

Accountability Report Transmittal Form

Agency Name - S.C. Second Injury Fund

Date of Submission - August 30, 2001

Agency Director - Douglas P. Crossman

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Section I – Executive Summary

I.1 The major achievements from the past year were:

a) This year we had major upgrades to our computer hardware. The upgrades consisted of the installation of fiber optics, purchasing of all new computers and servers and converting from a Token Ring network to Ethernet. This conversion was completed with the guidance and assistance from the staff of the Budget and Control Board Office of Information Resource (OIR). With our software upgrades and the planned installation of GroupWise by OIR, we continue to be on the “cutting edge” of information technology. This ensures our staff has the best tools available to accomplish the mission and to better serve our customers.

b) Planning and implementing the changes necessary to our collections and finance reporting processes to make our agency compliant with the Governmental Accounting Standards Board Statement 34 (GASB 34). The changes implemented had to be tested and operational in order to be in place as of July 1, 2001. This was a coordinated effort by our staff and members from OIR, our auditor and our actuary. The end results of these changes should greatly improve the collections process with enhancements that allow managers and other users to make informed decisions on questions concerning collections. We now have the ability to produce reports needed by the auditor and actuary so that they can complete their required annual reports in compliance with GASB Statement 34.

c) We implemented new procedures in our Second Injury Fund annual assessment process. These changes in our procedures were caused by an amendment to the S.C. Code of Laws that changed the method of assessment to “a normalized premium” base from a “loss” base. This amendment prevented a possible financial hardship on the insurance carriers doing business in our state. It was necessary to rewrite our assessment software in order to make changes to the database that calculates the assessments and produces all letters and reports needed in the assessment process. This was accomplished in a short period of time so as to not delay the mailing of the annual assessment.

I.2 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.

The values of the Fund are simple and straightforward:

- **Administer claims in a fair and impartial manner**
- **A highly professional and well-trained staff**
- **Continuous improvement of services**

I.3 Our key strategic goals and objectives for present and future years 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; prompt determination of eligibility; efficient claims processing and payments; contain claims cost; and sound fiscal management.

I.4 The agency has been successful in fulfilling its mission and strategic goals in FY 2001 and prior years. We were able to accomplish this by the continuous improvement to our processes and by remaining in the forefront in the use of information technology. However, over the past five years we have experienced a drastic increase in all measurable inputs and outputs for the Second Injury Fund. In past years we have dealt with the increase by process improvements. However, we can no longer handle the increase in growth as shown in Figure I.4 without additional FTE's. For our agency to continue the current level of service we need one additional Claims Analyst for the Claims Division and one Fiscal Technician in the Administrative Division. At any time the agency has approximately 16,000 open claims. We currently have three claims analysts. Monthly, each analyst must review approximately 1,000 claims. The International Risk Management Institute recommends an adjuster case load of no more than 200 worker's compensation lost time case files. Even when the differences between lost time claims and Second Injury Fund claims are taken into account, the current analyst workload has become unmanageable and will diminish the quality of service provided. The additional claims analyst position would lessen the per claims analyst workload and maintain our current level of quality service. The Fiscal Technician will be used to process Second Injury Fund and Uninsured Employers' Fund claim payments along with related duties. This will allow us to have three administrative specialists to support the claims staff in processing the large amount of administrative type inputs/outputs generated on a daily basis.

Figure I.4

INPUTS - Second Injury Fund

	<u>FY 1996</u>	<u>FY 2001</u>	<u>% of Increase</u>
New/Reopened Claim	7,109	8,289	31%
Claims Carried Forward to new FY	7,198	8,327	16%
Total Claims	14,307	16,616	16%

OUTPUTS - Second Injury Fund

Claims Closed	6,250	7,673	23%
Claims Paid	2,643	3,449	30%
Claim Vouchers	3,932	5,257	34%
Amount Paid	\$54,807,541	\$81,225,954	48%

Section II – Business Overview

II.1-2 The agency has 21 employees, all located in one office in Columbia, however, the claims handled by the agency cover all 46 counties.

11.3 **Base Budget Expenditures and Appropriations**

Major Budget Categories	99-00 Actual Expenditures		00-01 Actual Expenditures		01-02 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$822,355	0	\$869,553	0	\$895,423	0
Other Operating	\$308,899	0	\$326,361	0	\$410,248	0
Special Items	0	0	0	0	0	0
Permanent Improvements	0	0	0	0	0	0
Case Services	0	0	0	0	0	0
Distributions To Subdivisions	0	0	0	0	0	0
Fringe Benefits	\$196,645	0	\$230,466	0	\$229,658	0
Non-recurring	0	0	0	0	0	0
Total	\$ 1,327,899	\$ 0	\$ 1,426,380	\$ 0	\$ 1,535,329	\$ 0

Other Expenditures

Sources of Funds	99-00 Actual Expenditures	00-01 Actual Expenditures
Supplemental Bills	0	0
Capital Reserve Funds	0	0
Bonds	0	0

II.4 Our key customers are:

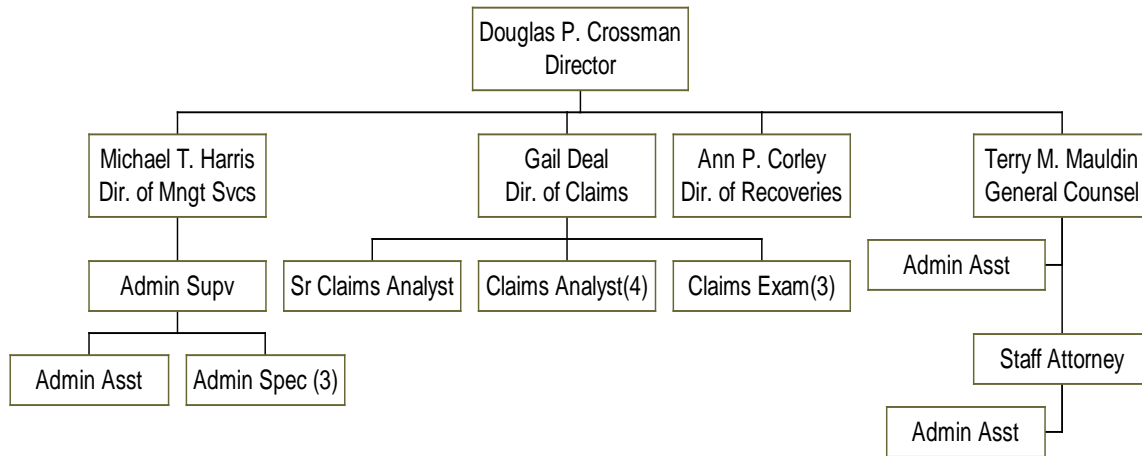
- a) Employers doing business in South Carolina
- b) Workers' compensation insurance companies and their representatives in South Carolina
- c) Employees of employers who are in violation of the Workers' Compensation Law

II.5 Our agency is dependent on information received from our key customers and their representatives. This process also makes them our key suppliers.

