

Board Agenda

Bill Lhota, Chairman

Feb. 29, 2008

Level 2, Room 3

8 a.m. – 1:30 p.m.

Call to order

Bill Lhota, Chair

Roll Call

Tom Woodruff, Scribe

Bill Lhota, Chair

- Approval of minutes of the January 25, 2008 meeting
 - Review meeting agenda
-

Committee Reports

Actuarial Committee

Chuck Bryan, Committee Chair

Audit Committee

Ken Haffey, Committee Chair

- Rules: 4123-17-03 Employer's classification rates
- 4123-17-18.1 Early payment discount program
- 4123-17-26 Minimum annual administrative charge
- 4123-17-37 Employer contribution to the safety and hygiene fund
- 4123-17-40 Self-insured buy-out factors
- 4123-17-45 Initial computation
- 4123-17-53 Private employer retrospective rating plan minimum premium percentages
- 4123-17-54 Public employer retrospective rating plan minimum premium percentages

Governance Committee

Alison Falls, Committee Chair

- Governance Guidelines

Investment Committee

Bob Smith, Committee Chair

- Recommendation to revise Section III.B regarding BWC Staff Responsibilities
Bob Smith and Bruce Dunn
possible vote to recommend approval to the Board of Directors
 - Recommendation to revise Section III.E regarding Investment Consultants' Responsibilities
-

“Deep Dive”

Claims process step 4

Bob Coury, Chief Medical Services

Stephanie Ramsey, Managed Care Services Director

Demo Ethics website

Pamela Burton, Computer Information and Technology Manager

Monthly Financial Report

Tracy Valentino, Chief

Fiscal & Planning Division

Administrator Briefing

Marsha P. Ryan, Administrator

Adjourn Board Meeting

* Consideration and possible vote

Next meeting: March 28, 2008, 8:00 am – 1:30 pm @ OCOSH, 13430 Yarmouth Drive, Pickerington, Room D & E

BWC Board of Directors

Thurs., Jan. 24, 2008, 9:30 A.M.

William Green Building
The Neil Schultz Conference Center
30 West Spring Street, 2nd Floor (Mezzanine)
Columbus, Ohio 43215

Members Present: William Lhota, Chairman
James Harris, Vice Chairman
Charles Bryan
Alison Falls
Philip Fulton
James Hummel
Jim Matesich
Larry Price
Robert Smith

Members Absent: David Caldwell
Kenneth Haffey

Call to Order

Mr. Lhota called the meeting to order at 9:30 AM, Thursday, January 24, 2008. Roll call was taken. All members were present except Mr. Caldwell and Mr. Haffey.

Board Training, Jan 24, 2008

House Bill 100 mandated training continued Thursday morning.

The entire training session was conducted by Marsha Ryan, BWC Administrator. The presentation included a power point slide presentation, which is incorporated by reference, into the minutes. Ms. Ryan provided a large operational overview, with regard to big picture planning from the perspective of senior management. The discussion included a perspective on incremental regulatory reform as well. Discussion was made of meaningful strategic policy change, communicating the big picture and understanding the direction of the plan. The Bureau is a recovering entity with an operational plan that is professional, fair, stable, simple and easy to navigate. The Bureau is further emphasizing transparency, rigor and engagement in Board of Director meetings. The Bureau continues to work towards setting goals, alignment of strategy with goals, measuring performance, improving efficiency of internal operations, and flexible performance agreement goals. Mr. Harris emphasized the importance of the stability of the agency, and predictability for all stakeholders. Ms. Ryan placed emphasis on systemic change that is comprehensive and customer focused. The new Bureau mission is to protect claimants and employers from loss as a result of a workplace accident and to enhance the quality of life for

Ohioans. There are four areas of focus for the Bureau: stable costs, better services, accurate rates, and safe workplaces. David Hollingsworth, Bureau consultant, is involved with Bureau process mapping. Charles Bryan inquired whether there is emphasis being placed on high dollar processes. Ms. Ryan answered yes, core work flows have been mapped first, and the mapping has now moved towards support processes. Mr. Bryan inquired as to whether or not the Bureau had access to the work flow maps of insurance firms for comparison. Ms. Ryan indicated that the Bureau is benchmarking large processes.

Mr. Harris indicated that it is important for the Bureau to emphasize safety and hygiene. Mr. Harris wants this issue to be brought before the Board in the future. Mr. Lhota inquired as to whether self-insured employers received safety and hygiene services/assistance. It was indicated that Joy Bush, Director of Employer Management Services, would be providing a response to this inquiry. Ms. Bush discussed the following Bureau-offered services that self-insured employers can utilize: safety and hygiene classes conducted by nationally recognized vendors, on-site consulting services, participation in Safety Councils and attendance at the Bureau's Safety Congress. Approximately thirty to thirty-five percent of the Bureau's safety and hygiene efforts are devoted to self-insured employers. Mr. Lhota suggested that a future Board training session could be conducted at the Bureau's Safety and Hygiene Division office in Pickerington (OCOSH).

Ms. Ryan indicated that the Bureau's progress on key deliverables will be tracked, and that the Bureau will evaluate this progress and its achievements. Bruce Dunn, Chief Investment Officer, indicated that a new investment accounting system is being implemented that will be a good tool for evaluating the performance of investments. Robert Coury, Chief of Medical Services and Compliance, discussed the Bureau's attention to issues concerning medical providers. Mr. Coury stressed the importance of establishing and maintaining provider networks that ensure delivery of services to claimants and eliminate barriers to provider participation. The networks must utilize methods that will achieve Bureau deliverables. Ms. Falls pointed out that the focus of key deliverables is a means to an end. The Bureau must tie its deliverables to results. Ms. Ryan responded that the Bureau is linking predicted outcomes to measures and success. Ms. Ryan indicated that the Bureau will be conducting more in-depth analysis of its data than has previously been done to help monitor and measure performance, with an emphasis on financial and operational soundness, as well as strategic soundness.

Mr. Price requested that the Bureau provide a presentation to the Board at a future date that explains its process for handling complaints, step by step. Ms. Ryan indicated that the Bureau could provide such a presentation, and pointed out that the Bureau has a new customer-tracking system. Ms. Ryan further discussed department budgets and their efficiency, as a process that is being tracked and monitored for success. Mr. Fulton emphasized the importance of the General Assembly funding the Bureau to ensure an adequate system. Ms. Ryan emphasized that all employees at the Bureau need to be engaged in the strategic plan, with regard to respect, focus, and internal accountability. There must also be external communication for helping claimants and protecting the funds.

Ms. Ryan noted that the Bureau has been on a recuperative track since 2006. In 2007, the Bureau successfully implemented organizational reforms, including documentation and controls, and in 2008, the Bureau is planning on comprehensive customer-focused reforms. There is focused

communication on organizational reforms, including working towards greater efficiency and preferred agency attributes including professionalism, simplicity, stability and fairness. Mr. Hummel raised the issue scheduling the public forums. Ms. Ryan indicated the Bureau recommends that the next two public forums focus on medical services, including claims, providers and benefits. Mr. Smith asked whether the Bureau has a positive and proactive communication strategy. Keary McCarthy, Chief of Communications, detailed the Bureau's strategy. Through its communication approach, the Bureau is working to display transparency and build trust. The Bureau is utilizing its resources to produce clear and meaningful outgoing correspondence. In addition, it is using partner strategies to deliver messages to the public. Ms. Falls recommended that the Board at a future meeting consider and review the Bureau's vision, values and mission for possible adoption and approval.

Recess:

Motion to adjourn was made by Mr. Bryan and seconded by Mr. Matesich at approximately 11:05 am. The motion passed 11-0.

BWC Board of Directors

Fri., Jan. 25, 2008, 8:00 A.M.

William Green Building
The Neil Schultz Conference Center
30 West Spring Street, 2nd Floor (Mezzanine)
Columbus, Ohio 43215

Members Present: William Lhota, Chairman
James Harris, Vice Chairman
Charles Bryan
David Caldwell
Alison Falls
Philip Fulton
James Hummel
Jim Matesich
Larry Price
Robert Smith
Kenneth Haffey

Members Absent: None

Call to Order

Mr. Lhota reconvened the meeting at 8:00 AM.

Roll Call

Roll call was taken and all members were present.

Minutes of Dec. 20, 2007 MEETING

Upon motion by Mr. Bryan and seconded by Mr. Harris, the minutes were approved 11-0 by roll call vote.

Committee Reports

Governance Committee:

Ms. Falls discussed the Governance Guidelines that the Committee is in the process of drafting. The goal of the Committee is to create a document that builds on best practices while covering the Board's roles, responsibilities, and processes. In addition, the Board will be utilizing the assistance of fiduciary counsel, and other outside resources to perfect these Guidelines.

Discussion was made concerning the National Association of Corporate Directors, as a potential resource to guide the Board on best practices. Mr. Bryan and Ms. Falls are both members of this organization. The issue was raised as to whether or not the Board should join the organization, with such benefits available as research publications, blue ribbon panels, and training. The costs

for joining (approximately five thousand dollars per year) were discussed. It was also suggested that the Board consider purchasing a membership for its liaison, Don Berno. After deliberating on the costs and benefits of membership, it was decided that action on this matter should be deferred to a later date. Mr. Price congratulated Ms. Falls for all of her hard and diligent work on the Governance Committee.

The Governance Committee Charter was reviewed. The process for designating who should conduct a Committee Meeting when the regular Chair is absent was discussed. It was the consensus of the Governance Committee that each Committee should have a Vice Chair, which should be included in the Charters. There was an amendment to the Governance Committee's Charter that the Chair and the Vice Chair must be approved by the Board. There was also wording changed regarding the Chair's ex officio designation.

A motion was made by Mr. Smith, and seconded by Mr. Bryan, to approve the Governance Committee's Charter, as amended. The motion passed, on a roll call vote, 11-0. The Charter is incorporated by reference, in the minutes.

The next Governance Committee meeting will be held in Cleveland, February 25, 2008 at 3:30 pm. Ms. Falls thanked the participants at the Governance Committee meeting, noting that there was appropriate depth and breadth of input. The deep and thoughtful discussion contributed to the positive outcome of the Committee.

