

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: HB821

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

2. Patron: Lopez, A.H.

3. Committee: Commerce and Labor

4. Title: Workers' compensation; disease presumption; correctional officers.

5. Summary: Adds correctional officers to the list of public safety employees who are entitled to a presumption that hypertension and heart disease and certain infectious diseases are occupational diseases compensable under the Virginia Workers' Compensation Act.

6. Budget Amendment Necessary: Not known at this time. See Item 8.

7. Fiscal Impact Estimates: Fiscal impact is indeterminate. See Item 8.

8. Fiscal Implications: The fiscal impact of this bill is indeterminate, as the costs will depend on the number and severity of workers' compensation awards to correctional officers. The covered conditions are often high cost and chronic and can result in death or long term disability. A total of 114 heart and lung presumption claims have been awarded by the state Workers' Compensation Program between 2000 and 2014, with an average cost of \$163,710 per claim. An additional 140 heart lung presumption claims were either reported for recording purposes only or were denied during this period. However, this population is not expected to necessarily be representative of correctional officers due to differences in physical examinations upon hiring and continuing fitness requirements.

The Department of Corrections (DOC) is expected to bear most of the burden of any additional costs to the state Workers' Compensation Program resulting from claims covered by this bill as the primary state entity employing correctional officers. The Department of Human Resource Management administers the state employee Workers' Compensation Program and charges state agencies experienced-based premiums to fund the program. Therefore, any additional heart lung presumption claims for the 7,600 correctional officers employed by DOC will be included in the experience base in calculating the agency's annual workers' compensation premium. The cost of such claims and their subsequent impact on DOC's annual workers' compensation premium is indeterminate and would not be reflected in premiums for multiple years because premiums are calculated retrospectively based on historical experience. Agency experience is one of multiple factors used to calculate program premiums and as such, a portion of any additional claims costs may also be borne by other agencies in their own calculated premiums.

Unlike other agencies with employees covered under the heart lung presumption, DOC does not screen for hypertension, heart disease, cancer, hepatitis or other infectious diseases in its pre-employment medical exam. These diseases would be presumed to be occupational diseases suffered in the line of duty unless such presumption is overcome by preponderance of competent evidence to the contrary. The estimated cost of such an exam is \$284 per officer and DOC hires approximately 1,000 correctional officers per year. Therefore, exams for newly hired correctional officers would cost approximately \$284,000 per year. In the absence of these exams, DOC and the state Workers' Compensation Program may not possess adequate evidence to demonstrate which cases of diseases covered by the heart lung presumption existed prior to correctional officers' employment and therefore would be responsible for covering these preexisting conditions.

This bill may also result in fewer cases being heard by the Virginia Workers' Compensation Commission; however the number is not expected to be substantial due to the small number of heart lung presumption claims. Therefore, any potential cost savings is expected to be minimal.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Corrections; any state agencies employing correctional officers; Department of Human Resource Management; Virginia Workers' Compensation Commission.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** None.

Date: 1/31/2014

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