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Subsequent Injury Fund
C94100

FY 2024 Budget Hearing Testimony

Senate Budget and Taxation Committee
Public Safety, Transportation and Environment Subcommittee
Miller Office Building
Annapolis, MD 21401
February 9, 2023
Senator Sarah K. Elfreth, Subcommittee Chair

House Appropriations Committee
Public Safety and Administration Subcommittee
120 House Office Building
Annapolis, MD 21401
February 15, 2023
Delegate Tony Bridges, Subcommittee Chair

The Subsequent Injury Fund is an independent agency, created under Section 802 of the Maryland Annotated Code. The Fund was created to encourage the hiring of workers with pre-existing disabilities by assuming financial responsibility for a permanent impairment due to an accident, disease or congenital condition that is, or is likely to be, a hindrance to employment when combined with the effects of a subsequent compensable job related accident, personal injury or occupational disease.

The Subsequent Injury Fund annual operating budget and benefit payments are funded by a 6.5% assessment on awards passed by the Maryland Workers' Compensation Commission against employers or insurers for employee job related injury(s) that result in permanent disability or death. Financial compensation paid by employers or insurers under settlement agreements are also subject to a Subsequent Injury Fund 6.5% assessment.

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Fiscal year 2022 operating expenses were \$2,599,220.00. Fiscal year 2022 benefit payments were \$19,555,752.00. The SIF operating expense and benefit payment ratio was 13.3%.

The fiscal year 2022 Subsequent Injury Fund closing balance was \$114,264,715.00. This represents a one year 5.53% balance increase. The estimated FY 2023 closing balance is \$118,569,510.00.

An actuary study completed in January 2022, found Subsequent Injury Fund liabilities between \$314.8 million and \$548.2 million based on disabled and healthy mortality assumptions.

The actuary acknowledged an average 4% annual SIF balance growth over the past 10 years. Based on a projected 3.77% FY 2023 closing balance increase, the SIF agrees with the actuary recommended continuation of the current 6.5% assessment rate, while monitoring assessments, payments and the Fund balance on an ongoing basis.

The Subsequent Injury Fund will continue to closely monitor assessment receipts, benefit payments and the Fund balance. Comparison of awarded claims data to pre-award liability estimations will remain an ongoing focus. Enhancements to the case control system to include a COLA eligibility indicator designation are currently being discussed. The recommended monitoring of the frequency and impact of settlement requests and approvals will continue.

These procedures will be key factors to the decision to shorten the current 5 to 6 year actuary study schedule cycle to every 3 to 4 years.

The Subsequent Injury Fund agrees with the DLS analysis and FY 2024 budget recommendation.

Respectfully submitted,
Edgar G. Dodd, III
Director
Subsequent Injury Fund

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Agency Mission

Pursuant to the enabling legislation in the Labor and Employment of the Maryland Annotated Code, Section 9-802, this agency exists to encourage the hiring of workers with pre-existing disabilities by assuming financial responsibility for the combined effects of a pre-existing disability and an accidental workplace injury.

The Subsequent Injury Fund (SIF) reviews and investigates workers' compensation claims that involve pre-existing health conditions that substantially increase the disability of injured workers. The liability of employers' insurers is limited to compensation for the damages caused by the current injury. The SIF incurs all additional liability from the combined effects of all pre-existing injuries, diseases and congenital conditions.

The SIF manages a non-budgeted fund from which workers' compensation benefits are paid to eligible Maryland workers. Fund revenues are exclusively derived from a 6.5% assessment on all workers' compensation permanent disability and settlement workers' awards paid by employers/insurers.