

# FISCAL NOTE

Requested by Legislative Council

01/14/2003

Bill/Resolution No.: HB 1302

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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 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.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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  
2003 LEGISLATION  
SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: Claims Appeals/Medical Care/Jurisdiction

BILL NO: HB 1302

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:

- Provides for appeals directly to district court, bypassing the administrative hearing process.
- Limits NDWC's continuing jurisdiction over claims properly filed.
- Eliminates NDWC's ability to direct care and utilize preferred providers and managed care programs.
- Requires independent medical evaluations to be conducted by a medical specialist in the employee's state of residence.
- Creates a presumption that the treating doctor is correct and would require NDWC to prove otherwise through the administrative hearing process.
- Allows for workers compensation jury trials at the district court level with de novo review.

FISCAL IMPACT: HB 1302 will reverse many of the legislative changes that were adopted in the early 1990's, particularly those dealing with medical and legal cost containment. We believe that the legislative changes from that period played an important role in NDWC's success in controlling workers' compensation losses in the State. Thus, some or all of those prior gains could be

reversed if the proposed legislation passes. It is anticipated that the proposed bill will have a substantial increase in medical, legal, and administrative costs.

**Rate Level Impact:** The similarity between the changes proposed under HB 1302 and the environment in which NDWC operated during the late 1980's and early 1990's provided us a way to quantify, at least approximately, the potential rate level impact of the proposed legislation. Medical costs, when measured in relation to payroll, were more than 45% higher during the pre-reform years than the post-reform years. We believe that the historical comparison demonstrates the likelihood that HB 1302 will increase costs, possibly by a significant amount. However, we do not mean to suggest that passage of the bill will necessarily result in a medical cost increase of 45%. Some of the cost savings can be attributed to a variety of other factors including more effective safety programs, increased fraud control efforts, improved retraining and return to work programs, and streamlined claims procedures. For each 10% increase in medical costs, the corresponding rate level increase is approximately 4.8%. If medical costs increase in the range of 10% to 30%, the corresponding rate level increase would be approximately 4.8% to 14.4%.

**Reserve Level Impact:** Data limitations certainly prevent us from attempting to develop a formal estimate of the potential impact the proposed legislation will have on reserve levels. However, passage of HB 1302 would likely generate the need for a substantial reserve increase because the proposed changes would apply to all open claims.

DATE: January 22, 2003

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.*

**Name:** John Halvorson  
**Phone Number:** 328-3760

**Agency:** NDWC  
**Date Prepared:** 01/22/2003