

**South Carolina
Workers' Compensation Commission**

**ANNUAL
ACCOUNTABILITY
REPORT**

Fiscal Year 2004-2005

SECTION I
EXECUTIVE SUMMARY

1. Mission and Values

Our Mission

Provide an equitable and timely system of benefits to injured workers and to employers in the most responsive, accurate, and reliable manner possible.

To accomplish this mission, the South Carolina Workers' Compensation Commission will:

- Administer the workers' compensation laws of this State in a fair, impartial and timely manner;
- Recommend improvements and changes to the laws governing the administration of the system;
- Ensure a professionally-trained staff of employees;
- Continually strive to improve the quality of services and products; and,
- Provide information to foster an understanding of and compliance with the workers' compensation laws of the State of South Carolina.

2. Major Achievements in FY 04-05

Improved the timeliness of hearings by processing more cases and conducting more hearings, which reduced the waiting time for a hearing from approximately six months to five months in each of the seven districts. Further improvement is expected in FY 2005-06.

Developed a sound business plan and received first year funding for a three year project to replace the Commission's aging computer system installed in 1990. Updated technology is critical to the Commission's function and will enable us to provide more services online and give us the capability to conduct meaningful analyses of the workers' compensation system's performance.

Improved the availability of information by establishing an internet link which facilitates public access to workers' compensation insurance policy information for all employers commercially insured in South Carolina. Available at our website, www.wcc.state.sc.us, the link makes it relatively easy to identify an employer's workers' compensation insurance coverage for any specific date. Users are provided the employer's insurance carrier's address and telephone number, information which can expedite the processing of claims.

Through the processing of self-insurance tax returns and through our audit process, collected \$5.6 million in self-insurance taxes, a 36% increase over the last five years.

Compared to other states, South Carolina has moderate workers' compensation benefits (neither high nor low) with relatively low insurance premium costs for employers. In national comparisons, both overall and within the manufacturing sector, South Carolina premium rates are consistently among the lowest in the country.

3. Key Strategic Goals for Present and Future Years

- Complete the replacement of the Commission's 15-year-old computer system which houses the Commission's claims data base and all agency records.
- Optimize the timeliness and accuracy of benefits to injured workers by monitoring, in real time, the administration of all workers' compensation claims.
- Improve the length of time it takes to merit hearings, and appellate reviews;
- Improve the length of time to resolve contested issues between parties;
- Improve the length of time to resolve claims initially reported as uninsured;
- Increase savings on total medical cost while preserving worker access to quality medical care by revising the hospital inpatient and outpatient payment systems and the Medical Services Provider Manual.
- Provide training to interested customers/stakeholders on workers' compensation processes.

4. Opportunities and Barriers That May Affect Agency's Success In Fulfilling Its Mission and Achieving Its Strategic Goals

- Having received first year funding for a new computer system, the Commission has a tremendous opportunity to make significant changes in its operations and ability to conduct meaningful analyses. However, funding is necessary for the second and third years of the three year project in order to realize those gains.
- The Commission's current computer system, which houses our claims database, is 15 years old and in critical condition. Failure of the current system prior to the completion of the three year transition to a new system would result in significant delays to the processing of claims.
- Information is available, both regionally and nationally, to compare South Carolina to other states to evaluate total medical costs at a percentage above Medicare. The availability of this information provides the Commission very useful data in the development of its medical fee schedules.
- Information is available, both regionally and nationally, to compare South Carolina to other states to evaluate premium costs and benefits available to injured workers.

SECTION II
BUSINESS OVERVIEW

1. **Number of Employees:** 59
Number of FTE's: 62.10

2. **Operation Location**

- a. Main: South Carolina Workers' Compensation Commission
1612 Marion Street, Columbia, South Carolina 29201
- b. Sites: All 46 Counties (sites of actual workers' compensation hearings)

3. **Expenditures/Appropriation**

Base Budget Expenditures and Appropriations

Major Budget Categories	03-04 Actual Expenditures		04-05 Actual Expenditures		05-06 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$ 2,208,538	\$ 1,957,170	\$ 2,604,650	\$ 2,102,295	\$ 2,805,168	\$ 2,209,588
Other Operating Expenses	\$ 1,608,820	\$ 416,952	\$ 1,163,403	\$ 151,289	\$ 1,210,138	\$ 30,104
Special Items	\$ -0-	\$ -0-	-0-	-0-	-0-	-0-
Permanent Improvements	-0-	-0-	-0-	-0-	-0-	0-
Case Services	-0-	-0-	-0-	-0-	-0-	-0-
Distributions to Subdivisions	-0-	-0-	-0-	-0-	-0-	-0-
Fringe Benefits	\$ 663,354	\$ 606,590	\$ 736,434	\$ 603,309	\$ 730,642	\$ 606,256
Non-Recurring	-0-	-0-	-0-	-0-	-0-	-0-
Total	\$ 4,480,712	\$ 2,980,7125	\$ 4,504,487	\$ 2,856,893	\$ 4,745,948	\$ 2,845,948

Other Expenditures

FY 03-04 None
FY 04-05 None

4. Major Program Areas Chart

Program Number and Title	Major Program Area Purpose (Brief)	FY 03-04 Budget Expenditures	FY 04-05 Budget Expenditures	Key Cross References for Financial Results*
Claims	Improve timeliness and accuracy of benefits to injured workers.	State: \$ 160,739 Federal: \$ Other: \$ 181,456 Total: \$ 342,195 7% of Total Budget	State: \$ 204,524 Federal: \$ Other: 194,843 Total: \$ 399,007 9% of Total Budget	Graph 7.1 Graph 7.1-2
Judicial (Management)	Assess and assign for disposition all claims requiring mediation, adjudication or appellate review.	State: \$ 346,421 Federal: \$ Other: \$ 137,288 Total: \$ 483,709 10% of Total Budget	State: \$ 412,819 Federal: \$ Other: \$ 241,488 Total: \$ 654,307 15% of Total Budget	Graph 7.2-1 Graph 7.2-2
Judicial (Commissioners)	Conduct all single commissioner and Full Commission hearings.	State: \$ 941,049 Federal: \$ Other: \$ 382,099 Total: \$1,323,128 29% of Total Budget	State: \$ 1,268,157 Federal: \$ Other: \$ 429,631 Total: \$ 1,697,788 37% of Total Budget	Graph 7.2-1 Graph 7.2-2
Insurance & Medical Services	Assure availability of workers' compensation benefits to injured workers, provide employers a self insurance alternative and contain medical costs.	State: \$ 240,993 Federal: \$ Other: \$ 168,008 Total: \$ 409,001 9% of Total Budget	State: \$ 193,141 Federal: \$ Other: \$ 182,598 Total: \$ 475,739 11% of Total Budget	
Remainder of Expenditures				
Administration		State: \$ 523,095 Federal: \$ Other: \$ 553,440 Total: \$1,077,345 25% of Total Budget	State: \$ 678,252 Federal: \$ Other: \$ 599,393 Total: \$1,277,645 28% of Total Budget	
<p><i>*Key Cross-References are a link to Category 7 – Business Results. These references provide a chart number included in the 7th Section of this document.</i></p>				

