

Ohio Bureau of Workers' Compensation Comprehensive Study
BWC Implementation Quarterly Progress Report

Executive Summary

April 2010

Highlights since January Report

2009 actuarial audit complete with new vendor and improved methods.

Outstanding case reserves data collected from SI employers.

Core statewide rate level recommendations implemented.

Accomplishments since January Report

14 additional recommendations in place

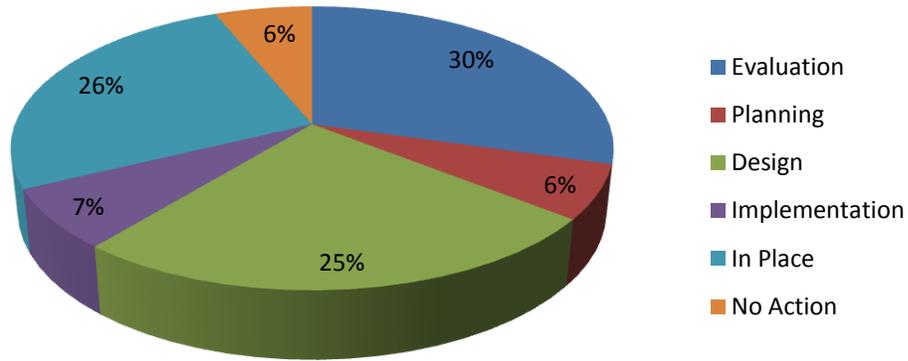
1 additional "no action" decision

Up-coming quarter

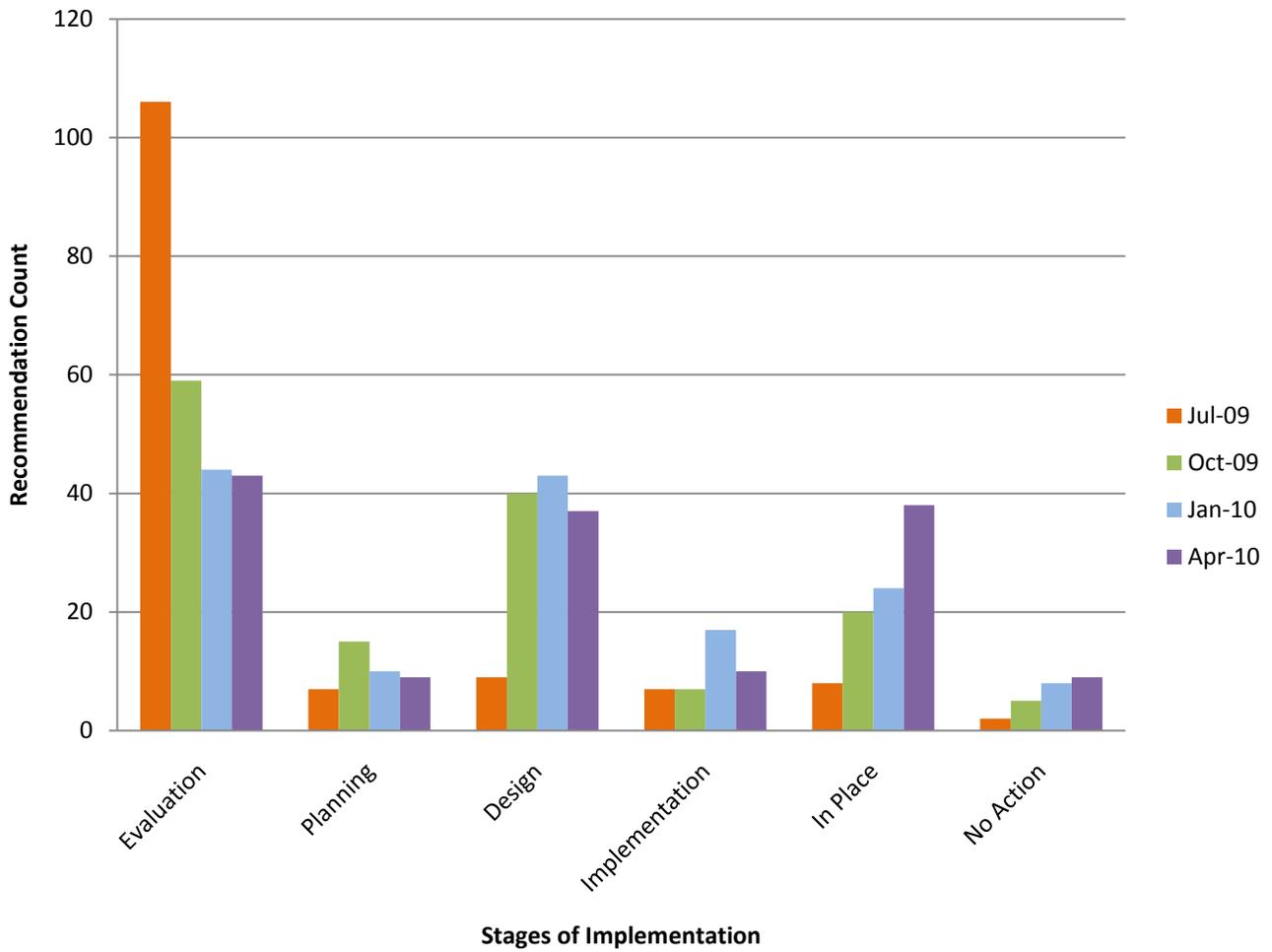
Project emphasis

- . Recommendations regarding MCO effectiveness, efficiencies, and flexibility.
- . Planning and prioritizing for recommendations to address in fiscal year 2011.

Stages of Implementation



Deloitte Implementation Progress



Deloitte Recommendations - Stage of Implementation		Evaluate	Plan	Design	Implement	In Place	FY11 or later
Class Ratemaking							
1.1	7 Eliminate Use of ER Off-Balance Adjustment Factor for Class Base Rates					✓	
1.1	8 Apply Individual ER Off-Balance Adjustment to Individual ER Risks Only	✓					▶
1.1	9 Calculate Catastrophe Factor by NCCI Hazard Group	✓					▶
1.1	10 Provide More Detailed Documentation for Each Adjustment Factor				✓		
1.1	11 Use Alternative Indication of Class Loss Costs to Credibility Weight Class Loss Costs	✓					▶
1.1	12 Separate Case Reserves in Estimating Historical Loss Costs	✓					▶
Excess Insurance and Reinsurance							
2.4	5 Limit impact of CAT event to 5-10% of Net Assets				✓		
2.4	6 Test Reinsurance Market for CAT Protection					✓	
Experience Aggregation Approach							
4.1	19 Use NCCI Approach to Common Majority Ownership for Experience Rating	✓					▶
4.1	20 Discontinue the current practice of relying primarily on the federal tax identification number to identify separate employers.	✓					▶
Experience Rating							
1.1	30 Change Credibility for Individual Experience to be In Line with Industry Practices			✓			
1.1	31 Prohibit Exclusion of Claims from Experience Rating Calculation					✓	
Group Rating							
1.1	13 Change the structure of the Group Rating Program to mitigate present inequities.			✓			▶
1.1	14 Incent groups to focus on accident prevention and loss mitigation activities.			✓			▶
1.1	15 Eliminate the use of the individual e-mod formula for group rating.			✓			
1.1	16 Determine group rating through the use of a group discount factor.			✓			
1.1	17 Establish a minimum number of years of experience for a group to qualify.	✓					
1.1	18 Develop a group discount formula based on the past performance of each group.			✓			
1.1	19 Apply a separate group rating off-balance adjustment to the group discount factors.			✓			
1.1	20 Develop the group discount factor based on the actual past performance of each group.	✓					
1.1	21 Include the experience of all group members only during the period they were in the group	✓					
1.1	22 Apply the group discount factor to the individual e-mod adjusted premium of each.			✓			
1.1	23 Develop a group discount formula based on a loss ratio or loss rating approach.			✓			
1.1	24 Vary the maximum discount factor with the premium size of the group.			✓			
1.1	25 Apply a phase-in period of at least two years to new group members.			✓			
1.1	26 Evaluate Group Dividend plan as a group rating alternative.			✓			
1.1	27 Evaluate Group Retro Plan as a group rating alternative.					✓	
1.1	28 Evaluate Per Accident Loss Limitations as a group rating alternative.			✓			
1.1	29 Evaluate Tiering within a single group as a group rating alternative.			✓			
Handicap Reimbursement Program							
3.3	1 Terminate the Handicap Reimbursement Program						▶
3.3	2 Exclude Arthritis as a Handicap			✓			▶
3.3	3 Require That Existing Conditions be the Proximate Cause of a More Severe Second Injury			✓			▶
3.3	4 Reduce the Lag Time Allowed for Handicap Reimbursement			✓			▶

Deloitte Recommendations - Stage of Implementation		Evaluate	Plan	Design	Implement	In Place	FY11 or later
MCO Effectiveness							
2.6	1 Sustain Trend of Decreasing Numbers of Participating MCOs					✓	
2.6	2 Study feasibility of price-of-service competition among MCOs.	✓					▶
2.6	3 Remove the BWC from the ADR Appeal Process					✓	
2.6	4 Legislate Change to Mandatory IME Requirement at 90 Days Lost Time			✓			
2.6	5 Give MCOs More Flexibility in Allowable Condition Determinations			✓			
2.6	6 Establish ODG as Mandated Disability Duration Guidelines (replacement for DODM)			✓			▶
2.6	7 Integrate use of ODG into the overall MCO performance measurement and compensation system	✓					▶
2.6	8 Re-institute Customer Surveys	✓					▶
2.6	9 Continue Public Forums					✓	
2.6	10 Improve Provider Profiling, Credentialing, and De-Certification			✓			▶
2.6	11 Update All Fee Schedules Every 1 - 2 Years (duplicate of 2.3.1.2)				✓		
2.6	12 Build a database and study causes of increasing average medical costs.		✓				▶
Medical Payments							
2.3	1 Conduct fee schedule update and maintenance				✓		
2.3	1.1 Phase in pay-for-performance or Tiered Fee Schedule for all service types.			✓			▶
2.3	1.2 Update the fee schedule every one-to-two years.				✓		
2.3	2 Address Medical Payment Process Duplication			✓			▶
2.3	2.1 Standardize bill review edits			✓			▶
2.3	2.2 Explore elimination of MCO medical bill review process			✓			▶
2.3	2.3 Adopt an audit model of provider medical payment monitoring			✓			▶
2.3	3 Eliminate the required employer waiver in proactive allowance			✓			
2.3	4 Continue development of Blue Ribbon panel with provider incentives					✓	
2.3	5 Continue development of EDI submission of C-9's	✓					▶
Minimum Premium Review							
4.1	6 Examine the Feasibility of Raising the Minimum Premium	✓					▶
4.1	7 Increase Premium Audits for Accounts that Report No Payroll but Have Claims					✓	
4.1	8 Consider a different minimum premium for domestic employees	✓					▶
MIRA II Reserving							
1.1	32 Develop an Alternative to the Exclusive Use of MIRA II						▶
1.1	33 Determine Where MIRA II Claim Values are Most Predictive						▶
1.1	34 Study the Impact of MIRA II Reserves on Class Rates and Experience Rating					✓	
NCCI Classification System							
4.1	1 Consider Using NCCI Class Codes for Public Taxing Districts	✓					▶
4.1	2 Monitor Procedures used to Code Construction Classes			✓			▶
4.1	3 Audit most employers every three to five years					✓	
4.1	4 Increase Scope of Premium Audit Function					✓	
4.1	5 Consider an Audit Scoring Tool to Prioritize Audits	✓					▶
Net Asset Level							
2.4	1 Adopt a Funding Policy with Guidelines					✓	
2.4	2 Develop a customized approach to managing net asset level using a few key metrics.					✓	
2.4	3 Target a Funding Ratio Range & Recommended Actions					✓	
2.4	4 Policy Guidance with Premium Options based on Funding Ratio					✓	

