

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 346 (Delegate Pruski)
Economic Matters

Workers' Compensation - Vocational Rehabilitation Services - Retroactive
Compensation

This bill requires an employer or its insurer to retroactively pay certain compensation to a covered employee if the covered employee did not receive compensation during the period between the date “maximum medical improvement” was attained and the date vocational rehabilitation services began. The bill only applies prospectively and may not be applied or interpreted to have any effect on or application to any claim filed before the bill’s October 1, 2026 effective date.

Fiscal Summary

State Effect: State expenditures (all funds) likely increase beginning in FY 2027, potentially significantly, to pay additional benefits, as discussed below. General fund revenues from the premium tax also increase, likely minimally, beginning in FY 2027.

Chesapeake Employers’ Insurance Company (Chesapeake) Effect: Chesapeake expenditures likely increase beginning in FY 2027, to the extent that the bill results in additional benefits payments on behalf of its insureds. Revenues increase to the extent that premiums are raised due to claims experience under the bill.

Local Effect: Local government expenditures likely increase beginning in FY 2027 due to the bill’s expansion of benefits. Revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: “Maximum medical improvement” means the point in the medical recovery of a covered employee when the covered employee has attained stability from an accidental personal injury or an occupational disease, and further healing or recovery is not anticipated to occur with continued treatment, though the covered employee may require ongoing medical care.

Under the bill, an employer or its insurer must retroactively pay compensation to a covered employee as if the covered employee was temporarily totally disabled if the covered employee (1) reached maximum medical improvement; (2) is receiving vocational rehabilitation services; and (3) did not receive compensation as if the covered employee was temporarily disabled for the period between the date maximum medical improvement was attained and the date the covered employee began receiving vocational rehabilitation services.

The compensation required is in addition to the compensation required under current statutory provisions governing vocational rehabilitation services. Even so, an employer may not be required to pay compensation under the bill for a period of more than 60 days.

Current Law: If an employee covered under workers’ compensation insurance has suffered an accidental personal injury, compensable hernia, or occupational disease, the employee is entitled to compensation benefits paid by the employer, its insurer, the Subsequent Injury Fund, or the Uninsured Employers’ Fund, as appropriate. Workers’ compensation benefits include wage replacement, medical treatment, and vocational rehabilitation expenses.

Wage replacement benefits paid to an injured employee through the workers’ compensation system are based on the employee’s average weekly wage and on the type of injury, as prescribed in statute. However, in all cases, an employee’s weekly benefits may not exceed a certain percentage of the State average weekly wage. For example, an employee who is awarded compensation for a permanent partial disability for a period less than 75 weeks (one of the most common types of awards) is eligible to receive weekly benefits of one-third of his or her average weekly wage, but that amount may not exceed 16.7% of the State average weekly wage. An employee who is awarded compensation for a temporary total disability is eligible to receive weekly benefits of two-thirds of his or her average weekly wage, but that amount may not exceed 100% of the State average weekly wage. The State average weekly wage for 2026 is \$1,537. The maximum weekly benefit payable for each type of compensation award can be found on [WCC’s website](#).

In general, the average weekly wage must be computed by determining the average of the weekly wages of the covered employee (1) when the employee is working full time and

(2) at the time of the employee's accidental personal injury or last injurious exposure to the hazards of an occupational disease. For purposes of this computation, wages include tips as well as the reasonable value of housing, lodging, meals, rent, and other similar advantages that the employee received from the employer. However, additional factors must be considered in the calculation for specified individuals, including, among others, certain law enforcement officers, firefighters, students with disabilities, and incarcerated individuals.

State/Local/Small Business Fiscal Effect:

Employer Costs

The impact of the bill on workers' compensation costs for employers in the State (which includes the State, local governments, and small businesses) may be significant based on information provided by Chesapeake (who administers the State's self-insured workers' compensation program and directly insures various local governments and small businesses).

Chesapeake advises that, under the bill, when an injured worker's attorney requests vocational rehabilitation, or when vocational rehabilitation is initiated voluntarily, the carrier or self-insured employer would be required to pay benefits *as if* the injured worker were temporarily totally disabled during the gap period (*i.e.*, the period between maximum medical improvement and the start of vocational rehabilitation – up to 60 days). (For reference, the Workers' Compensation Commission has vocational rehabilitation dispute forms that typically result in a prompt phone conference or email exchange with an assigned commissioner, and hearings – if needed – are generally scheduled within approximately two weeks of the form's filing.) Currently, practices vary, as some adjusters voluntarily pay gap-period benefits, while others do not.

For illustrative purposes, from 2020 to 2025, Chesapeake provided vocational rehabilitation services to 779 injured workers. Based on data from these cases, and assuming these workers were entitled to receive an additional 60 days of temporary total disability, costs for the State would have increased by millions of dollars over that six-year period.

Premium Taxes

Title 6 of the Insurance Article imposes a premium tax (generally 2%) on each authorized insurance company, surplus lines broker, or unauthorized insurance company that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State. Revenues accrue to the general fund. Premium tax revenues may increase depending on the costs incurred by workers' compensation insurers in the State as

a result of the bill and to the extent that insurance premiums are increased to account for the increase in costs. Any such impact cannot be reliably estimated at this time but is anticipated to be minimal.

Chesapeake Fiscal Effect: As a workers' compensation insurer, Chesapeake pays the costs incurred by its insureds and recoups its costs through premiums charged to those insureds for their workers' compensation insurance policies. To the extent that the bill results in an increase in payments for workers' compensation insurance policies, Chesapeake expenditures increase accordingly. Chesapeake revenues increase correspondingly as these costs are passed on to Chesapeake's insureds.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Chesapeake Employers' Insurance Company; Subsequent Injury Fund; Uninsured Employers' Fund; Department of Legislative Services

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