



RISK★TEX

INTERAGENCY COMMUNICATION FROM THE STATE OFFICE of RISK MANAGEMENT ★ OCT. 2010



PANDEMIC FLU VIDEO

Most of us feel like the walking dead when we are sick. With the cold and flu season upon us, it's a good time to prepare and educate your staff on the possibility of a flu outbreak. SORM offers a free, online video titled "Pandemic Flu Preparation" that can be shown during safety meetings, departmental gatherings, wellness events, or sent out via email to employees.

This short video is designed to be viewed by all state employees and emphasizes the importance of following simple steps to help reduce the spread of flu infection. You can access the video directly by going to www.sorm.state.tx.us/Media/SpotlightOnSafety/Pandemic/PandemicFlu.php.

The video is the latest addition to SORM's growing library of online videos, which are available by clicking on the "Multimedia" link on the homepage.

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Best practices

How to handle construction

By Sam Arant

Site risk management and safety personnel are ultimately responsible for the safety and well being of all employees, visitors, and contractors during construction projects. Frequent communication between site safety personnel and contractor safety personnel is necessary prior to and during construction activities to prevent costly industrial accidents and incidents and to ensure the construction project is completed "on time" and "on budget." OSHA and other regulatory agencies can inspect and sometimes halt construction activity due to construction safety deficiencies by the contracted, private-sector companies hired by state agencies. The following information provides suggested best risk management practices prior to and during major construction projects.

Prior to Construction

Two suggested risk management practices prior to construction are:

- all requests for proposals should contain contractor qualifications that include environmental, health, and safety (EHS) and risk management documentation; and
- a pre-construction meeting(s)

should include the contractor's safety officer or representative and the site safety officer or risk manager to discuss site safety practices and protocols during construction.

Contractor qualifications should contain:

- OSHA recordable incidence rate;
- OSHA lost work day rate;
- workplace fatalities;
- workers' compensation experience modifier;
- notices of violations or citations from any local, state, or federal EHS regulatory agency;
- specific EHS training programs;
- specific EHS medical surveillance programs;
- construction safety inspection program;
- construction accident or incident program;
- a copy of the contractor's EHS program;
- a copy of any EHS permit held by the contractor;
- a copy of the contractor's general liability insurance

(See "Best Practices," page 3)

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Reducing pharmacy costs

By Dennis M. Sponer

Rising health care costs are impacting many Americans, employers, and governments across the nation. A recent conference of state risk managers included a panel discussion about understanding pharmacy costs and ways to lower the fiscal impact.

State government risk management leaders from around the country gathered at the State Risk and Insurance Management Association's (STRIMA) September conference to discuss pressing issues facing the industry. The conference included a Pharmacy Risk Management Panel moderated by SORM Executive Director Jonathan D. Bow. The panel identified threats and offered information to help state risk managers understand and manage pharmacy cost drivers and reduce business risk. Issues addressed included: fee schedules and pricing guidelines; vendor contracts; drug

cost disclosure and reporting; the identification and mitigation of abuse and drug diversion; and savings programs such as generic substitution.

The panel included presentations by pharmacy benefit management (PBM) and medical cost containment companies CorVel Corp., Healthsystems, and ScripNet. SORM contracts with CorVel for cost containment services and with ScripNet for PBM services.

CorVel discussed industry challenges and the role and responsibilities of a PBM, contract terms, and performance measurement.

Healthsystems' pharmacist addressed problems faced when dealing with drug diversion, addiction, fraud and abuse, and the tools and proactive steps PBMs take to help curb the skyrocketing drug spending in workers' compensation.

ScripNet rounded out the panel discussion with a presentation on

drug pricing terminology, pricing methods, wholesale cost/pricing benchmarks, cost plus pricing, and pricing based on savings achieved. ScripNet also described numerous tools to help state risk managers contain costs, including:

- **Pharmacy networks**, with negotiated contract pricing available to payers;
 - **Formularies** specifying which medicines are approved to be prescribed under a particular contract, and are available to pharmacies online;
 - **Generic substitution**, which is a recommendation to replace a brand name drug with an equivalent generic drug;
 - **Point-of-sale approvals and escalation policies for adjudication**, which allows pharmacies to have online access to patient information, patient
- (See "Panel Discusses," page 3)

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Best practices during construction

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- policy; and
- a copy of the contractor's workers' compensation policy.

Emergency contact information should also be provided by the contractor to include the name and contact number of the contractor safety officer or representative; name of the health care facility or physician where injured contractor employees will be treated; the name and contact number for the contractor's workers' compensation carrier; and any specific emergency procedures for treating ill or injured contractor employees.

The pre-construction safety meeting that includes the contractor safety officer or representative and the site safety officer or risk manager should include:

- a discussion of all the hazards or perils during all phases of construction;
- how all perils and hazards will be controlled, either by safety practices, training, or the elimination of the hazard or peril;
- site safety training rules or

requirements;

- review of contractor emergency procedures and contacts; and
- any required site safety training that must be completed by the contractor employees prior to construction.

During Construction

Suggested risk management practices during construction are to:

- conduct safety meetings prior to each phase of construction with contractor or subcontractor employees, contractor safety officer or representative, and site safety officer or risk manager;
- conduct scheduled, documented site safety inspections by the contractor safety officer or representative during each phase of construction;
- conduct scheduled and unscheduled documented site safety inspections by the site safety officer or risk manager during each phase of construction;

- ensure all site inspections include:

- reviewing the availability of material safety data sheets to contract employees;
- verifying contractors and visitors are all donning required personal protective equipment; and
- confirming the training status of contract employees;

- verify the contractor safety officer or site safety officer has the ability to halt construction activity if warranted due to unsafe acts or conditions.

Finally, it also is a good risk management practice to involve the contractor safety officer or representative and the site safety officer or risk manager in the final walkthrough of the construction site to review and determine any EHS problems or concerns prior to the completion of the construction project.

Sam Arant is deputy director/risk management specialist in the Risk Assessment and Loss Prevention division.

Panel discusses pharmaceutical costs

(Continued from page 2)

- authorization, and/or adjudication;
- Drug utilization reviews and physician outreach**, which involves an extensive statistical analysis of client claims data to identify and contain potential fraud, waste, and abuse, including physician outreach;
- Pharmacy audits** that identify and correct errors, waste, and fraud and ensure network pharmacies are correctly following industry dispensing

practices as well as contracted fulfillment, adjudication, and reimbursement procedures;

- Cost information sharing** with payers; and
- Monitoring and reporting** of key business metrics.

The panel members received positive feedback on their presentations and group discussion. A copy of the PowerPoint presentation is available by emailing a request to info@scripnet.com with subject: STRIMA PowerPoint.

STRIMA is a national organization that brings together risk and

insurance managers of state governments to promote the advancement of risk management principles and practices in the public sector. The state membership exchanges information, facilitates training opportunities, and promotes the highest level of professional and ethical standards.

Dennis M. Sponer is president and CEO of ScripNet. SORM contracts with ScripNet to provide pharmacy benefit management services to covered employees.

Better risk management

By Lisa Bell

Consider this analogy: “risk” is to chance of harm or danger as “amelioration” is to making better. Then, the term “risk amelioration” simply means risk management improvement.

Risk Management Process

Multiple risks – whether dynamic, static, or inherent – exist in state government, and all organizations face a certain level of risk each day. Often, risks are associated with natural phenomena and threats created by human beings and, therefore, cannot be totally eliminated. An effective risk management program can reduce and manage these types of risks and their impact to the lowest extent possible. Controlling risks involves a risk management decision-making process, according to Head and Horn’s *Essentials of Risk Management*, 3rd Edition (pg. 1.12-1.50), including:

- Identifying and analyzing loss exposures;
- Examining alternative risk management techniques for dealing with those exposures;
- Selecting the most appropriate risk management technique(s);
- Implementing the chosen risk management technique(s); and
- Monitoring the results for effectiveness.

As such, risk-related decisions are made constantly in state government, and state agencies benefit when these decisions achieve risk amelioration.

More information about how SORM’s Risk Evaluation and Planning System (REPS) can help with identification and evaluating risks is available at www.sorm.state.tx.us/Publications/risk_tex/10/Feb/evaluatingrisks.php.

Risk Management Application

The installation of diffusers to reduce the incoming sunlight in a state parking garage is an example of how the risk management process was applied to achieve risk amelioration for the benefit of state employees and visitors who utilize the state parking garage.

First, the risk was identified by a state employee who reported to her agency’s risk manager that she was almost hit by a car in the parking garage because a driver couldn’t see her walking due to the intensity of the sunlight coming into the garage.

Second, the risk was analyzed using frequency and severity. Although the incident was a low frequency near-miss event, the severity could have been significant when you consider the potential impact of accidents resulting in injuries to people and property damage. Elementary statistics showed there was a probability a severe accident could occur in the parking garage. Needless to say, the statistics were bound to catch up, resulting in an auto-pedestrian accident. When you consider that many people use the state parking garage every day, hazardous lighting conditions in the garage present a high risk to the agencies and their employees. Because this risk was not acceptable, SORM conducted a light survey of the parking garage based on guidelines from the Illuminating Engineering Society of North America (document RP-20-98) for parking facilities and reported the results and recommendations for improvement to the Texas Facilities Commission (TFC) for further consideration.

Next, the appropriate risk management technique was selected to control and mitigate excessive sunlight coming into the parking garage. In this particular case, TFC evaluat-

ed the cost versus benefit of installing diffusers to reduce excessive sunlight in the parking garage and selected diffusers as the best loss prevention or risk control strategy. A cost-benefit analysis provided a useful decision-making tool when TFC considered the commitment of funds and other resources to install the diffusers.

The final phase of the risk management process was implementing the chosen technique and then monitoring for effectiveness. In this example, TFC installed the diffusers in the parking garage along with other safety controls like posted speed limits and continues to monitor the effectiveness of the risk modifications.

Risk Management Continuum

Although the above example is a microcosm of the many different, complicated risk management processes happening everyday in the state and provides a good example of how working across organizational lines can produce effective outcomes, safety professionals must never lose sight of the fact that effective risk management is a continuous, dynamic process. The process is living and breathing and, as such, must be continuously reviewed. Changes affecting any of the exposures, vulnerabilities, threats, or hazards must be assessed in a risk management review. Although no risk assessment is entirely 100 percent accurate or comprehensive, conducting any qualitative measure of the potential for losses to an organization is better risk management than not conducting one at all.

Lisa Bell is a risk management specialist in the Risk Assessment and Loss Prevention division.