

Agency Strategic Plan for the 2003-2007 Period by the State Office of Risk Management

<u><i>Board Member</i></u>	<u><i>Term</i></u>	<u><i>Hometown</i></u>
Martha A. Rider, Chairman	02/01/07	Houston
Ronald D. Beals, Vice Chairman	02/01/07	Tyler
Micaela Alvarez	02/01/05	McAllen
Gerald M. Lavey	02/01/03	Humble
Ray "Tom" Pace	02/01/03	Odessa

Submitted June 17, 2002

Signed:



SORM Executive Director



SORM Board Chairman

Table of Contents

Statewide Vision, Mission, and Philosophy	1
Statewide Goals and Benchmark	3
SORM Mission Statement	4
SORM Statement of Philosophy	4
External/Internal Assessment	4
I. Overview of Agency Scope and Functions	4
II. Organizational Aspects	6
III. Fiscal Aspects	9
IV. Service Population Demographics	11
V. Technological Developments	12
VI. Economic Variables	12
VII. Other Legal Issues	13
VIII. Self-Evaluation and Opportunities for Improvements	15
Agency Goals	22
Objectives and Outcome Measures	23
Strategies and Output, Efficiency, and Explanatory Measures	24
Appendices:	
A. Brief Description of Agency's Planning Process	
B. Organization Chart	
C. SORM Outcomes 2003-2007	
D. Performance Measure Definitions	
E. Workforce Plan	
F. Survey of Organizational Excellence Results and Utilization Plans	
G. Information Resources Strategic Plan	
H. Internal Performance Measure Definitions	

Statewide Vision, Mission, and Philosophy

March 2002

Fellow Public Servants:

Strategic planning offers us an important opportunity to assess and critically reexamine the role of Texas State Government and the efficiency of its operations. Today, an uncertain short-term economic outlook underscores the need for the government's mission to be limited and its priorities clear. This document specifies our mission and priorities - based on my philosophy of limited government, personal responsibility, innovation, excellence - and is to be used as your agencies prepare their Strategic Plans.

Throughout the strategic planning process and the next legislative session, agencies will be asked to provide great detail about their operations as policy makers endeavor to address our state's priorities. I encourage you to provide not only open and complete information, but also your innovative ideas about how better to deliver government services.

Working together, I know we can accomplish our mission and achieve these priority goals for our fellow Texans:

To assure open access to an educational system that not only guarantees the basic core knowledge necessary for citizenship, but also emphasizes excellence in all academic and intellectual undertakings;

To provide for all Texas' transportation needs of the new century;

To meet the basic health care needs of all Texans;

To provide economic opportunities for individual Texans and provide an attractive economic climate with which to attract and grow businesses; and

To provide for the safety and security of all within our border.

I appreciate your commitment to excellence in public service.

RICK PERRY



The Mission of Texas State Government states:

Texas State Government will be limited, efficient, and completely accountable. It will foster opportunity, economic prosperity, and family. The stewards of the public trust will be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials will seek new and innovative ways to meet state government priorities within its financial means.

The Philosophy of Texas State Government states:

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles.

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans are best made by those individuals, their families, and the local governments closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. And just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future, and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

Aim high...we are not here to achieve inconsequential things!



Statewide Goals and Benchmarks

The priority goal of general state government is:

To support effective, efficient and accountable state government operations and to provide citizens with greater access to government services while reducing service delivery costs.

Benchmarks:

- Percent of state professional licensee population without documented violations
- Average annual residential electric bill as a percent of the national average
- Percent of state financial institutions and credit providers rated “safe and sound” and/or in compliance with state requirements
- Average annual residential telephone bill as a percent of the national average.
- Number of utilization reviews conducted for treatment of occupational injuries
- Ratio of supply of electricity generation capacity to demand
- Percent of documented complaints to licensing agencies resolved within six months
- Percent of individuals given a test for licensure who received a passing score
- Percent of new and renewed licenses issued via Internet.



SORM Mission Statement

The State Office of Risk Management will provide active leadership to enable State of Texas agencies to protect their employees, the general public, and the state's physical and financial assets by reducing and controlling risk in the most efficient and cost-effective manner.

SORM Statement of Philosophy

The State Office of Risk Management will act in accordance with the highest standards of ethics, fairness, accountability, and humanity for both our customers and our employees. Customer service is a cornerstone of our mission.

External/Internal Assessment

I. Overview of Agency Scope and Functions

The State Office of Risk Management (the Office or SORM) was created by House Bill 2133, 75th Legislature and became a state agency effective September 1, 1997. The Office was created from the merger of the Workers' Compensation Division of the Office of the Attorney General (OAG) and the Risk Management Division of the Texas Workers' Compensation Commission (TWCC).

The Office's operations are governed by the Texas Labor Code, Chapters 412 and 501. Operating costs for the risk management and workers' compensation strategies are funded by interagency contracts and direct General Revenue Fund appropriations. Costs for workers' compensation payments are funded by direct General Revenue Fund appropriations, OAG debt collections, and subrogation receipts.

The Office assists state agencies in controlling risks and losses. Enterprise risk management is a rigorous approach to assessing and addressing risks from all sources that either threaten the achievement of the state's strategic objectives or represent opportunities to exploit for competitive advantage. The purpose of enterprise risk management is to increase the value of the enterprise.

The Office is governed by a six-member Board appointed by the Governor. Members of the Board serve staggered terms. The Board is responsible for:



- Oversight of the agency and the appointment of an Executive Director;
- Approval of risk management guidelines for distribution to state agencies;
- Approval of rules necessary for the implementation of the risk management and workers' compensation programs; and,
- Reporting to the legislature on methods to reduce exposure to loss for state agencies; the operation, financing, and handling of risks by state agencies; the handling of claims brought against the state.

The Office provides services to state agencies for the protection of the state's resources¹. Currently, these resources include approximately 158,000 employees, more than \$8.9 billion dollars in capital investments in buildings, and more than \$3.2 billion in fixed assets. The Executive Director of the Office serves as the "State Risk Manager". SORM's responsibilities include:

- Providing immediate feedback to state agencies in identifying, evaluating, and reducing potential liability exposure and liability losses, including workers' compensation losses;
- Reviewing, verifying, monitoring, and approving risk management programs adopted by state agencies;
- Providing risk management training for state agencies;
- Consulting state agencies regarding their insurance needs;
- Purchasing insurance on behalf of state agencies;
- Approving the purchase of surety bonds for state agencies, as warranted, including the scope and amount of the bond; and,
- Collecting data from insurers regarding insurance purchases by state agencies.

The Office publishes risk management guidelines, trains state agency personnel, conducts safety reviews, devises protocols and responses at the request of state agencies or in response to external threats or risks, and provides risk management analyses, consultations, and insurance services to state agencies. State agencies are required to submit annual reports to the Office on claims and loss information, existing and potential exposure to loss, estimates by category of risk of losses incurred but not reported, and any additional information deemed necessary by the Executive Director. State agencies intending to purchase property, casualty, or liability insurance coverage other than through the services provided by the Office must report the purchase to the Office within 30 days of the purchase.

The Office administers the State Employees Workers' Compensation Program for state agencies². SORM also administers workers' compensation claims for employees of Community

¹ The University of Texas and Texas A&M University Systems and the Texas Department of Transportation are legislatively excluded from the services.

² The University of Texas and Texas A&M University Systems and the Texas Department of Transportation administer their own workers' compensation programs.



Supervision and Corrections Departments. SORM's workers' compensation claims program is responsible for:

- Operating a self-insured workers' compensation program for the State of Texas pursuant to the Texas Labor Code and TWCC regulations;
- Receiving and investigating reports of injury filed on behalf of state employees;
- Determining whether a claim is compensable;
- Paying income and medical benefits as due;
- Reviewing medical bills to determine reasonableness, necessity, and compliance with TWCC fee guidelines;
- Appearing as an adversary before TWCC and the courts and presenting the legal defenses and positions of the workers' compensation program;
- Preparing reports for the legislature on workers' compensation claims information; and,
- Providing workers' compensation training for state agencies.

II. Organizational Aspects

The Office has 124 full-time positions authorized by the current General Appropriations Act. The following table presents current SORM workforce demographic information:

SORM WORKFORCE DEMOGRAPHICS

	White	Black	Hispanic	Other	TOTAL
Male	29	2	4	2	37
Female	42	11	22	2	77
Total Percentages by Race	62%	11%	23%	4%	100%
Officials/Administrators 1% of Total Employees	1 100%	0 0%	0 0%	0 0%	1 100%
Professionals 42% of Total Employees	39 81%	3 6%	6 13%	0 0%	48 100%
Para-Professionals 27% of Total Employees	16 52%	4 13%	9 29%	2 6%	31 100%
Technicians 4% of Total Employees	4 100%	0 0%	0 0%	0 0%	4 100%
Clerical/Administrative 26% of Total Employees	12 40%	6 20%	11 37%	1 3%	30 100%
Total Employees by Race	72	13	26	3	114



The Office's organizational structure is aligned with the mandates set forth by its enabling legislation. The organizational structure depicts program and administrative functions within the agency. An organizational chart is included in Appendix B.

Pursuant to enabling statutes, the Office is administratively supported by the OAG. The OAG provides support services including:

- Accounting – Processes and records SORM's transactions;
- Budget & Purchasing – Prepares budget reports and processes the Office's purchase orders and procurement documents (IFBs, RFPs);
- Information Resources – the Office's workers' compensation Claims Management System mainframe application resides within the OAG's mainframe and SORM's network is maintained by the OAG;
- Human Resources – Maintains the Office's personnel files and processes all personnel action forms (PAFs);
- Support Services – Coordinates maintenance and support for the space occupied by the Office; and,
- Legal Divisions – Assists the Office with agency matters of specific division expertise.

The Office is located in the William P. Clements, Jr., building in Austin, Texas. This centralized location facilitates conduct of the Office's mission for covered state agencies. At this time, SORM has no field office locations, although services are provided to agencies throughout the state.

Recruiting and retention of a well-trained, dedicated, and competent workforce is an ongoing challenge for all state agencies. SORM is no exception and has programs in place to address this challenge. These include:

- Providing additional compensation to mission-critical staff;
- Providing optional alternative work schedules (WALT program) where feasible to provide flexibility and improve morale;
- Encouraging an agency culture that is supportive of its employees, including a casual dress atmosphere and a voluntary employee association; and,
- Providing opportunities for professional development.

Turnover in the Office's workforce was 32 percent in FY 2000 and 28 percent in FY 2001. Although SORM's turnover rate continues to drop, it still exceeds the statewide turnover rate for FY 2001, reported at 17.6 percent, and continues to be a significant concern for the Office. Internal reports indicate that the percentage of employees leaving the Office for higher paying jobs (as opposed to other reasons) fell from 66 percent in FY 2000 to 60 percent in FY 2001. SORM has difficulty competing financially with the pay scales of other governmental entities or private sector companies in the insurance field. It is in the Office's best interest, and ultimately the state's best interest, to hire and retain experienced and competent staff. SORM is



committed to retaining qualified, experienced staff through opportunities for advancement within the Office, and by providing cost-effective training and professional development. SORM is dedicated to promoting an atmosphere that stresses the importance and value of employees to accomplish our mission. The Office recognizes its limitations in competing with the statewide labor market and intends to maximize staff through training and professional development.

The following chart compares the Office's turnover trend with the statewide trend for fiscal years 1997 – 2001³.



The following key events occurred in the current biennium:

- Recent terrorists' actions at the national and international level suggest that a level of security risk currently exists that previously was not recognized as a significant risk. These terrorism events also illustrate a need for training that previously was not required by Texas state agencies. Accordingly, the Office has responded by offering specialized training in areas such as safe mail handling procedures and violence in the workplace. In addition, the SORM website now offers on-line access to emergency response protocols. These protocols provide quick information and links to other websites on topics such as bomb threats, bio-terrorists actions, weather emergencies, and other associated state risks that will assist state agencies to quickly respond to emergencies.
- The Office developed and implemented a cost or risk allocation program for workers' compensation that for the first time makes state agencies responsible for their work-related accidents, injuries and workers' compensation claims and losses. This legislative-mandated risk allocation program changes the methodology in which claims and losses are funded. Appropriations for funding workers' compensation claims, which previously were appropriated to SORM are now appropriated to the state agencies, which in

³ State Auditor's Office, Reports 98-703, 99-702, 00-707, 01-703, 02-701.

- turn pay to SORM an assessment that pays for workers' compensation coverage.
- A centralized insurance purchasing program is being developed by the Office as directed by the Legislature. Previously, state agencies which had legislative authority to purchase insurance for various risk exposures independently purchased their respective, individual policies. Beginning September 1, 2002, SORM will phase in by line of coverage insurance programs and policies in which state agencies will be required to participate, or alternatively justify to SORM that an individual policy is needed.

The Office fully supports the Historically Underutilized Businesses (HUBs) initiatives and will continue its commitment to purchasing goods and services from HUBs where appropriate.

III. Fiscal Aspects

Operating costs of SORM are financed through interagency contracts and General Revenue Fund appropriations for its risk management and workers' compensation strategies, respectively.

Workers' compensation payments constitute a separate strategy which have been financed by the General Revenue Fund, appropriated receipts, and debt collection receipts made by the Office of the Attorney General. With the passage of House Bill 2600 and House Bill 2976, beginning with this biennium, this strategy will be funded through interagency contracts and assessments paid by client agencies. This program is discussed in more detail below. These appropriations for the current biennium are detailed as follows:

- Operating Appropriations – Including contingency appropriations for House Bill 1203 and House Bill 2600, a total of \$6,507,779 and \$6,439,490 was appropriated for fiscal years 2002 and 2003, respectively for recurring operating costs associated with the risk management and workers' compensation programs. SORM's workers' compensation strategy is funded by General Revenue Fund appropriations and its risk management strategy is funded primarily through interagency contracts. A capital budget to replace or upgrade approximately one third of the agency's personal computers was appropriated \$50,400 for fiscal year 2002 with unexpended balance (UB) authority carrying over to the second year of the biennium.

Though not part of the Office's appropriations, the OAG provides administrative support to SORM pursuant to enabling legislation. The OAG was appropriated \$807,909 each year for fiscal years 2002 and 2003.

