

**C98F00**  
**Workers' Compensation Commission**

***Operating Budget Data***

(\$ in Thousands)

	<b>FY 07</b> <b><u>Actual</u></b>	<b>FY 08</b> <b><u>Working</u></b>	<b>FY 09</b> <b><u>Allowance</u></b>	<b>FY 08-09</b> <b><u>Change</u></b>	<b>% Change</b> <b><u>Prior Year</u></b>
Special Fund	\$13,052	\$13,287	\$13,810	\$523	3.9%
Reimbursable Fund	<u>30</u>	<u>30</u>	<u>30</u>	<u>0</u>	
<b>Total Funds</b>	<b>\$13,082</b>	<b>\$13,317</b>	<b>\$13,840</b>	<b>\$523</b>	<b>3.9%</b>

- The fiscal 2009 allowance, absent pay-as-you-go health insurance and Other Post Employment Benefits funding which distort year-to-year comparisons, decreases by \$138,023, or -1.1%, from the fiscal 2008 working appropriation. The growth in the allowance is driven largely by personnel expenses.

***Personnel Data***

	<b>FY 07</b> <b><u>Actual</u></b>	<b>FY 08</b> <b><u>Working</u></b>	<b>FY 09</b> <b><u>Allowance</u></b>	<b>FY 08-09</b> <b><u>Change</u></b>
Regular Positions	124.00	124.00	124.00	0.00
Contractual FTEs	<u>8.97</u>	<u>12.25</u>	<u>12.25</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>132.97</b>	<b>136.25</b>	<b>136.25</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	7.81	6.30%
Positions Vacant as of 12/31/07	8.00	6.45%

- There are no new positions in the fiscal 2009 allowance.

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

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## *Analysis in Brief*

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### **Major Trends**

***Consistent Exceeding of Standards Requires New Measures:*** The Workers’ Compensation Commission (WCC) has exceeded the three performance measures that track customer service during four consecutive years, prompting the need to track other service areas.

***Reduction in Claims and Issues Filed:*** Total numbers of filed claims, issues, and appeals on WCC decisions have all decreased in the last fiscal year, while permanency awards have increased, suggesting a possible shift in workflows.

***Expanding Use of Electronic Information Systems in Service Delivery:*** The commission continues to expand its offerings of on-line and electronic services.

### **Issues**

***Demand for Interpreter Services Increases:*** Substantial increases in demand for interpreter services in recent years could cause problems in delivering this mandated service given current procedures to provide interpreters. **WCC is asked to discuss plans for accommodating the increasing need for interpreters at claimant hearings.**

### **Recommended Actions**

1. Adopt narrative requesting a report on cost effectiveness of interpreter services.

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***Operating Budget Analysis***

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**Program Description**

The Workers' Compensation Commission (WCC) administers the State Workers' Compensation Law that requires most Maryland employers to obtain and maintain insurance to provide benefits for employees who sustain an accidental personal injury, occupational disease, or death in the course of their employment. WCC receives, processes, and adjudicates claims for injured employees and refers appropriate claimants for medical and rehabilitation vocational services. WCC also provides data processing support services to the Subsequent Injury Fund and the Uninsured Employers' Fund under an interagency support services agreement. WCC is a special fund agency that covers expenditures with an annual maintenance assessment levied on insurance carriers, the Injured Workers' Insurance Fund, and self-insured employers. The WCC mission addresses the need for:

- the effective and timely delivery of services provided to its customers;
- a system for electronic exchange of all claims information documents; and
- the establishment of an effective system for collection and analysis of all costs associated with the delivery of workers' compensation benefits.

**Performance Analysis: Managing for Results**

**Effective and Timely Delivery of Services**

WCC's first Managing for Results goal involves the timely delivery of services. There are three primary measures of this goal:

- the scheduling of non-permanency hearings within 60 days of the date when issues are filed;
- the issuance of commission orders within 30 days of the hearing's conclusion; and
- the assurance of compliance by insurers with the disputed claims rule within 15 days of the issue's filing.

