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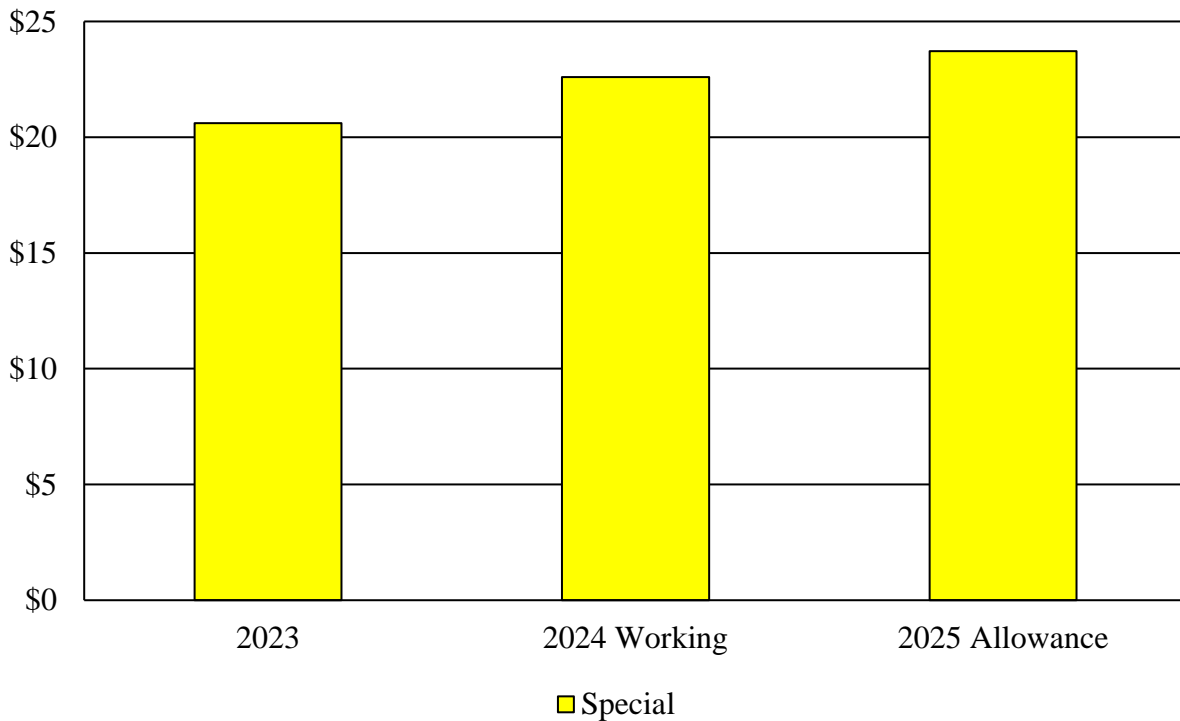
Workers' Compensation Commission

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 2025 Budget Increases \$1.1 Million, or 5.0%, to \$23.7 Million
(\$ in Millions)