Deloitte Recommendations - Stage of Implementation		Evaluate	Plan	Design	Implement	In Place	FY11 or later
Out-of-State Employer Experience Rating							
4.3	1 Utilize only Ohio based Information to Determine Eligibility for Experience Rating					✓	
4.3	2 Adopt the Industry Standard of using Base Premiums as the Eligibility Criteria for Experience Rating						▶
PES Rate Setting							
3.1	1 Change the Manner in which PES Rates are Calculated	✓					▶
3.1	2 Change the Method Used to Determine Expected Paid Losses in the Prospective Policy Year	✓					▶
Retrospective Rating							
3.1	3 Redesign the Retrospective Rating Program	✓					
Safety Programs							
3.2	1 Make Grants Available Even if No Claims Related to the Intervention					✓	
3.2	2 Require Safety Report With Application for Safety Intervention Grant					✓	
3.2	3 Combine DFWP and DF-EZ Programs				✓		
3.1	4 Develop the capability to track the experience of employers participating in the safety & hygiene program		✓				▶
Salary Continuation / \$15K Med Only Program							
1.1	35 Terminate the Salary Continuation Program						▶
1.1	36 Terminate the \$15,000 Medical Only Program						▶
1.1	37 Consider an Appropriately Priced Deductible Program as an Alternative					✓	
1.1	38 Perform periodic actuarial studies to evaluate the appropriateness of the credits offered under the various discount programs.			✓			
Self-Insurance							
1.4	1 Require an Actuarial Study for Self-Insurance Applicants	✓					▶
1.4	2 Require Additional Security for Employers Applying for Self-Insurance			✓			▶
1.4	3 Consider Offering Group Self-Insurance						▶
1.4	4 Consider Trends within Industries to Determine Self-insurance Criteria	✓					▶
1.4	5 Incorporate Objective Financial Criteria as Part of the Self-Insurance application			✓			
1.4	6 Consider Offering Enhanced Customer Service Aid to Employers			✓			
1.4	7 Consider Requiring an Anti-Fraud Program as Part of the Self-Insurance Application	✓					▶
1.4	8 Consider Requiring a Formal Safety Program as Part of the Self-Insurance Application	✓					▶
1.4	9 Require Organization Documents for Self-Insurance Application					✓	
1.4	10 Require an Actuarial Study for Self-Insurers Returning to the SIF	✓					▶
1.4	11 Continuation of Security upon Returning to the State Insurance Fund					✓	
1.4	12 Do Not Allow Self-Insurers to Leave the State Insurance Fund Multiple Times			✓			▶
1.4	13 Expand Reporting Forms to Allow for More Detailed Internal Analysis			✓			▶
SIEGF							
1.3	1 Institute Pre-Assessment Alternatives						▶
1.3	2 Collect Enhanced Data					✓	
1.3	3 Require Collateral from Higher Risk Employers					✓	
1.3	4 Revise Assessment Base	✓					▶
1.3	5 Reinsure Certain Bankruptcy Losses						▶

Deloitte Recommendations - Stage of Implementation		Evaluate	Plan	Design	Implement	In Place	FY11 or later
Statewide Rate Level							
1.1	1 Provide More Responsiveness to Ohio Trends					✓	
1.1	2 Perform Baseline Indication Before Discounting					✓	
1.1	3 Develop the range of indicated rate changes (Optimistic to Conservative)					✓	
1.1	4 Include Alternative Method in Calculating Indicated Rate Change					✓	
1.1	5 Display Historical Loss Costs at Proposed Cost and Wage Levels					✓	
1.1	6 Display Impact of Collecting Premium in Arrears on the Rate Change Indication	✓					▶
Subrogation							
1.2	1 Limit caseloads to no more than 400	✓					▶
1.2	2 Build functionality in V-3 to manage subrogation claims	✓					▶
1.2	3 Establish a more robust set of performance metrics	✓					▶
1.2	4 Investigate utilization of text mining	✓					▶
Vocational Rehabilitation Program							
4.1	17 Change Rules to Give BWC Sole Authority to Direct Rehab Services		✓				▶
4.1	18 Reconsider the Rules Associated with the Experience Rating Treatment of LM Claims			✓			▶
Count = 146 total recommendations:		43	9	37	10	38	76

Count	Jul-09	Oct-09	Jan-10	Apr-10
Evaluation	106	59	44	43
Planning	7	15	10	9
Design	9	40	43	37
Implementation	7	7	17	10
In Place	8	20	24	38
No Action	2	5	8	9
Total	139	146	146	146

Enterprise Report

April 2010

Enterprise Report

BWC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

Statement of Operations

This statement reports operating revenues and expenses, as well as net investment revenues for the current fiscal year to date, projected, and prior fiscal year to date. A combining schedule for the statement of operations presents the current fiscal year to date revenue and expenses by fund. *Pages 5 and 6.*

Statement of Investment Income

This statement provides information on the sources of investment income, changes in investment fair value, and investment expenses. Information is presented for the current fiscal year to date, projected, and prior fiscal year to date. *Page 7.*

Administrative Cost Fund Budget Summary

This statement reports actual fiscal year to date administrative expenses and budget compared to the budget for the fiscal year and prior fiscal year to date expenses for BWC. The fiscal year budget is also compared to the agency appropriation. *Pages 8 and 9.*

State Insurance Fund Administrative Expense Summary

This statement reports administrative expenses that are permitted to be paid from the State Insurance Fund for the current and prior fiscal year to date along with the remaining open encumbrances for each of the contracts. *Page 10.*

Operating Transfers

This statement reports operating transfers that fund programs administered by other governmental entities as permitted or required by the Ohio Revised Code. *Page 10.*

Statement of Cash Flows

This statement presents cash flows from operating, capital and related financing activities, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents. *Page 11.*

Statement of Net Assets

This statement presents information reflecting BWC's assets, liabilities, and net assets. Net assets represent the amount of total assets less liabilities. This statement would be referred to as a balance sheet in the private sector. A combining schedule presents this information by fund. *Pages 12 and 13.*

Financial Performance Metrics

Financial ratios reflecting BWC's performance are presented here. These financial ratios are insurance industry recognized financial metrics. *Page 14.*

Operational Performance Metrics

Measures reflecting BWC's operational performance are presented here. *Pages 15 through 17.*

Performance Metrics Glossary

Glossary provides definitions and information on calculations for each performance metric. *Page 18.*

March Financial Analysis

BWC's net assets increased by \$297 million in March resulting in net assets of \$4.3 billion at March 31, 2010 compared to \$4.0 billion at February 28, 2010.

<i>(\$ in millions)</i>	Month Ended Mar. 31, 2010	Month Ended Feb. 28, 2010	Month Ended Mar. 31, 2009
Operating Revenues	\$174	\$171	\$178
Operating Expenses	(203)	(185)	(180)
Operating Transfers	-	-	-
Net Operating Gain (Loss)	(29)	(14)	(2)
Net Investment Income (Loss)	326	119	585
Increase (Decrease) in Net Assets	297	105	583
Net Assets End of Period	\$4,307	\$4,010	\$1,523

- o Premium and assessment income of \$174 million net of an \$8 million provision for uncollectible accounts receivable along with other income of \$8 million resulted in operating revenues of \$174 million in March. Other income is primarily penalties billed to private employers for the late filing and payment of premiums that were due on February 28.
- o Decreases in premium rates for private employers of 12%, public employer taxing districts of 17% and state agencies of 3.75% have resulted in decreased operating revenues in March 2010 compared to March 2009.
- o Benefits and compensation adjustment expenses of \$195 million along with other expenses of \$8 million resulted in operating expenses of \$203 million. Benefit payments issued in March increased by almost \$25 million. The most significant increases occurred in settlements and medical payments. Settlement payments increased by \$8 million as field offices worked to address backlogs in processing settlement applications along with the introduction of new performance measures for settlements. Medical payments increased by \$12 million but are within the expected range based on payment history for the last two years. February medical payments were the second lowest monthly total in the past two years.
- o A \$262 million increase in the fair value of the investment portfolio in March along with interest and dividend income of \$65 million for the month, resulted in net investment income of \$326 million for the month after investment expenses of \$0.8 million. The increase in the fair value of the portfolio is comprised of \$228 million in net unrealized gains and \$34 million in net realized gains.
- o Cash and cash equivalents include \$475 million in money market holdings in the outside investment manager accounts. These funds are committed to covering a \$432 million net investment trade payable for transactions that will settle in April.
- o Premium and assessment receipts of \$163 million were collected in March. Receipts in March 2010 are \$40 million higher than collections during this same period last year reflecting timing differences in the payment of premiums.
- o Principal and interest payments of \$17.9 million were made on the William Green building bonds. These bonds mature in 2014 and have a remaining principal balance of \$62.9 million.

Fiscal Year-to-Year Comparisons

BWC's total net assets have increased by \$1.8 billion for fiscal year-to-date 2010 resulting in net assets of \$4.3 billion at March 31, 2010 compared to \$1.5 billion at March 31, 2009.

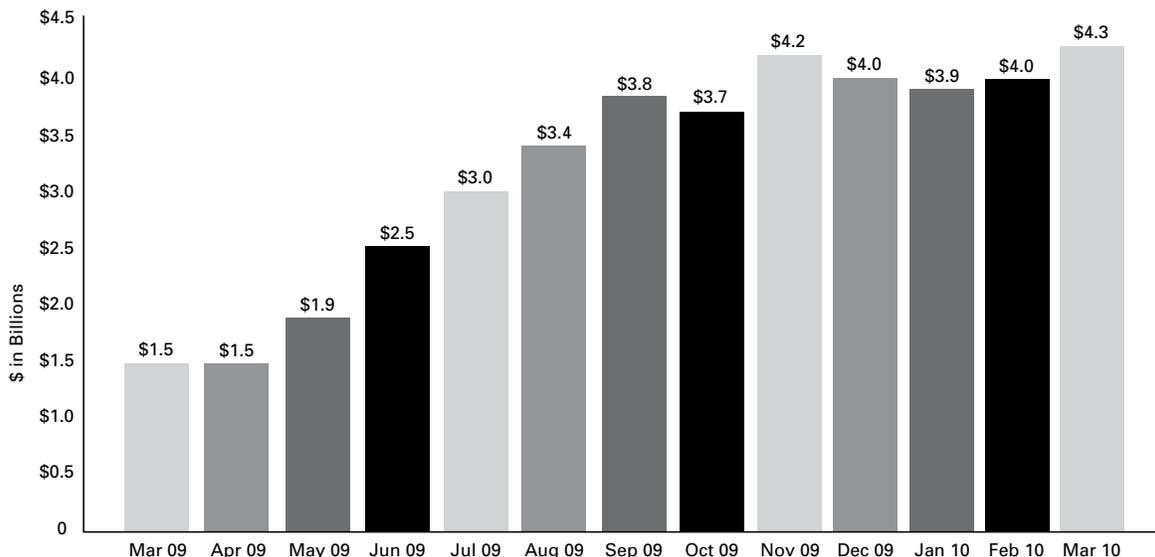
<i>(\$ in millions)</i>	Fiscal YTD Mar. 31, 2010	Projected FYTD Mar. 31, 2010	Fiscal YTD Mar. 31, 2009
Operating Revenues	\$1,553	\$1,639	\$1,653
Operating Expenses	(1,751)	(1,801)	(1,683)
Operating Transfers	(3)	(4)	(3)
Net Operating Gain (Loss)	(201)	(166)	(33)
Net Investment Income (Loss)	1,993	628	(947)
Increase (Decrease) in Net Assets	1,792	462	(980)
Net Assets End of Period	\$4,307	\$2,977	\$1,523

- o BWC's premium and assessment income for fiscal year-to-date 2010 is \$1.6 billion compared to \$1.7 billion for the same period last year. Decreases in premium rates for private and state agency employers effective July 1, 2009 and January 1, 2010 for public employer taxing districts are off-set by increased unbilled receivables for DWRP and SIEGF. Actual income is 8% less than projected primarily due to the adjustment recorded in December to reflect the anticipated impact that unemployment will have on private employer payroll for the July through December policy period and considering this same impact in premium accruals for the January through June policy period.
- o Benefit and compensation adjustment expenses increased by \$72 million for fiscal year-to-date 2010. Reserves for compensation and compensation adjustment expenses for DWRP and SIEGF have increased by \$53 million in 2010. This increase has been partially off-set by lower payments for benefits and compensation adjustment expenses. While settlements and medical payments have decreased by over \$67 million, there have been increases in temporary total and permanent total disability costs of approximately \$10 million.
- o BWC's net investment income for fiscal year-to-date 2010 totaled almost \$2 billion, comprised of \$532 million in net realized losses and \$1,992 million in net unrealized gains, along with \$538 million of interest and dividend income and \$5 million in investment expenses. This compares to last year's net investment loss of \$947 million that primarily resulted from net unrealized losses.
- o Declines in private employer payroll and decreases in premium rates have contributed to premium collections being \$256 million less than prior fiscal year-to-date collections.

Conditions expected to affect financial position or results of operations include:

- o The approximately 20,200 employers participating in the 50/50 payment program will be paying \$146 million in premiums by June 1, 2010 to maintain active coverage. These numbers are down from the almost 20,700 employers that participated last year that owed \$176 million for the second installment.
- o As of April 9th, 17,300 private employer accounts with estimated premium of \$13.5 million remained in a lapse status for failing to report payroll for the July through December 2009 policy period. This compares to 26,100 accounts that were initially billed estimated premiums of \$27.4 million on March 13, 2010. Accounts that have still failed to report payroll will be certified to the Ohio Attorney General's office for collection on April 19th.
- o Increases in settlement payments are anticipated for the next few months as field offices work to address settlement backlogs. Payments are expected to stabilize by mid-summer.
- o While new claim filings continue to trend downward, the average cost per claim has increased. BWC is continuing to analyze the factors causing the increases in severity.

Net Assets



Total undiscounted reserves for compensation and compensation adjustment expense are \$33.8 billion. See breakout by fund on page 13.

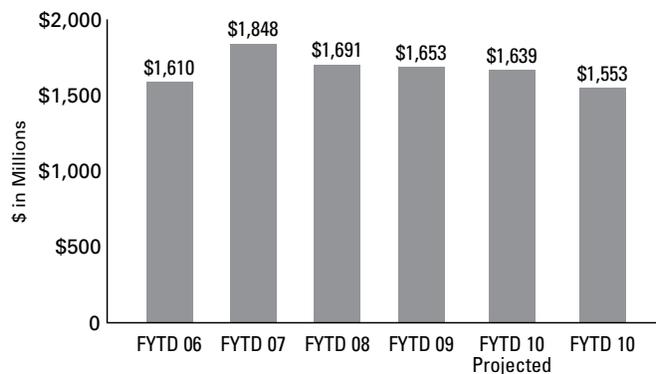
Statement of Operations

Fiscal year to date March 31, 2010

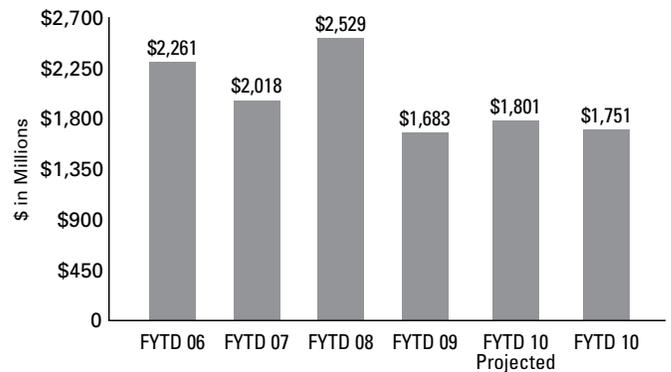
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$1,551	\$1,686	\$(135)	\$1,700	\$(149)
Provision for Uncollectibles	(12)	(61)	49	(62)	50
Other Income	14	14	–	15	(1)
Total Operating Revenue	1,553	1,639	(86)	1,653	(100)
Operating Expenses					
Benefits & Compensation Adj. Expense	1,686	1,731	45	1,614	72
Other Expenses	65	70	5	69	(4)
Total Operating Expenses	1,751	1,801	50	1,683	68
Operating Transfers	(3)	(4)	1	(3)	–
Net Operating Gain (Loss)	(201)	(166)	(35)	(33)	(168)
Net Investment Income (Loss)	1,993	628	1,365	(947)	2,940
Increase (Decrease) in Net Assets	\$1,792	\$462	\$1,330	\$(980)	\$2,772

Operating Revenues



Operating Expenses



Statement of Operations – Combining Schedule

Fiscal year to date March 31, 2010

(in thousands)

	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	\$1,165,864	\$117,280	\$1,977	\$199	\$392	\$33,854	\$231,511	\$1,551,077
Provision for Uncollectibles	(27,251)	14,297	-	-	(3)	209	436	(12,312)
Other Income	9,402	-	-	-	-	-	5,186	14,588
Total Operating Revenues	1,148,015	131,577	1,977	199	389	34,063	237,133	1,553,353
Operating Expenses:								
Benefits & Compensation Adj Expenses	1,345,180	133,784	467	102	126	33,661	173,188	1,686,508
Other Expenses	18,329	209	58	1	73	1	46,293	64,964
Total Operating Expenses	1,363,509	133,993	525	103	199	33,662	219,481	1,751,472
Net Operating Income (Loss) before Operating Transfers Out	(215,494)	(2,416)	1,452	96	190	401	17,652	(198,119)
Operating Transfers Out	(150)	-	(1,892)	-	-	-	(600)	(2,642)
Net Operating Income (Loss)	(215,644)	(2,416)	(440)	96	190	401	17,052	(200,761)
Investment Income:								
Investment Income	484,062	40,245	8,630	564	422	46	4,464	538,433
Net Realized Gains (Losses)	(536,756)	4,178	616	-	-	-	-	(531,962)
Net Unrealized Gains (Losses)	1,898,640	75,541	16,333	602	450	-	-	1,991,566
Total Realized & Unrealized Capital Gains (Losses)	1,361,884	79,719	16,949	602	450	-	-	1,459,604
Investment Manager & Operational Fees	(4,852)	(213)	(115)	(7)	(5)	(2)	-	(5,194)
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-	(184)	(184)
Total Non-Operating Revenues, Net	1,841,094	119,751	25,464	1,159	867	44	4,280	1,992,659
Increase (Decrease) in Net Assets (Deficit)	1,625,450	117,335	25,024	1,255	1,057	445	21,332	1,791,898
Net Assets (Deficit), Beginning of Period	2,191,888	835,859	166,383	19,406	15,570	6,935	(720,699)	2,515,342
Net Assets (Deficit), End of Period	\$3,817,338	\$953,194	\$191,407	\$20,661	\$16,627	\$7,380	\$(699,367)	\$4,307,240

This report shows operating activity for each of the funds administered by BWC.

The deficit in net assets for the Administrative Cost Fund is a result of recognizing the actuarially estimated liabilities for loss adjustment expenses while funding for ACF is on a pay-as-you-go basis.

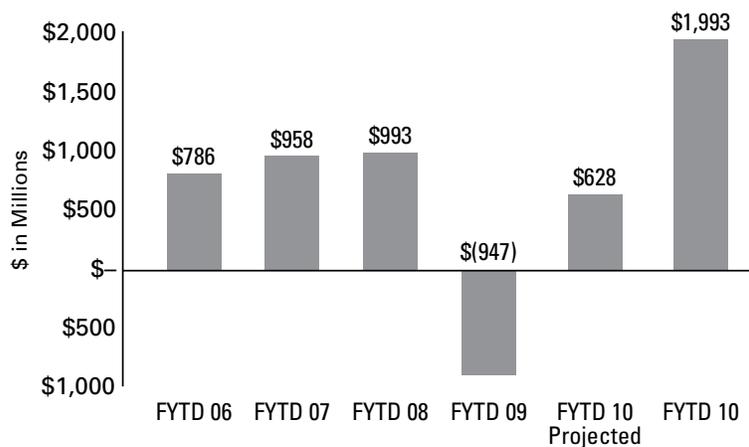
Statement of Investment Income

Fiscal year to date March 31, 2010

(in thousands)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	\$473,396	\$468,690	\$4,706	\$453,236	\$20,160
Dividend Income	61,398	67,410	(6,012)	55,067	6,331
Money Market/Commercial Paper Income	1,039	3,744	(2,705)	4,882	(3,843)
Misc. Income (Corp Actions, Settlements)	2,600	3,600	(1,000)	7,981	(5,381)
Total Investment Income	<u>538,433</u>	<u>543,444</u>	<u>(5,011)</u>	<u>521,166</u>	<u>17,267</u>
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	75,732	–	75,732	(138,465)	214,197
U.S. Equities – Net Realized Gains (Losses)	(586,326)	–	(586,326)	(85,853)	(500,473)
Non-U.S. Equities – Net Realized Gains (Losses)	(21,368)	–	(21,368)	–	(21,368)
Subtotal – Net Realized Gains (Losses)	<u>(531,962)</u>	<u>–</u>	<u>(531,962)</u>	<u>(224,318)</u>	<u>(307,644)</u>
Bonds – Net Unrealized Gains (Losses)	342,132	–	342,132	(60,191)	402,323
U.S. Equities – Net Unrealized Gains (Losses)	1,537,585	89,580	1,448,005	(1,180,049)	2,717,634
Non-U.S. Equities – Net Unrealized Gains (Losses)	111,849	–	111,849	(134)	111,983
Subtotal – Net Unrealized Gains (Losses)	<u>1,991,566</u>	<u>89,580</u>	<u>1,901,986</u>	<u>(1,240,374)</u>	<u>3,231,940</u>
Net Gain (Loss) – PE	–	–	–	134	(134)
Change in Portfolio Value	<u>1,459,604</u>	<u>89,580</u>	<u>1,370,024</u>	<u>(1,464,558)</u>	<u>2,924,162</u>
Investment Manager & Operational Fees	<u>(5,194)</u>	<u>(4,374)</u>	<u>(820)</u>	<u>(3,623)</u>	<u>1,571</u>
Net Investment Income (Loss)	<u>\$1,992,843</u>	<u>\$628,650</u>	<u>\$1,364,193</u>	<u>\$(947,015)</u>	<u>\$2,939,858</u>

Net Investment Income (Loss)



Administrative Cost Fund Expense Analysis

March 2010

- o BWC Administrative Cost Fund expenses are approximately \$20.8 million (9%) less than budgeted and approximately 6% less than last fiscal year.
- o Decreases in payroll, including Customer Service, Infrastructure and Technology, Special Investigations, Medical and Communications, are due to a decrease in staff as a result of hiring controls implemented by OBM, a July payroll period not requiring health care premium payments and employees use of cost savings days. Through March journal entries BWC staff have taken over 160,000 (88%) of the available 182,800 hours for a savings of approximately \$4.8 million.
- o The timing of the receipt of invoices for payment in fiscal year 2010 contributed to actual expenditures being less than the amount budgeted through March. An evaluation of consultant resources in Infrastructure and Technology resulted in a reduction in the number of consultants and Personal Service costs. Consultant rates were also renegotiated, which contributed to the decrease in fiscal year 2010 from 2009. Wrapping up several court cases has resulted in the reduction of fiscal year 2010 Special Counsel costs. A change in the payment schedule from quarterly to monthly caused payments to the Attorney General to be paid ahead of the budgeted plan for fiscal year 2010 and ahead of the payment schedule used in fiscal year 2009. Moving BWC printing to DAS State Printing caused an increase in Inter-Agency Payments. The increase is partially offset by reductions in postage in the Communications line, lease payments, maintenance costs and equipment. A reduced number of safety grant applications resulted in lower expenditures in fiscal year 2010.
- o Various delays in project plans caused a delay in the completion of equipment purchases through March. Some purchase orders have been completed and payments will be made in future months. This is causing actual expenditures to be less than the budgeted year to date amount through March. Delays in project plans in fiscal year 2009 caused additional delays in equipment purchases resulting in an increase in equipment expenditures over fiscal year 2009.
- o Identification of additional costs savings, a payroll period not requiring health care premium payments in July, the use of cost savings days and the delay of approved projects until 2011 led to a reduction in the fiscal year 2010 budget as of March.
- o BWC's current fiscal year 2010 budget is approximately \$40 million (12%) less than appropriated by the General Assembly.

Administrative Cost Fund Budget Summary

As of March 31, 2010

Expense Description	FTE's	Actual FY10	Budgeted FYTD10	FYTD10 Variance	FYTD10 Percentage Variance	FY10 Budget	FYTD09 Expenses	Increase (Decrease) in FY10	FYTD10 Percentage Increase (Decrease)
Payroll									
BWC Board of Directors	12	758,005	758,005	0	0.00%	946,539	715,032	42,973	6.01%
Workers' Comp Council	0	0	0	0	0.00%	0	72,323	(72,323)	-100.00%
BWC Administration	14	1,054,591	1,054,591	0	0.00%	1,397,774	610,246	444,345	72.81%
Customer Service	1,435	81,503,104	81,539,364	36,260	0.04%	106,753,873	85,451,056	(3,947,952)	-4.62%
Medical	127	8,297,093	8,297,940	847	0.01%	10,783,223	9,073,187	(776,094)	-8.55%
Special Investigations	120	7,909,300	7,909,363	63	0.00%	10,410,570	8,625,865	(716,565)	-8.31%
Fiscal and Planning	62	3,800,290	3,824,936	24,646	0.64%	4,933,071	3,845,130	(44,840)	-1.17%
Actuarial	22	1,579,534	1,580,956	1,422	0.09%	2,095,765	1,294,831	284,703	21.99%
Investments	11	953,912	955,370	1,458	0.15%	1,272,143	898,843	55,069	6.13%
Infrastructure & Technology	295	21,628,760	21,776,792	148,032	0.68%	28,619,631	22,921,071	(1,292,311)	-5.64%
Legal	78	5,122,136	5,122,135	(1)	0.00%	6,763,070	5,151,892	(29,756)	-0.58%
Communications	21	1,237,809	1,240,031	2,222	0.18%	1,635,215	1,945,040	(707,231)	-36.36%
Human Resources	64	3,826,242	3,826,432	190	0.00%	5,065,208	4,212,394	(386,152)	-9.17%
Internal Audit	14	983,051	984,251	1,200	0.12%	1,293,838	1,042,812	(59,761)	-5.73%
Ombuds Office	7	390,844	390,868	24	0.01%	503,096	436,596	(45,752)	-10.48%
Total Payroll	2,282	139,044,671	139,261,034	216,363	0.16%	182,473,016	146,296,318	(7,251,647)	-4.96%
Personal Services									
Information Technology		4,489,549	6,184,538	1,694,989	27.41%	8,305,015	7,666,964	(3,177,415)	-41.44%
Legal - Special Counsel		541,483	1,136,250	594,767	52.34%	1,515,000	783,738	(242,255)	-30.91%
Legal - Attorney General		3,872,380	3,466,387	(405,993)	-11.71%	4,621,850	3,225,701	646,679	20.05%
Other Personal Services		4,202,804	5,567,849	1,365,045	24.52%	7,332,660	4,506,013	(303,209)	-6.73%
Total Personal Services		13,106,216	16,355,024	3,248,808	19.86%	21,774,525	16,182,416	(3,076,200)	-19.01%
Maintenance									
William Green Rent		19,809,377	19,871,795	62,418	0.31%	19,871,795	20,578,304	(768,927)	-3.74%
Other Rent and Leases		7,500,472	9,822,653	2,322,181	23.64%	13,769,156	8,460,105	(959,633)	-11.34%
Software and Equipment Maintenance and Repairs		10,804,182	13,914,627	3,110,445	22.35%	18,539,264	11,576,274	(772,092)	-6.67%
Inter Agency Payments		3,493,487	3,546,572	53,085	1.50%	4,765,402	2,327,883	1,165,604	50.07%
Communications		2,275,171	4,987,751	2,712,580	54.38%	6,808,413	2,816,269	(541,098)	-19.21%
Safety Grants and Long Term Care Loan		1,360,649	4,500,003	3,139,354	69.76%	6,000,000	3,177,106	(1,816,457)	-57.17%
Supplies and Printing		763,559	1,777,381	1,013,822	57.04%	2,356,511	1,133,188	(369,629)	-32.62%
Other Maintenance		2,180,751	2,964,311	783,560	26.43%	3,958,225	2,371,531	(190,780)	-8.04%
Total Maintenance		48,187,648	61,385,093	13,197,445	21.50%	76,068,766	52,440,660	(4,253,012)	-8.11%
Equipment		1,858,658	6,012,372	4,153,714	69.09%	8,479,115	827,653	1,031,005	124.57%
Total Administrative Cost Fund Expenses		202,197,193	223,013,523	20,816,330	9.33%	288,795,422	215,747,047	(13,549,854)	-6.28%

Total Agency Appropriation 328,821,765
 Budget to Appropriation Variance 40,026,343
 Percentage Variance 12.17%

State Insurance Fund

Administrative Expense Summary

As of March 31, 2010

	Actual FYTD 2010	Encumbrance Balance	FYTD Actual & Encumbrance	Actual FYTD 2009
Investment Administrative Expenses				
UBS Securities LLC	\$0	\$0	\$0	\$275,191
JP Morgan Chase - Performance Reporting	56,167	34,585	90,752	70,249
Mercer Investment Consulting	366,249	170,244	536,493	316,664
Other Investment Expenses	<u>307,669</u>	<u>70,998</u>	<u>378,667</u>	<u>162,050</u>
	730,085	275,827	1,005,912	824,154
Actuarial Expenses				
Oliver Wyman - Actuarial Services	583,051	500,000	1,083,051	712,278
Deloitte Consulting - Comprehensive Study	0	0	0	1,550,095
Deloitte Consulting - Actuarial Services	<u>670,257</u>	<u>1,054,493</u>	<u>1,724,750</u>	<u>0</u>
	1,253,308	1,554,493	2,807,801	2,262,373
Ohio Rehabilitation Services	<u>605,407</u>	<u>605,407</u>	<u>1,210,814</u>	<u>605,407</u>
TOTAL	<u>\$2,588,800</u>	<u>\$2,435,727</u>	<u>\$5,024,527</u>	<u>\$3,691,934</u>

The above expenses are paid from the non-appropriated State Insurance Fund.

