

South Carolina Workers' Compensation Commission



Budget Request FY 2019-2020

State of South Carolina

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Workers' Compensation Commission

January 18, 2019

The Honorable Shannon S. Erickson, Chairman
House Ways and Means, Transportation, Regulatory & Cultural Subcommittee
South Carolina House of Representatives
320C Blatt Building
Columbia, SC 29201

RE: FY2019-20 Budget Request

Dear Representative Erickson:

The SC Workers' Compensation Commission respectfully submits the FY2019-20 Budget request. The Commission is requesting no additional funds for the total operating budget of \$7.7 million. This includes \$2.1 million from General Appropriations, a request for authorization to spend \$5.6 million from the Earmarked Fund. The Commission is requesting an appropriation of \$1.8 million of non-recurring State funds to complete Phase II of the IT Legacy System Modernization Project.

In General Appropriations, the Commission is requesting the same level of funding as approved by the General Assembly for the FY2018-19 budget. General Appropriations fund salaries and benefits for seven Commissioners, seven Administrative Assistants, three FTEs in three different divisions, \$75,000 of recurring funds for the Information Security Program and \$145,104 of carry forward funds.

In the Earmarked Fund, the Commission requests an authorization to spend \$5.6 million, the same level of funding authorized in the current fiscal year. Expenditures are supported by operating revenues generated by fines, penalties, filing fees and Self-insurance Taxes statutorily earmarked for the Commission.

During FY18-19 the Commission will implement Phase I of the IT Legacy System Modernization Project at total cost of \$1.9 million. The Legacy Modernization Project upgrades

Honorable Shannon S. Erickson
January 18, 2019
Page 2

a thirty year old IT system to transform the business system and processes and will greatly benefit stakeholders and the citizens of the state. Phase I was funded by a non-recurring authorization of \$1.4 million and additional revenues generated from an increase in filing fees.

For FY2019-20 the Commission is requesting an appropriation of \$1.8 million of non-recurring State funds to complete Phase II of the Project. The funds needed to complete the project are related to coding to make the system operate at the highest level of functionality. Key elements and features of the system to be implemented in Phase II relate to the electronic submission of required forms and documents, real-time data exchange with State agencies to ensure employers obtain the required coverage, improved access for pro se claimants to file claims or access information, total migration from document management to document repository, and the use of predictive analytics for enhanced reporting.

While the Commission is implementing the Modernization Project, we continue to enhance services to stakeholders by improving the efficiency and effectiveness of the Commission's operations which are reflected by the containment of cost of medical services; the decrease in the number of days for a hearing to be conducted; the decrease in the appeals of Commissioners' decisions; and the decrease in appeals of Appellate Panel decisions appealed to higher courts.

Thank you for your consideration of this request. Please do not hesitate to contact me or Gary Cannon, our Executive Director, if you require additional information. We look forward to discussing this with you and other members of the subcommittee.

Sincerely,

T. Scott Beck
Chairman

cc: Gary M. Cannon, Executive Director

South Carolina Workers' Compensation Commission

List of Key Officials

T. Scott Beck, Chairman

sbeck@wcc.sc.gov , (803) 737-5698

Gary Cannon, Executive Director

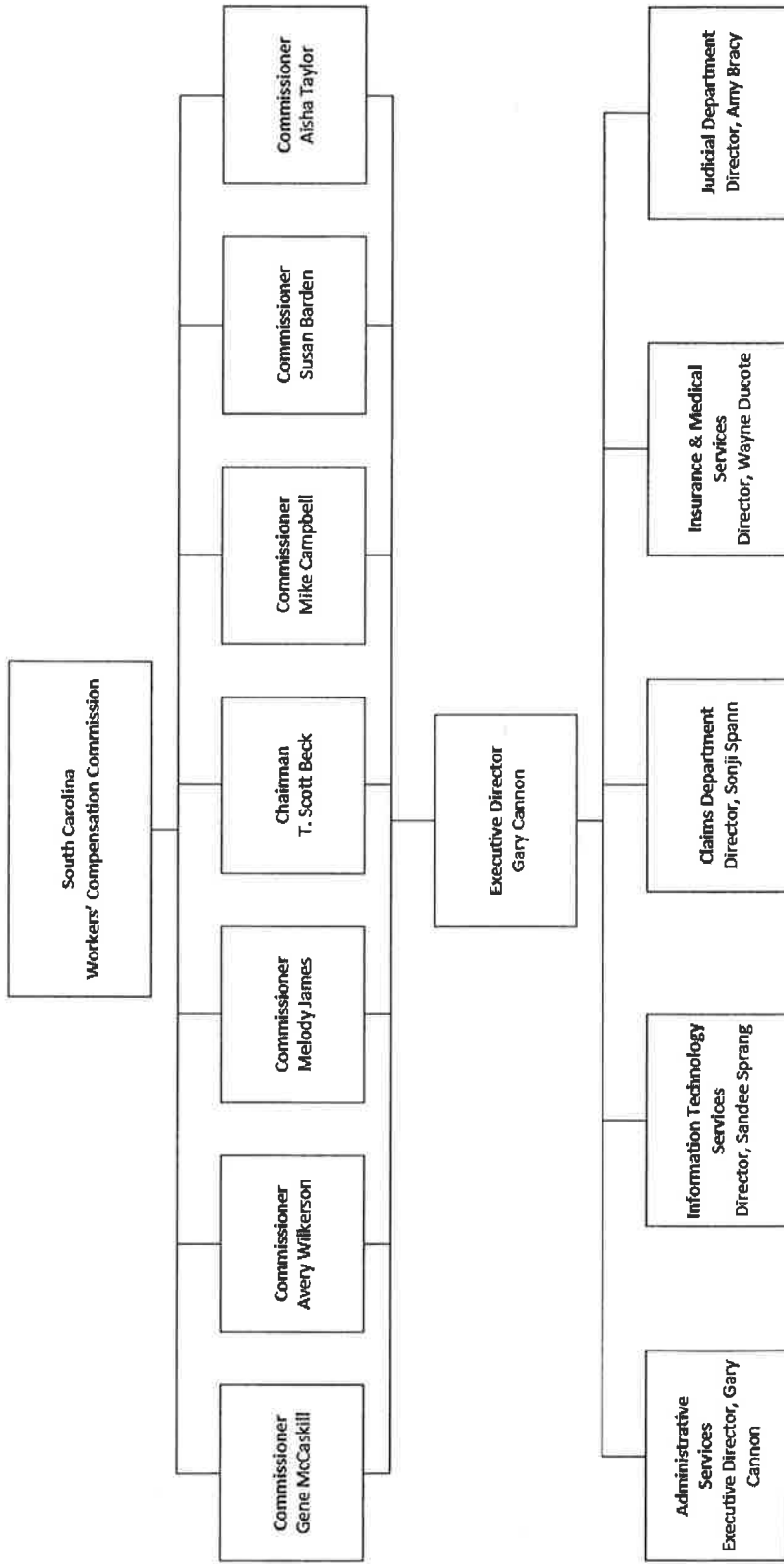
gcannon@wcc.sc.gov , (803) 737-5744

Sandee Sprang, Information Technology Director

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Loretta Dykes, Fiscal Technician

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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.

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.

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"/>

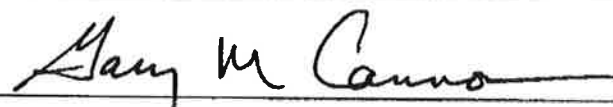
Please identify your agency's preferred contacts for this year's accountability report.

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

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

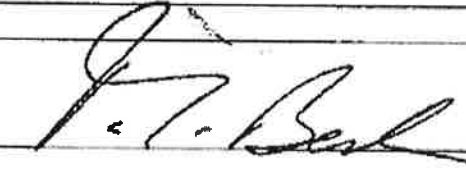
I have reviewed and approved the enclosed FY 2016-2017 Accountability Report, which is complete and accurate to the extent of my knowledge.

**AGENCY DIRECTOR
(SIGN AND DATE):**


Gary M Cannon

**(TYPE OR PRINT
NAME):**

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


T. Scott Beck

**(TYPE OR PRINT
NAME):**

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

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.

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

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 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

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

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

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

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, 2925 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.

AGENCY NAME: **Workers' Compensation Commission**

AGENCY CODE:

R080

SECTION:

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)			
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%

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

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.

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

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

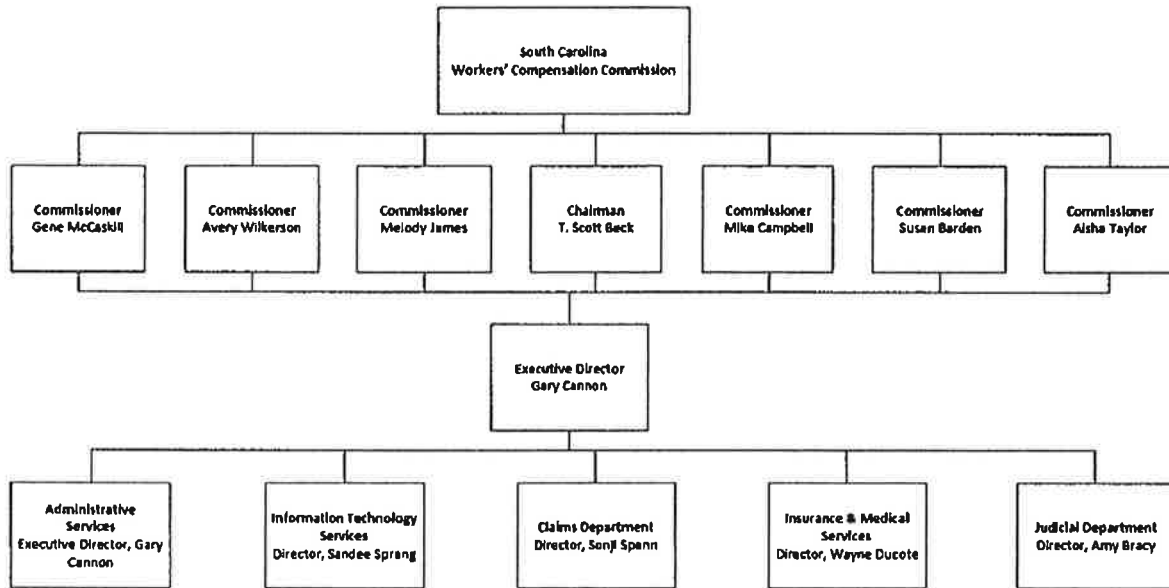
The budgetary challenges were reduced during the approval of the FY19 budget. The General Assembly approved an increase in the Commission's operating revenues by increasing the filing fee to \$50 which generates an additional \$600,000 per year. Further the General Assembly approved a one-time authorization to spend \$1.4 million for Phase II of the Legacy System Modernization.

