

BWC Board of Directors
Audit Committee
Thursday, June 26, 2008 4:00 P.M.
William Green Building
Neil Schultz Conference Center
30 W Spring St, 2nd Floor (Mezzanine)
Columbus, OH 43215

Members Present: Kenneth Haffey, Chair
Philip Fulton
William Lhota

Members Absent: None

Other Directors Present: Larry Price, James Hummel, James Harris, Jim Matesich,
Alison Falls and Robert Smith

CALL TO ORDER

Mr. Haffey called the meeting to order at 4:07 PM and the roll call was taken.

A motion to recess to executive session to discuss personnel investigative matters by Joe Montgomery, Inspector General's Office, was made by Mr. Lhota, seconded by Mr. Haffey. The motion was approved by unanimous roll call vote.

The committee reconvened from executive session at 4:26 on a motion by Mr. Lhota, seconded by Mr. Fulton. The motion was approved by unanimous roll call vote.

MINUTES OF MAY 29, 2008

A discussion was had with respect to minute revisions. Per a question from Mr. Matesich, Chief Internal Auditor Joe Bell clarified that management's disagreement with the audit finding of a Material Weakness was in terms of significance, not the comment itself.

The minutes were approved by unanimous vote on a motion by Mr. Lhota, seconded by Mr. Fulton with the following changes on Page 2, Discussion Item 1:

Paragraph 1, Line 2 should read "beginning with three new audits"

Paragraph 2 should begin "The second new audit"

Paragraph 3 should begin "The third new audit"

NEW BUSINESS / ACTION ITEMS

1. Rule Review

a. Proposed Rule 4123-6-16: HPP Alternative Dispute Resolution

Tom Sico, Assistant General Counsel, and Stephanie Ramsey, Managed Care Services Director, presented proposed Rule 4123-6-16. Mr. Sico reviewed the common sense business regulation checklist, noting stakeholder participation in developing the rule.

Ohio Revised Code 4121.441 authorizes the Administrator, with the advice and consent of the Board, to promulgate rules for implementation of the Health Partnership Program (HPP). One of the required components of the HPP Program is alternative dispute resolution. Rule 4123-6-16 presently requires BWC to issue an order within fourteen (14) days of receiving a dispute, whether or not an Independent Medical Examination (IME) has been ordered. This often results in an order being issued based upon incomplete information, before the IME process is completed.

The proposed changes to Rule 4123-6-16 will provide that the 14-day period for completing the dispute is tolled if an IME is ordered, and the order will be entered within seven (7) days after BWC's receipt of the IME report. If there is no IME, the 14-day time frame for the order still applies.

Mr. Price requested clarification of the tolling language, which was provided.

Mr. Fulton moved to recommend approval of the proposed Rule 4123-6-16 to the Board of Directors, seconded by Mr. Lhota. The motion was approved by unanimous roll call vote.

b. BWC Fiscal Year 09 Administrative Budget

Tracy Valentino, Chief of Fiscal and Planning, presented the proposed budget for FY 09, from July 1, 2008 through June 30, 2009. Funding sources and expense categories were identified and discussed. Particular items mentioned were a \$9 million increase in payroll, due to a contractually-mandated 3.5% pay increase and approval to fill various positions, and \$3.9 million for elevator modernization.

Page 3 of the written materials illustrates how BWC's budget (\$308M) compares to statutory line items and appropriations established by the General Assembly (\$329M). Per a question from Mr. Lhota, it was explained that the Industrial Commission is a separate entity not included in the BWC budget. Mr. Harris questioned the amount allocated to the Ombudsman. It was clarified this amount included the entire Ombudsman office staff. Ms. Falls questioned the lack of metrics to measure efficiency. Administrator Ryan noted that such measures are in place, but metrics will be improved on an ongoing basis.

Any subsequent changes to the budget will be brought before the Committee for approval.

Mr. Haffey moved to recommend approval of the FY 09 budget to the Board of Directors, seconded by Mr. Fulton. The motion was approved by unanimous roll call vote.

c. FY 09 Financial Projections

Mr. Haffey explained that this item will be moved to the July meeting agenda based upon the arrival and timing of new information. Administrator Ryan added that statewide agency projections were just received this week.

d. FY 09 Annual Audit Plan

Joe Bell, Chief Internal Auditor, reviewed the 2009 internal audit plan, which has been discussed with the Board, internal management, the Inspector General and other stakeholders.

Particular areas of emphasis include development of a risk plan, audit frequency tied to level of risk, preliminary scope, the nature of various reviews, and audit effort (audit resources deployed to a particular area). The preliminary scope will focus in areas such as settlements, permanent partial benefits, IT reviews, security reviews, investments and consulting. Ms. Falls asked Administrator Ryan what items were given the highest priority for review by her. Administrator Ryan stated the top two items were settlements and ethics.

DISCUSSION ITEMS

1. Office of Budget and Management, Internal Audit Update

Administrator Ryan announced that Mr. Bell has been hired by the OBM. Mr. Bell emphasized his desire for ongoing close involvement in the BWC audit process and confidence that his staff will continue what has been established. The Committee commended Mr. Bell for all his efforts.

