

STATE OF MARYLAND

WES MOORE
GOVERNOR



MARGARETA A. GRAMPTON
VALERIE L. FRALING

EDGAR G. DODD III
DIRECTOR

THE SUBSEQUENT INJURY FUND
222 SCHILLING CIRCLE – SUITE 180
HUNT VALLEY, MARYLAND 21031
410-527-4010 • FAX: 410-527-4011

Subsequent Injury Fund

SB0377 and HB0590 Testimony

Senate Finance Committee
Miller Senate Office Building
Annapolis, MD 21401
Senator Melony Griffith, Committee Chair

House Economic Matters Committee
120 House Office Building
Annapolis, MD 21401
Delegate C. T. Wilson, Committee Chair

The Subsequent Injury Fund is an independent agency, created under Section 802 of the Maryland Annotated Code. The Fund was created to encourage the hiring of workers with pre-existing disabilities by assuming financial responsibility for a permanent impairment due to an accident, disease or congenital condition that is, or is likely to be, a hindrance to employment when combined with the effects of a subsequent compensable job related accident, personal injury or occupational disease.

The Subsequent Injury Fund annual operating budget and benefit payments are funded by a 6.5% assessment on awards passed by the Maryland Workers' Compensation Commission against employers or insurers for employee job related injury(s) that result in permanent disability or death. Financial compensation paid by employers or insurers under settlement agreements are also subject to a Subsequent Injury Fund 6.5% assessment.

Subsequent Injury Fund SB0377 and HB0590 Testimony (page 2)

Fiscal year 2022 operating expenses were \$2,599,220.00. Fiscal year 2022 benefit payments were \$19,555,752.00. The SIF FY 2022 operating expense and benefit payment ratio was 13.3%.

An actuary study completed in January 2022 found Subsequent Injury Fund liabilities between \$314.8 million and \$548.2 million based on disabled and healthy mortality assumptions. The actuary recommended the current 6.5% assessment rate funding source remain unchanged.

The HB0590 elimination of accidental disability offsets will increase Subsequent Injury Fund benefit payment liability and reduce the Fund balance.

Increased Subsequent Injury Fund liability without a corresponding funding revenue increase will decrease the Fund balance and increase the future liability cited in the 2022 actuary study. The sole source of Subsequent Injury Fund revenue is the current 6.5% assessment rate paid by employers and insurers. Passage of HB0590 will initiate an unanticipated discussion regarding the adequacy of the 6.5% assessment rate. An increase to the current 6.5% assessment rate will increase the cost of doing business in Maryland.

The following summary of a recent Workers' Compensation claim illustrates the fiscal consequence of eliminating the current accidental disability offset provision to the Subsequent Injury Fund.

A 29 year old worker was awarded State of Maryland accidental disability retirement benefits in connection with a compensable injury. The Workers' Compensation Commission awarded permanent total disability with Subsequent Injury Fund lifetime payment liability due to a significant preexisting condition.

Fulltime Salary: \$43,000.00 annually

Accidental Disability Retirement Benefit:	\$24,444.00 annually
SIF Permanent Total Disability liability (<i>offset applied</i>)	+ <u>5,824.00 annually</u>
	\$30,268.00 annual compensation
<i>HB0590 proposed elimination of the disability offset:</i>	
Accidental Disability Retirement Benefit:	\$24,444.00 annually
SIF Permanent Total Disability liability (<i>no offset</i>)	+ <u>30,264.00 annually</u>
	\$54,708.00 annual combined benefit
	<i>127% of fulltime salary</i>

Subsequent Injury Fund SB0377 and HB0590 Testimony (page 3)

In the example summary, under HB0590 the injured worker would receive \$11,708.00 more in combined State Disability Retirement and Subsequent Injury Fund annual benefit payments than their pre-accident annual salary.

The Subsequent Injury Fund estimate of disability retirement offset cases in the last 12 months is 40 claims. Using the cited case \$24,440.00 annual increased Fund benefit liability as an example, over the past 12 months HB0590 would have increased Fund payments by \$977,000.00.

The case summary involved a permanent total disability award, Subsequent Injury Fund lifetime partial benefit payment offset. In some permanent partial disability awards (non-lifetime Fund liability), the State Disability Retirement monthly benefit rate exceeds the Fund benefit payment rate resulting in a complete liability offset. HB0590 will eliminate the Subsequent Injury Fund liability offset.

The Subsequent Injury Fund respectfully requests an unfavorable Committee report on HB0590.

Respectfully submitted,
Edgar G. Dodd, III
Director
Subsequent Injury Fund