

Department of Planning and Budget 2022 Fiscal Impact Statement

1. Bill Number: HB926

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: Batten

3. Committee: Appropriations

4. Title: Workers' compensation; presumption of compensability for certain diseases.

5. Summary: Provides that the occupational disease presumption for death caused by hypertension or heart disease will apply for full-time sworn members of the Department of Motor Vehicles Law Enforcement Division who have at least five years of service.

6. Budget Amendment Necessary: Yes – see Item 8.

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

8. Fiscal Implications: The proposed legislation is expected to not have a fiscal impact for the Department of Human Resource Management's (DHRM) Office of Workers' Compensation (OWC) program or for the workers' compensation unit at the Office of the Attorney General and Department of Law. There may be a fiscal impact for the Department of Motor Vehicles (DMV). DMV may have an increase in its workers' compensation claims, which would increase the experience-based workers' compensation premium paid by the agency for workers' compensation coverage. However, the impact to its workers' compensation premium cannot be determined at this time. A review of the OWC's claims data shows there was one claim filed and awarded by the Virginia Workers' Compensation Commission under the heart/lung presumption as a heart disease claim. In that case, because the injured worker was deceased when the claim was filed, there were no medical benefits awarded, only lost wage benefits for the widow and eligible children, plus burial expenses. The estimated total benefit on this claim is \$469,870.

The Virginia Workers' Compensation Commission expects the proposed legislation will have a minimal or no fiscal impact for the agency.

The proposed legislation amends § 65.2-402 and would add hypertension or heart disease incurred by employees of the Department of Motor Vehicles Law Enforcement Division as a presumption for workers' compensation. The presumption would also be applicable to the Line of Duty Act (LODA). The bill would affect LODA claims as well as impact the Virginia Retirement System (VRS) work-related disability claims, although the additional costs are indeterminate. VRS has estimated the cost impact on the LODA full time-equivalent (FTE) contribution rate.

Estimated Cost Results

The estimated cost results associated with this proposed change can be found below. The estimated costs show an increase in the FTE rate for the participating LODA employers due to increased claims associated with the additional group of employees added to this presumption. It is unclear if this would apply to prior disabilities. Therefore, VRS has included results assuming all disability claims prior to July 1, 2022 would be eligible and would result in the reimbursement of prior benefits. To provide a range of results, the impact of applying the additional presumptions prospectively (disabilities occurring on or after July 1, 2022 only) is also shown. Currently, § 65.2-402 covers hypertension or heart disease incurred by various participating members. The proposed legislation adds 73 DMV members to be covered under this presumption. VRS has assumed a 20% increase in LODA disability claims and a 75% increase in LODA death claims for members newly covered under the presumption. As shown in the Line of Duty Act Eligibility Determination Report 2021, 19.51% of all claims are due to cardiovascular conditions. The claims represent both participating and non-participating members and disability and death claims. Since most of the benefit payments are for health care costs, this supports the assumption of a 20% increase in LODA disability claims for newly covered DMV members. VRS used an assumption of a 75% increase in death claims for newly covered DMV members. The increases in LODA disability claims and deaths were based on prior LODA claims history for the number of LODA claims and deaths related to heart disease or hypertension versus all other causes.

VRS estimates the following adjustments to the valuation model's current cost assumptions to reflect the estimated impact to cash flows:

- 20% increase disability claims for the 73 DMV members,
- 75% increase death claims for the 73 DMV members,
- No change in claims for the 19,014.20 FTE members who are not employees of the DMV

The average impact of applying the legislation prospectively (occurring on or after July 1, 2022 is shown below:

Cost Impact on the LODA Fund - Prospective Claims Only After July 1, 2022

Item	Fiscal Year Ending June 30					
	2023	2024	2025	2026	2027	2028
Employer Contribution Rate (\$ Per FTE)						
Number of FTE Employees	19,087.20	19,087.20	19,087.20	19,087.20	19,087.20	19,087.20
Proposed Legislation - Prospective Only	\$682.00	\$682.00	\$1,058.11	\$1,058.11	\$1,228.85	\$1,228.85
June 30, 2021 Valuation	<u>\$681.84</u>	<u>\$681.84</u>	<u>\$1,057.92</u>	<u>\$1,057.92</u>	<u>\$1,228.64</u>	<u>\$1,228.64</u>
Additional Cost per FTE	\$0.16	\$0.16	\$0.19	\$0.19	\$0.21	\$0.21
Estimated Additional Contributions	\$3,100	\$3,100	\$3,600	\$3,600	\$4,000	\$4,000

Due to the LODA fund being “pay-as-you-go”, the costs above assume that a corresponding adjustment in the LODA premium rate will occur in the FY 2023-24 Appropriation Act, and additional premiums would be immediately collected to cover the expected increase in costs.

