

ALASKA LIGHTS COMMISSION
1961-1962

1761 HB 159

HLC

2. According to the Miami Herald, many Judges of Industrial Claims tended to give the benefit of the doubt to the Workmen's Compensation claimants. That publication reported instances of compensation awards when there was, in fact, no injury.²⁰
3. Insurance companies frequently faced lengthy and costly litigation. To extricate themselves, they tended to offer lump sum settlements or washouts of medical expenses to injured workers.²¹
4. The government agencies involved lacked the authority and resources to remedy the situation. The Bureau of Workmen's Compensation was too overwhelmed with paperwork to advise claimants on rights and procedures or to see that benefits were paid equitably and in a timely manner. The Department of Insurance had to rely on the National Council on Compensation Insurance, an insurance industry organization, to provide the statistical basis for evaluating rate adjustment requests.²²

III. THE MAJOR ELEMENTS OF THE 1979 CHANGES TO THE WORKMEN'S COMPENSATION LAW

The Intent of the Legislature

It had become clear that rather fundamental changes were needed in Florida's Workmen's Compensation system. A joint Senate-House Select Committee was appointed and the Workmen's Compensation issue was identified as the key issue facing the 1979 Legislature.²³

The overall goal of the legislative effort was to reduce the cost of Workmen's Compensation to employers. However, the aims of restoring equity in benefit awards and of reducing the delays in claims resolution were also important. In other words, it was hoped that the system could be made affordable, efficient and equitable.

Two major targets of reform were identified. The first was comprised of the indemnity benefit determination provisions in the existing law which required subjective estimates of disability by doctors and by Judges of Industrial Claims. This subjectivity had led to extensive litigation which, in turn, had been a major factor in the high cost of the system. The second target consisted of the administrative provisions used in handling a claim. The ineffectiveness of these provisions had resulted in delays in claims processing and had contributed to the extensive litigation characteristic of the system. An improved administrative structure was seen as increasing the equity of benefit determination by reducing the system's dependence on ". . . the vagaries of the adversary process."²⁴

The Change in the Law

By the end of the 1979 Legislative sessions, Florida had a new "Workers'" Compensation law. The major changes were the following.²⁵

1. Florida became the first state to adopt a "wage-loss" concept for a considerable proportion of Workers' Compensation benefit determination. The switch to a wage-loss concept was intended to decrease dramatically the subjectivity involved in benefit determination.

This change concerned the indemnity component rather than the medical services component of Workers' Compensation benefits. Recall that, under the old system, injured workers suffering a permanent and partial disability either were eligible for benefits specified by statute (scheduled injuries) or were compensated based on a disability rating (unscheduled injuries). Within the unscheduled category, workers received the higher of the physical impairment and the diminution of earning capacity ratings.

Under the new system, impairment benefits would be paid for certain severe injuries: amputation, 80 percent loss of vision (after correction), or serious head or facial disfigurement. However, indemnity benefits in the majority of cases were to be determined solely by the actual loss in wages experienced by the injured worker due to his disability.²⁶ Under the wage-loss concept, the injured worker would receive 95 percent of the difference between 85 percent of his pre-injury wages and his wages after maximum medical improvement. This rule translates into the proposition that the worker must have experienced at least a 15 percent wage loss. After the worker had collected wage-loss benefits for two years, his post-injury wages would be discounted to adjust for inflation.

2. The statutory benefit levels for injured workers were raised. The maximum weekly benefit amount was increased from 66-2/3 percent of the statewide average weekly wage to 100 percent of that figure.
3. The structure and authority of the agency responsible for overseeing the operation of the Workers' Compensation were changed in the interest of making that agency more administratively effective. The Bureau of Workmen's Compensation was upgraded to a Division within the Department of Labor and Employment Security. This Division was instructed to ". . . assume an active and forceful role" in administering the system.²⁷ Under the new law, the employer would report employee injuries directly to the Division rather than indirectly to the Division through the insurance carrier. Steps were to be taken to ensure that injured workers were fully and promptly informed of proper procedures and their rights under the law. For example, injured workers were to be mailed an informational brochure while those suffering injuries which might permanently disable them were to be contacted personally. The Workers' Compensation Division would become more actively involved in controverted claims issuing advisory opinions as to benefits payable in each case. The judges of industrial claims were retitled deputy commissioners. Appeals of rulings by the deputy commissioners would now go to the First District Court of Appeals rather than to the Industrial Relations Commission, abolished by the 1979 legislation. The main burden of workers rehabilitation was shifted from the Division to the insurance carrier and employer. Finally, the Division was required to examine claims files, report annually on carrier promptness of payment and notify the Department of Insurance of patterns of questionable claims handling techniques by carriers.

4. The ability of citizenry and government to participate in the rate-making process was increased. A Bureau of Workers' Compensation Rating was established within the Department of Insurance to provide analytical support to the Insurance Commissioner in his review of insurance industry rate filings. Insurance company reporting requirements were changed in order to facilitate analysis by the Department of Insurance. Meetings by insurance industry rate-making authorities were required to take place in Florida and in the "sunshine." Excessive profits by insurance companies were prohibited.
5. The responsibility for paying attorneys' fees was shifted entirely to the claimants. Previously the claimant was to pay 25 percent of the fees while the remaining 75 percent was paid by the employer or insurance carrier. Certain exceptions to the rule of claimant payment were set forth. For example, attorneys' fees for recovery of medical benefits were to be paid by the employer or insurance carrier.
6. "Washouts" of benefits were to be strongly discouraged. Prior to the 1979 legislation, all parties could agree to a one-time payment to the claimant for benefits, thereby ending or "washing out" the employer's liability. Washouts of medical benefits would be prohibited. Lump sum settlements of disability benefits would be barred until six months after maximum medical improvement and then permitted only in special circumstances.
7. A 15 percent, across-the-board reduction in premium rates was mandated by the statute. The Legislature expected changes in the Workers' Compensation law-- particularly the switch to a wage-loss system of disability benefit determination--to result in a substantial decline in insurance carrier costs. This decline was expected to more than counter-balance the increases called for in compensation benefits. To avoid excessive insurance carrier profits, the 15 percent premium rate reduction was ordered.

IV. THE EARLY PERFORMANCE OF FLORIDA'S NEW WORKERS' COMPENSATION SYSTEM

Examining the Impact

The fundamental reforms made in the Workers' Compensation law in 1979 were intended to make the system more equitable and efficient in meeting the genuine needs of injured workers while at the same time, making the system less costly to employers and insurance carriers. The reforms have been in effect for twenty months as of this writing. Although the new system will not have been given a fair test until it has been in operation for a number of years, an examination of the early performance of the law is warranted. Essentially, the question to be asked is this: Does the new Workers' Compensation law appear to be having its intended effects?

The scope of this analysis will be limited to the effects on employer costs (which reflect insurance carrier costs to a substantial extent). Certainly, the new system will not be considered a success unless it results in the fast, efficient and equitable delivery of compensation and services to the injured worker. However, an evaluation of that aspect of the system's performance is considerably more complicated than an assessment of the impact of the new law on employer costs. An examination of available statistics--benefits paid, numbers of claimants, premium rates and amounts--can provide a good preliminary indication of the impact of the new law on costs.

Reductions Already Accomplished in Employer Premiums

As was reported in Section III, one element of the 1979 legislation was a 15 percent, across-the-board reduction in Workers' Compensation premium rates. Simplifying somewhat, premium rates are multiplied by the employer's payroll to determine his Workers' Compensation insurance premium. At the time this rate reduction was enacted, a legislative staff analysis estimated that it would save Florida employers \$135-142 million annually.²⁸

As of yet, the insurance industry has not filed for a premium rate adjustment based directly on performance of Florida's new Workers' Compensation law. Nevertheless, an insurance industry rate filing submitted in December 1980 is worth noting. That filing concerned changes to the expense program used in calculating premiums and to the transition program for switching to a "total payroll" concept in computing premiums. As approved by the State Insurance Commissioner on January 1, 1981, this filing resulted in average premium rate reductions of 11.4 percent overall.²⁹ The Department of Insurance estimated that this premium rate reduction would result in savings of \$34 million to Florida employers.³⁰ The NCCI determined that Florida's average manual premium rate following this change would rank it 13th among the 45 states permitting private Workers' Compensation insurance in the nation.³¹ As was noted earlier, Florida had ranked fifth in the nation prior to the 1979 legislation. While the 11.4 percent rate reduction was

not based directly on experience under the new law, it does seem to suggest an improved economic state for insurance carriers after over a year and a half under the new law.

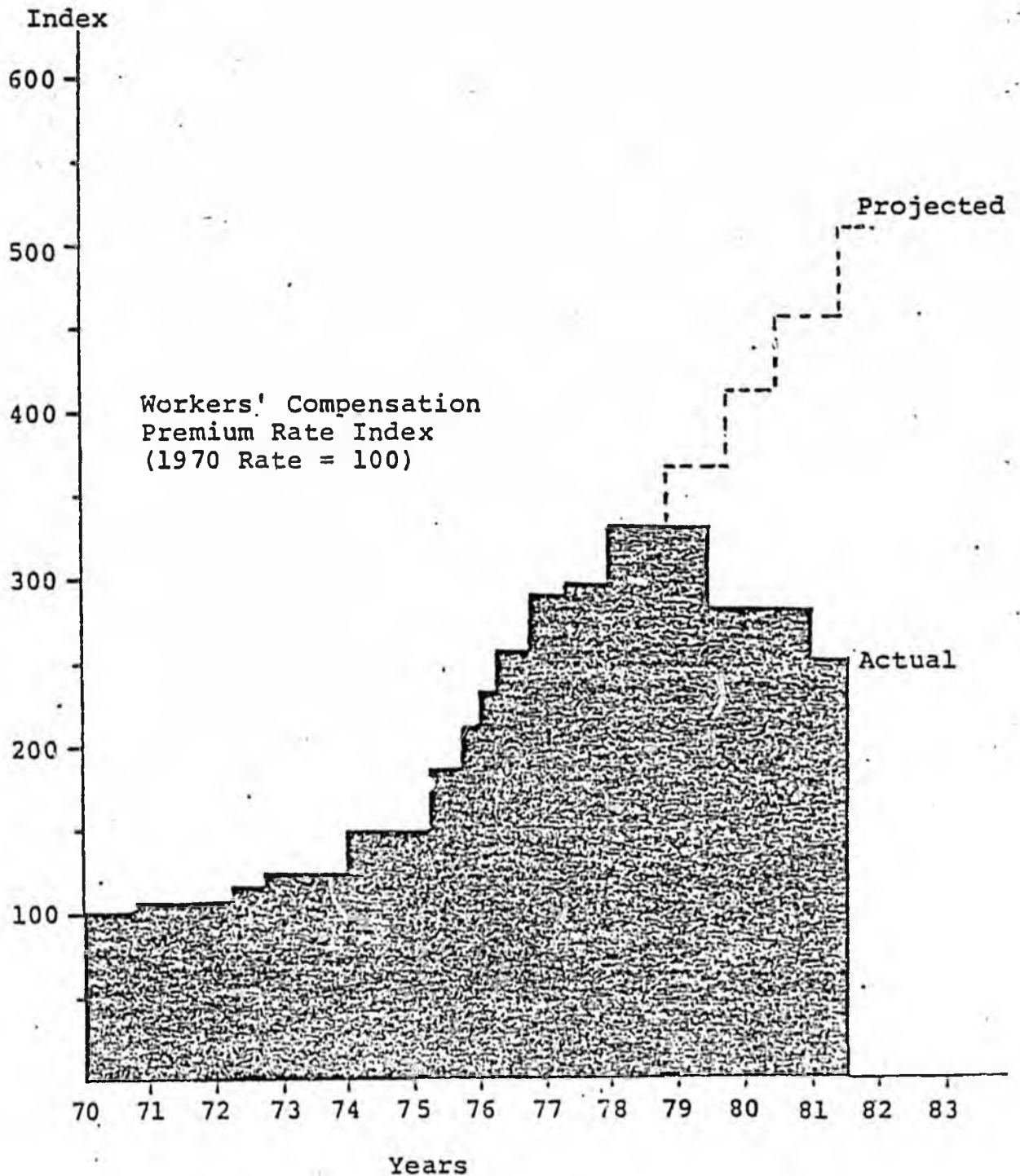
These premium rate reductions give early indication that the long-term trend of ever-increasing Workers' Compensation insurance premiums in Florida has been ended or perhaps even reversed. To demonstrate this development, an index of the overall Workers' Compensation manual premium rate has been developed. The average manual premium rate for all covered Florida employers, excluding those with self-insurance arrangements, as of January 1970 was set equal to 100.³² Changes in the index over time then were calculated by applying the percentage changes in the overall manual premium rate reported at the time of the legislative action or the approved industry filing.³³ For example, an insurance industry filing for a rate increase was approved by the Insurance Commissioner and made effective August 1, 1970. This increase was estimated to have the effect, on the average, of raising Workers' Compensation premium rates by 7.2 percent. Thus, the value of the index was increased from 100 to 107.2 (100 + 7.2 percent) as of August 1, 1970.

In Figure 1, the trend in the manual premium rate index from 1970 to the present is portrayed. (The actual index trend is portrayed by the darkened area. The dashed lines are explained subsequently.) Note the rapid--even accelerating--rate of increase prior to the 1979 legislation. The 15 percent rate reduction ordered by the legislation was the first rate reduction of the decade. The second rate reduction, effective January 1, 1981, brought the premium rate index to its lowest level since September, 1976.

The reduced premium rate levels stand in stark contrast to what might have been the case had the Workers' Compensation legislation not been enacted. From January 1970 through July 1979, there were eleven premium rate increases affecting most or all classifications. That constitutes an average of one rate increase every 10.5 months. The average rate increase was 11.5 percent, compounded. Assuming that this trend had continued from the date of the final premium rate increase (effective January 1, 1978) prior to the 1979 legislation, the Workers' Compensation premium rate index would have stood at 457.0 in March 1981 rather than at its actual level of 248.3. The dashed-line bars in Figure 1 portray this possible path of the index had the 1979 changes to the Workers' Compensation law not been put into effect.

FIGURE 1

OVERALL TREND IN FLORIDA WORKERS' COMPENSATION
PREMIUM RATES, 1970-1982: IMPACT OF NEW LAW



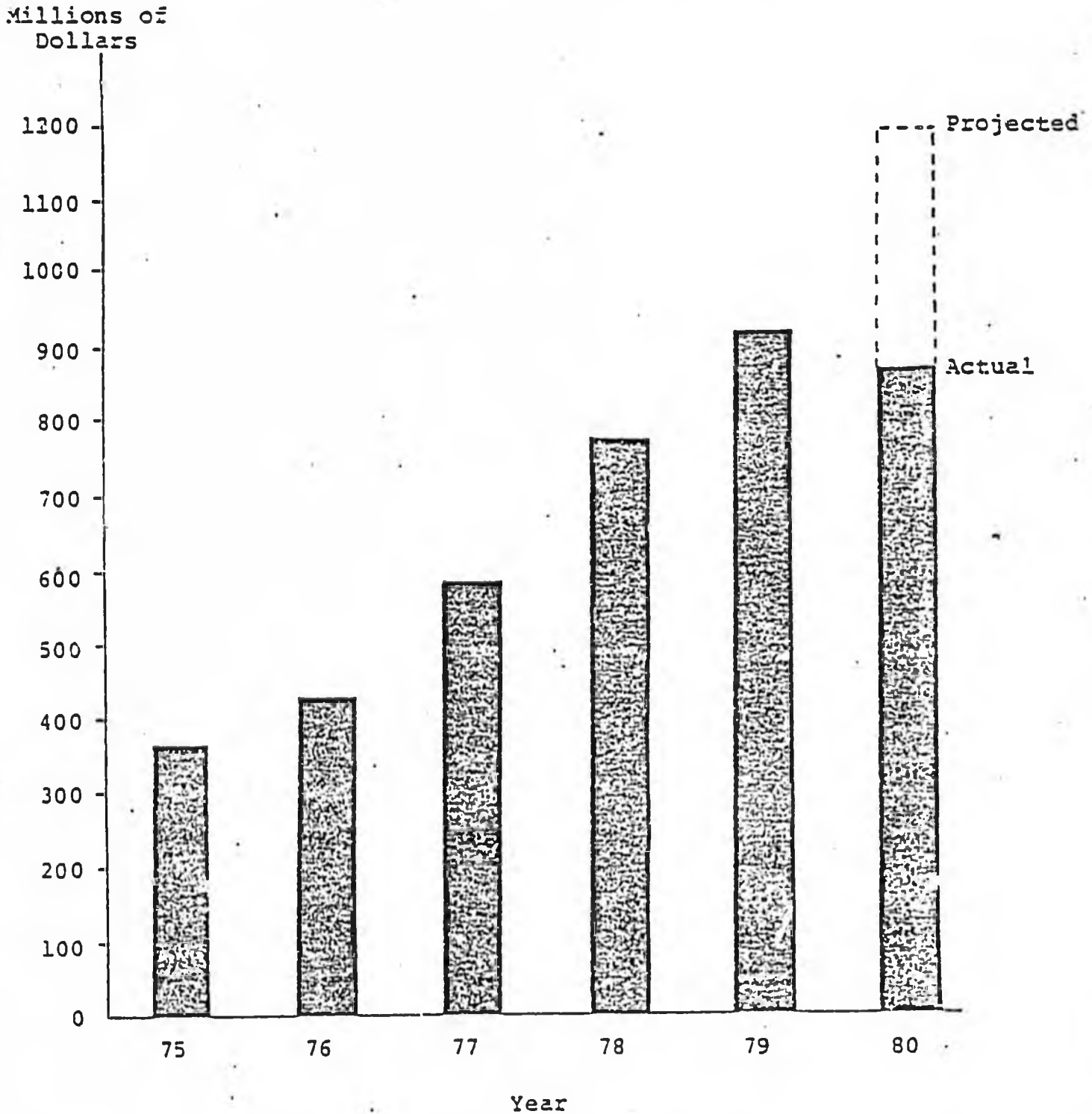
SOURCE: Historical rate increase data series provided upon special request by Bureau of Workers' Compensation Rating, Florida Department of Insurance. All index values, including hypothetical projections, calculated by Bureau of Economic Analysis, Florida Department of Commerce.

These premium rate reductions already have had an effect on actual Workers' Compensation premiums paid by Florida employers. Each year, the Division of Workers' Compensation within the Department of Labor reports the total premiums paid for Workers' Compensation coverage in the State.³⁴ In Figure 2, the historical trend in total premiums paid is shown. The darkened bars represent the actual premium totals for each year. Note the decrease in total value of premiums reported in 1980--the first full year affected by operation of the new law. This reduction occurred despite a 4.2 percent rise from 1979 to 1980 in the number of employees covered by Workers' Compensation and a 8.1 percent increase in the official average weekly wage in the State.

The dashed-line extension of the 1980 bar represents an estimate of the premium level which would have been attained without the 1979 legislation. The estimate assumes that the average annual percentage increase in premiums paid from 1975 through 1979 would have occurred once more in 1980. That average annual increase was 26.3 percent, compounded. Such an increase would have resulted in a 1980 premium total of \$1.2 billion rather than the actual \$877.6 million.

