

**COST-OF-LIVING ADJUSTMENT
FOR BENEFITS PURSUANT TO SECTION 306(h)
OF THE PENNSYLVANIA WORKMEN'S COMPENSATION ACT**

General Assembly of the Commonwealth of Pennsylvania
JOINT STATE GOVERNMENT COMMISSION

October 1986

The Joint State Government Commission was created by act of 1937, July 1, P.L. 2460, as amended, as a continuing agency for the development of facts and recommendations on all phases of government for the use of the General Assembly.

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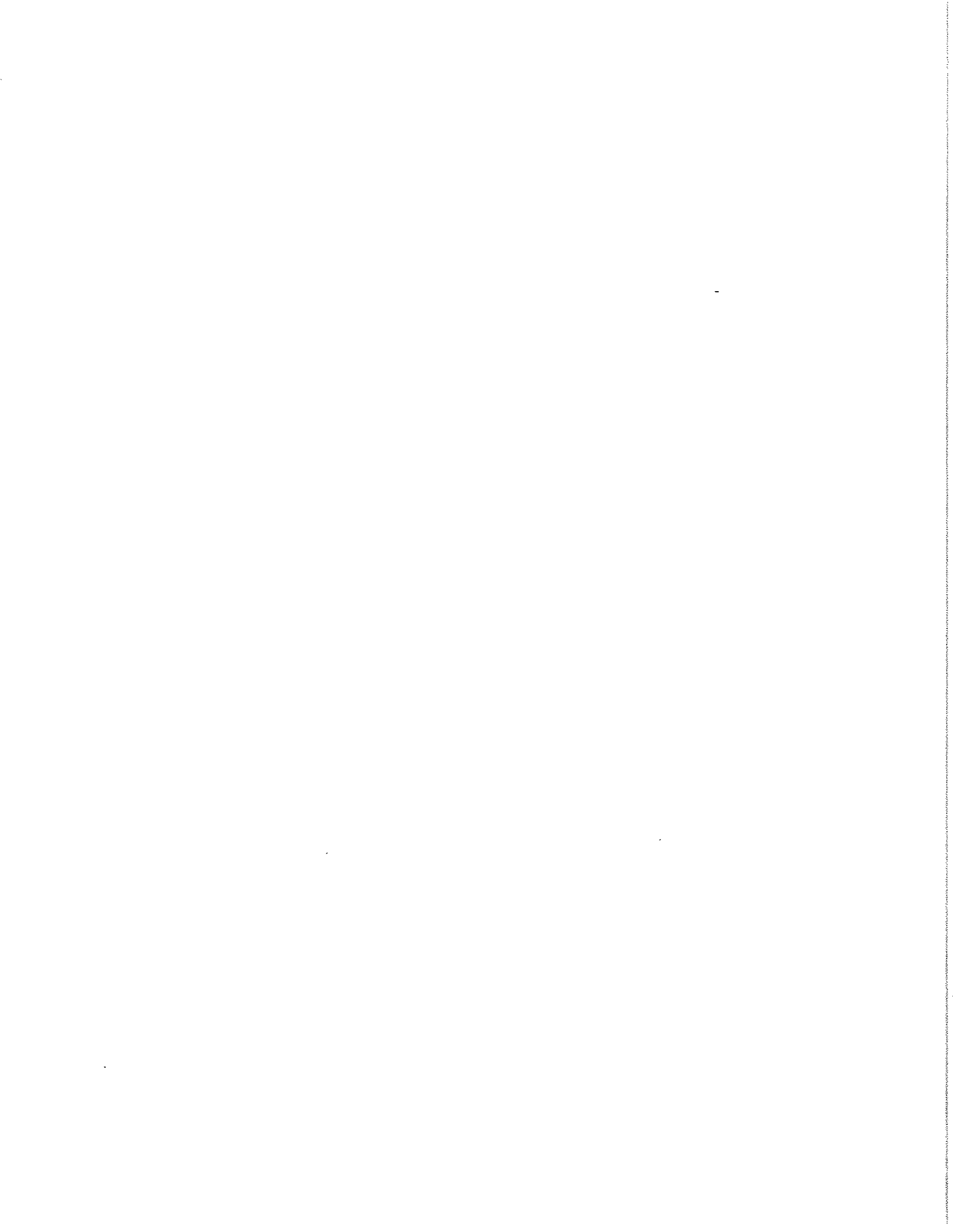
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GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA
JOINT STATE GOVERNMENT COMMISSION

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October 2, 1986

TO THE MEMBERS OF THE GENERAL ASSEMBLY:

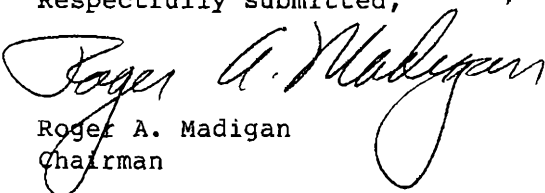
This report presents the findings of a Joint State Government Commission staff study conducted pursuant to 1986 House Resolution No. 253. The resolution, adopted April 9, 1986, calls for the study of a cost-of-living adjustment for persons covered under section 306(h) of the Pennsylvania Workmen's Compensation Act.