The investment administrative expense are included in the investment expenses reported on the statement of investment income on page 7.

The encumbrance balance is the amount remaining on the contract and may extend beyond the end of this fiscal year.

Operating Transfers

As of March 31, 2010

	FYTD 2010	FYTD 2009	Source
Workers' Compensation Council	\$325,000	\$343,166	Administrative Cost Fund
Ohio Dept. of Natural Resources	1,891,575	3,106,000	Coal Workers' Pneumoconiosis Fund
Ohio Inspector General	<u>425,000</u>	<u>0</u>	Administrative Cost Fund
TOTAL	<u>\$2,641,575</u>	<u>\$3,449,166</u>	

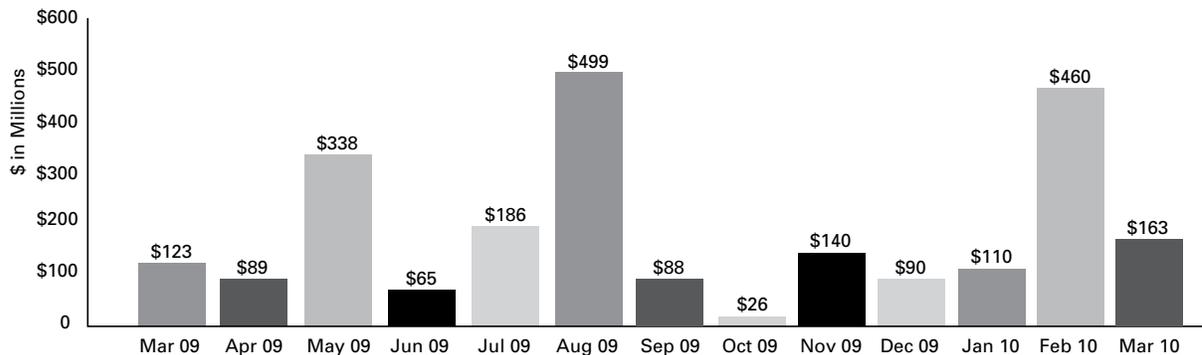
Statement of Cash Flows

Fiscal year to date March 31, 2010

(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Cash Flows from Operating Activities:					
Cash Receipts from Premiums	\$1,762	\$1,793	\$(31)	\$2,018	\$(256)
Cash Receipts – Other	43	26	17	20	23
Cash Disbursements for Claims	(1,522)	(1,547)	25	(1,591)	69
Cash Disbursements for Other	<u>(302)</u>	<u>(353)</u>	<u>51</u>	<u>(336)</u>	<u>34</u>
Net Cash Provided (Used) by Operating Activities	(19)	(81)	62	111	(130)
Net Cash Flows from Noncapital Financing Activities	(3)	(4)	1	(3)	–
Net Cash Flows from Capital and Related Financing Activities	(22)	(20)	(2)	(22)	–
Net Cash Provided (Used) by Investing Activities	<u>454</u>	<u>163</u>	<u>291</u>	<u>268</u>	<u>186</u>
Net Increase (Decrease) in Cash and Cash Equivalents	410	58	352	354	56
Cash and Cash Equivalents, Beginning of Period	<u>504</u>	<u>504</u>	<u>–</u>	<u>378</u>	<u>126</u>
Cash and Cash Equivalents, End of Period	\$914	\$562	\$352	\$732	\$182

Premium and Assessment Receipts



Statement of Net Assets

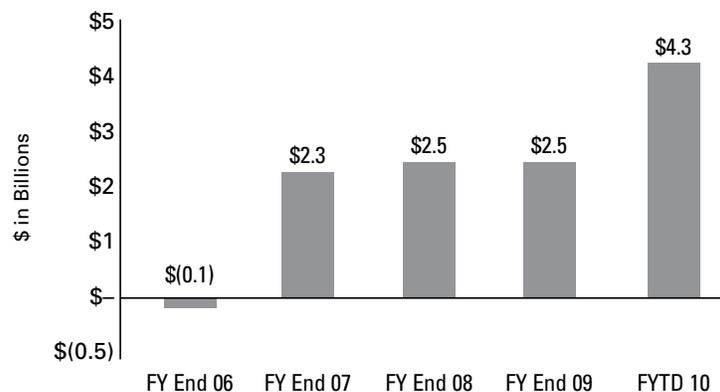
As of March 31, 2010

(in millions)

	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	\$12,688	\$13,025	\$(337)
U.S. Equities	4,111	2,701	1,410
Non-U.S. Equities	1,724	-	1,724
Private Equities	-	-	-
Cash & Cash Equivalents	914	732	182
Total Cash and Investments	19,437	16,458	2,979
Accrued Premiums	4,220	4,038	182
Other Accounts Receivable	339	415	(76)
Investment Receivables	271	250	21
Other Assets	101	111	(10)
Total Assets	24,368	21,272	3,096
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	\$19,299	\$19,368	\$(69)
Accounts Payable	36	37	(1)
Investment Payable	556	137	419
Other Liabilities	170	207	(37)
Total Liabilities	20,061	19,749	312
Net Assets	\$4,307	\$1,523	\$2,784

Total undiscounted reserves for compensation and compensation adjustment expense are \$33.8 billion. See breakout by fund on page 13.

Net Assets (Deficit)



Statement of Net Assets – Combining Schedule

As of March 31, 2010

(in thousands)

	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	\$11,521,153	\$ 926,409	\$ 197,625	\$ 24,165	\$ 18,055	\$ -	\$ -	\$ -	\$12,687,407
U.S. Equities	3,777,432	275,346	58,432	-	-	-	-	-	4,111,210
Non-U.S. Equities	1,723,628	-	-	-	-	-	-	-	1,723,628
Private Equities	35	-	-	-	-	-	-	-	35
Cash & Cash Equivalents	844,018	11,362	2,017	178	443	48,661	7,679	-	914,358
Total Cash & Investments	\$17,866,266	\$ 1,213,117	\$ 258,074	\$ 24,343	\$ 18,498	\$ 48,661	\$ 7,679	\$ -	\$19,436,638
Accrued Premiums	1,649,499	1,629,573	-	236	-	738,528	202,311	-	4,220,147
Other Accounts Receivable	260,939	22,651	227	3	2	204	55,462	-	339,488
Interfund Receivables	12,666	61,385	767	72	70	2,421	122,687	(200,068)	-
Investment Receivables	248,990	17,621	3,725	-	-	2	-	-	270,338
Other Assets	25,382	22	-	-	-	-	75,821	-	101,225
Total Assets	\$20,063,742	\$ 2,944,369	\$ 262,793	\$ 24,654	\$ 18,570	\$ 789,816	\$ 463,960	\$ (200,068)	\$24,367,836
Liabilities									
Reserve for Compensation & Compensation Adj. Expense	\$15,397,000	\$ 1,966,316	\$ 68,591	\$ 3,865	\$ 1,727	\$ 780,874	\$1,081,000	\$ -	\$19,299,373
Accounts Payable	34,815	-	-	-	-	-	629	-	35,444
Investment Payable	540,557	12,949	1,967	-	-	-	-	-	555,473
Interfund Payables	186,457	11,839	72	126	12	1,562	-	(200,068)	-
Other Liabilities	87,575	71	756	2	204	-	81,698	-	170,306
Total Liabilities	16,246,404	1,991,175	71,386	3,993	1,943	782,436	1,163,327	(200,068)	20,060,596
Net Assets	\$ 3,817,338	\$ 953,194	\$ 191,407	\$ 20,661	\$ 16,627	\$ 7,380	\$ (699,367)	\$ -	\$ 4,307,240

The undiscounted reserves for compensation adjustment expenses are as follows:

(in thousands)

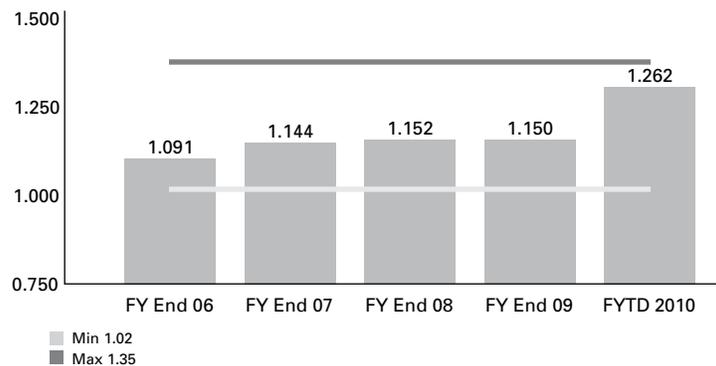
SIF	\$26,501,000
DWRF	3,697,000
CWPF	99,000
PWRE	6,000
MIF	3,000
SIEGF	1,610,000
ACF	1,861,000
Total	\$33,777,000

Financial Performance Metrics

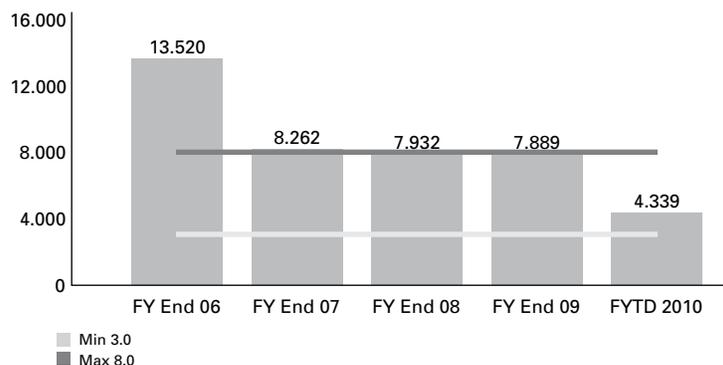
	Actual FY10 As of 3/31/10	Projected FY10 As of 3/31/10	Actual FY09 As of 3/31/09	Guidelines
Funding Ratio (State Insurance Fund)	1.26	1.19	1.09	1.02 to 1.35
Net Leverage Ratio (SIF)	4.34	6.42	13.50	3.0 to 8.0
Loss Ratio	89.5%	83.2%	76.8%	
LAE Ratio - MCO	7.9%	7.2%	7.0%	
LAE Ratio - BWC	11.3%	12.2%	11.1%	
Net Loss Ratio	108.7%	102.6%	94.9%	120.0%
Expense Ratio	4.2%	4.2%	4.0%	5.0%
Combined Ratio	112.9%	106.8%	98.9%	125.0%
Net Investment Income Ratio	34.4%	32.0%	30.4%	
Operating Ratio (Trade Ratio)	78.5%	74.8%	68.5%	100.0%

Guidelines represent long-term goals for the agency. Business practices, peer group results, and historical data were considered in the establishment of the guidelines.

