

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE

House Bill 1082 (Delegate Murray)  
Economic Matters

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**Workers' Compensation - Claims Adjusters and Medical Billing Entities**

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This bill establishes training and continuing education requirements for workers' compensation claims adjusters and medical-only claims adjusters employed by an insurer and for medical bill reviewers employed by a medical billing entity.

The bill is effective January 1, 2007.

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**Fiscal Summary**

**State Effect:** Workers' Compensation Commission (WCC) special fund expenditures would increase significantly to perform the duties of the bill. Revenues would increase correspondingly as WCC is fully funded through annual insurer assessments.

**Local Effect:** Self-insured local government costs could increase significantly to provide the specified training for any employee that would be considered a claims adjuster under the provisions of this bill. **This bill may impose a mandate on a unit of local government.**

**Small Business Effect:** Potential minimal.

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**Analysis**

**Bill Summary:** A workers' compensation insurer or medical billing entity must provide specified training and continuing education for the following categories of employee:

- claims adjuster;

- experienced claims adjuster;
- medical-only claims adjuster;
- experienced medical-only claims adjuster; and
- medical bill reviewer.

A “claims adjuster” is defined as an individual who is responsible for reviewing, adjusting, and determining the validity of a workers’ compensation claim on behalf of an insurer. Claims adjuster does not include a lawyer representing an insurer or a person whose primary function is clerical. A “medical bill reviewer” is defined as an individual who is responsible, on behalf of an insurer, for reviewing or adjusting workers’ compensation medical bills.

### *Claims Adjusters*

An individual cannot adjust claims for an insurer unless the individual is: (1) certified by the insurer as either a claims adjuster or medical-only claims adjuster; or (2) under the direct supervision of an “experienced claims adjuster” or “experienced medical-only claims adjuster” while undergoing required training.

To be certified as a claims adjuster, 160 hours of specified training must be completed with at least 120 of those hours conducted in a classroom. To become certified as a medical-only claims adjuster requires completion of 120 hours of training with at least 80 hours conducted in a classroom. The training must be completed within a consecutive 12-month period. The insurer must provide the individual a certificate of completion in the form required by WCC.

In order to be certified as an *experienced claims adjuster* the individual must: (1) have five or more years, within the last eight years, of on-the-job experience adjusting State workers’ compensation claims; (2) pass a written examination offered by WCC within the previous five years; or (3) have passed a written examination offered by WCC more than five years ago and has continuously worked as a claims adjuster. To be certified as an *experienced medical-only claims adjuster* the individual must have three or more years, within the last five years, of on-the-job experience adjusting State workers’ compensation claims.

To continue certification as either an experienced adjuster or experienced medical-only adjuster, the individual must complete at least 30 hours of post-certification training every 2 years.

### *Medical Bill Reviewer*

An individual cannot review medical bills for a medical billing entity unless the individual is: (1) certified by the entity as a medical bill reviewer; or (2) under the direct supervision of a trained medical bill reviewer while undergoing the required training.

To be certified as a medical bill reviewer, the individual must have completed at least 40 hours of specified training of which at least 30 hours must be conducted in a classroom. The training must be completed within a consecutive six-month period. The entity must provide the individual a certificate of completion in the form required by WCC. To continue to be certified, the individual must complete at least 16 hours of post-certification training every year.

### *WCC Duties*

WCC must develop a certification of completion form that an insurer or medical billing entity is required to provide individuals that complete the specified training. WCC would be required to administer the adjuster examinations. It must also publish on its web site sufficient information to allow a policyholder to choose an insurer that has an adequately trained staff. WCC must adopt regulations that: (1) include minimum standards of training, experience, and skill that claims adjusters and medical bill reviewers shall possess to adjust claims; and (2) specify how insurers and medical billing entities shall meet the above standards.

**Current Law:** Public insurance adjusters must be licensed by the Maryland Insurance Commissioner and must meet certain experience and examination requirements. Public insurance adjusters are those persons that investigate, appraise, evaluate, or give advice in the adjustment of claims for losses or damages to insured real or personal property. However, workers' compensation claims adjusters do not need to be licensed.

**State Expenditures:** The costs associated with this bill cannot be reliably estimated because the number of individuals that would be required to be certified is unknown at this time. WCC states that it would need to establish a program to ensure compliance, receive and investigate complaints and inquiries, and overall govern the training certified by the insurers and medical billing entities. WCC indicates that to perform the duties of the bill would require a total of 27 full-time positions with salaries totaling \$1.3 million and start-up and operating costs of \$172,800 in fiscal 2007. The 27 positions include: 20 medical payment investigators; 2 computer programmers; 2 webmasters; 1 administrative director; 1 administrative deputy; and 1 education coordinator.

The Department of Legislative Services (DLS) disagrees with this estimate. First, the bill's provisions do not require regulatory enforcement of the specified training

requirements but only requires reporting of completed training to WCC by the insurer/medical bill entity. Therefore, 20 medical claims investigators are not required. Second, WCC already maintains an impressive web site with in-house staff and while there will be initial start-up costs to include information on the web site about insurer staff training, and there would also be ongoing costs for maintaining that information, DLS believes that four full-time computer staff positions (two programmers and two webmasters) is excessive. Finally, since there are no enforcement provisions in the bill, three administrative positions (one director, one deputy, and one education coordinator) also are not necessary. DLS believes that the ongoing administrative duties could likely be accomplished with one administrative position at an annual cost of \$50,000 including fringe benefits and operating costs.

Additionally, the provision in the bill requiring a periodic claims adjuster examination was not addressed in WCC's estimate. Administering the required examination could result in a significant increase in annual costs, although the examinees would pay for the training, not WCC. DLS assumes that contractual services could be utilized to administer the testing function in a manner similar to certain testing functions by the Department of Labor, Licensing, and Regulation. However, without knowing the number of potential workers' compensation claims adjusters or the frequency of how often the examination would be required, a reliable estimate of the costs is not possible.

The National Council on Compensation Insurance, Inc. estimates that the bill will have a minimal increase in costs on the overall workers' compensation system.

**Local Fiscal Effect:** To the extent that self-insured local governments employ individuals that are considered adjusters and must institute a qualified training program, costs could increase significantly. With no experience under the bill, any actual increase in costs cannot be reliably estimated at this time.

**Additional Comments:** WCC stresses this program is more of a regulatory function instead of the commission's current adjudication function. It emphasizes that this program could be administered more efficiently by the Maryland Insurance Administration or the Department of Labor, Licensing, and Regulation.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 806 (Senator Exum) – Finance.

**Information Source(s):** National Council on Compensation Insurance, Uninsured Employers' Fund, Workers' Compensation Commission, Injured Workers' Insurance Fund, Subsequent Injury Fund, Maryland Insurance Administration, Department of Legislative Services

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