

AGENCY NAME:	Workers' Compensation Commission	
AGENCY CODE:	R080	SECTION:

**Fiscal Year 2018-2019
Accountability Report**

SUBMISSION FORM

AGENCY MISSION	The mission of the South Carolina Workers' Compensation Commission is to provide an equitable and timely system of benefits to injured workers and employers in the most responsive, accurate, and reliable manner possible.
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AGENCY VISION	The vision of the SC Workers' Compensation Commission is to judiciously consider the facts of each case and render decisions based on the application of those facts to the law; for all stakeholders to be treated fairly and equitably and in a timely manner; to have an organizational culture that promotes efficiency and effectiveness; and to always keep in mind each case involves a human being.
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Please select yes or no if the agency has any major or minor (internal or external) recommendations that would allow the agency to operate more effectively and efficiently.


RESTRUCTURING RECOMMENDATIONS:	Yes	No
	<input type="checkbox"/>	<input checked="" type="checkbox"/>


Please identify your agency's preferred contacts for this year's accountability report.

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
PRIMARY CONTACT:	Gary M Cannon	803-737-5726	gcannon@wcc.sc.gov
SECONDARY CONTACT:	Sandee Sprang	803-737-5685	ssprang@wcc.sc.gov

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I have reviewed and approved the enclosed FY 2016-2017 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN AND DATE):		
		09/13/2019
(TYPE OR PRINT NAME):	Gary M Cannon	

BOARD/CMSN. CHAIR (SIGN AND DATE):		
		09/13/2019
(TYPE OR PRINT NAME):	T. Scott Beck	

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AGENCY'S DISCUSSION AND ANALYSIS

Established in 1935 as the South Carolina Industrial Commission, the South Carolina Workers' Compensation Commission is charged with administration of the South Carolina Workers' Compensation Act (the Act) found in Title 42 of the Code of Laws of South Carolina. In accordance with the Administrative Procedures Act, the Commission also promulgates rules and regulations necessary to implement the provisions of Title 42. Every South Carolina employer and employee, with certain notable exceptions, is presumed to be covered by the Act. The system is based on a "no-fault" premise. The Act establishes "loss parameters" that limit the employers' losses to defined amounts while ensuring workers in South Carolina receive quality medical treatment and compensated wages if injured in the workplace.

Employers covered by the provisions of the Act are required to maintain insurance sufficient for the payment of compensation, or they may become self-insured by furnishing the Commission satisfactory proof of their ability to pay the compensation in the amount and manner due an injured employee. The South Carolina Department of Insurance is responsible for approving rates and classifications for all workers' compensation insurers.

A statistical summary of the Commission's outcomes and activities during FY19 is found on page A-9.

ORGANIZATIONAL STRUCTURE

Workers' Compensation Commission has a total of 63 authorized positions. During FY19 the Commission employed 54 FTEs and six temporary employees; 8 unclassified positions and 46 classified positions. An organization chart is on page A-7.

Commissioners

The Commission consists of seven Commissioners appointed by the Governor with the advice and consent of the Senate for terms of six years. The Governor designates one commissioner as Chairman for a term of two years. The Chair is the chief executive officer of the Commission and responsible for implementing policies established by the Commission in its capacity as the governing board. In its judicial capacity the Commissioners are responsible for hearing and determining all contested cases, conducting informal conferences, approving settlements, approving fee petitions and hearing appeals. An organization chart is located at the end of this report.

Administration

The Commission's annual operating budget is categorized in five departments in the Annual Appropriations Act: Administration, Commissioners, Judicial Management, Insurance and Medical Services and Claims. The department directors report to the Executive Director. The Executive Director is responsible for direct oversight of the administrative support services, human resources, budgeting and finance, procurement, facility management and legal services. The Information Technology (IT) Services function is budgeted under Administration in the Appropriations Act, however the department operates like the other functional departments where the department head reports to the Executive Director. The IT Director reports to the Executive Director.

