

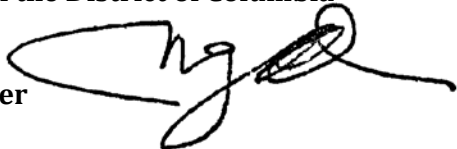
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: November 29, 2012

SUBJECT: Fiscal Impact Statement – “Fire and Emergency Medical Services
Employee Presumptive Disability Amendment Act of 2012”

REFERENCE: Bill 19-616 – Draft Committee Print shared with the Office of Revenue
Analysis on November 20, 2012

Conclusion

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The bill could increase the cost of the Police and Fire Clinic contract by up to \$11.1 million in FY 2013 and \$80.8 million over the four-year financial plan. The actual cost of the bill will depend on the contractual arrangements between the District and the Police and Fire Clinic. These arrangements are not known at this time.

The implementation of the bill is subject to its inclusion in an approved budget and financial plan.

Background

Currently, when a Fire and Emergency Medical Services (FEMS) employee suffers a performance of duty (“POD”) injury or illness, he or she receives treatment through the Police and Fire Clinic. Depending on the nature of the injury, the individual may continue to work on a limited-duty status or be placed on medical leave until he or she can perform a full range of duties after achieving maximum medical improvement. While an employee is on limited-duty or medical leave, FEMS covers their full-duty responsibilities through reassignments or overtime. The Director of FEMS can recommend a FEMS employee for retirement if that employee has been on limited-duty or medical leave for 192 days over a two year period. In that case, the Police and Fire Board will determine the level of disability at which the individual should be retired at as it relates to ongoing compensation and benefits. If an individual is retired at full disability related to a POD injury or illness, the District is responsible for full medical costs related to that POD injury or illness.

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The District of Columbia contracts with the Police and Fire Clinic for about \$11.7 million per year to provide treatment for POD injury or illnesses. Within this amount, FEMS contributes \$153 per month for each of its approximately 1,759 employees.

The bill creates a presumption of a POD injury, illness, or death for three categories of illnesses. The first category includes heart disease, hypertension, or respiratory disease. A FEMS member¹ ("member") is presumed to have suffered one of these illnesses in the line of duty if he or she is diagnosed with the illness, the illness results in the member's inability to perform a full range of duties or death, the member underwent a pre-employment physical,² and the member submits to a physical. The members' rights in dealing with these POD injuries are consistent with those outlined in Chapters 6A and 7 of Title 5 of the D.C. Official Code. Additionally, an EMS employee is covered by the same presumption requirements for these illnesses, but their disability rights are defined in the District of Columbia Workers' Compensation Act of 1979.³

The second category creates a presumption of POD injury or illness from cancer, including breast, pancreatic, rectal, testicular, throat, or ovarian cancers or leukemia. A member is presumed to have suffered one of these illnesses in the line of duty if he or she is diagnosed with the illness, has completed 10 years of service, the illness results in the member's inability to perform a full range of duties or death, the member underwent a pre-employment physical, and the member submits to a physical. Additionally, an EMS employee is covered by the same POD presumption.

The final category is the presumption of disability or death resulting from an infectious disease, including hepatitis, meningococcal meningitis, tuberculosis, or human immunodeficiency virus (HIV). A member is presumed to have suffered one of these illnesses in the line of duty if he or she has been diagnosed with one of the illnesses, has been exposed to blood or bodily fluids in the performance of duty, the illness results in the member's inability to perform a full range of duties or death, the member underwent a pre-employment physical, and the member submits to a physical. Additionally, an EMS employee is covered by the same POD presumption.

Aside from the requirements to presume disability previously described, the bill provides a scenario whereby a member or EMS employee would be disqualified from the presumption provided for in the bill. If a standard, medically-recognized vaccine, immunization, or prophylaxis exists for the prevention of any of the illnesses or injuries enumerated in the bill, the member or EMS employee is required to undergo the immunization or prophylaxis,⁴ and he or she refuses to undergo the immunization or prophylaxis.

Financial Plan Impact

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The bill could increase the cost of the Police and Fire Clinic contract by up to \$11.1 million in FY 2013 and \$80.8 million over the four-year financial plan. Because the cost of implementation will

¹ The bill defines a member as a sworn member of FEMS.

² The bill defines a pre-employment physical as the physical exam required under the Omnibus Public Safety Agency Reform Act of 2004, is conducted prior to making any claims, is conducted at and as prescribed by the Police and Fire Clinic.

³ Effective July 1, 1980 (D.C. Law 3-77; D.C. Official Code § 32-1501(8)).

