



STATE OFFICE *of* RISK MANAGEMENT



Agency Strategic Plan  
for the  
2011-2015 Period



July 2, 2010



**Agency Strategic Plan  
for the Fiscal Years 2011-15 Period  
by the  
State Office of Risk Management**

<u><i>Board Member</i></u>	<u><i>Term</i></u>	<u><i>Hometown</i></u>
Ernest C. Garcia, Chairman	02/01/15	Austin
Ronald J. Walenta, Vice Chairman	02/01/11	Quitman
Kenneth N. Mitchell	02/01/15	El Paso
Ruben W. Hope, Jr.	02/01/13	Montgomery
Lloyd M. Garland, M.D.	02/01/13	Lubbock

*Submitted July 2, 2010*

Signed:   
Executive Director

  
Board Chairman

# Table of Contents

Statewide Vision, Mission, and Philosophy .....	3
Statewide Goals and Benchmarks .....	5
Mission Statement .....	6
Statement of Philosophy .....	6
External/Internal Assessment .....	7
I. Overview of Agency Scope and Functions.....	7
II. Organizational Aspects .....	8
III. Functional Aspects.....	11
A. Risk Management .....	11
B. Claims Operations .....	14
IV. Fiscal Aspects .....	18
V. Technological Developments.....	20
VI. Economic Variables.....	22
VII. Self-Evaluation and Opportunities for Improvements.....	22
Agency Goals.....	26
Objectives and Outcome Measures.....	27
Strategies and Output, Efficiency, and Explanatory Measures .....	28
Appendices:	
A. Brief Description of Agency’s Planning Process.....	32
B. Organizational Chart.....	33
C. SORM Outcomes 2011-2015.....	34
D. Performance Measure Definitions .....	35
E. Workforce Plan .....	47
F. Survey of Employee Engagement.....	54
G. Report on Customer Service .....	67
H. Historically Underutilized Business Plan .....	71

# Statewide Vision, Mission, and Philosophy

March 2010

Fellow Public Servants:

Since the last exercise in strategic planning began in March 2008, much has changed in the national economic picture. States across the nation have struggled with severe budget shortfalls and the national economy has yet to rebound as many hoped and predicted. Texas, however, has weathered the economic downturn better than other states and been recognized as an example for other states to follow.

Our position relative to other states is not by accident. Texas has demonstrated the importance of fiscal discipline, setting priorities, and demanding accountability and efficiency in state government. We have built important reserves in our state's "Rainy Day Fund," cut taxes on small businesses, and emphasized a stable and predictable regulatory climate in an effort to show that the Lone Star State is a great place to build a business and raise a family.

Over the last year, families across this state and nation have tightened their belts in response to the economic challenges. Government should be no exception. As we begin this next round in our strategic planning process, we must critically reexamine the role of state government by identifying the core programs and activities necessary for the long-term economic health of our state, while eliminating outdated and inefficient functions. We must set clear priorities that will help maintain our position as a national leader now and in the future by:

*Ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means, and limiting the growth of government;*

*Investing in critical water, energy, and transportation infrastructure needs to meet the demands of our rapidly growing state;*

*Ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and ensure Texans are prepared to compete in the global marketplace;*

*Defending Texans by safeguarding our neighborhoods and protecting our international border;*  
*and*

*Increasing transparency and efficiency at all levels of government to guard against waste, fraud, and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.*

I am confident we can address the priorities of our citizens with the limited government principles and responsible governance they demand. I know you share my commitment to ensuring that this state continues to shine as a bright star for opportunity and prosperity for all Texans. I appreciate your dedication to excellence in public service and look forward to working with all of you as we continue charting a strong course for our great state.

Rick Perry

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

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and 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;
- Ensuring the state's bonds attain the highest possible bond rating; and
- Conservatively managing the state's debt.

## Benchmarks:

- Total state taxes per capita
- Total state spending per capita
- Percentage change in state spending, adjusted
- State and local taxes per capita
- Ratio of federal dollars received to federal tax dollars paid
- Number of state employees per 10,000 population
- Number of state services accessible by Internet
- Total savings realized in state spending by making reports/ documents/ processes available on the Internet and accepting information in electronic format
- Funded ratio of statewide pension funds
- Texas general obligation bond ratings
- Issuance cost per \$1,000 in general obligation debt
- Affordability of homes as measured by the Texas Housing Affordability Index

# **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 Chapter 412, Texas Labor Code, to administer insurance services obtained by state agencies, including the government employees' workers' compensation insurance 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, and 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 mitigation strategies intended to reduce financial and performance losses at client agencies, in support of the core principles and goals set out in the Governor's Strategic Plan. The Office continually explores approaches to state government operations that will increase efficiency and save tax dollars through identification and mitigation of risks and promotes identification and exploration of business opportunities.

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

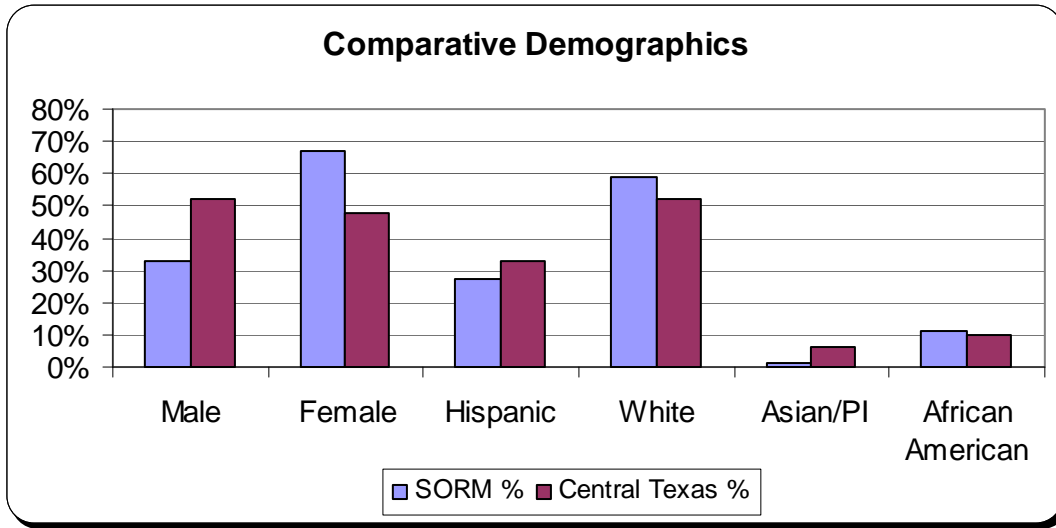
- Overseeing the Office and the appointing an Executive Director;
- Approving risk management guidelines for distribution to state agencies;
- Approving rules necessary for the implementation of the risk management and workers' compensation programs; and
- Reporting to the Legislature on methods to reduce loss exposure 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 126 full-time equivalent (FTE) positions authorized by the current General Appropriations Act. The Office's organizational structure is aligned with the mandates set forth in its enabling legislation. The Office's workforce is diverse and reflects the geographic labor pool in which the Office operates.<sup>1</sup>

The following chart presents current workforce demographic information.



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

- Accounting (processing/recording the Office's transactions);
- Budget & Purchasing (preparing budget reports and processing the Office's purchase orders and procurement documents);
- Information Resources (hosting the Office's workers' compensation Claims Management System (CMS) mainframe application, document imaging repository, and network services);
- Human Resources (maintaining the Office's personnel files and processing all personnel action forms, timekeeping records, and employee benefits);
- Support Services (coordinating maintenance and support for the space occupied by the Office); and
- Legal Divisions (assisting the Office on agency matters within the division's specific area of expertise).

The Office is located in the William P. Clements, Jr. building in downtown 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.

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

The Office consists of six internal divisions:

**Administration** – The Administration Division is comprised of Office Administration, Customer Service, Document Processing, and Outreach and Training. Office Administration serves as the liaison to the OAG in areas such as purchasing, timekeeping (including special leave such as FMLA and ADA), travel, personnel actions, fixed assets, and telecommunications and building maintenance requests. The Document Processing Unit is responsible for converting incoming documents to digital format, and overseeing the inventory, maintenance, and digital conversion of archived files. The Outreach and Training Section provides health and safety, risk management, and workers' compensation training for state agencies, and, internally, workers' compensation adjuster training to the Office's licensed adjusters.

**Claims Operations** – The Claims Operations Division is divided into claims units, a Customer Service Call Center, a Quality Assurance Unit and a Medical Cost Containment Unit. Client agencies are assigned to specified claims units. Upon receipt of the file, Claims Operations performs the initial investigation of each reported injury and determines compensability. Claims Operations follows all claims until their conclusion to ensure that each state worker receives the medical and income benefits due under the Texas Workers' Compensation Act. The Medical Cost Containment Unit within Claims Operations is comprised of the Medical Provider Assistance, Case Management, Medical Audit and Disability Management teams. The Office is committed to ensuring each injured worker receives effective, cost efficient medical treatment designed to return them to employment as soon as possible.

**Fund Accounting** – The Fund Accounting Division processes and issues approved workers' compensation medical and indemnity payments to claimants and medical providers, including cancellation, re-issuance, and correction of warrants. This division also administers the assessment program that allocates the amounts charged to participating state agencies for the costs of operating the agency, including processing workers' compensation claims. Fund Accounting provides all accounting and budget functions for the Office in coordination with the Office of the Attorney General's Accounting and Budget Divisions.

**General Counsel's Office** – The General Counsel provides legal and policy assistance for agency-wide issues, as well as decisions that affect covered state agencies. The division consists of four sections. The Governmental Relations Section's primary duty is maintaining the Office's relationship with other governmental entities. Dispute Resolution is responsible for the central coordination of the Office's participation in the Texas Department of Insurance, Department of Workers' Compensation Benefit Review Conferences. The Subrogation Section recovers workers' compensation benefits, medical costs, and other expenses paid on behalf of state employees injured in the course and scope of employment due to the negligence of a third party. The Investigations Section gathers information about workers' compensation injuries to assist claims adjusters identify possible fraudulent activity by injured workers and medical providers.

**Information Resources** – Information Resources creates and supports automation and record keeping for the Office's internal operations. Supported systems include claims processing, management and payment; document imaging; risk management, reporting and planning; and end user functionality for client agency reporting. The Claims Management System (CMS) is the platform that supports adjusting functions, fraud detection, claims accounting, payment initiation and claim information tracking. The Document Imaging System archives and retrieves claims related documents, bills, recorded statements, and reports associated with claims. The Risk Management Information System (RMIS), an interactive internet based website, allows agencies to report agency loss data, risk identification, and injury reports, to the Office electronically. Client agencies can access reports from that data on risk exposures, claim information and can create basic customized reports for their agencies. The Division provides various reports periodically and as needed to state agencies to aid them in determining the frequency and severity of claims and losses, and to begin establishing historical trend information to help determine projections of minimum and maximum probable losses. In addition to the major systems listed the Division staff also provides support for minor systems including insurance tracking, inventory, desktop computer support and other support systems.