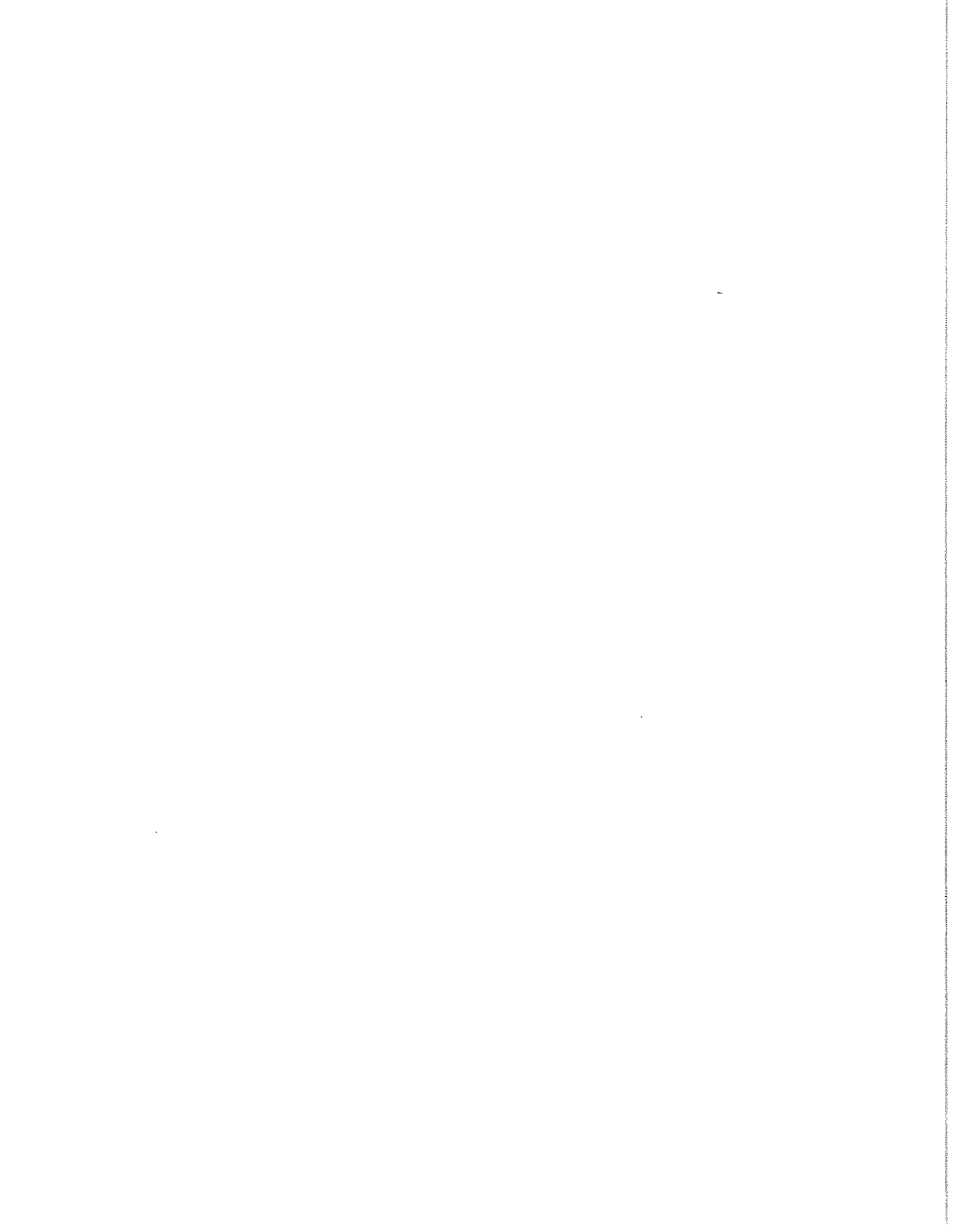
Following the mandate of the resolution, the Commission staff--under Donald C. Steele, research director--provides the following information in this study: (1) the total number of persons presently receiving compensation under section 306(h) of the act; (2) several alternative recommendations for increasing benefit rates to reflect cost-of-living increases since compensation was last updated for this set of persons; (3) the costs to the Commonwealth of the proposed benefit increases; and (4) a recommendation for legislation to implement the proposed increases.

Data on current benefit recipients under section 306(h) were supplied by the Pennsylvania Department of Labor and Industry, Bureau of Workers' Compensation at the request of the Joint State Government Commission staff.

The Joint State Government Commission expresses appreciation to William A. Hawkins, Deputy Secretary for Industry, Department of Labor and Industry, and to Jan C. Smith, Director, Bureau of Workers' Compensation--and to his staff--for their cooperation in providing information.

Respectfully submitted,


Roger A. Madigan
Chairman



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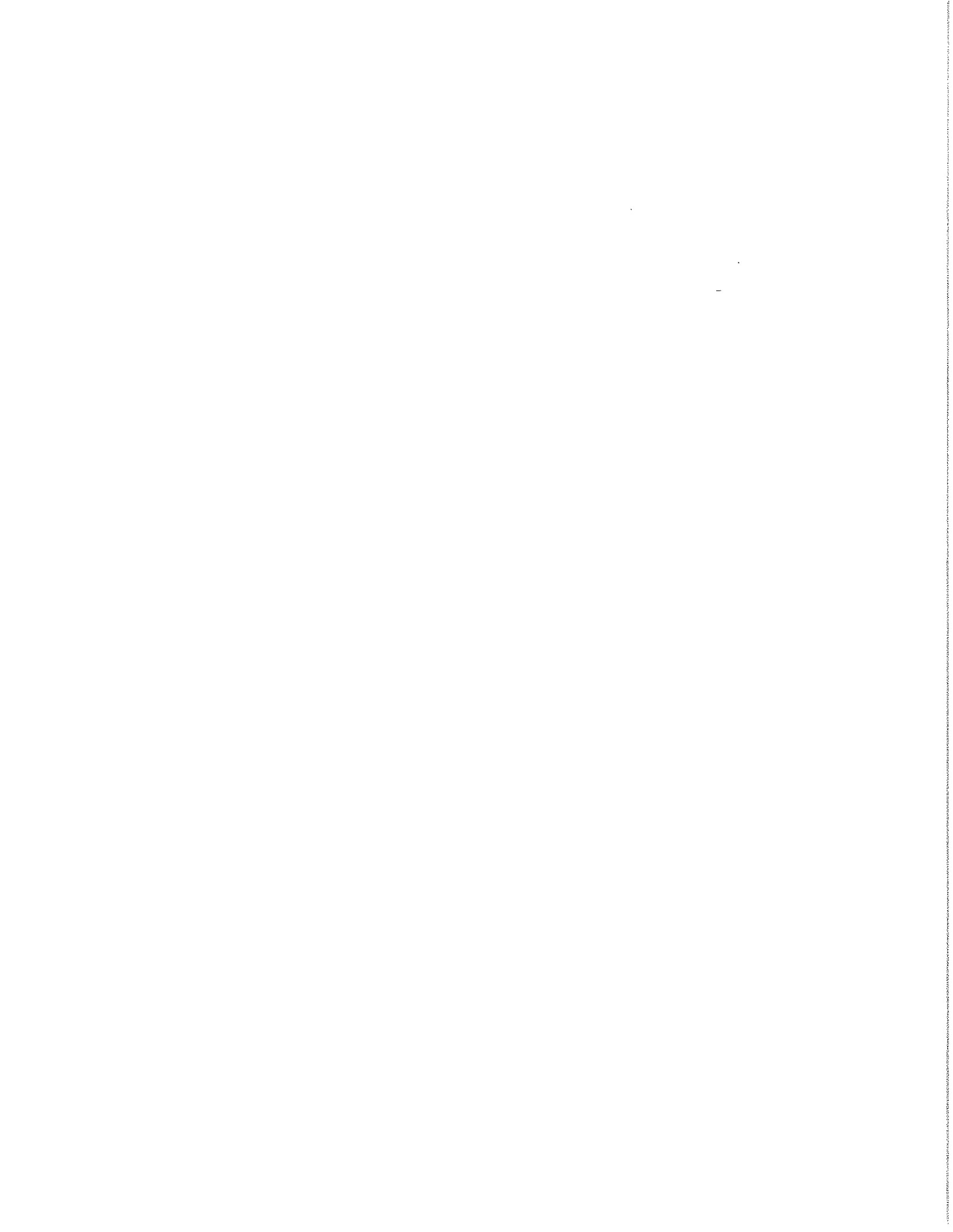
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Summary