5. Key Customers

The Commission has identified its two most important customer groups: South Carolina's employers and their employees.

6. Key Stakeholders

Other customers who are involved in the workers' compensation system and provide services of one type or another to employers and their employees include, but are not limited to: Commission employees, South Carolina Congressional delegation, South Carolina legislative delegation, insurance companies, self-insured funds, third-party administrators, attorneys, physicians, hospitals, other state workers' compensation agencies, the Department of Commerce, the Employment Security Commission, the Department of Vocational Rehabilitation, the State Attorney General's office, the State Department of Labor, Licensing & Regulation, the Uninsured Employers Fund and the Second Injury Fund, the FBI and the U.S. Office of the Attorney General, the Social Security Administration, and the State Accident Fund.

7. Key Suppliers

- Insurance companies;
- Self-insured funds;
- Third-party administrators;
- Attorneys;
- Physicians;
- Hospitals;
- Other state workers' compensation agencies;
- The Department of Commerce;
- The Employment Security Commission;
- The Department of Vocational Rehabilitation;
- The State Attorney General's Office;
- The State Department of Labor, Licensing & Regulation;
- The Uninsured Employers Fund and the Second Injury Fund;
- The FBI and the U.S. Office of the Attorney General;
- The Social Security Administration; and,
- The State Accident Fund

8. Organizational Structure

The Workers' Compensation Commission is a highly specialized, single purpose organization with three programs: Claims, Judicial, and Insurance & Medical Services. Each of the program areas has goals linking it to the mission of the agency. The Commission's mission is linked to its program goals by a common purpose and commitment to the principles of equity, fairness, timeliness, accuracy, and reliability that are fundamentally inherent in a state regulatory system that requires the participation of almost every employer and employee in South Carolina. Because of the Commission's singular purpose, its programs are inextricably joined together in one system.

The Commission manages a system of benefits by holding hearings and informal conferences to resolve contested issues; monitors the management of all claims to ensure benefits are paid accurately and timely; administers a self-insurance alternative for South Carolina employers; ensures compliance with

the Workers' Compensation Act; and establishes medical fee schedules that contain medical costs while assuring access to quality health care.

Commissioners

The Commission consists of seven Commissioners appointed by the Governor with the advice and consent of the Senate for terms of six years and until their successors are appointed and qualified. The Governor, with the advice and consent of the Senate, designates one commissioner as chairman for a term of two years, and the chairman may serve two terms in a six-year period, though not consecutively. The chairman 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.

The Commissioners are responsible for hearing and determining all contested cases, conducting informal conferences, approving settlements, and hearing appeals. In our quasi-judicial role, commissioners must conduct the legal proceedings in the county in which the claimant was injured. For administrative purposes, the state is divided into seven districts. Commissioners are assigned to a district for a period of two months before being reassigned to another district. During the course of a fourteen-month period, the commissioners serve in each of the state's forty-six counties.

It is the responsibility of the Commission to administer the South Carolina Workers' Compensation Law, generally 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.

Executive Director

The day-to-day administration and operation of the Commission is the responsibility of the executive director who is appointed by and serves at the pleasure of the seven commissioners acting in their capacity as the board of directors of the agency. The executive director functions as the Commission's chief operations officer.

Under the general supervision and management of the executive director are the Commission's six functional departments: (1) Administration, (2) Claims, (3) Insurance & Medical Services, (4) Judicial, (5) Legal, and (6) Information Services. Each department is under the supervision of a director and may be organized into one or more operational divisions.

Administration

The Administration Department is responsible for a variety of internal programs, including finance, budgeting, human resources, purchasing, inventory, facility maintenance, motor vehicles, mail and printing, office services, and affirmative action, as well as administrative operations of the Commission.

Judicial

The Judicial Department is responsible for scheduling contested matters and informal conferences before a commissioner and for scheduling appeals before an appellate panel of commissioners. Case preparation in anticipation of a hearing consists of reviewing a file, requesting additional documentation from the parties, preparing a case summary, sending notices to the parties, and maintaining the docket. The Commission's claims mediation services are also a responsibility of the Judicial Department.

Claims

Administration and management of accident reports and any resulting claims are responsibilities of the Claims Department. After an accident is reported to the Claims Department, claims personnel monitor its progress through the system. Individual case records are reviewed to ensure that the requirements of the Workers' Compensation Act and the rules and regulations of the Commission are being observed. Conflicts of a non-judicial nature are often resolved in the Claims Department.

Insurance and Medical Services

The Department of Insurance and Medical Services is responsible for maintaining and monitoring workers' compensation insurance coverage records for all employers, enforcing compliance with the Act, administering the workers' compensation self-insurance program, establishing payment systems and fee schedules for medical providers, and resolving disputed medical bills. The Coverage Division maintains insurance records for employers who purchase coverage from commercial insurance carriers. The responsibility for investigating uninsured employers to determine if they are subject to the workers' compensation law is the responsibility of the Compliance Division. Under certain conditions, South Carolina employers may self-insure themselves against losses resulting from on-the-job injuries. Qualifying and regulating the self-insured employers is the responsibility of the Self-Insurance Division. The department's Medical Services Division is responsible for maintaining the fee schedules that regulate charges by doctors and hospitals and for approving various fees and charges in accordance with the established schedules.

