

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4043-01
BILL NO.: SB 878
SUBJECT: Workers' Compensation
TYPE: Original
DATE: February 18, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Labor and Industrial Relations** and the **Department of Insurance** assume their agencies would not be fiscally impacted by the proposal.

Officials of the **Office of Administration - Risk Management (OA)** assume that the interest provision is reduced by this proposal from 30 days to 10 days on workers' compensation benefits. They note that the state's self-insured workers' compensation program (CARO) is aggressive in making timely benefit payments to injured workers. However, delays in reporting by the state agencies or delays in receiving information from the treating physicians may create the potential for interest issues to be raised. Also, any cases appealed would have the potential for interest costs. OA officials indicate they cannot state what additional costs could be, but assume the amount would not be significant.

Officials of the **Department of Transportation (MoDOT)** note that they currently process all of their department's workers' compensation claims. They assume that interest payments would increase as a result of changing the grace period from 30 days to 10 days after payment is due for uncontested workers' compensation claims. MoDOT officials assume the proposal would have some fiscal impact on the department, but cannot determine the amount.

Officials of the **Department of Public Safety** note that their workers' compensation claims are handled by the Office of Administration. Any fiscal impact on the department's workers' compensation costs is unknown.

In response to a similar proposal containing the provisions that would allow certain medical reports into evidence in second injury fund cases, officials of the **Office of the Attorney General (AGO)** estimated they would request additional staff (i.e., 5 assistant attorney generals, 1 paralegal and 2 secretaries). The AGO assumes that the proposal would mainly affect partial disability claims filed against the Second Injury Fund (SIF). If SIF cases were allowed to be submitted on medical reports cases previously settled or dismissed would be taken to hearing, resulting in an additional 800 to 1,200 cases. Along with this increase appeals would increase. In order to adequately defend these cases, SIF attorneys would have to cross-examine the claimant's doctor. Costs are estimated at \$381,415 in FY01; \$384,752 in FY02; and \$394,867 in FY03. The Attorney General's Office also estimated a loss to the Second Injury Fund of \$5.0 million annually, due to an increase in claims. **Based on an Oversight Subcommittee decision on March 30, 1998, the financial impact of this provision is assumed to be zero.**

ASSUMPTION (continued)

Oversight assumes OA and MoDOT would adjust their processing procedures to ensure timely payment of workers' compensation payments and therefore assumes any fiscal impact to the state as a result of this proposal would not be significant.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses could be fiscally impacted to the extent that they would incur additional interest penalties in the event of late payment of workers' compensation benefits.

DESCRIPTION

The proposal allows the state to request a medical examination of an injured employee in second injury claims and modifies the admissibility of medical reports in second injury cases.

The proposal also changes interest calculations for worker's compensation payments under subsection 3 of Section 287.160, RSMo. Uncontested late payments accrue interest at 10% per annum from ten days after the due date. Current law allows thirty days until a payment is late, and provides for interest after the thirty day period.

The statute of limitations for second injury fund claims regarding "one year after a claim is filed" is repealed.

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

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Department of Labor and Industrial Relations
Office of Administration
Department of Transportation
Department of Insurance
Department of Public Safety
Office of the Attorney General

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
February 18, 2000