

January 28, 2019

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2013 by Representative Carmichael

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2013 is respectfully submitted to your committee.

HB 2013 would amend the Workers Compensation Act by removing the reference to the sixth edition of the American Medical Association guides to evaluation of permanent impairment. The Act would revert to the fourth edition of this publication.

According to the Department of Labor, enactment of HB 2013 could affect the costs for employers and their Workers Compensation insurance carriers as impairment ratings under the fourth edition in some cases are higher than the impairment ratings under the sixth edition. Also, the Department of Labor Workers Compensation Fee Fund assesses against annual paid benefits. If the assessment rate remains the same and additional benefits are paid then assessments collected would increase.

The Insurance Department calculated the fiscal effect of the bill by using a five-year average of the fourth edition versus a five-year average of the sixth edition of the American Medical Association guides. The Department estimates \$504,866 of additional compensation from the Workers Compensation Fee Fund in FY 2020. Over the long-term, any increase in the medical costs would be associated with the rising cost of healthcare and subsequent increases in the Workers Compensation medical fee schedule.

The Department of Health and Environment calculated the fiscal effect of the bill by using a factor change of 1.7 percent (or 0.017) and applying it to the permanent partial disability for state workers which totaled \$3,971,542 for calendar year 2018. Using this calculation, the agency estimates the bill would increase expenditures to the State Self Insurance Fund by \$67,516

(\$3,971,542 X 0.017 = \$67,516). The agency projects an increase of 2.7 percent in the out years. The agency also states that local governments would need to apply the same 1.7 percent cost factor, but is unable to project the fiscal effect to local units of government. Any fiscal effect associated with HB 2012 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a smaller "L." followed by "Campbell".

Larry L. Campbell
Director of the Budget

cc: Dawn Palmberg, Department of Labor
Glenda Haverkamp, Insurance