

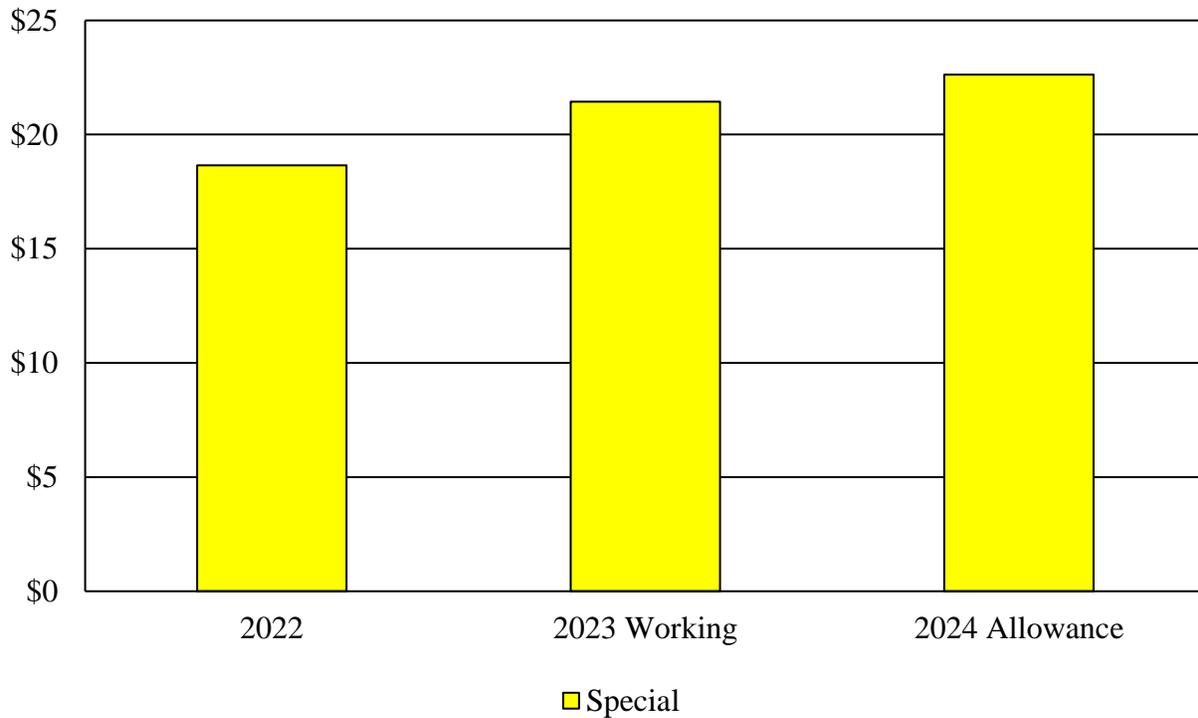
C98F00
Workers' Compensation Commission

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 2024 Budget Increases \$1.2 Million, or 5.5%, to \$22.6 Million
(\$ in Millions)



Note: The fiscal 2023 working appropriation includes this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

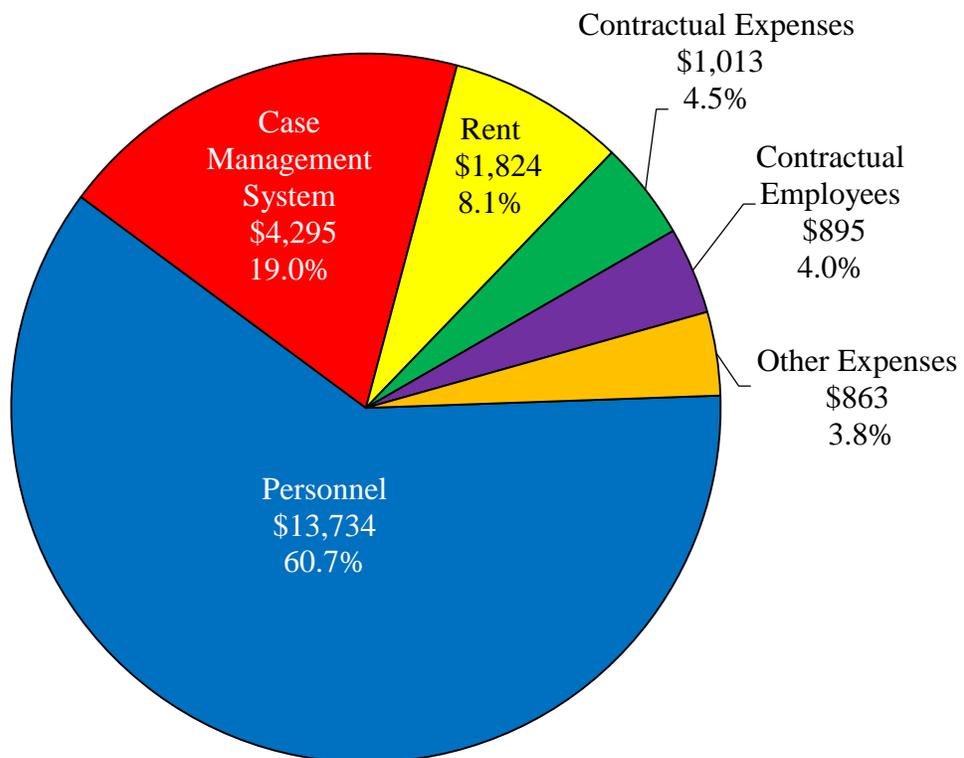
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Fiscal 2024 Overview of Agency Spending

