

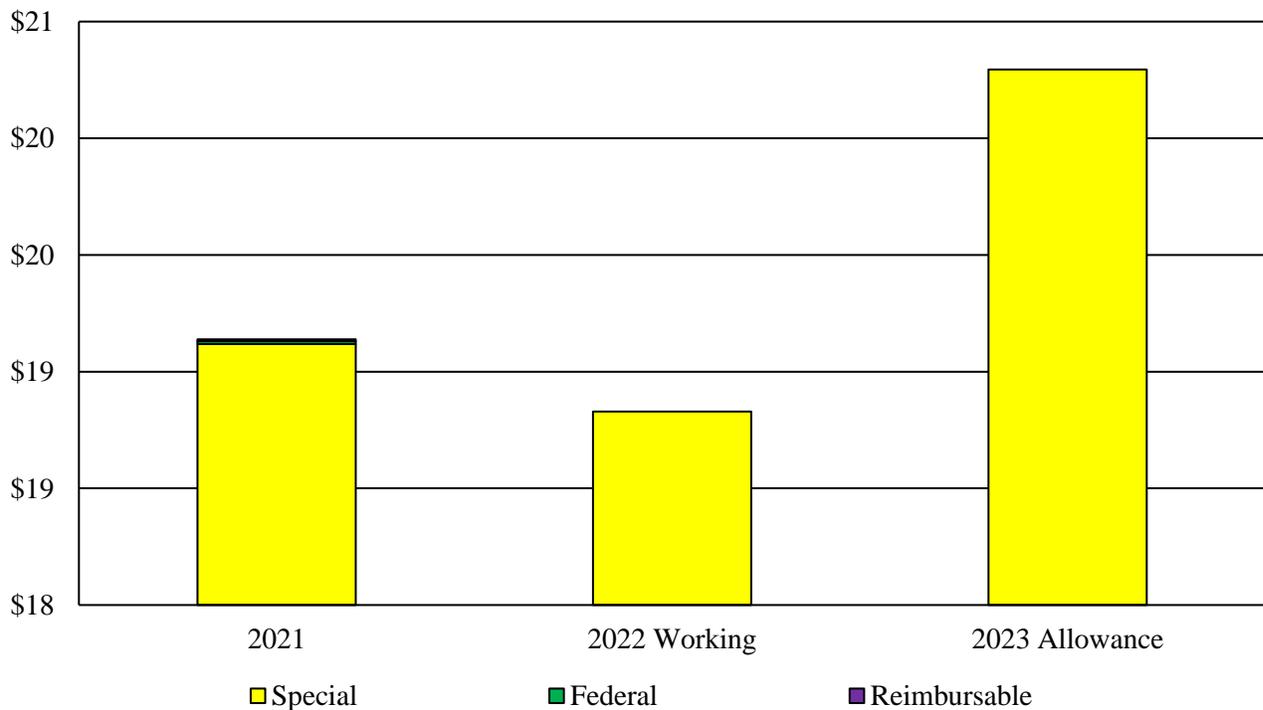
C98F00
Workers' Compensation Commission

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. WCC is a special fund agency supported by an annual maintenance assessment levied on insurance carriers and self-insured employers.

Operating Budget Summary

Fiscal 2023 Budget Increases \$1.5 Million, or 7.8%, to \$20.3 Million
(\$ in Millions)

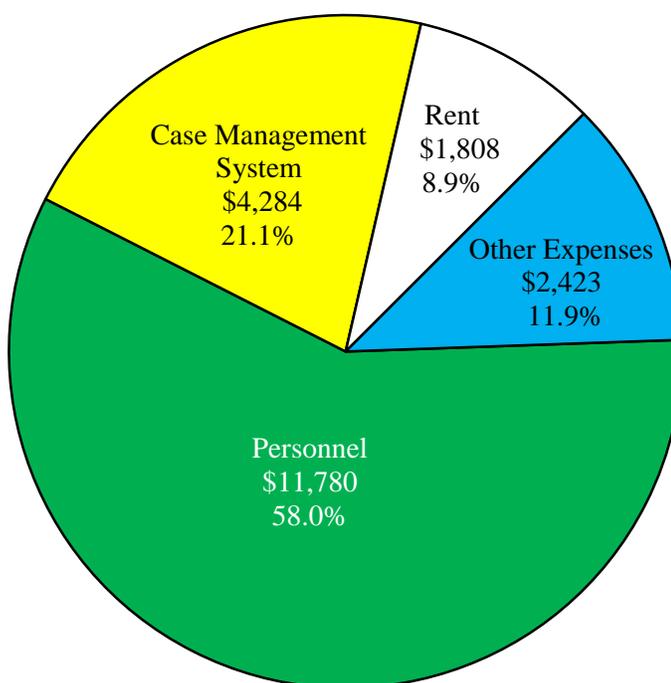


Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which may include cost-of-living adjustments, increments, annual salary review increases, and bonuses.

