

## Department of Planning and Budget

### 2019 Fiscal Impact Statement

**1. Bill Number:** HB2618

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Heretick

**3. Committee:** Commerce and Labor

**4. Title:** Workers' compensation; occupational disease presumption.

**5. Summary:** Adds full-time sworn officers of the enforcement division of the Department of Motor Vehicles to the list of public safety employees who are entitled to a presumption that hypertension and heart disease are occupational diseases compensable under the Virginia Workers' Compensation Act.

**6. Budget Amendment Necessary:** No – see Item 8. According to the Virginia Retirement System (VRS), the inclusion of additional presumptions for diseases presumed to have occurred in the line of duty would increase the number of VRS work-related disability retirements that would have otherwise resulted in non-work-related disability retirements. Since a work-related disability retirement generally costs more than a non-work-related disability retirement, the bill would increase VRS disability retirement costs and, consequently, employer contribution rates. However, the volume of the impact is not known at this time.

**7. Fiscal Impact Estimates:** Preliminary – see Item 8.

**8. Fiscal Implications:** A review of the Department of Human Resource Management's Workers' Compensation Program's data from July 1, 2000 to the present shows only two workers' compensation claims filed by Department of Motor Vehicles (DMV) enforcement officers who had conditions that would qualify under the heart/lung presumption. Both claims, one from 2004 and one from 2005, were denied as there was no evidence that the conditions resulted from their job as a DMV enforcement officer. There were six other claims for similar conditions, but their claims would not be covered under the provisions of this bill. Because the Commonwealth's workers' compensation premiums are experience-based, DMV would bear any increased cost for claims covered by this bill.

In addition to the effects this may have on workers' compensation, the bill could also affect eligibility for VRS traditional disability retirement because VRS automatically approves disability retirements if the employee is approved for workers' compensation. Increasing the population eligible for benefits, or the types of diseases or circumstances under which an

employee is eligible for benefits, will impact the VRS plan experience and by extension potentially increase contribution rates.

To obtain the Line of Duty Act (LODA) impact, VRS adjusted the LODA valuation model's current cost assumptions to reflect the estimated impact to cash flows:

- Approximate 15% increase to health care claims.
- Approximate 10% increase to death benefit claims.
- Approximate 35% increase to Health Insurance Credit Program (HIC) receipts for those participating in the HIC plan for State Employees.

The average impact of applying the legislation prospectively (deaths and disabilities occurring on or after July 1, 2019) is shown below:

Item	Fiscal Year Ending June 30					
	2020	2021	2022	2023	2024	2025
Employer Contribution Rate (\$ Per FTE)						
Number of FTE Employees	19,013.65	19,013.65	19,013.65	19,013.65	19,013.65	19,013.65
Proposed Legislation - Prospective Only	\$705.90	\$778.21	\$778.27	\$930.49	\$930.56	\$1,019.26
June 30, 2018 Valuation	\$705.77	\$778.02	\$778.02	\$930.16	\$930.16	\$1,018.78
Additional Cost per FTE	\$0.13	\$0.19	\$0.25	\$0.33	\$0.40	\$0.48
Estimated Additional Contributions	\$2,500	\$3,600	\$4,800	\$6,300	\$7,600	\$9,100

**Cost Impact on the LODA Fund**

**Additional Cost Per FTE**

Range	Fiscal Year Ending June 30					
	2020	2021	2022	2023	2024	2025
25% Impact	\$0.06	\$0.10	\$0.13	\$0.17	\$0.20	\$0.24
Average Impact	\$0.13	\$0.19	\$0.25	\$0.33	\$0.40	\$0.48
75% Impact	\$0.19	\$0.29	\$0.38	\$0.50	\$0.60	\$0.72
100% Impact	\$0.26	\$0.38	\$0.50	\$0.66	\$0.80	\$0.96

**Additional Contribution Requirement**

Range	Fiscal Year Ending June 30					
	2020	2021	2022	2023	2024	2025
25% Impact	\$ 1,200	\$ 1,800	\$ 2,400	\$ 3,100	\$ 3,800	\$ 4,600
Average Impact	\$ 2,500	\$ 3,600	\$ 4,800	\$ 6,300	\$ 7,600	\$ 9,100
75% Impact	\$ 3,700	\$ 5,400	\$ 7,100	\$ 9,400	\$ 11,400	\$ 13,700
100% Impact	\$ 4,900	\$ 7,200	\$ 9,500	\$ 12,500	\$ 15,200	\$ 18,300

It is unclear from the legislation whether this bill would apply to prior deaths and disabilities. Allowing retroactive application of this provision, for deaths and disabilities incurred prior to July 1, 2019, could cost significantly more with estimated additional annual contributions ranging from \$20,000 – \$30,000 over the next six years.

The results were developed using the LODA Fund's claim incidence experience for the cause of "Hypertension or Heart Disease" with the proportion of Department of Motor Vehicles (DMV) full-time equivalent (FTEs) enforcement officers to the LODA Fund. All other valuation assumptions and methods are those used and disclosed in the "Report on the Actuarial Valuation of the Line of Duty Act Fund, Prepared as of June 30, 2018".

These cost increase assumptions would apply pro rata to individual localities that are funding LODA costs independently from the Fund.

The legislation would also increase the number of VRS work-related disability retirements by an unknown amount. Currently, individuals disabled by these cancer types would be retired under regular disability retirement provisions (i.e., from a cause not compensable under the Workers' Compensation Act). The legislation would make it more likely that someone disabled by these types of cancer would be retired under the provisions of work-related disability retirement. Because work-related disability retirement is a more expensive benefit, there would be an unknown increase over time for employer contributions for those employers whose employees become disabled and retire under these provisions. Because most state employees are now covered under the Virginia Sickness and Disability Program, the impact on employer contribution rates due to increased work-related disability retirements would primarily be for political subdivisions.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Human Resource Management, Department of Motor Vehicles, Virginia Retirement System, all state agencies with LODA eligible personnel, all localities with LODA eligible personnel, and Virginia Workers' Compensation Commission.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** The proposed legislation is similar to House Bill 2075 (Bell, John J.).

This bill adds full-time sworn members of the enforcement division of DMV to the category of employees who are eligible for the presumption that a death or disability caused by hypertension or heart disease is work related unless such presumption is overcome by a preponderance of competent evidence to the contrary.

The addition of these employees to those eligible for these presumptions would, over time, have an impact on LODA costs for employers who participate in the Fund. Full-time sworn members of the enforcement division of DMV are covered under LODA and the addition of this presumption will likely lead to an increase in the number of individuals who become eligible for LODA benefits. There are approximately 75 full-time sworn members of the enforcement division of DMV; the increase in LODA death and disability determinations is likely to be material.