

Measuring the Adequacy and Equity of Montana's Wage Loss Benefits

Update

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Policy Objectives

- Adequacy -- Level of benefits
 - How much of workers' lost wages are replaced by benefits?
- Equity – Distribution of benefits across workers
 - Horizontal equity—similarly disabled workers get similar benefits
 - Vertical equity— more seriously disabled workers get higher benefits
- Cost—employers and workers are concerned with impact of the cost of workers' compensation on profits, jobs, and wage levels.

Policy Objectives

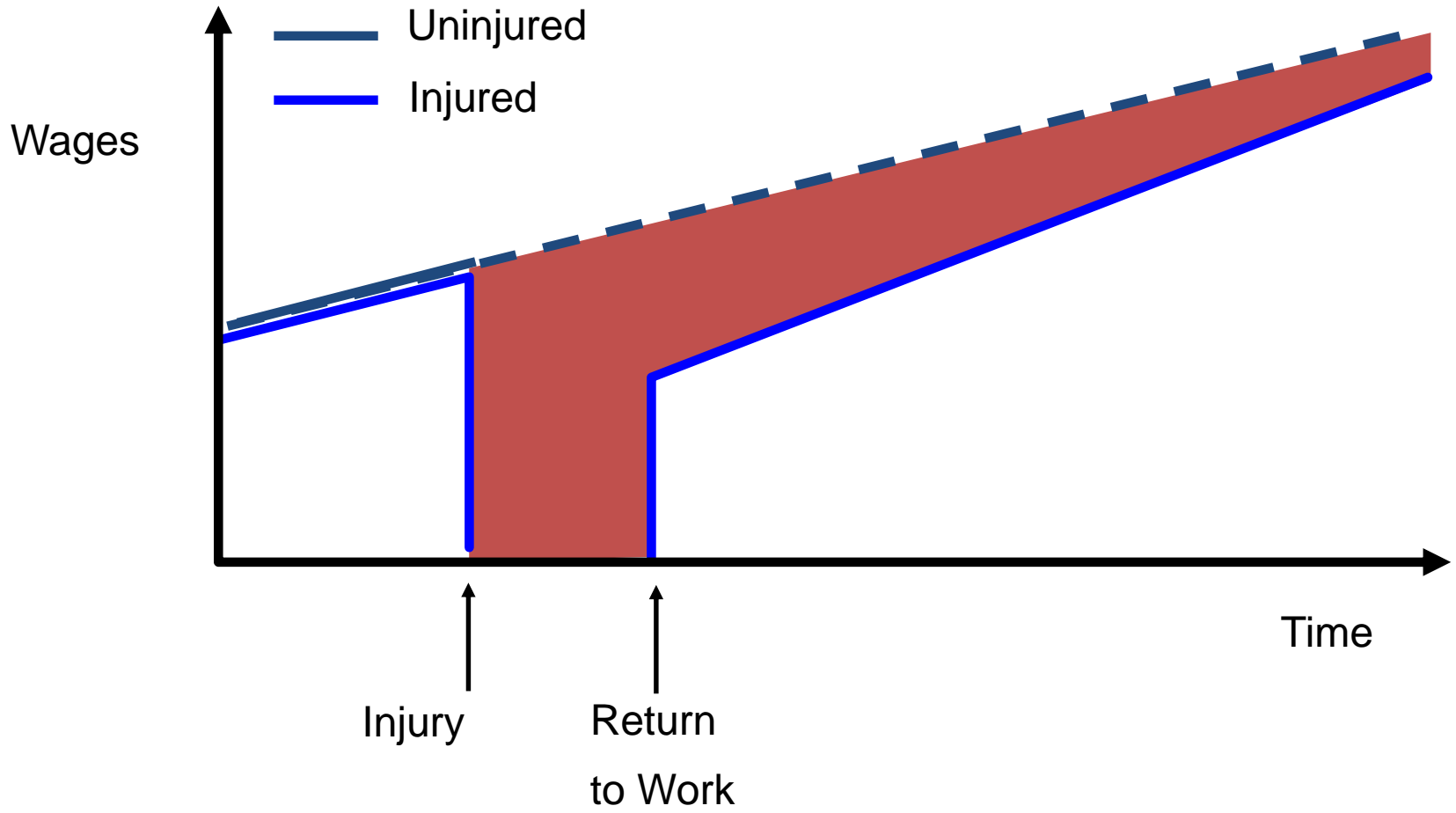
- Adequacy and equity are usually treated in a vacuum
 - Level of benefits is knownbut
 - Level of losses is unknown
 - Distribution of losses across workers is unknownSo,
 - Adequacy of wage loss replacement is unknown
 - Equity across differently affected workers is unknown

