

### Fiscal Estimate - 2007 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>07-3093/1</b>	<b>Introduction Number</b> <b>AB-0758</b>	
<b>Description</b> Making various changes in the worker's compensation law		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
<b>5.Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input checked="" type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.445(1)(t)		
<b>Agency/Prepared By</b> DWD/ John Conway (608) 266-0337	<b>Authorized Signature</b> Hector Colon (608) 266-2284	<b>Date</b> 2/8/2008

## Fiscal Estimate Narratives

DWD 2/8/2008

LRB Number	07-3093/1	Introduction Number	AB-0758	Estimate Type	Original
<b>Description</b> Making various changes in the worker's compensation law					

### Assumptions Used in Arriving at Fiscal Estimate

This bill makes various changes to the worker's compensation laws as administered by the Worker's Compensation Division of the Department of Workforce Development (DWD), with substantial fiscal impact to Appropriation 178, Work Injury Supplemental Benefit fund, 20.445(1)(t). The law changes and fiscal effects are as follows:

- The maximum weekly benefit rates for permanent partial disability are increased by \$10 per week for injuries occurring on and after the effective date in 2008 to \$272 and to \$282 for injuries occurring on and after January 1, 2009.

Increased costs for this change are paid for by insurers and self-insured employers. Changes to this rate have been made on a regular basis in the past.

- Exclusive remedy is extended to cover more than one temporary help agency or employee leasing company and all of the employees that are provided to a client-employer.

No fiscal impact to the state or local units of government is anticipated for this change.

- Multiple coordinated insurance policies for WC liability will be required for Professional Employer Organizations (PEOs) and employee leasing companies except for small clients whose premiums are not large enough for experience rating who may continue to insure under master policies. Master policies will be permitted in the future when unit statistical and other data can be tracked for each client-employer and the filing is approved by the Wisconsin Compensation Rating Bureau and Office of the Commissioner of Insurance.

Additional reports from PEO's and insurance carriers will have to be processed by the Worker's Compensation Division. It is expected the increased workload will be covered with existing staff and resources.

- The interest credit for advancement and lump sum payments will be reduced from 7% to 5%.

Losses to insurers and self-insured employers are estimated at about \$100 to \$200 per advancement. Losses to self-insured public entities would be approximately \$5,000 per year.

- Employers will no longer be permitted to elect to not have their employees covered by Christian Science treatment and charges for Christian Science treatment will be limited to usual and customary amounts.

Treatment costs are indeterminate at this time, but very minimal fiscal impact is anticipated for self-insured public entities.

- A dispute resolution process is created for resolving pharmaceutical fee disputes involving the pharmacy fee schedule similar to reasonableness of fee disputes and use of the American Druggist Blue Book as a reference for determining average wholesale price is eliminated because this is no longer published.

The Worker's Compensation Division will experience an increase in medical dispute resolution cases. At this time, it is expected that the increased workload will be covered by existing staff and resources.

- Supplemental benefits for employees with old injuries who are permanently and totally disabled are extended covering injury dates for 6 more years from 1986 to 1991 with the maximum weekly benefit rate increased from \$338 to \$450.

Under current law, injured employees who are receiving weekly benefits for permanent total disability or

continuous temporary total disability resulting from an injury that occurred before January 1, 1987, are entitled to receive supplemental benefits that would give them the same proportional amount to the maximum rate in 1987 that they had in the year they were injured. The amount of weekly supplemental benefits, when added to their original weekly benefit, is limited to the 1987 maximum of \$338/week. This bill makes these and additional employees who were injured between January 1, 1987 and December 31, 1991, eligible for the same supplemental benefits beginning on the effective date of the bill and increases the weekly limit of supplemental and regular benefits to the maximum of \$450/week. It is estimated the bill will increase the number of claimants eligible to receive these benefits by approximately 135 claimants. The total increase in supplemental benefits is estimated to be approximately \$2.3 million in the first year. This amount will decrease at a rate of approximately \$150,000 per year due to the death of recipients. Of this amount, approximately \$1.78 million represents increases in benefits to claimants already receiving some supplemental benefits. The remaining amount (\$520,000) reflects payments to claimants first becoming eligible for supplemental benefits in calendar 2008 per this bill.

The current cash balance in the WISBF is approximately \$8.8 million. It is anticipated that prior to 2009 when WISBF reimbursement for the bill's supplemental benefit increases are to be made, the cash balance in the WISBF may continue to increase to approximately \$10 million dollars. Once reimbursement of supplemental benefits begins in 2009, it is anticipated that revenues may not keep up with expenditures and the WISBF cash balance would begin to decrease by an estimated \$1.3 million the first year. In addition, it is anticipated that WISBF revenues from surcharges and settlements are expected to decrease to some extent and interest earned on the fund's cash balance will decrease with the additional expenditures. The anticipated drop per year assumes all things remain constant. Some of the permanent total disability recipients will pass away and this will result in less of a cash balance over time. The department's Worker's Compensation Division and the Worker's Compensation Advisory Council will review on an ongoing basis the revenue needs of the WISBF and will take necessary action to insure the solvency of the fund.

- Liability is eliminated for testing, examination, treatment and hearing aids for occupational hearing loss claims that do not reach the level of hearing loss to qualify for indemnity. This amendment will apply to injury dates on and after the effective date and for claims made more than 6 years after the effective date.

No immediate fiscal impact. The Worker's Compensation Division's Work Injury Supplemental Benefit fund will be positively impacted by a possible savings of up to \$200,000 per year, beginning six years after the adoption of the bill.

- The Attorney General's Office will be authorized by statute to represent the state for collection of payments due to the Work Injury Supplemental Benefit Fund of double and treble compensation payable for illegal employment of minors under s. 102.60, of the statutes.

The estimated number of these cases is very small - ten to fifteen claims a year. There may be some minimal increased costs to the Attorney General's office.

- This bill eliminates the requirement that the Work Injury Supplemental Benefits fund cash balance be limited to three times the amount of payments made in the preceding fiscal year.

There is no negative fiscal impact to the state.

- For payments due to the Uninsured Employers Fund the time limit that liens resulting from warrants will be extended from 10 years to the date paid, and personal liability based on individual, joint and several liability will remain in effect until the date paid.

There is no negative fiscal impact to the state. The extended allowable time for collections may result in increased revenues to the Uninsured Employers fund.

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#### Fiscal Effects on Local Units of Government

As indicated above, there will be some increased worker's compensation costs for local units of government that are self-insured and these same increases will also pertain to the State of Wisconsin as a self-insured employer. The increased costs as a result of the bill provisions are considered to be minimal and are not exclusively directed toward local government.

• **Long-Range Fiscal Implications**

With regard to the Work Injury Supplemental Benefits Fund, the statutory Worker's Compensation Advisory Council may seek increases to supplemental benefits in future years. The WC Division and the Council will review on an ongoing basis the revenue needs of the WISBF and take necessary action to insure the solvency of the fund.

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>07-3093/1</b>		<b>Introduction Number</b> <b>AB-0758</b>	
<b>Description</b> Making various changes in the worker's compensation law			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$	\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations	2,300,000	-200,000	
<b>TOTAL State Costs by Category</b>	<b>\$2,300,000</b>	<b>\$-200,000</b>	
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S (20.445(1)(t))	2,300,000	-200,000	
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$2,100,000	\$	
NET CHANGE IN REVENUE	\$	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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