

HF1203 - 2A - Workers' Compensation Claim Presumption Extended

Chief Author: **Dan Wolgamott**
 Committee: **Ways And Means**
 Date Completed: **3/21/2021 5:21:20 PM**
 Lead Agency: **Administration Dept**
 Other Agencies:
 Administrative Hearings 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	FY2021	FY2022	FY2023	FY2024	FY2025
Administration Dept	-	-	-	-	-	-
Other Misc. Special Revenue	-	-	-	-	-	-
State Total						
Other Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Administration Dept	-	-	-	-	-
Other Misc. Special Revenue	-	-	-	-	-
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: Christian Larson **Date:** 3/21/2021 5:21:20 PM
Phone: 651-284-6436 **Email:** christian.larson@lbo.leg.mn

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	FY2021	FY2022	FY2023	FY2024	FY2025
Administration Dept	-	-	-	-	-
Other Misc. Special Revenue	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Administration Dept	-	-	-	-	-
Other Misc. Special Revenue	118	652	300	100	100
Total	118	652	300	100	100
Biennial Total			952		200
2 - Revenues, Transfers In*					
Administration Dept	-	-	-	-	-
Other Misc. Special Revenue	118	652	300	100	100
Total	118	652	300	100	100
Biennial Total			952		200

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 Agency: **Administration Dept**

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	FY2021	FY2022	FY2023	FY2024	FY2025
Other Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Other Misc. Special Revenue	-	-	-	-	-
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: Joe Harney **Date:** 3/21/2021 4:14:49 PM
Phone: 651-284-6438 **Email:** joe.harney@lbo.leg.mn

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 Dollars in Thousands	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Other Misc. Special Revenue	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Other Misc. Special Revenue	118	652	300	100	100
Total	118	652	300	100	100
Biennial Total			952		200
2 - Revenues, Transfers In*					
Other Misc. Special Revenue	118	652	300	100	100
Total	118	652	300	100	100
Biennial Total			952		200

Bill Description

The bill extends the presumption for a workers' compensation claim based on COVID-19 to December 31, 2021.

Assumptions

The following assumptions are based on COVID-19 claims experience to date.

- Based on FY21 actual claim experience, indemnity and/or medical benefits paid of \$1,483,763 divided by 474 claims equals an average cost per claim of \$3,130
- We assume an additional 150 paid claims at an average of \$3,130 each totaling approximately \$470,000 for the period May 2, 2021 to December 31, 2021.
 - FY21 - \$470,000/8 months x 2 months = \$117,500
 - FY22 - \$470,000/8 months x 6 months = \$352,500
- We estimate that 3 of the additional 150 paid claims will have long-term indemnity and medical expenses at a cost of \$300,000 both in FY22 and FY23
- We estimate that 1 of the additional 150 paid claims will have long-term indemnity and medical expenses at a cost of \$100,000 both in FY24 and FY25
- Claims would be paid from the Worker's Compensation Revolving Fund and then charged back to the state agencies where the employees who contract COVID work
- Costs to administer these claims will be absorbed by existing staff who do that work

Expenditure and/or Revenue Formula

All estimates are based on average experience. Actual expenditures will vary based on individual claims experience.

Long-Term Fiscal Considerations

We estimate that 3 of the 150 additional claims will have long-term costs.

Local Fiscal Impact

We anticipate that local units of government having similar employees covered by this change in law will be impacted.

References/Sources

Gary Westman, Risk Management Division Director

(651) 201-3030

Agency Contact: Gary Westman (651) 201-3030

Agency Fiscal Note Coordinator Signature: Bruce Lemke

Phone: 651-2012530

Date: 3/20/2021 7:24:00 PM

Email: bruce.lemke@state.mn.us

HF1203 - 2A - Workers' Compensation Claim Presumption Extended

Chief Author: **Dan Wolgamott**
 Committee: **Ways And Means**
 Date Completed: **3/21/2021 5:21:20 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	FY2021	FY2022	FY2023	FY2024	FY2025
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
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: Joe Harney **Date:** 3/21/2021 4:15:10 PM
Phone: 651-284-6438 **Email:** joe.harney@lbo.leg.mn

State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

HF1203-2A provides an extension for presumption of a COVID-19 related workers' compensation injury for first responders.

