

**August 17, 2012**

**Mr. Les Boles  
Director  
Office of State Budget  
1122 Lady Street, 12<sup>th</sup> Floor  
Columbia, S.C. 29201**

**Dear Mr. Boles:**

**I am pleased to submit the Second Injury Fund Accountability Report for Fiscal Year 1999-2000.**

**The Second Injury Fund in its present form was created by the Legislature on July 1, 1972. The Budget and Control Board delegated the responsibility of administering the Second Injury Fund to the Industrial Commission. When revision of the Industrial Commission occurred in 1974, the Second Injury Fund was given full status as a separate state agency. Currently we are a separate state agency under the Budget and Control Board. Sections 42-7-200 and 42-7-310 outline the mission of the Second Injury Fund.**

**The Second Injury Fund has one administrative program & a twofold mission. The goals, objectives and key results, as outlined in this report, are a result of our efforts to refine and improve our processes and service delivery systems. They directly relate to the mission of the agency and were developed and strongly supported by the executive staff with extensive input from our external and internal customers.**

**For information or assistance regarding this report, please contact Mike Harris, Director of Management Services, at 798-2722, extension 130.**

**Yours truly,**

**Douglas P. Crossman  
Director**

DPC/dgcEnclosures

## II. Executive Summary

The Fund has one program consisting of two missions. These are the processing and payment of Second Injury Fund and Uninsured Employers' Fund claims. The overall goals of the Fund are:

- To protect employers from increased workers' compensation insurance cost.
- Advance the hiring and retention of the disabled.
- To ensure payment of workers' compensation benefits to injured employees whose employers are in violation of the Workers' Compensation Law.

The overall objectives of the Fund are:

- Prompt determination of eligibility
- Efficient claims processing and payment
- Contain claims cost
- Sound fiscal management

It is important to address several key aspects of this report.

1. The number of employers receiving benefits from the Second Injury Fund - 1,868.
2. The number of employees receiving benefits from the Uninsured Employers' Fund - 426.
3. The amount of monies recouped from employers found in violation of the law - \$899,306. This represents approximately 30% of the monies paid by the Uninsured Employers' Fund and is a 19% increase over monies recouped in fiscal year 1998-99.
4. Through our audit of indemnity reimbursements and Medical Fee Schedule reductions, we reduced our fiscal year reimbursements by \$3.3 million, which resulted in \$9.17 million reduction in the annual assessment.

The primary concern we had at the beginning of this year was the increase in the number of days needed to process claims payments. With the additional FTE approved in FY99-00 budget, we have reduced the number of days to process claims payments from 31 days to 8 days. This reduction has again enabled our agency to give outstanding service to our customers in this area.

Through a cooperative effort between representatives of the Fund, the Governor's Office, Department of Insurance, Workers' Compensation Commission and the insurance industry, legislation was drafted and passed amending our method of assessment. This amendment was caused by a Statement of Position issued by the American Institute of Certified Public Accountants requiring insurance carriers to reserve future assessments by second injury funds or "like funds" if these assessments were based on losses paid. The amendment changed our method of assessment to a "normalized premium" base from a loss base. The combined efforts of all the parties involved in this legislative process prevented a possible financial hardship on the insurance carriers doing business in our state.

In our on-going efforts to implement and improve performance criteria, we have upgraded our computer software and will upgrade all hardware to include servers, the network and workstations during this fiscal year. We have conducted a customer performance evaluation survey and an employee satisfaction survey. We have also established an agency-wide universal review date. We discuss these issues in more detail in Sections V and VI of this report.

We have a formal agreement with the Department of Revenue to assist us with the recoupment of monies paid by the Uninsured Employers' Fund.

We coordinate with the Commission for the Blind, Department of Disabilities and Special Needs and Vocational Rehabilitation Department to ensure that they make employers and employees aware of the Fund's role in promoting the hiring of disabled citizens.

### **III. Mission Statement**

The Second Injury Fund functions within the South Carolina Workers' Compensation System. The mission of the Fund is two fold.

