

# **State Accident Fund**

## **Accountability Report for Fiscal Year 2002-2003**

### **Section I – Executive Summary**

#### ***Basic Description of the Agency***

Created in 1947 by an Act of the General Assembly [1947(45) 147], the State Accident Fund (formerly the State Workers' Compensation Fund) is one of twenty-seven state sponsored workers' compensation insurance funds. The majority of these funds were chartered to compensate for fluctuation in the workers' compensation market.

1. The State Accident Fund's mission statement is:

***Provide a cost effective guaranteed workers' compensation market for state agencies, other government entities and, if required by the legislature, businesses in the private sector.***

The State Accident Fund is charged with the administration of the workers' compensation program for all state agencies. Creation of the agency centralized the administration of workers' compensation claims within a single agency. This ensured standardization, increased efficiency, and minimized redundancy. In accordance with the statutes, the agency determines rates and assesses premiums in the same manner as a private insurance company. It is funded completely by the premiums it collects. In addition, the agency provides county and municipal agencies a guaranteed alternative source of workers' compensation insurance coverage.

The requirement to be prepared to write insurance for the private sector was added by the Budget and Control Board. In the early 1990s, when the workers' compensation market was not as profitable, several companies stopped writing that line of insurance in South Carolina. When most of the state's small businesses were forced into the assigned risk pool, members of the legislature asked the State Accident Fund if it could enter the private sector marketplace to fill the niche vacated by private companies. At that time the State Accident Fund was not prepared to unilaterally assume this mission. As a result, the Budget and Control Board directed the State Accident Fund to develop a plan for this contingency.

The agency's core values are set forth in its Strategic Plan. They include: Customer Satisfaction, Initiative, Professionalism, Honesty/Integrity, Competency, Teamwork, Health and Safety, and Employee Satisfaction (Section III, Figure 1.1c).

2. The State Accident Fund measures success and establishes its goals based on the expectations of customers and stakeholders. Surveys and interviews have shown that all of our customers have similar basic expectations:

- Competitive rates.
- Low claim costs.
- Timely processing of claims, premium estimates, and audit adjustments.

- Availability of customized services to support unique requirements and organizational structure.
- Willingness to write coverage and provide service to small accounts, which pay a minimum premium.

The eight goals shown below are derived from the agency's Strategic Plan and are designed to meet our customers' expectations.

- Reduce the administrative cost ratio when measured against the average for the last five years. (Administrative costs/premium revenue)
- Continuously improve our customer service.
- Recruit and retain a competent staff.
- Be a good corporate citizen.
- Lead the State in Workers' Compensation Commission compliance.
- Increase in average claim cost will not exceed the rate of wage and medical inflation.
- Enhance communications with customers and stakeholders. (Policyholders, Legislature, Workers' Compensation Commission, Suppliers, and Potential Customers)
- Remain financially self-sustaining.

3. The major challenge facing the State Accident Fund in the future is directly related to the current economic environment.

Part 1B, Section 73.2 of the Appropriations Act of 2003 moved a total of \$11,585,710 from the Workers' Compensation Trust Fund to the General Fund. This movement of funds will deplete the Trust Fund to a point where, after September 2003 the State Fund will no longer be able to pay claims and operating expenses as they become due. Accordingly, about October the Treasurer will need to start funding those expenses on a month-to-month basis as provided in Section 42-7-75 of the SC Code of Laws.

Without the ability to maintain a properly funded workers' compensation claim reserve (the Trust Fund) it is not possible for the State Accident Fund to "operate solely on revenue derived from operations" as the 1989 General Assembly intended. (See Generally 1989 Act No. 189, Part II, Section 22B(1)).

4. The agency's major achievements during the period covered by this report are summarized below:

- Customer satisfaction scores remained high (Section III, Figure 7.1a).
- Even though the agency has no marketing function, it gained 27 new accounts during the reporting period (Section III, Figure 7.1c).
- The agency's claim and administrative costs continued to be less than the published average for the private sector (Section III, Figure 7.2f, Figure 7.2g and Figure 7.2h).
- The agency's ranking, which is based on rates, improved from third to second (Section III, Figure 7.2b).
- Lowest recorded average cycle time for compensability decisions (Section III, Figure 7.2d).
- The percentage of bills processed in 30 days or less increased to a new high of 96.8% (Section III, Figure 7.2e).
- The agency, for the eighth consecutive year, led all workers' compensation carriers in the amount recovered from the Second Injury Fund. This resulted in over ten million dollars in direct savings for our policyholders (Section III, Figure 7.4).

5. The agency uses the Accountability Report as a basis for its continuous improvement efforts. The Accountability Report and the Malcolm Baldrige Award Criteria on which it is based, has provided the agency with a common framework and a common set of terms.

To promote maximum staff involvement the agency uses a team approach in gathering the information and preparing the report. The size of the team ranges from 15 to 20 members. Membership is rotated each year. The team members are trained on the Malcolm Baldrige Award Criteria and how to apply that information to the Accountability Report. Over half of the agency has been trained thus far.

As described in Section III, Category 2, the first two steps in the agency's strategic planning process, are "Data Collection and Analysis" and "Conduct Self-Assessment". The Accountability Report preparation team performed these steps. Using the data collected for the report as a basis, the team completes the annual self-assessment using the most current Criteria for Performance Excellence. The team submitted a list of strengths and opportunities for improvement along with their scores. This self-assessment is used during the "Planning Session".

This annual review process has promoted better communications and helped drive continuous organizational improvement efforts.

## Section II – Business Overview

### Basic Description

Created in 1947 by an Act of the General Assembly [1947(45) 147], the State Accident Fund (formerly the State Workers' Compensation Fund) is one of twenty-seven state sponsored workers' compensation insurance funds. The State Accident Fund is a highly specialized organization with only one program. The agency provides a guaranteed cost effective source of workers' compensation insurance for government entities regardless of their loss experience, level of risk, or other unique circumstances. In addition, it remains prepared to provide insurance to private businesses should the government of South Carolina deem it necessary.

### 1-2. Number of Employees and Operations Location

All of the agency's 82 employees work out of the agency's home office in Columbia. From this centralized location, the agency provides services to over 680 policyholders located throughout the state without the aid of an agent network.

### 3. Expenditures/Appropriations Chart

#### *Base Budget Expenditures and Appropriations*

Major Budget Categories	01-02 Actual Expenditures		02-03 Actual Expenditures		03-04 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$3,103,452.43		\$3,024,065.25		\$3,457,000.00	
Other Operating	\$1,595,442.46		\$1,443,083.01		\$2,191,291.00	
Special Items	\$35,467.78		\$23,268.71		\$45,000.00	
Permanent Improvements						
Case Services						
Distributions to Subdivisions						
Fringe Benefits	\$893,750.24		\$845,697.52		\$935,587.00	
Non-recurring						
<b>Total</b>	<b>\$5,628,112.91</b>		<b>\$5,336,114.49</b>		<b>\$6,628,878.00</b>	

## ***Other Expenditures***

<b>Sources of Funds</b>	<b>01-02 Actual Expenditures</b>	<b>02-03 Actual Expenditures</b>
Supplemental Bills		
Capital Reserve Funds		
Bonds		

## ***Interim Budget Reductions***

<b>Total 01-02 Interim Budget Reduction</b>	<b>Total 02-03 Interim Budget Reduction</b>

**Figure 3**

### **4. Key Customers:**

The State Accident Fund's key customers are the Governor, the Legislature, the Workers' Compensation Commission, policyholders and their injured workers. State law limits the agency's policyholders to state, county, and municipal government entities.

The agency's policyholders can be segmented into distinctly different groups. The first and largest group, 538 of the agency's accounts, consists of county and municipal government entities. Included in this group are municipal and county governments, special purpose districts, other local government organizations, and over 50 volunteer fire departments. These customers are free to shop the market for workers' compensation insurance. Their participation is strictly voluntary.

The second distinct group is made up of state agencies, which are required to purchase their insurance from the State Accident Fund. This group is even more diverse. It ranges from large multiple location facilities, to accounts that consist of only one person. The nature of the work and level of risk also varies widely.

The agency has three key delivery processes. These processes deliver services directly to the policyholders. Each of the processes and their related services are listed below:

#### **1. The Claims Management Process**

- Claim management services.
- Recoveries from third parties.
- Recoveries from the Second Injury Fund.
- Medical case management.

- Rehabilitation services.
  - Technical training for workers' compensation staff.
  - Legal services.
2. **The Premium determination and collection process**
- Training and assistance in preparing the documentation required for premium calculations.
  - Training and information on the NCCI premium determination process.
  - Voluntary and on-site premium audits.
3. **Safety and Loss Control consultation process**
- Safety and loss control training and consultation.
  - Courtesy inspections.

## 5. Key Stakeholders

The agency's key stakeholders include the taxpayers of the state of South Carolina and several private businesses. Included in this group are merchants that provide medications and durable medical equipment, medical practices that treat our injured workers, private law firms that provide legal services, and other businesses that provide services to the agency or our customers.

## 6. Key Suppliers

The agency divides its key suppliers into two major groups. The first group consists of those suppliers who provide services directly to the injured workers. These include medical providers, medical management personnel, pharmacies, vocational rehabilitation firms, and medical equipment companies. The second group supplies services either directly to the agency or to our policyholders on the behalf of the agency. Included in the group are contract attorneys, investigators, recovery specialists, medical management specialists, and other suppliers of goods and services.

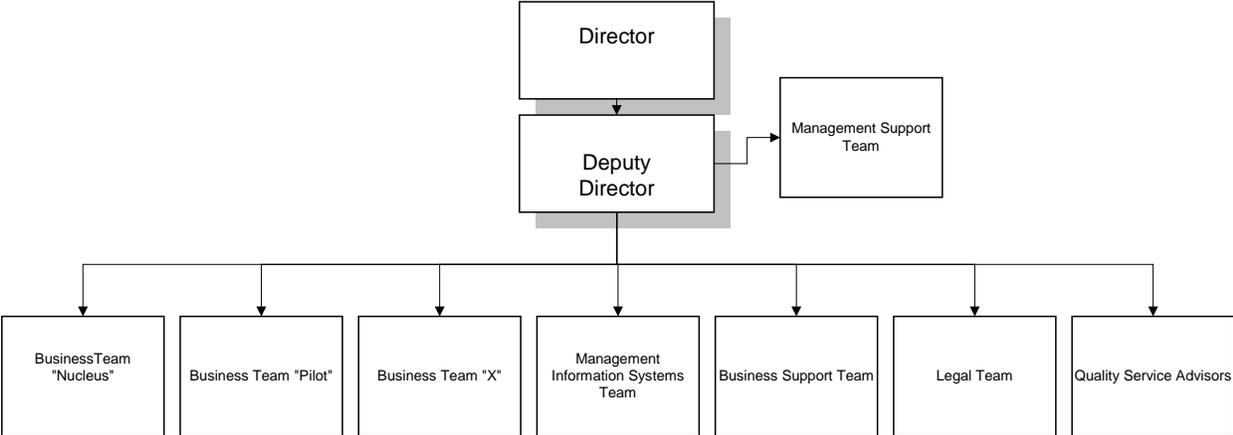
## 7. Organizational Structure

The current organizational structure has evolved from a strictly hierarchical organization to a team based structure.

While the traditional structure worked well for certain tasks, it lacked the speed and flexibility needed to meet our customers varying needs and expectations. To compensate for these shortcomings, the agency reorganized into a team-based structure (Figure 7a).

Unlike the traditional multiple layer structure based on functional specialties, the new team structure uses a series of teams. The three business teams form the organization's core. The teams are cross-functional, consisting of claims personnel, investigators, premium auditors, and safety and loss control specialists. Each team is responsible for delivering a full range of workers' compensation services to a specific group of policyholders. They work together to resolve problems and to provide customers with the services they desire. The teams are empowered to make decisions and are held accountable for their customers' satisfaction.

# Team Based Structure



**Figure 7a**

The other teams shown in Figure 7a are responsible for providing services and support to the Business Teams.

## Section III – Elements of Malcolm Baldrige Award Criteria

### Category 1- Leadership

The agency's senior leaders are the Agency Director, Irvin Parker; who is appointed by the Governor with the advice and consent of the Senate, and the Deputy Director, Ross Gamble. These two key positions make up the agency's Executive Team.

The agency's leaders share a common management philosophy, which is deeply rooted in the principals of "Total Quality Management" as defined by the late Dr. W. Edwards Deming. All members of the Executive Team demonstrate their support for these principals through participation in briefings, training activities, and other quality initiatives. The agency's senior leaders and managers use a participatory leadership style whenever practical and lead by example.

1.1.a-f The agency's senior leaders and managers all participate in the agency's annual strategic planning process, which is outlined in Category 2. The Strategic Plan is designed to provide guidance to the staff and establish priorities for the agency. The agency's short- and long-term direction is stated in the vision (Figure 1.1 a). Its performance expectations are outlined in the goals (Figure 1.1 b). Standards of ethical behavior and the organizational culture are reflected in the core values (Figure 1.1 c). The organizational structure (Figure 7a) and culture are designed to promote open communications and reward both individual and group initiative. The agency's leaders believe all of these are key to promoting employee development, empowerment and innovation.

<b>Vision</b>
The South Carolina State Accident Fund will be a recognized leader in the field of workers' compensation insurance and the insurer of choice for governmental entities.

Figure 1.1.a

<b>Goals</b>
1. Reduce the administrative cost ratio when measured against the average for the last five years. (Administrative costs/premium revenue)
2. Continuously improve our customer service.
3. Recruit and retain a competent staff.
4. Be a good corporate citizen.
5. Lead the state in Workers' Compensation Commission compliance.
6. Increases in average claim cost will not exceed the rate of inflation.
7. Enhance communications with government entities.
8. Remain financially self-sustaining.

Figure 1.1.b

<b>Agency Core Values</b>
Customer Satisfaction
Initiative
Professionalism
Honesty / Integrity
Competency
Teamwork
Health and Safety
Employee Satisfaction

**Figure 1.1.c**

The information contained in the Plan is communicated to the staff through a variety of means. All members of the staff attend an annual briefing on the Strategic Plan and new employees receive this information within the first thirty days of employment as part of their orientation. The Director also reinforces these key issues at the monthly staff meetings. Deployment is evaluated through interviews and the annual employee survey.

