

# Income Replacement Adequacy in the Texas Workers' Compensation System

Texas Department of Insurance  
Workers' Compensation Research and Evaluation Group

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# Five Types of Income Benefits Under the Texas Workers' Compensation Act

- **Temporary Income Benefits (TIBs)** – paid during the period of temporary disability (lost time from work) while the worker is recovering from an on-the-job injury;
- **Impairment Income Benefits (IIBs)** – paid to injured workers for permanent impairment (impairment evaluations are currently based on the *Guides to the Evaluation of Permanent Impairment*, 4th Edition, published by the American Medical Association);
- **Supplemental Income Benefits (SIBs)** – paid to injured workers for ongoing disability after IIBs have been exhausted, with all eligibility for SIBs ending at 401 weeks after the date of injury; Only workers with a 15 percent impairment rating and who are unemployed or underemployed as a result of their work-related injuries are eligible to receive SIBs;
- **Lifetime Income Benefits (LIBs)** – paid for the life of the injured worker for specific catastrophic injuries as set forth in Section 408.161 of the Texas *Labor Code*; and
- **Death Benefits (DBs) and Burial Benefits** – paid to the deceased workers' spouse or eligible beneficiaries as a result of a death from a compensable injury.



# Purpose of the Analysis:

## **Income Replacement Rate (IRR)**

This analysis presents estimates of the extent to which lost wages are replaced by income benefits received by Injured Workers (IWs) during the injury period. **The IRRs of TIBs, IIBs, SIBs, and LIBs recipients are analyzed.**

## **Maximum Benefits and Time Limits**

Other areas of interest are the number and characteristics of IWs that are capped at maximum benefit levels, as well as those that have received income benefits for the maximum allowable amount of time of 401 weeks.



# Data Considerations and Methods

Data for the analysis are extracted from the Division of Worker's Compensation's (DWC's) Claims, Benefits, and Impairment Rating databases. IWs receiving TIBs or IIBs from 2000 to 2007, LIBs claims from 2000 to 2009, and SIBs claims from 2000 to 2005 are included in the study.

A sufficient amount of time must pass, however, before a complete picture of benefit adequacy can be calculated for the entire duration of the claim. Consequently, REG's ability to accurately report complete replacement rates is limited to earlier injury years.

This is especially the case for SIBs, which requires 401 weeks (almost 8 years) for full maturity. Interpretations of SIBs data beyond Injury Year 2002 must be interpreted with caution.



# Data Considerations and Methods (Cont'd)

## Calculating the Income Replacement Rate

The formula for the replacement rate is the amount of benefits paid to the IW during the calendar year divided by the amount of net wages that would have been earned during that benefit payment period if the worker had not been injured. Data on net annual wages is vital to that formula, and is dependent on the marital status, number of children, number of exemptions claimed, and total deductions used to calculate annual income taxes. Some of that information, however, is not available. Consequently, several assumptions were made to calculate the IRR:

- Married IWs are assumed to have two children.
- Married IWs claim the standard deduction for married persons and four exemptions, two for the parents, and two for their children.
- Single IWs claim the standard deduction for single persons and one exemption.
- The dollar amount of the standard deductions and exemption is adjusted by calendar year to accommodate claims that span multiple calendar years.
- Annual income is the average weekly wage times 52 weeks.
- 60% of spouses are working, and earn 75% of their spouse's annual wage.
- Medicare taxes are 1.45% of IW's total annual wage estimate.
- Old Age, Survivor, and Disability Earnings (OASDI) taxes are 6.2% of IW's total annual wage estimate.
- Five Percent of total annual income is added to total annual income to account for non-wage income.



# Data Considerations and Methods

## (Cont'd)

### Understanding How Marital Status, Wages, and Income affect Income Replacement Rates

Wages, federal tax status, and marital status have prominent roles in deriving IRRs. Typically, single IWs have higher tax burdens than married IWs, given the lower number of exemptions available to them. After federal income taxes, Medicare, and OASDI are deducted from annual income, single IWs have lower net wages, and therefore greater probabilities of having those wages fully replaced with income benefits.

Married IWs, on the other hand, typically pay less taxes than single IWs because of the larger number of exemptions and larger standard deductions available to them. Their resulting higher incomes are therefore less likely to be fully replaced by income benefits.

Similarly, IWs with high weekly wages will replace less of their income than IWs with low wages, since high wage earners earn more than the maximum allowable benefit amount.



# Temporary Income Benefits (TIBs)

- **Eligibility:** Loss of more than seven (7) days of work due to work-related injury or illness.
- **Benefit Amount:** 70 percent of the difference between the injured worker's average weekly wage and any wages earned after the work-related injury, capped at the State Average Weekly Wage (SAWW).
- **Time Limit:** Benefits end when the IW reaches maximum medical improvement, or when the IW returns to earning the pre-injury average weekly wage or reaches the end of 104 weeks.



# Number of Income Benefits Recipients Injury Years 2000 - 2008

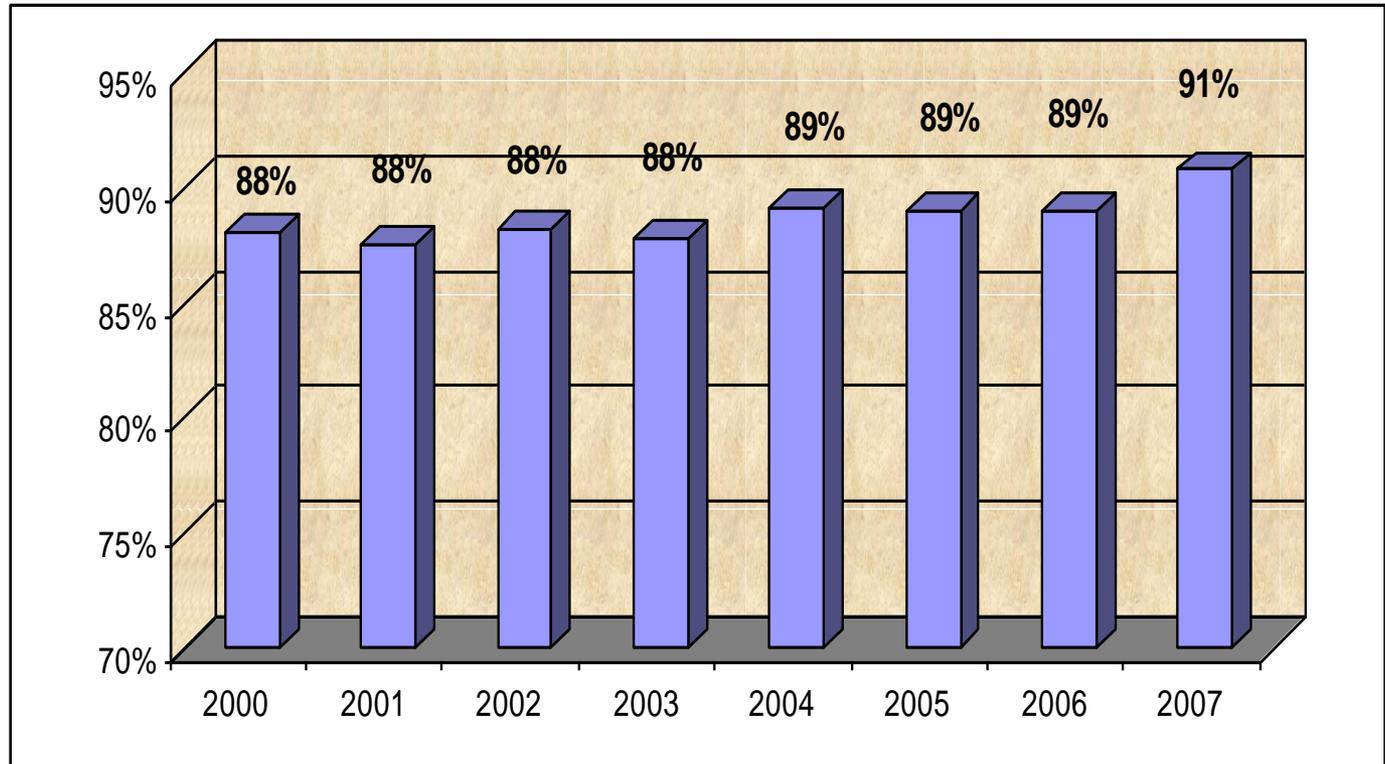
Injury Year	Income Benefit Types				
	TIBS	IIBS	SIBS	LIBS	DIBS
2000	58,233	24,728	793	250	140
2001	81,663	37,913	956	230	209
2002	74,778	35,302	701	202	195
2003	67,413	31,036	426	147	200
2004	59,363	26,633	288	129	181
2005	56,001	23,238	219	154	184
2006	51,520	20,732	191	161	179
2007	50,666	20,335	132	114	171
2008	51,805	18,299	30	100	192

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# TIBs Replacement Rate (cont'd)

Median TIBs Replacement Rate by IY, 2000-2007



**Findings:**

The median TIBS replacement rate increased from 88% in 2000 to 91% in 2007.

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# TIBs Replacement Rate (cont'd)

## Median TIBs Replacement Rate by IY and Weekly Wage, 2000-2007

Weekly Wage	Injury Year							
	2000	2001	2002	2003	2004	2005	2006	2007
\$0-\$249	92%	92%	91%	89%	90%	90%	89%	87%
\$250-\$499	89%	88%	91%	91%	91%	92%	92%	91%
\$500-\$749	88%	88%	89%	89%	91%	91%	91%	92%
\$750-\$999	89%	88%	87%	86%	86%	86%	88%	93%
\$1,000-\$1,249	73%	73%	72%	69%	70%	70%	72%	87%
\$1,250-\$1,499	63%	62%	61%	59%	59%	58%	59%	71%
\$1,500-\$1,749	54%	54%	54%	53%	52%	51%	52%	63%
\$1,750-\$1,999	47%	46%	46%	45%	45%	45%	47%	57%
\$2,000 and higher	34%	34%	30%	32%	33%	35%	37%	44%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

**Findings:** The difference in replacement rates for all income levels is statistically significant across all injury years. Higher wage earners regain a smaller percentage of lost wages than lower wage earners. For IWs injured in 2007 with earning of \$249 or less per week, TIBs replaced 87% of their lost wages, while for the highest wage earners with \$2000 or more in weekly earnings, TIBs replaced 44%. The replacement rate of the highest group increased from 34% in 2000 to 44% in 2007 as a result of increases in the maximum compensation rate.



# TIBs Replacement Rate (cont'd)

## Median TIBs Replacement Rate by IY and Age, 2000-2007

Age	2000	2001	2002	2003	2004	2005	2006	2007
16-29	91%	90%	92%	91%	92%	92%	92%	92%
30-39	88%	87%	88%	88%	89%	89%	89%	91%
40-49	87%	87%	87%	87%	88%	88%	88%	90%
50+	87%	87%	87%	87%	88%	88%	87%	90%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

**Findings:** Replacement rates differ by age group, but the 40-49 and 50+ groups have essentially the same replacement rates. The 16-29 and 30-39 age groups differ from each other and the other two age groups.

Lower median replacement rates among older workers are associated with higher after-tax incomes, and a higher likelihood of having their benefits capped at the maximum amount. Either one or both conditions can lead to lower replacement rates.

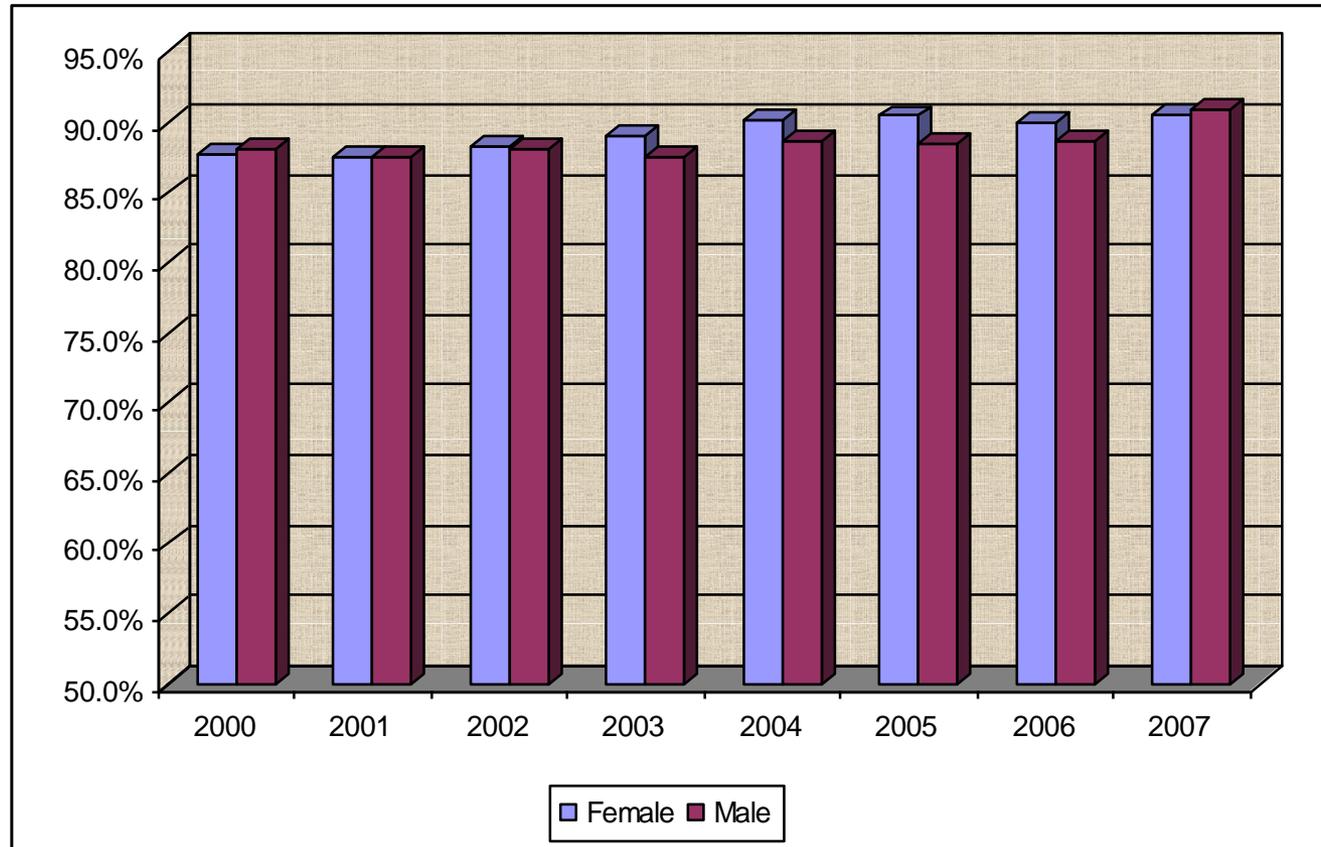


# TIBs Replacement Rate (cont'd)

Median TIBs Replacement Rate by IY and Gender, 2000-2007

**Findings:**

Men's replacement rates are somewhat lower than women's, but the difference between the two is not statistically significant.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