1. 1986 House Resolution No. 253 directs the Joint State Government Commission to determine how many persons presently receive compensation under section 306(h) of the Pennsylvania Workmen's Compensation Act, to examine how best to increase benefit rates to reflect cost-of-living increases since benefits were last updated in 1975, to provide cost figures to the Commonwealth for any proposed increases, and to make appropriate legislative recommendations.
2. Section 306(h) of the act of June 2, 1915 (P.L.736, No.338), known as the Pennsylvania Workmen's Compensation Act (77 P.S. § 583), was added by the amendatory act of December 5, 1974 (P.L.782, No.263), section 11, and became effective July 1, 1975. In effect, section 306(h) increases benefits for persons receiving workers' compensation as a result of accidents which occurred prior to March 17, 1968 to \$60 per week, and survivor death benefits to \$39 per week.
3. As of the second quarter of the current fiscal year, 1,110 persons will receive compensation under section 306(h): 1,078 for

disabilities and 32 as death benefits. Table 1 presents a distribution of these persons by type of benefit, age and gender.

4. There are several alternatives for increasing benefits to reflect cost-of-living increases since 1975. First, benefits could be increased by the same percentage as the increase in some widely used measure of the cost of living, e.g., the U.S. Consumer Price Index (CPI). Second, benefits could be based on the amount received by currently disabled persons, adjusted to reflect the ratio of benefits for section 306(h) persons to the benefits for currently disabled persons and survivors which prevailed in 1975. Computed both ways, the revised benefits are nearly identical: about \$120 per week for disability recipients, and about \$78 per week for survivors. Third, benefits could be increased by a portion of the full increase in the CPI. Benefit increases based on several fractions of the full increase in the CPI are given on page 16.

5. Any increase in section 306(h) benefits must be totally covered by an increase in reimbursements by the Commonwealth to the insurance carriers and self-insured employers who make the benefit payments. The Commonwealth's total cost for benefit increases based on the full increase in the CPI from 1975 to 1985 would be approximately \$3.4 million in 1986. Estimated annual costs for future years would depend upon mortality assumptions. Approximate total current and future costs based on two different mortality tables range from \$36 million to \$53 million, as shown in table 5.

Costs for benefit increases based on several fractions of the full increase in the CPI are shown on page 21.

6. Implementing legislation for benefit increases based on the full increase in the CPI from 1975 to 1985 is given in chapter III. Variations for several fractions of the full increase are also presented.

I. Introduction

1986 HOUSE RESOLUTION NO. 253

House Resolution No. 253, introduced by Representatives Belfanti, Manderino and Cohen was adopted April 9, 1986:

A RESOLUTION

Directing the Joint State Government Commission to study the status of occupational disability compensation insurance and the awarding of certain disability compensation benefits.

WHEREAS, Before June 30, 1977,¹ there were Pennsylvanians who, because of job-related injuries, found themselves eligible to collect disability compensation benefits and certain of these disabled workers actually received benefit amounts of less than \$60 per week; and

WHEREAS, The General Assembly of the Commonwealth amended the Workmen's Compensation Law to award a \$60-a-week benefit rate for all those below that rate for as long as the benefit lasted, in most cases until death, making it possible for those collecting it to afford the cost of living, at that time; and

WHEREAS, Since 1977¹ the cost of living in Pennsylvania far exceeds \$60 per week, and while the minimum benefit rate for Workmen's Compensation in Pennsylvania is \$112 in 1985, there are still Pennsylvanians collecting benefits of \$60 a week; therefore be it

¹1977 is apparently a typographical error; the correct date should be 1975.

RESOLVED, That the Joint State Government Commission conduct a study to determine how many disabled Pennsylvanians collect the \$60-a-week benefit, examine how best to adjust this rate and provide cost figures to the Commonwealth, if increases were to be made; and be it further

RESOLVED, That the Joint State Government Commission report its findings and recommendations for legislation to the House of Representatives as soon as possible.

LEGISLATIVE BACKGROUND:

SECTION 306(h) OF THE PENNSYLVANIA WORKMEN'S COMPENSATION ACT

Section 306(h) of the act of June 2, 1915 (P.L.736, No.338), known as the Pennsylvania Workmen's Compensation Act (77 P.S. § 583), hereinafter "the act," was added by the amendatory act of December 5, 1974 (P.L.782, No.263), section 11, effective July 1, 1975.² Section 306(h) provides that:

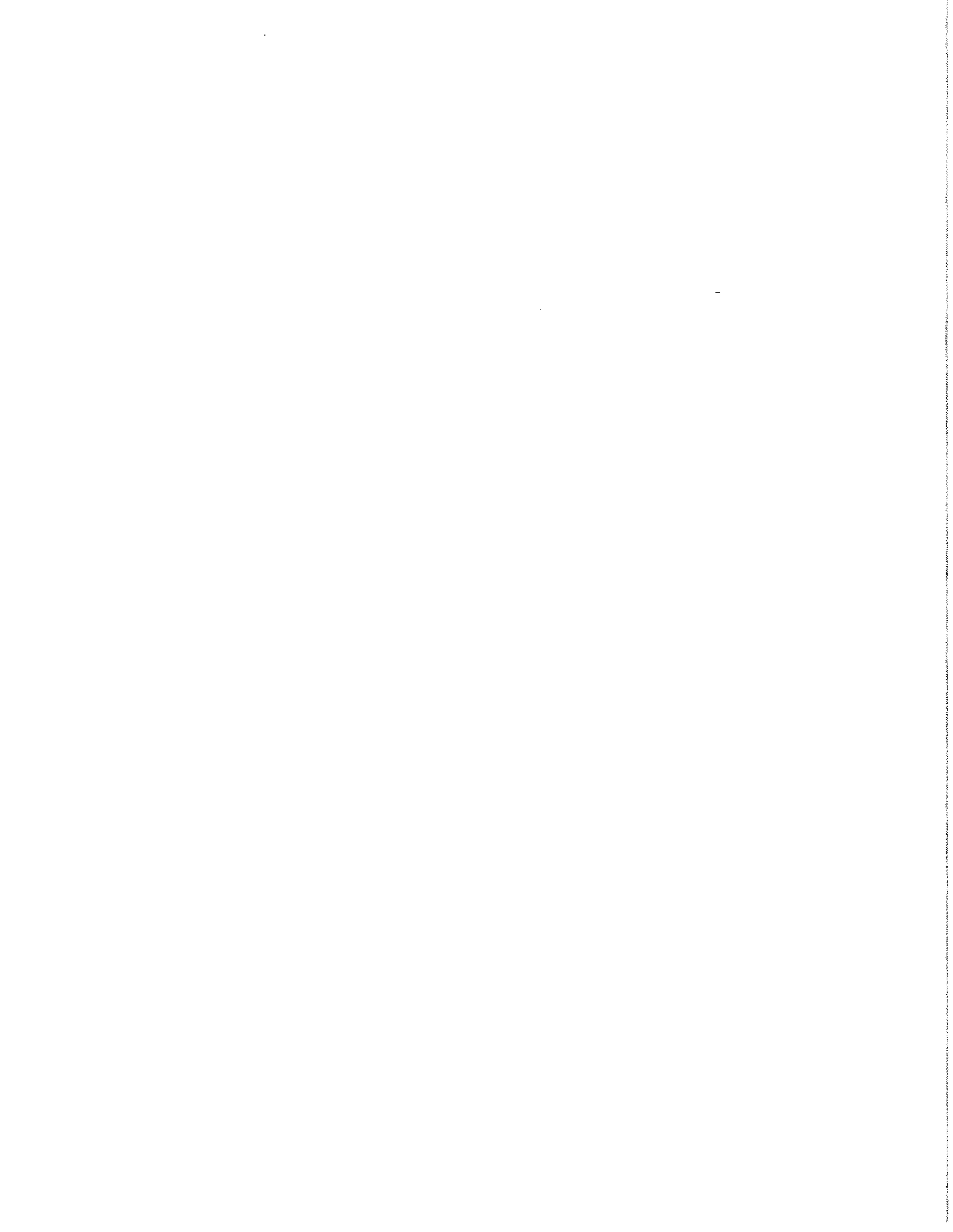
Any person receiving compensation under sections 306(a), 306(b), 306(c)(23), or section 307, as a result of an accident which occurred prior to the effective date of the amendatory act of January 17, 1968 (P.L.6, No.4) shall have the compensation rate adjusted to the level they would have received had the injury occurred on the effective date of the amendatory act of January 17, 1968 (P.L.6, No.4) and had the injured employe been earning wages equal to ninety dollars (\$90) per week. The additional compensation shall be paid by the self-insured employer or insurance carrier making payment and shall be reimbursed in advance by the Commonwealth on a quarterly basis as provided in rules and regulations of the department. The payment of additional compensation shall be made by the carrier or self-insured employer only during those fiscal years for which appropriations are made to cover reimbursement.

²The effective date of all other provisions of the act of December 5, 1974 (P.L.782, No.263) was February 3, 1975.

Section 306(a) of the act refers to compensation for total disability, section 306(b) to compensation for partial disability, section 306(c)(23) to compensation for certain severe permanent injuries, and section 307 to death benefits. The act of January 17, 1968 (P.L.6, No.4) became effective March 17, 1968. The pertinent provisions of the act have not been amended since that date.

In effect, section 306(h) provides that persons receiving workers' compensation as a result of accidents which occurred prior to March 17, 1968 are to have their benefits computed as follows:

1. Total disabilities and permanent injuries under section 306(c)(23) - benefits are set at \$60 per week with no maximum term.
2. Partial disabilities - benefits are set at 66-2/3 percent of the difference between \$90 and the employee's earning power per week, with a maximum benefit of \$45 per week and a maximum term of 350 weeks.
3. Death benefits - for spouses without children (for so long as the spouse remains unmarried), benefits are set at \$39 per week with no maximum term. For children and siblings, benefits are differentiated by the relationship of those left behind to the deceased person; benefits are cut off when each child or sibling reaches 18 years of age.



II. Cost-of-Living Adjustment for Section 306(h) Compensation Recipients

NUMBER OF PERSONS PRESENTLY RECEIVING COMPENSATION UNDER SECTION 306(h)

Records of the Pennsylvania Department of Labor and Industry, Bureau of Workers' Compensation, indicate that a total of 1,110 persons will receive compensation under section 306(h) of the act during the second quarter of the fiscal year ending June 30, 1987. Recipients include 1,078 persons (97 percent) receiving compensation for total disabilities and permanent injuries (disability recipients), and 32 spouses (3 percent) receiving compensation as death benefits (survivor recipients). Compensation under section 306(h) relating to partial disabilities and to death benefits for children and siblings is no longer payable, due to the expiration of maximum term and age provisions in section 306(b) and (c) and section 307.

Table 1 shows a distribution of the section 306(h) compensation recipients, by type of benefit, age and gender. Disability recipients include 856 males (79 percent) and 222 females (21 percent); survivor recipients include 1 male and 31 females. In 1986 recipient ages range from 39 to 101. For disability recipients, the average (mean) age is 67

Table 1

AGE DISTRIBUTION OF RECIPIENTS OF WEEKLY COMPENSATION
AND WEEKLY REIMBURSEMENT TO INSURERS BY THE COMMONWEALTH
PURSUANT TO SECTION 306(h) OF THE PENNSYLVANIA WORKMEN'S COMPENSATION ACT
SECOND QUARTER FISCAL YEAR ENDING JUNE 30, 1987

