SORM
State Office of Risk Management

BOARD OF DIRECTORS'
MEETING AGENDA
July 25, 2023

Public Meeting

Board of Directors
July 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 April 25, 2023, meeting

4. Presentation and discussion of Agency Operations Report

5. New business

   5.1 Presentation, discussion, and action on Fiscal Year 2024 assessment totals

   5.2 Presentation, discussion, and possible action on Internal Audit Services contracts

   5.3 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

   5.4 Reconvene in Open Session for possible action on matters considered in Executive Session

6. Old business

7. Public comment*

8. Discussion and possible action on future meeting dates

9. Adjournment

Individuals who may require auxiliary aids or services for this meeting should contact Emily Crase at (512) 936-2942 or Emily.Crase@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. Crase 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.

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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300 W. 15TH, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777
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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 April 25, 2023, meeting**

Information

Attached are the minutes from the April 25, 2023, meeting.

Action Required

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

![SORM logo](State Office of Risk Management)

Minutes of the Public Meeting
on
April 25, 2023

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 Ricardo Galindo.
Board Member William Brown was present via Zoom. Tomas Gonzalez was absent.

Item 1.   Board Chair Garland called the public meeting to order at 9:30 a.m. on April 25, 2023. Board Chair Garland recognized Members present. A quorum was established.

Item 2.   The Board acknowledged Board Member Gonzalez's previous absence. Board Chair Garland moved to accept the absence. Board Member Ladner seconded the motion, which carried without objection (4-0 vote).

Item 3.   Board Chair Garland asked for any comments or changes to the Minutes of the October 18, 2022, meeting. Hearing no changes, Board Member Ladner moved to accept. Board Member Galindo seconded the motion, which carried without objection (4-0 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 insurance negotiations and development, recruitment and retention initiative, people and culture initiative, legislative update and a governance manual review plan.

Todd Holt (Deputy Executive Director) and Tawn Ihnen (Director of Project Management) presented an RMIS implementation project update, and a project monitor and control update. Mr. Holt introduced Heather Hernandez (Statewide Continuity Coordinator), presenting for Agency Relations in place of Shelby Hyman (Director of Agency Relations), to update the Board on the status of the training program, the Statewide Continuity of Operations (COOP) program development status, and Agency Relations outreach and YouTube analytics for top performing videos.

Todd Holt (Deputy Executive Director) in place of Lydia Scranton (Chief of Internal Operations), introduced Linda Griffin (Director of Talent Management) who introduced new employees, provided a list of current vacancies, discussed turnover, and provided an update on recruitment efforts. Mr. Holt introduced Darwin Hamilton (Director of Financial Management and Chief Financial Officer) to present the FY23 Consolidated Budget and projection numbers. Mr. Holt introduced Keith DeSpain (Director of Information Technology) who provided an update on department support with a focus on team changes, equipment status, software changes, Origami program implementation and cybersecurity efforts.

Mr. Vollbrecht introduced James Cox (Chief of Strategic Programs). Mr. Cox 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 an update on the statewide insurance program. Mr. Cox introduced Mitchell Griffin (Director of Claims Operations) to provide an update on current workers' compensation claims with a breakdown of costs and claims per income benefit. Mr. Vollbrecht noted the time passed at just over an hour. The Board requested the meeting proceed without a break.

Deea Western (Chief of Legal Services and General Counsel) presented information for Litigation Management on benefit dispute resolution, 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, preauthorization numbers, and the pharmacy benefit management program. Ms. Western introduced Dayna Trotter (Director of Compliance Management) to present on behalf of Tshau Todman (Regulatory Liaison) with an update on regulatory compliance and audits. Ms. Trotter provided an update on contract administrations status.

Item 5.   New Business:

        5.1   Mr. Vollbrecht brought to attention an error in the presented documentation, to be corrected. Revised New Business agenda of presentation, discussion, and action on remaining Fiscal Year 2023 assessment totals was presented by Darwin Hamilton (Director of Financial Management and Chief Financial Officer). Mr. Vollbrecht recommended the Board proceed with the Executive Session meeting first and return to item 5.1 following the Executive Session break.

Item 6.   Future Meeting Dates (item 8 on the agenda). Discussion on suggested dates for the next Board meeting. Board Chair Garland set July 25, 2023, as the next tentative meeting date. The Board did not select an alternate date.

Item 7.   Executive Session (item 6 on the agenda). Board Chair Garland called the Board into Executive Session at 10:55 a.m. pursuant to Section 551.074, Government Code, on appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

Item 8.   Action taken. Board Chair Garland reconvened the Board at 11:19 a.m. No action was taken.

Item 9.   The Board returned to New Business, item 5 on the agenda. Mr. Vollbrecht introduced Darwin Hamilton (Director of Financial Management and Chief Financial Officer). Mr. Hamilton presented the recommendation range for the remaining Fiscal Year 2023 assessment totals. Board Chief Garland moved to accept the recommendation offered for operating budget. Board Member Galindo seconded the motion, which carried without objection (4-0 vote).

Item 10.   No Old Business

Item 11.   No Public Comment.

Item 12.   Board Chair Garland adjourned the meeting at 11:23 a.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 FY23Q3
TO THE
SORM BOARD OF DIRECTORS

July 25, 2023

EXECUTIVE ADMINISTRATION

EXECUTIVE OFFICE

I. NEW RMIS UPDATE

Project Management, working with multiple other departments, has made significant progress in the new RMIS deployment and rollout, from licensing negotiations to agency notifications and advisory meetings, to user acceptance testing, and much more. This is all while simultaneously monitoring and implementing a massive and complex EDI 3.1 update from DWC, and the dozens of other mission essential projects and initiatives.

II. LEGISLATIVE UPDATE

Multiple bills impacting SORM operations were introduced and monitored during the last legislative session, including workers' compensation, facilities and continuity, cyber insurance, and electric grid reliability. The Agency Relations section of the AOR for this meeting highlights a sampling of a few of those measures.

III. INSURANCE NEGOTIATIONS AND DEVELOPMENT

Nearly every insurance marketplace is feeling the significant effects of multiple social, political, and economic factors, both global and domestic. Having successfully renegotiated the property program in the harshest market ever experienced by this agency and by other jurisdictions, the Office is currently heavily involved in the automobile and D&O program development and negotiations.

IV. CONTINUITY INITIATIVES

The Continuity Council continues to grow in membership and influence. In conjunction with SORM and the Institute for Homeland Security, Sam Houston State University, the Council is sponsoring its first ever cooperative symposium, *Resilience in the Workplace*, from August 2-4 in The Woodlands. Presenters from continuity and a number of related fields will offer their insight into current trends and increasing threats and hazards which organizations are now facing. The event is about networking and bringing together the whole continuity community.

V. WORKER RECOVERY INITIATIVE

Linking with current internal SORM initiatives under development for a statewide Return to Work (RTW) guidance program and general ERM concepts in the TERM Guidelines, the Office has partnered with WorkCompCollege.com, a new training initiative developed by some of the most preeminent industry leaders across multiple subject matter domains. Two staff members volunteered to sample the program and receive Workers' Recovery Professional designations. A second group of 21 additional nominees have now started the program.

PROJECT MANAGEMENT

I. RMIS IMPLEMENTATION PROJECT UPDATE

A. PROJECT EXECUTION

The Project Management (PM) team completed 3 implementations 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
	Q3	4	3	0	3	0	0	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
	Q3	0	0	4	4	2
	TOTAL	6	22	69	53	52

AGENCY RELATIONS

I. TRAINING

During FY23Q3, Agency Relations onboarded nine new employees to the Office. McConnell Jones began the internal audit process for the department to help Agency Relations further develop the training and communications plans and strategies for the Office. The final report will be presented in the FY23Q4 board meeting.

Instructor Led Agency Training for FY23Q3

Course Name	Classes Taught	Students
15 Passenger Van Safety	1	2
Driving Safety	5	45
HazCom	1	9
Additional Duty Safety Officer	2	27
TOTAL	9	93

Self-Paced LMS Training FY23Q3

Virtual Course Name	Students
Driving Safety	201
Workers' Compensation Claims Coordinator Training	11
TOTAL	212

II. STATEWIDE CONTINUITY OF OPERATIONS (COOP) PROGRAM

During FY23Q3, SORM leadership exercised and updated the agency continuity plan. Emergency Management principles are also being discussed for incorporation into the plan. The agency Continuity Working Group also expanded to include staff from all sections of the agency. This group will meet regularly to discuss the continuity plan and make suggestions for improvement.

The Continuity Program continues to host regular Continuity Council meetings and provided a panel discussion at the TDEM Conference in Fort Worth which discussed the benefits of cross-sector collaboration to increase organization resiliency. The Council is also working in collaboration Sam Houston State University Institute for Homeland Security to hold the SORM Symposium, *Resilience in the Workplace*, in August to provide networking and educational opportunities for continuity coordinators throughout the state.

