

Analysis of the Permanent Partial Disability (PPD) benefit schedule

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Topics

- **PPD benefit schedule analysis overview**

- Introduction
- Overview of PPD benefit schedule increases
- Comparison of PPD benefit growth to commonly used inflation indices and wage growth in Minnesota
- The consequences of non-indexing going forward

Why PPD benefits adequacy analysis?

Minnesota Minn. Stat. § 176.101, subd. 2a. requires that;

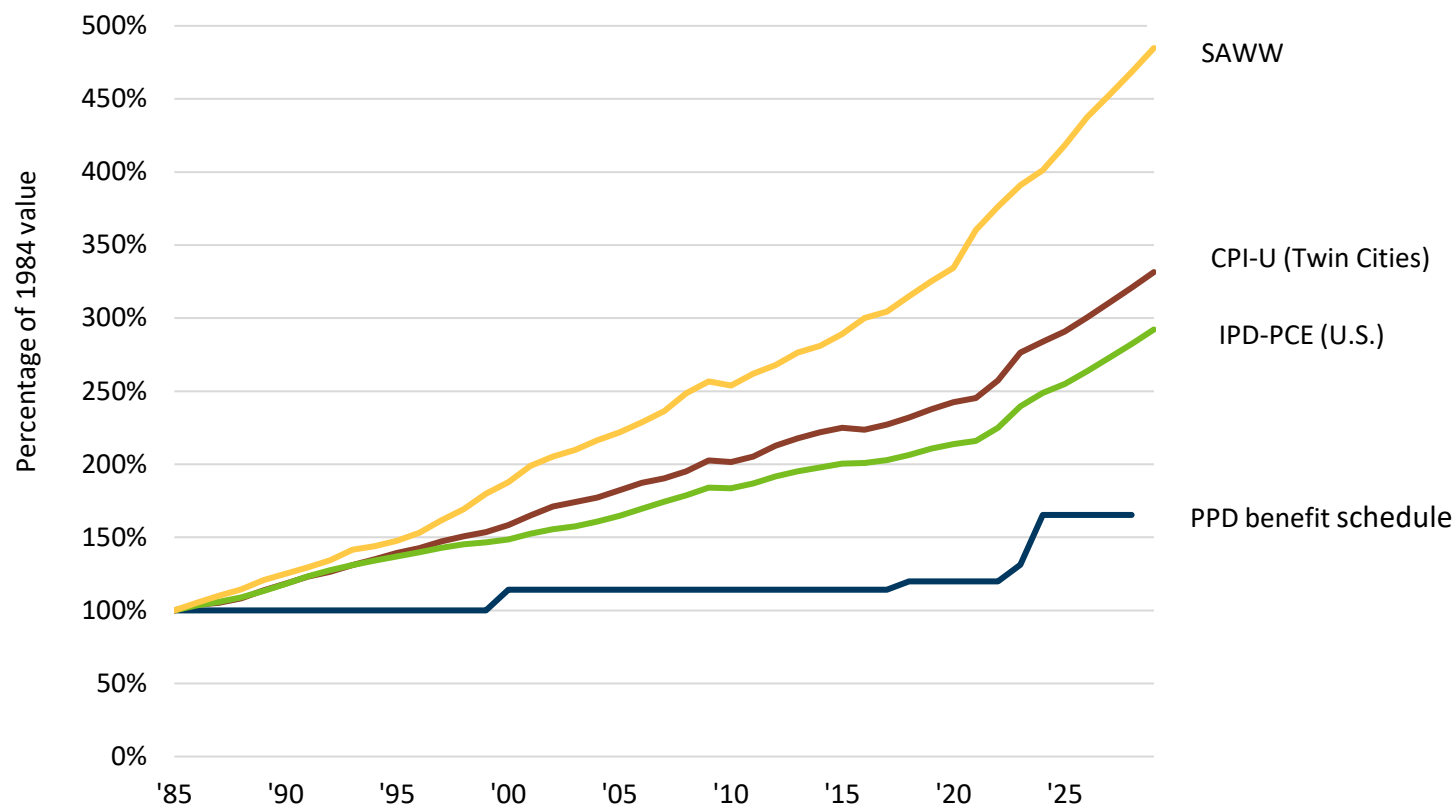
- “During the 2026 regular legislative session, and every even-year legislative session thereafter, the Workers' Compensation Advisory Council must consider whether the permanent partial disability schedule in paragraph (b) represents adequate compensation for permanent impairment.”

