

Consolidated Fiscal Note

2023-2024 Legislative Session

SF4745 - 1A - Worker's Compensation Hearing Provisions Modified

Chief Author: **Jennifer McEwen**
 Committee: **Labor**
 Date Completed: **4/1/2024 4:19:25 PM**
 Lead Agency: **Labor and Industry Dept**
 Other Agencies:
 Administrative Hearings Workers Comp Court of Appeals

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Labor and Industry Dept						
Workers Compensation		-	-	(6)	(6)	(6)
State Total						
Workers Compensation		-	-	(6)	(6)	(6)
		Total	-	-	(6)	(6)
		Biennial Total		(6)		(12)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Labor and Industry Dept					
Workers Compensation	-	-	-	-	-
	Total	-	-	-	-

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 4/1/2024 4:19:25 PM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Labor and Industry Dept					
Workers Compensation	-	-	(6)	(6)	(6)
Total	-	-	(6)	(6)	(6)
Biennial Total			(6)		(12)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Labor and Industry Dept					
Workers Compensation	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Labor and Industry Dept					
Workers Compensation	-	-	6	6	6
Total	-	-	6	6	6
Biennial Total			6		12

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Chief Author: **Jennifer McEwen**
 Committee: **Labor**
 Date Completed: **4/1/2024 4:19:25 PM**
 Agency: **Labor and Industry Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Workers Compensation	-	-	(6)	(6)	(6)	(6)
Total	-	-	(6)	(6)	(6)	(6)
Biennial Total			(6)			(12)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Workers Compensation	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/29/2024 12:14:57 PM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Workers Compensation		-	-	(6)	(6)	(6)
Total		-	-	(6)	(6)	(6)
Biennial Total				(6)		(12)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Workers Compensation		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Workers Compensation		-	-	6	6	6
Total		-	-	6	6	6
Biennial Total				6		12

Bill Description

This bill in its first engrossment adopts the recommendations made for changes to Minnesota Statutes, chapter 176, by the Workers' Compensation Advisory Council (WCAC).

The bill includes technical and rulemaking changes from the Office of Administrative Hearings (OAH) and the Workers' Compensation Court of Appeals (WCCA), compliance provisions for the Department of Labor and Industry (DLI), and litigation procedures requested from the workers' compensation Bar. The bill also includes proposals that increase benefits for injured workers and offer system savings for the business community and other employers.

Specifically, the first engrossment of this bill includes 49 sections providing the following:

- statutory clarifications and updated references as recommended by the Office of Administrative Hearings.
- technical changes to certain provisions in chapter 176.
- clarifying rulemaking authority for Office of Administrative Hearings and the Workers' Compensation Court of Appeals related to electronic filing, certification of electronic signatures, and interventions.
- describing when employees can be referred to DLI's vocational rehabilitation unit for certain disputes.
- clarifying attorney access to workers' compensation claim documents in DLI's technology system.
- revising the calculation of average weekly wage for short-term agricultural workers.
- adjusting the maximum dollar limit on workers' compensation attorney fees.
- amending the calculation of maximum weekly compensation for temporary total disability benefits.
- describing notice requirements for discontinuation of vocational rehabilitation services.
- specifying a penalty for charging in excess of statutory allowances for electronic medical records.
- raising the allowable costs for remodeling awards for permanently and totally disabled employees.
- updating the penalty amount for violations regarding required notice and payment timelines surrounding the benefit discontinuance process; and

changing the time allowed for filing an answer to a claim petition.

Assumptions

Most of the bill language relates to technical changes suggested by OAH and DLI that would result in no fiscal impact to DLI.

Two sections of the bill impact the Workers' Compensation Division's technology system, Campus. Section 18 requires programming to discontinue an attorney's access to claim data once a certain set of conditions occurs, and Section 13 adds authority for DLI to assess a penalty against a health care provider or their agent for charging more than statutory allowances for electronic medical records. These changes would require a MNIT Application Developer to program those conditions and to update the penalty type table. MNIT estimates this work would be immaterial and tasked to existing developers.

Section 4 increases the cap on contingent attorney fees from \$26,000 to \$55,000 and a potential consequential increase in the settlement cost of high-dollar workers' compensation claims with exposure between \$130k and \$275k. This applies to dates of injury on or after Oct. 1, 2024. Currently, there is no cap on settlement value and attorneys can petition for fees more than \$26,000, so this provision should have minimal fiscal impact.

Section 5 increases the maximum weekly compensation rate for workers injured on or after Oct. 1, 2024, from 102% of Statewide Average Weekly Wage (SAWW) to 108% of SAWW. SCF claims accounted for just 0.08% of all Minnesota workers' compensation claim costs, DLI assumes any additional costs that may be incurred would be negligible.

Section 14 increases the maximum amount allowed to be charged for residence remodeling for permanently and totally disabled employees from \$75,000 to \$150,000. It is unlikely that SCF would receive claims with remodeling costs, DLI assumes no fiscal impact for the purposes of this section of the fiscal note.

