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December 18, 2020

The Honorable Guy Guzzone
Chair
Senate of Maryland
Budget and Taxation Committee
Miller Senate Office Building
3 West
Annapolis, Maryland 21401

The Honorable Maggie McIntosh
Chair
House of Delegates
House Office Building
Room 121
Annapolis, Maryland 21401

RE: Joint Chairmen's Report April, 2020
Committee Narrative
Report of the Maryland Uninsured Employers' Fund
on Operations Needs and Actuarial Study

Dear Chair Guzzone and Chair McIntosh,

The Joint Chairmen's Report (JCR) of April 2020, page 15, requested in "Committee Narrative" that the Maryland Uninsured Employers' Fund (UEF) provide a report (Report) regarding the following:

Issue 1 – A report on whether a TPA is needed beyond the current five-year contract.

Issue 2 – An analysis of the agency’s current staffing needs “in light of a shift of primary agency functions to an outside vendor.”

Issue 3 - An update on the progress of obtaining an outside actuarial evaluation of the health of the fund and appropriateness of the assessment on workers’ compensation awards.

The UEF has reviewed the issues presented, reviewed the agency’s past history and current experience, investigated, evaluated, and drafted a detailed Report which it herein submits in response to the Committee Narrative request:

Joint Chairmen’s Report

Fiscal 2021 – State Operating Budget

Uninsured Employers’ Fund

C96J00.01 General Administration

Report on Operational Needs and Actuarial Study

As part of the Fiscal 2021 Budget, the Maryland Legislature added “Committee Narrative” language requesting the Maryland Uninsured Employers’ Fund (UEF) report as follows:

Report on Actuarial Needs and Study: The budget committees are concerned about the massive increase in operating expenditures due to the procurement of a contract with a third-party administrator (TPA) to perform many core functions of the agency. The committees direct that, in conjunction with the Department of Management and Budget (DBM), the Uninsured Employers’ Fund (UEF) produce a report documenting whether or not a TPA is needed beyond the current five-year contract. The report should also provide an analysis of the agency’s current and future staffing needs in light of the shift of primary agency functions to an outside vendor. The report should also provide an update on the progress of obtaining an outside actuarial evaluation of the health of the fund and appropriateness of the assessment on workers’ compensation awards.

The Maryland Uninsured Employers’ Fund submits the following in response to this request:

Issue 1 – A report on whether a TPA is needed beyond the current five-year contract.

The UEF appreciates the Legislature's interest in claims administration issues involving the issue of whether or not a TPA is an ongoing need and requirement for the successful function of the agency. As will be described as follows, the answer to that question is an emphatic, documented "yes." In fact, the agency states without hesitation that a decision to bring claims administration services in-house at the UEF would be a disaster which almost certainly would result in the insolvency of the agency. The current contract TPA services, competitively bid and awarded, is not in actuality expensive – the savings the UEF gets from the contract actually more than pay for the services provided by the TPA.

The UEF is a statutory completely self-funded agency which was created to protect Maryland workers who are injured on the job from an accidental injury or an occupational disease during certain circumstances. The purpose of the agency is to provide workers' compensation benefits to injured workers and their families when an uninsured employer fails to have legally required Workers' Compensation Insurance, an employee is injured, benefits are awarded by the Maryland Workers' Compensation Commission (WCC/Commission) and the uninsured employer fails to pay that award as ordered by the WCC. The agency's obligation to provide benefits and/or compensation is triggered when an uninsured employer defaults on an award issued by the Commission. The agency also covers claims for compensation for insolvent self-insured employers as well.