Actuarial Committee:

Mr. Bryan reported on Actuarial Committee matters. A motion was made by Mr. Bryan, and seconded by Mr. Hummel, to approve the Actuarial Committee Charter with wording changes similar to the ones noted by the other Committees. The motion passed, on a roll call vote, 11-0. The Charter is incorporated by reference, in the minutes.

Mr. Bryan discussed the preparations for upcoming rate changes, and potential recommendations regarding procedures for private employers. John Pedrick, Chief Actuary, presented on related issues, including a discussion of the letters of intent received from six firms in response to the Bureau's Request for Proposals for an in-depth actuarial study as required by H.B. 100. Selection of a proposal will be made February 7, 2008. The Bureau continues to work hard towards implementation of the MIRA II reserving system.

Audit Committee:

Mr. Haffey presented a report of the Audit Committee. A motion was made by Mr. Haffey, and seconded by Philip Fulton, to approve the Audit Committee Charter with wording changes similar to the ones noted by the other Committees. Roll call was taken and the motion passed 11-0. The Charter is incorporated by reference, in the minutes.

Mr. Haffey discussed three rules that were presented to the Audit Committee for review. A motion was made by Mr. Haffey, and seconded by Mr. Fulton, as follows: that the Bureau of Workers' Compensation Board of Directors approve changes to Rule 4167-3-04.2 of the Administrative Code. The motion consents to the Administrator adopting changes to the public employment risk reduction program rule on amending of standards. Roll call was taken and the motion passed 11-0.

A motion was made by Mr. Haffey, and seconded by Mr. Fulton, as follows: that the Bureau of Workers' Compensation Board of Directors approve submission of the personal information systems rules of Chapter 4123-16 of the Administrative Code to JCARR as unchanged pursuant to the five year rule review. The motion consents to the Administrator retaining rules 4123-16-01 to 4123-16-03 and rules 3123-16-05 to 4123-16-13 as presented here today. Roll call was taken and the motion passed 11-0.

A motion was made by Mr. Haffey, and seconded by Mr. Fulton, as follows: that the Bureau of Workers' Compensation Board of Directors approve changes to Rule 4123-19-07 of the Administrative Code. The motion consents to the Administrator adopting changes to the rule controlling renewals of employer coverage to implement changes from House Bill 100 as presented here today. Roll call was taken and the motion passed 11-0.

Mr. Haffey reported that the Audit Committee heard a review of the progress of BWC implementation of external audit management letter comments. In addition, the Audit Committee heard an update regarding the Bureau's handling of employers who have failed to pay premiums as legally required. Mr. Fulton inquired as to whether there is consideration of charging non-complying employers with fraud, in the event the employers have not submitted payroll. Mr. Coury stated that such fraudulent activity is taken very seriously by the Bureau, and is actively investigated by the Bureau Special Investigations Unit. At the Audit Committee meeting Joe Bell, Chief of Internal Audit, gave an update on internal audit issues and initiatives. Finally, at the Audit Committee James Barnes, Bureau General Counsel, gave a litigation update.

Motion was made by Mr. Lhota, and seconded by Mr. Bryan, as follows: that Mr. Fulton be named Vice Chair of the Audit Committee, Mr. Matesich be named Vice Chair of the Actuarial Committee, and Mr. Smith be named Vice Chair of the Governance Committee. Roll call was taken and the motion passed 11-0.

Motion was made by Mr. Price, and seconded by Mr. Bryan, to recess the meeting at 8:30 AM. Roll call was taken and the motion passed 11-0.

The meeting was reconvened by Mr. Lhota at 9:25 AM.

Investment Committee:

Motion was made by Mr. Smith, and seconded by Mr. Caldwell, to adopt the Investment Committee Charter. Roll call was taken and the motion passed 11-0. The Charter is incorporated by reference, into the minutes.

Motion was made by Mr. Smith, and seconded by Ms. Falls, as follows: that the Bureau of Workers' Compensation Board of Directors approve and adopt the recommendation of the RFP Evaluation Committee to authorize the Administrator of the Bureau of Workers' Compensation to contract with Mercer Consulting to serve the Bureau of Workers' Compensation as a full service investment consultant, upon such terms as are outlined in Mercer's response to the request for proposals issued on October 30, 2007, and such other terms as are favorable to the Bureau and the Board of Directors. Roll call was taken and the motion passed 11-0.

Motion was made by Mr. Smith, and seconded by Mr. Caldwell, as follows: that the contract with Wilshire Consulting, as the Bureau's full service investment consultant, be terminated. Roll call was taken and the motion passed 11-0. Ms. Falls noted that the Board wanted to thank Wilshire Consulting for their services, and that the change in investment consultants is in no way a reflection of their performance. Ms. Falls stated that Wilshire Consulting in every respect has provided methodical and thoughtful guidance on investment policy and the restructuring/reallocation of the Insurance Funds and has made a tremendous contribution during their service to the BWC.

Motion was made by Mr. Smith, and seconded by Mr. Price, as follows: that the Workers' Compensation Board of Directors approve and adopt the recommendation of the Investment Committee to amend section IV.C.ii of the Investment Policy Statement regarding foreign bond ownership limits, in order to correct certain inconsistencies arising from prior changes to the Investment Policy Statement. The exact changes adopted by this motion will be incorporated by reference in the minutes of this meeting of the Board. Roll call was taken and the motion passed 11-0.

Motion was made by Mr. Smith, and seconded by Mr. Price, as follows: that the Investment Committee of the Workers' Compensation Board of Directors recommend to the Board that appendices 9, 11A, 11B, 12, 13, and 14 be deleted, and that previously suspended appendix 15 be deleted. Roll call was taken and the motion passed 11-0.

It was noted that there will be a less than one-month overlap between the existing contract with Wilshire Consulting and the new contract to be entered into with Mercer Consulting.

The meeting was recessed, as provided for on the agenda, by Mr. Lhota at 9:30 AM, and reconvened by Mr. Lhota at 9:45 AM.

Claims Management Presentation

Tina Kielmeyer, Chief of Customer Service, and Kim Robinson, Director of Policy, participated in the in-depth Claims Management presentation, which included a power point presentation incorporated by reference, into the minutes. The focus of the presentation included a continued discussion of the life cycle of a claim, and extent of disability, with a focus on the outcome management phase. The Bureau's goal is that claims determinations are expedient, equitable, and accountable. The Bureau is responsible for drug utilization review, although managed care organizations manage the rest of the medical component of a claim. Mr. Harris discussed the fact that there is a perception that prescription availability is being tightened. Ms. Kielmeyer indicated that there have been significant changes in prescription management, including the adoption of cost containment mechanisms from the insurance industry. Mr. Coury will address this issue next month. It was noted that the Bureau has fifteen offices, which are targeted for locations in areas where its customers reside. Discussion was made of customer access to materials, both online and physical presence. There was discussion of the allocation of claims personnel. The duties of claims service specialists were discussed. There are appropriate internal controls to ensure the appropriate administration of benefits. There was discussion of employee evaluations, OCSEA, and senior leadership meetings. There was a discussion of the claims management V-3 system, as well as a discussion of active claims, and claim volume imposed on the Bureau labor force.

Mr. Lhota suggested that the Board hold a meeting at OCOSH for discussions on safety and hygiene as well as loss prevention. Mr. Harris and Mr. Matesich both emphasized reducing accidents. Kim Robinson discussed the computation, manner, and form of compensation, and lump sum settlement matters. There was discussion of administrative dispute resolution. Mr. Pedrick discussed changes in claim reserving after initial estimates are computed. Reserves are updated based upon the most recent claim cost data. Mr. Lhota proposed that a meeting be held at OCOSH in March of 2008, and that the May 2008 meetings be held in Canton.

Monthly Financial Report

Tracy Valentino, Chief Fiscal and Planning Officer, presented a high level summary. The presentation included a handout, incorporated by reference into the meeting minutes. The presentation included a review of operation results. There was discussion on cash flow to ensure that current obligations are being met. Mr. Matesich inquired as to whether or not revenue changes were a consequence of rate changes or payroll changes. Ms. Valentino indicated that they were due to payroll, rate changes, and classification changes. There was detailed discussion of financial statements amongst the Directors. According to Ms. Valentino, a favorable loss reserve development has placed the Bureau ahead of schedule. Mr. Smith noted that investment income projections are unreliable. Since January 2007, the Bureau has invested in eighty percent bonds, eighteen percent stocks, and two percent cash equivalents. Mr. Bryan emphasized the importance of evaluating fund surplus. Mr. Harris is concerned with how to utilize the surplus. Mr. Lhota raised the issue with regard to obtaining cash to meet short term needs, including the opportunity costs of selling Bureau securities. It is important to manage cash flow as accurately as possible. With respect to the operating ratio, changing the discount rate will increase the operating ratio.

Administrator Briefing

Ms. Ryan discussed a supplement to the financial reports. The supplement is in the meeting packet, which is incorporated by reference, into the minutes. Ms. Ryan discussed the meaningfulness of the organization of the material, and discussed the helpfulness to Directors. With respect to legislation, there has been no finalization of the Workers Compensation Council appointments. When there is, the Bureau will bring the Board up to date on the issue. With respect to House Bill 379, this bill will potentially impact the exemption of coverage for federal longshoremen. Legislators are looking to modify the \$15K program, to essentially make it a deductible program for all claims. The Bureau will work with the Governor's Office to develop the Bureau's position on this issue. With respect to public forums, they have proven to be useful with regard to transparency of the system. There will be four more forums scheduled for this year. Ms. Ryan suggested that the first two address medical services issues. More specifically, the first one addressing vocational rehabilitation matters and provider activity, and the second one covering benefit plans. The first two are to be scheduled for April and June of 2008, and replace educational sessions for the Board. There was discussion on the format of the forums.

Scheduling

There was discussion of possible scheduling conflicts among the Directors. However, no scheduling changes were made to the Board's meeting dates for the 2008 calendar year.

