

<b>AGENCY NAME:</b>	Workers' Compensation Commission		
<b>AGENCY CODE:</b>	R080	<b>SECTION:</b>	

**Fiscal Year 2016-2017  
Accountability Report**

**SUBMISSION FORM**

<b>AGENCY MISSION</b>	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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<b>AGENCY VISION</b>	The vision of the SC Workers' Compensation Commission is to judiciously consider the facts of each case and render 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.


<b>RESTRUCTURING RECOMMENDATIONS:</b>	<b>Yes</b>	<b>No</b>
	<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>
<b>PRIMARY CONTACT:</b>	Gary M Cannon	803-737-5726	<a href="mailto:gcannon@wcc.sc.gov">gcannon@wcc.sc.gov</a>
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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.

<b>AGENCY DIRECTOR (SIGN AND DATE):</b>  <b>(TYPE OR PRINT NAME):</b>	 09/19/2017
	Gary M Cannon

<b>BOARD/CMSN. CHAIR (SIGN AND DATE):</b>  <b>(TYPE OR PRINT NAME):</b>	 9/20/17
	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 2016 totaled \$1.05 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 six 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 the 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 FY17, the office logged 7,736 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. Eighty-one (81) email addresses were added to the Commission's electronic general notice distribution list, increasing the total to 701.

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 107 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 FY17 was the hiring of a new Human Resource Manager. A new HR Manager was hired in October. Through the end of FY17, the HR Manager attended four PEBA training sessions, five SCEIS training sessions, three NEOGov training sessions and one SDHR training event. Along with learning the State's human resource systems, the HR Manager's primary focus was to identify talent, recruit talent, and onboard new employees. The Commission had 53 approved FTEs. During this period, five long-term employees retired which required a significant transfer of knowledge prior to the effective retirement dates. Additionally, we had seven employees separate from the Agency. We consolidated processes and redistributed the workload to eliminate the need to replace three positions. More than 1,100 applications for employment were reviewed and considered to fill 16 vacancies. Nine new employees were hired, on-boarded, and began working. The Agency utilized the services of three unpaid interns.

**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 FY17, the IT Department upgraded all outdated workstations and laptops which reduced maintenance costs and knowledgebase for multiple system support, redesigned and standardized print functionality agency-wide which significantly reduced overhead maintenance costs, stream-lined toner and maintenance requirements and dramatically improved the reliability of print services; installed a new Voice over IP (VOIP) telephone system to provide additional communication functionality for staff, initiated a microfilm conversion project converting film data to electronic image files, and completed an agency-wide business process evaluation for the upcoming legacy modernization project to redesign the agency's 28 year old claims management system.

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For external stakeholders the department upgraded the eCase web portal, installed a new wireless network to enhance security and increase performance and provide stakeholders and constituents with Internet access while at our facility, partnered 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 sites, and added six (6) new trading partners to the system furthering the use of electronic submission of Subsequent Reports of Injury (SROI) via EDI.

**Insurance and Medical Services Coverage and Compliance Division**

The IMS Department is divided into three divisions: Coverage and Compliance, Medical Services and Self-insurance. The Compliance and Coverage Division is responsible for receiving all first report of injury forms (Form 12A) in order to ensure employers have workers' compensation insurance for the injured employee. During FY17, a total of 61,676 new cases were filed with the Commission; 24,137 were new cases created and 37,629 were Minor Medical Reports (Form 12M). Three thousand thirty six (3,036) cases were reopened. The Compliance Division checks for 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 62,000 employers in the State to verify insurance coverage. Using a random selection of employers, the division matches the employer name with the list of workers' compensation policies issued in the state. Three hundred fifty-one (351) employers were found to be not in compliance with coverage requirements. As a result, 215 employers came into compliance and obtained insurance coverage for approximately 2,000 previously uninsured workers. A total of \$382,199 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. The Division is responsible for collecting unpaid fines from insurance carriers for failure to submit required reports in a timely manner. Two hundred sixty-four (264) cases were set for Rule to Show Cause Hearings, resulting in \$130,000 fines collected.

**IMS Medical Services Division**

The Medical Services Division of the Insurance and Medical Services Department 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. The Commissioners approved an update to the Medical Services Provider Manual (physician's fee schedule) effective September 1, 2016 which provides a Maximum Allowable Payment (MAP) for medical services provided to injured workers. The update included the approval of a \$50 Conversion Factor and the use Center for Medicare and Medicaid Services 2016 Relative Values. The Division processed an average of 17 disputes per month during FY17.

