

<b>AGENCY NAME:</b>	Workers' Compensation Commission		
<b>AGENCY CODE:</b>	R080	<b>SECTION:</b>	74



**Fiscal Year 2018-19  
Agency Budget Plan**

**FORM A - BUDGET PLAN SUMMARY**

<b>OPERATING REQUESTS (FORM B1)</b>	<b>For FY 2018-19, my agency is (mark "X"):</b>	
	<input type="checkbox"/>	Requesting General Fund Appropriations.
	<input type="checkbox"/>	Requesting Federal/Other Authorization.
	<input checked="" type="checkbox"/>	Not requesting any changes.

<b>NON-RECURRING REQUESTS (FORM B2)</b>	<b>For FY 2018-19, my agency is (mark "X"):</b>	
	<input type="checkbox"/>	Requesting Non-Recurring Appropriations.
	<input type="checkbox"/>	Requesting Non-Recurring Federal/Other Authorization.
	<input checked="" type="checkbox"/>	Not requesting any changes.

<b>CAPITAL REQUESTS (FORM C)</b>	<b>For FY 2018-19, my agency is (mark "X"):</b>	
	<input type="checkbox"/>	Requesting funding for Capital Projects.
	<input checked="" type="checkbox"/>	Not requesting any changes.

<b>PROVISOS (FORM D)</b>	<b>For FY 2018-19, my agency is (mark "X"):</b>	
	<input checked="" type="checkbox"/>	Requesting a new proviso and/or substantive changes to existing provisos.
	<input type="checkbox"/>	Only requesting technical proviso changes (such as date references).
	<input type="checkbox"/>	Not requesting any proviso changes.

Please identify your agency's preferred contacts for this year's budget process.

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
<b>PRIMARY CONTACT:</b>	Gary M Cannon	803-737-5726	gcannon@wcc.sc.gov
<b>SECONDARY CONTACT:</b>	Sandee Sprang	803-737-5685	ssprang@wcc.sc.gov

I have reviewed and approved the enclosed FY 2018-19 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

	<i>Agency Director</i>	<i>Board or Commission Chair</i>
<b>SIGN/DATE:</b>	<i>Gary M Cannon</i> Sept 15, 2017	<i>T. Scott Beck</i> T. Scott Beck, Commissioner Sept 15, 2017
<b>TYPE/PRINT NAME:</b>	GARY M CANNON	T. Scott Beck, Commissioner

*This form must be signed by the agency head – not a delegate.*

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**FORM D – PROVISIO REVISION REQUEST**

<b>NUMBER</b>	<b>74.New</b>
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*Cite the proviso according to the renumbered list for FY 2018-19 (or mark "NEW").*

<b>TITLE</b>	<b>Legacy System Modernization Project</b>
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*Provide the title from the FY 2017-18 Appropriations Act or suggest a short title for any new request.*

<b>BUDGET PROGRAM</b>	<b>Agency Wide</b>
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*Identify the associated budget program(s) by name and budget section.*

<b>RELATED BUDGET REQUEST</b>	No. The FY18-19 does not include the funding request. Project implementation is dependent on funding.
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*Is this request associated with a budget request you have submitted for FY 2018-19? If so, cite it here.*

<b>REQUESTED ACTION</b>	<b>Add</b>
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*Choose from: Add, Delete, Amend, or Codify.*

<b>OTHER AGENCIES AFFECTED</b>	None
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*Which other agencies would be affected by the recommended action? How?*

<b>SUMMARY &amp; EXPLANATION</b>	<p>The Commission is requesting a new budget proviso to direct Self-Insurance Tax funds, collected by the Workers' Compensation Commission to fund the IT Legacy System Modernization Project. The proposed proviso language is</p> <p><u>The portion of the Self-Insurance tax funds collected pursuant to Section 42-5-190, not retained by the Workers' Compensation Commission pursuant to Act 95 of 2013 shall be retained by the Commission for the purposes of developing and implementing the IT Legacy Modernization Project until the completion of the Project.</u></p> <p>Beginning in FY17-18 the Workers' Compensation Commission engaged in a legacy modernization design project to develop a strategic plan to transform the agency's business system and processes. In this process we are evaluating our existing 28+ year old claims management system (Progress) to determine its efficiencies and deficits. The current Progress legacy system contains valuable and time-tested business logic however the modernization goal is to harvest and preserve the effective and efficient system components, redesign and rebuild the obsolete ones, and re-engineer business processes with sustainable technology.</p> <p><u>Modernization Benefits</u></p> <p>The modernized system will provide the following benefits:</p> <ul style="list-style-type: none"> <li>▪ <b>Security</b></li> </ul> <p>Incorporating data security inherently into the system will allow our agency to provide many new features to our stakeholders as well as meet the security requirements demanded by state and federal regulations. Specifically, we will be able to transmit</p>
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files securely enabling electronic service to third-party administrators. We will have the ability to collect fees and fines electronically using a vendor interface, ensuring the agency doesn't have to assume the responsibility for PCI data. This built-in security will provide the basis for our HIPAA digital compliance and will provide the ability to upload documents containing PHI data. Attorneys and carriers routinely file pleadings with the Judicial Department to initiate adjudication in the form of informal conferences or hearings to be scheduled before the Commission. Creating an avenue for these pleadings to be uploaded and processed electronically will expedite the claim process for the injured worker and will increase efficiency by minimizing the manual processing of paper forms.

▪ **Business Operation Improvements**

As the workers' compensation business has evolved, our agency has put in place many manual processes to work around the functional limitations and design inadequacies of our Progress system. For example, third-party administrators were not prevalent in the insurance industry when our system was designed so our current system is not built with this important relational link to insurance carriers. To accommodate this our data collection processes were developed without standardization and with minimal data edits. The result is our existing data is loosely coupled, our data elements lack clarity, and overall, much our data lacks consistency and validity. Every request for a report or a new metric becomes a long and intensive process for our staff. The new system will be designed around current insurance industry standards. Funds are requested for an industry expert to provide consulting services to future-proof the design and functional requirements of the new system. Data collection processes will be digitally based, clearly defined and built with stringent edits to ensure data is correct, timely and standardized. This will dramatically improve our current position; reporting will be timely and accurate; decisions will be based on values and true information and from this, we can continually improve our business operations.

The Claims department staff is dedicated to data entry and other paper-intensive processes. They process over 144,000 forms annually. The new system will provide for the electronic collection of forms through an EDI interface, allowing staff to be refocused on managing exceptions in the claims process. Implementing electronic workflows to allow data to be analyzed, processed and routed automatically will greatly improve efficiency and effectiveness. The timeliness of responses to our stakeholders will also be substantially improved.

▪ **Reduced Complexity and Dependency**

The Progress system consists of hundreds of thousands of lines of code, written in an outdated language, with little documentation. It is very cumbersome to manage and has forced our agency to rely almost exclusively on the institutional knowledge and legacy skills of our most senior staff member. Over 85% of IT resources are spent keeping this system operational preventing system enhancements and upgrades. Therefore paper-intensive processes and manual workarounds are the only option. Our legacy modernization project will result in a modular system, easily maintainable by developers educated in 4<sup>th</sup> generation level languages. The system will be flexible and event-driven based on re-engineered business processes. These attributes, with new security features, provide the framework for a web-based, mobile application. It will have a tremendous impact on our ability to interface with the Department of Employment and Workforce and Vocational Rehabilitation.

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*Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.*

<b>FISCAL IMPACT</b>	<p>The fiscal impact of the proviso will create an additional annual revenue stream of \$2.5 million to the Commission by allowing the Commission to retain the portion of the Self-Insurance Tax which is currently remitted to the General Fund. While the same amount of self-insurance taxes will be collected by the Commission, the total amount will be retained by the Commission for the duration of the project. This will result in a \$2.5 million decrease of revenues to the General Fund for the duration of the project. Upon completion of the project the funds will remitted to the General Fund.</p>
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*Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.*

<b>PROPOSED PROVISO TEXT</b>	<p><u>74.NEW (WCC: Legacy System Modernization Project) The portion of the Self-Insurance tax funds collected pursuant to Section 42-5-190, not retained by the Workers' Compensation Commission pursuant to Act 95 of 2013 shall be retained by the Commission for the purposes of developing and implementing the IT Legacy Modernization Project until the completion of the Project.</u></p>
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*Paste FY 2017-18 text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.*

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**FORM E – AGENCY COST SAVINGS AND GENERAL FUND REDUCTION  
CONTINGENCY PLAN**

<b>TITLE</b>	Agency Cost Savings and General Fund Reduction Contingency Plan
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<b>AMOUNT</b>	<b>\$62,615</b> <i>What is the General Fund 3% reduction amount (minimum based on the FY 2017-18 recurring appropriations)? This amount should correspond to the reduction spreadsheet prepared by EBO.</i>
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<b>ASSOCIATED FTE REDUCTIONS</b>	<b>A 3% reduction (\$62,615) would be realized by eliminating two FTEs in the General Appropriations Fund.</b>  <i>How many FTEs would be reduced in association with this General Fund reduction?</i>
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<b>PROGRAM/ACTIVITY IMPACT</b>	<p>Currently the General Appropriations Fund has 28 funded positions. The total appropriations for this Fund is \$2,065,110. To achieve a 3% reduction in the expenditures of this Fund, the proposal is to eliminate 2 positions. The reduction in the cost of the positions' salaries and benefits is approximately \$75,000. This amount would reduce the requirements of General Fund appropriations, thereby reducing the tax burden on the citizens and businesses. The work load of the two positions would be transferred existing positions in the Earmarked Fund.</p>
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*What programs or activities are supported by the General Funds identified?*

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**SUMMARY**

*Please provide a detailed summary of service delivery impact caused by a reduction in General Fund Appropriations and provide the method of calculation for anticipated reductions. Agencies should prioritize reduction in expenditures that have the least significant impact on service delivery.*

**AGENCY COST SAVINGS PLANS**

*What measures does the agency plan to implement to reduce its costs and operating expenses by more than \$50,000? Provide a summary of the measures taken and the estimated amount of savings. How does the agency plan to repurpose the savings?*