

C98F00
Workers' Compensation Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$13,287	\$13,687	\$13,914	\$227	1.7%
Contingent & Back of Bill Reductions	0	0	-40	-40	
Adjusted Special Fund	\$13,287	\$13,687	\$13,874	\$187	1.4%
Reimbursable Fund	30	30	30	0	
Adjusted Reimbursable Fund	\$30	\$30	\$30	\$0	0.0%
Adjusted Grand Total	\$13,317	\$13,717	\$13,904	\$187	1.4%

- The fiscal 2010 allowance increases by \$187,446, or 1.4%, over the fiscal 2009 working appropriation. The growth is primarily in personnel costs, with increases of \$215,208 in employee health insurance costs and \$141,094 of retirement contributions.
- The elimination of Other Post Employment Benefits funding of \$214,907 and the reduction of budgeted contractual salaries of \$121,900 partially offset this growth.

Personnel Data

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>
Regular Positions	124.00	124.00	124.00	0.00
Contractual FTEs	8.97	12.25	11.25	-1.00
Total Personnel	132.97	136.25	135.25	-1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	5.63	4.54%
Positions and Percentage Vacant as of 12/31/08	7.50	6.05%

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

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- No new regular positions are included in the allowance. One contractual full-time equivalent has been deleted for a Fiscal Accounts Clerk II hired into an existing regular vacancy.
- The Workers’ Compensation Commission (WCC) has 7.5 vacancies, 3 of which have been unfilled for more than one year. Of the 3 long-term vacancies, 2 are currently in the final stages of the recruitment process.

Analysis in Brief

Major Trends

Enhanced Measures of Timely Customer Service: The commission has begun providing measures of customer service over the telephone.

Reduction in Claims Filed Continues: Injury reports and claim filings continue to fall, but workload indicators such as issues filed and hearings scheduled have remained at consistent levels over the past four years.

Issues

Changing Case-processing Dynamic through Electronic Workflow: WCC’s web-enabled file management system has led to the increased utilization of electronically submitted forms and a streamlined workflow that should lower costs and shorten processing times. **The commission should discuss its plans for continuing to adapt its documents to all-electronic formats and the potential budgetary consequences of doing so.**

Recommended Actions

	<u>Funds</u>	<u>Position</u>
1. Delete position that has been vacant for more than 12 months.	\$ 52,110	1.0
Total Reductions	\$ 52,110	1.0

Updates

Cost Effectiveness of Hearing Interpreter Contract: Following budget committee recommendations, WCC analyzed the cost effectiveness of adding an in-house interpreter. Consequently, it is converting a vacant 0.5 position to that purpose, which will save money on contractual spending and increase the efficiency of hearing scheduling.

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Operating Budget Analysis

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 assessments and related payroll information for fiscal 2004 to 2008 are detailed in **Appendix 2**. 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 the collection and analysis of all costs associated with the delivery of workers' compensation benefits.

Performance Analysis: Managing for Results

Enhanced Measures of Timely Customer Service

WCC's primary Managing for Results (MFR) goals measure the timely delivery of services by tracking the scheduling of non-permanency hearings within 60 days of the date when issues are filed and the issuance of commission orders within 30 days of the hearing's conclusion. In fiscal 2008, as it has every year since fiscal 2004, WCC exceeded these standards by posting at least 98% completion rates in these categories. Therefore, as discussed by the budget committees in the 2008 session, alternative gauges of customer service efficacy are necessary.

In response to this need, the commission developed a new MFR goal based on a recently installed automated call delivery system. The system's computer software monitors key features of every call made to WCC, tracking statistics such as how long the caller must wait before being attended to by a WCC employee. Callers seek information over the phone on such varied workers' compensation topics as the proper forms required for claim filings, the status of hearing dates, and employer insurance verification. The goal established for this measure is to ensure that by fiscal 2010 95% of received calls will be answered within one minute.

