

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0337-04  
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SS for SB 34  
Subject: Employees - Employers; Labor and Industrial Relations Department; Workers' Compensation  
Type: Original  
Date: June 11, 2013

---

Bill Summary: Would make changes to the state's Workers' Compensation laws.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Road	(Unknown)	(Unknown)	(Unknown)
Second Injury	(Unknown)	(Unknown)	(Unknown)
Workers' Compensation Administration	(More than \$148,767)	(More than \$95,711)	(More than \$96,687)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(More than \$148,767)</b>	<b>(More than \$95,711)</b>	<b>(More than \$96,687)</b>

<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>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Sections 287.957 and 287.975, RSMo. - Experience Rating Program Modification:

Officials from the **Office of Administration - Division of General Services (DGS)** assume the changes in Section 287.957, RSMo. would prohibit any 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 change from a fixed \$1,000 would allow the rating agency to increase the split point (currently at \$5,000) between claims considered primary losses and claims factored as excess losses. This would magnify the positive affect of fewer losses for entities which have a favorable experience modification factor (below 1.00) and would further penalize entities which have an unfavorable experience modification factor (above 1.00).

SS:LR:OD

ASSUMPTION (continued)

DGS officials noted the state currently has an experience modification factor slightly above 1.00, and this factor is used to determine the amount the state pays for workers' compensation taxes and Second Injury Fund assessments. DGS officials assume the unfavorable experience rating will continue; therefore, this proposal could increase the workers' compensation program administrative assessments and Second Injury Fund Surcharges taxes paid by the State.

**Oversight** will indicate unknown additional costs for the General Revenue Fund, the Conservation Commission Fund, and the Road Fund. Oversight assumes local governments would have similar unknown additional costs and will also include those costs in this fiscal note.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume the changes in Sections 287.957 and 287.975, RSMo. would change the process used to adjust an employer's experience rating under the workers' compensation program.

DOLIR officials stated the impact on the premium base used to calculate the administrative assessment and Second Injury Fund surcharge is expected to be minimal.

Due to the additional number of cases which could be affected by this proposal and the complexity of expected annual fluctuations in the experience modification factor, DOLIR officials assume two additional full time employees would be required. The additional employees would be 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 and the annual salary of an Auditor I is \$32,904.

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.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration** also stated these provisions were not considered likely to have a great impact on aggregate premiums.

ASSUMPTION (continued)

The Contractors Credit Premium Adjustment Program (CCPAP) currently requires the use of third calendar quarter payroll amounts for calculating the credit (new contractors use the 1st quarter of the policy period). The changes to this program in Section 287.975 would allow a contractor to choose the quarter for which payroll information is submitted as a base for the premium credit calculation. The contractor would most likely choose to report the quarter with the highest payroll, which would then give him a higher premium credit. The increase in premium credits would be limited to the amount by which the contractor's payroll for the selected quarter exceeds that contractor's payroll for the third quarter. For example, if the contractor's third quarter payroll is \$800,000 and the contractor's second quarter payroll \$1,000,000 the premium credit computation would only be affected by the \$200,000 difference.

This provision would likely increase overall premium credits allowed, which would result in a reduction in the overall workers' compensation premium base. Accordingly, this proposal would likely reduce the Administrative Tax and Second Injury Fund Surcharge but the amount of the reduction cannot be determined at this time.

**Oversight** will include unknown revenue reductions for the Workers' Compensation Administration Fund and the Second Injury Fund in this fiscal note.

Section 287.980, RSMo. - Workers' Compensation Claims Database:

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal would require the Division of Workers' Compensation to develop and maintain a workers' compensation claims database that the public can access on the Division's website to view claims filed. The proposal specified that a search could be conducted by a user using a claimant's name and social security number.

The Division of Workers' Compensation would update the database nightly with current information from the Division's computer system. The initial database would contain approximately 554,000 claim records and would have expected annual growth of approximately 13,000 records. The Division's current database covers workers' compensation claims from 1986 to the current time and Second Injury Fund claims from 1989 to the current time. Some older claims data is available but not on a consistent basis.

ASSUMPTION (continued)

Inquiries would be made from the Web on an inquiry screen based on the claimant's name and last 4 digits of the claimant's Social Security Number (SSN); a second screen would show the results of the search. The Division assumes the "date of claim" would mean the Claim Filed Date rather than the date of injury. DOLIR officials provided a cost estimate to develop a new web system and workers' compensation claims database of approximately \$22,806.

There is likelihood that a search using a claimant's name and the last 4 digits of the claimant's SSN could return multiple claims, and the search would exclude information relating to claimants who are assigned a unique identifier in place of a SSN.

