

FY 2016-17 Financial Report

The Commission completed FY17 with total expenditures of \$5.4 million. The General Fund Appropriations totaled \$1.9 million and Earmarked Fund totaled \$3.5 million. The Earmarked Fund received \$1.6 million of annual operating revenues from Fines, Fees and Assessments which was 40% less than budgeted. The Commission collected \$5.1 million of Self-Insurance Tax revenues. Pursuant to Act 95 of 2013 the Commission retained \$2.5 million for operations and remitted \$2.5 million to the General Fund. The Commission continues to strive to reduce expenditures where possible.

	Appropriations	Expenditures	% of budget
General Fund	\$ 2,137,741	\$ 1,992,637	93%
Earmarked Fund			
Operating Revenues	\$ 4,227,410	\$ 1,689,455	40%
Self-Insurance Tax	\$ 2,500,000	\$ 2,505,662	
Total Income	\$ 6,727,410	\$ 4,195,117	
Expenditures	\$ 4,569,408	\$ 3,586,150	78%
Net Income/ Expenses		\$ 608,967	

FY 2016-17 Statistical Recap Data

Number of Employers Purchasing Insurance	86,482
Number of Employers Qualifying as Self-Insurers	2,083
Investigations Active Beginning of Fiscal Year	263
Investigations Initiated	1,267
Investigations Set for Show Cause Hearings/Consent Agreements Received	356
Total Investigations Closed	1,346
Investigations Active at Close of Fiscal Year	144
Number of Accident Cases Filed with the Commission	64,802
A. New Cases	61,766
i. WCC Cases Created	24,137
ii. Minor Medical Reported (I2M)	37,629
B. Reopened cases	3,036
Number of Cases Closed during Fiscal Year	64,057
A. Individually Reported Accidents	26,428
B. Minor Medical Only Accidents Reported in Summary	37,629
Total Comp & Medical Cost Paid on Closed Cases	\$901,528,493
A. Medical Costs	\$349,277,063
i. WCC Closed Cases	\$324,451,784
ii. Minor Medical Reported (I2M)	\$24,825,280
B. Compensation	\$552,251,430
Temporary Total Compensation Agreements	14,050
Supplemental Compensation Agreements	2,893
Applications for Stop Payment expedited hearing	1,616
Cases Docketed for Hearings	10,458
Cases Assigned for Informal Conferences	4,621
Hearings Conducted by Single Commissioners	854
Informal Conferences Conducted	3,001
Decisions, Opinions & Orders, Single Commissioners	2,381
CasesAppealed to Full Commission for Review	274
Reviews Conducted by Full Commission or Panel	131
Decisions and Opinions by Full Commission or Panel	164
Commission Decisions Appealed to Higher Court	44
Common Law Settlements	11,396
Attorney Fee Approvals	8,754
Self-Insurance Tax Collected and Deposited to the General Fund	\$5,006,443

Annual Report F Y 2016-2017

South Carolina Workers' Compensation



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Mission

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

COMMISSIONERS

July 1, 2016–June 30, 2017
T. Scott Beck, Chairman
Susan S. Barden, Vice Chair
Mike Campbell
Melody James
Gene McCaskill
Aisha Taylor
Avery B. Wilkerson, Jr.

Gary M. Cannon, Executive Director

FY 2016-17 Year In Review

The following is a report of the activities and accomplishments for the South Carolina Workers' Compensation Commission for Fiscal Year ending June 30, 2017. Through the efforts of its dedicated employees, the Commission continues to focus on its mission to provide an equitable and timely system of benefits to injured workers and employers in the most responsive, accurate, and reliable manner possible. Service to stakeholders and continuous improvement of operational efficiency and effectiveness of system operations remains a primary focus of the Commission's work. This is accomplished by constant and consistent informal communication with stakeholders, responding to their requests and concerns and implementing changes as needed, as well as formal communication with stakeholders through the use of stakeholder advisory committees and partnerships with business and other governmental entities.