If an adjustment to the rates is not provided in the FY 2023-2024 Appropriation Act, then future rates could be more severely impacted based on any claims associated with this legislation occurring during the upcoming biennium without corresponding premiums to cover increased claims.

Because of the unpredictable nature of future claims, VRS also has included a range of possible cost impacts in addition to the median expected claims shown above.

**Cost Impact on the LODA Fund - Prospective Claims Only After July 1, 2022
Additional Cost Per FTE**

Range	Fiscal Year Ending June 30					
Range	2023	2024	2025	2026	2027	2028
25% Impact	\$0.08	\$0.08	\$0.10	\$0.10	\$0.11	\$0.11
Average Impact	\$0.16	\$0.16	\$0.19	\$0.19	\$0.21	\$0.21
75% Impact	\$0.24	\$0.24	\$0.29	\$0.29	\$0.32	\$0.32
100% Impact	\$0.32	\$0.32	\$0.38	\$0.38	\$0.42	\$0.42

Additional Contribution Requirement

Range	Fiscal Year Ending June 30					
Range	2023	2024	2025	2026	2027	2028
25% Impact	\$ 1,500	\$ 1,500	\$ 1,800	\$ 1,800	\$ 2,000	\$ 2,000
Average Impact	\$ 3,100	\$ 3,100	\$ 3,600	\$ 3,600	\$ 4,000	\$ 4,000
75% Impact	\$ 4,600	\$ 4,600	\$ 5,400	\$ 5,400	\$ 6,000	\$ 6,000
100% Impact	\$ 6,100	\$ 6,100	\$ 7,300	\$ 7,300	\$ 8,000	\$ 8,000

Also, as discussed above, since it was unclear whether this would apply to claims prior to the effective date of the legislation, VRS also provided a cost estimate assuming prior claims are eligible.

Cost Impact on the LODA Fund - Assuming Claims Before and After July 1, 2022 are Eligible

Item	Fiscal Year Ending June 30					
Item	2023	2024	2025	2026	2027	2028
Employer Contribution Rate (\$ Per FTE)						
Number of FTE Employees	19,087.20	19,087.20	19,087.20	19,087.20	19,087.20	19,087.20
Proposed Legislation - Retroactive	\$682.34	\$682.34	\$1,058.21	\$1,058.21	\$1,228.95	\$1,228.95
June 30, 2021 Valuation	<u>\$681.84</u>	<u>\$681.84</u>	<u>\$1,057.92</u>	<u>\$1,057.92</u>	<u>\$1,228.64</u>	<u>\$1,228.64</u>
Additional Cost per FTE	\$0.50	\$0.50	\$0.29	\$0.29	\$0.31	\$0.31
Estimated Additional Contributions	\$9,500	\$9,500	\$5,500	\$5,500	\$5,900	\$5,900

**Cost Impact on the LODA Fund - Assuming Claims Before and After July 1, 2022 are Eligible
Additional Cost Per FTE**

Range	Fiscal Year Ending June 30					
	2023	2024	2025	2026	2027	2028
25% Impact	\$0.25	\$0.25	\$0.15	\$0.15	\$0.16	\$0.16
Average Impact	\$0.50	\$0.50	\$0.29	\$0.29	\$0.31	\$0.31
75% Impact	\$0.75	\$0.75	\$0.44	\$0.44	\$0.47	\$0.47
100% Impact	\$1.00	\$1.00	\$0.58	\$0.58	\$0.62	\$0.62

Additional Contribution Requirement

Range	Fiscal Year Ending June 30					
	2023	2024	2025	2026	2027	2028
25% Impact	\$ 4,800	\$ 4,800	\$ 2,800	\$ 2,800	\$ 3,000	\$ 3,000
Average Impact	\$ 9,500	\$ 9,500	\$ 5,500	\$ 5,500	\$ 5,900	\$ 5,900
75% Impact	\$ 14,300	\$ 14,300	\$ 8,300	\$ 8,300	\$ 8,900	\$ 8,900
100% Impact	\$ 19,100	\$ 19,100	\$ 11,100	\$ 11,100	\$ 11,800	\$ 11,800

Unless otherwise noted, VRS has estimated the impact of the proposed bill based on the data, actuarial assumptions, and methods used in the June 30, 2021 actuarial valuation of the Line of Duty Act Fund. To the extent actual experience varies from that assumed, the costs will vary from the estimates provided herein.

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

10. Technical Amendment Necessary: No.

11. Other Comments: No.