**IMS Self-Insurance Division**

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 responsibility of the Self-Insurance Division. The Self-Insurance Division of the IMS Department is responsible for reviewing all applications and to ensure the necessary financial requirements are attained to be approved to self-insure. The Division recommended and the Commission approved 213 applications for self-insurance during FY17. During FY17, the Division conducted 50 audits to monitor the financial stability of those employers. It is the goal of the Self-Insurance Division to complete an audit of all self-

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insured employers once every three years. The division is responsible collecting the 2.5% tax on the calculated premiums of self-insurers which resulted in collecting \$5 million Self-Insurance Tax of which \$2.5 million was remitted to the State General Fund.

**Claims Department**

The Claims Department is responsible for reviewing and processing periodic reports filed by carriers, reviewing all final settlements and responding to request for claims history data. During FY17, the department processed 25,134 initial notices of payments (Form 15), and 54,207 Carrier's Periodic Report (Form 18). Of total Form 18s received, 14,073 were filed electronically through SROI; 25,070 were filed as an attachment to an email, and 16,911 were received through the US Postal Service. The department continues to encourage the use of electronic filing. With regard to Settlements, the department processed 14,676 Clinchers, Form 16s, and third party settlements. To ensure the protection of the claimant's right to privacy with regard to claims history data, the department implemented a new procedure to verify and respond to requests for claims history data.

**Judicial Department**

The Judicial Department is responsible for monitoring, reviewing and assigning all contested workers' compensation cases for hearings with a single Commissioner and scheduling Informal Conferences. The department's work is divided between three adjudication processes; Informal Conferences, Hearings, and Appeals. During FY17, the department processed over 17,000 pleadings, 3,500 motions, 1,400 appeals, and 1,100 mediation documents.

Scheduling Informal Conferences is e 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. During FY17, the department added six new sites to the list and solidified the alliance with S.C. Vocational Rehabilitation for the Commission to use several of their facilities across the state.

**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 4,621 cases for Informal Conferences of which 3,001 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 FY17, the Commissioners conducted 293 of these conferences. The Commission modified the Form 14B for the purpose of clarifying information regarding future medical care and treatment and changed the process for approval of settlements recommended at the informal conference process to ensure compliance with the regulations.

**Single Commissioner Hearings and Other Case Related Activity**

For single commissioner hearings the Commission docketed 10,458 cases. Of the cases docketed, 854 hearings were conducted. Further, the Commissioners approved 11,396 settlements, 8,754 attorney fee petitions, and issued 5,298 administrative orders. The Commissioners conducted 1,632 clincher conferences, reviewed 1,419 motions, and approved 1,044 relief of counsel motions. The Commissioners conduct other case related activities such as pre-hearing conferences. During FY17, the Commission began monitoring the number of pre-hearing conferences and the Commissioners conducted 280.

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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 274 single commissioner cases appealed to the Full Commission. The Full Commission Appellate Panel heard 131 cases. Of the cases heard by the Appellate Panel, 44 were appealed to a higher court.

**Mediations**

In 2013, the Commission approved regulations to implement a requirement for mandatory mediations in certain cases. During FY17 eight hundred sixty four (864) mediation outcomes were reported to the Commission via filing of the Form 70. Six hundred forty five (645) mediations were resolved, 247 failed to be resolved, and 8 remained with issues pending. Twenty seven (27) mediations occurred as a result of an Order by a Commissioner.

**SC Department of Vocational Rehabilitation**

The S.C. Vocational Rehabilitation Department utilized the Commission's web portal to access the Commission's electronic database and contacted 107 claimants for vocational rehabilitation services.

**Agency Financial Report**

The Commission completed FY2017 with total expenditures of \$5.5 million. The General Fund Appropriations totaled \$1.9 million and Earmarked Fund totaled \$3.5 Million. The Earmarked Fund annual operating revenues from Fines, Fees and Assessments totaled \$1.6 million, 40% less than budget. The Commission collected \$5.1 million of Self-Insurance Tax revenues generated by Act 95 in 2013 and retained \$2.5 million for operations and remitted \$2.5 million to the General Fund.

