

Office of Risk Management

Division of Administration



Strategic Plan

FY 2017-2018 to FY 2021-2022

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VISION STATEMENT

To operate a dynamic, proficient, comprehensive risk management program designed to provide client agencies with cost effective insurance, loss prevention, claims administration and disaster assistance. To provide innovative and creative leadership focused on outcomes and improvements.

MISSION STATEMENT

To develop, direct, achieve and administer a cost effective comprehensive risk management program for all agencies, boards and commissions of the State of Louisiana and for any other entity for which the state has an equity interest, in order to preserve and protect the assets of the State of Louisiana.

PHILOSOPHY

To provide a strong, effective and efficient comprehensive risk management program that is sensitive to the needs of its client agencies and focused on supporting the goals of the Administration; to develop a professional, productive and dedicated staff to oversee the risk management program.

GOAL

The Office of Risk Management will manage all state property and casualty insurance through commercial insurance, self-insurance, or a combination of both utilizing sound management practices.

PRINCIPAL CLIENTS AND USERS

The primary clients are state agencies, the legislature, and the Division of Administration management.

EXTERNAL FACTORS

There are a number of potential external factors which affect the Office of Risk Management and over which ORM has little or no control.

ORM handles the risks to which the State is exposed through a program that includes self insurance to a specific level and excess commercial insurance for certain risks above that level. Total program costs are impacted by the cost of commercial insurance premiums. Premium costs can vary greatly based on market conditions and the impact of catastrophic events occurring within the state, nationally and even internationally.

However, the best way to ensure against loss is through loss prevention and safety programs. Such programs help minimize losses, save money, and most importantly, protect state employees and citizens. ORM aggressively pursues loss prevention through utilization of a TPA for loss control inspections, training and consultation with agencies on their safety programs. Agencies can, however, misrepresent steps taken to prevent losses, and participation in the loss prevention program may be perceived to cost more than the reward derived from participation.

Although ORM has responsibilities that relate to statewide disaster assistance, ORM has no control over the scope of damages state properties bear in catastrophic events. Performance indicators and total program costs may be materially impacted by catastrophic events.

Also beyond ORM control are legislative actions approved with which ORM must interact in order to fulfill its mission. For example, past significant changes in case law continue to have an adverse impact on the state's liability in general liability claims.

DUPLICATION OF EFFORT

The responsibilities of ORM are established by statute; no other state agency provides the services or performs the type work that ORM does. The Office of Contractual Review reviews contract terms; ORM reviews the insurance requirements outlined in any contracts submitted to ORM for review by state agencies. Both the Office of Contractual Review and the Office of State Purchasing also consult ORM on insurance requirements.

GOAL I: To manage all state property and casualty insurance through commercial insurance, self insurance, or a combination of both utilizing sound management practices.

Goal Authorizations: Louisiana Revised Statutes 39:1528-1543

PROGRAM ACTIVITY: WORKERS' COMPENSATION CLAIMS

PROGRAM ACTIVITY OBJECTIVE I.1: Maintain an average cost per claim of no more than 70% of the most recent Workers' Compensation Research Institute (WCRI) average.

STRATEGY I.1.a: The Office of Risk Management, through effective loss control and claims management programs will manage the costs associated with Workers' Compensation claims.

PROGRAM ACTIVITY PERFORMANCE INDICATOR:

1. Worker's Compensation average cost per claim WCRI-La. Comparison

PROGRAM ACTIVITY OBJECTIVE I.2: Improve the efficiency of Worker's Compensation claims by maintaining closed claims to opened claims ratio of no less than 1:1 (or 1.0).

STRATEGY I.2.a: The Office of Risk Management, through effective loss control and claims management programs will maintain the closed to opened claims ratios using benchmark of 1:1 (or 1.0).

PROGRAM ACTIVITY PERFORMANCE INDICATOR:

1. Worker's Compensation closing ratio

PROGRAM ACTIVITY: GENERAL LIABILITY CLAIMS

PROGRAM ACTIVITY OBJECTIVE I.1: Improve the efficiency of General Liability claims by maintaining closed claims to opened claims ratio of no less than 1:1 (or 1.0).

STRATEGY I.1.a: The Office of Risk Management, through effective loss control and claims management programs will maintain the closed to opened claims ratios using benchmark of 1:1 (or 1.0).