Note: The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

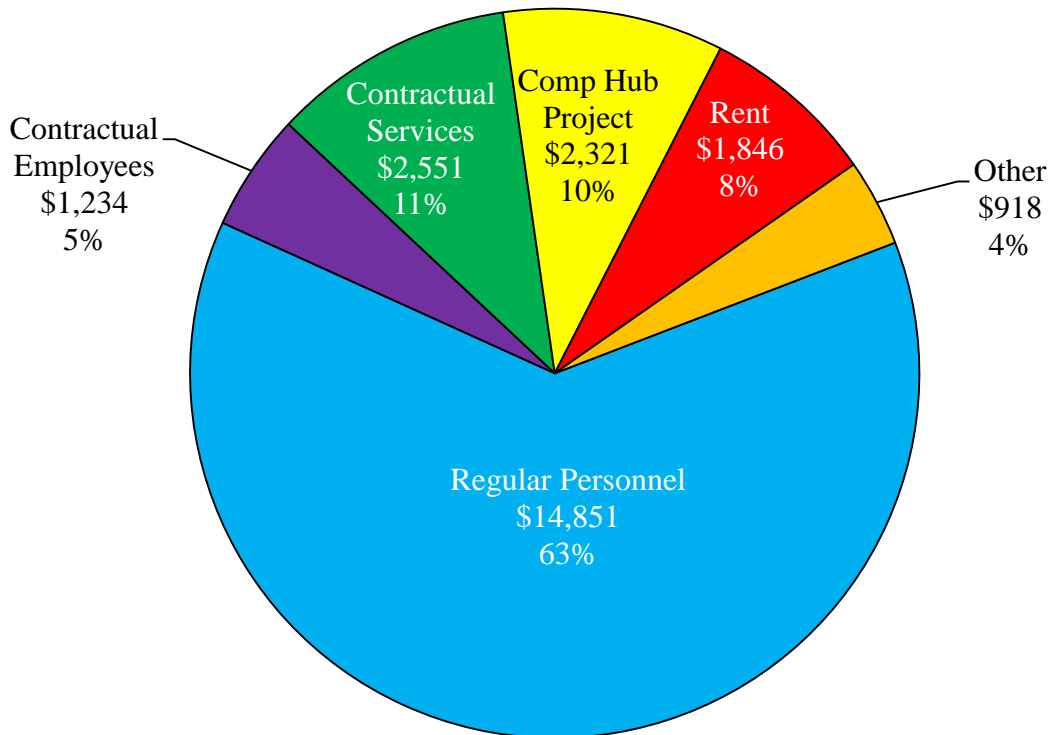
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Fiscal 2025 Overview of Agency Spending

WCC’s total allowance for fiscal 2025 is about \$23.7 million. As shown in **Exhibit 1**, more than two-thirds of the allowance is for staffing costs, including regular and contractual employees. About 10%, or \$2.3 million, of the fiscal 2025 allowance is for wrapping up WCC’s major information technology (IT) project, the development of Comp Hub, a new case management system. While the project launched in August 2023, bugs are still being fixed, and workers are being trained to use the system. Contractual services, most of them IT-related, make up 11% of the allowance, and rent at its Baltimore City headquarters and satellite locations accounts for 8%.

Exhibit 1
Overview of Agency Spending
Fiscal 2025 Allowance
(\$ in Thousands)



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget. Percentages may not sum to 100% due to rounding.

Source: Governor’s Fiscal 2025 Budget Books

Proposed Budget Change

WCC’s fiscal 2025 allowance increases about \$1.1 million from the fiscal 2024 working budget, as shown in **Exhibit 2**. The largest areas of increase are in regular personnel costs, which increase by about \$1 million, and IT services contracts, which increase about \$1.4 million. WCC reports that the increase in IT services cost is due to the costs of licensing and ongoing maintenance and management for the completed Comp Hub system. These increases are partially offset by a decrease of about \$2 million in Comp Hub development costs.

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

How Much It Grows:	<u>Special Fund</u>	<u>Total</u>
Fiscal 2023 Actual	\$20,612	\$20,612
Fiscal 2024 Working Appropriation	22,599	22,599
Fiscal 2025 Allowance	<u>23,721</u>	<u>23,721</u>
Fiscal 2024-2025 Amount Change	\$1,122	\$1,122
Fiscal 2024-2025 Percent Change	5.0%	5.0%
Where It Goes:		<u>Change</u>
Personnel Expenses		
Salary increases and associated fringe benefits including fiscal 2024 cost-of-living adjustment and increments and increased pension system contributions due to fiscal 2024 commissioner salary increases		\$1,165
Workers’ compensation premium assessment		-7
Turnover rate for existing positions decreased from 3.65% to 3.52%		-17
Other Changes		
Information technology services contracts		1,385
Contractual personnel costs including those associated with 7 new police officer positions		338
Statewide services cost allocations.....		154
Major Information Technology Project.....		-1,974
Other changes		78
Total		\$1,122

