

**C98F00**  
**Workers' Compensation Commission**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 13</u></b> <b><u>Actual</u></b>	<b><u>FY 14</u></b> <b><u>Working</u></b>	<b><u>FY 15</u></b> <b><u>Allowance</u></b>	<b><u>FY 14-15</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
Special Fund	\$13,638	\$14,129	\$14,195	\$66	0.5%
Contingent & Back of Bill Reductions	0	0	-110	-110	
<b>Adjusted Special Fund</b>	<b>\$13,638</b>	<b>\$14,129</b>	<b>\$14,085</b>	<b>-\$44</b>	<b>-0.3%</b>
 <b>Adjusted Grand Total</b>	 <b>\$13,638</b>	 <b>\$14,129</b>	 <b>\$14,085</b>	 <b>-\$44</b>	 <b>-0.3%</b>

- The fiscal 2015 allowance decreases by \$43,690, or approximately 0.3%, compared to the current year working appropriation.

***Personnel Data***

	<b><u>FY 13</u></b> <b><u>Actual</u></b>	<b><u>FY 14</u></b> <b><u>Working</u></b>	<b><u>FY 15</u></b> <b><u>Allowance</u></b>	<b><u>FY 14-15</u></b> <b><u>Change</u></b>
Regular Positions	121.00	121.00	121.00	0.00
Contractual FTEs	<u>6.56</u>	<u>11.25</u>	<u>11.25</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>127.56</b>	<b>132.25</b>	<b>132.25</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	6.12	5.06%
Positions and Percentage Vacant as of 12/31/13	19.50	16.12%

Note: Numbers may not sum to total due to rounding.

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- Both the number of regular positions and contractual full-time equivalents remains unchanged in the fiscal 2015 allowance.
- Workers’ Compensation Commission (WCC) is budgeted for a 5.06% turnover rate, which would require 6.12 open positions for all of fiscal 2015. WCC had 19.5 vacancies on December 31, 2013, a 16.12% turnover rate.

## ***Analysis in Brief***

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### **Major Trends**

***Goal for Setting Hearings in a Timely Fashion Falls Off the Mark:*** In fiscal 2013, WCC fell short of its goal of providing its customers nonpermanency hearings within 60 days of their filing date, with only 83% of the nonpermanency hearings set within the 60-day period, missing the 90% goal.

***Electronic Document Flow Increases Incrementally:*** WCC saw an increase to 46.8% in the share of forms filed electronically. The greater the percentage of eForms utilized by commission users, the greater the agency’s savings on postage and paper, and the speedier the clientele’s processing time. WCC has set a goal of 50% of all forms filed electronically by fiscal 2015 and anticipates meeting this goal one year early, by the end of fiscal 2014.

### **Recommended Actions**

1. Concur with Governor’s allowance.

### **Updates**

***Caseload Levels and Insurer Assessments:*** The total number of claims filed increased slightly in fiscal 2013. A larger payroll base and a lower assessment in fiscal 2013 led to a small drop in WCC’s assessment rate for insurers.

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***Operating Budget Analysis***

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**Program Description**

The Workers' Compensation Commission (WCC) administers the State Workers' Compensation Law that requires most Maryland employers to obtain and maintain insurance to provide benefits for employees who sustain an accidental personal injury, occupational disease, or death in the course of their employment. WCC receives, processes, and adjudicates claims for injured employees and refers appropriate claimants for medical and rehabilitation vocational services. WCC is a special fund agency that covers expenditures with an annual maintenance assessment levied on insurance carriers and self-insured employers. The WCC mission addresses the need for the effective and timely delivery of services provided to its customers; a system for electronic exchange of all claims information documents; and the establishment of an effective system for the collection and analysis of all costs associated with the delivery of workers' compensation benefits.

