



Ohio Bureau of Workers' Compensation Comprehensive Study

Cost Controls: Safety Grant Program

Report 3.2

Deloitte Consulting LLP

Group 3

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Audit • Tax • Consulting • Financial Advisory.

Contents

- Executive Summary 1**
 - Introduction..... 1
 - Conclusions..... 1
- The Situation 3**
 - Task Background 3
 - Methodology 3
 - Primary Constituents..... 4
- Information and Data Gathered 5**
 - Interviews..... 5
 - Information/Data Request..... 5
- Review and Analysis 6**
 - Benchmarking – Safety Intervention Grants..... 6
 - Analysis of Ohio BWC Data – Safety Intervention Grants 10
 - Benchmarking – Drug Free Grants 17
 - Analysis of Ohio BWC Data – Drug Free Grants 19
- Conclusions 24**
 - Findings..... 24
 - Performance Assessment 25
 - Recommendations..... 26
- Appendix A – Deliverable Matrix 28**

Executive Summary

Introduction

Task 9 of the Ohio Bureau of Workers' Compensation Comprehensive Study includes an evaluation of the BWC Safety Grant Program, which includes the Safety Intervention Grant Program and Drug-Free Grants. The Safety Intervention Program provides funding assistance to employers to purchase safety equipment and conduct training programs. The Drug-Free Grants provide funding to help employers satisfy requirements of Ohio's Drug-Free Workplace Program. An actuarial analysis of the Drug-Free Workplace Program and other discount programs was performed in Report 1.1. The evaluation in this report considers funding provided, selection criteria, and use of funds. Any reference to the Drug-Free Grants in this section pertains only to those funds awarded through the Safety Grant Program and NOT the separate Drug-Free and Drug-Free EZ programs.

The actual task description reads "Review and make written recommendations with regard to the safety grant programs. This review would include analysis on the selection criteria for grant recipients, the effectiveness of the grants, and a review of the grant process with respect to industry standards."

Conclusions

Findings

- The Safety Intervention Grant program has the highest ROI for employers with premium greater than \$250,000 and for the Hospitals and Municipalities industries (as grouped by the BWC).
- Although the overall ROI for grant specific losses is positive, some segments of grant recipients experience a negative ROI, meaning that the reduction in losses is less than that of safety grant awarded; these segments include the Transportation, Service, Commercial, and Construction industries and employers with a premium less than \$250,000. However, reductions in losses do occur and the continuation of the program may be predicated on the fact that employers do experience a reduction in losses, albeit not equal to the investment.
- One unique aspect of the Ohio BWC application criteria is the requirement for one claim to have been filed for the task operation affected by the proposed safety intervention.

Recommendations

The following recommendations address the opportunities identified from this task, listed in prioritized order:

- **Consider Making Safety Grants Available Even if No Claims Have Occurred.** BWC should consider revising the requirement that an employer must have experienced a claim directly related to the intervention. While this requirement helps to increase the cost-effectiveness of Safety Grants, it is somewhat conducive of a reactive rather than proactive safety mindset. Three potential means by which to minimize the impact on cost effectiveness could include: 1) require a BWC approved safety consultation report supporting the grant request, 2) require a larger matching portion from the employer and/or reduced BWC matching portion, and 3) award such proactive grants only to industries such as Hospitals or Municipalities that have a high ROI.
- **Include a Safety Consultation Report in Safety Grant Application.** Inclusion of a safety consultation report with a Safety Grant application could provide BWC with a more comprehensive look at an applicant's overall safety practices and could help assess the cost effectiveness of providing a safety grant.
- **Consider Combining the DFWP and DF-EZ Programs.** BWC should consider combining the DFWP and DF-EZ programs into a single, simplified program focused primarily on smaller employers. The charts in the Drug-Free Grant section consistently show that the larger the premium size of the employer, the less impact the Drug Free Grant has in terms of loss trends. There is also less demand for this service for larger employers.

The Deloitte Consulting team appreciates the time and effort dedicated by BWC constituents over the course of our discovery to help us understand the Safety Grant Programs.

The Situation

Task Background

	RFP Task Description	Task Category
Section 5.1.2 #9, page 13	Review and make written recommendations with regard to the safety grant programs. This review would include analysis on the selection criteria for grant recipients, the effectiveness of the grants, and a review of the grant process with respect to industry standards.	Underwriting

Task 9 includes an evaluation of the BWC Safety Grant Program, which includes the Safety Intervention Grant Program and Drug-Free Grants. The Intervention Program provides funding assistance to employers to purchase safety equipment. The Drug-Free Grants provide funding to help employers satisfy requirements of Ohio's Drug-Free Workplace Program. This evaluation considers funding provided, selection criteria, and use of funds.

Methodology

We began work on Task 9 by reviewing BWC's State Insurance Fund Manual and website for the current Safety Grant Program rules, laws, policies and procedures and identifying strengths and potential gaps. In the State Insurance Fund Manual, we primarily reviewed section 4123-17-56. We also received and reviewed detailed information regarding BWC's business processes and financial contributions of its Safety Grant Program.

We also researched the rules, laws, policies and procedures of Safety Programs in all 50 states and the District of Columbia to establish a baseline of program characteristics against which to compare BWC's Safety Grant Program. Although we have researched all 50 states and D.C., the depth of information varies due to information available on their respective web sites and availability for interviews.

We organized the information gathered from BWC and other states' Safety Programs into three categories:

- **Program Overview / Magnitude of Financial Assistance** – financial assistance and other service offerings of each program
- **Application / Eligibility** – application process for safety grants and criteria that must be satisfied by employers
- **Post-Implementation Responsibility (Proof of Purchase, Return on Investment)** – especially relevant for programs that offer financial assistance, this pertains to an employer's responsibility to demonstrate how the granted funds were spent and potentially an indication of return-on-investment

We then developed our recommendations based on these findings and prioritized them based on potential impact to the effectiveness of BWC's Safety Grant Program.

Primary Constituents

- **Ohio Workers**
- **BWC Insured Employers**
- **BWC**
- **Safety & Hygiene (DSH)**
- **Claims**
- **Chief Actuary and Actuarial Department**
- **Employer Management**
- **Employer Consulting**
- **State Insurance Fund**

Information and Data Gathered

Interviews

Deloitte Consulting conducted several interviews with BWC leadership and staff, and representatives of other state funds to understand the current Safety Grants Program environment. The following individuals were interviewed:

- BWC Administrator/CEO
- Director - Actuarial Department
- Assistant Director - Actuarial Department
- DSH Business Development & Oversight Staff
- Phone interviews with representatives from other state funds

Information/Data Request

- The following information was reviewed during the course of this project:
- Reference materials received from BWC regarding the Safety Grant Program
- Fact Matrix for Phase V (July 1, 2007)
- Safety Grants Phase V documentation
- Responses/clarification to questions emanating from the data request
- BWC Website - <http://www.ohiobwc.com/employer/programs/safety/EmpGrants.asp>
- Web sites of other state funds or labor and industry departments

Review and Analysis

Benchmarking – Safety Intervention Grants

Due to the large amount of information obtained from BWC and from researching other states, the following analysis does not contemplate all aspects of our marketplace research but rather focuses on highlights most relevant to validating and improving upon BWC’s Safety Grant program.

We have organized the information into the following categories:

1. Program Overview / Magnitude of Financial Assistance
2. Application / Eligibility
3. Post-Implementation Responsibility

Comparison with North Dakota, Washington, and Minnesota – Review of Safety Grant Programs

Our research indicates that in addition to Ohio, North Dakota, Washington, and Minnesota are the only other states that have safety grant programs providing funding to employers for purchase of equipment to help prevent accidents in the workplace. The chart below summarizes the major characteristics of these programs:

State	Financial Assistance Provided to Purchase Safety Equipment	Eligibility and Application Requirements	Responsibility After Receiving Grant
Ohio	<p>BWC will match employers’ expenditures at a rate of up to 4:1, up to a maximum of \$40,000 in total matching.</p> <p>Approximately \$4 million is allocated for Intervention and Drug Free Grants.</p>	<p>Employers must be a member of the Fund, current on all monies owed to BWC, and have a minimum of one claim filed for the task or operation affected by the intervention within two years preceding the grant application.</p> <p>Application includes: item, quantity and cost; exposure / risk factors for tasks affected; number of employees affected; cost effectiveness; demonstration of need for safety intervention through claims details; description of how the equipment works, anticipated impact on safety and training requirements.</p>	<p>Original paid itemized invoices, proof of payment, proof of employer contribution, canceled check.</p> <p>Proof of spending - within 30 days after purchase, provide a copy of the originally approved budget, original paid invoices and copies of canceled checks.</p> <p>Quarterly reports for 2 years detailing hours worked and BWC claims reported by affected population.</p> <p>Interim report at 1 year and a final report at 2 years from intervention date.</p>

State	Financial Assistance Provided to Purchase Safety Equipment	Eligibility and Application Requirements	Responsibility After Receiving Grant
North Dakota	<p>Safety Training and Education Program (STEP)* – training/education grants</p> <p>STEP 1 - \$5,000 to \$25,000 in funding</p> <p>STEP 2 - \$25,001 to \$150,000</p> <p>Hazard Elimination Learning Grant Program (HELP)* – Equipment grants.</p> <p>HELP - Employers could receive up to \$50,000 for safety equipment or interventions.</p> <p>Program period not to exceed 12 months.</p> <p>Materials documenting components of an effective safety program.</p>	<p>Demonstrate the need for funding addressing all guidelines outlined in the Grant Guidelines.</p> <p>Required to submit a completed application, proposal, and detailed budget. Application must include action plan and proposal defining the scope, goals, expected outcomes and timelines of the project.</p> <p>At least 2 years in business ("continued existence for a period of two years").</p> <p>Providing a ND Association membership listing including active WSI covered employees.</p>	<p>There will be requirements for reporting for the HELP program, but it is currently unknown as to the frequency or specific information that will be required.</p>

**Currently, these programs are suspended as they are being reviewed and improved upon. They are to be re-implemented in the next few months. The new program will increase the amount employers can receive and also implement a new loss control requirement in which ND WSI will send out their loss control staff to make sure the employer is implementing the best intervention or piece of equipment and will also make recommendations when necessary.*

State	Financial Assistance Provided to Purchase Safety Equipment	Eligibility and Application Requirements	Responsibility After Receiving Grant
Washington	As of February 13, 2008, \$8 million was appropriated for Safety Grants, which can be used to purchase safety equipment / supplies and/or conduct training or similar educational programs.	<p>Because there are no pre-set minimums or maximums, a key part of the application is the requested dollar amount. The application also asks the following questions:</p> <p>What problem or issue will this project solve or address?</p> <p>What is the workplace safety and/or health need you have identified that led you to apply for a SHIP award?</p> <p>What outcomes will you produce?</p> <p>If your project is funded, what will be the results? Will you effect workplace changes in practices, tools, behaviors— what will be different?</p> <p>How many businesses and/or workers will be affected, and how will you measure your success?</p>	Reporting of project milestones.
Minnesota	1:1 matching up to \$10,000	<p>Describe items to be purchased and training required and cost of each item, also attach vendor quotes.</p> <p>A recent, one full year, profit and loss statement and a current balance sheet.</p> <p>OSHA 300 Data - average number of employees, number of employee hours worked, number of injuries by type.</p> <p>Estimated return on investment, source of funding, and whether funds are available.</p> <p>Training and education requested, how it will meet requirements or regulations, or how equipment will meet regulations.</p> <p>Vendor quotes for equipment to be purchased, must list type of equipment and cost.</p>	<p>Current status of project.</p> <p>Time limitation - 120 Days from date of last signature on grant agreement, additional 30 days for training.</p>

Overview Comparison with all States – Grant Programs and Other Safety Services

Most states offer some form of safety services to their employers which can be broken down into three categories:

1. Safety grants to purchase equipment (i.e. Ohio Safety Intervention Grants)
2. Safety grants to purchase consultation / training / inspection services
3. Safety services (i.e. consultation / inspection / training) provided free of charge or for minimal costs

As the below chart indicates, Ohio BWC’s Safety Intervention Grant program is one of the few programs that provide funding for the purchase of safety equipment. Unlike the North Dakota, Washington, and Minnesota programs, the grants awarded by Ohio BWC cannot be used for non-equipment purchases such as training or consultation fees. However, Ohio provides such services free of charge, consistent with the practices of many other states.

State	Grant Availability		Safety Services With Nominal or No Charges
	Purchase Safety Equipment	Training and/or Safety Programs	
Ohio	Yes	No	Yes
Minnesota, North Dakota, Washington	Yes	Yes	Yes
Utah	No	Yes	Yes
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Delaware, Georgia, Hawaii, Idaho, Kansas, Louisiana, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Wisconsin, Wyoming	No	No	Yes
Connecticut, District of Columbia, Kentucky, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Oregon	No	No	Unknown
Florida, Nebraska	No	No	No
Illinois, Indiana, Iowa	Unknown	No	No
Virginia, West Virginia	No	Unknown	Unknown

Analysis of Ohio BWC Data – Safety Intervention Grants

DEFINITIONS

Return on Investment: One of the metrics calculated from Ohio's Safety Intervention Grant data and referred to several times in this section is Return on Investment (ROI). This metric has been defined as $100\% \times (\text{Reduction in Losses}) / (\text{Amount of Safety Grant}) - 100\%$. For example, if an employer receives a \$30,000 Safety Grant and experiences a \$35,000 reduction in losses, the ROI is approximately 16.7%, which means BWC made back the money they invested on the Safety Grant, plus \$5,000, or 16.7%.

“Grant Specific”: In analyzing the cost effectiveness of Ohio BWC's Safety Grant program we considered both loss data that included all losses for safety grant recipients as well as losses pertaining only to the safety intervention. If the text or chart label refers to “Grant Specific” losses, that means the data referenced only includes losses pertaining to the safety intervention; otherwise the referenced data includes all losses.

Municipalities: A grouping created for the purposes of this study which includes employers categorized as cities, counties, townships, and villages.

Aggregate Perspective of Safety Grant Impact on Change in Losses

Figure 1 shows that for all of the employers receiving a Safety Grant, the average grant amount was \$25,807 and the average reduction in losses was \$123,290 (note that this includes losses that are both related and unrelated to the awarded Safety Grant; possibly reflective of an overall improved safety environment). Figure 2 shows information similar to that contained in Figure 1, but the loss reduction is only for losses specifically pertaining to which the safety grant was awarded to prevent. The implied return on investment is $100\% \times (1 - \$29,287/\$25,807)$ or 13% for the safety grants.

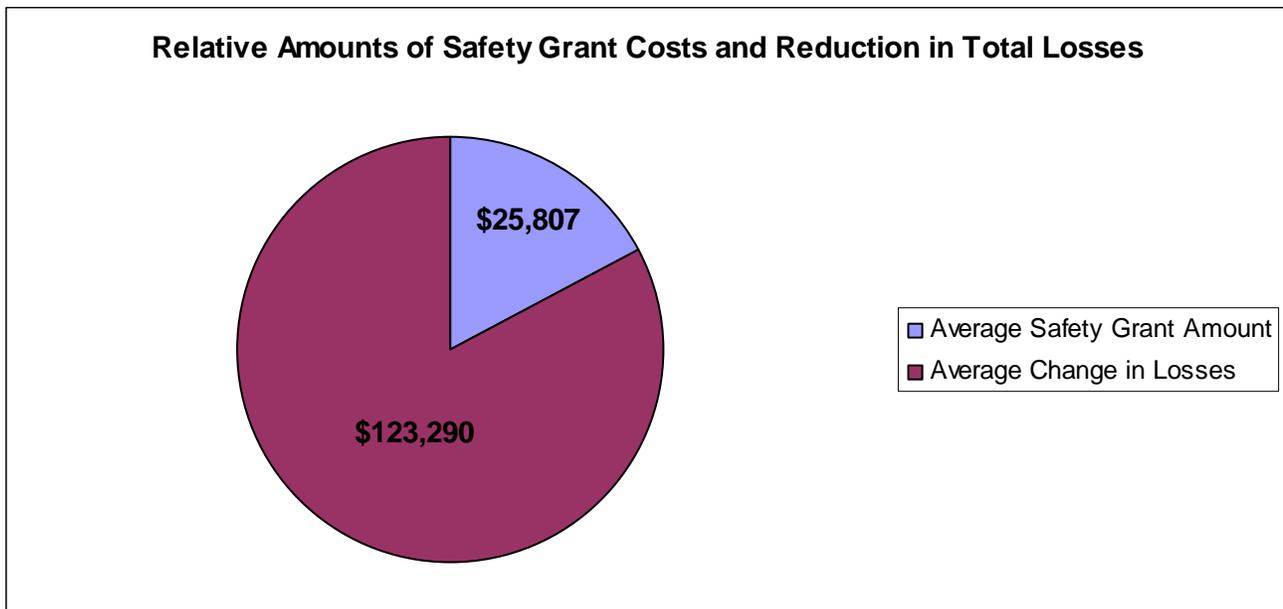


Figure 1

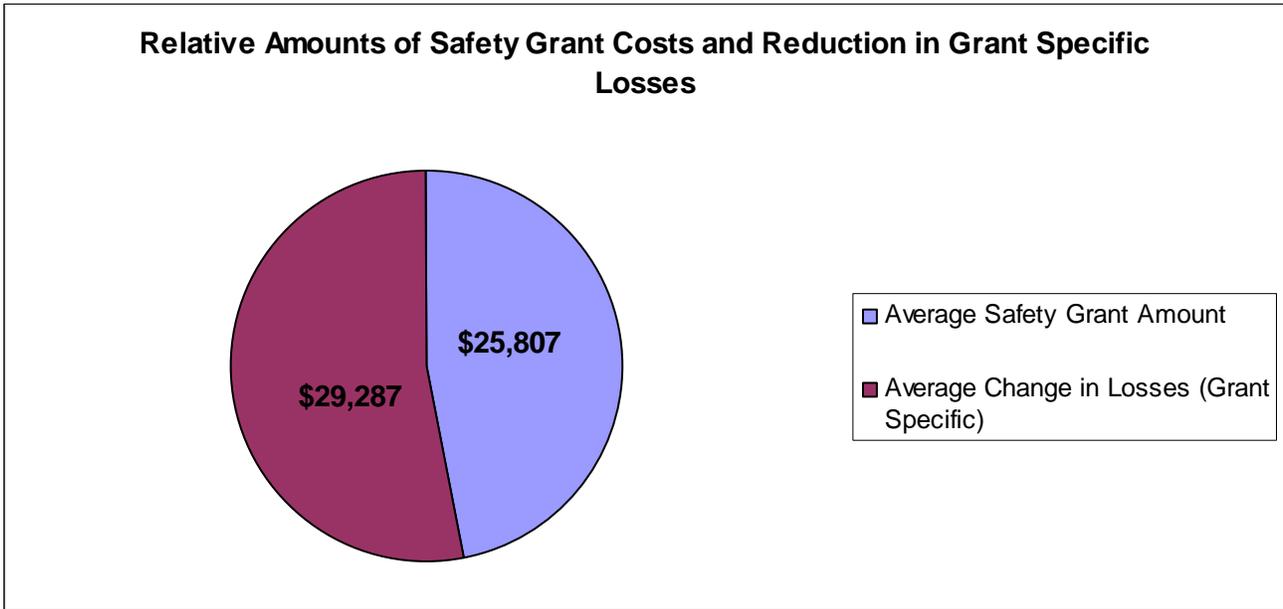


Figure 2

Aggregate Impact of Safety Grants on Loss Experience

Figures 3 and 4 show that employers of all sizes, on average, experience a decrease in loss ratios as a result of receiving a safety grant. This is true for both all losses and grant specific losses. Employers with premiums less than \$50,000 are affected the most in terms of improved loss ratio.

