTY FOR A SIMPLE MISSPELLING OF A NAME.

I AM CONTINUING IN MY EFFORTS TO DO EVERYTHING POSSIBLE TO OBTAIN THE REPEAL OF SECTION 23.30.155(c) OF THE ALASKA WORKERS' COMPENSATION ACT, INCLUDING CONTACT WITH GOVERNOR SHEFFIELD AND FOR YOUR INFORMATION I'M ATTACHING HERETO A COPY OF A LETTER WHICH I AM CIRCULATING TO THE LEGISLATORS AND WHICH OUTLINES MY POSITION AND OBJECTION TO THIS VERY UNFAIR AND DISCRIMINATORY PENALTY.

THANK YOU FOR CALLING THIS CASE TO MY ATTENTION BECAUSE IT CERTAINLY DID ADD FURTHER CREDENCE TO MY ARGUMENT.

SINCERELY,

SCOTT WETZEL SERVICES, INC.


RENEE MURRAY
ALASKA MANAGER

RM/vp

TO:	Name Marion Berry	Dept./Div./Sect. Scott (Metal Division)	Mail Stop
FROM:	Name Paul House	Dept./Div./Sect. DOL - Wtc Div. - SIF	Telephone 465-2791
SUBJ.:	Schoolmaker, Steve RS: Late Report Penalty 2-2-83		
		Date	

If you can document that the INITIAL report showing Payment date of 11-1-82 was mailed to this office on 11-4-82, please provide us with an affidavit to that effect. Otherwise, Payment is due the amount as indicated in the attached letter. If payment on the affidavit is not provided then we will proceed to Board action for a reevaluation on this matter.

STATE OF ALASKA
DEPARTMENT OF LABOR
WORKERS COMPENSATION DIVISION
P.O. BOX 1149
JUNEAU ALASKA 99811
(907) 465 2790

DATE 01/31/83

SCOTT WETZEL SERVICES
741 SESAME ST SUITE 1A
ANCHORAGE AK 99503

DEAR INSURER:

AS 23.30.155(C) REQUIRES YOU TO NOTIFY THE BOARD WITHIN 14 DAYS AFTER MAKING FIRST PAYMENT OR INCREASING, REDUCING, TERMINATING, SUSPENDING, RESUMING OR CHANGING COMPENSATION RATES OR TYPES.

YOUR COMPENSATION REPORT FOR THE CASE CAPTIONED BELOW REGARDING PAYMENT MADE 11/04/82, WAS 60 DAYS OVERDUE. ACCORDINGLY, \$1,575 LATE REPORT PENALTY IS DUE. PLEASE SEND YOUR CHECK IN THAT AMOUNT TO THE SECOND INJURY FUND, P.O. BOX 1149, JUNEAU, AK 99811.

EMPLOYEE: SCHOONMAKER, STEVE
P O BOX 686

EMPLOYER: KODIAK AK 99615
ALASKA, STATE OF (F&G)
DEPT OF FISH AND GAME
P.O. BOX 686

KODIAK AK 99615
INJURY DATE: 10/15/82
ANCR CASE NO: 222919
REF YOUR CLAIM 267

VERY TRULY YOURS,

Paul House
PAUL HOUSE, ADMINISTRATOR
SECOND INJURY FUND

The Report of

**The National Commission
on State Workmen's
Compensation Laws**



WASHINGTON, D. C.
July 1972

EXHIBIT #1

Chapter 3

The Income Maintenance Objective

A basic objective of a modern workmen's compensation program is to provide protection to workers against loss of income from work-related injuries and diseases. To achieve this goal, the program must carefully weigh the worker's interest in substantial income benefits against factors such as the loss of incentive for rehabilitation, which some believe may occur if income benefits are too high.

A perfect balance of these contending interests can not be reached by a scientific formula or any other means. It is possible, however, to develop general guidelines for income benefits, and much of this chapter is devoted to that task. These guidelines are used, together with recommendations advanced earlier by other organizations, to evaluate the cash benefits in current workmen's compensation programs.

We are asked by the Occupational Safety

and Health Act of 1970 to evaluate several aspects of State workmen's compensation laws, including the amount and duration of permanent and temporary disability benefits, with respect to their adequacy and equity. Although workmen's compensation has many strengths, as this report will elaborate, surely the current level of benefits is not among them. Except in a few States, workmen's compensation benefits are not adequate. Moreover, the adequacy of cash benefits in only a few States emphasizes the inequities when comparisons are made among States. Inequities also occur within States. In some, workers with minor impairments receive relatively more generous benefits than workers with serious impairments.

Progress in recent years in raising benefit levels provides encouraging evidence of increased interest by the States in improving workmen's compensation. Nonetheless, even the recent

improvements leave many States with inadequate benefits, as this chapter will demonstrate.

A. GENERAL ISSUES CONCERNING INCOME BENEFITS

Several general issues must be discussed before the specific categories of benefits—temporary total, permanent total, permanent partial, and death—can be evaluated.

Two Types of Benefits

As indicated in Chapter 2, a worker must meet three tests before he is potentially eligible for income benefits. The worker must (1) experience an impairment (2) caused by an injury or disease (3) that is work-related. If these tests are met, then two types of workmen's compensation cash benefits are possible:

- i. *Impairment benefits* are paid to a worker with an impairment caused by a work-related injury or disease, and
- ii. *Disability benefits* are paid when an employee has impairment *and* wage loss, both due to a work-related injury or disease.

Impairment benefits are paid whether or not the worker experiences a wage loss. Disability benefits are paid only if the worker has an actual or potential wage loss due to a work-related impairment.

The exact circumstances governing payment of impairment benefits and disability benefits in the present workmen's compensation program are described in later sections. In general, temporary total, permanent total, and death benefits require disability. Impairment benefits are presently of importance only as a basis for permanent partial benefits although, even for this class of benefits, disability is the primary basis for awards.

Our recommendations for temporary total, permanent total, and death benefits assume disability, and we believe that disability should be the primary basis for permanent partial benefits.

The Proper Approach for Determining Disability Benefits

A number of issues must be resolved in the design of a workmen's compensation disability benefit schedule. What is the proper measure of the worker's economic loss resulting from a work-related impairment? Shall only wages be considered, or should fringe benefits be added? Should consideration be given to the impact of income taxes? And what proportion of economic loss should be compensated?

Remuneration or earnings? The value of a job to a worker cannot be measured simply by his wage or salary. Table 3.1 documents the growing importance of supplements relative to earnings in the employee's total remuneration. Earnings are defined in this table to include basic wages and salaries plus irregular wage payments (e.g., payments for overtime) plus pay for leave time. Even with this inclusive definition of earnings, remuneration as a percentage of earnings has increased from 104.2 percent in 1946 to 111.4 percent in 1970.

The status of supplements subsequent to a worker's injury or disease varies with circumstances. Some employers continue payments on behalf of their injured workers for such programs as health insurance, life insurance, and pensions. Moreover, some workers injured on the job may be eligible for benefits under supplementary programs, such as the disability retirement option in a pension plan. However, a disabled worker may lose some supplements, particularly if he is out of the job for an extended period. Because workmen's compensation benefits usually are tied solely to earnings, the program is increasingly deficient in the protection provided to the remuneration of American workers.

Total or net remuneration? While workmen's compensation should protect remuneration (earnings plus supplements), it is net remuneration, not total remuneration that is the relevant basis for workmen's compensation benefits. Net remuneration takes account of payroll taxes and job-related expenses incurred by a worker.

Table 3.2 indicates how taxes take an increasing share of earnings. In 1946, gross average weekly earnings were \$46.69, and most 98 percent of this income was spendable.

TABLE 3.1. Relationship of average annual total remuneration to average annual earnings in all private industries, 1940-70

	1940	1946	1956	1966	1970
Remuneration per full-time employee	\$1352	2460	4365	6615	8315
Earnings per full-time employee	\$1291	2360	4089	5974	7462
Remuneration as a percentage of earnings	104.7	104.2	106.7	110.7	111.4

Source. Calculated from data in Tables 6.1, 6.4, and 6.5 of U.S. Department of Commerce, *The National Income and Product Accounts of the United States, 1929-1965 Statistical Tables*; *Survey of Current Business*, July 1970 and July 1971.

In this Report, "remuneration" is used in place of "compensation," as that term is defined in the above publications. "Earnings" and "Wages and Salaries" are equivalent. The definitions in the Department of Commerce publication are:

Compensation of employees is the income accruing to persons in an employee status as remuneration for their work. It is the sum of wages and salaries and supplements to wages and salaries.

Wages and salaries consists of the monetary remuneration of employees, inclusive of executives' compensation, commissions, tips, and bonuses, and of payments in kind which represent income to the recipients.

Supplements to wages and salaries consists of employer contributions for social insurance and of other labor income. Employer contributions for social insurance comprises employer payments under the social security, Federal and State unemployment insurance, railroad retirement and unemployment insurance, government retirement and a few other minor social insurance programs. Other labor income comprises employer contributions to private pension, health, unemployment, and welfare funds; compensation for injuries; directors' fees; pay of the military reserve; and a few other minor items.

TABLE 3.2. Relation between gross and spendable weekly earnings, 1940-70

1956 Year	(1) Gross average ^a	(2) Spendable average ^b	(3) Spendable as pct of gross
1940	\$ 27.02	\$ 26.76	99.0%
1946	46.69	45.55	97.6
1956	81.15	74.16	91.4
1966	114.51	101.17	88.4
1970	141.09	121.70	86.3

a Gross average weekly wages for all workers covered by the unemployment insurance program, U.S. average, from Handbook of Unemployment Insurance Financial Data, 1938-1970.

b Spendable average weekly earnings for a married worker and three dependents. Spendable earnings reflect deductions for Federal income and social security taxes. Formulas are presented in U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* February 1972, pp. 13-17.

In 1970, gross weekly earnings were \$141.09, but only 86 percent was spendable: the balance went for Federal income taxes and Social Security deductions. Because workmen's compensation benefits are tied to basic wages and salaries, and because the benefits are tax-free, workmen's compensation benefits have tended

to become more attractive relative to a worker's spendable earnings. If weekly benefits were tied to pre-tax wages, and if the limits on maximum weekly benefits were raised to the point where most workers would have all of their pre-tax wages used in calculating disability benefits, high wage workers would receive so much that their incentive for rehabilitation might be weakened. Because the income tax is progressive, tax-free benefits set as a percentage of pre-tax earnings would tend to approach or even surpass post-tax earnings for high wage workers.

Dependents' allowance? Still another factor must be considered in the design of workmen's compensation benefits. Many States pay a dependents' allowance in addition to the basic benefit for the disabled worker. From the employer's standpoint, the dependents' allowance may seem illogical because he pays the same wage to a worker whether or not that worker has dependents. On the other hand, from the employee's standpoint, the dependents' allowance may seem entirely rational. Because of the income tax, two workers with the same pre-tax wages may have different post-tax wages: the family with more dependents will have the larger income after taxes. It can be argued that workmen's compensation benefits should reflect differences in net remuneration among workers with different numbers of dependents.

A new basis for disability benefits. Conceptually, the ideal workmen's compensation program would measure a disabled worker's loss by the difference between his net remuneration before the injury or disease with his net remuneration thereafter. Obvious administrative difficulties make this ideal solution impractical, but the difficulties do not compel a modern workmen's compensation program to continue the tradition of comparing gross weekly wages before the injury with gross weekly wages after the injury and of calculating benefits by replacing the traditional proportion of lost wages.

An administratively feasible procedure can simultaneously take into account the difference between gross and spendable earnings, the virtues of dependents' allowances, the impact of the progressive income tax, and the increasing importance of supplements. This procedure first determines the worker's gross average weekly wage prior to disability (which must be determined now in virtually every State workmen's compensation program) and the number of his dependents (which must now be determined in many States). The gross weekly wage and dependency data are then inserted into a formula prepared and published by the U.S. Department of Labor to determine the worker's spendable earnings. (See *Compendium* for the 1972 formulas.) Once spendable earnings are calculated, workmen's compensation benefits for all sizes of families can be calculated as a fixed proportion of spendable weekly earnings. No further allowances for dependents or tax considerations are necessary or appropriate.

The method used to determine spendable weekly earnings is neither complicated nor impractical. A similar, though more complex, method is already in use in the Federal Wage Garnishment Law.

What is the appropriate proportion of spendable earnings to pay as benefits? Unfortunately, there is no easy answer to that question. The traditional approach has been to replace two-thirds of lost wages. This proportion represented a rough judgment about the adjustments needed to reflect the reduction in the disabled worker's work-related expenses, and to provide him an incentive to return to work. As the proportion of wages replaced is increased, the worker is assumed to have less incentive to return to work. Of course, if the proportion is

too low, a worker may be in such dire circumstances that he may be forced to return to work before he is properly recovered or he may become so demoralized as to be indefinitely disabled.

There may be ingenious ways to retain effective incentives to rehabilitation while increasing the proportion of benefits to lost wages. For example, it may be possible to replace a substantial, though incomplete, portion of lost wages during the period of disability, and then pay the worker a part of the remaining loss as a bonus if he returns to work successfully. We encourage States to consider such inducements to rehabilitation which could increase the proportion of benefits to wage loss above the level of our recommendations.

Because our preference is for benefits to be based on spendable earnings, which represent only a portion of gross earnings, and because total remuneration is increasingly greater than gross earnings because of the growing importance of supplements, we believe the traditional proportion (two-thirds of lost wages) is too low.

R3.1

We recommend that, subject to the State's maximum weekly benefit, a worker's weekly benefit be at least 80 percent of his spendable weekly earnings.

In Table 3.3, the benefits provided by our recommendation are contrasted with those paid by the traditional 66 2/3 percent of pre-tax wages. The average 1972 weekly wage for all workers is approximately \$150.00. The average family size is about four. For a worker with three dependents, earning \$150.00, spendable weekly earnings would be \$131.91. A benefit allowing 80 percent of this amount would be \$105.53. In contrast, a benefit of 66 2/3 percent of the gross weekly wage (\$150) would be \$100.00. We believe the extra \$5.53 is an appropriate adjustment reflecting the increasing importance of supplements since the 66 2/3 percent allowance was first endorsed.

There are several advantages in our recommendation. As Table 3.3 indicates, this procedure automatically mirrors the difference in spendable weekly earnings between a worker

TABLE 3.3. Workmen's compensation benefits as a percentage of spendable earnings compared with benefits as a percentage of wages

Gross average weekly wage		Spendable average weekly earnings*		Workmen's compensation benefits		
Pct of U.S. av. (\$150)	\$ Amount	Dependents		66.7% of gross av. wkly wage	80% of average spendable weekly earnings	
		None	Three		Dependents	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
50	\$ 75	\$ 65.63	\$ 71.10	\$ 50.00	\$ 52.50	\$ 56.88
66.67	100	84.64	92.38	66.67	67.71	73.90
100	150	121.86	131.91	100	97.49	105.53
133.33	200	159.99	172.36	133.33	127.99	137.89
166.67	250	199.26	214.25	166.67	159.41	171.40
200	300	235.68	253.46	200	188.54	202.77

* Calculated by 1972 formula cited in Table 3.2. Table assumes U.S. average weekly wage for 1972 is \$150, which is an estimate by the staff of the National Commission on State Workmen's Compensation Laws.

with dependents and a worker with no dependents. For example, the worker earning \$150.00 a week would receive \$97.49 a week as a workmen's compensation benefit if he had no dependents, but would receive \$105.53 if he had three dependents.

The system shown in Table 3.3 also has the virtue of assuring that high-wage workers have an economic incentive to return to work. For example, the worker without dependents who earns twice as much (\$300.00 per week) as the U.S. average weekly wage would receive \$200.00 if allowed 66 2/3 percent of gross earnings, which is equivalent to 85 percent of his spendable earnings.

A transitional formula. While our recommendation is not particularly complex, compared to other aspects of workmen's compensation, States will require a transitional period to revise their laws. A somewhat simpler, though generally inferior, formula can be used in the interim.

R3.2

We recommend that, subject to the State's maximum weekly benefit, a worker's weekly benefit be at least 66 2/3 percent of his gross weekly wage.

This formula should be used until the maximum weekly benefit in a State exceeds 100 percent of the State's average weekly wage.

The General Relationship Between Workmen's Compensation and Other Insurance Programs Providing Income Benefits

The relationship between workmen's compensation and other private and public insurance programs providing income benefits for disabled workers has not been a particularly important issue because workmen's compensation benefits generally have been so low. In the event that our recommendations for benefits are adopted, the total benefits received from a combination of workmen's compensation and other programs could become substantial. For this reason, we believe the overlap of benefits from several sources needs examination. If a disabled worker's combined benefits are too high relative to what he might earn, he may see no reason to return to work. Even more serious is the issue of equity. The availability and extent of insurance benefits vary among occupations, industries, and States. Two workers with similar earnings records and similar disabilities may receive markedly dissimilar benefits unless workmen's com-

pensation and these insurance programs are coordinated.

Typically, coordination involves reducing the benefits paid by one program when benefits are also paid by the other program. The issue is, which program should reduce payments in event of overlap? There are advantages to not reducing workmen's compensation benefits such as the stimulus to safety inherent in having employers bear the full cost of work-related injuries and diseases.

R3.3

We recommend that, if our recommended benefit increases for workmen's compensation are adopted, the benefits of other public insurance programs should be coordinated with workmen's compensation benefits. In general, workmen's compensation should be the primary source of benefits for work-related injuries and diseases.

(Circumstances justifying exceptions to this general rule are discussed later in the chapter.)

Coordination between workmen's compensation and some private insurance programs financed by employers is also generally appropriate. These programs include, for example, sick leave plans and disability retirement provisions of pension plans, but would not include employer-financed life insurance.

Workmen's compensation will have to be coordinated with other insurance programs in order to resolve problems such as the plight of workers at the dividing line between two programs who may be denied benefits by both.

The General Relationship Between Workmen's Compensation and Programs Based on Need

Several programs provide benefits to persons in need, including disabled workers, without any requirement that the individual or his employer contribute to an insurance fund. These programs include the General Assistance program, Aid to the Blind, and Aid to the Permanently and Totally Disabled. The proposed Family Assistance Plan, and other versions of an income maintenance program that have been given serious attention in recent years, would

provide a basic level of income for all Americans.

Workmen's compensation has a different role than these programs. Their task is to protect families from poverty. Workmen's compensation is an insurance program designed to protect workers and their families against wage loss due to work-related injuries or diseases. For most employees, workmen's compensation should protect income well above the poverty level.

The difference in these roles explains why, for most workers, there can be no adequate substitute for a modern workmen's compensation program. To be sure, there are many full-time workers whose earnings do not take them out of poverty. Nonetheless, the basic insurance purpose of workmen's compensation suggests that the program should not be expected to remove low-wage workers from poverty if they are so unfortunate as to suffer a work-related injury or disease. One reason why our recommendations for benefit levels will not place considerable stress on high minimum weekly benefits is that we assume a family assistance program or other form of income maintenance program soon will assure all families a sufficient income.

R3.4

We recommend that workmen's compensation benefits not be reduced by the amount of any payments from a welfare program or other program based on need.

If a family assistance program or other generally available income support program is adopted with benefit levels that insure all families an income above the poverty level, then this income support program should consider reducing its allowances in the presence of workmen's compensation payments.

B. TEMPORARY TOTAL DISABILITY BENEFITS

A temporary total wage loss benefit, usually called a temporary total disability benefit, is paid because a work-related injury or disease causes a temporary and total loss of earnings. Our evaluation of this type of benefit is based on comparisons involving a worker with three dependents, a family of average size.

Waiting Period

After a worker is temporarily and totally disabled, he normally does not receive benefits the first few days. Virtually every workmen's compensation statute has a waiting period expressed in calendar days, for which no benefits are paid. If the worker is disabled for an extended period, however, benefits for the initial waiting period are paid retroactively.

The recommended standard published by the Department of Labor provides a three day waiting period, with the benefits for the three days paid if the total period of disability exceeds 14 days. The Model Act specifies a seven day waiting period, with benefits paid retroactively for the first seven days if the total period of disability exceeds 28 days.

Table 3.4 indicates the record of compliance with these recommendations in the various States during the period 1966-1972. Most States now meet the Model Act standard, but a substantial majority do not meet the Department of Labor recommendation. The shorter the waiting period, the more workers with work-related injuries and diseases are eligible for benefits. As the period to qualify for retroactive benefits shrinks, the average number of weeks of benefits per case increases.

TABLE 3.4. Jurisdictions in compliance with recommended standards published by the U.S. Dept. of Labor and the Model Act for waiting period and period of disability qualifying for retroactive pay, 1966-72

Year	States (50)		Other "States" (6)		Federal (2)	
	USDL	Model Act	USDL	Model Act	USDL	Model Act
1966	7	44	2	3	0	2
1972	10	45	3	4	0	2

The recommended standards published by the U.S. Department of Labor (USDL) specify 3 days waiting period before benefits begin, and 14 days of disability to qualify for retroactive payments for time lost in the original waiting period. The Model Act specifies 7 days waiting and 28 to qualify for retroactive benefits. Both standards refer to calendar days, not working days.

See Table 2.3 for explanatory notes.

The advantage of reducing both the waiting and the qualifying period is that workers will have a higher proportion of their lost remuneration replaced by benefits. At the same time, the cost of the program increases, both in benefits paid and in administrative expenses. Proponents of the waiting period argue also that a waiting period is necessary to discourage malingering.

TABLE 3.5. Percentage of disability days compensable with various combinations of waiting and retroactive periods

Calendar days of disability to qualify for retroactive benefits	Calendar days to wait before benefits begin			
	0	3	5	7
0	100%	—	—	—
3	—	98%	—	—
7	—	35%	94%	93%
14	—	93%	90%	88%
21	—	92%	88%	84%
28	—	91%	86%	83%

Calculated by actuarial techniques of the National Council on Compensation Insurance.

Table 3.5 indicates the approximate relationship in cost among various combinations of waiting periods and retroactive periods. The table is constructed so that the cost of paying benefits for *all* days of lost time is equal to 100 percent. Thus, the Model Act standard (7 days wait/retroactive after 28 days) would pay benefits for approximately 83 percent of all lost time, and the Department of Labor standard would pay for approximately 93 percent of all lost time.

R3.5

We recommend that the waiting period for benefits be no more than three days and that a period of no more than 14 days be required to qualify for retroactive benefits for days lost.

We believe this recommendation represents a reasonable compromise between the interests of reducing the number of payments for truly minor disabilities and of insuring that even moderately serious injuries will have benefits restored retroactively for the first days lost.

Proportion of Lost Remuneration to be Replaced

The Model Act suggests that temporarily and totally disabled workers should receive 55 percent of their average weekly wage in benefits, with an additional 2 1/2 percent paid for each dependent up to a maximum of five dependents. As an alternative formula, the Model Act uses the more traditional standard of benefits equal to 66 2/3 percent of the worker's weekly wage. (The worker's benefit is subject to minimum and maximum weekly benefits.)

In general, present workmen's compensation programs do a creditable job of meeting this standard. In 1972, 32 of the 50 States meet this 66 2/3 percent standard and six others pay 65 percent. No State pays less than 60 percent of the worker's wage.

There is a great virtue in relating a worker's benefits to his previous wages. This approach, in contrast to a system which would pay workers a flat amount if they are disabled, permits workmen's compensation reasonably to accomplish its objective of maintaining income with fair regard for the level of earnings before disability. Also, this means States with high wage levels automatically provide higher benefits for their workers than States with low wages.

We have indicated our preference for a formula which bases a worker's benefit on his spendable earnings before disability.

R3.6

We recommend that, subject to the State's maximum weekly benefit, temporary total disability benefits be at least 80 percent of the worker's spendable weekly earnings. This formula should be used as soon as feasible, in any case, as soon as the maximum weekly benefit in a State exceeds 100 percent of the State's average weekly wage.

We realize that, on an interim basis, use of a generally inferior formula may be necessary.

R3.7

We recommend that, subject to the State's maximum weekly benefit, temporary total disability benefits be at least 66 2/3 percent of the worker's gross weekly wage.

In addition to this 66 2/3 percent, a State may wish to provide a dependents' allowance. However, a dependents' allowance in addition to the 80 percent of spendable weekly earnings would be inappropriate.

Maximum Weekly Benefit

The recommendation published by the Department of Labor provides that the maximum weekly benefit in a State should be at least 66 2/3 percent of the average weekly wage in the State. Table 3.6 indicates the extent of full compliance with this standard since 1940. The majority of States do not now meet the standard. Maximum benefits were nearer to the average wage in 1940 than they have been since then, although there has been some improvement in recent years.

The data in Table 3.6 need to be interpreted with caution. Part of the apparent increase in full compliance between 1966 and 1972 may be a statistical artifact. The evaluations for the years prior to 1972 are based on the statutes in effect on December 31 of a given year compared to the average weekly wage during that same year. For 1972, the statutes in effect as of January 1 are compared to the average wages in the first half of 1971, the latest data available. If the comparisons were made between the January 1, 1972, statutes and the average weekly wage for the entire calendar year of 1971, it appears likely that three more States would not fully comply with the recommended standard.

The sensitivity of the full compliance results in Table 3.6 to the wage being used demonstrates how some States find it difficult to keep benefits in line with rising wages. If a State conscientiously amends its law to set the maximum weekly benefit equal to two-thirds of the average weekly wage for the latest data available, it usually would find that when the wage data subsequently became available for the date when the law was amended, the maximum would fall short of its target. Recognizing that the rising trend in wages makes it difficult for States to have their maximum benefits equal or exceed the two-thirds standard, Table 3.6 identifies the States which have substantially complied with the traditional 66 2/3 percent standard by creating a category where the maximum weekly

TABLE 3.6. Maximum weekly benefits for temporary total disability as a percentage of average weekly wage: distribution of jurisdictions, 1940-72

Year (19)	States (50)					Other "States" (6)					Federal (2)				
	40	46	55	66	72	40	46	56	66	72	40	46	56	66	72
<u>Full compliance</u> 75% or more	29	3	2	2	4	1					2		1	1	1
56.7 to 74.9%	9	1	1	1	6		1	1					1		
<u>Substantial compliance</u> 60 to 66.6%	7	4	1	1	8				2			2		1	
<u>Substandard</u> 50 to 59.9%	4	17	7	16	12					1					
Less than 50%	0	24	39	30	20					1					1

The maximum benefits for 1940 through 1946 are for December 31 and are compared to the State's average weekly wage for the corresponding year. The 1972 maximums are those in effect on January 1, 1972, and are compared to the State's average weekly wage for the first half of 1971.

Benefits are calculated as payments to a worker with three dependents.

Wage data for 4 other "States" are not available. Mississippi law did not go into effect until January 1, 1949. Wage data for Puerto Rico was not available before 1961.

Source of wage data: Handbook of Unemployment Insurance Financial Data, 1938-1970, and unpublished data from U.S. Department of Labor.

See Table 2.3 for explanatory notes.

benefit is at least 60 percent of the average weekly wage in the jurisdiction. Eighteen States are in "full compliance" or "substantial compliance" with the 66 2/3 percent standard. However, the maximum weekly benefit in 20 States is less than 50 percent of the State's average weekly wage, and in another 12 States, the maximum weekly benefit is between 50 and 60 percent of the State's average weekly wage. The deficiencies in these States are due to more than a temporary lag in legislative enactments.

Judged by traditional standards, a majority of States have maximum weekly benefits which are inadequate. Moreover, the wide variation among the States in the relationship of maximums to average weekly wages indicates that the maximum weekly benefits for temporary total disability are not equitable.

Our judgment that the maximum weekly benefit levels are generally inadequate is reinforced by comparing the maximum weekly benefit in each State as of January 1, 1972, with the 1971 national poverty level for a non-farm family of four persons, which is \$79.56 a week.

It is distressing that as of January 1, 1972, the *maximum* weekly benefit for temporary total benefits in more than half of the States did not reach this poverty level.

Some temporarily disabled workers have sources of income in addition to workmen's compensation benefits. After the first six months of disability, a worker who continues to be incapacitated may be eligible for disability insurance benefits under the Social Security program. In California, some workers may receive a benefit under the temporary disability insurance law equal to the difference between the TDI benefit and the workmen's compensation benefit. More common but available nationally only to a minority are sick leave or insurance benefits provided by employers to pay for the waiting period or supplement the weekly workmen's compensation benefits. The sick pay plans sometimes replace wages in full, but more often pay some flat amount or an amount proportioned to replace part of earnings.

The extent of such coverage varies by size of firm (the larger firms tend to offer more

protection), by industry (public utilities and manufacturing are more likely to have such plans), and by type of worker (salaried workers are much more likely to enjoy this protection than wage workers.) Moreover, even among progressive firms, fewer than half the workers are covered by sick leave or other plans which supplement workmen's compensation benefits for temporarily disabled workers. These private plans are almost always integrated with payments by public programs so that duplicate payments are rare.

Despite such supplementary income, the conclusion is inescapable that the maximum weekly benefits for most disabled workers are in general inadequate and inequitable.

It seems likely that workmen's compensation beneficiaries prior to injury have on the average weekly wages lower than the State average. It is difficult to confirm this assumption, although it has been observed that the injured are often the young and inexperienced. The only available series on wages of injured workers is published by the National Council on Compensation Insurance. The Council believes the average wages for injured workers are probably understated by its data because some of the sources the Council uses do not report the full wage of high-wage workers.

Weekly benefits for disability often are reduced by attorney's fees. (See Chapter 6) The data on legal expenses are limited, but it is evident that the adequacy of benefits is further undermined by the effect of these fees, which in almost every State are paid by the worker.

While we recognize that not all of the data that would be useful to evaluate the adequacy of benefits are available, nonetheless there are enough data to support a finding that the States are failing to meet in a responsible fashion the traditional standard of a maximum weekly benefit of at least 66 2/3 percent of the average weekly wage in the State. Moreover, that traditional maximum is too low.

A statute which provides that a worker's benefit shall be 66 2/3 percent of his wages subject to the State's maximum weekly benefit, coupled with a maximum weekly benefit which is 66 2/3 percent of the State's average weekly wage, means that in fact approximately half of the workers in a State are going to receive benefits that are less than 66 2/3 percent of

their previous wages. It is wrong to restrict the benefits of such a substantial proportion of the work force through the operation of the maximum weekly benefit.

R3.8

We recommend that as of July 1, 1973, the maximum weekly benefit for temporary total disability be at least 66 2/3 percent of the State's average weekly wage, and that as of July 1, 1975, the maximum be at least 100 percent of the State's average weekly wage.

By 1975, the most expensive phase of our recommendations for maximum benefits will be over, and the States should then proceed to increase the protection for workers with above-average earnings.

R3.9

We recommend that as of July 1, 1977, the maximum weekly benefit for temporary total disability be at least 133 1/3 percent of the State's average weekly wage; as of July 1, 1979, the maximum should be at least 166 2/3 percent of the State's average weekly wage, and on and after July 1, 1981, the maximum should be at least 200 percent of the State's average weekly wage.

R3.10

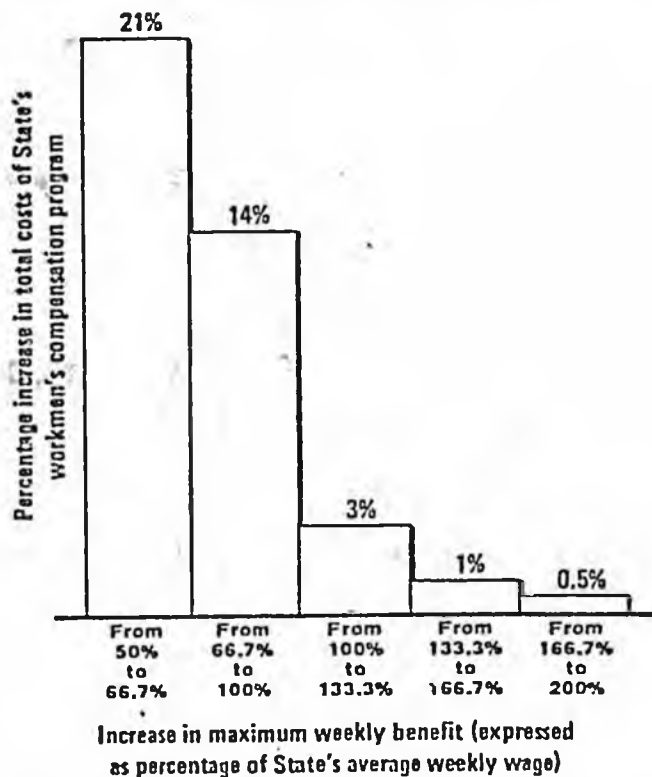
We recommend that, for all maximum weekly benefits, the maximum be linked to the State's average weekly wage for the latest available year as determined by the agency administering the State employment security program.

Increasing the maximums according to our recommendations is not only essential to make benefits equitable and adequate, it is administratively and economically feasible. Thirteen States now have provisions which automatically increase the maximum weekly benefit for temporary total benefits as their average weekly wage increases.

Figure 3.1 indicates the approximate cost of moving to these successive increments of maximum weekly benefits when the maximums are coupled with the Model Act standard of a minimum weekly benefit equal to 20 percent of the State's average weekly wage and a weekly

disability benefit equal to $66\frac{2}{3}$ percent of the worker's weekly wage.

FIGURE 3.1. Additional cost of increasing maximum weekly benefits in workmen's compensation



Calculated by staff of National Commission on State Workmen's Compensation Laws with actuarial techniques of the National Council on Compensation Insurance. Calculations assume that a worker's benefit is 66.67% of his weekly wage, subject to a minimum weekly benefit equal to 20% of the State's average weekly wage and to the maximum weekly benefits shown in the figure.

C. PERMANENT TOTAL DISABILITY BENEFITS

Only about 10 percent of all workmen's compensation claims (including claims paying medical benefits only) involve impairments serious enough to qualify the workers for permanent total disability or permanent partial benefits. Only about 1,000 workers each year receive permanent total disability awards.

Although numerically less important than the claims involving temporary total disability benefits or medical care only, the claims involving workers with permanent impairments present the most difficult challenges. These cases are the most expensive in terms of benefits paid

and services provided. In addition, the claimants present the greatest potential for rehabilitation—a potential which too often is unappreciated and unfulfilled.

