



ANALYSIS OF VERMONT H. 163 *As Introduced on February 7, 2025*

NCCI evaluated the impact of Vermont House Bill 163 (H. 163), which includes a section that proposes to add the market value of health insurance in the definition of wages used to determine an injured worker's weekly benefit, with an effective date of July 1, 2025. NCCI estimates that the proposed change from that section, if enacted, would result in an impact of +4.0% (\$7M¹) to +6.9% (\$13M) on overall workers compensation (WC) system costs in Vermont.

Summary of Quantifiable Provisions in H. 163

Currently, per Sec. 1. 21 Vermont Statutes Annotated § 601, 'wages' include "bonuses, and the market value of board, lodging, fuel, and other advantages that can be estimated in money that the employee receives from the employer as a part of his or her remuneration". Proposed H. 163 would modify this to add the market value of an employee's health insurance in the wages used to calculate WC indemnity benefits.

Actuarial Analysis

This analysis relies on the following key assumptions. If the bill provisions were interpreted differently than assumed for the purposes of this analysis, the impacts in this document could materially change.

- The calculation of the state average weekly wage (SAWW) used to determine maximum and minimum income benefits would not be affected.
- There is no change to the definition of "payroll" or "remuneration" as used to calculate the exposure base for WC insurance premiums.
- The employer paid portion of health insurance premiums would continue to be included in the pre-injury workers' average weekly wage (AWW) calculation even if the employer continues paying health insurance premiums during the worker's disability.
- The market value of health insurance refers to the employer cost for health insurance premiums (i.e., does not include the portion of health insurance premiums paid for by the employee) out of their pre-injury wage as this remuneration is already reflected in the injured workers base salary.

¹ The estimated dollar impact is displayed for illustrative purposes only and calculated as the percentage impact(s) multiplied by 2023 written premium of \$186M from NAIC Annual Statement data for Vermont. This figure does not include self-insurance, the policyholder retained portion of deductible policies, or adjustments for subsequent changes in premium levels. The use of premium as the basis for the dollar impact assumes that expenses and other premium adjustments will be affected proportionally to the change in benefit costs. The dollar impact on overall system costs inclusive of self-insurance is estimated to be between \$9M and \$15M, where data on self-insurance is approximated using the National Academy of Social Insurance's November 2024 publication "Workers' Compensation: Benefits, Costs, and Coverages, 2022."



ANALYSIS OF VERMONT H. 163 As Introduced on February 7, 2025

In Vermont, most types of WC indemnity benefits are based on a percentage of the injured worker's pre-injury AWW. Therefore, including the market value of employer provided health insurance premiums in an injured worker's AWW would increase that worker's indemnity benefits.

To determine the impact of the provisions of H. 163 on the wages used to calculate benefits, NCCI examined data in the US Bureau of Labor Statistics (BLS) September 2024 publication "Employer Costs for Employee Compensation" report for the New England region². Based on this data, NCCI estimates that, on average, including the market value of employer provided health insurance in the WC benefit calculations, injured worker wages would increase on average by between +9.5% to +12.5% under H. 163³. However, since employer provided health insurance plans have varying degrees of cost-sharing, and since indemnity benefits are subject to statutory maximum and minimum amounts, the percentage change in an individual injured worker's actual indemnity benefit amount may differ⁴ from this amount.

To analyze the direct cost impact of the proposed change to the definition of wages, NCCI used a statewide distribution of workers and their wages. Indemnity benefit costs were calculated without the health insurance adjustment to AWW and again with the proposed adjustment; the ratio between the results of the two calculations was used to estimate the direct impact to WC indemnity benefit costs in Vermont.

Studies⁵ indicate that benefit increases are typically accompanied by changes in claimant behavior which may result in an increase in claim duration and/or claim frequency. The cost impact of such behavioral changes is known as utilization. To account for utilization in the upper bound cost impact estimate, NCCI applied multiplicative factors to the direct cost impacts. A fixed utilization factor of 1.54 was applied to the estimated impact on temporary total disability costs based on the findings of the study.

Summary of Estimated Impacts for Quantifiable Provisions

The potential impacts of proposed H. 163 to overall WC system costs in Vermont, if enacted with the assumptions noted previously, is summarized in the following tables:

² <https://www.bls.gov/news.release/pdf/ecec.pdf>

³ This figure assumes that paid leave and supplemental pay, as defined by the BLS, are not included in the AWW calculation. Range of impacts selected based on a review of data for New England states and Countrywide.

⁴ In addition, a few types of indemnity benefits, such as burial costs for deceased workers, do not depend on the workers' wages.

⁵ For example: Robert Moss, Ashley Pistole, and Bruce Ritter. "Impact on Utilization From an Increase in Workers Compensation Indemnity Benefits" (National Council on Compensation Insurance, 2009). This study focused on temporary total disability benefits and found that for each \$1.00 of direct benefit increase, there is an added \$0.54 average cost due to increased claim durations (i.e., increased benefit utilization).