**Exhibit 1** shows WCC's historical service delivery in these customer service areas. Given that WCC has exceeded these standards every year since fiscal 2004, there is no reason to believe that the agency will not continue to do so. **As a consequence of consistent success in these areas, the Department of Legislative Services asks that WCC discuss other customer service measures that could be reported to broaden the scope of measurable customer service efficacy.**

**Exhibit 1**  
**Workers’ Compensation Commission**  
**Fiscal 2004-2009**

	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>Est.</u>	<u>2009</u> <u>Est.</u>
Permanency Hearing Percentage On Time	98%	95%	100%	99%	98%	98%
<i>Goal Percentage</i>	90%	90%	90%	90%	90%	90%
Dispute Compliance Confirmed On Time	96%	96%	96%	96%	96%	96%
<i>Goal Percentage</i>	95%	95%	95%	95%	95%	95%
Order Issuance On Time Rate	99%	98%	99%	99%	99%	99%
<i>Goal Percentage</i>	95%	95%	95%	95%	95%	95%

Source: Workers’ Compensation Commission

**Reduction in Claims and Issues Filed**

Over the last several fiscal years, there has been a steady decline in claims filed. The agency believes this downward movement corresponds to national trends that have reduced the frequency of workers’ compensation claims, such as the increased emphasis on workplace safety and job training; more frequent use of robotics and power-assisted processes; and improved fraud deterrents. Total filed claims have decreased by 8.1%, from 27,122 in fiscal 2005 to 24,924 in fiscal 2007.

While total claim levels influence the WCC workload, the agency’s tasks are principally driven by the issues filed on claims. The volume of issues grows in line with the number of disputes that need to be adjudicated and the number of claims that reach permanency, as greater injury severity yields more complicated proceedings. The number of issues filed fell from 46,490 in fiscal 2006 to 44,444 in fiscal 2007.

**Exhibit 2** displays key figures that impact the WCC workload: claims filed, issues filed, appeals sought, and permanency awards granted. The three input indicators – claims, issues, and appeals – all show declines over the last one- and two-year periods. The output indicator of permanency awards is the lone measure showing an increase. These measures would suggest a shift in workload from the intake side to the internal processing side. **WCC should comment on the impact these shifts in filing volumes have on its internal workflow dynamics, specifically as it relates to staffing levels.**

**Exhibit 2**  
**Commission Claim Actions**  
**Fiscal 2005-2007**

	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Actual</u>	<u>2005-07</u> <u>Annual % Change</u>	<u>2006-07</u> <u>% Change</u>
Claims Filed	27,122	26,143	24,924	-4.1%	-4.7%
Issues Filed	45,395	46,490	44,444	-1.1%	-5.3%
Appeals	2,616	2,254	1,791	-17.3%	-20.5%
Permanency Awards	12,656	14,627	14,962	8.7%	2.3%