AGENCY NAME: **Workers' Compensation Commission**

AGENCY CODE: **R080**

SECTION:

Organization Chart





Fiscal Year 2019-20 Agency Budget Plan

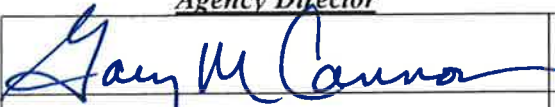

FORM A - BUDGET PLAN SUMMARY

OPERATING REQUESTS (FORM B1)	<p>For FY 2019-20, my agency is (mark "X"):</p> <input checked="" type="checkbox"/> Requesting General Fund Appropriations. <input type="checkbox"/> Requesting Federal/Other Authorization. <input type="checkbox"/> Not requesting any changes.
NON-RECURRING REQUESTS (FORM B2)	<p>For FY 2019-20, my agency is (mark "X"):</p> <input checked="" type="checkbox"/> Requesting Non-Recurring Appropriations. <input type="checkbox"/> Requesting Non-Recurring Federal/Other Authorization. <input type="checkbox"/> Not requesting any changes.
CAPITAL REQUESTS (FORM C)	<p>For FY 2019-20, my agency is (mark "X"):</p> <input type="checkbox"/> Requesting funding for Capital Projects. <input checked="" type="checkbox"/> Not requesting any changes.
PROVISOS (FORM D)	<p>For FY 2019-20, my agency is (mark "X"):</p> <input type="checkbox"/> Requesting a new proviso and/or substantive changes to existing provisos. <input type="checkbox"/> Only requesting technical proviso changes (such as date references). <input checked="" type="checkbox"/> Not requesting any proviso changes.

Please identify your agency's preferred contacts for this year's budget process.

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

I have reviewed and approved the enclosed FY 2019-20 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

	<u>Agency Director</u>	<u>Board or Commission Chair</u>
SIGN/DATE:		
TYPE/PRINT NAME:	Gary M. Cannon	Scott Beck

This form must be signed by the agency head – not a delegate.

AGENCY NAME:	Workers' Compensation Commission		
AGENCY CODE:	R080	SECTION:	74

FORM B2 – NON-RECURRING OPERATING REQUEST

AGENCY PRIORITY	1
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Provide the Agency Priority Ranking from the Executive Summary.

TITLE	IT Legacy System Modernization Project
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Provide a brief, descriptive title for this request.

AMOUNT	\$1,800,000
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What is the net change in requested appropriations for FY 2019-20? This amount should correspond to the total for all funding sources on the Executive Summary.

FACTORS ASSOCIATED WITH THE REQUEST	Mark "X" for all that apply:	
	<input type="checkbox"/>	Change in cost of providing current services to existing program audience
	<input type="checkbox"/>	Change in case load/enrollment under existing program guidelines
	<input type="checkbox"/>	Non-mandated change in eligibility/enrollment for existing program
	<input type="checkbox"/>	Non-mandated program change in service levels or areas
	<input type="checkbox"/>	Proposed establishment of a new program or initiative
	<input type="checkbox"/>	Loss of federal or other external financial support for existing program
	<input type="checkbox"/>	Exhaustion of fund balances previously used to support program
	<input checked="" type="checkbox"/>	IT Technology/Security related
	<input checked="" type="checkbox"/>	Consulted DTO during development
<input checked="" type="checkbox"/>	Request for Non-Recurring Appropriations	
<input type="checkbox"/>	Request for Federal/Other Authorization to spend existing funding	
<input type="checkbox"/>	Related to a Recurring request – If so, Priority # _____	

STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	Mark "X" for primary applicable Statewide Enterprise Strategic Objective:	
	<input type="checkbox"/>	Education, Training, and Human Development
	<input type="checkbox"/>	Healthy and Safe Families
	<input type="checkbox"/>	Maintaining Safety, Integrity, and Security
	<input type="checkbox"/>	Public Infrastructure and Economic Development
<input checked="" type="checkbox"/>	Government and Citizens	

ACCOUNTABILITY OF FUNDS	<p>The funding request allows the completion of the IT Legacy System Modernization. Phase I will be completed in FY18-19. The increased functionality of the new Legacy IT system will impact all strategies. However, the following strategies are more in line with the project outcomes.</p> <p>1.4 - Ensure business practices and procedures align with statutory and regulatory authority</p> <p>1.5 - Continue to monitor mediation program reporting and informal conferences</p> <p>1.7 - Monitor required reports and assess fines to ensure compliance with Act</p> <p>2.2 - Conduct Investigations to Compel Compliance with the Act</p> <p>3.1 - Implement and maintain information communication methods</p> <p>3.2 - Interact with Stakeholders to determine communication needs and preferences</p>
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AGENCY NAME:	Workers' Compensation Commission		
AGENCY CODE:	R080	SECTION:	74

	<p>3.3 - Explore applicability of new communication techniques /mediums</p> <p>4.3 - Review process improvements through attrition/succession planning</p> <p>4.4 - Continue Implementation of Information Technology Program</p> <p>4.5 - Evaluate Self Insurance Program</p>
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What specific strategy, as outlined in the FY 2018-19 Strategic Planning and Performance Measurement template of agency's accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?