1. To protect employers from the higher cost of insurance that can occur when an injury combines with a prior disability to result in substantially increased medical or disability costs than the accident alone would have produced. This ensures that an employer is not made to suffer a greater monetary loss or increased insurance costs because they hire or retain an employee who has a disability.
2. To ensure payment of workers' compensation benefits to injured employees whose employers have failed to comply with the coverage provisions of the Workers' Compensation Law.

### **IV. Leadership System**

The Agency Director is appointed and serves at the pleasure of the Budget and Control Board. The Executive Staff of the agency consists of the Director of Management Services, Director of Claims, Director of Recoveries and the Chief Counsel.

The Director and all members of the Executive Staff have graduated from the Executive Institute and actively support it's ongoing programs.

All staff members have been given the resources (tools, training, time and guidance, etc.) to be highly successful in their work.

The agency's policies and rules are broad and flexible in order to cover all justifiable situations. This encourages an ongoing flow of constructive dialogue with staff members at all levels of the agency. Staff members feel free to discuss work-related problems, opportunities and issues.

There is a prevailing sense that "we're all in this together." Staff members feel that their work makes a positive difference in some way and that they are genuinely valued by the agency.

## **V. Customer Focus and Satisfaction**

The requirements of our customers are outlined in Section 42-9-400 of the S.C. Workers' Compensation Law. We must be put on notice of a claim within certain time restraints for Second Injury Fund claims and we must be furnished all information necessary to make a final determination on a claim, be it Second Injury Fund or Uninsured Employers' Fund.

The expectations and preferences of our customers and stakeholders are stated in our objectives:

- Prompt determination of eligibility
- Efficient claims processing and payment
- Contain claims cost
- Open free-flowing communication
- Program flexibility
- Sound fiscal management

We continually strive to meet these expectations. We offer formal training to all carriers and self-insured employers on the proper procedures of submitting a Second Injury Fund claim. We also have informal training offered to new employees of our customers where they actually sit down with their counterpart at the Fund to learn the "hows and whys" of perfecting a Second Injury Fund claim. One method we use to measure the effectiveness of our training is by the number of claims denied versus the number of claims which we can make a final determination. This equaled less than 3% for this fiscal year.

We constantly track the time needed to pay claims. With our new FTE we have reduced the processing time from 31 days to 8 days, which represents a 75% reduction.

We have conducted a Customer Performance Evaluation Survey for FY99-00. The survey was developed to measure the Five Dimensions of Service Quality; Reliability, Responsiveness, Empathy, Assurance and Tangibles. This survey consisted of 10 questions, measurable by using a 4-point Likert-type scale, and 2 open-ended questions. It also had additional space for written comments. We had a 50% response to the survey with astounding results. The percentage of positive response was 99.6% which represented 445 out of 447 responses. We will use the responses to the open-ended questions and comments to better understand customer's expectations and preferences and for improving our services. This survey will be used as a foundation for our customers to annually evaluate

our performance. We will also be able to measure the results from year to year beginning with next year's Accountability Report.

#### VI. Other Performance Excellence Criteria

We do not have a formal written strategic plan. However, we focus all of our attention on improving our performance in meeting our strategic goals. These goals, known by all employees, are to 1) protect employers from higher insurance cost, 2) advance the hiring and retention of the disabled and 3) provide worker's compensation benefits to the injured employee whose employer was in violation of the law.

The collection and analysis of information is of great importance to our agency. We use information to measure our performance and to determine where process improvements are needed. We use this collection of data to compare our performance to "like agencies" and the private industry. It also gives us a "picture" of our agency by comparing past performance with present performance ensuring that we continue to provide world-class service.

We know that our staff members are one of our most important assets. Their well being, satisfaction and development is a high priority. We strongly support the pay plan outlined in the State Human Resource Regulation. Managers and supervisors are encouraged to administer the Employee Performance Management System in a timely and fair manner. Staff members are always made aware of their job performance throughout the year. When necessary, they receive guidance and training needed to improve performance. We have established a flexible work schedule policy allowing all staff members the choice of flextime or a compressed work week.

We developed and conducted our first annual Employee Satisfaction Survey. The results reflect that our employees are satisfied overall. We will use the results of this survey and the follow-up questionnaire to monitor trends and implement employee suggestions which benefit their overall well-being.

