

Accountability Report Transmittal Form

Agency Name: South Carolina Workers' Compensation Commission

Date of Submission: September 2004

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September 15, 2004

The Honorable Mark Sanford
Governor
State of South Carolina
South Carolina State House
Columbia, South Carolina

Dear Governor Sanford:

The South Carolina Workers' Compensation Commission is pleased to submit for your review and consideration its Accountability Report for FY 03-04. Although we have been submitting accountability reports for many years, we still consider this a work in progress. Through our continuous efforts to refine our processes and service delivery systems, we strive to improve the relevancy of our business indicators, as well as our ability to accurately measure outcomes.

The Workers' Compensation Commission is a single-program agency with a wide range of customers and stakeholders. The mission, goals, objectives and performance measures identified in this report are the product of our continuous improvement efforts. They relate directly to concerns expressed by our staff, customers and stakeholders. This year's report is tailored to provide an overview of the agency's performance during this fiscal year. Our goal is to provide the reader with adequate information to compare current results with previous years.

Should you have any questions regarding this report, or need additional information about the Commission, please feel free to contact me.

Sincerely,

ALICIA K. CLAWSON
Executive Director

AKC/kg

**South Carolina
Workers' Compensation
Commission**

**ANNUAL
ACCOUNTABILITY
REPORT**

Fiscal Year 2003-2004

SECTION I
EXECUTIVE SUMMARY

1. Mission and Values

Our Vision

Be the driving force in a workers' compensation system of excellence that delivers superior service to employers and their workers, thereby enhancing economic development in South Carolina.

Our Mission

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

To accomplish this mission, the South Carolina Workers' Compensation Commission will:

- Administer the workers' compensation laws of this State in a fair and impartial manner;
- Collect the revenue due the State;
- Recommend improvements and changes to the laws administered;
- Ensure a professionally-trained staff of employees;
- Continually strive to improve the quality of services and products; and,

Provide guidance to foster an understanding of and compliance with the workers' compensation laws of the State of South Carolina.

2. Major Achievements in FY 03-04

When compared to other states, South Carolina has moderate workers' compensation benefits (neither high or low) with relatively low insurance premium costs for employers. In national comparisons, both overall and within the manufacturing sector, South Carolina premium rates are consistently among the lowest in the country;

Began collecting a \$25 filing fee for each requested hearing, motion and settlement filed at the Commission, resulting in \$578,504 in Other Funds;

Reduced the waiting time for a hearing from 8 or 9 months to approximately 6 months in each of the seven districts;

Completed the fiscal year without any further reduction in force or furloughs although agency's budget continued to be cut;

Continued to collect more in self insurance taxes (over a \$1 Million increase since FY 01-02) than the agency gets in General Funds; and

Continued the analysis of a specially designed database to examine the outcome of enhancing or redesigning the system completely to more effectively and efficiently meet the needs of the Commission and its stakeholders.

3. Key Strategic Goals for Present and Future Years

- Improve the timeliness and accuracy of benefits to injured workers by receiving and processing initial reports of injuries;
- Improve the length of time it takes to merit hearings, and appellate reviews;
- Improve the length of time to resolve contested issues between parties;
- Improve the length of time to resolve claims initially reported as uninsured;
- Increase savings on total medical cost while preserving worker access to quality health care;
- Provide training to interested customers/stakeholders on workers' compensation processes; and,
- Complete review and revamping of 14-year-old computer database that houses all agency records.

4. Opportunities and Barriers That May Affect Agency's Success In Fulfilling Its Mission and Achieving Its Strategic Goals

- During the process of searching for national comparison data to establish benchmarks for process cycle times, it was determined that a number of states do not track similar information. In fact, many other states look to our successes as a means of comparison.
- Information is available, both regionally and nationally, to compare South Carolina to other states to evaluate total medical costs and reimbursement rates at a percentage above Medicare.
- Information is available, both regionally and nationally, to compare South Carolina to other states to evaluate premium costs and benefits available to injured workers.
- Substantial budget cuts, as well as not having a fully staffed commission, have resulted in delays in the various process cycle times.
- Numerous vacancies which cannot be filled due to budget cuts and fiscal constraints have led to an increase in the length of time it takes to set hearings, which has substantially and negatively impacted injured workers in this State. This has caused an increased strain on diminishing resources for the economically impaired, and has also increased costs for the employers.
- Database currently used to house all information relevant to workers' compensation system in South Carolina is 14 years old and in critical condition. Failure of the current database would result in the workers' compensation system in South Carolina coming to a complete standstill, creating substantial hardship for the citizens and employers in South Carolina.

SECTION II
BUSINESS OVERVIEW

1. **Number of Employees:** 54
Number of FTE's: 81.10

2. **Operation Location**

- a. Main: South Carolina Workers' Compensation Commission
1612 Marion Street, Columbia, South Carolina 29201
- b. Sites: All 42 Counties (sites of actual workers' compensation hearings)

3. **Expenditures/Appropriation**

Base Budget Expenditures and Appropriations

Major Budget Categories	02-03 Actual Expenditures		03-04 Actual Expenditures		04-05 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$3,088,732	\$2,630,698	\$2,208,538	\$1,957,170	\$2,329,378	\$ 2,023,042
Other Operating Expenses	\$1,054,090	\$ 90,600	\$1,608,820	\$ 416,952	\$1,629,107	\$ 92,207
Special Items	\$ 4,563	\$ 4,563	-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	\$ 831,240	\$ 752,764	\$ 663,354	\$ 606,590	\$ 579,664	\$ 522,900
Non-Recurring	-0-	-0-	-0-	-0-	-0-	-0-
Total	\$4,978,625	\$3,478,625	\$4,480,712	\$2,980,712	\$4,538,149	\$2,638,149

Other Expenditures

FY 02-03 None
FY 03-04 None

Interim Budget Reductions

FY 02-03 \$ 297,117
FY 03-04 \$ 29,807

4. Major Program Areas Chart

Program Number and Title	Major Program Area Purpose (Brief)	FY 02-03 Budget Expenditures	FY 03-04 Budget Expenditures	Key Cross References for Financial Results*
Claims	Improve timeliness and accuracy of benefits to injured workers.	State: \$ 216,103 Federal: \$ Other: \$ 149,476 Total: \$ 365,580 % of Total Budget: 7%	State: \$ 160,739 Federal: \$ Other: \$ 181,456 Total: \$ 342,195 % of Total Budget: 7%	Graph 7.1 Graph 7.3
Judicial (Management)	Assess and assign for disposition all claims requiring mediation, adjudication or appellate review.	State: \$ 373,399 Federal: \$ Other: \$ 128,589 Total: \$ 501,988 % of Total Budget: 10%	State: \$ 346,421 Federal: \$ Other: \$ 137,288 Total: \$ 483,709 % of Total Budget: 10%	Graph 7.2-1 Graph 7.2-2 Graph 7.3
Judicial (Commissioners)	Conduct all single commissioner and Full Commission hearings.	State: \$1,053,479 Federal: \$ Other: \$ 369,503 Total: \$1,422,982 % of Total Budget: 29%	State: \$ 941,049 Federal: \$ Other: \$ 382,099 Total: \$1,323,128 % of Total Budget: 29%	Graph 7.2-1 Graph 7.2-2 Graph 7.3
Insurance & Medical Services	Assure availability of workers' compensation benefits to injured workers, provide employers a self insurance alternative and contain medical costs.	State: \$ 294,355 Federal: \$ Other: \$ 172,161 Total: \$ 466,516 % of Total Budget: 9%	State: \$ 240,993 Federal: \$ Other: \$ 168,008 Total: \$ 409,001 % of Total Budget: 9%	Graph 7.3
Remainder of Expenditures				
Administration		State: \$ 529,144 Federal: \$ Other: \$ 579,796 Total: \$1,108,940 % of Total Budget: 45%	State: \$ 523,905 Federal: \$ Other: \$ 553,440 Total: \$1,077,345 % of Total Budget: 45%	

**Key Cross-References are a link to Category 7 – Business Results. These references provide a chart number included in the 7th Section of this document.*

5. Key Customers

The Commission has identified its two most important customer groups: South Carolina's employers and their employees.

