

State Office of Risk Management



Strategic Fiscal Review
2019

TABLE OF CONTENTS

Program Structure	1
Program Details and Service Populations & Demands	4
Program Activities.....	39
Programs by Strategy.....	51
Strategy Details	56
Contracts by Program	58
Audits, Reviews, And Evaluations	61
Revenue Collections by Program	67
Alternative Funding.....	73
LBB Defined Alternative Funding	77

Program Structure

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

PROGRAM NAME:	Enterprise Risk Management	RANK:	1
DESCRIPTION:	Assists state entities in establishing and maintaining comprehensive risk management programs designed to control, reduce, and finance risk.		
LEGAL AUTHORITY:			
STATE:	Risk Management - Labor Code Sections 412.011(b)(1), (b)(4), (b)(5), (b)(6), (b)(8), and (c)(1) Performance Measure # of Risk Management Training Sessions Conducted Executive Order GWB 95-8 The GAA, Article IX, Section 15.02		
FEDERAL:	NA		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	1998
<u>ACTIVITIES:</u>	Enterprise Risk Management		
PROGRAM NAME:	Continuity of Operations Planning	RANK:	2
DESCRIPTION:	Assist with the development of continuity of operations plans, create guidelines & models for key elements for the plans, & assist entities to ensure plans are workable		
LEGAL AUTHORITY:			
STATE:	Labor Code Sections 412.011(f) and (g) and 412.054.		
FEDERAL:	N/A		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	2008
<u>ACTIVITIES:</u>	Continuity of Operations Planning		
PROGRAM NAME:	Insurance Purchasing	RANK:	3
DESCRIPTION:	Performs comprehensive reviews of proposed insurance purchases submitted by applicable state entities for sponsored and non-sponsored lines of insurance.		
LEGAL AUTHORITY:			
STATE:	Labor Code, Ch. 412.011 (a),(b)(1),(2),(3),(c)(2),(d),(e) Labor Code, Ch. 412.041 (b) Labor Code, Ch. 412.051		
FEDERAL:	NA		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	2003
<u>ACTIVITIES:</u>	Insurance Purchasing		

Program Structure

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

PROGRAM NAME:	Workers' Compensation Claims Operations	RANK:	4
DESCRIPTION:	Administers the state workers' compensation program including investigating injury claims, determining indemnity and medical benefits for claims, and maintaining a customer service call center to provide claims processing information		
LEGAL AUTHORITY:			
STATE:	Labor Code Sections 412.011(b)(7), (b)(8), 412.041(e); Labor Code, Ch. 501; Tex. Constitution, Art 3, Sec. 59. The GAA, Article IX, Section 15.02		
FEDERAL:	NA		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	1998
<u>ACTIVITIES:</u>	Workers' Compensation Claims Operations		
PROGRAM NAME:	Workers' Compensation Payments: Indemnity Payments	RANK:	5
DESCRIPTION:	Provides indemnity payments to approved workers' compensation claimants.		
LEGAL AUTHORITY:			
STATE:	Labor Code, Ch. 409		
FEDERAL:	NA		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	1998
<u>ACTIVITIES:</u>	Workers' Compensation Payments: Indemnity Payments		
PROGRAM NAME:	Workers' Compensation Payments: Medical Payments	RANK:	6
DESCRIPTION:	Provides payments to medical providers and related parties for approved workers' compensation claimants, excluding direct indemnity payments to the claimant.		
LEGAL AUTHORITY:			
STATE:	Labor Code Sections 408.021 and 408.027; 28 Texas Administrative Code Chapter 133		
FEDERAL:	NA		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	1998
<u>ACTIVITIES:</u>	Workers' Compensation Payments: Medical Payments		
PROGRAM NAME:	Contracted Medical Cost Containment	RANK:	7

Program Structure

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

DESCRIPTION: Contracts with medical cost containment vendors that provide a workers' compensation health care network, process pre-authorization requests for medical procedures, audit medical bills to comply with fee guidelines, act as a pharmacy benefit manager, and provide ancillary services.

LEGAL AUTHORITY:

STATE: Labor Code Section 412.041(d). Rider 7 in SORM's appropriations bill pattern was added per HB 1, by the 72nd Legislative in the 1st Special Session, to be effective on Sept. 1, 1991. The first report on the effectiveness of cost containment services was due within 45 days after the close of the FY

FEDERAL: NA

SERVICE AREA: Statewide

FISCAL YEAR PROGRAM IMPLEMENTED: 1998

ACTIVITIES:

Contracted Medical Cost Containment

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

PROGRAM NAME:	Enterprise Risk Management	RANK:	1
DESCRIPTION:	Assists state entities in establishing and maintaining comprehensive risk management programs designed to control, reduce, and finance risk.		
LEGAL AUTHORITY:			
STATE:	Risk Management - Labor Code Sections 412.011(b)(1), (b)(4), (b)(5), (b)(6), (b)(8), and (c)(1) Performance Measure # of Risk Management Training Sessions Conducted Executive Order GWB 95-8 The GAA, Article IX, Section 15.02		
FEDERAL:	NA		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	1998

Describe the populations and needs that the program serves:

The Office provides access to risk management and insurance services to 127 state entities, which includes courts and institutions of higher education as well as Windham School District within the Department of Criminal Justice, and 123 community supervision and corrections departments.

Risk Management assists state entities in establishing and maintaining comprehensive risk management programs designed to control, reduce, and finance risk. Risk Managers implement statewide guidelines and are instrumental in assisting state entities in identifying and managing enterprise risks at all levels of operations.

Describe how the program has changed since its initial implementation:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

When the State Office of Risk Management was created in 1997, in addition to expenditure authority appropriated by the Legislature, the Office was funded by three mechanisms: through interagency contracts with state agencies for the risk management program, direct general revenue, and monies recovered from a third party through subrogation.

In 2001, Article 14 of HB 2600 required the Office to establish a cost-allocation program for the payment of workers' compensation claims and risk management services. The rules for the risk allocation program, 28 TAC Chapter 251, Subchapter E, were adopted to (1) equitably distribute the cost of funding workers' compensation losses, the cost of administering claims, and the cost of providing loss control services to participating state agencies; (2) encourage the development and implementation of risk management programs and practices designed to minimize occupational injuries and illnesses; protect state property; and provide appropriate safety and health training for all state employees; (3) pool large and small risks to enable catastrophic loss(es) to be spread throughout all participating state agencies; and (4) encourage compliance with the Office's regulations, policies, and programs.

SORM began the "reallocation" process in conjunction with the Comptroller and LBB whereby the General Revenue appropriated to the Office was reapportioned to participating agencies as part of each of those agencies' baselines.

The FY2004 risk assessment allocation for claim payments was approximately \$78.6 million. Despite actuarial projections that workers' compensation claims costs would continue to increase by several million each year after reaching \$70 million in FY2003, by the end of FY2004, claims costs had decreased to \$55.8 million. Ten percent of the \$78.6 million total was carried forward to reduce the cash basis assessment total for the next fiscal year and approximately \$15.6 million was returned to participating entities.

GAA Article IX, Rider 15.02, was modified effective for the 2008-2009 biennium. This non-discretionary transfer provision staggers the assessment allocation payments. Now, participating entities pay seventy-five percent of their assessment at the beginning of the fiscal year. The remaining amount due from each entity, if any, is calculated and collected during the final four months of the fiscal year.

The Office continued to receive direct GR for funding the administration of workers' compensation until FY2006 when a portion (\$2.5 million) was funded by inclusion in the assessments. Assessment funding continued to replace GR until FY2010 when the Office became entirely funded through the annual assessment. Starting in FY2012 the appropriation to the OAG for SORM's administrative attachment, previously direct GR to the OAG, is now funded by SORM through the assessments, in addition to the funding for employee benefits outside of the agency's appropriation. Despite the increased items the current assessment is \$22.2 million lower than the FY2004 assessment for claim expenditures and risk management services only.

SORM developed a standardized toolkit and reference materials to assist state entities with performing ergonomic assessments for individual employees. Prior to this, the ergonomic assessments were performed by SORM staff.

SORM's risk managers, insurance specialists, and continuity coordinators have implemented a cross-disciplinary approach to enterprise risk management. This integrative approach expands client entities' understanding of the relationship between different aspects of enterprise risk management – identification, prevention, mitigation, transfer mechanisms, and recovery. A better understanding of the risks and options to address the risks allows an entity to design strategic goals and initiatives with the risks in mind.

SORM relies on nationally recognized standards, guidelines, rules, and regulations of other entities and organizations where feasible and appropriate. This practice of reference and referral to other entities and programs recognizes and emphasizes the authority, responsibility, and expertise of that entity or

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

organization. This practice also avoids duplication of programs, reporting, and compliance with separate sets of guidelines, standards, rules, and regulations.

The Office continues to implement the ISO-31000 enterprise risk management framework and techniques for governance, risk management, compliance, and general agency decision-making based on risk-informed data. This effort will include infusing the risk management principles and techniques into all areas of the Office's business operations. Once the Office has completed implementation, the Office will be able to advise other state entities on the advantages of implementing the framework and techniques within their organizations. The Office can also share data on how the processes can enable state entities to efficiently achieve organizational objectives.

Identify current and projected factors and circumstances that impact the populations served and/or the demand for services:

The need for risk management oversight and training will vary throughout the fiscal year depending upon the nature and extent of injuries. Demand for services may increase due to natural and/or man-made disasters.

Identify specific challenges to the operation of the program:

The Office is authorized 121.6 FTEs. Staff is limited due to its administrative attachment to the Office of the Attorney General, which provides substantial administrative support. The Office relies on its primarily professional staff to carry out its core missions and provide services necessary to achieve organizational goals. Long-term demand for the Office's services has expanded due to legislative mandates and continues to increase as understanding of risk uncertainty continues to develop. The Office's workload and staffing needs will intensify as participation in the Office's programs expands. In SAO Report No. 17-701, the Office was identified as one of the 18 state entities that had turnover rates exceeding 17.0 percent in FY 2015. According to the report, the Office's total turnover rate is 18.6%.

The Office's case management system is inadequate to meet the business needs of the Office and the state entities it serves. The system's operating system/database structure and coding affect state entities' ability to provide and extract loss data. Because the system is based on outdated technology, it is cost prohibitive for the Office to enhance or improve its functionality or integrate the system with other external systems. Furthermore, such an investment is not an efficient use of resources given the system's limited mobility.

For participating state entities, competing priorities and a lack of sufficient resources appear to be the most common barriers to adopting an ERM approach to risk oversight.

Identify specific statutory changes that could improve the program's effectiveness.:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

SORM was created through the merger of two divisions, each split from larger entities and operates according to provisions in two separate chapters of the Labor Code. The interaction between the two chapters is largely efficient, but the inconsistency in the definition of state entity in Labor Code Section 501.001 and Labor Code Section 412.001 creates confusion regarding the state entities that are subject to the requirements for developing a risk management program and submitting a COOP plan to SORM. A similar uncertainty exists regarding SORM's obligation to review a state entity's insurance purchase before the purchase occurs. The limitations in Labor Code Section 412.001(4) exacerbate these issues.

Each year, state entities self-report information to the Office regarding expenditures associated with risk management activities. Comptroller categories and object codes are used to assist entities with gathering the necessary data on direct risk management cost. Institutions of higher education are exempt from the reporting requirement. Some courts assert an exemption from the annual report requirement pursuant to Labor Code Section 412.001(4). However, the risk management costs in SORM's Biennial Report to the 85th Legislature included voluntary reporting by five courts and one institution of higher education.

Currently, Labor Code Section 412.053(b) requires state entities to report the information required by Section 412.053 "not later than the 60th day before the last day of each fiscal year." Because entities do not have complete data prior to the close of the fiscal year, the Office has modified this process to request that state entities report the data between September 1 and October 30 each year. To ensure the Office receives accurate reports which are also timely, the Office recommends amending Section 412.053(b) to require annual reporting "not later than the 60th day after the last day of each fiscal year."

In December 2002, DSHS developed guidelines on indoor air quality pursuant to Health & Safety Code Chapter 385. In 2015, SB 202, 84th Legislature, transferred a number of functions from DSHS to other entities. Section 3.030 of the bill repealed Health & Safety Code Chapter 385 thereby removing all references to a state entity voluntarily establishing guidelines for indoor air quality in government buildings. However, Government Code Section 2165.305 still exists, which requires the Office to conduct an annual, one-day educational seminar on indoor air quality. Similarly, the indoor air quality rules (guidelines) adopted by DSHS in 25 Texas Administrative Code Chapter 297 have not been repealed. The Office is developing training to bridge this gap, but additional consideration may be required.

Identify specific opportunities to enhance this program given additional resources.:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Statewide enterprise risk management can continue to grow by modeling programs that have proven to be successful in other jurisdictions. The state should also explore opportunities to further integrate risk management programs with emergency management, law enforcement, fire safety, and military support.

A statewide systematic approach to enterprise risk management would create a repeatable scalable framework to handle risk and uncertainty at the enterprise level. Better understanding of risks facing the State could provide rich input to the strategic planning process and align enterprise strategic goals and initiatives. Robust enterprise risk management would allow the state to expand beyond mitigating and controlling risk to identification and analysis of risks that present opportunity for growth and advancement.

Training and education could improve state entities' understanding of the key components of an effective enterprise-wide approach to risk management.

One of the Office's initiatives is to transition its risk management, insurance, and claims administration services to a cloud-based RMIS. A distinct advantage of an RMIS is the ability to create analytics for a more complete and extensive analysis of statewide risk exposures. This will expand the Office's ability to identify statewide loss trends and develop a thorough statewide risk and insurance strategy. A RMIS will allow reporting state entities to easily and quickly enter and update information on losses as changes occur. State entities can also access detailed, up-to-date, comprehensive data on losses, which will increase the ability to proactively address risk.

SORM is analyzing ways it can coordinate with the State Fire Marshal's Office, the Department of Information Resources, the Department of Public Safety, other state entities, and insurance support service vendors to compliment rather than replicate inspections of buildings and property and other vulnerabilities.

SORM has in previous Biennial Reports, recommended the development of a certification program for risk managers, which could potentially generate a noticeable reduction in risk exposure and assist entities in managing risk.

Identify significant capital needs that impact the success for the program including the following::

Capital Equipment and Items

CAPPS

DCS

IT: Cybersecurity

IT: Infrastructure

IT: Major Information Resource

Project

Land or Real Property

Repair or Rehab of Building and

Facilities

Vehicles

Other Transportation Items

Identify areas of cooperation, partnerships, and/or duplication of services with the following:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Federal

State

There is not currently a direct relationship or coordination with other state, local or federal entities for risk management or insurance, although SORM does work closely with other entities to ensure consistency. SORM is a party to an MOU with the Texas Facilities Commission and the State Fire Marshal Office that outlines the duties of each entity regarding safety-related issues and provides for information sharing between the entities.

Local

Other

Identify federal laws, actions and/or initiatives that impact the service demands:

Describe the relationship of the program to the following:

Economic Conditions

Public Health

Public Safety

The Office utilizes multiple approaches to assist state entities with establishing and maintaining comprehensive risk management programs designed to control, reduce, and finance risk. The Office continues its memorandum of understanding with the State Fire Marshal's Office and the Texas Facilities Commission, creating a cooperative framework to communicate and address risks from identified fire hazards or losses and report any actions taken to mitigate risks to state property.

The Office performs oversight to evaluate whether state risk management programs are meeting their objectives. After each on-site consultation, the Office prepares a written report with detailed information on identified risk exposures and suggestions for risk prevention and control measures or techniques that may be implemented by the state entity to prevent or reduce claims losses.

Provide any additional information relevant to the program:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

The rankings herein are based on statutory directives for the Office to serve as a full-service risk and insurance manager for State of Texas entities. This enterprise approach is consistent with other jurisdictions, but is currently still evolving in the State, and requires additional authority and resource commitments for full efficacy.

The Office was created in 1997 to streamline the state's risk management and claims processing programs. The objective was to change the organization and management of the state risks and claims payments to reduce injuries, improve loss control and claims handling, and otherwise enhance the quality and effectiveness of the state's risk management and claims processing programs.

When the Office underwent Sunset Review in 2007, the Sunset Advisory Commission determined that a centralized risk management system administered by the Office is more efficient and cost-effective than allowing each entity to administer its own program. By grouping most state employees in a single risk pool, the Office can balance risks in a manner that would not be possible for individual state entities, arriving at predictable loss trends and stabilization of costs. Additionally, the Office is able to recognize risk patterns that can affect more than a single entity.

SORM provides a number of training resources including classroom health and safety training, seminars, and workshops, as well educational YouTube videos. SORM's two active shooter videos are amongst the top viewed. Trends in the YouTube analytics reveal that many of the hits on the active shooter videos occur after an actual active shooter event.

The Office is administered with legislatively appropriated funding through the allocation program for the financing of state workers' compensation benefits and risk management costs, as well as authority for collected recoveries. In the allocation program, each state entity must enter into an inter-agency contract with the Office to pay an allocated share of the Office's administrative costs, workers' compensation claim expenditures, and funding for employee benefits.

28 Texas Administrative Code Section 251.507 specifies the formula to calculate each entity's allocation. Limits are placed on the total allocation an entity will be assessed. The difference between the formula-based assessment amount and cap is allocated among all other entities in the same manner and within the same factors as the initial assessment calculation.

The Texas A&M University System (A&M), University of Texas System (UT), Texas Department of Transportation (TxDOT), Texas Tech University System, and Texas State University System are currently exempted from the Office's risk management and insurance programs.

A&M, UT, and TxDOT are excluded from the Office's risk management and insurance programs and services because these entities had workers' compensation insurance coverage or other self-insurance coverage with associated risk management programs before January 1, 1989. Labor Code Section 412.011(c) specifically excludes Texas Tech and TSUS from the Office's risk management and insurance services.

The Employees Retirement System of Texas and Teacher's Retirement System may, but are not required to, acquire risk management and insurance services provided by the Office. See Government Code Sections 825.103(c) and 815.103(f); Labor Code Section 506.002 and OAG Opinion No. GA-0075.

One of the Office's outcome measures for the enterprise risk management program is the measurement of the Incident Rate of Injuries and Illnesses per 100 Covered Full-Time State Employees. This key outcome measure provides an objective measure of the results of implementation of covered state entities risk management plans and the results of the Office's risk management program, related specifically to occupational injury. The injury frequency rate is

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

important as it reflects not only the effectiveness of the Office's risk management program identifying risks to covered state entities, but also reflects covered state entities actions in regards to implementation of recommendations to control and correct the conditions that lead to injured state employees. Direct evidence of the effectiveness and efficiency of the risk management program is the overall decline in the injury frequency rate over time.

Many of the state entities on the Emergency Management Council and Homeland Security Council participate in the Office's risk management, continuity of operations planning, insurance, and workers' compensation programs.

PROGRAM NAME:	Continuity of Operations Planning	RANK:	2
DESCRIPTION:	Assist with the development of continuity of operations plans, create guidelines & models for key elements for the plans, & assist entities to ensure plans are workable		
LEGAL AUTHORITY:			
STATE:	Labor Code Sections 412.011(f) and (g) and 412.054.		
FEDERAL:	N/A		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	2008

Describe the populations and needs that the program serves:

The Office provides COOP planning services to 141 state entities. COOP plans that meet the requirements of Labor Code Section 412.054 must be submitted by each state entity that is (1) involved in the delivery of emergency services as a member of the governor's Emergency Management Council (EMC); (2) part of the State Data Center Services program (DCS); or (3) subject to Labor Code Chapter 412 or Chapter 501. By virtue of membership or participation in EMC and DCS, TxDOT and at least some components of the A&M System are required to submit COOP plans to the Office.

In cooperation with the Office of Homeland Security, Texas Division of Emergency Management, and Department of Information Resources, the Office has implemented a statutory comprehensive continuity planning program for Texas state entities. Policies and standards to ensure expansive continuity planning, testing, training, and exercising across the state enterprise are set forth the October 24, 2013, Texas State Agency Continuity Planning Policy Guidance Letter. SORM's continuity of operations program and the steps taken by individual state entities helps build public confidence in the effectiveness and resiliency of state government.

A COOP plan outlines the procedures an entity will follow to stay operational, or resume operations, if a business disruption occurs. The plan includes detailed information on the essential functions of the entity, critical personnel, procedures, needed equipment, alternative business locations, and other essential information. Training, testing, and exercises help an entity ensure it has an actionable continuity of operations plan.

Describe how the program has changed since its initial implementation:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

SORM's oversight and development of business continuity plans, Labor Code Section 412.054, was added effective September 1, 2007.

The October 24, 2013, Texas State Continuity Planning Policy Guidance Letter required all state entities to develop a COOP plan and submit it to SORM by October 31, 2014.

The recommended standards for the minimum content in Texas state entity continuity plans correspond to FEMA standards, and are available at no cost to government entities. To assist state entities in the development of actionable continuity plans, SORM provides numerous free resources and provides one-on-one electronic or in-person assistance. Up-to-date state, national, and global recommendations for continuity plans and best practices are communicated through SORM's internet site and training, including links to external continuity planning resources, templates, and training opportunities.

Since October 2013, the Office's continuity planning services have shifted from ensuring each state entity developed a continuity plan to a more substantive review of individual continuity plans.

In 2015, the 84th Legislature passed HB1832, officially establishing the state standard as Continuity of Operations Planning (COOP) and formally excepting continuity of operations plans and any records written, produced, collected, assembled, or maintained as part of the development or review of a continuity of operations plans from disclosure under Government Code Chapter 552.

With the advances in state entities' continuity planning, state entities and the Office are transitioning into testing and exercises to determine the effectiveness of continuity plans.

A Continuity Council (CC) has been formed to consolidate knowledge and expertise, and streamline the effectiveness of three previous state continuity groups. This council brings together practitioners from all sectors of government and private sector within the state to share questions, ideas, problems, best practices and lessons learned. The general CC membership is open to anyone with a professional interest in continuity. A leadership group (council) will be formed to lead decision making and represent the views of the general membership.

Texas has taken a leading role in both state and national posture respecting COOP, advising on the development of the Continuity Guidance Circular, the federal toolkit, sponsoring multiple all-level council meetings, and participating the federal National Level Exercise as evaluators.

Identify current and projected factors and circumstances that impact the populations served and/or the demand for services:

The demand for SORM's continuity of operations planning services may increase due as natural and/or man-made disasters occur.

As statewide cybersecurity awareness grows, SORM expects to partner with other state entities in the development of methods to plan for, respond to, and recover from cybersecurity events that interrupt state business operations.

Identify specific challenges to the operation of the program:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

The Office is authorized 121.6 FTEs. Staff is limited due to its administrative attachment to the Office of the Attorney General, which provides substantial administrative support. The Office relies on its primarily professional staff to carry out its core missions and provide services necessary to achieve organizational goals. Long-term demand for the Office's services has expanded due to legislative mandates and continues to increase as understanding of risk uncertainty continues to develop. The Office's workload and staffing needs will intensify as participation in the Office's programs expands. In SAO Report No. 17-701, the Office was identified as one of the 18 state entities that had turnover rates exceeding 17.0 percent in FY 2015. According to the report, the Office's total turnover rate is 18.6%.

The Office's case management system is inadequate to meet the business needs of the Office and the state entities it serves. The system's operating system/database structure and coding affect state entities' ability to provide and extract loss data. Because the system is based on outdated technology, it is cost prohibitive for the Office to enhance or improve its functionality or integrate the system with other external systems. Furthermore, such an investment is not an efficient use of resources given the system's limited mobility.

Identify specific statutory changes that could improve the program's effectiveness.:

SORM was created through the merger of two divisions, each split from larger entities and operates according to provisions in two separate chapters of the Labor Code. The interaction between the two chapters is largely efficient, but the inconsistency in the definition of state entity in Labor Code Section 501.001 and Labor Code Section 412.001 creates confusion regarding the state entities that are subject to the requirements for developing a risk management program and submitting a COOP plan to SORM. A similar uncertainty exists regarding SORM's obligation to review a state entity's insurance purchase before the purchase occurs. The limitations in Labor Code Section 412.001(4) exacerbate these issues.

Identify specific opportunities to enhance this program given additional resources.:

Disaster recovery, emergency management planning, and continuity of operations planning all involve identifying potential emergency situations and developing policies, tools, and procedures to enable the recovery and continuation of critical business functions. Implementing vital technology infrastructure and systems supporting critical functions is central to resuming operations. Likewise, it is important to include measures to provide for the safety of personnel, and if possible, property and facilities. Full integration of COOP planning, information technology disaster recovery, and emergency management planning would standardize the tools, methodology and people that are important to the success of the state government enterprise.

One of the Office's initiatives is to transition its risk management, insurance, and claims administration services to a cloud-based RMIS. A distinct advantage of an RMIS is the ability to create analytics for a more complete and extensive analysis of statewide risk exposures. This will expand the Office's ability to identify statewide loss trends and develop a thorough statewide risk and insurance strategy. A RMIS will allow reporting state entities to easily and quickly enter and update information on losses as changes occur. State entities can also access detailed, up-to-date, comprehensive data on losses, which will increase the ability to proactively address risk.

Funding to develop a software program that could be used by all state entities to create, maintain, and update COOP plans would ensure consistency across the state enterprise as well as time-savings for each entity.

Establishing a state-sponsored internship program for college students in degree programs related to risk management or in fields with a direct correlation to risk management could increase the expertise and pool of candidates that will be available to perform these functions on behalf of the State in the future.

Identify significant capital needs that impact the success for the program including the following.:

Capital Equipment and Items

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

CAPPS

DCS

IT: Cybersecurity

IT: Infrastructure

IT: Major Information Resource Project

Land or Real Property

Repair or Rehab of Building and Facilities

Vehicles

Other Transportation Items

Identify areas of cooperation, partnerships, and/or duplication of services with the following:

Federal

FEMA issued a new CGC to replace the CGC-1 and CGC-2. Due to the success of Texas continuity programs, FEMA asked the Continuity Working Group (CWG) Leadership Team to provide advice and suggestions to improve the document and make it easier to use. The CWG participated in two FEMA focus groups, CGC Advisory Sessions, and provided 11 suggestions for improvement as part of the CGC National Engagement (all were incorporated into the new CGC document).

State

In cooperation with the Office of Homeland Security, Texas Division of Emergency Management, and Department of Information Resources, the Office has implemented a statutory comprehensive continuity planning program for Texas state entities. Members of the Continuity Council have volunteered to assist with a draft update to the October 24, 2013, Texas State Agency Continuity Planning Policy Guidance Letter. The draft update will encourage ongoing development of continuity plans, programs, and exercises to pinpoint and address plan fallibilities. The draft update will include implementation of several key plan advancements in the new Continuity Guidance Circular.

Local

Other

Identify federal laws, actions and/or initiatives that impact the service demands:

FEMA issued a new CGC to replace the CGC-1 and CGC-2.

Describe the relationship of the program to the following:

Economic Conditions

Public Health

Public Safety

Continuity planning ensures that the most critical government services continue to be available to the people of Texas under any conditions. In coordination with the Office of Homeland Security, Texas Division of Emergency Management, and Department of Information Resources, the Office assists state entities with the implementation of the Continuity of Operations Planning (Coop).

COOP Plans that meet the requirements of Labor Code Section 412.054 must be submitted to the Office by each state entity that is (1) involved in the delivery of emergency services as a member of the governor's Emergency Management Council (EMC); (2) part of the State Data Center Services program (DCS); or (3) subject to Labor Code Chapter 412 or Chapter 501. The Office's Continuity Coordinator provides written feedback on continuity plans to state entities to ensure state entities are developing quality continuity plans.

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Provide any additional information relevant to the program:

State entities are responsible for designating and retaining a FEMA certified and trained continuity coordinator. The state entity's continuity coordinator is responsible for implementing the Office's recommendations and ensuring the COOP plan is reviewed and updated annually.

Many of the state entities on the Emergency Management Council and Homeland Security Council participate in the Office's risk management, COOP, insurance, and workers' compensation programs.

State entities notify SORM when a COOP exercise is completed and submit the COOP plan, exercise report, including a summary of the exercise, and an after-action review to SORM. After SORM reviews the information, it will provide written feedback, which may include recommendations to strengthen the plan and resources the state entity can use to create a more robust and effective COOP plan.

PROGRAM NAME:	Insurance Purchasing	RANK:	3
DESCRIPTION:	Performs comprehensive reviews of proposed insurance purchases submitted by applicable state entities for sponsored and non-sponsored lines of insurance.		
LEGAL AUTHORITY:			
STATE:	Labor Code, Ch. 412.011 (a),(b)(1),(2),(3),(c)(2),(d),(e) Labor Code, Ch. 412.041 (b) Labor Code, Ch. 412.051		
FEDERAL:	NA		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	2003

Describe the populations and needs that the program serves:

The Office provides access to risk management and insurance services to 127 state entities, which includes courts and institutions of higher education as well as Windham School District within the Department of Criminal Justice, and 123 community supervision and corrections departments.

SORM procures and negotiates insurance programs tailored for the unique exposures and liabilities of the State, and encourages continuing competition to ensure that the State of Texas obtains the best value. The office currently sponsors five lines of insurance: property; directors' and officers'; automobile; builders' risk and volunteer. SORM's insurance program provides insurance expertise to ensure state entities do not purchase unnecessary or questionable coverage. The Office also assists state entities with determining the appropriate type and level of insurance, ensures the terms and conditions of the insurance policy provide adequate coverage, explains coverage exclusions and participates in the claim process when loss occurs.

Centralizing state insurance purchases helps each entity understand the costs associated with retaining a risk versus transferring the risk through (re)insurance, as well as leverages economies of scale. State entities can also normalize the budgetary impact of ordinary as well as unexpected losses with insurance.

Describe how the program has changed since its initial implementation:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

By consolidating the insurance needs of different entities seeking the same line of insurance, the Office can obtain higher limits of insurance for a lower premium than the state entities would receive if the insurance was purchased independently.

Improved business processes have eliminated duplicative activities, streamlined insurance renewals, increased the collaboration between the risk management and insurance programs, and strengthened relationships with state entities. This holistic enterprise risk management approach focuses on developing a risk control strategy in conjunction with risk transfer mechanisms to drive down the probability and cost of losses.

The Office has built bridges of communication and cooperation with the insurance participants. SORM insurance program is more comprehensive and service oriented to meet participants' insurance needs. Within the sponsored lines of insurance, SORM has developed stratified service and product lines to address the unique strategic challenges of institutions of higher education and other specialized entities. Advisory groups have worked with the Office to further the goals of the state sponsored insurance program.

SORM takes a proactive role in all facets of the claim process. SORM's insurance specialists advocate for coverage, negotiate for the best possible outcomes, expedite claim settlements, and manage a variety of claim activities.

Identify current and projected factors and circumstances that impact the populations served and/or the demand for services:

The demand for insurance purchasing services may increase due to loss transfer and/or incurred losses from natural and/or man-made disasters.

One model for implementation of a statewide strategy to ensure the State is adequately insured is to create a centralized, mandatory state property insurance program that incorporates a pooling and reserve approach, in concert with a self-insured retention limit and reinsurance for larger, catastrophic losses. A mandatory program will expand the population served and increase demand for insurance services.

Identify specific challenges to the operation of the program:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

The statutory insurance program is voluntary. The law requires that purchases of insurance other than life or health must be approved by SORM; however, State entities may still choose to discontinue or not to purchase insurance to transfer risk at any time. Because the program leverages economies of scale and risk diversification, stability is an important aspect of consistent design and premium controls. Participation fluctuation creates volatility when negotiating terms and conditions with the domestic and international underwriters and carriers on behalf of all entities, as the program must be negotiated well in advance of renewals and new policy inception dates, and must include sufficient time for client reviews and executive approvals. Other states typically utilize compulsory insurance programs to create more stability in the market, or utilize reserve systems.

The majority of the state's physical assets are not protected, or are not adequately protected, from loss through insurance. However, insuring all state-owned assets through traditional insurance routes would likely represent the most expensive option for the state. Traditional insurance is primarily advantageous for small geographical spreads. To finance large losses, the state could establish a reserve sufficient to deal with moderate spikes in losses from year to year and consider purchasing reinsurance for large, catastrophic losses.

The Office is authorized 121.6 FTEs. Staff is limited due to its administrative attachment to the Office of the Attorney General, which provides substantial administrative support. The Office relies on its primarily professional staff to carry out its core missions and provide services necessary to achieve organizational goals. Long-term demand for the Office's services has expanded due to legislative mandates and continues to increase as understanding of risk uncertainty continues to develop. The Office's workload and staffing needs will intensify as participation in the Office's programs expands. In SAO Report No. 17-701, the Office was identified as one of the 18 state entities that had turnover rates exceeding 17.0 percent in FY 2015. According to the report, the Office's total turnover rate is 18.6%.

The Office's case management system is inadequate to meet the business needs of the Office and the state entities it serves. The system's operating system/database structure and coding affect state entities' ability to provide and extract loss data. Because the system is based on outdated technology, it is cost prohibitive for the Office to enhance or improve its functionality or integrate the system with other external systems. Furthermore, such an investment is not an efficient use of resources given the system's limited mobility.

Identify specific statutory changes that could improve the program's effectiveness.:

The creation of a centralized, mandatory state property insurance program would normalize the effect of ordinary losses on individual state entity's budgets. By establishing an enterprise-level retention to absorb attritional losses, a state entity, or the state as a whole, could pay for losses up to a certain level out of existing budgets, without the costs associated with traditional insurance.

SORM was created through the merger of two divisions, each split from larger entities and operates according to provisions in two separate chapters of the Labor Code. The interaction between the two chapters is largely efficient, but the inconsistency in the definition of state entity in Labor Code Section 501.001 and Labor Code Section 412.001 creates confusion regarding the state entities that are subject to the requirements for developing a risk management program and submitting a COOP plan to SORM. A similar uncertainty exists regarding SORM's obligation to review a state entity's insurance purchase before the purchase occurs. The limitations in Labor Code Section 412.001(4) exacerbate these issues.

Identify specific opportunities to enhance this program given additional resources.:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

One of the Office's initiatives is to transition its risk management, insurance, and claims administration services to a cloud-based RMIS. A distinct advantage of an RMIS is the ability to create analytics for a more complete and extensive analysis of statewide risk exposures. This will expand the Office's ability to identify statewide loss trends and develop a thorough statewide risk and insurance strategy. A RMIS will allow reporting state entities to easily and quickly enter and update information on losses as changes occur. State entities can also access detailed, up-to-date, comprehensive data on losses, which will increase the ability to proactively address risk. A cloud-based risk management information system could include solutions for policy and premium management, certificate of insurance management, modeling programs during renewal, and integration with claims to evaluate various retention options.

Identify significant capital needs that impact the success for the program including the following::

Capital Equipment and Items

CAPPS

DCS

IT: Cybersecurity

IT: Infrastructure

IT: Major Information Resource

Project

Land or Real Property

Repair or Rehab of Building and

Facilities

Vehicles

Other Transportation Items

Identify areas of cooperation, partnerships, and/or duplication of services with the following:

Federal

State

Local

Other

Identify federal laws, actions and/or initiatives that impact the service demands:

Describe the relationship of the program to the following:

Economic Conditions

Public Health

Public Safety

SORM operates as a full-service insurance manager for state entities and institutions of higher education. The statewide property insurance program is designed to provide state entities the ability to transfer the financial burden resulting from property damage and loss. The statewide automobile insurance program is designed to provide automobile liability and physical damage coverage to state entities that own vehicles. The program also offers liability coverage for hired and non-owned automobiles to state entities with employees who drive their personally-owned, leased, or rented vehicles in the course and scope of employment.

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Provide any additional information relevant to the program:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

The 2016 Insurable State Assets Interim Study found there is a significant potential of financial loss to the state from possibly uninsured and underinsured real property. The 2016 report, and 2013 Interim Insurable State Assets Study, discuss legislative options to ensure the State is adequately insured. Knowing the full extent of the State's exposure is the first step in determining the appropriate risk prevention and control measures the State should implement to prevent or reduce claims and losses, and make other strategic and operational determinations.

The Office offers access to the statewide insurance program to reduce the cost of risk associated with general liability, employment practices, professional liability, and other non-tort related exposures. Claims against the state that are covered by insurance through the state sponsored insurance programs are handled by the insurance carrier with the Office acting as a liaison between the carrier and state entity, as appropriate. If an insurance claim results in litigation, the Office of the Attorney General typically handles the litigation process.

The Texas Tort Claims Act (TTCA) provides a limited waiver of sovereign immunity in certain situations when a governmental unit is liable for damage. The TTCA limits the maximum amount of monetary damages for each person and each occurrence. A state entity can shift or eliminate its potential exposure to unanticipated TTCA expenditures to a pre-planned expenditure through the purchase of liability insurance. The Office helps individual state entities make informed decisions on whether to retain all of the TTCA liability risk, transfer the TTCA liability risk, or partially transfer the TTCA liability risk. The Office helps state entities understand the cost savings of a self-insured retention, through an insurance deductible, and insurance policy limits that do not exceed the maximum damages of the TTCA.

State entities and institutions of higher education that intend to purchase insurance in a manner other than through the services provided by the Office must provide notice of the intended purchase not later than the 30th day before the date on which the insurance purchase is scheduled to occur.

The following information shows the number of participants in state sponsored insurance programs:

Director and Officers' Insurance

FY15 - 33 participants - \$1,389,322 Total Premium
FY16 - 34 participants - \$1,359,822 Total Premium
FY17 - 35 participants - \$1,458,253 Total Premium
FY18 - 36 participants - \$1,446,339 Total Premium

Automobile Insurance

FY15 - 46 participants - \$1,012,142 Total Premium - 3837 Unit Count
FY16 - 51 participants - \$873,623 Total Premium - 2013 Unit Count
FY17 - 53 participants - \$1,00,953 Total Premium - 2289 Unit Count
FY18 - 54 participants - \$1,079,485 Total Premium - 2766 Unit Count

Volunteer Insurance

FY15 - 11 participants - \$29,179 Total Premium
FY16 - 11 participants - \$26,622 Total Premium
FY17 - 11 participants - \$25,335 Total Premium
FY18 - 11 participants - \$52,184 Total Premium

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Property Insurance (TIV = Total Insurable Value)

FY15 - 38 participants - \$10,929,605,009 Annual TIV - \$8,066,561 Annual Premium

FY16 - 39 participants - \$11,290,032,682 Annual TIV - \$7,436,368.15 Annual Premium

FY17 - 43 participants - \$11,890,485,262 Annual TIV - \$8,675,288 Annual Premium

FY18 - 45 participants - \$11,600,000,000 Annual TIV - \$8,030,854 Annual Premium

Builders' Risk

FY18 - 3 participants - \$235,094 Annual Premium

The Office does not purchase bonds for state employees. The bulk of the Office's bond activity is reviewing notary without bond applications to ensure the application is complete before it is submitted to the Secretary of State.

PROGRAM NAME:	Workers' Compensation Claims Operations	RANK:	4
DESCRIPTION:	Administers the state workers' compensation program including investigating injury claims, determining indemnity and medical benefits for claims, and maintaining a customer service call center to provide claims processing information		
LEGAL AUTHORITY:			
STATE:	Labor Code Sections 412.011(b)(7), (b)(8), 412.041(e); Labor Code, Ch. 501; Tex. Constitution, Art 3, Sec. 59. The GAA, Article IX, Section 15.02		
FEDERAL:	NA		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	1998

Describe the populations and needs that the program serves:

The Office's workers' compensation program covers 141 state entities, which includes courts and institutions of higher education as well as Windham School District within the Department of Criminal Justice, and 123 community supervision and corrections departments, encompassing approximately 190,000 individual employees. The client base for workers' compensation includes the Texas Tech System and TSUS, which both participate fully in the allocation funding program, as well as ERS and TRS. ERS and TRS reimburse claim costs fully but receive administration of their claims, and the ability to access risk management services, without contributing to the funding of operations.

