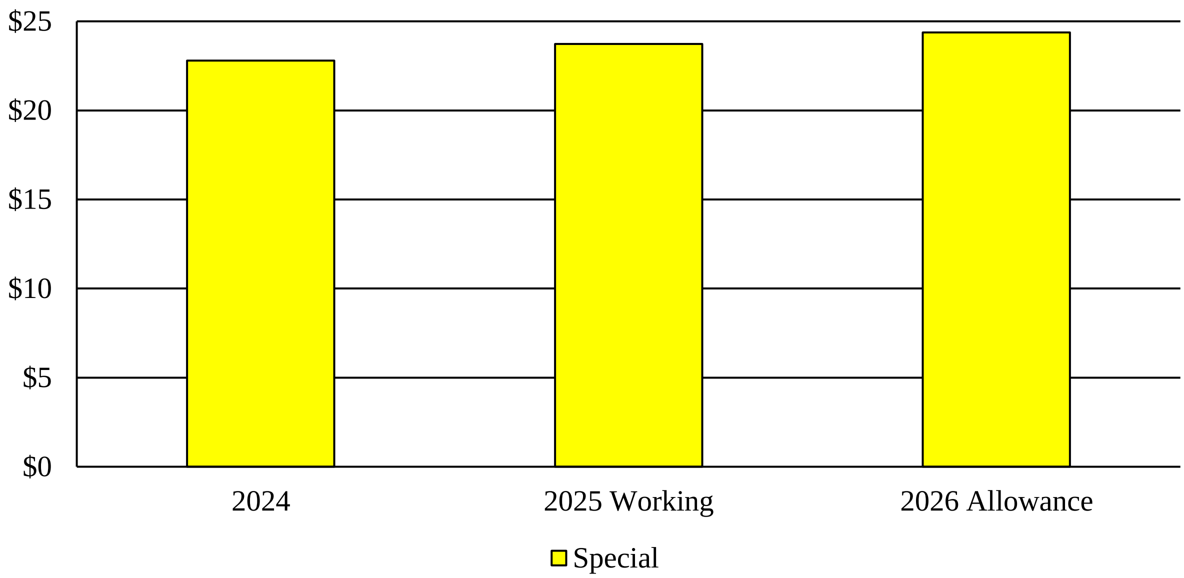
C98F00
Workers' Compensation Commission

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 2026 Budget Increases $656,569, or 2.8%, to $24.4 Million
$ in Millions



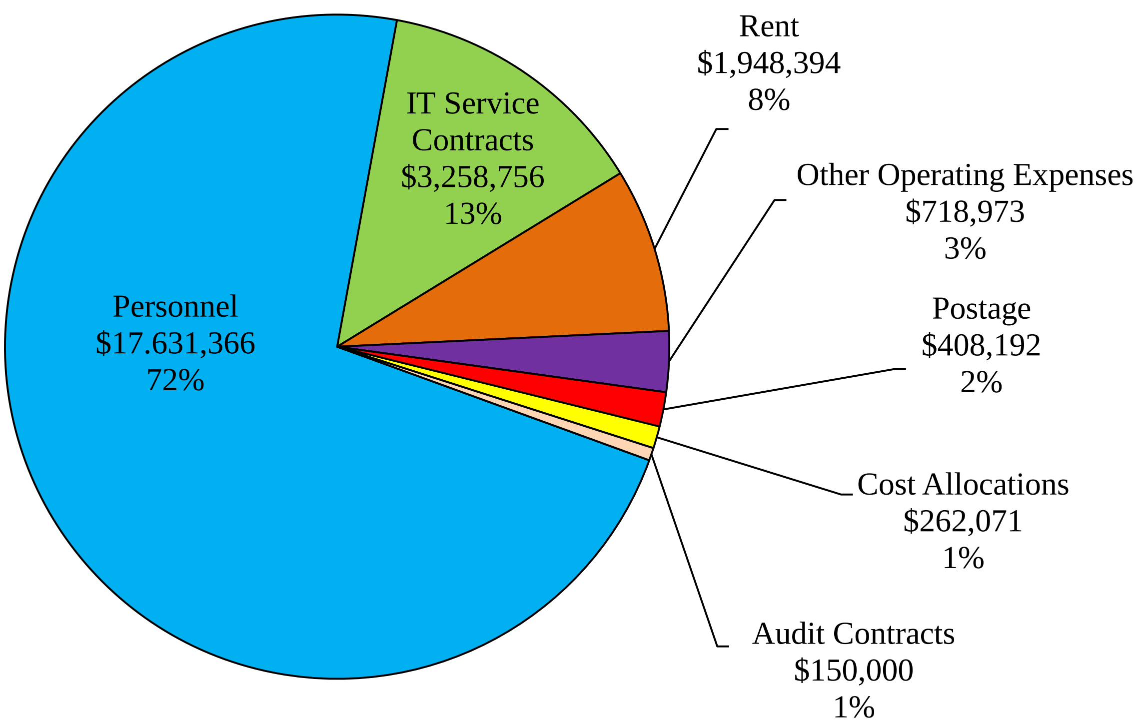
Note: The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