The UEF is a special fund. It is funded by fines levied by the WCC against uninsured employers and assessments imposed on awards of indemnity benefits. The agency also is to receive reimbursement from uninsured employers for expenditures made to claimants but because many uninsured employers fail to make those payments those funds are often a challenge to collect. **The UEF receives no general funds.**

The UEF was originally designed to be a limited stop-gap fund for injured workers whose employers failed to maintain legally required workers' compensation insurance. It was apparently believed when the agency was established that there would only be a fairly small number of such cases because employers would maintain workers compensation insurance to cover their employees since that was required in most cases by law. Over the years this prediction has proven to be erroneous. Some employers, especially in the dangerous construction and landscaping industries, routinely fail to carry required insurance because it enables them to underbid their competition and thus obtain work. Add to this honest employers who simply fail to have coverage for some reason and then have a claim from an injured worker, as well as bankrupt self-insured employers such as the Bethlehem Steel Corporation (BSC) and A&P Supermarkets (A & P), and by 2020 the result has been that the UEF has now grown to cover nearly 1,000 injured workers at any one time, with expenditures for both lost wages and medical bills totaling millions of dollars per year.

UEF coverage for a claim can last for any amount of time depending on the Order of the WCC: weeks, months, years, a lifetime. Workers sometimes come back to the WCC with a claim for worsening of their condition, requiring a new hearing, resulting in a new order, multiple times. Even if a claimant does not claim a worsening of their condition the UEF is still

responsible for casually-related medical treatment for the rest of the claimant's life. Over time, such cases can result in millions of dollars in medical and related expenses.

The agency attempted to operate an in-house equivalent of a claims administration unit in the past. That attempt failed. The nature and requirements for providing competent claims administration and investigation services for workers compensation claims in the 21st century require an organization with national outreach and a host of experts to handle the multiple complex tasks involved in claims administration now. Trying to replicate such a complicated program in a government setting simply did not and does not compare to the services, savings and results of contracting with a professional TPA.

In March of 2017 the UEF determined that the entity then providing the agency with claims administrative services was in financial difficulty and was in a precarious condition where it could go out of business at any time. For this reason, among others, the UEF innated an emergency procurement for third party claims administration services with a national company, Corvel, Inc., to provide the agency TPA services beginning in September of 2017.

Although done as part of an emergency procurement, the location and hiring of a competent, experienced national TPA was determined to be a critical part of correcting ongoing deficiencies in the function of the UEF. TPA services not only impact claimants, because of the nature of the UEF's mission and responsibilities and function a competent, experienced TPA with national experience is important to other areas of the UEF, including legal defense, collections, cost management and enforcement. A TPA with proven experience in, and success with, the management of worker's compensation claims management provides efficiency, management, investigations and savings that an in-house TPA simply cannot provide.

It is difficult to adequately convey the condition of disarray at the UEF in November of 2016 in every area of agency functioning. In claims administration, the situation was critical – the then-current claims administrative structure was not managing claims either efficiently or economically. In fact, the relationship was clearly illegal because the agency's vague and short "contract" with the claims administrator consisted of a short agreement for consulting services which had somehow morphed into a full-blown TPA relationship without following the requirements of the procurement process or even being reduced to writing.

Unfortunately, in spite of their efforts to fulfill their role, that vendor was unable to provide the UEF with the necessary, effective and comprehensive TPA services required. Records were spotty, inadequate or non-existent; payments were being made for bills without adequate review or cost savings; claim investigations were inadequate or non-existent. There was no review of open claims to set reserve figures to give the agency a guide to its overall liability. There was, in fact, not even a number available of how many claims were open and how many cases were being actively managed by the agency. In other words, the UEF had no real idea how many cases it was handling, what their status was, or how much the agency was responsible for. By any measure, claims administration under the system then in place was a dysfunctional failure.

In order to deal with these issues, as well as the concern as to financial viability of the agency's TPA "vendor", the UEF initiated the emergency procurement with Corvel, Inc.

(Corvel) in 2017. After a lengthy RFP process (also the first RFP process ever engaged in by the agency for claims administration services) Corvel was awarded a five-year contract for TPA services in 2019.

Corvel was and is the first TPA entity with which the UEF has apparently ever had a legally valid written TPA contract for claims administration services. Corvel has extensive national and in-state experience in workers' compensation claims administration, providing services around the country to numerous government entities, including several Maryland counties as well as the UEF.

After more than three years of service, the UEF can state, emphatically based on documented successes, figures and evidence, that the contractual relationship between the UEF and Corvel has been an unqualified success. No action undertaken in the past four years to assist the UEF has done more to improve the functioning of all aspects of the UEF than hiring Corvel to do the agency's TPA work.