There are situations in which certain non-state employees are covered by workers' compensation through the Office. The definition of employee in Labor Code Section 501.001 includes a peace officer employed by political subdivision; a member of state military forces on active duty; Texas Task Force One (TTF1) member; and an intrastate fire mutual aid system team member, regional incident management team member, and a participating non-government member activated by the Texas Department of Emergency Management (TDEM).

The state self-insures for the purpose of workers' compensation for state employees. The Office administers the worker's compensation program for injured state employees subject to Labor Code Chapter 501. When a compensable work injury occurs, the Office ensures that the injured state employee receives the same level of service and benefits as a private individual. The Office's workers' compensation program provides individual state entities with a dedicated claims administration team and comprehensive claims handling services. The Office analyzes claims data to identify trends that should be addressed through risk management strategies. The Office also provides protection from possible fraudulent claims. The costs of workers' compensation program are funded through risk pooling, which safeguards individual state entities from catastrophic losses that could exceed budgetary capabilities.

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Describe how the program has changed since its initial implementation:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

When the State Office of Risk Management was created in 1997, in addition to expenditure authority appropriated by the Legislature, the Office was funded by three mechanisms: through interagency contracts with state agencies for the risk management program, direct general revenue, and monies recovered from a third party through subrogation.

In 2001, Article 14 of HB 2600 required the Office to establish a cost-allocation program for the payment of workers' compensation claims and risk management services. The rules for the risk allocation program, 28 TAC Chapter 251, Subchapter E, were adopted to (1) equitably distribute the cost of funding workers' compensation losses, the cost of administering claims, and the cost of providing loss control services to participating state agencies; (2) encourage the development and implementation of risk management programs and practices designed to minimize occupational injuries and illnesses; protect state property; and provide appropriate safety and health training for all state employees; (3) pool large and small risks to enable catastrophic loss(es) to be spread throughout all participating state agencies; and (4) encourage compliance with the Office's regulations, policies, and programs.

SORM began the "reallocation" process in conjunction with the Comptroller and LBB whereby the General Revenue appropriated to the Office was reapportioned to participating agencies as part of each of those agencies' baselines.

The FY2004 risk assessment allocation for claim payments was approximately \$78.6 million. Despite actuarial projections that workers' compensation claims costs would continue to increase by several million each year after reaching \$70 million in FY2003, by the end of FY2004, claims costs had decreased to \$55.8 million. Ten percent of the \$78.6 million total was carried forward to reduce the cash basis assessment total for the next fiscal year and approximately \$15.6 million was returned to participating entities.

GAA Article IX, Rider 15.02, was modified effective for the 2008-2009 biennium. This non-discretionary transfer provision staggers the assessment allocation payments. Now, participating entities pay seventy-five percent of their assessment at the beginning of the fiscal year. The remaining amount due from each entity, if any, is calculated and collected during the final four months of the fiscal year.

The Office continued to receive direct GR for funding the administration of workers' compensation until FY2006 when a portion (\$2.5 million) was funded by inclusion in the assessments. Assessment funding continued to replace GR until FY2010 when the Office became entirely funded through the annual assessment. Starting in FY2012 the appropriation to the OAG for SORM's administrative attachment, previously direct GR to the OAG, is now funded by SORM through the assessments, in addition to the funding for employee benefits outside of the agency's appropriation. Despite the increased items the current assessment is \$22.2 million lower than the FY2004 assessment for claim expenditures and risk management services only.

- i) Beginning in June 2005 significant changes were made to the Texas workers' compensation system. Those statutory changes and related rules as well as subsequent amendments have significantly affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program. Notable changes include:
- (1) the adoption of medical fee guidelines for professional services, hospital outpatient services, inpatient services, ambulatory surgical center (ASC) services, dental services, and pharmaceuticals
 - (2) the creation of workers' compensation health care networks
 - (3) the licensing and regulation of pharmacy benefit plans and managers (PBM)
 - (4) phased implementation, expansion, and revision of closed formulary rules governing benefits related to prescription drugs and devices and related services
 - (5) rules on accurate and timely reimbursement of medical bills

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

- (6) rules on electronic formats for medical billing and processing
- (7) changes to the average weekly wage and waiting period for indemnity benefits
- ii) For a list of the rules that were adopted by the TDI-DWC prior to 2015 that have affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program see <https://www.tdi.texas.gov/wc/rules/adopted/index.html>
- iii) For a list of the rules that were adopted by the TDI-DWC after 2015 that have affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program see <https://www.tdi.texas.gov/wc/rules/index.html>

Identify current and projected factors and circumstances that impact the populations served and/or the demand for services:

The need for workers' compensation claims operations will vary throughout the fiscal year depending upon the nature and extent of injuries. The population served and demand for services may increase due emergency operations in response to natural and/or man-made disasters. Legislative changes now allow an eligible spouse of a first responder to continue to receive death benefits payments after remarriage.

Identify specific challenges to the operation of the program:

The Office continuously battles challenges associated with the licensed adjuster retention, which is not atypical in the insurance domain. SAO Report No. 17-701's comparative study of salary rates specifically highlighted the Office's claims examiner turnover rate, which is 20.1%. The inability to obtain and retain qualified staff increases the claim load of each adjuster, which in turn threatens the ability to complete a proper investigation into compensability, monitor medical services, calculate indemnity benefits, and provide appropriate customer service to state employees and other stakeholders. Claims loads exceeding industry standards result in errors, delaying time to recover and return to work, and increasing state costs and penalty exposures.

SORM's case management system is inadequate to meet the business needs of the Office and the state entities it serves. For workers' compensation claims administration, most systems utilize the Official Disability Guidelines (ODG) on medical treatment and return to work to benchmark outcomes in workers' compensation claims. ODG's Reserve Calculator is a statistical modeling program that incorporates unique factors that may increase claims costs. Adjusters can use risk levels provided by the ODG Reserve Calculator to specifically address high risk claims as well as claims that fall outside the ODG's treatment guidelines, costs, and return to work standards.

SORM's ability to accurately calculate, and timely initiate payment of, indemnity benefits to injured employees is dependent on the information provided by the state entity employer.

Identify specific statutory changes that could improve the program's effectiveness.:

The TTCA creates a specific waiver of immunity for state employee workers' compensation claims. Workers compensation for state employees was created through Labor Code Chapter 501. Labor Code Section 501.002(d) is clear neither Chapter 501 nor the general workers' compensation provisions authorize a cause of action or damages against the state, a state entity, or an employee of the state beyond the actions and damages authorized by the TTCA. In general, the workers' compensation laws in Labor Code Chapters 401 – 419 and Chapter 451 will apply to state employee workers' compensation claims unless they are inconsistent with Labor Code Chapter 501. Labor Code Section 406.034 states that an employee can agree, in writing to waive workers' compensation during the first few days of employment. The Office interprets this provision as being inconsistent with Chapter 501. However, it may be prudent to clarify in Labor Code Section 406.034 and/or the TTCA that state employees cannot waive workers' compensation coverage.

Identify specific opportunities to enhance this program given additional resources.:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

One of the Office's initiatives is to transition its risk management, insurance, and claims administration services to a cloud-based RMIS. A distinct advantage of an RMIS is the ability to create analytics for a more complete and extensive analysis of statewide risk exposures. This will expand the Office's ability to identify statewide loss trends and develop a thorough statewide risk and insurance strategy. A RMIS will allow reporting state entities to easily and quickly enter and update information on losses as changes occur. State entities can also access detailed, up-to-date, comprehensive data on losses, which will increase the ability to proactively address risk.

Identify significant capital needs that impact the success for the program including the following::

Capital Equipment and Items

CAPPS

DCS

IT: Cybersecurity

IT: Infrastructure

IT: Major Information Resource

Project

Land or Real Property

Repair or Rehab of Building and

Facilities

Vehicles

Other Transportation Items

Identify areas of cooperation, partnerships, and/or duplication of services with the following:

Federal

State

Local

Other

Identify federal laws, actions and/or initiatives that impact the service demands:

Describe the relationship of the program to the following:

Economic Conditions

Public Health

Public Safety

There are situations in which certain non-state employees are covered by workers' compensation through the Office. The definition of employee in Labor Code Section 501.001 includes a peace officer employed by political subdivision; a member of state military forces on active duty; Texas Task Force One member; and an intrastate fire mutual aid system team member, regional incident management team member, and a participating non-government member activated by the Texas Department of Emergency Management (TDEM)

Provide any additional information relevant to the program:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

The Office is administered with legislatively appropriated funding through the allocation program for the financing of state workers' compensation benefits and risk management costs, as well as authority for collected recoveries. The assessment allocations are used to pay medical and income benefits, medical cost containment services, and other costs directly related to reducing claim payments and risk.

Most the activities in a workers' compensation claim are dictated by deadlines in the Workers' Compensation Act and related rules. Labor Code Section 415.002 lists 22 separate carrier acts and/or carrier representative acts that constitute an administrative violation. Labor Code Section 415.0035 lists 3 separate carrier and/or carrier representative acts that constitute an administrative violation. Labor Code Section 415.0036 lists 2 types of claims adjuster conduct that constitute an administrative violation.

A&M, UT, and TxDOT are excluded from the Office's risk management, insurance, and workers' compensation programs and services because these entities had workers' compensation insurance coverage or other self-insurance coverage with associated risk management programs before January 1, 1989.

The workers' compensation costs for Tech Tech and TSUS are funded in the allocation program for the Office's operations and claim expenditures.

Attorney General Opinion No. GA-0075, issued on May 22, 2003, found that the ERS and TRS may reimburse workers' compensation on a dollar-for-dollar basis outside the assessment allocation program pursuant to Labor Code Section 506.002. HB 2425, 78th Legislature, exempted ERS from Labor Code Chapter 412.

Pursuant to Education Code §88.303(d), TDEM reimburses SORM for actual medical and indemnity for benefits paid to TTF1 at the beginning of the next fiscal year after the date the benefits are paid.

When a state employee's injury is caused by a liable third party, SORM is entitled to recover an amount equal to the expenditures for medical and income benefits. SORM can submit a request for reimbursement to the SIF if SORM is required to make benefit payments pursuant to a TDI-DWC order or decision that is later reversed or modified at any level of appeal.

Federal and state law requires employers to provide information about all new or rehired workers to provide a means for employers to assist in the state's efforts both to prevent fraud in the welfare, workers' compensation, and unemployment insurance programs, and to locate and/or collect money from absent parents who owe child support. Employers report new hire information through the OAG. The Office has an interagency contract with the OAG and an information release contract with the TWC.

Labor Code Section 402.075 requires TDI-DWC to assess the performance of insurance carriers during Performance Based Oversight (PBO) assessments at least biennially. PBO measures the timely payment of indemnity benefits and medical billing and the transmission of electronic data to TDI-DWC. SORM has been identified as a high performer during PBO assessments in 2009, 2010, 2011, 2012, 2014, and 2016. Preliminary results for the 2018 PBO assessment of SORM indicate SORM is a high performer. Final PBO results are expected in late November or early December

PROGRAM NAME:	Workers' Compensation Payments: Indemnity Payments	RANK:	5
----------------------	---	--------------	----------

DESCRIPTION:	Provides indemnity payments to approved workers' compensation claimants.
--------------	--

LEGAL AUTHORITY:	
------------------	--

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

STATE: Labor Code, Ch. 409

FEDERAL: NA

SERVICE AREA: Statewide

FISCAL YEAR PROGRAM IMPLEMENTED: 1998

Describe the populations and needs that the program serves:

The Office's workers' compensation program covers 141 state entities, which includes courts and institutions of higher education as well as Windham School District within the Department of Criminal Justice, and 123 community supervision and corrections departments, encompassing approximately 190,000 individual employees. The client base for workers' compensation includes the Texas Tech System and TSUS, which both participate fully in the allocation funding program, as well as ERS and TRS. ERS and TRS reimburse claim costs fully but receive administration of their claims, and the ability to access risk management services, without contributing to the funding of operations.

There are situations in which certain non-state employees are covered by workers' compensation through the Office. The definition of employee in Labor Code Section 501.001 includes a peace officer employed by political subdivision; a member of state military forces on active duty; Texas Task Force One member (TTF1); and an intrastate fire mutual aid system team member, regional incident management team member, and a participating non-government member activated by the Texas Department of Emergency Management (TDEM).

SORM, as the insurance carrier, is liable for compensation for an employee's injury without regard to fault or negligence if at the time of the injury, the employee is subject to the Texas Workers' Compensation Act and the injury arises out of and in the course and scope of employment. An employee is entitled to timely and accurate income benefits, weekly and without an order from the TDI-DWC Commissioner.

Describe how the program has changed since its initial implementation:

- i) Beginning in June 2005 significant changes were made to the Texas workers' compensation system. Those statutory changes and related rules as well as subsequent amendments have significantly affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program. Notable changes include:
 - (1) the adoption of medical fee guidelines for professional services, hospital outpatient services, inpatient services, ambulatory surgical center (ASC) services, dental services, and pharmaceuticals
 - (2) the creation of workers' compensation health care networks
 - (3) the licensing and regulation of pharmacy benefit plans and managers (PBM)
 - (4) phased implementation, expansion, and revision of closed formulary rules governing benefits related to prescription drugs and devices and related services
 - (5) rules on accurate and timely reimbursement of medical bills
 - (6) rules on electronic formats for medical billing and processing
 - (7) changes to the average weekly wage and waiting period for indemnity benefits
- ii) For a list of the rules that were adopted by the TDI-DWC prior to 2015 that have affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program see <https://www.tdi.texas.gov/wc/rules/adopted/index.html>
- iii) For a list of the rules that were adopted by the TDI-DWC after 2015 that have affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program see <https://www.tdi.texas.gov/wc/rules/index.html>

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Identify current and projected factors and circumstances that impact the populations served and/or the demand for services:

The need for workers' compensation indemnity payments will vary throughout the fiscal year depending upon the nature and extent of injuries. The population served and demand for services may increase due to emergency operations in response to natural and/or man-made disasters. Legislative changes now allow an eligible spouse of a first responder to continue to receive death benefit payments after remarriage.

Identify specific challenges to the operation of the program:

The Office continuously battles challenges associated with the licensed adjuster retention, which is not atypical in the insurance domain. SAO Report No. 17-701's comparative study of salary rates specifically highlighted the Office's claims examiner turnover rate, which is 20.1%. The inability to obtain and retain qualified staff increases the claim load of each adjuster, which in turn threatens the ability to complete a proper investigation into compensability, monitor medical services, calculate indemnity benefits, and provide appropriate customer service to state employees and other stakeholders. Claims loads exceeding industry standards result in errors, delaying time to recover and return to work, and increasing state costs and penalty exposures.

SORM's case management system is inadequate to meet the business needs of the Office and the state entities it serves. For workers' compensation claims administration, most systems utilize the Official Disability Guidelines (ODG) on medical treatment and return to work to benchmark outcomes in workers' compensation claims. ODG's Reserve Calculator is a statistical modeling program that incorporates unique factors that may increase claims costs. Adjusters can use risk levels provided by the ODG Reserve Calculator to specifically address high risk claims as well as claims that fall outside the ODG's treatment guidelines, costs, and return to work standards.

A peace officer employed by a political subdivision, while the peace officer is exercising authority granted under certain articles in the Code of Criminal Procedure, may be entitled to workers' compensation coverage through SORM. The imprecise language of this provision has created situations where the state has been required to provide workers' compensation coverage even though the peace officer was injured while working for a private employer.

SORM's ability to accurately calculate, and timely initiate payments of, indemnity benefits to injured employees is dependent on the information provided by the state entity employer.

Identify specific statutory changes that could improve the program's effectiveness.:

Please refer to other programs.

Identify specific opportunities to enhance this program given additional resources.:

One of the Office's initiatives is to transition its risk management, insurance, and claims administration services to a cloud-based RMIS. A distinct advantage of an RMIS is the ability to create analytics for a more complete and extensive analysis of statewide risk exposures. This will expand the Office's ability to identify statewide loss trends and develop a thorough statewide risk and insurance strategy. A RMIS will allow reporting state entities to easily and quickly enter and update information on losses as changes occur. State entities can also access detailed, up-to-date, comprehensive data on losses, which will increase the ability to proactively address risk.

Identify significant capital needs that impact the success for the program including the following.:

Capital Equipment and Items

CAPPS

DCS

IT: Cybersecurity

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

IT: Infrastructure

IT: Major Information Resource

Project

Land or Real Property

Repair or Rehab of Building and

Facilities

Vehicles

Other Transportation Items

Identify areas of cooperation, partnerships, and/or duplication of services with the following:

Federal

State

Local

Other

Identify federal laws, actions and/or initiatives that impact the service demands:

Describe the relationship of the program to the following:

Economic Conditions

Public Health

Public Safety

There are situations in which certain non-state employees are covered by workers' compensation through the Office. The definition of employee in Labor Code Section 501.001 includes a peace officer employed by political subdivision; a member of state military forces on active duty; Texas Task Force One member; and an intrastate fire mutual aid system team member, regional incident management team member, and a participating non-government member activated by the Texas Department of Emergency Management (TDEM)

Provide any additional information relevant to the program:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

SORM's ability to accurately calculate, and timely initiate payments of, indemnity benefits to injured employees is dependent on the information provided by the state entity employer.

Labor Code Section 402.075 requires TDI-DWC to assess the performance of insurance carriers during Performance Based Oversight (PBO) assessments at least biennially. PBO measures the timely payment of indemnity benefits and medical billing and the transmission of electronic data to TDI-DWC. SORM has been identified as a high performer during PBO assessments in 2009, 2010, 2011, 2012, 2014, and 2016. Preliminary results for the 2018 PBO assessment of SORM indicate SORM is a high performer. Final PBO results are expected in late November or early December.

Most the activities in a workers' compensation claim are dictated by deadlines in the Workers' Compensation Act and related rules. Labor Code Section 415.002 lists 22 separate carrier acts and/or carrier representative acts that constitute an administrative violation. Labor Code Section 415.0035 lists 3 separate carrier and/or carrier representative acts that constitute an administrative violation. Labor Code Section 415.0036 lists 2 types of claims adjuster conduct that constitute an administrative violation.

When a state employee's injury is caused by a liable third party, SORM is entitled to recover an amount equal to the expenditures for medical and income benefits. SORM can submit a request for reimbursement to the SIF if SORM is required to make benefit payments pursuant to a TDI-DWC order or decision that is later reversed or modified at any level of appeal.

PROGRAM NAME:	Workers' Compensation Payments: Medical Payments	RANK:	6
DESCRIPTION:	Provides payments to medical providers and related parties for approved workers' compensation claimants, excluding direct indemnity payments to the claimant.		
LEGAL AUTHORITY:			
STATE:	Labor Code Sections 408.021 and 408.027; 28 Texas Administrative Code Chapter 133		
FEDERAL:	NA		
SERVICE AREA:	Statewide	FISCAL YEAR PROGRAM IMPLEMENTED:	1998

Describe the populations and needs that the program serves:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

The Office's workers' compensation program covers 141 state entities, which includes courts and institutions of higher education as well as Windham School District within the Department of Criminal Justice, and 123 community supervision and corrections departments, encompassing approximately 190,000 individual employees. The client base for workers' compensation includes the Texas Tech System and TSUS, which both participate fully in the allocation funding program, as well as ERS and TRS. ERS and TRS reimburse claim costs fully but receive administration of their claims, and the ability to access risk management services, without contributing to the funding of operations.

There are situations in which certain non-state employees are covered by workers' compensation through the Office. The definition of employee in Labor Code Section 501.001 includes a peace officer employed by political subdivision; a member of state military forces on active duty; Texas Task Force One member (TTF1); and an intrastate fire mutual aid system team member, regional incident management team member, and a participating non-government member activated by the Texas Department of Emergency Management (TDEM).

An employee who sustains a compensable injury is entitled to all health care reasonably required by the nature of the injury as and when needed. The employee is specifically entitled to health care that cures or relieves the effects naturally resulting from the compensable injury; promotes recovery; or enhances the ability of the employee to return to or retain employment. Medical payments compensate health care providers for medically necessary treatment and services.

