

Workers' Compensation Commission

FY2022-23 Budget

House Ways & Means Budget

Subcommittee

January 18, 2022

Cover Letter

State of South Carolina

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Workers' Compensation Commission

January 10, 2022

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

RE: FY22-23 Budget Request

Dear Representative Erickson:

The SC Workers' Compensation Commission respectfully submits the annual operating budget request for FY22-23. The Commission pleased to announce the request is the same level of funding approved in the current fiscal year, \$2.5 million General Fund and \$5.6 million for the Earmarked Fund. The total request of recurring funds for the operations of the agency is \$8.1 million.

We are requesting a one-time request of \$5 million of non-recurring funds for the completion of the IT Legacy System Modernization Project. The estimated cost of the new system is approximately \$10 million. The final cost will not be determined until a vendor is selected. The amount requested for FY22-23 will supplement the \$1.6 million previously appropriated and carried forward for this project and funds collected from the Self-Insurance Tax.

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,

A handwritten signature in blue ink, appearing to read "T. Scott Beck".

T. Scott Beck
Chairman

Cc: Gary M. Cannon

List of Key Officials

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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Agency Overview

**SC Workers' Compensation Commission
FY22-23 Budget Request**

Agency Overview

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.

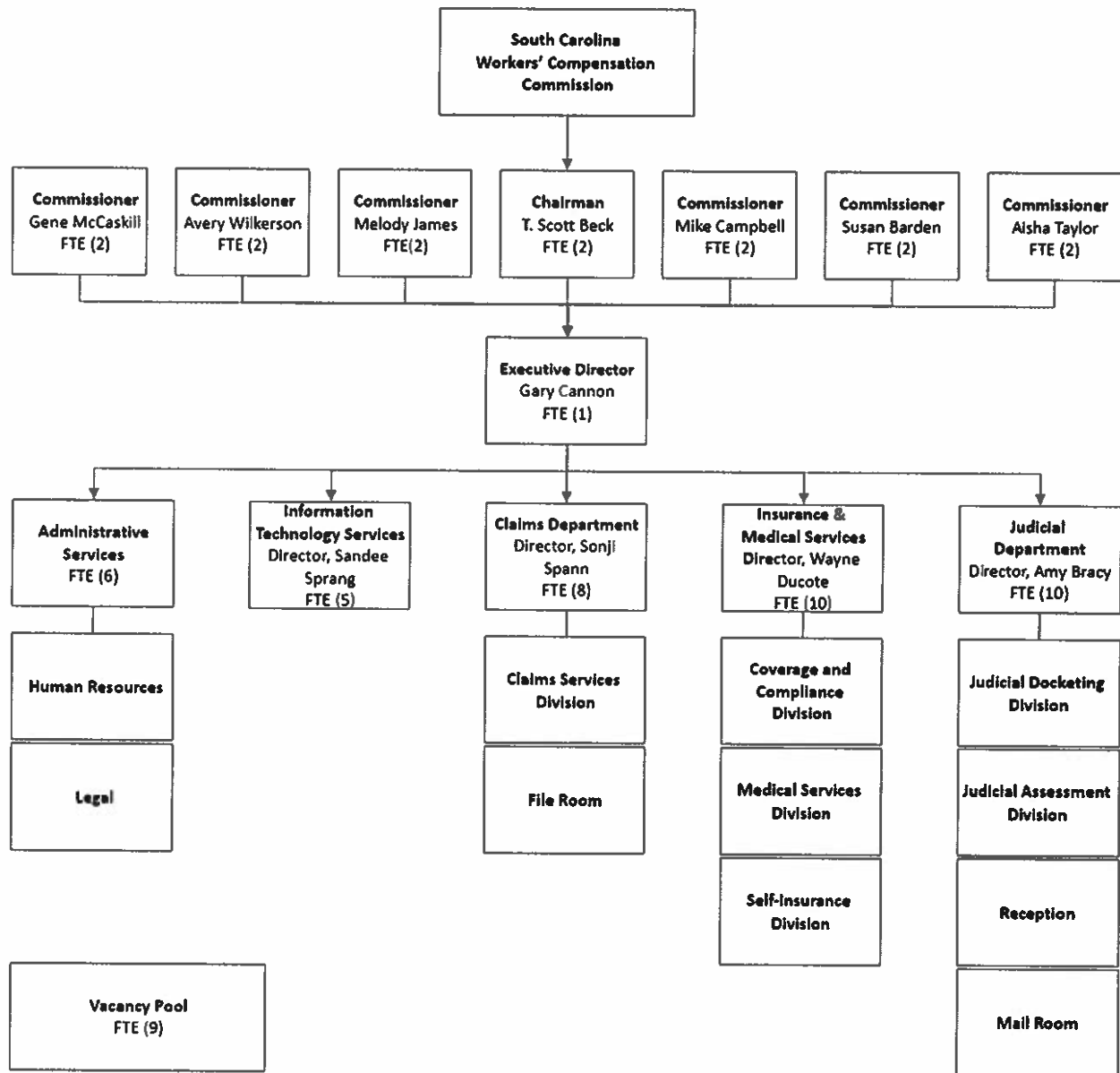
The mission of the South Carolina Workers' Compensation Commission is to provide an equitable and timely system of benefits to injured workers and employers in the most responsive, accurate, and reliable manner possible.