1.2 Senior leaders use customers' expectations as a basis for evaluating agency performance. They publicly acknowledge employees who receive favorable customer comments, and are actively involved in all aspects of customer relations. They personally conduct telephonic follow-ups with policyholders who submit comments on the annual customer survey. Customer service and customer satisfaction are addressed in both the agency's goals (Figure 1.1.b) and values (Figure 1.1.c).

1.3 The key measures senior leaders regularly review are shown in Figure 1.3. These key performance measures are directly related to the organization's vision and goals.

<b>Goals</b>	<b>Key Performance Measures (Frequency)</b>
Reduce the administrative cost ratio when measured against the average for the last five years.	<ul style="list-style-type: none"> <li>• Administrative cost ratio. (Quarterly)</li> </ul>
Increases in average claim cost will not exceed the rate of inflation.	<ul style="list-style-type: none"> <li>• Claim costs. (Annually)</li> </ul>
Continuously improve our customer service.	<ul style="list-style-type: none"> <li>• Percentage of positive responses and average score on the annual customer survey. (Annually)</li> <li>• Interviews and Customer Concerns. (As Needed)</li> <li>• Process cycle times. (Weekly)</li> </ul>
Remain financially self-sustaining.	<ul style="list-style-type: none"> <li>• Actuarial Review. (Annually)</li> <li>• Independent Financial Audit. (Annually)</li> </ul>
Recruit and retain a competent staff.	<ul style="list-style-type: none"> <li>• Turn Over Rate (Quarterly)</li> <li>• Employee Satisfaction Survey (Annually)</li> <li>• Employee Interviews and Suggestion Box (Weekly)</li> <li>• Exit interviews with departing employees (As Needed)</li> </ul>

**Figure 1.3**

1.4. The agency's senior leaders believe feedback is an essential component in creating an environment in which continuous improvement and open communications are a way of life. They compare organizational performance with either industry standards or historical data to determine progress relative to the agency's goals. They also use interviews and the comments submitted by the staff on the annual Employee Satisfaction Survey to evaluate leadership effectiveness in the organization. All of this information is communicated to the staff through the distribution of minutes from team meetings, the agency's Strategic Plan, the distribution and posting of weekly performance indicators, training, and monthly staff meetings. When a discrepancy is noted, the management team conducts an analysis to determine root causes. Based on the data collected the management team develops and implements an appropriate intervention.

1.5 The agency gathers information from a variety of sources to determine customer, stakeholder, and public concerns. Leaders review pending legislation, news reports, and industry data to determine areas of emphasis. This information is always used when evaluating proposed changes.

1.6 Senior leaders use input from customers and stakeholders to establish improvement priorities. Routine decisions are communicated to the staff through the minutes of the weekly meetings. The Director normally communicates high priority items or changes in priorities to the staff personally. Depending on the level of urgency and the amount of complexity, the communication may be via electronic message, the regular monthly staff meeting, or a special staff meeting called for the express purpose of addressing the specific issue and soliciting staff input.

1.7 The agency supports the community through participation in the annual United Way Campaign, the Good Health Appeal, sponsoring blood drives, and its recycling program.

The agency has also chartered and maintained a team of volunteers called the Sunshine Committee. This group of volunteers assists employees in need and adopts a needy family in the community for Thanksgiving and Christmas.

Employee involvement is encouraged, but not mandated. The agency allows employees to actively promote, advertise and collect donations during work hours for several different charitable organizations. Listed below is a list of organizations and programs supported by members of the State Accident Fund.

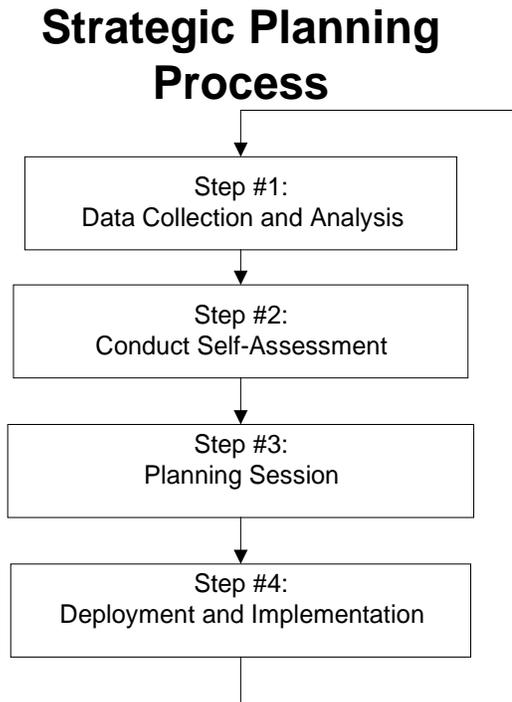
- ◆ Various Civic clubs and groups
- ◆ Lymphoma & Leukemia Society
- ◆ Palmetto Health Children's Hospital & Women's Cancer Center
- ◆ Pro Bono Legal Work
- ◆ Recycling
- ◆ Sistercare
- ◆ Church
- ◆ Schools and school activities
- ◆ Toys for Tots
- ◆ South Carolina First Lady's Easter Egg Hunt
- ◆ Breast Cancer Walk
- ◆ Meals on Wheels
- ◆ Save Our Community Organization (Lower Richland)
- ◆ Columbia Soccer Club
- ◆ Contributions to Good Will
- ◆ Contributions to Vietnam Vets
- ◆ Contributions to Children's Hospital
- ◆ Harvest Hope Food Bank
- ◆ Boys and Girls Club of the Midlands
- ◆ Oliver Gospel Mission
- ◆ "Pop the Tabs" for the Ronald McDonald House
- ◆ MS Walk
- ◆ Optimist Club
- ◆ Contributions for Somolian families

- ◆ Lunch Buddy program
- ◆ American Cancer Society
- ◆ God's Helping Hand
- ◆ Pelion Athletic Program

During strategic planning, the agency committed to adopting one major project per year that supports a local cause. This objective directly supported, "Goal 4: Be a good corporate citizen." The advocates for the objective surveyed the agency staff and identified the Palmetto Health Children's Hospital as the agency's one major project for the current year.

## Category 2 - Strategic Planning

2.1 The State Accident Fund has developed and implemented the annual four-step strategic planning cycle shown in Figure 2.1a. The process consists of Data Collection and Analysis, Self Assessment, Planning, and Deployment and Implementation.



**Figure 2.1a**

The cycle normally begins with the preparation of the Annual Accountability Report. The data gathered for the report is used as a basis for the agency's self-assessment. Twenty employees (approximately 24% of the agency) participated in the Strategic Planning Process. The executive team, unit managers, key staff members, and volunteers were included in the Strategic Planning Group.

The data used in the Strategic Planning Process comes from a variety of sources.

- Key measures that are tracked throughout the year.
- Customer interviews and surveys.
- Employee satisfaction surveys.
- NCCI Publications.
- Department of Insurance.
- Independent auditor report.
- Independent actuarial review.

Figure 2.1b shows how each data source is directly related to one or more of the eight goals stated in the Strategic Plan.

During the planning session the group reviews and updates the agency's mission, vision, values, and goals. Using the strengths and weaknesses identified during the self-assessment, the team reviews and establishes objectives to support the goals. Each objective describes specific tasks to be accomplished and the measures used to determine progress. Objectives are assigned to members of the planning group with deadlines for completion.

The output of this step is the Strategic Plan containing the mission, vision, values, self-assessment, goals, objectives (short and long term), and a timeline for implementation.

2.2 Implementation of the plan is multifaceted. The individuals identified and assigned as advocates for the objectives during the planning phase develop and submit their assigned action plans for approval. The management team is responsible for allocating resources and reviewing progress. Once the action plans are approved, raters update EPMS documents, as needed, to reflect new priorities and measures.

Goals	Data	Areas Addressed
<ul style="list-style-type: none"> <li>• <b>Continuously improve our customer service.</b></li> <li>• <b>Enhance communications with government entities</b></li> <li>• <b>Lead the state in Workers' Compensation Commission compliance.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Customer Interviews and Surveys</li> <li>• Customer Inquiry Database</li> <li>• Industry Publications and Studies</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Needs and Expectations</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Remain financially self-sustaining.</b></li> <li>• <b>Reduce the administrative cost ratio when measured against the average for the last five years.</b></li> <li>• <b>Be a good corporate citizen.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Annual Actuarial Report</li> <li>• Annual Audit Report</li> <li>• Administrative cost ratio</li> <li>• Rate comparison</li> </ul>	<ul style="list-style-type: none"> <li>• Financial, societal and other risks</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Recruit and retain a competent staff.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Employee Satisfaction Survey</li> <li>• Turn Over Rate</li> </ul>	<ul style="list-style-type: none"> <li>• Human resources capabilities and needs</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Increases in average claim cost will not exceed the rate of inflation.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Percentage of Bills Paid in 30 days or less</li> <li>• Average time to make a Compensibility Decision</li> <li>• Average claim costs</li> <li>• Customer Surveys</li> <li>• Second Injury Fund Recovery information</li> </ul>	<ul style="list-style-type: none"> <li>• Operational capabilities and needs</li> <li>• Suppliers / Contractors / partner capability and needs</li> </ul>

**Figure 2.1b**

The planning group develops a detailed timeline based on the action plans. The group meets monthly to report progress and update the plan. Progress is reported to the staff at the monthly general staff meetings.

2.3 Once the plan has been completed, it is posted on the agency's electronic bulletin board and the entire staff is briefed on its contents. The agency uses the annual Employee Satisfaction Survey to measure the staff's level of awareness and understanding of the plan. During the reporting period, 100 percent of the survey participants stated they were aware of the plan and 97 percent stated they were familiar with the agency's plans for the future. Over 43 percent stated they were either clear or very clear of their roles in achieving the agency's goals.

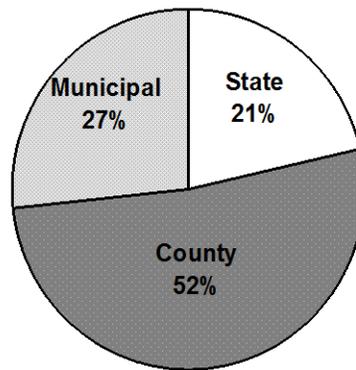
2.4 The State Accident Fund's key objective is to provide our customers with high quality workers' compensation services at a competitive price.

### **Category 3- Customer Focus**

3.1 The agency has reviewed the state’s workers’ compensation law, the legislation that created the agency and the current structure of state government to determine its key customers and stakeholders.

The agency uses a variety of sources to determine each customer’s key requirements. The agency reviews and analyzes requirements identified or implied in pending legislation, Workers’ Compensation Commission Regulations, Supreme Court decisions, insurance industry data, studies conducted by the American Association of State Compensation Insurance Funds, and our own customer surveys.

**Types of Policyholders**



**Figure 3.1**

Figure 3.1 shows the types of entities that are insured by the State Accident Fund. Approximately 79% of the agency’s policyholders are county and municipal government entities. Included in this group are a variety of municipal and county governments organizations, special purpose districts, other local government organizations, and over 50 volunteer fire departments throughout the state. These customers are free to shop the market for workers’ compensation insurance. Their participation is strictly voluntary. Approximately 538 of these accounts chose to purchase their workers’ compensation coverage from the State Accident Fund rather than a private sector insurance company.

The other 21% of the policyholders are state agencies, which are required to purchase their insurance from the State Accident Fund. This group is even more diverse. It ranges from large multiple location facilities, to accounts that consist of only one person.

3.2 The agency constantly explores new sources of data and means of data collection. Our website provides users with an Email link to the agency. The agency’s senior leaders interact with legislative staffers and the Governor’s Office to provide needed information and to determine their requirements and concerns. The agency also records all customer concerns in a centralized database for future analysis, and has implemented an interview program for all new

and cancelled policyholders to assist in determining the relative importance of different key requirements. Key personnel review industry data, attend professional conferences and participate in industry specific training to learn about market trends. The agency continuously updates its data collection processes to measure the impact of changes in the delivery processes and suppliers.

3.3 The State Accident Fund uses discussions with elected officials, interviews with members of the Workers' Compensation Commission, brainstorming sessions conducted in conjunction with our training programs, articles and surveys in our quarterly newsletter, and our annual survey to gather information on customer satisfaction and expectations. The annual customer survey, because of its ability to reach large numbers of customers simultaneously, has been the agency's primary source of data. The survey has been conducted annually for the last ten years. In 2001 the agency modified the format of its customer satisfaction survey. The number of questions used in the scoring was reduced from 36 to only 9. The agency has used this information to make several changes and has implemented customers' recommendations whenever possible.

Information gathered from customers is shared with the entire staff. Survey results and comments are posted on the electronic bulletin board and discussed at the staff meetings. All of this information is also incorporated into the Strategic Planning Process outlined in Category 2.

3.4 The agency has basically three measures of customer/stakeholder satisfaction. The first is the annual customer survey (Figure 7.1a). The second measure is account activity (Figures 7.1c & 7.1d). The third area is customer loyalty (Figures 7.1e & 7.1f).

3.5 The agency has a simple strategy to build positive relationships with customers and stakeholders. As shown in Figure 1.1b, the agency has made improving customer service and improving communications with other government entities top priority by including them in the agency's goals. The agency feels that open and honest communications is the only way to build trust. The agency provides elected officials and staffers with timely information. It also publishes and distributes a quarterly newsletter to our policyholders and key stakeholders. The claim staff remains in constant contact with policyholders and injured workers during the course of their claims. In addition, responsible managers provide contractors and partners with feedback on their performance.

## **Category 4 – Information and Analysis**

4.1 The agency's performance measurement system is constantly evolving and improving. It is part of the agency's Strategic Plan and directly related to measuring the agency's progress toward its goals (Figure 1.3). Some key measures, such as cost and cycle times, are derived from our customer and stakeholder requirements. Other measures are based on applicable laws and regulations. Process related measures are used to measure efficiency and improvement. Still other measures, such as turnover rate and the Employee Satisfaction Survey are designed to assess the internal health of the organization.

