

Workers' Compensation Oversight Commission

**OVERSIGHT COMMISSION**

*Agenda*

Date: April 26, 2007  
Time: 11:00 a.m.  
Location: William Green Building, Second Floor, Room 3

Oversight Commission

**William E. Sopko, Chairman**  
President,  
STAMCO Industries  
*representing state-fund employers*

**William A. Burga**  
President  
Ohio AFL-CIO  
*representing organized labor*

**Mary Beth Carroll**  
Vice President,  
FirstEnergy  
*representing self-insured*

**Michael C. Koettters**  
Managing Director  
Strategic Asset Alliance  
*representing the public*

**Denise M. Farkas, CFA**  
Chief Investment Officer  
Sigma Investments  
*representing investments*

**Edwin McCausland, CFA**  
President,  
Investment Perspectives, LLC  
*representing investments*

**Charles W. Kranstuber, LPA**  
President,  
The Law Offices of Kranstuber  
*representing injured workers*

The next WCOO  
Oversight Commission meeting is scheduled  
for:

Date: May 24, 2007  
Time: 11 a.m.  
Location: William Green Building,  
Second Floor, Room 3

**Opening remarks**

Chairman's comments..... William Sopko

**Old business**

Approval of the March 29, 2007 meeting minutes ..... William Sopko

Review schedule of projects..... William Sopko

**New Business**

Investment Committee (*update*).....Mike Koettters

1. Interim Investment strategy recommendation:

BWC identified ancillary portfolios, *first consideration, possible vote*  
.....Bruce Dunn and Mark Brubaker

2. Investment Policy recommendation:

Proposed revision to Investment Manager Guidelines, *first consideration, possible vote* Section IV.C.i of the BWC Investment Policy and Guidelines ..... Mark Brubaker and Bruce Dunn

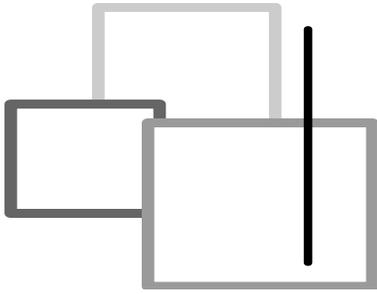
CFO Financial Statement package ..... Tracy Valentino

Operational (*update*) ..... Tina Kielmeyer

**Rules**

1. BWC Ethics five-year rule review (4123-15 OAC), *second consideration, possible vote* ..... Tom Sico

2. BWC Ethics Standards of Conduct (4123-15-03 OAC), *second consideration, possible vote* ..... Tom Sico



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- 3. Advance compensation payments (4123-5-20 OAC), *second consideration, possible vote* ..... Tom Sico
- 4. Long Term Care Loan program (4123-17-31 OAC), *second consideration, possible vote* ..... Todd Spence and Carol Morrison
- 5. Rule change for Child Support (4123-19-03 OAC), *second consideration, possible vote* ..... Dave Boyd
- 6. Self-Insuring Employer Rule Changes 4123-19-03 (K)(5) and 4123-19-03(A)(1)9c), *first consideration, possible vote* ..... Dave Boyd

**Rates**

- 1. Private Employer Rate Indication, *first consideration, possible vote* ..... Liz Bravender
- 2. Public Employer State Agency Rate Recommendation – Rule 4123-17-35, *first consideration, possible vote* ..... Liz Bravender

Adjourn ..... William Sopko

# **WORKERS' COMPENSATION OVERSIGHT COMMISSION**

**THURSDAY MARCH 29, 2007, 11:30 A.M.  
WILLIAM GREEN BUILDING  
THE NEIL SCHULTZ CONFERENCE CENTER  
30 WEST SPRING ST., 2<sup>nd</sup> FLOOR (MEZZANINE)  
COLUMBUS, OHIO 43215**

Members Present: Bill Sopko, Chairman  
Mary Beth Carroll  
Charles Kranstuber  
Denise Farkas  
Edwin McCausland  
Senator Steve Stivers  
Senator Eric Kearney  
Representative Kenny Yuko

Members Absent: Michael Koetters  
William Burga  
Representative Tom Brinkman

## **ROLL CALL**

Mr. Sopko called the meeting to order at 11:30 a.m. and the roll call was taken.

## **OPENING REMARKS**

Mr. Sopko introduced new members from the committees of the General Assembly. Senator Kearney represents Cincinnati. He is a graduate of Dartmouth College and the University of Cincinnati College of Law. He was appointed to the Senate in 2005 and was elected to a full term in 2006. Representative Yuko represents Richmond Heights and Cleveland. He is retired from the Laborers International Union of North America and is a member of the Cleveland Polka Hall of Fame. Representative Brinkman represents Cincinnati and is a printer.

Mr. Sopko also introduced Christina Madriguera, BWC Legislative Liaison.

## **ADMINISTRATOR'S REMARKS**

Tina Kielmeyer, Acting Administrator, reported that BWC had just finished the All Ohio Safety Congress in Cleveland on March 28. There were 5,000 attendees and 248 vendors. Ms. Kielmeyer reported that Tracy Valentino, Chief Financial Officer; Liz Bravender, Actuarial Director; Bruce Dunn, Chief Investment Officer; Lee Damsel, Director of Investments; and she

have been testifying at hearings on House Bill 100, the 2007—2009 biennium workers' compensation budget bill. Marcia Ryan will begin as the new Administrator on May 1.

## **OLD BUSINESS**

### **MINUTES OF JANUARY 25, 2007**

Ms. Carroll moved that the minutes of January 25, 2007, be approved. Mr. Kranstuber seconded and the minutes were approved by a roll call vote of three ayes and no nays.

## **SCHEDULE OF PROJECTS**

Mr. Sopko reported that the schedule of projects had been included in meeting materials for informational purposes only and that there were no new reports at this time.

## **NEW BUSINESS**

### **RULES/RESOLUTIONS FOR SECOND CONSIDERATION: BWC ETHICS, FIVE-YEAR RULE REVIEW, OHIO ADMINISTRATIVE CODE CHAPTER 4123-15, AND BWC ETHICS STANDARDS OF CONDUCT, OHIO ADMINISTRATIVE CODE RULE 4123-15-03**

Mr. Sopko tabled the vote on these rules until a later meeting of the Oversight Commission.

### **RULES/RESOLUTIONS FOR FIRST CONSIDERATION: ADVANCE COMPENSATION PAYMENTS, OHIO ADMINISTRATIVE CODE RULE 4123-5-20**

Tom Sico, Director of Legal Operations, recommended amendment of Ohio Administrative Code Rule 4123-5-20 covering the advancement of compensation by the employer in exchange for BWC reimbursement. This rule has a long history and was necessary when claims procedures were slower and when salary continuation was not available. The amendment clarifies that the program is available for a maximum of twelve weeks of lost time following the date of injury and that written notice of the agreement between the injured worker and the employer must be filed within thirty days after signing.

### **RULES/RESOLUTIONS FOR FIRST CONSIDERATION: LONG-TERM CARE LOAN PROGRAM, OHIO ADMINISTRATIVE CODE RULE 4123-17-31**

Todd Spence, Manager, Employer Consulting, and Carol Morrison, Manager, Business Development, recommended amendment of Ohio Administrative Code Rule 4123-17-31 for the

Long-Term Care Loan Program. Mr. Spence reported that the program was authorized by the General Assembly in 2006 in Ohio Revised Code §4121.48. BWC issued Requests for Proposal (RFPs) to administer the program, but was unsuccessful in obtaining a vendor. The change will reimburse the nursing homes directly for interest on loans which they obtain directly from banks. The program affects between 900 and 1,000 employers. The Ohio Academy of Nursing Homes has not objected to the changes.

Ms. Morrison reported that loans are received for the purpose of obtaining or improving lifting equipment. The rule sets limits on the amount and timing of reimbursements.

Mr. Sopko asked how many loans were granted in the past. Ms. Morrison replied that there were none under this program. However, there were so many applications received from homes under the Safety Grants program that limits were placed so employers in other industries would have access to funds.

**RULES/RESOLUTIONS FOR FIRST CONSIDERATION: PAYMENT OF CHILD SUPPORT BY SELF-INSURING EMPLOYERS, OHIO ADMINISTRATIVE CODE RULE 4123-19-03**

Dave Boyd, Director, Self-Insured Department, recommended amendment of Ohio Administrative Code Rule 4123-19-03 regarding inclusion of Senate Bill 7 requirements on payment of child support. SB 7 contains provisions that conflict with existing provisions of paragraph (K)(5) of the rule, so the rule will be changed. The Ohio State Self-Insurers Association and the Trial Lawyers Association have been consulted and have no objections.

Ms. Carroll stated that the change of the rule is a compliance issue and the self-insuring employers have no objections to the amendments.

**AUDIT COMMITTEE**

Ms. Farkas reported that the Audit Committee had met earlier in the day and heard a report on the external audit by Schneider Downs & Co. Inc. Joseph Patrick, Schneider Downs, praised BWC management and staff for their forthrightness and overall desire to get the financial statements right. He also regretted his choice of words in the Letter to Management about the purging of certain BWC records. "Unavailable" would have been a better word. Records retention programs of private sector entities frequently result in the discarding of documents and Schneider Downs does not suspect impropriety. The restatement of the financial statements to reflect actuarially projected reserves as a liability for the Disabled Workers' Relief Funds (DWRF) is being addressed by the General Assembly. The Audit Committee also heard an executive summary from the Internal Audit Division, including legislative proposals and completed projects. Finally, the Ohio Auditor of State reported on the RFP for the fiscal year 2007 external audit.

Senator Stivers stated that he was concerned that BWC has placed a liability on the balance sheet without a corresponding asset. He has discussed this with the Audit Committee and BWC and this issue will be addressed in proposed legislation. Nevertheless, there is still a surplus in the State Insurance Fund. Ms. Farkas replied that the posting of the DWRP liability on the balance sheet is supported by the Government Accounting Standards Board.

### **INVESTMENT COMMITTEE**

Mr. McCausland reported that the Investment Committee had also met earlier in the day and received a report on the reconciliation of the investment performance reports. The Investment Committee also reviewed the transition plan to move assets. Other agenda items will be reviewed when the Oversight Commission votes on resolutions

### **PASSIVE INDEX MANAGER RECOMMENDATION**

Mr. Dunn and Mark Brubaker, Wilshire Consulting, recommended selection of Northern Trust Global Investments as the Large Cap U. S. Equity Passive Index Manager. Mr. Dunn reported that Northern Trust was selected in an RFP conducted by four BWC staff and one Wilshire consultant. There were seven respondents and one finalist. The fee structure is given the greatest weight in selection of a passive index manager. Northern Trust is experienced and its performance history is strong. Northern Trust will receive approximately \$3.3 billion in assets to manage from BWC, representing 20% of total BWC invested assets. Later in 2007, approximately \$1.3 billion will be moved to active equity managers to be selected from forthcoming RFPs.

Mr. Brubaker concurred in the recommendation.

Mr. McCausland moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 07-04 and accept the recommendation of the Investment Committee to approve the selection of Northern Trust Global Investments to serve as a Large Cap U. S. Equity Passive Index Manager for BWC, upon such terms as are outlined in Northern Trust's response to the Request for Proposals issued September 18, 2006, and such other terms as are favorable to BWC. Ms. Farkas seconded and the motion was approved by unanimous roll call vote of five ayes and no nays.

### **INTERMEDIATE DURATION BOND FUND RECOMMENDATION**

Mr. McCausland reported that before implementing the recommendation for manager of the Intermediate Duration Bond Fund, there is a need to discuss this issue with the Treasurer of State. Mr. Dunn reported that now that the State Insurance Fund has been transitioned, BWC can now focus on the five ancillary funds. The two smallest funds will be invested only in fixed income investments and the two largest funds will be invested in both fixed income and equities. The small funds are the Public Workers' Relief Fund (PWRP) and the Marine Insurance Fund

and have an intermediate liability duration of three to four years. Mr. Dunn indicated that these two small funds should be transitioned first so as to prevent potential unfavorable distortion in investment performance if they were to be the last portfolios transitioned.

Mr. Sopko stated that Assistant Attorney General John Williams had advised the Oversight Commission that the Investment Committee has authority to authorize BWC staff to move the funds. There will be no vote on a motion today.

Mr. Dunn reported that BWC desires to move the two funds to the non-Lending Intermediate U.S. Government/Credit Index Common Trust Fund passively managed by State Street Global Advisors because it matches the investment objectives and liabilities of the funds very well. Also, State Street does not use securities lending or futures. The management fees are also very low.

Mr. Brubaker stated that Wilshire concurs with the recommendation. State Street is an excellent manager and such strategy would also expedite the transition of the larger ancillary funds.

Mr. McCausland reported that BWC staff, Assistant Attorney General Williams, and he will meet next week with the Treasurer of State.

Senator Stivers thanked BWC for moving forward with the transitioning of the State Insurance Fund to targeted asset allocation.

**INVESTMENT POLICY RECOMMENDATIONS: INTERMEDIATE DURATION  
FIXED INCOME BENCHMARK AND CUSTOMIZED LONG DURATION FIXED  
INCOME BENCHMARK**

Mr. Dunn recommended that the Oversight Commission adopt two Lehman Brothers indices for management of the fixed income portion of portfolio. Both are comfortable with the customized index of Lehman. Details of the indices can be obtained from the Lehman web-site.

Mr. Brubaker stated that Wilshire endorsed the recommendation. He indicated that it is his preference that BWC reach a point in the future whereby restrictions imposed by any customized index can be removed so that only standard index benchmarks are used by BWC.

Ms. Farkas moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 07-06 which changes the Intermediate Duration Fixed Income benchmark to the Lehman Intermediate U.S. Government Index from the Lehman Intermediate U.S. Government/Credit Index recommendation of the Investment Committee, and further recommend to the Oversight Commission that it adopt the Lehman Customized U. S. Long Government/Credit Index as the Long Duration Fixed Income benchmark in Section V.A. of the Investment Policy Statement, for the reasons outlined in the memoranda provided by BWC's Chief Investment Officer. Mr. McCausland seconded and the motion was approved by a roll call vote of five ayes and no nays.

## **INVESTMENT POLICY RECOMMENDATIONS: HIGH YIELD BONDS, ASSET ALLOCATION VARIANCES, CREDIT QUALITY, AND SECTOR ALLOCATION REVISIONS**

Mr. McCausland reported the Investment Committee had also recommended a change to the Investment Policy regarding high yield bonds. Mr. Dunn reported that prior to issuing an RFP for active managers, there is a need for ownership limit guidelines pertaining to the asset class sector. He summarized the reasons for these ownership limit guidelines, which are also outlined in the Memorandum of the Chief Investment Officer dated February 8, 2007, submitted to the Investment Committee. Mr. Brubaker stated that Wilshire supported the change.

Ms. Farkas moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 07-07 relating to the approval and adoption of certain revisions to the Bureau of Workers' Compensation Statement of Investment Policy and Guidelines for Below Investment Grade Bonds ownership limits. Upon adoption of the motion, the Statement of Investment Policy and Guidelines shall read as set forth in the Appendix to WCOC Resolution 07-07. Mr. McCausland seconded and the motion was approved by a roll call vote of five ayes and no nays.

## **ACTUARIAL CONSULTANT RECOMMENDATION**

Mr. McCausland recommended approval of AON Risk Consultants, Inc., to serve as the actuarial consultant to the Oversight Commission. Under House Bill 66, the Oversight Commission has authority to retain consultants. AON was the only applicant because of BWC problems and lack of indemnification.

Senator Stivers asked for a progress report on hiring of a chief actuarial officer. Mr. Sopko replied that hiring must await the start of the new Administrator. HB 66 requires three committees for the Oversight Commission and the Oversight Commission needs a consultant before the Actuarial Committee can function.

Mr. McCausland added that Mercer Oliver Wyman had served as consultant for fifteen to twenty years and most private firms would have changed consultants several times during that period. Ms. Carroll stated that the Oversight Commission needs a free and independent look at State Insurance Fund reserves. Mr. Sopko stated that the Oversight Commission had relied on staff in the past for recommendations on the surplus, rates, and dividends. The prior administration had not been able to provide written guidelines on these issues.

Senator Stivers asked what if there are conflicting opinions between the actuarial firms. Mr. Sopko responded that BWC had already faced that issue with respect to different ways that DWRF could be reported on the financial statements. Also, the Oversight Commission needs a different view from Pinnacle Actuarial Resources, Inc.

Ms. Farkas moved that the Workers' Compensation Oversight Commission approve WCOC Resolution 07-08 accepting the recommendation of the Investment Committee to approve the selection of AON Risk Consultants to serve as the actuarial consulting vendor to the Oversight Commission, upon such terms as are outlined AON's response to the Request for Proposals issued December 20, 2006, and such other terms as are favorable BWC and the Oversight Commission. Mr. McCausland seconded and the motion was approved by a roll call vote of five ayes and no nays.

## **INTRODUCTIONS**

At the request of Mr. Sopko, Mr. Dunn introduced Chad Rakvin, Global Equity Index Manager for Northern Trust, and Mike Gillooley, Vice President, Investment Analytics & Consulting for JPMorgan Chase. Mr. Gillooley oversees the production of the JPMorgan investment performance reports submitted to BWC. Mr. Dunn also stated that going forward there will be a revised format for investment performance reports.

## **CFO FINANCIAL STATEMENT PACKAGE**

Ms. Valentino reported on financial statements for February 2007. Net assets as of June 30, 2006, were restated at a \$127 million deficit following release of the audit. As of February 28, 2007, the combined surplus is \$766 million. Investment income of \$1 billion has been partially offset by operating losses. BWC has received 2% less in premium income as the result of safety program incentives and installment premium payments. Premium income increased by \$234 million because of the 2006 rate increase. BWC paid \$260 million less in payments. After a second quarter review, Mercer lowered the reserve for compensation by \$146 million. There was a decline in the net operating loss.

Net assets are at \$18.8 billion. This amount is distorted because of variances caused by asset transition activity of the portfolio. Trade receivables are at \$1.3 billion. Cash receipts for premiums are at \$47 million. This is less than anticipated because complete receipts for the February 28 deadline are not posted. Investment income is projected to be \$825 million by June 30.

Trade ratios are improving because of lower than expected payments and the decline in the reserve for compensation. The trade combined ratio is now 74.8%. Mr. McCausland added that the ratios are distorted because of the transition of investments.

Senator Stivers asked if the surplus will be restated if the DWRP funding amendment is passed in HB 100. Ms. Valentino replied BWC will examine that issue under the new audit. Senator Stivers further asked why payments to Managed Care Organizations (MCOs) declined. Ms. Valentino replied that there is a lower reimbursement rate under the current MCO contract.

Mr. McCausland asked why DWRP has an investment return and current balance sufficient to pay claims. Ms. Valentino replied that when DWRP Fund 2 was originally

established, it was collected to fund reserves. However, in 1993, the Ohio Attorney General issued an opinion advising that DWRF 2 should be terminally funded and BWC ceased to collect assessments on that basis. The current balance is what was left from those first years of collection.

### **ADMINISTRATOR'S OPERATIONAL PERFORMANCE REPORT**

Ms. Kielmeyer presented the first Operational Performance Report, covering the first quarter of 2007. BWC has four goals: prevent workplace injuries, restore health in Ohio communities, create value and stabilize costs for small businesses, and improve the quality of the Ohio workers' compensation system. Ms. Kielmeyer stated that reporting on operational performance is being proposed at least quarterly to the Oversight Commission and welcomed requested suggestions to improve the report for the next quarter.

Mr. McCausland asked why 15% of the phone calls to the Call Center were abandoned. Ms. Kielmeyer replied that the peaks in number of calls are in February and August and the system cannot handle the load at these times. New technology is currently being installed to handle the volume.

Representative Yuko stated that there has been a decrease in injuries during the last decade and thanked BWC for its efforts.

Mr. Sopko thanked BWC staff and Schneider Downs for completion of the external audit. This is another milestone.

### **ADJOURNMENT**

Ms. Carroll moved to adjourn and Mr. Sopko adjourned the meeting.

