

FISCAL NOTE

(Return in triplicate)

Bill/Resolution No.: _____ Amendment to: Eng. SB 2200

Request by Legislative Council Date of Request: March 18, 1993

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, and cities.

Narrative:

Section 1. No impact.

Section 2. No impact.

Section 3. Subsection 17 would reduce claims costs by an estimated \$300,000 per year.

Section 4. Expected to have an impact; however, no comprehensive information is available. An analysis will be conducted.

Section 5. No impact.

Section 6. No impact.

Section 7. Attorney fees will be reduced by approximately \$32,000 a year with passage of this amendment.

Section 8. Minimal if any. Dependent upon arbitration activity.

Section 9. No impact.

Section 10. Expected to have an impact; however, no comprehensive information is available. An analysis will be conducted.

Section 11. Failure to pass this amendment would result in an increase to the Bureau's liabilities of approximately \$9.2 million.

Section 12, 13, 14, and 16. This bill is expected to have a tremendous impact; however due to the complexities of the issues, comprehensive data is not available at this time. An analysis will be conducted.

Section 15. Failure to pass this amendment could increase the Bureau's liability by more than \$1.4 million on a discounted basis as of July 1, 1993.

See attached for additional information.

2. State fiscal effect in dollar amounts: **See Above**

1991-93 <u>Biennium</u>		1993-95 <u>Biennium</u>		1995-97 <u>Biennium</u>	
<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>

Revenues:

Expenditures:

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

a. For rest of 1991-93 biennium: _____

b. For the 1993-95 biennium: _____

c. For the 1995-97 biennium: _____

4. County and City fiscal effect in dollar amounts:

1991-93 <u>Biennium</u>		1993-95 <u>Biennium</u>		1995-97 <u>Biennium</u>	
<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Randy Hoffman

Department Workers Compensation

Phone Number 224-3894

Date Prepared: Mar 18, 1993

SECTION:

1

DESCRIPTION:

Change Narcotics to Controlled Substance
Section 65-01-02, Subsection 8

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54-03-25.

The Workers Compensation Bureau, together with its actuary, have reviewed the legislation proposed in this bill. The Bureau does not expect any actuarial impact to the fund as a result of the proposed changes.

OTHER IMPACT (2)

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

ND WORKERS COMPENSATION BUREAU
1993 LEGISLATION – FISCAL INFORMATION AMENDMENT TO SB 2200

DATE 03/18/93

SECTION	2
DESCRIPTION:	Definitions. 65-01-02 New Subsection

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54-03-25.

The Workers Compensation Bureau, together with its actuary, have reviewed the legislation proposed in this amendment. The Bureau does not expect any actuarial impact to the fund as a result of the proposed changes.

OTHER IMPACT (2)

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

SECTION

3

DESCRIPTION:

Definitions
65-01-02, subsections 9, 17, 29, 30

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54-03-25.

The ND Workers Compensation Bureau, together with its actuary, have reviewed the legislation proposed in this amendment and has determined that passage of the amendment will have an actuarial impact to the fund.

Subsections 9, 29, and 30 are not expected to have an actuarial impact to the fund as a result of the proposed changes.

Subsection 17 is the part which would impact the fund. While there would be no impact on the Bureau's current loss reserves, it is estimated that future claims costs would reduce by an estimated \$300,000 per year. This represents a potential reduction to the overall rate level of approximately .3%.

There is a limited number of rate classes with exposure to this section of law. Most would not be impacted by this change, those that are would realize a rate reduction greater than that indicated above.

OTHER IMPACT (2)

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

ND WORKERS COMPENSATION BUREAU
1993 LEGISLATION – FISCAL INFORMATION AMENDMENT TO SB 2200

DATE 03/18/93

SECTION
DESCRIPTION:

4

Subrogation.
65-01-09

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54-03-25.

The Workers Compensation Bureau, together with its actuary, have reviewed the legislation proposed in this amendment. The Bureau does not expect any actuarial impact to the fund as a result of the proposed changes.

OTHER IMPACT (2)

Comprehensive fiscal information on this amendment is not available. Analysis of the fiscal impact of this change will be conducted in the interim.

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

SECTION	5
DESCRIPTION:	Controlled substance use / testing.

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54–03–25.

The Workers Compensation Bureau, together with its actuary, have reviewed the legislation proposed in this amendment. The Bureau does not expect any actuarial impact to the fund as a result of the proposed changes.

OTHER IMPACT (2)

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

ND WORKERS COMPENSATION BUREAU
1993 LEGISLATION – FISCAL INFORMATION AMENDMENTS TO SB 2200

DATE 03/18/93

SECTION
DESCRIPTION:

6

Binding Arbitration Panel
65-2-15

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54-03-25.

The Workers Compensation Bureau, together with its actuary, have reviewed the legislation proposed in this amendment. The Bureau does not expect any actuarial impact to the fund as a result of the proposed changes.

OTHER IMPACT (2)

While there may be a fiscal impact as a result of passing the bill. The Bureau anticipates savings in some areas and increased costs in others. The net result is not measurable or significant.

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

ND WORKERS COMPENSATION BUREAU
1993 LEGISLATION – FISCAL INFORMATION AMENDMENT TO SB 2200

DATE 03/19/93

SECTION

7

DESCRIPTION:

WCB Attorney Fees.
65-02-17

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54-03-25.

The Workers Compensation Bureau, together with its actuary, have reviewed the legislation proposed in this amendment. The Bureau does not expect any actuarial impact to the fund as a result of the proposed changes.

