

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

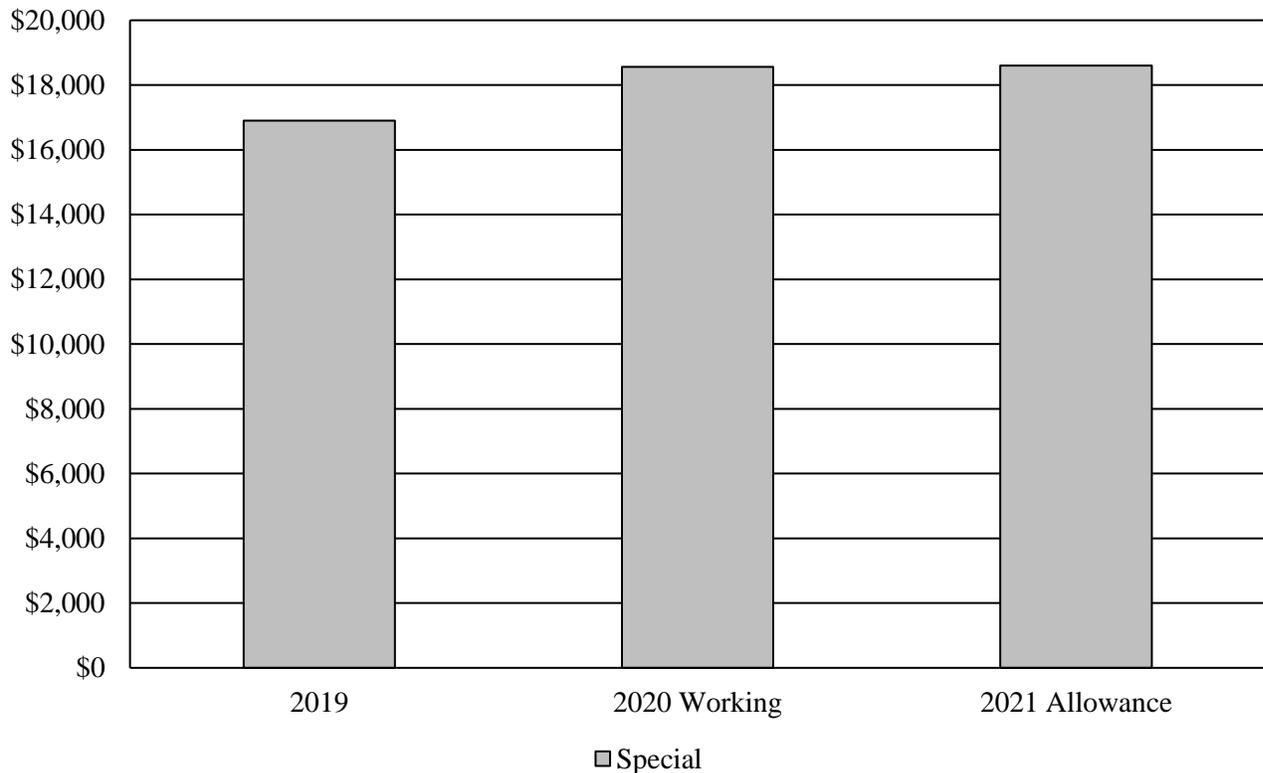
**Program Description**

The Workers' Compensation Commission (WCC) administers the State Workers' Compensation Law, which requires most employers in the State to maintain insurance 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 these claims and refers appropriate claimants to medical and rehabilitation vocational services. The WCC budget is a special fund agency supported by an annual maintenance assessment levied on insurance carriers and self-insured employers.