4.2 The agency has taken several precautions to ensure the reliability of data. Data collection procedures have been standardized. The data has been defined and the collection processes have been documented. When automated reports are developed to collect data, they are checked against manual counts to ensure accuracy. If samples are used, such as in comparison of rates or in surveys, the population is defined to insure consistency. The results are distributed to the staff and any errors are reported. The agency performs daily and weekly backups of its critical databases. The agency also has a claim audit function that reviews claim data to insure consistency. Data collection and reporting methodology varies depending on the measure. Manual collection processes such as error logs are used to track mail processing errors. Fully automated processes track and report system down time. A combination of automated reports and manual reporting are used to measure and report the weekly performance indicators. The agency continuously evaluates the validity of its measures. When the management team determines that a measurement can be refined to increase the validity of the data, the new process is documented and all members of the staff are informed prior to the change being implemented. Some examples of measures that have been refined to provide more meaningful information are:

- The reduction in the number of questions from 36 to 9 on the annual customer survey.
- Expanding the percentage of bills paid in 30 days to include all bills processed, not simply those paid.

The agency is continuously expanding its data collection capability to increase the usefulness and availability of the data. Data collected and reported annually for the entire agency provides an accurate measurement of agency performance, but is of limited usefulness in making timely interventions. Performance measures for individual teams and the agency are now collected, posted, and distributed to all members of the agency on a weekly basis along with comparative data for the last two years. Other key measures, such as, the administrative cost ratio are now computed and reported quarterly. The agency has also developed individual and team reports. The reports are designed to provide feedback to individuals and a comparison with other similar positions in the agency. These reports can be tailored to cover any timeframe and can be run by employees and supervisors. The measures reflected in these reports are used to determine training needs and to evaluate individual performance.

4.3 Each delivery process and each support process has its own set of measures. These measures are used to determine process efficiency and effectiveness. The agency has overall measures of effectiveness, such as, administrative cost ratio, customer satisfaction, turnover rate, and financial reports. All of this data is made available and is used in decision making at every level

in the organization. Data collection and analysis is the first step in the strategic planning process (Figure 2.1a). All individuals and units responsible for decision-making are provided with data or support to assist them in data collection and analysis. It has become part of the organizational culture to challenge decisions or recommendations that are not supported by data.

4.4 The determination as to the type of comparative data is based on customer expectations, the desired outcome, and the availability of data. When comparing costs, measures are normally compared to results from the private sector (Figures 7.2f). If an industry standard is not available, past performance is used to determine improvement (Figure 7.5a). When customers state that our rates must be competitive, then the only true way to measure competitiveness is through comparison with the private sector (Figure 7.2b). Rate information is extracted from current rate filings at the Department of Insurance. Claim cost factors are derived from the National Council of Compensation Insurers (NCCI) Statistical Bulletin (Figure 7.2f and Figure 7.2g). When customers and stakeholders state that services must be performed in a timely manner, the goal is then to reduce cycle time. The only way to measure improvement is to compare our current level of performance with past performance (Figure 7.2d and Figure 7.2e). Customers and stakeholders demand sound financial management; the logical performance measures are standard insurance and financial accounting practices.

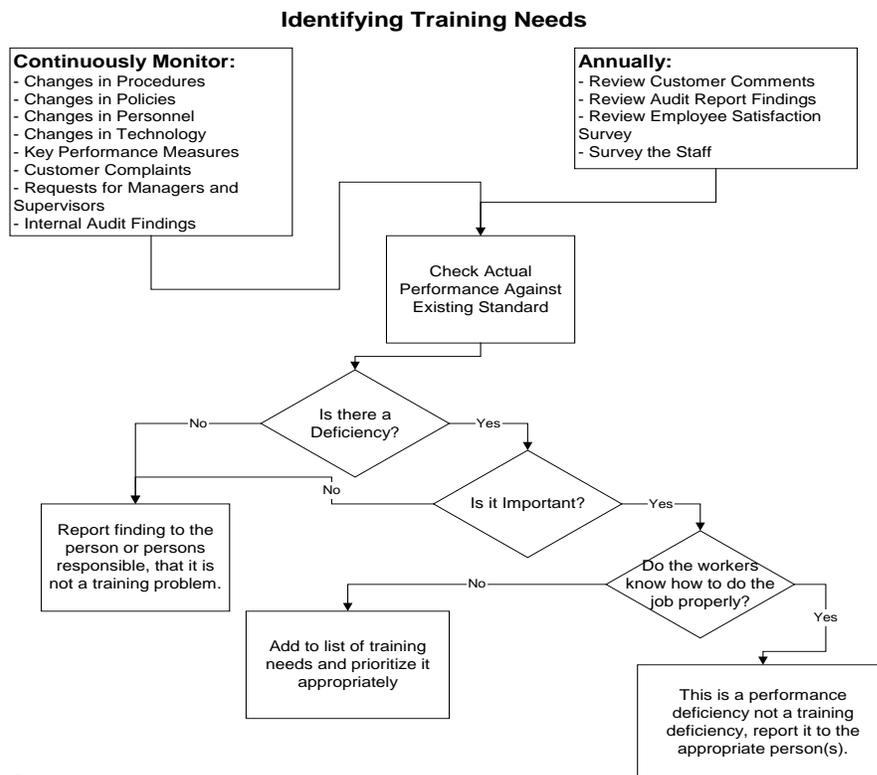
## Category 5 – Human Resources

5.1 The agency’s team based structure promotes collaboration, initiative, and flexibility. All members of the team are bound together by a common goal. Teams are empowered to make decisions and are held accountable for their customers’ satisfaction. Staff members, who participate in project teams or make other additional contributions beyond the scope of their normal jobs, are recognized through certificates, letters, and announcements at staff meetings.

In addition to Legislative merit pay increases, the agency uses in-band salary increases for additional job skills and responsibilities. Significant accomplishments and contributions by individual employees are recognized through the agency’s Employee Bonus Pay Plan.

Professional development requirements are included in each employee’s Employee Performance Management System (EPMS) planning stage. Opportunities for employee development are presented through the Agency’s Tuition Assistance Program, Insurance Education Incentive Program, attendance at external training sessions and seminars, self-study program, computer based instruction and internal training opportunities provided by the agency’s training department.

5.2 The Training Department is responsible for the training needs assessment process shown in Figure 5.2. The output of this ongoing process is the formal training needs assessment and an annual training plan, which are submitted to the Agency Quality Council for review and approval at the beginning of each fiscal year.



**Figure 5.2**

Developmental and training needs are addressed using one of three approaches. The first approach is self-study. The agency encourages staff members to enroll in degree-granting courses at the Insurance Institute of America and CPCU Society. This program was implemented to meet the professional development needs of the staff. The second approach is the use of computer based training courses completed via the new computer based training contract the state implemented in 2001. The third approach is formal classroom instruction. This includes training delivered on-site and also classes and seminars provided by outside vendors. The agency tracks the level of participation and the amount of training successfully completed via these approaches (Figure 7.3d and Figure 7.3e).

5.3 The agency added two additional components to the state Employee Performance Management System, to develop the Agency's Pay for Performance Policy. This process provides employees with 360-degree feedback on their job performance. The Agency's "Pay for Performance Policy" is designed to reward employees for their contributions, as well as promote continuous improvement. The system uses input from three separate sources: peer evaluation, policyholder evaluation, and the supervisor's evaluation. The three evaluations are combined and an average score is used. Individuals are provided with a copy of all of the scores and any written comments made as part of the evaluation. The agency policy prohibits any "Pay for Performance" increases if the level of customer satisfaction has not shown measurable improvement during the evaluation period.

During the rating period the agency adopted a new measure for the Employee Performance Management System (EPMS). The agency believes that EPMS documents must be completed for them to be effective. Based on this belief the agency began measure the percentage of evaluations completed. This was derived by subtracting the number of employees who receive meet by defaults from the number of completed evaluations. This number is then divided by the total evaluations for the year and the answer is converted to a percentage (Figure 7.3f).

5.4 The agency monitors employee well being and satisfaction through a variety of measures. One of the primary measures of employee satisfaction is the annual employee satisfaction survey. The survey instrument is designed to measure the staff's level of satisfaction in several human resource areas (Figure 7.3b and Figure 7.3c). The members of the Executive Team (Director and Deputy Director) each interview a different employee each week to determine trends within the workforce. The agency also monitors its turnover rate and compares to the average for the industry (Figure 7.3a). In addition, the agency uses a suggestion box, monthly staff meetings, and exit interviews with departing employees to determine trends in employee satisfaction.

5.5 The agency promotes workplace health and safety through its Safety Committee, which is made up of agency staff and is coordinated by a member of the agency's Safety and Loss Control unit. The team conducts safety audits, investigates accidents, sponsors National Safety Week, and updates the staff on safety related issues during the monthly staff meeting.

5.6 The agency promotes community involvement by sponsoring the annual Good Health Appeal and United Way Campaign. The Safety Committee also sponsors blood drives for the American Red Cross. The agency also allows employees to actively promote, advertise and collect donations during work hours for the organizations listed in paragraph 1.7.

## ***Category 6 – Process Management***

6.1 As part of the strategic planning process the agency identified three key delivery processes. The service output of each of these processes is delivered directly to the customer.

### **Key Delivery Processes for Services**

1. The Premium Determination and Collection Process.
2. The Claims Management Process.
3. The Safety and Loss Control Consultation Process.

Process changes and improvements are need-driven and tailored to meet the expectations of our customers and stakeholders as well as market and regulatory requirements. The agency has sought to meet these needs through the integration of new technology and aggressively pursuing a policy of outsourcing services when it benefits our customers and stakeholders. The agency has used project teams and even contracted out some services to improve cycle time and reduce costs.

In May of 1999 the agency completed a major automation project that converted the old paper system to a new paperless system. This was a major step for the agency.

The agency has continued to upgrade the software needed to support this system to keep it current.

6.2 The outputs of the key delivery processes are those services that are delivered directly to the policyholders or their injured workers. The quality and timeliness of the services is continuously monitored through a series of reports to insure it remains in statistical control. When changes are implemented the output is evaluated based upon feedback from customers and through comparison with past performance. Critical process measures are disseminated to the staff through the distribution of the weekly performance indicators and quarterly reports.

6.3 The agency also identified four key support processes during the strategic planning process.

### **Key Support Processes**

1. Management Information Systems Support.
2. Mail Processing Support.
3. Litigation Process.
4. Legislative Liaison and External Communications.

The output from the key support processes is delivered to the agency staff instead of the policyholders or their injured workers. What differentiates these key support processes from other support processes, is the direct impact they have on the organization's ability to meet the needs and expectations of its customers and stakeholders. A breakdown in any of these processes would severely degrade the performance of one or more of our delivery processes.

A list of process measures for each of these key support processes was developed as part of the agency's Strategic Plan.

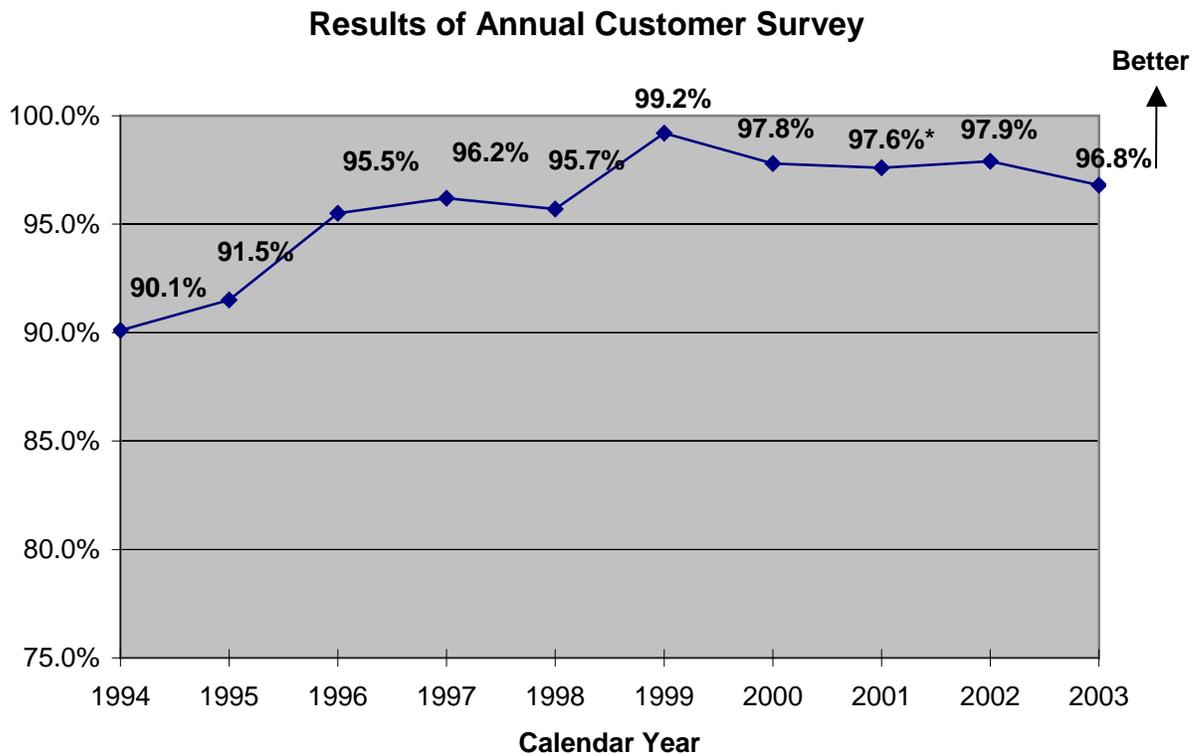
6.4 The agency manages and supports its key suppliers, contractors, and partnership interactions through a decentralized approach. Primary responsibility for providing feedback and working with these key suppliers to improve performance is delegated to specific individuals responsible for the supported function. Some examples of these key partnerships are:

- The agency uses three private sector managed care companies to provide medical case management for claims. The Claim Process Coordinator is responsible for working with the companies and our policyholders during implementation of this service. She attends the briefings provided to the agency's policyholders and is available to address their concerns. She has maintained a database of customer concerns, closely monitored implementation and provided the contractor continuous feedback during the implementation. The process improvement effort has been monitored and the policyholders surveyed to determine what changes needed to be made to better fit their needs.
- Reimbursement Consultants Incorporated (RCI), a private company, audits all SAF files for potential recovery from the Second Injury Fund. This service also falls under the claims management process and is overseen by the Claim Process Coordinator. RCI independently takes whatever action necessary, including legal action, to affect recovery on qualifying claims. RCI meets with the agency's representative quarterly to provide updates on their progress. At these meetings, support issues are addressed and the amount of recoveries for the period is reviewed and compared with previous performance.
- The agency uses a network of contract attorneys to represent its policyholders throughout the state. This allows the agency to provide services without expanding the number of staff attorneys. The Chief Legal Counsel is responsible for the contract attorney budget and overseeing the utilization process. The contract attorneys work directly with individual claims adjusters on the cases they are assigned. Win/loss ratios are maintained and trends/problems discussed with the attorneys involved.
- The agency has a support contract with Taliant, LLP the software company that developed and installed the software referred to in paragraph 6.1. The contract and the budget for this support is the responsibility of the Management Information Systems Team Leader. The Team Leader provides feedback and work specifications to the project manager and other Taliant employees. Weekly conference calls are held between the Team Leader and Taliant staff.

