

Fiscal Note Request HB0534, As Introduced

(continued)

6. With the exception of establishing the Diagnostic and Statistical Manual of Mental Disorders as the manual needed to prove that a claimant is mentally disabled, this legislation has no other restrictions on compensation for mental injuries. Given the broad nature of the proposal, system costs in Montana could increase significantly due to an increase in mental injury claims. For example, claimants who suffer from everyday job-related stress could receive workers' compensation benefits if their "stress" qualifies as a mental injury under the criteria set forth in Diagnostic and Statistical Manual of Mental Disorders.
7. In August 2003, the Montana Supreme Court (Hiatt vs. Missoula County Public Schools) ruled that workers' compensation claimants are entitled to primary medical services to sustain medical stability beyond maximum medical improvement (MMI). To sustain medical stability, most mental injury patients are required to take expensive prescription drugs for long periods of time. In some cases, patients take these prescription drugs for their entire lifetime. Providing workers' compensation medical coverage for these costly prescription drugs could result in a significant increase in medical costs. Assuming that a 40-year old mental injury claimant qualifies for a lifetime of antidepressants and monthly psychiatric visits, medical benefits, adjusted for inflation, may cost up to \$260,000 per claimant.
8. It is assumed 300 mental claims are filed following the enactment of this bill and of these 300 claims and 10 percent – 20 percent are denied. An average litigation expense of \$5,000-\$10,000 per claim denied would amount to \$150,000 to \$600,000 in costs. An average cost of \$40,000 to \$60,000 per accepted claim would increase costs by \$9.6 million to \$16.2 million, for a total estimated increase of \$10 million to \$16.5 million.
9. This bill will impact Plan 1, Plan 2, and Plan 3 workers' compensation insurance carriers in Montana.
10. This legislation will increase policyholder premiums and increase injured employee benefit payments.
11. The fiscal impact on state agencies, as policyholders of the State Fund, would be increased premium payments of roughly 6 percent.
12. State Fund estimates the workers' compensation premium paid by state agencies will be \$14,396,612 in FY 2006. A 6 percent increase in premium correlates to an \$863,800 increase in premium.
13. State Fund estimates the workers' compensation premium paid by state agencies will be \$15,404,262 in FY 2007. A 6 percent increase in premium correlates to a \$924,255 increase in premium.
14. Funding splits are based on personal services expenditures for FY 2004. The percentage splits are: general fund – 40.4 percent; state special revenue – 33 percent; federal special revenue – 15 percent; and proprietary funds – 11.6 percent.

Department of Labor and Industry

15. The Department of Labor and Industry assumes that inclusion of mental injuries as compensable claims will result in an increase of workers' compensation premiums to all insured employers, including the department and all other state agencies. However, the department has no data or history to quantify the increase.
16. The department assumes that Uninsured Employers' Fund program will have increased claims costs through the payment of mental injuries claims, but has no data to estimate the cost.
17. The department assumes it can absorb the increased administrative and legal workload increases that may result from this bill

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(continued)

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Expenditures:</u>		
Personal Services	\$863,800	\$924,255
<u>Funding of Expenditures:</u>		
General Fund (01)	\$348,975	\$373,399
State Special Revenue (02)	\$285,054	\$305,004
Federal Special Revenue (03)	\$129,570	\$138,638
Other	<u>\$100,201</u>	<u>\$107,214</u>
TOTAL	\$863,800	\$924,255

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$348,975)	(\$373,399)
State Special Revenue (02)	(\$285,054)	(\$305,004)
Federal Special Revenue (03)	(\$129,570)	(\$138,638)
Other	(\$100,201)	(\$107,214)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES

Workers' compensation insurance premiums will increase 6 percent. Local governments (i.e., cities, counties and school districts) will experience increased premiums as a result of workers' compensation insurers passing on the costs of increased benefits.