Funding Ratio

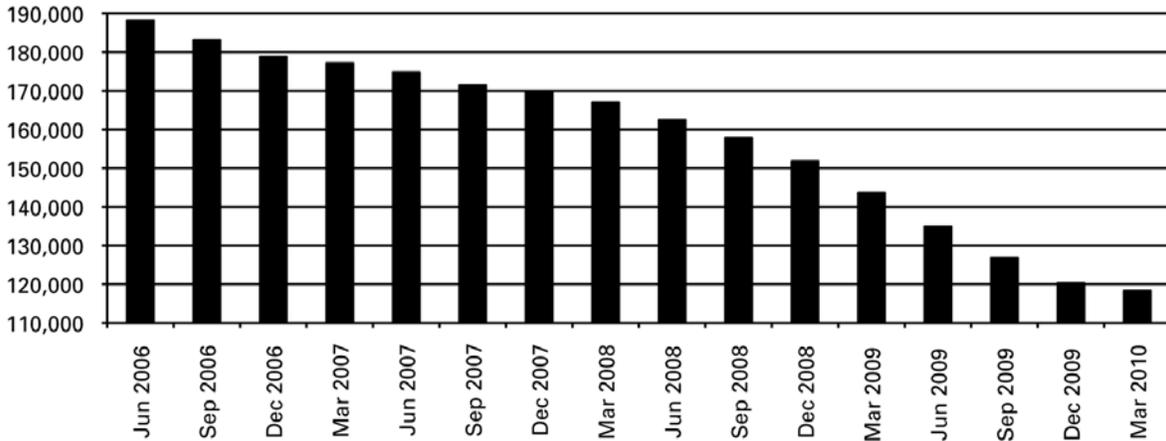


Net Leverage Ratio

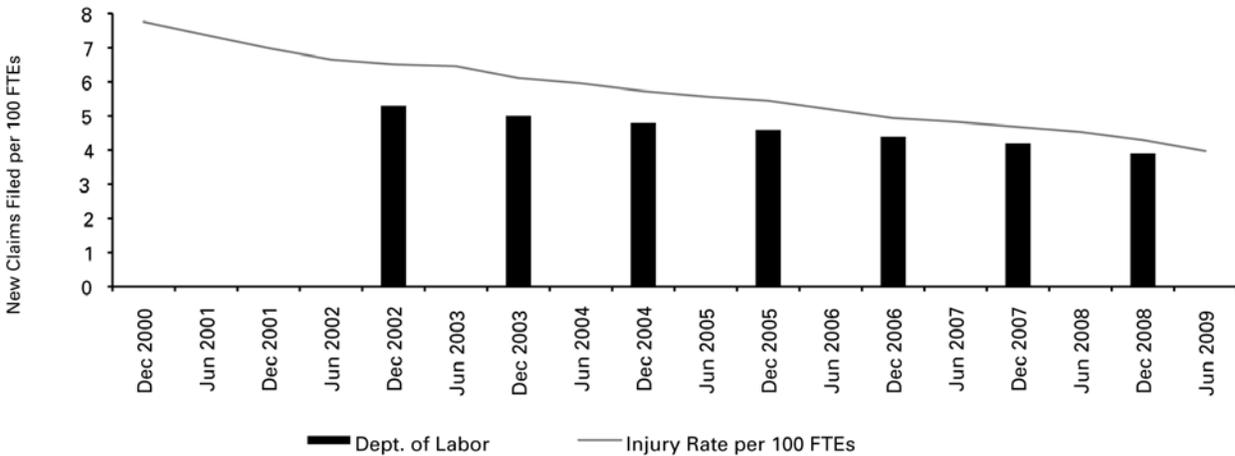


Operational Performance Metrics

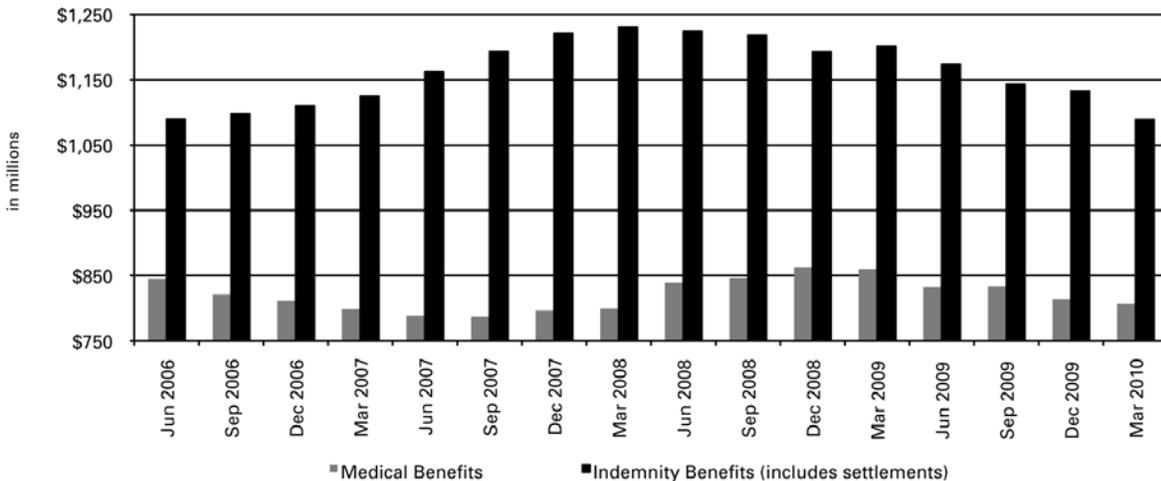
New Claims Filed - Twelve months ended



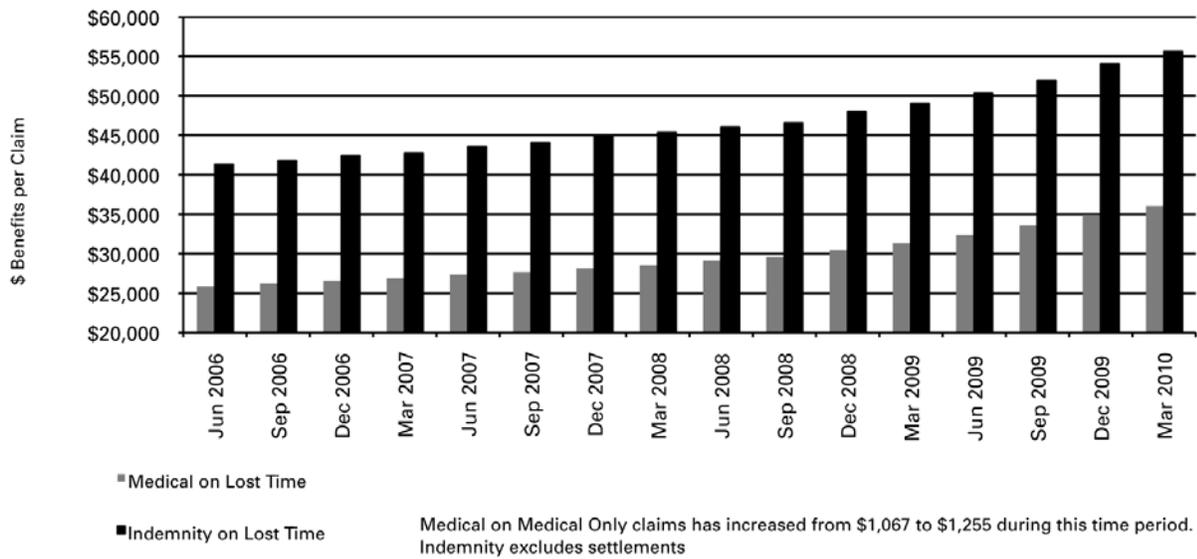
Frequency - Reported semi-annually



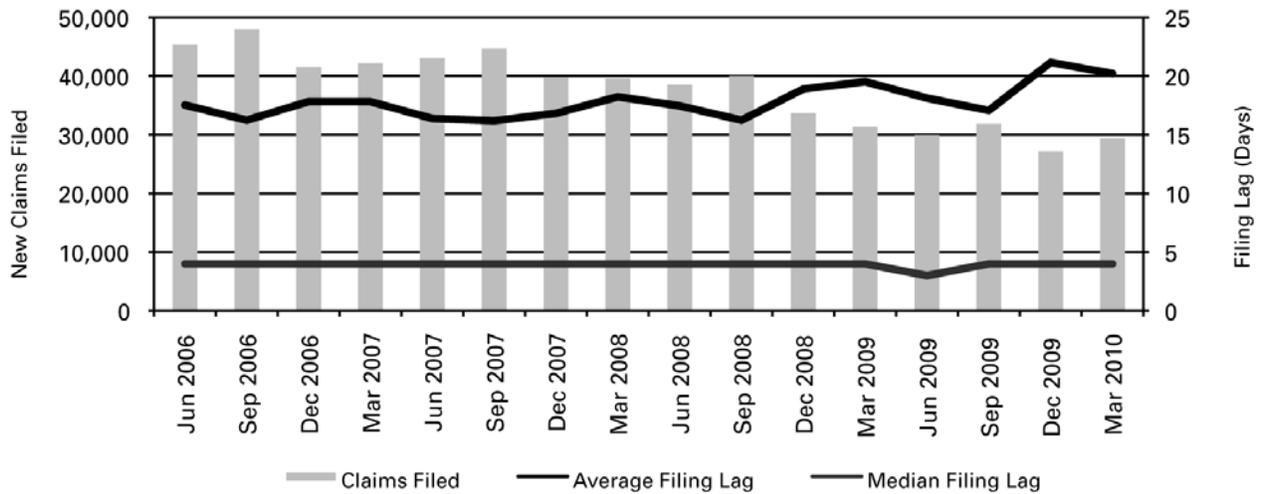
Benefit Payments - Twelve months ended



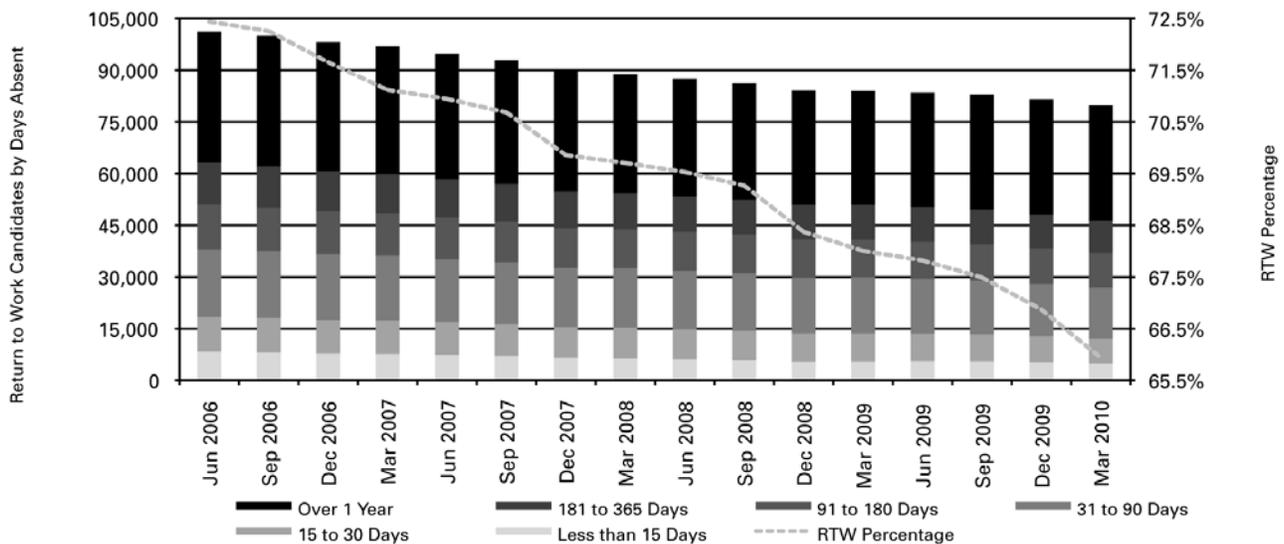
Severity



Claim Filing Lag



Return to work

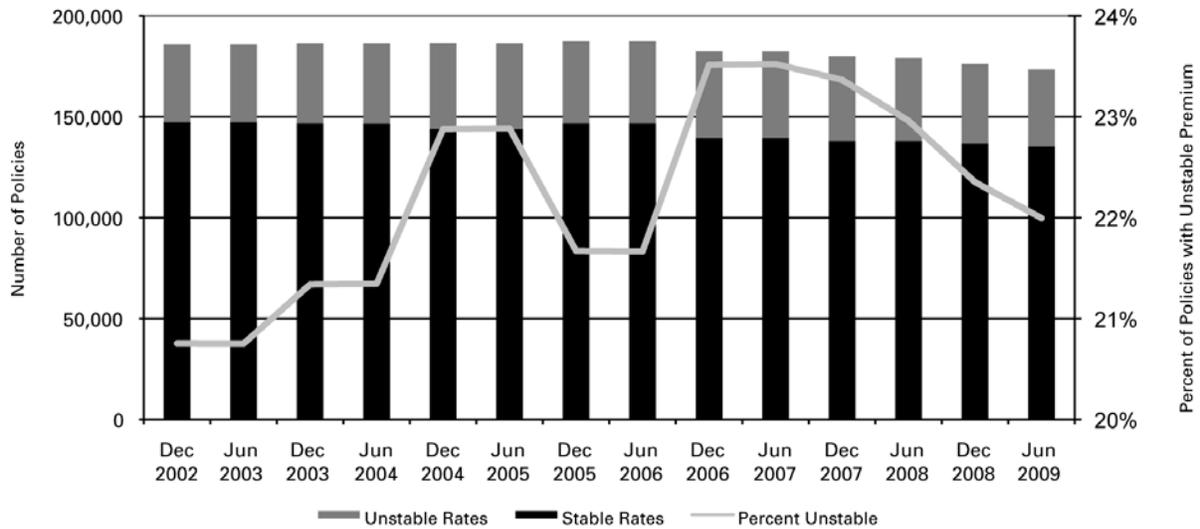


Aggregate Reported Payroll- Twelve months ended

(\$ in millions)	Private	PEC	PES	Black Lung	Marine
Dec 2002	\$82,400	\$17,611	\$5,823	\$64	\$3
Jun 2003	\$83,090	\$17,611	\$5,924	\$51	\$4
Dec 2003	\$83,304	\$18,022	\$6,005	\$59	\$4
Jun 2004	\$83,741	\$18,022	\$6,076	\$73	\$3
Dec 2004	\$85,492	\$18,545	\$6,184	\$84	\$3
Jun 2005	\$86,530	\$18,545	\$6,266	\$82	\$4
Dec 2005	\$87,902	\$18,594	\$6,388	\$87	\$4
Jun 2006	\$90,414	\$18,594	\$6,524	\$98	\$5
Dec 2006	\$91,830	\$18,946	\$6,654	\$98	\$5
Jun 2007	\$93,636	\$18,946	\$6,788	\$100	\$4
Dec 2007	\$94,890	\$19,427	\$6,914	\$107	\$4
Jun 2008	\$95,027	\$19,427	\$7,032	\$117	\$5
Dec 2008	\$94,580	\$19,778	\$7,065	\$134	\$5
Jun 2009	\$91,066	\$19,778	\$7,194	\$150	\$5

PEC employers report payroll only once per year, while other employers report twice per year. Therefore, the same PEC payroll is presented twice in each fiscal year in the above table.

Premium Stability



Performance Metrics Glossary

Loss Ratio

Measures loss experience – Compensation benefit expenses divided by premium and assessment income.

LAE Ratio

Measures loss adjustment experience – Loss adjustment expenses divided by premium and assessment income.

Net Loss Ratio

Measures underlying profitability or total loss experience – Sum of the loss ratio and the LAE ratios.

Expense Ratio

Measures operational efficiency – Other administrative expenses divided by premium and assessment income.

Combined Ratio

Measures overall underwriting profitability – Sum of net loss and expense ratios.

Net Investment Income Ratio

Measures the investment income component of profitability – Interest and dividend income less investment expenses divided by premium and assessment income. This ratio does not include realized or unrealized capital gains and losses.

Operating Ratio

Measures overall profitability from underwriting and investing activities – Combined ratio less net investment income ratio.

Operating Cash Flow Ratio

Measures the relationship between operating receipts and disbursements – Collections from operating activities (premiums, interest and dividends net of investment expenses) divided by operating disbursements.

Total Reserves to Net Assets

Measures the relationship between future claims and claim adjustment liabilities and net assets – Total reserves divided by premium and assessment income.

Investments to Loss Reserves

Measures the relationship of the investment portfolio to total reserves – Total cash and investments dividend by total loss reserves.

Equities to Net Assets

Measures the exposure of net assets to BWC's investment in equities – Equities divided by net assets.

Bonds to Net Assets

Measures the exposure of net assets to BWC's investment in bonds – Bonds divided by net assets.

Funding Ratio

Provides an indication of financial strength and security – Funded assets divided by funded liabilities.

Net Leverage Ratio

Measures the combination of BWC's exposure to pricing errors and errors in estimating its liabilities in relation to net assets. Premium income plus reserves for compensation and compensation adjustment expense divided by net assets.

New Claims Filed

Measures the number of new State Insurance Fund claims filed for rolling twelve month periods measured quarterly.