SECTION III
ELEMENTS OF
MALCOLM BALRIDGE AWARD CRITERIA

Category I – Leadership

1. **How do senior leaders set, deploy, and ensure two-way communication for:**
 - a) **short and long term direction,**
 - b) **performance expectations,**
 - c) **organizational values,**
 - d) **empowerment and innovation,**
 - e) **organizational and employee learning, and**
 - f) **ethical behavior?**

1.1a-f Executive leaders routinely meet to discuss long and short-term direction and performance expectations. The environment of these meeting is one of open communication and mutual contribution toward achieving desired successes. Executive leaders are expected to conduct similar meetings within their respective departments to maintain open lines of communication, encourage input from employees and increase interaction between management and employees.

Performance expectations are defined and communicated to employees through the Employee Performance Management System (EPMS). Use of this system allows employees to understand the expectations of their position and how they will be evaluated at the conclusion of the rating period. Each employee's EPMS reflects the agency and respective department's mission statement.

Organizational values are communicated to employees and customers through a display in each department of the Commission's vision and mission statements, along with the department's individual mission statement. This serves to continuously apprise all employees, customers and stakeholders of the standards this organization and its employees strive to achieve.

Executive leadership works to foster individual productivity and communication through one-on-one conferences, and each department has established job notebooks that outline job and work processes. While these manuals assist in providing on-the-job training for new employees and cross-training for current employees, they also provide a reference point for review of the job and work processes. In addition, the Commission encourages its employees to participate in training and other educational initiatives. External training opportunities are routinely communicated to all employees and the agency supports the employee efforts to participate and attend such functions.

This past year the Commission requested and supported legislation that required commissioners be bound by the Code of Judicial Conduct as contained in Rule 501 of the South Carolina Appellate Court Rules. That legislation, S.127, was enacted and became effective April 15, 2005, and requires commissioners and their administrative assistants annually attend a workshop of at least three continuing education hours concerning ethics and the Administrative Procedures Act.

2. **How do senior leaders establish and promote a focus on customers and other stakeholders?**

- 1.2 The Commission has identified its two most important customer groups: South Carolina's employers and their employees. Senior leadership has established and promoted a focus on customers by defining acceptable practice as doing what is necessary to assist our customers. Both our Chairman and Executive Director maintain an "open door" policy of availability to everyone, internally and externally.

3. **How do senior leaders maintain fiscal, legal and regulatory accountability?**

1.3 As a means to fiscal accountability, all expenditures must be approved by the Executive Director prior to any purchase being made. No positions are posted without prior approval of the Executive Director. Executive leadership is responsible for communicating statutory requirements to staff and ensuring that staff meets these requirements.

4. **What key performance measures are regularly reviewed by your senior leaders?**

1.4 The main key performance measure that is regularly reviewed by senior leadership is the time element involved in setting contested cases for hearings, and scheduling appellate reviews. Another key measure is the amount of time involved in reviewing and recording accident reports. Senior leadership also monitors the time factor in verification of workers' compensation coverage, and properly receiving all taxes due the State.

5. **How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the agency?**

1.5 Senior staff has used performance review findings to modify operations, and in certain cases, modify organizational structure to enhance the effectiveness of the Commission's operations. Their effectiveness as leaders is an important aspect of our employee performance review system, and is discussed both during the planning and evaluation stages of each managers performance review. All our managers are "working managers", closely involved in the day-to-operations of the Commission. As such, they have the opportunity to received feedback from employees on a continual basis, and as a result, they have the opportunity to make improvements throughout the year.

6. **How does the organization address the current and potential impact on the public of its products, program, services, facilities and operations, including associated risks?**

1.6 Senior leadership monitors legislation for its potential impact on the users of the workers' compensation system. When legislation needs to be changed, there is always consensus building among the affected customers and stakeholders. During the past fiscal year, the seven commissioners took on additional caseloads. At the beginning of the fiscal year, the waiting time was approximately six months in most of the seven jurisdictions. At the end of the fiscal year, the waiting time had been reduced to approximately five months in all jurisdictions.

7. **How does senior leadership set and communicate key organizational priorities for improvement?**

1.7 Key organizational goals and priorities are communicated through the strategic planning process. This is revisited and reinforced in senior leadership staff meetings and through communication to the Commission in the monthly Full Commission Business Meetings.

8. **How does senior leadership actively support and strengthen the community? Include how you identify and determine areas of emphasis.**

1.8 Commission employees routinely participate in community events. The agency is a long-term supporter of the United Way. The community at large receives the benefits of our employees giving spirit through service with church boards, Red Cross Blood drives, Girl and Boy Scouts, National Guard and Reserves and other service-oriented organizations. Commission employees also sit on various boards and

associations, such as the Procurement Review Panel, the South Carolina Workers' Compensation Educational Association, the Southern Association of Workers' Compensation Administrators, the Richland/Lexington Carolina Alumni Council and the South Carolina Bar.

Category II – Strategic Planning

1. **What is your Strategic Planning process, including KEY participants, and how does it account for:**
 - a. **Customer needs and expectations**
 - b. **Financial, regulatory, societal and other potential risks**
 - c. **Human resource capabilities and needs**
 - d. **Operational capabilities and needs**
 - e. **Supplier/contractor/partner capabilities and needs**

2.1a-e Beginning in 1996, the Commission began to develop a strategic plan for the purpose of aligning all of the organization's programs and policies for continuous improvement. All agency employees were participants in the process. After articulating agency vision and mission statements for our departments and divisions, each employee's position description was rewritten to link individual duties and responsibilities with the mission of a particular work group. Employee evaluations were revised to reflect performance indicators linked to the specific job description and ultimately to the organization's mission.

Development of performance measures has helped the Commission track and evaluate its progress, successes, and significant achievements. Cross-functional teams were created during the initial phase of the strategic planning process charged with examining programs and work processes. It was from this effort that the Commission first identified its key business drivers and key performance measures. The Commission also began an effort to establish and implement individual staff development plans as guided by key business indicators. An ongoing effort has been made to refine key business drivers and gather baseline data to present as part of these reports.

2. **What are your key strategic objectives? (See Strategic Planning Chart)**
3. **How do you develop and track action plans that address you key strategic objectives?**

2.3 The Commission's Strategic Plan centers around seven overall agency goals. Action plans will be developed using input from senior leadership, Commissioners and employees of the respective Departments. Once developed, it will be assigned to the appropriate Department and monitored by the Executive Director and Department Director. Updates will be provided to senior leadership in staff meetings to allow for modification and refinement. Senior staff is committed to revisiting the strategic planning and development process, pursuant to the Malcolm Baldrige criteria to further the processes necessary for the South Carolina Workers' Compensation Commission to be the driving force in a workers' compensation system of excellence which delivers superior service to South Carolina's employers and their workers.

