Workers' Compensation Oversight Commission

William E. Sopko, Chairman
President,
STAMCO Industries
representing state-fund employers

Thomas H. Bainbridge, Jr.
Partner,
Ward, Kaps, Bainbridge, Maurer & Melvin
representing injured workers

William A. Burga
President
Ohio AFL-CIO
representing organized labor

Mary Beth Carroll
Vice President,
FirstEnergy
representing self-insured employers

Michael C. Koetters
Retired Chief Investment Officer,
Wellpoint, Inc.
representing the public

Denise M. Farkas, CFA
Senior Vice President,
Spero Smith Investment Advisers
representing investments

Edwin McCausland, CFA
President,
Investment Perspectives, LLC
representing investments

Oversight Commission

Agenda
July 20, 2006
William Green Building, Second Floor, Room 3
11:00 a.m.

Chairman's comments.. William Sopko

Old business

Approval of previous meeting minutes .... William Sopko

New Business

Administrator's comments ....Bill Mabe

CFO Financial statement review ....Tracy Valentino

FY 07 projections..Tracy Valentino

Audit Committee update ....Denise Farkas

Investment Committee update...Mike Koetters

Wilshire asset liability proposal, first consideration, possible vote..................... .... Mark Brubaker

Rules

1. HPP Provider Certification Rule Changes (4123-6-02.2; 4123-6-02.21 {to be rescinded} 4123-6-02.21 {new}; 4123-6-02.51; 4123-6-02.9 OAC), second consideration, possible vote .... Dr. Greg Jewell

2. SB 7: HPP New Alternative Dispute Resolution (ADR) / C-9 Rules (4123-6-16; 4123-6-16.2 OAC), second consideration, possible vote .... Dr. Greg Jewell

Adjourn .... William Sopko

The next WCOC meeting is scheduled for:
August 24, 2006
William Green Building, Level 2, Room 3
11:00 A.M.

WORKERS' COMPENSATION OVERSIGHT COMMISSION

FRIDAY JUNE 16, 2006, 11:00 A.M.
WILLIAM GREEN BUILDING
THE NEIL SCHULTZ CONFERENCE CENTER
30 WEST SPRING ST., 2nd FLOOR (MEZZANINE)
COLUMBUS, OHIO 43215

Members Present:	Bill Sopko, Chairman
	Michael Koetters
	Mary Beth Carroll
	Thomas Bainbridge, Jr.
	William Burga
	Denise Farkas
	Representative Tim Schaffer
	Representative Timothy Cassell

Members Absent:	Edwin McCausland
	Senator Steve Stivers
	Senator Eric Fingerhut

ROLL CALL

Mr. Sopko called the meeting to order at 11:00 a.m. and the roll call was taken.

MINUTES OF MAY 25, 2005

Ms. Carroll moved that the minutes of May 25, 2006, be approved. Mr. Bainbridge seconded and the minutes were approved by a unanimous roll call vote.

CHAIRMAN'S COMMENTS

Mr. Sopko introduced Representative Timothy Cassell, new Ranking Minority Member of the Commerce and Labor Committee.

ADMINISTRATOR'S COMMENTS

William Mabe, BWC Administrator, reported on developments in Agenda 06. BWC has shown $170,000,000 in improvement in meeting its goals. These gains are primarily due to better collections, reduced medical payments, and improved claims management. Mr. Mabe reported that the Asset Liability Study of Wilshire Consulting is complete and he urged the Oversight Commission to approve an allocation policy at the next scheduled meeting on July 20.

CFO FINANCIAL STATEMENT REVIEW

Tracy Valentino, Chief Financial Officer, reported on the April financial statements. BWC has received $53 million more in revenue than it projected it would have. The reserve for doubtful accounts was lower. Operational expense declined by $48 million because of lower than expected medical payments and no payment of a dividend. Net investment income was less than projected because of the lower fair market value of the portfolio as a result of bond market weakness. In the statement of net assets, accounts receivable stands at $244 million. Receivables declined by $100 million from March to April because of collection of the second half of the premiums for the period July 1, 2005, to December 31, 2005, and because of better collections. The April operational report includes new graphs on receivables.

Mr. Bainbridge asked if part of increase in receivables is because of increased collections by the Attorney General. Ms. Valentino replied the report is only on BWC collections, not those of the Attorney General.

Ms. Valentino further reported on the statement of cash flows. Cash receipts from premiums are $22 million higher than projected. These receipts are $345 million more than in 2005, again because of no dividend and improved collections.

Ms. Farkas asked if the decline in receivables reflected any write-offs. Ms. Valentino replied that an additional year of activity leads to an increase in receivables, with no write-offs for uncollected accounts.

Ms. Valentino reported that on the report of insurance ratios. The expense ratio increased from 4% in 2005 to 6% in 2006 because of higher personnel expense. This includes the cost of the early retirement program and $4 million in outside attorney and investigator costs.

Mr. Koetters asked about the status of the budgets. Ms. Valentino reported these would be available in July.

AUDIT COMMITTEE REPORT

Ms. Farkas introduced Joe Bell, the new Chief of Internal Audit. She further reported that the Audit Committee had met this morning and heard two reports. Mr. Bell had reported on the risk assessment methodology used by the division and the development of the 2007 audit schedule. Also, there was an update on the Request for Proposal (RFP) for the 2005 external audit. BWC has changed the response date to July 19 so possible responders can complete their risk assessment.

INVESTMENT COMMITTEE REPORT—FIXED INCOME INVESTMENT BENCHMARK

Mr. Koetters reported that the Investment Committee is working on the Asset Liability Study and is expecting a report from Wilshire Consulting in July. The Investment Committee heard two reports, one on investment performance and another on the economic forecast.

INVESTMENT COMMITTEE REPORT—WILSHIRE APRIL MONTHLY FLASH REPORT

Julia Bonafede and Mark Brubaker, Wilshire Consulting, reported on the April Monthly Flash Report. Concerning international equities, this item includes cash and removing this item would make this class closer to zero in performance. Also, the BWC performance was better than the Lehman Aggregate Index and the markets. The International Equity allocation percentage for April 30 (0.67%) included cash and receivables and this category would be negligible if cash/receivables were removed.

INVESTMENT COMMITTEE REPORT—ANNUAL ECONOMIC REVIEW

Mr. Koetters stated that an Economic Review would be a regular annual presentation near the beginning of each new fiscal year.

Anthony Karydakis, JPMorgan Chase economist, predicted that there would be a downshift in economic growth. Among the highlights, tight labor markets would lead to growth in wages and benefits. Also, the medical consumer price index is predicted to have less growth than in the earlier part of the decade. There will be production gains and increases in corporate profits. He predicts the Federal Reserve will increase interest rates again on June 29 to discourage inflation. Treasury note yield increases should level off.

Mr. Sopko asked if BWC can expect an increase in premiums because of wage increases, but if the medical CPI increases, then what should be the strategy. Mr. Karydakis stated BWC can choose to raise premiums or cut costs. Ms. Farkas asked for an overall prediction. Mr. Karydakis replied that the United States has a resilient economy and growth would continue.

RULES/RESOLUTION FOR SECOND CONSIDERATION: SENATE BILL 7 RULES, $5,000 MEDICAL-ONLY PROGRAM, OHIO ADMINISTRATIVE CODE RULE 4123-17-59

With respect to the approval of rules today, Mr. Sopko stated that the fraud rule had been removed from the agenda.

Tom Sico, Director of Legal Operations, recommended amendment of Ohio Administrative Code Rule 4123-17-59 on the medical-only program. Am. Sub Senate Bill No. 7 (SB 7) required increase of the program from $1,000 to $5,000. BWC received no public comments since the May meeting. This rule will not be subject to the proposed referendum on SB 7 for which petitions will be filed with the Ohio Secretary of State.

Mr. Bainbridge moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-21 relating to rules on the Five Thousand Dollar Medical-Only Program. The resolution consents to the Administrator amending Rule 4123-17-59 of the Administrative Code as presented today. Mr. Burga seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR SECOND CONSIDERATION: SENATE BILL 7 RULES, CONTINUING JURISDICTION, OHIO ADMINISTRATIVE CODE RULES 4123-6-23 & 4123-07-01

Mr. Sico reported that the SB 7 provision changing the statutes of limitation for filing for additional benefits will be subject to the referendum. BWC met with some parties, but the comments were neutral.

Mr. Sopko asked what will be the impact of the referendum. Mr. Sico reported that June 30 is the effective date of SB 7. If a petition is filed with the Secretary of State to challenge the rule and if the rule is not affected by the referendum, then BWC will move forward. If a rule is affected, BWC will pull the rule from the process.

Mr. Sopko moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-22 relating to rules on the continuing jurisdiction to pay medical bills. The resolution consents to the Administrator amending Rules 4123-6-32 and 4123-7-01 as presented today. Ms. Carroll seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR SECOND CONSIDERATION: HOSPITAL IN-PATIENT REIMBURSEMENT RULE, OHIO ADMINISTRATIVE CODE RULES 4123-6-37.1

Dr. Greg Jewell, Chief Medical Officer, recommended amendment to the rule on hospital in-patient reimbursement Ohio Administrative Code Rule 4123-6-37.1. There has been one change since the first reading at the May meeting. A Managed Care Organization (MCO) can negotiate rates, which is consistent with past practice. BWC received only two comments from the public. The Ohio Hospital Association is opposed to the rule and urges negotiation of rates. Other states use a Medicare cost plus method. Maryland and Tennessee recently adopted a formula. California and West Virginia also use Medicare cost plus. A second comment was made by District 1199, Service Employees International Union, which supports use of Medicare cost plus.

Mr. Burga stated that District 1199 performed a recent study of hospital costs of BWC. He thanked District 1199 for the study and its support of the rule change.

Mr. Bainbridge asked how self-insuring employers are affected by the change. Dr. Jewell replied that self-insurers generally negotiate their own rates. Mr. Bainbridge asked how the amendments affect MCOs. Dr. Jewell replied that MCOs have had the opportunity in the original Health Care Partnership Program (HPP) to negotiate rates. This provision was rarely used and MCOs generally use the state rates. Mr. Bainbridge asked if Ohio consistent with other states. Dr. Jewell replied most states use some form of Medicare plus cost; the rates vary.

Ms. Carroll asked what the comments of the Hospital Association were. Dr. Jewell replied that the Hospital Association wants to continue the former system and permit MCOs to negotiate. BWC will meet with the Hospital Association on June 24 to discuss the issue.

Mr. Burga asked what self-insurers do. Dave Boyd, Director, Self-Insured Department, reported that self-insuring employers choose to pay at BWC rates or negotiate a rate that is higher or lower. BWC does not know the details for employers, but has access to records during audits. Mr. Burga asked if MCO negotiated rates are available and Dr. Jewell responded audit information is available.

Mr. Burga requested that the minutes show that BWC should track what is negotiated by MCOs and self-insurers.

Mr. Bainbridge asked if the meeting with the Hospital Association will have an impact on the rule. Mr. Sico replied that BWC plans to file the rule on June 19 and hold a hearing thirty-five days later. Comments from the meeting may affect the version of the rule which emerges from the Joint Committee on Agency Rule Review (JCARR).

Ms. Carroll asked if the vote could be postponed to allow for stakeholder dialogue from both sides of the issue. Mr. Sico replied that the rule arose because of a suit begun by the Hospital Association against a proposed change of reimbursement policy. The Franklin County Court of Common Pleas ruled that BWC could not change the policy without a rule. BWC needs to move forward to address the issue. Mr. Mabe also stated that BWC is not likely to get comments from the Hospital Association that change the rule. Dr. Jewell stated BWC would be taking comments by the Hospital Association on procedures and issues on implementation will be addressed.

Mr. Burga moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-23 relating to rules on the reimbursement of in-patient hospital bills. The resolution consents to the Administrator adopting Rule 4123-6-37.1 of the Administrative Code as presented today. Mr. Koetters seconded. The motion was approved a vote of four ayes by Mr. Sopko, Mr. Koetters, Mr. Bainbridge, and Mr. Burga and one nay by Ms. Carroll.

RULES/RESOLUTION FOR SECOND CONSIDERATION: PAYMENT FOR MEDICAL SUPPLIES, OHIO ADMINISTRATIVE CODE RULES 4123-6-25 & 4123-7-03

Dr. Jewell stated that Ohio Administrative Code Rule 4123-6-25 is being updated to reflect statutory and policy changes on the treatment of conditions not related to the industrial injury. BWC has not received comments from the public.

Ms. Carroll moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-24 relating to rules on the payment of medical supplies in the Health Partnership Program and for self-insured employers. The resolution consents to the Administrator adopting Rules 4123-6-34 and 4123-7-03 of the Administrative Code as presented today. Mr. Bainbridge seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR FIRST CONSIDERATION: SENATE BILL 7 RULES, LUMP SUM SETTLEMENTS, OHIO ADMINISTRATIVE CODE RULE 4123-3-34

Mr. Sico reported that SB 7 changed requirements in settling workers' compensation claims without the signatures of employers. The old rule was that the employer was either no longer in business or no longer doing business in Ohio. The new requirements are that the employer is no longer in business; the claim is outside of the employer’s experience; or the employer is noncomplying. The rule was last updated seven years ago.

Mr. Koetters moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-25 relating to rules on the settlement of workers' compensation claims. The resolution consents to the Administrator adopting Rule 4123-3-34 as presented today. Ms. Carroll seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR FIRST CONSIDERATION: SENATE BILL 7 RULES, ALTERNATIVE DISPUTE RESOLUTION, OHIO ADMINISTRATIVE CODE RULES 4123-6-16 & 4123-6-16.2

Mr. Sico reported that changes to these rules are made as part of amendments in SB 7 requiring substantial aggravation of an existing condition and are affected by the proposed referendum. Dr. Jewell reported that Ohio Administrative Code Rule 4123-6-16(F) has been added on allowance of pre-existing conditions by way of substantial aggravation. New paragraph (G) is added to permit the MCO to refer a dispute directly to BWC for an order. In addition, BWC proposes a new rule on processing of medical treatment reimbursement requests submitted via Form C-9, Ohio Administrative Code Rule 4123-16-16.2. The rule requires submission of requests by the provider prior to initiating non-emergency treatment; requires evaluation of the request by the MCO using the three criteria of the *Miller* case; provides that claims which have been inactive for thirteen months will be processed in accordance with Ohio Administrative Code Rule 4123-3-15; provides for grounds for dismissal of treatment requests without prejudice; and requires notice by the MCO for discontinuing reimbursement for ineffective treatment.

Mr. Sopko tabled the rule at the request of Mr. Bainbridge and because this is the first reading of the rule.

RULES/RESOLUTION FOR FIRST CONSIDERATION: SENATE BILL 7 RULES, EMPLOYER PREMIUM PENALTIES, OHIO ADMINISTRATIVE CODE RULE 4123-19-07

Mr. Sico reported that BWC is updating penalties for late payment of premiums to the State Insurance Fund. The change is from a percentage added for each month of payment to one using the prime interest rate. The change required by SB 7 and is not included in the referendum. The amendments to the rule also clean up language by replacing “risk” with “employer” wherever the former term was used. Paragraph (E) has a new provision on the semi-annual selection of the prime rate.

Mr. Sopko asked how the changes will be communicated to employers. Mr. Sico stated the changes will be communicated, but was not sure how the changes would appear on the payroll report form.