Describe how the program has changed since its initial implementation:

- i) Beginning in June 2005 significant changes were made to the Texas workers' compensation system. Those statutory changes and related rules as well as subsequent amendments have significantly affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program. Notable changes include:
 - (1) the adoption of medical fee guidelines for professional services, hospital outpatient services, inpatient services, ambulatory surgical center (ASC) services, dental services, and pharmaceuticals
 - (2) the creation of workers' compensation health care networks
 - (3) the licensing and regulation of pharmacy benefit plans and managers (PBM)
 - (4) phased implementation, expansion, and revision of closed formulary rules governing benefits related to prescription drugs and devices and related services
 - (5) rules on accurate and timely reimbursement of medical bills
 - (6) rules on electronic formats for medical billing and processing
 - (7) changes to the average weekly wage and waiting period for indemnity benefits
- ii) For a list of the rules that were adopted by the TDI-DWC prior to 2015 that have affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program see <https://www.tdi.texas.gov/wc/rules/adopted/index.html>
- iii) For a list of the rules that were adopted by the TDI-DWC after 2015 that have affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program see <https://www.tdi.texas.gov/wc/rules/index.html>

Identify current and projected factors and circumstances that impact the populations served and/or the demand for services:

The need for workers' compensation medical payments will vary throughout the fiscal year depending upon the nature and extent of injuries. The population served and demand for services may increase due to emergency operations in responses to natural and/or man-made disasters.

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Identify specific challenges to the operation of the program:

SORM has a contract with a workers' compensation health care network. The cost of medical treatment and services in network workers' compensation claims is dictated by a contract between the network and the health care provider. SORM has no legal standing to negotiate or re-negotiate the cost of medical treatment, as it is not a party to the network-provider contract. Therefore, in some instances the amount of reimbursement for services provided by a network provider may exceed the amount SORM would have paid under TDI-DWC's medical fee guidelines.

SORM can request an RME to resolve questions about the appropriateness of medical treatment in non-network claims. However, Insurance Code Section 1305.101(b) prohibits an in-network provider from performing an RME on an in-network claimant. Because of this prohibition, a network treating doctor must refer the claimant to an out-of-network doctor for a RME. Out-of-Network Referrals must be approved by the network. There is no incentive for an in-network treating doctor to request an out-of-network review of his own treatment. Likewise, the network is unlikely to approve the referral since it casts doubt on its contracted doctor.

Government Code Section 403.039 and 34 Texas Administrative Code Section 20.225(a)(8) require each vendor, including health care providers, to obtain a Texas Identification Number (TIN). If a vendor submits an invoice or bill for payment but does not have an active TIN, the Comptroller will not process the payment to the vendor. The Office is required to pay most medical bills within 45 days of the receipt of the bill. If a medical bill is incomplete, the Office may return the bill to the provider for a limited number of reasons. However, an incomplete, missing or incorrect TIN is not a specific basis to return a medical bill. Consequently, even though the Office may comply with the payment deadline, it can still be subject to an administrative violation if the actual payment is not issued by the Comptroller.

The Office continuously battles challenges associated with the licensed adjuster retention, which is not atypical in the insurance domain. SAO Report No. 17-701's comparative study of salary rates specifically highlighted the Office's claims examiner turnover rate, which is 20.1%. The inability to obtain and retain qualified staff increases the claim load of each adjuster, which in turn threatens the ability to complete a proper investigation into compensability, monitor medical services, calculate indemnity benefits, and provide appropriate customer service to state employees and other stakeholders. Claims loads exceeding industry standards result in errors, delaying time to recover and return to work, and increasing state costs and penalty exposures.

SORM's case management system is inadequate to meet the business needs of the Office and the state entities it serves. For workers' compensation claims administration, most systems utilize the Official Disability Guidelines (ODG) on medical treatment and return to work to benchmark outcomes in workers' compensation claims. ODG's Reserve Calculator is a statistical modeling program that incorporates unique factors that may increase claims costs. Adjusters can use risk levels provided by the ODG Reserve Calculator to specifically address high risk claims as well as claims that fall outside the ODG's treatment guidelines, costs, and return to work standards.

Identify specific statutory changes that could improve the program's effectiveness.:

Please refer to other programs.

Identify specific opportunities to enhance this program given additional resources.:

One of the Office's initiatives is to transition its risk management, insurance, and claims administration services to a cloud-based RMIS. A distinct advantage of an RMIS is the ability to create analytics for a more complete and extensive analysis of statewide risk exposures. This will expand the Office's ability to identify statewide loss trends and develop a thorough statewide risk and insurance strategy. A RMIS will allow reporting state entities to easily and quickly enter and update information on losses as changes occur. State entities can also access detailed, up-to-date, comprehensive data on losses, which will increase the ability to proactively address risk.

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Identify significant capital needs that impact the success for the program including the following::

Capital Equipment and Items

CAPPS

DCS

IT: Cybersecurity

IT: Infrastructure

IT: Major Information Resource

Project

Land or Real Property

Repair or Rehab of Building and

Facilities

Vehicles

Other Transportation Items

Identify areas of cooperation, partnerships, and/or duplication of services with the following:

Federal

State

Local

Other

Identify federal laws, actions and/or initiatives that impact the service demands:

Describe the relationship of the program to the following:

Economic Conditions

Public Health

Public Safety

There are situations in which certain non-state employees are covered by workers' compensation through the Office. The definition of employee in Labor Code Section 501.001 includes a peace officer employed by political subdivision; a member of state military forces on active duty; Texas Task Force One member; and an intrastate fire mutual aid system team member, regional incident management team member, and a participating non-government member activated by the Texas Department of Emergency Management (TDEM)

Provide any additional information relevant to the program:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Workers' compensation benefits include medically necessary treatment, prescription drugs and over-the-counter medication. The amount of reimbursement for services provided by a network provider is determined by the contract between the network and the provider. TDI-DWC sets the amount of reimbursement for health care treatment in non-network claims. The reimbursement fees for prescription drugs are also set by the TDI-DWC.

SORM has a contract with a certified workers' compensation health care network to provide state employees with access to health care with primary and specialty medical providers who are familiar with workers' compensation injuries. An employee who lives within the network's service area must obtain medical treatment through network providers. If an in-network employee chooses to obtain health care from a non-network provider without network approval, SORM may not be liable for payment for the healthcare. State employees who do not live in the network's service may chose, but are not required, to use network providers.

TDI-DWC's treatment guidelines and those adopted by workers' compensation health care networks must be evidence-based, scientifically valid, outcome-focused, and designed to reduce excessive or inappropriate medical care while safeguarding necessary medical care.

TDI-DWC has adopted medical fee guidelines in conjunction with the treatment guidelines. The fee guidelines must be fair and reasonable and designed to ensure the quality of medical care and to achieve effective medical cost control. The amount of reimbursement for services provided by a network provider is determined by the contract with the network.

The Texas Workers' Compensation Act and the rules adopted by TDI-DWC require health care providers to obtain preauthorization of certain medical procedures as well as prescription drugs prior to providing the service or medication. The preauthorization guidelines can vary between non-network and network claims. Denial of preauthorization has an appeal process.

Most the activities in a workers' compensation claim are dictated by deadlines in the Workers' Compensation Act and related rules. Labor Code Section 415.002 lists 22 separate carrier acts and/or carrier representative acts that constitute an administrative violation. Labor Code Section 415.0035 lists 3 separate carrier and/or carrier representative acts that constitute an administrative violation. Labor Code Section 415.0036 lists 2 types of claims adjuster conduct that constitute an administrative violation.

Labor Code Section 402.075 requires TDI-DWC to assess the performance of insurance carriers during Performance Based Oversight (PBO) assessments at least biennially. PBO measures the timely payment of indemnity benefits and medical billing and the transmission of electronic data to TDI-DWC. SORM has been identified as a high performer during PBO assessments in 2009, 2010, 2011, 2012, 2014, and 2016. Preliminary results for the 2018 PBO assessment of SORM indicate SORM is a high performer. Final PBO results are expected in late November or early December.

When a state employee's injury is caused by a liable third party, SORM is entitled to recover an amount equal to the expenditures for medical and income benefits. SORM can submit a request for reimbursement to the SIF if SORM is required to make benefit payments pursuant to a TDI-DWC order or decision that is later reversed or modified at any level of appeal.

PROGRAM NAME:	Contracted Medical Cost Containment	RANK:	7
----------------------	--	--------------	----------

DESCRIPTION:	Contracts with medical cost containment vendors that provide a workers' compensation health care network, process pre-authorization requests for medical procedures, audit medical bills to comply with fee guidelines, act as a pharmacy benefit manager, and provide ancillary services.
---------------------	--

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

LEGAL AUTHORITY:

STATE: Labor Code Section 412.041(d). Rider 7 in SORM's appropriations bill pattern was added per HB 1, by the 72nd Legislative in the 1st Special Session, to be effective on Sept. 1, 1991. The first report on the effectiveness of cost containment services was due within 45 days after the close of the FY

FEDERAL: NA

SERVICE AREA: Statewide

FISCAL YEAR PROGRAM IMPLEMENTED: 1998

Describe the populations and needs that the program serves:

The Office's workers' compensation program covers 141 state entities, which includes courts and institutions of higher education as well as Windham School District within the Department of Criminal Justice, and 123 community supervision and corrections departments, encompassing approximately 190,000 individual employees. The client base for workers' compensation includes the Texas Tech System and TSUS, which both participate fully in the allocation funding program, as well as ERS and TRS. ERS and TRS reimburse claim costs fully but receive administration of their claims, and the ability to access risk management services, without contributing to the funding of operations.

There are situations in which certain non-state employees are covered by workers' compensation through the Office. The definition of employee in Labor Code Section 501.001 includes a peace officer employed by political subdivision; a member of state military forces on active duty; Texas Task Force One member; and an intrastate fire mutual aid system team member, regional incident management team member, and a participating non-government member activated by the Texas Department of Emergency Management (TDEM)

The Contracted Medical Cost Containment provides fiscal responsibility with state funds, minimizes costs to employer agencies and injured employees and reduces costs associated with workers' compensation losses and claims administration.

Describe how the program has changed since its initial implementation:

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

i) Beginning in June 2005 significant changes were made to the Texas workers' compensation system. Those statutory changes and related rules as well as subsequent amendments have significantly affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program. Notable changes include:

- (1) the adoption of medical fee guidelines for professional services, hospital outpatient services, inpatient services, ambulatory surgical center (ASC) services, dental services, and pharmaceuticals
- (2) the creation of workers' compensation health care networks
- (3) the licensing and regulation of pharmacy benefit plans and managers (PBM)
- (4) phased implementation, expansion, and revision of closed formulary rules governing benefits related to prescription drugs and devices and related services
- (5) rules on accurate and timely reimbursement of medical bills
- (6) rules on electronic formats for medical billing and processing
- (7) changes to the average weekly wage and waiting period for indemnity benefits

ii) For a list of the rules that were adopted by the TDI-DWC prior to 2015 that have affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program see <https://www.tdi.texas.gov/wc/rules/adopted/index.html>

iii) For a list of the rules that were adopted by the TDI-DWC after 2015 that have affected SORM's contracted medical cost containment program, workers' compensation operations program, indemnity payment program, and medical payment program see <https://www.tdi.texas.gov/wc/rules/index.html>

Identify current and projected factors and circumstances that impact the populations served and/or the demand for services:

The need for contracted medical cost containment will vary throughout the fiscal year depending upon the nature and extent of injuries. Demand for services may increase due to natural and/or man-made disasters.

Identify specific challenges to the operation of the program:

SORM's ability to control medical costs through contractual provisions will be more limited as companies providing medical cost containment services merge thereby creating less competition in the market place.

Pharmacy benefit managers and workers' compensation health care networks are regulated by the Texas Department of Insurance.

SORM has a contract with a workers' compensation health care network. The cost of medical treatment and services in network workers' compensation claims is dictated by a contract between the network and the health care provider. SORM has no legal standing to negotiate or re-negotiate the cost of medical treatment, as it is not a party to the network-provider contract. Therefore, in some instances the amount of reimbursement for services provided by a network provider may exceed the amount SORM would have paid under TDI-DWC's medical fee guidelines.

Most the activities in a workers' compensation claim are dictated by deadlines in the Workers' Compensation Act and related rules. Labor Code Section 415.002 lists 22 separate carrier acts and/or carrier representative acts that constitute an administrative violation. Labor Code Section 415.0035 lists 3 separate carrier and/or carrier representative acts that constitute an administrative violation.

SORM could potentially be held liable for an administrative violation by a vendor.

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Identify specific statutory changes that could improve the program's effectiveness.:

Please refer to other programs.

Identify specific opportunities to enhance this program given additional resources.:

In FY19, SORM will enter into new medical costs containment contracts with clearly defined performance expectations, deliverables, and performance discounts. SORM's goal is to have contracts with a pool of vendors that provide similar services at similar pricing.

SORM's medical quality assurance staff review medical bills that have been re-priced by the medical cost containment vendor before payment is issued to verify the accuracy of the proposed payment, ensure the medical treatment is related to the compensable injury, and confirm services have received preauthorization approval when required. Utilizing this expertise is an initial step toward the future possibility that SORM will perform medical bill audits in-house. SORM will have to do an extensive analysis of the potential reduction in administrative fees compared with the increased need for additional staff to determine which option will offer long-term lower costs for the state.

Identify significant capital needs that impact the success for the program including the following.:

Capital Equipment and Items

CAPPS

DCS

IT: Cybersecurity

IT: Infrastructure

IT: Major Information Resource

Project

Land or Real Property

Repair or Rehab of Building and

Facilities

Vehicles

Other Transportation Items

Identify areas of cooperation, partnerships, and/or duplication of services with the following:

Federal

State

Local

Other

Identify federal laws, actions and/or initiatives that impact the service demands:

Describe the relationship of the program to the following:

Economic Conditions

Public Health

Program Details and Service Populations & Demands

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Public Safety

Provide any additional information relevant to the program:

Workers' compensation benefits include medically necessary treatment, prescription drugs and over-the-counter medication. The amount of reimbursement for services provided by a network provider is determined by the contract between the network and the provider. TDI-DWC sets the amount of reimbursement for health care treatment in non-network claims. The reimbursement fees for prescription drugs are also set by the TDI-DWC.

SORM has a contract with a certified workers' compensation health care network to provide state employees with access to health care with primary and specialty medical providers who are familiar with workers' compensation injuries. An employee who lives within the network's service area must obtain medical treatment through network providers. If an in-network employee chooses to obtain health care from a non-network provider without network approval, SORM may not be liable for payment for the healthcare. State employees who do not live in the network's service may chose, but are not required, to use network providers.

TDI-DWC's treatment guidelines and those adopted by workers' compensation health care networks must be evidence-based, scientifically valid, outcome-focused, and designed to reduce excessive or inappropriate medical care while safeguarding necessary medical care.

TDI-DWC has adopted medical fee guidelines in conjunction with the treatment guidelines. The fee guidelines must be fair and reasonable and designed to ensure the quality of medical care and to achieve effective medical cost control. The amount of reimbursement for services provided by a network provider is determined by the contract with the network.

The Texas Workers' Compensation Act and the rules adopted by TDI-DWC require health care providers to obtain preauthorization of certain medical procedures as well as prescription drugs prior to providing the service or medication. The preauthorization guidelines can vary between non-network and network claims. Denial of preauthorization has an appeal process.

Most the activities in a workers' compensation claim are dictated by deadlines in the Workers' Compensation Act and related rules. Labor Code Section 415.002 lists 22 separate carrier acts and/or carrier representative acts that constitute an administrative violation. Labor Code Section 415.0035 lists 3 separate carrier and/or carrier representative acts that constitute an administrative violation. Labor Code Section 415.0036 lists 2 types of claims adjuster conduct that constitute an administrative violation.

Labor Code Section 402.075 requires TDI-DWC to assess the performance of insurance carriers during Performance Based Oversight (PBO) assessments at least biennially. PBO measures the timely payment of indemnity benefits and medical billing and the transmission of electronic data to TDI-DWC. SORM has been identified as a high performer during PBO assessments in 2009, 2010, 2011, 2012, 2014, and 2016. Preliminary results for the 2018 PBO assessment of SORM indicate SORM is a high performer. Final PBO results are expected in late November or early December.

When a state employee's injury is caused by a liable third party, SORM is entitled to recover an amount equal to the expenditures for medical and income benefits. SORM can submit a request for reimbursement to the SIF if SORM is required to make benefit payments pursuant to a TDI-DWC order or decision that is later reversed or modified at any level of appeal.

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
PROGRAM NAME:	Enterprise Risk Management											
DESCRIPTION:	Assists state entities in establishing and maintaining comprehensive risk management programs designed to control, reduce, and finance risk.											
ACTIVITY NAME:	Enterprise Risk Management											
DESCRIPTION:	Assists state entities in establishing and maintaining comprehensive risk management programs designed to control, reduce, and finance risk.											
<u>AUTHORITY:</u>	State											
SOURCE:	Executive Order											
CITATION:	GWB 95-8											
SOURCE:	Statute											
CITATION:	Labor Code Sections 412.011(b)(1),(b)(4),(b)(5),(b)(6),(b)(8) and (c)(1)											
SOURCE:	Statute											
CITATION:	The GAA, Article IX, Section 15.02											
SOURCE:	Other											
	Performance Measure											
CITATION:	# of Risk Management Training Sessions Conducted											
<u>MOFs:</u>	INSIDE THE TREASURY											
	OTHER FUNDS											
	Inside the Bill Pattern											
	777 Interagency Contracts											
	2,526,360	2,713,832	2,787,783	2,899,726	1,983,470	2,358,812	2,254,246	2,254,247	0	0	2,254,246	2,254,247
Total, OTHER FUNDS	2,526,360	2,713,832	2,787,783	2,899,726	1,983,470	2,358,812	2,254,246	2,254,247	0	0	2,254,246	2,254,247
ACTIVITY TOTAL, INSIDE THE TREASURY	2,526,360	2,713,832	2,787,783	2,899,726	1,983,470	2,358,812	2,254,246	2,254,247	0	0	2,254,246	2,254,247
<i>Activity Subtotal, Inside the Bill Pattern</i>	2,526,360	2,713,832	2,787,783	2,899,726	1,983,470	2,358,812	2,254,246	2,254,247	0	0	2,254,246	2,254,247
Activity Total MOFs:	2,526,360	2,713,832	2,787,783	2,899,726	1,983,470	2,358,812	2,254,246	2,254,247	0	0	2,254,246	2,254,247

OOEs:
INSIDE THE TREASURY

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
Inside the Bill Pattern												
1001	SALARIES AND WAGES											
	1,669,231	1,859,951	2,057,941	2,166,655	1,328,585	1,579,878	1,579,877	1,579,878	0	0	1,579,877	1,579,878
1002	OTHER PERSONNEL COSTS											
	126,428	122,875	48,955	133,467	118,875	217,830	217,830	217,830	0	0	217,830	217,830
2001	PROFESSIONAL FEES AND SERVICES											
	15,269	19,243	5,261	10,231	1,037	5,476	5,476	5,476	0	0	5,476	5,476
2003	CONSUMABLE SUPPLIES											
	7,387	6,815	7,619	6,387	8,797	11,530	11,530	11,530	0	0	11,530	11,530
2004	UTILITIES											
	619	275	2,107	2,256	1,566	1,817	1,817	1,817	0	0	1,817	1,817
2005	TRAVEL											
	67,192	83,017	93,403	84,865	64,444	64,750	64,750	64,750	0	0	64,750	64,750
2006	RENT - BUILDING											
	216	216	216	216	216	216	216	216	0	0	216	216
2007	RENT - MACHINE AND OTHER											
	7,257	6,010	6,452	6,448	6,559	6,559	7,200	7,200	0	0	7,200	7,200
2009	OTHER OPERATING EXPENSE											
	628,586	593,910	565,829	489,201	453,391	441,356	365,550	365,550	0	0	365,550	365,550
5000	CAPITAL EXPENDITURES											
	4,175	21,520	0	0	0	29,400	0	0	0	0	0	0
Activity Total	OOEs:											
	2,526,360	2,713,832	2,787,783	2,899,726	1,983,470	2,358,812	2,254,246	2,254,247	0	0	2,254,246	2,254,247
FTEs:												
INSIDE THE TREASURY												
Inside the Bill Pattern												
	28.8	30.7	32.0	31.7	22.6	26.1	26.1	26.1	0.0	0.0	26.1	26.1
Activity Total	FTEs:											
	28.8	30.7	32.0	31.7	22.6	26.1	26.1	26.1	0.0	0.0	26.1	26.1
Summary for Program: Enterprise Risk Management												
Inside the Treasury												
Inside the Bill Pattern												
	2,526,360	2,713,832	2,787,783	2,899,726	1,983,470	2,358,812	2,254,246	2,254,247	0	0	2,254,246	2,254,247
Total for Program	2,526,360	2,713,832	2,787,783	2,899,726	1,983,470	2,358,812	2,254,246	2,254,247	0	0	2,254,246	2,254,247

