

C98F00
Workers' Compensation Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$13,429	\$13,964	\$13,914	-\$50	-0.4%
Adjusted Special Fund	\$13,429	\$13,964	\$13,914	-\$50	-0.4%
Adjusted Grand Total	\$13,429	\$13,964	\$13,914	-\$50	-0.4%

- The commission's fiscal 2013 allowance decreases by \$50,363 from the fiscal 2012 working appropriation due to the elimination of management study costs undertaken in prior years and the removal of the one-time employee bonus expense from salaries.
- These reductions are partially offset by higher fringe benefit outlays and statewide charges for the development of the Statewide Personnel System, administration of the retirement agency, and technology service expenses.

Personnel Data

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>
Regular Positions	122.00	121.00	121.00	0.00
Contractual FTEs	<u>8.53</u>	<u>11.25</u>	<u>11.25</u>	<u>0.00</u>
Total Personnel	130.53	132.25	132.25	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	5.45	4.50%
Positions and Percentage Vacant as of 12/31/11	11.50	9.50%

- There is no change to the commission's fiscal 2013 personnel complement.

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

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- The agency has nearly twice the vacancies that correspond to the compensation offset represented by turnover. One of the vacant posts was filled in early January 2012, the agency’s Chief Operating Officer, whose appointment should resolve the human resource allocation issues that have slowed the recruitment of several of these outstanding vacancies.

Analysis in Brief

Major Trends

Goal for Setting Hearings in a Timely Fashion Achieved: The commission bested its goal of scheduling 90% of nonpermanency hearings within 60 days of their filing date in just the second year of this productivity measure’s use.

Electronic Document-flow Approaches One Half of All Filing Activity: Over 43% of all forms being transmitted to the Workers’ Compensation Commission arrived via computer in fiscal 2011, and more than half of the most common forms were filed electronically.

Recommended Actions

1. Concur with Governor’s allowance.

Updates

Caseload Levels and Insurer Assessments: Caseload levels halted a five-year decline in fiscal 2011, and the commission’s insurer payroll assessment base grew to an all time high.

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Operating Budget Analysis

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, the Injured Workers' Insurance Fund, 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

Goal for Setting Hearings in a Timely Fashion Achieved

In fiscal 2010, WCC's primary Managing for Results (MFR) goal measure was retooled to report a more meaningful statistic, namely the rate with 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. The agency goal thus adopted 90% of hearings within the 60-day limit as the goal for this MFR measure.

In fiscal 2011, during which the commission set 21,370 hearings, the timely delivery of hearing dates jumped to 94% of the total. WCC expects hearing totals to increase in fiscal 2012 and beyond, from the low fiscal 2011 levels, which were down 2,000 from the previous year. Fewer hearings aided the agency with its time-sensitive scheduling requirements, yet WCC believes that even with more dates scheduled, the new measure's goal can be consistently achieved in the future. As more data points become available further reporting on this productivity measure will be provided.

Electronic Document-flow Approaches One Half of All Filing Activity

Exhibit 1 tracks the form filing activities of WCC users. Total form filings increased to 338,689 in fiscal 2011, gaining ground after the fall in filings experienced in fiscal 2010. Following suit, the absolute and proportional numbers of electronically submitted forms grew as well, as over 43% of all forms being transmitted to WCC arrived via computer in fiscal 2011, nearly triple the volume registered in fiscal 2007. 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.

Exhibit 1 Electronic Form Filing Fiscal 2009-2011

Frequently Used Forms	2009			2010			2011		
	Total Forms	Total eForms	Percent	Total Forms	Total eForms	Percent	Total Forms	Total eForms	Percent
Postponement Request	10,742	7,724	71.9%	9,579	7,516	78.5%	9,244	7,807	84.5%
Enter/Strike Appearance	56,230	18,093	32.2%	55,742	17,506	31.4%	59,169	21,645	36.6%
Issues Controversion	30,671	16,247	53.0%	30,021	18,148	60.5%	31,106	21,954	70.6%
Vocational Rehabilitation Progress Report	12,195	7,643	62.7%	12,088	8,228	68.1%	12,662	10,485	82.8%
Vocational Rehabilitation Referral Notice*	5,897	3,966	67.3%	5,596	3,607	64.5%	286	0	0.0%
Employee Claim Form	23,554	5,316	22.6%	23,532	6,095	25.9%	23,204	7,780	33.5%
Withdraw Issues/Set With	11,741	8,580	73.1%	12,169	9,313	76.5%	12,108	10,010	82.7%
Subtotal	151,030	67,569	44.7%	148,727	70,413	47.3%	147,779	79,681	53.9%
All Other Forms	194,168	14,773	7.6%	155,966	32,621	20.9%	190,910	67,236	35.2%
Total Forms	345,198	82,342	23.9%	304,693	103,034	33.8%	338,689	146,917	43.4%

