

FISCAL NOTE

Requested by Legislative Council

01/23/2001

Bill/Resolution No.: HB 1436

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds

Revenues

Expenditures

Appropriations

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

NORTH DAKOTA WORKERS COMPENSATION

2001 LEGISLATION

SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: \$250 Assessment

BILL NO: HB 1436

SUMMARY OF ACTUARIAL INFORMATION: North Dakota Workers Compensation, together with its actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed bill will eliminate the existing \$250 assessment for medical costs. In addition, it adds language that requires that "The experience rating system may not consider claims of two hundred fifty dollars or less in a manner that negatively affects an employers experience rating".

The elimination of the \$250 assessments should flow through the Bureau's rating structure on a revenue neutral basis. The Bureau will need to increase premiums to cover the first \$250 of each medical claim (approximately 3%), but those increases will be off-set, in aggregate, by decreases in assessments charged to employers on a statewide basis. However, the financial impact of the change will not be revenue neutral for individual employers.

The legislation does not specify an effective date. Thus, it is not clear if the medical assessment will be eliminated for all unresolved claims, or only for future injury years. To the extent that assessments are eliminated for unresolved claims arising out of prior coverage periods, discounted loss reserves will increase by \$1 million to \$2 million.

FISCAL IMPACT: The ultimate impact of the added constraint regarding the way small losses are handled in the experience-rating plan is not clear. Our concern can be tied to the fact the future premium rates will necessarily include provision for claims of \$250 or less, yet the legislation may effectively prevent the Bureau from considering small losses in the derivation of experience rating factors. This situation, in turn, creates the potential for an internal inconsistency in the rating structure since the Bureau's experience-rating program (similar to those utilized in other jurisdictions) was designed to modify aggregate manual premiums - which will include provision for small losses.

DATE: January 26, 2001

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

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Agency: ND Workers Compensation
Date 01/26/2001
Prepared: