



BOARD OF DIRECTORS'
MEETING AGENDA
APRIL 14, 2026



300 W. 15TH, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777
(512) 475-1440, FAX (512) 370-9025 / WWW.SORM.TEXAS.GOV

PUBLIC MEETING

Board of Directors

April 14, 2026, 9:30 a.m.

William P. Clements Building, Room 103
Austin, Texas

1. Call to order, roll call, and recognition of a quorum
2. Excuse board member absences
3. Minutes from the January 27, 2026 meeting
4. Agency Operations Report, concerning administrative, fiscal, compliance, human resources, claims operations, enterprise risk, legal management, and technology.
5. Remaining Fiscal Year 2026 assessment
6. Public comment*
7. Future meeting dates and topics
8. Board of Directors and SORM staff workshop:
 - A. Board objectives for SORM;
 - B. Long-term strategic plan for SORM;
 - C. Operational goals for SORM's statutory missions;
 - D. Strategies to meet future needs and achieve operational goals;
 - E. Action items to achieve operational goals;
 - F. Principal strategic and/or operational issues SORM expects to confront in the future;
 - G. Strategic initiatives reporting.
9. Adjournment

Individuals who may require auxiliary aids or services for this meeting should contact Dayna Dixon at (512) 936-1503 or Dayna.Dixon@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. Dixon 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.



State Office of Risk Management

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BOARD MEMBERS	DATES OF TERM	HOMETOWN
Gerald Ladner, Sr., Chair	02/01/2027	Austin
Elizabeth “Lisa” Maciejewski-West, Vice Chair	02/01/2029	Horseshoe Bay
Jason Hartgraves	02/01/2027	Frisco
Jason Boatright	02/01/2031	Dallas
Jeffrey “Jeff” Houston	02/01/2031	Dripping Springs

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 January 27, 2026, meeting

Information

Attached are the minutes from the January 27, 2026, meeting.

Action Required

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



**Minutes of the Public Meeting
on
January 27, 2026**

The following Board of Directors' meeting was in-person with the option for members of the public to view the meeting through Zoom.

Board Members present in-person were Gerald Ladner (Chair), Elizabeth "Lisa" Maciejewski-West (Vice Chair), Jeffrey "Jeff" Houston (Internal Audit Liaison), and Jason Hartgraves. Board Member Jason Boatright appeared virtually.

- Item 1. Board Chair Ladner called the public meeting to order at 9:30 a.m. on January 27, 2026. Board Chair Ladner recognized Members present. A quorum was established.
- Item 2. Board Chair Ladner called for the consideration of possible action for excused Board Member absences for the previous meeting. There were none.
- Item 3. Board Chair Ladner asked for any comments or changes to the Minutes of the October 20, 2025, meeting. Hearing no changes, Board Member Houston called for a motion. Board Member Hartgraves seconded the motion, which carried without objection (4-0 vote).
- Item 4. Board Chair Ladner asked for any comments or changes to the Minutes of the October 21, 2025, meeting. Hearing no changes, Board Member Houston called for a motion. Vice Chair Maciejewski-West seconded the motion, which carried without objection (4-0 vote).
- Item 5. Agency Operations Report:

Sara Hays (Executive Director) introduced the Agency Operations Report (AOR) first by providing the Board with an Executive Summary. ED Hays began with the agency is currently in PBO, which began January 1st and runs through June 30th. She explained that it is a biannual evaluation of workers' compensation insurance carriers which ranks them on high, average, or poor tiers based on timely payment processing of benefits and data reporting. The purpose of the PBO is to ensure better service, reward excellence, and focus regulatory efforts on underperformers. Evaluations include timely payments of initial temporary income benefits, timely submission of payment and medical bills to the Department of Workers' Compensation (DWC), timely processing of initial medical bills, and timely processing of requests for reconsideration of medical bills. She then said that during the last cycle SORM achieved the high performer tier, and that leadership is evaluating the process by which we monitor claims to ensure timely compliance and accurate delivery of services to all the participants the office serves. ED Hays then goes on to thank the claims team for their hard work during this time.

ED Hays moves on to explain the agency outreach, wherein executive leadership has been implementing steps to strengthen and boost the reputation of the Office within the client regulatory and oversight agencies. In November, the Office hosted a working session to review and discuss opportunities for improved service with the University of North Texas. In person contact has been made with multiple client agencies and there's ongoing communication with the DWC, OAG (Office of Attorney General), and the Office of the Governor. Board Chair Ladner asked what were the issues that are being addressed for timeliness of payments, in regard to the mention of University of North Texas. ED Hays called up Lydia Scranton, Division Chief of Internal Operations, to respond. Chief Scranton explained that the University of North Texas had several weather-related events that were part of SORM's property program, as such we did host them on site to discuss some of the outstanding checks regarding winter storm Yuri. They currently only have one outstanding check left, and the visit allowed us to ensure their payments are where they need to be for the property program. ED Hays then announced that Lydia Scranton was asked to serve on the Board of the State Risk and Insurance Management Association (STRIMA), which is comprised of risk and insurance managers of state governments across the nation. Lydia began serving as secretary of STRIMA Board on January 13, 2026.

ED Hays went over the property insurance underwriter discussions, with a meeting held previously with the London brokers and why the agency did not attend in person, and how Deputy Executive Director Todd Holt was supposed to attend a meeting in Atlanta but due to the weather, he stayed in office to attend virtually. Board Chair Ladner commented that he understands maintaining proper capacity is core critical for SORM, but that he hopes members of SORM are able to attend the London trip in the future. ED Hays continues with the news that the property market is relatively stable with possible deceleration in rates and possible rated deductions.

ED Hays gave an update on staff turnover. In 2026 there are a total of 15 employees eligible to retire. Of those eligible, 5 are current rehires. The executive team is having active discussions regarding succession, recruitment, organizational structure, training, and continued consistent delivery of services. If a significant number of staff decide to retire it will have a profound impact on employee turnover ratios.

ED Hays gave notice that General Counsel Deea Western is retiring after 32 years of dedicated service to the state, 11 of which had been with SORM, on January 31st. The General Counsel position has been posted on December 18th and applications are continuing to be reviewed. In the interim for the role, Assistant General Counsel Deborah Rao is stepping in. Board Chair Ladner requested that at least one Board Member be present for the interviews.

ED Hays began with though the agency is waiting for guidance from the Department of Information Resources (DIR) on the use of AI and state agencies, we are beginning to explore limited AI capabilities within the RMIS, such as claim summation features. Board Chair Ladner made a comment that since Texas Mutual controls 40% of the market, he could organize a visit with the organization to see what they're doing as it relates to AI. Board Member Houston asked ED Hays her general thoughts on what she planned to do to address some of the issues to optimize the agency. ED Hays replied that there are a lot of internal policies that need to be addressed, and general processes that may need to be adjusted or changed. Board Chair Ladner made another comment about when she meets with Texas Mutual, connecting with Joe Betsy Norton to address the challenges on the legislative front. No further questions were posed, and ED Hays moved on to the Agency Operations Report.

With the Board's permission, ED Hays introduced Chief Scranton who invited Tony Bennett, Director of Financial Management, to present the

agency consolidated budget for the first quarter of fiscal year 2026. The agency operates within normal parameters at this time of year, being under budget at 23.6%. During Director Bennet's presentation, Vice Chair Maciejewski-West asked about specific adjustments in regard to travel and operating costs. Director Bennett explained that adjustments had been made based on past year trends to reduce some in level budgets to increase other areas that had been going over, and the reduced travel was due to increased virtual meetings. Vice Chair Maciejewski-West then asked if there would be an accounting of where the money was going. Director Bennett explained that the money leaving travel and operating costs are going into personnel costs and professional services and fees due to increases. Part of that being a move of capitol budget from one biennium to another, something requested during legislative session last biennium that took time to ramp up and as such moved from one fiscal year to another. Board Member Hartgraves then asked about the increased rental equipment numbers. Director Bennett goes over how the agency had to negotiate a new contract with Xerox. Board Member Houston asked about retiring staff and how that is predicted to affect the budget. Director Bennett responds that for retirees, benefits must be paid out, which leads to increased personnel costs planned in the budget. Chief Scranton steps in to elaborate that positions are being evaluated on who is coming up for retirement, as some may have salaries higher than the average from the State Auditor's office. As such the benefit payout will be a larger, one-time process that isn't expected to happen again soon. Vice Chair Maciejewski-West asked if benefit payouts are a policy set by the state or individual divisions. Chief Scranton explained that it is within government code, and as such required by state employees. No further questions were posed, and Director Bennett ended his report for Financial Management.

Chief Scranton introduced Andrew Velasquez, Director of Human Resources. Director Velasquez provided the Board with updates on new hires, vacancies, and the ongoing efforts to improve recruitment. Director Velasquez stated that due to internal restructuring, training and outreach now fall under HR. Board Chair Ladner asked if, among the potential retirees, they concentrated in one specific department. Director Velasquez explains that they are spread throughout the agency. Director Velasquez then introduced the new hires of the agency. Vice Chair, Maciejewski-West asked if of the 15 potential retirees, there had been conversations about their intention to retire this year. Director Velasquez explained that he has discussed this topic with them but is required to keep the conversations confidential. Board Member Houston then asked if there were historical trends to know the percentage of the number of staff who retire based off of eligibility. Director Velasquez responds that the information will be available at the end of the fiscal year. Vice Chair Maciejewski-West asked how soon prior to retirement someone needs to announce their intention to retire. Director Velasquez explains that the general process is 30 days in advance. No further questions were posed, and Director Velasquez ended his report for Human Resources.

Chief Scranton provided the Board with an update on legislative implementation and administrative rules. No questions were posed, and Chief Scranton ended her report on the Legislative Implementation.

Chief Scranton introduced Tawn Ihnen, Director of Information Technology, to report on IT's ongoing efforts to provide agency support. Director Ihnen explained how IT continues to improve upon internal applications, automating process changes, sending out financial reports, monitoring vulnerabilities, and installing updates to comply with cyber security standards. Director Ihnen continued with the activity of the service desk, project activity from Q1, as well as anticipated activity for Q2. Additionally, IT is in the planning stage of testing AI functionality within SORM's staging instance of RMIS. Board Chair Ladner interjects with a statement that, regarding workers' compensation, AI cannot make a decision without human intervention. Director Ihnen agrees with this, and explains that the tests with AI are to see where the tool could be implemented for assistance but not overall replace human intervention. Board Chair Ladner states that he believes a SORM member should join InfraGard,

the FBI organization that tracks cyber risk. Vice Chair Maciejewski-West had a question about the servers, specifically what will happen to them after everything gets migrated to the cloud. Director Ihnen answers that there are currently 5 servers within the agency that are being used at a minimum capacity, and that the agency will keep some but not all of them. Vice Chair Maciejewski-West then asked what the remaining servers would be used for after everything is migrated. Director Ihnen replies that there are some processes still existing on those servers. No further questions were posed, and Director Ihnen ended her report for Information Technology.

Chief Scranton gives an update on contract administration with nothing new to report. No questions were posed, and Chief Scranton ended her report on contract administration.

Chief Scranton introduced Mitchell Griffin, Director of Claims Operations, to give an update on claims activity. The active workload during Q1 2026 was 1,773 received claims, 1,522 accepted claims, 208 denied claims, and 1,924 medically inactivated claims. Board Chair Ladner asked, regarding weather events impacting state employees, if any reported claims had been noticed as a result of the recent ice storm. Director Mitchell responded that any such claims would be received on this day, and that he will keep a spreadsheet documenting any claims related to the storm. Next Director Griffin goes over the agencies with more than 250 claims reported, which remained the same two, Health and Human Services Commission and Texas Department of Criminal Justice. Board Member Houston made a comment that he appreciates the new chart showing these metrics. Vice Chair Maciejewski-West asked if there is anything being done from a preventative standpoint as far as educating the agencies about ways to prevent these injuries from occurring. Director Griffin explained that due to the aggressive nature of the work, the two discussed agencies deal with there is an expected inherent risk. Risk managers from SORM are sent to on site visits to discuss ways to reduce this risk, but there is only so much prevention that can be done against unpredictability. Vice Chair Maciejewski-West then asked if there are any metrics on the trends from year to year on that category. Director Griffin responded that the last AOR was based on the fiscal years and based on that aggression is at the top in regard to injury cause. Director Griffin then continued with his report about the injury cause with lost time. Fall/slip injury is expected to go up with the current weather. For claims by age, there are less claims for injured workers over 60 but the percentage of lost time is higher. On denial causes, the number one cause is no medical. Board Chair Ladner asked if SORM is asking for feedback on the perception of denied coverage as it relates to our claims handling practices. Chief Scranton responds that it is not something asked for in the surveys sent out as the current survey is for the whole agency, not just for workers' compensation. Board Member Hartgraves asked what the practice is of reaching out to the agencies in regard to denials. Director Griffin explains that when adjusters reach out, they perform a three-point contact. If there is a questionable claim, there will be follow up to make sure SORM has all the evidence needed. Board Member Hartgraves then asked for clarification between no medical verses no injury. Director Griffin explains that with no injury there could be medical history and just be diagnosed with pain, not an injury. Board Member Houston asked if a certain percentage of the no medical denials refile. Director Griffin explains that while a small portion of those denied claims do refile, a majority of them end up not seeking treatment and go back to work. Some additionally have medical that they sought with their own primary care physician, and once we seek those records could change the outcome of the claim. Director Griffin moves on to the expenses for Q1 2026. For Temporary income benefits there was a slight decrease from last quarter. Impairment income benefits had an increase. Combined indemnity expenses per quarter had a slight increase. Two payments were made on death benefits to the subsequent injury fund. No further questions were posed, and Director Griffin ended his report for Claims Operations.

Chief Scranton introduced Dayna Dixon, Director of Compliance Management, to give an update on the compliance rate for Q1 of the fiscal

year of 2026. No questions were posed, and Director Dixon ended her report on regulatory compliance.

Chief Scranton filled in for Janine Lyckman, Director of Medical Management, to give a report on the medical costs of Q1 2026, network and non-network data, preauthorization, and the pharmacy benefit management costs. Board Chair Ladner asked if there is any idea where the agency has control over network versus non-network hospitals, regarding the possibility of smaller hospitals shutting down. Chief Scranton responded that the majority of this is occurring with claims that are in network environments in bigger counties, and that this would only truly affect the agency with non-network claims that are in smaller areas. Vice Chair Maciejewski-West in a similar way asked if in a situation where there is no access to a network provider is the patient or provider able to request a one-time exception to make them in-network. Chief Scranton responds that if there is not a network provider or specialty practice needed for treatment within the geographic location then the network will review the case and make a determination and provide SORM with the information. No further questions were posed, and Chief Scranton ended her report for Medical Management

Chief Scranton introduced Ronald Johnson, Director of Legal Management, to give a report on covering benefit dispute resolutions, special investigations, and the recovery fund services. Of note, 43 BRCs were held, and 9 were settled by formal agreement. 8 CCHs were held, and 2 resolved by agreement. The most common issues seen for BRC and CCH were impairment rating, maximum medical improvement, and extent of injury. He elaborates on a prior discussion on injured workers' satisfaction, and how SORM has 2,000 claims open and only 56 disputes. During the last quarter special investigations received 254 reports, with 12 pending cases and 5 cases closed. For recovery services, \$412,816 of the annual goal of \$567,500 have been recovered. Board Member Hartgraves asked how many investigators there are within the agency. Director Johnson explains that there is only one investigator, Sarah Thompson. No further questions were posed, and Director Johnson ended his report for Legal Management.

Chief Scranton introduced Mark Chadwick, Director of Enterprise, to give his report on the statewide risk management visit counts and goals for the next fiscal year, along with the status of the statewide insurance program. For consultation visits, 53 visits have been completed alongside 27 reports, which he explains is slow for the time of year but that they have been adjusting to the new RMIS system. For RMPRs, 2 have been completed with 2 reports being outbound. Recommendations have stalled out but he estimated an increase in Q2 due to the new RMIS system assisting workflow. Board Chair Ladner asked if there is an agency not completing their recommendation what happens accountability wise? Director Chadwick explained that if an agency decides to accept the risk and proceed without the recommendation, they have to provide context for their decision, and that there is code allowing the Executive Director of SORM to have them accept the risk without modifying the exposure. Board Member Houston asked a clarifying question about the September recommendations being at 0. Director Chadwick explained that recommendations were still coming in during that time, and that the agency doesn't count recommendations until the report is sent out. Director Chadwick moved on with the report, noting there were no significant changes to the statewide insurance program, though there are ongoing conversations with current participants. The leading insurance product continues to be cyber. Board Chair Ladner asked if the agency is maintaining a previously shared coverage comparison of all different insurance products before making a recommendation to an agency? Director Chadwick explained that the agency uses that resource and others to ensure the brokers are being offered the best product. Board Chair Ladner then asked if the agency sees customers using parametric insurance to fill a deductible verse taking a higher deductible so that they aren't overexposed as a viable option? Director Chadwick responded that though we have offered this as an option to some agencies within tier 1, 2, and 3 wind zones, none have expressed interest. Director Chadwick continued with his report of



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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 FY26Q2
TO THE
SORM BOARD OF DIRECTORS

April 14, 2026

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EXECUTIVE SUMMARY

I. PERFORMANCE BASED OVERSIGHT

PBO activities remain on track and are trending positively through March. Early results indicate solid performance thus far. Activities will continue through June, with a full report to follow.

II. PROPERTY INSURANCE NEGOTIATIONS

Property Insurance negotiations have concluded with a favorable outcome. Despite an increase in Total Insured Value (TIV) and expanded Named Storm and All Peril limits, total premiums are \$1.2 million lower than in 2025. This reflects a softer market and strong market positioning for SORM.

III. STRATEGIC PLAN

As we are preparing for the upcoming session, staff are currently working on the agency's Strategic Plan. We will discuss the plan in greater detail during the workgroup session after regular business.

IV. NEW LEAVE REQUEST SYSTEM

A new leave request system, developed jointly by HR and IT, will go live on April 20th. The system will enhance tracking, reporting, and accountability, strengthening internal controls and workforce management.

V. BIENNIAL SURVEY OF EMPLOYEE ENGAGEMENT

The Biennial Survey of Employee Engagement is underway in partnership with The University of Texas at Austin and will remain open through April 24. Results will be presented to the Board upon completion and should help inform future organizational improvements.

VI. PERSONNEL UPDATES

- A. Executive Assistant/Board Liaison: Ms. Jackie Guzman has joined the agency, bringing prior experience from the Office of the Attorney General, Travis County, and the non-profit sector.
- B. General Counsel update

VII. RETIREMENTS

Fourteen employees are eligible for retirement this year. Leadership is actively addressing succession planning and knowledge transfer to ensure continuity and minimize interruptions.

VIII. CHIEF ABSENCE

Lydia Scranton is not here today as she is on her way to the STRIMA board meeting. Ms. Scranton serves as Secretary, and it is an honor to have her represent SORM on the STRIMA Board.

AGENCY OPERATIONS

AGENCY BUDGET AS OF FEBRUARY 28, 2026

Objects of Expense	Initial Budget	Adjustments Transfers (= In, - Out)	Revised Budget	Expenditures	Encumbrances	Remaining Budget	Unpaid Expenses Incurred	Percent of Budget Expended/Incurred	Percent of Fiscal Year Elapsed
Salaries & Wages	8,348,974		8,348,974	3,432,339	0	4,916,635	0	41.1%	50.0%
Other Personnel Costs	200,000	100,000	300,000	137,372	0	162,628	0	45.8%	50.0%
Professional Services	1,800,000	100,000	1,900,000	912,669	42,457	944,874	0	50.3%	50.0%
Consumable Supplies	35,000	0	35,000	3,675	0	31,325	2,979	19.0%	50.0%
Utilities	10,000	0	10,000	2,341	4,607	3,052	0	69.5%	50.0%
Travel	120,000	-40,000	80,000	19,450	0	60,550	0	24.3%	50.0%
Rental of Space	720	0	720	720	0	0	0	100.0%	50.0%
Rental of Equipment	24,000	10,000	34,000	6,504	14,303	13,194	0	61.2%	50.0%
Operating Costs	2,024,179	-170,000	1,854,179	168,463	5,561	1,680,155	29,288	11.0%	50.0%
Capital Expenditures	0	685,272	685,272	94,939	33,722	556,612	0	18.8%	50.0%
Risk Management Information System (Authorized by HB500)	1,194,904	0	1,194,904	563,562	33,800	597,543	0	50.0%	50.0%
TOTAL	13,757,777	685,272	14,443,049	5,342,033	134,449	8,966,567	32,267	37.2%	50.0%

Objects of Expense	Initial Budget	Adjustments Transfers (= In, - Out)	Revised Budget	Expenditures	Encumbrances	Remaining Budget	Unpaid Expenses Incurred	Percent of Budget Expended/Incurred	Percent of Fiscal Year Elapsed
Indemnity	20,439,628	0	20,439,628	9,547,138	0	10,892,490	0	46.7%	50.0%
Medical	25,798,122	0	25,798,122	10,535,922	357,238	14,904,962	0	42.2%	50.0%
Total Exps.	46,237,750	0	46,237,750	20,083,060	357,238	25,797,452	0	43.4%	50.0%
Subrogation and Restitution	(567,750)	0	(567,750)	(541,290)		(26,460)		95.3%	50.0%
NET TOTAL	45,670,000	0	45,670,000	19,541,770	357,238	25,770,992	0	42.8%	50.0%

FY26 PROJECTION

	Actual Costs as of 2/28/2026 6 Months	Based on Even Distribution	Based on 15 year avg. (FY11 - FY25)	Based on 10 year avg. (FY16 - FY25)	Based on 5 year avg. (FY21 - FY25)	Worst Case Assumed
Indemnity		49.59%	49.08%	48.56%	48.11%	48.11%
Medical		49.59%	50.47%	50.32%	48.73%	48.73%
Recovery		49.59%	51.75%	53.16%	45.54%	100.00%

FY26 Projections

Indemnity	9,536,786	19,231,640	19,431,053	19,638,387	19,821,734	19,821,734
Medical	10,614,189	21,404,304	21,029,702	21,095,112	21,782,382	21,782,382
Recovery	(541,290)	(1,091,552)	(1,046,032)	(1,018,154)	(1,188,562)	(541,290)
TOTAL	19,609,685	39,544,392	39,414,722	39,715,344	40,415,555	41,062,826
Average of four different projection bases and "worst case"						40,030,568
Gross costs only	20,150,975	40,635,944	40,460,754	40,733,499	41,604,117	41,604,117
Average of four different projection bases and "worst case"						41,007,686

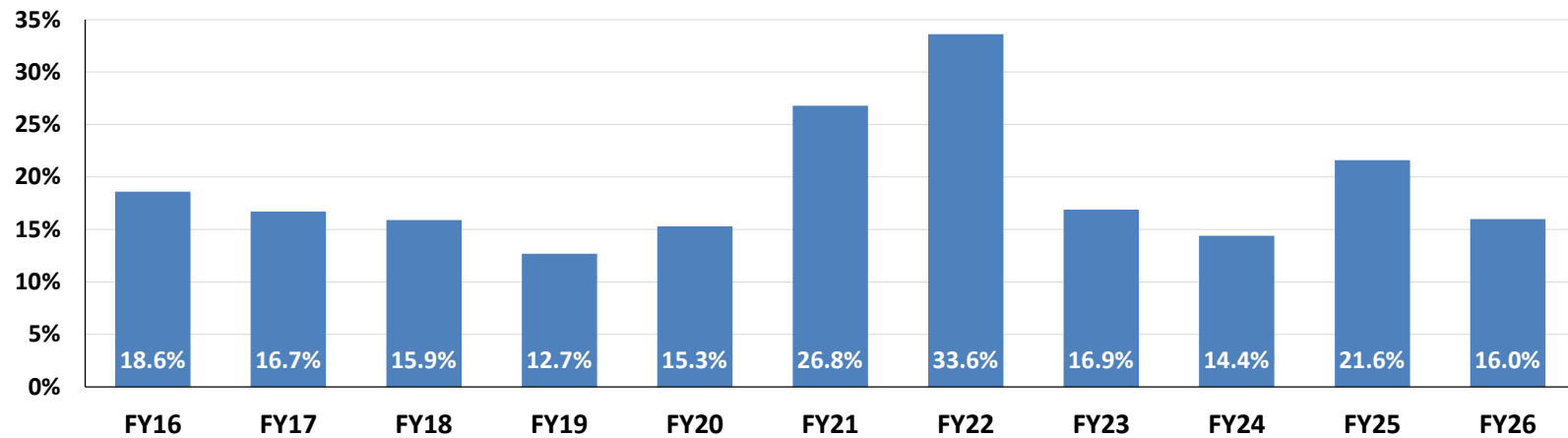
HUMAN RESOURCES

New Hires	Posted Vacancies
Garrett Nicholas – Claims Adjuster	General Counsel
Vanessa Sheffy – Receptionist	
Deanna Belto – Risk Management Specialist	
Kimberly Arceneaux – Claims Adjuster	
Jacqueline Guzman – Executive Assistant	
Adeline Najvar – Training Consultant Team Lead	

Recruitment Efforts FY26

Recruitment Methods	Q1	Q2
Agency Web Site - Internet	223	276
Human Resources/Personnel Office	3	4
Job Board	119	75
Job Fair	9	4
Other State Employees	33	21
Social media	9	2
TOTAL	396	382

Annual Turnover Rate



FY26Q2 Employment Separations

Retirements		Voluntary Separations not Including Retirements		Involuntary Separations	
Number of Separations	Turnover Rate	Number of Separations	Turnover Rate	Number of Separations	Turnover Rate
1	1.08%	4	4.35%	0	0%

Total: 5.43%

Number of Employees Eligible to Retire FY26 - FY28

FY26	FY27	FY28
14	1	1

TRAINING AND OUTREACH

Instructor Led Agency Training for FY26Q2

Course Name	Classes	Students
Driving Safety	2	22
Additional Duty Safety Officer	1	33
Slips, Trips, & Falls	1	7
Conflict Resolution	2	21
TOTAL	6	83

Self-Paced LMS Training FY26Q2

Virtual Course Name	Students
Driving Safety	1033
Workers' Compensation Claims Coordinator	2
RMIS	0
TOTAL	1035

LEGISLATIVE IMPLEMENTATION

Objective	Status	Status Description	Estimated Completion Date
Legislative Monitoring	Complete	Conducted research to identify legislation passed during the 89 th legislative session which may affect SORM. In-depth bill analyses were created for major bills.	Late FY25
Legislative Research – Project Planning	Complete	Created master spreadsheet of legislation affecting SORM, identified action items required for implementation, and distributed to agency management. Agency management was advised of their responsibilities during implementation and additional staff were assigned to complete action items.	Early FY26
Legislative Implementation	Ongoing	Assigned Department Directors and agency staff will be taking required action to implement laws from the 89 th legislative session. The implementation of new legislative directives is monitored and managed.	FY26Q3

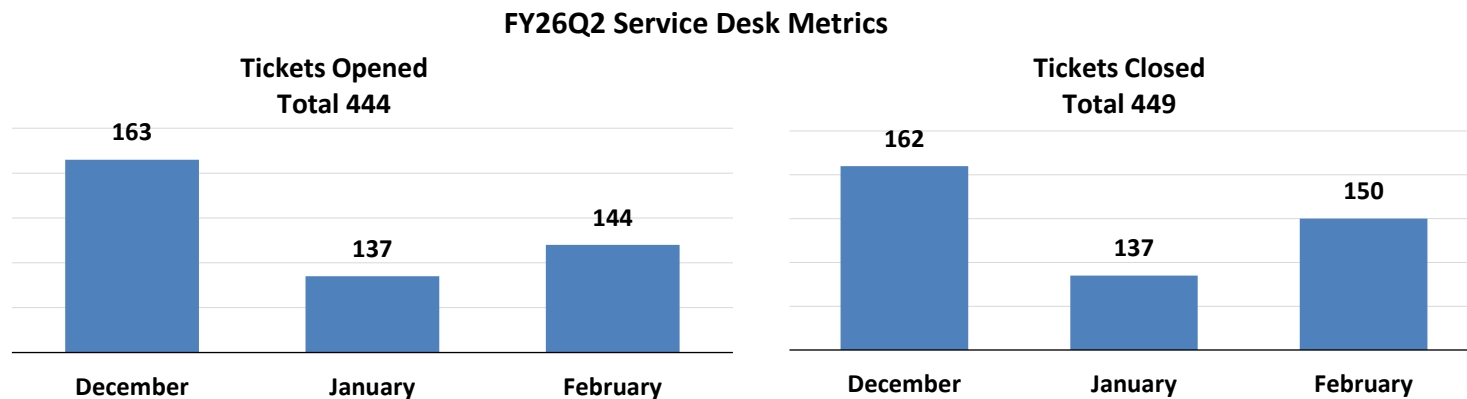
INFORMATION TECHNOLOGY

I. ONGOING AGENCY SUPPORT

Information Technology (IT) continues to support agency operations through infrastructure support, processing, and reporting. Significant areas of activity in FY26Q2 include:

Area	Task
Equipment	<ul style="list-style-type: none"> Managed and supported servers and PC infrastructure. Continuous troubleshooting of reported user issues with SORM equipment. Working with the Department of Information Resources (DIR) and 3rd party vendor Atos to migrate our SORM servers to the Texas Private Cloud. <ul style="list-style-type: none"> The server migration project is complete.
Application Support	<ul style="list-style-type: none"> Continued software changes and process improvements for SORM internal applications, automating and supporting business process changes. RMIS Production Support.
State Agency Support Services	<ul style="list-style-type: none"> Reporting: <ul style="list-style-type: none"> Provide weekly, monthly, and year-to-date workers' compensation financial reports to our state agencies. Ad Hoc reporting as requested.
Cybersecurity	<ul style="list-style-type: none"> Continuous monitoring for vulnerabilities within SORM computers and servers. <ul style="list-style-type: none"> Installing updates on computers and servers to address vulnerabilities and comply with cybersecurity standards. Three modules mandated by DIR for FY26 cybersecurity requirements will be completed this fiscal year. The first module was completed successfully in the second quarter. Four phishing simulations will be completed this fiscal year. The first simulation was completed successfully in the second quarter.

II. SORM SERVICE DESK ACTIVITY



III. IT PROJECT MANAGEMENT ACTIVITY

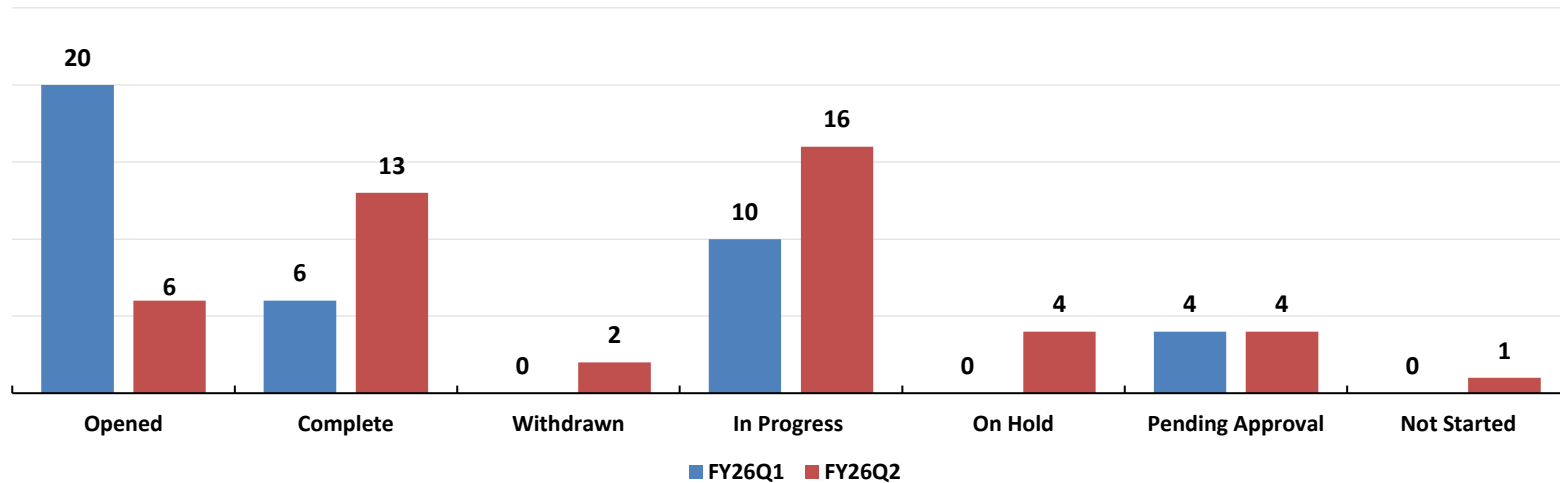
A. Project Execution

Thirteen projects were completed this quarter. Work continues daily to enhance RMIS for SORM staff and external users for greater efficiency.

B. Project Monitor and Control

The Project Monitor and Control process is in place to actively manage scope, budget, and timelines in a consistent and measurable framework. SORM's IT project activity is presented below.

IT Project Activity FY26Q1 - FY26Q2



IV. ANTICIPATED FY26Q3 ACTIVITY

In addition to routine support functions with operations for the Office, we anticipate the following activities during FY26Q3 and beyond:

- A. Continue to expand the knowledge assets of our existing IT staff through cross-training, conferences, and other available opportunities.
- B. Continue to support our state agency users as we expand the RMIS system functionality.
- C. Support SORM business units in providing IT solutions to support their goals and objectives.
- D. Research and test AI functionality within SORM's staging instance of RMIS.
- E. HB3512 mandated DIR AI training.

CONTRACT ADMINISTRATION

Area	Task
Contract Oversight & Monitoring	<ul style="list-style-type: none">• Expenditure Request Tracking• Invoice Quality Assurance Review• Payment Approval Assistance
Vendor Performance Monitoring	<ul style="list-style-type: none">• Contact Verification• Certificates of Insurance• Cybersecurity Training• Business Owner Feedback
Vendor Performance Reporting	<ul style="list-style-type: none">• Annually• Renewal• Expiration
Procurement	<ul style="list-style-type: none">• Purchase Requisition Complete• Scope of Work Defined• Solicitation Documents Drafted

STATUTORY MISSIONS

CLAIMS OPERATIONS

I. WORKERS' COMPENSATION CLAIMS HANDLING

Workers' compensation claims are opened and entered in SORM's claims management system as reports of injuries are filed by covered state entities. These reported claims are investigated and either accepted or denied. If SORM determines a state employee has sustained a compensable injury, the claim is accepted. If SORM determines the injury is not compensable, the Workers' Compensation Act requires the Office to file a denial within 60 days. Filing a denial does not automatically close a claim because an injured worker has the right to dispute the determination.

The Office inactivates a claim when an injured worker is released from care, no further treatment is anticipated, reaches Maximum Medical Improvement, or is not pursuing a denied claim.

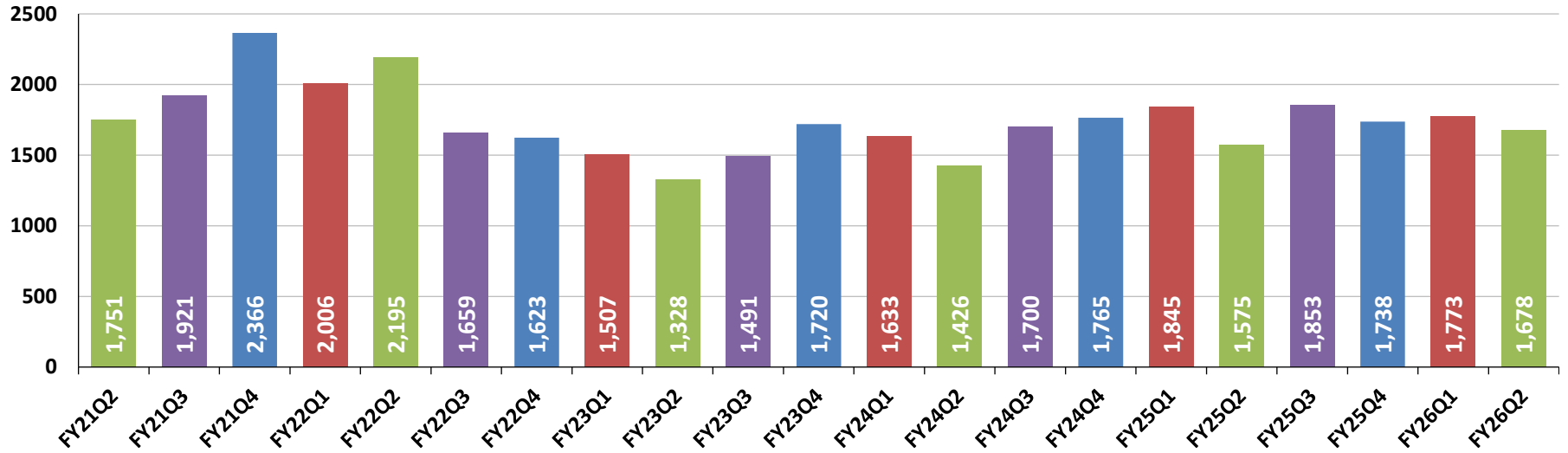
Since workers' compensation claims are based on a compensable injury, it is possible an injured worker may have future medical needs and/or lost time from work due to the compensable injury. If medical and/or indemnity benefits start again, SORM will reopen the claim to ensure the claim is being actively monitored by an adjuster.

II. CLAIMS OPERATIONS ACTIVE WORKLOAD FY26

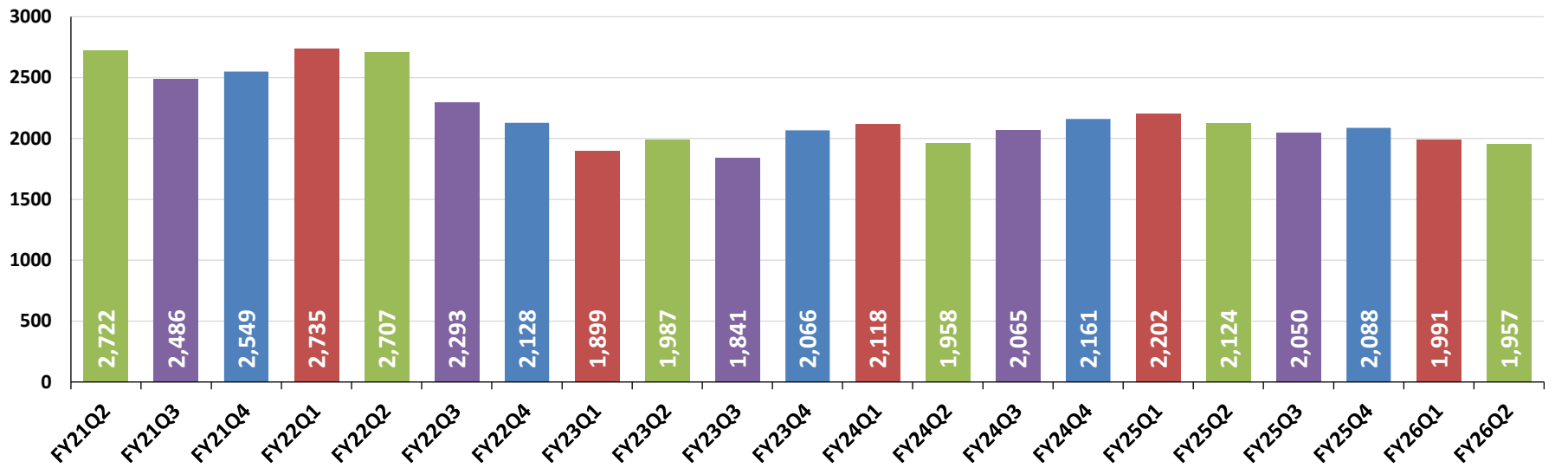
The following charts show claims activity in the state employees' workers' compensation program:

	FY26Q1	FY26Q2	FY26Q3	FY26Q4
Received	1773	1678	-	-
Accepted	1522	1422	-	-
Duplicates	63	54	-	-
Denied	208	169	-	-
Inactivated	1924	1636	-	-
Reopened	31	26	-	-

Claims Received per Quarter



Claims Open per Quarter



III. WORKERS' COMPENSATION CLAIMS DATA ANALYSIS

The following chart shows the state entities with more than 250 reported workers' compensation claims in FY26Q2:

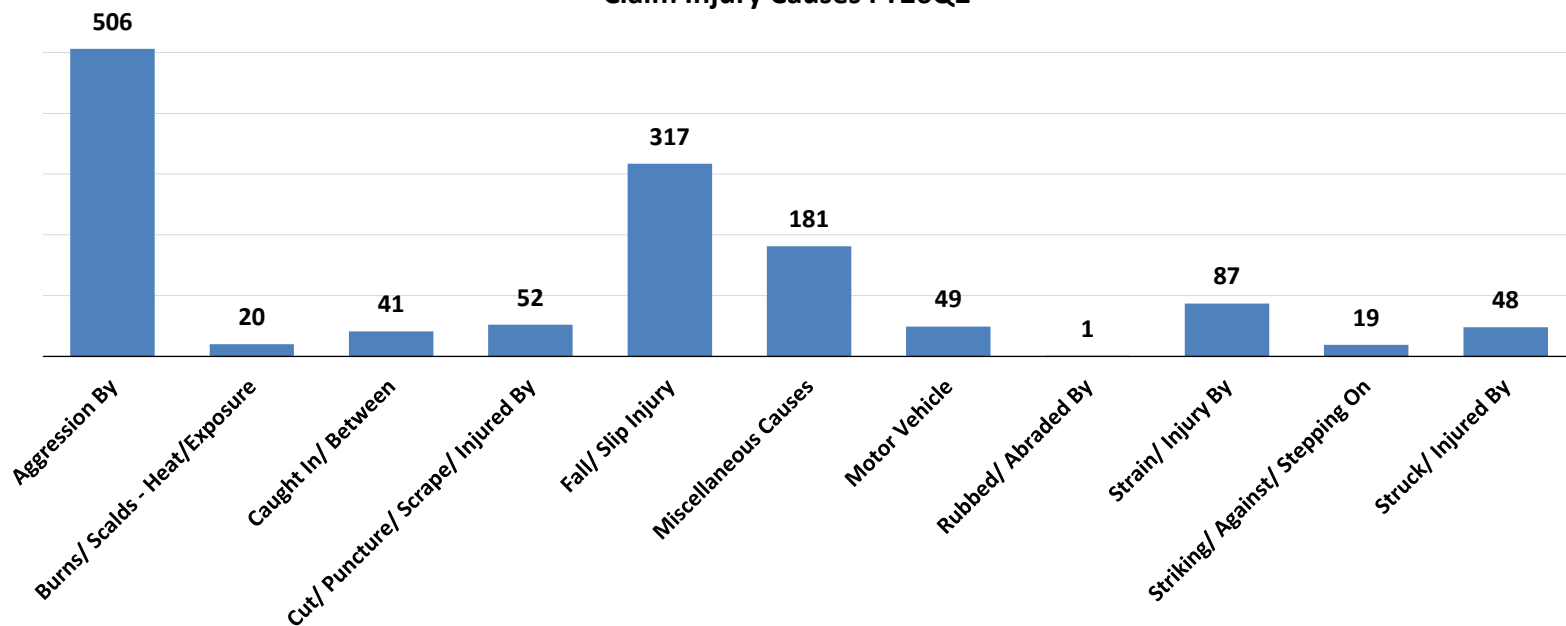
Agencies That Reported More Than 250 Workers' Compensation Claims FY26Q2



Standardized codes are used in workers' compensation claims to describe the cause of injury. Cause codes can be used to analyze trends. Identifying perils, risk exposures, and hazards is the first step in addressing workplace health and safety.

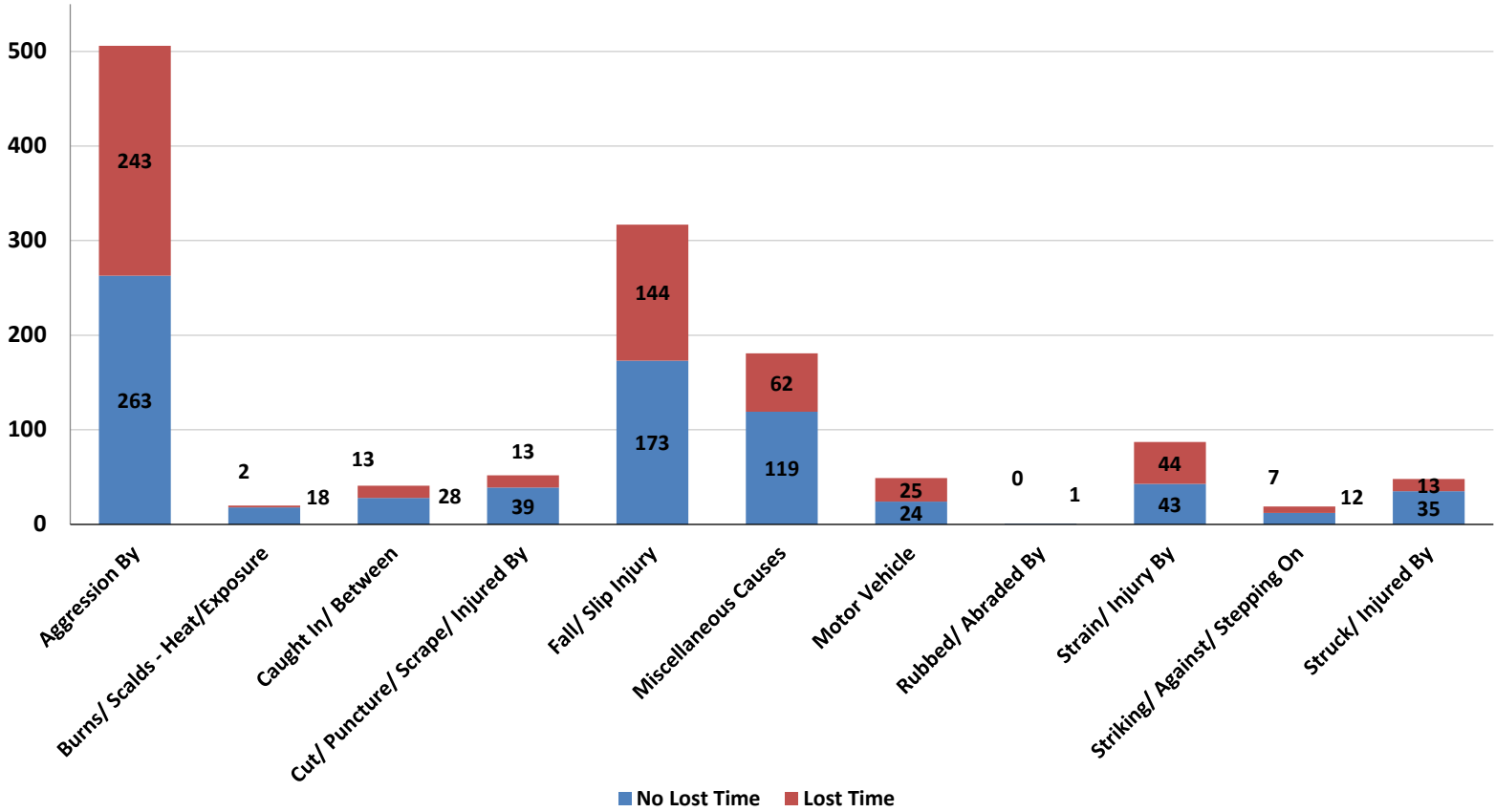
The following chart shows the conditions or situations that were identified as the cause of the compensable injuries that were reported to the Office in FY26Q2:

Claim Injury Causes FY26Q2

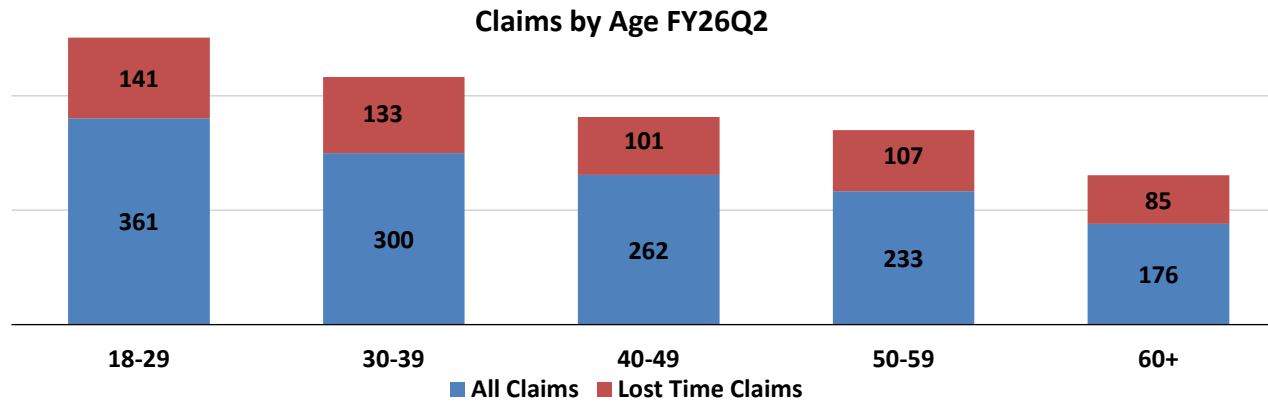


Lost time is an indicator of the severity of a claim. The following chart shows FY26Q2 lost time data on accepted claims within each injury cause:

Injury Cause by Lost Time and No Lost Time FY26Q2

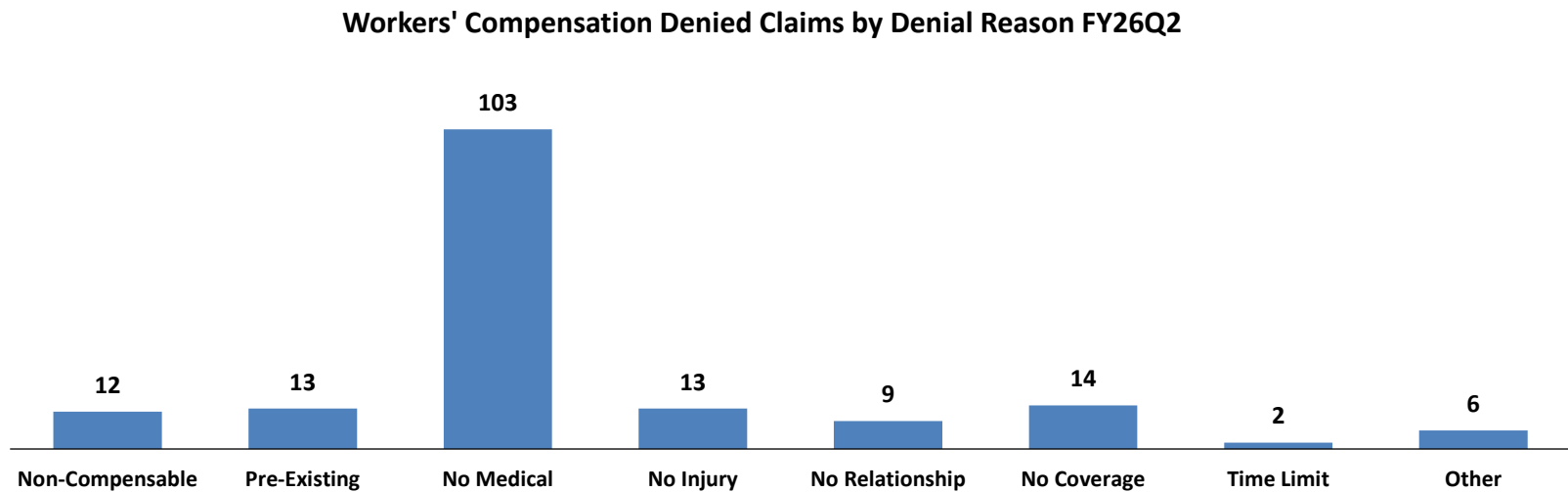


The following chart shows the age of injured employee and the lost time by age for accepted injuries in FY26Q2:



IV. WORKERS' COMPENSATION DENIALS

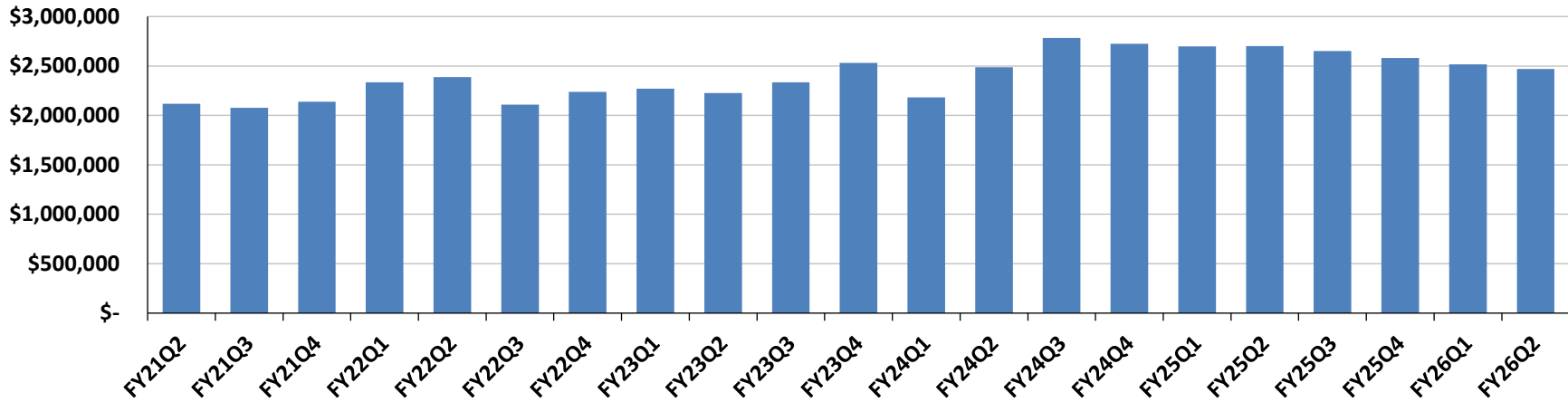
The common reasons for workers' compensation claim denials in FY26Q2 are shown in the chart below:



V. ANALYSIS OF INCOME BENEFITS EXPENSES FOR FY26Q2

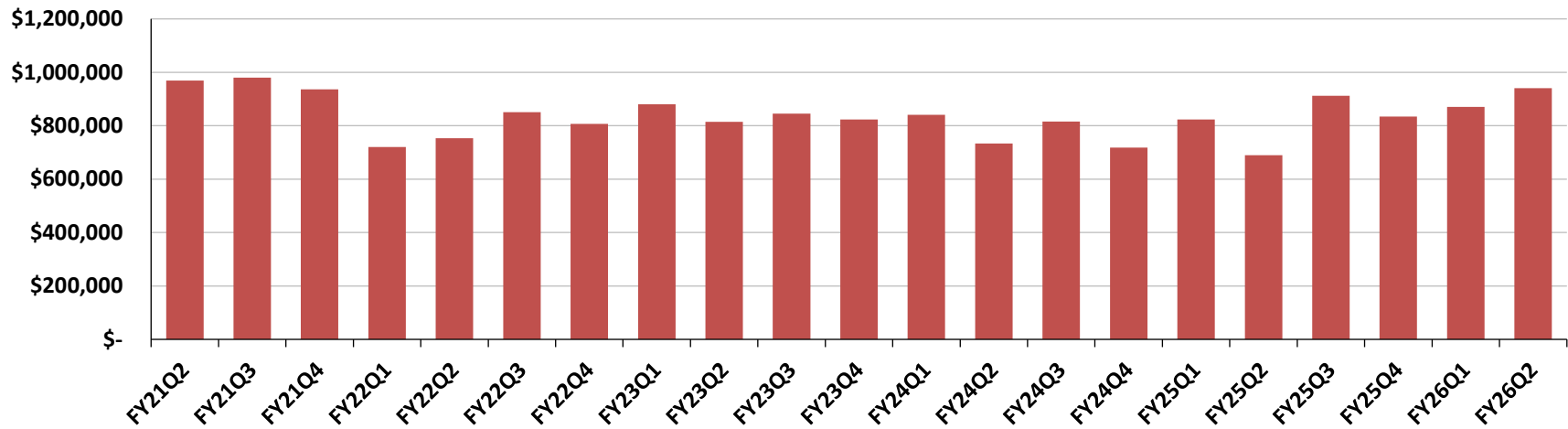
Temporary Income Benefits (TIBs) expenditures for FY26Q2 totaled \$2,467,822 on 445 claims.

TIBs Expense per Quarter



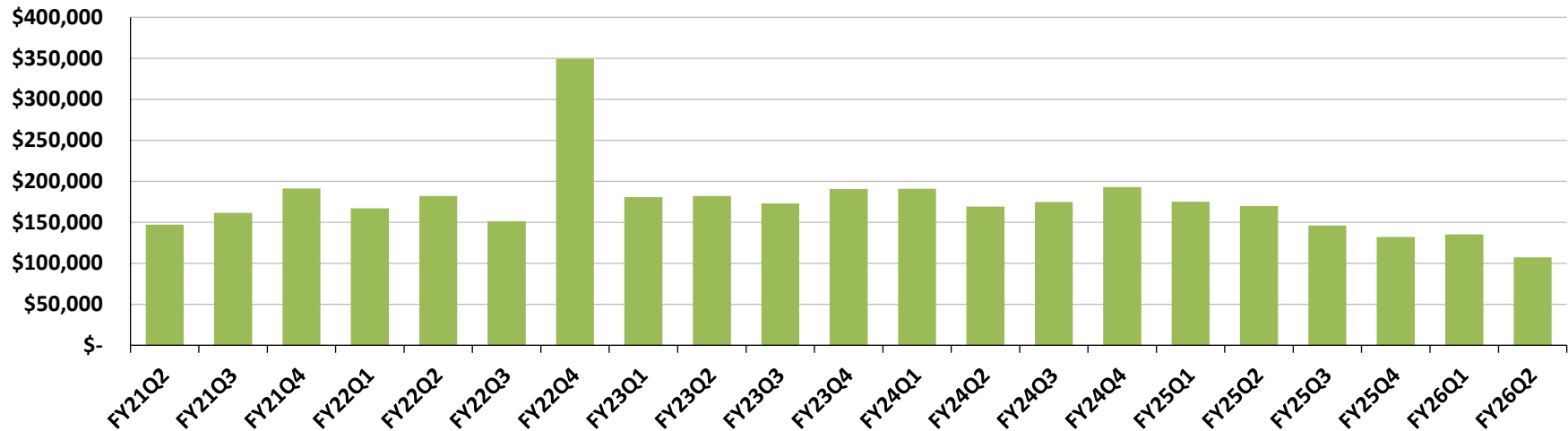
Impairment Income Benefits (IIBs) expenditures for FY26Q2 totaled \$940,747 on 132 claims.

IIBs Expense per Quarter



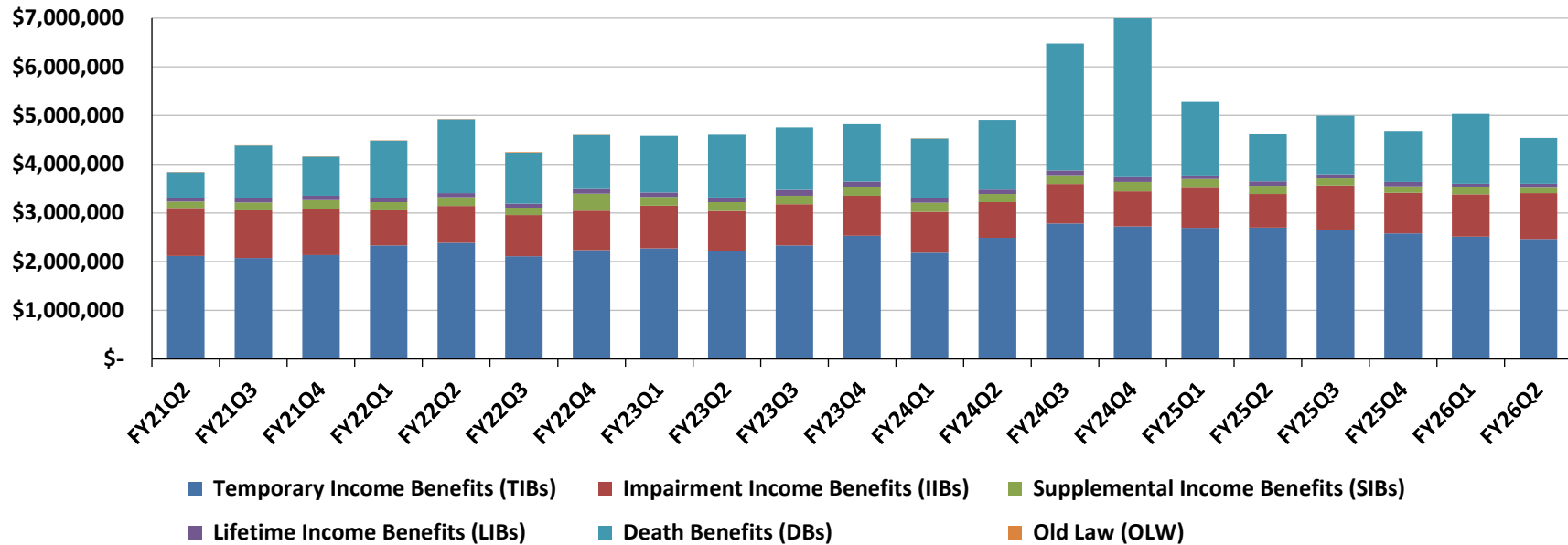
Supplemental Income Benefits (SIBs) expenditures for FY26Q2 totaled \$107,090 on 16 claims.

SIBs Expense per Quarter



Combined indemnity expenditures for FY26Q2 totaled \$4,532,662 on 702 claims.

Combined Indemnity Expense per Quarter

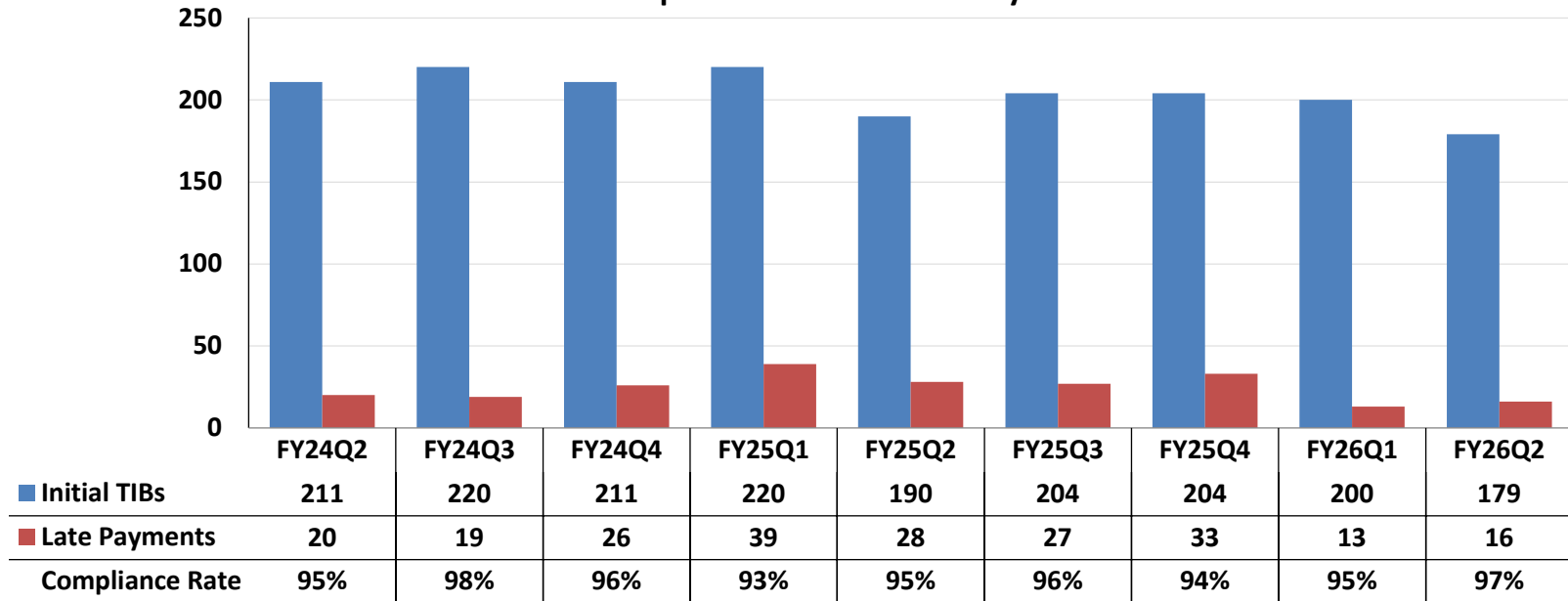


REGULATORY COMPLIANCE

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 and Late Payments

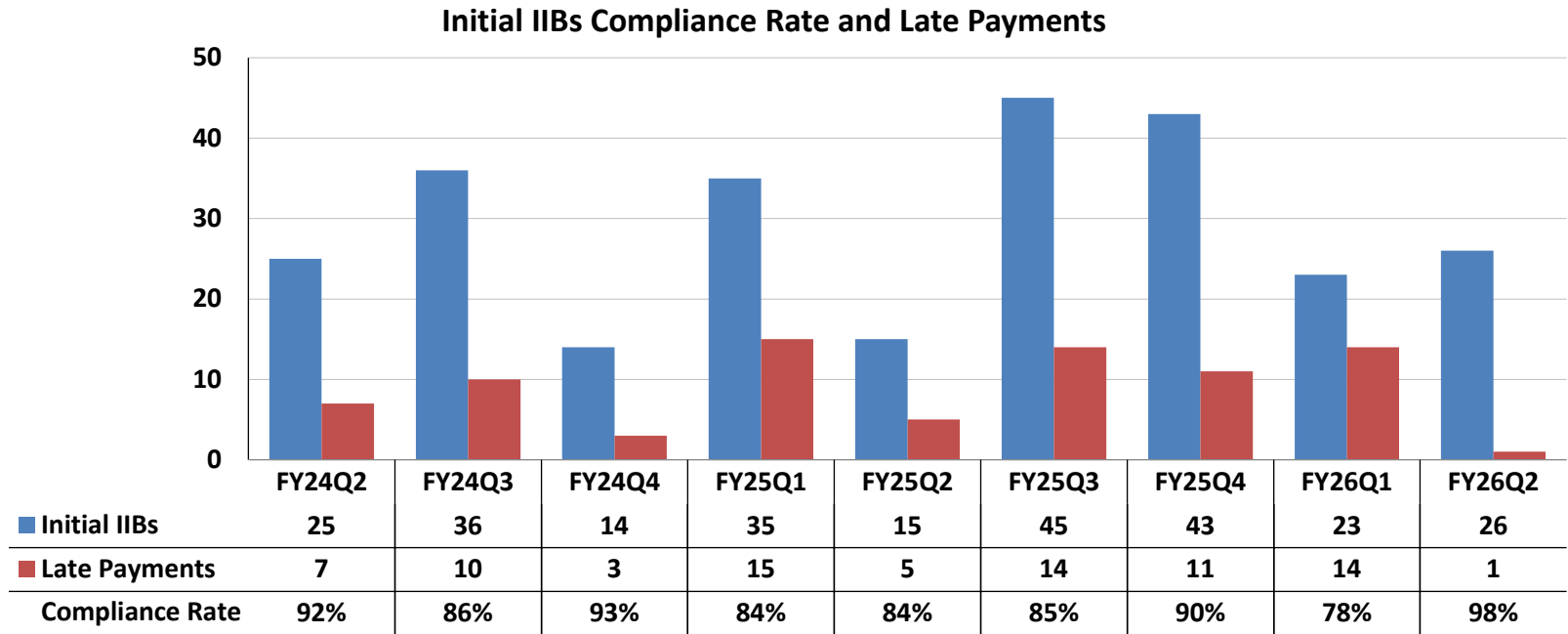


TIBs Late Payments FY26Q2

Carrier	11
Employer	5
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).



IIBs Late Payments FY26Q2

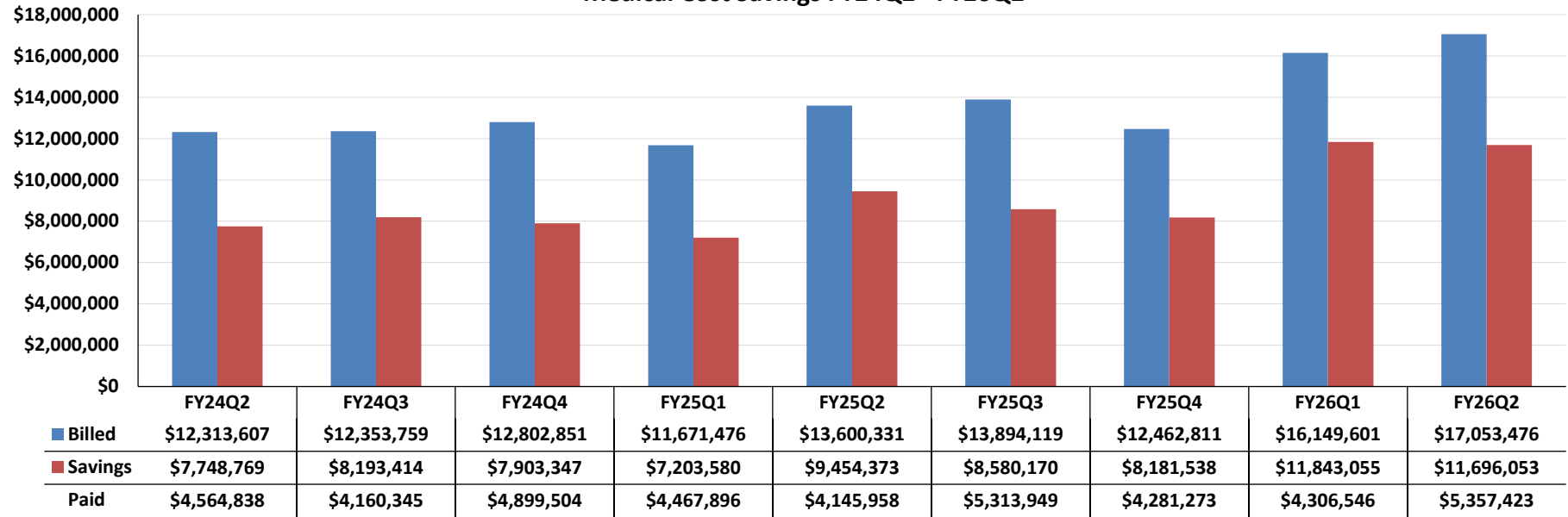
Carrier	1
System	0
No Fault / Misc.	0

MEDICAL MANAGEMENT

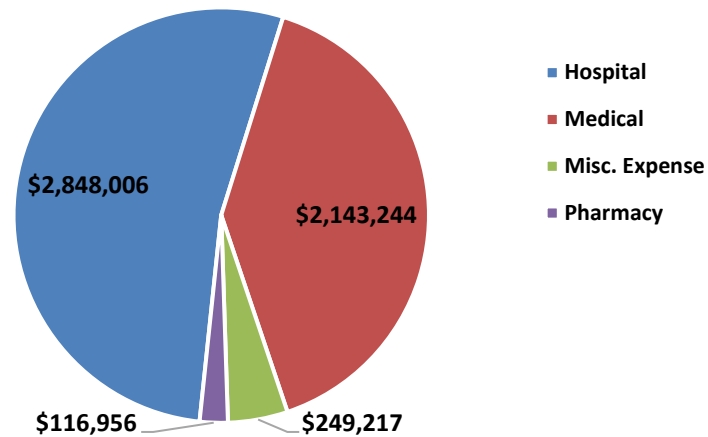
I. MEDICAL COSTS

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

Medical Cost Savings FY24Q2 - FY26Q2



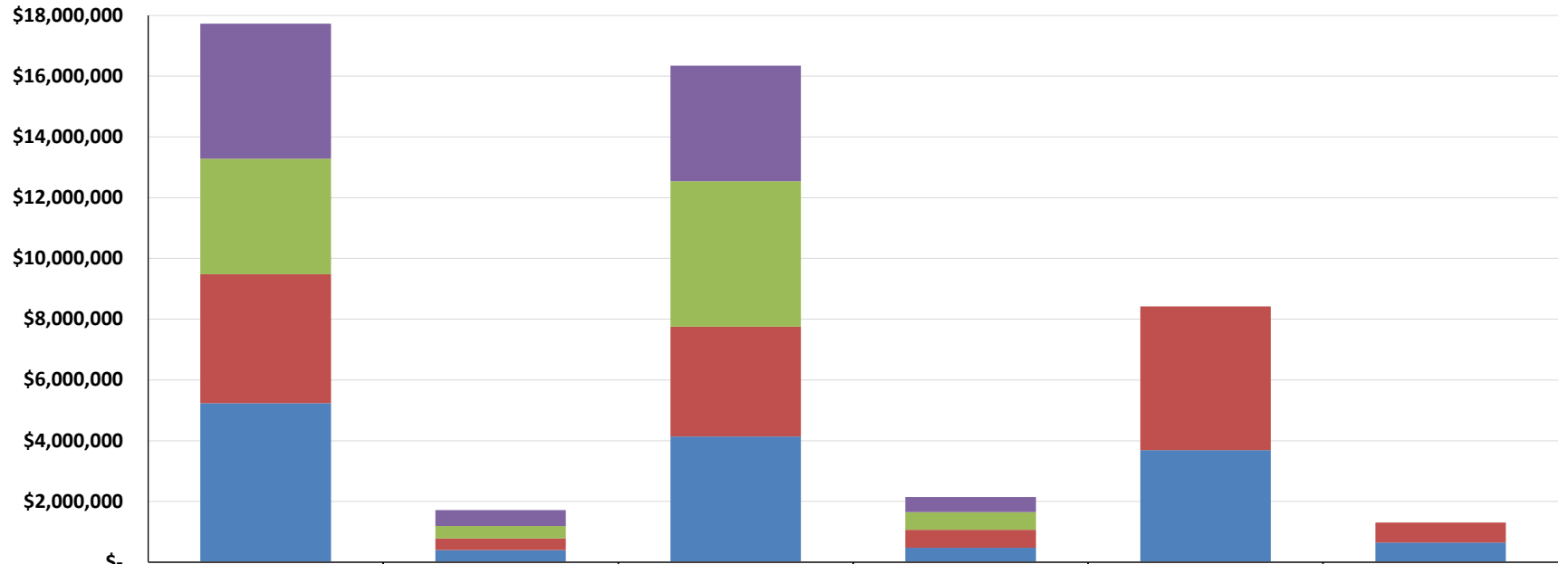
Medical Payments FY26Q2



II. NETWORK AND NON-NETWORK DATA

The following chart shows the amount paid in medical on network and non-network claims.

Network and Non-Network FY24 - FY26

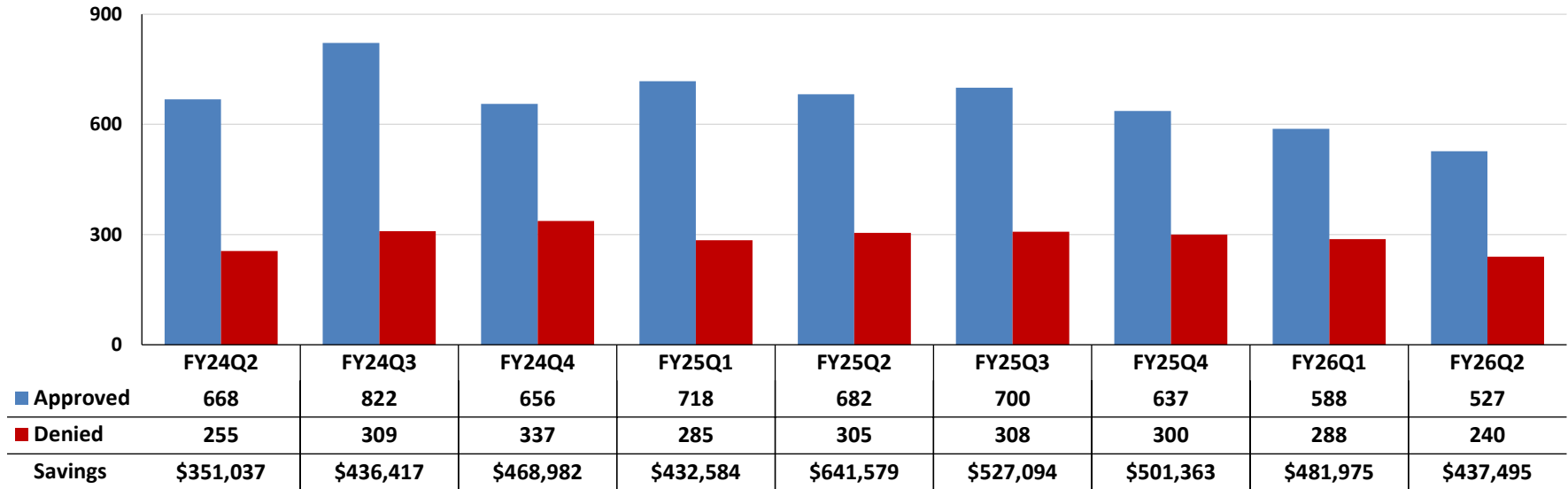


	FY24		FY25		FY26	
	Network	Non-Network	Network	Non-Network	Network	Non-Network
■ Q4	\$4,444,858	\$527,047	\$3,805,674	\$503,520	-	-
■ Q3	\$3,799,088	\$408,492	\$4,784,245	\$576,439	-	-
■ Q2	\$4,252,294	\$381,477	\$3,613,450	\$595,152	\$4,731,237	\$649,496
■ Q1	\$5,231,232	\$404,210	\$4,139,407	\$474,844	\$3,692,618	\$652,769
Number of Claims	11,573	1,796	12,408	1,497	5,671	1,152

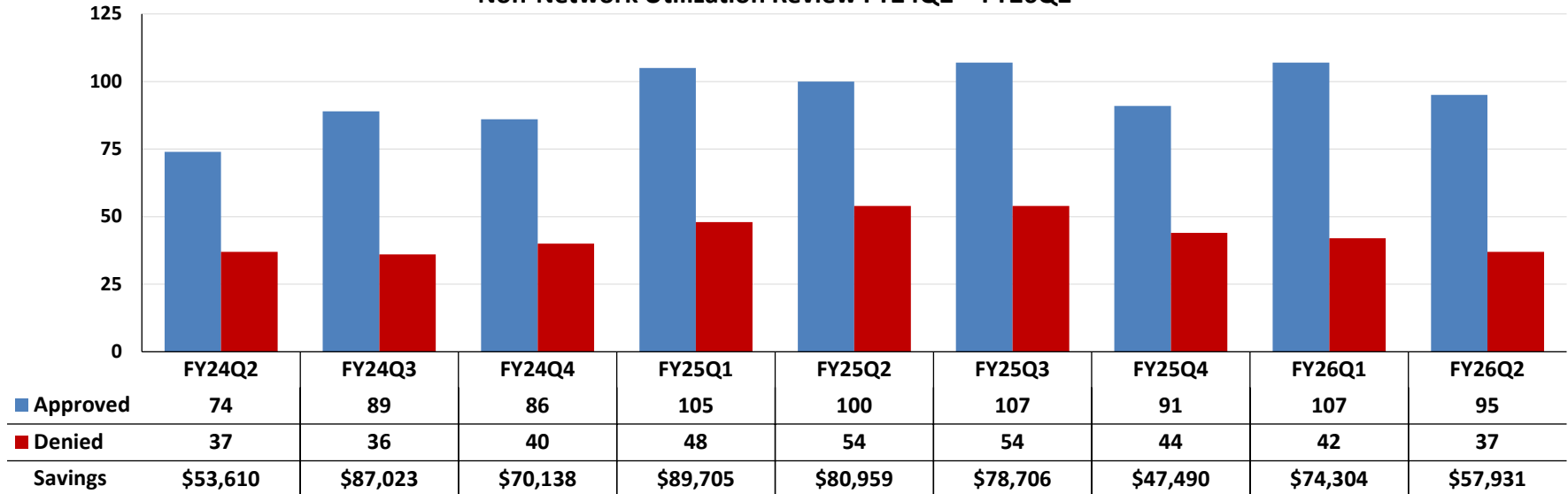
III. PREAUTHORIZATION

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 FY24Q2 - FY26Q2



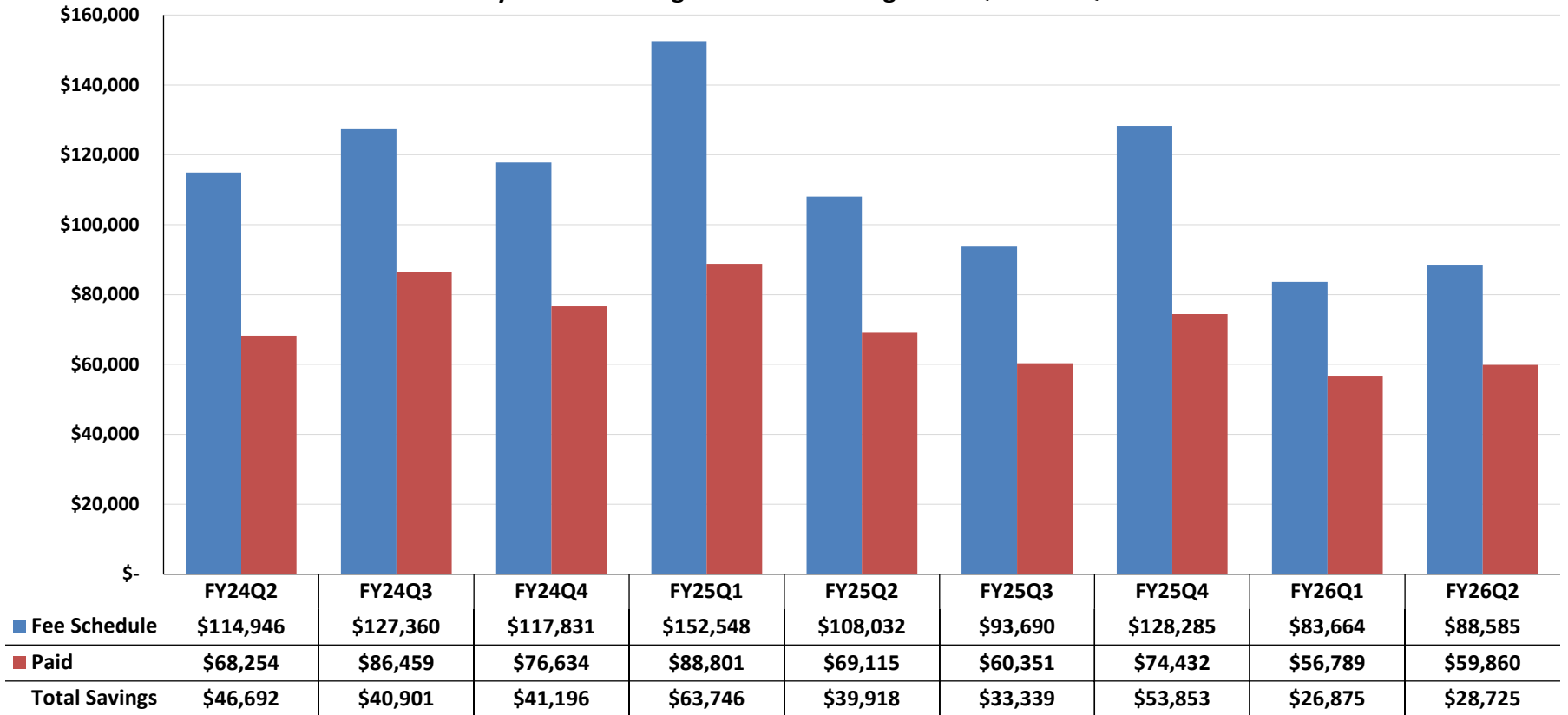
Non-Network Utilization Review FY24Q2 - FY26Q2



III. PHARMACY BENEFIT MANAGEMENT

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

Pharmacy Benefit Management Cost Savings FY24Q2 - FY26Q2



IV. MEDICAL DISPUTE RESOLUTION FY26Q2

Medical dispute resolution is used to resolve non-network 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	19 Non-Network
Medical Necessity Disputes	2 Non-Network

LEGAL MANAGEMENT

I. BENEFIT DISPUTE RESOLUTION FY26Q2

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

A. Dispute proceedings were scheduled in 42 claims this quarter.

BRC Held	BRC Resolved by Agreement	3 Most Common BRC Issues
32	3	Impairment Rating, Maximum Medical Improvement, Extent of Injury
CCH Held	CCH Resolved by Agreement	3 Most Common CCH Issues
15	0	Impairment Rating, Maximum Medical Improvement, Extent of Injury

II. SPECIAL INVESTIGATIONS

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

	FY26Q1	FY26Q2	FY26Q3	FY26Q4
Reports Received	254	204	-	-
Cases Opened for Investigation	0	1	-	-
Pending Cases	12	12	-	-
Cases Closed	5	2	-	-
Criminal/Administrative Referrals	0	1	-	-

III. RECOVERY SERVICES

When an injured worker'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, the agency can request reimbursement from the Subsequent Injury Fund (SIF) for the overpayment of benefits.

	FY26Q1	FY26Q2	FY26Q3	FY26Q4	YTD
SUBROGATION LIEN RECOVERY	\$412,816	\$128,474	-	-	\$541,290
• Claims with a Lien Recovery	16	21	-	-	37
• Lien Recovery \$5,000 or Less	10	14	-	-	24
• Lien Recovery \$5,001 to \$30,000	3	6	-	-	9
• Lien Recovery \$30,001 to \$100,000	1	0	-	-	1
• Lien Recovery \$100,001 and Above	2	0	-	-	2
SIF REIMBURSEMENT	\$0	\$0	-	-	\$0
• Claims with a SIF Reimbursement	0	0	-	-	0
TOTAL	\$412,816	\$128,474	-	-	\$541,290

ENTERPRISE RISK

I. STATEWIDE RISK MANAGEMENT PROGRAM

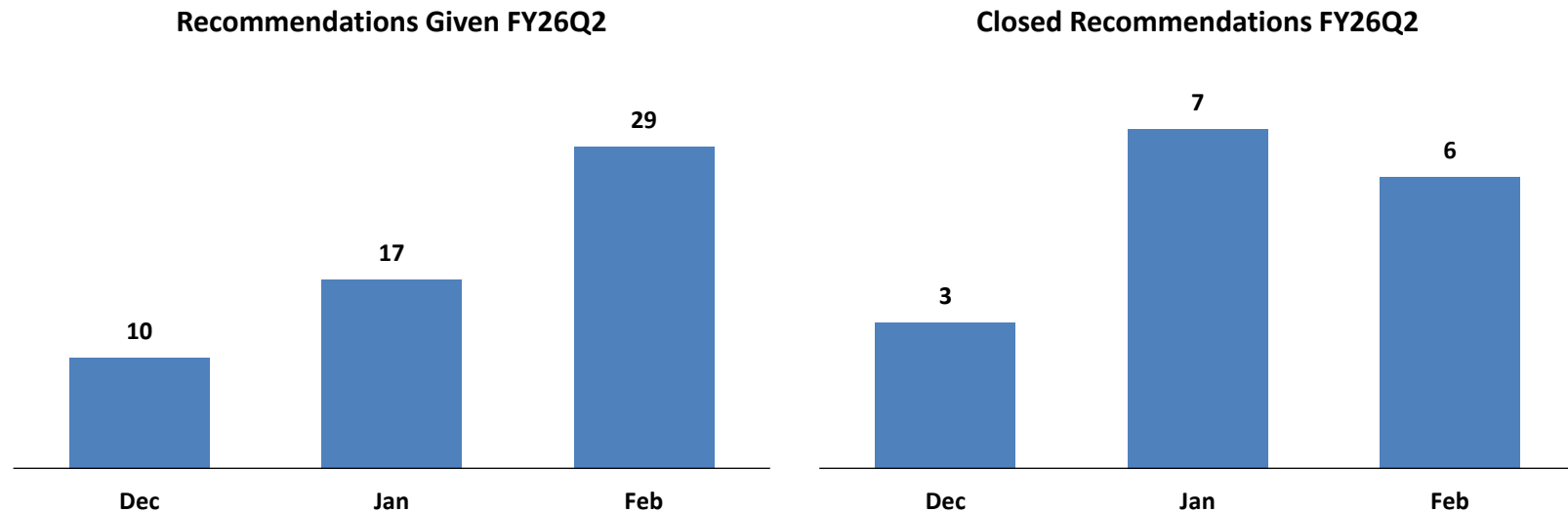
Risk Management has worked to close the reporting gap since implementing RMIS.

A. The Risk Management team provided the following consultative services during FY26Q2.

Consultation Visits (CVs) and Risk Management Program Reviews (RMPRs)

CVs	Sept	Oct	Nov	Dec	Jan	Feb	Total	Percent Complete
Visits	17	23	13	18	22	14	110	48% of a goal of 229
Reports	1	10	16	8	18	28	81	35% of a goal of 229
RMPRs	Sept	Oct	Nov	Dec	Jan	Feb	Total	Percent Complete
Reviews	0	0	2	2	3	2	9	35% of a goal of 25
Reports	0	0	2	0	1	6	9	35% of a goal of 25

B. The recommendations below were provided to agencies during CVs and RMPRs in FY26Q2.



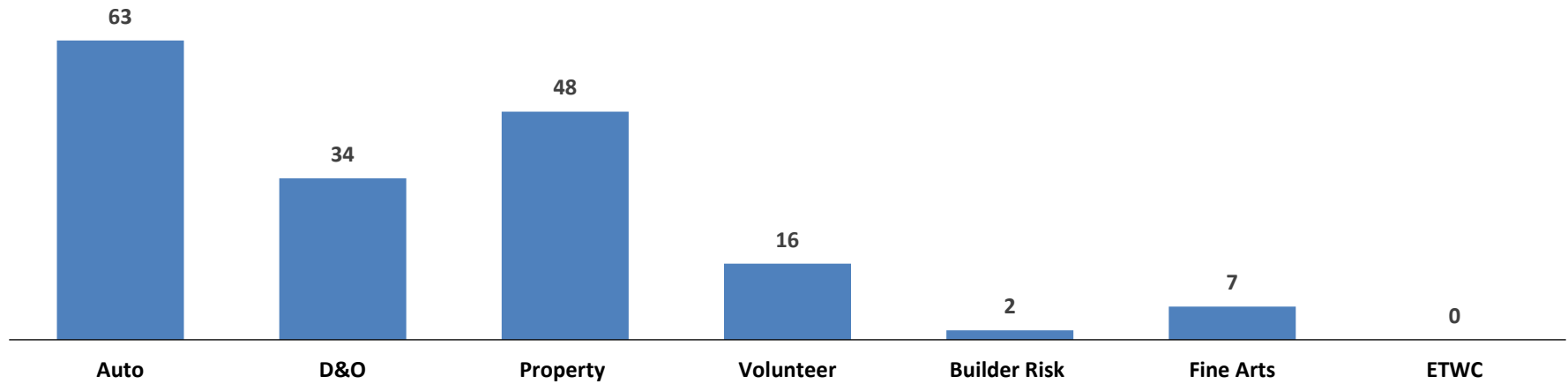
C. Below is the breakdown of the categories of recommendations given during FY26Q2.

Category of Recommendations FY26Q2

Continuity	1
Environmental	4
Insurance	2
Policy	1
Procedure	2
Risk Management	4
Safety	39
Training	1

II. STATEWIDE INSURANCE PROGRAM

A. Participants in statewide insurance lines FY26Q2.



B. Insurance Purchase Reviews for FY26Q2.

Line	Number of Policies	Approved	Comments	Premium
Cyber	4	Yes	The policy transfers some of the risk related to covering expenses such as notification, remediation, and forensics if there is a privacy event, security incident, or breach.	\$98,969
Extra Territorial Workers' Comp	1	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.	\$1,443
Aviation / Unmanned Aerial Vehicle (UAS)	1	Yes	Aviation Insurance policies for a UAS is intended to protect the aircraft itself as well as the aircraft owner against claims due to damage or accidental injury.	\$8,201
GL & Excess	4	Yes	General Liability (GL) insurance is designed to protect an organization against liability claims for bodily injury or property damage for which they may be legally responsible. This policy is typically a requirement of a building lease agreement.	\$11,960.78
Inland Marine	1	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.	\$27,059
Director and Officers Liability	1	Yes	Directors and Officers (D&O) liability insurance protects company leaders from personal losses if they are sued for actions or decisions made while serving in their role.	\$68,708
TOTAL	12			\$216,341

III. STATEWIDE CONTINUITY PROGRAM

A. The team's primary focus continues to be on state agencies that have not previously submitted a Continuity of Operations Plan.

FY26 Continuity Activity

	FY26Q1	FY26Q2	FY26Q3	FY26Q4
Plans Evaluated	17	13	-	-
Exercises Evaluated	10	9	-	-
Individual Consult	15	14	-	-
Internal SORM Meetings	1	0	-	-

B. The below shows the level of compliance with Continuity Plan submissions.

Continuity Plan Review Summary

Plan Last Submitted	No Submission	Pre-FY20	FY20	FY21	FY22	FY23	FY24	FY25	FY26
# of Plans	17	24	4	8	4	9	10	18	25

PERFORMANCE MEASURES

SORM PERFORMANCE MEASURES

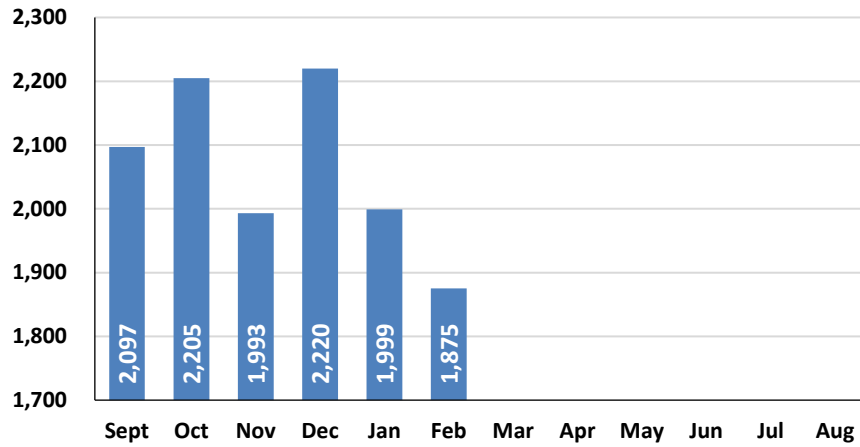
Performance measures provide information to the Legislative Budget Board, Governor, and Legislature on SORM's key processes and activities. The General Appropriations Act establishes performance targets for key performance measures. SORM must report performance data for its key and non-key performance measures.

Performance Measures	Key Measure	Reporting Frequency	FY26 Target
Incident Rate of Injuries & Illnesses Per 100 Covered Full-Time Employees	Yes	Annual	3.55%
Cost of Workers' Compensation Per Covered State Employee	Yes	Annual	\$240
Cost of Workers' Compensation Per \$100 State Payroll	Yes	Annual	\$0.60
Average Cost to Administer Claim	Yes	Annual	\$725
Number of Written Risk Management Program Reviews Conducted	Yes	Quarterly	25
Number of Entity Consultations Conducted	Yes	Quarterly	229
Number of Medical Bills Processed	Yes	Quarterly	90,000
Number of Indemnity Payments	Yes	Quarterly	27,000
Percentage of Total Assessments Collected Used for Claims Payments	Yes	Actual	98%
Cost Per Hour of Direct Risk Management Service Provided	No	Actual	NA
Number of Employees Served in Risk Management Training Sessions	No	Actual	NA
Number of Initial Eligibility Determinations Made	No	Actual	NA

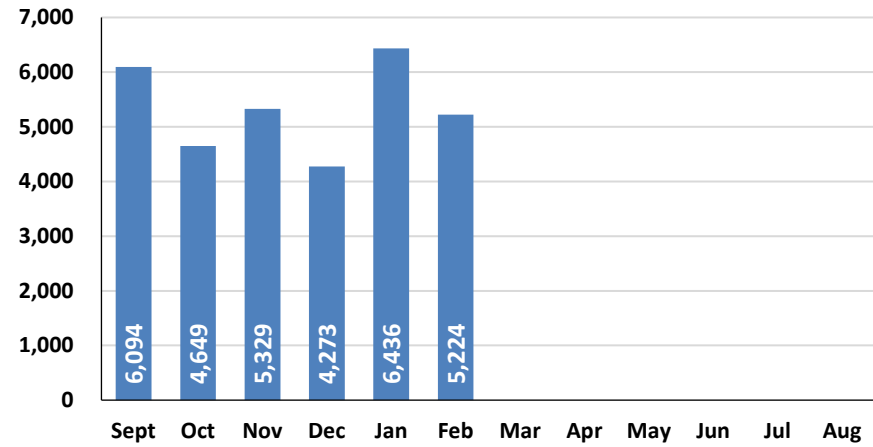
REPORTED PERFORMANCE MEASURE DATA

	FY26Q1	FY26Q2	FY26Q3	FY26Q4
Consultation Visits	27	54	-	-
Risk Management Program Reviews	2	7	-	-

Indemnity Bills Processed FY26
Total 12,389



Medical Bills Processed FY26
Total 32,005





State Office of Risk Management

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5. **Presentation, discussion, and action on the remaining Fiscal Year 2026 assessment**

Information

Pursuant to the General Appropriations Act, Article IX, Section 15.02(c), at the beginning of each fiscal year, SORM collects seventy-five (75) percent of the assessment allocation which includes amounts for workers' compensation coverage and SORM's costs to administer workers' compensation payments and other statutory obligations. Not later than May 1 of each year, SORM must determine, based on actual costs since the beginning of the fiscal year and estimated costs, the remaining assessment due from participating client entities.

Tony Bennett, Director of Financial Management, will present information on actual costs since the beginning of Fiscal Year 2026. He will also request Board approval of the remaining assessment amount to be collected from participating client entities for Fiscal Year 2026.

Action Required

The Chair may entertain motions for consideration and approval of the remaining assessment amount to be collected from participating client entities for Fiscal Year 2026.

**State Office of Risk Management
Recommended FY2026 Assessment Amounts**

	<u>FY2026 Final Assessment Recommended Amount</u>		<u>FY2026 Initial Assessment</u>	<u>Difference</u>
Projected Current FY (2024) Claim Payments	43,000,000.00	*	45,670,000.00	(2,670,000.00)
Previous FY Collected Shortage (Overage)	(2,966,696.80)		(1,000,000.00)	(1,966,696.80)
Risk Management and Workers' Compensation Administration	13,160,325.00	**	13,160,325.00	-
required funding for employee benefits	2,597,067.00		2,597,067.00	-
Previous FY Collected Shortage (Overage)	(3,460,443.97)		(400,000.00)	(3,060,443.97)
	<u>52,330,251.23</u>		<u>60,027,392.00</u>	<u>(7,697,140.77)</u>

**** Board Action Items ****

1. Board Action required for approval of the recommended budget of \$43,000,000.00 for the workers' compensation budget.

*Based on claims projections, the recommended amount is below the amount stated in the GAA for fiscal 2026.

2. Board Action required for approval of the recommended budget of \$13,160,325.00 for the administrative budget.

**Recommended amount is equal to the estimated amount state in the GAA for fiscal 2026.



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6. 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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7. Discussion and possible action on future meeting dates

Information

Tentative meeting dates are attached for discussion.

Action Required

No official action required.



**TENTATIVE BOARD OF DIRECTORS MEETING DATES
FY26**

FY26Q3

Primary: Tuesday, July 21st at 9:30 a.m.

Alternate: Wednesday, July 22nd at 9:30 a.m.

FY26Q4

Primary: Tuesday, October 20th at 9:30 a.m.

Alternate: Wednesday, October 21st at 9:30 a.m.

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.



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8. Board of Directors and SORM staff workshop

Information

Matters considered in the workshop may include:

- A. Board objectives for SORM;
- B. Long-term strategic plan for SORM;
- C. Operational goals for SORM's statutory missions;
- D. Strategies to meet future needs and achieve operational goals;
- E. Action items to achieve operational goals;
- F. Principal strategic and/or operational issues SORM expects to confront in the future;
- G. Strategic initiatives reporting.

Action Required

No official action required.



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9. Adjourn meeting

The Chair:

1. Calls the meeting adjourned and announces time