

- SUBJECT:** Requiring workers' comp benefit payments by electronic funds transfer
- COMMITTEE:** Business and Industry — committee substitute recommended
- VOTE:** 9 ayes — Brimer, Dukes, Corte, George, Giddings, Ritter, Siebert, Solomons, Woolley  
0 nays
- WITNESSES:** For — None  
Against — Jim Thayer, Liberty Mutual Insurance Co.  
On — Richard Geiger, AFACT
- BACKGROUND:** The Texas Workers' Compensation Act was enacted in 1989. The Texas Workers' Compensation Commission (TWCC) monitors the delivery of benefits to injured workers and eligible family members of workers killed on the job.  
  
Current law requires workers' compensation insurance carriers to provide temporary, impairment, and lifetime income benefit payments weekly; and to provide supplemental income benefit payments monthly. TWCC rules currently give insurance carriers the option of issuing payments by check or by electronic funds transfer.
- DIGEST:** HB 729 would require insurance carriers to offer workers' compensation benefit payments by electronic funds transfer at the request of an employee entitled to benefits, starting with benefits that come due on or after September 1, 2001. Insurance carriers would have to provide the necessary forms for electronic transfer at the request of an employee entitled to benefits.  
  
The Texas Workers' Compensation Commission would have to adopt rules, in consultation with the Texas Department of Information Resources, by December 1, 1999, to implement electronic funds transfer of benefits. The rules would have to specify the minimum period of benefits that would qualify for the option of electronic funds transfer.

HB 729 also would specify timeliness guidelines for insurance carrier payments of workers' compensation benefits. An insurance carrier would be considered to have paid benefits in a timely manner if:

- ! a payment made by electronic funds transfer was deposited in the employee's account on or before the benefit payment due date;
- ! a mailed payment was postmarked on or before the benefit payment due date; or
- ! a payment to be picked up by the employee was available on or before the opening of business on the benefit payment due date.

HB 729 would take effect September 1, 1999, except the section on timeliness of payments would take immediate effect if finally the bill is passed by a two-thirds record vote of the membership of each house.

**SUPPORTERS  
SAY:**

Electronic funds transfer has become more prevalent as technology has improved, reducing paper usage and shortening the lag time between the date that payments are issued and when they actually are received. Although TWCC rules have allowed insurance carriers to pay benefits to employees by electronic funds transfer since 1991, none currently do so.

HB 729 would increase the reliability of workers' compensation payments. It would establish guidelines to ensure employees entitled to benefits receive payments in a timely manner. Current law requires that payments be issued promptly, but does not specify when the payment must be mailed.

Many injured employees entitled to workers' compensation benefits have experienced delays in receiving payments. While payments are issued on the due date, employees must wait for the payment to arrive by mail. Through electronic transfer, employees entitled to benefits would receive payments earlier, on the date the payment is due. However, nothing in the bill would prevent delivery by mail if the employee preferred this method. Electronic transfer would occur only at the employee's request.

HB 729 would require that two agencies with considerable expertise, the TWCC, along with the Texas Department of Information Resources, would implement rules on the details of electronic funds transfer procedures, including the minimum time period what would qualify for sufficient duration.

Many Texas agencies currently are offering, and some require, that employee paychecks be sent by electronic funds transfer. The state already issues a standard form that is accepted by all banks and credit unions to set up the electronic funds transfer to individual accounts. Injured workers deserve the same consideration and could benefit by the same treatment.

OPPONENTS  
SAY:

Insurance carriers who provide workers' compensation insurance have not offered to pay benefits by electronic funds transfer because there is no demand from employees receiving such benefits. Also, a large percentage of employees receiving workers' compensation benefits do not have bank accounts.

HB 729 could increase costs for insurance carriers that provide workers compensation payments. HB 729 does specify requirements concerning electronic funds transfer, including whether insurance companies would be required to send out confirmation stubs in addition to sending payments via electronic funds transfer. If the TWCC, in making rules, required confirmation stubs, this would only add to insurance companies' cost in issuing benefit payments.

HB 729 does not define "sufficient duration" in requiring insurance carriers to offer electronic funds transfer to employees entitled to benefits. If the TWCC established too short a time period to qualify as "sufficient duration," the administrative cost would outweigh the benefits of electronic funds transfer.

HB 729 does not provide details on the type of form insurance companies would be required to use. This bill does not state whether a standard form would be required or whether it would vary from bank to bank. If forms are not standardized, insurance companies would have to provide multiple forms to meet specific bank requirements, thus increasing administrative costs and paper usage.

NOTES:

Under the committee substitute, the bill would apply only to benefits that come due on or after September 1, 2000, instead of January 1, 2000, in the original bill. The substitute also changed the effective date for the timeliness requirements to immediately upon passage, instead of September 1, 1999, and added the requirement that the Texas Workers' Compensation Commission consult with the Texas Department of Information Resources in adopting rules for electronic transfer.

A related bill, HB 2511 by Giddings, which passed the House on April 16, would require the executive director of the Texas Workers' Compensation Commission to appoint a taskforce to develop a plan for the electronic exchange of information. The bill would require the plan to achieve a 30 percent reduction in paper communication by January 1, 2002, and another 30 percent reduction by January 1, 2003.