As shown in **Exhibit 1**, WCC operating costs are primarily comprised of personnel costs (61%), contractual information technology (IT) costs related to the Comp Hub case management system (19%), and rent (8%).

Exhibit 1
Overview of Agency Spending
Fiscal 2024 Allowance
(\$ in Thousands)



Source: Governor’s Fiscal 2024 Budget Books

Proposed Budget Change

The fiscal 2024 allowance for WCC grows by \$1.2 million, or 5.5%, as shown in **Exhibit 2**. Nearly three-quarters of the growth is due to increases in personnel costs.

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

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Total</u>
Fiscal 2022 Actual	\$18,649	\$18,649
Fiscal 2023 Working Appropriation	21,437	21,437
Fiscal 2024 Allowance	<u>22,624</u>	<u>22,624</u>
Fiscal 2023-2024 Amount Change	\$1,187	\$1,187
Fiscal 2023-2024 Percent Change	5.5%	5.5%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Employee and retiree health insurance	\$418
Regular earnings	174
Annualization of November 2022 4.5% cost-of-living adjustment.....	146
Pension contributions.....	120
Other fringe benefit adjustments	25
Other Changes	
Comp Hub major IT project	154
Contractual employee costs	116
Rent.....	19
Other	15
Total	\$1,187

IT: information technology

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

Comp Hub IT Project Nears Completion

Contractual costs for the Comp Hub major IT project grow by approximately \$154,000 to \$4.3 million in the fiscal 2024 allowance. The project had previously been scheduled for completion in fiscal 2024, but the timeline has extended into fiscal 2025, and the total cost of the project has increased by approximately \$3 million. While the project is anticipated to be complete in December 2023, funding for developers to provide software enhancements and maintenance for

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the system will extend beyond fiscal 2024. The agency has seen staff turnover and has been unable to recruit replacements capable of the development and programming duties for the new system, necessitating the use of external staff to perform agency-critical tasks.

Personnel Data

	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23-24</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

Turnover and Necessary Vacancies, Excluding New Positions	4.20	3.65%
Positions and Percentage Vacant as of 12/31/22	17.00	14.78%
Vacancies Above Turnover	12.80	

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

Key Observations

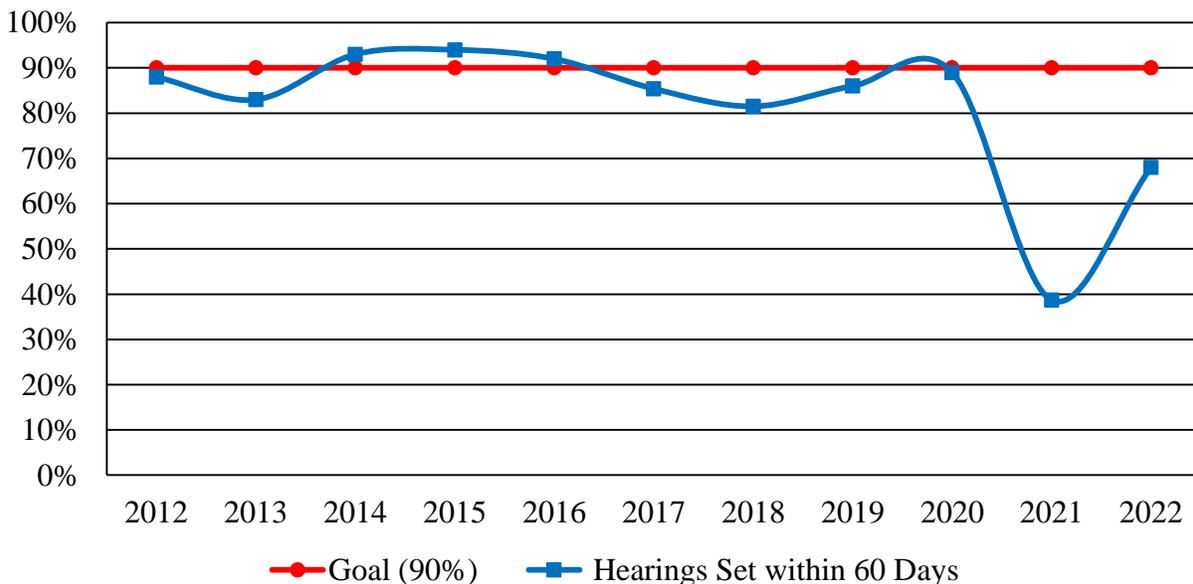
1. WCC Clears COVID-19 Scheduling Backlog

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. As the agency has worked through its backlog of hearings, in fiscal 2022, WCC was able to schedule 68% of hearings within 60 days and states that the backlog has been cleared and anticipates meeting its 90% goal in fiscal 2023.

Exhibit 3
Percent of Nonpermanency Hearings Set within 60 Days
Fiscal 2012-2022



Source: Governor’s Fiscal 2024 Budget Books

2. Assessment Increases Due to Payroll Decline

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 of 2009 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 2022 increased by \$2.2 million. The payroll base decreased by \$4.7 billion, or 3.7%, while commission expenses increased by 8%. As a result, the formula-based assessment rate increased by 10.2%.

Exhibit 4
WCC Insurer Assessments and Operational Funding Base
Fiscal 2013-2022
(\$ in Thousands)

<u>Year</u>	<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>
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
2022	145,764,851	18,633	13,875	33,220	33,220	0.227

WCC: Workers’ Compensation Commission

Note: Total expenses for fiscal 2021 and 2022 reflect timing adjustments.

Source: Workers’ Compensation Commission

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
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	2023	2024	2025	2026	2027	Remainder	Total
SF	\$13.229	\$4.141	\$4.295	\$2.321	\$0.000	\$0.000	\$0.000	\$23.986
Total	\$13.229	\$4.141	\$4.295	\$2.321	\$0.000	\$0.000	\$0.000	\$23.986

- **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; and
 - 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 2
Object/Fund Difference Report
Workers' Compensation Commission**

<u>Object/Fund</u>	<u>FY 22 Actual</u>	<u>FY 23 Working Appropriation</u>	<u>FY 24 Allowance</u>	<u>FY 23 - FY 24 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	\$11,635,952	\$12,559,895	\$13,734,154	\$1,174,259	9.3%
02 Technical and Special Fees	844,157	761,465	895,323	133,858	17.6%
03 Communication	369,100	389,695	389,695	0	0%
04 Travel	173,006	125,000	125,000	0	0%
06 Fuel and Utilities	4,850	12,214	12,214	0	0%
07 Motor Vehicles	81,210	82,700	82,700	0	0%
08 Contractual Services	3,594,611	5,142,352	5,308,628	166,276	3.2%
09 Supplies and Materials	93,641	157,752	157,752	0	0%
10 Equipment – Replacement	46,998	0	0	0	0.0%
11 Equipment – Additional	14,481	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,738,415	1,844,155	1,866,519	22,364	1.2%
Total Objects	\$18,648,808	\$21,127,615	\$22,624,372	\$1,496,757	7.1%
Funds					
03 Special Fund	\$18,648,808	\$21,127,615	\$22,624,372	\$1,496,757	7.1%
Total Funds	\$18,648,808	\$21,127,615	\$22,624,372	\$1,496,757	7.1%

Note: The fiscal 2023 appropriation does not include deficiencies.