

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

| | | | | | |
|-------------|---|---------------|---------------|---------|---------------|
| SPONSOR | <u>Gonzales</u> | ORIGINAL DATE | <u>2-2-06</u> | HJM | <u>47</u> |
| | | LAST UPDATED | | SB | |
| SHORT TITLE | <u>Workers' Compensation Task Force</u> | | | SB | |
| | | | | ANALYST | <u>Lucero</u> |

SOURCES OF INFORMATION

LFC Files

Responses Received From

Workers' Compensation Administration (WCA)
Department of Health (DOH)
Development Disabilities Planning Council (DDPC)
Aging and Long Term Care Department (ALTSD)

SUMMARY

Synopsis of Bill

House Joint Memorial 47 identifies that New Mexico contracts with many private, not-for-profit agencies to deliver health and human services which have limited funding available for programmatic and personnel costs. HJM47 also recognizes that workers' compensation premiums have increased dramatically which has further limited the available funding.

HJM47 proposes that health and human service agencies may be assigned to the workers' compensation high-risk pool due to erroneously classified non-classified employees and subcontractors which has resulted in increased premiums.

House Joint Memorial 47 requests that the workers' compensation administration be requested to convene a task force to study workers' compensation practices and fee structures.

The task force should include:

1. Representatives of the insurance division of the Public Regulation Commission
2. The Department of Health
3. The Children, Youth and Families Department
4. The Human Services Department,
5. Not-for-profit community based providers of developmental disability services
6. Providers of disabled and elderly services
7. Providers of mental health services and
8. Other health and human service programs

HJM47 requires WCA to report to the interim legislative health and human services committee by its October 2006.

A copy of this memorial is to be transmitted to the Workers' Compensation Administration.

FISCAL IMPLICATIONS

The participants of the task force are not compensated for participating on the taskforce. There is no administrative appropriation to the participating agencies.

The health and human service agencies may experience a reduction in future workers' compensation rates.

SIGNIFICANT ISSUES

Premiums are entirely under the jurisdiction of the Department of Insurance. The WCA neither determines premiums nor determines who goes into the assigned risk pool. Therefore, it appears significantly more effective to assign the responsibility for the task force to the Department of Insurance where the premiums are set. Classifications of employers and subcontractors for insurance purposes are controlled by the Department of Insurance as well.

Department of Health provided the following information:

Workers' compensation costs have been rising in recent years. Costs may be higher than necessary due to the misclassification of agencies providing services into high-risk pools with high costs, and the misclassification of non-classified employees and subcontractors. Recommendations of the task force might be useful in identifying cost saving measures in the current workers compensation practices. These cost savings can then be applied to programmatic needs and personnel costs.

California has outlined possible strategies for controlling costs related to Workers' Compensation (California Commission on Health and Safety and Workers' Compensation):

- Fee schedules – Evidence suggests that expanding the scope of Workers' Compensation fee schedules and linking them to the Medicare payment system can lower system costs and the administrative burden.
- Utilization Review to assess the necessity and reasonableness of medical services.
- Managed Care has been found to lower the cost of medical care; however, patients in Workers' Compensation managed care plans generally have reported lower satisfaction with the care received.
- Treatment Guidelines to assist in making decisions about appropriate care for the most common types of work-related injuries.

These strategies may or may not be relevant to New Mexico. However, much information is readily available from other states that are struggling to control Workers' Compensation costs. The proposed task force will be able to benefit from the other states and determine the most relevant strategies for New Mexico.

ADMINISTRATIVE IMPLICATIONS

This bill will require staff time from all agencies and departments included on the task force without there being an appropriation.

TECHNICAL ISSUES

The bill does not specify how often the task force should meet.

OTHER SUBSTANTIVE ISSUES

ALTSD has employees in our Gold Mentor and Liaison programs classified as “Executive Other” who have been denied Workers’ Comp. Coverage, ostensibly due to group size, cost, and risk. The work of this task force could provide guidance for insuring such employees.

Availability of non-profit contractors may be impacted.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo.

AMENDMENTS

Assign to the Department of Insurance.

DL/yr