OTHER IMPACT (2)

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

ND WORKERS COMPENSATION BUREAU
1993 LEGISLATION – FISCAL INFORMATION AMENDMENT TO SB 2200

DATE 03/18/93

SECTION

8

DESCRIPTION:

Binding Arbitration Decisions
65-02-18

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54-03-25.

The Workers Compensation Bureau, together with its actuary, have reviewed the legislation proposed in this amendment. The Bureau does not expect any actuarial impact to the fund as a result of the proposed changes.

OTHER IMPACT (2)

To the extent that arbitration activity increases, Bureau costs related to arbitration will also increase. No estimate is available on the extent that arbitration activity will increase.

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

ND WORKERS COMPENSATION BUREAU
1993 LEGISLATION – FISCAL INFORMATION AMENDMENT TO SB 2200

DATE 03/18/93

SECTION

9

DESCRIPTION:

Posting of Certificate / Fraud Reporting Information.
65-4-4

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54-03-25.

The Workers Compensation Bureau, together with its actuary, have reviewed the legislation proposed in this amendment. The Bureau does not expect any actuarial impact to the fund as a result of the proposed changes.

OTHER IMPACT (2)

No significant impact is anticipated.

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

ND WORKERS COMPENSATION BUREAU
1993 LEGISLATION – FISCAL INFORMATION AMENDMENT TO SB 2200

DATE 03/18/93

SECTION
DESCRIPTION:

10

Verification of disability.

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54–03–25.

Comprehensive fiscal information on this amendment is not available.
Analysis of the fiscal impact of this change will be conducted in the interim.
Analysis will include review by the Bureau's actuary.

OTHER IMPACT (2)

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

ND WORKERS COMPENSATION BUREAU
1993 LEGISLATION – FISCAL INFORMATION AMENDMENT TO SB 2200

DATE 03/18/93

SECTION

11

DESCRIPTION:

WCB Social Security Retirement Offset.

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54–03–25.

The ND Workers Compensation Bureau, together with its actuary, has reviewed the legislation proposed in this bill and has determined that passage of the amendment will have an actuarial impact to the fund.

Failure of this amendment would result in an increase to the Bureau's liabilities of approximately \$9.2 million.

OTHER IMPACT (2)

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

ND WORKERS COMPENSATION BUREAU
1993 LEGISLATION – FISCAL INFORMATION AMENDMENT TO SB 2200

DATE 03/18/93

SECTION	12, 13, 14, 16
DESCRIPTION:	Permanent Partial Benefits

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54–03–25.

Comprehensive fiscal information is not available at this time. Analysis of fiscal information will be conducted after the pay schedules for the Permanent Partial Disability are developed. This review will include analysis by the Bureau's actuary.

OTHER IMPACT (2)

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or, a change that will have a measurable and significant impact on the Bureau's operating costs.

SECTION
 DESCRIPTION:

15

LUMP SUM SETTLEMENTS

ACTUARIAL IMPACT (1) – Submitted in accordance with NDCC Section 54–03–25.

The ND Workers Compensation Bureau, together with its actuary, has reviewed this legislation and determined that failure to pass the bill will have an actuarial impact to the fund. Because of the difficulty in projecting actual levels of impact, the impact of this amendment is expressed through a range of possibilities.

There have been more than seven hundred cases resolved with settlements since July 1987. A detailed review of 99 claims that were resolved during the one year period ending June 30, 1991, illustrates that approximately two-thirds of these cases are subject to reopening. The Bureau's liability for these claims will depend on a number of factors including:

- * The number of cases that actually reopen.
- * The degree of disability and the corresponding benefit levels for the claims that reopen.
- * The length of disability for the reopened claims.

A "worst case" scenario would have all eligible cases reopened as permanent total disability (PTD) claims. This scenario is not the most representative; however, it does provide a sound basis for quantifying potential effect of the current provision in this law. The table below presents estimates of the increase in the Bureau's liability under the assumption that all reopened claims would be PTDs. These costs would be less than indicated in this table if they are classified as other than PTDs.

ESTIMATED CHANGE IN COSTS (\$000'S)

Reopening Rate	ANNUAL LOSS COSTS	93/94 Rate	UNPAID LOSSES
	Discounted	level effect	Discounted
1%	160	0 – .5%	1,400
5%	800	.5 – 1%	7,200
10%	1,600	1.5 – 2%	14,400
15%	2,300	2.5 – 3%	21,600
25%	3,900	3.5 – 4%	36,000
50%	7,800	7.5 – 8%	72,000
100%	15,600	15 – 16%	144,000

ACTUARIAL IMPACT Continued

This data illustrates that even with a 1% reopening rate, the Bureau's liability could increase by more than \$1.4 million on a discounted basis as of July 1, 1993. Premium rates would have to be adjusted to reflect higher prospective costs.

It should be emphasized that the estimates presented are only illustrative examples. It is impossible to estimate future reopening rates.

It should also be pointed out that current premium rate and loss reserve levels were developed under the assumption that reopenings will not change over current historical levels. Should this bill not pass and the legislation remain as written, it will be necessary to reevaluate the appropriateness of that assumption. The probable result would likely be a recommendation to increase both rates and reserves over their current levels.

OTHER IMPACT (2)

Reopening of claims thought to be previously closed would result in an increased claims processing load. Actual cost of administration would be highly dependent upon the levels of reopenings.

(1) ACTUARIAL IMPACT

Impact as a result of a change that will have a material impact on the Bureau's liability for unpaid losses liability for unpaid losses or prospective rate levels.

(2) OTHER IMPACT

Impact as a result of a change that will have a measurable impact of a lesser degree on the Bureau's liability for unpaid losses or prospective rate levels, or a change that will have a measurable and significant impact on the Bureau's operating costs.