

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0786H.02P
 Bill No.: Perfected HCS for HB 497
 Subject: Workers Compensation; Department of Labor and Industrial Relations; Courts;
 Insurance - General; Employees - Employers
 Type: Original
 Date: March 26, 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 (\$190,000)	Unknown to Could exceed (\$190,000)	Unknown to Could exceed (\$190,000)
Total Estimated Net Effect on General Revenue	Unknown to Could exceed (\$190,000)	Unknown to Could exceed (\$190,000)	Unknown to Could exceed (\$190,000)

*Estimated impact for the potential cost avoidance or cost increases from changes to workers' compensation claims and the sunset extension of the Line of Duty Compensation Act.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Workers' Compensation Fund (0652)*	(\$681,994)	(\$810,589)	(\$824,905)
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 (\$681,994)	Unknown to Could exceed (\$810,589)	Unknown to Could exceed (\$824,905)

*Oversight notes DOLIR estimated cost for 6 FTE (2 ALJs, 2 Docket Clerks, 1 Attorney, and 1 Paralegal) depending on the volume 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
Workers' Compensation Administrative Fund (0652)	6 FTE	6 FTE	6 FTE
Total Estimated Net Effect on FTE	6 FTE	6 FTE	6 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 ground of failure to prosecute. DWC will have to expedite the setting of cases on pre-hearings, mediations, or hearings. DOLIR would need two more judges to be able to accommodate the expedited settings. Docket Clerks would be needed to schedule the expedited settings and send correspondence accordingly. There would be an estimated postage cost due to an increase in potential continuances.

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 correcting the total ALJ requests for up to additional (2) ALJs (\$145,286 annually) and (2) Docket Clerks (\$38,800) to handle any additional potential 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 costs for the additional FTEs.

Upon further inquiry, **DOLIR** stated the need for the postage totaling \$15,000. Due to increased notices that would need to be mailed to all parties for the additional requests for dismissals, DOLIR anticipates needing \$15,000 more in annual postage. Therefore, **Oversight** will note one time cost of \$15,000 to the DWC Administrative Fund in FY 2026.

Officials from the **DOLIR - Labor and Industrial Relations Commission (LIRC)** state the proposal 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 LIRC expects the process created by the proposed new § 287.445.1 RSMo will increase the number of appeals to the LIRC from 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 the LIRC resulting from the changes to Chapter 287 proposed in this bill will require one FTE paralegal and an additional one FTE attorney. The estimated cost of additional personnel.

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 [(1) Attorney and (1) Paralegal respectively on an annual basis.

Officials from the **Office of Administration (OA)** note:

§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.

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 Workers Compensation Second Injury Fund (0653), beginning FY 2026.

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.

In response to the previous version of the proposal, officials from the **Office of Administration - Administrative Hearing Commission**, the **Office of the State Courts Administrator** both assumed 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.

In response to the previous version of the proposal, officials from the **Northwest Missouri State University** and the **University of Missouri System** both assumed 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.

In response to the previous version of the proposal, officials from the **City of O'Fallon** assumed 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.

HA 1 – **Oversight** notes that this proposal provides clarifying language for the DOLIR and employers who are filing the motion to dismiss under §287.445 and §287.665. Oversight notes the change in language provides some savings where the DOLIR is using lesser total FTEs (ALJ's and the Docket Clerks) than estimated in the previous version of the proposal.

HA 2 - §287.243 - Line of Duty Compensation Act

Oversight notes, based on information requested for a Sunset Review (2024), DOLIR provided the following information related to line of duty compensation claims paid for fiscal years FY 2019 through FY 2024, as shown in the table below:

Fiscal Year	Total Claims	Total Paid
2019	8	\$200,000
2020	6	\$150,000
2021	10	\$250,000
2022*	24	\$600,000
2023	8	\$200,000
2024	6	\$150,000
Total	62	\$1,550,000

*Seventeen of the 24 payments were due to COVID-19.

DOLIR further stated that while there are no outstanding claims at this time, there are currently five cases on appeal. Additionally, four (4) pending cases for FY 2025 have been received to date.

Oversight notes it is unknown how many individuals may be killed in the line of duty in any particular year; however, the annual average has been 8 $[(8+6+10+6+8) / 5]$ excluding FY 2022, due to the increase in COVID related deaths. Currently, the amount of compensation per claimant is \$25,000. Therefore, on average the compensation line of duty compensation paid was \$190,000 annually.

Oversight notes this act extends the sunset, from its original end date, on June 19, 2025, for another 12 years. Therefore, Oversight will reflect the continuous cost of this proposal, beginning of FY 2026, that could more or less the average expenditure of \$190,000 annually in the fiscal note (excluding FY 2022).

In response to the similar proposal, HCS for HB 72 – 2025, officials from the **Department of Labor and Industrial Relations**, the **Office of Administration - Administrative Hearing Commission**, the **Department of Public Safety – Fire Safety**, the **Department of Public Safety – State Emergency Management Agency**, the **Department of Public Safety – Capital Police**, the **Missouri Department of Transportation**, the **Missouri Department of Transportation – Patrol Employees’ Retirement System**, the **Office of Administration**, the **University of Central Missouri**, the **University Missouri System**, and the **City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these respective agencies.