For further information contact: Micah R. Richards micah.richards@mlis.state.md.us

Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance for WCC totals $24.4 million. As shown in **Exhibit 1**, the majority of the fiscal 2026 allowance ($17.7 million, or 72%) supports personnel costs, for 115 regular positions and 18.25 contractual full-time equivalents. Information technology (IT) service contracts comprise $3.3 million, or 13% of the fiscal 2026 allowance.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance



IT: information technology

Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2025 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, WCC's fiscal 2026 allowance increases by a net of $656,569 compared to the fiscal 2025 appropriation. The largest spending increase of $1.6 million for salaries occurs mainly due to fiscal 2025 cost-of-living adjustments (COLA) and increments not yet accounted for in the agency's fiscal 2025 budget. Contractual employee payroll increases by approximately $112,000 in the fiscal 2026 allowance due to the provision of the COLA for these employees consistent with what is provided to State employees.

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

How Much It Grows:	**Special Fund**	**Total**
Fiscal 2024 Actual	$22,798	$22,798
Fiscal 2025 Working Appropriation	23,721	23,721
Fiscal 2026 Allowance	24,378	24,378
Fiscal 2025-2026 Amount Change	$657	$657
Fiscal 2025-2026 Percent Change	2.8%	2.8%

Where It Goes:	**Change**
Personnel Expenses	
Salary increases and associated fringe benefits including fiscal 2025 cost-of-living adjustments and increments	$1,793
Reclassification to absorb a statutory salary increase to commissioners	100
Turnover decreases from 3.52% to 3.27%	37
Workers' compensation premium assessment	29
Employee and retiree health insurance	-486
Other Changes	
IT service contracts on software maintenance for the transition of Comp Hub project to operations	1,518
Contractual employee payroll	112
Travel for in-State conferences	62
Legal services for the rental of temporary court hearing space in western Maryland	43
Rent	25
Cost allocation	-54

Where It Goes:	**Change**
Comp Hub Enterprise Modernization Major IT project completed in fiscal 2025	-2,521
Total	**$657**

IT: information technology

Note: Numbers may not sum to total due to rounding. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Comp Hub IT Project

The Comp Hub Enterprise Modernization IT project modernized WCC's aging and complex software system. This new system replaced multiple legacy software systems with one system and was intended to allow the agency to go paperless, streamline the agency's operations, provide more efficient services, and ensure the agency can meet goals related to timeliness of hearings. The project was first launched in October 2017 and fully implemented in December 2024. The project total cost was $23.9 million. Fiscal 2025 was the last year of funding for the project as a Major IT Project, which is the cause of the largest decrease ($2.5 million) in the fiscal 2026 allowance. Coinciding with the transition of the project from Major IT to operations and management, the fiscal 2026 allowance includes an increase of $1.5 million for IT service contracts. **WCC should comment on how the implementation of the new system has improved agency operations and the ongoing maintenance and operations costs for the new system.**

Personnel Data

	FY 24 Actual	FY 25 Working	FY 26 Allowance	FY 25-26 Change
Regular Positions	115.00	115.00	115.00	0.00
Contractual FTEs	16.25	18.25	18.25	0.00
Total Personnel	**131.25**	**133.25**	**133.25**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions		3.76	3.27%	
Positions and Percentage Vacant as of 12/31/24		18.00	15.65%	
Vacancies Above Turnover		14.24		

- As of December 2024, WCC has 18 vacant positions. Of these vacancies, 12 positions have been vacant for more than seven months and 6 positions have been vacant for less than six months. The current level of vacant positions is 14.24 more than necessary to meet budgeted turnover. Also, the total number of vacancies in January 2024 was 13, which means the current number of vacancies have increased by 5 within the last year. **Therefore, the Department of Legislative Services (DLS) recommends increasing the turnover rate by 3.73 to 7.0% for a reduction of $554,685 compared to the fiscal 2026 allowance.** At that level of vacancy, WCC would be able to fill 9.95 of its vacant positions and still meet turnover.

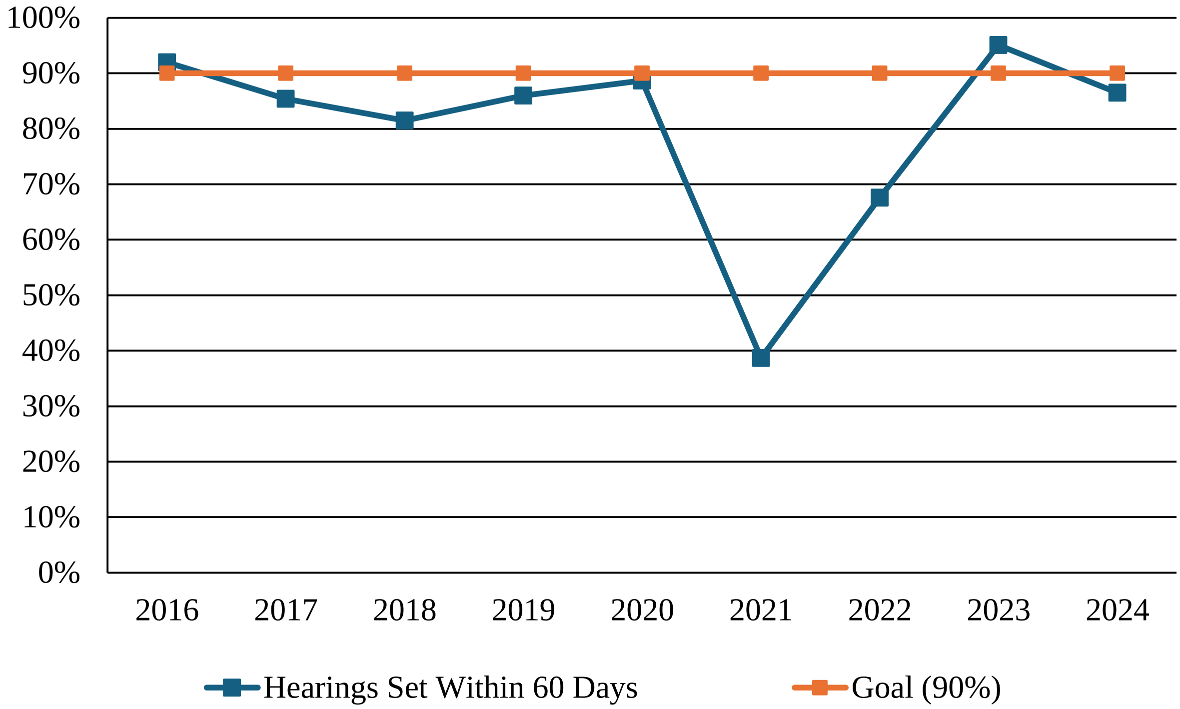
Key Observations

1. Timeliness of Hearings Decline

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. In fiscal 2024, employees filed 22,149 claims, there were 25,005 nonpermanency (for nonpermanent injuries) hearings set (WCC reported the same number of filings for these hearings), 9,336 commission orders issued, and 8,661 awards ordered after hearing.