***Operating Budget Summary***

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**Budget Increases by \$34,736 or 0.2% to \$18.6 Million in Fiscal 2021  
(\$ in Thousands)**



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

For further information contact: Kenneth B. Weaver

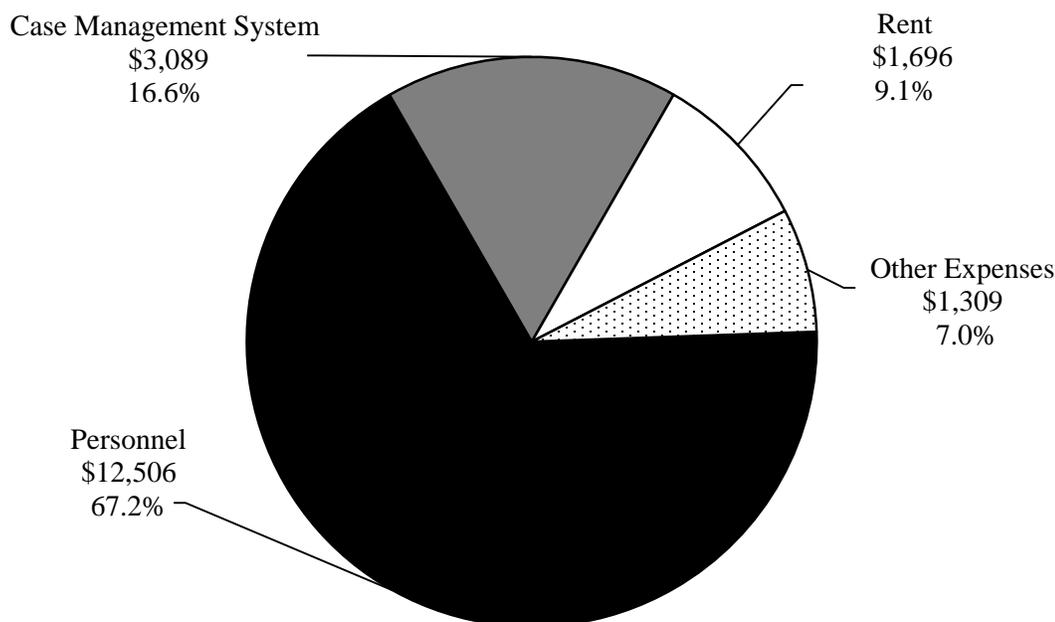
Phone (410) 946-5530

## Fiscal 2021 Overview of Agency Spending

As shown in **Exhibit 1**, the vast majority (67.2%) of WCC’s fiscal 2021 allowance is for employee salaries and compensation (\$12.5 million) followed by continued funding for the commission’s new Comp Hub case management system (\$3.1 million). Rent and other expenses account for the remaining 16.1% of the allowance. Overall, these three primary budget components (personnel, rent, and information technology (IT)) have not changed much from the previous fiscal year.

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**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2021 Allowance**  
(\$ in Thousands)



Source: Department of Legislative Services

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## Proposed Budget Change

**Exhibit 2** depicts the fiscal 2021 allowance for WCC that increases by \$34,736, or 0.2% – all in special funds.

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

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Total</b>
Fiscal 2019 Actual	\$16,898	\$16,898
Fiscal 2020 Working Appropriation	18,564	18,564
Fiscal 2021 Allowance	<u>18,599</u>	<u>18,599</u>
Fiscal 2020-2021 Amount Change	\$35	\$35
Fiscal 2020-2021 Percent Change	0.2%	0.2%

**Where It Goes:**

**Personnel Expenses**

Regular earnings .....	\$115
Fiscal 2021 2% COLA.....	94
Employee retirement system.....	79
Net annualization of 1% fiscal 2021 COLA .....	39
Other fringe benefit adjustments.....	7
Workers’ compensation assessment.....	-14
Position abolishment.....	-25
WCC Judges’ pension system.....	-42

**Other Changes**

Statewide Budget System costs and other fees .....	13
Non-Department of General Services rent and other fixed costs.....	11
In-state conferences and training .....	10
Other general expenses .....	-1
Reduction in contractual services for information technology systems.....	-251

**Total** **\$35**

COLA: cost-of-living adjustment

WCC: Workers’ Compensation Commission

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

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- **Modest Budget Increase Is Mainly Related to Salary Enhancements and IT Spending:** Overall, WCC saw very little change in its budget for fiscal 2021. A significant reduction in contractual payments for IT systems analysis was substantially offset by net growth of \$253,000 in personnel expenses and an increase in allocated funding for the new Comp Hub case management system.

