

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1690-01
Bill No.: HB 716
Subject: Workers' Compensation; Employees-Employers; Labor and Management
Type: Original
Date: April 16, 2019

Bill Summary: This proposal modifies provisions relating to workers' compensation for certain employees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Workers' Compensation Administration Fund (0652)	(\$66,632) to (\$66,825)	(\$13,699) to (\$80,631)	(\$14,041) to (\$81,312)
Total Estimated Net Effect on Other State Funds	(\$66,632) to (\$66,825)	(\$13,699) to (\$80,631)	(\$14,041) to (\$81,312)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state:

Notwithstanding, the Division is unable to completely determine if this bill would directly affect total state revenue, because the Division does not capture data related to the cancer claims of firefighters and volunteer firefighters based on "hazardous duty" or based on factors set forth in section 287.067.6(2)(a).b, such as exposure to an agent classified by the International Agency for Research on Cancer as a group 1 or 2A carcinogen. Firefighters are typically employed by municipalities and political subdivisions, which are often self-insured through the Division.

ITSD:

ITSD - DOLIR						
Bill Number	SB 294		1633-01			
Bill Section(s)	287.067					
Application Name:	AICS			FY 2020	FY 2021	FY 2022
IT Consultants	On-going Yes/No	Rate	Hours	\$	\$	\$
Requirements Gathering		75	95	7,125	-	-
Analysis		75	80	6,000	-	-
Design		75	80	6,000	-	-
Development		75	370	27,750	-	-
Test		75	120	9,000	-	-
Implementation		75	80	6,000	-	-
Project Management		75	66.00	4,950	-	-
On-going support	YES	75		-	13,699	14,041
Section Total IT Consultants:		75	891.00	66,825	13,699	14,041
Other Costs:		Cost Per	Number	\$	\$	\$
Section Total Other Costs:				-	-	-
Section Total Expenditures:				66,825	13,699	14,041
General Revenue						-
Federal					-	-
Other				66,825	13,699	14,041
Section Funding:				66,825	13,699	14,041

ASSUMPTION (continued)

This information is from previous analysis done for prior year's fiscal notes. ITSD received no feedback from Division of Workers' Compensation (DWC) this would materially change the system requirements, ITSD is utilizing the same work required.

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed for DWC. ITSD estimates the project would take 891 hours at a contract rate of \$75 per hour for a total cost to the state of \$66,825 in FY 2020, \$13,699 in FY2021, and \$14,041 in FY2022. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the ITSD estimated cost of contracting out the work (\$66,825) to hiring an additional FTE IT Specialist (roughly \$80,000 per year).

Division of Workers' Compensation:

DWC states Section 287.068.1 requires the Division to prepare a report that contains information related to the presumptive cancer claims described in section 287.067.6(2). The report, in relevant part, shall track the number of "approved claims," "disapproved claims," and the "cost related to claims" set forth under section 287.067.

The Division reads "approved claims" to mean claims that are resolved by the issuance of an Award by an Administrative Law Judge (ALJ) following an evidentiary hearing or by the approval of a Settlement Agreement under section 287.390, RSMo.

The Division reads "disapproved claims" to mean claims that are resolved or shown as closed in the Division's system based on an ALJ's Order of Dismissal. This would also include denied claims and claims where benefits have not been awarded because the presumption(s) created under section 287.067 has been rebutted.

The Division reads, "cost related to claims" to include benefits awarded pursuant to an award or settlement. Under Chapter 287, this may include medical expenses, temporary total disability, temporary partial disability, permanent partial disability, permanent total disability, and death benefits.

ASSUMPTION (continued)

The Division anticipates being able to absorb any costs related to the creation of any new correspondence, forms, and website changes, as well as modifications to existing correspondence and forms, based on this proposed legislation.

The long-range implications of this bill are unknown at this time, because whether and to what extent this proposed legislation would face legal challenges and the legal ramifications of the same are presently unknowable. The effect of any judicial pronouncements and associated costs would be seen in fiscal years beyond the fiscal note impact.

Ultimately, no direct fiscal impact on the Division. This bill, however, will require the Division to make changes to its Automated Integrated Computer System (AICS) and/or incorporate the same into any future database system, in order to appropriately classify and record certain occupational disease claims of firefighters. Because any potential fiscal impact arises out of the information technology work and costs associated with making changes to AICS, the Division has relied on information and economic figures supplied by ITSD.

Officials from the **Office of Administration (OA)** assume §287.067 of this legislation creates new presumptions and changes the burden of proof for occupational diseases of cancer and psychological stress contracted by a paid or volunteer firefighters and other emergency workers. This change could lead to increased defense and award costs for the state, but the amount of such increase, if any, cannot be estimated as it would depend on the facts and circumstances of each case.