4. **What are your key action plans/initiatives? (See Strategic Planning Chart)**
5. **How do you communicate and deploy your strategic objectives, action plans and performance measures?**

2.5 Once the action plans are developed, they will be disseminated via e-mail to all agency employees and communicated to the employees by Department Directors, the Executive Director and through agency wide meetings. Departmental meetings will be necessary to outline the department's process for completing any assigned action plan.

6. **If the agency's strategic plan is available to the public through the agency's internet homepage, please provide an address for that plan on the website.**

2.6 The strategic plan is not currently listed on the Agency's website.

Strategic Planning

Program Number And Title	Supported Agency Strategic Planning Goal/Objective	Related FY 04-05 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
Claims +	Improve timeliness and accuracy of benefits.	Monitor claims monthly to ensure all appropriate payments have been made on a timely basis	Graph 7.1-1 Graph 7.1-2
Judicial	Improve the length of time it takes to set merit hearings.	Reduce time of receipt of request for hearing date to average of 5 months in each district.	Graph 7.2-1 Graph 7.2-2
Judicial	Improve the length of time it takes to set appellate reviews.	Reduce the backlog of appellate reviews by scheduling and conducting extra days of appellate reviews.	
Insurance & Medical Services	Improve the length of time to resolve claims initially reported as uninsured.	Complete compliance investigations within 45 days	
Insurance & Medical Services	Increase savings on total medical costs while preserving worker access to quality healthcare.	Update 2003 Medical Fee Schedule; Revise 1997 Hospital In-Patient Payment System; Develop Hospital Out-Patient Payment System.	
Administration	Improve efficiency and workflow of the workers' compensation system.	Conduct an in-depth analysis of 15 year old database that houses all workers' compensation records	

**Key Cross-References are a link to Category 7 – Business Results. These references provide a chart number included in the 7th Section of this document.*

Category III – Customer Focus

1. **How do you determine who your customers are and what their key requirement is?**

3.1 Key customers are determined based on state legislation that defines requirements and eligibility. Based on the Workers' Compensation Laws, the Commission has identified its two most important customers: South Carolina employers and their employees. Because the Commission is a quasi-judicial and a regulatory agency, these two groups comprise the largest number of customers that the Commission routinely provides services and with whom it communicates. Other customers are identified based upon their specific needs and relationship to the Workers' Compensation Laws. Other customers and stakeholders include, but are not limited to:

- South Carolina's Congressional delegation;
- State Legislators;
- Insurance companies;
- Self-insured funds;
- Third-party administrators;
- Attorneys;
- Physicians;
- Hospitals;
- Other state workers' compensation agencies;
- The Department of Commerce;
- The Employment Security Commission;
- The Department of Vocational Rehabilitation;
- The State Attorney General's office;
- The State Department of Labor, Licensing & Regulation;
- The Uninsured Employers Fund and the Second Injury Fund;
- The FBI and the U.S. Office of the Attorney General;
- The Social Security Administration; and,
- The State Accident Fund.

2-3. **How do you keep your listening and learning methods current with changing customer/business needs? How do you use information from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?**

3.2-3.3 The Commission is committed to providing an environment to foster communication and education among its stakeholders. In that regard, the Commission's series of one-day seminars on claims management, Claims Administration Made Easy, was held and the corresponding publication was marketed to interested individuals as well. This seminar was recently approved for 4.75 CLE credit hours. Commissioners and Executive Staff made presentations at the 28th Annual Workers' Compensation Educational Conference sponsored by the South Carolina Workers' Compensation Educational Association. The Commission also teamed up with the Educational Association to co-sponsor the 26th Annual Worker's Compensation Medical Seminar, a three-day event devoted to medical issues relevant to workers' compensation. In addition, Commission employees are routinely asked to present at other seminars or conduct presentations on various subjects to outside organizations and groups. A request for a speaker is always honored. In addition, employers and insurance carriers routinely request training on proper procedures be conducted at their worksite, and the Commission readily supplies an employee to provide the proper training.

4. **How do you measure customer/stakeholder satisfaction?**

3.4 In order to measure the level of customer satisfaction, Commission employees routinely do informal follow-up with stakeholders. The Commission will continue to examine ways to conduct a more formalized, systematic survey in the future.

5. **How do you build positive relationships with customers and stakeholder? Indicate any key distinctions between different customer groups.**

3.5 The Commission has developed, and continues to expand, a website which allows stakeholders to obtain information regarding the Workers' Compensation Commission. In addition, stakeholders may initiate contact with the agency through the use of an e-mail system where questions, complaints, and concerns can be submitted to any department, including the Executive Director and the Chairman. Responses are usually made immediately or within 24 hours of the receipt of the inquiry.

A variety of methods are used to determine the needs and expectations of stakeholders and to provide a means of communicating with the Commission, including: telephone and written correspondence; participation in public forums; monitoring legislative activity; stakeholder visits; interviews; informational brochures; publication of the Commission's Annual Report; sponsored conferences, publication of workers' compensation system information; agency website; and on-line communications. The majority of Commission employees have routine, daily contact with stakeholders, and leadership places an important emphasis upon the delivery of good customer service to all users of the Commission's services.

Category IV – Measurement, Analysis and Knowledge Management

1-4. How do you decide which operations, processes and systems to measure for tracking and financial purposes? What are your key measures? How do you ensure data integrity, timeliness, accuracy, security and availability for decision making? How do you use data/information analysis to provide effective support for decision making?

4.1-4.4 For the past several years, the Commission has had in place a performance based measurement system consisting of a number of identified business drivers and measures. The measurement system is designed to provide goals and to integrate those goals with budgetary requests and considerations, staffing levels and efficiency and effectiveness levels. Thirty-five performance measures have been identified, and information is gathered on a weekly, monthly, or annual basis. Our measurements are a result of input from the users of the workers' compensation system, both internally and externally.

The Commission looks to many of our stakeholders, including South Carolina employers and their employees, insurance carriers, third-party administrators, self-insured funds, attorneys, physicians, hospitals, the General Assembly, the Governor's Office, and other State agencies to help us identify those measures that reflect the productivity of the Commission and the satisfaction of the stakeholder. The Commission's scorecard of performance measures includes process cycle times, time necessary to resolve issues of concern and customer satisfaction. All employee performance appraisals are tied to the agency's performance measures and the employee's individual link to the Commission's mission and to the employee's department mission.

The Commission has been able to establish activity-based costing to determine the cost associated with several of our processes. This includes cost associated with processing a hearing request; conducting a hearing; conducting an informal conference; and processing and collecting fines to ensure improved compliance. In addition, comparison of workload measures with past or expected performance allows the leadership to make adjustments to processes and provides a means for improvement of services.

A number of performance measures are geared toward customer expectations. One of these measures is the process cycle time for setting various types of hearings. For many injured employees, economic viability is at stake following an on-the-job injury, and a shorter wait for a hearing is a key indicator of customer service and satisfaction. During the fiscal year, the process cycle time for setting a hearing for the injured employee has decreased from approximately six months to an average of five months in each of the seven districts. The reduction in the time it takes to get a hearing is directly attributable to the Commission having all seven commissioners and hearing extra cases. There has been an increase in the number of requests due to denial of liability by the employer, and an increase in the number of employers being uninsured. These results are detailed in the Business Results section.

5. How do you select and use comparative data and information?

4.5 Data is selected primarily to compare the Commission's operations from year-to-year. We have tracked our operations based on various process times, e.g. the waiting time to a hearing and the waiting time to an appeals hearing. We also track the number of cases filed and total expenditures over time. While this gives the Commission the ability to track its operations over time, it is difficult to compare our operations with other workers' compensation agencies because of the differences in workers' compensation laws across the country.

6. How do you manage organizational knowledge to accomplish the collection and transfer and maintenance of accumulated employee knowledge and identification of best practices?

4.6 On a very basic level, each department has established job notebooks that outline job and work processes. While these manuals assist in providing on-the-job training for new employees and cross-training for current employees, they also provide a reference point for the review of all job and work processes. In some of our technical areas, such as our Medical Services Division and our Self-Insurance Division, we have detailed written operational procedures. During this next year we will see our operational procedures expand to other areas, most notably in our information technology area.

Category V – Human Resource Focus

1. How do you and your managers/supervisors encourage and motivate employees (formally/informally) to develop and utilize their full potential?

5.1 The workload of individual employees has increased. Supervisors and managers provide positive reinforcement to employees who go the extra mile in helping the agency meet its goals and objectives. The key to maximizing employee performance is to ensure that jobs are interesting and satisfying. Employees remain motivated in their individual efforts if given the opportunity to cross-train and learn new job responsibilities and job skills. Supervisors and managers are encouraged to meet informally with employees at least once during the EPMS appraisal period to discuss their performance, concerns and provide constructive feedback. The Commission utilizes flexible work schedules to help employees balance their personal and professional lives. The Commission hosts a Christmas luncheon each year to honor employees and invites retired and past employees as well. Employee Recognition Week gave the Commission the opportunity to recognize the importance of all employees to the successful achievement of our mission. A catered breakfast was held on State Employee Recognition Day to thank all employees for their hard work and dedication.

2. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training?

5.2 Job notebooks that outline job and work processes have been developed for most positions. These manuals assist in providing on-the-job training for new employees and cross training for current employees. It is our observation that employees remain motivated in their individual efforts if given the opportunity to cross-train and learn new job responsibilities and job skills. Executive staff encourages employees interested in learning about other jobs to participate in cross-training efforts. The Commission encourages its employees in leadership, training, and other educational initiatives. Training opportunities are routinely communicated to all employees, and employees are encouraged to participate and attend.

3. How does your employee performance management system, including feedback to and from employees, support high performance?

5.3 Performance expectations are defined and communicated to employees through the Employee Performance Management System (EPMS). Use of this system allows employees to understand the expectations of the position and how they will be evaluated at the conclusion of the rating period. Each employee's EPMS reflects the agency and respective department's mission statement. The EPMS serves as the primary tool to document employee performance. During the evaluation process, employees and managers are given the opportunity to discuss past performance, expectations for future performances, strengths, weaknesses and a guideline for addressing weaknesses.

4. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction and motivation?

5.4 The EPMS process is one method used to determine employee well-being, satisfaction and motivation. There are numerous processes that could be examined to determine if they would positively affect well-being, satisfaction and motivation. Some of these include career development and other employment services, recreational and social activities, non-work related educational opportunities and flexible work schedules.

Both the Chairman and the Executive Director maintain an “open door” policy and are available to all employees for any questions or inquiries. In addition, the Commission maintains a suggestion box, which is routinely checked, and suggestions implemented where appropriate.

5. **How do you maintain a safe, secure, and healthy work environment?**

5.5 The Commission maintains a safe and secure work place by having limited access points for visitors, including a sign-in log. There is a security guard on the premises at all times during working hours.

6. **What activities are employees involved with that make a positive contribution to the community?**

5.6 Commission employees sit on various boards and associations, such as the Procurement Review Panel, the South Carolina Workers’ Compensation Educational Association, the Southern Association of Workers’ Compensation Administrators, the Richland/Lexington Carolina Alumni Council and the South Carolina Bar. Many are active with church groups and boards. Employees serve as Girl Scout or Boy Scout leaders and coach various children’s sports activities.

Category VI – Process Management

1. **What are your key processes that produce, create or add value for your customers and your organization and how do they contribute to success?**

6.1 The key process is waiting periods for hearing dates. During the last two fiscal years, the South Carolina Workers' Compensation Commission focused on addressing the backlog in hearing times. During FY 02-03, the Commission was without seven commissioners for four months. In addition, three new commissioners arrived at the beginning of that fiscal year. At the beginning of FY 03-04, the Commission had only six commissioners. A seventh commissioner arrived in September, and the Commission was able to begin an intensive focus on reducing the waiting time for a hearing. The waiting period at that time was approximately eight to nine months in each of the seven districts.

The seven commissioners took more cases. By the end of the fiscal year, waiting time had been reduced to an average of five months in each of the seven districts.