Source: Workers’ Compensation Commission, 2007 Annual Report

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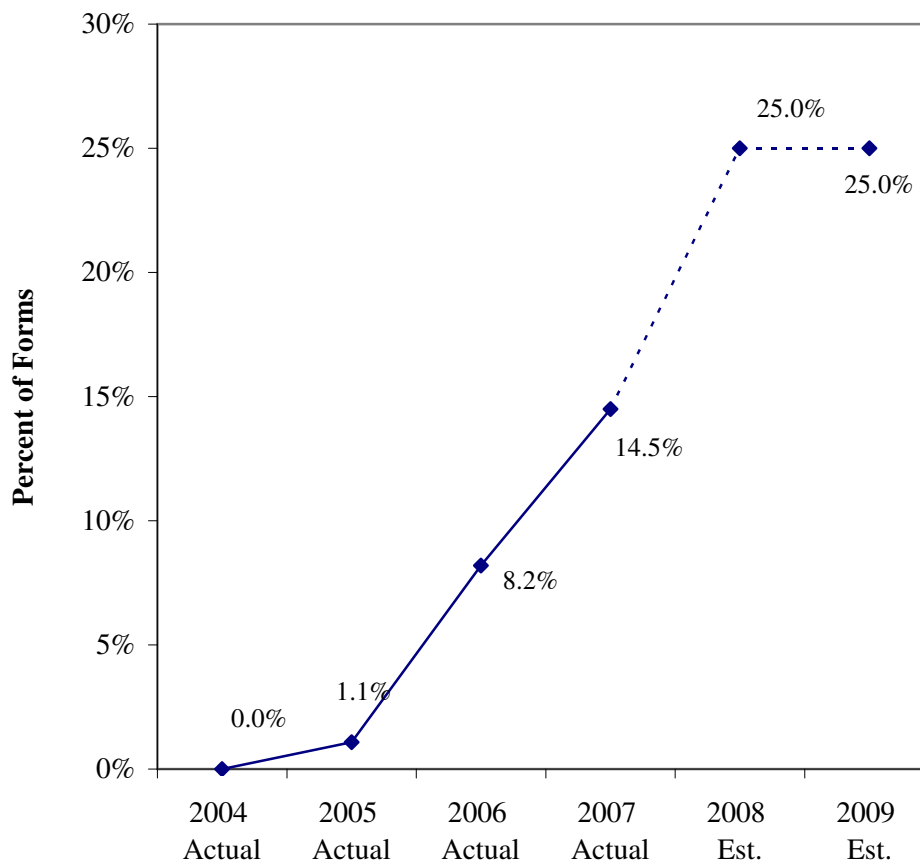
**Expanding Use of Electronic Information Systems in Service Delivery**

In order to optimize internal functions, WCC has shifted from a paper system to an electronic delivery system – the Web-enabled File Management System (WFMS) – whose installation was completed in fiscal 2005. Recent expansions to the WFMS have given insurers on-line access to claim-related documents for the first time. In addition to the WFMS improvement, the agency has also implemented other electronic/Internet based service features to enhance service, such as:

- on-line posting of weekly hearing schedules and insurer designees;
- e-Notifications for attorney subscribers of document filings; and
- web-enabling of various forms.

The increase in web-enabled documents is of particular note. There are currently 23 forms that can be submitted to WCC electronically, with several more in development. Approximately 350,000 documents corresponding to the 23 form templates are delivered for processing to WCC through both electronic and paper formats each year. WCC tracks the percentage of these forms that are filed electronically as a performance measure of the transition to a digital workflow. In fiscal 2004, WCC received only 914 forms via the Internet. Forms received electronically increased to 50,406 in fiscal 2007. These form submission totals, as a percentage of the potential forms that could have been submitted electronically, are shown in **Exhibit 3**.

**Exhibit 3**  
**Workers’ Compensation Commission Electronic Form Filing**  
**Fiscal 2004-2009**



Source: Workers’ Compensation Commission

In fiscal 2007, nearly 15% of forms available electronically were filed by customers electronically. This figure tracks with prior agency estimates. The agency goal for fiscal 2008 is 25% of all forms, and it should be realized if current document submittal trends persist. In consideration of the substantial increase in electronic workflows, **the commission is asked to discuss the impact greater electronic document submittal will have on resource allocation choices in upcoming budget cycles.**

### **Governor’s Proposed Budget**

Increased personnel expenses represent the largest increases in the commission’s fiscal 2009 allowance. Funding for Other Post Employment Benefits of \$433,944 is included for the first time, and health insurance costs increase by \$227,052. Total salaries grow by \$141,861, but there is an offsetting increase to the turnover adjustment of \$117,354.

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Other agency expenses fall for the most part, with the primary reductions coming from reduced spending on computer-related maintenance of \$109,237 and early completion of the agency’s PC replacement cycle, which make \$87,858 of funds allotted in fiscal 2008 no longer necessary. There are smaller reductions of travel (\$21,925), postage (\$21,102), and office supplies (\$21,032) that are partially counterbalanced by an increase in rent due to a new contract and coverage of the agency’s disaster recovery site (\$27,727) and higher utility charges (\$11,254), as shown in **Exhibit 4**.

