

Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version: HB 30
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB030-DOLWD-WC-01-21-21
Title: WORKERS' COMP: DEATH; PERM PARTIAL
IMPAIR
Sponsor: JOSEPHSON
Requester: Governor

Department: Department of Labor and Workforce Development
Appropriation: Workers' Compensation
Allocation: Workers' Compensation
OMB Component Number: 344

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates					
			FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

1157 Wrkrs Safe (DGF)	105.4		210.8	210.8	210.8	210.8	210.8	210.8
Total	105.4	0.0	210.8	210.8	210.8	210.8	210.8	210.8

Estimated SUPPLEMENTAL (FY2021) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2022) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/21

Why this fiscal note differs from previous version/comments:

Not applicable, initial version

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Division: <u>Workers' Compensation</u>	Date: <u>01/19/2021 11:30 AM</u>
Approved By: <u>Dan DeBartolo</u>	Date: <u>01/21/21</u>
Agency: <u>Administrative Services Division</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2021 LEGISLATIVE SESSION

BILL NO. HB 30

Analysis

This legislation increases workers' compensation insurance benefits for permanent partial impairment (PPI) and extends the limit on death benefits for a dependent child from age 19 to age 23, when there is no widow or widower. This legislation also requires an employer to notify each employee of the workers' compensation death benefits and to provide notice to the personal representative of a deceased employee about time limits for filing a workers' compensation claim, as well as where to locate an attorney and grief counselor. Workers' Compensation insurance benefits are paid by insurers or by self-insured employers, and are regulated by the Division of Workers' Compensation.

The proposed PPI benefit amounts to 54.24% increase. Since PPI benefits amounted to \$8.9 million in 2019, this is estimated to increase benefit cost to insurers and self-insured employers by \$4.8 million per year. However, as noted by the National Council of Compensation Insurance (NCCI) in its 2019 analysis of the impacts of HB30, "studies indicate that significant benefit increases are typically accompanied by changes in claimant behavior. In this case, changes in claimant behavior might result in an increased number of PPI claims, potentially higher PPI ratings, and potential for increased attorney involvement." An increase in attorney involvement may result in higher average impairment awards, as well as increased loss adjustment expense. As such, NCCI applied a 1.25 utilization factor to the direct indemnity impact to account for these anticipated behavioral changes. **The estimated impact of this proposed provision on overall Alaska workers compensation system costs including utilization is +2.9% (= +7.9% x 1.25 x 29%).**

An updated study by NCCI states:

As PPI awards comprise approximately 14.5% of indemnity benefits, the direct impact on indemnity costs would be +7.9% (= +54.2% x 14.5%). Indemnity costs comprise 29% of overall benefit costs in Alaska. Therefore, NCCI estimates that the direct impact on overall workers compensation system costs in Alaska would be +2.3% (= +7.9% x 29%).

The division is unable to calculate the impact of increasing the limit on death benefits for a dependent child from age 19 to age 23 when there is no widow or widower. In 2018, there were only five claims involving death benefits to children where there was no widow or widower, so the impact is not expected to be significant.

Increased benefit costs to insurers and self-insured employers do not impact the division's budget. The division does not anticipate a cost with developing forms related to the employer notification requirements proposed in the legislation. However, there is currently not a definition for "grief counselors" under the Alaska Workers' Compensation Act, so regulations will be necessary. Changes to regulations will be combined with planned regulation update packages, so additional budget authorization is not needed.

Revenue to the Workers' Safety and Compensation Administration Account (WSCAA) comes from fees on premiums and self-insured benefit costs. As this legislation will cause an increase in benefit costs, it will result in additional annual revenue estimated at \$210,800. The increased revenue is estimated at \$105,400 in FY2022 because of the mid-year fiscal year effective date.