FIGURE 2

TREND IN WORKERS' COMPENSATION PREMIUMS
REPORTED, 1975-1980: IMPACT OF THE NEW LAW

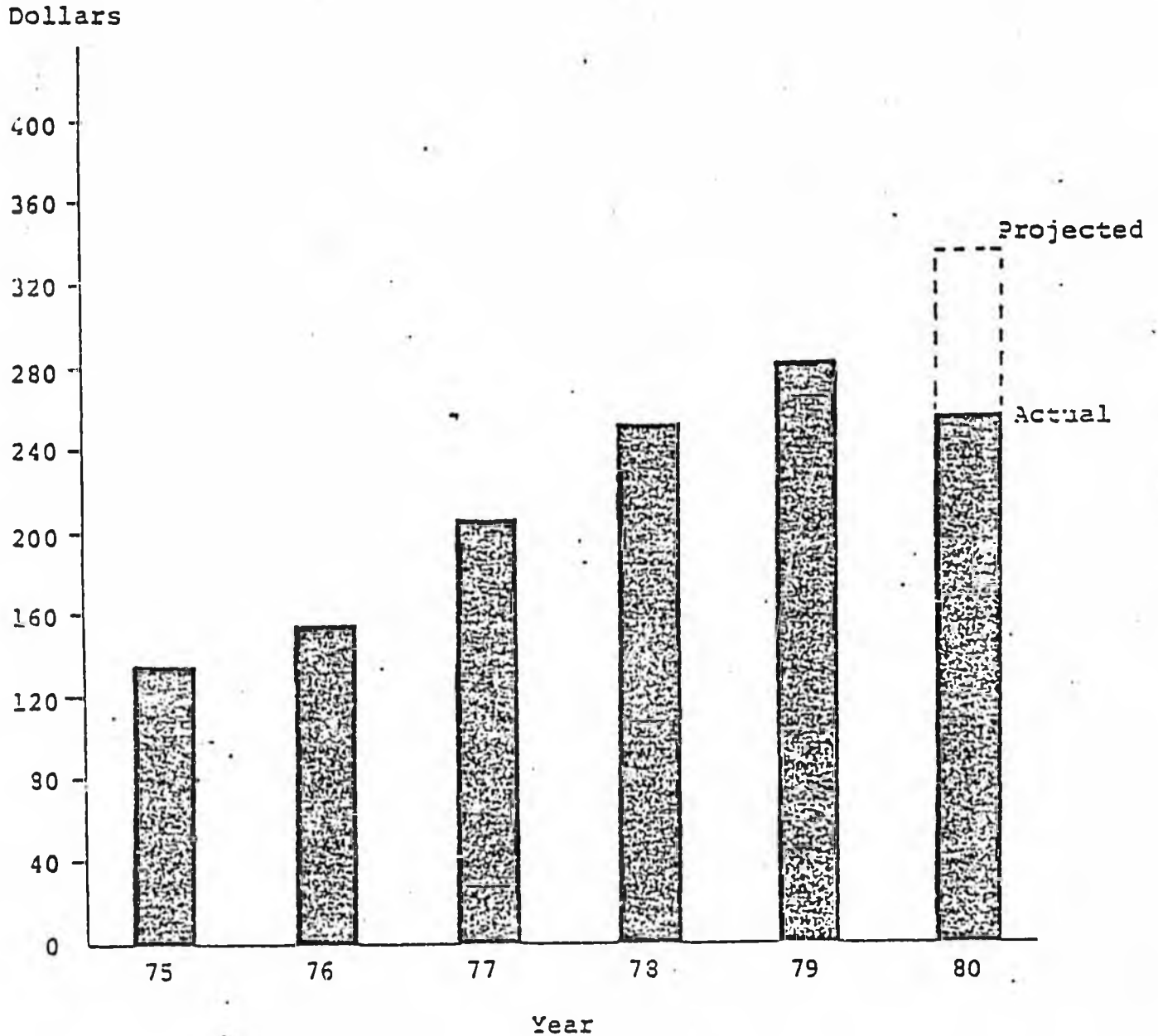


SOURCE: Actual historical data from 1977-1978 Cases Causes Costs, Division of Workers' Compensation, Department of Labor and Employment Security, 1979, p. 214 and by special request. 1980 projection by Bureau of Economic Analysis, Florida Department of Commerce.

Because the number of employees covered by Workers' Compensation is a major determinant of premiums paid, it might be expected that "controlling for" Florida's rapid employment growth might significantly alter the trend in Workers' Compensation costs. However, Figure 3 demonstrates that this is not the case. When the Workers' Compensation premiums paid per covered employee figure is plotted over time, the trend appears quite similar to that of total premiums paid (Figure 2). Once again, the rapid rise in premiums from 1975 to 1979 is clearly evident as is the positive effect of the 1979 legislation. On the average, Florida employers paid substantially less in Workers' Compensation premiums for each of their employees in 1980 than they would have without the new law. 35

FIGURE 3

TREND IN WORKERS' COMPENSATION
PREMIUMS PER COVERED EMPLOYEE, 1975-1980:
IMPACT OF THE NEW LAW



SOURCE: Actual historical data from 1977-1978, Cases Causes Costs, Division of Workers' Compensation, Department of Labor and Employment Security, 1979, p. 214 and by special request. 1980 projection by Bureau of Economic Analysis, Florida Department of Commerce.

Increasing Benefits While Decreasing Premiums

It is important to note that these positive developments in terms of employer costs have taken place at the same time that benefits available to injured workers were being increased rather dramatically. The fact that the maximum weekly benefit amount was increased from 66-2/3 percent of the statewide average weekly wage to 100 percent of that figure has been mentioned. This maximum benefit amount was increased from \$195 to \$211 as of January 1, 1980, and increased again to \$228 as of January 1, 1981. The NCCI has reported that these changes moved Florida from 37th place to 18th place in the nation in this regard.³⁶

Other benefit increases were a direct or indirect result of the 1979 legislation. The maximum period for collecting wage-loss benefits, following maximum medical improvement, was raised from 350 to 525 weeks. The annual inflation adjustment used in calculating wage-loss benefits was increased from 3 percent per annum to 5 percent per annum. An overall 29.3 percent increase was made in the schedule of medical fees.³⁷ The medical fee schedule is to be revised annually.

Many of these benefit changes concern "maximum" benefits available. They are aimed at ensuring that injured workers receive just and adequate medical benefits and disability compensation for their injuries. Continued monitoring and careful examination of experience of the new law will be necessary in order to determine whether the wage-loss concept and the other benefit changes are indeed achieving the objectives for which they were established.

The Possibility of Further Premium Reductions: Early Signals.

It was the hope of the Governor and the Legislature that the 1979 amendments to the Workers' Compensation law would result in further premium reductions in subsequent years. More specifically, the use of an objective wage-loss system of disability benefit determination and the deemphasis of subjective disability ratings were expected to result in considerable cost savings through a reduction in controverted claims, the decreased use of attorneys and medical specialists, a lower frequency of unjustified claims, and so on. These savings would be reflected in the experience of insurance carriers and ultimately result in premium reductions.

Comprehensive data pertaining directly to the possibility of further premium rate reductions will be available in June of this year. At that time, the insurance industry, through the National Council on Compensation Insurance, will make its first "experience filing" under the new law. This request for a rate adjustment (or, if no adjustment is requested, this "informational filing") will reflect 100 percent of the first full calendar year's experience under the new law and 83 percent of the 1979 policy year experience, five month's of which came under the new law.³⁸ It is, in effect, the average of the experiences during these two conceptual years which will serve as the basis for any rate adjustment. The final determination on any Workers' Compensation premium rate adjustment, unless the Legislature decides to directly mandate a reduction as in 1979, will be made by the State Insurance Commissioner, after considering supporting material submitted by

the NCCI, public comments and the advice of the Workers' Compensation Rating Bureau within the Department of Insurance.

Until those data are available it is necessary to rely on information from other sources to obtain an indication of possible future rate reductions. Three sets of preliminary data were available at the time of this writing

Data Call by Florida House of Representatives, Committee on Insurance--In January, 1980, the Committee on Insurance of the Florida House of Representatives issued to the top fifteen Workers' Compensation Carrier Groups in the State a request for claims data.³⁹ Two samples of data were requested, one consisting of 30 percent of the population of time claims with injury dates between August 1, 1979 and December 31, 1979; the second, the same proportion of claims having injury dates ranging between August 1, 1978 and December 31, 1978. The former sample thus concerned the first five months of operation of the new law. The latter sample covered the same months in the preceding year, while the old law was still in effect. The five insurance carriers responding had written 22 percent of Florida's Compensation Insurance. The actuarial consultant hired by the Committee to conduct the study, Dr. Lena Chang, described the sample of respondents as a "good cross representation" with regard to the company size and the mix of mutual versus stock companies.⁴⁰

In her report to the Insurance Committee, Dr. Chang compared the distribution of Workers' Compensation claims under the new law to that under the old law, for a number of different dimensions. She cited several instances in which the comparison indicated that the intent of the new law was being achieved.

1. The percentage of claims of the permanent partial injury type appeared to have decreased dramatically under the new law. Such claims comprised 24.0 percent of all claims for the five-month survey period under the old law (1978), but only 6.7 percent of claims under the new law. As was discussed in Section II, the permanent partial category was the foremost problem area under the old system accounting for an inordinate amount of Workers' Compensation claim costs.⁴¹
2. Total indemnity costs, including wage-loss and impairment benefits, were 25.8 percent lower in the new law period.
3. The percentage of claims involving attorney representation decreased from 13.0 percent prior to the new law's enactment to 4.1 percent during the first five months of operation under the new law.
4. The time lag from the date of injury to the first reporting date was reduced by seven days. This suggested faster notification and initial processing of Workers' Compensation claims.

5. The proportion of workers returning to their same employer after recovery from their injury increased 9 percent (from 74 percent to 83 percent). Dr. Chang theorized that the new wage-loss system may have been responsible for this development.

Several other findings were presented in Dr. Chang's report. Some further supported the impression that the 1979 amendments were having their intended effects in terms of cost reductions. Other findings showed no definite trend. One comparison, that concerning medical costs, appeared to contradict the intent of the law. However, Dr. Chang attributed at least a part of this unexpected trend to technical adjustments by the insurance companies which would not ultimately affect premium levels.⁴²

Early Analysis by the National Council on Compensation Insurance (NCCI)--On November 12, 1980, the NCCI staff presented to the Florida Classification and Rating Committee (an insurance industry board) an analysis of the need for a Workers' Compensation premium rate adjustment.⁴³ The analysis was based on a supplementary data call to insurance carriers issued during the summer.

On the advice of the NCCI staff, the Classification and Rating Committee decided to postpone a decision on whether to file for a rate adjustment based on experience under the new law until May 1981. The major reason for this was the fact that, at that time, data concerning only 51 percent of experience under Florida's new law was available for analysis. The insurance industry representatives preferred to wait until a more complete picture of the effects of the new law was available.

Despite this decision, the preliminary analysis prepared by the NCCI did include notable findings. First, as with the study prepared for the Florida House of Representatives discussed previously, the data indicated a significant drop in the proportion of Workers' Compensation claims of the permanent partial injury type. According to a NCCI statistical table, the proportion of claims in the permanent partial injury category fell from 20.0 percent prior to enactment of the 1979 legislation to 6.9 percent under the new law. Thus, further evidence was provided of a lower frequency for this particularly costly type of claim. Second, the analysis suggested that, if it were possible to consider experience alone, a 17.3 percent premium level reduction would have been warranted. This indicates considerable claim costs reductions from the perspective of the insurance carriers. However, it is not possible to consider experience alone. At the time the analysis was prepared, it was estimated that the expense of a series of scheduled benefit increases would slightly outweigh the cost savings stemming from claim cost experience.

1980 Data From the Division of Workers' Compensation--The Secretary of the Department of Labor and Employment Security presented a report to the Commerce Committee of the Florida Senate on March 3, 1981. This report included a discussion of the progress made by

the Division of Workers' Compensation in implementing the reforms mandated by the 1979 legislation. It also contained evidence of the effects of the new law on Workers' Compensation claims activity.

This statistical evidence was in the form of comparisons between calendar year 1980 and calendar year 1979 figures.

1. The number of formal Workers' Compensation claims filed fell dramatically from 1979 to 1980.⁴⁴ During the former year, 24,082 such claims were reported while only 12,472 were received during the latter year. That is a decline of 11,610 or 48.2 percent.
2. A substantial decrease was also experienced in the number of joint petitions and washouts. The number of such petitions fell from 15,422 in 1979 to 9,806 in 1980-- a 36.4 percent drop.
3. The amount of benefits awarded in these joint petitions fell from \$91.7 million in 1979 to \$76.0 million in 1980. This amounted to an 17.1 percent reduction and a \$15.7 million savings in benefits paid.
4. The amount of attorneys' fees awarded in controverted claims for Workers' Compensation fell from \$18.9 million in 1979 to \$16.9 million in 1980, a 10.6 percent decline.⁴⁵ The 1980 figure was 20.3 percent below the highest yearly attorney fee figure ever recorded, \$21.2 million in 1977. In 1978, the Legislature began to shift to the claimant the responsibility for attorney fee payment. This trend was continued in the 1979 legislation as has been discussed.

Again, it is important to remember that the further premium rate reductions in all probability will be decided by the State Insurance Commissioner based primarily on his evaluation of a rate filing by the insurance industry. The positive trends suggested by the House Insurance Committee Report, the NCCI analysis and the 1980 data from the Division of Workers' Compensation will not necessarily translate into further rate reductions when all factors are considered. Nevertheless, those desiring further Workers' Compensation premium rate reductions in Florida should be encouraged by the data available at this point.

V. THE FUTURE OF FLORIDA'S WORKERS' COMPENSATION SYSTEM: MAKING SURE IT WORKS

Florida as a Model

The 1979 amendments to Florida's Workers' Compensation law were fundamental reforms to the system. As has been noted, Florida became the first state to adopt the wage-loss concept as the basis for long-term disability benefits for injured workers.

The nature of such reforms has given the Florida Workers' Compensation system the status of an experimental model. The ultimate success of that model is of great interest to other states. Representatives from the States of Washington, California and Delaware have visited Florida to observe the Workers' Compensation system in operation. The Director of the Division of Workers' Compensation has been invited to appear before legislative committees in several states to explain the wage-loss system and administrative reforms.⁴⁶

Monitoring the System's Effectiveness

Perhaps the most important factor in determining the ultimate success of Florida Workers' Compensation system will be the determination of those who participated in its reforms--both inside and outside government--to monitor closely its operation. The Florida Legislature assured continued monitoring of the Workers' Compensation system by statute and by the Legislature's own activities. Several business, professional and labor organizations also have demonstrated their intent to continue their scrutiny of the system.

An example of a monitoring program established by statute is the Medical Utilization and Peer Review program.⁴⁷ Under this program, Workers' Compensation claim histories would be examined for possible instances of needless medical tests or treatment and of excessive charges for medical services. Ultimately, physicians involved in over-utilization of medical services would be subject to review by a committee of their peers. By February of this year, the Division of Workers' Compensation was able to report substantial progress toward establishing this program. A program budget had been prepared, positions established and a program director hired. The Division had entered into a contractual agreement with the Florida Medical Foundation to provide peer review services.⁴⁸

The activities of Legislative Committees constitute another form of governmental monitoring of the Workers' Compensation system. Following the passage of the 1979 legislation, the Speaker of the House of Representatives officially charged the Committee on Insurance with the responsibility for legislative oversight of the implementation of the new law. The Insurance Committee Chairman delegated this responsibility to the Subcommittee on Oversight. That subcommittee has met periodically over the months since then obtaining detailed progress reports from the

Division of Workers' Compensation and hearing testimony from other interested parties.⁴⁹ The subcommittee has issued two calls for claims data from the insurance carriers. The results of the first call have been discussed in some detail earlier in this report.

The Senate Commerce Committee also has maintained an active program of monitoring the success of the Workers' Compensation system. The Division of Workers' Compensation data reported in Section IV was largely taken from testimony offered before that committee.⁵⁰

Just as important to the success of the new system will be the efforts of organizations outside government. Naturally, the insurance industry, through the National Council on Compensation Insurance, will play a central role in future developments-- particularly as regards future premium rate changes. The direct and continuing role of the NCCI has been apparent in the frequent reference to that organization throughout this report.

Associated Industries of Florida, which describes itself as "the voice of business" in the State, was very much involved in the 1979 reforms to the Workers' Compensation law and has remained in close touch with the implementation process. This business association issues periodic newsletters on potential problems in the law and recently has commissioned an analysis of a sample of Workers' Compensation claims filed during the first year of the new law's operation.⁵¹

The Florida Association of Insurance Agents, very active in promoting the adoption of the wage-loss concept, has begun a two-year program of monitoring the total effectiveness of Florida's Workers' Compensation system. The efficiency of claims processing, rehabilitation services and safety programs are early subjects of study.⁵²

Having participated directly in the efforts leading to the 1979 Workers' Compensation legislation, the Florida AFL-CIO has continued its involvement in the Workers' Compensation program. The labor organization's major emphasis has been in monitoring the efficiency and equity with which injured workers have been provided their benefits. The current monitoring technique used is to randomly select case files then to telephone the claimants asking whether they have been satisfied with the way their case has been handled by the employer, the insurance carrier and the Division of Workers' Compensation.⁵³

Notes

¹For an excellent discussion of the theory underlying Florida's Workmen's Compensation system and Worker's Compensation systems in general, see: William E. Sadowski, Jack Herzog, R. Terry Butler and Ruth L. Gokel, "The 1979 Florida Workers' Compensation Reform: Back to Basics," Florida State University Law Review 7 (Fall 1979): 641-649.

²"The Payoff for Pain: A Look at Florida's Workmen's Compensation System," reprinted from The Miami Herald, 18 March through 25 March 1979, p. 2.

³Ibid., p. 11.

⁴Ibid., p. 2.

⁵Florida Department of Insurance, History of Florida Workers' Compensation Rate Revisions Since 7/1/70, special table prepared for this report, January 28, 1981.

⁶Florida Association of Insurance Agents, Workmen's Compensation Wage-Loss Reform Conferences: January 16-February 9, 1979, p. 10.

⁷"Payoff for Pain," Miami Herald, p. 5.

⁸Ibid., p. 11.

⁹Florida Association of Insurance Agents, Wage-Loss Conferences, p. 14.

¹⁰"payoff for Pain," Miami Herald, p. 2.

¹¹The Fantus Company, Economic Development Study: The State of Florida (Ft. Lauderdale: The Florida Council of 100, 1978), p. 6.

¹²Florida Association of Insurance Agents, Wage-Loss Conferences, p. 5.

¹³"Payoff for Pain," Miami Herald, p. 5.

¹⁴National Council on Compensation Insurance, 1977 Workmen's Compensation Closed Claim Study (Tallahassee: Florida Association of Insurance Agents, 1978).

¹⁵Previously, the comparatively low statutory benefits in Florida were noted. Here, the medical benefits paid to injured workers are described as ". . . unusually high compared to those paid in other states." This apparent paradox is resolved by noting that the benefits were claimed more often, and more frequently up to their maximum allowable limits, than in other states. As a result, the total amount of benefits paid was much higher in Florida.