Mr. Sopko moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-27 relating to rules on employer premium penalties for late payment of premiums. The resolution consents to the Administrator adopting Rule 4123-19-07 of the Administrative Code as presented today. Mr. Koetters seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR FIRST CONSIDERATION: SENATE BILL 7 RULES, SELF-INSURED SURPLUS OPT-OUT AND ASSESSMENT PENALTIES, OHIO ADMINISTRATIVE CODE RULE 4123-17-32

Mr. Sico reported that he would be discussing the substantive changes of Ohio Administrative Code Rule 4123-17-32 required by SB 7. Assessment rate changes are a later agenda item. SB 7 adds late payment penalties for self-insuring employers. These are similar to penalties for late payment of premiums in the State Insurance Fund, using the prime interest rate. The $500 initial late fee is from SB 7.

A second portion of the rule enables self-insuring employers to opt-out of participation from *Sysco* reimbursement. In the *Sysco* case, the Ohio Supreme Court held that self-insuring employers are entitled to reimbursement for overpayments in workers' compensation claims. SB 7 permits employers to opt-out of reimbursement and to be assessed a lower surplus fund assessment. This opt-out is similar to prior opt-outs for handicap reimbursement and rehabilitation programs. Currently, no self-insuring employer participates in handicap relief and only five participate in rehabilitation.

Ms. Carroll stated that the rule has the strong support of self-insuring employers. Mr. Boyd stated the amendment follows the principle of employers bearing their own costs.

RULES/RESOLUTION FOR FIRST CONSIDERATION: BLACK LUNG AND MARINE FUND SAFETY GRANTS, OHIO ADMINISTRATIVE CODE RULE 4123-17-56

Tina Kielmeyer and Carol Morrison, Program Coordinator, Safety and Hygiene, reported the safety grants program for employers in the Black Lung Fund and the Marine Industry Fund. In 1999, BWC adopted a program that award safety grants to employers. BWC is now requesting expansion of the program to the Black Lung and Marine Industry Funds. There is a national crisis on mine safety. Governor Taft has appointed a task force to make recommendations for mine safety and emergency response. In conjunction with that initiative, BWC is proposing to make mine safety grants available to eligible mine employers. BWC will set aside $5 million from the Black Lung Fund for the thirty-four employers who participate as subscribers. The grant monies can be used to purchase mine safety equipment that is geared reduce worker exposure to coal dust. BWC will prepare a program for the Marine Fund in the future.

Ms. Morrison reported that obsolete language has been removed from the rule on safety incentives. Paragraphs (A) through (I) of the rule are unchanged. Paragraph (J) contains the new provision.

Mr. Sopko/Koetters asked if the Funds have adequate funding for safety grants. Ms. Kielmeyer reported that the Black Lung has $163 million in net assets and as of June 2005 there were $61.5 million in reserves.

Mr. Burga asked what the maximum grant per employer will be. Ms. Kielmeyer replied that the grant limit is $135,000 and is the maximum per employer. Ohio has eleven underground coals mines and the program also applies to above-ground coal operations and other coal related occupations such as mine construction and coal transportation.

Mr. Burga moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-28 relating to rules on employer safety grants for coal and marine industry employers. The resolution consents to the Administrator adopting Rule 4123-17-56 of the Administrative Code as presented today. Mr. Koetters seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR FIRST CONSIDERATION: 50/50 PAYMENT PROGRAM, OHIO ADMINISTRATIVE CODE RULE 4123-17-14.2

Ms. Valentino reported that BWC had operated a 50/50 premium payment policy for several years for those payroll periods when there was no dividend. BWC has determined it would be more appropriate as a rule in order to enforce requirements for participation. The rule requires a web-site report and payment of premiums. The second payment must also be online. The first payment must be made by February 28 and August 31; the second payment must be before May 1 and November 1. This will avoid requiring that employers mail reports and avoid certification to the Attorney General.

Mr. Bainbridge asked how many employers this affected. Ms. Valentino replied that 12,000 employers currently participate, out of a total of 280,000 in the State Insurance Fund.

Mr. Bainbridge moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-29 relating to rules on the BWC Fifty-Fifty Payment Plan program. The resolution consents to the Administrator adopting Rule 4123-17-14.2 of the Administrative Code as presented today. Ms. Carroll seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR FIRST CONSIDERATION: CLASSIFICATION OF INDUSTRIES, NCCI RULE CHANGE, OHIO ADMINISTRATIVE CODE RULE 4123-17-04

Michael Glass, Director, Employer Compliance, recommended multiple manual changes based upon revisions through item filings of the National Council on Compensation Insurance (NCCI). Some changes involve combining one manual into another because of changes in the industry operations.

Mr. Burga asked if combinations of manuals lead to changes in premium rates. Mr. Glass replied that all manuals will have different rates because of the manual changes and that these changes are included in the new premium rates.

Representative Schaffer asked whether the changes impact employers or the State Insurance Fund. Mr. Glass replied the changes are revenue neutral for the State Insurance Fund. However, employer rates will also change because of reported payroll and safety records.

Ms. Carroll asked if the changes are required by the Ohio Revised Code. Mr. Glass answered this was true, except for employers who were state and local government agencies. Mr. Sico added that the manuals are provided by NCCI.

Mr. Burga asked what would be the impact if the Oversight Commission did not approve the manual changes. Mr. Sico replied that the rate rules for the coming policy year had already been written. Ms. Valentino added that no changes could be made for another year if not approved today for the next policy year.

Mr. Koetters asked how the rules were revenue neutral. Ms. Valentino replied that employer rates are derived from the NCCI manuals, safety experience, and base rate changes in order to obtain the amount projected to be paid for the policy year’s workers' compensation claims.

Mr. Sico added that the NCCI manual descriptions are forty pages long and 98% contain no changes. NCCI had made no changes in recent years, 2001 being the last change. In the event of a large rate change, BWC has a long-standing policy of limiting any change in base rates to an increase or decrease of more than 30%.

Representative Schaffer asked if NCCI consults with the business community prior to making changes. Mr. Glass answered that NCCI consults with insurance carriers, state agencies, and employers. Representative Schaffer asked how many employers these changes affect. Mr. Glass stated he was not sure but will research that information for the Oversight Commission.

Mr. Bainbridge moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-30 relating to rules on the classifications of industries under the NCCI classifications as required by Ohio Revised Code §4123.29. The resolution consents to the Administrator adopting Rule 4123-17-04 of the Administrative Code as presented today. Mr. Sopko seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR FIRST CONSIDERATION: PRIVATE EMPLOYER RATES, OHIO ADMINISTRATIVE CODE RULES 4123-17-05 & 4123-17-06

Liz Bravender, Actuarial Director, recommended approval of Ohio Administrative Code Rules on base rates which were changed because of the 3.9 % rate indication adopted at the May Oversight Commission meeting. Each base rate is calculated individually. Individual manuals may increase, decrease, or remain the same. Ohio Administrative Code Rule 4123-17-05 includes the three credibility tables. BWC anticipates payment of $1.6 billion in premiums based upon $88.4 billion in reported payroll. Ohio Administrative Code Rule 4123-17-06 includes the base rates. The executive summary includes the history of past rates.

Mr. Burga asked if the rates include the Administrative Cost Fund (ACF) rates for BWC and the Industrial Commission. Ms. Valentino replied the ACF would be in a separate rule report.

Mr. Koetters moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-31 relating to the private employer rating rules for the policy year beginning July 1, 2006, and ending June 30, 2007. The resolutions consents to the Administrator adopting Rules 4123-17-05 and 4123-17-06 of the Administrative Code as presented today. Mr. Burga seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR FIRST CONSIDERATION: ADMINISTRATIVE COST FUND ASSESSMENT, OHIO ADMINISTRATIVE CODE RULE 4123-17-36

Ms. Valentino described the process of calculating the ACF rate and apportionment to the different employer groups. One factor is that BWC is restricted to keeping cash balances of limited size. The ACF is assessed against private employers and government agency employers by payroll and against self-insuring employers by paid compensation. The reason for change is that in recent years costs remained stable. However, a 4% increase for each group is needed to maintain the necessary cash balance.

Ms. Carroll asked to compare the 3.9% increase in base rates to the 4% ACF increase. Ms. Valentino replied that the ACF increase is in addition to the premium increase.

Mr. Sopko asked how affected by the July 1 raise for bargaining unit employees. Ms. Valentino replied that BWC must absorb the increase in the budget.

Mr. Koetters asked about the higher rates of public agency employers. Ms. Valentino replied these rates are higher because BWC uses more safety programs than private employers.

Representative Schaffer asked how often is the rent of the William Green Building increased. Ms. Valentino replied that the WGB was refinanced several years ago and BWC chose to take relief from payment up front. BWC has about ten more years to pay.

Ms. Valentino further reported that the Industrial Commission rate was prepared by BWC using Industrial Commission work-load studies and BWC methodology. The rate changes and costs are similar to those of BWC.

Mr. Sopko stated that Industrial Commission changes for employer groups are greater than 4%. Ms. Valentino replied that the Industrial Commission has a smaller budget, so changes in its budget have a greater impact on rates.

Mr. Koetters asked what is the impact of Agenda 06 on the ACF. Ms. Valentino replied that Agenda 06 savings are in the State Insurance Fund, not the ACF. Mr. Koetters asked if BWC measures its costs against private insurers. Ms. Valentino replied that BWC has tried to benchmark its costs to the industry. However, this is difficult because of the combination of operational and overhead budgets by private insurers and the need to pay dividends. Mr. Koetters asked when the benchmark study will be complete. Ms. Valentino replied it will be several months in the future, after several other BWC projects.

Mr. Sopko moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-32 relating to rules on Administrative Cost Fund assessments for employers. The resolution consents to the administrator adopting Rule 4123-17-36 of the Administrative Code as presented here today. Ms. Carroll seconded and the motion was approved by unanimous roll call vote.

RULES/RESOLUTION FOR FIRST CONSIDERATION: SELF-INSURED ASSESSMENTS, OHIO ADMINISTRATIVE CODE RULE 4123-17-32

Ms. Bravender recommended no change to the Mandatory Surplus Fund, the Self-Insured Employers Guaranty Fund (SIEGF), the Safety and Hygiene Fund, the Optional Surplus Fund for rehabilitation, and the Optional Surplus Fund for handicap assessments of self-insuring employers. The Mandatory Surplus Fund assessment is used to pay only the costs of bankrupt self-insured claims with injury dates prior to 1987 and for specific medical costs such as exams and prostheses. The SIEFG is used to pay for the cost of bankrupt self-insured employer claims with injury dates after 1986 and for the costs of Disabled Workers’ Relief Fund payments on all bankrupt self-insured employer claims with any injury date. The Safety and Hygiene Fund rate is unchanged. The assessment for disallowed claims reimbursement is new. The new rate is computed on recent years’ participation in reimbursement and is set at $0.036 per dollar of reported compensation. The ACF rate for BWC was raised from $0.079 per dollar of reported compensation to $0.0822. The ACF assessment for the Industrial Commission was raised from $0.0666 per one dollar of reported compensation to $0.0726.

Ms. Carroll moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 06-33 relating to rules on self-insured employer assessments. The resolution consents to the Administrator adopting Rule 4123-17-32 of the Administrative Code as presented today. Mr. Burga seconded and the motion was approved by unanimous roll call vote.

OLD BUSINESS: ACTUARIAL COMMITTEE

Mr. Sopko reported that a draft of a charter and policies for an Actuarial Committee has been prepared by BWC staff and reviewed by him and others. The formation of the committee will be an item of discussion in future meetings of the Oversight Commission.

ADJOURNMENT

It was moved and seconded that the meeting be adjourned and the meeting was adjourned by Mr. Sopko.

Prepared by: Larry Rhodebeck, BWC Attorney
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July 12, 2006

July '06

Financial and Operational Report

Ohio Bureau of Workers' Compensation

From the Administrator

Five months into Agenda '06, I am proud to say the Ohio Bureau of Workers' Compensation (BWC) is almost halfway to its goal. Thus far, we have generated $204.2 million in savings relative to our overall goal of $424 million. Additionally, our trade combined ratio now stands at 108, which is the best it has been all year.

While discussions continue over the appropriate asset allocation for BWC's investment portfolio, there has been an increase of over $85 million in interest income through May 2006 compared to the first five months of 2005. This increase can be attributed to being invested in a bond index fund.

BWC has seen improvements in other areas of business as well. For May, the bureau's collections are up over $45 million compared to the same month a year ago. The overall net accounts receivable balance has decreased over $75 million from just a month ago due to the fact that employers are participating in the 50/50 payment offering.

For the 2006 fiscal year, we exceeded our subrogation goal by collecting over $7.1 million through the month of May. BWC has more than doubled its subrogation collections from fiscal year 2005.

For the fifth straight month, we've seen a decline in overall medical costs. Also, with the Workers' Compensation's Oversight Commission's unanimous passage of an inpatient hospital reimbursement rule last month, we fully expect to achieve additional savings if the rule is adopted by the Joint Commission on Agency Rule Review.

While most of the news continues to be good at BWC, some challenges linger on the horizon. Because Senate Bill 7 likely will end up on the ballot this fall, we will not begin to realize savings from the majority of those statutes until next year, if at all.

Additionally, I still remain committed to further diversifying the portfolio to allow for some exposure in equities; such a move will lower risk while likely boosting returns. With the Federal Reserve continuing to raise interest rates, we have seen a steady erosion of our surplus because of unrealized losses; currently, the surplus stands at $666 million, down from nearly $1.1 billion at the end of January.

I know that we all have a long way to go, but the employers and injured workers should be encouraged by the progress that has been made. Not only are we achieving tremendous savings, we're also making steady progress in helping to reduce claims, which are down nearly nine percent relative to last year. We understand that each step we take will improve the lives of Ohio's working men and women and the businesses that employ them, and we're committed to doing the job.

WMabe

William Mabe
Administrator / CEO

Statement of Operations

July 1, 2005 - May 31, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Total Operating Revenues	$ 1,955	$ 1,926	$ 29	$ 2,151	$ (196)
Total Operating Expenses	2,758	2,814	56	3,081	(323)
Net Operating Gain (Loss)	(803)	(888)	85	(930)	127
Net Investment Income	747	1,010	(263)	852	(105)
Increase (Decrease) in Net Assets	(56)	122	(178)	(78)	22
Net Assets Beginning of Period	722	722	–	861	(139)
Net Assets End of Period	$ 666	$ 844	$ (178)	$ 783	$ (117)

Statement of Operations

July 1, 2005 - May 31, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	$ 2,001	$ 1,993	$ 8	$ 2,171	$ (170)
Provision for Uncollectibles	(61)	(78)	17	(32)	(29)
Other Income	15	11	4	12	3
Total Operating Revenue	1,955	1,926	29	2,151	(196)
Operating Expenses					
Benefits & Compensation Adj. Expense	2,622	2,665	43	2,744	(122)
Other Expenses	136	149	13	337	(201)
Total Operating Expenses	2,758	2,814	56	3,081	(323)
Net Operating Gain (Loss)	(803)	(888)	85	(930)	127
Investment Income					
Interest and dividend income	622	595	27	490	132
Realized & unrealized capital gains (losses)	159	451	(292)	399	(240)
Investment manager and operational fees	(34)	(36)	2	(42)	8
Gain (loss) on disposal of fixed assets	–	–	–	5	(5)
Net Investment Income	747	1,010	(263)	852	(105)
Increase (Decrease) in Net Assets	(56)	122	(178)	(78)	22
Net Assets Beginning of Period	722	722	–	861	(139)
Net Assets End of Period	$ 666	$ 844	$ (178)	$ 783	$ (117)

Statement of Operations

Month ending May 31, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	$ 188	$ 191	$ (3)	$ 196	$ (8)
Provision for Uncollectibles	(22)	(2)	(20)	(2)	(20)
Other Income	–	1	(1)	(1)	1
Total Operating Revenue	166	190	(24)	193	(27)
Operating Expenses					
Benefits & Compensation Adj. Expense	250	257	7	258	(8)
Other Expenses	13	15	2	9	4
Total Operating Expenses	263	272	9	267	(4)
Net Operating Gain (Loss)	(97)	(82)	(15)	(74)	(23)
Investment Income					
Interest and dividend income	71	77	(6)	51	20
Realized & unrealized capital gains (losses)	(87)	(85)	(2)	228	(315)
Investment manager and operational fees	(1)	(1)	–	(4)	3
Net Investment Income	(17)	(9)	(8)	275	(292)
Increase (Decrease) in Net Assets	(114)	(91)	(23)	201	(315)
Net Assets Beginning of Period	780	935	(155)	582	198
Net Assets End of Period	$ 666	$ 844	$ (178)	$ 783	$ (117)

Statement of Net Assets

Month ending May 31, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Assets					
Total Cash and Investments	$ 16,252	$ 16,513	$ (261)	$ 15,656	$ 596
Accrued Premiums	2,137	2,156	(19)	2,356	(219)
Other Accounts Receivable	166	179	(13)	178	(12)
Investment Receivables	138	36	102	64	74
Other Assets	127	125	2	124	3
Total Assets	$ 18,820	$ 19,009	$ (189)	$ 18,378	$ 442
Liabilities					
Reserve for Compensation and Compensation Adj. Expense	$ 17,416	$ 17,416	$ –	$ 16,912	$ 504
Accounts Payable	41	48	7	40	1
Investment Payables	–	–	–	–	–
Other Liabilities	697	701	4	643	54
Total Liabilities	18,154	18,165	11	17,595	559
Net Assets	$ 666	$ 844	$ (178)	$ 783	$ (117)

Statement of Cash Flows

July 1, 2005 – May 31, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Cash flows from operating activities:					
Cash receipts from premiums	$ 2,289	$ 2,274	$ 15	$ 1,857	$ 432
Cash receipts – other	26	20	6	19	7
Cash disbursements for claims	(1,921)	(1,991)	70	(1,960)	39
Cash disbursements for other	(392)	(399)	7	(372)	(20)
Net cash provided (used) by operating activities	2	(96)	98	(456)	458
Net cash flows from capital and related financing activities	(23)	(25)	2	3	(26)
Net cash provided (used) by investing activities	(884)	(801)	(83)	416	(1,300)
Net increase (decrease) in cash and cash equivalents	(905)	(922)	17	(37)	(868)
Cash and cash equivalents, beginning of period	1,283	1,283	–	1,618	(335)
Cash and cash equivalents, end of period	$ 378	$ 361	$ 17	$ 1,581	$ (1,203)

Statement of Cash Flows

Month ending May 31, 2006

(in millions)	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Cash flows from operating activities:					
Cash receipts from premiums	$ 224	$ 232	$ (8)	$ 137	$ 87
Cash receipts – other	3	1	2	2	1
Cash disbursements for claims	(187)	(205)	18	(183)	(4)
Cash disbursements for other	(31)	(35)	4	(33)	2
Net cash provided (used) by operating activities	9	(7)	16	(77)	86
Net cash flows from capital and related financing activities	(1)	(1)	–	–	(1)
Net cash provided (used) by investing activities	(78)	(3)	(75)	21	(99)
Net increase (decrease) in cash and cash equivalents	(70)	(11)	(59)	(56)	(14)
Cash and cash equivalents, beginning of period	448	372	76	1,637	(1,189)
Cash and cash equivalents, end of period	$ 378	$ 361	$ 17	$ 1,581	$ (1,203)

Statement of Investment Income

July 1, 2005 – May 31, 2006

	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Interest Income					
Bond Interest	$ 478,190,332	$ 477,887,556	$ 302,776	$ 326,104,832	$ 152,085,500
Dividend Income (Dom & Int'l)	58,711,426	42,174,551	16,536,875	109,477,953	(50,766,527)
Money Market/ Commercial Paper Income	52,693,332	38,759,374	13,933,958	22,513,658	30,179,674
Misc. Income (Corp actions, etc.)	20,907,449	22,213,077	(1,305,628)	2,661,619	18,245,830
Private Equity	6,836,522	7,001,132	(164,610)	24,129,490	(17,292,968)
Net Securities Lending Income	4,447,672	5,175,144	(727,472)	4,672,299	(224,627)
Total Interest Income	621,786,733	593,210,834	28,575,899	489,559,851	132,226,882
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	1,456,340,200	1,290,399,379	165,940,821	368,653,104	1,087,687,096
Net realized gain (loss) - Bonds	(226,059,731)	31,564,976	(257,624,707)	106,990,517	(333,050,248)
Net gain (loss) - PE	15,326,931	20,223,687	(4,896,756)	(157,630,633)	172,957,564
Unrealized gain (loss) - Stocks (Dom & Int'l)	(689,525,560)	(685,976,850)	(3,548,710)	50,759,549	(740,285,109)
Unrealized gain (loss) - Bonds	(397,099,706)	(203,647,588)	(193,452,118)	30,635,886	(427,735,592)
Change in Portfolio Value	158,982,134	452,563,604	(293,581,470)	399,408,423	(240,426,289)
Investment Expenses-Manager & Operational Fees	(33,689,496)	(36,005,515)	2,316,019	(41,589,151)	7,899,655
Total Investment Income	$ 747,079,371	$1,009,768,923	$(262,689,552)	$ 847,379,123	$(100,299,752)

Statement of Investment Income

Month ending May 31, 2006

	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Interest Income					
Bond Interest	$ 68,388,302	$ 70,000,000	$ (1,611,698)	$ 30,732,248	$ 37,656,054
Dividend Income (Dom & Int'l)	(71,808)	–	(71,808)	13,814,312	(13,886,120)
Money Market/ Commercial Paper Income	1,552,788	5,000,000	(3,447,212)	2,842,798	(1,290,010)
Misc. Income (Corp actions, etc.)	28,826	500,000	(471,174)	(2,212)	31,038
Private Equity	531,711	500,000	31,711	4,061,656	(3,529,945)
Net Securities Lending Income	488,765	500,000	(11,235)	593,282	(104,517)
Total Interest Income	70,918,584	76,500,000	(5,581,416)	52,042,084	18,876,500
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	(286,013)	–	(286,013)	22,458,285	(22,744,298)
Net realized gain (loss) - Bonds	(277,869)	–	(277,869)	8,938,709	(9,216,578)
Net gain (loss) - PE	573,040	500,000	73,040	19,695,974	(19,122,934)
Unrealized gain (loss) - Stocks (Dom & Int'l)	100,595	–	100,595	145,560,641	(145,460,046)
Unrealized gain (loss) - Bonds	(86,843,642)	(85,000,000)	(1,843,642)	31,635,200	(118,478,842)
Change in Portfolio Value	(86,733,889)	(84,500,000)	(2,233,889)	228,288,809	(315,022,698)
Investment Expenses-Manager & Operational Fees	(932,552)	(1,405,438)	472,886	(4,744,477)	3,811,925
Total Investment Income	$ (16,747,857)	$ (9,405,438)	$ (7,342,419)	$ 275,586,416	$(292,334,273)

Projected Statement of Operations

Month ending May 31, 2006

(in millions)	Six Months Actual Dec. 31, 2005	Actual Jan. 31, 2006	Actual Feb. 28, 2006	Actual Mar. 31, 2006	Quarter Ended Mar. 31, 2006
Total Operating Revenues	$ 1,033	$ 193	$ 187	$ 197	$ 577
Total Operating Expenses	1,494	251	257	259	767
Net Operating Gain (Loss)	(461)	(58)	(70)	(62)	(190)
Net Investment Income	665	234	33	(146)	121
Increase (Decrease) In Net Assets	204	176	(37)	(208)	(69)
Net Assets Beginning of Period	722	926	1,102	1,065	926
Net Assets End of Period	$ 926	$ 1,102	$ 1,065	$ 857	$ 857

(in millions)	Actual Apr. 30, 2006	Actual May 31, 2006	Projected June 30, 2006	Quarter Projected June 30, 2006	Fiscal Yr. Projected June 30, 2006
Total Operating Revenues	$ 179	$ 166	$ 157	$ 502	$ 2,112
Total Operating Expenses	234	263	265	762	3,023
Net Operating Gain (Loss)	(55)	(97)	(108)	(260)	(911)
Net Investment Income	(22)	(17)	(21)	(60)	726
Increase (Decrease) In Net Assets	(77)	(114)	(129)	(320)	(185)
Net Assets Beginning of Period	857	780	666	857	722
Net Assets End of Period	$ 780	$ 666	$ 537	$ 537	$ 537

Projected Statement of Cash Flows

Month ending April 30, 2006

(in millions)	Six Months Actual Dec. 31, 2005	Actual Jan. 31, 2006	Actual Feb. 28, 2006	Actual Mar. 31, 2006	Quarter Ended Mar. 31, 2006
Cash flows from operating activities:					
Cash receipts from premiums	$ 1,018	$ 187	$ 528	$ 169	$ 884
Cash receipts – other	14	2	1	5	8
Cash disbursements for claims	(1,047)	(158)	(187)	(189)	(534)
Cash disbursements for other	(213)	(44)	(30)	(39)	(113)
Net cash provided (used) by operating activities	(228)	(13)	312	(54)	245
Net cash flows from capital and related financing activities	(6)	–	–	(16)	(16)
Net cash provided (used) by investing activities	(119)	2,000	(391)	(2,304)	(695)
Net increase (decrease) in cash and cash equivalents	(353)	1,987	(79)	(2,374)	(466)
Cash and cash equivalents, beginning of period	1,283	930	2,917	2,838	930
Cash and cash equivalents, end of period	$ 930	$ 2,917	$ 2,838	$ 464	$ 464

(in millions)	Actual Apr. 30, 2006	Actual May 31, 2006	Projected June 30, 2006	Quarter Projected June 30, 2006	Fiscal Yr. Projected June 30, 2006
Cash flows from operating activities:					
Cash receipts from premiums	$ 162	$ 224	$ 62	$ 448	$ 2,350
Cash receipts – other	2	3	1	6	28
Cash disbursements for claims	(153)	(187)	(216)	(556)	(2,137)
Cash disbursements for other	(35)	(31)	(32)	(98)	(424)
Net cash provided (used) by operating activities	(24)	9	(185)	(200)	(183)
Net cash flows from capital and related financing activities	–	(1)	(1)	(2)	(24)
Net cash provided (used) by investing activities	8	(78)	99	29	(785)
Net increase (decrease) in cash and cash equivalents	(16)	(70)	(87)	(173)	(992)
Cash and cash equivalents, beginning of period	464	448	378	464	1,283
Cash and cash equivalents, end of period	$ 448	$ 378	$ 291	$ 291	$ 291

Projected Statement of Investment Income

Month ending May 31, 2006

	Six Months Actual Dec. 31, 2005	Actual Jan. 31, 2006	Actual Feb. 28, 2006	Actual Mar. 31, 2006	Quarter Ended Mar. 31, 2006
Interest Income					
Bond Interest	$ 189,231,159	$ 38,478,149	$ 51,513,404	$ 62,745,302	$ 152,736,855
Dividend Income (Dom & Int'l)	48,900,906	6,616,271	1,603,558	1,416,745	9,636,574
Money Market/ Commercial Paper Income	27,698,701	3,630,933	5,094,486	9,336,126	18,061,545
Misc. Income (Corp actions, etc.)	20,148,281	200,204	226,345	290,572	717,121
Private Equity	4,108,144	5,519	–	2,247,450	2,252,969
Net Securities Lending Income	3,235,641	349,862	338,259	4,088,738	4,776,859
Total Interest Income	293,322,832	49,280,938	58,776,052	80,124,933	188,181,923
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	328,602,686	1,116,493,385	9,929,796	1,385,341	1,127,808,522
Net realized gain (loss) - Bonds	(47,941,218)	7,114,986	(60,235,280)	(124,390,161)	(177,510,455)
Net gain (loss) - PE	9,779,676	(55,989)	–	(549,841)	(605,830)
Unrealized gain (loss) - Stocks (Dom & Int'l)	218,332,853	(887,864,878)	(16,444,825)	(3,472,519)	(907,782,222)
Unrealized gain (loss) - Bonds	(115,716,757)	(51,018,788)	48,087,957	(97,062,563)	(99,993,394)
Change in Portfolio Value	393,057,240	184,668,716	(18,662,352)	(224,089,743)	(58,083,379)
Investment Expenses-Manager & Operational Fees	(21,782,050)	(28,005)	(6,622,534)	(2,190,480)	(8,841,019)
Total Investment Income	$ 664,598,022	$ 233,921,649	$ 33,491,166	$(146,155,290)	$ 121,257,525

	Actual Apr. 30, 2006	Actual May 31, 2006	Projected June 30, 2006	Quarter Projected June 30, 2006	Fiscal Yr. Projected June 30, 2006
Interest Income					
Bond Interest	$ 67,834,019	$ 68,388,302	$ 70,000,000	$ 206,222,321	$ 548,190,335
Dividend Income (Dom & Int'l)	245,756	(71,808)	–	173,948	58,711,428
Money Market/ Commercial Paper Income	5,380,298	1,552,788	5,000,000	11,933,086	57,693,332
Misc. Income (Corp actions, etc.)	13,221	28,826	500,000	542,047	21,407,449
Private Equity	(56,301)	531,711	1,000,000	1,475,410	7,836,523
Net Securities Lending Income	(4,053,596)	488,765	500,000	(3,064,831)	4,947,669
Total Interest Income	69,363,397	70,918,584	77,000,000	217,281,981	698,786,736
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	215,005	(286,013)	–	(71,008)	1,456,340,200
Net realized gain (loss) - Bonds	(330,188)	(277,869)	–	(608,057)	(226,059,730)
Net gain (loss) - PE	5,580,045	573,040	2,000,000	8,153,085	17,326,931
Unrealized gain (loss) - Stocks (Dom & Int'l)	(176,784)	100,595	–	(76,189)	(689,525,558)
Unrealized gain (loss) - Bonds	(94,545,915)	(86,843,642)	(100,000,000)	(281,389,557)	(497,099,708)
Change in Portfolio Value	(89,257,837)	(86,733,889)	(98,000,000)	(273,991,726)	60,982,135
Investment Expenses-Manager & Operational Fees	(2,133,877)	(932,552)	(155,438)	(3,221,867)	(33,844,936)
Total Investment Income	$ (22,028,317)	$ (16,747,857)	$ (21,155,438)	$ (59,931,612)	$ 725,923,935

Insurance Ratios

July 1, 2005 – May 31, 2006

	Actual FY06	Projected FY06	Actual FY05
Loss Ratio	110.71%	111.99%	106.4%
LAE Ratio	21.32%	22.63%	20.9%
Net Loss Ratio	132.03%	134.62%	127.3%
Expense Ratio	6.25%	6.57%	4.1%
Policyholder Dividend Ratio	-0.41%	0.00%	10.5%
Combined Ratio	137.87%	141.19%	141.9%
Net Investment Income Ratio	29.40%	28.05%	20.6%
Operating Ratio (Trade Ratio)	108.47%	113.14%	121.3%

	Actual FY06	Projected FY06	Actual FY05
Premiums to surplus	3.00	2.36	2.77
Assets to liabilities	1.04	1.05	1.04
Total reserves to surplus	26.15	20.64	21.60
Loss reserves to surplus	23.50	18.54	19.41
Investments to loss reserves	1.04	1.06	1.03
Cash + bonds to loss reserves	1.01	1.02	0.56
Cash % of total investments	2%	2%	10%
Bond % of total investments	95%	95%	44%
Equities % of total investments	0%	0%	40%
Equities as % of surplus	2%	0%	798%

Projected Insurance Ratios

Fiscal years 2001 – 2006

	Projected FY 2006	Preliminary FY05	FY04	FY03	FY02	FY01
Loss Ratio	110.99%	111.9%	96.7%	128.9%	105.6%	102.1%
LAE Ratio	20.93%	22.4%	17.4%	21.7%	18.6%	21.5%
Net Loss Ratio	131.92%	134.3%	114.2%	150.6%	124.2%	123.6%
Expense Ratio	6.29%	4.1%	5.1%	4.1%	4.0%	4.6%
Policyholder Dividend Ratio	-0.36%	10.6%	18.6%	28.7%	62.4%	80.4%
Combined Ratio	137.85%	149.0%	137.9%	183.4%	190.6%	208.6%
Net Investment Income Ratio	30.32%	22.8%	20.5%	23.9%	27.0%	41.5%
Operating Ratio (Trade Ratio)	107.53%	126.2%	117.3%	159.5%	163.6%	167.1%

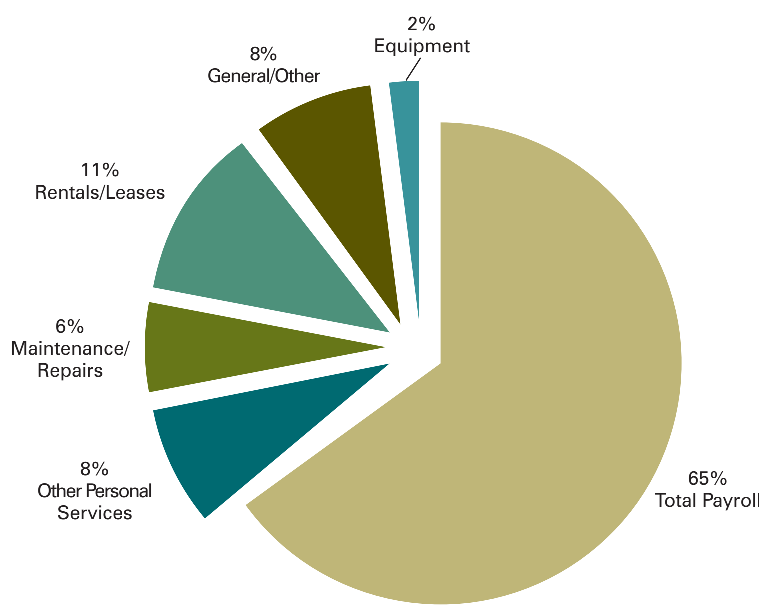
	Projected FY 2006	Preliminary FY05	FY04	FY03	FY02	FY01
Premiums to surplus	4.08	3.04	2.59	4.04	1.25	0.45
Assets to liabilities	1.03	1.03	1.04	1.03	1.09	1.24
Total reserves to surplus	32.53	23.31	18.90	28.93	7.88	3.13
Loss reserves to surplus	29.23	20.94	16.98	25.90	7.02	2.77
Investments to loss reserves	1.02	1.11	1.12	1.13	1.30	1.51
Cash + bonds to loss reserves	0.99	0.63	0.65	0.75	0.85	0.94
Cash % of total investments	2%	8%	10%	13%	14%	9%
Bond % of total investments	95%	49%	48%	54%	52%	53%
Equities % of total investments	0%	38%	36%	30%	32%	36%
Equities as % of surplus	0%	880%	680%	869%	292%	152%

BWC Administrative Cost Fund Budget Summary

July 1, 2005 – May 31, 2006

	Actual	Budget	Variance	Forecast	Annual Budget	Variance
Catagory						
Personal Service	$198,823,828	$202,580,846	$ 3,757,018	$216,400,000	$219,651,734	$ 3,251,734
Maintenance	66,328,261	74,655,463	8,327,202	$ 73,295,000	77,396,950	4,101,950
Equipment	5,742,142	12,573,235	6,831,093	$ 12,400,000	13,450,510	1,050,510
Total	$270,894,231	$289,809,544	$ 18,915,313	$302,095,000	$310,499,194	$ 8,404,194

Actual Expenses by Line Item %



1 Improving Financial Performance

Better Investment Management

Agenda '06 goal

$100,000,000

Current

$85,400,000

Total Fund

BWC's Total Fund, which is comprised of the State Insurance Fund (SIF) and all ancillary accounts, outperformed the new benchmark, which is comprised of the Lehman Brothers Aggregate Index and the Merrill Lynch 3 Month US T-Bill, by .09 percent. The Total Fund's performance was down .02 percent for the period ending May 31 while BWC continued to transition into a nearly 100 percent fixed-income portfolio. The Total Fund is comprised of the SIF Bond Total (87.11 percent), Non-SIF (ancillary account) Bond Total (8.20 percent), International Stock Total (.01 percent), alternative assets (2.68 percent), and cash reserve (2.0 percent). The Total Fund is currently valued at $16,380,702,048.

SIF

BWC's SIF outperformed its' new benchmark, which is comprised of the Lehman Aggregate Index and the Merrill Lynch 3 Month T-Bill by .10 percent. The SIF's performance was down .01 percent for the period ending May 31 while BWC continued to transition into a nearly 100 percent fixed income portfolio. The fund is currently 94.89 percent in bonds while the remaining 5.11 percent of the portfolio is comprised of International Stock (.01 percent), alternative assets (2.92 percent), and cash reserve (2.18 percent). The SIF is currently valued at $15,037,380,820.

By generating an additional $18.8 million in investment income for the month compared to May 2005, BWC increased it's year to date total variance to $85.4 million.

GOING FORWARD

BWC is preparing to once again bring forward a recommendation to diversify the Total Fund. The recommendation will be advanced to the Investment Committee on July 20. Based on Wilshire's asset-liability study, the bureau is recommending up to a 20 percent exposure to equities as well as a broader diversification of fixed-income securities that more appropriately align with the duration of BWC's liabilities.

OHIO BUREAU OF WORKERS' COMPENSATION

State Insurance Fund
May 2006
Executive Summary

Domestic Fixed Income Overview

On balance, the economic reports released in May pointed to the beginning of a slowdown in the pace of economic growth. While payrolls posted an unimpressive gain of 138,000 in April, claims climbed into the 320,000 range, suggesting labor market conditions are moderating somewhat. Higher gas prices translated into deterioration in both the May Conference Board Consumer Confidence and the April University of Michigan Consumer Sentiment gauges, leaving the latter at its lowest level since the post-Katrina drop last October.

Housing data was mostly mixed throughout the month. Although both existing home sales and housing starts declined, with the latter falling for the third straight month, new homes sales rose again by 4.9 percent. On an underlying trend basis, the purchase component of the index of new mortgage applications edged up from its low in recent weeks, presenting the possibility that the index has bottomed-out.

The recent run-up in energy prices seeped into core inflation figures last month. The April core CPI increased for a second consecutive month by 0.3 percent, raising its year-on-year increase to 2.3 percent from 2.1 percent. The core PCE deflator posted a 0.2 percent rise, pushing its year-on-year gain to 2.1 percent, outside the Fed's comfort zone.

The U.S. Treasury yield curve flattened during the month, as the spread between two- and five-year Treasury notes ended at 0 basis points (bps), down from 6 bps at the end of April.

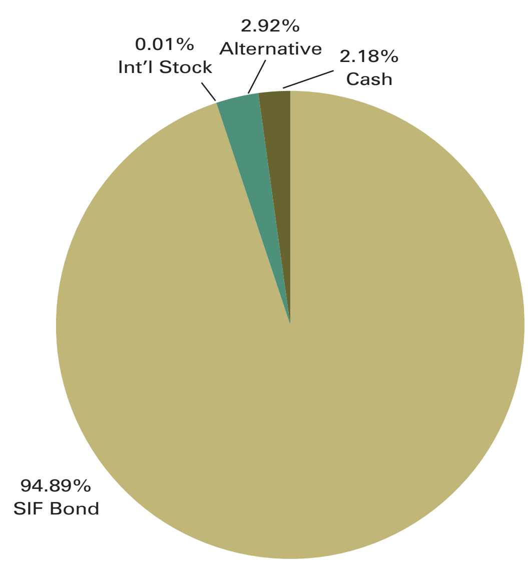
Source: JP Morgan Chase

Ohio Bureau of Workers' Compensation
State Insurance Fund

Portfolio Market Value & Asset Allocation

May 2006 – Portfolio Balances

Portfolio	Market Value	Percent of Total Assets
SIF Bond Total	$ 14,268,135,283	94.89%
International Stock Total*	1,749,065	0.01%
Alternative Asset Total	439,333,264	2.92%
Cash Reserve Total	328,163,208	2.18%
Grand Total	**$ 15,037,380,820**	



*International Equity Holdings are comprised of dividend and tax reclaim receivables from previous international equity investments and international currencies resulting from such payments.

Source: JP Morgan Chase

1

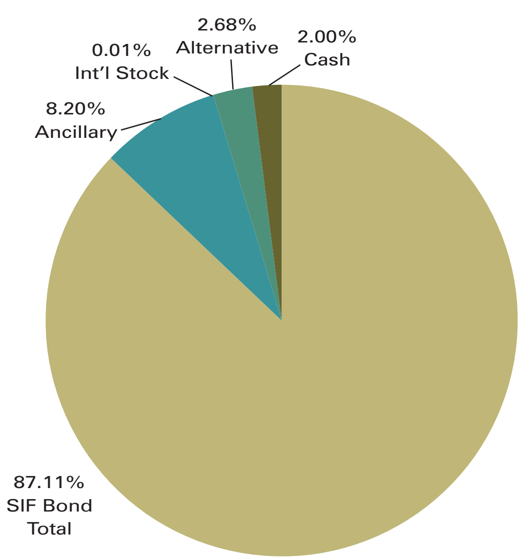
Better Investment Management

Ohio Bureau of Workers' Compensation
Total Fund

Portfolio Market Value & Asset Allocation

May 2006 – Portfolio Balances

Portfolio	Market Value	Percent of Total Assets
SIF Bond Total	$ 14,268,135,282	87.11%
Non-SIF Bond Total	1,343,321,228	8.20%
International Stock Total*	1,749,065	0.01%
Alternative Asset Total	439,333,264	2.68%
Cash Reserve Total	328,163,208	2.00%
Grand Total	**$ 16,380,702,048**	



*International Equity Holdings are comprised of dividend and tax reclaim receivables from previous international equity investments and international currencies resulting from such payments.

Source: JP Morgan Chase

1

Better Investment Management

Ohio Bureau of Workers' Compensation
State Insurance Fund

Performance Measures Gross of Fees

Month ending May 31, 2006

	BWC Investment Returns Monthly (Gross of Fees)	New Benchmark Returns Monthly	New Benchmark Variance	BWC Investment Returns 3 Month Trailing (Gross of Fees)	New Benchmark Returns 3 Month Trailing	New Benchmark Variance
BWC Total SIF Investments	-0.01%	-0.11%	0.10%	-0.62%	-1.27%	0.65%
SIF Bonds	-0.12%	-0.11%	-0.01%	-0.57%	-1.27%	0.70%
International Stocks	-6.11%	N/A	N/A	1.14%	N/A	N/A
Alternative	4.25%	N/A	N/A	3.86%	N/A	N/A
Cash	-0.07%	0.40%	-0.47%	0.73%	1.16%	-0.43%
Tranche #3 – TM	-1.85%	-0.11%	-1.74%	-3.01%	-1.27%	-1.74%
Tranche #4 – SSGA MSCI EAFE – TM	2.11%	N/A	N/A	0.33%	N/A	N/A

BENCHMARK INFORMATION:
- Lehman Brothers. Aggregate Index
- M.L. 3 Month T-Bill

Summary of Monthly Performance Attribution:

- **BWC's Total SIF outperformed its' new benchmark by 0.10percent for the period.**
- **Performance relative to benchmark performance:**
  - (–) BWC's SIF bond portfolio underperformed its benchmark for the current period.
  - (–) BWC's cash portfolio underperformed its benchmark for the current period.

Source: JP Morgan Chase

1

Better Investment Management

Ohio Bureau of Workers' Compensation
State Insurance Fund

Performance Measures Net of Fees

Month ending May 31, 2006

	BWC Investment Returns Monthly (Net of Fees)	New Benchmark Returns Monthly	New Benchmark Variance	BWC Investment Returns 3 Month Trailing (Net of Fees)	New Benchmark Returns 3 Month Trailing	New Benchmark Variance
BWC SIF Fund Investments	-0.01%	-0.11%	0.10%	-0.65%	-1.27%	0.62%
SIF Bonds	-0.12%	-0.11%	-0.01%	-0.57%	-1.27%	0.70%
International Stocks	-6.11%	N/A	N/A	1.14%	N/A	N/A
Alternative	4.25%	N/A	N/A	3.85%	N/A	N/A
Cash	-0.12%	0.40%	-0.52%	0.68%	1.16%	-0.48%
Tranche #3 – TM	-1.85%	-0.11%	-1.74%	-3.01%	-1.27%	-1.74%
Tranche #4 – SSGA MSCI EAFE – TM	2.11%	N/A	N/A	0.33%	N/A	N/A

BENCHMARK INFORMATION:
- Lehman Brothers Aggregate Index
- M.L. 3 Month T-Bill

Summary of Investment Manager Fee Impact:
- **Investment Manager fees did not dampen total performance for the period.**

Source: JP Morgan Chase

Ohio Bureau of Workers' Compensation
Total Fund

Performance Measures Gross of Fees

Month ending May 31, 2006

	BWC Investment Returns Monthly (Gross of Fees)	New Benchmark Returns Monthly	New Benchmark Variance	BWC Investment Returns 3 Month Trailing (Gross of Fees)	New Benchmark Returns 3 Month Trailing	New Benchmark Variance
BWC Total Fund Investments	-0.02%	-0.11%	0.09%	-0.60%	-1.27%	0.67%
Non-SIF Bonds	-0.13%	-0.11%	-0.02%	-0.38%	-1.27%	0.89%
SIF Bonds	-0.12%	-0.11%	-0.01%	-0.57%	-1.27%	0.70%
International Stocks	-6.11%	N/A	N/A	1.14%	N/A	N/A
Alternative	4.25%	N/A	N/A	3.86%	N/A	N/A
Cash	-0.07%	0.40%	-0.47%	0.73%	1.16%	-0.43%
Tranche #3 – TM	-1.85%	-0.11%	-1.74%	-3.01%	-1.27%	-1.74%
Tranche #4 – SSGA MSCI EAFE – TM	2.11%	N/A	N/A	0.33%	N/A	N/A

BENCHMARK INFORMATION:
- Lehman Brothers Aggregate Index
- M.L. 3 Month T-Bill

Summary of Monthly Performance Attribution:

- **BWC's Total Fund outperformed its' new benchmark by 0.09 percent for the period.**
- **Performance relative to benchmark performance:**
  (–) BWC's non-SIF bond portfolio underperformed its benchmark for the current period.
  (–) BWC's SIF bond portfolio underperformed its benchmark for the current period.
  (–) BWC's cash portfolio underperformed its benchmark for the current period.

