



Ohio Bureau of Workers' Compensation Comprehensive Study

Cost Controls: Benefits & Compensation Industry
Comparison

Report 2.2

Deloitte Consulting LLP
Group 2

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Audit • Tax • Consulting • Financial Advisory.

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Executive Summary

Introduction

The objectives of this task were to compare the benefits and compensation paid by the BWC to industry peers. As workers' compensation benefits are regulated by each state, peers for this study are comprised exclusively of state jurisdictions and not insurance carriers. Tasks related to this Comprehensive Study component included:

- Inventory of Ohio workers' compensation benefits and compensation rates and schedules.
- Identification of industry benchmarking sources.
- Research of various commercially available and government studies and state websites.
- Compilation of results into a logical format for comparison.

This task does not call for specific recommendations and Deloitte Consulting does not endorse a specific position relative to benefit plan re-design, except to "sunset" two specific benefit types: Salary Continuation and the \$15k Medical programs (Please corresponding Group 1 task reports).

Conclusions

Findings

- Ohio is largely consistent with other states with respect to benefit and compensation levels.
- Ohio's number of benefit types is more extensive than found in most other jurisdictions.
- Medical benefits provided in Ohio are generally consistent with other states.
 - No out-of-pocket medical expenses by injured workers.
 - Medical expenses are controlled through cost containment programs (e.g., clinical case management, medical and pharmacy bill, utilization and medical peer review).
 - Expanding use of pharmacy benefit management.
 - Medical treatment reimbursement subject to fees schedules and indexing to Medicare rates
- Temporary Total Disability benefit rates are slightly higher in Ohio than in most other states in comparison of maximum wage replacement rates and percentage-of-wage benefit calculations.
- Fatality survivor benefits and scheduled loss of use benefits are consistent with most other jurisdictions.

Ohio has significantly more compensation benefit types (13) than most other states including unusual components related to salary continuation, living maintenance and living maintenance wage loss, Disabled Workers' Relief Fund, Lump Sum Advancement. Fatality-related survivor benefits in Ohio are consistent with most other states, as are waiting periods for Temporary Total wage replacement, and the retroactive period requirement that compensates for the waiting period given extended lost time. Ohio is one of nineteen states with a dedicated fund for rehabilitation expenses. PPD Income benefits for scheduled injuries in Ohio align well with most other states.

The Situation

Task Background

RFP Task Reference	RFP Task Description	Task Category
Section 5.1.2 #23, page 14	Conduct a study on the benefits and compensation paid by the BWC compared to industry peers. This study would include an analysis of all compensation types and their application by the BWC..	Claims

As part of the BWC Comprehensive Study the following report comprises Deloitte Consulting’s deliverable of Section 5.1.2 Task #23 of the BWC’s Request for Proposal (RFP):

Background and discovery activities necessary to complete this task included:

- Understanding the various types of benefits, rates, and schedules used by the BWC.
- Research of credible sources and metrics for comparison of BWC to other states,
- Development of comparative tables to highlight Ohio's position relative to other states,

Methodology

Completion of our benefits and compensation comparisons involved the following activities:

- Data and documentation reviews, and
- Benchmarking of other “peer” state standards.

A variety of commercially and publicly available sources were referenced to establish benchmarks for BWC’s comparisons.

Primary Constituents

Injured Workers - Responsible for reporting claims to employers and for obtaining treatment from BWC certified medical providers.

Medical Providers - Responsible for treating injured workers and reporting claims to MCOs in compliance with HPP and BWC regulations.

MCOs - Responsible for claim intake, provider channeling, utilization review, provider bill review and payment, and medical case management.

BWC Medical Services Division – Responsible for management and oversight of MCO programs and IME administration.

BWC Claims – Responsible for overall claims administration of indemnity and complex medical-only claims.

BWC Internal Audit - Responsible for BWC program performance measurement.

Below are summarized Deloitte Consulting responses to specific evaluation components of this task as identified in the Comprehensive Study RFP. Supporting documentation and rationale for findings is contained in report sections that follow.

Comparison to industry Peers:

In the exhibits that follow Deloitte Consulting benchmarked Ohio's workers' compensation benefit levels to other states. All benefit program descriptions are as of 12/31/07 in order to provide a consistent basis for comparison. Readers should recognize that adjustment in benefits are an ongoing initiative of many states and that this report does not reflect changes enacted or under consideration in 2008.

We have elected to compare Ohio to all 50 states in two major categories: Wage Loss Benefits and MCO Implementations, and to "peer" states (IL, IN, KY, MI, NY, PA, WA, WV) in other analyses that follow.

Study of all Compensation Types:

There are several distinctive features in every state's workers' compensation program and Ohio has many. In general, many similarities exist in payment of medical benefits, state average weekly wages, wage replacement percentages, waiting periods for benefits, and eligibility for vocational rehabilitation benefits..In order to make reasonable comparisons, we have grouped major benefit types under major headings of:

- MCOs and Choice of Physician
- Medical Benefits
- Temporary Total Disability
- Waiting Periods for Benefits
- Permanent Disability & Rehabilitation Benefits
- Fatality Survivor Benefits
- Coverage of Occupational Diseases

Information & Data Gathered

Information/Data Reviewed

Deloitte Consulting reviewed the BWC's benefit plan and structures in all categories and compared them to those of other states, leveraging existing studies conducted by major workers' compensation research organizations, supplemented by research of individual state websites and publicly available information. The BWC's website served as a crucial baseline source of information.

Review & Analysis

Benchmarking

Information from the following sources provided external comparative data for benchmarking of Ohio's workers' compensation benefits:

- US Department of Labor, Bureau of Labor Statistics (BLS)
- National Council on Compensation Insurance (NCCI)
- International Risk Management Institute (IRMI)
- Workers' Compensation Research Institute (WCRI)
- US Chamber of Commerce
- California Commission for Health and Safety and Workers' Compensation

MCOs and Choice of Physician

- 30 of 50 states authorize the use of MCOs.
- 35 states allow injured workers to select the treating physician (Physician of Record in Ohio), subject to some limitations.
- 17 states require injured workers to treat with a physician in the employer's MCO.

MCOs and Choice of Physician

State	State Authorizes Workers' Compensation MCOs Yes (Y)/No (N)	Selection of Treating Physician -Employer (ER) or Employee (EE)	Employee Required to Use Physician in Employer's MCO	Employee Allowed to Use Other Physician
Ohio	Y	EE	N	Y
Alabama	Y	ER	Y	N
Alaska	N	EE		
Arizona	N	ER / EE *		
Arkansas	Y	ER	Y	Y
California	Y	ER / EE *	Y	Y
Colorado	N	ER / EE *		
Connecticut	Y	ER / EE *	N	N
Delaware	N	EE		
District of Columbia	N	EE		
Florida	Y	ER	Y	N
Georgia	Y	ER / EE *	Y	N
Hawaii	N	EE		
Idaho	N	ER		
Illinois	N	EE		
Indiana	N	ER		

MCOs and Choice of Physician - continued

State	State Authorizes Workers' Compensation MCOs Yes (Y)/No (N)	Selection of Treating Physician -Employer (ER) or Employee (EE)	Employee Required to Use Physician in Employer's MCO	Employee Allowed to Use Other Physician
Iowa	N	ER		
Kentucky	Y	ER / EE *	Y	Y
Louisiana	N	EE		
Maine	Y	ER / EE *	Y	Y
Maryland	N	EE		
Massachusetts	Y	ER / EE *	Y	Y
Michigan	N	ER / EE *		
Minnesota	Y	ER / EE *	Y	N
Mississippi	N	EE		
Missouri	Y	ER	Y	Y
Montana	Y	EE	N	Y
Nebraska	Y	ER / EE *	N	Y
Nevada	Y	EE	Y	N
New Hampshire	Y	EE	Y	N
New Jersey	N	ER		
New Mexico	N	ER / EE *		
New York	Y	ER / EE *	Y	Y
North Carolina	Y	EE	Y	N
North Dakota	Y	ER / EE *	Y	Y
Oklahoma	Y	ER / EE *	Y	N
Oregon	Y	EE	N	Y
Pennsylvania	Y	EE	Y	Y
Rhode Island	Y	EE	Y	Y
South Carolina	N	ER		
South Dakota	Y	EE	N	Y
Tennessee	Y	EE	Y	N
Texas	Y	EE	Y	N
Utah	Y	EE	Y	Y
Vermont	N	ER		
Virginia	N	EE		
Washington	Y	EE	N	Y
West Virginia	Y	ER / EE *	Y	
Wisconsin	N	EE		
Wyoming	Y	EE	Y	Y

* EE / ER selection of treating physician refers to multiple situations where injured workers must treat for a period of time with the employer's choice of physician before making a change, and conversely where injured workers can choose their physician with options for employers to select a doctor after specified durations.