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

Source: Workers’ Compensation Commission

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Another reason for increased eForm usage is that users of the commission’s Web-enabled File Management System (WFMS) system can access real-time claim information online. The amount of electronically filed data that can be accessed online depends on both whether the user is a subscriber to the system and if he/she is a party to the case being researched. Subscribers that are parties to a case have maximum access and can view all documents about a claim, *e.g.*, claim forms, exhibits, award orders, or other related filings. A nonsubscriber member of the public would have the lowest access but could still obtain information contained within claim forms (excluding personal financial, medical, or claimant contact data), award inquiries, as well as details about hearings, such as issues filed, dates and locations, and their results. Customer demand for this level of interactivity is reflected in the growing uses of the most frequently utilized commission forms. The breakout provided in Exhibit 1 shows that the use of eForms increased with respect to paper filings once again in fiscal 2011. Moreover, four of the most utilized forms now post a 70% or greater eForm rate and more than half of the most common forms are filed electronically.

Fiscal 2012 Actions

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 positions as of January 1, 2012. This agency’s share of the reduction was 1 position. The annualized salary savings due to the abolition of this position is expected to be \$63,618 in special funds.

Proposed Budget

While the largest expenditure increase in the WCC fiscal 2013 allowance is for higher employee and retiree health insurance outlays, which **Exhibit 2** shows are set to grow by \$128,709, overall personnel-related items fall by \$27,742 when compared to the fiscal 2012 working appropriation. Offsets are derived from lower total salaries of \$127,009 and the removal of one-time bonus funds of \$81,105.

Among operational expenditures, the greatest increase is for rental expense as the agency’s new Department of General Service-negotiated leases for its principal Baltimore facility, and four regional hearing sites climb by \$104,302 due to the inclusion of cost escalators for utilities, property taxes, and janitorial services. The remainder of the growth resides in statewide cost allocations for the Statewide Personnel System (\$57,747), the administrative costs of the State Retirement Agency (\$15,256), and charges for information technology support (\$15,055). A significant reduction to the allowance comes from reduced planned expenditures on management studies and consultant services, principally, the removal of \$195,000 that previously funded Maryland’s participation in the Workers’ Compensation Research Institute’s CompScope benchmarking report.

Exhibit 2
Proposed Budget
Workers’ Compensation Commission
(\$ in Thousands)

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Total</u>
2012 Working Appropriation	\$13,964	\$13,964
2013 Allowance	<u>13,914</u>	<u>13,914</u>
Amount Change	-\$50	-\$50
Percent Change	-0.4%	-0.4%
 Contingent Reductions	 \$0	 \$0
Adjusted Change	-\$50	-\$50
Adjusted Percent Change	-0.4%	-0.4%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance.....	\$129
Retirement contributions.....	54
Removal of one-time bonus funds.....	-81
Salary adjustments.....	-127
Other fringe benefit adjustments.....	-3

Other Changes

Rental expense.....	104
Statewide Personnel System charge.....	58
Retirement agency administrative fee.....	15
Information technology fee.....	15
Elimination of CompScope and other management studies.....	-223
Other.....	8

Total **-\$50**

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

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Caseload Levels and Insurer Assessments

In fiscal 2011, caseload figures in areas that influence the commission’s workload climbed after having trended downward from fiscal 2005 to 2010. Total first reports of injury, claims submitted, and issues filed with WCC all increased over fiscal 2010 levels. The number of hearings set decreased, but this decline is attributable to the commissioners being required to take furlough and service reduction days, thus reducing the available times for hearings to be scheduled, rather than as a function of workload demands. Appeals filed also dipped, similarly affected by total hearing availability. **Exhibit 3** displays the key figures that drive the commission’s workload.