Adjournment

Upon motion by Mr. Smith, seconded by Mr. Bryan, the meeting was adjourned at 12:02 PM. Roll call was taken, and the motion passed 11-0.

Minutes taken by Tom Woodruff, Bureau Staff Counsel

Medical Management of the Workers' Compensation Claim

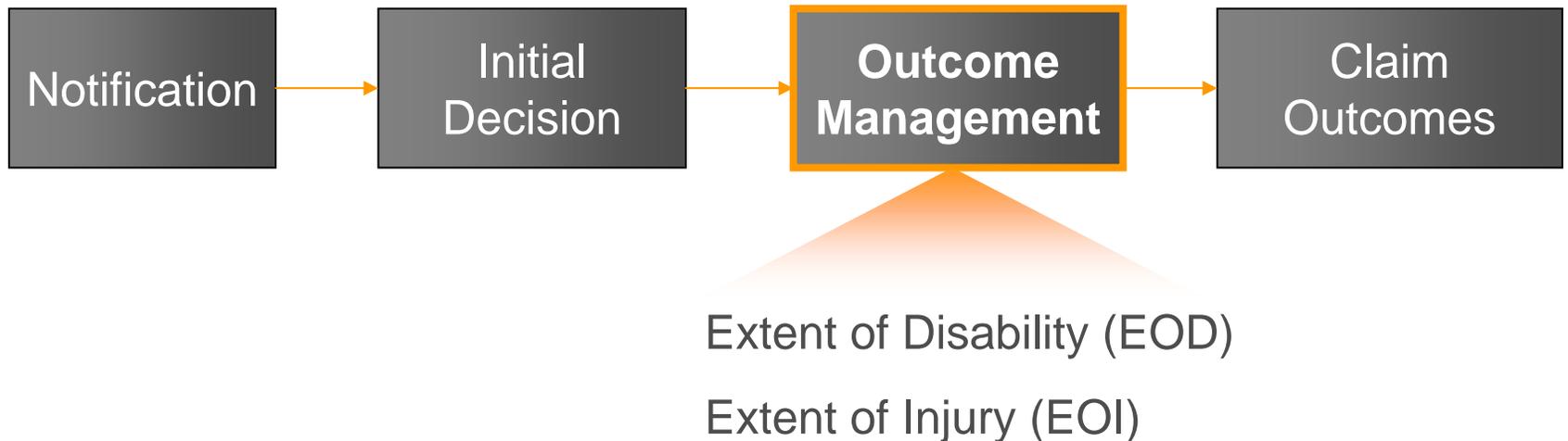
Robert Coury, Chief of Medical Services
and Compliance

Stephanie Ramsey, Director Managed Care
Services Department

Presentation Objectives

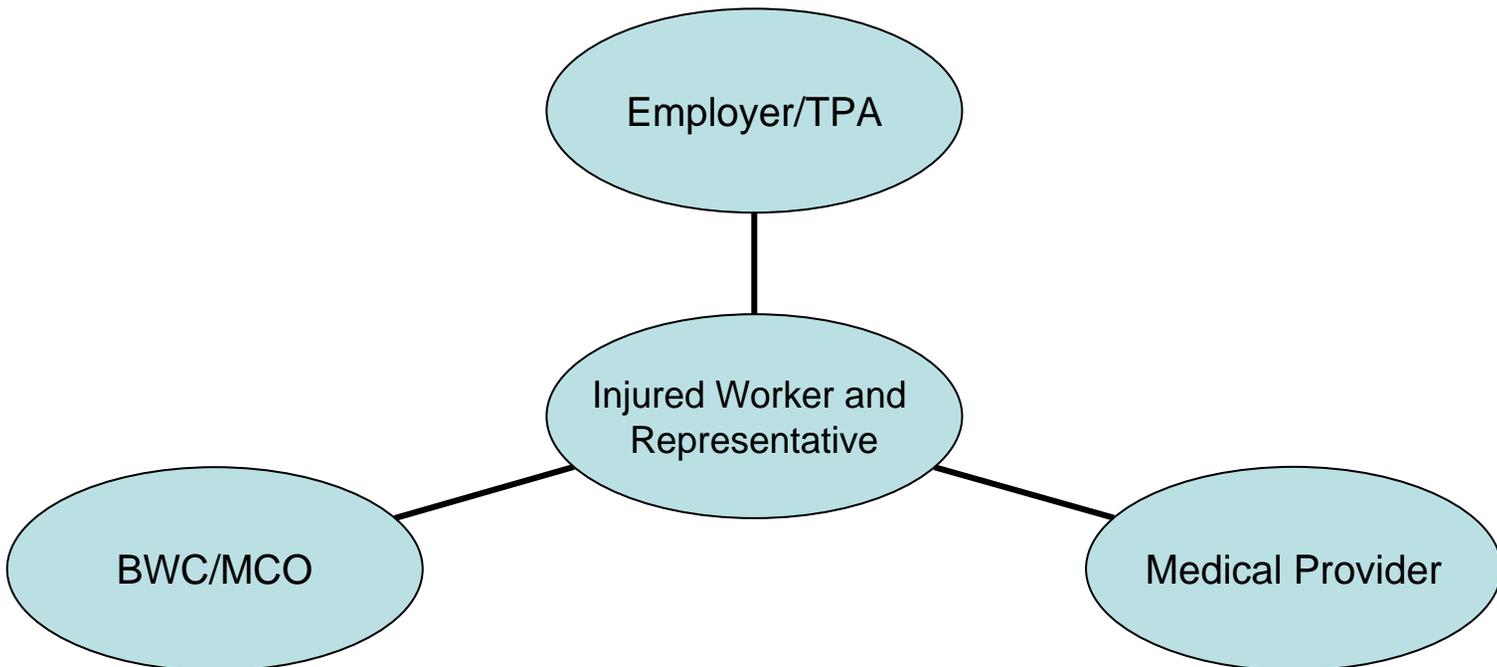
- To explain the processes involved in claim management from the medical benefit perspective
- To explore the interrelationships among BWC, Managed Care Organizations (MCOs), injured workers, employers, and medical providers involved in service delivery

Life Cycle of a Claim



What is the Total Case Management Dynamic?

It is a practical interface established by Ohio Law and Regulations as well as best practices to coordinate medical treatment and rehabilitation among the parties consistent with a quality, cost-effective benefit plan.



What Happens When an Injury Occurs?

Key Process Steps

- Submission of First Report of Injury (FROI) and Medical Documentation
- Determination of Allowed Condition – Causally Related to the reported injury (BWC Function)
- Authorization and coordination of medical treatment consistent with appropriate treatment plan and BWC benefit plan (MCO Function)
 - Utilization Management
 - Medical Case Management
- Alternative Dispute Resolution of Medical Treatment Authorization Decisions (MCO and BWC sequentially)
- Provider bill payment

Provider Request for Medical Treatment Authorization

- Injured worker seeks medical treatment from provider of choice
- Medical Provider submits request to MCO together with the treating diagnosis(es) and treatment plan

BWC C-9 Form or equivalent is required

What Happens Next?

- MCO has 3 workdays to respond to the request
- MCO may pend the request and ask physician for additional medical information
- Physician response required in 10 workdays
- If/when additional information is received, MCO must respond within 5 workdays

MCO Process for Authorization of Medical Services

- Consistent with Miller Criteria (Ohio Supreme Court case (1994))
- Consistent with BWC Benefit Plan allowances
- Consistent with recognized treatment guidelines, for example, those published by the Work Loss Data Institute: “Official Disability Guidelines”

Miller Criteria

1. Are the medical services reasonably related to the industrial injury, that is, the allowed conditions?
2. Are the services reasonably necessary for the treatment of the industrial injury (allowed conditions)?
3. Is the cost of these services medically reasonable?

BWC Benefit Plan Allowances

- **BWC authority to pay medical expenses derives from Ohio Law.**
- **OAC 4123-6-25(A): Medical supplies and services will be considered for payment when they are**
 - **medically necessary for the diagnosis and treatment of conditions allowed in the claim**
 - **are causally related to the conditions in the claim**
 - **are rendered by a health care provider.**

BWC Benefit Plan Allowances (Continued)

- **Certain features of the Benefit Plan are specifically established by Law**
- **Injured workers are not required to contribute a co-payment and do not have to meet any deductibles.**
- **Preauthorization is required for specified services**
- **Services are reimbursed at fee schedule**
- **Inpatient hospital services are reimbursed according to the Medicare DRG methodology**

Official Disability Guidelines

- Defines best practice standards for treatment
- Treatment Guidelines approved by the Federal Agency for Healthcare Research & Quality for inclusion in the National Guidelines Clearinghouse (NGC)
- NGC requires corroborating documentation of substantiation that the guidelines were developed in accordance with existing scientific evidence published in peer review journals
- Updated on-line throughout the year to reflect new study findings

Standardized Prior Authorization Specifications

Required for medical treatment and
services except:

Emergency treatment

Medical Consultations

Office visits

Most Pharmacy

Presumptive Authorization

- Covers only soft tissue and musculoskeletal injuries for *allowed conditions in allowed claims*
- Limited to specific treatment or diagnostic regimens
- Limited to time period \leq 60 days following date of injury
- *Eliminates wait time for certain treatments*

Comprehensive Medical Case Management Services of MCO

- Certain high risk cases are assigned a medical case manager to work with the injured worker, the employer and the provider to:
 - assist in treatment delivery
 - promote patient compliance
 - coordinate information
 - facilitate return to work planning
- Criteria for case selection
- MCO performs a complete assessment of the injured worker and interacts with BWC claim service office in developing claim management plan
- Interactive relationship with BWC Customer Service Team
- Vocational rehabilitation

Next steps: After treatment request is approved

- Treatment reimbursement approvals are sent by MCO to all parties to the claim
- Follow-up by MCO medical case manager facilitates prompt treatment
- Employer has right to appeal