2. Computer/Privacy Encryption Update

Tom Stevens, IT Data Security Supervisor, gave a PowerPoint presentation on Privacy and Sensitive Data Protection. Various areas of emphasis included backup tape encryption, handling of portable devices and sensitive paper records, data transmission, disposal procedures, and encryption options for BWC customers. Online tutorials and IPTV training are available for review.

Senate Bill 334 has amended the public records exception for media to require that the person making the request be “primarily” a journalist. This closes the loophole whereby law firms could publish a newsletter and claim journalistic status.

4. Litigation Update

Mr. Sico presented a litigation update on four cases:

The Thomas case involved a provider who sued BWC for tortious interference with business and intentional infliction of emotional distress, based upon BWC's investigation which uncovered \$473,000 in fraudulent billings by the provider. The Court of Claims found for BWC on all counts.

The Cristino case is a pending class action claiming that PTD claims were settled for artificially low amounts. The Ohio Supreme Court ruled that the Cuyahoga County Court of Common Pleas was not the proper venue for this action. The case will be re-filed in the Court of Claims.

The Comp One case involves an MCO's issue with its DoDm evaluation by BWC. The plaintiff had threatened an injunction to extend the open enrollment period. This did not materialize, and the case will move forward on the merits.

The San Allen group rating case is set for hearing on an injunction motion July 22. This hearing may last as long as two weeks.

ADJOURNMENT

The next Audit Committee meeting is July 24, 2008 at 4:00 PM.

Mr. Haffey moved to adjourn the meeting at 5:45 PM, seconded by Mr. Lhota.

Prepared by Jill Whitworth, BWC Staff Counsel
June 29, 2008

BWC Board of Directors
Executive Summary
HPP MCO Open Enrollment Rule

Introduction

Chapter 4123-6 of the Administrative Code contains BWC rules implementing the Health Partnership Program (HPP) for state fund employers, including rules relating to employer open enrollment and MCO selection. BWC initially enacted the bulk of the Chapter 4123-6 HPP operational rules (Ohio Administrative Code 4123-6-01 to 4123-6-19), including OAC 4123-6-05.2, the MCO open enrollment rule, in February 1996. The rules have since been amended periodically, as needed.

Background Law

R.C. 4121.44(B) provides that, to implement the Health Partnership Program (HPP), BWC “[s]hall certify one or more external vendors, which shall be known as ‘managed care organizations,’ [MCOs] to provide medical management and cost containment services”

R.C. 4121.441(A) provides that the Administrator, with the advice and consent of the BWC Board of Directors, shall adopt rules for implementation of the HPP administered by BWC to provide medical, surgical, nursing, drug, hospital, and rehabilitation services and supplies to injured workers.

Proposed Rule Change

4123-6-05.2 Employer access to the HPP-employer enrollment and selection of MCO.

Language regarding the establishment of employer open enrollment periods in current OAC 4123-6-05.1, providing that BWC shall establish an employer open enrollment period at least once every two years, but no more than once in a year, is incorporated into OAC 4123-6-05.2.

During an open enrollment period, an employer may either:

- Select a new MCO, or
- Continue with the employer’s current MCO

The proposed changes to OAC 4123-6-05.2 clarify several current provisions of the rule, and also eliminate the employer “mini-open enrollment” periods provided for in current paragraphs (K) and (L) of the rule, providing instead that BWC shall assign employers to the surviving MCO in case of an MCO merger, and shall randomly assign the employer to the remaining MCOs in case of an MCO contract termination or decertification.

BWC retains the authority under paragraph (E) of the rule to reassign a dissatisfied employer from the MCO BWC has assigned it to if the BWC determines that the reassignment is in the best interest of both the employer and the assigned MCO.

4123-6-05.2 Employer access to the HPP-employer enrollment and selection of MCO.

(A) An employer may select any bureau certified MCO that has contracted with the bureau, and has not been placed at capacity pursuant to rule 4123-6-03.3 of the Administrative Code, during an open enrollment period as provided in this rule. The bureau shall develop a process for verifying an employer's MCO selection.

(B) The bureau shall select an MCO for a state fund employer that fails to select an MCO, or is not solicited by an MCO as necessary.

~~(B) An employer with fixed work SITES in more than one county may select different MCOs certified to provide services in the counties where the employer maintains fixed work SITES.~~

(C) An MCO selected by an employer or employers shall provide a list of enrolled employers to the bureau. If an MCO merges into or is acquired by another MCO, the bureau shall assign the employers formerly assigned to that MCO to the surviving MCO.

(D) The bureau shall develop a process for verification of employer selection of an MCO. If the administrator decertifies an MCO or terminates any agreement or contract between the bureau and an MCO, the bureau shall randomly assign the employers formerly assigned to the decertified or terminated MCO to all remaining, eligible MCOs.