This past year represented the first year of the five-year contract of third-party claims services with Corvel. As noted, this contract represents the first UEF legitimate contract for TPA services with a vendor. The results have been spectacular, with Corvel's administration, investigation, cost management and other benefits more than recouping the cost of Corvel's services.

As noted, Corvel first began work for the agency in September of 2017 under an emergency procurement contract for TPA services. Corvel's task was daunting; it literally had to build the agency's case management record from the ground up based on what data was available while also taking on investigating and managing new claims immediately upon their arrival at the agency. It took Corvel months to collect, organize and process data and files just to get to a point where the agency could even know, with confidence, how many open claims were in existence (that number would eventually be approximately 950 open claims per month, since reduced).

Additionally, Corvel's success at data management and investigations took the rate of cases where insurance coverage is found in new claims from a rate of approximately 9% per month from the prior structure to approximately 35% per month. Corvel's effective case investigation, management, and large network of providers provided substantial savings to the agency. The cost of finally having a competent TPA with a written contract added to expenditures starting in 2017, causing an increase in costs but the resulting competence, accuracy and savings achieved were outstanding, cost-effective and are long-overdue.

Thanks to finally having a record of information and data based from the professional TPA services received, and related valid data obtained, the UEF is finally able to have and be able to report a host of information based on reliable data.

A five-month average of the expenses incurred (claim payments plus reserves) from February 2020 to June 2020 was approximately \$52,400,000.00 and as of September, 2020, the agency has 751 open claims. The "average" UEF claim has, therefore, an exposure of \$69,773.64.

One example of the significant savings the agency receives under this contract involves finding non-UEF coverage for claims. In fiscal 2020 Corvel found coverage on 153 of 423 new claims cases, or 36.2% coverage. This percentage should be contrasted to the 9% coverage found under the prior claims administration system at the agency. Finding coverage means that the agency is not responsible in that particular case and some other entity pays the claim. Additionally, this coverage number will almost certainly need to be revised upward as it includes cases from March through June of 2020 that are currently coded as no coverage that have not been litigated yet. The agency will undoubtedly find coverage on many of those claims. As of now, the agency can report at least a 27.2% increase in real terms from 9% in the past to 36.2% currently in claims in where coverage has been found.

From an agency savings standpoint this increase is remarkable; and the savings are enormous. 27.2% of the 423 claims the agency received in fiscal 2020 equals 115 cases. Multiplying that figure by the incurred savings of the average case, \$69,773.64, results in a total of \$8,023,968.60 in claims savings. **The contract with Corvel has, therefore, resulted in approximately \$8 million in demonstrable savings to the agency during the past year due to this one area of improvement and contractually provided competent, professional TPA services.**

As noted, when Corvel was brought in during September of 2017 the UEF did not have any idea how many claims it had open and/or had exposure for. When Corvel worked through the records and data it discovered roughly 1600 open claims. After review, investigation, management and handling of these claims the number was significantly lowed. Currently the UEF has reduced this number to approximately 700 open claims in any one month.

Further, when Corvel started to service the agency in 2017 the UEF had no information as to what the total exposure was for the agency TPA programs. Today the agency has reserves set for every claim and an overall figure of reserves as previously noted. The agency finally has an idea what its liabilities and exposure are going forward and can plan accordingly based on genuine data and realistic estimates based on facts and data.

In addition to uninsured employers, the UEF is also statutorily responsible for the claims of insolvent self-insured self-employers. One major responsibility is for the insolvent Great Atlantic and Pacific Supermarket Company (A & P). Prior to hiring Corvel the agency had no clear information as to the liabilities and status of A & P claims. Working with Corvel the UEF has now reviewed all open cases and has initiated complete claims management over them. In addition, working with Corvel the agency discovered that excess coverage with AIG Insurance existed for claims and as a result closed out three claims with an extremely high exposure and also has received funds in the amount of nearly \$300,000 representing the funds the UEF paid over and above the excess threshold in these cases. These sort of efficiencies and savings are replicated throughout the agency's claims management system now. Thanks to the current TPA contract the UEF is finally managing claims correctly at the lowest possible cost to the agency.