**Exhibit 4**  
**Governor’s Proposed Budget**  
**Workers’ Compensation Commission**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Reimb.</u> <u>Fund</u></b>	<b><u>Total</u></b>
2008 Working Appropriation	\$13,287	\$30	\$13,317
2009 Governor’s Allowance	<u>13,810</u>	<u>30</u>	<u>13,840</u>
Amount Change	\$523	\$0	\$523
Percent Change	3.9%		3.9%

**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance – Other Post Employment Benefits funding .....	\$434
Employee and retiree health insurance – pay-as-you-go cost.....	227
Increments and other compensation .....	142
Retirement.....	69
Social Security .....	12
Workers’ compensation premium assessment.....	-5
Turnover adjustments .....	-117
Other fringe benefit adjustments.....	-13

**Other Changes**

Rent increase from new contract and disaster recover site addition .....	28
Increased electricity charge .....	11
Contractual position spending .....	3
Office supply purchasing reduction.....	-21
Postage reduction.....	-21
Decreased travel expense.....	-22
Funds for computer replacement cycle completed so further funds unneeded.....	-88
Reduced software and hardware maintenance.....	-109
Other spending reductions .....	-7

**Total** **\$523**

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

## Issues

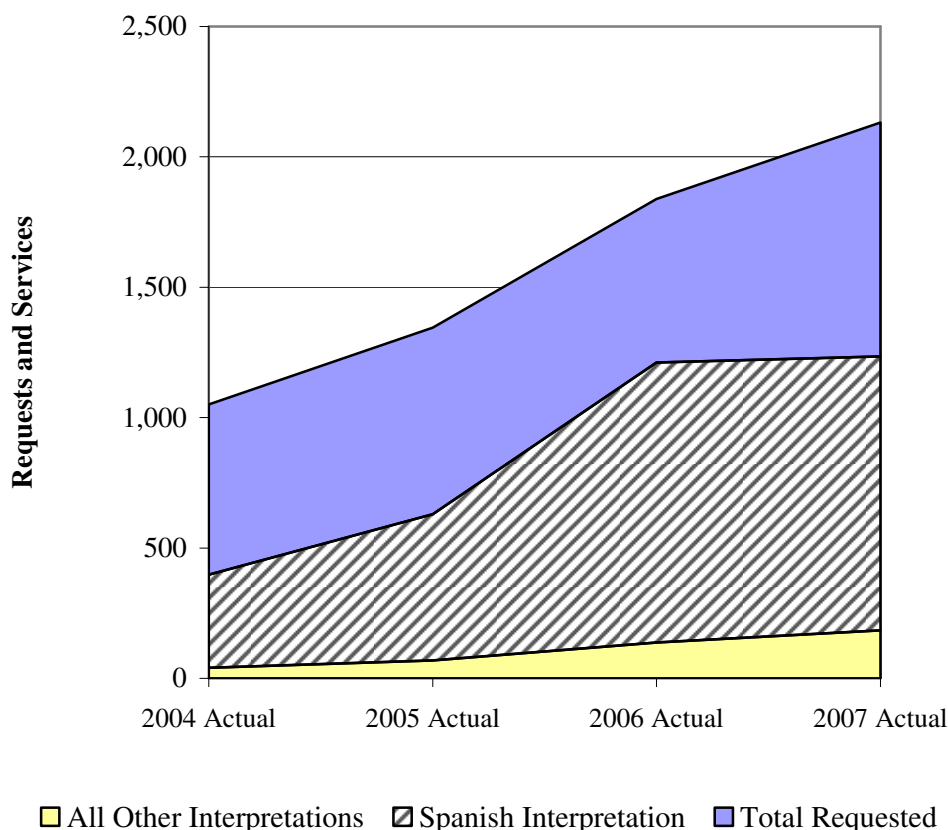
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### 1. Demand for Interpreter Services Increases