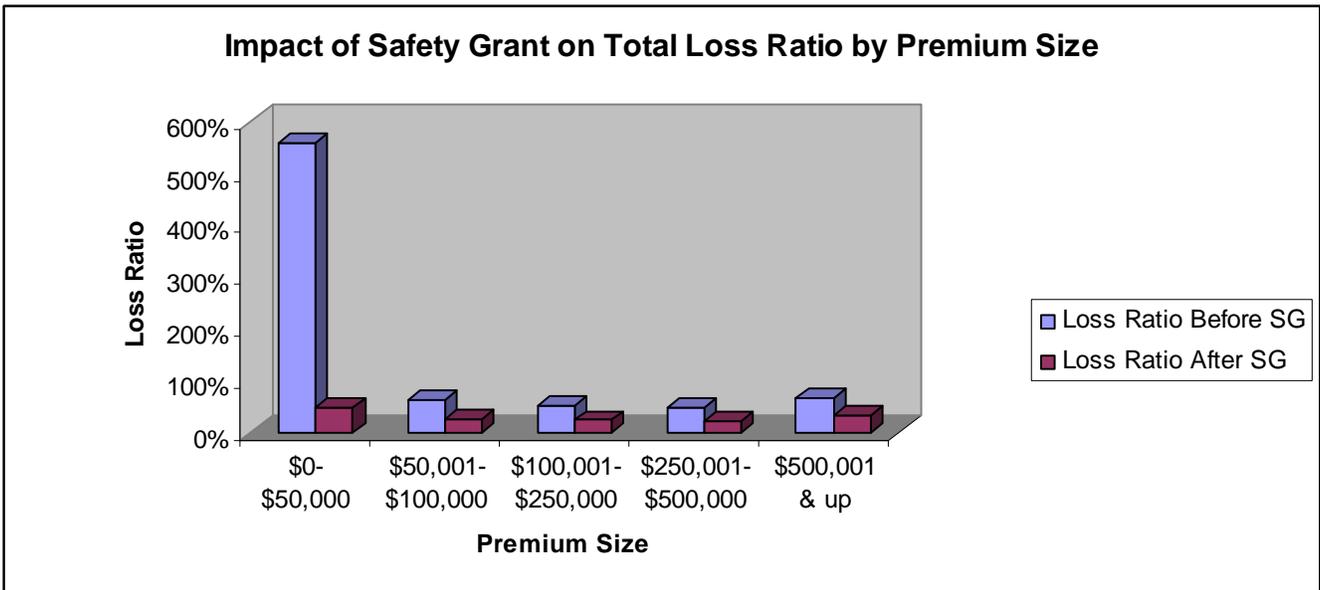


Figure 3

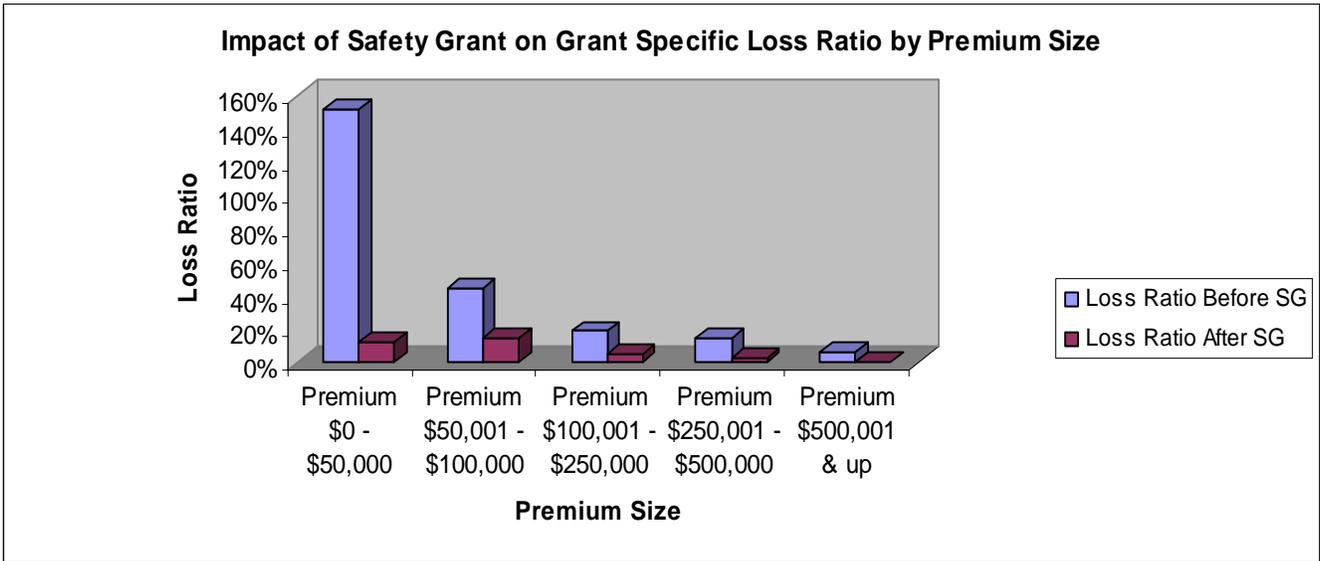


Figure 4

Return on Investment by Premium Size

Figure 5 shows the Return on Investment for losses specifically pertaining to the Safety Intervention Grant. This chart provides a breakdown by premium size of the 13% ROI indicated by Figure 2. The negative ROI for employers in the \$0-\$250,000 range indicates that on average the reduction in losses is less than the Safety Grant cost, however, a reduction in losses does occur and this fact alone may be enough to justify the continuation of the program by the BWC as employers do benefit from the program.

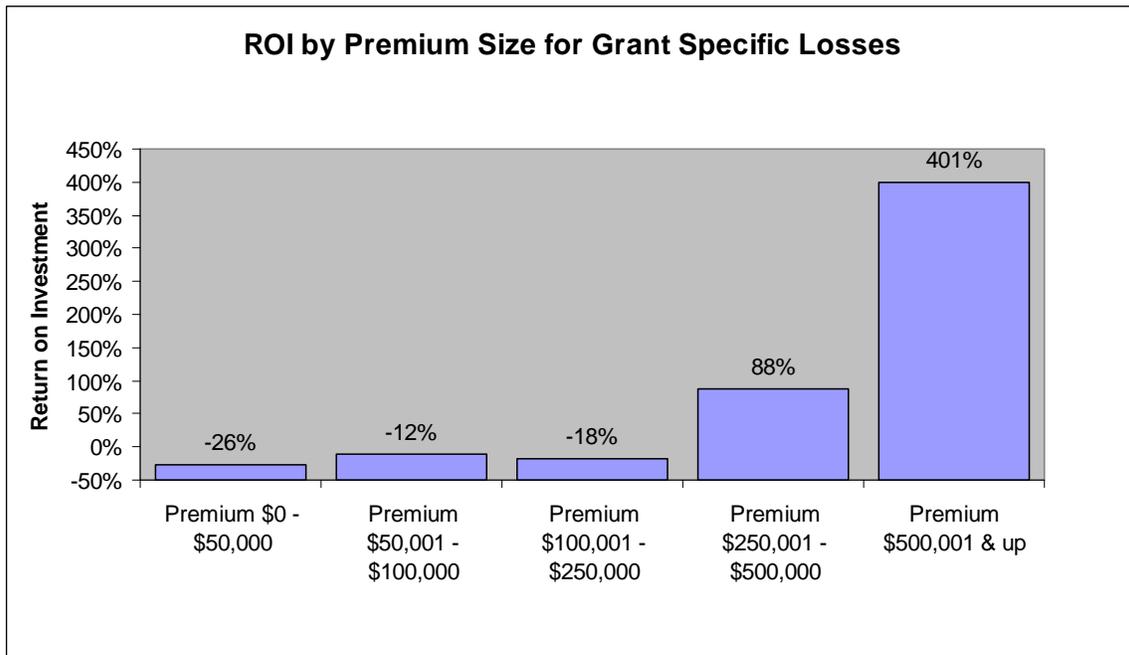


Figure 5

Return on Investment by Industry

Figure 6 shows the ROI by Industry for Grant Specific Losses. Hospitals and Municipalities demonstrate a high return on investment, both producing a reduction in losses greater than double that of the Safety Grant amounts. Although the ROI is negative for certain industries, there is still a reduction in losses.

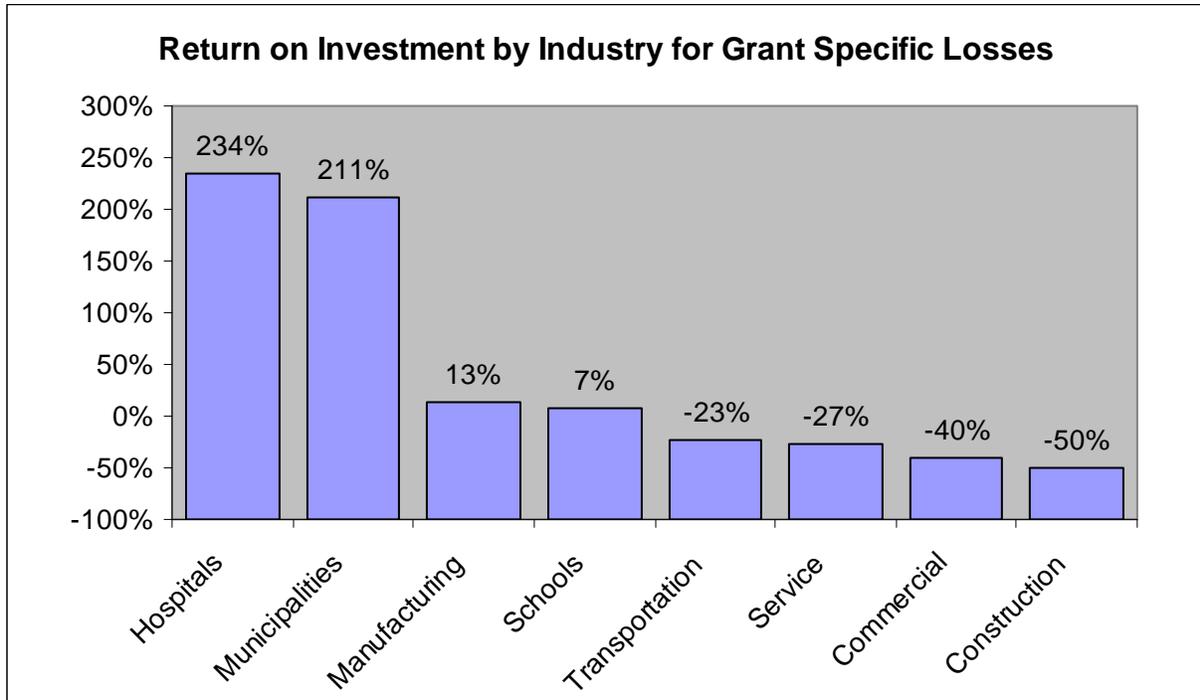


Figure 6

Timeline Perspective – Impact of Safety Grants on Loss Experience

Figures 7 through 10 show the actual loss ratios over time for policies that received a Safety Grant in 2003, 2004, 2005, and 2006. Also shown in each figure is a line showing the loss ratio trend before and after receiving the grant. Safety Grant award years 2003-2005 show a positive trend in loss ratio prior to receiving a Safety Grant. Safety Grant award year 2006 shows a slight downward trend in loss ratio trend prior to receiving a Safety Grant; this deviation from the other three years could be attributed to the relatively small number of employers.

All four years show a decreasing trend in loss ratios after receiving a Safety Grant. In general most employers have a decreasing loss ratio prior to receiving a Safety Grant, indicating that they have already taken steps to improve safety. After receiving the safety grant the loss ratio typically continues to decrease, but at a faster rate. Figure 7 shows a spike in the Loss Ratio trend for 2006 even though the overall trend is decreasing; this is attributable a single employer's loss experience, which distorts the overall trend because of the relatively few number of employers that received a grant in 2003.