Executive Director's Office

The Executive Director's Office serves as the primary source of information about Commission activities for the general public. This is accomplished by responding to stakeholders' telephone calls and emails,

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regularly updating the Commission's website and communicating general notices and policy advisories with stakeholders through an email distribution list. While the Executive Director's office does not provide legal advice to injured workers nor discuss the specifics details of an individual's case, one core function is to provide information about processes and procedures. During FY19, the office logged 6,793 contacts with various constituents and stakeholders. The contacts included telephone communications, electronic and personal contacts with claimants or constituents, state agencies, federal agencies, attorneys, service providers, business partners; and letters with congressional offices. The office emailed forty-four (44) general notices, policy advisories and updates to stakeholders and other interested parties and posted twelve (12) agendas and supporting documents for the Commission Business Meetings. Sixty-nine (69) email addresses were added to the Commission's electronic general notice distribution list, increasing the total to 770.

Human Resources

The primary focus for Human Resources during FY19 was to manage and perform the day-to-day administration of all human resources functions to include recruitment, benefits, compensation, performance management, and employee relations. The HR Manager attended four State HR Advisory Meetings, one SCEIS training, a NeoGov Training Class, three SHRM training events, the annual State SHRM Conference, PEBA Benefits at Work, ethics training and procurement training. The HR Manager's primary focus was to provide the day-to day administration of the HR function. An important part of that was to identify talent, recruit talent, and onboard new employees. The Commission had 53 approved FTEs of which 51 FTEs are filled. During this period, two employees retired. Additionally, we had one employee separate from the Agency. We filled two vacant positions, one internally and one externally. The Agency utilized the services of two unpaid legal interns and one paid legal intern. The South Carolina Human Affairs Commission recognized the Agency for achieving Top Ten status and demonstrating Equal Opportunity during the 2017 – 2018 reporting period. A group of ten employees volunteered to help feed the homeless at Transitions, a Columbia, SC based homeless resource.

Information Technology Department

The IT Department's staff of five supports the internal stakeholders by providing the appropriate technology to allow staff to work efficiently. They support the agency's external stakeholders by providing assistance with EDI transmissions, electronic submission of files, and end user support of the eCase portal. During FY19, the IT Department completed evaluating the business processes and initiated coding for the IT Legacy System Modernization Project. The project will improve internal operational efficiency, allow stakeholders electronic access to filing pleadings, motions and periodic reports and permit electronic payment of filing fees and othe payments required by the Commission.

The Department continued to facilitate remote hearing sites with the Department of Corrections and Probation, Pardon and Parole (PPP) to give the Commissioners the ability to conduct hearings with injured workers under the supervision of the SC Department of Correction at PPP.

Insurance and Medical Services

The IMS Department is divided into three functional divisions: Coverage and Compliance, Medical Services and Self-insurance.

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Coverage and Compliance Division

Coverage is responsible for receiving all first reports of injury in order to ensure employers have workers' compensation insurance for the injured employee. The number of accidents reported to the Commission during FY19 was about 70,000. This is slightly more than the number reported the previous year. Of the number reported 38,000 were Minor Medical Reports which involved no lost time and the cost of medical was less than \$2,500. Three thousand seventy-six (3,076) cases were reopened and the Commission closed over 64,000 cases during FY19.

Employers meeting certain statutory requirements are required to carry workers' compensation insurance for their employees. The Compliance Division verifies employers are complying with the coverage requirement by examining each first report of injury filed with the Commission, reviewing quarterly wage and employment data obtained from the Department of Employment and Workforce (DEW) for the 62,000 employers in the State and following up on individual citizen reports of potential non-compliance by employers. During FY19 the Division caused 571 employers to obtain insurance coverage for approximately 5,212 previously uninsured workers. A total of \$1.6 million in fines and penalties were collected from these violations. The Division is responsible for collecting unpaid fines from insurance carriers for failure to submit required reports in a timely manner. Two hundred sixty-eight cases (268) cases were set for Rule to Show Cause Hearings, resulting in over \$100,000 fines being collected.

IMS Medical Services Division Medical Services

The Medical Services Division is responsible for overseeing the implementation of the medical fee schedules which establishes a maximum allowable payment for services provided in workers' compensation injuries. The In-hospital Fee Schedule and the Ambulatory Surgery Fee Schedule values are updated January 1 with the Center for Medicare and Medicaid Services (CMS). The values for these schedules are calculated by using the CMS values plus 40%. The Medical Services Provider Manual (MSPM) is updated annually in April. The maximum allowable payment is calculated by using medical codes from the American Medical Association, values established by the CMS and a dollar based conversion factor approved by the Commission. In FY19 the Division responded to 144 formal disputes through the Medical Fee Dispute Process as well as responding to general inquiries from medical service providers and payers.