6. Key Stakeholders

Other customers who are involved in the workers' compensation system and provide services of one type or another to employers and their employees include, but are not limited to: Commission employees, South Carolina Congressional delegation, South Carolina legislative delegation, insurance companies, self-insured funds, third-party administrators, attorneys, physicians, hospitals, other state workers' compensation agencies, the Department of Commerce, the Employment Security Commission, the Department of Vocational Rehabilitation, the State Attorney General's office, the State Department of Labor, Licensing & Regulation, the Uninsured Employers Fund and the Second Injury Fund, the FBI and the U.S. Office of the Attorney General, the Social Security Administration, and the State Accident Fund.

7. Key Suppliers

- Insurance companies;
- Self-insured funds;
- Third-party administrators;
- Attorneys;
- Physicians;
- Hospitals;
- Other state workers' compensation agencies;
- The Department of Commerce;
- The Employment Security Commission;
- The Department of Vocational Rehabilitation;
- The State Attorney General's Office;
- The State Department of Labor, Licensing & Regulation;
- The Uninsured Employers Fund and the Second Injury Fund;
- The FBI and the U.S. Office of the Attorney General;
- The Social Security Administration; and,
- The State Accident Fund

8. Organizational Structure

The Workers' Compensation Commission is a highly specialized, single purpose organization with three programs: Claims, Judicial, and Insurance & Medical Services. Each of the program areas has goals linking it to the mission of the agency. The Commission's mission is linked to its program goals by a common purpose and commitment to the principles of equity, fairness, timeliness, accuracy, and reliability that are fundamentally inherent in a state regulatory system that requires the participation of almost every employer and employee in South Carolina. Because of the Commission's singular purpose, its programs are inextricably joined together in one single processor system.

The Commission manages a system of benefits by holding hearings and informal conferences to resolve contested issues; monitors the management of all claims to ensure benefits are paid accurately and timely; administers a self-insurance alternative for South Carolina employers; ensures compliance with the Workers' Compensation Act; and establishes medical fee schedules that contain medical costs while assuring access to quality health care.

Commissioners

The Commission consists of seven members appointed by the Governor with the advice and consent of the Senate for terms of six years and until their successors are appointed and qualified. The Governor, with the advice and consent of the Senate, designates one commissioner as chairman for a term of two years, and the chairman may serve two terms in a six-year period, though not consecutively. The chairman is the chief executive officer of the Commission and responsible for implementing the policies established by the Commission in its capacity as the governing board.

The Commissioners are responsible for hearing and determining all contested cases, conducting informal conferences, approving settlements, and hearing appeals. In their capacity as administrative law judges, the commissioners must conduct the legal proceedings in the county in which the claimant was injured. For administrative purposes, the state is divided into seven districts. Commissioners are assigned to a district for a period of two months before being reassigned to another district. During the course of a fourteen-month period, the commissioners serve in each of the state's forty-six counties.

It is the responsibility of the Commission to administer the South Carolina Workers' Compensation Law, generally found in Title 42 of the Code of Laws of South Carolina. In accordance with the Administrative Procedures Act, the Commission also promulgates rules and regulations necessary to implement the provisions of Title 42.

Executive Director

The day-to-day administration and operation of the Commission is the responsibility of the executive director who is appointed by and serves at the pleasure of the seven commissioners acting in their capacity as the board of directors of the agency. The executive director functions as the Commission's chief operations officer.

Under the general supervision and management of the executive director are the Commission's six functional departments: (1) Administration, (2) Claims, (3) Insurance & Medical Services, (4) Judicial, (5) Legal, and (6) Information Services. Each department is under the supervision of a director and may be organized into one or more operational divisions.

Administration

The Administration Department is responsible for a variety of internal programs, including finance, budgeting, human resources, purchasing, inventory, facility maintenance, motor vehicles, mail and printing, office services, and affirmative action, as well as administrative operations and decision-making processes of the Commission.

Judicial

The Judicial Department is responsible for scheduling contested matters and viewings before a commissioner and for scheduling appeals before an appellate panel of commissioners. Case preparation in anticipation of a hearing consists of reviewing a file, requesting additional documentation from the parties, preparing a case summary, sending notices to the parties, and maintaining the docket. The Commission's claims mediation services are also a responsibility of the Judicial Department.

Claims

Administration and management of accident reports and any resulting claims are responsibilities of the Claims Department. After an accident is reported to the Claims Department, claims personnel monitor its progress through the system at various stages. Individual case records are reviewed to ensure that the requirements of the Workers' Compensation Act and the rules and regulations of the Commission are being observed. Conflicts of a non-judicial nature are often resolved in the Claims Department.

Insurance and Medical Services

The Department of Insurance and Medical Services is responsible for maintaining and monitoring workers' compensation insurance coverage records for all employers, enforcing compliance with the Act, administering the workers' compensation self-insurance program, establishing payment systems and fee schedules for medical providers, and resolving disputed medical bills. The Coverage Division maintains insurance records for employers who purchase coverage from commercial insurance carriers. The responsibility for investigating uninsured employers to determine if they are subject to the workers' compensation law is the responsibility of the Compliance Division. Under certain conditions, South Carolina employers may self-insure themselves against losses resulting from on-the-job injuries. Qualifying and regulating the self-insured employers is the responsibility of the Self-Insurance Division. The department's Medical Services Division is responsible for maintaining the fee schedules that regulate charges by doctors and hospitals and for approving various fees and charges in accordance with the established schedules.

SECTION III
ELEMENTS OF
MALCOLM BALRIDGE AWARD CRITERIA

Category I – Leadership

1. How do senior leaders set, deploy, and ensure two-way communication for:

- a) short and long term direction,
- b) performance expectations,
- c) organizational values,
- d) empowerment and innovation,
- e) organizational and employee learning, and
- f) ethical behavior?

1.1a-f Executive leaders routinely meet to discuss long and short-term direction and performance expectations. The environment of these meeting is one of open communication and mutual contribution toward achieving desired successes. Executive leaders are expected to conduct similar meetings within their respective departments to maintain open lines of communication, encourage input from employees and increase interaction between management and employees, all in an effort to foster a more positive attitude about service.

Performance expectations are defined and communicated to employees through the Employee Performance Management System (EPMS). Use of this system allows employees to understand the expectations of the position and how they will be evaluated at the conclusion of the rating period. Each employee's EPMS reflects the agency and respective department's mission statement.

Organizational values are communicated to employees and customers through a display in each department of the Commission's vision and mission statements, along with the department's individual mission statement. This serves to continuously apprise all employees, customers and stakeholders of the standards this organization and its employees strive to achieve.

Executive leadership works to foster individual productivity and communication through one-on-one conferences, and each department has established job notebooks that outline job and work processes. While these manuals assist in providing on-the-job training for new employees and cross-training for current employees, they also provide a reference point for review of the job and work processes. In addition, the Commission encourages its employees in leadership, training and other educational initiatives. External training opportunities are routinely communicated to all employees through e-mail. The agency supports the efforts of any employee by creating an environment that allows the employee the freedom to participate and attend such functions.

There are currently no procedures in place for the communication of acceptable ethical behavior. During the upcoming fiscal year, the Commission will implement a process of providing such standards to all employees.

2. How do senior leaders establish and promote a focus on customers and other stakeholders?

1.2 The Commission has identified its two most important customer groups: South Carolina's employers and their employees. Senior leadership has established and promoted a focus on customers by defining acceptable practice as doing what is necessary to assist a caller and not just passing the caller off because the inquiry involves something more than the recipient's job responsibilities. Senior leadership routinely participates in the front desk reception relief schedule each month. The Executive Director maintains an "open door" policy of availability to everyone, not just employees of the agency.

3. **How do senior leaders maintain fiscal, legal and regulatory accountability?**

1.3 As a means to fiscal accountability, all expenditures must be approved by the Executive Director prior such expenditures. No positions are posted without prior approval of the Executive Director, who reserves the right to post the position as “temporary” so as to avoid employer contributions as an additional cost. Executive leadership is responsible for communicating statutory requirements to staff and ensuring that staff meets these requirements.

4. **What key performance measures are regularly reviewed by your senior leaders?**

1.4 The main key performance measure that is regularly reviewed by senior leadership is the time element involved in setting contested cases for hearings, and scheduling appellate reviews. Another key measure is the amount of time involved in reviewing and recording accident reports. Senior leadership also monitors the time factor in verification of workers’ compensation coverage, and properly receiving all taxes due the State.

5. **How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the agency?**

1.5 Over the past year, senior leaders have had the daunting task of continuing to handle an increasing workload with severely limited resources due to the ongoing budget cuts. Each of the senior leaders is a working manager, pitching in to perform tasks necessary to fulfill the agency’s mission. A common theme among senior leadership is “I can’t ask an employee to do anything I am not willing to do myself.” There is a great amount of leading by example.

6. **How does the organization address the current and potential impact on the public of its products, program, services, facilities and operations, including associated risks?**

1.6 Senior leadership monitors legislation for its potential impact on the users of the workers’ compensation system. When legislation needs to be changed, there is always consensus building among the affected customers and stakeholders. During the past fiscal year, the seven commissioners took on additional caseloads, and a temporary employee was added to the Judicial Department to reduce the amount of time for a hearing. At the beginning of the fiscal year, the waiting time was approximately 8 to 9 months in most of the seven jurisdictions. At the end of the fiscal year, the waiting time had been reduced to approximately six months in all jurisdictions.

7. **How does senior leadership set and communicate key organizational priorities for improvement?**

1.7 Key organizational goals and priorities are communicated through the strategic planning process. This is revisited and reinforced in weekly senior leadership staff meetings and through communication to the Commission in the monthly Full Commission Business Meetings.

8. **How does senior leadership actively support and strengthen the community? Include how you identify and determine areas of emphasis.**

1.8 Commission employees routinely participate in community events. The agency is a long-term supporter of the United Way. The community at large receives the benefits of our employees giving spirit through service with church boards, Red Cross Blood drives, Girl and Boy Scouts, National Guard and Reserves and other service-oriented organizations. The Commission has a

generous heart, and employees are always looking for ways to make life a little better for those less fortunate. Commission employees also sit on various boards and associations, such as the Procurement Review Panel, the South Carolina Workers' Compensation Educational Association, the Southern Association of Workers' Compensation Administrators, the Richland/Lexington Carolina Alumni Council and the South Carolina Bar.

Category II – Strategic Planning

1. **What is your Strategic Planning process, including KEY participants, and how does it account for:**
 - a. **Customer needs and expectations**
 - b. **Financial, regulatory, societal and other potential risks**
 - c. **Human resource capabilities and needs**
 - d. **Operational capabilities and needs**
 - e. **Supplier/contractor/partner capabilities and needs**

2.1a-e Beginning in 1996, the Commission began to develop a strategic plan for the purpose of aligning all of the organization's programs and policies for continuous improvement. All agency employees were participants in the process. After articulating agency vision and mission statements for our departments and divisions, each employee's position description was rewritten to link individual duties and responsibilities with the mission of a particular work group. Employee evaluations were revised to reflect performance indicators linked to the specific job description and ultimately to the organization's mission.

Development of performance measures has helped the Commission track and evaluate its progress, successes, and significant achievements. Cross-functional teams were created during the initial phase of the strategic planning process charged with examining programs and work processes. It was from this effort that the Commission first identified its key business drivers and key performance measures. The Commission also began an effort to establish and implement individual staff development plans as guided by key business indicators. An ongoing effort has been made to refine key business drivers and gather baseline data to present as part of these reports. However, during the research process, it was determined that for much of the data captured and tracked, the Commission is the leader, as other states look to our successes as a means of comparison on many key business drivers.

2. **What are your key strategic objectives? (See Strategic Planning Chart)**
3. **How do you develop and track action plans that address your key strategic objectives?**

2.3 The Commission's Strategic Plan centers around seven overall agency goals. Action plans will be developed using input from senior leadership, Commissioners and employees of the respective Departments. Once developed, it will be assigned to the appropriate Department and monitored by the Executive Director and Division Director. Updates will be provided to senior leadership in weekly staff meetings to allow for modification and refinement. The Executive Leadership is committed to revisiting the strategic planning and development process, pursuant to the Malcolm Baldrige criteria to further the processes necessary for the South Carolina Workers' Compensation Commission to be the driving force in a workers' compensation system of excellence which delivers superior service to South Carolina's employers and their workers.

4. **What are your key action plans/initiatives? (See Strategic Planning Chart)**
5. **How do you communicate and deploy your strategic objectives, action plans and performance measures?**

2.5 Once the action plans are developed, they will be disseminated via e-mail to all agency employees and communicated to the employees by Department Directors, the Executive Director and through agency wide meetings. Departmental meetings will be necessary to outline the department's process for completing any assigned action plan.

6. **If the agency's strategic plan is available to the public through the agency's internet homepage, please provide an address for that plan on the website.**

2.6 The strategic plan is not currently listed on the Agency's Internet home page.

Strategic Planning

Program Number And Title	Supported Agency Strategic Planning Goal/Objective	Related FY 03-04 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
Claims	Improve timeliness and accuracy of benefits.	Reduce backlog in the File Room and Data.	
Claims	Improve timeliness and accuracy of benefits.	Provide workers' compensation brochures in Spanish and offer basic Spanish language classes to employees to enhance communication with growing Hispanic population.	
Judicial	Improve the length of time it takes to set merit hearings.	Reduce time of receipt of request for hearing date to average of 5 months in each district.	Graph 7.2-1 Graph 7.2-2
Judicial	Improve the length of time it takes to set appellate reviews.	Reduce the backlog of appellate reviews by scheduling and conducting extra days of appellate reviews.	
Insurance & Medical Services	Improve the length of time to resolve claims initially reported as uninsured.	Contract out complex investigations to a private firm and provide more in-depth training to junior investigator.	
Insurance & Medical Services	Increase savings on total medical costs while preserving worker access to quality healthcare.	Update 2003 Medical Fee Schedule; Revise 1997 Hospital In-Patient Payment System; Develop Hospital Out-Patient Payment System.	
Administration	Improve efficiency and workflow of the workers' compensation system.	Conduct an in-depth analysis of 14 year old database that houses all workers' compensation records.	
<p><i>*Key Cross-References are a link to Category 7 – Business Results. These references provide a chart number included in the 7th Section of this document.</i></p>			

Category III – Customer Focus

1. How do you determine who your customers are and what their key requirement is?

3.1 Key customers are determined based on state legislation that defines requirements and eligibility. Based on the Workers' Compensation Laws, the Commission has identified its two most important customers: South Carolina employers and their employees. Because the Commission is a regulatory agency, these two groups comprise the largest number of customers that the Commission routinely services and communicates with. Other customers are identified based upon their specific needs and relationship to the Workers' Compensation Laws. Other customers and stakeholders include, but are not limited to:

- South Carolina's Congressional delegation;
- State Legislators;
- Insurance companies;
- Self-insured funds;
- Third-party administrators;
- Attorneys;
- Physicians;
- Hospitals;
- Other state workers' compensation agencies;
- The Department of Commerce;
- The Employment Security Commission;
- The Department of Vocational Rehabilitation;
- The State Attorney General's office;
- The State Department of Labor, Licensing & Regulation;
- The Uninsured Employers Fund and the Second Injury Fund;
- The FBI and the U.S. Office of the Attorney General;
- The Social Security Administration; and,
- The State Accident Fund.

2-3. How do you keep your listening and learning methods current with changing customer/business needs? How do you use information from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?

3.2-3.3 The Commission is committed to providing an environment to foster communication and education among its stakeholders, within current budgetary restraints. In that regard, the Commission's series of one-day seminars on claims management, Claims Administration Made Easy, was temporarily discontinued and only the publication was marketed to interested individuals. Commissioners and Executive Staff made presentations at the 25th Annual Workers' Compensation Educational Conference sponsored by the South Carolina Workers' Compensation Educational Association. The Commission also teamed up with the Educational Association to co-sponsor the 23rd Annual Worker's Compensation Medical Seminar, a three-day event devoted to medical issues relevant to workers' compensation. In addition, Commission employees are routinely asked to present at other seminars or conduct presentations on various subjects to outside organizations and groups. A request for a speaker is always honored. In addition, employers and insurance carriers routinely request training on proper procedures be conducted at their worksite, and the Commission readily supplies an employee to provide the proper training.

4. **How do you measure customer/stakeholder satisfaction?**

3.4 In order to measure the level of customer satisfaction, Commission employees routinely do informal follow-up with stakeholders. The Commission will continue to examine ways to conduct a more formalized, systematic survey within budgetary constraints during future fiscal years.

5. **How do you build positive relationships with customers and stakeholder? Indicate any key distinctions between different customer groups.**

3.5 The Commission has developed, and continues to expand, a website which allows stakeholders to obtain information regarding the Workers' Compensation Commission. In addition, stakeholders may initiate contact with the agency through the use of an e-mail system where questions, complaints, and concerns can be submitted to any department, including the Executive Director and the Chairman. Responses are usually made immediately or within 24 hours of the receipt of the inquiry. Due to increased availability of the internet, the number of inquiries and "hits" on the website have increased as represented by the increase in outside e-mail contact with the Commission.

A variety of methods are used to determine the needs and expectations of stakeholders and to provide a means of communicating with the Commission, including: telephone and written correspondence; participation in public forums; monitoring legislative activity; stakeholder visits; interviews; informational brochures; publication of the Commission's Annual Report; sponsored conferences, publication of workers' compensation system information; agency website; and on-line communications. The majority of Commission employees have routine, daily contact with stakeholders, and leadership places an important emphasis upon the delivery of good customer service to all users of the Commission's services.

Category IV – Measurement, Analysis and Knowledge Management

1-4. How do you decide which operations, processes and systems to measure for tracking and financial purposes? What are your key measures? How do you ensure data integrity, timeliness, accuracy, security and availability for decision making? How do you use data/information analysis to provide effective support for decision making?

4.1-4.4 For the past several years, the Commission has had in place a performance based measurement system consisting of a number of identified business drivers and measures. The measurement system is designed to provide goals and to integrate those goals with budgetary requests and considerations, staffing levels and efficiency and effectiveness levels. Thirty-five performance measures have been identified, and information is gathered on a weekly, monthly, or annual basis. Our measurements are a result of input from the users of the workers' compensation system, both internally and externally.

The Commission looks to many of our stakeholders, including South Carolina employers and their employees, insurance carriers, third-party administrators, self-insured funds, attorneys, physicians, hospitals, the General Assembly, the Governor's Office, and other State agencies to help us identify those measures that reflect the productivity of the Commission and the satisfaction of the stakeholder. The Commission's scorecard of performance measures includes process cycle times, time necessary to resolve issues of concerns and customer satisfaction. All employee performance appraisals are tied to the agency's performance measures and the employee's individual link to the Commission's mission and to the employee's department mission.

The Commission has been able to establish activity-based costing to determine the cost associated with several of our processes. This includes cost associated with processing a hearing request; having a hearing; having an informal conference; and processing and collecting fines to ensure improved compliance. In addition, comparison of workload measures with past or expected performance allows the leadership to make adjustments to processes and provides a means for improvement of services.

A number of performance measures are geared toward customer expectations. One of these measures is the process cycle time for setting various types of hearings. For many injured employees, economic viability is at stake following an on-the-job injury, and a shorter wait for a hearing is a key indicator of customer service and satisfaction. During the fiscal year, the process cycle time for setting a hearing for the injured employee has decreased from 8 or 9 months to an average of 6 months in each of the seven districts. The reduction in the time it takes to get a hearing is directly attributable to the Commission having all seven commissioners and hearing extra cases. In addition, a temporary employee was brought on in the department responsible for processing requests. There has been an increase in the number of requests due to denial of liability by the employer, and an increase in the number of employers being uninsured. These results are detailed in the Business Results section.

5. How do you select and use comparative data and information?

4.5 As previously reported, for much of the data captured and tracked, the Commission has been the leader, as other states look to our successes as a means of comparison. Once it can be determined as to how other states perform in similar categories, additional revisions and improvements to the system can be made.

6. How do you manage organizational knowledge to accomplish the collection and transfer and maintenance of accumulated employee knowledge and identification of best practices?

4.6 Each department has established job notebooks that outline job and work processes. While these manuals assist in providing on the job training for new employees and cross training for current employees, they also provide a reference point for review of the job and work processes. In addition, the Commission encourages its employees in leadership, training and other educational initiatives.

Category V – Human Resource Focus

1. **How do you and your managers/supervisors encourage and motivate employees (formally/informally) to develop and utilize their full potential?**

5.1 Continued budget reductions have increased the workload of individual employees. Supervisors and managers provide positive reinforcement to the employee who goes the extra mile in helping out. Employees are continually reminded that they don't just work for their respective program area—they work for the Commission. The key to maximizing employee performance is to ensure that jobs are interesting and satisfying. Employees remain motivated in their individual efforts if given the opportunity to cross-train and learn new job responsibilities and job skills. Also important is the proper and consistent utilization of the EPMS process. The Commission utilizes flexible work schedules to help employees balance their personal and professional lives. Social events such as breakfasts, luncheons, parties, and various other types of gatherings are regularly scheduled within the offices. The Commission hosts a Christmas Luncheon each year to honor employees and invite retired and past employees to interact with staff. Public Employee Recognition Week gave the Commission the opportunity to recognize the importance of all employees to the successful achievement of our mission. A breakfast catered by Lizards Thicket was held on State Employee Recognition Day to thank employees for their hard work, dedication, and loyalty to the Commission and to the State of South Carolina. Door prizes were awarded hourly during the morning hours and the Executive Director hosted an afternoon popcorn break where employee superlatives were recognized.

2. **How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training?**

5.2 Job notebooks that outline job and work processes have been developed for most positions. These manuals assist in providing on-the-job training for new employees and cross training for current employees. Employees remain motivated in their individual efforts if given the opportunity to cross-train and learn new job responsibilities and job skills. Executive Leadership encourages employees interested in learning about other jobs to participate in cross-training efforts. Cross-training does not just benefit the interested employee; it benefits the Commission and the respective department in the event that there is an unexpected employee absence when cross-trained employees can immediately step in and help out. This has occurred more than once in the past fiscal year and having cross-trained employees has allowed the Commission to continue to provide an exceptional level of customer service. The Commission encourages its employees in leadership, training and other educational initiatives. External training opportunities are routinely communicated to all employees through e-mail. The agency supports the efforts of any employee by creating an environment that allows the employee the freedom to participate and attend such functions.

3. **How does your employee performance management system, including feedback to and from employees, support high performance?**

5.3 Performance expectations are defined and communicated to employees through the Employee Performance Management System (EPMS). Use of this system allows employees to understand the expectations of the position and how they will be evaluated at the conclusion of the rating period. Each employee's EPMS reflects the agency and respective department's mission statement. The EPMS serves as the primary tool to document employee performance. During the evaluation process, employees and managers are given the opportunity to discuss past performance, expectations for future performances, strengths, weaknesses and a guideline for addressing weaknesses.

4. **What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction and motivation?**

5.4 The EPMS process is one method used to determine employee well being, satisfaction and motivation. There are numerous processes that could be examined to determine if they would positively affect well being, satisfaction and motivation. Some of these include career development and other employment services, recreational and social activities, non-work related educational opportunities, flexible work schedules and the adoption of a “business casual” dress code.

The Executive Director maintains an “open door” policy and is available to all employees for any questions or inquiries. In addition, the Commission maintains a suggestion box, which is routinely checked, and suggestions implemented. Implemented suggestions are communicated to all employees pursuant to e-mail. Lastly, constant communication has an overwhelming positive effect on employee well being, satisfaction and motivation.

5. **How do you maintain a safe, secure, and healthy work environment?**

5.5 The Commission maintains a safe and secure work place by having limited access points for visitors, including a sign in and out log. There is a security guard on the premises at all times during working hours. The Commission is currently working on the development of a Severe Weather Emergencies policy.

6. **What activities are employees involved with that make a positive contribution to the community?**

5.6 Commission employees sit on various boards and associations, such as the Procurement Review Panel, the South Carolina Workers’ Compensation Educational Association, the Southern Association of Workers’ Compensation Administrators, the Richland/Lexington Carolina Alumni Council and the South Carolina Bar. Many are active with church groups and boards. Employees serve as Girl Scout or Boy Scout leaders and coach various children’s sports activities.

Category VI – Process Management

1. **What are your key processes that produce, create add value for your customers and your organization and how do they contribute to success?**

6.1 The key process is waiting periods for hearing dates. During FY 03-04, the South Carolina Workers' Compensation Commission turned its focus to addressing the backlog in hearing times. During FY 02-03, the Commission was without seven commissioners for four months. In addition, three new commissioners arrived at the beginning of that fiscal year. At the beginning of FY 03-04, the Commission had only six commissioners. A seventh commissioner arrived in September, and the Commission was able to begin an intensive focus on reducing the waiting time for a hearing. The waiting period at this time was approximately eight to nine months in each of the seven districts.

The seven commissioners took more cases than normal and a temporary employee was added to the Judicial Department to help process the hearing requests. By the end of the fiscal year, waiting time had been reduced to an average of six months in each of the seven districts.

Due to the rotation of a number of commissioners, the number of appellate reviews increased during FY 02-03. An effort was made to address the backlog of appellate reviews by scheduling extra days in January for appellate reviews. Unfortunately, the ice storm forced the cancellation of two full days and almost a half-day of the reviews. There is a plan in place to conduct six extra days of appellate hearings during the first part of the upcoming fiscal year. The fiscal year will be started with only six commissioners due to the failure of the South Carolina Senate to confirm Harry B. Gregory, Jr., as a commissioner. What effect this will have on efforts to reduce waiting times will have to be assessed at the end of the fiscal year.

2-4. **How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls and other efficiency and effectiveness factors into process design and delivery? How does your day-to-day operation of these processes ensure meeting key performance requirements? What are your key support processes, and how do you improve and update these processes to achieve better performance?**

6.2-6.4.1 The Commission's FY 00-01 General Fund Appropriation was \$4,086,152. The General Fund Appropriation was FY 03-04 is \$2,980,712. This year's appropriation, plus the Other Funds budget cut in Proviso 72.11 of the FY 01-02 Appropriations Act of \$133,052, puts the cuts sustained by the South Carolina Workers' Compensation Commission since May 2001 at over \$1.3 Million. During the upcoming fiscal year, due to substantial budget cuts, maintaining an over 30% vacancy rate, the loss of a wealth of information and institutional knowledge due to retirements, and the reality of additional budget cuts, the Commission will have to continue its focus on a review of work processes. The focus of this review will be on revising, eliminating, or adding processes which would facilitate the hearing process cycle times to remain constant or be further reduced. This may include a reorganization of the entire agency staff. This would positively affect numerous stakeholders in that cases would continue to be resolved quickly. Quick resolution of claims eases financial burdens and emotional stresses on injured employees; reduces costs for the employer, which may result in lower workers' compensation premiums; reduces expenses for the carrier, which allows the carrier to offer lower premium rates to employers; and allows medical providers to receive prompt payment for services rendered, thereby ensuring continued availability of quality medical care for injured workers. Currently, new technology is of no use to the Commission.

An on-going concern and in need of immediate attention, is the present database system for the Commission, which was designed and installed in 1990. It is a client/server relational database system with custom application programs written for the specific needs of the Commission. The core software is Progress Version 6 with UNIX-based servers storing the data and MS-DOS based client software providing the user interface. As an MS-DOS based software package, the client software provides only text-based display capability, as was the standard at the time of installation. During the ensuing 14 years, the office automation needs and capabilities of the Commission have expanded considerably. The typical user in the agency has a Pentium III, 550 Mhz computer running Windows 98. However, one of the original 486-class NCR servers is still in use along with one newer server.

By the mid-1990's, as our system began to approach the end of a normal life cycle, budget cuts, rather than increases, had become the standard within State Government. Recognizing the low likelihood of obtaining funds for a complete database replacement, the Commission sought a means of extending the life of the existing database system. The upgrade of the user pc's to keep pace with the office automation needs provided significant performance enhancements from the client end of the database processing. However, the upgrades were complicated by the fact that the Progress client software was not designed to function with the standard Windows WINSOCK TCP/IP communication protocol. An effective solution, while unorthodox and unsupported, was discovered by installing a second network interface card in each computer. These cards were configured in such a way that their presence was not detected by the Windows operating system, but were addressable by the Progress client program for continued use of the existing database software. This has been successful with Windows 95 and Windows 98, but it is not possible to configure with newer versions of Windows.

By the late 1990's, there had been several version releases from Progress Corporation, and we were left with a very functional, but unsupported, version of our database. The needs and uses of data were constantly expanding, but it appeared unwise to continue development of a custom application in an unsupported MS-DOS/text display limited product. The normal process at that time would have been to design a completely new system, either in a newer version of Progress or some competing product and migrate the data from the old system to the new. This would include archiving the older data for off-line access. Unfortunately, this was not within our budgetary limitations at the time.

An outside vendor with whom we had been working since 1983 proposed an incremental migration, as funding was available, to the newer Windows-based version of Progress. The first challenge was to develop a Windows-compatible client software package that would directly access the data stored on the Progress Version 6 UNIX servers. This would eliminate the expense of storing duplicate data on two system versions and the challenges of keeping the two sets of data synchronized. To address these needs, the vendor created a bridging database which ran on a industry standard Windows NT server and developed a prototype client package that would give the Windows users a new version of our most active application - full inquiry capability into our case management data. This bridge established that the capability to read data across the divergent platforms was feasible.

The next step was to establish that the data within the Progress Version 6 database could be reliably updated from the newer Windows/Progress Version 8 client. Two areas in need of immediate development were chosen for this prototype, self-insurance records and penalties/fine collection. At that time, both of these were being handled in a dBase III system, supporting only single users. These systems were developed sufficiently to prove the cross-update capability, to be useful to the user and to shut down the old dBase III applications. However, further development was suspended because of funding limitations.

Coincident with this software development we recognized the negative impact of running our server software on outdated 486-class hardware, running at 33 and 50 Mhz. Our options were again limited by the Progress Version 6 absolute reliance on the WIN-TCP network stack, which was not supported under any of the current technology implementation of UNIX. Four of our five database modules were successfully migrated to the HP server and the improvement in operational response of the database was extreme. Most notably, the monthly pulling process to assign contested cases to the Commissioners for hearings was reduced from a 20-hour run to less than one hour. As was the case with the software development, further work on this process by the vendor was halted by the budget cuts of the late 1990's. With internal staff, we continued to move the fifth database module off of the 486 server to the newer machine, and have completed this.

