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Subsequent Injury Fund

C94I00

HB1455 Workers' Compensation – Average Weekly Wage – Multiple Employers
Opposition Testimony

House Economic Matters Committee
120 House Office Building
Annapolis, MD 21401
March 11, 2025
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 the Subsequent Injury Fund 6.5% assessment.

Fiscal year 2024 operating expenses were \$3,039,790.00. Fiscal year 2024 benefit payments were \$17,917,755.00. The SIF operating expense and benefit payment ratio was 17%.

The fiscal year 2024 Subsequent Injury Fund closing balance was \$130,632,026.00. This represents a one year 7% balance increase. The estimated FY 2025 closing balance is \$137,977,762.00.

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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.

HB1455 will introduce wage stacking to the Maryland Workers' Compensation system. The bill will adjust the average weekly wage calculation in part-time work injury cases. The wages earned in the part-time employment at which an accident occurs will be combined with the wages earned at other simultaneous employment. The wage stacking sum amount will determine the temporary partial or temporary total disability benefit payment rate.

HB1455 will require the Subsequent Injury Fund to reimburse the insurer (of the part-time work employer where the injury occurred) the increased temporary disability benefit payment amount based on the wage stacking calculation.

Historically, the Subsequent Injury Fund mission and funding has been based on benefit payments to the victims of on-the-job injuries resulting in permanent disability or death. The introduction of a new liability category, without a corresponding revenue adjustment, will have a negative fiscal impact on the Fund.

The new temporary partial and temporary total payment responsibility will lead to a decline in SIF reserves compromising the ability of the Agency to meet future benefit payment responsibilities to permanently disabled Maryland workers.

Wage stacking is not a current part of the Maryland Workers' Compensation system. The SIF has never been responsible for the direct or indirect payment of temporary partial or temporary total payment benefits. The 2022 actuary study was limited to the adequacy of SIF reserves, and the current revenue assessment rate paid by insurers, to meet current and future permanent disability benefit payment liabilities. The HB1455 expansion of SIF fiscal liability to temporary partial and temporary total cases was not part of the 2022 actuarial analysis.

HB1455 will increase the fiscal burden on Maryland insurance companies and self-insured employers if an increase in the current 6.5% assessment rate becomes necessary to avert SIF insolvency.

Based on the major fiscal impact on the Subsequent Injury Fund and the Maryland Workers' Compensation system, an unfavorable HB1455 committee vote is recommended.

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