- Claim Fund Appropriation – \$103,925,775 was originally appropriated in the current biennium for workers' compensation indemnity and medical benefits. Contingency appropriations for House Bill 2600 and House Bill 2976 subsequently reduced this amount to \$99,500,817 representing 75 percent of the estimated total cost of benefits to be paid during the biennium. Prior to the enactment of HB 2600 and HB 2976 the



remaining 25 percent of the costs of workers' compensation claim payments was required to be paid by agencies whose employees receive the benefits, pursuant to Article IX, Section 6.37(b) of the current General Appropriations Act.

House Bills 2600 and 2976 mandate the establishment of a formula for allocating the state's worker's compensation costs among covered agencies based on their claims history, the size of their workforce, the amount of their payroll, related costs in administering claims, and other factors that the Office determines to be relevant.

- The Cost or Risk Allocation Program established by the Office allocates the costs of projected annual payments to agencies through an assessment formula based on a three year rolling data period. The three factors considered are:
 - Payroll - Measured in dollars and currently weighted at 20% of the total assessment. The weighted three year average, with the most current year accounting for 50% of the average, is measured as a percentage of the total of all agencies' weighted averages.
 - Injury Frequency Rate (IFR) - Currently weighted at 40% of the total assessment. The average of the IFR for each of the three years is also weighted with the most recent year accounting for 50% of the average. The weighted averages are adjusted so that the fiscal effect of this factor on any agency does not exceed 2% of their weighted average payroll. The adjusted average IFR is then measured as a percent of the total of all agencies'.
 - Claim Costs - Also currently weighted at 40% of the total assessment. This factor is calculated by using a simple average of the three years' claim costs for an agency, adjusted to limit the fiscal effect to 4% of an agency's weighted average payroll, and measured as a percent of the total of all agencies' adjusted average costs.

The assessment program calculates an agency's proportionate ranking, or share of the total compared with all other agencies. Over time, those agencies whose performance in terms of injuries and claim costs improves relative to all other agencies will be assessed a lower proportionate share of the total while those whose performance worsens relative to all other agencies will be assessed a higher proportion. If the aggregate performance of all state agencies improves, even if an individual agency's proportionate share remains the same or increases, the dollar amount attached to that share will decrease. Conversely, if the aggregate performance of the agencies worsens, the dollar amount of each agency's proportionate share will increase.

This is a complete change not only in terms of the funding structure, but also is a change in what is an agency is paying for. Agencies are no longer reimbursing a portion of their actual claim costs after the fact (after claims are paid). Instead, the agencies are now paying the annual

assessment for coverage of their employees up front, at the beginning of the fiscal year, and these assessment payments are from the same funding sources as their payroll. By paying the annual assessment, agencies no longer have the risk of bearing a portion of unexpectedly high claim costs due to a catastrophic event. The assessment is an agency's cost for the entire fiscal year regardless of the actual claim costs paid by SORM on their behalf. The risk of loss is spread among all agencies but the formula calculations are also constructed to spread the risk within in an agency. The financial effects of losses are spread over three years rather than impact an agency entirely within one fiscal period. The assessments formula limits the maximum possible assessment to any agency at slightly over 6% of their weighted average payroll, providing a stop-loss mechanism.

The existing biennial appropriation of \$99,500,817 is being redistributed to agencies to fund the additional general revenue costs to agencies due to the change in funding structures, pursuant to Article IX, Section 10.23 of the current General Appropriations Act.. Beginning in fiscal 2004 those appropriations will be made directly to covered agencies and no direct funding will be appropriated to SORM for claim payments. The assessment program significantly reduces the likelihood that an emergency appropriation would be necessary to pay workers' compensation losses in future years, as has been necessary in the past. This should lessen the risk of appropriating insufficient funds to meet the needs of injured state workers due to changes enacted by the Legislature for covered state agencies.

SORM will be a proactive resource to decision makers and can provide projected workers' compensation costs on differing bases (per \$100 payroll, per FTE, incurred vs. cash payouts, etc.). This can assist decision makers in evaluating the total fiscal impact represented by changes to the workers' compensation act and rules. Budgetary restraints are likely to require SORM to develop new strategies, and the internet will be an important instrument for communicating with agencies and delivering operational and informational needs.

IV. Service Population Demographics

The number of state agencies that are within the purview of SORM is relatively stable; however, the number of covered state employees, in terms of FTEs, has increased from 147,847 in FY 1992 to 171,773 in FY 2001. State employees are geographically distributed throughout the state with concentrations in the major metropolitan areas.

In addition to workers' compensation, the Office assists covered state agencies in protecting 3.2 billion in fixed assets and \$8.9 billion in capital investments in state real properties.

V. Technological Developments



The State Office of Risk Management will utilize internet technologies to provide current information to claimants, state agencies and other concerned entities. A state agency claims ad hoc reporting capability will be developed to facilitate sharing of relevant claims information and provide state agencies with the capacity to respond quickly to claims during the first critical days after filing.

The Office will also develop on-line claims filing through the use of internet technology. This will allow for immediate input of claims information, bypassing two current manual processes. Form editing capability will also reduce input errors and reduce rejected transactions into the Office's workers' compensation claims management system.

VI. Economic Variables

As the economy of Texas changes, so does its demographics, and state government must continually reassess itself to ensure that the corresponding changes are made to fulfill the needs of its citizens. This is a dynamic process which can result in the expansion or contraction of resources, and the subsequent redeployment of state resources to meet those needs. These changes can alter state agencies and programs, as well as the composition of the state workforce with regard to number and type of employees required.

These changes to state government can also alter the different types and levels of risk experienced by the state. SORM anticipates that its service population will grow to 178,000 eligible employees and result in approximately 300 additional new claims per year.⁴ Changes to the composition of the state workforce, such as an aging workforce, can affect the number and severity of injuries and impact the workers' compensation staffing and funding necessary to ensure that injured state employees are afforded benefits as entitled by statute. Changes approved in prior legislative sessions have had a material impact upon workers' compensation expenditures, and have contributed to the historical need for emergency appropriations.

The potential economic variables represented by covered state agencies that could impact workers' compensation claims costs include many external factors, such as rising medical costs and the incalculable effects of terrorist attacks. Medical costs have escalated 68% in the last 10 years. An upward trend in the utilization and duration of medical treatment appears to be responsible for the rise in medical costs.⁵ The 77th Texas Legislature passed HB 2600 that calls for the state to monitor physicians in the workers' compensation system; establish voluntary, regional networks for medical services with built-in incentives for injured workers to use the networks; implement dispute resolution procedures; improve return-to-work programs; and, establish new fee and treatment guidelines. The Texas Workers' Compensation Commission is

⁴ Office of Public Accounts; Economic Forecast; Fall 2001.

⁵ Research and Oversight Council on Workers' Compensation; Striking a Balance; January 2001.

currently developing rules to implement this bill. SORM anticipates participating in the medical cost containment features of HB 2600 to the maximum extent possible given the Office's resources and budgetary constraints.

The rate of indemnity for paying claims has risen as well. The state average weekly wage (based on the average weekly wage of manufacturing production workers in Texas), which is the basis for setting the indemnity rates that carriers are required to pay claimants, continues to increase annually. The maximum weekly indemnity benefit in 2002 is \$535.00, a 25% increase since the 1989 workers' compensation reform act was passed.

The impact of fraud has been an issue of concern in the Texas workers' compensation system for some time. The Texas Department of Insurance (in FY2001 through July 31) referred 151 cases to district or U.S. attorneys, resulting in 57 convictions and \$7.5 million in restitution orders. SORM and other state agencies commit investigation resources estimated at \$500,000 a year toward workers' compensation fraud.⁶

In 1999, the insurance market began swinging the pendulum from a soft market toward a hard one.⁷ Experts estimate the trend will last from three to five years. Insurance companies started emphasizing the desire for quality risks rather than quantity. With the events of September 11th, insurers are stressing the importance of underwriting risks. Not only does a hard market mean higher premiums, but also a decrease in the availability of coverage and the capacity of insurers to provide the coverage. This market change makes it more difficult to obtain proper coverages for the best price. Achieving this goal is a real challenge at a time when prices are soaring and coverages are shrinking. Accordingly, the Office will focus on increasing the effective use of the insurance transfer. With insurers seeking quality clients, it will be necessary to provide detailed information on the exposures faced by state agencies, explain the uniqueness of state government, and describe loss prevention programs. It will take innovative marketing, as well as creative negotiating, to achieve the goal of obtaining needed coverage at the best possible premium.

VIII. Other Legal Issues

The State Office of Risk Management operates as a workers' compensation insurance carrier as provided by its enabling legislation. As an insurance carrier, the Office is significantly impacted by legislative changes to the workers' compensation act, TWCC administrative rules, and administrative hearings proceedings and court decisions interpreting the workers' compensation act and rules.

The 77th legislature passed HB 2600, a major rewrite of the Workers' Compensation Act. HB

⁶ Research and Oversight Council on Workers' Compensation; Fraud Detection and Prevention; August 2001.

⁷ A "soft" market is one in which insurance coverage is relatively easy to obtain at a relatively low premium cost. In a "hard" market, insurance coverage is often difficult to obtain and premium costs are high.



2600 impacts many aspects of the workers' compensation system and, by design, presents aspects that both increase and decrease costs to the system. The ultimate impact of this interplay between the various aspects of the legislation cannot be known at this time; however, several key provisions have already come into play.

The legislative enactment of mandatory generic substitution for prescription drugs is one aspect of HB 2600 that will reduce costs in the workers compensation system. SORM will realize some savings from this provision; however, SORM had previously realized substantial savings through voluntary generic substitutions through its existing Pharmacy Benefits Manager prior to the passage of HB 2600. The savings SORM realizes from this provision may not be as great as is realized by other carriers.

The adoption and implementation of a Medicare based fee guideline will have significant impact on SORM as a carrier. Research performed by TWCC had indicated that a conversion factor of 120% of the Medicare fee guideline would be "cost neutral" - that is, the amount of expenditures for services rendered to injured workers would be the same amount provided under both the proposed and the previous fee schedules although the sums would be distributed differently among providers. For example, physicians would be paid a larger amount for care and medical management performed during an office visit, however, anesthesiologists would be paid less for their services during surgical procedures.

The Office has attempted to independently verify TWCC's conclusions that a conversion factor of 120% is the "break-even" point in comparing the two reimbursement methodologies and was able to confirm those findings only if the calculation is made using the same assumptions. SORM, however, has not been able to validate the assumptions inherent in the calculation. SORM attempted to use a different methodology but existing data structures would not permit the calculation because supplementary payments are treated differently under the two methodologies and cannot be identified in the current data structure in a way that the calculation can be made.

SORM has been unable to verify that the savings from reduced reimbursement for some services to be sufficient to offset increased costs for others. Using the prior example of office visits and anesthesiologist's services, the Office would experience increased costs for each visit that an injured worker makes to his doctor, and will experience savings on services provided by his/her anesthesiologist. Review of established patterns of usage show that most injured workers rarely receive anesthesia but frequently visit their doctors. As a result, the savings may not be sufficient to offset increased costs in this example. The overall pattern of changes in reimbursement and the variety of services affected make it impossible at this time to state with any degree of certainty that a conversion factor of 120% of Medicare reimbursement is, in fact, the rate at which the conversion will be cost neutral.

If we assume that TWCC's assumptions are correct and the break-even point was 120% of Medicare, (no other verifiable estimate was made available by system participants) then the

Commission's adoption of an 125% conversion factor will mean that costs for medical care will increase by 5% independent of inflation in the coming year. This will result in the expenditure of an additional \$2,246,000 in FY 2003 and \$2,558,000 in FY 2004.

The Office will experience additional administrative costs associated with converting systems and processes to implement the new fee guideline and other aspects of HB 2600.

Court decisions interpreting the workers' compensation act and rules will continue to impact the State Office of Risk Management during the life of this strategic plan. Of particular note at this time is the Fulton decision rendered by the Third Court of Appeals. That decision, denied *certiorari*⁸ by the Texas Supreme Court, overturned the application of the TWCC rule that established a limit on the time permitted to challenge the first chronological certification of an impairment rating by a doctor. An impairment rating is an expression of the permanent damage to the body as a result of a compensable injury after medical treatment and is expressed as a percentage of the use of the whole uninjured body. The effect of this decision is that there is no longer any finality in the determination of an impairment rating and claimants may seek new ratings (at any time) in an effort to increase the amount of money due them under the act for their injury. As a result, the Fulton decision will have the effect of "ratcheting up" indemnity costs as closed cases, which had final determinations of the impairment ratings, are awarded additional indemnity benefits.

XI. Self-Evaluation and Opportunities for Improvements

In an effort to continue SORM's position as an innovative and creative driver for quality improvement, several initiatives were undertaken during the past biennium. The Office desired input from a variety of customers, both internal and external to the agency. In addition, external validation, comments, and recommendations for processes and services were sought.

In January 2001, the Comptroller of Public Accounts published its biennial Health Care Claims Study. One of four components of this study is a study of the state employees workers' compensation program. The purpose of the workers' compensation study was to measure the incidence of potential overpayments in Texas' workers' compensation benefit delivery, including occurrences of fraud and abuse. Over 200 claims were reviewed and the audit included four (4) recommendations which are presented below, with actions taken by SORM to address each recommendation.

- Direct the medical cost containment vendor to add audits and/or enhance existing skills in the bill processing system to catch potential overpayments - Since this audit, SORM

⁸ In layman's terms, *certiorari* means 'to be informed of.' In law it is an order (or 'writ') issued by a court requiring a lower court to produce a certified record of the proceedings. Generally, a petitioner will ask a court for this writ when he or she would like an appellate review. The US Supreme Court is the most visible in use of these writs, though many states don't use this system (Texas does). Issuance or granting of the writ by the appellate court is discretionary. If the court grants the writ, it is saying it will review the case. If it denies, then it won't, and the lower court ruling stands.

implemented weekly meetings with its medical cost containment vendor to develop enhanced edits, and the vendor has provided a more highly-skilled auditing staff. The Office continues to meet monthly with its medical cost containment vendor regarding additional audits/edits to improve their system.

- Conduct post-payment reviews of paid bills - Current staffing at SORM poses a challenge in implementing this improvement. A computer programmer would be needed to move data into the data warehouse and to extract queries from that data. An additional staff position would be needed to thoroughly follow-up on the results of these queries.
- Amend the SORM rules to require adjusters to have healthcare-related education and experience - Currently, licensure of workers' compensation adjusters under Texas Department of Insurance regulations does not require healthcare-related education and experience. The Office recognizes that a medical background for adjusters is valuable, and the typical claims adjuster in the marketplace usually learns this information over time through his/her experiences in claims management. The Office has recently initiated the posting of positions for medical/nursing staff with the intention of assisting these staff in obtaining licensure as claims adjusters. To date, only one position of this type has been filled. It is hoped that this initiative will assist SORM to bring in the medical expertise needed for more proactive, claims management.
- Use the professional physician, healthcare reviewers, and advisors - While SORM agrees that the use of these providers could potentially reduce the medical costs of claims, simply increasing the level of services is not a panacea to reduce costs. Employing such services must be carefully administered to ensure that those costs are offset by the resulting savings. SORM has increased the use of medical professionals to provide impairment rating reviews, peer reviews, and independent medical exams to contain medical costs.

