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FISCAL IMPACT REPORT

SPONSOR: Regensberg DATE TYPED: 2/20/03 HB 518

SHORT TITLE: Workers' Comp Waiver and Medicaid Payments SB _____

ANALYST: Collard

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Responses Received From
 Workers' Compensation Administration
 Human Services Department
 Corrections Department

SUMMARY

Synopsis of Bill

House Bill 518 indicates if an employer hires an individual receiving financial assistance through the New Mexico Works Act, and the employment causes the termination of the financial assistance, then one quarter's assessment, equal to \$2 per employer and \$2 per employee, to the Workers' Compensation Administration Fund is waived. Additionally, the bill waives the \$2 contribution from employees for six months, thus reducing the amount into the fund by half for the first six months of employment. Finally, the bill indicates the wages of the employee who loses financial assistance through employment will be paid by the Medicaid program.

FISCAL IMPLICATIONS

There is no appropriation associated with this bill; however, the responding agencies indicate implications. The Human Services Department (HSD) indicates there will be no federal Medicaid matching funds to help the department pay for six months of wages. The Workers' Compensation Administration (WCA) notes there is no large fiscal impact, assuming the bill intends only to waive New Mexico Works Act assessments for the employer. If the bill intends to waive all assessments for the employer in the first quarter of employment, this bill could result in the

insolvency of the Workers' Compensation Administration fund if large employers hire one New Mexico Works Act employee per quarter for the purpose of avoiding assessments in perpetuity. The Corrections Department anticipates reduced costs if the department hires new employees under this bill.

ADMINISTRATIVE IMPLICATIONS

Assuming that fiscal implications are avoided, WCA anticipates minimal administrative implications. HSD indicates the bill will force the New Mexico Medicaid Plan to be amended because it does not provide for the payment of wages. The amended plan would have to have federal approval. Administrative regulations may also have to be amended. In addition, employers and employees would have to obtain an identification number to receive Medicaid benefits. The Corrections Department indicates minimal administrative implications.

TECHNICAL ISSUES

WCA notes the bill waives the entire obligation of the employer to pay workers' compensation assessments for the first quarter of work of a single New Mexico Works Act employee. Thus an employer with a workforce of 1,000 would be able to avoid a \$4,000 assessment in one quarter, \$2,000 from the employer and \$2,000 from the other workers, by the expedient of hiring of one employee from the New Mexico Works Act.

OTHER SUBSTANTIVE ISSUES

The Workers' Compensation Advisory Council has had a process in place for several years for the review of proposed legislation affecting the workers' compensation system, pursuant to its statutory mandate. The prior council had a series of public meetings during the summer of 2002 where legislative proposals for this session were discussed. At the council's request, proposals involving changes to workers' compensation benefits were analyzed for their costs by the Workers' Compensation Administration research staff, the National Council on Compensation Insurance and New Mexico Mutual Casualty Company. This proposal has never been submitted to or reviewed by either the former or current Workers' Compensation Advisory Council. It is the position of the current Workers' Compensation Advisory Council that, at the present time, it opposes this bill.

WCA also notes the bill may cost employers more in the administrative cost to do record keeping than it will save employers in waived assessments.

WCA recommends amending the bill by adding "for that employee" after the word "waived" on page 2, line zero. HSD indicates changes must be made to the bill because paying the wages of an individual who was receiving financial assistance pursuant to the New Mexico Works Act cannot be done through the Medicaid program because payment of the wages does not qualify as a Medicaid benefit. HSD recommends striking Section 1, Subsection B in its entirety.

KBC/yr/njw