Source: JP Morgan Chase

1

Better Investment Management

Ohio Bureau of Workers' Compensation
Total Fund

Performance Measures Net of Fees

Month ending May 31, 2006

	BWC Investment Returns Monthly (Net of Fees)	New Benchmark Returns Monthly	New Benchmark Variance	BWC Investment Returns 3 Month Trailing (Net of Fees)	New Benchmark Returns 3 Month Trailing	New Benchmark Variance
BWC Total Fund Investments	-0.02%	-0.11%	0.09%	-0.63%	-1.27%	0.64%
Non-SIF Bonds	-0.13%	-0.11%	-0.02%	-0.38%	-1.27%	0.89%
SIF Bonds	-0.12%	-0.11%	-0.01%	-0.57%	-1.27%	0.70%
International Stocks	-6.11%	N/A	N/A	1.14%	N/A	N/A
Alternative	4.25%	N/A	N/A	3.85%	N/A	N/A
Cash	-0.12%	0.40%	-0.52%	0.68%	1.16%	-0.48%
Tranche #3 – TM	-1.85%	-0.11%	-1.74%	-3.01%	-1.27%	-1.74%
Tranche #4 – SSGA MSCI EAFE – TM	2.11%	N/A	N/A	0.33%	N/A	N/A

BENCHMARK INFORMATION:
- Lehman Brothers. Aggregate Index
- M.L. 3 Month US T-Bill

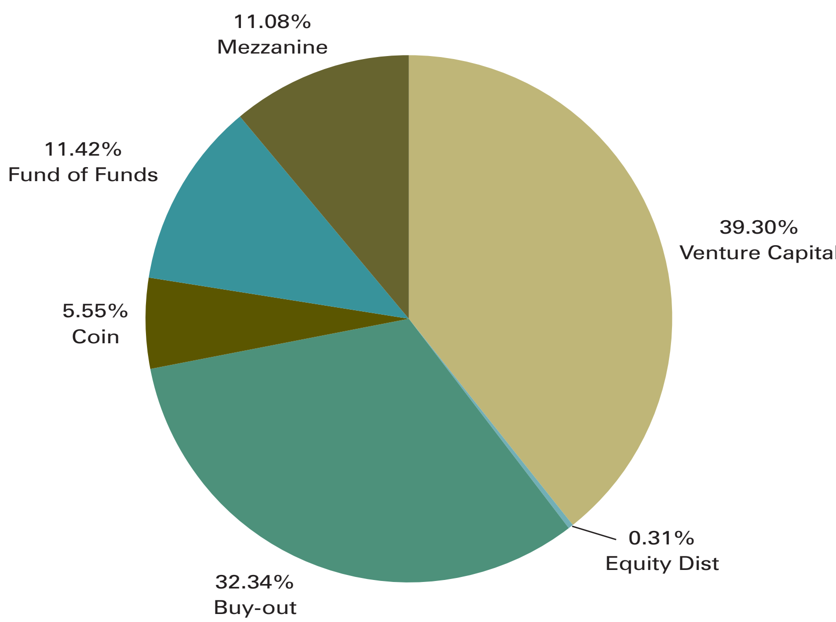
Summary of Monthly Performance Attribution:
- **Investment manager fees did not effect total perfromance for the period.**

Source: JP Morgan Chase

1

Better Investment Management

Alternative Asset Allocation
May 2006



Source: JP Morgan Chase

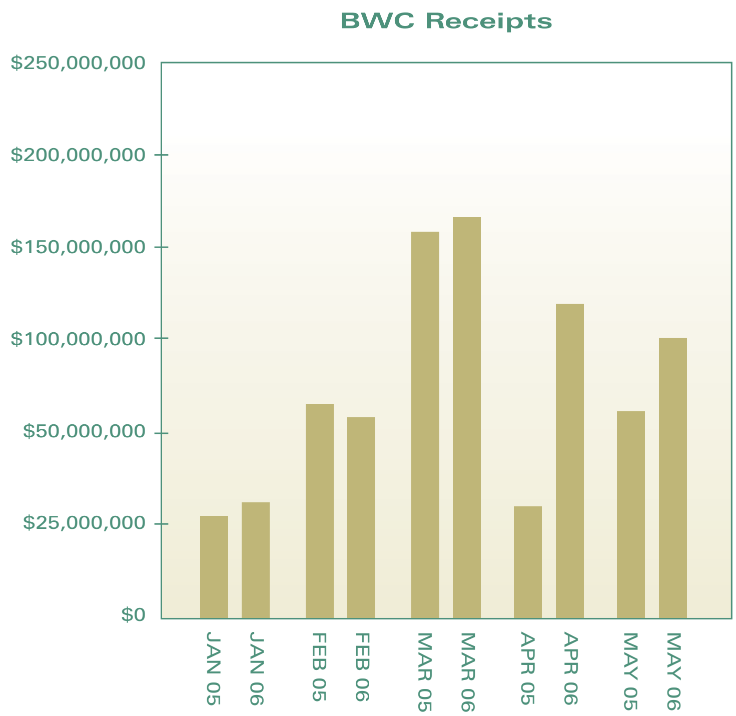
2 Improving Financial Performance

Increasing revenue

Agenda '06 goal
$105,000,000

Current
$57,800,000

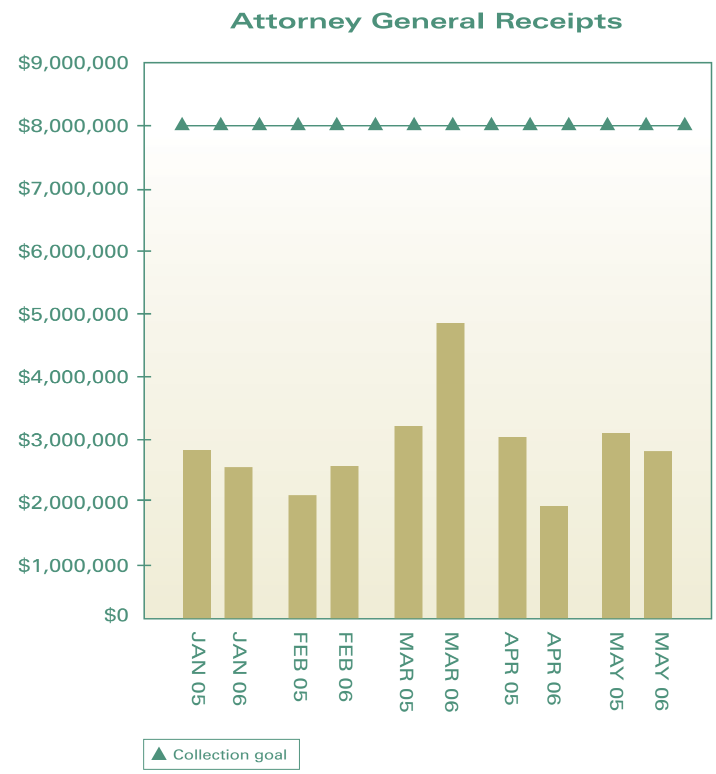
Accounts Receivable
For the month ending May 2006, the net accounts receivables (A/R) balance is $166 million. For May, BWC collections are $99 million, which is over $45 million more than the same period last year.



2

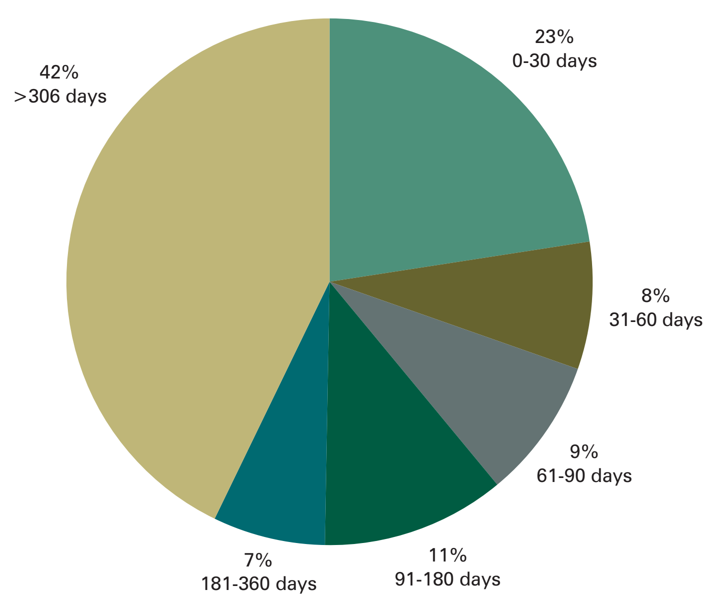
Increasing revenue

The Attorney General's (AG's) collections are $2.9 million for the month of May, and almost $15 million for the calendar year of 2006.



The overall net A/R balance decreased over $75 million from April 2006 to May 2006. This decrease is primarily due to collections of the second payment due from the employers participating in the 50/50 payment offering, which caused the balances of receivables that are less than 90 days old to significantly decrease.

Overall, nearly 60 percent of the $166 million net A/R balance is from receivables that are over 90 days old.



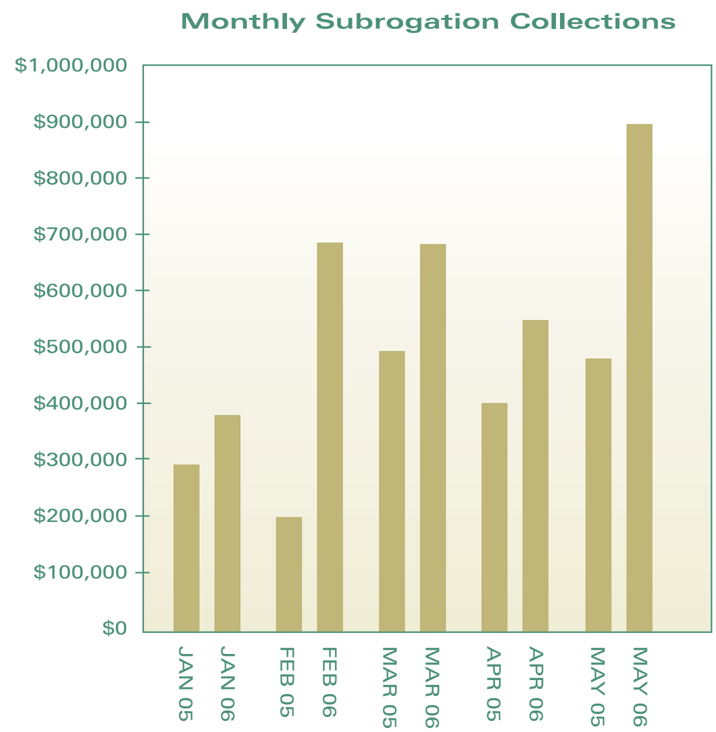
2

Increasing revenue

Subrogation

BWC's subrogation collections continue to outpace last year's performance. For calendar year 2006, the bureau has collected over $3.1 million, nearly 50 percent higher than calendar year 2005.

BWC has exceeded its fiscal year collection goal by collecting $7.1 million through May. In doing so, BWC more than doubled its subrogation collections from fiscal year 2005.



Audit

The premium audit department began to focus on compliance. Through May for calendar year 2006, BWC has conducted 4,498 audits, including 1,098 in May alone. For the month of May, the audit department achieved a positive variance of $1.1 million.

GOING FORWARD

The audit department will continue to target its audits around noncompliance, which should generate nearly $2 million in revenue by the end of 2006.

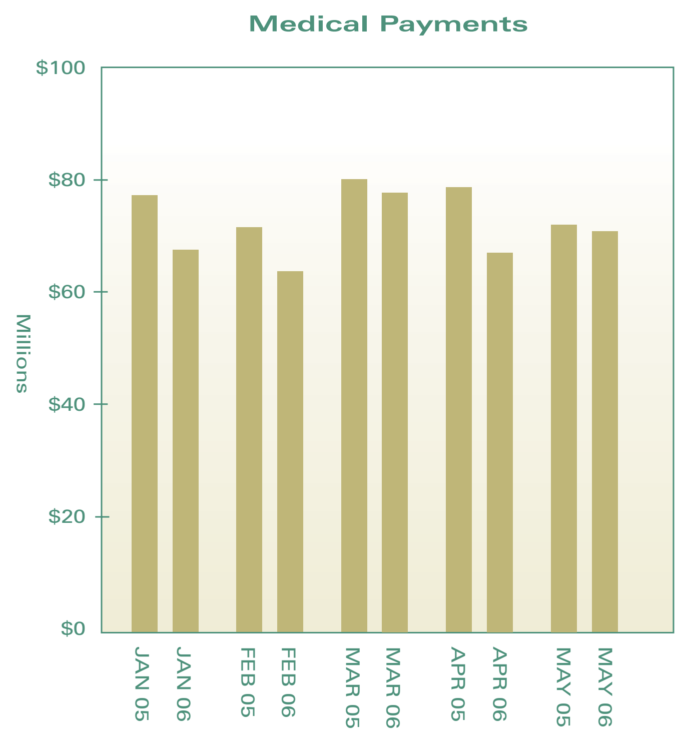
3 Improving Financial Performance

Reducing expenses

Agenda '06 goal
$216,000,000

Current
$61,000,000

Medical
In May 2006, BWC paid $71 million in medical costs, which is about 2 percent lower than what the bureau paid in May 2005. Most notably, May's prescription drug costs declined 21 percent when compared to the same period last year. Through the first five months of 2005, medical expenses are down $35 million compared to January – May 2005.



3

Reducing expenses

Indemnity

The bureau has paid out more than $83.5 million for indemnity costs in May 2006, which is approximately $3 million more than was paid relative to the same month last year. Indemnity payments are approximately $8 million higher for calendar year 2006 compared to calendar year 2005.

Primarily, this is due to a 10 percent increase in percent permanent partial paid ($3.1 million) and an 8.1 percent increase in settlements ($5.8 million), while other benefit types are slightly flat.

Total Indemnity Cost by Month

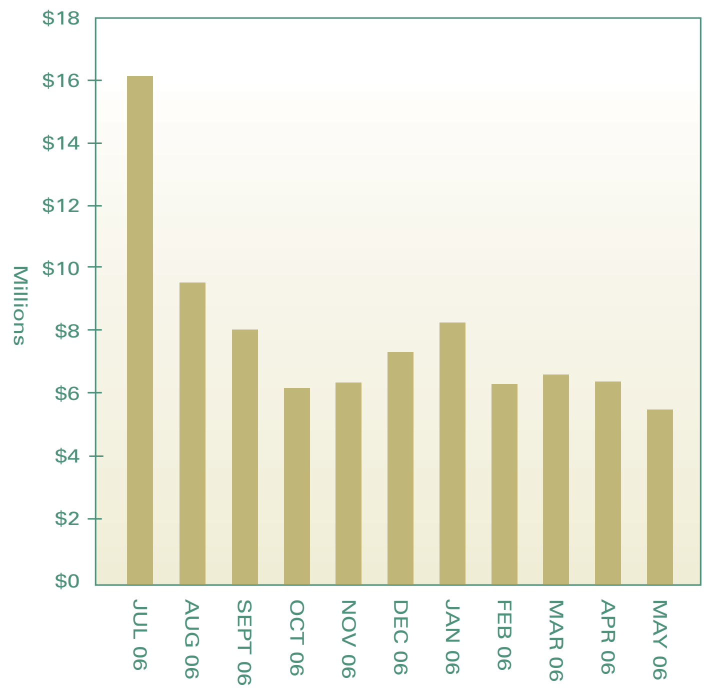
3

Reducing expenses

Special Investigations

BWC's special investigations unit (SIU) has identified $34 million in savings through the first five months of calendar year, including $5.4 million in May.

