

# 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

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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

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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.

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## **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.

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**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.

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## **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.

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## **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.

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## **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.

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## **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.

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## **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.

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## **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.

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## **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