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

Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Phil Mendelson** **Chairman, Council of the District of Columbia**
FROM:	**Jeffrey S. DeWitt** **Chief Financial Officer**
DATE:	**March 3, 2016**
SUBJECT:	**Revised Fiscal Impact Statement – Fire and Emergency Medical Services Employee Presumptive Disability Amendment Act of 2012**
REFERENCE:	**D.C. Law 19-331**

This revised Fiscal Impact Statement, prepared on request from the D.C. Council, incorporates data and findings from similar programs in other states and updated information from District agencies. This fiscal impact statement replaces the one issued by the Office of Chief Financial Officer on November 29, 2012.

The District enacted D.C. Law 19-331 in May of 2013, but since the District has not yet included the costs associated with the law in an approved budget, none of the provisions of D.C. Law 19-331 is in effect.

Conclusion

Funds are not sufficient in the fiscal year 2016 through fiscal year 2019 budget and financial plan to implement the law.

Implementation of the law beginning on October 1, 2016, will increase the District's expenditures by $6.9 million fiscal year 2017 and $30.1 million over the FY 2017 through FY 2020 financial plan period.

Background

The *Fire and Emergency Medical Services Employee Presumptive Disability Amendment Act* created a presumption of a performance of duty (POD) injury, illness, or death for three categories of illnesses. Under the law, the District would cover the full cost of any medical treatment related to a POD injury or illness. The illnesses covered under D.C. Law 19-331 include:

- Cancer: breast, pancreatic, rectal, testicular, throat, or ovarian cancers or leukemia;
- Chronic Diseases: heart disease, hypertension, or respiratory disease; and;

- Communicable Diseases: hepatitis, meningococcal meningitis, tuberculosis, or human immunodeficiency virus (HIV).

A sworn Fire and Emergency Medical Services (FEMS) member ("member") is presumed to have suffered from one of these illnesses in the line of duty if he or she is diagnosed with the illness, the member underwent a pre-employment physical that did not indicate any sign of the illness,[1] and the member had agreed to receiving a physical examination every year. Additionally, if the POD injury or illness renders the firefighter unable to perform his her or duties or causes the firefighter's death, then the firefighter would be eligible for early retirement benefits.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2016 through fiscal year 2019 budget and financial plan to implement the law. Implementation of the law beginning on October 1, 2016, will increase District's expenditures by $6.9 million fiscal year 2017 and $30.1 million over the FY 2017 through FY 2020 financial plan period.

The fiscal impact of the District's law is dependent on the type of conditions covered, the number of qualifying disability claims, the average cost of treatment for each claim, and the cost of expanding pre-screening tests to include diseases covered under the law. The National Council on Compensation Insurance published research that suggests that there is not a one-size-fits-all approach to calculating the costs of firefighter presumptive disability coverage.[2] Although many jurisdictions have laws similar to the District's Fire and Emergency Medical Services Employee Presumptive Disability Amendment Act, there is limited data collection and reporting on costs associated with presumption coverage.[3] In instances where costs are reported for presumption laws, they are typically calculated at the state level. But state level calculations are not always useful: according to the Federal Bureau of Labor Statistics, 95 percent of career firefighters were employed by local governments in 2014, whereas only 2 percent were employed by state governments.[4] This suggests cost calculations that only use state firefighters underestimate the financial burden on local governments.

In the absence of a standard model, our estimate uses research conducted by the Center for Disease Control, the National Cancer Institute, and the International Association of Fire Fighters to estimate disease incidence and prevalence among the District's FEMS members. After calculating the annual expected number of cases covered under the law, we conclude that funds are not sufficient in the FY 2017 through FY 2020 budget and financial plan to implement the law. The law increases the cost of the Police and Fire Clinic contract by $6.9 million in FY 2017 and $30.1 million over the four-year financial plan.

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[1] 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 Policy and Fire Clinic.
[2] NCCI White Paper on Firefighter Presumptive Coverage. National Council on Compensation Insurance. 2014. Available:
http://kslegislature.org/li_2014/b2013_14/committees/ctte_s_cmrce_1/documents/testimony/20140218_07.pdf
[3] Connecticut General Assembly Office of Legislative Research. Available:
https://www.cga.ct.gov/2016/rpt/pdf/2016-R-0018.pdf
[4] Occupational Employment Statistics for Firefighters. available:
http://www.bls.gov/oes/current/oes332011.htm#ind

Cancer Treatment Cost

The number of cancer treatment claimants is calculated by using the 2012 Centers for Disease Control and Prevention and National Cancer Institute District of Columbia cancer incidence rates by cancer type[5] adjusted for increased occupational risk. The risk adjustment is based on findings by the National Institute for Occupational Safety and Health's study of 20,000 firefighters over a 59 year period.[6] Using this methodology, the District is estimated to have approximately five cancer claimants annually out of the 1,334 FEMS members eligible under the law.