¹⁶ Division of Workers' Compensation, 1977-1978 Cases Causes Costs: Analysis of Work Injuries Covered by Workers' Compensation (Tallahassee: Department of Labor and Employment Security, 1979), p. 23.

¹⁷ NCCI, Closed Claim Study, p. 6.

¹⁸ Much of the discussion of compensation determination is based on an analysis presented by Fred Karl, Florida Association of Insurance Agents, Wage-Loss Conferences, pp. 30-33. The data for medical specialist involvement is from the NCCI Closed Claim Study, p. 2.

¹⁹ "Payoff for Pain," Miami Herald, p. 16.

²⁰ Ibid, p.2.

²¹ Ibid., pp. 11.

²² Ibid., pp. 19-20, 24.

²³ Ibid., p. 2.

²⁴ Sadowski et al., "The 1979 Florida Workers' Compensation Reform," p. 650. The preceding discussion of legislative intent is based primarily on this same source, pp. 649-654.

²⁵ The following discussion of the major changes in the Workers' Compensation law is based on Sadowski et al., "The 1979 Florida Workers' Compensation Reform," pp. 654-686 and two "Staff Analyses and Economic Impact Statements," prepared by the Senate staff, April 18 and June 4, 1979.

²⁶ Actually, those workers who suffer the impairment injuries previously described would be able to collect wage-loss benefits in addition to their impairment benefits.

²⁷ Florida Statutes, Section 440.44.

²⁸ Senate, "Staff Analysis," April 18, 1979, p. 9.

²⁹ The 11.4 percent reduction in the manual premium rate was partially counter-balanced by other changes affecting other determinants of the premiums paid by employers. When all changes are considered, the actual reductions in premiums paid was an estimated 5.1 percent.

³⁰ Florida Department of Insurance, "Commissioner Gunter Approves Workers' Compensation Rate Cut of \$34 Million," statement released to the press January 6, 1981.

³¹ Letter from Bob Hilton of National Council on Compensation Insurance to Florida Insurance Commissioner Bill Gunter, December 2, 1980.

³² An index is used here rather than the actual average manual premium rate. The National Council on Compensation Insurance estimates the overall premium rate impact, in terms of a percentage change, for each approved rate filing. However, the

National Council is hesitant to provide a calculated average manual rate due to the complications which would arise in attempting to weigh the different premium rates for each of the 500 or so employment classifications and due to the possibility of misleading comparisons with the overall rates of other states. The historical trend of the index used here is, in all probability, identical to the trend of the actual manual rate if that data were available.

³³Florida Department of Insurance, History of Rate Revisions.

³⁴Data provided Bureau of Research and Planning, Division of Workers' Compensation, Department of Labor and Employment Security, Special Request, March 16, 1981.

³⁵The hypothetical 1980 value was calculated by applying the average compounded rate of increase from 1975 through 1979 in premium amount paid per employee to the 1979 value for premium per employee.

³⁶Letter from Bob Hilton to Bill Gunter, December 2, 1980 (previously cited). This ranking also was confirmed in a letter from Clifford Wess, National Council on Compensation Insurance, to Dennis Harmon, Florida Department of Commerce, March 4, 1981.

³⁷National Council on Compensation Insurance, Memorandum to Florida Classification and Rating Committee: Exhibit I, November 12, 1980.

³⁸Ibid.

³⁹Memorandum from Lena Chang, Actuarial Consultant, to the Honorable William Sadowski, Chairman, Committee on Insurance, Florida House of Representatives, August 8, 1980, "Preliminary Report on Committee Study of the New Workers' Compensation Law."

⁴⁰Ibid, pp. 2-3.

⁴¹The decrease in the claims share accounted for by the permanent partial category was accompanied by an increase in the proportion held by the temporary total category. The number of claims in this category also increased absolutely. Historically, the temporary total injury type claim has not had the extreme claim costs associated with it that has the permanent partial category. Nevertheless, trends in this category probably will be closely watched for problems.

⁴²Chang memorandum to Sadowski, p. 4.

⁴³NCCI Memorandum to Florida's Classification and Rating Committee. This committee is comprised of representatives of insurance carriers which sell Workers' Compensation insurance in Florida. The insurance industry bases its rate filing decisions on the recommendations of this committee.

44 A formal claim is a claim filed by an injured worker with the Division of Workers' Compensation. The filing of such a claim indicates that the worker is dissatisfied with the benefits he has received.

45 If the unrounded data are used, this percentage change is 10.3 percent. This particular data was provided upon special request by the Bureau of Research and Planning, Division of Workers' Compensation, Department of Labor and Employment Security, March 19, 1981.

46 Testimony of Wallace Orr, Secretary, Department of Labor and Employment Security, before Senate Commerce Committee, "Study of Florida's Workers' Compensation Law," March 3, 1981, pp.3-4.

47 Section 440.13(3)(C-D), Florida Statutes.

48 Department of Labor and Employment Security, Division of Workers' Compensation, "Response to the Report of the Subcommittee on Overview, Committee on Insurance, Florida House of Representatives," February 1981, p. 17.

49 Florida House of Representatives, Committee on Insurance, Subcommittee on Oversight, "Legislative Oversight of the Implementation of the 1979 Reform of Florida's Workers' Compensation Law," April 1980.

50 Testimony by Secretary Orr, pp. 3-4.

51 An example is the Special Notice issued by Associated Industries of Florida, February 19, 1981 entitled: "Report to the Governor and Legislature on the Implementation of the New Workers' Compensation Law."

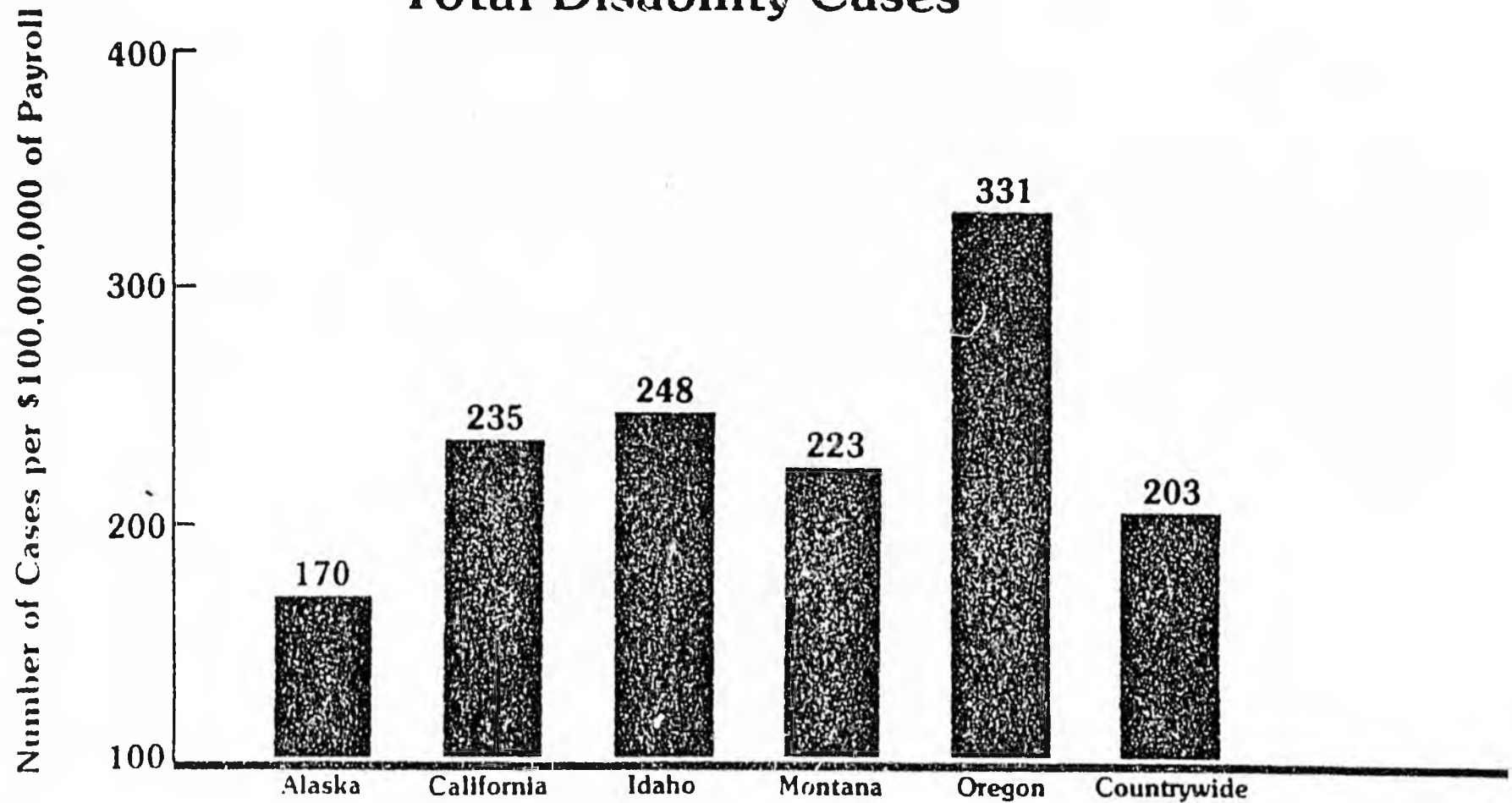
52 Telephone conversation with Jim Brainerd, Florida Association of Insurance Agents, March 27, 1981.

