



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0636 Introduced on March 12, 2019
Author: Hutto
Subject: Medical Treatment and Supplies Furnished
Requestor: Senate Judiciary
RFA Analyst(s): Miller
Impact Date: March 26, 2019

Fiscal Impact Summary

This bill will have no expenditure impact for the Workers Compensation Commission (WCC) as it does not change the responsibilities of the agency.

This bill may increase General Fund and Other Funds expenditures for all state agencies because of the potential increase in workers compensation coverage beginning in FY 2019-20.

This bill may increase the General Fund and Other Funds maintenance tax revenue and workers compensation premium tax revenue, if the cost of workers compensation coverage increases beginning in FY 2019-20. The cost of coverage and the coverage premiums may increase because of a potential increase in the number of cases that must pay medical expenses beyond 10 weeks.

This bill may increase local expenditures because of the potential increase in costs for workers compensation coverage beginning in FY 2019-20.

Explanation of Fiscal Impact

Introduced on March 12, 2019

State Expenditure

This bill clarifies that an employer must provide medical, surgical, hospital, and other treatment, including medical and surgical supplies as reasonably may be required beyond 10 weeks if it is established by a preponderance of the evidence that the treatment will tend to lessen the period of disability. Additionally, medical records and opinions of medical providers are admissible without regard to the rules of evidence. This bill takes effect upon signing of the governor.

Currently, medical treatment is provided beyond 10 weeks in all cases where the judgment of the commission determines the treatment will tend to lessen the period of disability as evidenced by expert medical evidence established to a reasonable degree of medical certainty. Currently, medical records and opinions are subject to the rules of evidence.

This bill may increase the number of cases where workers compensation coverage for medical treatment is provided beyond the 10 weeks as more medical evidence may be submitted due to admissibility without regard to the rules of evidence and the ability of the commission to decide based upon the preponderance of the evidence contained in these admissible medical records. This may result in more individuals being likely to receive additional medical treatment. It is

unclear whether the additional treatment provided by the employer will actually shorten the temporary disability coverage for these individuals as this may depend on a number of other factors.

The Workers Compensation Commission (WCC) does not anticipate this bill will increase expenditures as rendering judgment in these cases is part of the normal practices of the agency. Therefore, this bill will have no expenditure impact on the WCC.

This bill may increase the cost of workers compensation coverage if there is a significant increase in the number of cases that must pay for medical expenses beyond 10 weeks. Therefore, all state agencies that have workers compensation coverage insurance or are self-insured may have an increase in expenditures. However, as the increase in the number of cases that will have to pay medical expense beyond 10 weeks is unknown, the potential increase in cost of coverage for all state agencies is undetermined, beginning in FY 2019-20.

State Revenue

As discussed above, this bill may increase the number of cases where workers compensation coverage will pay for medical treatment beyond 10 weeks is required. If the amount of medical coverage increases, this will increase the cost of workers compensation for self-insured employers and premiums paid by those who purchase insurance. Potentially offsetting some of the additional costs are the situations where temporary disability payments may be shortened due to the additional employer provided medical treatment.

WCC does not have a record of the number of cases that currently require medical expense coverage beyond 10 weeks, nor can it estimate the increase of these cases due to this bill. Because the increase in the number of cases that may have to provide medical coverage beyond 10 weeks is unknown, the potential increase in the costs to employers, whether via actual costs or premium increases, cannot be determined.

Self-insured employers pay a 2.5 percent maintenance tax on the actual cost of workers compensation coverage to WCC. If the actual cost of coverage increases, the maintenance tax collected by WCC will also increase. WCC keeps the greater of \$2,200,000 or 50 percent of the maintenance tax revenues. The remaining revenue goes to the General Fund. The current maintenance tax revenue exceeds \$4,400,000, so it is split 50/50 between WCC's Other Fund revenue and the General Fund. Therefore, any increase in the maintenance tax will increase Other Funds revenue and the General Fund revenue. However, as the potential increase in the maintenance tax is unknown, the increase in Other Funds revenue and the General Fund revenue is undetermined, beginning in FY 2019-20.

Additionally, workers compensation coverage premiums are taxed at 2.5 percent and remitted to the Department of Insurance. The workers compensation premium tax revenue is allocated as 97.75 percent to the General Fund and 2.25 percent to Other Funds. Any potential increase in workers compensation premiums, and thereby an increase in the premium taxes will result in an increase in the General Fund and Other Funds. However, as the increase in the premiums is unknown, the increase in premium tax revenue for the General Fund and Other Funds is undetermined, beginning in FY 2019-20.

Local Expenditure

This bill may increase the cost to cover workers compensation insurance. Both the South Carolina Association of Counties (SCAC) and the South Carolina Municipal Association (SCMA) have set up workers compensation funds to assist local entities cover workers compensation. If the cost to cover workers compensation increases, due to the potential increase in cases that require coverage for more than 10 weeks of medical expenses and is not completely offset by cost savings for fewer short term disability payments, then the cost to maintain the local funds will increase. Revenue and Fiscal Affairs assumes any increase in the management of the funds will be recovered by an increase in the cost of coverage for local entities. Therefore, this bill may increase local expenditures to cover the potential increase in costs for workers compensation coverage, beginning in FY 2019-20.

Local Revenue

N/A



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