

HEALTHCARE AND  
REGULATORY  
SUBCOMMITTEE  
Wednesday, May 11, 2022  
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# AGENDA

South Carolina  
House of Representatives



Legislative Oversight Committee

**HEALTHCARE AND REGULATORY SUBCOMMITTEE**

*The Honorable John Taliaferro "Jay" West, IV, Chair*

*The Honorable Gil Gatch*

*The Honorable Rosalyn D. Henderson-Myers*

*The Honorable Timothy A. "Tim" McGinnis*

**Wednesday, May 11, 2022**

**9:00AM**

**Blatt 321**

*Pursuant to Committee Rule 6.8, S.C. ETV shall be allowed access for internet streaming whenever technologically feasible.*

**AGENDA**

- I. Approval of minutes**
- II. Discussion of the study of the South Carolina State Accident Fund**
- III. Adjournment**

# MINUTES

*Chair Wm. Weston J. Newton*

*First Vice-Chair:  
Joseph H. Jefferson, Jr.*

## **Legislative Oversight Committee**

*Kambrell H. Garvin  
Rosalyn D. Henderson-Myers  
Max T. Hyde, Jr.  
Kimberly O. Johnson  
John R. McCravy, III  
Travis A. Moore  
Melissa Lackey Oremus  
Marvin R. Pendarvis  
John Taliaferro (Jay) West, IV*



**South Carolina House of Representatives**

*Gil Gatch  
William M. "Bill" Hixon  
Jeffrey E. "Jeff" Johnson  
Josiah Magnuson  
Timothy A. "Tim" McGinnis  
Adam M. Morgan  
Russell L. Ott  
Michael F. Rivers, Sr.  
Chris Wooten*

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Research Analyst*

### **Legislative Oversight Committee**

**Wednesday, May 11, 2021  
9am Blatt Room 321**

#### **Archived Video Available**

- I. Pursuant to House Legislative Oversight Committee Rule 6.7, South Carolina ETV was allowed access for streaming the meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly's website (<http://www.scstatehouse.gov>) and clicking on *Committee Postings and Reports*, then under *House Standing Committees* click on *Legislative Oversight*. Then, click on *Video Archives* for a listing of archived videos for the Committee.

#### **Attendance**

- I. The Healthcare and Regulatory Subcommittee meeting was called to order by Chair John Taliaferro (Jay) West on Thursday, March 31, 2021, in Room 410 of the Blatt Building. All members of the Committee were present for all or a portion of the meeting.

#### **Minutes**

- I. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings, but the minutes do not have to be verbatim accounts of meetings.

Rep. Henderson-Myers' motion to approve the October 14 and November 17, 2021 meeting minutes:	Yea	Nay	Note Voting
Rep. Gatch	x		
Rep. Henderson-Myers	x		
Rep. McGinnis	x		
Rep. West	x		

### Discussion of State Accident Fund

- I. Chair West reminded agency personnel participating in the meeting that they remained under oath. The following agency personnel, previously sworn in, were in attendance:
  - Erin Farthing, Acting Director;
  - Matthew Hansford, Deputy Director;
  - Justin Plummer, Director of Information Technology; and
  - Kirk Adair, Senior Premium Auditor
  
- II. Director Farthing provided an overview of the following:
  - Legal department and process flow charts;
  - Special Investigation Unit and process flow charts;
  - Management Support Unit;
  - Rate Competitiveness;
  - Loss Cost and Loss Cost Multipliers;
  - Market Conditions;
  - Assured Source of Government Coverage; and
  - Marketing and Business Development;

Deputy Director Matthew Hansford provided an overview of the following:

- Policyholder Services and process flow charts

Information Technology Director (Justin Plummer) provided an overview of the following:

- Information Technology Unit; and
- Cyber Security/Risk Assessment and Mitigation

### Adjournment

- III. There being no further business, the meeting was adjourned.

# STUDY TIMELINE

**Timeline of Agency Study**

The House Legislative Oversight Committee’s (Committee) process for studying the South Carolina State Accident Fund (agency, Department, or SAF) includes actions by the full Committee; Healthcare and Subcommittee (Subcommittee); the agency; and the public. Key dates and actions are listed below.

December 9, 2019	At Meeting 1, the Committee selects the South Carolina State Accident Fund as the next agency for the Healthcare and Regulatory Subcommittee to study.
January 15, 2020	The Committee provides the agency with <a href="#">notice</a> about the oversight process.
February 28 – April 1, 2020	The Committee solicits input from the public about the agency in the form of an online public survey.
March 6, 2020	The South Carolina State Accident Fund submits its Program Evaluation Report.
April 8, 2021	At Meeting 2, the Committee receives public input regarding the agencies selected for study, to include State Accident Fund.
October 14, 2021	The Subcommittee holds Meeting 3 with the agency to discuss an overview of its mission, history, resources, major programs, successes, challenges, and emerging issues.
November 17, 2021	The Subcommittee holds Meeting 4 with the agency to discuss agency performance measures, successes/challenges/emerging issues, and organizational units.
March 31, 2022	The Subcommittee holds Meeting 5 with the agency to discuss agency organizational units, associated performance metrics, and flowcharts.
May 11, 2022	The Subcommittee holds Meeting 6 with the agency to discuss study report finds and recommendations.

Figure 3. Summary of key dates and actions in the study process



# AGENCY SNAPSHOT

# State Accident Fund

## History

- 1943 - The State Workers' Compensation Fund created as a division of the South Carolina Industrial Commission.
- 1974 - The State Workers' Compensation Fund established as a separate agency.
- 1982 - The State Workers' Compensation Insolvency Fund established within the State Workers' Compensation Fund.
- 1993 - The State Workers' Compensation Fund name is changed to the State Accident Fund.
- 2013 - the South Carolina Workers' Compensation Uninsured Employers' Fund was established within the State Accident Fund.

## Agency Mission

Providing cost-effective, guaranteed workers' compensation insurance for state agencies and other governmental entities along with exceptional service to our state workers.

## Organizational Units

### Management Support

- Focuses on the overall operations and high-level decisions that go into running the agency

### Business Support

- Includes Accounting, Human Resources, and Records Management

### Claims

- Receiving and processing all workers' compensation claims from covered policyholders

### Legal

- Provides legal advice and representation

### Policyholder Services

- Compiles and analyzes data to establish premiums

### Special Investigations Unit

- Performs investigations and provides investigative support

### Information Technology

- Supports all critical business applications

### Uninsured Employers' Fund

- Ensures payment of workers' compensation benefits to injured employees with underinsured employers

### Information Technology

- Supports all critical business applications

### Military Disability Program

- Provides settlements for National Guard members permanently disabled during the October 2015 weather event

## Successes

Identified by the agency

- Improving the workplace by adding new positions and hiring more personnel
- Providing advancement opportunities by revamping its working organization
- Minimizing case expenses with new settlement and mediation processes
- Producing better rates with new Actuaries

## Resources (FY 18-19)

### Employees

62

all types at the start of the fiscal year

### Funding

\$8,863,100 appropriated and authorized

## Challenges

Identified by the agency

### Current:

- Replacing the current case management system
- Moving to a new office location
- Competition from other workers' compensation insurers
- Delays in procurement processes

### Emerging:

- Increased claims costs and premiums resulting from proposed House Bills 4147 & 4777
- Staff retention
- Cyber security and insurance technology changes
- Legalization of medical marijuana

# Potential Findings and Recommendations

## Potential Finding

1. State Accident Fund employees are not regulated by the Department of Insurance (DOI). While State Accident Fund employees do not offer workers' compensation insurance in the private marketplace, they are statutorily required to offer insurance to state and local government entities. Additionally, State Accident Fund local counterparts (i.e., South Carolina Association of Counties; Municipal Association of South Carolina; and South Carolina School Board Insurance Trust), who also sell workers' compensation insurance to local government entities, are also exempt from DOI licensure and regulatory requirements.