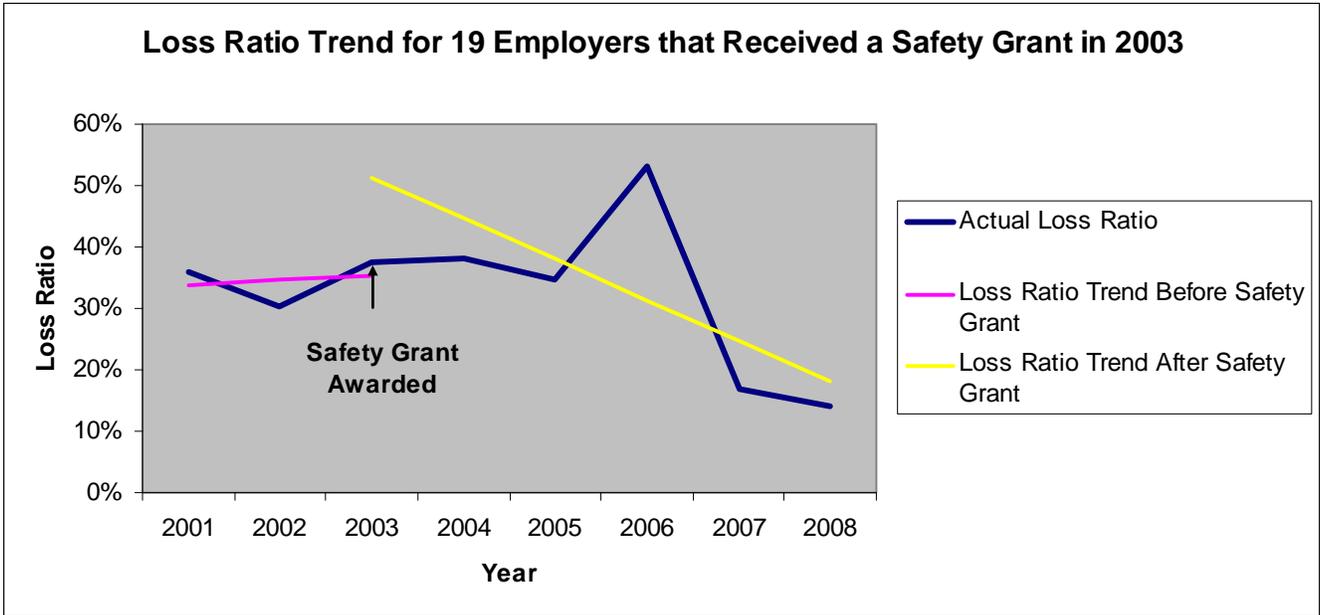


Figure 7

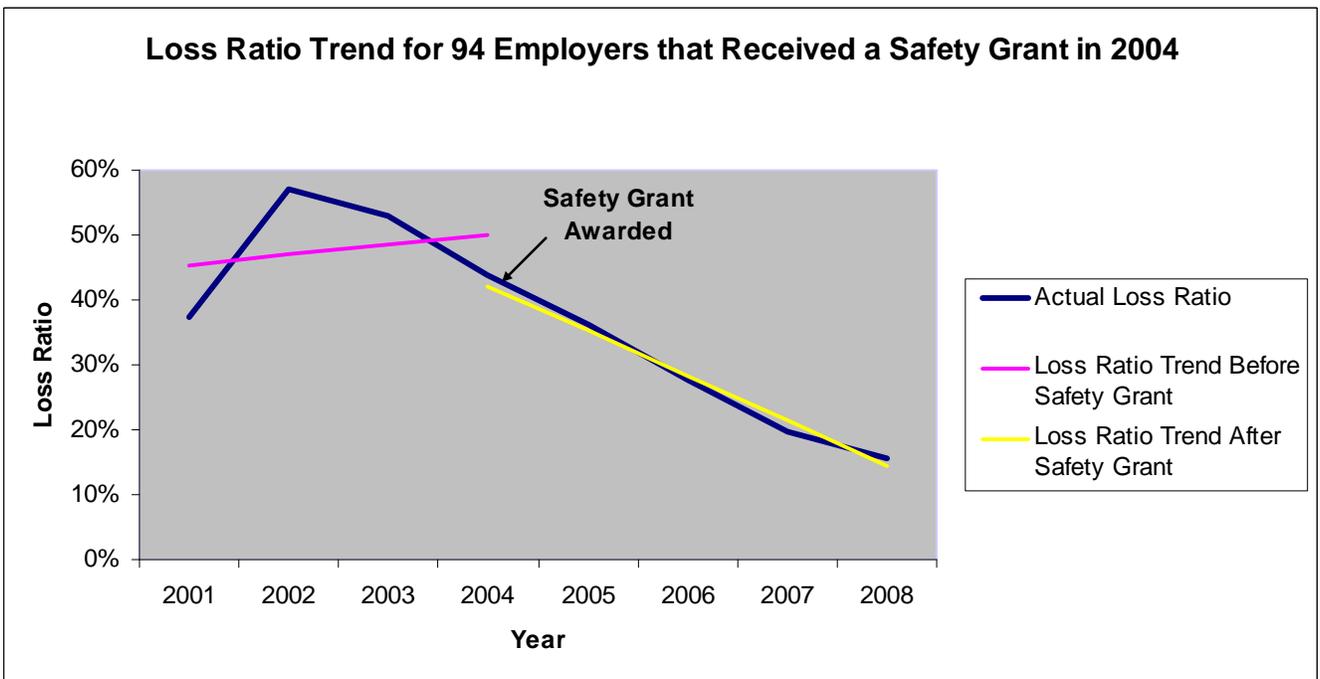


Figure 8

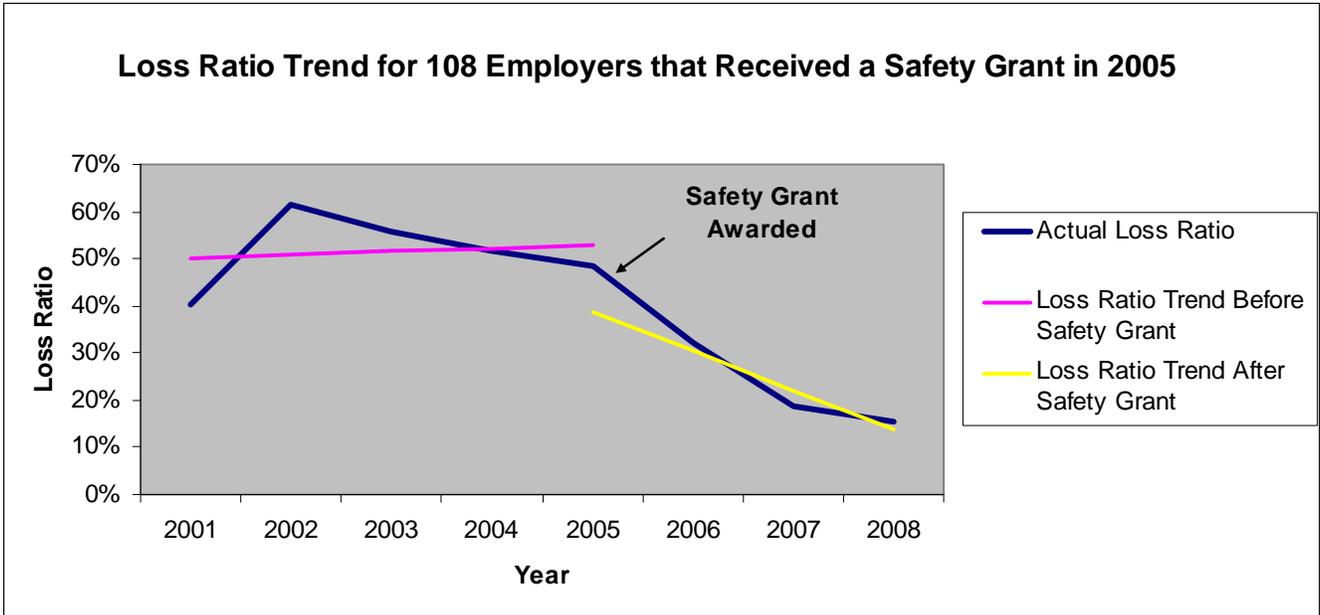


Figure 9

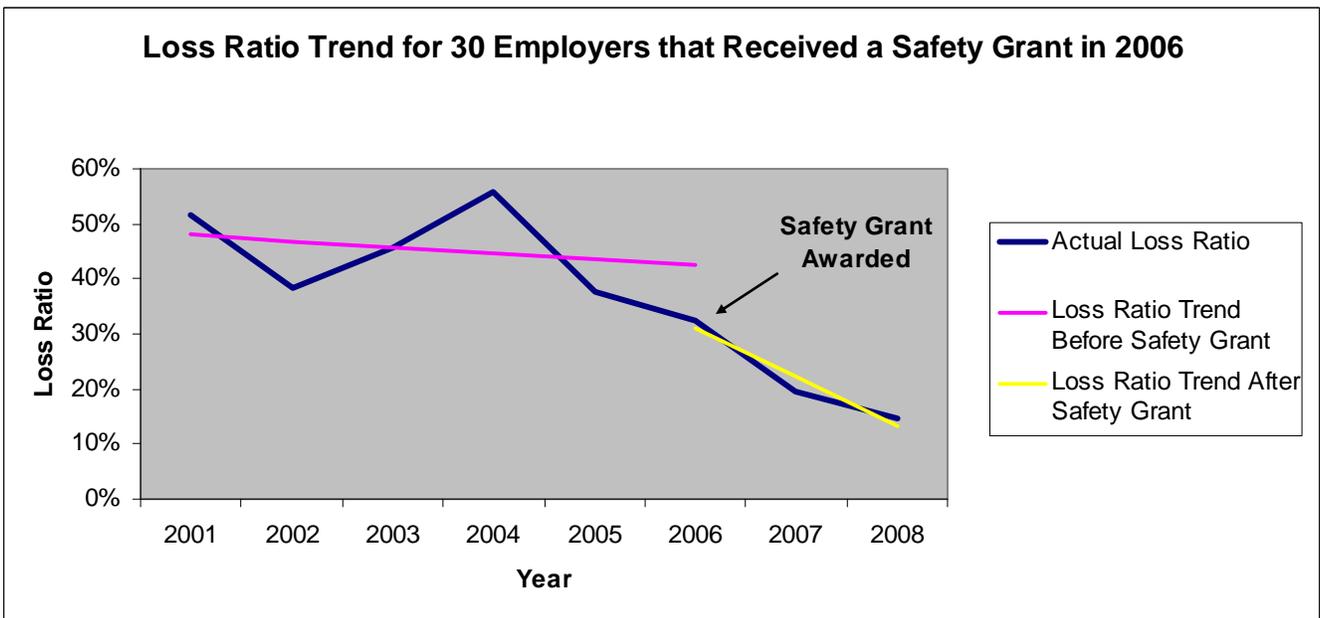


Figure 10

Impact of Safety Grants on Loss Experience

Figure 11 shows the correlation between Safety Grants and their impact on losses. Of the 251 employer accounts reviewed, 215 policies experienced a decrease in losses after receiving a Safety Grant, with the majority experiencing a decrease in losses less than \$50,000. For an employer that experienced a decrease in losses, the average loss savings was approximately \$38,000, while the average safety grant amount was about \$25,800. This means that for employers that experienced a decrease in losses, the average cost savings was about \$12,200, or 47% return on investment.