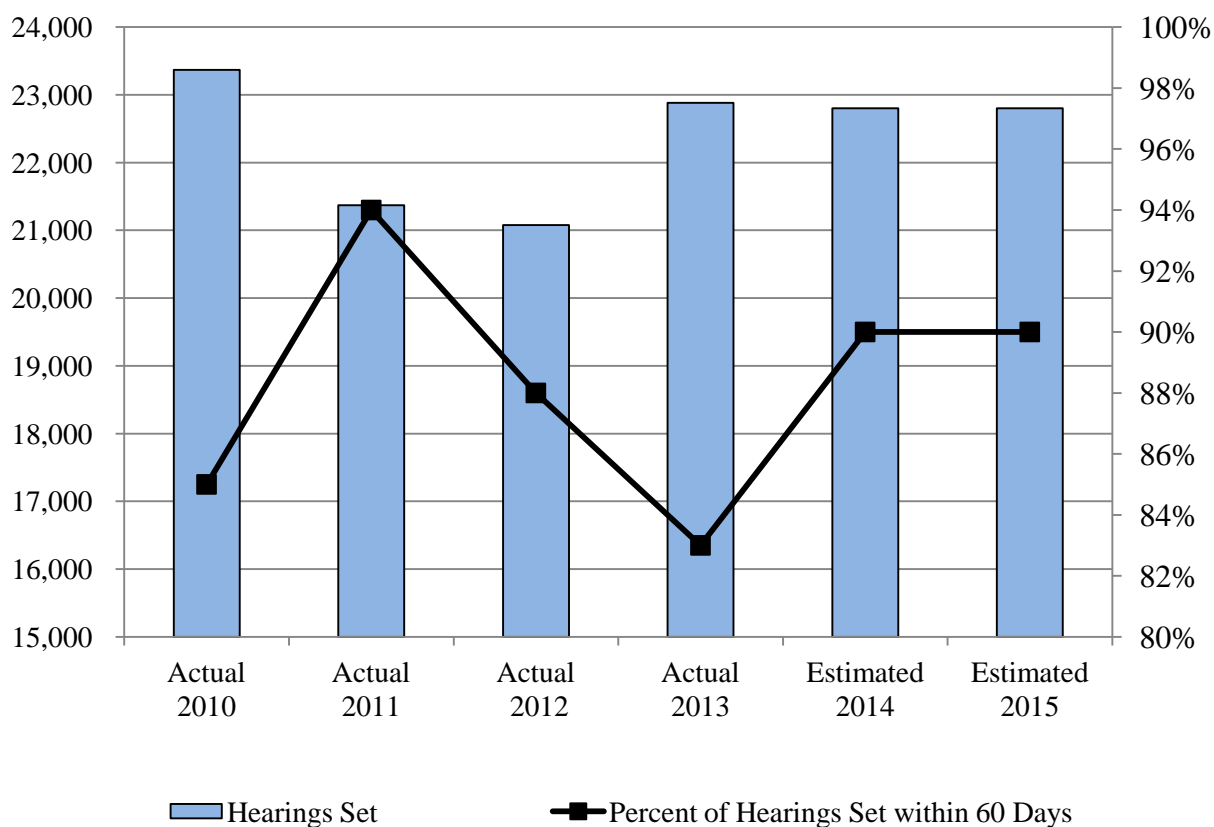
**Performance Analysis: Managing for Results**

**1. Goal for Setting Hearings in a Timely Fashion Falls Off the Mark**

In fiscal 2010, WCC's primary Managing for Results (MFR) goal measure was retooled to report the rate at which WCC provided its customers nonpermanency hearings within 60 days of their filing date. In fiscal 2010, the first year in which the new data was tracked, WCC scheduled hearings for 85% of the 23,370 nonpermanency hearings within the 60-day timeline established by the measure. Based on that data, the agency adopted 90% of hearings within the 60-day limit as the goal for this MFR measure.

As seen in **Exhibit 1**, the timely delivery of hearing dates jumped to 94% of the total in fiscal 2011 as the number of hearings set by the commission fell to 21,370. While fewer hearings aided the agency with its scheduling goal, WCC believed that even with a higher number of hearings, the new measure's goal could be consistently achieved in the future. However, in fiscal 2012, the number of nonpermanency hearings set within 60 days fell to 88% despite the fact that the number of nonpermanency hearings fell again to 21,079. Again in fiscal 2013, WCC fell short of its goal, with only 83% of the nonpermanency hearings set within the 60-day period. The commission noted that the number of hearings was higher than anticipated, and there were fewer hearing days due to service reduction days and State building closures due to Hurricane Sandy, which impacted the commission's ability to schedule timely hearings.

**Exhibit 1**  
**Nonpermanency Hearings Set within 60 Days**  
**Fiscal 2010-2015 Estimated**



Source: Workers' Compensation Commission

## 2. Electronic Document Flow Increases Incrementally

**Exhibit 2** tracks the form filing activities of WCC users. There were about 2,000 more forms filed in fiscal 2013, and there was also an increase to 46.8% in the share of forms filed electronically. There was a slight decrease in the number of frequently used forms filed in fiscal 2013, but there was still an increase to 61.3% in the share of these forms filed electronically. The greater the percentage of eForms utilized by commission users, the greater the agency's savings on postage and paper, and the speedier the clientele's processing time. WCC has set a goal of 50.0% of all forms filed electronically by fiscal 2015, and anticipates meeting this goal one year early, in fiscal 2014.