The vision of the SC Workers' Compensation Commission is to judiciously consider the facts of each case and render decisions based on the application of those facts to the law; for all stakeholders to be treated fairly and equitably and in a timely manner; to have an organizational culture that promotes efficiency and effectiveness; and to always keep in mind each case involves a person.

Workers' Compensation Commission accomplishes the mission in five major program areas: Administration, Judicial, Insurance and Medical Services, Claims and Employee Benefits in State Funded Appropriations (General Fund) and authorized expenditures in the Earmarked Fund. The expenditures in the Earmarked Fund are paid by revenues generated through filing fees, fines and assessments, and Self-Insurance Tax Funds. During FY21 the Commission employed fifty-one FTEs and five temporary employees, eight unclassified positions and forty-three classified positions.

The Commission is requesting no additional funding for the FY2022-23, General Fund and the Earmarked Fund. The same level of funding for as approved for FY2021-22, \$2.5 million for the General Fund and \$5.6 million for the Earmarked Fund. The total request for the agency is \$8.1 million. We are requesting a one-time request of \$5 million of non-recurring funds for the completion of the IT Legacy System Modernization Project.

Organization Chart



Executive Summary & Performance Review

SC Workers' Compensation Commission FY22-23 Budget Request

Executive Summary and Performance Update

The following information is published in the Commission's FY2020-21 Accountability Report.

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. The following is an organization chart.

Administration

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

Executive Director's Office

The Executive Director's Office provides oversight of the administrative functions of the agency. This includes budget preparation, financial management and accounting, requisition and procurement, human resources, legal counsel, public information and ombudsman services.

In July 2019 the Commission entered a Memorandum of Understanding with the SC Department of Administration for procurement services and finance and accounting services. The procurement services include purchasing solicitations, purchase order creation, purchase order sourcing, and procurement reporting. Finance and accounting services include general accounting, accounts receivable and payable, deposit processing, preparation of monthly financial reports, assistance with preparation of the annual operating budget, and completion of year-end reporting packages. This resulted in a savings of \$10,000 to the Commission. However, certain duties were retained in-house and assumed by the Executive Director's Executive Assistant. During FY21 the Executive Assistant processed ten purchase requisitions, 257 deposits, 639 invoices, and 131 travel expense reports.

As a part of the public information, outreach and ombudsman services the Executive Director's office logged 3,669 telephone communications, electronic and personal contacts with external stakeholders. Twenty-three general notices, policy advisories, updates and twelve agendas and supporting documents for the Commission Business Meetings were posted on the Commission's website and emailed to 759 individuals and organizations on a distribution list. Twelve email addresses were added to the list during FY21.

Office of the General Counsel

The Office of the General Counsel is part of the Executive Director's Office and operates with two FTEs, a General Counsel and Staff Attorney, and 3 part time Law Clerks. The General Counsel was directly involved in five litigated cases in FY 2020-2021; two cases pending before the Court of Common Pleas, one case pending before the Chief Procurement Officer, two cases pending before the SC Court of Appeals, and one case pending before the Supreme Court of South Carolina. General Counsel also advised on issues involving the State Ethics Commission and security matters with law enforcement. The Office of General Counsel assisted the Commissioners with drafting orders, giving assistance an average of five times per week, and regularly consulted with Commissioners on questions of workers' compensation law and their judicial duties. The Office wrote thirty-three proposed orders for single Commissioners or the Full Commission. General Counsel was involved in monitoring restrictions placed and lifted at the Local, State, and Federal level. General Counsel and the Staff Attorney continue to assist the Insurance and Medical Services Division in the enforcement of fines and penalties against non-compliant employers and insurers. Counsel appeared in three Hearings resulting in Rule to Show Cause Orders.

Human Resources

The primary focus for Human Resources during fiscal year 2020-2021 was concentrated on providing all staff with information regarding benefits and assisting them with Human Resource issues. In addition, the HR Manager worked to recruit, train, measure and evaluate the performance of all employees and to provide data to support recommended changes in policies and procedures. In FY21 the HR Manager attended one virtual PEBA training sessions, and one virtual SCEIS training sessions. Additionally, the HR Manager participated in four State HR Advisory meetings and was invited to the State Training and Development Consortium. The Commission had fifty-two approved FTEs. During FY21, six employees separated or retired, one part-time intern separated, one employee was promoted internally, and six new employees were hired to replace the ones that departed. One law clerk intern started employment in May of 2021 and was assigned to the General Counsel's office.