2-4. **How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls and other efficiency and effectiveness factors into process design and delivery? How does your day-to-day operation of these processes ensure meeting key performance requirements? What are your key support processes, and how do you improve and update these processes to achieve better performance?**

6.2-6.4.1 An on-going concern and in need of immediate attention, is the present database system for the Commission, which was designed and installed in 1990. It is a client/server relational database system with custom application programs written for the specific needs of the Commission. The core software is Progress Version 6 with UNIX-based servers storing the data and MS-DOS based client software providing the user interface. As an MS-DOS based software package, the client software provides only text-based display capability, as was the standard at the time of installation. During the ensuing 15 years, the office automation needs and capabilities of the Commission have expanded considerably. The typical user in the agency has a Pentium III, 550 Mhz computer running Windows 98. However, one of the original 486-class NCR servers is still in use along with one newer server.

During FY 2005-06 the South Carolina Workers' Compensation Commission received first year funding to replace our antiquated database system and workers' compensation regulatory application programs. Funding for this project was recommended in the CIO's *South Carolina Workers' Compensation Strategic Information Technology Assessment*. This project places our data operations on equipment and software of current technology and provides data stability and security that has been extremely inadequate in prior years due to lack of funding.

Among other things, the CIO recommended that the Commission:

- “Develop a culture within the Agency that acknowledges that ongoing support of technology is a critical part of the cost of doing business;
- Be proactive in recognizing the importance of IT in all operations of the Agency.”

The new database software and hardware acquired during FY 2005-06 will require ongoing support and maintenance. The CIO has estimated this to require approximately \$148,280 per year. The Commission has had no ongoing IT support and maintenance funds in previous budgets.

The upgrades that will be acquired during FY 2005-06 will provide a stable and secure IT environment for the Commission but include only functionality that was already in place at the time the project began. Virtually no application development had been performed in over five years and the Commission is significantly behind in providing technology services to stakeholders. The CIO Assessment recommended that in the second and subsequent years “additional features and functionality required by the WCC staff should be developed...” and that “this should be done over an extended timeframe – possibly several fiscal years.” At a reasonable rate of development and implementation the CIO Assessment estimated that the FY 2006-07 one time funding requirements would be \$10,000 for project management services, \$400,000 for application development and \$13,000 for training. High priority features would include:

- Migration of the process for electronic filing of First Reports of Injury from the national IAIABC Claims Release 1 standard which was implemented in 1993, to the current IAIABC Claims Release 3 standard.
- Implementing electronic reporting of subsequent reports on claims to include such things as payment information, disability information and claims status in real time rather than in retrospect on closed cases. This would also be under the IAIABC Claims Release 3 standard.
- Implementing electronic reporting of detailed medical information on workers’ compensation injuries to enable analysis of industry practices for effectiveness and the impact on injured employees, insurance premiums and the state economy as a whole. This would be under the national IAIABC Medical Reporting standard.
- Upgrading the receipt of workers’ compensation policy/coverage information from the proprietary, and very limited, standard implemented in 1989 to the national IAIABC Proof of Coverage Release 2.1 standard. This would greatly enhance the Commission’s ability to identify the responsible carrier or self-insurer when claims are filed by injured workers. It would also improve our ability to be proactive in the identification of employers who fail to provide workers’ compensation coverage as required by the Act.
- Providing direct Internet WEB access to workers’ compensation data for the general public, injured workers, employers and other stakeholders as appropriate under good business practice and the law.
- Implementing real time statistical analysis of Commission activities and the workers’ compensation system as a whole so the Commission can make relevant and effective management decisions.

Processes are all designed with an eye toward the delivery of superior customer service, fair and impartial dispute resolution, and ensuring statutory compliance with all workers’ compensation laws and regulations. Ease of compliance and reduction in the burden of compliance coupled with the desire to ensure prompt and fair resolution to all parties are key components in any service the Commission delivers. In the past year, the Commission has continued to utilize the Internet to address issues of compliance and to make the workers’ compensation system easier to use.

One way to ensure compliance, reduce paper flow, and ease the burden of compliance is through the use of Electronic Data Interchange (EDI) standards and protocols. Effective January 1, 1998, all insurance carriers, self-insured’s, and third-party administrators were required to file reports using EDI. The overall result of the effort has been lowered mailing and handling costs, elimination of numerous reports, reduced demand for storage, streamlined claims reporting, reduced costs, and improved data quality. Over 72% of all *Employer First Reports of Injury* were filed via EDI. The Commission has focused on increased compliance of national carriers and large volume reporters, and has been very successful in having all of these reports filed via EDI. During the fiscal year, the Commission continued enforcement of 12M filings pursuant to Regulation 67-412. This process has also enabled the Commission to update records and delete obsolete information. The Commission has continued to work

on the national EDI effort, to stay abreast of changes, and to remain on the leading edge of this technology project. During the upcoming fiscal year, the Commission will examine ways to increase compliance of smaller volume reporters and expand the process to include additional reports.

South Carolina must have a workers' compensation system that is stable, objectively balanced, competently managed, and cost effective if it is to provide a fair, equitable, and timely system of benefits to injured workers and their employers. The Commission is committed to such a system and will continue working toward that goal as directed by the General Assembly.

Category VII – Business Results

1. Claims

Mission: Improve the timeliness and accuracy of benefits to injured workers.

Goals: Receive and process initial reports of occupational injuries and illnesses, review all claims for complete and timely payment of benefits, review settlements for completeness and accuracy, collect statistical information, and close all claims in the most timely and accurate manner possible.

Objectives:

- Continue to review and record all accident reports within 2 days of receipt;
- Continue to review 100% of initial notices of payment of temporary total compensation within 1 day;
- Continue to review 100% of all settlements within 1 day;
- Continue to close all claims within 3 days of receipt of closing documents;
- Continue to conduct annual reviews on all open cases; and
- Reduce the percentage of processing errors in claims, both internally and externally.

Key Results:

1. Reviewed and recorded 75 % of all accident reports within 2 days of receipt.
2. Maintained review of 100% of initial notices of payment of temporary total compensation within 1 day.
3. Maintained review 100% of all settlements within 1 day.
4. Maintained closing all claims to within 2 days of receipt of closing documents.
5. Reviewed on all open cases every 12 months.