The WCC goal is to set 90% of hearings within 60 days of the filing date. **Exhibit 3** shows the percentage of nonpermanency hearings set within 60 days. Historically, WCC has maintained at greater than 80% of nonpermanency hearings sent within 60 days. However, in fiscal 2021 only 39% were set in this time, (a 50 percentage point decrease compared to fiscal 2020), due to the COVID-19 pandemic causing scheduling delays and a backlog of hearings. Following that year, performance improved, and WCC exceeded their 90% goal in fiscal 2023. However, in fiscal 2024 WCC experienced an 8.6 percentage point decrease in hearings set within 60 days compared to fiscal 2023, putting the agency below their 90% goal. The decrease in fiscal 2024 is attributable to the challenges of implementing the new Comp Hub modernized system. The workers' compensation community is still trying to learn and get acquainted with the new system, which caused a few scheduling delays. WCC will provide training for the users (attorneys, insurance companies, employers, and WCC staff) to get acclimated with the system.

Exhibit 3
Percentage of Nonpermanency Hearings Set within 60 Days
Fiscal 2016-2024



Source: Department of Budget and Management; Workers' Compensation Commission

2. Assessment Increases Due to Salary Increase

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 (MD 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 costs, and resulting assessments since fiscal 2015. The total insurer assessment in fiscal 2024 increased by $2.1 million compared to fiscal 2023. The base insurer payroll increased by 4.7%, or $7.9 billion, while commission expenses increased by $1.5 million or 7.0%. As a result, the formula-based assessment rate per $1,000 of payroll increased by 1.4%.

Exhibit 4
WCC Insurer Assessments and Operational Funding Base
Fiscal 2015-2024
($ in Thousands)

	Assessment Base Insurer Payroll	Commission Expense	Safety Program Cost	Total Expenses	Insurer Assessments	Assessment Per $1,000 of Payroll
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	31,274	31,012	0.206
2022	145,764,851	18,633	13,875	32,507	33,220	0.227
2023	168,798,594	20,937	14,164	35,101	35,020	0.207
2024	176,679,327	22,405	15,911	38,316	37,163	0.210

WCC: Workers' Compensation Commission

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

Source: Workers' Compensation Commission

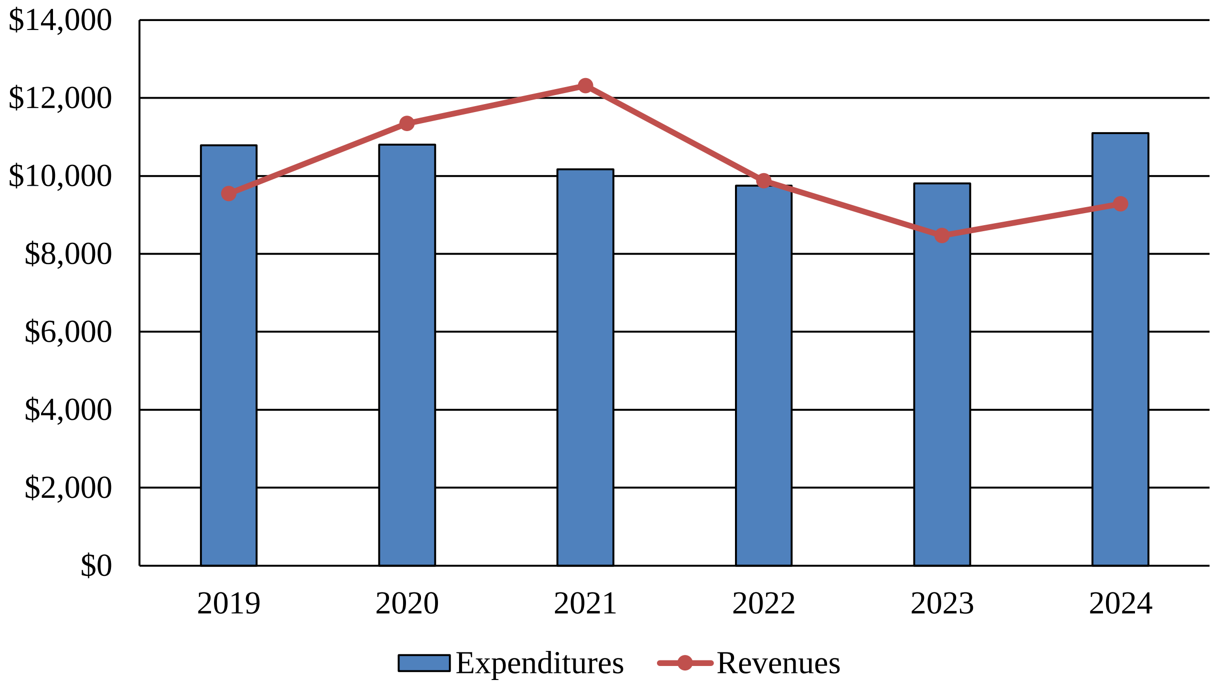
3. WCC Report: Long-term Solvency of the Uninsured Employers' Fund