From July through February of FY21 the majority of the employees telecommuted from home. Starting March of 2021, employees were brought back into the office to work instead of telecommuting. Any exceptions for telecommuting going forward from March 2021 will be decided upon by the agency on a case-by-case bases. Daily reporting previously required by DSHR was changed in March 2021 to weekly reporting, and the HR Manager reported the number of employees working onsite, the number telecommuting, the number on leave because of COVID-19 and the number using sick/annual leave.

Information Technology Department

The IT Department is staffed with 5 employees who support the internal stakeholders by providing the appropriate technology to allow staff to work efficiently. The department supports the agency's external stakeholders by providing assistance with EDI transmissions, electronic submission of files, and end user support of the eCase portal. During FY21, the IT Department's resources were challenged to maintain agency operations while dedicating four staff to the Legacy System Modernization Project, KERMIT. Despite all efforts by the agency, the deficiencies in the functionality of the system developed by vendor were so significant, the implementation was stopped, and the legacy system was re-activated. Subsequently, the vendor walked away from the project, discontinuing their effort to correct the system's issues. The Commission filed a Request for Resolution for breach of contract against vendor with the Procurement Department of the State Fiscal Affairs Authority. The Commission engaged Microsoft to complete a gap analysis of the new system. The analysis determined the system was non-functional and in its current condition could not be repaired. The Commission prepared a Request for Proposal (RFP) for the development and implementation of a new claims management system. The RFP is currently under review by State Procurement. It is anticipated the RFP will be approved by SFAA and issued in January 2022.

Early in FY21, the IT department configured one of the Commission's hearing rooms with the technology

needed to conduct virtual hearings. This, along with the department's standardization on laptops, positioned the agency to efficiently and effectively transition 80% of staff to a remote work strategy. The IT department continues to be very successful in executing all measures needed to enable and support a remote workforce and provide technology to ensure the continuity of business operations during these unusual times.

Insurance and Medical Services

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

Coverage and Compliance Division

Coverage is responsible for receiving all first reports of injury in order to ensure employers have workers' compensation insurance for the injured employee. The number of accidents reported to the Commission during FY21 was 64,093. This reflects a 2% increase over the number report in the previous year. Of the number reported 39,100 were Minor Medical Reports which involved no lost time and the cost of medical was less than \$2,500. The number of cases re-opened totaled 2,732 which reflects a 11% decrease in the number reported last year.

Employers meeting certain statutory requirements are required to carry workers' compensation insurance for their employees. The Compliance Division verifies employers are complying with the coverage requirement by examining each first report of injury filed with the Commission, reviewing quarterly wage and employment data obtained from the Department of Employment and Workforce (DEW) for the 54,445 employers in the State and following up on individual citizen reports of potential non-compliance by employers. During FY21 the Division caused 397 employers to obtain insurance coverage for approximately 3,718 previously uninsured workers. A total of \$786,000 in fines and penalties were collected from these violations. The Division is responsible for collecting unpaid fines from insurance carriers for failure to submit required reports in a timely manner. Failure to pay the fine results in a Rule to Show Cause Hearing before a Commissioner. One-hundred seventy cases were set for Rule to Show Cause Hearings, resulting in \$148,972 fines being collected.

Medical Services Division

The Medical Services Division is responsible for overseeing the implementation of the medical fee schedules which establishes a maximum allowable payment for services provided in workers' compensation injuries. The In-hospital Fee Schedule and the Ambulatory Surgery Fee Schedule values are updated January 1 with the Center for Medicare and Medicaid Services (CMS). The values for these schedules are calculated by using the CMS values plus 40%. The Medical Services Provider Manual (MSPM) is updated annually in April. The maximum allowable payment is calculated by using medical codes from the American Medical Association, values established by the CMS and a dollar-based conversion factor approved by the Commission. The Commission has a formal dispute process for medical service providers and insurance carriers to utilize when billing and payment disputes arise. In FY20 the Division responded to 144 formal disputes through the Medical Fee Dispute Process as well as responding to 789 general inquiries from medical service providers and payers.

