

Governance Committee Agenda

Thursday, December 16, 2010

William Green Building

Level 2, Room 3

8:00 AM – 9:00 AM

Call to Order

Alison Falls, Committee Chair

Roll Call

Jill Whitworth, Scribe

Approve Minutes of November 18, 2010 meeting

Alison Falls, Chair

Review and Approve Agenda

Alison Falls, Chair

New Business/ Action Items

1. Review status of action steps in Board self-assessment
Alison Falls, Chair
Ron O'Keefe, Fiduciary Counsel

Discussion Items

1. Committee Calendar

Adjourn

Alison Falls, Committee Chair

Next Meeting: Thursday, April 28, 2011

* Not all agenda items have material.

** Agenda Subject to change

12/2/2010 10:48 AM

**BWC BOARD OF DIRECTORS
BOARD SELF-ASSESSMENT**

SUMMARY OF DIRECTOR RESPONSES

Dated: July 29, 2010

Rank the following questions on a scale from 1 – 5

Key: 1= Unacceptable, 2= Needs Improvement, 3= Acceptable, 4=Excellent, 5=Superior

The Governance Committee of the Board of Directors of the Ohio Bureau of Workers' Compensation (BWC) hereby submits, for consideration by the BWC Board of Directors, a summary of director responses to the self-assessment process voluntarily undertaken by the Board and related action steps. The self-assessment process included the use of a numerical rating system and input was solicited from all Board members. The summary reflects an overall numerical assessment rating for FY 2010 of 4.50 on a rating scale in which 5.0 = "Superior" and 4.0 = "Excellent." The overall rating for FY 2009 was 4.58, although the rating scale and the items rated were revised from those used in FY 2009. The objective of the self-assessment process was for the Board to take time to be introspective and then use the individual Director responses to be proactive in recommending action steps in an effort to continuously improve the Board's processes and effectiveness.

1. I believe I am well informed about the BWC's:

	Rating
Mission and strategic plans	4.2
Insurance business	4.1
Actuarial soundness	4.3
Investment policy	4.6
Financial performance	4.8
Litigation status	4.2
Risk management	4.1
Cumulative rating	4.3

The directors generally believe that the Administrator and staff do an excellent job in keeping the Board informed before, during and after the Board and committee meetings. In particular, the BWC staff is to be commended for the time and attention they invest in providing the Board with substantial background information, presentations, and policy recommendations. The education sessions before making major decisions are very helpful. As the education sessions are important to the Board's growth, they should be an ongoing process.

2. I believe the pre-meeting reading materials I am sent for Board and Committee meetings are:

	Rating
Timely	4.3
Complete	4.2
Understandable	4.2
Cumulative rating	4.2

The directors generally appreciate the time and effort of the Administrator and Staff in preparing the materials in advance of the Board and Committee meetings. It was noted that providing the Board book a week before meetings is excellent in that it allows a weekend to review the material. In addition, it was noted that the “two reading” format has helped reduce the pressure to review materials received close in time to the meeting dates. It was acknowledged that the timeliness and completeness of the information has improved greatly since the inception of the Board, though concerns were expressed about “paper overload” and the numerical ratings reflect a greater desire to understand the materials provided.

3. I believe management’s regular presentations on various aspects of the BWC’s business are:

	Rating
Clear and understandable	4.4
Helpful in providing an accurate picture of the BWC’s performance	4.5
Cumulative rating	4.4

The directors generally acknowledge that the Staff presentations are well prepared and delivered, although some expressed that the presentations are not always easy to comprehend. It was generally acknowledged that the Administrator and Staff are committed to transparency and that the responsiveness of staff to following up on questions raised and information requested have helped the Board make informed decisions. In particular, it was noted that the Staff experts on the Actuarial, Audit and Investment Committees are very helpful in explaining complex issues. At least one director expressed an interest in obtaining more information on the views of BWC stakeholders and interested parties.

4. I believe I receive information of sufficient clarity and quality to enable me to understand BWC’s business and financial risks.

