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RISK★TEX

INTERAGENCY COMMUNICATION FROM THE STATE OFFICE of RISK MANAGEMENT ★ JUNE 2000



SAFETY TIPS

Safety Check, a newsletter promoting safety, reports about 70 million Americans spend part of their day working on a computer. Here's how to make computer work more comfortable and safe from strain:

- Keep your keyboard and screen directly in front of you.
- Maintain good posture – shoulders back, lower back supported and thighs parallel to the floor. Placing your feet on a footrest can ease back strain.
- Shift your position frequently – sit a few inches taller or farther back.
- Place your keyboard flat so your elbows are at a 90-degree angle to it and your wrists are straight when keying.
- Perform simple hand exercises like finger fanning and wrist flexing every 30 minutes or so.

BOARD MEMBERS

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Risk-Reward plan studied

In an effort to make client agencies' workers' compensation costs more predictable, allow them to share in any savings from cost-reduction efforts, and provide a mechanism for them to receive grants for safety training and equipment, SORM is working with staff from oversight agencies and legislative committees to develop a new "risk-reward" proposal for consideration by the 77th Texas Legislature.

Over the past decade, the Legislature has tried a variety of approaches to give state agencies financial incentives to control their workers' compensation costs.

A rider in the General Appropriations Act currently requires most

client agencies to reimburse SORM for 25 percent of the cost of any workers' compensation claims paid to their employees. In cases where the claimant's salary is paid from a source other than General Revenue (such as federal or "local" funds), the employing agency is required to reimburse 100 percent of the cost of claims. These reimbursement requirements, which apply over the life of each claim, do serve to put client agencies "at risk" for their workers' compensation costs, but they can be especially hard on a small agency that experiences a single, catastrophic claim.

In addition, a provision in
(Continued on page 2)

New leadership at SORM

The SORM Board of Directors appointed Ron Josselet as Executive Director, effective Jan. 1.

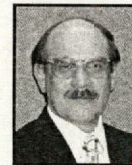
Mr. Josselet has more than 15 years experience in the risk management field and has worked for the State of Texas for about 19 years. Mr. Josselet holds the professional designations of Associate in Risk Management (ARM) and Chartered Property Casualty Underwriter (CPCU). He also holds several licenses from the Texas Department of Insurance, including licenses in risk management and workers' compensation claims adjusting.

Mr. Josselet earned a Master of

Business Administration degree from Southwest Texas State

University and a bachelor's degree from Texas Tech University. He serves as president of the Central

Texas Chapter of the Risk and Insurance Management Society, serves on the board of directors of the Texas Chapter of the Public Risk Management Association, and is a member of the Texas Safety Association. Mr. Josselet was awarded an Advanced Safety Certificate from the National Safety Council.



Josselet

SORM considers ways to control costs

(Continued from page 1)

SORM's original enabling legislation required it to establish specific cost allocations for a group of agencies that generate the bulk of workers' compensation claims. The provision would have required those agencies to reimburse 100 percent of the cost of claims that exceeded their allocation. The enabling legislation also required SORM to develop a program to reward agencies that improved safety and reduced claims by allowing them to share in the resulting savings. Unfortunately, statutory conflicts and other technical problems made these provisions unworkable, and the 76th Legislature repealed them in 1999.

The new "risk-reward" proposal currently under study is modeled on an arrangement used by the University of Texas System, which is not covered by SORM, to allocate workers' compensation costs among its component institutions. Each year, the UT System uses a formula that reflects payroll size, claims costs, and injury frequency rates to

determine how much to charge each component institution for workers' compensation coverage and risk management services. The UT System also uses a portion of the revenue in its workers' compensation fund to award grants to component institutions that do a good job of reducing losses and controlling costs. Grant funds are usually awarded for specific purposes, such as safety training courses or the acquisition of safety equipment.

SORM may be able to borrow some of the features of the UT model. For example, SORM may be able to use a modified version of the UT formula to allocate the cost of workers' compensation coverage among its client agencies. Under this approach, SORM staff would work with an actuary to determine annual "assessments" for each client agency. Then, instead of appropriating a lump sum to SORM each biennium to pay the estimated cost of workers' compensation claims, the Legislature could divide those funds and re-appropriate them to individ-

ual agencies to cover the cost of the annual assessments.

At the end of every fiscal year, SORM would recalculate each agency's assessment based on its claims experience. Annual assessments for agencies with good records could be reduced or remain the same, while assessments for agencies with poor records could increase. Agencies with increased assessments would have to transfer funds from other parts of their budgets to pay for the increase or seek an additional appropriation from the Legislature. In addition, depending on how the new arrangement was structured, agencies that received an assessment that was lower than the preceding year's may be able to retain the savings and use it for other purposes. The Legislature could also authorize SORM to reward well-performing agencies with grants for safety training or equipment.

The new "risk-reward" proposal potentially offers a number of significant advantages over the current

(Continued on page 4)

SORM DIRECTORY OF SERVICES

Information	512-475-1440 or 877-445-0006
Ron Josselet, Executive Director	Ron.Josselet@oag.state.tx.us..... 512-936-1515
Jonathan Bow, General Counsel.....	Jonathan.Bow@oag.state.tx.us..... 512-936-1502
Janine "Red" Balacki, Deputy General Counsel	Janine.Balacki@oag.state.tx.us..... 512-936-1508
Stuart B. Cargile, Fund Accounting Mgr.....	Brad.Cargile@oag.state.tx.us..... 512-936-1523
Bob Clarke, Interim Risk Assessment & Loss Prev. Mgr.....	Robert.Clarke@oag.state.tx.us..... 512-936-1566
Robin Cline, Special Assistant to the Executive Dir.....	Robin.Cline@oag.state.tx.us..... 512-936-1535
Peggy Yasin, Information Resources Mgr.....	Peggy.Yasin@oag.state.tx.us..... 512-936-1571
Gail McAtee, Agency Administration Mgr.....	Gail.McAtee@oag.state.tx.us..... 512-936-1501
Val McCandless, Agency Outreach & Training Mgr.....	Val.McCandless@oag.state.tx.us..... 512-936-1460
Gary Payne, Fiscal Management & Planning Mgr.....	Gary.Payne@oag.state.tx.us..... 512-936-1500
Debbie Starks, Medical Management Mgr.....	Debbie.Starks@oag.state.tx.us..... 512-936-1480

OFFICE HOURS: 8 A.M.-5 P.M. MONDAY THROUGH FRIDAY

MAILING ADDRESS: STATE OFFICE of RISK MANAGEMENT, P.O. BOX 13777, AUSTIN, TX 78711-3777

FAX NUMBERS: 512-472-0228 • 512-472-0234 • 512-472-0237

VISIT OUR WEB SITE AT WWW.SORM.STATE.TX.US

A win-win situation

Partnership with ScripNet brings convenience for claimants, savings for agencies

SORM has partnered with ScripNet through its cost containment vendor, Argus Services Corp., to provide workers' compensation pharmacy benefit management services to its covered employees. This means more convenience and accessibility for injured workers as well as cost savings for the State of Texas. The new prescription cards should be in the mail to claimants in May 2000.

Today, pharmacy costs make up between 8 percent and 10 percent of the total medical bill for industrial injuries. ScripNet will bring cost containment to the pharmacy portion of the total medical costs realized by a work-related injury while providing an enhanced level of care to the injured worker.

The ScripNet pharmacy program brings SORM's claimants:

- Hassle-free coverage for first prescriptions;
- Wide network of participating pharmacies – more than 42,000;
- Formulary protection;
- Electronic claims adjudication;
- Help desk – open seven days a week;
- Customized utilization and management reports;
- Convenient electronic billing; and
- Substantial cost savings.

First Prescription Coverage

Sometimes the most important prescriptions that an injured worker receives are on the day of the injury.

Therefore, ScripNet goes at risk for these first fills and guarantees payment to network pharmacies even if the claim is later found to be non-compensable by SORM.

This feature of the ScripNet program ensures that injured workers get the pharmaceuticals they need, when they need them, to begin the recovery and return-to-work process as early as possible. Often, adjusters at SORM will first learn from ScripNet that there is a possible new claim pending.

Wide Network of Pharmacies

The ScripNet network is open and non-restrictive. Currently, ScripNet contracts with more than 42,000 pharmacies across the nation. In Texas, there are 3,106 pharmacies, ranging from large chains, like Longs, Kmart, Wal-Mart, and Target, to small, independent drug stores participating in the network. This ensures that your employees can find a convenient participating pharmacy near their home or work. If an injured worker should find that the pharmacy he or she prefers is not on the network, ScripNet will contact that pharmacy and make every attempt to contract with it.

The ScripNet pharmacy network includes a convenient mail order component for those injured workers

who need maintenance prescriptions. Unlike other mail order plans that require two weeks or more for delivery, the ScripNet plan delivers needed pharmaceuticals in two business days.