Savings Comparison by Month



GOING FORWARD

BWC now has five offices participating in its pilot settlement pursuit program. Through May, the bureau has identified $3.8 million in net MIRA reserve savings. The timetable to add all service offices to the program has been accelerated from December 31 to September 19.

Improving Customer Value and Productivity

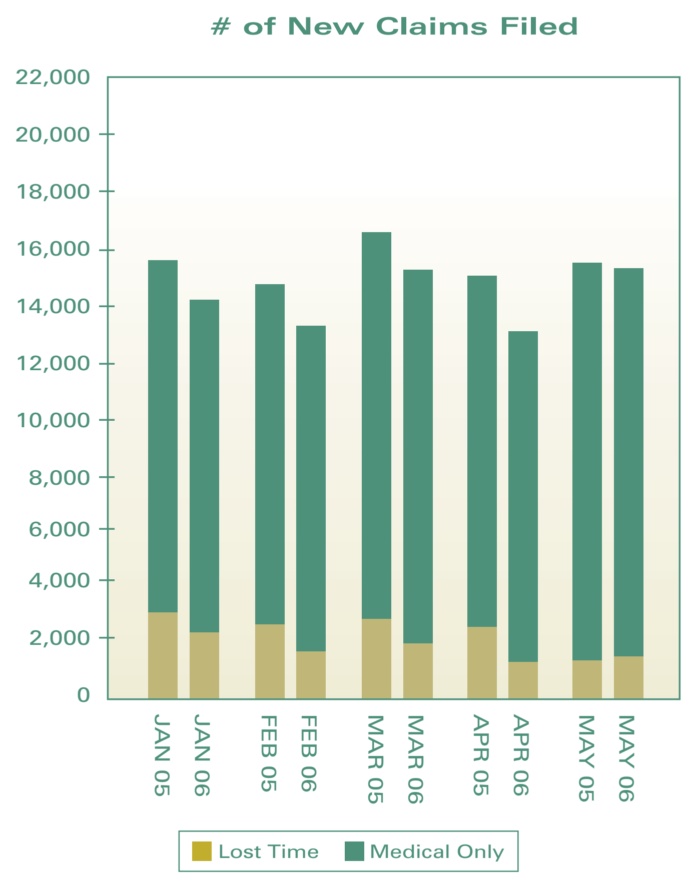
Give customers the right service at the right time

Agenda '06 goal
$3,000,000

Current
$0

Claims volume
There were 15,377 new claims filed in May 2006, which represents a slight decrease compared to the same period last year.

Overall, claims are down nine percent for the first five months of 2006 relative to the same period in 2005, while lost-time claims decreased by 17 percent.



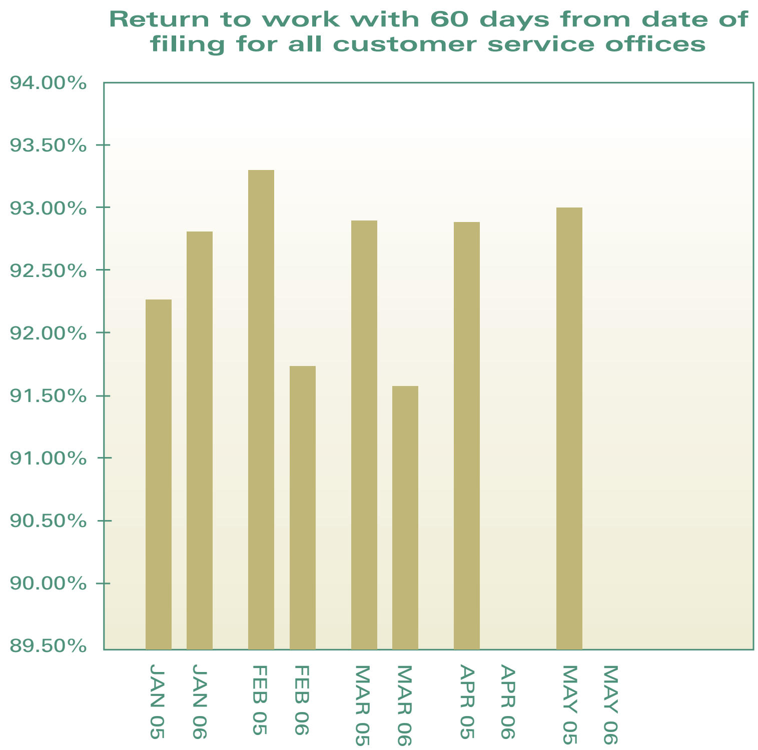
Call center
The bureau's call center received 57,536 inquiries regarding assistance and resolved them in an average of 203 seconds, which is consistent with past performance.

4

Give customers the right service at the right time

Return to work

Last month, BWC began reporting the percentage of injured workers who returned to work within 60 days from the date their claim was filed with the agency. In March 2006, 91.85 percent of workers had returned to their jobs in fewer than 2 months. This represents a slightly better performance than the previous month but is a decline from 93 percent returned in May 2005.



Customer Service Index

Earlier this month, BWC introduced the customer service index (CSI), which measures the effectiveness of the bureau's customer service with its core stakeholders, Ohio's injured workers and employers. It also considers complaint recovery as well as internal employee satisfaction.

Through June 30, BWC had an overall CSI of 86.4 percent. The bureau did very well with employers, 80 percent of whom were either very satisfied or satisfied with BWC's service. Additionally, 85 percent of BWC's complaints were resolved satisifactorily. However, though 66 percent of injured workers were very satisfied, 15 percent were not.

GOING FORWARD

BWC is continuing efforts to further utilize auto adjudication, which is an IT tool that makes initial claim determination in slightly more than one day. In May nearly 36 percent of all claims were auto adjudicated, a four percent increase over January 2006. The goal is to auto adjudicate 50 percent of claims.

BWC Demographics

Audience	December 2005	March 2006	Variance
Private employers	268,917	248,261	-7%
SI employers	1,129	1,137	—
Public employers	3,858	3,864	—
Active policies	273,904	253,262	-8%
PDP+ employers	3,012	3,088	+3%
DFWP employers	8,655	9,087	+5%
One claim employers	708	709	—
Retrospective employers	156	157	—
Safety grants	9	6	-33%
Group rating employers	94,176	93,393	-1%
Active providers	63,509 *	64,996 **	+2%

** data is as of Jan. 31, 2006.*
*** data is as of March 31, 2006.*

BWC's Demographics are designed to provide information on the bureau's customers. The above data provides a breakdown of employer types. It also indicates how many employers are participating in discount programs.

The data is updated on a quarterly basis.

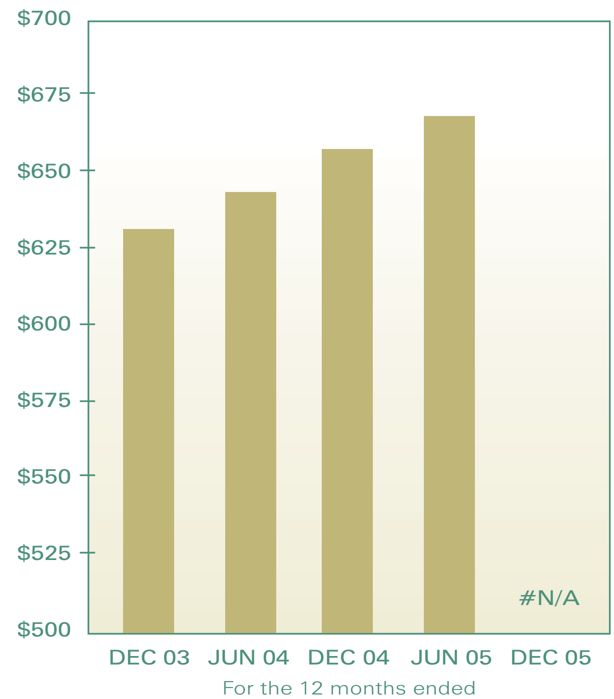
BWC Indicators

"BWC Indicators" are employer-focused measures and provide businesses with high-level data relative to expenses, claims volume, and other key processes.

The data will be updated twice annually, with the next update expected in October 2006. Additionally, BWC will continue to add measures on an ongoing basis.

BWC Indicators

Premium Cost Per State Fund Worker



Commentary/Description:
This measure is designed to show the statewide average cost of workers' compensation per employee. This is not a measure showing the average cost per claim, as most employees never file a claim.

Data Source/Calculation Methodology:
Total premium dollars are divided by the number of full-time equivalent workers (FTEs) in the state.

Premium dollars are obtained from employers' payroll reports.

FTEs are calculated by multiplying the statewide average weekly wage by 52 to obtain the average annual wage, then by dividing the total payroll dollars reported by all employers by this annual wage.

Since payroll is reported after the fact, the most recent reporting period cannot be completed.

Analysis of current results:
Actual premiums for the year ended June 30, 2005 were 3.2 percent higher than the previous year. At the same time, the number of FTEs statewide increased 0.8 percent, resulting in a net change in average premium cost per FTE of 2.5 percent.

Premium Cost Per State Fund Worker After Premium Dividends, Credits and Rebates

Commentary/Description:
This measure is designed to show the statewide average cost of workers' compensation per employee after taking into consideration any dividends, credits and/or rebates.

Data Source/Calculation Methodology:
Net premium dollars are divided by the number of full-time equivalent workers (FTEs) in the state.

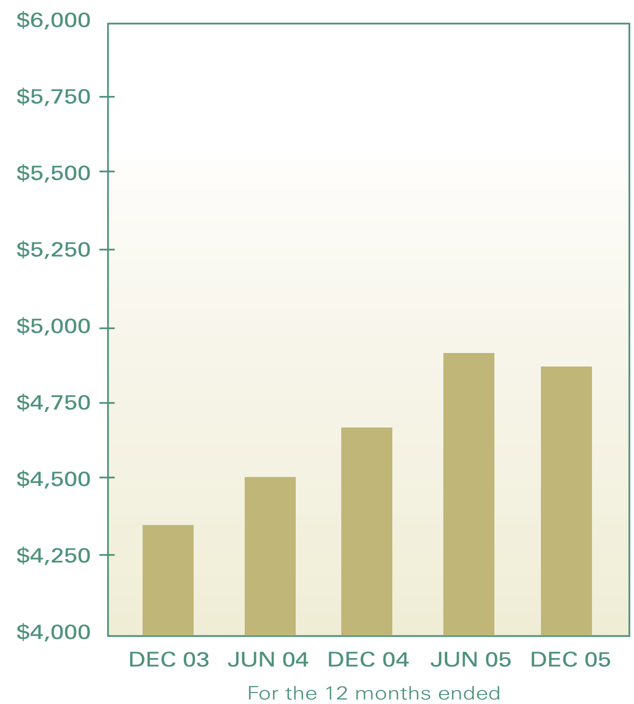
Total premium dollars are obtained from employers' payroll reports, then reduced by actual dividends, credits and/or rebates given back to employers.

FTEs are calculated by multiplying the statewide average weekly wage by 52 to obtain the average annual wage, then by dividing the total payroll dollars reported by all employers by this annual wage.

Since payroll is reported after the fact, the most recent reporting period cannot be completed.

Analysis of current results:
Actual premiums for the year ended June 30, 2005 were 3.2 percent higher than the previous year. However, dividends were 58 percent higher, resulting in a decrease in net premiums of 4.5 percent. This, combined with a 0.8 percent increase in the number of FTEs result in a decrease in net premiums per FTE of 5.1 percent.

Benefits Paid Per Claim



Commentary/Description:
This measure is designed to show the average combined medical and indemnity costs per claim for injured workers receiving benefits paid by BWC within the measurement year. This is not a measure of ultimate claim cost, as reserves for future costs are not included.

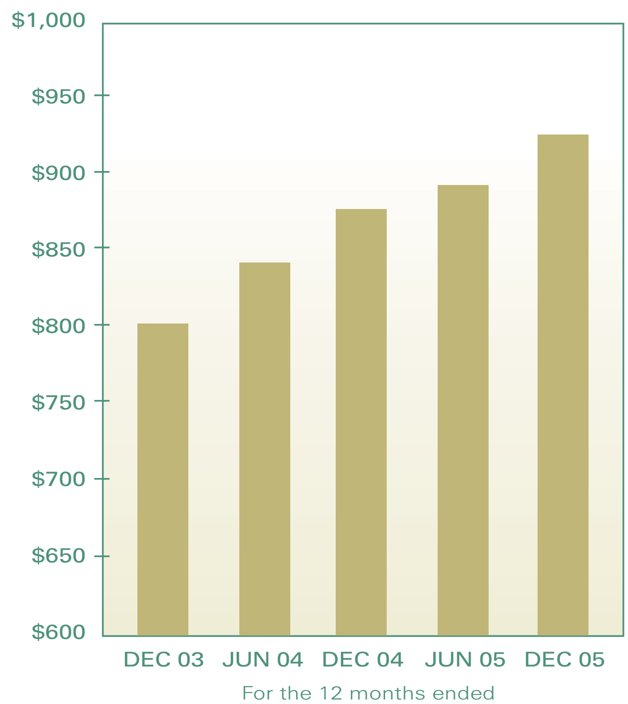
Data Source/Calculation Methodology:
The graphs includes indemnity, medical costs and claims with benefits paid per Data Warehouse queries.

These are actual payments made, net of cancellations, and do not reflect any changes to actuarial reserves. It also excludes interest paid on medical bills.

Benefits paid per claim is calculated by adding indemnity and medical to obtain the total benefits paid, then dividing by the number of claims on which benefits were paid during the year.

Analysis of current results:
Compared to calendar year (CY) 2004, total benefits paid in CY 2005 increased by 1.4 percent. However, the number of claims with medical or indemnity benefits paid declined by 3.3 percent, resulting in an increase in the average benefits paid per claim of 4.9 percent. The decline in the number of claims with benefits was partially caused by the decrease in new claims filed, and partially by a decrease in the number of older claims with payments.

BWC Administrative Cost Per Claim



Commentary/Description:
This measure is designed to show the administrative expense per claim exclusive of IC costs. Since administrative effort is expended on both newly filed and existing claims, this measure divides total expenses by the number of claims in which there was activity during the year.