**Exhibit 2**  
**Electronic Form Filings**  
**Fiscal 2011-2013**

	2011			2012			2013		
<b>Frequently Used Forms</b>	<b>Total Forms</b>	<b>Total eForms</b>	<b>Percent</b>	<b>Total Forms</b>	<b>Total eForms</b>	<b>Percent</b>	<b>Total Forms</b>	<b>Total eForms</b>	<b>Percent</b>
Postponement Request	9,244	7,807	84.5%	9,570	8,313	86.9%	9,603	8,513	88.6%
Enter/Strike Appearance	59,169	21,645	36.6%	62,159	21,866	35.2%	60,649	22,743	37.5%
Issues Controversion	31,106	21,954	70.6%	31,365	24,045	76.7%	30,128	24,129	80.1%
Vocational Rehabilitation Progress Report	12,662	10,485	82.8%	17,496	17,495	100.0%	19,017	19,016	100.0%
Vocational Rehabilitation Referral Notice*	286	0	0.0%	282	0	0.0%	127	0	0.0%
Employee Claim Form	23,204	7,780	33.5%	22,953	8,544	37.2%	23,150	9,686	41.8%
Withdraw Issues/Set With	12,108	10,010	82.7%	11,494	10,009	87.1%	11,968	10,670	89.2%
<b>Subtotal</b>	<b>147,779</b>	<b>79,681</b>	<b>53.9%</b>	<b>155,319</b>	<b>90,272</b>	<b>58.1%</b>	<b>154,642</b>	<b>94,757</b>	<b>61.3%</b>
All Other Forms	190,910	67,236	35.2%	182,058	56,699	31.1%	184,530	64,066	34.7%
<b>Total Forms</b>	<b>338,689</b>	<b>146,917</b>	<b>43.4%</b>	<b>337,377</b>	<b>146,971</b>	<b>43.6%</b>	<b>339,172</b>	<b>158,823</b>	<b>46.8%</b>

\* The Vocational Rehabilitation Referral Notices form was discontinued and merged with Progress Report forms as of April 2010.

Source: Workers' Compensation Commission

There was also an increase in the number of attorneys registered with the commission's Web-enabled File Management System (WFMS), and an increase in the number of claims handled by both attorneys and insurers/self-insurers through WFMS. WFMS is a system where subscribers that are parties to a case have maximum access to electronically filed data and can view all documents about a claim, such as claim forms, exhibits, award orders, or other related filings. Nonsubscribing members of the public can also obtain information through WFMS on claim forms (excluding personal financial, medical, or claimant contact data) and award inquiries, as well as details about hearings, such as issues filed, dates, locations, and their results.

## Proposed Budget

As shown in **Exhibit 3**, WCC's allowance decreases by approximately \$44,000 in fiscal 2015 compared to the current year working appropriation. There are several large changes in personnel costs that offset each other, leading to an increase of just \$5,821. There is a \$294,649 increase due to the annualization of the fiscal 2014 cost-of-living adjustment (COLA) and increment change. The across-the-board changes to the employee and retirement health insurance contributions reduce personnel costs by \$226,076, while the re-amortization of judicial pension system payments reduces costs by \$107,178. Reductions in facility and parking garage rent total \$28,844.

### Exhibit 3 Proposed Budget Workers' Compensation Commission (\$ in Thousands)

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Total</b>
2014 Working Appropriation	\$14,129	\$14,129
2015 Allowance	<u>14,085</u>	<u>14,085</u>
Amount Change	-\$44	-\$44
Percent Change	-0.3%	-0.3%

#### Where It Goes:

##### Personnel Expenses

Increments and other compensation .....	-\$1
Annualized fiscal 2014 cost-of-living adjustment and increment .....	295
Employee and retiree health insurance .....	-226
Retirement contribution rate change .....	45
Re-amortization of judicial pension payments .....	-107
Turnover adjustments .....	-14
Other fringe benefit adjustments .....	14

##### Other Changes

Communications .....	37
Garage rent .....	-9
Rent .....	-19
Office supplies .....	-19
Association dues .....	-19
Statewide Personnel System allocation .....	-20
Other changes .....	-1

**Total** **-\$44**

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum due to rounding

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There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management – Personnel and the State Retirement Agency. For WCC, these total \$110,000.

## ***Recommended Actions***

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1. Concur with Governor's allowance.



## *Updates*

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### 1. Caseload Levels and Insurer Assessments

In fiscal 2013, total first reports of injury, total filed claims, and hearings set all increased from fiscal 2012 levels. There were small decreases in the number of issues filed and the number of appeals. **Exhibit 4** shows the key figures that drive the commission's workload.