Age group	Males				Females				Total			
	Number	Percentage of total	Total reim- bursement	Average reim- bursement	Number	Percentage of total	Total reim- bursement	Average reim- bursement	Number	Percentage of total	Total reim- bursement	Average reim- bursement
Disability recipients ^a												
39-42	4	.5%	\$55.27	\$13.82	1	.4%	\$16.92	\$16.92	5	.5%	\$72.19	\$14.44
43-46	18	2.1	227.99	12.67	1	.4	23.53	23.53	19	1.7	251.52	13.24
47-50	31	3.6	375.37	12.11	1	.4	24.91	24.91	32	2.9	400.28	12.51
51-54	48	5.6	628.60	13.10	24	9.5	383.07	15.96	72	6.5	1,011.67	14.05
55-58	87	10.2	1,167.13	13.42	30	11.9	619.99	20.67	117	10.5	1,787.12	15.27
59-62	98	11.4	1,395.40	14.24	36	14.2	714.21	19.84	134	12.1	2,109.61	15.74
63-66	114	13.3	1,688.55	14.81	16	6.3	300.09	18.76	130	11.7	1,988.64	15.30
67-70	117	13.7	1,561.92	13.35	34	13.3	590.88	17.38	151	13.4	2,152.80	14.26
71-74	115	13.4	1,582.48	13.76	24	9.5	531.84	22.16	139	12.5	2,114.32	15.21
75-78	95	11.1	1,531.59	16.12	28	11.1	610.80	21.81	123	11.1	2,142.39	17.42
79-82	79	9.2	1,388.70	17.58	13	5.1	310.85	23.91	92	8.3	1,699.55	18.47
83-86	35	4.1	593.67	16.96	9	3.6	199.43	22.16	44	4.0	793.10	18.02
87-90	8	0.9	157.34	19.67	3	1.2	76.17	25.39	11	1.0	233.51	21.23
91-94	3	.3	54.00	18.00	2	0.8	38.70	19.35	5	.5	92.70	18.54
95-101	4	.5	106.45	26.61	--	--	--	--	4	.4	106.45	26.61
Subtotal	856	99.9	12,514.46	14.62	222	87.7	4,441.39	20.01	1,078	97.1	16,955.85	15.73
Survivor recipients Avg. age 76 ^b	1	.1	34.00	34.00	31	12.3	1,054.00	34.00	32	2.9	1,088.00	34.00
Grand total	857	100.0	\$12,548.46	\$14.64	253	100.0	\$5,495.39	\$21.72	1,110	100.0	\$18,043.85	\$16.26

a. For disability recipients, the average (mean) age is 67 for males, 66 for females and 67 overall.

b. Available data from the Bureau of Workers' Compensation do not permit the determination of the ages of individual survivor recipients covered under section 306(h). Using available injury dates, and assumptions about the median age of injured persons who subsequently died and the relative ages of their surviving spouses, an average age of the survivor recipients as a group was computed for this study.

SOURCE: Pennsylvania Department of Labor and Industry, Bureau of Worker's Compensation.

for males, 66 for females and 67 overall. For survivor recipients, the average age is 76.³

The table also shows the average and total weekly reimbursements required of the Commonwealth to self-insured employers and insurance carriers under the provisions of section 306(h); these Commonwealth reimbursements are required to increase pre-1968 weekly benefits to \$60 for disability recipients, and to \$39 for survivor recipients. The average weekly reimbursement for disability recipients is \$14.62 for males, \$20.01 for females and \$15.73 overall; the weekly reimbursement for survivor recipients is \$34.00, for both males and females.⁴ As of the second quarter of the current fiscal year, the Commonwealth's total reimbursement for all section 306(h) recipients is \$18,043.85 per week, or \$938,280 on an annual basis.

ALTERNATIVES FOR INCREASING THE COMPENSATION OF SECTION 306(h) RECIPIENTS

Section 306(h) of the Workmen's Compensation Act established the same weekly benefit rates for all persons who had become disabled or surviving spouses prior to March 17, 1968 (and who were still receiving

³Available data from the Bureau of Workers' Compensation do not permit the determination of the ages of individual survivor recipients covered under section 306(h). Using available injury dates, and assumptions about the median age of injured persons who subsequently died and the relative ages of their surviving spouses, an average age in 1986 of the survivor recipients as a group was computed for this study.

⁴For the second quarter of fiscal year 1987, Commonwealth reimbursements for all individuals range from \$2.00 to \$53.08 per week.

benefits), as the maximum weekly benefit rates which were established by the act of January 17, 1968 (P.L.6, No.4) for persons who became totally disabled or surviving spouses on or after March 17, 1968. By the July 1, 1975 effective date of section 306(h), however, the benefit rates for the pre-1968 disabled and survivor group were already lower than the rates for their current counterparts. This occurred because two amendatory acts had already increased benefits for currently disabled persons and survivors beyond the maximum 1968 levels: the act of March 29, 1972 (P.L.159, No.61), effective May 1, 1972, and the act of December 5, 1974 (P.L.782, No.263), effective February 3, 1975.

Since May 1, 1972, workers' compensation has increased annually for currently disabled persons and surviving spouses. As a general rule, weekly benefits are computed in reference to employee wages. Since May 1, 1972, maximum, minimum and "floor" weekly benefits for disabled persons, and maximum weekly benefits for surviving spouses, have been tied to the Statewide Average Weekly Wage (SAWW). All benefits are computed for the year during which the disability occurs, and continue at the same level for so long as the person remains eligible for the same type of benefits. Table 2 details the maximum, average general, minimum and "floor" weekly benefit rates for current totally disabled workers, and the maximum and average general benefit rates for surviving widows, which have been in effect during each year (or portion of a year) since May 1, 1972 under the various amendatory acts; similar benefits which were made effective beginning March 17, 1968 and were in effect until May 1, 1972 are also shown, for comparison purposes. The average general

Table 2
WEEKLY BENEFIT RATES FOR TOTALLY DISABLED PERSONS AND SURVIVING SPOUSES
1968 to 1985

Year	Totally disabled persons				Surviving spouses	
	Maximum weekly benefit ¹	Average general weekly benefit ²	Minimum weekly benefit ³	"Floor" benefit ⁴	Maximum weekly benefit ⁵	Average general weekly benefit ⁶
3/17/68- 4/30/72	\$60.00	na	\$35.00	\$22.00	\$39.00	\$30.60
5/1/72- 12/31/72	94.00	\$94.00	47.00	31.33	94.00	71.91
1973	100.00	100.00	50.00	33.33	100.00	76.50
1974	106.00	106.00	53.00	35.33	106.00	81.09
1/1/75- 2/2/75	114.00	114.00	57.00	38.00	114.00	87.21
2/3/75- 6/30/75	114.00	114.00	85.50	38.00	171.00	87.21
7/1/75- 12/31/75	171.00	114.00	85.50	57.00	171.00	87.21
1976	187.00	124.67	93.50	62.33	187.00	95.37
1977	199.00	132.67	99.50	66.33	199.00	101.49
1978	213.00	142.00	106.50	71.00	213.00	108.63
1979	227.00	151.33	113.50	75.67	227.00	115.77
1980	242.00	161.33	121.00	80.67	242.00	123.42
1981	262.00	174.67	131.00	87.33	262.00	133.62
1982	284.00	189.33	142.00	94.66	284.00	144.84
1983	306.00	204.00	153.00	102.00	306.00	156.06
1984	320.00	213.33	160.00	106.67	320.00	163.20
1985	336.00	224.00	168.00	112.00	336.00	171.36
1986	347.00	231.33	173.50	115.67	347.00	176.97