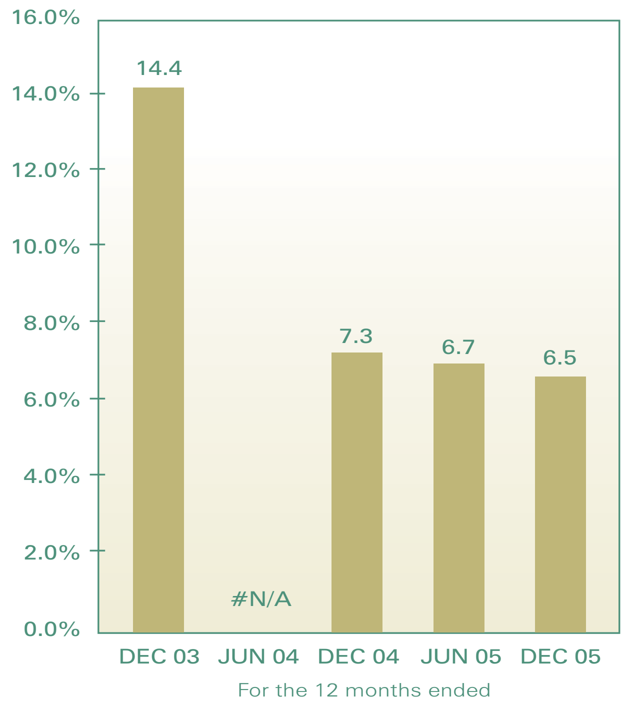
Data Source/Calculation Methodology:
Administrative expenses include direct BWC costs and fees paid to Managed Care Organizations (MCOs). These expenses are reduced by the amount charged to self insuring employers via the Administrative Cost Fund Allocation, leaving the State Fund employer administrative costs.

State Fund administrative costs are divided by the number of State Fund claims with activity. Activity is generally defined as a claim filing, allowance determination, payment, application, or settlement.

Analysis of current results:
Total administrative costs (excluding IC costs) increased by 2.4 percent from CY 2004 to CY 2005. At the same time, the number of claims with activity decreased by 2.9 percent. These factors combined to result in an increase in the average administrative cost per claim of 5.5 percent.

BWC Indicators

SIF Investment Performance



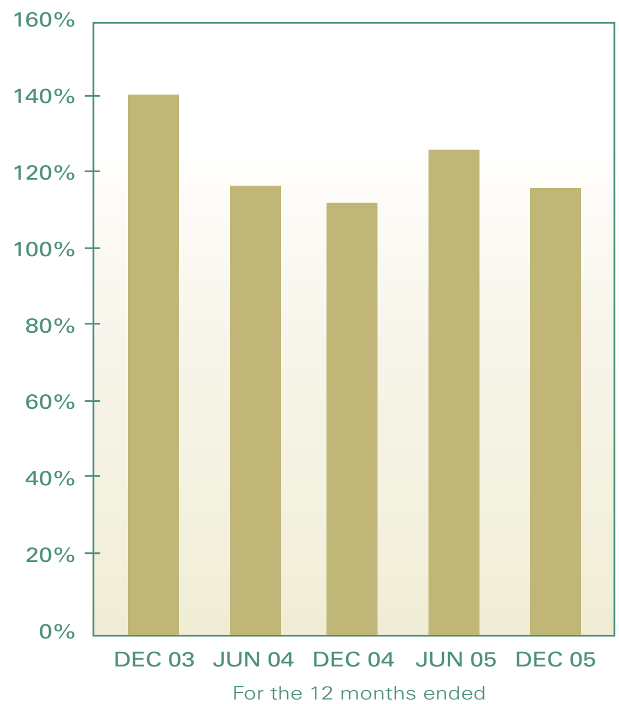
Commentary/Description:
This measure is designed to provide an indication of how BWC's investments are performing compared to the benchmark. Our objective is to meet or exceed our investment goals.

Data Source/Calculation Methodology:
Investment performance is calculated as a percentage by month and by year. Percentage calculation is comprised of income produced by the investments and the realized and unrealized gains or losses from the investments.

Analysis of current results:
Prior to 2006, yearly performance results were calculated using only the SIF, not the Total Fund, and were gross rather than net of fees. The represented performance results provided above (as calculated by Ennis Knupp through June 2005 and JP Morgan beginning July 2005) for the SIF portfolio are net of fees. Performance results commencing July 2006 will be net of fees and will be reported for the Total Fund only.

Total Investment results differ from month to month and year to year depending upon the mix of investments and also conditions in the financial markets. The mix of investments in 2003, 2004 and 2005 were approximately 60 percent in bonds and 40 percent in stocks. Financial markets were extraordinarily favorable for stocks in 2003 and provided more modest positive returns for 2004 and 2005.

Trade Combined Ratio



Commentary/Description:
This measure is designed to provide an indication of the profitability of BWC operations including net investment earnings. A ratio greater than 100 percent indicates expenses exceed premium and investment earnings.

Data Source/Calculation Methodology:
The trade combined ratio is a combination of the net loss ratio, expense ratio, policy holder dividend ratio, and net investment income ratio.

The net loss ratio is the ratio of benefits and compensation adjustment expenses to premium and assessment income. The expense ratio is the ratio of administrative expenses to premium and assessment income. The policy holder dividend ratio is the ratio of premium dividend credits to premium and assessment.

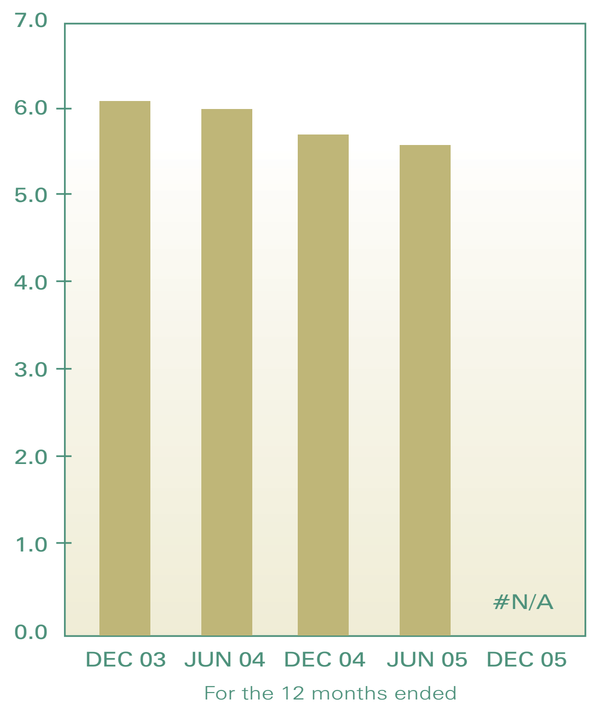
The net investment income ratio is the ratio of interest income net of investment expenses to premium and assessment income. Investment income does not include realized or unrealized gains and losses on the investment portfolio. The net loss ratio, expense ratio, and policy holder dividend ratio are added together to arrive at the combined ratio. The combined ratio is reduced by the net investment income ratio to arrive at the operating (trade) ratio.

The data to calculate these ratios is obtained from the financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Analysis of current results:
Improvement in the operating ratio is primarily the result of no premium dividend credits being granted during fiscal year 2006.

BWC Indicators

Injury Rate Per 100 State Fund FTEs



Commentary/Description:
This measure is designed to show the injury rate for workers covered under the State Fund.

Data Source/Calculation Methodology:
Every claim is evaluated as of 60 days after filing. Claims that are combined, disallowed, or assigned to a Black Lung, Marine Industry Fund, or self-insuring employer as of that date are excluded. All remaining claims are counted as injuries.

The number of State Fund employees is calculated using total payroll as reported by employers.

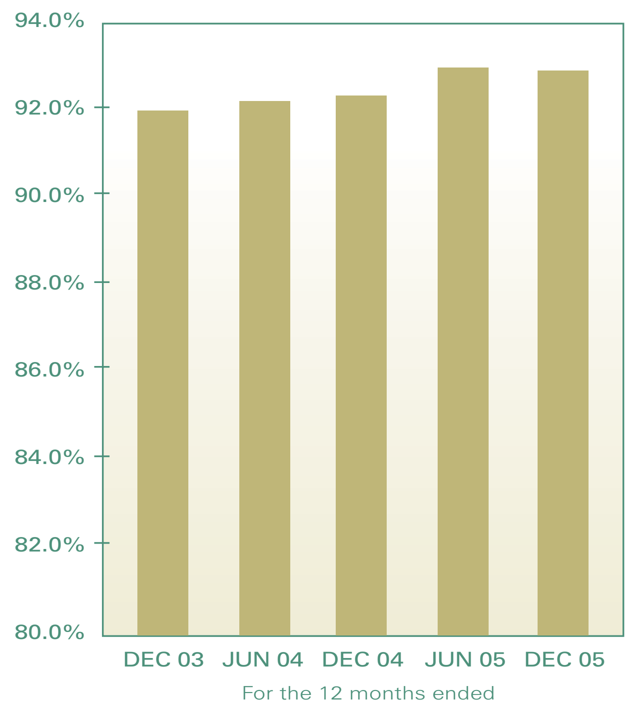
Total payroll is divided by the statewide average annual wage (52 times the SAWW) to obtain total full-time equivalent employees (FTEs) employed by State Fund employers.

Total injuries are divided by the number of FTEs, then multiplied by 100 to obtain the injury rate per 100 FTEs.

Since payroll is reported after the fact, the most recent reporting period cannot be completed.

Analysis of current results:
Total injuries declined by 5.9 percent from FY 2004 to FY 2005. At the same time, the number of State Fund FTEs increased by 0.8 percent. These factors combined to result in a decrease in the injury rate per 100 FTEs of 6.7 percent.

Percent of Injured Workers Returning to Work Within 60 Days



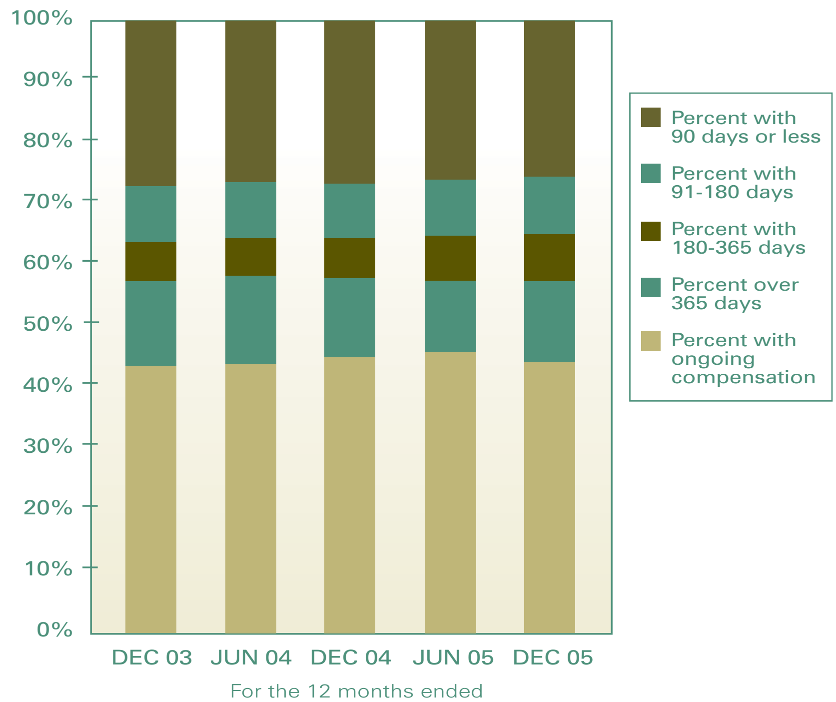
Commentary/Description:
This measure is designed to show the percent of injured workers who return to work within 60 days of filing their claim.

Data Source/Calculation Methodology:
Claims included in this measure are those counted as injuries in the "Injury Rate per 100 State Fund FTEs" measure. Every injury is evaluated as of the 60th day after receipt to determine whether the injured worker was off work or not.

Analysis of current results:
The number of injuries declined by 4.9 percent from CY 2004 to CY 2005. At the same time, the number of injured workers that were back to work by the 60th day after claim filing declined by 4.5 percent. These two factors resulted in a net increase in the percentage of injured workers returning to work of 0.3 percent.

BWC Indicators

Claims With Temporary Indemnity Benefits



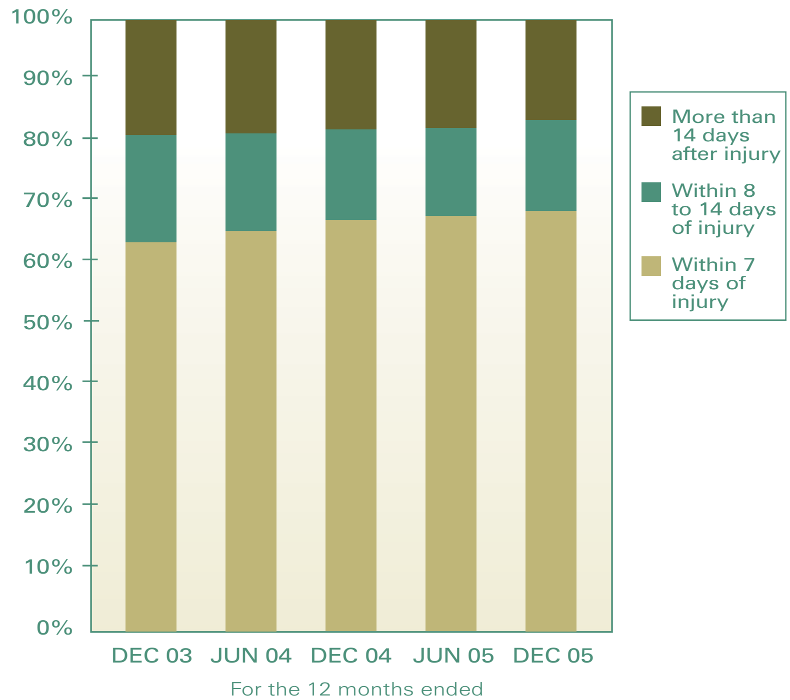
Commentary/Description:
This measure is designed to show how long injured workers receive temporary indemnity benefits.

Data Source/Calculation Methodology:
This measure includes all claims that have a Temporary Total, Living Maintenance, Wage Loss, and/or Living Maintenance Wage Loss benefit paid for days in the measurement year. For these claims, days of temporary benefits paid are accumulated to the end of the measurement year. Claims with days of temporary compensation paid in the month following the end of the year are considered to have ongoing compensation. All others are grouped by the total number of days for which these benefits have been paid to date.

Analysis of current results:
The percentage of claims with ongoing compensation declined slightly, from 45.0 percent in CY 2004 to 44.6 percent in CY 2005. Of those claims where less than 365 days of compensation were paid, the percentage that received 90 days or less held steady at just over 63 percent. The number (and percentage) of claims where compensation ended after more than 365 days had been paid increased from CY 2004 to CY 2005. This would indicate some improvement in the management of chronic claims.

BWC Indicators

Time Lag to Report Injury



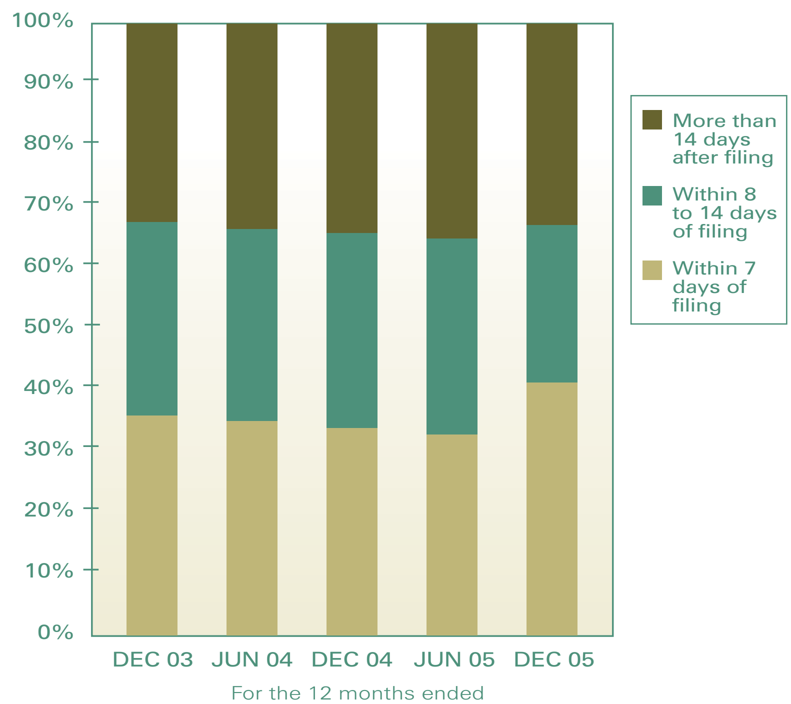
Commentary/Description:
This measure is designed to show how long it takes for workplace injuries to be reported.