II.6 Our major services are to pay Second Injury Fund and Uninsured Employers' Fund claims.

II.7 The organizational structure of the agency:

SOUTH CAROLINA SECOND INJURY FUND



Section III – Elements of Malcolm Baldrige Award Criteria

Category 1 – Leadership

1.1(a-c) The senior leadership team consists of the Agency Director, Douglas P. Crossman, appointed and serving at the pleasure of the Budget and Control Board, the Director of Management Services, the Director of Claims, the Director of Recoveries, and the General Counsel. The team has the responsibility for setting, deploying and communicating the short and long term direction of the agency. The agency's direction is predicated on our overall goals and objectives outlined below.

Goals

- **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**

Objectives

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

The performance expectations of the agency, as a whole, and of each individual are reviewed regularly to ensure that we continue to meet or exceed the goals and objectives outlined. These goals and objectives are directly related to the agency's organizational values listed below:

- **Administer claims in a fair and impartial manner**
- **A highly professional and well-trained staff**
- **Continuous improvement of services**

The values, goals and objectives are known by all employees. We do this by way of staff meetings, memos, e-mail, policy statements and one-on-one contact. We are a small agency and this encourages an ongoing flow of constructive dialogue with members of the agency without regard to their position.

1.1(d-f) All employees are empowered to make recommendations on changes to any process that would improve the effectiveness or efficiency of our service to our external or internal customers. We encourage innovative suggestions from all employees and examine and evaluate each with an open mind and the intention of adopting, when feasible, these suggestions. This openness promotes organizational and employee learning and is always supportive of our stated values. The nature of our business requires that all employees conduct themselves in an honest and ethical manner. This directly relates to our number 1 organizational value of administering claims in a fair and impartial manner. All employees have been made aware of our high standards pertaining to ethical behavior.

1.2 All employees have daily contact with our customers in some manner. The general attitude from the senior leaders to the front office receptionist is "the customer is always right" and it is everyone's job to assist them with any problem or question they may have. We have an "open door" policy for our customers. They can talk with or meet with any member of our staff from the Director on down. We are a service-oriented agency and we understand the importance of focusing our efforts to improve customer service.

1.3 Senior leaders review the following key performance measures:

- (a) Prompt determination of eligibility
 - number of employers benefiting
 - percentage of claims accepted within 4 yrs of the date of accident
- (b) The expeditious processing of claim payments
 - average number of days to pay claims

- (c) Maintaining reasonable claims cost
 - administrative cost per claim
 - reduction in the annual assessment
- (d) Determine if the Fund is responsible for coverage on Uninsured Employers' Fund claims
 - number of claims where other coverage found
- (e) Recoupment from the employer of monies paid by the Uninsured Employers' Fund

1.4 The senior leaders of the agency are involved in the workflow process on a daily basis. This allows them to regularly review performance and make comparisons with our past findings and our set goals. Based on the outcome of these data reviews and the feedback received from our employees we can take the course of action needed for the leaders and management of the agency to be effective in meeting or exceeding our goals and objectives.

1.5 We are always mindful of how our services affect the public. If we plan changes, our first consideration is the effect changes will have on the services we provide our customers. Our intentions are to continuously improve our processes and service.

1.6 Senior leaders use several methods to communicate improvement priorities. They use staff meetings with the members involved, memos, e-mail or one-on-one contact. Improvement of services remains our number one priority.

1.7 Agency leaders and employees support the annual campaigns for the United Way and the Community Health Charities of South Carolina and the annual Spring Wellness Walk sponsored by Prevention Partners. We have several employees that donate blood to the American Red Cross on a regular basis. The Director and several employees are actively involved in Kids' Chance of South Carolina, a nonprofit corporation formed by the S.C. Workers' Compensation Educational Association to provide educational scholarships to the children of employees who have been seriously injured or killed as a result of a workers' compensation injury.

Category 2 – Strategic Planning

2.1-3 We are a small agency with a very distinct mission that is outlined in the S.C. Code of Laws. We do not have a formal written strategic plan. However, we have set goals and objectives and we constantly monitor the progress made in meeting or exceeding these goals and objectives. We do this by reviewing and analyzing data and information relevant to the accomplishment of the mission of the agency. Senior leaders and managers are fully aware of our mission, goals and objectives and customer expectations and have instilled this knowledge in all employees. We can, if necessary, take the appropriate steps to reallocate resources within the agency if and when it is determined that there is a short fall in meeting any of our goals.

Category 3 – Customer Focus

3.1 The agency's key customers and stakeholders include the following:

- (a) Employers doing business in South Carolina

- (b) Workers' compensation insurance companies and their representatives in South Carolina
- (c) Employees of employers who are in violation of the Workers' Compensation Law
- (d) The Governor
- (e) The Budget and Control Board
- (f) The Legislature

3.2 Our key customers and their key requirements are outlined in the statute governing our agency. We can and have made administrative changes to fine-tune our processes to better serve these customers but the key requirements must be changed through the legislative process. We determine these needs several ways:

- Written customer surveys
- Focus groups
- Formal and informal customer training
- Telephone and written correspondence
- Attendance at industry specific conferences and seminars

3.3 Senior leaders through informal meetings share information concerning customer needs. This information or concerns are evaluated and when necessary we can direct changes to our processes based on the needs of our customers. When we evaluate these needs we have to take into account the effect it has on all customers and not just a few. An example of this would be the recent legislative change to our assessment process. We had to ensure this change would be equitable to the self-insured employers and not just to insurance companies. The end result was an amendment to the code that satisfied the needs of the insurance companies and was fair to the self-insured employers.

3.4 The information we receive from our customers is very important to us. We are continuously evaluating and analyzing this information to determine if we need to make changes to the services we provide. However, we must make sure these changes will benefit all customers and that the changes are cost effective and make the best use of our limited resources.

3.5 We have several methods to measure customer satisfaction. These include customer surveys, informal focus groups and telephone and written correspondence. Our primary measurement would be our annual customer survey. This is the second year that we have sent the survey to customers. The survey is designed to capture information on our customers concerns and expectations and allows for recommendations to improve services.

The ten questions of the survey address the five dimensions of customer concerns.

- **Reliability:** The ability to perform the promised service dependably and accurately.
- **Responsiveness:** The willingness to help customers and provide prompt service.
- **Empathy:** Caring, individualized attention.

