

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

**Fiscal Year 2017-2018
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 a decision 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.

	Yes	No
RESTRUCTURING RECOMMENDATIONS:	<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
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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):	
	(TYPE OR PRINT NAME):
	Gary M Cannon

BOARD/CMSN. CHAIR (SIGN AND DATE):	
	(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.

The workers' compensation insurance premiums paid in 2017 totaled \$1 billion. The commercial insurance is 70% of the market share, self-insurance calculated premium is 23% of the market share and the State Accident Fund is 7% of the market share. The SC Department of Insurance reported \$17.6 million in Workers' Compensation Insurance Premium tax was paid to the General Fund in FY2016-17.

ORGANIZATIONAL STRUCTURE

Workers' Compensation Commission has a total of 63 authorized positions. During FY16-17 the Commission employed 54 FTEs and 4 temporary employees; 8 unclassified positions and 46 classified positions.

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.

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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, 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 FY18, the office logged 5,894 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 fifty-two (52) general notices, policy advisories and updates to stakeholders and other interested parties and posted thirteen (13) agendas and supporting documents for the Commission Business Meetings. Sixty-seven (67) email addresses were added to the Commission's electronic general notice distribution list, increasing the total to 768.

The Executive Director's office is responsible for the referral of all injured workers in need of vocational counseling or vocational evaluation, personal adjustment, training and placement to the SC Vocational Rehabilitation Department (SCVRD). In 2015 the Commission partnered with the SCVRD to allow statewide electronic access to the injured workers' database. During FY17, SCVRD contacted 74 claimants for vocational rehabilitation services as a result of the partnership allowing access to the Commission's electronic database.

Human Resources

The primary focus for Human Resources during FY18 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 two SCEIS training sessions, four SDHR training events, three SHRM training events, one labor seminar, one drivers' training course, 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 54 approved FTEs. During this period, five employees transitioned to retirement which required a significant transfer of knowledge. Additionally, two employees separated from the Agency. More than 825 applications for employment were reviewed and considered to fill 7 vacancies. Four new employees were hired during the fiscal year. The Agency utilized two law clerks from the USC School of Law and two temporary employees. The South Carolina Human Affairs Commission recognized the Agency for achieving Top Ten status and demonstrating Equal Opportunity during the 2016 – 2017 reporting period. In addition to participating in the annual United Way Drive, the employees helped one of the individual resources of the United Way. The Agency learned about Transitions, a Columbia, SC based homeless resource. After learning about the Center and the positive difference it has made to our community, the employees participated in a supply drive collecting 762 items to support their services.

Information Technology Division

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

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assistance with EDI transmissions, electronic submission of files, and end user support of the eCase portal. During FY18, the IT Department completed the microfilm conversion project converting film data to electronic image files, and began the first phase of the Legacy System Modernization Project by evaluating the business processes within each department.

The department continued to upgrade the eCase web portal, added six (6) new trading partners to the system furthering the use of electronic submission of Subsequent Reports of Injury (SROI) via EDI, installed a new security system for the agency and 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 Division

The IMS Division is divided into three functional areas: Coverage and Compliance, Medical Services and Self-insurance. Coverage and Compliance is responsible for receiving all first reports of injury in order to ensure employers have workers' compensation insurance for the injured employee. During FY18, a total of 64,205 accidents were filed with the Commission; 24,316, were new cases created and 39,889 were Minor Medical Reports (Form 12M). Two thousand eight hundred seventy-two (2,872) cases were reopened. This function checks employer's insurance coverage by examining each first report of injury and quarterly wage and employment data obtained from the Department of Employment and Workforce (DEW) for 90,000 employers in the State to verify insurance coverage. Using a random selection of employers, it matches the employer's FEIN number with the list of workers' compensation policies issued in the state. Three hundred fifty-eight (358) came into compliance and obtained insurance coverage for approximately 3,329 previously uninsured workers. A total of \$1,507,751 in fines were collected from these violations. Through the use of information technology systems, implemented improvements to the process for identifying outstanding carrier fine debt and scheduling and serving proper notice for Compliance Show Case Hearings. This function collects unpaid fines from insurance carriers for failure to submit required reports in a timely manner. Two hundred forty-nine (249) cases were set for Rule to Show Cause Hearings, resulting in \$109,373 fines collected.

IMS Medical Services

Medical Services Division is responsible for overseeing the implementation of the medical fee schedules, responding to inquiries from medical service providers and payers and resolving disputes through the Medical Fee Dispute Process. Normally the Medical Services Provider Manual (MSPM) is updated annually in September of each year to provide the maximum allowable payment for medical services provided injured workers. However during the 2017 update the Commission decided to update the MSPM in April of 2018 in order to utilize 2018 data from the Center of Medicare and Medicaid Services. The MSPM will be updated annually in April each year. Medical Services processed 132 disputes during FY18.