Assumptions

The Office of Administrative Hearings (OAH) assumes that the current complement of workers' compensation judges employed by OAH is sufficient to preside over any disputes arising from claims under HF1203-2A. 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: 3/19/2021 10:54:42 AM

Email: denise.collins@state.mn.us

HF1203 - 2A - Workers' Compensation Claim Presumption Extended

Chief Author: **Dan Wolgamott**
 Committee: **Ways And Means**
 Date Completed: **3/21/2021 5:21:20 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	

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
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: Christian Larson **Date:** 3/21/2021 5:07:00 PM
Phone: 651-284-6436 **Email:** christian.larson@lbo.leg.mn

State Cost (Savings) Calculation Details

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

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill amends MN Laws 2020, chapter 72, section 1, subdivision 15, paragraph (f), by extending the sunset date to December 31, 2021 for the presumption for a workers' compensation claim based on COVID-19.

Assumptions

As the underlying law has been in effect for almost a year, the Department of Labor & Industry (DLI) assumes that there will be a temporary spike in inquiries related to the extension before returning to baseline and that approximately 25 hours of time will be dedicated to answering these inquires, and updating FAQs and training materials related to the presumption.

The Special Compensation Fund (SCF) provides workers' compensation benefits to injured workers' whose employers do not carry workers' compensation insurance. Since enactment of the presumption, the SCF has not been a named party to any Covid-19 workers' compensation claims. Because it is highly unlikely that an employer to whom the presumption applies would not have workers' compensation coverage, it is assumed that the SCF will not be named as a party to any Covid-19 workers' compensation claims as a result of extension of the presumption.

The Department receives over 30,000 First Reports of Injury (FROI) claims annually. The impact of the potential additional claims resulting from this bill, which would be submitted through the Campus/EDI system, would have a limited impact on the overall work of the compliance and records process and staff in CRT, and would be absorbed through existing resources.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

The Department estimates that local governments will incur an additional \$2 million dollars in Covid-19 claim costs with a presumption of compensability through December 31, 2021, compared with claim costs without a presumption. This is based on average total benefits (wage loss and medical services) of \$9,800 per claim, using data compiled by the Department and the Minnesota Workers' Compensation Insurers Association.

This cost estimates that an average of 50 Covid-19 claims per month will be reported by local government workers, most

of whom are covered by the presumption, and that 90 percent of the claims under the presumption will be accepted for benefits compared with a 40 percent claim acceptance rate for workers not entitled to a presumption of compensability. (These claims acceptance rates are based on analysis of recent Covid-19 claims.) There would then be an estimated 360 paid claims with a presumption (\$3.53 million) and 160 paid claims without a presumption (\$1.59 million). This difference rounds off to \$2 million.

References/Sources

- http://www.dli.mn.gov/sites/default/files/pdf/MN_work_comp_response_to_COVID-19.pdf published Jan. 15, 2021
- COMPACT Special Edition: Covid-19 http://www.dli.mn.gov/sites/default/files/pdf/special_edition_COVID-19.pdf - published Aug. 2020
- New law FAQs: Workers' compensation coverage for employees who contract COVID-19 http://www.dli.mn.gov/sites/default/files/pdf/COVID-19_work_comp_presumption_faqs.pdf - published Apr. 14, 2020

Agency Contact: Roslyn Robertson (651-284-5183)

Agency Fiscal Note Coordinator Signature: Jacob Gaub

Phone: 651-284-5812

Date: 3/21/2021 2:18:33 PM

Email: jacob.gaub@state.mn.us