The Comptroller's study also indicates that "these recommendations can be implemented within the agency's current appropriations." In order for the Office to fully implement the findings and recommendations of the study, several fiscal impacts that were not included in our current appropriations must be considered.

- Additional staff will be required to conduct post-payment reviews on paid bills.
- Additional staff will be required to handle the increased workload of cases that will progress to formal medical dispute resolution.
- Expenditures for the services of professional physician/healthcare reviewers and advisors will increase. These costs are directly attributable to the workers' compensation claims fund.
- In order to recruit and hire adjusters with healthcare-related education, salaries higher than SORM's current adjuster salary appropriations will be required.



In 2000, KPMG was selected to perform the internal audit function for SORM. After an in-depth risk analysis, the SORM Board agreed on the priority order of the audits to be conducted. These audits identified operations and procedures and reported issues, recommendations, and suggestions for the Board and the Office to examine. To date, four in-depth audits have been performed.

- Medical Management Division, November 17, 2000 - The intent of the audit was to: review the cost containment contract with the vendor and determine compliance; evaluate the post-audit methodology; identify and test the controls over the processing and payment of medical bills; and, assess the Division's progress toward meeting the goals, objectives, and strategies of SORM. The results of the audit provided the Office with excellent recommendations to improve the efficiency and effectiveness of the Division. Many of the recommendations made in the audit centered around the copying and recording of medical reports and bills. With the advent of the imaging system in 2001, these recommendations were implemented.
- Risk Management and Loss Prevention Division, March 16, 2001 - The objectives of the audit were to assist in assessing the selection methodology for determining agencies for risk management reviews; assessing the adequacy of risk management reviews through the use of surveys and interviews; comparing the Division with other risk management programs to determine best practices; and, assessing or measuring the Division's progress toward meeting the goals, objectives, and strategies of SORM. Results of the audit confirmed the methodology, suggested alternate record keeping methods that were immediately implemented, and commended/recommended continued use of the Customer Service Questionnaire with agencies receiving reviews.
- Network and System Controls, November 19, 2001 - The objectives were to identify and test network security controls surrounding the OAG/SORM network; to identify and test controls surrounding critical applications; to review and assess the procedures for maintaining the Office's critical applications; and, to review and assess the contingency plan to be used in the event of a disaster or systems' failure. Interviews were conducted with numerous OAG and Office staff to ensure a complete understanding of the support services provided by the OAG. Since the Office's Information Services Division had been rebuilt during the past year with a new Manager and staff, this audit was especially illuminating. Recommendations from this audit were shared with the OAG IR staff, and the resulting plan of action included improvements to the OAG systems as well as to the Office's systems.
- Claims Adjuster Medical Management, (not yet published) - The focus of this audit was to review the controllable causes of escalating medical costs of workers' compensation claims. A thorough review of the medical reserve methodology, adjuster workload, and the process for inactivating and closing claims was performed. Interviews with adjusting staff, supervisors, and the claims manager were conducted. The preliminary draft identi-

fied recommendations pertaining to the revision of the reserve system; more active supervisor roles in enforcing review procedures; claim assignment methodology; the cancellation of the process for the inactivation of claims; and, review of inactive claims with subsequent medical bills.

In summary, the KPMG audit was received very favorably by SORM staff, and efforts are underway to implement the recommendations. In addition to the recommendations, a comparison with best practices was included with the audit report, and several new initiatives will be forthcoming from that review.

An internal claims auditor was hired to assist with the workers' compensation claims management function. This position conducts audits pertaining to timeliness, overpayments/underpayments, and recoupment. In addition, this position conducts special audits as requested by the Executive Director and assists General Counsel with the investigation of Compliance and Practices complaints. Results of these audits have assisted the claims function in identifying trends and individual, adjuster training needs.

At the Office's request, the State Auditor's Office was asked to perform a workflow analysis of the Document Processing Division and related changes to claims operations in an effort to improve the efficiency of the imaging system and the flow of documents in the document processing and claims operations functions. The finished report provided extremely helpful detail and included recommendations for changes to processes and room layout to improve efficiency. Many of the recommendations for streamlining the processes have been implemented. SORM has acquired additional office space which is currently under construction, which will assist in implementing the recommendations for room and space layout changes.

The Office has continued its three initial efforts for customer service responses. Comment cards continue to be sent to and received from claimants receiving services, from agencies receiving risk management services, and from internal and external agency staff attending training through the Office's Outreach and Training Division. Also, comment cards were developed for those agencies attending benefit review hearings in an effort to gain additional input from the Office's client agencies pertaining to the energies and efforts by the General Counsel Division. Remarks and opinions concerning the representation provided continue to be received. In addition, a customer service manager was appointed by the Executive Director to respond to customer service complaints.

In February, 2002 the Texas Workers' Compensation Commission conducted an "Initial Pay Performance Audit" on SORM claims. This audit included 49 claims randomly selected from the month of September 2001. The audit focused on the filing of the Employers' First Report of Injury, SORM's initial payment of TIBS, and the transmission of four key data elements used by the Commission in its monitoring efforts. Results are as follows:

Category	Standard	Performance	Difference
----------	----------	-------------	------------



Timeliness of Employer's First Reports of Injury	90%	87.76%	-2.24%
Timeliness of Initial Payments of TIBS	90%	71.43%	-18.57%
Accuracy of Mandatory EDI Data			
A. Accuracy of First Day of Disability	95%	89.90%	-5.10%
B. Accuracy of Date of First Written Notice	99%	73.47%	-25.53%
C. Accuracy of Date of Initial Payment	99%	69.39%	-29.61%
D. Accuracy of Initial "TIBS From" Date	95%	83.67%	-11.33%

Included in the Office's response to TWCC was a discussion pertaining to the implementation of a "paperless" office in September 01. Scanning had been put in place for all documentation coming into SORM. Procedures were being tested and revised to insure accuracy of the data scanned. The Office believes that implementation of this initiative was the major causation agent for categories B. and C. above. Lack of complete implementation of TWCC's EDI initiative also played a role. The Office of Attorney General is scheduled to complete system enhancements by the end of May. These enhancements include the capability to transmit all TWCC required data electronically.

As a result of the TWCC audit, the SORM Executive Director appointed a Chief Compliance and Audit Officer at a senior management level. In addition, SORM plans to:

- conduct monthly internal audits with quarterly reporting to the Commission
- develop automated edits and audits for the Claims Management System
- provide specific additional training for staff
- increase review and monitoring of claims
- develop or revise internal procedures
- complete the implementation of all EDI components

The Commission accepted the Office's plan of action and SORM is committed to achieving compliance with all standards.

In 2001, the Office elected to participate in the Governor's Survey of Organizational Excellence. Please refer to Appendix F of this document for a more complete understanding of the results, and the actions the Office will be taking in an effort to better meet the needs of staff.

Development of management staff has been a priority initiative which began during this last and current biennium. As a result, several senior managers were given the opportunity to attend the Governor's Senior Management Training Program. To enhance their skills, the Executive Director and General Counsel attended the Governor's Executive Development Program. Conversations and meetings were held with the University of Texas School of Social Work in an attempt to bring several of the valuable elements from the Governor's training for use in-house. This entity developed and administers a "Survey of Organizational Excellence" for state

agencies, and has the capability of gathering data via the internet and assembling it into usable reports. Elements of the “360 Degree Profile” tool, used for evaluating management staff, were developed into a workable, online questionnaire that will be used by SORM management staff to assist in their professional development. The Office anticipates this 360 Degree Profile tool will be sufficiently informative, useful, and of negligible cost so that it may be used for the development of all management and supervisory staff at SORM.

The Office developed an internal Training Matrix for each position within SORM. This matrix outlines the required core training programs, and identifies valuable electives from which staff may choose to attend. Internal staff trainers provide these selected courses for professional development across all divisions. Courses providing continuing education credits for claims adjusters were also developed to assist staff in accumulating those hours required for licensure. Registration for these courses was streamlined by providing links to registration and training on the SORM Intranet.

The 77th Legislature passed HB2600, which represents the first comprehensive change in the laws governing the Texas system since Senate Bill 1 was passed in 1989. Article fourteen (14) includes the provisions of HB2976, both of which set up a cost or risk allocation program that allocates costs for work-related injuries among state agencies. The previous attempt to establish a cost allocation program was repealed (75th Legislature, Section 412.012(c) of the Labor Code) after efforts to implement mandates within that program inherently contained significant barriers to implementation. Under the risk allocation process, the cost of workers’ compensation and risk management services are allocated to each state agency in proportion with that agency’s claims experience and other factors. This new program should prove to be an effective tool for assisting in the control of workers’ compensation losses.

Historically, the policy of the legislature has been that the State of Texas is “self-insured” for property and liability risks. Accordingly, the legislature placed limits on the authority for state agencies to purchase insurance. Certain state agencies, however, individually purchase insurance policies to cover a wide range of risks. The 77th Legislature passed HB1203, which contained several provisions relating to the state’s insurance program in general. It authorizes SORM to purchase insurance coverage for most lines of insurance needed by state agencies. Significant opportunities exist to improve the coverages and potentially reduce premium costs.

Increasing the effective use of risk transfer to reduce the overall cost of risk for the state is the focus of SORM’s insurance program. Risk and cost benefit analyses will assist the Office in determining which risk control technique, risk transfer or self insurance, would be the most appropriate method for implementation depending on the type of risk identified.

Additionally, SORM will identify areas of significant risk exposure where the state’s interests may best be served through a statewide insurance program, and may make appropriate recommendations in SORM’s biennial report to the legislature. SORM will maintain and review insurance purchases, assist in the purchase of insurance policies and approve the purchase of

surety bonds for client agencies. Internal performance measures have been developed to measure the outcomes and efficiencies of the program. These performance measures are included in Appendix H of this strategic plan.

Rising medical costs are a national issue that impact workers' compensation costs within Texas as well as in other states. SORM is actively seeking methods for reducing medical costs through contracts for durable medical equipment, medical supplies, peer reviews, independent medical examinations, and other medical services. These services could result in significant reductions in costs charged to the workers' compensation claim fund.

Studies have shown that the use of medical networks has been associated with reduced medical expenses during the life of a claim. In addition, medical networks have produced reduced indemnity costs for claimants treated within a network when compared to indemnity costs for claimants treated by non-network providers. As a result, SORM is implementing a Network Gateway Doctor Program designed to offer injured workers quality, timely, efficient, appropriate, medically necessary treatment based on nationally recognized treatment guidelines. Participating doctors will understand agency Return to Work programs and agreement will be gained to return the injured worker to either full duty or temporary duty as soon as medically feasible. The Network Gateway Doctor Program being presented to the SORM board for consideration includes the option of providing incentives to claimants participating in the network.

SORM's ongoing, self-evaluation process will improve its ability to deliver quality services to its customers in an effective and efficient manner, which will enhance its ability to meet legislative mandates.

Agency Goals

Goal 1 – Manage Risk and Administer Claims

To manage costs for covered state agencies arising from the risk of loss through the delivery of professional risk management services and claims administration services that are customized to specific agency needs.

Objective 1

To provide guidance and direction to state agencies to assist them in identifying, evaluating, and controlling risk and minimizing the adverse impact of loss.

Objective 2

To review and determine eligibility on 100 percent of the state workers' compensation claims submitted within seven days of receipt, and pay all approved requests for medical and indemnity benefits as specified under state law.

Objectives and Outcome Measures

Objective 1

To provide guidance and direction to state agencies to assist them in identifying, evaluating, and controlling risk and minimizing the adverse impact of loss.

Outcomes:

- (1) Incident rate of injuries and illnesses per 100 covered full-time state employees; and
- (2) Percent of state agencies with approved risk management plans.

Objective 2

To review and determine eligibility on 100 percent of the state workers' compensation claims submitted within seven days of receipt, and pay all approved requests for medical and indemnity benefits as specified under state law.

Outcomes:

- (1) Cost of workers' compensation per covered state employee.

Strategies and Output, Efficiency, and Explanatory Measures

Strategy – Risk Management Program

Establish statewide risk management guidelines, work with agencies to develop programs that meet the guidelines, conduct on-site risk management program reviews, and provide safety evaluations, consultations, and training.

Output Measures:

- (1) Number of written risk management program reviews conducted;
- (2) Number of on-site consultations conducted; and
- (3) Number of risk management training sessions conducted.

Strategy - Pay Workers' Compensation

Obtain and review all claims for workers' compensation in accordance with state law and administrative regulations, determine eligibility for medical and indemnity benefits, and determine the injured employee's weekly wage and indemnity payment rate.

Output Measures:

- (1) Number of initial eligibility determinations made;
- (2) Number of medical bills processed; and
- (3) Number of indemnity payments processed.

Strategies and Output, Efficiency, and Explanatory Measures

Strategy – Risk Management Program

Establish statewide risk management guidelines, work with agencies to develop programs that meet the guidelines, conduct on-site risk management program reviews, and provide safety evaluations, consultations, and training.

Efficiency Measures:

- (1) Cost per hour of direct risk management service provided.

Strategy – Pay Workers' Compensation

Obtain and review all claims for workers' compensation in accordance with state law and administrative regulations, determine eligibility for medical and indemnity benefits, and determine the injured employee's weekly wage and indemnity payment rate.

Efficiency Measures:

- (1) Percentage of claims processed within statutory time frame (7 days);
- (2) Percentage of medical bills paid within 45 days; and
- (3) Average cost to administer a claim.

Strategies and Output, Efficiency, and Explanatory Measures

Strategy – Risk Management Program

Establish statewide risk management guidelines, work with agencies to develop programs that meet the guidelines, conduct on-site risk management program reviews, and provide safety evaluations, consultations, and training.

Explanatory Measures:

- (1) Percent of state agencies' facility locations provided with on-site consultations.
- (2) Percent of total assessments collected used for claim payments.
- (3) Amount of grants awarded for loss prevention purposes.
- (4) Number of grants awarded for loss prevention purposes.

