

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7270

BILL NUMBER: HB 1320

NOTE PREPARED: Apr 26, 2013

BILL AMENDED: Apr 26, 2013

SUBJECT: Worker's Compensation.

FIRST AUTHOR: Rep. Lehman

FIRST SPONSOR: Sen. Boots

BILL STATUS: Enrolled

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 and occupational diseases compensation payments to a medical service facility and ties it to 200% of the amount determined using the Medicare program reimbursement.

The bill defines "medical service facility", "services 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. 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.

Benefits - The bill, increases the maximum average weekly wage by 20% and provides for graduated percentage increases for degrees of permanent partial impairment/disablement over a three-year period, beginning on July 1, 2014.

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.

Study Committee and Advisory Committee - The bill urges the Legislative Council to assign to the Interim Study Committee on Insurance the study of worker's compensation and occupational diseases compensation

topics, including: (1) minimum payment amounts for services or products provided by medical service facilities; (2) payment for services or products provided by hospital-employed physicians; (3) the electronic submission and payment of claims filed by medical service providers, including the applicability of the "clean claim" procedures described in IC 27-8-5.7; (4) payment amounts for implants; and (5) the establishment and membership of an advisory committee to advise the Worker's Compensation Board in the administration of the Worker's Compensation and Occupational Diseases Compensation Program.

Other Changes - The bill provides for worker's compensation insurance policy periods as permitted in certain rules. It 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.

Study Committee - If the Interim Study Committee on Insurance were to hold additional meetings to address the topics assigned under this bill, there would be additional expenditures for legislator per diem and travel reimbursement for the committee members. Any additional expenditures must be within the committee's budget, which is established by the Legislative Council.

Benefits: The bill increases the maximum average weekly wages used in calculating Worker's Compensation benefits from \$975 to \$1,170 over the course of three years beginning on July 1, 2014. The bill also increases the maximum benefit amount (exclusive of medical benefits) from \$325,000 to \$390,000, over the course of three years.

Proposed Worker's Compensation Benefit Increases		
	<i>Maximum Weekly Wages for Benefit Computation</i>	<i>Maximum Compensation (Exclusive of Medical Benefits)</i>
Current	\$975	\$325,000
FY 2015	\$1,040	\$347,000
FY 2016	\$1,105	\$368,000
FY 2017	\$1,170	\$390,000

The bill also increases payments for permanent partial impairment (PPI).

Proposed Permanent Partial Impairment (PPI) Increases				
<i>Degree of Permanent Impairment</i>	<i>\$ for Each Degree (Current Law)</i>	<i>\$ for Each Degree - FY 2015</i>	<i>\$ for Each Degree - FY 2016</i>	<i>\$ for Each Degree - FY 2017</i>
1-10	\$1,400	\$1,517	\$1,633	\$1,750
11-35	\$1,600	\$1,717	\$1,835	\$1,952
36-50	\$2,700	\$2,862	\$3,024	\$3,186
51+	\$1,110	\$3,687	\$3,873	\$4,060

These provisions will impact the state as an employer; however, they are expected to only increase worker's compensation costs by a very small amount.

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, once fully phased in, 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, once fully phased in, 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. It is however reasonable to assume that the net impact to the state may be a small decrease in overall worker's compensation costs.

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, lhilton@wcb.in.gov; Indiana Compensation Rating Bureau; *2012 Indiana Handbook of Taxes, Revenues, and Appropriations*.

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