

Testimony in Opposition to LD 1896  
*An Act to Index Workers' Compensation Benefits to the Rate of Inflation*  
May 11, 2023  
Presented by Elizabeth Brogan

Senator Tipping, Representative Roeder and distinguished members of the Labor and Housing Committee, my name is Elizabeth Brogan and I am the Executive Director of the Workers' Compensation Coordinating Council and Maine Council of Self-Insurers. My testimony is in opposition to LD 1896.

The elimination of cost-of-living adjustments was one of nine "key components" for reform identified by the Blue Ribbon Commission in its 1992 report, intended to save a system which was in collapse, with Maine recognized for having the costliest workers' compensation in the nation; with businesses citing those costs in decisions to close or leave the state; with the last workers' compensation insurer in the state on its way out; and with a three-week government shutdown over workers' compensation in the national spotlight. The objective of the new system, reflected in the 1992 Act, was to provide substantial protections—high quality medical care, prompt delivery of benefits and income support—at an affordable cost "no greater than the median cost among states." Today, substantial benefits are provided, and were significantly increased in 2019, but we are not at the median cost among states and getting further from that goal.

**In fact, Maine had the 9<sup>th</sup> highest premium rates in the nation in 2022, up from the 16<sup>th</sup> highest in 2020 and 19<sup>th</sup> highest in 2018, according to the State of Oregon's bi-annual ranking of the states and the District of Columbia by premium. The National Council on Compensation Insurance (NCCI), the rating and statistical organization for Maine and 37 other states and the District of Columbia, determined Maine had the 5<sup>th</sup> highest average loss cost in its most recent report. (These statistics are cited in section B of The Annual Report on the Status of the Maine Workers' Compensation System, submitted to this committee in February by Workers' Compensation Board Executive Director John Rohde, Bureau of Insurance Acting Superintendent Timothy Schott and Labor Commissioner Laura Fortman.)**

The potential cost of this bill has not yet been estimated by NCCI, but clearly would be steep and onerous for Maine businesses, all of which also battle inflation in an uncertain economy. Many of these employers—towns and cities, schools and hospitals, businesses large and small—will pay these increased costs directly, as self-insurers. **A potential retroactive application of this law would result in a catastrophic level of unfunded liabilities, as insurers would become responsible for costs for which they cannot retroactively collect premiums.**

Finally, application of this law *in addition to* the cost-of-living adjustment on total compensation already in the statute would usher in a new era of confusion and instability. These adjustments on total benefits, after 260 weeks, were just added back to the workers' compensation system in the 2019 omnibus bill, the result of a long negotiation process, one which the business community trusted would lead to a period of stability. (There have been no cost-of-living adjustments on *both* total and partial benefits in Maine since 1987.)

For these reasons, I urge the committee to vote ought not to pass on LD 1896. I am happy to answer any questions.