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<b>SC Workers' Compensation Commission</b>			
<b>Financial Report</b>			
<b>FY16-17</b>			
<b>(July 1, 2016 - June 30, 2017)</b>			
	<b>Appropriations</b>	<b>Expenditures</b>	<b>% of budget</b>
<b>General Fund (1001)</b>	\$ 2,137,741	\$ 1,992,637	93%
<b>Earmarked Fund (3844)</b>	<b>Budget</b>	<b>Exenditures</b>	
<b>Operating Revenues</b>	\$ 4,227,410	\$ 1,689,455	40%
<b>Self-Insurance Tax</b>	\$ 2,500,000	\$ 2,505,662	
<b>Total Income</b>	\$ 6,727,410	\$ 4,195,117	
<b>Expenditures</b>	\$ 4,569,408	\$ 3,586,150	78%
<b>Net Income/Expenses</b>		\$ 608,967	

**Risk Assessment and Mitigation Strategies**

The greatest impact on the public for the agency’s failure to accomplish its goal and objectives would be the delay in getting adequate medical care to the injured worker, a delay in the injured worker returning to work, and a likely increase in the cost of the workers’ compensation system. This would result in an increase in the cost of workers’ compensation insurance premiums for employers, which has a negative impact on the overall economic development of the State. Achieving the stated goals allows stakeholders to be treated timely and fairly and allows the opportunity to have constant and accessible communication to assist the Commission with improving the processes and procedures to achieve increased efficiencies and effectiveness.

The Commission is faced with two strategic challenges in the near future: (1) upgrading of the 28 year old IT Legacy System, and (2) the loss of corporate knowledge, skills, and abilities due to employees retiring. During the current fiscal year, the Workers’ Compensation Commission is engaged in an IT Legacy Modernization Design Project to develop a strategic plan to transform the agency’s business system and processes. In this process we are evaluating our existing claims management system to determine its efficiencies and deficits. This Progress Legacy System contains valuable and time-tested business logic. Our goal is to harvest and preserve the effective and sound system components, 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



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processed electronically will provide a secure transmission of data and expedite the process and increase efficiency, eliminating the need for paper forms.

**Business Operation Improvements**

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.

The Claims department 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.

**Reduced Complexity and Dependency**

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.

During FY2016-17 five employees retired. Within the next three years an additional eight (8) employees will be eligible to retire. 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.

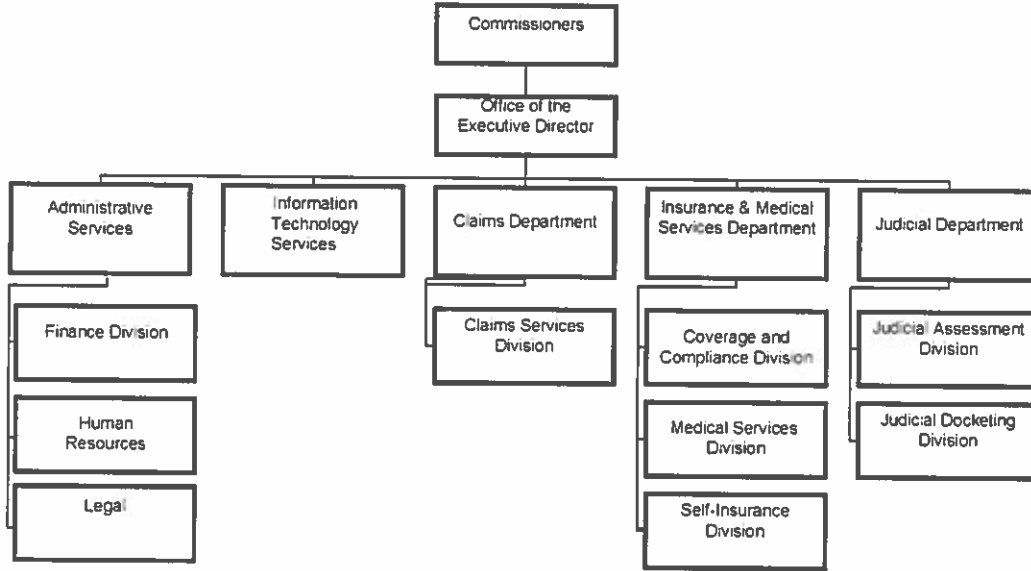
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To mitigate the challenges we will need financial resources to purchase the necessary information technology. The General Assembly enacted Act 95 in 2013, which contained a sunset provision for the funding to end in FY18. In FY17 the General Assembly approved an extension of the funding allocation for an additional five years.

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**Organization Chart**

South Carolina  
Workers' Compensation Commission



September 13, 2017