

D.C. Office of Risk Management

www.orm.dc.gov

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Description	FY 2012 Actual	FY 2013 Approved	FY 2014 Proposed	% Change from FY 2013
Operating Budget	\$2,196,452	\$2,961,531	\$2,945,971	-0.5
FTEs	18.7	23.0	23.0	0.0

The mission of the Office of Risk Management (ORM) is to reduce the probability, occurrence and cost of risk to the District of Columbia government through the provision of risk identification and insurance analysis and support to District agencies, and by efficiently and fairly administering the District's public sector workers' compensation, tort liability, and captive insurance programs.

Summary of Services

ORM's Risk Identification, Analysis and Control Division conducts risk management assessments of District agencies' facilities and operations by identifying gaps in risk management practices, conducting building inspections, making related recommendations and overseeing their implementation, providing risk management training to District employees, and overseeing the formulation of agency emergency response plans. The Public Sector Workers' Compensation Program (PSWCP) receives workers' compensation claims from injured District government employees, adjusts and manages those claims through its Third-Party Administrator (TPA), and provides compensation and services to claimants, including medical and return-to-work services. The Tort Liability Program receives and investigates claims against the District government with the goal of negotiating and preparing claims for fair and timely settlement. The Insurance Program oversees the District's Medical Liability Captive Insurance Agency, which provides medical malpractice insurance to non-profit community health centers, and advice to District agencies on risk and insurance policies and practices.

The agency's FY 2014 proposed budget is presented in the following tables:

FY 2014 Proposed Gross Funds Operating Budget, by Revenue Type

Table RK0-1 contains the proposed FY 2014 agency budget compared to the FY 2013 approved budget. It also provides FY 2011 and FY 2012 actual expenditures.

Table RK0-1
(dollars in thousands)

Appropriated Fund	Actual FY 2011	Actual FY 2012	Approved FY 2013	Proposed FY 2014	Change from FY 2013	Percent Change*
General Fund						
Local Funds	722	2,196	2,962	2,946	-16	-0.5
Total for General Fund	722	2,196	2,962	2,946	-16	-0.5
Intra-District Funds						
Intra-District Funds	798	0	0	0	0	N/A
Total for Intra-District Funds	798	0	0	0	0	N/A
Gross Funds	1,520	2,196	2,962	2,946	-16	-0.5

*Percent change is based on whole dollars.

Note: If applicable, for a breakdown of each Grant (Federal and Private), Special Purpose Revenue type and Intra-District agreement, please refer to Schedule 80 Agency Summary by Revenue Source in the FY 2014 Operating Appendices located on the Office of the Chief Financial Officer's website.

FY 2014 Proposed Full-Time Equivalents, by Revenue Type

Table RK0-2 contains the proposed FY 2014 FTE level compared to the FY 2013 approved FTE level by revenue type. It also provides FY 2011 and FY 2012 actual data.

Table RK0-2

Appropriated Fund	Actual FY 2011	Actual FY 2012	Approved FY 2013	Proposed FY 2014	Change from FY 2013	Percent Change
General Fund						
Local Funds	6.8	18.7	23.0	23.0	0.0	0.0
Total for General Fund	6.8	18.7	23.0	23.0	0.0	0.0
Intra-District Funds						
Intra-District Funds	8.5	0.0	0.0	0.0	0.0	N/A
Total for Intra-District Funds	8.5	0.0	0.0	0.0	0.0	N/A
Total Proposed FTEs	15.3	18.7	23.0	23.0	0.0	0.0

FY 2014 Proposed Operating Budget, by Comptroller Source Group

Table RK0-3 contains the proposed FY 2014 budget at the Comptroller Source Group (object class) level compared to the FY 2013 approved budget. It also provides FY 2011 and FY 2012 actual expenditures.

Table RK0-3
(dollars in thousands)

Comptroller Source Group	Actual FY 2011	Actual FY 2012	Approved FY 2013	Proposed FY 2014	Change from FY 2013	Percent Change*
11 - Regular Pay - Continuing Full Time	913	1,278	1,433	1,696	263	18.3
12 - Regular Pay - Other	275	227	324	156	-168	-51.9
13 - Additional Gross Pay	53	0	0	0	0	N/A
14 - Fringe Benefits - Current Personnel	245	300	372	409	37	10.0
15 - Overtime Pay	0	0	0	0	0	N/A
Subtotal Personal Services (PS)	1,486	1,806	2,129	2,261	132	6.2
20 - Supplies and Materials	7	14	17	24	7	42.8
31 - Telephone, Telegraph, Telegram, Etc.	0	7	0	0	0	N/A
40 - Other Services and Charges	27	369	806	636	-170	-21.1
70 - Equipment and Equipment Rental	0	0	10	25	15	150.0
Subtotal Nonpersonal Services (NPS)	34	391	833	685	-148	-17.7
Gross Funds	1,520	2,196	2,962	2,946	-16	-0.5

*Percent change is based on whole dollars.

Division Description

The Office of Risk Management operates through the following 5 divisions:

Risk Identification and Analysis (RIA) – integrates the work of agency risk management representatives who systematically identify, measure, analyze and document the District Government’s exposure to risk. The risk control measures are implemented to reduce the District’s liability associated with the risk.

This division contains the following 2 activities:

- **Coordination and Integrity of Agency Risk Management Representatives (ARMR)** – coordinates the work of the ARMR, including systematic identification, measurement, analysis, and documentation of agency exposure to risk; and
- **Review and Guide Risk Assessment Control Committees (RACC)** – reviews and guides agency RACC activities relative to risk management plans. The purpose of the RACC is to maintain, in cooperation with ORM, a proactive and comprehensive program of risk assessment and control for agencies that minimizes the frequency, severity, and probability of losses to which agencies are exposed.

Risk Control Division – effectively minimizes the probability, frequency, and severity of pre- and post-loss accidental losses through a compliance-monitoring program of safety, security, and contingency planning of emergencies affecting District agencies. Also provides training to increase the participant's knowledge of emergency

planning and the features of good evacuation floor plans, to include guidance on how to incorporate the threat of terrorism (for example, intentional releases of hazardous materials, use of explosive devices, or acts of arson) into evacuation planning and preparedness.

Risk Financing Division – manages the adjudication of claims and recoveries, and anticipates and plans for funding loss payments.

This division contains the following 2 activities:

- **Claims Examination** – reviews and manages Public Sector Workers’ Compensation claims filed against the District government and the adjudication of tort liability claims and recoveries, and anticipates and plans for funding loss payments; and
- **Claims Management** – provides the District government’s oversight of the claims administration process by third-party administrators.

Return-to-Work Division – The Return-to-Work Program will decrease workers’ compensation costs by improving management of the program and returning injured workers to the workforce. The program is designed to provide injured employees with the best medical treatment as well as avenues by which the employees can quickly return to the workforce. The District will benefit from the program by minimizing the cost of workers’ compensation and providing agencies with a stronger workforce.

Agency Management Division – provides for administrative support and the required tools to achieve operational and programmatic results. This division is standard for all agencies using performance-based budgeting.

Division Structure Change

The Office of Risk Management has no division structure changes in the FY 2014 proposed budget.

FY 2014 Proposed Operating Budget and FTEs, by Division and Activity

Table RK0-4 contains the proposed FY 2014 budget by division and activity compared to the FY 2013 approved budget. It also provides the FY 2012 actual data.

Table RK0-4

(dollars in thousands)

Division/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2012	Approved FY 2013	Proposed FY 2014	Change from FY 2013	Actual FY 2012	Approved FY 2013	Proposed FY 2014	Change from FY 2013
(1000) Agency Management								
(1010) Personnel	51	47	99	52	0.8	0.5	1.0	0.5
(1055) Risk Management	2	127	317	191	0.0	0.0	0.0	0.0
(1085) Customer Service	61	60	51	-9	1.7	1.0	1.0	0.0
(1090) Performance Management	349	369	405	36	1.7	2.8	3.0	0.2
Subtotal (1000) Agency Management	462	603	873	269	4.2	4.3	5.0	0.7
(2000) Risk Identification and Analysis								
(2010) Coordination and Integrity of ARMRS	229	270	159	-111	1.7	2.8	2.0	-0.8
(2030) Review and Guide Risk Assessment Control Committee	84	73	130	57	0.8	1.0	1.0	0.0
Subtotal (2000) Risk Identification and Analysis	312	343	289	-54	2.6	3.8	3.0	-0.8
(3000) Risk Control Division								
(3010) Safety, Security Emergency Planning	113	124	114	-10	0.8	1.0	1.0	0.0
Subtotal (3000) Risk Control Division	113	124	114	-10	0.8	1.0	1.0	0.0
(4000) Risk Financing Division								
(4010) Claims Examination	917	886	637	-248	6.8	10.5	7.0	-3.5
(4040) Claims Management	18	155	397	242	1.7	1.4	4.0	2.6
Subtotal (4000) Risk Financing Division	936	1,041	1,034	-7	8.5	12.0	11.0	-1.0
(6000) Return-to-Work Program								
(6010) Return-to-Work	373	851	637	-214	2.6	2.0	3.0	1.0
Subtotal (6000) Return-to-Work Program	373	851	637	-214	2.6	2.0	3.0	1.0
Total Proposed Operating Budget	2,196	2,962	2,946	-16	18.7	23.0	23.0	0.0

(Change is calculated by whole numbers and numbers may not add up due to rounding)

Note: For more detailed information regarding the proposed funding for the activities within this agency's divisions, please see **Schedule 30-PBB Program Summary By Activity** in the **FY 2014 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2014 Proposed Budget Changes

The Office of Risk Management's (ORM) proposed FY 2014 gross budget is \$2,945,971, which represents a 0.5 percent decrease from its FY 2013 approved gross budget of \$2,961,531. The budget is comprised entirely of Local funds.

Current Services Funding Level

The Current Services Funding Level (CSFL) is a Local funds ONLY representation of the true cost of operating District agencies, before consideration of policy decisions. The CSFL reflects changes from the FY 2013 approved budget across multiple programs, and it estimates how much it would cost an agency to continue its current programs and operations into the following fiscal year. The initial adjustments in the budget proposal represent changes that should be compared to the FY 2014 CSFL budget and not necessarily changes made to the FY 2013 Local funds budget. The FY 2014 CSFL adjustments to the FY 2013 Local funds budget are described in table 5 of this agency's budget chapter. Please see the CSFL Development section within Volume 1: Executive Summary for more information regarding the methodology used and components that comprise the CSFL.

ORM's FY 2014 CSFL budget is \$2,997,145, which represents a \$35,614, or 1.2 percent, increase over the FY 2013 approved Local budget of \$2,961,531.

Major CSFL Cost Drivers

The FY 2014 CSFL calculated for ORM included an adjustment entry that is not described in detail on Table 5. This adjustment was made for an increase of \$15,624 in personal services to account for the Fringe Benefit growth rate adjustment of 4.2 percent year-over-year growth, and \$19,990 in nonpersonal services based on the Consumer Price Index factor of 2.4 percent. During the development of the CSFL, some adjustments such as these were categorized as "other adjustments".

Agency Budget Submission

Increase: The budget proposal includes increases of \$116,483 for projected step increases and Fringe Benefits adjustments. The agency also proposes an increase of \$21,484, primarily in Equipment and Equipment Rental, to accommodate the consolidation of all Public Sector Workers' Compensation Program staff into one location.

Decrease: The budget includes a net reduction of \$137,966 in nonpersonal services, primarily in Professional Fees and Contracts, to offset projected personal services increases.

Mayor's Proposed Budget

Cost-of-Living Adjustment: This agency received a proposed cost-of-living adjustment (COLA) in Local funds, which will be applied centrally from the Workforce Investments account. For more information about the COLA, please see the Workforce Investments chapter contained in Volume 3 (Agency Budget Chapters – Part II) of the FY 2014 Proposed Budget and Financial Plan.

Decrease: The Local funds budget was adjusted to reflect a reduction of \$51,174 in the Return-to-Work program, to align the budget with historical costs.

District's Proposed Budget

The Office of Risk Management has no changes from the FY 2014 Mayor's proposed budget to the FY 2014 District's proposed budget.

FY 2013 Approved Budget to FY 2014 Proposed Budget, by Revenue Type

Table RK0-5 itemizes the changes by revenue type between the FY 2013 approved budget and the FY 2014 proposed budget.

Table RK0-5

(dollars in thousands)

	DIVISION	BUDGET	FTE
LOCAL FUNDS: FY 2013 Approved Budget and FTE		2,962	23.0
Other CSFL Adjustments	Multiple Programs	36	0.0
LOCAL FUNDS: FY 2014 Current Services Funding Level Budget (CSFL)		2,997	23.0
Increase: To reflect step increases and Fringe Benefits adjustments	Multiple Programs	116	0.0
Increase: In nonpersonal services, primarily in Equipment and Equipment Rental, to accommodate the consolidation of Public Sector Workers' Compensation Program staff	Agency Management	21	0.0
Decrease: To reduce Professional Fees and Contracts to offset projected personal services increases	Multiple Programs	-138	0.0
LOCAL FUNDS: FY 2014 Agency Budget Submission		2,997	23.0
Decrease: To align the budget with historical costs	Return-to-Work Program	-51	0.0
LOCAL FUNDS: FY 2014 Mayor's Proposed Budget		2,946	23.0
No Changes		0	0.0
LOCAL FUNDS: FY 2014 District's Proposed Budget		2,946	23.0
Gross for RK0 - D. C. Office of Risk Management		2,946	23.0

(Change is calculated by whole numbers and numbers may not add up due to rounding)

Agency Performance Plan

The agency's performance plan has the following objectives for FY 2014:

Objective 1: Reduce the level and cost of risk to the District government.

Objective 2: Improve the management and efficiency of the Public Sector Workers' Compensation Program.

Objective 3: Reduce the number of lawsuits against the District government.

Objective 4: Recover money owed to the District as a result of tortious acts by third parties.

Objective 5: Increase contractual risk management and awareness of District agencies.

Objective 6: Ensure D.C. residents' access to affordable health care.

KEY PERFORMANCE INDICATORS

Measure	FY 2011 Actual	FY 2012 Target	FY 2012 Actual	FY 2013 Projection	FY 2014 Projection	FY 2015 Projection
Percentage of District government vendors in compliance with ORM minimum insurance requirements	Not Available	100%	100%	100%	100%	100%
Number of environmental and safety inspections/re-inspections at District government buildings	619	615	617	615	615	615
Percentage of eligible facilities for which agencies have submitted an Emergency Response Plan (ERP) for approval by ORM ¹	75%	Not Available	85%	100%	100%	100%
Total Cost of the Public Sector Workers' Compensation Program	\$22.1M	\$17M	\$21.8M	\$17M	\$17M	\$17M
Average number of days a claimant receives workers' compensation benefits for claims opened within the fiscal year	54.1	51.4	26	27.3	28.7	30.1
Number of workers' compensation claims per 100 FTEs ²	15	Not Available	15	14.3	13.5	12.9
Average number of days a claimant receives workers' compensation benefits for all claims beginning from the onset of the claim to the present	1,778	1,689	1,870	1,777	1,688	1,603
Number of employees returning to work and/or participating in job club	557	529	583	612	643	675

Performance Plan Endnotes:

¹This KPI was previously reported in prior years but was removed in FY 2012 and brought back in FY 2013.

²This is a new measurement for FY 2013 based on employee data from DCHR and historical claims data from ORM.