SORM
State Office of Risk Management

BOARD OF DIRECTORS'
MEETING AGENDA
April 25, 2023

Public Meeting

Board of Directors
April 25, 2023, 9:30 a.m.
William P. Clements Building, Room 103
Austin, Texas

1. Call to order, roll call, and recognition of a quorum
2. Consideration and possible action to excuse previous board member absences
3. Approval of the minutes from the October 18, 2022, meeting
4. Presentation and discussion of Agency Operations Report
5. New business
   5.1 Presentation, discussion, and action on remaining Fiscal Year 2023 assessment totals
6. Executive Session: Recess pursuant to Section 551.074, Government code, to discuss the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee
7. Reconvene in Open Session for possible action on matters considered in Executive Session
8. Old business
9. Public comment*
10. Discussion and possible action on future meeting dates
11. Adjournment

Individuals who may require auxiliary aids or services for this meeting should contact Caroline Nauert at (512) 936-1564 or caroline.nauert@sorm.texas.gov at least two days prior to the meeting so that appropriate arrangements can be made.

*All public comments must be emailed to Ms. Nauert by noon the day prior to the meeting. In the subject line of your email, please include the meeting date and topic of your comment. All comments received by this deadline will be read or summarized at the meeting and included in full to the official record of the meeting.

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State Office of Risk Management

300 W. 15TH, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777
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BOARD MEMBERS	DATES OF TERM	HOMETOWN
Lloyd Garland, M.D., Chair	02/01/2025	Lubbock
Honorable Ricardo Galindo III	02/01/2025	San Antonio
William Brown	02/01/2027	San Antonio
Tomas Gonzalez	02/01/2023	El Paso
Gerald Ladner, Sr.	02/01/2027	Austin

1. Call to order, roll call and recognition of a quorum.

Information

The Chair:

1. Calls the meeting to order;
2. Identifies the board members present.

Action Required

The Chair recognizes a quorum.

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2. **Consideration and possible action to excuse previous board member absences**

Information

Board member absences may be excused for good cause as determined by the Board.

Action Required

The Chair may entertain a motion for consideration and possible action to excuse previous absences, if any.

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3. **Approval of the minutes from the October 18, 2022, meeting**

Information

Attached are the minutes from the October 18, 2022, meeting.

Action Required

The Chair may entertain a motion for approval of the minutes, with any amendments.

![SORM — State Office of Risk Management]

Minutes of the Public Meeting
on
October 18, 2022

The following Board of Directors meeting was a hybrid meeting conducted via Zoom and in-person.

Board Members present via in-person were Lloyd Garland (Chair), Gerald Ladner, and William Brown.
Board Member Ricardo Galindo was present via Zoom. Tomas Gonzalez was absent.

Item 1.   Board Chair Garland called the public meeting to order at 9:02 a.m. on October 18, 2022. Board Chair Garland recognized Members present. A quorum was established.

Item 2.   The Board acknowledged Board Member Gonzalez's previous absence. Board Member Brown moved to accept the absence. Board Member Ladner seconded the motion, which carried without objection (3-0 vote).

Item 3.   Board Chair Garland asked for any comments or changes to the Minutes of the July 19, 2022, meeting. Hearing no changes, Board Member Ladner moved to accept. Board Member Brown seconded the motion, which carried without objection (3-0 vote).

Item 4.   Agency Operations Report:

Stephen Vollbrecht (Executive Director and State Risk Manager) introduced the Agency Operations Report (AOR) highlighting status and upcoming reports on the people and culture initiative and introduced the formal agency culture statement, recruitment and retention initiatives, current leadership transitions and trainings, the FY2024 and FY2025 Legislative Appropriations Request (LAR) and Biennial Operating Plan, recent insurance negotiation status and developments, and the status of LAR and RMIS implementation projects.

Todd Holt (Deputy Executive Director) and Tawn Ihnen (Director of Project Management) presented an update on Phase 1 of Origami, where two implementations have been completed. Mr. Holt introduced Devin Crase (Creative Multimedia Specialist), presenting for Agency Relations (formerly Public Relations) in place of Shelby Hyman (Director of Agency Relations), to update the Board on the completion of the transition of training modules to the new LMS format, COOP program development status, and Agency Relations outreach and YouTube analytics for top performing videos.

Keith DeSpain (Interim Chief of Internal Operations) and Linda Griffin (Director of Talent Management) introduced new employees, provided a list of current vacancies, provided updates to turnover and additional approaches to recruitment and retention initiatives, and outlined the developing DE&I program termed ABIDE. Mr. DeSpain introduced Darwin Hamilton (Director of Financial Management and Chief Financial Officer) to present the administrative and claim budgets with projected costs. Mr. DeSpain presented for the Information Technology department and provided an update on department support with a focus on the RMIS transition, CAPPS implementation support and ongoing user support. Mr. DeSpain introduced John Alexander (Senior Programmer) to present on cybersecurity projects and status.

James Cox (Chief of Strategic Programs) introduced Chris Martin (Director of Enterprise Risk) to present an update on Risk Management visit counts and goals for the next fiscal year, the status of the Statewide Insurance Program and the introduction of a new line of insurance to the program, property renewals, notary applications, and insurance purchases.

Board Chair Garland called for a break at 11:45 AM with plans to reconvene at 11:55 AM. Meeting was resumed at 11:55 AM. Mr. Cox introduced Lydia Scranton (Director of Claims Operations) to provide an update on current workers' compensation claims with a breakdown of costs and claims per income benefit. Ms. Scranton detailed adjuster development and retention efforts, the COVID-19 legislation impacts and expired exceptions with a claim overview.

Deea Western (Chief of Legal Services and General Counsel) presented information for Litigation Management, Benefit Review Conferences, and Contested Case Hearings, special investigations and subrogation recoveries. Ms. Western introduced Janine Lyckman (Director of Medical Quality Assurance) to provide an update on cost savings, Network vs. Non-network counts, and prescription savings. Ms. Western introduced Tshau Todman (Regulatory Liaison) to present an update on indemnity files, regulatory compliance and audits. Ms. Western provided an update on contract administrations development status.

Item 5.   New Business:

5.1   Board Member Ladner introduced the agency's internal auditor to present the Fiscal Year 2022 Internal Audit Report. Darlene Brown, McConnell and Jones, presented the report on risk management functions and the information technology audit of Origami implementation Phase 2. Ms. Brown and Board Member Ladner opened the floor for comments. No comments. Board Member Ladner moved to accept Fiscal Year 2022 report. Board Member Brown seconded the motion, which carried without objection (5-0 vote).

5.2   Ms. Brown presented the Fiscal Year 2023 Internal Audit Plan on Agency Relations and external cyber security assessment follow up. Ms. Brown opened the floor for comment. No comments. Board Member Ladner moved to accept the Fiscal Year 2023 Internal Audit Plan. Board Members Galindo and Brown seconded the motion, which carried without objection (5-0 vote).

Item 6.   No Old Business.

Item 7.   No Public Comment.

Item 8.   Future Meeting Dates. Discussion on suggested dates for the next Board meeting. Board Chair Garland set January 17, 2023, as the next tentative meeting date with a back-up of January 24, 2023.

Item 9.   Board Chair Garland adjourned the meeting at 12:32 p.m.

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4. **Presentation and discussion of Agency Operations Report**

Presentation of division reports

Information

Management will be available to summarize agency and division activities and provide additional information requested by the Board.

Board identification of key metrics or other components for inclusion or removal in subsequent reports.

Action Required

No official action required.

AGENCY OPERATIONS REPORT FY23Q2
TO THE
SORM BOARD OF DIRECTORS

April 25, 2023

EXECUTIVE ADMINISTRATION

EXECUTIVE OFFICE

I. INSURANCE NEGOTIATIONS AND DEVELOPMENT

Due to significant losses across the globe and ongoing exposures in Texas, the marketplace in multiple lines is under unprecedented strain. Negotiations in these renewals are the most difficult of any time in the history of the program. While we are confident the programs can be retained, the rate of inflation, premium costs, and erosion of coverage raise serious questions of sustainability absent legislative action to establish a formal retention/reserve structure for the state.

II. RECRUITMENT AND RETENTION INITIATIVE

As noted in the January AOR, we began an extensive initiative to fully review salaries and classifications of all staff. Excepting the executive director, every position in the agency was evaluated and all positions were impacted with equitable reclassifications and salary adjustments. All reinvestment was fully funded by savings associated with the office's programs. Additional initiatives for recruitment, performance management, and ABIDE training are actively underway.

III. PEOPLE AND CULTURE INITIATIVE

The Culture and Climate Survey discussed at the last board meeting and prior AORs was released to staff on April 5, 2023, with surveys due for completion Friday, April 14, 2023. We anticipate presenting a more in-depth analysis with any potential action items at the FY23Q3 board meeting.

IV. LEGISLATIVE UPDATE

Legal Services and Agency Relations are working very closely this session on tracking bills and interfacing with legislative staff and our agency constituency. Of note, for the purposes of the meeting are SB1119 and HB2514, which seek to renew the offices collection of state real property data to make recommendations to the legislature on state assets. There are a number of bills addressing workers' compensation, including covid retroactivity and expansions of benefits in the military sector.

V. GOVERNANCE MANUAL

We are set to begin a review of the Board Governance and Policy Manual and to bring recommendations for revisions to the board at the next scheduled meeting. Items identified for amendment or addition include recommendations relating to stator compliance review, establishing an evaluation schedule for the executive director, adjustments to the appendices, and updates to the glossary.

PROJECT MANAGEMENT

I. RMIS IMPLEMENTATION PROJECT UPDATE

A. PROJECT EXECUTION

The Project Management (PM) team completed one implementation in this quarter. Work continues daily to enhance the Origami system for SORM staff. PM staff are also working with Origami to strategically scope and plan the remaining phases of the Origami migration project.

B. PROJECT MONITOR AND CONTROL

PM staff are using the Project Monitor and Control Process to actively manage scope, budget, and timelines in a consistent and measurable framework.

In addition to the Origami migration, PM facilitates, monitors, and reports on project activity across the agency. The SORM project activity statistics are presented below. Overall, project numbers remain consistent with the prior quarter.