ANALYSIS OF VERMONT H. 163
As Introduced on February 7, 2025

Summary of Impacts – Lower Bound Estimate (assumes 9.5% increase to average wage)

Injury Type	Share of Indemnity Costs ⁶	Estimated Cost Impact (%)	
		Direct Impact	Impact Including Utilization
Fatal	1.5%	+5.7%	+5.7%
Permanent Total Disability	11.7%	+7.2%	+7.2%
Permanent Partial Disability	53.2%	+7.0%	+9.0%
Temporary Total Disability	33.6%	+7.3%	+11.3%
(A) Total Indemnity		7.1%	9.5%
(B) Indemnity Share of Overall Costs ⁷			56%
Impact on Overall Costs = (A) x (B)		+4.0%	+5.3%

Summary of Impacts – Upper Bound Estimate (assumes 12.5% increase to average wage)

Injury Type	Share of Indemnity Costs	Estimated Cost Impact (%)	
		Direct Impact	Impact Including Utilization
Fatal	1.5%	+7.5%	+7.5%
Permanent Total Disability	11.7%	+9.4%	+9.4%
Permanent Partial Disability	53.2%	+9.2%	+11.7%
Temporary Total Disability	33.6%	+9.5%	+14.7%
(A) Total Indemnity		9.3%	12.4%
(B) Indemnity Share of Overall Costs			56%
Impact on Overall Costs = (A) x (B)		+5.2%	+6.9%

⁶ Based on NCCI Workers Compensation Statistical Plan (WCSP) data for Vermont policies becoming effective during the 60-month period ending June 30, 2022 brought to the current benefit level and developed to an ultimate basis by type of injury.

⁷ Based on trended and on-leveled Financial Call data from the latest approved NCCI experience filing for Vermont, effective April 1, 2025.



ANALYSIS OF VERMONT H. 163 As Introduced on February 7, 2025

Other Considerations

Due to the differences in level and prevalence of health benefits being provided by the employer, injured workers who do not receive employer-provided (fully or partially paid) health insurance would not see any change to the wages underlying their benefit calculation while injured workers receiving the benefit of employer-provided (fully or partially paid) health insurance could receive a notable increase in the wages used in the calculation of benefit payments.

NCCI cannot reasonably quantify the following provisions of H. 163, which are anticipated to result in an indeterminate increase on overall system costs:

- Currently, only the employer/insurer can request medical case management services. H. 163 proposes to allow injured workers to request medical case management services if reasonably supported.
- Requires the employer to pay for translation services if an injured worker does not speak English fluently
- Increases penalties for late payments of WC benefits

THIS DOCUMENT AND ANY ANALYSES, ASSUMPTIONS, AND PROJECTIONS CONTAINED HEREIN PROVIDE AN ESTIMATE OF THE POTENTIAL PROSPECTIVE COST IMPACT(S) OF PROPOSED/ENACTED SYSTEM CHANGE(S) AND IS PROVIDED SOLELY AS A REFERENCE TOOL TO BE USED FOR INFORMATIONAL PURPOSES ONLY. THIS DOCUMENT SHALL NOT BE CONSTRUED OR INTERPRETED AS PERTAINING TO THE NECESSITY FOR OR A REQUEST FOR A LOSS COST/RATE INCREASE OR DECREASE, THE DETERMINATION OF LOSS COSTS/RATES, OR LOSS COSTS/RATES TO BE REQUESTED. THE ANALYSIS CONTAINED HEREIN EVALUATES THE DESCRIBED CHANGES IN ISOLATION UNLESS OTHERWISE INDICATED; ANY OTHER CHANGES NOT INCLUDED IN THIS ANALYSIS THAT ARE ULTIMATELY ENACTED MAY RESULT IN A DIFFERENT ESTIMATED IMPACT. I, BRENT TAUB, FCAS, MAAA, AM AN DIRECTOR & ACTUARY FOR THE NATIONAL COUNCIL ON COMPENSATION INSURANCE, INC. AND THE ACTUARY RESPONSIBLE FOR THE PREPARATION OF THIS DOCUMENT. THIS DOCUMENT IS PROVIDED "AS IS" ON THE DATE SET FORTH HEREIN AND INCLUDES INFORMATION AND EVENTS AVAILABLE AT THE TIME OF PUBLICATION ONLY. NCCI'S FINAL ESTIMATED IMPACT MAY DIFFER FROM WHAT IS PROVIDED IN THIS ANALYSIS IF ADDITIONAL INFORMATION BECOMES AVAILABLE OR IF DATA NECESSARY TO ANALYZE PROVISIONS THAT WERE NOT EXPLICITLY QUANTIFIED PREVIOUSLY BECOMES AVAILABLE.