FY23Q3 COOP Activity

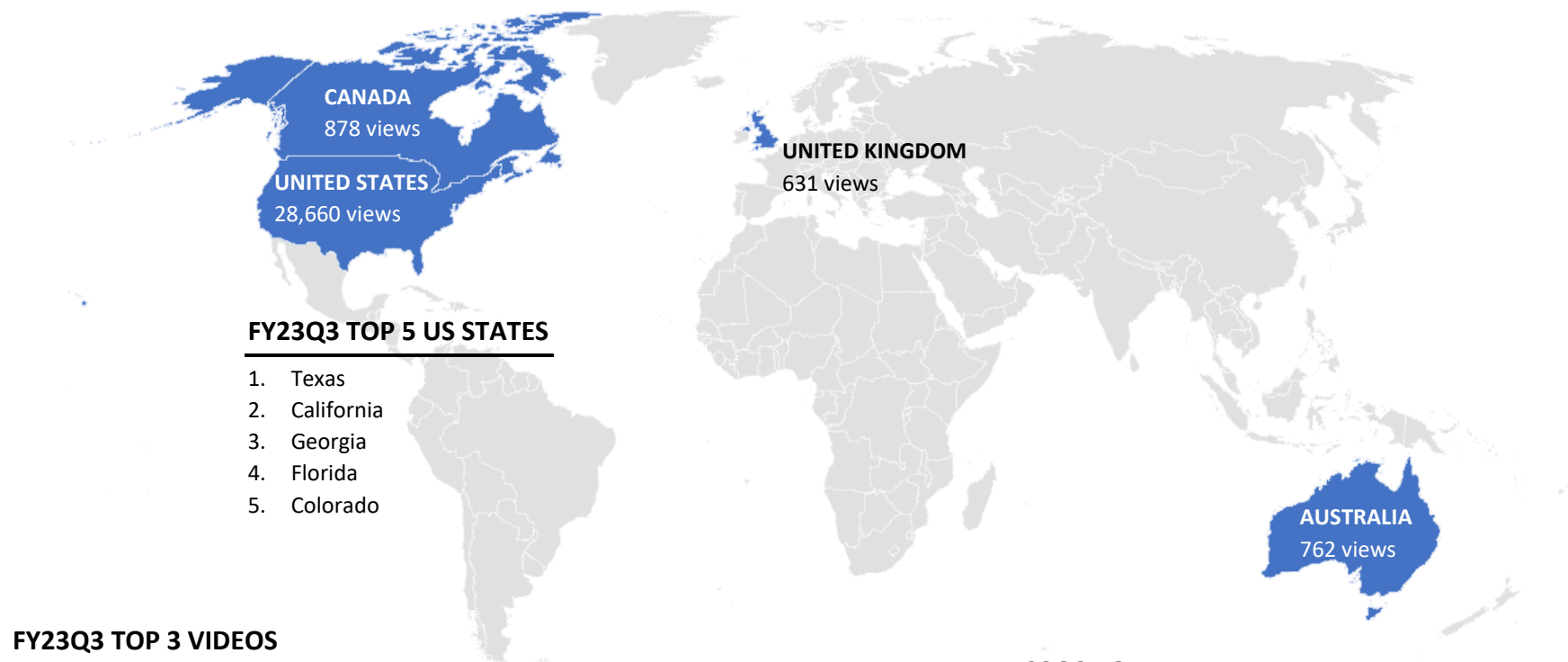|	
Plans Evaluated	7
Exercises Evaluated	3
Outreach/Presentations	14
Individual Consultations	9
Continuity Council and Committee Meetings	27
Internal SORM COOP Meetings	13

III. AGENCY RELATIONS OUTREACH

The Executive Director, General Counsel, Chief Financial Officer, and Chief of Internal Operations testified (or were invited to testify) as resource witnesses by a number of committees. The majority of legislation relating to worker's compensation sought to expand the definition of eligibility and benefits to include certain peace officers, first responders, and members of the state and national guard.

State employees (with some exceptions) will receive an annual 5% (or $3000 minimum) salary increase, each year, over the next biennium.

Status	Bill	Caption	Notes
PASSED *Effective 9/1/23*	HB 90 Patterson	Relating to benefits for certain members of the Texas military forces and survivors of members of the Texas military forces.	Known as the "Bishop Evans Act".
DID NOT PASS	HB 390 Howard	Relating to the Internet broadcast or audio recording of certain open meetings.	Would have required agencies to broadcast live video and audio of each open meeting of governmental body.
PASSED *Effective immediately*	HB 471 Patterson	Relating to the entitlement to and claims for benefits for certain first responders and other employees related to illness and injury.	Clarified illness or injury leave of absence policies/entitlements for firefighters, police officers, and EMS personnel of a political subdivision.
DID NOT PASS	HB 790 Patterson	Relating to certain claims for benefits, compensation, or assistance by certain public safety employees and survivors of certain public safety employees.	Would have required Notice of Refusal from carrier contesting claim to provide specific reason for denial. Also, carrier waives right to contest claim if certain time requirements are not met.
PASSED *Effective 9/1/23*	HB 2468 Burrows	Relating to the eligibility of an injured employee for lifetime income benefits under the workers' compensation system.	Redefined definition of a traumatic brain injury; allow carrier to review LIBs, request DD exam; created new reason 1st responders can use to qualify for LIBs.
DID NOT PASS	HB 2514 Guillen	Relating to interim studies on real property owned by the state.	Similar to State Insurable Assets Studies conducted by SORM.
DID NOT PASS	HB 2926 Turner	Relating to certain claims for benefits or compensation by certain public safety employees and survivors of certain public safety employees.	Bill would have required SORM to reprocess COVID-19 claims that were denied before June 14, 2021, if the claimant was a detention officer, custodial officer, firefighter, peace officer, or emergency medical technician.
DID NOT PASS	HB 4649 Guillen	Relating to conducting certain contested case hearings under the Texas workers' compensation system by remote communication.	Would have allowed specific carriers to conduct a contested case hearing by telephone or video conference, with the goal to reduce expenses.
DID NOT PASS	HB 4996 Bell	Relating to a statewide cyber insurance program.	Would have allowed DIR and SORM to contract with a vendor to conduct a study on the feasibility of a statewide cyber insurance program.

Status	Bill	Caption	Notes
DID NOT PASS	**SB 330** **Hall**	Relating to the resilience of the electric grid and certain municipalities; authorizing an administrative penalty.	SORM included in filed version of bill. SORM **REMOVED** from Senate Committee Substitute.
PASSED *Effective 9/1/23*	**SB 833** **King**	Relating to consideration by insurers of certain prohibited criteria for ratemaking.	Prohibits carriers from considering environmental, social, and governance (ESG) criteria when evaluating financial risks.
PASSED *Effective immediately*	**SB 1055** **Nichols**	Relating to the creation of a new university in Nacogdoches, Texas, within The University of Texas System and the allocation of the annual constitutional appropriation to certain agencies and institutions of higher education; abolishing Stephen F. Austin State University.	Contingency Rider included in HB 1 (Appropriations) for SORM and UT System to create MOU/IAC for handling of existing workers compensation claims.
DID NOT PASS	**SB 1119** **Kolkhorst**	Relating to studies of buildings and facilities owned, leased, or otherwise occupied by this state.	Similar to other property studies, but with focus on occupancy.

YOUTUBE ANALYTICS

CANADA
878 views

UNITED STATES
28,660 views

UNITED KINGDOM
631 views

AUSTRALIA
762 views

FY23Q3 TOP 5 US STATES

1. Texas
2. California
3. Georgia
4. Florida
5. Colorado

FY23Q3 TOP 3 VIDEOS

How to Survive an Active Shooter	25,362 views
Same Level Slips, Trips and Falls	3,267 views
How to Prevent Heat-Related Illness	2,991 views

FY23Q3 TOTAL

Total views	36,968

![Internal Operations logo] **INTERNAL OPERATIONS**

TALENT MANAGEMENT

New Hires	Vacancies
Alex Patino, Document Specialist	Legal Assistant
Joshua Ewald, Document Specialist	Online Content Developer
Devin Clark, Receptionist	Senior Claims Adjuster
Marilyn Bynum-Wilson, Enterprise Risk Specialist, Insurance Services	Compliance Specialist
Deanna Pinkard-Harrington, Accounting Technician	Claims Adjuster
Victor Rodriguez, Claims Adjuster	Receptionist

Recruitment Efforts

	April	May	June
Agency Web Site - Internet	34	14	138
Broadcast & Print Media	0	0	1
College/University Career Day	0	1	1
Human Resource/Personnel Office	0	0	2
Job Board	28	20	91
Job Fair	2	0	0
Other	27	1	17
Other State Employees	9	0	30
Professional Publication	0	0	0
Recruitment Poster	1	2	1
Social Media	2	0	10
TOTAL	103	38	291

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%	14%
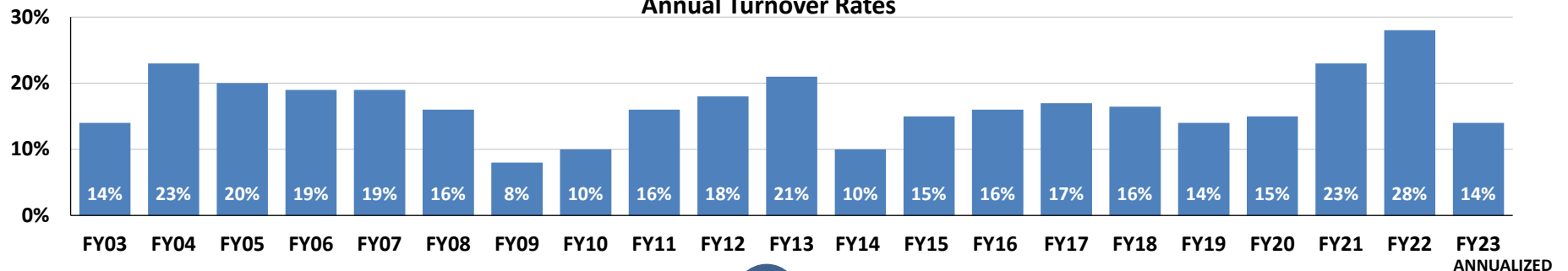
FINANCIAL MANAGEMENT

FY23 AGENCY (CONSOLIDATED) BUDGET
MAY 31, 2023

Objects of Expense	Initial Budget:	Adjustments Transfers (+ In, - Out)	Revised Budget:	Expenditures Year to Date @ 5/31/23	Encumbrances @ 5/31/23	Remaining Budget @ 5/31/23	Unpaid Expenses Incurred	Percent of Budget Expended/Incurred	Percent of Fiscal Year Elapsed
Salaries & Wages	7,557,391	1,000,000	8,557,391	4,817,071	0	3,740,320	618,791	63.5%	75.0%
Other Personnel Costs	250,000	545,021	795,021	157,405	0	637,616	0	19.8%	75.0%
Professional Services	1,650,000	0	1,650,000	749,043	434,086	466,871	0	45.4%	75.0%
Consumable Supplies	35,547	0	35,547	18,092	1,695	15,760	0	50.9%	75.0%
Utilities	5,637	0	5,637	5,039	7,336	(6,738)	0	89.4%	75.0%
Travel	135,000	0	135,000	48,225	30	86,745	0	35.7%	75.0%
Rental of Space	720	0	720	720	0	0	0	100.0%	75.0%
Rental of Equipment	24,000	0	24,000	12,541	11,439	20	0	52.3%	75.0%
Operating Costs	1,796,450	57,970	1,854,420	1,308,528	966,374	(420,482)	0	70.6%	75.0%
Capital Expenditures	0	0	0	0	0	0	0	0.0%	75.0%
TOTAL	11,454,745	1,602,991	13,057,736	7,116,664	1,420,960	4,520,112	618,791	59.2%	75.0%