## ***Personnel Data***

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	<b><u>FY 19</u></b> <b><u>Actual</u></b>	<b><u>FY 20</u></b> <b><u>Working</u></b>	<b><u>FY 21</u></b> <b><u>Allowance</u></b>	<b><u>FY 20-21</u></b> <b><u>Change</u></b>
Regular Positions	115.00	115.00	115.00	0.00
Contractual FTEs	<u>0.00</u>	<u>11.25</u>	<u>11.25</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>115.00</b>	<b>126.25</b>	<b>126.25</b>	<b>0.00</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	4.35	3.78%
Positions and Percentage Vacant as of 12/31/19	3.00	2.61%
Vacancies Below Turnover	1.35	

## **New Case Management System Nears Deployment**

WCC has a wide variety of duties. While the goal of the commission is to adjudicate workers’ compensation claims, WCC is involved at the beginning – from initial claim processing and handling to in-court issues, such as the processing of attorney registrations to practice workers’ compensation law. In addition, the commission deals with employer and insurance issues; not only does WCC assess insurers’ worker compensation policies, it tracks employer compliance in this area and certifies vocational rehabilitation providers – so that workers can receive assistance getting back to work and dealing with potential medical issues. The commission also has a number of web-based services for both claimants and the public.

## **Comp Hub**

WCC’s new Enterprise Modernization Project (also known as Comp Hub) is key to these efforts and, for the first time, the agency will have a single, web browser-based application to serve its stakeholders and claimants. The fiscal 2021 allowance includes approximately \$3.1 million for this project with a total projected cost of \$16.1 million. While costs have risen since the beginning of this project, the agency notes that any additional costs will be reflected in a higher assessment rate for insurers and self-insured employers. After some initial Request for Proposal issues – which did not lead to any acceptable bids – Comp Hub is nearing deployment. While initial projections had a phased

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deployment and rollout to external customers planned for the first quarter of fiscal 2020, this date has been moved to late third quarter of fiscal 2020.

According to WCC, its technology team is modernizing multiple work processes with the new system. Approximately 70% of first report of injury instances reported are submitted by paper, so the new system will reduce the amount of paper filing as well as the number of software applications used by employees. Overall, the new system will serve all agency stakeholders including claimants, employers, insurers, and health care/vocational rehabilitation workers. More information about this project is available in **Appendix 2**.