Committee narrative in the 2024 *Joint Chairmen's Report* (JCR) requested WCC and the Uninsured Employers' Fund (UEF) to establish a workgroup to study and report on potential changes to UEF's funding structure and operations. The workgroup was created in April 2024 and had four meetings starting on August 5, 2024, and ending on November 14, 2024. UEF and WCC submitted separate responses. WCC submitted their report with recommendations on December 2, 2024. WCC expressed that UEF did not provide all the requested operational documents, including UEF's personnel, revenues, expenses, claims, account receivables, and third-party administrator (TPA) contract in a timely manner to the workgroup for a thorough evaluation. WCC stated their assessment was done to the best of their knowledge based on the information and data they received.

UEF's fund balance covers all of its operating costs and payments to workers injured on the job. Most revenues (about 86%) come from a 2% assessment on workers' compensation awards. Chapter 495 of 2020 increased the assessment, from 2% to 3%, for fiscal 2021 only to assist with the UEF declining fund balance due to expenditures exceeding revenues. WCC noted that as of September 30, 2024, UEF fund balance was $7.4 million, a $2 million increase from the fiscal 2024 closing fund balance of $5.4 million.

Exhibit 5 shows expenditures including administrative costs and claims (compensation and medical payments) exceeded revenues in fiscal 2023 and 2024. **Exhibit 6** shows that growth in administrative costs beginning with fiscal 2022 is the primary cause of spending exceeding revenues. Claims payments for compensation and medical expenses declined as share of total spending in fiscal 2022 and 2023 and remain below 70% of spending in fiscal 2024.

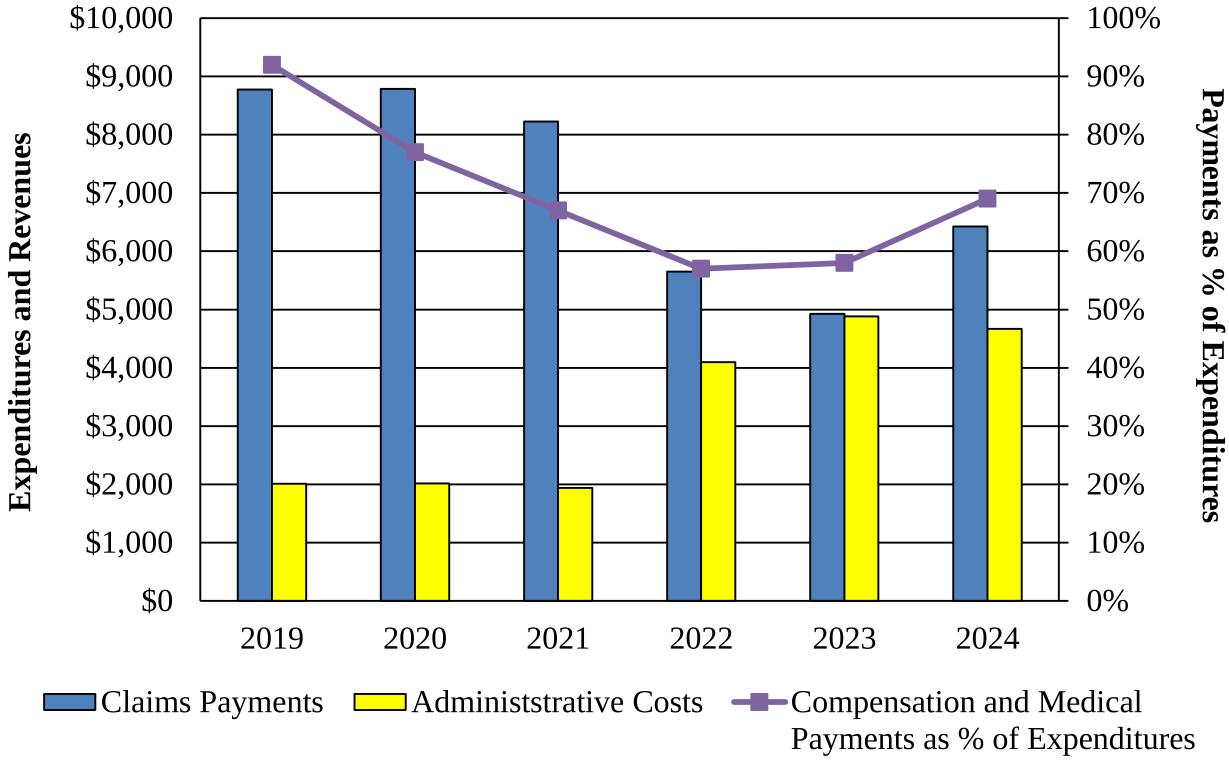
Exhibit 5
UEF Expenditures Exceed Revenues in Fiscal 2023 and 2024
Fiscal 2019-2024
($ in Thousands)