Note: Numbers may not sum to total due to rounding. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Personnel Data

	<u>FY 23 Actual</u>	<u>FY 24 Working</u>	<u>FY 25 Allowance</u>	<u>FY 24-25 Change</u>
Regular Positions	115.00	115.00	115.00	0.00
Contractual FTEs	<u>11.25</u>	<u>11.25</u>	<u>18.25</u>	<u>7.00</u>
Total Personnel	126.25	126.25	133.25	7.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	4.05	3.52%
Positions and Percentage Vacant as of 12/31/23	13.00	11.30%
Vacancies Above Turnover	8.95	

- WCC had 13 regular position vacancies as of December 31, 2023, 5 of which had been vacant for more than a year. This is an improvement over the same time the previous year, when the agency had 17 vacancies. Six of the 13 vacant positions are in IT. WCC reports that these positions have been challenging to fill due to an IT workforce shortage and the fact that the agency is competing for employees with private companies that can offer higher salaries. Additionally, WCC reports that 40% of its employees are eligible for retirement, and 33% are over the age of 60. As some of these employees take retirement, WCC will face the challenge of filling these additional vacancies.
- The allowance adds 7 contractual positions for a total 18.25 contractual full-time equivalents. The new positions are police officers who will operate newly installed metal detectors at the commission’s headquarters and five regional hearing sites. The total cost for contractual positions increases to about \$1.2 million in fiscal 2025, which is up from about \$895,000 in the fiscal 2024 working appropriation.

Key Observations

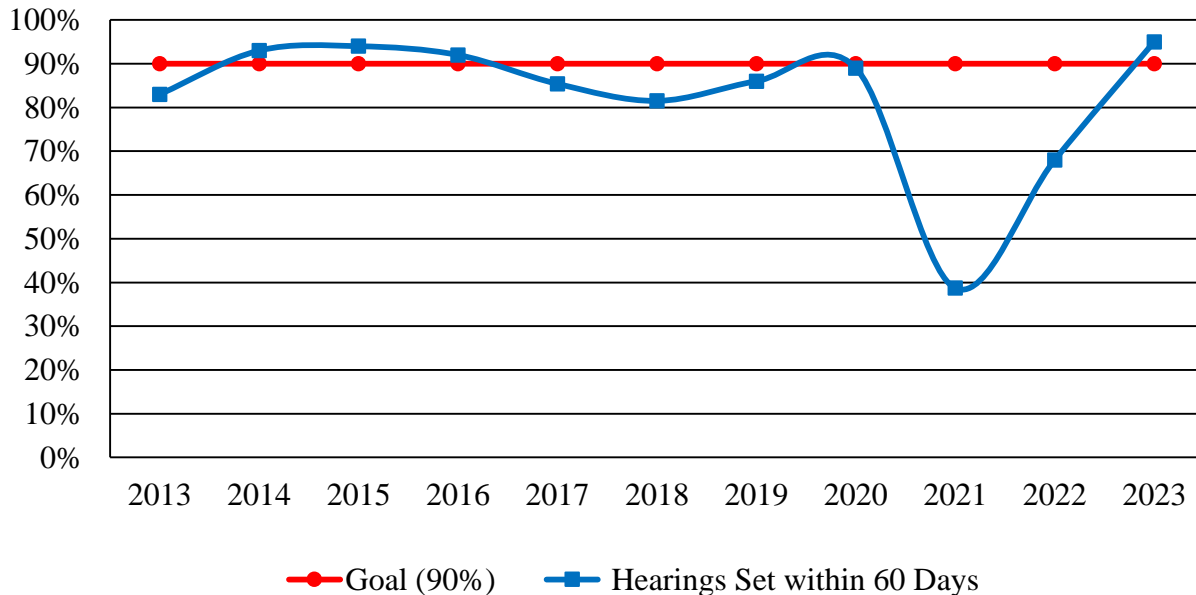
1. Timeliness of Hearings Continues to Improve

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 2023, employees filed 21,661 claims with the commission, and WCC set 40,264 hearings and issued 12,410 orders.

