



# State Office of Risk Management

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## Summary

The Legislature created the State Office of Risk Management (SORM) in 1997 to assist state agencies in protecting their employees and the State's physical and financial assets by reducing and controlling risk. SORM has three primary functions: administering an employee workers' compensation insurance program; providing risk management services to state agencies; and coordinating state agency purchases of property, casualty, and liability insurance. SORM currently covers 172,000 employees with \$54 million in claims costs per year. The agency employs 124 staff and has an annual budget of \$64.7 million.

Senate Bill 908 continues SORM for 12 years and contains the Sunset Commission's recommendations to improve the functioning of SORM and to better prepare the agency to handle its responsibilities, including returning injured employees to work and preparing for man-made or natural disasters. The list below summarizes the major provisions of S.B. 908, and a more detailed discussion follows.

## Sunset Provisions

1. Require SORM to facilitate the return to work of injured employees by expanding its case management program and reporting the lost time and return to work outcomes of state agencies.
2. Require SORM to study how the State could structure its workers' compensation program to be prepared for claims resulting from a disaster and to report options to the Legislature.
3. Require SORM to pay most indemnity benefits by direct deposit.
4. Require state agencies to develop business continuity plans with SORM's consultation and evaluation.
5. Require SORM, the Texas Facilities Commission, and the State Fire Marshal's Office to exchange safety information.
6. Continue the State Office of Risk Management for 12 years.

## Provision Added by the Legislature

7. Protect personal information in workers compensation claim files from disclosure.

# Sunset Provisions

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**1. Require SORM to facilitate the return to work of injured employees by expanding its case management program and reporting the lost time and return to work outcomes of state agencies.**

Senate Bill 908 requires SORM to develop an expanded case management program that focuses on facilitating the reintegration of injured employees. This provision builds upon the requirements in House Bill 7, 79th Legislature, that insurance carriers evaluate claims as soon as possible to determine if case management is necessary. In addition to facilitating communication between parties and access to appropriate medical treatment, the program will focus on working directly with the injured worker to overcome any barriers to return to work. The bill also requires SORM to evaluate lost time and return to work outcomes by agency, and report the results to the Legislature. This provision will allow SORM to measure the success of its efforts to identify agencies that may need additional training or risk management services.

**2. Require SORM to study how the State could structure its workers' compensation program to be prepared for claims resulting from a disaster and to report options to the Legislature.**

Senate Bill 908 requires SORM to study various options, such as establishing a state employee workers' compensation catastrophe fund outside of the State Treasury, purchasing catastrophe reinsurance, or other options which may be available to the State in case of a disaster. SORM must work with the Texas Department of Insurance's Research and Evaluation Group to determine viable options on how the State can better prepare for workers' compensation claims resulting from a disaster. In addition, SORM must contract with a consultant to analyze the costs of potential disasters, and estimate the appropriate size for a catastrophe fund or needed level of reinsurance.

**3. Require SORM to pay most indemnity benefits by direct deposit.**

The bill requires the direct deposit of indemnity benefits instead of paper checks, saving time, effort, and money for both the State and injured workers. State employees will receive indemnity benefits through the same method they have selected for payroll, so that those currently paid salary by check will be able to receive benefits by check.

**4. Require state agencies to develop business continuity plans with SORM's consultation and evaluation.**

Senate Bill 908 requires all state agencies to develop business continuity plans that include detailed steps for resumption of essential services such as scheduling an emergency workforce, coordination with public authorities, management of media, customer services delivery, and assessing immediate financial or operational needs. Agencies involved in the initial delivery of emergency services as members of the Emergency Management Council or part of the Department of Information Resources state data center project already have plans in place that meet this requirement and are only required to forward their plans to SORM.

The bill requires SORM to consult with state agencies on business continuity plans by developing guidelines, model plans, and training state agencies. SORM will also evaluate state agencies' business continuity plans for completeness and viability and biennially report to the Legislature on the efforts of state agencies to develop and maintain business continuity plans.

**5. Require SORM, the Texas Facilities Commission, and the State Fire Marshal's Office to exchange safety information.**

The bill requires the three agencies with safety-related responsibilities to improve communications with each other. The bill requires a Memorandum of Understanding (MOU) between SORM and the Texas Facilities Commission and adds SORM to an existing MOU between the Facilities Commission and the State Fire Marshal's Office. These MOUs will detail the type, amount, and frequency of safety-related information that should be shared. The bill also requires designated points of contact within each agency to coordinate information.

**6. Continue the State Office of Risk Management for 12 years.**

Senate Bill 908 continues SORM as an independent agency, responsible for providing workers' compensation, risk management, and insurance purchasing services to state agencies for the standard 12-year period, until 2019.

## *Provision Added by the Legislature* \_\_\_\_\_

**7. Protect personal information in workers compensation claim files from disclosure.**

The Legislature added a provision to the bill that provides that state employee information in or derived from SORM workers' compensation claim files is confidential and may not be disclosed, except as provided by law.

## *Fiscal Implication Summary* \_\_\_\_\_

Senate Bill 908 contains two provisions that will have a net cost to SORM for the 2008-09 biennium. Requiring SORM to expand case management to facilitate the return to work of injured employees will have an annual cost of \$111,698 during the first biennium to hire two case managers, and a one-time cost of \$3,000 for computer equipment. By fiscal year 2010, SORM will reduce this annual cost to \$55,849 by eliminating one of the new positions and relying more on its newly instituted workers' compensation network. Savings in indemnity and medical benefits will offset these costs, but these savings will accrue to state agencies and not directly to SORM. Because SORM did not receive additional funding for this provision the agency will have use existing resources to cover these costs.

Requiring SORM to study how the State could best prepare to pay workers' compensation claims resulting from a disaster will have a one-time cost of \$20,000 for consulting services. Consultants