

State of South Carolina

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Workers' Compensation Commission

Ways and Means Transportation and
Regulatory Budget Subcommittee

January 12, 2017

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Workers' Compensation Commission

January 11, 2017

The Honorable Dwight A. Loftis, Chairman
House Ways and Means, Transportation, Regulatory & Cultural Subcommittee
South Carolina House of Representatives
326C Blatt Building
Columbia, SC 29201

RE: FY2017-18 Budget Request

Dear Representative Loftis:

The SC Workers' Compensation Commission respectfully submits the FY2017-18 Budget request. The Commission is requesting a total annual operating budget of \$6.4 million. The total includes \$2 million from General Appropriations and a request for authorization to spend \$4.4 million in the Earmarked Fund. The Commission is requesting no increase in the funding from the General Appropriations.

In General Appropriations, the Commission is requesting the same level of funding as approved by the General Assembly for the FY2016-17 budget. General Appropriations fund salaries and benefits for seven Commissioners, seven Administrative Assistants, three FTEs in three different divisions and \$75,000 of recurring funds for the Information Security Program.

In the Earmarked Fund, the Commission requests an authorization to spend \$4.4 million. Expenditures are supported by general operating revenues generated by various sources statutorily earmarked for the Commission. The Commission anticipates a decrease of 55% of general operating revenues when compared to the current fiscal year. This can be attributed to a combination of over projection of revenues expected in hearing fees and fines and assessments and changes in business operations. More stakeholders are changing processes in order to submit required reports timely, thus avoiding assessment of late fees and fines. To sustain operations, operating revenues are now being replaced with self-insurance tax funds.

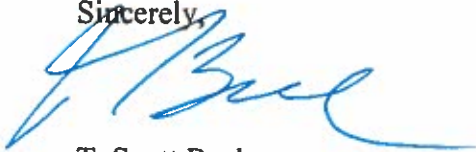
The Honorable Dwight A. Loftis
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As a result of Act 95 enacted by the General Assembly in 2014, the Commission is allocated fifty percent of Self-Insurance taxes collected. This averages \$2.4 million per year. The request for authorization to spend includes \$2.4 million, the Commission's share of the Self-Insurance Tax. This revenue will be used to cover the budgeted expenditures in the Earmarked Fund. The increase in spending authorization is a result of \$373,194 in recurring expenditures for the creation of one FTE, increases in the cost for infrastructure hosting, shared services and licensing related ensuring the sustainability of Information Technology system, compliance with the State mandated Information Security program, and salary adjustments due to changes in duties and responsibilities. A total of \$293,632 non-recurring funds are related to Legacy Data System modernization, hardware replacement, and training and employee one-time bonus program.

The Commission continues to enhance services to stakeholders by improving the efficiency and effectiveness of the Commission's operations. The improvements are reflected by the containment of cost of medical services and the reduction in the number of days for a hearing to be conducted, the reduction in the number of appeals of Commissioners' decisions, the decrease in the number of individual Commissioners' decisions appealed and the decrease in the number 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,

A handwritten signature in blue ink, appearing to read "T. Beck", written over the word "Sincerely,".

T. Scott Beck
Chairman

cc: Gary M. Cannon, Executive Director

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South Carolina Workers' Compensation Commission

List of Key Officials

T. Scott Beck, Chairman

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Aisha Taylor, Commissioner

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Gary Cannon, Executive Director

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South Carolina Workers' Compensation Commission
Agency Overview

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 to employers in the most responsive, accurate, and reliable manner possible.

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.

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. These services were transferred to the Executive Director during fourth quarter of FY2015-16. 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.

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 Commission consists of seven Commissioners appointed by the Governor with the advice and consent of the Senate for terms of six years. The Governor designates one commissioner as Chairman for a term of two years. The Chair is the chief executive officer of the Commission and responsible for implementing the policies established by the Commission in its capacity as the governing board. In its judicial capacity, the Commissioners are responsible for hearing and determining all contested cases, conducting informal conferences, approving settlements, and hearing appeals. In their quasi-judicial role, Commissioners conduct legal proceedings throughout the state.

It is the responsibility of the Commission to administer 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.

The Commission's mission is functionally carried out by four departments: Judicial, Claims, Insurance and Medical Services (IMS) and Information Technology Services. Each department

is under the supervision of a director and may be organized into one or more operational divisions.

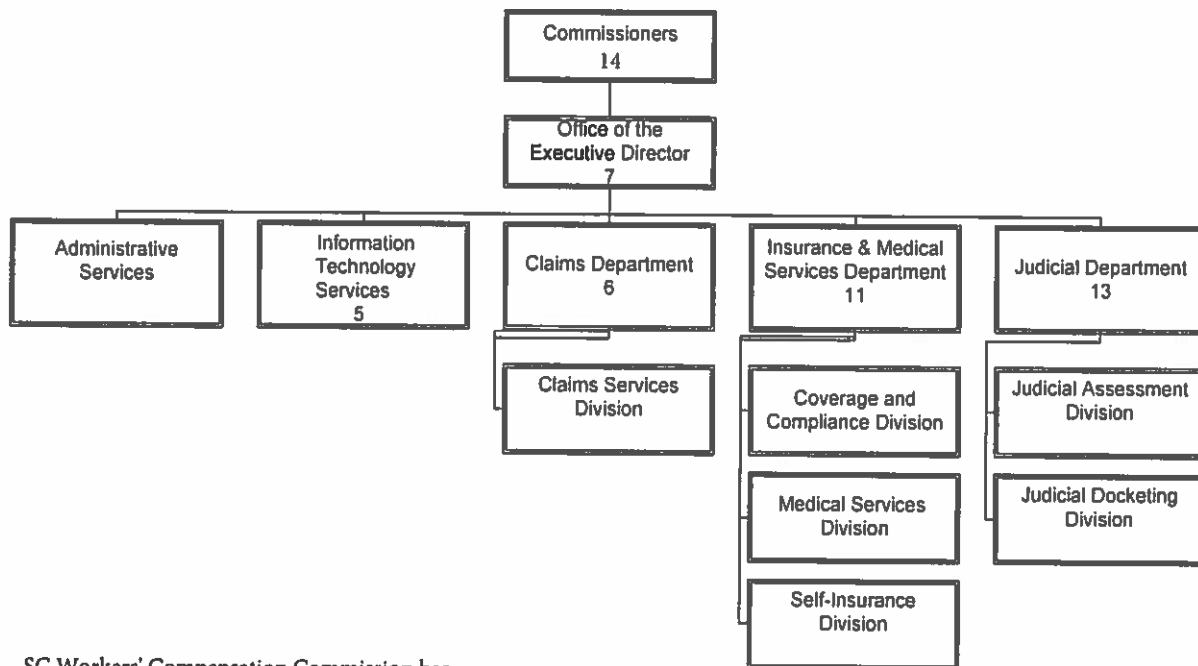
The IMS Department is divided into three divisions: Coverage and Compliance, Medical Services and Self-insurance. The Coverage and Compliance Division maintains records for employers' workers' compensation insurance and ensures employers required to carry insurance under the Act obtain and maintain the insurance coverage in compliance with the Act. The Coverage Division received and established 63,942 claims during FY2015-16, an increase of 1.5%. The Compliance Division conducts investigations on uninsured employers to determine if they are subject to the Act. During FY2015-16 the division increased the number of investigations by 14%. This resulted in 323 employers being compelled to come into compliance with the Act. An estimated 3,000 workers previously without workers' compensation coverage are now properly covered. As a result of compliance violations, the division collected \$902,128 in fines.

The Judicial Department oversees the disposition of cases for hearings with contested matters and scheduling cases for informal conferences. This includes coordinating cases for mediation, preparing cases with contested issues for individual Commissioners' hearings, preparing case files and dockets for Full Commission Appellate Reviews and scheduling and coordinating venues for Commissioners' hearings and informal conferences in various locations across the state.