(E) Selection of an MCO by an employer or selection by the bureau subject to paragraph (A) or (J) of this rule shall be until the next open enrollment period. The bureau may reassign an employer from the MCO if the bureau determines that the reassignment is in the best interest of both the employer and the MCO.

(F) Once the MCO has been selected by either the employer or the bureau on behalf of an employer that has not made a selection, the employer shall notify all employees of the selection.

(G) Upon expiration of the employer The bureau shall establish an open enrollment period during which time an employer may change its selection of an MCO at least once every two years, but no more than once in a year. During an open enrollment period, an employer may:

(1) Select a new MCO pursuant to paragraphs (A) to (F) of this rule; or

(2) Continue with an the employer's current MCO selected during the prior enrollment process. In such case, the employer is not required to notify the bureau during the open enrollment process period.

(H) Prior to the expiration of the MCO enrollment period, the The bureau shall maintain and make available to employers via the bureau's internet site the list of all MCOs contracting with the bureau, and shall provide adequate notice to employers in writing of the pending deadline for new MCO selection.

(I) An MCO may not refuse to provide services to accept an employer once that has selected by that employer it or been assigned to it by the bureau, subject to the provisions of unless the MCO has placed itself at capacity pursuant to rule 4123-6-033 4123-6-03.3 of the Administrative Code.

~~(J) If an employer selects more than one MCO in the same county, the bureau shall notify the employer in writing. The employer shall have fourteen days from date of written receipt of notification to select one MCO or an MCO will be assigned by the bureau.~~

~~(K) In the event of a decision by the administrator to decertify an MCO or to terminate any agreement or contract between the bureau and the MCO, immediately thereafter the bureau shall initiate an employer-MCO reassignment process. The bureau shall randomly assign those employers formerly assigned to the decertified or terminated MCO to all remaining, eligible MCOs for a period of thirty days. Upon expiration of the thirty day period, the employers affected by the decertification or termination shall have a fourteen day open enrollment period, during which they may select another MCO. In the absence of an employer's selection of another MCO, the employer shall remain with the MCO to which it was randomly assigned.~~

~~(L) In the event of the merger or acquisition of an MCO, immediately thereafter the bureau shall assign those employers formerly assigned to that MCO to the merging or acquiring MCO for a period of thirty days. Upon expiration of the thirty day period, the employers affected by the merger or acquisition shall have a fourteen day open enrollment period, during which they may select another MCO. In the absence of an employer's selection of another MCO, the employer shall remain with the merging or acquiring MCO.~~

Prior Effective Dates: 2-16-96; 1-1-99; 4-5-99; 7-17-00

BWC 2008 Proposed Professional Provider Fee

Medical Service Enhancements

Prompt, effective medical care makes a big difference for those injured on the job. It is often the key to a quicker recovery and timely return-to-work and quality of life for injured workers. Thus, maintaining a network of dependable medical and vocational rehabilitation service providers ensures injured workers get the prompt care they need. It also ensures “access” to quality, cost-effective service. Access for injured workers means the availability of appropriate treatment, which facilitates faster recovery and a prompt, safe return to work. For employers, it means the availability of appropriate treatment reflecting medical costs on the basis of medical necessity, which make the most of their premium dollars.

The Medical Services Division’s has focused on improving our core medical services functions. Our goals are as follows: enhance our medical provider network, establish a better benefits plan, institute an updated and more competitive provider fee schedule, improve our managed care processes, and establish excellent medical bill payment services.

Professional Provider Fee Schedule

Introduction and Methodology

As stated, implementing a sound and effective provider fee schedule is a critical component of the Medical Services Division’s goals. The Ohio Bureau of Workers Compensation reimburses approximately 70,000 providers for medical services rendered to Ohio’s injured workers. An appropriate fee schedule is integral to maintaining an effective and comprehensive network of physicians, specialists, and support services and supplies. An equitable and competitive fee for the right medical service is essential to maintain a quality provider network across the wide range of necessary provider disciplines.

The BWC medical fee schedule has not been reviewed since 2004. As a result, BWC Medical Services undertook a comprehensive review of the benefit plan and corresponding medical fee schedule. The Medical Policy staff reviewed over 10,000 CPT®¹ codes, 3600 HCPCS² codes and 170 local codes³. The process for the revision included:

- A. Assessing the existing maximum number of service units for all codes in relation to expected patterns of service delivery and revising accordingly.
- B. Reviewing the coverage status of specific goods and services in relation to indicators of medical necessity and appropriateness of care and revising accordingly.
- C. Researching fees for medications, durable medical equipment and supplies in relation to current market basket values and adjusting accordingly.
- D. Analyzing conversion factors used in the calculation of professional fees.

Medicare's Resource Based Relative Value Scale (RBRVS)

BWC currently utilizes the RBRVS developed in 1992, by the Federal Center for Medicare and Medicaid Services for professional reimbursement. The foundation of RBRVS is a strong, empirical research methodology. BWC has utilized the RBRVS, at least, since 1997.