Frequency

Measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi-annually.

Benefit Payments

Measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly.

Severity

Measures the average cost of medical and indemnity expenses per lost time claim.

Claim Filing Lag

Measures the average and median number of days from the date of injury to the date of claim filing.

Return to Work Rates

Measures the percentage of injured workers who have returned to work relative to the claim population eligible to return to work.

Aggregate Reported Payroll

Measures reported payroll by employer type for a rolling twelve month period, updated semi-annually.

Premium Stability

Measures the number of employers whose premium rate changed more than 5 percent and total premium changed more than \$500 from the prior year.

LEGISLATIVE AFFAIRS UPDATE FOR BWC BOARD OF DIRECTORS APRIL 2010

The General Assembly was out of session for two weeks and the Senate will not reconvene until May.

A check mark indicates recent activity.

SB 238—(Sen. Seitz, R-Cincinnati)--Prohibits illegal and unauthorized aliens from receiving compensation and benefits under Ohio's Workers' Compensation Law.

- Provides that within 28 days after an employee or claimant receives notification of a claim from BWC, the claimant shall submit a copy of documentation that demonstrates the claimant's identity and authority to work in accordance with the Immigration Reform and Control Act.
- Provides that an illegal or unauthorized alien is barred from bringing suit in civil court for personal injury sustained or occupational disease contracted in the course of employment caused by the wrongful act or omission or neglect of the employer *except* if the employer employed the illegal or unauthorized alien knowing that the person was not authorized to work under the Immigration Reform and Control Act.
- Permits, in all instances, an illegal or unauthorized alien to bring a claim against an employer for intentional tort.
- Sponsor Testimony provided by Senator Seitz on March 23 in Senate Insurance, Commerce and Labor Committee.
- ✓ Senate Insurance, Commerce, and Labor Committee not expected to reconvene until the week of May 10th.

SB 3—(Sen. Faber, R-Celina)--Requires a rule-making agency to prepare a cost-benefit report for, and regulatory flexibility analysis of, rules that may have any adverse impact on small businesses and submit them to the new Ohio Small Business Ombudsperson in the Office of Small Business, to create the Small Business Regulatory Review Board to review objections to those rules and make recommendations to the Joint Committee on Agency Rule Review regarding the rules.

- Passed full Senate on March 11, 2009. Pending in House State Government Committee since that time.
- ✓ On April 20, 2010, House State Government Committee voted unanimously to amend out all existing sections of SB 3 and replace those sections with HB 230 (Rep. Moran, D-Hudson) in its entirety.
- ✓ HB 230 enacts the Common Sense Regulation Act to improve state agency regulatory processes, especially as they relate to small businesses and to require state departments to develop customer service training programs
- ✓ HB 230 passed the full House of Representatives on October 28, 2009 by a vote of 94-0.

HB 246—(Reps. Yuko, D-Elyria and Stewart, D-Columbus)— To provide that a firefighter, police officer, or public emergency medical services worker who is disabled as a result of specified types of cancer or certain contagious or infectious diseases is presumed for purposes of the laws governing workers' compensation and the Ohio Police and Fire Pension Fund to have incurred the disease while performing official duties as a firefighter, police officer, or public emergency medical services worker.

