

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7270

BILL NUMBER: HB 1320

NOTE PREPARED: Apr 10, 2013

BILL AMENDED: Apr 9, 2013

SUBJECT: Worker's Compensation.

FIRST AUTHOR: Rep. Lehman

FIRST SPONSOR: Sen. Boots

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Medical Service Facilities and Medical Service Providers* - The bill specifies, after June 30, 2014, the pecuniary liability for worker's compensation payments to a medical service facility and ties it to 200% 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 and occupational diseases compensation law. The bill specifies the reimbursement amounts for repackaged drugs. It provides that payment to a medical service provider located outside Indiana may not exceed the payment that would be made to the nearest similar medical service provider located in Indiana for furnishing the same service or product in Indiana. The bill provides that payment to a medical service provider for an implant furnished to an employee under worker's compensation or occupational diseases compensation may not exceed the invoice amount plus 25%.

The bill 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 requires that a claim filed by a medical service provider after June 30, 2015, must be: (1) filed and paid electronically; and (2) paid or denied not more than 30 days after the date the claim is received.

Benefits - The bill, on July 1, 2014, increases maximum average weekly wages used in calculating Worker's Compensation benefits by 20% and provides for graduated percentage increases for degrees of permanent partial impairment/disablement.

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 permits the Worker's Compensation Board (Board) to review the records and medical bills of a medical service provider that an employer determines is not complying with the schedule of charges or is requiring unjustified services or products. It provides for worker's compensation insurance policy periods as permitted in certain rules. The bill also specifies that all data collected by the Worker's Compensation Rating Bureau is considered to be confidential. The bill also makes conforming amendments and technical corrections.

Effective Date: July 1, 2013.

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

Pecuniary Liability - The cost to the state as an employer may be reduced due to limiting employer pecuniary liability for medical services facilities to 200% of the amount determined using the Medicare program's reimbursement schedule. Medical services facilities are defined in the bill as hospitals, hospital-based health facilities, and medical centers. The expectation is that this provision will reduce the pecuniary liability of all employers by lowering medical expense reimbursement costs. However, the exact impact on the state as an employer is indeterminable at this time. The state self-insures for purposes of Worker's Compensation insurance. Employers that self-insure reportedly may already enjoy lower medical reimbursement rates than those smaller employers that are unable to negotiate a more favorable commercial worker's compensation insurance rate.

Benefits: The bill increases the maximum average weekly wages used in calculating Worker's Compensation benefits from \$975 to \$1,170, as of July 1, 2014. The bill also increases the maximum benefit amount (exclusive of medical benefits) from \$325,000 to \$390,000. The bill also increases payments for permanent partial impairment (PPI).

These provisions will impact the state as an employer.

Proposed Permanent Partial Impairment (PPI) Increases		
<i>Degree of Permanent Impairment</i>	<i>\$ for Each Degree (Current Law)</i>	<i>\$ for Each Degree (As Proposed)</i>
1-10	\$1,400	\$1,750
11-35	\$1,600	\$1,952
36-50	\$2,700	\$3,186
51+	\$1,110	\$4,060

Background: The Indiana Compensation Rating Bureau estimates that the medical fee schedule outlined in the bill will decrease employer costs into the Worker's Compensation System by 5.2%, or roughly \$36 M. The provision regarding repackaged drugs will decrease employer costs by 0.1%, or roughly \$0.7 M.

The Indiana Compensation Rating Bureau also estimates that the increases to the maximum weekly wage/maximum benefit amounts will increase employer costs into the Worker's Compensation System by 0.8% to 1.2%, or \$6 M to \$8 M. The provisions regarding the increases to PPI will increase employer costs by 3.4%, or \$24 M.

While the bill's provisions will affect the costs faced by self-insured employers, such as the state, the cost and savings estimates presented above do not include estimates of the impacts on self-insured employers.

Explanation of State Revenues: *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; Linda Hamilton, Worker's Compensation Board, lhamilton@wcb.in.gov; Indiana Compensation Rating Bureau; *2012 Indiana Handbook of Taxes, Revenues, and Appropriations*.

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