One reason for the insufficient attention to rehabilitation is the tendency to view workmen's compensation primarily in terms of payment of cash benefits. In some States virtually all that happens is that a worker is injured, inspected, and indemnified. Such a policy is unsatisfactory and inhumane, and in Chapters 4 and 6 we spell out procedures which should insure that workers with serious impairments will receive needed medical and rehabilitation services under the close supervision and careful attention of the State workmen's compensation agency. We stress these restorative aspects of a modern workmen's compensation program because we do not wish our discussion of cash benefits for serious impairments to divert attention from our goal of an integrated and comprehensive set of services for workers with serious impairments.

Legal Definition

Permanent total disability benefits should be paid to a worker who experiences a work-related injury or disease which leads to a permanent impairment that makes it impossible for him to engage in any substantial gainful activity for a prolonged period. If a worker earns income subsequent to his injury, he may be eligible for the permanent partial disability benefits described later in this chapter.

Our recommendations for improvements in the level and extent of permanent total disability benefits assume that the improvements will be applied only to those who truly are permanently and totally disabled. A few jurisdictions, however, use definitions of permanent total disability which permit such awards to impaired workers who retain substantial wage earning capacity.

—R3.11—

We recommend that the definition of permanent total disability used in most States be retained. However, in those few States which permit the payment of permanent total disability benefits to workers who retain substantial earning capacity, we recommend that our benefit proposals be

applicable only to those cases which meet the test of permanent total disability used in most States.

Proportion of Lost Remuneration to be Replaced

The traditional benefit for permanent total disability replaces two-thirds of the worker's wages, subject to minimum and maximum weekly benefits. The Model Act's alternative formula encompasses this traditional view. The Model Act also provides a method for automatically increasing the benefits of a totally disabled worker as the average weekly wage in the State increases. (See Section 21 of the Model Act)

Most States specify an adequate percentage of lost wages to be replaced for a totally disabled worker, although only five now provide for automatic increases in benefits as the State's average weekly wage increases.

R3.12

We recommend that, subject to the State's maximum weekly benefit, permanent total disability benefits be at least 66 2/3 percent of the worker's gross weekly wage.

After a transition period, our preferred formula (R.3.13) should be used.

R3.13

We recommend that, subject to the State's maximum weekly benefit, permanent total disability benefits be at least 80 percent of the worker's spendable weekly earnings. This formula should be used as soon as feasible or, in any case, as soon as the maximum weekly benefit in the State exceeds 100 percent of the State's average weekly wage.

A dependents' allowance may be appropriate in addition to the benefits based on gross weekly wages, but is not appropriate in addition to the benefits based on spendable earnings.

Protection against erosion in the value of the benefits must be provided for claimants with long-term disability cases.

R3.14

We recommend that beneficiaries in permanent total disability cases have their benefits increased through time in the same proportion as increases in the State's average weekly wage.

Maximum Weekly Benefit

Like maximum temporary total benefits, the maximum weekly benefits for permanent total disability are seriously deficient in certain States. Table 3.7 indicates the relationship of the maximum benefits for permanent total disability to average wages in the various jurisdictions in 1972.

TABLE 3.7 Maximum weekly benefits for permanent total disability as a percentage of average weekly wages: distribution of jurisdictions, 1972

Percentage	States (5) ^a	Other "States" (6) ^a	Federal (2)
75% or more	4	NA	1
66.7/74.9%	6	NA	0
60/66.6%	4	NA	0
50/59.9%	11	NA	0
Less than 50%	25	2	1

^a Average wage data not available for four "States."

See Table 2.3 for explanatory notes.

The maximum weekly benefits in most States are inadequate, and the considerable variation among the States in the relationship of the maximums to the State average weekly wage indicates considerable inequity.

R3.15

We recommend that as of July 1, 1973, the maximum weekly benefit for permanent total disability be at least 66 2/3 percent of the State's average weekly wage, and that as of July 1, 1975, the maximum be at least 100 percent of the State's average weekly wage.

R3.16

We recommend that as of July 1, 1977, the maximum weekly benefit for permanent total disability be at least 133 1/3 percent of the

State's average weekly wage; as of July 1, 1979, the maximum should be at least 166 2/3 percent of the State's average weekly wage; and on and after July 1, 1981, the maximum should be at least 200 percent of the State's average weekly wage.

These maximums should be linked to the State's average weekly wage as defined in recommendation 3.10.

Duration of Permanent Total Benefits

Permanent total benefits should be paid for the entire period of disability or for life, according to the recommendation published by the Department of Labor and the Model Act. There should be no limits of time or total dollar amount on permanent total benefits.

Table 3.8 indicates the extent of compliance with these recommendations. It is distressing to note that 19 States in 1972 did not meet the standard. In 15 States, a totally disabled worker can receive benefits for a maximum period of less than 10 years. In 11 States, often the same States with maximum limits on duration, the most a totally disabled worker can receive in benefits is less than \$25,000. This amount is less than the average American worker earns in four years of full-time work.

TABLE 3.8. Jurisdictions with compensation for permanent total disability payable for life or period of disability

Year	States (50)	Other "States" (6)	Federal (2)
1946	16	0	1
1956	26	1	2
1966	30	2	2
1972	31	3	2

See Table 2.3 for explanatory notes.

These limitations on permanent total benefits are inexcusable in a modern workmen's compensation program. The worker with a permanent total disability presents a compelling

need for long-term support from workmen's compensation.

R3.17

We recommend that total disability benefits be paid for the duration of the worker's disability, or for life, without any limitations as to dollar amount or time.

This recommendation is primarily relevant for permanent total disability benefits, but also is applicable to temporary total disability benefits, which are of limited duration or amount in some States.

Relationship of Permanent Total Benefits to Other Programs

A permanently and totally disabled worker who is receiving workmen's compensation benefits often is eligible for payments from other programs. The most important additional public benefit is provided under the Social Security program (OASDHI). Although it is not known how many workmen's compensation beneficiaries are eligible for benefits under Social Security, a rough idea can be gleaned from awards data. In recent years there have been about 1,000 permanent total and 35,000 major permanent partial disability awards annually under workmen's compensation. In 1968 about 11,000 workers receiving permanent disability benefits from Social Security had these benefits reduced because they were receiving workmen's compensation benefits. It is estimated that perhaps another 2,000 to 4,000 were receiving both benefits, but were not subject to the offset because their combined workmen's compensation and Social Security benefits were less than 80 percent of their former wage. It thus appears likely that most seriously disabled workers receiving workmen's compensation benefits are not receiving Social Security benefits.

Private supplements also are available to some workers. Perhaps three-fourths of the 30 million American workers in private industry covered by retirement plans may receive benefits if they become disabled. However, vesting limitations and age and service requirements limit the number of these workers who are eligible. This form of protection, like other private

supplements, varies by industrial sector, size of firm, union status, and other factors. Most manufacturing workers, but only about one-third of retail-trade workers, have pension plans with disability benefits.

Another type of benefit available for permanent total disability in private industry is group long-term disability insurance. This plan has few eligibility restrictions but is offered mainly to salaried workers. (A recent survey of leading firms showed more than half of salaried workers but little more than a fourth of hourly workers are covered by long-term-disability plans.)

In the aggregate, supplements to workmen's compensation permanent total disability benefits are probably substantial, but their availability differs greatly among and within firms. Supplements are more prevalent in large than in small firms, and in unionized than in nonunionized firms. Reliance on supplements may only exaggerate the inequity of the treatment of permanently and totally disabled workers.

Because of the numerous possible sources of benefits for permanently and totally disabled workers and the substantial inequities which can occur if the benefits we have recommended for workmen's compensation are duplicated by benefits from other programs, we believe that coordination is necessary. Coordination is essential also because the general availability of programs for totally disabled workers in addition to workmen's compensation may have undercut the sense of urgency concerning the need for increases in workmen's compensation benefits. Unfortunately, many workers have probably suffered as a consequence of the lack of urgency because, for them, workmen's compensation was the sole or primary source of protection when they became totally disabled. Only if workmen's compensation is coordinated with other programs can there be assurance that the substantial workmen's compensation benefits necessary to protect those workers who rely on the program for primary protection will not provide unnecessary support to other workers with multiple sources of protection.

The most obvious need for coordination involves the disability insurance program of Social Security and workmen's compensation.

We recommend that, provided our other recommendations for permanently total disability benefits are adopted by the States, the Disability Insurance program of Social Security continue to reduce payments for those workers receiving workmen's compensation benefits.

We believe also that it is appropriate to integrate workmen's compensation benefits with other benefits provided by an employer. As in the past, we believe that employers and other interested parties, such as unions, should be free to develop provisions which either supplement workmen's compensation benefits or reduce retirement or disability benefits paid for by the employer in the presence of workmen's compensation benefits.

D. PERMANENT PARTIAL BENEFITS

A worker who experiences an impairment because of a work-related injury or disease, but who is not totally disabled, may be eligible for permanent partial benefits. Permanent partial cases are the most expensive portion of the workmen's compensation program: cash benefits and medical care in permanent partial cases account for more than 50 percent of all payments.

Permanent partial benefits are also the most controversial and complex aspect of workmen's compensation. We were impressed during our hearings and meetings that for no other class of benefits are there more variations among the States or more divergence between statutes and practices.

One element in the variations is the relative importance of cash benefits for minor permanent partial cases. Such benefits represent less than 10 percent of all payments in four States, but represent more than 30 percent in our others. (Table 3.9)

The imbalance in the importance of permanent partial benefits among the States is accentuated by the apparent paradox that some States with an unusually high proportion of total benefits paid for permanent partial benefits also have unusually low maximum weekly benefits for the category. New Jersey expends over 35 percent of all benefit payments on minor

TABLE 3.9 Distribution of 44 States and the District of Columbia according to cash benefits paid for minor permanent partial impairments as a percentage of their total outlays for workmen's compensation benefits, 1970

Indemnity	Number of States
Less than 10%	5
10/14.9%	9
15/19.9%	11
20/24.9%	10
25/29.9%	6
30% or more	4

permanent partial cases even though its maximum weekly benefit for permanent partial (\$40) is far below the maximum for other classes of benefits (\$101).

A possible explanation of these imbalances is that the evaluation of the extent of disability in permanent partial cases permits considerable discretion for decision makers, including agency adjudicators and courts. In some States, officials apparently have stretched the rules out of sympathy for claimants with permanent partial injuries. Occasionally, because the statutory benefits were so low, every effort was made to pay those benefits freely by, for example, evaluating the extent of impairment liberally. However, because of the frequency of minor injuries, the cumulative amount of payments was substantial.

For these and possibly other reasons, the total cost and the imbalance of permanent partial benefits tend to undermine the entire workmen's compensation program. Employers, disturbed by what they consider excessive payments for minor injuries, have refused to support general increases in benefits. Labor spokesmen oppose surrender of the substantial awards for minor injuries because they fear that any general benefit increases given in exchange would soon be eroded by the passage of time and the assault of inflation. The result of this stand-off has too often been the permanent impairment of reform efforts other than inconsequential or bizarre statutory amendments, such as New Jersey's differentiation between maximum benefits for permanent partial claims and maximums for other classes of benefits.

We believe the States must break the log-jam barring general reform posed by the

imbalances of permanent partial benefits. Workers with truly serious injuries suffer, while employers bear the costs of extravagant awards for minor injuries.

A bold and substantial reform of permanent partial benefits is necessary. Indeed, there is no more pressing and fundamental issue confronting workmen's compensation. Nonetheless, we have concluded that the issue is so intractable that we would do a disservice to make precise recommendations for the restructuring of permanent partial benefits on the basis of the time for analysis that was available to us.

R3.19

We recommend that each State undertake a thorough examination of permanent partial benefits and that the Federal government sponsor a comprehensive review of present and potential approaches to permanent partial benefits.

We offer below some suggestions which should be considered in the State and Federal reviews of the topic. In Chapter 7, we describe the Federal vehicle we believe is appropriate for the review, which we believe will require more time for analysis than was available to this Commission.

Two Bases for Permanent Partial Benefits

There are two possible bases for permanent partial benefits. Benefits can be paid solely because of a work-related *impairment*. Benefits can be paid because the worker has a *disability* which resulted from a work-related impairment. The disability can be measured by actual wage loss or by loss in wage-earning capacity.

Workmen's compensation benefits now are usually justified as payments because of disability. Nonetheless, payments solely because of impairment are of some importance. In practice, there are several approaches to permanent partial benefits which combine the impairment and disability bases in different ways. The same statute may contain more than one of the approaches.

Benefits based solely on extent of impairment. Some statutes incorporate a schedule of benefits for a specific list of impairments, and

the benefits are paid whether or not there is a disability. Moreover, the benefits are the exclusive remedy for workers with these impairments (except, in most States, for the temporary total disability benefits paid during the healing period), even if the worker's wage loss far exceeds the scheduled benefits. The Model Act incorporates this approach for certain impairments, such as the loss of a foot (which, on the assumption that the whole man is rated at 400 weeks, results in 112 weeks of benefits in addition to healing period benefits).

It could be argued that the main purpose of such a schedule is to provide benefits for disability, and that impairment is used as the basis for benefits because impairment and disability are closely related. The validity of this argument is questionable because there is no exact relationship between the degree of impairment and the extent of wage loss. Some workers with only minor permanent impairments have substantial wage losses. The concert pianist who loses a part of one finger is the classic example. Other workers may suffer serious impairments and experience only limited disability. A lawyer might, for example, lose an arm without permanent loss of earning capacity.

Despite the doubtful validity of using impairment ratings to predict the extent of disability, there is an obvious advantage to the use of schedules. They provide a convenient method to determine, on the basis of one evaluation, the benefits that are considered appropriate as a cushion for possible future wage loss or, if no wage loss is suffered, for the impairment itself.

Benefits based solely on extent of disability. Some statutes provide that, for permanent impairments which are not specifically named in the statute, the worker's exclusive remedy (again, with the exception in some States of healing period benefits) are benefits paid only if there is disability. The Model Act provides that for those disabilities which result from injuries not listed in the schedule, the weekly benefit is 55 percent of the loss in wage-earning capacity, payable during the period of disability (subject to minimum and maximum weekly benefits and dependents' allowances).

Benefits based on both disability and impairments; predetermined formula used. Another approach is to base permanent

partial awards on a formula that considers factors relating to impairment and to disability. For example, California uses an impairment rating as a starting point for its permanent partial awards, but then modifies the rating to take account of the worker's age and previous occupation. The California approach, while recognizing the difference between impairment and disability, still represents only a rough estimate of the effect of a specific permanent impairment on the actual wage loss of a particular worker.

Benefits based on both disability and impairment; flexible formula used. Some statutes use impairment ratings as the basis for determining the initial duration of permanent partial benefits, but also provide additional benefits if the actual disability extends beyond this initial period. The Model Act, for example, specifies the number of weeks of benefits for certain serious impairments, such as 240 weeks for the total loss of an arm. Benefits, however, may be paid beyond the prescribed period provided the disability continues. Michigan and New York have adopted this Model Act approach for certain impairments.

Benefits based on disability or impairment. In Florida, a worker with a nonscheduled permanent impairment receives benefits based on impairment or disability. After evaluating the extent of impairment a disability rating is prepared, based on the impairment rating and other information relevant to the worker's earning capacity. Benefits are based on the more generous of the two ratings.

Dual benefits. Another approach, used in Massachusetts, is to separate benefits for impairment from benefits for disability. A worker may be eligible for both.

Suggestions for Restructuring Permanent Partial Benefits

The considerable differences among the States in the benefits awarded for similar impairments cannot be justified. We offer the following suggestions as a starting point for further investigations of the area. We are not endorsing all of these suggestions, though we believe they warrant serious consideration.

Explicitly separate impairment and disability benefits. As indicated in Chapter 1, we

believe that the primary basis for workmen's compensation benefits should be the worker's loss of wages. We also believe that limited payments for permanent impairments are appropriate. A major difficulty with present permanent partial benefit provisions is that most seem to use one formula which bases benefits on both the impairment and disability bases. Combining both bases into one formula appears unworkable.

Consideration should be given to the use of two types of benefits:

permanent partial impairment benefits, paid to a worker solely because of a work-related impairment

permanent partial disability benefits, paid to a worker because he has both a work-related impairment and a resultant disability.

A worker might be eligible for both types of benefits. The impairment benefits would be based on the worker's impairment relative to the whole man. If, for example, the whole man were defined as 400 weeks, and the disability evaluation unit of the workmen's compensation agency (described in Chapters 4 and 6) determined that a worker was 50 percent impaired, then he would be eligible for 200 weeks of benefits.

Impairment benefits are justified because of losses an impaired worker experiences that are unrelated to lost remuneration. The impairment may, for example, have lifetime effects on the personality and normal activities of the worker. Since impairment benefits have no relationship to wage loss, there would be no necessity to link the value of the weekly benefits to the worker's own weekly wage; the weekly benefit could be the same amount for all workers in the State.

In contrast, the disability benefits could be based on actual wage loss or loss in wage earning capacity. In most States, permanent partial benefit awards are based on estimates of the future loss in wages caused by the impairment. In some States, such as Michigan, the worker can be paid benefits on the basis of actual wage loss as it develops over an extended period. While the Michigan approach has some costs, primarily the added administrative expenses of keeping a case open for a long time, these burdens are not insupportable. The method has the substantial merit of matching

benefits to a worker's actual loss of wages, rather than basing benefits on guesses about future wage loss.