The pharmacy directory can be accessed on the SORM web site at www.sorm.state.tx.us/pharmacy.htm. If you're interested in the mail order plan, call ScripNet at (888) 880-8562 and a ScripNet representative will walk you through the process.

Help Desk – Seven Days a Week

ScripNet maintains a Help Desk seven days a week staffed with trained personnel ready to answer questions from pharmacists, claims adjusters, and even injured workers looking for a network pharmacy in their neighborhood. ScripNet's medical directors can also be reached at the toll-free number (888-880-8562).

Formulary Protection

ScripNet has developed a customized formulary for SORM to ensure that injured workers with accepted claims receive prescriptions that are appropriate. The formulary screens for multiple prescriptions in the same pharmaceutical class, duplicate prescriptions, too soon refills, and controlled substances.

By way of the formulary, pharmacists substitute generic pharmaceuti-

(Continued on page 4)



For a list of pharmacies, go to www.sorm.state.tx.us/pharmacy.htm

SORM offers prescription drug services

(Continued from page 3)

calls when available and appropriate. In the event that a formulary "gate" is closed, the pharmacist is instructed to call ScripNet.

Electronic Claims Adjudication

ScripNet employs a unique Point of Sale System (POS) that virtually eliminates the flow of paper from the pharmacy to the payor. This minimizes hassles for claimants and speeds them on their way with their medicine.

When a claimant presents a prescription at a network pharmacy, the pharmacist accesses the member's file online in the ScripNet database and transmits the prescription information electronically to ScripNet. If no "gates" in the formulary are closed to this prescription, the pharmacist will fill the prescription and bill ScripNet.

ScripNet will then pay the pharmacy and bill SORM at the discounted rate. This efficient, paperless, electronic system relieves SORM's claims adjusters of the has-

What is ScripNet?

ScripNet is the Pharmacy Benefit Management division on Ascentra, a system of patient-centered health care companies.

ScripNet is located in Las Vegas, Nev.

Phone: (888) 880-8562

Web: www.scripnet.com

sles that accompany pharmacy issues.

Savings

ScripNet has contracted for discounted rates with network pharmacies in exchange for guaranteed electronic payment. These discounts are then passed on to SORM. Savings may also be realized through generic substitution for costly, single source brand drugs. The ScripNet program in its entirety should save the State more than 10 percent on all pharmacy bills.

Customized Reports

ScripNet will provide customized reports for SORM that address specific needs. A report can be generated for a single claimant or for the entire database of SORM claims. Reports can be prepared on a one-time only basis or every month.

Some reports that ScripNet has prepared are: most frequently prescribed drugs; most expensive drugs; pharmacies most often used; doctors prescribing the most brand pharmaceuticals; injured workers visiting more than one doctor; and injured workers visiting more than one pharmacy. There is no charge to SORM for preparing reports.

Electronic Billing

ScripNet and SORM are exploring electronic billing and other opportunities to streamline processing and save time and cost to the State.

If you have questions about how your agency can participate, call Debbie Starks at (512) 936-1480.

Risk-Reward proposal in infancy stage

(Continued from page 2)

system.

First, the annual assessments would more accurately reflect the cost of claims than the current approach. Second, by replacing the current reimbursement requirements, the assessment process would give agencies more control over their budgets by making their workers' compensation costs more predictable. Third, by pooling risks, the proposal would cushion the effect of catastrophic losses on individual agencies, particularly small agencies or those with especially tight budgets. Finally, the

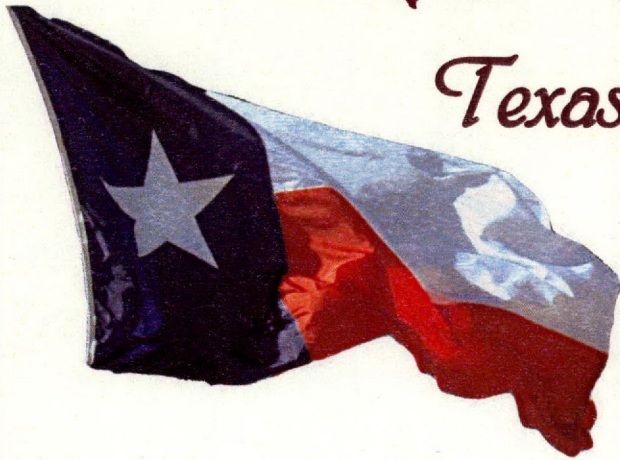
ability to set assessments and award grants would give SORM greater flexibility to allocate risks and rewards among its client agencies and provide them with compelling incentives to reduce losses.

