

VII. Guide to Agency Programs

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Workers' Compensation Research and Evaluation Group (REG)
Location/Division	William P. Hobby Building, Tower I, 5th Floor
Contact Name	Amy Lee
Actual Expenditures, FY 2006	\$418,008.75
Number of FTEs as of August 31, 2006	4

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Workers' Compensation Research and Evaluation Group (REG) conducts professional studies and research on the Texas workers' compensation system.

REG also produces an annual consumer report card comparing TDI-certified workers' compensation health care networks with one another and with non-network claims. HB 7 (2005) requires the first report card to be published in September 2007. Additionally, REG produces a biennial report evaluating the impact of the reforms enacted by the 79th Legislature on the cost and the quality of medical care provided to injured employees. The first biennial report will be issued by December 1, 2008.

REG disseminates its research findings through reports on the TDI website, legislative hearings, and speeches to stakeholder groups, workers' compensation workgroups, and at public hearings.

In addition to its research activities, REG regularly performs the following activities:

- responds to information requests regarding workers' compensation issues
- provides stakeholder education through its reports and speeches to various organizations
- submits comments on proposed rules, Commissioner bulletins, and articles
- produces data for market conduct examinations and enforcement investigations
- prepares information for legislative offices, helps draft bills, and provides legislative testimony.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

REG's effectiveness is best demonstrated by the use of its research findings by legislators, administrators, and workers' compensation system participants. During the Sunset review of the Texas Workers' Compensation Commission, Sunset Advisory Commission staff used REG statistics as a basis for their recommendations and in the Sunset staff report. Sunset staff also cited the results of REG's comparison of the four state workers' compensation programs (i.e., the State Office of Risk Management, UT System, Texas A&M University System, and the Texas Department of Transportation) during their evaluation of the State Office of Risk Management in 2006. Legislative offices often use REG research results to provide justification for new legislative initiatives, explain the impact of previous legislation, or to provide information on how other state workers' compensation systems implement similar initiatives.

One recent example is the testimony REG provided on proposed bills during the 80th Legislature regarding Texas licensure of peer review and utilization review doctors (HB 1003 and HB 1006).

REG has no strategic performance measures, but is mandated to complete all of the projects on its annual research agenda. In fiscal year 2006, REG completed 12 projects, which included a combination of research plans, statistical analyses, research reports, and surveys of employers and injured workers. Project results can be found on the TDI website at www.tdi.state.tx.us/wc/regulation/roc/index.html.

Issues on the approved research agenda for FY 2006 included:

- development of the workers' compensation health care network report card
- analysis of injured worker survey to collect baseline information on issues
- creation of the research design to assess the impact of certified workers' compensation health care networks
- analysis of access to medical care provided under the Approved Doctor List (ADL)
- update of 2004 study to estimate employer participation in the Texas workers' compensation system
- update of study comparing the medical and indemnity costs of the various state workers' compensation programs
- analysis of the frequency, duration, and outcome of medical disputes
- analysis of return-to-work outcomes for injured workers
- development of a Designated Doctor and peer review doctor monitoring plan
- analysis of medical bill and compensability claim denial trends in the Texas workers' compensation system
- analysis of the frequency, duration, and outcome of income benefit dispute hearings
- creation of a research design to analyze the adequacy of income benefits paid to injured workers.

REG is implementing its FY 2007 research agenda projects, including the creation of the nation's first workers' compensation health care network report card. The FY 2006 and 2007 research agendas are available on TDI's website at the above web address.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

1988 - The Joint Select Committee on Workers' Compensation issued a comprehensive report calling for major reform of the Texas workers' compensation system. One of the report's conclusions was that Texas did not collect adequate data to track its own performance over time and that, as a result, the state was too dependent on the anecdotal findings of special interest groups during policy debates.

1989 - Overhaul of the Texas workers' compensation system included creation of the Texas Workers' Compensation Research Center to serve as an independent source of workers' compensation research findings.

1995 - The 74th Legislature merged the Research Center and the Legislative Oversight Committee on Workers' Compensation to form the Research and Oversight Council on Workers' Compensation (ROC). The ROC, governed by a nine-member legislative and regulatory board, performed both research and oversight functions for the system and state agencies involved in workers' compensation (such as the Texas Workers' Compensation Commission, TDI, the state workers' compensation programs, etc.).

2003 - HB 28, 78th Legislature, Third Special Session, transferred ROC's research function to TDI after the Governor vetoed funding for ROC in the General Appropriations Act.

2005 - The 79th Legislature renamed ROC the "Workers' Compensation Research and Evaluation Group" (REG) and clarified its statutory role to analyze both the effectiveness of the system and the impact of HB 7 reforms on medical costs, access to and satisfaction with medical care, and return-to-work outcomes.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

REG research findings are routinely used by legislators, administrators, and the public to make policy and regulatory decisions regarding the operational effectiveness of the Texas workers' compensation system.

System participants that are directly or indirectly affected by the results of REG's work include:

- approximately 300,000 employers (both subscribers and nonsubscribers to the workers' compensation system)
- 200,000 plus employees injured each year
- approximately 20,000 health care providers providing services within the system
- 400-500 insurance carriers providing workers' compensation coverage to Texas employers
- 27 TDI-certified workers' compensation health care networks.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

REG is led by a Research Director who reports directly to the Commissioner of Insurance. In addition to the Research Director, the group consists of a program specialist and three research specialists. REG's professional development program consists of internal training by REG and DWC staff on the administration of the Texas workers' compensation system, existing workers' compensation databases and data reporting requirements, and workers' compensation legislation. REG also utilizes training on advanced computer software packages such as SAS statistical software or GIS mapping software. To maintain a successful program, REG relies heavily on significant cross-training among staff and on project management skills that allow multiple projects to be administered at the same time. REG staff plan and manage projects, write computer programs, analyze data, present research findings, and extrapolate findings to assist administrators and policymakers with policy decisions.

One challenge REG faces is the lack of a significant career ladder for researchers to improve employee retention. Individual promotions (within the Research Specialist series) and merit raises are available to encourage employee retention; however, REG's relatively small size limits its ability to provide significant career growth for individual researchers. As a result, REG often recruits new graduates and previous interns, trains them on workers' compensation issues, and then loses them to the private sector or other state agencies with larger research programs (such as the Texas Education Agency or Texas Workforce Commission).

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

REG is funded by a maintenance tax collected on all workers' compensation insurance carriers and self-insurance groups, with the exception of government entities. This maintenance tax is separate from the maintenance tax collected to fund the Division of Workers' Compensation. REG's maintenance tax is capped statutorily at one-tenth of 1 percent of gross premiums collected by workers' compensation insurance carriers and one-tenth of 1 percent of the total tax base for workers' compensation self-insured employers. In accordance with Texas Labor Code, Section 405.003 (e), REG's maintenance tax collections are deposited into General Revenue and transferred to TDI's operating account for REG functions.

Additionally, REG has the ability to seek and accept grant funds (Texas Labor Code, Section 405.002). REG is not currently participating in any grant-funded projects.

H. Identify any programs, internal or external to your agency that provide identical or similar services or functions. Describe the similarities and differences.

No TDI programs perform identical functions as REG. There are, however, programmers, data analysts, and research specialists who report to the Executive Deputy Commissioner for Policy and Research at DWC who perform some similar functions. DWC Policy and Research's main functions are to respond to open records requests, maintain the databases REG uses in its research, run DWC quarterly and annual performance measures, monitor and analyze complaint and compliance data, and run ad-hoc reports to support DWC's regulatory actions. In contrast, REG's main functions are to conduct more detailed statistical analyses on broader issues such as employer participation, worker perceptions of the system, medical costs and cost drivers, return-to-work rates, and the impact of workers' compensation health care networks. In addition, REG researches other state workers' compensation systems to gather information for legislative and regulatory policy discussions.

REG and DWC Policy and Research work closely on data collection, cleaning, and maintenance to ensure that the data sources used for both sets of analyses (DWC ad-hoc reports and more detailed REG research projects) are complete and high in quality.

TDI's Property and Casualty (P&C) Data Services Division collects and manages the agency's statistical plans for various P&C lines of insurance, including workers' compensation, homeowners, private passenger auto, and commercial lines. In particular, P&C Data Services oversees the agency's Workers' Compensation Statistical Plan (which collects workers' compensation loss information at the policy level) and the Detailed Claim Information (DCI) Statistical Plan (which collects detailed claim information for workers' compensation claims with at least \$5,000 of incurred losses). This includes management of the designated statistical agents for these plans. REG is an end-user of the DCI data collected by P&C Data Services but is not involved in the day-to-day functions of collecting, editing, and correcting this data. Externally, groups such as the Workers' Compensation Research Institute (WCRI) and the National Council on Compensation Insurance (NCCI) conduct periodic multi-state research projects. These groups provide an important source of information regarding multi-state trends that are not possible to track using Texas data alone. However, external groups are limited in the types of data they can access (for instance, they do not have access to multi-state impairment rating or dispute resolution data) and in their ability to interpret and apply their findings in the context of Texas' unique workers' compensation

system.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

REG works closely with DWC to develop a research agenda that reflects the needs of DWC and other system participants. Additionally, on projects that have a particular interest to DWC, REG provides copies of research plans, timelines, and proposed methods to DWC for review and input. Once preliminary findings are available, REG forwards them to DWC and/or briefs DWC staff. No specific MOUs exist between REG and DWC since the sharing of data among these two entities is stipulated by statute (Texas Labor Code Chapter 402).

REG's state and national outreach activities and association memberships also serve to minimize duplication with external research groups. For example, REG's membership in the national Workers' Compensation Research Group ensures ongoing awareness of research that may have goals similar to the research agenda projects. REG communicates with WCRI and NCCI to ensure that there is no duplication of effort between REG's state-based research activities and their multi-state research projects.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

REG works regularly with other state agencies on issues of policy, research, rules, legislation, and data collection.

Texas Workforce Commission (TWC)

TWC oversees and provides workforce development services to Texas employers and employees. REG works with TWC to acquire employee wage data to support research projects that monitor return-to-work and wage patterns of injured employees. Additionally, REG uses TWC's master employer database as a source of information for its biennial survey regarding employer participation in the Texas workers' compensation system.

Department of Assistive and Rehabilitative Services (DARS)

DARS provides vocational rehabilitation services to injured employees and disabled employees without work-related injuries. REG and DWC are working with DARS to collect outcome data regarding vocational rehabilitation referrals DWC made to DARS. The purpose of the data collection is to track existing referral trends and, if possible, identify ways to improve the referral process and return-to-work outcomes for injured employees.

State Workers' Compensation Programs and Political Subdivisions

State workers' compensation programs include the State Office of Risk Management, the University of Texas System, Texas A&M University System, and the Texas Department of Transportation. Political subdivisions include counties, school districts, cities, etc. The Texas Labor Code defines state workers' compensation programs and political subdivisions as insurance carriers. Therefore, they interact with TDI as regulated entities and are responsible for reporting data to TDI the same way that commercial insurance carriers are required to report data. Many of these entities are self-insured or have special exemptions in their statutes relating to the use of sick and annual leave in lieu of income benefits or the use of alternative dispute resolution and health care delivery systems. It is important to be able to track

these entities' performance so they can be compared not only with one another, but also with commercial insurance carriers.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

REG performs its statutory research duties primarily using internal resources. However, it does use university survey centers as necessary to administer large telephone surveys of injured workers and employers. Given REG's small size, utilizing a university survey center to administer large-scale telephone surveys is more cost-effective (around \$24 per completed survey) and results in more timely completion of the survey. When survey services are contracted out, REG develops and tests the survey instrument and draws the survey sample internally before providing it to the university survey center. The scope of work attached to the interagency contract specifies what functions are to be performed by REG and the contracted entity, the timeframe for completion, and the target number of surveys to be conducted.

REG either participates in the training of survey interviewers if it is a new survey or updates the training materials for previously conducted surveys. During the survey, REG receives a weekly disposition report, which provides information on how many phone calls were made, the outcomes of the calls, the total number of completions, and the total amount of survey sample left. To maintain quality assurance, REG may call in to any of the surveys as an anonymous listener or randomly visit the survey center.

Once all of the surveys have been conducted, the university survey center provides REG with the raw data, a brief (four- or five-page) methodology report outlining any issues that occurred during survey administration, a final disposition report, and the response rate calculated for the survey. REG has limited the use of interagency contracts to only the services that it cannot reasonably perform internally, and has implemented several safeguards to ensure that the progress of these interagency contracts are consistently tracked for quality assurance and timely completion.

An attachment to the TDI Self-Evaluation Report lists agency contracted expenditures by program area.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

HB 7 (2005) amended REG's enabling statute to require adoption of an annual research agenda and to enhance confidentiality provisions for REG work papers. REG does not anticipate the need for additional statutory changes during the 2009 legislative session.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

Not applicable.

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

Not applicable.

- O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.**

Not applicable.