Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 62 (Delegates Workman and Frank)
Economic Matters

Workers' Compensation - Timely Payment for Treatment and Services - Penalty

This bill alters the circumstances under which the Workers' Compensation Commission may impose a penalty against an employer or insurer for failing to pay covered medical services and treatment in a timely fashion. Under current law the commission can impose a fine if the employer or insurer fails to pay for the covered treatment or services within 45 days after the commission, by order, finally approves the charges. The bill provides that the commission may impose a fine if the employer or insurer fails to pay for the covered treatment or services within 45 days of receipt of an itemized statement from the provider unless the employer or insurer files issues with the commission stating the reason for the denial of payment.

Fiscal Summary

State Effect: Potential indeterminate increase in general fund revenues. Indeterminate increase in State off-budget expenditures, as discussed below.

Local Effect: None.

Small Business Effect: Potential minimal effect on small businesses as discussed below.

Fiscal Analysis

State Revenues: General fund revenues could increase to the extent that the Workers' Compensation Commission imposes penalty fines on employers or insurers for failing to pay covered medical services or treatment within the specified time period. Information on the number of times fines could be imposed under this bill is not readily available, but the commission reports that such penalty fines are uncommon under current practice. However, the increase in such penalty fines under the proposed legislation could be substantial during the early stages of implementation, until insurers and employers adjust their practices.

State Expenditures: Insurers, including the Injured Workers' Insurance Fund (IWIF) which provides workers' compensation coverage to State employees, may be subject to penalties for failing to pay for covered treatment or services within 45 days of receipt of an itemized statement and failing to file an issue with the commission. As a result, IWIF may be subject to additional costs associated with penalties and with the preparation of issues. IWIF advises that these additional expenditures may be substantial. The Department of Fiscal Services advises that the amount of expenditures for such penalties and issue preparation will depend on actual experience pending implementation. Additional expenditures by IWIF would be off-budget, but could ultimately be reflected in higher workers' compensation rates for State agencies.

Small Business Effect: Small business employers that fail to pay for covered treatment or services within 45 days of receipt of an itemized statement from the provider would be subject to fines. Similarly, small business employers could be subject to higher insurance rates if insurers raise their rates as a result of this legislation. Under current law, a small business is not subject to a fine for failing to pay for covered services until 45 days after the commission approves the charges. Thus, small business expenditures could increase consistent with the fines imposed. If, however, the legislation encourages employers to pay for the covered treatment and services in a more timely fashion, and the service providers are small businesses, these small businesses could receive a minimal benefit from the legislation.

Information Source(s): Workers' Compensation Commission, Subsequent Injury Fund, Uninsured Employers' Fund, Injured Workers' Insurance Fund, Department of Fiscal Services

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