IMS Self-Insurance Division

The Commission approves all applications for employers to be self-insured for workers' compensation insurance. The Self-Insurance Division of the IMS Department is responsible for reviewing all applications and to ensure the employer meets and maintains the qualifications and financial requirements to be approved to self-insure. During FY19 the Division recommended and the Commission approved 188 applications for self-insurance and conducted 47 audits to monitor the financial stability of those employers. The Division collects the 2.5% Self-Insurance Tax on the calculated premiums of self-insurers which resulted in \$5.1 million being collected. \$2.5 million was remitted to the State General Fund.

Claims Department

The Claims Department processes periodic reports filed by carriers, reviews all final settlements and responds to request for claims history data. During FY19, the department processed 25,661 initial notices/termination of payments (Forms 15, 15II, 17), and 49,647 Carrier's Periodic Report (Form 18). Of total Form 18s received, 21,835 were filed electronically through SROI; 20,861 were filed as an attachment to an email, and 6,951 were received through the US Postal Service. The department continues

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to encourage the use of electronic filing. With regard to Settlements, the department processed 10,208 Clinchers, 2845 Form 16s, and 34 Third Party Settlements. Claims Department continues to conduct outreach efforts to educate and inform stakeholders on the correct procedures for filing reports timely in order to avoid assessments of fines.

Judicial Department

The Judicial Department monitors, reviews and assigns all contested workers' compensation cases for hearings with a single Commissioner and scheduling Informal Conferences. The department's functional areas are Informal Conferences, Hearings, and Appeals. During FY19, the department processed over 36,000 pleadings, motions, appeals, and mediation documents. Arranging sites for Single Commissioner Hearings and Informal Conferences in the 7 districts is one of the core functions of the Judicial Department. This involves coordinating with state agencies, local governments, and educational institutions for the use of over 100 different locations in their facility.

Informal Conferences

An informal conference is an opportunity for the claimant and a representative of the employer's insurance carrier to meet with a Claims Mediator or a Commissioner to discuss the settlement of the claim. The Commission assigned 4,035 cases for Informal Conferences of which 2,718 were conducted. The Commissioners conducted 91 Informal Conferences when an agreement is not reached during the meeting with the Claims Mediator or the medical costs exceed \$50,000.

Single Commissioner Hearings and Other Case Related Activity

Of the number of cases assigned by the Department to the Commissioners offices 10,031 were docketed for single commissioner hearings during FY19. This number is relatively the same as the previous year. The number of hearings conducted decreased by 147 primarily due to the increase in the number of cases being settled after the case is docketed and before the hearing. In other case related activities the Commissioners approved 11,312 settlements, 8,314 attorney fee petitions, issued 5,763 administrative orders, conducted 1,725 clincher conferences, 313 pre-hearing conferences, reviewed 1,607 motions, and approved 1,003 relief of counsel motions.

Processing Time

The amount of time for a disputed case to be resolved is critical to the employee and employer. Time will impact the cost of the claim to the employer in the form of temporary compensation. To the injured employee a delay may result in medical services not provided or payment not made to the injured worker in a timely manner. The Commission constantly monitors the average number of days for processing a hearing request and docketing a hearing. The request is processed in an average of 30 days and a hearing is docketed in an average of 90 days. Both averages include the required notice period for each case. After the hearing the Commissioner issues order instructions within 90 days.

Full Commission Appellate Activity

There was no substantial change in the number of individual Commissioners' decisions appealed to the Full Commission. This year 298 single commissioner cases were appealed to the Full Commission of which 118 were heard by the Appellate Panel. Of the cases heard by the Appellate Panel, 61 were appealed to a higher court.

