

**WORKERS' COMPENSATION  
BOARD OF DIRECTORS**

**ACTUARIAL COMMITTEE  
Draft**

**WEDNESDAY, DECEMBER 19, 2007, 2:00 P.M.  
WILLIAM GREEN BUILDING  
THE NEIL SCHULTZ CONFERENCE CENTER  
30 WEST SPRING ST., 2nd FLOOR (MEZZANINE)  
COLUMBUS, OHIO 43215**

Members Present: Charles Bryan, Chair  
Philip Fulton  
James Harris  
James Hummel  
Jim Matesich  
William Lhota, ex officio

Members Absent: None

**CALL TO ORDER**

Mr. Bryan called the meeting to order at 2 P. M. and the roll call was taken.

Mr. Bryan welcomed Mr. Fulton, Mr. Harris, and Mr. Lhota as new members of the Actuarial Committee.

**MINUTES OF NOVEMBER 20, 2007**

Mr. Hummel moved that the minutes of November 20, 2007, be approved. Mr. Matesich seconded and the minutes were approved by a roll call vote of four ayes and no nays. Mr. Harris and Mr. Lhota abstained.

**NEW BUSINESS/ACTION ITEMS**

**MCO FEES PER CONTRACT CHANGES**

John Pedrick, Chief Actuary, recommended amendment of Ohio Administrative Code Rule 4123-17-35 regarding fees paid by state agencies, state universities, and state university hospitals (PESs) for services provided by Managed Care Organizations (MCOs). The MCO

contract for 2008 was completed during the week of December 10. The new contract provides for payment of a maximum of \$162 million to the MCOs, based on four types of activity, rather than the current flat percentage of premiums. The contract amount was allocated to the different types of employers (PA, PEC, PES, and SI) using the same activity measures in the contract: active employers, first reports of injury (FROIs), bills, and active claims. The result for PESs would have been an increase to 8.05% of premium. However, BWC staff has proposed a three-tiered plan for PESs to better align their costs with actual activity and to provide great stability and predictability in this portion of their rates. First, the rule will continue the 7.25% fee charged since July 1, 2007. Second, BWC will look back to adjust for the actual costs of MCO activity under the agreement. Third, staff will explore the possibility of setting rates and MCO fees for PESs biennially, in conjunction with the state's biennial budget.

Mr. Matesich asked about the consequences of not approving the amendment. Mr. Pedrick replied that since the current MCO percentage expires December 31, 2007, there would be no authority to collect fees from PESs starting January 1, 2008. BWC will pay MCOs from the State Insurance Fund for performing services on PES claims whether or not the PESs pay into the fund for these costs.

Mr. Matesich moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve changes to the State Agency Rate Rule 4123-17-35 of the Administrative Code. The motion consents to the Administrator amending the State Agency Rate Rule with respect to MCO fees as presented here today. Mr. Hummel seconded.

Mr. Fulton moved to amend the proposed amended Rule 4123-17-35 by suspending the second unnumbered paragraph of the rule's preamble. After no second was offered for the amendment, Mr. Bryan ruled the amendment failed.

The motion passed by a roll call vote of five ayes (Mr. Bryan, Mr. Harris, Mr. Hummel, Mr. Lhota, and Mr. Matesich) and one nay (Mr. Fulton).

## **DISCUSSION ITEMS**

### **REVIEW OF ACTUARIAL COMMITTEE CHARTER**

Mr. Bryan tabled the discussion of the Actuarial Committee charter because additional editing was needed.

### **GROUP RATING FOLLOW-UP**

Ann Shannon, Legal Counsel, reported on a class-action lawsuit filed by an employer against BWC alleging illegal operation of the group rating program. Mr. Barnes reported that the complaint had not yet been served on BWC and BWC would discuss its options with the Attorney General's Office, including joining group sponsors as third-party defendants.

Mr. Pedrick reported on implementation of changes to group rating. BWC has formed a cross-departmental work group to implement the changes approved in November. The work group will also analyze NCCI split plans, group membership and continuity, and the impact of an actuarially sound group rating plan. Mr. Bryan asked about the time-frame for completion is of the work group's review. Mr. Pedrick replied that the workgroup will follow the Workers' Compensation Board resolution and have a report by June 2008. Mr. Bryan responded that the Workers' Compensation Board vote can then be held in August or September 2008.

### **COMPREHENSIVE STUDY—SECTION 512.50 OF HOUSE BILL 100**

Mr. Hummel asked how the group rating work group related to the Request for Proposal (RFP) for the comprehensive study. Mr. Pedrick replied that the two are separate projects. Some elements of the RFP are related to group and experience rating project and may help in making a decision. At present, BWC is in a blackout period in which there can be little discussion of the RFP. The RFP was issued December 14, 2007 and BWC will receive questions from bidders and post answers to them by December 29, 2007. Letters of intent are due January 24, 2008 and proposals are due by 2 p. m. on February 7, 2008. The firm selection will be done by February 15, 2008.

Mr. Bryan reported that the selection of a vendor is solely the responsibility of BWC and the role of the Workers' Compensation Board is in giving advice and consent. He requested a volunteer to serve on the BWC selection committee and Mr. Hummel volunteered.

### **CHIEF ACTUARIAL OFFICER DISCUSSION**

Mr. Pedrick reported a team headed by Rex Blatieri, Supervisor, is working on implementation of MIRA 2 by the required deadline. The team is multi-disciplinary, with many members from Information Technology. Mr. Bryan requested a report by March 2008 of any major problems of implementation.

Mr. Pedrick reported that a second team was being formed to address the request of the Workers' Compensation Board for a plan to fix the group rating program and to implement the NCCI "split plan" methodology. This team's work will be brought to this committee as it progresses, and the final plan will be ready for this committee and the Workers' Compensation Board by the June 2008 meeting. There will be three teams at work next year: group rating/NCCI changes, MIRA 2, and the RFP for a comprehensive study. This work will go forward at the same time as all of the regular duties of developing rates and reserves.

Mr. Pedrick reported on staff needs of his division. He will be proposing an actuarial analyst classification to add additional expertise. The current staff is capable of producing data, but additional staff is needed for statistical analysis, data integrity, and research.

## **ASSET—LIABILITY—NET ASSET STRENGTH**

Mr. Bryan reported that determination of the proper asset liability and net assets would be made in connection with other committees. A schedule of meetings will be prepared for future months.

## **ADJOURNMENT**

There was a motion by Mr. Matesich, second by Mr. Hummel, and adjournment by Mr. Bryan.

Prepared by: Larry Rhodebeck, BWC Staff Counsel  
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December 28, 2007