## Category 7 – Results

7.1 The State Accident Fund has conducted a customer survey annually for the last ten years to measure customer satisfaction. It is designed to perform two tasks simultaneously. First, open-ended questions are used to determine customer expectations and gather recommendations on improving current services. Then each customer evaluates the agency's performance using a four point Likert Scale. Additional space is provided for written comments. This information is compiled, trends are noted, and both the raw data and the refined scores are distributed to the staff.

The agency uses the percentage of positive responses to determine trends. The results for the last ten years are shown in Figure 7.1a.

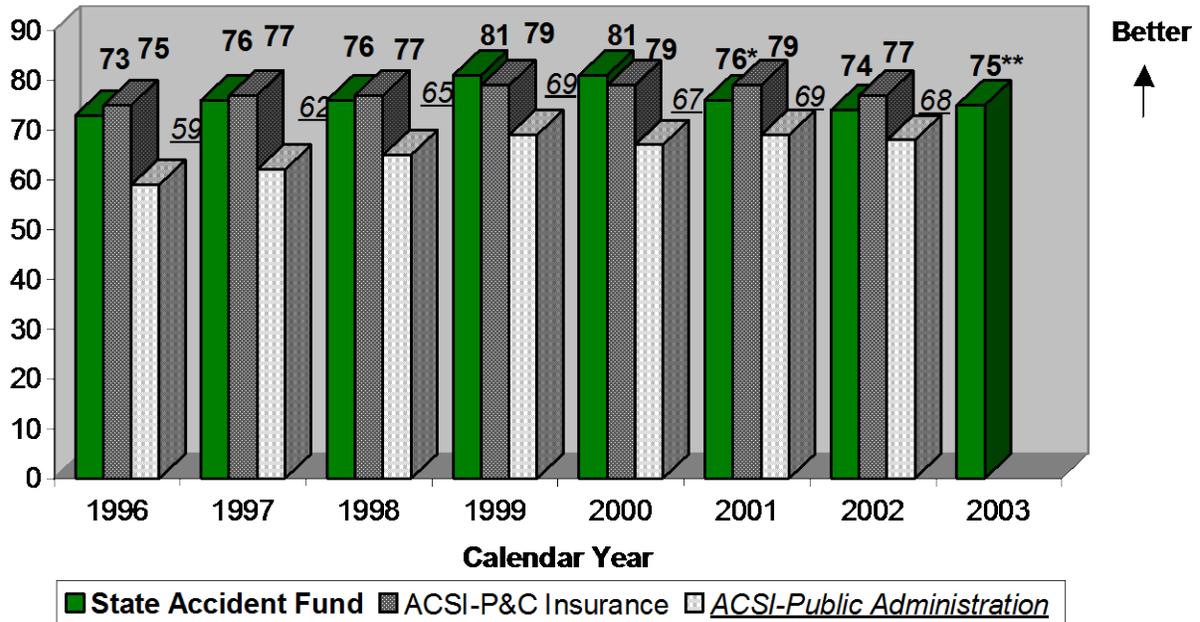


**Figure 7.1a**

(\*Note: The survey was redesigned in 2001 and the number of scored questions was reduced from 36 to 9.)

The agency compares its customer satisfaction scores against the American Customer Satisfaction Index, produced by the American Society for Quality. The index is nationally recognized and provides industry specific measures of customer satisfaction. The results of the agency's customer survey are converted to a comparable scale of 0-100 and then measured against the industries' indexes. This allows the agency to determine trends in both the public sector, as well as, the insurance industry. The results of this comparison are shown in Figure 7.1b.

## Customer Satisfaction Compared to the American Consumer Satisfaction Index



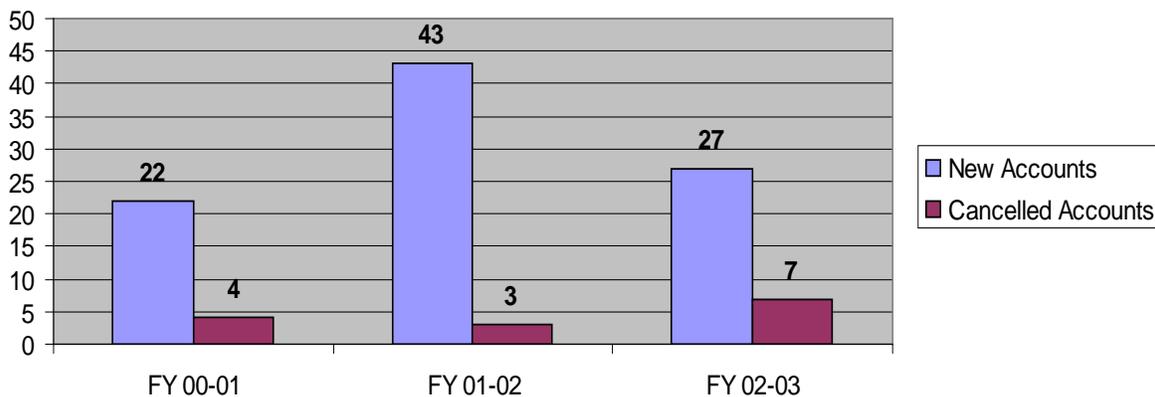
**Figure 7.1b**

(\*Note: The survey was redesigned in 2001 and the number of scored questions was reduced from 36 to 9.)

(\*\*Note: ACSI data is collected on an annual basis and is not available for the current year.)

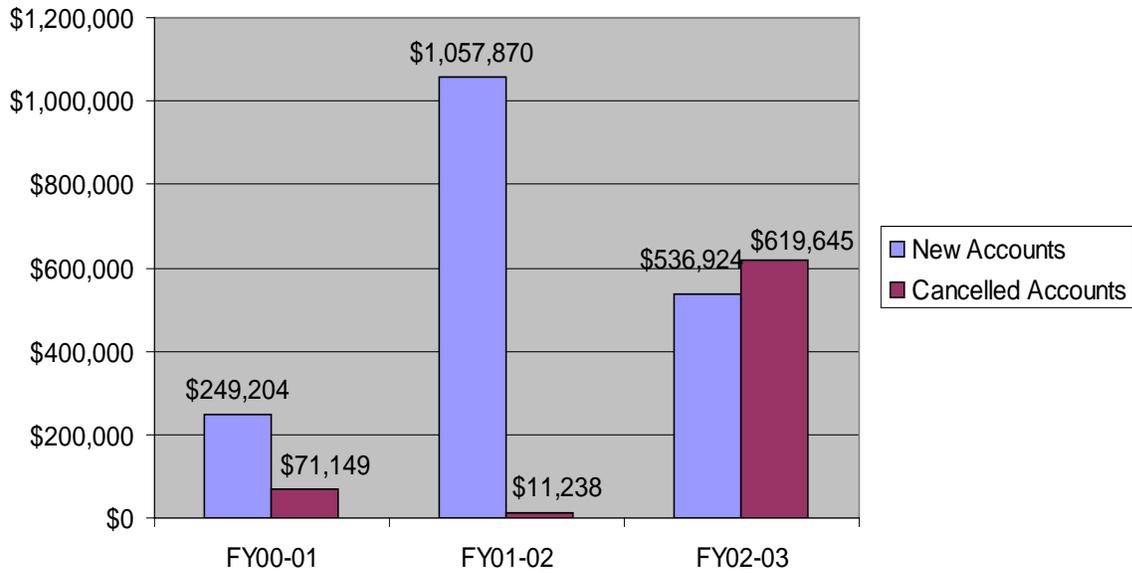
The State Accident Fund also uses customer loyalty as a measure of customer satisfaction. During the reporting period the agency gained 27 new policyholders (Figure 7.1c). During the same period the agency lost 7 policyholders. The gain in new accounts can be attributed to a number of factors. The first factor is current customer satisfaction. The agency does not have a marketing solicitation program, therefore new policyholders normally hear about the agency through word of mouth. Changes in the market and the agency's competitive rates have also impacted the agency's ability to attract new accounts.

### Account Activity



**Figure 7.1c**

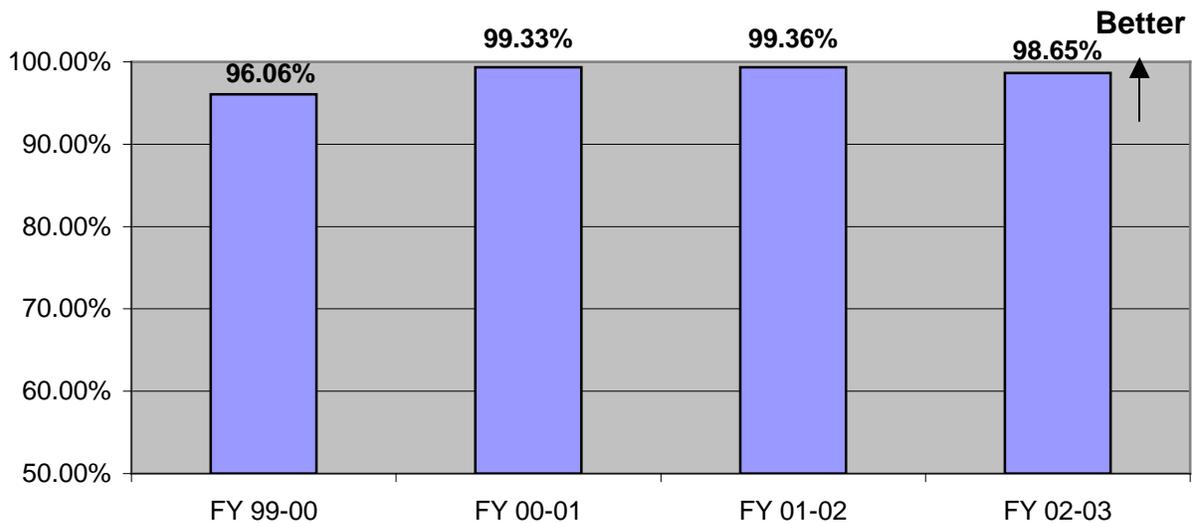
### Premium from New and Cancelled Accounts



**Figure 7.1d**

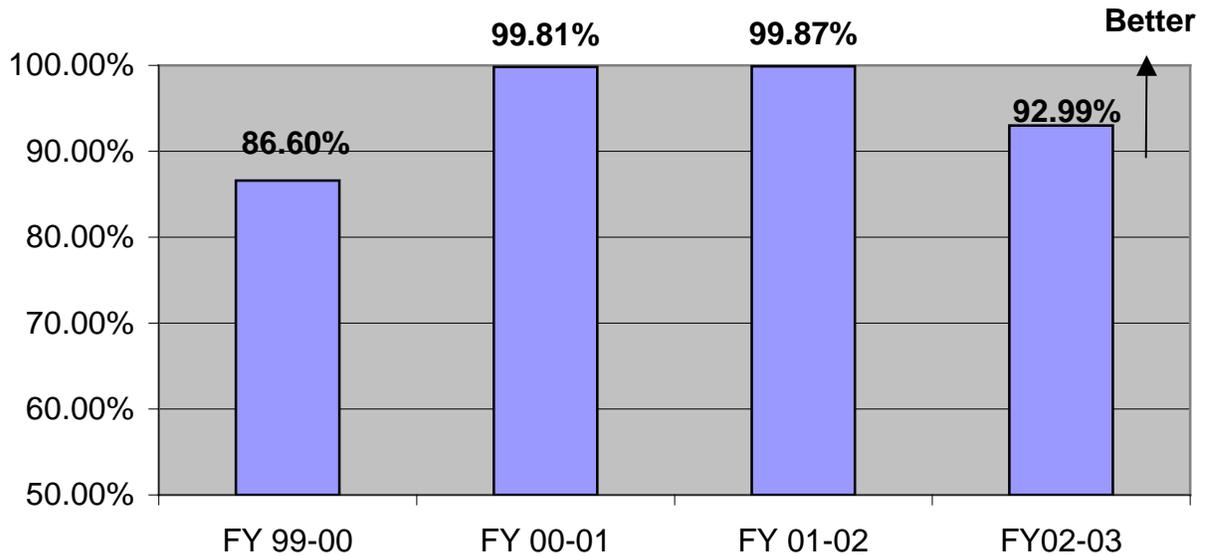
To better compare this data from year to year the agency has implemented two measures of customer loyalty. The percentage of voluntary accounts that renew their coverage with the agency is the Retention Rate and it is shown in Figure 7.1e. The percentage of premiums from voluntary accounts that renew their policies is the Retention Ratio and is shown in Figure 7.1f.

### Retention Rate for Voluntary Accounts



**Figure 7.1e**

## Retention Ratio for Voluntary Accounts

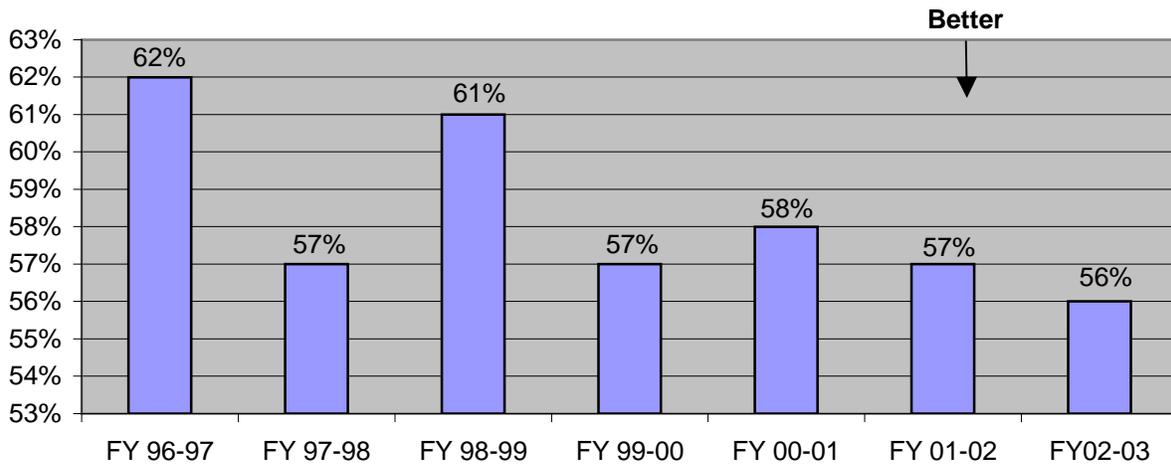


**Figure 7.1f**

7.2 Senior level management monitors several key measures to determine mission accomplishment and organizational health. Among these measures are system inputs and outputs.