Officials from the **Department of Public Safety-Division of Fire Safety** assume the proposal modifies provisions relating to occupational diseases under workers compensation benefits for fire fighters, police officers, and other first responders.

The Division of Fire Safety estimates there to be 25,000 fire fighters in the State of Missouri. Of those, we estimate 5,000 to be full-time career fire fighters, with the remainder serving in voluntary or partly-voluntary status.

Oversight notes the proposal has a potential negative fiscal impact on the state. The impact is unquantifiable without knowing the increase with respect to the number of persons who will be diagnosed as having an occupational disease. Therefore, Oversight will reflect a negative unknown fiscal impact.

ASSUMPTION (continued)

Officials from the **Department of Corrections, Department of Public Safety-Missouri State Highway Patrol, Missouri Consolidated Health Care Plan, Department of Public Safety-State Emergency Agency, Department of Public Safety-Capitol Police, Department of Mental Health, and Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal will have no fiscal impact on their organization.

Officials from the **City of Columbia** expect the proposal to have an adverse fiscal impact. Many of these changes are focused on expanding workers' compensation benefits only for employees in public safety fields. Much of this is already being fought in the workers' compensation courts as the inclusions/definitions are extremely broad.

Officials from the **City of Kansas City** assume the proposal could have a negative fiscal impact of an indeterminate amount. Kansas City has the largest number of firefighters in the State of Missouri and they are all exposed to hazardous substances during the course and scope of their occupational duties. The workers' compensation costs for medical care, wage loss payments and payments for permanent partial or permanent total disability will increase substantially.

Officials from the **Greene County Clerk, Joplin Police Department, Monroe County Assessor, and St. Francois County Assessor** each assume the proposal will have no fiscal impact on their organization.

Oversight notes the proposal has a potential negative fiscal impact on political subdivisions. The impact is unquantifiable without knowing the increase with respect to the number of persons who will be diagnosed as having an occupational disease. Therefore, Oversight will reflect a negative unknown fiscal impact.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Cost</u> - Office of Administration Workers' Compensation Claims	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
WORKERS' COMPENSATION ADMINISTRATION FUND			
<u>Cost</u> - DOLIR - ITSD costs (ranged from contracting out programming (\$66,825 plus \$14,000 in on-going support) to hiring one additional FTE IT Specialist)	(\$66,632) to <u>(\$66,825)</u>	(\$13,699) to <u>(\$80,631)</u>	(\$14,041) to <u>(\$81,312)</u>
ESTIMATED NET EFFECT ON WORKERS' COMPENSATION ADMINISTRATION FUND	(\$66,632) to <u>(\$66,825)</u>	(\$13,699) to <u>(\$80,631)</u>	(\$14,041) to <u>(\$81,312)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> Workers' Compensation Claims	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Small Business</u>			

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

FISCAL DESCRIPTION

Currently, the law provides that certain diseases of the respiratory and cardiovascular systems, including carcinoma, may be recognized as occupational diseases if a paid firefighter is exposed to certain substances. This bill includes volunteer firefighters, paramedics, and emergency medical technicians in this definition of occupational disease. Mental disorders may also qualify as an occupational disease.

The bill also provides for a rebuttable presumption that a paid or volunteer firefighter, paramedic, or emergency medical technician who contracts certain diseases, including cancer, has a compensable occupational disease under specified circumstances. A rebuttable presumption is created when a paid or volunteer firefighter, paramedic, emergency medical technician, or police officer who is diagnosed with post-traumatic stress disorder or other mental disorder is eligible for compensation under specified circumstances. The presumption arises if a firefighter, paramedic, or emergency medical technician is diagnosed with carcinoma and was exposed to a known or probable carcinogen and has been assigned to at least five years of hazardous duty.

The bill also requires the Division of Workers Compensation to prepare a biannual report containing specified information about presumed cancer claims filed under the provisions of this bill. This report shall be submitted to the Speaker and the Minority Leader of the House of Representatives, the President Pro Tem of the Senate, and others specified in the bill.

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 Administration
Department of Public Safety-Fire Safety
Department of Corrections
Department of Public Safety-Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Public Safety-State Emergency Management Agency
Department of Public Safety-Capitol Police
Department of Mental Health
Department of Insurance, Financial Institutions and Professional Registration
City of Columbia
City of Kansas City
Greene County Clerk
Monroe County Assessor
St. Francois County Assessor



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April 16, 2019

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