Medical Benefits

Little variation exists among states for provision of basic medical benefits. No states require that employees pay for accepted, work-related injury/illness medical claims. Physician, diagnostic, laboratory, chiropractic, medical treatment, pharmacy and claimant travel expenses are routinely covered subject to injured worker compliance with regulatory requirements pertaining to utilization review, and treatment-in-network restrictions of some states.

Many states have special provisions that expressly describe covered specialty and ancillary services under medical benefits. These include:

- Prosthetic devices, including eyeglasses, contact lenses hearing aids, dentures.
- Spiritual treatment, including Christian Science treatment and prayer.
- Testimony reasonably required to prove a claim.
- Custodial care.
- Hospital care at semi-private rates.

Temporary Total Disability

Maximum temporary total disability wage replacement rates in Ohio (\$730) are just slightly higher than the average for all states (\$709).

The percentage applied to wages to determine temporary total wage replacement rates is higher in Ohio for the first twelve weeks (72%) than in most other states, with only seven exceeding 70%. Ohio is unique among others with a "drop-down" percentage from 72 to 66 2/3% after twelve weeks of temporary total benefits. 76% of states (38) have established temporary total disability rates at 66 2/3% of average weekly wages.

Temporary Total Disability Benefits (as of 12/31/2007)

State	TTD Minimum	TTD Maximum	Percentage of Wages	Benefit Duration
Ohio	243	730	72% for 1st 12 weeks 66 2/3 after 12 weeks	Length of temporary disability
Alabama	179	651	66 2/3	Length of temporary disability
Alaska	110	901	80% of Spendable Earnings	Until underlying medical condition becomes stable
Arizona	none	374	66 2/3	Length of disability
Arkansas	20	504	66 2/3	450 weeks
California	132	882	66 2/3	104 weeks
Colorado	none	697	66 2/3	Length of temporary disability
Connecticut	208	1,038	75% of after-tax income	Length of disability
Delaware	175	572	66 2/3	Length of disability

Temporary Total Disability Benefits (as of 12/31/2007) - continued

State	TTD Minimum	TTD Maximum	Percentage of Wages	Benefit Duration
District of Columbia	308	1,233	66 2/3	Length of disability
Florida	20	683	66 2/3	104 weeks
Georgia	45	450	66 2/3	Length of disability
Hawaii	170	678	66 2/3	Length of disability
Idaho	88	526	67	Length of disability
Illinois	173	1,121	66 2/3	Length of temporary disability
Indiana	50	588	66 2/3	500 weeks
Iowa	none	1264	80% of Spendable Earnings	Length of disability
Kansas	25	449	66 2/3	Length of disability
Kentucky	129	646	66 2/3	Length of disability
Louisiana	117	438	66 2/3	Length of disability
Maine	none	555	80% of after-tax avg. weekly wage	364 weeks
Massachusetts	200	1,000	60	156 weeks
Michigan	201	723	80% of Spendable Earnings	Length of disability
Minnesota	130	750	66 2/3	104 weeks
Mississippi	25	388	66 2/3	450 weeks
Missouri	40	719	66 2/3	400 weeks
Montana	none	545	66 2/3	Until Maximum Medical Improvement
Nebraska	49	617	66 2/3	Until Maximum Medical Improvement
Nevada	none	723	66 2/3	Length of disability
New Hampshire	231	1,154	60	Length of disability
New Jersey	190	711	70	400 weeks
New Mexico	36	596	66 2/3	700 weeks
New York	40	400	66 2/3	Length of disability
North Carolina	30	754	66 2/3	Length of disability
North Dakota	341	624	66 2/3	104 weeks or MMI
Oklahoma	30	577	70	300 weeks
Oregon	50	962	66 2/3	Length of disability
Pennsylvania	50	745	66 2/3	Length of disability
Rhode Island	none	845	75% of Spendable Income	Length of disability
South Carolina	75	646	66 2/3	500 weeks
South Dakota	267	533	66 2/3	Length of disability

Temporary Total Disability Benefits (as of 12/31/2007) - continued

State	TTD Minimum	TTD Maximum	Percentage of Wages	Benefit Duration
Tennessee	102	682	66 2/3	400 weeks
Texas	81	540	70	104 weeks
Utah	45	631	66 2/3	312 weeks
Vermont	325	974	66 2/3	Length of disability
Virginia	193	773	66 2/3	500 weeks
Washington	43	901	60 - 75 based on # of dependents	Length of disability
West Virginia	144	545	66 2/3	104 weeks
Wisconsin	20	777	66 2/3	Length of disability
Wyoming	none	638	66 2/3	24 months

Waiting Periods for Benefits

Ohio is consistent with two-thirds of other key benchmark states with respect to waiting periods for benefits, and for retroactive period thresholds whereby waiting periods are retroactively reimbursed.

State	Waiting Period	Retroactive Period
Ohio	7 days	2 weeks
Illinois	3 days	2 weeks
Indiana	7 days	3 weeks
Kentucky	7 days	2 weeks
Michigan	7 days	2 weeks
New York	7 days	2 weeks
Pennsylvania	7 days	2 weeks
Washington	3 days	2 weeks
West Virginia	3 days	1 week

Permanent Disability & Rehabilitation Benefits

Permanent disability benefit rates do not lend themselves to effective state-to-state comparison on a stand-alone basis. Permanent disability rates are subject to many special provisions that combine to yield a total benefit package of income replacement and reimbursable expenses for injured workers. These special provisions include Cost of Living Adjustment (COLA), vocational rehabilitation, re-training, maintenance, and travel allowances.

Most states, like Ohio, apply the same percentage of average weekly wages (typically 66 2/3) to calculate both Temporary Total and Permanent Total Disability wage replacement rates. Approximately 1/3 of US jurisdictions have legislated Cost of Living Adjustment (COLA) features that adjust these rates typically on an annual basis. Nearly half of all states have specific offset provisions, usually including Social Security benefits.

Permanent disability benefits are augmented in many states with specific vocational rehabilitation plan designs that supplement income replacement benefits. Many have dedicated funds that finance these additional benefits. Ohio's Disabled Workers' Relief Fund and Living Maintenance features are prime examples. Highlights from eight benchmarked states include:

- Existence of Special Fund for Rehabilitation – IL, IN, KY, and MI do not have a fund established but Ohio is similar to PA, WA, and WV which access funds either through state or federal sources.
- Maintenance Allowance and Special Provisions – Ohio has a renewable 6 month allowance. KY, MI, and WA can extend the initial period of 52 weeks.
 - OH – Rehab Division of BWC may make all necessary expenditures, including medical treatment of non-occupational conditions inhibiting return to work. For unscheduled injuries (based on a percentage of PPD), weekly benefits are limited to 1/3 of the State average weekly wage, for a period of 200 weeks.
 - IL – Maintenance costs and incidental expenses. Physical, mental, and vocational rehabilitation as necessary; institutional care, if required.
 - IN – Vocational rehabilitation available to any employee unable to attain gainful employment due to an occupational disease or injury.
 - KY – Board, lodging, and travel if away from home. Unlimited medical rehab and vocational rehab up to 52 weeks (may be extended).
 - MI – Transportation and other necessary expenses during 52 weeks training. Medical and vocational rehab services under WC Bureau-approved facility. Bureau can extend additional 52 weeks; max of 104 weeks.
 - NY – Up to \$30 per week for rehabilitation maintenance; rehabilitation process directed by the state Education Dept.
 - PA – State Office of Vocational Rehabilitation or private rehab may provide cash payments for living expenses, physical restoration, training, support, and job placement services.
 - WA – Training costs, books, equipment, and child care allowance (up to 52 weeks). Travel or board and lodging may also be paid. The Dept. pays employers' cost of job modification, or accommodations medically necessary for the worker to participate in a retraining plan up to \$5,000. A Dept. Supervisor may extend the period for another 52 weeks.
 - WV – Up to \$20,000 (includes books, supplies, travel, lodging, and tools for training purposes). No limit on physical rehab cost. Eligible for TT benefits for approved physical or vocational program up to 104 weeks. Division mgrs review for appropriateness of rehab services. TP benefits may be paid as wage differential for up to 2 yrs.