- **Assurance:** Employees are knowledgeable & courteous and are able to convey trust and confidence.
- **Tangible:** Physical appearance of facilities, equipment, people.

The results of the survey are outlined in Category 7.

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.

3.6 The way we build a positive relationship with our customers and stakeholders is to adhere to our organizational values.

- **Administer claims in a fair and impartial manner**
- **A highly professional and well-trained staff**
- **Continuous improvement of services**

We feel that if all of our employees adhere to these values and make this the prevailing attitude throughout our agency that our customer relationships will remain positive and will continue to grow in a positive direction in future years.

Category 4 – Information and Analysis

4.1 The operations, processes and systems that we measure are directly related to our organizational goals and objectives. We also have the ability to measure several forms of outputs. We use these output measurements to evenly distribute workload and to prevent bottlenecks that would affect the level of services provided to our customers.

4.2 The key data we use to measure performance outcomes and outputs and to use in the decision-making process is contained in one or more of our three automated systems. These systems are our Claims Management System, Basic Accounting Reporting System and the Medical and Indemnity Audit Reduction System. The input of data into these systems is checked by a minimum of two people. The systems also have programmed self-audits that will not allow invalid entries. The data contained in these systems is real time and all reports can be tailored to measure specific areas needed to make sound business decisions.

4.3 The data/information that is collected is made available to all individuals in the decision-making process. We use this data to support the decisions on whether to adopt or not adopt suggestions/recommendations from our customers and employees. All decisions made that affect service to our customers and stakeholders must be 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. 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 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.

Category 5 – Human Resources

5.1 We know that our staff members are one of our most important assets. Their well being, satisfaction and development is a high priority. We encourage and motivate employees to their full potential by strongly supporting the pay plans outlined in the State Human Resources Regulation. We have developed internal policies for performance increases, retention increases and additional duties/responsibilities. We have established a universal review date for the Employee Performance Management System (EPMS). All employees are counseled and coached throughout the year to ensure they are fully aware of their job performance and what they need to do to exceed or substantially exceed job requirements. We have established a flexible work schedule policy allowing all staff members the choice of flextime or a compressed work week. We have also initiated a casual dress code for all employees.

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.

5.2 Development and training for our employees is done on an "as needed" basis. Formal training for job skills is provided initially and when refresher training is needed. Informal training pertaining to job performance is done by an employee's peer with input and guidance from their supervisor.

Senior leaders are all graduates of The South Carolina Executive Institute and actively support it's ongoing programs.

All employees attend seminars, conferences and workshops that pertain to their area of expertise.

5.3 The EPMS is administered in a fair and timely 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. During the planning stage supervisors and employees meet to agree upon job requirements and the expectations of job performance for the coming year.

5.4 We monitor employee well being and satisfaction in a variety of measures. All senior leaders have "open door" policies and make themselves available to all employees. We have conducted our Employee Satisfaction Survey for the second year. The survey's twelve questions form a hierarchy defining four sequential stages of employee well-being. They are:

- Level 1: The Fundamentals
- Level 2: Individual Worth
- Level 3: Organizational Worth
- Level 4: Organizational Growth

The results are outlined in Category 7.

We also have open-ended questions and comments and will use the responses to these questions to better understand our employee's expectations and preferences.

5.5 The senior leaders and supervisors promote workplace safety and a healthy work environment. The workplace is kept in a high state of maintenance and cleanliness. We occupy leased office space and we maintain a good working relationship with the property manager to ensure a quick response when we have problems.

5.6 Agency leaders and employees support the annual campaigns for the United Way and the Community Health Charities of South Carolina. We have several employees that donate blood to the American Red Cross on a regular basis. The Director and several employees are actively involved in Kids' Chance of South Carolina, a nonprofit corporation formed by the S.C. Workers' Compensation Educational Association to provide educational scholarships to the children of employees who have been seriously injured or killed as a result of a workers' compensation injury.

Category 6 – Process Management

6.1 The key design and delivery processes for services provided to our customers are:

- Claims Management System
- Basic Accounting Reporting System
- Medical and Indemnity Audit Reduction System
- Litigation
- Assessment
- Collections

We continuously monitor these processes to ensure that we have the latest technology available to include hardware and software. All employees involved in these processes are empowered to make or recommend changes to improve the process based on input from both our internal and external customers.

6.2 The quality and timeliness of our delivery processes are constantly monitored to ensure that we meet or exceed our goals. We have requirements in the EPMS that outlines time limits on job duties to ensure we will meet our objectives. An example of some of these duties are:

- Daily distribution of incoming mail
- Create and distribute new claim files within 5 days of receipt of information
- Monthly claims diary must be complete by month end
- Process of Reimbursement Request Forms within 8 days of receipt

These examples are a few of the duties outlined in the EPMS and show that we have linked the EPMS to our stated goals and objectives and improved customer service.

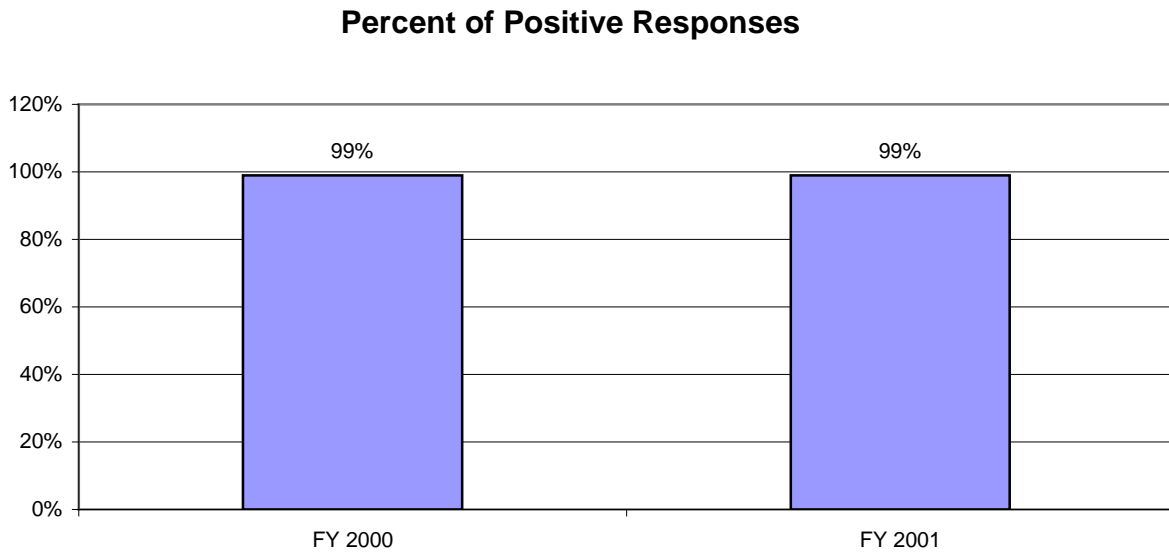
6.3-4 Our agency has one key support process and that is information technology support. We are a small agency and could not justify the positions needed to manage our IT mission. We have outsourced this support to the OIR. They maintain our mainframe system and our LAN and WAN. The coordination and cooperation we have with their office is excellent. Based on their recommendations we remain on the "cutting edge" of information technology.