The Claims Department is responsible for ensuring carriers and employers comply with all reporting requirements of the Act. This includes the initial injury report, periodic open claims status reports and final reports to close the claim. Claims Department personnel review individual case records to ensure the requirements of the Workers' Compensation Act and the rules and regulations of the Commission are being observed.

The Information Technology Services (IT) Department is responsible for the coordination and management of the flow of information and assisting agency departments with evaluation of business processes to eliminate redundant systems and streamline workflow using information technology management systems. This includes the development, maintenance, retention, storage, processing and security of data and information. IT is the primary source for developing and maintaining a system for monitoring and reporting departmental data and metrics.

South Carolina
Workers' Compensation Commission



SC Workers' Compensation Commission has a total of 56 employees. 56 are FTEs of which 8 are unclassified; 46 are classified, and 2 temporary.

January 10, 2017

Summary 2015-2016 Accountability Report

Goals of the Commission

The Commission has adopted four basic goals and implementation strategies to ensure the Mission is successfully accomplished on behalf of our stakeholders. The Commission considers stakeholders in the system to be those individuals, businesses, and other organizations participating and utilizing or otherwise involved with the system. These include, but are not limited to, employers, injured employees, insurance carriers, representatives in the legal community, and medical service providers.

The Commission's core values of competency, continuous improvement, professionalism, efficiency, employee development, stakeholder need awareness and cost effectiveness are engaged and leveraged throughout the organization in the support of this goal, to the benefit of the workers, employers and key stakeholders in the State.

To accomplish the Mission, the Commission has 4 goals:

1. Ensure statutory and regulatory requirements and agency policies and practices are implemented and applied in a fair and consistent manner to all system stakeholders.
2. Develop and propose reasonable policies and regulations to control the cost of workers' compensation in the State.
3. Interact and engage system stakeholders for feedback to improve efficiencies and effectiveness of system.
4. Adopt a continuous improvement program to enhance the effectiveness and efficiency of the Commission's business processes and procedures.

In order to pursue these goals, the Commission committed to build a culture of continuous review and improvement of policies, procedures and business practices; increased efficiency and effectiveness; and fairness and consistency. The Commission utilizes new Information Technology Management Systems to achieve many of the objectives that follow herein. Financial considerations and human resource capacity pose key strategic challenges to the organization as it seeks to deploy new information technology management systems. Our financial challenges mirror those of other public sector organizations; namely "how do we best leverage our limited resources to facilitate improvements for our stakeholders and those we serve"? New information technology systems allow staff to access and process data efficiently and effectively.

Internally, the strategic challenge arises with the adoption of the new processes by all segments of the business operation and the proper training of human resources to utilize the new process in the most efficient and effective manner. Deployment of the new IT initiatives is intended to reduce the fiscal burden of the workers compensation program on the business community, while continuing to provide excellent services to our customers.

Externally, the deployment of new information technology management processes will allow external business partners to interface with the Commission electronically for the submission of required data to meet legally imposed deadlines. The new electronic interface will allow business partners to be more efficient and reduce cost of operations by reducing expenditures for fines and assessments.

Key Outcomes and Major Achievements FY2015-16

- Approved a new Medical Services Provider Manual (physician's fee schedule) effective September 1, 2015.