ERD study will fill in the missing pieces and allow LMAC, EAIC, and ultimately the Legislature to make informed decisions

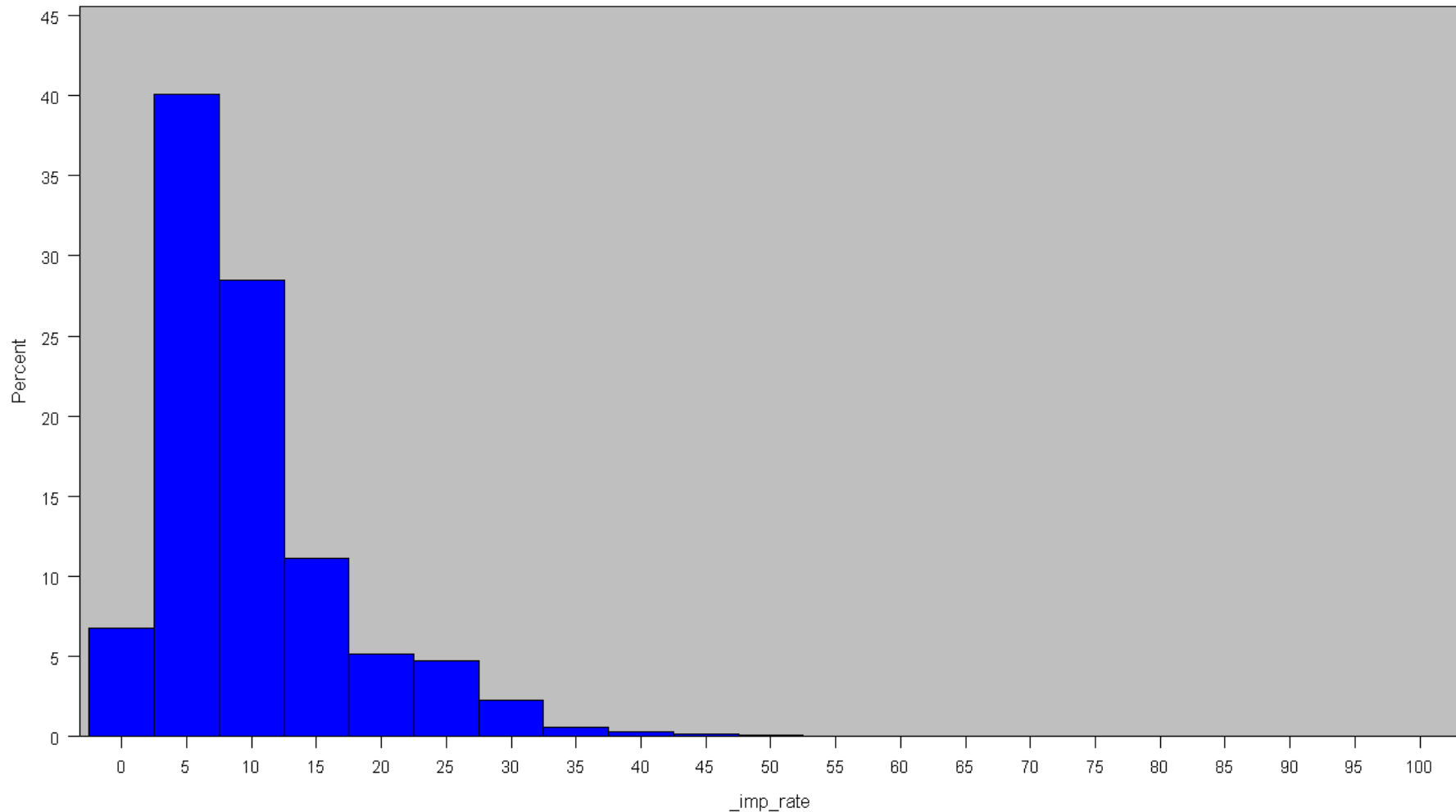
Estimating Wage Loss

- Main challenge—we do not observe the injured workers wages if they had not been injured—need to estimate future wages
- Wages at-injury are a poor proxy for future wage path
 - Age
 - Unemployment
 - School-family-children

Estimating Wage Loss



Impairment Rating Distribution-- Orders



Impairment Rating Distribution

Impairment Rating Types