The facts are clear: before the addition of a competent TPA to the agency's structure the UEF had little factual data about almost anything to do with its claims and claimants. Costs were not being controlled and millions of dollars in savings were being lost because of a failure to successfully achieve those savings.

The contract with Corvel has resulted in other benefits and savings as well. By working closely with Corvel staff the agency has been successful in defending several claims cases in which the amount of liability potential reached over \$1 million dollars. The professional investigations and active collaboration of Corvel with our attorneys general played a critical role in the agency's success in prevailing in these cases. The comparison between the prior claims administration systems and the current model is literally night and day.

Our collections efforts have also been augmented by our contract with the TPA. Corvel works with agency collections staff constantly, providing important information which allows the agency to locate and contact relevant parties in both the assessment and the uninsured employer recovery areas. The UEF has received numerous corrected addresses and contacts from Corvel which enabled collection of assessments, repayments and fines due and owing to the agency. Once again, the TPA contract is resulting in improvement in another important area of the agency's responsibilities.

One of the biggest benefits of the contract is the staff provided to the UEF by Corvel. The Corvel staff is extremely competent and experienced. Three of its adjusters on the UEF account have an average of 25 years of experience. That level of experience is extremely rare. The agency's on-site manager has over 35 years of experience in handling workers compensation claims. His experience includes having served as the President of the Maryland Workers Compensation Educational Association, the premier Maryland statewide organization involving all aspects of workers compensation. These type of experienced claims professionals are available only because the TPA has a large staff of experienced claims administrators available.

Corvel's staff consists of five investigators, the three highly experienced adjusters noted previously, a claim assistant, a manager/supervisor and an Account Manager. That is 11 staff members that the State is not responsible for paying salary, health insurance, retirement/pension, taxes, workers compensation, E & O exposure, and other expenses which is in itself an enormous short and long-term benefit to the State. It would take at least 12-15 state employee staff to handle an in-house claims administration program, probably more. Instead of simply paying those salaries, as now occurs under the contract, the agency would be also paying for a host of benefits, taxes, and fees. Again, the agency receives maximum benefit from the dollars it spends on staffing under the current TPA structure.

There are numerous other benefits to hiring a professional TPA for claims administration (benefits unavailable to an in-house state claims administration unit). Some examples of the benefits the UEF obtains from the current contract include:

- Program Savings: Corvel's Network Solutions program manages all aspects of UEF's TPA program via a single, integrated solution focused on providing quality care while managing and lowering expenditures. It includes a national provider network, a bill review system and the clinical expertise of its professional review nurses. These components deliver savings across the entire TPA program to the agency.
- Extensive National and Local Networks: Corvel has an extensive PPO network which is designed to both insure ensure the quality of care being delivered to patients as well as savings to the UEF. Every directly contracted provider has been selected based on their workers' compensation experience, quality of delivery, range of services, cost

and location. As a part of the network, providers are contractually obligated to do more than just accept a PPO discount. Corvel outlines, monitors, and holds providers accountable to return to work protocols, adherence to evidence-based practice guidelines, prescribing methods and appropriate billing practices in order to deliver effective care at the best possible cost to the UEF.

