

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6518

BILL NUMBER: HB 1050

DATE PREPARED: Mar 8, 2000

BILL AMENDED: Mar 3, 2000

SUBJECT: Worker's compensation.

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**FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill increases the compensation benefits per degree of permanent impairment for worker's compensation and occupational disease. It provides increases to the worker's compensation and occupational disease average weekly wage that is used to calculate benefits and the maximum total benefit. The bill also limits the attorney's fees required to be paid by the employer in connection with a third party action to a percentage of the amount of benefits actually repaid, rather than of the amount of reimbursements. This bill provides that if the treatment to or travel from the place of treatment for an injury or an occupational disease causes a loss of working time to the employee, the employer shall reimburse the employee for the loss of wages using the basis of the employee's average daily wage. It limits the \$20,000 maximum amount of a bad faith claim to the life of the claim for benefits arising for an injury. It also provides that a parent or subsidiary of a corporation or a lessor of employees is the employer for purposes of determining the exclusive remedy under the worker's compensation law.

Effective Date: July 1, 2000.

Explanation of State Expenditures: (Revised) *Permanent partial impairment:* This bill increases the rates for calculating permanent partial impairment compensation under worker's compensation and occupational disease law. The rates traditionally vary depending on the degree of impairment resulting from the injury. A different set of rates each year for two years are established by this bill (see Table A below). The rates are effective for injuries and disablement occurring after the date shown in each column.

Table A: Permanent Partial Impairment Rates

Permanent Partial Impairment Degrees of Injury	Current	Effective July 1, 2000	Effective July 1, 2001
1-10 Degrees	\$900	\$1,100	\$1,300
11-35 Degrees	\$1,100	\$1,300	\$1,500
36-50 Degrees	\$1,600	\$2,000	\$2,400
Over 50 Degrees	\$2,000	\$2,500	\$3,000

Average weekly wage: This bill increases the maximum average weekly wage used in the determination of compensation for temporary total disability, temporary partial disability, and total permanent disability (see Table B). Medical benefits are determined by the degree of impairment and are not based on the wage. The bill also increases the maximum compensation (exclusive of medical benefits) that may be paid for an injury under worker's compensation and occupational disease law. New maximum compensation limits are added for injuries occurring after July 1, 2001 and July 1, 2002 (see Table B below).

Table B: Average Weekly Wage and Maximum Compensation Additions
(for worker's compensation and occupational disease)

	FY 2000 (Current)	FY 2001 (Current)	FY 2002 (Proposed)	FY 2003 (Proposed)
Maximum Weekly Wages	\$732	\$762	\$822	\$882
Maximum Compensation	\$244,000	\$254,000	\$274,000	\$294,000

It is difficult to determine the potential cost of these changes. SEA 12 (ss) - 1997 included similar type of adjustments, although the magnitude of the adjustment was different, for three years of permanent partial impairment rate increases and four years of average weekly wage increases. An actuarial analysis of these changes was performed by the National Council on Compensation Insurance (NCCI). The results predicted annual increases in premium rates of 5.6%, 0.4%, 2.6%, and 0.3% beginning July 1, 1997. ((SEA 12 (ss) - 1997 also included numerous other provisions not in this proposal, and these other provisions could have contributed to cost increases). Despite the NCCI's projections, actual premium rates effective January 1, 1997 through January 1, 1999 have actually declined by 1.4% (based on the advisory rate filed by the Indiana Compensation Rating Bureau). **NCCI estimates the impact of the provisions of this bill to be a 3.6% increase in premiums for FY 2001 and a 7.4% increase in premiums for FY 2002.** Premiums for workers' compensation for 1998 were about \$510 million.

Compensation paid to state employees have also not increased drastically. Indemnity payments totaled approximately \$2.9 M in FY 1996, \$3.1 M in FY 1997, and \$3.4 M in FY 1998. Based on the estimates by NCCI, the state impact for FY 2001 would be about \$148,000 (\$88,800 for the General Fund and \$59,200 for dedicated funds) and \$316,000 for FY 2002 (\$189,600 for the General Fund and \$126,400 for dedicated funds).

The discrepancy between the NCCI's projections and the actual premium rate changes demonstrate the difficulty in estimating the impact of this type of proposal. It is not known at this time how the provisions of this bill will impact state compensation costs, although it is likely that there will eventually be an increase.

Attorney Fees: The bill also limits the attorney's fees paid by the employer in connection with a third party action to a percentage of the amount of benefits. The provision should represent a saving to the employer, but the exact saving is unknown.

Treatment: The bill provides that if the treatment causes a loss of working time to the employee, the employer shall reimburse the employee for the loss of wages. The provision will increase employer costs by an unknown amount.

Bad Faith Claim: The bill limits the total award of bad faith claims to \$20,00 for benefits arising for an injury. The provision should decrease employer costs by an unknown amount.

Compensation paid to state employees (exclusive of medical benefits) totaled approximately \$2.9 M in FY 1996, \$3.1 M in FY 1997, \$3.4 M in FY 1998, and \$3.7 M in FY 1999.

Explanation of State Revenues:

Explanation of Local Expenditures: Local governments and school corporations could incur an indeterminable increase in expenses as a result of this proposal (see above Explanation of State Expenditures). Like the state, most of these units are self-insured and would directly bear any additional costs related to disabled from trade compensation. For any entities purchasing private worker's compensation insurance, the cost of insurance premiums would likely increase as a result of this proposal.

Explanation of Local Revenues:

State Agencies Affected: Worker's Compensation Board, All State Agencies.

Local Agencies Affected: All Local Units of Government.

Information Sources: Mike McNally, Worker's Compensation Board, (317) 233-3384.