

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: HB1940 by Zedler (Relating to the resolution of certain medical disputes regarding workers' compensation claims.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1940, 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 Savings/(Cost) from DEPT INS OPERATING ACCT 36	Probable Revenue Gain/(Loss) from DEPT INS OPERATING ACCT 36
2008	(\$862,820)	\$862,820
2009	(\$853,605)	\$853,605
2010	(\$853,605)	\$853,605
2011	(\$853,605)	\$853,605
2012	(\$853,605)	\$853,605

Fiscal Analysis

The bill would amend the Labor Code to provide a new appeal process for workers' compensation medical dispute cases at the State Office of Administrative Hearings (SOAH) and to provide for this process as a prerequisite for district court appeals. The bill would provide that the changes made by the bill would apply only to workers' compensation claims based on injuries that occur on or after the effective date of the bill. The bill would take effect September 1, 2007.

Methodology

In fiscal years 2002 through 2004 SOAH received an annual average of 1,420 medical dispute cases from the Texas Workers' Compensation Commission. Based on the analysis of Texas Department of Insurance (TDI), it is assumed that the bill would result in 925 medical dispute cases being referred

each fiscal year from the Division of Workers' Compensation (DWC) at TDI. It is assumed TDI, Office of Injured Employee Counsel (OIEC), and SOAH would incur costs associated with performing the duties and responsibilities of the provisions of the bill.

Based on the analysis of TDI and SOAH, it is assumed that each medical dispute case would take an average of 6 hours at SOAH and that TDI would be billed \$90 per hour for SOAH's costs. Under these assumptions TDI would pay SOAH \$499,500 each fiscal year by interagency contract.

Based on the analysis of TDI, it is assumed costs at TDI would also include salaries for 2.0 FTEs, one Auditor III and one Legal Assistant I, in the amount of \$69,592 each fiscal year with associated benefit costs of \$19,688 each fiscal year. Other costs and operating expenses, including equipment and supplies are assumed to be \$12,655 in fiscal year 2008 and \$3,440 in subsequent fiscal years.

Based on the analysis of OIEC, it is assumed costs at OIEC would include salaries for 5.0 FTEs, four Ombudsman I and one Administrative Assistant II, in the amount of \$166,328 each fiscal year with associated benefit costs of \$47,054. 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 \$2,888 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: 360 State Office of Administrative Hearings, 454 Department of Insurance, 448 Office of Injured Employee Counsel

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