

FISCAL NOTE
Requested by Legislative Council
12/15/2010

Bill/Resolution No.: HB 1055

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 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.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The proposed legislation removes the option of deferred payment of a PPI award; provides that the organization move from the 5th to 6th edition of the AMA Guides; reduces the ppi threshold from 16% to 14%; and increases ppi awards within the 14% through 25% impairment levels.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

WORKFORCE SAFETY & INSURANCE
2011 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION

BILL NO: HB 1055

BILL DESCRIPTION: Permanent Partial Impairment (PPI) Bill

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance, together with its actuarial firm, Bickerstaff, Whatley, Ryan & Burkhalter Consulting Actuaries, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation removes the option of deferred payment of a PPI award; provides that the organization move from the 5th to 6th edition of the AMA Guides to the Evaluation of Permanent Partial Impairment for the purposes of evaluating impairment awards; reduces the threshold for percentage of whole body impairment to qualify for an award from 16% to 14%; and increases permanent partial impairment awards (multipliers) within the 14% through 25% impairment levels.

FISCAL IMPACT:

It is estimated that the proposed change of moving from the 5th to the 6th edition of the AMA Guides to the Evaluation of Permanent Partial Impairment for the purposes of evaluating impairment awards would result in a 37% reduction of the PPI claim cost. This amounts to approximately \$850,000, or approximately a -0.5% premium level impact.

The proposal also provides for utilizing the 6th edition for the rating of pain. It is our understanding that the 6th edition provides for a more explicit method of rating pain than available in prior editions. It is estimated that the change in how pain is rated under the 6th edition would result in a 10% reduction of the PPI claim cost, or approximately \$260,000.

The proposed reduction in the PPI impairment threshold from 16% to 14% and the proposed increase in benefit levels for the 14% through 25% impairment levels will serve to offset the reductions associated with the move to the 6th edition, however, we cannot state within any high degree of confidence to what extent as we do not have access to an appropriate base of historical experience to use in deriving the estimates. Based on the very limited and dated information we were able to review to analyze this change, it is likely the threshold level required to completely offset the reductions associated with the move to the 6th edition would fall somewhere between the 10% and 16% levels.

The proposed change would also serve to increase WSI's administrative costs. To the extent the legislative proposal is adopted, WSI would request the appropriation of one additional fte with an anticipated cost of approximately \$151,000 for the biennium.

DATE: December 15, 2010

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

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Phone Number:	328-6016	Date Prepared:	12/22/2010