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Chief of Customer Service

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Ohio Bureau of Workers' Compensation

Life Cycle of a Claim



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Ohio Bureau of Workers' Compensation

CLAIMS PROCESS

Part I

Presented by
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TYPES OF CLAIMS

- Accident/Injury
- Illness/Occupational disease
- Death

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TYPES OF CLAIMS

- Accident/Injury
 - medical only or lost time
- Illness/Occupational disease
 - medical only or lost time

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ACCIDENT

- Ohio Revised Code Section 4123.01 (C)

“Injury” includes any injury, whether caused by external accidental means or accidental in character and result, received in the course of, and arising out of, the injured employee’s employment.



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ACCIDENT

- Consequence of a sudden, unexpected single occurrence that happened at a specific time and place, usually without warning
- Statute of Limitations- 2 years



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OCCUPATIONAL DISEASE

- **R.C. 4123.01(F) "Occupational disease" means a disease contracted in the course of employment, which by its causes and the characteristics of its manifestation or the condition of the employment results in a hazard which distinguishes the employment in character from employment generally, and the employment creates a risk of contracting the disease in greater degree and in a different manner from the public in general.**

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OCCUPATIONAL DISEASE

- Results from an injurious exposure over a period of time to a substance that is common to the workplace but uncommon elsewhere.
- Statute of Limitations- 2 years from disability/death OR
6 months from date of diagnosis



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DEATH

- Injury or Disease causes death
- Payable to dependents
- Statute of Limitations- 2 years

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CLAIM TYPES

- **Medical Only**- 7 or fewer days lost from work
- **Lost Time**- 8 days or more lost from work
- **Statute of Limitations**- 5 years from last payment in claim
 - All claims with date of injury on or after October 11, 2006

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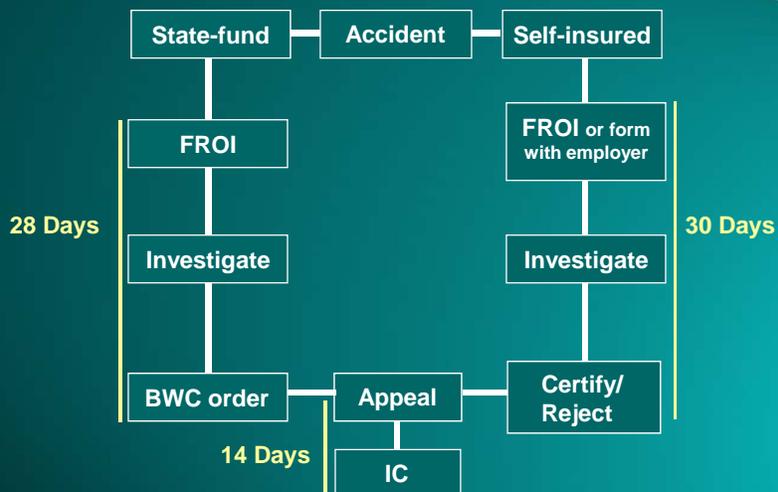
State Fund Initial Claims Stats

	FY 2007	FY 2006	FY 2005
Medical Only	133,221 (86.1%)	144,828 (86.7%)	153,441 (86.1%)
Lost time	19,487 (12.5%)	20,363 (12.1%)	22,257 (12.4%)
Occupational Disease	1,793 (1.1%)	1,666 (0.9%)	2,183 (1.2%)
Death	176 (0.1%)	196 (0.1%)	227 (0.1%)
TOTAL Filed	171,692	185,232	197,704
Disallowed or Dismissed	17,015	18,179	19,596
Net Allowed	154,677	167,053	178,108

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Initial claims process



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WHO CAN FILE A CLAIM?

- Injured worker
- Medical provider
- Employer

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HOW ARE CLAIMS FILED?

Online

– 27% on ohiobwc.com

MCO

– 54% from MCOs

Other

– 19% entered by BWC staff (phone, fax, walk in, other)

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Ohio Bureau of Workers' Compensation

First Report of Injury (FROI)

The screenshot displays the Ohio Bureau of Workers' Compensation (BWC) website. At the top, there is a navigation bar with links for Home, Injured Workers, Ohio Employers, Medical Providers, BWC Library, and Contact Us. Below this is the BWC logo and the slogan "Better Workers' Compensation. Built with you in mind." The main header identifies the Ohio Bureau of Workers' Compensation, Governor Ted Strickland, and Administrator Marsha P. Ryan. A central image shows two workers in hard hats. Below the header is a grid of service categories: INJURED WORKERS, OHIO EMPLOYERS, SAFETY SERVICES, and MEDICAL PROVIDERS. Each category has a list of links, with "File a claim" highlighted in red in the Injured Workers, Ohio Employers, and Medical Providers sections. Below the grid are sections for E-account Log On, Live Support, and BWC Library. The bottom section, "What's New at BWC", lists recent news items, including a group rating update and a new board of directors.