1. Until 5/1/72, \$60 per week; from 5/1/72 to 6/30/75, 66-2/3 percent of statewide average weekly wage (SAWW); thereafter, 100 percent of SAWW.

2. After 5/1/72, 66-2/3 percent of SAWW.

3. Until 5/1/72, \$35 per week; from 5/1/72 to 2/3/75, 50 percent of maximum weekly compensation (66-2/3 percent of SAWW); thereafter, 50 percent of SAWW.

4. Until 5/1/72, \$22 per week; thereafter, 33-1/3 percent of maximum benefit.

5. Until 5/1/72, \$39 per week; from 5/1/72 to 7/1/75, 66-2/3 percent of SAWW; thereafter, 100 percent of SAWW.

6. Until 5/1/72, 51 percent of the maximum benefit; thereafter, 51 percent of the SAWW.

na. Not applicable.

SOURCE: Pennsylvania Department of Labor and Industry, Bureau of Workers' Compensation.

weekly benefits shown are the statutory benefit rates (66-2/3 percent for disabled persons and 51 percent for survivors) applied to the SAWW. The minimum benefit rates are established as such by statute, but for persons earning less than the minimum benefit rate, the "floor" benefit rates are also established by statute to guarantee an absolute minimum.

The data in table 2 indicate that, from May 1, 1972 to 1985, the average general benefit for current totally disabled persons has increased from \$94 to \$224 per week, and for surviving spouses from \$71.91 to \$171.36 per week. These 138 percent increases in current benefits are the result of the percentage increase in the SAWW during this period.

From 1975 to 1985, the "cost of living," as measured by a widely used indicator, has roughly doubled. Table 3 lists changes in the U.S. Consumer Price Index (CPI) for each year during this interval. Measured against changes in the CPI, average general weekly benefits for current totally disabled persons and survivors have grown at about the same rate as the cost of living since 1975.

However, since July 1, 1975, compensation for section 306(h) recipients has remained constant at \$60 per week for all disabled persons, and \$39 per week for all surviving spouses.

There are several alternative methods which might be employed to compute increases in section 306(h) benefits which would reflect changes in the cost of living since these benefits were last updated:

1. Benefits for the section 306(h) recipients could be increased by the same percentage as the increase in a widely used

Table 3

U.S. CONSUMER PRICE INDEX
1975 to 1985
(1975=100.0)

Year	U.S. CPI ¹	
	Index	Annual percentage change
1975	100.0	--
1976	105.8	5.8%
1977	112.6	6.4
1978	121.2	7.6
1979	134.9	11.3
1980	153.1	13.5
1981	169.0	10.4
1982	179.3	6.1
1983	185.1	3.2
1984	193.0	4.3
1985	199.9	3.6

1. All items.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

measure of the cost of living, e.g. the U.S. Consumer Price Index. In 1985, based on the full increase in the CPI since 1975, the weekly benefit for section 306(h) disability recipients would increase to \$120, and for survivor recipients to \$78 (rounded amounts).⁵

2. Benefits adjustments could be based on the average general weekly benefits for current total disability and survivor recipients in 1985, adjusted to preserve the ratio of section 306(h) weekly benefits to current average general weekly benefits which prevailed on July 1, 1975. On this basis, the weekly benefit for section 306(h) disability recipients would increase to \$118, and for survivor recipients to \$77.⁶

3. Benefits could be increased by a portion of the increase computed under either of the first two alternative methods. For example, the revised benefits computed for several fractions of the full increase in the CPI since 1975 would be as follows:

<u>Fraction of the full increase in the CPI</u>	<u>Revised weekly benefits</u>	
	<u>Disability recipients</u>	<u>Survivor recipients</u>
one-third	\$80.00	\$52.00
one-half	90.00	58.50
two-thirds	100.00	65.00

⁵Increases computed as $(199.9/100) \times \$60 = \120 for disability recipients, and as $(199.9/100) \times \$39 = \78 for survivor recipients. See table 3.

⁶Increases computed as $(\$60/\$114) \times \$224.00 = \118 for disability recipients, and as $(\$39/\$114) \times \$224 = \77 for survivor recipients. See table 2.

Benefit revisions under the first two alternatives are nearly identical. An increase of either amount would approximately restore the real purchasing power of the benefits for section 306(h) persons last updated in 1975.⁷ Benefits for section 306(h) disability recipients would stand in the same relationship to the Statewide Average Weekly Wage as the benefits for those currently disabled, but would be adjusted to preserve the ratio of benefits for section 306(h) persons to the benefits for currently disabled persons which prevailed in 1975. Section 306(h) survivor benefits would be the same proportion of disability benefits as they were in 1975--65 percent.

A revision under the third alternative would acknowledge the need for increases in section 306(h) benefits because of recent increases in the cost of living, but would also acknowledge current and future Commonwealth budget constraints.

COSTS TO THE COMMONWEALTH OF INCREASING THE COMPENSATION OF SECTION 306(h) RECIPIENTS

Any increase in section 306(h) benefits must be totally covered by an increase in reimbursements by the Commonwealth to the insurance carriers and self-insured employers who make the benefit payments. Therefore, the Commonwealth's increased cost will depend upon the amount

⁷The CPI is not an exact cost-of-living index. This index fails to capture purchasing changes related to either the introduction of new products, or to quality changes in existing products. Thus the CPI often overstates increases in the cost of living. Nevertheless, the CPI is widely used in cost-of-living studies.

of increase granted to each recipient, and on the number of recipients who will receive the increase.

