

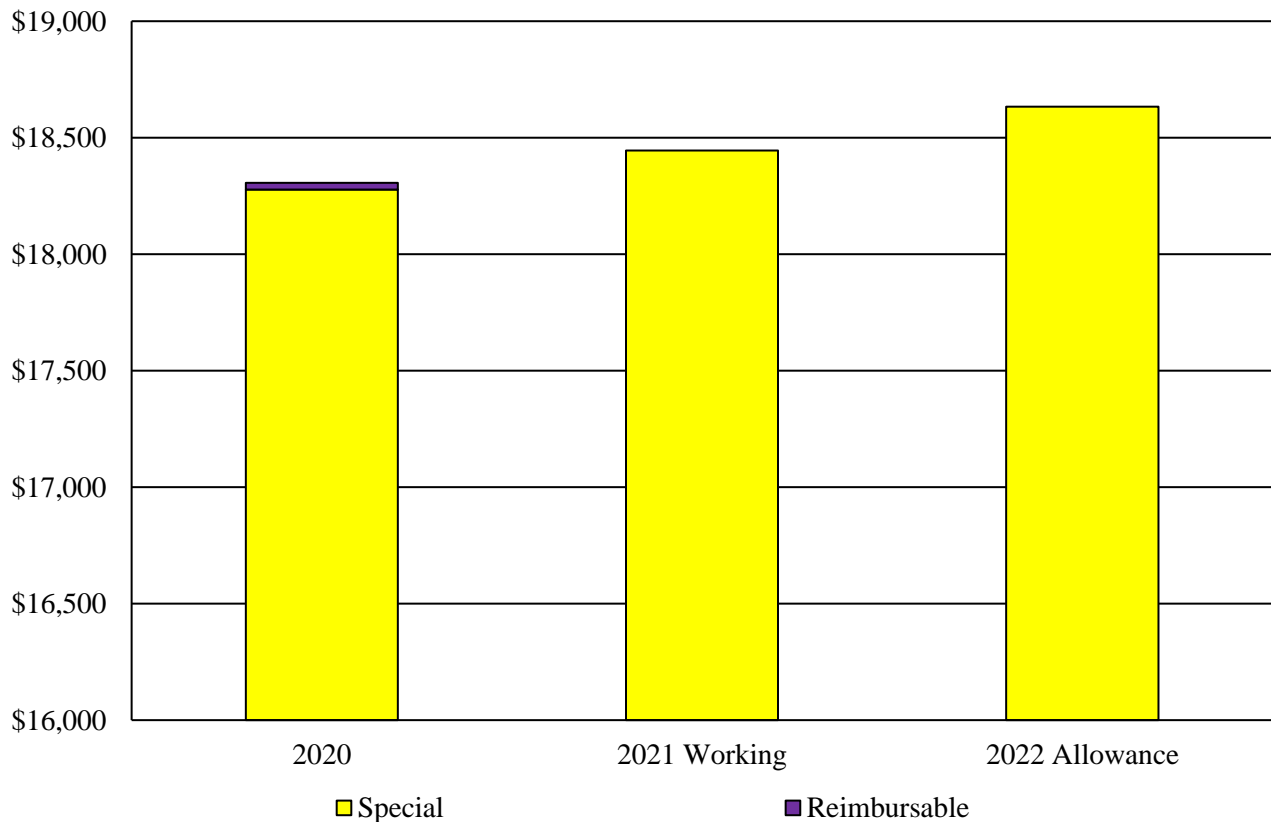
C98F00
Workers' Compensation Commission

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

Operating Budget Summary

Fiscal 2022 Budget Increases \$188,080, or 1%, to \$18.6 Million
(\$ in Thousands)



Note: Fiscal 2021 cost-of-living adjustments are not reflected in the working appropriation or allowance.

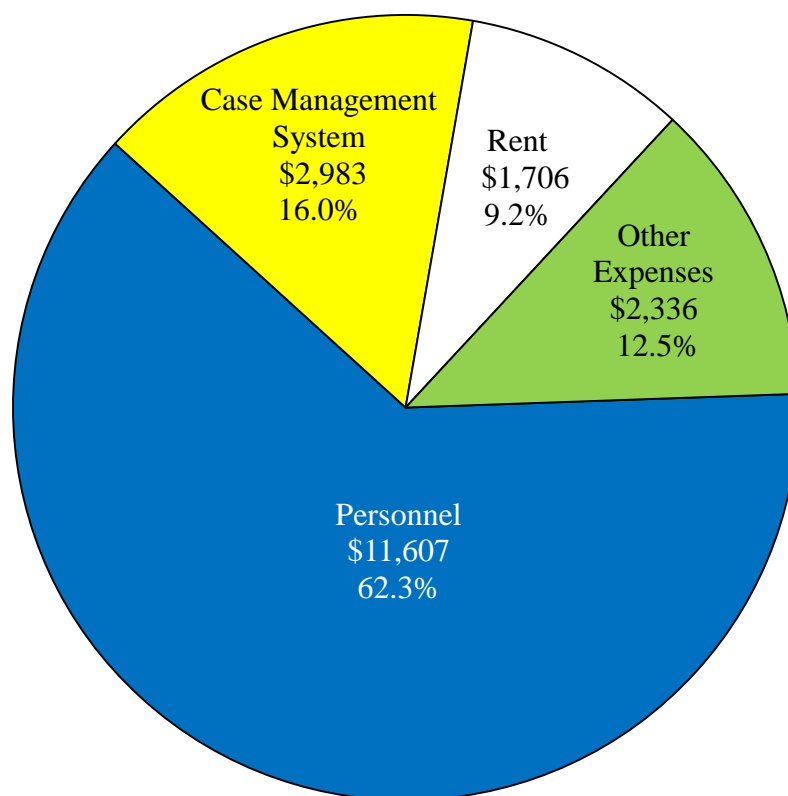
For further information contact: Jason A. Kramer