During the 2002 legislative session, the General Assembly amended State Government Article 10-1101 through 10-1105 to promote equal access to public services for individuals with limited proficiency in English. The law effectively made the provision of interpreters mandatory for WCC hearings. The commission later promulgated regulations to comply with the statutory change that provide the rule set for claimant usage of the interpreter program (COMAR 14.09.01.27). Since that time, WCC has encountered a steady increase in the request for and usage of interpreters during workers’ compensation hearings. The rise in interpreter requests is shown in **Exhibit 5**.

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**Exhibit 5**  
**Workers’ Compensation Commission**  
**Hearing Interpreter Services**  
**Fiscal 2004-2007**



Source: Workers’ Compensation Commission

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The exhibit shows that there were 1,050 interpreter requests in fiscal 2004 and that, by fiscal 2007, that figure had more than doubled to 2,132. The actual provision of interpreters – after removing requests that were withdrawn or invalidated – is lower than the requested levels, but likewise shows a substantial upward trend. WCC provided 398 interpreter services to claimants in fiscal 2004, and the figure quadrupled to 1,235 interpretations in fiscal 2007. The vast majority of the interpreters are sought for Spanish language speakers, but in fiscal 2006 and 2007 the incidence of non-Spanish interpreters has risen substantially.

WCC currently has a 0.5 full-time equivalent interpreter position on staff. The interpreter fulfills Spanish language service requests only. Requests for interpreter services must be done at the onset of the process by the claimant, within 10 days of the hearing, so that the hearing schedule can be adjusted accordingly to facilitate the interpreter's presence at the various hearing site locations. When interpretation in other languages is requested, or the WCC staff interpreter is occupied, the agency must draw on the State contract for interpreter services, which is centrally managed by the Department of Budget and Management (DBM).

In fiscal 2007, 419 interpretations provided through the DBM contract with CTS were for Spanish-language services while another 45 were provided by the International Language Center. A total of 184 hearings required interpretations in a language other than Spanish. WCC spent \$81,596 for these 648 contractual interpretations. Its 2007 Annual Report showed that 1,051 Spanish interpretations were provided in total. Consequently, the 0.5 on-staff position was able to perform 587 Spanish interpretations for salary and fringes worth \$30,529. This equates to \$52 per interpretation, while contract rates are typically \$50 per hour, equating to \$126 per interpretation.

**Given the apparent cost savings an additional Spanish-language interpreter could provide, the Department of Legislative Services recommends that WCC discuss long-range plans for the interpreter program. WCC should also develop a report on the cost effectiveness of creating another 0.5 full time equivalent position to interpret Spanish-language hearings in lieu of using the State contract. The report should also detail the costs and benefits an extra interpreter would yield in terms of hearing scheduling flexibility and reduced travel costs.**

## ***Recommended Actions***

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1. Adopt the following narrative:

**Examine Personnel Needs for Interpreters:** The committees are concerned by the growing demand for interpreters at workers’ compensation hearings and the increasing agency expense associated with utilizing interpreters through contractual services. The Workers’ Compensation Commission shall submit a report by September 1, 2008, that examines the cost effectiveness of creating another 0.5 full-time equivalent position to handle hearing interpretations compared to costs borne from using the State contract. The report should also detail the costs and benefits an extra interpreter would yield in terms of hearing scheduling flexibility and reduced travel costs.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on cost effectiveness of hearing interpreter services	Workers’ Compensation Commission	September 1, 2008

## *Current and Prior Year Budgets*

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### **Current and Prior Year Budgets Workers' Compensation Commission (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$0	\$12,940	\$0	\$30	\$12,970
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	828	0	0	828
Reversions and Cancellations	0	-716	0	0	-716
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$13,052</b>	<b>\$0</b>	<b>\$30</b>	<b>\$13,082</b>
<b>Fiscal 2008</b>					
Legislative Appropriation	\$0	\$13,138	\$0	\$30	\$13,168
Cost Containment	0	0	0	0	0
Budget Amendments	0	150	0	0	150
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$13,287</b>	<b>\$0</b>	<b>\$30</b>	<b>\$13,317</b>