UEF: Uninsured Employers' Fund

Source: Uninsured Employers' Fund

Exhibit 6
Uninsured Employers' Fund Spending Trends
Fiscal 2019-2024
($ in Thousands)



Source: Uninsured Employers' Fund

The three main areas of UEF's expenses are medical bills and lost wages paid to injured workers; operating expenses (salaries and related benefits and rent); and the fees related to the TPA (CorVel). From fiscal 2022 to 2024, the amounts paid to injured workers averaged $5.7 million, and the average operating expenses have been $2 million. As TPA, CorVel provides insurance claims management to secure payment of injured workers' lost wages and medical bills. WCC noted in the response that if information received from UEF regarding the level of administrative fees paid to CorVel is accurate, then CorVel was paid $11.5 million ($2.3 million per year for five years) by UEF. CorVel in the last five years has secured payments totaling $25 million. WCC noted the cost ratio of the contract is not in accordance with industry standards. As noted, WCC indicated that it did not have sufficient time to analyze CorVel's contract information because of the timeliness of data provision to provide a complete analysis. A new contract was approved by the Board of Public Works on October 30, 2024, for CorVel to remain as TPA, through October 31, 2029. CorVel would receive $8.4 million by the end of the term.

However, UEF stated that they expect for CorVel's costs under the contract will decrease by approximately 20%. WCC noted concerns regarding whether the reduction is adequate and if the costs are in line with industry standards.

WCC's report also discusses the possibility of some type of overseer that could monitor UEF's monthly bank balances, Corvel's monthly administrative fees, establish standards for reserves, and assess the agency's staffing needs among other activities. WCC also suggests an overseer could work with the Department of Budget and Management and the Office of Legislative Audits to separate TPA expenses from benefit payments to injured workers.

WCC also described a number of potential changes, including ones that do not require legislative actions, as well as ones that do which included conflicting positions.

Recommendations not requiring legislative action:

- ***Considerations of the Feasibility of Transferring Claims Management In House Either in Whole or in Part:*** WCC noted that UEF suggested an independent feasibility study should be conducted if this is to be considered. WCC noted that before undertaking this type of study, if an overseer is created, that entity could identify activities that could be transferred in house.

- ***Retaining a Private Commission-based Collections Agency to Pursue Debts Owed to UEF:*** WCC indicated that workgroup members supported, but UEF preferred to continue having the Central Collections Unit collect debt.

- ***UEF Should Seek to Reduce Fines, Penalties, and Assessments to Judgments and Bring Civil Collection Actions*****:** WCC noted that this was discussed and not objected to by the workgroup, but an overseer could determine if UEF has sufficient staff needed for certain enforcement actions or that a collections agency could perform this function.

Recommendations requiring legislative action:

- ***Increase the Allowable Assessments Percentage on Awards and Settlements:*** WCC noted disagreement on the level of increase with UEF suggesting a 1 percentage point increase (approximately $4 million in annual revenue), while UEF supported a 0.5 percentage point increase (approximately $2 million in annual revenue.