Fiscal 2023 Overview of Agency Spending

As shown in **Exhibit 1**, WCC operating costs are primarily comprised of personnel costs (58%), contractual information technology (IT) costs related to the Comp Hub case management system (21%) and rent (9%).

Exhibit 1
Overview of Agency Spending
Fiscal 2023 Allowance
(\$ in Thousands)



Source: Governor’s Fiscal 2023 Budget Books

Proposed Budget Change

The fiscal 2023 allowance for WCC grows by nearly \$1.5 million, or 7.8%, as shown in **Exhibit 2**. Contractual costs with Versatech for the Comp Hub project grow by nearly \$1.4 million, accounting for nearly all the growth in the fiscal 2023 allowance. The major IT project is nearing its planned completion date of 2024. Funding will provide for the final migration of all processes and data from the commission’s legacy system as well as the decommissioning of legacy systems.

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

How Much It Grows:	Special <u>Fund</u>	Federal <u>Fund</u>	Reimb. <u>Fund</u>	<u>Total</u>
Fiscal 2021 Actual	\$19,118	\$12	\$7	\$19,138
Fiscal 2022 Working Appropriation	18,830	0	0	18,830
Fiscal 2023 Allowance	<u>20,295</u>	<u>0</u>	<u>0</u>	<u>20,295</u>
Fiscal 2022-2023 Amount Change	\$1,465	\$0	\$0	\$1,465
Fiscal 2022-2023 Percent Change	7.8%			7.8%

Where It Goes:

Personnel Expenses	<u>Change</u>
Employee and retiree health insurance	\$43
Social Security contributions	13
Other fringe benefits	7
Regular earnings	-22
Judges’ pension system.....	-31
Workers’ compensation	-34
Other Changes	
Comp Hub case management system	\$1,246
Contractual information technology support	219
Other changes	24
Total	\$1,465

Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which may include cost-of-living adjustments, increments, annual salary review increases, and bonuses.

Personnel Data

	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 22-23</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	115.00	115.00	115.00	0.00
Contractual FTEs	<u>11.25</u>	<u>11.25</u>	<u>11.25</u>	<u>0.00</u>
Total Personnel	126.25	126.25	126.25	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.34	3.77%
Positions and Percentage Vacant as of 12/31/21	17.00	14.78%
Vacancies Above Turnover	12.66	

- WCC has nearly four times as many vacant positions as its budgeted turnover requires.

Key Observations

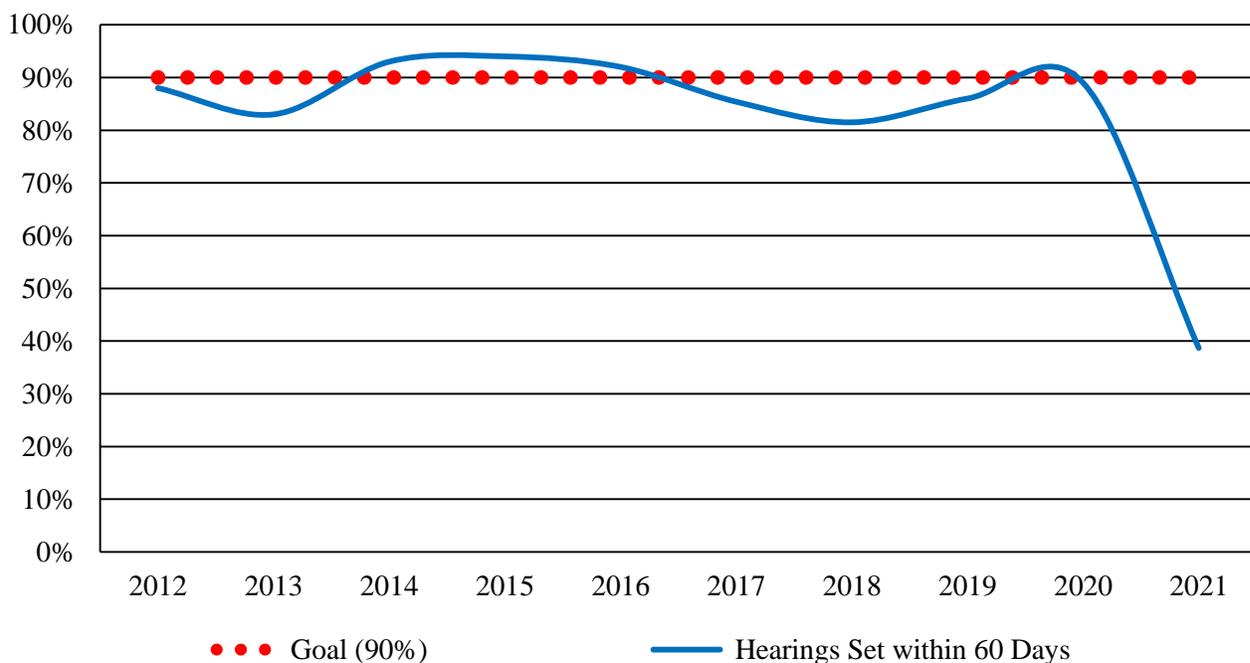
1. COVID-19 Creates WCC Scheduling Delays