**Risk Assessment and Loss Prevention** – The Risk Assessment and Loss Prevention Division (RALP) provides risk management, business continuity and insurance services to the Office's client agencies. Risk Management Specialists conduct on-site consultations to assist state agencies in establishing and maintaining risk management programs to protect state employees, state assets, and the public served by state agencies. The division also oversees the State's Insurance Program. Insurance Specialists perform comprehensive reviews on all submitted and renewed insurance proposals for coverage, limits, insurer financial stability, loss controls, necessity, and appropriateness. The Office also has oversight responsibilities involving fidelity and notary bonds.

Key management policies and operating characteristics are intended to emphasize interaction between divisions and ensure focus remains on the Office's mission. Open and direct access to Executive Management is emphasized to encourage transparency in operations and improve communications.

Expected organizational challenges to the Office include attracting and maintaining appropriate staff for expanding Office programs such as Return to Work, Disability Management, Medical Cost Containment, and Insurance.

### III. Functional Aspects

#### A. RISK MANAGEMENT

By statute, the Executive Director of the Office serves as the State's Risk Manager. The Office provides risk management services to 140 state entities and 122 CSCDs, encompassing approximately 185,000 individual employees.<sup>2</sup> The Office's insurance programs assist in the purchase of insurance coverage for more than \$13.8 billion in capital investments in real property<sup>3</sup>, and approximately \$3.99 billion in fixed assets<sup>4</sup> at historical cost.

The Office's risk management responsibilities include:

- Providing risk control (frequency), risk reduction (severity), and risk transfer (insurance) services to state agencies, including property, liability, and workers' compensation issues;
- 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 and to client agencies.

The Office publishes risk management guidelines that are based on industry best practices. The Office also provides guidance to state agencies based on emerging trends, direct observation, and data and documentation that state agencies submit to the Office. Comprehensive Risk Management Program Reviews (RMPRs) and On-Site Consultations (OSCs) of client agencies are performed on a dedicated schedule by Office staff. State agencies are required to submit annual reports to the Office on claims and loss information, existing and potential exposures 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 to assist state agencies in strengthening existing programs.

The external factors most likely to impact risk management efforts are:

- Changes to state government, altering the types and levels of risk experienced by the state;
- Potential marginalization of risk managers and risk management programs and restricted access to executive management, leading to inadequate planning and a failure to anticipate, avert, and reduce the impact of threats associated with risk;
- Inadequate business continuity planning and testing by client agencies, resulting in failure to achieve an agency's core mission during a crisis; and

---

<sup>2</sup> The University of Texas and Texas A&M University systems and the Texas Department of Transportation are legislatively exempted from these 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.

<sup>3</sup> Source: Comptroller's State Property Accounting System (SPA)

<sup>4</sup> Id.

- Losses experienced by the State increasing in response to external factors outside the control of client agencies (e.g. economic downturns, natural disasters, security threats, reductions in workforce); and
- Greater demands on the Office respecting risk management issues beyond health and safety issues.

The internal factors most likely to impact risk management efforts are:

- Potential budgetary constraints negatively affecting available resources, including but not limited to, availability and retention of staff with appropriate risk management skills and expertise ;
- Rising travel costs, affecting the Office's ability to meet its performance measures by reducing the number of Risk Management Program Reviews (RMPRs) and On-Site Consultations (OSCs) conducted.

The Office currently has seven Risk Management Specialists, two of which are dedicated to the Bond and Insurance Program (discussed in the next section). 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 analyses 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 considerably more time to collect, monitor, and act timely upon this data. Emphasizing identification and mitigation of risks on a timely basis can lead to reduced financial or performance losses to the State.

Conducting on-site visits with each state agency is crucial in both monitoring the effectiveness of their program and identifying on-site exposures. The Office performs 32 RMPRs and 250 OSCs each fiscal year. Travel budget reductions, increased travel costs and competition for skilled, experienced staff may negatively impact capacity for conducting on-site visits to client agencies, and have the potential to increase the difficulty of assisting client agencies in enhancing existing risk management programs

The Office's risk management efforts have historically been weighted toward health and safety risks at client agencies; however, client agencies have recently been requesting assistance in managing a broader range of risks. The passage of SB 908, 80<sup>th</sup> RS, amended Section 412.011 of the Texas Labor Code and required the Office 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 as laid out in §412.054, Texas Labor Code. The Office is further charged with the responsibility of assuring that agencies understand the vital components of a business continuity plan and test the effectiveness of their plans. The Office has been authorized to hire an additional employee to develop and perform business continuity consultations and validate compliance. The hiring of this individual is pending.

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 and is monitoring resource availability. If risk category expansion continues into financial and contractual operations or additional agencies continue to seek the Office’s consultation on broad enterprise-based programs, limitation of services or 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.

**Bond and Insurance Program**

The Office has implemented four insurance programs: 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	28	\$1,702,966
Automobile Insurance	27	\$531,840
Property Insurance	24	\$10,962,863
Volunteer Insurance	11	\$41,611

By law, the Office also examines the purchase of surety bonds and coordinates the issuance of Notary Public commissions without bond for state employees with the Secretary of State. The Office serves as a full-service insurance manager for state agencies as a part of its statutory risk management function. In this role, the Office is charged with:

- Consulting with state agencies regarding their insurance needs;
- Negotiating insurance policy terms for sponsored lines of insurance;
- Approving the purchase of insurance on behalf of state agencies;
- Disallowing the 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 most likely to impact the bond and insurance program are:

- An active tropical storm season, affecting the capacity and availability of insurance for state owned coastal property; and
- Increased loss frequency and/or severity, resulting in increased premiums to participants in the statewide insurance programs.

As the Office expands the collection of data on client agency non-workers’ compensation losses, it will analyze losses from multiple sources. The Office has the capability to determine if such losses were insured and calculate the net loss to the State, including the cost 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 exposure to risk.

The internal factors likely to impact the bond and 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 to improve decision making.

The expanded use of automation in the statewide insurance program has led to improved efficiency and, thus far, avoided the cost of additional staff. The current level of staffing and funding will support the Office's efforts to maintain existing risk management efforts and address the expected need for insurance services. The Office is currently drafting a State Insurable Asset Study as directed by a rider in the General Appropriations Act. Future increases in lines of insurance offered or levels of consultative assistance required by the Legislature and/or requested by client agencies may potentially require additional personnel due to the increased workload.

## **B. CLAIMS OPERATIONS**

The State Office of Risk Management is charged by the Legislature with administering the Government Employees' Workers' Compensation Insurance Program. Most state agency employees, as well as employees of CSCDs and other statutorily defined individuals, are covered by the program. In FY 2009, the Office's program covered approximately 185,000 lives. This number has increased from 148,000 in FY 1992; the year of the inception of the assessment program. The Office's workers' compensation program is responsible for:

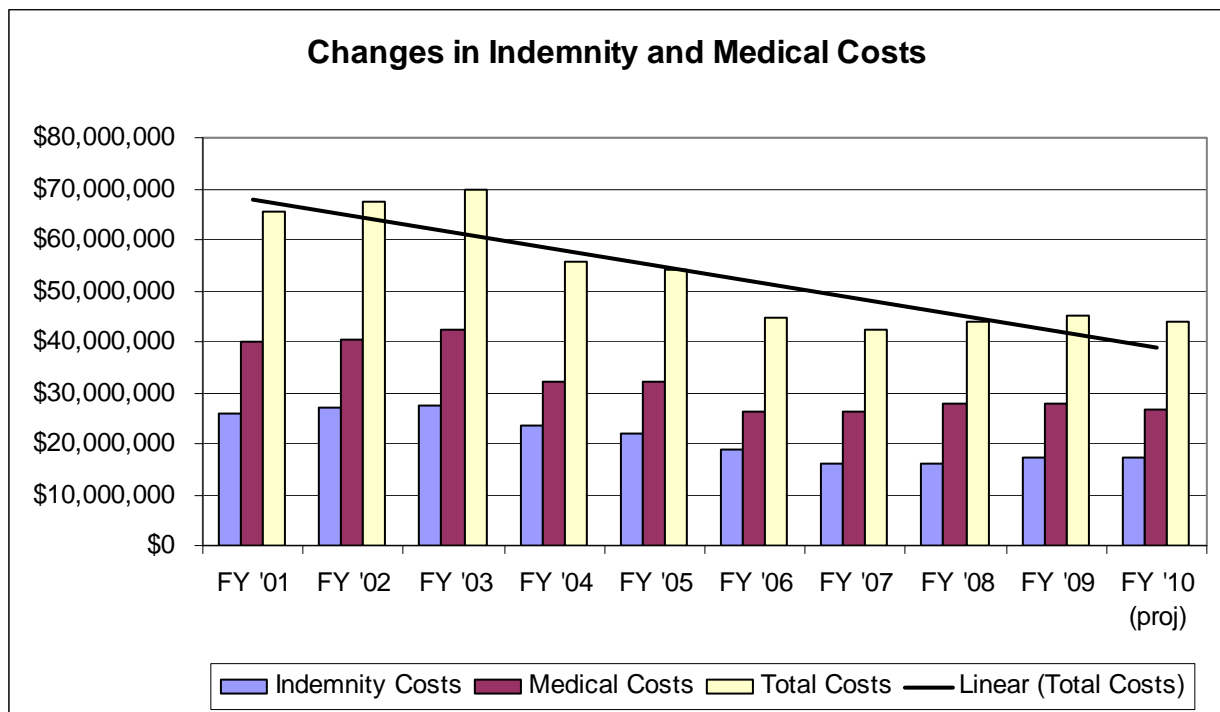
- Receiving and investigating claimed injuries;
- Paying income and medical benefits pursuant to law;
- Appearing as an adversary before DWC and the courts to present the position and legal defenses of the workers' compensation program and the Office's client agencies; and
- Providing workers' compensation training for state agencies.

Claims Overview for FY 2009	
New claims accepted for workers' compensation benefits:	7,213
Total claims receiving benefits (includes open claims from prior years):	10,054
Total number of medical bills received:	120,852
Total medical billing:	\$94.1 million
Total medical paid after cost containment	\$28.0 million
Total indemnity benefits paid to injured workers	\$17.2 million

The Office has made significant improvements to its claims operations in the last several years, which has resulted in an overall reduction in the total amount paid on claims as compared to FY 2003. Savings to the State has averaged more than \$22.8 million per year over the last eight years. During that same time period, medical costs have risen nationally. Annual costs since FY 2005 have been lower than each year since FY 1990.

<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
\$44.1	2008
\$45.2	2009
\$43.9	2010 (projected)

The chart below reflects the downward trend in medical, indemnity (wage replacement), and total costs from FY 2001 through FY 2010 (projected).



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

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

- Demographic changes affecting the number and severity of injuries;
- Rising medical and indemnity costs;



- Legislation and administrative rulemaking requiring additional resources for compliance (including potential exposure to administrative fines by DWC); and
- Loss of PPO and PBM savings after January 1, 2011 that currently reduce State medical expenditures.