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In fiscal 2008, before the system was fully calibrated, WCC received 34,267 calls. The commission projects similar call volumes for fiscal 2009 and 2010. As of January 2009, there were five employees engaged directly in phone-based customer service, four Office Service Clerks and one Administrative Specialist IV supervisor. Staffing changes have the potential to alter the meaningfulness of this new MFR measure, as the ability to answer phones in a timely manner relates directly to the number of employees attending these calls. It is estimated that each of the four clerk positions can field approximately 33 calls per day, or 4 per hour, by assuming current call levels across 250 annual work days and adjusting for a 4% call abandonment rate. However, data that would elucidate the relationship of staffing levels to successful achievement of the goal, such as average call duration, total calls abandoned, and calls handled per employee have yet to be made available. **Given that WCC’s projections do not contemplate increases to total call volume, the Department of Legislative Services (DLS) asks that WCC discuss its strategy to achieve the fiscal 2010 goal and comment on additional data it could provide in its MFR submissions to better gauge the productivity component of its phone service.**

Reduction in Claims Filed Continues

Over the last several 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 first reports of injury (FROI) support this assertion, having decreased from 126,270 in fiscal 2005 to 111,984 in fiscal 2008, or by 11.3% over the period. In turn, filed claims levels have followed the FROI trend closely, also declining by 11.3%.

While total claim levels influence the WCC workload, the agency’s tasks are principally driven by the issues filed on these 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. **Exhibit 1** displays the key figures that drive the WCC workload.

Exhibit 1
Commission Claim Actions
Fiscal 2005-2010

	Actual	Actual	Actual	Actual	% Change	% Change	Est.	Est.
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2005-08</u>	<u>2007-08</u>	<u>2009</u>	<u>2010</u>
First Reports of Injury	126,270	121,687	111,515	111,984	-11.3%	0.4%	112,000	112,000
Total Filed Claims	27,122	26,143	24,924	24,054	-11.3%	-3.5%	24,000	24,000
Issues Filed	45,395	46,940	44,444	45,296	-0.2%	1.9%	45,250	45,250
Hearings Set	44,282	44,981	43,765	45,717	3.2%	4.5%	45,500	45,500
Appeals	2,616	2,254	1,791	1,998	-23.6%	11.6%	2,010	2,010

Source: Workers’ Compensation Commission

The exhibit shows that even in the face of marked drop offs in injuries to workers, 45,296 issues were filed in fiscal 2008, placing the WCC’s workload on par with fiscal 2005 levels. The number of hearings set has likewise maintained levels seen in past years of higher accident activity. These fiscal 2005 to 2008 figures were recorded during a period of relative economic stability. Yet, the estimates of hearing and issue workload indicators for fiscal 2009 and 2010 track with claim levels corresponding to similar economic conditions. As the State economy sheds jobs, and worker anxiety increases, the caseload dynamics encountered by WCC could shift. **Therefore, WCC should comment on the impact deteriorating economic conditions may have on caseloads in terms of total claims filed, issues submitted, and hearings set.**

Fiscal 2009 Actions

Impact of Cost Containment

The June 25, 2008, cost containment action reduced WCC’s special funded salaries by \$59,200, for contributions toward employee health insurance that were funded from another fund source.

Proposed Budget

Personnel-related expenses drive the \$187,446 increase in WCC’s fiscal 2010 allowance, as detailed in **Exhibit 2**. Increases of \$215,208 in employee health insurance costs and \$141,094 of retirement contributions are partially offset by the elimination of Other Post Employment Benefits funding of \$214,907. Turnover decreases by \$135,231, yielding a 4.5% turnover rate instead of the fiscal 2009 6.2% rate, which had been altered from historical levels to fund the cost containment reduction to salaries mentioned above. Also, a new workers’ compensation claim added \$63,072 to the commission’s assessment.

Other agency expenses decline by \$99,242, led by the reduction of budgeted contractual salaries worth \$121,900. Phone and telecommunication allotments decreased by \$66,858. The largest increase is in rent contracts negotiated by the Department of General Services, which grows by \$36,082. Postage/freight charges and information technology purchases also increase by \$25,629 and \$13,250, respectively.

