

**ANALYSIS OF MONTANA'S
LABOR MANAGEMENT ADVISORY COMMITTEE (LMAC)
DRAFT STATUTORY CHANGES FOR BENEFITS OPTIONS 4-15-10 MEETING**

The estimated impact is based on the language used in the LMAC Benefits Subcommittee – Draft statutory changes for benefits options 4-15-10 meeting. After discussions with stakeholders and the LMAC, there are instances where the language used does not exactly reflect the intent.

NCCI has evaluated the cost impact based on our understanding of the intent of the language. Changes to the draft will consequently be evaluated to address the actual statutory language and its possible cost impact, which may differ considerably from the analysis herein.

Part 1a – Terminate Temporary Total Disability (TTD) Benefits only after Maximum Medical Healing (Maximum Medical Improvement or MMI) plus 14 days and Permanent Partial Rating Issued

- The estimated range of impacts is shown below:

Steps	Low	High
Impact to TTD Benefits	-15.2%	-4.9%
Percent of TTD Benefits to Total Indemnity Benefits*	40.1%	
Impact to Indemnity Benefits	-6.1%	-2.0%
Percent of Indemnity Benefits to Total Benefits^	28.8%	
Overall Impact	-1.8%	-0.6%

*Based on NCCI Montana Statistical Plan and Detailed Claims Information (DCI) data

^Based on NCCI Financial Call data

- Data used for this estimate was provided by the Department of Labor & Industry Employment Relations Division (ERD). It consists of all claims with TTD benefits with injury dates occurring between 7/4/2004 to 7/4/2009 as of March 2010. Due to the lack of maturity, claims with injury dates on or after January 1, 2007 were excluded from this analysis.
- The high end of the range assumes that for many cases the permanent partial rating is received approximately 6 weeks later than MMI. This is based on stakeholder input that for 50% of the claims there would be an average delay of about 6 weeks after MMI to receive an impairment rating. As such under the proposed changes, TTD benefits are estimated to terminate by applying a cap of 6 weeks after MMI date for the applicable claims. For claims with no MMI dates, we assume no savings.
- The low end of the range assumes that all TTD benefits are terminated at MMI+14 days and that the same percentage of savings for those claims that do have an MMI date reported would apply to those that do not. This is based on the communication from ERD that not all claim records where the injured worker has reached MMI have the MMI date reported.

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Part 1c – Eliminate Vocation Rehabilitation (VR) Benefits to All Claims except Permanent Total Disability (PTD) Claims

- The estimated range of impacts is shown below:

Steps	Low	High
Impact to VR Benefits	-97.6%	-69.9%
Percent of VR Benefits to Total Indemnity Benefits*	7.0%	4.5
Impact to Indemnity Benefits	-6.8%	-3.1%
Percent of Indemnity Benefits to Total Benefits	28.8%	
Overall Impact	-2.0%	-0.9%

*Based on NCCI DCI data and *Montana Workers Compensation Annual Report Fiscal Year 2008*

- Data used for this estimate was provided by ERD. It consists of all indemnity claims during fiscal years from 2003 to 2009. According to ERD, the reporting of VR on claims for the most recent 3 years is not accurate, so NCCI did not rely on data for those claims. This also implies that the 12% of VR benefits as a percentage to total indemnity benefits used in DMU's report ("Explanation of Cost Estimates") is inaccurate.
- The estimated impact is based on the expected reduction in the number of claims with VR. A key assumption employed is that VR benefits paid per claim are comparable among claims of different injury types.
- The high end of the range reflects the impact of eliminating VR benefits for all claims other than PTD. Additionally, according to stakeholders' feedback, roughly 25% of permanent partial disability (PPD) claims currently eligible for VR benefits will continue to receive VR benefits on a voluntary basis in order to prevent a claim from turning into a PTD.
- The low end of the range reflects the maximum savings from limiting the eligibility to VR benefits for PTD claims only.

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