

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0786H.01I
Bill No.: HB 497
Subject: Workers' Compensation; Department of Labor and Industrial Relations; Courts;
Insurance - General; Employees - Employers
Type: Original
Date: February 9, 2025

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund*	Unknown to Could exceed (195,998)	Unknown to Could exceed (221,142)	Unknown to Could exceed (224,933)
Total Estimated Net Effect on General Revenue	Unknown to Could exceed (195,998)	Unknown to Could exceed (221,142)	Unknown to Could exceed (224,933)

*DOLIR estimated cost for 2 FTE and the potential cost avoidance or cost increases from changes to workers' compensation claims for state agencies.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Workers' Compensation Fund (0652)*	(\$271,304) Up to (\$2,698,574)	(\$294,723) Up to (\$3,260,648)	(\$299,986) Up to (\$3,320,177)
Workers' Compensation – Second Injury Fund (0653)**	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Colleges & Universities**	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to Could exceed (\$2,698,574)	Unknown to Could exceed (\$3,260,648)	Unknown to Could exceed (\$3,320,177)

*Oversight notes DOLIR estimated cost for 2 up to 16FTE (1 up to 12 FTE ALJs & 1 up to 4 Docket Clerks depending on the value of claims.

** Oversight notes the potential cost avoidance or cost increases from changes to workers' compensation claims.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	2 FTE	2 FTE	2 FTE
Workers' Compensation Administrative Fund (0652)	2 FTE up to 16 FTE	16 FTE	16 FTE
Total Estimated Net Effect on FTE	4 FTE up to 18 FTE	4 FTE up to 18 FTE	4 FTE up to 18 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

** Oversight notes the potential cost avoidance or cost increases from changes to workers' compensation claims.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume the proposed legislation creates a process for an employer to seek dismissal of a workers' compensation claim on enumerated grounds. The process would be in addition to the existing process in § 287.655 RSMo for seeking dismissal on the grounds of failure to prosecute. The Division of Workforce Compensation (DWC) would anticipate a large increase in employers filing requests for dismissals. DWC would have to set a hearing within 90 days of the filing of the claim. DWC would need more judges to be able to accommodate the increased hearing load. Docket Clerks would be needed to schedule the additional hearings and send correspondence. There would be postage cost associated with the additional docket notices.

DWC receives roughly 13,000 workers' compensation claims a year and the Division has less than 500 hearings set every year. DWC is anticipating roughly receiving 12,000 requests for dismissal pursuant to § 287.445 RSMo. The process would be in addition to the existing process in § 287.655 RSMo for seeking dismissal on the grounds of failure to prosecute.

Oversight notes that, per 2024 DOLIR Annual report, the DWC conducted 614 hearings, dismissed 7 thousand claims, and approved 17 thousand compromise settlements involving insurance, Second Injury Fund, and medical disputes. (<https://labor.mo.gov/media/pdf/2024-department-labor-annual-report>).

Oversight obtained additional information from DOLIR, via e-mail, correcting the total ALJ requests for up to additional (12) ALJs (\$145,286 annually), from original 13 requested, and (4) Docket Clerks (\$38,800) to handle potentially 600 up to 13,000 hearings resolving the disputes. DOLIR is not sure as to how many cases will be filed due to the proposal. Therefore, Oversight will range the DOLIR estimated cost from 2 up to 16 FTE (1 up to 12 FTE ALJs & 1 up to 4 Docket Clerks) depending on the volume of requests.

Upon further inquiry, **DOLIR** stated the need for the postage totaling \$30,000. Due to increased notices that would need to be mailed to all parties for the additional 12,000 requests for dismissals, DOLIR anticipates needing \$30,000 more in annual postage. This is a 10% increase from their current annual mailing costs of \$300,000.

Therefore, **Oversight** will note one time cost of \$30,000 to the DWC Administrative Fund in FY 2026.

Officials from the **DOLIR - Labor and Industrial Relations Commission (LRIC)** state the proposal makes changes to the definitions of compensable injury and compensable occupational disease in §§ 287.020.3(1), § 287.067.2, 287.067.3, and 287.140.1 RSMo. If enacted, those

changes will result in additional appeals to the LIRC as parties litigate the scope and effect of those changes in individual, fact-specific cases.

In a new § 287.445.1 RSMo, the proposed legislation creates a process for seeking dismissal of a claim on enumerated grounds in addition to the existing process in §287.655 RSMo for seeking dismissal on the ground of failure to prosecute. The Labor and Industrial Relation Commission (LIRC) expects the process created by the proposed new § 287.445.1 RSMo will increase the number of appeals to the LIRC from Administrative Law Judge (ALJ) orders granting motions to dismiss. While the process in the proposed new § 287.445.1 RSMo does not expressly authorize appeals to the LIRC from an ALJ's order denying a motion to dismiss, the LIRC expects to receive such appeals and will be required to expend resources processing those appeals and addressing whether each such appeal may be considered or must be dismissed.