INJURED WORKERS	OHIO EMPLOYERS	SAFETY SERVICES	MEDICAL PROVIDERS
<ul style="list-style-type: none">File a claimClaim documentsDiagnosis info	<ul style="list-style-type: none">Apply for coverageFile a claimPayroll reports	<ul style="list-style-type: none">Consulting servicesLibrary servicesTraining services	<ul style="list-style-type: none">File a claimClaim documentsNational provider ID

E-account Log On
User ID: Password: [Sign on](#)
This Web site is intended for official state use only. See more »
[Create E-Account](#) [Problems Logging on?](#) [Lost password?](#)

Live Support
Online support available Monday thru Friday 7:30 a.m. - 5:30 p.m.
[Click here to get help](#)

BWC Library

- About BWC
- BWC publications
- Policies and procedures

What's New at BWC
Dec. 7, 2007
[BWC, MCOs Reach Agreement on Restructured, Performance-Based Contract](#)
Nov. 21, 2007
[BWC Board of Directors Lowers Group-Rating Discount to 85 Percent](#)

GROUP RATING [Keeping you informed](#)
NEW BWC BOARD OF DIRECTORS [Learn more](#)

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First Report of Injury (FROI)

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Workers' Compensation

First Report of Injury (FROI) (minimum data information needed)

- Injured worker's name
- Social Security #
- Address/Phone #
- Date of birth
- Date of injury
- Causality indicator
- Gender
- Occupation or job title
- Accident description
- Type of injury/ body part
- Employer name

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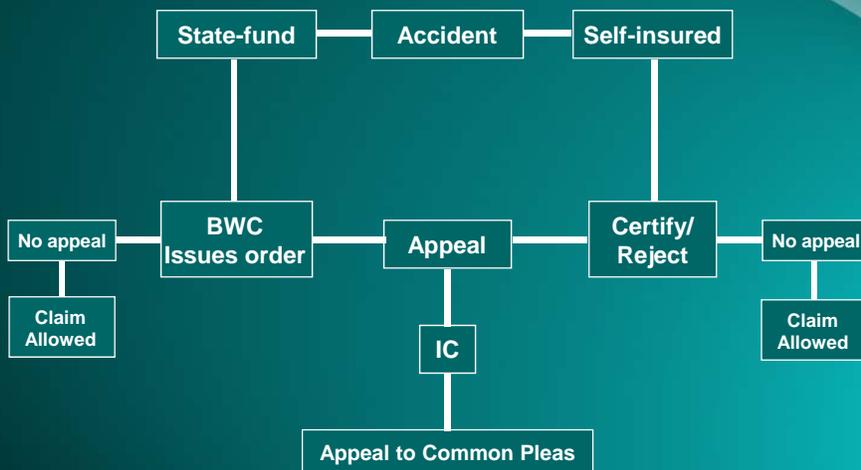
Investigate Claim

- Review First Report of Injury (FROI)
- Wage information
- Witnesses statement
- Prepare questions for injured worker
- Check for prior claims
- Review medical information
- Verify employer coverage
- Verify/Correct information

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Initial Claims Process



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Admin Appeals Process

- **Appeals to DHO (1st level)**

- Parties may be represented, not required
- Administrator is represented by BWC Law Section attorney
- Public hearings, strict rules don't apply
- Burden of proof is on IW
 - Statute of Limitations
 - Jurisdiction
 - Contract of hire
 - Injury was accidental
 - Physical trauma
 - Injured in course of employment"
 - Injury was "arising out of employment"

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Admin Appeals Process (con't)

- **Appeals to SHO (2nd level)**

- Informal hearing rules
- Parties have right of appeal, entitled to hearing
- Hear disputed claims & PTD applications

- **Appeals to IC (3rd level)**

- Discretion to hear the case or not
- 14 days to make this decision

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Ohio Bureau of Workers' Compensation

BWC Finance Division

Financial Reporting: GAAP vs. Statutory

*by: Tracy Valentino, Chief
Fiscal and Planning Division*

How are Generally Accepted Accounting Principles (GAAP) applied to BWC?