Raw Numbers:

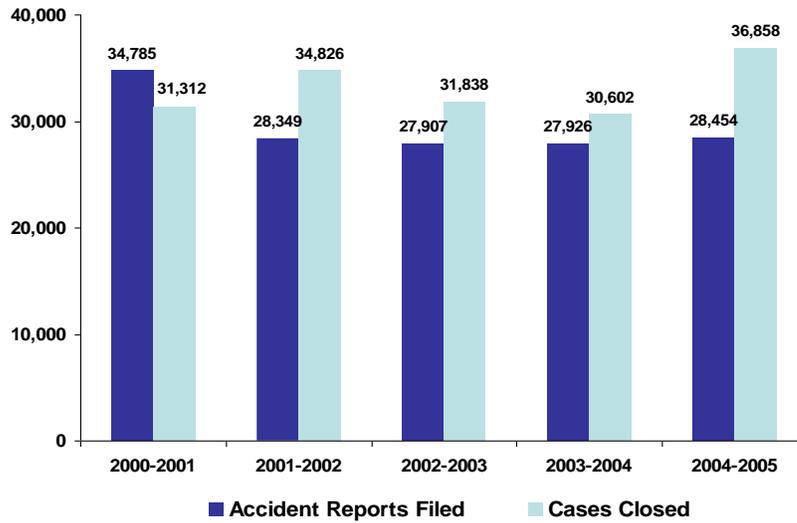
	<u>FY 03-04</u>	<u>FY 04-05</u>
Classified Accident Reports Filed	27,926	28,454
Initial Payment Notices Reviewed	14,731	18,297
Settlements Reviewed	13,941	14,287
Number of Carrier Files Audited	-0-	-0-
Cases Closed by Commission	30,602	36,858
Cases Reviewed	85,469	111,869

** Results reported on Graphs 7.1 and 7.2*

CLAIMS

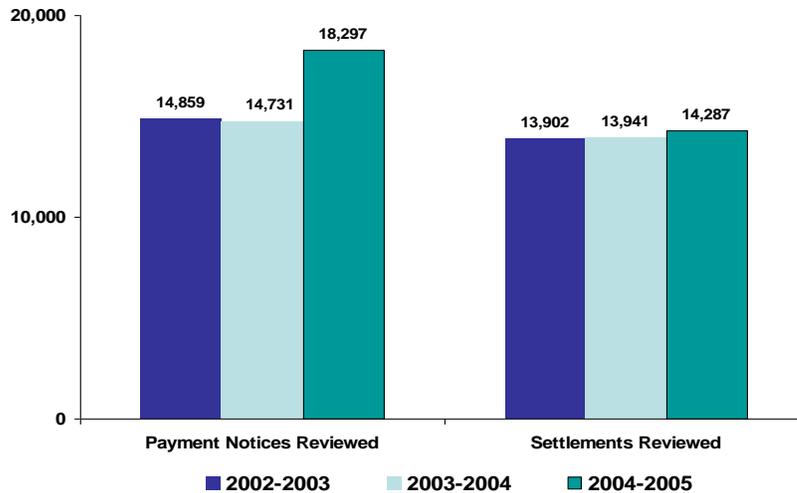
Graph 7.1-1

Accident Reports Filed & Cases Closed



Graph 7.1-2

Payment Notices & Settlements Reviewed



In FY 2004-2005, the number of claims closed increased 17% from 30,602 to 36,858 and the total number of files reviewed increased 23.5% from 85,469 to 111,869.

2. Judicial

Mission: Assess and assign for disposition all claims requiring mediation, adjudication, or appellate review.

Goals: Prepare and schedule unresolved claims for either an informal conference (viewing), hearing, or appellate review; Make settlement recommendations (viewings), or adjudicate findings (hearings and reviews) to resolve disputed issues; and approve settlement agreements, lump sum awards, and attorney fee petitions in the most equitable, timely and accurate manner possible.

Objectives:

- Continue to process requests for informal conferences within 5 days;
- Dispose of 80% of hearings within 120 days;
- Continue to docket appeals within 60 days.
- Continue to process hearing requests within 10 days;
- Dispose of 80% of informal conferences within 90 days, and
- Dispose of 90% of appeals within 90 days.

Key Results:

1. Processed 100% of requests for informal conferences within 5 days.
2. Disposed of 60% of hearings within 120 days.
3. Maintained docketing 90% of appeals within 60 days.
4. Processed 90% of hearing requests within 15 days.
5. Maintained disposing of 80% of informal conferences within 90 days.
6. Maintained disposing of 90% of appeals within 90 days.

Raw Numbers:

	<u>FY 03-04</u>	<u>FY 04-05</u>
Average Cost to Process Hearing Request	\$ 127	\$ 106
Average Cost of a Hearing	\$ 531	\$ 528
Average Cost to Process		
Informal Conference Request	\$ 30	\$ 42
Average Cost of Informal Conference	\$ 30	\$ 42
Cases Docketed for Hearings	11,287	14,335
Cases Docketed for Informal Hearings	5,911	5,680
Decisions & Orders Issued	2,502	2,754
Full Commission Appeals Filed	965	1,094
Full Commission Appeals Completed		
(Orders/Settled)	870	1,062
Appeals to Higher Courts	262	195