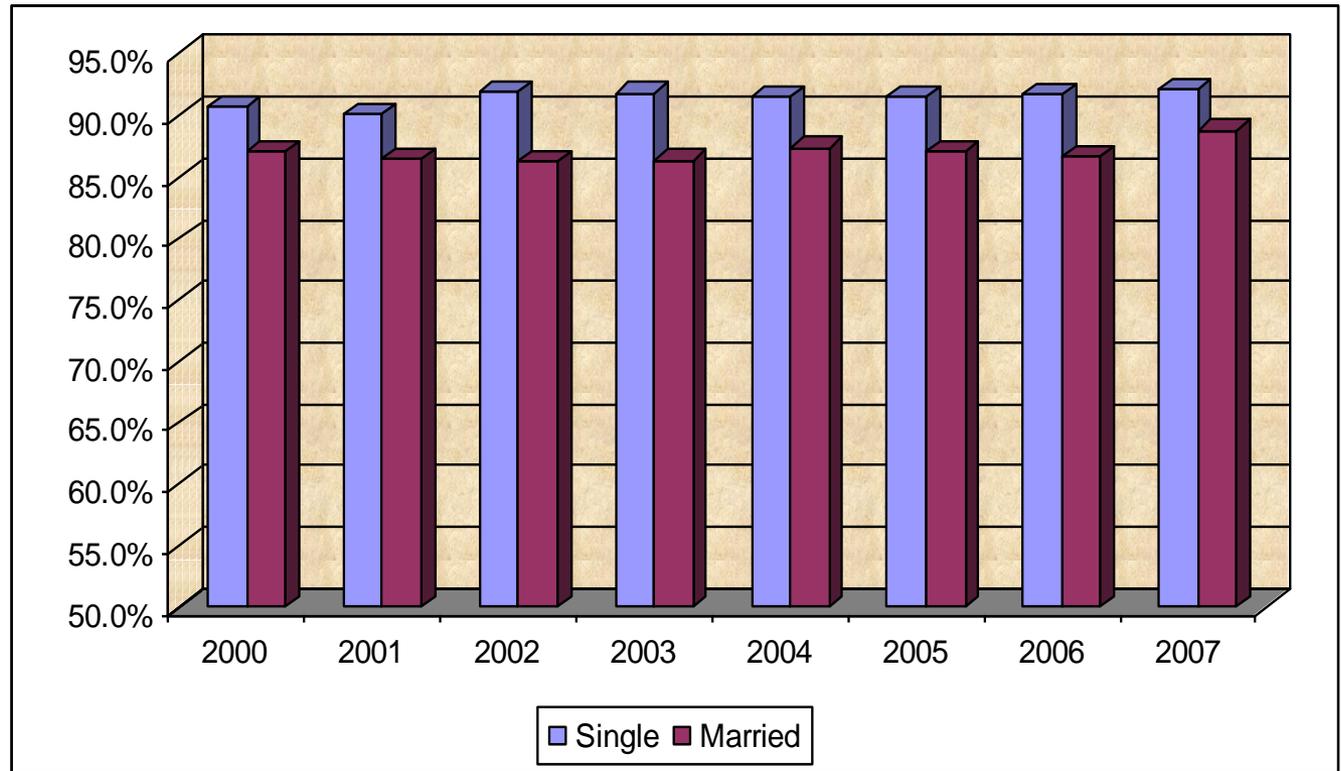


# TIBs Replacement Rate (cont'd)

## Median TIBs Replacement Rate by IY and Marital Status, 2000-2007

### Findings:

- Single IWs replacement rates are higher on average than those of married IWs because married IWs tend to earn higher annual incomes, which in turn increases the likelihood of benefits capped at the maximum amount.
- Also, married IWs tend to have lower tax burdens that result in higher net wages.
- Relatively low taxes and high net incomes result in lower replacement rates.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# TIBs Replacement Rate (cont'd)

## Median TIBs Replacement Rate by IY and Industry Type, 2000-2007

One-Digit NAICS Industry Code	2000	2001	2002	2003	2004	2005	2006	2007
Agriculture	87.9%	88.2%	89.7%	89.3%	91.8%	91.5%	92.2%	92.6%
Mining/Utilities/Const.	86.6%	85.9%	86.2%	87.8%	89.9%	88.9%	88.8%	91.0%
Manufacturing	87.1%	86.2%	86.7%	87.4%	88.0%	86.8%	87.1%	90.2%
Wholesale/Retail/Trans	86.7%	86.2%	86.0%	85.9%	87.8%	88.0%	88.0%	90.5%
Professional Group	89.4%	87.8%	89.1%	88.9%	89.3%	89.4%	90.0%	90.5%
Education/Health	86.9%	86.7%	87.5%	90.0%	91.1%	91.0%	89.8%	90.5%
Arts/Accommodation	88.7%	88.2%	90.5%	88.9%	91.0%	90.5%	89.7%	89.7%
Other Services	89.3%	88.7%	89.6%	89.3%	90.1%	90.4%	91.2%	91.2%
Public Admin	91.5%	91.5%	91.8%	91.1%	92.0%	92.2%	93.2%	94.5%
Unknown	88.6%	88.3%	88.9%	87.2%	86.7%	86.0%	89.1%	90.7%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

**Findings:** Several industries have similar replacement rates:

- Mining, Utilities, and Construction, Professional, and IWs with unknown industries
- Arts and Accommodation, Other Services, and Education and Health
- Professional, Education and Health, and IWs with unknown industries

Injured workers in Public Administration had the highest replacement rates (94%); Arts/Accommodation had the lowest (89%) in 2007.

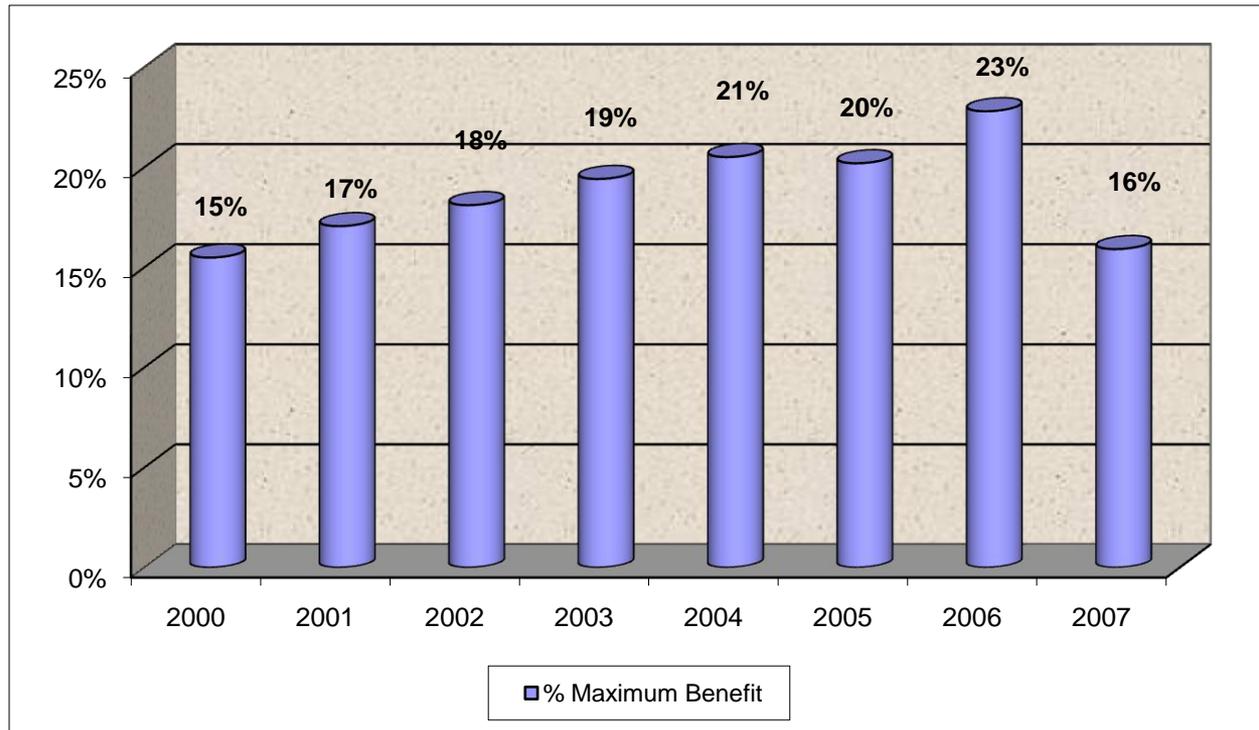


# TIBs Replacement Rate (cont'd)

## Findings:

- The weekly maximum TIBs payment remained virtually unchanged from 2000 to 2006 (from \$531 to \$540), resulting in an increase in the % of injured workers capped at the maximum benefit (from 15% to 23%).
- The weekly maximum TIBs payment increased in 2006 and in 2007 (to \$674 and \$712 respectively) resulting in a decrease in the % of injured workers capped at the maximum benefit (from 23% to 16%).

Percent of IWs at TIBs Maximum Benefit Amount, IYs 2000-2007



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

**Note:** The years are injury years calculated on a fiscal year basis. For example, 2007 indicates injuries that occurred between 10/1/2006 and 9/30/2007. Injury years were calculated in this manner to more easily align changes in the percentage of IWs with capped benefits with changes in benefit amounts.

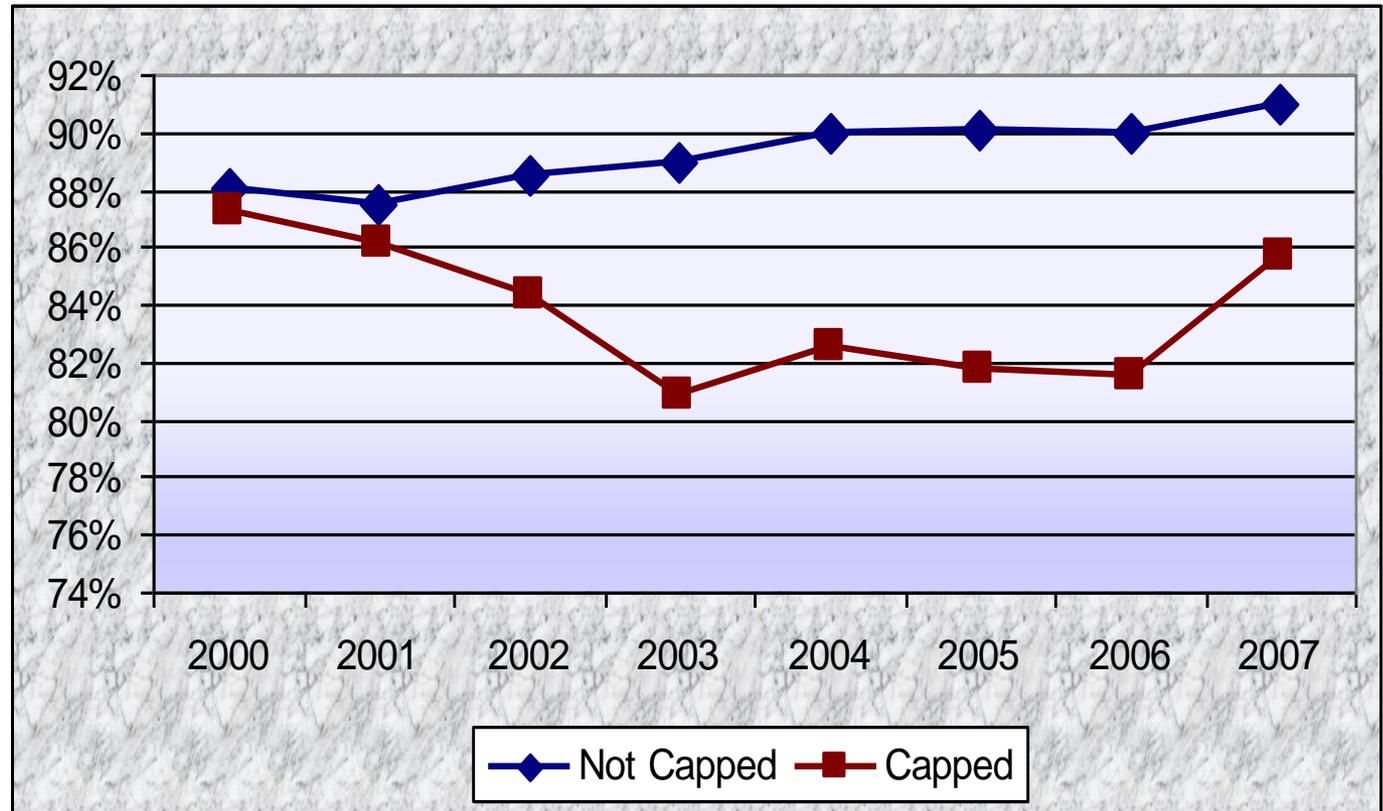


# TIBs Replacement Rate (cont'd)

Median TIBs Replacement Rate by IY and Capped Benefits, 2000-2007

**Findings:**

- An Inverse relationship exists between incomes and replacement rates.
- Injured workers with higher incomes tend to be capped, and therefore have lower replacement rates.
- Injured workers with lower incomes tend not to be capped, and therefore have higher replacement rates.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# TIBs Replacement Rate (cont'd)

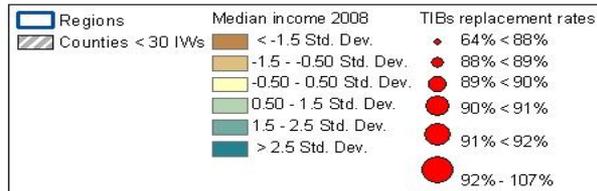
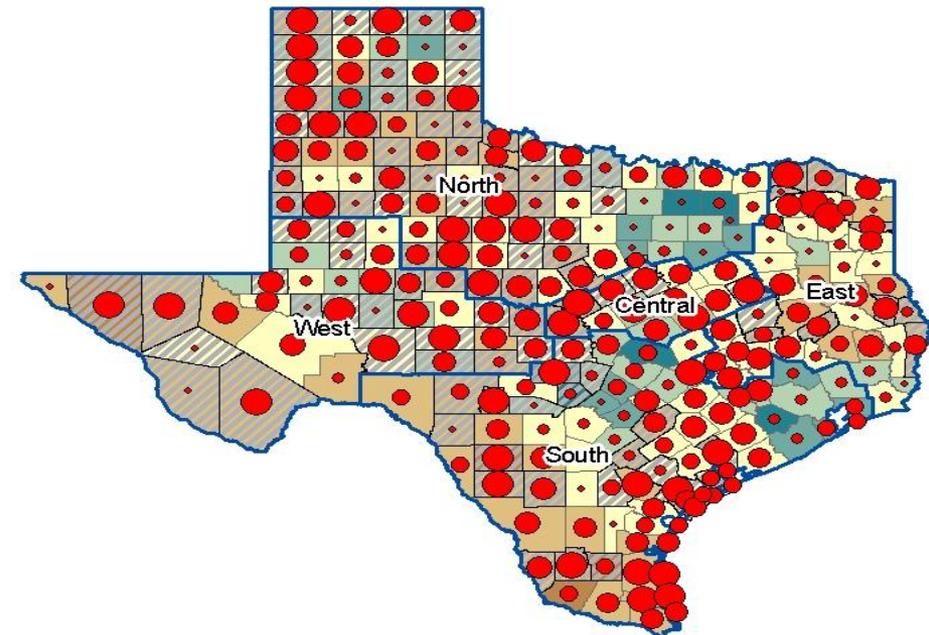
## Findings:

- The replacement rates are higher for counties outside the largest MSAs (Dallas, Austin, San Antonio, and Houston).
- The replacement rates of counties outside of large urban areas are higher, due to lower incomes.
- These differences in replacement rates between regions may not be substantial, but analyzing regional data can mask significant variation in replacement rates *within* regions.