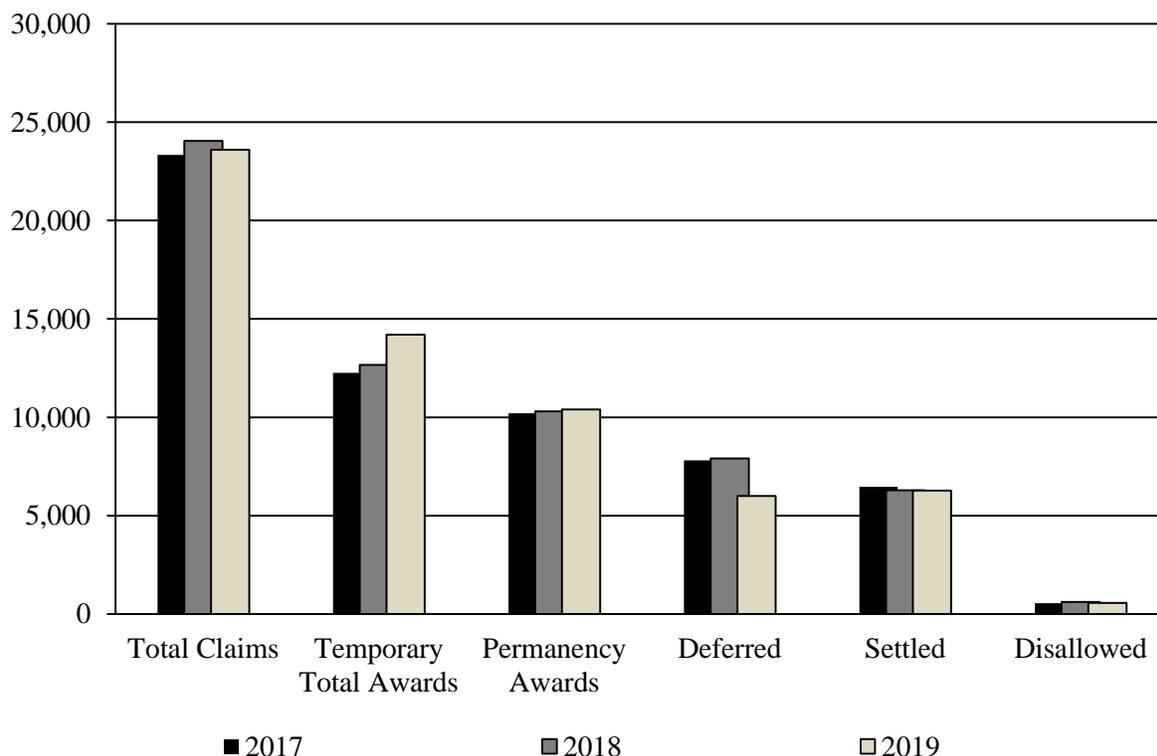
## Key Observations

### 1. WCC Overview and Performance Measures

#### Compensation Claims Remain Consistent with Over \$380 Million in Claims Awarded by Employers

WCC processes over 100,000 worker injury complaints each year that generate approximately 20,000 to 25,000 claims annually. In fiscal 2019, the total number of workers’ compensation claims filed was 23,586 and has remained remarkably consistent from year to year. In terms of statewide claims, police/security staff, school and college staff, and local/State employees make up nearly 18.6% of all injury claims – a share that has remained consistent since fiscal 2017. **Exhibit 3** depicts total claims filed along with the case status.

**Exhibit 3**  
**Worker Injury Claims and Status**  
**Fiscal 2017-2019**



Source: Workers’ Compensation Commission

## **Claims and Awards Do Not Necessarily Correlate Each Year**

WCC adjudicates a considerable number of claims each year, and the agency is careful to note that the number of claims received in a fiscal year does not necessarily correlate with the number of awards. This is because awards, deferments, and varying award types take time to move through the approval process, so previous year claims can appear in a later fiscal year. Therefore, it is important to understand that, while Exhibit 3 illustrates a point in time, the claims that WCC deals with each year vary; however, the totals in each category are very consistent from year to year. Overall, WCC approved permanency awards totaling \$380.1 million in fiscal 2019.

## **Vocational Rehabilitation Outcomes: Nearly 95% of Employees Return to Work**

In addition, WCC offers vocational rehabilitation to claimants via a network of public and private partner organizations. Services include coordination of medical services, counseling, training, and job placements. In all, nearly 95% of employees who receive vocational rehabilitation benefits returned to work. WCC case management has documented the following regarding claimants who received these services at the end of fiscal 2019:

- 66% returned to their previous employer, with the same occupation;
- 16% began work with a new employer;
- 7% reported medical issues and were currently unemployed;
- 6% returned to their previous employer with a different occupation; and
- 5% either declined job offers or rehabilitation services or moved out of state.