Rating	4.4
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It was generally acknowledged that the Senior Team has worked hard over the last 12 months to present the financial and business risks in an understandable fashion to the Board, giving the right mix of data and explanation. It was noted that, because certain Board members don’t have the same level of comprehension as others when it comes to certain issues, the presenters are encouraged to “know their audience” and gear their presentations accordingly. The Deloitte Study was praised as a great example of quality analysis of the BWC’s business and financial risks and it was noted that the follow-up summary of progress on the Deloitte findings has been excellent.

5. I believe the Board’s Committees are meeting the objectives as described in their respective charters. (See attached Addendum for a statement of the purposes of each Committee.)

	Rating
Actuarial	4.5
Audit	4.5
Investment	4.5
Governance	4.6
Medical Services and Safety	4.4
Cumulative rating	4.5

There is a strong consensus among the Directors that the very effective operation of the committee structure has enabled the Board, as a whole, to perform at a high level. There is a consistent quality of committee performance that reflects strong committee chairs and participation by members as well as non-committee members. Each committee thoroughly reviews and discusses the relevant information prior to voting on the recommendation to the Board. It was noted that the new Medical Services and Safety Committee highlights the increased Board focus on this area and that the work of this Committee has greatly improved the information available to the Board regarding this very important element of the BWC.

6. I believe the rationale for proposed Board and Committee actions is adequately explained prior to action being taken.

Rating	4.4
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There is a consensus that the Committees are very dedicated and adequately review and discuss all issues before voting on recommendations to the Board. In this connection, it was noted that the Board and Committees have demonstrated an appropriate deference not to take action unless there is a consensus to do so. As the Board largely acts on Committee recommendations, the quality of the Committee deliberations, including the rationale for the recommendations it makes, also affects the quality of the Board actions. Whenever the rationale for a proposed action has not been clear initially, additional time for deliberation and/or information has been requested and provided. Although the numerical rating reflects general satisfaction on this item, there were a variety of suggestions for improvement, among them: 1) additional time should be spent on consideration of how individual action items may affect the total BWC operations; 2) it would be helpful in certain cases for the Staff to provide a more detailed explanation of the options and/or alternatives that were considered but not selected; 3) sometimes things could be made clearer to non-Committee members attending Committee meetings; and 4) there should be a continued emphasis on the need for documentation of the rationale for actions proposed and taken in Staff memos and Committee and Board minutes.

7. Overall, I believe I am provided the resources and tools I need to effectively exercise my fiduciary and oversight responsibilities.

Rating	4.6
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There is a general consensus that the Administrator and Staff are willing to go the extra mile to make sure needed information is provided in an understandable manner. It was noted that a high standard of responsibility has developed among the Staff in providing requested information to the Board members. It was also noted that the development of stakeholder input has seen a vast improvement since the inception of the Board and that this area should have continued emphasis by the Staff.

8. Overall, I believe the Board makes the appropriate use of the skills and experience of its members.

Rating	4.8
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This item received one of the highest numerical ratings. The directors are unanimous in their belief that the diversity of experience and expertise of all Board members is efficiently and effectively utilized and is one of the greatest strengths of the Board. It was noted that, under the leadership of the Chair, each Board member is encouraged to provide their expertise as well as their unique perspective on the matter under discussion and that this collective input greatly enhances the decision-making process. It was also noted that there is a very strong group of subject-matter experts on the Board.

9. Overall, I believe the Directors engage in full and candid discussions of the issues before the Board and I personally feel comfortable expressing my views at Committee and Board meetings.

Rating	4.8
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This item also received a very high numerical rating. There is a unanimous belief that the interaction among the Board members is excellent and even superior when compared to the experience of certain Directors on other boards, and that the atmosphere is such that the Directors are not hesitant to express their views. The Directors believe that the Board and Committee Chairs do an excellent job of encouraging free and open dialogue and that the level of detail and candor at the Committee meetings is noteworthy. In particular, it was noted that the Committee Chairs have been very good at providing the time to address questions from Committee members and other Board members alike.

10. The process by which the Board evaluates the Administrator's performance works well. (Qualified Directors Only.)

Rating	4.6
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There is a general sense that this very important process is conducted in a thorough manner and works very well. It was noted that Board members have been diligent in their responsibility to provide input and constructive comments. The contributions of the Governance Committee chair and fiduciary counsel to this process were noted. In general, it is acknowledged that each partner in the process – including the Administrator – has helped to enhance the quality of the total process.