The commission adjudicates on-the-job injury claims at seven locations across the State: Abingdon; Baltimore City; Beltsville; Cambridge; Cumberland; Frederick; and La Plata. At each of these locations, 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.

Exhibit 3 shows that WCC set only 39% of nonpermanency (for nonpermanent injuries) hearings within 60 days in fiscal 2021, far below the goal of 90%. The reason for the large number of delayed hearings was due to the impact of COVID-19 on scheduling hearings in a timely manner.

**Exhibit 3
Percent of Nonpermanency Hearings Set within 60 Days
Fiscal 2012-2021**



Source: Department of Budget and Management

2. Assessment Declines Due to Large Payroll Growth

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 4** lists the payroll base, commission expense, MOSH safety program portion, and resulting assessments since fiscal 2011. The total assessment in fiscal 2021 decreased by \$3,000. The payroll base increased by \$19.9 billion, or 15.8%, while commission expenses decreased slightly. As a result, the formula-based assessment rate decreased by 14.9%.

Exhibit 4
WCC Insurer Assessments and Operational Funding Base
Fiscal 2011-2021
(\$ 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
2020	130,534,710	18,321	12,694	31,015	31,015	0.239
2021	150,445,569	18,244	13,029	31,012	31,012	0.206

WCC: Workers’ Compensation Commission

Note: Total expenses for fiscal 2021 reflect an adjustment of -\$262,000 made when calculating the assessment.

Source: Workers’ Compensation Commission

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

Appendix 1
2021 Joint Chairmen’s Report Responses from Agency

The 2021 *Joint Chairmen’s Report* (JCR) requested that WCC prepare one report. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Uninsured Employers’ Fund (UEF) Personnel Needs and Potential Restructuring:*** Funding was restricted in several agencies including WCC pending a report on the personnel needs of UEF and the structure of three workers’ compensation agencies. A summary of this report can be found in the UEF analysis.

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

New/Ongoing: Ongoing								
Start Date: July 2015					Est. Completion Date: December 2023			
Implementation Strategy: 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)	Prior Year	2022	2023	2024	2025	2026	Remainder	Total
SF	\$10.098	\$3.131	\$4.189	\$2.124	\$0.000	\$0.000	\$0.000	\$19.542
Total	\$10.098	\$3.131	\$4.189	\$2.124	\$0.000	\$0.000	\$0.000	\$19.542

- **Project Summary:** The 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.

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

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	115.00	115.00	115.00	0.00	0%
02 Contractual	11.25	11.25	11.25	0.00	0%
Total Positions	126.25	126.25	126.25	0.00	0%
Objects					
01 Salaries and Wages	\$ 11,783,404	\$ 11,803,831	\$ 11,779,677	-\$ 24,154	-0.2%
02 Technical and Special Fees	890,909	794,888	708,692	-86,196	-10.8%
03 Communication	379,945	389,695	389,695	0	0%
04 Travel	125,000	125,000	125,000	0	0%
06 Fuel and Utilities	12,214	12,214	12,214	0	0%
07 Motor Vehicles	82,880	82,880	82,700	-180	-0.2%
08 Contractual Services	3,934,270	3,670,597	5,142,352	1,471,755	40.1%
09 Supplies and Materials	143,313	157,752	157,752	0	0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,733,682	1,740,443	1,844,155	103,712	6.0%
Total Objects	\$ 19,138,004	\$ 18,829,687	\$ 20,294,624	\$ 1,464,937	7.8%
Funds					
03 Special Fund	\$ 19,118,332	\$ 18,829,687	\$ 20,294,624	\$ 1,464,937	7.8%
05 Federal Fund	12,186	0	0	0	0.0%
09 Reimbursable Fund	7,486	0	0	0	0.0%
Total Funds	\$ 19,138,004	\$ 18,829,687	\$ 20,294,624	\$ 1,464,937	7.8%

Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which may include cost-of-living adjustments, increments, annual salary review increases, and bonuses.