	<b>FY 96-97</b>	<b>FY 97-98</b>	<b>FY 98-99</b>	<b>FY 99-00</b>	<b>FY 00-01</b>	<b>FY 01-02</b>	<b>FY 02-03</b>
<b>Inputs:</b>							
<b>Claims Opened</b>	8,883	8,739	7,742	7,666	7,725	7,666	<b>7,401</b>
<b>Open Claims Carried Forward</b>							
<b>Number of Accounts</b>	629	636	639	607	625	663	<b>683</b>
<b>Outputs:</b>							
<b>Claims Closed</b>	11,792	12,701	11,777	11,306	9,083	9,607	<b>9,807</b>
<b>Safety Inspections</b>	46	52	52	72	83	88	<b>89</b>
<b>Safety Classes Conducted</b>	84	93	108	99	89	105	<b>109</b>

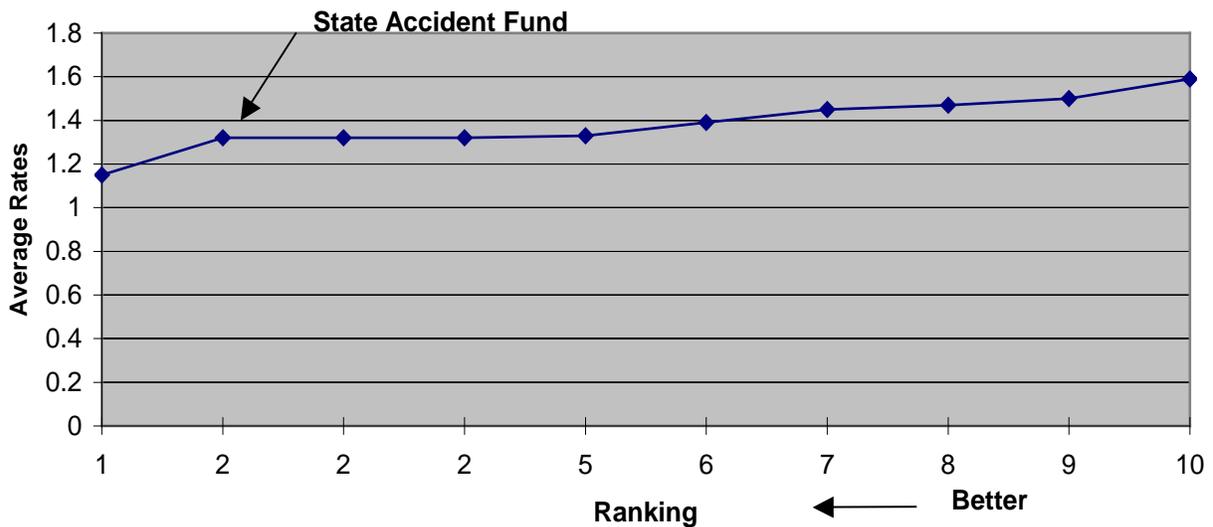
### Percentage of Claims Carried Forward



**Figure 7.2a**

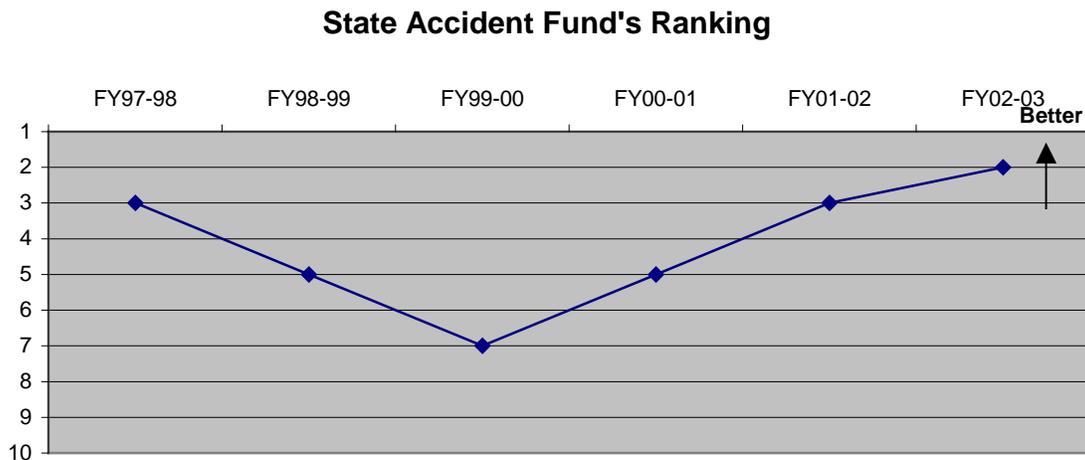
The cost of services provided is of significant importance to not only our customers, but also our stakeholders. The agency performs a rate comparison annually as part of its self-evaluation. It compares the agency’s rates for the five most frequently used job classifications with the average rates for the largest private workers’ compensation carriers in the state. The results of this comparison are shown in Figure 7.2b. The agency’s ranking has varied from year to year as shown in Figure 7.2c. During the report period the agency was tied with two other carriers for second place. The data showed that even though the agency could not selectively underwrite its accounts in the same manner private carriers do, its rates remained competitive.

### Comparison of SAF Average Rates with Largest Private Carriers Average Rates



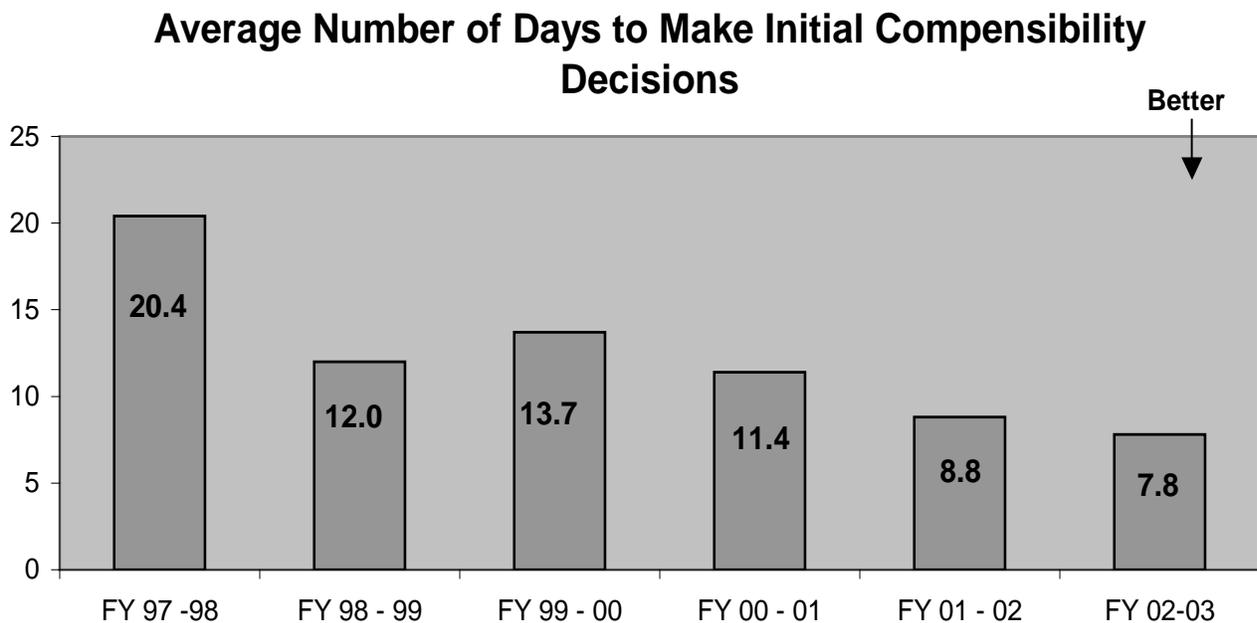
**Figure 7.2b**

The chart in Figure 7.2c shows the agency's ranking over the last six years.



**Figure 7.2c**

Another key customer concern is the amount of time it takes to begin payment of benefits. The initial step in this process is the determination of compensability. The agency monitors and reports on a weekly basis the average number of days to make an initial compensability decision. The data for the last six years is displayed in Figure 7.2d. The average time improved from 8.8 to 7.8 days during the reporting period.

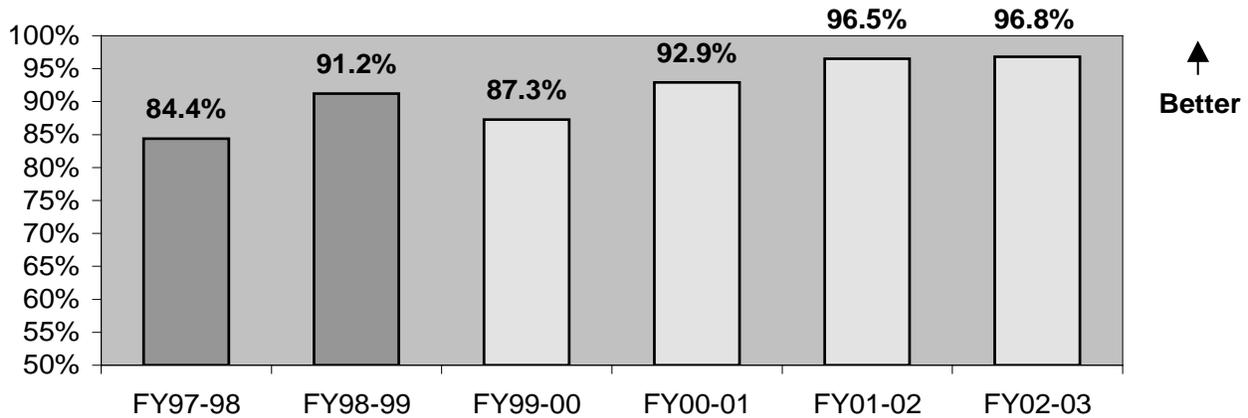


**Figure 7.2d**

Customers, injured workers, and suppliers all want their bills paid in a timely manner. Rebilling creates rework and adds no value. In fiscal year 97-98 the agency began measuring what

percentage of bills were paid within thirty days of the date of receipt. In fiscal year 99-00 this measure was refined to include all bills, not just those paid. The new measure tracked the percentage of bills processed within thirty days of the date of receipt. During the reporting period the percentage increased only slightly from 96.5% to 96.8%. The data is shown in Figure 7.2e.

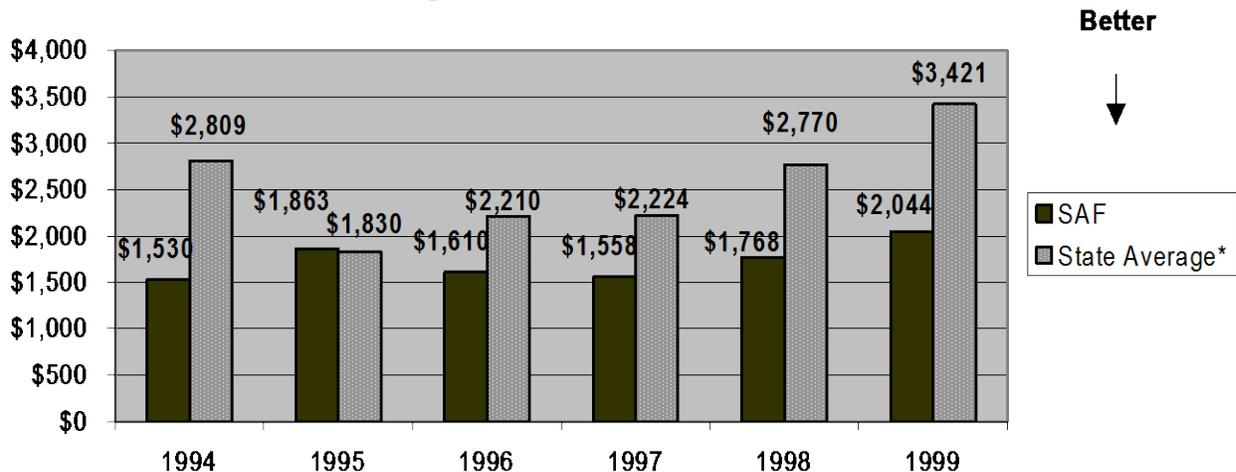
### Percentage of Bills Processed Within 30 Days of Receipt



**Figure 7.2e**

To measure claim handling efficiency the agency uses NCCI data to conduct a comparison of State Accident Fund's average medical and indemnity costs per claim with the average for other carriers in the state. The most recent data showed the average medical cost of claims was 40% lower than the industry average.

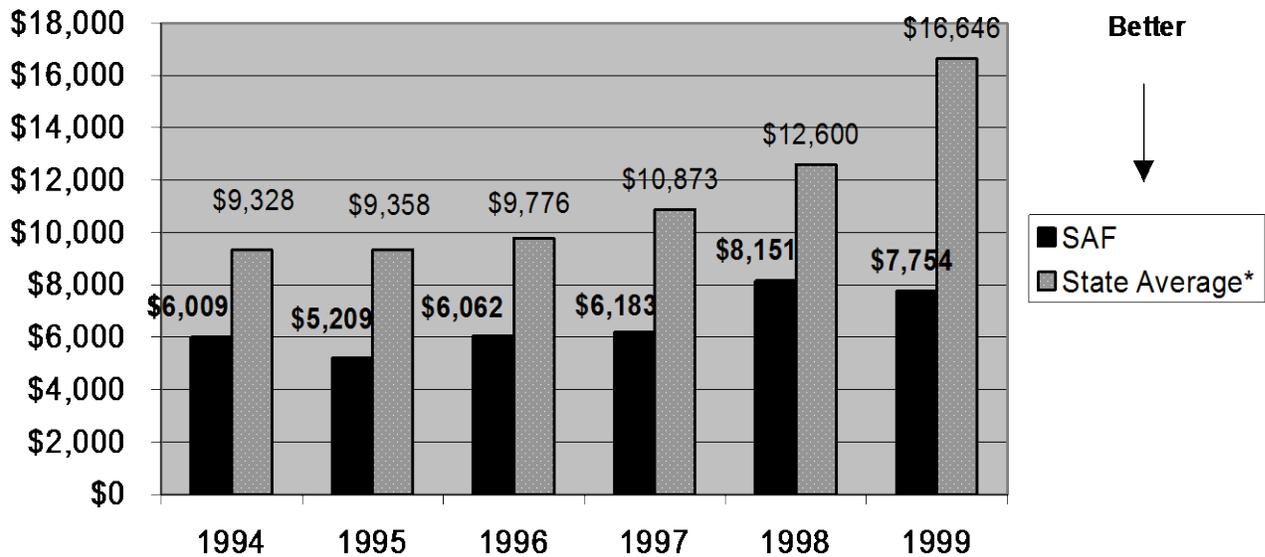
### Average Medical Cost Per Claim



**Figure 7.2f**

The average indemnity cost per claim is shown in Figure 7.2g. The agency's average was 53% below the average for private industry.

