House Bill 6863

AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 2025

Testimony of the Department of Administrative Services

Appropriations Committee

April 10, 2025

Senator Osten, Representative Walker, Senator Somers, Representative Nuccio, and distinguished members of the Appropriations Committee. We thank you for the opportunity to testify on **House Bill 6863: An Act Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2025.**

Personal Services Account

The Personal Services Account shortfall in the amount of $4.5 million is due to several factors, including accelerated hiring, contractual obligations for step and COLA increases in FY2025, and higher than normal accumulated leave payouts.

Over the past year, DAS has made efforts to mitigate the deficiency, including, but not limited to, placing a hold on the hiring of temporary worker retirees (TWRs) and only requesting positions that, if not filled, would (1) jeopardize the safety of workers, customers, or the public, (2) would disrupt government operations, including those of our partner agencies, or (3) increase risk of damage to structures, security, etc.

DAS continues to take these steps and others to reduce the shortfall through the end of this fiscal year and position the agency for success in the forthcoming biennium. Specifically, DAS is reviewing all vacancies to determine which refills are critical to functioning of the agency DAS is also considering operational efficiencies and opportunities to refill positions at a lower level to achieve savings.

OE Expenses

The $1.0 million Other Expenses shortfall is primarily due to contractual obligations associated with operating and maintaining DAS-owned facilities. Increases in utilities, including electricity, water, sewer, natural gas, and oil, as well as premises repair services/supplies, are all contributing factors to this shortfall. DAS will closely monitor any requisitions coming in through the end of the year to ensure that only critical needs that cannot be deferred until FY 2026 are moved forward.

DAS Workers' Compensation (GF and STF)

The $562,120 deficit in the General Fund Workers' Compensation Administrator account is attributable to an increase in DAS's negotiated contract with the state's Third-Party Administrator for Workers' Compensation. The Governor's FY 2025 Midterm Adjustment budget proposed necessary funding, but without an adopted revision it created the deficit we are seeing today.

With regard to Workers' Compensation Claims, a net lapse of $1.2 million is anticipated; with a shortfall in the DOC, DMHAS and UCONN line items (which is more than offset by the forecasted lapses in the remaining accounts).

While each agency has specific contributing factors, several overarching trends are consistent across all three:

- a general increase in the cost of medical care;
- an increase in the volume of claims; and
- sustained growth in indemnity payments.

Agency Specifics:

- DOC's shortfall is driven by an 11% increase in indemnity costs between FY 2024 and FY 2025, coupled with substantial growth in medical benefit expenditures. Most notably, there has been a 307% increase in nursing care costs, 220% increase in psychiatry-related payments (primarily due to PTSD claims from DOC Health Services Unit now eligible for PTSD benefits under PA 23-35), a 52% increase in neurosurgery payments, and a 30% increase in orthopedic surgery payments.
- DMHAS has seen consistently high claims activity throughout the fiscal year. The agency has incurred significant medical costs, driven in part by multiple high-cost procedures including complex spinal and orthopedic surgeries. In tandem, the agency continues to face higher than average indemnity payments due to the volume and severity of claims.
- UCONN has experienced a significant increase in both volume and cost of surgeries. The number of orthopedic surgeries has increased 52% from FY 2024 to FY 2025, with associated costs increasing by 202%. However, a reduction in temporary total (TT) and temporary partial (TP) claims has helped mitigate the overall impact, preventing a more severe deficiency.

For the Special Transportation Fund (STF), a $1.5 million shortfall is anticipated due to increasing medical and indemnity costs, driven by rising medical expenses, salary adjustments, and a Supreme Court decision for a Department of Transportation (DOT) claim from 1994 (approximately $300,000 of the total shortfall). These cost increases align with established expenditure trends.

Thank you for the opportunity to submit testimony and present before you today. I am happy to answer any questions of the committee.