PROGRAM ACTIVITY PERFORMANCE INDICATOR:

1. General Liability closing ratio

PROGRAM ACTIVITY: **MEDICAL MALPRACTICE CLAIMS**

PROGRAM ACTIVITY OBJECTIVE I.1: Improve the efficiency of Medical Malpractice claims by maintaining closed claims to opened claims ratio of no less than 1:1 (or 1.0).

STRATEGY I.1.a: The Office of Risk Management, through effective loss control and claims management programs will maintain the closed to opened claims ratios using benchmark of 1:1 (or 1.0).

PROGRAM ACTIVITY PERFORMANCE INDICATOR:

1. Medical Malpractice closing ratio

PROGRAM ACTIVITY: **TRANSPORTATION CLAIMS**

PROGRAM ACTIVITY OBJECTIVE I.1: Improve the efficiency of Transportation claims by maintaining closed claims to opened claims ratio of no less than 1:1 (or 1.0).

STRATEGY I.1.a: The Office of Risk Management, through effective loss control and claims management programs will maintain the closed to opened claims ratios using benchmark of 1:1 (or 1.0).

PROGRAM ACTIVITY PERFORMANCE INDICATOR:

1. Transportation closing ratio

PROGRAM ACTIVITY: ROAD HAZARD CLAIMS

PROGRAM ACTIVITY OBJECTIVE I.1: Improve the efficiency of non-litigated Road Hazard claims by maintaining closed claims to opened claims ratio of no less than 1:1 (or 1.0).

STRATEGY I.1.a: The Office of Risk Management, through effective loss control and claims management programs will maintain the closed to opened claims ratios using benchmark of 1:1 (or 1.0).

PROGRAM ACTIVITY PERFORMANCE INDICATOR:

1. Road Hazard closing ratio

PROGRAM ACTIVITY: PROPERTY CLAIMS

PROGRAM ACTIVITY OBJECTIVE I.1: Improve the efficiency of Property claims management by maintaining non-catastrophic losses as a percentage of total insured value at a level below that reported on the most recent STRIMA Cost of Risk Survey.

STRATEGY I.1.a: The Office of Risk Management through effective loss control and claims management programs will maintain non-catastrophic losses as a percentage of total insured value at a level below that reported on the most recent STRIMA Cost of Risk Survey.

PROGRAM ACTIVITY PERFORMANCE INDICATOR:

1. Property non-catastrophic losses comparison to STRIMA

STRATEGIC PLAN REVISION – PROCESS NARRATIVE

In March 2013, ORM’s State Risk Director designated both the planning coordinator (ORM’s Accountant Administrator) and the Senior Executive Team (SET) members (State Risk Assistant Director and both State Risk Administrators) who have personal responsibility for achieving objectives. In addition, a Strategic Planning Review Team (SPT) (composed of ORM managers, supervisors and staff at diverse levels) was appointed to be closely involved in the planning process, including supporting the coordinator and SET in the development, review and approval of strategic plan objectives, strategies and performance indicators.

At the first joint planning session (SET and SPT), participants were advised of their responsibilities and timetables for completion of the strategic plan revisions process. Copies of the current ORM five year strategic plan document were emailed to all participants in advance of the meeting. The group engaged in a round table discussion of the ORM current operating environment and the challenges faced.

In fiscal year 2014, ORM, along with the rest of the Division of Administration, went through the process of developing a business plan based on lines of service. This process involved ORM management (Administrators, Managers and Executives), as well as DOA executive leadership (Assistant Commissioners, Commissioner). Cost drivers and performance metrics were identified for each line of service. Periodic budget reports were developed by line of service.

To facilitate management and reporting by line of service, ORM submitted its 2016 budget request as a single program, Risk Management. This plan was revised to reflect those changes for the four-year period beginning 2015-2016.

ORM current operating environment and challenges: In February 2009, the Office of Risk Management requested approval from the Office of Contract Review to develop an RFP for Claims Management and Loss Prevention Services. This request followed an extended period of both self-evaluation and external research to determine the feasibility of out-sourcing certain services

of the agency. In November 2009, the RFP was issued, with proposals due in February 2010. Final approval of the five year contract with the selected vendor was signed in June 2010, and the contract implementation began in July of 2010.

From that date through the current period, ORM employees have experienced great challenges in continuing in-house claims administration operations during the phased implementation of the TPA contract. This has included such challenges as getting familiar with and using the TPA's information system and compiling data extracted from two distinct risk management information systems to complete necessary internal and public reporting.