In response to the similar proposal, HCS for HB 72 – 2025, officials from the **Department of Corrections (DOC)** defer to the OA for the potential fiscal impact of this proposal.

In response to the similar proposal, HCS for HB 72 – 2025, officials from the **Department of Public Safety – Director’s Office (DPS – DO)** defer to the DOLIR for the potential fiscal impact of this proposal.

In response to the similar proposal, HCS for HB 72 – 2025, officials from the **Branson Police Department**, the **Kansas City Police Department**, the **Saint Louis Police Department**, and the **Phelps County Sheriff** each 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 these respective agencies.

In response to the similar proposal, HCS for HB 72 – 2025, officials from the **Joplin School District** 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 these agencies.

In response to the similar proposal, HCS for HB 72 – 2025, officials from the **Northwest Missouri State University** assume that if there is a death while on duty, or a death while the first responder is going to or from work, there would have a fiscal impact to the University and Workers Compensation Carrier. The amount would vary depending on the number of dependents.

Overall Bill:

Officials from the **City of Kansas City** assume this proposal would have a potential positive fiscal impact.

Officials from the **University of Central Missouri** assume the proposal would have a indeterminate impact on its respective organization.

Officials from the **Office of Administration (OA)** assume the proposal, as amended will not have any additional impact beyond information provided in response to the previous version of the bill.

Officials from the **Department of Public Safety – Director’s Office** 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 these agencies.

Officials from the **Missouri Department of Transportation and the MODOT & Patrol Employees’ Retirement 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 reflect a zero impact in the fiscal note for these agencies.

Officials from the **Department of Public Safety – Highway Patrol** defer to the MODOT for the potential fiscal impact of this proposal.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs – 287.270.2 – requirement to pay disputed medical bills p.5</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost Avoidance - 287.270, 287.445, 287.510 2. p.5-6 – reduction in workers compensation claims</u>	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>HA2 - Costs - §287.243 – Sunset Extension after June 19, 2025</u>	More or Less than <u>(\$190,000)</u>	More or Less than <u>(\$190,000)</u>	More or Less than <u>(\$190,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Unknown to Could exceed <u>(\$190,000)</u>	Unknown to Could exceed <u>(\$190,000)</u>	Unknown to Could exceed <u>(\$190,000)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
WORKERS’ COMPENSATION FUND (0652)			
<u>Costs – DOLIR Section(s) 287.510, 287.445 and 287.665</u>			
Personnel Service	(\$417,500)	(\$511,020)	(\$521,240)
Fringe Benefits	(\$246,294)	(\$299,569)	(\$303,665)
Expense & Equipment	(\$3,200)	(\$0)	(\$0)
<u>Total Costs – DOLIR p. 3-4</u>	(\$666,994)	(\$810,589)	(\$824,907)
FTE Change	6 FTE	6 FTE	6 FTE
<u>Cost – DOLIR Postage p.3-4</u>	(\$15,000)	\$0	\$0
ESTIMATED NET EFFECT ON THE WORKERS’ COMPENSATION FUND	(\$681,994)	(\$810,589)	(\$824,905)
Estimated Net Effect on Workforce Administration Fund FTE	6 FTE	6 FTE	6 FTE
WORKERS’ COMPENSATION – SECOND INJURY FUND (0653)			
<u>Costs – 287.270.2 – requirement to pay disputed medical bills p.5</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<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)	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
COLEGES AND UNIVERSITIES			
<u>Costs</u> – 287.270.2 – requirement to pay disputed medical bills p.5	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost Avoidance</u> - 287.270. 2. 287.270, 287.445, 287.510 p.6	<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</u> – 287.270.2 – requirement to pay disputed medical bills p.5	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost Avoidance</u> - 287.270. 2. 287.270, 287.445, 287.510 p.6	<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 prehearing conference, mediation conference, and the timeline for an ALJ to issue an order which is subject to review by the LIRC. The employer can file the motion to dismiss to specifically raise one or more of the following arguments:

- (1) That the employee did not notify the employer in a timely manner or file the claim in a timely manner;
- (2) That the employee was not performing work for the employer at the time when the alleged injury occurred;
- (3) That the employer is not liable due to the employee's intoxication from use of alcohol or controlled substances; or
- (4) That the claimant was not employed by the employer when the alleged incident occurred.

Under current law, a temporary or partial award of compensation can 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 can 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 bill extends the sunset for the Line of Duty Compensation Act, a publicly funded death benefit program for certain first responders. This bill would sunset the program on June 30, 2037. (Section

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
Joint Committee on Administrative Rules
Office of the State Courts Administrator
Department of Public Safety – Director’s Office
Department of Public Safety – Highway Patrol
Missouri Department of Transportation
Missouri Department of Transportation – Patrol Employee Retirement System
Northwest Missouri State University
University of Missouri System
University of Central Missouri
City of Kansas City
City of O’Fallon
University of Central Missouri



Julie Morff
Director
March 26, 2025



Jessica Harris
Assistant Director
March 26, 2025