### Average Indemnity Costs Per Claim

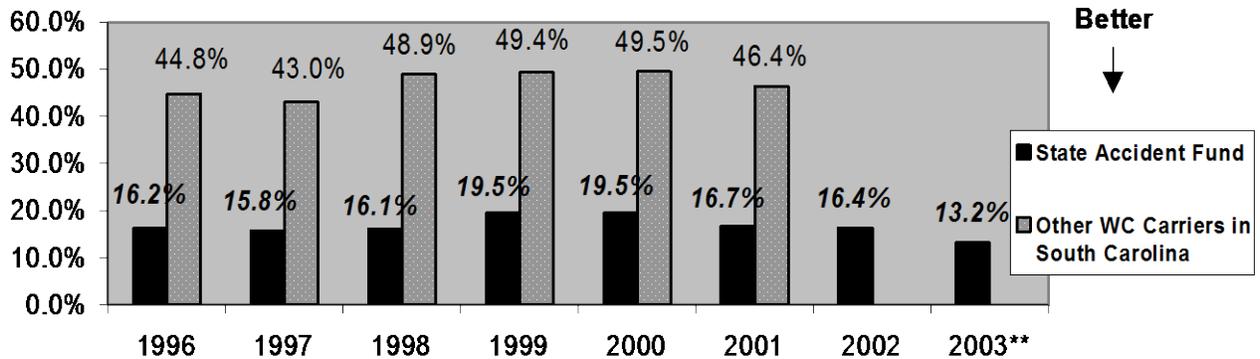


**Figure 7.2g**

\*Note: 1994 Data - NCCI Statistical Bulletin 1998; 1995 Data - NCCI Statistical Bulletin 1999; 1996 Data - NCCI Statistical Bulletin 2000; 1997 Data - NCCI Statistical Bulletin 2001; 1998 Data - NCCI Statistical Bulletin 2002; 1999 Data - NCCI Statistical Bulletin 2003.

A standard industry measure of an insurance carrier’s efficiency is the “Administrative Cost Ratio”. It represents the percentage of premiums spent on administration and not paid out in benefits. The State Accident Fund’s Administrative Cost Ratio, as determined by our actuaries, Bickerstaff, Whatley, Ryan, and Burkhalter, Consulting Actuaries, is less than half of the average for private sector carriers in the state as reported by NCCI. In 2001 the agency’s ratio was 16.7% as compared to 46.4% for the insurance industry in South Carolina.

### Administrative Cost Ratio Comparison



\*Note: NCCI Data not available for CY 2002

\*\* Note: The figure shown for 2003 is an estimate and must be confirmed by our actuaries.

**Figure 7.2h**

7.3 A key measure of employee satisfaction is the turnover rate shown in Figure 7.3a. The rate is determined by dividing the number of positions by the number of employees who have left the organization. The agency uses data from the Bureau of Labor Statistics to compare its current turnover rate with the rate for both “State and Local Government” and the “Finance, Insurance and Real Estate” industry. As you can see we remain significantly below the national averages.

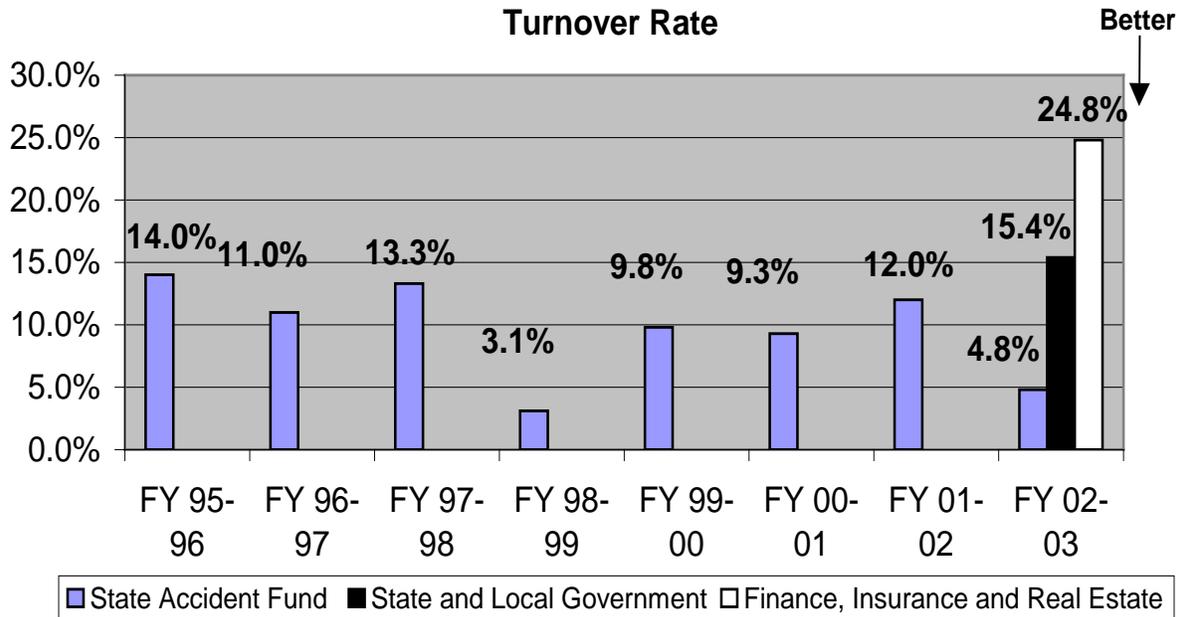


Figure 7.3a

The agency also conducts an annual Employee Satisfaction Survey. The results of the questions that deal directly with employee satisfaction are shown in Figures 7.3b and 7.3c.

**Percentage of Employees Who Ranked the Agency's Work Environment as "Better Than Most" or "Best"**

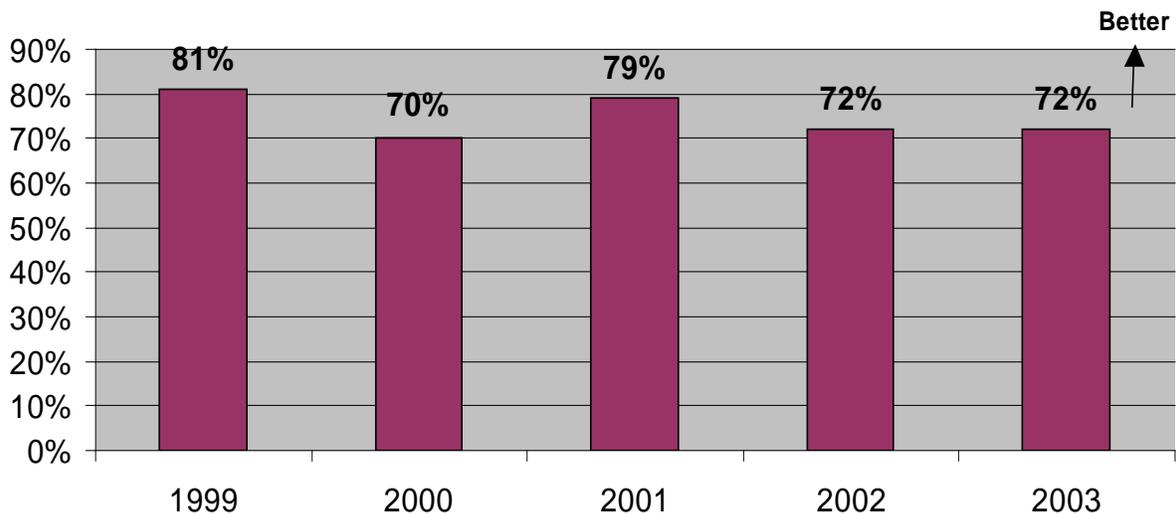
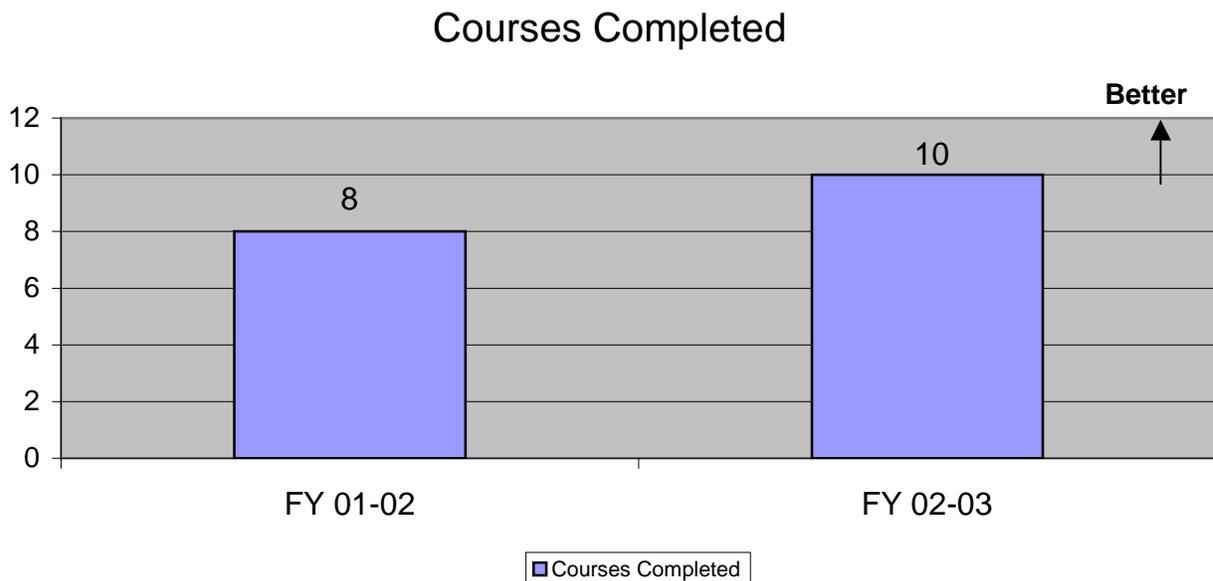


Figure 7.3b



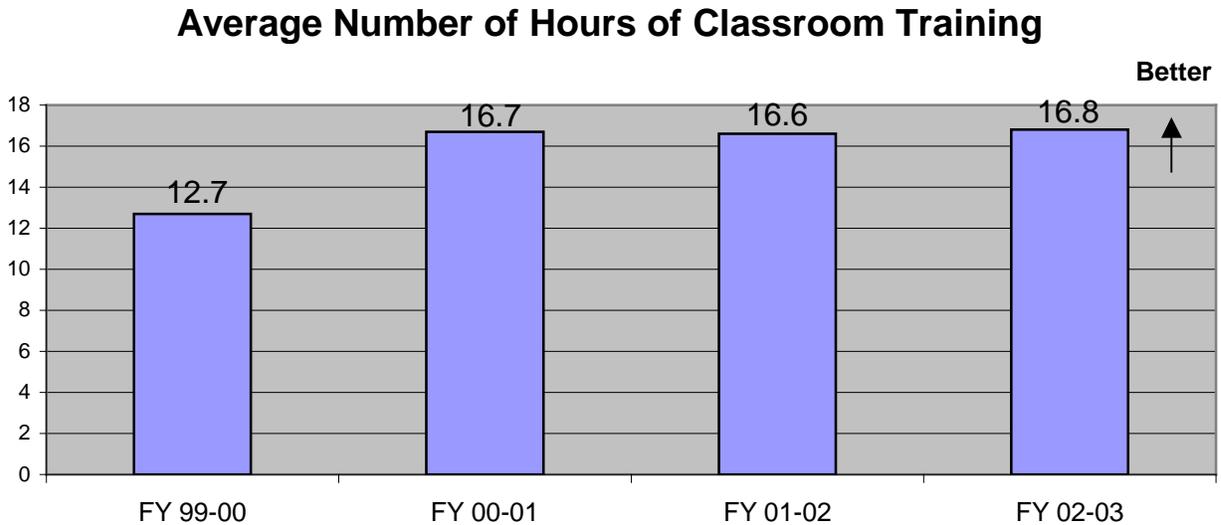
**Figure 7.3c**

The agency measures employee development and training in two major areas. The first is the number of courses successfully completed at the Insurance Institute of America and CPCU Society. This is a voluntary self-study program. The results are shown in Figure 7.3d.



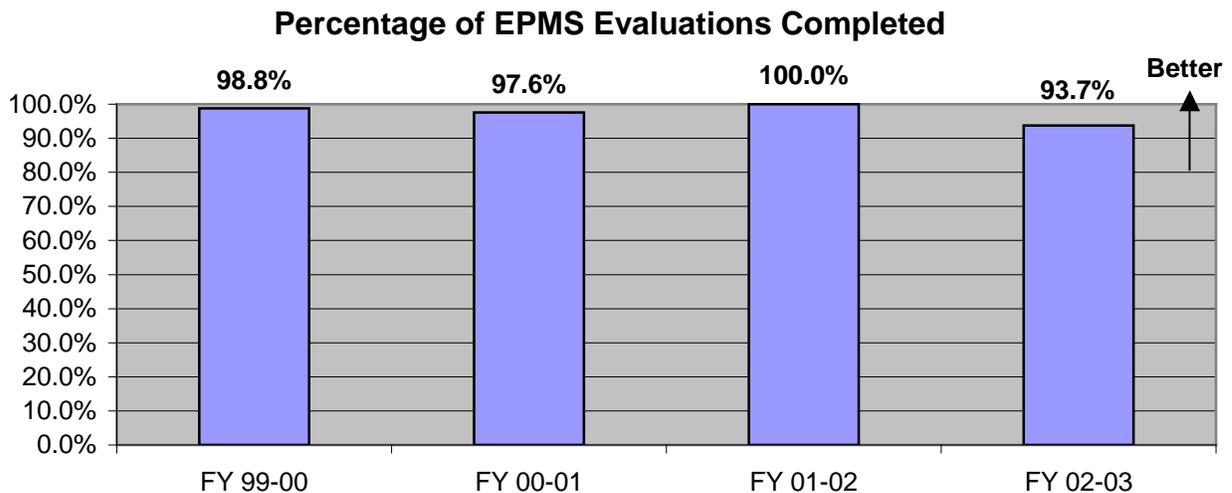
**Figure 7.3d**

The second measure is the average hours of formal classroom training attended by each employee. Included in this measure are professional seminars, conferences, and other formal classroom training programs (Figure 7.3e).