One suggestion that was implemented is the Employee Performance Management System universal review date. This was needed for future plans of tying the EPMS to the mission of the agency and not just the job description.

All employees are cross-trained in various positions to ensure we maintain our high standards of customer service.

We constantly monitor and assess our systems and processes to determine their effectiveness and efficiency. We continuously make the improvements necessary to ensure that the desired results are achieved. The example that best reflects our efforts in this area is the reduction in processing time needed to pay claims. After our assessment of the process, we determined that the only way to improve the performance was the addition of a FTE. Once the

FTE was approved and were able to fill the position our processing time went from 31 days to 8 days.

#### VII. Description of Programs

- A. Program Name: Second Injury Fund Administration. This program is funded with "other funds" and is authorized 21 FTE's.
- B. Program Rank: 1
- C. Program Cost: The cost of administering the Fund was \$1,327,899. all of which was "other funds". The "other funds" are drawn from the annual assessment levied on all self-insured employers/funds and insurance carriers that paid workers' compensation losses in the state during the preceding calendar year.

**For the purpose of this report, the program goals, objectives and key results are stated separately for the Second Injury Fund and the Uninsured Employers' Fund. Although they are both under the same program there is a separate mission with distinctly different goals, objectives and results for each fund.**

We have made every attempt to benchmark our performance with other "like" agencies and private industry. In the instance where we were unable to do this, we used our past years comparison.

#### Second Injury Fund Goals, Objectives and Key Results

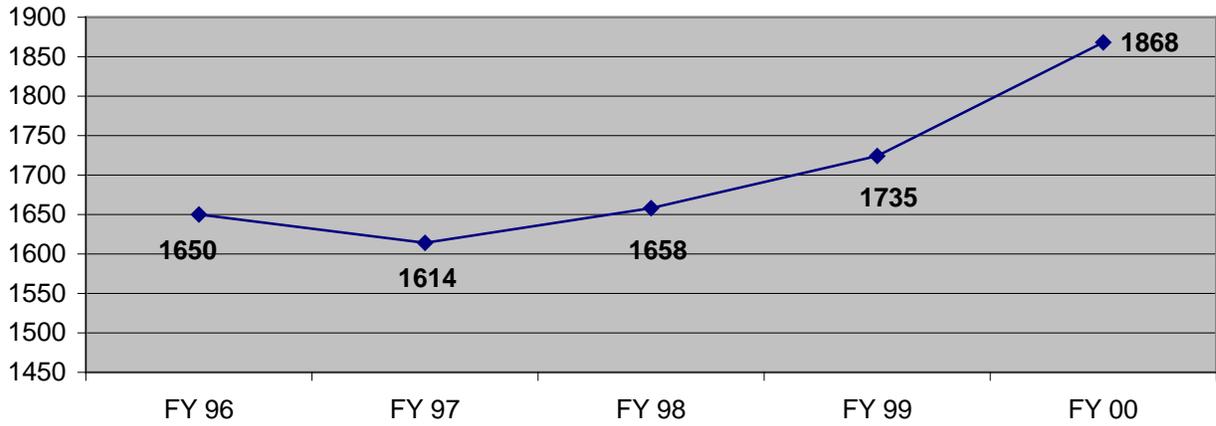
**Goal: To protect employers from increased workers' compensation premium costs by accepting a claim within four years of the date of accident.**

- Objectives:**
- 1) The prompt determination of eligibility
  - 2) The expeditious processing of claim reimbursements
  - 3) Maintaining reasonable claims cost