- Pharmacy Program Management and Savings – Corvel’s pharmacy program achieves value through integration with its bill review system which results in effective management and monitoring of pharmacy costs. This allows Corvel to identify and address pharmacy transactions that were not properly managed including out-of-network bills, paper bills, third party bills, and physician dispensing. It also allows Corvel to identify potentially harmful situations such as prescription abuse and patient addiction so potential issues can be proactively identified and dealt, benefiting both the UEF and our claimants.
- Bill Review: Corvel has proprietary software for effective bill review. It’s program for bill review platform services all types of bills and offers a number of advantages. The bill review system provides a complete and detailed analysis of all bills and results in cost reductions automatically. Automated business rules and notifications are programmed into the system and identify incorrect or questionable billings when they occur. They also automatically trigger interventions by adjusters or escalate the issue to subject matter experts for review. The result is that discounts are applied correctly and completely to each pharmacy bill. Pharmacy costs can be enormous in our cases and this program achieves important savings unavailable with this TPA’s work.
- Expert Review: Workers’ compensation billing is often very complex, especially when it comes to hospitalizations and surgical care. Corvel’s professional review system combines a system of sophisticated computer software with the clinical expertise of professional review nurses and certified procedure coders to evaluate every complex bill for accuracy and savings. Such savings are vital and cannot be achieved in an in-house setting.
- Case Management Program: Corvel has a proprietary system for collecting and organizing all aspects of case management. This system collects vital data and is accessible by UEF staff. Claims data including all associated bill review information such as scanned medical bills and explanations of review is available in one system for all UEF personnel with a need to access the system. Claims management, bill review, claims status, investigation results, physician and other medical reports and a host of other data are available to the agency staff.
- Attached to this Report is the “Key Performance Indicators Tracking” document produced by Corvel for the UEF for June of 2020. It contains just some of the various

charts, graphs and information available to the agency thanks to Corvel's data management system. It must be noted that none of this data or information was available to the UEF staff in any form before the hiring of Corvel as the agency's TPA. The data available is vital for the success of every aspect of the agency – claims management, legal work, collections, billing, payables, and accounts receivable. Access to this system alone is worth the cost of the entire contract to the UEF and is another example of the better service and savings achieved by the UEF thanks to hiring a competent, successful TPA.

It is clear, when the facts and results are reviewed, that there are multiple reasons why the UEF hiring a TPA such as Corvel is the only rational course for an agency such as the UEF. As illustrated, a professional TPA company such as Corvel provides a host of advantages for all aspects of claims management that this agency could not possibly achieve by attempting to manage claims administration in-house, including: a detailed and extensive proprietary claims management and tracking system; experienced claims administration and investigative staff; vast experience with workers compensation claims investigation, management and payments; and, a national network of agreements with literally thousands of vendors which result in substantial savings in costs to the UEF on a daily basis for a host of services, both medical and non-medical. Additionally, Corvel provides the UEF with professional reporting and compliance services required under law to various entities, including state and federal entities, on a regular basis which would be time-consuming, challenging and expensive for a state-run in-house TPA. The data is clear that the savings of having a competent TPA manage this agency's claims results in savings and benefits that far outweigh the costs of the contract.

Whatever may have once been the case regarding claims management of workers' compensation claims, the modern environment in which today's claims are administered, especially medically, make a competent TPA with national exposure and reach a necessity for government agencies dealing with workers' compensation claims and payments. This is why several large and mid-size Maryland counties – as well as other government entities - choose to contract for these services rather than attempt to provide them in-house.

For the UEF this necessity is even more evident. Our legal team depends on Corvel for superior investigative work in order to defend cases and find insurance coverage that allows the UEF to avoid paying on claims. Our collections unit works with Corvel's investigators, with the result that our collections staff has more information on potential uninsured employers and is better able to collect funds due from such uninsured employers. Our daily functions at the agency often involve and benefit from interactions with the Corvel staff and system.

The single most important, necessary and successful action the UEF has taken during the rebuilding process of the past four years has been the hiring of a competent TPA. To prohibit the UEF from continuing to utilize the services of a competent TPA when the current contract ends in 2024 would result in a disaster of biblical proportions for the agency.

Nothing can more surely or certainly doom the UEF to insolvency and failure than yet another attempt to replicate the services received, and the costs saved, by the hiring a competent

TPA than by trying to move TPA services in-house. The agency urges the legislature not to sentence the UEF to failure by prohibiting a Request for Proposals for a TPA contract in 2024.

Issue 2 – An analysis of the agency’s current staffing needs “in light of a shift of primary agency functions to an outside vendor.”

Vital to any discussion of the UEF’s current staffing situation a discussion is in order concerning the perception that the UEF is “shifting primary agency functions to an outside vendor.” In 2020 many private and public entities engage the services of a competent, experienced and efficient TPA to handle their workers compensation claim needs. They do this because of the complexity of the field of workers compensation claim administration in the modern world.