Next steps: After treatment request is denied

- Treatment reimbursement denials are sent by the MCO to the provider, BWC, the injured worker and his or her representative, if any.
- Denial decisions must include appropriate references to treatment guidelines as well as due process notification
- Appeal may be filed with MCO; Peer review required (21 calendar days for decision)
- Second level appeal may be filed with BWC (14 calendar days for decision)
- BWC decision may be appealed to the Industrial Commission

Medical Billing and Reimbursement

- Providers bill the appropriate MCO
- Bill must show the diagnosis code
- The bill adjudication process verifies accuracy and compensability
- MCO submits the bill with payment recommendation to BWC

Medical Billing and Reimbursement (continued)

- BWC applies additional edits to the bill and determines final payment
- BWC notifies MCO and deposits payment into a dedicated provider account
- MCO issues checks and supporting documentation
- Provider payment disputes are initially addressed by MCO then BWC

Medical benefits paid per fiscal year

(in millions \$\$)

Provider	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Hospital	190	219	256	295	278	312	293	271
MD/DO/DC	234	250	271	285	274	264	262	246
MD	150	161	170	179	172	166	164	156
DO	29	33	37	37	36	37	38	36
DC	55	56	64	69	66	62	60	54
Pharmacy	70	121	116	129	151	162	130	125
Voc Rehab	17	24	38	37	24	23	22	22
All Other	86	91	109	132	128	135	140	140
Total (1)	597	705	791	877	855	897	848	804
Claims with Medical	486,733	464,864	435,119	418,567	383,988	365,093	350,915	320,585
New Claims Filed	259,742	240,254	213,459	208,420	189,218	178,108	167,053	154,677

Managed Care Organizations

- 24 certified / contracted MCOs.
- 2008 calendar year contract total amount: \$162.6 million.
- 4 MCOs account for 70% of activity and corresponding contract payments.

2008 MCO Contract
Payment Structure

Payment Pool
Fixed \$ Amount
\$162,630,000

Activity
55% Paid Monthly
\$89,446,500

Performance
45% Paid Quarterly
\$73,183,500

Allocated to
MCOs based on
their % of
activity

Allocated to MCO's
based on their % of
billed premium

A portion is pre-
paid monthly to
help with cash flow

7% 14% 14% 65%

Active
Employer

Bill
Volume

FROI
Volume

Active
Claims

Payment is
calculated on the
MCO's DoDM*
score

Activity
Set-Offs

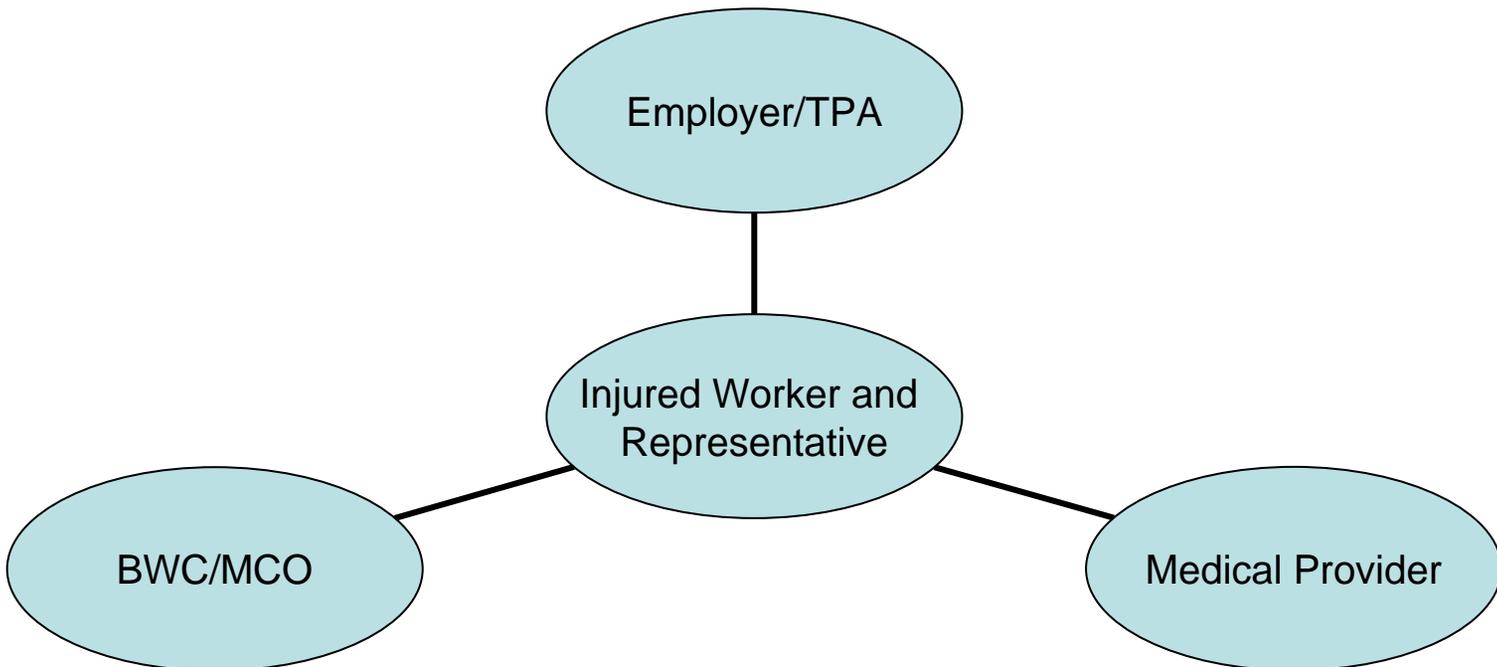
FROI Timing (1.25%)
148 Data Accuracy
(1.25%)
Bill Timing (1.25%)
837 Data Accuracy
(1.25%)
Failure to implement
system changes timely
(1% per day)

DoDM*
Benchmarks

Score < 85.00% MCO earns 0.00%
Score between 85.00% and 109.99%
MCO earns a pro-rated amount
Score >=110.00% MCO earns
100.00%

The Total Management Dynamic

Practical interface established by Ohio Law and Regulations as well as best practices for effective collaboration of all parties for successful rehabilitation



QUESTIONS?

Thank you for the opportunity to discuss
Medical Management of the Workers'
Compensation Claim

Ethics 4 BWC Web Page

Pamela Burton
Computer Education & Technology Manager

Ethics 4 BWC Web Page

To access the Ethics web page:

-  Go to the BWC Web
-  Tasks and Tools/Safety, Security,
and Ethics
-  Ethics 4 BWC

Ethics 4 BWC Web Page

Main links

-  Ohio Ethics Commission's web site
-  Frequently Asked Questions (FAQs)
-  Ohio Inspector General's web site
-  Law and Policy
-  Education
-  Home and BWC Web

Ethics 4 BWC Web Page

Ohio Ethics Commission

-  Detailed Ethics information
-  Ethics information session dates
-  Information on where/how to file a complaint of wrongdoing

Ethics 4 BWC Web Page

Frequently Asked Questions (FAQs)



BWC employees submit questions to the Ethics 4 BWC email box



Chief Ethics Officer and Legal Department attorneys provide answers to questions and post to web page

Ethics 4 BWC Web Page

Ohio Inspector General's (IG) web site

-  Role of the IG's office
-  Filing a complaint
-  Investigations
-  Frequently Asked Questions

Ethics 4 BWC Web Page

Law and Policy

-  Code of Ethics
-  Nepotism Policy
-  Outside Employment Policy
-  Gift Acceptance Policy
-  Gift Return Letter
-  Internal Fraud Policy
-  Ohio Ethics Law
-  Governor Strickland's Executive Orders

Ethics 4 BWC Web Page

Educational Information

-  Ethics 4 BWC Session-
Participant Guide & PowerPoint slides
-  Sessions presented by the
Leadership & Professional
Development instructors

Ethics 4 BWC Web Page



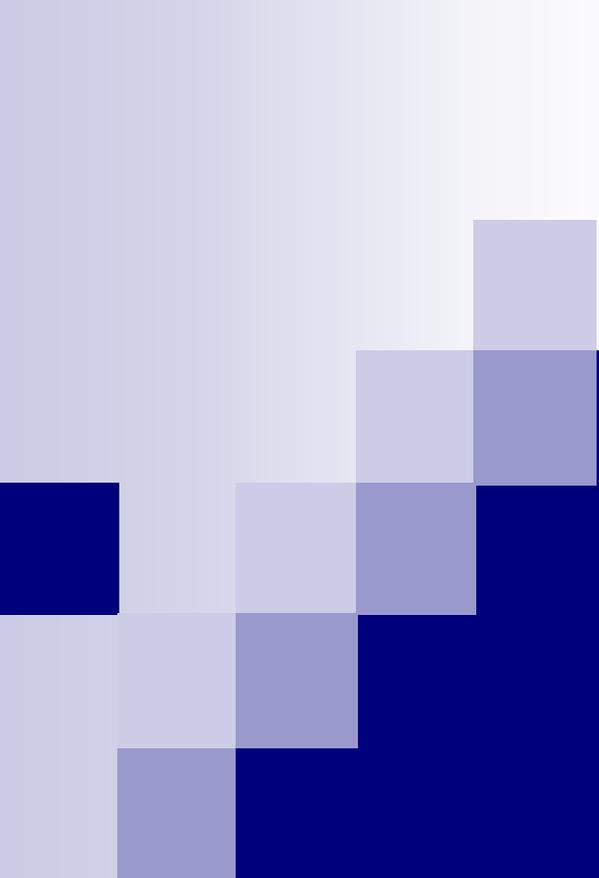
Home



BWC Web

Ethics 4 BWC Web Page

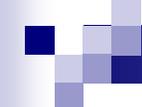
Questions?