Under the RBRVS approach, Medicare fees are composed of two component parts: the relative value unit (RVU) and a conversion factor (CF). The fees include those for services such as office visits, hospital care, procedures, etc.

An individual RVU is calculated for each procedure by looking at the associated relative work and costs of these services. Each specific CPT code for a medical service is assigned a RVU based on the degree of service intensity the procedure requires. Further, the RVUs reflect costs for overhead and malpractice. Finally, there is a regional cost adjustment for work expended, overhead, and malpractice. The regional cost adjustment is called the Geographical Price Cost Index (GPCI). RVUs allow comparison of apples to oranges (i.e., surgery to primary care visits) and can determine the allowable payment for any service in any specialty.⁴

Reimbursement for service, then, is a function of the multiplication of the designated RVU by the CF. The CF is the dollar amount selected for that category of service. The

¹ Current Procedure Terminology - The manual published by the American Medical Association (AMA) which assigns numeric codes to describe procedures for professional services.

² Health Care Procedural Coding System as provided by Federal Center for Medicare and Medicaid Services (CMS)

³ HCPCS "W" codes.

⁴ Johnson and Newton, Resource-based Relative Value Units: A Primer for Academic Family Physicians, Department of Family Medicine, University of North Carolina (2002)

following table demonstrates the payment calculation for two varied services – a simple laceration repair and total knee replacement:

Calculating Fee Schedule for a CPT code

Fee Schedule	12001 - simple laceration repair			27447 - total knee replacement		
	RVU	GPCI	Product	RVU	GPCI	Product
Work	1.7200	0.9920	1.7062	23.0400	0.9920	22.8557
Practice Expense	1.8600	0.9300	1.7298	13.5800	0.9300	12.6294
Malpractice	0.1500	1.0970	0.1646	3.8000	1.0970	4.1686
Sum of Products			3.60			39.65
Times Conversion Factor			\$79.10			\$79.10
Reimbursement Rate (Fee Schedule)			\$284.81			\$3,136.61

Ohio Bureau of Workers' Compensation

While BWC adopts Medicare’s RVUs for relevant CPT Codes, it uses its own CF to set the final fee for service. The following table provides BWCs current CF.

Current Conversion Factors

Service Group CPT Codes for:	Current CF	Pct of Medicare
Radiology	\$55.00	148%
Phys Med	\$51.00	134%
Gen Med	\$44.27	117%
Surgery	\$79.10	200%
Anesthesia (*)	\$42.50	227%
Pathology (**)	See Below	125%

* Anesthesia is paid at \$42.50 time the number of base units plus \$42.50 per 15 minutes
 ** Pathology is paid at 125% of Medicare Fee Schedule
 Medicare has a single CF of \$38.0870

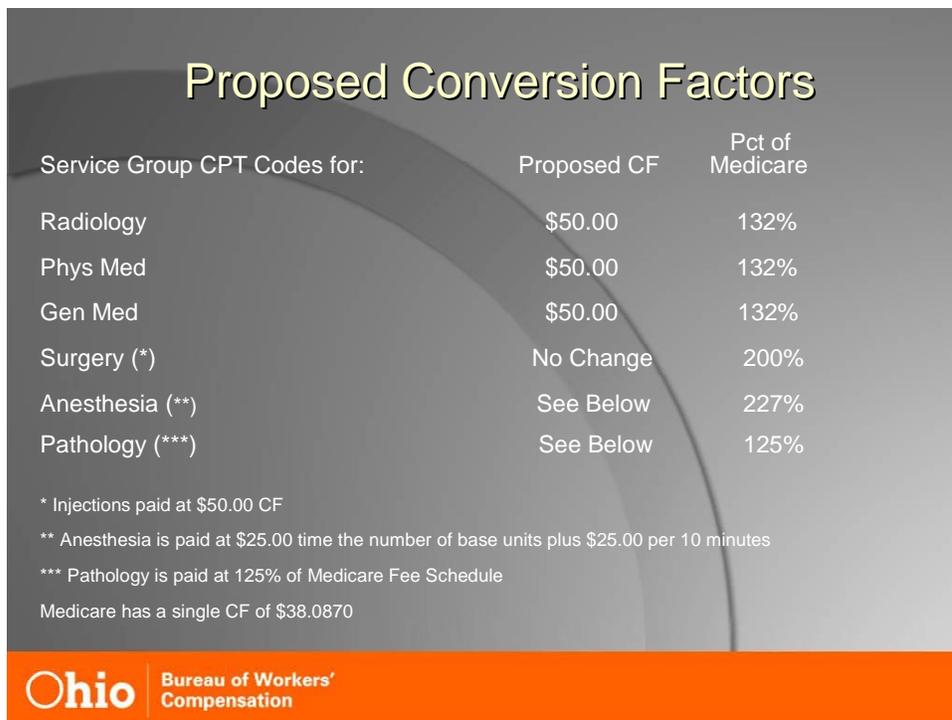
Ohio Bureau of Workers' Compensation

2008 Proposed Fee Schedule Revisions

The BWC 2008 proposed revisions take into account industry best practices and inflation since we last updated the fee schedule in 2004. Further, it implicitly takes advantage of all of the empirical research the Federal Center for Medicare and Medicaid Services underwent to further update the RBRVS.

