

FACT OR FICTION?

Statement: *System costs have decreased by 83% since 1993 – which would make Maine by far the cheapest in the country if other states hadn't made similar system and safety improvements.*

Facts: *The 1992 reforms were a result of Maine being significantly higher than every other state in the country with very few insurers even willing to write workers' compensation in our state.*

- We were in crisis then, we are not in crisis now.
- A stable and predictable system benefits both employees and their employers.
- Fact is, other states have improved through safety and/or system adjustments and it still leaves Maine either the 12th or 19th highest cost state, depending upon the study you read. LD 756 doesn't help.
- If LD 756 passes, Maine will again be a high-cost outlier when compared to other states. Making it harder to attract capital investment, economic development and talent to drive the Maine economy.
- Since 1992, Maine employers have made tremendous strides when it comes to workplace safety and safety investments. While these efforts have produced the desired injury frequency and injury severity numbers to improve, any savings they have realized have gone into benefit, wage and workplace improvements.

Statement: *WCB Executive Director John Rhode testified that, using his calculations, the most expensive option would only increase system costs by less than 4%... which effectively makes the changes revenue neutral since the average savings to the system has been around 4% per year.*

Facts: *The arithmetic that the Executive Director delivered on May 28th was incomplete, overly simplistic and it did not factor in important actuarial components because he is a lawyer, not an actuary.*

- His analysis needs to include inevitable behavior changes when lifetime benefits are easier to qualify for, plus the added incentives of COLA and maximum benefit caps under the proposed changes.
- The compounding effects of the bill's components are not as simple as the sum of its parts.
 - Effectively eliminating the durational cap has one cost impact (NCCI suggests it will be more than 5%).
 - COLA's have a different cost impact (NCCI indicated it would increase system costs by 2.3%).
 - Eliminating the maximum benefits currently pegged to 100% of the State Average Weekly Wage has yet another cost impact (likely to be around 3% according to an NCCI analysis).
 - But adding these cost increases together won't give an accurate answer to the systemic costs because they have compounding effects when combined.
- Even without the compounding impacts, the NCCI projections add up to a heck of a lot more than 4%.

Statement: *The current system does not treat injured workers fairly.*

Facts: *Nobody is complaining that injured employees are not getting paid, they are arguing that they are not getting paid enough.*

- LD 756 (and the two dozen bills that were introduced before it) is a solution in search of a problem. The Democrats pushing this expensive change to the 1992 reforms put in place almost 30 years ago are looking to change the system politically, not pragmatically.
- A system that expands benefits is more expensive by its very nature without offsetting system improvements, which is why the MMTA supports the Republican Minority Report that accomplishes this balance.

Statement: *There was a deal that was put together, supported by the Governor, that would have increased costs but was still better than the significant cost increases should LD 756 pass in its current form.*

Facts: *The Governor's office, certain labor interests, MEMIC and the State Chamber of Commerce did meet to hammer out compromise language – now known as the “white paper” version.*

- Republican lawmakers and the business community at large were not part of these negotiations and nobody knew the meeting(s) happened until after agreement was reached. There was no opportunity for input or to share perspectives going into these delicate and impactful deliberations.
- Once trade associations and business groups outside of the Maine Chamber were made aware of negotiations, MMTA participated in a group effort to shape negotiations that started with a balanced system – increasing benefits while recognizing some offsetting system improvements.
- Unfortunately, the Chamber/MEMIC negotiations provided the framework from which it appears any compromise will develop.
- The Democrats on the committee acknowledged their choice to vote on this compromise or to go with the more expensive option that has passed. They decided to play hard ball politics and pass the more expensive version of LD 756 because they insisted on Republican support.