Here in Maryland, most of the major counties have contracted for professional TPA services. In fact, Montgomery, Prince George’s, Howard and Carroll Counties all have hired Corvel to handle their workers compensation claims requirements. Baltimore City is utilizing the TPA services of another nationally known TPA as well.

These Maryland government entities have all hired competent, experienced and efficient TPAs to handle their workers compensation claims for the same reason the UEF has – the services received are a better bargain, with better results, with greater savings, than could possibly be achieved by trying to start and maintain an in-house claims administrator.

The UEF attempted to handle TPA services in-house several years ago and the results were unacceptable and unsuccessful. Then the agency worked with an entity which was not an experienced TPA to handle the UEF’s claims. This arrangement, which was done without a procurement or a written contract by the prior Director, simply did not work at any level. Efficient and effective claims management, investigations, legal preparation, pharmacy, health care and other savings, bill and payment review and other areas of claims management and processing were simply not happening under either model.

Obtaining competent TPA services in 2020 is not a question of “shifting functions” – it is a matter of basic economics and smart government. In the modern world of workers compensation claims management, the hiring a competent and experienced TPA is not a “shift of primary agency functions”, it is a basic necessity. At every level, the UEF gets services from Corvel that are better, faster, more effective and cheaper than could possibly be accomplished in-house. There is not one position currently occupied by any of the Corvel staff at the UEF that was, or could now be, handled by any of the UEF’s current staffing positions, either occupied or unoccupied. Any plan to handle TPA functions in-house would require the UEF to hire at least a dozen new staff people on a full-time permanent basis as state employees. Agency costs for staffing claims administration would go from simply paying Corvel for staffing the UEF claims administration team of non-state employee contractors to paying all the costs for salaries and benefits associated with hiring a dozen new permanent employees. And it must be emphasized

that claims administration is a complex business, with experienced and qualified staff being available only at salaries that would attract qualified candidates. Staffing an in-house claims program would be vastly more expensive than the current contract situation.

Additionally, it must be emphasized that the physical layout of the UEF offices is structured to have the Corvel staff on-site in our office. That was set-up on purpose. Our UEF staff and the Corvel staff interact in normal times on a daily basis. In a very real sense, the Corvel staff are more like a part of our UEF staff than a separate outside contractor doing their business outside of the other areas of UEF activity and involvement. We are a team.

The UEF's "primary function" is to protect injured workers whose employers fail to carry required workers compensation insurance. Obtaining the services of the best possible TPA – providing the best services and savings at the most reasonable cost – is a part of that primary function and insures the ongoing functioning and success of the UEF. The evidence is clear and overwhelming that for this agency the contract with Corvel has been a remarkable success in every way. In the alternative, the agency's prior experience with an in-house model was a complete and costly failure. Based on facts and experience, nothing could cause more harm to the UEF than attempting to handle TPA functions in-house.

Currently the agency has four full-time staff members, as well as five attorney generals for which it pays. It also has four temporary workers working in financial, collections and legal positions (as noted below the agency was in the process of hiring replacements for three of these positions when the COVID-19 pandemic struck and delayed that process). There are several vacant contractual and state positions also currently open. Also, the TPA staff of eleven is located on-site in the UEF office.

The UEF was engaged at various points of the hiring process involving several of these vacant positions when the COVID-19 pandemic hit, the State Government was shut down and the hiring of new staff was, as a result of the restrictions imposed and because of serious health and safety considerations, placed on hold. These positions include:

Program Manager IV – this position will function as the agency's Claims Manager, and Procurement Officer, and will be directly responsible for working with the TPA, collections and the legal staff on a daily basis to insure efficiency, accountability and cost savings in the program. This position will also review billing to ensure accuracy and achieve appropriate savings. The position will be responsible for monitoring and evaluating the TPA for efficiency and effectiveness and will make recommendations for increasing both. The position will also be responsible for revising the Request for Proposals (RFP) for Third Party Claims Services and lead the agency in the RFP process in 2024.