Medical Services recommends updating the fee schedule to reflect current Medicare RVUs for the CPT codes. Additionally, Medical Services recommends that the proposed change to the fee schedule contain two CFs. The CF recommendation is **\$50.00** for all services with the exception of surgery. The surgical CF will remain at **\$79.10**.

The following table provides BWCs proposed conversion factors.



The image shows a slide titled "Proposed Conversion Factors" with a table and footnotes. The table lists service groups, their CPT codes, proposed conversion factors (CF), and the percentage of Medicare payment. The footer includes the Ohio Bureau of Workers' Compensation logo and text.

Service Group CPT Codes for:	Proposed CF	Pct of Medicare
Radiology	\$50.00	132%
Phys Med	\$50.00	132%
Gen Med	\$50.00	132%
Surgery (*)	No Change	200%
Anesthesia (**)	See Below	227%
Pathology (***)	See Below	125%

* Injections paid at \$50.00 CF
** Anesthesia is paid at \$25.00 time the number of base units plus \$25.00 per 10 minutes
*** Pathology is paid at 125% of Medicare Fee Schedule
Medicare has a single CF of \$38.0870

Ohio Bureau of Workers' Compensation

The proposed CF recommendations are based on research comparing various states' approaches to provider payments. Based on research of the various states, the proposed fee schedule places Ohio well within the range of other payers, which is appropriate considering factors such as Ohio cost of living, access to care, etc.

The proposal also takes into account provider access to care issues and provides our Physicians of Record with a necessary increase. Our Physicians of Record (POR) were historically paid at a lower rate than other specialties. When considering the RBRVS payment methodology, the level of reimbursement for POR services is relatively low.

Ohio BWC is seeking written comment from BWC-certified providers who can review the proposed changes on the agency's Web site (www.ohiobwc.com) through August 15. Further, we have scheduled an open forum **from 2 – 4:30 p.m. on Tuesday, July 22, 2008** in the **William Green Building auditorium** to further educate the provider community and receive their comments. We have invited all of the provider organizations.

BWC plans to again present the proposal to the Board of Directors at its August 29 meeting. Pending board approval, any changes to the current fee schedule are not expected until at least November 2008.

OHIO BWC 2008 PROFESSIONAL FEE SCHEDULE PROPOSAL

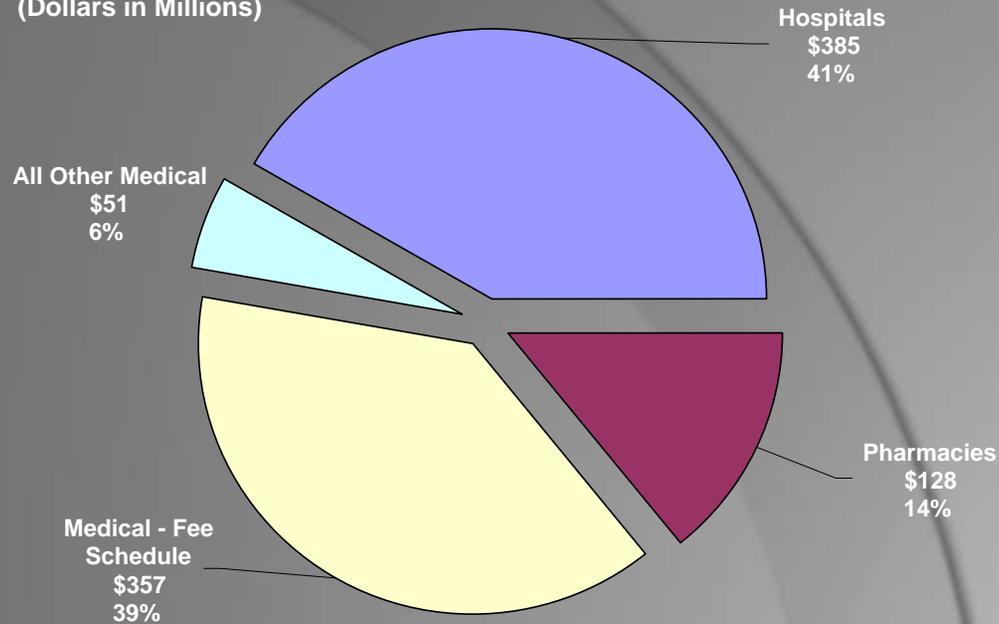
Medical Services Division
Bob Coury, Chief of Medical Services
Judy Brabb, Medical Policy Supervisor
July 24, 2008

Introduction and Guiding Principles

- Legal Requirement for Fee Schedule Rule
- Proposed Time-line for implementation
- Guiding Principle:
 - Ensure access to high-quality medical care by establishing an appropriate Benefit plan and Terms of service with competitive fee schedule which, in turn, enhances medical provider network
- Financial Impact of Revision

