

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$13,055	\$14,515	\$14,533	\$19	0.1%
Deficiencies and Reductions	0	0	-312	-312	
<b>Adjusted Special Fund</b>	<b>\$13,055</b>	<b>\$14,515</b>	<b>\$14,221</b>	<b>-\$293</b>	<b>-2.0%</b>
<b>Adjusted Grand Total</b>	<b>\$13,055</b>	<b>\$14,515</b>	<b>\$14,221</b>	<b>-\$293</b>	<b>-2.0%</b>

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The fiscal 2016 adjusted allowance decreases by \$293,000 from the fiscal 2015 working appropriation. Cost containment reductions totaling \$312,058 in fiscal 2016 contribute significantly to the decrease.

***Personnel Data***

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>
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	6.80	5.62%
Positions and Percentage Vacant as of 1/1/15	16.00	13.22%

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

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- The fiscal 2016 allowance for regular positions and contractual full-time equivalents remains unchanged from the fiscal 2015 appropriation.
- The budgeted turnover rate is 5.62%, which requires 6.80 vacancies. As of January 1, 2015, the agency reported 16.0 vacancies.

## ***Analysis in Brief***

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### **Major Trends**

***Goal for Setting Timely Hearings Back on Track:*** For the past two fiscal years, the Workers’ Compensation Commission (WCC) fell short of its goal to provide its applicants nonpermanency hearings within 60 days of their filing date. In fiscal 2014, WCC set 21,574 hearings within 60 days, a 14% increase over fiscal 2013.

***Electronic Document Flow Increases Incrementally:*** In fiscal 2014, 46.8% of WCC’s forms were filed electronically. This was a slight increase over fiscal 2013 but was still short of WCC’s goal of 50.0%. Forms filed electronically allow WCC to process claims faster and save on postage and paper.

### **Recommended Actions**

1. Concur with Governor’s allowance.

### **Updates**

***Caseload Levels and Insurer Assessments:*** WCC levies an annual assessment on insurers. The assessment considers insurer payroll base, WCC’s operating budget, and the cost of a Department of Labor, Licensing, and Regulation safety program. In fiscal 2014, WCC had a lower insurer assessment rate than in fiscal 2013 due to a significantly larger payroll base paired with just a slight increase in expenses.

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**Workers' Compensation Commission**

***Operating Budget Analysis***

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**Program Description**

The Workers' Compensation Commission (WCC) administers the State Workers' Compensation Law, which requires most Maryland employers to obtain and maintain insurance in order to provide benefits to 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's mission addresses the need for 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.

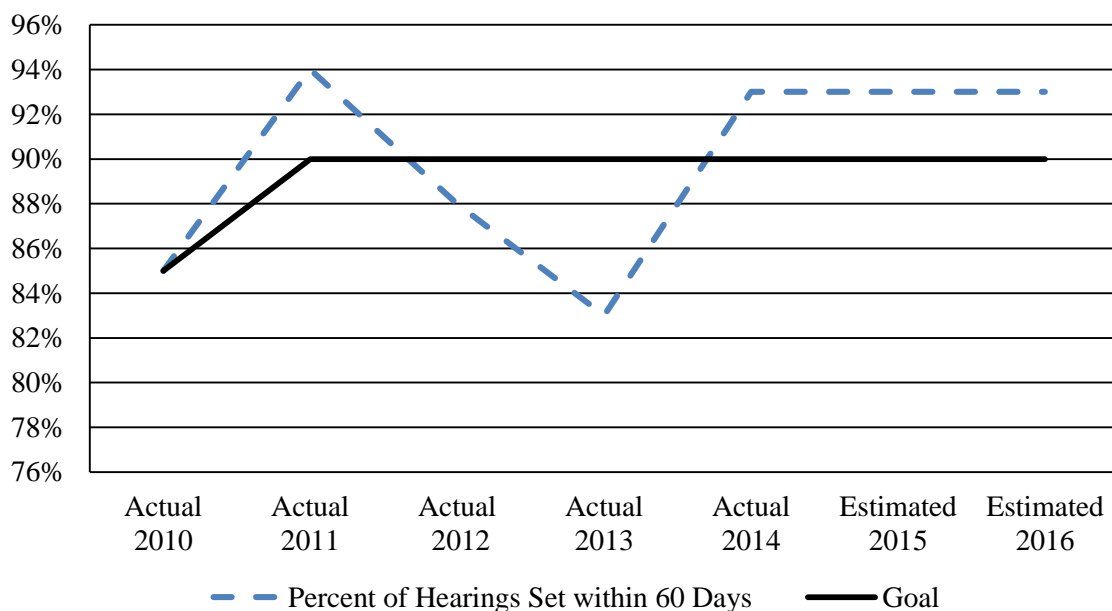
**Performance Analysis: Managing for Results**