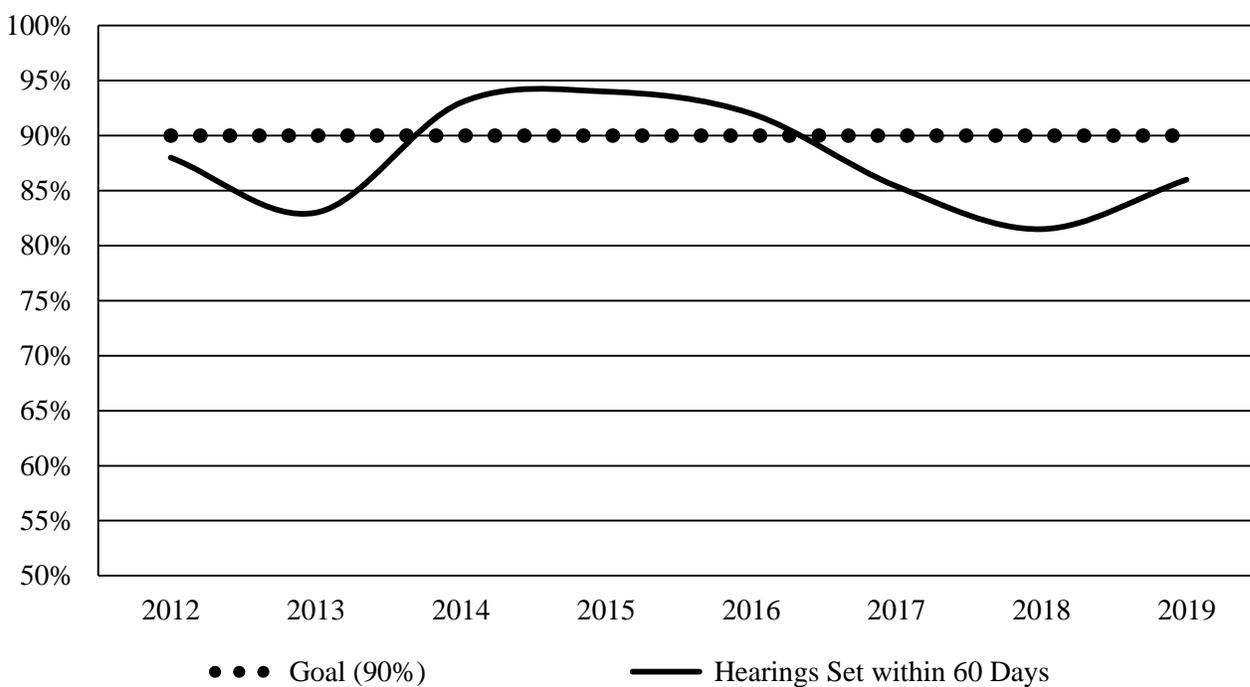
## **Compensation Hearings: Clearance Rates Improve from 82% to 86%**

The commission adjudicates on-the-job injury claims at seven locations across the State: Abingdon; Baltimore City; Beltsville; Cambridge; Cumberland; Frederick; and LaPlata. At each of these locations, the WCC's 10 commissioners conduct hearings and make decisions. If these decisions are appealed, they are then sent to State, county, or municipal circuit courts.

The most basic performance measure for the commission is the percentage of hearings set. As injured workers file claims, it is important to set hearings to resolve these issues, and the WCC goal is to set 90% of these hearings within 60 days of the filing date. Because 9 of the 10 commissioners serve as full-time hearing officers (the chairman functions as the administrative head of the commission), any changes in commissioner personnel have an outsized effect on agency operations.

In fiscal 2019, 3 new commissioners were appointed to WCC to replace 3 retired commissioners. This meant that the commission had to conduct its hearings with just two-thirds of the usual staff during the first six months of the year. **Exhibit 4** shows the percentage of nonpermanency (for nonpermanent injuries) hearings set within 60 days. While the goal of 90% was not reached in fiscal 2019, it improved from 82% to 86%. The agency expects continued improvement in this area as a full slate of commissioners now preside over all hearings. The agency also notes that there are no commissioners with terms due to expire before 2025.