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
PROGRAM NAME:	Continuity of Operations Planning											
DESCRIPTION:	Assist with the development of continuity of operations plans, create guidelines & models for key elements for the plans, & assist entities to ensure plans are workable											
ACTIVITY NAME:	Continuity of Operations Planning											
DESCRIPTION:	Assist with the development of continuity of operations plans, create guidelines & models for key elements for the plans, & assist entities to ensure plans are workable											
<u>AUTHORITY:</u>												
State												
SOURCE:	Statute											
CITATION:	Labor Code Sections 412.011(f) and (g) and 412.054											
<u>MOFs:</u>												
INSIDE THE TREASURY												
OTHER FUNDS												
Inside the Bill Pattern												
777 Interagency Contracts												
	43,959	69,086	65,832	51,870	106,060	135,705	135,705	135,705	0	0	135,705	135,705
Total, OTHER FUNDS	43,959	69,086	65,832	51,870	106,060	135,705	135,705	135,705	0	0	135,705	135,705
ACTIVITY TOTAL, INSIDE THE TREASURY	43,959	69,086	65,832	51,870	106,060	135,705	135,705	135,705	0	0	135,705	135,705
<i>Activity Subtotal, Inside the Bill Pattern</i>	<i>43,959</i>	<i>69,086</i>	<i>65,832</i>	<i>51,870</i>	<i>106,060</i>	<i>135,705</i>	<i>135,705</i>	<i>135,705</i>	<i>0</i>	<i>0</i>	<i>135,705</i>	<i>135,705</i>
Activity Total MOFs:	43,959	69,086	65,832	51,870	106,060	135,705	135,705	135,705	0	0	135,705	135,705

<u>OOEs:</u>												
INSIDE THE TREASURY												
Inside the Bill Pattern												
1001 SALARIES AND WAGES												
	42,218	63,104	64,682	48,511	102,054	130,104	130,104	130,104	0	0	130,104	130,104
1002 OTHER PERSONNEL COSTS												
	142	5,315	503	2,874	1,509	1,800	1,800	1,800	0	0	1,800	1,800
2005 TRAVEL												

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
	1,362	36	0	0	1,534	2,500	2,500	2,500	0	0	2,500	2,500
2009 OTHER OPERATING EXPENSE												
	237	631	647	485	963	1,301	1,301	1,301	0	0	1,301	1,301
Activity Total OOE:	43,959	69,086	65,832	51,870	106,060	135,705	135,705	135,705	0	0	135,705	135,705
FTEs:												
INSIDE THE TREASURY												
Inside the Bill Pattern												
	0.7	1.0	1.0	0.8	1.7	2.0	2.0	2.0	0.0	0.0	2.0	2.0
Activity Total FTEs:	0.7	1.0	1.0	0.8	1.7	2.0	2.0	2.0	0.0	0.0	2.0	2.0

Summary for Program: Continuity of Operations Planning

Inside the Treasury												
Inside the Bill Pattern												
	43,959	69,086	65,832	51,870	106,060	135,705	135,705	135,705	0	0	135,705	135,705
Total for Program	43,959	69,086	65,832	51,870	106,060	135,705	135,705	135,705	0	0	135,705	135,705

PROGRAM NAME:	Insurance Purchasing
DESCRIPTION:	Performs comprehensive reviews of proposed insurance purchases submitted by applicable state entities for sponsored and non-sponsored lines of insurance.
ACTIVITY NAME:	Insurance Purchasing
DESCRIPTION:	Performs comprehensive reviews of proposed insurance purchases submitted by applicable state entities for sponsored and non-sponsored lines of insurance.
AUTHORITY:	State
SOURCE:	Statute
CITATION:	Labor Code, Ch. 412.011 (a),(b)(1),(2),(3),(c)(2),(d),(e) Labor Code, Ch. 412.041 (b) Labor Code, Ch. 412.051

MOFs:
INSIDE THE TREASURY
OTHER FUNDS

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
Inside the Bill Pattern												
777	Interagency Contracts											
	148,863	164,574	215,651	261,233	173,141	207,434	207,434	207,434	0	0	207,434	207,434
Total,	OTHER FUNDS											
	148,863	164,574	215,651	261,233	173,141	207,434	207,434	207,434	0	0	207,434	207,434
ACTIVITY TOTAL, INSIDE THE TREASURY												
	148,863	164,574	215,651	261,233	173,141	207,434	207,434	207,434	0	0	207,434	207,434
<i>Activity Subtotal, Inside the Bill Pattern</i>												
	148,863	164,574	215,651	261,233	173,141	207,434	207,434	207,434	0	0	207,434	207,434
Activity Total	MOFs:											
	148,863	164,574	215,651	261,233	173,141	207,434	207,434	207,434	0	0	207,434	207,434
OOEs:												
INSIDE THE TREASURY												
Inside the Bill Pattern												
1001	SALARIES AND WAGES											
	132,955	147,069	202,269	228,267	165,031	193,400	193,400	193,400	0	0	193,400	193,400
1002	OTHER PERSONNEL COSTS											
	4,280	2,244	3,036	6,862	1,386	2,100	2,100	2,100	0	0	2,100	2,100
2005	TRAVEL											
	10,509	13,846	8,540	23,950	5,224	10,000	10,000	10,000	0	0	10,000	10,000
2009	OTHER OPERATING EXPENSE											
	1,119	1,415	1,806	2,154	1,500	1,934	1,934	1,934	0	0	1,934	1,934
Activity Total	OOEs:											
	148,863	164,574	215,651	261,233	173,141	207,434	207,434	207,434	0	0	207,434	207,434
FTEs:												
INSIDE THE TREASURY												
Inside the Bill Pattern												
	2.0	2.5	3.5	3.8	2.5	3.0	3.0	3.0	0.0	0.0	3.0	3.0
Activity Total	FTEs:											
	2.0	2.5	3.5	3.8	2.5	3.0	3.0	3.0	0.0	0.0	3.0	3.0

Summary for Program: Insurance Purchasing
Inside the Treasury
Inside the Bill Pattern

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
Total for Program	148,863	164,574	215,651	261,233	173,141	207,434	207,434	207,434	0	0	207,434	207,434
	148,863	164,574	215,651	261,233	173,141	207,434	207,434	207,434	0	0	207,434	207,434

PROGRAM NAME: Workers' Compensation Claims Operations
DESCRIPTION: Administers the state workers' compensation program including investigating injury claims, determining indemnity and medical benefits for claims, and maintaining a customer service call center to provide claims processing information

ACTIVITY NAME: **Workers' Compensation Claims Operations**
DESCRIPTION: Administers the state workers' compensation program including investigating injury claims, determining indemnity and medical benefits for claims, and maintaining a customer service call center to provide claims processing information

AUTHORITY:
State

- SOURCE: Constitution
- CITATION: Tex. Constitution, Art. 3, Sec. 59
- SOURCE: Statute
- CITATION: Labor Code Sections 412.011(b)(7), (b)(8), 412.041(e)
- SOURCE: Statute
- CITATION: Labor Code, Ch. 501
- SOURCE: Statute
- CITATION: The GAA, Article IX, Section 15.02

MOFs:

INSIDE THE TREASURY

OTHER FUNDS												
Inside the Bill Pattern												
	666	609	654	1,346	1,177	900	0	0	0	0	0	0
Appropriated Receipts												
Interagency Contracts	777	5,488,911	5,606,689	5,153,924	5,213,656	6,287,096	6,551,949	6,307,964	6,307,964	0	0	6,307,964
Total, OTHER FUNDS		5,489,520	5,607,343	5,155,270	5,214,833	6,287,996	6,551,949	6,307,964	6,307,964	0	0	6,307,964
ACTIVITY TOTAL, INSIDE THE TREASURY		5,489,520	5,607,343	5,155,270	5,214,833	6,287,996	6,551,949	6,307,964	6,307,964	0	0	6,307,964
<i>Activity Subtotal, Inside the Bill Pattern</i>												

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
	5,489,520	5,607,343	5,155,270	5,214,833	6,287,996	6,551,949	6,307,964	6,307,964	0	0	6,307,964	6,307,964
Activity Total MOFs:	5,489,520	5,607,343	5,155,270	5,214,833	6,287,996	6,551,949	6,307,964	6,307,964	0	0	6,307,964	6,307,964

OOEs:

INSIDE THE TREASURY

Inside the Bill Pattern

1001 SALARIES AND WAGES	3,647,811	3,713,124	3,765,196	3,826,868	4,761,568	5,107,767	5,107,768	5,107,767	0	0	5,107,768	5,107,767
1002 OTHER PERSONNEL COSTS	239,472	303,556	131,257	257,484	328,230	228,270	228,270	228,270	0	0	228,270	228,270
2001 PROFESSIONAL FEES AND SERVICES	16,351	54,662	18,568	23,871	11,085	12,778	12,778	12,778	0	0	12,778	12,778
2003 CONSUMABLE SUPPLIES	16,304	15,758	16,491	14,475	29,637	26,904	26,904	26,904	0	0	26,904	26,904
2004 UTILITIES	1,444	1,552	15,338	3,667	4,492	4,241	4,241	4,241	0	0	4,241	4,241
2005 TRAVEL	82,437	71,039	62,687	47,220	63,798	57,750	57,750	57,750	0	0	57,750	57,750
2006 RENT - BUILDING	504	504	504	504	504	504	504	504	0	0	504	504
2007 RENT - MACHINE AND OTHER	16,934	14,024	15,054	15,048	15,304	15,304	16,800	16,800	0	0	16,800	16,800
2009 OTHER OPERATING EXPENSE	1,458,522	1,382,910	1,130,175	1,025,696	1,073,378	1,029,831	852,949	852,950	0	0	852,949	852,950
5000 CAPITAL EXPENDITURES	9,741	50,214	0	0	0	68,600	0	0	0	0	0	0
Activity Total OOs:	5,489,520	5,607,343	5,155,270	5,214,833	6,287,996	6,551,949	6,307,964	6,307,964	0	0	6,307,964	6,307,964

FTEs:

INSIDE THE TREASURY

Inside the Bill Pattern

	80.7	81.1	77.7	73.7	86.1	90.5	90.5	90.5	0.0	0.0	90.5	90.5
Activity Total FTEs:	80.7	81.1	77.7	73.7	86.1	90.5	90.5	90.5	0.0	0.0	90.5	90.5

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
Summary for Program: Workers' Compensation Claims Operations												
Inside the Treasury												
Inside the Bill Pattern												
	5,489,520	5,607,343	5,155,270	5,214,833	6,287,996	6,551,949	6,307,964	6,307,964	0	0	6,307,964	6,307,964
Total for Program	5,489,520	5,607,343	5,155,270	5,214,833	6,287,996	6,551,949	6,307,964	6,307,964	0	0	6,307,964	6,307,964
PROGRAM NAME:	Workers' Compensation Payments: Indemnity Payments											
DESCRIPTION:	Provides indemnity payments to approved workers' compensation claimants.											
ACTIVITY NAME:	Workers' Compensation Payments: Indemnity Payments											
DESCRIPTION:	Provides indemnity payments to approved workers' compensation claimants.											
<u>AUTHORITY:</u>												
State												
SOURCE:	Statute											
CITATION:	Labor Code, Ch. 409											
<u>MOFs:</u>												
INSIDE THE TREASURY												
OTHER FUNDS												
Inside the Bill Pattern												
777	Interagency Contracts											
	14,056,704	14,700,411	15,614,306	16,169,130	17,296,472	17,921,646	17,609,059	17,609,059	0	0	17,609,059	17,609,059
8052	Subrogation Receipts											
	212,400	270,773	260,613	264,534	236,628	236,628	236,628	236,628	0	0	236,628	236,628
Total,	OTHER FUNDS											
	14,269,104	14,971,184	15,874,919	16,433,664	17,533,100	18,158,274	17,845,687	17,845,687	0	0	17,845,687	17,845,687
ACTIVITY TOTAL, INSIDE THE TREASURY												
	14,269,104	14,971,184	15,874,919	16,433,664	17,533,100	18,158,274	17,845,687	17,845,687	0	0	17,845,687	17,845,687
<i>Activity Subtotal, Inside the Bill Pattern</i>												
	<i>14,269,104</i>	<i>14,971,184</i>	<i>15,874,919</i>	<i>16,433,664</i>	<i>17,533,100</i>	<i>18,158,274</i>	<i>17,845,687</i>	<i>17,845,687</i>	<i>0</i>	<i>0</i>	<i>17,845,687</i>	<i>17,845,687</i>
Activity Total	MOFs:											
	14,269,104	14,971,184	15,874,919	16,433,664	17,533,100	18,158,274	17,845,687	17,845,687	0	0	17,845,687	17,845,687

OOEs:
INSIDE THE TREASURY

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
Inside the Bill Pattern												
2009 OTHER OPERATING EXPENSE												
	14,269,104	14,971,184	15,874,919	16,433,664	17,533,100	18,158,274	17,845,687	17,845,687	0	0	17,845,687	17,845,687
Activity Total	OOEs:											
	14,269,104	14,971,184	15,874,919	16,433,664	17,533,100	18,158,274	17,845,687	17,845,687	0	0	17,845,687	17,845,687
Summary for Program:	Workers' Compensation Payments: Indemnity Payments											
Inside the Treasury												
Inside the Bill Pattern												
	14,269,104	14,971,184	15,874,919	16,433,664	17,533,100	18,158,274	17,845,687	17,845,687	0	0	17,845,687	17,845,687
Total for Program	14,269,104	14,971,184	15,874,919	16,433,664	17,533,100	18,158,274	17,845,687	17,845,687	0	0	17,845,687	17,845,687

PROGRAM NAME: Workers' Compensation Payments: Medical Payments
DESCRIPTION: Provides payments to medical providers and related parties for approved workers' compensation claimants, excluding direct indemnity payments to the claimant.

ACTIVITY NAME: Workers' Compensation Payments: Medical Payments
DESCRIPTION: Provides payments to medical providers and related parties for approved workers' compensation claimants, excluding direct indemnity payments to the claimant.

AUTHORITY:
State

SOURCE: Admin Code
 CITATION: 28 Texas Administrative Code Chapter 133

SOURCE: Statute
 CITATION: Labor Code Sections 408.021 and 408.027

MOFs:

INSIDE THE TREASURY

OTHER FUNDS

Inside the Bill Pattern

777 Interagency Contracts												
	20,913,624	23,312,377	22,392,976	22,538,463	24,203,528	25,078,354	24,640,941	24,640,941	0	0	24,640,941	24,640,941
8052 Subrogation Receipts												
	316,010	429,401	373,754	368,739	331,122	331,122	331,122	331,122	0	0	331,122	331,122
Total, OTHER FUNDS	21,229,634	23,741,778	22,766,730	22,907,202	24,534,650	25,409,476	24,972,063	24,972,063	0	0	24,972,063	24,972,063

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
ACTIVITY TOTAL, INSIDE THE TREASURY	21,229,634	23,741,778	22,766,730	22,907,202	24,534,650	25,409,476	24,972,063	24,972,063	0	0	24,972,063	24,972,063
<i>Activity Subtotal, Inside the Bill Pattern</i>	<i>21,229,634</i>	<i>23,741,778</i>	<i>22,766,730</i>	<i>22,907,202</i>	<i>24,534,650</i>	<i>25,409,476</i>	<i>24,972,063</i>	<i>24,972,063</i>	<i>0</i>	<i>0</i>	<i>24,972,063</i>	<i>24,972,063</i>
Activity Total MOFs:	21,229,634	23,741,778	22,766,730	22,907,202	24,534,650	25,409,476	24,972,063	24,972,063	0	0	24,972,063	24,972,063
OOEs:												
INSIDE THE TREASURY												
Inside the Bill Pattern												
2009 OTHER OPERATING EXPENSE	21,229,634	23,741,778	22,766,730	22,907,202	24,534,650	25,409,476	24,972,063	24,972,063	0	0	24,972,063	24,972,063
Activity Total OOs:	21,229,634	23,741,778	22,766,730	22,907,202	24,534,650	25,409,476	24,972,063	24,972,063	0	0	24,972,063	24,972,063
Summary for Program: Workers' Compensation Payments: Medical Payments												
Inside the Treasury												
Inside the Bill Pattern	21,229,634	23,741,778	22,766,730	22,907,202	24,534,650	25,409,476	24,972,063	24,972,063	0	0	24,972,063	24,972,063
Total for Program	21,229,634	23,741,778	22,766,730	22,907,202	24,534,650	25,409,476	24,972,063	24,972,063	0	0	24,972,063	24,972,063

PROGRAM NAME: Contracted Medical Cost Containment

DESCRIPTION: Contracts with medical cost containment vendors that provide a workers' compensation health care network, process pre-authorization requests for medical procedures, audit medical bills to comply with fee guidelines, act as a pharmacy benefit manager, and provide ancillary services.

ACTIVITY NAME: Contracted Medical Cost Containment

DESCRIPTION: Contracts with medical cost containment vendors that provide a workers' compensation health care network, process pre-authorization requests for medical procedures, audit medical bills to comply with fee guidelines, act as a pharmacy benefit manager, and provide ancillary services.