**1. Goal for Setting Timely Hearings Back on Track**

In fiscal 2010, WCC retooled its primary Managing for Results measure to track the rate at which WCC set nonpermanency hearings within 60 days of the claim's 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. Based on that data, the agency adopted a goal of scheduling 90% of hearings within the 60-day time limit. **Exhibit 1** shows the agency's success since fiscal 2010.

In fiscal 2011, the number of total hearings that WCC set fell to 21,370, and WCC set 90.0% within 60 days. Even though a drop in the number of hearings helped WCC reach its goal in fiscal 2011, WCC believed that even if the number of future hearings increased, it could still consistently reach the 90.0% mark. However, even though the total number of hearings set dropped from 20,088 in fiscal 2011 to 18,550 in fiscal 2012, WCC only set 88.0% of hearings within the requisite 60 days in fiscal 2012. In fiscal 2013, the number of total hearings increased to 22,880 and WCC again fell short of its goal, hitting only 83.0%. WCC noted that service reduction days and State building closures during Hurricane Sandy in fiscal 2013 negatively impacted the agency's ability to set timely hearings. In fiscal 2014, the number of total hearings set increased by 1.4% from fiscal 2013, and WCC was able to set 93.0% of hearings within 60 days.

**Exhibit 1**  
**Percent of Nonpermanency Hearings Set within 60 Days**  
**Fiscal 2010-2016 Estimated**



Source: Workers’ Compensation Commission

## 2. Electronic Document Flow Increases Incrementally

WCC is committed to electronic business. While WCC has moved to fully electronic business processes internally, not all agency processes are completely electronic. For instance, WCC still receives paper forms and filings that staff must then scan into the electronic system. WCC more speedily processes paperwork and saves on postage and paper when users file forms electronically. WCC has been trying to increase the number of electronic users and forms filed annually.

**Exhibit 2** tracks WCC’s form filing activities. There were about 4,000 more total forms filed in fiscal 2014 than in 2013, and there was also a slight increase in the share of forms filed electronically, from 46.8% to 47.2%. There were 6,214 more frequently used forms filed in fiscal 2014 than in 2013, but only a 1.0% increase in the share of those forms that were electronically filed. WCC’s goal is to electronically receive 50.0% of all forms by fiscal 2015.

**Exhibit 2**  
**Electronic Form Filing**  
**Fiscal 2012-2014**

	2012			2013			2014		
	Total Forms	Total eForms	Percent	Total Forms	Total eForms	Percent	Total Forms	Total eForms	Percent
<b><u>Frequently Used Forms</u></b>									
Postponement Request	9,570	8,313	86.9%	9,603	8,513	88.6%	9,673	8,757	90.5%
Enter/Strike Appearance	62,159	21,866	35.2%	60,649	22,743	37.5%	66,659	27,043	40.6%
Issues Controversion	31,365	24,045	76.7%	30,128	24,129	80.1%	30,454	25,345	83.2%
Vocational Rehabilitation Progress Report	17,496	17,495	100.0%	19,017	19,016	100.0%	17,471	17,478	100.0%
Vocational Rehabilitation Referral Notice <sup>(1)</sup>	282	0	0.0%	127	0	0.0%	45	0	0.0%
Employee Claim Form	22,953	8,544	37.2%	23,150	9,686	41.8%	24,182	10,415	43.1%
Withdraw Issues/Set with	11,494	10,009	87.1%	11,968	10,670	89.2%	12,372	11,197	90.5%
<b><i>Subtotal</i></b>	<b><i>155,319</i></b>	<b><i>90,272</i></b>	<b><i>58.1%</i></b>	<b><i>154,642</i></b>	<b><i>94,757</i></b>	<b><i>61.3%</i></b>	<b><i>160,856</i></b>	<b><i>100,235</i></b>	<b><i>62.3%</i></b>
All Other Forms	182,058	56,699	31.1%	184,530	64,066	34.7%	182,563	61,836	33.9%
<b>Total Forms</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>	<b>343,419</b>	<b>162,071</b>	<b>47.2%</b>

<sup>(1)</sup> The Vocational Rehabilitation Referral Notices form was discontinued and merged with Progress Reports.

