

Senate Fiscal Agency
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Senate Bill 762 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Mike Rogers
Committee: Human Resources, Labor, Senior Citizens and Veterans Affairs

Date Completed: 1-12-00

RATIONALE

One of the purposes of the Worker's Disability Compensation Act is to provide for prompt and efficient payment to employees for work-related injuries. According to the Bureau of Worker's Disability Compensation, however, it can take up to a year before a disputed claim is heard by a magistrate. Under the Act, most claims must first be submitted to mediation, where the parties meet with a neutral third party (the mediator) in an attempt to resolve their differences in an informal setting. If a matter is not settled during mediation, the unresolved claim will be assigned to a magistrate and given a formal hearing. Although mediators are able to resolve many disputes, mediators do not have the authority to approve redemption agreements. Under a redemption agreement, the injured employee accepts a lump sum payment and gives up his or her claim against the liable employer. All redemption agreements presently must be approved by a magistrate. In order to reduce delays in the payment approval process, it has been suggested that mediators be authorized to approve redemption agreements in certain cases.

CONTENT

The bill would amend the Worker's Disability Compensation Act to allow a mediator to approve a redemption agreement for \$5,000 or less. A redemption agreement of more than \$5,000 could be approved only by a worker's compensation magistrate.

The bill specifies that legal counsel would not be required for either party in cases of redemption of \$5,000 or less that were heard by a mediator.

Currently, a redemption agreement may be approved by a worker's compensation magistrate if the magistrate finds that the agreement serves the Act's purpose, is just and proper, and is in the injured employee's best interests; the agreement is voluntarily agreed to by all parties; an application regarding a dispute, if filed with the Bureau, alleges a compensable cause of action; and the employee is fully aware of his or her rights under the Act and the consequences of the agreement. Under the bill, a mediator also would have to make the same findings. In determining whether to approve a redemption agreement, a mediator would have to consider the same factors that must be considered by a magistrate and place those factors on the record.

Under the Act, the Director of the Bureau of Worker's Disability Compensation may or, upon the request of a party to the action, must review the order of a magistrate approving or rejecting a redemption agreement. A magistrate's order is final unless review is ordered or requested within 15 days after the order is mailed to the parties; and an order of the Director may be appealed to the Appellate Commission within 15 days after it is mailed to the parties. The bill would refer to the order of a magistrate or a mediator, and would allow an order to be either mailed or personally served on the parties.

MCL 418.836 & 419.837

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

According to the Bureau, the number of redemption hearings has ranged from 16,146 in 1995 to 13,696 in 1998, and each year approximately 30% of these hearings involved redemptions of \$5,000 or less. By authorizing mediators to approve redemption agreements that did not exceed \$5,000, the bill would expedite the settlement of claims, ensure

prompt payment to injured claimants, and reduce the workload of workers' compensation magistrates. This would enable magistrates to hear the remaining cases in a more timely manner and focus on more complex disputes.

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.