RECIPIENTS OF FUNDS	<p>Phase I of the project is underway. The work is being performed by a vendor specializing in information technology systems. The vendor was procured through the State's TAPFIN system. We anticipate Phase II of the project to be completed by the current vendor's project team. All stakeholders in the workers' compensation system are the beneficiaries of the project. New and improved business processes and procedures will be implemented resulting in reduced cost to the stakeholders. Improved direct access will be provided to pro se claimants allowing them to report injuries via the Internet resulting in faster review and resolution to their claim. Insurance carriers will be able to submit claims data electronically, increasing their efficiency and reducing the cost by the avoidance of fines and penalties. Attorneys will be able to file motions and pleadings electronically resulting in more efficiencies reducing time for adjudicating a claim thereby reducing the cost. All stakeholders will be able to make payments related to a claim electronically allowing for a more efficiencies, reduced time to process the claim and more financial accountability.</p>
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What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?

AGENCY NAME:

Workers' Compensation Commission

AGENCY CODE:

R080

SECTION:

74

JUSTIFICATION OF REQUEST

For several years, the Commission has been planning the modernization of its 28 year old claims management system. The project scope was developed with an estimated cost of \$4.8M. In FY2018-19 General Assembly authorized the Commission to spend \$1.4 million for the IT Legacy System Modernization. This amount, combined with the additional revenue generated by the increase in the filing fee, was sufficient to fund Phase 1 of the project, a scaled down project scope with minimum marketable features. The Commission is requesting \$1.8 million to complete the project. The following describes the functionality and cost of this effort.

Operating Environment

Over the course of the next two years, the legacy modernization project will demand additional resources. During this time we will complete the development of the system, migrate our existing data into the data warehouse, and deploy the application to all of our stakeholders. The system will initially launch with basic functionality around May of 2019 with subsequent modular deployments. For several months during the training, testing and deployment, we will be required to support two production system environments. Our existing "Progress" Claims management system and portal will remain fully operational until the new system is entirely installed, all external stakeholders are established and trained as users, and all case data is migrated.

The cost to support these two environments is:

Existing System Environment:

DTO environment:	\$235,000
Progress software licenses:	<u>\$ 65,000</u>
Total:	\$300,000

New Cloud-based Platform: \$375,000

The cost of the Existing System Environment is approximately \$300,000 per year. This amount is built into our annual budget. The cost of \$375,000 for the new Cloud-based Platform is not. The \$600,000 in new filing fee revenue will cover this duplicative cost for the first year. After this, the cost for the current system environment will be eliminated and replaced by the Cloud-based platform at \$375,000.

II. Application Development

The additional funds needed to complete the project are related to completion of the coding to make the system operate at the highest level of functionality. Early in the project design, internal mission-critical functions were known, however, the system model had not been presented to stakeholders for their review and suggestions. These reviews drove us to readjust some of the project priorities. Additionally, there were several external variables which changed the development priority of certain functionality. For example, a new version of Electronic Data Interface (EDI) release 3.1, was released by the IAIABC in 2018. Instead of building the new system to run on the older version of EDI, release 3.0, the Commission opted to develop the system for EDI 3.1, which was more cost effective in the long run but meant other functions would be delayed. As a result of these, certain key functions are NOT included in Phase I. We recently completed an audit of all the needs defined by our internal and external stakeholder teams and identified in which development cycle each task would be

completed. The following summarizes the primary features to be completed in Phase 2 of the project.

1. Interface for firms and carriers (usually high volume) with case management applications to allow the electronic submission of forms
2. EDI acceptance of all forms
3. Data exchange with additional agencies: DOI, DOR, DSS, Secretary of State
4. "Turbo Tax" kiosk for pro se claimants
5. Reduction of duplicate claims (AI)
6. GIS tracking and mapping of injuries and hearings
7. Proof of coverage new release 3.0
8. Accept medical only claim data (as payments are made, not annually)
9. Medical services review automation
10. Migration of all historical claim data, not just active case
11. Use of predictive analytics for enhanced reporting
12. Migration from document management to document repository

The projected cost of Phase II development is \$1,800,000.

III. Support and Maintenance

Once Phase II is completed, the system will move to a maintenance and support mode. The Commission projects a need for a database administrator and a cloud architect to support and maintain the cloud-based environment. The two new positions are better suited as contract positions rather than in-house FTE's based on the knowledge skills, abilities and experience level of the individuals needed to support these operations. The cost of the two positions will be an estimated \$300,000. The Commission has one vacant FTE, Information Systems/Business Analyst, in the IT Department. The position and funding for salary (\$75,000) was approved in anticipation of the implementation of the Legacy system upgrade. We propose not to fill the FTE and utilize the funds budgeted for the position in conjunction with the new to contract the two positions. The additional funding needed for the contract positions is \$225,000.

The current FTE's (programmer and business analysts) will provide in-house operational support, training and configuration support of the system. The Commission anticipates an annual cost of \$400,000 to provide system maintenance and minor enhancements to sustain the system. Therefore the total annual cost of the items is \$625,000. We propose to fund these items with the additional revenue generated by the increase in the filing fee.