**Figure 7.3e**

The agency measures the percentage of Employee Performance Management System evaluations, completed each year. The results are shown in Figure 7.3f.



**Figure 7.3f**

7.4 The agency has continued to pursue outsourcing opportunities with various private sector partners to allow the agency to improve its service without expanding staff. Figure 7.4 reflects a long-standing and very successful partnership. The agency measures this contractor's effectiveness based on the amount of money recovered from the Second Injury Fund. The funds recovered from the Second Injury Fund are credited directly to our customers' loss experience.

This reduces their loss experience and ultimately the cost of their workers' compensation coverage. In fiscal year 02-03 the State Accident Fund recovered a record \$10.7 million, the highest amount among all Workers' Compensation carriers in the state.

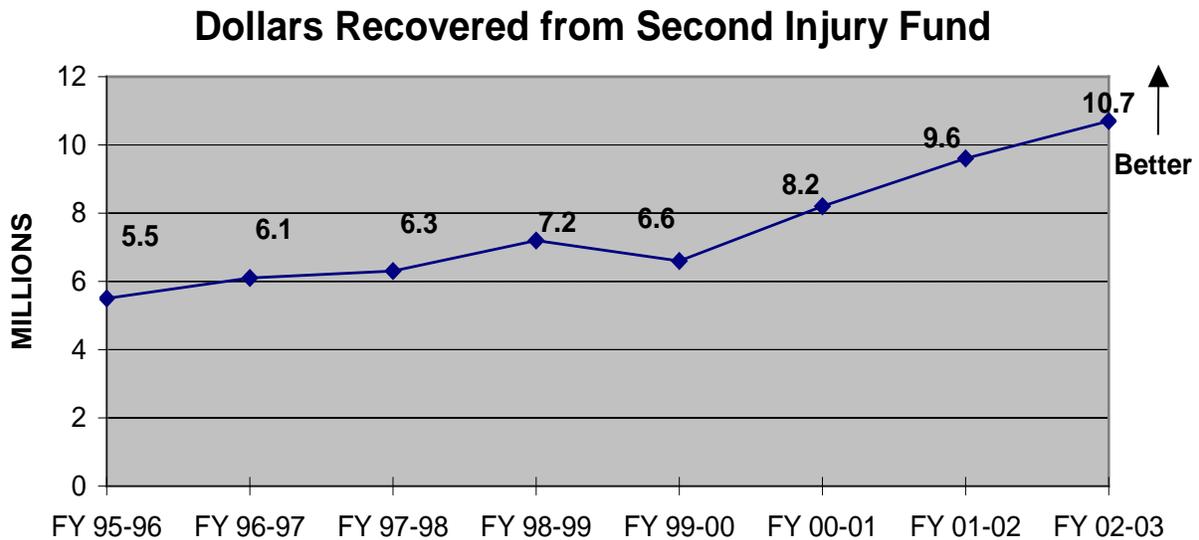


Figure 7.4

7.5 The agency monitors the percentage of claims with an initial decision within 14 days of the date of accident, as one of its indicators of regulatory compliance. The results of the last six years are shown in Figure 7.5a.

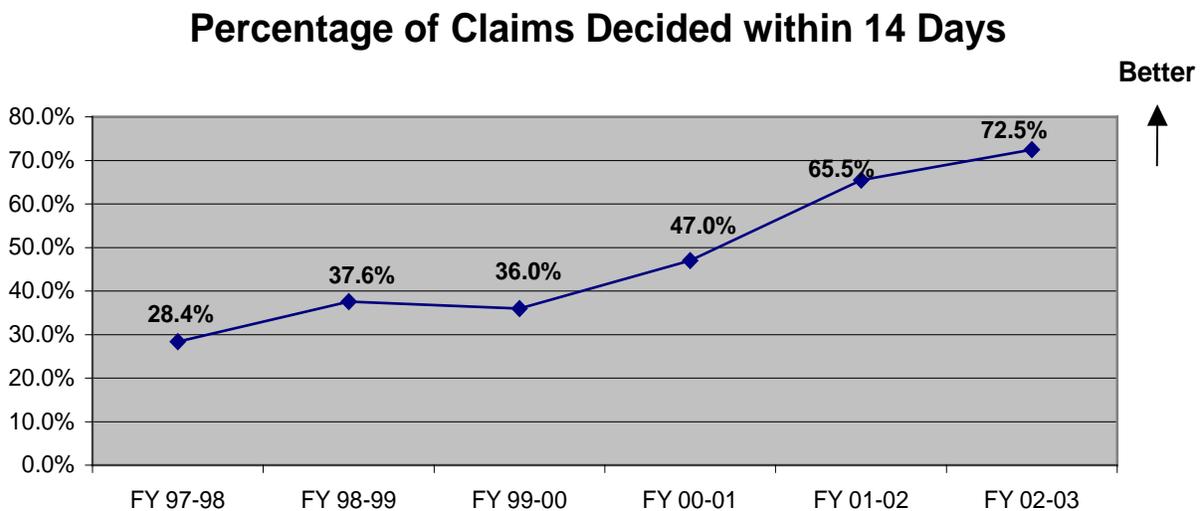
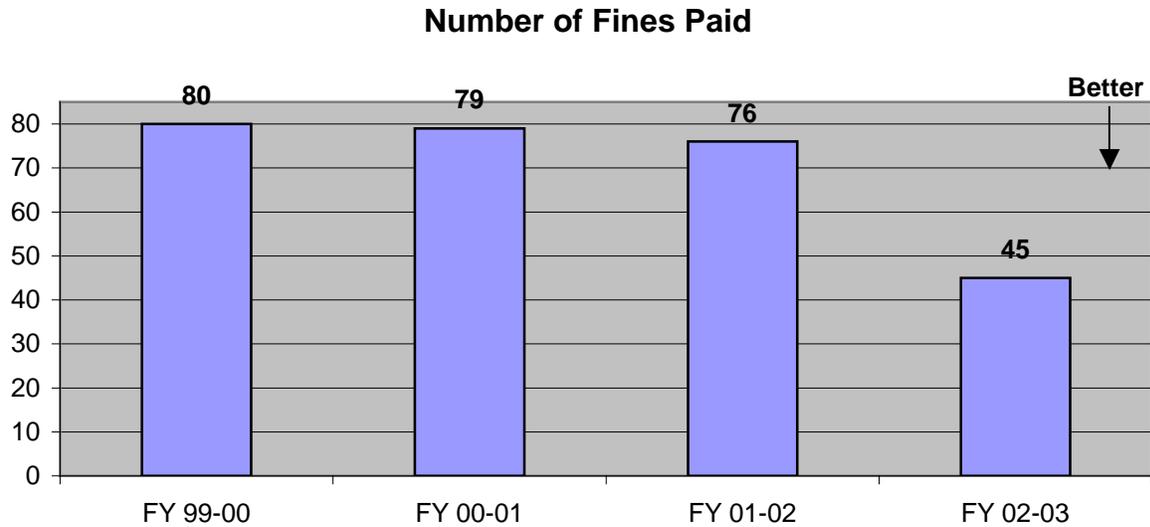
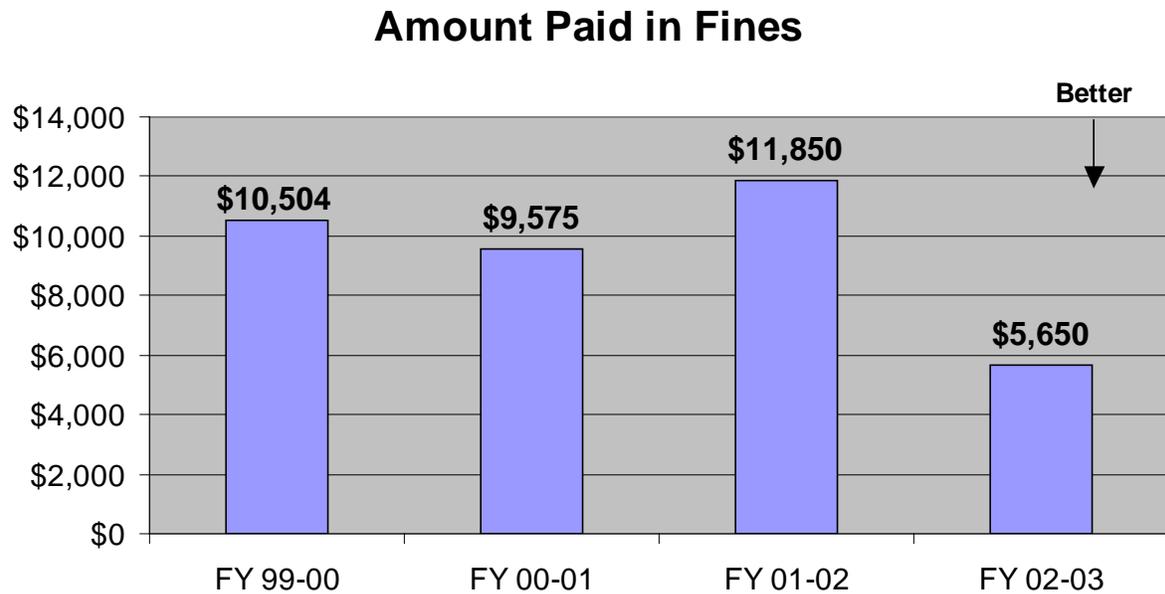


Figure 7.5a

Another measure of regulatory compliance is the number and amount of fines paid to the Workers' Compensation Commission. This information is shown in Figure 7.5b and Figure 7.5c.



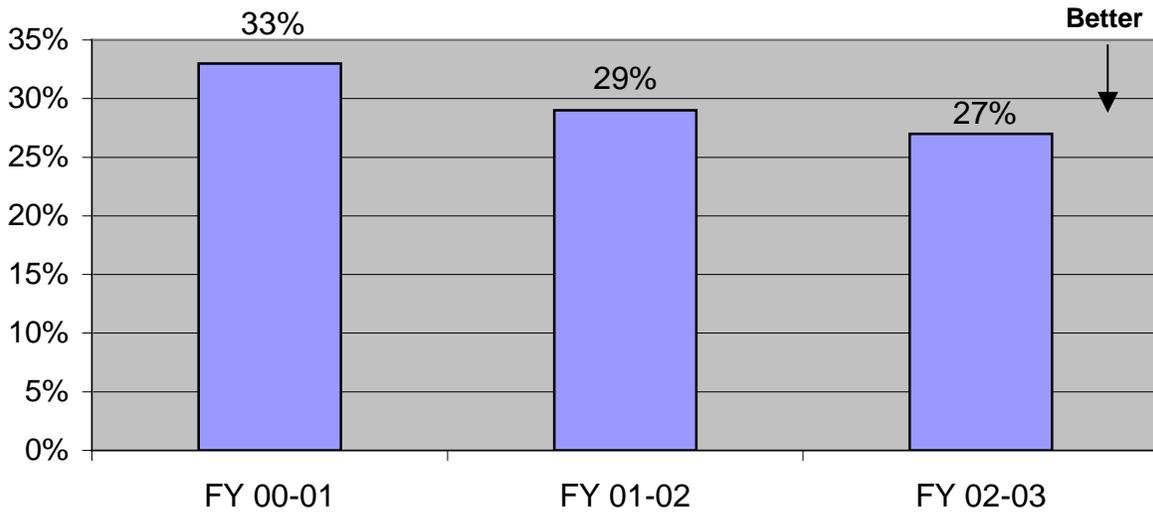
**Figure 7.5b**



**Figure 7.5c**

This was the third year our internal audit program has been in effect. This program is designed evaluate and improve individual adjuster's performance, compliance with State Fund policies compliance with applicable workers' compensation laws and regulations and to determine both individual and organizational training needs. The program's results are shown in Figure 7.5d.

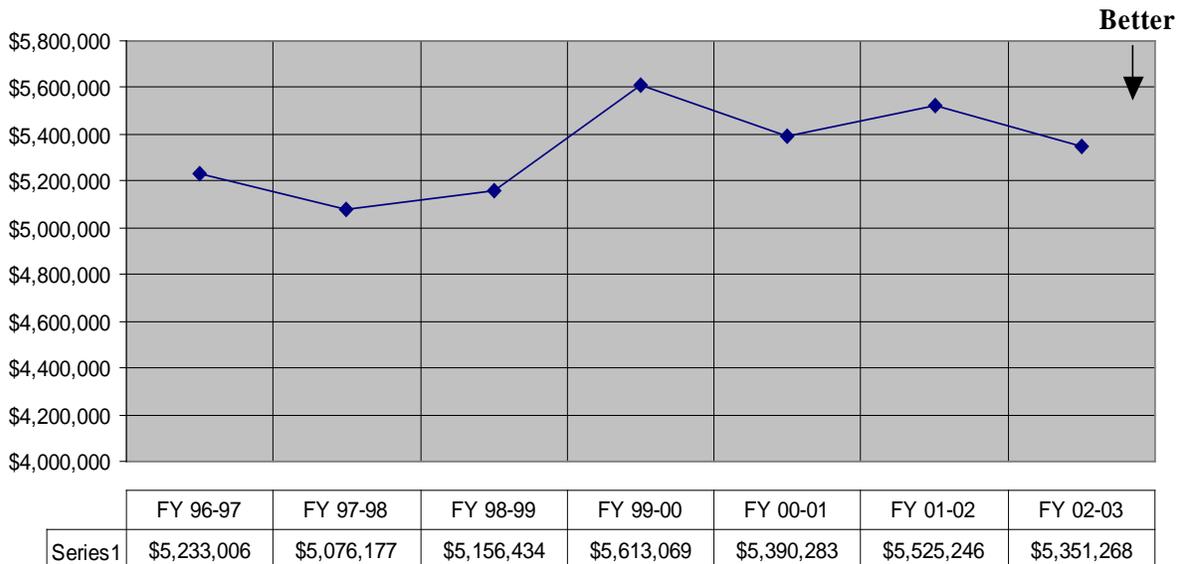
## Percentage of Deficiencies Noted During Audits



**Figure 7.5d**

7.6 The agency is funded through “other” funds. These consist of premiums paid by policyholders and investment income from the Trust Fund. The program has a total of 90.12 FTE’s (Full Time Equivalencies) down from a high of 100 in FY 96-97. Program costs based on the independent audit for the last five years, minus bad debts and depreciation expenses, are shown in Figures 7.6a and 7.6b.

