

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 736 (Delegate V. Mitchell, *et al.*)
Economic Matters

Referred to Finance

Workers' Compensation - Use of Controlled Dangerous Substances or Alcohol

This amended bill provides that a covered employee or dependent of a covered employee is not entitled to workers' compensation benefits, except for medical services and treatment, if the claimant's intoxication or controlled dangerous substance abuse was the primary cause of the on-the-job injury. An exception is made if the use of certain drugs is prescribed by a physician.

The provisions would only apply to employers that offer an alcohol-free and drug-free workplace program and obtain certification from the commission to that effect. Each covered employee of such an employer would be required to sign an agreement, after completion of a drug and alcohol education program, that reflects the employee's understanding that he or she will be denied compensation or benefits if alcohol or controlled substance abuse was the primary cause of the on-the-job injury.

The bill sunsets on September 30, 2001.

Fiscal Summary

State Effect: Potential minimal decrease in expenditures due to decline in the number of workers' compensation claims and/or reduced benefits. Potential commission administrative expenditure increase as discussed below. Revenues would not be affected.

Local Effect: Potential minimal decrease in expenditures to the extent that the local employer pays less workers' compensation claims or premiums offset by the costs of a drug/alcohol prevention program. Revenues would not be affected.

Small Business Effect: Potential minimal impact on employers, including small businesses, as a result of reduced workers' compensation claims or premiums, offset by the costs of a drug/alcohol prevention program.

Fiscal Analysis

State Expenditures: The average workers' compensation claim cost is approximately \$21,000, including medical services and treatment. The Injured Workers' Insurance Fund (IWIF) reports that alcohol and drug related claims tend to be more than twice as high as the average claim, or approximately \$50,000 per claim. Assuming that \$10,000 must still be spent for medical services and treatment, workers' compensation costs would be reduced by \$40,000 per claim. The State as an employer has relatively few alcohol- and drug-related accidents annually. If the number of these claims were reduced from five to one annually, the State's workers' compensation costs would decrease by \$160,000 per year.

The Workers' Compensation Commission would be required to hear disputes arising from whether or not alcohol or drug abuse was the primary cause of the on-the-job accident. While workers' compensation law is primarily strict liability -- i.e., covered employees who are injured on the job normally receive benefits as provided by law regardless of the cause of the accident -- there are occasions in which the employer or insurer refuses payment due to the circumstances of the injury. The commission currently hears such disputes, and advises that any alcohol- or drug-related cases that would arise under this proposal could be heard using existing budgeted resources.

The commission would also be required to certify a workplace as drug-free if requested by the employer. Implementing such certification could require additional personnel and expenditures for the commission depending on the number of employers that choose to participate in the program. No State agency currently monitors drug-free and alcohol-free workplace programs of private employers; the Center for Workplace Safety and Health is a private, nonprofit organization.

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

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