11. I would rate the overall performance of the Board as follows (see memorandum referencing the Board's duties):

Rating	4.5
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The Directors generally appear to be satisfied with the overall performance of the Board in discharging its duties. There is a general consensus that the Directors fully understand their duties and the importance and magnitude of the decisions they make, and that the Board members are cooperative, efficient and committed. It was noted that the Board has grown and developed over its three years and that individual Directors have demonstrated a strong focus on the BWC's

mission and have conducted themselves without personal agendas. It was noted that the Board will routinely challenge management to support the rationale for the programs that are recommended. The respective roles of the Governance Committee, the Board Liaison and the Legal Staff were acknowledged as important in keeping the Board on track. It was suggested that there should be a focus on continual improvement and education, including further opportunities to learn more about the multi-faceted business of the BWC.

12. If there is one change I would make, it is . . .

Some Directors expressed that they did not see the need for substantial changes at this time. Others expressed specific comments, as follows:

- Better time management with respect to the length and timing of Committee and Board meetings
- Continuation of education in all areas
- Involvement of Deloitte in gaining perspective on the implementation of the recommendations in the Deloitte study
- Greater participation of staff experts and/or outside consultants in those Committee and Board meetings at which technical issues are being discussed
- More creative use of information technology to provide information to the Directors in advance of Committee and Board meetings
- Continued improvement in the follow-up and updates to the Board as a result of public hearings
- Developing additional ways to gain input from BWC stakeholders and interested parties.

Recommendations – Specific Follow-Up Action Steps

After a review and discussion of the summary results, the Governance Committee recommends that the Board affirm the following action steps:

1. The Board would encourage the consideration of creative scheduling alternatives to balance the press of business to be addressed in meetings of the five Board Committees with the available time on the days of the Committee meetings and the Board meeting.
2. The Board would continue its efforts to reach out to the various stakeholders and interested parties of the BWC in order to be informed of their various points of view regarding the BWC and specific matters before the Board.
3. The Board would create more opportunities for strategic business discussions at the Board level regarding the operations of the BWC, including risk management. Experts such as Deloitte, Mercer and BWC staff should be consulted for enhanced understanding where additional advice is desired.
4. The Board would explore whether and to what extent information technology could be used to provide more rapid and less cumbersome dissemination of information prior to Board and Committee meetings. The recommended goals for the use of technology would be to enhance timeliness, facilitate updating and reduce paperwork regarding the materials provided; however, mitigating factors such as the relative familiarity of the directors with applicable technologies and the desirability of the use of electronic devices during in-person meetings should be considered.

12-Month Governance Committee Calendar

Date	December 2010	NOTES
12/16/2010	1. Board Self-assessment and Action Items to date	
	2011 Tentative Agenda Topics	
Date	January 2011	
1/20/2011		
Date	February 2011	
2/23/2011		
Date	March 2011	
3/24/2011		
Date	April 2011	
4/28/2011	1. Launch Administrator Review	
Date	May 2011	
5/26/2011	1. Launch Board and Committee Self-assessment	
	2. Finalize Administrator Review	
Date	June 2011	
6/15/2011	1. Finalize Board and Committee Self-assessment	
	2. Committee membership recommendations	
	3. Develop Education Plan	
	4. Administrator's Objectives for FY 12	
Date	July 2011	
7/28/2011		
Date	August 2011	
8/25/2011		
Date	September 2011	
9/29/2011	1. Governance Guidelines (1 st read)	
	2. Committee Charters (1 st read)	
Date	October 2011	
10/27/2011		
Date	November 2011	
11/17/2011	1. Governance Guidelines (2 nd read)	
	2. Committee Charters (2 nd read)	
Date	December 2011	
12/14/2011	1. Administrator Performance Review and Action Items to date	
	2. Board Self-assessment and Action Items to date	

Key Principles for Restoring Operational Excellence:

BWC will be a stable, performance-focused agency which recognizes and serves its various constituencies while contributing to economic vitality in Ohio;
BWC will have an internal culture that promotes accountability and innovation, and motivates staff to strive for improvement in quality and efficiencies in all aspects of work; and
BWC will be a partner with other Ohio state agencies to achieve efficiencies in support services for the entire enterprise (State of Ohio).