Prepared by: Larry Rhodebeck, BWC Attorney  
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April 17, 2007

**OHIO WORKERS' COMPENSATION  
OVERSIGHT COMMISSION  
SCHEDULE OF PROJECTS**

**JANUARY 25, 2007**

1.      Project Area:                    Organization and Structure of the Health  
  Partnership Program  
          Personnel Responsible:        Dr. Greg Jewell, Chief Medical Officer  
          Date Assigned:                December 14, 2006  
          Project Description:         Dr. Jewell will prepare a white paper to educate the  
Oversight Commission on the organization, structure, and functioning of the Health  
Partnership Program. January 2007 status: The white paper was received by Oversight  
Commission members prior to the January meeting.  
          Project Status:                Complete
  
2.      Project Area:                    Drug-Free Workplace Program  
          Personnel Responsible:        Tracy Valentino, Chief Financial Officer  
          Date Assigned:                December 14, 2006  
          Project Description:         Report the number of employers participating in the  
DFWP; the savings in premiums; and the average premium savings per employer  
          Project Status:                Complete

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February 2, 2007



# Financial**Report**

April '07

Combined net assets have increased from a \$127 million deficit at June 30, 2006 to a \$661 million combined surplus at March 31, 2007.

Net investment income contributed \$958 million to the growth of net assets. This growth is partially offset by an operating loss of \$170 million. While premium and assessment income increased and workers' compensation benefits decreased from the prior fiscal year these improvements alone are not enough to generate positive operating results.

Fiscal year 2007 results are being positively impacted by growth in the estimated collectible premium for private employers resulting from the 3.9 percent increase in private employer rates for the July 1, 2006 policy period.

Medical payments in fiscal year 2007 are \$47 million lower than in the same period of fiscal year 2006, while lump sum settlement payments have increased by \$38 million this fiscal year compared to last fiscal year due to the settlement pilot focusing on higher reserve PTD and death claim settlements.

The net investment income ratio is being impacted by higher interest earnings resulting from the transition of the investment portfolio to a bond index fund during the third quarter of fiscal year 2006. In January and February 2007, the State Insurance Fund's bond index fund units were liquidated and the holdings transferred to 2 transition managers. At the end of March, approximately \$9 billion in cash and securities was transitioned to 2 long-term duration fixed income managers.

The fiscal year-to-date 2007 operating results have generated over a 36 point improvement in the trade combined ratio. The trade combined ratio is 75.1 percent at March 31, 2007 compared to 111.2 percent at March 31, 2006.

# Statement of Operations

➤➤ Fiscal year to date March 31, 2007

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Total Operating Revenues	\$ 1,848	\$ 1,893	\$ (45)	\$ 1,610	\$ 238
Total Operating Expenses	<u>2,018</u>	<u>2,271</u>	<u>253</u>	<u>2,261</u>	<u>(243)</u>
<b>Net Operating Gain (Loss)</b>	(170)	(378)	208	(651)	481
Net Investment Income	<u>958</u>	<u>230</u>	<u>728</u>	<u>786</u>	<u>172</u>
<b>Increase (Decrease) in Net Assets</b>	788	(148)	936	135	653
<b>Net Assets Beginning of Period</b>	<u>(127)</u>	<u>(127)</u>	<u>—</u>	<u>(990)</u>	<u>863</u>
<b>Net Assets End of Period</b>	\$ 661	\$ (275)	\$ 936	\$ (855)	\$ 1,516

# Statement of Operations

➤➤ Fiscal year to date March 31, 2007

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
<b>Operating Revenues</b>					
Premium & Assessment Income	\$ 1,883	\$ 1,919	\$ (36)	\$ 1,627	\$ 256
Provision for Uncollectibles	(50)	(37)	(13)	(33)	(17)
Other Income	<u>15</u>	<u>11</u>	<u>4</u>	<u>16</u>	<u>(1)</u>
<b>Total Operating Revenue</b>	<b>1,848</b>	<b>1,893</b>	<b>(45)</b>	<b>1,610</b>	<b>238</b>
<b>Operating Expenses</b>					
Benefits & Compensation Adj. Expense	1,948	2,195	247	2,168	(220)
Other Expenses	<u>70</u>	<u>76</u>	<u>6</u>	<u>93</u>	<u>(23)</u>
<b>Total Operating Expenses</b>	<b><u>2,018</u></b>	<b><u>2,271</u></b>	<b><u>253</u></b>	<b><u>2,261</u></b>	<b><u>(243)</u></b>
<b>Net Operating Gain (Loss)</b>	<b>(170)</b>	<b>(378)</b>	<b>208</b>	<b>(651)</b>	<b>481</b>
<b>Investment Income</b>					
Interest and dividend income	611	649	(38)	531	80
Realized & unrealized capital gains (losses)	354	(399)	753	335	19
Investment manager and operational fees	(7)	(20)	13	(80)	(73)
Gain (loss) on disposal of fixed assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net Investment Income</b>	<b><u>958</u></b>	<b><u>230</u></b>	<b><u>728</u></b>	<b><u>786</u></b>	<b><u>172</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b>788</b>	<b>(148)</b>	<b>936</b>	<b>135</b>	<b>653</b>
<b>Net Assets Beginning of Period</b>	<b><u>(127)</u></b>	<b><u>(127)</u></b>	<b><u>—</u></b>	<b><u>(990)</u></b>	<b><u>863</u></b>
<b>Net Assets End of Period</b>	<b>\$ 661</b>	<b>\$ (275)</b>	<b>\$ 936</b>	<b>\$ (855)</b>	<b>\$ 1,516</b>

# Statement of Operations Combining Schedule

➤➤ Fiscal year to date March 31, 2007

<i>(in thousands)</i>	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
<b>Operating Revenues</b>								
Premium & Assessment Income	\$ 1,480,498	\$ 98,592	\$ 894	\$ 317	\$ 626	\$ 17,211	\$ 284,890	\$ 1,883,028
Provision for Uncollectibles	(45,987)	(2,568)	–	–	–	(241)	(809)	(49,605)
Other Income	12,115	–	–	–	–	–	2,831	14,946
<b>Total Operating Revenue</b>	<b>1,446,626</b>	<b>96,024</b>	<b>894</b>	<b>317</b>	<b>626</b>	<b>16,970</b>	<b>286,912</b>	<b>1,848,369</b>
<b>Operating Expenses</b>								
Benefits & Compensation Adj. Expense	1,565,829	81,129	1,104	373	188	16,876	282,008	1,947,507
Other Expenses	15,101	396	474	–	52	–	54,663	70,686
<b>Total Operating Expenses</b>	<b>1,580,930</b>	<b>81,525</b>	<b>1,578</b>	<b>373</b>	<b>240</b>	<b>16,876</b>	<b>336,671</b>	<b>2,018,193</b>
<b>Net Operating Income (loss) before operating transfers out</b>	<b>(134,304)</b>	<b>14,499</b>	<b>(684)</b>	<b>(56)</b>	<b>386</b>	<b>94</b>	<b>(49,759)</b>	<b>(169,824)</b>
<b>Operating transfers out</b>	<b>(1,857)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,857</b>	<b>–</b>
<b>Net operating income (loss)</b>	<b>(136,161)</b>	<b>14,499</b>	<b>(684)</b>	<b>(56)</b>	<b>386</b>	<b>94</b>	<b>(47,902)</b>	<b>(169,824)</b>
<b>Investment Income</b>								
Investment income	552,761	43,941	9,243	860	616	1,506	2,356	611,283
Realized & unrealized capital gains (losses)	321,008	26,571	5,436	496	352	–	–	353,863
Investment manager and operational fees	(6,942)	(312)	(65)	(6)	(4)	–	–	(7,329)
Gain (loss) on disposal of fixed assets	–	–	–	–	–	–	(14)	(14)
Total non-operating revenues, net	866,827	70,200	14,614	1,350	964	1,506	2,342	957,803
<b>Increase (decrease) in Net Assets (deficit)</b>	<b>730,666</b>	<b>84,699</b>	<b>13,930</b>	<b>1,294</b>	<b>1,350</b>	<b>1,600</b>	<b>(45,560)</b>	<b>787,979</b>
<b>Net Assets (deficit) Beginning of Period</b>	<b>1,278,844</b>	<b>(960,065)</b>	<b>160,138</b>	<b>16,146</b>	<b>12,158</b>	<b>3,472</b>	<b>(637,315)</b>	<b>(126,622)</b>
<b>Net Assets (deficit) End of Period</b>	<b>\$ 2,009,510</b>	<b>\$ (875,366)</b>	<b>\$ 174,068</b>	<b>\$ 17,440</b>	<b>\$ 13,508</b>	<b>\$ 5,072</b>	<b>\$ (682,875)</b>	<b>\$ 661,357</b>

# Statement of Net Assets

➤➤ As of March 31, 2007

<i>(in millions)</i>	<b>Actual</b>	<b>Projected</b>	<b>Variance</b>	<b>Prior Yr. Actual</b>	<b>Increase (Decrease)</b>
<b>Assets</b>					
Total Cash and Investments	\$ 17,001	\$ 16,664	\$ 337	\$ 16,444	\$ 557
Accrued Premiums	2,953	2,403	550	2,746	207
Other Accounts Receivable	318	704	(386)	349	(31)
Investment Receivables	126	2	124	2	124
Other Assets	<u>122</u>	<u>119</u>	<u>3</u>	<u>128</u>	<u>(6)</u>
<b>Total Assets</b>	<b>\$ 20,520</b>	<b>\$ 19,892</b>	<b>\$ 628</b>	<b>\$ 19,669</b>	<b>\$ 851</b>
<b>Liabilities</b>					
Reserve for Compensation and Compensation Adj. Expense	\$ 19,175	\$ 19,401	\$ (226)	\$ 19,784	\$ (609)
Accounts Payable	43	65	(22)	38	5
Investment Payable	–	–	–	–	–
Other Liabilities	<u>641</u>	<u>701</u>	<u>(60)</u>	<u>702</u>	<u>(61)</u>
<b>Total Liabilities</b>	<b><u>19,859</u></b>	<b><u>20,167</u></b>	<b><u>(308)</u></b>	<b><u>20,524</u></b>	<b><u>(665)</u></b>
<b>Net Assets</b>	<b>\$ 661</b>	<b>\$ (275)</b>	<b>\$ 936</b>	<b>\$ (855)</b>	<b>\$ 1,516</b>

# Statement of Cash Flows

➤➤ Fiscal year to date March 31, 2007

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
<b>Cash flows from operating activities:</b>					
Cash receipts from premiums	\$ 1,936	\$ 2,070	\$ (134)	\$ 1,901	\$ 35
Cash receipts – other	21	8	13	22	(1)
Cash disbursements for claims	(1,570)	(1,536)	(34)	(1,580)	10
Cash disbursements for other	<u>(420)</u>	<u>(311)</u>	<u>(109)</u>	<u>(326)</u>	<u>(94)</u>
<b>Net cash provided (used) by operating activities</b>	(33)	231	(264)	17	(50)
<b>Net cash flows from capital and related financing activities</b>	(23)	(20)	(3)	(21)	(2)
<b>Net cash provided (used) by investing activities</b>	<u>578</u>	<u>10</u>	<u>568</u>	<u>(814)</u>	<u>1,392</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	522	221	301	(818)	1,340
<b>Cash and cash equivalents, beginning of period</b>	<u>194</u>	<u>194</u>	<u>–</u>	<u>1,282</u>	<u>(1,088)</u>
<b>Cash and cash equivalents, end of period</b>	\$ 716	\$ 415	\$ 301	\$ 464	\$ 252

# Statement of Investment Income

➤➤ Fiscal year to date March 31, 2007

	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
<b>Interest Income</b>					
Bond Interest	\$ 560,929,550	\$ 608,662,500	\$ (47,732,950)	\$ 338,552,183	\$ 222,377,367
Dividend Income (Dom & Int'l)	13,183,103	10,912,500	2,270,603	58,537,479	(45,354,376)
Money Market/ Commercial Paper Income	17,353,318	18,456,250	(1,102,932)	49,176,075	(31,822,757)
Misc. Income (Corp actions, etc.)	2,794,588	2,700,000	94,588	20,865,402	(18,070,814)
Private Equity	13,292,151	4,210,000	9,082,151	6,361,112	6,931,039
Net Securities Lending Income	<u>3,729,939</u>	<u>4,500,000</u>	<u>(770,061)</u>	<u>8,012,502</u>	<u>(4,282,563)</u>
<b>Total Interest Income</b>	<u>611,282,649</u>	<u>649,441,250</u>	<u>(38,158,601)</u>	<u>481,504,753</u>	<u>129,777,896</u>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>					
Net realized gain (loss) - Stocks (Dom & Int'l)	(879,582)	21,000,000	(21,879,582)	1,456,411,207	(1,457,290,789)
Net realized gain (loss) - Bonds	7,216,878	(220,000,000)	227,216,878	(225,451,673)	232,668,551
Net gain (loss) - PE	31,790,807	(7,290,000)	39,080,807	9,173,846	22,616,961
Unrealized gain (loss) - Stocks (Dom & Int'l)	(21,075,419)	42,221,083	(63,296,502)	(689,449,370)	668,373,951
Unrealized gain (loss) - Bonds	<u>336,810,831</u>	<u>(235,391,000)</u>	<u>572,201,831</u>	<u>(215,710,150)</u>	<u>552,520,981</u>
<b>Change in Portfolio Value</b>	<u>353,863,515</u>	<u>(399,459,917)</u>	<u>753,323,432</u>	<u>334,973,860</u>	<u>18,889,655</u>
<b>Investment Expenses-Manager &amp; Operational Fees</b>	<u>(7,328,778)</u>	<u>(19,513,774)</u>	<u>12,184,996</u>	<u>(30,623,068)</u>	<u>(23,294,290)</u>
<b>Total Investment Income</b>	\$ 957,817,386	\$ 230,467,559	\$ 727,349,827	\$ 785,855,545	\$ 171,961,841

# Projected Statement of Operations

➤➤ July 1, 2006 – March 31, 2007

<i>(in millions)</i>	<b>Actual Quarter</b> Sept. 30, 2006	<b>Actual Quarter</b> Dec. 31, 2006	<b>Actual</b> Jan. 31, 2007	<b>Actual</b> Feb. 28, 2007
Total Operating Revenues	\$ 596	\$ 649	\$ 199	\$ 205
Total Operating Expenses	<u>773</u>	<u>706</u>	<u>78</u>	<u>235</u>
<b>Net Operating Gain (Loss)</b>	(177)	(57)	121	(30)
Net Investment Income	<u>602</u>	<u>221</u>	<u>12</u>	<u>201</u>
<b>Increase (Decrease) In Net Assets</b>	425	164	133	171
<b>Net Assets Beginning of Period</b>	<u>(127)</u>	<u>298</u>	<u>462</u>	<u>595</u>
<b>Net Assets End of Period</b>	\$ 298	\$ 462	\$ 595	\$ 766

<i>(in millions)</i>	<b>Actual</b> March 31, 2007	<b>Actual Quarter</b> March 31, 2007	<b>Projected Quarter</b> June 30, 2007	<b>Projected Fiscal Year</b> June 30, 2007
Total Operating Revenues	\$ 199	\$ 603	\$ 600	\$ 2,448
Total Operating Expenses	<u>226</u>	<u>539</u>	<u>785</u>	<u>2,803</u>
<b>Net Operating Gain (Loss)</b>	(27)	64	(185)	(355)
Net Investment Income	<u>(78)</u>	<u>135</u>	<u>197</u>	<u>1,155</u>
<b>Increase (Decrease) In Net Assets</b>	(105)	199	12	800
<b>Net Assets Beginning of Period</b>	<u>766</u>	<u>462</u>	<u>661</u>	<u>(127)</u>
<b>Net Assets End of Period</b>	\$ 661	\$ 661	\$ 673	\$ 673

# Projected Statement of Cash Flows

➤➤ July 1, 2006 – March 31, 2007

<i>(in millions)</i>	<b>Actual Quarter</b> Sept. 30, 2006	<b>Actual Quarter</b> Dec. 31, 2006	<b>Actual</b> Jan. 31, 2007	<b>Actual</b> Feb. 28, 2007
<b>Cash flows from operating activities:</b>				
Cash receipts from premiums	\$ 821	\$ 209	\$ 185	\$ 565
Cash receipts – other	9	6	2	2
Cash disbursements for claims	(509)	(526)	(177)	(178)
Cash disbursements for other	<u>(139)</u>	<u>(143)</u>	<u>(60)</u>	<u>(42)</u>
<b>Net cash provided (used) by operating activities</b>	182	(454)	(50)	347
<b>Net cash flows from capital and related financing activities</b>	(5)	–	–	(1)
<b>Net cash provided (used) by investing activities</b>	<u>9</u>	<u>278</u>	<u>75</u>	<u>1,994</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	186	(176)	25	2,340
<b>Cash and cash equivalents, beginning of period</b>	<u>194</u>	<u>380</u>	<u>204</u>	<u>229</u>
<b>Cash and cash equivalents, end of period</b>	\$ 380	\$ 204	\$ 229	\$ 2,569

<i>(in millions)</i>	<b>Actual</b> March 31, 2007	<b>Actual Quarter</b> March 31, 2007	<b>Projected Quarter</b> June 30, 2007	<b>Projected Fiscal Year</b> June 30, 2007
<b>Cash flows from operating activities:</b>				
Cash receipts from premiums	\$ 157	\$ 907	\$ 482	\$ 2,419
Cash receipts – other	3	7	3	25
Cash disbursements for claims	(181)	(536)	(534)	(2,105)
Cash disbursements for other	<u>(36)</u>	<u>(138)</u>	<u>(103)</u>	<u>(523)</u>
<b>Net cash provided (used) by operating activities</b>	(57)	240	(152)	(184)
<b>Net cash flows from capital and related financing activities</b>	(17)	(18)	–	(23)
<b>Net cash provided (used) by investing activities</b>	<u>(1,779)</u>	<u>290</u>	<u>6</u>	<u>583</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,853)	512	(146)	376
<b>Cash and cash equivalents, beginning of period</b>	<u>2,569</u>	<u>204</u>	<u>716</u>	<u>194</u>
<b>Cash and cash equivalents, end of period</b>	\$ 716	\$ 716	\$ 570	\$ 570

# Projected Statement of Investment Income

➤➤ July 1, 2006 – March 31, 2007

	Actual Quarter Sept. 30, 2006	Actual Quarter Dec. 31, 2006	Actual Jan. 31, 2007	Actual Feb. 28, 2007
<b>Interest Income</b>				
Bond Interest	\$ 210,425,631	\$ 211,533,891	\$ 63,056,784	\$ 25,437,969
Dividend Income (Dom & Int'l)	99,113	1,487,524	2,131,327	5,837,942
Money Market/ Commercial Paper Income	3,413,767	3,498,766	2,263,811	3,062,121
Misc. Income (Corp actions, etc.)	1,403,869	848,764	75,893	431,465
Private Equity	4,984,705	6,128,224	153,024	25,100
Net Securities Lending Income	1,541,324	1,111,616	1,076,999	–
<b>Total Interest Income</b>	<b>221,868,409</b>	<b>224,608,785</b>	<b>68,757,838</b>	<b>34,794,597</b>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>				
Net realized gain (loss) - Stocks (Dom & Int'l)	881,489	(133,284)	(5,402,679)	55,993
Net realized gain (loss) - Bonds	(75,423)	5,224,840	(7,485,832)	107,780,743
Net gain (loss) - PE	2,807,629	13,753,836	16,951	4,397,830
Unrealized gain (loss) - Stocks (Dom & Int'l)	(1,911,863)	(1,381,741)	15,423,355	(53,591,107)
Unrealized gain (loss) - Bonds	382,119,778	(18,178,216)	(59,345,980)	107,622,083
<b>Change in Portfolio Value</b>	<b>383,821,610</b>	<b>(714,565)</b>	<b>(56,794,185)</b>	<b>166,265,542</b>
<b>Investment Expenses-Manager &amp; Operational Fees</b>	<b>(3,411,150)</b>	<b>(2,471,937)</b>	<b>(419,841)</b>	<b>(502,815)</b>
<b>Total Investment Income</b>	<b>\$ 602,278,869</b>	<b>\$ 221,422,283</b>	<b>\$ 11,543,812</b>	<b>\$ 200,557,324</b>