Exhibit 3 Commission Claim Actions Fiscal 2009-2013

	<u>2009</u>	<u>2010</u>	<u>Actual 2011</u>	<u>Est. 2012</u>	<u>Est. 2013</u>
First Reports of Injury	110,625	102,927	113,984	110,000	110,000
Total Filed Claims	22,622	23,003	23,366	23,000	23,000
Issues Filed	44,968	43,553	43,970	43,700	43,700
Hearings Set	44,625	42,042	41,521	43,000	43,000
Appeals	1,887	1,941	1,859	2,000	2,000

Source: Workers’ Compensation Commission

The commission’s special funded operating budget is generated by an assessment levied on licensed insurers and authorized self-insured entities. **Exhibit 4** lists the payroll base, commission expense, and the resultant assessment for fiscal 2008 to 2011. The \$112.7 billion payroll level is the largest assessable base ever covered by the commission’s activities. It should be noted for the most recent period, fiscal 2011, that the commission’s payroll assessment may be adjusted by prior year payroll discrepancy reconciliation, the crediting of interest earned on monies held by the agency, and differentials in actual agency budgetary outlays *vis-à-vis* legislatively appropriated levels such that the assessed levy will not be an exact match for the gross expenses as a percent of assessed payroll.

Exhibit 4
Total Payrolls and Insurer Assessments
Fiscal 2008-2011

	<u>Assessment Base Insurer Payroll</u>	<u>Gross Commission Expense</u>	<u>Safety and Workplace Fraud Program Cost</u>	<u>Net Commission Expense*</u>	<u>Assessment Per \$1,000 of Payroll</u>
2011	\$112,656,771,036	\$24,428,360	\$9,985,427	\$13,496,037	0.217
2010	108,195,546,586	22,440,617	10,177,248	12,263,369	0.207
2009	112,282,039,829	20,879,634	10,095,153	10,784,481	0.185
2008	102,210,947,969	22,038,459	9,261,289	12,777,170	0.209

* Insurers were given a \$2.6 million credit for fiscal 2009 to correct an over-accumulation of funds in the balance, the actual commission expense was \$13.3 million. In fiscal 2011, an additional \$946,896 above commission expense 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.

Source: Workers’ Compensation Commission

Current and Prior Year Budgets

Current and Prior Year Budgets Workers’ Compensation Commission (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2011					
Legislative Appropriation	\$0	\$13,680	\$0	\$30	\$13,711
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	-251	0	-30	-281
Actual Expenditures	\$0	\$13,429	\$0	\$0	\$13,429
Fiscal 2012					
Legislative Appropriation	\$0	\$13,883	\$0	\$0	\$13,883
Budget Amendments	0	81	0	0	81
Working Appropriation	\$0	\$13,964	\$0	\$0	\$13,964

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

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Fiscal 2011

- A special fund cancelation of \$251,106 was produced by under spending on salary and fringe benefits resulting from unanticipated retirements, resignations, and positions being held vacant during position reclassification actions.

Fiscal 2012

- The distribution of centrally budgeted funds for a one-time employee bonus of \$750 increased salaries by \$81,105.

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

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	122.00	121.00	121.00	0.00	0%
02 Contractual	8.53	11.25	11.25	0.00	0%
Total Positions	130.53	132.25	132.25	0.00	0%
Objects					
01 Salaries and Wages	\$ 9,377,082	\$ 10,108,742	\$ 10,081,000	-\$ 27,742	-0.3%
02 Technical and Spec. Fees	604,370	580,979	597,504	16,525	2.8%
03 Communication	747,224	512,988	520,999	8,011	1.6%
04 Travel	172,715	91,491	84,700	-6,791	-7.4%
06 Fuel and Utilities	8,217	11,173	8,500	-2,673	-23.9%
07 Motor Vehicles	95,200	91,093	91,104	11	0%
08 Contractual Services	471,435	779,856	635,691	-144,165	-18.5%
09 Supplies and Materials	152,195	117,885	120,253	2,368	2.0%
10 Equipment – Replacement	35,572	0	0	0	0.0%
11 Equipment – Additional	8,544	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,696,584	1,617,390	1,721,483	104,093	6.4%
14 Land and Structures	7,752	0	0	0	0.0%
Total Objects	\$ 13,429,277	\$ 13,963,984	\$ 13,913,621	-\$ 50,363	-0.4%
Funds					
03 Special Fund	\$ 13,429,277	\$ 13,963,984	\$ 13,913,621	-\$ 50,363	-0.4%
Total Funds	\$ 13,429,277	\$ 13,963,984	\$ 13,913,621	-\$ 50,363	-0.4%

Note: The fiscal 2012 appropriation does not include deficiencies.