PPD benefit schedule increases

- In October 2023, PPD benefits increased by different proportionate amounts for different impairment ratings, resulting in an estimated overall increase of 38.0 percent.
 - The largest increase, 45 percent, applies to impairment ratings below 20.5 percent.
 - Ratings from 20.5 to 30.4 percent received a 40 percent increase.
 - Ratings from 30.5 to 45.4 percent were raised by 30 percent. Ratings between 45.5 and 50.4 percent saw a 21 percent increase.
 - Finally, ratings of 50.5 percent or higher were increased by 5 percent.
- Previous increases were in 2000 and 2018.
 - In 2000, benefits increased by different proportionate amounts for different impairment ratings, but the overall increase was an estimated 14.1 percent.
 - A five-percent increase was enacted in 2018 with uniform percent increases for all impairment ratings.

How did PPD benefits fare relative to commonly used inflation indices and the SAWW?

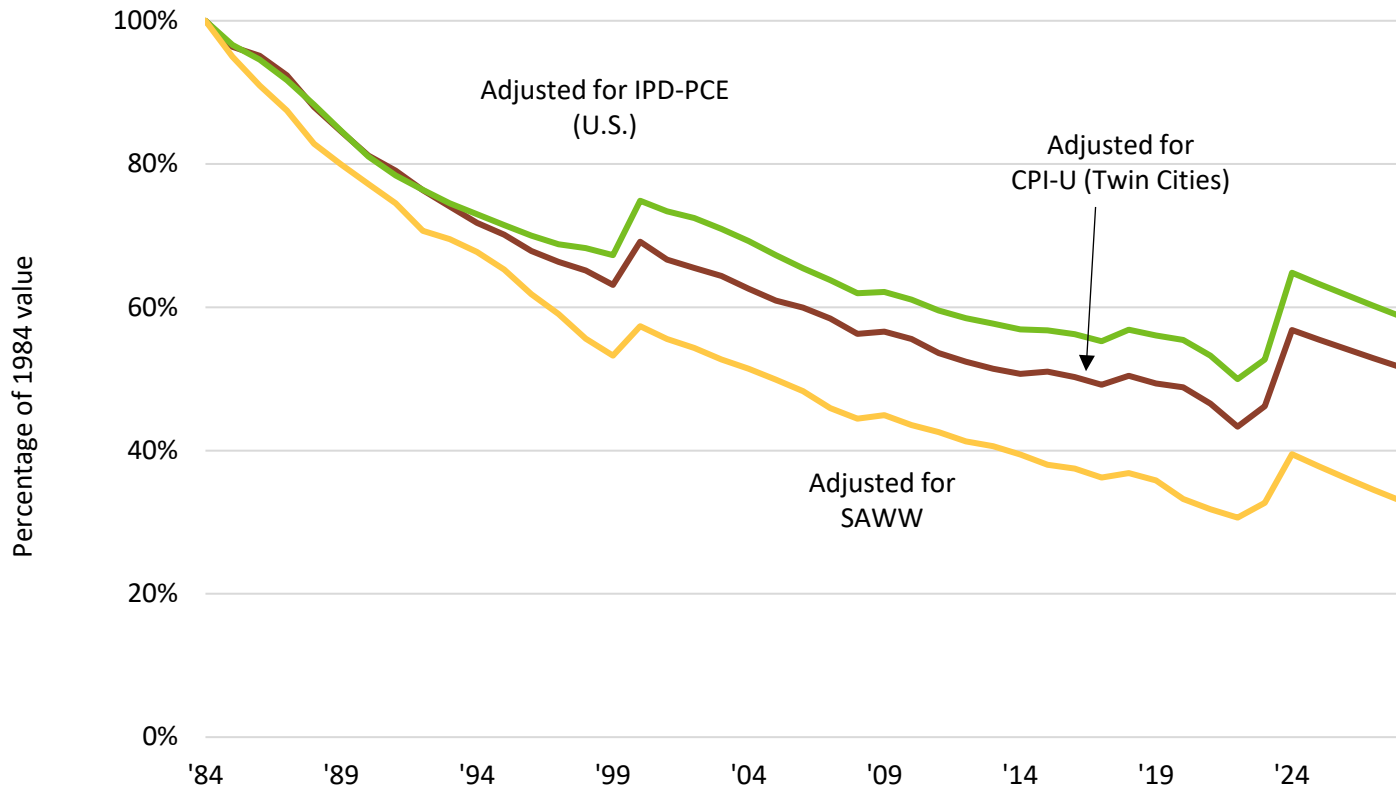
PPD benefit schedule and three wage and price indices as percentage of 1984 value, 1984-2028



- The CPI-U and IPD-PCE are different measures of price inflation, while the SAWW reflects wage growth in Minnesota.
- The SAWW is also used to adjust wage-replacement benefits in Minnesota's workers' compensation system, while the IPD-PCE is used to adjust the state and local minimum wages.
- From 1984 to 2024:
 - The PPD benefit schedule increased by 65 percent.
 - In contrast, the CPI-U for the Twin Cities rose by 291 percent and the IPD-PCE for the U.S. rose by 255 percent.
 - The SAWW for Minnesota rose by 418 percent.