Statutory and Regulatory

Submitted changes to Chapter 67 of the Code of Regulations to the General Assembly for approval. Document No. 4735, *State Register*, November 25, 2016. The proposed regulations will be considered by the General Assembly in 2018.

Issued an Administrative Order adopting policies and procedures regarding the payment of compensation by check or electronic payment systems pursuant to amendments to § 42-9-450 of the S.C. Code of Laws in Act 24, May 15, 2017.

The General Assembly approved Act 68, May 10, 2017, which amended Act 95 of 2013 to extend the sunset provision for five years through June 30, 2022.

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 specific details of an individual's case, one core function is to provide information about processes and procedures. During FY17, the office logged 7,736 contacts with various constituents and stakeholders. The contacts included telephone communications, electronic and personal contacts with claimants or constituents, state agencies, federal agencies, attorneys, service providers, business partners and letters with congressional offices. The office emailed

fifty-two (52) general notices, policy advisories and updates to stakeholders and other interested parties and posted thirteen (13) agendas and supporting documents for the Commission Business Meetings. Eighty-one (81) email addresses were added to the Commission's electronic general notice distribution list, increasing the total to 701.

The Executive Director's office is responsible for the referral of all injured workers in need of vocational counseling or vocational evaluation, personal adjustment, training and placement to the SC Vocational Rehabilitation Department (SCVRD). In 2015, the Commission partnered with the SCVRD to allow statewide electronic access to the injured workers' database. During FY17, SCVRD contacted 107 claimants for vocational rehabilitation services as a result of the partnership allowing access to the Commission's electronic database.

Human Resources

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

Information Technology (IT) Department

The IT Department's staff of five supports the internal stakeholders by providing the appropriate technology to the agency to work more efficiently. They support the agency's external stakeholders by providing assistance with EDI transmissions, electronic submission of files, and end user support of the eCase portal. During FY17, the IT Department upgraded all outdated work-

IT Department - cont.

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

For external stakeholders the department upgraded the eCase web portal, installed a new wireless network to enhance security and increase performance, and provide stakeholders and constituents with Internet access while at our facility. The department partnered with the Department of Corrections and Probation, Pardon and Parole (PPP) to give the Commissioners the ability to conduct hearings with injured workers under the supervision of the SC Department of Correction at PPP sites and added six (6) new trading partners to our system furthering the use of electronic submission of Subsequent Reports of Injury (SROI) via EDI.

Insurance & Medical Services (IMS)

Compliance & Coverage Division

The IMS Department is divided into three divisions: Coverage and Compliance, Medical Services and Self-Insurance. The Coverage and Compliance Division is responsible for receiving all first report of injury forms (Form 12A) in order to ensure employers have workers' compensation insurance for the injured employee. During FY17, a total of 61,676 new cases were filed with the Commission; of which 24,137 were new cases created and 37,629 were Minor Medical Reports (Form 12M). In addition 3,036 cases were reopened.

The Compliance Division examines each first report of injury and quarterly wage and employment data obtained from the Department of Employment and Workforce (DEW) for 62,000 employers in the State to verify employer's insurance coverage. Using a random selection of employers, the division matches the employer name with the list of workers' compensation policies issued in the state. Three hundred fifty-one (351) employers were found to be in non-compliance with coverage requirements. As a result, 215 employers came into compliance and

Obtained insurance coverage for approximately 2,000 previously uninsured workers. A total of \$382,199 in fines were collected from these violations. Through the use of information technology systems, implemented improvements to the process for identifying outstanding carrier fine debt and scheduling and serving proper notice for Compliance Show Case Hearings. The Division is also responsible for collecting unpaid fines from insurance carriers for failure to submit required reports in a timely manner. Two hundred sixty-four (264) cases were set for Rule to Show Cause Hearings, resulting in \$130,000 fines collected.

