

February 12, 2019

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 92 by Senator Holland, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 92 is respectfully submitted to your committee.

SB 92 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 SB 92 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 SB 92 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

cc: Dawn Palmberg, Department of Labor
Dan Thimmesch, Health & Environment
Glenda Haverkamp, Insurance