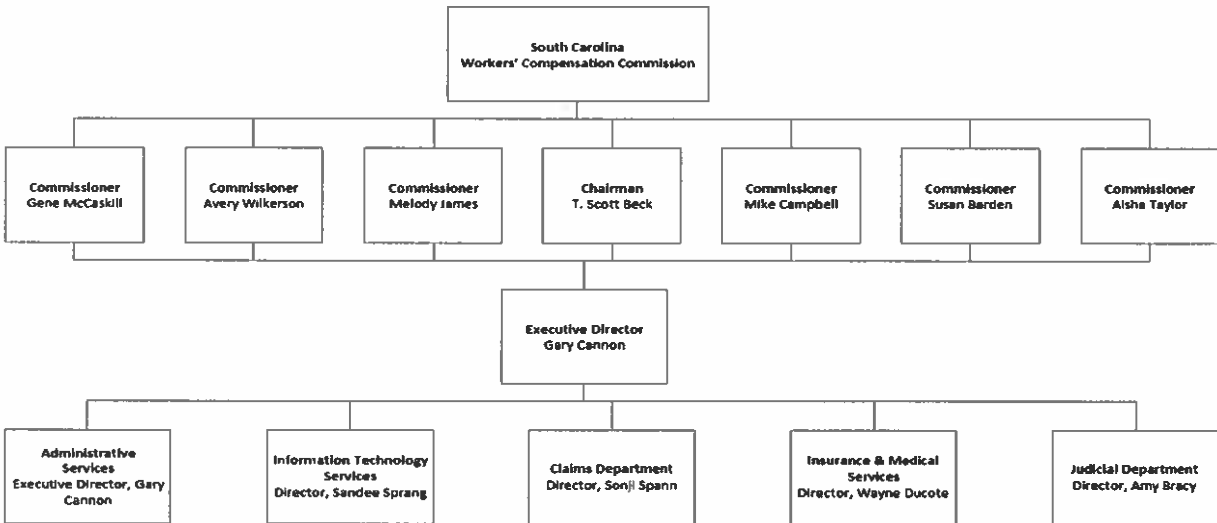
Mediations

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During this fiscal year 844 mediation outcomes were reported to the Commission via filing of the Form 70. Of those 647 were resolved, 187 failed to be resolved, and 10 remained with issues pending. Eleven mediations occurred as a result of an Order by a Commissioner.

Organization Chart

The following chart reflects the Commission’s organization during FY19.



SC Department of Vocational Rehabilitation

The Commission continues to partner with S.C. Vocational Rehabilitation Department (SCVRD) to coordinate claimants’ access to their services. SCVRD has one employee on site at the Commission one day per week to review claims and attend hearings and Informal Conferences to ascertain if the claimants would benefit from SCVRD services. SCVRD staff in local offices continued to access electronic portal to case records to contact claimants about SCVRD services. During FY19 SCVRD reported 742 claimants were contacted.

Risk Assessment and Mitigation Strategies

The Commission continues to assess risks and develop and implement strategies to mitigate the risks. One risk identified is failure to maintain an efficient and effective system of claims management in order to accomplish the goals of controlling cost of the system, providing medical care and benefits to injured workers in a timely manner in order to afford them the opportunity to return to work as soon as possible. During FY19 the Commission began phase II of the IT Legacy System Modernization Project which will mitigate this risk. The project is a complete revamp of the existing claims management system. Release date is scheduled for December 2019. The new system will improve internal operational efficiency by reducing paper documents received by the Commission and eliminate staff time to input data from those documents. External stakeholders will be able to submit all documents electronically as well as make payments of filing fees and fines electronically via credit card or ACH. The new system will provide increased security for the information entrusted to the Commission to meet the state and federal requirements. The improved efficiencies will assist with a quicker resolution to a claim in a fair and timely manner thereby reducing the cost to the employer, providing medical care and benefits to the injured

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worker in a more efficient manner with the ultimate goal of affording the injured worker the opportunity to return to work as soon as possible.

Another risk to the Commission is loss of corporate knowledge due to employees with many years of service to the Commission opting to retire and leave the Commission. During FY19 this risk was assessed at twenty-two employees as eligible to retire within the FY20. While the Commission does not expect a mass exodus of these employees within the near future, we are positioned to mitigate the risk by cross training employees on the new more efficient business processes implemented with the IT Legacy System Project and by realigning the duties and responsibilities of the vacant positions and hiring individuals to fill vacant positions with skill sets more in-line with the new system.

Financial Report

The Commission completed FY2019 with a General Fund appropriation of \$2 million and total expenditures \$1.9 million. General Fund expenditures are for personnel and related expenses for 18 positions which include the Commissioners, their Administrative Assistants, the Executive Director, Director of Claims, an Administrative Assistant and one Business Analyst position allocated to the IT Division. Earmarked Fund budgeted \$5.6 million in operating expenditures for 34 positions and other operating expenses. The actual expenditures were \$5 million. The Earmarked Operating Revenues budget was \$1.9 million. However, due to the increased efforts in coverage and compliance the actual amount of operating revenues received was \$3.8 million. The Self-Insurance Tax funds retained by the Commission are used to supplement the operational expenditures in the Earmarked Fund and for the IT Legacy System Modernization Project.