- BWC is classified as a proprietary enterprise fund using an economic resources measurement focus and accrual basis accounting.
- The economic resources measurement focus is to report all inflows, outflows and balances impacting the entity's net assets.
- The accrual basis of accounting recognizes revenue as it is earned and expenses as incurred.
- GAAP is designed for the primary purpose of monitoring a company's ability to operate as a going concern.
- The focus is on the statement of operations.

What are Statutory Accounting Principles?

- Statutory Accounting Principles (SAP) are codified in the Statements of Statutory Accounting Principles published by the National Association of Insurance Commissioners (NAIC).
- SAP may be subject to modification by state insurance departments.
- SAP is designed for the primary purpose of monitoring an insurance company's solvency.
- The focus is more on the balance sheet and surplus adequacy.

What type of companies use GAAP and SAP?

	GAAP	SAP
Monopolistic State Funds	X	
Competitive State Funds		X
Publicly Traded Insurance Companies	X	X
Single Line Mutual Companies		X

What are the differences between GAAP and SAP?

The differences are primarily in the following areas:

- Investments
- Real Estate
- Other Assets
- Loss Reserves

How are Investments in bonds reported differently?

GAAP:

- Bonds are reported at fair value and change in fair value is recorded as an unrealized gain or loss in the Statement of Operations.

SAP:

- Bonds "in good standing" are reported at amortized cost in the balance sheet. Bonds not in good standing are recorded at year-end values as determined by NAIC through a charge to statutory surplus in the balance sheet.

How are Investments in stocks reported differently?

GAAP:

- Common and preferred stocks are reported at fair value and change in fair value is recorded as an unrealized gain or loss in the Statement of Operations.

SAP:

- Common Stocks are generally reported at values published in the NAIC's "Valuation of Securities" which are generally fair values through a charge applied to statutory surplus in balance sheet.
- Preferred stocks are reported at book value or fair value depending on the NAIC designation.

How is real estate reported differently?

GAAP:

- Real Estate owned and occupied is reported as part of capital assets. Depreciation is an expense in the Statement of Operations.

SAP:

- Real estate owned and occupied is included in investments and investment income. The entity must charge itself rent expense for statutory purposes. Depreciation is charged directly to surplus on the balance sheet.

How are other assets reported differently?

GAAP:

- All other assets are included in the Statement of Net Assets at cost or recoverable amount.

SAP:

- Certain assets and reductions in liabilities are not recognized and are not included in the balance sheet. Non-admitted assets include:
 - Premiums due more than 90 days;
 - Prepaid expenses; and
 - Office furniture and equipment.

How are Loss Reserves reported differently?

GAAP:

- Loss reserves, including estimates of costs related to incurred but not reported claims, should be recorded as a liability when insured events occur. Changes in the estimates of reserves are recognized in the Statement of Operations in the period in which the estimates are changed. The practice of discounting is neither prohibited or mandated. If discounting is used, a rate should be used that gives consideration to the factors outlined in GASB 10.

SAP:

- Loss reserves, including estimates of costs related to incurred but not reported claims, should be recorded for all losses that are unpaid as of each balance sheet date. The provision is generally made at the ultimate amount at which, in the judgment of management, losses are expected to be settled. Discounting of certain reserves is permitted using prescribed present value techniques. Discounting is usually limited to long-term disability claims under workers' compensation and accident and health policies.

How to "RFP"

What is "discounting the reserves"?

- Recognition of the time value of money.
- One dollar of future claims liability can be paid by setting aside less than one dollar today due to expected investment earnings.
- Recording of the liability for future claims costs at less than the ultimate expected costs.

How is the discount determined?

- Factors are provided in GASB 10:
 - Settlement rates
 - Investment yields
 - Cash flow patterns

History of the Reserve Discount

Considerations included in BWC's methodology?

- Establishment of a conservative discount rate using a methodology supported by accounting literature.
- Recognition that a 1% decrease in the discount rate will increase aggregate reserves for compensation by over \$1 billion.
- Reflection of the time value of money using a low-risk rate of return.

