

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 20, 2009

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

IN RE: SB1696 by Ogden (Relating to workers' compensation compensability disputes, examinations to define the compensable injury and notifications to health care providers regarding compensability disputes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1696, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

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
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>Interagency Contracts</i> 777
2010	(\$1,545,889)
2011	(\$1,525,889)
2012	(\$1,525,889)
2013	(\$1,525,889)
2014	(\$1,525,889)

Fiscal Analysis

The bill would amend the Labor Code relating to an insurance carrier contesting compensation for an injury and would amend the fees for violation relating to income or death benefit payments. The bill would require workers' compensation insurance carriers to pay for medical services in disputed and noncompensable claims, including claims for which no coverage exists, if such medical services are rendered prior to carrier notification to the healthcare provider of the dispute or determination of noncompensability. The bill would establish requirements for notification, applies deadlines resulting in waiver to extent of injury disputes, replaces graduated penalties for failure to initiate benefits or file a notice of refusal with a maximum fine of \$25,000 per day, per violation. The bill would prohibit carriers from recovering payments for medical services made on noncompensable claims.

The bill would take effect September 1, 2009.

Methodology

Currently the State Office of Risk Management (SORM) receives 7,800 workers' compensation claims annually, of which approximately 700 are noncompensable. This analysis assumes a maximum liability of \$7,000 per provider per claim. The average cost per claim is assumed to be \$1,760. Based on these assumptions and analysis by SORM, the bill would increase SORM's liability on disputed and noncompensable claims by an estimated amount of \$1,525,889 in fiscal years 2010 to 2014. Additionally, one time expenditures in fiscal year 2010 are expected to be \$20,000 for SORM to engage a contractor to make modifications to the agency's computer system. SORM recovers its costs through an assessment on state agencies.

Technology

The technology impact from the bill is expected to be \$20,000 in fiscal year 2010.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 454 Department of Insurance, 479 State Office of Risk Management

LBB Staff: JOB, KJG, MW, CH