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



### Median TIBs Replacement Rate by Region, 2000-2007



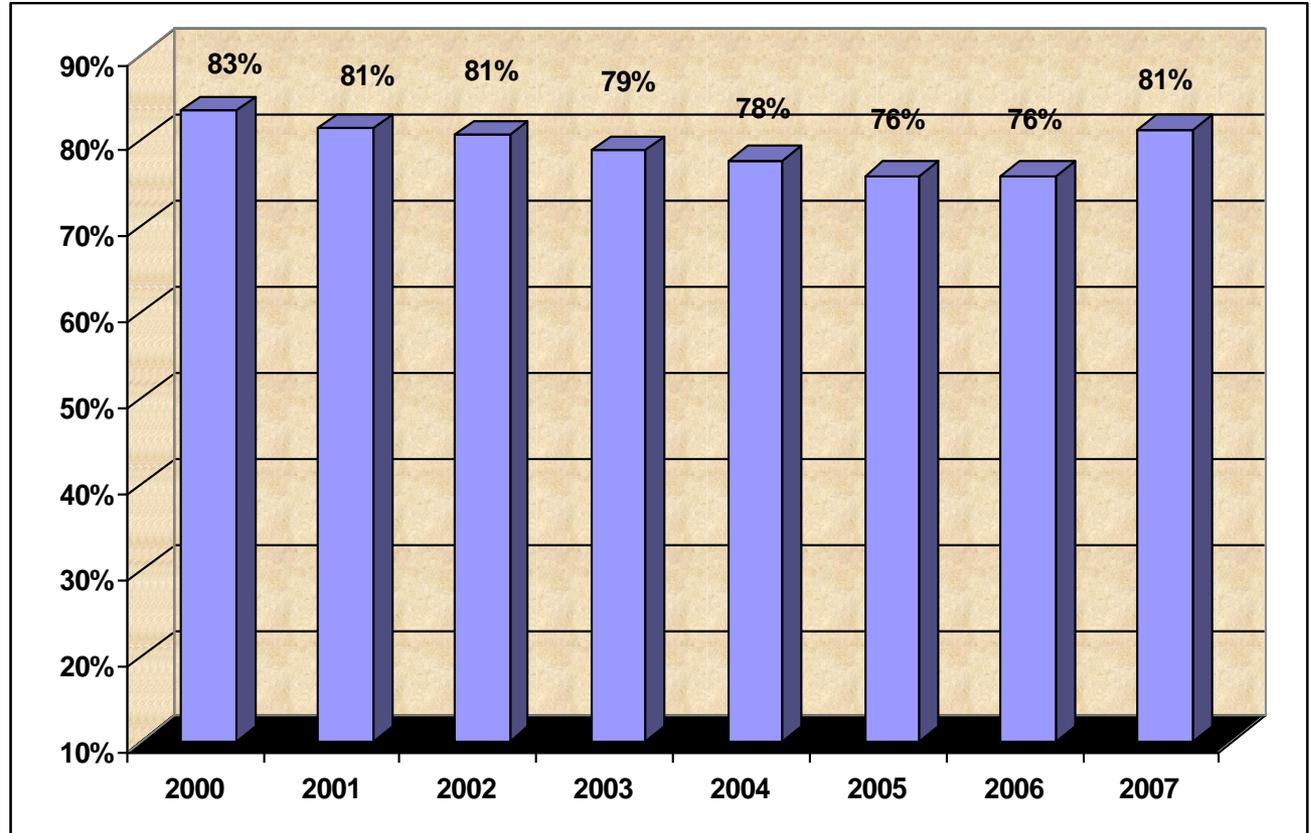
# Impairment Income Benefits (IIBs)

- **Eligibility:** An injured worker becomes eligible for IIBs when Maximum Medical Improvement (MMI) is reached with an impairment rating greater than zero. The impairment rating is assigned by a doctor using the American Medical Association's *Guides to the Evaluation of Permanent Impairment*, 4th edition.
- **Benefit Amount:** 70 percent of the injured worker's average weekly wage, capped at 70% of the State Average Weekly Wage (SAWW). Three (3) weeks of IIBs are paid for each percentage of impairment.
- **Time Limit:** Benefits end after the number of benefit weeks (3 times the impairment rating) is reached.



# IIBs Replacement Rate (cont'd)

Median IIBs Replacement Rate by IY, 2000-2007



**Findings:**

The decrease in median IIBs replacement rate from 83% in 2000 to 78% in 2004 was statistically significant, but not the increase after 2005.

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# IIBs Replacement Rate (cont'd)

Median IIBs Replacement Rate by IY and Weekly Wage, 2000-2007

Weekly Wage	Injury Year							
	2000	2001	2002	2003	2004	2005	2006	2007
\$0.00-\$249.00	83%	81%	81%	80%	78%	76%	76%	76%
\$250.00-\$499.00	85%	85%	85%	86%	86%	86%	85%	85%
\$500.00-\$749.00	81%	80%	79%	79%	79%	78%	82%	88%
\$750.00-\$999.00	62%	61%	60%	59%	59%	59%	61%	71%
\$1,000.00 and above	46%	46%	45%	44%	44%	44%	44%	50%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

**Findings:**

There are significant differences between weekly wage groups. Most notably, the replacement rate for IWs earning \$1,000 or more a week is 50% or less in part because of the maximum benefits cap. IWs earning up to \$750 a week, in contrast, regain 80-85 percent of lost wages.

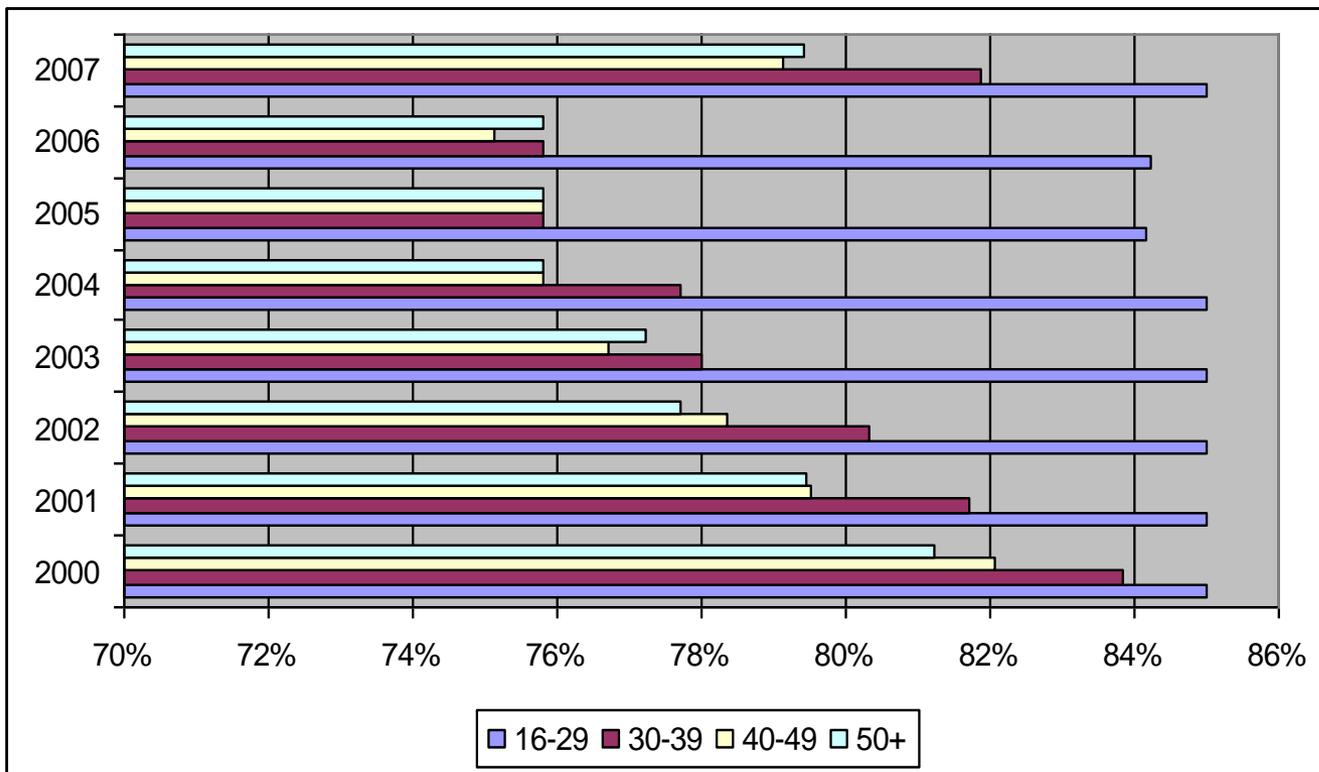


# IIBs Replacement Rate (cont'd)

Median IIBs Replacement Rate by IY and Age, 2000-2007

**Findings:**

- The median replacement rates for IW ages 16-29 and 30-39 are significantly different.
- Older injured workers tend to have lower replacement rates than younger Injured workers, because older injured workers tend to have higher incomes and capped rates.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

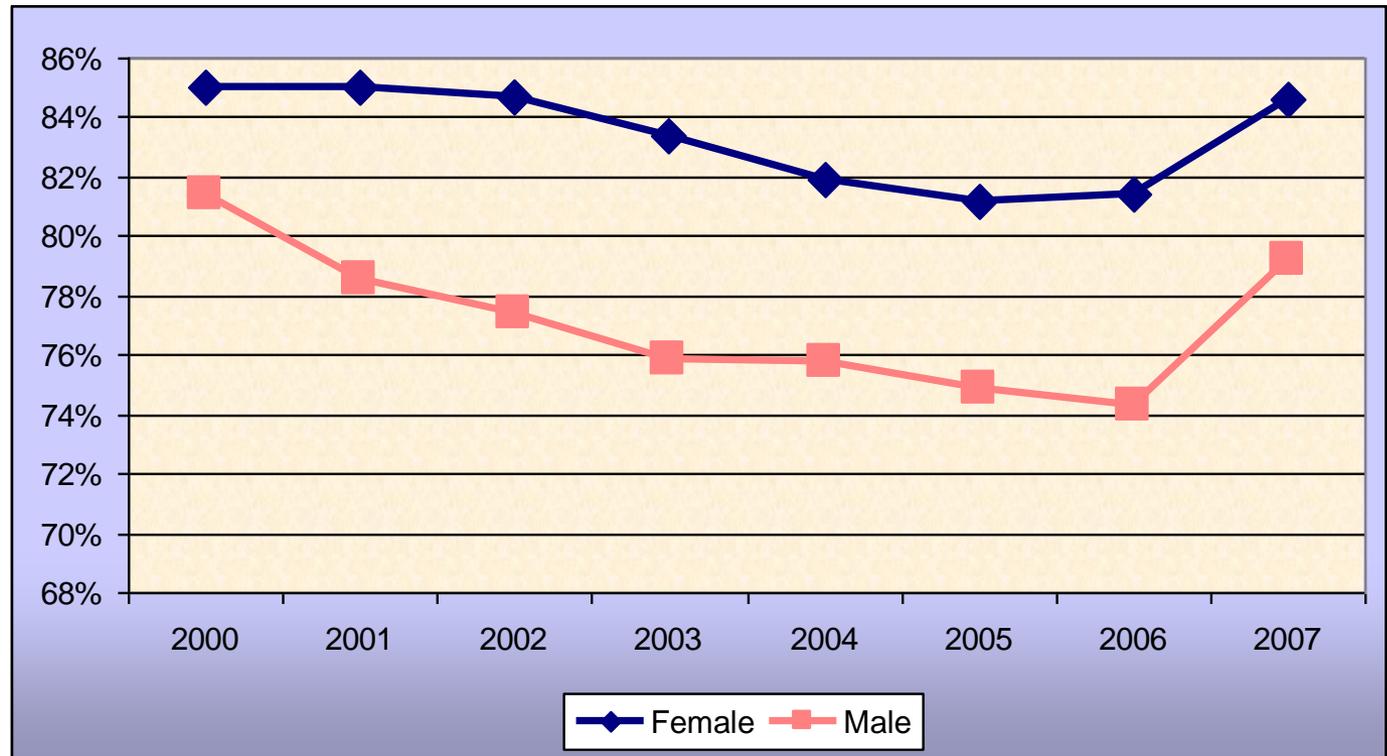


# IIBs Replacement Rate (cont'd)

## Median IIBs Replacement Rate by IY and Gender, 2000-2007

### Findings:

- Injured women tend to have higher replacement rates than injured men, and the difference is statistically significant.
- Women's higher income replacement rates are primarily due to their lower average weekly wages, which result in compensation that is less likely to be capped at the IIBs maximum benefit levels.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

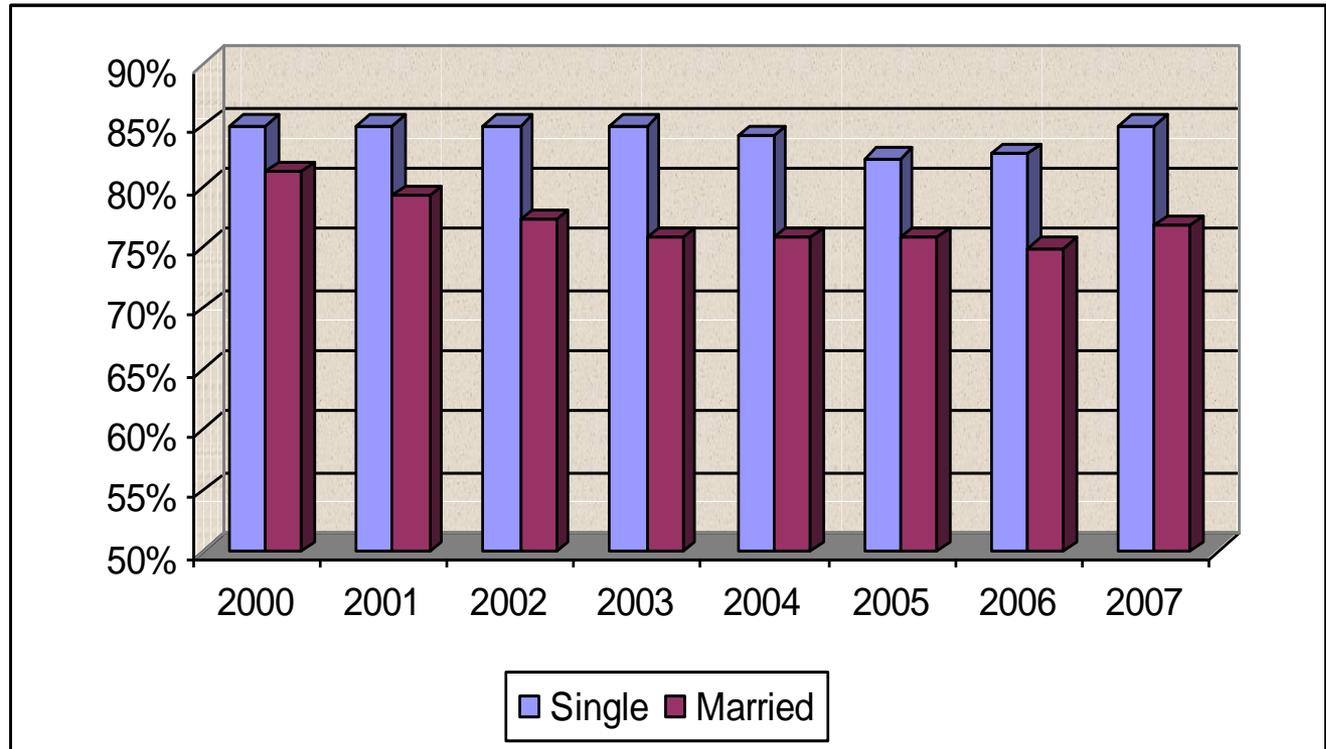


# IIBs Replacement Rate (cont'd)

Median IIBs Replacement Rate by IY and Marital Status, 2000-2007

**Findings:**

- Single IWBs' replacement rates are higher on average than those of married IWBs because married IWBs tend to earn higher annual incomes, which in turn increases the likelihood of benefits capped at the maximum amount.
- Also, married IWBs tend to have lower tax burdens that result in higher net wages.
- Relatively low taxes and high net incomes result in lower replacement rates.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# IIBs Replacement Rate (cont'd)

Median IIBs Replacement Rate by IY and Industry Type, 2000-2007

One-Digit NAICS Code	2000	2001	2002	2003	2004	2005	2006	2007
Agriculture	82%	80%	80%	81%	85%	83%	82%	85%
Mining/Utilities/Const	85%	83%	81%	79%	77%	73%	71%	79%
Manufacturing	82%	79%	76%	76%	77%	75%	75%	80%
Wholesale/Retail/Trans	75%	70%	69%	73%	76%	76%	76%	79%
Professional Group	85%	84%	84%	81%	80%	80%	79%	83%
Education/Health	85%	85%	84%	81%	80%	78%	78%	82%
Arts/Accommodation	85%	85%	84%	81%	78%	82%	83%	82%
Other Services	85%	84%	83%	82%	84%	80%	82%	85%
Public Admin	79%	78%	77%	77%	78%	76%	76%	85%
Unknown	84%	83%	83%	80%	77%	76%	84%	85%

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

**Findings:** Several industries have similar replacement rates:

- Public Administration, Agriculture, Professional, and IYs with unknown industries
- Arts and Accommodation, and Education and Health, and Other Industries
- Other and Professional industries

Injured workers in Public Administration had the highest replacement rates (85%); Mining /Utilities/Wholesale/Retail had the lowest (79%) in 2007.