Basis for Current Discount Rate

- The average duration of BWC's liabilities approximately 10.3 years.
- Cash inflows approximate cash outflows.
- The average 30 year treasury constant maturity index yield for the five year period ended June 30, 2007 was 4.859%.
- The annual returns on the State Insurance Fund for the past 5 calendar years has ranged from a high of 14.4% in 2003 to a low of negative 4.7% in 2002. The average for this 5 year period is 5.9%.

Discounting Aggregate Loss Reserve

➤ Relationship to Net Assets

-Inverse Relationship: As the discount rate decreases, aggregate reserves increase

-Aggregate nominal reserves are almost twice as large as aggregate discounted reserves

-As aggregate reserves increase, income decreases, net assets decrease

-recent example with DWRP fund accounting

-A 0.25% decrease in discount rate will increase aggregate reserves by approximately \$400 million

Discounting Aggregate Loss Reserve

➤ Relationships of Investments and Payments

- Investment Stream
 - Variability in year to year returns
- Payment stream – fairly predictable from year to year composed of:
 - Short duration claims – return to work within one year of injury
 - Long duration claims – PTD
 - Average duration of policy year – 10.3 years (at 5.00%)
 - 50% of losses unpaid after 10 years
 - 14% unpaid after 10 years for industry
- Payment streams are very different than a classic annuity
 - Uncertain as to timing
 - Uncertain as to amount
 - Uncertainty translates into higher economic value for reserve liabilities

Discounting Aggregate Loss Reserves Example

- The discount rate is 5%.
- Average duration is approximately 10 years, so we use $1/(1.05)^{10}$ to derive the present value factor.
- This says we can hold an aggregate reserve of \$18.4 billion today and pay the ultimate loss amount of \$30 billion in ten years if we earn a 5% compounded rate of return during the period.

Aggregate Loss Reserves of \$30,000,000 with 10 year avg. duration

Nominal Value	\$30,000,000
Present Value Factor	0.6139
Discounted Value	\$18,417,000

Conclusion

- Differences between GAAP and SAP are in 4 primary areas
 - Most significant of which is loss reserving
- Discounting aggregate reserves is a recognition of the time value of money
- Determination of the discount rate impacts reserves, premium levels, expenses and net assets
- Determination of the discount rate impacts the profitability ratios



Industrial Commission of Ohio

Hearings & Appeals

History

Designed to reduce the sheer number of workers' compensation cases that could go to court and clog an already overburdened system.

Ohio Bureau of Workers' Compensation (BWC) was created in 1955 to assume some of the IC administrative duties.

Independence from the BWC creates a clear, objective viewpoint for the IC to adjudicate disputes over workers' compensation benefits.



Past, Present and Future

PAST: established in 1912 to provide justice in the workplace

PRESENT: parameters set in 1993 to expedite the handling of workers' compensation claims currently shape operations and accomplishments

FUTURE: adapting to the future by identifying trends and addressing issues that contribute to on-going system improvement



Present Structure – Administrative Hearing Levels

Historically it could take up to 36 months for final order to be issued.

The new reform mandated faster processing of claims and appeals.

Today, the maximum number of days by statute is 156 days.



Disputed Claims

- State Fund Employer Claims
begins at BWC
- Self-insured Employer Claims
directly to IC



Hearing Process

IC resolves disputes over:

- Payment of compensation and medical benefits;
- Allowance of claim;
- Additional allowances;
- Applications for permanent total disability;
- Violations of specific safety requirements (VSSR).



Hearing Process

Other Issues:

- Permanent Total Disability – 1 Hearing
- Percentage of Permanent Partial Disability – 2 Hearings
- VSSR – 1 Hearing
- Fee Disputes – 1 Hearing



Hearing Process

Most Issues:

- District Hearing Level
- Staff Hearing Level
- Commission Level Hearing



Hearing Process

Filing an Appeal:

- Appeals must be filed within 14 days from receipt of BWC order or District Hearing Officer (DHO) or Staff Hearing Officer (SHO) orders to file an appeal to next level.
- Appeals should be date- and time-stamped by the IC or BWC office.
- Appeals also can be filed online through the Industrial Commission Online Network (I.C.O.N.).



Hearing Process

Preparing for a Hearing

- Hearings before the IC are quasi-judicial in nature.
- Medical evidence is relied upon heavily in determinations.
- While attendance is not required, it is important to be able to state your case.
- If possible, evidence not already submitted should be submitted prior to hearing and copies sent to opposing parties.
- Hearing officers are limited to ruling on issues mentioned in the hearing notice.

