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FISCAL IMPACT STATEMENT

LS 6828
BILL NUMBER: SB 294

NOTE PREPARED: Jan 30, 2014
BILL AMENDED: Jan 30, 2014

SUBJECT: Worker's Compensation.

FIRST AUTHOR: Sen. Boots
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill changes the worker's compensation and occupational diseases compensation law by providing that:

- (1) A medical service provider may not be reimbursed for more than one office visit for each repackaged legend drug prescribed;
- (2) The maximum period during which a medical service provider that is not a retail or mail order pharmacy may receive reimbursement for a repackaged legend drug begins on the date of the injury or disablement and ends at the beginning of the eighth day after the date of the injury or disablement;
- (3) For purposes of determining pecuniary liability, distinguishes a medical service provider from a medical service facility on the basis of the provider's billing form for Medicare reimbursement.
- (4) Removes language that provides that the reimbursement for an implant may not exceed the invoice amount plus 25%.

Effective Date: July 1, 2014.

Explanation of State Expenditures: *Worker's Compensation Board (WCB):* The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Pecuniary Liability: The cost to the state as an employer may be reduced very slightly due to limits on the use of repackaged legend drugs. The state spent \$1.9 M in worker's compensation claims in FY 2013 and is self-insured for purposes of worker's compensation. An explanation of the various provisions are outlined in the *Additional Information* section below.

(Revised) Additional Information: The bill limits the use of repackaged legend drugs in worker's compensation cases. The maximum period for reimbursement for legend drugs (those drugs which are required by law or by regulation to be dispensed via a prescription) by a medical service provider is seven days after the date of the injured or disabled employee's first office visit to the medical service provider after the date of the injury or disablement. Also, a medical service provider may not be reimbursed for more than one office visit for each repackaged legend drug prescribed.

The expectation is that these cost saving provisions will reduce the pecuniary liability of all employers by lowering medical expense reimbursement costs. However, the exact impact on the state as an employer is indeterminable at this time. The state self-insures for purposes of worker's compensation insurance. Employers that self-insure reportedly may already enjoy lower negotiated medical reimbursement rates than those small employers that are unable to negotiate a more favorable commercial workers' compensation insurance rate.

Additionally, a medical service facility is defined as a hospital, hospital-based health facility, medical center, or other medical service provider that uses the CMS 1450 (UB-04) form for Medicare reimbursement. Medical service facilities do not include health care professionals that use the CMS 1500 form for Medicare reimbursement.

The bill removes the cost plus 25% for implant language. Reimbursement for implants will be handled under the 200% of Medicare provision. This change is expected to have limited impact.

HEA 1320-2013 made several changes to the worker's compensation and occupational diseases compensation system, including limiting medical reimbursements to medical services facilities to 200% of Medicare, effective July 1, 2014, limiting implants to cost plus 25%, as well as limiting repackaged drugs to wholesale prices. According to the Indiana Compensation Rating Bureau (ICRB), these reductions in HEA 1320-2013 in medical reimbursement and pecuniary liability are expected to reduce the worker's compensation system costs (excluding self-insured employers) by 5.3%, or \$38 M. An analysis by the ICRB would need to be completed to determine any additional cost savings to the workers compensation system that may be attributed to the bill.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill affects local units as employers.

Explanation of Local Revenues:

State Agencies Affected: All, Worker's Compensation Board.

Local Agencies Affected: All.

Information Sources: Indiana Compensation Rating Bureau Circular 2013-05, <http://www.icrb.net/>; Keith Beesley, Indiana State Personnel Department, kbeesley@spd.in.gov; Interim Study Committee on Insurance August 22, 2013 Meeting Minutes, <http://www.in.gov/legislative/interim/committee/icin.html>; Auditor Database.

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