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**Exhibit 4**  
**Commission Claim Actions**  
**Fiscal 2011-2015 Est.**

	<b><u>Actual</u></b> <b><u>2011</u></b>	<b><u>Actual</u></b> <b><u>2012</u></b>	<b><u>Actual</u></b> <b><u>2013</u></b>	<b><u>Est.</u></b> <b><u>2014</u></b>	<b><u>Est.</u></b> <b><u>2015</u></b>
First Reports of Injury	113,984	105,074	106,715	106,700	106,700
Total Filed Claims	23,366	22,909	23,241	23,250	23,250
Issues Filed	43,970	43,956	43,838	44,000	44,000
Hearings Set	41,521	41,561	42,847	42,850	42,850
Appeals	1,859	2,031	2,016	2,020	2,020

Source: Workers' Compensation Commission

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The commission's special funded operating budget is generated by an assessment levied on licensed insurers and authorized self-insured entities. The assessment levied by the commission is derived by summing the operating budget and the costs of a safety program operated by the Department of Labor, Licensing, and Regulation (DLLR). **Exhibit 5** lists the payroll base, commission expense, and the resultant assessment for fiscal 2009 to 2013. The combined commission expenses and the DLLR safety program costs, including the cost associated with the Workplace Fraud Unit, fell by \$136,000, while the payroll base increased by \$3.7 billion, leading to a decrease in the assessment rate.

Typically, the assessment is set to match the total of the commission's expenses and the costs of the safety program. However, in recent years, several adjustments have been made. In fiscal 2009, the commission credited approximately \$2.6 million to insurers to correct an over-accumulation of funds in the balance. In fiscal 2011, an additional \$946,896 above commission expenses was billed to insurers to replenish the agency's fund balance, which is statutorily permissible up to 1% of its appropriation to provide for emergency expenditures. In fiscal 2013, insurers were credited \$473,279 to correct for prior year unencumbered balances.

**Exhibit 5**  
**Total Payrolls and Insurer Assessments**  
**Fiscal 2009-2013**

	<b><u>Assessment Base Insurer Payroll</u></b>	<b><u>Commission Expense</u></b>	<b><u>Safety Program Cost</u></b>	<b><u>Total Expenses</u></b>	<b><u>Insurer Assessments</u></b>	<b><u>Assessment Per \$1,000 of Payroll</u></b>
2013	\$113,830,536,789	\$13,736,289	\$11,660,527	\$25,396,816	\$24,923,537	0.219
2012	110,175,781,742	13,739,984	11,319,662	25,059,646	25,059,646	0.227
2011	112,656,771,036	13,496,037	9,985,427	23,481,464	24,428,360	0.217
2010	108,195,546,586	12,263,369	10,177,248	22,440,617	22,440,617	0.207
2009	112,282,039,829	12,796,532	10,095,153	22,891,685	20,879,634	0.185

Source: Workers' Compensation Commission

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## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Workers' Compensation Commission (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$0	\$13,879	\$0	\$0	\$13,879
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	83	0	0	83
Reversions and Cancellations	0	-323	0	0	-323
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$13,638</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,638</b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$0	\$13,967	\$0	\$0	\$13,967
Budget Amendments	0	162	0	0	162
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$14,129</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,129</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation does not include deficiencies or contingent reductions.

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## **Fiscal 2013**

A budget amendment added \$82,500 in special funds for the COLA. The commission canceled \$322,845 due to unanticipated retirements and resignations and the longer than typical time positions remained vacant due to hiring freeze exemptions and reclassification processes.

## **Fiscal 2014**

Salaries increased by \$161,634 due to the distribution of centrally budgeted funds for the COLA and the salary increment increase.

**Object/Fund Difference Report  
Workers' Compensation Commission**

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	121.00	121.00	121.00	0.00	0%
02 Contractual	6.56	11.25	11.25	0.00	0%
<b>Total Positions</b>	<b>127.56</b>	<b>132.25</b>	<b>132.25</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 9,874,834	\$ 10,420,766	\$ 10,536,618	\$ 115,852	1.1%
02 Technical and Spec. Fees	496,184	484,432	473,714	-10,718	-2.2%
03 Communication	484,847	477,120	513,708	36,588	7.7%
04 Travel	175,342	92,427	95,231	2,804	3.0%
06 Fuel and Utilities	8,416	9,705	9,214	-491	-5.1%
07 Motor Vehicles	74,773	89,346	77,462	-11,884	-13.3%
08 Contractual Services	614,774	604,414	592,759	-11,655	-1.9%
09 Supplies and Materials	138,613	151,678	126,468	-25,210	-16.6%
10 Equipment – Replacement	42,020	0	0	0	0.0%
11 Equipment – Additional	22,157	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,643,582	1,746,834	1,717,889	-28,945	-1.7%
14 Land and Structures	10,515	0	0	0	0.0%
<b>Total Objects</b>	<b>\$ 13,638,444</b>	<b>\$ 14,129,109</b>	<b>\$ 14,195,450</b>	<b>\$ 66,341</b>	<b>0.5%</b>
<b>Funds</b>					
03 Special Fund	\$ 13,638,444	\$ 14,129,109	\$ 14,195,450	\$ 66,341	0.5%
<b>Total Funds</b>	<b>\$ 13,638,444</b>	<b>\$ 14,129,109</b>	<b>\$ 14,195,450</b>	<b>\$ 66,341</b>	<b>0.5%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.