BWC Financial Report

January 2008 Results

Presented by: Tracy Valentino
Chief Fiscal and Planning Officer
February 29, 2008



BWC Financial Report

January 2008 Results

- Operations Review
- Cash Flow Analysis
- Financial Summary

Operations Overview

as of January 31, 2008

\$ in millions

	Actual	Plan	Prior Year
■ Operating Revenues	\$1,316	\$1,513	\$1,444
■ Operating Expenses	\$1,994	\$2,090	\$1,557
■ Net Operating Loss	\$(678)	\$(577)	\$(113)
■ Net Investment Income	\$1,079	\$368	\$835
■ Net Assets	\$2,707	\$2,097	\$595
■ Combined Ratio	148.2%	136.4%	106.4%
■ Operating Ratio	113.1%	106.1%	71.6%

Operations Overview

as of January 31, 2008

\$ in millions

Operating Revenue

	Actual	Plan	Prior Year
■ Premiums and Assessments	\$1,345	\$1,533	\$1,464
■ Provision for Uncollectibles	\$(35)	\$(25)	\$(27)
■ Other Income	\$6	\$5	\$7
■ Total	\$1,316	\$1,513	\$1,444

Operations Overview

as of January 31, 2008

\$ in millions

Operating Revenue Variance Explanation

	Actual	Plan	Prior Year
Total Operating Income	\$1,316	\$1,513	\$1,444

■ Actual to Plan

- Premium income is 12% less than projected
 - Changes to unbilled premium receivables for:
 - State Agencies
 - Self-Insured Employers' Guaranty Fund
 - Disabled Workers' Relief Fund

■ Actual to Prior Year

- Premium income 8% less than prior year
 - Decrease in unbilled premium receivables
 - Increase in credits for participation in Safety Council Program

Operations Overview

as of January 31, 2008

\$ in millions

Operating Expenses

	Actual	Plan	Prior Year
■ Benefits	\$1,608	\$1,661	\$1,186
■ LAE – MCO	\$156	\$160	\$100
■ LAE – BWC	\$175	\$213	\$216
■ Other	\$55	\$56	\$55
■ Total	\$1,994	\$2,090	\$1,557

Operations Overview

as of January 31, 2008

\$ in millions

Operating Expense Variance Explanation

	Actual	Plan	Prior Year
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Total Operating Expenses	\$1,994	\$2,090	\$1,557
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■ Actual to Plan

- Benefit and LAE expenses are 5% less than projected
 - Favorable reserve development

■ Actual to Prior Year

- Benefit and LAE expenses increased by 29%
 - Decrease in discount rate applied to aggregate reserves
 - Liability for hospital reimbursements
 - Increase in lump sum settlement payments

Operations Overview

as of January 31, 2008

Net Investment Income

	Actual	Plan	Prior Year
■ Interest & Dividend Income	\$479	\$473	\$515
■ Realized & Unrealized	\$607	\$(95)	\$326
■ Invest Manager Fees	\$(7)	\$(10)	\$(6)
■ Net Invest Income	\$1,079	\$368	\$835

Operations Overview

as of January 31, 2008

Net Investment Income Variance Explanation

	Actual	Plan	Prior Year
Net Investment Income	\$1,079	\$368	\$835

■ Actual to Plan

- Net investment income is \$711 million higher than projected
 - Conservative projections based on known factors

■ Actual to Prior Year

- Net investment income increased 29%
 - Bond interest declined by \$58 million
 - Dividend income increased by \$29 million
 - Change in fair value of investment portfolio increased by \$281 million

Operations Overview

as of January 31, 2008

\$ in millions

Change in Net Assets

	Actual	Plan	Prior Year
■ Operating Revenues	\$1,316	\$1,513	\$1,444
■ Operating Expenses	\$1,994	\$2,090	\$1,557
■ Net Investment Income	\$1,079	\$368	\$835
■ Change in Net Assets	\$401	\$(209)	\$722
■ Net Assets Beginning of Period	\$2,306	\$2,306	\$(127)
■ Net Assets End of Period	\$2,707	\$2,097	\$595

Operations Overview

as of January 31, 2008

Change in Net Assets Variance Explanation

	Actual	Plan	Prior Year
Net Assets End of Period	\$2,707	\$2,097	\$595

■ Actual to Plan

- Net assets are \$610 million higher than projected
 - Primarily due to higher than projected investment income
 - Operating loss was \$101 million more than projected

■ Actual to Prior Year

- Net assets are \$2.1 billion higher
 - DWRP – statutory change increased net assets by \$1.9 billion
 - Net investment income of \$ 1.1 billion
 - Operating loss of \$678 million

Operations Overview

as of January 31, 2008

\$ in millions

Net Assets by Fund

	Actual	Plan	Prior Year
■ SIF	\$2,410	\$1,905	\$1,960
■ DWRF	\$863	\$798	\$(895)
■ Coal Workers'	\$185	\$172	\$171
■ PWRE	\$19	\$18	\$17
■ Marine	\$14	\$14	\$13
■ SIEGF	\$7	\$7	\$5
■ Administrative Cost	\$(791)	\$(817)	\$(676)
■ Total	\$2,707	\$2,097	\$595

Operations Overview

as of January 31, 2008

\$ in millions

Cash Flows

	Actual	Plan	Prior Year
■ Premium Receipts	\$1,319	\$1,378	\$1,215
■ Other Receipts	\$17	\$11	\$17
■ Claims Disbursements	\$(1,282)	\$(1,298)	\$(1,212)
■ Other Disbursements	\$(280)	\$(242)	\$(342)
■ Net Capital Cash Flows	\$(4)	\$(3)	\$(5)
■ Investment Cash Flows	\$420	\$(64)	\$112
■ Cash Redemptions from IMs	\$155		\$250
■ Net Change in Cash	\$345	\$(218)	\$35
■ Cash and Cash Equivalents End of Period	\$673	\$110	\$229

Operations Overview

as of January 31, 2008

\$ in million

Cash Flows Variance Explanation

	Actual	Plan	Prior Year
Premium Receipts	\$1,319	\$1,378	\$1,215
Other Receipts	\$17	\$11	\$17
Claims Disbursements	\$(1,282)	\$(1,298)	\$(1,212)
Other Disbursements	\$(280)	\$(242)	\$(342)
Cash Used by operating activities	\$(226)	\$(151)	\$(322)

■ Actual to Plan

- Cash used by operating activities \$75 million higher than projected
 - Premium payments from employers 4% lower than projected
 - Higher payments for lump sum settlements
 - Higher payments for safety council incentive and PDP discount

Operations Overview

as of January 31, 2008

\$ in million

Cash Flows Variance Explanation

	Actual	Plan	Prior Year
Premium Receipts	\$1,319	\$1,378	\$1,215
Other Receipts	\$17	\$11	\$17
Claims Disbursements	\$(1,282)	\$(1,298)	\$(1,212)
Other Disbursements	\$(280)	\$(242)	\$(342)
Cash Used by operating activities	\$(226)	\$(151)	\$(322)

■ Actual to Prior Year

- Cash used by operating activities \$96 million lower
 - Increased premium collections due to 3.9% PA rate increase
 - Higher lump sum settlement claim disbursements
 - Lower other disbursements due to payments from Santos subrogation case in fiscal year 2007

Operations Overview

as of January 31, 2008

Profitability Ratios

	Actual	Plan	Prior Year
■ Loss Ratio	119.5%	108.4%	81.0%
■ LAE-MCO Ratio	11.6%	10.4%	6.8%
■ LAE-BWC Ratio	13.0%	13.9%	14.8%
■ Expense Ratio	4.1%	3.7%	3.8%
■ Combined Ratio	148.2%	136.4%	106.4%
■ Net Inv Inc Ratio	35.1%	30.3%	34.8%
■ Operating Ratio	113.1%	106.1%	71.6%

Operations Overview

as of January 31, 2008

Profitability Ratios Variance Explanation

	Actual	Plan	Prior Year
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Operating Ratio

113.1%

106.1%

71.6%

■ Actual to Plan

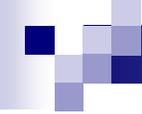
□ Operating ratio is almost 7 points worse than projected

- Favorable development in the reserve projections based on payment trends through December 2007
- Liability for hospital reimbursements
- Higher than projected investment earnings

■ Actual to Prior Year

□ Operating ratio has declined by almost 42 points

- Decrease in discount rate
- Liability for hospital reimbursements



BWC Financial Report

January 31, 2008 Results

Summary

- Positive Results From Investment Earnings
- Favorable Loss Reserve Development
- Decline in Cash Used by Operations
- Decline in Cash Redemptions From Investment Managers
- Similar Operating Results Forecast For Fiscal Year End

Financial**Report**

February '08

Financial Report

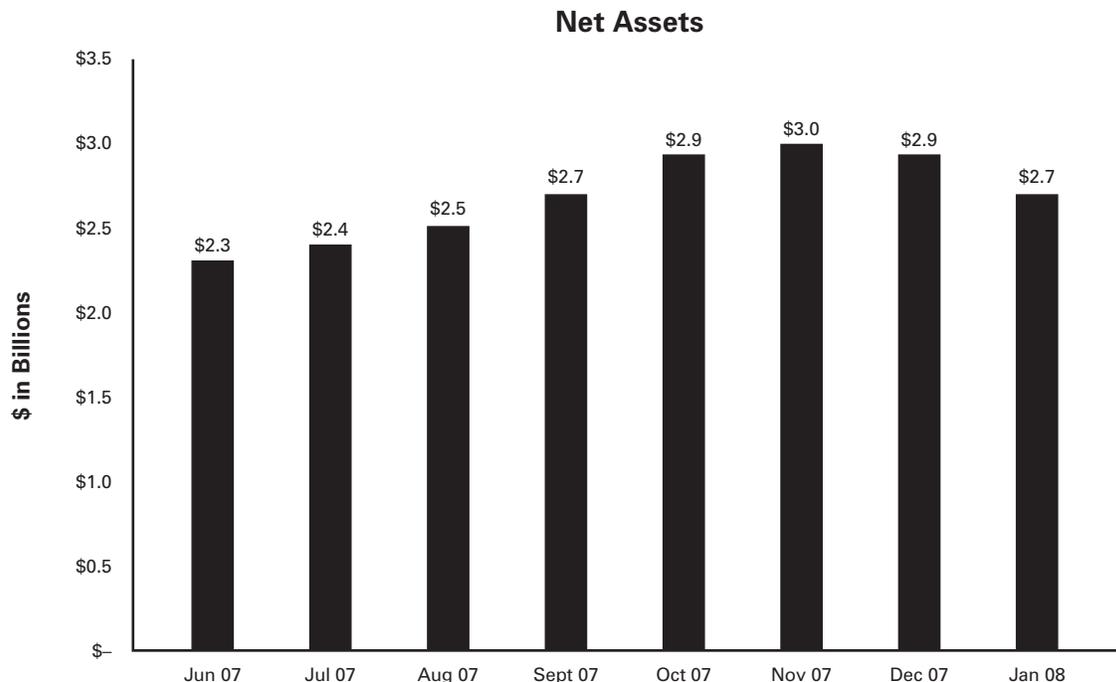
February '08

Combined net assets have increased from \$2.3 billion at June 30, 2007 to \$2.7 billion at January 31, 2008. The 2008 fiscal year-to-date increase in net assets of \$401 million is due to the following:

- Net investment income of \$1.0 billion, which includes interest and dividends of \$479 million, an increase of \$607 million in the fair value of the investment portfolio, and investment expenses of \$7 million.
- Operating losses of \$678 million, which partially off-sets net investment income.

