

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 15, 2003

TO: Honorable Helen Giddings, Chair, House Committee on Business & Industry

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3285 by Martinez Fischer (Relating to the regulation of Reimbursement Policies and Guidelines and Treatment Guidelines for medical care in the provision of workers' compensation benefits by the Texas Workers' Compensation Commission.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3285, As Introduced: a negative impact of (\$13,990,898) through the biennium ending August 31, 2005.

The bill would amend the Labor Code to specify in statute the methodology for calculating the Texas Workers' Compensation Commission Medical Fee guidelines. The bill would take effect immediately upon receiving a two-thirds majority vote in both houses; otherwise, the bill would take effect September 1, 2003.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$6,552,633)
2005	(\$7,438,265)
2006	(\$8,218,235)
2007	(\$9,068,954)
2008	(\$9,940,942)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>FEDERAL FUNDS 555</i>	Probable Savings/ (Cost) from <i>GR DEDICATED ACCOUNTS 994</i>	Probable Savings/ (Cost) from <i>OTHER FUNDS 997</i>
2004	(\$6,552,633)	(\$1,460,041)	(\$329,947)	(\$1,245,121)
2005	(\$7,438,265)	(\$1,671,747)	(\$377,789)	(\$1,425,664)
2006	(\$8,218,235)	(\$1,859,544)	(\$420,229)	(\$1,585,817)
2007	(\$9,068,954)	(\$2,052,037)	(\$463,729)	(\$1,749,975)
2008	(\$9,940,942)	(\$2,249,342)	(\$508,317)	(\$1,918,236)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>All Local Units of Government</i>
2004	(\$602,380)
2005	(\$689,725)
2006	(\$767,207)
2007	(\$846,625)
2008	(\$928,028)

Fiscal Analysis

The bill would require the Texas Workers' Compensation Commission (TWCC) to adopt separate workers' compensation conversion factors for surgery, radiology, pathology, anesthesia, general medicine, physical medicine, and evaluation and management services. The TWCC would also be required to apply the Medicare Economic Index (MEI-annual cost of living index) to the commercial rate for reimbursement of medical treatment, and to add no less than 20 percent costs for administrative burden. The Medicare Economic Index is estimated to grow by 2.5 percent per year.

The bill would require the Research and Oversight Council on Workers' Compensation to conduct a time-motion study on the administrative burdens associated with treating workers' compensation patients and report the results to the Legislature no later than September 1, 2004.

The bill would require the State Office of Risk Management to reassess the workers' compensation payments to the Risk Reward Program from state agencies.

Methodology

The Texas Workers' Compensation Commission indicates there would be some fiscal impact associated with the implementation of the bill; however, it is assumed that these costs could be absorbed within current resources.

The Research and Oversight Council on Workers' Compensation would need \$150,000 to contract for a time-motion study on the administrative burdens associated with treating workers' compensation patients.

State Office of Risk Management estimates it would incur an increase of \$2,227,429 in medical costs for state agencies. The method of finance for these costs was estimated based proportionately on the method of financing for the state payroll from data supplied by the State Office of Risk Management.

Local Government Impact

It is anticipated that local government entities that are collectively self-insured would utilize the same reimbursement policies and guidelines as adopted by the Texas Workers' Compensation Commission under the provisions of the bill. Based on the calculations provided by the Research and Oversight Council on Workers' Compensation, the Texas Association of Counties (TAC) and the Texas Association of School Boards (TASB) estimate that local government entities that are collectively self-insured would incur significant additional costs annually. In 2002, under current policies and guidelines, the Texas Association of Counties Self Insurance Fund paid out approximately \$8.17 million to doctors for workers' compensation claims. The Texas Association of School Boards paid almost \$14.2 million in 2002 to doctors for workers' compensation claims. TAC and TASB estimate that these amounts would increase significantly under the proposed new formula. It is anticipated that municipalities that collectively self-insure would experience similar increases in costs.

Source Agencies: 453 Workers' Compensation Commission, 478 Research and Oversight Council on Workers' Compensation, 479 State Office of Risk Management

LBB Staff: JK, WP, JRO, RT, DLBa, JW