	Actual March 31, 2007	Actual Quarter March 31, 2007	Projected Quarter June 30, 2007	Projected Fiscal Year June 30, 2007
<b>Interest Income</b>				
Bond Interest	\$ 50,475,274	\$ 138,970,027	\$ 202,987,500	\$ 763,917,049
Dividend Income (Dom & Int'l)	3,627,198	11,596,467	7,537,500	20,720,604
Money Market/ Commercial Paper Income	5,114,853	10,440,785	7,368,750	24,722,068
Misc. Income (Corp actions, etc.)	34,598	541,956	900,000	3,694,589
Private Equity	2,001,098	2,179,222	–	13,292,151
Net Securities Lending Income	–	1,076,999	1,500,000	5,229,939
<b>Total Interest Income</b>	<b>61,253,021</b>	<b>164,805,456</b>	<b>220,293,750</b>	<b>831,576,400</b>
<b>Realized &amp; Unrealized Capital Gains and (Losses)</b>				
Net realized gain (loss) - Stocks (Dom & Int'l)	3,718,898	(1,627,788)	–	(879,583)
Net realized gain (loss) - Bonds	(98,227,449)	2,067,462	(2,000,000)	5,216,879
Net gain (loss) - PE	10,814,558	15,229,339	–	31,790,804
Unrealized gain (loss) - Stocks (Dom & Int'l)	20,385,936	(17,781,816)	28,656,249	7,580,829
Unrealized gain (loss) - Bonds	(75,406,832)	(27,130,729)	(46,170,000)	290,640,833
<b>Change in Portfolio Value</b>	<b>(138,714,889)</b>	<b>(29,243,532)</b>	<b>(19,513,751)</b>	<b>334,349,762</b>
<b>Investment Expenses-Manager &amp; Operational Fees</b>	<b>(523,035)</b>	<b>(1,445,691)</b>	<b>(3,430,800)</b>	<b>(10,759,578)</b>
<b>Total Investment Income</b>	<b>\$ (77,984,903)</b>	<b>\$ 134,116,233</b>	<b>\$ 197,349,199</b>	<b>\$ 1,155,166,584</b>

# Insurance Ratios

➤➤ July 1, 2006 – March 31, 2007

	Actual FY07	Projected FY07	Actual FY06
Loss Ratio	80.93%	90.07%	112.04%
LAE Ratio - MCO	7.50%	9.70%	9.25%
LAE Ratio - BWC	<u>14.99%</u>	<u>14.65%</u>	<u>11.96%</u>
<b>Net Loss Ratio</b>	103.42%	114.42%	133.25%
Expense Ratio	3.75%	3.95%	6.22%
Policyholder Dividend Ratio	<u>0.00%</u>	<u>0.00%</u>	<u>-0.51%</u>
<b>Combined Ratio</b>	107.17%	118.37%	138.96%
Net Investment Income Ratio	<u>32.07%</u>	<u>32.82%</u>	<u>27.72%</u>
<b>Operating Ratio (Trade Ratio)</b>	75.10%	85.55%	111.24%

	Actual FY07	Projected FY07	Actual FY06
Premiums to surplus	2.85	-6.98	-1.90
Assets to liabilities	1.03	0.99	0.96
Total reserves to surplus	29.01	-70.61	-23.14
Loss reserves to surplus	26.33	-64.24	-20.98
Investments to loss reserves	0.98	0.94	0.92
Cash + bonds to loss reserves	0.81	0.73	0.89
Cash % of total investments	4%	2%	3%
Bond % of total investments	79%	75%	94%
Equities % of total investments	15%	20%	0%
Equities as % of surplus	374%	-1212%	-2%

# Projected Insurance Ratios

➤➤ Fiscal years 2002 – 2007

	Projected FY 07	FY06	FY05	FY04	FY03	FY02
Loss Ratio	84.9%	74.3%	106.7%	96.7%	128.9%	105.6%
LAE Ratio - MCO	8.1%	8.6%	7.1%	9.1%	8.8%	9.4%
LAE Ratio - BWC	<u>15.1%</u>	<u>6.4%</u>	<u>14.7%</u>	<u>8.3%</u>	<u>12.9%</u>	<u>9.2%</u>
<b>Net Loss Ratio</b>	108.1%	89.3%	128.5%	114.2%	150.6%	124.1%
Expense Ratio	3.8%	4.0%	4.0%	5.1%	4.1%	4.0%
Policyholder Dividend Ratio	<u>0.0%</u>	<u>-0.4%</u>	<u>10.3%</u>	<u>18.6%</u>	<u>28.7%</u>	<u>62.4%</u>
<b>Combined Ratio</b>	111.9%	92.9%	142.8%	137.9%	183.4%	190.5%
Net Investment Income Ratio	<u>32.8%</u>	<u>30.4%</u>	<u>22.1%</u>	<u>20.5%</u>	<u>23.9%</u>	<u>27.0%</u>
<b>Operating Ratio (Trade Ratio)</b>	79.1%	62.5%	120.7%	117.3%	159.5%	163.5%

Note: FY 06 ratios have been significantly impacted by improvements in medical payment trends due to reductions in the cost of pharmacy benefits and lower payments to hospitals. These trends contributed to an approximately \$1 billion reduction in loss expenses in FY 06.

	Projected FY 07	FY06	FY05	FY04	FY03	FY02
Premiums to surplus	3.72	-17.10	-2.29	2.59	4.04	1.25
Assets to liabilities	1.03	0.99	0.96	1.04	1.03	1.09
Total reserves to surplus	28.73	-149.48	-19.50	18.90	28.93	7.88
Loss reserves to surplus	26.06	-136.24	-17.68	16.98	25.90	7.02
Investments to loss reserves	0.97	0.94	0.96	1.12	1.13	1.30
Cash + bonds to loss reserves	0.78	0.91	0.54	0.65	0.75	0.85
Cash % of total investments	2%	1%	8%	10%	13%	14%
Bond % of total investments	78%	96%	49%	48%	54%	52%
Equities % of total investments	20%	0%	38%	36%	30%	32%
Equities as % of surplus	507%	-9%	-641%	680%	869%	292%

# Dollars & Sense

A comprehensive update on BWC operations as of March 31, 2007



## Top news >>>

### BWC providing rate relief for private sector employers

On Thursday, April 26, the Ohio Bureau of Workers' Compensation (BWC) will recommend a zero percent average rate change to the Workers' Compensation Oversight Commission for private sector employers. The rate change would take effect on July 1, 2007. The recommendation was supported by the range provided by Mercer, Oliver and Wyman, who serves as BWC's outside actuarial consultant.

The decision was based on improved operational performance over the past fiscal year. Claims continue to trend downward as a result of a number of factors, including a greater focus by employers on workplace safety. Medical payments also continue to decline, as BWC has reduced expenses by \$44 million over nine months.

While indemnity payments have increased, that's primarily been driven by lump sum settlement payouts which focus on settling high reserve permanent, total disability and death claims. Temporary total disability benefits have declined by approximately \$12 million.

Overall, BWC maintains combined net assets in excess of \$661 million. This represents an improvement of \$778 million relative to the beginning of fiscal year 2007. Net investment income contributed \$958 million to the growth of net assets. However, those gains were partially offset by an operating loss of \$170 million. The State Insurance Fund, which is BWC's primary fund, maintains net assets that exceed \$2 billion.

The trade combined ratio has decreased to 75.1 percent as of March 31, 2007 compared to 111.2 percent one year earlier. BWC's combined ratio, which excludes investment income, also declined from 139 percent to 107.2 percent.

**Total assets**  
As of March 31, 2007  
**\$20.5 billion**

**Total liabilities**  
As of March 31, 2007  
**\$19.8 billion**

**Net assets**  
As of March 31, 2007  
**\$661 million**



## Trade combined ratio >>>

As of March 31, 2007

**75.1%**

The trade combined ratio is an indicator of the potential profitability of BWC's business. The trade combined ratio includes the impact of BWC's operating and investment revenues, and all related expenses.

Currently, BWC incurs expenses of approximately \$.75 for every \$1 it earns.



## Stabilizing Financials

### Net assets

Currently, the State Insurance Fund, which is the largest of BWC's seven funds, maintains net assets that exceed \$2 billion. Of the remaining funds, only the Disabled Workers' Relief Fund (DWRF) and the Administrative Cost Fund Account are in a deficit.

DWRF was only recently impacted by changes in accounting that altered the treatment of the liabilities of that fund, resulting in a deficit. However, there is a proposed legislative change in BWC's budget that would enable the agency to reorganize a receivable to offset the liability posed by future expected claims costs.

### Comparison of Fund Assets (in thousands)

Fund	Balance
State Insurance Fund	\$2,009,510
Disabled Workers Relief Fund	(-\$875,366)
Coal Workers Fund	\$174,068
Public Work Relief Fund	\$17,440
Marine Fund	\$13,508
Self-Insured Guaranty Fund	\$5,072
Administrative Cost Fund	(-\$682,875)
<b>TOTAL:</b>	<b>\$661,357</b>

\*Source: BWC financial statements  
Data are approximate



## Improving Investments

### Investments

Net investment income contributed \$958 million to the growth of net assets. However, those gains were partially offset by an operating loss of \$170 million. Net investment income has been impacted by higher interest earnings resulting from the transition of the portfolio from a bond index fund. BWC is continuing to transition the portfolio in the current year to match the existing investment strategy.



## Controlling Costs

### Medical costs

BWC's medical costs continue to trend downward. For the first nine months of the fiscal year, the agency paid \$594 million in expenses associated with treatment for injured workers. That represents a seven percent decrease relative to the same period as last year and an overall savings of approximately \$44 million.

The primary driver of this savings is reduced hospital expenses, which are down approximately \$26 million. However, the Court of Appeals recently ruled that BWC did not follow the proper rules making process when altering hospital fee schedules. It's unclear at this juncture what impact that will have on savings achieved thus far.

#### Medical Cost Comparison

Vendor	2007	2006	Change
Hospital	\$196 million	\$222 million	-\$26 million
Pharmacy	\$91 million	\$97 million	-\$6 million
Physician	\$118 million	\$123 million	-\$5 million
Other	\$189 million	\$196 million	-\$7 million

\*Source: BWC Data Warehouse  
Data are approximate

### Indemnity costs

Through the third quarter of the fiscal year, BWC has paid out \$805 million in indemnity benefits to injured workers. This represents an increase of four percent compared to the same period of time as last year.

The primary reason for the increase is BWC's continued focus on settling claims, which requires a more significant outlay of cash initially in return for closing the claim. Settlement payments have increased by \$42 million compared to fiscal year 2006, and the agency has settled more than 2,200 more claims, a fifteen percent increase.