53 Telephone conversation with Ken Cooper, Florida AFL-CIO, March 27, 1981.

EXHIBIT II

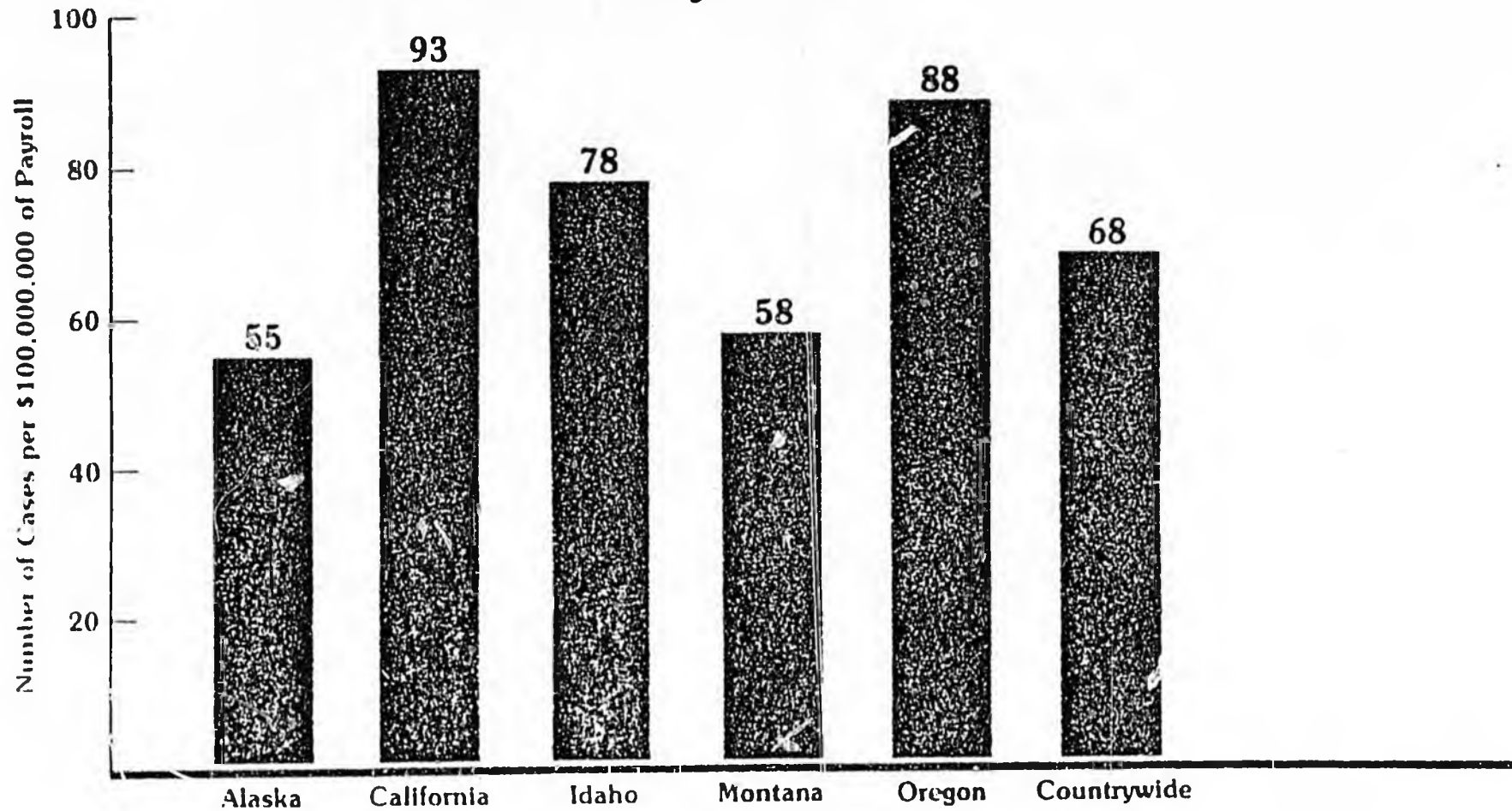


Frequency of Temporary Total Disability Cases



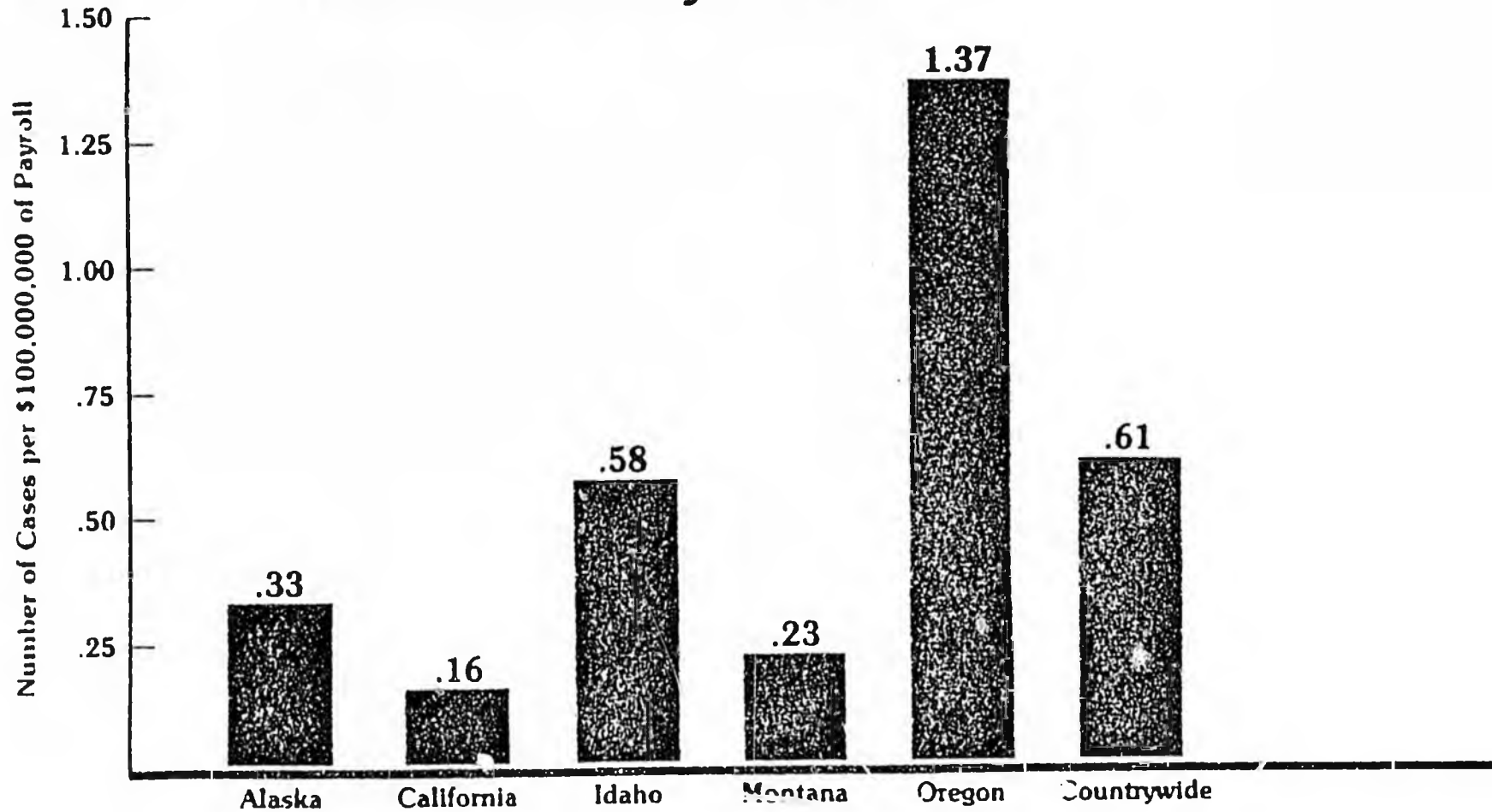


Frequency of Permanent Partial Disability Cases



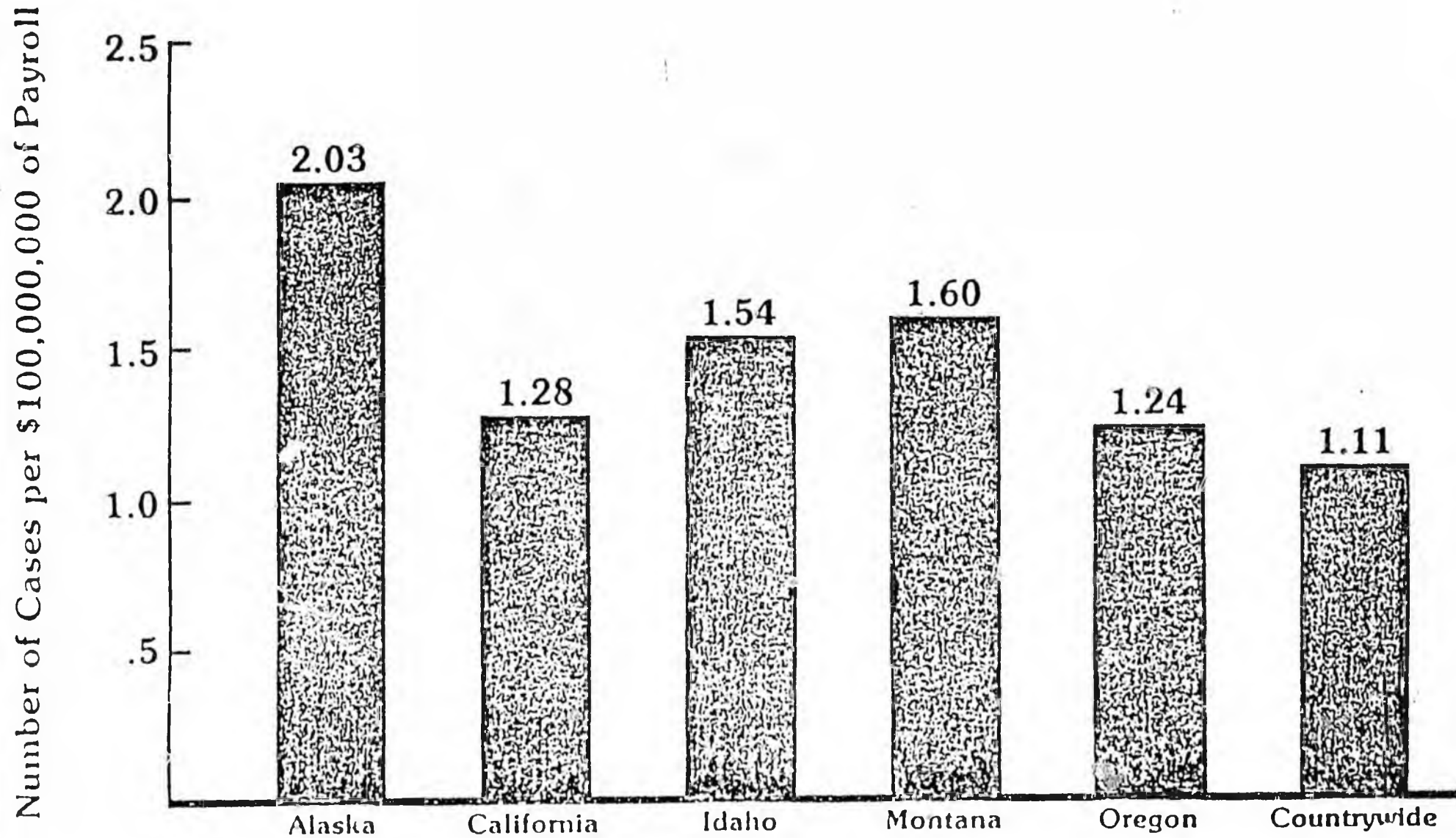


Frequency of Permanent Total Disability Cases



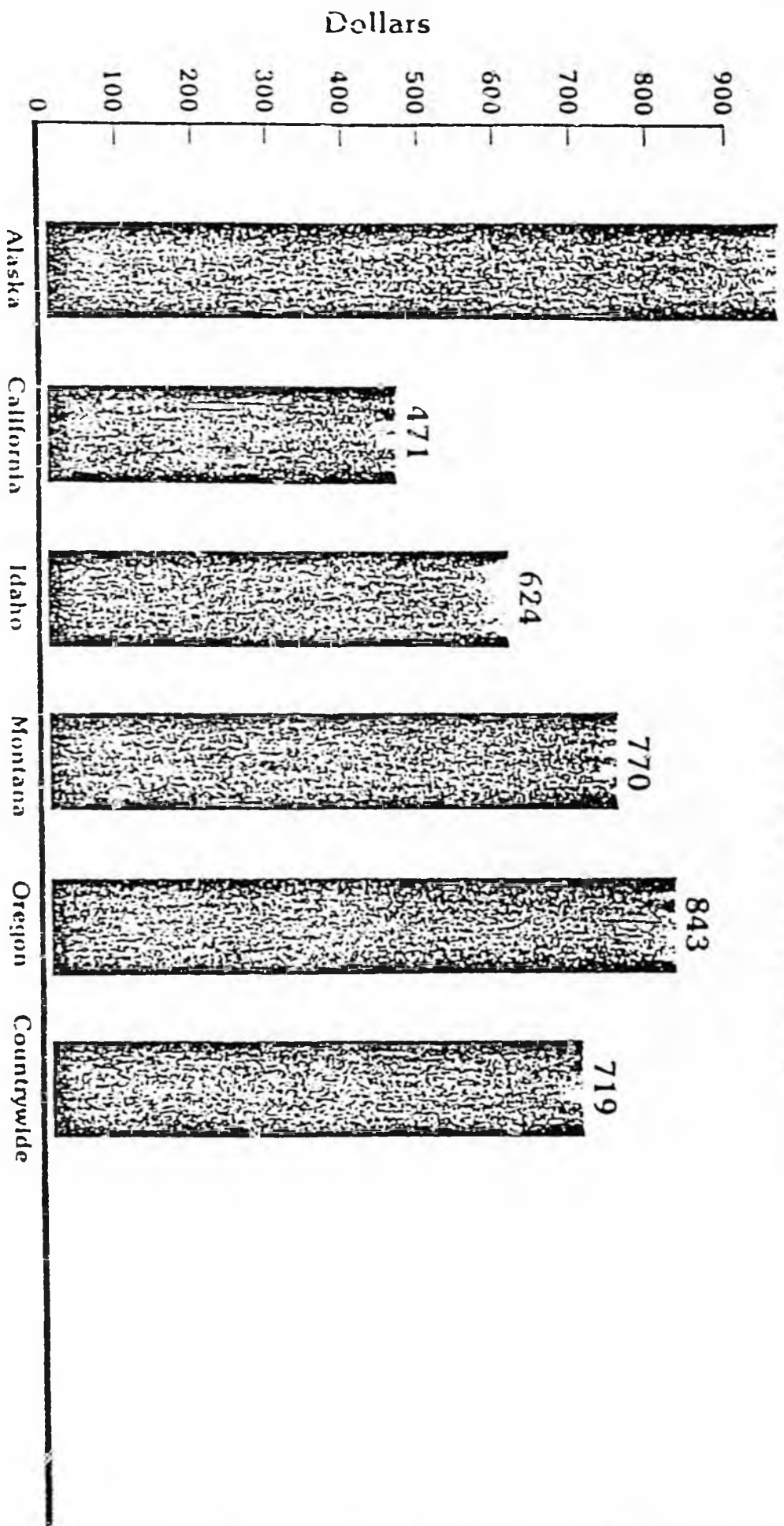


Frequency of Death Cases



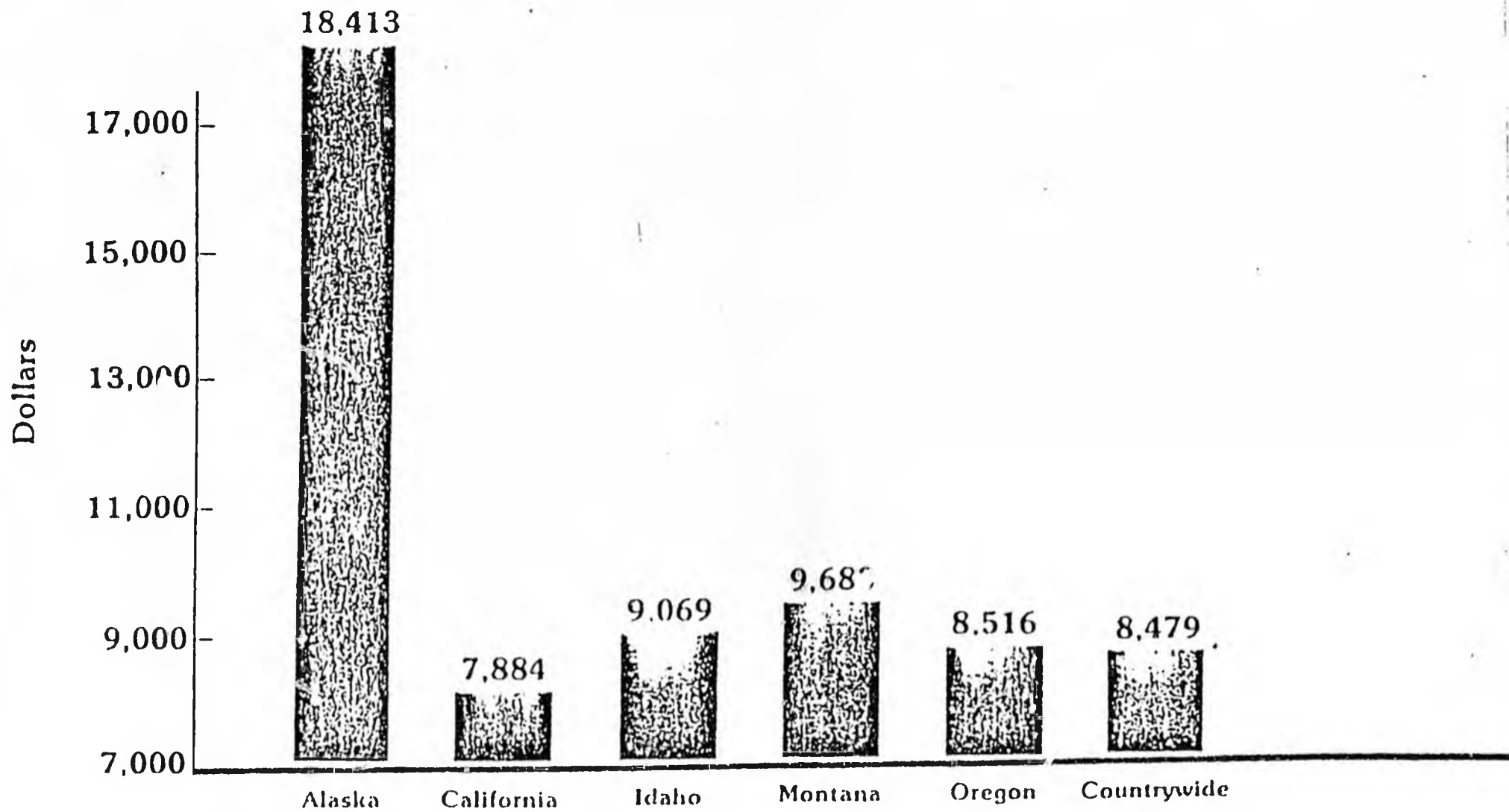


Comparison of Average Cost Per Case for Temporary Total Disability

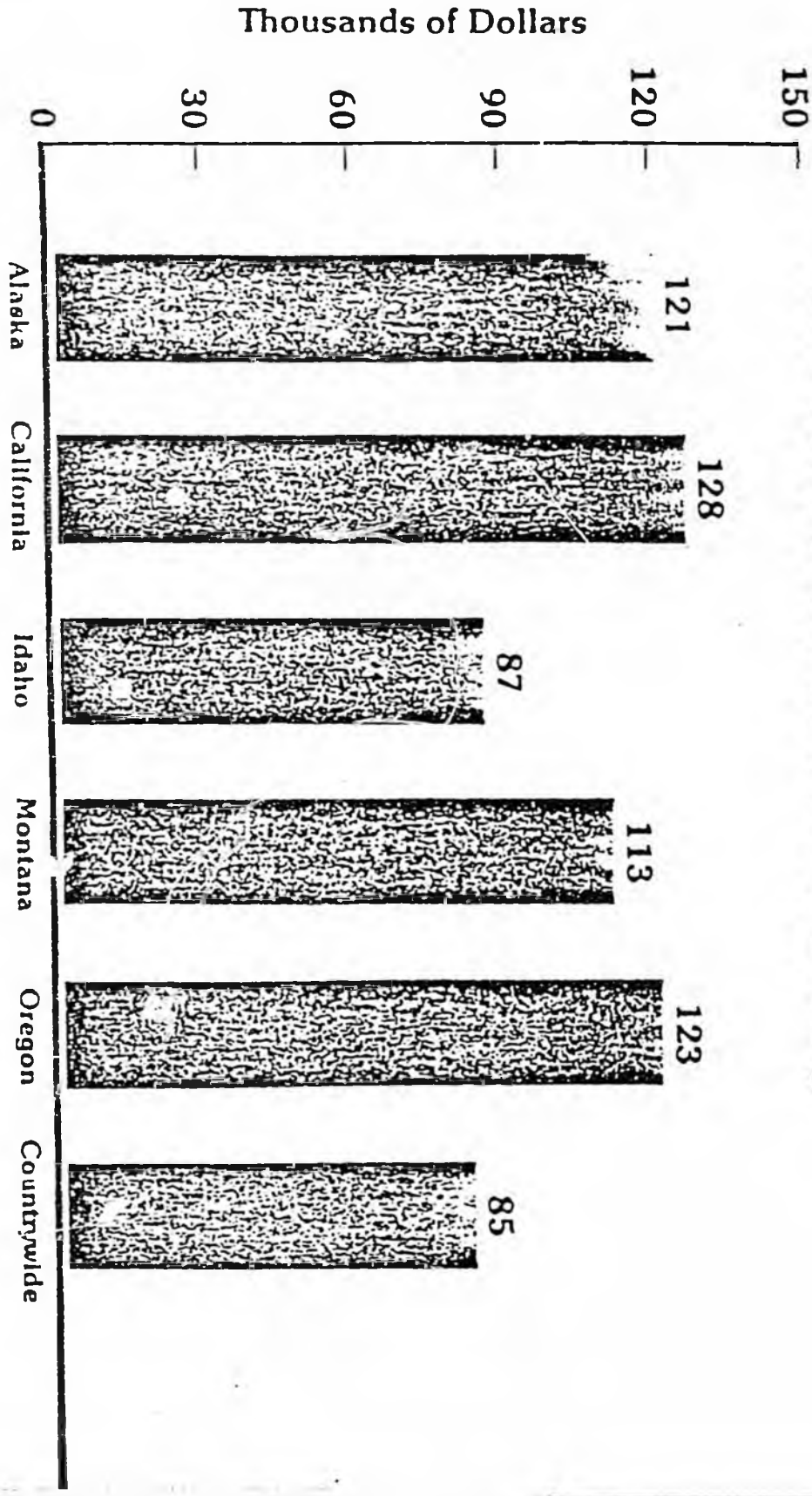




Comparison of Average Cost per Case for Permanent Partial Disability



NEGI Comparison of Average Cost Per Case for Permanent Total Disability





Comparison of Average Cost Per Case for Death Benefits

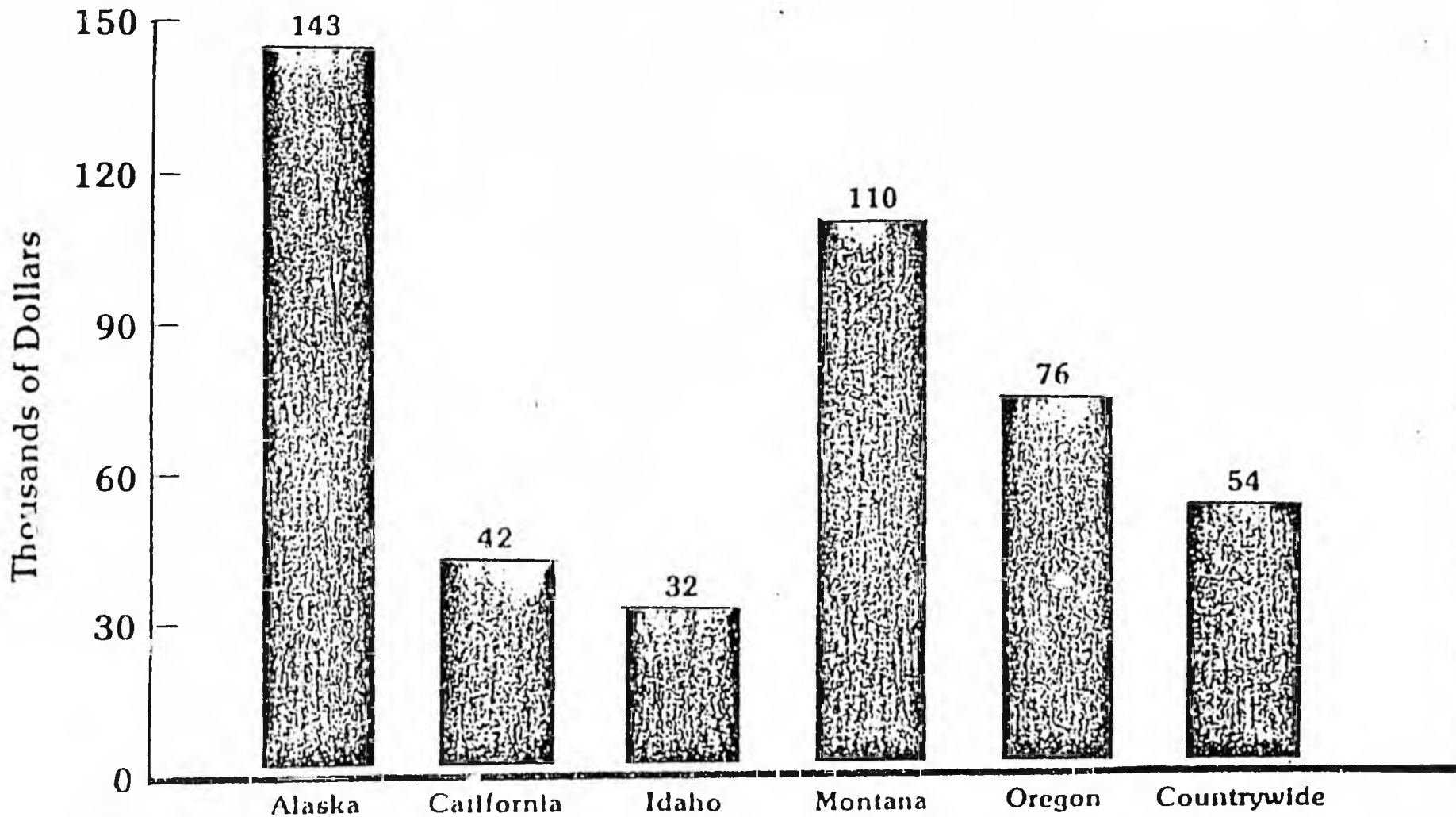


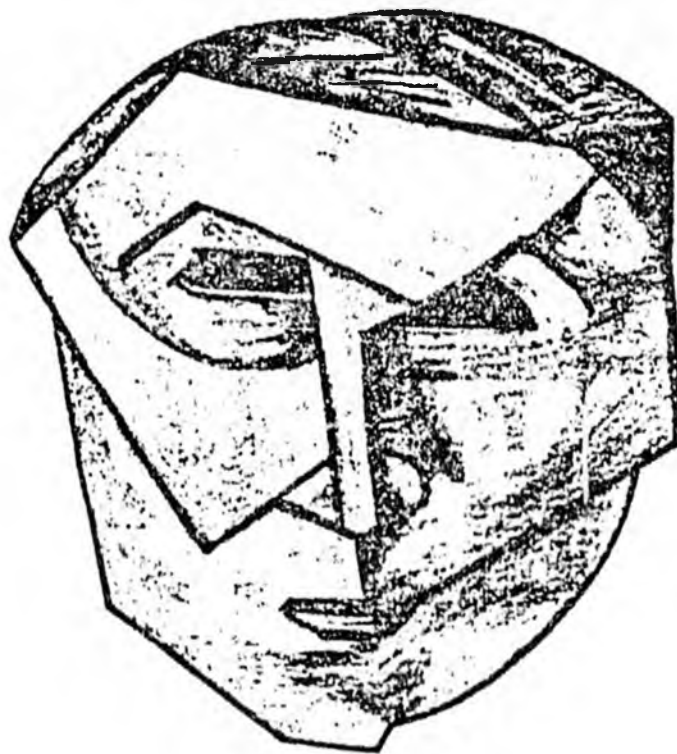
EXHIBIT III

**WORKMEN'S COMPENSATION
AND
REHABILITATION LAW**
(Revised)



THE COUNCIL OF STATE GOVERNMENTS
Lexington, Kentucky

Workmen's Compensation and Rehabilitation Law



Revised

The Council of State Governments

*Published July 1974 by
The Council of State Governments
Iron Works Pike, Lexington, Kentucky 40511*

Printed in the United States of America

*RM-27
Price: \$4.00*

Foreword

Early in this century the States pioneered in the development of workmen's compensation laws. The enactment and administration of such laws thus became a standard state function and a traditional state responsibility. By the same token, the Council of State Governments has long had an interest in helping the States to improve and perfect their programs for workmen's compensation.

