


Colorado Legislative Council Staff
STATE AND LOCAL
REVISED FISCAL IMPACT
(replaces fiscal impact dated January 26, 2005)

Drafting Number: LLS 05-0521	Date: February 24, 2005
Prime Sponsor(s): Rep. Carroll M. Sen. Takis	Bill Status: House Third Reading
	Fiscal Analyst: Amy Larsen (303-866-3488)

TITLE: CONCERNING THE ABILITY OF AN INJURED WORKER UNDER THE "COLORADO WORKERS' COMPENSATION ACT" TO SELECT THE MEDICAL PROFESSIONAL WHO WILL ATTEND THE WORKER.

Fiscal Impact Summary	FY 2005/06	FY 2006/07
State Revenues		
State Expenditures Multiple Funding Sources		Potential Increase
FTE Position Change	0.0 FTE	0.0 FTE
Other State Impact: None		
Effective Date: January 1, 2006		
Appropriation Summary for FY 2005/06: None		
Local Government Impact: See Local Government Impact section of the fiscal note.		

Summary of Legislation

This bill, as amended by both the House Business Affairs and Labor Committee and the House during second reading, requires employers to provide a list of three physicians, who meet certain requirements, from which an injured employee may seek treatment for work related injuries. After initial treatment by one of the three physicians, the bill allows the injured employee to change physicians one time by selecting another physician from the original list. The Department of Labor and Employment, Division of Workers' Compensation, is required to maintain a list of physicians who have Level I or Level II Workers' Compensation accreditation. As amended, the bill exempts certain governmental employers which operate medical facilities. In addition, the bill specifies that the physicians shall utilize treatment guidelines and be paid according to the established fee schedule.

Background

Each state department pays its share of Workers' Compensation costs based on a three-year average loss history verified by an independent actuarial firm. The Department of Personnel and Administration oversees the state's self-insured program which is administered by Pinnacle Assurance.

The program covers employees in all departments, except the University of Colorado and Colorado State University which operate separate programs. SB05-122, the supplemental appropriation to the Department of Personnel and Administration, appropriates \$28.6 million for Workers' Compensation premiums. This bill is currently moving through the process.

State Expenditures

This bill, as amended, is not expected to have an expenditure impact to the state in FY 2005-06. In FY 2006-07, there is a potential expenditure impact. Following is a discussion of the potential impacts to state agencies.

All State Agencies. Because the bill significantly changes how the Workers' Compensation program will be administered, the potential for increased state costs is real. Although costs cannot be quantified at this time, the basis for speculating a state fiscal impact is based on the following:

- Pinnacol may have a difficult time finding 3 physicians who meet the requirements, particularly in rural areas of the state;
- medical costs may increase if rates negotiated by Pinnacol are less than the current fee schedule or if Pinnacol is unable to negotiate high-volume discounts with physicians;
- departments or Pinnacol may have to develop individual lists of 3 physicians for each injured employee since the requirement is that the physicians be within 30 miles of the employee's residence, which may or may not include the workplace;
- departments or Pinnacol may have more difficulty in managing Workers' Compensation cases until relationships are developed with treating physicians, which may result in a delay in the employee returning to work.

If some or all of these points are realized, the state Workers' Compensation expenditures would increase. However, current cost containment measures remain in effect, including the medical fee schedule, medical treatment guidelines, medical impairment ratings, provider accreditation programs, and the premium cost containment and Employer Certification Program. **At this time, changes to Workers' Compensation premiums cannot be determined.**

Department of Personnel and Administration. The Department of Personnel and Administration does not expect this bill to have a significant fiscal impact in FY 2005-06 or FY 2006-07. The National Council on Compensation Insurance (NCCI) reviewed this amended bill and indicated that it may increase overall system costs as noted above. However, these points are mitigated for the state by the contract for program administration with Pinnacol. Administrative costs (including litigation) are capped under the existing contract with Pinnacol, which continues through June 30, 2006. Medical costs to the state may increase, but due to the three-year experience rate applied to premiums, departments are not expected to be charged more in FY 2005-06 as a result of HB05-1018, and in FY 2006-07, any impact is expected to be minimal.

Department of Labor and Employment. This bill requires the Division of Workers' Compensation to maintain a list of over 1,000 Level I and Level II Workers' Compensation accredited physicians in the state, including address, telephone number, affiliations, and specialties. The division currently maintains this information. In addition, no significant impact is expected in the area of Workers' Compensation settlement conferences, pre-hearings and hearings supported by the division. Therefore, no additional expenditures are anticipated.

Department of Transportation. The department identified the potential impact of increased Workers' Compensation premiums on state contractors resulting in increased expenditures for projects such as highway construction. Currently, department contractors identified approximately 2 percent of their total costs to be attributable to Workers' Compensation premiums. If Workers' Compensation insurance premiums increase for these contractors, overall construction costs for the state may also increase.

Department of Corrections. The department operates many facilities in remote locations throughout the state, including Trinidad, Fort Lyon, Limon, Sterling, Buena Vista, Rifle and Delta, making the department particularly vulnerable to increased Workers' Compensation premiums due to the location of many of its employees. For example, only 2 Workers' Compensation accredited physicians have offices within 30 miles of Canon City. Thus, this bill requires the option of a non-accredited physician for each injured employee in the area. This may result in increased time off the job and increased expenses. At this time, the fiscal note is unable to determine a specific expenditure impact for the department.

Local Government Impact

As employers, local governments may, or may not, have increased workers' compensation insurance costs due to the points discussed previously.

Departments Contacted

All State Agencies