Category 7 – Results

7.1 The Second Injury Fund has conducted an annual customer survey for the last two years to measure customer satisfaction. Each customer evaluates our performance using a four point Likert Scale. Additional space is provided for written comments and to answer open-ended questions. We use this information to determine customer expectations and to gather recommendations on improving services. This information is compiled and trends are noted and distributed to all employees.

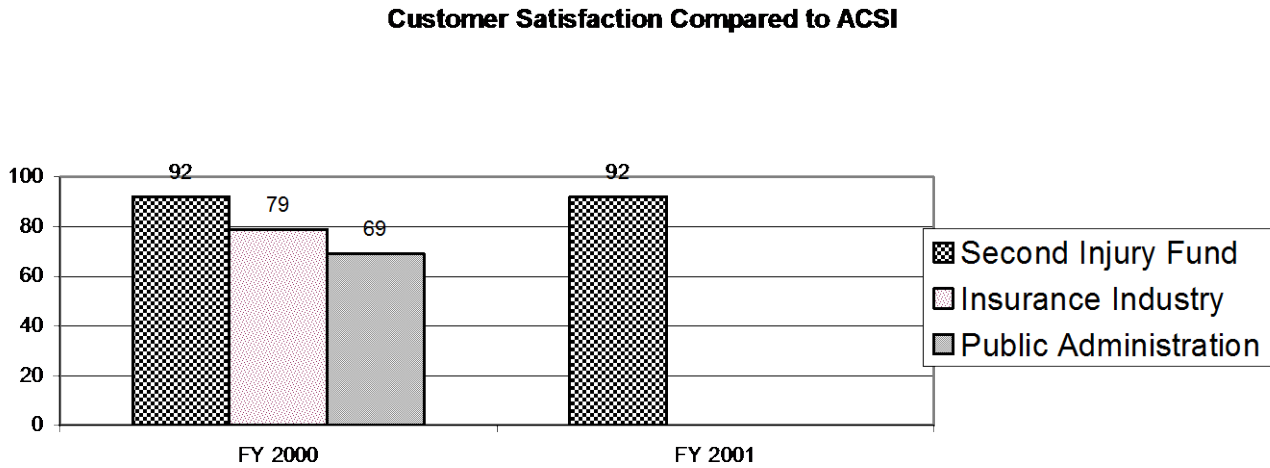
We use the percentage of positive responses to determine trends. The results for the last two years are shown in Figure 7.1a.

Figure 7.1a



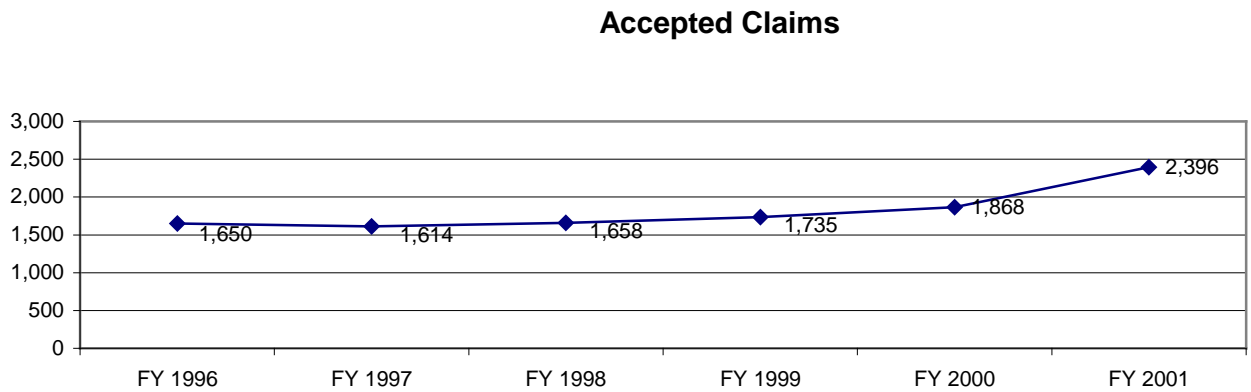
We compare our customers' satisfaction against the American Customer Satisfaction Index (ACSI) produced by the American Society for Quality. The index is nationally recognized and provides industry specific measures of customer satisfaction. The results of the customer survey are converted to a comparable scale of 0 –100 and then measured against the indexes of the insurance industry and public administration. The results shown in Figure 7.1b indicate that the Second Injury Fund is exceeding the ACSI for both comparable industries. Data for FY 2001 from ACSI not available.

Figure 7.1b



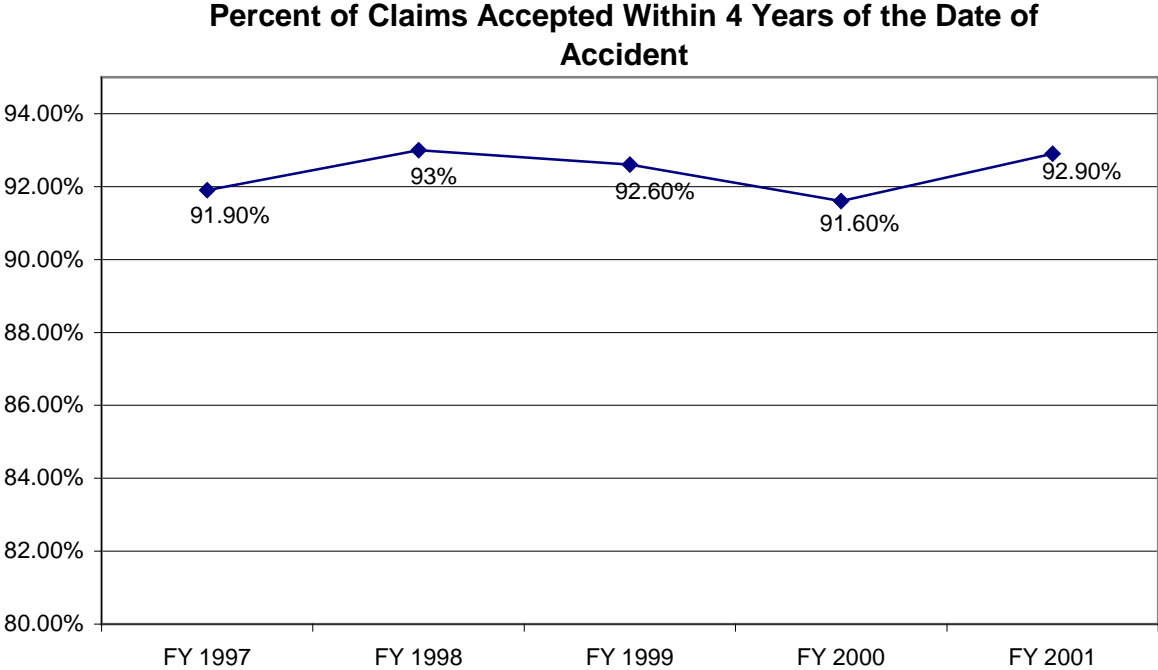
7.2 The Second Injury Fund measures several key trends and performance levels that are related to the accomplishment of our mission. We actively investigate all Second Injury Fund claims to reach a final determination to accept or deny each claim. The results shown in Figure 7.2a reflect that a number of employers benefited from this process by the acceptance of their claims.

