



Neil Bennett, MEd, CRC, FVE
Jeffrey Joy, PhD, CRC, CEA, ABVE-D
Judith Parker, MEd, CDMS, ABVE-D, CLCP, FVP

Foundations of Reduction
to Present Value of Live
Care Plan Costs and Loss of
Wage-Earning Calculations

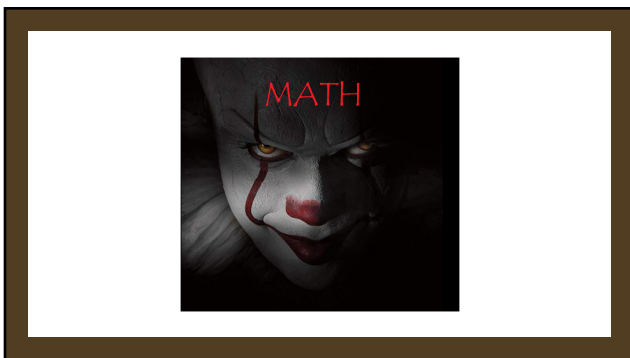
- October 31, 2019
- Portland Oregon

1

Learning Objectives

-  Learn the Foundation of Present Value Calculations of Life Care Plan Expenses and Earning Capacity Losses
-  Identify Resources of Federal and Private Income and Expense Data
-  Review Foundation of Federal Economic Growth, Inflation Indices and Security (US Treasury AKA Risk Free) Investments

2



3

Overview

- 
Part I: Wage Growth & Benefit and Discounting to Present Value
 Introduction to Wage & Fringe Benefit Growth
 • Sources of Wage Growth Data
 • Sources of Benefit Growth Data
 Method of Discounting to Present Value
- 
Part II: Case Study— Calculation of Lost Earning Capacity
- 
Part III: Case Study— Calculation of Life Care Planning Costs

4

- Outline
 - Theoretical & Legal Framework
 - Evaluation Data
 - Earnings
 - Growth Rates & Inflation Rates
 - Fringe Benefits
 - Work Life Expectancy
 - Household Services
 - Interest Rates
 - Present Value Calculation

Part I: Wage Growth & Benefit and Discounting to Present Value

5

Theoretical Framework

When calculating damages, it is understood that if the evaluatee had not sustained injury resulting in permanent functional limitations, he (she) would have continued to work and receive wages (and benefits) until leaving the labor force.

An award (if any) for lost earning capacity is intended to compensate the worker for the earnings stream throughout their remaining work life.

An award sometimes includes compensation for the inability to perform household services.

An award sometimes includes compensation for the cost of future medical care and expenses.

At the conclusion of litigation, an award is usually in the form of a lump sum rather than rather than periodic payments.

6

Legal Framework

The first step in calculating award of lost earnings involves an estimate of what the lost income stream would have been...It has been understood since the decision in *Chesapeake & Ohio R. Co v Kelly* (241 U.S. 485 (1916)) that "in all cases where it is reasonable to suppose that interest may safely be earned upon the amount that is awarded, the ascertained future benefits out to be discounted in the making up of the award."

An award of lost earnings must be a rough approximation because the lost stream can never be predicted with complete confidence; therefore, any lump sum represents only a "rough and ready" effort to put the evaluatee in a position he would have been had he not been injured. *Jones & Laughlin Steel Corp v Pfeifer*, 462 U.S. 523 (1983)

7

Evaluation Data

Gender	Date of Birth	Date of Injury
Date of Trial	Education	Family
Work History	Earnings History	Residual Work Capacity

8