Remove schedules from the statutes. Almost every workmen's compensation statute contains a schedule which stipulates the benefits to be paid for the listed impairments. These schedules in some cases may provide a short-cut to the determination of the benefits to be paid, but that is not an adequate justification for their use. Present schedules include only a small proportion of all medically identifiable permanent impairments. Also, some schedules have not been revised for many years, despite considerable progress in the understanding of the relationship between specific injuries and extent of functional impairment. A basis for a rational evaluation of injury or disease is the recently published American Medical Association's *Guides to the Evaluation of Permanent Impairment*. Use of the AMA publication instead of statutory scheduling appears desirable.

It must be stressed, however, that the AMA guides are relevant for evaluation of impairment, not disability; and disability should be the primary basis for awarding permanent partial benefits. Use of the AMA guides to help establish the impairment rating, and then use of the impairment rating in conjunction with other information, such as the worker's age, education, and previous experience, to establish the extent of disability seems most appropriate. It is hard to see how any statutory schedule could substitute effectively for this process.

Modify existing schedules. We are skeptical of the validity of many statutory schedules, partially because of the substantial inconsistencies in benefits paid for identical impairments. A loss of a foot entitles a worker to an award of \$6,000 or less in five States; at the other extreme, in five others, the loss of a foot may mean \$15,000 or more. (Table 3.10)

If it is believed desirable to retain a schedule for permanent partial benefits, either in a statute or in administrative regulation, then we offer these suggestions. The States should review their schedules on the basis of the AMA guides, recognizing that impairment and disability are distinctive concepts. One way to reflect the distinction would be to follow the California policy of modifying impairment ratings by factors relevant to earning capacity. Another

TABLE 3.10 Specified maximum amounts of benefits provided for loss of arm, foot, and eye in various jurisdictions, 1972

Arm at shoulder	States (50)	Other "States" (6)*	Federal (2)
Over \$25,000	6	1	1
20,000-24,999	1	1	1
15,000-19,999	14	1	0
10,000-14,999	22	2	0
Under 10,000	7	0	0
Foot			
Over \$20,000	2	1	1
15,000-19,999	3	0	0
10,000-14,999	14	2	1
6,000-9,999	26	2	0
Under 6,000	5	0	0
Eye*			
Over \$20,000	1	1	1
15,000-19,999	4	0	0
10,000-14,999	8	2	1
6,000-9,999	27	1	0
Under 6,000	10	0	0

* No set amount in Puerto Rico.

See Table 2.3 for explanatory notes.

way to give additional emphasis to disability as a basis for permanent partial awards would be to adopt the Model Act provision which permits benefits beyond the scheduled period when the disability persists.

Reallocate resources. As indicated, permanent partial benefits in some States appear to take a disproportionate share of total benefits. Moreover, permanent partial benefits for minor impairments in some States seem to be excessive compared to benefits for more serious impairments. In some States, payments are made even though there are no impairments. At the same time, the maximum weekly benefits for permanent partial benefits are so low in many States that seriously disabled workers are penalized.

Drastic reform may be necessary in some States to shift benefits to workers with the most

serious impairments. A possible strategy would be to increase the maximum weekly benefits at the rate we have recommended for other classes of benefits, while simultaneously proscribing permanent partial payments unless the worker experiences a permanent impairment of at least 10 percent of the whole body or an actual wage loss of at least 10 percent of the pre-disability wage.

Healing period benefits. Most workers with permanent partial impairments experience a brief initial period of total disability. Temporary total benefits are awarded for this healing period. After wage-earning capacity returns, eligibility for permanent partial benefits is determined. In most States, permanent partial benefits are paid in addition to the healing period benefits, but in a few States, benefits paid for the healing period are subtracted from the permanent partial awards. This practice is questionable since the permanent partial awards generally are designed to estimate future wage loss, whereas healing period benefits are paid because of wages already lost at the time of the evaluation.

Relationship to Other Programs

Many workers with permanent partial disability receive benefits from two or more programs, including workmen's compensation. About 25,000 beneficiaries with retirement or disability awards under Social Security in 1968 also were receiving workmen's compensation benefits. Although it is not known what number were receiving permanent partial benefits, these benefits are the most likely to be involved in the overlap as there are only about 1,000 permanent total disability awards annually.

The most common private supplement to workmen's compensation for certain types of permanent partial disability comes from accidental death and dismemberment insurance. A majority of companies with at least 100 employees offer these benefits, but not all plans pay benefits for work-related disability.

Some with permanent partial disability awards may subsequently become eligible also for veterans' pensions or for aid to the permanently and totally disabled under the public assistance system. The overlap of these programs is probably small: any duplicate payments are hardly excessive.

ALASKA WORKMEN'S COMPENSATION RATE LEVEL HISTORY

Date of Rate Change	Total Change In Rate Level	Portion Due To Experience	Portion Due to Change In Payroll Base	Portion Due To Law Change
08-01-59	+ 6.0%	-14.6%	-	+24.1%
12-01-60	- 1.3%	- 1.4%	-	+ 0.1%
12-31-61	+ 6.2%	+ 6.2%	-	-
12-31-62	- 0.4%	- 0.7%	-	+ 0.3%
12-31-63	- 5.4%	- 5.4%	-	-
10-01-64	+15.1%	+ 9.6%	-	+ 5.0%
09-01-65	- 0.3%	- 0.3%	-	-
10-01-66	-11.8%	-13.0%	-	+ 1.4%
11-01-67	- 3.1%	- 3.1%	-	-
01-01-69	+ 7.2%	+ 4.9%	-	+ 2.2%
* 11-01-69	+ 1.6%	+ 6.1%	- 4.2%	-
10-01-70	+ 5.4%	- 1.2%	-	+ 6.7%
04-01-72	- 5.2%	- 5.2%	-	-
06-15-72	+15.8%	-	-	+15.8%
03-01-73	- 3.1%	- 3.1%	-	-
06-01-74	+34.2%	+20.7%	-	+11.2%
06-01-75	+49.9%	+10.9%	-	+35.2%
** 06-01-75	- 2.4%	-	- 2.4%	-
11-01-76	+ 3.7%	- 8.2%	-	+13.0%
02-01-77	+ 6.0%	-	-	+ 6.0%
09-01-77	-18.6%	-	-	-18.6%
03-01-78	+ 5.0%	+ 4.0%	-	+ 1.0%
* 03-01-78	- 8.2%	-	- 8.2%	-
** 06-01-78	- 0.8%	-	- 0.8%	-
10-01-78	+13.1%	+13.1%	-	-
12-01-79	+ 1.8%	- 1.5%	-	+ 3.5%
*** 04-01-80	- 5.9%	-	-	-
** 06-01-80	0.0%	-	-	-
** 01-01-81	+ 9.8%	+10.0%	- 0.8%	+ 0.6%

NOTES:

- * The basis of premium is payroll. Effective 11-01-69, the limitation on individual payroll per week was increased from \$300 to \$400.
- ** Effective 06-01-75, the limitation on individual payroll per week was increased from \$400 to unlimited. A transition program, part of the filing, scheduled full implementation of the change over a period of three years, later extended to six years. Decreases in the rates were filed effective 06-01-75, 03-01-78, 06-01-78 and 01-01-81. The 06-01-80 change resulted in changes in classification relativity but not in overall premium base.
- *** The 04-01-80 change did not change the overall rate level. It did change the premium discount entry level from \$1,000 to \$5,000 thus necessitating a compensating change in rates. The expense structure within the rate was also revised.

PREPARED BY: THE ALASKA DIVISION OF INSURANCE

STATE OF ALASKA

AVERAGE WEEKLY WAGE AND BENEFIT HISTORY

PREPARED BY: ALASKA DIVISION OF INSURANCE
SOURCE: RESEARCH AND ANALYSIS DIVISION

TIME PERIOD	STATE AVERAGE WEEKLY WAGE	MAXIMUM WEEKLY WAGE BENEFIT
1-1-70 to 9-30-70	185.58	113.00
9-15-70 to 1-1-71	185.58	127.00
1-1-71 to 1-1-72	202.95	127.00
1-1-72 to 6-1-72	209.08	127.00
6-11-72 to 1-1-73	209.08	175.00
1-1-73 to 1-1-74	218.90	175.00
1-1-74 to 1-1-75	226.00	175.00
1-1-75 to 5-22-75	248.34	175.00
5-22-75 to 1-1-76	248.34	198.40
1-1-76 to 1-1-77	357.59	357.59
1-1-77 to 1-1-78	414.15	554.86
1-1-78 to 1-1-79	456.09	607.85
1-1-79 to 1-1-80	392.73	654.30
1-1-80 to 1-1-81	390.00	649.74
1-1-81 to 1-1-82	429.00	838.00
1-1-82 to 1-1-83	471.00	942.00
1-1-83 to 1-1-84	498.00	996.00

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The division of workers' compensation in the Department of Labor shall undertake a comprehensive study of vocational rehabilitation of injured workers to include the following topics: (1) the organizational planning for a central agency to supervise and control the sequence, timeliness, duration and quality of rehabilitative care; (2) the coordination of programs for the distribution of services with other involved agencies; (3) the determination of the relationship of the obligations of employers and employees in the rehabilitative process as well as the accountability for the performance of rehabilitation facilities; (4) the development of methods to minimize the adversary environment and create an atmosphere conducive to successful reemployment; (5) the development of reemployment programs for disabled workers; (6) the integration of workers' compensation with other programs for the disabled; and (7) a review of incentives and disincentives for employees, employers, and insurers involved in the rehabilitative process. The division of workers' compensation shall report its recommendations for legislation or administrative action by the 30th day of the Second Session of the Twelfth Legislature.

PART 2

BENEFITS PROVIDED

Since workers' compensation imposes an absolute (but limited) liability upon the employer for employee disabilities caused by the employment, the benefits payable to the injured employee attempt to cover most of the worker's economic loss. This loss includes both loss of earnings and extra expenses associated with the injury.

Specifically, the benefits provided are:

- **Cash benefits**, which include both impairment benefits and disability benefits. The former are paid for certain specific physical impairments, while the latter are available whenever there is an impairment and a wage loss.
- **Medical benefits**, which are usually provided without dollar or time limits. In the case of most workplace injuries, only medical benefits are provided since substantial impairment or wage loss is not involved.
- **Rehabilitation benefits**, which include both medical rehabilitation and vocational rehabilitation for those cases involving severe disabilities.

CASH BENEFITS

In considering workers' compensation income or cash benefits—which replace employee lost income or earning capacity due to occupational injury or disease—four classifications of disability are used: (1) temporary total, (2) permanent total, (3) temporary partial, and (4) permanent partial. Permanent partial is divided into "non-scheduled" and "scheduled" disabilities.

Most cases involve *temporary total disability*. That is, the employee—although totally disabled during the period when benefits are payable—is expected to recover and return to employment. *Permanent total disability* generally indicates that the employee is regarded as totally and permanently unable to perform gainful employment.

INCOME BENEFITS FOR PERMANENT AND TEMPORARY TOTAL DISABILITY: CHART V

Income or cash benefits payable under either temporary total or permanent total disability are shown in Chart V. For computing weekly benefit payments, a formula—expressed as a percentage of wage—is used. In most states limitations are placed on maximum and minimum benefits payable weekly; some states also limit the total number of weeks and total dollar amount of benefit eligibility. Where there is permanent total disability most states provide payments extending through the employee's lifetime.

For either temporary total or permanent total disability the wage-replacement percentage in each jurisdiction is the same. However, in permanent total disability cases the time limits tend to be longer and the total dollar amounts higher than in cases of temporary total disability. Some states provide additional amounts for dependents and other benefits. Allowances for dependents are charted as a range in the Maximum Weekly Payment and Notations columns.

PARTIAL DISABILITY

Most awards and the preponderance of dollars paid out as income benefits are either for temporary total or permanent partial disability. As partial disabilities involve current earnings or wage-earning ability, in many states weekly benefit payments for temporary or permanent *partial disabilities* of the "non-scheduled" type are based on a wage-loss replacement percentage. The percentage applies to the difference between wages earned before and after injury. In some states "non-scheduled" permanent partial disabilities are compensated as a percentage of the total disability cases.

INCOME BENEFITS FOR SCHEDULED INJURIES: CHART VI

Chart VI indicates maximum amounts payable in cases of "sched-

uled" injuries. Listed by law, these injuries involve loss—or loss of use of—specific body members, where wage loss based on nature of impairment is presumed. In most jurisdictions the actual amount payable is a specific number of weeks of benefits (based on the member involved) multiplied by the weekly benefit amount (based on earnings at time of injury).

The chart also indicates whether the "scheduled" award is in addition to any payment otherwise payable to the employee while he may be temporarily totally disabled (healing period). Some states limit the amount payable for such periods of temporary total disability.

The Canadian statutes do not provide schedules of specific injuries. Cases are decided individually using medical impairment ratings as guidelines.

SURVIVOR BENEFITS FOR FATAL INJURIES: CHART VII

Benefits payable in the event of fatal injuries—comprising more than 14 percent of all total income benefits—are shown in Chart VII. The benefits provided include a burial allowance as well as a proportion of the worker's former weekly wages.

Although death is the ultimate work-related tragedy, the economic loss associated with death cases is often less than that of a permanent total disability. Because of these considerations, death benefits are generally paid to the spouse until remarriage and to the children until a specified age. In addition, some laws provide a maximum benefit total expressed as a maximum period for the payment of benefits.

MEDICAL BENEFITS, WAITING PERIOD: CHART VIII

Medical Benefits—amounting to about 29 percent of all workers' compensation benefits paid—are shown in Chart VIII. In all U.S. jurisdictions and all Canadian provinces unlimited medical benefits are provided either specifically by statute or by administrative discretion.

Waiting Periods.—Statutes provide that a waiting period must elapse during which income benefits are not payable. This waiting period affects only compensation; medical and hospital care are provided immediately. If disability continues for a certain number of days or weeks, most laws provide for payment of income benefits retroactive to the date of injury. Statutory provisions for waiting periods are summarized in Chart VIII.

REHABILITATION BENEFITS: CHART IX

Mutual interests of disabled employees and employers generally favor starting rehabilitation as soon as possible. Although rehabilitation is considered an integral part of complete medical treatment, its uses may extend beyond this (for example, where it includes vocational rehabilitation and retraining).

Specific rehabilitation provisions now in workers' compensation laws are outlined in Chart IX. However, rehabilitation is provided in all states even if unspecified in the law. Maintenance allowance amounts and special fund sources to finance rehabilitation also are indicated.

Insurance carriers and many employers having medical departments are leaders in carrying on rehabilitation for the industrially injured. Likewise, many major industries have comprehensive programs for employment of the physically handicapped. Smaller industries maintain modified programs for placement of disabled individuals in congenial tasks. All of these private programs help employees and employers alike.

The Federal Vocational Rehabilitation Act is now effective in all states; it includes federal funds to aid states in vocational rehabilitation of the industrially disabled.

