

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 222** SLS 17RS 462
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 24, 2017 8:35 AM **Author:** ERDEY
Dept./Agy.: Risk Management **Analyst:** Willis Brewer
Subject: Provides benefits for firemen and law enforcement officers

PUBLIC EMPLOYEES RE INCREASE GF EX See Note Page 1 of 2

Provides benefits for firemen and law enforcement officers with permanent and total disability resulting from a catastrophic injury sustained in the line of duty. (gov sig)

Proposed law provides that the Self Insurance Fund fund shall also be used to pay law enforcement officers' and firemen's disability benefits that are determined to be permanently and totally disabled as the direct and proximate result of a catastrophic injury arising out of and in the course of the performance of their official duties.

Proposed law provides for premiums, co-payments, and deductibles due from the officer for the amount and type of life, health, accident, accidental death and dismemberment, hospital, surgical and medical expense insurance maintained by the officer through the officer's employer at the time of the catastrophic injury shall be paid by the state risk manager out of the Self-Insurance Fund, from the date of the catastrophic injury until the officer's death and that the premiums paid are in addition to any other benefit or income due to the injured officer. Proposed law is applicable to injuries incurred on or after July 1, 2016.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed law will increase annual state general fund expenditures for the Office of Risk Management (ORM) by \$1,500 per claim and will increase state general fund expenditures (via the Self-insurance fund) by an indeterminable amount to the extent benefits are awarded. The legislation will provide benefits for firemen and law enforcement officers with permanent and total disability resulting from a catastrophic injury sustained in the line of duty on or after July 1, 2016. The benefits provided for in this legislation include the premiums, co-payments, and deductibles paid for by the officer at the time of the injury including life, health, accident, accidental death and dismemberment, hospital, surgical, and medical expense insurance. The insurance coverage in this legislation is for the officer only and does not include any dependents.

The provisions in this legislation defines law enforcement as all sheriffs and deputy sheriffs, state police, municipal police officers, and university and college police officers. The current total monthly premium cost for a sheriff or deputy sheriff under the individual only plan is \$621 (\$7,451 annual) with a maximum out of pocket of \$14,000 (preferred network max of \$6,000 and non-preferred max of \$8,000). Additionally, the current total out-of-pocket maximum (copayments, coinsurance, in network deductible, and out-of-network deductible) for an active OGB enrollee with Magnolia Open Access individual plan is \$6,200 annually. Combined with the annual employee premiums of \$2,107, the total maximum exposure for a Magnolia Open Access individual plan enrollee is \$8,307.

Based on information from the Sheriff's Pension office and Sheriff's Association, a sheriff or deputy sheriff that is found to be permanently disabled by an act of violence would have these total out of pocket expenses completely waived as long as these costs are related to the injury, covered by the plan, and the premiums continue to be paid. Additionally, for other entities that have worker's compensation insurance, permanently disabled individuals that are covered in certain situations can receive lifetime medical benefits and other medical costs associated with the injury paid for by the insurance.

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REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
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Staff Director

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CONTINUED EXPLANATION from page one:

Based on testimony during Senate Judiciary, the Louisiana Sheriffs' Pension & Relief Fund Office stated over the course of fifteen years as many as seventy individuals in the Sheriff's Pension met the injury requirements of proposed legislation, but they only identified four individuals that met this legislation's intent to kill provision. It is anticipated only one individual will be eligible based on the effective date of this legislation, but any eligible individuals in future years will be eligible for this benefit. Since this legislation provides for the Law Enforcement Officers and Firemen's Survivor Benefit Review Board or a court to make the determination whether the officer permanently and totally disabled was the direct and proximate result of a catastrophic injury arising out of and in the course of the performance of their duty, the LFO cannot predict the number of eligible cases that would receive these benefits in the future until the final ruling is made. Any changes that impact the state's total liability is anticipated to significantly increase the state's obligation. However, to the extent the current benefits remain constant, the only expenses the state will be obligated to pay will be the total premiums and the out of pocket costs (copayments and deductibles) that worker's compensation or the health insurance would not cover. These out of pocket costs will not include the major medical costs related to the disability since both the health insurance or worker's compensation is anticipated to cover these disability costs.

The proposed law will require the Attorney General (AG) to review these additional claims, coordinate document recovery, and liaison with surviving families and their families and employer. Currently, the AG reviews the death benefit claims for law enforcement or firemen death before the Law Enforcement Officers and Firemen's Survivor Benefit Review Board issues a final ruling. The AG has a backlog of 24 death benefit cases and gained an additional 15 cases in 2016. After additional review and clarification of the "catastrophic injury" definition, the AG believes any increase in the number of claims that will be reviewed by their office will be minimal and can be absorbed within their current budget. To the extent the number of claims exceeds their expectations, the AG may require an additional paralegal. Based on the average salary of paralegals in the AG's office (\$41,862), the LFO estimates the total personnel cost for a paralegal at \$70,000 including related benefits (\$27,901).

ORM administers the state's risk management program and ORM's self-insurance fund does not collect premiums for the type of benefits in the proposed legislation. ORM makes payments on behalf of participants (the "insured") in the state risk management program out of the Self-Insurance Fund, which consists of the premiums collected from the insured. According to ORM, almost all (99%) of law enforcement/fire entities in the State are not ORM covered entities for worker's compensation coverage and approximately 350 non-State law enforcement offices and 555 fire departments utilize numerous insurance providers with varying insurance product offerings.

Under present law (RS 40:1665(C) and 40:1665.2(C)), cases where a fireman or police officer dies in the line of duty the beneficiaries are entitled to payments out of the Self-Insurance fund (RS 39:1533). According to ORM, these payments made to law enforcement officers and firemen are from an independent, designated appropriation specifically for that purpose. This appropriation is contained in the Self-Insurance fund, and is funded directly with SGF. Any additional payments as a result of the proposed legislation will require an additional state general fund appropriation.

This legislation will require ORM to administer, review, evaluate, monitor, and pay these benefits on a monthly basis. The funding ORM receives from state agencies for administering the state's self-insurance program can only be used for those purposes, therefore, in order for ORM to conduct these additional duties they will require SGF. ORM has contacted it's third party administrator (TPA) and after negotiations with its TPA, ORM believes the TPA will be able to provide these services for \$1,500 per claim. ORM will still require SGF to pay for these claims otherwise this could potentially result in federal and state audit findings and federal cost allocation disallowance penalties.

Senate Dual Referral Rules
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House
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