IMS Self-Insurance

The Commission is required to approve all applications for employers to be self-insured for workers' compensation insurance. Under certain conditions, South Carolina employers may self-insure against losses resulting from on-the-job injuries. Qualifying and regulating the self-insured employers is the function of Self-Insurance. Self Insurance is responsible for reviewing all applications to ensure the necessary financial requirements are attained to be approved to self-insure. It recommended and the

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Commission approved 222 applications for self-insurance during FY18. During FY18, Self Insurance conducted 40 audits to monitor the financial stability of those employers. It is the goal of this function of IMS to complete an audit of all self-insured employers once every two years. Self Insurance is responsible collecting the 2.5% tax on the calculated premiums of self-insurers which resulted in collecting \$5.2 million Self-Insurance Tax. Pursuant to Section 42-5-190 the Commission remitted \$2.4 million to the State General Fund.

Claims Division

The Claims Division processes periodic reports filed by carriers, reviews all final settlements and responds to request for claims history data. During FY18, the division processed 26,416 initial notices/termination of payments (Forms 15,15II, 17), and 54,234 Carrier's Periodic Report (Form 18). Of total Form 18s received, 18,837 were filed electronically through SROI; 23,305 were filed as an attachment to an email, and 8,784 were received through the US Postal Service. The division continues to encourage the use of electronic filing. With regard to Settlements, the division processed 11,287 Clinchers, 2,925 Form 16s, and 223 Third Party Settlements. To ensure the protection of the claimant's right to privacy with regard to claims history data, the division implemented a new procedure to verify and respond to requests for claims history data. Claims Division continues to educate and inform stakeholders on the correct procedures for filing reports timely in order to avoid assessments of fines.

Judicial Division

The Judicial Division is responsible for monitoring, reviewing and assigning all contested workers' compensation cases for hearings with a single Commissioner and scheduling Informal Conferences. The division's work is divided between three adjudication processes; Informal Conferences, Hearings, and Appeals. During FY18, the division processed over 37,000 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 Division. 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 4,398 cases for Informal Conferences of which 2,972 were conducted. The Commissioners conduct Informal Conferences when an agreement is not reached during the meeting with the Claims Mediator or the medical costs exceed \$50,000. During FY18, the Commissioners conducted 83 of these conferences.

Single Commissioner Hearings and Other Case Related Activity

For single commissioner hearings the Commission docketed 10,284 cases and conducted 899 hearings. Further, the Commissioners approved 11,287 settlements, 8,706 attorney fee petitions, and issued 5,653 administrative orders. The Commissioners conducted 1,709 clincher conferences and 361 pre-hearing conferences, reviewed 1,534 motions and approved 1,200 relief of counsel motions and 366 third party settlements.

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Case Processing Time

Time is of the utmost importance when trying to resolve a disputed case. The more time required costs the employer more in temporary compensation to the injured employee or delays medical services or payment to an injured worker. The Commission monitors the number of days for a hearing request to be processed and hearing to be docketed. The request is processed in an average of 30 days and a hearing is processed in an average of 90 days. After a hearing is held, a Commissioner issues order instructions within 90 days.

Full Commission Appellate Activity

There were 289 single commissioner cases appealed to the Full Commission. The Full Commission Appellate Panel heard 134 cases. Of the cases heard by the Appellate Panel, 57 were appealed to a higher court.

Mediations

During this fiscal year 883 mediation outcomes were reported to the Commission via filing of the Form 70. Six hundred 631 mediations were resolved, 246 failed to be resolved, and 6 remained with issues pending. Fourteen mediations occurred as a result of an Order by a Commissioner.

SC Department of Vocational Rehabilitation

The S.C. Vocational Rehabilitation Department assigned a counselor to be onsite at the Commission one day per week. During FY2018 SCVRD contacted 107 claimants for vocational rehabilitation services.

Agency Financial Report

The Commission completed FY2018 with total expenditures of \$6.1 million. The General Fund Appropriations totaled \$2 million and Earmarked Fund totaled \$4.1 million. The Earmarked Fund annual operating revenues from Fines, Fees and Assessments totaled \$2.9 million, 21% more than projected. The Commission collected \$5.2 million of Self-Insurance Tax revenues generated by Act 95 in 2013 and retained \$2.3 million for operations.

SC Workers' Compensation Commission			
Financial Report			
FY2017-18			
(July 1, 2017 - June 30, 2018)			
	Appropriations	Actual	% of budget
General Fund (1001)	\$ 2,232,271	\$ 2,030,075	88%
Earmarked Fund (3844)			
	<u>Budget</u>	<u>Actual</u>	
Operating Revenues	\$ 2,471,712	\$ 2,982,869	121%
Self-Insurance Tax	\$ 2,400,467	\$ 2,359,447	
Total Income	\$ 4,872,179	\$ 5,342,316	
Expenditures	\$ 5,068,789	\$ 4,143,928	82%

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Risk Assessment and Mitigation Strategies

The greatest impact on the public for the agency's failure to accomplish its mission would be the failure to provide a resolution to a claim in a fair and timely manner. Getting the injured worker prompt and adequate medical care allows the injured worker the opportunity to return to work sooner. Avoiding delays in the injured worker returning to work prevents potential increases in the cost of the workers' compensation system, which may result in an increase in the cost of workers' compensation insurance premiums for employers. The set of goals and objectives is the path to accomplish the mission by focusing on improving the efficiencies and effectiveness of the operations.