Self-Insurance Division

The Commission approves all applications for employers to be self-insured for workers' compensation insurance. The Self-Insurance Division of the IMS Department is responsible for reviewing all applications and to ensure the employer meets and maintains the qualifications and financial requirements to be approved to self-insure. During FY21 the Division recommended and the Commission approved 109 applications for self-insurance. The Division oversees eighty-three self-insured employers and nine funds providing coverage to about 1,800 employers and 350,000 workers. Forty-eight audits were conducted to monitor the financial stability of the self-insured employers and funds. The Division collects the 2.5% Self-Insurance Tax on the calculated premiums of self-insurers which resulted in \$5.8 million being collected.

\$2.9 million was remitted to the State General Fund.

During FY20-21 the processes and production of the IMS department were still slightly impacted by COVID-19. At times it was difficult to reach employers and address compliance issues and employers were slow to resolve compliance fines and penalties due to the pandemic's effect on their businesses. However, the biggest impact to the IMS department during FY 20-21 was staffing changes. One compliance officer left the agency in July 2020, and another left the agency in September 2020. Production was significantly impacted during that time as the workload was distributed between the two remaining compliance officers. Two new compliance officers joined the IMS department in October 2020 and November 2020. Production continued to be impacted as significant time and resources were used to provide the necessary training for the two new compliance officers.

Claims Department

The Claims Department processes periodic reports filed by carriers, reviews all final settlements and responds to request for claims history data. During FY20, the department processed 27,443 initial notices/termination of payments (Forms 15,15II, 17), and 53,738 Carrier's Periodic Report (Form 18). The department continues to encourage the use of electronic filing. Of total Form 18s received 31,585 were filed electronically through Electronic Data Interface (EDI); 19,499 were filed as an attachment to an email and 1,321 were received through the US Postal Service. The Department processed 7,776 Clinchers, 2,559 Form 16s, and 178 Third Party Settlements. The Department continues to conduct outreach efforts to educate and inform stakeholders on the correct procedures for filing reports timely in order to avoid assessments of fines.

Four of the Claims Department employees worked from home and four essential employees continued to work on-site to process incoming and outgoing mail, invoices, deposits, required WCC Forms and attorney fee petitions in response to the Governor's Executive Order.

Judicial Department

The Judicial Department monitors, reviews and assigns all contested workers' compensation cases for hearings with a single Commissioner, processing requests for scheduling Informal Conferences, and processing appeals of single Commissioner decisions and orders for hearing before an Appellate Panel. During FY21, the department processed over 33,000 pleadings, motions, appeals, and mediation documents. The department effectively continued to obtain and coordinate the use of 100 different locations across the state with local governments, educational institutions, and state agencies to schedule venues for Single Commissioner Hearings and Informal Conferences in the seven jurisdictional districts.

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 3,269 cases for Informal Conferences of which 2,466 were conducted. A Commissioner is responsible for conducting an Informal Conferences when an agreement is not reached during the meeting with the Claims Mediator or the medical costs exceed \$50,000. Eighty-one were conducted by Commissioners during FY21.

Single Commissioner Hearings and Other Case Related Activity

The department assigned 9,479 cases to the Commissioners offices during FY21. This number is slightly lower than the previous year. The Commissioners conducted 835 hearings which was 23% more than the previous year. The Commissioners are responsible for all aspects of a case which includes more than hearing cases and issuing Decisions and Orders. During FY21 the Commissioners approved 11,312 settlements and 8,314 attorney fee petitions; issued 216 administrative orders; issued 2418 single

commissioner orders and 3,219 consent orders; conducted 1,748 clincher conferences and 282 pre-hearing conferences; reviewed 1,531 motions and approved 759 relief of counsel motions.

Processing Time

The amount of time for a disputed case to be resolved is critical to the employee and employer. Time will impact the cost of the claim to the employer in the form of temporary compensation. To the injured employee a delay may result in medical services not provided or payment not made to the injured worker in a timely manner. The Commission constantly monitors the average number of days for processing a hearing request and docketing a hearing. The request is processed in an average of 30 days and a hearing is docketed in an average of 88 days. Both averages include the required notice period for each case. After the hearing the Commissioner issues order instructions within 90 days.

Full Commission Appellate Activity

During FY21 there was an overall decrease in the Appellate activity. Single Commissioner decisions appealed decreased by 42%; the number of cases reviewed by the Appellate Panels decreased by 14%; and the number of Appellate Panel decisions appealed to a higher court decrease 33%. (FC hearings in FY 20 were 69 and FY 21 were 59 so that is a decrease of 14%.

Mediations

During FY21 the Commission received 854 reports of mediation via the Form 70. Of those 655 were resolved, 191 failed to be resolved and eight remained unresolved with pending issues. Seven mediations occurred as a result of an Order by a Commissioner.

The majority of the Judicial employees returned to the office March 2021. The employees with high risk to exposure were allowed to continue to work from home.

Appellate hearings continue to be conducted electronically with the Commissioners participating via Zoom.

