

The nonindexing of PPD benefits and alternatives for raising them

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**David Berry
Research and Statistics**



Why use 1984 as the starting point?

- The current PPD schedule was enacted in 1984 and has been increased twice by statute by a total of 19.8% (14.1% in 2000 and 5.0% in 2018). (An upper tier was eliminated in 1995.)
- Discussion in 1984 (former DLI Commissioner Steve Keefe) refers to PPD as *compensation for economic losses*.
- The PPD schedule in 1984 was referred to as *“impairment compensation”*.
- “Compensation” has meaning only with reference to purchasing power.

Concept

- If the PPD benefit schedule is indexed to the Statewide Average Weekly Wage (SAWW), increases in the SAWW cause proportionately equal increases in PPD benefits and payroll, so there is a neutral (zero) effect on PPD benefits per \$100 of payroll, and thus a neutral (zero) effect on WC system cost per \$100 of payroll.
- If the PPD benefit schedule rises less rapidly than the SAWW (e.g., the current schedule which increased 19.8% since 1984), increases in the SAWW cause payroll to rise proportionately more than PPD benefits; this pushes down PPD benefits per \$100 of payroll, and therefore pushes down WC system cost per \$100 of payroll.

Effects of two alternatives for raising the PPD benefit schedule [1]

	Actual PPD benefit schedule	1984 schedule indexed by —	
		CPI-U (Twin Cities)	SAWW
Effect on PPD benefits in 2022, compared with current schedule	0.0%	109.6%	204.0%
Effect on system cost in 2022, compared with current schedule	0.0%	4.6%	8.6%
Cumulative effect, from 1984 to 2022, of schedule on system cost per \$100 of payroll	-7.9%	-3.7%	0.0%

CPI-U = Consumer Price Index for Urban Consumers

SAWW = Statewide Average Weekly Wage

1. 2022 values are projected. These values differ somewhat from those in the presentation of February 10, 2020 because the values are for 2022 rather than 2021 and because some parameters in the estimation were refined.

Thank-you.

Questions?

**David Berry
Research and Statistics
651-284-5208
david.berry@state.mn.us**

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