An additional screen would be required to capture the Employer Name and Employer Address for the employer requesting the information. An additional database and program would be required to capture on-line activity for each Employer, and record each inquiry, the results of each inquiry, and accumulate the number of inquiries. An additional program would be required to bill the Employer based on the number of successful inquiries and then maintain the payment status for each employer. DOLIR officials provided an estimated cost for these systems of approximately \$15,638.

An additional screen would be required for the Employer registration process including a program to authenticate the Employer registration process. A program and a database would be required to capture the Employer registration including the ability for an employer to change information such as a password used for on-line activity. DOLIR officials provided an estimated cost for this system of approximately \$19,467.

DOLIR officials stated they could not determine if the Fraud and Noncompliance unit would need additional personnel to deal with the new responsibilities.

**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.

ASSUMPTION (continued)

**Oversight** notes the DOLIR total estimated IT cost for system changes and updates in this proposal is \$57,911, and will include the DOLIR cost estimate in this fiscal note.

Bill as a whole responses

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

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

Officials from the **Office of the Secretary of State** and the **Department of Insurance, Financial Institutions, and Professional Registration** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - Office of Administration Workers' compensation program assessments Section 287.957	<u>(Unknown)</u>	<u>Unknown</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>Unknown</u></b>	<b><u>(Unknown)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Cost</u> - Office of Administration Workers' compensation program assessments Section 287.957	<u>(Unknown)</u>	<u>Unknown</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>Unknown</u></b>	<b><u>(Unknown)</u></b>
<b>ROAD FUND</b>			
<u>Cost</u> - MODOT Workers' compensation program assessments Section 287.957	<u>(Unknown)</u>	<u>Unknown</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON ROAD FUND</b>	<b><u>(Unknown)</u></b>	<b><u>Unknown</u></b>	<b><u>(Unknown)</u></b>



<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>WORKERS' COMPENSATION ADMINISTRATION FUND</b>			
<u>Cost - DOLIR</u>			
Experience rating procedure changes			
Section 287.957 and 287.975			
Salaries	(\$51,730)	(\$62,697)	(\$63,324)
Benefits	(\$26,250)	(\$31,815)	(\$32,134)
Equipment and expense	(\$12,876)	(\$1,199)	(\$1,229)
IT cost	<u>(\$22,806)</u>	<u>\$0</u>	<u>\$0</u>
Total	(\$113,662)	(\$95,711)	(\$96,687)
<u>FTE change - DOLIR</u>	2 FTE	2 FTE	2 FTE
<u>Revenue reduction - DOLIR</u>			
Experience rating procedure changes			
Section 287.975	(Unknown)	(Unknown)	(Unknown)
<u>Cost - DOLIR</u>			
Workers' Compensation Claims Database			
Section 287.980			
IT cost	<u>(\$35,105)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON WORKERS' COMPENSATION ADMINISTRATION FUND</b>	<b>(More than <u>\$148,767</u>)</b>	<b>(More than <u>\$95,711</u>)</b>	<b>(More than <u>\$96,687</u>)</b>
Estimated Net FTE effect on Workers' Compensation Administration Fund	2 FTE	2 FTE	2 FTE

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

**SECOND INJURY FUND**

<u>Revenue reduction - DOLIR</u> Experience rating procedure changes Section 287.975	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
--	------------------	------------------	------------------

<b>ESTIMATED NET EFFECT ON SECOND INJURY FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
---	-------------------------	-------------------------	-------------------------

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

**LOCAL GOVERNMENTS**

<u>Cost - Local governments</u> Workers' compensation program assessments Section 287.957	<u>(Unknown)</u>	<u>Unknown</u>	<u>(Unknown)</u>
--	------------------	----------------	------------------

<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
--	-------------------------	-------------------------	-------------------------

FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

The proposed legislation would require the Division of Workers' Compensation to develop and maintain a workers' compensation claims database. The database would be accessible to potential employers during a pre-hire period, and searchable by an employee's name and social security number. The database would not be subject to the records retention requirements in the workers' compensation law. The Division would be required to maintain a record of claims records reviewed, and those who fraudulently access the database would be guilty of a Class A misdemeanor.

The proposal would also prohibit insurance carriers from adjusting an employer's experience rating if the total medical cost does not exceed 20% of the current split point of primary and excess losses under the uniform experience rating plan.

Beginning January 14, 2014, the formula to equalize premium rates for employers within the construction group of code classifications would be the formula in effect on January 1, 1999.

Employers within the construction group of code classifications would be allowed to submit payroll records for the first, second, third, or fourth calendar quarter to the advisory organization which makes a uniform classification system for the purposes of calculating the employer's premium credit under the Missouri contracting classification premium adjustment program.

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  
Office of Administration - Division of General Services  
Department of Insurance, Financial Institutions, and Professional Registration  
Department of Labor and Industrial Relations



Ross Strobe  
Acting Director  
June 11, 2013