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

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**Fiscal 2007**

- The fiscal 2007 Worker’s Compensation Commission budget increased by \$828,460 through special fund amendments. One amendment provided \$697,452 for increases in salaries related to filling vacancies above the budgeted turnover level, new management study contracts, and increased rent due to rising utility costs. Another amendment transferred \$131,008 to the commission for the 2% cost-of-living adjustment (COLA) that was centrally budgeted in the Department of Budget and Management.
- There was a subsequent cancellation of \$716,323, which was mostly attributable to position vacancies and unrealized salary expenses. A number of employment offers were rejected by candidates, and recruitments were delayed late enough in the fiscal year so as not to create the additional expenditures anticipated by the above referenced budget amendment.

**Fiscal 2008**

- A special fund amendment transferred \$149,596 to the commission for the 2% COLA that was centrally budgeted in the Department of Budget and Management.

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	124.00	124.00	124.00	0	0%
02 Contractual	8.97	12.25	12.25	0	0%
<b>Total Positions</b>	<b>132.97</b>	<b>136.25</b>	<b>136.25</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 8,707,214	\$ 8,802,640	\$ 9,550,947	\$ 748,307	8.5%
02 Technical and Spec. Fees	688,971	788,014	790,599	2,585	0.3%
03 Communication	581,852	571,210	551,907	-19,303	-3.4%
04 Travel	134,538	144,419	122,494	-21,925	-15.2%
06 Fuel and Utilities	82,254	71,000	82,254	11,254	15.9%
07 Motor Vehicles	88,953	88,373	88,806	433	0.5%
08 Contractual Services	928,232	998,710	884,666	-114,044	-11.4%
09 Supplies and Materials	137,012	151,326	130,294	-21,032	-13.9%
10 Equip. – Replacement	84,879	82,000	0	-82,000	-100.0%
11 Equip. – Additional	45,723	5,858	0	-5,858	-100.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,455,429	1,561,475	1,586,031	24,556	1.6%
14 Land and Structures	94,482	0	0	0	0.0%
<b>Total Objects</b>	<b>\$ 13,081,926</b>	<b>\$ 13,317,412</b>	<b>\$ 13,840,385</b>	<b>\$ 522,973</b>	<b>3.9%</b>
<b>Funds</b>					
03 Special Fund	\$ 13,051,772	\$ 13,287,258	\$ 13,810,231	\$ 522,973	3.9%
09 Reimbursable Fund	30,154	30,154	30,154	0	0%
<b>Total Funds</b>	<b>\$ 13,081,926</b>	<b>\$ 13,317,412</b>	<b>\$ 13,840,385</b>	<b>\$ 522,973</b>	<b>3.9%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary  
Workers' Compensation Commission**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
01 General Administration	\$ 13,081,926	\$ 13,317,412	\$ 13,840,385	\$ 522,973	3.9%
<b>Total Expenditures</b>	<b>\$ 13,081,926</b>	<b>\$ 13,317,412</b>	<b>\$ 13,840,385</b>	<b>\$ 522,973</b>	<b>3.9%</b>
Special Fund	\$ 13,051,772	\$ 13,287,258	\$ 13,810,231	\$ 522,973	3.9%
<b>Total Appropriations</b>	<b>\$ 13,051,772</b>	<b>\$ 13,287,258</b>	<b>\$ 13,810,231</b>	<b>\$ 522,973</b>	<b>3.9%</b>
Reimbursable Fund	\$ 30,154	\$ 30,154	\$ 30,154	\$ 0	0%
<b>Total Funds</b>	<b>\$ 13,081,926</b>	<b>\$ 13,317,412</b>	<b>\$ 13,840,385</b>	<b>\$ 522,973</b>	<b>3.9%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.