

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4911-01  
Bill No.: HB 1662  
Subject: Employees-Employers; Labor and Industrial Relations Department; Labor and Management; Workers Compensation  
Type: Original  
Date: April 20, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Revenue	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Second Injury	\$258,836	\$739,531	\$999,131
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$258,836</b>	<b>\$739,531</b>	<b>\$999,131</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Labor and Industrial Relations (DOL)** assume this proposal would increase case resolution time, and the application of the new provisions would occur incrementally as applied on a case-by-case basis. DOL also assumes that the appellate process would take longer, as the Labor and Industrial Relations Commission and Missouri Court of Appeals will also need time to establish a body of case law that will govern these uncertainties in the future. DOL estimated one (1) additional information specialist (SOSA Keyboarding) would be required. Existing information specialists and mediators who respond to both employees and employers would also need adequate training to answer questions related to the rights and obligations of parties involved in a workers' compensation case under the proposed law. DOL provided a cost estimate for the salary, benefits, and expense and equipment of the additional employee of \$34,424 for FY 2005, \$34,597 for FY 2006, and \$35,462 for FY 2007.

**Oversight** assumes the proposal would reduce claims, and that the reduced caseload could be managed with existing staff.

#### **ASSUMPTIONS** (continued)

DOL anticipates that the combination of changes reducing compensable injuries would provide a

minimal reduction in benefits, or cost savings, to the Second Injury Fund during the period covered by this fiscal note. Since the changes in this proposal would only effect injury dates occurring on, or after, August 28, 2004, it would take several years for the full impact of this proposal to be fully reflected in a cost savings to the Second Injury Fund.

DOL made an assumption that, in its entirety, this legislation would reduce total compensable cases by 3 percent. Based on the last three fiscal years, the average number of Second Injury Fund cases resolved with an award being issued equaled 11,355. A 3 percent reduction in this number would equal 11,014 cases resolved with an award being issued. (Net reduction of 341 cases per year.)

Based on cases disposed of in FY 2001, FY 2002, and FY 2003, the overall average case disposition time equaled 2.91 years for Second Injury Fund cases. These averages ranged from a low of 2.84 years in FY 2003 to a high of 3.00 years in FY 2001.

To determine cost savings during the years covered by this fiscal note, the Division broke down the number of cases resolved within 1 year, within 2 years, and within 3 years. Again, based on the last three years, 20.30 percent of all cases are resolved one year from the injury date, an additional 37.70 percent within two years, and another 20.35 percent within three years. Since the onset of each year will initiate different first year cases, second year cases that were once first year cases, and so on, the preceding percentage amount for a given year is added to the current percentage amount, to determine the case resolution numbers.

DOL used data from the three preceding years to determine the average cost per resolved case. The percentage reduction was applied as a cost saving in each of the following fiscal years covered by this fiscal note: FY 2005, FY 2006, FY 2007.

FY 2005:  $341 \text{ (projected reduction in cases with benefits)} \times 20.30\% \text{ (percentage of cases resolved under new law)} = 69 \text{ (cases resolved under new law)} \times \$3,743 \text{ (average cost per case)} = \$258,835.75 \text{ (projected cost savings).}$

FY 2006:  $341 \text{ (projected reduction in cases with benefits)} \times 58\% \text{ (percentage of cases resolved under new law)} = 198 \text{ (cases resolved under new law)} \times \$3,743 \text{ (average cost per case)} = \$739,530.71 \text{ (projected cost savings).}$

#### ASSUMPTIONS (continued)

FY 2007:  $341 \text{ (projected reduction in cases with benefits)} \times 78.36\% \text{ (percentage of cases resolved under new law)} = 267 \text{ (cases resolved under new law)} \times \$3,743 \text{ (average cost per case)}$

= \$999,131.49 (total cost savings).

Officials from the **Office of Administration, Division of Risk Management**, assume the proposal could result in an unknown savings to the state from reduced workers compensation awards.

Officials from the **Department of Insurance** and the **University of Missouri** assume this proposal would have no impact on their organizations.

**Oversight** assumes this proposal would also result in unknown savings to local governments from reduced workers compensation awards or reduced workers compensation insurance premiums.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>GENERAL REVENUE FUND</b>			
<u>Cost reduction</u> - Office of Administration			
Workers compensation claims	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>
<b>SECOND INJURY FUND</b>			
<u>Cost reduction</u>			
Workers compensation claims	<u>\$258,836</u>	<u>\$739,531</u>	<u>\$999,131</u>
<b>ESTIMATED NET EFFECT ON SECOND INJURY FUND</b>	<u><b>\$258,836</b></u>	<u><b>\$739,531</b></u>	<u><b>\$999,131</b></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>POLITICAL SUBDIVISIONS</b>			
<u>Cost reduction</u>			
Workers compensation claims	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

FISCAL IMPACT - Small Business

This proposal could result in savings to small businesses from reduced workers compensation awards or reduced workers compensation insurance premiums.

DESCRIPTION

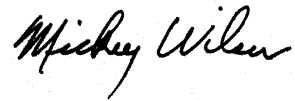
This proposal would modify the state workers compensation program. The proposal would restrictively define compensable injuries, limit compensation for health conditions, and direct the Labor and Industrial Relations Commission to impartially apply the law in workers compensation cases.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 4911-01  
Bill No. HB 1662  
Page 6 of 6  
April 20, 2004

SOURCES OF INFORMATION

Department of Labor and Industrial Relations  
Office of Administration  
    Division of Risk Management  
Department of Insurance  
University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
April 20, 2004