The implementation of the contract has required development of monitoring plans, a quality assurance plan relating to the contract and a complex plan relating to evaluation of savings under the contract. In addition, ORM executives, managers and supervisors have been required to update and/or develop new processes and procedures to support the contract and insure strong fiscal accountability. The approval of the contract also resulted in extensive public and legislative interest and additional scrutiny from internal auditors and legislative auditors, from both the financial and performance audit sections. Managing all the change has been extremely time-consuming, intellectually stimulating and professionally demanding.

For the five year period that relates to this strategic plan revision process (Fiscal Years 2014-2015 through 2018-2019), the agency will be operating in an internal environment that has experienced all of these extraordinary changes, will have completed the contract implementation within a three year period (7/1/2010 through 7/1/2013) and also accepted new and unexpected changes. Some of those changes are yet to come, but will be fully realized very soon.

In the multiple planning sessions, executive leadership, SET and SPT members, and ORM staff at all levels considered the following questions:

- I. *Where are we?*
- II. *Where do we want to be?*
- III. *How will we get there?*
- IV. *How will we measure our progress?*

I. The ORM has completed the final stage of the phased implementation of services under the privatization contract. Effective July 1, 2013, the Claims Adjusting/Management and Loss Prevention services for all lines of insurance coverage for the State of Louisiana were accomplished through a contractual agreement with a Third Party Administrator (TPA). Also, effective June 24, 2013, the agency completed a consolidation of back office functions with the Division of Administration. In this movement to a shared-services model for administrative support, ORM's units relating to Accounting and IT were eliminated and personnel transferred to various DOA departments. Future administrative support services will be provided through detailed service agreements with the DOA.

Effective July 1, 2016, ORM will consolidate its organization structure into a single program. This will facilitate management by lines of service, and the implementation of more meaningful performance metrics.

The strategic planning team discussed the changes of the past few years and those on the near horizon and recognized that the appropriate time was at hand to complete a major overhaul of the Performance Indicator (PI) components of the existing strategic plan. For example, several of the current PI relate to productivity of work units that will not exist after the June consolidation. Also, one PI of the claims unit (relating to claims opened) is not meaningful given the advanced technology capabilities of the TPA, and collecting the data to report on a second TI (relating to subrogation) is much too cumbersome in the current operating environment. All participants agreed that the efforts in PI development for the future should be focused on the primary service areas of Claims Management and Loss Prevention. These are the services provided by the TPA and most of ORM's continuing employees have or will have duties that revolve around monitoring, reviewing, approving and/or measuring performance of the TPA under the contract.

The strategic planning team reaffirmed the consensus of the 2010 strategic planning revision, in that while many things have changed, the core mission of the ORM, to provide a comprehensive risk management program for the state, remains unchanged. In addition, the stated vision and philosophy of ORM are

also applicable as we move forward. However, it was agreed that the wording of these elements needed to be updated.

As in the past, ORM's Accountant Administrator coordinated the strategic planning process, but team members recognized that future reporting and strategic plan revisions would need to be addressed by continuing ORM personnel. ORM's Assistant Director coordinated the revisions to the plan to accommodate the lines of service and associated performance measures.

II. It was agreed that the strategic planning team's shared objective for the five year period FY 2015-2019 was the successful continuation of quality services to the state under the TPA contract. The responsibilities of nearly all ORM continuing personnel directly relate to administering, monitoring, reviewing and/or measuring performance of the contract. Going forward, PI under the strategic plan should reflect this symbiosis.

III. Team members brain-stormed and identified available tools that could be used to support the creation of an effective and viable strategic plan. One available tool mentioned was the existing Quality Assurance Plan and performance metrics already being utilized. Participants were subsequently provided with a summary of the QA Plan performance metrics and copies of recent reporting under the plan.

Participants left the initial joint meeting understanding that each PI considered for inclusion in the strategic plan should be carefully developed to address all of the components noted in the Performance Indicator Documentation Form. As the agency is pressed to improve efficiencies, it is particularly important to develop relevant PI from readily available data sources requiring minimal effort in collection and reporting. Team members that represented the continuing ORM units were asked to continue the discussions in separate meetings and report at a future joint meeting.

Numerous unit meetings and small group planning sessions were held to further investigate the tools identified and to develop possible objectives and feasible performance indicators that would support the stated goals and objectives under a revised five year strategic plan.

Following the unit meetings, at subsequent joint strategic planning team meetings, the group heard presentations of new and/or modified PI strategies. A question and answer time was held and feedback was solicited from all strategic planning team members. In total, two joint planning sessions were held following this format, involving both SET and SPT members. At the fourth and final joint session, participants approved the objectives and performance indicators to be incorporated in the revised strategic plan.