The table that follows describes specific COLA features of eighteen selected states.

COLA Features of Selected States

State	Automatic COLA
Ohio	If weekly Permanent Total (PT) plus Social Security (SS) benefits is < \$306.58, the DWRF pays lesser of difference between DWRF rate and PT or SS; amounts are adjusted annually by increase in Consumer Price Index (CPI)
California	For Temporary Total (TT) after 2 years
District of Columbia	PT & Permanent Partial (PP) effective 1/1 at 5%
Hawaii	PT for injuries prior to 1/1/92 and every 1/1 at 10 year intervals
Idaho	After 52 weeks or 1/1 of following year
Illinois	PT - 7/15 of 2nd year
Maine	No COLA for injuries on or after 1/1/93
Maryland	PT annually on 1/1 to max of 5%
Massachusetts	PT annual increase at most recent CPI % subject to 5% maximum
Minnesota	Annual increase to most recent percentage of increase in State AWW up to 2%; 1st adjustment on 4th anniversary of injury
Montana	PT annual adjustment for injuries occurring on or after 7/1/03; adjustment not to exceed % increase in State AWW
New Hampshire	1st COLA on 3rd anniversary of injury; annually on 7/1 thereafter
Oregon	Annually on 7/1
Rhode Island	PT & TT for a year or greater; PP & Temporary Partial (TP) for > 312 weeks; annual adjustment at CPI %
South Dakota	All PT claims
Vermont	PT annually on 7/1
Virginia	COLA rates for 10/1/05-9/30/06 at 3.35%; 10/1/06-9/30/07 at 3.45%
Washington	PT annually on 7/1

Almost half of all US jurisdictions have specific offset provisions which limit aggregate benefits received from multiple sources. Examples follow:

State	Offsets
Ohio	Employer -funded benefits, Social Security Disability Income (not Retirement)
Alaska	SS, portion of qualified pension or profit-sharing, portion of employer paid disability benefits that exceed 100% of claimants' spendable weekly wages
California	SS & Unemployment Compensation
Colorado	SS, Unemployment Compensation & Employer paid pension plan
District of Columbia	None for injuries occurring \geq 4/15/99
Georgia	Unemployment Compensation, Employer funded portion of disability or wage continuation plan & employee contributory disability insurance
Kansas	Employer provided retirement benefits
Kentucky	For dates of injury after 12/12/96 -employer funded disability, accident or sickness plan covering same disability, unless plan has internal offset provision for unemployment benefits
Louisiana	SS, Unemployment Compensation & Employer funded disability
Maine	SS, employer funded benefits, Unemployment Compensation
Massachusetts	Pension, Unemployment Compensation, SS
Michigan	SS, Unemployment Compensation & Disability
Minnesota	SS or survivor insurance benefits, same-injury government disability benefits; offset starts after \$25,000 paid in Permanent Total benefits
Montana	SS
Nevada	Previous Permanent Partial lump sum awards
State	Offsets
Oregon	SS
Pennsylvania	SS, Unemployment Compensation & certain severance and pension benefits
Tennessee	Social Security Disability
Utah	SS
Washington	SS
West Virginia	After-tax benefits of self-insurance, wage continuation, and employer funded disability insurance providing the employee makes no contribution of premium
Wisconsin	SS

Fatality Survivor Benefits

Workers' compensation fatalities receive special consideration in every jurisdiction. Continuing wage loss benefits are paid to surviving spouses and children at standard percentages of state and injured worker average weekly wages, consistent with permanent total disability formulas. These survivor benefits are also supplemented in many jurisdictions with a variety of special provisions for burial expenses, lump sum settlements, COLA, disabled benefit recipients, and surviving spouse and children vocational and educational benefits.

Most states restrict benefits of spouses upon remarriage, and of children when they reach adult ages, often subject to extension for school enrollment.

State	Percentage of Wages			Benefit Limit	
	Spouse + Children	Spouse Only	1 Child Only	Spouse Only	1 Child Only
Ohio	66 2/3	66 2/3	66 2/3	\$100,000	\$150,000
Illinois	66 2/3	66 2/3	66 2/3	\$500,000 or 25yrs @ TTD Rate	
Indiana	66 2/3	66 2/3	66 2/3	\$294,000	\$294,000
Kentucky	75	50	50		
Michigan	80 of spendable earnings	80 of spendable earnings	80 of spendable earnings	\$322,000	\$322,000
New York	66 2/3	66 2/3	66 2/3		
Pennsylvania	66 2/3	51	32		
Washington	62	60	35		
West Virginia	66 2/3	66 2/3	66 2/3		

Of the nine benchmarked states above, five have unlimited benefit value limits. Four have dollar thresholds with Ohio showing the lowest indicated dollar benefit limit.

