

Fiscal Estimate Narratives

DWD 1/19/2016

LRB Number	15-4184/1	Introduction Number	AB-0724	Estimate Type	Original
Description Various changes to the worker's compensation law, granting rule-making authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill makes various changes to the Wisconsin Worker's Compensation Act (Chapter 102, Wis. Stats.), as administered by the Department of Workforce Development (DWD) and the Division of Hearings and Appeals (DHA) in the Department of Administration. This bill was drafted and unanimously approved by the Worker's Compensation Advisory Council. Proposed changes with a substantial fiscal effect are listed in the order they appear.

Section 102.125 is amended to allow the Worker's Compensation Division to request the Department of Justice to assist with investigation and prosecution for WC fraud committed by employees, employers, insurance carriers and health care providers. Based on current reports of fraud, the Worker's Compensation Division would fund a 0.5 FTE Attorney and a 0.5 FTE Consumer Protection Investigator-Senior. The total estimated cost of these positions is \$138,500 SEG.

Section 102.17(4) is amended to reduce the statute of limitations for traumatic injuries from 12 years to 6 years. This amendment would create a potential liability for the Work Injury Supplemental Benefit Fund. However, at the earliest this fiscal effect would not begin until 2022, or six years after enactment of the bill. At this time the total estimated fiscal effect is indeterminate.

The bill contains three provisions, as listed below, which will require an estimated 430 additional hearing applications annually. At an estimated cost of 1,030 per hearing, the total estimated fiscal effect of these provisions is \$442,900 SEG per year.

1.) This bill provides that if an employee violates an employer policy against drug or alcohol use and such violation is causal to the employee's injury, then neither the employee nor the employee's dependents may receive, under the worker's compensation law, any compensation; however, the provision does not eliminate an employer's liability for the cost of treating the employee's injury. This amendment would add an estimated 30 hearing applications annually.

2.) Section 102.43(9)(e) is created to deny compensation for temporary disability during the healing period if the employee has been suspended or terminated for misconduct or substantial fault as defined in the unemployment insurance law. This amendment would add an estimated 300 hearing applications per year.

3.) Section 102.175(3) requires apportionment of permanent disability resulting from accidental injuries based on causation. An employee shall disclose all previous permanent disabilities or physical impairments. This amendment would add an estimated 100 hearing applications per year.

This bill provides that an employee who is injured before January 1, 2003, and is receiving compensation for permanent total disability or continuous temporary total disability more than 24 months after the date of injury, is entitled to receive supplemental benefits for a week of disability beginning after the effective date of the bill. The maximum supplemental benefit rate will be set at \$669 per week. Based on estimated 550 beneficiaries receiving a weekly increase of \$24.32, the fiscal estimate of the amendment is estimated to total \$695,800 SEG in additional annual supplemental benefit payments.

This bill also increases the maximum weekly compensation rate for permanent partial disability from \$322 to \$342 per week for injuries occurring before January 1, 2017, and \$362 for injuries occurring on or after that date. This provision will have a fiscal effect on self insurers, such as the State of Wisconsin. The fiscal effect to the State is indeterminate at this time.

This bill provides authority to update the Uninsured Employers Fund (UEF) mainframe computer system. The one-time estimated cost of this provision is \$996,000 SEG, consisting of approximate costs of

\$200,000 SEG in SFY16 and \$796,000 SEG in SFY17.

This bill also requires DWD to review and revise the minimum permanent partial disability ratings that DWD has created by rule. Before revising the ratings, DWD must appoint a medical advisory committee composed of physicians practicing in one or more specialty disciplines to review and recommend revision of those ratings. It is estimated it will cost \$5,000 per year for committee meeting expenses.

Long-Range Fiscal Implications

See discussion in Assumptions Section

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The one-time estimated costs, and revenues from collected fees, for UEF IT system development is \$996,000 SEG.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs	586,400	
Local Assistance		
Aids to Individuals or Organizations	695,800	
TOTAL State Costs by Category	\$1,282,200	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S	1,282,200	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S	1,282,200	
TOTAL State Revenues	\$1,282,200	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$1,282,200	\$
NET CHANGE IN REVENUE	\$1,282,200	\$
Agency/Prepared By	Authorized Signature	Date
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