Based on the distribution of section 306(h) benefit recipients shown in table 1, and two different life-expectancy tables, two alternative estimates of the numbers of section 306(h) recipients expected to be living in future years are shown in tables 4A and 4B. Table 4A is derived using "Calendar Year 1980 U.S. Life Tables, by Sex," and table 4B using "1965 Railroad Retirement Board Mortality Among Totally Disabled Annuitants." Since mortality rates for disabled persons are significantly higher than mortality rates for the general population, table 4B shows a more rapid decline in the section 306(h) population than does table 4A.

Based on these two projections of the number of persons which will receive section 306(h) benefits over the coming years, the Commonwealth's estimated present and future annual costs for benefit increases tied to the full increase in the U.S. Consumer Price Index from 1975 to 1985 are shown in table 5. The Commonwealth's total cost for such an increase would be approximately \$3.4 million in 1986. Estimated annual costs for future years would depend upon mortality assumptions, and would decline as the set of section 306(h) recipients declines through mortality. Approximate total current and future costs based on the two different mortality tables range from \$36 million to \$53 million. In any case, due to the actuarial assumptions which underlie the cost estimates, the values in the first column of table 5 may be viewed as an approximate

Table 4A
 EXPECTED NUMBER OF SECTION 306(h) DISABILITY
 AND SURVIVOR RECIPIENTS
 BASED ON MORTALITY RATES FOR THE TOTAL POPULATION
 1986 to 2039

Calendar year	Disability recipients		Survivor recipients		Total
	Males	Females	Males	Females	
1986	856	222	1	31	1,110
1987	819	217	1	30	1,067
1988	782	211	1	29	1,023
1989	745	206	1	28	980
1990	708	200	1	26	935
1991	672	194	0	25	891
1992	636	188	0	24	848
1993	601	182	0	22	805
1994	566	175	0	21	762
1995	531	169	0	19	719
1996	498	162	0	18	678
1997	465	156	0	16	637
1998	434	149	0	14	597
1999	403	142	0	13	558
2000	374	135	0	11	520
2001	346	128	0	10	484
2002	319	121	0	8	448
2003	293	115	0	7	415
2004	269	108	0	6	383
2005	246	101	0	5	352
2006	224	95	0	4	323
2007	203	88	0	3	291
2008	184	82	0	2	268
2009	166	76	0	2	244
2010	149	70	0	1	220
2011	134	65	0	1	200
2012	119	59	0	1	179
2013	106	54	--	--	160
2014	94	49	--	--	143
2015	83	44	--	--	127
2016	73	40	--	--	113
2017	63	35	--	--	98
2018	55	31	--	--	86
2019	48	28	--	--	76
2020	41	24	--	--	65
2021	35	21	--	--	56
2022	30	18	--	--	48
2023	25	15	--	--	40
2024	21	13	--	--	34
2025	18	11	--	--	29
2026	15	9	--	--	24
2027	12	7	--	--	19
2028	10	6	--	--	16
2029	8	5	--	--	13
2030	7	4	--	--	11
2031	5	3	--	--	8
2032	4	2	--	--	6
2033	3	2	--	--	5
2034	3	1	--	--	4
2035	2	1	--	--	3
2036	1	1	--	--	2
2037	1	1	--	--	2
2038	1	0	--	--	1
2039	1	0	--	--	1

SOURCE: Mortality Rates—"Calendar Year 1980 U.S. Life Tables, by Sex," U.S. Department of Health and Human Services, Social Security Administration, Office of the Actuary, Life Tables for the United States: 1900-2050, by Joseph F. Faber, Actuarial Study No. 87, September 1982, SSA Pub. No. 11-11534.

Table 4B
 EXPECTED NUMBER OF SECTION 306(h) DISABILITY
 AND SURVIVOR RECIPIENTS
 BASED ON MORTALITY RATES FOR TOTALLY DISABLED PERSONS
 1986 to 2034

Calendar year	Disability recipients		Survivor recipients		Total
	Males	Females	Males	Females	
1986	856	222	1	31	1,110
1987	784	210	1	30	1,025
1988	717	198	1	29	945
1989	653	187	1	28	869
1990	595	175	1	26	797
1991	540	165	0	25	730
1992	489	154	0	24	667
1993	442	144	0	22	608
1994	398	134	0	21	553
1995	358	125	0	19	502
1996	321	116	0	18	455
1997	287	108	0	16	411
1998	256	100	0	14	370
1999	228	92	0	13	333
2000	203	85	0	11	299
2001	179	78	0	10	267
2002	158	72	0	8	238
2003	139	65	0	7	211
2004	122	60	0	6	188
2005	107	54	0	5	166
2006	94	49	0	4	147
2007	81	45	0	3	129
2008	71	40	0	2	113
2009	61	36	0	2	99
2010	53	32	0	1	86
2011	45	29	0	1	75
2012	39	26	0	1	66
2013	33	23	--	--	56
2014	28	20	--	--	48
2015	24	18	--	--	42
2016	20	16	--	--	36
2017	17	14	--	--	31
2018	14	12	--	--	26
2019	12	10	--	--	22
2020	10	9	--	--	19
2021	8	8	--	--	16
2022	7	7	--	--	14
2023	5	6	--	--	11
2024	4	5	--	--	9
2025	4	4	--	--	8
2026	3	4	--	--	7
2027	2	4	--	--	6
2028	2	2	--	--	4
2029	1	2	--	--	3
2030	1	2	--	--	3
2031	1	1	--	--	2
2032	1	1	--	--	2
2033	1	1	--	--	2
2034	0	1	--	--	1

SOURCE: Disability Mortality Rates--"1965 Railroad Retirement Board Mortality Among Totally Disabled Annuitants," provided by the Pennsylvania State Employees' Retirement System; Survivor Mortality Rates--"Calendar Year 1980 U.S. Life Tables, by Sex," U.S. Department of Health and Human Services, Social Security Administration, Office of the Actuary, Life Tables for the United States: 1900-2050, by Joseph F. Faber, Actuarial Study No. 87, September 1982, SSA Pub. No. 11-11534.

upper bound on costs, and the second column as an approximate lower bound on costs.