These efforts continue to keep us operational, but not without challenges. While the limited development that was done in Progress Version 8 has proven to be very stable, the patches and fixes made to our primary system under Progress Version 6 leave us with ongoing stability and maintenance problems. Currently, we experience daily frustrations relating to the connectivity issues with the bridge between the obsolete TCP/IP stacks that the databases operate on and our Windows 98 workstations. Each workstation creates a "session" for communication with the databases, and incomplete or duplicate "sessions" causes workstations to freeze, lockup, or refuse to access certain features. This requires a Help Desk email to IRM to have the sessions manually cleared, and the workstation must be reset. In many cases, the servers will "drop" TCP/IP services that leave many users unable to access components, requiring a full reboot of the servers that leave all databases totally unavailable for about 20 minutes as everything is started back up. End-users and IRM personnel are constantly rebooting systems to try to maintain a working handshake with the databases - often causing great inconvenience to the stakeholders we serve who call for claim or coverage information. IRM personnel also have to police the database connections hourly to remove frozen or duplicate sessions to attempt to reduce the end-user frustrations. The overall loss in productivity from the workflow disruption and user frustration is significant. During calendar year 2003, the Commission lost 41 workdays due to the continuous crumbling of the ancient database. This equates to a loss in fine and penalties collection and other revenues of approximately \$270,000 and the loss of \$393,600 in salary that was paid to employees for work days lost due to lack of access to the database.

All this leaves the Commission with a number of short and long-term challenges. The short term challenges include: additional disk storage space is a necessity on the HP server to complete the data transfer off of the NCR 486 server that has been running continuously for over 14 years; the Hewlett-Packard server/computer on which most of our data resides is the property of an outside vendor and has not been purchased or leased by the agency; and, archive of data is many years overdue as all of the data captured since 1983 is still carried on-line. The long term challenges include: user workstations are locked into Windows 98 as the final available operating system upgrade, which will shortly be an unsupported version by Microsoft; our data is contained entirely in a functional, but obsolete and unsupported, database system; and live Internet Web connectivity to data is not supported by Progress Version 6.

Without question, for the Commission to move forward with digital services, the existing database software and server hardware must be replaced. The first decision is the methodology of replacement. The choices are incremental migration or single stroke replacement. The estimated cost of incremental migration is approximately \$2.5 Million, with the estimated cost of single stroke replacement being approximately \$4 Million. A request was included in the agency's FY 02-03 budget request and FY 03-04 for one time funding of this project. The current year budget did not include this request. Given the budget crisis the state is facing, the Commission's record keeping process and efficiency of the workers' compensation system in South Carolina is in grave danger.

Processes are all designed with an eye toward the delivery of superior customer service, fair and impartial dispute resolution, and ensuring statutory compliance with all workers' compensation laws and regulations. Ease of compliance and reduction in the burden of compliance coupled with the desire to ensure prompt and fair resolution to all parties are key components in any service the Commission delivers. In the past year, the Commission has continued to utilize the Internet to address issues of compliance and to make the workers' compensation system easier to use.

One way to ensure compliance, reduce paper flow, and ease the burden of compliance is through the use of Electronic Data Interchange (EDI) standards and protocols. Effective January 1, 1998, all insurance carriers, self-insured's, and third-party administrators were required to file reports using EDI. The overall result of the effort has been lowered mailing and handling costs, elimination of numerous reports, reduced demand for storage, streamlined claims reporting, reduced costs, and improved data quality. Over 72% of all *Employer First Reports of Injury* was filed via EDI. The Commission has focused on increased compliance of national carriers and large volume reporters, and has been very successful in having all of these reports filed via EDI. During the fiscal year, the Commission continued enforcement of 12M filings pursuant to Regulation 67-412. This process has also enabled to Commission to update records and delete obsolete information. The Commission has continued to work on the national EDI effort, to stay abreast of changes, and to remain on the leading edge of this technology project. During the upcoming fiscal year, the Commission will examine ways to increase compliance of smaller volume reporters and expand the process to include additional reports.

South Carolina must have a workers' compensation system that is stable, objectively balanced, competently managed, and cost effective if it is to provide a fair, equitable, and timely system of benefits to injured workers and their employers. The Commission is committed to such a system and will continue working toward that goal as directed by the General Assembly.

Category VII – Business Results

1. Claims

Mission: Improve the timeliness and accuracy of benefits to injured workers.

Goals: Receive and process initial reports of occupational injuries and illnesses, review all claims for complete and timely payment of benefits, review settlements for completeness and accuracy, collect statistical information, and close all claims in the most timely and accurate manner possible.

Objectives:

- Continue to review and record all accident reports within 2 days of receipt;
- Continue to review 100% of initial notices of payment of temporary total compensation within 1 day;
- Continue to review 100% of all settlements within 1 day;
- Continue to close all claims within 3 days of receipt of closing documents;
- Continue to conduct annual reviews on all open cases; and
- Reduce the percentage of processing errors in claims, both internally and externally.

Key Results:

1. Reviewed and recorded 75 % of all accident reports within 2 days of receipt. *(Down from 90% in FY 01-02)*
2. Maintained review of 100% of initial notices of payment of temporary total compensation within 1 day.
3. Maintained review 100% of all settlements within 1 day.
4. Maintained closing all claims to within 2 days of receipt of closing documents.
5. Reviewed on all open cases every 18 months. *(Down from annually in FY 01-02)*

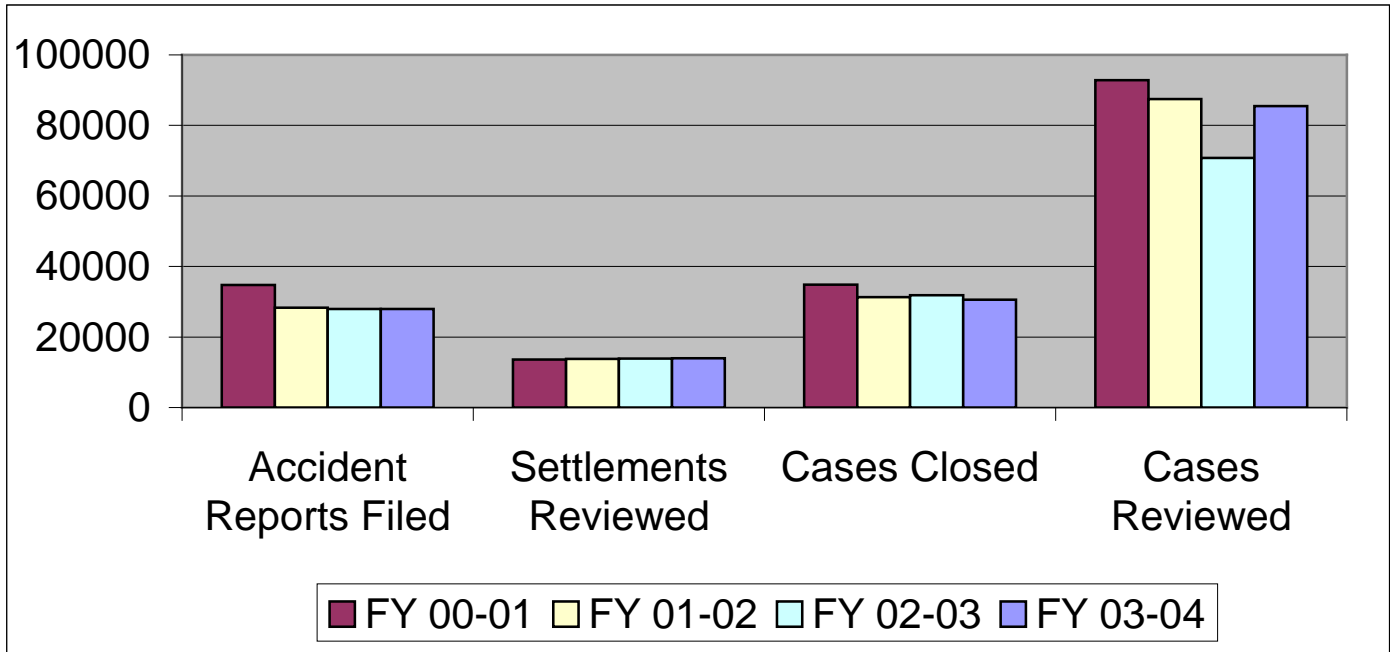
Raw Numbers:

	<u>FY 02-03</u>	<u>FY 03-04</u>
Classified Accident Reports Filed	27,907	27,926*
Initial Payment Notices Reviewed	14,859	14,731
Settlements Reviewed	13,902	13,941*
Number of Carrier Files Audited	-0-	-0-
Cases Closed by Commission	31,838	30,602*
Cases Reviewed	70,757	85,469*

** Results reported on Graph 7.1*

CLAIMS

Graph 7.1



2. Judicial

Mission: Assess and assign for disposition all claims requiring mediation, adjudication, or appellate review.

Goals: Prepare and schedule unresolved claims for either an informal conference (viewing), hearing, or appellate review; Make settlement recommendations (viewings), or adjudicate findings (hearings and reviews) to resolve disputed issues; and approve settlement agreements, lump sum awards, and attorney fee petitions in the most equitable, timely, and accurate manner possible.

Objectives:

- Continue to process requests for informal conferences within 5 days;
- Dispose of 80% of hearings within 120 days;
- Continue to docket appeals within 60 days.
- Continue to process hearing requests within 10 days;
- Dispose of 80% of informal conferences within 90 days, and
- Dispose of 90% of appeals within 90 days.

Key Results:

1. Maintained processing 100% of requests for informal conferences within 5 days.
2. Disposed of 60% of hearings within 120 days. *(FY 03-04 232 days)*
3. Maintained docketing 90% of appeals within 60 days. *(FY 03-04 Appeals are at 120 days)*
4. Processed 90% of hearing requests within 15 days. *(FY 03-04 is 45 days)*
5. Maintained disposing of 80% of informal conferences within 90 days.
6. Maintained disposing of 90% of appeals within 90 days.

Raw Numbers:

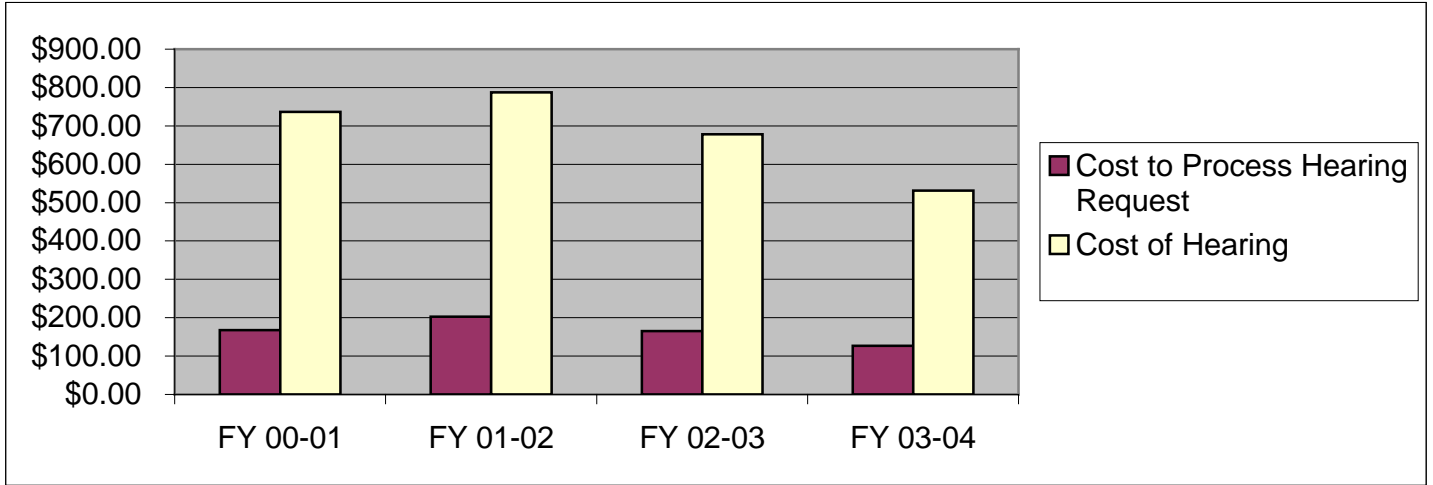
	<u>FY 02-03</u>	<u>FY 03-04</u>
Average Cost to Process Hearing Request	\$ 165	\$ 127*
Average Cost of a Hearing	\$ 678	\$ 531*
Average Cost to Process		
Informal Conference Request	\$ 26	\$ 30
Average Cost of Informal Conference	\$ 28	\$ 28
Cases Docketed for Hearings	9,595	11,287**
Cases Docketed for Informal Hearings	6,305	5,911
Decisions & Orders Issued	3,325	2,502**
Full Commission Appeals Filed	1,003	965
Full Commission Appeals Completed		
(Orders/Settled)	736	870
Appeals to Higher Courts	192	262

**Results shown on Graph 7.2-1*

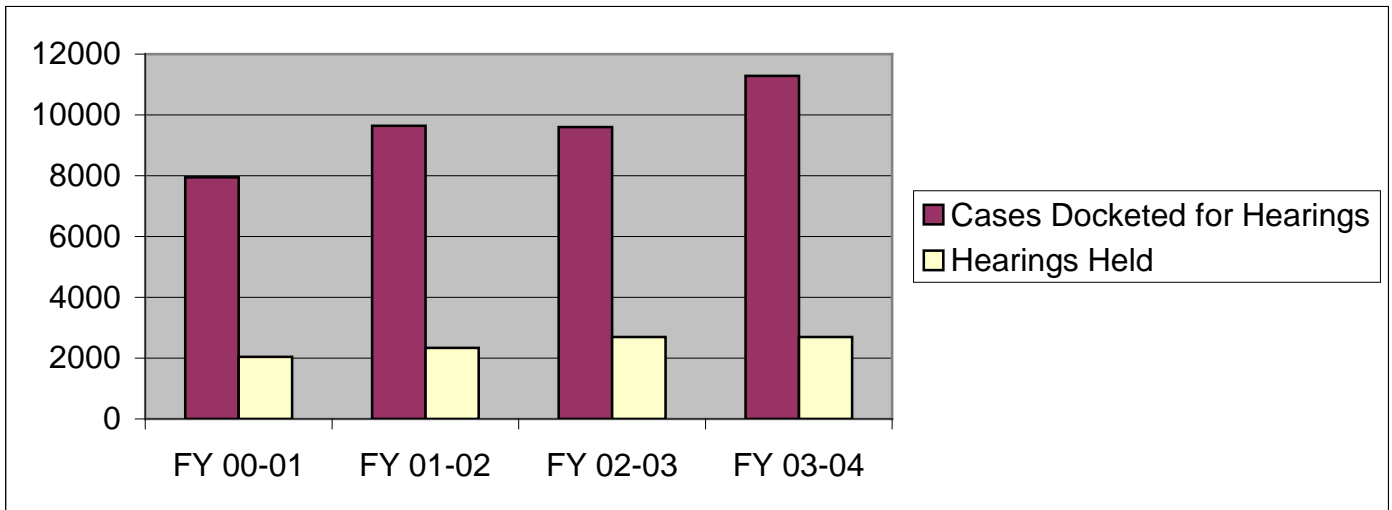
***Results shown on Graph 7.2-2*

JUDICIAL

Graph 7.2-1



Graph 7.2-2



3. Insurance & Medical Services

Mission: Assure availability of workers' compensation benefits to injured workers, provide employers a self-insurance alternative, and contain medical costs.