Impact of Cost Containment

Contingent across-the-board reductions effected in this agency’s budget delete \$39,987 of special funds for the deferred compensation match.

Exhibit 2
Proposed Budget
Worker's Compensation Commission
(\$ in Thousands)

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
2009 Working Appropriation	\$13,687	\$30	\$13,717
2010 Allowance	<u>13,914</u>	<u>30</u>	<u>13,944</u>
Amount Change	\$227	\$0	\$227
Percent Change	1.7%		1.7%
Contingent Reductions	-\$40	\$0	-\$40
Adjusted Change	\$187	\$0	\$187
Adjusted Percent Change	1.4%	0.0%	1.4%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance pay-as-you-go costs	\$215
Retirement contribution	141
Turnover adjustments.....	135
Workers’ compensation premium assessment	63
Increments and other compensation.....	-20
Deferred compensation (after reducing fiscal 2010 for contingent reductions).....	-40
Reduction of Other Post Employment Benefits’ unfunded liability	-215
Other fringe benefit adjustments.....	7

Other Changes

Department of General Services rent charge increase	36
Postage and freight.....	26
Information technology cost increase	13
Office supplies	9
Phone and telecommunication reduction	-67
Contractual salary reduction	-122
Other	6

Total **\$187**

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

Issues

1. Changing Case-processing Dynamic through Electronic Workflow

Beginning with the fiscal 2006 implementation of an electronic delivery system – the Web-enabled File Management System (WFMS), WCC has sought to increase productivity by transforming all documents in the commission workflow into electronic formats. There are currently 25 out of 70 total documents utilized by the commission that can be submitted electronically. The paper versions of those that cannot be submitted electronically are sorted by priority on a daily basis and scanned into the system, such that all documents viewed by administrators and WCC personnel, are digitized. As an increasing number of forms become available for electronic use, the processing of documents, and the budgeting needs associated with it, will continue to change.

Increasing Electronic Usage by Commission Clients

Exhibit 3 shows the number of e-forms used by WCC customers as a percentage of total form submissions. In fiscal 2008, nearly 67,000 forms were submitted to WCC electronically, of approximately 348,000 submittals, or 19.3% of the total. This percentage is up from 8.2% in fiscal 2006. Also, of the most frequently used forms, those specified by type in **Exhibit 3**, over 35% are now submitted through the web, as opposed to 16% in fiscal 2006.

The costs of the system are detailed in **Exhibit 4**. The initial expense incurred to install WFMS was \$3.6 million. Subsequently, from fiscal 2007 to 2009, WCC has spent approximately \$290,000 a year to maintain and operate the system. The annual cost of providing paper-based processing, however, has risen over the same time period, from \$288,290 in fiscal 2007 to \$326,308 in fiscal 2009. These increases occurred due to materials inflation and personnel expense growth, in spite of the reduced usage of the paper-based system derived from WFMS’ elimination of several processing requirements: delivering, opening, preparing, scanning, and indexing mail. So, as the usage of electronically filed forms increases, fewer of the documents WCC is charged with processing require the more labor and cost intensive paper-based method.

Other benefits result from WFMS usage. First, automated processing capabilities have been added that allow all current notices issued by the commission to be completely generated from the system, thus facilitating the consolidation of all agency computer functions. Also, when modifications to forms are required, such as the fiscal 2008 legislation that mandated a medical authorization form be submitted with each claim form, the cost and time needed to provide new versions of an existing form are greatly reduced. From the user perspective, the chief benefits come from the elimination of postage costs and from speedier processing times, as electronically submitted forms can generally be viewed within the hour they are sent to WCC.