SC Department of Vocational Rehabilitation

The Commission continues to work with the S.C. Vocational Rehabilitation Department (SCVRD) for the benefit of the injured workers in South Carolina by providing access to claimant's data, referring claimants to SCVRD and to working the counselor assigned to the Commission to coordinate claimants' access and referral to their services. The SCVRD counselor reviews individual claims and attends hearings and Informal Conferences to ascertain if the claimants would benefit from SCVRD services. SCVRD staff in local offices continued to access electronic portal to case records to contact claimants about SCVRD services. SCVRD contacted 2,523 claimants during the FY21.

Agency's Response to the Pandemic

During FY2021 the pandemic required the Commission to change the business processes to ensure the continuity of all claims being processed for adjudication of disputed claims so claimants to receive benefits afforded them under the Act in a fair and timely manner. The safety and well-being of the Commission's personnel was foremost. Without staff resources to process claims and the Commissioners availability to conduct hearings the system would suffer greatly. The Commission implemented a plan to designate about 20% of the employees as essential and continue to work on site at the Commission's office. The Commission implemented CDC and DHEC recommended safety protocols for these employees. The remaining 80% of employees were able to work from home to perform their primary duties and responsibilities. The essential employees processed incoming mail, including pleadings, claims, forms, and deposits then forwarded those items to the appropriate employee working from home. Fortunately, the existing IT infrastructure was adequate for the Commission to implement this plan allowing the Commission able to sustain a level of productivity at a pre-pandemic level.

The following is a comparison of the annual key statistical data of the Commission for FY2020-21.

South Carolina Workers' Compensation Statistical Summary	2019-2020	2020-2021	% chg
1. Number of Employers Purchasing Insurance	100,684	104,869	4.2%
2. Number of Employers Qualifying as Self-Insurers	2,019	1,921	-4.9%
3. Investigations Active Beginning of Fiscal Year	528	253	-52.1%
4. Investigations Initiated	1,300	1,711	31.6%
5. Investigations Set for Show Cause Hearings/ Consent Agreements Received	657	582	-11.4%
6. Total Investigations Closed	1,687	1,630	-3.4%
7. Investigations Active at Close of Fiscal Year	253	307	21.3%
8. Number of Accident Cases Filed with the Commission	66,925	58,327	-12.7%
A. New Cases	64,093	55,553	-13.3%
i. WCC Cases Created	24,893	25,545	2.2%
ii. Minor Medical Reported (12M)	39,100	30,008	-23.3%
B. Reopened cases	2,732	2,774	1.5%
9. Number of Cases Closed during Fiscal Year	64,345	58,206	-9.5%
A. Individually Reported Accidents	25,245	28,188	11.7%
B. Minor Medical Only Accidents Reported in Summary	39,100	30,008	-23.3%
10. Total Compensation & Medical Cost Paid on Closed Cases	\$1,038,143,872	\$1,083,921,589	4.4%
A. Medical Costs	\$451,423,755	\$467,016,882	1.2%
i. WCC Closed Cases	\$417,067,771	\$429,364,037	2.9%
ii. Minor Medical Reported (12M)	\$34,355,985	\$27,651,845	-19.5%
B. Compensation	\$586,720,116	\$626,905,707	6.8%
11. Temporary Total Compensation Agreements	13,650	14,602	7.0%
12. Supplemental Compensation Agreements	2,501	2,559	2.3%
13. Applications for Stop Payment expedited hearing	1,355	1,392	2.7%
14. Cases Docketed for Hearings	9,667	9,480	-1.9%
15. Cases Assigned for Informal Conferences	3,615	3,188	-11.8%
16. Hearings Conducted by Single Commissioners	677	834	23.2%
17. Informal Conferences Conducted	2,422	2,466	1.8%
18. Decisions, Opinions & Orders, Single Commissioners	2,460	2,432	-1.1%
19. Cases Appealed to Full Commission for Review	173	166	-4.0%
20. Reviews Conducted by Full Commission or Panel	69	59	-14.5%
21. Decisions and Opinions by Full Commission or Panel	107	70	-34.6%
22. Commission Decisions Appealed to Higher Court	41	19	-53.7%
23. Common Law Settlements	10,765	10,976	2.0%
24. Attorney Fee Approvals	8,382	8,337	-0.5%
25. Self-Insurance Tax Collected	\$4,716,293.65	\$5,837,585.83	23.8%

Financial Update

Financial Update

FY2022-23 Budget Request

The charts in the Financial Update section reflect a four-year history of appropriations and expenditures and projected expenditures through the end of FY2022 in the General Fund; a four-year history of revenues and expenditures and projected revenues and expenditures through the end of FY2022 in the Earmarked Fund. The chart at the bottom of the page is a four-year history and a projection of the Self-Insurance Tax collections through the end of FY2022.

