

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7270

BILL NUMBER: HB 1320

NOTE PREPARED: Feb 19, 2013

BILL AMENDED: Feb 19, 2013

SUBJECT: Worker's Compensation.

FIRST AUTHOR: Rep. Lehman

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Pecuniary Liability* - The bill specifies the pecuniary liability for worker's compensation payments to a medical service facility and ties it to 225% of the amount determined using the Medicare program reimbursement methodologies, models, and values or weights, including the coding, billing, and reporting payment policies in effect on the date a service or product is provided. The bill defines "medical service facility", "service and/or product", and "medical service provider" for purposes of the worker's compensation law.

Claims - The bill also allows a medical services provider to request an explanation from a billing review service if the medical services provider's bill has been reduced as a result of the application of a Medicare coding change. It prohibits basing compensation to a billing review service on an amount by which claims are reduced for payment concerning occupational disease. It specifies clean claim payment requirements related to Worker's Compensation claims.

Benefits - The bill increases average weekly wages used to determine worker's compensation and occupational disease benefit amounts.

Filing Fee - The bill provides for an annual filing fee of \$2 from an employer to be deposited in the Worker's Compensation Supplemental Administrative Fund.

Other Changes - The bill provides for Worker's Compensation insurance policy periods as permitted in certain rules. It specifies that information filed as confidential with the Worker's Compensation Bureau of Indiana is confidential. The bill makes conforming amendments.

Effective Date: July 1, 2013.

Explanation of State Expenditures: (Revised) *Worker’s Compensation Board* - The changes to the pecuniary liability and claims provisions of the bill may represent an additional workload on the agency outside of the agency’s routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation.

(Revised) *Pecuniary Liability* - The cost to the state as an employer may be reduced due to limiting employer pecuniary liability for medical services facilities to 225% of the amount determined using the Medicare program’s reimbursement. Medical services facilities are defined in the bill as hospitals, surgery centers, nursing homes, rehabilitation centers, and other health care facilities that provide services or products under the Worker’s Compensation program.

(Revised) *Benefits*: The bill increases the maximum average weekly wages used in calculating Worker’s Compensation benefits from \$975 to \$1,200, over the course of five years. The bill also increases the maximum benefit amount (exclusive of medical benefits) from \$325,000 to \$400,000, over the course of five years. This provision will impact the state as an employer.

Proposed Worker’s Compensation Increases		
	<i>Maximum Weekly Wages for Benefit Computation</i>	<i>Maximum Compensation (Exclusive of Medical Benefits)</i>
Current	\$975	\$325,000
FY 2015	\$1,020	\$340,000
FY 2016	\$1,065	\$355,000
FY 2017	\$1,110	\$370,000
FY 2018	\$1,155	\$385,000
FY 2019	\$1,200	\$400,000

Explanation of State Revenues: *Claims* - The bill requires that claims that are deemed to be “clean” (those without defect, impropriety, or particular circumstance requiring special treatment preventing payment) must be processed and paid by insurers within specific time frames as outlined in the bill. Insurers who do not comply with this provision may be penalized by the Worker’s Compensation Board. A schedule of these penalties, which are deposited into the state General Fund, are below.

Percent of Clean Claims Paid in Timely Manner	Civil Penalty
95% or Greater	\$0
Less than 95% and Greater than 85%	\$10,000 (Maximum)
Less than 85% and Greater than 60%	\$10,000 (Minimum); \$100,000 (Maximum)
Less than 60%	\$100,000 (Minimum); \$200,000 (Maximum)

(Revised) *Annual Filing Fee* - The Worker's Compensation Board estimates that the filing fee will generate roughly \$200,000 per year for the Worker's Compensation Supplemental Administrative Fund. At the end of FY 2012, the fund had a balance of \$445,000. The fund is used to carry out the administrative purposes and functions of the Worker's Compensation Board. The fund also receives revenues from the Independent Contractor Fee, Self-Insurance Fee, Balance Billing Provider Application Fee, and civil penalties. The additional revenue generated from this new fee will go towards the cost to the Worker's Compensation Board of administering the provisions of the bill.

Explanation of Local Expenditures: The impact on local units would be as an employer.

Explanation of Local Revenues:

State Agencies Affected: All, Worker's Compensation Board.

Local Agencies Affected: All.

Information Sources: Dirinda Asher, Worker's Compensation Board, dasher@wcb.in.gov; *2012 Indiana Handbook of Taxes, Revenues, and Appropriations*.

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