

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 119

(Chair, Finance Committee)(By Request - Departmental -
Subsequent Injury Fund Board)

Finance

Economic Matters

Workers' Compensation - Subsequent Injury Fund - Billing Address Notification

This departmental bill requires employers or their insurers that are liable for payment of Subsequent Injury Fund (SIF) assessments to notify SIF of their current address on or before July 1, 2014, and on or before July 1 of each subsequent year. Additionally, SIF must be notified of any change of billing address within 30 days of the change of address.

The bill takes effect June 1, 2014.

Fiscal Summary

State Effect: None. The bill does not affect State finances.

Subsequent Injury Fund Effect: Negligible decrease in expenditures due to increased efficiency related to payment collection. Revenue collection efficiencies are gained due to payments being received in a timely manner.

Local Effect: None. The bill does not affect local finances.

Small Business Effect: The Subsequent Injury Fund Board has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law/Background: SIF was established in 1957, and it exists to encourage the hiring of workers with preexisting disabilities by assuming financial responsibility for a

preexisting disability in the event of an accidental workplace injury. SIF reviews and investigates workers' compensation claims when they involve preexisting health conditions. Under these circumstances, employer liability is limited to damages caused by the current injury, and SIF incurs any additional liability from the combined effects of the current and prior injuries.

The Workers' Compensation Commission imposes an assessment of 6.5% payable to SIF against an employer, its insurer, or the Property and Casualty Guaranty Corporation, on all compensation awards for permanent disability or death as well as each amount payable under a settlement agreement approved by the commission. This payment is in addition to any payment of compensation to a covered employee. This is the sole mechanism for funding SIF, and it pays for both workers' compensation claims and SIF administrative costs.

SIF reports that frequently employers or insurers required to pay into the fund do not have their correct address on file. Sometimes payments are made by third parties that are unknown to SIF or payments arrive late after multiple notices have been sent. Occasionally, the correct payor is never located and the money owed to SIF is never collected. These issues lead to late payments and increased administrative costs for SIF. For example, in 2013, 40 assessments totaling \$50,235 went unpaid for more than a month when Baltimore County failed to notify SIF of its insurer change. Additionally, that year, \$25,063 in assessments went unpaid for several months when SIF was not notified by the Washington Metro Area Transit Authority that there had been an insurer change.

Subsequent Injury Fund Effect: SIF expenditures decrease negligibly due to increased efficiency related to payment collection. Staff time, as well as administrative resources such as stationary and postage, are saved as follow-ups, and multiple notices of payment are necessary less often in the collection of owed payments. Additionally, with the correct address information on file, efficiencies are gained as payments to SIF, which are its sole source of funding, are collected in a timely manner.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Injured Workers' Insurance Fund/Chesapeake Employers' Insurance Company, Subsequent Injury Fund, Uninsured Employers' Fund, Workers' Compensation Commission, Department of Legislative Services

Fiscal Note History: First Reader - January 14, 2014
mlm/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Workers' Compensation – Subsequent Injury Fund – Billing
Address Notification

BILL NUMBER: SB 119

PREPARED BY: John Ulrich, Director
Subsequent Injury Fund

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS