

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0916-01  
Bill No.: HB 430  
Subject: Health Care; Workers Compensation; Employees - Employers  
Type: Original  
Date: April 9, 2013

Bill Summary: This proposal would modify the experience rating process for workers' compensation insurance.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>       |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2014    | FY 2015    | FY 2016    |
|   |            |            |            |
| <b>Total Estimated Net Effect on General Revenue Fund</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>       |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| FUND AFFECTED  | FY 2014           | FY 2015           | FY 2016           |
| Workers' Compensation Administration                   | (\$90,856)        | (\$95,711)        | (\$96,687)        |
|  |                   |                   |                   |
| <b>Total Estimated Net Effect on Other State Funds</b> | <b>(\$90,856)</b> | <b>(\$95,711)</b> | <b>(\$96,687)</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 2014</b> | <b>FY 2015</b> | <b>FY 2016</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 FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> |
| Workers' Compensation Administration                      | 2 FTE          | 2 FTE          | 2 FTE          |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>2 FTE</b>   | <b>2 FTE</b>   | <b>2 FTE</b>   |

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).

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of the Attorney General** assume that any potential costs arising from this proposal could be absorbed with existing resources.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would change the process used to adjust an employer's experience rating under the workers' compensation program.

DOLIR officials stated the effect on the premium base used to calculate the administrative tax and Second Injury Fund surcharge is unknown.

**Oversight** notes that revenues for the Administration Fund and the Second Injury Fund are generated by charges on insurance premiums and self-insurance programs, and assumes that any resulting impact from this proposal on those revenues would not be significant.

ASSUMPTION (continued)

Due to the additional number of cases affected by this Bill and complexity of annual fluctuation in the experience modification factor, DOLIR officials assume two additional full time employees would be required, consisting of an Insurance Financial Analyst I and an Auditor I to enable the Self-Insurance Unit to monitor, investigate and enforce compliance with statutory reporting requirements for injuries and medical costs by self-insured employers and group - trusts. The annual salary of an Insurance Financial Analyst I is \$29,172.00 and the annual salary of an Auditor I is \$32,904.00.

DOLIR officials also assume additional computer programming would be needed to capture and consolidate compliance data but the cost is unknown at this time.

**Oversight** assumes OA - ITSD (DOLIR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOLIR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOLIR) could request funding through the appropriation process.

DOLIR officials also anticipate an unknown long range impact.

The DOLIR response included two additional employees and related benefits, equipment, and expense. Total employee - related cost was \$91,394 for FY 2014, \$94,513 for FY 2015, and \$95,458 for FY 2016.

**Oversight** assumes the DOLIR estimate of expense and equipment cost for the new FTE could be overstated. If DOLIR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment could be reduced by roughly \$6,000 per new employee.

**Oversight** has adjusted the DOLIR estimate of equipment and expense in accordance with OA budget guidelines.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** assume this proposal would have no fiscal impact on their organization.

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2014<br>(10 Mo.) | FY 2015 | FY 2016 |
|---|---------------------|---------|---------|

**WORKERS' COMPENSATION  
 ADMINISTRATION FUND**

Cost - DOLIR

Experience rating changes  
 Section 287.957

|                       |                   |                  |                  |
|-----------------------|-------------------|------------------|------------------|
| Salaries              | (\$51,730)        | (\$62,697)       | (\$63,324)       |
| Benefits              | (\$26,250)        | (\$31,815)       | (\$32,134)       |
| Equipment and expense | <u>(\$12,876)</u> | <u>(\$1,199)</u> | <u>(\$1,229)</u> |
| Total                 | (\$90,856)        | (\$95,711)       | (\$96,687)       |

|                    |       |       |       |
|--------------------|-------|-------|-------|
| FTE change - DOLIR | 2 FTE | 2 FTE | 2 FTE |
|--------------------|-------|-------|-------|

**ESTIMATED NET EFFECT ON  
 WORKERS' COMPENSATION  
 ADMINISTRATION FUND**

|  |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|
|  | <b><u>(\$90,856)</u></b> | <b><u>(\$95,711)</u></b> | <b><u>(\$96,687)</u></b> |
|--|--------------------------|--------------------------|--------------------------|

|  |       |       |       |
|--|-------|-------|-------|
| Estimated Net FTE effect on Workers'<br>Compensation Administration Fund | 2 FTE | 2 FTE | 2 FTE |
|--|-------|-------|-------|

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2014<br>(10 Mo.) | FY 2015 | FY 2016 |
|---|---------------------|---------|---------|

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
|  | <b><u>\$0</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> |
|--|-------------------|-------------------|-------------------|

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which are subject to workers' compensation insurance requirements.

FISCAL DESCRIPTION

This proposal would prohibit an adjustment to the experience rating modification of an employer's workers' compensation insurance if medical cost does not exceed 20% of the split point of primary and excess losses.

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

Office of the Secretary of State  
Office of the Attorney General  
Joint Committee on Administrative Rules  
Department of Insurance, Financial Institutions, and Professional Registration  
Department of Labor and Industrial Relations



Ross Strope

Acting Director  
April 9, 2013