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 the percentage of nonpermanency (for nonpermanent injuries) hearings set within 60 days. The COVID-19 pandemic led to scheduling delays and a backlog of hearings, which WCC worked on clearing through fiscal 2022. In fiscal 2023, WCC set 95% of nonpermanency hearings within 60 days, exceeding its goal.

Exhibit 3
Percentage of Nonpermanency Hearings Set within 60 Days
Fiscal 2013-2023



Source: Department of Budget and Management

2. Assessment Decreases Due to Payroll Increase

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 2014. The total assessment in fiscal 2023 increased by \$1.8 million. The payroll base increased by 16%, or \$23.0 billion, while commission expenses increased by 12%. As a result, the formula-based assessment rate decreased 9%.

Exhibit 4
WCC Insurer Assessments and Operational Funding Base
Fiscal 2014-2023
(\$ in Thousands)

	<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>
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	31,274	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

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
Audit Findings**

Audit Period for Last Audit:	August 6, 2018 – September 30, 2022
Issue Date:	July 2023
Number of Findings:	3
Number of Repeat Findings:	2
% of Repeat Findings:	66%
Rating: (if applicable)	n/a

- Finding 1:** WCC did not use available information to proactively identify employers that did not have required workers’ compensation insurance.
- Finding 2:** **WCC did not maintain complete tracking records of actions taken against potentially noncompliant employers, which precluded effective oversight.**
- Finding 3:** **WCC did not have procedures to independently verify that all collections received were deposited and did not require large payments to be submitted electronically to enhance security of the funds.**

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 2
Enterprise Modernization Project (Comp Hub)
Major IT Project
Workers’ Compensation Commission

New/Ongoing: Ongoing								
Start Date: July 2015				Est. Completion Date: October 2025				
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	2024	2025	2026	2027	2028	Remainder	Total
SF	\$17.370	\$4.295	\$2.321	\$0.000	\$0.000	\$0.000	\$0.000	\$23.987
Total	\$17.370	\$4.295	\$2.321	\$0.000	\$0.000	\$0.000	\$0.000	\$23.987

Note: Numbers may not sum total due to rounding

- **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 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.
- **Observations and Milestones:** The Comp Hub system launched in August 2023. WCC reports that updates, bug fixes, and training efforts are ongoing. Fiscal 2025 is expected to be the final year of funding.

**Appendix 3
Object/Fund Difference Report
Workers' Compensation Commission**

<u>Object/Fund</u>	<u>FY 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 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	18.25	7.00	62.2%
Total Positions	126.25	126.25	133.25	7.00	5.5%
Objects					
01 Salaries and Wages	\$ 12,253,555	\$ 13,709,199	\$ 14,850,817	\$ 1,141,618	8.3%
02 Technical and Special Fees	928,827	895,323	1,233,670	338,347	37.8%
03 Communication	444,731	389,695	466,462	76,767	19.7%
04 Travel	206,416	125,000	106,045	-18,955	-15.2%
06 Fuel and Utilities	6,776	12,214	12,214	0	0%
07 Motor Vehicles	81,279	82,700	82,700	0	0%
08 Contractual Services	4,424,269	5,308,628	4,872,855	-435,773	-8.2%
09 Supplies and Materials	141,032	157,752	157,752	0	0%
10 Equipment – Replacement	116,376	0	0	0	0.0%
11 Equipment – Additional	183,145	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,772,897	1,866,519	1,886,281	19,762	1.1%
Total Objects	\$ 20,611,690	\$ 22,599,417	\$ 23,721,183	\$ 1,121,766	5.0%
Funds					
03 Special Fund	\$ 20,611,690	\$ 22,599,417	\$ 23,721,183	\$ 1,121,766	5.0%
Total Funds	\$ 20,611,690	\$ 22,599,417	\$ 23,721,183	\$ 1,121,766	5.0%

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.