⁴ Members or EMS employees are exempt if he or she has a written declaration from his or her physician stating that the immunization or prophylaxis would pose a significant risk to the individual's health.

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depend on the contractual decisions, it is very hard to provide a more precise estimate at this time. For this reason, this fiscal impact statement provides a range of estimates.

The most significant cost component associated with implementation of this bill relates to the cost of medical services. First, the Police and Fire Clinic will need to include new screenings in their pre-employment and annual physicals. For those illnesses or injuries enumerated in the bill that have an available screening, the additional cost would be \$2,256 per screening, or \$3,968,300 per year.

Additionally, the Police and Fire Clinic will hire 3 additional employees to manage an expanded network of specialized providers at a cost of \$485,600 per year.

Finally, the premiums FEMS pay per employee are likely to increase because of the need to bring specialty service providers into the Police and Fire Clinic's network of providers. Currently, the Clinic provides no specialty treatment, and therefore has no providers in its network that could meet the needs of such POD injuries or illnesses.

Adding these services to the Clinic's network are likely to be costly. For example, according to a Consumer Reports study, the average family without prescription drug coverage pays \$63 to \$91 per month on drugs.⁵ Some cancer drugs, by comparison, could cost up to \$10,000 per month.⁶ Also, a 2006 study⁷ estimates the lifetime cost of HIV treatment to be approximately \$618,900 for adults. There are numerous other examples that would show costs associated with treating the illnesses and injuries outlined in the bill are more expensive than standard medical issues.

In order to calculate the potential increased cost of providing services for these illnesses and injuries, the Office of Revenue Analysis considered what it might cost to cover an HMO equivalent plan, similar to what is provided to District employees, and the Pre-existing Condition Insurance Program⁸ (PCIP) as provided for in the Federal Affordable Care Act. The District⁹ pays an average of \$522 per month for an HMO plan. For 1,759 FEMS employees that have access to the Police and Fire Clinic, this would be an annual cost of approximately \$7.8 million. However, since FEMS employees are considered a riskier population for healthcare coverage, PCIP is another program to consider. An average of monthly premium for ten states¹⁰ in PCIP is \$993 per individual for a total annual cost of approximately \$17.7 million. This provides a range of potential costs associated with adding these higher cost service providers to the Police and Fire Clinic network of providers of \$7.8 to \$17.7 million.

Additional costs will arise from the need to cover the full-duty responsibilities of members or EMS employees through reassignments or overtime. Since these covering of responsibilities occurs with current POD injuries and illness and the Office of Revenue Analysis cannot estimate an increase in the number of members or EMS employees who may be covered under this bill, these costs are assumed to be part of ongoing FEMS operations.

⁵ Consumer Reports annual prescription drug poll (September 13, 2012).

⁶ According to the American Cancer Society.

⁷ The lifetime cost of current human immunodeficiency virus care in the United States, Department of Public Health, Weill Medical College of Cornell University (2006).

⁸ More information can be found at www.pcip.gov.

⁹ This includes the employee's share at 25 percent and the District's share at 75 percent.

¹⁰ ORA looked at 5 states under the federally run program and 5 states that implemented state programs.

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Cost of Bill 19-616, Fire and Emergency Medical Services Employee Presumptive Disability Amendment Act of 2012					
FY 2013 to FY 2016					
(\$ thousands)^c					
	FY 2013^a	FY 2014	FY 2015	FY 2016	Total
Cost of Increased Medical Services and Providers	\$3,895 to \$8,861	\$7,976 to \$18,147	\$8,167 to \$18,583	\$8,339 to \$18,973	\$28,377 to \$64,564
Cost of Police and Fire Clinic Oversight	\$243	\$498	\$510	\$521	\$1,772
Cost of Enhanced Physical Screenings ^b	\$1,984	\$4,064	\$4,162	\$4,249	\$14,459
Potential Low Range Costs	\$6,122	\$12,537	\$12,838	\$13,108	\$44,605
Potential High Range Costs	\$11,088	\$22,709	\$23,254	\$23,742	\$80,793

Table Notes

^a The analysis assumes the contract would be modified on April 1, 2013.

^b It is expected the enhanced screenings will be performed during the annual FEMS physicals.

^c All amounts are increased based on CPI in FY 2014 through FY 2016

Lastly, the bill specifically applies to members and EMS employees. However, it is important to note that this presumption could be sought by other high risk employee groups such as Metropolitan Police Department members. Should these presumptions be applied to that or other groups in the future, these costs could grow significantly.