## Potential Recommendations

### *Recommendations to the General Assembly*

1. Allow agency leadership flexibility to allocate funds to pay adjuster license fees for employees.

### *Recommendations to State Accident Fund*

#### *Accountability*

2. Develop and post online a quarterly report, with requisite metrics and performance indicators, to verify that the parameters set forth in S.C. Code Section §42-7-20 (administration of SAF by director) are being met.
3. Aggregate all exit interview data into a database to track trends and make internal changes to improve employee retention and morale. Share with agency staff any revisions to internal agency policies, procedures, or processes, changed or amended arising from information received through the exit interview process.
4. Create formal policies and procedures regarding the agency's internal and external response to cyber-attacks (e.g., ransomware, etc.). Policies and procedures should include crisis strategy, policyholder communication, and circumstances under which the agency director's appointing authority (i.e., governor) is notified of such attacks.
5. Establish internal processes and procedures to confirm the accuracy of insurance quotes, credit factors, rates, and other associated communications to ensure current and prospective policyholders receive creditable information.

#### *Effectiveness*

6. Determine whether the current set of performance measures assist agency leaders in evaluating whether the agency is accomplishing its mission. Consider using resources available from the Department of Administration's Executive Budget Office (EBO), including but not limited to consulting with EBO's performance and accountability manager. Review and update performance measures for the fiscal year 2021-22 accountability report.
7. Create a strategic plan designed to increase policyholder utilization of safety and loss prevention services provided by the agency. This plan should include the development of online modules to increase accessibility to training material, and a target rate for policyholder participation.
8. Implement new policies and procedures to ensure meaningful and timely performance reviews for all employees, and institute incentive programs designed to drive performance and desired behaviors.

Policies and procedures should include training requirements for leaders with supervisory responsibility, identification of agency staff responsible for verifying completeness of annual evaluations, and requirements for receipt of performance bonuses.

9. Establish an internal process to ensure injured workers are connected to state and community services (e.g., transportation, SC Housing rental assistance program, etc.), which may expedite the injured worker's return to work.
10. Revise policyholder survey to improve the quality and type of information received by adding additional questions related to technology, customer retention, and services.
11. Conduct a market analysis to determine the total number of eligible county or municipal agencies in the state, which are permitted to secure workers' compensation services per the provisions in S.C. Code Section 42-7-50.
12. Collaborate with the Department of Administration to continue to improve workforce planning and organizational development. The State Accident Fund and the Division of State Human Resources should update the Committee on their progress within six months of publication of the Committee's report.
13. Utilize management training offered by the Department of Administration, such as the Certified Public Manager Program, for its executive leadership.

### *Efficiency*

14. Develop a plan to incorporate LinkedIn learning, a learning platform available at no cost to the agency through the Department of Administration, to enhance training offerings provided to agency staff.
15. Evaluate the efficacy of a monetary incentive bonus structure for employees with metric driven performance goals (e.g., claims teams, etc.) as a way to improve overall agency performance, customer satisfaction, build employee morale, and recruit and retain employees. Report findings within six months of publication of the Committee's report.
16. Conduct an internal study to evaluate the efficacy of remote work options by utilizing the Department of Administration's Division of Human Resources telecommuting toolkit.
17. Conduct a study to evaluate the efficacy of online payments (e.g., Automatic Clearing House (ACH), Electronic Funds Transfer (ETF), etc.) for premium payments and claims payments, and the impact of delaying implementation of these services (e.g., reduced productivity, agency/policyholder costs, customer satisfaction, business sector competition, etc.) and report findings within six months of publication of the Committee's report.

### *Transparency*

18. Post agency process flow charts (e.g., appeals, etc.) online.
19. List names and contact information for senior leaders and department heads on agency website. The website should also include a statement from the agency director.
20. Post contact information for the South Carolina Office of Inspector General, conspicuously on the agency's website, to provide a way for the public to report fraud, waste, abuse, mismanagement, misconduct, violations of state or federal law, and wrongdoing specific to State Accident Fund.