Table 5 can also be used to estimate the Commonwealth's costs associated with other benefit increases. For example, for benefit increases based on several fractions of the full increase in the CPI since 1975, and considering the two mortality assumptions, the Commonwealth's approximate costs in 1986 and in all current and future years would be as follows:

<u>Fraction of the full increase in the CPI</u>	<u>Commonwealth cost (000s)</u>	
	<u>1986</u>	<u>All current and future years</u>
one-third	\$1,143	\$12,161-17,676
one-half	1,714	18,241-26,515
two-thirds	2,285	24,321-35,353

AN IMPORTANT CAVEAT

An important caveat should be noted. An increase in section 306(h) benefits will serve to wholly or partially restore the real purchasing power to 1975 levels for the group of persons disabled prior to March 17, 1968 who are still receiving benefits. However, such an increase will not restore the purchasing power of the workers' compensation benefits for all of the persons who have become disabled since 1968 who are still receiving benefits. Having received benefits fixed in the year of their disability, persons in the latter group will still lag behind recent increases in the cost of living.

Table 5
COMMONWEALTH COSTS FOR SECTION 306(h)
BENEFIT INCREASES
BASED ON THE FULL INCREASE IN THE
U.S. CONSUMER PRICE INDEX FROM 1975 TO 1985 AND
TWO ALTERNATIVE MORTALITY RATE TABLES
1986 to 2039

Calendar year	Cost based on projected section 306(h) recipients using mortality rates for the total population (table 4A) (000s)	Cost based on projected section 306(h) recipients using mortality rates for totally disabled persons (table 4B) (000s)
1986	\$3,428	\$3,428
1987	3,295	3,164
1988	3,159	2,916
1989	3,026	2,680
1990	2,888	2,457
1991	2,753	2,250
1992	2,620	2,055
1993	2,488	1,873
1994	2,355	1,702
1995	2,223	1,545
1996	2,096	1,400
1997	1,970	1,265
1998	1,847	1,139
1999	1,727	1,025
2000	1,610	921
2001	1,499	822
2002	1,389	734
2003	1,287	651
2004	1,188	580
2005	1,093	512
2006	1,003	454
2007-2039	8,085	2,909
Total	\$53,029	\$36,482

SOURCE: Expected number of recipients - tables 4A and 4B.

III. Implementing Legislation

TEXT OF IMPLEMENTING LEGISLATION

The following proposed legislation would increase benefits for section 306(h) recipients based on the full increase in the U.S. Consumer Price Index from 1975 to 1985:

AN ACT

Amending the act of June 2, 1915 (P.L.736, No.338) entitled, as amended, "An act defining the liability of an employer to pay damages for injuries received by an employe in the course of employment; establishing an elective schedule of compensation; providing procedure for the determination of liability and compensation thereunder; and prescribing penalties," further providing for computation of certain benefits.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 306 of the act of June 2, 1915 (P.L.736, No. 338), known as "The Pennsylvania Workmen's Compensation Act," reenacted and amended June 21, 1939 (P.L.520, No.281), and amended July 1, 1978 (P.L.692, No.119), is amended to read:

Section 306. The following schedule of compensation is hereby established:

* * *

(h) Any person receiving compensation under sections 306(a) [, 306(b), 306(c)(23),] or [section] 307, as a result of an accident which occurred prior to the effective date of the amendatory act of January 17, 1968 (P.L.6, No.4) shall have the compensation rate adjusted to the [level they would have received had the injury occurred on the effective date of the amendatory act of January 17, 1968 (P.L.6, No.4) and had the injured employe been earning wages equal to ninety dollars (\$90) per week.] following level:

(1) for any person receiving compensation under section 306(a),
\$120 per week; or

(2) for any person receiving compensation under section 307, \$78
per week.

The additional compensation provided by the amendatory act of December 5, 1974 (P.L.782, No.263) and this amendatory act shall be paid by the self-insured employer or insurance carrier making payment and shall be reimbursed in advance by the Commonwealth on a quarterly basis as provided in rules and regulations of the department. The payment of additional compensation shall be made by the carrier or self-insured employer only during those fiscal years for which appropriations are made to cover reimbursement.

Section 2. This section shall take effect in sixty days.

COMMENTS

The references to section 306(b) and (c)(23) are deleted in order to reflect the fact that no recipients under those provisions are eligible to receive section 306(h) benefits due to the expiration of maximum term and age limitations.

Language is also added to specify that the amount to be reimbursed by the Commonwealth comprises both the additional compensation provided under the 1974 amendment and the entire adjustment provided under the amendment herein proposed.

For benefit increases based on several fractions of the full increase in the CPI since 1975, the following benefit amounts may be substituted:

<u>Fraction of the full increase in the CPI</u>	<u>Disability benefit (paragraph (1))</u>	<u>Survivor benefit (paragraph (2))</u>
one-third	\$80.00	\$52.00
one-half	90.00	58.50
two-thirds	100.00	65.00



APPENDIX

Data on current benefit recipients under section 306(h) of the Pennsylvania Workmen's Compensation Act, supplied by the Pennsylvania Department of Labor and Industry, Bureau of Workers' Compensation, were adjusted by the Joint State Government Commission staff as follows:

	<u>Number of persons</u>			<u>Percentage</u>
	<u>Males</u>	<u>Females</u>	<u>Total</u>	
<u>Disability recipients:</u>				
Ages accepted as given, after verification ^a	804	201	1,005	90.6%
Ages corrected, using specific (supplemental) dates of birth ^b	8	1	9	0.8
Ages estimated, due to unreliable data ^c	16	--	16	1.4
Ages estimated, due to unavailable data ^c	<u>28</u>	<u>20</u>	<u>48</u>	<u>4.3</u>
Subtotal	856	222	1,078	97.1
<u>Survivor recipients:</u>				
Ages estimated, due to unavailable data ^d	<u>1</u>	<u>31</u>	<u>32</u>	<u>2.9</u>
Total	857	253	1,110	100.0

^aIf the current age given for an individual, together with his year of injury, imply an age at injury of 18 years or more, the given age was accepted.

^bIf a date of birth was given for an individual (not available for most), the year of birth was used to compute a current age (to override the current age given).

^cIf the current age given for an individual was either unreliable (i.e., together with the year of injury, imply an age at injury of less than 18 years) or unavailable (the specification of an age is not required on initial injury reports), a current age was estimated as follows: 1986 - (year of injury - 33); 33 years is the current average (median) age at injury for workers' compensation cases, a statistic which apparently has remained largely invariant over time.

^dAvailable data does not permit the determination of the current ages of individual survivor recipients covered under section 306(h); using available injury dates, the above assumption about the median age at injury, and an assumed age differential between injured persons who subsequently died and their surviving spouses (i.e., husbands are five years older than their wives), an average current age of the survivor recipients was computed for this study.