The proposed legislation adds a statement in §287.510 RSMo that temporary/partial awards shall be subject to review and appeal after the final award. It is unknown if the addition of that statement will replace or simply provide an alternative to the existing process under regulation 8 CSR 20-3.040(2) for seeking immediate review of a temporary/partial award on the ground that the applicant is not liable for the payment of any compensation. To the extent that the proposed modification of § 287.510 RSMo would eliminate and replace the existing limited right to immediately appeal a temporary/partial award under 8 CSR 20-3.040(2), the LIRC expects the proposed legislation will result in more complex appeals that require review and resolution of issues relating to both the temporary/partial award and the final award. The increased workload for LIRC resulting from the changes to Chapter 287 proposed in this bill will require one FTE paralegal and an additional one FTE attorney.

Oversight notes DOLIR - LIRC assumes §287.445 & §287.510 would add additional processes, such as seeking dismissals, review, more complex appeals, and resolution of the awards as potential change from the current process. LIRC is expecting increased workload stemming from the proposal. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect DOLIRs estimated impact to the general revenue for (2) additional FTEs (Attorney \$74,304 and Paralegal \$58,364 respectively on annual basis).

Officials from the **Office of Administration (OA)** assumes the proposal, §§287.020.3(1); 287.067.2 & .3 and 287.140 makes changes to the definition of “injury” and “compensable injury” by accident and occupational disease in the workers’ compensation act. These provisions appear to change the burden of proof in workers’ compensation and could decrease the scope of the state's liability. Potential cost avoidance to the state is unknown. The amount of cost avoidance, if any, cannot be estimated as it would depend on the facts and circumstances of each case and judicial interpretation of the changes.

§287.270 – This provision proposes changes to whether savings from insurance can be credited against workers’ compensation benefits due to the employee. This could decrease the scope of the state's liability. Potential cost avoidance to the state is unknown. The amount of cost

avoidance, if any, cannot be estimated as it would depend on the facts and circumstances of each case and judicial interpretation of the changes.

§287.270.2. The bill adds a provision to give an administrative law judge or the commission the authority to require an employer to pay disputed medical bills only to the medical provider or providers. This could increase potential cost to the state. The potential cost unknown and cannot be estimated would depend on the facts and circumstances of each case and judicial interpretation of the changes.

§287.445 – This bill proposes the addition of language that allows the employer to file a motion to dismiss within 180 days if the filing when an employee fails to comply with setting forth a valid claim based upon specific circumstances. This could decrease the scope of the state's liability. Potential cost avoidance to the state is unknown. The amount of cost avoidance, if any, cannot be estimated as it would depend on the facts and circumstances of each case and judicial interpretation of the changes.

Upon further inquiry, **OA** specified that any judgment against the employer (in this case any state agency) is paid out of the general revenue fund.

250,000 cost avoidance savings

Oversight notes that according to the one study the average cost for all claims combined for accidents that occurred in 2021-2022 was \$44,179.

(<https://injuryfacts.nsc.org/work/costs/workers-compensation-costs/>) However, the settlement of such a cases usually fall below the costs, in majority of cases and additional recent study shows The average settlement for workers' compensation in Missouri, in 2023 was \$22,535.62. (<https://www.thefloydlawfirm.com/blog/2023/10/what-is-the-average-workers-compensation-settlement/>). Therefore, it would take around 11.09 (taking the settlement average expense) cases to reach the \$250,000 threshold in savings.

Oversight is not sure how many such a cases will be in dispute with the DWC each year. Therefore, Oversight will show range from zero to an unknown positive fiscal impact in the fiscal note to the general revenue, and the Second Injury Fund (0653), beginning FY 2026.

Officials from the **University of Central Missouri** assume the proposal would have an indeterminate fiscal impact on the respective University.

Officials from the **City of Kansas City (CKC)** assume the proposal would have a potentially positive fiscal impact on the CKC.

Oversight notes that employers throughout Missouri including universities, cities, and counties could assume some positive impact, due to the changes such as:

- a) §287.270 - using any savings or insurance of the injured employee from governmental or private sources prior to the employer insurance payment.
- b) §287.445 filing a dismissal of the case on various grounds and within 180 days of filing a claim, if the Division of Workers' Compensation has not already set the matter for a hearing.
- c) §287.510 repeal of some of the penalty language for employer and temporary or partial award is subject to review and appeal.

Oversight notes that the employer could also experience a negative impact due to the §287.270.2. that allows ALJ order the employer pay for the disputed bills of the employee. **Oversight** is not certain how many cases will result in a positive impact to the various employers throughout Missouri: therefore, Oversight will range the impact from zero to an unknown positive impact (cost avoidance due to the more claims potentially being denied) to the colleges, universities, and local political subdivisions in the fiscal note.

Officials from the **Office of Administration - Administrative Hearing Commission** and the **Missouri Department of Transportation** both assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for both above respective agencies.