Quarterly Statistics by Status

		Opened	Complete	Withdrawn	In Progress	On Hold	Pending Approval	Not Started
2019	**Prior to FY20Q1**	7	0	1	1	0	0	0
FY20	Q1	56	6	9	4	8	0	1
	Q2	23	24	0	0	1	1	0
	Q3	21	17	1	1	1	0	0
	Q4	7	17	1	0	1	1	1
FY21	Q1	21	9	9	1	2	0	1
	Q2	9	7	0	1	0	2	1
	Q3	9	8	0	1	1	0	0
	Q4	13	10	1	0	0	0	0
FY22	Q1	4	5	0	0	1	0	1
	Q2	6	2	0	1	2	0	0
	Q3	8	14	0	2	0	0	0
	Q4	13	7	0	11	0	0	0
FY23	Q1	2	9	0	0	0	0	1
	Q2	3	1	0	1	0	1	0
	TOTAL	**202**	**136**	**22**	**24**	**17**	**5**	**6**

Quarterly Statistics by Category

		External Audit Finding	Legislative Requirement	New RMIS	SORM Must Have	Other
FY19	Prior to FY20Q1	2	1	1	2	1
FY20	Q1	3	12	9	13	19
	Q2	0	2	0	12	9
	Q3	1	1	14	3	2
	Q4	0	0	3	1	3
FY21	Q1	0	1	6	5	9
	Q2	0	1	3	4	1
	Q3	0	0	5	3	1
	Q4	0	1	10	2	0
FY22	Q1	0	0	3	1	0
	Q2	0	0	3	0	3
	Q3	0	1	6	1	0
	Q4	0	1	5	3	4
FY23	Q1	0	1	1	0	0
	Q2	0	0	0	3	0
	TOTAL	6	22	69	53	52

AGENCY RELATIONS

I. TRAINING

During FY23Q2, Agency Relations successfully onboarded five new employees. Internal Training Consultant, Courtney Page, became certified in ergonomics and now incorporates ergonomic assessments into onboarding new staff. She also coordinated with Alliance Work Partners to conduct leadership training for the Leadership Council. Agency Relations continues to work with Talent Management to continuously evolve our new hire orientation/onboarding program. We continue to invest in the growth of existing staff as we work with vendors to provide continuing education courses for our licensed staff. We look forward providing more opportunities for professional and personal growth for all SORM employees.

Agency Relations successfully migrated all external training from the former platform to the new Learning Management System (LMS). All internal and external training courses are now managed online through the new system, including all self-paced and instructor led training.

Instructor Led Agency Training for FY23Q2

Course Name	Classes Taught	Students
15 Passenger Van Safety	2	25
Driving Safety	7	173
HazCom	2	22
Additional Duty Safety Officer	1	7
TOTAL	12	227

Self-Paced LMS Training FY23Q2

Virtual Course Name	Students
Driving Safety	94
Workers' Compensation Claims Coordinator Training	4
TOTAL	98

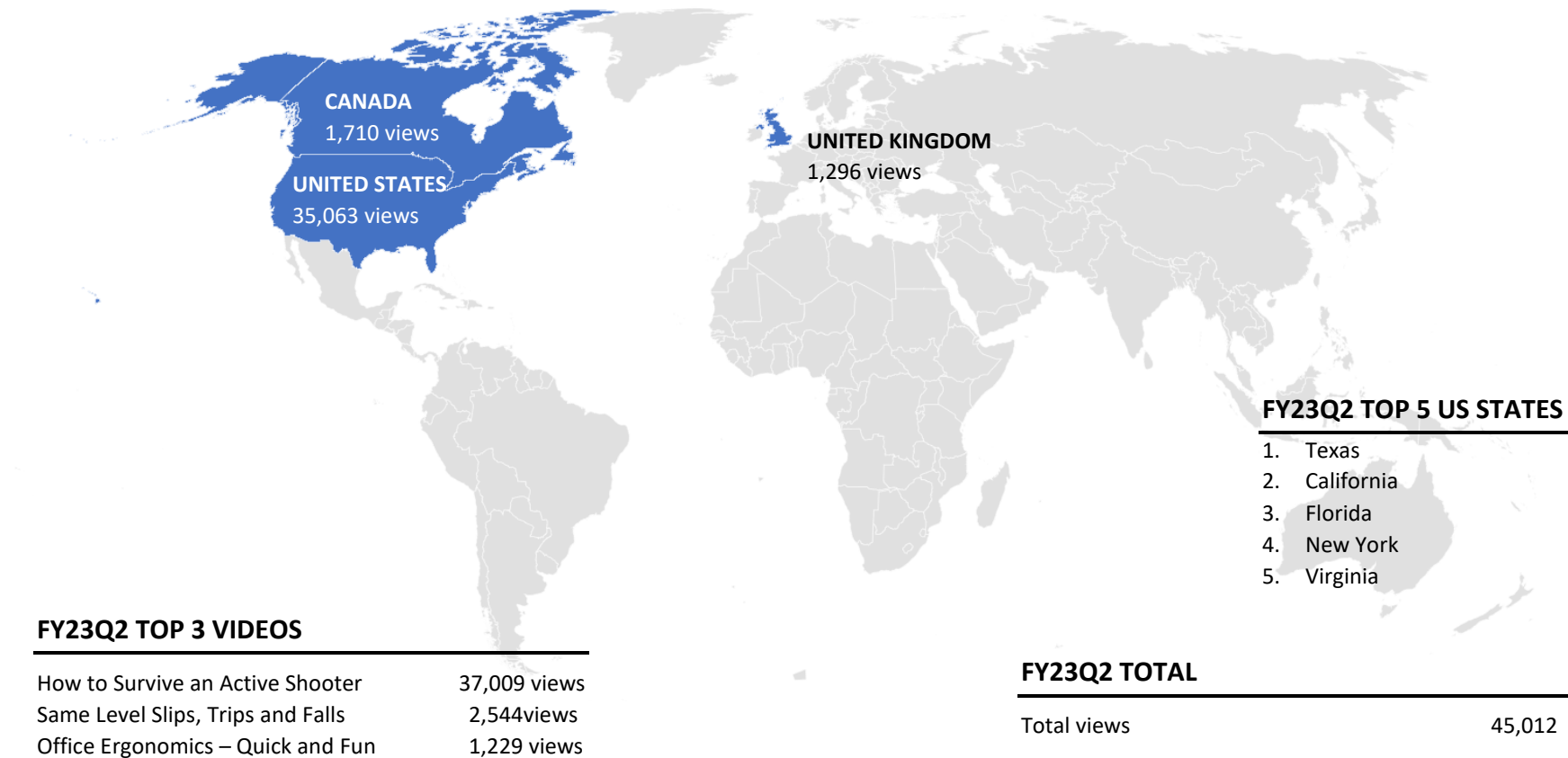### II. STATEWIDE CONTINUITY OF OPERATIONS (COOP) PROGRAM

In FY23Q2, the Continuity Program saw progress both internally and externally. The Continuity Council renewed its annual charter and added three sub-committees to guide the Council. The education sub-committee focuses on providing a bridge between FEMA courses and practices. The recruiting sub-committee focuses on ensuring representation from all fields. The programs sub-committee focuses on offering relevant presentations and discussions to the group. Executive Director, Stephen Vollbrecht, and the Statewide Continuity Coordinator, Heather Hernandez were also invited to speak to continuity professionals at the Disaster Recovery International Conference in February.

SORM staff successfully completed an exercise at our alternate location to test scanning capabilities. Further testing is scheduled for this summer. Most notably, Heather Hernandez, Shelby Hyman, and James Cox successfully earned their Master Continuity Practitioner (MCP) certifications from FEMA and Ms. Hernandez joined the FEMA Instructor Cadre. This achievement will allow SORM to further continuity education throughout the state.

FY23Q2 COOP Activity

Plans Evaluated	13
Exercises Evaluated	3
Outreach/Presentations	1
Individual Consultations	3
Continuity Council and Committee Meetings	14
Internal SORM COOP Meetings	5

YOUTUBE ANALYTICS

CANADA
1,710 views

UNITED STATES
35,063 views

UNITED KINGDOM
1,296 views

FY23Q2 TOP 5 US STATES

1. Texas
2. California
3. Florida
4. New York
5. Virginia

FY23Q2 TOP 3 VIDEOS

How to Survive an Active Shooter	37,009 views
Same Level Slips, Trips and Falls	2,544views
Office Ergonomics – Quick and Fun	1,229 views

FY23Q2 TOTAL

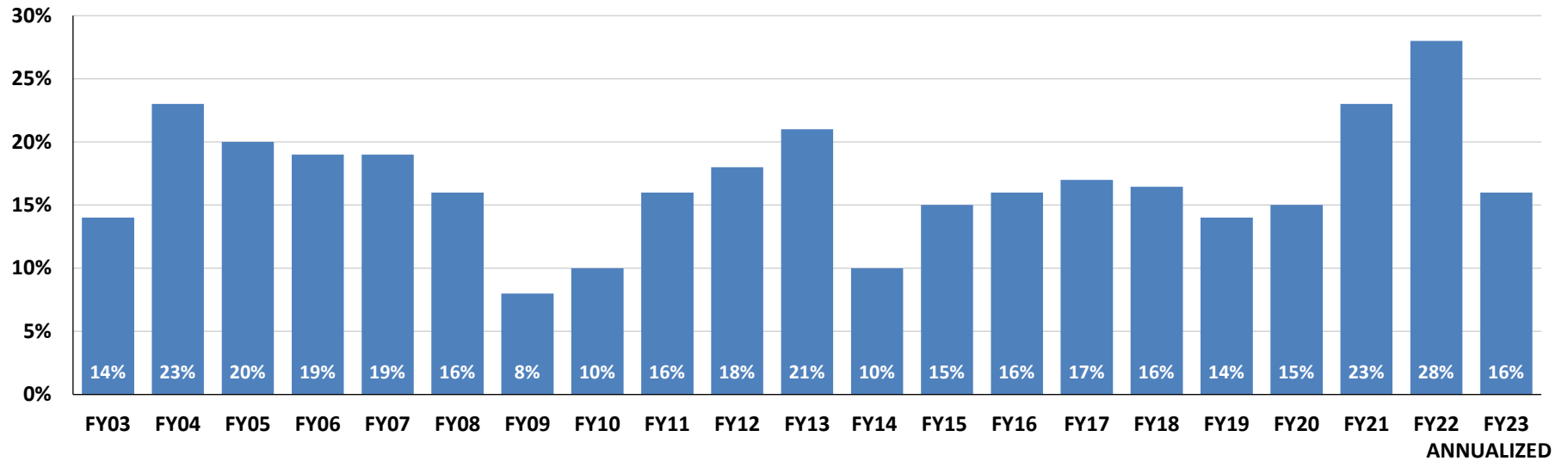|	
Total views	45,012

TALENT MANAGEMENT

New Hires	Vacancies
Ronald Johnson, Director, Legal Management	Staff Attorney
Beverly Banister, Project Management Systems Administrator	Senior Policy Manager
Elaina Middleton, Performance Management & Recruiting Specialist	Business Analyst
Andre Chambers, Systems Support Specialist	Enterprise Risk Management Specialist Insurance Services
Michelle Kopecky, Claims Adjuster	Senior Claims Adjuster (3)
Brianna Williams, Claims Adjuster	Accounting Technician
Tina Phillips, Receptionist	Claims Adjuster
Kaylani Hernandez, Receptionist	Compliance Assurance Specialist
Kameron Trotter, Document Specialist	Lead Cost Containment Specialist
Mehdi "Matthew" Arabshahi, Contract Manager	
Jason Arrington, Policy Manager	
James LeGrand, Agency Liaison	
Tyrone McDonald, Claims Adjuster	
Blake Ayers, Programmer	
David Johnson, Enterprise Risk Management Specialist	
Eric Adcock, Claims Adjuster	

Recruitment Efforts

	January	February	March
Agency Web Site - Internet	66	38	38
College/University Career Day	0	0	5
Human Resource/Personnel Office	4	5	27
Job Board	47	27	21
Job Fair	6	0	0
Other	27	21	12
Other State Employees	12	12	3
Professional Publication	0	0	3
Recruitment Poster	1	3	38
Social Media	4	3	5
TOTAL	**167**	**109**	**152**

Annual Turnover Rates

FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 ANNUALIZED
14%	23%	20%	19%	19%	16%	8%	10%	16%	18%	21%	10%	15%	16%	17%	16%	14%	15%	23%	28%	16%

FINANCIAL MANAGEMENT

FY23 AGENCY (CONSOLIDATED) BUDGET
FEBRUARY 28, 2023

Objects of Expense	Initial Budget:	Adjustments Transfers (+ In, - Out)	Revised Budget:	Expenditures Year to Date @ 2/28/23	Encumbrances @ 2/28/23	Remaining Budget @ 2/28/23	Unpaid Expenses Incurred	Percent of Budget Expended/Incurred	Percent of Fiscal Year Elapsed
Salaries & Wages	7,557,391	1,000,000	8,557,391	3,054,238	0	5,503,153	572,136	42.4%	50.0%
Other Personnel Costs	250,000	545,021	795,021	98,655	0	696,366	0	12.4%	50.0%
Professional Services	1,650,000	0	1,650,000	306,103	783,949	559,948	0	18.6%	50.0%
Consumable Supplies	35,547	0	35,547	8,136	1,662	25,749	0	22.9%	50.0%
Utilities	5,637	0	5,637	735	4,060	842	0	13.0%	50.0%
Travel	135,000	0	135,000	27,648	0	107,352	0	20.5%	50.0%
Rental of Space	720	0	720	360	0	360	0	50.0%	50.0%
Rental of Equipment	24,000	0	24,000	6,993	14,187	2,820	0	29.1%	50.0%
Operating Costs	1,796,450	1,968	1,798,418	571,973	774,823	451,622	0	31.8%	50.0%
Capital Expenditures	0	0	0	0	0	0	0	0.0%	50.0%
TOTAL	**11,454,745**	**1,546,989**	**13,001,734**	**4,074,841**	**1,578,681**	**7,348,212**	**572,136**	**35.7%**	**50.0%**

| Objects of Expense	Initial Budget:	Adjustments Transfers (+ In, - Out)	Revised Budget:	Expenditures Year to Date @ 2/28/23		Remaining Budget @ 2/28/23		Percent of Budget Expended/Incurred	Percent of Fiscal Year Elapsed
Indemnity	19,390,817	0	19,390,817	8,407,659		10,983,158		43.4%	50.0%
Medical	21,176,933	0	21,176,933	6,506,454		14,670,479		30.7%	50.0%
Total Exps.	**40,567,750**	**0**	**40,567,750**	**14,914,113**		**25,653,637**		**36.8%**	**50.0%**
Subrogation and Restitution	(567,750)	0	(567,750)	(383,347)		(184,403)		67.5%	50.0%
NET TOTAL	**40,000,000**	**0**	**40,000,000**	**14,738,427**		**25,261,573**		**36.8%**	**50.0%**

FY23 PROJECTION

	Actual Costs as of 2/28/23 12 Months	Based on even distribution	Based on 15 year avg. (FY2008 - FY2022)	Based on 10 year avg. (FY2013 - FY2022)	Based on 5 year avg. (FY2018 - FY2022)	Worst Case Assumed
Indemnity		48.49%	50.11%	49.81%	49.76%	48.49%
Medical		48.49%	50.79%	51.55%	51.66%	48.49%
Recovery		48.49%	56.04%	52.73%	51.58%	100.00%

FY22 Projections

Indemnity	9,449,944	19,487,172	18,856,969	18,972,563	18,991,652	19,487,172
Medical	6,753,517	13,926,743	13,297,257	13,101,258	13,073,648	13,926,743
Recovery	(45,704)	(94,248)	(81,557)	(86,672)	(88,606)	(45,704)
	16,157,757	33,319,668	32,072,670	31,987,150	31,976,694.76	33,368,212
			Average of four different projection bases and "worst case"			**32,544,879**
Gross costs only	16,203,461	33,413,916	32,154,226	32,073,822	32,065,300	33,413,916
			Average of four different projection bases and "worst case"			**32,624,236**

Medical Bills Processed FY23
Total 33,163
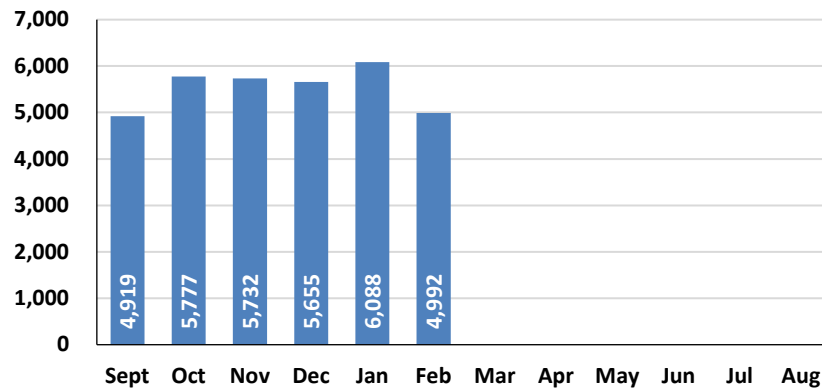
Indemnity Bills Processed FY23
Total 13,321
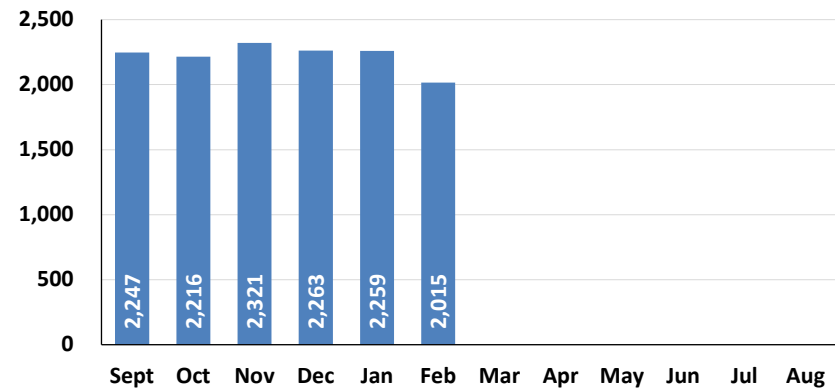
INFORMATION TECHNOLOGY

I. ONGOING AGENCY SUPPORT

Information Technology (IT) continues to support the agency operations through infrastructure support, processing, and reporting. Significant areas of activity in FY22Q2 include:

Area	Task
Team Changes	• The team had a team member retire in FY23Q2. • The team had two promotions in FY23Q2.
Equipment – Servers, desktops, laptops, and peripherals	• Replaced out of warranty/support server hardware with new equipment at our SORM site, as well as the Disaster Recovery site • Replaced malfunctioned parts for servers and workstations • Manage and supported server and PC infrastructure • Continuous troubleshooting of reported user issues with all SORM equipment
Software changes (mainframe, web, client/server, and PC applications)	• Continued adapting and integrating our applications with Origami and the new CAPPS Financial system • Continued software changes and process improvements for SORM internal applications
Origami Implementation	• Continue daily monitoring of our production environment and addressing issues that materialize • Reviewing processes and workflows in the new system to identify opportunities to enhance overall performance • Providing IT support to SORM business units • Providing customer service to our State Agency's creating and distributing weekly, monthly, and quarterly reports

Cybersecurity	• Continue monitoring vulnerability scan reports for SORM computers and servers
	   o Installing updates on computers and servers to address vulnerabilities and comply with cybersecurity standards
	   o SORM vulnerabilities continue decreasing at a steady rate for all our devices, including desktops, laptops, tablets, and printers

Other Items	• January 27, 2023 - Executed a successful SORM COOP exercise as a proof of concept. The scope of this exercise was as follows:
	   o Execute the initiation of the COOP event (alerts, notifications, instructions)
	   o Deploy teams to the alternate location
	   o Identify length of time to set up IT equipment for scanning (desktops, laptops, scanners)
	   o Validate Wi-Fi, VPN, and Hotspot capabilities for COOP exercise scope
	   o Verify scanning can timely place documents in appropriate drive folders
	   o Verify scanned documents were consumed into the new RMIS (previously, Origami)

Area	Task
	o Executed the completion of the COOP event (alerts, notifications, instructions) • Working with the Project Management team to support the new RMIS State Agency rollout project. This successful completion of this project will allow us to deprecate the functionality in the legacy RMIS system by providing access to the new RMIS for State Agency Claim Coordinators to enter claims.

Vulnerabilities Trending Per Month (6 Months)

The graph below shows a historic view of vulnerabilities discovered monthly. The graph analyzes data over the past 6 months taking data points every 15 or 30 days and shows new vulnerabilities for the preceding 15 or 30 days. This method will show peaks in vulnerabilities as new events occur and when new scans are completed in the Security Center.