Please thoroughly explain the request to include the justification for funds, potential offsets, matching funds, and method of calculation. Please include any explanation of impact if funds are not received. Does this non-recurring appropriation request create an annualization or need for recurring funds?

R080
 Agency Code: Workers' Compensation Commission
 Agency Name:
 Section: 74

Priority	Request Type	Request Title	BUDGET REQUESTS			FUNDING			FTEs			
			State	Federal	Earmarked	Restricted	Total	State	Federal	Earmarked	Restricted	Total
1	B2 - Non-Recurring	IT System Legacy Modernization Project	1,800,000								0.00	0.00
2	B1 - Recurring	Realignment of authorized positions								9.00		0.00
3												0.00
4												0.00
5												0.00
6												0.00
7												0.00
8												0.00
9												0.00
10												0.00
11												0.00
12												0.00
13												0.00
14												0.00
15												0.00
16												0.00
17												0.00
18												0.00
19												0.00
20												0.00
21												0.00
22												0.00
23												0.00
24												0.00
25												0.00
26												0.00
27												0.00
28												0.00
29												0.00
30												0.00
TOTAL BUDGET REQUESTS			1,800,000	0	0	0	0	0	0	0	9.00	0.00

Worker's Compensation Commission				
FY 2018-19				
FTEs by Fund				
			Other Funds	General Funds
I	Administration	0100.000000.000		
	Director		0	1
	Classified Positions		14	8
II	Judicial			
	A. Commissioners	0500.010000.000		
	Chairman		0	1
	Commissioners		0	6
	Classified Positions		0	7
	B. Management	0500.050000.000		
	Classified Positions		6	2
III	Ins & Med Serv	1002.000000.000		
	Classified Positions		7	2
IV	Claims	1503.000000.000		
	Classified Positions		8	1
Total FTEs by Fund			35	28
Total FTEs				63

FY2018-19 Appropriations Bill

WORKERS' COMPENSATION COMMISSION

Reconciliation				
	General Fund	Allocated		Total Funds
		Postlons	Earmarked Fund	
I. ADMINISTRATION				
DIRECTOR	\$ 102,129		\$ -	\$ 102,129
		1	1	1
CLASSIFIED POSITIONS	47,092		\$ 791,985	839,077
		8	22	22
OTHER PERSONAL SERVICES			\$ 41,000	41,000
OTHER OPERATING EXPENSES	75,000		\$ 2,625,713	2,700,713
TOTAL I. ADMINISTRATION	224,221		\$ 3,458,698	3,682,919
		9		23
			\$ -	
II. JUDICIAL				
A. COMMISSIONERS				
CHAIRMAN	125,208		\$ -	125,208
		1		1
COMMISSIONERS	720,918		\$ -	720,918
		6		6
TAXABLE SUBSISTENCE			\$ 70,000	70,000
CLASSIFIED POSITIONS	313,837		\$ -	313,837
		7		7
OTHER OPERATING EXPENSES			\$ 230,700	230,700
TOTAL A. COMMISSIONERS	1,159,963		\$ 300,700	1,460,663
		14		14
			\$ -	
B. MANAGEMENT				
CLASSIFIED POSITIONS	29,267		\$ 302,294	331,561
		2	6	8
OTHER OPERATING EXPENSES			\$ 12,800	12,800
TOTAL B. MANAGEMENT	29,267		\$ 315,094	344,361
		2	6	8
			\$ -	
TOTAL II. JUDICIAL	1,189,230		\$ 615,794	1,805,024
		16	6	22
			\$ -	
WORKERS' COMPENSATION COMMISSION			\$ -	
			\$ -	
III. INSURANCE & MEDICAL SERVICES				
CLASSIFIED POSITIONS	26,632		\$ 459,463	486,095
		2	9	9
OTHER PERSONAL SERVICES			\$ 22,881	22,881
OTHER OPERATING EXPENSES			\$ 54,500	54,500
TOTAL III. INSURANCE & MED SERVICES	26,632		\$ 536,844	563,476
		2	7	9
			\$ -	
IV. CLAIMS				
CLASSIFIED POSITIONS	77,223		\$ 280,850	358,073
		1	9	9
OTHER OPERATING EXPENSES			\$ 19,700	19,700
TOTAL IV. CLAIMS	77,223		\$ 300,550	377,773
		1	8	9
			\$ -	
V. EMPLOYEE BENEFITS				
EMPLOYER CONTRIBUTIONS	569,861		\$ 695,959	1,265,820
TOTAL V. EMPLOYEE BENEFITS	569,861		\$ 695,959	1,265,820
			\$ -	
TOTAL WORKERS' COMPENSATION COMMISSION	2,087,167		\$ 5,607,845	7,695,012
		28	35	63

