

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4750-02
Bill No.: HB 2059
Subject: Employees - Employers; Workers Compensation
Type: Original
Date: February 11, 2010

Bill Summary: Changes laws regarding workers' compensation and the Second Injury Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Second Injury Fund	(Unknown greater than \$540,000) to Unknown	(Unknown greater than \$540,000) to Unknown	(Unknown greater than \$264,838) to Unknown
Workers Compensation Fund	(Unknown)	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$540,000) to Unknown	(Unknown greater than \$540,000) to Unknown	(Unknown greater than \$264,838) to Unknown

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Labor and Industrial Relations** assume the bill requires the Division of Workers' Compensation to have an actuarial study conducted to determine the solvency of the Second Injury Fund (SIF), appropriate funding levels and forecast expenditures from the fund. The workers' compensation administrative fund is designated to pay for the study. A couple of years ago, the division spent approximately \$100,000 on a SIF study.

While the bill will likely increase evidentiary hearings conducted by the Division's Administrative Law Judges, due to a decrease in the number of workers' compensation injuries filed, the Department believes it can absorb the additional workload.

The Labor and Industrial Relations Commission's (LIRC) workload has increased over the last couple of years due to an increase in unemployment insurance claims filed. If this bill results in an increase of appeals, the LIRC will likely need additional staff.

The Department anticipates a long range impact; however is unable to determine the significance at this time.

Oversight assumes the actuarial study is only required once every five years, so has only shown the cost of the study in the first year of the fiscal note.

Officials at the **Office of the Attorney General (AGO)** assume several areas of the proposal will have a fiscal impact. The proposal eliminates PPD claims after August, 2010. AGO assumes this will eventually lead to some savings to the SIF as less cases are filed and fewer payments are made on PPD claims. Based on past experience, approximately 18% of payments are for PPD awards or settlements.

On PTD claims, the proposal requires the pre-existing disability to be either from a military injury or a prior work comp claim. AGO assumes this will result in fewer claims being filed against SIF, but is unaware of statistics regarding the type of pre-existing injuries for claims. Therefore, the amount of savings is unknown.

Based on the limitation of claims, AGO assumes that over time it will need fewer AAGs and have reduced expenses from defending SIF cases. AGO assumes that pending cases going to hearing, and the anticipated increase of claims filed prior to the August cut-off date, would result in the same number of AAGs to adequately defend the SIF for FY11 and FY12, but that 3 fewer AAG I's would be needed for FY13, resulting in a savings of \$275,162 for FY13.

JH:LR:OD

ASSUMPTION (continued)

The proposal provides for independent medical examinations and vocational examinations of claimants. AGO estimates that the cost of a full scale vocational exam is approximately \$1,500. AGO also estimates the cost of a medical exam is at least \$1,500, although could be much higher in a complicated case. AGO assumes that a settlement cap of \$40,000 will result in a conservative estimate of 15 PTD cases going to hearing each month. If independent medical examinations and vocational examinations are required in every case, AGO estimates the cost of such exams would be an additional \$45,000 per month in costs, or an additional \$540,000 a year.

The proposal caps settlements at \$40,000. The average first PTD payment last year pursuant to an award (which includes arrearages for the time the claim was pending) was over \$50,000, followed by ongoing PTD payments. Consequently, AGO assumes that a statutory settlement cap of \$40,000 will result in fewer cases settling and more claimants receiving awards after a hearing.

Officials at the **Office of the Governor, Missouri Senate** and the **Office of the State Auditor** assume that there is no fiscal impact from this proposal.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration, Missouri House of Representatives** and the **Office of the State Treasurer** did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
SECOND INJURY FUND			
<u>Savings</u> - elimination of PPD claims	Unknown	Unknown	Unknown
<u>Savings</u> - change in pre-existing disability should result in fewer claims filed	Unknown	Unknown	Unknown
<u>Savings</u> - reduction of AGO office staff	\$0	\$0	\$275,162
<u>Savings</u> - eliminates jurisdiction when collecting from another state	Unknown	Unknown	Unknown
<u>Cost</u> - medical & vocational exams	(\$540,000)	(\$540,000)	(\$540,000)
<u>Cost</u> - fewer settlements	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SECOND INJURY FUND	<u>(Unknown greater than \$540,000) to Unknown</u>	<u>(Unknown greater than \$540,000) to Unknown</u>	<u>(Unknown greater than \$264,838) to Unknown</u>
WORKERS COMPENSATION FUND			
<u>Cost</u> - Actuarial Study	(Unknown)	\$0	\$0
ESTIMATED NET EFFECT ON WORKERS COMPENSATION FUND	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

JH:LR:OD

FISCAL DESCRIPTION

Changes laws regarding workers' compensation and the Second Injury Fund.

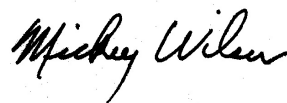
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Office of the Governor
Missouri Senate
Office of the State Auditor
Office of the Attorney General

Not Responding

Department of Insurance, Financial Institutions and Professional Registration
Missouri House of Representatives
Office of the State Treasurer



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Director
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