IMS Medical Services Division

The Medical Services Division of the Insurance and Medical Services Department is responsible for overseeing the implementation of the medical fee schedules, responding to inquiries from medical service providers and payers and resolving disputes through the Medical Fee Dispute Process. The Commissioners approved an update to the Medical Services Provider Manual (physician's fee schedule) effective September 1, 2016 which provides a Maximum Allowable Payment (MAP) for medical services provided to injured workers. The update included the approval of a \$50 Conversion Factor and reflected 2016 Relative Values issued by the Center for Medicare and Medicaid Services. The Division processed an average of 17 medical bill disputes per month during FY17.

IMS Self-Insurance Division

The Commission is required to approve all applications for employers to be self-insured for workers' compensation insurance. The Self-Insurance Division of the IMS Department is responsible for reviewing all applications to ensure the necessary financial requirements are attained in order for an employer to be approved to self-insure. The Division recommended and the Commission approved 213 applications for self-insurance during FY17. The Division is also responsible for monitoring the financial stability of each self-insured and collecting the 2.5% tax on the calculated premiums of self-insurers. The Division collected \$5.0 million Self-Insurance Tax and remitted \$2.5 million to the State General Fund.

Claims Department

The Claims Department is responsible for reviewing and processing periodic reports filed by carriers, reviewing all final settlements and re-

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

Judicial Department

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

Scheduling single Commissioner's hearings and Informal Conferences is one of the core functions of the Judicial Department. This involves coordinating with state agencies, local governments, and educational institutions for the use of over 100 different facilities across the state. During FY17, the department added six new sites to the list and solidified the alliance with SCVRD which allowed the Commission to use several of their facilities across the state.

Hearings & Other Case Related Activity

- Informal Conferences cases assigned increased by 174 or 3.9% (FY17-4,621; FY16-4,447); Informal Conferences conducted increased by 225 or 8.1% (FY17-3001; FY16-2776).
- Cases docketed for single commissioner hearings increased 76 or .7%; (FY17-10,458; FY16-10,382)
- Hearings conducted by a commissioner decreased 329 or 27.8% (FY17-854; FY16-1,183)
- Settlements increased by 2,302 or 25.3%. (FY17-11,396; FY16-9,094).
- Commissioners approved 8,754 attorney fee petitions; issued 5,298 Administrative Orders; conducted 1,632 clincher conferences; approved 1,044 relief of counsel motions, and conducted 280 pre-hearing conferences.

Full Commission Appellate Activity

- Single commissioner cases appealed to the Full Commission decreased by 48 or 14.9%. (FY17-274; FY16-322).
- The number of cases reviewed by the Full Commission decreased by 24 or 15.5% (FY17-131; FY16-155).
- The number of Full Commission cases appealed to higher court decreased by 19 or 30.2%. (FY17-44; FY16-63).

Mediations

During FY17, 864 mediation outcomes were reported to the Commission via filing of the Form 70. Six hundred forty five (645) mediations were resolved and 255 were unresolved. Twenty seven (27) mediations occurred as a result of an Order by a Commissioner.

Workers' Compensation Insurance Premiums

During 2017, \$1.1 billion of workers' compensation insurance premiums were paid for commercial, self-insurance and State Accident Fund coverage. The commercial market has a 70% share, the Self-Insurance market has a 23% market share and the State Accident Fund has approximately 7% of the market share. The Department of Insurance reported \$19.5 million of workers' compensation insurance tax premium paid to the State General Fund for FY17.

System Medical Costs

- Medical and compensation - \$901.5 million (FY16- \$896.3 million)
- Medical expenses totaled \$349.2 million (FY16- \$333.9 million)
- Compensation totaled \$552 million (FY16 - \$562 million)

Average Cost Per Claim

- Total = \$14,073 per claim. (FY16-\$14,120)
- Medical = \$5,452 per claim. (FY16-\$5,261)
- Compensation = \$8,621 per claim. (FY16-\$8,859)

Compensation by Category

- Total = \$552 million. (FY16-\$562 million)
- Agreement = \$526.8 million. (FY16-\$536.7 million)
Percent of Total = 95.4% (FY16-96%)
- Award = \$25.3 million. (FY16-\$25.7 million)
Percent of total = 4.5% (FY16-4.6%)