CHART V

INCOME BENEFITS FOR TOTAL DISABILITY

January 1, 1982

JURISDICTION	PERCENT OF WAGES	MAXIMUM WEEKLY PAYMENT		MINIMUM WEEKLY PAYMENT		TIME LIMIT	AMOUNT LOST ¹	AUTOMATIC COST OF LIVING INCREASE	OFFSETS ²	NOTATIONS
		AMOUNT	RATE	AMOUNT	RATE					
ALABAMA	66-23	\$161.00	66-20% SAWW	\$60.00 ¹	25% SAWW ¹	TT-300 weeks PT-Disability	TT-248,200		Social Security	Annual increase in maximum effective July 1. ³
ALASKA	66-23	942.00	200% SAWW	65.00 ¹		Disability				Annual increase in maximum effective January 1. ³
AMERICAN SAMOA	66-23					Disability				Compensation increased 10% if replacement wages are not updated after 14 days, 20% if replacement wages are not updated after 10 days.
ARIZONA	66-23	203.64				TT-Disability PT-Us				Benefits payable monthly. Additional \$10 monthly if 1 or more total dependents, not subject to maximum.
ARIZONA	66-23	140.00 ¹		15.00		TT-150 weeks PT-Us	TT-63,000 ¹		Unemployment compensation	15% penalty for employer's violation of safety laws. Payable to Second Injury Fund. ⁴
CALIFORNIA	66-23	173.00		43.00		TT-Disability PT-Us		TT-after 2 years		Additional \$70 weekly during rehabilitation. 50% increased compensation up to \$10,000 if injury due to employer's serious, willful misconduct.
COLORADO	66-23	251.00	60% SAWW			TT-Disability PT-Us			Social Security	Annual increase in maximum effective July 1. Compensation increased 50% if employer failed to comply with insurance provisions. Compensation decreased 50% if injury results from worker's failure to obey safety regulations or from intoxication.
CONNECTICUT	66-23	310.00 to 465.00	100% SAWW	20.00		Disability		October 1		Annual increase in maximum effective October 1. Additional \$10 weekly per dependent child under 18, maximum 50% of basic benefit or 75% of wage (whichever is less). Compensation increased to 75% of wages if employer violated OSHA regulation. ⁵
DELAWARE	66-23	114.81	60-20% SAWW	64.94 ¹	22-20% SAWW ¹	Disability				Annual increase in maximum effective June 1. ³
DISTRICT OF COLUMBIA ⁶	66-23 up to comparable average ⁷	394.78 ¹	100% SAWW ¹	99.20 ¹	25% SAWW ¹	Disability		PT-October 1, maximum 5% ⁸		Annual increase in maximum effective October 1. ³
FLORIDA	66-23	253.00	100% SAWW	20.00		TT-350 weeks PT-Disability	TT-548,550		Unemployment compensation, Social Security	Annual increase in maximum effective January 1. Compensation increased 10% if replacement wages are not updated after 14 days. ³
GEORGIA	66-23	119.20 ¹		25.00 ¹		Disability				Board may assess \$500 penalty for refusal, unreasonable delay, or willful neglect to make payment. ⁹
ILLINOIS	66-23	54.00		28.00 ¹		Disability	20,000			Compensation increased 10% for late payment without award, 20% if award.
INDIANA	66-23	252.00	100% SAWW	TT-63.00 ¹ PT-63.00 ¹	TT-25% SAWW ¹ PT-25% SAWW ¹	Disability		PT-reviews prior to June 16, 1980		Annual increase in maximum effective January 1. Compensation may be increased 10% for failure to pay within 31 days after decision or award, or within 10 business days for unapproved temporary total disability claim.
IOWA	60	217.00 to 202.50	90% SAWW	108.00	45% SAWW	Disability		After 52 weeks		Annual increase in maximum effective January 1. For first 52 weeks benefit is 60% of worker's wages if there are no dependent children under 18, after 52 weeks benefit is 60% of SAWW. Benefit is increased 7% of SAWW per dependent child (up to 3), but may not exceed 90% of wages. ⁴
KANSAS	66-23	403.12	133-113% SAWW	TT-101.00 ¹ PT-11.17 ¹	PT-50% SAWW	TT-Disability PT-Us		PT-July 15 of 2nd year		Semiannual increases in maximum effective January 15 and July 15. ³
KENTUCKY	66-23	140.00		50.00 ¹		500 weeks	70,000			After 500 weeks, additional benefits are payable from second injury fund in 150-week increments. ⁴
KY	60% of comparable average	501.00	200% SAWW	(1)		Disability				Annual increase in maximum effective July 1. ³
MASSACHUSETTS	66-23	187.00	75% SAWW	25.00		Disability	TT-75,000 PT-100,000 (includes TT)			Annual increase in maximum effective July 1. Compensation may be increased up to \$100 per week plus due (plus up to \$25 per week plus due for failure to pay medical bill).
MICHIGAN	66-23	254.33	100% SAWW	50.81 ¹	20% SAWW ¹	Disability				Annual increase in maximum effective January 1. Compensation increased or decreased 15% if injury caused by safety violation. Late payment penalty is 8% per year.
MISSISSIPPI	66-23	183.00	66-20% SAWW	53.00 ¹	20% SAWW ¹	Disability			PT-Social Security	Annual increase in maximum effective September 1. ³

¹Actual weekly wage if less, but no less than \$38.
²Amounts known in each state have been calculated.
³Social Security offset generally equal to 50% of basic benefit.
⁴Also: Compensation may be increased up to 10% for failure to pay within 31 days after claim.
⁵Ar. Effective 3/1/81, Maximum increases to \$154 and amount limit increased to \$48,200 effective 3/1/82. Amounts over \$73,000 are payable from Death and Permanent Total Disability Data Fund.
⁶10% increase on late payments.
⁷Comp. 12% except benefits added if unable to pay benefits; 6% except if unable to pay claim; 4% increase presumed (unless duty).
⁸D.C. Effective for D.C. effective July 27, 1982. Maximum is no less than \$358.78; minimum is no less than \$29.20.
⁹Benefits for D.C. government employees are same as for E.C.A. 1960 benefits.
¹⁰Compensation increased 20% if unpaid 30 days after award.
¹¹Effective 7/1/81.
¹²Income payable without award increased 15% if not paid within 14 days unless claimant covered or Board annulled. Awarded benefits increased 20% if not paid within 20 days unless Board grants review.

Notes: ¹Actual weekly wage if less, but no less than \$38.
²Also: 2% interest on late payments.
³Maximum TT benefit is \$100.00 if unmarried and single up to \$124.00 if 4 or more dependents. In all cases dependent increase actual weekly wage if less.
⁴TT benefits may be increased \$10 per day, up to \$2,500, for unreasonable delay in payment; 14 days is presumed unreasonable. Compensation may be increased 50% for unreasonable or excessive delay in payment. Compensation may be increased 25% for employer's willful violation of safety standard.
⁵Ar. Award is increased 5% if employer loses on court appeal; court may increase to 10%.
⁶Ar. Maximum weekly wage is 25% of SAWW (= \$47.68); benefits determined by worker's last salary.
⁷Ky. 90% of AWW during rehabilitation.

CHART V □ INCOME BENEFITS FOR TOTAL DISABILITY □ January 1, 1982 (continued)

JURISDICTION	PERCENT OF WAGES	MAXIMUM WEEKLY PAYMENT		MINIMUM WEEKLY PAYMENT		TIME LIMIT	AMOUNT LIMIT ²	AUTOMATIC COST OF LIVING INCREASE	OFFSETS ³	NOTATIONS
		AMOUNT	RATE	AMOUNT	RATE					
MAINE	66-23	\$367.25	166-2/3% SAWW	\$63.00		Disability		July 1	Unemployment compensation	Annual increase in maximum effective July 1. Compensation may be increased 10% for failure to pay uncontested claim within 10 days.
MARYLAND	66-23	297.00	100% SAWW	TT—50.00 ¹ PT—25.00 ¹		Disability		(-)		Annual increase in maximum effective January 1. If permanent disability exceeds 50% of whole body, worker receives additional or' pension from Subsequent Injury Fund if the completion of payments by employer.
MASSACHUSETTS	66-23	251.93	100% SAWW	40.00 ¹		Disability	TT—147,483 ¹			Annual increase in maximum effective October 1. Additional \$8 weekly per dependent if total benefit does not exceed \$150 or 100% of wages. ¹
MICHIGAN	80% of spendable earnings	300.00	90% SAWW			Disability ¹		PT (injury prior to 1/1/82)	Disability, pension, Social Security retirement	Annual increase in maximum effective January 1. Additional \$53 per day for award unpaid after 30 days, maximum \$1,500.
MINNESOTA	66-23	287.00	100% SAWW	133.50 ¹	50% SAWW ¹	Disability		October 1	Social Security after \$25,000 paid ¹	Annual increase in maximum effective October 1. Late payment increased 10% if irretrievably delayed, plus 12% interest.
MISSISSIPPI	66-23	112.00 ¹		25.00		450 weeks	50,400 ¹			Additional rehabilitation allowance up to \$10 weekly for 52 weeks.
MISSOURI	66-23	174.00 ¹	66-2/3% SAWW	40.00		TT—400 weeks PT—Life	TT—68,600			Annual increase in maximum effective July 1. 6% interest for late payments. ¹
MONTANA	66-23	241.00	100% SAWW			Disability ¹			Social Security	Annual increase in maximum effective July 1. Compensation may be increased 20% for period payment is unreasonably delayed or refused.
NEBRASKA	66-23	180.00		49.00 ¹		Disability				
NEVADA	66-23	269.99	100% SAWW			TT—Disability PT—Life			Social Security	Benefits payable monthly. Annual increase in maximum effective July 1.
NEW HAMPSHIRE	66-23 ¹	234.00	100% SAWW	30.00 ¹		Disability ¹		July 1		Annual increase in maximum effective July 1. Double compensation if employer violated prior recorded safety standard.
NEW JERSEY	70	217.00	75% SAWW	58.00	27% SAWW	TT—400 weeks PT—Life	TT—88,800		Social Security	Annual increase in maximum effective January 1. After 453 weeks at reduced rate if employed; at full rate if not able to be rehabilitated.
NEW MEXICO	66-23	246.44	100% SAWW	38.00 ¹		600 weeks	147,634			Annual increase in maximum effective January 1. 10% additional compensation payable by employer for failure to provide safety devices.
NEW YORK	66-23	215.00		TT—20.00 ¹ PT—30.00 ¹		Disability				Persons receiving PT benefits may collect full compensation and wages if working, but not in excess of pre-injury wage.
NORTH CAROLINA	66-23	228.00	100% SAWW	23.00		TT—Disability PT—Life				Annual increase in maximum effective January 1.
NORTH DAKOTA	66-23	233.00 plus dependents	100% SAWW	128.00 ¹	60% SAWW ¹	Disability			Social Security	Annual increase in maximum effective July 1. Additional \$5 weekly per dependent child under 18; total benefit not subject to maximum, but may not exceed pre-injury amount plus wages.
OHIO	72—first 12 weeks 66-2/3—after 12 weeks	276.00	100% SAWW	TT—92.33 ¹ PT—149.00 ¹	TT—33-1/3% SAWW ¹ PT—50% SAWW ¹	TT—Disability ¹ PT—Life				Annual increase in maximum effective January 1; if PT benefit plus Social Security is less than \$144.80 weekly, Disabled Workers' Relief Fund pays difference; amount increased annually by increase in Consumer Price Index.
OKLAHOMA	66-23	173.00	66-2/3% SAWW	30.00 ¹		TT—300 weeks PT—Disability	TT—32,500			Annual increase in maximum effective October 1. TT may be extended to 500 weeks.
OREGON	66-23	259.88 to 311.86	100% SAWW	50.00 ¹		Disability			PT—Social Security	Annual increase in maximum effective July 1. Additional \$5 weekly per dependent (up to 5). ¹
PENNSYLVANIA	66-23	254.00	100% SAWW	142.00 ¹	50% SAWW ¹	Disability				Annual increase in maximum effective January 1.
PUERTO RICO	66-23	TT—45.00 PT—31.25		TT—10.00 PT—12.50		TT—312 weeks PT—Life	TT—14,040 PT—\$18,300			Compensation doubled if due to employer's violation of safety or health law or regulation.
RHODE ISLAND	66-23	238.00 to 283.80	100% SAWW	30.00		Disability				Annual increase in maximum effective September 1. Additional \$8 per dependent child under 18; total benefit may not exceed 80% of pre-injury wages. ¹
SOUTH CAROLINA	66-23	235.00	100% SAWW	25.00		500 weeks	117,500			Annual increase in maximum effective January 1.
SOUTH DAKOTA	66-23	204.00	100% SAWW	104.00 ¹	50% SAWW ¹	TT—Disability PT—Life				Annual increase in maximum effective July 1.
TENNESSEE	66-23	128.00 ¹		15.00		TT—Disability PT—550 weeks ¹	50,400			After 400 weeks PT benefit is reduced to \$18.

Maine: "Carrier may be assessed up to \$25 per day for failure to pay award within 10 days. Added benefits during rehabilitation—\$33 weekly.

Md. "Benefits increased October 1 for persons injured any time during July 1, 1943, through June 30, 1978, and receiving PT benefits in July, 1973.

Maine: "Actual wages if less, but no less than \$20 if working at least 18 hours a week.

"2/3 times SAWW; includes permanent partial disability.

"Double compensation if injury due to employer's serious and willful misconduct. If no benefits are paid prior to final decision of claim, award is based on benefits in effect at time of decision instead of date of injury.

Mich. "Conclusive presumption of PT disability does not extend beyond 800 weeks from injury; thereafter determined in accordance with facts.

Minn. "Actual wages if less, but no less than 20% of SAWW; \$53.40 through 9-30-82. After 104 weeks' total disability, supplementary benefits bring compensation to 65% of SAWW; \$173.58 through 9-30-82. "Government disability benefits from same injury also offset.

Miss. "Effective 7/1/81.

Md. "Compensation increased 15% if injury caused by failure to comply with statute of order, decreased 15% if caused by worker's failure to use safety device.

Mont. "Compensation terminates upon receipt of Social Security retirement benefits.

N.H. "If wage is less than \$30, benefit is actual wage; if wage \$30-\$35, benefit is \$30; if wage \$35-\$40, benefit is \$32; benefit increases in \$1 increments per \$5 wage up to \$135; if wage \$135-\$150, benefit is \$37; if wage is over \$150, benefit is 66-2/3% of wage up to maximum.

"After six successive years of payment, additional payments may be made only on order of the commissioner upon application by the employee and to the employer; if employer agrees, a medical panel is provided for.

Ohio "After 300 weeks' payment determined to determine if disability is permanent.

Ore. "20% of actual wages if less.

"Employer may be sued for damages for failure to comply with posted notice of violation of safety code.

Pt. "Actual wages if less, but no less than 33-1/3% of SAWW.

R.I. "No compensation for PT disability if worker is earning pre-injury wages.

Tenn. "Effective July 1, 1981.

"Post date injury is determined to be permanent.

CHART V □ INCOME BENEFITS FOR TOTAL DISABILITY □ January 1, 1982 (continued)

JURISDICTION	PERCENT OF WAGES	MAXIMUM WEEKLY PAYMENT		MINIMUM WEEKLY PAYMENT		TIME LIMIT	AMOUNT LIMIT ²	AUTOMATIC COST OF LIVING INCREASE	OFFSETS ³	NOTATIONS
		AMOUNT	RATE	AMOUNT	RATE					
TEXAS	66-2/3	\$154.00		\$23.00		TT—401 weeks PT—Life*	\$61,754			Annual increase in maximum effective September 1.**
UTAH	66-2/3	TT—258.00 PT—218.00	TT—100% SAWW PT—85% SAWW	45.00 ¹		Disability ¹				An. int. increase in maximum effective July 1. Additional \$5 if spouse, plus \$5 per dependent child under 18 (up to 4); total benefit may not exceed maximum.
Vermont	66-2/3	225.00 to 337.50	100% SAWW	112.50 ¹	50% SAWW ¹	TT—Disability PT—300 weeks ¹	PT—74,250 ¹	July 1		Annual increase in maximum effective July 1. Additional \$3 per dependent child under 21; total benefits may not exceed pre-injury wages.**
Virgin Islands	66-2/3	TT—139.00 ¹ PT—123.10 ¹	TT—100% SAWW ¹ PT—90% SAWW ¹	69.00 ^{1,2}		Disability		After 2 years on January 1		Annual increase in maximum effective January 1. Total disability benefits begin after medical and vocational rehabilitation and. Compensation increased 15% for injury caused by employer's failure to obey safety order. ¹
VIRGINIA	66-2/3	231.00	100% SAWW	57.75 ¹	25% SAWW ¹	TT—500 weeks PT—Disability ¹	TT—112,500	October 1 ¹		Annual increase in maximum effective July 1. Compensation increased 20% for failure to pay within 2 weeks after due.
WASHINGTON	80	223.11	75% SAWW	42.69 ¹		Disability		July 1	Social Security under age 62	Benefits payable monthly. Annual increase in maximum effective July 1. Additional 5% of wages for spouse, plus 2% of wages per dependent child (up to \$1, up to maximum).**
WEST VIRGINIA	70	278.25	100% SAWW	92.10	33-1/3% SAWW	TT—208 weeks PT—Life	TT—57,468			Annual increase in maximum effective July 1.
WISCONSIN	66-2/3	292.00	100% SAWW	30.00		TT—Disability PT—Life			Social Security	Annual increase in maximum effective January 1. ¹
WYOMING	TT—66-2/3	TT—415.68 PT—277.12 plus dependents	TT—100% SAWW PT—66-2/3% SAWW	TT—43.33 PT—277.12	PT—66-2/3% SAWW	TT—Disability PT—Life	(1)			Benefits payable monthly. Quarterly increases in maximum effective January 1, April 1, July 1, and October 1. PT benefit based at 66-2/3% of SAWW plus lump sum per child calculated at \$60 per month until age 18 (21 if invalid).
P.E.C.A.	66-2/3	737.18 to 822.33	75% of highest rate for GS-15	155.30 ¹	75% of lowest rate for GS-2 ¹	TT—Disability PT—Life		October 1		Benefits payable monthly. Increase maximum effective 1/1/82, increase in minimum effective 10/4/81. Additional 6-1/3% of AWW payable if 1 or more dependent.
LONGSHORE ACT	66-2/3	426.70 ¹	200% NAWW ¹	114.06 ^{1,2}	50% NAWW ^{1,2}	Disability		PT—October 1		Annual increase in maximum effective October 1.
ALBERTA	90% of weighted net income	492.21		TT—141.53 ¹ PT—141.53		TT—Disability PT—Life				PT payable monthly. Maximum annual earnings at 150% of provincial average industrial earnings (\$40,000). Annual increase in maximum effective January 1. ¹
BRITISH COLUMBIA	75	358.25		149.80 ¹		TT—Disability PT—Life		January 1 and July 1	Canada Pension	PT payable monthly. Maximum annual earnings \$24,700. Annual increase in maximum effective January 1. ¹
MANITOBA	75	331.73		TT—109.62 ¹ PT—109.62		TT—Disability PT—Life			Canada Pension	PT payable monthly. Maximum annual earnings \$23,000. Annual increase in maximum effective January 1. ¹
NEW BRUNSWICK	90% of weighted net income	304.78 to 341.17 ¹		TT— 90.00 ¹ PT—115.38		TT—Disability PT—Life				PT payable monthly. Maximum annual earnings at 150% of provincial average industrial earnings (\$23,200). Annual increase in maximum effective January 1.
NEWFOUNDLAND	75 ¹	302.88		TT—122.40 ¹ PT—122.40		TT—Disability PT—Life				PT payable monthly. Maximum annual earnings \$21,000, effective 1/1/81. Board may raise compensation as it deems equitable.
NORTHWEST TERRITORIES	75	334.62		147.23 ¹		TT—Disability PT—Life				Benefits payable monthly. Maximum annual earnings \$20,400, effective 1/1/81.
NOVA SCOTIA	75	274.04 plus dependents		99.00 ^{1,2}		TT—Disability PT—Life		PT—January 1		PT payable monthly. Maximum annual earnings \$19,000, effective 1/1/82. Additional \$23.02 weekly per child; total benefit may exceed maximum.
ONTARIO	75	320.12		158.00 ¹		TT—Disability PT—Life		TT—after 12 months		PT payable monthly. Maximum annual earnings \$22,200, effective July 1, 1981.
PRINCE EDWARD ISLAND	75	216.34		60.00 ¹		TT—Disability PT—Life				Maximum annual earnings \$15,000, effective April 1, 1980.
QUEBEC	90% of weighted net income	309.66 to 346.12		35.00 ¹		TT—Disability PT—Life		January 1		Maximum annual earnings is 30% of provincial average industrial earnings (\$28,000). Annual increase in maximum effective January 1.
SASKATCHEWAN	75	375.00		120.66 ¹		TT—Disability PT—Life			Canada Pension after 1 year	PT payable monthly. Maximum annual earnings \$26,000, effective 1/1/82. After 2 years' disability, an amount equal to 10% of compensation is set aside to purchase annuity for benefits after age 65.**
YUKON TERRITORY	75	345.21		(1)		TT—Disability PT—Life		January 1		Maximum annual earnings \$24,000. Annual increase in maximum effective January 1. ¹
CANADIAN MERCHANT SEAMEN'S ACT	75	245.19		90.00		TT—Disability PT—Life				Benefits payable monthly. Maximum annual earnings \$17,000. Gov.-in-Council may raise benefits to level paid in maritime provinces.