Figure 7.2a



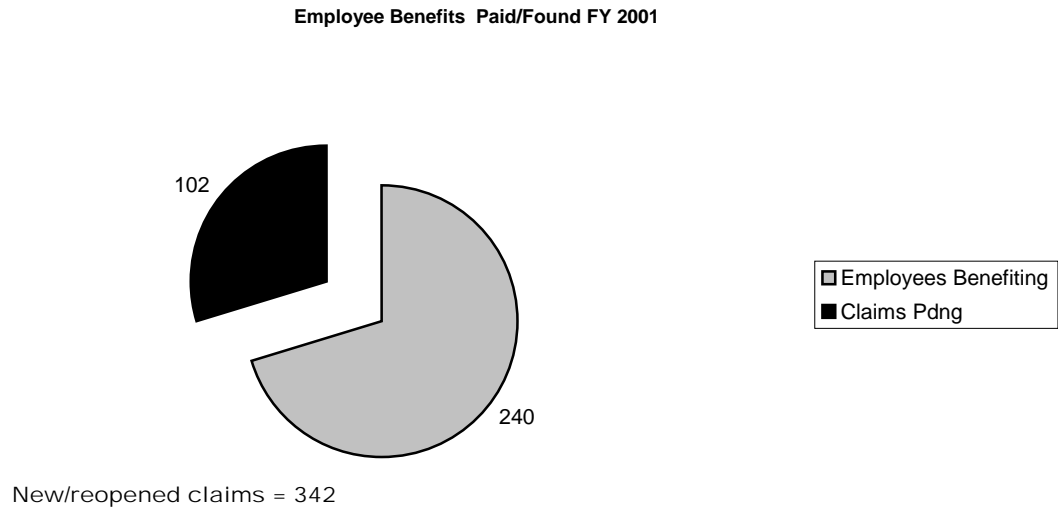
Another outcome of our vigorous investigation process is the number of claims we accept for payment within four years of the date of accident. The importance of this measurement is the direct effect it has on the employers' workers' compensation premiums. The National Council on Compensation Insurance (NCCI) determines the experience rating in the overall insurance pricing system. Using both paid and incurred loss data, NCCI goes back a total of four years. When we accept a claim, carriers must lower their reserves to the threshold limits of the Fund ensuring that that accident should not have an adverse effect on the experience rating. Figure 7.2b shows 2,225 of the 2,396 accepted claims in FY 2001 were accepted within four years.

Figure 7.2b



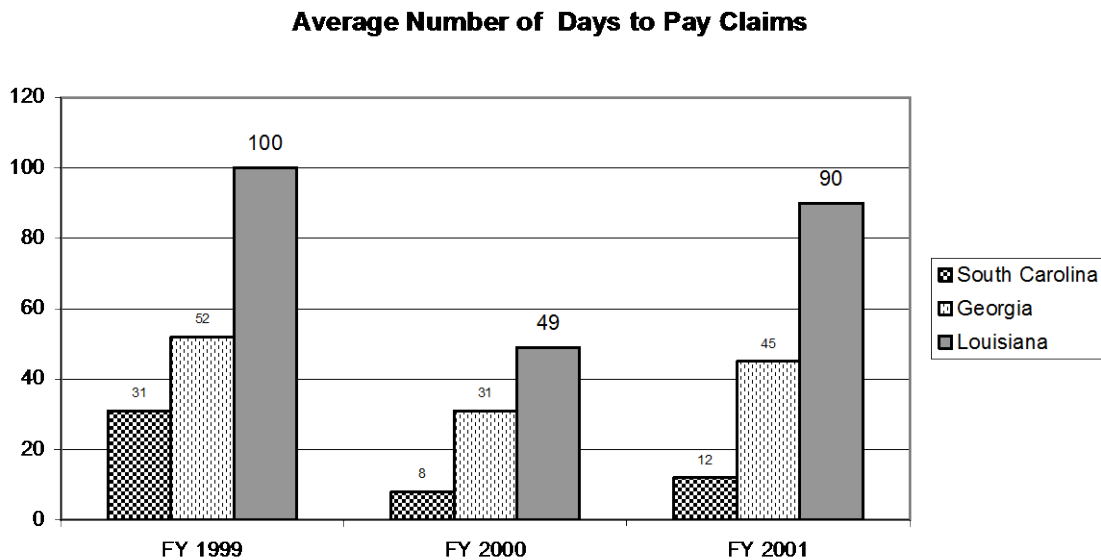
Starting this year, we are tracking the outcome of new/reopened claims filed against the Uninsured Employers' Fund. The graph at Figure 7.2c shows the status of the 342 new/reopened claims for FY 2001. The claims staff does an in-depth investigation of each claim to determine if: 1) the employer is subject to the Workers' Compensation Act; 2) it is covered by insurance; and 3) it is compensable. For new claims in FY 2001 we found other coverage on 95 claims and are paying 145 claims. These 240 claims represent employees that through our claims investigation process are now receiving Workers' Compensation benefits.