**Exhibit 4**  
**Percentage of Nonpermanency Hearings Set within 60 Days**  
**Fiscal 2012-2019**



Source: Department of Budget and Management

## 2. Insurer Assessments and WCC Operating Funds

Each year, WCC collects a payroll-based assessment from the State’s licensed insurers and authorized self-insured entities for its operating budget. In addition, WCC transfers a portion of those assessment funds to the Maryland Department of Labor to support the State’s Workplace Fraud Act as well as the Maryland Occupational Safety and Health Program (MOSH). MOSH provides outreach, education, and other services designed to improve workplace safety and health. **Exhibit 5** lists the

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payroll base, commission expense, MOSH safety program portion, and resulting assessments since fiscal 2011. The total assessment in fiscal 2019 increased by \$2.7 million, while the payroll base decreased by a substantial \$17.9 billion. As a result, the formula-based assessment rate increased by 26.3%. WCC reports that a large State insurer was overreporting payroll dollars due to duplicate recording of payroll entries and accounting errors.

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**Exhibit 5**  
**WCC Insurer Assessments and Operational Funding Base**  
**Fiscal 2011-2019**  
**(\$ in Thousands)**

	<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>
2011	\$112,656,771	\$13,496	\$9,985	\$23,481	\$24,428	\$0.217
2012	110,175,782	13,740	11,320	25,060	25,060	0.227
2013	113,830,537	13,736	11,661	25,397	24,924	0.219
2014	121,027,528	13,898	12,157	26,055	25,684	0.212
2015	123,788,021	13,851	11,333	25,183	24,743	0.200
2016	130,198,576	13,243	12,279	25,522	25,522	0.196
2017	141,868,668	15,049	11,105	26,154	26,154	0.184
2018	144,091,231	14,475	10,867	25,342	25,331	0.175
2019	126,224,923	16,657	11,345	28,002	28,002	0.221

WCC: Workers’ Compensation Commission

Source: Workers’ Compensation Commission

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Because WCC goes through a normal appropriations process for its budget, the amount of special funds that it receives from insurers each year is static and based on the agency’s official request. Due to the insurer error, assessment rates rose substantially in fiscal 2019; however, the assessment rates are prorated per insurer, so the increase was spread among approximately 360 organizations statewide. While insurer costs went up slightly due to the error, the total amount remitted by insurers to WCC remained the same. WCC reports that the error has been accounted for, and any small overage paid by insurers can be credited toward those organizations’ future year payments. **While the WCC budget remains unchanged, the agency should comment on the significant decrease in the insurer payroll base and its expectations going forward in terms of statewide insurers and the assessment process.**

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

## Updates

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- Fiscal 2019 Claims and Workload Levels:** There are five key areas that drive the WCC workload: first reports of injury; claims filed; the number of issues filed; hearings; and appeals. **Exhibit 6** shows how these areas affect the WCC annual workload. In fiscal 2019, the number of first reports of injury increased significantly by 35.5%. Due to an insurer oversight, this total includes over 27,000 reports from the previous fiscal year. All other metrics saw slight decreases with a variance of no more than 2.8%.
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**Exhibit 6**  
**Commission Claims Action**  
**Fiscal 2014-2019**

	<u>Actual 2014</u>	<u>Actual 2015</u>	<u>Actual 2016</u>	<u>Actual 2017</u>	<u>Actual 2018</u>	<u>Actual 2019</u>	<u>% Change 2018-2019</u>
First Reports of Injury	110,783	96,581	91,109	89,757	92,483	125,316	35.50%
Total Filed Claims	24,113	23,706	23,683	23,706	24,041	23,586	-1.89%
Issues Filed	44,570	42,813	44,295	43,797	46,020	45,567	-0.98%
Hearings Set	43,382	40,059	43,870	41,414	44,040	42,846	-2.71%
Appeals	2,018	1,975	1,907	1,895	1,959	1,955	-0.20%

Source: Workers’ Compensation Commission

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**Appendix 1**  
**Audit Findings**

Audit Period for Last Audit:	November 5, 2014 – August 5, 2018
Issue Date:	April 2019
Number of Findings:	3
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

**Finding 1:** The Workers’ Compensation Commission (WCC) had not taken timely action to schedule hearings before the commission for known or potentially uninsured employers, and its monitoring records were incomplete.

**Finding 2:** WCC lacked adequate procedures to ensure that all collections received were deposited and that deposits were made in a timely manner.

