

Fiscal Estimate Narratives

DWD 2/10/2014

LRB Number	13-4097/2	Introduction Number	SB-550	Estimate Type	Original
Description Various changes to the worker's compensation law, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Under current law the maximum permanent partial disability rate is \$322 per week. This bill increases that maximum weekly compensation rate to \$337 for injuries occurring before January 1, 2015, and to \$352 for injuries occurring on or after that date.

Under current law an injured employee receiving the maximum weekly benefit in effect at the time of an injury that qualifies for permanent total disability or continuous temporary total disability and that occurred before January 1, 2001, is entitled to supplemental benefits in an amount sufficient to raise the employee's total weekly benefit to a \$582 maximum. The employer or insurer will pay the additional supplemental benefit to the injured employee, and is entitled to reimbursement from the Work Injury Supplemental Benefit Fund (WISB Fund) which is maintained in the Department of Workforce Development Worker's Compensation Division. This bill will make an employee injured before January 1, 2003 eligible for supplemental benefits beginning on the effective date of the bill, and will increase the maximum supplemental benefit amount for a week of disability occurring after the effective date of the bill to a total benefit of \$669.

This bill will terminate employer or insurer reimbursement from the WISB Fund beginning on the effective date of the bill. Supplemental benefits paid by insurance carriers on an injury before July 1, 2015 will be reimbursed from the Worker's Compensation Operations Fund. The DWD Worker's Compensation Division will assess each licensed worker's compensation carrier a proportionate share of the reimbursements approved by DWD Worker's Compensation Division. Based on current data, the estimated annual cost to insurance carriers for reimbursement of supplemental benefit claims with an injury date of June 30, 2015 or earlier is \$7,640,560. This cost will fluctuate slightly as exiting claims drop out, and new claims with injury dates of June 30, 2015 or earlier are added. The estimated one-time IT programming cost to update the current worker's compensation annual assessment formula to allow for this additional billing to insurance carriers is \$10,000.

Under current law, the statute of limitations to file a claim for worker's compensation is 12 years from the date of injury or the last date of payment received by the claimant. After 12 years a claim is barred except for occupational diseases and some traumatic injuries, which are then paid by the DWD WISB Fund. This bill reduces the statute of limitations to 9 years for traumatic injuries. The fiscal impact on the WISB Fund is estimated to be an annual average of \$1,500,000 in liability for barred traumatic injuries.

This bill establishes indexing of the weekly benefit for permanent total disability and continuous temporary total disability for injuries that occur on or after July 1, 2015, and escalation of permanent partial disability benefits exceeding 200 weeks with the effective date of the bill. The IT programming required to create the indexing capability in the current claim database and the IT programming for the escalation of permanent partial disability are estimated at a one-time cost of \$172,000.

This bill requires DWD to establish a schedule of the maximum fees that a health care provider may charge an employer or insurer for health services provided to an injured employee who claims worker's compensation benefits. The fee schedule will divide the state into five regions based on geographical, economical, and health cost similarities. The fee schedule will define for each region the average payment made by insured and self-insured group health plans, and the average copayment, coinsurance, and deductible payment made by persons covered under those plans, for each health service included in the schedule; and set the maximum fee for each health service included in the schedule at 110 percent of the sum of that average payment, and the average copayment, coinsurance and deductible payment. The bill also requires DWD to adjust the maximum fees annually based on the change in the consumer price index for medical care services, and every two years DWD is to re-determine the average payment made by group health plans for the services included in the schedule and revise the maximum fees based on that re-determined average. An administrative rule will be created to administer the fee schedule.

The one-time costs to develop the fee schedule are projected at \$500,000 for the initial development; \$100,000 to obtain the data for the fee schedule; and \$30,000 for IT integration of the fee schedule with the claim database. It is projected IT maintenance and data updates will cost \$100,000 annually. Development and maintenance of the fee schedule will also require an additional 2.0 FTE to maintain and update fee schedule data at a projected annual cost of \$236,000 for salary, fringe and administrative expenses.

This bill also requests that a 1.0 FTE position be added to the Worker's Compensation Division for the purpose of providing a medical expert to assist in the administration of the worker's compensation program. The projected annual cost of this medical expert position is \$130,000.

Under current law DWD requires that injury claims be reported by the insurer or self-insured employer and then investigated if fraud is suspected. If DWD believes criminal fraud has occurred, DWD must refer the matter to the appropriate district attorney for prosecution. This bill permits DWD to request the Department of Justice (DOJ) to assist in an investigation of a false or fraudulent worker's compensation claim on the part of an employer, employee, insurer, health care provider, or other person related to worker's compensation. If DWD believes theft, forgery, fraud, or any other criminal violation has occurred DWD must refer the matter to the district attorney or DOJ for prosecution. This bill will allow DWD to provide funding to the Department of Justice for a 0.5 FTE Consumer Protection Investigator – Senior position to investigate fraudulent activity associated with worker's compensation claims, and funding for a 0.5 FTE Attorney position to prosecute any criminal violation that may be discovered and confirmed by the claim investigation. The annual cost for the two 0.5 FTE positions in the Department of Justice is projected to be \$138,500.

Under current law, DWD pays an injured employee of an uninsured employer from the Uninsured Employer Fund or obtains excess or stop-loss insurance from a reinsurer. This bill requires DWD to pay a claim of an employee of an uninsured employer in excess of \$1,000,000 from the Uninsured Employers Fund, but provides that if the claim(s) is not covered by excess or stop-loss reinsurance, monies from the Worker's Compensation Operations Fund will be transferred to the Uninsured Employers Fund to cover the amount in excess of \$1,000,000 per claim, subject to a \$500,000 annual transfer limit from the Worker's Compensation Operations Fund to the Uninsured Employers Fund. Such annual transfers may be continued in future years until the amount in excess is transferred in full. Based on present claims in the Uninsured Employers Fund the estimated cost to insurance carriers is \$0 for calendar years 2014 and 2015. However, the effect on future fiscal years is indeterminate.

The final provision of this bill requires the Secretary of DWD to create a committee to review and evaluate the outcomes of treatment provided to injured employees by health care providers under the worker's compensation program. Membership on the committee will include representatives of all facets of the worker's compensation system. Upon completion of the study this committee will cease to exist. The estimated cost to cover meeting expenses for this review committee is \$7,000 per year.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Various changes to the worker's compensation law, granting rule-making authority, and making an appropriation		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The DWD Worker's Compensation Division and DWD IT Division project the initial development of the fee schedule and IT integration costs to link the fee schedule to the claim database, plus minor adjustments to the assessment, and the development of the indexing and escalation processes in the claim database will create one time IT costs of \$812,000.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$395,000	\$
(FTE Position Changes)	(4.0 FTE)	
State Operations - Other Costs	197,500	
Local Assistance		
Aids to Individuals or Organizations	9,140,600	
TOTAL State Costs by Category	\$9,733,100	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S	9,733,100	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$0	\$0
GPR Earned	0	
FED	0	
PRO/PRS	0	
SEG/SEG-S	9,733,100	
TOTAL State Revenues	\$9,733,100	\$0
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$9,733,100	\$
NET CHANGE IN REVENUE	\$9,733,100	\$
Agency/Prepared By Authorized Signature Date		
DWD/ Jean Culbert (608) 266-6898	David Anderson (608) 266-2284	2/10/2014