Strategy – Pay Workers' Compensation

Obtain and review all claims for workers' compensation in accordance with state law and administrative regulations, determine eligibility for medical and indemnity benefits and determine the injured employee's weekly wage and indemnity payment rate.

Explanatory Measures:

- (1) Amount of subrogation payments obtained.



APPENDIX A

Brief Description of Agency's Planning Process

The strategic planning cycle was initiated on February 27, 2002 with a day-long strategy session attended by all division directors and executive staff. The team began with a review of the agency performance measures to determine if SORM's strategies and initiatives would require additions or revisions to current measures. The SORM Board was consulted with regard to the team's recommendation to make no revisions to the current performance measures or budget structure and agreement was obtained to continue the Office's focus on current strategies.

During this session, the team revisited the strategic plan developed for 2001- 2005 and spent time brainstorming, suggesting and developing the updated and new information the 2003-2007 plan would require. Information pertaining to prior and recent legislative actions, most notably HB 2600, agency initiatives, and customer service surveys were discussed and incorporated into the strategic plan. Workforce planning instructions were also reviewed. Appropriate team staff were charged with development of assigned sections for both the Workforce Plan and the 2003-2007 Agency Strategic Plan. SORM submitted its request for no changes to the current performance measures or budget structure on the due date. However, on 4/8/2002, Legislative Budget Board and Governor's Office of Budget and Planning requested three new efficiency measures in relation to the Risk Reward program be developed by SORM. These measures were developed and submitted as new measures, and are contained in this report.

Executive and Division level staff reviewed each section of the document as it was developed to provide additional input or recommendations. Regular meetings were held to review the entirety of the plan to insure smooth transition and flow throughout the document and to make revisions and additions as needed.

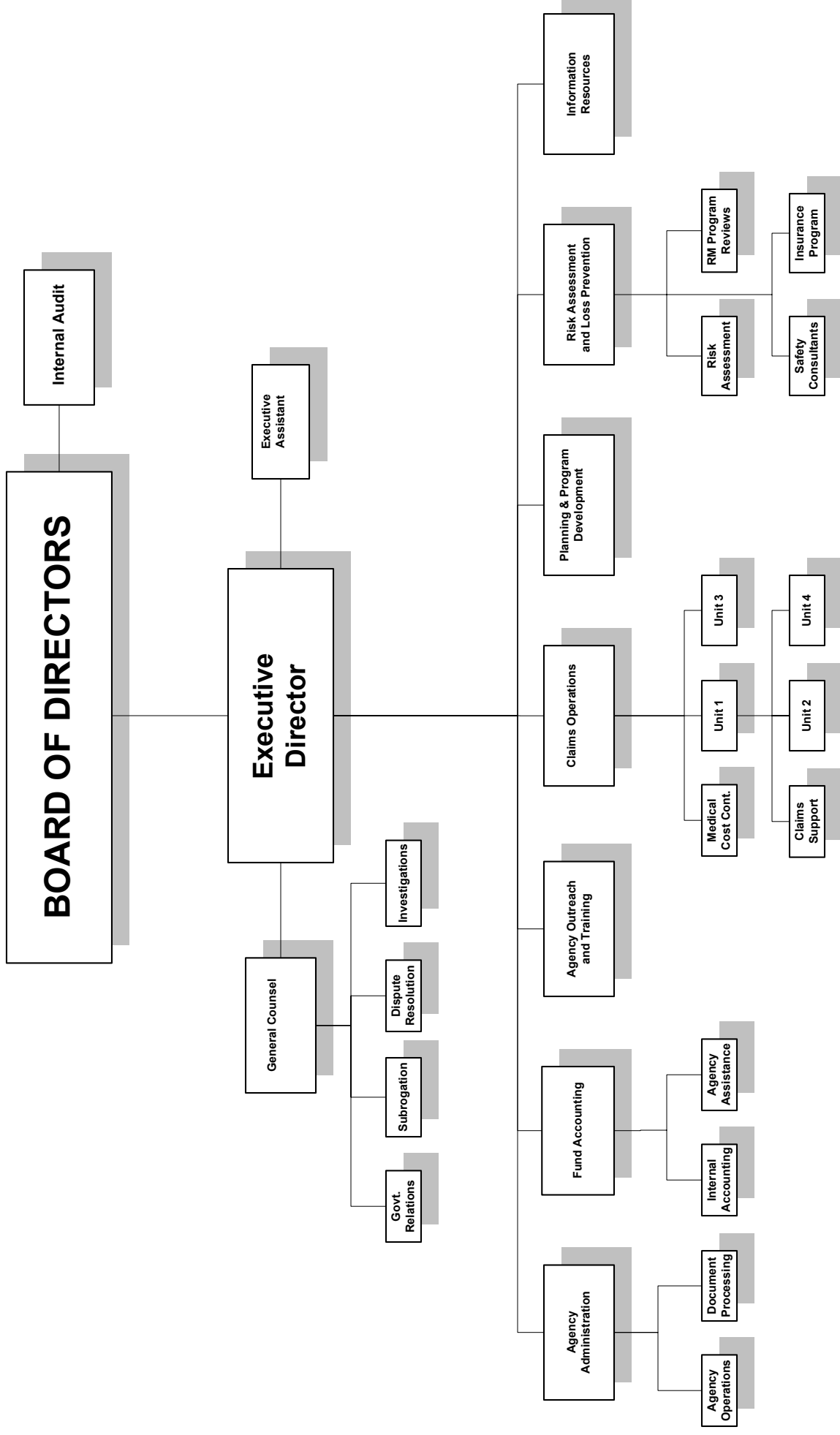
As SORM is governed by a board, internal deadlines were identified to allow for board review and approval of SORM's draft strategic plan. The draft was presented during the SORM board's May 22, 2002 meeting for approval, finalization and submission on June 17, 2002.

APPENDIX B

Organizational Chart

STATE OFFICE of RISK MANAGEMENT

Thursday, June 06, 2002



APPENDIX C

SORM OUTCOMES 2003-2007

Outcomes	2003	2004	2005	2006	2007
Incident rate of injuries and illnesses per 100 covered full time state employees	4.68%	4.67%	4.67%	4.66%	4.66%
Percent of state agencies with approved risk management plans	100%	100%	100%	100%	100%
Cost of Workers' Compensation per Covered State Employee	\$425	\$428	\$430	\$433	\$435

APPENDIX D

PERFORMANCE MEASURE DEFINITIONS

Measure: Incident rate of injuries and illnesses per 100 covered full time state employees.

Goal - 01 Objective - 01 Type - Outcome 01

Short Definition: Number of accepted on-job injuries and illnesses divided by the total number of state employees (measured by full-time equivalents) multiplied by 100. SORM may estimate fourth-quarter FTE data where the actual FTE data is not available at the time the report is due.

Purpose/Importance: This key outcome measure provides an objective measure of the results of implementation of covered state agencies risk management plans and the results of SORM's risk management program. The injury frequency rate is important as it reflects not only the effectiveness of SORM's risk management program identifying risks to covered state agencies, it also reflects covered state agencies actions in regards to implementation of SORM recommendations to control and correct the conditions which lead to injured state employees.

Source/Collection of Data: Workers' compensation claims are opened and entered in the SORM Claims Management System (CMS) system as reports of injuries (TWCC 1 forms) are filed by covered state agencies. These reported claims are investigated and accepted or denied. The State Auditor's Office Classification Division collects full-time employee data from covered state agencies which is shared with SORM.

Method of Calculation: Number of reported on-job injuries and illnesses accepted, divided by the total number of state employees (measured by full-time equivalents), multiplied by 100.

Data Limitations: The accuracy of this measure is dependant upon injuries being reported promptly and the FTE data being reported accurately to the State Auditor's Office.

Calculation Type: Noncumulative

New Measure: No

Key Measure: Yes

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Percent of state agencies with approved risk management plans.

Goal - 01 Objective - 01 Type - Outcome 02

Short Definition: Number of approved risk management plans divided by the total number of state agencies.

Purpose/Importance: This outcome measure of the risk management strategy indicates the status (percentage) of covered agencies' risk management plans. It provides an indicator of the level of progress in the on going approval process.

Source/Collection of Data: SORM database.

Method of Calculation: The number of approved risk management plans divided by the total number of covered state agencies.

Data Limitations: None

Calculation Type: Noncumulative

New Measure: No

Key Measure: No

Desired performance: Equal to target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of written risk management program reviews conducted.

Goal - 01

Objective - 01

Strategy - 01

Type - Output 01

Short Definition: A risk management program review is a review and evaluation of a covered state agency's written risk management plan and program compared against SORM risk management guidelines. The results of a review is evidenced by a written report issued by SORM whereby the agency's plan is certified or not certified to be in accordance with SORM risk management guidelines.

Purpose/Importance: This output measure of the Risk Management strategy compares the actual number of risk management program reviews against the targeted number of reviews. It provides documentation that a covered state agency's risk management plan and program meets the requirements of the SORM risk management guidelines.

Source/Collection of Data: SORM database.

Method of Calculation: Summation of the number of risk management program reviews conducted.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: Yes

Desired performance: Equal to or above target level.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of On-site Consultations conducted.

Goal - 01

Objective - 01

Strategy - 01

Type - Output 02

Short Definition: An on-site consultation is a site visit at a covered state agency's physical location or facility. The consultation provides risk management services to identify and expose risk exposures and to suggest risk prevention and control measures or techniques that may be implemented by the covered agency to prevent or reduce claims and losses.

Purpose/Importance: This output measure reports the number of covered state agencies provided assistance in the identification and assessment of specific risk exposures and recommendations to prevent or reduce claims and losses.

Source/Collection of Data: SORM database

Method of Calculation: Summation of the on-site consultation visits conducted for the period reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: Yes

Desired performance: Equal to or higher than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of risk management training sessions conducted.

Goal - 01 Objective - 01 Strategy - 01 Type - Output 3

Short Definition: The number of training sessions conducted for eligible state agencies. Training sessions address issues relating to property, liability, or workers' compensation exposures or losses.

Purpose/Importance: This output measure compares the actual number of training sessions conducted to the planned number of training sessions.

Source/Collection of Data: SORM database

Method of Calculation: Training sessions conducted for eligible state agencies are entered in a database. The sessions conducted during the period reported are summed and reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: No

Desired performance: Equal to or higher than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Cost per hour of direct risk management service provided.

Goal - 01 Objective - 01 Strategy - 01 Efficiency - 01

Short Definition: The total cost of the risk management strategy divided by the number of direct hours of risk management services provided. Direct hours are defined as hours spent preparing, conducting, and reporting upon risk management services provided. Non-direct hours include all staff hours charged to leave categories and hours of training received by risk management staff.

Purpose/Importance: This efficiency measure provides information to compare the direct cost of service provided. It is important as it can point to excessive overhead and can be used to compare the governmental cost of risk management services to private sector costs for equivalent services.

Source/Collection of Data: SORM database

Method of Calculation: Hours of risk management services are categorized by agency and whether the hours are direct or non-direct service. Total costs (expenditures) of the risk management strategy are divided by the number of direct service hours to derive the actual cost per direct service hour.

Data Limitations: Errors could occur in data entry of hours charged. Expenditure data could be subject to potential coding errors or accruals.

Calculation Type: Non-cumulative

New Measure: No

Key Measure: No

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Percent of state agencies facility locations provided with on-site consultations.

Goal - 01

Objective - 01

Strategy - 01

Type - Explanatory 01

Short Definition: The total number of on-site consultations provided at covered state agency locations divided by the number of physical locations.

Purpose/Importance: This measure provides the extent that risk management on-site consultation services have been provided to the population of covered state agency physical locations during the period reported.

Source/Collection of Data: SORM database

Method of Calculation: The number of on-site consultation visits divided by the populations of state agency physical locations during the period reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: No

Desired performance: Equal to or above target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Percentage of total assessments collected used for claim payments.

Goal - 01 Objective - 01 Strategy - 01 Type - Explanatory 02

Short Definition: The annual amount of claim costs divided by the total amount collected for workers' compensation payments through annual assessments to covered state agencies.

Purpose/Importance: This explanatory measure indicates the amount (expressed as a percentage) of the total assessments actually necessary for cash basis claim payments for the fiscal year. It provides an indicator of the accuracy of the actuarial projection used to determine the total assessment amount.

Source/Collection of Data: SORM database

Method of Calculation: Annual net claim cash payments (numerator) divided by the total workers' compensation portion of assessments collected (denominator).

Data Limitations: None

Calculation Type: Non-cumulative

New Measure: Yes

Key Measure: No

Desired performance: Equal to target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Amount of grants awarded for loss prevention purposes.

Goal - 01 Objective - 01 Strategy - 01 Type - Explanatory 03

Short Definition: The dollar amount of grants awarded to covered state agencies.

Purpose/Importance: This explanatory measure indicates the total dollar amount of grants awarded during the period reported.

Source/Collection of Data: SORM database

Method of Calculation: Summation of the dollar amount of grants awarded during the period reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: Yes

Key Measure: No

Desired performance: Equal to or below target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of grants awarded for loss prevention purposes.

Goal - 01 Objective - 01 Strategy - 01 Type - Explanatory 04

Short Definition: Number of grants awarded to covered state agencies.

Purpose/Importance: This explanatory measure indicates the number of grants awarded during the period reported.

Source/Collection of Data: SORM database

Method of Calculation: Summation of the number of grants awarded during the period reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: Yes

Key Measure: No

Desired performance: Equal to target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Cost of Workers' Compensation per covered State employee.

Goal - 01 Objective - 02 Type - Outcome 01

Short Definition: The total cost of the workers' compensation program divided by the number of covered state employees. Total cost includes claims expenditures, cost containment expenditures, and administrative costs.

Purpose/Importance: This outcome measure of the workers' compensation strategy provides the dollar cost of workers' compensation cost per covered state employee. This measure can be used to provide the overall trend of workers' compensation cost when plotted with prior period calculations.

Source/Collection of Data: SORM database, SAO Quarterly Report of Full-Time Equivalent State Employees, OAG Budget reports of actual and forecast expenditures.

Method of Calculation: Expenditures for the workers' compensation strategy (numerator) is divided by the number for full-time equivalent state employees (numerator).

Data Limitations: Accuracy of the number of full-time equivalent state employees is subject to limitations in accuracy of data reported to the State Auditor's Office. Expenditure data is forecast upon information available at the time of reporting.

Calculation Type: Non-cumulative

New Measure: No

Key Measure: Yes

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of Initial Eligibility Determinations Made.

Goal - 01 Objective - 02 Strategy - 01 Type - Output 01

Short Definition: Number of claims accepted or denied.

Purpose/Importance: This output measure of the workers' compensation strategy is an indicator of workload during the period reported.

Source/Collection of Data: State Workers' Compensation mainframe report.

Method of Calculation: Summation of claim denials or acceptances made during the period reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: No

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of Medical Bills processed.

Goal - 01 Objective - 02 Strategy - 01 Type - Output 02

Short Definition: Number of medical bills processed includes those bills paid or denied.

Purpose/Importance: This output measure from the workers' compensation strategy is an indicator of workload processed for the period reported.

Source/Collection of Data: SORM database

Method of Calculation: Sum of medical bills processed during the period reported.

Data Limitations: None.

Calculation Type: Cumulative

New Measure: No

Key Measure: Yes

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of Indemnity Payments paid.

Goal - 01 Objective - 02 Strategy - 01 Type - Output 03

Short Definition: Number of wage replacement payments made.

Purpose/Importance: This output measure of the workers' compensation strategy provides an indicator of the workload during the period reported.

Source/Collection of Data: SORM database

Method of Calculation: Sum of the number of indemnity payments paid during the period.

Data Limitations: None.

Calculation Type: Cumulative

New Measure: No

Key Measure: Yes

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Percentage of claims processed within statutory time frame (7 days).

Goal - 01 Objective - 02 Strategy - 01 Type - Efficiency 01

Short Definition: Percentage of claims processed within statutory time frame (7 days).

Purpose/Importance: This workers' compensation efficiency measure is an indicator of compliance with TWCC guidelines governing carriers' responsibilities to determine claim eligibility within 7 seven days.

Source/Collection of Data: SORM database

Method of Calculation: Number of claims determined within seven days as a percentage of the total determinations made for the reporting period.

Data Limitations: None

Calculation Type: Non-cumulative

New Measure: No

Key Measure: No

Desired performance: Higher than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Percentage of medical bills processed within 45 days.

Goal - 01 Objective - 02 Strategy - 01 Type - Efficiency 02

Short Definition: Percentage of medical bills processed within 45 days.

Purpose/Importance: This measure reports compliance with TWCC guidelines governing the timeliness for processing medical bills.

Source/Collection of Data: SORM database

Method of Calculation: The number of medical bills processed within 45 days as a percentage of the total number of medical bills processed for the same period.

Data Limitations: None

Calculation Type: Non-cumulative

New Measure: No

Key Measure: No

Desired performance: Higher than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Average cost to administer a claim.

Goal - 01 Objective - 02 Strategy - 01 Type - Efficiency 03

Short Definition: The total cost of the workers' compensation strategy divided by the number of claims administered during the period expenditures were incurred. Total cost includes SORM workers' compensation administrative claim costs but excludes indemnity and medical provider payments.

Purpose/Importance: This efficiency measure of the workers' compensation strategy provides an indicator of relative efficiency when compared to the target and prior period reported measures.

Source/Collection of Data: SORM database, actual and projected expenditure reports.

Method of Calculation: The ratio of funds expended per claim administered is calculated by summing the administrative expenditures of the workers' strategy (excluding indemnity and medical payments) and dividing this dollar amount by the number of claims administered during the period.

Data Limitations: Expenditure data (numerator) can be limited by the accuracy of accruals and potential errors in expenditure coding. The accuracy of the number of claims administered (denominator) can be effected by potential errors made in entering claims on the Claims Management System during the period.

Calculation Type: Non-cumulative

New Measure: No

Key Measure: Yes

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Amount of subrogation payments obtained.

Goal - 01 Objective - 02 Strategy - 01 Type - Explanatory 01

Short Definition: Dollar amount of subrogation payments recovered. Subrogation is defined as the assumption by a third party of another's legal right to collect a debt or damages.

Purpose/Importance: This is an explanatory measure of the workers' compensation strategy. It is also reflected in the appropriation bill as a method of finance.

Source/Collection of Data: SORM database.

Method of Calculation: Sum of subrogation dollars received during the period reported.

Data Limitations: None.

Calculation Type: Cumulative

New Measure: No

Key Measure: No

Desired performance: Higher than target.

**STATE OFFICE *of* RISK MANAGEMENT
WORKFORCE PLAN
Fiscal Years 2003 – 2007**

A. Overview of Agency Scope and Functions

The State Office of Risk Management (the Office) was created by House Bill 2133, 75th Legislature and became a state agency effective September 1, 1997. SORM was created from the merger of the Workers' Compensation Division of the Office of the Attorney General (OAG) and the Risk Management Division of the Texas Workers' Compensation Commission (TWCC). The Office's goal is to emphasize risk management as an effective tool to reduce losses, including workers' compensation, using the concepts of Enterprise Risk Management. This is a rigorous approach to assessing and addressing risks from all sources that either threaten the achievement of the state's strategic objectives or represent opportunities to exploit for competitive advantages that may damage or decrease the value of the state.

SORM is administratively attached to the Office of the Attorney General. The Supply Analysis in this report does not reflect the significant contribution in administrative support (payroll, benefits administration, etc.) made by the OAG.

The Office's operations are governed by the Texas Labor Code, Chapters 412 and 501. Operating costs for the risk management and workers' compensation strategies are funded by interagency contracts and direct General Revenue Fund appropriations respectively. Cost for workers' compensation payments are funded by inter-agency contracts and subrogation receipts.

The Office is governed by a six-member board appointed by the Governor. Members of the Board serve staggered terms. The board is responsible for:

- Oversight of the agency and the appointment of an Executive Director;
- Approval of risk management guidelines for distribution to state agencies;
- Approval of rules necessary for the implementation of the risk management and workers' compensation programs; and
- Reporting to the legislature on methods to reduce exposure to loss for state agencies; the operation, financing, and handling of risks by state agencies; the handling of claims brought against the state.

The Office provides services to all state agencies for the protection of the state's resources¹. Currently, these resources include 171,773 employees, more than \$8.9 billion dollars in capital investments in buildings, and more than \$3.2 billion in fixed assets. The Executive Director of the Office serves as the state risk manager. SORM's responsibilities include:

- Providing immediate feedback to state agencies in identifying, evaluating, and reducing potential liability exposure and liability losses, including workers' compensation losses;
- Providing risk management training for state agencies;
- Reviewing, verifying, monitoring, and approving risk management programs adopted by state agencies;
- Consulting state agencies regarding their insurance needs;
- Purchasing insurance on behalf of state agencies (as of September 1, 2002);
- Reviewing and providing authorization for the purchase by state agencies of surety and fidelity bonds, including notary bonds (as of September 1, 2002); and
- Collecting data from insurers regarding insurances purchases by state agencies.

The Office publishes risk management guidelines, provides safety and loss prevention training for state agency personnel, conducts safety reviews, provides insurance services and risk management analyses and consultations, devises protocols and responses at the request of state agencies or in response to external threats or risks to state agencies. State agencies are required to submit annual reports to the Office on claims and loss information, existing and potential exposure to loss, estimates of losses incurred but not reported by category of risk, and any additional information deemed necessary by the Executive Director. State agencies intending to purchase property or liability insurance coverage in a manner other than through the services provided by the Office must report the purchase to the Office within 30 days of the purchase.

The Office administers the State Employees Workers' Compensation Program for state agencies² and for employees of Community Supervision and Corrections Departments. SORM's workers' compensation claims program is responsible for:

- Operating a self-insured workers' compensation program for the State of Texas pursuant to the Texas Labor Code and TWCC regulations;
- Receiving and investigating reports of injury filed on behalf of state employees;
- Determining whether a claim is compensable;
- Paying income and medical benefits as due;
- Reviewing medical bills to determine relatedness, reasonableness and medical

¹ The University of Texas and Texas A&M University Systems, and the Texas Department of Transportation are legislatively excluded from these services.

² The University of Texas and Texas A&M University Systems and the Texas Department of Transportation administer their own workers' compensation programs.

- necessity, and compliance with TWCC fee guidelines;
- Appearing as an adversary before TWCC and the courts, and presenting the legal defenses and positions of the workers' compensation program;
- Preparing reports for the legislature on workers' compensation claims information; and
- Providing workers' compensation training for state agencies.

B. SORM Mission Statement

The State Office of Risk Management will provide active leadership to enable State of Texas agencies to protect their employees, the general public, and the state's physical and financial assets by reducing and controlling risk in the most efficient and cost-effective manner.

C. Key Strategies

1. Strategy – Risk Management Program

Establish statewide risk management guidelines, work with agencies to develop programs that meet the guidelines, conduct on-site risk management program reviews, and provide safety evaluations, consultations, and training.

2. Strategy -- Pay Workers' Compensation

Obtain and review all claims for workers' compensation in accordance with state law and administrative regulations, determine eligibility for medical and indemnity benefits, and determine the injured employee's weekly wage and indemnity payment rate.

D. Supply Analysis

SORM is authorized 124 full time equivalent (FTE) positions

Division/Section	Number of FTE's	Working Title
Executive Management	1	Executive Director
	1	Executive Assistant
General Counsel	2	Licensed Attorneys
	2	Legal Assistants

Division/Section	Number of FTE's	Working Title
General Counsel/Proceedings	2	Proceedings Specialists
General Counsel/Proceedings	.5	Administrative Technician
General Counsel/Subrogation	1	Legal Assistant
General Counsel/Investigations	2	Investigators
General Counsel/Governmental Relations	1	Governmental Relations Specialist
Agency Administration	1	Manager
	2	Receptionists
	1.5	Administrative Technicians
Agency Administration/Document Processing Section	1	Supervisor
	11	Administrative Technicians
Accounting/Agency Assistance Section	1	Manager
	1	Deputy Manager
	2	Accountants
Accounting/Internal Accounting Section	1	Supervisor
	4	Accounting Clerks
Agency Outreach and Training	1	Manager
	3	Senior Trainers
	2	Trainers
	1	Information Specialist
	1	Training Assistant
Risk Assessment and Loss Prevention	1	Manager

Division/Section	Number of FTE's	Working Title
Risk Assessment Loss Prevention (cont.)	7	Risk Management Specialist
	1	Insurance Specialist
	1	Technical Writer
	2	Administrative Technicians
Information Resources	2	Programmers
	1	Network Administrator
	1	Administrative Technician
Information Resources	.25	Computer Technician
Planning and Program Development	1	Manager
	1	Auditor
Claims Operations	1	Manager
	5	Claims Supervisors
	31	Claims Adjusters
	8	Claims Assistants
Claims Operations/Medical Management Section	1	Supervisor
	4	Auditors
	1	Administrative Technician

Currently 49% of the agency's staff are licensed or carry professional certification in their field of expertise.

The current labor market for risk management and claims administration in the private sector is moderately depressed and currently has had a favorable impact on the Office's ability to acquire skilled risk management and workers' compensation professionals. Salaries within the agency appear to be competitive with other state agencies and somewhat competitive with the private sector. Historically, the Office has been able to hire qualified applicants within 30 – 60 days of posting the vacancy. Some agency functions (e.g., Governmental Liaison, Proceedings Officer, Insurance Specialist, Risk Management Specialist and all

senior management positions) are so highly specialized that hiring a successful candidate may take as long as 60 – 90 days. Although SORM's turnover is higher than the State average, it continues a downward trend. The Office attributes this decrease to an agency culture that emphasizes each employee's importance and contribution to the success of agency programs.

When the Office was formed in September, 1997, TWCC and OAG employees operated at a division level with goals, objectives and strategies developed by their respective former agencies. SORM has overcome this barrier and has been successful in attracting talented administrators and managers capable of working at an agency level with only a modest impact to the agency's budget. However, with 19% of the employees working second jobs to make ends meet, a more competitive compensation package would increase the Office's ability to retain its employees and to better compete with the private labor market for the most qualified applicants.

Since September 1, 1991, the State Employees Workers' Compensation Program has outsourced medical provider cost containment services. The current contract for these services expires August 31, 2004. At that time the Office anticipates a significant increase in the price of a new contract and is currently conducting a cost benefit analysis to determine the most efficient method of handling these services.

E. Demand Analysis

Increased interest by state agencies in managing their workers' compensation losses, a greater awareness of the risk management process, and recent legislation have all resulted in a need to expand services. Additional interest by state agencies in the general safety of their employees has led to a need to broaden the Office's current training catalogue and increase the number of courses available to state agencies and their employees. New programs such as the first statewide insurance program for state agencies, the "Return to Work Program", and the pilot "Gateway Physician Program" will cause a significant increase in workload for the existing staff. As a result of the September 11, 2001, terrorist attack, the Risk Assessment and Loss Prevention Division has aggressively assisted state agencies in addressing terrorism threats by developing and maintaining a website for Emergency Response Protocols. The Office's Outreach and Training Division has responded to requests for additional training for state agencies such as "Mail Handling Safety" and "Violence in the Workplace" but the demand is high for a larger selection of safety, security and risk management training that will put state agencies on a pro-active track to controlling injuries and claims.

It is anticipated that medical utilization and associated costs, including pharmaceutical expenses, will continue to rise dramatically, impacting future State budgets. SORM believes these increases in medical utilization charges submitted for payment result in the need for more highly trained claims adjusters who will be able to manage complex medical cases.

The number of medical disputes, where the cost for treatment and drugs and the medical necessity and appropriateness of certain procedures continues to rise. By increasing the Office's oversight of medical claims and costs, the consideration for the rights and needs of the injured state worker must be effectively balanced with the protection of the legitimate interests of the State of Texas to control costs. Increased medical costs and state agencies' interests in containing losses through workers' compensation costs creates a need for SORM's current staff of claims adjusters to acquire more medical expertise. Claims adjusting staff must develop stronger medical backgrounds, keep abreast of new developments in the medical arena, competently understand medical terminology and generally accepted medical procedures and practices, and must be able proactively oversee complex medical claims.

The Office's success in expanding and enhancing agency programs will depend in large part on the agency's ability to implement new computer technology. Specifically, the Office needs to migrate to a web-based client server environment. The current OAG supported mainframe-based system has limitations that have prevented them from providing SORM with this service and subsequently the development of the new technology has been absorbed by the Office. In addition to providing the agency with data useful in self-audit programs, this new environment would allow client agencies access to information regarding their injury frequency rate and other loss data used to develop effective risk management programs. Developing and integrating new technology with current systems will greatly increase the responsibilities placed on existing information resources technical staff.

The following graph shows projected increases in the FTE's *per fiscal year* for FY2003 – 2007:

Employee Type	FY03	FY04	FY05	FY06	FY07
Senior Trainers	0	1	0	1	0
On-line Course Builder	1	0	0	0	0
Training Support Staff	1	0	0	1	0
Risk Management Specialist	0	1	1	0	0
Risk Management Support Staff	0	1	0	0	0
Insurance Program Staff	0	1	0	1	0
Return to Work Program Staff	0	1	0	0	0
Gateway Physician Program Staff	0	1	0	0	0
System Programmers	1	1	0	0	1
Desktop/Network Support Staff	0	1	0	1	0

Sub-total per fiscal year	3	8	1	4	1
---------------------------	---	---	---	---	---

F. Gap Analysis

The result of expanding the agency's functions will be a shortage of qualified employees. The challenges SORM will need to address include:

- Lack of employees currently on staff with subject specific training in the claims administration field (e.g., handling medically complex claims, setting reserves, etc.);
- Shortage of training staff to meet increased internal and external training requests;
- Shortage of Risk Specialists to work with state agencies in assessing and reducing loss;
- Shortage of Java and database programmers; and
- Shortage of data used to design effective risk management strategies for state agencies.

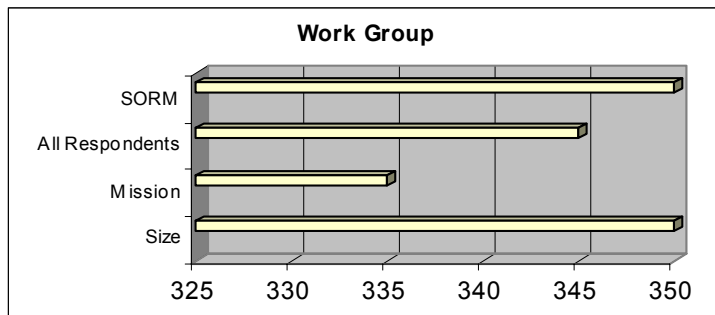
G. Strategy Development

For the Office to address workforce competency gaps, the following strategies are planned:

- Continue with an agency culture that attracts top people in their field;
- Promote advanced professional licensing and certification of SORM employees;
- Hire additional trainers with backgrounds in law enforcement, security and industrial hygiene;
- Risk Specialists will become more actively involved in the training and certification of state agency risk managers;
- Hire at least one additional insurance specialist with experience in procuring insurance, monitoring performance of existing insurance programs, and providing consultative assistance in all lines of insurance for state agencies;
- Hire a programmer skilled in Java and database programming;
- Develop career paths that tie back to the agency's mission and strategies;
- Hire a full time research specialist/statistician to monitor on-going state exposures and losses; and
- Implement competency based training for claims management staff
- Redesign the agency's in-house training matrix to target identified gaps in competencies.

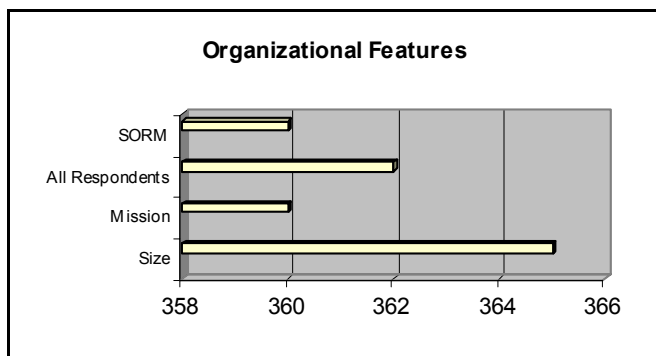
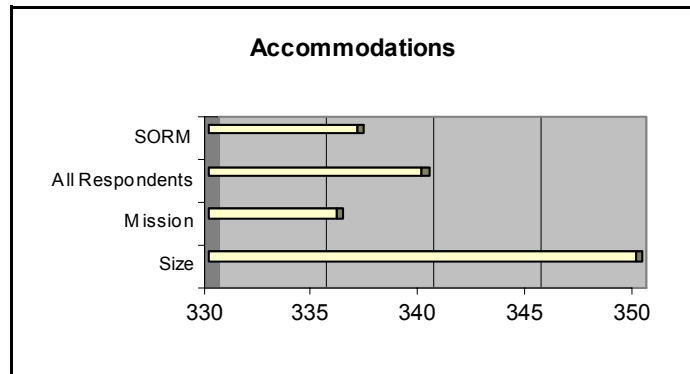
Survey of Organizational Excellence Results and Utilization Plans

The State Office of Risk Management elected to be a participant in the Governor's Survey of Organizational Excellence for FY 2001-2002. Of 100 surveys distributed, 91 were returned for an impressive return rate of 91%. Employees have an investment in SORM and want to see the Office continue to improve. Along all dimensions in the survey, SORM performed significantly above average and benchmark data reflects the Office has similar employee satisfaction with other agencies of our size, our mission and across all respondents to the survey. When viewing the charts, attention must be paid to the numbers on Axis Z as they are so close in range that there is relatively little statistical significance in most dimensions.



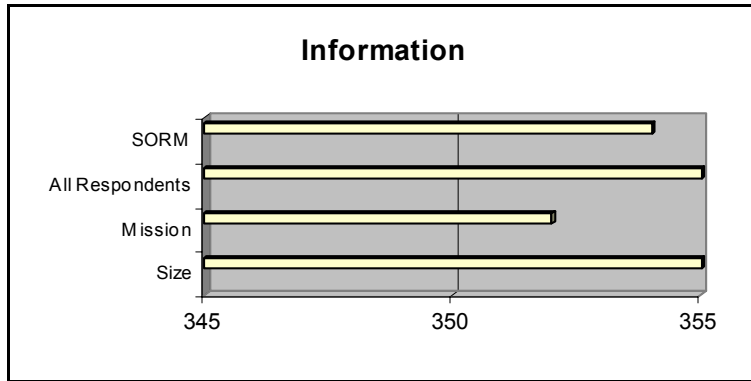
This dimension relates to employees' activities within their immediate work vicinity. They include factors that concern how employees interact with peers, supervisors and all of the persons involved in day-to day work activity. This is the immediate environment of the employee.

This dimension looks at the physical work setting and the factors associated with compensation, work technology and tools. It is the "total benefit package" provided to the employees by the organization. The single element in this construct that did not score above average was Fair Pay



which will be discussed later in this report.

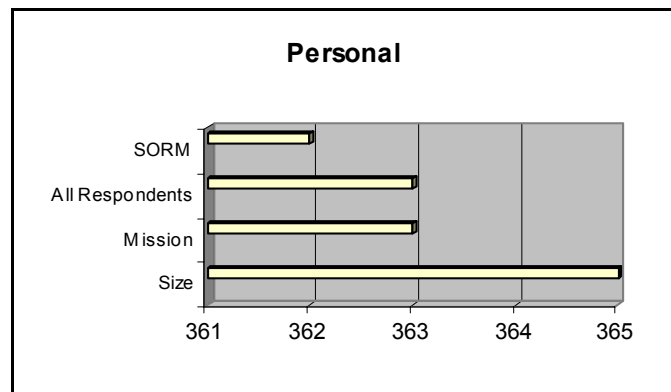
This dimension addresses the organization's interface with external influences. It is an internal evaluation of the organization's ability to assess changes in the environment and make needed adjustments. Also included are assessments of the quality of relations the organization shares with the public. In



essence, this dimension captures the “agency culture”.

This dimension refers to how consistent and structured communication flow is within the organization and to outside groups. It examines the degree to which communication is directed toward work concerns; how focused and effective it is, as well as how

accessible information is to employees. This dimension reflects how much internalization of stress is occurring and the extent to which debilitating social and psychological conditions appear to be developing at the level of the individual employee. It addresses the important interface between employees’ home and work lives, and how this relationship may impact job performance and organizational efficiency.



In summary, the respondents perceive SORM to be an excellent organization for whom to work, progressive in the availability of training and growth opportunities, interested in promoting a comfortable work environment, sensitive to their needs for flexibility in work schedules, and committed to providing employees information and technology to efficiently perform their work.

The following SORM respondent information reveals that almost half of the employees who responded received a promotion or merit increase (bonus) in the past two years and that more than 80% intend to continue working for SORM in the future. These numbers indicate a diverse, well educated, mature workforce seeing value in the activities they perform for the citizens of Texas, a management that is sensitive to the needs of recognition, advancement, and promotion, and a workforce dedicated to the vision of SORM.

Gender	Female	56.07%
	Male	34.07%

Ethnicity	African American Hispanic American Anglo American Asian, Pacific Islander or Native American American Multiracial	10.99% 15.38% 48.35% Not Available Not Available
Age	16-29 30-39 40-49 50-59 60 years and older	17.58% 34.07% 23.08% 16.48% Not Available
Education	Did not finish high school High school diploma or GED Some college Associate degree Bachelor's degree Master's degree Doctoral degree	Not Available 13.19% 31.87% Not Available 21.98% 7.69% Not Available
Supervisory Role	Yes No	14.29% 81.32%
Promotion in last two years	Yes No	37.36% 60.44%
Merit increase in last two years (bonus)	Yes No	47.25% 49.45%
Plan to be working here in two years	Yes No	83.52% 13.19%

It is significant to note that all³ of the Office's ratings were above average. Reviewing the scores for each dimensional construct identified the following 5 items as SORM's major strengths:

- *Employment Development* - This captures employees' perceptions on the priority given to their careers and personal development by the organization. The score of 383 indicates that employees feel many opportunities for personal development and enhancement of job skills exist within SORM. The Office is developing online training for staff, has become certified as a testing site for professional exams relating to Risk Management and has hired an

³ The only exception is Fair Pay as mentioned previously in the report.

internal trainer to expand the curriculum of training for adjusters.

- *Strategic Orientation* - This construct reflects the employees' thinking about how well the organization as a whole interacts with external entities. The score of 383 reveals that employees feel SORM is known for the quality of services provided. Respondents feel the Office has developed strong working relationships with other organizations, governing bodies and the public. Data reveals that employees feel SORM understands its role with regard to state, local, national and global issues that may impact the organization. They also feel the Office communicates its mission effectively to the public. Respondents did indicate that they feel that certain divisions of the organization function in isolation from the other divisions. Through discussion, employees revealed that some workers did not know what other divisions were doing. Due to limitations of office space, some divisions had offices outside the perimeters of the main office structure. Internal meeting space limitations made for cramped quarters when work groups met. SORM is currently undertaking an office expansion which includes additional office space, a larger meeting room and greater visibility of currently segregated division staff. Agency meetings have become more information content based as well as more entertaining as a result of the efforts of the Employee Club and the Agency Outreach and Training Staff. Meetings attempt to highlight employees, illuminating their educational and professional successes in addition to sharing volunteered information about their families successes and activities. Social activities, such as picnics, are organized by the voluntary Employees Club and are held outside of working hours so that staff may share quality time with their coworkers and their families.
- *Quality* - This element focuses on the degree to which quality principles, such as customer service and continuous improvement are a part of the organizational culture. The Office's score of 380 indicates that SORM has made significant headway into providing quality service. Employees feel the Office is known for the quality of services provided and that SORM is continually improving its services. They feel the Office attempts to develop services to meet its customers' needs and that the quality of the work produced is of extremely high caliber. Respondents also feel their outstanding work is recognized by management and that they are given sufficient resources for them to perform their jobs.
- *Physical Environment* - With a score of 378, employees perceive the atmosphere as a safe and pleasant environment in which to work and that they are given the computer resources to enable them to perform their jobs. They feel safe with regard to the well lit parking garages adjacent to the office. In the building, they feel there are sufficient procedures in place to ensure their safety. While the receptionists' area is currently located by the elevators, the upcoming office expansion will provide the receptionists with a secure, protected area. The remainder of the offices are protected by pass code security locks to insure the public at large cannot enter the secure zone without staff accompaniment. These codes are frequently changed and highly protected. Only the Executive Director may decide what external entities/agencies may have access to the code. Staff offices display photos of family members, favorite pets and certificates given by supervisors and the Executive Director for jobs well done. Housekeeping services keep the offices clean and well maintained. Overall, staff feel very comfortable and positive toward their work environment.

- *External Information*- This construct deals with the information flow between the Office and outside sources. With a score of 377, staff feel information is shared as appropriate with other organizations. They feel the work environment encourages open and honest communication and that they have access to information about job opportunities, conferences, workshops and training. They feel the Office works well with the public and that the public clearly understands the mission of SORM.

At the other end of the scoring spectrum, the following four (4) constructs were identified which could benefit from additional energy spent to address respondents' perceptions.

- *Change Oriented* - While the rating was above average at 344, employees wish to be more involved in the internal goal setting processes for the Office's initiatives. They feel problems are solved efficiently and that their opinions and ideas are valued when they are sought; however, greater effort is needed to gain opinions and information from employees when initiating changes that influence the performance of their work. They feel some decisions are being made without the benefit of the knowledge they have to share.
- *Supervisor Effectiveness* - With a score of 337, employees feel improvement is needed in the areas of leadership, and fairness. Specifically identified was the feeling of favoritism with regard to the award of raises and promotions. They also feel they are not as involved with the goal setting processes in their divisions as they would like to be and that staff who challenge the status quo are not valued for bringing alternative and/or new views to the table.
- *Team Effectiveness* - A score of 336 reflects improvement is needed. Employees desire better and more frequent feedback to help them improve their performance. Respondents indicated that decision making and control might be delegated more effectively within their divisions and that they desire to be more efficient in the performance of their job duties. One area of concern is that respondents wished there was greater trust between themselves and their supervisors.
- *Internal Communication* - While the Office's ability to communicate with external entities is seen as a strength, internal communication with a respondent rating of 317, indicates that employees feel improvement is needed in the manner in which information is shared and dispersed within the organization. Respondents mentioned that at times the information is not timely received by staff who need the information. Work groups feel that they need additional feedback so that they may improve their performance, and that information and knowledge need to be more openly shared within the office.

The final construct which the Office feels is of critical importance is the issue of *Fair Pay*.

- The only construct perceived as below average is the construct of *Fair Pay*. The Office's score (219) indicates pay is a central reason for dissatisfaction and discontent. Employees feel pay levels are not commensurate with job duties, experience, and responsibilities and are not competitive with equivalent jobs in the private sector. Cost of living increases are not perceived as keeping up with inflation. Data in this survey reveals that 60% of the

respondents have working spouses. Another study⁴ done reflected that 19% of our employees must hold second jobs in an effort to make ends meet. In fiscal year 2001, 52% of the employees leaving SORM indicated their reason for leaving was due to being offered a higher salary elsewhere. The reclassification of adjusters to the DDE classification did provide a suitable career ladder for SORM adjusters; however, even though SORM may have the budget authority to access this ladder, budget constraints restrict the Office's full use of the ladder as a means to compensate and retain highly qualified staff. Scores in the Accommodations and Personal dimensions reflect the significant output of energies the Office has devoted in an attempt to make SORM a desirable place to work. SORM will continue its efforts to address the legislature concerning this vital element necessary to attract and retain superior employees.

Several program developments and initiatives were recently implemented which will assist SORM in its quality improvement initiative. Due to the high rate of turnover and the time required to replace key staff, information sharing and mentoring to improve performance has suffered. With the hiring of the new claims manager and the addition of placing the medical cost containment unit under the Claims Management purview, communication and supervision is expected to dramatically improve. Case loads have been removed from claims supervisors to provide additional time for supervisory duties. Morning meetings have become a mainstay for information sharing and problem solving. Supervisor job descriptions are being reworked to include greater management and training of assigned staff. All managers and supervisors in the Office are encouraged to fully discuss the 'whys' behind the decisions made and to insure full participation from the staff performing the work when decisions are made.

Other initiatives designed to improve internal communication include:

- The Governmental Affairs Liaison position was recently filled and one of the liaison's new tasks is to provide a 'clip' service to staff to include those items of interest to SORM.
- The Agency Outreach and Training Division has hired a staff trainer responsible for dispersing all TWCC information and other select documents to staff who are involved in the topic heading.
- The Executive Director is now publishing an internal monthly report containing division initiatives, goal performance, projects completed, and projects initiated. Division managers and supervisors will be able to share this document with staff to keep them informed of the developments and 'happenings' in other divisions of SORM.
- The Planning and Program Development division is working with the University of Texas School of Social Work to develop an internal "360" assessment to assist supervisors and division managers in their professional development.

SORM welcomes the opportunities for improvement presented in the survey. This tool is an

⁴ Request for information by Agency Administration

effective thermometer to measure the Office's internal customers perceptions and to identify areas in which greater energies must be expended. SORM is eager to be a part of the next Survey for Organizational Excellence to determine if its efforts for improvement have come to fruition.

APPENDIX G

**INFORMATION RESOURCES STRATEGIC PLAN
FOR FISCAL YEARS 2003-2007**

TABLE OF CONTENTS

Executive Summary	3
Introduction/IR Vision.	4
IR Goals, Objectives, and Strategies	
Table 1	6
IR Policies & Practices	
Table 2	8
Agency Platforms, Systems, and Telecommunications	
Table 3	12
Agency Database	
Table 4	14
Agency Applications	
Table 5	17
Interagency Data Needs	
Table 6	19

State Office of Risk Management

EXECUTIVE SUMMARY

This *Information Resources (IR) Strategic Plan for Fiscal Years 2003 - 2007* for the State Office of Risk Management (SORM), in conjunction with the Office of the Attorney General's (OAG's) *IR Strategic Plan* for the same report period, encompasses elements involved in the agency's IR planning for the next five years. The current plan expands on the direction described in SORM's FY 1999 - 2003 document, and also includes IR directives related to the most recent *State Strategic Plan for Information Resources Management*, prepared by the Department of Information Resources (DIR), October 1998.

Pursuant to provisions within House bill 2133, as enacted by the 75th Legislature, SORM is administratively attached to the OAG. The administrative support includes automation support from the OAG, including mainframe and network developments. As a result, SORM will be a recipient of any technology developments implemented by the OAG related to its mainframe and network during the reporting years for this IR Strategic Plan. During FY02, SORM acquired two application servers to store claims and risk management information on a client-server platform. SORM IR policies and practices, agency platforms, systems and telecommunications are driven by the OAG and are reported in their *IR Strategic Plan*.

State Office of Risk Management

INTRODUCTION

SORM's IR Strategic Plan supports the State Strategic Plan for Information Resources Management through goals, objectives and strategies designed to:

- Provide claims and risk management information to user agencies, clients, and the legislature;
- Ensure the availability of simple, comprehensive user interfaces to SORM's Claims Management System (CMS) data utilizing client-server / web-enabled technologies;
- Ensure electronic availability of state documents, data and services;
- Comply with state and federal requirements related to information collection, storage and reporting.

IR VISION

The State Office of Risk Management (Office) will:

- Develop and maintain a computer system that provides efficient, effective risk assessment and loss prevention services, insurance services, return-to-work services, claims administration and adjusting services, medical cost containment services, subrogation services, and fraud detection services for the benefit of the Office staff, claimants, health care providers, and client state agencies.
- Utilize to the maximum extent possible, current state-of-the-art computer information system technologies, including web-based technologies, to accomplish its goals and objectives.

TECHNOLOGY ISSUES

SORM intends to develop and maintain a client-server, web-based system to provide common access and entry of claims and risk management information from remote locations. The data collected at the client-server level will be interfaced with the existing OAG mainframe system. Official system records will continue to be maintained on the mainframe platform for storage, distribution and disaster recovery purposes. Data from the mainframe will be updated on a continuous basis and a SORM maintained data warehouse will be used to develop and distribute reports and other relevant claims and risk management information.

The current mainframe hierarchical database requires significant programming effort to produce reports and modify system functionality. Advent of the client-server system will allow storage of information in a relational database, thus facilitating development of reports and sharing of critical information on a more frequent basis.

SORM plans to implement the client-server technology in a progressively phased-in approach beginning with the creation of a relational database stored on a SORM server. Currently, SORM receives database updates once a week. This is accomplished by completely refreshing the entire database. This process takes several hours to accomplish and is prone to errors. Translation of the current mainframe hierarchical (ADABAS) structure to a relational database and providing for continuous sharing and updating of

information between the mainframe and the SORM server will provide current information for claims and risk management.

To take advantage of current technical platforms and to provide simultaneous access to multiple database types, it will be necessary to establish and maintain adequate desktop computing capacity. This will be accomplished by replacing computers on an established computer life cycle basis. Introduction of more current technologies will also require that SORM IR staff possess and maintain high-level technical skills in order to develop new capabilities and enhance existing ones.

The Agency's goal during the 2003-2007 period is:

Manage Risk and Administer Claims

To manage costs for covered state agencies arising from the risk of loss through the delivery of professional risk management services and claims administration services that are customized to specific agency needs.

Objective 1

Provide guidance and direction to state agencies to assist them in identifying, evaluating, and controlling risk and minimizing the adverse impact of loss.

Objective 2

Review and determine eligibility on 100 percent of the state workers' compensation claims submitted within seven days of receipt, and pay all approved requests for medical and indemnity benefits as specified under state law.

Item	Description
IR GOAL 1	Provide and maintain claims and risk management information in a state-of-the-art client-server environment using Web-based technologies.
Objective	Interface a client-server, Web-based interface between the SORM server and the OAG mainframe for entry, update, and reporting of claims and risk management information.
Strategy	Develop a client-server relational database to be accessed via the Web for entering, updating and reporting of claims and risk management information. Share information between the client-server and mainframe systems.
IR GOAL 2	Finalize the automation process for providing on-line electronic form filing to TWCC, which will increase efficiency and provide superior customer service.
Objective	Upgrade SORM's claims management system to provide for electronic submission of workers' compensation initial and subsequent claims information to TWCC.
Strategy	Implement electronic data interchange (EDI) for electronic submission of initial and supplemental claims information via FTP.

APPENDIX G - INFORMATION RESOURCES STRATEGIC PLAN
TABLE 1: GOALS, OBJECTIVES AND STRATEGIES

Item	Description
IR GOAL 3	Develop and maintain software applications for efficient, effective risk assessment and loss prevention services, insurance services, return-to-work services, claims administration and adjusting services, medical cost containment services, subrogation services, and fraud detection services for the benefit of the Office staff, claimants, health care providers, and client state agencies.
Objective	<ul style="list-style-type: none"> • Maintain a client-server database for risk management and claims information • Modify CMS as necessary to address changes in statute, business requirements, and business processes.
Strategy	Code, test and implement CMS data entry/update interfaces between the OAG mainframe and the SORM client-server system.
IR GOAL 4	Continue to refine enhanced data capturing capabilities for acquiring, analyzing, and reporting fraud, subrogation, and medical cost containment information.
Objective	To make data available for ad hoc/statistical reports related to fraud, subrogation, and medical cost containment activity among claimants and providers
Strategy	Design, program, test, and implement new data capturing system
IR GOAL 5	Enhance SORM's automated systems to provide on-line electronic form filing for state agencies and healthcare providers and on-line information access
Objective	To increase efficiency, enhance data integrity, and provide superior customer service
Strategy	Implement client-server/web enabled access to the CMS.
IR GOAL 6	Develop handicap accessibility to SORM's web page for persons with disabilities.
Objective	To give persons with disabilities the ability to navigate through SORM's web site
Strategy	Write code for the web page and incorporate into SORM's internet code

APPENDIX G - INFORMATION RESOURCES STRATEGIC PLAN
TABLE 2: INFORMATION RESOURCES POLICIES & PRACTICES

Although an independent agency, SORM is administratively supported by the OAG as required by House Bill 2133. The administrative support includes automation support from the OAG, including mainframe and network developments. Detailed information on SORM's mainframe and network configuration are contained in the OAG IR Strategic Plan.

CATEGORY	BRIEF SUMMARY/OVERVIEW
IR Planning Methodology	<p>Requests for IT services within the purview of the SORM IT staff are submitted to SORM IT management. These requests include:</p> <ul style="list-style-type: none">- SORM workstation support- SORM server administration- SORM internal applications- SORM internal network support- SORM internal database support <p>SORM IT management analyzes the business need and recommends a solution where appropriate. SORM IT staff research the hardware and software needs, then prioritizes the request according to the agency strategic and operating plans subject to Executive Administration review, if warranted. Upon executive approval, funding is confirmed and implementation is scheduled.</p> <p>SORM submits requests to the OAG ITS Division for implementation, maintenance and assistance in the following areas:</p> <ul style="list-style-type: none">- Network infrastructure services- Image services- Modification of the Claims Management System which resides on the OAG A&L mainframe- Consulting services <p>The OAG ITS division receives these requests as Data Services Requests and prioritizes the requests. The OAG ITS division reports on the progress and completion of the DSRs to the SORM IT management.</p>

CATEGORY	BRIEF SUMMARY/OVERVIEW
Operating System	<p>The current operating systems in use by SORM are:</p> <p>Desktop workstations use one of the following Windows operating systems:</p> <ul style="list-style-type: none"> Windows 95 Windows 98 Windows NT <p>Laptop use the following Windows operating systems as well:</p> <ul style="list-style-type: none"> Windows 95 Windows 98 <p>File Servers and print servers use Novell 4.11 operating system</p> <p>Client Servers</p> <ul style="list-style-type: none"> RS6000 application server – AIX 4.3.3 COMPAQ Proliant ML330 web server– Windows 2000 IBM 300XL intrusion detection server – Redhat 6.2 IBM 300XL database server – FreeBSD Unix Operating System Dell Optiplex GX110 web server – Windows NT 4.0 IBM 365 web server – Windows NT 4.0 Sun data warehouse server (maintained by OAG) Solaris 2.6 <p>The OAG A&L mainframe computer, which hosts the Claims Management System, uses IBM VSE operating system. This system is maintained by OAG.</p> <p>Network</p> <ul style="list-style-type: none"> Fast Ethernet topology Compaq Proliant 6000 file server Cisco Catalyst 2950 data switches (7)
Development Methodology	<p>Client agencies and internal divisions notify IR of business needs. A business analyst is assigned and assists the client agency or internal division with the evaluation of the problem and needs. Upon definition, the IR staff will develop a plan which will include recommendations for client/server or mainframe platform solution.</p> <p>If the recommendation is for a client/server implementation, SORM IR staff will prototype a presentation for user testing and acceptance. The IR staff will then develop and implement the accepted solution for the application to satisfy the requestor's need. Standard software for SORM's client server platform is MySQL/Java.</p> <p>If the recommendation is for a mainframe implementation, SORM IR staff will submit a Data Services Request to the OAG ITS division. Standard software is ADABAS/NATURAL for the mainframe platform.</p>

CATEGORY	BRIEF SUMMARY/OVERVIEW
Software Audit and Management	Software licenses and utilization are tracked at the machine level by central Information Resources staff. SORM does not currently utilize a central software management and audit package. SORM is in the process of evaluating several potential packages to achieve this capability.
Quality-Assurance Practices	SORM will implement a formal system change request (SCR) process to track and manage modifications to the client server based system. SORM will also use the OAG Data Services Request (DSR) process to submit and monitor changes to the CMS mainframe system.
E-Government	SORM is implementing claims and risk management information via the internet.
Change Control	The IR division develops detailed project work plans to monitor project development including staff resources assigned and the impact of the project. Testing is conducted in a controlled environment using a test and acceptance platforms. IR development staff conduct unit testing in the test environment whereas end user system testing is conducted in the acceptance environment. Source code changes in each environment are managed and tracked by an open source software product known as the Concurrent Versions System. Upon successful acceptance, the project hardware and software is moved to the SORM production environment.
Security	SORM will rely on the OAG security system for mainframe passwords, server security for email, and network security. SORM will implement and maintain password security for access for the client server platforms. SORM, in cooperation with OAG technical staff adheres to security requirements identified in TAC 201.13(b).
Geographic Information Systems	N/A
Disaster Recovery/Business Continuity Planning	OAG provides the backbone disaster recovery services for SORM's IR pursuant to enabling legislation. SORM is currently developing a disaster recovery plan which will include: OAG mainframe connectivity recovery Network recovery Desktop recovery Server recovery
Resource Use	SORM IR resources are detailed under "Organization and Personnel".

CATEGORY	BRIEF SUMMARY/OVERVIEW
Contract/Consultant	<p>The State Office of Risk Management (agency 479) uses temporary staff (temp) until permanent employees can be hired. SORM compares the cost of contracting a temp through the State's contract vendor list with the cost and availability of paying overtime to current employees.</p> <p>The legal staff review contracts and collaborate with the technical staff to determine requirements of contracts. Executive Administration reviews projects, prioritizes and approves for implementation. Upon approval and award, a project manager is appointed as the point person for SORM. Appointment of a point person by the contractor is stipulated in the contract. As milestones and deliverables are met, the contractor's point person coordinates with the SORM project manager. The SORM project manager monitors the progress of the contract and reports to the Executive Administration.</p>
Information Sharing	<p>SORM provides claim information to its cost containment vendor via FTP and receives information on audited medical bills in return. Sharing claims data with client agencies is permitted when the outside entity and SORM both agree to the required need. Refer to OAG for functional technical requirements for information sharing.</p>
Training and Continuing Education	<p>If funds are available, continuing education is encouraged for SORM IR Long-term training objectives are developed for each IR employee and are updated annually. Training and education received and accomplishment of training objectives is tracked, and is incorporated into IR staff performance evaluations. If new products are obtained and training is required, staff time and funds will be allocated. Staff attend vendor demonstrations as training supplements.</p>
Data Center Operations	<p>SORM IR staff are currently responsible for all internal server related operations including maintenance and backup. Mainframe and Sun data warehouse operations are the responsibility of the OAG.</p>

APPENDIX G - INFORMATION RESOURCES STRATEGIC PLAN
TABLE 3: AGENCY PLATFORMS, SYSTEMS, AND TELECOMMUNICATIONS

Mainframe Configuration:

SORM's mainframe *Claims Management System* resides on the OAG A&L Division's mainframe computer, an Hitachi Data Systems (HDS) EX/33.

Network Configuration:

SORM's LAN is a part of the OAG's ITS Division network configuration. Their LAN topology is 10BASE-T, 100-Base_T with distribution of data through a combination of Cabletron, Compaq and Allied Teleis concentrators Cisco routers, and Catalyst 2950 fast Ethernet switches. The file server is a Compaq Proliant 6000. The production file server, the UNIX database server and the data warehouse are backed up nightly to digital linear tape using Legato Networker software. The production database server is a RS6000 P610. The production web server is a Compaq ML330.

PC Configuration:

SORM currently has 2 types of computers deployed. Two-thirds of the agency (79 personnel) has Dell GX150 workstations with processors between 933 MHz –1.2 GHz, 20 GB HDD and 256 MB of system RAM. The remainder of the employees is using IBM 300XL machines with 233 MHZ processors, 2 GB HDD and 96-128 MB system RAM. We plan to replace these legacy systems within the next 12 months.

CATEGORY	TYPE	OPERATING SYSTEM	DATABASE MANAGEMENT SYSTEM	CAPACITY/ SIZE/ COUNT	COMMENTS/ DESCRIPTIVE INFORMATION
Mainframe	Hitachi EX33 HDS	VSE/ESA	Adabas	13.5 MIPS 16 Channel, 64MB Main Memory	Direct Access storage subsystem consists of three 7880 storage controllers and 40GB of direct access storage. Browser based access to the Claims Management System is effected via Web Connect 3270 emulation software. This is the primary application used by SORM staff.
Minicomputer	N/A	N/A	N/A	N/A	N/A
Network					Diagram of SORM Network (Fig. 1)
LAN Servers (Central)	Compaq Proliant 6000	Novell Intra NetWare 4.11	N/A	1	Compaq 6000 located in the OAG server barn, 10 th floor, Clements State Office Building
LAN Servers (Remote)	N/A	N/A	N/A	N/A	N/A
LAN Client/Work-stations (Central)	PC	WIN 95 WIN 98 Winn NT	N/A	110 workstations	None
LAN Client/Work-stations (Remote)	N/A	N/A	N/A	N/A	N/A
WAN Servers	N/A	N/A	N/A	N/A	N/A
Stand alone PC Workstations	Laptop	WIN 95	N/A	13	See “PC Configuration“ on page 12
Internet Service Provider	CAPNET			N/A	SORM accesses CAPNET via OAG’s connection as maintained by DIR

CATEGORY	TYPE	OPERATING SYSTEM	DATABASE MANAGEMENT SYSTEM	CAPACITY/ SIZE/ COUNT	COMMENTS/ DESCRIPTIVE INFORMATION
Shared Network		Shared Network		Texas Building and Procurement Commission	TBPC

SORM maintains the CMS database which includes information related to investigating and processing claims and paying medical and indemnity benefits to state employees who are injured or become ill as a result of their work. In addition, external data items are captured and maintained, which include quarterly FTE statistics, general liability (judgments and settlements), insurance data, state property, payroll, unemployment compensation, fraud related data, and cost of risk data for participating state agencies.

CATEGORY	INFORMATION
Database Name (1)	Claims Management System (CMS)
Database Description	The CMS database collects claimant information for decision support, statistical analysis, querying, reporting and forecasting. Adjusters, Accountants, Medical Bill Auditors, and IR are the users of this data.
Database System	ADABAS
Estimated Physical Storage Requirements	2,150 MB
GIS Data Classification	N/A
Sharing	This system provides on-line inquiry capabilities for workers' compensation service providers, and OAG. Cost containment information is transferred via tape to/from the contractor. Workers' compensation payment information is transferred via tape to/from to the Comptroller's Office.
Future	Future plans include developing capabilities for user agencies to share this information.
Database Name (2)	SORM Claims Data Warehouse
Database Description	The Claims Data Warehouse contains claimant information for decision support, statistical analysis, querying, reporting and forecasting. Adjusters, Accountants, Medical Bill Auditors, and IR are the users of this data.
Database System	Sybase Tables, Unix Operating System
Estimated Physical Storage Requirements	2,150MB
GIS Data Classification	N/A

CATEGORY	INFORMATION
Sharing	This system provides on-line inquiry capabilities for workers' compensation service providers, and OAG. Cost containment information is transferred via FTP to/from the contractor. Workers' compensation payment information is transferred via tape to/from the Comptroller's Office.
Future	Future plans include developing capabilities for user agencies to share this information.

Database Name (3)	Agency DataMart
Database Description	The agency datamart contains summarized claims information organized by state agency. The purpose of this database is to satisfy the MIS reporting needs of client agencies regarding worker's compensation claims
Database System	MySQL on a RS6000 Server: Operating System - AIX 4.3.3
Estimated Physical Storage Requirements	3,000 MB
GIS Data Classification	N/A
Sharing	This system provides web accessible dynamic reporting capabilities to client agencies of SORM. Agencies can select information based on criteria, which is entered via a browser, and receive summarized reports instantly in printable or loadable formats.
Future	SORM will expand claims and risk management reporting capabilities to meet state agency needs.
Database Name (4)	Claim Forms Entry System
Database Description	The Claim Form Entry System database is a repository for information about new and pending claims which is accessible via the internet. Claims data is entered into this system from a browser by client agencies where it is reviewed for accuracy and completeness before being transmitted to the Claims Management System
Database System	MySQL on a RS6000 Server: Operating System - AIX 4.3.3
Estimated Physical Storage Requirements	1,000 MB
GIS Data Classification	N/A

Sharing	This system provides client agencies with the capability to enter claims information normally submitted by paper form via a browser instead of by mail or fax. The system provides on-line versions of TWCC and SORM forms. The information captured in this manner is then edited and verified prior to release to the Claims Management System
Future	Future plans include developing capabilities for user agencies to share this information.

Database Name (5)	Claimant Self-Service System
Database Description	The Claim Self-Service System database stores claims information about specific active claims which is accessible by claimants over the internet with proper credentials
Database System	MySQL on a RS6000 Server: Operating System - AIX 4.3.3
Estimated Physical Storage Requirements	2,000 MB
GIS Data Classification	N/A
Sharing	This system provides claimants with the ability to retrieve information about claims information to which they are authorized via a web browser over the public internet.
Future	Increase the number of data elements exported from the mainframe to enhance state agency reporting capabilities.

APPLICATION	INFORMATION
Application Type	Claims Management System
Application Description	This application is used for the tracking and adjusting of worker's compensation claims submitted on behalf of state workers. It is the primary tool used by SORM claim adjusters for assigning benefits.
Database System	ADABAS
Development Language	NATURAL
Sharing	Currently, limited access into the system is granted to claims coordinators in other agencies and to SORM's cost containment vendors.
Future	Increased inquiry access is planned for claims coordinators, claimants, and SORM cost containment vendors via web browsers over the internet using SORM's application server.

APPLICATION	INFORMATION
Application Type	Agency DataMart
Application Description	<p>This application provides for dynamic reporting capability of claims data on an agency basis.</p> <p>It allows client agencies to dictate the format and content of their claims data based on their own preferences. This application allows state agency claims coordinators to enter data normally submitted by paper form directly to a SORM database. Data is verified for accuracy and completeness upon entry and then subsequently reviewed before submission to the Claims Management System</p>
Database System	MySQL
Development Language	Java
Sharing	Access to the system is available to all authorized state agency claims coordinators who must be pre-registered with SORM prior to access. Further, access to information is limited to an agency's scope of authority.
Future	Local databases will be accessible on the SORM server and used in reporting information and providing notification of critical events to SORM decision makers and authorized state agency representatives.

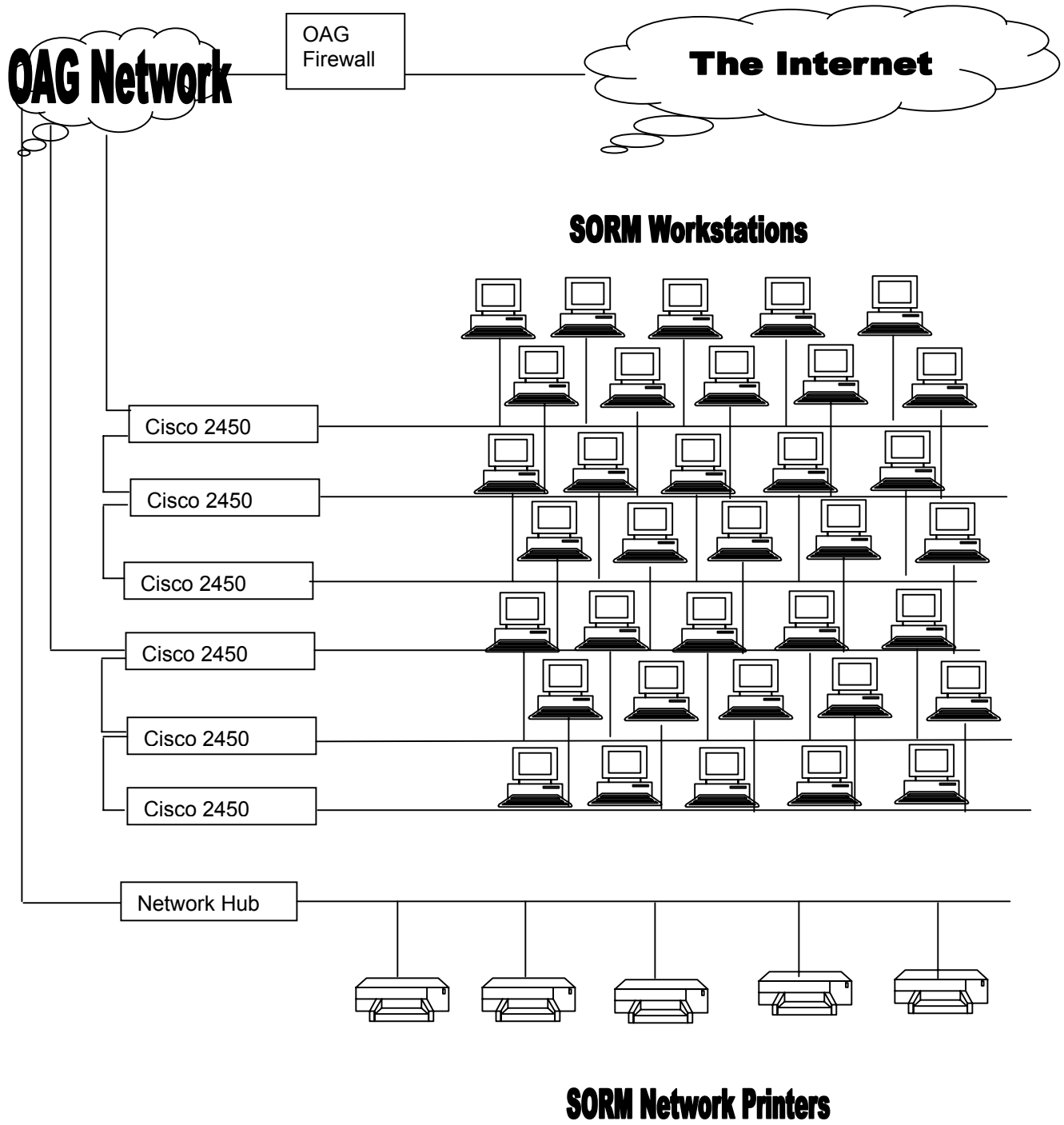
APPLICATION	INFORMATION
Application Type	Claims Data Entry System
Application Description	This application allows state agency claims coordinators to enter data normally submitted by paper form directly to a SORM database. Data is verified for accuracy and completeness upon entry and then subsequently reviewed before submission to the Claims Management System
Database System	MySQL
Development Language	Java, JavaScript
Sharing	Access to the system is available to all authorized state agency claims coordinators who must be pre-registered with SORM prior to access. Further, access to information is limited to an agency's scope of authority.
Future	Increase the online submission of TWCC required forms in lieu of fax and mail.

APPLICATION	INFORMATION
Application Type	Claimant Self Service
Application Description	This application allows worker's compensation claimants to access information regarding their current claims over the internet via a web browser.
Database System	MySQL
Development Language	Java
Sharing	Access to the system is available to claimants who have registered with SORM. The claimants are limited in access to only their own personal claim information.
Future	Provide additional information to qualified claimants regarding claims status during approval and payment processes.

SORM plans to increase sharing of CMS data with user agencies. By providing access to SORM's data warehouse, user agencies will be able to extract data with user-friendly inexpensive tools for querying, reporting and analysis.

CATEGORY	INFORMATION
List	<ul style="list-style-type: none"> - Lost time data - Limited duty data - Payroll funding sources information - New hire/employment data
Obstacles	Technological and economical
Needed Assistance	Maintain data in-house and store in a uniform format that can be transmitted to SORM

Fig. 1



INTERNAL PERFORMANCE MEASURE DEFINITIONS

Measure: Review and evaluation of all purchased insurance policies.

Purpose/Importance: Insurance policies will be analyzed for coverages, limits and exposures. Before determining if the insurance transfer is cost effective, the risks must be identified and examined for frequency and severity.

INTERNAL PERFORMANCE MEASURE DEFINITIONS

Measure: Analyze the value of the insurance transfer.

Purpose/Importance: This calculation will assist in determining the need to continue the purchase of insurance. The determination will depend upon loss severity, its impact on the business operation, the agency's financial ability to absorb loss within its budget and insurance premiums.