Although most employers experienced a decrease in losses after receiving a Safety Grant, as Figures 7 through 10 indicate, some employers experienced an increase in losses. Most employers saw an increase of less than \$50,000, and one employer experienced no change in losses. For an employer that experienced an increase in losses, the average loss increase was approximately \$24,000. This could be due to a single shock loss, or the employer's failure to implement sufficient safety measures throughout the entire organization.

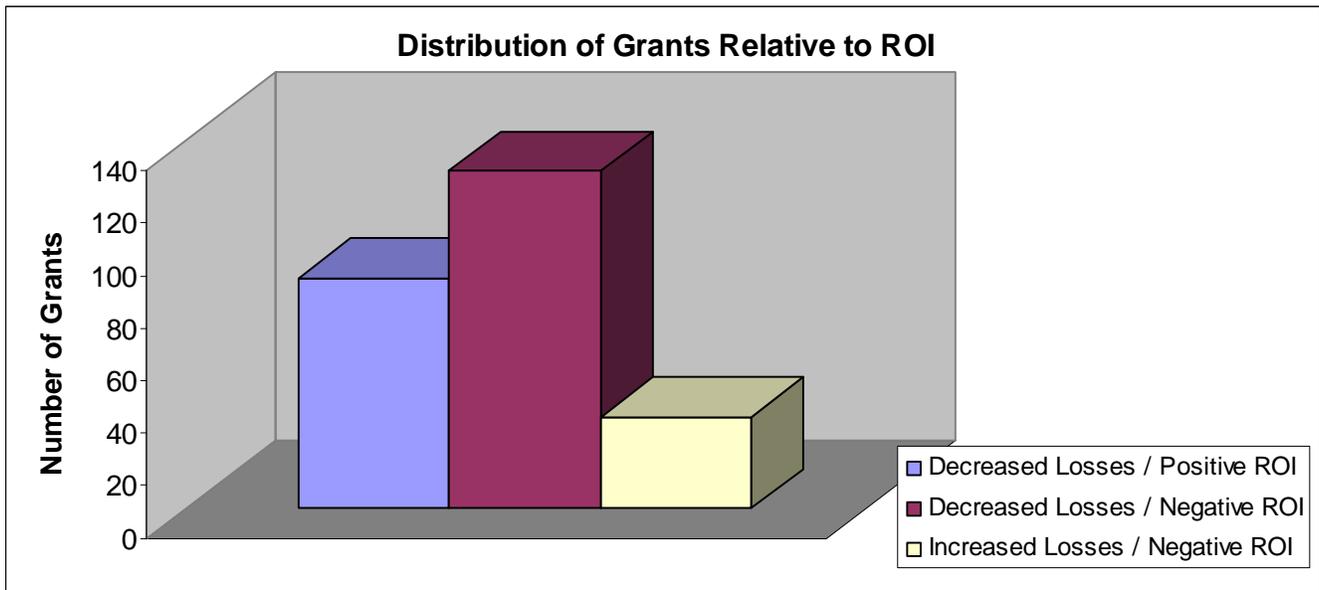


Figure 11

Benchmarking – Drug Free Grants

Comparison with Utah Grant Program

The Ohio BWC Drug Free Grant program is unique because it is the only program to offer funding specifically for drug free compliance. Funds from the Utah Safety Grant program, however, can be used for implementation of Drug Free programs so its criteria are comparable with Ohio BWC's Drug Free Grant program.

As the chart below indicates, the two programs are generally similar but do have some specific differences. Although both programs have a defined financial scope, the Ohio BWC program is more restrictive on per-employer grant limits while Utah determines grant amounts on a case-by-case basis. In both states almost any type of employer is eligible for a Drug Free grant; however, one difference is that in Ohio the employer must already participate in one of the Drug Free programs whereas in Utah that is not necessarily a requirement. Both Drug Free programs have controls in place to ensure that grant money is appropriately spent.

The Drug Free Grant program is funded from the same overall program as the Safety Intervention Grants; the Safety Grant Program. Each fiscal year funds are expended for both grant programs in the order received by the department until the program funding level approaches approximately \$300,000 at which time applications are no longer accepted until new funding is received in the following budget year. In January 2003, the Governor's executive order required that all employers participating in state-funded projects implement a drug-free workplace program. Due to this order, the number of Drug Free Grants (and total expenditures) increased and peaked in 2005. Funds not used by the drug-free grant program are used for the Safety Intervention Grant program to assure full utilization of all funds allocated to the Safety Grant Program. Funds available for both programs from the Safety Grant Program are essentially on a first-come, first-served basis until funding is depleted or the fiscal year ends.

State	Magnitude of Financial Assistance	Application / Eligibility	Use of Funds
Ohio	2:1 matching provided for private entities 3:1 matching provided for public entities Approximately \$4 million is allocated for Intervention and Drug Free grants	State-Fund employer Participation in Drug-Free Workplace Program (DFWP) or Drug-Free EZ Program (DF-EZ)	Development of a written substance policy; Legal review of the policy; Employee education; Supervisor training; Employee assessment when included in a BWC-approved consortium package
Utah	\$300,000+ available per year Amounts per employer are determined on a case-by-case basis Funded by .25% assessment on premiums	Eligible entities: <ul style="list-style-type: none"> • Utah Businesses • Community based organizations • Utah Non-profits • Local Associations • Educational Institutions • Government Entities 	State of Utah reserves the right to audit the use of the grant money Provide updates and quarterly progress reports to the Commission with a final report of the project due upon completion

Drug Free Programs in Other States

Although Utah appears to be the only other state that provides funding assistance for implementing Drug Free programs, several other states indirectly provide financial assistance by allowing a premium credit for having a Drug Free program.

Wyoming (monopolistic), Arkansas, Florida, and Tennessee have a Drug Free Credit program whereby an employer is entitled to a specified percentage reduction in premium if it meets certain application or state law requirements. In many competitive states the availability of a drug free credit is determined by individual carriers. The monopolistic states of North Dakota and Washington do not have a Drug Free program.

State	Magnitude of Financial Assistance	Application / Eligibility	Use of Funds
Ohio	2:1 matching provided for private entities 3:1 matching provided for public entities	Participation in Drug-Free Workplace Program (DFWP) or Drug-Free EZ Program (DF-EZ)	Development of a written substance policy; Legal review of the policy; Employee education; Supervisor training; Employee assessment when included in a BWC-approved consortium package
North Dakota	No Drug Free Program	N/A	N/A
Washington	No Drug Free Program	N/A	N/A
Wyoming	Drug Free Credit Program	Completion of application and questionnaire required	N/A
Arkansas	Drug Free Credit Program	Employer's Drug Free program must meet criteria of the Workers' Compensation Commission	N/A
Florida	Drug Free Credit Program	Employer's Drug Free program must meet criteria of the Florida statute	N/A
Tennessee	Drug Free Credit Program	Completion of application and questionnaire required	N/A

Analysis of Ohio BWC Data – Drug Free Grants

DEFINITIONS (This section pertains to Drug Free Grants approved through the Safety Grant Program)

DFWP: BWC Drug Free Workplace Program.

DF-EZ: BWC Drug Free EZ Program which is a scaled down version of the DFWP.

Correlation: Indicates a relationship without verifiable causation

Causal Relationship: A verifiable relationship where one factor causes the behavior of a second factor

Figure 1 shows the average percentage change in losses before and after receipt of a drug free workplace grant. The chart shows that employers that have \$50,000 or less in premium have the most positive outcome with a 350% decrease in losses. As premium size increases, the loss experience deteriorates. Our research shows that 25% of all employers receiving a drug-free grant experience an increase in losses. Although these factors appear to be correlated, there is no proven causal relationship between them. The data reflected in this study does not contain sufficient information to suggest that drug free grants have a substantial effect on loss trends.

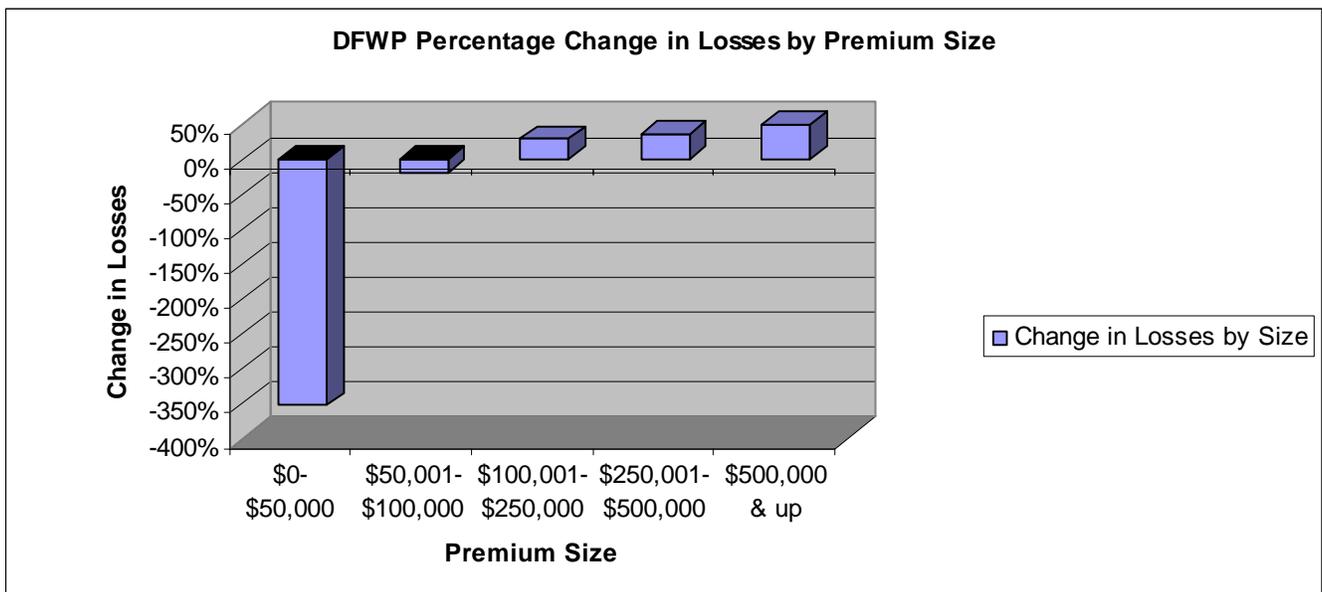


Figure 1

Figures 2 and 3 show the trend in number of drug-free grants awarded over a period of 3 years. Employers with premiums of \$50,000 and under receive the most grants, while employers with premiums over \$500,000 receive the least number of grants. This is consistent with the assumption that smaller employers seek more assistance for these types of programs than do larger employers. Although the smallest employers receive the highest number of grants, employers with premiums between \$100,000 and \$250,000 are receiving more grant dollars. This indicates that these companies are receiving larger grants on average than smaller companies. Also, employers in the \$50,000 to \$100,000 premium range are receiving an increasing number of grants.

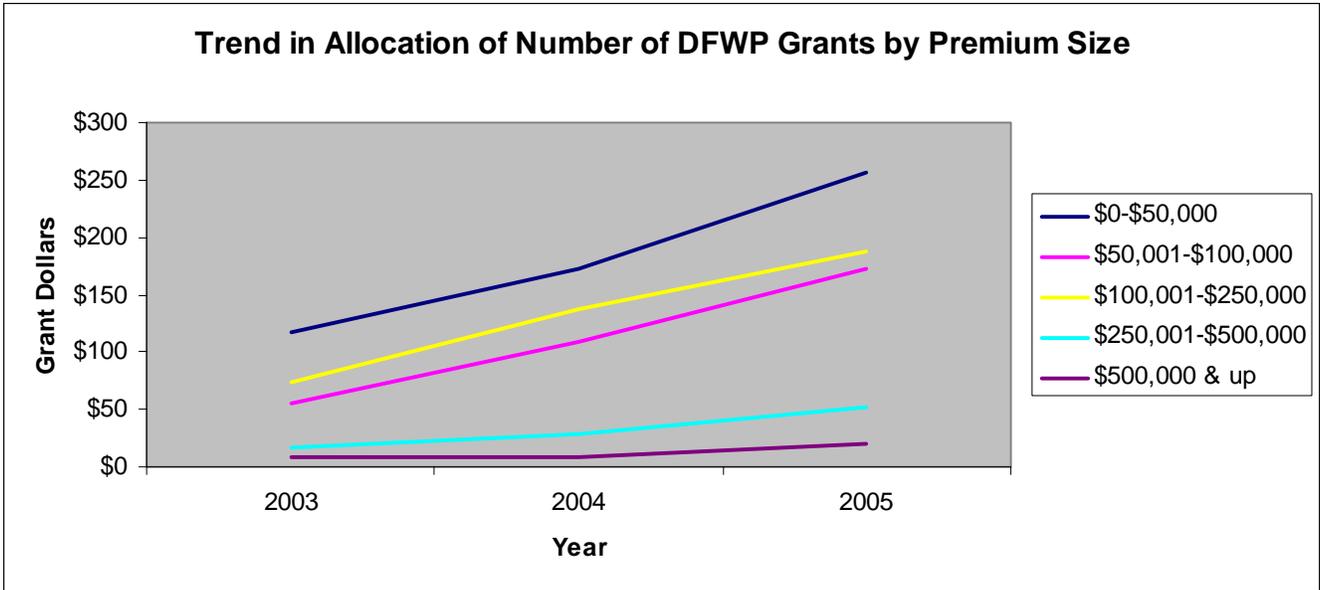


Figure 2

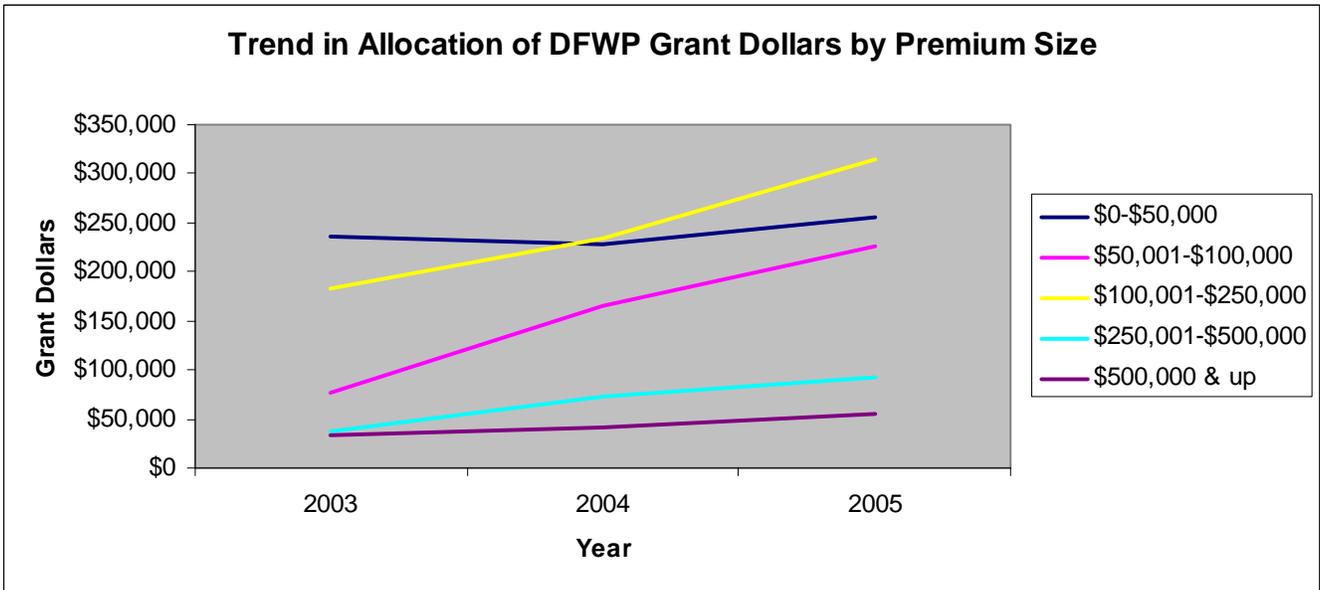


Figure 3

Figure 4 Shows that the drug-free grants being paid through the Safety Grant program are popular as companies continued to actively seek help and utilize the grant assistance that is available. Grant awards remained steady in 2004, with an increase in fiscal year 2005 due to the January 2003 Governor’s executive order which required that all employers participating in state-funded projects implement a drug-free workplace program. The DFWP grant program shares its funding source with the DF-EZ and safety intervention grant programs. Funds available for the DF, DF-EZ and safety intervention grant programs are essentially on a first-come, first-served basis until funding is depleted or the end of the fiscal year.

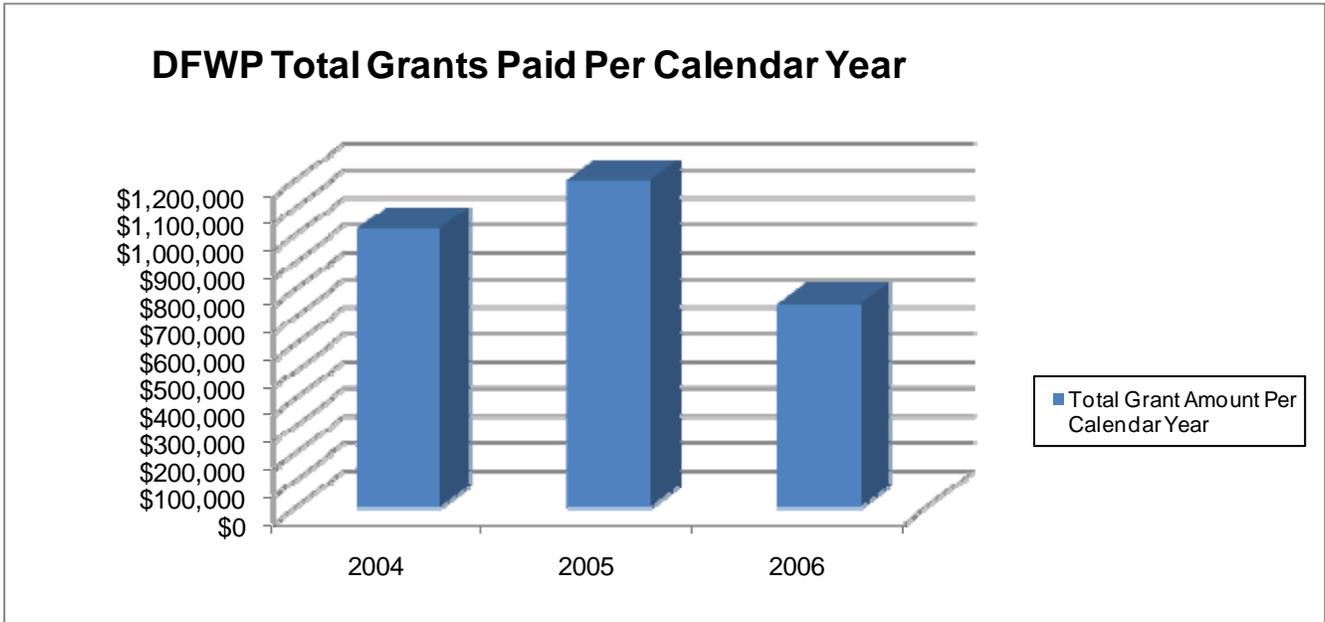


Figure 4

Figure 5 shows the average premium size of employers who receive DFWP grants versus DF-EZ grants. This is consistent with the eligibility requirements of each program, DF-EZ focusing more on employers with 25 or less employees.