A little more than a decade ago the Council, through its Committee on Suggested State Legislation, drafted a "Workmen's Compensation and Rehabilitation Law," with the advice and guidance of an outstanding advisory committee. Portions appeared in both the 1963 and 1965 volumes of *Suggested State Legislation*; and the fully integrated act was subsequently published in a single volume, together with a comprehensive commentary.

In early 1973, sensing the need for further action by the States to improve their workmen's compensation laws in light of the findings of a National Commission on State Workmen's Compensation Laws, the Council again established an Advisory Committee on Workmen's Compensation Laws with representation from nationally recognized experts in the field. Senator Wilfrid J. Ullrich of Indiana was designated as Chairman of the Advisory Committee, thus assuring coordination with the Council's Committee on Suggested State Legislation (of which Senator Ullrich is also Chairman).

The Advisory Committee's first task was to prepare a report for immediate consideration by the States, including specific amendatory legislation that adequately met all major recommendations of the National Commission. That report, *Workmen's Compensation: A Challenge to the States*, was issued in February 1973 while there was still time in most States for preliminary legislative review. As a further step, the Advisory Committee agreed to review the entire text of the Council's earlier model act and to incorporate therein appropriate amendments which would assure that a State enacting them would meet in full all recommendations of the National Commission.

This further work of the Advisory Committee is incorporated in the present report, providing an integrated and updated Workmen's Compensation and Rehabilitation Law for consideration by State Legislatures. No attempt was made to revise the earlier commentary, which is still in print and available to those who are not familiar with it. As will be noted later, in Introductory Comments by the Advisory Committee, it has not been our intention to change basic provisions of the earlier version of the draft law. To do so would have delayed for at least a year the printing of this report, and it was believed that the original version still stood the test of time in most respects.

The hard work and superb assistance and guidance rendered by members of the Advisory Committee are most deeply appreciated by the Council of State Governments. Without these dedicated persons there would be no report to issue, and all of us would be the losers.

Lexington, Kentucky
June 1974

Brevard Cribfield
Executive Director
The Council of State Governments

**Advisory Committee on
Workmen's Compensation Laws
of the
Council of State Governments**

Chairman

Senator Wilfrid J. Ullrich
403 Main Street
Aurora, Indiana 47001

John J. Bachalis, Vice President
New Jersey Manufacturers Association
P.O. Box 2708
Trenton, New Jersey 08607

R. H. Hubbard
General Electric Company
570 Lexington Avenue
New York, New York 10022

John F. Burton, Jr.
Graduate School of Business
University of Chicago
Chicago, Illinois 60637

Andrew Kalmykow, Counsel
American Insurance Association
85 John Street
New York, New York 10038

Lindsey Cowen, Dean
The Backus School of Law
Case Western Reserve University
Cleveland, Ohio 44106

Howard G. Kulp, Jr.
Uniform Law Commissioner
518 Market Street
Camden, New Jersey 08102

Harry W. Dahl, Executive Director
International Association of Industrial
Accident Boards and Commissions
P.O. Box 3016
Des Moines, Iowa 50316

Ben Novicoff, Presiding Judge
Workmen's Compensation Court
P.O. Box 94845
Lincoln, Nebraska 68509

Charles F. Eason
Office of the General Manager
U.S. Atomic Energy Commission
Washington, D.C. 20545

Donald L. Ream
Office of Workmen's
Compensation Programs
U.S. Department of Labor
Washington, D.C. 20210

Carl N. Everstine, Director
Department of Legislative Reference
P.O. Box 348
Annapolis, Maryland 21404

James Stickle
Director of Workmen's Compensation
American Mutual Insurance Alliance
20 North Wacker Drive
Chicago, Illinois 60606

Robert M. Gilmore, President
International Association of Industrial
Accident Boards and Commissions
Fourth Floor,
1601 Second Avenue Building
Seattle, Washington 98101

A. Grant Whitney
American Society of
Insurance Management
308 East Fifth Street
Charlotte, North Carolina 28201

Senator Steny H. Hoyer
6108 Old Silver Hill Road
District Heights, Maryland 20028

Introductory Comments by the Advisory Committee

All members of the Council of State Governments' Advisory Committee on Workmen's Compensation, whose names appear on the opposite page, are pleased to have been of assistance to the Council in preparing this revised version of the *Workmen's Compensation and Rehabilitation Law* and the predecessor report entitled *Workmen's Compensation: A Challenge to the States*. We hope that our efforts will be of assistance to all those who are interested in an equitable and adequate workmen's compensation program.

Purpose of the Committee

The Council's Advisory Committee wants to make clear the purposes of this revision effort. In the mid-1960s, an earlier Advisory Committee on Workmen's Compensation prepared a *Workmen's Compensation and Rehabilitation Law*. This law was drafted over a period of four years and was published with a Section by Section Commentary by Arthur Larson, chairman of the Advisory Committee. This law has been of great value during the last decade.

The Occupational Safety and Health Act of 1970 established the National Commission on State Workmen's Compensation Laws, which submitted its *Report* to the Congress and to the President on July 31, 1972. The *Report* criticized many aspects of state workmen's compensation programs and made 84 specific recommendations for a modern workmen's compensation program. Nineteen of the recommendations were designated as essential. The National Commission urged that compliance of the States with the 19 recommendations should be evaluated on July 1, 1975, and, if necessary, Congress with no further delay in the effective date should guarantee compliance with these essential recommendations.

The *Report* of the National Commission has had a salutary effect on state workmen's compensation programs. The National Commission, however, did not attempt to translate its recommendations into statutory language. Further, a number of the recommendations were either not covered in, or were at least partially inconsistent with, the language in the *Workmen's Compensation and Rehabilitation Law* as published in the 1960s. This new Advisory Committee was constituted to revise the original law solely to the extent necessary to accommodate the recommendations of the National Commission. No effort was made to duplicate the substantial task which faced the original Advisory Committee when it drafted an entirely new statute. Nor did this Advisory Committee consider the merits of the recommendations of the National Commission. Our purpose was strictly to provide language which would permit a State to follow the recommendations of the National Commission if it wished to do so. While our responsibility was therefore narrowly defined, we believe that the result will be of value in many States.

Because of the immediacy of the July 1, 1975, deadline when States will be evaluated in terms of their compliance with the 19 essential recommendations of the National Commission, our first priority was the preparation of statutory language encompassing these recommendations. The result was the February 1973 publication of *Workmen's Compensation: A Challenge to the States*. Our second task was the preparation of language covering all 84 of the recommendations of the National Commission, and the result is the current publication, entitled the *Workmen's Compensation and Rehabilitation Law (Revised)*. Unlike the original edition, we have not prepared a commentary. However, the great bulk of the original draft was not affected by our revision efforts and, therefore, the commentary on the original law will be useful to many using the revised edition. The original law with the accompanying commentary is still available from the Council of State Governments.

187 medical opinion is necessary.

181 (3) Advise on the gathering of statistics, the maintaining of records
182 and the rendering of reports under this act and under rules and regulations
183 adopted by the Director.

184 (4) Assist in keeping physicians currently informed of this act and
185 of rules and regulations adopted by the Director and of their responsi-
186 bilities thereunder.

187 (5) Advise and assist in the achievement of impartiality in medical
188 testimony in workmen's compensation cases.

189 (6) Encourage the expansion and improvement of existing rehabili-
190 tation facilities and the development of additional facilities to insure
191 optimal rehabilitation in workmen's compensation cases.

192 (7) Recommend improvement in the methods of measuring physical
193 impairment in workmen's compensation cases.

194 (8) Recommend improvements in this act and in rules and regula-
195 tions adopted by the Director and in their administration to insure optimal
196 medical care and rehabilitation.

197 (9) Advise the Director with respect to the constitution and opera-
198 tion of the Disability Evaluation Unit.

199 (f) The Director, after consultation with the Medical Advisory Com-
200 mittee, shall establish a Disability Evaluation Unit⁵ under the supervision
201 of the Medical Director. The Unit shall, at the request of the Director,
202 report to him its findings and determination on such questions as the
203 etiology of a disease and the extent of a worker's impairment or disability
204 due to a work-related injury or disease.

1 Section 13. [*Rehabilitation.*]

2 (a) One of the primary purposes of this act shall be restoration of the
3 injured employee to gainful employment. To this end there is hereby
4 created a Rehabilitation Unit within the Agency which shall be composed
5 of specialists in medical and vocational rehabilitation to be appointed by
6 the Director.

7 (b) The Unit shall continuously study the problems of rehabilitation,
8 both physical and vocational, and shall investigate and maintain a di-
9 rectory of all rehabilitation facilities, both private and public. The Director,
10 in consultation with the Unit, shall approve as qualified such facilities,
11 institutions and physicians as are capable of rendering competent rehabili-
12 tation service to seriously injured employees. No facility or institution shall
13 be considered as qualified unless it is specifically equipped to provide
14 rehabilitation services for persons suffering either from some specialized
15 type of disability or general type of disability within the field of occu-
16 pational injury and is staffed with trained and qualified personnel, and

5. The establishment of a Disability Evaluation Unit may not be necessary in those States where the volume of claims does not warrant such an organizational component.

17 with respect to physical rehabilitation, unless it is supervised by a physician
18 qualified to render such service. No physician shall be considered qualified
19 unless he has had the experience and training specified by the Director.

20 (c) An employee who has suffered an injury covered by this act shall be
21 entitled to prompt medical rehabilitation services. When as a result of the
22 injury he is unable to perform work for which he has previous training or
23 experience, he shall be entitled to such vocational rehabilitation services,
24 including retraining and job placement, as may be reasonably necessary to
25 restore him to suitable employment. If such services are not voluntarily
26 offered and accepted, the Director on his own motion, or upon application
27 of the employee or carrier, after affording the parties an opportunity to
28 be heard, may refer the employee to a qualified physician or facility for
29 evaluation of the practicability of, need for, and kind of service, treatment
30 or training necessary and appropriate to render him fit for a remunerative
31 occupation. Upon receipt of such report, and after affording the parties an
32 opportunity to be heard, the Director, in consultation with the Unit, may
33 order that the services and treatment recommended in the report, or such
34 other rehabilitation treatment or service he may deem necessary, be pro-
35 vided at the expense of the employer.

36 (d) Where rehabilitation requires residence at or near the facility or
37 institution away from the employee's customary residence, reasonable cost
38 of his board, lodging or travel shall be paid for by the employer.

39 (e) Refusal to accept rehabilitation pursuant to an order of the Director
40 shall result in loss of compensation for each week of the period of refusal.

41 (f) The Director and the Rehabilitation Unit shall cooperate on a
42 reciprocal basis with the vocational rehabilitation section of the [Depart-
43 ment of Education] and the employment service of the [Division of
44 Employment Security].

1 Section 14. [*Burial Expense.*] If death results from the injury, the em-
2 ployer shall pay the cost of burying in an amount not to exceed [\$]
3 to any person who performed such service or incurred the liability for the
4 service, whether or not the employee leaves dependents within the mean-
5 ing of this act. Any such person is hereby authorized to file a petition with
6 the Director for the fixing of the amount of the service and for an order
7 requiring the employer to pay the cost of the service. If death occurs while
8 the employee is away from his usual place of business or residence, the
9 employer will be liable for the reasonable cost of transportation of the
10 body to the employee's place of residence within the United States or
11 Canada.

EXHIBIT IV

EXHIBIT IV

<u>Amputation</u>	<u>% of Whole Man</u>	<u>1982 Cash Benefit Paid in Addition to Wage-Loss</u>	<u>Existing Maximum Benefit</u>
Both arms	84%	\$39,564	\$87,360
Arm - at shoulder	60%	28,200	43,680
Arm - at elbow	57%	26,447	43,680
Arm - between elbow & wrist	54%	25,434	43,680
Hand - at wrist	54%	25,434	33,600
Both hands	79%	37,209	67,200
Both legs	64%	30,144	80,640
Leg - at hip	40%	18,040	40,320
Leg - at knee	36%	16,956	40,320
Leg - between knee & ankle	28%	13,188	40,320
Foot - at ankle	28%	13,188	28,700
Arm & leg	76%	35,796	84,000

EXHIBIT V

GUIDES TO
THE EVALUATION OF
PERMANENT IMPAIRMENT

American Medical Association

Committee on Rating of
Mental and Physical Impairment

Foreword

The ad hoc Committee on Medical Rating of Physical Impairment was created by the Board of Trustees of the American Medical Association in September 1956. The Committee was directed to establish a series of practical guides for the rating of physical impairment of the various body systems. As the work of the Committee progressed, it was determined that the name was restrictive; in November 1963 the name was changed to Committee on Rating of Mental and Physical Impairment.

With the assistance of the outstanding consultants and members of subcommittees listed ahead, a series of thirteen "Guides to the Evaluation of Permanent Impairment" was developed and published in the *Journal of the American Medical Association*. The subject matter, with dates of publication in *JAMA*, includes: Extremities and Back, Special Edition, February 15, 1958; Visual System, 168:475-485, September 27, 1958; Cardiovascular System, 172:1049-1060, March 5, 1960; Ear, Nose, Throat, and Related Structures, 177:489-501, August 19, 1961; Central Nervous System, 180:24-35, July 6, 1963; Digestive System, 188:159-171, April 13, 1964; Peripheral Spinal Nerves, 189:128-142, July 13, 1964; Respiratory System, 194:919-932, November 22, 1965; Endocrine System, 198:195-208, October 10, 1966; Mental Illness, 198:1284-1296, December 19, 1966; Reproductive and Urinary Systems, 202:624-636, November 13, 1967; Skin, 211:106-112, January 5, 1970; and Hematopoietic System, 213:1314-1324, August 24, 1970.

During the past 14 years, physicians and others have requested over 225,000 reprints of the individual "Guides." This wide acceptance and use of the "Guides" has been most gratifying.

The "Guides" have been reviewed periodically to insure their continuing value. The revised material as published in this single volume supersedes all previous individually published "Guides."

The text of the extremities and back guide has undergone the most revision, with new material on the carpometacarpal joint of the thumb, flexion-extension of the elbow joint and knee joint, vertebral fractures, and percentages of impairment in the cervical region. The percentages of impairment for respiratory disorders have also been changed. A new table for rating hearing impairment has been derived for use when hearing tests are recorded on audiometers calibrated in accordance with the new American National Standard Institutes—specifications for audiometers (ANSI, S3.6-1969). Other changes also have been made throughout the book.

With the publication in this single volume of the entire series of updated "Guides" which cover all the body systems—the whole man—the Association is providing authoritative material to assist physicians and others in discharging a responsibility to their patients, clients, or applicants who are seeking benefits from the various agencies and programs serving the disabled.

COMMITTEE ON RATING OF MENTAL AND PHYSICAL IMPAIRMENT

Raymond M. McKeown, M.D., Chairman; Coos Bay, Ore.
Donald J. Birmingham, M.D.; Detroit, Michigan
George F. Gsell, M.D.; Wichita, Kansas
Henry H. Kessler, M.D.; West Orange, New Jersey
Quentin W. Mack, M.D.*; Boise, Idaho
Dwight M. Palmer, M.D.; Columbus, Ohio
Oscar A. Sander, M.D.; Milwaukee, Wisconsin
Frederick A. Stam, J.D., Secretary; Chicago, Illinois

CONSULTANTS ON EXTREMITIES AND BACK

Frank H. Krusen, M.D.; Orleans, Massachusetts
Earl D. McBride, M.D.; Oklahoma City, Oklahoma
Carl O. Rice, M.D.; Minneapolis, Minnesota
Chester C. Schneider, M.D.; Milwaukee, Wisconsin

Earl C. Steele, M.D.; Toronto, Ontario, Canada
Julian H. Bigelow, Ph.D.; Princeton, New Jersey
Joseph E. Markee, Ph.D.; Durham, North Carolina
Mr. James J. Reid; Columbia, South Carolina

SUBCOMMITTEE ON THE PERIPHERAL SPINAL NERVES

Quentin W. Mack, M.D.*, Co-chairman; Boise, Idaho
Henry H. Kessler, M.D., Co-chairman; West Orange, N.J.
Joseph H. Boyes, M.D.; Los Angeles, California
Chester B. Powell, M.D.; Salt Lake City, Utah
John Raaf, M.D.; Portland, Oregon
Henry G. Schwartz, M.D.; St. Louis, Missouri
James W. Watts, M.D.; Washington, D.C.