IV. The new performance indicators focus primarily on measuring the level of claims turnover and management of costs by the TPA. Emphasis has been particularly placed on reducing the lifespan of claims across all lines of coverage. This is addressed measuring the ratio of closed claims to opened claims. A specific performance indicator has been created for workers compensation to measure the average cost per claim against an industry standard benchmark for Louisiana. A specific performance indicator has also been developed for property, comparing non-catastrophic losses against other states participating in STRIMA, and organization of State Risk Directors.

ORM's progress will be measured using seven performance indicators. The Performance Indicator Documentation sheets that define these indicators are on the following pages.

PERFORMANCE INDICATOR DOCUMENTATION

Program: Ancillary – Office of Risk Management/Risk Management

Activity: Workers' Compensation Claims

Objective: Maintain an average cost per claim of no more than 70% of the WCRI-La average.

Indicator Name: Workers' Compensation Average Cost per Claim WCRI-LA Comparison

Indicator LaPAS PI Code: New

For each performance indicator in the strategic plan, address the following:

- 1. Type and Level:** Efficiency and Quality Level - Key
- 2. Rationale, Relevance, and Reliability:** This indicator will measure the efficiency of claims handling by comparing the average amount paid per claim to the WCRI-LA average cost per claim.
- 3. Use:** This indicator will be used to monitor and manage the performance of the Workers' Compensation program to ensure efficient management of claims.
- 4. Clarity:** Yes, the indicator title clearly states its intent.
- 5. Data Source, Collection and Reporting:** Internal data is derived via reports created in the claims management system which will be generated for each quarter of the State's fiscal year. External data is collected from WCRI's CompScope Benchmarks for Louisiana. The report is published annually in October.
- 6. Calculation Methodology:** The indicator is calculated by dividing the total paid for all paid claims by the number of paid claims.
- 7. Scope:** The indicator is an aggregate of all paid claims.
- 8. Caveats:** The external comparison data is for a prior period. It is possible that inflation and medical cost changes may impact the ability to achieve the objective.

9. Accuracy, Maintenance, and Support: This data has not been audited by the Office of the Legislative Auditor. The data may be verified by a review of the individual claims files.

10. Responsible Person: Reports will be prepared and analysis completed by Vickie Jones, Executive Staff Officer. The reports will be reviewed by Patti Gonzalez, State Risk Assistant Director.

9. Accuracy, Maintenance, and Support: This data has not been audited by the Office of the Legislative Auditor. The accuracy of the data may be verified by a review of the individual claim files.

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PERFORMANCE INDICATOR DOCUMENTATION

Program: Ancillary – Office of Risk Management/Risk Management

Activity: Property Claims

Objective: Improve the efficiency of non-catastrophic property claims by maintaining losses as a percentage of total insured value no greater than that reported in the STRIMA Cost of Risk Survey.

Indicator Name: Property Non-Catastrophic Losses Comparison to STRIMA

Indicator LaPAS PI Code: New

For each performance indicator in the strategic plan, address the following:

- 1. Type and Level:** Efficiency, Quality Level - Key
- 2. Rationale, Relevance, and Reliability** This indicator will measure the efficiency of Property claims handling by comparing losses, as a percentage of total insured value to the average of that reported by participants in the STRIMA Cost of Risk Survey for each quarter within the fiscal year.
- 3. Use:** This indicator will be used to identify areas where improvement may be needed in the management of Property claims. This will be an internal document used to measure the overall efficiency of claims handling and to reveal specific areas that may need attention to attain and maintain the loss objective.
- 4. Clarity:** This objective is clearly stated.
- 5. Data Source, Collection and Reporting:** The internal data source will be the reports available within the claims management system which will be generated for each quarter of the State's fiscal year. External data is obtained from STRIMA's Cost of Risk Survey, published annually.
- 6. Calculation Methodology:** Divide the total losses for non-catastrophic claims by the total insured value of state properties and multiply the result by 100 to convert to a percentage. .
- 7. Scope:** The indicator is an aggregate of all non-catastrophic losses on a quarterly basis within the fiscal year.

8. **Caveats:** None.

9. **Accuracy, Maintenance, Support:** This data has not been audited by the Office of the Legislative Auditor. The accuracy of the data may be verified by a review of the individual claim files.

10. **Responsible Person:** Reports will be prepared and analysis completed by Vickie Jones, Executive Staff Officer. The reports will be reviewed by Patti Gonzalez, State Risk Assistant Director.

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