Wage and inflation adjusted levels of the PPD benefit schedule have been falling over time

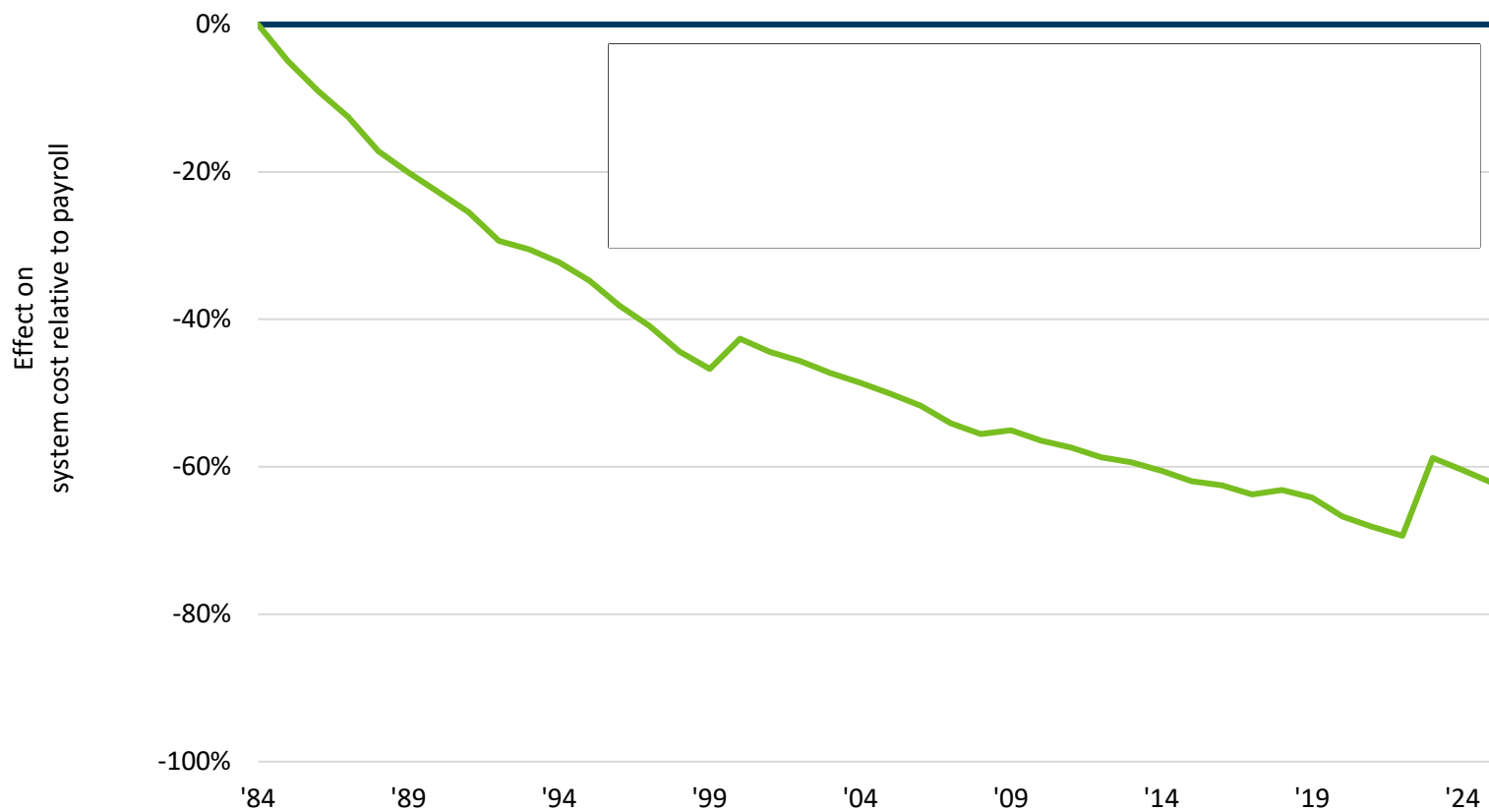
PPD benefit schedule as adjusted for three wage and price indices, as percentage of 1984 value, 1984-2028



- Because of (1) the largely stationary level of the PPD benefit schedule and (2) the rising levels of the wage and price indices:
 - The adjusted levels of the PPD benefit schedule are generally falling over time (except in 2000, 2018 and 2023).
 - In 2024, PPD benefits have 57 or 65 percent of their 1984 purchasing power, depending on whether the CPI-U (Twin Cities) or IPD-PCE (U.S.) is used for adjustment.
 - Adjusted for the SAWW, PPD benefits in 2024 were only 40 percent of the 1984 value.