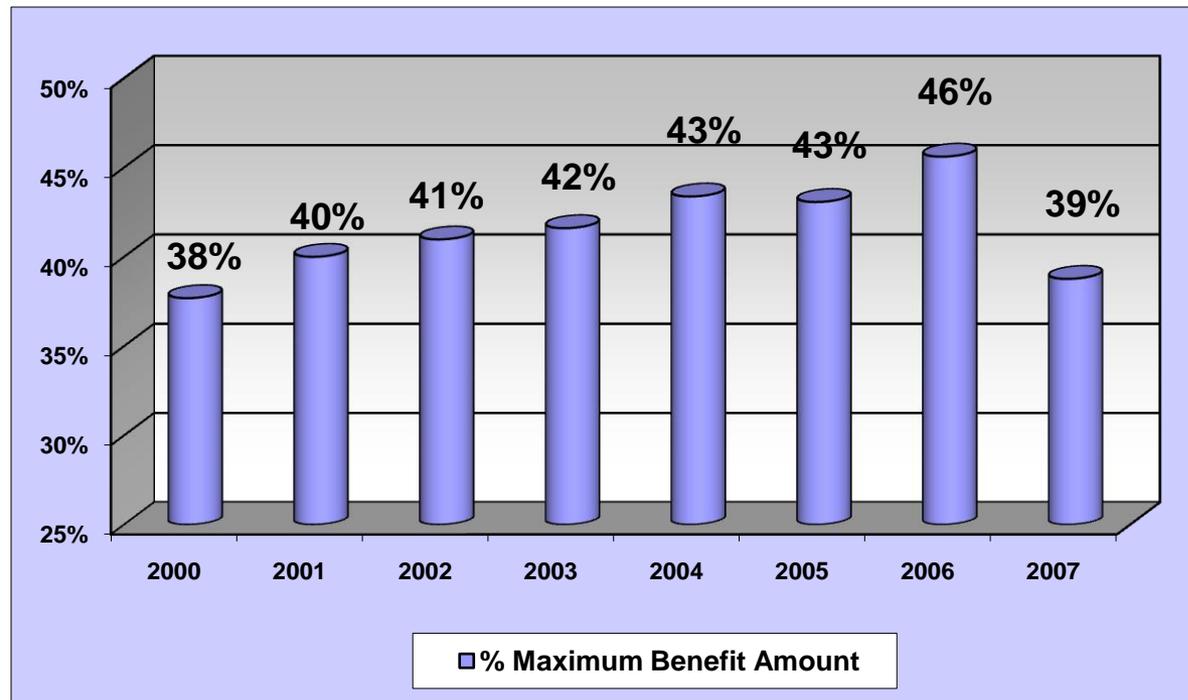
# IIBs Replacement Rate (cont'd)

## Findings:

■ The weekly maximum IIBs payment remained virtually unchanged from 2000 to 2006 (from \$372 to \$378), resulting in an increase in the % of injured workers capped at the maximum benefit. (from 38% to 46%).

■ The weekly maximum IIBs payment increased in 2007 to \$472 resulting in a decrease in the % of injured workers capped at the maximum benefit (from 46% to 39%).

Percent of IWBs at IIBs Maximum Benefit Amount, 2000-2007



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

**Note:** The years are injury years calculated on a fiscal year basis. For example, 2007 indicates injuries that occurred between 10/1/2006 and 9/30/2007. Injury years were calculated in this manner to more easily align changes in the percentage of IWBs with capped benefits with changes in benefit amounts.

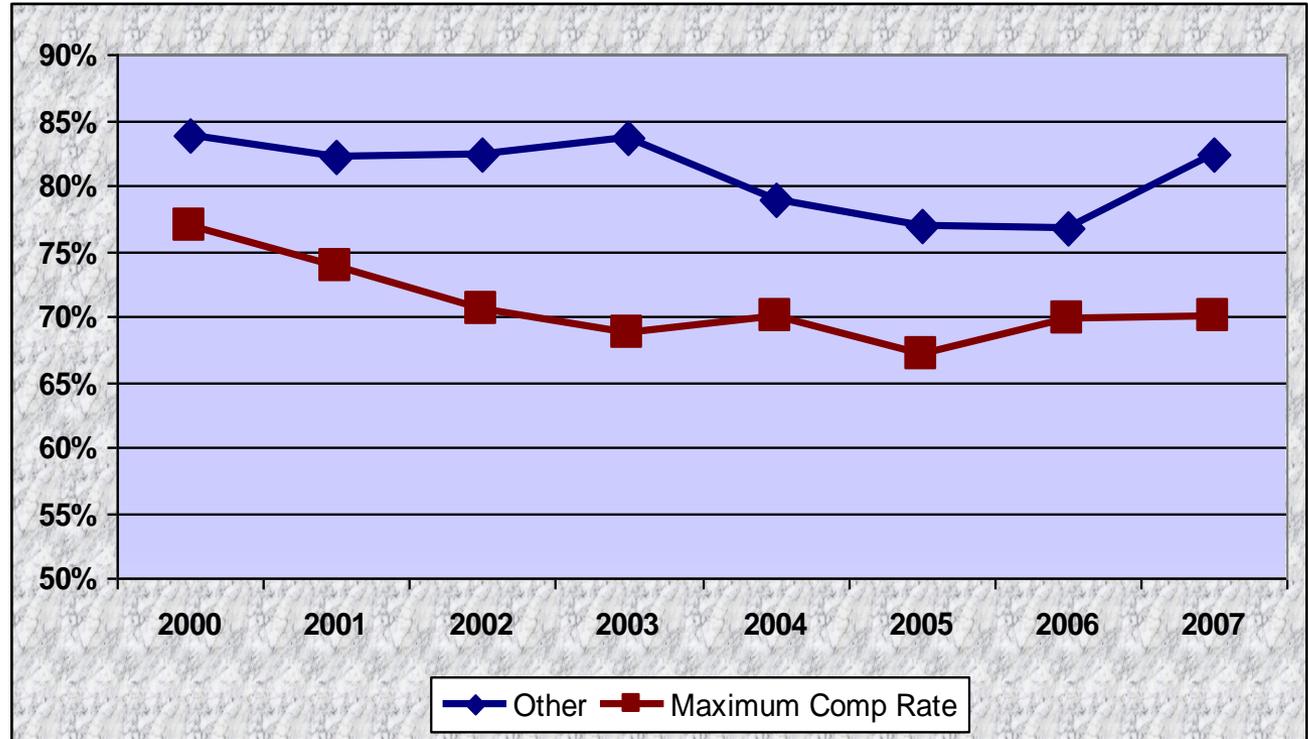


# IIBs Replacement Rate (cont'd)

Median IIBs Replacement Rate by IY and Capped Benefits, 2000-2007

**Findings:**

- An Inverse relationship exists between incomes and replacement rates.
- Injured workers with higher incomes tend to be capped, and therefore have lower replacement rates.
- Injured workers with lower incomes tend not to be capped, and therefore have higher replacement rates.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# IIBs Replacement Rate (cont'd)

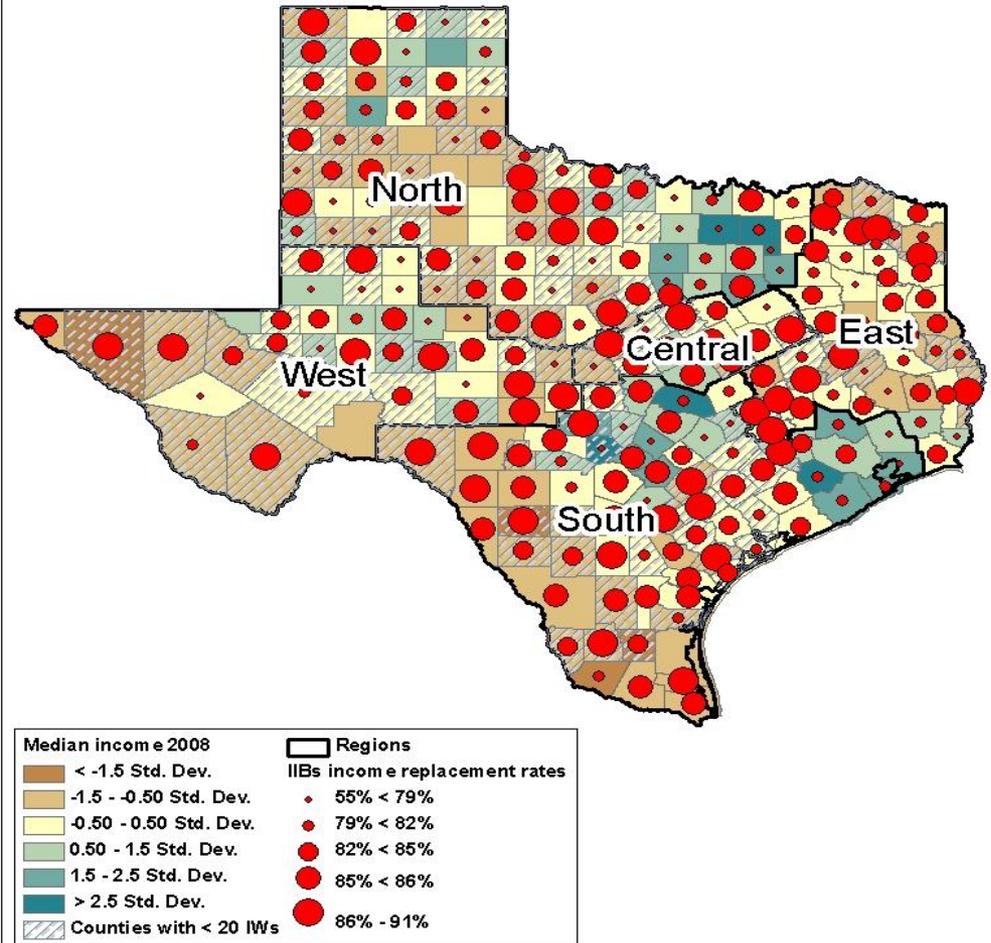
## Findings:

- As with TIBs, the replacement rates are higher for counties outside the largest MSAs (Dallas, Austin, San Antonio, and Houston).
- The replacement rates of counties outside of large urban areas are higher, due to lower incomes.
- These differences in replacement rates between regions may not be substantial, but analyzing regional data can mask significant variation in replacement rates *within* regions.

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



Median IIBs Replacement Rate by Region, 2000-2007



# Supplemental Income Benefits (SIBs)

- **Eligibility:** An injured worker becomes eligible for SIBs when the worker has an impairment rating of 15 percent or more; **and** has not returned to work because of the impairment, or has returned to work but is earning less than 80 percent of his or her pre-injury average weekly wage because of the impairment; **and** did not take a lump sum payment of impairment income benefits; **and** has tried to find a job that matches his ability to work.
- **Benefit Amount:** 80 percent of the difference between 80 percent of the worker's average weekly wage and the weekly wage after the injury, capped at 70% of the State Average Weekly Wage (SAWW).
- **Time Limit:** Benefits begins the day after SIBs end, and end at 401 weeks (approximately 7 1/2 years) from the date of injury.



# SIBs Replacement Rate

## Interpreting SIBs Replacement Rates

The replacement rates of IWs whose SIBs payments began between 2000 and 2005 are included in the study. To develop a complete picture of SIBs income replacement adequacy, however, a sufficient length of time must pass, which in the case of SIBs is 401 weeks, or almost 8 years.

Consequently, REG's ability to report accurate income replacement rates is limited to earlier injury years which have had the requisite amount of time to mature.

**Therefore, SIBs outcomes beyond IY 2002 must be interpreted with caution.**



# SIBs Replacement Rate (Cont'd)

Median SIBs Replacement Rate by IY, 2000-2005

**Findings:**

- There are statistically significant differences in the replacement rates across injury years 2000-2005.
- Replacement rates decrease as weekly wages increase.

Weekly Wage	Injury Year					
	2000	2001	2002	2003	2004	2005
<b><i>\$0-\$249</i></b>	70%	73%	71%	72%	78%	69%
<b><i>\$250-\$499</i></b>	78%	78%	79%	79%	78%	77%
<b><i>\$500-\$749</i></b>	74%	72%	75%	74%	71%	75%
<b><i>\$750-\$999</i></b>	55%	55%	57%	57%	55%	64%
<b><i>\$1,000 and above</i></b>	43%	43%	41%	<b>41%</b>	<b>53%</b>	<b>33%</b>

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Note: a bolded, italicized number in red font indicates that the percentage is based on less than 30 cases and therefore inconclusive. Dash marks indicate no result for that particular field.



# SIBs Replacement Rate (Cont'd)

Median SIBs Replacement Rate by Weekly Wage and IY, 2000-2005

Weekly Wage	IY					
	2000	2001	2002	2003	2004	2005
\$0-\$249	70%	73%	71%	72%	78%	69%
\$250-\$499	78%	78%	79%	79%	78%	77%
\$500-\$749	74%	72%	75%	74%	71%	75%
\$750-\$999	55%	55%	57%	57%	55%	64%
\$1,000 and above	43%	43%	41%	<b>41%</b>	<b>53%</b>	<b>33%</b>

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Note: a bolded, italicized number in red font indicates that the percentage is based on less than 30 cases and therefore inconclusive.