September 23, 2022 through March 22, 2023
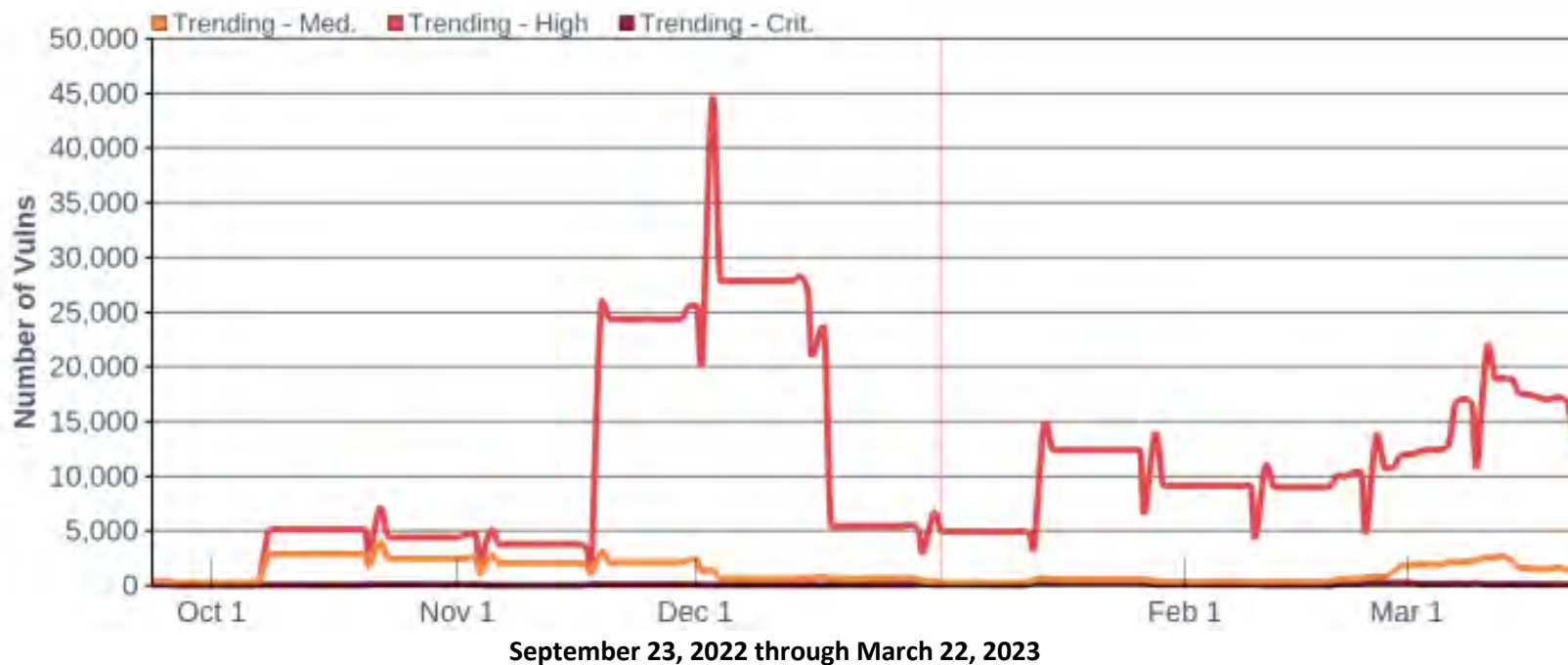
Current Vulnerabilities

The current vulnerabilities matrix below provides a summary of new vulnerabilities that have been discovered over the past 30 days, broken down into weekly increments. This table also includes a column for newly identified IP addresses by active and passive scanning.

	New IPs	Info	Low	Medium	High	Critical
< 7 Days	11	293	9	61	12	7
8 - 14 Days	19	218	7	187	78	70
15 - 21 Days	18	150	6	77	59	17
22 - 30 Days	58	293	15	172	103	57

Mitigated Vulnerabilities

The mitigated vulnerabilities matrix below provides a summary of vulnerabilities that have been mitigated within the past 30 days, broken down into weekly increments and demonstrates positive efforts made by the SORM Cybersecurity Team (System Administrator, Security Resource Manager, and Service Team).

	Info	Low	Medium	High	Critical
< 7 Days	172	0	3	0	3
8 - 14 Days	178	1	21	37	40
15 - 21 Days	127	20	10	23	8
22 - 30 Days	279	4	16	40	53

II. ANTICIPATED ACTIVITY

In addition to routine support functions congruent with operations for the Office, we anticipate the following activities during FY23Q2 and beyond:

- A. Fill open position for IT Application Developer
- B. Continue to expand knowledge asset of our existing IT staff
- C. Support the Origami State Agency Rollout Project
- D. Create policy and procedure for USER System Access.
- E. Create Change Management policy and procedure for SORM Information Technology applications.
- F. Participate and support SORM business units in expanding Origami's user community to our State Agencies.
  - a. The primary focus of this initiative is to convert legacy RMIS data into the Origami environment to support the Claims adjudication process.

STRATEGIC PROGRAMS

ENTERPRISE RISK

I. STATEWIDE RISK MANAGEMENT PROGRAM

On-Site Consultations (OSCs) and Risk Management Program Reviews (RMPRs)

	Sept	Oct	Nov	Dec	Jan	Feb	
OSCs	29	30	21	15	23	36	**67.2% of a goal of 229**
RMPRs	0	0	1	1	0	2	**16% of a goal of 25**

Recommendations GIven FY23Q2
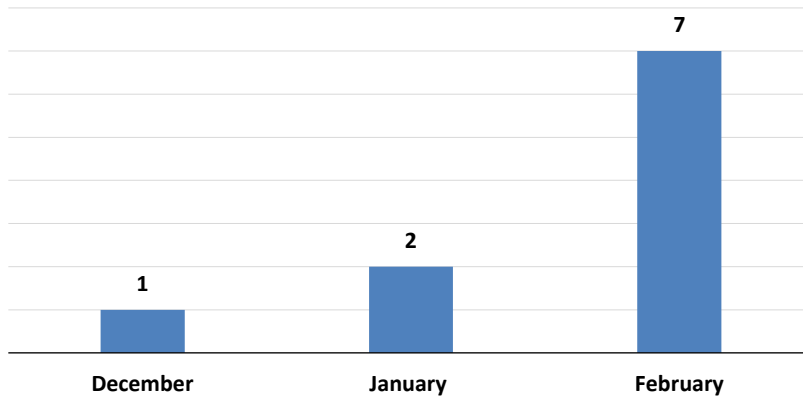
Closed Recommendations FY23Q2
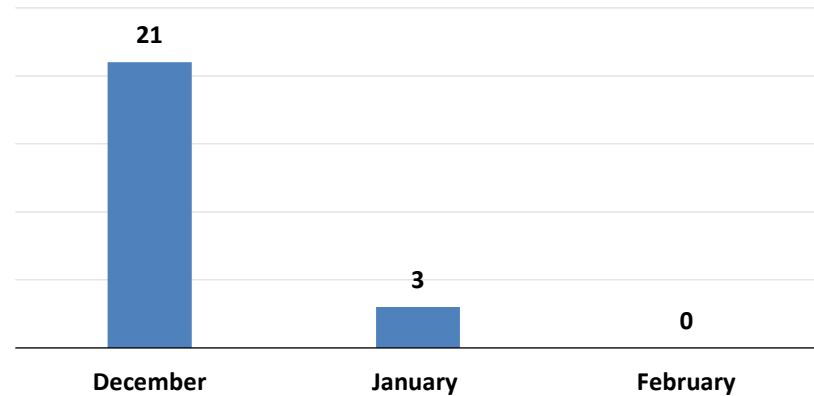
Category of Recommendations FY23Q2

COOP	0
Environmental	0
Insurance	2
Risk Management	2
Safety	5
Policy/Procedure/Training	1

II. STATEWIDE INSURANCE PROGRAM

A. PARTICIPANTS IN STATEWIDE INSURANCE LINES FY23Q2

Auto	62
D&O	33
Property	46
Volunteer	14
Builders' Risk	1
Fine Arts	5
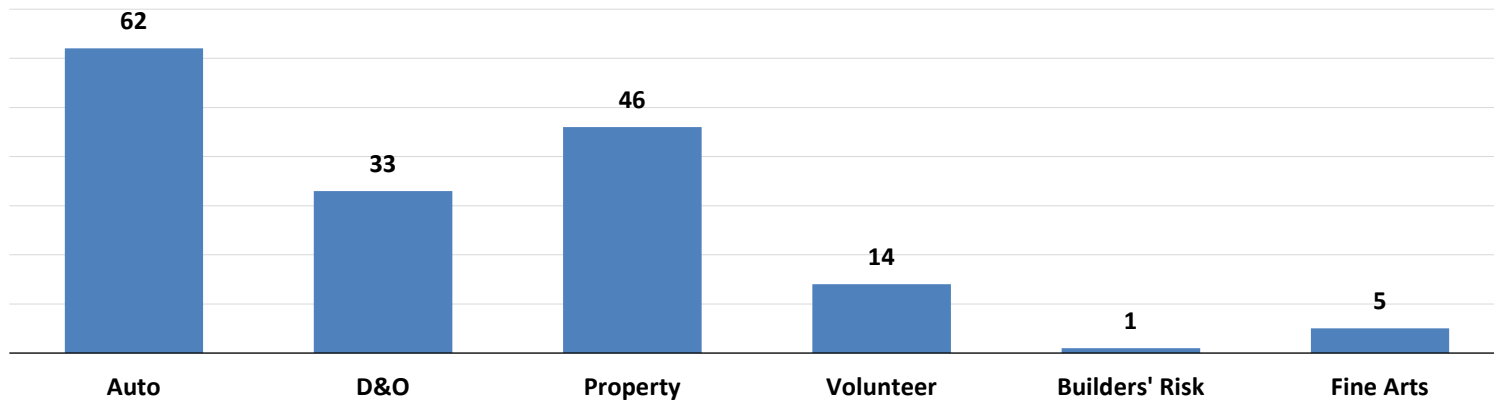
B. MONITORING

440 notary applications were processed during FY23Q2

C. INSURANCE PURCHASES

SORM 201s processed: 18
SORM 201s approved and premium paid: 18 for $1,115,930

SORM 201s FY23Q2

Line	Approved	Comments	Premium
Athletic Bonus	Yes	To provide Contractual Bonus Insurance for the Athletics department. "This Insurance is in respect of the Insured's contractual obligation to award incentive bonuses to the Insured Coach(es) herein in respect of the performance by the Insured Team(s)".	$71,650
Athletic Medical	Yes	This policy provides excess accident medical benefits for student-athletes who participate as a member of an intercollegiate athletic team in a scheduled game, official tournament, or practice session; or while traveling directly to or from such game, tournament, or practice session. The policy pays benefits for two years from a date of injury that occurs within the policy period.	$92,000
Blanket Medical	Yes	To provide accident and catastrophic cash coverage for Summer Camps and Early Childhood Lab that provides, for a fee, daycare, and before and aftercare.	$8,652

Line	Approved	Comments	Premium
Crime (agencies)	Yes	This insurance protects the interest of the entity, in the event a financial loss sustained due to employee theft, dishonest, misappropriation of funds, embezzlement or computer fraud.	$9,938
Cyber Liability	Yes	The policy transfers some of the risk related to covering expenses, such as notification and forensics, if there is a privacy event, security incident, or breach.	$386,562
Extra Territorial Workers Compensation	Yes	This coverage provides workers compensation insurance for employees who work on behalf of the State of Texas but operate or live outside of Texas.	$7,573
Farm & Ranch	Yes	Physical Damage coverage on agricultural type dwellings, structures, and farm equipment	$5,180
Fine Arts (a sponsored line)	Yes	This policy provides coverage for loss or damage to collection or gallery items while at any location worldwide or while in transit	$4,128
Foreign Package	Yes	A Foreign Package policy is designed to cover multiple coverages while covered persons are traveling abroad. In this case, the policy covers General Liability, Corollary, Auto Liability and Physical Damage	$6,643
General Liability	Yes	General Liability insurance is designed to protect an organization against liability claims for bodily injury or property damage that they may be held responsible for. This policy is a requirement of the lease agreement.	$116,591
Global Medical	Yes	International medical insurance plan to cover insured when travelling outside of the United States	$29,322
Health Liability	Yes	A professional liability policy designed to cover the insured for financial liability if they commit an error or omission (E&O) in performance of professional duties	$24,555
Inland Marine	Yes	Inland Marine insurance is property coverage for material, products or equipment that moves or is transportable, and/or is instrumental in transportation or communication.	$55,067
Kidnap and Extortion	Yes	Kidnap, ransom, and extortion ("KR&E") insurance is to protect companies and families against the high costs associated with a kidnapping.	$8,421
Medical Liability (Students)	Yes	The purpose of the liability insurance is to protect students from claims arising out of real or alleged malpractice when the injury claimed is the result of professional error, accident, or omission while participating in activities that are a part of and a requirement of the students' curriculum.	$10,681
Medical Professional	Yes	A professional liability policy designed to cover the insured for financial liability if they commit an error or omission (E&O) in performance of professional duties	$105,126
Hull &PI	Yes	Commercial hull, protection and indemnity (P&I) coverage protects the vessel owner against legal liabilities arising out of negligence in the operation of a vessel.	$35,382
International Travel	Yes	This policy is for medical insurance that provides coverage for any unexpected injuries, illnesses and other risks while a state employee is traveling abroad.	$138,458
		TOTAL	**$1,115,930**

CLAIMS OPERATIONS

I. CLAIMS OPERATIONS ACTIVE WORKLOAD FY23Q2

Claims Operations continues to conduct thorough investigations in the initial stages and focuses on maintaining active follow-up.

A. SORM received 1,328 injury reports (claims) in FY23Q2, which is a decrease from the number of injury reports received in FY23Q1 (1,507)

B. 509 claims were accepted

C. 1,817 claims were inactivated

D. SORM had 1,987 open claims at the end of FY23Q2

Claims Received per Quarter

Quarter	Value
FY18Q2	1,678
FY18Q3	1,942
FY18Q4	2,016
FY19Q1	1,866
FY19Q2	1,640
FY19Q3	1,857
FY19Q4	2,178
FY20Q1	1,952
FY20Q2	1,871
FY20Q3	3,070
FY20Q4	5,734
FY21Q1	1,912
FY21Q2	1,751
FY21Q3	1,921
FY21Q4	2,366
FY22Q1	2,006
FY22Q2	2,195
FY22Q3	1,659
FY22Q4	1,623
FY23Q1	1,507
FY23Q2	1,328

Claims Open per Quarter

Quarter	Value
FY18Q2	2,884
FY18Q3	2,891
FY18Q4	2,866
FY19Q1	2,828
FY19Q2	2,691
FY19Q3	2,875
FY19Q4	3,111
FY20Q1	2,744
FY20Q2	2,761
FY20Q3	3,770
FY20Q4	5,146
FY21Q1	2,937
FY21Q2	2,722
FY21Q3	2,486
FY21Q4	2,549
FY22Q1	2,735
FY22Q2	2,707
FY22Q3	2,293
FY22Q4	2,128
FY23Q1	1,899
FY23Q2	1,987

II. ANALYSIS OF INCOME BENEFITS EXPENSES FOR FY23Q2

A. FY23Q2 reflects a slight decrease in TIBs indemnity costs from FY23Q1
B. TIBs payments were $2,224,867 and IIBs payments were $814,350 in FY23Q2
C. At the end of FY23Q2, there were 419 TIBs, 145 IIBs, 27 SIBs with payment, 13 LIBs, and 107 DIBs claims open.

Temporary Income Benefits (TIBs) expenditures for FY23Q2 totaled $2,224,867 on 419 claims

TIBs Expense per Quarter
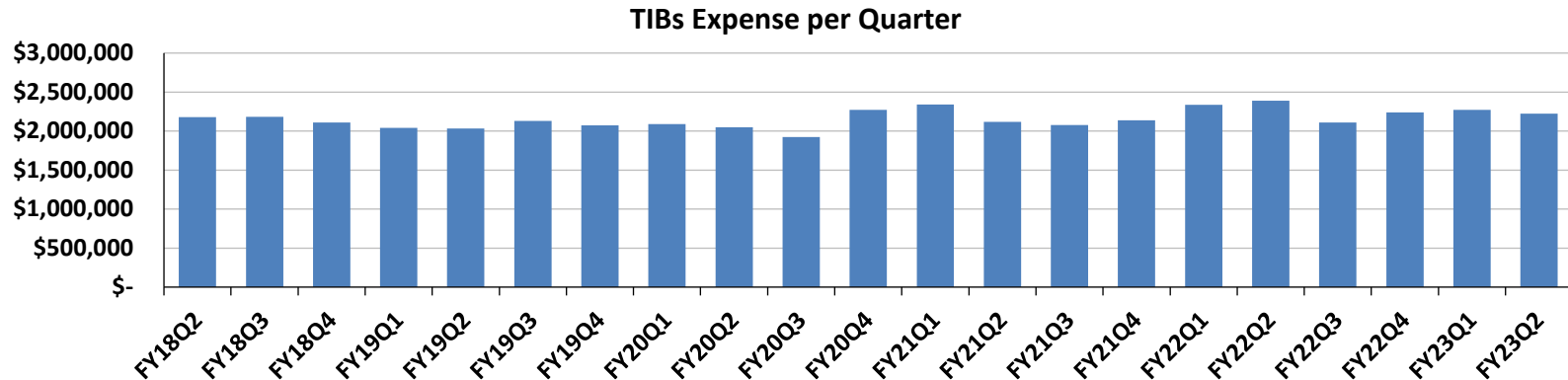
Impairment Income Benefits (IIBs) expenditures for FY23Q2 totaled $814,350 on 145 claims

IIBs Expense per Quarter
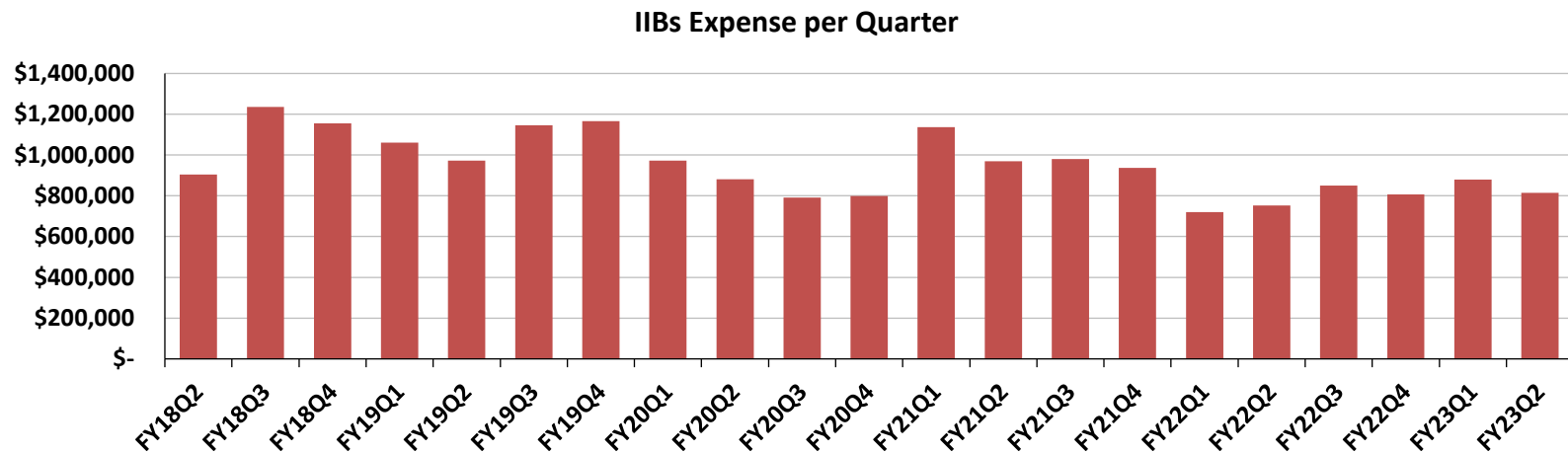
Supplemental Income Benefits (SIBs) expenditures for FY23Q2 totaled $182,220 on 27 claims

SIBs Expense per Quarter
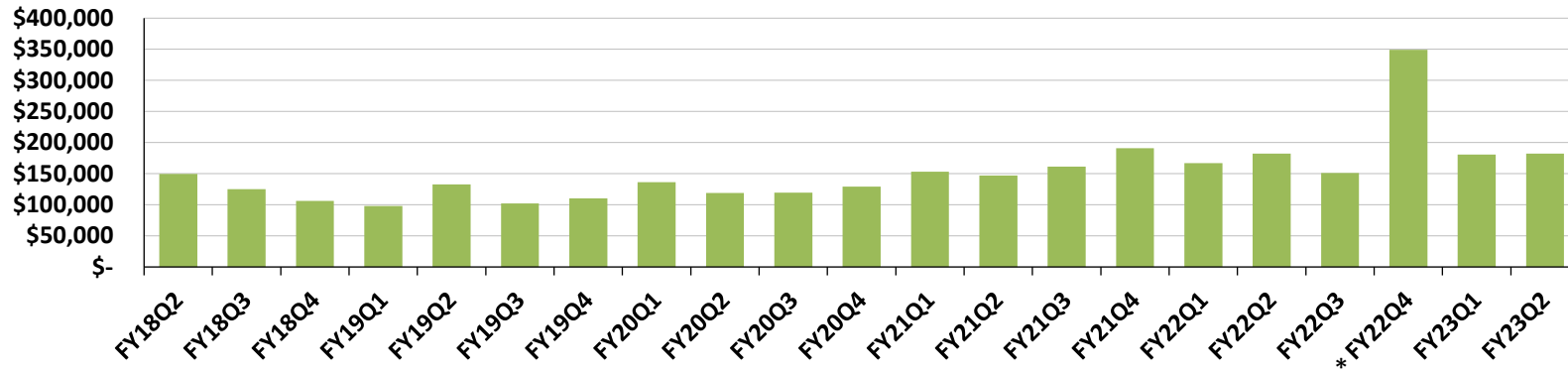
*FY22Q4 – thirteen quarters paid due to CCH rulings on two claims

Combined indemnity expenditures for FY23Q2 totaled $4,609,187 on 711 claims

Combined Indemnity Expense per Quarter

Legend:
- Temporary Income Benefits (TIBs)
- Impairment Income Benefits (IIBs)
- Supplemental Income Benefits (SIBs)
- Lifetime Income Benefits (LIBs)
- Death Income Benefits (DIBs)
- Old Law (OLW)

![Legal Services logo] **LEGAL SERVICES**

LEGAL MANAGEMENT

I. BENEFIT DISPUTE RESOLUTION

Disputes regarding compensability or eligibility for benefits can occur throughout the life of a workers' compensation claim.

Top 5 BRC Issues FY23Q2	Amount
Extent of Injury	15
Maximum Medical Improvement/Impairment Rating	9
Extent of Injury/Maximum Medical Improvement/Impairment Rating	8
SIBs Entitlement	4
Existence of Compensable Injury	3

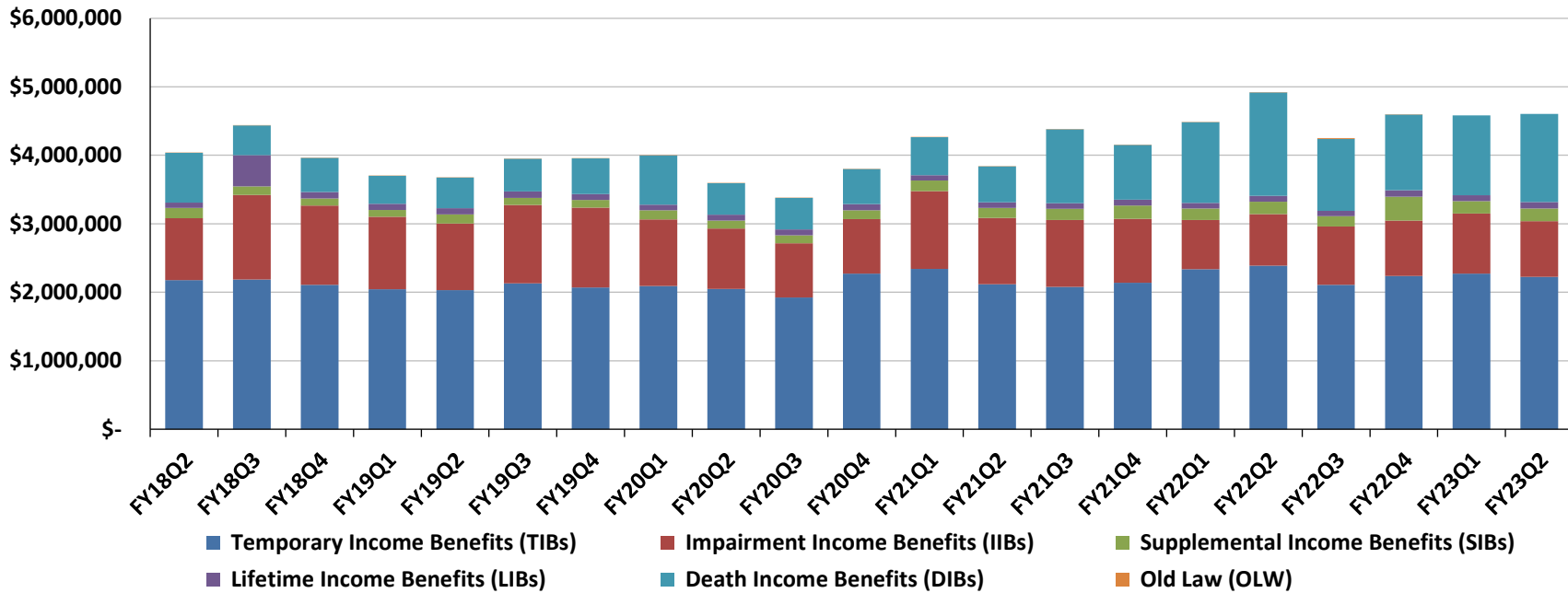| Top CCH Issues FY23Q2	Amount
Existence of Compensable Injury	5
SIBs Entitlement	3
Existence of Injury/Maximum Medical Improvement/Impairment Rating/Disability	3
Maximum Medical Improvement/Impairment Rating	2
Extent of Injury/Maximum Medical Improvement/Impairment Rating	2
Attorney Fees	2

II. SPECIAL INVESTIGATIONS

SORM investigates and reports workers' compensation fraud committed by system participants.

FY23Q2	Pending	Opened	Closed	Criminal/Administrative Referrals
Fraud Investigations	12	7	4	1 Report Only

III. RECOVERY SERVICES

When a claimant's injuries are caused by a third party, SORM can request reimbursement for benefits that have been paid by the state for the compensable injury. If a TDI-DWC interlocutory order or decision is reversed or modified in SORM's favor, SORM can request reimbursement from the Subsequent Injury Fund for the overpayment of benefits.

	FY23Q1	FY23Q2	FY23Q3	FY23Q4	FY23 Recovery Total
Restitution	$53	$63			$116
SIF	$0	$309,413			$309,413
Subrogation	$90,699	$73,871			$164,570
TOTAL	$90,752	$383,347			$474,099

COST CONTAINMENT

I.   MEDICAL COSTS

Workers' compensation benefits include medically necessary treatment related to the compensable injury.

Total Medical Cost Savings FY21Q2 - FY23Q2

	FY21Q2	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2
■ Billed	$15,989,298	$13,434,137	$12,439,427	$13,185,020	$9,203,826	$16,998,859	$12,898,231	$9,847,629	$9,601,488
■ Paid	$4,691,990	$4,314,976	$4,281,120	$4,252,953	$3,504,056	$2,680,590	$4,206,757	$3,292,911	$3,486,321
Savings	$11,297,308	$9,119,161	$8,158,306	$8,932,067	$5,699,770	$14,318,269	$8,691,474	$6,554,718	$6,115,167
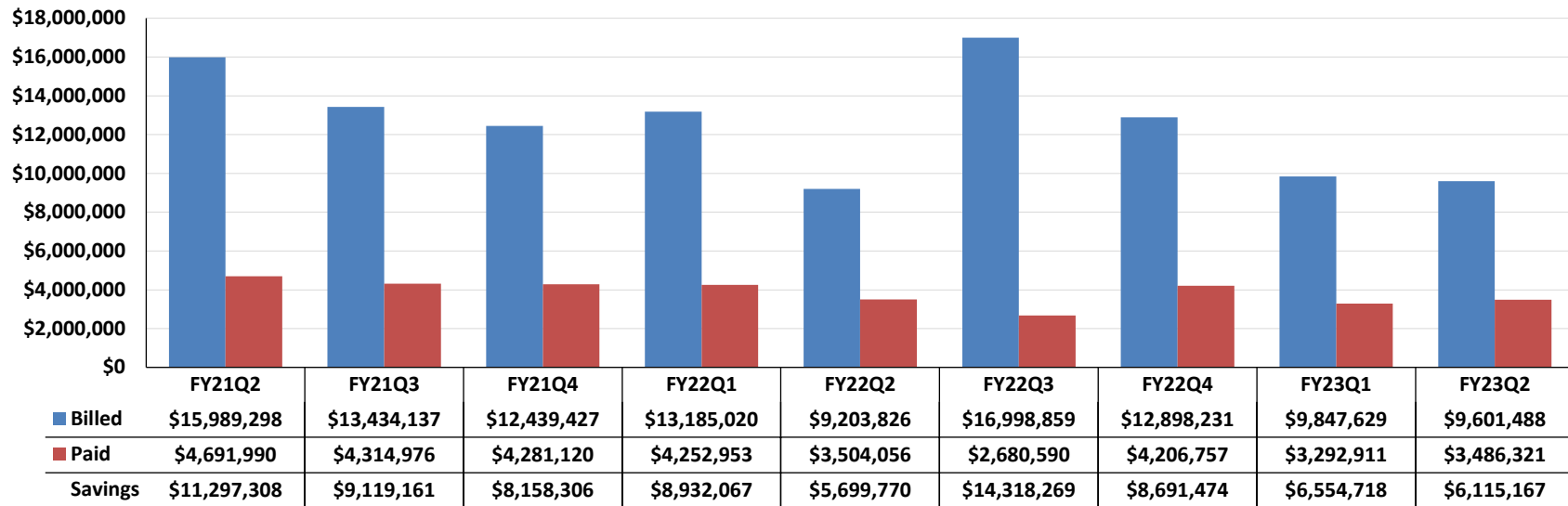
Medical Payments FY23Q2

Hospital: $1,535,059
Medical: $1,635,534
Misc. Expense: $165,585
Pharmacy: $150,143

- ■ Hospital
- ■ Medical
- ■ Misc. Expense
- ■ Pharmacy

20
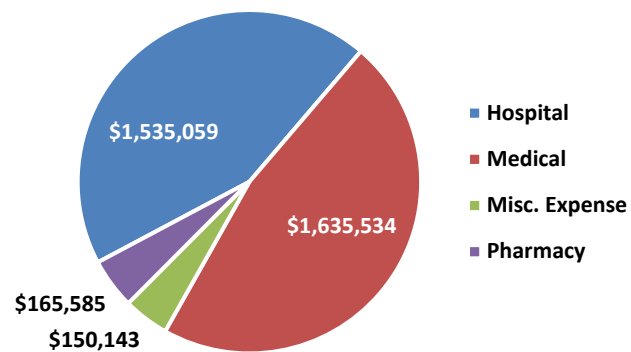
II. NETWORK AND NON-NETWORK DATA

The following chart shows the number of network and non-network claims.

Network and Non-Network FY20 - FY23

	Network	Non-Network	Network	Non-Network	Network	Non-Netork	Network	Non-Netork
	FY20		**FY21**		**FY22**		**FY23**	
Number of Claims	3,514	1,509	4,596	770	7,668	1,762	5,171	861
■ Q4	$2,427,246	$674,805	$3,824,285	$459,212	$3,464,951	$689,738		
■ Q3	$2,910,436	$787,684	$3,491,421	$629,434	$2,793,842	$470,244		
■ Q2	$2,744,007	$728,797	$3,906,428	$726,014	$2,939,926	$390,563	$3,107,930	$373,100
■ Q1	$2,694,384	$2,389,660	$3,383,454	$697,496	$3,482,369	$508,431	$2,947,648	$324,639

III. PREAUTHORIZATION

Certain types of health care services must be prospectively reviewed and preauthorized as medically necessary before the service is provided to an injured employee.

Network Utilization Review FY21Q2 - FY23Q2

	FY21Q2	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2
■ Approved	576	811	764	740	724	808	721	647	602
■ Denied	129	154	188	225	139	120	222	132	196
Savings	$353,949	$362,288	$388,909	$312,438	$182,871	$308,238	$350,828	$181,088	$189,896

Non-Network Utilization Review FY21Q2 - FY23Q2

	FY21Q2	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2
■ Approved	102	110	132	125	102	131	116	198	104
■ Denied	31	44	41	51	22	24	42	40	31
Savings	$60,239	$102,652	$33,773	$38,286	$20,353	$11,511	$63,205	$46,356	$41,605

IV. PHARMACY BENEFIT MANAGEMENT

Workers' compensation benefits include medically necessary prescription drugs and over-the-counter medication.
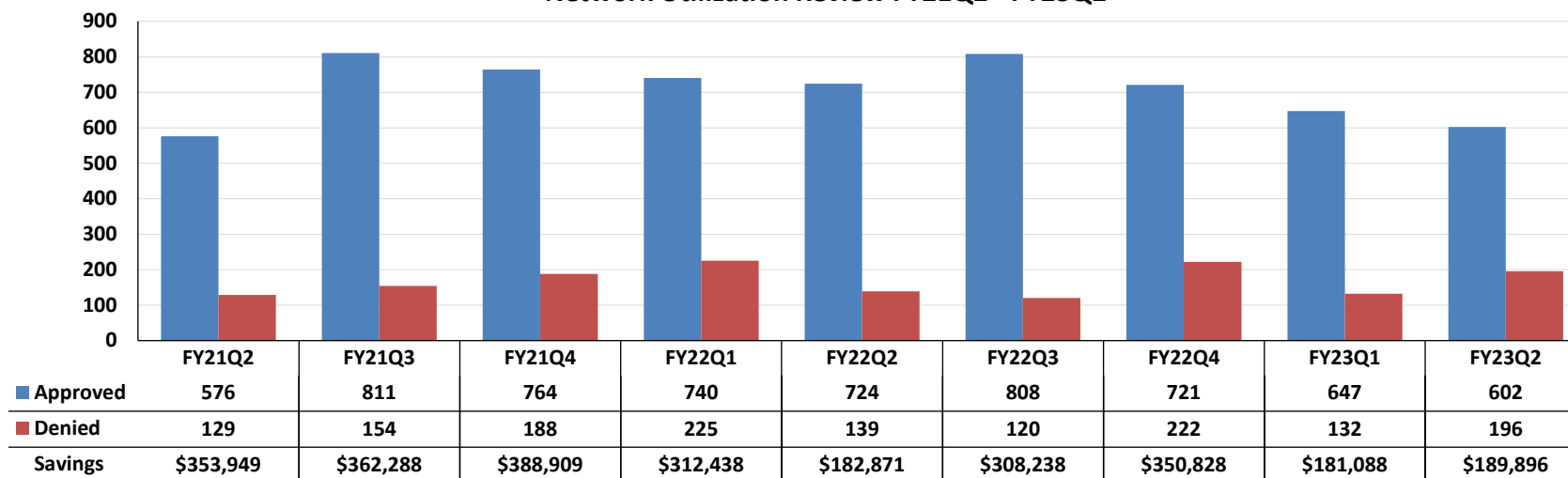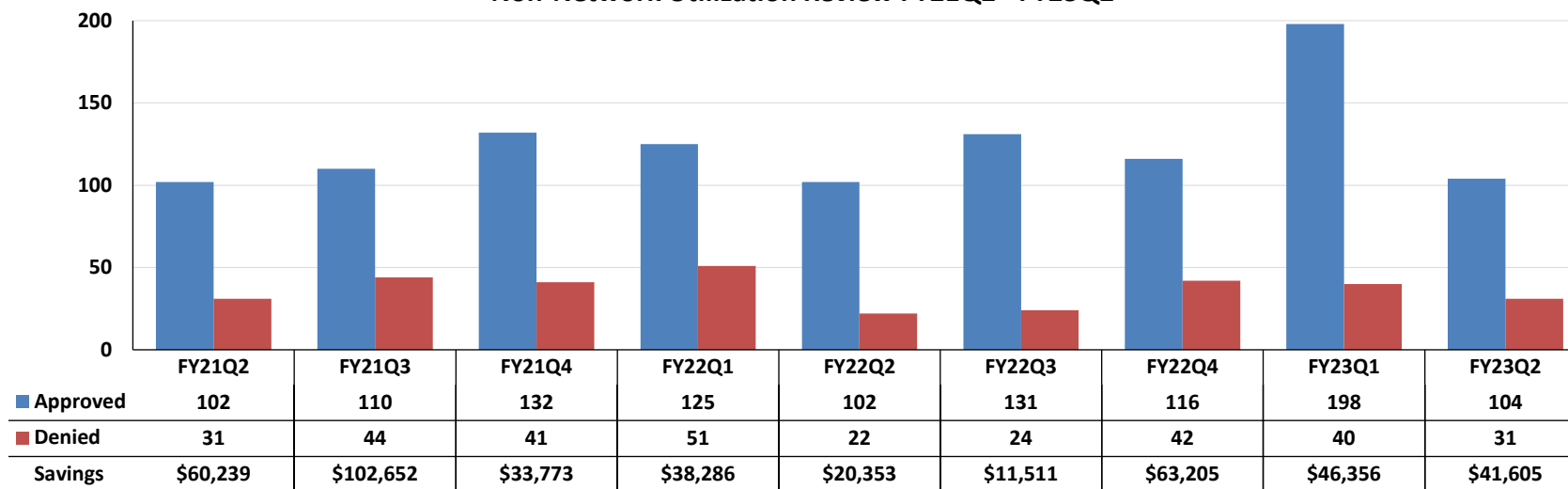
PBM Cost Savings FY21Q2 - FY23Q2

	FY21Q2	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2
■ Fee Schedule	$211,914	$174,584	$129,681	$134,310	$137,500	$132,267	$138,273	$127,541	$129,657
■ Paid	$110,837	$98,009	$87,300	$88,328	$88,787	$86,264	$88,778	$83,941	$83,413
Total Savings	$101,077	$76,575	$42,381	$45,982	$48,713	$46,012	$49,496	$43,600	$46,244
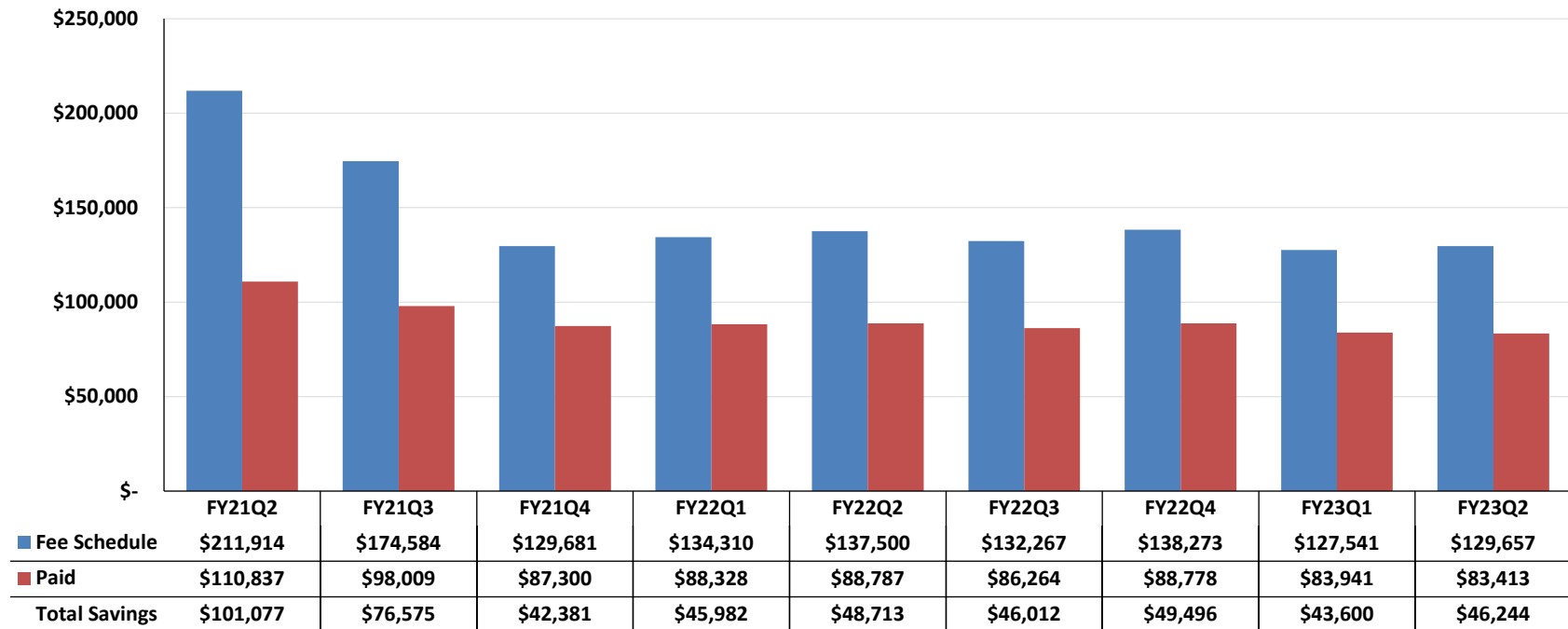
V. MEDICAL DISPUTE RESOLUTION FY23Q2

Medical dispute resolution is used to resolve disputes when an insurer reduces or denies payment of a medical bill or to determine the medical necessity of treatment for a compensable injury.
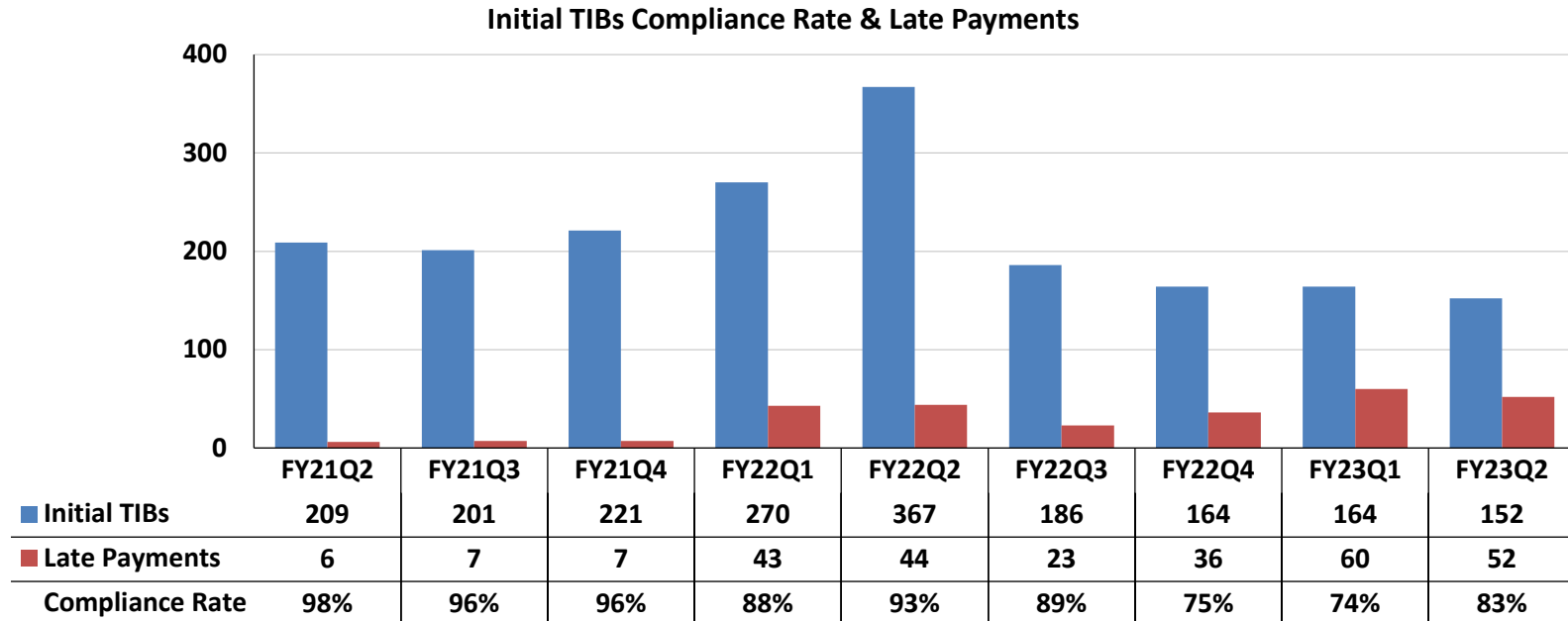
Medical Fee Disputes	18 Non-Network MFDR Received
Medical Necessity Disputes	2 Non-Network IRO Received

COMPLIANCE MANAGEMENT

I.   REGULATORY COMPLIANCE

A.   TEMPORARY INCOME BENEFIT AUDITS

SORM must initiate temporary income benefits by the 7th day after the accrual date (8th day of disability) or the 15th day after notice of injury.
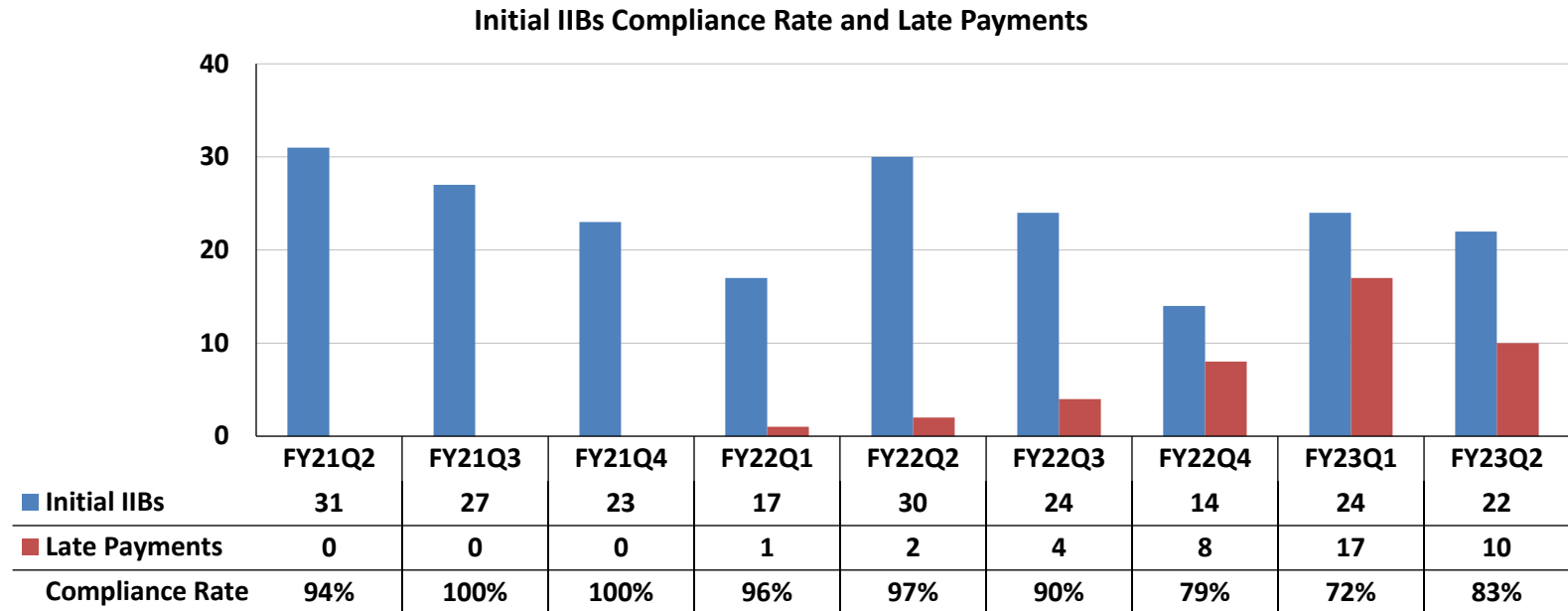
Initial TIBs Compliance Rate & Late Payments

	FY21Q2	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2
Initial TIBs	209	201	221	270	367	186	164	164	152
Late Payments	6	7	7	43	44	23	36	60	52
Compliance Rate	98%	96%	96%	88%	93%	89%	75%	74%	83%

TIBs Late Payments FY23Q2

Carrier	35
Employer	16
Physician	1
System	0
No Fault/Misc.	0

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B. IMPAIRMENT INCOME BENEFIT AUDITS

SORM must initiate impairment income benefits by the 5th day after receiving a notice of medical evaluation indicating the injured employee has reached maximum medical improvement (MMI).

Initial IIBs Compliance Rate and Late Payments

	FY21Q2	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2
■ Initial IIBs	31	27	23	17	30	24	14	24	22
■ Late Payments	0	0	0	1	2	4	8	17	10
Compliance Rate	94%	100%	100%	96%	97%	90%	79%	72%	83%

IIBs Late Payments FY23Q2

Carrier	7
System	0
No Fault/Misc.	1

II. CONTRACT ADMINISTRATION

Area	Task
Vendor Performance Monitoring	- Contact Verification - Certificates of Insurance - Cybersecurity Training
Vendor Performance Reporting	- Expiration - Annually - Renewal

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5. New business

5.1 **Presentation, discussion, and action on remaining Fiscal Year 2023 assessment totals**

Information

Darwin Hamilton, Director of Financial Management, will address the assessment forecast for determination

of adjustment, if any, for Fiscal Year 2023.

Action Required

The Chair may entertain motions for consideration and acceptance.

6.   Executive Session: Recess pursuant to Section 551.074, Government Code, to discuss the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

Information

The Board will meet in executive session pursuant to Section 551.074, Government Code, for the purpose of discussing the implications created by the passing of HB 1, 84th RS, GAA, under authority and Section VI of the Board Governance and Policy Manual.

Action Required

No official action required.

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7. **Reconvene in Open Session for possible action on matters considered in Executive Session.**

Information

The Board returns to public session and may deliberate and consider action on items discussed in executive session.

Action Required

The Chair may entertain motions for consideration and possible action on relevant matters discussed in executive session if applicable.

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8. **Old business**

Information

Staff is available to address any questions or concerns from the previous meeting.

Action Required

No official action requested, at this time.

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9.   **Public comment**

Information

It is the policy of the Board that members of the public shall be given the opportunity to appear before the Board during public meetings of the Board and to speak on any issue under the jurisdiction of the Board.

Action Required

No official action requested, at this time.

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10. Discussion and possible action on future meeting dates

Information

Tentative meeting dates are attached for discussion.

Action Required

Selection of future meeting dates.

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State Office of Risk Management

Tentative Board of Directors Meeting Dates
FY23Q3

Month	Day of Week	Date	Notes
July	Tuesday	4	Independence Day
		11	
		18	
		25	

NOTES:
The Secretary of State requires a minimum of 7 days' notice before publication in the Texas Register.
Draft rules, revised rules, and final rules must be published in the Register for 30 days.

All dates shown are with notes on upcoming due dates and holidays that will affect the Office.

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10.   Discussion and possible action on future meeting dates

Information

Tentative meeting dates are attached for discussion.

Action Required

Selection of future meeting dates.

Agenda for State Office of Risk Management Public Meeting: April 25, 2023

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State Office of Risk Management

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11. Adjourn meeting

The Chair:

1. Calls the meeting adjourned and announces time