CONSULTANTS

Dwight M. Palmer, M.D.; Columbus, Ohio
Joseph E. Markee, Ph.D.; Durham, North Carolina

SUBCOMMITTEE ON THE CENTRAL NERVOUS SYSTEM

Dwight M. Palmer, M.D., Chairman; Columbus, Ohio
Kenneth H. Abbott, M.D.*; Los Angeles, California
Benjamin Boshes, M.D.; Chicago, Illinois
Adolph L. Sahs, M.D.; Iowa City, Iowa
Robert S. Schwab, M.D.; Boston, Massachusetts
R. Glen Spurling, M.D.*; Louisville, Kentucky

CONSULTANT ON THE RESPIRATORY SYSTEM

John E. Tuhy, M.D.; Portland, Oregon

CONSULTANTS ON THE CARDIOVASCULAR SYSTEM

Henry H. Kessler, M.D., Chairman; West Orange, New Jersey
David I. Abramson, M.D.; Chicago, Illinois
Lewis H. Bronstein, M.D.; New York, New York
Richard J. Clark, M.D.; Winchester, Massachusetts
S. Charles Franco, M.D.; New York, New York
Leonard J. Goldwater, M.D.; Chapel Hill, North Carolina
William A. Leff, M.D.; East Orange, New Jersey
Hugh Montgomery, M.D.; Philadelphia, Pennsylvania
Thomas W. Parkin, M.D.; Rochester, Minnesota
Oglesby Paul, M.D.; Chicago, Illinois
Donal R. Sparkman, M.D.; Seattle, Washington
William D. Stroud, M.D.*; Philadelphia, Pennsylvania
James V. Warren, M.D.; Columbus, Ohio
J. Allen Yager, M.D.; Paterson, New Jersey

SUBCOMMITTEE ON THE HEMATOPOIETIC SYSTEM

Oscar A. Sander, M.D., Chairman; Milwaukee, Wisconsin
James W. Linman, M.D.; Rochester, Minnesota
Anthony V. Pisciotta, M.D.; Milwaukee, Wisconsin
Armand J. Quick, M.D.; Milwaukee, Wisconsin
John W. Rebeck, M.D.; Detroit, Michigan

CONSULTANTS ON THE VISUAL SYSTEM

George F. Gsell, M.D., Chairman; Wichita, Kansas
Ralph W. Danielson, M.D.; Denver, Colorado
Charles E. Jaeckle, M.D.; Defiance, Ohio
Harold G. Scheie, M.D.; Philadelphia, Pennsylvania

CONSULTANTS ON EAR, NOSE, THROAT, AND RELATED STRUCTURES

George F. Gsell, M.D., Chairman; Wichita, Kansas
H. Harlan Bloomer, Ph.D.; Ann Arbor, Michigan
John E. Bordley, M.D.; Baltimore, Maryland
Grant Farbanks, Ph.D.*; Urbana, Illinois
Aram Glorig, M.D.; Dallas, Texas
Dear M. Lierle, M.D.; Iowa City, Iowa
Daniel Miller, M.D.; Boston, Massachusetts
Younger A. Staton, M.D.; West Palm Beach, Florida

SUBCOMMITTEE ON THE DIGESTIVE SYSTEM

James V. Warren, M.D., Chairman; Columbus, Ohio
David Cayer, M.D.; Winston-Salem, North Carolina
Fred Kern, Jr., M.D.; Denver, Colorado
Forrest E. Rieke, M.D.; Portland, Oregon
John T. Sessions, Jr., M.D.; Chapel Hill, North Carolina
E. Clinton Texter, Jr., M.D.; Temple, Texas
Edward R. Woodward, M.D.; Gainesville, Florida

CONSULTANTS

Thomas P. Almy, M.D.; Hanover, New Hampshire
Morton I. Grossman, M.D.; Los Angeles, California
Franz J. Ingelfinger, M.D.; Boston, Massachusetts
Albert I. Mendeloff, M.D.; Baltimore, Maryland
Lloyd M. Nyhus, M.D.; Chicago, Illinois
James L. A. Roth, M.D.; Philadelphia, Pennsylvania

SUBCOMMITTEE ON THE REPRODUCTIVE AND URINARY SYSTEMS

Henry H. Kessler, M.D., Chairman; West Orange, New Jersey
C. Paul Hodgkinson, M.D.; Detroit, Michigan
Robert M. Kark, M.D.; Chicago, Illinois
Robert Lich, Jr., M.D.; Louisville, Kentucky
Ian M. Thompson, M.D.; Columbia, Missouri

SUBCOMMITTEE ON THE ENDOCRINE SYSTEM

George F. Gsell, M.D., Chairman; Wichita, Kansas
Roberto F. Escamilla, M.D.; San Francisco, California
Alexander Marble, M.D.; Boston, Massachusetts
J. Martin Miller, M.D.; Detroit, Michigan
Raymond V. Randall, M.D.; Rochester, Minnesota
Holbrooke S. Seltzer, M.D.; Dallas, Texas

SUBCOMMITTEE ON THE SKIN

Donald J. Birmingham, M.D., Chairman; Detroit, Michigan
William R. Buckley, M.D.; Rochester, New York
John A. Kenney, Jr., M.D.; Washington, D.C.
Harry M. Robinson, Jr., M.D.; Baltimore, Maryland
Morris H. Samitz, M.D.; Philadelphia, Pennsylvania
Raymond R. Suskind, M.D.; Cincinnati, Ohio

SUBCOMMITTEE ON MENTAL ILLNESS

Dwight M. Palmer, M.D., Chairman; Columbus, Ohio
C. H. Hardin Branch, M.D.; Salt Lake City, Utah
Jack R. Ewalt, M.D.; Boston, Massachusetts
Alexander H. Hirschfeld, M.D.; Detroit, Michigan
Joseph Lerner, M.D.; Phoenix, Arizona

*deceased

Preface

Evaluation or rating of permanent disability has long been recognized as an important and complex subject. In the past much confusion has resulted from inadequate understanding by physicians and others of (a) the scope of medical responsibility in the evaluation of permanent disability and (b) the difference between "permanent disability" and "permanent impairment."

It is vitally important for every physician to be aware of his proper role in the evaluation of permanent disability under any private or public program for the disabled. It is equally important for him to have the necessary authoritative material to assist him in competently fulfilling his particular responsibility—the evaluation of permanent impairment. It is the purpose of this and other reports of the Committee on Rating of Mental and Physical Impairment to correct a past confusion of terms and to provide a series of practical guides to the evaluation of various types of permanent impairments.

The following explanation of generally used terms in programs for the disabled is provided.

(1) *Permanent Impairment.*—This is a purely medical condition. Permanent impairment is any anatomic or functional abnormality or loss after maximal medical rehabilitation has been achieved, which abnormality or loss the physician considers stable or nonprogressive at the time evaluation is made. It is always a basic consideration in the evaluation of permanent disability.

(2) *Permanent Disability.*—This is not a purely medical condition. A patient is "permanently disabled" or "under a permanent disability" when his actual or presumed ability to engage in gainful activity is reduced or absent because of "impairment" which, in turn, may or may not be combined with other factors. A permanent condition is found to exist if no fundamental or marked change can be expected in the future.

(3) *Evaluation (Rating) of Permanent Impairment.*—This is a function that physicians alone are competent to perform. Evaluation of permanent impairment defines the scope of medical responsibility and therefore represents the physician's role in the evaluation of permanent disability. Evaluation of permanent impairment is an appraisal of the nature and extent of the patient's illness or injury as it affects his personal efficiency in one or more of the activities of daily living. These activities are self-care, communication, normal living postures, ambulation, elevation, traveling, and nonspecialized hand activities.

(4) *Evaluation (Rating) of Permanent Disability.*—In the last analysis, this is an administrative and not solely a medical responsibility and function. Evaluation of permanent disability is an appraisal of the patient's present and

future ability to engage in gainful activity as it is affected by such diverse factors as age, sex, education, economic and social environment, in addition to the definite medical factor—permanent impairment. The first group of factors has proved extremely difficult to measure. For this reason, permanent impairment is in fact the sole or real criterion of permanent disability far more often than is readily acknowledged. However, in actual practice the final determination of permanent disability is an administrative decision as to the patient's entitlement.

Competent evaluation of permanent impairment requires adequate and complete medical examination, accurate objective measurement of function, and the avoidance of subjective impressions and such factors as age, sex, or employability.

The Committee on Rating of Mental and Physical Impairment believes that permanent impairment cannot vary because of the circumstances of its occurrence or the geographical location of the patient at the time. Furthermore, unlike disability, permanent impairment can be measured with a reasonable degree of accuracy and uniformity, as it is evidenced by loss of structural integrity, loss of functional capacity, or persistent pain that is substantiated by clinical findings.

The Committee is familiar with the various formulas developed in the past for use in evaluation of permanent disability. These formulas are usually administrative devices which equate specific medical criteria to specific percentages of permanent partial or total disability (loss of working or earning capacity). From the medical standpoint the medical criteria may undeniably represent various anatomic or functional impairments. However, it is unrealistic to presume that all of these impairments, especially those of a minor nature, will necessarily at some time result in disability. Although a number of valuable contributions have been made in the past, the Committee has found no comprehensive practical system of the type necessary for the evaluation of permanent impairment by individual body systems or of the whole man. For this reason, the Committee undertook to prepare a series of "Guides." All of the "Guides" have been developed after careful study of the literature and views of recognized authorities.

Each guide contains recommended percentage values related to the criteria provided. The use of numerical values is preferred because of difficulty in communication and variability in interpretation of such terms as "slight," "marked," and "moderate." Numerical values provide a practical means of expressing and calculating the extent of permanent impairment and encourage accurate, equitable, and uniform evaluation. Methods of calculating impairment

are uniform, are explained in detail with examples, and require a minimum of computation. Generally, when a single impairment is involved, the percentage value may be read directly from the text or transposed to a relative value of a unit of the body or of the whole man by referring to appropriate tables.

When two or more impairments are involved, however, the value of each impairment must be ascertained and transposed to a common denominator, such as the whole man. Thereafter, these values must be combined rather than added. A Combined Values Chart is provided by which any combination of impairments may be easily assessed. The

method generally used to combine various impairments is based on the principle that each impairment acts not on the whole part but on the portion which remains after the preceding impairment has acted. For purposes of computation, the source and chronology of the impairment values are immaterial.

After the values of all impairments involved have been computed and transposed to a common denominator, the final impairment value, whether the result of single or combined impairments, should be expressed in terms of the nearest 5%.

associated loss of sensation. However, consideration was not given for loss of sensation in establishing the values for ankylosis and restricted motion for the hand, which is both a prehensile and sensory organ. Therefore, when evaluating impairment of the hand, it is necessary to refer to Chapter II page 49 The Peripheral Spinal Nerves, in addition to the following material.

Special Consideration—Since the basic tasks of everyday living are more dependent upon the preferred upper

extremity, dysfunction of the non-preferred upper extremity results in less impairment than dysfunction of the preferred extremity. Therefore, when the impairment of an upper extremity has been determined to be between 5% and 50%, this value should be reduced by 5% if the impairment is of the non-preferred upper extremity. If the value is 51% to 100% impairment of the upper extremity, the value should be reduced by 10% for the non-preferred extremity before converting to whole man impairment.

TABLE 1 — AMPUTATIONS

	Impairment of:			Whole Man
	Digit	Hand	Upper Extremity	
Forequarter amputation				70%
Disarticulation at shoulder joint			100%	60%
Amputation of arm above deltoid insertion			100%	60%
Amputation of arm between deltoid insertion and elbow joint			95%	57%
Disarticulation at elbow joint			95%	57%
Amputation of forearm below elbow joint proximal to insertion of biceps tendon			95%	57%
Amputation of forearm below elbow joint distal to insertion of biceps tendon	100%		90%	54%
Disarticulation at wrist joint	100%		90%	54%
Midcarpal or mid-metacarpal amputation of hand	100%		90%	54%
Amputation of all fingers except thumb at metacarpophalangeal joints	60%		54%	32%
Amputation of thumb at metacarpophalangeal joint				
or with resection of carpometacarpal bone	100%	40%	36%	22%
At interphalangeal joint	75%	30%	27%	16%
Amputation of index finger at metacarpophalangeal joint				
or with resection of metacarpal bone	100%	25%	23%	14%
At proximal interphalangeal joint	80%	20%	18%	11%
At distal interphalangeal joint	45%	11%	10%	6%
Amputation of middle finger at metacarpophalangeal joint				
or with resection of metacarpal bone	100%	20%	18%	11%
At proximal interphalangeal joint	80%	16%	14%	8%
At distal interphalangeal joint	45%	9%	8%	5%
Amputation of ring finger at metacarpophalangeal joint				
or with resection of metacarpal bone	100%	10%	9%	5%
At proximal interphalangeal joint	80%	8%	7%	4%
At distal interphalangeal joint	45%	5%	5%	3%
Amputation of little finger at metacarpophalangeal joint				
or with resection of metacarpal bone	100%	5%	5%	3%
At proximal interphalangeal joint	80%	4%	4%	2%
At distal interphalangeal joint	45%	2%	2%	1%

TABLE 2 — MULTIPLE DIGITS

	Impairment of Hand Ankylosed in				Impairment of Hand Ankylosed in				
	All Joints	Amputated	Full Extension	Position of Full Flexion	All Joints	Amputated	Full Extension	Position of Full Flexion	
Thumb	40%	30%	25%	38%	Index	25%	23%	20%	25%
Thumb, Index	65%	53%	45%	63%	Index, Middle	45%	41%	36%	45%
Thumb, Index, Middle	85%	71%	61%	83%	Index, Middle, Ring	55%	50%	44%	55%
Thumb, Index, Ring	75%	62%	53%	73%	Index, Middle, Little	50%	46%	40%	50%
Thumb, Index, Little	70%	58%	49%	68%	Index, Middle, Ring, Little	60%	55%	48%	60%
Thumb, Index, Middle, Ring	95%	80%	69%	93%	Index, Ring	35%	32%	28%	35%
Thumb, Index, Middle, Little	90%	76%	65%	88%	Index, Ring, Little	40%	37%	32%	40%
Thumb, Index, Ring, Little	80%	67%	57%	78%	Index, Little	30%	28%	24%	30%
Thumb, Index, Middle, Ring, Little	100%	85%	73%	98%	Middle	20%	18%	16%	20%
Thumb, Middle	60%	48%	41%	58%	Middle, Ring	30%	27%	24%	30%
Thumb, Middle, Ring	70%	57%	49%	73%	Middle, Ring, Little	35%	32%	28%	35%
Thumb, Middle, Little	65%	53%	45%	63%	Middle, Little	25%	23%	20%	25%
Thumb, Middle, Ring, Little	75%	62%	53%	73%	Ring	10%	9%	8%	10%
Thumb, Ring	50%	39%	33%	48%	Ring, Little	15%	14%	12%	15%
Thumb, Ring, Little	55%	44%	37%	53%	Little	5%	5%	4%	5%
Thumb, Little	45%	35%	29%	43%					

SHOULDER JOINT

When Two or More Ranges of Motion are Involved

Restricted Motion:

1. Calculate *separately* and record impairment of upper extremity contributed by each range of motion.

2. ADD impairment of upper extremity values contributed by ALL ranges of motion. The sum of these values is impairment of upper extremity contributed by shoulder joint.

	Impairment of Upper Extremity
<i>Example</i> —Two Ranges of Motion	
30 degrees active FORWARD ELEVATION	= 13%
30 degrees active BACKWARD ELEVATION	= 1
20 degrees active ABDUCTION	= 14
20 degrees active ADDUCTION	= 1
(13 + 1 + 14 + 1 = 29)	29%

	Impairment of Upper Extremity
<i>Example</i> —Three Ranges of Motion	
20 degrees active INTERNAL ROTATION	= 3%
20 degrees active EXTERNAL ROTATION	= 11
FORWARD ELEVATION, BACKWARD ELEVATION, ABDUCTION, and ADDUCTION restricted as above	= 29
(3 + 11 + 29 = 43)	43%

Ankylosis

1. Calculate *separately* and record impairment of upper extremity contributed by ankylosis in each position.

2. The *largest* ankylosis impairment value is impairment of upper extremity contributed by shoulder joint.

Example

	Impairment of Upper Extremity
Shoulder joint ankylosed at:	
60 degrees FORWARD ELEVATION	= 55%
20 degrees EXTERNAL ROTATION	= 40

The largest ankylosis impairment value is 55%; therefore, upper extremity is 55% impaired by ankylosed shoulder joint.

UPPER EXTREMITY

When Two or More Units are Involved

1. Calculate *separately* and record impairments of upper extremity contributed by each unit (hand, wrist joint, elbow joint, and shoulder joint).

2. Combine impairment values, using combined values chart, to ascertain impairment of upper extremity contributed by two or more units.

	Impairment of Upper Extremity
<i>Example</i> —Two Units	
Hand	= 40%
Wrist	= 30
(40 combined with 30 = 58)	58%

TABLE 22—AMPUTATIONS—LOWER EXTREMITY

	Impairment of			Whole Man
	Digit	Foot	Lower Extremity	
Hemipelvectomy			100%	50%
Disarticulation at hip joint			100%	40%
Amputation above knee joint with short thigh stump (3" or less below tuberosity of ischium)			100%	40%
Amputation above knee joint with functional stump			90%	36%
Disarticulation at knee joint			90%	36%
Gritti-Stokes amputation			90%	36%
Amputation below knee joint with short stump (3" or less below intercondylar notch)			90%	36%
Amputation below knee joint with functional stump			70%	28%
Amputation at ankle (Syme)		100%	70%	28%
Partial amputation of foot (Chopart's)		75%	53%	21%
Mid-metatarsal amputation		50%	35%	14%
Amputation of all toes at metatarsophalangeal joints		30%	21%	8%
Amputation of <i>Great Toe</i>				
With resection of metatarsal bone		30%	21%	8%
At metatarsophalangeal joint	100%	18%	13%	5%
At interphalangeal joint	75%	14%	10%	4%
Amputation of <i>Lesser Toes</i> (2nd-5th)				
With resection of metatarsal bone		5%	4%	2%
At metatarsophalangeal joint	100%	3%	2%	1%
At proximal interphalangeal joint	80%	2%	1%	0%
At distal interphalangeal joint	45%	1%	1%	0%

EXHIBIT VII



ALASKA

Income Replacement Levels Worker, Non-Working Spouse and Two Children

<u>Worker's Gross Weekly Wage</u>	(1) <u>Net Pay</u>	(2) <u>Weekly Benefit</u>	(3) <u>Weekly Benefit as a Percentage of Net Pay</u>
\$200	\$175	\$133	76%
300	251	200	80%
400	322	267	83%
500	394	333	85%
600	463	400	87%



ALASKA

Income Replacement Levels

Worker, Working Spouse

and Two Children

<u>Worker's Gross Weekly Wage</u>	<u>Spouse's Gross Weekly Wage</u>	<u>(1) Net Income Before Injury</u>	<u>(2) Net Income After Injury</u>	<u>(2) as a Percentage of (1)</u>
\$200	\$200	\$322	\$309	96%
300	200	394	375	95%
400	200	463	442	96%
500	200	527	509	97%
600	200	590	575	98%

EXHIBIT VIII

NATIONAL COUNCIL ON COMPENSATION INSURANCE

ALASKA

Total Disability Benefit Under Present Alaska Law*

<u>Weekly Earnings</u>	<u>Weekly Benefit</u>	<u>Weekly Earnings</u>	<u>Weekly Benefit</u>
100	66.67	575	383.35
125	83.34	600	400.02
150	100.01	625	416.69
175	116.67	650	433.36
200	133.34	675	450.02
225	150.01	700	466.69
250	166.68	725	483.36
275	183.34	750	500.03
300	200.01	775	516.69
325	216.68	800	533.36
350	233.35	825	550.03
375	250.01	850	566.70
400	266.68	875	583.36
425	283.35	900	600.03
450	300.02	925	616.70
475	316.68	950	633.37
500	333.35	975	650.03
525	350.02	1000	666.70
550	366.69	-	-

* All benefits listed are prior to Minimum and Maximum limitations and any reduction due to receiving Social Security Benefits. Benefits paid are 66 2/3% of workers gross wage.

NATIONAL COUNCIL ON COMPENSATION INSURANCE

ALASKA

Total Disability Benefits 80% of Spendable Earnings**

<u>Weekly Earnings</u>	<u>Single+</u>	<u>Married- 2 Exemptions*</u>	<u>Married- 4 Exemptions++</u>
100	68.28	72.68	74.68
125	83.59	88.55	92.87
150	98.02	104.10	108.42
175	113.65	120.53	124.85
200	127.60	135.60	140.16
225	142.43	151.71	156.59
250	155.34	166.30	171.42
275	170.17	181.77	187.53
300	182.44	195.64	201.80
325	196.47	211.11	217.27
350	208.02	224.18	231.14
375	221.57	233.85	246.53
400	232.56	251.52	259.20
425	246.11	266.19	273.87
450	256.94	278.86	286.54
475	269.69	293.53	301.21
500	279.48	305.24	313.88
525	292.23	318.95	328.47
550	302.02	330.18	339.70
575	314.98	344.10	353.62
600	326.10	356.42	366.18
625	340.18	370.98	381.22
650	351.30	382.82	393.22
675	365.42	397.38	407.78
700	378.02	408.92	419.62

NATIONAL COUNCIL ON COMPENSATION INSURANCE

ALASKA

Total Disability Benefits 80% of Spendable Earnings** (Con't.)

