

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 7073 PCB RORS 16-01 Ratification of Rules/Florida Workers' Compensation Health Care Provider Reimbursement Manual/DFS

SPONSOR(S): Rulemaking Oversight & Repeal Subcommittee, Ray

TIED BILLS: **IDEN./SIM. BILLS:** SB 1402

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Rulemaking Oversight & Repeal Subcommittee	11 Y, 0 N	Stranburg	Rubottom
1) Government Operations Appropriations Subcommittee	12 Y, 0 N	Keith	Topp
2) Regulatory Affairs Committee			

SUMMARY ANALYSIS

Florida's Workers' Compensation law requires that the provider reimbursement manuals setting maximum reimbursement rates for medical services must be updated every three years. Due to the Legislature's not ratifying the most recent 2011 manual, the current manual dates from 2008.

Since the 2015 Legislature adjourned, the Department of Financial Services (DFS) has adopted amendments to the rule incorporating by reference the Florida Workers' Compensation Health Care Provider Reimbursement Manual, 2015 Edition (2015 Manual). The 2015 Manual sets out the policies, guidelines, codes, and maximum reimbursement allowances for services and supplies furnished by health care providers under the Workers' Compensation statutes. The Manual also states the reimbursement policies and payment methodologies for pharmacists and medical suppliers pertaining to Workers' Compensation.

The Statement of Estimated Regulatory Costs showed Rule 69L-7.020, F.A.C., *Florida Workers' Compensation Health Care Provider Reimbursement Manual, 2015 Edition*, would have a specific, adverse economic effect, or would increase regulatory costs, exceeding \$1 million over the first 5 years the rule was in effect. Accordingly, the Rule must be ratified by the Legislature before it may go into effect.

The Rule was adopted on July 16, 2015, and submitted for ratification on November 3, 2015.

The proposed bill authorizes the Rule to go into effect. The scope of the bill is limited to this rulemaking condition and does not adopt the substance of any rule into the statutes.

The bill will have a significant negative fiscal impact to state expenditures from the State Risk Management Trust Fund (SRMTF) within the DFS. The DFS Division of Risk Management (division) estimates an increase in workers' compensation expenses for the division by \$2.1 million in FY 2016-17, \$2.1 million in FY 2017-18, and \$2.2 million in FY 2018-19. However, the fiscal year-end balance of the SRMTF (including the impact of HB 7073) will maintain a positive surplus cash balance of \$26.0 million in FY 2016-17 and \$6.4 million in FY 2017-18. In FY 2018-19, the REC projected negative cash balance of (\$10.9) million will grow to a negative (\$17.4) million as a result of the bill.

The impact to local government and the private sector is indeterminate. However, local governments and private employers responsible for paying workers' compensation claims or obtaining workers' compensation insurance will incur increased costs due to the increase in the maximum reimbursements for providers.

The bill is effective upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Florida's workers' compensation law¹ provides medically necessary treatment and care for injured employees, including medications. The Division of Workers' Compensation within the Department of Financial Services (DFS) provides regulatory oversight of Florida's workers' compensation system. The law provides for reimbursement formulas and methodologies to compensate providers of health services to compensation claimants, subject to maximum reimbursement allowances (MRAs).² DFS incorporates the uniform schedules MRAs by rule in reimbursement manuals.³

Currently, the reimbursement schedules for individual licensed providers are contained in the Florida Workers' Compensation Health Care Provider Reimbursement Manual (Manual), 2008 Edition. On January 22, 2015, the Three-Member Panel approved a revised uniform schedule of MRAs for physicians and other recognized practitioners. DFS initiated rulemaking to update the Manual and on July 16, 2015, adopted the amended version of Rule 69L-7.020, F.A.C., incorporating by reference the 2015 Edition of the Manual and updating incorporating references to other materials used for provider reimbursement together with the Manual. According to the National Council on Compensation Insurance, the revisions to MRAs in the updated Manual will result in increased costs to the overall compensation system of \$64 million over the next five years.⁴

Rulemaking Authority and Legislative Ratification

A rule is an agency statement of general applicability that interprets, implements, or prescribes law or policy, including the procedure and practice requirements of an agency as well as certain types of forms.⁵ Rulemaking authority is delegated by the Legislature⁶ through statute and authorizes an agency to "adopt, develop, establish, or otherwise create"⁷ a rule. Agencies do not have discretion whether to engage in rulemaking.⁸ To adopt a rule, an agency must have a general grant of authority to implement a specific law by rulemaking.⁹ The grant of rulemaking authority itself need not be detailed.¹⁰ The specific statute being interpreted or implemented through rulemaking must provide specific standards and guidelines to preclude the administrative agency from exercising unbridled discretion in creating policy or applying the law.¹¹

An agency begins the formal rulemaking process by filing a notice of the proposed rule.¹² The notice is published by the Department of State in the Florida Administrative Weekly¹³ and must provide certain

¹ Chapter 440, F.S.

² Section 440.13(12), F.S. The law creates the Three-Member Panel (CFO or CFO designee and 2 Governor appointees subject to Senate confirmation) that sets all MRAs.

³ Section 440.13(12), (14)(b), F.S. Chapter 69L-7, F.A.C. Currently there are three such manuals: the Florida Workers' Compensation Health Care Provider Reimbursement Manual (Rule 69L-7.020, F.A.C.), Florida Workers' Compensation Reimbursement Manual for Ambulatory Surgical Centers (Rule 69L-7.100, F.A.C.), and Florida Workers' Compensation Reimbursement Manual for Hospitals (Rule 69L-7.501, F.A.C.). Each manual is adopted by reference in the indicated rule.

⁴ Email correspondence with The National Council on Compensation Insurance (Jan. 26, 2016) on file with the Government Operations Appropriations Subcommittee.

⁵ Section 120.52(16); *Florida Department of Financial Services v. Capital Collateral Regional Counsel-Middle Region*, 969 So. 2d 527, 530 (Fla. 1st DCA 2007).

⁶ *Southwest Florida Water Management District v. Save the Manatee Club, Inc.*, 773 So. 2d 594 (Fla. 1st DCA 2000).

⁷ Section 120.52(17).

⁸ Section 120.54(1)(a), F.S.

⁹ Section 120.52(8) & s. 120.536(1), F.S.

¹⁰ *Save the Manatee Club, Inc.*, supra at 599.

¹¹ *Sloban v. Florida Board of Pharmacy*, 982 So. 2d 26, 29-30 (Fla. 1st DCA 2008); *Board of Trustees of the Internal Improvement Trust Fund v. Day Cruise Association, Inc.*, 794 So. 2d 696, 704 (Fla. 1st DCA 2001).

¹² Section 120.54(3)(a)1, F.S..

¹³ Section 120.55(1)(b)2, F.S.

information, including the text of the proposed rule, a summary of the agency's statement of estimated regulatory costs (SERC) if one is prepared, and how a party may request a public hearing on the proposed rule. The SERC must include an economic analysis projecting a proposed rule's adverse effect on specified aspects of the state's economy or increase in regulatory costs.¹⁴

The economic analysis mandated for each SERC must analyze a rule's potential impact over the 5 year period from when the rule goes into effect. First is the rule's likely adverse impact on economic growth, private-sector job creation or employment, or private-sector investment.¹⁵ Next is the likely adverse impact on business competitiveness,¹⁶ productivity, or innovation.¹⁷ Finally, the analysis must discuss whether the rule is likely to increase regulatory costs, including any transactional costs.¹⁸ If the analysis shows the projected impact of the proposed rule in any one of these areas will exceed \$1 million in the aggregate for the 5 year period, the rule cannot go into effect until ratified by the Legislature pursuant to s. 120.541(3), F.S.