## Findings:

The replacement-rate differences between wage groups over time is statistically significant. The most notable trend is that of higher wage earners compared with lower wage groups. 78% of the income lost by IWs earning between \$250 and \$499 a week is replaced by SIBs, while only 43% of income lost is replaced by SIBs for those earning \$1,000 or more.

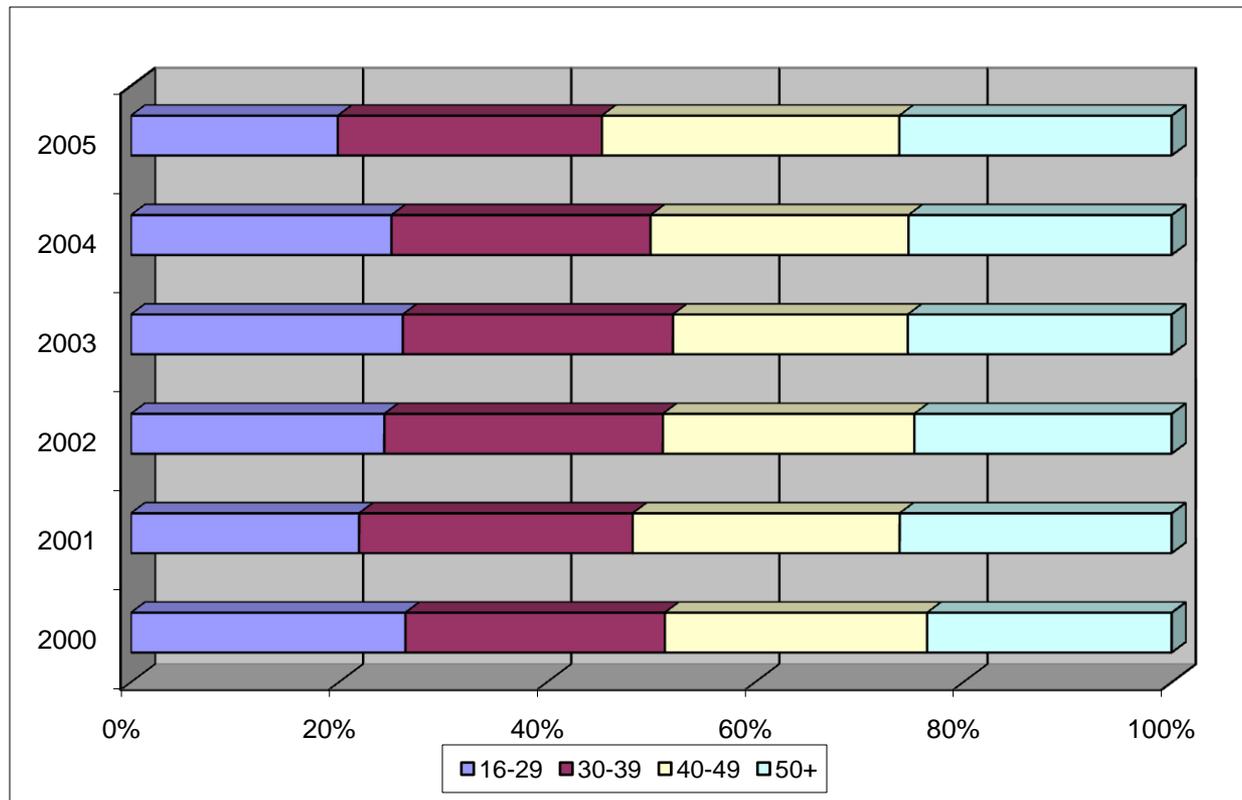


# SIBs Replacement Rate (Cont'd)

Median SIBs Replacement Rate by Age and IY, 2000-2005

**Findings:**

The differences in income replacement rates by age and injury year, 2000-2005 is not statistically significant.

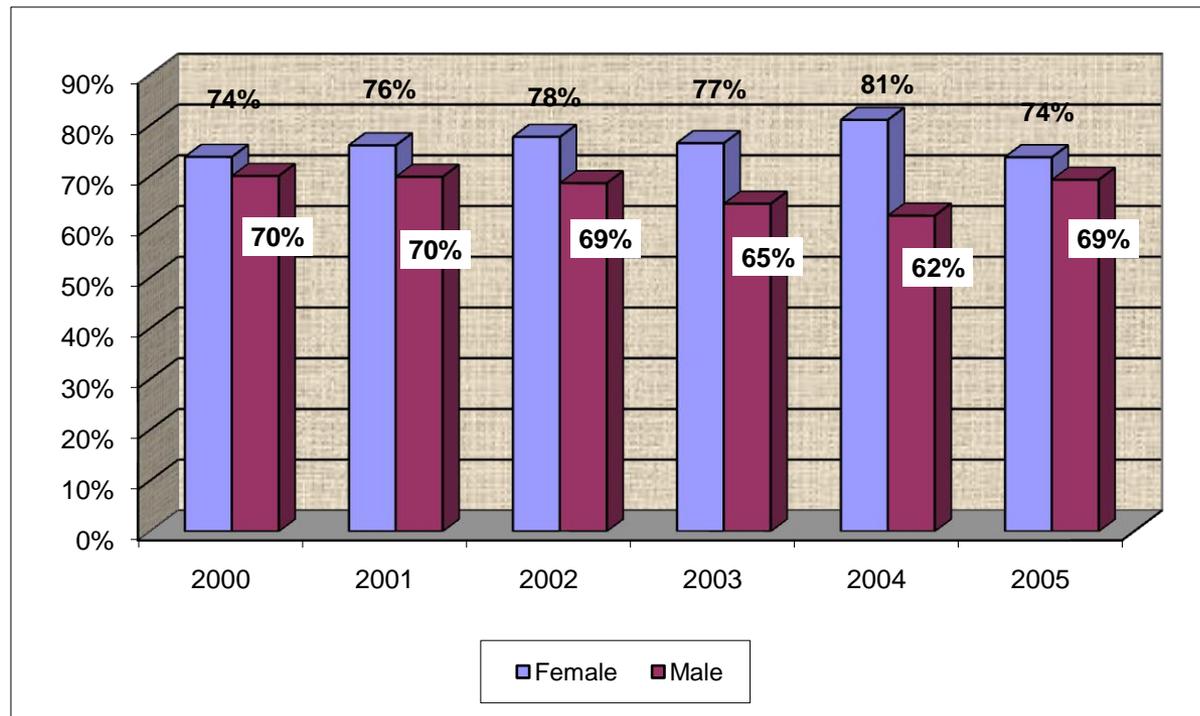


Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# SIBs Replacement Rate (Cont'd)

## Median SIBs Replacement Rate by Gender and IY, 2000-2005



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

### Findings:

- Injured women tend to have higher replacement rates than injured men.
- The differences are statistically significant.
- Injured women also tend to have lower wages, and therefore lower likelihood to have capped benefits.

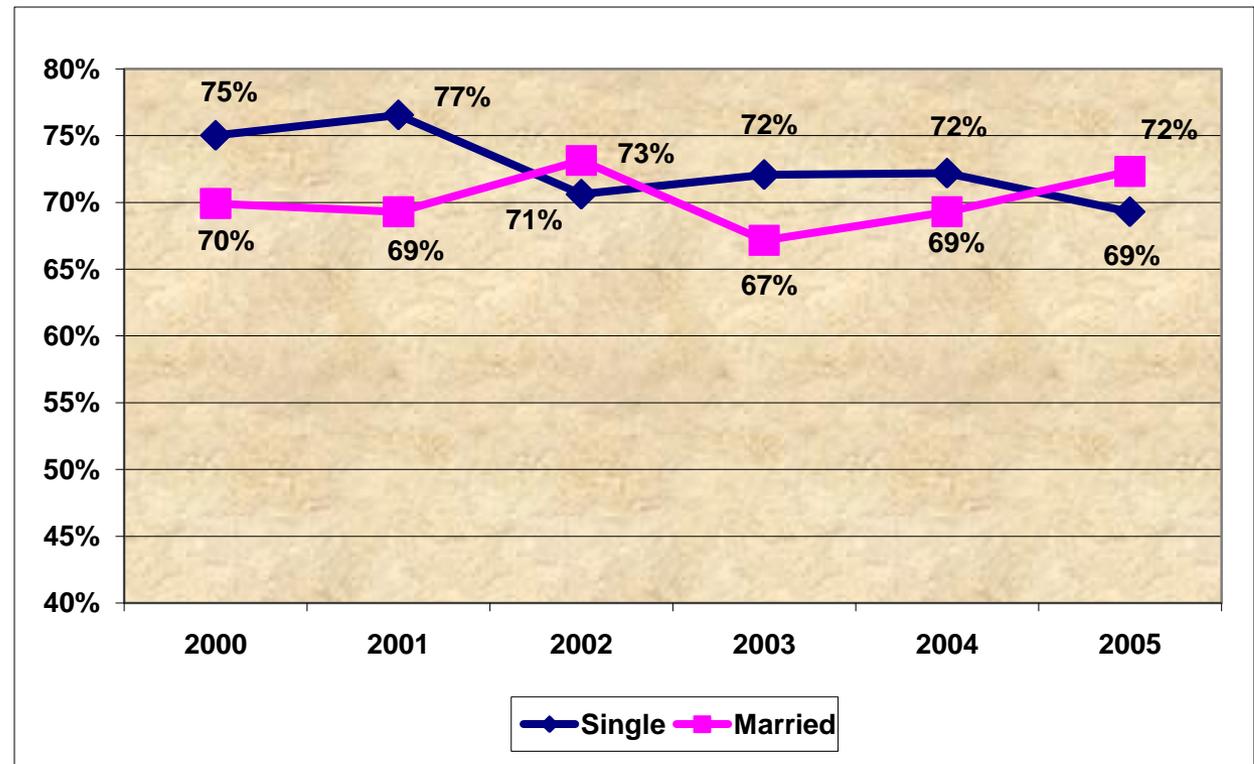


# SIBs Replacement Rate (Cont'd)

## Findings:

- Married injured workers tend to have lower replacement rates than single injured workers.
- Married injured workers tend to have higher incomes, more favorable tax deductions and capped rates.

Median SIBs Replacement Rate by Marital Status and IY, 2000-2005

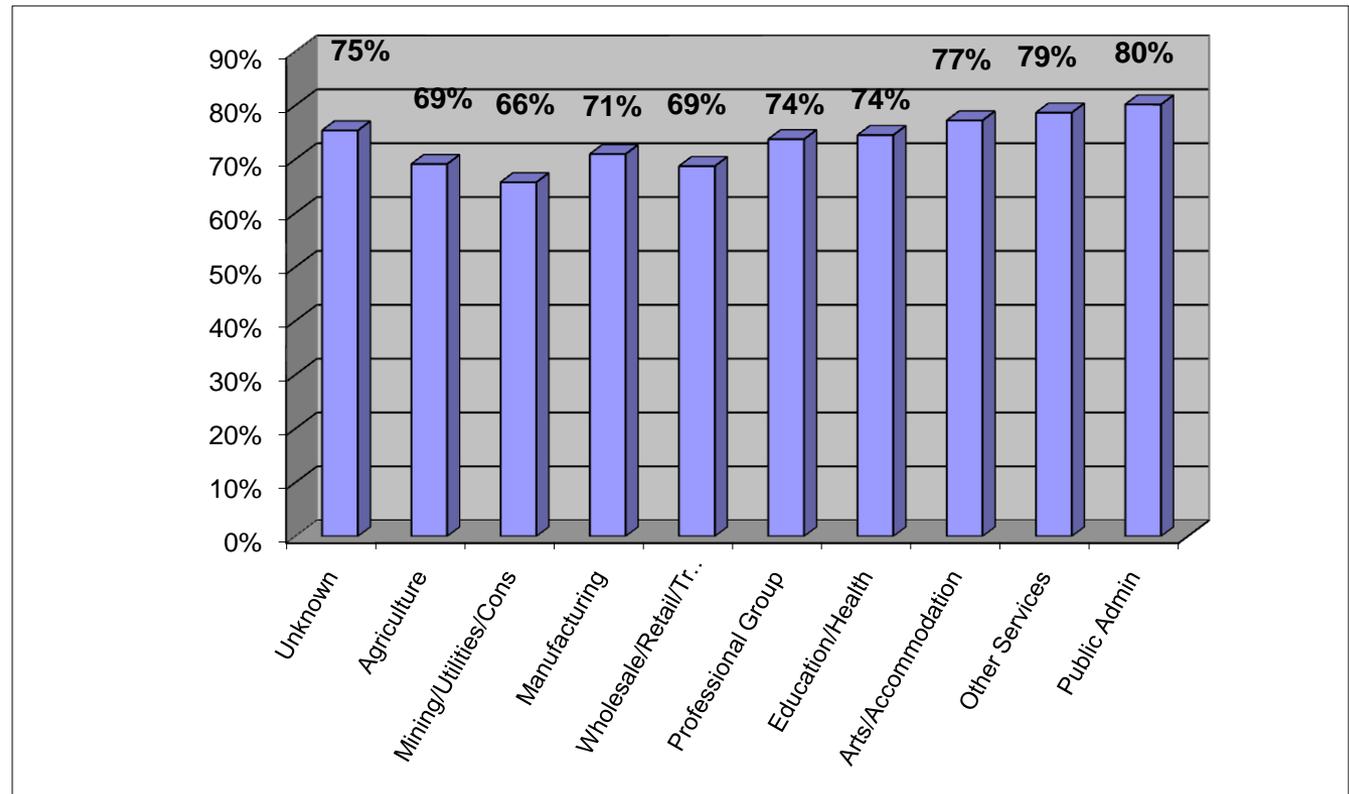


Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# SIBs Replacement Rate (Cont'd)

## Median SIBs Replacement Rate by Industry, IYs 2000-2005



### Findings:

- Injured workers in Public Administration had the highest replacement rates (80%).
- Mining /Utilities/Wholesale/Retail had the lowest (66%) .

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# SIBs Replacement Rate (Cont'd)

## Median SIBs Replacement Rate by Capped Benefits and IY, 2000-2005

Capped Rate	Injury Year					
	2000	2001	2002	2003	2004	2005
<b>Capped</b>	70%	71%	70%	69%	68%	70%
<b>Other</b>	84%	80%	85%	<b><i>77%</i></b>	<b><i>82%</i></b>	<b><i>85%</i></b>

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Note: a bolded, italicized number in red font indicates that the percentage is based on less than 30 cases.

### ***Findings:***

- SIBs benefits replace a smaller percentage of lost earnings for those compensated at the maximum benefit amount than other injured workers receiving compensation below the maximum level.
- Higher wages are more likely to result in capped benefits and therefore reflect lower replacement rates. Because of small cell sizes, results should be interpreted with caution.