<u>Weekly Earnings</u>	<u>Single+</u>	<u>Married- 2 Exemptions*</u>	<u>Married- 4 Exemptions++</u>
725	390.62	423.06	434.18
750	403.22	434.18	445.54
775	415.82	448.26	459.62
800	428.42	459.38	470.74
825	441.02	473.46	484.82
850	453.62	484.58	495.94
875	466.22	498.70	510.06
900	478.82	511.30	522.66
925	491.42	523.90	535.26
950	504.02	536.50	547.86
975	516.62	549.10	560.46
1000	529.22	561.70	573.06

+Worker and no dependents.

*Worker and spouse.

++Worker, spouse, and 2 children.

**All benefits listed are prior to Minimum and Maximum limitations and any reduction due to receiving Social Security Benefits. Benefits are 80% of spendable income. Spendable income is gross wages less Federal Income Tax and FICA only. FICA tax for 1981 is 6.65% of annual wages not exceeding \$29,700. Federal Income Taxes effective October 1, 1981 are used.

EXHIBIT IX

11/16/83

ALASCOM, INC.'s PAPER
IN SUPPORT OF THE POSITION OF
WORKER'S COMPENSATION COMMITTEE OF ALASKA

Alascom management has had an opportunity to review the position paper, dated December 13, 1980, of the Worker's Compensation Committee of Alaska (WCCA). Alascom supports the position taken by the WCCA.

Perhaps, for the record, it should be explained that Alascom is Public Utility. Its chief source of revenue is long distance telephone calls. In its ten years of existence, its number of employees has tripled to approximately 1400 and the number of calls it handles increased almost six-fold to over 32,000,000 calls a year.

At Alascom, the Safety Administrator is directly involved in the administration of all worker's compensation claims. So, as Safety Administrator, I've been asked to bring to your attention four (4) different Alascom cases that illustrate excesses permitted by the current statutes and are relevant to WCCA's position. The four cases are representative. They do not constitute the total experience of Alascom. A brief description of those four cases follows:

1. Too Liberal Bunk House Rules Interpretation

An Alascom employee, assigned to a remote site, drove off the road and was injured after "bartending" at a friend's party. The employee claimed he had had only three beers and fell asleep while driving.

The Workmen's Compensation Board awarded full benefits. Their decision was based on several comparable cases and decisions. We feel the interpretation was liberal to the point of removing employee incentive to remain healthy.

In our opinion, when an employee disregards his own safety, and defies the laws of self-preservation, the employer should not be held responsible for actions committed outside his regular work assignment.

2. A Search for a Physician to Support Claim

An Alascom employee reported a hip injury, claiming his foot slipped from a step ladder. Medical examination indicated he had had hip surgery as a fourteen year old and additional surgery was again indicated because of the natural growth of the bones (and body). At the request of the employee, a second medical opinion confirmed the original diagnosis and again indicated that there was no connection between the alleged slip from the ladder and the distress the employee was suffering.

Unsatisfied with these medical opinions, the employee started his search for a doctor who would support his claim. We do not know how many doctors the employee talked to before he found one willing to support his claim, but he did find one in Southern California and brought suit against Alascom.

Alascom prevailed and the Workmen's Compensation Board made no award to the employee. Time and expenses incurred by Alascom, however, were not recoverable.

3. Unqualified Medical Opinion and Treatment

Alascom's relationship with the medical profession has been very good. It is the rare exception in which we are in disagreement with any of their decisions or recommendations for any of our employees.

Within the last year however, we had an employee who selected a chiropractor to treat a disease that was, in the opinion of qualified medical people, not related to the chiropractor's speciality. Despite qualified medical opinion to the contrary, both the employee and the chiropractor claimed the disease was the result of an industrial accident. Alascom feels that expenses incurred in incidents of this type are wasteful.

4. Double or Greater Payments

Alascom has had an employee who was collecting allowable absence (sick) pay while working at a job with similar physical requirements outside the Company. He filed for workmen's compensation payments covering the same period of time. Despite the outcome, Alascom once again suffers costs that are wasteful.

Finally, Alascom's position is virtually identical to that of the WCCA. We wish to see the legitimate entitlement of the injured Alaskan worker preserved. We do, however, question the wisdom of any act that makes it financially attractive to be injured, or levies wasteful burdens upon the employer. All of Alascom's worker's compensation expenses are passed along to the consumer. As a public utility we feel a strong obligation to the consumer to control, reasonably, all costs.

In conclusion, we ask that you review those provisions of the Worker's Compensation Act that permit injured employees to abuse a worthwhile benefit. We hope your consideration will lead to an equitable fine tuning of the law.

John Marion
1-16-81

WORKMEN'S COMPENSATION
Accidents Covered by Barricks Rule
1980

<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
01/02	Maint. Supt.	SP	Slipped on stairway (L) knee & foot injury	9
01/13	Site Admin	SP	Slipped in bathroom Compressed 5 & 6 toe	37
08/24/79	Cook	FY	Slipped on steps Hurt back	48
02/03	Utilityperson	TC	Playing basketball Twisted ankle	2
02/14	Fire Chief	FY	Hit bowling bag Broke (R) little finger	16
02/24	Utilityperson	FY	Playing football Sprained (L) knee	52
02/29	Log Spec	IM	Playing basketball Broken (R) ankle	252
03/12	Util Plt Op/Mech	CN	Fell from chair Injury (R) elbow	18
03/28	Pwr Plt Opr	CB	Hand caught between door and jam	0
03/30	Sta. Supv.	FY	Hit (L) wrist on table answering phone in room	3
02/28	Radar Tech	CR	<u>Filling fell from tooth</u>	17
03/22	Weather Observ.	CR	Lost in trackmaster Frostbite both feet	140
05/25/78	Util Plt Opr	CR	Allergic reaction to Valium	0
04/18	Medical Tech	IM	Playing basketball Torn ligament (R) foot	36
04/21	Kitchen Helper	IM	<u>Broke lower front tooth</u> <u>Eating carrot</u>	17
04/24	Admin Clerk	SP	Lost consciousness fell cut chin	1
04/23	Pwr Plt Opr	CB	<u>Eating - filling fell</u> <u>out of tooth</u>	10

Workmen's Compensation
 Accidents Covered by Barricks Rule
 1980 - Page 2

<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
05/01	Sta. Supv.	CB	Eating breakfast Broke tooth	0
05/18	Comm Nav-Aid	TC	Riding 3 wheeled scooter Sprained (R) ankle	0
05/26	Equip Op/Mech	IM	Riding 3 wheeled scooter Injured (L) shoulder	27
06/16	EES	PHQ	Dropped trunk in Taxi Contusion (R) hand	0
06/15	Crypto Tech	TC	(R) front tooth snapped at gum line	9
06/15	Radar Tech	TA	Concussion suspect Motorcycle wreck	13
06/15	Cook	IM	Fell - walking Broken knee	48
05/18	Chef	IN	Motorcycl. wreck Injury (R) foot	3
07/12	Admin Clerk	TA	Motorcycle wreck Trauma (R) side face	23
07/13	Radar Tech	SP	Injury head & neck Fell from truck	0
07/14	Medical Tech	CB	Motorcycle wreck Broken (R) leg	48
07/17	Maint. Supt	TA	Motorcycle wreck Injury (R) leg & ribs	0
07/09	Med. Tech	PHQ	Fell in airport Injury back, shoulder	22
07/21	Asst Cook	RO	Hit by softball (L) shoulder injury	0
07/22	Utilityperson	CR	Fell on steps Injury (R) side	2
07.	Admin Clerk	CH	Slipped on wet hallway Sprained (L) ankle	0

Workmen's Compensation
 Accidents Covered by Barricks Rule
 1980 - Page 3

<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
07/31	Equip Op/Mech	TC	Accident 3 wheel vehicle Injury (R) hip/pelvis	54
07/31	Log Spec	TC	Accident 3 wheel vehicle Injury (R) side/back	28
08/04	Utilityperson	IM	Playing basketball Injury (R) eye	4
08/09	Sta. Supv.	IM	<u>Eating evening meal</u> <u>Bridge facing broke</u>	0
08/12	Radar Tech	SP	Broke-up fight. Fracture (R) ring finger	9
08/17	Baker	KO	Motorcycle wreck Rib injury	18
08/21	Bldg Mech	FY	Playing volleyball Injured (R) thumb	0
08/18	Comm Nav-Aid	CB	Fell over coffee table Injured (L) knee	9
08/25	Admin Clerk	CH	<u>Eating lunch - broke</u> <u>tooth on hamburger</u>	3
09/15	Radar Tech	CH	<u>Eating dinner - fractured</u> <u>(L) molar on hamburger</u>	5
08/30	Bldg Mech	CL	Struck by 3 wheel bike Sprained (R) shoulder & ankle	30
09/18	Comm Cntr Opr	IM	Playing Volleyball Twisted (R) ankle	21
10/21	Fire Chief	CR	Eating lunch Bit down on chicken bone	0
09/25	Admin Clerk	CR	Bowling - dislocated middle (R) finger	0
10/28	Medical Tech	CR	Bowling - (R) foot contusion	0
11/09	Heav. Plt Op	TC	Snowmachine accident Fractured (R) ankle	48

Workmen's Compensation
Accidents Covered by Barricks Rule
1980 - Page 4

<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
11/03	Admin Clerk	IM	Fell down steps Injured (R) foot.	0
11/28	Htg Plt Opr	CR	Fell in Airport Hit upper back & head	0
12/08	Htg Plt Opr	CA	Deplaning in Bethel Fell on upper back	48
12/09	Pwr Plt Foreman	CR	Fell on ice Sprained (L) wrist	15

TOTALS: 37 Lost time claims 1145 days
 16 No lost time
 53 Total Claims 1145 total lost days

WORKMEN'S COMPENSATION
Accidents Covered by Barricks Rule
1979

<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
01/08	Utilityman	CL	Playing basketball Sprained (R) ankle	20
01/11	Fire Chief	FY	Stubbed foot on chair Broken (L) small toe	0
12/03	Log Spec	CR	Playing Volleyball Sprained (R) foot	25
01/24	Tel/TV Tech	CL	Indulging in horseplay Sprained (R) ankle	5
12/14	Head Chef	CH	Stepped in shower drain Bruised (R) heel	0
05/29/78	Admin Clerk	CB	Hit desk-back injury	0
02/07	Comm Cntr Opr	TC	Bowling - Toe injury	9
03/05	Asst. Cook	TC	Fell down stairway Injured tail bone	5
04/04	Util Plt Op/Mech	CB	Playing basketball Torn achilles tendon	60
05/12	Admin Clerk	CR	<u>Crown off (L) molar</u>	3
05/19	Head Chef	FY	Fell on dormitory steps Bruised (R) foot	0
05/11	Itg Plt Opr	CL	Wrestling in gym (R) knee strain	0
06/23	Cook	CL	Fell-cleaning room scalp laceration	2
06/30	Radar Tech	CB	Riding motorcycle Broken (R) leg	36
06/30	Admin Clerk	TA	Riding motorcycle Broken (R) arm	36
07/01	Administrator	CL	Jogging Sprained (L) ankle	0
07/05	Bldg Mech	CB	Motorcycle wreck Broken collarbone	14

Workmen's Compensation
 Accidents Covered by Barricks Rule
 1979 - Page 2

<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
07/05	Utilityman	CB	Motorcycle wreck Broken (R) wrist	16
07/14	Bldg Mech	CL	Playing basketball Sprained (L) thumb	0
08/03	Weather Observ.	CN	Hit hand against wall (broken)	0
07/20	Htg Plt Opr	CN	Kicking high Sprained (L) hand	0
07/21	Bldg Mech	TA	Broke tooth on hamburger	0
07/23	Weather Observ.	CN	In bar - hit hip on table leaving room	2
08/18	Chef	SP	Motorcycle wreck Kidney/muscle strain	8
08/24	Bldg Mech	SP	Bowling - Muscle strain (R) forearm	0
09/09	Admin Clerk	TA	Motorcycle accident (L) leg injury	0
10/04	Pwr Plt Opr	CR	Slipped on gym floor (L) ankle injury	12
10/03	Telephone Tech	CA	Fell over electrical cord in room	0
11/02	Medical Tech	FY	Wrist injury Playing basketball	0
11/11	Comm Cntr Opr	SP	Playing basketball Twisted (R) ankle	2
08/14	Kitchen Helper	CR	Water burn in shower	0
11/16	Radar Tech	TA	Snowmachine accident Head & hip injured	0
12/16	Admin Clerk	CB	NAF vehicle ran off road Neck/back injury	3

Workmen's Compensation
Accidents Covered by Barricks Rule
1979 - Page 3

<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
12/26	Comm Nav-Aid	CB	Stubbed (L) toe un- jamming bowling pin.	2

TOTALS:	18 Lost time claims	260 days
	<u>16 No lost time</u>	
	34 Total Claims	260 total lost days

WOMEN'S COMPENSATION
Accidents Covered by Barrick's Rule
1978

<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
01/23	Head Chef	TC	Climbing a rope in gym Slipped - rope burn (R) foot.	0
02/26	Pwr Plt Opr	CN	Slipped on water in hall going to work - bruised coccyx.	1
01/29	Htg Plt Opr	TC	Playing basketball Knee injury (R)	0
01/31	Asst. Cook	TC	High Blood Pressure Stress of job	3
02/26	Util Plt Op/Mech	TC	Playing basketball (R) knee injury	58
03/13	Site Admin	CB	Hyperventilation syndrome	2
05/07	Kitchen Helper	KO	Playing basketball Sprained (L) ankle	4
05/15	Equip Op/Mech	TC	Abdominal Pain and Lower Chest Pain	5
04/28	Cook	SP	Possible TB Exposure	3
05/28	Bldg Mech	CN	Coronary	Death
05/27	Asst. Cook	SP	Fall off motorcycle Back injury	1
05/28	Crypto Tech	CB	Removing boots Slipped disc lower back	26
05/29	Admin Clerk	III	Fell from motorcycle Broken (R) wrist	4
05/28	Admin Clerk	CL	Hiking on day off - fell on ice -	2.5
05/26	Equip Op/Mech	CL	Exposed to TB	1
05/17	Htg Plt Op/Mech	SP	Hiking - (R) toe injury	17
06/10	Util Plt Op/Mech	FY	High Blood Pressure	6

Workmen's Compensation
 Accidents Covered by Barricks Rule
 1978 - Page 2

<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
07/04	Weather Obsv.	IM	Hang gliding Torn ligament (R) knee	4
06/07	COMM Cntr Opr	FY	Lifting weights in gym Sprained (R) wrist	3
07/15	Equip Op/Mech	CR	Motorcycle accident Possible (L) rib fracture	3
07/18	Bldg Mech	CR	Broken 3rd molar Eating Cherry Pie	3
07/23	Maint. Supt.	SP	Playing softball Sprained (L) ankle, Broken (R) ankle	14
07/23	Kitchen Helper	SP	Playing softball Bruised (R) knee	8
01/13	Head Chef	CH	TB	90
07/04	Equip Op/Mech	TC	Twisted knee Slipped on rock - walking	12
08/06	COMM NAV-AID	CB	Slipped in shower (R) knee injury	42
03/16	Utilityman	IM	Hang gliding - running along road - twisted (R), ankle.	6
09/08	Htg Plt Op/Mech	CH	Foreign object in (L) eye In room - woke up	1
09/09	Head Chef	SP	Observing work being done 4X4 dropped on (L) foot	22
09/08	COMM NAV-AID	FY	Gastritis	2
09/23	Administrator	TA	Playing basketball Broken (R) ankle	5
09/25	Htg Plt Foreman	CL	Walking in high wind from bldg to bldg. Broken ankle	70
09/27	Bldg Mech	EO	Fight - hit in mouth Broken front teeth	3

Workmen's Compensation
 Accidents Covered by Barricks Rule
 1978 - Page 3

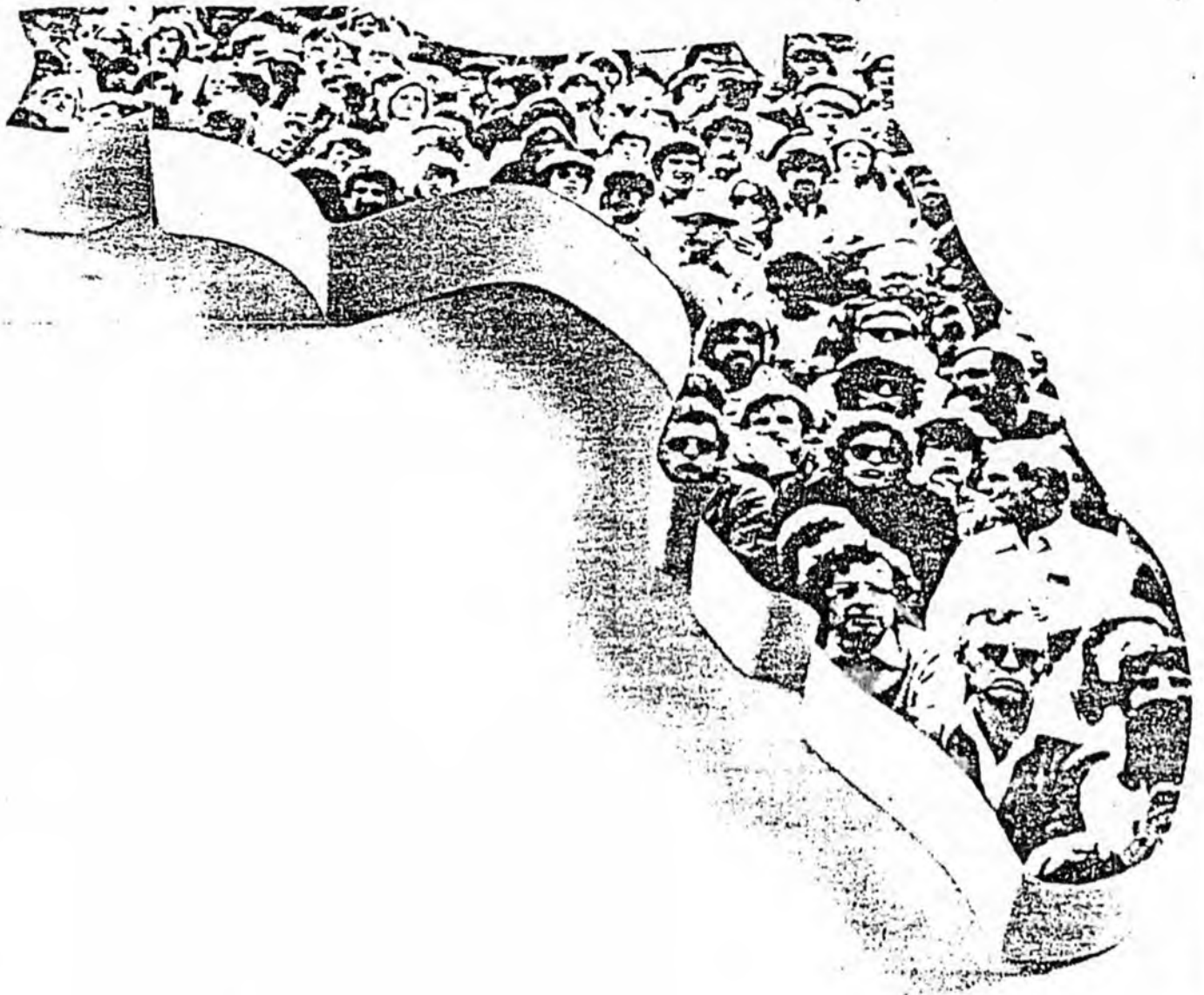
<u>Date</u>	<u>Occupation</u>	<u>Site</u>	<u>Description</u>	<u>Days Lost</u>
10/25	Utilityman	IM	Running across gym to movie - fell bruised lower back.	0
11/05	Bldg Mech	CA	Dizziness, low blood pressure.	5
11/26	Site Medic	MD	Playing basketball Fractured Tibia (L)	0
11/29	Weather Obsv.	TA	Plane Crash	120
11/23	COMM Cntr Opr	SP	Leaving latrine, hit by door on (R) forearm	5
12/06	Kitchen Helper	CB	Playing basketball Laceration (L) eyebrow	0
04/28	Cook	CA	Fight <u>Broken denture</u>	0
12/14	Bldg Mech	CA	Vehicle accident going to airport.	0
12/14	COMM Cntr Opr	CA	Vehicle accident going to airport.	0
12/11	Medical Tech	CB	Neurosis from job pressure	0
10/29	Head Chef	TC	Rib injury - hit rib on pencil sharpener reaching for medicine	3

TOTALS: 1 Death
 34 Lost time claims 554.5 days
 9 No lost time
 44 Total Claims 554.5 total lost days

EXHIBIT VI

National
Council
on Compensation
Insurance

Preliminary
Report on
The Wage-Loss
Law in Florida



Preface

There has been a great deal of interest expressed concerning the effect which the August 1, 1979 wage-loss law has had on the workers' compensation system in Florida. While it is still too soon to come to any definitive conclusions about how the wage-loss law is working and will work in the future, the National Council on Compensation Insurance (NCCI) will present in this report information about the Florida workers' compensation system which we have gathered continuously since August 1, 1978. We must caution that this information is only of a preliminary nature and will be subject to change as time allows more information to become available. At the same time, the following information does allow the reader to draw some early impressions on how the new system is working.

