

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