

March 6, 2017

The Honorable Les Mason, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Mason:

SUBJECT: Fiscal Note for HB 2058 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2058 is respectfully submitted to your committee.

Under current law, the work accident must be the prevailing factor for the injury and need for medical care in workers compensation cases. HB 2058 would change references to “prevailing factor” with “substantial factor” for the work accident that caused the injury. Under this new standard, the work accident would only need to be a substantial factor, not the prevailing factor for the injury.

The Insurance Department indicates HB 2058 has the potential to reduce the threshold for compensating workers compensation injures, thereby increasing workers Compensation Fund liabilities and the cost of workers compensation insurance across the state. However, the Insurance Department does not have data to estimate the fiscal effect on workers compensation claims, benefit payments, or insurance rates. The Insurance Department indicates that the bill would have no fiscal effect on its operations.

The Kansas Department of Health and Environment (KDHE) indicates that moving from “prevailing factor” to “substantial factor” has the potential to increase benefit costs and legal expenses for the State Employees Workers Compensation Fund. KDHE reviewed disability claims data from Kansas state employees in FY 2016. KDHE estimates that additional benefit costs and legal expenses from the State Employees Workers Compensation Fund could increase by \$1,042,732 in FY 2018 and \$1,070,886 in FY 2019. KDHE indicates that approximately 50.0 percent of the 323 denied workers compensation claims could now potentially qualify for benefits under this new standard with an average cost of \$6,374 per claim. KDHE assumes that medical care for claims will grow by 2.7 percent each year.

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The Department of Labor indicates the bill would have no fiscal effect on its operations. The Department does not provide workers compensation benefits in its Workers Compensation Services Division, but rather, oversees the claims and benefits process, which takes place in the private insurance market. Any fiscal effect associated with HB 2058 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Dawn Palmberg, Department of Labor