

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 676

PRINTER NO. 1022

AMOUNT

\$4 - \$4.5 Million Annual Revenue Increase

FUND

Uninsured Employers Guarantee Fund

\$1 - \$1.5 Million Savings Annually

Uninsured Employers Guarantee Fund

DATE INTRODUCED

May 4, 2017

PRIME SPONSOR

Senator Gordner

DESCRIPTION

Senate Bill 676 amends the Act of June 2, 1915 (P.L.736, No.338), known as the Workers' Compensation Act, to provide for reforms and to address the underfunding of the Uninsured Employers Guarantee Fund (UEGF).

Allows the Department of Labor and Industry ("department") to verify with another state that an out-of-state employer is self-insured or insured in that state with respect to the payment of a claim to an employee in PA. Out-of-state employers that are self-insured or insured in the other state shall not be deemed uninsured for the purposes of Article XVI. Requires that an employee who has not secured the payment of compensation from an out-of-state employer is required to submit to the UEGF and to any workers' compensation judge hearing a petition against the fund that they are not entitled to benefits in the other state before payment by the UEGF.

Clarifies the operating and administrative expenses for the administration of the Workmen's Compensation Act and the Pennsylvania Occupational Disease Act. Decreases the amount the fund may be in surplus from 133% to 120% before the following year's assessment is decreased by the surplus amount.

Enables administrative penalties provided under section 1610 to be a source for the UEGF.

Requires the employee to notify the UEGF within 45 days of being advised by the employer or another source that the employer was uninsured. The employee shall not receive compensation from the fund unless the employee notifies the fund within the 45 days.

Prohibits claim petitions if they are not filed within 180 days.

Allows the UEGF to establish lists of at least six health care providers in each county specializing in treatment of work injuries in the Commonwealth. The UEGF shall only be responsible to reimburse expenses of medical treatments, services and accommodations rendered by health care providers on the list. The UEGF shall provide access to the list and notify the employee of this requirement.

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Requires wage verifications in the form of a check, check stub or payroll record, tax return including W-2 or form 1099, Unemployment Compensation records including form UC-2A, bank statements showing regular and recurring deposits, written documents created contemporaneously with payment of wages, testimony of the uninsured employer under oath, or testimony by the employee found credible by a judge in addition to one or more of the other forms of verification, before the UEGF is liable for payments of benefits.

Entitles the UEGF to restitution of all payments made as a result of an injury to an employee of an uninsured employer.

Prohibits any annual assessment from exceeding 0.25% of the total compensation paid by all insurers or self-insured employers during the previous fiscal year. Current law prohibits the annual assessment from exceeding 0.1%. If the assessment exceeds 130% of the prior fiscal year expenses, requires the UEGF to reduce the assessment by a dollar amount equal to the excess.

Enables the department to require the employer to certify they have adequate insurance, no longer operate the business, no longer employ the employee, or are exempt from obtaining insurance. Requires the employer to return the certification within 15 days. Enables the department to assess up to a \$200 per day penalty. Enables the department to proceed with a work-stop order if the employer fails to comply within 45 days of the certification request or the department has good cause to believe an employer has failed to insure its liabilities under the act.

FISCAL IMPACT:

Funding for claimant payments from the fund is provided by assessments on insurers and self-insured employers. SB 676 provides for an increase in the maximum annual assessments from 0.1% to 0.25% of the total compensation paid by all insurers or self-insured employers during the previous calendar year. The rate increase is estimated to provide an additional \$4 million - \$4.5 million to the fund.

Savings can be expected from the additional provisions in the bill including placing a limit on the time period in which a claimant may file for benefits provided through the UEGF, requiring proof from the claimant of wages paid by the uninsured employer, limiting medical treatments to the list of designated health care providers, and eliminating the fund being subject to interest. These additional provisions could generate potential savings of \$1 million - \$1.5 million annually.

SB 676 allows the department to assess new administrative penalties of \$200 per day (30-day maximum) if the employer fails to respond to requested certification of possession of required insurance or reasons for exemption. This could provide additional revenue to the UEGF.