Phone: (410) 946-5530

Fiscal 2022 Overview of Agency Spending

As shown in **Exhibit 1**, nearly two-thirds of WCC’s fiscal 2022 allowance is for employee salary and compensation. Other large cost drivers include the continued funding for the Comp Hub case management system (16%) and rent (9.2%).

Exhibit 1
Overview of Agency Spending
Fiscal 2022 Allowance
(\$ in Thousands)



Source: Governor’s Fiscal 2022 Budget Books

Proposed Budget Change

The fiscal 2022 allowance for WCC grows by approximately \$188,000, or 1%, as shown in **Exhibit 2**. Personnel costs increase by about \$77,000, while contractual information technology support costs increase by about \$59,000, and costs for the Comp Hub system grow by \$43,000.

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

How Much It Grows:	Special Fund	Reimb. Fund	Total
Fiscal 2020 Actual	\$18,277	\$29	\$18,306
Fiscal 2021 Working Appropriation	18,445	0	18,445
Fiscal 2022 Allowance	<u>18,633</u>	<u>0</u>	<u>18,633</u>
Fiscal 2021-2022 Amount Change	\$188	\$0	\$188
Fiscal 2021-2022 Percent Change	1.0%	0.0%	1.0%

Where It Goes:	Change
Personnel Expenses	
Regular earnings	\$32
Unemployment compensation	21
Judges’ pension system.....	20
Workers’ compensation	12
Employee and retiree health insurance	7
Retirement contributions	-16
Other Changes	
Contractual information technology support	59
Comp Hub case management system	43
Other changes	9
Total	\$188

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

Personnel Data

	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21-22</u> <u>Change</u>
Regular Positions	115.00	115.00	115.00	0.00
Contractual FTEs	<u>10.65</u>	<u>11.25</u>	<u>11.25</u>	<u>0.00</u>
Total Personnel	125.65	126.25	126.25	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.32	3.76%
Positions and Percentage Vacant as of 11/1/20	8.00	6.96%
Vacancies Above (Below) Turnover	3.68	

Key Observations

1. COVID-19 Cancellations Create Hearing Delays

Due to the COVID-19 pandemic, WCC cancelled all hearings between March 16, 2020, and May 29, 2020. WCC restarted on June 8, 2020, with virtual hearings, holding 211 in fiscal 2020, as well as limited in-person hearings. Due to logistical issues with virtual hearings, commissioners are only typically able to hear about 15 cases per docket, down from 25 per docket. Prior to the pandemic, at any one time, there were approximately 3,000 to 4,000 cases pending a hearing. As of January 20, 2021, there were 6,260 cases pending a hearing. By extending days, the commission has been reducing that number.

The impact of the delays is felt not only by participants in the hearings but also the Subsequent Injury Fund and the Uninsured Employers’ Fund, both of which rely on assessments on workers’ compensation commission awards to support their respective funds.