- ***Make Reserve Setting Mandatory Rather Than Discretionary:*** WCC stated disagreement, while noting that the agency supports this, but UEF does not.

- ***Repeal the Suspension of Assessments Once the UEF Fund Balance Reaches $5 Million:*** Both agencies support repealing the suspension to allow the agency to address long-term needs of the agency. However, WCC suggests that this should be done in conjunction with other oversight and mandatory reserve setting.

- ***Redirect Civil Penalties from Workplace Fraud from the General Fund to UEF:*** The workgroup members had no objections, but WCC noted that MD Labor may express concerns.

- ***Transfer $10 Million from the Subsequent Injury Fund (SIF) to UEF and Readjust the Assessment Ratios:*** UEF supported this idea, while WCC and SIF do not.

WCC should comment on its recommendations for an overseer to evaluate UEF staff effectiveness to perform enforcement actions. Additionally, it should comment on its recommendations suggested increase in the assessment and the need to set mandatory reserves.

Operating Budget Recommended Actions

		Amount Change	
1.	Increase the turnover expectancy to 7.0%. The Workers' Compensation Commission currently has 18 vacant positions, which is much higher than the 3.76 necessary vacancies to meet the fiscal 2026 budgeted turnover rate of 3.27%. At a 7.0% turnover expectancy, the agency will need to maintain 8.05 vacant positions. That number of vacant positions is approximately 10 fewer positions than the agency's current number of vacancies.	-$ 554,685	SF
	Total Special Fund Net Change	**-$ 554,685**	

Updates

- Chapter 78 of 2024 amends § 9-407 of the Labor and Employment Article to increase the cap on penalties from $10,000 to $25,000 for employers who fail to comply with an order of WCC regarding an employer's failure to secure required workers' compensation insurance. Implementing fines at the $25,000 level is up to the discretion of the WCC Commissioner. As of January 2025, no $25,000 fine has been issued at this level.

Appendix 1
2024 *Joint Chairmen's Report* Responses from Agency

The 2024 JCR requested that WCC prepare one report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Workgroup Report on UEF's Long-term Solvency:*** Committee narrative requested the establishment of a workgroup to study and report on potential changes to UEF's funding structure, operations, or other factors that the workgroup deems relevant. UEF submitted the requested response, while submitted a response separately. WCC's response is detailed in Key Observation 3 of this analysis.

Appendix 2
Object/Fund Difference Report
Workers' Compensation Commission

Object/Fund	FY 24 Actual	FY 25 Working Appropriation	FY 26 Allowance	FY 25 - FY 26 Amount Change	Percent Change
Positions					
01 Regular	115.00	115.00	115.00	0.00	0%
02 Contractual	27.50	18.25	18.25	0.00	0%
Total Positions	**142.50**	**133.25**	**133.25**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 13,822,495	$ 14,850,817	$ 16,323,515	$ 1,472,698	9.9%
02 Technical and Special Fees	1,509,402	1,233,670	1,388,064	154,394	12.5%
03 Communication	490,194	466,462	466,462	0	0%
04 Travel	207,052	106,045	167,512	61,467	58.0%
06 Fuel and Utilities	5,484	12,214	12,214	0	0%
07 Motor Vehicles	83,165	82,700	82,700	0	0%
08 Contractual Services	4,767,906	4,872,855	3,816,126	-1,056,729	-21.7%
09 Supplies and Materials	163,601	157,752	157,752	0	0%
10 Equipment – Replacement	12,493	0	0	0	0.0%
11 Equipment – Additional	26,833	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,657,467	1,886,281	1,911,020	24,739	1.3%
Total Objects	**$ 22,798,479**	**$ 23,721,183**	**$ 24,377,752**	**$ 656,569**	**2.8%**
Funds					
03 Special Fund	$ 22,798,479	$ 23,721,183	$ 24,377,752	$ 656,569	2.8%
Total Funds	**$ 22,798,479**	**$ 23,721,183**	**$ 24,377,752**	**$ 656,569**	**2.8%**

Note: The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.