AUTHORITY:

Federal

SOURCE: No Federal Requirement

CITATION:

State

SOURCE: Statute

Program Activities
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
CITATION:		Labor Code Section 412.041(c)										
SOURCE:		Statute										
CITATION:		Labor Code Section 412.041(d)										
MOFs:												
INSIDE THE TREASURY												
OTHER FUNDS												
Inside the Bill Pattern												
777 Interagency Contracts												
	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000
Total,	OTHER FUNDS											
	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000
ACTIVITY TOTAL, INSIDE THE TREASURY												
	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000
<i>Activity Subtotal, Inside the Bill Pattern</i>												
	<i>1,551,215</i>	<i>1,264,921</i>	<i>1,231,004</i>	<i>1,144,205</i>	<i>1,806,132</i>	<i>1,800,000</i>	<i>1,800,000</i>	<i>1,800,000</i>	<i>0</i>	<i>0</i>	<i>1,800,000</i>	<i>1,800,000</i>
Activity Total	MOFs:											
	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000
OOEs:												
INSIDE THE TREASURY												
Inside the Bill Pattern												
2001 PROFESSIONAL FEES AND SERVICES												
	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000
Activity Total	OOEs:											
	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000
Summary for Program: Contracted Medical Cost Containment												
Inside the Treasury												
Inside the Bill Pattern												
	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000
Total for Program												
	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000

Summary for Agency: 479 State Office of Risk Management

Program Activities
 86th Regular Session, Agency Submission, Version 1
 Strategic Fiscal Review (SFR)

ARTICLE I - General Government

Inside the Treasury

Inside the Bill Pattern

	45,258,655	48,532,718	48,097,189	48,912,733	52,424,549	54,621,650	53,523,099	53,523,100	0	0	53,523,099	53,523,100
Total for Agency	45,258,655	48,532,718	48,097,189	48,912,733	52,424,549	54,621,650	53,523,099	53,523,100	0	0	53,523,099	53,523,100

Programs by Strategy
 Amounts Inside the Bill Pattern only
 86th Regular Session, Agency Submission, Version 1
 Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
Strategy: 1.1.1 ENTERPRISE RISK MGMT/CLAIMS ADMIN												
MOFs:												
OTHER FUNDS												
PROGRAM NAME:	Enterprise Risk Management											
ACTIVITY NAME:	Enterprise Risk Management											
777 Interagency Contracts												
	2,526,360	2,713,832	2,787,783	2,899,726	1,983,470	2,358,812	2,254,246	2,254,247	0	0	2,254,246	2,254,247
PROGRAM NAME:	Continuity of Operations Planning											
ACTIVITY NAME:	Continuity of Operations Planning											
777 Interagency Contracts												
	43,959	69,086	65,832	51,870	106,060	135,705	135,705	135,705	0	0	135,705	135,705
PROGRAM NAME:	Insurance Purchasing											
ACTIVITY NAME:	Insurance Purchasing											
777 Interagency Contracts												
	148,863	164,574	215,651	261,233	173,141	207,434	207,434	207,434	0	0	207,434	207,434
PROGRAM NAME:	Workers' Compensation Claims Operations											
ACTIVITY NAME:	Workers' Compensation Claims Operations											
666 Appropriated Receipts												
	609	654	1,346	1,177	900	0	0	0	0	0	0	0
777 Interagency Contracts												
	5,488,911	5,606,689	5,153,924	5,213,656	6,287,096	6,551,949	6,307,964	6,307,964	0	0	6,307,964	6,307,964
PROGRAM NAME:	Contracted Medical Cost Containment											
ACTIVITY NAME:	Contracted Medical Cost Containment											
777 Interagency Contracts												
	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000
Total, OTHER FUNDS												
	9,759,917	9,819,756	9,455,540	9,571,867	10,356,799	11,053,900	10,705,349	10,705,350	0	0	10,705,349	10,705,350
Total, MOFs:												
	9,759,917	9,819,756	9,455,540	9,571,867	10,356,799	11,053,900	10,705,349	10,705,350	0	0	10,705,349	10,705,350
OOEs:												
PROGRAM NAME:	Enterprise Risk Management											
ACTIVITY NAME:	Enterprise Risk Management											

Programs by Strategy
Amounts Inside the Bill Pattern only
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
1001 SALARIES AND WAGES	1,669,231	1,859,951	2,057,941	2,166,655	1,328,585	1,579,878	1,579,877	1,579,878	0	0	1,579,877	1,579,878
1002 OTHER PERSONNEL COSTS	126,428	122,875	48,955	133,467	118,875	217,830	217,830	217,830	0	0	217,830	217,830
2001 PROFESSIONAL FEES AND SERVICES	15,269	19,243	5,261	10,231	1,037	5,476	5,476	5,476	0	0	5,476	5,476
2003 CONSUMABLE SUPPLIES	7,387	6,815	7,619	6,387	8,797	11,530	11,530	11,530	0	0	11,530	11,530
2004 UTILITIES	619	275	2,107	2,256	1,566	1,817	1,817	1,817	0	0	1,817	1,817
2005 TRAVEL	67,192	83,017	93,403	84,865	64,444	64,750	64,750	64,750	0	0	64,750	64,750
2006 RENT - BUILDING	216	216	216	216	216	216	216	216	0	0	216	216
2007 RENT - MACHINE AND OTHER	7,257	6,010	6,452	6,448	6,559	6,559	7,200	7,200	0	0	7,200	7,200
2009 OTHER OPERATING EXPENSE	628,586	593,910	565,829	489,201	453,391	441,356	365,550	365,550	0	0	365,550	365,550
5000 CAPITAL EXPENDITURES	4,175	21,520	0	0	0	29,400	0	0	0	0	0	0
PROGRAM NAME:	Continuity of Operations Planning											
ACTIVITY NAME:	Continuity of Operations Planning											
1001 SALARIES AND WAGES	42,218	63,104	64,682	48,511	102,054	130,104	130,104	130,104	0	0	130,104	130,104
1002 OTHER PERSONNEL COSTS	142	5,315	503	2,874	1,509	1,800	1,800	1,800	0	0	1,800	1,800
2005 TRAVEL	1,362	36	0	0	1,534	2,500	2,500	2,500	0	0	2,500	2,500
2009 OTHER OPERATING EXPENSE	237	631	647	485	963	1,301	1,301	1,301	0	0	1,301	1,301
PROGRAM NAME:	Insurance Purchasing											
ACTIVITY NAME:	Insurance Purchasing											
1001 SALARIES AND WAGES	132,955	147,069	202,269	228,267	165,031	193,400	193,400	193,400	0	0	193,400	193,400
1002 OTHER PERSONNEL COSTS												

Programs by Strategy
Amounts Inside the Bill Pattern only
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
2005 TRAVEL	4,280	2,244	3,036	6,862	1,386	2,100	2,100	2,100	0	0	2,100	2,100
2009 OTHER OPERATING EXPENSE	10,509	13,846	8,540	23,950	5,224	10,000	10,000	10,000	0	0	10,000	10,000
	1,119	1,415	1,806	2,154	1,500	1,934	1,934	1,934	0	0	1,934	1,934
PROGRAM NAME:	Workers' Compensation Claims Operations											
ACTIVITY NAME:	Workers' Compensation Claims Operations											
1001 SALARIES AND WAGES	3,647,811	3,713,124	3,765,196	3,826,868	4,761,568	5,107,767	5,107,768	5,107,767	0	0	5,107,768	5,107,767
1002 OTHER PERSONNEL COSTS	239,472	303,556	131,257	257,484	328,230	228,270	228,270	228,270	0	0	228,270	228,270
2001 PROFESSIONAL FEES AND SERVICES	16,351	54,662	18,568	23,871	11,085	12,778	12,778	12,778	0	0	12,778	12,778
2003 CONSUMABLE SUPPLIES	16,304	15,758	16,491	14,475	29,637	26,904	26,904	26,904	0	0	26,904	26,904
2004 UTILITIES	1,444	1,552	15,338	3,667	4,492	4,241	4,241	4,241	0	0	4,241	4,241
2005 TRAVEL	82,437	71,039	62,687	47,220	63,798	57,750	57,750	57,750	0	0	57,750	57,750
2006 RENT - BUILDING	504	504	504	504	504	504	504	504	0	0	504	504
2007 RENT - MACHINE AND OTHER	16,934	14,024	15,054	15,048	15,304	15,304	16,800	16,800	0	0	16,800	16,800
2009 OTHER OPERATING EXPENSE	1,458,522	1,382,910	1,130,175	1,025,696	1,073,378	1,029,831	852,949	852,950	0	0	852,949	852,950
5000 CAPITAL EXPENDITURES	9,741	50,214	0	0	0	68,600	0	0	0	0	0	0
PROGRAM NAME:	Contracted Medical Cost Containment											
ACTIVITY NAME:	Contracted Medical Cost Containment											
2001 PROFESSIONAL FEES AND SERVICES	1,551,215	1,264,921	1,231,004	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000	0	0	1,800,000	1,800,000
Total, <u>OOEs:</u>	9,759,917	9,819,756	9,455,540	9,571,867	10,356,799	11,053,900	10,705,349	10,705,350	0	0	10,705,349	10,705,350
<u>FTEs:</u>												
PROGRAM NAME:	Enterprise Risk Management											

Programs by Strategy
 Amounts Inside the Bill Pattern only
 86th Regular Session, Agency Submission, Version 1
 Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
ACTIVITY NAME: Enterprise Risk Management												
	28.8	30.7	32.0	31.7	22.6	26.1	26.1	26.1	0.0	0.0	26.10	26.10
PROGRAM NAME: Continuity of Operations Planning												
ACTIVITY NAME: Continuity of Operations Planning												
	0.7	1.0	1.0	0.8	1.7	2.0	2.0	2.0	0.0	0.0	2.00	2.00
PROGRAM NAME: Insurance Purchasing												
ACTIVITY NAME: Insurance Purchasing												
	2.0	2.5	3.5	3.8	2.5	3.0	3.0	3.0	0.0	0.0	3.00	3.00
PROGRAM NAME: Workers' Compensation Claims Operations												
ACTIVITY NAME: Workers' Compensation Claims Operations												
	80.7	81.1	77.7	73.7	86.1	90.5	90.5	90.5	0.0	0.0	90.50	90.50
Total, FTEs:												
	112.2	115.3	114.2	110.0	112.9	121.6	121.6	121.6	0.0	0.0	121.6	121.6
Strategy: 2.1.1 WORKERS' COMPENSATION PAYMENTS												
MOFs:												
OTHER FUNDS												
PROGRAM NAME: Workers' Compensation Payments: Indemnity Payments												
ACTIVITY NAME: Workers' Compensation Payments: Indemnity Payments												
777 Interagency Contracts												
	14,056,704	14,700,411	15,614,306	16,169,130	17,296,472	17,921,646	17,609,059	17,609,059	0	0	17,609,059	17,609,059
8052 Subrogation Receipts												
	212,400	270,773	260,613	264,534	236,628	236,628	236,628	236,628	0	0	236,628	236,628
PROGRAM NAME: Workers' Compensation Payments: Medical Payments												
ACTIVITY NAME: Workers' Compensation Payments: Medical Payments												
777 Interagency Contracts												
	20,913,624	23,312,377	22,392,976	22,538,463	24,203,528	25,078,354	24,640,941	24,640,941	0	0	24,640,941	24,640,941
8052 Subrogation Receipts												
	316,010	429,401	373,754	368,739	331,122	331,122	331,122	331,122	0	0	331,122	331,122
Total, OTHER FUNDS												
	35,498,738	38,712,962	38,641,649	39,340,866	42,067,750	43,567,750	42,817,750	42,817,750	0	0	42,817,750	42,817,750
Total, MOFs:												
	35,498,738	38,712,962	38,641,649	39,340,866	42,067,750	43,567,750	42,817,750	42,817,750	0	0	42,817,750	42,817,750

Programs by Strategy
 Amounts Inside the Bill Pattern only
 86th Regular Session, Agency Submission, Version 1
 Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
OOEs:												
PROGRAM NAME:	Workers' Compensation Payments: Indemnity Payments											
ACTIVITY NAME:	Workers' Compensation Payments: Indemnity Payments											
2009 OTHER OPERATING EXPENSE												
	14,269,104	14,971,184	15,874,919	16,433,664	17,533,100	18,158,274	17,845,687	17,845,687	0	0	17,845,687	17,845,687
PROGRAM NAME:	Workers' Compensation Payments: Medical Payments											
ACTIVITY NAME:	Workers' Compensation Payments: Medical Payments											
2009 OTHER OPERATING EXPENSE												
	21,229,634	23,741,778	22,766,730	22,907,202	24,534,650	25,409,476	24,972,063	24,972,063	0	0	24,972,063	24,972,063
Total, OOs:	35,498,738	38,712,962	38,641,649	39,340,866	42,067,750	43,567,750	42,817,750	42,817,750	0	0	42,817,750	42,817,750
Total, 479 State Office of Risk Management	45,258,655	48,532,718	48,097,189	48,912,733	52,424,549	54,621,650	53,523,099	53,523,100	0	0	53,523,099	53,523,100

Strategy Details

Amounts Inside the Bill Pattern only

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
Strategy: 1.1.1 ENTERPRISE RISK MGMT/CLAIMS ADMIN												
MOFs:												
OTHER FUNDS												
666	Appropriated Receipts											
	609	654	1,346	1,177	900	0	0	0	0	0	0	0
777	Interagency Contracts											
	9,759,308	9,819,102	9,454,194	9,570,690	10,355,899	11,053,900	10,705,349	10,705,350	0	0	10,705,349	10,705,350
Total,	OTHER FUNDS											
	9,759,917	9,819,756	9,455,540	9,571,867	10,356,799	11,053,900	10,705,349	10,705,350	0	0	10,705,349	10,705,350
Total,	MOFs:											
	9,759,917	9,819,756	9,455,540	9,571,867	10,356,799	11,053,900	10,705,349	10,705,350	0	0	10,705,349	10,705,350
OOEs:												
1001	SALARIES AND WAGES											
	5,492,215	5,783,248	6,090,088	6,270,301	6,357,238	7,011,149	7,011,149	7,011,149	0	0	7,011,149	7,011,149
1002	OTHER PERSONNEL COSTS											
	370,322	433,990	183,751	400,687	450,000	450,000	450,000	450,000	0	0	450,000	450,000
2001	PROFESSIONAL FEES AND SERVICES											
	1,582,835	1,338,826	1,254,833	1,178,307	1,818,254	1,818,254	1,818,254	1,818,254	0	0	1,818,254	1,818,254
2003	CONSUMABLE SUPPLIES											
	23,691	22,573	24,110	20,862	38,434	38,434	38,434	38,434	0	0	38,434	38,434
2004	UTILITIES											
	2,063	1,827	17,445	5,923	6,058	6,058	6,058	6,058	0	0	6,058	6,058
2005	TRAVEL											
	161,500	167,938	164,630	156,035	135,000	135,000	135,000	135,000	0	0	135,000	135,000
2006	RENT - BUILDING											
	720	720	720	720	720	720	720	720	0	0	720	720
2007	RENT - MACHINE AND OTHER											
	24,191	20,034	21,506	21,496	21,863	21,863	24,000	24,000	0	0	24,000	24,000
2009	OTHER OPERATING EXPENSE											
	2,088,464	1,978,866	1,698,457	1,517,536	1,529,232	1,474,422	1,221,734	1,221,735	0	0	1,221,734	1,221,735
5000	CAPITAL EXPENDITURES											
	13,916	71,734	0	0	0	98,000	0	0	0	0	0	0
Total,	OOEs:											
	9,759,917	9,819,756	9,455,540	9,571,867	10,356,799	11,053,900	10,705,349	10,705,350	0	0	10,705,349	10,705,350
Total,	FTEs:											

Strategy Details

Amounts Inside the Bill Pattern only

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Account	Expended 2014	Expended 2015	Expended 2016	Expended 2017	Estimated 2018	Budgeted 2019	Baseline 2020	Baseline 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
	112.2	115.3	114.2	110.0	112.9	121.6	121.6	121.6	0.0	0.0	121.6	121.6
Strategy: 2.1.1 WORKERS' COMPENSATION PAYMENTS												
MOFs:												
OTHER FUNDS												
777	Interagency Contracts											
	34,970,328	38,012,788	38,007,282	38,707,593	41,500,000	43,000,000	42,250,000	42,250,000	0	0	42,250,000	42,250,000
8052	Subrogation Receipts											
	528,410	700,174	634,367	633,273	567,750	567,750	567,750	567,750	0	0	567,750	567,750
Total,	OTHER FUNDS											
	35,498,738	38,712,962	38,641,649	39,340,866	42,067,750	43,567,750	42,817,750	42,817,750	0	0	42,817,750	42,817,750
Total,	MOFs:											
	35,498,738	38,712,962	38,641,649	39,340,866	42,067,750	43,567,750	42,817,750	42,817,750	0	0	42,817,750	42,817,750
OOEs:												
2009	OTHER OPERATING EXPENSE											
	35,498,738	38,712,962	38,641,649	39,340,866	42,067,750	43,567,750	42,817,750	42,817,750	0	0	42,817,750	42,817,750
Total,	OOEs:											
	35,498,738	38,712,962	38,641,649	39,340,866	42,067,750	43,567,750	42,817,750	42,817,750	0	0	42,817,750	42,817,750
Total,	479 State Office of Risk Management											
	45,258,655	48,532,718	48,097,189	48,912,733	52,424,549	54,621,650	53,523,099	53,523,100	0	0	53,523,099	53,523,100

Contracts by Program
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

These contracts have not been assigned to a program:

Contract	Vendor	Subject	Award Date	Complete Date	Outsourced	NIGP Category
479-17-0045	SoftwareONE, Inc.	Microsoft Volume Licensing	10/31/2016	10/31/2022		Information Technology

Program: Enterprise Risk Management
Assists state entities in establishing and maintaining comprehensive risk management programs designed to control, reduce, and finance risk.

Contract	Vendor	Subject	Award Date	Complete Date	Outsourced	NIGP Category
1664754	Office of the Attorney General	OAG Administrative Services	08/31/2015	08/31/2017	Yes	Professional Services
1882703	Office of the Attorney General	OAG Administrative Support Services	03/26/2018	08/31/2019	Yes	Professional Services
479-18-0069	MCCONNELL & JONES LLP	Internal Audit Services	03/08/2018	03/07/2019	Yes	Legal/Financial Services
479-SORM-2012-301	GARZA/GONZALEZ & ASSOCIATES	Internal Audit	08/30/2012	08/31/2017	Yes	Legal/Financial Services
479-SORM-2015-315	XEROX CORPORATION	Lease of MFD equipment	09/01/2014	08/31/2019	Yes	Rental or Lease

Program: Continuity of Operations Planning
Assist with the development of continuity of operations plans, create guidelines & models for key elements for the plans, & assist entities to ensure plans are workable

Contract	Vendor	Subject	Award Date	Complete Date	Outsourced	NIGP Category
1664754	Office of the Attorney General	OAG Administrative Services	08/31/2015	08/31/2017	Yes	Professional Services
1882703	Office of the Attorney General	OAG Administrative Support Services	03/26/2018	08/31/2019	Yes	Professional Services
479-18-0069	MCCONNELL & JONES LLP	Internal Audit Services	03/08/2018	03/07/2019	Yes	Legal/Financial Services
479-SORM-2012-301	GARZA/GONZALEZ & ASSOCIATES	Internal Audit	08/30/2012	08/31/2017	Yes	Legal/Financial Services
479-SORM-2015-315	XEROX CORPORATION	Lease of MFD equipment	09/01/2014	08/31/2019	Yes	Rental or Lease

Program: Insurance Purchasing
Performs comprehensive reviews of proposed insurance purchases submitted by applicable state entities for sponsored and non-sponsored lines of insurance.

Contract	Vendor	Subject	Award Date	Complete Date	Outsourced	NIGP Category
16-47903	Origami Risk, LLC	Risk Management Information System	02/16/2016	02/16/2021	Yes	Information Technology Management Services
1664754	Office of the Attorney General	OAG Administrative Services	08/31/2015	08/31/2017	Yes	Professional Services
1882703	Office of the Attorney General	OAG Administrative Support Services	03/26/2018	08/31/2019	Yes	Professional Services
479-18-0069	MCCONNELL & JONES LLP	Internal Audit Services	03/08/2018	03/07/2019	Yes	Legal/Financial Services
479-SORM-2012-301	GARZA/GONZALEZ & ASSOCIATES	Internal Audit	08/30/2012	08/31/2017	Yes	Legal/Financial Services

Contracts by Program
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Program: Insurance Purchasing
Performs comprehensive reviews of proposed insurance purchases submitted by applicable state entities for sponsored and non-sponsored lines of insurance.

Contract	Vendor	Subject	Award Date	Complete Date	Outsourced	NIGP Category
479-SORM-2015-315	XEROX CORPORATION	Lease of MFD equipment	09/01/2014	08/31/2019	Yes	Rental or Lease

Program: Workers' Compensation Claims Operations
Administers the state workers' compensation program including investigating injury claims, determining indemnity and medical benefits for claims, and maintaining a customer service call center to provide claims processing information

Contract	Vendor	Subject	Award Date	Complete Date	Outsourced	NIGP Category
1664754	Office of the Attorney General	OAG Administrative Services	08/31/2015	08/31/2017	Yes	Professional Services
1882703	Office of the Attorney General	OAG Administrative Support Services	03/26/2018	08/31/2019	Yes	Professional Services
479-16-0131	COMPU-DATA INTERNATIONAL LLC	New Scanners and Kofax software	07/21/2015		Yes	Information Technology
479-17-0049	ISO SERVICES INC	Internet Database Subscription Services	11/16/2016	12/31/2019	Yes	Other Services
479-18-0069	MCCONNELL & JONES LLP	Internal Audit Services	03/08/2018	03/07/2019	Yes	Legal/Financial Services
479-SORM-2012-301	GARZA/GONZALEZ & ASSOCIATES	Internal Audit	08/30/2012	08/31/2017	Yes	Legal/Financial Services
479-SORM-2015-315	XEROX CORPORATION	Lease of MFD equipment	09/01/2014	08/31/2019	Yes	Rental or Lease

Program: Workers' Compensation Payments: Indemnity Payments
Provides indemnity payments to approved workers' compensation claimants.