Temporary total benefits have declined by approximately \$12 million due largely to BWC's focus on initiating an approximate return to work and attempting to effectively manage disability.

Other benefit types have stayed relatively flat.

#### Indemnity Payments Comparison

Benefit type	2007	2006	Change
Temporary Total	\$205 million	\$217 million	-\$12 million
Permanent Total	\$256 million	\$254 million	\$2 million
Death	\$55 million	\$55 million	--
Percent Permanent Partial	\$67 million	\$66 million	\$1 million
Lump Sum Settlements	\$166 million	\$125 million	\$41 million
Other Benefits	\$57 million	\$59 million	-\$2 million

\*Source: BWC Data Warehouse  
Data are approximate



# Statement of Operations

➤➤ Fiscal year to date March 31, 2007

<i>(in millions)</i>	<b>Actual</b>	<b>Projected</b>	<b>Variance</b>	<b>Prior Yr. Actual</b>	<b>Increase (Decrease)</b>
Total Operating Revenues	\$ 1,848	\$ 1,893	\$ (45)	\$ 1,610	\$ 238
Total Operating Expenses	<u>2,018</u>	<u>2,271</u>	<u>253</u>	<u>2,261</u>	<u>(243)</u>
<b>Net Operating Gain (Loss)</b>	(170)	(378)	208	(651)	481
Net Investment Income	<u>958</u>	<u>230</u>	<u>728</u>	<u>786</u>	<u>172</u>
<b>Increase (Decrease) in Net Assets</b>	788	(148)	936	135	653
<b>Net Assets Beginning of Period</b>	<u>(127)</u>	<u>(127)</u>	—	<u>(990)</u>	<u>863</u>
<b>Net Assets End of Period</b>	\$ 661	\$ (275)	\$ 936	\$ (855)	\$ 1,516

This table reflects BWC's financial performance, including the amount of money we're earning (revenues), the amount of costs we are incurring (expenses), and our surplus position (net assets).

**Actual** – The amounts of revenue earned and expenses incurred for the given period

**Projected** – The estimated amount expected for the given period

**Variance** – The difference between the actual and projected amounts

**Prior Year Actual** – The amount of revenues earned and the expenses incurred for the given period

**Increase (Decrease)** – The difference between current year actual and prior year actual



## Calendar of events ➤➤

### May

- 15 Payroll reports for public employer taxing districts are due, including the minimum 45 percent premium payments.
- 24 Workers' Compensation Oversight Commission meeting.
- 30 Retrospective rating applications are due.
- 31 Professional employer organizations are re-rated for current and prior periods.

### June

- 1 Last day for retrospective rating settlements.
- 1 Names of non-compliant employers are publicly released on [ohiobwc.com](http://ohiobwc.com).
- 14 Workers' Compensation Oversight Commission meeting.
- 30 Payroll reports are mailed to private employers.

**Executive Summary**  
**Five-Year Rule Review**  
**Chapter 4123-15: Code of Ethics**

**Introduction**

Chapter 4123-15 of the Administrative Code contains the rules relating to the Code of Ethics. The BWC rules are parallel to the IC rules of Chapter 4121-15 of the Administrative Code.

**Five-Year Rule Review**

Pursuant to H.B. 473, effective September 26, 1996, state agencies are required to review all agency rules every five years to determine whether to amend the rules, rescind the rules, or continue the rules without change. The legislation requires the agency to assign a rule review date for each of its rules so that approximately one-fifth of the rules are scheduled for review during each calendar year. The Code of Ethics rules of Chapter 4123-15 of the Administrative Code are scheduled for five year rule review on March 1, 2007. BWC last performed a five year rule review of these rules in 2002. BWC first enacted the Ethics rules on January 1, 1978.

**Background Law**

The Ethics rules are based upon Divisions (B) and (C) of R.C. 4121.122, enacted effective January 1, 1977, under S.B. 545, as part of a reform bill following ethical problems at the Industrial Commission and Bureau. Divisions (B) and (C) of R.C. 4121.122 provide:

... (B) The administrator and the commission shall jointly adopt, in the form of a rule, a code of ethics for all employees of the bureau and the commission and post copies of the rule in a conspicuous place in every bureau and commission office.

(C) The administrator and the commission shall jointly adopt rules setting forth procedures designed to eliminate outside influence on bureau and commission employees, produce an impartial workers' compensation claims handling process, and avoid favoritism in the claims handling process. Failure to adopt and enforce these rules constitutes grounds for removal of the administrator and the members of the commission. ...

**Rule Changes**

There are 9 rules in this Chapter, rules 4123-15-01 to 4123-15-09. BWC is proposing to keep most of the language in these rules as they current are worded, except for parts of rules 4123-15-01, 4123-15-03, 4123-15-07, and 4123-15-08. There have not been any changes in the underlying statutes upon which these rules are based, and the IC recently reviewed their parallel set of Ethics rules and proposed making similar changes to their rules. Thus, BWC and the IC will maintain uniformity and consistency in these ethics rules.

### **4123-15-01 Code of ethics, title and rules covering.**

This rule provides that the rules constitute the code of ethics for employees of the IC and BWC. The rule adds that, “in addition to any civil or criminal penalties that may be provided by statute or rule, an employee who violates any of the provisions in the code of ethics shall be subject to discipline as provided in the employee handbook of the employee’s agency.”

### **4123-15-03 Standards of Conduct**

The changes to Rule 4123-15-03 are to adopt the Model Ethics Policy for state agencies from the Ohio Ethics Commission. Most of the detailed provisions in the Model Code are based on the Ohio Ethics law and the Financial Disclosure sections, which are items that were lacking in the current BWC and IC Code of Ethics.

Paragraph (A) of the prior rule, on “confidential information,” is deleted, but moved in its entirety to new Paragraph (H). New Paragraph (A) states the purpose and scope of the revised ethics rule.

Paragraph (B), on “gifts and gratuities,” is deleted in favor of the language in the Model Ethics Policy in new Paragraph (B), which describe thirteen areas of “prohibited conduct.” IC, BWC, WCOC, and Ombudsperson employees shall not:

- Solicit or accept anything of value from anyone doing business with the IC or BWC;
- Solicit or accept employment from anyone doing business with the IC or BWC, except under certain conditions;
- Use the employee’s position to obtain benefits for the employee or related parties;
- Accept compensation for personal services rendered on a matter before, or sell goods or services to the IC or BWC;
- Accept compensation for personal services rendered on a matter before, or sell goods or services to any state agency other than the IC or BWC, except under certain conditions;
- Hold or benefit from a contract with the IC or BWC, except as provided in the rule;
- Use the employee’s position to secure approval of an IC or BWC contract in which the employee or related party has an interest;
- Accept honoraria except that employees who are not financial disclosure filers may receive an honorarium under certain conditions;
- During public service, and for one year after leaving public service, represent any person before any public agency on a matter in which the employee personally participated while serving with the IC or BWC;
- Use or disclose confidential information protected by law, unless authorized;
- Use the employee’s title, the name of the IC or BWC, or the agencies logos in a manner that suggests impropriety, favoritism, or bias;
- Accept any compensation, except as allowed by law, to perform official duties or any act or service in the employee’s official capacity;
- Sponsor parties or other entertainment for IC or BWC personnel, the costs of which are covered in whole or in part by donations or receipts from the sale of tickets to individuals or entities who are doing or seeking to do business with the IC or BWC.

Paragraphs (C) deletes an obsolete reference to the Regional Boards of Review.

Paragraphs (D) to (G) of the rule are unchanged.

New Paragraph (I) provides information on employees who must file a financial disclosure statement with the Ohio Ethics Commission by April 15 of each year.

**4123-15-07 Representatives' responsibility relative to employees' code of ethics.**

An amendment in this rule deletes an obsolete reference to the Regional Boards of Review.

**4123-15-08 Remedial action against persons exercising improper influence and engaging in favoritism.**

This rule contains a minor clarifying rule reference change.

## Chapter 4123-15 Ethics Rules

### 4123-15-01 Code of ethics, title and rules covering.

This rule and rules 4123-15-02 to 4123-15-04 and 4121-15-01 to 4121-15-04 of the Administrative Code shall be titled, "Code of Ethics for Employees of the Bureau of Workers' Compensation and the Industrial Commission of Ohio" and shall contain the code of ethics for employees of these agencies.

In addition to any civil or criminal penalties that may be provided by statute or rule, an employee who violates any of the provisions in the code of ethics shall be subject to discipline as provided in the employee handbook of the employee's agency.

HISTORY: Eff 1-1-78

Rule promulgated under: RC Chapter 119.

Rule amplifies: RC 4121.122(B)

119.032 Review Date: 7-31-02; 3-1-07

### 4123-15-02 Policy.

(A) It is essential that the public has confidence in the administration of the industrial commission and the bureau of workers' compensation. This public confidence depends in a large degree on whether the public trusts that employees of these agencies are impartial, fair, and act only in the interest of the people, uninfluenced by any consideration of self-interest, except those inherent in the proper performance of their duties. Each employee, of whatever position, should, therefore, maintain the highest standards of personal integrity, since the public often judges the actions of an employee as reflecting the standards of the employing agency.

(B) The industrial commission and the bureau of workers' compensation are entrusted with the collection and distribution of a large fund. Their employees must respect this trust and should welcome public scrutiny of the way in which they perform their duties in connection with the administration of this fund. They should be willing to accept restrictions on their conduct that may not be necessary of public employees in other agencies, who are not in similar positions of trust. They must avoid not only impropriety, but the appearance of impropriety.

HISTORY: Eff 1-1-78

Rule promulgated under: RC Chapter 119.