Demographic changes such as an aging workforce can affect the number and severity of injuries. According to the Comptroller, from 1980 to 2005, the population of Texas as a whole rose from 14.2 million to 22.9 million, or about 60.7 percent. Over the same time period, the number of Texans aged 65 and over grew at a faster rate, 65.7 percent, from 1.4 million to 2.3 million. Many of these Texans are still in the workforce. A report released from Workers Compensation Research Institute found that the slightly higher claims cost of injuries to older workers is offset by the lower frequency rate. Costs are not currently expected to rise dramatically due to the aging population; however, general economic factors may contribute to workers staying in the workforce longer and may impact the general offset should injury frequency rates shift.

The rising cost of medical treatment and prescription drugs continues to present a challenge both in general health care and workers' compensation. While overall program costs are generally stable or trending downward slightly, medical costs appear to be rising on a per-service basis. This increase has not been fully offset by DWC's adoption of treatment and disability guidelines. The Office is observing slight reductions in treatment frequency and duration, though this is generally only when the Office intervenes as treatment exceeds the applicable guidelines. Respecting indemnity benefits, the State Average Weekly Wage (SAWW), the standard used to calculate the indemnity rates that carriers are required to pay injured workers, increases every year. The maximum weekly indemnity benefit in FY 2010 is \$773.00, an 80.6% increase since the 1989 workers' compensation reform Act was passed. Since 2006 the average annual increase has been 9.7%, or \$58.25 per week. The SAWW modifications are intended to reflect income level adjustments and such increases in the SAWW are anticipated to continue. These increases underscore the need for skilled adjusters to effectively manage lost time claims and work closely with client agencies to develop new strategies to return injured workers to employment if the program is to remain stable.

The Division of Workers' Compensation at the Texas Department of Insurance has and continues to implement changes to regulations which frequently require rapid and complex changes to maintain compliance. Changes to the hospital fee guidelines, e-billing and networks have already occurred, though a final impact analysis is not yet ripe. Each set of new laws and rules has the potential to increase system costs. Rules being developed by DWC and TDI range from those that would address required medical documentation, utilization review and adoption of a complex closed pharmacy formulary or implementation of a new pharmacy fee guideline.

For example, DWC has published an informal working draft of a rule that contemplates limiting the amount of medical records insurance carriers receive with medical bills. Medical records are essential for many claims management purposes. Substantial restriction of the information available to adjusters will have a significant impact on their ability to assess appropriate needs within a claim. In addition, DWC is currently engaged in the early stages of rule-making regarding adoption of a pharmacy closed formulary. These rules are targeted for completion before 2011. Significant impact on both utilization and prescription drug costs are anticipated

from these modifications.

Workers' compensation carriers are subject to regulatory penalties assessed by DWC, which can be significant. The potential for fines poses a serious risk for the Office as funds are not specifically made available to the Office by the Legislature to pay administrative fines to a sister agency. Currently there is no requirement that an error be committed "wilfully or intentionally" to constitute a violation of the Act or the Rules. Errors or an inability to meet future DWC requirements could subject the Office to liability for penalties. 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 has historically served as a training ground for inexperienced claims adjusters.

The Office has historically utilized both a Preferred Provider Organization (PPO) and Pharmacy Benefit Manager (PBM) through contract for negotiated savings. These programs allow the Office to reduce medical costs through negotiated discounts with medical providers. House Bill 7, 79th RS, provided for the creation of workers' compensation health care networks, intended as a way to control medical costs while assuring quality care for injured workers. However, as part of this shift, the Legislature essentially eliminated savings through informal or voluntary workers' compensation networks as of January 1, 2011, by requiring that such networks be fully certified by TDI. The Office issued an RFP for implementation of a health care network, however, none of the responses were deemed to be in the best interests of the State at that time. Though the Office is continuing to work to implement a network model, losses of savings in January, 2011 to the State program are anticipated to exceed \$3MM. Some of these losses may be mitigated depending upon a ruling by the OAG respecting PBM exclusion from the general prohibition.

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

- New strategies to offset rising costs and overutilization;
- Skilled staff retention;
- Increasing contractual complexity requiring specialized expertise;
- Increasing reliance on technology for efficiencies.

The Office is employing new strategies such as early intervention case management; return-to-work and disability management in an effort to offset rising medical costs and over utilization of health care. Despite rising medical costs globally, the Office continues to work to reduce overall medical and indemnity costs by improved claims handling practices and training, as well as greater retention of experienced and knowledgeable adjusters and support staff. As adjusters and cost containment staff become more experienced applying treatment and disability management guidelines, the Office anticipates additional improved outcomes.

Historically, the Office has had difficulty recruiting and retaining highly qualified staff, particularly in the area of claims professionals, due to salaries significantly below market level for experienced adjusters. Adequate staffing has been identified as a critical issue in the internal factor analysis, with the potential to affect all of the Office's statutory duties. Efforts have been made to address this challenge with current resources with the result of a reduction in turnover to 6%, including emphasis on professional development, including advanced professional and

continuing education and certification; offering optional alternative work schedules (WALT program), where feasible; encouraging an agency culture that is supportive of its employees; and sponsoring an active Employee Wellness Program with tangible rewards.

Hiring from Austin's high concentration and steady flow of recent college graduates has proven advantageous for the Office. These new employees enjoy innovation and new technology. Most new employees are hired into entry-level positions and the Office promotes cross-training with other departments, allowing the Office to develop skilled, if not experienced, claim staff at less than prevailing market salaries.

Some internal factors that affect adjuster turnover apply to the industry as a whole, including high demands for accuracy, strict deadlines and rapid changes in technology and claims handling processes. External factors such as the local economy can also have a substantial cyclical impact. As local carriers secure new clients, private industry can afford to lure adjusters away with higher salaries. In spite of internal and external challenges, the Office has increased the average work experience of adjusters from 2.5 years in FY 2006 to just over 8 years in FY 2008.

Contract management of existing vendors and of one or more large healthcare networks will require expansion of the Office's contract management efforts. If it becomes possible to obtain single network coverage for a significant part of the State's injured workers, it may be possible to shift resources from the internal medical cost containment staff to fill this need. However, if multiple contracts are required, or if a significant number of injured workers continue to treat outside the established networks, additional resources and staffing with very specialized knowledge to review and process medical bills may be necessary.

With technological changes coming ever more quickly, failure to retain sufficient knowledgeable employees and sustain critical investment technology such as archiving and imaging could lead to the loss of claims documents and bills, delayed handling and other problems.

#### **IV. Fiscal Aspects**

The operating costs of the Risk Management strategy are financed through interagency contracts. Historically, the operating costs of the Workers' Compensation Administration strategy were financed entirely by General Revenue appropriations; however, this funding structure has undergone significant restructuring by the Legislature. Beginning in FY 2005, a portion began to be financed by interagency contracts for medical cost containment of workers' compensation expenditures, and in FY 2007 a portion of claims operations was also financed by interagency contracts as part of the annual assessment. As of the current biennium, the Office is now funded entirely through the assessment program via interagency contracts.

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 \$9,033,914 was appropriated for FY 2010 and \$8,777,914 FY 2011 for recurring operating costs associated with the risk management and

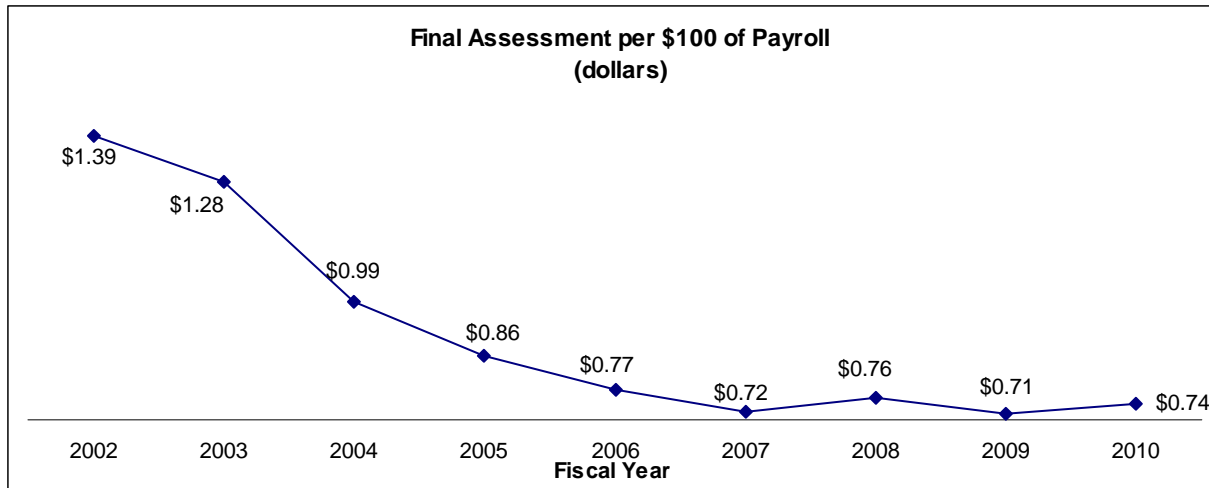
workers' compensation programs, funded by interagency contract.

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 \$1,240,000 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 \$48 million through interagency contracts was appropriated for FY 2010 and \$49 million for FY 2011. The Office was also 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 \$43 million of the interagency contract authority in FY 2010 but expects to utilize more of the authority for FY 2011 due to increasing costs related to the loss of PPO and PBM savings.

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 2003, costs increased to \$44.1 million in FY 2008 and to \$45.2 million in FY 2009. Costs for FY 2010 are anticipated to be roughly \$44 million. However, with the anticipated loss of PPO and PBM discounts in FY 2011 annual costs to this fund are expected to increase between \$2.5 and \$3 million.

With respect to assessment costs, the average cost of the FY 2010 assessment to participating state agencies was \$0.74 per \$100 of payroll for the risk pool as a whole, down substantially from \$1.39 per \$100 of payroll for FY 2002 even with an additional \$3.6 million to replace the previous GR appropriation.



## 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. RMIS currently utilizes an open source web-based technology platform to receive workers' compensation claims information from client agencies and automatically load data into the mainframe-based workers' compensation CMS. CMS is modified and enhanced, as necessary, and in accordance with underlying code flexibility 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 and speed 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. The Office's 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. 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, including but not limited to potential electronic billing and payment between health care 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.

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 Office records;
- 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.

### **Other Technological Initiatives, Requiring Capital Authority**

Although the Office uses technology such as e-mail and an expanded and improved website in an effort to enhance communication with our client population, contact by telephone remains essential to some workers' compensation claimants, medical providers, and state agency claims coordinators. The Office's switchboard receives approximately 3,500 incoming calls a month. The Office anticipates the need to upgrade or replace the current telephone system within the next several years.

The system software currently in use is over 10 years old and the Office is no longer able to find support for the system. In addition, the Office's business continuity plan will require additional software features to support appropriate call routing and management from a remote or alternate location in the event our designated space is unavailable due to an emergency. This capital improvement is a high priority project.

The Office also is preparing for an update of CMS, a mainframe application written in the "NATURAL" programming language. The current system has been in production for approximately 13 years. While still functional, it has become increasingly difficult to enhance the application beyond its current structure. As new technologies have emerged, finding programmers with the skills to maintain and enhance the application is becoming problematic. The Office now accepts filings via its web portal requiring a complex and time-consuming interface to the mainframe application. Additionally, the Office's digital document management system is client based and the interfaces with CMS are severely limited due to differing platforms. The CMS is a mission critical application which has significant impact on the Office's ability to carry out its statutory duties. Redesigning the CMS system into a client server application would provide a stable and supportable platform and greatly enhance the ability to communicate with these existing applications.

## **VI. Economic Variables**

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 that injured state employees are afforded benefits as entitled by statute. Because the state program is funded on a cash basis, changes in the size of the workforce, such as a significant reduction in the number of covered employees, will not result in reduced annual costs for several fiscal years. There would, however, be an immediate effect on performance measures based on the number of covered employees or payroll.

Medical costs in the workers' compensation system continue to increase with increases in the fee schedule for most procedures. Since January of 2008, of the six different fee guidelines, four have been updated with resulting increases in costs. A much more significant increase will result from the loss of discounts from PPO and PBM networks in January 2011. The estimated savings for FY 2010 for PPO discounts is between \$1.5 and \$2 million, and approximately \$1 million in savings is anticipated from the Office's PBM. The loss of these discounts will result in an annual increase to medical costs of roughly 10%.

The indemnity rate paid for claims has risen as well. The state average weekly wage (based on the average weekly wage of manufacturing production workers in Texas), which is the basis for setting the indemnity rates that carriers are required to pay to claimants, continues to increase annually. The maximum weekly indemnity benefit in FY 2010 is \$773.00, an 80.6% increase since the 1989 workers' compensation reform act was passed. Since 2006 the average annual increase has been 9.7%, or \$58.25 per week.

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

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

The influenza pandemic of 2009 could have significantly disrupted state operations. In response, the Office, along with ten other state agencies, worked with a federal contractor through HHSC to test and update existing Pandemic Influenza Continuity of Operations Plans. The Office's plan has been reviewed as an effective response to a pandemic influenza and the Office is in the process of creating a Pandemic Influenza Plan template to disseminate to state agencies for incorporation of relevant elements and best practices into agency plans.

In order to meet the unique needs of insured state agencies, the Office has successfully negotiated with insurance carriers to customize certain lines of insurance for purchase by individual state agencies. Often times, the Office is able to negotiate more favorable terms than on off-the-shelf policies due to the size of the pool and the unique exposures and limitations on certain types of damages. Additional information and study resulting from the State Insurable Asset Study is expected to have impact on the State's approach and the Office's involvement in potential risk transfer and management options.

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. The Office has identified client agencies with the highest IFRs and provides additional assistance to those agencies in hopes of further reducing the IFR and controlling indemnity payments.

To address resource challenges, the online REPS tool was designed to assist agencies in performing self-assessments of exposures, and the Office has updated REPS to reflect emerging trends in state operations. Office risk management specialists can now better assess the magnitude of potential risks at client agencies and work with clients to control and reduce those risks. Continued use and development of this platform is anticipated.

State agencies face a multitude of exposures beyond health and safety. The Office has made progress in creating programs to address these exposures. These programs are designed to reduce the frequency and severity of losses, to transfer risk, and to work with client agencies to plan for operational continuity in the face of a business interruption. Historically, the Office has not had dedicated resources to systematically assist all state agencies in the development and enhancement of their business continuity plans. The addition of a business continuity specialist will enhance the Office's existing business continuity services and update guidelines based on emerging best practices, as well as work more closely with state agencies to strengthen their plans.

Improving the skill and training of client agency risk managers would greatly increase their understanding of the complexity of risk management and the value that it can add to their agency. The Office currently offers training courses on safety, risk management and claims processing; however, there are no mandatory or minimum requirements for training or experience for risk managers serving state agencies. The Office is studying the feasibility of establishing minimum standards and requirements for employees who serve as risk managers, and claims coordinators by establishing certification programs. This model was successfully demonstrated in state government a few years ago as evidenced by the creation of the mandatory certification for individuals serving as state purchasers.

The State Office of Risk Management offers health and safety training to approximately 185,000 state employees. Over the years, we have increased the annual number of students trained, but ultimately, the Office averages only 3,744 students each year. To address this deficit, the Office has invested in developing a distance learning project. Providing online training will increase the number of state employees who receive training, make state agency offices safer places in which to work, and overall raise health and safety awareness among the employees while reducing the overall cost of training and associated travel to client agencies.

The State Office of Risk Management will design and offer training that is relevant and reflects the unique needs of state agencies. The Office will establish a process for surveying agencies to ensure the training provided is accurate, relevant, and meets the specialized needs of state agencies.

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

The most immediate challenge to the Office, discussed above, is the loss of the PPO, and potentially PBM, savings as a result of WCHCN legislation. The Office processes approximately 120,000 medical bills each year. Currently the Office contracts with external vendors to audit and reprice the



bills consistent with contractual agreements and applicable fee schedules, and the savings secured by contracted vendors substantially reduce the State's liabilities. The Office currently pays approximately \$1.9 million per year for bill review, resulting in approximately \$63.3 million in obtained savings from repricing and contractual discount application.

The benefits of having external bill review include cost-avoidance in additional specialized software, hardware, training or additional FTEs, as well as (temporary) access to the vendor's voluntary PPO network and skilled staff for additional services such as preauthorization, medical utilization review, and case management.. However, outsourcing also includes challenges respecting liability and control, as well as transitional procurement issues requiring extensive time and resources spent establishing systems compatibility and operational specifications, potentially placing the agency at risk of failing to meet statutory deadlines and other mandates. One mitigating strategy would be to bring part of the bill review and repricing activities in-house to minimize the scope of the data and procedural interfaces. The Office will explore all options for minimizing or eliminating potential exposures and efficiency losses from vendor transition.

The Office is committed to ensuring injured employees are returned to work quickly and safely. Through consultation with individual client agencies the Office is facilitating a Return-To-Work process to shorten the lost time of injured workers whenever possible. Considerable research is now available detailing the benefits of an early return-to-work program. All parties benefit by a consistently applied, early return-to-work policy. The Office is considering the promulgation of rules to enforce these return-to-work initiatives.

The Office recognizes its responsibility to the citizens of Texas to continue its core functions even in the face of a catastrophe. The Office's recent participation in a pandemic planning exercise (described above) identified strengths and weaknesses in the Office's ability to maintain operations during a catastrophe. The Office is developing and implementing procedures, such as telecommuting, as responses to potential catastrophic circumstances like a pandemic or other natural disaster.

### **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 established by federal entities and DWC. DWC 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 with the reporting requirements. It is possible significant resources will be needed to revise the Office's CMS in order to meet the changing requirements of TxComp. Medicare is implementing federal legislative requirements to obtain claims information from all insurance carriers for potential chargebacks. 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.

Respecting the CMS mainframe application, this current system has been in production for approximately 13 years. While still functional, it has become increasingly difficult to enhance the application beyond its current structure. The Office now accepts filings via its web portal requiring a complex and time-consuming interface to the mainframe application. Additionally, the Office's digital document management system is client based and the interfaces with CMS are severely limited due to differing platforms. The combination of deprecation and emerging technologies (including enhanced technological demands from external entities) will require enhancements beyond the capabilities of the current platform. Options for ensuring continued functionality include redesigning the CMS system into a client server application, which would greatly enhance the ability to communicate with existing applications and ensure continued compliance.

Over the program's existence, the Government Employees Workers' Compensation Insurance Program has processed millions of pages of critical claims related documents that have a mandated 30 year retention requirement. The practice of storing the paper documents is expensive and does not protect the papers from environmental elements such as heat, water, dry rot, or fire. To address this issue, the Office began converting claims documents from hard copy to digital format in 2001. Enhancing this disaster recovery effort to include critical administrative and other non-claims related documents will ensure the continued, normal operations of the Office.

The Office will expand the data storage warehouse currently housing claims documents to include the management of mission critical administrative documents in a secure environment. Programming to establish the new document classifications (for retrieval purposes) will be completed in-house by agency IR staff. Digital storage of essential agency papers is not only a solid risk management strategy, it also provides content management and excellent search and retrieval tools for staff.

# 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 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 Efficiency 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 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.
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.

During strategic planning, the team reviewed the 2008-2013 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 into 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.

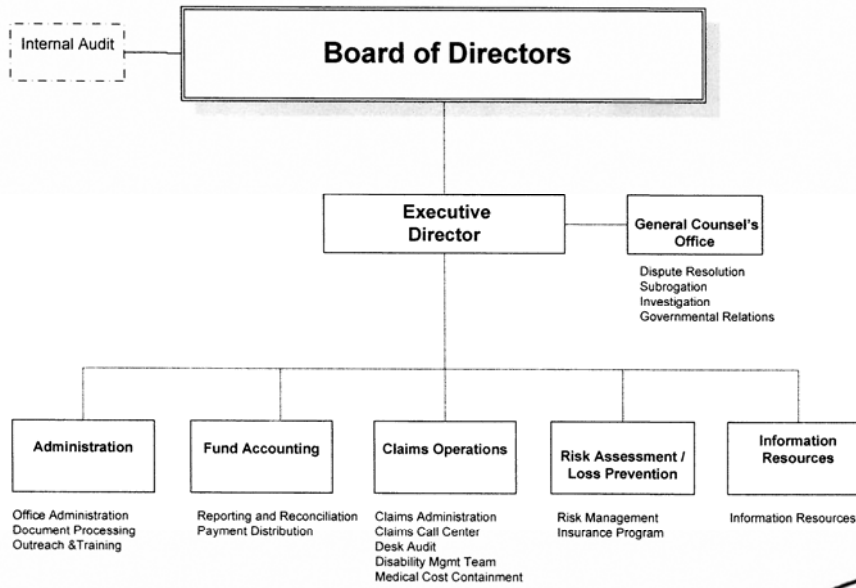
Directors were charged with development of assigned sections for both the Workforce Plan and the updated Strategic Plan based on functional expertise, and executive and division-level staff reviewed each section of the document as it was developed to provide additional input or recommendations.

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 2, 2010.

# Organizational Chart

## STATE OFFICE of RISK MANAGEMENT

April 2010



Jonathan D. Bow  
Executive Director  
4-26-10

## APPENDIX C

### SORM Outcomes 2011-2015

<b>Outcomes</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Incident rate of injuries and illnesses per 100 covered full-time state employees	3.95%	3.95%	3.95%	3.95%	3.95%
Cost of workers' compensation per covered state employee	\$289	\$292	\$294	\$297	\$300
Cost of workers' compensation per \$100 State payroll*	\$0.89	\$0.90	\$0.91	\$0.92	\$0.92

\*See Performance Measure Definition Goal 1, Objective 2, Outcome 2 (Page 42)

**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.

**STATE OFFICE *of* RISK MANAGEMENT  
WORKFORCE PLAN  
Fiscal Years 2011 – 2015**

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

The State Office of Risk Management's goal is to administer the State's 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 interests of the State of Texas. This is a dynamic 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 expects organizational change in the next five years to enhance its ability to further the mission of the agency. Growth in the agency's Return to Work, Disability Management, and Business Continuity programs will improve state agencies' ability to address risk more immediately, thereby limiting the cost to the State. Adding additional lines or expanding availability of insurance will provide client agencies a way to transfer the cost of risk, including the cost of rebuilding and repairing state property as a result of such natural disasters as hurricanes, tornados, and fire.

The Office is administratively attached to the Office of the Attorney General. 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 and Philosophy**

**Mission**

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.

**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.



## **C. Core Business Functions**

### **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; 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 receives and reviews all claims for workers' compensation in accordance with state law and administrative regulations, determines eligibility for medical and indemnity benefits, determines the injured employee's weekly wage and indemnity payment rate, and requests payment through the Comptroller as required.

## **D. Anticipated Changes to the Mission, Strategies, and Goals over the Next Five Years**

The Office's core mission is not expected to change in the next five years; however, changes to our objectives, strategies and goals are expected.

### **Health Care Networks**

The introduction of health care networks into the workers' compensation system has the potential to significantly affect the agency, its operations, and the cost to the State. The Office is actively analyzing options respecting State participation in a certified Workers' Compensation Health Care Network (WCHCN) to determine if participation is feasible and cost-effective.

### **Medical Cost Containment Services**

The agency currently outsources medical cost containment services, including bill review/audit, preauthorization, medical utilization review, and case management. Historically the agency has secured these services through an RFP process with a 5 (five) year term contract. The transition period that results from a change in vendors every five years requires extensive time and resources spent establishing systems compatibility and operational specifications, and places the agency at risk of failing to meet statutory deadlines and other mandates. The Office will explore all options for minimizing or eliminating potential exposures and efficiency losses from vendor transition.

### **Return to Work and Disability Management**

The Office is committed to providing injured state employees with the highest quality medical services for their work related injury or illness. This is essential in returning state employees to meaningful, productive employment in performing the duties and responsibilities for which they were hired. Insufficient resources have resulted in problems recruiting applicants with the necessary medical background to provide disability and medical oversight. Disability management ensures the best possible medical care for injured workers, as well as saving the State the cost of over utilization. The Office is committed to overcoming this challenge and will investigate possible funding solutions.

### **Distance Learning Program**

The agency offers health and safety training to approximately 185,000 employees covered by the Office. Although, over the years, we have increased the annual number of students trained, the Office averages only 3,744 students each year. As the internet becomes more available at state agencies, and with the influx of a younger, more tech savvy workforce, e-learning becomes an efficient, effective, and economical training tool. Providing online training will increase the number of state employees receiving training, making state agency offices safer in which to work, and overall raising health and safety awareness among the State's employees.

In addition to expanding the reach of the training program, the availability of online training frees up the agency's Risk Specialists to assist client agencies with risk management issues that are more appropriately handled in person.

### **Technology and Information/Content Management**

The Office anticipates an increased emphasis on technology as a tool to streamline work processes, improve services available to our clients, and enhance business continuity in times of emergencies.

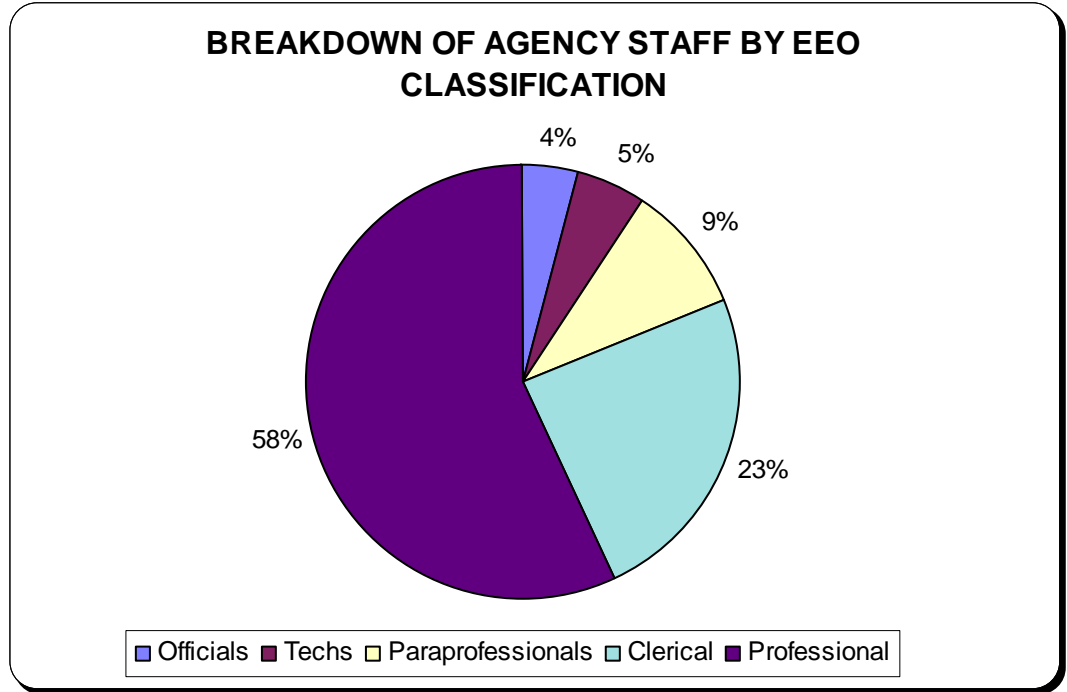
The Office will expand the data storage warehouse currently housing claims documents to include the management of mission critical administrative documents in a secure environment. Programming to establish the new document classifications (for retrieval purposes) will be completed in-house by agency IR staff. Digital storage of essential agency papers is not only a solid risk management strategy, it also provides content management and excellent search and retrieval tools for staff.

### **State Insurance Program**

The State Insurance Program will continue to evolve and provide state agencies with insurance options that are cost effective and protect the State's properties.

**E. Supply Analysis – Current Workforce Profile**

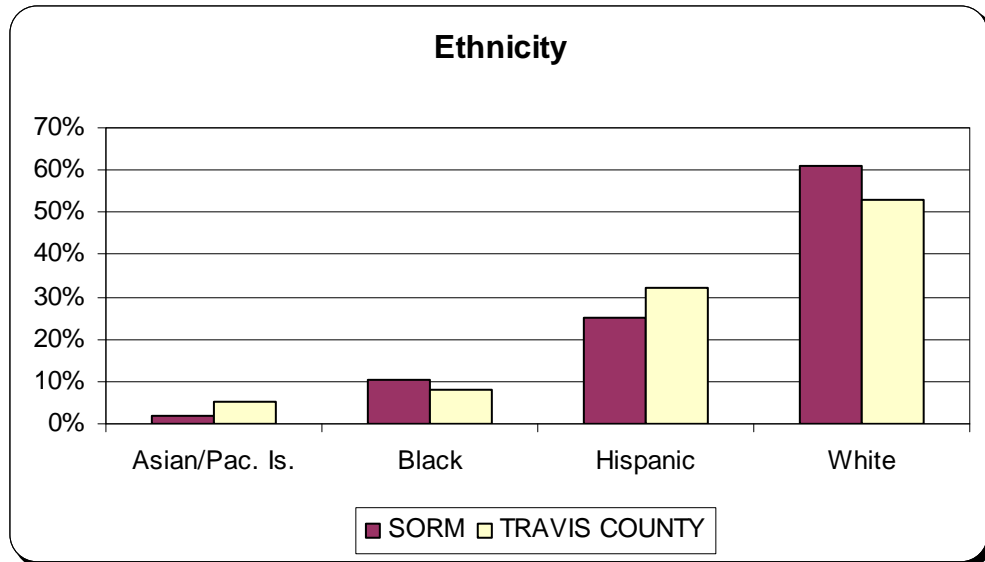
1. The State Office of Risk Management is authorized for 126 full-time equivalent (FTE) positions. These positions are allocated as follows:



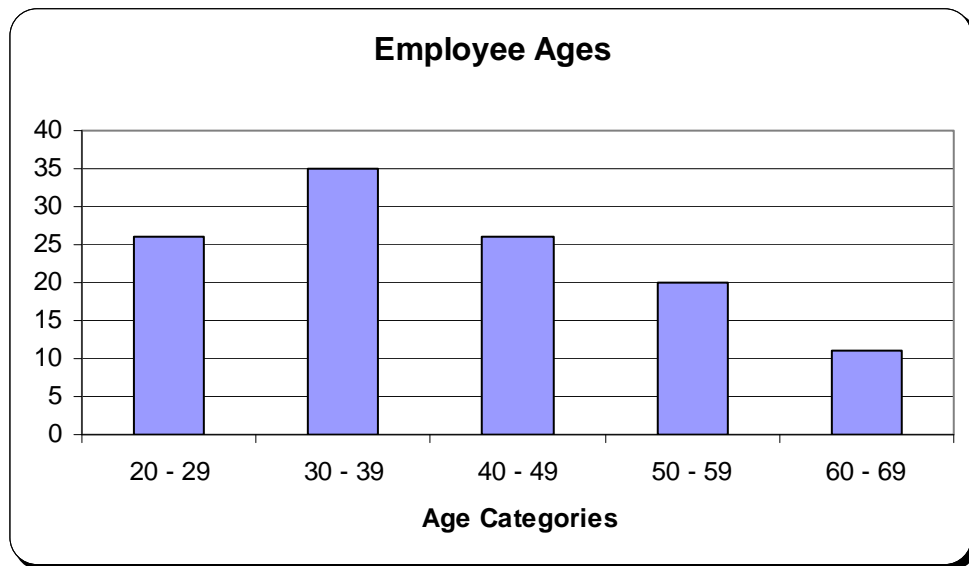
The chart includes Claims Assistants as part of the clerical section. Claims Assistants are entry level claims adjusters who administer no-lost-time claim files. They are exempt from earning overtime by the Department of Labor under the “Administrative Exemption”. Moving Claims Assistants out of the clerical area and into professional, as all claims adjusters are classified by the DOL, brings the agencies percentage of staff operating in clerical positions to 14%.

2. The following charts demonstrate the make up of agency personnel, including tenure. All agency personnel are located in Austin and the agency’s diversity reflects that of the local labor pool.

The ethnicity of the agency breaks down as 2% Asian/Pacific Islander, 10% Black, 29% Hispanic and 61% White – non Hispanic.



The agency’s culture of innovation attracts young, educated employees. The median age of a SORM employee is 39 years old. 89% of the employees hired during FY08 – 09 had at least an undergraduate degree. 55% of the all agency personnel are degreed.



Because the average number of years of state service for SORM employees is only 9 (nine) years, retirement is not expected to be a workforce factor for several years.

### 3. Current Workforce Skills

The following skills are currently used by agency staff to successfully accomplish critical functions:

- Workers' compensation claims administration
- Medical / disability management
- Insurance underwriting
- Risk management

Agency employees also need skills in the following areas:

- Customer service
- Problem solving
- Multi-tasking
- Proficiency with computer/technology
- Research and analysis
- Negotiation and dispute resolution

### **F. Demand Analysis – Future Workforce Profile**

In addition to the skill sets listed above, the following additional skills will be needed to meet the challenges of the future:

1. The Office anticipates the need for employees more highly trained in the medical field. Both the Medical/Disability Management and Return to Work programs will depend on more staff who possess knowledge of occupational diseases and injuries, established treatment guidelines, and the analytical skills to recommend a course of action based on individual cases.
2. Addressing statutory and administrative changes and challenges in the medical cost containment function may require an increase the agency's need for personnel trained in medical cost containment, including network/non-network claims expenditures and other specific directives and initiatives.
3. Expanding the agency's distance learning program by producing podcasts and training videos targeting relevant health and safety will require staff with skills in media editing, filming, and production.
4. An increased workload due to increased interest in insurance purchases by client agencies will require skill sets in advanced negotiation and contract administration.

5. Professional training/certification for agency staff ensures staff possess the skills and knowledge necessary to meet the challenges our State faces. Industry trends are communicated effectively through participation in professional associations.

## **G. Gap Analysis**

1. The agency anticipates that evolving technology will continue to offer opportunities to automate processes, requiring fewer employees with filing, data entry, and general clerical skills and more staff with the technological skills to fully utilize the agency's continually evolving computer systems.
2. Recruiting employees with training and experience in occupational medicine and treatment guidelines has been challenging, however, the agency will continue to pursue candidates with these critical skills.
3. The agency realizes that in times of change and challenge, leadership on all levels is essential to success. Management staff will need to enhance managerial skills needed to motivate staff, manage change, communicate goals, and encourage innovation.

## **H. Strategy Development**

1. The agency will transition to a technology based program by ensuring that computer and technological proficiency is a standard for all positions. Future vacancies will require computer competency relative to the job. Current employees will be provided training that will improve work productivity and efficiency using automated processes.
2. To address the problem the agency has had recruiting qualified medical staff, the agency will continue to identify candidates through the hiring process, as well as provide training and mentoring to current staff to develop the skills necessary in the disability management and return-to-work programs.
3. Continue to concentrate on leadership development. The agency will periodically assess the leadership and development opportunities for all levels of management, including the Governor's Center for Management Development.
4. The agency will continue to encourage staff members to obtain professional certification, and support the agency's membership in professional organizations.

**SURVEY ON EMPLOYEE ENGAGEMENT**

In November, 2009, the Office participated in the fifth in a series of surveys designed to measure employee engagement. Prior to 2009 the *Survey of Organizational Excellence* was the instrument administered by the University of Texas, School of Social Work. The Office had a high response rate, 93 percent, and scored higher than agencies of similar size, mission, and all responders in all dimensions. Scores higher than 350 suggest employees perceive the issue more positively than negatively, and scores of 400 or higher indicate areas of substantial strength. The only scores lower than 350 were in the areas of flow of internal communications at 346 and fair pay, at 252.

The survey identified substantial strengths in physical environment (414), employee development (408), and Strategic (how the organization responds to external influences) (401).

Areas of concern are identified by the Survey as the lowest three scores received by the agency. Only two of SORM's three lowest scores fell below 350, the level at which employees perceive the issue more positively than negatively. SORM's areas of concern are flow of internal communications, at 346 and fair pay, at 252.

Although the change from the Survey on Organizational Excellence to the Survey on Employee Engagement did not contain a great many differences in survey questions, the changes that did occur made it difficult to compare historical data to the current response. This limited the Office's ability to track critical concepts. The Office is committed to continuing to utilize this important tool to optimize organizational performance.

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



*The Survey of Employee Engagement*

State Office of Risk Management



*Executive Summary*

**2009**



# Executive Summary

## Table of Contents

---

---

Introduction .....	1
Survey Framework & Administration .....	1
Organization Profile .....	2
Synthesis Score & Response Rates .....	2
Construct Analysis .....	3
Areas of Strength .....	4
Areas of Concern .....	5
Climate Analysis .....	6
Participant Profile .....	7
Benchmarking .....	8
Next Steps .....	9
Timeline .....	10

Institute for Organizational Excellence  
1 University Station  
D3500  
Austin, Texas 78712

[www.survey.utexas.edu](http://www.survey.utexas.edu)  
[soe@uts.cc.utexas.edu](mailto:soe@uts.cc.utexas.edu)  
Phone (512) 471-9831  
Fax (512) 471-9600



479-State Office of Risk Management

## Introduction

---

**Thank you** for your participation in the Survey of Employee Engagement (SEE). We trust that you will find the information helpful in your leadership planning and organizational development efforts. As an organizational climate assessment, the SEE represents an employee engagement measurement tool based on modern organizational and managerial practice and sound theoretical foundations. In short, the SEE is specifically focused on the key drivers relative to the ability to engage employees towards successfully fulfilling the vision and mission of the organization.

Participation in the SEE indicates the willingness of leadership and the readiness of all employees to engage in meaningful measurement and organizational improvement efforts. The process is best utilized when leadership builds on the momentum initiated through the surveying process and begins engagement interventions using the SEE data as a guide. Contained within these reports are specific areas of organizational strengths and of organizational concern.

**The SEE framework** initially consists of a series of items to ascertain the demography of the respondents. The purpose is to measure whether or not a representative group of respondents participated. The second section contains 71 primary items. These are used to assess essential and fundamental aspects of how the organization functions, the climate, potential barriers to improvement, and internal organizational strengths. The items are all scored on a five-point scale from Strongly Disagree(1) to Strongly Agree(5) and are averaged to produce various summary measures - Constructs, Climate indicators, and the Synthesis Score.

The SEE has 14 Constructs which capture the concepts most utilized by leadership and those which drive organizational performance and engagement. These constructs are: Supervision, Team, Quality, Pay, Benefits, Physical Environment, Strategic, Diversity, Information Systems, Internal Communication, External Communication, Employee Engagement, Employee Development, and Job Satisfaction. In the Climate section of the reports are the Climate indicators: Atmosphere, Ethics, Fairness, Feedback, and Management.

The overall survey score, or Synthesis score, is a broad indicator for overall comparison with other entities and when available, over time.

## Survey Administration Profile:

---

**Collection Period:**

11-02-2009 through 11-20-2009

**Collection Method:**

All employees took the survey online.

**Additional Items and Categories** (if applicable)

may be used to target areas specific to the organization. Refer to the Appendix of the Data Report for a complete listing.

- Category 1 (7 codes)
- Category 2 (3 codes)

**Survey Liaison:**

Gail McAtee (512) 936-1501  
Agency Administration Director  
300 W. 15th St, 6th Flr  
Austin, TX 78701

[gail.mcatee@sorm.state.tx.us](mailto:gail.mcatee@sorm.state.tx.us)



## Organization Profile

### State Office of Risk Management

Organizational Leadership:

ID: 479

- Jonathan Bow, Executive Director



Synthesis Score:

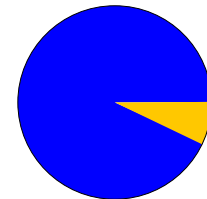
3.74

The Synthesis Score is an average of all survey items and represents the overall score for the organization. For comparison purposes, Synthesis scores typically range from 3.25 to 3.75.

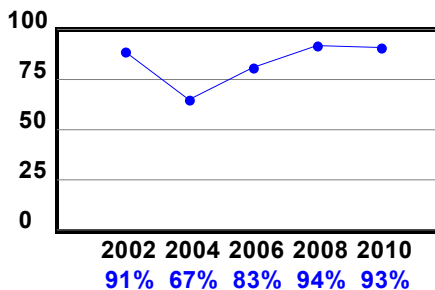
## Response Rates

### Overall Response Rate

Out of the 119 employees who were invited to take the survey, 111 responded. As a general rule, rates higher than 50 percent suggest soundness. Rates lower than 30 percent may indicate problems. At 93%, your response rate is considered high. 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. With this level of engagement, employees have high expectations from Leadership to act on the survey results.



■ Responded 93%  
■ Did Not Respond 7%



### Response Rate Over Time

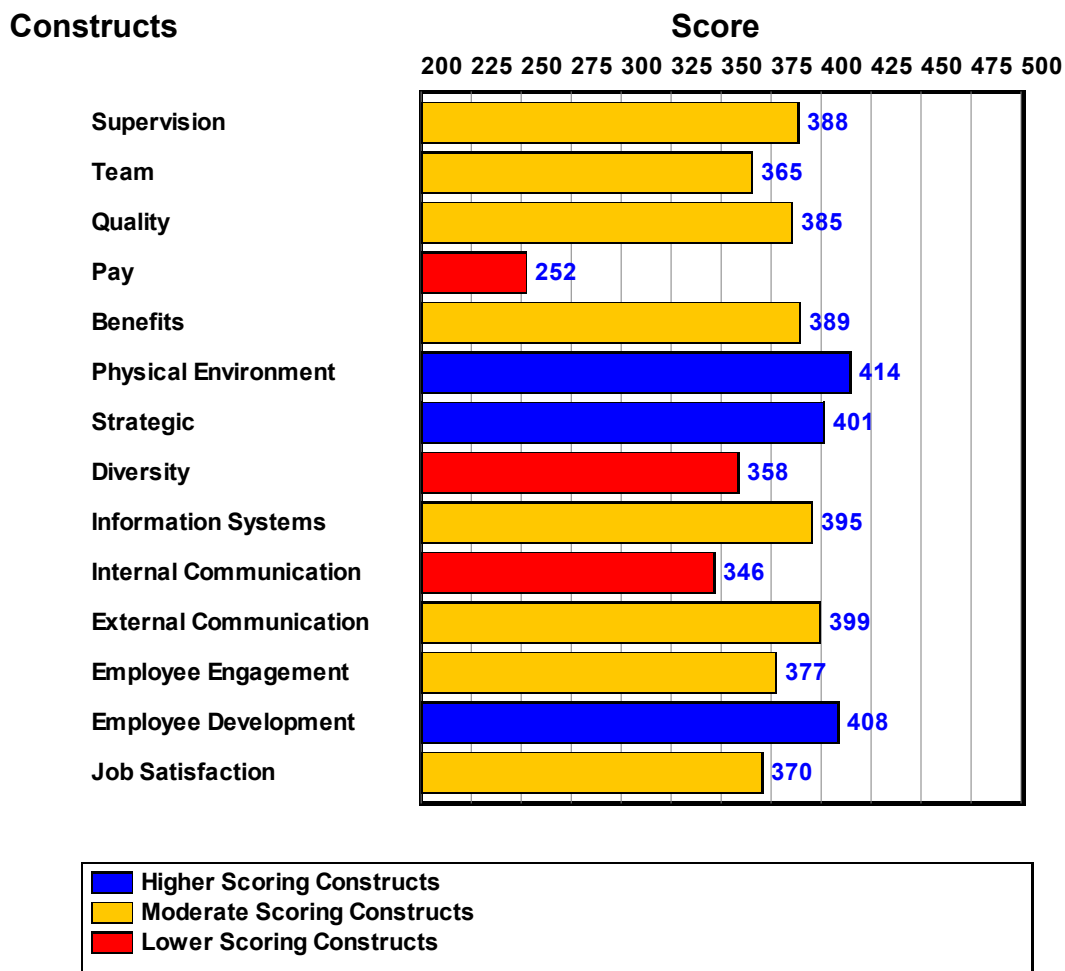
One of the values of participating in multiple iterations of the survey is the opportunity to measure organizational change over time. In general, response rates should rise from the first to the second and succeeding iterations. If organizational health is sound and the online administration option is used, rates tend to plateau around the 60 to 65 percent level. A sharp decline in your response rate over time can be a significant indicator of a current or potential developing organizational problem.



## Construct Analysis

Constructs have been color coded to highlight the organization's areas of strength and areas of concern. The 3 highest scoring constructs are blue, the 3 lowest scoring constructs are red, and the remaining 8 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 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



## Organizational Typology: Areas of Strength

---

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

### **Physical Environment**

**Score: 414**

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 their work setting positively. It means that the setting is seen as satisfactory, safe, and that adequate tools and resources are available.

### **Employee Development**

**Score: 408**

The Employee Development construct is an assessment of the priority given to employees' personal and job growth needs. It provides insight into whether the culture of the organization sees human resources as the most important resource or as one of many resources. It directly addresses the degree to which the organization is seeking to maximize gains from investment in employees.

High scores indicate that employees feel the organization provides opportunities for growth in organizational responsibilities and personal needs. Maintaining high scores requires both providing resources and challenges for employees.

### **Strategic**

**Score: 401**

The Strategic 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.



---

---

## Organizational Typology: Areas of Concern

---

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

### **Pay**

**Score: 252**

The 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 suggest that pay is a central concern or reason for satisfaction or discontent. In some situations pay does not meet comparables in similar organizations. In other cases individuals may feel that pay levels are not appropriately set to work demands, experience and ability. Cost of living increases may cause sharp drops in purchasing power, and as a result, employees will view pay levels as unfair. Remedying Pay problems requires a determination of which of the above factors are serving to create the concerns. Triangulate low scores in 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 Pay scores.

### **Internal Communication**

**Score: 346**

The Internal Communication construct captures the organization's communications flow from the top-down, bottom-up, and across divisions/departments. It addresses the extent to which communication exchanges are open, candid, and move the organization toward goal achievement.

Average scores suggest that employees feel information does not arrive in a timely fashion and often it is difficult to find needed facts. In general, Internal Communication 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. 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 of factors influencing your Internal Communication score.

### **Diversity**

**Score: 358**

The Diversity construct addresses the extent to which employees feel personal differences, such as ethnicity, social class or lifestyle, may result in alienation from the larger organization and missed opportunities for learning or advancement. It examines how the organization understands and uses creativity coming from individual differences to improve organizational effectiveness.

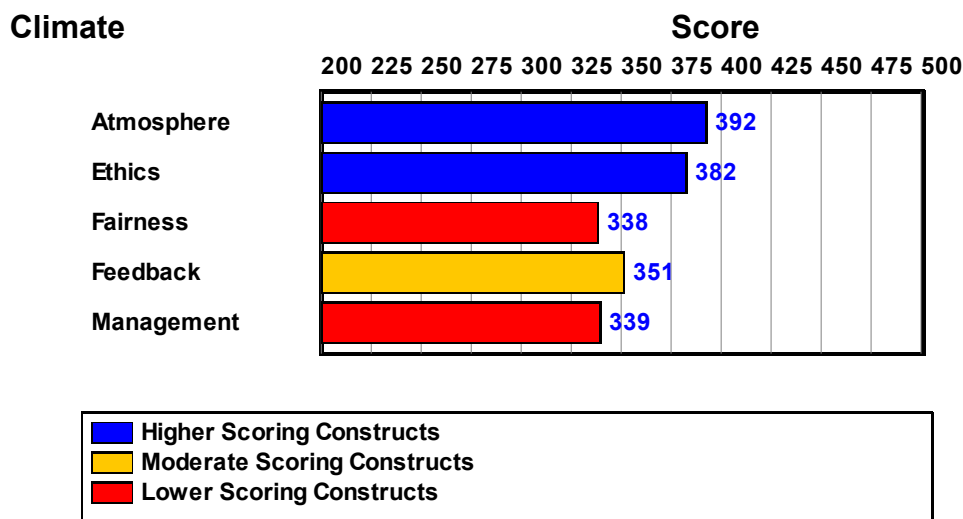
Average scores suggest that while there may be no feeling of unfair discrimination toward any particular group, there may be "a sameness", a cultural homogeneity that may not be in the organization's best interest. Triangulate Diversity scores by reviewing the organization's demographic numbers as well as how representative various groups are within the hierarchy of the organization. Use the employee feedback sessions to make a more complete determination for the causes of low Diversity scores. Consider recruitment procedures and training programs for persons that are underrepresented to improve size of candidacy pools for hiring and promotion; conduct community outreach, including recruitment programs with high schools and colleges; establish mentor programs to encourage the development of opportunities for underrepresented groups.



## Climate Analysis

The climate in which employees work does, to a large extent, determine the efficiency and effectiveness of an organization. The appropriate climate is a combination of a safe, non-harassing environment with ethical abiding employees who treat each other with fairness and respect. Moreover, it is an organization with proactive management that communicates and has the capability to make thoughtful decisions. Climate Areas have been color coded to highlight the organization's areas of strength and areas of concern. The 2 highest scoring climate areas are blue (Atmosphere, Ethics), the 2 lowest scoring climate areas are red (Fairness, Management), and the remaining climate area is yellow (Feedback).

Each Climate Area is displayed below with its corresponding score. Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



### Climate Definitions:

**Atmosphere:** The aspect of climate and positive Atmosphere of an organization must be free of harassment in order to establish a community of reciprocity.

**Ethics:** An Ethical climate is a foundation of building trust within an organization where not only are employees ethical in their behavior, but that ethical violations are appropriately handled.

**Fairness:** Fairness measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.

**Feedback:** Appropriate feedback is an essential element of organizational learning by providing the necessary data in which improvement can occur.

**Management:** The climate presented by Management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership.



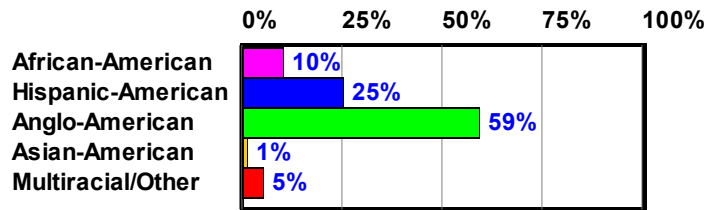
## Participant Profile

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.

**\*Please note that there may be a slight variation between the percentages presented here and those found in the Data Report. This is due to respondents who chose not to answer particular demographic items. All available demographic responses are reported in your Data Report.**

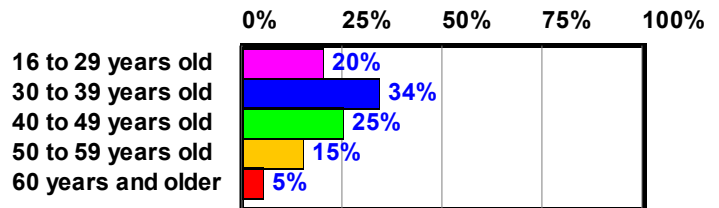
### Race/Ethnic Identification

Racial/Ethnic diversity within the workplace provides resources for innovation. A diverse workforce helps ensure that different ideas are understood, and that the community sees the organization as representative of the community.



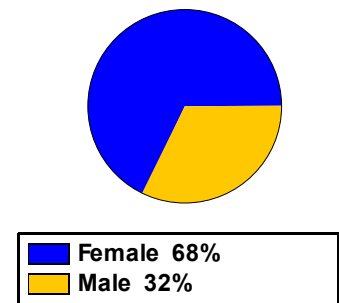
### Age

Age diversity brings different experiences and perspectives to the organization, since people have different challenges and resources at various age levels. Large percentages of older individuals may be a cause of concern if a number of key employees are nearing retirement age.



### Gender

The ratio of males to females within an organization can vary among different organizations. However, extreme imbalances in the gender ratio when compared to actual gender diversity within your organization should be a source of concern and may require immediate attention as to why one group is responding at different than anticipated rates.





## Benchmark Data and Other Resources

---

### Benchmark Categories:

**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 illustrate differences and changes along item and construct scores. Our benchmark data are updated every two years and are available from our website at [www.survey.utexas.edu](http://www.survey.utexas.edu). The most current benchmark data are provided in your report. 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. **The Benchmark Categories for this organization are:**

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

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

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

**Special Grouping:** None

### Reporting and Other Resources:

**A Data Report** accompanies this summary. The data report provides greater detail than the executive summary. The data report 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 are broken into mean, frequency counts, standard deviations, and number of respondents. Item benchmark data are also displayed.

**Electronic Reports** are provided in two formats. First, all executive and data 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 type of electronic reports are in Microsoft Excel format. These reports are construct 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.

**Using the Survey as a Catalyst** for organizational improvement is essential to the survey process. The survey creates momentum and interest. At 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. Please visit us at [www.survey.utexas.edu](http://www.survey.utexas.edu) for additional survey resources.

**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.



## Next Steps: Interpretation and Intervention

---

After the survey data has been compiled, the results are returned to the survey liaison, executive director, and board or commission chair approximately one to two months 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

---

### February and March: Interpreting the Data

- Data are 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 provide interpretations for all staff

### April: 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 items, providing the data along with illustrations pertinent to the organization
- Select a time to have employees 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.

### May: 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 target

### June 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



## Report On Customer Service

The State Office of Risk Management (the Office) is dedicated to providing the best possible customer service. During the last biennium, through technology and automation, the Office made changes that enhanced our ability to evaluate our services and increase customer satisfaction. This report will review and evaluate the previous year's service and provide recommendations for changes in the way the agency gathers and responds to information regarding customer service. It is important that the data the Office collects is relevant, timely, and meaningful, and that once areas are identified for improvement there is an appropriate follow through.

### *Inventory of External Customers*

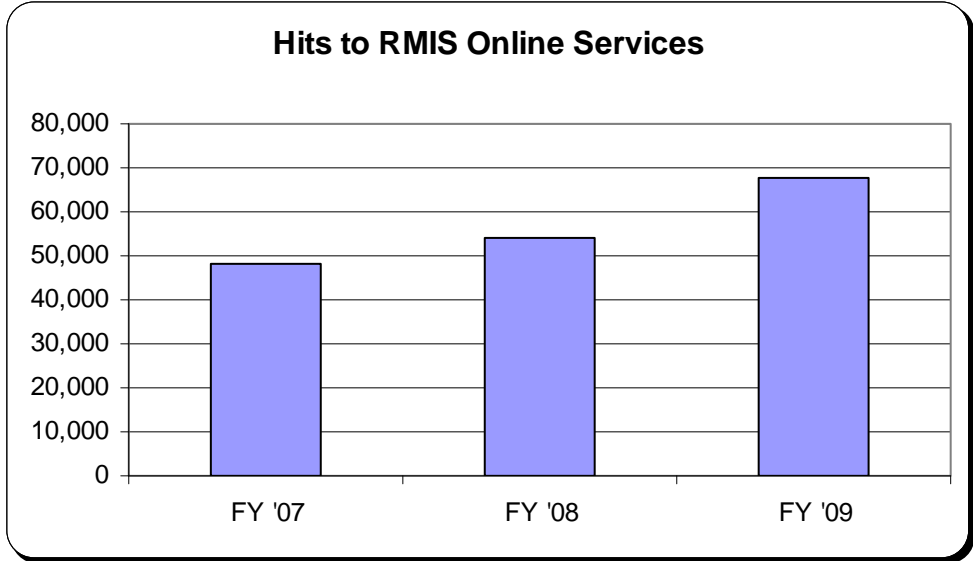
The Office has two strategies for providing services as mandated by enabling legislation. These strategies and the customers they serve are:

- Risk Management Strategy - The external customers served by the risk management strategy are all state agencies with the exception of the University of Texas System and Texas A&M University System, Texas Tech University, Texas Tech University Health Science Center, and the Texas Department of Transportation.
- Workers' Compensation Strategy - The external customers served by the workers' compensation program include the injured state workers, medical providers, and state agencies excluding the University of Texas System and Texas A&M University System and the Texas Department of Transportation. Certain other parties may be served depending on specific entitlements pursuant to statute.

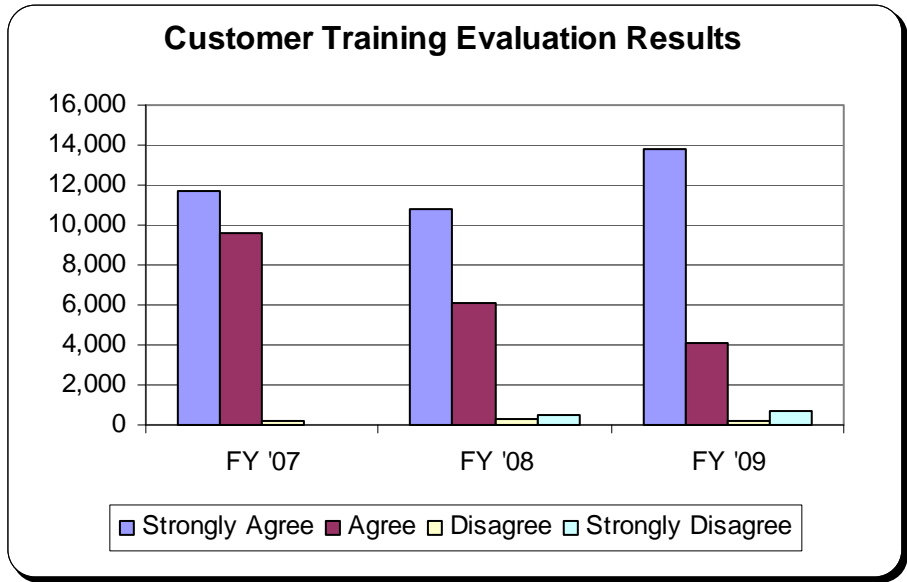
### *Information Gathering Method*

Customer Service Surveys are being used to assess customer satisfaction and implement ongoing improvements. In 2007 the Risk Assessment and Loss Prevention (RALP) and Training divisions automated several of the information gathering processes. The Office's Risk Management Information System (RMIS) is a web-based interface used by a diverse group of external and internal customers, including state agency Risk Managers, Workers' Compensation Claims Coordinators, and state employees seeking health and safety training.

Activity on RMIS increased 25% between FY08 and FY09. Ongoing system enhancements allow customers the opportunity to enter and retrieve data securely, provide feedback, and submit reports online. The following chart shows the increase in activity on RMIS:



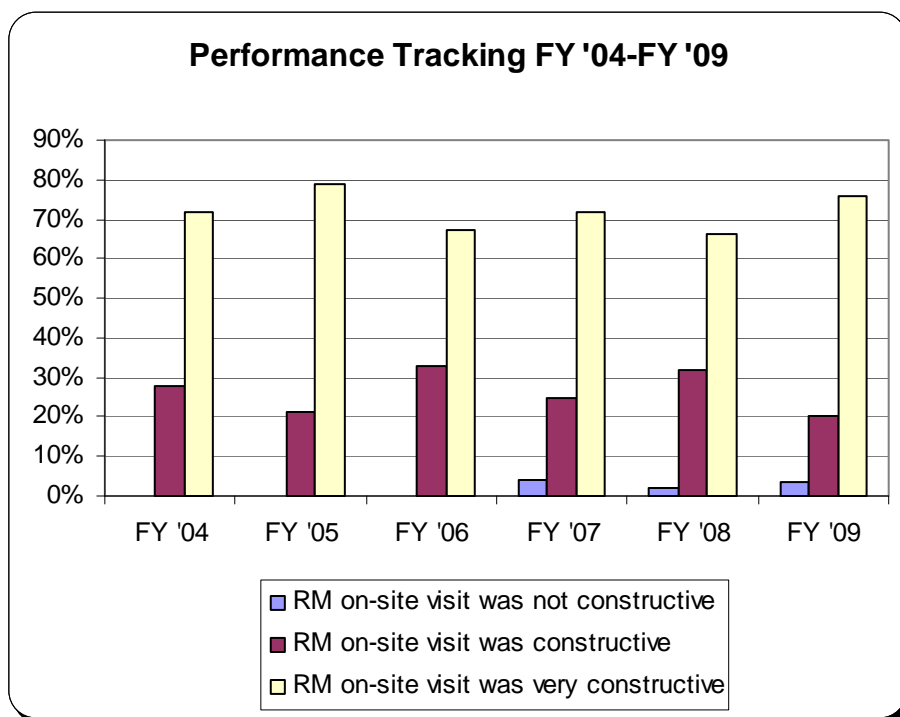
The Office’s On-line Training Registration System includes an electronic, post-class course evaluation. Attendees are provided a certification of course completion after a brief survey is completed online. Comments about course availability, usefulness of the class to the customer, and effectiveness of the instructor, along with requests for additional training, are tracked and classes are developed and offered in response to these requests. The following chart provides survey responses to questions such as, “I am satisfied with the scope of the information” and “The information provided will be useful.”



Customer inquiries and comments regarding the Office’s services can be submitted through the SORM website and RMIS. Information on risk management, health and safety issues, and training opportunities for state employees is made available on the website and through the Office’s statewide risk management publication, *Risk-Tex*.

The surveys and online inquiries supply a means for gathering feedback from the Office’s customers, and are intended to improve services and provide a method with which to recognize staff for positive performance. Questionnaires provide for customer assessment of the quality of the services offered as well as provision for any comments customers may wish to add. Questionnaires are distributed to agencies covered under the risk management program following each risk management review or field office visit. The Office’s toll-free telephone line and website provides additional channels for customer feedback at all times.

The following charts shows survey results of customer-determined service quality provided by the Office beginning with FY04. The results were based on surveys conducted and present percentages reflecting the level of customer satisfaction with services provided during scheduled On-site Consultations.



Employees of the Office dealing with workers’ compensation claimants over the telephone may be monitored, in real time, for accuracy and professionalism.

*Analysis of Customer Satisfaction Assessment*

Focusing on the results of surveys conducted, the Office identified several issues for study to improve the process of gathering information from customers. These issues include:

- Presenting workers’ compensation claimants an opportunity to critique our customer service at the time the services are provided.

- Enhancing quality assurance to result in better service to our clients.
- Increasing customer use of the Office's toll-free telephone line, website, and RMIS to make comments and suggestions about their experience with the Office, and continue to study means to increase the utilization of these resources by its customers.

### *Strategies for Improvement*

Plans for improving customer service operations are presented by strategy and are summarized as follows:

#### *Risk Management Strategy:*

- Improve the coordination and dissemination of risk management topics and issues that are germane to agency risk managers through enhancements to the website and *Risk-Tex*.
- Implement real time claims activity tracking and reporting through the Claims Management System for Claims Coordinators, Risk Managers, and injured state employees.

#### *Workers' Compensation Strategy:*

The Office has improved its performance during the past several years; however, the agency lacks an effective instrument with which to capture and report customer service/performance data. Previous mail-in questionnaires did not result in satisfactory returns for adequate statistical sampling. The following recommendations are intended to address this issue:

- Increase the monitoring of customer calls in real time. The goal is to identify training needs and produce a customer-oriented and professional staff.
- Design and implement a telephonic survey instrument for claimants and medical providers. Each customer base will be identified by recent activity or interaction with the Office. The goal is to secure input from agency customers regarding what the Office does well and where it can improve.. Proactive surveying is anticipated to build confidence with the customer base. It is necessary in this process that respondents are chosen with recent experience with the Office.

Additional recommendations under consideration are enhancing the agency's technical operations utilizing Voice Over Internet Protocol (VOIP) and Telephone Application Programming Interface (TAPI). These processes can provide additional customer access and are being researched and evaluated to determine what, if any, further efficiencies may be gained through additional technology. Inclusion in the Customer Service Plan recommended in this report will be considered when the research and evaluation process is complete.

**HISTORICALLY UNDERUTILIZED BUSINESS PLAN**

**A. GOAL**

We will establish and implement policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of historically underutilized businesses (HUBs).

**A.1. OBJECTIVE**

To include historically underutilized businesses as appropriate in accordance with the good faith effort and the provisions of 34 TAC 20.13.

**OUTCOME MEASURE**

Percentage of Total Dollar Value of Purchasing and Public Works Contracts and Subcontracts Awarded to HUBs

**A.1.1. STRATEGY**

Develop and implement a plan for increasing the use of historically underutilized businesses through purchasing and public works contracts and subcontracts.

**OUTPUT MEASURES**

1. Number of HUB Contractors and Subcontractors Contacted for Bid Proposals
2. Number of HUB Contracts and Subcontracts Awarded
3. Dollar Value of HUB Contracts and Subcontracts Awarded