Coverage of Occupational Diseases

All states provide coverage of occupational diseases with benefits generally equal to those provided for occupational injury with some caveats and limitations. Given the latency associated with multiple types of occupational diseases, filing deadlines are logically extended beyond those required for acute injuries. Workers' compensation benefit coverage extends to all occupational illnesses arising out of, and in the scope of employment in all US jurisdictions subject to limitations as indicated in the following state comparisons.

The time limit for filing of claims is generally measured from the date of knowledge of disability, onset of disease, last exposure, or last payment. Filing deadlines for occupational diseases are often adjusted for high-latency conditions such as asbestosis, silicosis, for specific conditions related to radiation, and for death claims. Excluding these special conditions allowable filing periods by state for work-related, non-adjusted for time-filing claims are grouped by duration below.

- **1 Year** - AZ, CA, DE, DC, GA, ID, KS, MT, NV, NM, ND, OR, TN, TX, WY.
- **2 Years** - OH, AL, AK, AR, CO, FL, HI, IN, IA, ME, MD, MI, MS, MO, NE, NJ, NY, NC, OK, RI, SC, VT, VA, WA.
- **3 Years** - CT, IL, KY, LA, MN, NH, PA, WV.
- **4 Years** - MA.
- **6 Years** - UT.
- **Unlimited** - WI.

Ohio is consistent with 47% of states (plus DC) with filing deadlines at two years.

Conclusions

Findings

This task does not require that Deloitte Consulting make recommendations for benefit plan adjustment and we do not advocate for expansion or restriction of benefits currently provided. Although we remain neutral and impartial in our state-to-state comparisons, we do make some general observations related to administrative efficiency and effectiveness of the overall workers' compensation benefit system in Ohio. Consistent with other tasks in this Comprehensive Study, a high-level performance assessment scoring matrix is contained below.

For 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, the performance assessment for the BWC's compensation benefit structure is as follows:

	Effectiveness & Efficiency	Financial Strength & Stability	Transparency	Ohio Economic Impact
Benefit Comparisons				

Peers and Industry Standards Considered
All States for Major Benefit Types Peer States of IL, IN, KY, MI, NY, PA, WA, WV for Benefit Sub-types

Performance Assessment Summary

Effectiveness and Efficiency - The benefit structure in Ohio is more complex than most with more specific benefit types and BWC administration associated with managing more MCOs than in most states.

Financial Strength and Stability - Stability of benefits to injured workers is maintained consistent with other jurisdictions (e.g. annual average weekly wage, maximum rate and COLA adjustments). Benefit controls related to treatment ongoing benefit eligibility and duration are well institutionalized.

Transparency - All benefits appear accessible to injured workers and their representatives, and to all constituents. The BWC website is a strong media for communicating benefits and changes.

Ohio Economic Impact - Ohio's workers' compensation benefit structure appears to support the overall mission of providing adequate benefits to injured workers at a reasonable system cost.

Summary of Findings

- Ohio is largely consistent with other states with respect to benefit and compensation levels.
- Ohio's number of benefit types is more extensive than found in most other jurisdictions.
- Medical benefits provided in Ohio are generally consistent with other states.
- No out-of-pocket by injured workers.
- Medical charges controlled through cost containment programs (e.g., medical bill and utilization review).
- Temporary Total Disability benefits are slightly higher than in most other states (maximum wage replacement rates and percentage-of-wage benefit calculations for first 12 weeks).
- Permanent Partial Disability, fatality survivor benefits, benefits align well with other jurisdictions.
- Ohio is one of 30 states that authorize the use of Managed Care Organizations (MCOs)
- Ohio is one of 19 states with a dedicated fund for rehabilitation expenses.
- Permanent partial disability income benefits for injuries in Ohio are consistent with most other states.
- For fatality survivor benefits, Ohio is in the middle (both mean & median) in eight peer state comparisons.
- Ohio is one of 18 selected states that have Cost of Living Adjustments for permanent disability cases.
- 22 states, including Ohio, contain specific offset provisions to limit aggregate benefits received from other sources.