	Fiscal year 2008 As of January 31	Fiscal year 2007 As of January 31	
Operating Revenues	\$1,316 million	\$1,444 million	\$128 million decrease
Operating Expenses	\$1,994 million	\$1,557 million	\$437 million increase
Net Investment Income	\$1,079 million	\$835 million	\$244 million increase
Net Assets	\$2.7 billion	\$595 million	\$2.1 billion increase

Contributing to the significant increase in net assets is a statutory change impacting the Disabled Workers' Relief Fund that increased net assets by \$1.9 billion at fiscal year end 2007. Operating expenses for fiscal year-to-date 2008, include the latest reserve projections prepared by BWC's actuarial consultants using payment trends through December 31, 2007. The actuarial projections for fiscal year-to-date 2008 have increased reserves for compensation and compensation adjustment expenses by \$501 million in fiscal year 2008 compared to a \$193 million increase for this same period in fiscal year 2007. A significant factor in this increase is the change in the discount rate from 5.25 percent to 5.0 percent at June 30, 2007 and a \$60 million increase in benefit payments driven by increased lump sum settlements. Also contributing to increased operating expenses is an \$80 million liability for hospital reimbursements recorded in January 2008. This liability is for reimbursements that will be made as a result of the Ohio Hospital Association's lawsuit disputing fee schedules that were not adopted through the Ohio Revised Code Chapter 119 rules process.



Statement of **Operations**

➤➤ Fiscal year to date January 31, 2008

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Total operating revenues	\$ 1,316	\$ 1,513	\$ (197)	\$ 1,444	\$ (128)
Total operating expenses	<u>1,994</u>	<u>2,090</u>	<u>96</u>	<u>1,557</u>	<u>437</u>
Net operating gain (loss)	(678)	(577)	(101)	(113)	(565)
Net investment income	<u>1,079</u>	<u>368</u>	<u>711</u>	<u>835</u>	<u>244</u>
Increase (decrease) in net assets	401	(209)	610	722	(321)
Net assets beginning of period	<u>2,306</u>	<u>2,306</u>	<u>–</u>	<u>(127)</u>	<u>2,433</u>
Net assets end of period	\$ 2,707	\$ 2,097	\$ 610	\$ 595	\$ 2,112

Statement of Operations

➤➤ Fiscal year to date January 31, 2008

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Operating revenues					
Premium & assessment income	\$ 1,345	\$ 1,533	\$ (188)	\$ 1,464	\$ (119)
Provision for uncollectibles	(35)	(25)	(10)	(27)	(8)
Other income	<u>6</u>	<u>5</u>	<u>1</u>	<u>7</u>	<u>(1)</u>
Total operating revenues	1,316	1,513	(197)	1,444	(128)
Operating expenses					
Benefits & compensation adj. expense	1,939	2,034	95	1,502	437
Other expenses	<u>55</u>	<u>56</u>	<u>1</u>	<u>55</u>	<u>-</u>
Total operating expenses	<u>1,994</u>	<u>2,090</u>	<u>96</u>	<u>1,557</u>	<u>437</u>
Net operating gain (loss)	(678)	(577)	(101)	(113)	(565)
Investment income					
Interest and dividend income	479	473	6	515	(36)
Realized & unrealized capital gains (losses)	607	(95)	702	326	281
Investment manager and operational fees	(7)	(10)	3	(6)	1
Gain (loss) on disposal of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment income	<u>1,079</u>	<u>368</u>	<u>711</u>	<u>835</u>	<u>244</u>
Increase (decrease) in net assets	401	(209)	610	722	(321)
Net assets beginning of period	<u>2,306</u>	<u>2,306</u>	<u>-</u>	<u>(127)</u>	<u>2,433</u>
Net assets end of period	\$ 2,707	\$ 2,097	\$ 610	\$ 595	\$ 2,112

Statement of **Operations - Combining** Schedule

➤➤ Fiscal year to date January 31, 2008

<i>(in thousands)</i>	State Insurance Fund account	Disabled Workers' Relief Fund account	Coal-Workers Pneumoconiosis Fund account	Public Work- Relief Employees' Fund account	Marine Industry Fund account	Self-Insuring Employers' Guaranty Fund account	Administrative Cost Fund account	Totals
Operating revenues								
Premium & assessment income	\$ 1,047,899	\$ 84,867	\$ 557	\$ 22	\$ 440	\$ 952	\$ 210,533	\$ 1,345,270
Provision for uncollectibles	(28,142)	(2,920)	–	–	–	(146)	(4,050)	(35,258)
Other income	5,152	–	–	–	–	–	1,260	6,412
Total operating revenues	<u>1,024,909</u>	<u>81,947</u>	<u>557</u>	<u>22</u>	<u>440</u>	<u>806</u>	<u>207,743</u>	<u>1,316,424</u>
Operating expenses								
Benefits & compensation adj. expense	1,684,021	78,989	728	316	424	710	173,615	1,938,803
Other expenses	10,854	179	51	–	47	–	44,303	55,434
Total operating expenses	<u>1,694,875</u>	<u>79,168</u>	<u>779</u>	<u>316</u>	<u>471</u>	<u>710</u>	<u>217,918</u>	<u>1,994,237</u>
Net operating income (loss) before operating transfers out	<u>(669,966)</u>	<u>2,779</u>	<u>(222)</u>	<u>(294)</u>	<u>(31)</u>	<u>96</u>	<u>(10,175)</u>	<u>(677,813)</u>
Operating transfers out	<u>(1,635)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,635</u>	<u>–</u>
Net operating income (loss)	<u>(671,601)</u>	<u>2,779</u>	<u>(222)</u>	<u>(294)</u>	<u>(31)</u>	<u>96</u>	<u>(8,540)</u>	<u>(677,813)</u>
Investment income								
Investment income	437,329	30,663	6,584	562	412	1,442	2,023	479,015
Bonds - realized & unrealized gains (losses)	872,313	45,642	10,130	50	36	–	–	928,171
Equities - realized & unrealized gains (losses)	(301,204)	(16,066)	(3,610)	–	–	–	–	(320,880)
Total realized & unrealized capital gains (losses)	571,109	29,576	6,520	50	36	–	–	607,291
Investment manager and operational fees	(6,839)	(12)	(2)	–	–	–	–	(6,853)
Gain (loss) on disposal of fixed assets	–	–	–	–	–	–	(58)	(58)
Total non-operating revenues, net	<u>1,001,599</u>	<u>60,227</u>	<u>13,102</u>	<u>612</u>	<u>448</u>	<u>1,442</u>	<u>1,965</u>	<u>1,079,395</u>
Increase (decrease) in net assets (deficit)	329,998	63,006	12,880	318	417	1,538	(6,575)	401,582
Net assets (deficit) beginning of period	2,080,045	800,185	171,741	18,295	13,802	6,208	(784,730)	2,305,546
Net assets (deficit) end of period	\$ 2,410,043	\$ 863,191	\$ 184,621	\$ 18,613	\$ 14,219	\$ 7,746	\$ (791,305)	\$ 2,707,128

Statement of **Investment Income**

➤➤ Fiscal year to date January 31, 2008

	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Investment income					
Bond interest	\$ 427,432,139	\$ 429,800,000	\$ (2,367,861)	\$ 485,016,308	\$ (57,584,169)
Dividend income (dom & int'l)	32,651,260	33,600,000	(948,740)	3,717,964	28,933,296
Money market/ commercial paper income	11,994,904	7,280,000	4,714,904	9,176,344	2,818,560
Misc. income (corp actions, etc.)	3,017,277	2,100,000	917,277	2,328,525	688,752
Private equity	3,918,992	700,000	3,218,992	11,265,953	(7,346,961)
Securities lending income, net of fees	—	—	—	3,729,939	(3,729,939)
Total investment income	<u>479,014,572</u>	<u>473,480,000</u>	<u>5,534,572</u>	<u>515,235,033</u>	<u>(36,220,461)</u>
Realized & unrealized capital gains and (losses)					
Bonds - Net realized gains (losses)	(73,723,195)	—	(73,723,195)	(2,336,416)	(71,386,779)
Bonds - Net unrealized gains	<u>1,001,895,032</u>	<u>(220,000,000)</u>	<u>1,221,895,032</u>	<u>304,595,580</u>	<u>697,299,452</u>
Subtotal - bonds	<u>928,171,837</u>	<u>(220,000,000)</u>	<u>1,148,171,837</u>	<u>302,259,164</u>	<u>625,912,673</u>
Stocks - Net realized gains (losses)	45,724,059	—	45,724,059	(4,654,474)	50,378,533
Stocks - Net Unrealized gains (losses)	<u>(323,208,176)</u>	<u>125,160,000</u>	<u>(448,368,176)</u>	<u>12,129,752</u>	<u>(335,337,928)</u>
Subtotal - stocks	<u>(277,484,117)</u>	<u>125,160,000</u>	<u>(402,644,117)</u>	<u>7,475,278</u>	<u>(284,959,395)</u>
Net gain (loss) - PE	<u>(43,395,944)</u>	<u>—</u>	<u>(43,395,944)</u>	<u>16,578,418</u>	<u>(59,974,362)</u>
Change in portfolio value	<u>607,291,776</u>	<u>(94,840,000)</u>	<u>702,131,776</u>	<u>326,312,860</u>	<u>280,978,916</u>
Investment manager & operational fees	<u>(6,853,119)</u>	<u>(9,511,000)</u>	<u>2,657,881</u>	<u>(6,302,929)</u>	<u>550,190</u>
Net investment income	<u>\$1,079,453,229</u>	<u>\$ 369,129,000</u>	<u>\$ 710,324,229</u>	<u>\$ 835,244,964</u>	<u>\$ 244,208,265</u>

