

## Department of Planning and Budget 2018 Fiscal Impact Statement

**1. Bill Number:** HB416

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:**        Guzman

**3. Committee:** Commerce and Labor

**4. Title:**           Workers' compensation; audits

**5. Summary:** Prohibits an insurer or its agent or employee from conducting an audit, inspection, or other review at the insured employer's premises unless accompanied by and under the supervision of an employee of the Workers' Compensation Commission, or unless the employer consents.

**6. Budget Amendment Necessary:** Yes - Item 490 of HB 30.

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

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	\$0	0.00	-
2019	\$628,860	7.00	NGF
2020	\$628,860	7.00	NGF
2021	\$628,860	7.00	NGF
2022	\$628,860	7.00	NGF
2023	\$628,860	7.00	NGF
2024	\$628,860	7.00	NGF

**8. Fiscal Implications:** The Virginia Workers' Compensation Commission (VWC) will have to hire additional staff in order to have an employee supervise an audit, inspection, or other review at the insured employer's premises as required in subsection A of the proposed legislation. The number of additional staff needed is dependent upon the number of audits, inspections, or other review conducted annually, including whether insurers would consent prior to the entry to the insurer's conduct of the audit or inspection without the presence of or supervision by an employee of the VWC, as required in subsection B of the proposed legislation.

According to the VWC's National Council on Compensation Insurance contacts, it is reasonable to expect approximately 1,000 audits each year. Based on the assumption of approximately 1,000 audits each year, the VWC may have to hire an insurance specialist for each of the VWC's six regional offices, and one additional insurance specialist for its

Richmond headquarters. The estimated cost for hiring seven insurance specialists at an annual base salary of \$40,000 is \$503,860, including benefits. In addition to the seven insurance specialists, the VWC may also incur nonpersonal costs for travel expenditures (mileage, hotel, and per diem) at an annual estimated cost of \$125,000.

**9. Specific Agency or Political Subdivisions Affected:** Virginia Workers' Compensation Commission

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** It is unclear what role the VWC employees would play during the audit, inspection or other review, and whether VWC employees can issue decisions on potential disputes, and if those decisions would be appealable. Depending on the scope of the responsibilities of the VWC employees, additional training may be required, which would increase the proposed legislation's fiscal impact.