2. Compensation Hearings: Clearance Rates Improve from 86% to 89%

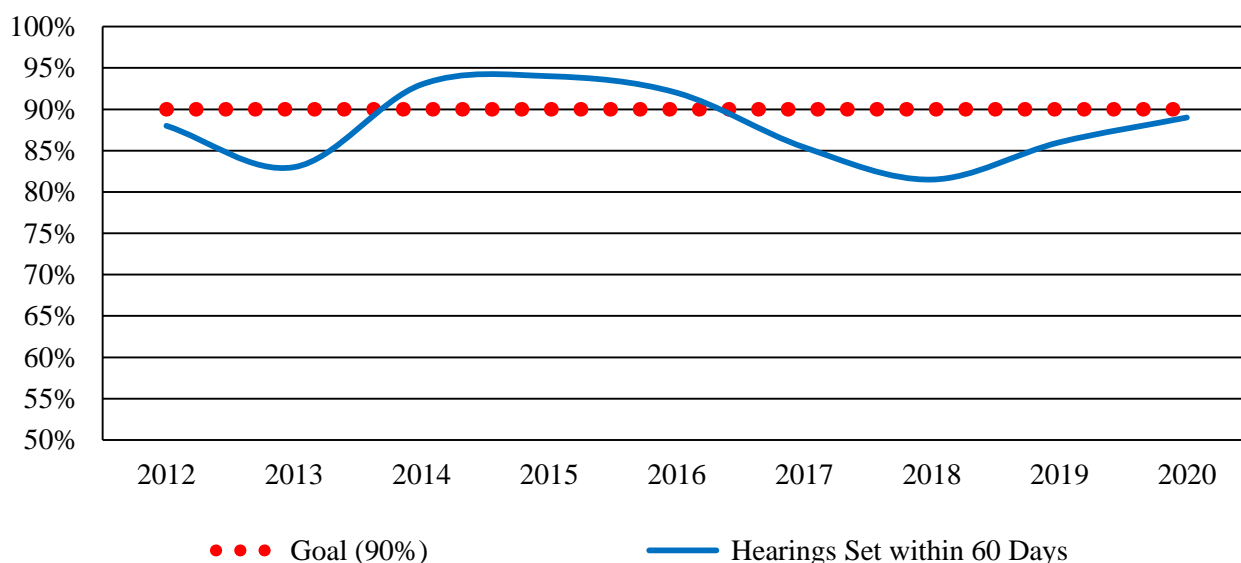
The commission adjudicates on-the-job injury claims at seven locations across the State: Abingdon; Baltimore City; Beltsville; Cambridge; Cumberland; Frederick; and La Plata. At each of these locations, WCC’s 10 commissioners conduct hearings and make decisions. If these decisions are appealed, they 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. Because 9 of the 10 commissioners serve as full-time hearing officers (the chairman functions as the administrative head of the commission), any changes in commissioner personnel have an outsized effect on agency operations.

Exhibit 3 shows the percentage of nonpermanency (for nonpermanent injuries) hearings set within 60 days. While the goal of 90% was not reached in fiscal 2020, it improved from 86% to 89%.

Exhibit 3
Percentage of Nonpermanency Hearings Set within 60 Days
Fiscal 2012-2020



Source: Department of Budget and Management

3. Insurer Assessments and WCC Operating Funds

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 2020 increased by \$3 million. The payroll base increased by \$4.3 billion but at a slower rate than commission expenses, which were driven by the agency’s Comp Hub project. As a result, the formula-based assessment rate increased by 8.1%.

Exhibit 4
WCC Insurer Assessments and Operational Funding Base
Fiscal 2011-2020
(\$ in Thousands)

	<u>Assessment Base</u> <u>Insurer Payroll</u>	<u>Commission</u> <u>Expense</u>	<u>Safety</u> <u>Program</u> <u>Cost</u>	<u>Total</u> <u>Expenses</u>	<u>Insurer</u> <u>Assessments</u>	<u>Assessment</u> <u>Per \$1,000</u> <u>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

WCC: Workers’ Compensation Commission

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	2021	2022	2023	2024	2025	Remainder	Total
SF	\$6.746	\$3.088	\$3.131	\$2.630	\$0.236	\$0.000	\$0.000	\$15.832
Total	\$6.746	\$3.088	\$3.131	\$2.630	\$0.236	\$0.000	\$0.000	\$15.832

- **Project Summary:** The Workers’ Compensation Commission (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 2
Object/Fund Difference Report
Workers' Compensation Commission**

<u>Object/Fund</u>	<u>FY 20 Actual</u>	<u>FY 21 Working Appropriation</u>	<u>FY 22 Allowance</u>	<u>FY 21 - FY 22 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	115.00	115.00	115.00	0.00	0%
02 Contractual	22.50	11.25	11.25	0.00	0%
Total Positions	137.50	126.25	126.25	0.00	0%
Objects					
01 Salaries and Wages	\$ 11,487,628	\$ 11,530,048	\$ 11,606,862	\$ 76,814	0.7%
02 Technical and Special Fees	869,963	821,893	794,888	-27,005	-3.3%
03 Communication	370,155	379,945	389,695	9,750	2.6%
04 Travel	160,528	125,000	125,000	0	0%
06 Fuel and Utilities	5,596	12,214	12,214	0	0%
07 Motor Vehicles	75,828	82,880	82,880	0	0%
08 Contractual Services	3,485,696	3,563,276	3,670,597	107,321	3.0%
09 Supplies and Materials	194,104	143,313	157,752	14,439	10.1%
10 Equipment – Replacement	80,749	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,522,829	1,733,682	1,740,443	6,761	0.4%
14 Land and Structures	598	0	0	0	0.0%
Total Objects	\$ 18,306,061	\$ 18,444,638	\$ 18,632,718	\$ 188,080	1.0%
Funds					
03 Special Fund	\$ 18,276,791	\$ 18,444,638	\$ 18,632,718	\$ 188,080	1.0%
09 Reimbursable Fund	29,270	0	0	0	0.0%
Total Funds	\$ 18,306,061	\$ 18,444,638	\$ 18,632,718	\$ 188,080	1.0%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.