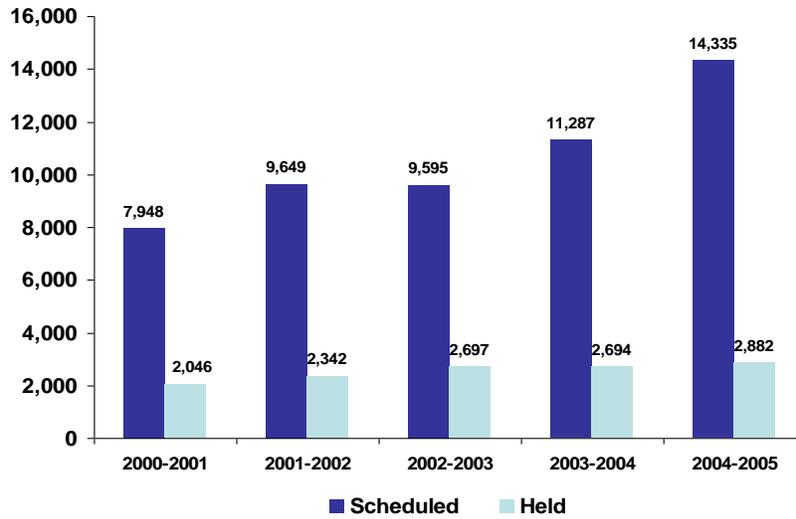
**Results shown on Graph 7.2-1*

***Results shown on Graph 7.2-2*

JUDICIAL

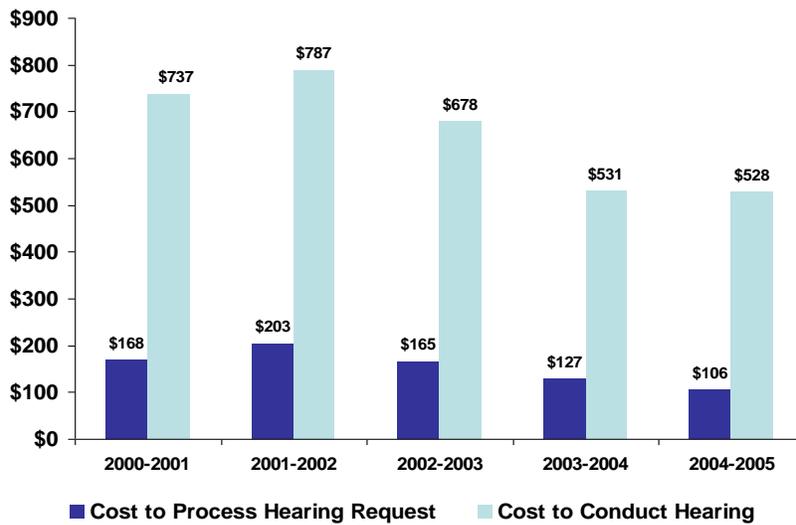
Graph 7.2-1

Hearings Scheduled & Held



Graph 7.2-2

Hearing Costs



3. Insurance & Medical Services

Mission: Assure availability of workers' compensation benefits to injured workers, provide employers a self-insurance alternative, and contain medical costs.

Goals: Develop and maintain payment systems for hospitals, physicians, and other health care providers for services provided to workers' compensation patients; review all applications from corporations and prospective funds to self-insure their workers' compensation liabilities; monitor the financial condition of all self-insured funds and self-insured corporations; and ensure all companies and individuals encompassed by the Workers' Compensation Act comply with its provisions in the most accurate and reliable manner possible.

Objectives:

- Revise as necessary and maintain the *Medical Services Provider Manual* and the hospital inpatient and outpatient systems;
- Continue to review contested medical bills within 5 days;
- Continue to review corporate applications to self-insure within 60 days of receipt of the completed applications;
- Continue to review fund member applications to self-insure within 2 days of receipt of the completed applications;
- Increase by 10% the number of unannounced business contacts;
- Collect self-insured taxes within 120 days of the end of each self-insured's fiscal year;
- Maintain employers coverage database and verify coverage within 5 days;
- Increase the number of self-insured audits; and,
- Increase the percentage of compliance cases closed within 120 days.

Key Results:

1. Reviewed, on average, contested medical bills within 10 days.
2. Maintained 100% review of corporate applications to self-insure within 60 days of receipt of the completed applications.
3. Maintained 100% review of fund member applications to self-insure within 2 days of receipt of completed applications.
4. Collected 100% of self-insurance taxes within 120 days of the end of each self-insured's fiscal year.
5. Maintained the employer insurance coverage database and verified 98% of coverage within 5 days.
6. Maintained the number of self-insured audits conducted.

Raw Numbers:

	<u>FY 03-04</u>	<u>FY 04-05</u>
Medical Bill Disputes Reviewed & Resolved	264	311
Corporate Self-Insured Applications Reviewed	13	13
Fund Member Self-Insured Applications Reviewed	674	284
Self-Insurance Audits Conducted	86	86
Self-Insurance Taxes Collected	\$ 5,180,134	\$ 5,555,266
Compliance Cases Initiated	800	609
Compliance Cases Closed	896	760
Compliance Contacts with Businesses	258	129
Investigations Set for Hearing	222	231
Consent Agreements Received	150	163
Show Cause Hearings Held	49	48
Compliance Fines Received	\$ 101,826	\$ 105,905
Coverage Fines Initiated	1,132	1,004
Coverage Fines Collected	\$ 375,800	\$ 371,400

During FY 04-05, no current self-insured employer or fund filed for bankruptcy and ceased to be self-insured. Two companies, Owens Corning and WestPoint Stevens, previously filed for Chapter 11 reorganization, are currently self-insured and continue to meet the self-insurance requirements. During FY 04-05 claims liabilities were managed for five bankrupt former self-insurers, Cone Mills, Spartan Mills, Wellington Leisure Products, the South Carolina Chamber of Commerce Manufacturers' Fund and the American Yarn Spinners Fund.

This past year self-insurance taxes increased 7.2% from \$5.2 to \$5.6 million. Overall, the number of self-insured employers increased slightly over the past three years, increasing the total number of claims and the total dollar amounts paid (the base for the self-insured tax). The average weekly wage also increased during this time, as did medical costs (prices and utilization), all of which would impact total taxes collected.

Reductions in staff did impact the operations of the Medical Services Division. With no staff assigned full-time to the Division, the average time to review and resolve medical billing disputes has remained at approximately ten days this past year. With resources for fee schedule development limited, one of the Commission's successes was continuing to conduct the necessary analysis for the revision of the Hospital Payment System and the update publication of the *2005 Medical Services Provider Manual*, both to be published next year. However, current funding will allow hiring both the Medical Services Division Director and a Medical Policy Analyst.

This past year the number of compliance investigations decreased 24%, from 800 to 609. The number of compliance hearings held remained constant at 48, close to the three-year average. The number of contacts with businesses decreased 50%, from 258 to 129, in part attributable to reductions in staffing levels.

We have continued to make every effort to resolve coverage issues quickly, spending more time on the front end trying to resolve insurance matters so the claim can proceed. Overall, we have improved our service to customers by moving the less complex cases along faster, allowing more time for the more complex cases.

Coverage fines remained steady, both for late reporting and failure to report the federal employer identification number, from \$375,800 to \$371,400. Fewer fines in this area would indicate the insurance industry's improved compliance with reporting requirements, which would improve the timely processing of claims.

Of the three new positions approved by the General Assembly this past year, one is a compliance officer who will assist reversing the trends we have seen in this area.