Workers' Compensation Commission

FY19-2020 Budget Request

Earmarked Fund

Appropriations and Revenues

Acct No.	General Fund	FY		FY	Budget		Request	Difference
		2016-17	2017-18		FY18-19	FY19-20		
	Total Appropriations	\$ 1,992,637	\$ 2,030,075	\$ 2,116,307	\$ 2,116,307	\$	\$	+ (-)
	Earmarked Fund							
	Revenue Source	Actual	Actual		Budget	Request	Difference	
		2016-17	2017-18		2018-19	2019-20	2019-20	+ (-)
4380020000	Training Conference Registration Fee	\$ -	\$ 7,597	\$ 6,000	\$ 6,000	\$ 6,000	\$	
4480040000	Sale of Publication and Brochures	\$ 32,400	\$ 35,350	\$ 32,251	\$ 32,251	\$ 32,251	\$	
4350140000	Workers' Comp Award Review Fee	\$ 71,737	\$ 75,600	\$ 57,199	\$ 57,199	\$ 57,199	\$	
4380050000	Sale of Photocopies	\$ 1,106,279	\$ 2,252,374	\$ 1,235,476	\$ 1,235,476	\$ 1,235,476	\$	
4223030000	Workers' Compensation Filing Violation Fee	\$ 6,560	\$ 3,100	\$ 5,687	\$ 5,687	\$ 5,687	\$	
4480060000	Sale of Listings and Labels	\$ 595,036	\$ 593,325	\$ 545,662	\$ 545,662	\$ 545,662	\$	
4110090000	Workers' Comp Hearing Fee	\$ 5,480	\$ 5,460	\$ 5,900	\$ 5,900	\$ 5,900	\$	
4350040000	Parking							
4520020006	Freedom of Information Act Refund		\$ 20				\$	
4530030000	Other	\$ 380	\$ 1,420				\$	
4480010000	Sale of Goods		\$ 1,134				\$	
4160040000	Self-insurance Application Fee			\$ 26,577	\$ 26,577	\$ 26,577	\$	
4530030000	Miscellaneous Revenue		\$ -				\$	
4530020000	Adjustment to Agency Deposits						\$	
4511020000	Unclaimed Property	\$ 7,525	\$ 540				\$	
	Dep by Private Entity (prior year adjustment)	\$ (135,941)						
	Total Earmarked Revenue:	\$ 1,689,455	\$ 2,975,919	\$ 1,914,752	\$ 1,914,752	\$ 1,914,752	\$	
	Self Insurance Tax (Special Revenue)	\$ 2,505,662	\$ 2,359,447	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$	
	Total Operations Revenues	\$ 4,195,118	\$ 5,335,366	\$ 4,314,752	\$ 4,314,752	\$ 4,314,752	\$	

House Ways and Means Transportation and Regulatory Subcommittee

Proviso # in FY 19-20 Act	Proviso Title	Short Summary	Agency Recommended Action (keep, change, delete, add)
74.1	WCC: Educational Seminar Revenue	All revenue earned from educational seminars shall be retained by the agency to be used for the printing of educational materials and other expenses related to conducting the seminar.	Keep
74.2	Retention of Filing Fees	The Workers Compensation Commission is authorized to retain and expend all revenues received as a result of a \$50.00 filing fee for each requested hearing, settlement, or motion. If it is determined that the individual is indigent, this filing fee must be waived.	Keep

**SC Workers'
Compensation Commission**



FY2019-20 Budget Hearing

**SC Workers'
Compensation Commission**

T. Scott Beck, Chairman/Commissioner
Gary M. Cannon, Executive Director
Santee Sprang, IT Director
Loretta Dykes, Fiscal Technician



South Carolina Workers' Compensation Commission

Our Mission

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



South Carolina Workers' Compensation Commission

Statutory Authority

Title 42 SC Code of Laws
Workers' Compensation Act

Regulation 67



South Carolina Workers' Compensation Commission

What we believe.....

