HOUSE BILL REPORT

HB 1249

As Reported By House Committee On:
Commerce & Labor
Appropriations

Title: An act relating to industrial insurance permanent partial disability awards.

Brief Description: Increasing industrial insurance partial disability awards.

Sponsors: Representatives Heavey, King, Franklin, Orr, G. Cole, Jones, Veloria, Johanson and R. Meyers.

Brief History:
Reported by House Committee on:
Commerce & Labor, February 2, 1993, DP;
Appropriations, March 3, 1993, DPS.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 5 members: Representatives Heavey, Chair; G. Cole, Vice Chair; Conway; King; and Veloria.

Minority Report: Do not pass. Signed by 3 members: Representatives Lisk, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; and Horn.

Staff: Chris Cordes (786-7117).

Background: Under the state's industrial insurance system, an injured worker with a permanent partial disability receives compensation for the disability according to a statutory schedule. The schedule specifies the amount of the award for amputation of limbs and parts of limbs, as well as for loss of visual acuity and loss of hearing. Compensation amounts range from $378 for amputation of the tip of a toe to $54,000 for the amputation of an arm or leg.

The awards for unspecified amputations and hearing or vision losses are determined based on the relationship the disability bears to the disabilities specified in the award schedule. Other permanent partial disabilities that are not specified in the schedule are compensated by awards representing the proportion that the disability bears to total bodily impairment, for which the maximum compensation is $90,000.

Summary of Bill: All compensation amounts listed under the industrial insurance permanent partial disability schedule are doubled. The maximum compensation for total bodily impairment is increased from $90,000 to $180,000.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The permanent partial disability (PPD) award schedule has not been changed since 1986. The maximum award for total bodily impairment is $90,000. This amount and the amounts calculated for percentage losses do not compensate an injured worker for the losses actually incurred. If workers were permitted to sue, the personal injury awards would be much higher than workers' compensation benefits. For example, a decade ago, the average personal injury award for loss of an arm was $472,000. The Washington schedule has now lost 30 percent of its value. Twenty-four states have a higher maximum amount than Washington.

Testimony Against: The combination of escalating costs on all fronts is a serious issue in making business decisions. Industrial insurance premiums continue to rise and some of these costs, such as medical costs, cannot be controlled by the employer. If Washington is to create economic growth, costs to small businesses must be controlled. Nearby states have had their workers' compensation rates drop in recent years. Some businesses are losing work to out-of-state companies. In the logging industry, the average premium is over $7 per hour. Washington was ranked 10th by the Department of Labor and Industries for its frequency of PPD claims. When awards are too high, they become a disincentive to get the worker back to work. It is not possible to directly compare PPD awards with personal injury awards because the personal injury award includes other claims.

Witnesses: (In favor): Larry Kenney, Washington State Labor Council. (Opposed): Kathryn Fewell, Washington Self-Insurers Association; Bill Pickell, Washington Contract Loggers Association; Bob Bonnell; Carolyn Logue, National Federal of Independent Businesses; Gary Smith, Independent Business Association; George Madsen, Roofing Contractors Association of Washington; and John Ketola, Painting and Decorating Contractors. (No position): Janet Morris, Department of Labor and Industries.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Locke, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; Jacobsen; Lemmon; Linville; Morton; Peery; Rust; Sehlin; Sheahan; Sommers; Stevens; Talcott; Wang; Wineberry; and Wolfe.

Staff: Wayne Kawakami (786-7384).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Commerce & Labor: The amended bill changes all compensation amounts listed under the industrial insurance permanent partial disability schedule from a 100 percent increase to a 32 percent increase beginning on July 1, 1993. Additionally, beginning on July 1, 1994, and each July 1 thereafter, the compensation amounts shall be adjusted to the national consumer price index.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The current benefit schedule is low considering that recipients cannot sue for additional compensation. The benefit schedule is much lower compared to the compensation available from lawsuits.

Testimony Against: First priority of the department should be on claims management. After claims are controlled, then benefit increases should be addressed. Proposed benefits are an incentive for workers to remain on time loss. Benefit structure results in small companies subsidizing the large companies. The fiscal note represents only part of the dollar impact as the self-insured companies would also be affected. An interim benefit study is recommended. Concerns are related to the amount of the cost impact of the proposed benefit increase. An increase for cost-of-living adjustments would be supportable.

Witnesses: Representative Dick King, prime sponsor; (opposed) Melanie Stewart, Washington Self-Insurers Association; Duke Schaub, Associated General Contractors of Washington; Clif Finch, Associated Businesses of Washington; and Kathleen Collins, Association of Washington Cities (supports with concerns).