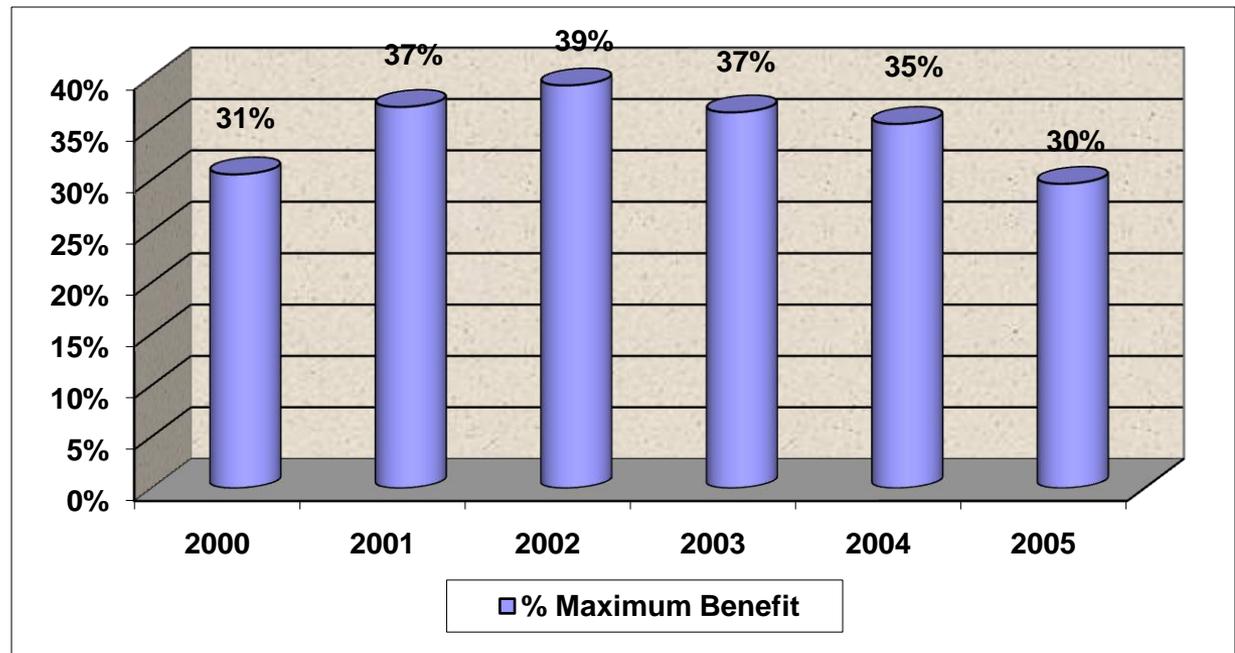


# SIBs Replacement Rate (Cont'd)

## Findings:

- The percent of SIBs claims capped at the maximum SIBs benefit appears to be trending downward from IY 2002 to 2005.
- The weekly maximum SIBs payment remained virtually unchanged from 2000 to 2006 (from \$372 to \$378).

Percent of IWs at SIBs Maximum Benefit Amount, 2000-2005



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

**Note:** The years are injury years calculated on a fiscal year basis. For example, 2007 indicates injuries that occurred between 10/1/2006 and 9/30/2007. Injury years were calculated in this manner to more easily align changes in IWs with capped benefits with changes in benefit amounts.

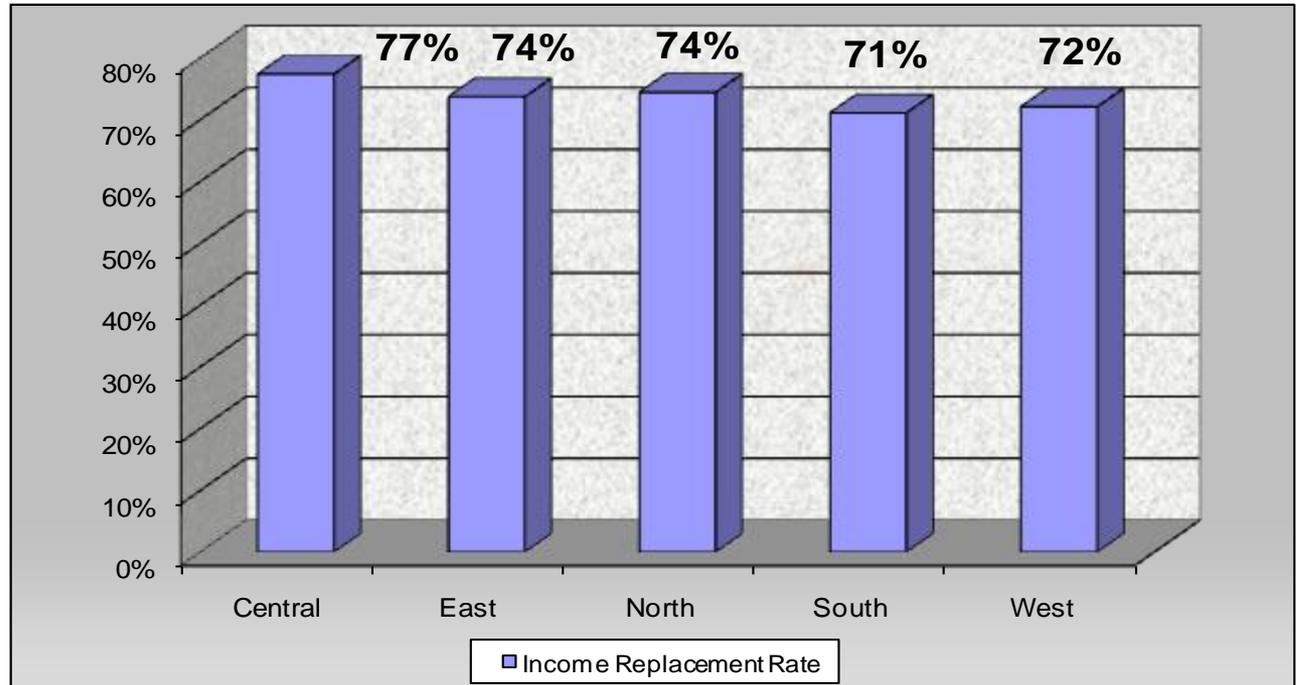


# SIBs Replacement Rate (Cont'd)

**Findings:**

There are no significant differences in replacement rates between the four regions, although that result may be because of the small number of SIBs cases.

Median SIBs Income Replacement Rate, by Region, IYs 2000-2005



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# Lifetime Income Benefits (LIBs)

- **Eligibility:** An injured worker becomes eligible for LIBS when the work-related injuries result in: total and permanent loss of sight in both eyes; loss of both feet at or above the ankle; loss of both hands at or above the wrist; loss of one foot at or above the ankle and the loss of one hand at or above the wrist; certain spinal injuries that result in paralysis; a physically traumatic brain injury; or third degree burns over 40% of the body, or third degree burns covering the majority of either both hands or one hand and the face.
- **Benefit Amount:** 75 percent of the average weekly wage, with a 3 percent increase each year. The Maximum changes each year depending on the SAWW.
- **Time Limit:** Benefits begin from the time it is determined that the injury has resulted in a condition that meets one of the qualifying conditions for lifetime income benefits, and continues for the life of the injured worker.



# LIBs Replacement Rate (Cont'd)

## Interpreting LIBs Replacement Rates

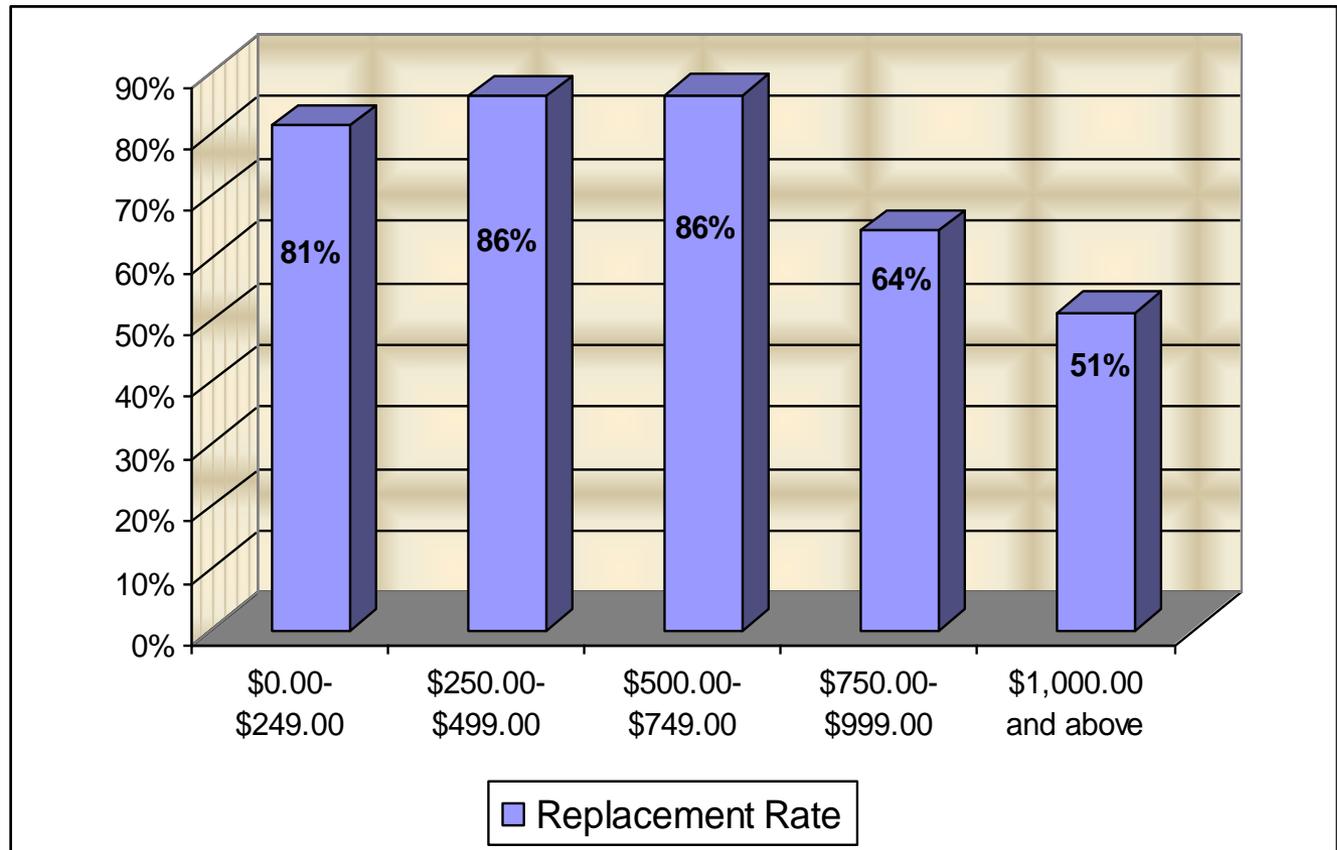
There are relatively few IWs receiving LIBs that meet all the requirements to be included in the analysis. As a result, presenting LIBs income replacement outcomes by injury year presents methodological problems because of low cell counts.

**To remove that obstacle from the analysis, the income replacement outcomes for LIBs recipients will consider all injured workers who received LIBs during the years 2000 – 2009, regardless of their year of injury.**



# LIBs Replacement Rate (Cont'd)

## Median LIBs Replacement Rate by Weekly Wage, 2000-2009



### Findings:

- IWs earning lower weekly wages have a higher percentage of their lost income replaced. IWs earning up to \$750 have their lost wages replaced by up to 86%, while the highest earners replace approximately 50% of their last wages.

- Low wage earners have higher replacement rates because their benefits are less likely to be capped.

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Note: Adjusting weekly wages to 2009 dollars only slightly alters the reported values. Since there is very little difference, the original, unadjusted values are used.



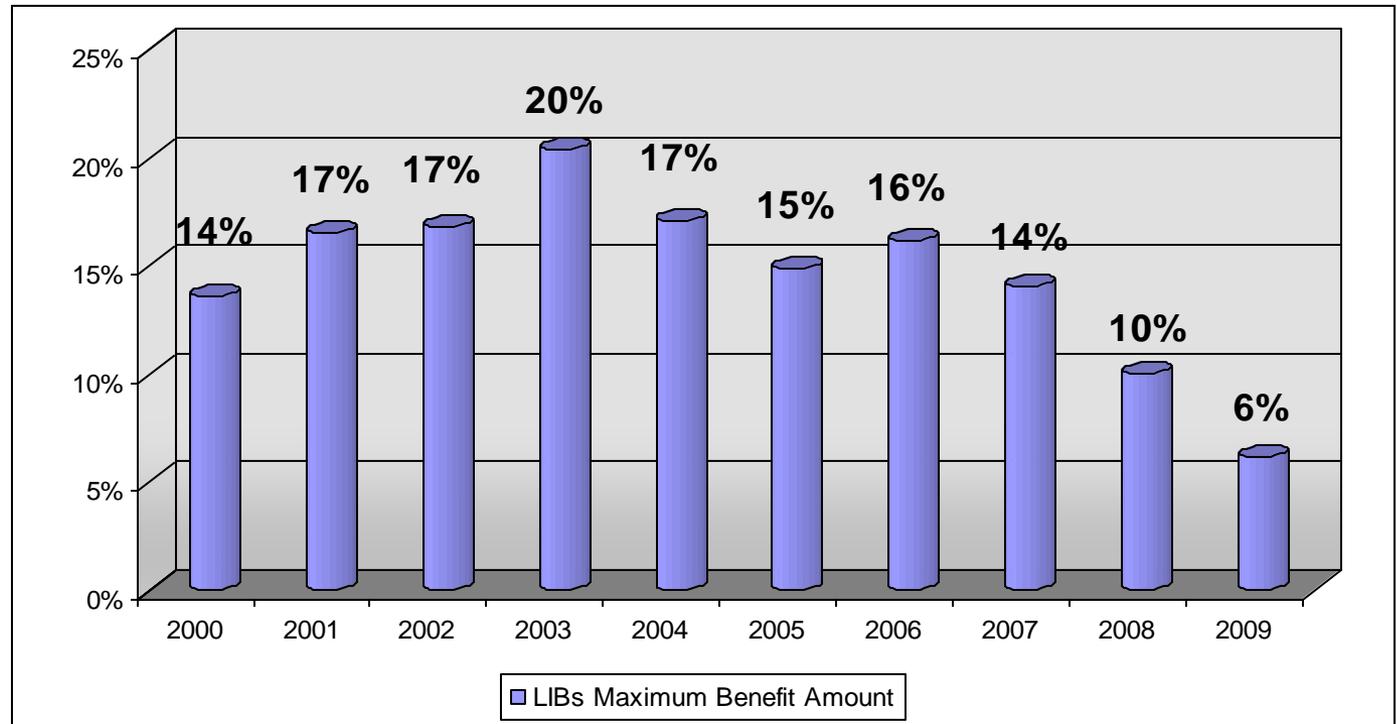
# LIBs Replacement Rate (Cont'd)

## Percent of Injured Workers Capped at the LIBs Maximum Benefit Amount, FYs 2000-2009

### Findings:

■ The weekly maximum LIBs payment remained virtually unchanged from 2000 to 2006 (from \$531 to \$540). The % of injured workers capped at the maximum benefit increased from 14% to 20% and then decreased to 15% during that period.

■ The weekly maximum LIBs payment increased in 2006 and in 2007 (to \$674 and \$712 respectively) resulting in a decrease in the % of injured workers capped at the maximum benefit (from 16% to 6%).



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

**Note:** The years are injury years calculated on a fiscal year basis. For example, 2007 indicates injuries that occurred between 10/1/2006 and 9/30/2007. Injury years were calculated in this manner to more easily align changes in IWs with capped benefits with changes in benefit amounts.