Data Source/Calculation Methodology:
Every claim is evaluated as of 60 days after filing. Claims that are combined or assigned to a Black Lung, Marine Industry Fund, or self-insuring employer as of that date are excluded.

Claims are grouped on the basis of the number of days between injury and filing.

Analysis of current results:
The percentage of claims reported within 7 days of injury increased from 67.2 percent in CY 2004 to 70.9 percent in CY 2005. This would indicate ongoing success in educating system participants of the benefits of early claim filing.

Time Lag to Adjudicate Claims



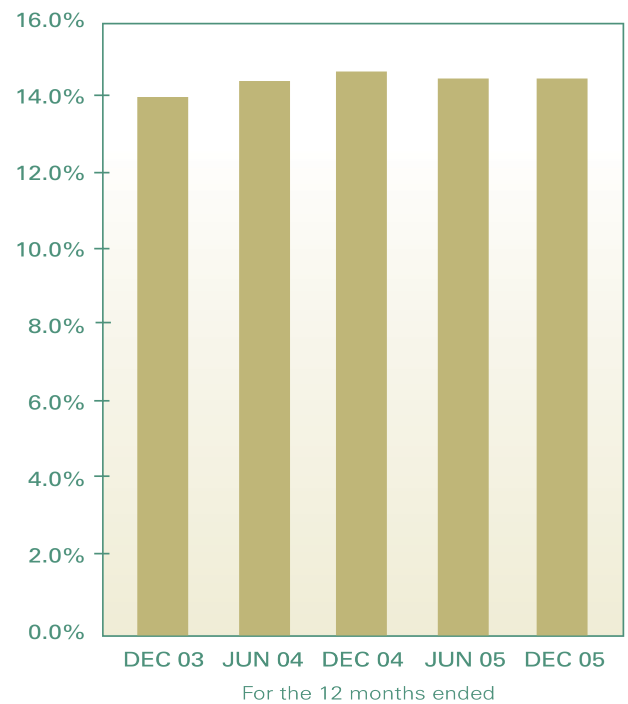
Commentary/Description:
This measure is designed to show how long it takes for claims to go through the initial allowance process. Claims may go through hearing with the Industrial Commission if the initial decision is in dispute, but that dispute resolution process is ignored within this measure.

Data Source/Calculation Methodology:
Includes claims with an initial determination date during the measurement year. Excludes combined claims, as well as claims currently associated with a Black Lung, Marine Industry Fund, or self-insuring employer.

Analysis of current results:
The percentage of claims initially determined within 7 days of filing had remained steady at about 34-35 percent for several years. The advent of auto-adjudication has resulted in a significant improvement, as seen by the increase to almost 41 percent in CY 2005.

BWC Indicators

Percent of Claims Contested



Commentary/Description:
This measure is designed to show how frequently allowance decisions reached by BWC staff are contested to the Industrial Commission.

Data Source/Calculation Methodology:
Claims with hearings are obtained from the Management Reporting section of the IC. These are further broken down between State Fund and self-insuring employers.

The net number of State Fund claims heard are divided into the number of State Fund claims with activity. Activity is generally defined as a claim filing, allowance determination, payment, application, or settlement.

Analysis of current results:
The number of net state Fund claims heard by IC hearing Officers declined by 3.6 percent from CY 2004 to CY 2005. At the same time, the number of claims with activity decreased by 2.9 percent. These two factors resulted in a net decrease in the percentage of claims contested of 0.7 percent.

Executive Summary
HPP New ADR / C-9 Rules

Background

Chapter 4123-6 of the Administrative Code contains BWC rules implementing the Health Partnership Program (HPP) for state fund employers. BWC enacted the bulk of the Chapter 4123-6 HPP operational rules (Ohio Administrative Code 4123-6-01 to 4123-6-19) rules in February 1996 and the Chapter 4123-6 HPP medical rules (Ohio Administrative Code 4123-6-20 to 4123-6-46) in January and February 1997.

The proposed ADR rule change allows an MCO to bypass the ADR process and refer disputes involving treatment approved pursuant to standard treatment guidelines, pathways, or presumptive authorization guidelines directly to BWC for an order, as provided by Senate Bill 7. This provision is <u>not</u> subject to the referendum.

In addition, a new rule has been created to provide criteria related to the processing of medical treatment reimbursement requests submitted via form C-9 or equivalent.

4123-6-16 Dispute resolution for HPP medical issues.

As provided by Senate Bill 7, the proposed rule change allows an MCO to refer a dispute directly to the bureau for an order where the requested treatment relates to the delivery of medical services that have been approved by the MCO pursuant to standard treatment guidelines, pathways, or presumptive authorization guidelines. One other minor change in terminology is made to Paragraph (E) of the rule.

4123-6-16.2 Medical treatment reimbursement requests.

This new rule provides that medical treatment reimbursement requests must be submitted by the physician of record (POR) or treating provider (on form C-9 or equivalent) to the MCO responsible for medical management of the claim prior to the POR or treating provider's initiating any non-emergency treatment, and that such requests shall be evaluated by the MCO using the three-part "<u>Miller</u>" test (the requested services are reasonably related to the injury, the requested services are reasonably necessary for treatment of the injury, and the costs of the services are medically reasonable). The rule clarifies that medical treatment reimbursement requests in inactive claims will be processed in accordance with Ohio Administrative Code 4123-3-15.

The rule also provides that the MCO may dismiss, without prejudice, medical treatment reimbursement requests

- submitted by providers who are not enrolled with BWC and who refuse to become enrolled, or who are enrolled but non-certified and are ineligible for payment as a non-certified provider under rules 4123-6-06.3 or 4123-6-12 of the Administrative Code or division (J) of section 4121.44 of the Revised Code.

- that are not accompanied by supporting medical documentation that the POR or treating provider has seen and examined the injured worker within 30 days prior to the request, or that the injured worker requested a visit with the provider (and such evidence is not provided to the MCO upon request);

- that duplicate a previous medical treatment reimbursement request that has been denied in a final administrative or judicial determination where the new request is not accompanied by supporting medical documentation of new and changed circumstances impacting treatment (and such evidence is not provided to the MCO upon request); or

Finally, the rule states that if the MCO determines before, after or during delivery of services, that any approved medical treatment reimbursement request is not medically indicated or necessary, is not producing the desired outcomes, or the injured worker is not responding, the MCO may notify the parties of its decision to discontinue payment of approved treatment that has not already been rendered. This decision may be appealed through the ADR process.

HPP New ADR / C-9 Rules
Executive Summary July 2006

4123-6-16 Dispute resolution for HPP medical issues.

(A) This rule shall provide for procedures for the resolution of medical disputes that may arise between any of the following: an employer, an employee, a provider, the bureau, or an MCO. This rule applies to reviews of records, medical disputes arising over issues such as, but not limited, to quality assurance, utilization review, determinations that a service provided to an employee is not covered, is covered or is medically unnecessary; or involving individual health care providers. Within fourteen days of receipt of written notice of an MCO determination giving rise to a medical dispute, an employee, employer, or provider may request, in writing, that the MCO initiate the medical dispute resolution process provided for in paragraph (C) of this rule. Such written request must comply with paragraph (F) of this rule.

(B) An employee or employer must exhaust the dispute resolution procedures of this rule prior to filing an appeal under section 4123.511 of the Revised Code on an issue relating to the delivery of medical services.

(C) Any MCO participating in the bureau's HPP must have a medical dispute resolution process that includes one independent level of review. Except as provided below, if an individual health care provider is involved in the dispute, the independent level of review shall consist of a peer review conducted by an individual or individuals licensed pursuant to the same section of the Revised Code as the health care provider. The MCO must identify the providers performing the peer review. If the MCO receives a dispute where the requested treatment appears to be the same as or similar to a previous treatment request for which the MCO conducted a peer review pursuant to this rule, and the previous treatment request was ultimately denied based on the peer review, the MCO may refer the new dispute to the bureau for a determination as to whether peer review is needed for the independent level of review in the new dispute. If the MCO receives a dispute where the requested treatment appears to be the same as or similar to a previous treatment request for which the MCO conducted a peer review pursuant to this rule, and the previous treatment request is pending before the bureau or industrial commission, the MCO may defer consideration of the new dispute until the previous treatment request is resolved. Once the previous treatment request has been resolved, the MCO shall refer the new dispute to the bureau for a determination as to whether peer review is needed for the independent level of review in the new dispute and shall resume the dispute resolution process under this rule. If, upon consideration of additional evidence or after negotiation with the party requesting dispute resolution, the MCO reverses the determination under dispute or otherwise resolves the dispute to the satisfaction of the party, the MCO may issue a new determination and dismiss the dispute without prejudice. The MCO must complete its internal medical dispute resolution process and must notify the parties to the dispute and their representatives of the decision in writing within twenty-one days of notice of a dispute. The twenty-one days shall be measured from the time the written notice of the medical dispute is received by the MCO. However, if the MCO elects to refer the employee for an independent medical examination as part of the dispute resolution process, the MCO shall have thirty days to complete its internal medical dispute resolution process and notify the parties to the dispute and their representatives of the decision in writing. Upon written notice of the dispute, the MCO shall inform the bureau local customer service team of the dispute. Notice of the medical dispute received by telephone only does not constitute formal notification as described in this paragraph. Within seven days of receipt of written notice of the MCO's decision, the employer, injured worker or provider may request, in writing, that the dispute be referred to the bureau for an independent review. Such written request must comply with paragraph (F) of this rule. The MCO shall refer the requested dispute to the bureau within seven days of written notice of the request. All disputes shall be referred by the MCO to the bureau within seven days of the expiration of the referral period for tracking purposes.

(D) Upon receipt of an unresolved medical dispute from the MCO, if the bureau determines that the MCO has not satisfactorily completed its internal medical dispute resolution process as set forth in paragraph

(C) of this rule and the MCO contract, the bureau may return the dispute to the MCO for completion. The return of a dispute to the MCO pursuant to this rule does not toll the MCO's time frame for completing disputes. Within fourteen days after receipt of a completed, unresolved medical dispute from the MCO, the bureau shall conduct an independent review of the unresolved medical dispute received from the MCO and enter a final bureau order pursuant to section 4123.511 of the Revised Code. The bureau order may include a determination that the employee be scheduled for an independent medical examination; however, this determination does not toll the bureau's time frame for completing disputes. This order shall be mailed to all parties and may be appealed to the industrial commission pursuant to section 4123.511 of the Revised Code. Neither the provider nor the MCO is a party entitled to file an appeal under section 4123.511 of the Revised Code.

(E) If an MCO receives a medical treatment reimbursement request ~~for consideration of an issue~~ relating to the delivery of medical services for a condition or part of the body that is not allowed in the claim, the MCO may deny the request for the reason that the condition or part of the body is not allowed in the claim. The provider may recommend an additional allowance on a recommendation for additional conditions form (Form C-9 or equivalent) with supporting medical evidence, or the claimant may file a motion requesting an additional allowance. The bureau shall review the recommendation or motion and shall consider the additional allowance. If a party has requested medical dispute resolution of the issue under this rule while the motion or issue on the allowance of the additional condition is pending before the bureau, the MCO may defer consideration of the dispute until the issue of the allowance of the additional condition is resolved, notwithstanding the time limits for resolution of the dispute as provided in paragraph (C) of this rule. Once the bureau has made a decision on the additional allowance, the MCO shall resume the dispute resolution process under this rule. If a dispute is filed where the claimant has not filed a motion for allowance of the condition or the bureau has not allowed the condition as recommended by the provider on the treatment plan form, the MCO may refer the matter directly to the bureau for an order under paragraph (D) of this rule.

(F) If the MCO receives a dispute where the requested treatment relates to the delivery of medical services that have been approved by the MCO pursuant to standard treatment guidelines, pathways, or presumptive authorization guidelines, the MCO may refer the matter directly to the bureau for an order under paragraph (D) of this rule.

(G) A written request to initiate the medical dispute resolution process under paragraph (A) of this rule or to refer the dispute to the bureau for an independent review under paragraph (C) of this rule (written appeal request) must contain, at a minimum, the following elements (form C-11 or equivalent):

(1) Injured worker name.

(2) Injured worker claim number.

(3) Date of initial medical treatment reimbursement request (form C-9 or equivalent) in dispute.

(4) Specific issue(s) in dispute, including description, frequency/duration, beginning/ending dates, and type of treatment/service/body part.

(5) Name of party making written appeal request.

(6) Signature of party making written appeal request or their authorized representative.

Only one medical treatment reimbursement request (form C-9 or equivalent) may be addressed in a single written appeal request under paragraph (A) or paragraph (C) of this rule. Written appeal requests that do not contain the minimum elements set forth in this paragraph may be dismissed without prejudice by the MCO or bureau.

4123-6-16.2 Medical treatment reimbursement requests.

(A) Medical treatment reimbursement requests must be submitted by the physician of record or eligible treating provider (on form C-9 or equivalent) to the MCO responsible for medical management of the claim prior to initiating any non-emergency treatment.

(B) Medical treatment reimbursement requests shall be evaluated by the MCO using the following three-part test (all parts must be met to authorize treatment reimbursement):

(1) The requested services are reasonably related to the injury;

(2) The requested services are reasonably necessary for treatment of the injury;

(3) The costs of the services are medically reasonable.

(C) Medical treatment reimbursement requests in claims which have not had activity or a request for further action within a period of time in excess of thirteen months shall be processed in accordance with the provisions of rule 4123-3-15 of the Administrative Code.

(D) The MCO may dismiss without prejudice medical treatment reimbursement requests submitted by providers who are not enrolled with the bureau and who refuse to become enrolled, or who are enrolled but non-certified and are ineligible for payment as a non-certified provider under rules 4123-6-06.3 or 4123-6-12 of the Administrative Code or division (J) of section 4121.44 of the Revised Code.

(E) The MCO may dismiss without prejudice medical treatment reimbursement requests that are not accompanied by supporting medical documentation that the submitting physician of record or eligible treating provider has seen and examined the injured worker within 30 days prior to the request, or that the injured worker requested a visit with the provider, and such evidence is not provided to the MCO upon request (via form C-9A or equivalent).

(F) The MCO may dismiss without prejudice a medical treatment reimbursement request that duplicates a previous medical treatment reimbursement request that has been denied in a final administrative or judicial determination where the new request is not accompanied by supporting medical documentation of new and changed circumstances impacting treatment, and such evidence is not provided to the MCO upon request (via form C-9A or equivalent).

(G) If the MCO determines that any approved medical treatment reimbursement request is not medically indicated or necessary, is not producing the desired outcomes, or the injured worker is not responding, the MCO may notify the parties of its decision to discontinue payment of approved treatment that has not already been rendered. This decision shall be subject to medical dispute resolution pursuant to rule 4123-6-16 of the Administrative Code.

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