Figure 7.2c



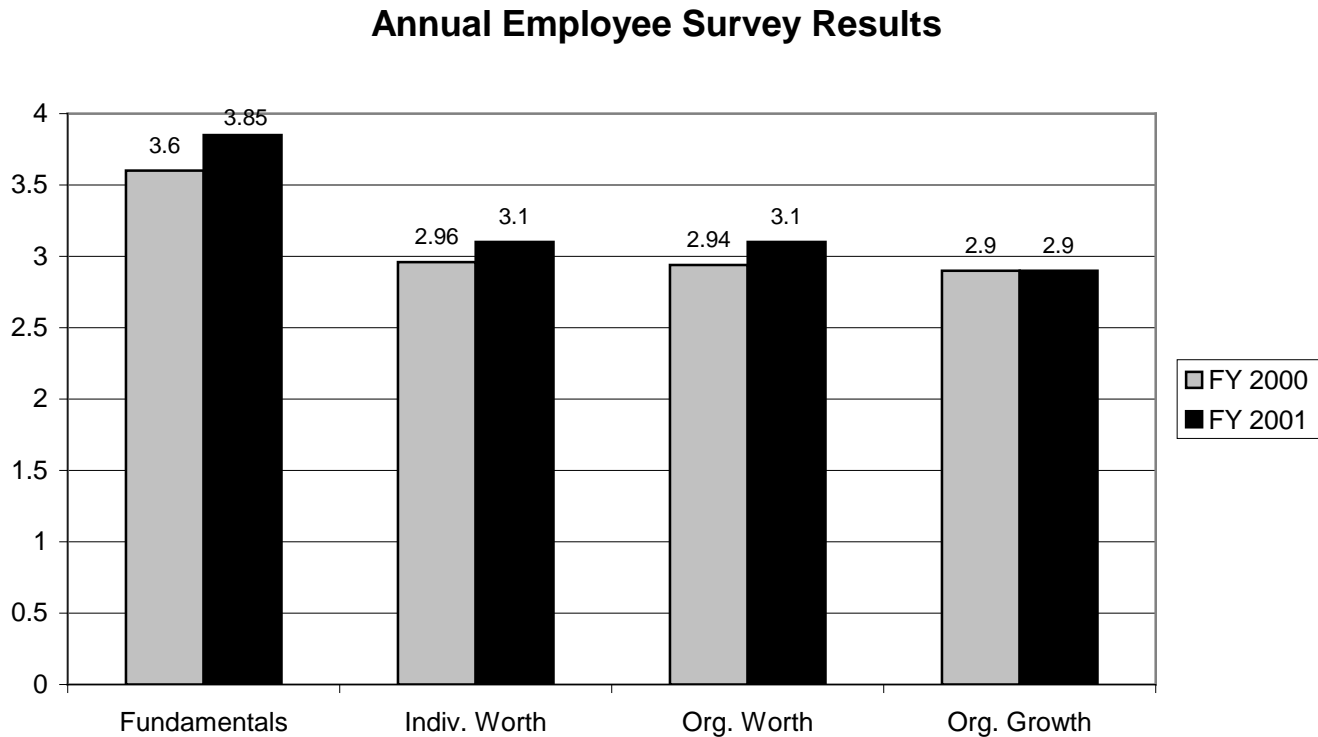
The Fund measures the number of days needed to process claim reimbursements. We compare our performance with "like" second injury funds in Georgia and Louisiana because their law is very similar to South Carolina Law. As shown in Figure 7.2d we have set the standard for the expeditious processing of claim payments.

Figure 7.2d



7.3 The Fund has conducted an Employee Satisfaction Survey for the last two years. The results of the survey are shown at Figure 7.3. We have shown improvement in 3 of the 4 stages of employee well being. We have formed an employee focus group to discuss the survey results and the recommendations. They have been tasked to recommend changes that would be favorable to all employees and make the Fund an even better place to work.

Figure 7.3

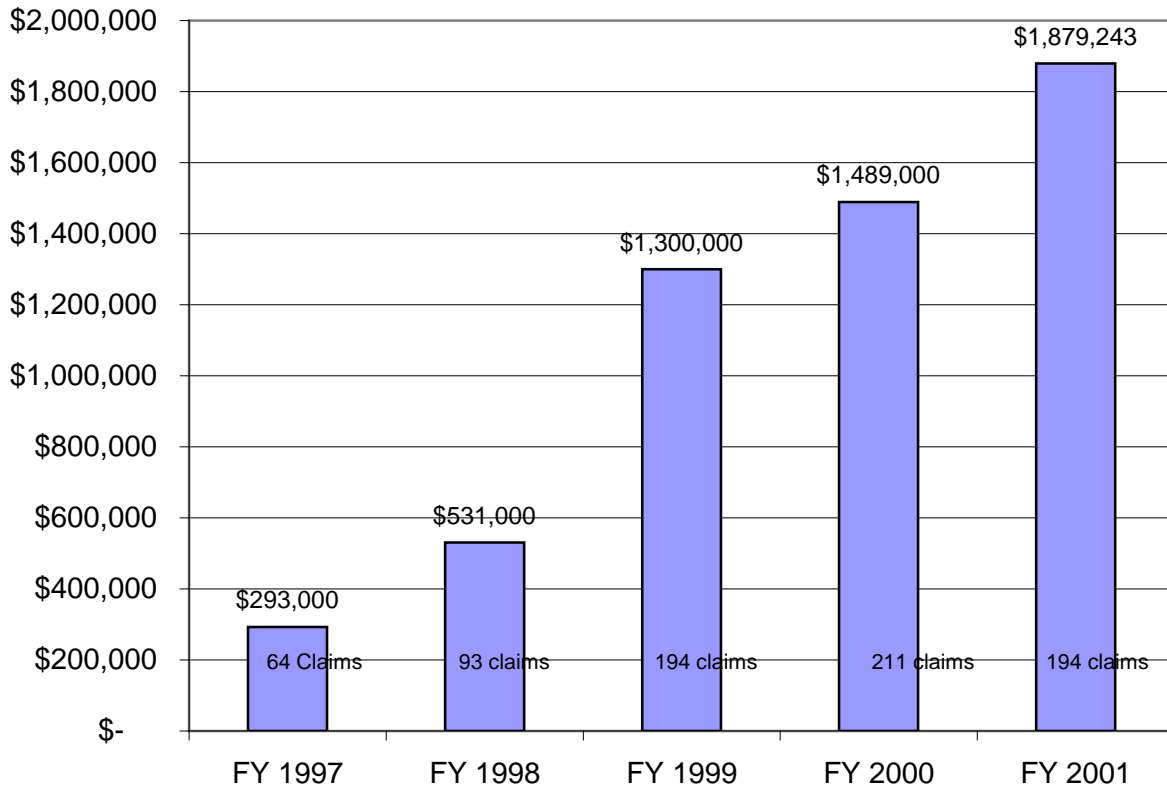


7.4 We have only one key support process and that is with Office of Information Resources for our information technology support. Although we do not formally measure performance levels and trends, we are very satisfied with their support and feel that they understand and strongly support our mission, goals and objectives.

