



STATE OFFICE *of* RISK MANAGEMENT



Agency Strategic Plan  
for the  
2009-2013 Period



July 11, 2008

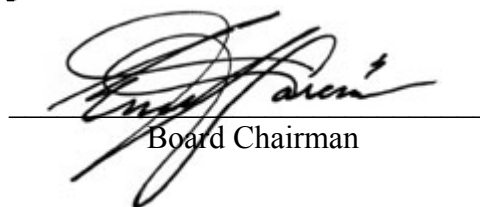


**Agency Strategic Plan  
for the Fiscal Years 2009-13 Period  
by the  
State Office of Risk Management**

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*Submitted July 11, 2008*

Signed:   
Executive Director

  
Board Chairman

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# Statewide Vision, Mission, and Philosophy

March 2008

Fellow Public Servants:

The old adage remains true: If you fail to plan, you plan to fail. So, in leading our state, we will apply strategic planning with an eye to future opportunity and prosperity. We must always be willing to critically reexamine the role of Texas State Government and the efficiency of its operations. This document specifies our mission and priorities, reflecting my philosophy of limited government and my belief in personal responsibility. Please use it as your agency prepares its Strategic Plan. In a properly-limited government, everything must be done with maximum efficiency and overriding fairness. Our first question should always be “what is best for the people of Texas?”

Throughout the strategic planning process and the next legislative session, policymakers will work to address our state’s priorities and agencies will be asked for detailed information. I encourage you to not only provide open and complete information, but also offer your innovative ideas to improve the delivery of government services.

Working together, I know we can address the priorities of our citizens. As my administration works to create greater opportunity and prosperity for our citizens, making our state and its people truly competitive in the global marketplace, we must remain focused on the following critical priorities:

*Assuring open access to an educational system that not only guarantees the basic core knowledge necessary for productive citizens but also emphasizes excellence and accountability in all academic and intellectual undertakings;*

*Creating and retaining job opportunities and building a stronger economy to secure Texas’ global competitiveness, leading our people and a stable source of funding for core priorities;*

*Protecting and preserving the health, safety, and well-being of our citizens by ensuring healthcare is accessible and affordable and by safeguarding our neighborhoods and communities from those who intend us harm; and*

*Providing disciplined, principled government that invests public funds wisely and efficiently.*

I appreciate your commitment to excellence in public service and look forward to the outcome of this necessarily rigorous process.

RICK PERRY

## **The Mission of Texas State Government**

Texas State Government must be limited, efficient, and completely accountable. It should foster opportunity, economic prosperity, focus on critical priorities and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

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

## **The Philosophy of Texas State Government**

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, in most instances, 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. 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.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.
- 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.

# Statewide Goals and Benchmarks

**The priority goal of general state government is:**

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- supporting effective, efficient, and accountable state government operations.

# **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.

# **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 (Office) is charged by Texas Labor Code §412.011 to administer state risks and insurance services obtained by state agencies, including the government employees workers' compensation insurance program (claims operations) and the state risk management programs.

The Office's statutory objectives and key functions are to:

- Administer the workers' compensation insurance program for state employees established under Chapter 501;
- Operate as a full-service risk manager and insurance manager for state agencies;
- Maintain and review records of property, casualty, or liability insurance coverage purchased by or for state agencies;
- Administer the program for the purchase of surety bonds for state officers and employees;
- Administer guidelines adopted by the board for a comprehensive risk management program applicable to all state agencies to reduce property and liability losses, including workers' compensation losses;
- Review, verify, monitor, and approve risk management programs adopted by state agencies;
- Assist state agencies that have not implemented an effective risk management program to implement a comprehensive program that meets the guidelines established by the board; and
- Provide risk management services for employees of Community Supervision and Corrections Departments (CSCDs) established under Chapter 76, Government Code, as if the employees were employees of a state agency.

The Office directs its efforts toward implementing risk-based approaches for identifying exposures and emphasizing mitigating strategies intended to reduce financial and performance losses at client agencies. This effort, we believe, supports the core principles and goals set out in the Governor's Strategic Planning. Further opportunities may exist in the future to implement more broad-based Enterprise Risk Management (ERM) approaches into state government operations that increase efficiency and save tax dollars through identification and mitigation of risks and promote identification and exploration of business opportunities. This approach has been widely adopted in business and government and could complement the state's efforts to meet the Governor's goals.

The Office's operations are prescribed by the Texas Labor Code, Chapters 412 and 501. The Office itself is governed by a five-member board appointed by the Governor. Members of the Board serve staggered terms. The Board is responsible for:

- Overseeing the agency and the appointing an Executive Director;
- Approving risk management guidelines for distribution to state agencies;
- Approving rules necessary for the implementation of the risk management and workers'

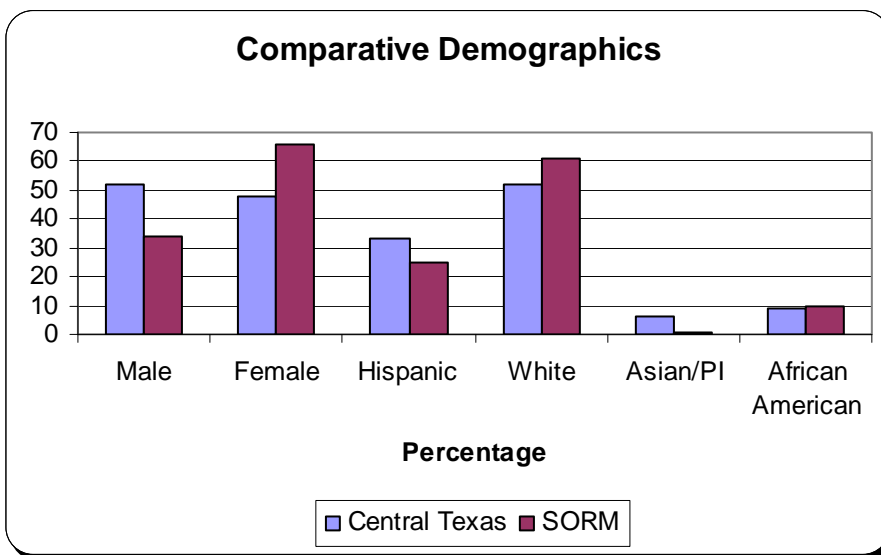


- compensation programs; and
- Reporting to the Legislature on methods to reduce exposure to loss for state agencies, the operation, financing, and handling of risks by state agencies, and the handling of claims brought against the state.

## II. Organizational Aspects

The Office has 122 full-time equivalent (FTE) positions authorized by the current General Appropriations Act. The Office’s organizational structure is aligned with the mandates set forth by its enabling legislation. The agency workforce is diverse and accurately reflects the geographic labor pool in which the Office operates.<sup>1</sup>

The following chart presents current workforce demographic information.



Pursuant to enabling statutes, the Office is administratively attached to the Office of the Attorney General (OAG). The OAG provides support services including:

- Accounting - Processes and records the Office’s transactions;
- Budget & Purchasing - Prepares budget reports and processes the Office’s purchase orders and procurement documents (Invitations for Bid, Requests for Information, Requests for Proposals, and others);
- Information Resources - The Office’s workers’ compensation Claims Management System (CMS) mainframe application resides on the OAG’s mainframe and the Office’s network is maintained by the OAG;
- Human Resources - Maintains the Office’s personnel files and processes all personnel action forms, timekeeping records, and employee benefits;
- Support Services - Coordinates maintenance and support for the space occupied by the Office; and

<sup>1</sup> U.S. Census Bureau, Census 2000

- Legal Divisions - Assist the Office on agency matters within the division's specific 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. The Office has no field office locations, although services are provided to agencies throughout the state.

### **III. Functional Aspects**

#### **A. RISK MANAGEMENT**

By law, the Executive Director of the Office serves as the State Risk Manager. The Office provides risk management services to 137 agencies and 121 CSCDs.<sup>2</sup> There are approximately 175,000 individual employees covered in the state Workers' Compensation Program, more than \$11.8 billion in capital investments in real property<sup>3</sup>, and approximately \$2.7 billion in fixed assets<sup>4</sup> at historical cost. The Office provides field safety inspections, training, access to its interactive Risk Management Information System (RMIS), and assistance to client agencies and CSCDs in mitigating risks identified in the Risk Evaluation and Planning System (REPS). The Office also provides assistance and guidance in the development of client agency Business Continuity Plans.

The Office's responsibilities include:

- Providing feedback to state agencies in identifying, evaluating, mitigating, and financing potential exposures and liabilities, including workers' compensation losses;
- Reviewing, verifying, monitoring, and approving risk management programs adopted by state agencies;
- Providing risk management training for state agencies; and
- Collecting and reporting risk and loss information to lawmakers, decision makers, and executives.

The Office publishes risk management guidelines, 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. The data submitted by agencies is collected and maintained electronically to facilitate identification of relevant trends and produce reports. State agencies intending to purchase property, casualty, or liability insurance coverage other than through the services

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2 The University of Texas and Texas A&M University systems and the Texas Department of Transportation are legislatively excluded from the services. The Employees Retirement System (ERS) and Teacher Retirement System (TRS) may voluntarily elect not to participate in the Office's services pursuant to special statutory exceptions.

3 Source: Comptroller's State Property Accounting System (SPA)

4 Id.

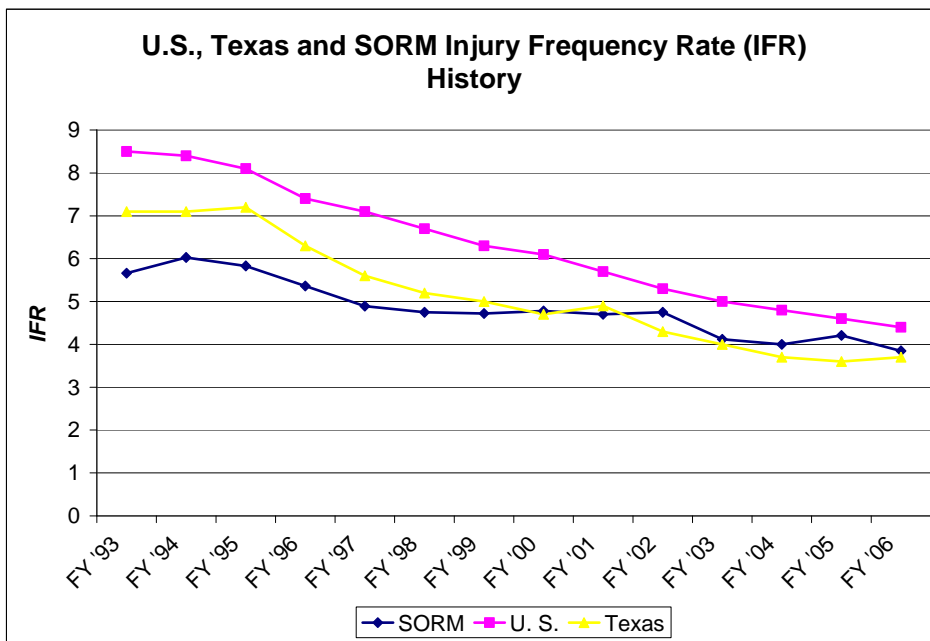
provided by the Office must report the purchase to the Office within 30 days of the purchase.

The external factors likely to impact risk management efforts are:

- Changes to state government can alter the types and levels of risk experienced by the state;
- Inadequate business continuity planning and testing by client state agencies could result in failure to achieve client agency’s core missions;
- Inadequate training and/or support for risk managers at client agencies may lead to poor performance and increased losses;
- The lack of confidentiality for reporting risk management and business continuity information may cause client agencies not to address or fail to report critical exposures and loss information; and
- The Injury Frequency Rate (IFR) may increase in response to external factors outside the control of client agencies (e.g. economic downturns or reductions in workforce).

The IFR for covered state agencies declined steadily through FY 2004 before experiencing an increase in FY 2005. The IFR declined again in FY 2006 and remained stable for FY 2007 (the most current completed fiscal year).

The following chart details IFR of SORM client agencies for the past 14 years and compares it to state and national figures:



\* State and National Data only available through FY 2006.

**SORM Client Agency IFR**

FY '00	FY '01	FY '02	FY '03	FY '04	FY '05	FY '06	FY '07
4.78	4.7	4.75	4.12	4.00	4.24	3.85	3.89

The internal factors likely to impact risk management efforts are:

- The potential inability to maintain current staffing levels, with appropriate risk management skills and expertise, within budget could threaten achievement of goals;
- REPS requires increasingly detailed client agency information from the Office's heavily tasked Risk Management Specialists;
- The additional resources required to implement the Business Continuity planning requirements of Senate Bill 908 are not fully available;
- Rising travel costs may exceed the budgeted resources and restrict staff travel to client agency locations in order to conduct Risk Management Program Reviews (RMPRs) and On-Site Consultations (OSCs); and
- Client agency adoption of ERM programs may place greater demands on the Office compared to our historical focus on client agency health and safety issues.

The performance measures for the Risk Assessment and Loss Prevention division are 32 RMPRs and 250 OSCs each fiscal year. Difficulty hiring and retaining qualified risk management specialists would reduce the Office's capacity to perform the minimum number of RMPRs and OSCs and negatively impact the maintenance of current service levels.

The Office's Risk Management Specialists are required to monitor submission of client agency exposures, frequency and severity analysis, and mitigating strategies. Each specialist must also perform and track detailed analysis in broader exposure areas for each of their client agencies. This approach yields significantly more information on client agency risks and mitigation efforts, but it requires significantly more time to collect, monitor, and act timely upon this data. Failure to identify and mitigate risks on a timely basis could lead to increased financial or performance losses to the state.

Assisting client agencies with specific risk management efforts requires the Office's Risk Management Specialists make on-site visits to each facility and confirm the efforts of each client agency in mitigating risks. Travel budget reductions may negatively impact capacity for conducting on-site visits to client agencies, will increase the difficulty of assisting client agencies and monitoring the effectiveness of their risk management programs, and may result in increased financial and/or performance losses to the state.

The Office's risk management efforts have historically been weighted toward health and safety risks at client agencies. Recently, client agencies have been requesting assistance in managing a broader range of risks more fully addressed by ERM. With the passage of SB 908, 80<sup>th</sup> RS, Section 412.011, Labor Code, was amended requiring SORM to work with each state agency to develop an agency-level Business Continuity Plan and to make available to each client agency guidelines and models for each element of a Business Continuity Plan listed in Labor Code §412.054. SORM was further charged with the responsibility of assuring that agencies understand the vital components of a Business Continuity Plan and that agencies test the effectiveness of their plans. SB 908 further required that SORM enter into a Memorandum of Understanding with the Texas Facilities Commission and the State Fire Marshal's Office that assures timely sharing and feedback on common health and safety issues.

Business Continuity Planning (BCP) has been a priority for many client agencies needing assistance with plan development and maintenance. Other areas seeing elevated importance include fraud detection and prevention, frequency and severity analysis, workplace violence, state property loss analysis, return to work, risk transfer analysis, and risk management program expenditure to result analysis. The Office has been responding to agency requests for assistance within its available resources. However, if risk category expansion continues into financial and contractual operations or additional agencies continue to seek the Office’s consultation on broad ERM-based programs, other external programs or additional staff for internal programs with appropriate backgrounds may be necessary to provide adequate service from both quantitative and qualitative perspectives.

The Office currently has seven Risk Management Specialists, two of which are fully dedicated to the State Insurance Program. As of the date of this report, the division has one vacant position included in this total, which, subject to available funding, will be filled with a Risk Management Specialist to assist client agencies in developing risk management plans and to monitor effectiveness of client agency programs. This level of staffing and funding is sufficient for the provision of health and safety risk management services at historical service levels for covered client agencies, with some temporary resource reallocation as required. Providing more detailed risk analysis as identified in REPS or the provision of expanded services for other categories of risk present at client agencies would require additional risk management personnel in order to service this increased workload. Adding additional client agencies would also require increased risk management staffing in order to maintain service level quality for all agencies.

**Insurance Program**

The Office sponsors four lines of insurance coverage: Directors’ & Officers’ with Employment Practices Liability; Automobile Insurance; Property Insurance; and Volunteer Insurance. A summary of the number of participants and premiums for each line of insurance, as of the publication of this document, follows.

<b>Insurance Line</b>	<b>Number of Participants</b>	<b>Premiums</b>
Directors’ & Officers’ Liability	25	\$1,869,773
Automobile Insurance	22	\$540,821
Property Insurance	16	\$6,861,854
Volunteer Insurance	10	\$45,016

By law the Office scrutinizes the purchase of Surety Bonds and coordinates the issuance of Notary Commissions without bond to state employees. The Office also serves as a full-service insurance manager for state agencies as a part of its statutory risk management function. In that role the Office is charged with:

- Consulting with state agencies regarding their insurance needs;
- Approving and purchasing insurance on behalf of state agencies;
- Disapproving and prohibiting purchase of insurance that does not serve a public interest;

- 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 external factors that could impact the insurance program are:

- An active tropical storm season could affect the capacity and availability of property insurance;
- Significant losses could result in increased premiums to agencies participating in the statewide insurance program; and
- If the economy continues in a downward trend, the state may experience increased lawsuits related to employment practices.

As the Office expands collection of data on client agency non-workers' compensation losses, it becomes feasible to analyze losses from multiple sources. The Office now has the capability to determine if such losses were insured and calculate the net loss to the state, including the costs of insurance premiums. This information will assist the state in determining the costs/benefits of providing additional levels of coverage for client agencies, along with the desirability of implementing new lines of coverage based upon statewide losses.

The internal factors likely to impact the insurance program are:

- Ability to maintain current staffing level and current level of operational expertise; and
- Increasing use of technology to track client agency insurance coverage, losses, and exposures will improve decision making.

The expanded use of automation in the statewide insurance program has led to improved efficiency and avoided the costs of additional staff. The current level of staffing and funding will support the agency's efforts to maintain existing risk management efforts and address the expected need for insurance services. Future increases in lines of insurance offered or levels of consultative assistance requested by client agencies may require additional personnel due to the increased workload.

## B. CLAIMS OPERATIONS

The Office administers the State Employees' Workers' Compensation Program for most state agencies.<sup>5</sup> The Office also administers workers' compensation claims for employees of CSCDs and other individuals as provided for by statute. The Office's workers' compensation claims program is responsible for:

- Operating the self-insured Workers' Compensation Program for the State of Texas in accordance with the Texas Labor Code and Division of Workers' Compensation (DWC) 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 they accrue and become due;
- Reviewing medical bills to determine reasonableness, necessity, and compliance with DWC fee guidelines;
- Appearing as an adversary before DWC and the courts and presenting the legal defenses and positions of the state Workers' Compensation Program and client agencies;
- Developing and/or procuring and adopting a workers' compensation healthcare network, if appropriate;
- Preparing reports for the Legislature on workers' compensation claims information; and
- Providing workers' compensation training for state agencies.

The number of state agencies participating in the state's Workers' Compensation Program has been relatively stable at 139<sup>6</sup> entities, a slight decrease due to agency consolidations, as well as 121 CSCDs. The number of current covered FTEs has increased from 148,000 in FY 1992 to 175,000 in FY 2007. State employees are geographically distributed throughout the state with concentrations in the major metropolitan areas.

Existing resources for the claims management strategy are 87 FTEs and \$6.4 million per year. This level of staffing and funding does create challenges in the agency's efforts to maintain adequate oversight of the workers' compensation program.

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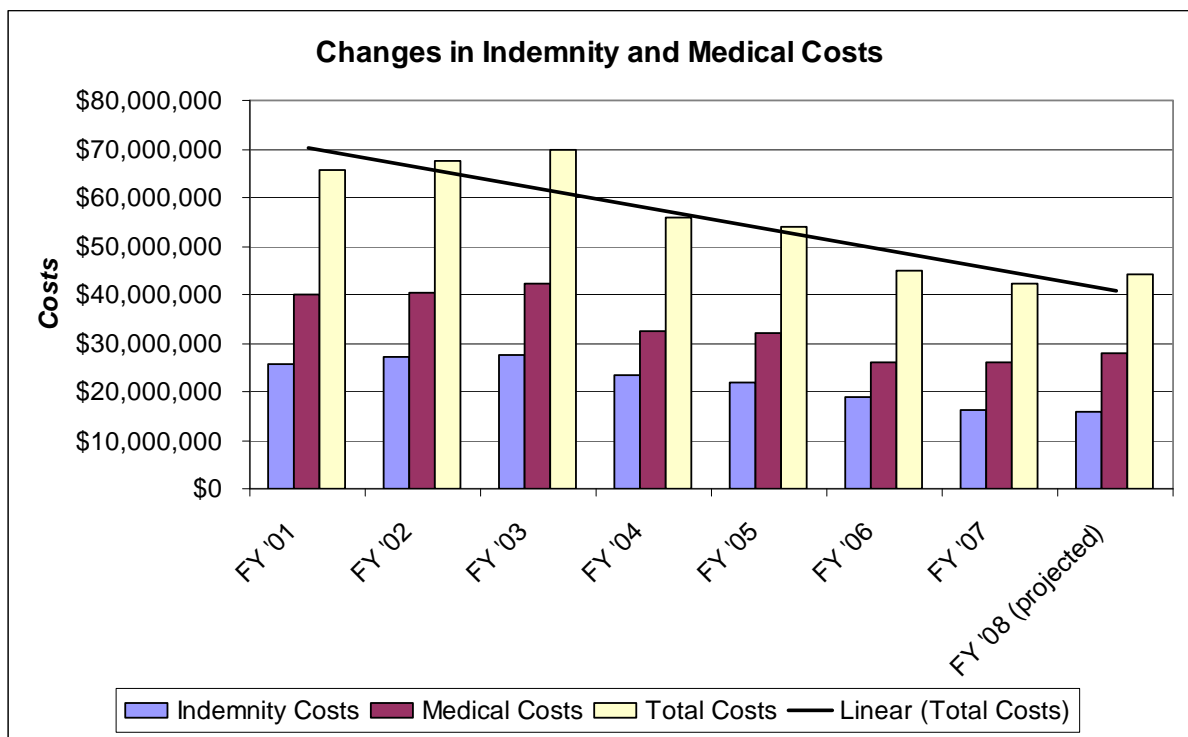
5 The University of Texas and Texas A&M University systems and the Texas Department of Transportation administer their own workers' compensation programs. The Employees Retirement System (ERS) and Teacher Retirement System (TRS) may voluntarily elect not to participate in the Office's services pursuant to special statutory exceptions.

6 Texas Tech and Texas Tech Health Science Center participate in the state's self-insured Workers' Compensation Program but not in the Risk Management Program.

### Claims Overview for FY 2007

New claims accepted for workers' compensation benefits	6,805
Total claims receiving benefits (includes open claims from prior years)	10,310
Total number of medical bills received	133,925
Total medical billing	\$101.2 million
Total medical paid after cost containment efforts	\$26.1 million
Total indemnity benefits paid to injured workers	\$16.2 million

The chart below reflects the downward trend in medical, indemnity (wage replacement), and total costs from FY 2001 through FY 2007.



The external factors likely to impact the workers' compensation program are:

- Rising medical costs for treatment of injured workers;
- Increases in the State Average Weekly Wage (SAWW);
- Potential for assessment of regulatory penalties against the Office;
- Potential changes to state agencies or their risks; and
- Changes to the requirements for regulatory compliance

While overall costs are trending downward slightly, medical costs in the workers' compensation system appear to be increasing on a per-service basis. This increased cost per



service has not been fully offset by DWC's adoption of treatment guidelines and disability guidelines. Reductions in utilization and duration of medical treatment are appearing only gradually and generally only when the claims adjuster intervenes when treatment exceeds the guideline.

SAWW (the standard used to calculate the indemnity rates that carriers are required to pay injured workers) increases every year. Under current law the maximum Temporary Income Benefit is capped at 130 percent of the SAWW, a 57 percent increase since the 1989 workers' compensation reforms. The increase in indemnity compensation rates underscores the need for skilled adjusters to effectively manage lost-time claims and to develop new strategies to return injured workers to employment.

Errors or an inability to meet future DWC requirements could subject the Office to liability for penalties. Under current law there is no requirement that an error be committed "willingly or intentionally" to be a violation of the Act or Rules. The Commissioner of Workers' Compensation is authorized to assess administrative penalties up to \$25,000 per day per occurrence. Inadvertent errors are an inevitable part of a large-scale claims operation, especially one that serves as a training ground for inexperienced claims adjusters. The potential for fines presents a serious risk for the Office as funds are not available to pay administrative fines.

Changes to state government can alter the different types and levels of risk experienced by the state. 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 injured state employees are afforded benefits as entitled by statute.

Specifically, it should be noted that implementation of e-billing, new subclaimant rules, medical and hospital fee guideline changes, and implementation of disability management, treatment, and return-to-work guidelines may entail increases in financial and staffing requirements.

There will be an increased cost incurred for implementation of the e-billing process. This is a new expense for the Office and, in addition to programming expenses to implement this requirement, the Office will be charged a per transaction fee for each of the approximately 134,000 medical bills it receives each year. The Office is seeking to include e-billing services in its procurement of a network to mitigate this impact.

The internal factors likely to impact the workers' compensation program are:

- Enhanced Return-to-Work (RTW) and Disability Management programs;
- Procurement of Workers' Compensation Healthcare Networks;
- Improvements to internal claims handling;
- Improved internal claims audit processes;
- Staff turnover and retention of key staff;

- Backlog of claims documents for archive; and
- Improved automation.

Early Intervention Case Management strategies as recommended by the Sunset Commission and enhanced RTW and Disability Management programs are expected to improve outcomes and reduce claims costs.

While medical costs have risen on a per-service and a per-claim basis, the Office has continued to see reduced overall medical and indemnity costs through improved claims-handling practices and training of adjusters. The Office believes the improvements it has made will integrate with network healthcare systems without duplicating efforts. Additionally, with the implementation of a viable Disability Management Program, the Office anticipates continued improved treatment and RTW outcomes.

Disability management and treatment guidelines are directly related to improved RTW outcomes. Outcomes are expected to improve as adjuster and cost containment staffs become proficient in the understanding and use of the guidelines. This requires additional automation to aid staff in identifying services outside of the treatment guidelines and instances where periods of disability exceed disability management guidelines. Additional staff of one nurse or vocational rehabilitation case manager per lost-time team will sufficiently address this matter with the current workload.

The Office is seeking to procure network healthcare services on behalf of its client agencies. Networks offer the possibility of improved quality of care provided to injured workers, reduced over-utilization of healthcare, improved coordination of RTW efforts, and greater efficiency in administrative aspects of claims handling and billing. Network healthcare providers must comply with treatment guidelines, disability management, and RTW guidelines, and the Office has implemented strong medical and vocational rehabilitation and will seek increased case management strategies as part of the network solution to support early RTW for injured state employees.

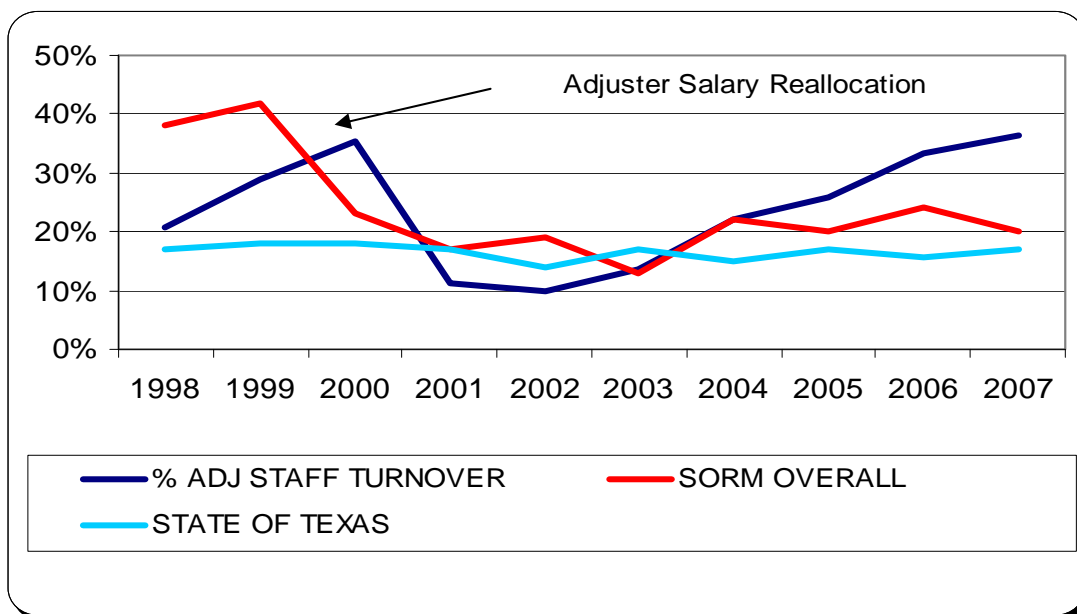
Contract management of one or more large healthcare network relationships will require expansion of the Office's contract management efforts. If it becomes possible to obtain network coverage for a significant part of the Office's injured workers, it may be possible to shift resources from the Office's internal medical cost containment staff to fill this need. However if multiple contracts are required, or if there continues to be a significant number of injured workers who are treating outside the established networks, additional staffing and resources may be necessary.

Historically the Office has had difficulty recruiting and retaining qualified staff -- in particular in the claims area where salaries are significantly below the market level. Adequate staffing has been identified as a critical issue in the internal factor analysis affecting all of the Office's statutory duties. The Office has attempted to respond to this in part by putting programs in place to address this challenge with current resources. These include:

- Hiring recent college graduates into entry level positions, then providing opportunities for broad-based professional development, including advanced continuing professional education and certification;
- 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, a voluntary employee association, and employee recognition for outstanding performance and service; and
- Sponsoring an active Employee Wellness Program.

These efforts have contributed to some stability in overall agency turnover; however, turnover in the Claims Operation division has increased dramatically in the last several years in spite of these efforts.

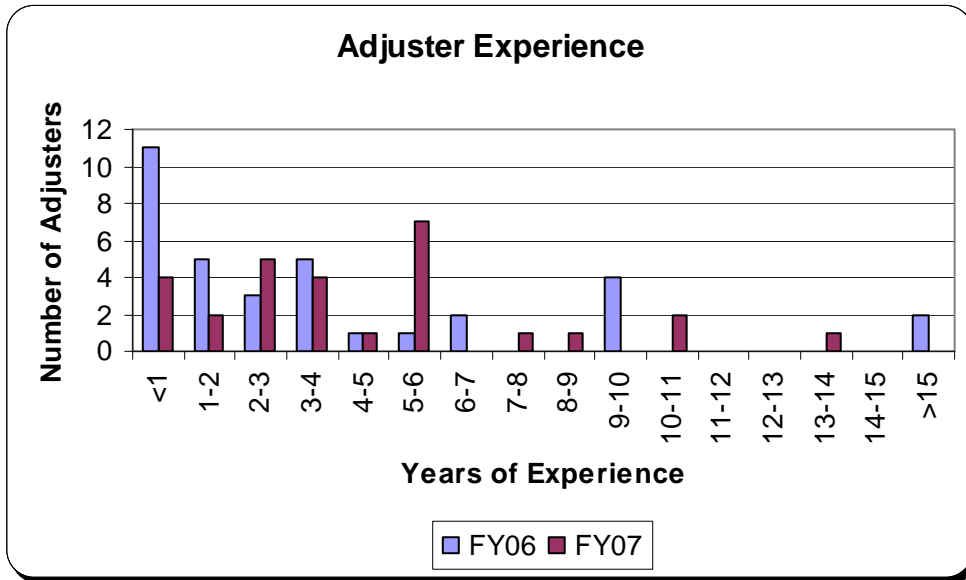
External factors affecting turnover in the adjuster ranks include industry trends in the private sector. Local carriers securing new clients can afford to lure adjusters away with higher salaries. Although this is cyclical (i.e., tied to the local economy), its impact on the Office can be substantial. Internal factors affecting turnover in the adjuster ranks include high demands for accuracy and timeliness in adjusting actions and rapid changes in the technology and processes used to handle claims. The chart below compares turnover among Claims Operations staff, overall SORM, and overall State of Texas employees.<sup>7</sup>



The Office has been able to improve the average years-of-experience for adjusters, increasing the average experience from 2.5 years in FY 2006 to 6 years in FY 2008; however, claims

<sup>7</sup> Data based on State Auditors Office, Reports 96-703, 99-707, 01-703, 02-701, 03-704, 06-311, 07-706, 08-703

staffing continues to be deficient in tenured claims adjusters. The chart below illustrates adjuster experience.



Taking advantage of Austin’s high concentration, and steady flow, of recent college graduates has proven beneficial for the Office. These new employees enjoy innovation and the challenge of maximizing resources through new technology. Although the Office does not expect to see a long-term employment association with these recent graduates, a mutually beneficial relationship between those newly entering the workforce and a state government challenged by fiscal constraints has developed.

Most new employees in the agency are hired into entry-level positions and are trained or promoted from within. This has allowed the Office to develop skilled, if not experienced, claims staff at less than the prevailing market salaries. Hiring has been concentrated on recent college graduates and has produced highly educated and motivated individuals at modest salaries.

Improvement in the claims handling processes and management of the workload has favorably impacted RTW outcomes and, ultimately, overall costs associated with the cost of medical services provided to the State’s injured workers.

Timely audits of claim files and tracking and monitoring of over/underpayments has improved the accuracy of payments to injured workers, but the potential for error continues to be a matter of concern.

The failure to maintain increased staffing and technological investment in the effort to archive documents could result in the loss of claims documents and bills.

#### IV. Fiscal Aspects

The operating costs of the Risk Management strategy are financed through interagency contracts. The operating costs of the Workers' Compensation Administration strategy have historically been financed entirely by General Revenue appropriations, but beginning in FY 2005 a significant portion is financed by interagency contracts for medical cost containment of workers' compensation expenditures. Beginning in FY 2007, a portion of claims operations is also financed by interagency contracts as part of the annual assessment.

Workers' compensation payments constitute a separate strategy funded entirely by interagency contracts through assessments paid by client agencies and subrogation receipts. The appropriations for the current biennium are detailed as follows:

- Operating Appropriations – A total of \$8,344,638 was appropriated each year for FY 2008 and FY 2009 for recurring operating costs associated with the risk management and workers' compensation programs. The Office's risk management strategy is funded by interagency contracts. The Office's workers' compensation administration strategy is funded by a combination of General Revenue and interagency contracts.

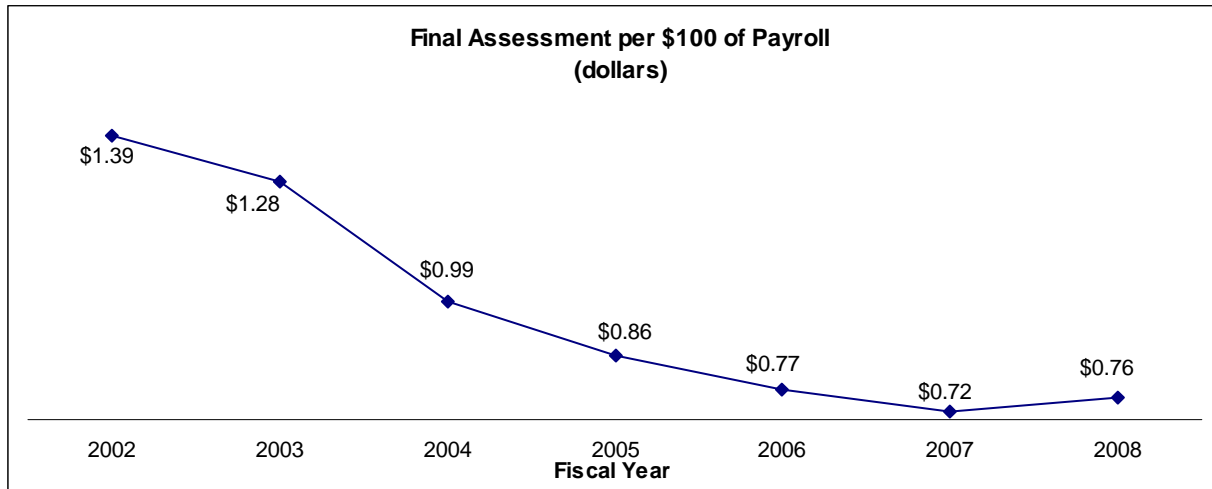
Although not part of the Office's appropriations, as discussed above, the OAG provides administrative support to the Office pursuant to enabling legislation. The OAG was appropriated approximately \$945,000 each year of the current biennium. Due to increased technological, legal, and other support requirements of the Office's programs, the current level of OAG appropriations may be inadequate in the long term.

- Claim Fund Appropriation – Authority to collect \$45.875 million each year through interagency contracts was appropriated for the current biennium. The Office also was given appropriation authority for all subrogated receipts, estimated at \$567,750 a year. Due to lower-than-expected costs and limited unexpended balance (UB) authority under the assessment program, the Office only utilized \$44 million of the interagency contract authority in FY 2008 but expects to utilize virtually the entire authority for FY 2009 due to increasing medical costs.

Prior to FY 2002, the claim fund appropriation was funded by a direct General Revenue appropriation for 75 percent of the estimated costs with individual agencies responsible for the remaining 25 percent. For the FY 2002-2003 biennium, an allocation program (the Risk Reward Program, see Texas Labor Code §412.0123) was implemented by the Legislature, which charged each agency an assessment, similar to a premium, based on claims experience, workforce, payroll, and other factors. The direct General Revenue appropriation was redistributed for that biennium to each agency to increase the individual agency baseline appropriations. Total claim costs peaked at almost \$70 million in FY 2003, the second year of the assessment program, then fell to \$55.9 million in FY 2004, and continued to decrease annually through FY 2007 with costs of \$42.3 million. Though still significantly lower than five years ago, costs have begun to increase starting with the final quarter of FY 2007. Costs for FY 2008 are anticipated to be

roughly \$44 million.

With respect to assessment costs, the average cost of the FY 2008 assessment to participating state agencies was \$0.76 per \$100 of payroll for the risk pool as a whole, down substantially from \$1.39 per \$100 of payroll for FY 2002.



## V. Technological Developments

The Office utilizes mainframe, Local Area Network (LAN), and internet-based applications to administer workers' compensation claims and to assist client agencies in developing comprehensive risk management programs. The Office's RMIS utilizes an open source web-based technology platform to receive workers' compensation claims information from client agencies and automatically load that information into the mainframe-based workers' compensation Claims Management System (CMS). CMS continues to be enhanced to provide more timely and seamless access to workers' compensation claims information for claims adjusters and client agencies.

In achieving improved automation of internal business functions, the Office continues to leverage existing mainframe and image server technologies owned and maintained by the OAG. Recent automation efforts have created linkage between the claims management and document imaging systems to speed up document retrieval, reduce data errors, and have integrated digital storage and retrieval of recorded statements into a common document storage system. The Office has also recently implemented a front-end bar coding project to identify and index incoming mail and correspondence. Within hours of a document's arrival, the document is imaged and automatically indexed into the Office's content management system. This allows the document to be globally available to staff and supports concurrent processing of the claim. Taken together, these changes have greatly improved the quality of claims adjusting and customer service.

Recent Internet-based automation efforts have produced an online training scheduling and

tracking system for both internal and external trainees. SORM trainers use the new system to set up courses, schedule classes, and document attendance at training sessions. Students are sent periodic e-mail notifications of upcoming training and can then access RMIS online to enroll in the desired class.

The Internet-based REPS assists client agencies in identifying exposures within a number of risk categories. This system provides assistance in calculating frequency and severity forecasts and selecting appropriate risk mitigation strategies and also creates a custom risk management plan for each client agency.

Technological innovation has allowed the Office to more effectively administer workers' compensation claims and risk management programs with existing staffing. Further, improvements made in the Office's document processing are anticipated to support a platform for creating administrative efficiencies between the Office and future network partners. The goal is to establish electronic billing and payment between network providers and the Office. Such a system will reduce costs associated with billing and processing payment and will support payment for services at an earlier date. The Office expects it can leverage this efficiency to negotiate lower costs for services from network providers.

Other identified future enhancements and technology initiatives include:

- Creating data interfaces to identify fraud by injured workers who have not reported they have returned to work;
- Implementing a content management system to integrate and improve the identification and retrieval of all types of agency records;
- Development of a customer self-service portal to share information with third-party administrators, network healthcare providers, and workers' compensation claims recipients;
- Planned replacement of workstations as part of a 4-year replacement cycle. The Office's heavy reliance on automation to carry out its functions requires replacing workstations *en masse* to support a universal configuration and simplifies all aspects of functionality, both for user and support personnel; and
- Replacement of existing servers, as required to ensure interoperability in the increasingly complex environment required by emerging technologies.

## **VI. Changes as a Result of Sunset Review**

The mission and performance of the Office was reviewed by the Legislature during the 80th regular session, as required by the Texas Sunset Act. The Sunset Commission staff identified a continuing need for the agency and recommended the Office be continued in existence until 2019.

SB 908 was introduced to implement the Sunset Commission recommendations and was finally passed by the Legislature and signed by the Governor. Beyond continuing the agency, the bill also included a number of changes intended to address issues identified by the Sunset

Commission during the review process. This section is not intended as a detailed analysis of all or specific requirements, but as a general overview of the bill.

With respect to risk management, the bill emphasizes the implementation of BCP by state agencies. These BCPs are intended to ensure adequate planning for the resumption of essential services in the event of a disaster or interruption. The bill authorizes the Office to promulgate guidelines and models and to assist state agencies in the development of BCPs. SB 908 also requires the Office, the State Fire Marshal's Office, and the Texas Facilities Commission to formally work together regarding fire hazards and safety information.

Regarding workers' compensation, the bill has several provisions respecting RTW initiatives, including increased involvement of the Office in RTW assistance and reporting. Other provisions include confidentiality of information in or derived from claim files and authorization for expanded use of direct deposit payments for workers' compensation benefits. In addition, the legislation requires the Office to study options for agencies dealing with catastrophic claims and to report study findings to the Legislature.

While the Sunset Commission staff identified and recommended additional required resources necessary for the implementation of the new legislative requirements, the Office did not receive the proposed funding or dedicated personnel for implementation of these new requirements as part of its appropriations for the next biennium. As discussed herein, the agency is attempting to implement the programs within any available or existing resources.

The final Sunset report and SB 908 are included in Appendices H and I.

## **VII. Self-Evaluation and Opportunities for Improvements**

### **Risk Management Challenges and Opportunities**

State operations occur in all parts of the state. Limited staff and financial resources restrict the time staff can spend on-site evaluating and recommending mitigation of risk at client agencies. REPS was implemented to assist agencies in performing self-assessments of exposures and amounts at risk. SORM Risk Management Specialists can now better assess the magnitude of potential risks at client agencies and better prioritize visitation schedules based on the amount and probability of impact to the state.

Collecting and reporting accurate and timely risk management data has always been challenging. State agencies collect and maintain that data in different ways and the integrity of the data may well be suspect. In addition, the degree of experience and sophistication in risk management practices varies from agency to agency.

Continued opportunities exist to reduce the Injury Frequency Rate (IFR) at client agencies, though client agency IFRs have been historically at or below those of U.S. and Texas averages (see chart on page 10). The Office plans to provide additional assistance to client agencies having the highest IFRs in hopes of implementing improved health and safety programs.



Increasing the effective use of risk transfer to reduce the overall cost of risk for the state is the focus of the Office's insurance and bond program. Risk and cost benefit analyses will assist the Office and its client agencies in determining which risk control technique, risk transfer (insurance) or retention (non-insurance), would be the most appropriate method for implementation depending on the identified risk.

The Office will continue to identify areas of significant risk exposure where the state's interests may best be served through statewide insurance programs. The Office will also review individual insurance purchases on an exception basis for agencies with unique risks, assist in the purchase of individual insurance policies as appropriate, and approve the purchase of surety bonds for client agencies. The Office believes it has and will continue to demonstrate significant state savings as a result of this program.

### **Information Technology Challenges and Opportunities**

- New laws and regulations may force expensive programming changes to automated systems.
- Technology investments are making progress on protecting and improving access to critical data.

The Office is required by law to comply with data reporting requirements established by DWC, which has announced its intent to implement version 3 of its "TxComp" system for receiving claims information from all reporting carriers. Additionally, DWC has stated its intent to standardize several workers' compensation data element definitions and values. These changes to DWC's data collection system are incompatible with the Office's current systems and programming and have a direct impact on the Office's ability to comply to the reporting requirements. It is possible significant resources will be needed to revising the Office's CMS in order to meet the changing requirements of TxComp. Such forced changes are common and represent risk for programming expense as well as potential fines for non-compliance if modifications cannot be completed timely with existing staff and budget.

The Office is making steady progress toward implementing a content management system for both workers' compensation and risk management information entry and access. The Office has more than 3,000 rolls of microfilm containing inactive claims information still subject to retention. Although the information is rarely accessed, immediate access to case-specific claims data is required from time to time. Selective conversion of the microfilm claims data to digital images would facilitate fulfillment of the strategic objectives of the Office.

### **Workers' Compensation Claims Operations Challenges and Opportunities**

The Office has made significant improvements to its claims operations, which have reduced the total paid on claims by an average of more than \$21.75 million per year over the last five years.

<u>Claim Costs (\$million)</u>	<u>Fiscal Year</u>
\$67.6	2002
\$70.0	2003
\$55.9	2004
\$54.0	2005
\$44.9	2006
\$42.3	2007
\$44.0	2008 (projected)

The drastic decreases in expenditures from FY 2003 to FY 2007 appear to have largely leveled off, and other potential areas for continued stability and small-scale reductions continue to be reviewed and implemented.

The Office has improved its hiring and retention through the recruitment of highly educated candidates for entry-level positions and providing professional training and opportunities for advancement through career development and demonstration/performance-based promotions.

The Office lets multiple contracts for cost containment services, which made it possible to shift the volume of work between vendors without re-bidding and without a 6-month data transition. This arrangement has significantly increased responsiveness and efficiency, improved the quality of vendor performance, and produced technological improvements through ongoing competition.

It is not yet clear what impact Workers' Compensation Healthcare Networks will have on the cost of medical benefit delivery. However, there will be additional initial costs associated with implementation and numerous challenges to overcome. The steps the Office has taken to reduce caseloads, enhance its technology, develop network bid specifications, and reduce costs should assist the Office in meeting the challenges ahead.

While the Office still faces challenges with errors due to staff training and experience deficiencies, it has improved its overall compliance with the DWC audits. Gains have been made regarding late reporting by agency employers as a result of electronic reporting, and case loads have been reduced to acceptable levels, which has reduced the number of errors by adjusters. While errors continue to occur, the Office emphasizes flexibility in the reallocation of resources as required to address any deficiencies, whether identified internally or externally. The agency has increased the number of internal claims auditors to monitor and identify errors in an effort to achieve full compliance with existing rules and requirements.

Significant challenges remain in the Office's efforts to comply with DWC's mandatory electronic data submission requirements. The Office has worked closely with DWC to bring all data submissions up to date, but future mandates from DWC present the potential to overtax the Office's programming resources. The Office has worked to build a positive and productive relationship with DWC and hopes it can continue to achieve a high level of compatibility and compliance with DWC reporting requirements.

Since FY 2002 new employees in the Claims Operations Division have been assigned to begin

their training in the customer service area. Here, new inexperienced staff learns to handle routine calls from injured workers and medical providers utilizing the Office's automated systems. Over the last year, this training has expanded to include cost containment, basic accounting knowledge, and increased phone training. This practice has permitted full staffing for customer service, and most injured workers are now able to speak to a live customer service representative immediately when they call. This practice has reduced the number of missed calls and allowed experienced claims adjusters more time to adjust claims. At the same time the practice has improved the training of new adjuster candidates.

Though this process has been successful, it remains necessary to further improve the program by integrating highly skilled and qualified staff into customer service functions that can readily address customer needs and ensure all customers receive quality customer experiences. This customer service function will incorporate complaint monitoring, resolution, and new customer satisfaction surveys in accordance with the agency Customer Service Plan.

The Office is developing alternative methods to obtain customer service data through direct telephone contact at the time the service is provided. This enhancement is necessary to address the very low response rate to the Office's current written survey process. Under the new system, customer service/quality assurance staff will survey customers who recently had contact with the Office, in addition to electronic surveys and mailed out surveys.

This investment in our customer surveying program represents a direct application of the Office's Statement of Philosophy, requiring the agency to 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.

# 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 15 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.

## *Objective 2*

To review and determine eligibility on 100 percent of the state workers' compensation claims submitted within 15 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.
- (2) Cost of workers' compensation per \$100 State payroll.

# 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.
- (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.
- (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) 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) Percentage of total assessments collected used for claim payments.



### Technology Initiative Alignment

<b>Technology Initiative</b>	<b>Related Agency Objective</b>	<b>Related SSP Strategy</b>	<b>Status</b>	<b>Anticipated Benefit</b>	<b>Innovation, Best Practice, Benchmarking</b>
Replace workstations	Both objectives	5-1	Planned	Powerful workstations allow adjusters to take full advantage of advanced and powerful emerging technologies.	Best practice: Adjusters can (and do) save the state millions of dollars with effective claims management.
Replace obsolete servers	Both objectives	3-1	Current	Moving all servers to the same platform will minimize incompatibilities and improve interoperability. It will also allow the latest technology to be used, especially for security purposes.	Best practice: Aligning with the Department of Information Resources security measures.
Online Integration Tool	Both objectives	4-1, 5-1	Planned	Allow extensive ad hoc and timely dissemination of information to SORM's limited customer base (providers, claimants, and state agencies.)	Innovation: Online access and e-mailing will reduce the need to print and mail vital information to customers.
Telephonic customer interface		1-2, 4-1, 5-1	Planned	Automate the call center to send on-screen claim information to the adjuster or claims assistant handling the call.	Benchmark: Improved customer service.

**Brief Description of Agency's Planning Process**

The strategic planning cycle was initiated at a meeting of all division directors and executive staff. The team reviewed and discussed the instructions for completing the strategic plan and reviewed options for completing the plan. Directors discussed the role of ongoing projects and any anticipated changes in the agency's long-range strategic plan.

At the Office's Board of Directors meeting on June 11, 2008, a subcommittee of two members was established to advise staff and review the updated Strategic Plan.

During strategic planning, the team reviewed the 2007-2011 strategic plan and noted the strategic goals achieved and the improvements needed based on the strategies developed in the previous planning process. The team determined which elements should be continued in the updated plan.

Directors reviewed and submitted new strategies for evaluation by executive management for incorporation in the updated plan. Information pertaining to prior and recent legislative actions, agency initiatives, and customer service surveys were discussed and incorporated into the strategic plan.

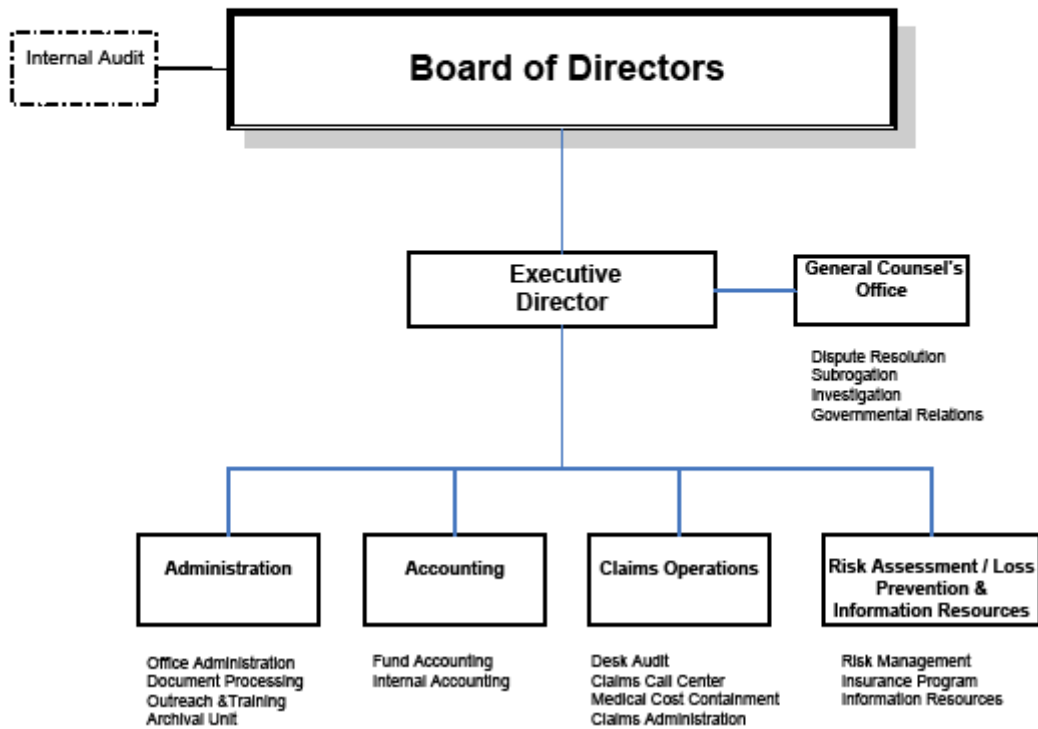
Directors were charged with development of assigned sections for both the Workforce Plan and the updated Strategic Plan based on functional expertise, and executive and division-level staff reviewed each section of the document as it was developed to provide additional input or recommendations.

The draft was reviewed for compliance with published instructions and submitted to the Chairman of the Board for approval. The updated Strategic Plan was finalized and submitted on July 11, 2008.

Organizational Chart

STATE OFFICE of RISK MANAGEMENT

January, 2007



**APPENDIX C**

**SORM Outcomes 2009-2013**

<b>Outcomes</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Incident rate of injuries and illnesses per 100 covered full-time state employees	3.90%	3.90%	3.93%	3.94%	3.95%
Cost of workers' compensation per covered state employee	\$290	\$295	\$298	\$301	\$304
Cost of workers' compensation per \$100 State payroll*	\$0.95	\$0.96	\$0.97	\$0.98	\$0.98

\*See Performance Measure Definition Goal 1, Objective 2, Outcome 2 (Page 43)

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, but also reflects covered state agencies actions in regards to implementation of SORM recommendations to control and correct the conditions that lead to injured state employees.

**Source/Collection of Data:** Workers’ compensation claims are opened and entered in the SORM Claims Management System (CMS) as reports of injuries (DWC-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:** Non-cumulative

**New Measure:** No

**Key Measure:** Yes

**Desired performance:** Lower than 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 meet the requirements of the SORM risk management guidelines.

**Source/Collection of Data:** SORM database.

**Method of Calculation:** Summation of the number of complete risk management program reviews conducted. A review is considered complete when the written report has been completed and sent to the agency.

**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:** 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 for the workers' compensation payments strategy 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:** No

**Key Measure:** No

**Desired performance:** Lower than target.

## PERFORMANCE MEASURE DEFINITIONS

**Measure:** Cost of workers' compensation per covered State employee.

*Goal - 01      Objective - 02      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) divided by the number for full-time equivalent state employees.

**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:** Cost of workers' compensation per \$100 State payroll.

*Goal - 01*

*Objective - 02*

*Outcome - 02*

**Short Definition:** The total cost of the workers' compensation program divided by the dollar amount of payroll processed through the state treasury for covered agencies, multiplied by 100. Total cost includes claims expenditures, cost containment expenditures, and administrative costs.

**Purpose/Importance:** This measure provides the dollar cost of workers' compensation per \$100 state payroll. This measure can be used to provide the overall trend of workers' compensation cost when plotted with prior period calculations and to provide a comparison to the cost for workers' compensation by the private sector.

**Source/Collection of Data:** SORM database, annual payroll information from the Comptroller's Office, actual and forecast expenditures from OAG budget reports or database.

**Method of Calculation:** Expenditures for workers' compensation (numerator) divided by the dollar amount of state payroll for covered agencies (denominator) multiplied by 100.

**Data Limitations:** Administrative expenditure data is forecast upon information available at the time of reporting. Because the payroll data is limited to funding processed through the treasury, most local funding and the payroll of county Community Supervision and Corrections Departments will be excluded from the calculation. Because the State administers its workers' compensation on a cash basis, significant changes in cumulative payroll or workers' compensation claims will take 6 months to 2 years to be reflected in changes to the cost of workers' compensation coverage, producing fluctuation in the calculated value.

**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 of 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:** Higher 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 is an output measure of the workers' compensation strategy. It 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:** 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 affected 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.



### IMPLEMENTING THE TEXAS TRANSFORMATION

#### Section H

- The Office aligns as much as feasible with the Department of Information Resource's (DIR) "Texas Transformation." The Office is administratively attached to the OAG and is dependent on it for many technology services, including mainframe, e-mail, document imaging, and network services.
- Since OAG is part of the Data Center conversion by DIR, the listed technology services are considered managed services.
- The Office has always used TEXAN phone services.
- Texas On-line would not be appropriate for the Office's clients, as our customers are a limited group and are state employees or state entities, and our functions are mostly extremely specialized.
- Whenever possible, the Office takes advantage of DIR's go-direct purchasing option.
- Web servers are behind the OAG Cisco firewall. Additional protections are in place. As a result of DIR penetration testing, the Office now filters all input, prohibiting SQL injection, cross site scripting, and blind SQL injection. Secure Socket Layer (SSL) is used to encrypt incoming and outgoing streams.
- The Office is exempt from the Health Insurance Portability and Accountability Act (HIPAA) regulations; that said, the Office is careful to safeguard claimant personal information against unnecessary dissemination. Social Security numbers have been specifically encrypted in all locations.
- There are plans to add a search facility for the Office's public website as part of content management, which is being implemented.
- Data for the Office's business must be maintained for 30 years. Life cycle management is less of an issue than finding a way to maintain data for that length of time in a manner that allows access as needed occasionally for hearings.
- There are currently several trading partners with the Office, and all send and receive various ftp transmissions from the Office. With the implementation of e-billing and workers' compensation networks, we expect to have many more trading partners.
- During the last biennium, 2006-2007, the Office purchased new workstations for all employees at one time, using a single platform. The Office is very pleased with the result of complete compatibility and ease of maintenance and troubleshooting. The Office intends to replace all the workstations in the coming biennium, 2010-2011, when the workstations are 4 years old.
- The Office has plans to replace two of its main servers, which are 4-6 years old, with more robust boxes, and move all the servers to a single platform, Windows 2003. When Windows 2008 has been time-tested, the Office will consider moving all servers to that platform.
- The agency uses a robust document imaging system and encourages adjusters and cost containment employees to view documents online, rather than printing paper copies. The Office sends and receives electronic copies of most documents, rather than paper.

**STATE OFFICE *of* RISK MANAGEMENT**  
**WORKFORCE PLAN**  
**Fiscal Years 2009-2013**

**A. Overview of Agency Scope and Functions**

The Office’s goal is to administer the State’s self-insured Workers’ Compensation Program for state employees in a manner that balances consideration for the rights and needs of the state worker with the protection of the legitimate interest of the State of Texas. This is a vigorous approach that involves assessing and addressing risks that either threaten the achievement of the State’s strategic objectives or represent opportunities to exploit chances for competitive advantage

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

**B. Mission Statement**

The Office 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**

The Office establishes statewide risk management guidelines, works with agencies to develop programs that meet the guidelines, conducts on-site risk management program reviews, provides safety evaluations, consultations, and training, and sponsors various lines of insurance coverage to assist client agencies in financing their identified risks. In that capacity, the Office serves as a full-service insurance manager for participating agencies. The Office also administers issuance of Surety Bonds and Notary Public Bonds.

**2. Strategy - Pay Workers’ Compensation**

The Office obtains and reviews all claims for workers’ compensation in accordance with state law and administrative regulations, determines eligibility for medical and indemnity benefits, and determines the injured employee’s weekly wage and indemnity payment rate.

**D. Supply Analysis**

SORM is authorized for 122 FTE positions.

<b>Division/Section</b>	<b>Number of FTEs</b>	<b>Working Title</b>
Executive Management	1	Executive Director
	1	Executive Assistant
Administration Division	1	Director
	1	Program Manager
	1	Human Resource Specialist
	1	Office Manager
	2	Receptionists
	14	Document Processing Clerks
	4	Trainers
	1	Information Specialist
Claims Operations Division	1	Director
	1	Deputy Director
	5	Compliance Auditors
	5	Claims Supervisors
	31	Claims Adjusters
	1	Case Manager
	10	Medical Bill Auditors
Fund Accounting Division	1	Director
	1	Deputy Financial Officer
	2	Accountants
	1	Accounting Team Lead
	4	Accounting Clerks
General Counsel's Office	1	General Counsel
	1	Deputy General Counsel
	1	Associate General Counsel
	3	Legal Assistants
	1	Attorney
Dispute Resolution Unit	3	Proceedings Specialists
Subrogation Unit	1	Legal Assistant
Investigations Unit	2	Investigators
Governmental Relations Unit	1	Governmental Relations Specialist
Information Resources Division	.5	Director
	6	Programmers
	1	Business Analyst
	1	Network Administrator
	1	Desktop Support Technician

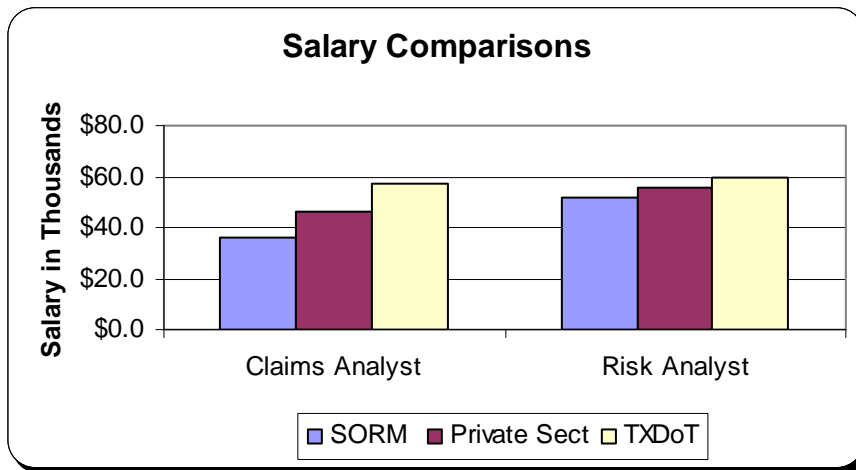
Risk Assessment and Loss Prevention Division	.5	Director
	5	Risk Specialists
	2	Insurance Specialists
	1	Administrative Assistant

The mission, strategic focus, and goals remain the same for the Office; however, external factors such as legislative initiatives or mandates, workforce demographics, automation and technology, and catastrophic or unforeseen events (e.g., pandemics, coastal flooding, etc.) affect the direction of the organization.

This plan will focus on the Office’s critical missions of administering workers’ compensation and assisting state agencies with identifying and mitigating risk.

The Office currently employs a diverse staff that parallels that of the Central Texas workforce in ethnicity, education, and gender. A majority of the new hires are graduates of local colleges and university, a trend that the Office anticipates will not change significantly.

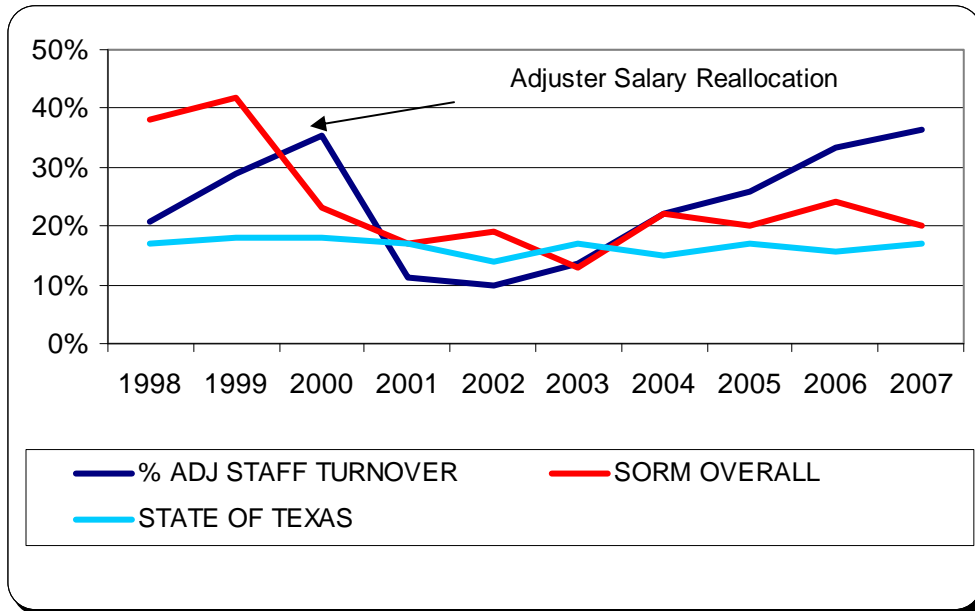
The Office continues to struggle with attracting and retaining experienced risk management and claims staff. Qualified applicants, as well as tenured agency staff, routinely migrate to the private sector where salaries are higher. In addition to the private sector, the Office competes with the University of Texas, Texas A&M University, and Texas Department of Transportation for risk managers and claims personnel. The Office has used its available resources to increase salaries but they remain below market due to budget constraints. The chart below demonstrates the lack of parity in salaries among the entities.<sup>8</sup>



For the past several years the Office’s overall turnover has exceeded that of the State, however, it is particularly high in the Claims Operations Division. FY 2007 had a 51 percent turnover in claims adjusters. Based on the State Auditor’s online exit survey and

8 2007 Risk Management Compensation Survey, Risk and Insurance Management Society, Inc.

the Office's 2007 *Survey on Organizational Excellence*, the overwhelming reason for leaving is "pay and benefits". Historically the Office has hired college-degreed, entry-level personnel and brought them up through the ranks. Although this is an effective tool in the short term (we create good "technicians"), the Office is unable to hold onto them long enough for them to evolve into true risk and insurance professionals.



The Office is responsible for assisting client agencies in protecting \$11.8 billion in capital investments and approximately \$2.7 billion in fixed assets, and administering an annual workers' compensation fund of \$44 million dollars. To maximize effectiveness, more technology and more experienced staff will be needed. Unless the Office is able to address the salary situation, it is anticipated that the current turnover trend will not change.

#### D. Demand Analysis

It is anticipated that medical utilization of an aging workforce and associated costs, including pharmaceutical expenses, will continue to rise, impacting future State budgets. The Office believes these increases in medical charges submitted for payment must be monitored by highly trained registered nurse case managers (as required by SB 908) who will be able to manage complex medical cases.

Due to the nature of the workers' compensation environment, there is a necessity for skill sets related to medical, vocational, and RTW standards, which require additional medical and vocational rehabilitation backgrounds. Future claims adjusting staff must also possess a stronger background in medical terminology, generally accepted medical procedures and practices, and the ability to oversee complex claims to ensure compliance by network contractors with contract terms.

Recent catastrophic events have emphasized the State's need for every agency to have a comprehensive BCP in place. SB 908 mandates the Office retain a business continuity professional to assist and advise state agencies in developing this important strategy. In addition to business continuity, state agencies are encouraged to transfer risk through the purchase of insurance. With regards to fixed asset information on state agencies' property, there is currently more data than the Office is able to access and analyze.

The Office believes technology and automation is a critical part of meeting the demand for more efficiency and will assist staff in the analysis of complex data. It is unlikely the Office's mission will change, and new systems and enhancements on current systems will be essential in providing staff with the tools to investigate, analyze, and protect the State's assets, including its workforce.

Technology and automation, such as voice over internet protocol, voice integrated response systems and telephone application programming interfaces, will change the way injured workers and client agencies communicate with the Office. It is anticipated that 24 hour online access to claim and insurance data will enhance customer service as well as make resources available to be reassigned to critical areas within the Office. These technological enhancements require the agency to employ additional programmers to design and maintain applications.

## **F. Gap Analysis**

The Office expects to see gaps in specialized job skills and expertise in the following areas:

- Automation and enhanced technology will require additional programming staff currently not available due to budget restrictions;
- Budget constraints have limited training for information technology staff on critical software;
- Recent catastrophic events have emphasized the importance of employing additional staff for advising state agencies on insurance purchases;
- Due to budget constraints, the Office is unable to comply with SB 908, 80<sup>th</sup> Legislative Session, requiring the Office to employ a business continuity specialist to assist state agencies;
- Due to budget constraints, the Office is unable to comply with SB 908, 80<sup>th</sup> Legislative Session, requiring the Office to employ a registered nurse/case manager;
- Due to budget constraints, the Office is unable to comply with SB 908, 80<sup>th</sup> Legislative Session, requiring the Office to monitor RTW outcomes of state agencies; and

- The implementation of the Office's Statewide Workers' Compensation Healthcare Network necessitates contract oversight that will require staff have more in-depth knowledge of medical and legal terminology.

## **G. Strategy Development**

The Office intends to approach shortfalls and gaps in the workforce with a combination of strategies. Because of fiscal restraints, the agency's first strategy in securing new skills will be to make positions and money available through attrition. As new skill sets for critical jobs are identified, redundant or obsolete positions will be replaced with a workforce possessing skills aimed at meeting projected needs. Some resources may be reallocated to divisions anticipating programmatic, operational, or workload changes.

As an agency with historically high turnover, succession planning will be used to prepare the Office for risks associated with planned or unplanned loss of knowledge that is critical to the successful operation of the Office. The Office plans to continue to select entry-level staff using criteria set for mission critical positions, i.e., college degree, technology-savvy candidates. Through training on operational policies and procedures, the Office can maintain a steady supply of skilled claims administration personnel.

Succession planning for high-level leadership positions has proved more problematic. Lack of funding has limited the Office's ability to attract and retain talented professionals with supervisory background. The Office will identify key positions where succession planning is appropriate and create a developmental plan for each. This plan will include goals that will be incorporated into performance planning and evaluations. Developmental opportunities will be accomplished through mentoring and job-specific training.

Where these two strategies are unrealistic or inappropriate, the Office will request additional funding from the Legislature to develop recruitment and retention programs.

The Office believes a combination of these strategies will successfully prepare the agency for the upcoming challenges it faces.

**SURVEY OF ORGANIZATIONAL EXCELLENCE**

In October 2007, the Office participated in its fourth *Survey of Organizational Excellence*. The Office has a high response rate, 94 percent, and scored higher than agencies of similar size, mission, and all responders in all dimensions. Scores higher than 300 suggest employees perceive the issue more positively than negatively, and scores of 400 or higher indicate areas of substantial strength. The only score lower than 300 was in the area of fair pay, at 259.

The survey identified the agency's substantial strengths in physical environment (428), quality (customer service and continuous improvement as part of the agency's culture) (408), availability of needed information (407), strategic orientation (406), and external communications (404).

Areas of concern for the agency are fair pay (259), flow of internal communications (370), supervisor effectiveness (371), team effectiveness (372), and change oriented (377).

The Office recognizes that planning ahead for change is essential in encouraging positive growth trends. Areas that showed the least amount of improvement that the Office will be targeting for improvement are *diversity* and *fairness*. The Office will be focusing attention on these dimensions by ensuring teams are trained to value and incorporate the opinions of each member and to address the perception that favoritism is an issue in raises and promotion..

The Executive Summary of our most recent survey is reprinted on the following pages.





*The Survey of Organizational Excellence*

State Office of Risk Management



*Executive Summary*

2007

# Executive Summary

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479 -State Office of Risk Management

## Introduction

**Thank you** for your participation in the Survey of Organizational Excellence (SOE). We trust that you will find the information helpful in your leadership and organizational development efforts. Acting as a powerful wave of change, the SOE is important in both the public and private sectors. The number of surveys distributed over the last 10 years has increased three-fold. Both organization and employee response has been tremendous. Such participation indicates the readiness, indeed the eagerness, of employees to engage in meaningful work to improve the organization.

**Organizational Leadership** must build on this wave of engaged employees and begin initiatives to improve services and benchmark results against outstanding organizations. Above all, the Survey is not about just collecting data or fulfilling some type of compliance, but about promoting excellence through participation and accountability. The Survey reinforces the vital role every employee must play to the fullest at all times. The Survey emphasizes continuous thinking to formulate better, more efficient ways of getting work done. Finally, the Survey calls for candor among all employees towards building a quality organization.

**The Survey Framework** assesses, at its highest level, five workplace dimensions capturing the total work environment. Each workplace dimension consists of survey constructs. The survey constructs are designed to profile organizational areas of strength and concern so that interventions are targeted appropriately.

### Survey Dimensions and Constructs

Dimension I Work Group	Dimension II Accommodations	Dimension III Organizational Features	Dimension IV Information	Dimension V Personal
Supervisor Effectiveness Fairness Team Effectiveness Diversity	Fair Pay Physical Environment Benefits Employment Development	Change Oriented Goal Oriented Holographic Strategic Quality	Internal Availability External	Job Satisfaction Time and Stress Burnout Empowerment

## Your Reports Include:

**An Executive Summary** is provided in this document. The summary contains graphical representations of data from the organization as a whole or in the case of executive summaries for category codes, data specific to that category code. Your organization may or may not have elected to use category codes. In each executive report there is a demographic profile of the organization along with high order analysis of survey data on the construct and dimension level. Both organizational strengths and areas of concern are presented along additional narrative and analysis. Relative benchmark data is also pulled in for comparison purposes.



## Introduction (cont.)

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**A Data Summary** accompanies this report. The data summary provides a greater detail than the executive summary. The data summary is largely a quantitative report of the survey responses. Demographic data are presented in percentages and real numbers. Construct means and benchmark comparison numbers are provided on all variables. Item data is broken into mean, frequency counts, standard deviations, and number of respondents and item benchmark data are also displayed.

**Electronic Reports** are provided in two formats. First, all executive and data summary reports are included in pdf files for ease in distribution and for clear printability. This file format is widely used and a free pdf reader, called Adobe Acrobat reader is available from [www.adobe.com](http://www.adobe.com). The second types of electronic reports are in Microsoft Excel format. These reports are constructs and item survey data in a flat spreadsheet format. This allows the user to sort highs and lows, search for individual items, or create custom reports from the survey data.

**Benchmark Data** composed of the organizations participating in the survey are provided in your reports. Benchmarks are used to provide a unit of comparison of organizations of similar mission and size. If you selected to use organizational categories, internal benchmarks between categories as well as over time data illustrates differences and changes along item and construct scores. Our benchmark data are updated every two years and are available from our website at [www.orgexcel.net](http://www.orgexcel.net). The most current benchmark data are provided in your report.

**Using the Survey as a Catalyst** for organizational improvement is essential to the survey process. The survey creates momentum and interest. Towards the end of the executive summary report is a series of suggested next steps to assist in these efforts. Also, we have captured several presentations from other organizations that have used the data in strategic planning, organizational improvement, and employee engagement initiatives. These presentations are provided in streaming video from our website at [www.orgexcel.net](http://www.orgexcel.net) by clicking on the Best Practices link.

**Additional Services** are available from our group. We conduct 360-Degree leadership and supervisory evaluations, special leadership assessments, customer and client satisfaction surveys along with the ability to create and administer a variety of custom hardcopy and online survey instruments. Consultation time for large presentations, focus groups, or individual meetings is available as well. For additional information, please contact us at anytime.

**Your Comments are Important** to us. We welcome your comments (positive or negative) regarding the Survey, the level or type of service provided by our office, or suggestions you may have for ways we can improve our products or services. Comments can be sent directly to me or to the Survey's Principal Investigator, Dr. Michael L. Lauderdale at the UT School of Social Work, 1925 San Jacinto Blvd., Austin, TX 78712.



## Organization Profile

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### State Office of Risk Management

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#### Organizational Leadership:

ID: 479

- Jonathan Bow, Executive Director
- Ernest Garcia, Board Chair



#### Benchmark Categories:

To get a better idea of how this organization compares to others like it, we provide three types of benchmark data: organizations with a similar size, similar mission, and organizations belonging to a special grouping. Visit [www.survey.utexas.edu](http://www.survey.utexas.edu) for a complete list of benchmark groups and scores.

**Organization Size:** Size category 3 includes organizations with 101 to 300 employees.

**Mission Category:** General Government (Mission 1/10)

The General Government category includes organizations involved in the general operating procedures of the government.

**Special Grouping:** None

#### Survey Administration Profile:

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**Collection Period:**

10/1/2007 - 10/20/2007

**Collection Method:**

All employees took the survey online.

**Additional Items and Categories:**

Organizations can add customization by creating additional items tailored to the organization and categories for employees to identify with.

Refer to the Appendix of the Data Report for a complete list of categories and additional items.

- Category (7 codes)
- Category (3 codes)

**Survey Liaison:**

Gail McAtee (512) 936-1501  
Agency Administration Director  
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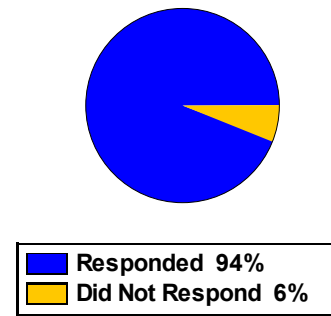
[gail.mcatee@sorm.state.tx.us](mailto:gail.mcatee@sorm.state.tx.us)



# Response Rates

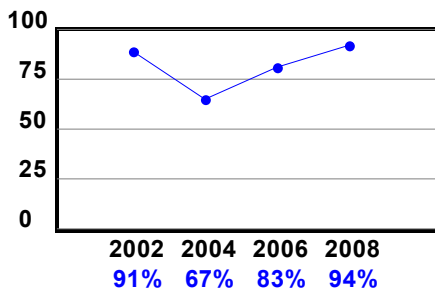
## Overall Response Rate

High rates mean that employees have an investment in the organization, want to see the organization improve and generally have a sense of responsibility to the organization. Low response rates can mean several things. There simply may not have been enough effort in making certain employees know the importance of completing the Survey. At a more serious level, low rates of response suggest a lack of organization focus or responsiveness. It may suggest critical levels of employee alienation, anger or indifference to organizational responsibilities.



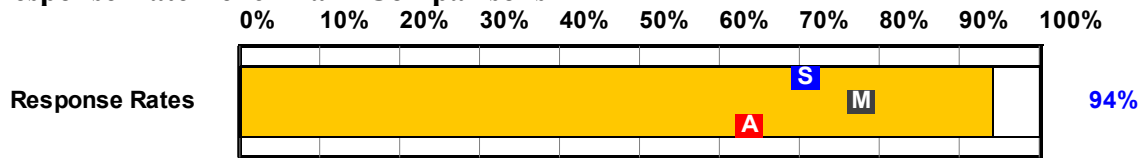
Out of the 120 employees who were invited to take the survey, 113 responded. As a general rule, rates higher than 50 percent suggest soundness. Rates lower than 30 percent may indicate serious problems. At 94%, your response rate is considered high.

## Response Rate Over Time



One of the values of participating in multiple iterations of the Survey is the opportunity to measure organizational change over time. In general, response rates should rise from the first to the second and succeeding iterations. If organizational health is sound, rates tend to plateau above the 50 percent level. Sharp declines in participation suggest some form of general organizational problem is developing. Your response rate is higher than it was for the previous survey.

## Response Rate Benchmark Comparisons



	Scores for your Organization (Numeric Score to the right in Blue)
	Size - Benchmark for similar size organizations
	Mission - Benchmark for organizations with a similar mission
	All Respondents - Benchmark for all of the survey respondents

## Regional Distribution Map and Benchmarks

Regional Distribution Maps are available to organizations with a large number of employees working in several regions throughout the state. Regional Distribution Map (if applicable) and Regional Benchmark Map will be available in the near future.



## Survey Framework and Scoring

The Survey assessment is a framework that consists of survey items, constructs, and dimensions. Each level of the framework provides insight into the workings of an organization.

### Items

At the most basic level there are survey items, which provide specific feedback. For each item, employees are asked to indicate how strongly they agree or disagree that the item describes the organization. Possible responses include: (1) strongly disagree; (2) disagree; (3) feel neutral; (4) agree; (5) strongly agree; and, (not scored) don't know/not applicable. Any survey item with an average (mean) score above the neutral midpoint of "3.0" suggests that employees perceive the issue more positively than negatively. Scores of "4.0" or higher indicate areas of substantial strength for the organization. Conversely, scores below "3.0" are viewed more negatively by employees. Items that receive below a "2.0" should be a significant source of concern for the organization and should receive immediate attention.

### Constructs

The survey constructs are designed to broadly profile organizational strengths and areas of concern so that interventions may be targeted appropriately. Survey constructs are developed from a group of related survey items. The construct score is calculated by averaging the related item scores together and multiplying that result by 100. Scores for the constructs range from a low of 100 to a high of 500. An item may belong to one or several constructs, however, not every item is associated with a construct.

### Dimensions

The framework, at its highest level, consists of five workplace dimensions. These five dimensions capture the total work environment. Each dimension consists of several survey constructs. The dimension score also ranges from 100 to 500 and is an average of the construct scores belonging to the dimension.

### Survey Dimensions and Constructs

<b>Dimension I Work Group</b>	<b>Dimension II Accommodations</b>	<b>Dimension III Organizational Features</b>	<b>Dimension IV Information</b>	<b>Dimension V Personal</b>
Supervisor Effectiveness Fairness Team Effectiveness Diversity	Fair Pay Physical Environment Benefits Employment Development	Change Oriented Goal Oriented Holographic Strategic Quality	Internal Availability External	Job Satisfaction Time and Stress Burnout Empowerment

## Over Time and Benchmark Data

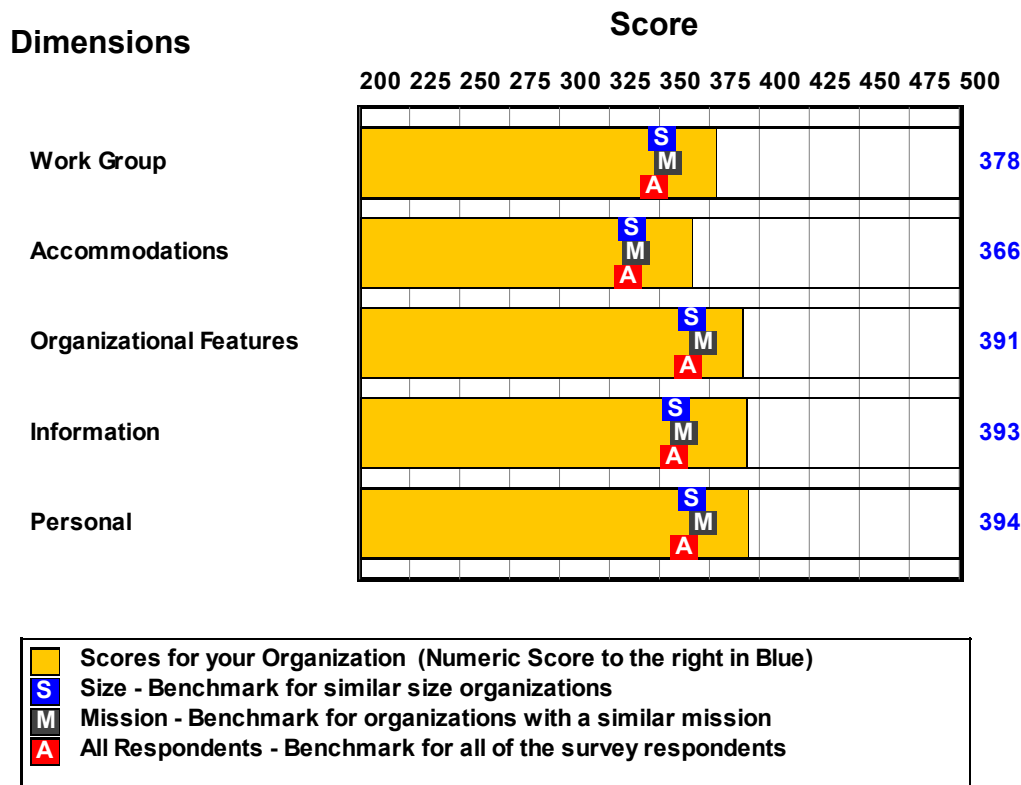
Comparison scores are provided when available. One of the benefits of continuing to participate in the survey is that over time data shows how employees' views have changed as a result of implementing efforts suggested by previous survey results. Additionally, benchmarks help to illustrate how this organization is performing relative to organizations of similar size, organizations with similar missions and to the performance of all organizations that participated in this survey.



# Dimension Analysis

In order for organizations to improve, there is a need to compare performance with other organizations. This comparison process is called benchmarking. The Survey provides a number of convenient and useful comparisons. The number of employees in an organization is one important characteristic of any organization. Large organizations with multiple locations in which any employee will know only a few of the members are different from organizations where most interaction is face-to-face and people know each other well. A second kind of benchmark focuses upon organizations that perform similar functions. The nature of an organization's work can have an impact on organizational features and employee experiences. Lastly, a benchmark is provided for a comparison against all other organizations that have taken the Survey in the current time frame.

The data in this table are composed of the organization's scores for this iteration of the Survey and comparison data from the latest benchmark scores. The scores for the organization appear to the right.

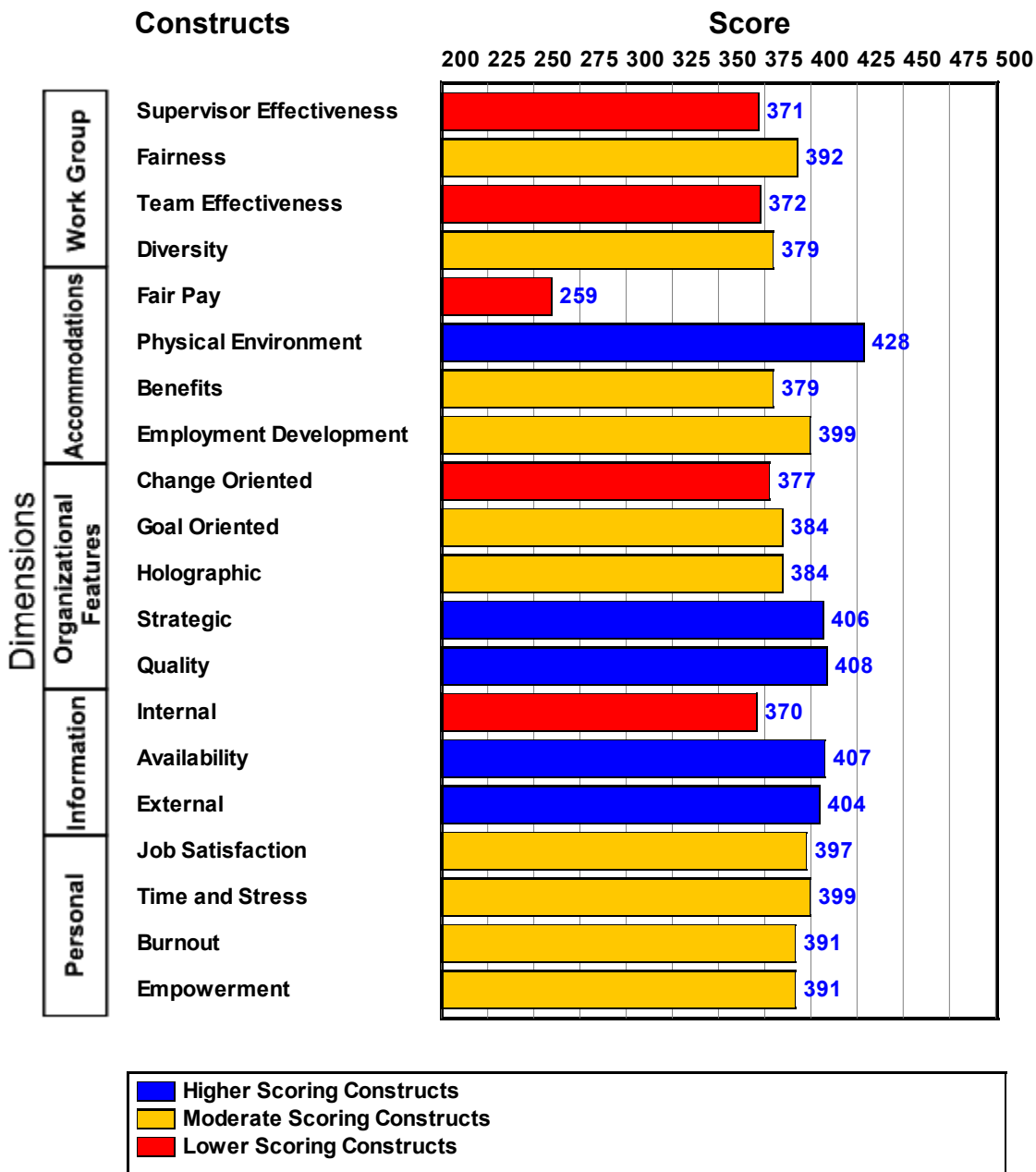




## Construct Analysis

Constructs have been color coded to highlight the organization's areas of strength and areas of concern. The 5 highest scoring constructs are blue, the 5 lowest scoring constructs are red, and the remaining 10 constructs are yellow.

Each construct is displayed below with its corresponding score. Highest scoring constructs are areas of strength for this organization while the lowest scoring constructs are areas of concern. Scores above 300 suggest that employees perceive the issue more positively than negatively, and scores of 400 or higher indicate areas of substantial strength. Conversely, scores below 300 are viewed more negatively by employees, and scores below 200 should be a significant source of concern for the organization and should receive immediate attention.



## Organizational Typology: Areas of Strength

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**The following Constructs are relative strengths for the organization:**

### **Physical Environment**

**Score: 428**

**Area of Substantial Strength**

General Description: The Physical Environment construct captures employees' perceptions of the total work atmosphere and the degree to which employees believe that it is a "safe" working environment. This construct addresses the "feel" of the workplace as perceived by the employee.

High scores indicate that employees view work setting positively. It means that the setting is seen as satisfactory, safe and that adequate tools and resources are available.

### **Quality**

**Score: 408**

**Area of Substantial Strength**

General Description: The Quality construct focuses upon the degree to which quality principles, such as customer service and continuous improvement are a part of the organizational culture. This Construct also addresses the extent to which employees feel that they have the resources to deliver quality services.

High scores indicate that employees feel that the organization delivers at the state of the art for customers. In general quality is a result of understanding the needs of customers or clients coupled with a continuous and zealous examination of products and processes for improvement. Achieving quality requires the full and thoughtful attention of all members of the organization. Essential to maintaining high levels is clear articulation of goals, careful attention to changes in the environment that might affect resources or heightened competition and vigorous participation by all members. Leadership must maintain a clear articulation of the importance of quality and the role of everyone in achieving quality.

### **Availability**

**Score: 407**

**Area of Substantial Strength**

General Description: The Availability of Information construct addresses the extent to which employees feel that they know where to get needed information, and when they get it, that they know how to use it.

High scores indicate that employees view both the availability and utility of information very positively. They find that information resources are complete and accessible. Maintaining these high scores will require leadership to continuously be vigilant of information needs and to meet those needs.



## Organizational Typology: Areas of Strength

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### Relative Strengths Continued:

#### Strategic

Score: 406

Area of Substantial Strength

General Description: The Strategic (Strategic Orientation) construct reflects employees' thinking about how the organization responds to external influences that should play a role in defining the organization's mission, vision, services, and products. Implied in this construct is the ability of the organization to seek out and work with relevant external entities.

High scores indicate employees view the organization as able to quickly relate its mission and goals to environmental changes and demands. It is viewed as creating programs that advance the organization and having highly capable means of drawing information and meaning from the environment. Maintaining these high scores will require leadership to continually assess the ability of the organization and employees at all levels to test programs against need and to continue to have rapid feedback from the environment.

#### External

Score: 404

Area of Substantial Strength

General Description: The External Communication construct looks at how information flows into the organization from external sources, and conversely, how information flows from inside the organization to external constituents. It addresses the ability of organizational members to synthesize and apply external information to work performed by the organization.

High scores indicate that employees view that the organization communicates well with other organizations, its clients and those concerned with regulation. Maintaining these high scores will require leadership to be vigilant with change and maintain strong and responsive tools to assess the external environment.



## Organizational Typology: Areas of Concern

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**The following Constructs are relative areas of concern for the organization:**

### **Fair Pay**

**Score: 259**

**Source of Concern**

General Description: The Fair Pay construct addresses perceptions of the overall compensation package offered by the organization. It describes how well the compensation package "holds up" when employees compare it to similar jobs in other organizations.

Low scores can come from many causes and may suggest a number of remedies. Part of the follow up to the Survey when data are returned is to discuss the results with employees and secure more elaborate explanations of important issues. Failure to successfully remedy Fair Pay problems is one of the more serious mistakes that leadership can make. These scores suggest that pay is a central concern or reason for satisfaction or discontent. Problems with pay can come from two or three causes and may suggest a number of remedies. In some situations pay does not meet comparables in similar organizations. In other cases individuals may perceive that pay levels are not appropriately set to work demands, experience and ability. At some times cost of living increases may cause sharp drops in purchasing power and employees will view pay levels as unfair. Remediating Fair Pay problems requires a determination of which of the above factors are serving to create the concerns. Triangulate low scores in Fair Pay by reviewing comparable positions in other organizations and cost of living information. Use the employee feedback sessions to make a more complete determination for the causes of low Fair Pay scores.

### **Internal**

**Score: 370**

General Description: The Internal Communication construct captures the flow of communication within the organization from the top-down, bottom-up, and across divisions or departments. It addresses the extent to which communication exchanges are open and candid and move the organization toward goal achievement.

Average scores suggest that room for improvement exists and lack of attention can lead to dropping scores. Employees feel that information does not arrive in a timely fashion and often it is difficult to find needed facts. In general Internal Information problems stem from these factors: an organization that has outgrown an older verbal culture based upon a few people knowing "how to work the system", lack of investment and training in modern communication technology and, perhaps, vested interests that seek to control needed information. Remediating Internal Communication requires careful study to determine the correct causative factors. Triangulate low scores in Internal Communication by reviewing existing policy and procedural manuals to determine their availability. Assess how well telephone systems are articulated and if e mail, faxing and Internet modalities are developed and in full use. Use the employee feedback sessions to make a more complete determination for the causes of low Internal Communication scores.



## Organizational Typology: Areas of Concern

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### Relative Areas of Concern Continued:

#### Supervisor Effectiveness

Score: 371

General Description: The Supervisor Effectiveness construct provides insight into the nature of supervisory relationships in the organization, including the quality of communication, leadership, thoroughness and fairness that employees perceive exists between supervisors and them. This Construct helps organizational leaders determine the extent to which supervisory relationships are a positive element of the organization.

Average scores suggest that room for improvement exists and lack of attention can lead to dropping scores. No area in an organization is more important and often more resistant to change than the middle areas of the organization. Problems with supervision can come from many causes and may suggest a number of remedies. Part of the follow up to the Survey when data are returned is to discuss the results with employees and secure more elaborate explanations of important issues. In general supervisory effectiveness stems from these factors: the selection, support and training of supervisors, the maturity and experience of employees and the nature of the specific work being performed. A frequent problem with supervisors is that those tasks a person may be successful with are not the same tasks that are required when one is promoted to supervision. Remedying Supervisory Effectiveness requires careful study to determine the correct causative factors. Triangulate low scores in Supervisory Effectiveness by reviewing how supervisors are selected and their training. Use the employee feedback sessions to make a more complete determination for the causes of low Supervisory Effectiveness scores.

#### Team Effectiveness

Score: 372

General Description: The Team Effectiveness construct captures employees' perceptions of the people within the organization that they work with on a daily basis to accomplish their jobs (the work group or team). This construct gathers data about how effective employees think their work group is as well as the extent to which the organizational environment supports cooperation among employees.

Average scores suggest that room for improvement exists and lack of attention can lead to dropping scores. Much and often most work in organizations require regular collaboration with others, the work team. Problems with Team Effectiveness can come from many causes and may suggest a number of remedies. In general team effectiveness stems from these factors: team membership, the selection, support and training of supervisors, the maturity and experience of employees and the nature of the specific work being performed. Remedying Team Effectiveness requires careful study to determine the correct causative factors. Triangulate low scores in Team Effectiveness with Supervisory Effectiveness by reviewing how supervisors are selected and their training. Use the employee feedback sessions to make a more complete determination for the causes of low Team Effectiveness scores.



## Organizational Typology: Areas of Concern

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### Relative Areas of Concern Continued:

#### Change Oriented

Score: 377

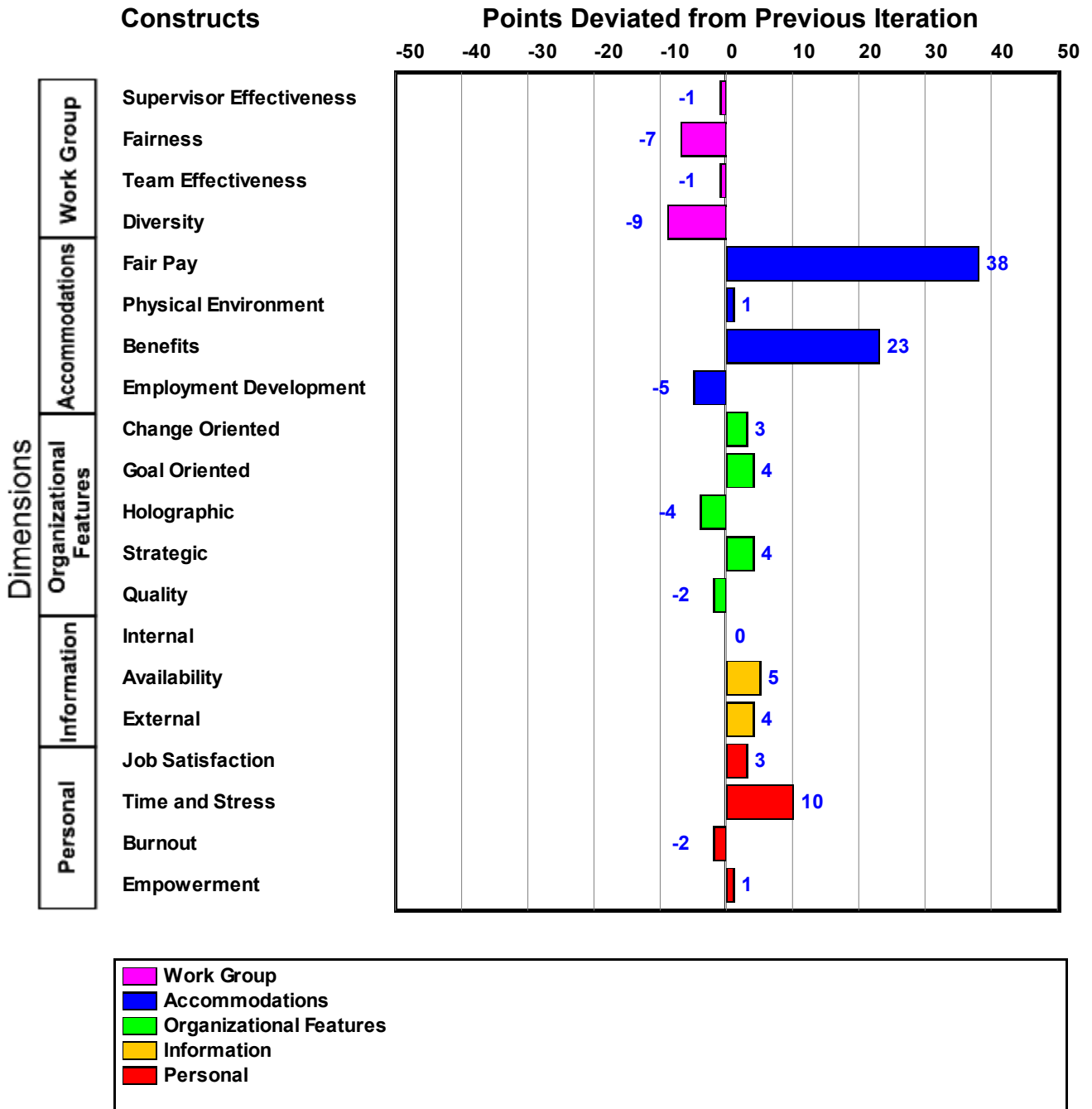
General Description: The Change Oriented construct secures employees' perceptions of the organization's capability and readiness to change based on new information and ideas. It addresses the organization's aptitude to process information timely and act upon it effectively. This Construct also examines the organization's capacity to draw upon, develop, and utilize the strengths of all in the organization for improvement.

Average scores suggest that room for improvement exists and lack of attention can lead to organizational stasis. Problems with low change orientation can come from many causes and may suggest a number of remedies. Typically the organization is isolated or maintains a culture that feels that the organization and its activities are unique. This vitiates needed comparison or benchmarking processes. Remediating Change Orientation requires opportunity for study and comparisons with other organizations. Visits to other organizations, participation in accreditation processes and developing external advisory boards can help open the organization and increase readiness to change.



# Organizational Change: Performance Over Time

One of the benefits of continuing to participate in the survey is that over time data shows how employees' views have changed as a result of implementing efforts suggested by previous survey results. Positive changes indicate that employees perceive the issue as adequately improved since the previous survey. Negative changes indicate that the employees perceive that the issue has worsened since the previous survey. Negative changes of greater than 50 points and having 10 or more negative construct changes should be a source of concern for the organization and should receive immediate attention.



## Analyzing Over Time Data

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Over Time Data adds another dimension to an organization's scores. By viewing data from multiple iterations of the survey - static data suddenly is capable of tracking effectiveness of previous action plans and catching declining trends before they become critical. Identifying areas for future action plans becomes more obvious and employees can visually confirm the benefits of being proactive in their organization.

### Changes

Organizational change occurs whether or not leadership plans for it. Planning for change puts the control in the hands of the organization. By using the results of the survey and employee feedback, organizations can encourage positive growth trends in their survey scores. A lack of planning can lead to haphazard fluctuations in scores over time.

This organization experienced positive growth in 11 out of the 20 constructs in comparison to the last iteration of the survey. The constructs with the most positive growth are: *Fair Pay, Benefits, Time and Stress, Availability, and Goal Oriented*. Together, these constructs were identified by employees as having the most significant improvement compared to the previous iteration of the survey. The constructs that showed the least amount of improvement or a decrease in score are: *Diversity, Fairness, Employment Development, Holographic, and Quality*. These constructs may or may not be the lowest scoring constructs, but definite attention should be given to these constructs when considering which areas to focus efforts upon improving.

### Determining Causes

This is a turbulent time for many organizations, however this year will prove as an important benchmark year as the economy starts to recover. Any number of events both within and outside of leadership control can affect scores. While score changes cannot be attributed directly to one particular event, it is worthwhile to consider all possibilities and use the most likely culprits as a starting point for developing action plans and encouraging positive trends. Consider any recent events that might have affected the scores for a particular construct. Have there been changes in leadership, policy, or procedure? Has there been any restructuring or layoffs? Were any action plans put into place based on the results of the last survey?

The *Data Report* provides detailed data on each of the survey items and constructs including descriptions and item-construct relationships. Examine the over time data for the individual items that make up a construct to try to isolate contributing factors. Once you have a list of factors, hold a focus group consisting of a diverse group of employees and try to get a better feel for why the employees responded the way they did. You may find that there are many other complex factors at work, but having a pre-compiled set of possible factors will provide a sound starting point.

### Continuing Trends

No matter how high a score, there is always room for improvement. Get the entire organization involved in deciding on which constructs to concentrate efforts for improvement. Brainstorm ideas on how improvements can be made and how every employee can have a chance to contribute suggestions. A questionnaire, customized online survey, or departmental meeting may prove effective for collecting ideas. Each organization is unique and has a great amount of untapped resources in its employees. Using employees to solve problems and make organizational improvements is a natural solution - who else knows the organization better?



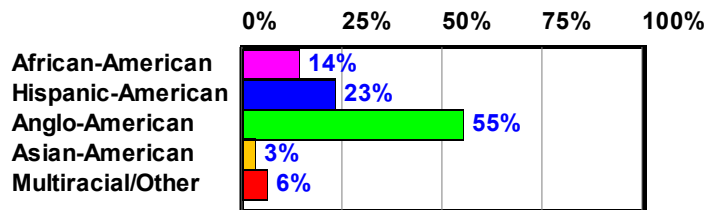


## Participant Profile

Demography data help one to see if the Survey response rate matches the general features of all employees in the organization. It is also an important factor in being able to determine the level of consensus and shared viewpoints across the organization. It may also help to indicate the extent to which the membership of the organization is representative of the local community and those persons that use the services and products of the organization. Charts and percentages are based on valid responses. Slight variations from the Data Aggregation Report are due to respondents who chose not to answer particular demographic items.

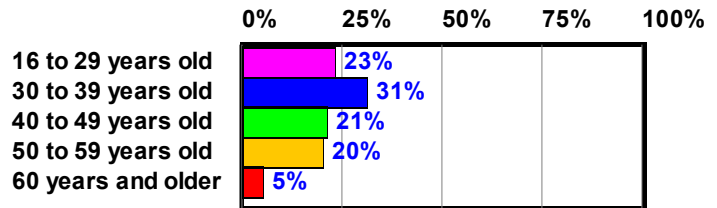
### Race/Ethnic Identification

Diversity within the workplace provides resources for innovation. A diverse workforce helps insure that different ideas are understood, and that the community sees the organization as representative of the community.



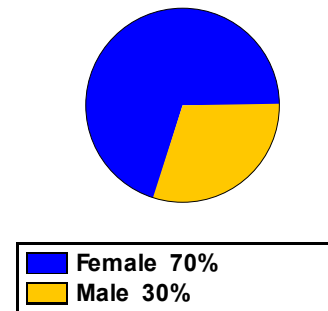
### Age

Age Diversity contributes to having a well-balanced workplace. Different age groups bring different experiences and perspectives to the organization. Large percentages of older individuals may be a cause of concern if a number of key employees are nearing retirement age. Seek ways to preserve the culture and experiences these individuals have brought to the organization. Be mindful that people have different challenges and resources at various age levels and should see that leadership incorporates these understandings.



### Gender

The ratio of males to females within an organization can vary among different organizations. However, extreme imbalances in the gender ratio should be a source of concern for the organization and may require immediate attention. Give consideration to the types of work being performed and be open to unintentional bias in job and employee selection as well as promotion consideration.



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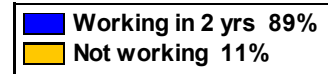
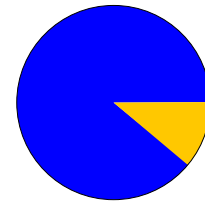
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# Participant Profile

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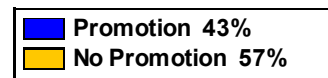
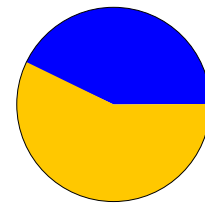
## Employee Retention

The percent of employees that see themselves working for this organization in two years is a good indicator of how well the organization is doing at retaining its employees. Very low retention should be a source of concern and may require immediate attention.



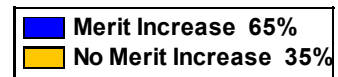
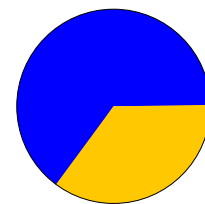
## Promotion

The percentage of employees that receive a promotion can vary among organizations. While organizational growth may increase the likelihood of promotional opportunities, organizations should not simply wait for growth. Low percentages may indicate that current employees do not compete well for promotional opportunities. This would urge study of the Employee Development Construct to gauge the level of employee interest.



## Merit Increase

The percentage of employees that receive a merit increase can vary between organizations. Low percentages may indicate that employers need to review expectations of current employees and those efforts that seek to increase performance.



## Interpretation and Intervention

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After the survey data has been compiled, the results are returned to the survey liaison, executive director, and board or commission chair approximately one month after data collection stops. These individuals are strongly encouraged to share results with all survey participants in the organization. Survey results are provided in several formats to provide maximum flexibility in interpreting the data and sharing the data with the entire organization. The quick turnaround in reporting allows for immediate action upon the results while they are still current.

The Executive Summary provides a graphical depiction of the data. Graphical data can easily be reproduced in a company newsletter or website. For additional detailed data, the Data Report is useful for examining survey data on the individual item level. Response counts, averages, standard deviations, and response distributions are provided for each item. Excel files provide electronic access to scores. Scores can be sorted in various ways to help determine strengths and areas of concern. The electronic data can also be used by Excel or other software to create additional graphs or charts. Any of these formats can be used alone or in combination to create rich information on which employees can base their ideas for change.

Benchmark data provide an opportunity to get a true feel of the organization's performance. Comparing the organization's score to scores outside of the organization can unearth unique strengths and areas of concern. Several groups of benchmarks are provided to allow the freedom to choose which comparisons are most relevant. If organizational categories were used, then internal comparisons can be made between different functional areas of the organization. By using these comparisons, functional areas can be identified for star performance in a particular construct, and a set of "best practices" can be created to replicate their success throughout the organization.

These Survey Data provide a unique perspective of the average view of all that took the Survey. It is important to examine these findings and take them back to the employees for interpretation and to select priority areas for improvement. This also provides an opportunity for the organization to recognize and celebrate areas that members have judged to be areas of relative strength. By seeking participation and engaging people on how the organization functions, you have taken a specific step in increasing organizational capital. High organizational capital means high trust among employees and a greater likelihood of improved efforts and good working relationships with clients and customers.

### **Ideas for getting employees involved in the change process:**

- Hold small focus groups to find out how the employees would interpret the results
- Conduct small customized follow-up surveys to collect additional information including comments
- Provide employees with questionnaires/comment cards to express their ideas

### **Ideas for sharing data with the organization:**

- Publish results in an organizational newsletter or intranet site
- Discuss results in departmental meetings
- Create a PowerPoint presentation of the results and display them on kiosks



## Timeline

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### November and December: Interpreting the Data

- Data is returned to survey liaisons, executive directors and board members
- Review Survey data including the Executive Summary with executive staff
- Develop plans for circulating all the data sequentially and providing interpretations for all staff

### January: Distributing Results to the Entire Organization

- Implement the plans for circulating the data to all staff
- Create 3 to 4 weekly or monthly reports or organization newsletters
- Report a portion of the Constructs and Questions, providing the data along with illustrations pertinent to the organization
- Select a time to have every employee participate in a work unit group to review the reports as they are distributed to all staff, with one group leader assigned to every group. The size of the groups should be limited to about a dozen people at a time. A time limit should be set not to exceed two hours.

### February: Planning for Change

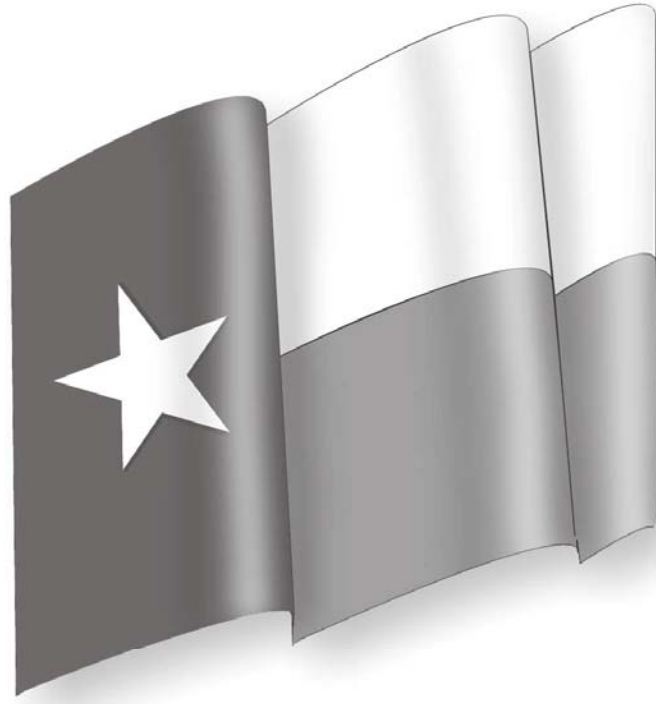
- Designate the Change Team composed of a diagonal slice across the organization that will guide the effort
- Identify Work Unit Groups around actual organizational work units and start each meeting by reviewing strengths as indicated in the data report. Brainstorm on how to best address weaknesses
- Establish Procedures for recording the deliberations of the Work Unit Group and returning those data to the Change Team
- Decide upon the Top Priority Change Topic and Methods necessary for making the change. Web-based Discussion Groups and Mini-Surveys are convenient technologies
- First change effort begins
- Repeat for the next change topic

### March and Beyond: Implementation and Interventions

- Have the Change Team compile the Priority Change Topics and Methods necessary for making the change and present them to the executive staff
- Discuss the administrative protocols necessary for implementing the changes
- Determine the plan of action and set up a reasonable timeline for implementation
- Keep employees informed about changes as they occur through meetings, newsletters, or intranet publications
- Resurvey to document the effectiveness of the change



# *Summary of Sunset Commission Recommendations*



**State Office of Risk Management**

**February 2007**





# State Office of Risk Management

## Agency at a Glance

The State Office of Risk Management (SORM) functions as an insurance agency for Texas government. SORM's mission is to assist state agencies in protecting their employees and the State's physical and financial assets by reducing and controlling risk. To accomplish its mission, the agency:

- ◆ administers an employee workers' compensation insurance program;
- ◆ provides risk management services to state agencies; and
- ◆ coordinates state agency purchases of property, casualty, and liability insurance.



*For additional information,  
please contact Steve Hopson  
at (512) 463-1300.*

## Key Facts

- ◆ **Funding.** SORM's revenue in fiscal year 2006 totaled \$64.7 million including \$57 million in assessments on state agencies for workers' compensation expenses, \$3.6 million from the General Revenue Fund, and \$4.4 million from interagency contracts.
- ◆ **Staffing.** The agency has a staff of 124 employees, all based in Austin.
- ◆ **Workers' Compensation.** SORM administers Texas' self-insured workers' compensation program for state agencies, covering 172,000 employees with about \$54 million in claims costs per year.
- ◆ **Risk Management.** SORM performs consulting work for state agencies to identify and control workplace risks.
- ◆ **State Agency Insurance.** SORM sponsors five lines of insurance for state agencies – directors' and officers', property, special events liability, automobile, and volunteer insurance – to leverage the State's buying power and reduce costs.
- ◆ **Administrative Attachment.** The Office of Attorney General performs administrative functions for SORM including human resources and payroll processing.
- ◆ **Exemptions.** The Texas Department of Transportation, University of Texas System, and Texas A&M University System are exempt from requirements to use SORM's services and each operate their own workers' compensation system. The Employees Retirement System and Teacher Retirement System are also exempt, but use SORM as an insurance provider.

### Board Members (5)

Ernest C. Garcia, J.D., Chair (Austin)  
 Ron J. Walenta, Vice Chair (Dallas)  
 Dr. Ronald D. Beals (Tyler)  
 Kenneth N. Mitchell (El Paso)  
 Martha A. Rider (Houston)

### Agency Head

Jonathan Bow, Executive Director  
 (512) 936-1502

## Recommendations

1. Require SORM to facilitate the return to work of injured employees by expanding its case management program and reporting the lost time and return to work outcomes of state agencies.
2. Require SORM to study how the State could structure its workers' compensation program to be prepared for claims resulting from a disaster and to report options to the Legislature.
3. Require SORM to pay most indemnity benefits by direct deposit.
4. Require state agencies to develop business continuity plans with SORM's consultation and evaluation.
5. Require SORM, the Texas Building and Procurement Commission, and the State Fire Marshal's Office to exchange safety information.
6. Continue the State Office of Risk Management for 12 years.

# Issue 1

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## **The State's Approach to Return to Work Can Result in Higher Than Necessary Workers' Compensation Costs.**

### **Key Findings**

- ◆ The Legislature has placed considerable emphasis on the importance of return to work efforts in the workers' compensation system.
- ◆ Both SORM and state agencies play a key role in returning injured employees to work.
- ◆ Poor return to work outcomes increase workers' compensation costs and cause hardships for injured workers.
- ◆ SORM needs to place more emphasis and resources on return to work services.
- ◆ Other workers' compensation carriers and programs are able to focus more on return to work strategies.

Although SORM must rely on its client agencies to facilitate the return to work of their employees, most state agencies have little experience or incentive to perform well. Facilitating the quick return to work of employees injured on the job reduces the cost of indemnity and medical benefits. Rapid return to work is also better for employees and reduces the cost to employers for hiring and training replacement workers.

### **Recommendations**

#### **Change in Statute**

##### **1.1 Require SORM to develop an expanded case management program that focuses on facilitating the reintegration of injured employees.**

This recommendation builds upon the requirements in House Bill 7, 79th Legislature, that insurance carriers evaluate claims as soon as possible to determine if case management is necessary. SORM should begin case management earlier than it does currently. In addition to facilitating communication between parties and access to appropriate medical treatment, the program should focus on working directly with the injured worker to overcome any barriers to return to work. Case managers should identify injured employees who will need assistance re-entering the workforce early in a claim and help employees access assistance available to them from the Department of Assistive and Rehabilitative Services, the Texas Workforce Commission, their employing agency, and other resources.

##### **1.2 Require SORM to evaluate lost time and return to work outcomes by agency, and report the results to the Legislature.**

This recommendation would allow SORM to measure the success of its return to work efforts and to identify agencies whose claims coordinators or other staff may need additional training or risk management services related to return to work. SORM could also use this information to modify its assessment calculation to make agencies more effective in reducing costs.



## Issue 2

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### **The State Needs to Be Better Prepared to Pay Workers' Compensation Claims Resulting From a Disaster.**

#### **Key Findings**

- ◆ SORM is inadequately prepared to pay workers' compensation claims resulting from a catastrophic event.
- ◆ Self-insured companies and insurance carriers use many strategies to mitigate the risk of catastrophic claims.
- ◆ Other public, self-insured workers' compensation programs are better prepared to handle catastrophic events.

The Legislature provides funding for state employee workers' compensation to the State Office of Risk Management on a pay-as-you-go basis. Unlike the structure of private insurance carriers, SORM's funding does not include reserves for future obligations or as a cushion against a catastrophic event. Although SORM's funding method keeps current expenditures low, SORM is not structured to adequately protect the State against large claims that may arise from a natural or man-made disaster. In the event of a catastrophe, SORM would have to seek emergency appropriations to pay the cost of workers' compensation claims. However, these requests would arise at the same time that the Legislature would need to fund other emergency items.

#### **Recommendation**

##### **Change in Statute**

##### **2.1 Require SORM to study how the State could structure its workers' compensation program to be prepared for claims resulting from a disaster and to report options to the Legislature.**

This recommendation would require SORM to study various options, such as establishing a state employee workers' compensation catastrophe fund outside of the State Treasury, the purchase of catastrophe reinsurance, or other options which may be available to the State. SORM should work with the Texas Department of Insurance's Research and Evaluation Group to determine viable options on how the State can better prepare for workers' compensation claims resulting from a disaster. In addition, SORM may wish to contract with a consultant to analyze the costs of potential disasters, and estimate the appropriate size for a catastrophe fund or level of reinsurance needed. SORM should complete the study by September 1, 2008, and transmit it to the Lieutenant Governor, Speaker of the House, and appropriate and standing committees of each house with responsibility for oversight of SORM.

## Issue 3

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### ***Mailing Indemnity Benefit Checks Delays Payments to Injured Workers.***

#### **Key Findings**

- ◆ Paying workers' compensation indemnity benefits by check wastes taxpayer dollars.
- ◆ The Comptroller's Office makes most payments to state employees by direct deposit.
- ◆ The workers' compensation program operated by the Texas Department of Transportation pays most indemnity benefits through direct deposit.
- ◆ Direct deposit delivers workers' compensation benefits faster and reduces hardships for injured workers.

In fiscal year 2005, SORM made 53,000 indemnity benefit payments to injured state employees. Although state employees are accustomed to receiving paychecks by direct deposit, SORM pays 94 percent of indemnity benefits by mailing paper checks. Direct deposit would be faster, safer, less expensive, and convenient for injured workers.

#### **Recommendation**

##### **Change in Statute**

##### **3.1 Require SORM to pay most indemnity benefits by direct deposit.**

This recommendation would save time, effort, and money for both the State and injured workers by requiring the direct deposit of indemnity benefits instead of paper checks. State employees would receive indemnity benefits through the same method they have selected for payroll, so that those currently paid salary by check would be able to receive benefits by check.

## Issue 4

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### ***Many Agencies Are at Risk of Not Being Able to Deliver Needed Services Following a Disaster Due to a Lack of Business Continuity Planning.***

#### **Key Findings**

- ◆ Most state agencies are not prepared to quickly resume business functions after a disaster, leaving state government at risk of serious disruptions.
- ◆ Other states require all state agencies to have comprehensive business continuity plans.

Business continuity plans help state agencies prepare to resume functions after a disruption in normal business operations. In recent years, Texas has experienced a series of natural disasters that highlight the need for this planning. Continuing the functions of each governmental agency following a disruption is an important part in assisting the recovery efforts of the state as a whole. While Texas' key emergency response agencies are well prepared, the majority of state agencies have not planned for the resumption of their business operations and no single state agency is responsible for ensuring that all agencies plan for inevitable interruptions.

## Recommendations

### Change in Statute

#### 4.1 Require all state agencies to develop business continuity plans.

Business continuity plans would include detailed steps for resumption of essential services such as scheduling an emergency workforce, coordination with public authorities, management of media, customer services delivery, and assessing immediate financial or operational needs. Agencies involved in the initial delivery of emergency services as members of the Emergency Management Council or part of the Department of Information Resources state data center project already have plans in place which would be deemed to meet this requirement. The recommendation would only require these agencies to forward their plans to SORM.

#### 4.2 Require SORM to consult with state agencies on business continuity plans by developing guidelines, model plans, and training.

This recommendation would require SORM to assist state agencies with the development of business continuity plans by making available guidelines and models for key elements of the plan. These key elements would include emergency workforce scheduling, coordination with public authorities, and assessing immediate financial or operational needs in addition to other elements. SORM should also work with agencies to ensure plans are workable, that all agency staff are familiarized with plan elements, and that agencies practice implementation of the plan.

#### 4.3 Require SORM to evaluate state agencies' business continuity plans and report the results to the Legislature.

This recommendation would require SORM to biennially report to the Legislature on the efforts of state agencies to develop and maintain business continuity plans. This report would include SORM's evaluation of each agency's plan for completeness and viability.

## Issue 5

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### ***The Three State Agencies With Safety Responsibilities Do Not Communicate Well, Creating the Potential for Harm to State Employees, Visitors, and Property.***

#### Key Findings

- ◆ SORM, SFMO, and TBPC each have a role in overseeing and protecting state buildings, but fail to communicate safety information to each other on a regular basis that could prevent harm to state employees and property.
- ◆ The Legislature has solved such communication failures in the past by requiring agencies with similar goals to work together.

The Legislature has assigned three state agencies – the State Office of Risk Management, State Fire Marshal's Office (SFMO), and Texas Building and Procurement Commission (TBPC) – interrelated responsibilities for protecting state employees and assets. Despite the importance of their missions, the three agencies have not established clear lines of communication, leaving the State at increased risk of harm to people and property.

## Recommendations

### Change in Statute

#### 5.1 **Require SORM and TBPC to enter into a memorandum of understanding on exchange of safety-related information.**

The recommendation would require each agency to agree on means of establishing improved communication links. The memorandum of understanding should detail the type, amount, and frequency of safety-related information that should be shared. This recommendation would also require designated points of contact within each agency to coordinate information.

#### 5.2 **Add SORM to the current statutorily required memorandum of understanding between SFMO and TBPC regarding fire safety.**

This recommendation would add SORM as an official participant in the current interagency agreement. SORM would be copied on communication between SFMO and TBPC concerning fire-related hazards, and would provide relevant information to the other agencies.

## *Issue 6*

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### ***Texas Has a Continuing Need for the State Office of Risk Management.***

#### **Key Findings**

- ◆ SORM effectively accomplishes its mission, and a review of other related agencies did not reveal any significant beneficial alternatives for consolidation or transfer of functions.
- ◆ While organizational structures vary, most states have established a state agency to provide workers' compensation services for state government.

The Legislature recognized the need for a single state agency to provide workers' compensation and risk management functions for other state agencies when it created the State Office of Risk Management in 1997. Since its creation, the Legislature has added the responsibility of overseeing the purchasing of other types of insurance to the agency. Providing these insurance services is important in protecting the State's human and physical assets.

#### **Recommendation**

##### **Change in Statute**

#### 6.1 **Continue the State Office of Risk Management for 12 years.**

This recommendation would continue SORM as an independent agency, responsible for providing workers' compensation, risk management, and insurance purchasing services to state agencies for the standard 12-year period, until 2019.

## *Fiscal Implication Summary*

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When fully implemented, the recommendations would result in a net, first-year cost to the General Revenue Fund of about \$78,000. In addition, one issue will have a one-time cost of \$20,000 that will

be apportioned among state agencies as part of their annual workers' compensation assessment. The specific fiscal impact of these recommendations is summarized below.

*Issue 1* – Requiring SORM to expand case management to facilitate the quick return to work of injured employees would have an annual cost of \$91,700 for the first biennium to hire two additional case managers. By fiscal year 2010, SORM would reduce this annual cost to \$45,850 by eliminating one of the two new positions and relying more on its newly instituted workers' compensation network. Savings in indemnity and medical benefits would offset these costs, but these savings would accrue to state agencies and not directly to the General Revenue Fund.

*Issue 2* – Requiring SORM to study how the State could best prepare to pay workers' compensation claims resulting from a disaster is estimated to cost \$20,000 for consulting services. Consultants would analyze the costs of potential disasters and the size of a catastrophe fund or level of reinsurance. The contract would be paid for from state agency assessments for workers' compensation insurance.

*Issue 3* – Changing the method that SORM uses to pay indemnity benefits to injured state employees from mailing paper checks to direct deposit would have a positive fiscal impact of \$74,700 annually. These savings are based on the assumption that SORM will directly deposit 83 percent of the 50,000 checks it currently mails and the Comptroller's Office estimate of a savings of \$1.80 for each payment converted from paper check to direct deposit.

*Issue 4* – Requiring SORM to consult with state agencies on business continuity plans would result in an annual cost of \$60,680 to hire an additional employee to perform the consultations and provide training.

<b>Fiscal Year</b>	<b>Cost to the State</b>	<b>Savings to the State</b>	<b>Change in FTEs From FY 2007</b>	<b>Net Effect on the General Revenue Fund</b>
2008	\$172,380	\$74,700	+3	(\$77,680)
2009	\$152,380	\$74,700	+3	(\$77,680)
2010	\$106,530	\$74,700	+2	(\$31,830)
2011	\$106,530	\$74,700	+2	(\$31,830)
2012	\$106,530	\$74,700	+2	(\$31,830)

S.B. No. 908

AN ACT

relating to the continuation and functions of the State Office of Risk Management.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 412.011, Labor Code, is amended by adding Subsections (f), (g), (h), and (i) to read as follows:

(f) The office shall work with each state agency to develop an agency-level business continuity plan under Section 412.054.

(g) The office shall make available to each agency subject to Section 412.054 guidelines and models for each element listed in Section 412.054. The office shall assist the agency as necessary to ensure that:

(1) agency staff understands each element of the business continuity plan developed under Section 412.054; and

(2) each agency practices implementation of the plan.

(h) The office and the Texas Building and Procurement Commission shall adopt a memorandum of understanding that:

(1) includes the type, amount, and frequency of safety-related information that may be shared between the office and the commission; and

(2) designates points of contact within the office and the commission to coordinate the sharing of information.

(i) The office shall:

(1) maintain a system to promptly and efficiently act on complaints filed with the office;

(2) maintain information about parties to the complaint, the subject matter of the complaint, a summary of the results of the review or investigation of the complaint, and disposition of the complaint;

(3) make information available describing the office's procedures for complaint investigation and resolution; and

(4) periodically notify the complaint parties of the status of the complaint until final disposition.

SECTION 2. Subchapter B, Chapter 412, Labor Code, is amended by adding Sections 412.0125 through 412.0129 to read as follows:

Sec. 412.0125. RETURN-TO-WORK COORDINATION SERVICES; CASE MANAGEMENT. (a) The office shall provide each state agency with return-to-work coordination services as necessary to facilitate an injured employee's return to employment. The office shall notify each state agency of the availability of return-to-work coordination services.

(b) As part of return-to-work coordination services under this section, the office shall:

(1) establish a time frame for case management of an injured employee that ensures services are provided to the injured employee as soon as practicable to improve the employee's chance of returning to work as quickly as possible;

(2) provide guidance to each state agency to identify appropriate services for an injured employee;

(3) adopt rules that set standards and provide guidance to a state agency interacting

with an injured employee; and

(4) implement any other services provided under Section 413.021 that will facilitate the reintegration of an injured employee.

Sec. 412.0126. ANALYSIS. (a) The board shall adopt rules as necessary to collect data on lost time and return-to-work outcomes of each state agency to allow full evaluations of successes and of barriers to achieving timely return to work after an injury.

(b) The office shall:

(1) collect and analyze data from each state agency regarding lost time, including sick leave and annual leave used by an injured employee;

(2) identify state agencies that need additional training or case management services related to return-to-work services;

(3) modify as necessary the office's assessment computation to encourage state agencies to effectively reduce workers' compensation costs;

(4) incorporate as necessary return-to-work goals developed by the division of workers' compensation under Section 413.025;

(5) work with the workers' compensation research and evaluation group to develop analytical tools to assist the office with its duties under this section;

(6) require state agencies to report information in a standardized format;

(7) monitor the information reported by each state agency; and

(8) evaluate the information provided under this section to determine outcomes over time for each state agency.

Sec. 412.0127. PAYMENT BY ELECTRONIC FUNDS TRANSFER. (a) Notwithstanding Section 403.016, Government Code, and except as provided by Subsection (b), the office shall pay



an employee entitled to an indemnity benefit payment using the same payment method as the method by which the employee receives the employee's wages.

(b) The office shall adopt rules to facilitate the use of electronic funds transfer as the preferred method of payment under this section.

(c) The office may issue an indemnity benefit payment by check on request or if electronic funds transfer is not feasible.

Sec. 412.0128. CONFIDENTIALITY OF INJURY INFORMATION. Information in or derived from a workers' compensation claim file regarding an employee is confidential and may not be disclosed by the office except as provided by this subchapter or other law.

Sec. 412.0129. STUDY ON CATASTROPHIC CLAIMS. (a) The office shall study options to prepare state agencies for catastrophic claims.

(b) The study must include information on:

(1) establishing a state employee workers' compensation catastrophe fund outside the state treasury;

(2) purchasing catastrophe reinsurance; and

(3) other options to prepare the state for catastrophic claims.

(c) In performing duties under Subsections (a) and (b), the office:

(1) shall work with the workers' compensation research and evaluation group; and

(2) may contract with a consultant to:

(A) analyze predicted costs of potential disasters; and

(B) estimate the appropriate size for a catastrophe fund or level of reinsurance.

(d) Not later than September 1, 2008, the office shall report the findings of the study

conducted under this section to the lieutenant governor, the speaker of the house of representatives, and the appropriate standing committees of the house of representatives and senate with responsibility for oversight of the office.

(e) This section expires September 2, 2008.

SECTION 3. Section 412.021, Labor Code, is amended by adding Subsections (a-1), (g), and (h) and amending Subsections (d) and (f) to read as follows:

(a-1) A person may not be a member of the board if the person or the person's spouse:

(1) is employed by or participates in the management of a business entity or other organization regulated by or receiving money from the office;

(2) owns or controls, directly or indirectly, more than a 10 percent interest in a business entity or other organization regulated by or receiving money from the office; or

(3) uses or receives a substantial amount of tangible goods, services, or money from the office other than compensation or reimbursement authorized by law for risk management board membership, attendance, or expenses.

(d) The governor shall designate one member of the board as presiding officer. The presiding officer shall serve in that capacity at the pleasure of the governor [~~for a two-year term~~].

(f) The risk management board and the office are [is] subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the board is abolished and this section expires September 1, 2019 [~~2007~~].

(g) Appointments to the board shall be made without regard to the race, color, disability, sex, religion, age, or national origin of the appointee.

(h) The board shall develop and implement policies that clearly separate the policymaking responsibilities of the board and the management responsibilities of the director and the staff of the

risk management office.

SECTION 4. Section 412.022, Labor Code, is amended to read as follows:

Sec. 412.022. TRAINING PROGRAM FOR BOARD MEMBERS. (a) A person who is appointed to and qualifies for office as a member of the board may not vote, deliberate, or be counted as a member in attendance at a meeting of the board until the person completes a training program that complies with this section [~~To be eligible to take office as a member of the board, a person appointed to the board must complete at least one course of a training program that complies with this section. If the course has not been completed at the time of the appointment, the training program is to be completed within six months from the date of appointment, failure of which constitutes grounds for removal from the board.~~].

(b) A training program established under this section must provide information to the member regarding:

(1) the enabling legislation that created the office and the office's programs, functions, rules, and budget [~~board~~];

(2) the results of the most recent formal audit of the office [~~program operated by the board~~];

(3) the requirements of laws relating to open meetings, public information, administrative procedure, and conflicts of interest [~~role and functions of the board~~]; and

(4) [~~the rules of the board, with an emphasis on the rules that relate to disciplinary and investigatory authority;~~

[~~(5) the current budget for the board;~~

[~~(6) the results of the most recent formal audit of the board;~~

[~~(7) the requirements of:~~

~~[(A) the open meetings law, Chapter 551, Government Code;~~

~~[(B) the public information law, Chapter 552, Government Code; and~~

~~[(C) the administrative procedure law, Chapter 2001, Government Code;~~

~~[(8) the requirements of the conflict of interest laws and other laws relating to public officials; and~~

~~[(9) any applicable ethics policies adopted by the office ~~[board]~~ or the Texas Ethics Commission.~~

(c) A person appointed to the board is entitled to reimbursement, as provided by the General Appropriations Act, for the travel expenses incurred in attending the training program regardless of whether the attendance at the program occurs before or after the person qualifies for office.

SECTION 5. Section 412.023, Labor Code, is amended to read as follows:

Sec. 412.023. EFFECT OF LOBBYING ACTIVITY. (a) In this section, "Texas trade association" means a cooperative and voluntarily joined statewide association of business or professional competitors in this state designed to assist its members and its industry or profession in dealing with mutual business or professional problems and in promoting their common interest.

(b) A person may not be a member of the board and may not be an employee of the office employed in a "bona fide executive, administrative, or professional capacity," as that phrase is used for purposes of establishing an exemption to the overtime provisions of the federal Fair Labor Standards Act of 1938 (29 U.S.C. Section 201 et seq.) if:

(1) the person is an officer, employee, or paid consultant of a Texas trade association in the field of insurance or health care; or

(2) the person's spouse is an officer, manager, or paid consultant of a Texas trade association in the field of insurance or health care.

(c) A person may not serve as a member of the board or act as the general counsel to the board if the person is required to register as a lobbyist under Chapter 305, Government Code, because of the person's activities for compensation on behalf of a profession related to the operation of the office [~~that is regulated by or that has fees regulated by the board~~].

SECTION 6. Section 412.024, Labor Code, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

(a) It is a ground for removal from the board if a member:

(1) does not have at the time of taking office [~~appointment~~] the qualifications required by [~~for appointment to the board other than the requirements of~~] Section 412.021 [~~412.022~~];

(2) does not maintain during service on the board the qualifications required by Section 412.021 [~~for appointment to the board~~];

(3) is ineligible for membership under Section 412.021 or [~~violates a prohibition established by Section~~] 412.023;

(4) cannot because of illness or incapacity discharge the member's duties for a substantial part of the member's term [~~for which the member is appointed~~]; or

(5) is absent from more than half of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the board.

(a-1) The validity of an action of the board is not affected by the fact that it is taken when a ground for removal of a board member exists.

SECTION 7. Subchapter C, Chapter 412, Labor Code, is amended by adding Section 412.027 to read as follows:

Sec. 412.027. USE OF TECHNOLOGY. The board shall implement a policy requiring the

office to use appropriate technological solutions to improve the office's ability to perform its functions. The policy must ensure that the public is able to interact with the office on the Internet.

SECTION 8. Section 412.032, Labor Code, is amended to read as follows:

Sec. 412.032. BOARD'S REPORT TO LEGISLATURE. (a) Based on the recommendations of the director, the board shall report to each legislature relating to:

- (1) methods to reduce the exposure of state agencies to the risks of property and liability losses, including workers' compensation losses;
- (2) the operation, financing, and management of those risks; [~~and~~]
- (3) the handling of claims brought against the state;
- (4) return-to-work outcomes under Section 412.0126 for each state agency; and
- (5) the business continuity plan developed by state agencies under Section 412.054.

(b) The report must include:

- (1) the frequency, severity, and aggregate amount of open and closed claims in the preceding biennium by category of risk, including final judgments;
- (2) the identification of each state agency that has not complied with the risk management guidelines and reporting requirements of this chapter; [~~and~~]
- (3) recommendations for the coordination and administration of a comprehensive risk management program to serve all state agencies, including recommendations for any necessary statutory changes;
- (4) a report of outcomes by state agency of lost time due to employee injury and return-to-work programs based on the information collected and analyzed by the office in Section 412.0126; and
- (5) an evaluation of business continuity plans developed by state agencies under

Section 412.054 for completeness and viability.

SECTION 9. Subchapter D, Chapter 412, Labor Code, is amended by adding Section 412.034 to read as follows:

Sec. 412.034. PUBLIC HEARING. The board shall develop and implement policies that provide the public with a reasonable opportunity to appear before the board and to speak on any issue under the jurisdiction of the office.

SECTION 10. Subchapter D, Chapter 412, Labor Code, is amended by adding Section 412.035 to read as follows:

Sec. 412.035. DISPUTE RESOLUTION. (a) The board shall develop and implement a policy to encourage the use of:

(1) negotiated rulemaking procedures under Chapter 2008, Government Code, for the adoption of office rules; and

(2) appropriate alternative dispute resolution procedures under Chapter 2009, Government Code, to assist in the resolution of internal and external disputes under the office's jurisdiction.

(b) The office's procedures relating to alternative dispute resolution must conform, to the extent possible, to any model guidelines issued by the State Office of Administrative Hearings for the use of alternative dispute resolution by state agencies.

(c) The board shall designate a trained person to:

(1) coordinate the implementation of the policy adopted under Subsection (a);

(2) serve as a resource for any training needed to implement the procedures for negotiated rulemaking or alternative dispute resolution; and

(3) collect data concerning the effectiveness of those procedures, as implemented by

the office.

SECTION 11. Subchapter F, Chapter 412, Labor Code, is amended by adding Section 412.054 to read as follows:

Sec. 412.054. BUSINESS CONTINUITY PLAN. (a) Each state agency shall work with the office to develop an agency-level business continuity plan that outlines procedures to keep the agency operational in case of disruptions to production, finance, administration, or other essential operations. The plan must include detailed information regarding resumption of essential services after a catastrophe, including:

- (1) coordination with public authorities;
- (2) management of media;
- (3) customer service delivery;
- (4) assessing immediate financial and operational needs; and
- (5) other services as determined by the office.

(b) A business continuity plan is considered to meet the requirements of this section if the agency forwards the plan to the office for review and the agency is:

(1) involved in the delivery of emergency services as a member of the governor's Emergency Management Council; or

- (2) part of the State Data Center program.

SECTION 12. Section 417.0082, Government Code, is amended to read as follows:

Sec. 417.0082. PROTECTION OF CERTAIN STATE-OWNED BUILDINGS AGAINST FIRE HAZARDS. (a) The state fire marshal, under the direction of the commissioner, shall take any action necessary to protect a public building under the charge and control of the Texas Building and Procurement [General Services] Commission, and the building's occupants, against an existing



or threatened fire hazard. The state fire marshal and the Texas Building and Procurement Commission shall include the State Office of Risk Management in all communication concerning fire hazards.

(b) The commissioner, ~~and~~ the Texas Building and Procurement Commission, and the risk management board ~~[General Services Commission]~~ shall make and each adopt by rule a memorandum of understanding that coordinates the agency's duties under this section.

SECTION 13. A state agency shall develop a business continuity plan under Section 412.054, Labor Code, as added by this Act, not later than May 1, 2008.

SECTION 14. The changes in law made by Sections 412.021, 412.022, and 412.023, Labor Code, as amended by this Act, regarding the prohibitions on or qualifications of members of the Risk Management Board do not affect the entitlement of a member serving on the board immediately before September 1, 2007, to continue to serve and function as a member of the board for the remainder of the member's term. The changes in law made by those sections apply only to a member appointed on or after September 1, 2007.

SECTION 15. Section 412.0127, Labor Code, as added by this Act, applies to indemnity benefit payments made on or after February 1, 2008.

SECTION 16. This Act takes effect September 1, 2007.

## **CUSTOMER SATISFACTION REPORT**

The Office actively promotes good customer service for the benefit of its clients and offers this summary of its performance and efforts to better serve state agencies, injured workers, and the public.

### *Inventory of External Customers*

The Office administers the State's self-insured workers' compensation fund and provides risk management services for its client agencies, as mandated by its enabling legislation. These strategies and the customers they serve are:

- Risk Management Strategy - The external customers served by the risk management program are all state agencies, but excludes the University of Texas, Texas A&M, and Texas Tech University systems, and the Texas Department of Transportation.
- Workers' Compensation Strategy - The external customers served by the workers' compensation program include the injured state workers and medical providers for all state agencies, but excludes the employees of the University of Texas and Texas A&M University systems, and the Texas Department of Transportation.

### *Information Gathering Method*

Written surveys were used to assess customer satisfaction for both strategies. During FY 2006 and FY 2007 hard copy questionnaires were mailed out monthly for agencies covered under the risk management program. Surveys utilizing written questionnaires for the workers' compensation program were performed no less frequently than annually for recipients of benefits.

Historically, written surveys have been an effective tool for measuring performance for the Risk Management Strategy, but not for the Workers' Compensation Strategy. During FY 2006 and FY 2007, 323 worker' compensation survey responses were received out of 8,301 surveys sent to injured workers -- a return of less than 4 percent. Comparatively, the Risk Management surveys were returned almost 60 percent of the time. The Office's toll-free telephone line and website provide additional channels for customer feedback at all times but are not included in the reported totals.

The following tables show year-to-date survey results of customer-determined service quality provided by the Office during FY 2006-2007 by strategy. These tables were based on the results of surveys conducted and present percentages reflecting the level of customer satisfaction with services provided.

**Risk Management Strategy**

*FY '06-'07 Survey Results for On-Site Consultation Services*

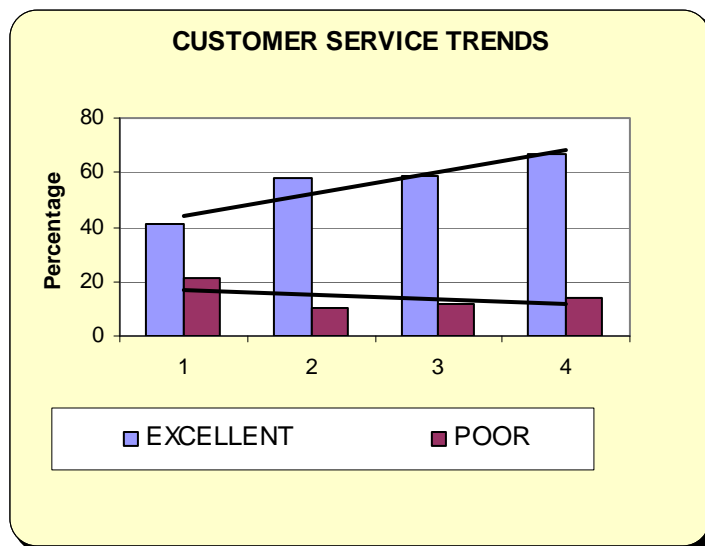
<b>Quality Service Assessed:</b>		<b>Percentage of Surveys Responding: Yes</b>		<b>Percentage of Surveys Responding: No</b>	
		<i>FY '06</i>	<i>FY '07</i>	<i>FY '06</i>	<i>FY '07</i>
Were the observations and recommendations practical and helpful to your agency's/facility's risk management program?		100%	100%	0%	0%
Do you consider the recommendations to be helpful to your agency/facility for minimizing risk exposures and controlling losses?		100%	99%	0%	1%
<b>Quality Service Assessed:</b>	<b>Percentage of Surveys Responding: Not Constructive</b>	<b>Percentage of Surveys Responding: Constructive</b>		<b>Percentage of Surveys Responding: Very Constructive and Informative</b>	
		<i>FY '06</i>	<i>FY '07</i>	<i>FY '06</i>	<i>FY '07</i>
The risk management on-site consultation was:	0%	3%	36%	20%	63%
				63%	76%

**Workers Compensation Strategy**

*FY '06-'07 Survey Results for Claimant Services*

<b>Quality Service Assessed:</b>	<b>Percentage of Surveys Responding: Poor</b>		<b>Percentage of Surveys Responding: Satisfactory</b>		<b>Percentage of Surveys Responding: Excellent</b>	
	<i>FY '06</i>	<i>FY '07</i>	<i>FY '06</i>	<i>FY '07</i>	<i>FY '06</i>	<i>FY '07</i>
Helpfulness of your adjuster	15%	16%	25%	22%	55%	61%
Courteousness of your adjuster	12%	13%	18%	19%	61%	67%

Timeliness of telephone responses by your adjuster	17%	19%	26%	19%	50%	59%
Helpfulness of letters/forms/notices	11%	12%	27%	25%	58%	62%
Promptness of call answered by receptionists	9%	12%	33%	31%	49%	56%
Overall customer service	12%	14%	22%	19%	59%	67%



### *Analysis of Customer Satisfaction Assessment*

Based on customer comments and survey responses for FY 2006 and FY 2007 related to improving operations, the Office has developed the following strategies.

### **Risk Management Strategy**

- Continue to improve the coordination and dissemination of risk management topics and issues that are germane to agency risk managers.
- Continue to hold periodic focus meetings as a means to facilitate information exchange on risk management issues.

## **Workers' Compensation Strategy**

- Develop new tools for surveying the customer experience focused on contemporaneous measurement of our active customers.
- Develop and implement tools to monitor front-line employees' customer service skills to identify strengths and training needs.

The data collected from the workers' compensation surveys show the percent of customers who rate our overall service "excellent" is increasing, while those who rate our overall service as "poor" is decreasing. The Office believes customer satisfaction is improving; however, the very poor response rate to the written surveys necessitates a need for alternative methods of obtaining sufficient customer service data.

Based on the poor response rate to the passive written survey tool, the Office has suspended its use and is in the process of designing a new survey process that will emphasize contemporaneous data collection and the use of live surveys to improve data collection.

The Office's intent is to increase overall participation in the process and provide the client with an immediate redress of any complaint they may have with the service they received, as well as to obtain sufficient objective data for analysis of customer satisfaction. The goal will be to survey workers' compensation claimants immediately after communicating with the Office by agency staff who will ask standardized questions designed to identify the need for improvement as well as areas of excellence. It is anticipated that speaking with our clients as a wrap-up of their conversation with our claims staff will increase the amount of feedback and provide more useful, real-time information about their experience with our staff and business processes.

The feedback provided by the Office's customers is valued as a means to provide a basis for seeking ways to improve the delivery of service. These issues are routinely reviewed and strategies will be formulated to address the Office's customers' suggestions for improvements.

*Customer Relations Representative*

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