Objects of Expense	Initial Budget:	Adjustments Transfers (+ In, - Out)	Revised Budget:	Expenditures Year to Date @ 5/31/23		Remaining Budget @ 5/31/23		Percent of Budget Expended/Incurred	Percent of Fiscal Year Elapsed
Indemnity	19,390,817	0	19,390,817	13,102,545		6,288,272		67.6%	75.0%
Medical	21,176,933	0	21,176,933	12,709,348		8,467,585		60.0%	75.0%
Total Exps.	40,567,750	0	40,567,750	25,811,893		14,755,857		63.6%	75.0%
Subrogation and Restitution	(567,750)	0	(567,750)	(687,110)		119,360		121.0%	75.0%
NET TOTAL	40,000,000	0	40,000,000	25,124,783		14,875,217		62.8%	75.0%

FY23 PROJECTION

	Actual Costs as of 5/31/23 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		74.79%	69.66%	69.65%	70.38%	69.65%
Medical		74.79%	72.07%	72.31%	71.74%	71.74%
Recovery		74.79%	73.21%	70.62%	72.47%	100.00%
FY23 Projections						
Indemnity	14,406,755	19,261,779	20,681,497	20,683,218	20,471,199	20,683,218
Medical	12,468,406	16,670,214	17,300,168	17,242,826	17,380,426	17,380,426
Recovery	(718,236)	(960,279)	(981,023)	(1,017,071)	(991,070)	(718,236)
TOTAL	26,156,925	34,971,713	37,000,642	36,908,974	36,860,555	37,345,409

				Average of four different projection bases and "worst case"	36,617,458

Gross costs only	26,875,161	35,931,992	37,981,665	37,926,045	37,851,625	38,063,645

				Average of four different projection bases and "worst case"	37,550,994

Medical Bills Processed FY23
Total 52,197
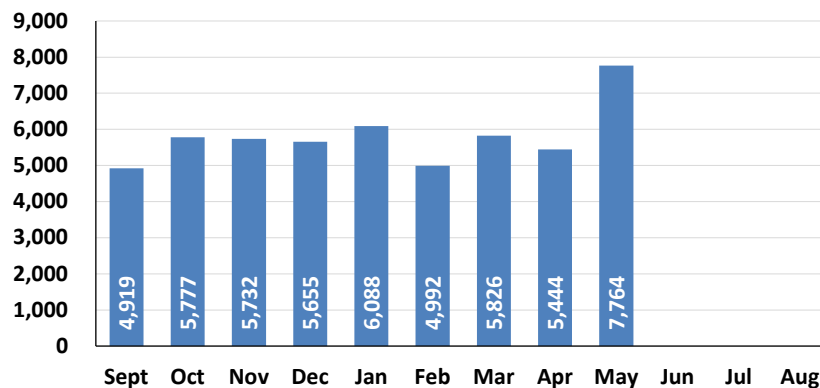
Indemnity Bills Processed FY23
Total 19,878
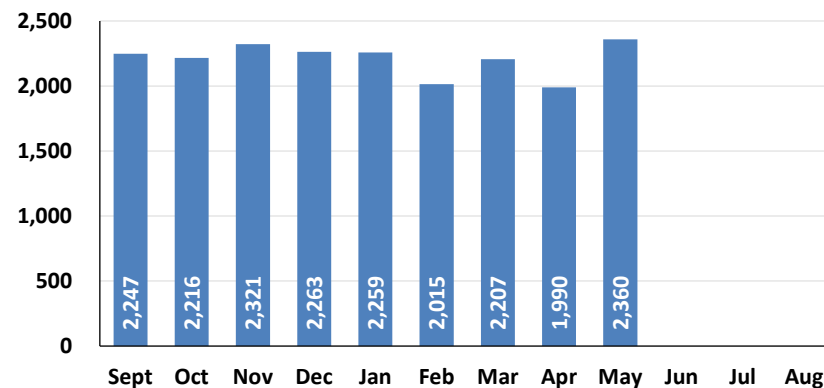
INFORMATION TECHNOLOGY

I. ONGOING AGENCY SUPPORT

Information Technology (IT) continues to support the agency operations through infrastructure support, processing, and reporting. Significant areas of activity in FY23Q3 include:

Area	Task
Team Changes	• Staffed a new Application Developer.
Equipment – Servers, desktops, laptops, and peripherals	• Replaced out-of-warranty/support server hardware with new equipment at our SORM site and the Disaster Recovery site. • Replaced malfunctioned parts for servers and workstations. • Manage and support servers 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 supporting business process changes.
Origami Production Support	• Continue daily monitoring of our production environment and address issues that materialize. • Review 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 Agencies, creating and distributing weekly, monthly, and quarterly reports. We have started an initiative to automate manual report generation in Origami. This will free up resource time allocated to creating and delivering these reports.

Cybersecurity	• Continuous monitoring for vulnerabilities within SORM computers and servers.
	  o Installing updates on computers and servers to address vulnerabilities and comply with cybersecurity standards.
	• Cybersecurity Awareness Training.
	  o Quarterly training exercises followed up with Phishing campaigns to reinforce training exercises.

Other Items	• Working with the Project Management team to support the Origami State Agency rollout project.
	  o The team has started the claims data migration from the legacy RMIS system into the New RMIS system.
	  o The team has also started planning and preparing to expand our Service Desk support activity to include our new external users of the New RMIS System.

The graphs below show a historical view of vulnerabilities. The graphs analyze data over the past six months taking weekly data points. This method will show peaks in vulnerabilities as new events occur and when new scans are completed in the Security Center.

SORM Workstation Executive Summary, Vulnerability Trend (6 Months)
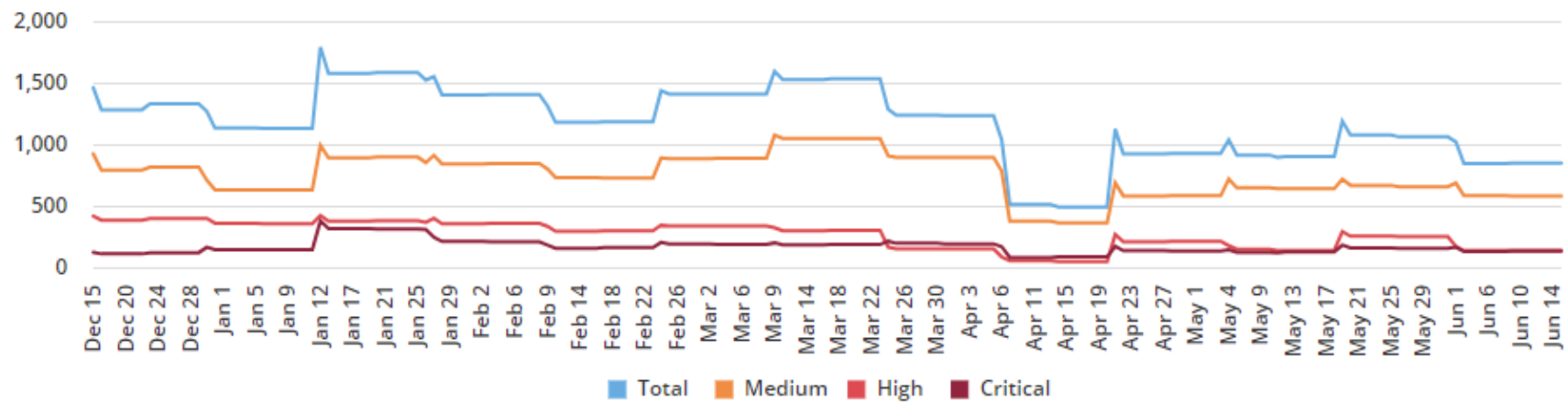
SORM Workstation Remediations for same period:

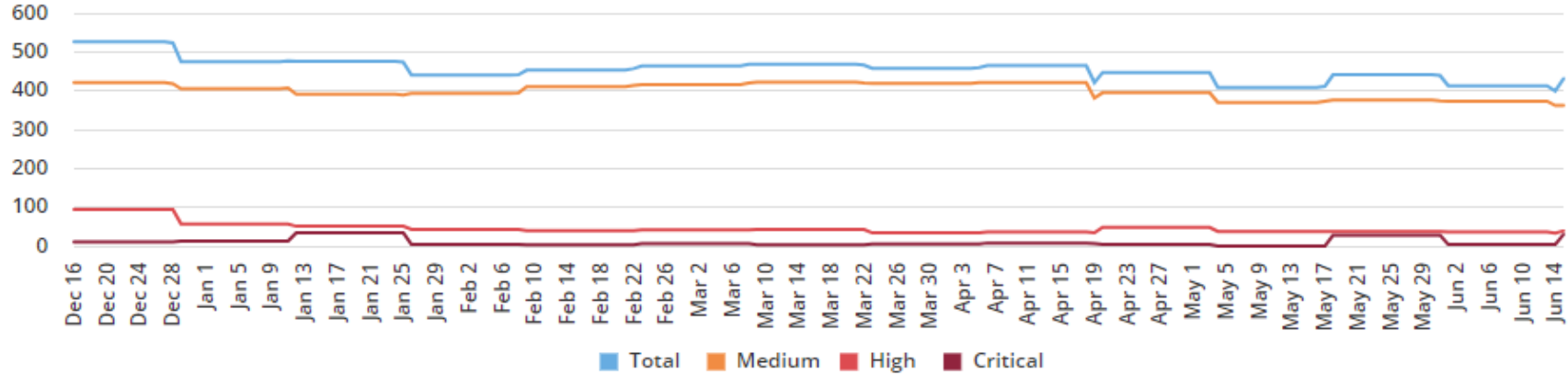|	Mitigated 0-15d	Mitigated 15-30d	Mitigated 30-60d	Mitigated 60-90d	Mitigated >90d
Total Vulnerabilities	56%	27%	9%	3%	6%
Exploitable Vulnerabilities	54%	36%	9%	0%	1%
Unsupported Product	89%	7%	2%	0%	1%
Critical	63%	28%	9%	0%	0%
High	56%	24%	8%	4%	8%
Medium	41%	32%	11%	6%	11%
Low	85%	0%	3%	0%	12%

SORM Server Executive Summary, Vulnerability Trend (6 Months)

SORM Server Remediations for same period:

	Mitigated 0-15d	Mitigated 15-30d	Mitigated 30-60d	Mitigated 60-90d	Mitigated >90d
Total Vulnerabilities	47%	3%	15%	8%	28%
Exploitable Vulnerabilities	70%	2%	6%	9%	13%
Unsupported Product	28%	35%	19%	3%	15%
Critical	80%	5%	8%	0%	7%
High	51%	3%	13%	14%	19%
Medium	30%	1%	21%	8%	41%
Low	18%	0%	0%	0%	82%

FY23Q3 Service Desk Metrics

Tickets Opened
Total 358

May	April	March
113	131	114

Tickets Closed
Total 351

May	April	March
121	135	105
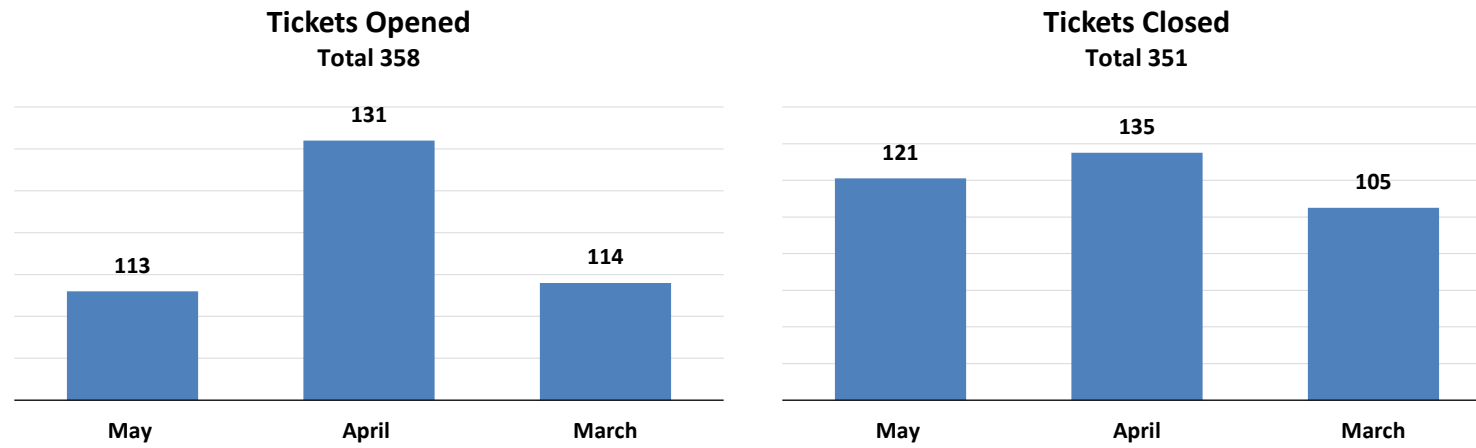
II. ANTICIPATED FY23Q4 ACTIVITY

In addition to routine support functions congruent with operations for the Office, we anticipate the following activities during FY23Q4 and beyond:

A. Continue to expand the knowledge asset of our existing IT staff.
B. Continue support of the Origami State Agency Rollout Project.
C. Support SORM business units in providing IT solutions to support their goals and objectives.
   - Create an interactive solution to facilitate the Finance team's bi-annual assessment process and monthly Health Care Services Invoice process.
   - Create an efficient solution for our Cost Containment team to research historical medical bill data.
   - Deploy an application to increase efficiency in exporting data from SORM to the Comptroller for the payments of our claims and medical bills.
D. Plan and initiate a project to create policies and procedures for the IT department.
E. Procure and deploy our FY23 budgeted PC replacement initiative.

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	Mar	Apr	May	
OSCs	29	30	21	15	23	36	26	18	18	94% of a goal of 229
RMPRs	0	0	2	1	1	9	0	0	1	56% of a goal of 25

Recommendations Given FY23Q3
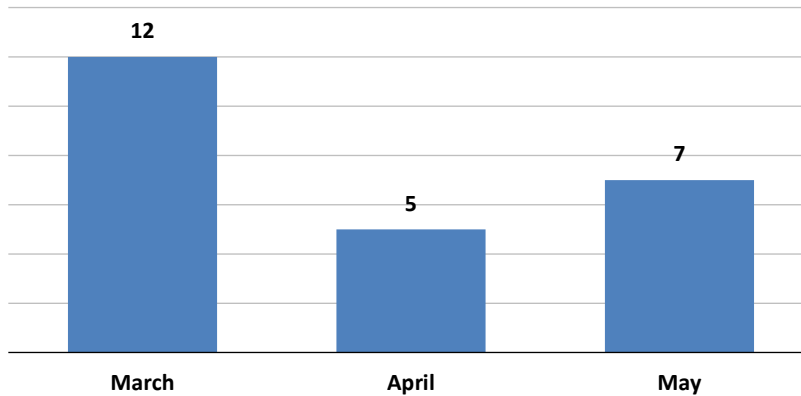
Closed Recommendations FY23Q3
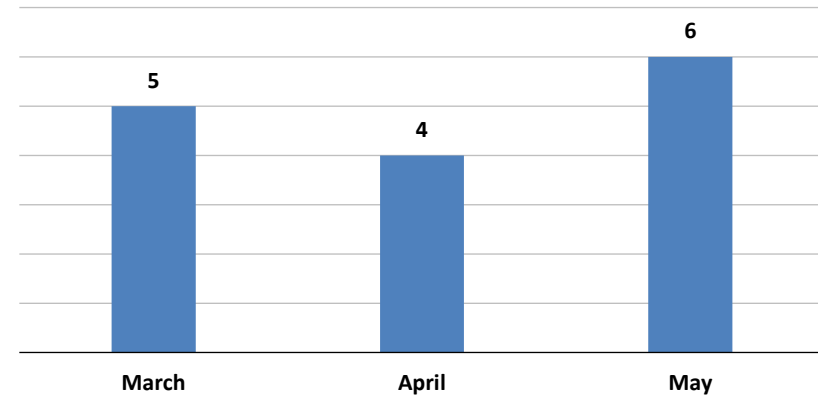
Category of Recommendations FY23Q3

COOP	0
Environmental	0
Insurance	1
Risk Management	3
Safety	18
Policy/Procedure/Training	2

II. STATEWIDE INSURANCE PROGRAM

A. PARTICIPANTS IN STATEWIDE INSURANCE LINES FY23Q3

Bar chart showing participants by line: Auto 62, D&O 33, Property 45, Volunteer 15, Builder Risk 0, Fine Arts 7, ETWC 0
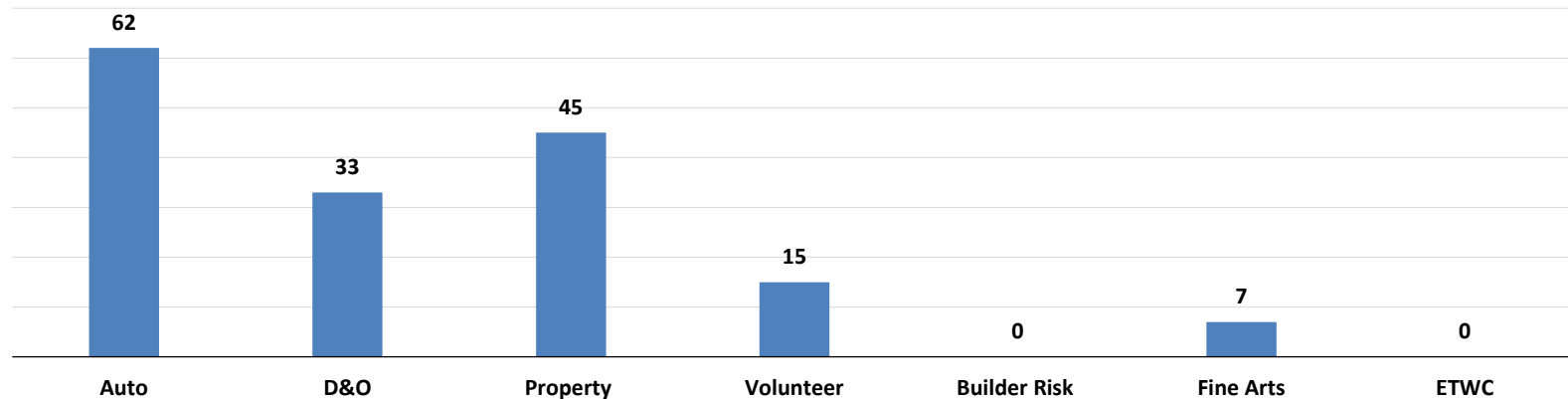
B. MONITORING

- 479 notary applications were processed during FY23Q3

C. INSURANCE PURCHASES

- SORM 201's processed: 5
- SORM 201's approved and premiums paid: $66,359
- SORM 201's approved and premiums paid YTD: $1,108,992

SORM 201s FY23Q3

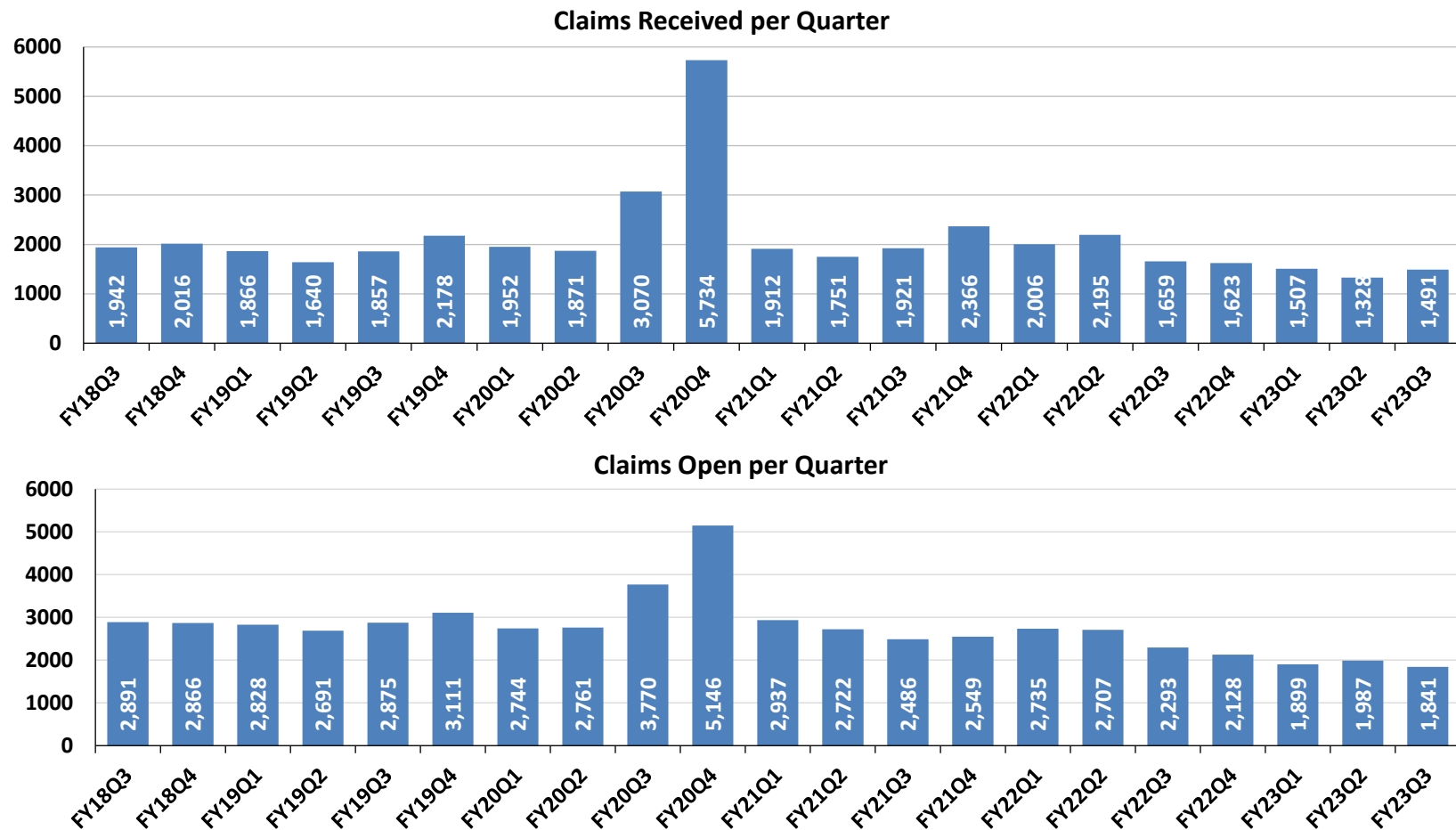| Line	Approved	Comments	Premium
Athletic Bonus	Yes	To provide Contractual Bonus Insurance for the Athletics department. This Insurance is in respect of the Insured's contractual obligation to award incentive bonuses to the Insured Coach(es) herein in respect of the performance by the Insured Team(s).	$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
Crime	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

Line	Approved	Comments	Premium
Cyber	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
D&O Liability	Yes	Purchase of a Directors and Officers (D&O) Liability policy on behalf of a Charter School Finance Corporation (CSFC).	$10,500
Extra Territorial Workers Comp	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	Yes	Theis policy provides coverage for loss or damage to collection or gallery items while at any location worldwide or while in transit	$4,128
Foreign Liability 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
GL & Excess	Yes	General Liability (GL) 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	This policy is for medical insurance that provides coverage for any unexpected injuries, illnesses and other risks while a state employee is traveling abroad.	$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	$2,455
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
Med Lab (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
P&I	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.	$35,381
Volunteer	Yes	Annual renewal of the Volunteer Insurance Policy for a Foster Grandparent Program. This is a federally funded grant program which requires this specific insurance coverage in order to be an eligible sponsor of the program.	$4,662
TOTAL			**$970,534**

CLAIMS OPERATIONS

I. CLAIMS OPERATIONS ACTIVE WORKLOAD FY23Q3

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

A. SORM received 1,491 injury reports (claims) in FY23Q3, which is an increase from the number of injury reports received in FY23Q2 (1,328)

B. 729 claims were accepted

C. 1,820 claims were inactivated

D. SORM had 1,841 open claims at the end of FY23Q3

Claims Received per Quarter

Quarter	Claims Received
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
FY23Q3	1,491

Claims Open per Quarter

Quarter	Claims Open
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
FY23Q3	1,841

II. ANALYSIS OF INCOME BENEFITS EXPENSES FOR FY23Q3

A. FY23Q3 reflects an increase in TIBs and IIBs indemnity costs from FY23Q2
B. TIBs payments were $2,334,784 and IIBs payments were $845,432 in FY23Q3
C. At the end of FY23Q3, there were 443 TIBs, 157 IIBs, 28 SIBs with payment, 13 LIBs, and 108 DIBs claims open

Temporary Income Benefits (TIBs) expenditures for FY23Q3 totaled $2,334,784 on 443 claims

TIBs Expense per Quarter
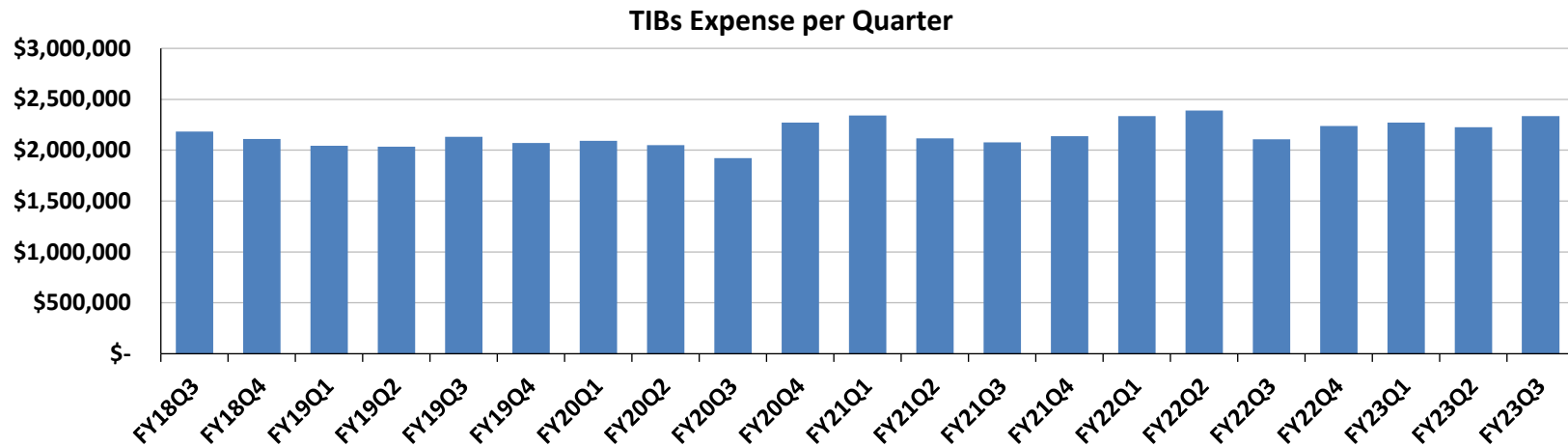
Impairment Income Benefits (IIBs) expenditures for FY23Q3 totaled $845,432 on 157 claims

IIBs Expense per Quarter
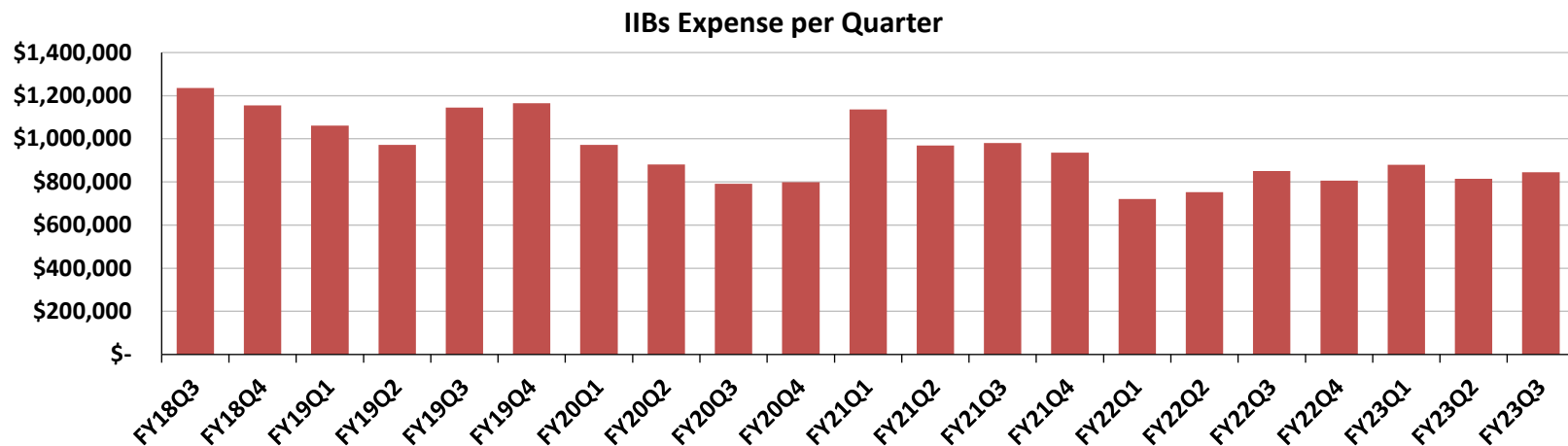
Supplemental Income Benefits (SIBs) expenditures for FY23Q3 totaled $172,954 on 28 claims

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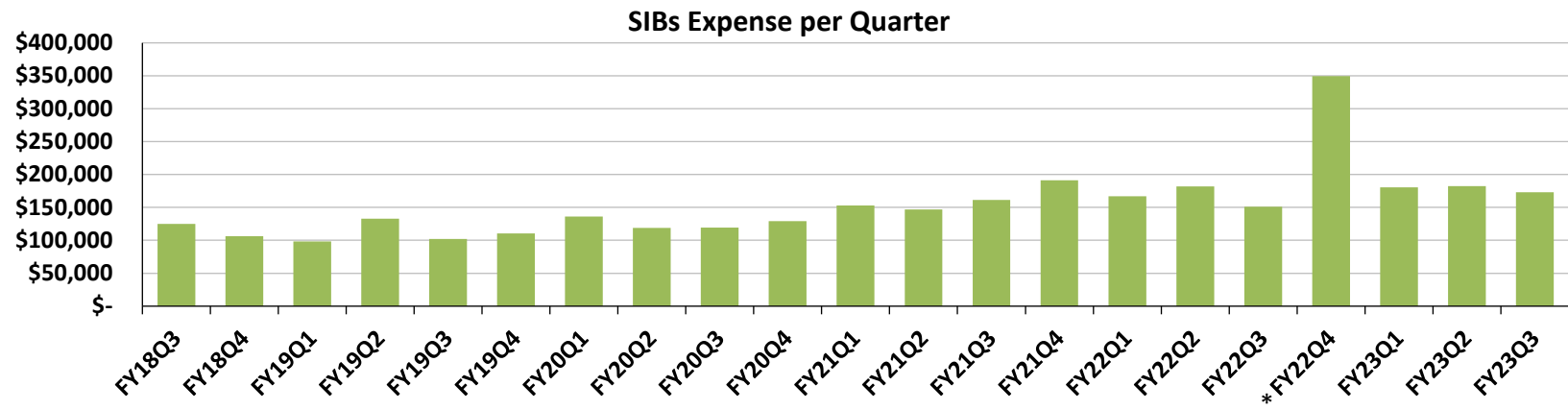
*FY22Q4 – thirteen quarters paid due to CCH rulings on two claims

Combined indemnity expenditures for FY23Q3 totaled $4,756,995 on 749 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
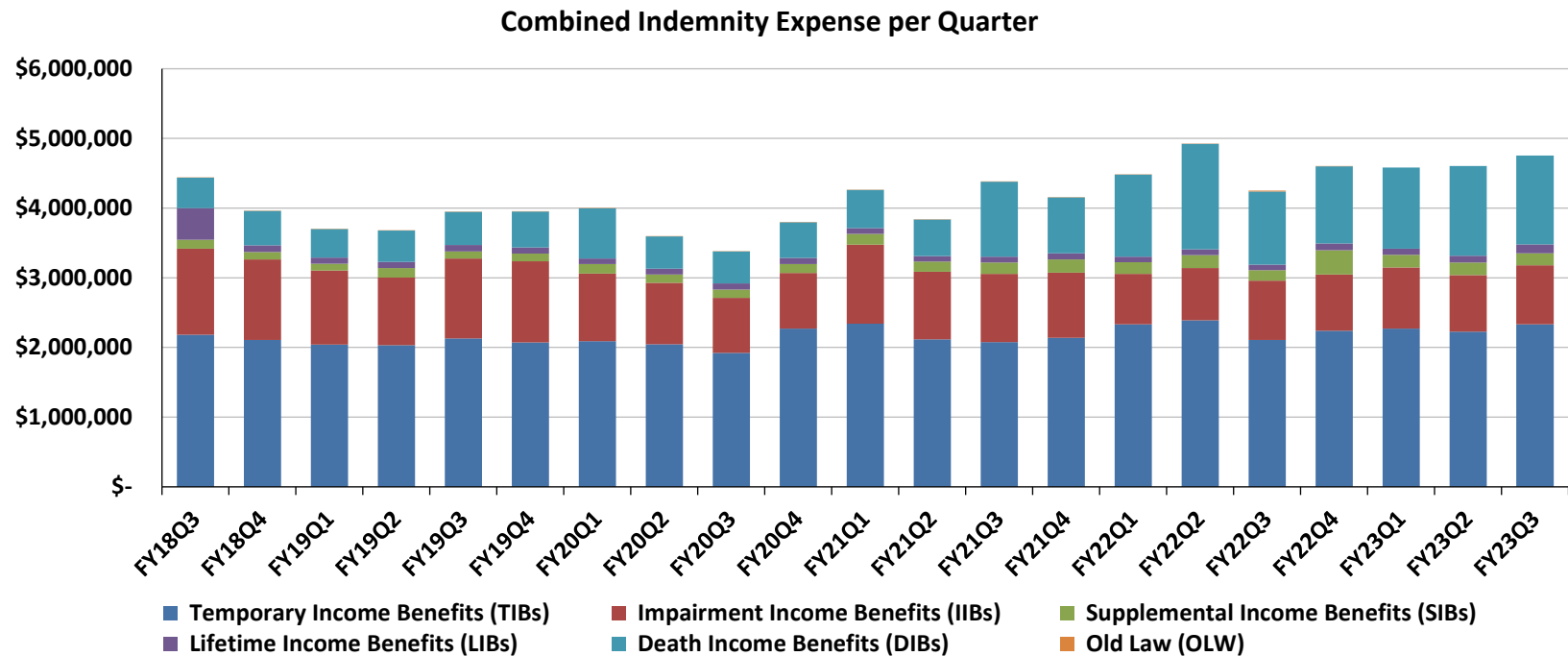
LEGAL MANAGEMENT

I. BENEFIT DISPUTE RESOLUTION FY23Q3

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

BRC Held	Proceeding to CCH	BRC Resolved by Agreement	3 Most Common BRC Issues
21	18	6	IR, MMI, EOI
CCH Held	**Appealed to Appeals Panel**	**Claimant No Show**	**3 Most Common CCH Issues**
20	11	2	IR, MMI, EOI

II. SPECIAL INVESTIGATIONS

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

FY23Q3	Pending	Opened	Closed	Criminal/Administrative Referrals
Fraud Investigations	8	4	8	0

III. RECOVERY SERVICES

When a claimant's injuries are caused by a third party, SORM may recover workers' compensation 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	Recovery Total to Date
Restitution	$53	$63	$702		**$818**
SIF	$0	$309,413	$108,096		**$417,509**
Subrogation	$94,559	$79,266	$94,958		**$268,783**
TOTAL	**$94,612**	**$388,742**	**$203,757**		**$687,111**

COST CONTAINMENT

I. MEDICAL COSTS

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

Medical Cost Savings FY21Q3 - FY23Q3

	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2	FY23Q3
■ Billed	$13,434,137	$12,439,427	$13,185,020	$9,203,826	$16,998,859	$12,898,231	$9,847,629	$9,601,488	$12,160,805
■ Savings	$9,119,161	$8,158,306	$8,932,067	$5,699,770	$14,318,269	$8,691,474	$6,554,718	$6,115,167	$6,401,456
Paid	$4,314,976	$4,281,120	$4,252,953	$3,504,056	$2,680,590	$4,206,757	$3,292,911	$3,486,321	$5,759,349
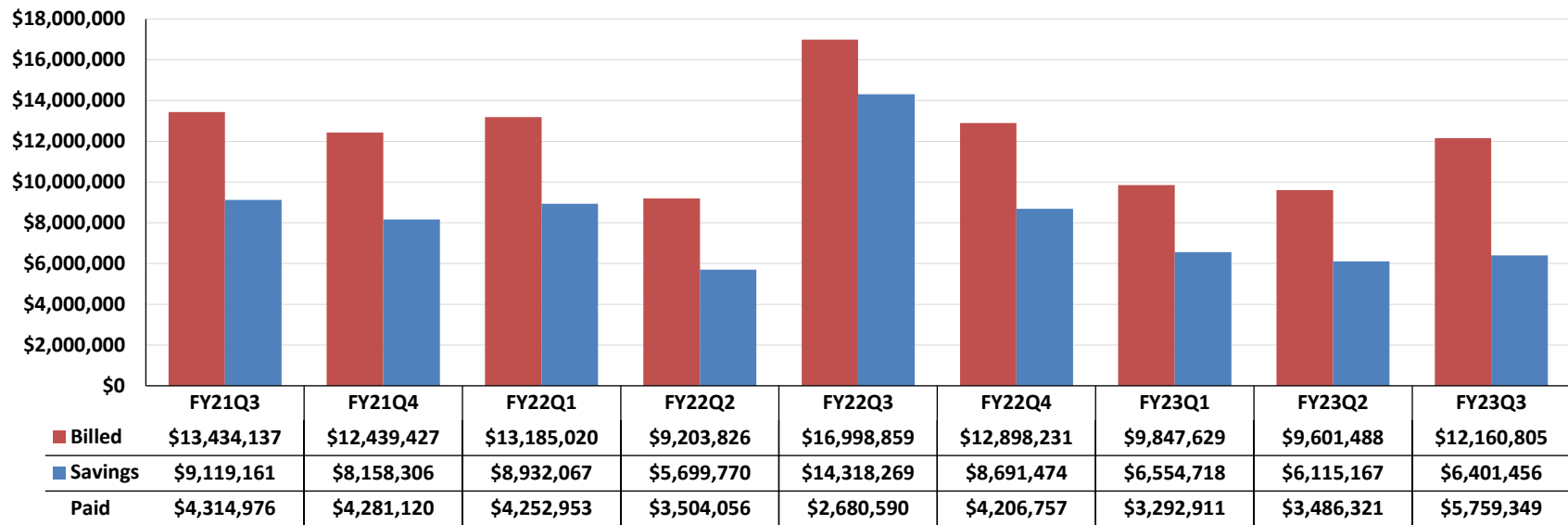
Medical Payments FY23Q3

$1,909,603

$1,420,423

$2,283,700

$145,622

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

22
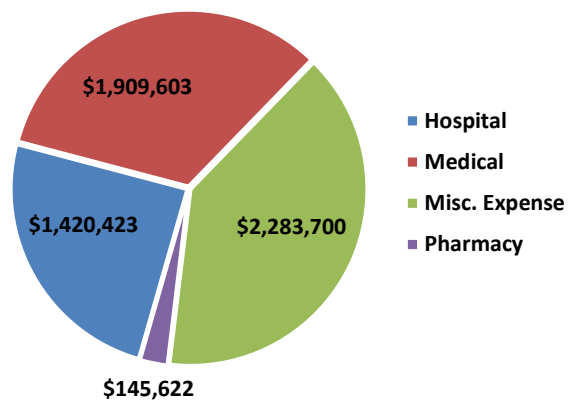
II. NETWORK AND NON-NETWORK DATA

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

Network and Non-Network FY20 - FY23

	FY20		FY21		FY22		FY23	
	Network	Non-Network	Network	Non-Network	Network	Non-Network	Network	Non-Network
Number of Claims	3,514	1,509	4,596	770	7,668	1,762	7,991	1,257
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	$5,362,903	$382,743
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

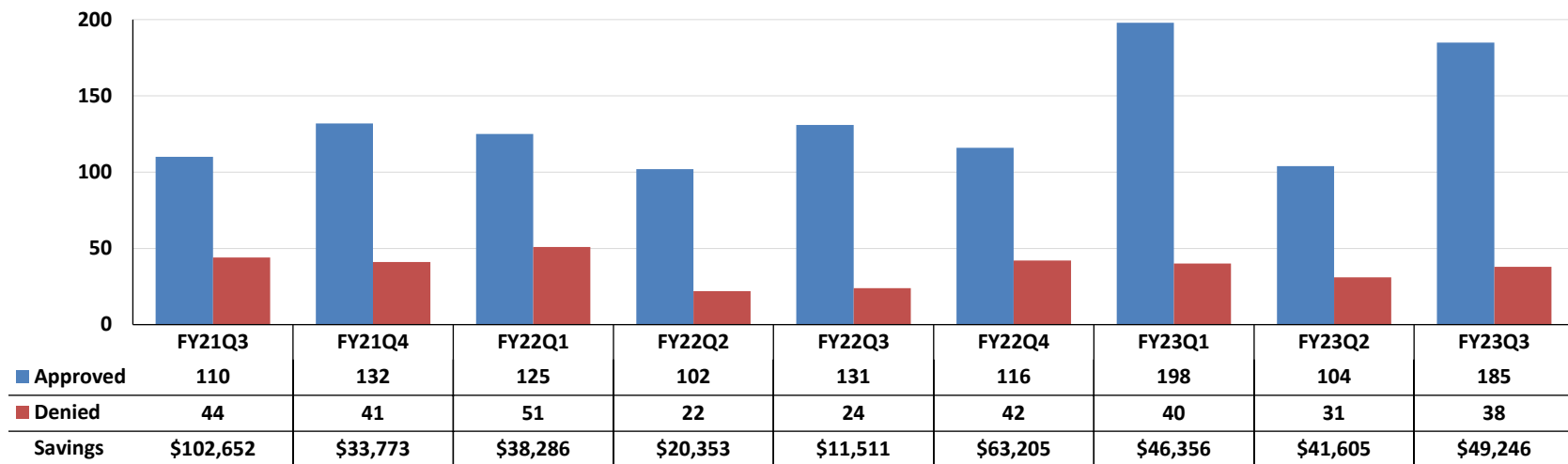Certain types of health care services must be prospectively reviewed and preauthorized as medically necessary before the service is provided to an injured employee.

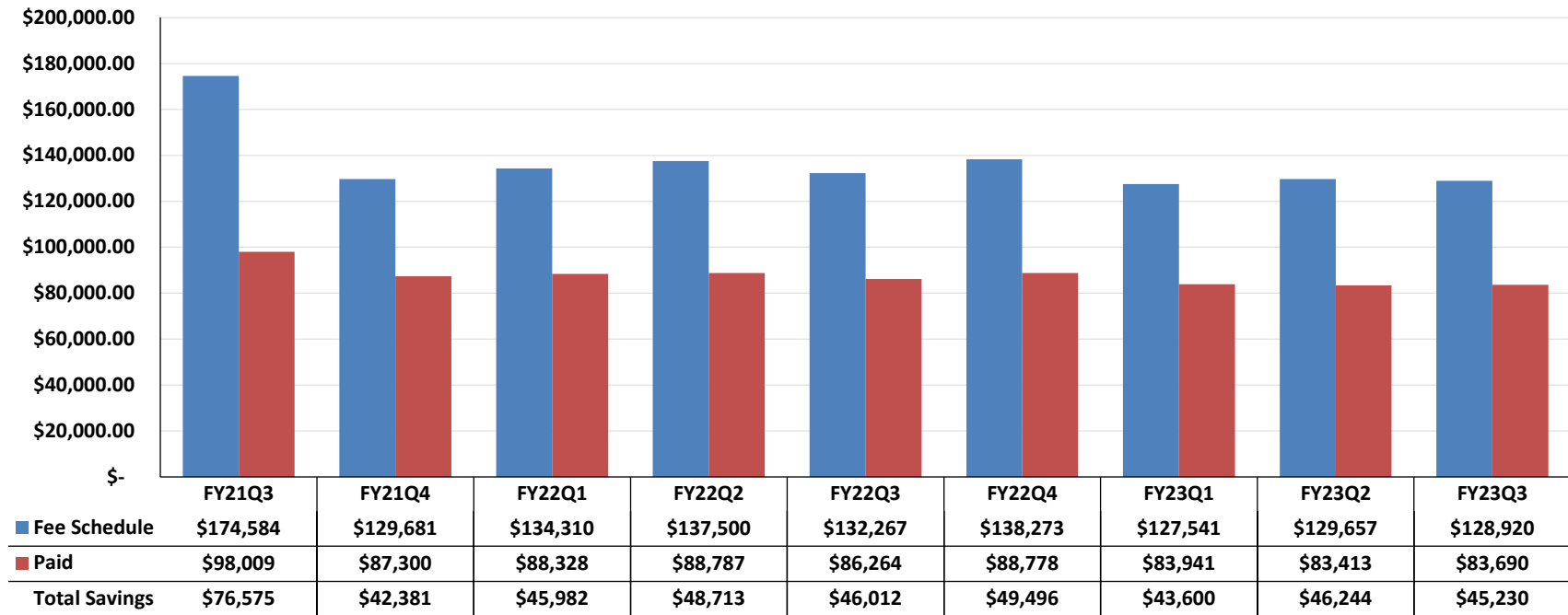### Network Utilization Review FY21Q3 - FY23Q3

	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2	FY23Q3
Approved	811	764	740	724	808	721	647	602	590
Denied	154	188	225	139	120	222	132	196	228
Savings	$362,288	$388,909	$312,438	$182,871	$308,238	$350,828	$181,088	$189,896	$426,099

Non-Network Utilization Review FY21Q3 - FY23Q3

	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2	FY23Q3
Approved	110	132	125	102	131	116	198	104	185
Denied	44	41	51	22	24	42	40	31	38
Savings	$102,652	$33,773	$38,286	$20,353	$11,511	$63,205	$46,356	$41,605	$49,246
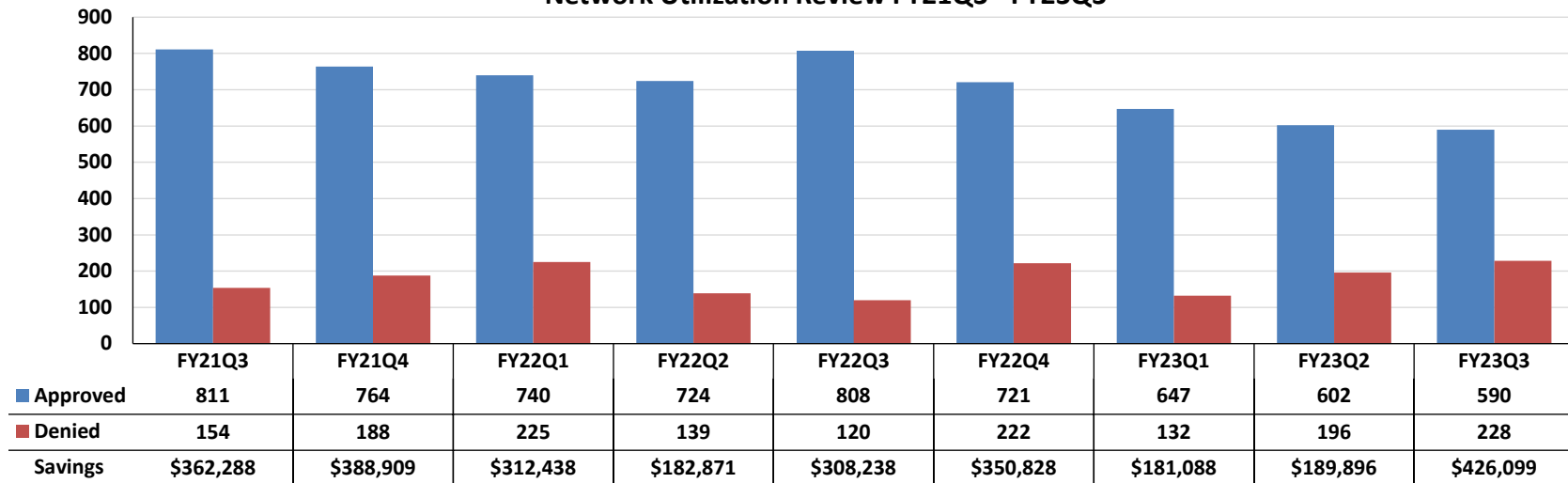
IV. PHARMACY BENEFIT MANAGEMENT

Workers' compensation benefits include medically necessary prescription drugs and over-the-counter medication.

PBM Cost Savings FY21Q3 - FY23Q3

	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2	FY23Q3
Fee Schedule	$174,584	$129,681	$134,310	$137,500	$132,267	$138,273	$127,541	$129,657	$128,920
Paid	$98,009	$87,300	$88,328	$88,787	$86,264	$88,778	$83,941	$83,413	$83,690
Total Savings	$76,575	$42,381	$45,982	$48,713	$46,012	$49,496	$43,600	$46,244	$45,230

V. MEDICAL DISPUTE RESOLUTION FY23Q3

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.

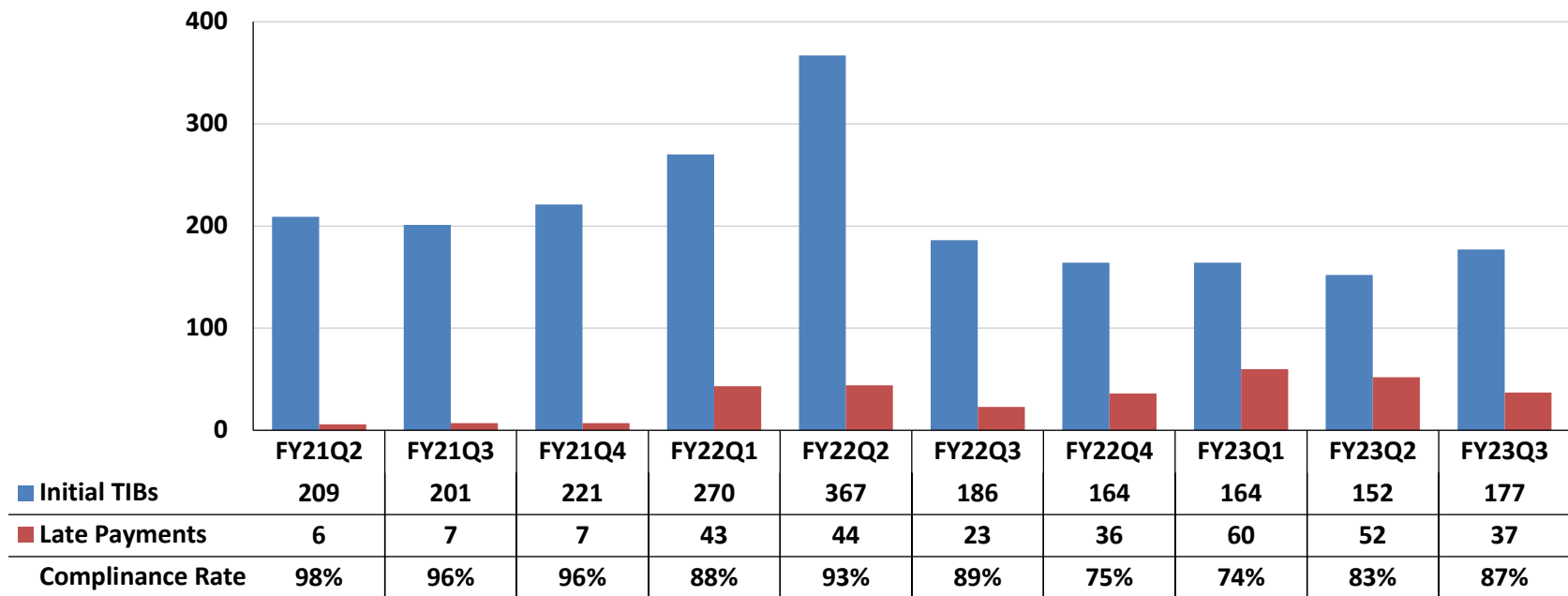| Medical Fee Disputes	12 Non-Network MFDR Received
Medical Necessity Disputes	2 Non-Network IRO Received

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.

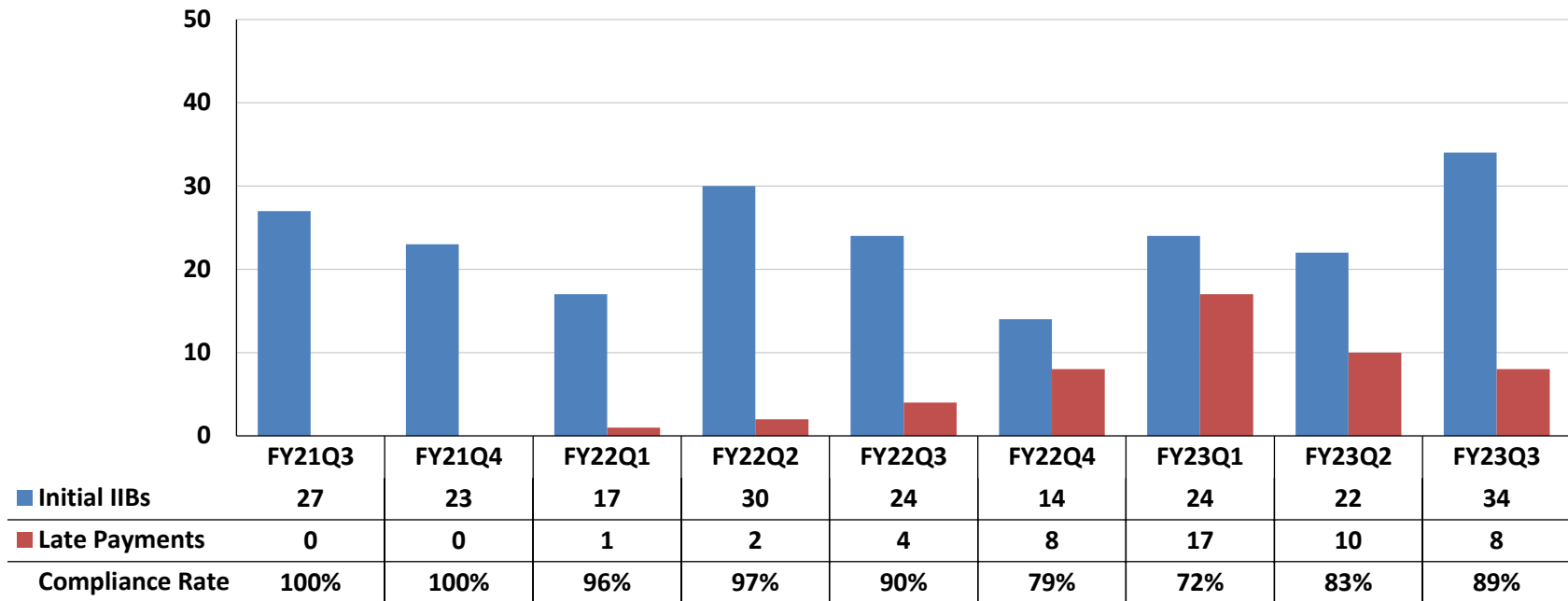**Initial TIBs Compliance Rate & Late Payments**

	FY21Q2	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2	FY23Q3
■ Initial TIBs	209	201	221	270	367	186	164	164	152	177
■ Late Payments	6	7	7	43	44	23	36	60	52	37
Complinance Rate	98%	96%	96%	88%	93%	89%	75%	74%	83%	87%

TIBs Late Payments FY23Q3

Carrier	23
Employer	14
Physician	0
No Fault/Misc.	0
System	0

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

	FY21Q3	FY21Q4	FY22Q1	FY22Q2	FY22Q3	FY22Q4	FY23Q1	FY23Q2	FY23Q3
■ Initial IIBs	27	23	17	30	24	14	24	22	34
■ Late Payments	0	0	1	2	4	8	17	10	8
Compliance Rate	100%	100%	96%	97%	90%	79%	72%	83%	89%

IIBs Late Payments FY23Q3

Carrier	8
System	0
No Fault/Misc.	0

II. CONTRACT ADMINISTRATION

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

III. POLICY MANAGEMENT

Objectives	Status
Software	• Complete
Structure	• Complete
Content Analysis	• Complete
One-on-Ones with Subject Matter Experts	• On Task
Content Development	• On Task
Content Review	• On Task
Content Approval	• On Task
Publish Content	• Pending
Content Acknowledgement	• Pending
Form Development	• Pending
Update Process	• Pending
Review Process	• Pending

SORM

State Office of Risk Management

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5.   New business

5.1   Presentation, discussion, and action on remaining Fiscal Year 2024 assessment totals

Information

Darwin Hamilton, Director of Financial Management, will present recommendations for assessment funding pursuant to the General Appropriations Act, Article IX, Section 15.02(c), and Section 412.0123, Texas Labor Code.

Action Required

Board determination and approval of the final assessment.

State Office of Risk Management
Recommended FY24 Assessment Amounts

	FY 2024 Initial Assessment Recommended Amount	FY 2023 Final Assessment Recommended Amount	difference	FY 2023 Initial Assessment	difference
Projected Current FY (2023) Claim Payments	40,000,000.00 *	40,000,000.00	0.00	40,000,000.00	0.00
Previous FY Collected Shortage (Overage)	(2,226,672.00)	(4,280,510.28)	2,053,838.28	(2,226,672.00)	0.00
Risk Management and Workers' Comp. Administration	12,060,220.00 **	11,454,744.00	605,476.00	12,891,977.00	(831,757.00)
required funding for emp.benefits	2,344,441.00	2,582,716.00	(238,275.00)	2,582,716.00	(238,275.00)
Previous FY Collected Shortage (Overage)	(4,771,247.00)	(1,698,931.40)	(3,072,315.60)	(400,000.00)	(4,371,247.00)
	52,060,220.00	48,058,018.32	(651,276.32)	52,848,021.00	(5,441,279.00)
cost per $100 of payroll (3 year weighted avg.)	0.60	0.69	(0.09)	0.69	(0.09)

* Board approval requested.
Recommended amount is $2,449,006 more than projected FY 2023 claim costs.
Recommended amount is $318,914 more than estimated amount stated in GAA for fiscal 2024

** Board approval requested.
Recommended amount is $736,070.00 more than the estimated amount stated in GAA for fiscal 2024. This is to provide funding for 5% Salary & 1.5% Benefits increase to our
Admin Budget. SB 30, Section 9.01, 88th Legislature, Regular Session. HB 1, GAA, Article IX, Section 17.16, 88th Legislature, Regular Session.
$1,063,971. of administrative cost is to finance OAG administrative support.
OAG payment, medical cost containment vendor, salaries and personnel costs, and SWCAP reimbursement account for approximately 91% of GAA amount.

5.   New business (continued)

5.2   Presentation, Discussion, and possible action on Internal Audit Services contracts

<u>Information</u>

SORM's contract for internal audit services will expire on or about August 31, 2023. The Office must engage in a formal procurement to obtain internal audit services.

<u>Action Required</u>

Staff requests delegated authority for the Executive Director to negotiate and enter into a primary contract, and one or more contingent contracts, for internal audit services.

5.   New business (continued)

5.3   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 and Section VI(G) of the Board Governance Manual for the purpose of discussing the implications created by the passage of HB 1, 88th R.S.

Action Required

No official action required.

SORM

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5.   New business (continued)

5.4   **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.

SORM
State Office of Risk Management

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6. **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.

SORM

State Office of Risk Management

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7.   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.

SORM

State Office of Risk Management

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8.   Discussion and possible action on future meeting dates

Information

Tentative meeting dates are attached for discussion.

Action Required

Selection of future meeting dates.

SORM
State Office of Risk Management

Tentative Board of Directors Meeting Dates
FY23Q4

Month	Day of Week	Date	Notes
October	Tuesday	3	
		10	
		17	
		24	
		31	

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.

SORM

State Office of Risk Management

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9.   Adjourn meeting

The Chair:

1. Calls the meeting adjourned and announces time