Given that WCC currently preps an average of 149,000 pages monthly for scanning, the potential to continue the electronic enabling of commission documents remains strong. As fewer documents must be processed through the paper-based method, resources may be redirected out of the document preparation and indexing functions toward other areas that may expand as a result, such as data warehousing and information technology personnel. **The commission should discuss its plans for continuing to adapt its documents to all-electronic formats and the potential budgetary consequences of doing so.**

Exhibit 3
Workers' Compensation Commission Electronic Form Filing
Fiscal 2006-2008

<u>Frequently Used Forms</u>	<u>Total Forms</u>	<u>2006 Total eForms</u>	<u>Percent</u>	<u>Total Forms</u>	<u>2007 Total eForms</u>	<u>Percent</u>	<u>Total Forms</u>	<u>2008 Total eForms</u>	<u>Percent</u>
Postponement Request	11,783	2,790	23.7%	10,948	4,384	40.0%	11,365	6,398	56.3%
Enter/Strike Appearance	59,697	6,950	11.6%	63,325	10,936	17.3%	61,156	13,586	22.2%
Issues Controversion	32,720	4,964	15.2%	31,494	9,520	30.2%	30,976	13,739	44.4%
Vocational Rehabilitation Progress Report	12,850	4,633	36.1%	12,427	7,056	56.8%	12,643	7,321	57.9%
Vocational Rehabilitation Referral Notice	4,615	2,044	44.3%	5,708	3,860	67.6%	5,779	3,577	61.9%
Employee Claim Form	26,236	504	1.9%	26,099	1,920	7.4%	25,257	4,220	16.7%
Withdraw Issues/Set With	8,108	2,400	29.6%	11,850	5,286	44.6%	11,769	7,148	60.7%
Subtotal	156,009	24,285	15.6%	161,851	42,962	26.5%	158,945	55,989	35.2%
All Other Forms	205,444	5,320	2.6%	185,945	7,444	4.0%	188,733	11,005	5.8%
Total Forms	361,453	29,605	8.2%	347,796	50,406	14.5%	347,678	66,994	19.3%

Source: Workers' Compensation Commission

Exhibit 4
Expenditures Associated with Web-enabled File Management System
Startup Costs and Fiscal 2007-2009 Maintenance Expenditures

Start up costs (fiscal 2005-6)	\$3,600,000		
	Actual	Actual	Work Approp
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Personnel (Programming, Help Desk Support)	112,487	123,222	127,811
Telecommunications	63,686	54,317	77,383
Hardware Maintenance	52,080	52,861	53,654
Software Maintenance	39,050	38,750	39,050
Equipment	22,350	12,498	0
Annual Maintenance of WFMS	289,653	281,648	297,898
Total Cost to Date:	\$ 4,469,199		

WFMS: Web-enabled File Management System

Note: Verizon created WFMS for the commission through the State of Maryland's Technical Services Procurement contract.

Source: Worker’s Compensation Commission

Recommended Actions

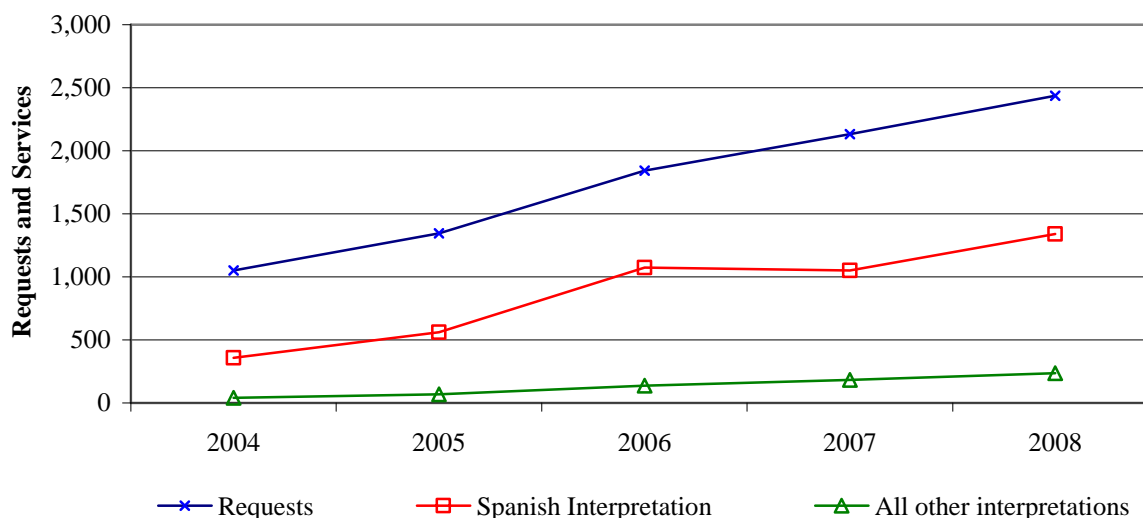
	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete a Fiscal Services Administrator I position that has been vacant for longer than 12 months.	\$ 52,110	SF	1.0
Total Special Fund Reductions	\$ 52,110		1.0