Source: Workers’ Compensation Commission

WCC’s Web-enabled File Management System (WFMS) gives subscribers that are parties to a case access to electronically filed data such as claim forms, exhibits, award orders, and other related filings. Nonsubscribing members of the public can also use the WFMS to obtain information about claim forms (excluding personal financial, medical, or claimant contact data), awards, and details related to hearings such as issues filed, dates, locations, and hearing results. In fiscal 2014, there was an increase over fiscal 2013 in the number of attorneys registered with the WFMS and an increase in the number of claims handled by both attorneys and insurers/self-insurers through the WFMS.

## Proposed Budget

As seen in **Exhibit 3**, after adjustments for cost containment, the fiscal 2016 allowance decreases \$293,000 from the fiscal 2015 appropriation. The \$312,058 reduction in personnel funds for cost containment coupled with a \$400,000 reduction in contractual funds for an information technology (IT) project is the primary driver of the decrease. These reductions are mitigated, in part, by other personnel cost increases, contractual pay increases, and other administrative expense increases.

**Exhibit 3**  
**Proposed Budget**  
**Workers’ Compensation Commission**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Total</b>
Fiscal 2014 Actual	\$13,055	\$13,055
Fiscal 2015 Working Appropriation	14,515	14,515
Fiscal 2016 Allowance	<u>14,221</u>	<u>14,221</u>
Fiscal 2015-2016 Amt. Change	-\$293	-\$293
Fiscal 2015-2016 Percent Change	-2.0%	-2.0%

**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance .....	\$266
Increments and general salary increase annualization (prior to cost containment) ....	108
Retirement contributions .....	71
Other fringe benefit adjustments .....	45
Turnover adjustments .....	-61
Section 21: abolition of employee increments.....	-137
Section 20: abolition of prior year 2% general salary increase .....	-175

**Other Changes**

Agencywide contractual employee cost increase .....	28
Enterprise Budget System allocation.....	16
Other technical and special fees aligned to the most recent actual.....	15
Other .....	14
Non-Department of General Services rent.....	-14
DBM paid telecommunications, DoIT services, and statewide personnel allocation.	-69
Consultant for information technology upgrade .....	-400

**Total** **-\$293**

DBM: Department of Budget and Management

DoIT: Department of Information Technology

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

## **Cost Containment**

In fiscal 2016, the Administration has implemented several across-the-board reductions. This includes elimination of employee increments and a 2% pay reduction. This agency’s share of these reductions is \$312,058.

## **Information Technology Consultant**

WCC’s business processes are almost entirely electronic. However, due to outdated and inflexible information systems, WCC is unable to efficiently and effectively integrate systems, update information, and conduct business. As a result, WCC is moving toward a future major IT project to update its systems. In fiscal 2015, the agency received \$400,000 in special funds to hire an IT consultant to conduct an assessment of the agency’s current information technology systems. The \$400,000 was included in the fiscal 2015 working appropriation but is not repeated in the fiscal 2016 allowance.

## ***Recommended Actions***

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1. Concur with Governor's allowance.



## Updates

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### 1. Caseload Levels and Insurer Assessments

There are five key areas that drive WCC’s workload: first reports of injury, claims filed, issues filed, hearings, and appeals. **Exhibit 4** shows how these areas affect WCC’s workload annually. In fiscal 2014, total first reports of injury, total filed claims, initial claims, and hearings set all increased from fiscal 2013 levels. There were only two additional appeals filed in fiscal 2014 than in 2013. In total, WCC’s workload has remained relatively consistent, increasing by 0.07% from fiscal 2011 to 2014.

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#### Exhibit 4 Commission Claim Actions Fiscal 2011-2014

	<u>Actual 2011</u>	<u>Actual 2012</u>	<u>Actual 2013</u>	<u>Actual 2014</u>	<u>% Change 2011-2014</u>
First Reports of Injury	113,984	105,074	106,715	110,783	-2.81%
Total Filed Claims	23,366	22,909	23,241	24,113	3.20%
Issues Filed	43,970	43,956	43,838	44,570	1.36%
Hearings Set	41,521	41,561	42,847	43,382	4.48%
Appeals	1,859	2,031	2,016	2,018	8.55%
<b>Total</b>	<b>224,700</b>	<b>215,531</b>	<b>218,657</b>	<b>224,866</b>	<b>0.07%</b>

Source: Workers’ Compensation Commission

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The agency levies an annual assessment on all licensed insurers and authorized self-insured entities. This assessment funds the agency’s operating budget. To determine the assessment amount, the agency sums its own operating budget cost with the cost of the Department of Labor, Licensing, and Regulation’s safety-related program. **Exhibit 5** lists the payroll base, commission expense, safety program, and the resulting assessment for fiscal 2009 to 2014. Total expenditures in fiscal 2014 increased by \$658,441, and the payroll base increased by \$7.2 billion from fiscal 2013, resulting in a lower assessment rate.

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**Exhibit 5**  
**Total Payrolls and Insurer Assessments**  
**Fiscal 2009-2014**

	<u>Assessment Base Insurer Payroll</u>	<u>Commission Expense</u>	<u>Safety Program Cost</u>	<u>Total Expenses</u>	<u>Insurer Assessments</u>	<u>Assessment Per \$1,000 of Payroll</u>
2014	\$121,027,528,186	\$13,898,109	\$12,157,148	\$26,055,257	\$25,684,112	0.212
2013	113,830,536,789	13,736,289	11,6605,27	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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Typically, the assessment amount is set to match total expenditures. However, in recent years, the agency has made several adjustments to the assessment based on a variety of factors. 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, the agency billed insurers an additional \$946,896 above expenses to replenish the agency’s fund balance. In fiscal 2013, the agency credited insurers \$473,279 to correct prior year unencumbered balances. In fiscal 2014, unexpected vacancies during the fiscal year caused expenditures to be lower than anticipated, so the commission credited insurers back \$371,145.

## *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 2014</b>					
Legislative Appropriation	\$0	\$13,967	\$0	\$0	\$13,967
Deficiency Appropriation	0	-185	0	0	-185
Budget Amendments	0	162	0	0	162
Reversions and Cancellations	0	-890	0	0	-890
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$13,055</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,055</b>
<b>Fiscal 2015</b>					
Legislative Appropriation	\$0	\$14,027	\$0	\$0	\$14,027
Cost Containment	0	0	0	0	0
Budget Amendments	0	488	0	0	488
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$14,515</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,515</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

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## **Fiscal 2014**

WCC finished fiscal 2014 approximately \$912,000 below its legislative appropriation. Deficiency appropriations reduced retirement contributions by \$111,335 and health care contributions by \$73,223.

Amendments for the cost-of-living adjustment (COLA) and salary increment increased the appropriation by \$162,000.

In fiscal 2014, the commission experienced a total of five retirements and resignations. The positions remained vacant though a significant part of the fiscal year due to the lengthy recruitment, hiring, reclassification, and approval processes. As a result, WCC cancelled \$890,020 in special funds.

## **Fiscal 2015**

In fiscal 2015, one budget amendment added \$88,000 in special funds for the COLA. The COLA represents a 2% adjustment effective January 1, 2015. A second budget amendment added \$400,000 in special funds to contract an outside consultant to conduct an assessment of WCC’s current information technology systems.

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 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	\$ 9,279,582	\$ 10,455,895	\$ 10,885,748	\$ 429,853	4.1%
02 Technical and Spec. Fees	534,254	473,714	511,908	38,194	8.1%
03 Communication	430,482	513,708	469,446	-44,262	-8.6%
04 Travel	187,831	95,231	94,918	-313	-0.3%
06 Fuel and Utilities	11,822	9,214	10,467	1,253	13.6%
07 Motor Vehicles	80,961	77,462	80,312	2,850	3.7%
08 Contractual Services	499,521	992,759	580,855	-411,904	-41.5%
09 Supplies and Materials	160,367	126,468	142,434	15,966	12.6%
10 Equipment – Replacement	94,378	0	0	0	0.0%
11 Equipment – Additional	57,001	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,653,540	1,717,889	1,704,980	-12,909	-0.8%
14 Land and Structures	12,404	0	0	0	0.0%
<b>Total Objects</b>	<b>\$ 13,054,530</b>	<b>\$ 14,514,727</b>	<b>\$ 14,533,455</b>	<b>\$ 18,728</b>	<b>0.1%</b>
<b>Funds</b>					
03 Special Fund	\$ 13,054,530	\$ 14,514,727	\$ 14,533,455	\$ 18,728	0.1%
<b>Total Funds</b>	<b>\$ 13,054,530</b>	<b>\$ 14,514,727</b>	<b>\$ 14,533,455</b>	<b>\$ 18,728</b>	<b>0.1%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.