Rule amplifies: RC 4121.122(B)

119.032 Review Date: 7-31-02; 3-1-07

### 4123-15-03 Standards of conduct.

~~(A) Confidential information.~~

~~The confidentiality of all information which comes into possession of commission and bureau employees shall be respected. In order to properly discharge this duty, all associates must acquaint themselves with those areas of information that are designated as confidential by statutes, by the courts and by the attorney general. Furthermore, they must become familiar with the circumstances under which and the persons to whom such information can be released.~~

~~(B) Gifts and gratuities.~~

- ~~(1) No gift, gratuity, money, service, hospitality, loan, promise or anything of economic value shall be sought, solicited or accepted from or on behalf of any individual or entity who is doing or seeking to do business of any kind with the commission or bureau under any circumstances from which the officer or employee could reasonably infer that the gift or benefit was intended to influence the employee in the performance of the employee's duties or was intended as a reward for any official action on the employee's part.~~
- ~~(2) Commission and/or bureau employees shall not sponsor parties or other entertainment for the personnel of their agencies, the costs of which are covered in whole or in part by donations or receipts from the sale of tickets to individuals or entities, who are doing or seeking to do business with the commission or bureau.~~
- ~~(3) The commission and bureau of workers' compensation hereby adopt the provisions of the Ohio Ethics law.~~

(A) Purpose

It is the policy of the industrial commission and the bureau of workers' compensation to carry out its mission in accordance with the strictest ethical guidelines and to ensure that commission and bureau employees conduct themselves in a manner that fosters public confidence in the integrity of the commission and the bureau, its processes, and its accomplishments.

The commission and the bureau hereby adopt the provisions of the Ohio ethics law, including but not limited to the provisions of Chapters 102. and 2921. of the Ohio Revised Code, and as interpreted by the Ohio ethics commission and Ohio courts.

(B) Prohibited Conduct

- (1) No industrial commission member, the administrator of workers' compensation, oversight commission member, commission employee, bureau employee, ombudsperson, or employee of the office of ombudsperson shall do any of the following acts:

- (a) Solicit or accept anything of value from anyone doing business with the commission or the bureau;
- (b) Solicit or accept employment from anyone doing business with the commission or the bureau, unless the member or employee completely withdraws from any commission or bureau discretionary or decision-making activity regarding the party offering employment, and the commission or the bureau approves the withdrawal;
- (c) Use his or her public position to obtain benefits for the member or employee, a family member, or anyone with whom the member or employee has a business or employment relationship;
- (d) Be paid or accept any form of compensation for personal services rendered on a matter before, or sell goods or services to the commission or the bureau;
- (e) Be paid or accept any form of compensation for personal services rendered on a matter before, or sell (except by competitive bid) goods or services to, any state agency other than the commission or the bureau, as applicable, unless the member or employee first discloses the services or sales and withdraws from matters before the commission or the bureau that directly affect officials and employees of the other state agency, as directed in section 102.04 of the Revised Code;
- (f) Hold or benefit from a contract with, authorized by, or approved by the commission or the bureau, (the ethics law does accept some limited stockholdings, and some contracts objectively shown as the lowest cost services, where all criteria under section 2921.42 of the Revised Code are met);
- (g) Vote, authorize, recommend, or in any other way use his or her position to secure approval of a commission or bureau contract (including employment or personal services) in which the member or employee, a family member, or anyone with whom the member or employee has a business or employment relationship, has an interest;
- (h) Solicit or accept honoraria (see division (H) of section 102.01 and division (H) of section 202.03 of the Revised Code) except that employees who are not financial disclosure filers may receive an honorarium only if the honorarium is paid in recognition of a demonstrable business, profession, or esthetic interest of the employee that exists apart from public office or employment, and is not paid by any person or other entity, or by a representative or association of those persons or entities, doing business with the commission or the bureau, as applicable;

- (i) During public service, and for one year after leaving public service, represent any person, in any fashion, before any public agency, with respect to a matter in which the member or employee personally participated while serving with the commission or the bureau, as applicable;
- (j) Use or disclose confidential information protected by law, unless appropriately authorized;
- (k) Use, or authorize the use of, his or her title, the name of the commission or the bureau, or the agencies logos in a manner that suggests impropriety, favoritism, or bias by the commission or the bureau, or by a member or employee; and
- (l) Solicit or accept any compensation, except as allowed by law, to perform his or her official duties or any act or service in his or her official capacity;
- (m) Sponsor parties or other entertainment for the personnel of their agencies, the costs of which are covered in whole or in part by donations or receipts from the sale of tickets to individuals or entities, who are doing or seeking to do business with the commission or bureau.

(2) For purposes of this rule, these phrases have the following meanings:

- (a) “Anything of value” includes anything of monetary value, including, but not limited to, money, loans, gifts, food or beverages, social event tickets and expenses, travel expenses, golf outings, consulting fees, compensation, or employment. “Value” means worth greater than de minimis or nominal.
- (b) “Anyone doing business with the commission or the bureau” includes, but is not limited to, any person, corporation, or other party that is doing or seeking to do business with, regulated by, or has interests before the commission or the bureau, including anyone who is known or should be known to be an agent or acting on behalf of such party, including any person or entity marketing or otherwise attempting to secure business with the commission or the bureau.

(C) Conflict of interest.

No employee of these agencies shall engage in outside employment that results in a conflict or apparent conflict with the employee’s official duties and responsibilities.

- (1) Outside employment or activity in which an employee with or without pay represents a claimant or employer in any matter before the industrial commission, ~~a regional board of review~~ or the bureau of workers’ compensation is prohibited.

- (2) Outside employment with an attorney, representative or entity that involves work concerning industrial claims, whether filed or to be filed, or which is in any way related to workers' compensation matters is prohibited.

(D) Professional code of ethics.

In the event there is any conflict between a professional code of ethics governing any employee of these agencies and this code of ethics for employees, the professional code of ethics shall take precedence over the code of ethics for employees but the conflict shall be promptly reported to the employing agency. In such case the agency shall promptly determine the degree of conflict and take such further action as may be indicated.

- (E) An employee shall not use state property of any kind for other than approved activities. The employee shall not misuse or deface state property. The taking or use of state property for the private purposes of an employee is prohibited. The employee shall protect and conserve all state property, including equipment and supplies entrusted to or issued to the employee.

(F) Diligence and impartiality in work.

Employees are encouraged to avoid absenteeism and tardiness, to not use sick leave unless necessary and to abide by rules of the Ohio civil service. Recognizing that the industrial commission and bureau of workers' compensation serve many people whose interests are divergent, employees should work in a speedy and efficient manner, strive to be courteous, fair and impartial to the people they serve, and responsive to the problems that come before them. All segments of the public are to be treated equally, without regard to age, race, sex, religion, country of origin, or handicap.

- (G) It is understood that standards of ethical conduct may involve a myriad of situations. The good conscience of individual employees shall remain the best guarantee of the moral quality of their activities. The overall intent of this code of ethics is that employees avoid any action, whether or not prohibited by the preceding provisions, which result in, or create the appearance of:

- (1) Using public office for private gain, or
- (2) Giving preferential treatment to any person, entity, or group.

(H) Confidential information

The confidentiality of all information which comes into possession of commission and bureau employees shall be respected. In order to properly discharge this duty, all employees must acquaint themselves with those areas of information that are designated as confidential by statutes, by the courts and by the attorney general.

Furthermore, they must become familiar with the circumstances under which and the persons to whom such information can be released.

(I) Every member or employee required to file a financial disclosure statement must file a complete and accurate statement with the Ohio Ethics Commission by April 15 of each year. Any member or employee appointed, or employed in a filing position after February 15 and required to file a financial disclosure statement must file a statement within 90 days of appointment or employment.

HISTORY: Eff 1-1-78  
Rule promulgated under: RC Chapter 119.  
Rule amplifies: RC 4121.122(B)  
119.032 Review Date: 7-31-02; 3-1-07

#### **4123-15-04 Posting, distribution and employee acknowledgement and receipt.**

(A) The code of ethics for employees of the bureau of workers' compensation and industrial commission shall be posted in a conspicuous place in every office of the bureau and commission.

(B) A copy of this code of ethics shall be distributed to each employee. After two weeks from such receipt each employee will certify that the employee has received and read this code. The certification shall be placed in the employee's personnel file.

HISTORY: Eff 1-1-78  
Rule promulgated under: RC Chapter 119.  
Rule amplifies: RC 4121.122(B)  
119.032 Review Date: 7-31-02; 3-1-07

#### **4123-15-05 Purpose: eliminating outside influence; producing impartiality in handling of claims and employer risk accounts and avoiding favoritism.**

In accordance with division (C) of section 4121.122 of the Revised Code and division (M) of section 4121.121 of the Revised Code, the rules 4123-15-05 to 4123-15-09 and 4121-15-05 to 4121-15-09 of the Administrative Code are for the purpose of eliminating improper outside influence on employees of the bureau of workers' compensation and the industrial commission, producing an impartial workers' compensation claims and employer risk account handling process and avoiding favoritism in that process.

HISTORY: Eff 1-1-78  
Rule promulgated under: RC Chapter 119.  
Rule amplifies: RC 4121.122(C), 4121.121(M)  
119.032 Review Date: 7-31-02; 3-1-07

**4123-15-06 Furnishing employees’ code of ethics and rules on improper influence to representatives.**

To the extent possible, all those who represent claimants or employers shall be furnished without charge with a copy of the “Code of Ethics for Employees of the Bureau of Workers’ Compensation and the Industrial Commission of Ohio” and with a copy of the rules concerning the elimination of outside influence, producing impartial claims and risk account handling, and avoiding favoritism in this process. These rules shall also, to the extent possible, be furnished to employees or agents of those who represent claimants or employers and who may be permitted to inspect claims and employer risk files, or whose work requires personal contact with employees of the bureau or commission.

HISTORY: Eff 1-1-78  
Rule promulgated under: RC Chapter 119.  
Rule amplifies: RC 4121.122(C), 4121.121(M)  
119.032 Review Date: 7-31-02; 3-1-07

**4123-15-07 Representatives’ responsibility relative to employees’ code of ethics.**

Representatives of claimants and employers as well as their employees and agents shall conduct their business with the employees of the bureau of workers’ compensation, ~~the regional boards of review~~ and the industrial commission in accordance with the highest moral principles and are expected to support the “Code of Ethics for Employees of the Bureau of Workers’ Compensation and the Industrial Commission of Ohio” by conduct that will not tempt employees of the bureau and commission to violate that code but will encourage them to fully observe it. Employees of the bureau and commission shall report to their immediate superior any activity which is, or appears to be, in violation of this rule, for further action by the administrator or by the industrial commission, as the case may be.

HISTORY: Eff 1-1-78  
Rule promulgated under: RC Chapter 119.  
Rule amplifies: RC 4121.122(C), 4121.121(M)  
119.032 Review Date: 7-31-02; 3-1-07

**4123-15-08 Remedial action against persons exercising improper influence and engaging in favoritism.**

Upon receipt of information indicating a violation of ~~the preceding rule 4123-15-07 of the Administrative Code~~, the industrial commission or the administrator, as the case may be, shall refer the matter, provided the circumstances warrant it, to the internal security committee for investigation or to the attorney general for whatever steps are necessary, to ensure proper corrective action.