Contract	Vendor	Subject	Award Date	Complete Date	Outsourced	NIGP Category
16-47917	MEDICAL EQUATION INC	Medical Cost Containment Services	07/10/2014	08/31/2019	Yes	Management Services
16-47920	TRINITY REVIEW SERVICES INC	Medical Cost Containment Services	07/10/2014	08/31/2019	Yes	Management Services
1664754	Office of the Attorney General	OAG Administrative Services	08/31/2015	08/31/2017	Yes	Professional Services
1882703	Office of the Attorney General	OAG Administrative Support Services	03/26/2018	08/31/2019	Yes	Professional Services
479-17-0057	RUDD AND WISDOM INC	Actuarial Services	12/05/2016	12/04/2021	Yes	Legal/Financial Services
479-18-0069	MCCONNELL & JONES LLP	Internal Audit Services	03/08/2018	03/07/2019	Yes	Legal/Financial Services
479-SORM-2012-301	GARZA/GONZALEZ & ASSOCIATES	Internal Audit	08/30/2012	08/31/2017	Yes	Legal/Financial Services
479-SORM-2015-315	XEROX CORPORATION	Lease of MFD equipment	09/01/2014	08/31/2019	Yes	Rental or Lease

Program: Workers' Compensation Payments: Medical Payments
Provides payments to medical providers and related parties for approved workers' compensation claimants, excluding direct indemnity payments to the claimant.

Contract	Vendor	Subject	Award Date	Complete Date	Outsourced	NIGP Category
----------	--------	---------	------------	---------------	------------	---------------

Contracts by Program
86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

Program: Workers' Compensation Payments: Medical Payments
Provides payments to medical providers and related parties for approved workers' compensation claimants, excluding direct indemnity payments to the claimant.

Contract	Vendor	Subject	Complete		Outsourced	NIGP Category
			Award Date	Date		
16-47913	INJURY MANAGEMENT ORGANIZATION	Medical Cost Containment Services	06/24/2014	08/31/2019	No	Management Services
16-47914	ISG Services, LLC	Medical Cost Containment Services	06/24/2014	08/31/2019	No	Management Services
16-47916	MATRIX HEALTHCARE SERVICES INC	Medical Cost Containment Services	06/24/2014	08/31/2019	No	Management Services
16-47917	MEDICAL EQUATION INC	Medical Cost Containment Services	07/10/2014	08/31/2019	No	Management Services
16-47920	TRINITY REVIEW SERVICES INC	Medical Cost Containment Services	07/10/2014	08/31/2019	No	Management Services
1664754	Office of the Attorney General	OAG Administrative Services	08/31/2015	08/31/2017	Yes	Professional Services
1882703	Office of the Attorney General	OAG Administrative Support Services	03/26/2018	08/31/2019	Yes	Professional Services
479-17-0049	ISO SERVICES INC	Internet Database Subscription Services	11/16/2016	12/31/2019	No	Other Services
479-17-0057	RUDD AND WISDOM INC	Actuarial Services	12/05/2016	12/04/2021	Yes	Legal/Financial Services
479-18-0069	MCCONNELL & JONES LLP	Internal Audit Services	03/08/2018	03/07/2019	Yes	Legal/Financial Services
479-SORM-2012-301	GARZA/GONZALEZ & ASSOCIATES	Internal Audit	08/30/2012	08/31/2017	Yes	Legal/Financial Services
479-SORM-2015-315	XEROX CORPORATION	Lease of MFD equipment	09/01/2014	08/31/2019	Yes	Rental or Lease

Program: Contracted Medical Cost Containment
Contracts with medical cost containment vendors that provide a workers' compensation health care network, process pre-authorization requests for medical procedures, audit medical bills to comply with fee guidelines, act as a pharmacy benefit manager, and provide ancillary services.

Contract	Vendor	Subject	Complete		Outsourced	NIGP Category
			Award Date	Date		
16-47913	INJURY MANAGEMENT ORGANIZATION	Medical Cost Containment Services	06/24/2014	08/31/2019	Yes	Management Services
16-47914	ISG Services, LLC	Medical Cost Containment Services	06/24/2014	08/31/2019	Yes	Management Services
16-47916	MATRIX HEALTHCARE SERVICES INC	Medical Cost Containment Services	06/24/2014	08/31/2019	Yes	Management Services
16-47917	MEDICAL EQUATION INC	Medical Cost Containment Services	07/10/2014	08/31/2019	Yes	Management Services
16-47920	TRINITY REVIEW SERVICES INC	Medical Cost Containment Services	07/10/2014	08/31/2019	Yes	Management Services
1664754	Office of the Attorney General	OAG Administrative Services	08/31/2015	08/31/2017	Yes	Professional Services
1882703	Office of the Attorney General	OAG Administrative Support Services	03/26/2018	08/31/2019	Yes	Professional Services
479-18-0069	MCCONNELL & JONES LLP	Internal Audit Services	03/08/2018	03/07/2019	Yes	Legal/Financial Services
479-SORM-2012-301	GARZA/GONZALEZ & ASSOCIATES	Internal Audit	08/30/2012	08/31/2017	Yes	Legal/Financial Services
479-SORM-2015-315	XEROX CORPORATION	Lease of MFD equipment	09/01/2014	08/31/2019	Yes	Rental or Lease

Audits, Reviews and Evaluations

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

PROGRAM NAME: Enterprise Risk Management

DESCRIPTION: Assists state entities in establishing and maintaining comprehensive risk management programs designed to control, reduce, and finance risk.

Other

FISCAL YEAR ISSUED: 2018

REPORT ID - NAME: Texas Cyber-security Assessment Report

FINDINGS: The reviewer determined that while some topics were covered at a high-level within the existing policy and standards documents, several Texas Cyber Security Framework and best practice driven policies and procedures were observed to be absent or inadequate in the documents reviewed.

RECOMMENDATIONS: The reviewer recommended that SORM augment policies and procedures to maintain current and comprehensive documentation of information security processes.

IMPLEMENTATION: The reviewer created an Implementation Strategy Roadmap outlining strategic initiatives that may be used to augment the current maturity of the security controls implemented within the SORM environment and strengthen the overall information security posture of the organization. The map summarized the estimated relative cost of implementation and the relative level of risk being addressed. The cost estimates, based on the estimated amount of technical solutions required and/or the amount of man hours that would be necessary, confirm that many of the recommendations are cost prohibitive to SORM.

IMPACT TO PROGRAM: No program impact to implement recommendations

FISCAL YEAR ISSUED: 2017

REPORT ID - NAME: TWC Civil Rights Division Personnel Policies and Procedures Audit

FINDINGS: No significant findings

RECOMMENDATIONS: The reviewer recommended that SORM strengthen best practices for items related to Personnel Selection Policies/Workforce Diversity Program; Disciplinary Actions Policy; Workplace Accommodation Policy; EEO Policy Including Sexual Harassment; and Compensation Policy. SORM was certified as in compliance with four of the five recommendations. There is no compliance certification for the compensation policy since both items are best practices. The reviewer recommended that SORM develop and implement a performance evaluation system. SORM was certified as in compliance after implementing recommendations.

IMPLEMENTATION: SORM submitted an Action Plan with its management response

IMPACT TO PROGRAM: No program impact to implement recommendations.

PROGRAM NAME: Continuity of Operations Planning

DESCRIPTION: Assist with the development of continuity of operations plans, create guidelines & models for key elements for the plans, & assist entities to ensure plans are workable

Other

FISCAL YEAR ISSUED: 2018

Audits, Reviews and Evaluations

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

REPORT ID - NAME: Texas Cyber-security Assessment Report

FINDINGS: The reviewer determined that while some topics were covered at a high-level within the existing policy and standards documents, several Texas Cyber Security Framework and best practice driven policies and procedures were observed to be absent or inadequate in the documents reviewed.

RECOMMENDATIONS: The reviewer recommended that SORM augment policies and procedures to maintain current and comprehensive documentation of information security processes.

IMPLEMENTATION: The reviewer created an Implementation Strategy Roadmap outlining strategic initiatives that may be used to augment the current maturity of the security controls implemented within the SORM environment and strengthen the overall information security posture of the organization. The map summarized the estimated relative cost of implementation and the relative level of risk being addressed. The cost estimates, based on the estimated amount of technical solutions required and/or the amount of man hours that would be necessary, confirm that many of the recommendations are cost prohibitive to SORM.

IMPACT TO PROGRAM: No program impact to implement recommendations

FISCAL YEAR ISSUED: 2017

REPORT ID - NAME: TWC Civil Rights Division Personnel Policies and Procedures Audit

FINDINGS: No significant findings

RECOMMENDATIONS: The reviewer recommended that SORM strengthen best practices for items related to Personnel Selection Policies/Workforce Diversity Program; Disciplinary Actions Policy; Workplace Accommodation Policy; EEO Policy Including Sexual Harassment; and Compensation Policy. SORM was certified as in compliance with four of the five recommendations. There is no compliance certification for the compensation policy since both items are best practices. The reviewer recommended that SORM develop and implement a performance evaluation system. SORM was certified as in compliance after implementing recommendations.

IMPLEMENTATION: SORM submitted an Action Plan with its management response

IMPACT TO PROGRAM: No program impact to implement recommendations.

PROGRAM NAME: Insurance Purchasing

DESCRIPTION: Performs comprehensive reviews of proposed insurance purchases submitted by applicable state entities for sponsored and non-sponsored lines of insurance.

Other

FISCAL YEAR ISSUED: 2018

REPORT ID - NAME: Texas Cyber-security Assessment Report

FINDINGS: The reviewer determined that while some topics were covered at a high-level within the existing policy and standards documents, several Texas Cyber Security Framework and best practice driven policies and procedures were observed to be absent or inadequate in the documents reviewed.

RECOMMENDATIONS: The reviewer recommended that SORM augment policies and procedures to maintain current and comprehensive documentation of information security processes.

Audits, Reviews and Evaluations

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

IMPLEMENTATION: The reviewer created an Implementation Strategy Roadmap outlining strategic initiatives that may be used to augment the current maturity of the security controls implemented within the SORM environment and strengthen the overall information security posture of the organization. The map summarized the estimated relative cost of implementation and the relative level of risk being addressed. The cost estimates, based on the estimated amount of technical solutions required and/or the amount of man hours that would be necessary, confirm that many of the recommendations are cost prohibitive to SORM.

IMPACT TO PROGRAM: No program impact to implement recommendations

FISCAL YEAR ISSUED: 2017

REPORT ID - NAME: TWC Civil Rights Division Personnel Policies and Procedures Audit

FINDINGS: No significant findings

RECOMMENDATIONS: The reviewer recommended that SORM strengthen best practices for items related to Personnel Selection Policies/Workforce Diversity Program; Disciplinary Actions Policy; Workplace Accommodation Policy; EEO Policy Including Sexual Harassment; and Compensation Policy. SORM was certified as in compliance with four of the five recommendations. There is no compliance certification for the compensation policy since both items are best practices. The reviewer recommended that SORM develop and implement a performance evaluation system. SORM was certified as in compliance after implementing recommendations.

IMPLEMENTATION: SORM submitted an Action Plan with its management response

IMPACT TO PROGRAM: No program impact to implement recommendations.

PROGRAM NAME: Workers' Compensation Claims Operations

DESCRIPTION: Administers the state workers' compensation program including investigating injury claims, determining indemnity and medical benefits for claims, and maintaining a customer service call center to provide claims processing information

Other

FISCAL YEAR ISSUED: 2018

REPORT ID - NAME: Texas Cyber-security Assessment Report

FINDINGS: The reviewer determined that while some topics were covered at a high-level within the existing policy and standards documents, several Texas Cyber Security Framework and best practice driven policies and procedures were observed to be absent or inadequate in the documents reviewed.

RECOMMENDATIONS: The reviewer recommended that SORM augment policies and procedures to maintain current and comprehensive documentation of information security processes.

Audits, Reviews and Evaluations

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

IMPLEMENTATION: The reviewer created an Implementation Strategy Roadmap outlining strategic initiatives that may be used to augment the current maturity of the security controls implemented within the SORM environment and strengthen the overall information security posture of the organization. The map summarized the estimated relative cost of implementation and the relative level of risk being addressed. The cost estimates, based on the estimated amount of technical solutions required and/or the amount of man hours that would be necessary, confirm that many of the recommendations are cost prohibitive to SORM.

IMPACT TO PROGRAM: No program impact to implement recommendations

FISCAL YEAR ISSUED: 2017

REPORT ID - NAME: TWC Civil Rights Division Personnel Policies and Procedures Audit

FINDINGS: No significant findings

RECOMMENDATIONS: The reviewer recommended that SORM strengthen best practices for items related to Personnel Selection Policies/Workforce Diversity Program; Disciplinary Actions Policy; Workplace Accommodation Policy; EEO Policy Including Sexual Harassment; and Compensation Policy. SORM was certified as in compliance with four of the five recommendations. There is no compliance certification for the compensation policy since both items are best practices. The reviewer recommended that SORM develop and implement a performance evaluation system. SORM was certified as in compliance after implementing recommendations.

IMPLEMENTATION: SORM submitted an Action Plan with its management response

IMPACT TO PROGRAM: No program impact to implement recommendations.

PROGRAM NAME: Workers' Compensation Payments: Indemnity Payments

DESCRIPTION: Provides indemnity payments to approved workers' compensation claimants.

Other

FISCAL YEAR ISSUED: 2018

REPORT ID - NAME: Texas Cyber-security Assessment Report

FINDINGS: The reviewer determined that while some topics were covered at a high-level within the existing policy and standards documents, several Texas Cyber Security Framework and best practice driven policies and procedures were observed to be absent or inadequate in the documents reviewed.

RECOMMENDATIONS: The reviewer recommended that SORM augment policies and procedures to maintain current and comprehensive documentation of information security processes.

IMPLEMENTATION: The reviewer created an Implementation Strategy Roadmap outlining strategic initiatives that may be used to augment the current maturity of the security controls implemented within the SORM environment and strengthen the overall information security posture of the organization. The map summarized the estimated relative cost of implementation and the relative level of risk being addressed. The cost estimates, based on the estimated amount of technical solutions required and/or the amount of man hours that would be necessary, confirm that many of the recommendations are cost prohibitive to SORM.

Audits, Reviews and Evaluations

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

IMPACT TO PROGRAM: No program impact to implement recommendations

PROGRAM NAME: Workers' Compensation Payments: Medical Payments

DESCRIPTION: Provides payments to medical providers and related parties for approved workers' compensation claimants, excluding direct indemnity payments to the claimant.

Other

FISCAL YEAR ISSUED: 2018

REPORT ID - NAME: Texas Cyber-security Assessment Report

FINDINGS: The reviewer determined that while some topics were covered at a high-level within the existing policy and standards documents, several Texas Cyber Security Framework and best practice driven policies and procedures were observed to be absent or inadequate in the documents reviewed.

RECOMMENDATIONS: The reviewer recommended that SORM augment policies and procedures to maintain current and comprehensive documentation of information security processes.

IMPLEMENTATION: The reviewer created an Implementation Strategy Roadmap outlining strategic initiatives that may be used to augment the current maturity of the security controls implemented within the SORM environment and strengthen the overall information security posture of the organization. The map summarized the estimated relative cost of implementation and the relative level of risk being addressed. The cost estimates, based on the estimated amount of technical solutions required and/or the amount of man hours that would be necessary, confirm that many of the recommendations are cost prohibitive to SORM.

IMPACT TO PROGRAM: No program impact to implement recommendations

PROGRAM NAME: Contracted Medical Cost Containment

DESCRIPTION: Contracts with medical cost containment vendors that provide a workers' compensation health care network, process pre-authorization requests for medical procedures, audit medical bills to comply with fee guidelines, act as a pharmacy benefit manager, and provide ancillary services.

Other

FISCAL YEAR ISSUED: 2018

REPORT ID - NAME: Texas Cyber-security Assessment Report

FINDINGS: The reviewer determined that while some topics were covered at a high-level within the existing policy and standards documents, several Texas Cyber Security Framework and best practice driven policies and procedures were observed to be absent or inadequate in the documents reviewed.

RECOMMENDATIONS: The reviewer recommended that SORM augment policies and procedures to maintain current and comprehensive documentation of information security processes.

Audits, Reviews and Evaluations

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

IMPLEMENTATION: The reviewer created an Implementation Strategy Roadmap outlining strategic initiatives that may be used to augment the current maturity of the security controls implemented within the SORM environment and strengthen the overall information security posture of the organization. The map summarized the estimated relative cost of implementation and the relative level of risk being addressed. The cost estimates, based on the estimated amount of technical solutions required and/or the amount of man hours that would be necessary, confirm that many of the recommendations are cost prohibitive to SORM.