Financial Overview

TOTAL MEDICAL PAYMENTS = \$921
April 2007 to March 2008
(Dollars in Millions)



All Other Medical include payments such as:

- Payments to Ambulatory Surgical Centers
- Payments (thru MIIS) for W-codes -- most notably file reviews and IMEs

Fee Schedule Revision Methodology

- Coverage status determined
- The maximum number of units reimbursable for all codes
- Fees for medical services, medications, durable medical equipment and supplies were researched and assigned
- Researched and benchmarked Ohio against other payers

Project Scope

- Over 10,000 CPT® codes
 - Current Procedure Terminology
 - Services include surgery, anesthesia, etc.
- Over 3,600 HCPCS codes
 - Healthcare Common Procedure Coding System
 - Services include durable medical equipment, supplies, medications, vision services, prosthetics, etc.
- 170 Local Codes
 - Local version of HCPCS
 - Services include vocational rehabilitation, mileage, exercise equipment, etc.

Calculating CPT Fees

- The RVU for each CPT code includes three components:
 - Work - level of difficulty to provide the service
 - Practice Expense - overhead such as staff, rent, utilities
 - Malpractice – level of risk associated with the service
- Geographical Practice Cost Index (GPCI)
 - Modifier reflecting cost-of-living differences
 - Is different for each State, and in some cases Regions
- Conversion Factor (CF)
 - BWC's assigned price for each category of service

Calculation of Provider Fees

CPT (Service – Knee Replacement)

$$\begin{aligned} \text{RVU} \times \text{GPCI} \times \text{CF} &= \text{Provider Fee} \\ 39.757 \times .9651 \times \$79.10 &= \$3035.02 \end{aligned}$$

HCPCs (Equipment– Range of Motion Device)

$$\begin{aligned} \text{Medicare Fee} + 20\% &= \text{Provider Fee} \\ \$22.00 + \$4.40 &= \$26.00 \end{aligned}$$

Local (Service – Nurse Doing Dressing Change)

$$\begin{aligned} \text{BWC Published Fees} \\ \$46.00 \end{aligned}$$

Proposed CPT Revisions

Relative Value Units (RVU)

- RVUs updated per 2008 Medicare Fee Schedule
- Some RVUs will increase while others decrease
 - Approximately 85% increased

Proposed CPT Revisions

Conversion Factors

Service Grouping	Current		Proposed	
	CF	Pct of Medicare	CF	Pct of Medicare
Radiology	\$55.00	148%	\$50.00	132%
Physical Medicine	\$51.00	134%	\$50.00	132%
General Medicine	\$44.27	117%	\$50.00	132%
Surgery (*)	\$79.10	200%	No Change	200%
Pathology (**)	See Below	125%	No Change	125%
Anesthesia (***)	\$42.50	239%	See Below	239%

* Injections paid at \$50.00 CF

**Pathology is paid at 125% of Medicare Fee Schedule

*** Anesthesia is paid at \$25.00 time the number of base units plus \$25.00 per 10 minutes

Medicare has a single CF of \$38.0870

Conversion Factor Comparison for 2008 Proposed Fee Schedule Recommendation

	Surgery	Radiology	Physical Medicine	General Medicine
Medicare (3)	38.09	38.09	38.09	38.09
Mountain State Blue Cross/Blue Shield	66.71	78.47	47.69	47.69
Minnesota WC	77.56	N/A	61.55	77.56
Utah WC	37.00	53.00	44.00	44.50
West Virginia WC	46.53	42.30	42.30	42.30
Washington State WC	61.53	61.53	61.53	61.53
Arizona WC (1)	142.24	***	***	***
Maryland WC	53.77	40.70	40.70	40.70
Tennessee WC	95.22	76.17	49.51	60.94
Illinois WC (2)	***	***	***	***
Texas WC	59.58	52.83	52.83	52.83
Michigan WC	50.20	50.20	50.20	50.20
North Dakota WC	60.00	60.00	60.00	60.00
Nevada WC (1)	175.99	31.88	***	***
Comparison Group Average CF	77.19	54.71	51.03	53.83
BWC Proposed CF	79.10	50.00	50.00	50.00

- (1) Reimbursement Fees of less than \$20 were identified as outliers and excluded from the group average calculations.
- (2) Illinois pays a flat 76% of the providers billed amount.
- (3) Medicare used as a stand-a-lone baseline comparison, it was not included in the group average calculations.

