

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**March 19, 2007**

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

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB724** by Solomons (Relating to resolution of certain disputes regarding workers' compensation claims for medical benefits.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB724, As Introduced: an impact of \$0 through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable (Cost) from <i>DEPT INS OPERATING ACCT</i> 36	Probable Revenue Gain from <i>DEPT INS OPERATING ACCT</i> 36
2008	(\$2,405,026)	\$2,405,026
2009	(\$2,078,818)	\$2,078,818
2010	(\$2,078,818)	\$2,078,818
2011	(\$2,078,818)	\$2,078,818
2012	(\$2,078,818)	\$2,078,818

**Fiscal Analysis**

The bill would amend the Insurance Code to provide a new appeal process for certain workers' compensation medical disputes. The bill would allow a party in a medical dispute to request a contested case hearing (CCH) from the Division of Workers' Compensation (DWC) at the Texas Department of Insurance (TDI) which would be conducted by a DWC hearing officer who would review evidence, take testimony, and issue a written decision. The bill would allow the party to request the hearing be conducted at any of the 24 DWC field offices. The bill provides that if a party is unsatisfied with the contested case hearing officer's decision they would proceed directly to judicial review.

The bill would take effect September 1, 2007.

## Methodology

Based on the analysis of TDI, it is assumed the bill would result in an additional 2,600 CCHs each fiscal year. Currently each DWC hearing officer has an average caseload of 200 CCHs per fiscal year. It is assumed costs for TDI's Indemnity Dispute Resolution section would include salaries for an additional 22.0 FTEs, 14 Administrative Law Judges II (13 hearing officers and one staff attorney for quality review) and three Legal Secretaries II, in the amount of \$993,838 each fiscal year with associated benefit costs of \$281,157. It is assumed there would be a one-time equipment cost associated with these FTEs of \$124,844 in fiscal year 2008. It is assumed specialized training for fee dispute resolution would be required for these additional hearing officers and that costs, including travel, for the training would be \$164,500 in fiscal year 2008 and costs for standard training would be \$4,250 each fiscal year. It is assumed costs for standard and regional travel for these hearing officers would be \$178,812 each fiscal year. It is assumed telephone costs would be \$12,206 each fiscal year.

It is assumed that as a result of these additional 2,600 CCHs, additional support staff will be needed in the DWC field offices with large hearing dockets. It is assumed costs for this staff would include salaries for 5.0 FTEs, five Administrative Assistant II, in the amount of \$124,900 each fiscal year with associated benefit costs of \$35,334. It is assumed other associated operating expenses, including telephone costs, supplies, and equipment, would total \$42,464 in fiscal year 2008 and \$5,600 in subsequent fiscal years.

Based on the analysis of the Office of Injured Employee Counsel (OIEC), it is assumed OIEC would participate as an advocate for injured workers in an additional 1,675 medical fee dispute CCHs as a result of the provisions of the bill. Currently each OIEC Ombudsman has an average caseload of 208 CCHs (this includes one preparation appointment for each CCH) per fiscal year. It is assumed OIEC's costs would include salaries for an additional 9.0 FTEs, eight Ombudsman I and one Administrative Assistant II, in the amount of \$307,676 with associated benefit costs of \$87,042. It is assumed costs would include the reclassification of an existing Ombudsman I position to a Program Specialist II position which would include additional salary of \$4,653 and associated benefit costs of \$1,316. Other costs and operating expenses, including travel, printing, and Adjuster's License fees are assumed to be \$42,034 each fiscal year.

Since TDI is required to generate revenues equivalent to its and OIEC's costs of operation under current law, this analysis assumes that all costs incurred in excess of revenues generated would be paid for from General Revenue - Dedicated Fund 36 from either existing fund balances or insurance maintenance tax revenues.

## Technology

There would be a one-time technology impact of \$31,768 in fiscal year 2008 for computer hardware and software at TDI.

## Local Government Impact

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 448 Office of Injured Employee Counsel, 454 Department of Insurance

**LBB Staff:** JOB, JRO, MW, SK