Two sections of this bill will increase penalty revenue payable to the Assigned Risk Safety Account.

Section 13 adds clear authority for DLI to assess penalties against a health care provider or their agent for charging more than statutory allowances for electronic medical records. Since this law passed last year, DLI has received three complaints which would have resulted in a monetary penalty with the bill's clearer authority. DLI assumes there would be three penalties each year going forward. The penalty amount per violation is \$500 (3 X \$500 = \$1,500 revenue annually).

Section 26 raises the penalty amount for violations regarding required notice and payment timelines surrounding the benefit discontinuance process from \$1,000 to \$2,500. DLI issues approximately three penalties of this type each year. This change will result in \$4,500 additional revenue each year (3 X \$1,500).

Expenditure and/or Revenue Formula

Revenues	2024	2025	2026	2027
Excess Medical Records Penalty	-	1,500	1,500	1,500
Discontinuance Penalty	-	4,500	4,500	4,500
Total	-	6,000	6,000	6,000

Long-Term Fiscal Considerations

Local Fiscal Impact

Based on results of the 2022 Survey of Occupational Injuries and Illnesses by the U.S. Bureau of Labor Statistics, local governments account for approximately 11% of all work-related injuries.

Calculating 11% of the estimated change in benefits paid from the increase in the maximum weekly benefit to 108% of the Statewide Average Weekly Wage results in an estimated increase of \$150,000 for local governments for payments for workers injured in a year, paid out over multiple years. The payments made during any calendar or fiscal year will approximate this amount a few years after this section of the statute becomes effective (e.g., beginning in FY 27). (Section 5)

Calculating 11% of the estimated change in home remodeling costs results in a high estimate of \$370,000 and a low estimate of \$80,000, with an average of \$225,000. This is the estimate for injuries in one year, to be paid out over time when the remodeling is needed. The payments made during any calendar or fiscal year will approximate this amount a few years after this section of the statute becomes effective (i.e., beginning in FY 27). (Section 14)

References/Sources

Agency Contact: Jessica Stimac (651-284-5177)

Agency Fiscal Note Coordinator Signature: Jacob Gaub

Phone: 651-284-5812

Date: 3/28/2024 8:31:14 AM

Email: jacob.gaub@state.mn.us

SF4745 - 1A - Worker's Compensation Hearing Provisions Modified

Chief Author: **Jennifer McEwen**
 Committee: **Labor**
 Date Completed: **4/1/2024 4:19:25 PM**
 Agency: **Administrative Hearings**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 4/1/2024 4:14:01 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

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Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

SF4745-1A provides for policy and technical changes to workers' compensation coverage and hearings under the jurisdictions of the Department of Labor and Industry (DLI) and Office of Administrative Hearings (OAH). Most changes relating to OAH are technical clean-up that reflects established practice; a procedural change is reflected in section 176.285 subd. 2 which requires electronic filing at OAH except by pro se litigants consistent with the same requirements at DLI.

Assumptions

OAH in consultation with Minnesota Management and Budget (MMB) assesses agencies the cost of services rendered to them. All agencies shall include in their budgets provisions for such assessments.

OAH assumes that the current complement of workers' compensation judges employed by OAH is sufficient to manage the modifications to Chapter 176 that are included in SF4745-1A. No additional funds would be needed for this work.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Denise Collins

Agency Fiscal Note Coordinator Signature: Denise Collins

Phone: 651-3617875

Date: 3/28/2024 6:51:18 AM

Email: denise.collins@state.mn.us

SF4745 - 1A - Worker's Compensation Hearing Provisions Modified

Chief Author: **Jennifer McEwen**
 Committee: **Labor**
 Date Completed: **4/1/2024 4:19:25 PM**
 Agency: **Workers Comp Court of Appeals**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 4/1/2024 4:12:17 PM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

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Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill is to change our prescribed rules of practice and adopt new rules to meet the statutory mandate under law regarding electronic filing and service.

Assumptions

The Workers' Compensation Court of Appeals is currently engaged in rulemaking (R-04804) to update the court's procedural rules. As the Minnesota Department of Labor and Industry has adopted the CAMPUS system for workers' compensation case management, the Workers' Compensation Court of Appeals has incorporated its functions into CAMPUS to provide all litigants with the efficiency and cost savings available through that system. The proposed rules will provide for electronic filing and service of documents.

The rulemaking authority sought by the Workers' Compensation Court of Appeals seeks to ensure that the current rulemaking can encompass electronic filing through CAMPUS, which is a critical aspect of the proposed rules. Depending on the particular rule ultimately adopted, there may be a need to alter some aspects of the CAMPUS reporting of due dates for aspects of each case. These alterations are anticipated to be incorporated in the ongoing CAMPUS maintenance development cycle and are not expected to require additional expenditures.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Patricia Milun (651-539-1200)

Agency Fiscal Note Coordinator Signature: Patricia Milun

Phone: 651-539-1200

Date: 3/28/2024 3:22:17 PM

Email: patty.milun@state.mn.us