## Program Costs Minus Bad Debts and Depreciation



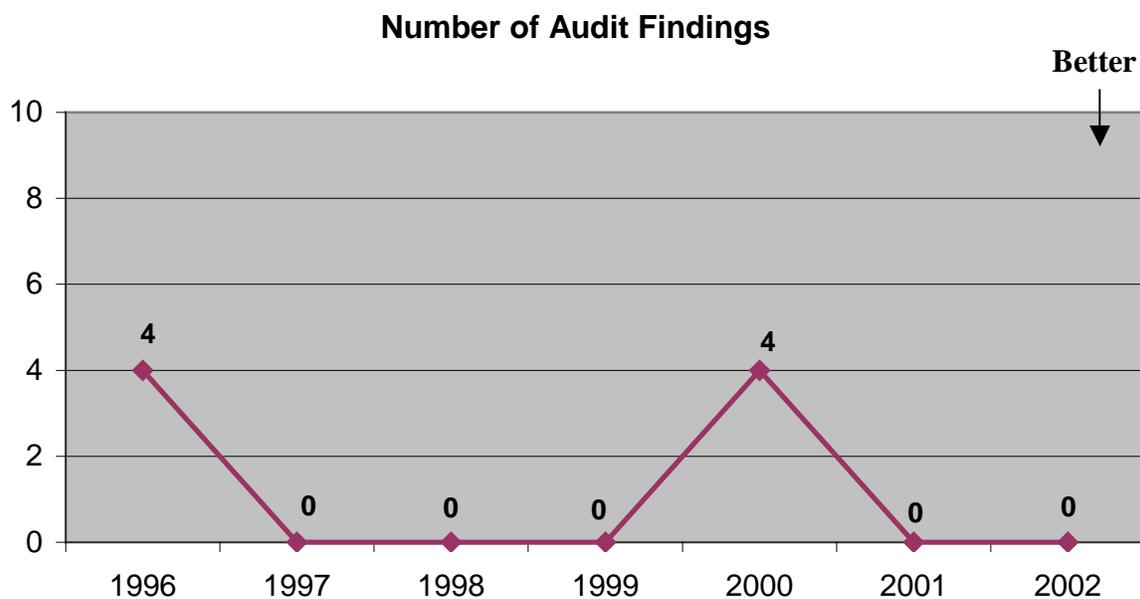
**Figure 7.6a**

## Expense Details

	<u>FY 96-97</u>	<u>FY 97-98</u>	<u>FY 98-99</u>	<u>FY 99-00</u>	<u>FY 00-01</u>	<u>FY 01-02</u>	<u>FY 02-03</u>
Personnel services & employee benefits (Authorized FTE's)	\$3,262,315 (100)	\$3,310,715 (98)	\$3,463,743 (97)	\$3,866,539 (92.12)	\$3,881,128 (92.12)	\$3,981,365 (90.12)	\$3,869,763 (90.12)
Contractual services	1,252,881	1,082,175	980,425	1,122,282	957,813	970,620	864,978
Rent and insurance	363,313	366,305	342,849	361,504	319,945	310,701	342,497
Supplies and materials	230,600	180,477	255,491	142,056	116,467	108,713	110,602
Other expenses	123,897	136,505	113,926	120,688	114,930	153,847	163,428
<b>Total</b>	<b>\$5,233,006</b>	<b>\$5,076,177</b>	<b>\$5,156,434</b>	<b>\$5,613,069</b>	<b>\$5,390,283</b>	<b>\$5,525,246</b>	<b>\$5,351,268</b>

**Figure 7.6b**

Figure 7.6c shows the number of audit findings for the last five years. In June 1999 SAF installed a new computer system that included a complete accounting package. The new system eliminated the major audit finding concerning the need to have a complete set of accounting records. The new computer system enabled SAF to print and issue all workers' compensation checks in-house.



**Figure 7.6c**

The agency measures on a regular basis the percentage of premium that is over 90 days past due. The results for the last four years are shown in Figure 7.6d.

### Percentage of Premium Billed Over 90 Days Past Due

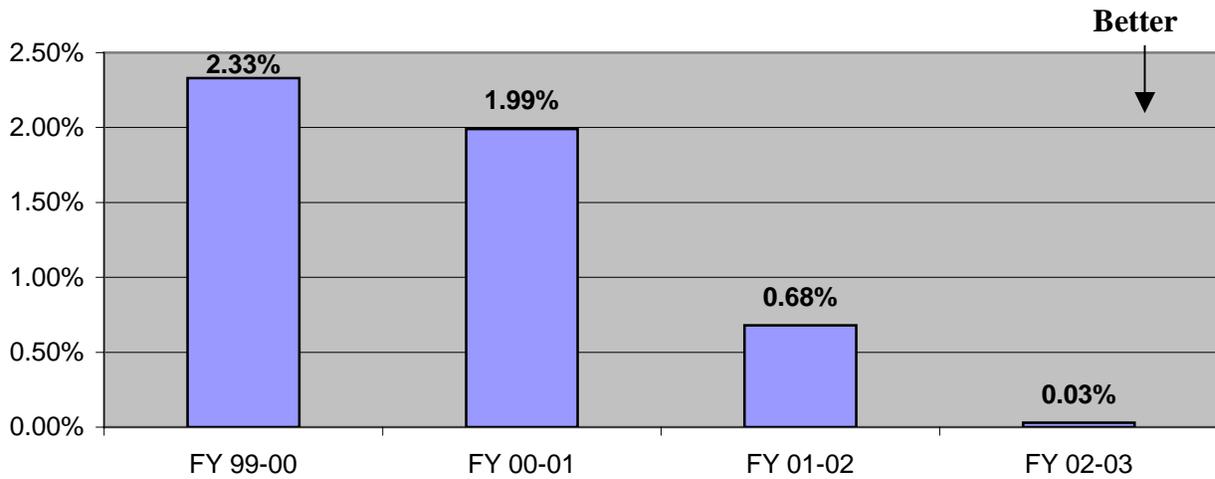


Figure 7.6d

Another new measure developed, refined and implemented by the agency is the percentage of accounts audited within 180 days after the end of the policy period. The results are shown in Figure 7.6e.

### Percentage of Accounts Audited Within 180 Days

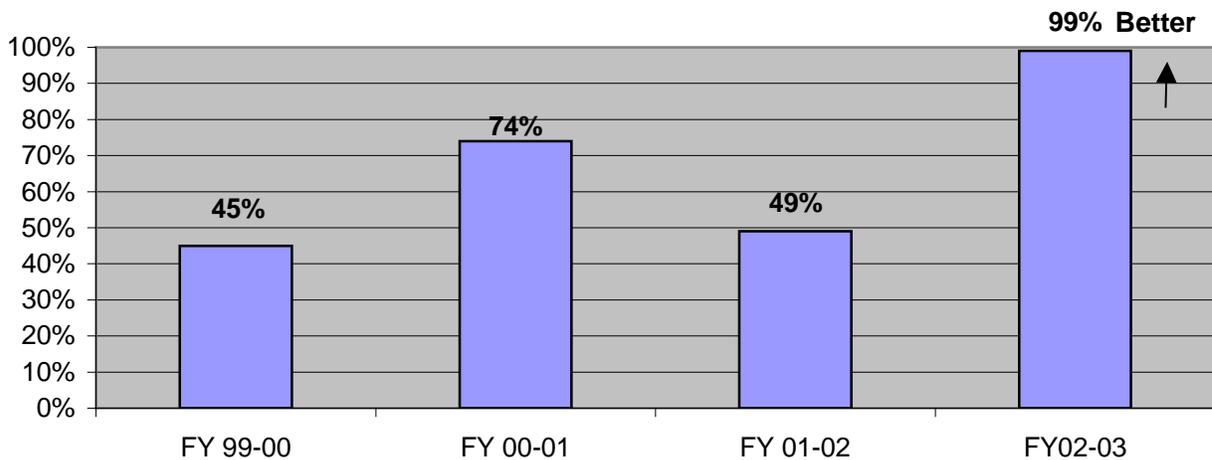
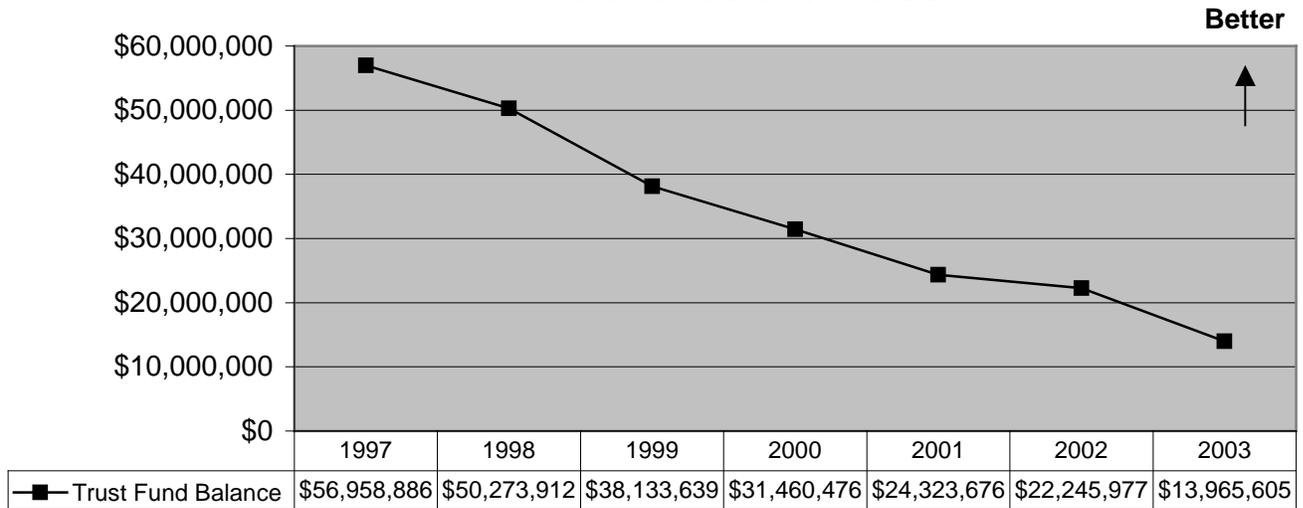


Figure 7.6e

Figure 7.6f shows the Trust Fund balance. These are premiums that have been paid by policyholders and are set aside to pay current workers' compensation claims. The amount in the fund should be equal to the agency's liability. This is evaluated annually during the actuarial review.

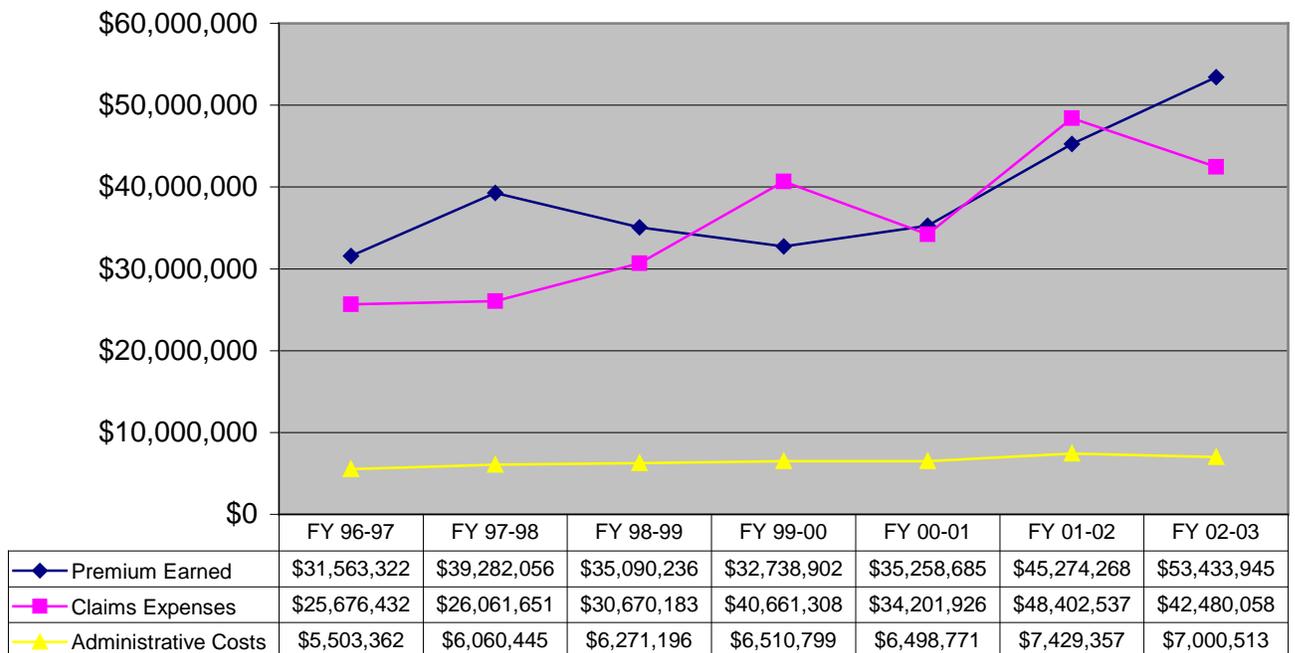
### Trust Fund Balance as of June 30th



**Figure 7.6f**

Figure 7.6g shows a comparison of the amount of premium revenue earned, claim expenses paid, and administrative costs.

### Comparison of Costs vs. Revenue



**Figure 7.6g**