The absence of indexing exerted a downward effect on system cost relative to payroll

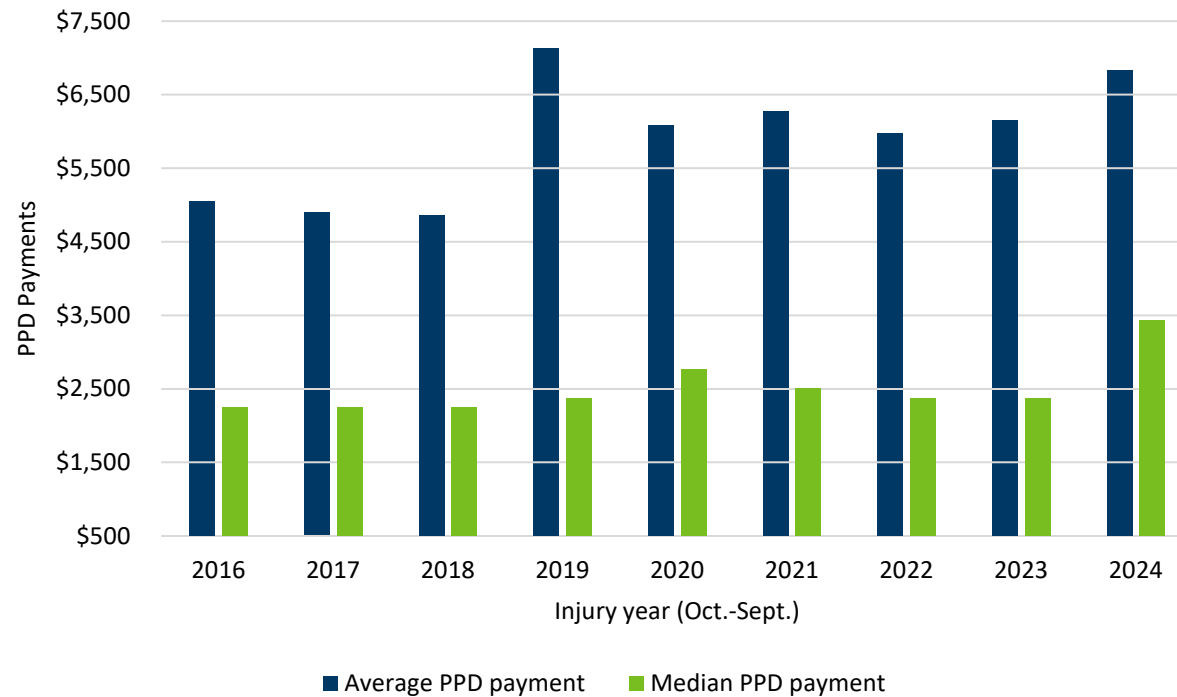
Estimated effects of two PPD benefit schedules on workers' compensation system cost per \$100 of payroll



- The absence of indexing exerted a downward effect on system cost relative to payroll that became progressively larger over time.
- This downward trend was temporarily reversed in 2023-2024 due to the one-time increase in PPD benefits.
- By 2024, the PPD schedule was 60.5% lower than if it had been indexed to the SAWW.

Preliminary result of the impact of 2023 schedule increase

Median and average PPD payment by injury year



- The median payment increased 45 percent from \$2,364 in 2023 to \$3,428 in 2024.
- The average PPD payment remained stable from 2020 to 2023, at approximately \$6,000 per year, but increased by 11 percent (\$680) from 2023 to 2024.
- The median impairment rating has remained at 3 percent since 2021, while the average rating has ranged between 5.5 and 6.0 percent during the same period.

Conclusion

- The largely stationary PPD benefit schedule (with adjustments only in 2000, 2018 and 2023) has exerted a downward effect on system cost relative to payroll.
- Without annual indexing of PPD benefits, PPD benefits' purchasing power will erode as the cost of living rises.
- It is important to remember that indexing PPD to any inflator, and its impact on system cost, depends on which year is used as the starting point.
- For instance, adjusting the PPD benefit schedule to the SAWW starting in October 2025 results in a 3.0 percent annual increase in the schedule, based on the current forecasted growth of the SAWW.
- Other factors, such as a decrease in claims with PPD benefits as a percentage of overall indemnity claims, can also lessen the impact of such an increase on system cost.

Thank you

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