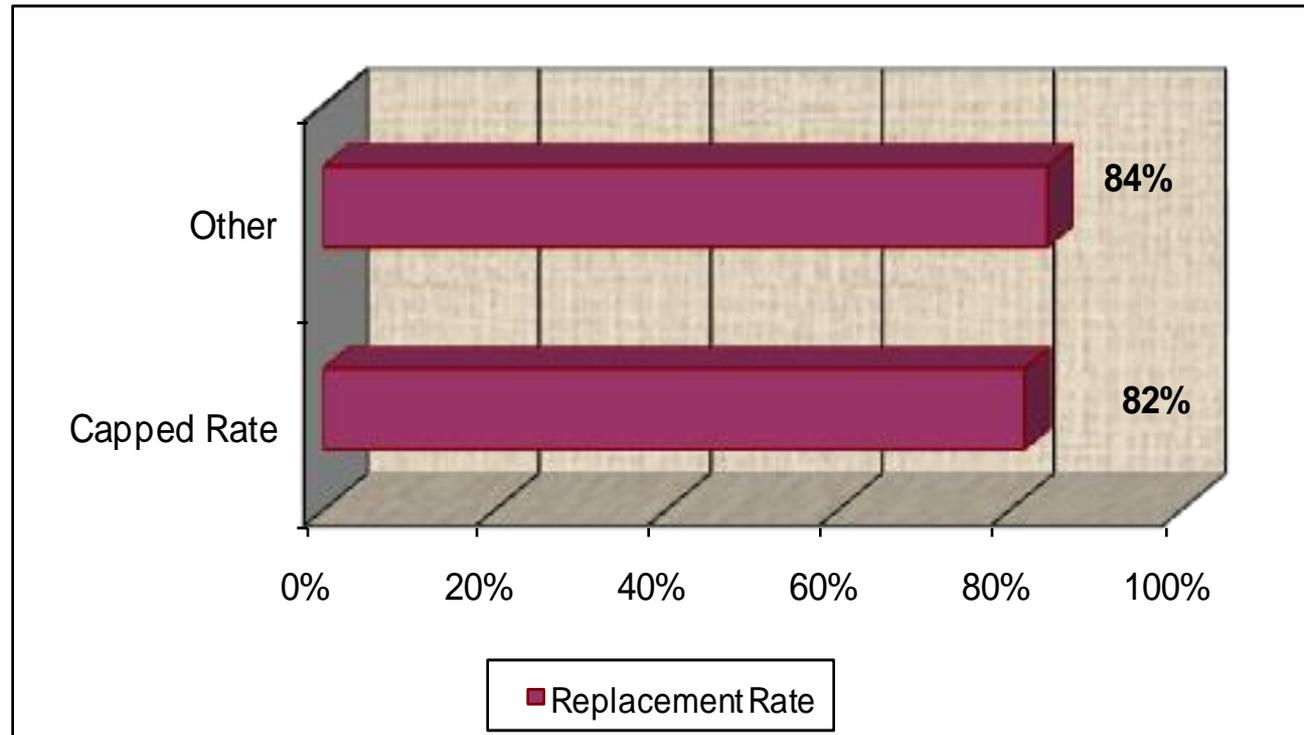


# LIBs Replacement Rate (Cont'd)

## Findings:

- IWs compensated at the maximum benefit amount regain a smaller percentage of their lost earnings than IWs receiving other compensation amounts.
- Higher wages are more likely to result in capped benefits and therefore result in lower replacement rates.
- The differences were not statistically significant.

Median LIBs Replacement Rate by Capped Benefits, 2000-2009



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

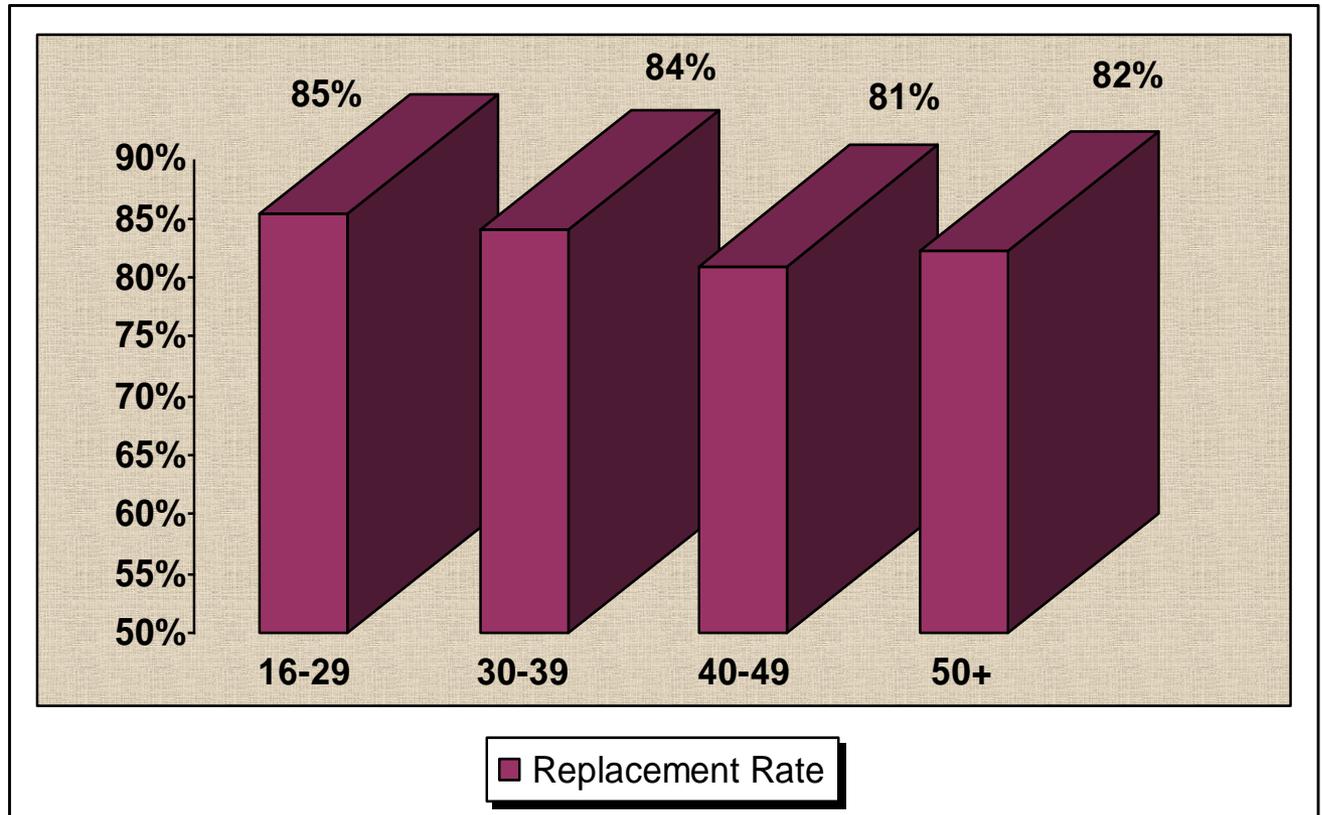


# LIBs Replacement Rate (Cont'd)

## Median LIBs Replacement Rate by Age, 2000-2009

### Findings:

- Older injured workers tend to have lower replacement rates than younger Injured workers.
- This is because older injured workers tend to have higher incomes and therefore capped rates.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

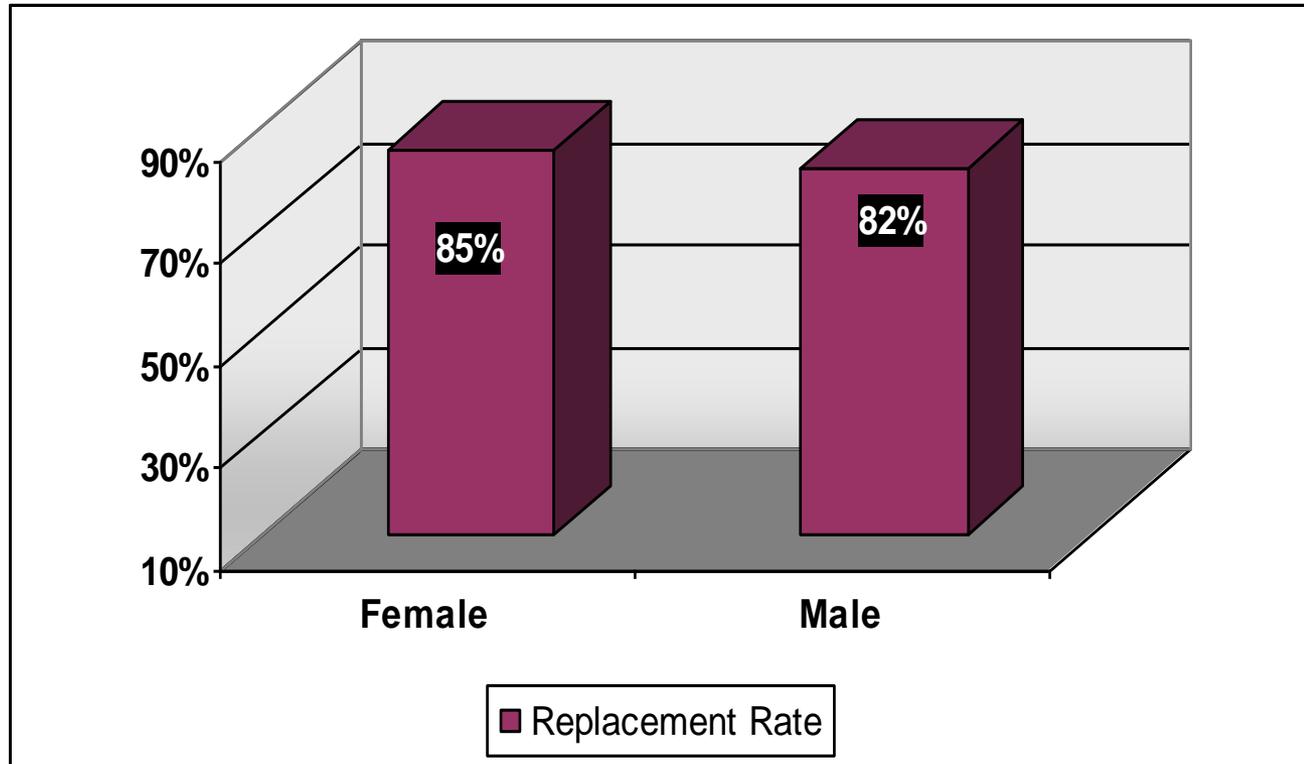


# LIBs Replacement Rate (Cont'd)

Median LIBs Replacement Rate by Gender, 2000-2009

**Findings:**

- Female IWs have higher replacement rates than men because they have lower weekly wages.
- Lower weekly wages are less likely to have capped benefits and therefore result in higher replacement rates.
- The differences were statistically significant.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

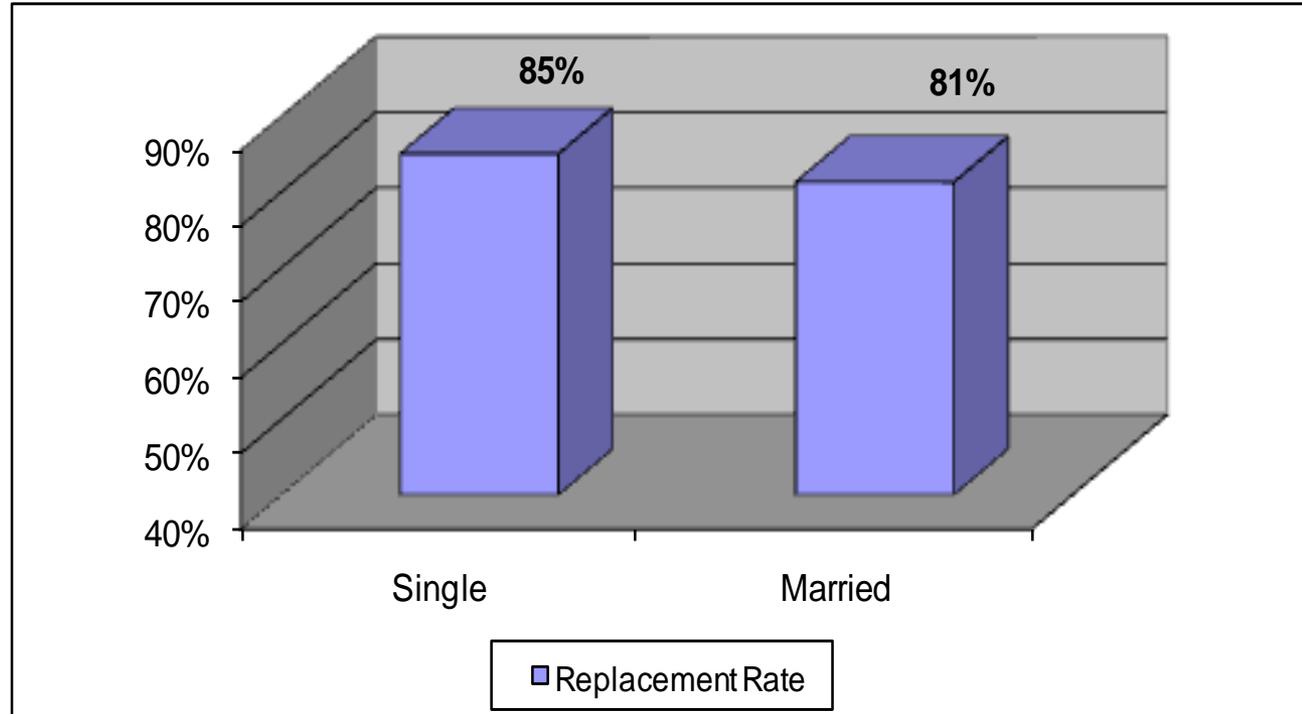


# LIBs Replacement Rate (Cont'd)

Median LIBs Replacement Rate by Marital Status, 2000-2009

**Findings:**

- Single IWs have higher replacement rates than married IWs because they have lower household incomes.
- Lower incomes are less likely to have capped benefits and therefore result in higher replacement rates.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