I. Administrator's Flexible Performance Agreement (with Governor Strickland)

1. **Make Ohio's Workers' Compensation System more competitive regionally and nationally by identifying and applying actuarial principles to all aspects of BWC rates and premium assessments and reducing base rates overall, while also maintaining the highest level of quality care for injured workers.**
 - Having announced 65/BEF status for PY beginning July 2011, emphasize rate reduction/ actuarial soundness messages to employers. *On-going through e-newsletter, speaking engagements and other publicity*
 - Roll out split plan – Beta Year (PY07/01/2011-06/30/2012). Prepare stakeholders for full implementation (PY 07/01/2012-06/30/2013). *In progress*
 - Continue with next steps in rate reform: *In progress*
 - Split plan
 - Base Rate Stabilization
 - Sustainable model for sound group rating program
2. **Ohio's employers will have access to a robust and informative reserving system, enabling them to better understand the costs associated with workers' compensation claims.**
 - Completed. No major changes planned for FY2011.
 - Develop project plans for transition to new codes (for claim reserve prediction) in 2013. *In progress*
3. **BWC's administrative expenses will be benchmarked with private insurers and other state funds to determine best practices to ensure lowest assessments consistent with quality service.**
 - Implement FY2011 budget as approved by Board; continue benchmarking with other carriers.
 - Complete next phase of "shared Services" integrations with (State of Ohio) Office of Budget and Management.
 - Rent remaining square footage in William Green Building. *In progress. Two tenants, more possible.*
4. **By 2010, BWC will have created the system capacity to effectively evaluate the quality and costs of the managed care system for injured workers.** *[Update: BWC is creating the system capacity to effectively evaluate the quality and costs of the managed care system for injured workers, and implementing initiatives to improve care for injured workers through research and engagement with providers.]*

- Continue development of partnership with Ohio State University College of Public Health. Initiate at least one new research project in FY2011. ***One study completed additional study in progress***
- Enhance Chief Medical Officer interface with provider community; develop medical research plan. ***In progress***
- Produce new contract with Managed Care organizations; continue to promote frank, productive quality improvement discussions with MCOs. ***Contract completed, includes change from DoDM's to MoD's***

II. Leadership:

- Biennium 01/12-01/13 Budget developments; including desired “legislative” changes consistent with certain Comprehensive study recommendations. ***Delivered to OBM.***
- Accomplish BWC FY2011 Portfolio of Projects, Tier I (Agency-wide goals). ***18 of 23 Tier 1 projects are on track to be completed this fiscal year. 5 will carry into 2012 as planned.***
- Align goals throughout all levels of agency. ***In progress.***
- Continue agency-wide efficiency initiatives. ***In progress.***
- Complete and implement plan for insuring adequate audit services. ***MOU with OBM completed, internal staffing being addressed.***

III. Planning:

- Continue development and utilization of Enterprise Reporting Package and associated metrics. ***In progress.***
- Implement changes identified in 2010 Board Self-Assessment; identify opportunities for paperwork reduction. ***In progress.***
- Implement specified Deloitte Study recommendations, with guidance of Board. ***In progress.***
- Emphasize Safety & Hygiene as integral part of BWC. ***In progress.***
- Develop plan for IT system re-design (claims and risk) ***RFQ issued in December***

IV. Interaction with External Parties

- Continue emphasis on visits, interactions, and informal speaking engagements with trade associations, business groups and labor organizations. ***Numerous visits and engagements***
- Messages: good governance, transparency, actuarially sound and performance-based rates, planned and timely-announced implementation of agency initiatives. ***Consistently delivered***
- Monitor privatization discussion in Senate Task Force. ***Completed to date***

V. Integrity and Ethics

- Continue emphasis on ethics training and adherence for all staff ***All staff completed required training***
- Promote documentation and controls rigor to encourage sound decision-making
- Emphasize transparency with internal and external stakeholders

VI. Board of Directors

- Focus on evaluation of Deloitte Study recommendations. ***Ongoing***
- Facilitate development of structure and resources to support Board direction in Active Management within BWC's portfolio. ***Well underway***
- Utilize Board engagement through Medical Services and Safety Committee topics to enhance quality of care for injured workers. ***Completed to date and additional opportunities planned for 2011.***