Updates

1. Cost Effectiveness of Hearing Interpreter Contract

The demand for hearing interpreter services has grown steadily since the 2004 implementation of equal access to public services legislation (Code of Maryland, State Government § 10-1103) that made the provision of certified interpreters mandatory for WCC hearings, at no cost to the requesting party. As **Exhibit 5** shows, the requests for interpreter services has nearly quadrupled since fiscal 2004. From fiscal 2007 to 2008, total interpretations provided by WCC grew from 1,235 to 1,576, or 27.6%. Spanish language interpretations grew at nearly the same rate over that period, up to 1,340 from 1,051.

Exhibit 5
Workers’ Compensation Hearing Interpreter Services
Fiscal 2004-2008



Source: Workers’ Compensation Commission

Anticipating such growth during the 2008 legislative session, the *Joint Chairmen’s Report* (JCR) requested that WCC report on its use of a DBM-managed contract for hearing interpreters. The budget committees were concerned that the increasing demand for interpreters, especially for Spanish language interpreters, at workers’ compensation hearings was rendering the use of the contract significantly more expensive than the cost of adding in-house staff. The report requested a cost-benefit analysis of adding another on-staff interpreter in terms of potential dollar savings and hearing scheduling flexibility.

JCR Report Findings

The commission’s report concluded that it would be cost effective to create an additional 0.5 full-time equivalent (FTE) position. WCC calculated that an additional Spanish language interpreter would yield cost savings of approximately \$35,000 per year, at current service levels. The savings were based primarily on fiscal 2007 invoices that showed WCC had spent \$57,000 on the DBM contract for services that the new half position, whose salary/fringe costs would be \$23,000, could undertake. As the incidence of interpreter provision increases, the cost savings would likewise increase.

The report also noted that the additional interpreter would allow the commission to automate the scheduling of Spanish interpreters for hearings, resulting in enhanced customer service and reduced travel costs. Under the current system, interpreter requests are made after the hearing is scheduled, which can result in multiple regional sites having a need for a Spanish interpreter on the same day. An additional interpreter would provide the resources needed to include the interpreter request in the process before the hearing is scheduled. Thus, WCC would be able to anticipate interpreter schedules and set hearings with Spanish interpreters at no more than two locations on the same day. The majority of Spanish interpretations now occur in either Baltimore or Beltsville. With one 0.5 FTE assigned to these two principal locations each day, the need for contractual services would be reduced, as would travel costs of the on-staff personnel, who now must travel at the whim of the current scheduling process.

This personnel change would not entirely eliminate the need for interpreter services under the State’s contract. Requests for interpretation of a language other than Spanish, or requests for a Spanish interpreter when staff interpreters are unable to provide the service, would prompt its usage. The report also notes that the savings may be reduced if recruiting at the hourly wage for the 0.5 FTE, which is currently \$17.80 per hour, is hampered by the higher salaries paid to employees of private interpreter companies.