Fee Schedule Recommendations Recap

- Schedule Changes
 - Adjust current CPT RVUs to 2008 Medicare amounts
 - Adjust current HCPCS to reflect 2008 Medicare Schedule
 - Adjust current Local Codes to current market basket values

- Conversion factors change
 - Adjust to \$50.00 for all service classes except surgery
 - Surgery remains at \$79.10

Impacts and Outcomes

- Financial Impact is an estimated 5.1% medical costs increase
 - Estimated dollar figure is \$18.4 million
- Medical Service Enhancements
 - Established better benefit plan
 - More competitive reimbursement rates
 - Improve consistency of reimbursement across providers
 - Improve access to care

Thank You

Appendix

Key Terminology

- RBRVS – Resource-Based Relative Value Scale
 - Payments based on the amount of resources expended to provide professional services
- CPT[®] – Current Procedural Terminology
 - The manual published by the American Medical Association which assigns numeric codes to describe procedures for professional services
- HCPCS-Healthcare Common Procedural Coding System
 - Manual composed by Centers for Medicare and Medicaid Services to supplement CPT codes

Key Terminology

- RVU – Relative Value Unit
 - Quantifies the relative work (work), practice expense (PE) and malpractice costs (MP) for each service
- PE – Practice Expense
 - The overhead expenses of the provider involved in order to render the service
- GPCI – Geographical Practice Cost Index
 - The resource cost difference of providing a service by geographic region
- Conversion Factor
 - The dollar amount that is multiplied by the total RVU to calculate the payment

Sample Fee Schedule Calculation

Fee Schedule	Simple Laceration Repair (Stitches)			Total Knee Replacement		
	RVU	Ohio GPCI	Product	RVU	Ohio GPCI	Product
Work	1.7200	0.9920	1.7062	23.0400	0.9920	22.8557
Practice Expense	1.8600	0.9300	1.7298	13.5800	0.9300	12.6294
Malpractice	0.1500	1.0970	0.1646	3.8000	1.0970	4.1686
Sum of Products			3.60			39.65
Times BWC Conversion Factor			\$79.10			\$79.10
Reimbursement Rate (Fee Schedule)			\$284.81			\$3,136.61

Process for Revision – HCPCS codes

- HCPCS Codes (A0021-V5364)
 - Utilized Medicare 2008 Fee Schedule to update
 - Medicare fee increased by 20%
 - If not covered by Medicare, researched other state payers (Washington, Pennsylvania, Illinois, etc.)
 - If unavailable, items were researched through cost analysis of various vendors

Process for Revision – Local codes

■ Local Codes

- Devised to assign a code for services not included in the HCPCS manual
- Cost comparison with other states (Washington, Pennsylvania, Illinois, etc.)
- Mileage (0.51 cents per mile) and vocational evaluation (\$7 per 6 minute increments) were the only change currently recommended for the Vocational Rehabilitation codes

Fiscal Year 2009

Financial Projections



Printed within BWC

Fiscal Year 2009 Financial Projections

The fiscal year 2009 financial projections used the following information and assumptions:

- o Approved rates and collectible premium prepared by BWC's Actuarial Department in conjunction with rate indication information.
 - Private employer estimated premium of \$1.6 billion (assumes no growth in the payroll base)
 - Public employer state agency premium of \$69 million
 - Public employer taxing district premium of \$175 million (based on January 1, 2008 rates)
- o The most recent fiscal year payment trends for medical, indemnity, and MCO expenses.
- o Projected reserve development patterns using actual payments through March 31, 2008 as prepared by BWC's external actuarial consultant. Assumes reserves will continue to be discounted at 5.0 percent.
- o Investment projections prepared by BWC Investment Division.

Projections will be updated upon the completion of the fiscal year 2008 actuarial and financial statement audits.

Projected Statement of Operations

Fiscal year ending June 30, 2009

(in millions)

	Fiscal Year Projected June 30, 2009	Fiscal Year Actual June 30, 2008	FY 09 to FY 08 Increase (Decrease)	Fiscal Year Audited June 30, 2007	FY 09 to FY 07 Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$2,299	\$2,372	(\$73)	\$2,454	(\$155)
Assessment Income Due to Statutory Change	0	0	0	1,876	(1,876)
Provision for Uncollectibles	(73)	(97)	24	(58)	(15)
Other Income	19	16	3	17	2
Total Operating Revenues	2,245	2,291	(46)	4,289	(2,044)
Operating Expenses					
Benefits & Compensation Adj. Expense	3,205	2,994	211	2,667	538
Other Expenses	91	97	(6)	101	(10)
Total Operating Expenses	3,296	3,091	205	2,768	528
Net Operating Gain (Loss)	(1,051)	(800)	(251)	1,521	(2,572)
Operating Transfer Out	(5)	0	(5)	0	(5)
Investment Income					
Interest and Dividend Income	844	877	(33)	811	33
Change in Fair Value of Investment Portfolio	207	(147)	354	109	98
Investment Expenses	(5)	(13)	8	(9)	4
Net Investment Income	1,046	717	329	911	135
Increase (Decrease) in Net Assets	(10)	(83)	73	2,432	(2,442)
Net Assets Beginning of Period	2,223	2,306	(83)	(126)	2,349
Net Assets End of Period	\$2,213	\$2,223	(\$10)	\$2,306	(\$93)

Projected Statement of Cash Flows

Fiscal year ending June 30, 2009

(in millions)