- Proponent testimony provided in House Aging and Disability Services Committee on March 2. Testifying in support were John Piskura a firefighter, Mark Drum from the FOP, Lawrence Petrick and Jim Carney from the Association of Professional Firefighters,

- Written Opponent testimony provided jointly by the Ohio Municipal League and Township Association
- 3rd Hearing testimony in House Aging and Disability Services Committee on March 3. Proponent testimony provided by Gaylynn Jordan, vice president of the Dayton Firefighters IAFF Local #136
- ✓ House Aging and Disability Services Committee not scheduled to meet again until May 18

SR 118—(Sen. Grendell, R-Chesterland)--To review the feasibility of allowing employers the option to obtain private insurance to insure their obligations under the workers' compensation system of Ohio. Creates a taskforce of 23 including the Administrator and Board of Director Chair or their designee and the Director of the Department of Insurance.

- Senate appointments announced January 22.
- Task force convened February 17.
- SR 168 passed in Senate on February 25 along party lines (21-12). Extends deadline for Task Force to submit its report to the GA and Governor from June 30, 2010 to December 15, 2010. And provides discretionary authority to Senate President to appoint additional members to the Task Force as needed.
- ✓ Task Force met on April 15. Presentations provided by Chairman Lhota, Director Smith and Administrator Ryan.

HB 216—(Rep. Carney, D-Columbus)--To establish certain financial capacity requirements for professional employer organizations (PEOs), clarify rights and liabilities of professional employer organizations and client employers, and make other changes to the professional employer organization law. This legislation is intended to update Ohio's PEO statutes and better harmonize ORC with laws in neighboring states.

- Passed in House on March 3 by 96 – 0 vote.
- Assigned to Senate Insurance, Commerce and Labor committee on March 4.
- ✓ Senate Insurance, Commerce, and Labor committee not expected to reconvene until the week of May 10th.

Senate Bill 4—(Schaffer)— Requires the Auditor of State to conduct performance audits of the Bureau of Workers' Compensation, the Environmental Protection Agency, the Department of Natural Resources, the Department of Agriculture, and the Department of Health.

- Passed by unanimous vote in Senate on January 27
- Assigned to House Finance and Appropriations Committee on January 28

HB 259--(Rep. Batchelder, R-Medina)—To specify the classes of investments in which BWC may invest the assets of the State Insurance Fund and other funds (Pneumoconiosis Fund, Marine Industry Fund, etc.). Require criminal background checks for contracted for investment consultants

- If enacted, this legislation would significantly reduce the influence of the Investment Committee and Board in formulating and adjusting BWC investment policy as appropriate. And, significantly limit BWC's ability to maximize the full potential of investment portfolio.
- No recent activity

SB 195--(Sen. Patton, R-Strongsville)--To create a uniform standard to determine whether an individual performing services for an employer is an employee of that employer. The legislation is intended to address the independent contractor misclassification issue.

- The Attorney General’s office is continuing agency discussion on this issue through its coordinated Worker Misclassification Work Group
- ✓ Expect introduction of similar legislation in the House by Reps. Phillips (D-Athens), and Driehaus (D-Cincinnati) in late April.

SB 94—(Sen. Patton, R-Strongsville)--To provide that a firefighter, police officer, or public emergency medical services worker who is disabled as a result of specified types of cancer or certain contagious or infectious diseases is presumed for purposes of the laws governing workers’ compensation and the Ohio Police and Fire Pension Fund to have incurred the disease while performing official duties as a firefighter, police officer, or public emergency medical services worker.

- Deloitte reviewed for financial impacts to the State Insurance Fund.
- Proponent Testimony provided to the Senate Insurance, Commerce, and Labor committee on February 9 by Mark Drum, Fraternal Order of Police, Lawrence Petrick, Ohio Association of Professional Fire Fighters. Written testimony provided by William Estabrook, Exec. Dir., Ohio Police and Fire Pension Fund.
- Impact statement provided to Workers’ Compensation Council February 17.

HB 249—(Rep. Heard, D-Columbus)--To redefine the definition of “journalist” (R.C. 149.43(B)(9) to include “trade and business association newsletter”. Permits access to bulk lists of claimant contact information under R.C. 4123.88.

- No recent activity.
- The Ohio Association for Justice, NFIB, and the OMA are opposed to the bill.

WORKERS’ COMPENSATION COUNCIL:

- Full council met on January 27. Actuarial impact of SB 213 (Faber) discussed.
- Met on March 15 to discuss “personnel issues”. Full Council convened an executive session for the duration of the meeting.
- ✓ No meetings on the calendar at this time.

BWC Response to MCO Forum Issue: Provider Compliance

BWC's Provider Performance Measurement Development Activity

OBJECTIVE

Actively work with the Department of Administrative Services (DAS) and Labor to develop, implement and monitor provider outcome methodology and measurements for evaluating the performance of providers managing state agencies injured workers' claims; whereupon the results of the program will be used as a platform for BWC statewide implementation.

GOALS

The goal is to utilize the work BWC has undertaken with DAS and Labor Unions to:

- Validate the performance measures developed and recommended.
- Identify and address challenges to implementing the performance measure to the BWC total provider environment.
- As the basis for provider enrollment on the panel.
- Identify new performance measurements.

BENEFITS

- Recognize providers who achieve exceptional status
- Build positive partnerships with providers, MCOs and BWC to work towards the injured workers' safe return to work
- Improve behavior and best practices
- Measurement platform for developing a Blue Ribbon Panel
- Opportunity for providers to minimize paperwork and staff time

DELIVERABLES

- **Establishment of Provider Measures:** DAS and the Labor Unions adopt BWC's proposed performance metrics support their objectives of:
 - Appropriate quality care
 - Safe, effective return to work
 - Reduction of re-injury
 - Cost-effective program.
- **Metric's recommended by BWC are:**
 - Absence Duration
 - Release to Return to Work Rate
 - Relapse Rate
 - Average Medical Cost per Claim

MCO INVOLVEMENT

MCOs that were actively involved in medical management of State Agency claims participated in the development of the foundation for provider metrics. Meetings focusing on the development of provider metrics began in December of 2008 and continued throughout 2009 and 2010. Subgroups were formed which included the following participants: CareWorks and CompManagement. Team dialogue took place which focused on the identification of thresholds, which would provide quality provider candidates for the State Agency Labor/Management panel. Both CareWorks and CompManagement participants were present and supplied

BWC Response to MCO Forum Issue: Provider Compliance

BWC's Provider Performance Measurement Development Activity

valuable feedback during subgroup discussions of proposed provider panel models, base stratification criteria, initial panel set-up and quality benchmarks with the State Agency Labor/Management representatives.

Once the proposed provider measures were drafted, Dr. Chrisanne Gordon, Medical Director-CareWorks, and Dr. David Kessler, Medical Director-CompManagement, provided valuable feedback leading to the final draft measurements shared with the State Agency Labor/Management representatives.

IMPLEMENTATION STATUS

- As of February 2010, DAS and the Labor Unions implemented a provider panel for managing state agencies' injured workers' claims.
- As of February 2010, DAS and the Labor Unions implemented BWC's recommended performance measures for evaluating the members of the provider panel.
- BWC is providing the analytical tools and necessary resources to assist DAS and the Labor Unions in developing the reporting and management of the provider performance measures.

NEXT STEPS:

1. Provide first quarter report to panel providers – Tentative completion date is July, 2010
2. Develop additional measurements for treating providers – Tentative completion date is October, 2010
3. Provide provider performance measurement action report for first year. Tentative completion date is February, 2011.
4. Implement new performance measurements for treating providers - Tentative completion date is February, 2011.

BWC Response to MCO Forum Issue: Proactive Allowance

BWC's Proactive Allowance Policy Revision Charter and Activity

OBJECTIVE

To revise the current policy, procedures and workflows to improve additional condition determination timeframes and facilitate timely and appropriate medical treatment.

CURRENT SITUATION

- Lack of communication and coordination between BWC and MCO staff
- Employer not properly informed of requests that impact treatment, recovery and return to work outcomes
- C-86 motion is being unnecessarily required due to the lack of conflict resolution processes that validate appropriate decision making

GOALS

The goal is to make the process more efficient and effective by:

- Improving communication and coordination with MCO Nurse Case Managers and BWC Medical Service Specialist (MSS) early in the decision-making process.
- Enabling the MCO Nurse Case Manager to obtain immediate buy-in and agreement with the employer to prevent needless delays and objections; as well as assist in reducing the proactive allowance timeframes.
- Creating a checklist to outline the process steps for BWC and MCO staff to document decision points and outcomes of these decisions, using a format that supports a sensitive data environment.
- Resolving internal and external conflicts to reduce the unnecessary filing of C-86 motions.

BENEFITS

- Enhance communication between all parties involved
- Gain employer buy-in early in the process to reduce delays
- Better coordination of efforts between BWC and MCO staff
- Improved documentation to support decisions

DELIVERABLES

The following tools will be developed:

- Revised policy/procedures
- Workflows documenting the process
- Correspondence to support communication requirements
- Standard Template to facilitate communication between BWC and MCO staff, support sensitive data requirements and document decisions.

BOUNDARIES/RESTRICTIONS

The team will work within the scope of the mission and goals outlined to produce the identified deliverables. No IT changes will be pursued and the team will work within current human resources capacity.

BWC Response to MCO Forum Issue: Proactive Allowance

BWC's Proactive Allowance Policy Revision Charter and Activity

MCO INVOLVEMENT

On July 10, 2008, Claims policy staff met with the Prior Auth QI Smart Objective workgroup to discuss issues with the proactive allowance policy, and to develop revised workflows to make the process more efficient and effective. Subsequent to the initial meeting, claims policy staff met with this workgroup on 8/12/08, 1/15/09 and 7/1/09 to continue to refine the workflows. On April 7, 2010, a teleconference meeting was scheduled and all MCO's were invited to participate in a review of the final workflow and the tools developed to support the new process. 13 MCO's attended and participated in the review, as well as provided productive feedback for making process improvements.

IMPLEMENTATION STATUS

Currently finalizing the workflows, policy and tools based on MCO feedback. Final drafts will be completed April 30, 2010.

NEXT STEPS:

1. Claims Policy team will review recommended changes– Tentative completion date of 5/3/2010
2. Obtain final approval by Senior Team of high level concept changes – Tentative completion date of May 7, 2010
3. Contact training department for assistance with development of training initiative (possible Building Successful Relationship workshop – BSR) for BWC and MCO staff to attend joint sessions statewide. Tentative completion date of – 4/30/2010.
4. Complete development of training materials, workflows, policies, tools and training dates. Tentative completion date of 6/11/2010
5. Statewide training rollout implemented and new policy effective. Tentative completion date of 8/1/2010

IMPLEMENTATION TIMELINE

Recommend that revised policy/procedures and tools be rolled out by August, 2010.