Officials from the **Northwest Missouri State University** and the **University of Missouri System** both assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will show zero impact in the fiscal note, for both above respective entities.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs – DOLIR 287.510 & 287.445</u>			
Personnel Service	(\$110,557)	(\$135,321)	(\$138,028)
Fringe Benefits	(\$70,631)	(\$85,821)	(\$86,905)
Expense & Equipment	(\$14,810)	(\$0)	(\$0)
<u>Total Costs – DOLIR p.4</u>	(195,998)	(221,142)	(224,933)
FTE Change	2 FTE	2 FTE	2 FTE
<u>Costs – 287.270.2 – requirement to pay disputed medical bills p.5</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
Cost Avoidance - 287.270. 287.270, 287.445, 287.510 2. p.5-6	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Unknown to Could exceed <u>(195,998)</u>	Unknown to Could exceed <u>(221,142)</u>	Unknown to Could exceed <u>(224,933)</u>
Estimated Net Effect on General Revenue FTE	2 FTE	2 FTE	2 FTE
WORKERS' COMPENSATION FUND (0652)			
<u>Costs – DOLIR Section 287.510</u>			
Personnel Service	(\$153,472) Up to (\$1,582,460)	(\$187,849) Up to (\$1,936,931)	(\$191,606) Up to (\$1,975,670)
Fringe Benefits	(\$87,832) Up to (\$844,810)	(\$106,874) Up to (\$1,028,994)	(\$108,380) Up to (\$1,044,521)
Expense & Equipment	<u>(\$0)</u>	<u>(\$0)</u>	<u>(\$0)</u>
<u>Total Costs – DOLIR p. 3-4</u>	<u>(2,427,270)</u>	<u>(2,965,925)</u>	<u>(3,020,191)</u>
FTE Change	2 FTE Up to 16 FTE	2 FTE Up to 16 FTE	2 FTE Up to 16 FTE
<u>Cost – DOLIR Postage p.3-4</u>	<u>\$30,000</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE WORKERS' COMPENSATION FUND	<u>(\$271,304) Up to (\$2,698,574)</u>	<u>(\$294,723) Up to (\$3,260,648)</u>	<u>(\$299,986) Up to (\$3,320,177)</u>
Estimated Net Effect on Workforce Administration Fund FTE	2 FTE Up to 16 FTE	2 FTE Up to 16 FTE	2 FTE Up to 16 FTE
WORKERS' COMPENSATION – SECOND INJURY FUND (0653)			
<u>Costs – 287.270.2 – requirement to pay disputed medical bills p.5</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Cost Avoidance - 287.270. 2. 287.270, 287.445, 287.510 p.6</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
NET ESTIMATED EFFECT ON THE WORKERS' COMPENSATION – SECOND INJURY FUND (0653)	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
COLEGES AND UNIVERSITIES			
<u>Costs – 287.270.2 – requirement to pay disputed medical bills p.5</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<u>Cost Avoidance - 287.270. 2. 287.270, 287.445, 287.510 p.6</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON THE COLLEGES AND UNIVERSITIES	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISION			
<u>Costs – 287.270.2 – requirement to pay disputed medical bills p.5</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<u>Cost Avoidance - 287.270. 2. 287.270, 287.445, 287.510 p.6</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON THE LOCAL POLITICAL SUBDIVISION	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Under current law, an injury is compensable if the accident was the prevailing factor in causing both the resulting medical condition and disability. This bill now provides that the injury is compensable if the accident was the prevailing factor in causing the injury, the resulting medical condition, the disability, and the need for treatment. The bill modifies the definition of injury due to an occupational disease; injury due to repetitive motion; and to the "prevailing factor" test definition.

In addition, for an employee to receive medical treatment, the accident or occupational disease must be the prevailing factor in causing the injury, the resulting medical condition and the need for treatment.

The bill requires consideration of any savings or insurance of the injured employee from governmental or private sources, benefits derived from the employer's insurance, and any savings or insurance procured or sponsored by the employer, when determining compensation as specified in the bill.

Administrative law judges (ALJ) or the Labor and Industrial Relations Commission (LIRC) have authority to order employers to make payments only to the medical provider or providers to whom bills are due in cases where they determine the employer is responsible for disputed medical bills.

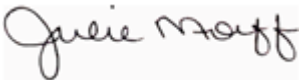
This bill authorizes an employer to file a motion to dismiss a claim for compensation within 180 days of filing a claim, if the Division of Workers' Compensation has not already set the matter for a hearing. The employer may file a motion to dismiss the claim raising one or more grounds provided in the bill. The bill outlines the evidence to be submitted by the parties relating to the issues to be determined at the evidentiary hearing and the time line for an ALJ to issue an order which is subject to review by the LIRC.

Under current law, a temporary or partial award of compensation may be modified and kept open until a final award can be issued and if the temporary or partial award is not complied with, the compensation amount awarded and unpaid may be doubled in the final award. This bill repeals this penalty language and specifies that the temporary or partial award is subject to review and appeal after the date of the final award.

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 - Administrative Hearing Commission
Missouri Department of Transportation
Office of the Secretary of State
Northwest Missouri State University
University of Missouri System
City of Kansas City
University of Central Missouri



Julie Morff
Director
February 9, 2025



Jessica Harris
Assistant Director
February 9, 2025