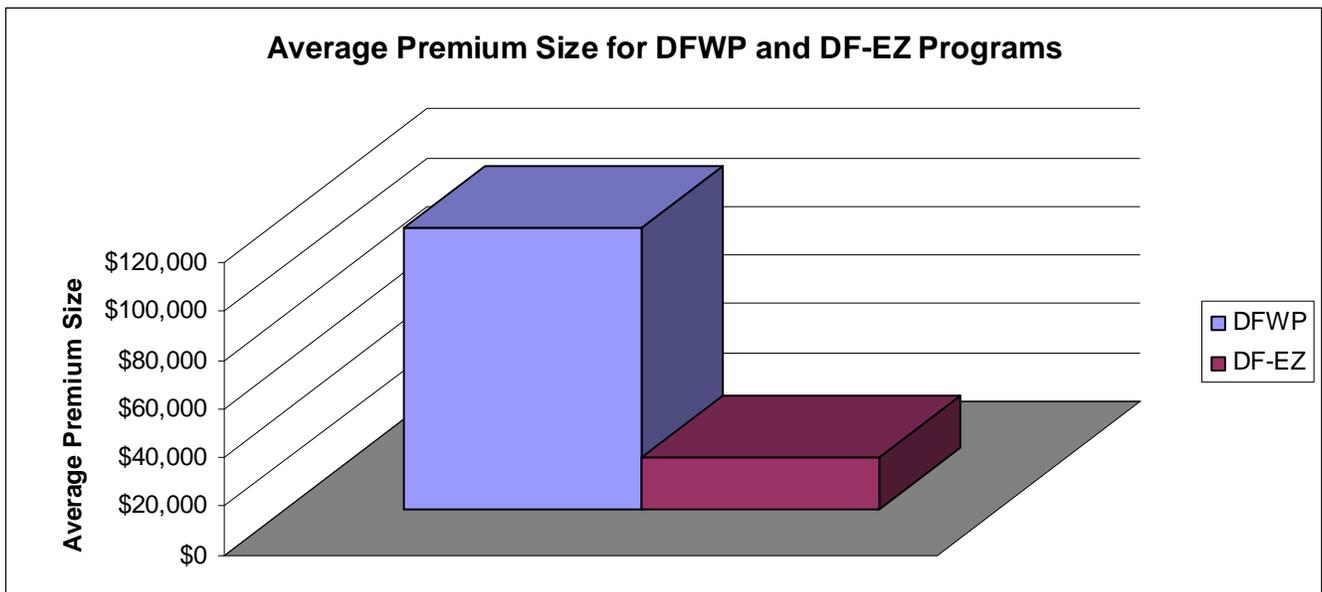


Figure 5

Figure 6 shows the average percentage change in losses after a drug-free EZ grant is received. Employers in the \$0-\$100,000 premium range have the most positive loss trends, while companies with premiums above \$500,000 are showing increasing losses after grants are received. Although there seems to be a correlation between these loss trends on the drug-free grant, it is unlikely that there is a causal relationship. The data reflected in this study did not contain enough information to show whether or not drug free grants have a substantial effect on loss trends.

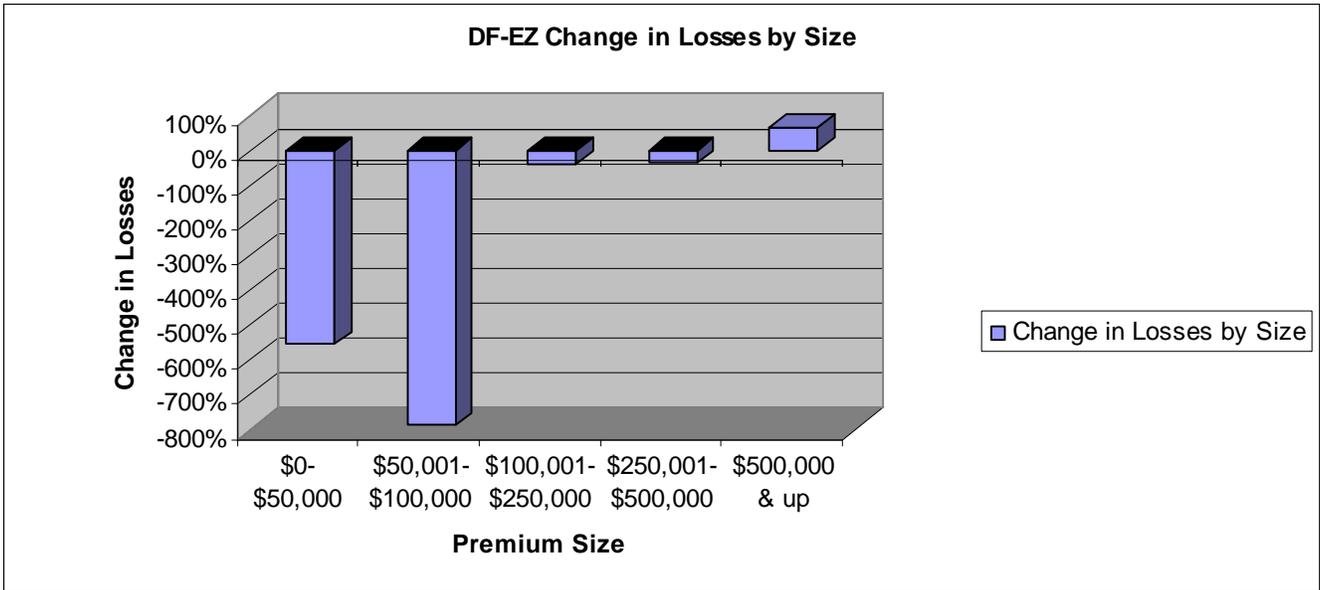


Figure 6

Figure 7 shows that most DF-EZ grants are awarded to employers whose premium is \$50,000 or less. This is consistent with the eligibility requirement of 25 or less employees.

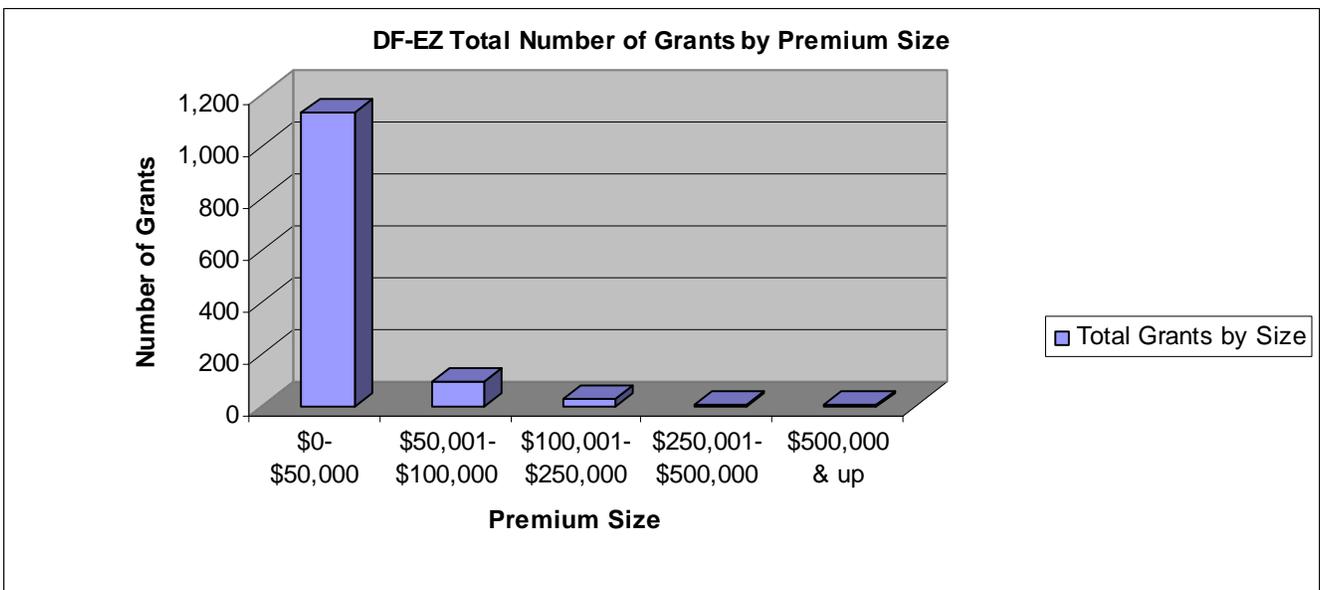


Figure 7

Figure 8 shows the total Drug-Free EZ grant dollars that are paid out each year through the Safety Grant Program. The DF-EZ grant program shares its funding source with the DF and safety intervention grant programs. Funds available for the DF, DF-EZ and safety intervention grant programs are essentially on a first-come, first-served basis until funding is depleted.

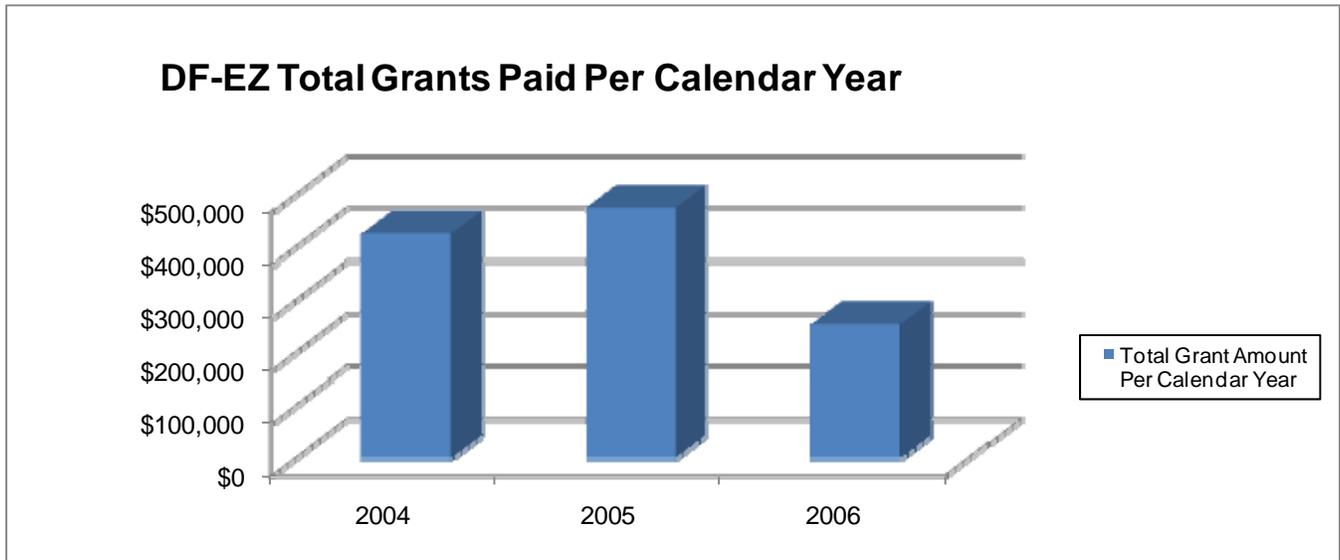


Figure 8

Conclusions

Findings

Our Findings for the Ohio BWC Safety Grant program consist of two areas: 1) qualitative review of Safety Grant application process and comparison against other states; and 2) review of Safety Grant loss data to determine financial impact of Safety Grants.