The cost of treating claimants is estimated by using the National Cancer Institute report on the annualized mean treatment costs by cancer type.[7] Based on the expected incidence by cancer type and the cost of treating each type of cancer, the District is estimated to pay approximately $562,000 in FY 2017 and $2.4 million over the four-year financial plan.

Chronic Disease Treatment Cost

The number of claimants is estimated by using the prevalence rate of chronic disease in the District of Columbia as reported in the District of Columbia Department of Health's Behavioral Risk Factor Surveillance System and applying the rate to the number of eligible FEMS members.[8] Using this methodology, the District can expect to have approximately 500 chronic disease claimants on an annual basis.

Treatment costs estimated using the Centers for Disease Control and Prevention 2013 Chronic Disease Cost Calculator for the District of Columbia.[9] Based on the expected prevalence rate by chronic disease, the District is estimated to pay approximately $3.3 million in FY 2017 and $15.1 million over the four-year financial plan.

Communicable Disease Treatment Cost

The number of claimants is calculated by using an International Association of Fire Fighters survey of firefighter exposure to communicable disease and applying the exposure rate to the number of eligible FEMS members.[10] Using this methodology, the District can expect to have approximately 27 infectious disease claimants on an annual basis.

In the absence of data on disease contraction rates, we assume that all exposures require treatment.

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[5] National Cancer Institute State Profiles. available: http://statecancerprofiles.cancer.gov/quick-profiles/index.php?statename=districtofcolumbia
[6] Centers for Disease Control and Prevention. available: http://www.cdc.gov/niosh/firefighters/pdfs/Daniels-et-al-(2015).pdf
[7] National Cancer Institute Annual Cost Projections: available: http://costprojections.cancer.gov/annual.costs.html
[8] DC Department of Health. available: http://doh.dc.gov/service/behavioral-risk-factor-surveillance-system
[9] Centers for Disease Control and Prevention Chronic Disease Cost Calculator. available: http://www.cdc.gov/chronicdisease/calculator/
[10] International Association of Firefighters Infection Control Policy. available: http://infdisease.iaff.org/policy.aspx

Treatment costs are based off of the Healthcare Cost and Utilization Project and Centers for Disease Control and Prevention average cost studies.[11] Based on the expected exposure rate by pathogen, the District is estimated to pay approximately $500,000 in FY 2017 and $2.2 million over the four-year financial plan.

Pre-Employment Screening Price Increase and Additional FTEs

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 $2,578 per screening for each new employee. On average, FEMS hires approximately 50 new members every fiscal year. This would equal an annual cost of $128,913 in FY 2017 and $542,552 over the four-year financial plan.

Additionally, the Police and Fire Clinic will hire 3 additional employees to manage pre-screening and exposure to hazardous materials claims. This is estimated to cost of $536,630 in FY 2017 and $2.2 million over the course of the four-year financial plan.

Retirement Plan Cost Increase

According to Cavanaugh McDonald, FEMS pension liabilities as a result of the law will increase by 1.21 percent of payroll. Payroll in FY 2016 for FEMS is $149 million so the estimated costs of increased pension liabilities is $1.8 million in FY 2017 and $7.5 million over the course of the four-year financial plan.

Fire and Emergency Medical Services Employee Presumptive Disability
Revised Fiscal Impact, fiscal years 2017 - 2020

Fiscal Impact*	FY17	FY18	FY19	FY20	Total
Cancer Treatment Cost	*$562,872*	*$601,041*	*$631,766*	*$656,809*	*$2,452,488*
Chronic Disease Treatment Cost	*$3,375,946*	*$3,700,067*	*$3,927,779*	*$4,115,418*	*$15,119,210*
Communicable Disease Treatment Cost	*$502,194*	*$550,409*	*$586,028*	*$612,196*	*$2,250,827*
Total Treatment Cost	$4,441,012	$4,851,517	$5,145,573	$5,384,422	$19,822,525
Pre-Employment Screening Price Increase	$128,913	$133,296	$137,828	$142,514	$542,552
FPC Additional FTE Cost	$536,630	$552,729	$569,311	$586,390	$2,245,060
Retirement Plan Cost Increase	$1,803,481	$1,857,585	$1,913,313	$1,970,712	$7,545,091
Grand Total**	$6,905,663	$7,390,335	$7,760,922	$8,078,708	$30,135,627

Table Notes:
*Assumes an October 1, 2016 implementation date.
**Costs were adjusted by the health care CPI (3.4%) to reflect 2015 dollars.

[11] Healthcare Cost and Utilization Project. available: http://www.ahrq.gov/research/data/hcup/index.html