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FISCAL IMPACT REPORT

ORIGINAL DATE 1/21/18

SPONSOR Crowder LAST UPDATED _____ HJM 5

SHORT TITLE Review Other States' Workers Comp Trends SB _____

ANALYST Klundt

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$250.0		\$250.0	Recurring	Workers' Compensation Administration Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Schools Insurance Authority (PSIA)

SUMMARY

Synopsis of Bill

House Joint Memorial 5 (HJM5) requests the Workers' Compensation Administration (WCA) to commission an independent study on national trends in workers' compensation issues and other state's responses to those issues including information on topics such as return-to-work, opiate-use, and effects on posttraumatic stress disorder claims. WCA is requested to report findings and recommendations of the study to legislative interim committees before December 1, 2018. Further, WCA is requested to commission follow-up studies every five years thereafter and report those studies to the Legislative Finance Committee (LFC) on or before December 31 of the year the study is conducted

FISCAL IMPLICATIONS

WCA requested and the LFC recommendation supported a special appropriation of \$250 thousand from the workers' compensation administration fund for this study.

SIGNIFICANT ISSUES

A previous study by the Rand Corporation was completed in 1999-2000. The WCA believes due to the age of the study, the state has several economic, judicial and legislative changes. A new research study may follow up on the issues addressed in the Rand report, but also consider new areas. WCA believes an updated study may yield information for re-evaluating the performance of the New Mexico workers' compensation system. The agency has also stated a new study is to obtain independent, objective and credible information that will enable New Mexico to optimize outcomes for employers and injured workers in the workers' compensation system, and ensure that the state is competitive for investment and economic development.

The requested study by the WCA special appropriation would allow the agency to commission a third-party, independent research study of the workers' compensation system. Topics to be considered may include; a comparative study of New Mexico's benefit structure with other jurisdictions, an evaluation of New Mexico's permanent partial disability or loss of use formula in terms of equity, efficiency, and costs. WCA would publish a request for proposal to identify a vendor to conduct the study and draft the report. A similar special appropriation request was approved in 2016, but the study was not completed due to a budget reduction.

OTHER SUBSTANTIVE ISSUES

New Mexico's workers' compensation insurance market is divided between the voluntary market and the residual market (sometimes called the market of last resort). Employers who are able to find coverage in the voluntary market – typically employers with a low number of claims and/or low claims' expense – are able to negotiate rates among insurers competing in the voluntary market. Employers who are not able to find coverage in the voluntary market must find coverage in the residual market.

RELATIONSHIP

House Bill 82 (HB82) would decrease in the workers' compensation administration assessment fee to each employee from \$2.00 to \$1.50. The assessment reduction would reduce funding for WCA. Currently, WCA receives between \$11 million and \$12 million annually from the assessment.

KK/jle/sb