

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 577 (Delegate Smigiel, *et al.*)
 Economic Matters

Workers' Compensation - Termination of Payments - Commission Order

This bill requires insurers or self-insurers to obtain a written order of the Workers' Compensation Commission (the commission) stating that benefits are to be terminated before terminating temporary total disability or medical benefits. The order of the commission to the insurer or self-insurer must be attached to the written notice of termination of benefits provided to the covered employee.

Fiscal Summary

State Effect: Significant increases in State expenditures for Injured Workers' Insurance Fund (IWIF) charges. Significant increase in special fund expenditures for Workers' Compensation Commission hearings.

Injured Workers' Insurance Fund: Expenditures would increase by \$5.8 million in FY 2004 due to payment of temporary total disability benefits while requesting an order of the commission to terminate benefits. Premiums would be raised to recoup the cost of the additional benefits. Out-year estimates reflect 1% inflation.

| (in dollars) | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| NonBud Rev. | \$5,776,000 | \$5,833,800 | \$5,892,100 | \$5,951,000 | \$6,010,500 |
| GF/SF/FF Exp. | - | - | - | - | - |
| NonBud Exp. | 5,776,000 | 5,833,800 | 5,892,100 | 5,951,000 | 6,010,500 |
| Higher Ed Exp. | - | - | - | - | - |
| Net Effect | \$0 | \$0 | \$0 | \$0 | \$0 |

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Potential significant.

Small Business Effect: Meaningful.

Analysis

Current Law: Before terminating temporary total disability benefits, an insurer or self-insurer must give the covered employee written notice of the date that the benefits are to be terminated. Before terminating the payment of medical benefits, an insurer or self-insurer shall give the covered employee and the covered employee's treating physician or health care provider written notice of the date that the benefits are to be terminated. In the case of temporary total benefits, the notice shall accompany the final payment of temporary total disability benefits to the covered employee.

State Fiscal Effect: The commission will incur significant additional costs in processing requests for orders of termination from insurers and self-insurers. The commission indicates that this bill would dramatically impact both the cost and the delivery of services to the workers' compensation community because employers/insurers would be required to continue the payment of temporary total disability payments and the authorization of medical treatment for an extended period of time, whether the treatment was warranted or not. The extended length of time is not accurately determinable but would impact no less than 20,000 claims per year. The commission estimates that the cost to the industry would be staggering.

IWIF is the State's workers' compensation insurer. To the extent that IWIF raises premiums, State expenditure for IWIF will increase in all funds.

Injured Workers' Insurance Fund: IWIF indicates that it has averaged approximately 2,000 termination cases per year that were not appealed over the past three years. IWIF estimates that an additional 60 days of benefits would be paid while an order from the commission was sought. Benefits utilized in calculating the fiscal effect were \$361 per week, one-half the State's average weekly wage.

Local Fiscal Effect: Local jurisdictions would incur significant additional costs due to claims paid while attempting to receive an order from the commission. Reliable estimates of the magnitude of increase are not available.

Small Business Effect: Additional payments of benefits while seeking an order of the commission will have a significant effect on employers that are small businesses. Insurers and self-insurers, to the extent that they are small businesses, may also incur additional administrative costs in seeking orders from the commission and processing those orders to attach them to notices sent to covered employees.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/jr

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