IMPACT TO PROGRAM: No program impact to implement recommendations

Revenue Collections by Program

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

	2017	2018	2019	2020	2021
SUMMARY OF REVENUE COLLECTIONS:					
<u>Inside the Treasury</u>					
3719 Fees/Copies or Filing of Records	1,177	900	0	0	0
3805 Subrogation Recoveries	633,273	567,750	567,750	567,750	567,750
3947 State Office of Risk Mgmt Assessmts	54,885,889	56,225,634	56,295,904	55,197,353	55,197,354

Outside the Treasury

DESCRIPTION OF REVENUE COLLECTIONS:

Inside the Treasury

3719 Fees/Copies or Filing of Records

Description: Fees charged to recover costs for providing copies of information
 Rate Structure: Rate Structure is determined by type of request and how much they are requesting
 Current Rate: Copies of any paper document or record: \$0.10 per page.
 Labor charges for compiling documents: \$15.00 - \$25.00 per hour
 Charge for CD: \$1.00
 Postal Charges: as provided by the postal service
 Proposed Rate: There is no proposed rate
 Last Rate Adjustment: FY: 1998 AMOUNT: N/A
 Rate Setting Authority: Legislature
 Authority:
 Federal
 Source: No Federal Requirement
 Citation:
 State
 Source: Statute
 Citation: Texas Gov't code ann. sec.552.261, sec. 603.004, sec. 603.009, sec. 603.010

3805 Subrogation Recoveries

Description: Recovery of workers' compensation benefits paid to an injured employee whose injury or death was caused by a liable third party
 Rate Structure: SORM's total recovery is agreed upon by SORM, the third-party insurer, injured employee's attorney and/or injured employee
 Current Rate: NA
 Proposed Rate: NA
 Last Rate Adjustment: FY: 2006 AMOUNT: NA
 Rate Setting Authority: Legislature
 Authority:

Revenue Collections by Program

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

		2017	2018	2019	2020	2021
Federal	Source: No Federal Requirement Citation:					
State	Source: Statute Citation: Texas Labor Code Chapter 417; Sec. 412.0123; Sec. 412.0124;					
<i>3947 State Office of Risk Mgmt Assessmts</i>						
Description:	The payment agencies make to the State Office of Risk Management for our services					
Rate Structure:	The rate structure is based on their assessment. The assessment amount is calculated based off of the agencies past 3 FY payroll amount, FTEs, Accepted Claims and Claims Costs.					
Current Rate:	This is an allocation of SORM's expenditures as opposed to an actually rate					
	The assessment amount is determined by 4 different factors; the amount they have spent on payroll, their FTE amount, their accepted claims and their workers' compensation claims costs. Payroll and FTE amounts are weighted at 12.5% of the total payment. Accepted Workers' Compensation Claims at 15% and Workers' Compensation Costs at 60%. This gives the percentage each agency owes from the total amount that SORM is collecting.					
Proposed Rate:	No proposed rate change					
Last Rate Adjustment:	FY: 2003 AMOUNT: We moved to the assessment model in FY03 from a straight by claims cost reimbursement					
Rate Setting Authority:	Board/Commission					
Authority:						
Federal	Source: No Federal Requirement Citation:					
State	Source: Statute Citation: Texas Labor Code Ann. 412.012, 412.0121, 412.0123(a), (b), (c)					

REVENUE COLLECTIONS BY PROGRAM:

PROGRAM NAME:	Enterprise Risk Management					
DESCRIPTION:	Assists state entities in establishing and maintaining comprehensive risk management programs designed to control, reduce, and finance risk.					
REVENUE SUMMARY BY PROGRAM:						
3947 State Office of Risk Mgmt Assessmts	5,173,538	2,997,210	2,930,297	2,821,773	2,821,774	

Inside the Treasury

REVENUE: 3947 State Office of Risk Mgmt Assessmts
OTHER FUNDS

Revenue Collections by Program

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

	2017	2018	2019	2020	2021
FUND: 777 Interagency Contracts	5,173,538	2,997,210	2,930,297	2,821,773	2,821,774
<u>Outside the Treasury</u>					
No Revenue Amounts Reported					
PROGRAM NAME:	Continuity of Operations Planning				
DESCRIPTION:	Assist with the development of continuity of operations plans, create guidelines & models for key elements for the plans, & assist entities to ensure plans are workable				
REVENUE SUMMARY BY PROGRAM:					
3947 State Office of Risk Mgmt Assessmts	92,546	160,267	168,583	169,870	169,870
<u>Inside the Treasury</u>					
REVENUE:	3947 State Office of Risk Mgmt Assessmts				
OTHER FUNDS					
FUND: 777 Interagency Contracts	92,546	160,267	168,583	169,870	169,870
<u>Outside the Treasury</u>					
No Revenue Amounts Reported					
PROGRAM NAME:	Insurance Purchasing				
DESCRIPTION:	Performs comprehensive reviews of proposed insurance purchases submitted by applicable state entities for sponsored and non-sponsored lines of insurance.				
REVENUE SUMMARY BY PROGRAM:					
3947 State Office of Risk Mgmt Assessmts	466,078	261,632	257,691	259,658	259,658
<u>Inside the Treasury</u>					
REVENUE:	3947 State Office of Risk Mgmt Assessmts				
OTHER FUNDS					
FUND: 777 Interagency Contracts	466,078	261,632	257,691	259,658	259,658
<u>Outside the Treasury</u>					
No Revenue Amounts Reported					
PROGRAM NAME:	Workers' Compensation Claims Operations				
DESCRIPTION:	Administers the state workers' compensation program including investigating injury claims, determining indemnity and medical benefits for claims, and maintaining a customer service call center to provide claims processing information				

Revenue Collections by Program

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

	2017	2018	2019	2020	2021
REVENUE SUMMARY BY PROGRAM:					
3719 Fees/Copies or Filing of Records	1,177	900	0	0	0
3947 State Office of Risk Mgmt Assessmts	9,301,930	9,500,393	8,139,333	7,896,052	7,896,052
<u>Inside the Treasury</u>					
REVENUE: 3719 Fees/Copies or Filing of Records					
OTHER FUNDS					
FUND: 777 Interagency Contracts	1,177	900	0	0	0
REVENUE: 3947 State Office of Risk Mgmt Assessmts					
OTHER FUNDS					
FUND: 777 Interagency Contracts	9,301,930	9,500,393	8,139,333	7,896,052	7,896,052
Total, Inside the Treasury	9,303,107	9,501,293	8,139,333	7,896,052	7,896,052
<u>Outside the Treasury</u>					
No Revenue Amounts Reported					
Total, Program	9,303,107	9,501,293	8,139,333	7,896,052	7,896,052

PROGRAM NAME:	Workers' Compensation Payments: Indemnity Payments				
DESCRIPTION:	Provides indemnity payments to approved workers' compensation claimants.				
REVENUE SUMMARY BY PROGRAM:					
3805 Subrogation Recoveries	264,522	236,967	236,967	236,967	236,967
3947 State Office of Risk Mgmt Assessmts	16,168,413	17,321,265	17,947,335	17,634,300	17,634,300
<u>Inside the Treasury</u>					
REVENUE: 3805 Subrogation Recoveries					
OTHER FUNDS					
FUND: 777 Interagency Contracts	264,522	236,967	236,967	236,967	236,967
REVENUE: 3947 State Office of Risk Mgmt Assessmts					
OTHER FUNDS					
FUND: 777 Interagency Contracts	16,168,413	17,321,265	17,947,335	17,634,300	17,634,300
Total, Inside the Treasury	16,432,935	17,558,232	18,184,302	17,871,267	17,871,267
<u>Outside the Treasury</u>					
No Revenue Amounts Reported					

Revenue Collections by Program

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

479 State Office of Risk Management

	2017	2018	2019	2020	2021
Total, Program	16,432,935	17,558,232	18,184,302	17,871,267	17,871,267
PROGRAM NAME: Workers' Compensation Payments: Medical Payments					
DESCRIPTION: Provides payments to medical providers and related parties for approved workers' compensation claimants, excluding direct indemnity payments to the claimant.					
REVENUE SUMMARY BY PROGRAM:					
3805 Subrogation Recoveries	368,751	330,783	330,783	330,783	330,783
3947 State Office of Risk Mgmt Assessmts	22,539,179	24,178,735	25,052,665	24,615,700	24,615,700
<u>Inside the Treasury</u>					
REVENUE: 3805 Subrogation Recoveries					
OTHER FUNDS					
FUND: 777 Interagency Contracts	368,751	330,783	330,783	330,783	330,783
REVENUE: 3947 State Office of Risk Mgmt Assessmts					
OTHER FUNDS					
FUND: 777 Interagency Contracts	22,539,179	24,178,735	25,052,665	24,615,700	24,615,700
Total, Inside the Treasury	22,907,930	24,509,518	25,383,448	24,946,483	24,946,483
<u>Outside the Treasury</u>					
No Revenue Amounts Reported					
Total, Program	22,907,930	24,509,518	25,383,448	24,946,483	24,946,483
PROGRAM NAME: Contracted Medical Cost Containment					
DESCRIPTION: Contracts with medical cost containment vendors that provide a workers' compensation health care network, process pre-authorization requests for medical procedures, audit medical bills to comply with fee guidelines, act as a pharmacy benefit manager, and provide ancillary services.					
REVENUE SUMMARY BY PROGRAM:					
3947 State Office of Risk Mgmt Assessmts	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000
<u>Inside the Treasury</u>					
REVENUE: 3947 State Office of Risk Mgmt Assessmts					
OTHER FUNDS					
FUND: 777 Interagency Contracts	1,144,205	1,806,132	1,800,000	1,800,000	1,800,000
<u>Outside the Treasury</u>					
No Revenue Amounts Reported					

Revenue Collections by Program

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

ARTICLE I - General Government

Alternative Funding
 86th Regular Session, Agency Submission, Version 1
 Strategic Fiscal Review (SFR)

DATE: **1/3/2019**
 TIME: **3:31:52PM**

Agency code: 479 **Agency name:** State Office of Risk Management

Alternative Funding Item **Centralized, Mandatory State Property Insurance Program**
Type of Alternative Program Funding

2018-19 Base Amount \$380,575 **Created by LBB** No
Alternative Amount \$2,985,775

2018-19 Base Funding Level	\$380,575	Change in Funding (compared to FY 2018-19 Base)	\$2,605,200
777 Interagency Contracts	\$380,575	777 Interagency Contracts	\$2,605,200
FY 2019 Budgeted FTEs	3.00	Change in FTEs (compared to FY 2021 Requested)	5.00

Description of Change Create a centralized, mandatory state property insurance program that incorporates a pooling and reserve approach, in concert with a self-insured retention limit. A mandatory program could expand the population served and increase scope of insurance services for the State of Texas.

Impacted Programs: Insurance Purchasing

Impacted Performance Measures None

Description of Impact A self-insured retention limit could lead to a significant reduction in premiums. The state would assume some amount of the primary risk and transfer the remaining risk to excess coverage for larger, catastrophic losses consistent with other state jurisdictions. In addition, a mandatory program will expand the population served and increase demand for insurance services.

SORM does not have sufficient OAG allocated office space to hire the necessary additional FTEs.

Alternative Funding
 86th Regular Session, Agency Submission, Version 1
 Strategic Fiscal Review (SFR)

DATE: **1/3/2019**
 TIME: **3:31:52PM**

Agency code: 479 **Agency name:** State Office of Risk Management

Alternative Funding Item **Medical Cost Containment In-House**
Type of Alternative Program Funding

2018-19 Base Amount	\$4,467,559	Created by LBB	No	
Alternative Amount	\$4,913,159			
2018-19 Base Funding Level	\$4,467,559	Change in Funding (compared to FY 2018-19 Base)		\$445,600
777 Interagency Contracts	\$4,467,559	777 Interagency Contracts		\$445,600
FY 2019 Budgeted FTEs	8.00	Change in FTEs (compared to FY 2021 Requested)		2.00

Description of Change SORM’s current medical bill review vendor uses an automated system to re-price bills, but does not perform detailed, manual reviews to maximize savings — instead, SORM staff manually review the same bills in some cases, which means SORM is essentially paying for two audits per medical bill. An operation change that could improve the success and effectiveness of the Contracted Medical Cost Containment Program maybe to transition from outsourcing medical bill audits to performance of in-house medical bill audits by SORM’s medical quality assurance (MQA) staff.

Impacted Programs: Workers' Compensation Claims Operations, Workers' Compensation Payments: Medical Payments, Contracted Medical Cost Containment

Impacted Performance Measures Average Cost to Administer a Claim, Cost of Workers' Compensation Per Covered State Employee, Cost of Workers' Compensation Coverage Per \$100 State Payroll

Alternative Funding

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

DATE: 1/3/2019
TIME: 3:31:52PM

Agency code: 479 Agency name: State Office of Risk Management

Description of Impact

Merits

Placing medical bill review cost containment activities within SORM would directly ensure that medical cost containment activities comply with the Texas Workers' Compensation Act. Removing a third-party vendor from the bill review process would give SORM more control over the timeframes for final action on medical and pharmacy bills and requests for reconsideration. Avoiding interest payments through compliance with payment deadlines is a method to contain costs. Direct responsibility for medical bill review cost containment activities would also eliminate the possibility of an administrative fine being imposed against SORM due to the non-compliance of a third-party vendor.

The majority of the MQA staff are experienced workers' compensation claims adjusters. This specialized experience is crucial because medical bill payment recommendations require a sophisticated understanding the Texas Workers' Compensation Act, medical treatment guidelines, and medical fee guidelines. However, SORM does not have primary control over the expertise and knowledge of the third-party vendor's staff.

Challenges

SORM processes approximately 90,000 medical and pharmacy bills each year. With limited exceptions, these medical and pharmacy bills are transmitted electronically to the third-party vendor for re-pricing and compliance with TDI-DWC's electronic data interchange requirements. SORM paid the third-party vendor \$1,806,132 in FY2018 for these services. SORM receives a license to use the vendor's proprietary medical bill review software at no additional charge. In-house medical bill review would require SORM to contract for medical bill review software. The cost for medical bill review software is based on volume, much like the current medical bill review services. While SORM would likely realize some savings, there will be costs associated with the software.

To conduct a desired level of medical bill review, SORM would need approximately 10 FTEs. SORM currently has eight FTEs performing a secondary review of the medical bills that have been re-priced by the third-party vendor. SORM's salary expenditures for these eight employees for FY18 total \$430,324. SORM would need to hire two additional highly qualified staff with expertise in medical terminology, guidelines for medical services, charges, and payments, and appropriately and accurately applying medical benefit payment regulations, policies, and methodologies. The salary for two Claims Examiner IV would be approximately \$112,800 annually.

SORM does not have sufficient OAG allocated office space to hire the necessary additional FTEs.

The limitations of SORM's case management system and electronic document storage essentially prevent integration with medical bill review software.

Oversight associated with outsourcing compared to oversight with in-sourcing

Regardless of whether the medical bill review occurs in-house or is outsourced, SORM must perform quality assurance reviews to ensure the accuracy of recommended payments, which could also be an indicator of staff/vendor performance. However, SORM would not have to monitor vendor performance, address vendor performance issues, apply performance discounts to invoiced amounts, or verify the accuracy of invoices before payment is paid.

- SORM's contractor processes medical bills electronically, using an algorithm to reduce the billed amounts to maximums set in

Alternative Funding

86th Regular Session, Agency Submission, Version 1
Strategic Fiscal Review (SFR)

DATE: **1/3/2019**
TIME: **3:31:52PM**

Agency code: 479 **Agency name:** State Office of Risk Management

TDI-DWC fee guidelines

- SORM's contractor does not manually check for billing errors missed by the algorithm
 - Fee guidelines are complex and tie to specific elements of a claim, such as type of injury, body part injured, and medical provider or service, so automatic re-pricing does not catch all billing errors
-

% Agencies that Implement Recommendations Following Risk Management Assessment

Alternative Funding Item

Type of Alternative

FY 2019 Budgeted Target
Alternative Target

Performance Measure

0%

25%

2018-19 Base Funding Level

Funding By MOF

\$ 4,584,047

777 \$

4,584,047 Fund

Fund

Change in Funding (compared to FY 2018-19
Base)

Funding By MOF

\$ 175,000

777 \$

175,000 Fund

FY 2019 Budgeted FTEs

Requested)

28.1

2.0

Description of Change

The Office assumes this measure would be an explanatory measure as the agency does not have, nor is it seeking enforcement authority regarding recommendations, but rather serving client entities as an advisor and resource. In order to track the status of all recommendations made during all risk management program reviews, on-site consultations, and continuity of operations plan reviews 90 days after the delivery of the recommendation(s) the Office estimates that one additional Risk Management Specialist II at an annual salary of \$52,000 and one Administrative Assistant II with an annual salary of \$33,000 would be required, with one time expenditures for computers and other equipment of \$2,500 each; resulting in a biennial total of \$175,000.

Impacted Programs

Impacted Perf Measures

- Enterprise Risk Management
- Continuity of Operations Planning
- None

Description of Impact

The additional resources required for implementation of this measure would have some impact on the factors used for the calculation of the Cost per Hour of Direct Risk Management Services Provided, but the effects would largely offset the program's cost increase of the combined salaries of the two-additional staff. The additional resources would also increase the number of hours of value services.

Risk Management Information System (RMIS)

Alternative Funding Item

Type of Alternative	Program Funding	
2018-19 Base Amount	\$	17,804,567
Alternative Amount	\$	19,601,755
2018-19 Base Funding Level	\$	17,804,567
Funding By MOF		777 \$17,804,567

Change in Funding (compared to FY 2018-19 Base)	\$	1,797,188
Funding By MOF		777 \$ 1,547,188
	GR	\$ 250,000

*Per the suggestion of the PDF that was provided, we would have implementation costs be GR. If we are unable to get GR this amount would need to be added to 777

FY 2019 Budgeted FTEs	121.6
Change in FTEs (compared to FY 2021 Requested)	2.0

Description of Change

Full implementation of a comprehensive, configurable, and cloud-enabled Risk Management Information System (RMIS) to integrate SORM's statutory programs - enterprise risk management, insurance purchasing, workers' compensation claims administration, COOP planning, and current and future operational systems. The ideal RMIS will provide substantial document management functionality and advanced tracking and management reporting capabilities to enable the State of Texas to consolidate, monitor, and analyze data regarding the overall cost of risk for the purposes of risk and response decision-making. The minimal system must allow multiple internal and external users to access and upload information and documentation; contain a high level of system security; contain analysis features; have robust, user-friendly reporting features; include the ability to integrate with other systems; support remote access; and be capable of converting or migrating data from existing legacy systems to facilitate deprecation. The system should be accessible by the Legislature and all state entities and institutions of higher education that receive services from or through SORM.

Impacted Programs

- Enterprise Risk Management
- Continuity of Operations
- Insurance Purchasing
- Workers' Compensation Operations
- Average Cost to Adminster a Claim
- Cost of Workers' Compensation Per Covered State Employee
- Cost of Workers' Compensation Coverage Per \$100 State Payroll

Impacted Perf Measures Description of Impact

Merits

A fully integrated system where relational data is continuously updated can provide real-time information for preparedness, mitigation, response, and recovery. Through data revision, verification, and updating, the data in a RMIS would become more refined, insightful, and contemporary to address statewide issues as they arise. Centralization would ideally support simultaneous availability of information at multiple levels and for different purposes. Uniform, consolidated data could be used by individual state entities and the state enterprise to conduct analytics, identify risk trends, develop strategies, and inform decision-making and long-term planning. Access to detailed, up-to-date, comprehensive data on losses should increase the ability to proactively address risk.

The consolidated data could also be used for predictive catastrophic event and risk modeling. Statewide predictive risk modeling would allow the Office and other entities to perform more detailed risk and insurance analyses and enhance statewide risk and insurance strategies. This data could also support trend tracking and benchmarking of state-owned assets subject to significant risk exposures. The consolidated data could further be used to obtain better competitive market rates for uninsured state-owned buildings and contents. Readily available and accurate underwriting data can expedite risk transfer through insurance. Each entity's costs for retained and transferred risks could be tracked and analyzed.

Workers' compensation claims activities could be streamlined, which would improve adjusters' productivity levels and compliance with regulatory reporting requirements. State entities would have the ability to report injuries 24-hours a day. A RMIS can easily transmit claims activity data to and from external sources; compare claims to drive decision making; and deploy rules-based decision-making tools to automate clerical activities that keep the claims process moving. The claims management module of a RMIS provides adjusters with automated access to forms, rates, rules, and regulations to streamline their adjudication process. Built-in compliance rules evaluate claims activity to automatically fill out the correct document from a library of forms and letters of correspondence. An indemnity benefits rules engine further evaluates claims to calculate average weekly wage (AWW) and indemnity benefits. Furthermore, adjusters would have a search engine that provides access federal and state laws, regulations, and rates.

When a document is uploaded into a RMIS, the basic metadata is included, and the user has the ability to track additional data elements. This functionality helps improve efficiencies and data accuracy by minimizing opportunities for manual data entry and reporting errors. Importing and exporting data would reduce the time spent to manually compile, cleanse, and reformat data to and from disparate sources.

An RMIS is deployed within a secure web-based platform, which allows access to all modules over a secure Internet connection. The supporting technology, or platform, enables access to features and promotes confidence that the system will be reliable, fast, secure, and adaptable to SORM's needs. SORM would not have the responsibility to continually buy, install, maintain or update the hardware and software needed for functionality and security. SORM could realize opportunities to innovate as new features and functionality are deployed.

Challenges

Full implementation of a RMIS will occur in phases over an approximate two to three-year period. Implementation would require SORM to hire a dedicated project manager and a system administrator.

The difficulties associated with collecting and consolidating statewide data are discussed in the *Insurable State Assets Interim Study* prepared by SORM pursuant to H.B. 3750, 84th R.S. Some of the more significant findings are:

- Knowing the full extent of the State’s exposure is the first step in determining the appropriate risk prevention and control measures the State should implement to prevent or reduce claims and losses, and make other strategic and operations determinations.
- Obtaining complete and accurate data is foundational to the design of any comprehensive asset protection strategy and enterprise maintenance.
- Once data is collected, the data must be continually maintained and updated to ensure accuracy and completeness.
- State entities maintain data elements and data in different formats, including paper files. Tracking and reporting data to SORM may not be based on the same source of information or defined by the same terms or concepts between entities.
- Data elements need to be defined to create consistent information. Consistent and unified data criteria are crucial to the State’s ability to identify, track, and report on losses, mitigation efforts, and statewide risk exposures.
- Data maintained by state entities may be outdated, which will impact the accuracy of the data available for analysis and decision-making.

Oversight associated with outsourcing compared to oversight with in-sourcing

SORM would contract with a vendor to provide a RMIS. Contract management and vendor oversight would be required and supplied by SORM at the enterprise level and on an ongoing basis on behalf of the State of Texas.