The workers' compensation system is concerned with injuries to people. The extent of each injury cannot be immediately assessed, since each individual is unique and makes unique demands on the employer and/or its insurance company, whose job it is to protect the worker's economic and medical welfare after his or her injury has occurred. Because of these unique needs it is always difficult for an insurance company to estimate what economic and medical assistance an injured worker will require in the future. This problem is compounded in Florida since the companies have so little experience, at this time, with the wage-loss system. Therefore we must again stress that these observations about the workers' compensation system in Florida are only preliminary.

The NCCI gathers information about the workers' compensation system continuously under the Call for Detail Claim Information. As more information becomes available and as the insurance companies have a longer time in which to evaluate each individual claim, the NCCI will be able to make more definitive observations about how the Florida wage-loss law is working. While everyone would like to know what is happening under the wage-loss law it is not possible at this time for anyone to make more than preliminary observations.

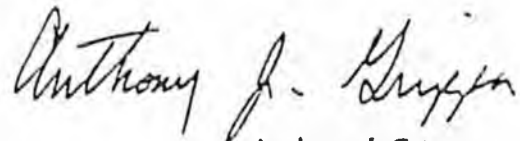
Even outside Florida there is interest in the effect of the wage-loss law on the workers' compensation system. Interested parties in other states would like to know how wage-loss would effect the workers' compensation system in their state. However, even these preliminary observations which we have made concerning the effect of the August 1, 1979 Florida wage-loss law cannot be assumed to apply to other states. Each state's workers' compensation system has statutory and administrative differences. Also the economic,

political, and social conditions in each state have an immeasurable effect on the workers' compensation system. Thus, another state could adopt exactly the same law as is currently in effect in Florida and have an entirely different experience.

When viewing individual claim characteristics of wage-loss and/or impairment cases, one must remember that both the immaturity of such cases, as well as the relatively small number of cases to date, means that such observations cannot be regarded as conclusive.

We believe that one goal of the new legislation governing the workers' compensation system which became effective August 1, 1979 was to increase benefits to the more seriously injured worker while decreasing other system costs through more efficient administration. While it is too early to be conclusive, based on our observations, which follow, it appears that the Florida workers' compensation system has significantly moved in that direction.

Finally we would like to express our appreciation to all the insurance company claims people who have devoted substantial time and effort to supplying the NCCI with complete and accurate information under the NCCI Call for Detailed Claim Information.



Anthony J. Grippa
Senior Vice President,
Actuarial Operations

June 10, 1981

Table of Contents

General Background

- 5 Florida and the Wage-Loss Law
- 5 Availability of Data
- 5 *Traditional Data Systems*
- 5 *NCCI Detail Claim Information System*
- 5 *Background*
- 6 *Modifications to Call for Detail Claim Information*
- 6 *Timeliness and Validation of Data*

Highlights

- 7 Participation by Insurance Companies
- 7 Preliminary Nature of Detailed Claim Information
- 7 Changes in Patterns of Claims by Type of Benefit
- 7 *Distribution of Injured Workers by Benefit Type*
- 8 *Benefit Dollars*
- 8 *Temporary Total Cases*
- 8 *Permanent Partial Cases*
- 9 *Wage-Loss and Impairment Cases*
- 9 *All Lost Time Cases*
- 10 *Percentage of Total Lost Time and Medical Benefit Dollars by Benefit Type*
- 10 *Administration of Claims- Attorney Representation*

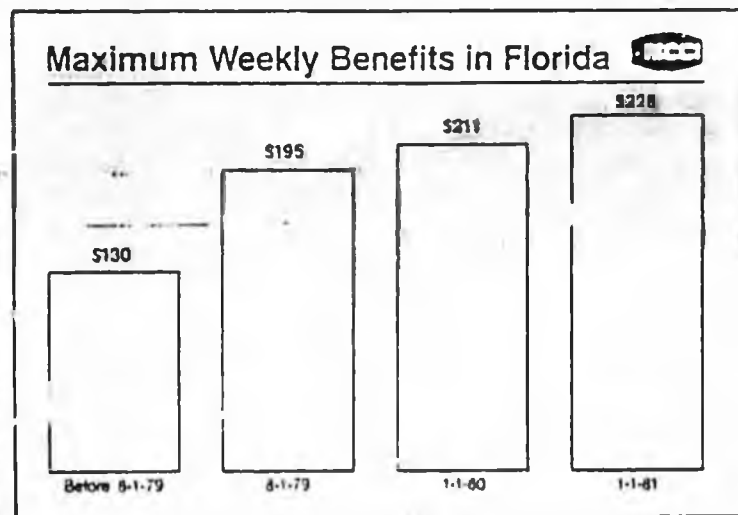
Additional Observations

- 11 Further Changes in Patterns of Claims by Benefit Type
- 11 *Time Lost from Employment by Temporary Total Cases*
- 11 *Time Lost for Permanent Partial Cases*
- 12 *Doctor Visits*
- 12 *Hospital Confinement*
- 13 Future Development of NCCI Detailed Claim Information
- 13 Importance of Consistent and Appropriate Claims Evaluation

General Background

Florida and the Wage-Loss Law

This is a preliminary report on the use of the Detailed Claim Call in Florida to monitor the effects of the new legislation governing the workers' compensation insurance system which became effective August 1, 1979. This law change was intended to improve an existing situation in which a number of workers with relatively minor injuries were receiving large awards under the permanent partial award provisions of the law. Under the old statute, additional doctor visits and attorney litigation were encouraged since the worker could receive greatly increased benefits with a higher disability rating. These problems had been identified in various studies including the 1977 NCCI Closed Claim study in Florida. Anyone interested in an in-depth review of the Florida workers' compensation system prior to the August 1, 1979 law will find the summary of this study by the Florida Association of Insurance Agents to be extremely helpful. We believe that one goal of the new law is to increase benefits to the truly injured employee while cutting overall costs by decreasing excessive litigation and administrative costs. In this connection the maximum weekly benefit, for example, was increased from \$130 to \$195 August 1, 1979, and has continued to be further increased each January 1.

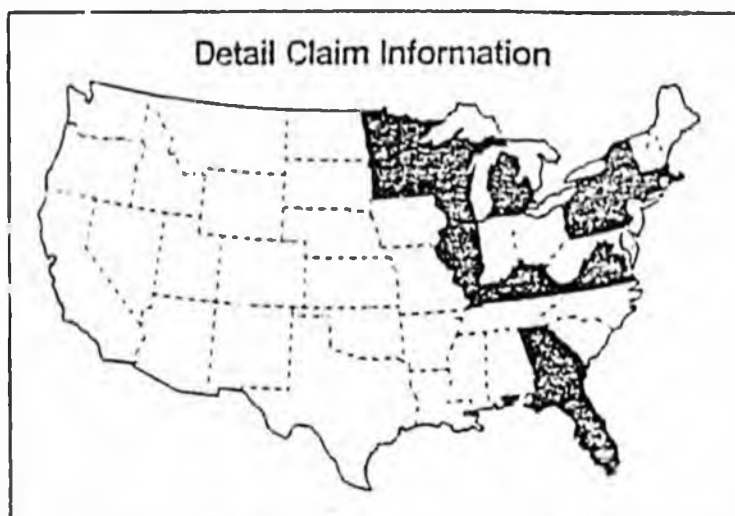


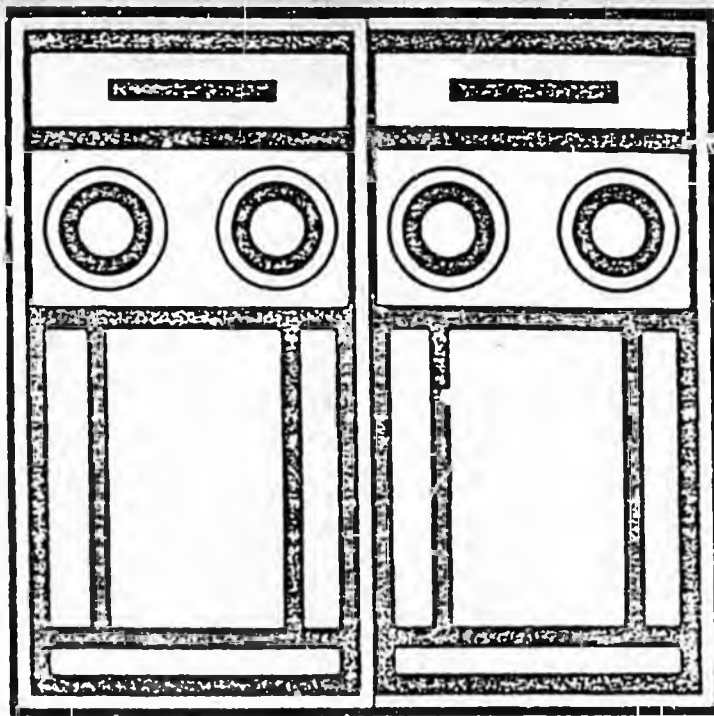
Availability of Data

Traditional Data Systems The traditional statistical data used for ratemaking purposes is primarily designed to accumulate information covering the costs and premiums of the workers' compensation system. This ratemaking data does not explain the social aspects which affect costs.

National Council on Compensation Insurance Detail Claim Information System With the Detailed Claim Information, derived from the call, we are concerned with cost factors, but we are also able to look beyond pure statistics to an analysis of causative factors.

Background A "call" is a request for specific information which the NCCI directs to its member and subscriber companies also known as carriers. The Call for Detailed Claim Information, which began April 1, 1979, is a continuous random sampling of workers' compensation lost time claims. Twelve states—Connecticut, Florida, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Minnesota, New York, Pennsylvania, Virginia and Wisconsin—were chosen for the survey. To provide sufficient data for a meaningful analysis of the Florida workers' compensation system prior to the August 1, 1979 law, the Call for Detailed Claim Information began, in Florida, on August 1, 1978. In order to achieve a representative bias free scientific random sampling and lend credibility to statistical tests which were to be used on the data, all insurance companies whose contributions added up to 99.5% of the premium volume for all those employers whose workers are covered by insurance companies in each state, were required to participate. To reduce costs the Call for Detailed Claim Information utilizes a mathematical technique known as sampling. Information about the entire population of claims is extracted from a representative sample of all claims. The sample is scientifically constructed to insure that the sample will be truly representative of the population as a whole. Presently in Florida companies are required to select at random 10% of their indemnity claims to be included in the Call for Detailed Claim Information. The procedure for insuring random scientific sampling is monitored by the NCCI.





Modifications to Call for Detailed Claim Information In order to gather data which will enable a meaningful analysis of the working of the new Florida law, modifications were made in Florida to the Call for Detailed Claim Information. First, an additional retroactive call was made for claims reported between August 1978 and March 1979. This retroactive call was necessary to provide a meaningful base of information about the claims experience in Florida under the provisions of the old law.

Second, the rules for completing the standard call applicable to Florida claims occurring after August 1, 1979 were changed. The classification of benefits as permanent partial was removed. The new benefit classifications which became effective August 1, 1979, namely wage-loss and no impairment benefit, wage-loss and impairment benefit, and impairment and no wage-loss benefit were added. To qualify for a wage-loss benefit a worker must suffer a permanent impairment which results in a loss of at least 15% of his preinjury wages, after the worker has reached the point of maximum medical improvement. In the case of a permanent impairment due to amputation, loss of 80% or more of vision, after correction, or serious facial or head disfigurement the injured worker will receive a lump sum benefit determined by the percentage of permanent bodily impairment which the worker suffers after he has reached the point of maximum medical improvement. An injured worker is eligible to receive either or both of these benefits. Of course, for all three categories, the injured worker will also receive temporary total disability benefits during his healing period as well as full medical benefits. Thus there are three benefit classifications for injured workers receiving one or both of these benefits. An injured worker with a loss in wages and no lump sum permanent impairment award is a wage-loss only case. An injured worker who receives a lump sum award but has no loss in wages is an impairment only case. Finally an injured worker who has a loss in wages and receives a lump sum impairment award is a wage-loss and impairment case.

Third, each case with wage-loss and/or impairment benefits and each temporary partial case which occurred in Florida after August 1, 1979 must carry a supplementary form. This supplementary form asks for specific information about wage-loss and impairment benefits for each sampled claim.

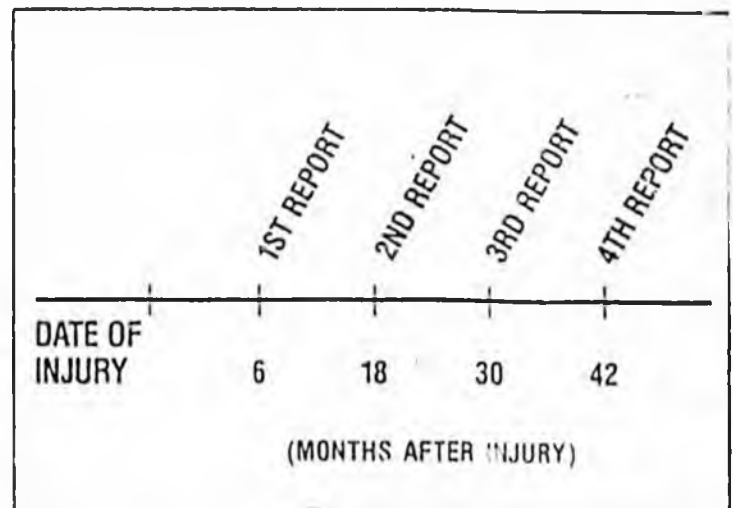
Attached as exhibits are the forms used in the Florida Call for Detailed Claim Information. Form C19940F is used for all sampled claims with injuries occurring after August 1, 1979. Form C19945F is the Florida Supplementary Call for Detailed Claim Information.

Timeliness and Validation of Data Sampled claims are evaluated six months after the date of report of the injury, and then reevaluated at 18, 30 and 42 months unless closed beforehand. The claims included in this study were for workers injured between August 1978 and August 1980.

A meaningful comparison from one claim to the next can only be made for claims which are evaluated at the same length of time after the claim is reported. Since only six month evaluations are available for workers injured under the new law, we have confined our observations to a comparison of claims evaluated six months after the report, when looking at the conditions prior to August 1, 1979, as compared to after August 1, 1979.

In further analyses, to be done in the future, we will be able to make comparisons based upon 18, 30, and 42 month evaluations.

All sampled claim reports are subjected to intensive editing at NCCI. Claims are tested for completeness of information, logical relationships between claim elements, and reconciliation with statutory requirements. Claim reports which are rejected by the editing process are returned to the carrier for correction.



Highlights

Participation by Insurance Companies

There are 76 insurance companies included in the NCCI Detailed Claim Information report on Florida wage-loss. This considerable number of participating carriers provides a broad basis of experience for our observations on the workers' compensation system in Florida.

Preliminary Nature of Detailed Claim Information

As previously stated, this report is based on claims evaluated by the insurance companies six months after the injuries were first reported to each company. At that time some details may have not yet been known about the claimants' injuries, such as the number of times the injured workers had visited a doctor. Only a rough estimate of the eventual cost of the workers' injuries could be made at such an early date.

The lack of experience of insurance companies with the wage-loss system has created uncertainty for these companies regarding which injured workers will eventually be entitled to wage-loss payments. Because of this inexperience a number of insurance companies may not always be able to classify an injured worker as a wage-loss case until the worker actually begins to receive wage-loss benefits (for example, while claimants are receiving temporary total benefits). Therefore there is a corresponding delay in the recognition of the eventual costs associated with these claims.

Changes in Patterns of Claims by Type of Benefit

There appears to be a trend toward the reduction of the system-wide costs of benefits associated with partially injured workers. This savings results from a reduction in benefits paid to those who have suffered only a very minor injury which more than offsets the increased benefits paid to those significantly injured workers who suffer an injury qualifying for wage-loss payment or who receive a permanent impairment award due to their injury.

Distribution of Injured Workers by Benefit Type It appears that under the new Florida workers' compensation insurance law an increased number of injured workers will receive only temporary total benefits as their lost time benefits. Only those workers injured seriously enough to qualify for wage-loss, impairment, or permanent total awards will receive additional lost time benefits. A worker with a relatively minor injury, who, under the provisions of the previous workers' compensation law would have received a permanent partial award, even though he could return to work, is no longer eligible for additional benefits after he has fully recovered from his injury.

As previously stated, because of a lack of experience with the wage-loss system the number of reported injuries qualifying for wage-loss benefits is undoubtedly too conservative and will be revised upward at a future date. This distorts the reported ratio of wage-loss and/or impairment cases to permanent partial cases under the old law.

Under the provisions of the new law which was introduced on August 1, 1979 wage-loss benefits are not payable until after an injured worker has reached maximum medical improvement, which averages 31 weeks. In view of the fact that the NCCI Detailed Claim Information available at the present time has been calculated from the initial six month injury report, it is logical to anticipate that subsequent reports will reveal some additional wage-loss cases.

Currently our analysis of wage-loss and impairment cases is based on a relatively small volume of claims. This small sample size necessitates a cautious approach to any inferences about the typical wage-loss or impairment case. As time goes on two things will happen to enable more conclusive observations to be drawn. First we will have subsequent valuations of the already sampled claims (i.e., at 18, 30, and 42 months after the date of report, rather than just six months). Second, there will be more claims involved in the study.