Present law distinguishes between a rule being "adopted" and becoming enforceable or "effective."¹⁹ A rule must be filed for adoption before it may go into effect²⁰ and cannot be filed for adoption until completion of the rulemaking process.²¹ A rule projected to have a specific economic impact exceeding \$1 million in the aggregate over 5 years²² must be ratified by the Legislature before going into effect.²³ As a rule submitted under s. 120.541(3), F.S., becomes effective if ratified by the Legislature, a rule must be filed for adoption before being submitted for legislative ratification.

Impact of Rule

The Rule incorporates by reference the 2015 Edition of the Manual, providing for reimbursement of health care providers under the increased MRAs approved by the Three-Member Panel.

Effect of Proposed Change

The bill ratifies Rule 69L-7.020, F.A.C., allowing the rule to go into effect.

B. SECTION DIRECTORY:

Section 1: Ratifies Rule 69L-7.020, F.A.C., solely to meet the condition for effectiveness imposed by s. 120.541(3), F.S. Expressly limits ratification to the effectiveness of the rules. Directs the act shall not be codified in the Florida Statutes but only noted in the historical comments to each rule by the Department of State.

Section 2: Provides the act goes into effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

¹⁴ Section 120.541(2)(a), F.S.

¹⁵ Section 120.541(2)(a)1., F.S.

¹⁶ Including the ability of those doing business in Florida to compete with those doing business in other states or domestic markets.

¹⁷ Section 120.541(2)(a) 2., F.S.

¹⁸ Section 120.541(2)(a) 3., F.S.

¹⁹ Section 120.54(3)(e)6. Before a rule becomes enforceable, thus "effective," the agency first must complete the rulemaking process and file the rule for adoption with the Department of State .

²⁰ Section 120.54(3)(e)6, F.S.

²¹ Section 120.54(3)(e), F.S.

²² Section 120.541(2)(a), F.S.

²³ Section 120.541(3), F.S.

2. Expenditures:

The Department of Financial Services (DFS) Division of Risk Management (division) estimates that ratifying the 2015 edition of the Health Care Provider Reimbursement Manual will increase workers' compensation expenses for the division by \$2.1 million in Fiscal Year 2016-17, \$2.1 million in Fiscal Year 2017-18, and \$2.2 million in Fiscal Year 2018-19.²⁴ However, the fiscal year-end balance of the SRMTF (including the impact of HB 7073) will maintain a positive surplus cash balance in FY 2016-17 and FY 2017-18. In FY 2018-19, the REC projected negative cash balance will grow as a result of the bill.

State Risk Management Trust Fund			
	FY 2016-17	FY 2017-18	FY 2018-19
Beginning Balance	61,800,000	26,028,342	6,392,084
Estimated Revenue	193,500,000	193,500,000	193,500,000
TOTAL REVENUE	255,300,000	219,528,342	199,892,084
Estimated Expenditures	(227,200,000)	(211,000,000)	(215,100,000)
Impact of HB 7073	(2,071,658)	(2,136,258)	(2,202,758)
Estimated Year-end Balance	26,028,342	6,392,084	(17,410,674)

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

The impact to local government is indeterminate. Local governments who are responsible for paying workers' compensation claims or obtaining workers' compensation insurance will incur increased costs due to the increase in the maximum reimbursements for providers.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The impact to local government is indeterminate. Local governments who are responsible for paying workers' compensation claims or obtaining workers' compensation insurance will incur increased costs due to the increase in the maximum reimbursements for providers.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The legislation does not appear to require counties or municipalities to take any action requiring the expenditure of funds, reduce the authority that counties or municipalities have to raise revenue in the aggregate, nor reduce the percentage of state tax shared with counties or municipalities.

²⁴ Email correspondence with The Department of Financial Services (Jan. 26, 2016) on file with the Government Operations Appropriations Subcommittee.

2. Other:

No other constitutional issues are presented by the bill.

B. RULE-MAKING AUTHORITY:

The bill meets the final statutory requirement for the department to exercise its rulemaking authority concerning the periodic adjustment of Workers' Compensation health care provider reimbursement policies and rates. No additional rulemaking authority is required.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES