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State Office of Risk Management

AGENCY STRATEGIC PLAN

for the 2015-2019 period

JULY 7, 2014

AGENCY STRATEGIC PLAN

FISCAL YEARS 2015-19

BY

Board Member	***Term***	***Hometown***
Stephanie Simmons, J.D., Chair	02/01/15	Stafford
John Youngblood, J.D.	02/01/19	Cameron
Rosemary Gammon, PAHM	02/01/15	Plano
Tomas Gonzalez	02/01/17	Irving
Lloyd M. Garland, M.D.	02/01/19	Lubbock

SUBMITTED JULY 7, 2014

SIGNED: ______________________________
Deputy Executive Director

APPROVED: ______________________________
Board Chair

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STATEWIDE VISION, MISSION, AND PHILOSOPHY

March 2014

Fellow Public Servants:

Since the last round of strategic planning began in March 2012, our nation's economic challenges have persisted, but Texas' commitment to an efficient and limited government has kept us on the pathway to prosperity. Our flourishing economic climate and thriving job market is not by accident. Texas has demonstrated the importance of fiscal discipline, setting priorities and demanding accountability and efficiency in state government. We have built and prudently managed important reserves in our state's "Rainy Day Fund," cut taxes on small businesses, balanced the state budget without raising taxes, protected essential services, and prioritized a stable and predictable regulatory climate to help make the Lone Star State the best place to build a business and raise a family.

Over the last several years, families across this state and nation have tightened their belts to live within their means, and Texas followed suit. Unlike people in Washington, D.C., here in Texas we believe government should function no differently than the families and employers it serves. As we begin this next round in our strategic planning process, we must continue to critically examine the role of state government by identifying the core programs and activities necessary for the long-term economic health of our state, while eliminating outdated and inefficient functions. We must continue to adhere to the priorities that have made Texas a national economic leader:

- ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means and limiting the growth of government;
- investing in critical water, energy and transportation infrastructure needs to meet the demands of our rapidly growing state;
- ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and make sure Texans are prepared to compete in the global marketplace;
- defending Texans by safeguarding our neighborhoods and protecting our international border; and
- increasing transparency and efficiency at all levels of government to guard against waste, fraud and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.

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

Sincerely,

Rick Perry

Rick Perry
Governor of Texas

The Mission of Texas State Government

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high . . . we are not here to achieve inconsequential things!

The Philosophy of Texas State Government

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles.

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.

- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.

- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local governments closest to their communities. Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future, and the future of those they love.

- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.

- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government. Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

STATEWIDE GOALS AND BENCHMARKS

The priority goal of general state government is:

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient, and accountable state government operations;
- Ensuring the state’s bonds attain the highest possible bond rating; and
- Conservatively managing the state’s debt.

Benchmarks:

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

MISSION STATEMENT

The State Office of Risk Management will provide active leadership to enable State of Texas agencies to protect their employees, the general public, and the State's physical and financial assets by reducing and controlling risk in the most efficient and cost-effective manner.

STATEMENT OF PHILOSOPHY

The State Office of Risk Management will act in accordance with the highest standards of ethics, fairness, accountability, and humanity for both our customers and our employees. Customer service is a cornerstone of our mission.

EXTERNAL/INTERNAL ASSESSMENT

I. Overview of Agency Scope and Functions

The State Office of Risk Management (the Office) is charged by Chapter 412, Texas Labor Code to administer insurance services obtained by state agencies, including the government employees workers' compensation insurance program and the state risk management programs. The Office currently provides relevant services to 137 state entities and 121 CSCDs, encompassing approximately 187,000 individual employees.[1]

The Office's statutory objectives and key functions are to:

- Operate as a full-service risk manager and insurance manager for state agencies;
- Maintain and review records of property, casualty, and liability insurance coverage purchased by or for state agencies;
- Administer the program for the purchase of surety bonds for state officers and employees;
- Administer guidelines adopted by the Board for a comprehensive risk management program applicable to all state agencies to reduce property and liability losses, including workers' compensation losses;
- Review, verify, monitor, and approve risk management programs adopted by state agencies;
- Assist state agencies that have not implemented an effective risk management program to implement a comprehensive program that meets the guidelines established by the Board;
- Administer the workers' compensation insurance program for state employees established under Chapter 501, Texas Labor Code; and
- Provide risk management services for employees of Community Supervision and Corrections Departments (CSCDs) established under Chapter 76, Government Code, as if the employees were employees of a state agency.

The Office directs its efforts toward implementing risk-based approaches for identifying exposures and emphasizing strategies intended to reduce financial and performance losses at client agencies, in support of the core principles and goals set out in the Governor's Strategic Plan. The Office continually explores approaches to state government operations that will increase efficiency and save tax dollars through identification and mitigation of risks, and promotes the identification and exploration of enterprise opportunities.

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

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1 The University of Texas and Texas A&M University systems and the Texas Department of Transportation are legislatively exempted from these services. The Employees Retirement System (ERS) and Teacher Retirement System (TRS) may voluntarily elect not to participate in the Office's services pursuant to special statutory exceptions.

- Overseeing the Office and the appointing an Executive Director;
- Approving risk management guidelines for distribution to state agencies;
- Approving rules necessary for the implementation of the risk management and workers' compensation programs; and
- Reporting to the Legislature on methods to reduce loss exposure for state agencies, the operation, financing, and handling of risks by state agencies, and the handling of claims brought against the State.

II. Organizational Aspects

The Office is authorized by the current General Appropriations Act for 121.6 full-time equivalent positions (FTEs). The Office's organizational structure is fully aligned with the mandates set forth in its enabling legislation. The Office's workforce is diverse and reflects the geographic labor pool in which the Office operates. Detailed workforce demographics and related data are provided in Appendix E.

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

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

The Office is located in the William P. Clements, Jr. building in downtown Austin, Texas. The Office has no field office locations. Office staff routinely travels to other state agency offices in the performance of statutory duties.

In FY 2014, the Office underwent a comprehensive organizational review, resulting in substantial strategic and structural changes beginning in the current biennium. The Executive Director reestablished the position of Deputy Executive Director to oversee a full scale reassessment and propose organizational recommendations. As a result, a full restructuring was implemented with three goals: to increase accountability, communications, and efficiency. A structural model was approved in consultation with the Board, based on a modified network-based interactive model, provided in Appendix B. The agency was consolidated from six divisions to three, each overseen by a named Division Chief:

Strategic Programs – The Strategic Programs division consists of five mission-critical departments: Risk Management, Workers' Compensation, Quality Assurance, Document Processing, and Communications.

Internal Operations – The Internal Operations division consists of three organizational support departments: Accounting and Finance, Information Resources, and Human

Resources.

Legal Services – The Legal Services division consists of three legal departments: Litigation, Fraud and Recovery, and Legal Support.

Key management policies and operating characteristics are intended to emphasize interaction between divisions and ensure focus remains on the Office's mission. Open and direct access to Executive Management is emphasized to encourage transparency in operations and improve communications. The restructure was implemented in three stages: conceptual/structural, physical/logistic, and classification/allocation.

Expected organizational challenges to the Office include attracting and maintaining appropriate staff for administering and developing Office programs such as Return-to-Work, Disability Management, Medical Cost Containment, Enterprise Risk Management, Business Continuity, and Insurance.

III. Functional Aspects

A. RISK MANAGEMENT

By statute, the Executive Director of the Office serves as the Risk Manager for the State of Texas. The Office also provides property and casualty insurance services to state entities as part of the overall mandated risk management strategy.

The Office's risk management responsibilities include:

- Providing risk management and insurance services to state agencies;, including property, liability, and workers' compensation;
- Reviewing, verifying, monitoring, and approving risk management programs adopted by state agencies;
- Serving as a full-service insurance manager for state agencies for exposures other than life and health;
- Providing risk management and insurance training for state agencies; and
- Collecting and reporting risk and loss information to lawmakers and to client state agencies.

The Office publishes risk management guidelines that are based on regulatory and industry best practices. The Office also provides guidance to state agencies based on emerging trends, direct observation, and data and documentation that state agencies submit to the Office. Comprehensive Risk Management Program Reviews (RMPRs) and On-Site Consultations (OSCs) of client agencies are performed on a rotating schedule by Office staff. State agencies, excluding institutions of higher education, are required to submit annual reports to the Office on claims and loss information, existing and potential exposures to loss, estimates by category of risk of losses incurred but not reported, and any additional information deemed necessary by the Executive Director. The data submitted by agencies is collected and maintained electronically to facilitate identification of relevant trends and to assist state agencies in strengthening existing programs.

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

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

- Losses experienced by the State increasing in response to external factors outside the control of client agencies (e.g. economic downturns, natural disasters, security threats, reductions in workforce, etc.);
- Lack of enforcement mechanisms to encourage non-compliant agencies to comply with statutes, rules, industry standards, and internationally-recognized best practices; and
- Greater demands on the Office respecting the full range of risk management issues beyond health and safety issues.

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

- Potential budgetary constraints negatively affecting available resources, including but not limited to, availability and retention of staff with appropriate risk management skills and expertise;
- Outdated hardware/software systems negatively affecting the Office's ability to efficiently streamline data compilation and analysis.

The Office currently has five Risk Management Specialists, and three Insurance Specialists dedicated to the Insurance Program (discussed in the next section). The Office's Risk Management Specialists are required to monitor client agency exposures, perform frequency and severity analysis, and recommend mitigating strategies. Each specialist must also perform and track detailed analyses in broader exposure areas for each of their client agencies. This approach yields more information on client agency risks and mitigation efforts, but it requires considerably more time to collect, monitor, and act upon this data in a timely fashion. Emphasizing identification and mitigation of risks on a timely basis can lead to reduced financial or performance losses to the State.

Conducting on-site visits with each state agency is crucial in both monitoring the effectiveness of programs and identifying operational exposures. The Office's performance measure targets are 29 RMPRs and 229 OSCs each fiscal year. Competition for skilled, experienced staff may negatively impact capacity for conducting on-site visits to client agencies, and have the potential to increase the difficulty of assisting client agencies in enhancing existing risk management programs

The Office's risk management efforts have historically been weighted toward health and safety risks at client agencies; however, the legislature has modified the Office's mission substantially over time and client agencies have recently been requesting assistance in managing a broader range of risks. The passage of SB 908, 80th RS, amended Section 412.011 of the Texas Labor Code and required the Office to work with each state agency to develop an agency-level business continuity plan and to make available to each client agency guidelines and models for each element of a business continuity plan as outlined in Section 412.054, Texas Labor Code. The Office is further charged with the responsibility of assuring that agencies understand the vital components of a continuity plan and test the effectiveness of their plans. Since the last biennial report, substantially progress has been achieved on this measure. The Office has dedicated a continuity coordinator to assist agencies in the development of plans and partnered with FEMA and the Texas Department of

Emergency Management, Homeland Security, and Department of Information Resources in adopting a consistent standard (COOP) and implementing a statewide policy. See http://www.sorm.state.tx.us/risk-management/business-continuity-planning.

The Office's rules are currently being reviewed and proposed changes drafted to reflect the emerging risk management trends in the State. The Office has identified several key areas for improvement based on lessons learned and projected future risk management needs. The Office has identified three main areas which will significantly improve the State's overall risk management: proactive executive engagement, the hiring of qualified personnel, and the integration of risk management processes into all agency operations. The new rules are expected include two improvements:

- Provide agencies with a comprehensive framework for building and operating sound risk management programs;
- Provide incentives to state agencies that create and enforce sound risk management programs.

Other areas of elevated importance include fraud detection and prevention, frequency/severity analysis, workplace violence, state property loss analysis, return to work, risk transfer analysis, business continuity planning, contract/RFP reviews, and risk management program expenditure-to-result analysis. The Office has been responding to agency requests for assistance within available resources and is monitoring resource availability. If risk category expansion continues into financial and contractual operations or additional agencies continue to seek the Office's consultation on broad enterprise-based programs, limitation of services or other external programs or additional staff for internal programs with appropriate backgrounds may be necessary to provide adequate service from both quantitative and qualitative perspectives.

State Insurance Program

The Office serves as a full-service insurance manager for state agencies. In this role, the Office is responsible for:

- Consulting with state agencies regarding their insurance needs;
- Negotiating insurance policy terms and pricing for sponsored lines of insurance;
- Approving the purchase of insurance on behalf of state agencies that serve both the agency and the public interest;
- Collecting agency insurance loss data; and
- Advising state agencies, as requested, on insurance requirements in contracts and RFPs.

The Office currently sponsors four lines of insurance: Directors' & Officers' with Employment Practices Liability; Automobile; Property; and Volunteer. Multiple challenges are present in the risk transfer oversight and implementation function in government. In 2012, the State's property risk was marketed to global insurance markets and the program was restructured in response to a global hardening of the property casualty market and to accommodate potential, continued growth. This strategy provided the foundation for continued expansion of the program and more flexibility to adapt to changing market conditions. However, purposeful non-compliance with legislative requirements by certain entities severely damaged the program and state stability reputation in the market, necessitating mitigation and the request for an Attorney General opinion respecting compliance.

The external factors most likely to impact the bond and insurance program are:

- Non-compliance by covered entities with legislative mandates, or attempts to modify existing law to create exceptions to compliance;
- An active wind storm season and/or worldwide catastrophic events, affecting the capacity and availability of insurance for state owned coastal property;
- Acquisition of professional property valuations for properties covered by insurance especially in Tier 1 and 2 costal regions.
- New modeling programs that change the coverages and rates of insured assets, and
- Increased loss frequency and/or severity, resulting in increased premiums to participants in the statewide insurance programs.

As the Office expands the collection of data on client agency non-workers' compensation losses, it will analyze losses from multiple sources. The Office has the capability to determine if such losses were insured and calculate the net loss to the State, including the cost of insurance premiums. This information will assist the State in determining the costs/benefits of providing additional levels of coverage for client agencies, along with the desirability of implementing new lines of coverage based upon statewide exposure to risk.

The internal factors likely to impact the State Insurance program are:

- Ability to maintain current staffing level and current level of operational expertise;
- The continued use of outdated hardware/software systems that negatively affect the Office's ability to compile and analyze insurance data;
- Ability to continue providing adequate customer service as Office customers continue to expand their insurance service requirements; and
- Increasing use of technology to track client agency insurance coverage, losses and exposures to improve decision making.

B. CLAIMS OPERATIONS

The State Office of Risk Management is charged by the Legislature with administering the Government Employees' Workers' Compensation Insurance Program. Most state agency employees, as well as employees of CSCDs and other statutorily defined individuals, are covered by the program. The Office's workers' compensation program is responsible for:

- Receiving and investigating claimed injuries;

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

The Office has made significant improvements to claims operations in the last several years, resulting in an overall reduction in the total amount paid on claims as compared to FY 2003. Savings to the State has averaged more than $27.9 million per year over the last nine years. During that same time period, medical costs have risen nationally. For the State, annual costs from FY 2006 to the present have been lower than they were from FY 1991 through FY 2005, and costs for FY 2012 are projected to be less than $36 million, the lowest annual cost in 25 years.

Claim Costs ($million)	Fiscal Year
$67.5	2002
$70.0	2003
$55.9	2004
$54.0	2005
$44.8	2006
$42.3	2007
$44.1	2008
$45.2	2009
$43.3	2010
$44.7	2011
$39.6	2012
$38.6	2013
$35.9	2014 (projected)

The significant decreases in expenditures from FY 2003 to FY 2007 stabilized during the next four fiscal years, followed by another substantial reduction. Potential areas for continued stability and small-scale reductions continue to be reviewed and implemented.

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

- Demographic changes affecting the number and severity of injuries;
- Rising medical and indemnity costs;
- Legislation and administrative rulemaking requiring additional resources for compliance (including potential exposure to administrative fines); and
- Changes in the Texas economy.

Demographic changes such as an aging workforce can affect the number and severity of injuries. According to the US Census Bureau, from 1980 to 2011, the population of Texas as a whole rose from 14.2 million to 25.6 million (approximately +80.2 %). Over the same time period, the number of Texans aged 65 and over grew from 1.4 million to 2.3 million (approximately +65.7%). A report released from Workers Compensation Research Institute found that the slightly higher claims cost of injuries to older workers is potentially offset by a lower injury frequency rate; therefore, costs are not currently expected to rise dramatically due to the aging population, though general economic factors may continue to contribute to workers staying in the workforce longer and may impact the general offset should injury frequency rates shift.

The rising cost of medical treatment and prescription drugs continues to present a challenge both in general health care and workers' compensation. While overall program costs are relatively stable or trending downward slightly, medical costs appear to be rising on a per-service basis. This increase has not been fully offset by DWC's adoption of treatment and disability guidelines. The Office is observing slight reductions in treatment frequency and duration, though this is generally only when the Office intervenes as treatment exceeds the applicable guidelines.

Historically, workers' compensation claims tend to rise as the economy falls. With higher unemployment, statistically, employees who remain on staff are often more experienced, better trained and are seen as more loyal. Bureau of Labor Statistics data show that more experienced employees have fewer and less severe workers' compensation claims. As the economy begins to recover, factors that may have suppressed claims will begin to subside and potentially higher frequencies of claims may return.

The DWC continues to implement changes to regulations which frequently require rapid and complex work and programming changes to maintain compliance. Changes to the hospital fee guidelines, e-billing and networks have already occurred, though a final impact analysis is not yet available.. Each set of new laws and rules has the potential to increase system costs. Rules being developed by DWC and TDI address required changes to medical documentation; utilization review and reporting, among others. The DWC adopted a restricted pharmacy formulary in September of 2011. Pre-authorization is now required for certain medications. This was a new regulatory requirement and resulted in increased cost to the system for the creation of processes, as well as computer programming to accommodate the new requirements. The increased cost of creating and maintaining this new system is currently being offset by the reduction in overall prescription medication costs.

Workers' compensation carriers are subject to regulatory penalties assessed by DWC, which can be significant. The potential for fines poses a serious risk for the Office as funds are not specifically made available to the Office by the Legislature to pay administrative fines to a sister agency. Currently there is no requirement that an error be committed "willfully or intentionally" to constitute a violation of the Act or the Rules. Errors or an inability to meet future DWC requirements could subject the Office to liability for penalties. The Commissioner of Workers' Compensation is authorized to assess administrative penalties up to $25,000 per day, per occurrence. Inadvertent errors are an inevitable part of a large scale claims operation, especially one that has historically served as a training ground for inexperienced claims adjusters.

House Bill 7, 79th RS, provided for the creation of certified workers' compensation health care networks, by adding Chapter 1305 to the Insurance Code. This was intended as a way to control medical costs while assuring quality care for injured workers. As part of this shift, the Legislature eliminated savings through informal or voluntary workers' compensation networks as of January 1, 2011, by requiring that such networks be fully certified by TDI. The Office issued an RFP for implementation of a health care network in 2009, and established a contract for network services on February 1, 2011. Due to the size of the State, enrollment was spread out over a four month period from September 1, 2011 to December 1, 2011.

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

- New strategies to offset rising costs and overutilization;
- Difficulty in retaining skilled staff due to inability to compete with private sector salaries;
- Increasing contractual complexity requiring specialized expertise;
- Increasing reliance on technology for efficiencies.

The Office is employing new strategies such as early intervention case management; return-to-work and disability management in an effort to offset rising medical costs and over utilization of health care. Despite rising medical costs globally, the Office continues to work to reduce overall medical and indemnity costs by improved claims handling practices and training, as well as greater retention of experienced and knowledgeable adjusters and support staff. As adjusters and cost containment staff become more experienced applying treatment and disability management guidelines, the Office anticipates additional improved outcomes. Workers' Compensation Research Institute published a report titled *Monitoring the Impact of Reforms in Texas: Comp Scope ™ Medical Benchmarks.* The report noted that medical payments per claim increased 5% two years in a row, from 2007 to 2008 and 2008 to 2009.

Historically, the Office has had significant challenges recruiting and retaining highly qualified staff, particularly in the area of claims professionals, due to agency salaries being below market level Adequate staffing has been identified as a critical issue in the internal factor analysis, with the potential to affect all of the Office's statutory duties. Efforts have been made to address this challenge especially in the critical areas of claims adjusting and risk management specialists. The Office continues to work to obtain and retain qualified personnel through an emphasis on professional development, including advanced professional and continuing education and certification; offering optional alternative work schedules where feasible; encouraging an agency culture that is supportive of its employees; and sponsoring an active Employee Wellness Program with tangible rewards. The agency strongly emphasizes advancement opportunities, which has helped to attract highly-educated applicants to entry-level positions.

Some internal factors that affect adjuster turnover apply to the industry as a whole, including high demands for accuracy, strict deadlines and rapid changes in technology and claims handling processes. The limitations of our outdated claims management system can make it difficult, and sometimes impossible, to program for new regulatory requirements. This impacts the adjusters' ability to adjust the claim and the time it takes to do so. External factors such as the local economy can also have a substantial cyclical impact. As local carriers secure new clients, private industry can afford to lure adjusters away from the Office with higher salaries.

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

IV. Fiscal Aspects

The operating costs of the Risk Management strategy are financed through interagency contracts. Historically, the operating costs of the Workers' Compensation Administration strategy were financed entirely by General Revenue appropriations; however, this funding structure has undergone significant restructuring by the Legislature. Beginning in FY 2005, a portion began to be financed by interagency contracts for medical cost containment of workers' compensation expenditures, and in FY 2007 a portion of claims operations was also financed by interagency contracts as part of the annual assessment. Beginning in FY 2010, the Office is now funded entirely through the assessment program via interagency contracts. As discussed above, the OAG provides administrative support to the Office pursuant to enabling legislation. At the request of the OAG as of last biennium, approximately $1.2 million a year is now newly collected through the annual assessments as payment to the OAG for this support. Workers' compensation payments constitute a separate strategy funded entirely by interagency contracts through assessments paid by client agencies and subrogation receipts.

Prior to FY 2002, the claim fund appropriation was funded by a direct General Revenue appropriation for 75% of the estimated costs with individual agencies responsible for the remaining 25%. For the FY 2002-2003 biennium, an allocation program (the Risk Reward Program, Texas Labor Code §412.0123) was implemented by the Legislature, which charged each agency an assessment (similar to a premium) based on claims experience, workforce, payroll, and other factors. The direct General Revenue appropriation was redistributed for that biennium to each agency to increase the individual agency baseline appropriations. Total claim costs peaked at almost $70 million in FY 2003, the second year of the assessment program, then fell to $55.9 million in FY 2004, and continued to decrease annually through FY 2007 with costs of $42.3 million. An additional $5 million reduction (11.4%) was realized in FY 2012, followed by more modest decreases the next two years. Costs for FY 2014 are anticipated to be roughly $35.9 million, the lowest in the existence of the Office.

With respect to assessment costs, the average cost of the FY 2014 assessment to participating state agencies was $0.55 per $100 of payroll for the risk pool as a whole, down substantially from $1.39 per $100 of payroll for FY 2002 even with an additional $3.6 million to replace the previous GR appropriation and the $1.2 million paid to the OAG.

V. Technological Developments

The Office utilizes mainframe, Local Area Network (LAN), and internet-based applications to administer workers' compensation claims and to assist client agencies in developing comprehensive risk management programs. The Office maintains an online portal for state agencies to report their workers' compensation injuries. This portal is known as the Risk Management Information System (RMIS) which automatically loads data into the mainframe-based workers' compensation Claims Management System (CMS). CMS is modified and enhanced, as necessary, and in accordance with underlying code flexibility to provide more timely and seamless access to workers' compensation claims information for claims adjusters and client agencies.

In achieving improved automation of internal business functions, the Office continues to leverage existing mainframe and image server technologies previously owned and maintained by the OAG, but now part of the Data Center Contract via the Department of Information Resources. Recent automation efforts have created links between the claims management and document imaging systems to speed up document retrieval, reduce data errors, and have integrated digital storage and retrieval of recorded statements into a common document storage system. The Office has in place a front-end bar coding project to identify and index incoming mail and correspondence, including medical bills. Within hours of a document's arrival, the document is imaged and automatically indexed into the Offices' content management system and sent to the cost containment vendor. Adjusters and others are sent a mainframe notification that the document has been received. The document is then globally available to all those needing it, and supports concurrent processing of the claim. The Office receives explanation of review documents from the cost containment vendor via file transfer. They are sorted and printed appropriately, based on the bill audit and recipients, and also posted to the document imaging system. Taken together, these changes and have greatly improved the quality and speed of claims adjusting and customer service.

Internet-based automation efforts have produced online training scheduling and tracking for internal and external students. The Office's training consultants use the new system to set up courses, schedule classes, and document attendance at training sessions. Students are sent periodic e-mail notifications of upcoming training and can then access RMIS online to enroll in the desired class. The internet-based REPS assists client agencies in identifying exposures within a number of risk categories. This system provides assistance in calculation frequency and severity forecasts and selecting appropriate risk mitigation strategies and also creates a custom risk management plan for each client agency.

Agencies can now report incidents, which can become a claim if medical care is required, or the claimant is off work due to the injury. Technological innovation has allowed the Office to more effectively administer workers' compensation claims and risk management programs with existing staffing. Improvements made in the Office's document processing are anticipated to support a platform for creating administrative efficiencies between the Office and future network partners, including but not limited to electronic billing and payment between health care providers and the Office. Such a system will reduce costs associated with billing and processing payment and will support payment for services at an earlier date.

Significant efforts are now underway to ensure current technologies are leveraged for necessary support and development of the agency's mission. Additional information on initiatives is provided in the Technology Resource Planning Section, below.

VI. Economic Variables

Changes to state government can alter the different types and levels of risk experienced by the state. Changes to the composition of the state workforce, such as an aging workforce, can affect the number and severity of injuries and impact the workers' compensation staffing and funding necessary to ensure that injured state employees are afforded benefits as entitled by statute. Because the state program is funded on a cash basis, changes in the size of the workforce, such as a significant reduction in the number of covered employees, will not result in reduced annual costs for several fiscal years. There would, however, be an immediate effect on performance measures based on the number of covered employees or payroll.

Respecting the risk management program, and in particular the risk transfer functions of the insurance services mission, market forces have a significant impact on the state. Leveraging economies of scale is a primary focus of the Office's efforts, but is adversely impacted by agency non-compliance, non-participation, and lack of enterprise cohesion.

VII. Significant Issues and Actions

Leadership. The Board of Directors is currently engaged in a formal search to select a new Executive Director of the Office after the retirement of the current director in June, 2014. As noted in previous reports, the Executive Director position is currently classified Exempt, Group 3, with the Board's current authority limited by the GAA significantly below both the Group cap and the position's market average. The Board has previously sought an increase in its authority to attract a qualified person to serve as Executive Director of the Office, consistent with its duties under Chapter 412, Texas Labor Code, and will elevate the urgency of the request in the next session.

Compliance. In 2013 mitigating final adjustments were required to the statewide property program as a result of noncompliance by a university system that purchased outside of the program without authorization. Efforts to bring the system into immediate compliance were unsuccessful, requiring significant mitigation efforts to safeguard the remaining program participants and address domestic and global underwriting concerns regarding Texas stability. An OAG opinion request was filed to seek clarification of statutory requirements, with the resulting opinion validating legislative intent (*see* http://www.sorm.state.tx.us/insurance-and-bonds/oag-issues-insurance-program-opinion). However, the non-compliance has continued, threatening stability and state enterprise reputation in the market. Further erosion of legislative intent is expected in the next session as entities potentially seek exception from statutory mandates.

Property. The Office's updated version of the State Insurable Asset Study, provided to the Legislature in January 2013, contains recommendations for an enterprise approach to reserve/retention-based insurable asset management. In particular, the recommendations address reserving methodologies respecting attritional losses and market stability. The full report is available at http://www.sorm.state.tx.us/legislative-reports/state-insurable-assets-study. Given the scope of such an initiative, no significant legislative attention is expected in the next session; however, the Office is continuing educational and efforts until such time as leadership is prepared to address implementation recommendations.

Confidentiality. The mandatory continuity initiative will further emphasize the need for comprehensive identification and tracking of State assets at all levels of government. In conjunction with the broad program strategies, ongoing recommendations for appraisals and enterprise programs are anticipated. The confidentiality of sensitive information contained in continuity plans is a significant potential vulnerability issue for the state as the enterprise BCP/COOP program is developed. A minor change to Chapter 412 was introduced last session, but does not currently provide vulnerability protection for all agencies. Legislation was drafted by request in the prior legislative session and will be resubmitted on request should the issue be again deemed of significance by leadership.

AGENCY GOALS

Goal A – Manage Risk and Administer Claims

To manage costs for covered state agencies arising from the risk of loss through the delivery of professional risk management services and claims administration services that are customized to specific agency needs.

Objective 1

To provide guidance and direction to state agencies to assist them in identifying, evaluating, and controlling risk and minimizing the adverse impact of loss.

Objective 2

To review and determine eligibility on 100 % of the state workers' compensation claims submitted within 15 days of receipt, and pay all approved requests for medical and indemnity benefits as specified under state law.

Goal B – Workers' Compensation Payments[2]

Objective 1

Workers' Compensation Payments.

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2 Effective FY 2014

OBJECTIVES, STRATEGIES, AND MEASURES

Goal A – Manage Risk and Administer Claims

Objective 1

To provide guidance and direction to state agencies to assist them in identifying, evaluating, and controlling risk and minimizing the adverse impact of loss.

Outcome Measures:
(1) Incident rate of injuries and illnesses per 100 covered full-time state employees.

Strategy – Risk Management Program

Establish statewide risk management guidelines, work with agencies to develop programs that meet the guidelines, conduct on-site risk management program reviews, and provide safety evaluations, consultations, and training.

Output Measures:
(1) Number of written risk management program reviews conducted.
(2) Number of on-site consultations conducted.
(3) Number of risk management training sessions conducted.

Efficiency Measures:
(1) Cost per hour of direct risk management service provided.

Explanatory Measures:
(1) Percentage of total assessments collected used for claim payments.

OBJECTIVES, STRATEGIES, AND MEASURES

Goal A – Manage Risk and Administer Claims

Objective 2

To review and determine eligibility on 100 % of the state workers' compensation claims submitted within 15 days of receipt, and pay all approved requests for medical and indemnity benefits as specified under state law.

Outcome Measures:
(1) Cost of workers' compensation per covered state employee.
(2) Cost of workers' compensation per $100 State payroll.

Strategy – Pay Workers' Compensation

Obtain and review all claims for workers' compensation in accordance with state law and administrative regulations, determine eligibility for medical and indemnity benefits, and determine the injured employee's weekly wage and indemnity payment rate.

Output Measures:
(1) Number of initial eligibility determinations made.
(2) Number of medical bills processed.
(3) Number of indemnity payments processed.

Efficiency Measures:
(1) Average cost to administer a claim.

Technology Resource Planning

1. Initiative Name: Name of the current or planned technology initiative.	
Initiative 1: PC Refresh	
2. Initiative Description: Brief description of the technology initiative.	
Replacement of computer workstations.	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	**Status**
None	
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
All.	
5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration • IT Workforce • Virtualization • Data Management • Mobility • Network	
Security and Privacy; Data Management; Business Continuity; Mobility; IT Workforce; and Network.	
6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations)	
All apply.	
7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative.	
Currently in implementation. A majority of workstations have been upgraded. The transition is significant as SORM moves to a supported operating system, and care is being taken to assure continuity of operations.	

1. Initiative Name: Name of the current or planned technology initiative.
Initiative 2: Claimant Care Interface (CCI)
2. Initiative Description: Brief description of the technology initiative.
Convert mainframe based claims management system (CMS) to server or web based CMS.
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.

Name	**Status**
No associated projects.	

4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.
Goal 1, objective 2: Review and determine eligibility on 100 percent of state workers' compensation claims submitted within 15 days of receipt, and pay all approved requests for medical and indemnity benefits as specified under State Law.
5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration • IT Workforce • Virtualization • Data Management • Mobility • Network
Security and Privacy; Legacy Applications; Business Continuity; IT Workforce; Virtualization; Data Management; Mobility; and Network.
6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations)
All apply.
7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative.
The Office is in the evaluation and planning phase of this project, documenting existing processes and identifying required technologies and resources. Partial authorized staff have been hired pending final identification of requirements.

1. Initiative Name: Name of the current or planned technology initiative.

Initiative 3: Voice Interactive Response System (VIRS)	
2. Initiative Description: Brief description of the technology initiative.	
Phone system with voice response and direct interaction with the main agency application. This project has been deemed unworkable at this time. The initiative may be revived at a later date once CCI (Initiative 2) has been implemented.	
3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
Name	**Status**
None.	
4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports.	
Goal 1, objective 2: Review and determine eligibility on 100 percent of state workers' compensation claims submitted within 15 days of receipt, and pay all approved requests for medical and indemnity benefits as specified under State Law.	
5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration • IT Workforce • Virtualization • Data Management • Mobility • Network	
Security and Privacy; Mobility; Network; IT Workforce; and Data Management.	
6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations)	
Operational efficiencies of time and productivity, and Citizen/customer satisfaction.	
7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative.	
OAG and Capital Switch updates and CCI dependencies require completion of those efforts prior to VIRS implementation.	

APPENDIX A

DESCRIPTION OF AGENCY'S PLANNING PROCESS

The strategic planning cycle was initiated at a meeting of all division chiefs and executive staff. The team reviewed and discussed the instructions for completing the strategic plan and reviewed options for completing the plan. Chiefs discussed the role of ongoing projects and any anticipated changes in the agency's long-range strategic plan.

During strategic planning, the team reviewed the prior strategic plan and noted the strategic goals achieved and the improvements needed based on the strategies developed in the previous planning process. The team determined which elements should be continued in the updated plan.

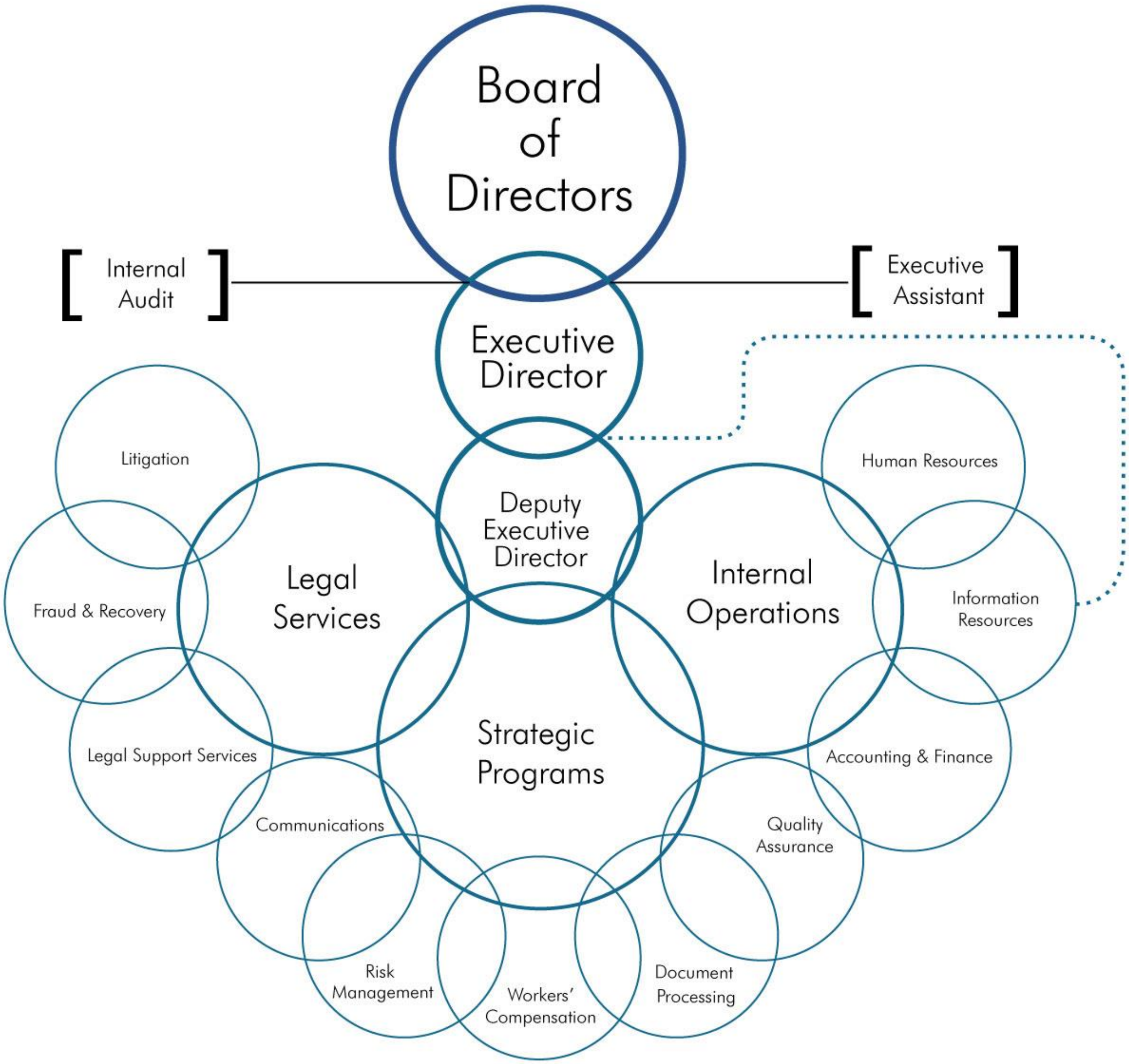
Staff reviewed and submitted ongoing strategies for evaluation by executive management for incorporation into the updated plan. Information pertaining to prior and recent legislative actions, agency initiatives, and customer service surveys were discussed and incorporated into the strategic plan.

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

The draft was reviewed for compliance with published instructions and submitted to the Chair of the Board for approval. The updated Strategic Plan was finalized and submitted on July 7, 2014.

APPENDIX B

ORGANIZATIONAL CHART



APPENDIX C

SORM'S PROJECTED OUTCOMES 2015-2019

Outcomes	2015	2016	2017	2018	2019
Incident rate of injuries and illnesses per 100 covered full-time state employees	3.65%	3.70%	3.75%	3.80%	3.80%
Cost of workers' compensation per covered state employee	$242	$245	$248	$251	$255
Cost of workers' compensation per $100 State payroll*	$0.68	$0.69	$0.70	$0.71	$0.72

*See Performance Measure Definition Goal 1, Objective 2, Outcome 2 (Page 43)

APPENDIX D

PERFORMANCE MEASURE DEFINITIONS

Measure: Incident rate of injuries and illnesses per 100 covered full-time state employees.

Goal - 01 Objective - 01 Type - Outcome 01

Short Definition: Number of accepted on-job injuries and illnesses divided by the total number of state employees (measured by full-time equivalents) multiplied by 100. SORM may estimate fourth-quarter FTE data where the actual FTE data is not available at the time the report is due.

Purpose/Importance: This key outcome measure provides an objective measure of the results of implementation of covered state agencies risk management plans and the results of SORM's risk management program. The injury frequency rate is important as it reflects not only the effectiveness of SORM's risk management program identifying risks to covered state agencies, but also reflects covered state agencies actions in regards to implementation of SORM recommendations to control and correct the conditions that lead to injured state employees.

Source/Collection of Data: Workers' compensation claims are opened and entered in the SORM Claims Management System (CMS) as reports of injuries (DWC-1 forms) are filed by covered state agencies. These reported claims are investigated and accepted or denied. The State Auditor's Office Classification Division collects full-time employee data from covered state agencies, which is shared with SORM.

Method of Calculation: Number of reported on-job injuries and illnesses accepted divided by the total number of state employees (measured by full-time equivalents) multiplied by 100.

Data Limitations: The accuracy of this measure is dependent upon injuries being reported promptly and the FTE data being reported accurately to the State Auditor's Office.

Calculation Type: Non-cumulative

New Measure: No

Key Measure: Yes

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of written risk management program reviews conducted.

Goal - 01 Objective - 01 Strategy - 01 Type - Output 01

Short Definition: A risk management program review is a review and evaluation of a covered state agency's written risk management plan and program compared against SORM risk management guidelines. The results of a review is evidenced by a written report issued by SORM whereby the agency's plan is certified or not certified to be in accordance with SORM risk management guidelines.

Purpose/Importance: This output measure of the risk management strategy compares the actual number of risk management program reviews against the targeted number of reviews. It provides documentation that a covered state agency's risk management plan and program meet the requirements of the SORM risk management guidelines.

Source/Collection of Data: SORM database***.***

Method of Calculation: Summation of the number of complete risk management program reviews conducted. A review is considered complete when the written report has been completed and sent to the agency.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: Yes

Desired performance: Equal to or above target level.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of On-site Consultations conducted.

Goal - 01 Objective - 01 Strategy - 01 Type - Output 02

Short Definition: An on-site consultation is a site visit at a covered state agency's physical location or facility. The consultation provides risk management services to identify and expose risk exposures and to suggest risk prevention and control measures or techniques that may be implemented by the covered agency to prevent or reduce claims and losses.

Purpose/Importance: This output measure reports the number of covered state agencies provided assistance in the identification and assessment of specific risk exposures and recommendations to prevent or reduce claims and losses.

Source/Collection of Data: SORM database.

Method of Calculation: Summation of the on-site consultation visits conducted for the period reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: Yes

Desired performance: Equal to or higher than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of risk management training sessions conducted.

Goal - 01 Objective - 01 Strategy - 01 Type - Output 3

Short Definition: The number of training sessions conducted for eligible state agencies. Training sessions address issues relating to property, liability, or workers' compensation exposures or losses.

Purpose/Importance: This output measure compares the actual number of training sessions conducted to the planned number of training sessions.

Source/Collection of Data: SORM database.

Method of Calculation: Training sessions conducted for eligible state agencies are entered in a database. The sessions conducted during the period reported are summed and reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: No

Desired performance: Equal to or higher than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Cost per hour of direct risk management service provided.

Goal - 01 *Objective - 01* *Strategy - 01* *Efficiency - 01*

Short Definition: The total cost of the risk management strategy divided by the number of direct hours of risk management services provided. Direct hours are defined as hours spent preparing, conducting, and reporting upon risk management services provided. Non-direct hours include all staff hours charged to leave categories and hours of training received by risk management staff.

Purpose/Importance: This efficiency measure provides information to compare the direct cost of service provided. It is important as it can point to excessive overhead and can be used to compare the governmental cost of risk management services to private sector costs for equivalent services.

Source/Collection of Data: SORM database.

Method of Calculation: Hours of risk management services are categorized by agency and whether the hours are direct or non-direct service. Total costs (expenditures) of the risk management strategy are divided by the number of direct service hours to derive the actual cost per direct service hour.

Data Limitations: Errors could occur in data entry of hours charged. Expenditure data could be subject to potential coding errors or accruals.

Calculation Type: Non-cumulative

New Measure: No

Key Measure: No

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Percentage of total assessments collected used for claim payments.

Goal - 01 Objective - 01 Strategy - 01 Type - Explanatory 02

Short Definition: The annual amount of claim costs divided by the total amount collected for workers' compensation payments through annual assessments to covered state agencies.

Purpose/Importance: This explanatory measure for the workers' compensation payments strategy indicates the amount (expressed as a percentage) of the total assessments actually necessary for cash-basis claim payments for the fiscal year. It provides an indicator of the accuracy of the actuarial projection used to determine the total assessment amount.

Source/Collection of Data: SORM database.

Method of Calculation: Annual net claim cash payments (numerator) divided by the total workers' compensation portion of assessments collected (denominator).

Data Limitations: None

Calculation Type: Non-cumulative

New Measure: No

Key Measure: No

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Cost of workers' compensation per covered State employee.

Goal - 01 Objective - 02 Outcome - 01

Short Definition: The total cost of the workers' compensation program divided by the number of covered state employees. Total cost includes claims expenditures, cost containment expenditures, and administrative costs.

Purpose/Importance: This outcome measure of the workers' compensation strategy provides the dollar cost of workers' compensation cost per covered state employee. This measure can be used to provide the overall trend of workers' compensation cost when plotted with prior period calculations.

Source/Collection of Data: SORM database, SAO Quarterly Report of Full-Time Equivalent State Employees, OAG budget reports of actual and forecast expenditures.

Method of Calculation: Expenditures for the workers' compensation strategy (numerator) divided by the number for full-time equivalent state employees.

Data Limitations: Accuracy of the number of full-time equivalent state employees is subject to limitations in accuracy of data reported to the State Auditor's Office. Expenditure data is forecast upon information available at the time of reporting.

Calculation Type: Non-cumulative

New Measure: No

Key Measure: Yes

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Cost of workers' compensation per $100 State payroll.

Goal - 01 Objective - 02 Outcome - 02

Short Definition: The total cost of the workers' compensation program divided by the dollar amount of payroll processed through the state treasury for covered agencies, multiplied by 100. Total cost includes claims expenditures, cost containment expenditures, and administrative costs.

Purpose/Importance: This measure provides the dollar cost of workers' compensation per $100 state payroll. This measure can be used to provide the overall trend of workers' compensation cost when plotted with prior period calculations and to provide a comparison to the cost for workers' compensation by the private sector.

Source/Collection of Data: SORM database, annual payroll information from the Comptroller's Office, actual and forecast expenditures from OAG budget reports or database.

Method of Calculation: Expenditures for workers' compensation (numerator) divided by the dollar amount of state payroll for covered agencies (denominator) multiplied by 100.

Data Limitations: Administrative expenditure data is forecast upon information available at the time of reporting. Because the payroll data is limited to funding processed through the treasury, most local funding and the payroll of county Community Supervision and Corrections Departments will be excluded from the calculation. Because the State administers its workers' compensation on a cash basis, significant changes in cumulative payroll or workers' compensation claims will take 6 months to 2 years to be reflected in changes to the cost of workers' compensation coverage, producing fluctuation in the calculated value.

Calculation Type: Non-cumulative

New Measure: No

Key Measure: Yes

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of initial eligibility determinations made.

Goal - 01 Objective - 02 Strategy - 01 Type - Output 01

Short Definition: Number of claims accepted or denied.

Purpose/Importance: This output measure of the workers' compensation strategy is an indicator of workload during the period reported.

Source/Collection of Data: State workers' compensation mainframe report.

Method of Calculation: Summation of claim denials or acceptances made during the period reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: No

Desired performance: Lower than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of medical bills processed.

Goal - 01 Objective - 02 Strategy - 01 Type - Output 02

Short Definition: Number of medical bills processed includes those bills paid, denied, or returned to the medical provider as incomplete.

Purpose/Importance: This output measure of the workers' compensation strategy is an indicator of workload processed for the period reported.

Source/Collection of Data: SORM database.

Method of Calculation: Sum of medical bills processed during the period reported.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: Yes

Desired performance: Higher than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Number of indemnity payments paid.

Goal - 01 Objective - 02 Strategy - 01 Type - Output 03

Short Definition: Number of wage replacement payments made.

Purpose/Importance: This is an output measure of the workers' compensation strategy. It provides an indicator of the workload during the period reported.

Source/Collection of Data: SORM database.

Method of Calculation: Sum of the number of indemnity payments paid during the period.

Data Limitations: None

Calculation Type: Cumulative

New Measure: No

Key Measure: Yes

Desired performance: Higher than target.

PERFORMANCE MEASURE DEFINITIONS

Measure: Average cost to administer a claim.

Goal - 01 Objective - 02 Strategy - 01 Type - Efficiency 03

Short Definition: The total cost of the workers' compensation strategy divided by the number of claims administered during the period expenditures were incurred. Total cost includes SORM workers' compensation administrative costs but excludes indemnity and medical provider payments.

Purpose/Importance: This efficiency measure of the workers' compensation strategy provides an indicator of relative efficiency when compared to the target and prior period reported measures.

Source/Collection of Data: SORM database, actual and projected expenditure reports.

Method of Calculation: The ratio of funds expended per claim administered is calculated by summing the administrative expenditures of the workers' strategy (excluding indemnity and medical payments) and dividing this dollar amount by the number of claims administered during the period.

Data Limitations: Expenditure data (numerator) can be limited by the accuracy of accruals and potential errors in expenditure coding. The accuracy of the number of claims administered (denominator) can be affected by potential errors made in entering claims on the Claims Management System during the period.

Calculation Type: Non-cumulative

New Measure: No

Key Measure: Yes

Desired performance: Lower than target.

STATE OFFICE *of* RISK MANAGEMENT

WORKFORCE PLAN

Fiscal Years 2015 – 2019

I. Overview of Agency Scope and Functions

The State Office of Risk Management serves as the State's full service risk manager through the administration of the State's governmental employee workers' compensation insurance program; sponsored lines of insurance, and risk exposure and continuity management, in a manner that balances consideration for the rights and needs of the state worker with the protection of the legitimate interests of the citizens of the State of Texas. This is a comprehensive approach that involves assessing and addressing risks that threaten the achievement of the State's strategic objectives.

The Office has seen the organizational change set forth in the last strategic plan, intended to enhance the ability to further the mission of the agency. The expertise and scope of risk management at the enterprise level, incorporating expansion through resource reallocation within the risk management department, particularly insurance and continuity efforts, is currently in process. The Office is currently exploring the possibility of sponsoring additional lines of insurance as it continues to review and analyze the State's need to transfer the cost of risk through insurance, and is encouraging consideration of state reserving and retentions.

The Office is administratively attached to the Office of the Attorney General. The Supply and Demand Analysis in this report does not reflect the significant contribution in administrative support (payroll and benefits administration, budgeting IT services, etc.) made by the OAG.

II. Mission Statement and Philosophy

Mission
The State Office of Risk Management will provide active leadership to enable State of Texas agencies to protect their employees, the general public, and the state's physical and financial assets by reducing and controlling risk in the most efficient and cost-effective manner.

Philosophy
The State Office of Risk Management will act in accordance with the highest standards of ethics, fairness, accountability and humanity for both our customers and our employees. Customer service is a cornerstone of our mission.

III. Core Business Functions

Strategy - Risk Management Program

The Office establishes statewide risk management guidelines; works with agencies to develop programs that meet the guidelines; conducts on-site risk management program reviews; sponsors various lines of insurance coverage to assist client agencies in financing their identified risks and provides additional assistance when requested. In that capacity, the Office serves as a full service insurance manager for participating agencies.

Strategy - Pay Workers' Compensation

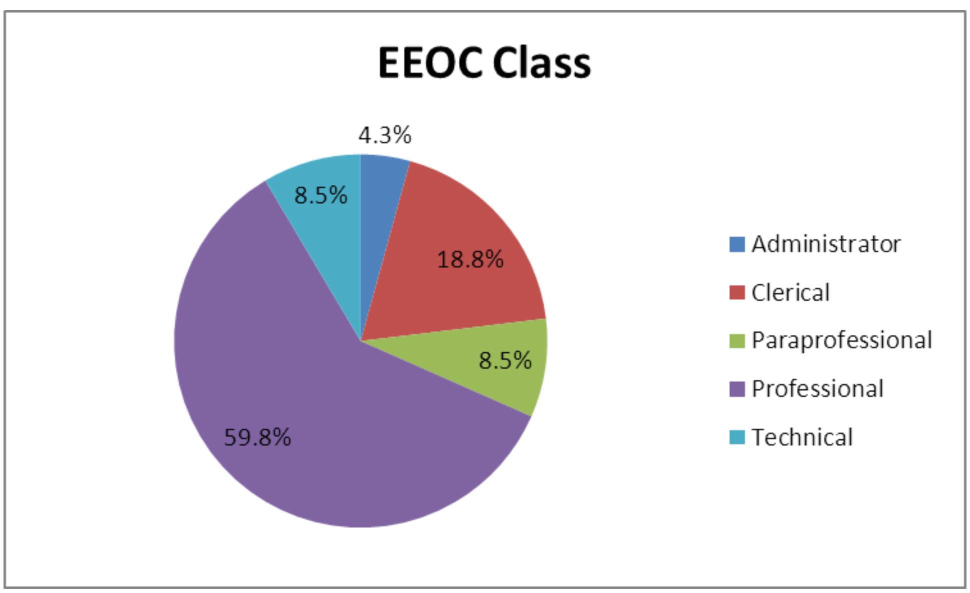
The Office manages all claims for workers' compensation in accordance with state law and administrative regulations, determines eligibility for medical and indemnity benefits, and determines the injured employee's weekly wage and indemnity payment rate.

IV. Anticipated Changes to the Mission, Strategies, and Goals over the Next Five Years

The Office does not anticipate changes in its mission, strategies or goals in the next five years. The Office intends to continue to enhance its ability to assist client state agencies in all areas of risk management.

V. Supply Analysis – Current Workforce Profile

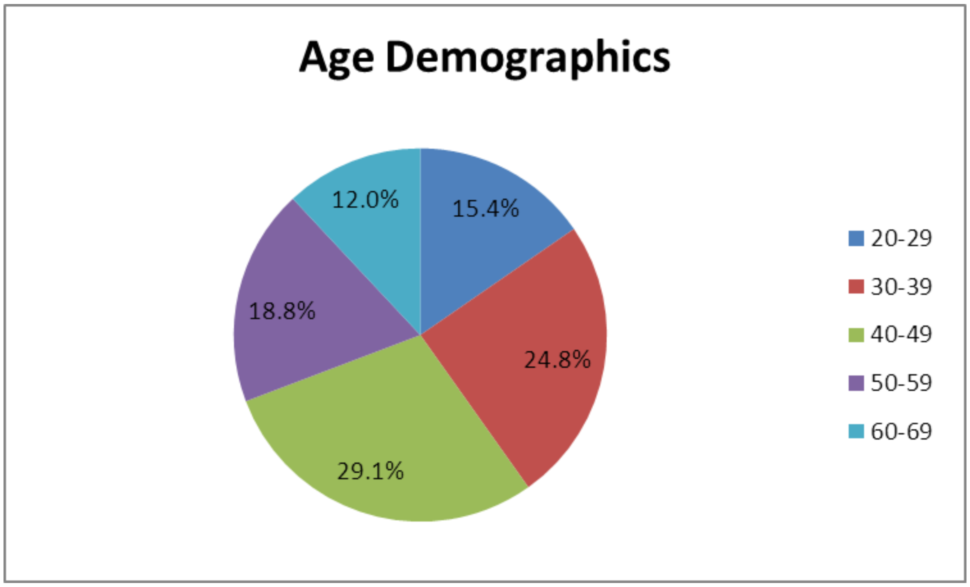
The Office is authorized 121.6 full-time equivalent (FTE) positions. Based on EEOC classifications, the current filled positions are allocated as follows:



Full reclassification review is currently underway as part of the restructuring of the agency, stage three, including both classification and pay.

The ethnicity of the agency breaks down as 2.6% Asian/Pacific Islander, 8.5% Black, 23.9% Hispanic and 65% White – non Hispanic. Gender distribution of Office staff is 73.5% female and 26.5% male. The average number of years staff has been with the Office is seven years.

Since the last Workforce Plan was submitted, the agency has become both more mature and more educated. The median age of a SORM employee is 43 years old, compared to 41 two years ago and 39 in 2010. Forty-nine percent of agency personnel have degrees, with 9% having advanced degrees.



Entry level claims adjusters earn $33,200 annually while managing relatively straight forward file loads; and, senior adjusters earn $52,100 and manage highly complex claims with potentially unlimited medical expenses which need to be closely monitored. The Office routinely loses experienced adjusters to the private sector for higher salaries, leaving less experience adjusters to handle claim files.

The Office's Risk Management Specialists touch all aspects of state agencies. They teach, assist, and consult with state agencies on ways to identify and avoid risk. Other positions in risk management and insurance all also prized in the private and public market.

"Pay and Benefits –Low scores suggest that pay is a central concern or reason for satisfaction or discontent. In some situations pay does not meet comparables in similar organizations. In other cases individuals may feel that pay levels are not appropriately set to work demands, experience and ability. Score – 234 (out of 500)."[3]

Continued loss of personnel in these key positions will result in an increase in costs to the State. The Office participates in the Survey on Employee Engagement. While the employees believe the work

3 *Survey on Employee Engagement*, University of Texas at Austin, School of Social Work, 2013

they do is important to the State, they overwhelming see pay and benefits as the biggest obstacle to continued employment with the Office.

The Office has lost multiple key staff through retirement during the past year, and an additional 25% of current staff will be eligible for retirement within the next five years. The loss of such a significant number of senior staff reemphasizes the importance of having the resources to attract and retain experienced, qualified personnel.

Current Workforce Skills

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

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

Agency employees also need skills in the following areas:

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

V. Demand Analysis – Future Workforce Profile

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

The Office anticipates the need for employees highly trained in the medical field. Both the Medical/Disability Management and Return-to-Work programs will depend on more staff possessing knowledge of occupational diseases and injuries, established treatment guidelines, and the analytical skill to recommend a course of action based on individual cases.

Performing the medical cost containment function in-house will increase the agency's need for personnel trained in medical cost containment.

Expanding the agency's online training by producing podcasts and training videos targeting relevant health and safety will require staff with skills in media editing, filming, and production.

An increased workload resulting from both increased participation and non-compliance in insurance purchases by client agencies will require skill sets in multiple lines of insurance and contract administration.

Professional certification and training for agency staff will validate the agency's credentials as a leader in risk management and claims administration. Industry trends are communicated effectively through participation in professional associations.

Additional programming and technology staff will be required to implement the new computer systems needed to conduct the critical business of the Office in the most efficient manner.

VII. Gap Analysis

The agency anticipates that evolving technology will continue to automate processes, requiring fewer employees with filing, data entry, and general clerical skills and more staff with the skills to fully make use of the agency's planned computer system enhancements.

Recruiting employees with training and experience in occupational medicine and treatment guidelines has been challenging, however, the agency will continue to pursue candidates with these critical skills.

Recruiting and retaining employees with enterprise risk management, business continuity and advanced commercial insurance experience has been challenging, however, the agency will continue to pursue candidates with these critical skills.

The agency realizes that in times of change and challenge, leadership on all levels is essential to success. Management staff will need to enhance managerial skills needed to motivate staff, manage change, communicate goals, and encourage innovation. Effective succession planning is essential in light of the impending retirement of so many of the Office's key staff.

The Office's inability to compete with private sector salaries and benefits greatly compromises its capability to meet the needs of the State with regard to comprehensive and effective risk management and claims administration.

VIII. Strategy Development

The Office has plans to enhance its computer systems to allow for greater efficiencies. Computer and technology proficiency is a standard for all jobs. All vacancies will require computer competency relative to the job. Current employees will be provided training that will improve work productivity and efficiency using automated processes.

To address the problem the agency has had recruiting qualified medical staff, the agency will continue to identify candidates through the hiring process, as well as provide training and mentoring to current staff to develop the skills necessary in the disability management and return to work programs.

Continue to concentrate on leadership development. The agency will periodically assess the leadership and development opportunities for all levels of management, including the Governor's

Center for Management Development. The agency will continue to encourage staff members to obtain professional certification, and support the agency's membership in professional organizations.

The Office will continue to seek ways to improve processes and maximize resources. However, attracting and retaining qualified staff is of the highest priority and benefit to the State of Texas. The inability to hire and retain experienced staff will result in an increase of risk to the State that is measured in dollars.

APPENDIX F

SURVEY ON EMPLOYEE ENGAGEMENT

In November, 2013, the Office participated in the seventh in a series of surveys designed to measure employee engagement. The Office had a high response rate, 85%, and scored high in comparison with agencies of similar size, mission, and all responders in all dimensions. Scores higher than 350 suggest employees perceive the issue more positively than negatively, and scores of 400 or higher indicate areas of substantial strength. The only scores lower than 350 were in the areas of flow of internal communications at 339 and fair pay, at 234.

The survey identified substantial strengths in physical environment (400), Strategic (how the organization responds to external influences, 388), and external communication (385).

Areas of concern are identified by the Survey as the lowest three scores received by the agency. Only two of SORM's three lowest scores fell below 350, the level at which employees perceive the issue more positively than negatively. As mentioned above, SORM's areas of concern are flow of internal communications and fair pay at 339 and 234, respectively.

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

SURVEY OF EMPLOYEE ENGAGEMENT

2013

State Office of Risk Management

Executive Summary

EMPLOYEE ENGAGEMENT
INSTITUTE FOR ORGANIZATIONAL EXCELLENCE

REPORT ID: 479

Executive Summary
Table of Contents

Institute for Organizational Excellence
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EMPLOYEE ENGAGEMENT
INSTITUTE FOR ORGANIZATIONAL EXCELLENCE

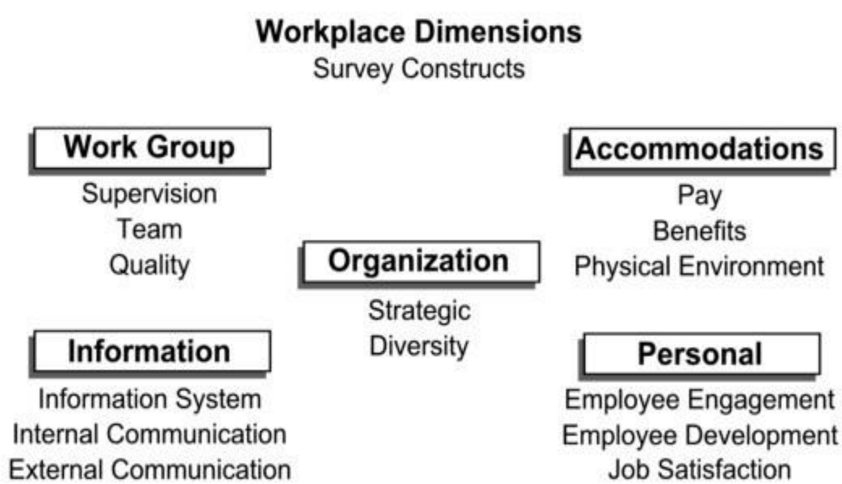
Introduction

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

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

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

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



Organization Profile

State Office of Risk Management

Organizational Leadership:

- Jonathan Bow, Executive Director

Benchmark Groups

The most current benchmark data are provided in your report. To get a better idea of how this organization compares to others like it, we provide three types of benchmark data: organizations with a similar size, similar mission, and organizations belonging to a special grouping.

The Benchmark Categories for this organization are:

- **Organization Size:** Size category 3 includes organizations with 101 to 300 employees.
- **Mission Category:** Mission 1/10 (General Government)
  The General Government category includes organizations involved in the general operating procedures of the government.
- **Special Grouping:** None

Survey Administration

Collection Period:
10-28-2013 through 11-15-2013

Additional Items and Categories (if applicable) may be used to target areas specific to the organization. Refer to the Appendix of the Data Report for a complete listing.

Category 1 (4 codes)
Category 2 (12 codes)
Category 3 (3 codes)

Survey Liaison:

Audrea Spakes (512)936-1564
Executive Assistant
300 W. 15th St, 6th Flr Austin, TX 78701
audrea.spakes@sorm.state.tx.us

Overall Score and Participation

Overall Score

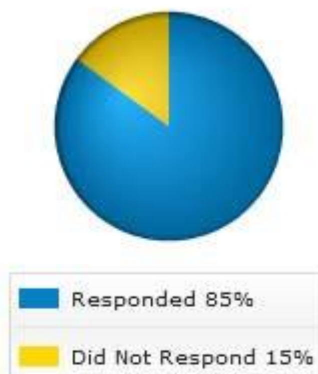
The overall survey score is a broad indicator for comparison with other entities. The Overall Score is an average of all survey items and represents the overall score for the organization. For comparison purposes, Overall scores typically range from 325 to 375.

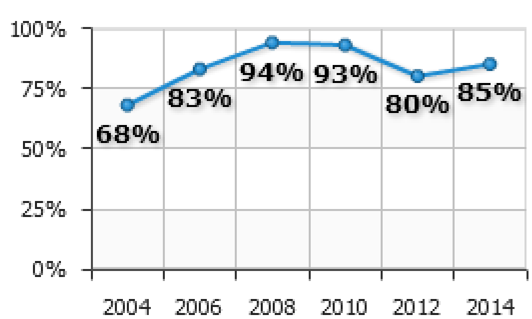
Response Rates

Overall Response Rate

Out of the 110 employees who were invited to take the survey, 93 responded. As a general rule, rates higher than 50 percent suggest soundness. Rates lower than 30 percent may indicate problems.

At 85%, your response rate is considered high. High rates mean that employees have an investment in the organization, want to see the organization improve, and generally have a sense of responsibility to the organization. With this level of engagement, employees have high expectations from Leadership to act on the survey results.





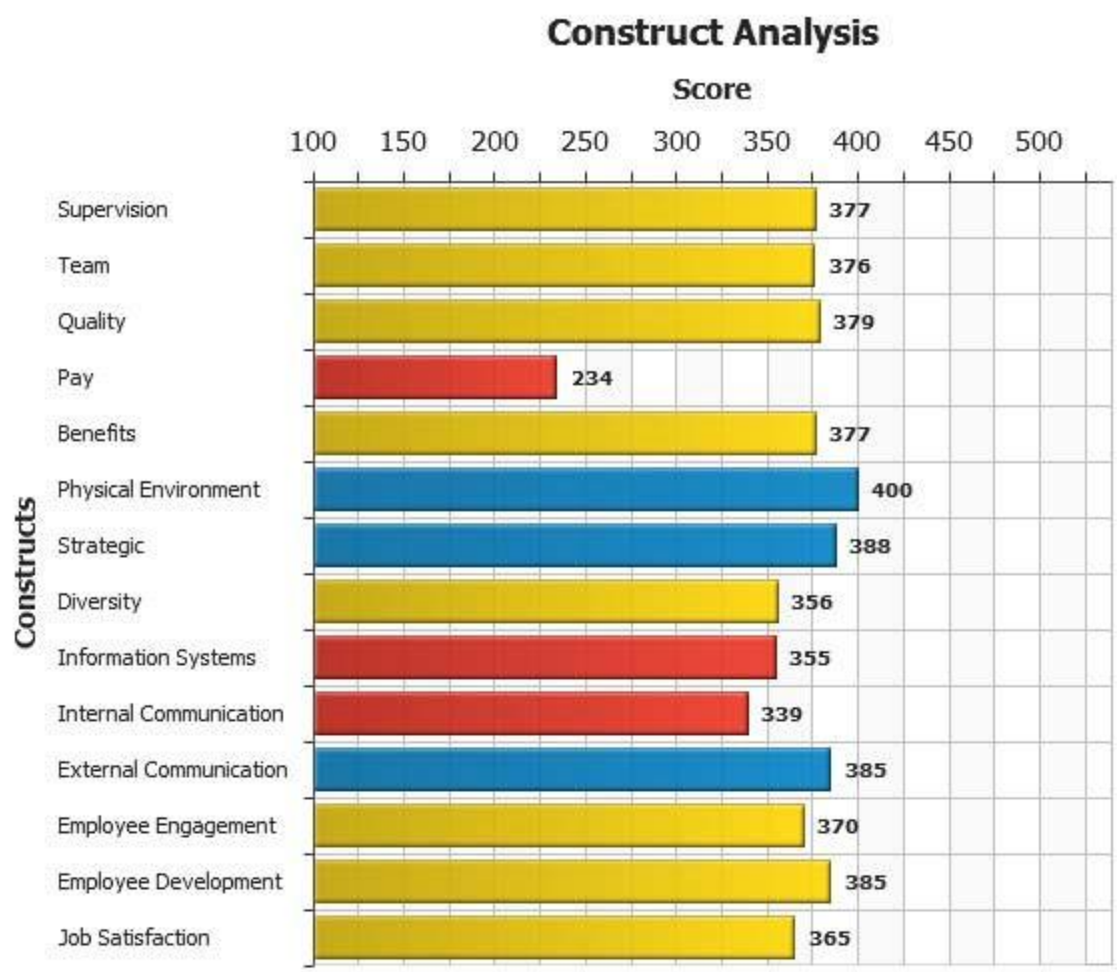
Response Rate Over Time

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

Construct Analysis

Constructs have been color coded to highlight the organization's areas of strength and areas of concern. The 3 highest scoring constructs are blue, the 3 lowest scoring constructs are red, and the remaining 8 constructs are yellow.

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



Organizational Typology: Areas of Strength

The following Constructs are relative strengths for the organization:

Physical Environment Score:400

The Physical Environment construct captures employees' perceptions of the total work atmosphere and the degree to which employees believe that it is a 'safe' working environment. This construct addresses the 'feel' of the workplace as perceived by the employee.

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

Strategic Score:388

The Strategic construct reflects employees' thinking about how the organization responds to external influences that should play a role in defining the organization's mission, vision, services, and products. Implied in this construct is the ability of the organization to seek out and work with relevant external entities.

High scores indicate employees view the organization as able to quickly relate its mission and goals to environmental changes and demands. It is viewed as creating programs that advance the organization and having highly capable means of drawing information and meaning from the environment. Maintaining these high scores will require leadership to continually assess the ability of the organization and employees at all levels to test programs against need and to continue to have rapid feedback from the environment.

External Communication Score:385

The External Communication construct looks at how information flows into the organization from external sources, and conversely, how information flows from inside the organization to external constituents. It addresses the ability of organizational members to synthesize and apply external information to work performed by the organization.

High scores indicate that employees view their organization as communicating effectively with other organizations, its clients, and those concerned with regulation. Maintaining these high scores will require leadership to be alert to change and maintain strong and responsive tools to assess the external environment.

Organizational Typology: Areas of Concern

The following Constructs are relative concerns for the organization:

Pay **Score: 234**

The Pay construct addresses perceptions of the overall compensation package offered by the organization. It describes how well the compensation package 'holds up' when employees compare it to similar jobs in other organizations.

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

Internal Communication **Score: 339**

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

Average scores suggest that employees feel information does not arrive in a timely fashion and often it is difficult to find needed facts. In general, Internal Communication problems stem from these factors: an organization that has outgrown an older verbal culture based upon a few people knowing how to work the system , lack of investment and training in modern communication technology and, perhaps, vested interests that seek to control needed information. Triangulate low scores in Internal Communication by reviewing existing policy and procedural manuals to determine their availability. Assess how well telephone systems are articulated and if e-mail, faxing, and Internet modalities are developed and in full use.

Information Systems **Score: 355**

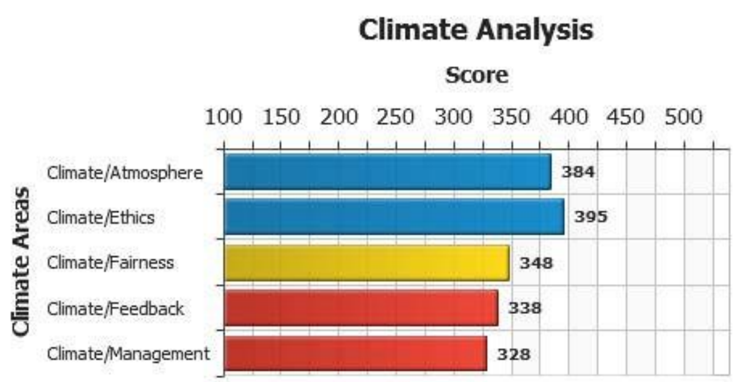
The Information Systems construct provides insight into whether computer and communication systems enhance employees' ability to get the job done by providing accessible, accurate, and clear information. The construct addresses the extent to which employees feel that they know where to get needed information, and that they know how to use it once they obtain it.

Average scores suggest that room for improvement exists and there is frustration with securing needed information. In general, a low score stems from these factors: traditional dependence on word of mouth, low investment in appropriate technology, and possibly some persons using their control of information to control others. Remedying Information Systems problems requires careful study to determine the correct causative factors. Have each program group list what information is needed and how they access it. Use the employee feedback sessions to make a more complete determination of the factors that influence your Information Systems score.

Climate Analysis

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

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



Climate Definitions:

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

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

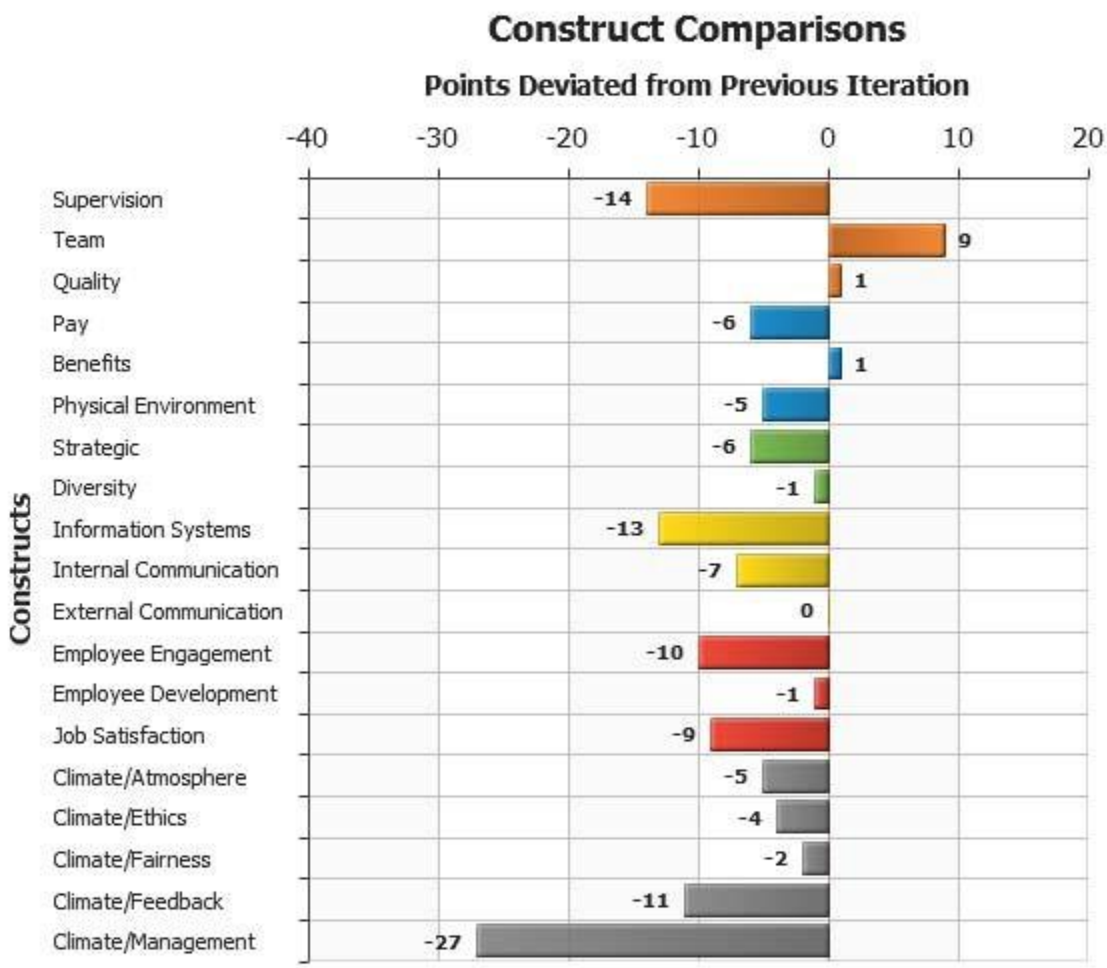
Fairness: Fairness measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.

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

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

Over Time Comparisons

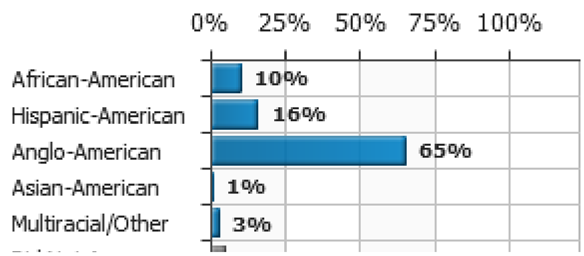
One of the benefits of continuing to participate in the survey is that over time data shows how employees' views have changed as a result of implementing efforts suggested by previous survey results. Positive changes indicate that employees perceive the issue as adequately improved since the previous survey. Negative changes indicate that the employees perceive that the issue has worsened since the previous survey. Negative changes of greater than 50 points and having 10 or more negative construct changes should be a source of concern for the organization and should receive immediate attention.



Participant Profile

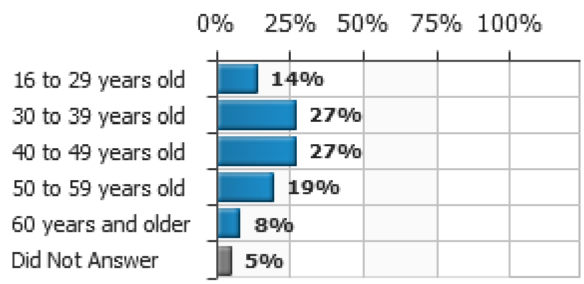
Demographic data helps one to see if the Survey response rate matches the general features of all employees in the organization. It is also an important factor in being able to determine the level of consensus and shared viewpoints across the organization. It may also help to indicate the extent to which the membership of the organization is representative of the local community and those persons that use the services and products of the organization.

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



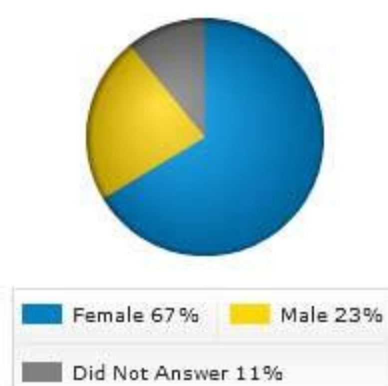
Age

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



Gender

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



Benchmark Data and Other Resources

Benchmark Categories:

Benchmark Data composed of the organizations participating in the survey are provided in your reports. Benchmarks are used to provide a unit of comparison of organizations of similar mission and size. If you selected to use organizational categories, internal benchmarks between categories as well as over time data illustrate differences and changes along item and construct scores. Our benchmark data are updated every two years and are available from our website at www.survey.utexas.edu.

Reporting and Other Resources:

A Data Report accompanies this summary. The data report provides greater detail than the executive summary. The data report is largely a quantitative report of the survey responses. Demographic data are presented in percentages and real numbers. Construct means and benchmark comparison numbers are provided on all variables. Item data are broken into mean, frequency counts, standard deviations, and number of respondents. Item benchmark data are also displayed.

Electronic Reports are provided in two formats. First, all executive and data reports are included in pdf files for ease in distribution and for clear printability. This file format is widely used, and a free pdf reader called Adobe Acrobat reader is available from www.adobe.com. The second type of electronic reports are in Microsoft Excel format. These reports are construct and item survey data in a flat spreadsheet format. This allows the user to sort highs and lows, search for individual items, or create custom reports from the survey data.

Using the Survey as a Catalyst for organizational improvement is essential to the survey process. The survey creates momentum and interest. At the end of the executive summary report is a series of suggested next steps to assist in these efforts.

Additional Services are available from our group. We conduct 360-Degree leadership and supervisory evaluations, special leadership assessments, customer and client satisfaction surveys along with the ability to create and administer a variety of custom hardcopy and online survey instruments. Consultation time for large presentations, focus groups, or individual meetings is available as well. For additional information, please contact us at anytime.

Next Steps: Interpretation and Intervention

After the survey data has been complied, the results are returned to the survey liaison, executive director, and board or commission chair approximately one to two months after data collection stops. These individuals are strongly encouraged to share results with all survey participants in the organization. Survey results are provided in several formats to provide maximum flexibility in interpreting the data and sharing the data with the entire organization. The quick turnaround in reporting allows for immediate action upon the results while they are still current.

The Executive Summary provides a graphical depiction of the data. Graphical data can easily be reproduced in a company newsletter or website. For additional detailed data, the Data Report is useful for examining survey data on the individual item level. Response counts, averages, standard deviations, and response distributions are provided for each item. Excel files provide electronic access to scores. Scores can be sorted in various ways to help determine strengths and areas of concern. The electronic data can also be used by Excel or other software to create additional graphs or charts. Any of these formats can be used alone or in combination to create rich information on which employees can base their ideas for change.

Benchmark data provide an opportunity to get a true feel of the organization's performance. Comparing the organization's score to scores outside of the organization can unearth unique strengths and areas of concern. Several groups of benchmarks are provided to allow the freedom to choose which comparisons are most relevant. If organizational categories were used, then internal comparisons can be made between different functional areas of the organization. By using these comparisons, functional areas can be identified for star performance in a particular construct, and a set of best practices can be created to replicate their success throughout the organization.

These Survey Data provide a unique perspective of the average view of all participants. It is important to examine these findings and take them back to the employees for interpretation and to select priority areas for improvement. This is an opportunity for the organization to recognize and celebrate areas that members have judged to be areas of relative strength. By seeking participation and engaging people on how the organization functions, you have taken a specific step in increasing organizational capital. High organizational capital means high trust among employees and a greater likelihood of improved efforts and good working relationships with clients and customers.

Ideas for getting employees involved in the change process:

- Hold small focus groups to find out how the employees would interpret the results Conduct
- targeted follow-up surveys to collect additional information including comments Provide
- employees with questionnaires/comment cards to express their ideas

Ideas for sharing data with the organization:

- Publish results in an organizational newsletter or intranet site Discuss
- results in departmental meetings
- Create a PowerPoint presentation of the results and display them on kiosks

Timeline

December and January: Interpreting the Data

- Data are returned to survey liaisons, executive directors and board members Review
- Survey data including the Executive Summary with executive staff
- Develop plans for circulating all the data sequentially and provide interpretations for all staff

February: Distributing Results to the Entire Organization

- Implement the plans for circulating the data to all staff
- Create 3 to 4 weekly or monthly reports or organization newsletters
- Report a portion of the constructs and items, providing the data along with illustrations pertinent to the organization
- Select a time to have employees participate in a work unit group to review the reports as they are distributed to all staff, with one group leader assigned to every group. The size of the groups should be limited to about a dozen people at a time. A time limit should be set not to exceed two hours.

March: Planning for Change

- Designate the Change Team composed of a diagonal slice across the organization that will guide the effort
- Identify Work Unit Groups around actual organizational work units and start each meeting by reviewing strengths as indicated in the data report. Brainstorm on how to best address weaknesses
- Establish Procedures for recording the deliberations of the Work Unit Group and returning those data to the Change Team
- Decide upon the Top Priority Change Topic and Methods necessary for making the change. Web-based Discussion Groups and Mini-Surveys are convenient technologies First change
- effort begins
- Repeat for the next change target

April and Beyond: Implementation and Interventions

- Have the Change Team compile the Priority Change Topics and Methods necessary for making the change and present them to the executive staff
- Discuss the administrative protocols necessary for implementing the changes Determine
- the plan of action and set up a reasonable timeline for implementation
- Keep employees informed about changes as they occur through meetings, newsletters, or intranet publications
- Resurvey to document the effectiveness of the change

HISTORICALLY UNDERUTILIZED BUSINESS PLAN

Outcome	2014	2015	2016	2017	2018	2019
Goal: Increase the use of Historically Underutilized Businesses						
% of the total dollar value of agency procurements awarded to HUBS for Special Trade Construction	N/A	N/A	N/A	N/A	N/A	N/A
% of the total dollar value of agency procurements awarded to HUBS for Professional Services	23.60%	23.60%	23.60%	23.60%	23.60%	23.60%
% of the total dollar value of agency procurements awarded to HUBS for CPA defined Other Services	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
% of the total dollar value of agency procurements awarded to HUBS for Commodities	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%

Agency Code: 479 **Agency Name: State Office of Risk Management**
Agency 479

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS
A. Fiscal Year 2010-2011 HUB Expenditure Information

Procurement Category	Statewide HUB Goals	Total HUB Expenditures FY 2012		Total Expenditures FY 2012	Total HUB Expenditures FY 2013		Total Expenditures FY 2013
		HUB%	HUB$		HUB%	HUB$	
Heavy Construction	11.9%	N/A	N/A	N/A	N/A	N/A	N/A
Building Construction	26.1%	N/A	N/A	N/A	N/A	N/A	N/A
Special Trade Construction	57.2%	N/A	N/A	N/A	N/A	N/A	N/A

Professional Services	20.0%	100.0%	$13,835	$13,835	100.0%	$20,560	$20,560
Other Services	33.0%	1.22%	$22,371	$1,840,406	2.15%	$35,352	$1,645,031
Commodities	12.6%	41.0%	$2,573	$6,281	86.04%	$32,042	$37,240
Total Expenditures		**16.6%**	**$38,779**	**$1,860,522**	**5.17%**	**$87,954**	**$1,702,831**

B. Assessment of Fiscal Year 2012-2013 Efforts to Meet HUB Procurement Goals

Attainment:

The agency exceeded two of three, or 67% of the applicable statewide HUB procurement goals in FY 2012.

The agency exceeded two of the three or 67% applicable statewide HUB procurement goals in FY 2013.

Applicability:

The Heavy Construction, Building Construction, or Special Trades categories are not applicable to agency operations.

Factors Affecting Attainment:

Other Services

SORM has been authorized by the Legislature to procure statewide insurance contracts which state agencies and universities may utilize in order mitigate risk and save taxpayer dollars. This has presented a challenge to the agency as the Insurance industry's business practices do not readily lend themselves to subcontracting opportunities.

The purchase of an insurance policy is an intangible product, unlike purchasing a commodity or a service. Most policy services are conventionally provided internally in the insurance industry. This, coupled with the scope of exposures presented by the State of Texas, does limit the number of available markets and thus subcontracting opportunities.

SORM's Cost Containment, Director's and Officer's, Property, and Volunteer Insurance contracts are the largest that the agency awards. All were awarded to Non HUB vendors performing the work without subcontracting. There are a limited number of HUB vendors who may submit bids as Prime contractors for large insurance contracts.

“Good Faith” Efforts:

The SORM attained an overall HUB percentage of 16.6% in FY 2012 and 5.17% in FY 2013. SORM’s written purchasing procedures require solicitation of HUB vendors and include HUB Subcontracting Plans for purchases over $100,000 over the term of the contract including any renewals.

In order to meet the requirements of TAC Rule §20.13 SORM developed its own HUB goals consistent with the Disparity Study findings and the agency's unique purchasing requirements.

Outreach:

Distributed literature and bid opportunities at HUB outreach events.

Developed and maintained ongoing communication with organizations that serve small, minority, and women-owned businesses and informed them of bid opportunities.

Assisted HUBs by distributing bid and Pre-Bid conference information with the intent of finding partners with Prime vendors.

SORM's first Mentor-Protégé team was submitted to the Comptroller of Public Account's Statewide HUB Program during FY 2010 and continues through the current fiscal year.

Subcontracting

Reported $16,203.06 in subcontracting during FY 2012 and $17,655.15 in subcontracting during FY 2013 through the Automobile Insurance contract.

In-Reach:

Provided a "Best Practices HUB Subcontracting Highlights" training to all SORM Program Managers, Contract Managers, Executive Director and General Counsel focusing on contracts of $100,000 or more over the life of the contract and best practices to enable the agency to meet all requirements of TGC §2161 and TAC Rule §20.14 related to compliance with HUB plans submitted to the agency.

Other:

SORM has an InterAgency Contract to receive HUB coordination services through the OAG's HUB Program coordinator and the OAG's Purchasing Department to comply with HUB requirements.

SORM recognizes that the services provided by the OAG HUB Program (including Mentor Protégé Program) are conducted on a daily basis for the benefit of SORM.