General Fund

The chart entitled General Fund Appropriations and Expenditures reflects a four-year history of ended FY2020-21 with total expenditures of \$2.6 million, 5% less than the amount Appropriated. This resulted in a surplus of \$146,441.

Earmarked Fund

The Corona virus had a definite impact on the agency's business operations for FY2021. Eighty percent of the employees were working from home for nine months of the fiscal year. Earmarked Fund revenues were down by 14% when compared to the previous years' collections. Total expenditures for FY2021 were 20% less than the previous fiscal year.

Self-insurance Tax

The Commission collected \$5.8 million in self-insurance tax revenues and transferred \$2.9 million to the State General Fund

IT Legacy System Modernization Project

The Commission carried forward \$1.6 million of funds appropriated by the General Assembly for the IT Legacy System Modernization project.

General Fund Appropriations and Expenditures FY2018-22						
	FY2018	FY2019	FY2020	FY2021	FY2022*	Projection thru 6/30/22
Appropriations	\$ 2,116,307	\$ 2,116,307	\$ 2,893,869	\$ 2,819,026	\$ 2,845,196	\$ 2,845,196
Expenditures	\$ 2,065,110	\$ 1,927,664	\$ 2,578,439	\$ 2,672,585	\$ 1,286,171	\$ 2,572,342
Variance	\$ (51,197)	\$ (188,643)	\$ (315,430)	\$ (146,441)	\$ (1,559,025)	\$ (272,854)

*Expenditures through 12/31/2021

Earmarked Fund Revenue and Expenditures FY2018-22							
Revenue							
Account	Actual				Budget	Actual YTD	Actual Projected
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2022 (12/31/21)	FY2022
Workers Comp Hearing Fee	\$ 593,400	\$ 1,070,550	\$ 1,128,738	\$ 1,123,345	\$ 1,091,322	\$ 452,700	\$ 905,400
Self Insurance App Fee	6,975	-	10,425	\$ 3,475	26,555	5,850	\$ 11,700
Violations and Penalties	2,252,574	2,381,873	1,642,365	\$ 1,383,926	1,985,476	686,907	\$ 1,373,814
Parking Fee	5,460	5,465	5,335	\$ 5,220	5,900	17,993	\$ 35,986
Workers Comp Award Review Fee	35,500	34,400	-	-	32,251	8,850	\$ 17,700
Training Conference Registration Fee	6,337	-	7,380	\$ 1,130	-	-	\$ -
Sale of Goods	1,134	-	-	-	-	-	\$ -
Sales of Photocopies	75,600	63,317	60,851	\$ 54,914	25,300	53,936	\$ 107,872
Sale of Services	1,260	13,562	27,075	\$ 300	300	-	\$ -
Sale of Listings Labels	3,100	4,175	108,360	\$ 2,942	4,187	1,133	\$ 2,266
Refund Prior Year Expenditure	-	-	1,410	\$ 3,488	-	11	\$ -
Adjustment to Agency Deposits	-	83,025	-	-	-	(100)	\$ -
Returned Checks	(400)	(9,600)	-	-	-	-	\$ -
Misc Revenue	\$ 1,420	\$ 1,588	\$ 1,945	\$ 200	-	-	\$ -
Total	\$ 2,982,360	\$ 3,648,355	\$ 3,011,409	\$ 2,598,010	\$ 3,171,291	\$ 1,227,280	\$ 2,454,738
Expenditures							
	FY2018	FY2019	FY2020	FY2021	FY2021 (10/31/2021)	Projection thru 6/30/22	
Budget	\$ 5,068,789	\$ 5,607,845	\$ 5,607,845	\$ 5,607,845	\$ 1,850,589	\$ 5,551,767	
Expenditures	\$ 3,770,469	\$ 3,620,851	\$ 4,427,725	\$ 3,528,122	\$ 1,386,643	\$ 4,159,929	
Variance	\$ (1,298,320)	\$ (1,986,994)	\$ (1,180,120)	\$ (2,079,723)	\$ (463,946)	\$ (1,391,838)	

Self-insurance Tax Collections						
	FY2018	FY2019	FY2020	FY2021	FY2021 (12/31/2021)	Projection thru June 30
Self-Insurance Tax	\$ 2,359,447	\$ 2,405,978	\$ 2,313,254	\$ 2,500,000	\$ 2,258,024	\$ 4,516,048

FY 2020-2021 Agency Accountability Report
 Budget Responses:

These responses were submitted for the FY 2020-2021 Accountability Report by the

WORKER'S COMPENSATION COMMISSION

State Funded Program Number	State Funded Program Title	Description of State Funded Program	FY 2020-21 Expenditures (Actual)			FY 2021-22 Expenditures (Projected)			
			General	Other	Federal	General	Other	Federal	
			TOTAL			TOTAL			
0100.0000000.000	Administration		\$345,103.00	\$1,406,324.00	\$16,792.00	\$1,768,219.00	\$261,720.00	\$3,458,698.00	\$3,720,418.00
0500.0100000.000	Commissioners		\$1,490,955.00	\$244,919.00		\$1,735,874.00	\$1,467,134.00	\$300,700.00	\$1,767,834.00
0500.0500000.000	Judicial			\$506,541.00		\$506,541.00	\$29,852.00	\$315,094.00	\$344,946.00
1002.0000000.000	Insurance & Medical Services		\$30,600.00	\$405,096.00		\$435,696.00	\$27,697.00	\$536,844.00	\$564,541.00
1503.0000000.000	Claims		\$80,565.00	\$234,131.00		\$314,696.00	\$78,767.00	\$300,550.00	\$379,317.00
9500.0500000.000	State Employer Contributions		\$623,771.00	\$692,383.00		\$1,316,154.00	\$713,269.00	\$695,959.00	\$1,409,228.00

Budget Request Summary

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



**Fiscal Year FY 2022-2023
Agency Budget Plan**

FORM A - BUDGET PLAN SUMMARY

OPERATING REQUESTS <i>(FORM B1)</i>	For FY 2022-2023, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting General Fund Appropriations.
	<input type="checkbox"/>	Requesting Federal/Other Authorization.
	<input checked="" type="checkbox"/>	Not requesting any changes.

NON-RECURRING REQUESTS <i>(FORM B2)</i>	For FY 2022-2023, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting Non-Recurring Appropriations.
	<input type="checkbox"/>	Requesting Non-Recurring Federal/Other Authorization.
	<input checked="" type="checkbox"/>	Not requesting any changes.

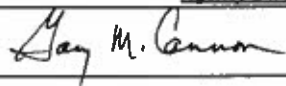
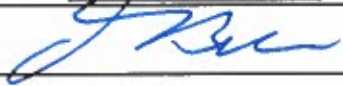
CAPITAL REQUESTS <i>(FORM C)</i>	For FY 2022-2023, my agency is (mark "X"):	
	<input checked="" type="checkbox"/>	Requesting funding for Capital Projects.
	<input type="checkbox"/>	Not requesting any changes.

PROVISOS <i>(FORM D)</i>	For FY 2022-2023, my agency is (mark "X"):	
	<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 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 2022-2023 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

SIGN/DATE:	<u>Agency Director</u>	<u>Board or Commission Chair</u>
	 Sept 27, 2021	
TYPE/PRINT NAME:	Gary M Cannon	T.S. Beck

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

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

BUDGET REQUESTS			FUNDING					FIES				
Priority	Request Type	Request Title	State	Federal	Earmarked	Restricted	Total	State	Federal	Earmarked	Restricted	Total
1	C - Capital	IT Modernization Project	5,000,000	0	0	0	5,000,000	0.00	0.00	0.00	0.00	0.00
TOTALS			5,000,000	0	0	0	5,000,000	0.00	0.00	0.00	0.00	0.00

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

FORM C – CAPITAL REQUEST

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

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

AMOUNT	\$5,000,000
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How much is requested for this project in FY 2022-2023? This amount should correspond to the total for all funding sources on the Executive Summary.

CPIP PRIORITY	<p>The plan year for this IT Modernization project is 2022/2023 and it is the agency's number one priority. The Commission expects to issue the RFP for the project in mid-October of 2021, to negotiate and award a contract by the end of 2021, and for the project to begin between January and March of 2022. Preliminary cost is estimated to be \$10-\$12 million. The duration/length of the project is expected to be 24-30 months from initiation to implementation with a subsequent warranty period of 4 to 6 months. In addition to the capital funds requested, the Commission will fund the balance of the project with Earmarked Other Funds collected by the agency. The Commission does not have a contingency plan to fund the project if state funding is not provided.</p>
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Identify the project's CPIP plan year and priority number, along with the first year in which the project was included in the agency's CPIP. If not included in the agency's CPIP, please provide an explanation. If the project involves a request for appropriated state funding, briefly describe the agency's contingency plan in the event that state funding is not made available in the amount requested.

OTHER APPROVALS	IT Planning approval has been obtained.
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What approvals have already been obtained? Are there additional approvals that must be secured in order for the project to succeed? (Institutional board, JBRC, SFAA, etc.)