Statement of **Net Assets**

➤➤ **As of January 31, 2008**

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Assets					
Bonds	\$ 13,815	\$ 13,429	\$ 386	\$ 13,567	\$ 248
Stocks	3,366	3,357	9	2,502	864
Private equities	30	–	30	434	(404)
Cash & cash equivalents	<u>673</u>	<u>110</u>	<u>563</u>	<u>229</u>	<u>444</u>
Total cash and investments	17,884	16,896	988	16,732	1,152
Accrued premiums	4,891	4,940	(49)	3,467	1,424
Other accounts receivable	139	176	(37)	124	15
Investment receivables	306	183	123	607	(301)
Other assests	<u>117</u>	<u>116</u>	<u>1</u>	<u>123</u>	<u>(6)</u>
Total assets	\$ <u>23,337</u>	\$ <u>22,311</u>	\$ <u>1,026</u>	\$ <u>21,053</u>	\$ <u>2,284</u>
Liabilities					
Reserve for compensation and compensation adj. Expense	\$ 19,772	\$ 19,886	\$ 114	\$ 19,120	\$ 652
Accounts payable	66	75	9	70	(4)
Investment payable	476	–	(476)	605	(129)
Other liabilities	<u>316</u>	<u>253</u>	<u>(63)</u>	<u>663</u>	<u>(347)</u>
Total liabilities	<u>20,630</u>	<u>20,214</u>	<u>(416)</u>	<u>20,458</u>	<u>172</u>
Net assets	\$ 2,707	\$ 2,097	\$ 610	\$ 595	\$ 2,112

Statement of **Net Assets - Combining** Schedule

➤➤ **As of January 31, 2008**

<i>(in thousands)</i>	State Insurance Fund account	Disabled Workers' Relief Fund account	Coal-Workers Pneumoconiosis Fund account	Public Work- Relief Employees' Fund account	Marine Industry Fund account	Self-Insuring Employers' Guaranty Fund account	Administrative Cost Fund account	Eliminations	Totals
Assets									
Bonds	\$ 12,708,933	\$ 913,759	\$ 192,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,815,006
Stocks	3,104,117	213,416	48,819	-	-	-	-	-	3,366,352
Private equities	29,690	-	-	-	-	-	-	-	29,690
Cash & cash equivalents	544,909	22,318	9,177	22,301	16,338	54,561	3,343	-	672,947
Total cash and investments	\$ 16,387,649	\$ 1,149,493	\$ 250,310	\$ 22,301	\$ 16,338	\$ 54,561	\$ 3,343	\$ -	\$ 17,883,995
Accrued premiums	2,260,271	1,657,934	-	235	-	679,699	292,539	-	4,890,678
Other accounts receivable	82,588	22,445	-	-	-	7,969	26,258	-	139,260
Interfund receivables	12,395	44,457	-	-	225	783	37,846	(95,706)	-
Investment receivables	278,677	23,067	4,642	79	58	198	-	-	306,721
Other assets	25,791	22	-	-	-	-	91,011	-	116,824
Total assets	\$ 19,047,371	\$ 2,897,418	\$ 254,952	\$ 22,615	\$ 16,621	\$ 743,210	\$ 450,997	\$ (95,706)	\$ 23,337,478
Liabilities									
Reserve for comp and comp adj. Expense	\$ 15,856,920	\$ 2,011,857	\$ 62,277	\$ 3,995	\$ 2,015	\$ 732,202	\$ 1,103,210	\$ -	\$ 19,772,476
Accounts payable	65,055	-	-	-	-	-	548	-	65,603
Investment payable	457,870	11,330	7,233	-	-	-	-	-	476,433
Interfund payables	81,258	11,040	112	7	27	3,262	-	(95,706)	-
Other liabilities	176,225	-	709	-	360	-	138,544	-	315,838
Total liabilities	16,637,328	2,034,227	70,331	4,002	2,402	735,464	1,242,302	(95,706)	20,630,350
Net assets	\$ 2,410,043	\$ 863,191	\$ 184,621	\$ 18,613	\$ 14,219	\$ 7,746	\$ (791,305)	\$ -	\$ 2,707,128

Statement of **Cash Flows**

➤➤ Fiscal year to date January 31, 2008

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Cash flows from operating activities:					
Cash receipts from premiums	\$ 1,319	\$ 1,378	\$ (59)	\$ 1,215	\$ 104
Cash receipts – other	17	11	6	17	–
Cash disbursements for claims	(1,282)	(1,298)	16	(1,212)	(70)
Cash disbursements for other	<u>(280)</u>	<u>(242)</u>	<u>(38)</u>	<u>(342)</u>	<u>62</u>
Net cash provided (used) by operating activities	(226)	(151)	(75)	(322)	96
Net cash flows from capital and related financing activities	(4)	(3)	(1)	(5)	1
Net cash provided (used) by investing activities	<u>575</u>	<u>(64)</u>	<u>639</u>	<u>362</u>	<u>213</u>
Net increase (decrease) in cash and cash equivalents	345	(218)	563	35	310
Cash and cash equivalents, beginning of period	<u>328</u>	<u>328</u>	<u>-</u>	<u>194</u>	<u>134</u>
Cash and cash equivalents, end of period	\$ 673	\$ 110	\$ 563	\$ 229	\$ 444

Projected Statement of Operations

➤➤ July 1, 2007 – June 30, 2008

<i>(in millions)</i>	Actual quarter Sept. 30, 2007	Actual quarter Dec. 31, 2007	Actual Jan. 31, 2008	Projected Feb. 29, 2008	Projected March 31, 2008
Total operating revenues	\$ 614	\$ 555	\$ 147	\$ 216	\$ 212
Total operating expenses	<u>846</u>	<u>757</u>	<u>391</u>	<u>304</u>	<u>284</u>
Net operating gain (loss)	(232)	(202)	(244)	(88)	(72)
Net investment income	<u>595</u>	<u>417</u>	<u>67</u>	<u>30</u>	<u>48</u>
Increase (decrease) in net assets	363	215	(177)	(58)	(24)
Net assets beginning of period	<u>2,306</u>	<u>2,669</u>	<u>2,884</u>	<u>2,707</u>	<u>2,649</u>
Net assets end of period	\$ 2,669	\$ 2,884	\$ 2,707	\$ 2,649	\$ 2,625

<i>(in millions)</i>	Projected quarter March 31, 2008	Projected quarter June 30, 2008	Projected fiscal year June 30, 2008
Total operating revenues	\$ 575	\$ 615	\$ 2,359
Total operating expenses	<u>979</u>	<u>918</u>	<u>3,500</u>
Net operating gain (loss)	(404)	(303)	(1,141)
Net investment income	<u>145</u>	<u>143</u>	<u>1,300</u>
Increase (decrease) in net assets	(259)	(160)	159
Net assets beginning of period	<u>2,884</u>	<u>2,625</u>	<u>2,306</u>
Net assets end of period	\$ 2,625	\$ 2,465	\$ 2,465

Projected Statement of Investment Income

➤➤ July 1, 2007 – June 30, 2008

	Actual quarter Sept. 30, 2007	Actual quarter Dec. 31, 2007	Actual Jan. 31, 2008	Projected Feb. 29, 2008	Projected March 31, 2008
Investment income					
Bond interest	\$ 170,837,561	\$ 179,091,859	\$ 77,502,719	\$ 61,400,000	\$ 63,300,000
Dividend income (dom & int'l)	11,816,616	17,001,017	3,833,627	4,800,000	4,800,000
Money market/ commercial paper income	5,968,397	5,164,994	861,513	1,040,000	1,040,000
Misc. income (corp actions, etc.)	1,624,628	1,176,996	215,654	300,000	300,000
Private equity	4,479,448	(560,457)	–	–	–
Securities lending income, net of fees	–	–	–	–	–
Total investment income	<u>194,726,650</u>	<u>201,874,409</u>	<u>82,413,513</u>	<u>67,540,000</u>	<u>69,440,000</u>
Realized & unrealized capital gains and (losses)					
Net realized gain (loss) - stocks (dom & int'l)	44,796,048	853,773	74,238	–	–
Net realized gain (loss) - bonds	(85,222,392)	17,846,285	(6,347,088)	–	–
Net gain (loss) - PE	7,929,472	(48,158,746)	(3,166,670)	–	–
Unrealized gain (loss) - stocks (dom & int'l)	11,494,142	(129,972,821)	(204,729,497)	17,880,000	17,880,000
Unrealized gain (loss) - bonds	422,701,156	379,418,137	199,775,739	(55,000,000)	(39,500,000)
Change in portfolio value	<u>401,698,426</u>	<u>219,986,628</u>	<u>(14,393,278)</u>	<u>(37,120,000)</u>	<u>(21,620,000)</u>
Investment manager & operational fees	<u>(1,414,416)</u>	<u>(5,022,594)</u>	<u>(416,109)</u>	<u>(1,083,000)</u>	<u>(281,000)</u>
Net investment income	<u>\$ 595,010,660</u>	<u>\$ 416,838,443</u>	<u>\$ 67,604,126</u>	<u>\$ 29,337,000</u>	<u>\$ 47,539,000</u>