#### Key Results

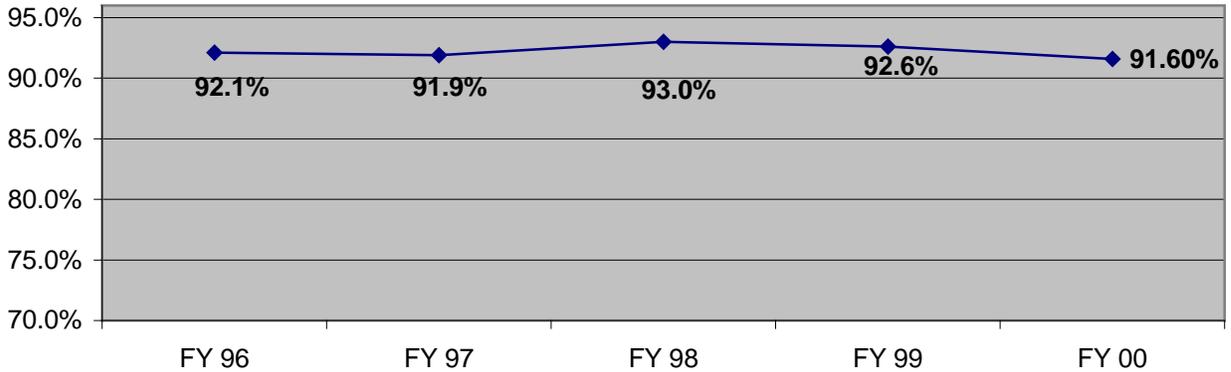
**Protection of employers from increased workers' compensation benefits.**

### Number of Employers Benefitting



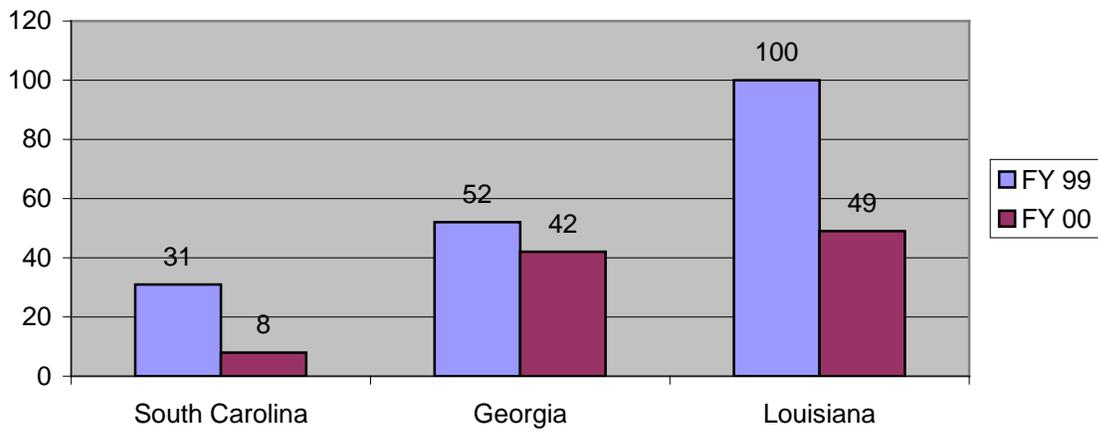
Accepting claims within four years of the date of accident. This will prevent that accident from having a negative affect on the premium calculation.

### Percentage of Claims Accepted within 4 Years of the Date of Accident



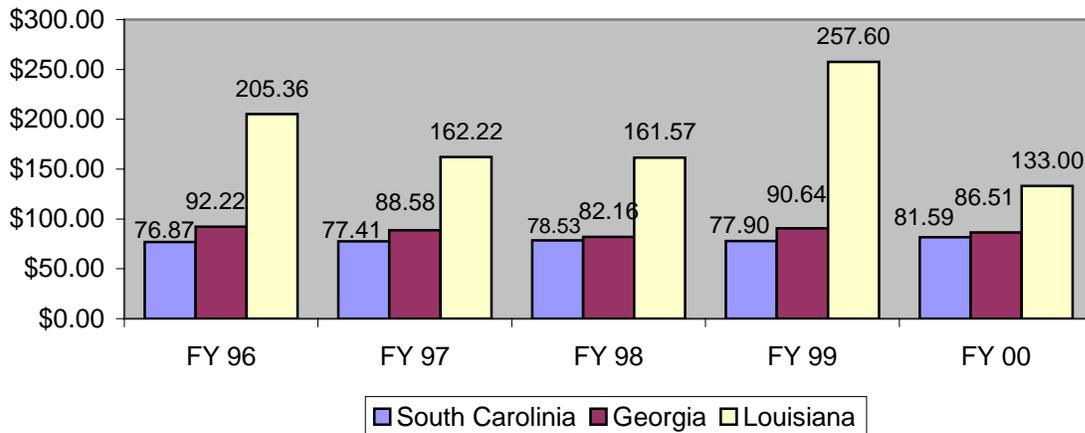
**Responsibility of the expeditious processing and payment of claims. We compare our agency with “like” funds from Georgia and Louisiana.**