LONG-TERM PLANNING AND SUSTAINABILITY	<p>In 2018 the agency invested \$186,000 to design the project. The RFP will be developed around the results of the design. No additional capital funds will be needed for this project. The life expectancy of the system once installed is 12-15 years. Future support, maintenance and enhancements will be funded from filing fees and fines collected by the agency.</p>
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What other funds have already been invested in this project (source/type, amount, timeframe)? Will other capital and/or operating funds for this project be requested in the future? If so, how much, and in which fiscal years? Has a source for those funds been identified/secured? What is the agency's expectation with regard to additional annual costs or savings associated with this capital improvement? What source of funds will be impacted by those costs or savings? What is the expected useful life of the capital improvement?

LONG-TERM PLANNING AND SUSTAINABILITY	<p>The Workers' Compensation Commission's IT Legacy Modernization Project will transform the agency's business system and processes and replace a system that has been in use for 35 years. As a general overview, the new system will be portal based system through which all stakeholders can participate in the processing of their claim. They will be able to create and submit all forms and documents through the portal, pay fees and fines electronically and track all aspects of the claim throughout its lifecycle. Coverage and compliance functions workflows will automate business process that are currently paper-based and manual workflows. Data will be collected from the Supreme Court, Dept. of Employment and Workforce, the Secretary of State's office and NCCI to validate data.</p>
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SUMMARY

Modernization Benefits

The modernized system will provide the following benefits:

1.Security:

Building security inherently into the system will allow our agency to provide many new functions to our stakeholders as well as meet the security requirements demanded by state and federal regulations. Specifically, we will be able to collect and transmit files securely enabling electronic service to all stakeholders, including third-party administrators. We will have the ability to collect fees and fines electronically using a vendor interface, all while ensuring the agency doesn't have to assume the responsibility for PCI data. This built-in security will provide the basis for our HIPAA digital compliance and will provide the ability to upload documents containing PHI data. 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 these pleadings to be uploaded and processed electronically would expedite the process and increase efficiency, again, eliminating the need for paper forms.

2.Business Operation Improvements

As the workers' compensation business has evolved, our agency has put in place many manual processes to work around the limitations in function and design of our Progress system. For example, third-party administrators were not prevalent in the insurance industry when our system was designed so our current system is not built with this important relational link to insurance carriers. To accommodate this inadequacy, our data collection processes were developed without standardization and with minimal data edits. The result is our existing data is loosely coupled, the data elements lack clarity and, overall, much 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 allow for all forms to be completed and submitted online, applying all of the appropriate edits throughout the process to ensure the information is complete and accurate. Data collection processes will be digitally based, clearly defined and built with stringent edits to ensure data is correct, timely and standardized. This will dramatically improve our current position and provide the platform from which we can continually improve our business operations.

The Claims department has a large number of staff dedicated to data entry and other paper-intensive processes. The new system will provide for the electronic collection of forms through a stakeholder portal, 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.

3.Reduced Complexity and Dependency

The existing claims system, Progress, 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 4th 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.

Summary

The implementation of a modernized system has many benefits for the Commission, our stakeholders and the citizens of our state as a whole. This project aligns perfectly with the Statewide Strategic IT Plan; it advances information security and accessibility; it improves the reliability of a state system; it evolves citizen access to government services, and it institutes data-driven decision making. All these in turn will allow our state to become a leader in technology innovation in the Workers' Compensation industry.

FY 21-22 Prioritized Budget Request Summary
 Workers' Compensation Commission R080

BUDGET REQUESTS		FUNDING						FTEs				
Priority	Request Type (recurring, non-recurring, capital)	Request Title	Brief Description	General - Recurring	General - Nonrecurring	Other	Federal	Total	State	Other	Federal	Total
1	Non-recurring	IT Legacy System Modernization Project	Upgrade of 30 year old claims management system.		\$5,000,000			\$ 5,000,000				0.00
2								0				0.00
3								0				0.00
4								0				0.00
5								0				0.00
6								0				0.00
7								0				0.00
8								0				0.00
9								0				0.00
10								0				0.00
11								0				0.00
12								0				0.00
13								0				0.00
14								0				0.00
15								0				0.00
16								0				0.00
17								0				0.00
18								0				0.00
19								0				0.00
20								0				0.00
TOTAL BUDGET REQUESTS				\$ -	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	0.00	0.00	0.00	0.00

Provisos

**Workers' Compensation Commission
FY2022-23 Budget Request Proviso Summary**

FY 20-21 Proviso #	Renumbered FY 21-22 Proviso #	Proviso Title	Short Summary	FY of Proviso Introduction/ # of years in budget	Recommended Action	Proviso Language
74.1	74.1	Educational Seminar	Revenue from educational seminars retained by the Commission for expenses for future seminars.	15	NO CHANGE	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.
74.2	74.2	Filing Fees	Revenue from \$50.00 filing fee for a hearing, settlement, or motion to be retained and expended by the Commission.	5	NO CHANGE	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.