7.5 The Fund measures two performance levels as to our regulatory requirements. We must actively investigate all Uninsured Employers' Fund claims to ensure no other coverage is available to pay benefits to the injured employee, saving the Fund from these payments. Figure 7.5a shows the amount of funds saved by the investigation process that found 194 claims with other coverage.

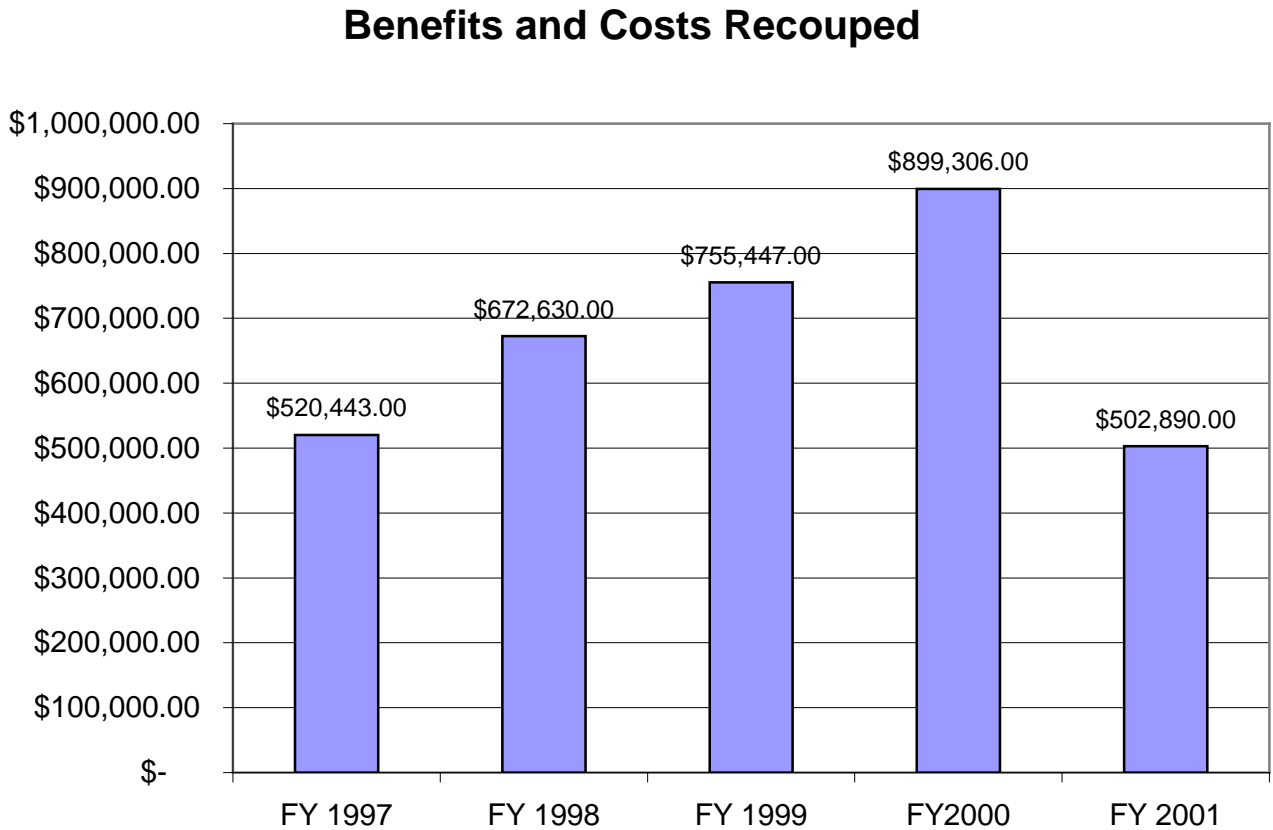
Figure 7.5a

Savings from Other Coverage Found



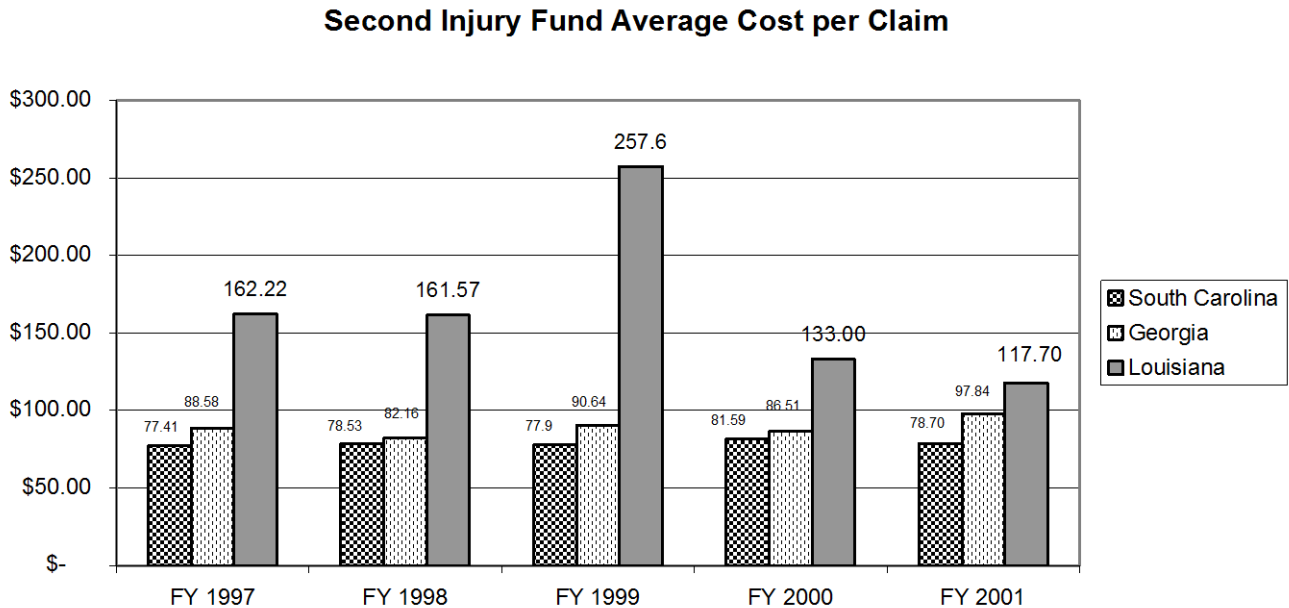
The second regulatory requirement we measure is the amount of Uninsured Employers' Fund benefits and costs recouped on claims paid. These recoupments are from employers that were in violation of the Workers' Compensation Act. Figure 7.5b shows our performance over the past five years. We believe the decrease in total recoupments for FY 2001 is directly affected by the economy as reflected by the increase of uninsured employers that go out of business, file bankruptcy or become otherwise judgment proof.