**Finding 3:** Adequate controls had not been established to ensure the propriety of WCC’s payroll, employee leave balances, and user access capabilities in the Statewide Personnel System.

\*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 2**  
**Major Information Technology Project**  
**Workers’ Compensation Commission**  
**Enterprise Modernization Project (Comp Hub)**

<b>New/Ongoing:</b> Ongoing								
<b>Start Date:</b> July 2015					<b>Est. Completion Date:</b> Fiscal 2024			
<b>Implementation Strategy:</b> Agile/Waterfall Hybrid; Agile for development, Waterfall in deployment to ensure that the new system and legacy system are able to communicate while the system is modernized.								
(\$ in Millions)	<b>Prior Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Remainder</b>	<b>Total</b>
<b>SF</b>	\$3,761.9	\$2,983.8	\$3,088.5	\$3,395.0	\$2,630.3	\$236.2		<b>\$16,095.7</b>
<b>Total</b>	3,761.9	2,983.8	3,088.5	3,395.0	2,630.3	236.2		<b>\$16,095.7</b>

- **Project Summary:** The Workers Compensation Commission (WCC) Enterprise Modernization project was designed to modernize its aging and complex system. The overall goal is to achieve paperless administration of the provisions of the Maryland Workers’ Compensation Law. WCC seeks to improve the effectiveness and timely delivery of services by achieving the following.
  - Ensure that at least 90% of all nonpermanency hearings are conducted within 60 days of the issue filed date.
  - Maintain a conformance rate of at least 95% for the issuance of commission orders within 30 days of a hearing.
  - Maintain an average of no more than 10 days between the hearing date and the first award issued by the commission.
- **Need:** This system will replace the need for employees to work with several legacy software systems and streamline agency operations.
- **Observations and Milestones:** Three development cycles have been completed since the contract was awarded in January 2019, resulting in approximately 16 business processes modeled, designed, tested, and designated for release.
- **Changes:** Production release was expected in the first quarter of fiscal 2020. A phased deployment and rollout to external customers (currently 6,000 users, ramping up to a possible 350,000) will now begin in the late third quarter of fiscal 2020.

**Appendix 3  
Object/Fund Difference Report  
Workers' Compensation Commission**

<u>Object/Fund</u>	<u>FY 19 Actual</u>	<u>FY 20 Working Appropriation</u>	<u>FY 21 Allowance</u>	<u>FY 20 - FY 21 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	0.00	115.00	115.00	0.00	0%
02 Contractual	0.00	11.25	11.25	0.00	0%
<b>Total Positions</b>	<b>0.00</b>	<b>126.25</b>	<b>126.25</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 11,022,820	\$ 11,390,336	\$ 11,510,041	\$ 119,705	1.1%
02 Technical and Spec. Fees	908,241	780,814	823,911	43,097	5.5%
03 Communication	444,259	379,945	379,945	0	0%
04 Travel	220,134	115,000	125,000	10,000	8.7%
06 Fuel and Utilities	5,046	12,214	12,214	0	0%
07 Motor Vehicles	74,111	82,880	82,880	0	0%
08 Contractual Services	2,414,109	3,845,250	3,563,276	-281,974	-7.3%
09 Supplies and Materials	132,472	143,313	143,313	0	0%
10 Equipment – Replacement	109,333	0	0	0	0.0%
11 Equipment – Additional	161,606	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,346,416	1,723,027	1,733,682	10,655	0.6%
14 Land and Structures	7,507	0	0	0	0.0%
<b>Total Objects</b>	<b>\$ 16,898,441</b>	<b>\$ 18,525,166</b>	<b>\$ 18,426,649</b>	<b>-\$ 98,517</b>	<b>-0.5%</b>
<b>Funds</b>					
03 Special Fund	\$ 16,898,441	\$ 18,525,166	\$ 18,426,649	-\$ 98,517	-0.5%
<b>Total Funds</b>	<b>\$ 16,898,441</b>	<b>\$ 18,525,166</b>	<b>\$ 18,426,649</b>	<b>-\$ 98,517</b>	<b>-0.5%</b>

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.