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UNINSURED EMPLOYERS' FUND

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February 19, 2020

The Honorable Keith E. Haynes, Chair
The Honorable Susie Proctor, Vice-Chair
Public Safety and Administration Sub-Committee
Maryland House of Delegates Appropriations Committee
Room 120, House Office Building
Annapolis, MD 21401-1991

Dear Chair Haynes, Vice-Chair Proctor and Members of the Sub-Committee,

Please accept the following, with the enclosed attachments, as the written testimony of the Maryland Uninsured Employers' Fund (UEF) on February 19, 2020 regarding the status of the UEF and the budget proposal for FY 2021:

The Maryland Uninsured Employers' Fund (UEF/Agency) is a statutory agency created to protect Maryland workers who are injured on the job (or develop an occupational disease). The purpose of the Agency is to provide workers' compensation benefits when an uninsured employer fails to provide benefits awarded by the Maryland Workers' Compensation Commission (WCC) to an injured worker because of the employer's failure to maintain workers compensation insurance coverage for employees.

The UEF is a special fund which is funded by fines levied by the WCC against uninsured employers and also by assessments imposed on most WCC awards of indemnity benefits. The agency also strives to recover reimbursement from uninsured employers for expenditures made by the UEF pursuant to WCC Orders.

It is important to note that the UEF is also 100% self-funded.

While the UEF is not an insurance provider, it does act as the "insurer of last resort" and is responsible for providing all of the same benefits that a workers' compensation carrier

provides. The benefits provided include medical treatment, medications and medical equipment, physical and vocational rehabilitation services, pain management and other forms of therapy. The compensation provided also includes temporary and permanent disability benefits.

During the past three years the UEF has been continually and actively engaged in a process of identifying and correcting a host of serious issues which were left by prior UEF management, including correcting serious deficiencies in the critical areas of claims administration and collections. That process, although successful in many areas, continues.

Please also find attached hereto this agency's Response to the Analysis of the FY 2021 Maryland Executive Budget for your review. I urge you to consider our responses, especially to suggested recommendations, which are made to you after discussions among the staff and which are based on our expertise with, and knowledge of, our unique role and mission as a state agency. I wish to commend this year's budget analyst, Mr. Jason A. Kramer for his professional and collaborative work with this agency. I genuinely appreciate his efforts to work with this agency to provide the legislature with both information and recommendations regarding the UEF.

I always genuinely appreciate the opportunity to appear before the legislature and look forward to continuing to work with you to make the Maryland Uninsured Employers' Fund an even more outstanding and successful State government agency.

Sincerely,

The Honorable Michael W. Burns, Esquire

Encls.

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Uninsured Employers' Fund (UEF)

Executive Summary- Response to Recommendations

Operating Budget Recommended Actions

1. Eliminate 2 PINs that have been vacant for several years and associated funding.

Agency Response: The agency is currently in the process of offering and advertising positions and intends to fill these two positions in the months ahead.

The agency emphasizes that it is 100% self-funded – these positions are not general funded.

These two positions, along with the positions currently under recruitment, are vital to insuring the stability and success of the agency. The current positions, including the two positions under consideration for elimination, will enable the agency to reach optimum staffing when filled.

The agency respectfully requests the Committee reject this recommendation.

2. Adopt committee narrative requesting a report on the need for a third-party administrator, agency staffing needs, and the status of an actuarial study.

Agency Response: The agency can supply the reports indicated as required by the legislature.

As to the requirement for a third-party claim administrator (TPA), the agency notes the following facts and offers them in response to this request: no action taken by the current administration to bring the agency to a condition of competence and stability has had more positive impact than

the hiring of a professional TPA. In past years the agency attempted internal claims administration – it was a disaster. Medical claims administration in the 21st century is a complicated, expensive and specialized field in which the cost of hiring a professional TPA results in savings and outcomes far superior to those which result from attempting to create and manage such an organization internally. The agency's TPA has significantly impacted all aspects of the agency's functions in a substantial and positive manner. The costs of the TPA are more than worth the services, savings and results the agency receives. Any attempt to replicate such services at the costs currently enjoyed by the agency internally would simply result in failure.

It should be noted that numerous Maryland counties, both large and small, engage the services of professional TPA's to manage claims. Our vendor, CorVel, in fact manages claims for Montgomery, Prince George's, Howard and Carroll counties. These counties engage the services of TPA's for the same reasons the agency does so – namely because the financial costs are, in the final analysis, more than worth the results and savings achieved thereby.

As to staffing needs, the agency provided such a study in the recent past but can do so again should the legislature desire such a report.

As to the actuarial study, the agency can report today it is in final discussions to contract with a vendor to perform such a study. The agency expects that study to be conducted in the months ahead and can supply the results to the legislature if required.

Budget Reconciliation and Financing Act Recommended Actions

1. Prevent the Uninsured Employers' Fund (UEF) from expending any money from UEF on administrative costs without an appropriation beginning in fiscal 2021.

Agency Response: This seems to be a procedural issue. The agency regrets any difficulty failure to include expenditures for TPA services in the most recent budgets may have caused. An amendment to the current fiscal year budget has been prepared and submitted and the agency intends on repeating that process once the next fiscal year budget is approved.

In light of these facts the agency would respectfully request the legislature not take the recommended action.