Texas "In case of amputation or loss of two limbs, loss of vision in both eyes, or permanent insanity. **Maximum increased \$7 and minimum increased \$1 per \$10 increase in SAWW.
Utah "Disability beyond 312 weeks is payable from Second Injury Fund, minimum \$100 weekly.
Vt. "From date disability is determined to be permanent.
VI. "Benefits may be discontinued if injury results from worker's failure to use safety device.
Vt. "During vocational rehabilitation, income benefits are 75% of AWW, maximum SAWW, minimum 87% of actual wages if less. 1982 data not available in time for publication.
Va. "300-week limit for certain PT cases.
"Requirement of Social Security coverage for cost of living non-uses.
Wash. "Plus \$4.53 for first child, \$7.19 for second child, \$5.30 each for third through fifth children, and \$4.92 for spouse.
"30% penalty payable to Accident Fund for dependent children, minimum is amount of death benefit payable to spouse first receipt.
Wisc. "Compensation may be adjusted up or down by 15% (up to \$10,000) for failure to use safety device or obey code of order, 10% interest payable on late payments. Employer, insurer, or both may be assessed penalty up to double the amount of compensation (not to exceed \$13,000) for bad faith failure to make payments.
Wyo. "Court must approve PT payments after \$75,000 (257 times 66-2/3% SAWW).
Longshore "For Non-appropriated Fund Insurers/Seamens Act, maximum is \$470.81 (66-2/3% of GS-12, step 10), and minimum is \$120.27 (66-2/3% of GS-2, step 11, effective October 4, 1981.

Ala. "Employer must pay half of "costs of the claim" to Accident Fund if injury caused by safety violation.
B.C. "On application for review, Board may award benefits based on current levels.
Man. "Maximum earning ceiling increased by \$1,000 if 10% of workers injured in preceding year earn in excess of maximum.
N.B. "Board must review maximum at least biennially. Higher figure is for married claimant with 3 dependents.
Nfld. "100% of wages if injury incurred in mine or with same number of children.
N.S. "If 2 or more dependent children, minimum is amount of death payment to spouse with same number of children.
Ont. "No less than award if worker had been fatally injured.
P.E.I. "Actual wages if less, but Board may set minimum at \$15.
Sask. "Actual wages if less for first 2 years' disability.
"Maximum earning ceiling increased by \$1,000 if 10% of workers injured in preceding year earn in excess of maximum.
Yukon "Benefits increased annually based on Consumer Price Index, and based on 90% of territory's average wages, effective January 1. Minimum weekly benefit for 1981—\$92.00, actual wages if less.

The Report of
The Comprehensive Study of
Vocational Rehabilitation in
The Alaska Workers'
Compensation Program



PREVIOUSLY DISTRIBUTED .

(Additional Copies Available from State of Alaska
Division of Workers Compensation)

JUNEAU, ALASKA
March 12, 1982

EXHIBIT #5

ZEE PAMPLIN JACKSON
Rehabilitation Consultant
P. O. Box 3130
Anchorage, AK 99510
(907) 264-2460

March 12, 1982

To the Legislature:

A Preliminary Report was delivered to you on January 26, 1982.

I have the honor to submit to you the Final Report of the Comprehensive Study of Vocational Rehabilitation in the Alaska Workers' Compensation Program in accordance with House Bill 94, effective July 11, 1981. Corrections and minor changes which do not alter the essence of the Preliminary Report have been made.

Findings of the study have led to general conclusions regarding the delivery system of vocational rehabilitation benefits to injured workers. The State Workers' Compensation system has the potential to fulfill its obligations to injured workers and employers through the provision of properly structured and managed rehabilitation services. These services are presently inadequate, however, for a substantial number of injured workers. Recommendations for change and major improvements are offered for consideration in developing an effective delivery system of rehabilitation benefits to injured workers in Alaska.

Sincerely,

Zee Pamplin Jackson
Rehabilitation Consultant

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An Analysis of the Alaska Workers Compensation System

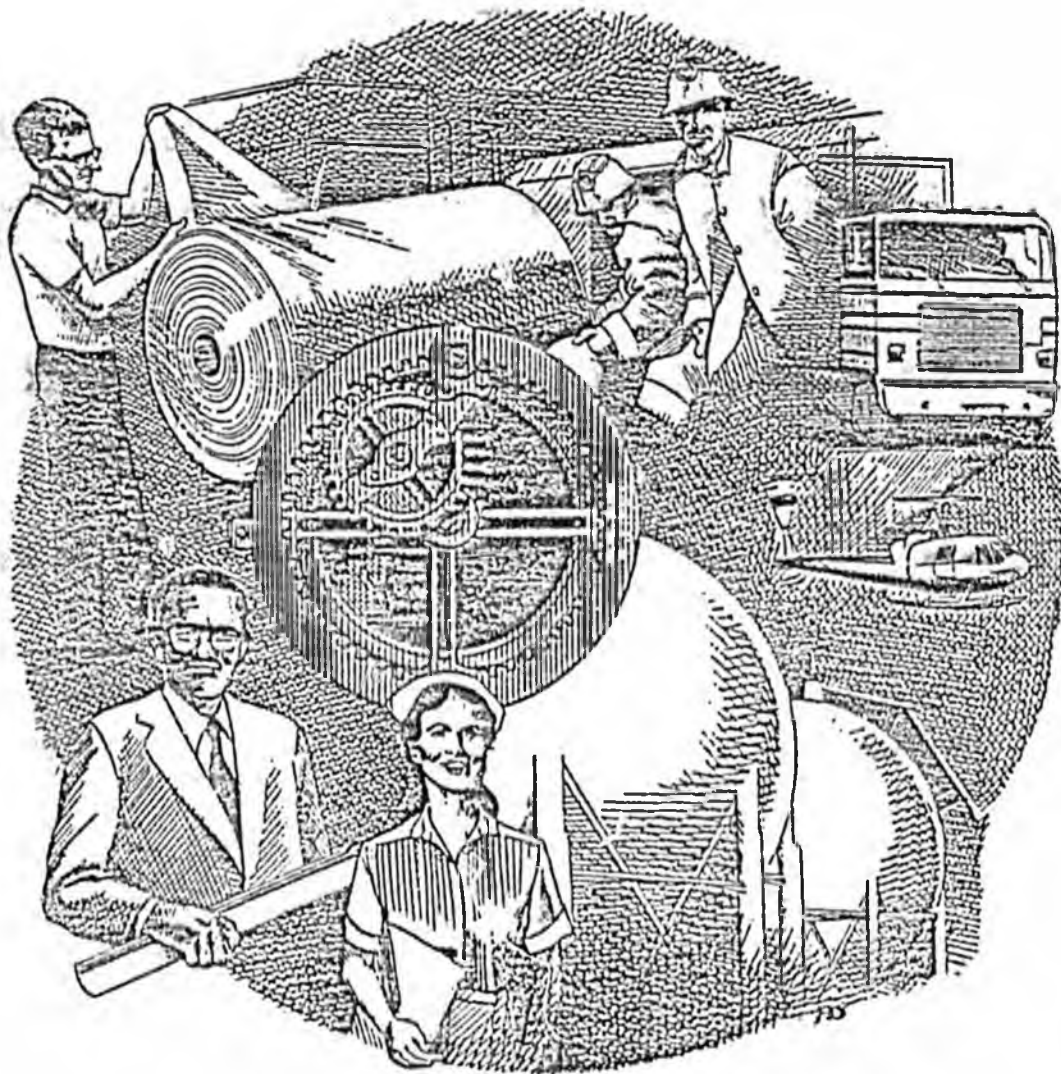


John H. Lewis
P.O. Box 330550, Coconut Grove,
Florida 33133
June 30, 1982

EXHIBIT # (

Analysis of Workers' Compensation Laws 1982

Prepared and
Published Annually
By the
U.S. Chamber
of Commerce





LAWS OF ALASKA

1981

Source

CSHB 24(Min) am

Chapter No.

59

AN ACT

Relating to workers' compensation; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

SCOTT WEITZEL
SERVICES, INC.

SEP 25 1981

ANCHORAGE, AK

Approved by the Governor: July 10, 1981
Actual Effective Date: July 11, 1981

1 dependent relative eligible to receive death benefits under AS 23.-
2 30.215, the employer or insurance carrier shall pay \$10,000 to the
3 second injury fund.

4 (d) The board may refund a payment made into the second injury
5 fund if the employer or insurance carrier shows that it made the pay-
6 ment by mistake or inadvertence, or if it shows there existed at the
7 time of the death of the employee a beneficiary entitled to benefits
8 under AS 23.30.215.

9 (e) The board may direct and provide the vocational retraining
10 and vocational rehabilitation of a permanently disabled person whose
11 condition is a result of an injury compensable under this chapter by
12 making cooperative arrangements with insurance carriers, private organ-
13 izations and institutions, or state or federal agencies. The person
14 being retrained or rehabilitated is entitled to receive additional
15 compensation from the second injury fund for maintenance during the
16 period of retraining and rehabilitation in the sum the board considers
17 necessary, not to exceed \$200 a month. The total expenditures for
18 maintenance, retraining, rehabilitation, and necessary transportation
19 may not exceed \$10,000 for one person.

20 (f) All amounts collected as civil penalties under AS 23.30.-
21 155(c) shall be paid into the second injury fund.

22 (g) The attorney general may investigate claims and hire expert
23 witnesses necessary to prevent fraudulent or excessive claims for money
24 in the second injury fund.

25 (h) Administration expenses of the state under this section and
26 AS 23.30.205 shall be paid from the general fund.

27 * Sec. 3. AS 23.30.155 is amended to read:

28 Sec. 23.30.155. PAYMENT OF COMPENSATION. (a) Compensation
29 under this chapter shall be paid periodically, promptly, and directly

Chapter 59

to the person entitled to it, without an award, except where liability to pay compensation is controverted by the employer. To controvert a claim the employer must file a notice, on a form prescribed by the board, stating

(1) that the right of the employee to compensation is controverted;

(2) the name of the employee;

(3) the name of the employer;

(4) the date of the alleged injury or death; and

(5) the type of compensation and all grounds upon which the right to compensation is controverted.

(b) The first installment of compensation becomes due on the 14th day after the employer has knowledge of the injury or death. On this date all compensation then due shall be paid. Subsequent compensation shall be paid in installments, every 14 days (SEMI-MONTHLY), except where the board determines that payment in installments should be made monthly or at some other period.

(c) Upon making the first payment, and upon an increase, reduction, termination, suspension, resumption or a change in rate or type of compensation paid (OF PAYMENT FOR ANY CAUSE), the employer shall (IMMEDIATELY) notify the board within 14 days, on (IN ACCORDANCE WITH) a form prescribed by the board, that payment of compensation has begun or has been increased, reduced, terminated, resumed, changed, or suspended, as the case may be. If the employer fails to notify the board within 14 days, the board shall assess against the employer a civil penalty of \$100 plus \$25 for each day in excess of 14 days that the employer fails to give notice. Total penalties under this section may not exceed \$2,500 for each failure to file a required report.

(d) If the employer controverts the right to compensation he

SECTION BY SECTION ANALYSIS

HB311

Section 1. This section increases the minimum compensation from \$65 to \$110 per week and reflects changes necessary because of the reenactment of AS 23.30.220 found in section 10 which makes the spendable weekly wage of an employee the basis of compensation.

Section 2. and 3. See comments to Section 1.

Section 4. This section changes the manner of determining compensation consistent with the repeal and reenactment of AS 23.30.220 found in section 11 which makes the employee's spendable weekly wage the basis for determining compensation.

Eighty percent of the employee's spendable weekly wage minimizes the possibility of an employee receiving more in workers' compensation than his take home pay while working. The change is consistent with recommendations of the 1972 Report of the National Commission on State Workers' Compensation Law which states at page 19:

The decision fixing the proportion of lost wages to be replaced must balance incentives to employers to improve safety within incentives to the disabled to take full advantage of rehabilitation services and to return to work.

We recommend that cash benefits for [disability compensation] be at least two-thirds of the worker's gross weekly wage. The two-thirds formulation should be used only on a transitional basis until the State adopts a provision making payments at least 80 percent of the workers' spendable weekly earnings.

Section 5. See comments to section 4.

Section 6. See comments to section 4.

Additionally, this section provides for inflationary increases in the maximum paid for "scheduled" and permanent partial disabilities.

Section 7. See comments to section 4.

Section 8. This section reflects changes consistent with the repeal and reenactment of AS 23 30.220 found in section 11.

Section 9. See comments to section 4.

Additionally, this section provides for inflationary increases in funeral expenses on death claims. The current limit for reasonable and necessary funeral expenses are not adequate and result

in a ship to the family of the deceased or the employer for payment of the additional costs.

Section 10. This section reflects changes consistent with the repeal and reenactment of AS 23.30.220 found in section 11. Additionally, the minimum weekly compensation for a widow or widower is increased from \$45 to \$75 per week.

Section 11. This section adopts a new basis for computing compensation known as the "spendable weekly wage". The spendable weekly wage is the employee's gross weekly earnings, minus payroll tax deductions, which are defined in section 13. The change is consistent with the 1972 report of the National Commission on State Workers' Compensation Laws.

It is an administratively feasible procedure which can simultaneously take into account the difference between gross and spendable earnings, the virtues of dependents' allowances and the impact of the progressive income tax. This procedure first determines the worker's gross earnings prior to disability (which must be determined under the present Act) and the number of his dependents. The gross earnings and dependency data are then inserted into a formula prepared and published by the Department of Labor to determine the worker's spendable earnings. Once spendable earnings are calculated, workers' compensation benefits for all sizes of families can be calculated as a fixed proportion of spendable weekly earnings. No further allowances for dependents for tax considerations are necessary or appropriate.

This section also adopts a new basis for determining the gross earnings of an injured worker. An injured worker's gross weekly earnings are computed by dividing by 100 the gross earnings of the employee in the two calendar years immediately preceding the injury. Utilizing the preceding two years tends to eliminate the cyclical nature of many industries. Dividing by 100 instead of 104 tends to adjust previous years' earnings for inflation. This section also allows the Board to adjust the average weekly wage calculation if it is unfair to the employee or employer.

Section 12. This section reflects changes consistent with the repeal and reenactment of AS 23.30.220 found in section 11.

Section 13. This section provides for new definitions.

"Gross earnings" includes payments before any authorized or lawfully required deduction such as credit union, dues check off, social security, federal withholding, or deferred compensation which is optional to the employee at the time of his injury. Specifically, deferred compensation which is optional at the time of injury refers to those employees of government and non-profit corporations and associations which may elect to defer income from a particular pay period or pay periods but have the option of terminating the deferral of that income at any time during their employment. Excluded from gross earnings are irregular bonuses, reimbursement of expenses, expense allowances and any benefits not taxable to the employee during the pay period. "Any

benefit not taxable to the employee during the pay period" would include the general items referred to as "fringe benefits" such as: payments providing for health, welfare, retirement, vacation or annual leave and other similar benefits received by the employee for which he is not taxed other than deferred compensation which is optional to the employee at the time of this injury.