- Adopted the 2015 ICD-10 conversion effective October 1, 2015 to maintain consistency with the Commission's CMS (Medicare) based medical and compensation practices.
- Continued the process for implementing information technology security policies, guidelines and standards developed by the Budget and Control Board.
- Contracted with the S.C. School for the Deaf and the Blind for interpreting services.
- Accepted the Debit Card Advisory Committee's recommendations to allow carriers and employers to make electronic indemnity payments.
- Accepted the Narcotics Advisory Committees recommendations regarding the issue of prescribed narcotics for patients receiving treatment as a result of workers' compensation injury.
- Established a system to track number of days to complete review of contested medical bills.
- Improved web portal data access to refer claimants to SC Department of Vocational Rehabilitation for claimant outreach and referral for vocational rehabilitation services. Ninety-nine claimants were referred in FY2015-16.
- Implemented a process by which stakeholders can transmit (upload) electronic images of case documents via the Commission's Internet portal (eCase).
- Adopted the International Association of Industrial Accidents Boards and Commissions (IAIABC) Claims EDI Release 3.0 standard for the voluntary electronic transfer of Subsequent Report of Injury (SROI) information in place of the Commission's Form 18.
- Improved the process for identifying outstanding carrier fine debt to be addressed through the Order and Rule to Show Cause process.
- Implemented use of information technology systems to improve the process for scheduling and serving proper notice for Compliance Show Cause Hearings.
- Convened stakeholder group to provide guidance on issues involving claims processing, medical services oversight and hearing processes.
- Improved procedures to coordinate and schedule venues for single commissioner hearings and informal conferences with state agencies, local governments, and educational institutions. Added 21 available venues statewide.
- Conducted outreach opportunities to two stakeholder groups build relationships to assist with the management of venues for hearings.
- Formed a partnership with SC Vocational Rehabilitation to enable our agency to use their facilities for hearing sites throughout the state.
- Improved the system to process motions, mediation requests and informal conference requests and implemented a method to monitor data for effectiveness and efficiency.
- Implemented standardization of status codes to provide consistency and accuracy among Commissioners' offices.
- Continued implementation of procedures to scan and create an electronic image of incoming case file documents for electronic storage and access.
- Implemented QA procedures for verifying electronic images.
- Conducted two training sessions, Claims Administration Workshop, for 252 stakeholders in July 2015 and May 2016. Attendees included attorneys, insurance companies, third party administrators, employers and others who deal with claims. The workshops were approved for 5.0 CLE credit hours.
- Increased the Commission's electronic general notice distribution contact list from 553 to 620.
- Posted 12 agendas and supporting documents for the Commission Business Meetings on the Commission's website two days prior to the meetings.
- Posted 103 general notices to the Commission's website.
- Emailed 54 general notices, policy advisories and updates to stakeholders and other interested parties.

South Carolina Workers' Compensation Commission
Budget Request
FY 2017-18

TOTAL ALL FUNDS

State Appropriations

	FY13-14	FY14-15	FY2015-16	FY2016-17	FY2017-18
EXPENDITURES					
Total	\$ 1,843,870	\$ 1,915,177	\$ 1,960,461	\$ 2,066,383	\$ 2,066,383

Earmarked Fund

	FY13-14	FY14-15	FY2015-16	FY2016-17	FY2017-18
REVENUES					
Total	\$ 4,709,184	\$ 5,143,174	\$ 4,910,422	\$ 4,227,410	\$ 4,285,747
EXPENDITURES					
Total	\$ 3,218,446	\$ 3,261,373	\$ 3,558,908	\$ 4,669,408	\$ 4,401,963

TOTAL ALL FUNDS	\$ 5,062,316	\$ 5,176,550	\$ 5,519,369	\$ 6,735,791	\$ 6,468,346
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FY 17-18 Budget Priorities Summary
 SC Workers' Compensation Commission