There are three strategic challenges the agency faces in the near future; upgrading the 28 year old IT Legacy System, the potential loss of corporate knowledge, skills, and abilities due to retirement of key employees and the challenge obtaining authorization to spend the necessary funds to achieve the established goals and objectives and accomplish the mission.

IT Legacy System Modernization

During FY2018 Commission initiated Phase I of the IT Legacy System Modernization Project to upgrade the agency's business systems and processes. We began this phase by evaluating the business processes and procedures to determine efficiencies and deficits and recommend changes. The concept is to harvest and preserve the current system components that are effective and sound, redesign and rebuild the obsolete ones, and re-engineer business processes with sustainable technology.

Modernizing the Progress Legacy System will provide increased security for the information entrusted to the Commission to meet the state and federal requirements. It will allow the agency to provide many new features to our stakeholders, such as the ability to transmit files securely enabling electronic service to third-party administrators, the ability for stakeholders to pay fees and fines electronically using a vendor interface and provide the basis for our HIPAA digital compliance. Attorneys and Carriers routinely file pleadings with the Judicial Department to initiate adjudication in the form of informal conferences or hearings to be scheduled before the Commission. Creating an avenue for pleadings to be uploaded and processed electronically will provide a secure transmission of data and expedite the process and increase efficiency, eliminating the need for paper forms.

As the workers' compensation business has evolved, our agency has put in place many manual processes to work around the limitations in function and design of our Progress system. For example, third-party administrators were not prevalent in the insurance industry when our system was designed so our current system is not built with this important relational link to insurance carriers. To accommodate this inadequacy, our data collection processes were developed without standardization and with minimal data edits. The result is our existing data is loosely coupled, the data elements lack clarity and, overall, much of our data lacks consistency and validity. Every request for a report or a new metric becomes a long and intensive process for our staff. The new system will be designed around current insurance industry standards. A Workers' Compensation industry expert will provide consulting services to future-proof the design and functional requirements of the new process. Data collection processes will be digitally based, clearly defined and built with stringent edits to ensure data is correct, timely and standardized. This will dramatically improve our current position and provide the platform from which we can continually improve our business operations.

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The Claims division has a large number of staff dedicated to data entry and other paper-intensive processes. The new system will provide for the electronic collection of forms through an EDI interface, allowing staff to be refocused on managing exceptions in the claims process. Implementing electronic workflows to allow data to be analyzed, processed and routed automatically will greatly improve efficiency and effectiveness. The timeliness of responses to our stakeholders will also be substantially improved.

The ability to receive payments electronically will eliminate the task of physically entering filing fees and fines increasing time available to analyze pleadings more thoroughly. The electronic payment system will allow pleadings to be submitted via the portal. This will increase accuracy of pleadings and reduce returns to parties for corrections, thereby allowing cases to get to a hearing more expeditiously. Automated workflows created by the system will provide improved accounting and timely follow-up to the Judicial processes.

The Progress system consists of hundreds of thousands of lines of code, written in an outdated language, with little documentation. It is very cumbersome to manage and has forced our agency to rely almost exclusively on the institutional knowledge and legacy skills of our most senior staff member. Over 85% of IT resources are spent keeping this system operational, therefore few feature enhancements are made; paper-intensive processes and manual workarounds are the only option. Our legacy modernization project will result in a modular system, easily maintainable by developers educated in fourth generation level languages. The system will be flexible and event-driven based on re-engineered business processes. These attributes, with new security features, provide the framework for a web-based, mobile application. It will have a tremendous impact on our ability to interface with the Department of Employment and Workforce and Vocational Rehabilitation.

Loss of Corporate Knowledge

During FY2017-18 five employees retired. Within the next three years an additional eight (8) employees will be eligible to retire. Currently the Commission has six employees who have retired but have been rehired. Therefore we have the potential of losing 14 experience staff members within the next three years.

However, the Commission sees challenges as opportunities. While the challenge is loss of well-trained productive employees, the opportunity will be for us to repurpose the positions' duties and responsibilities to align with the new more efficient business processes based on new technology and employ individuals with the skill set aligned with the job duties. Also associated with the change in technology is the loss of operating revenues. We do not foresee the reduction in the number of FTEs completely offsetting the increased cost for the information technology. However, we foresee the new technology allowing us to be more efficient, therefore possibly reducing the required number of FTEs to achieve the same outcomes.

Budgetary Challenges

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 authorization to spend \$1.4 million for Phase II of the Legacy System Modernization.

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Organization Chart