Apply facts of the case to law

Apply rules equitably

Level playing field

Efficiency and effectiveness

Respond timely

Every case involves a person



South Carolina Workers' Compensation Commission

Stakeholders

Employers

Employees

Insurance Carriers

Medical Service Providers

Attorneys

Uninsured Employers Fund

Guaranty Fund

State agencies



South Carolina Workers' Compensation Commission

Agency Information

FTEs

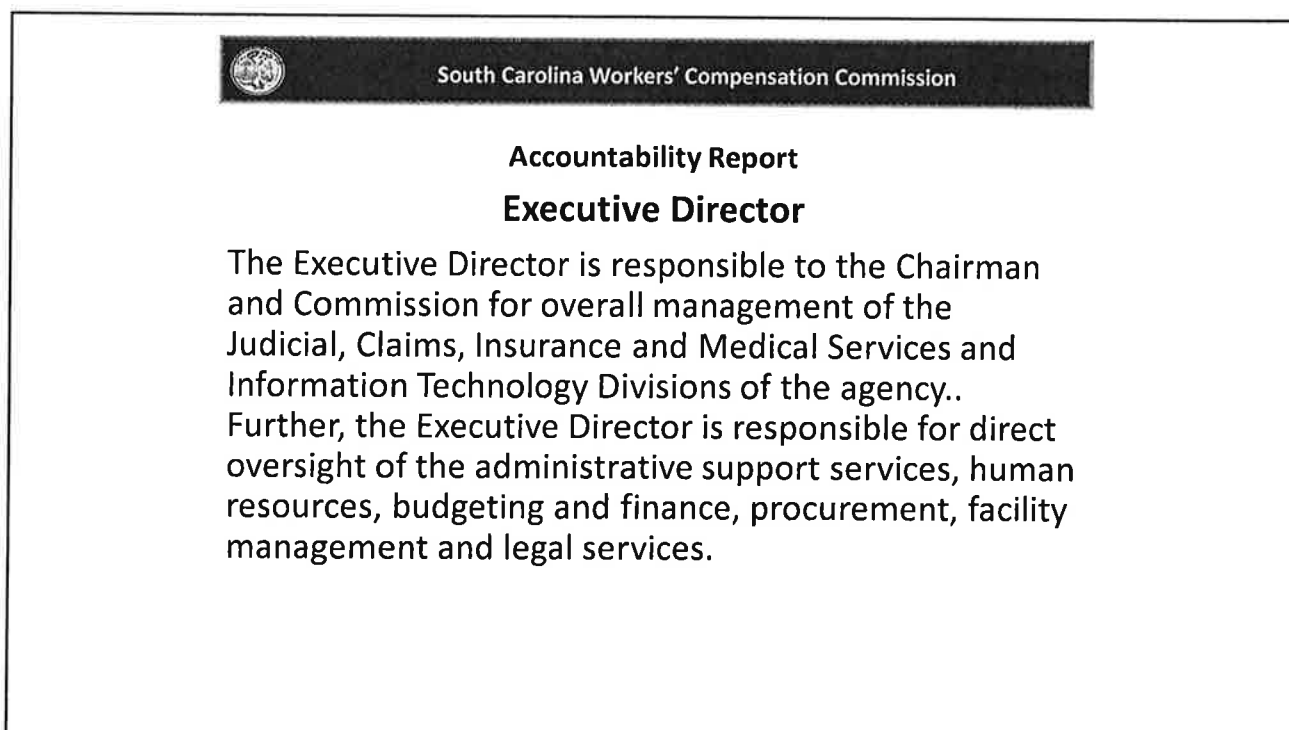
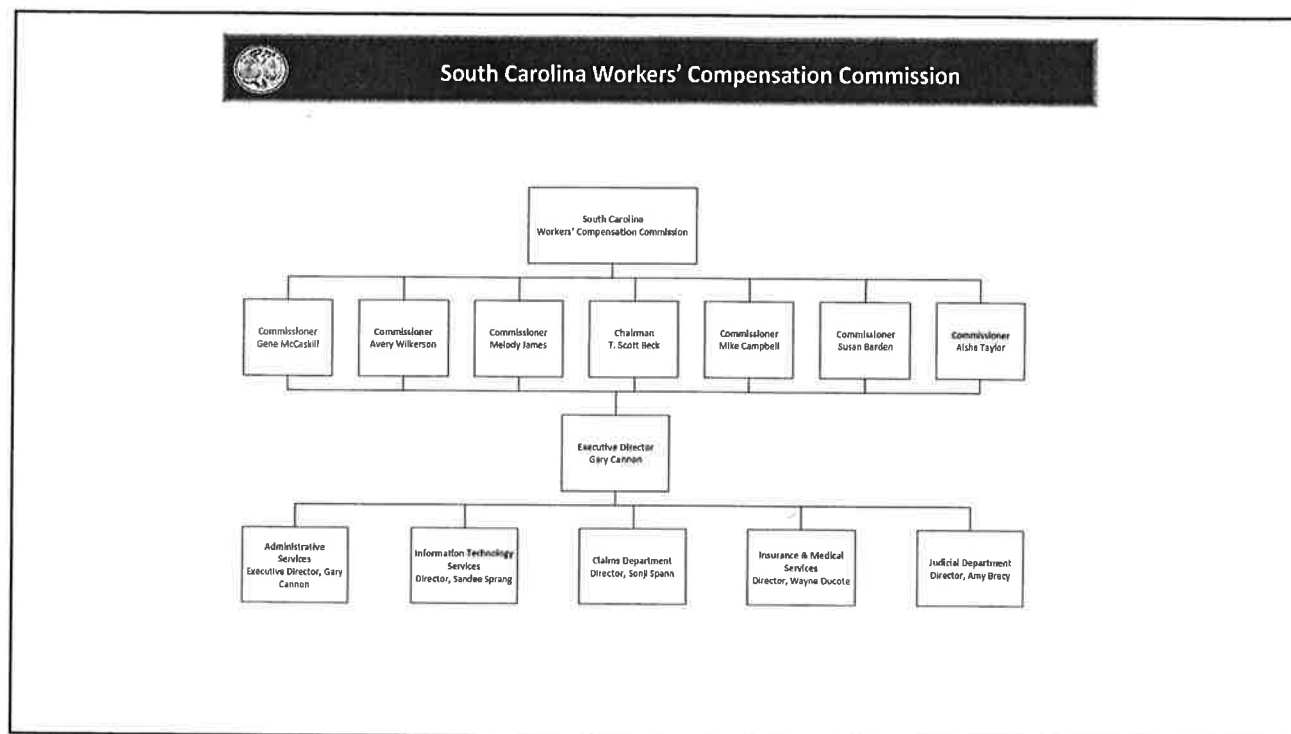
<u>FY18-19</u>	<u>Approved FTEs</u>
General Fund	28
Earmarked Fund	35
<u>FY19-20</u>	<u>Requested FTEs</u>
General Fund	18
Earmarked Fund	45

SC Workers' Compensation Commission

Agency Information

Budget

Budget	Approved	Request
	<u>FY18-19</u>	<u>FY19-20</u>
General Fund	\$2,116,307	\$2,116,307
Earmarked Fund	\$5,607,845	\$5,607,845





South Carolina Workers' Compensation Commission

Accountability Report Information Technology Division

The Information Technology Division 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.

