HB 315

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 315 (Delegate Workman)
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 workers' compensation expenditures (all funds), as discussed below.

Local Effect: None.

Small Business Effect: Potential minimal effect on small businesses.

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 of the approximately 200,000 medical claims it receives per year, approximately 4,000 (or 2%) are not paid within 45 days. (In 1995, the average time of payment was 19 days.) Reasons for delaying payment may include lack of complete medical information, investigation of a potentially noncompensable injury or treatment not related to the injury, or the desire for a second medical opinion.

Currently, IWIF is not required to file an issue for these delayed claims. Under the proposal, IWIF would be required to file an issue if payment was not made within 45 days. IWIF intends to either file an issue or pay the claim within 45 days; hence, it would not be subject to the penalty. Assuming IWIF filed issues in all 4,000 of these cases, IWIF's non-budgeted expenditures could increase by an estimated $179,600 in fiscal 1999, which accounts for the bill's October 1, 1998 effective date. Fiscal 2000 expenditures (full year) are estimated to be $240,600. This estimate reflects the cost of hiring six additional staff to track payment cycles and file issues. (Additional staff includes: one lawyer, two legal assistants, one claims adjuster, and two case managers.) It includes salaries, fringe benefits, and a small increase in operating expenses. Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

It cannot be determined at this time the proportion of IWIF's additional administrative expenses attributable to the State versus IWIF's other insureds. These additional expenses to administer the State's coverage, however, would increase the State's workers' compensation expenditures accordingly.

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, in the form of quicker receipt of payment.

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

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