

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 1840

**PRINTER NO.** 4147

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

October 2, 2017

**PRIME SPONSOR**

Representative Kauffman

**DESCRIPTION**

House Bill 1840 amends the Workers' Compensation Act to reestablish the Impairment Rating Evaluation process, following a 2017 Pennsylvania Supreme Court ruling which invalidated a provision of the evaluation process.

To address the Supreme Court ruling, House Bill 1840 removes Section 306 (a.2) and inserts Section 306 (a.3) specifically referencing the sixth edition of the American Medical Association "Guides to the Evaluation of Permanent Impairment" (AMA Guides) as the basis for impairment rating evaluations (IRE), rather than the "most recent edition" that was referenced in law previously.

The impairment threshold, which differentiates total and partial disability, was initially set at 50% in the statute that was struck down by the Supreme Court ruling, which effectively removed any partial impairment threshold. House Bill 1840 re-establishes a partial disability threshold at a 35% impairment level.

The burial benefit is increased from \$3,000 to \$7,000.

The Pennsylvania Compensation Rating Bureau is required to calculate the savings achieved through the implementation of Section 306 (a.3), and the savings shall be used to provide immediate rate reductions equal to the savings.

**FISCAL IMPACT:**

Following the Supreme Court ruling making the IRE process unconstitutional, the Pennsylvania Compensation Rating Bureau made a mid-year adjustment increasing premiums for employers by 6 percent, or \$163 million. This increase impacted employers who utilize insurance companies for workers' compensation coverage. It can be expected that returning to the IRE process, with a 35% impairment threshold, should cause workers' compensation rates to nearly return to the levels in effect prior to the Supreme Court ruling.

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## **FISCAL NOTE**

As a self-insured employer, the Commonwealth should realize a similar degree of savings in its workers' compensation costs due to the reauthorization of the IRE process. The Office of Administration is unable to provide an estimate of those projected savings.

The Office of Administration has provided information that one or two employees per year are eligible to receive the burial benefit. Given the \$4,000 increase in the burial benefit, costs will also increase by \$4,000 to \$8,000 a year, which can be accommodated within the programs current operations.