Goals: Develop and maintain payment systems for hospitals, physicians, and other health care providers for services provided to workers' compensation patients; review all applications from corporations and prospective funds to self-insure their workers' compensation liabilities; monitor the financial condition of all self-insured funds and self-insured corporations; and ensure all companies and individuals encompassed by the Workers' Compensation Act comply with its provisions in the most accurate and reliable manner possible.

Objectives:

- Revise as necessary and maintain the *Medical Services Provider Manual* and the hospital inpatient and outpatient systems;
- Continue to review contested medical bills within 5 days;
- Continue to review corporate applications to self-insure within 60 days of receipt of the completed applications;
- Continue to review fund member applications to self-insure within 2 days of receipt of the completed applications;
- Increase by 10% the number of unannounced business contacts;
- Collect self-insured taxes within 120 days of the end of each self-insured's fiscal year;
- Maintain employers coverage database and verify coverage within 5 days;
- Increase the number of self-insured audits; and,
- Increase the percentage of compliance cases closed within 120 days.

Key Results:

1. Reviewed, on average, contested medical bills within 10 days. (*Down from 8 days in FY02-03*)
2. Maintained 100% review of corporate applications to self-insure within 60 days of receipt of the completed applications.
3. Maintained 100% review of fund member applications to self-insure within 2 days of receipt of completed applications.
4. Collected 100% of self-insurance taxes within 120 days of the end of each self-insured's fiscal year.
5. Maintained the employer insurance coverage database and verified 98% of coverage within 5 days.
6. Maintained the number of self-insured audits conducted.

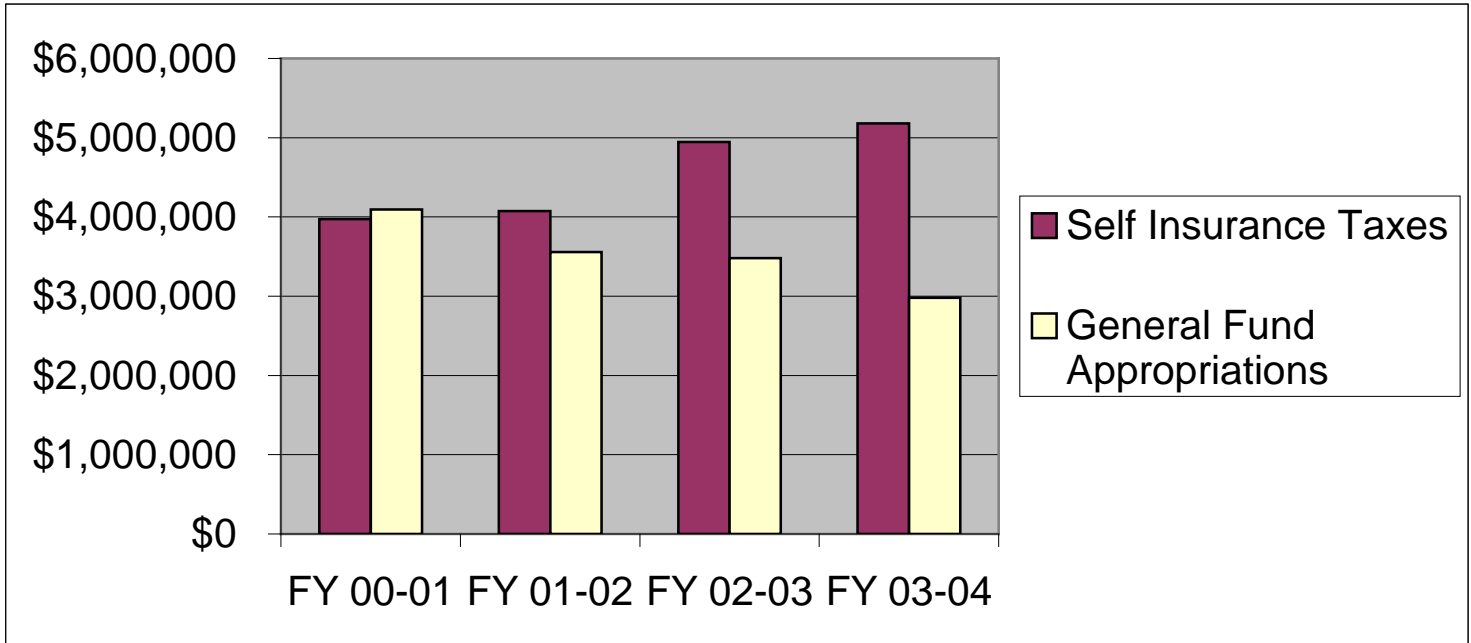
Raw Numbers:

	<u>FY 02-03</u>	<u>FY 03-04</u>
Medical Bill Disputes Reviewed & Resolved	295	264
Corporate Self-Insured Applications Reviewed	8	13
Fund Member Self-Insured Applications Reviewed	653	674
Self-Insurance Audits Conducted	86	86
Self-Insurance Taxes Collected	\$ 4,948,140	\$ 5,180,134*
Compliance Cases Initiated	775	800
Compliance Cases Closed	721	896
Compliance Contacts with Businesses	349	258
Investigations Set for Hearing	299	222
Consent Agreements Received	187	150
Hearings Held	79	49
Compliance Fines Received	\$ 127,064	\$ 101,826
Coverage Fines Initiated	1,397	1,132
Coverage Fines Collected	\$ 531,400	\$ 375,800

**Results shown on Graph 7.3*

Self-Insurance Taxes Collected/General Funds Appropriations

Graph 7.3



During FY 03-04, no current self-insured employer or fund filed for bankruptcy and ceased to be insured. However, Cone Mills, Inc., a form self-insured employer, was sold and defaulted on their workers' compensation claims liabilities. Two companies, Owens Corning and WestPoint Stevens, previously filed for Chapter 11 reorganization, are currently self-insured and continue to meet the self-insurance requirements.

This past year self-insurance taxes increased 4.7% from \$4.9 to \$5.2 million. Overall, the number of self-insured employers increased slightly over the past three years, increasing the total number of claims and the total dollar amounts paid (the base for the self-insured tax). However, since the Commission does not track payroll figures, the number of employees covered and classification codes, not much is known as how much the base expanded. The average weekly wage also increased during this time, as did medical costs (prices and utilization), all of which would impact total taxes collected.

Reductions in staff have impacted the operations of the Medical Services Division. With no staff assigned full time to the Division, the average time to review and resolve medical billing disputes has increased from less than five days two years ago to approximately ten days this past year. With resources for fee schedule development limited, one of the Commission's successes was conducting the necessary analysis for the revision of the Hospital Payment System and the update publication of the *2005 Medical Services Provider Manual*, both to be published next year.

This past year the number of compliance investigations increased 3.2% to 800 from 775. The number of compliance hearings held decreased from 79 to 49, close to the three-year average of 54 per year. The number of contacts with businesses decreased 27%, from 349 to 258, in part attributable to reductions in staff.

Even with the increase in compliance investigations, we have continued to make every effort to resolve coverage issues quickly, spending more time on the front end trying to resolve insurance matters so the claim can proceed. Overall, we have improved our service to customers by moving the less complex cases along faster, allowing more time for the more complex cases.

Coverage fines continue to decline, both for late reporting and failure to report the federal employer identification number, from \$531,400 to \$375,800. Fewer fines in this area are a result of the insurance industry's improved compliance with reporting requirements, which improves the timely processing of claims.