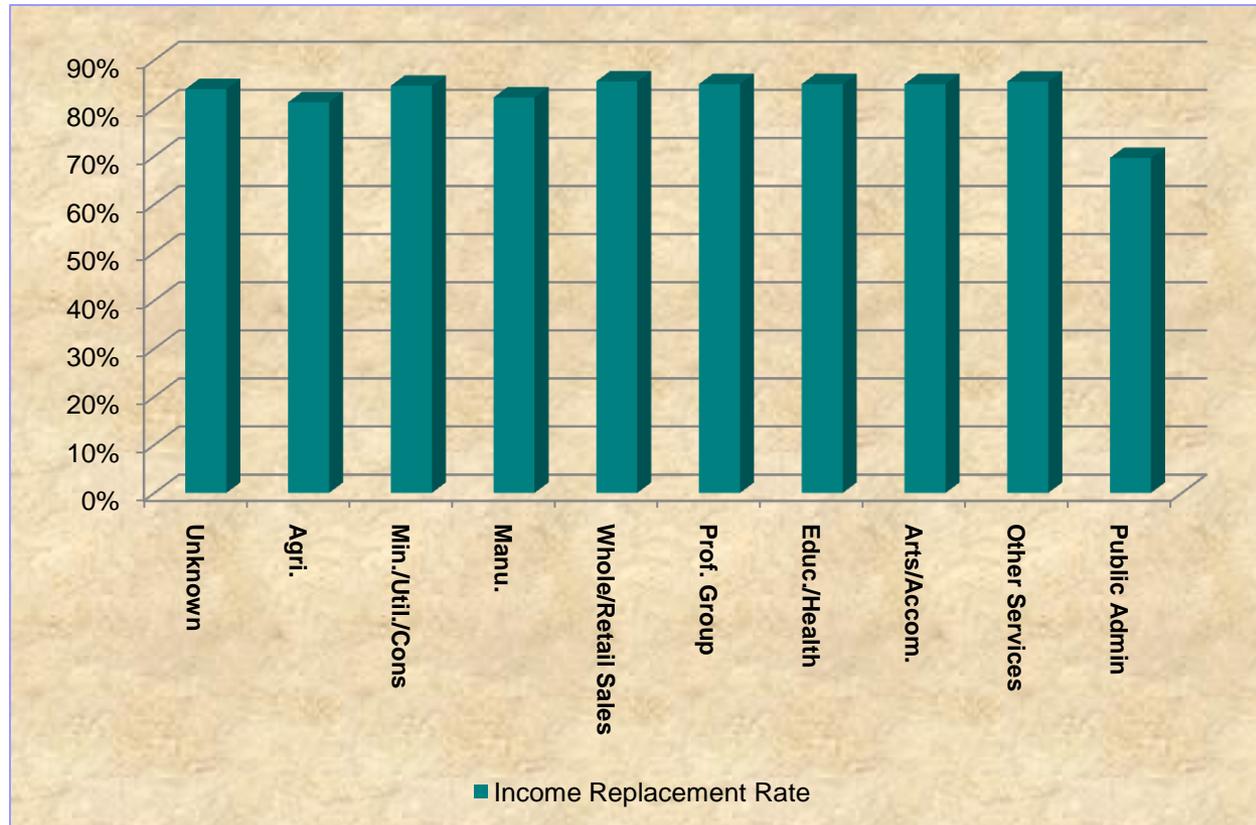


# LIBs Replacement Rate (Cont'd)

## Median LIBs Replacement Rate by Industry, 2000-2009

### Findings:

- Statistical tests show slight differences in the LIBs replacement rate by industry.
- IWs in Public Administration have the lowest replacement rate (69%) among LIBs recipients.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

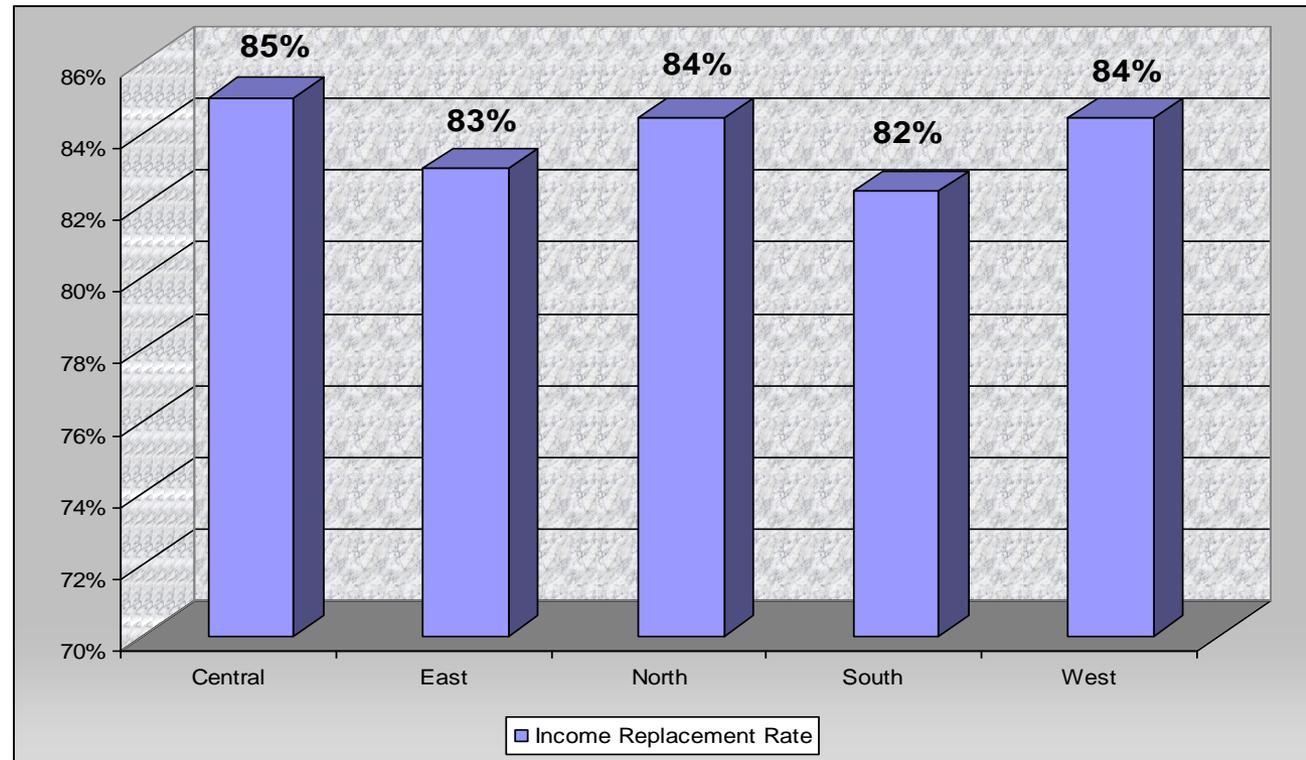


# LIBs Replacement Rate (Cont'd)

Median LIBs Replacement Rate by Region, 2000-2009

**Findings:**

The regional differences in LIBs replacement rates were not statistically significant.



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# Capped Benefit Payments

A capped benefit amount refers to payments made at the maximum benefit allowed at the **time of injury**. The capped level limit benefit payments to injured workers with average weekly wages that are higher than the maximum allowable benefit amount.

Maximum and minimum benefit amounts are set by the legislature, and go into effect at the beginning of the fiscal year (10/1 – 9/30).

- **Weekly TIBs payments** may not exceed 100 percent of the state average weekly wage under Texas Labor Code, Section 408.047 rounded to the nearest whole dollar.
- **Weekly IIBs payments** may not exceed 70 percent of the state average weekly wage rounded to the nearest whole dollar.
- **Weekly SIBs payments** may not exceed 70 percent of the state average weekly wage rounded to the nearest whole dollar.
- **Weekly LIBs payments** may not exceed 100 percent of the state average weekly wage rounded to the nearest whole dollar.
- **Weekly DIBs payments** may not exceed 100 percent of the state average weekly wage rounded to the nearest whole dollar.

Benefit information can be found in Section 408.061 of the Texas Labor Code.



# Capped Benefits (Cont'd)

## Interpretation of Benefits Duration

Benefit duration is largely a function of date of injury. Consequently, average durations for more recent injuries will most likely be lower than average durations for older injuries.

Also, many TIBs recipients may not have reached 104 weeks, the statutory time limit for TIBs, or attained Maximum Medical Improvement (MMI). Injured workers who reach clinical or statutory MMI are assigned impairment ratings, which directly impacts the number of IIBs cases and benefit duration for the recipients.

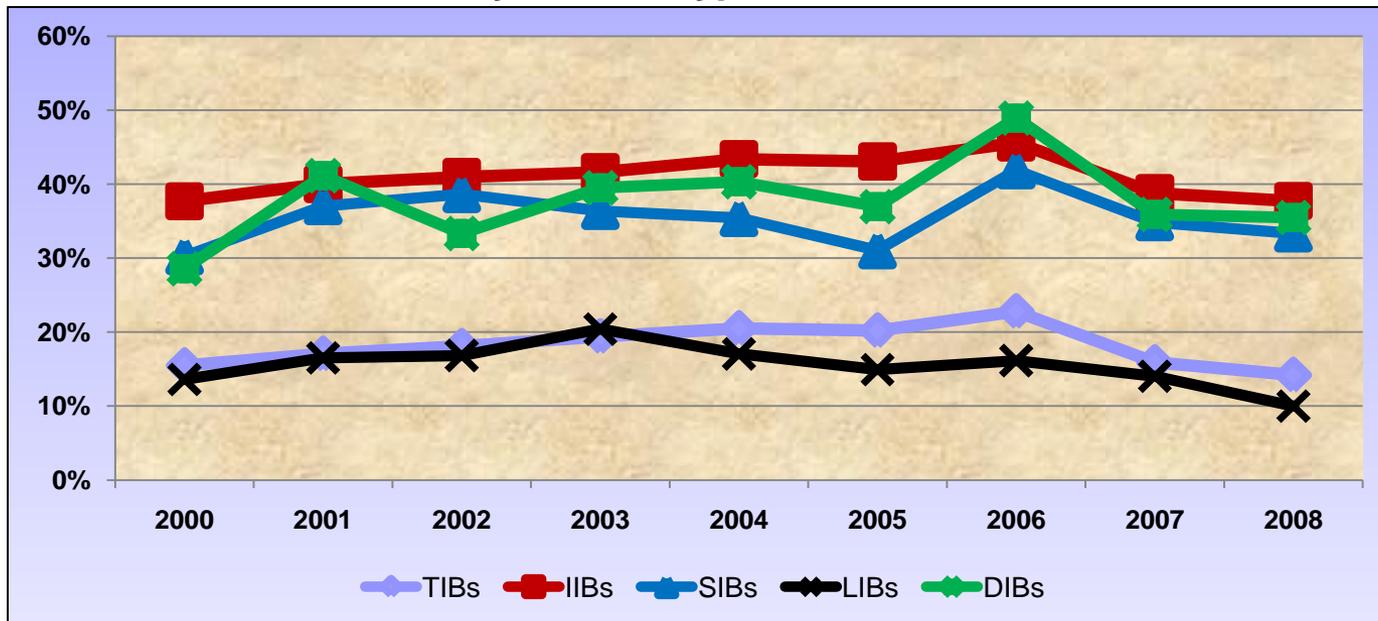
Similarly, injured workers receiving IIBs may not have completed the number of weeks of benefits, which determines the start date of SIBs benefits for qualified injured workers with impairment ratings of 15 percent or greater.

***It must be kept in mind that any decrease in average benefit duration is not necessarily the result of changes in the Texas Worker's Compensation system.***



# Capped Benefits (Cont'd)

Percentages of Claimants Capped at the Maximum Benefit Amount, by Benefit Type, 2000-2008



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

## Summary of Findings:

The percentage of IWs capped at the maximum benefit amount varies by type of benefit received. A higher percent (30-50%) of SIBs, IIBs, and DIBs claimants are capped at the maximum benefit amount than LIBs or TIBs recipients (10-20%). The percentage appears to be declining, although the declines are more evident in TIBs and LIBs. Those declines are caused primarily by increases in the maximum benefit amount in FYs 2007 and 2008. The trend for SIBs claimants is tentative beyond 2002, since data for the following years contain few cases.

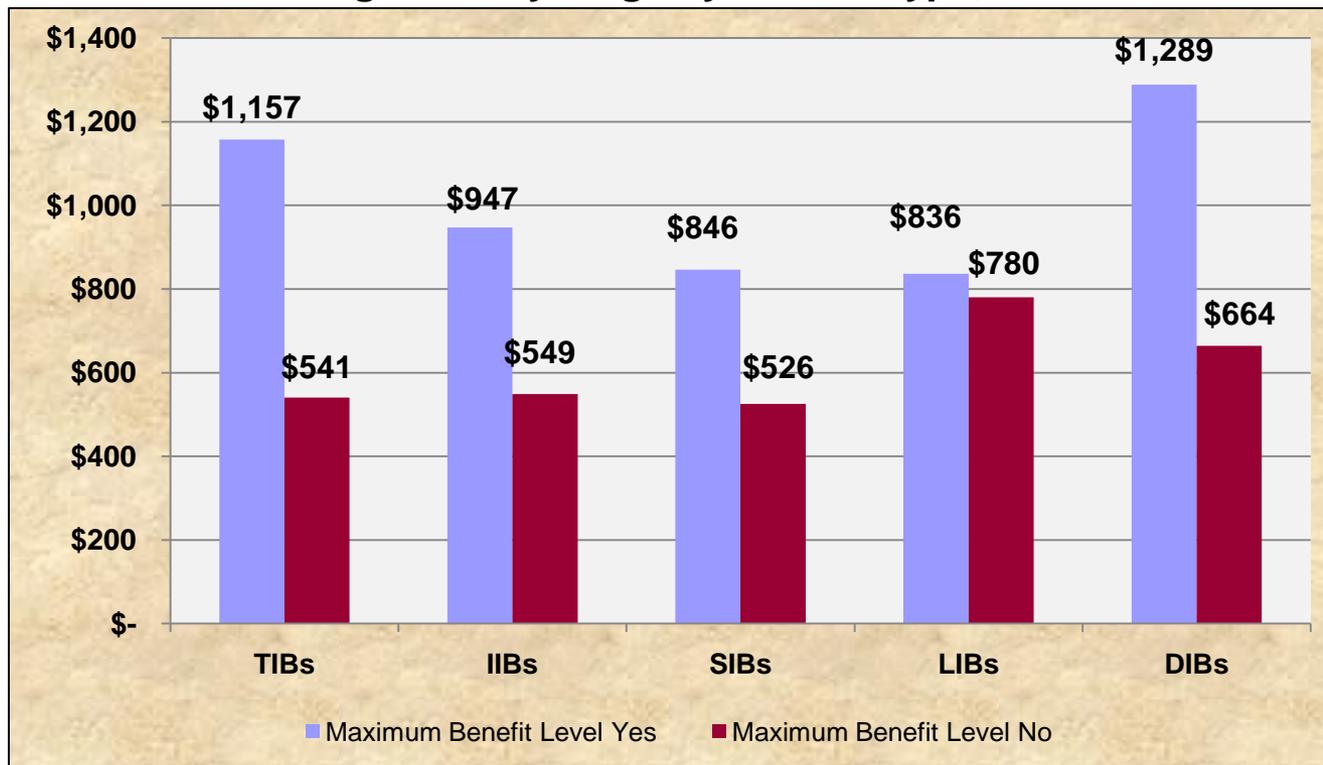


# Capped Benefits (Cont'd)

## Findings:

- Statistical tests show that injured workers whose benefits have been capped at the maximum amount earn significantly more per week on average.
- LIBs recipients had the narrowest gap between the average capped and non-capped wages.

Average Weekly Wage by Benefit Type, 2005-2009



Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.



# Capped Benefits (Cont'd)

## Total Duration by Capped Benefit Status, 2005-2009

Injury Year	TIBs Weeks		IIBs Weeks		SIBs Weeks <sup>1</sup>		LIBs Weeks <sup>1</sup>		DIBs Weeks <sup>1</sup>	
	Max Benefit Level		Max Benefit Level		Max Benefit Level		Max Benefit Level		Max Benefit Level	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
2005	23**	22	18**	16	20	24	131	184	258	254
2006	21**	20	18**	15	16	15	121	134	206	185
2007	22**	20	16**	14	13	16	60	84	155	154
2008	22**	20	14**	13			51	63	102	101
2009	14**	13	10	10			37	28	51	50

Source: Texas Department of Insurance, Workers' Compensation Research and Evaluation Group, 2010.

Note: \*\* indicates statistical significance.

1. Statistical tests of duration for LIBs and SIBs cases should be interpreted with caution because of low numbers of IWs.

### Findings

**TIBs:** The differences in average TIBs duration between categories within years are statistically significant.

**IIBs:** The differences in average IIBs duration between categories within years are statistically significant, except for 2009.

**SIBs, LIBs, DIBs:** There are no significant differences between the categories within each year.

