



Department of Financial Services
Office of the General Counsel

DEPARTMENT OF FINANCIAL SERVICES
STATEMENT OF ESTIMATED REGULATORY COSTS

Instructions.

If the SERC Checklist requires a SERC pursuant to section 120.541(2), F.S., you MUST complete a Statement of Estimated Regulatory Costs (SERC). Failure to fully answer all the questions on the SERC is a material failure to follow rulemaking procedures and may subject the Department to a rule challenge and payment of attorney's fees.

All analysis should relate to the *proposed rule* and should not be based upon the statute.

Please use extra sheets if necessary. Show your work.

Note: Regardless of the answers to A. (1) – (3), you must provide the economic analysis you completed to obtain those answers.



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RULE: 69L-7.730 and 69L-7.740

A. Based on the economic analysis presented below, answer whether the rule directly or indirectly:

(1) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after implementation* of the rule? Please use the worksheet to perform calculations. (§120.541(2)(a)(1), F.S.)

- (a) Economic growth: Yes X No
- (b) Private-sector job creation or employment: Yes X No
- (c) Private-sector investment: Yes X No

(2) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after the implementation* of the rule? Please use the worksheet to perform calculations. (§120.541(2)(a)(2), F.S.)

- (a) Business competitiveness⁺: Yes No X
- (b) Productivity: Yes No X
- (c) Innovation: Yes No X

(3) Is likely to increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation* of the rule? (§120.541(2)(a)(3), F.S.) Please use the worksheet to perform calculations.

Yes X No

The estimated impact to workers' compensation carriers over five years is \$42.8 million, or \$8.6 million per year.

* This includes adverse impacts and regulatory costs estimated to occur within 5 years after the effective date of the rule. However, if any provision of the rule is not fully implemented upon the effective date of the rule, the adverse impacts and regulatory costs associated with such provision must be adjusted to include any additional adverse impacts and regulatory costs estimated to occur within 5 years after implementation of the provision. (Section 120.541(5), F.S.)

⁺The analysis for business competitiveness should include an analysis of the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets.

B. Provide both:

(1) A good faith estimates of the number of individuals and entities likely to be required to comply with the rule. (§120.541(2)(b), F.S.)

Eight-hundred and ninety-one workers' compensation claim administrators (407 insurers, 385 self-insurers, and 99 third party administrators) in Florida, as of May 11, 2022, will be affected by the rule changes for the purposes of issuing proper reimbursements.

(2) A general description of the types of individuals likely to be affected by the rule. (§120.541(2)(b), F.S.)

It is anticipated that this rule will impact workers' compensation carriers, self-insurers, third party administrators, and bill review companies.

C. Provide a good faith estimate of:

(1) The cost to the Department to implement and enforce the rule. (§120.541(2)(c), F.S.)

- None. To be done with the current workload and existing staff.
- Minimal (provide a brief explanation below).
- Other (provide an explanation for the estimate and methodology used).

(2) The cost to any other state and local government entity to implement and enforce the rule. (§120.541(2)(c), F.S.)

- None. The rule will only affect the Department.
- Minimal (provide a brief explanation below).
- Other (provide an explanation for the estimate and methodology used).

(3) Any anticipated effect on state or local revenues. (§120.541(2)(c), F.S.)

- None
- Minimal (provide a brief explanation below).
- Other (provide an explanation for the estimate and methodology used).

D. Provide a good faith estimate of the transactional costs likely to be incurred by individuals and entities (including local government entities) required to comply with the requirements of the rule. "Transactional costs" include filing fees, the cost of obtaining a license, the cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs incurred, the cost of monitoring or reporting, and any other costs necessary to comply with the rule. (§120.541(2)(d), F.S.)

None. The rule will only affect the Department.

Minimal (provide a brief explanation below).

Other (provide an explanation for the estimate and methodology used).

Workers' compensation carriers, third-party administrators, and medical bill review companies will incur indeterminate transactional costs to update their existing billing systems. With respect to estimating additional impacts of the proposed rule, the Department extrapolated prescription drug cost data from the years 2016-2020 to establish baseline carrier costs of pharmacy-dispensed prescription drugs prior to the proposed rule-change. To this, the Department added-in additional costs associated with physician dispensing, as provided in chapter 440, Florida Statutes. These cost estimates were then fed into economic RIMS II multiplier software licensed by the Federal Bureau of Economic Analysis to establish impacts to sector-specific stakeholders.

E. Provide an impact analysis on small business and small counties and small cities:

(1) "Small business" is defined by section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, have a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall include both personal and business investments. (§120.541(2)(e), F.S.)

Impact analysis on small business:

The rule will not impact small businesses.

(2) A "small city" is defined by section 120.52, F.S., as any municipality that has an unincarcerated population of 10,000 or less according to the most recent decennial census. A "small county" is defined by section 120.52, F.S., as any county that has an unincarcerated population of 75,000 or less according to the most recent decennial census. (§120.541(2)(e), F.S.)

Impact analysis on small counties and small cities:

The rule will not impact small counties or small cities.

F. Provide any additional information that the Department determines may be useful.

None.

Additional Information:

G. State whether any lower cost regulatory alternatives have been received.

Yes _____ No

If yes, provide a description of each and a statement adopting the alternative or a statement of the reasons for rejecting the alternative in favor of the proposed rule.

_____ A regulatory alternative was received from _____.

_____ Adopted in its entirety.

_____ Rejected. Describe what alternative was rejected and provide a statement of the reasons for rejecting that alternative.