

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 2, 2013

TO: Honorable René Oliveira, Chair, House Committee on Business & Industry

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2629** by Zedler (Relating to the determination of the impairment rating of an employee with a lumbar injury under the workers' compensation system.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2629, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2015.

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
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Dept Ins Operating Acct</i> 36	Probable Revenue Gain/(Loss) from <i>Dept Ins Operating Acct</i> 36	Change in Number of State Employees from FY 2013
2014	(\$959,535)	\$959,535	5.0
2015	(\$506,663)	\$506,663	5.0
2016	(\$506,663)	\$506,663	5.0
2017	(\$506,663)	\$506,663	5.0
2018	(\$506,663)	\$506,663	5.0

Fiscal Analysis

The bill would amend the Labor Code to require the Texas Department of Insurance (TDI) to use the range of motion model incorporated into the 4th Edition of the American Medical Association Guides to determine the impairment rating of the lumbar spine rather than the injury or diagnosis-related estimates model, regardless of which edition of the Guides TDI adopts.

The bill would take effect on September 1, 2013.

Methodology

Based on information provided by TDI, implementing the provisions of the bill would require physicians who work with workers' compensation cases to be retrained in standards required by the bill. The bill would require updates and changes to physician testing and certification processes and would result in additional impairment and Supplemental Income Benefits hearings. TDI reports that using a new system for diagnosis would require the current test for certification to be revised and analyzed at a cost of \$35,000 in fiscal year 2014. Additionally, TDI would need to retrain physicians who are certified to issue impairment ratings in the Texas workers' compensation system. TDI estimates that training for these physicians can be accomplished through five, four-day training sessions at a cost of \$326,345 in fiscal year 2014, which includes costs for the venue, equipment, trainers and travel.

According to TDI, in order to meet the demands of increased impairment and Supplemental Income Benefits hearings, the agency would need 5.0 new Full-time Equivalent (FTE) positions (2 Benefit Review Officers, 2 Contested Case Hearing Officers, and 1 Appeals Panel Judge) at a cost of \$530,190 in fiscal year 2014 (including equipment and technology costs) and \$489,337 in each subsequent fiscal year. TDI would also need to train new and existing staff regarding the new requirements of the bill. This analysis assumes that training would include the new FTEs as well as 60.0 existing FTE positions from various field offices. Training costs include contracted trainers, lodging, meals, and travel expenses at a cost of \$68,000 in fiscal year 2014.

According to the State Office of Risk Management (SORM), the bill would increase impairment ratings by approximately 3 percent over current levels and thereby lead to increased workers' compensation benefits paid by SORM. Additionally, the agency anticipates that increased impairment ratings would result in some claimants qualifying for supplemental income benefits. This analysis assumes that any increases in costs associated with increased payments to claimants would result in an increase in assessments to state agencies for workers' compensation payments. However, the amount of increased claims and supplemental benefits paid upon enactment of the bill cannot be determined.

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, 479 State Office of Risk Management

LBB Staff: UP, RB, MW, ER, JM