	Fiscal Year Projected June 30, 2009	Fiscal Year Actual June 30, 2008	FY 09 to FY 08 Increase (Decrease)	Fiscal Year Audited June 30, 2007	FY 09 to FY 07 Increase (Decrease)
Cash Flows from operating activities:					
Cash receipts from premiums	\$2,391	\$2,538	\$(147)	\$2,366	\$25
Cash receipts - other	29	32	(3)	31	(2)
Cash disbursements for claims	(2,169)	(2,238)	69	(2,122)	(47)
Cash disbursements for other	<u>(447)</u>	<u>(463)</u>	<u>16</u>	<u>(522)</u>	<u>75</u>
Net cash provided (used) by operating activities	(196)	(131)	(65)	(247)	51
Net cash flows from capital and related financing activities	(21)	(29)	8	(25)	4
Operating transfer out	(5)	–	(5)	–	(5)
Net cash provided (used) by investing activities	5	39	(34)	156	(151)
Cash redemptions from investment managers	<u>163</u>	<u>164</u>	<u>(1)</u>	<u>250</u>	<u>(87)</u>
Net increase (decrease) in cash and cash equivalents	(54)	43	(97)	134	(188)
Cash and cash equivalents, beginning of period	<u>371</u>	<u>328</u>	<u>43</u>	<u>194</u>	<u>177</u>
Cash and cash equivalents, end of period	\$317	\$371	\$(54)	\$328	\$(11)

Projected Insurance Ratios

	Fiscal Year Projected June 30, 2009	Fiscal Year Actual June 30, 2008	Fiscal Year Audited June 30, 2007	Fiscal Year 2007 Excluding Statutory Change
Loss Ratio	115.5%	105.4%	46.9%	82.7%
LAE Ratio - MCO	9.3%	8.1%	3.8%	6.7%
LAE Ratio - BWC	<u>14.6%</u>	<u>12.8%</u>	<u>10.9%</u>	<u>19.3%</u>
Net Loss Ratio	139.4%	126.3%	61.6%	108.7%
Expense Ratio	<u>3.9%</u>	<u>4.1%</u>	<u>2.3%</u>	<u>4.1%</u>
Combined Ratio	143.3%	130.3%	63.9%	112.8%
Net Investment Income Ratio	<u>36.5%</u>	<u>36.4%</u>	<u>18.5%</u>	<u>32.7%</u>
Operating (Trade Ratio)	106.8%	93.9%	45.4%	80.1%

**BUREAU OF WORKERS' COMPENSATION
 PROPOSED BUDGET SUMMARY
 FISCAL YEARS 2010 AND 2011
 In Millions**

Expense Type	Fiscal Year 2008 Estimated Spending	Fiscal Year 2009 Approved Budget	Fiscal Year 2010 Preliminary Budget	Fiscal Year 2011 Preliminary Budget
Payroll	\$186.1	\$195.0	\$200.9	\$206.9
William Green Building Bond	20.4	20.7	19.9	19.1
Other Rent	12.0	10.5	11.5	11.5
Personnel Services	15.8	15.2	15.8	16.1
Maintenance	19.4	20.6	20.1	20.5
Supplies and Printing	2.2	3.0	3.1	3.1
Utilities	1.6	1.9	1.9	2.0
Travel	0.5	0.7	0.8	0.8
Communications	3.3	7.0	7.1	7.2
Training	1.6	1.0	1.3	1.4
Equipment	0.3	2.0	2.0	2.0
Inter Agency Payments (example: AG and DAS)	7.9	9.1	8.8	9.0
Subtotal	\$271.1	\$286.7	\$293.2	\$299.6
Safety Grants	3.5	4.0	4.0	4.0
Long Term Care Loans	0.1	2.0	2.0	2.0
Legislative Requirements			3.0	3.0
Strategic Projects	16.8	12.2	22.5	16.2
Examples:				
Group Rating				
Deloitte Recommendations				
Employer Management Systems				
Provider File Enhancements				
IT Equipment Replacement				
Capital Improvements		3.9	3.3	3.2
Examples:				
Replace Boilers				
Carpet Replacement				
Chiller Replacement				
Grand Total	\$291.5	\$308.8	\$328.0	\$328.0

6-month Audit Committee Calendar

Date	July	Notes
7/24/08	<ol style="list-style-type: none"> 1. External audit update 2. Audit Committee Charter 	
	August	
8/28/08	<ol style="list-style-type: none"> 1. Internal Audit Quarterly Report - Executive Summary 	
	September	
9/25/08	<ol style="list-style-type: none"> 1. External Audit update 	
	October	
10/30/08	<ol style="list-style-type: none"> 1. Annual Meeting with External Auditor Regarding the Audit Report 	
	November	
11/20/08	<ol style="list-style-type: none"> 1. External Auditor Retention Letter 2. Internal Audit Quarterly Report - Executive Summary 	
	December	
12/18/08	<ol style="list-style-type: none"> 1. Annual Review of BWC Ethics Policy 2. Managements MD&A Review - Annual Financials 3. Annual Disaster Recovery/Business Continuity Plan Discussion 	