**Average Number of Days to Pay Claims**



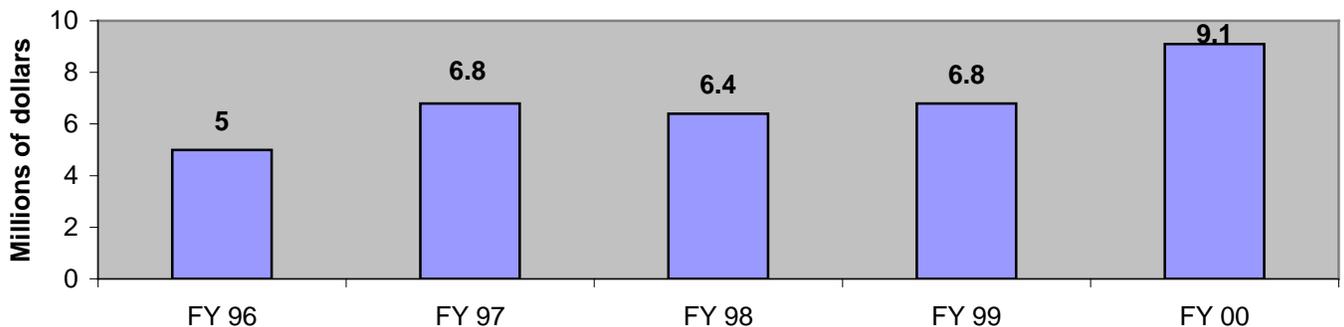
**Responsibility for maintaining reasonable claims costs. We compare our agency with “like” funds from Georgia and Louisiana.**

**Second Injury Fund Cost per Claim**



**Responsible for the audit and reduction of all reimbursements to the amount ordered and approved by the Workers' Compensation Commission. These reductions directly affect the assessment levied on all fund members.**

### **Reduction in the Annual Assessment**



### **Uninsured Employers' Fund Goals, Objectives and Key Results**

**Goals: To ensure payment of workers' compensation benefits to injured employees whose employers are in violation of the law.**