Priority No.		Type (non-recurring/other)	Title	Description	Recurring	Non-Recurring	Funding			FTEs			
							Other	Federal	Total	State	Other	Federal	Total
1	Recurring	Data Administrator Position	The SC Worker's Compensation Commission is requesting the creation of an additional FTE and the authorization to spend \$87,750 (\$65,000 salary and \$22,750 benefits) of recurring funds for a new Application Developer/Database Administrator position in the Information Technology Department. The position will be responsible for developing new code to enhance the existing applications and building new workflows to automate existing manual processes.	\$ 87,750			\$ 87,750		\$ 87,750	1			1
2	Recurring	Infrastructure Hosting, Shared Services and Licensing -- Information Technology	Per the Governor's Executive Order, the Workers' Compensation Commission transferred all technology infrastructure, security monitoring, document storage and shared services to the State's Department of Administration. The on-going maintenance and support costs of these systems includes expenses for DTO hosting, data storage, disaster recovery and business continuity services, software licensing, and application maintenance. The increase for contracted services with DTO for infrastructure hosting and storage is \$147,120 and the increase for application maintenance and support is \$ 41,450.				\$ 189,750		\$ 189,750				
3	Non-Recurring	IT Legacy System Modernization	All claim related electronic information for the Commission is maintained in a case/claim management system named Progress. The Progress system currently in use was originally designed and developed in the early 1990's based on the existing Workers' Comp laws, regulations and business processes of that time. While the system has undergone several modifications since its inception, none of these included a major redesign with business process adjustments and changes based on new regulations or industry standards. As a result, our present system doesn't have all components and inherent security features required to conduct business electronically. Because of its age, the system lacks the ability to easily adapt to new business practices and can't meet the electronic standards of a technological-savvy industry. This project will produce a set of functional requirements from which the new system can be developed. The WCC will contract with a consulting firm specializing in legacy modernization to develop the most efficient process for enhancing, renovating and replacing our legacy application.				\$ 189,468		\$ 189,468				
4	Non-Recurring	Laptop/Desktop Computer Replacement	The agency has 24 computers which have reached the end of their useful life because they have old and therefore slow processors as well as insufficient memory; these deficiencies negatively impact the end user's productivity because they are slow. Older equipment also presents security vulnerabilities and is incapable of supporting the transmission of large documents. Because information security, staff productivity, total cost of ownership and equipment performance are very relative factors, these computers need to be replaced.				\$ 44,944		\$ 44,944				
5	Non-recurring	Training -- Information Technology	Authorization to spend funds for training in information technology coding, workflow processes, desktop support is critical to keep existing IT staff up to date and knowledgeable of new privacy, security and application development skills.				\$ 16,000		\$ 16,000				
6	Recurring	Other Funds Employee Compensation	Per Proviso 117.118 in the FY16-17 Appropriations Act, the amount contained in this decision package is the cost to provide a 3.25% increase in pay for full time employees.				\$ 71,594		\$ 71,594				
7	Recurring	Salary Realignments and	Request authorization to spend funds to make the salary adjustments as a result of changes in an employee's duties and responsibilities. The new duties may result from the changes in business operations due to implementation of the use of information technology.				\$ 25,000		\$ 25,000				
8	Non-recurring	One-Time Wage Enhancement	Request authorization to spend funds for the commission's bonus program. This is a one time bonus paid to employees who have exhibited exemplary work, which contributed to the improvements of the employee's individual work or accomplishing the objectives of the employee's division.				\$ 43,200		\$ 43,200				
Total							\$ 666,826		\$ 666,826				

Transportation, Regulatory & Cultural Subcommittee
 Proviso Request Summary

FY16-17 Proviso #	Renumbered FY17-18 Proviso #	Proviso Title	Short Summary	FY of Proviso Introduction/ # of years in budget	Recommended Action	Proviso Language
74.1	74.1	Medical Services Provider Manual	Proviso 74.1 authorizes the Commission to retain revenues generated by the sale of the Medical Services Provider Manual. The Commission no longer sells the manual to stakeholders therefore no funds are generated.	2017	Delete	The Commission no longer sells the Medical Services Provider Manual to users. Users now purchase the manual from a third party. The Commission receives no revenues from the sale.
74.2	74.2	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.	2017	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.
74.3	74.3	Retention of Filing Fees	The Workers' Compensation Commission is authorized to retain and expend all revenues received as a result of a \$25.00 filing fee for each requested hearing, settlement, or motion. If it is determined that the individual is indigent, this filing fee must be waived.	2017	NO CHANGE	The Workers' Compensation Commission is authorized to retain and expend all revenues received as a result of a \$25.00 filing fee for each requested hearing, settlement, or motion. If it is determined that the individual is indigent, this filing fee must be waived.