Figure 7.5b



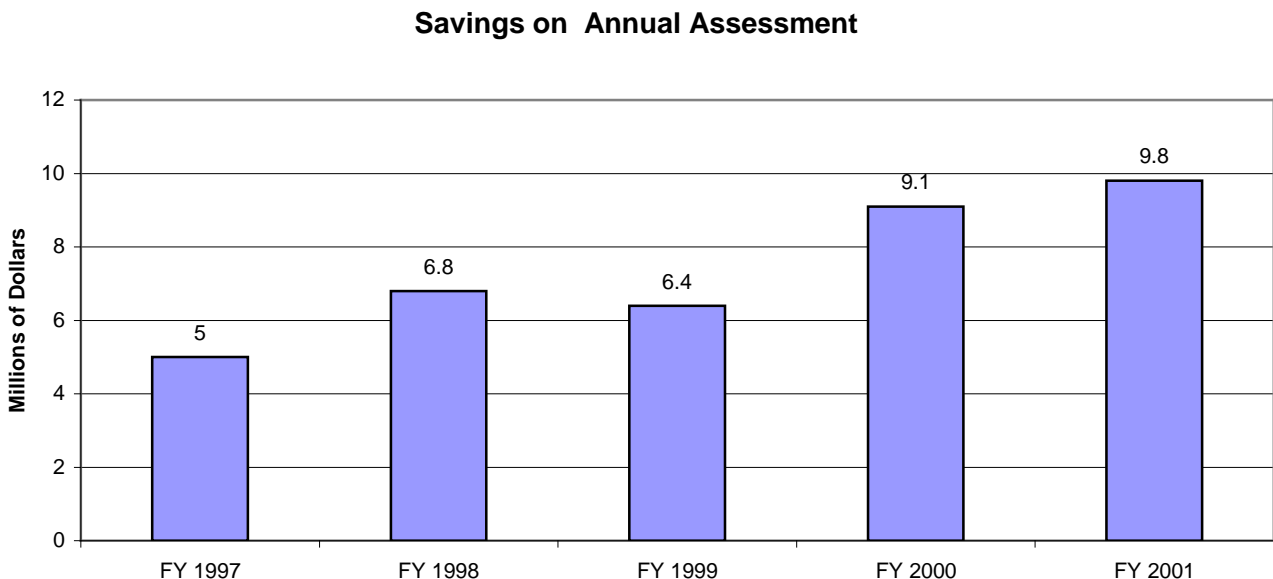
7.6.1 The financial performance of the Fund is sound. We have not had a major finding on our annual financial audit in the past 12 years. We measure 3 performance levels in this area. Figure 7.6a shows the Second Injury Fund’s average cost per claim compared to “like” funds from Georgia and Louisiana. Over the past five years we have set the standard.

Figure 7.6a



The second performance level we measure is the savings on the annual assessment caused by our internal audit of reimbursements. By ensuring we only reimburse the amounts allowed by the Workers’ Compensation Commission Medical Fee schedule and compensation ordered we continue to have a positive effect on the assessment process. Figure 7.6b shows that our internal audit of reimbursements led to a \$9.8 million reduction in the annual assessment for FY 2001.

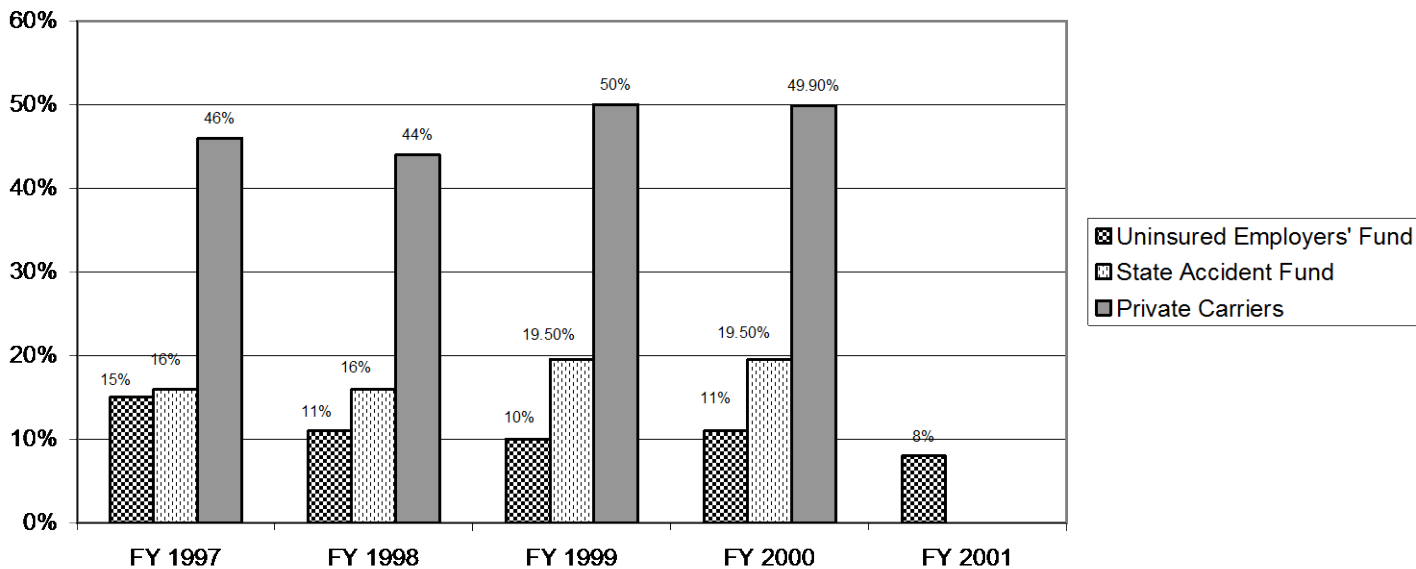
Figure 7.6b



The last performance measurement we track is the administrative cost ratio of the Uninsured Employers' Fund. We compare the Fund with private carriers and the State Accident Fund. Figure 7.6c reflects that we are meeting our expectations by keeping our cost ratio significantly lower than that of the industry.

Figure 7.6c

Uninsured Employers' Fund Administrative Cost Ratio



(Data for FY 2001 for private carriers and the State Accident Fund was not available at this time).