The budgetary challenges were reduced during the approval of the FY19 budget. The General Assembly approved an increase in the Commission's operating revenues by increasing the filing fee to \$50 which generates an additional \$600,000 per year. Further the General Assembly approved a one-time authorizing to spend \$1.4 million for Phase II of the Legacy System Modernization. However, that does not preclude the Commission's budget request being challenged as a result of the enforcement efforts of the Commission.

SC Workers' Compensation Commission				
Financial Report				
FY2018-19				
(July 1, 2018 - June 30, 2019)				
		Budget	Actual	% of budget
General Fund (1001)				
Appropriations		\$ 2,087,167	\$ 2,087,167	100%
Expenditures		\$ 2,087,167	\$ 1,927,664	92%
Earmarked Fund (3844)				
		Budget	Actual	% of budget
Operating Revenues		\$1,921,727	\$3,688,350	192%
Operating Expenditures		\$5,607,845	\$5,020,851	90%
IT Legacy Modernization Project Expense		\$1,400,000	\$1,400,000	100%
Self-Insurance Tax (3037)		\$2,500,000	\$2,655,978	106%

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South Carolina Workers' Compensation Statistical Recap Sheet	FY 2017-2018	FY2018-2019	% chg
1. Number of Employers Purchasing Insurance	89,863	97,124	8.1%
2. Number of Employers Qualifying as Self-Insurers	2,105	2,285	8.6%
3. Investigations Active Beginning of Fiscal Year	144	369	156.3%
4. Investigations Initiated	2,032	2,234	9.9%
5. Investigations Set for Show Cause Hearings/ Consent Agreements Received	809	902	11.5%
6. Total Investigations Closed	1,804	1,940	7.5%
7. Investigations Active at Close of Fiscal Year	369	528	43.1%
8. Number of Accident Cases Filed with the Commission	67,255	65,827	-2.1%
A. New Cases	64,205	62,751	-2.3%
i. WCC Cases Created	24,316	24,155	-0.7%
ii. Minor Medical Reported (12M)	39,889	38,596	-3.2%
B. Reopened cases	2,872	3,076	7.1%
9. Number of Cases Closed during Fiscal Year	66,852	64,419	-3.6%
A. Individually Reported Accidents	26,963	25,823	-4.2%
B. Minor Medical Only Accidents Reported in Summary	39,889	38,596	-3.2%
10. Total Compensation & Medical Cost Paid on Closed Cases	\$934,859,520	\$995,364,542	6.5%
A. Medical Costs	\$352,701,292	\$381,345,767	8.1%
i. WCC Closed Cases	\$321,215,174	\$346,710,512	7.9%
ii. Minor Medical Reported (12M)	\$31,486,119	\$34,635,255	10.0%
B. Compensation	\$582,158,228	\$614,018,775	5.5%
11. Temporary Total Compensation Agreements	14,433	13,957	-3.3%
12. Supplemental Compensation Agreements	2,925	2,842	-2.8%
13. Applications for Stop Payment expedited hearing	1,505	1,480	-1.7%
14. Cases Docketed for Hearings	10,284	10,031	-2.5%
15. Cases Assigned for Informal Conferences	4,398	4,033	-8.3%
16. Hearings Conducted by Single Commissioners	899	752	-16.4%
17. Informal Conferences Conducted	2,972	2,780	-6.5%
18. Decisions, Opinions & Orders, Single Commissioners	2,718	2,834	4.3%
19. Cases Appealed to Full Commission for Review	289	298	3.1%
20. Reviews Conducted by Full Commission or Panel	134	118	-11.9%
21. Decisions and Opinions by Full Commission or Panel	194	199	2.6%
22. Commission Decisions Appealed to Higher Court	57	61	7.0%
23. Common Law Settlements	11,287	11,312	0.2%
24. Attorney Fee Approvals	8,706	8,314	-4.5%
25. Self-Insurance Tax Collected	5,205,353	\$5,056,527	-2.9%

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