The Deloitte Consulting team remains available to clarify or amplify any issues contained in this report.

Appendix A – Deliverable Matrix

Group 2 Study Elements

Ohio Benefit Structure
Award Categories <ol style="list-style-type: none">1) Compensation Types2) Benefit and Compensation Levels3) Number of Benefit Types

Pricing Process
Statewide Rate Level <ol style="list-style-type: none">1) Administrative Cost Calculation

Cost Controls
MCO Effectiveness
Medical Payments to Providers

Financial Provisions
Loss Reserves <ol style="list-style-type: none">1) Current Actuarial Audit Reserve Methodology2) Independent Review3) Expected Payments Established by Independent Actuarial Consultant4) Loss Reserve Margins and Discount Factor5) Performance Assessment Implications
Net Asset Level <ol style="list-style-type: none">1) Methods for Setting Net Asset Targets2) Risk Margins3) Disclosure
Excess Insurance and Reinsurance <ol style="list-style-type: none">1) Cost Effectiveness, Catastrophic Events, and Rate Stability

Ohio Benefit Structure Areas

Award Benefit Types	Tasks Involved
1) Compensation Types	23. Conduct a study of the benefits and compensation paid by the BWC compared to industry peers. This study would include an analysis of all compensation types and their application by the BWC.
2) Benefit and Compensation Levels	
3) Number of Benefit Types	

Pricing Process Areas

Statewide Rate Level	Tasks Involved
1) Administrative Cost Calculation	27. Conduct a study on the administrative cost calculation used in employer rates. This evaluation should include a review of the allocated and unallocated loss adjustment expenses of the BWC.

Cost Controls Areas

MCO Effectiveness	Tasks Involved
MCO Effectiveness	30. Conduct a study on the effectiveness 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.

Medical Payments to Providers	Tasks Involved
Medical Payments 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 BWC's medical payment structure in line with industry standards.

Financial Provisions Areas

Loss Reserves	Tasks Involved
1) Current Actuarial Audit Reserve Methodology	21. Review the actuarial audit reserves established by the BWC's independent actuarial consultant to establish objective quality management principles and methods by which to review the performance of the workers' compensation system.
2) Independent Review	
3) Expected Payments Established by Independent Actuarial Consultant	15. Evaluate the methodology and reasonability of the expected payments established by the BWC's independent actuarial consultant.
4) Loss Reserve Margins and Discount Factor	
5) Performance Assessment Implications	21. See above.
Net Asset Level	Tasks Involved
1) Methods for Setting Net Asset Targets	26. Conduct a study on the amount of surplus/net assets that should be held by the BWC. This study should compare the BWC to industry standards and recommend appropriate methods of setting target surplus for the BWC and the appropriate discount rate.
2) Risk Margins	
3) Disclosure	
Excess Insurance and Reinsurance	Tasks Involved
1) Cost Effectiveness, Catastrophic Events, and Rate Stability	31. Conduct an evaluation on the excess insurance or reinsurance requirements for the BWC including the need for excess coverage or reinsurance in the event of a catastrophic event. This evaluation should include the cost effectiveness of excess coverage or reinsurance, the ability of the BWC to handle a catastrophic event, and the stability in rates provided by excess insurance or reinsurance coverage. This study should include an evaluation of reinsurance requirements and a possible reinsurance program for the BWC.

Pricing Process Areas – continued

Ancillary Funds	Tasks Involved
1) Coal Workers Pneumoconiosis	7. Review and make written recommendations with regard to the Coal-Workers Pneumoconiosis Fund. This review would include a complete analysis of the rating program. This analysis should compare the methodology used in BWC's rating calculation to industry standards the actuarial standards of practice promulgated by the Actuarial Standards Board of the American Academy of Actuaries.
2) Marine Industry Fund	10. Review and make written recommendations with regard to the Marine Industry Fund. This analysis should compare the methodology used in 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.
3) Disabled Workers' Relief Fund	13. Review and make written recommendations with regard to the Disabled Workers' Relief Funds. This analysis would include a complete analysis of the funds including but not limited to the loss information, payroll information, and other rating calculations. This analysis should compare the methodology used in 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.

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