Fiscal Accounts Technician I and II positions - these positions will work under the current Chief Financial Officer (CFO) at the UEF to provide support to the CFO and to work with both claims processing, billing and collections as required. They will replace two temporary positions which currently exist at the agency and will result in increased efficiency, stability and cost savings for the agency

Two Claims Investigator IV positions – these positions will handle a host of claims investigation and collection roles for the agency. Both are contractual positions. They will replace a temporary position which has been at the agency involving collections work and will more than pay for themselves with increased collections of monies owed to the agency.

Depending on the status of the pandemic, the agency hopes to fill most of these positions in 2021.

Once these positions are filled the agency will also be evaluating two additional Claims Investigator IV contractual positions as well as two open contractual Claims Reviewer positions for purposes of determining if any of these positions need to be filled, revised, or reclassified as future events and requirements warrant. It is anticipated that one of those positions will be reclassified into a full-time state employee Paralegal position in order to provide more stability to agency paralegal functions and to replace a current temporary position which handles paralegal work functions. This process will be ongoing.

Issue 3 - An update on the progress of obtaining an outside actuarial evaluation of the health of the fund and appropriateness of the assessment on workers' compensation awards.

The contract for an actuarial study which covered the information requested in Issue 3 was signed between the State of Maryland and Pinnacle Actuarial Resources, Inc. (Pinnacle) on March 9, 2020. In spite of the COVID-19 Pandemic and resulting shutdowns affecting both the UEF and Pinnacle the actuarial study, termed an “Unpaid Loss Analysis as of June 30, 2020” (Analysis), was prepared by both entities working together and a final report was presented to the UEF by Pinnacle dated December 7, 2020. A copy of that Analysis is attached hereto and provides a detailed evaluation involving the “health of the fund and appropriateness of the assessment on workers’ compensation awards.”

It is important to note from the Analysis the vital importance the addition of a competent TPA to the agency’s structure was in developing an accurate Analysis. As the Analysis notes:

“Based on discussions with UEF management, we are aware of significant changes in its processes for claims reporting, handling, and case reserving from the move to hire Corvel as its third-party administrator starting September 2017. Specific changes include:

- Readily available data on the number of claims by year and the number of open claims at a given point in time. This was not clear in the prior UEF system.
- There is now a file created for every claim reported to UEF even though many will not receive payment. Under the prior UEF system, claims would not appear in the loss run until payment was awarded.
- Corvel indicates that, as of June 30, 2020, case reserves are at an adequate level.

- There are better processes for securing recoveries from employers and other parties related to the employees' injuries.

We considered these changes as they affect several decisions within the analysis.”
Analysis, pages 3-4.

This Analysis would have been impossible to produce without the participation of, and the facts, information, and reports produced by, the professional and competent TPA obtained by this agency through the procurement process. This Analysis could not have possibly occurred without the years of work of the agency's TPA in gathering, organizing and analyzing of a multitude of data which was virtually non-existent upon its arrival in 2017. It was this fundamental change and improvement in the agency's structure and function, as well as the years required to produce enough reliable data to insure an accurate and complete Analysis, that has resulted in the attached Analysis.

The Analysis presents detailed, accurate information as regards the information requested by the Legislature and provides facts and data regarding, among other matters, the financial stability and situation of the agency, both currently and going forward. Specifically, it provides, along with other information, detailed information on the long-term stability of the Fund at the current 2% assessment level and at a hypothetical permanent 3% assessment level. The Analysis' detailed conclusions are contained and summarized therein.

The UEF appreciates this opportunity to present this Report to the Legislature and looks forward to continued success in our joint-efforts to make this agency even more successful.

The agency sincerely appreciates the Legislature's interest in our work at the UEF and the opportunity to present detailed information and conclusions in response to the Legislature's interest in the ongoing efforts of the UEF to achieve operational success and stability.

The agency would also like to express our appreciation to the Legislature for the assistance and cooperation the UEF has received over the past four years from many legislators, committees and staff members. Our success in restoring the UEF to a functioning State Agency would not have been possible without the help provided to us by this body. We sincerely thank you for assisting us in our ongoing efforts to improve this agency and look forward to working with you.

Respectfully submitted,

Michael W. Burns, Esquire
Director

Encls.