	Projected quarter March 31, 2008	Projected quarter June 30, 2008	Projected fiscal year June 30, 2008
Investment income			
Bond interest	\$ 202,202,719	\$ 189,900,000	\$ 742,032,139
Dividend income	13,433,627	15,100,000	57,351,260
Money market/ commercial paper income	2,941,513	3,120,000	17,194,904
Misc. income (corp actions, etc.)	815,654	900,000	4,517,278
Private equity	–	–	3,918,991
Securities lending income, net of fees	–	–	–
Total investment income	<u>219,393,513</u>	<u>209,020,000</u>	<u>825,014,572</u>
Realized & unrealized capital gains and (losses)			
Net realized gain (loss) - stocks (dom & int'l)	74,238	–	45,724,059
Net realized gain (loss) - bonds	(6,347,088)	–	(73,723,195)
Net gain (loss) - PE	(3,166,670)	–	(43,395,944)
Unrealized gain (loss) - stocks (dom & int'l)	(168,969,497)	54,780,000	(232,668,176)
Unrealized gain (loss) - bonds	105,275,739	(118,500,000)	788,895,032
Change in portfolio value	<u>(73,133,278)</u>	<u>(63,720,000)</u>	<u>484,831,776</u>
Investment expenses-manager & operational fees	<u>(1,780,109)</u>	<u>(1,909,000)</u>	<u>(10,126,119)</u>
Net investment income	<u>\$ 144,480,126</u>	<u>\$ 143,391,000</u>	<u>\$ 1,299,720,229</u>

Projected Statement of Cash Flows

➤➤ July 1, 2007 – June 30, 2008

<i>(in millions)</i>	Actual quarter Sept. 30, 2007	Actual quarter Dec. 31, 2007	Actual Jan. 31, 2008	Projected Feb. 29, 2008	Projected March 31, 2008
Cash flows from operating activities:					
Cash receipts from premiums	\$ 867	\$ 240	\$ 212	\$ 601	\$ 159
Cash receipts – other	5	10	2	2	2
Cash disbursements for claims	(535)	(563)	(183)	(190)	(177)
Cash disbursements for other	(112)	(123)	(47)	(32)	(30)
Net cash provided (used) by operating activities	225	(436)	(16)	381	(46)
Net cash flows from capital and related financing activities	(4)	-	-	-	(17)
Net cash provided (used) by investing activities	89	110	377	-	-
Net increase (decrease) in cash and cash equivalents	310	(326)	361	381	(63)
Cash and cash equivalents, beginning of period	328	638	312	673	1,054
Cash and cash equivalents, end of period	\$ 638	\$ 312	\$ 673	\$ 1,054	\$ 991

<i>(in millions)</i>	Projected quarter March 31, 2008	Projected quarter June 30, 2008	Projected fiscal year June 30, 2008
Cash flows from operating activities:			
Cash receipts from premiums	\$ 972	\$ 439	\$ 2,518
Cash receipts – other	6	5	26
Cash disbursements for claims	(550)	(576)	(2,224)
Cash disbursements for other	(109)	(98)	(442)
Net cash provided (used) by operating activities	319	(230)	(122)
Net cash flows from capital and related financing activities	(17)	-	(21)
Net cash provided (used) by investing activities	377	-	576
Net increase (decrease) in cash and cash equivalents	679	(230)	433
Cash and cash equivalents, beginning of period	312	991	328
Cash and cash equivalents, end of period	\$ 991	\$ 761	\$ 761

Insurance Ratios

➤➤ January 31, 2008

	Actual FY08 Jan. 31, 2008	Projected FY08 Jan. 31, 2008	Actual FY07 Jan. 31, 2007
Loss ratio	119.49%	108.35%	81.01%
Lae ratio - MCO	11.60%	10.44%	6.80%
Lae ratio - BWC	<u>13.02%</u>	<u>13.88%</u>	<u>14.78%</u>
Net loss ratio	144.11%	132.67%	102.59%
Expense ratio	4.12%	3.68%	3.77%
Policyholder dividend ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Combined ratio	148.23%	136.35%	106.36%
Net investment income ratio	<u>35.10%</u>	<u>30.27%</u>	<u>34.76%</u>
Operating ratio (trade ratio)	113.13%	106.08%	71.60%

Fiscal Year End Insurance Ratios

➤➤ Fiscal years ended June 30, 2003 – 2008

	Projected June 30, 2008	Audited				
		FY 07	FY06	FY05	FY04	FY03
Loss ratio	115.3%	46.9%	74.3%	106.7%	96.7%	128.9%
LAE Ratio - MCO	11.7%	3.8%	8.6%	7.1%	9.1%	8.8%
LAE Ratio - BWC	13.1%	10.9%	6.4%	14.7%	8.3%	12.9%
Net loss ratio	140.1%	61.6%	89.3%	128.5%	114.2%	150.6%
Expense ratio	3.9%	2.3%	4.0%	4.0%	5.1%	4.1%
Policyholder dividend ratio	0.0%	0.0%	-0.4%	10.3%	18.6%	28.7%
Combined ratio	144.0%	63.9%	92.9%	142.8%	137.9%	183.4%
Net investment income ratio	33.5%	18.5%	30.4%	22.1%	20.5%	23.9%
Operating ratio (trade ratio)	110.5%	45.4%	62.5%	120.7%	117.3%	159.5%

Note 1: FY 07 ratios have been significantly impacted by a statutory change in accounting for the Disabled Workers' Relief Fund that increased premium and assessment income by \$1.9 billion.

Note 2: FY 06 ratios have been significantly impacted by improvements in medical payment trends that contributed to a reduction of approximately \$1 billion in loss expenses.

Board of Directors
Schedule of Mandatory Reports

Report	Due Date	Submit To
Annual Financial Report	After fiscal year ends	Gov, Sen Pres, Speaker and WCC
Annual Actuarial Report	1-Sep-2008	WCC, standing legislative committees
Education Program Report	Not Specified	WCC
Annual Investment Report to Governor	Not Specified	Gov, 4 legis caucus leaders
Actuarial Analysis of Legislation	60 days after introduciton	LSC, standing legislative committees, WCC
Actuarial Investigation	At least once by Nov,2012 and every 5 years after	WCC, standing legislative committees
Fiduciary Performance Audit	At least once every 10 years	Auditor of State

Board of Directors' Public Forums
Proposed plan
February 2008

General Process/Format for all Forums:

Registration:

- Submit comments prior to the forum
- Register online, through hard copy or walk-in

Forum agenda:

- Will have issue specific topics for first 90 minutes
- Reserve last 30 minutes for other general comments/issues
 1. BWC Board will respond to questions after the meeting in writing

Topics and Dates:

Medical Issues Part I: Providers

9:30 a.m. to 11:30 a.m. Thursday, April 24

Topics for discussion:

1. What are the unnecessary barriers and other obstacles to quality providers participating in the Ohio Workers Compensation program that, if removed, would enhance the delivery of quality, cost-effective medical treatment? (*e.g., prior authorization, medical documentation requirements, delays or inaccurate payment, BWC direct provider payments, legal and monetary barriers, education and communication improvements, provider penetration/access to care, etc.*)
2. What are the strategies that BWC could implement to enhance provider performance for the delivery of quality, cost-effective healthcare and return-to-work services? (*E.g. provider performance measures to identify quality health-care delivery and medical utilization patterns and trends in order to reward effective providers and regulate non-compliance and over-utilization.*)

Medical Issues Part II: Benefit Plan and Delivery

9:30 a.m. to 11:30 a.m. Thursday, June 26

Topics for discussion:

1. What are the appropriate coverages and benefit allowances for medical, vocational rehabilitation, and pharmaceutical services, and their associated fee schedules and reimbursement methodologies for the delivery of quality, cost-effective managed care? (*Mail-order pharmaceuticals, capping certain benefits, some payment methodologies to evaluate include: 2008 MS-DRG Medical Severity – Diagnosis Related Guidelines methodology, APC-Ambulatory Procedure Classification reimbursement methodology, etc.*)

2. What are the best methods for assuring efficient and effective delivery of the managed care processes for medical, vocational rehabilitation, and pharmaceutical services? (*Examples of these processes include: alternative dispute process (ADR), pharmacy prior authorization, vocational rehabilitation service management, managed care vendor configuration and selection, prior authorization, presumptive authorization, waivers of authorization requirements for specified clinical pathways, Ohio specific disability duration measures, Independent Medical Exam processes, etc.*)

Regulatory Reform or Group Rating –

9:30 a.m. to 11:30 a.m. Thursday, Sept. 25

To Be Determined

9:30 a.m. to 11:30 a.m. Thursday, Dec. 18

Preparation schedule for forums

(Dates below are for April public forum. The schedule for subsequent forums would be adjusted accordingly.)

March 6 – to be completed as to functionality/usefulness

- News release
- Online registration form
- Web site – info about upcoming public forums
- E-mail drafted for interested parties.

March 11

- First release of info on the web
- Registration through web site opens
- E-mail to interested parties and ask that they distribute to their membership.
Communications working with Medical Services to identify those groups, contacts and the e-mail addresses of those stakeholders. At a minimum, the list will include:
 - State associations of health care professionals/facilities including:
 - Ohio Hospital Associations
 - Ohio State Chiropractic Association
 - Ohio State Medical Association
 - Ohio Academy of Nursing Homes
 - Ohio Nurses Association
 - Ohio Association of Rehab Facilities
 - Ohio Medical Group Management Association
 - Medical directors of managed-care organizations
 - MCO Business Council
 - Ohio Academy of Trial Lawyers
 - Ohio State Bar Association
 - Self-insured employers
 - Employer associations
 - Unions including AFL-CIO, 1199, etc.

March 28

- News release, include information in the Board of Directors meeting release

April 15

- Pre-registration ends. Will do on-site registration
- Signage for registration for forums, registration must be completed

April 18

- Communications creates spreadsheet of those who have registered. Spreadsheet, testimony together sent to Board Liaison
- Board Liaison emails it to the Board of Directors

April 21

- Event walk through with Board liaison and Communications staff.

April 24

- Event staffed by Communications