The new "risk-reward" proposal is still in its infancy and would require legislative approval prior to implementation. To that end, SORM staff is currently working with staff from the Research and Oversight Council on Workers' Compensation (ROC), the House Committee on Business and Industry, the Legislative Budget Board, and the Governor's Office

of Budget and Planning, as well as the House Appropriations and Senate Finance Committees to develop the proposal and determine its feasibility.

SORM is also working with representatives from a cross-section of its client agencies to consider their interests and concerns as the proposal evolves.

Although the new proposal seems very promising, its eventual implementation is far from certain, and SORM's client agencies should prepare their legislative appropriations requests (LARs) based on the current arrangement.



Texas State Agencies Safety Awards

SORM recognizes agencies that have effectively reduced their number of injuries. The Gold Award recipients can compete for the Texas State Agency Safety Excellence Award. The FY 1999 Safety Awards results are listed below.

Twelve **Gold Awards** for reduction in injury frequency rate (IFR) of 50 percent or more when compared to the average of the previous five years.

Legislative Budget Board • Office of Court Administration • University of Houston System
Texas Legislative Council • Adjutant General's Department • Angelo State University
Texas Senate • Abilene State School • Secretary of State • Office of the State Comptroller
School for the Blind and Visually Impaired • University of Houston – Downtown

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Nineteen **Silver Awards** for reduction in IFR of 30 percent to 50 percent when compared to the average of the previous five years.

The Lakes Region S O C S • Amarillo State Center • Railroad Commission
Public Utilities Commission of Texas • Lamar University at Orange
Texas Department of Housing and Community Affairs • Rio Grande State Center • Waco Center for Youth
Lubbock State School • Texas Southern University • Texas Workforce Commission
Health and Human Services Commission • Coastal Plains S O C S • General Services Commission
Texas Commission for the Blind • Employees Retirement System • Denton State School
University of Houston • Office of the Attorney General

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Twenty-four **Bronze Awards** for reduction in IFR of 10 percent to 30 percent when compared to the average of the previous five years.

San Antonio State School • Corpus Christi State School • Lamar University at Beaumont
Central Gulf Region S O C S • Kerrville State Hospital • Sul Ross State University
Texas Workers' Compensation Commission • Stephen F. Austin State University
Lufkin State School • Sam Houston State University • Parks and Wildlife Department
University of Houston – Clear Lake • Texas Commission on Alcohol and Drug Abuse
Austin State Hospital • University of North Texas • North Texas State Hospital
Department of Protective and Regulatory Services • Terrell State Hospital
Midwestern State University • Office of the Governor • Beaumont State Center
Department of Public Safety • San Angelo State School • Southwest Texas State University

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In addition, 28 agencies received the **Sustained Safety Performance Award** for small agencies that have no reported injuries for three or more years.

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Toll-free number

SORM now has a toll-free phone number for out-of-town claimants and doctors to use. The toll-free number, (877) 445-0006, is directed to SORM's switchboard. SORM asks that state agencies continue to use the TEX-AN lines to call SORM. Claimants, doctors, and agencies in the Austin area should continue to use the local phone number, (512) 475-1440.

Focusing on customer service

As part of SORM's customer satisfaction plan, SORM hosted six focus group meetings during the month of March. Sixty state agencies were represented with 72 attendees participating. SORM was seeking feedback to improve internal and external operations and to improve customer service. These meetings generated many good ideas which are being reviewed by staff for implementation feasibility. The ideas included:

- Quarterly state risk manager meetings;
- An annual risk manager networking/education day;
- Web-enabling the mainframe;
- TWCC form submission over the internet;
- Presenting the Safety Awards in a more formalized setting;
- Investigating e-mail driven notification and registration for training; and

Additional award presentations for agencies that control liability claims/losses and property claims/losses.

State agencies also shared with SORM those initiatives and services that have helped them perform their jobs better, including kudos for:

- Helpful field office consultations;
- Train-the-trainer classes;
- Customized training at agency sites;
- Helpful adjusters and investigators;
- User-friendly web page;
- Claims Review Days; and
- Helpful and timely ad hoc reports from Information Resources.

SORM continues its commitment to providing quality services to client state agencies and welcomes any feedback or recommendations for improvements.

Please let us know if you would like to continue receiving RISK★TEX. Fax your responses to: 512-472-4769.

Name: _____
Agency: _____
Mailing Address: _____

Yes, I would like to continue receiving a copy of RISK★TEX.

No, I no longer wish to receive a copy of RISK★TEX.