**Objectives: 1) Determine if the Fund is responsible for coverage or is another party's responsibility.**

**2) Prompt determination whether to pay or defend the claims.**

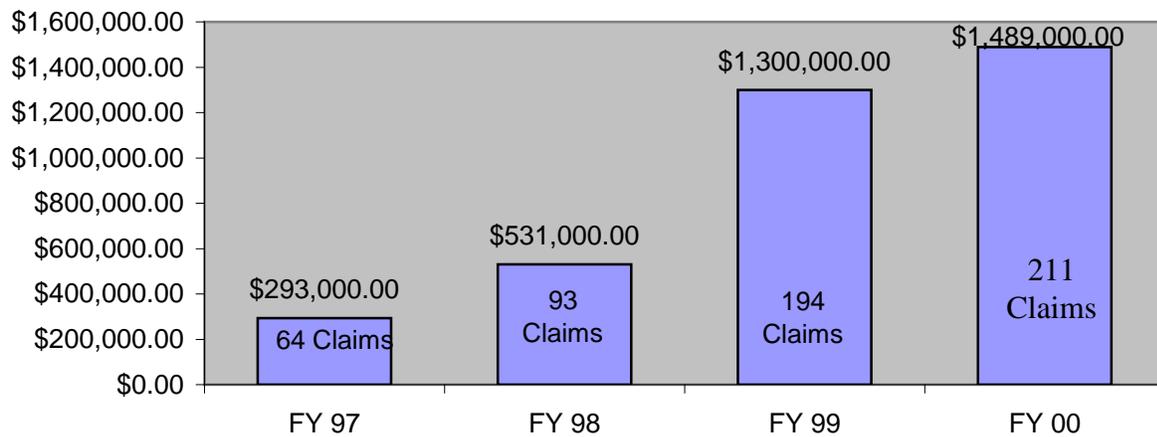
**3) Maintain reasonable claims cost**

**4) Recoupment of at least 25% of the benefits, cost and expenses paid by the Fund from the employer**

Key Results

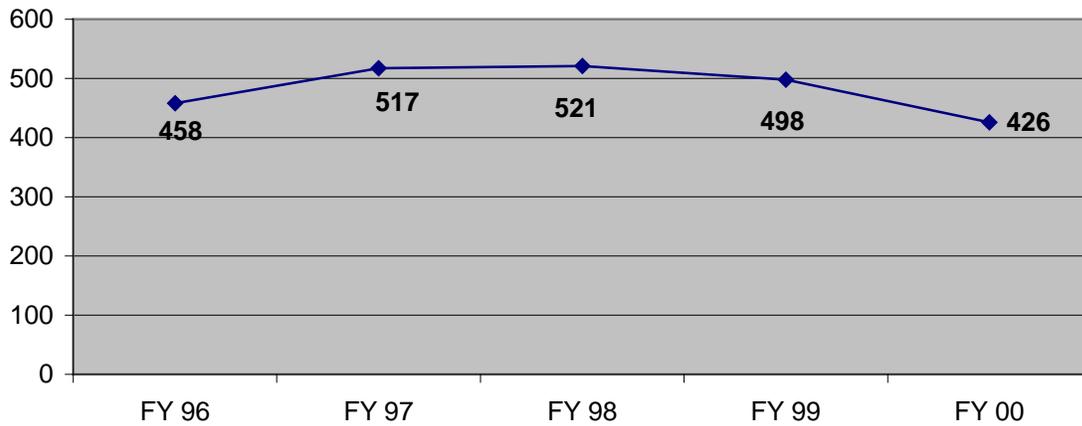
Responsible for determining whether the Fund should have coverage or is there another party that is responsible for coverage. This determination has a direct affect on the amount of monies paid by the Fund.

**Savings Resulting from other Coverage Found**



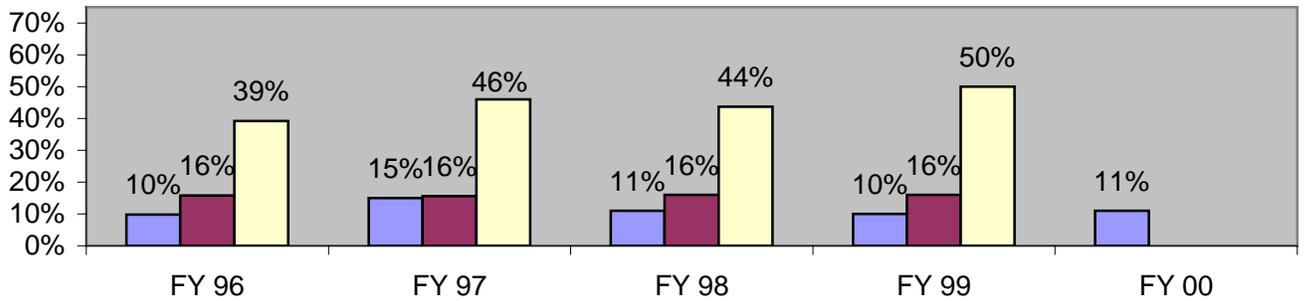
Responsible for paying workers' compensation benefits to injured employees. This ensures they are not caused to suffer undo hardships, medical or financial, because their employer was in violation of the law.

### Employees Benefitting



Maintain a reasonable administrative cost ratio to claims paid. These cost are ultimately recouped from the employers along with the benefits paid on claims. We compare our agency with the State Accident Fund and private carriers.

### Uninsured Employers' Fund Administrative Cost Ratio



State Accident Fund and Private Carrier Data not available for FY 00

■ South Carolina 
 ■ State Accident Fund 
 ■ Private Carriers

Recoupment from employers of all benefits, expenses and cost paid. These monies are used to pay claims and reduce the amount of funds needed from the general fund for this purpose. Our goal is 25% of monies paid.

**Recoupment of Monies Paid on Unisured Employers' Fund Claims**