Completed phase I of the Legacy System Modernization Project
Completed the microfilm to electronic image conversion project

6 new EDI trading partners added

1 new security system installed

6 video conference hearings facilitated for DOC at PPP



South Carolina Workers' Compensation Commission

Accountability Report Coverage and Compliance

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.

64,205 - claims reviewed for coverage

358 - employers obtained coverage

3,329 - uninsured workers insured

\$1.5 - million non-compliance fines collected



South Carolina Workers' Compensation Commission

Accountability Report

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.

1 – Medical Fee Schedule updated 2018 RVRBS from CMS

\$50 - Conversion factor retained

132 - Fee disputes processed

1% - increase in system medical cost reported for FY2017-18



South Carolina Workers' Compensation Commission

Accountability Report

Self-Insurance

The Commission is required to approve all applications for employers to be self-insured for workers' compensation insurance. The Self-Insurance Division is responsible for reviewing all applications to ensure the necessary financial requirements are attained to be approved to self-insure.

222 - applications approved

40 - audits conducted to ensure compliance

\$5.2 - million self-insurance tax collected



South Carolina Workers' Compensation Commission

Accountability Report Claims

The Claims Division processes periodic reports filed by carriers, reviews all final settlements and responds to request for claims history data.

- 24,416 - Initial notices/terminations of payments processed
- 54,234 - Carrier periodic report processed
- 11,287 - Settlement agreements processed
- 223 - Third party settlements processed



South Carolina Workers' Compensation Commission

Accountability Report Judicial

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.

- 37,000 - pleadings, motions, appeals and mediation documents processed
- 100 – hearing sites coordinated hearings & informal conferences
- 4,398 - Informal Conferences scheduled
- 2,972 - Informal Conferences conducted
- 90 – average days to process hearing request



South Carolina Workers' Compensation Commission

Accountability Report

Commissioners

In its judicial capacity the Commissioners are responsible for hearing and determining all contested cases, conducting informal conferences, approving settlements, approving fee petitions and motions.

10,284 – single commissioner hearings docketed
 11, 287 - settlements approved
 8,796 - attorney fee petitions approved
 5,653 - administrative orders issued
 1,709 - clincher conferences conducted
 361 - pre-hearing conferences conducted
 1,200 - relief of counsel motions approved



South Carolina Workers' Compensation Commission

Accountability Report

Commissioners

In its judicial capacity the Commissioners are responsible for hearing appeals.

289 – single commissioner cases appealed
 134 – appellate cases heard
 57 – appellate cases appealed to higher court



South Carolina Workers' Compensation Commission

FY2018-19 Use of New Funding

Other (Earmarked) Fund

During FY2018-19 the General Assembly approved an one time non-recurring authorization to spend \$1.4 million for phase II of the IT Legacy Modernization project. The General Assembly approved an additional \$600,000 of recurring expenditures. Both authorizations will be used for phase II of the IT Legacy System Modernization project.



South Carolina Workers' Compensation Commission

IT Legacy System Modernization

Current system 28 years old

Goals of new system:

- Make system more responsive to stakeholders
- Increase operational efficiencies within Commission
- Ensure prompt delivery of benefits
- Decrease cost for all stakeholders
- Improve stakeholder performance
- Improve security of system data



South Carolina Workers' Compensation Commission

Recurring Budget Requests

No new funding requests

Request transfer of 10 allocated positions
General Fund to Earmarked Fund



South Carolina Workers' Compensation Commission

Non-Recurring Budget Requests

No new non-recurring funding requests



South Carolina Workers' Compensation Commission

Capital Budget Requests

No capital budget requests



South Carolina Workers' Compensation Commission

Proviso Requests

No changes or additions

R – 74. 1

R – 74. 2



South Carolina Workers' Compensation Commission

Cost Savings

A 3% reduction in General Fund Appropriations is \$63,489.

To achieve a 3% reduction in the expenditures of this Fund, the Commission would eliminate one position in the General Appropriations.

The position, Claims Director, is critical to the operations of the Commission, therefore the position would be transferred to the Earmarked Fund.

The total reduction in the cost of the position's salary and benefits in the General Fund Appropriations is \$100,389.



South Carolina Workers' Compensation Commission

Reducing Cost and Burden to Businesses and Citizens

The implementation of the IT Legacy System Modernization will allow businesses to reduce their cost for photocopy fees for paper documents. The current fee is \$20 for the first 20 copies and \$.50 per subsequent page. When the Legacy System is implemented, stakeholder businesses will have access to view, print and download case documents electronically if they have a portal account and are a party to the case. The FOIA requires the charge to be based on the actual cost of producing the copy. Since there will be no agency cost related to this, these costs for stakeholder businesses will be eliminated. All stakeholders will be offered the opportunity to have a portal account, including pro se claimants. If the stakeholder chooses not to have an account, then copy requests fees will apply in the same manner as they do today. The fee revenue for FY17-18 was \$75,600. The associated expenditures are within the Judicial Management program as salary and benefits and other operating costs. The enabling authority is the Freedom of Information Act Section 30-4-30(B).



South Carolina Workers' Compensation Commission

Thank you for your time and
consideration of your budget
request for FY2019-20.