- The Safety Intervention Grant program has the highest ROI for employers with premium greater than \$250,000 and for the Hospitals and Municipalities industries (as grouped by the BWC).
- Although the overall ROI for grant specific losses is positive, some segments of grant recipients experience a negative ROI, meaning that the reduction in losses is less than that of safety grant awarded; these segments include the Transportation, Service, Commercial, and Construction industries and employers with a premium less than \$250,000. However, reductions in losses do occur and the continuation of the program may be predicated on the fact that employers do experience a reduction in losses, albeit not equal to the investment.
- The Safety Intervention Grant program is uncommon in that the only other states that provide funding for purchases of Safety Equipment are North Dakota, Washington, and Minnesota.
- While most other states do not have a Safety Grant program, most states, similar to that of Ohio, provide safety services in the form of consultation, training, and/or inspections.
- Comparison Ohio/Minnesota: The Ohio BWC and Minnesota Safety Grant programs are the only programs that provide funding on a matching basis. Ohio BWC offers a matching rate of 4:1 up to a total amount of \$40,000, whereas Minnesota offers 1:1 matching up to a total amount of \$10,000.
- Comparison Ohio/Washington: The Safety Grant amounts allowed by Ohio BWC are more defined than those in Washington – as of February 13, 2008, Washington had appropriated \$8 million in funding for Safety Grants and these funds will be distributed to applicants on a case-by-case basis (no specified match), and there is no explicit minimum or maximum amount.
- Comparison Ohio/North Dakota: With a limit of \$50,000 and no matching required, North Dakota's Safety Grant program offers slightly more assistance than that of Ohio BWC.
- Much of the selection criteria for an Ohio BWC Safety Grant is similar to that of North Dakota, Washington, and Minnesota:
 - Items or equipment to be purchased and how it will prevent injuries
 - Breadth of exposure, i.e. number employees, man hours affected
 - Cost effectiveness and/or Return on Investment calculation
 - Plan describing personnel and time frame for implementing the solution
- One unique aspect of the Ohio BWC application criteria is the requirement for one claim to have been filed for the task operation affected by the proposed safety intervention.
- Two items included in other states' applications are not present in the Ohio BWC application:
 - External factors that could hinder implementation, i.e. political environment, economic conditions (Washington)
 - Safety committee report supporting request (Minnesota)
- Ohio, North Dakota, Washington, and Minnesota have similar criteria with respect to employer responsibility after receiving a Safety Grant in that they all require reporting of project status once the Safety Grant is received.

- The Ohio BWC proof of spending reporting requirement is robust and appears to be more thorough than the other states giving Safety Grants.
- Analyses completed of the Ohio BWC loss experience indicate that Safety Grants are generally effective in reducing employers' claim costs.
- The analysis of Safety Grant loss data shows that on an aggregate basis, the loss ratios of employers that receive a grant tend to decrease over time. However, the experience indicates that these employers' loss ratios are already decreasing prior to receiving the grant, suggesting that these employers have identified and implemented safety loss measures prior to requesting a grant.
- The spike in year 2006 in Figure 11 is driven by loss experience from a single employer that received a safety grant; however, the claim was not associated with an activity for which the safety grant was awarded. Although the loss ratio spikes in 2006, this does not challenge the effectiveness of safety grants.
- The DFWP and DF-EZ grants are correlated with decreasing claims costs for the premium range \$0-\$100,000; however there is not enough data to suggest a causal relationship between the two as claims are not verifiable as to drug-related causation and/or prevention.
- The DFWP and DF-EZ show a slight increase in funds awarded for years 2004-2005.

Note: because the North Dakota Safety Grant program is currently under review, the program criteria might have changed since the gathering of data for this report.

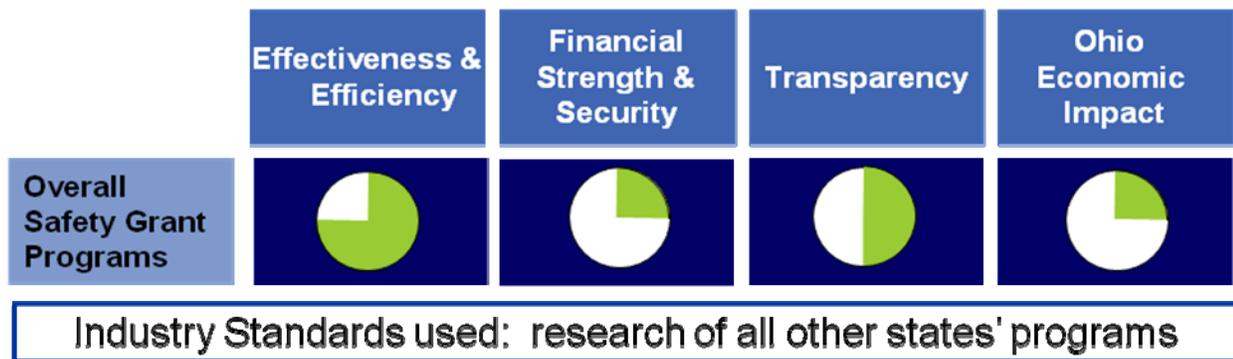
Performance Assessment

We assessed the performance of the Ohio workers' compensation system compared to these four overarching themes: Effectiveness & Efficiency; Financial Strength & Stability; Transparency; and Ohio Economic Impact. Each broad study element (Ohio Benefit Structure; Pricing Process; Cost Controls; Financial Provisions; and Actuarial Department Functions & Resources) is reviewed with these themes in mind to develop a performance assessment of the current state. Our performance assessment is made on each element in the context of its contribution to supporting the overarching themes.

For these performance assessments, the following scoring method applies:

	Strongly supports system performance
	Supports system performance
	Some support for system performance
	Some opportunity for system performance change/enhancement
	Significant opportunity for system performance change/enhancement

Based on this scoring method, here is the performance assessment for the Safety Grant Program:



Recommendations

The following recommendations address the opportunities identified above, listed in prioritized order:

- Consider Making Safety Grants Available Even if No Claims Have Occurred.** BWC should consider revising the requirement that an employer must have experienced a claim directly related to the intervention. While this requirement helps to increase the cost-effectiveness of Safety Grants, it is somewhat conducive of a reactive rather than proactive safety mindset. Three potential means by which to temper the impact on cost effectiveness could include: 1) require a BWC approved safety consultation report supporting the grant request, 2) require a larger matching portion from the employer and/or reduced BWC matching portion, and 3) award such proactive grants only to industries such as Hospitals or Municipalities that have a high ROI.
- Consider Inclusion of Safety Consultation Report in Safety Grant Application.** Inclusion of a safety consultation report with a Safety Grant application could provide BWC with a more comprehensive look at an applicant's overall safety practices and could help assess the cost effectiveness of providing a safety grant.
- Consider Combining the DFWP and DF-EZ Programs.** BWC should consider combining the DFWP and DF-EZ programs into a single, simplified program focused primarily on smaller employers. The charts in the Drug-Free Grant section consistently show that the larger the premium size of the employer, the less impact the Drug Free grant has in terms of loss trends. There is also less demand for this service for larger employers.

Impact

The impact (high, moderate, or low) of these recommendations as they relate to the overarching themes is shown in the following table:

	Effectiveness & Efficiency	Financial Strength & Stability	Transparency	Ohio Economic Impact
Make Grants Available Even if No Claims Related to the Intervention				
Require Safety Report With Application				
Combine DFWP and DF-EZ Programs				

Legend

High Impact	Moderate Impact	Low Impact	No Impact	Adverse Impact

The Deloitte Consulting team is available to clarify or amplify any issues raised in this report. We express our appreciation for BWC process constituents' time, effort, and guidance in completing this integral task of our comprehensive study.

Appendix A – Deliverable Matrix

Group 3 Study Elements

Pricing Process
Premium Rate Calculation – State Agencies
Programs
1) Handicap Reimbursement Program

Cost Controls
MCOs
1) Medical Payments to Providers
Retrospective Rating Program
Effectiveness of Rates in Reducing Ohio Claims
Effect of Saving Money on Ohio Workplace Safety
Safety Grant Programs
Safety and Hygiene Program

Pricing Process Areas

Premium Rate Calculation	Tasks Involved
<p>Premium Rate Calculation – State Agencies</p>	<p>2. Review and make written recommendations with regard to public employer state agency premium rate calculations. The public employer state agencies rates are calculated on a terminal funding basis. This review would include but would not be limited to an analysis of the rating program including the loss information and other data used including the reliability and quality of the data, the payroll, the trending factors, the amount of overage and shortage each year. This analysis should compare the BWC’s rating calculation to industry standards and the Actuarial Standards of Practice promulgated by the actuarial standards board of the American Academy of Actuaries.</p>
Programs	Tasks Involved
<p>Handicap Reimbursement Program*</p> <p>*Originally scheduled to be part of the Group 4 deliverables.</p>	<p>17. Evaluate the effectiveness of the handicap reimbursement program to reward employers with pre-existing conditions. This evaluation should determine if the program is cost effective and compare the program to other states.</p>

Cost Control Areas

MCOs	Tasks Involved
1) MCOs	30. Conduct a study on the effectiveness of the use of Managed Care Organizations (MCO) in the workers' compensation system. This analysis would include an evaluation of the effectiveness of the use of MCOs, the payments to MCOs relative to the benefits received, the advantages and disadvantages of the MCO approach, the medical cost trends since MCO implementation, and a comparison to industry standards.
2) Medical Payment to Providers	25. Conduct a study on the medical payments to providers in Ohio and provide a comparison to industry peers. This study should recommend changes/improvements to the BWC's medical payment structure to be in line with industry standards.
Retrospective Rating Program	Tasks Involved
Retrospective Rating Program	4. Review and make written recommendations with regard to the retrospective rating program. This analysis would include a review of the selection criteria for the program, minimum premium percentages, the cost effectiveness of the program, and an overview of the program.
Effectiveness of Rates in Reducing Ohio Claims	Tasks Involved
Effectiveness of Rates in Reducing Ohio Claims	33. Study the effects of BWC's rates in reducing the number and severity of workers' compensation claims in this state.
Effect of Saving Money on Ohio Workplace Safety	Tasks Involved
Effect of Saving Money on Ohio Workplace Safety	34. Study the effect that saving money has had on safety in the workplace in this state.
Safety Grant Programs	Tasks Involved
Safety Grant Programs	9. Review and make written recommendations with regard to the safety grant programs. This study should include an evaluation on the reduction of claims and costs through safety intervention, the criteria for selection of employers to assist, the application of the safety and hygiene assessment and a comparison to industry standards. The evaluations should study the effect of workers compensation rates in reducing the number and severity of workers' compensation claims in the state.

Cost Control Areas - continued

Safety and Hygiene Program	Tasks Involved
Safety and Hygiene Program	29. Conduct a study on the effectiveness of the safety and hygiene programs. This study should include an evaluation on the reduction of claims and costs through safety intervention, the criteria for selection of employers to assist, the application of the safety and hygiene assessment and a comparison to industry standards. The evaluation should study the effect of workers' compensation rates in reducing the number and severity of workers' compensation claims in the state

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