The value of room and board may be considered in gross earnings only for those injured workers whose gross weekly earnings otherwise computed are less than the Alaska average weekly wage at the time of injury. The value of room and board may be included only to raise the gross weekly earnings up to the level of the Alaska average weekly wage. The value of room and board that would raise an employee's gross weekly earnings above the Alaska average weekly wage is excluded.

"Payroll taxes" are defined to exclude the amount that would be withheld from an employee's gross weekly earnings under the Internal Revenue code as though he had claimed the maximum number of dependents per actual dependency, blindness, and old age. Also deducted is the amount of earnings subject to the Social Security Act irrespective of whether the employee may have paid the maximum Social Security for the year at the time the injury occurs.

Section 14. This section repeals provisions that are unnecessary or inconsistent with proposed legislation.

Section 15. This section provides that the Act apply only to injuries sustained after the effective date of this Act.

Section 16. This section provides that the Act takes effect January 1, 1984.

WCCA[®]

NEWSLETTER

HELPING ALL ALASKANS THRU A BETTER WORKERS COMPENSATION LAW

April 12, 1983

A joint Management-Labor taskforce has just completed its ongoing work on proposed amendments to the Alaska Workers' Compensation Statutes.

The result is HB 311, introduced April 4, 1983, by Representative Walter Furnance. WCCA once again acted as Management's Representative on the task force and recommends support for the bill. As with amendments passed last session, this bill reflects a compromise between Management and Labor.

The primary elements of the proposed Legislation can be briefly described as follows:

1. The initial weekly rate of compensation is raised from \$65 to \$110 per week. This rate is then normally adjusted to spendable weekly wages when sufficient information is obtained to make such a determination.
2. The method of calculating the Employee Compensation is changed. Under present law, an injured employee is entitled to 66 2/3 percent of his average weekly wage during the continuance of the disability. HB 311 would change this calculation to 80 percent of spendable wages for the same period.
3. The concept of spendable weekly wage is incorporated in HB 311 as a replacement for average weekly wage. An injured employee's gross weekly wage is first calculated by adding the gross earnings for the previous two calendar years and dividing by 100. The gross weekly wage is then reduced by an estimated amount for payroll taxes and then derived value is the spendable wage.
4. The limits for the permanent partial disabilities will be increased by approximately 35 percent if HB 311 is passed. The current limits have been in effect since the mid-1970's and the proposed limits represent an attempt to minimize somewhat the devastating effects of inflation that have occurred since the present limits were established.
5. The limit for reasonable and necessary funeral expenses will be increased from \$1,000 to \$2,500 if HB 311 is passed.

" OUR SUPPORT DEPENDS ON YOUR SUPPORT "

MEMORANDUM

State of Alaska

AWCS
JUNEAU APR 1 1983

TO: Jackie McClintock, Director
Workers Compensation Division
Thru: *John E. Post*
John Post, Director
Administrative Services Division

DATE: April 1, 1983

FILE NO:

TELEPHONE NO: 465-4514

Thru: Chuck Caldwell, Chief *CAC*
Research and Analysis

SUBJECT: Comparison Tables for 80%
of Net Spendable vs. Current
Schedule of Workers
Compensation

From: Elfrieda Mullin, Labor Economist *EM*
Research and Analysis

Attached are tables comparing 80 percent of spendable wage and the current schedule of weekly worker's compensation. These tables are quite similar to the ones we provided you last year except that we have used the new table of payroll deductions for income tax. The payroll deductions are in effect only until July 1, 1983. At that time further reductions in the payroll tax will occur.

Last year's comparison used 80 percent of spendable as was provided in HB 159. Since that law had a minimum of \$110 and provided for 100% of spendable wages when weekly wages were less than \$110, you will notice a significant difference at the low range. We have just observed the 80% of spendable declaration in this year's comparison.

These tables do not take into consideration the Alaska U.I. tax in calculating spendable wage (50 cents per \$100 in payroll this year). Additionally, the lack of state income tax in Alaska put spendable wages higher in Alaska than would occur in states with income tax law.

Compared to last year the spendable wage formula is slightly improved in relation to the comparable compensation for that gross wage under the current law. The low ranges of earnings would receive greater compensation under the spendable wage formula, particularly those with several dependents. On the other hand, the cost to insurance companies would be reduced since high wage earners would receive less than they currently do.

With the absence of state income tax and the reducing federal income taxes a person is less likely to be receiving more in Workers Compensation under the current law than in take home pay, however, it still can occur. Note that a single person with no dependents earning \$800 a week or more would receive more in workers compensation than in normal take home pay. (These tables assume standard deduction. In actuality, higher wage earners tend to use itemized deductions and may use additional "dependents" to prevent having too much deducted from wages.)

Using the spendable wage formula would make it difficult for any claimant to be eligible for the maximum of \$996. Continuing the attached tables, a single with no dependents would have to have weekly wages of \$2,065.54 in order to receive the maximum. A married claimant with two children would have to have weekly wages of \$1,966.79. Under the current program the maximum can be reached by any individual earning \$1,494 per week.

Attachments

<u>COLUMN NUMBER</u>	<u>HEADING</u>	<u>DESCRIPTION</u>
1	AVERAGE WEEKLY WAGE	Self explanatory
2	FICA	The FICA tax rate for 1983 is 6.7%. The maximum taxable wage is \$35,700, however, no adjustments are made for this maximum in these tables.
3	TAXABLE WAGE	This is the average weekly wage in column 1 reduced by \$19.23 times the total number of dependents applicable. The amount \$19.23 is \$1,000/52 (the annual exemption per dependent).
4	1983 TAX DEDUCTION	This column is the amount of Federal income tax an employer will deduct in 1983 (first six months) using the Federal Percentage Method for weekly payroll. The Internal Revenue Service provides specific instructions in Circular E - Employer's Tax Guide - Publication 15. The rates used are in effect until July 1, 1983.
5	SPENDABLE INCOME	This is the Average Weekly Wage in column 1 reduced by FICA and the 1983 tax deduction.
6	80% of SPENDABLE WAGE	Self explanatory.
7	CURRENT LAW	Current law provides that the claimant receive compensation in the amount of two-thirds of his average weekly wage up to a maximum of twice the state average weekly wage ($\$498 \times 2 = 996$).
8	80% of SPENDABLE WAGE AS % of CURRENT	Self explanatory.

TABLE 1

MARRIED WITH TWO CHILDREN

AWW	FICA	TAXABLE WAGE	1983 TAX DED	SPENDABLE WAGE	80 % OF SPENDABLE WAGE	CURRENT LAW	80 % OF SPENDABLE AS % OF CURRENT
\$ 100	\$ 6.70	\$ 23.08	\$ 0.00	\$ 93.30	\$ 74.64	\$ 66.67	111.56
150	10.05	73.08	3.80	136.15	108.92	100.00	108.92
200	13.40	123.08	10.30	176.30	141.04	133.33	105.78
250	16.75	173.08	18.30	214.95	171.96	166.67	103.18
300	20.10	223.08	26.30	253.60	202.88	200.00	101.44
350	23.45	273.08	35.70	290.85	232.68	233.33	99.72
400	26.80	323.08	45.20	328.00	262.40	266.67	98.40
450	30.15	373.08	55.80	364.05	291.24	300.00	97.08
500	33.50	423.08	67.80	398.70	318.96	333.33	95.69
550	36.85	473.08	80.50	432.65	346.12	366.67	94.40
600	40.20	523.08	94.00	465.80	372.64	400.00	93.16
650	43.55	573.08	108.60	497.85	398.28	433.33	91.91
700	46.90	623.08	124.60	528.50	422.80	466.67	90.60
750	50.25	673.08	141.70	558.05	446.44	500.00	89.29
800	53.60	723.08	160.20	586.20	468.96	533.33	87.93
850	56.95	773.08	178.70	614.35	491.48	566.67	86.73
900	60.30	823.08	195.30	644.40	515.52	600.00	85.92
950	63.65	873.08	213.80	672.35	538.04	633.33	84.95
1,000	67.00	923.08	232.30	700.70	560.56	666.67	84.08
1,100	73.70	1023.08	269.30	757.00	605.60	733.33	82.58
1,200	80.40	1123.08	306.30	813.30	650.64	800.00	81.33
1,300	87.10	1223.08	343.30	869.60	695.68	866.67	80.27
1,400	93.80	1323.08	380.30	925.90	740.72	933.33	79.36
1,500	100.50	1423.08	417.30	982.20	785.76	996.00	78.89
1,600	107.20	1523.08	454.30	1038.50	830.80	996.00	83.41

TAXABLE WAGE = AWW LESS \$76.92

SPENDABLE WAGE = AWW LESS FICA AND 1983 TAX DEDUCTION

MARRIED WITH NO CHILDREN

AWW	FICA	TAXABLE WAGE	1983 TAX DED	SPENDABLE WAGE	80 % OF SPENDABLE WAGE	CURRENT LAW	80 % OF SPENDABLE AS % OF CURRENT
\$ 100	\$ 6.70	\$ 61.54	\$ 2.10	\$ 91.20	\$ 72.96	\$ 66.67	109.44
150	10.05	111.54	3.40	131.55	105.24	100.00	105.24
200	13.40	161.54	4.70	170.20	136.16	133.33	102.12
250	16.75	211.54	6.00	208.85	167.08	166.67	100.25
300	20.10	261.54	7.30	246.40	197.12	200.00	98.56
350	23.45	311.54	8.60	283.55	226.84	233.33	97.22
400	26.80	361.54	9.90	320.20	256.16	266.67	96.06
450	30.15	411.54	11.20	354.85	283.88	300.00	94.63
500	33.50	461.54	12.50	389.10	311.28	333.33	93.38
550	36.85	511.54	13.80	422.25	337.80	366.67	92.13
600	40.20	561.54	15.10	454.90	363.92	400.00	90.98
650	43.55	611.54	16.40	485.55	388.44	433.33	89.64
700	46.90	661.54	17.70	515.70	412.56	466.67	88.41
750	50.25	711.54	19.00	543.85	435.08	500.00	87.02
800	53.60	761.54	20.30	572.00	457.60	533.33	85.80
850	56.95	811.54	21.60	600.15	480.12	566.67	84.73
900	60.30	861.54	22.90	630.20	504.16	600.00	84.03
950	63.65	911.54	24.20	658.35	526.68	633.33	83.16
1,000	67.00	961.54	25.50	686.50	549.20	666.67	82.38
1,100	73.70	1061.54	28.35	742.80	594.24	733.33	81.03
1,200	80.40	1161.54	31.20	799.10	639.28	800.00	79.91
1,300	87.10	1261.54	34.05	855.40	684.32	866.67	78.96
1,400	93.80	1361.54	36.90	911.70	729.36	933.33	78.15
1,500	100.50	1461.54	39.75	968.00	774.40	996.00	77.75
1,600	107.20	1561.54	42.60	1024.30	819.44	996.00	82.27

TAXABLE WAGE = AWW LESS \$38.46

SPENDABLE WAGE = AWW LESS FICA AND 1983 TAX DEDUCTION

SINGLE WITH NO CHILDREN

AWW	FICA	TAXABLE WAGE	1983 TAX DED	SPENDABLE WAGE	80 % OF SPENDABLE WAGE	CURRENT LAW	80 % OF SPENDABLE AS % OF CURRENT
\$ 100	\$ 6.70	\$ 80.77	\$ 7.60	\$ 85.70	\$ 68.56	\$ 66.67	102.84
150	10.05	130.77	16.00	123.95	99.16	100.00	99.16
200	13.40	180.77	24.60	162.00	129.60	133.33	97.20
250	16.75	230.77	34.60	198.65	158.92	166.67	95.35
300	20.10	280.77	46.40	233.50	186.80	200.00	93.40
350	23.45	330.77	59.10	267.45	213.96	233.33	91.70
400	26.80	380.77	74.10	299.10	239.28	266.67	89.73
450	30.15	430.77	89.20	330.65	264.52	300.00	88.17
500	33.50	480.77	106.20	360.30	288.24	333.33	86.47
550	36.85	530.77	123.20	389.95	311.96	366.67	85.08
600	40.20	580.77	141.70	418.10	334.48	400.00	83.62
650	43.55	630.77	160.20	446.25	357.00	433.33	82.38
700	46.90	680.77	178.70	474.40	379.52	466.67	81.33
750	50.25	730.77	195.40	504.35	403.48	500.00	80.70
800	53.60	780.77	213.90	532.50	426.00	533.33	79.88
850	56.95	830.77	232.40	560.65	448.52	566.67	79.15
900	60.30	880.77	250.90	588.80	471.04	600.00	78.51
950	63.65	930.77	269.40	616.95	493.56	633.33	77.93
1,000	67.00	980.77	287.90	645.10	516.08	666.67	77.41
1,100	73.70	1080.77	324.90	701.40	561.12	733.33	76.52
1,200	80.40	1180.77	361.90	757.70	606.16	800.00	75.77
1,300	87.10	1280.77	398.90	814.00	651.20	866.67	75.14
1,400	93.80	1380.77	435.90	870.30	696.24	933.33	74.60
1,500	100.50	1480.77	472.90	926.60	741.28	996.00	74.43
1,600	107.20	1580.77	509.90	982.90	786.32	996.00	78.75

TAXABLE WAGE = AWW LESS \$19.23

SPENDABLE WAGE = AWW LESS FICA AND 1983 TAX DEDUCTION

alaska
state
hospital
association

319 Seward St., Juneau, Alaska 99801 • (907) 586-1790

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Anchorage

President
Dennis L. DeWitt
Juneau

April 13, 1983

The Honorable Walt Furnace
State Capitol
Pouch V
Juneau, Alaska 99811

Subject: HB 311

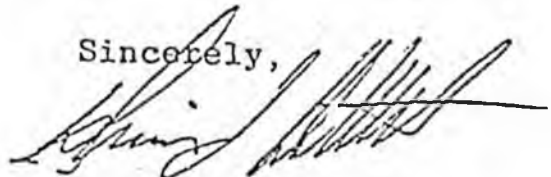
Dear Walt:

The Alaska State Hospital Association has reviewed House Bill 311 and wishes to inform you of our support.

This measure restructures the workers compensation program to more adequately compensate those receiving compensation at the lower end of the pay scale while curing an incentive to remain on compensation at the other end of the scale. This is done by increasing the minimum benefit and changing the basis of calculation to 80% of the spendable weekly earnings. There are other changes in the bill which in our judgement add to the merits of this legislation.

We are convinced that the structure proposed in HB 311 will increase real benefits to the injured as well as offer the potential for a reduction in premiums for the employer. This makes HB 311 indeed a unique bill which should be moved quickly through the legislative process.

Sincerely,



Dennis L. DeWitt
President

DLD:lf

cc:Alaska State Chamber of Commerce
Associated General Contractors

PERSPECTIVE ON THE PROPOSED 1983 AMENDMENTS
TO THE WORKERS' COMPENSATION ACT

Prepared by the Joint Labor/Management Ad Hoc Committee
March, 1983

BACKGROUND

In 1968 the Alaska weekly maximum workers' compensation benefit was \$113.00. By 1974, the maximum weekly compensation rate rose to \$175.00. During this period of time, Congress established the National Commission on State Workmen's Compensation Laws to "undertake a comprehensive study and evaluation of State workmen's compensation laws, in order to determine if such laws provide an adequate, prompt, and equitable system of compensation." In 1972 the National Commission recommended to the President and Congress:

[T]hat, subject to the State's maximum weekly benefit, temporary total disability benefits be at least 80% of the worker's spendable weekly earnings. This formula should be used as soon as feasible or, in any case, as soon as the maximum weekly benefit in a state exceeds 100% of the state's average weekly wage. (R 3.6; p 60)

[T]hat...the maximum weekly benefit for temporary total disability...[gradually increase so that] after July 1, 1981, the maximum should be at least 200% of the state's average weekly wage. (R 3.9; p 62) (See Exhibit 1)

In a pro-labor atmosphere and in reaction to some of the National Commission's findings the Alaska Legislature in 1975 amended the Alaska Workers' Compensation Act (Act) by providing a gradual phase-in of the 200% of state average weekly wage maximum, doubling the scheduled permanent partial disability maximum in the Act, and eliminating the \$30,000 limit on unscheduled permanent partial disability (see ch 83 SLA 1975).

Management bitterly contested the 1975 labor-sponsored amendments. As a result, little thought was given by labor, management or the legislature to workers' compensation as an effective delivery system. Only a portion of the 1972 Commission's recommendations were enacted, i.e., the portion recommending the phase-in to 200% of the state average weekly wage. The recommendation for implementing the 80% of spendable weekly earnings formula was omitted by the legislature. Due to the law change, workers' compensation premium rates increased 35.2% in 1975, 13.0% in 1976, and 6% in 1977 (see Exhibit 2).