These conclusions are in line with the DLS analysis from the 2008 session. In January 2009, DBM approved the use of an existing vacant position identification number to add a 0.5 FTE interpreter. The position does not appear in the fiscal 2010 allowance, but once a reclassification is processed, it should occupy the lone half position vacant at WCC, presently an Office Services Clerk. DLS will monitor the cost savings that results from this position in the future and asks that the commission comment on its timeline for implementing the changes required to enhance its interpreter scheduling capacity.

Current and Prior Year Budgets

Current and Prior Year Budgets Workers’ Compensation Commission (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2008					
Legislative Appropriation	\$0	\$13,138	\$0	\$30	\$13,167
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	150	0	0	150
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	\$0	\$13,287	\$0	\$30	\$13,317
Fiscal 2009					
Legislative Appropriation	\$0	\$13,591	\$0	\$30	\$13,621
Cost Containment	0	-59	0	0	-59
Budget Amendments	0	155	0	0	155
Working Appropriation	\$0	\$13,687	\$0	\$30	\$13,717

Fiscal 2008

- A special fund amendment transferred \$149,596 to the commission for the 2% cost-of-living adjustment (COLA) that was centrally budgeted in DBM.

Fiscal 2009

- A special fund amendment transferred \$154,538 to the commission for the 2% COLA that was centrally budgeted in DBM.
- As part of the June 25, 2008, fiscal 2009 cost containment action, \$59,200 of the commission’s special fund appropriation was reduced from salaries.

Total Payrolls and Insurer Assessments
Fiscal 2004-2008

<u>Year</u>	<u>Assessment Base Insurer Payroll</u>	<u>Gross Commission Expense</u>	<u>Safety Program Cost</u>	<u>Net Commission Expense</u>	<u>Assessment Per \$1,000 of Payroll</u>
2008	\$102,210,947,969	\$22,038,459	\$9,261,289	\$12,777,170	0.209
2007	100,620,077,256	21,872,521	8,801,072	13,071,449	0.217
2006	94,559,745,432	21,431,819	7,990,180	13,441,639	0.204
2005	104,663,366,728	21,526,536	8,440,357	13,086,179	0.205
2004	88,194,440,535	20,220,648	7,766,246	12,454,402	0.229

Source: Workers’ Compensation Commission

**Object/Fund Difference Report
Worker's Compensation Commission**

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	124.00	124.00	124.00	0	0%
02 Contractual	8.97	12.25	11.25	-1.00	-8.2%
Total Positions	132.97	136.25	135.25	-1.00	-0.7%
Objects					
01 Salaries and Wages	\$ 8,936,191	\$ 9,427,248	\$ 9,753,923	\$ 326,675	3.5%
02 Technical and Spec. Fees	674,712	790,599	668,699	-121,900	-15.4%
03 Communication	562,367	551,907	505,871	-46,036	-8.3%
04 Travel	141,487	122,494	121,204	-1,290	-1.1%
06 Fuel and Utilities	132,748	82,254	85,200	2,946	3.6%
07 Motor Vehicles	91,744	88,806	89,921	1,115	1.3%
08 Contractual Services	846,529	884,666	902,723	18,057	2.0%
09 Supplies and Materials	148,001	130,294	139,012	8,718	6.7%
10 Equipment – Replacement	28,486	0	0	0	0.0%
11 Equipment – Additional	32,361	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,606,684	1,586,031	1,625,179	39,148	2.5%
14 Land and Structures	63,715	0	0	0	0.0%
Total Objects	\$ 13,317,412	\$ 13,716,686	\$ 13,944,119	\$ 227,433	1.7%
Funds					
03 Special Fund	\$ 13,287,258	\$ 13,686,532	\$ 13,913,965	\$ 227,433	1.7%
09 Reimbursable Fund	30,154	30,154	30,154	0	0%
Total Funds	\$ 13,317,412	\$ 13,716,686	\$ 13,944,119	\$ 227,433	1.7%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.