Contributions to Worker's Compensation Committee of Alaska

Clary Agency	Stephen's Bros. Plumbing
Industrial Indemnity	Parker, Smith & Feek, Inc.
J.B. Gottstien & Company	Fessler Equipment Co.
Nabors Alaska Drilling	Alaska Airlines
Air Van Lines	Sea-Air, Inc.
Northern Adjusters	Schlumberger Offshore
SOHIO	Food Services, Inc. (McDonalds)
Reliable Transfer	KNA Oilfield Services
Frontier Equipment	Tesoro Alaska
Arco	Alaska Cleaners
Alyeska Pipeline Service Co.	Sealand Industries
Wein Air Alaska	Construction Industry Advancement Fund
Sourdough	Parker, Smith & Feek, Inc.
World Wide Movers	Corroon & Black/Dawson
AAA Delivery	Enstar
Alaska Trucking Association	Douglas Trucking
Alexander and Alexander	Frontier Companies of Ak
Scott Wetzell Services	Leonard McLean
Evergreen Helicopter Inc.	Herman Bros.
Denali Transportation	
Avis Rent-a-Car	
H & S Warehouse Inc.	
Alaska Pacific Assurance Co.	
Lynden Transport Inc.	
Bristol Bay Contractors	
K & W Trucking	
Harold's Rent-A-Truck (Anchorage)	
Seward Service (ATA)	
Hermon Brothers Construction (Palmer)	
Alascom	
Alaska Gas & Service Co.	
Kenworth Northwest Inc.	
Kodiak Oil Sales	
Alaska Chapter of CPCU	
Bekins	
Four Star Terminals	
Northwest Gas	
Pictures, Inc.	
Redi Electric	
Strano Steel & Feek, Inc.	
Denali Trucking	

In 1977, management successfully sponsored legislation reimposing a limit on "unscheduled" permanent partial disability -- this time at \$60,000 (see ch 75 SLA 1977). The 1977 amendments reduced workers' compensation premium rates by 18.6% (see Exhibit 2).

As a result of the 1975 amendments the maximum weekly compensation rate continues to increase. The maximum rate depends upon the state average weekly wage and the percentage multiplier contained in AS 23.30.175(a). The state average weekly wage and maximum workers' compensation rate for injuries occurring in the years indicated are contained in Exhibit 3.

Presently the maximum weekly workers' compensation benefit is \$996.00 per week. Of course, the maximum benefit is limited by a recipient's average weekly wage. Accordingly, a recipient must have earned an average of \$1,494.00 per week during one of the three years preceding his injury to be eligible for the maximum weekly workers' compensation benefit.

LEGISLATIVE TASK FORCE

The Alaska Legislature passed a resolution in 1980 establishing a task force to study the Alaska workers' compensation system and to recommend changes in response to Richard Fineberg's report, "Workers' Compensation Problems in Alaska". The committee, co-chaired by Senator Terry Stimson and Representative Brian Rogers, included representatives from labor, management, and the insurance industry. Fact finding hearings were held in Anchorage, Fairbanks and Juneau. Ultimately, the joint effort failed at the close of the 1981 legislative session and little corrective legislation was recommended.

Despite the joint task force demise, a few changes were jointly recommended and implemented including: increasing employer's contribution to the second injury fund, new reporting requirements to allow effective monitoring of the system; and a directive to undertake a study of vocational rehabilitation of the injured worker (see ch 59 SLA 1981 and Exhibit 4). Funds were also made available to further study the Alaska workers' compensation system. These studies, presented to the legislature in 1982, are: "The Report of the Comprehensive Study of Vocational Rehabilitation in the Alaska Workers' Compensation Program" by Zee Jackson (Exhibit 5); and "An Analysis of the Alaska Workers' Compensation System" by John H. Lewis (Exhibit 6).

Coinciding with the efforts of the legislatively created task force was the formation of two employer oriented groups, the Workers' Compensation Committee of Alaska (WCCA) and the Alaska Conference of Employers (ACE). In 1980, ACE commissioned a study by Richard Block and Associates entitled "Identification and Elimination of the Causes of the High Cost of Workers' Compensation Insurance to Alaska Employers" which includes 34 recommendations for the Alaska workers' compensation laws. In 1982 ACE commissioned another study which recommended specific changes to the Alaska Workers' Compensation Act. This study, prepared by Edward Hite, was presented to the House Labor and Commerce Committee in 1982.

In the summer of 1981, House Labor and Commerce Chairman Terry Martin held additional hearings in Anchorage, Fairbanks and Juneau on the Alaska workers' compensation system. More hearings were held on workers' compensation during the early portion of the second session.

Legislators, consultants and others repeatedly recommended that labor and management representatives jointly agree on a workers' compensation bill and present it to the legislature for passage. In February, 1982 that process was initiated.

THE LABOR/MANAGEMENT AD HOC COMMITTEE

Following a February 5, 1982 meeting in Anchorage which over 50 representatives of labor and management attended, a joint ad hoc committee was formed to discuss the possibility of proposing workers' compensation legislation. The labor/management ad hoc committee formulated several objectives which included:

- (1) providing an effective system for the delivery of benefits and services;
- (2) discouraging fraudulent claims and fraudulent statements to obtain or deny workers' compensation benefits;
- (3) providing an effective deterrent for those employers failing to provide required workers' compensation insurance;
- (4) increase incentives and decrease disincentives for returning to work after an injury;
- (5) encourage safety;
- (6) provide for effective rehabilitation of an injured worker;
- (7) redistribute dollars from those workers not severely injured to those seriously injured workers who have lost the ability to be gainfully employed as a result of their injury;
- (8) reduce or minimize the impact of workers' compensation premiums on the employer;
- (9) continue studying the Alaska workers' compensation system to identify problems and recommend solutions; and
- (10) stabilizing the atmosphere for discussing proposed changes to the Alaska Workers' Compensation Act.

Time was obviously limited if the legislation was to be introduced during the 12th Legislature. Accordingly, the ad hoc committee agreed to limit their efforts towards:

- (1) Technical changes to the Act necessary for more effective administration;
- (2) Implementing a system which:
 - (A) Provides for the early identification of injured workers who potentially need rehabilitation;
 - (B) Provides for the early return to direct employment;
 - (C) Provides incentives to return to work and reduces disincentives to return to work;
 - (D) Provides for appropriate criminal penalties for willful misrepresentation of facts for the purpose of obtaining or denying benefits; and
 - (E) Provides a mechanism for cease and desist orders to be issued against uninsured employers.

The ad hoc committee found that the existing method of determining weekly compensation benefits (66-2/3% of gross wages: see AS 23.30.185) created a disincentive to return to work especially for the high wage earner. For example, a single worker earning \$1,494.00 per week takes home approximately \$915.75 per week (subtracting \$477.75 in income tax withholding and \$100.50 in FICA withholding). The same worker could receive \$996.00 per week in workers' compensation. There is little incentive to return to work under these and similar circumstances.

Reducing the amount of workers' compensation an injured worker receives relative to his income increases the incentive the return to work. In examining other states' laws, the committee noted that only one other state (Iowa) and the federal Longshoremen's and Harbor Workers' Compensation Act (L & H Act) base the maximum benefit on 200% of the state average weekly wage. The overwhelming majority of states limit weekly benefits to 100% of the state average weekly wage (see Exhibit 7, Chart V, p 15-17). In Alaska, a maximum benefit of 100% of the state average weekly wage would presently limit benefits to a maximum of \$498.00 per week. This alternative is not looked upon favorably by labor.

A second alternative was to implement that portion of the 1972 National Commission's findings which was omitted in the 1975 amendments to the Act, i.e., benefits based upon 80% of spendable earnings. The ad hoc committee noted that Iowa, the only other state basing the maximum rate upon 200% of the state average weekly wage, utilizes the 80% of spendable income formula. Similarly, the United States Comptroller General in his report entitled "Longshoremen and Harbor Workers' Compensation Act Needs Amending", found at p. 15 that:

[T]he current level of benefits provides compensation that comes closer to full replacement of net earnings than to the 66-2/3% replacement anticipated when the Act was passed. In addition to minimizing incentives to return to work, compensation that approaches take-home pay gives little recognition to a basic concept of workers' compensation, that there should be some sharing of risk between employer and employee for work-related illness or injury. (See Exhibit 8 for further discussion.)

The ad hoc committee agreed that labor and management are better served by a system that provides increasing benefits for workers above the 100% of state average weekly wage because of the arbitrary nature of that ceiling. On the other hand, the benefit level should not exceed nor approximate the take-home pay of an injured worker. The committee recommended a system whereby the injured worker receive 80% of spendable weekly earnings as it appeared to achieve both goals.

The ad hoc committee also examined the compensation paid to injured workers for "scheduled" permanent partial disabilities (see AS 23.30.190(a)(1-18)). The current maximums for scheduled injuries have not been changed since 1975. One-half of the states pay scheduled benefits equal to or higher than Alaska (see Exhibit 7, Chart VI, p.18). An increase of 35% in the scheduled permanent partial disability maximums was agreed upon by the ad hoc committee as a fair adjustment. Similarly, the ad hoc committee agreed to increase the unscheduled permanent partial disability maximum contained in AS 23.30.190(b) from \$60,000 to \$75,000.

Other minor changes were agreed to, such as: limiting the adjustment for the value of room and board on gross income to those persons whose incomes are below the state average weekly wage; insuring that workers' compensation benefits are based upon taxable income; increasing the injured worker's minimum compensation; excluding from coverage activities of a personal nature away from employer-provided facilities at remote job sites; increasing the penalties for misrepresentation; providing for the issuance of a stop-order against an uninsured employer.

Additionally, a new method of computing the wage or gross earnings was proposed instead of the presently existing highest of the preceding three calendar year. The new method would base gross earnings on the most recent quarters' earnings if a worker were continuously employed by an employer and base earnings on an average of the preceding two years if not continuously employed in the preceding calendar quarter. Finally, legislation was proposed to provide for the prompt identification, evaluation and rehabilitation of injured workers whose disability precludes their return to work.

This legislative package, HB 159 (1982), passed the House unanimously. While awaiting hearing in Senate Labor and Commerce, information was circulated concerning the anticipated cost of this proposed legislation.

Although no official notice or document has been found to exist, it is believed that the National Council on Compensation Insurance (NCCI) preliminarily rated this legislation as potentially increasing workers' compensation rates by approximately 9%. Many employers who had not participated in drafting the legislation and were unfamiliar with the method by which NCCI rates workers' compensation laws, became apprehensive. Ultimately, those items to which NCCI had affixed a cost were removed from the bill and the remaining legislation, primarily providing for vocational rehabilitation, passed the Senate and became law (see ch 93 SLA 1982).

1983 PROPOSED LEGISLATION

The legislation proposed by the Labor/Management Ad Hoc Committee this year is in essence the legislation removed from HB 159 (1982) in the Senate with a few minor changes¹. In essence, the bill provides for:

1. Increasing the minimum compensation from \$65.00 to \$110.00 per week.
2. Increasing the maximum paid for scheduled permanent partial disabilities contained in AS 23.30.190(a).
3. Increasing the funeral expenses for death claims.
4. Increasing the minimum compensation for a widow or widower from \$45.00 to \$75.00 per week.
5. Basing weekly benefits upon 80% of the spendable weekly earnings.
6. Computation of gross weekly earnings will be based upon an average of the two preceding calendar years.
7. Definitional changes necessary to effectuate the above changes.

NCCI preliminarily rates these changes as increasing the compensation rates by 3%. The process of rating workers' compensation legislation allows for input from the local insurance community or committee to specifically adjust the preliminary NCCI estimate and allow for the "Alaska" experience. We believe the local committee will reduce this preliminary rating by NCCI by at least one or two percent. The remaining increase, if any, the committee believes will not be justified in the long run. The reduced weekly benefit rates coupled with the previously enacted changes to vocational rehabilitation should decrease the incentive to stay on workers' compensation and increase the incentive to return to work. This decreased utilization of the system

¹No increase in unscheduled permanent partial disability compensation, AS 23.30.190(b); and the spendable weekly wage is not based on the previous reporting quarter's earnings.

should result in reduced workers' compensation rates. We believe that this assumption of decreased utilization of the workers' compensation system is a valid assumption; however, we recognize the difficulty in inserting such a assumption in the actuarial projections made by NCCI.

The ad hoc committee remains a viable entity at the present time and hopes to continue providing a stable, rational forum for the discussion of Alaska's Workers' Compensation Act. The committee notes that in 1981 the average workers' compensation premium per worker in Alaska was \$594.98; the State of Washington per worker premium was \$185.50; and the national average was \$189.57 (see Exhibit 9). Many believe these rates must be reduced if Alaska expects to attract industry to broaden its economic base and provide a more stable labor market. On the other hand, the committee believes that legitimately injured workers should continue to timely receive compensation and rehabilitation in accordance with the philosophy of the Workers' Compensation Act.

WORKERS' COMPENSATION COMMITTEE OF ALASKA

BOARD OF DIRECTORS

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P. Dennis Maloney
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Legal Profession



National
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on Compensation
Insurance

1 Penn Plaza
New York, New York 10119
Tel. (212) 560-1000

Michael Camilleri
Assistant Vice President
Director of National Affairs

March 22, 1983

Mr. William Reeves
Associated General Contractors
of Alaska
3201 Spenard Road
Anchorage, Alaska 99503

Dear Mr. Reeves:

This is to confirm our telephone conversation regarding the pricing of certain proposed changes in the Alaska workers' compensation law.

The first change requested to be priced was the effect of increasing the maximum aggregate payable for scheduled permanent partial injuries by 35% and converting the benefit formula from 66 2/3% of gross wages to 80% of spendable earnings on all injuries. We calculated that the effect of such changes would increase costs by approximately 3%.

The second pricing request involved increasing the minimum weekly benefit from \$65.00 to \$110.00. We assumed this change to take effect commensurate with the change to a spendable earnings formula. Since the recipients of benefits receive actual gross or spendable earnings if less than the minimum, our evaluation of such a change is that it would have little or no effect on overall costs.

Finally, it should be noted that our calculations were made with respect to costs only and are independent of any possible rate indications.

I hope that this proves to be of assistance and if you have any additional questions, please feel free to contact me.

Very truly yours,

Michael Camilleri
Assistant Vice President
Director of National Affairs

MC:mh

cc: Mr. Don Koch, Alaska Insurance Dept.

RECEIVED

MAR 28 1983

ASSOC. GENERAL CONT.

March 11, 1983

Mr. Jim Robison
Commissioner,
Department of Labor
State of Alaska
P. O. Box 1149
Juneau, AK 99811

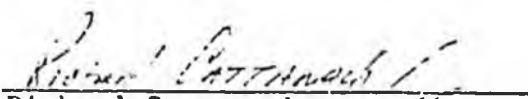
Commissioner Robison:

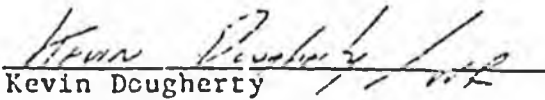
Pursuant to our discussion on February 15, 1983 attached you will find a memorandum by the Joint Labor/Management Ad Hoc Committee. As you are aware, the NCCI finally issued a preliminary "rating" of the agreed upon amendments to the Act. Furthermore, two changes were made to the legislative proposal dated December 30, 1982: The increase in "unscheduled" permanent partial disability benefits was deleted, and the determination of gross weekly wage is based on the two previous years earnings divided by 100, although the board may adjust the weekly wage determination if it is unfair to the employee or employer.

Please transfer this information to Mr. Bloom at your earliest possible opportunity. Thank you for the continued support of our efforts.

Sincerely,

Ad Hoc Committee Co-Chairmen


Richard Cattanach
President, Alaska Conference of Employers


Kevin Dougherty
District Council of Laborers

**WORKERS' COMPENSATION COMMITTEE
OF ALASKA**

PO BOX 1647 ANCHORAGE , AK. 99501

WORKING FOR AN EQUITABLE WORKERS COMPENSATION LAW FOR ALL ALASKANS

February 28, 1983

Mr. James Robison, Commissioner
Department of Labor
State of Alaska
PO Box 1149
Juneau, Alaska 99811

-Dear Commissioner Robison:

The Directors of the Workers' Compensation Committee of Alaska recently adopted the following Resolution:

Whereas workers' compensation is a significant expense for Alaskan employers which, because of the existing statutes, will most assuredly increase annually; and

Whereas the current law may actually encourage malingering and the filing of questionable claims; and

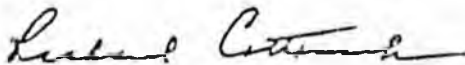
Whereas the benefits for certain permanent injuries have not been increased since 1975; and,

Whereas a joint committee of concerned citizens representing the Alaskan labor movement and significant sectors of the Alaska business community have jointly proposed statutory changes to address these and other issues;

Therefore, be it resolved that the Board of Directors of the Workers' Compensation Committee of Alaska respectfully requests Governor Sheffield's sponsorship of these proposed changes.

It is our belief that solutions to workers' compensation are best derived through an ongoing dialogue between management and labor rather than solely through the legislative process. We encourage and appreciate the Administration's support of these efforts.

Sincerely,



Richard Cattanach
President

RC/pc

Bill Fact Sheet

Date Received _____

Bill Number HB311 Title Worker's Comp

Fiscal Note - Date Requested _____ Date Received _____

- Of Whom _____

Dept. Position Paper - Date Requested _____ Date Received _____

- Of Whom _____

Resource People

Initial Hearing - Date _____

People Contacted

Judy - 5/12

Res9 - 5/13

Wes - 5/13

Ginny - 5/13

Follow-up Hearing - Date _____



RESA KING
BRANCH MANAGER

ALASKA CHAPTER
ASSOCIATED GENERAL
CONTRACTORS

134 NORTH FRANKLIN, SUITE A
JUNEAU, ALASKA 99801
(907) 586-1740

Final Action _____ Date _____