HISTORY: Eff 1-1-78  
Rule promulgated under: RC Chapter 119.

Rule amplifies: RC 4121.122(C), 4121.121(M)  
119.032 Review Date: 7-31-02; 3-1-07

**4123-15-09 Prohibition against unnecessary claim file possession.**

No employee shall have possession of a workers' compensation claim file unless the file is necessary to the performance of the employee's duties. In case of violation or apparent violation of this rule, the section director, office director or the state coordinator shall refer the matter to the internal security committee for investigation, or to the administrator or the industrial commission for action consistent with division (A) of section 4121.122 of the Revised Code. A copy of this rule shall be distributed to each employee for certification that he has received and read this rule. This certification shall be placed in the employee's personnel file.

HISTORY: Eff 1-1-78  
Rule promulgated under: RC Chapter 119.  
Rule amplifies: RC 4121.31(B)  
119.032 Review Date: 7-31-02; 3-1-07

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January 2007

## **Executive Summary**

### **Rule 4123-5-20: Advance compensation payments**

#### **Introduction**

Chapter 4123-5 of the Administrative Code contains miscellaneous BWC rules relating to claims procedures. There are six rules remaining in this Chapter, and the rules date to the 1970s. Effective April 30, 2004, BWC reviewed these rules under the five year rule review requirements of R.C. 119.032. At that time, BWC did not request any changes in the Chapter 5 rules. The next rule review date for these rules is March 1, 2009.

#### **Rule 4123-5-20**

Rule 4123-5-20 addresses the payment of compensation when an employer makes advancements during a period of disability. BWC adopted this rule in 1967 and last amended the rule in 1986. The rule permits an employer to advance to an injured worker the compensation that the injured worker may be entitled to under a pending workers' compensation claim while the claim is being adjudicated. By written agreement with the employer, the injured worker accepts the advance payments from the employer and assigns to the employer the pending workers' compensation payment.

This rule was more widely used years ago when it took longer for BWC and the IC to make claims determinations. With the improvement in the time to process claims and the advent of salary continuation as an employer strategy, this rule is not as popular as in the past. BWC is requesting this update to the rule because BWC has seen wage agreements filed, not only weeks after the date of injury, but years after the date of injury. Recently, a "wage agreement" was filed eight years after date of injury. Since the purpose of the rule is to assist injured workers while waiting for the claim to be decided, these delays do not serve the purpose of the rule.

#### **Rule Changes**

Paragraph (A) of the rule is amended as to clarify that the period for which a wage agreement is applicable is twelve weeks following the date of injury. The key addition to the rule provides that "the bureau will not honor the agreement unless the written notice of the agreement is filed with the bureau within thirty days of the signing of the agreement by the employer and the claimant."

**Payment of compensation when advancements are made during period of disability.**

- (A) Except for payments made to claimants under a contract of hire or under a collective bargaining agreement by an employer that is a professional sports franchise domiciled in Ohio, whenever a claimant and the employer advise the bureau in writing that the wages were paid or the advancements were made solely for the purpose of assisting the claimants in obtaining necessary maintenance and care during a ~~short~~ period not to exceed twelve weeks following an injury sustained or occupational disease contracted by the claimant in the course of and arising out of employment, particularly while a claim for compensation is being acted upon by the bureau, and the claimant and employer had mutually agreed that the employer is to be reimbursed, at least to the extent of any compensation paid to the claimant over the same period in which the wages were paid or the advancements made, the bureau shall issue warrants in payment of compensation awarded ~~over a short period closely following~~ for a period not to exceed twelve weeks commencing from the date of such an injury or beginning of disability, which warrants are to be mailed to the claimant in care of the employer with instructions that the warrants are to be endorsed personally by the claimant. The bureau will not honor the agreement unless the written notice of the agreement is filed with the bureau within thirty days of the signing of the agreement by the employer and the claimant.

The warrants to be sent in care of the employer are not to be in payment of compensation for disability in excess of a period of twelve weeks closely following the date of injury or beginning of disability, unless under special circumstances the bureau authorizes the sending of warrants in payment of compensation for disability beyond the twelve weeks in care of the employer.

- (B) Whenever an employer that is a professional sports franchise domiciled in Ohio makes payment pursuant to the terms of a contract of hire or a collective bargaining agreement during a period of disability resulting from the injury or occupational disease, the aggregate amount of such payments shall be deemed an advanced payment. Upon the filing of proof of such payments, compensation payments under sections 4123.56 to 4123.58 of the Revised Code shall be reimbursed by the bureau directly to the employer if it is a state fund employer unless payment has been made to the claimant prior to the bureau's receipt of the employer's proof of an advanced payment. Self-insured employers shall apply the aggregate amount of advanced payments to a claimant to offset that claimant's future payments of compensation under section 4123.56 to 4123.58 of the Revised Code. Employer reimbursements and offsets shall apply only where the employee's application for compensation is pending on or after August 22, 1986.
- (C) Where a claimant is entitled to vacation with pay, payment of wages for a vacation period during the period of temporary disability resulting from injury or occupational

disease shall not be deemed an advancement nor shall such payment be applied to offset any compensation that is payable for that period of time.

Where claimants are paid a regular salary during the period of disability on any other basis, for example, sick leave, payment of compensation for temporary disability, compensation cannot be paid so long as such regular salary or wages are paid, unless the claimant and the employer notify the bureau in writing that such salary or sick leave was paid as an advancement.

## **Executive Summary**

### **Long Term Care Loan Program**

#### **Background History**

Since July 1999, the BWC SafetyGRANT\$ program has provided grant funds to Ohio employers to assist with the reduction or elimination of workplace injuries and illnesses through the purchase of intervention equipment. Preliminary results of the grant program have determined that the use of floor-based patient lifting devices in nursing homes resulted in a return on investment realized in 2.5 months and a marked improvement in the incidence of cumulative trauma disorder (44% improvement), lost days (38% improvement), restricted days (10% improvement), and employee turnover (25% improvement). The use of ceiling mounted patient-lifting devices resulted in improvements in restricted days and employee turnover.

Preliminary results also indicate that the use of electric beds can greatly reduce upper extremity cumulative trauma disorder as well as trunk flexion leading to back injuries. The use of electric beds resulted in a return on investment realized in only 8.5 months and an improvement in the incidence of cumulative trauma disorder (29% improvement), lost days (72% improvement), restricted days (31% improvement), and employee turnover (9% improvement).

To further assist Ohio nursing homes in eliminating the risk of injury resulting from patient lifting, BWC has instituted the Long-Term Care Loan program.

BWC issued several Request for Proposals in 2006 to contract with a financial loan institution to provide the loans. BWC would pay the interest directly to the financial loan institution. The bureau was unsuccessful in contracting for these services. As a result, a recommendation for a new approach to implementing the loan program is summarized below.

#### **Rule Summary**

The Long-Term Care Loan program will reimburse Ohio nursing home employers for the interest they pay on loans received for the purpose of purchasing, improving, installing or erecting sit-to-stand floor lifts, ceiling lifts, other lifts and fast electric beds, and to pay for the education and training of personnel to implement a facility policy of no manual lifting of residents by employees. Nursing homes must secure their loans independently. BWC will not guarantee the loan.

BWC will reimburse interest on loans up to \$100,000 with the interest owed not to exceed prime +2.5%. Employers who are nursing homes as defined in section 3721.01 of the Revised Code are eligible to apply. Those applying must be current on balances due to any fund administered by the Ohio bureau of workers' compensation and cannot have cumulative lapses of more than 15 days in the preceding eighteen months.

An appeal process will be established for reconsideration of an ineligible determination by BWC. The employer may request reconsideration in writing to the superintendent of the Division of Safety & Hygiene. Reconsideration of the superintendent's decision may be submitted to the Adjudicating Committee pursuant to R. C. 4123.291.

4123-17-31 Long-term care loan fund program.

(A) Pursuant to Ohio Revised Code, section 4121.48, the administrator of workers' compensation shall use the long-term care loan fund program to ~~make interest free loans to~~ reimburse nursing home employers for the interest they pay on loans received for the purpose of allowing the employer to purchase, improve, installing, or erecting sit-to-stand floor lifts, ceiling lifts, other lifts, and fast electric beds, and to pay for the education and training of personnel to implement a facility policy of no manual lifting of residents by employees. The employer shall submit invoices and such other documentation as required by the administrator to verify that the loan ~~program funds were~~ was used solely for these purposes.

(B) ~~Loan Limitations.~~—The administrator of workers' compensation shall reimburse the nursing home for the interest paid on loans made to the nursing home by a lending institution.

~~(1) The outstanding balance owed by an employer for all loans received under this program shall not exceed one hundred thousand dollars.~~

~~(2) The amount loaned to an employer shall not exceed ninety percent of the purchase price of the equipment.~~

~~(3) Loans shall not be made for the rental of equipment. The bureau will not reimburse an employer for the interest paid on a loan made to the employer for the purpose of renting equipment.~~

~~(2) The maximum amount of reimbursement a nursing home may receive may not exceed the amount of interest that would be owed on a loan of one hundred thousand dollars (\$100,000.00) at the rate of prime +2.5.~~

~~(4) Loan proceeds shall be forwarded directly to the vendor(s) of the equipment to be purchased.~~

~~(3) The interest rate must be fixed for the loan period.~~

~~(4) The loan period cannot exceed 5 years.~~

~~(5) Reimbursements will be made every 6 months.~~

~~(6) Employers who operate more than one nursing home facility may participate in the program in respect to only one facility at a time.~~

~~(7) The lending institution must be an FDIC insured institution.~~

(C) Eligibility, applications and restrictions.

(1) In order to participate in the long-term care loan fund an employer shall meet the following criteria:

(a) The employer must be a nursing home as defined in section 3721.01 of the Revised Code.

(b) The employer must be in compliance with section 4123.35 of the Revised Code.

(c) The employer must be current on any and all undisputed premiums, administrative costs, assessments, fines or moneys otherwise due to any fund administered by the Ohio bureau of workers' compensation.

(d) The employer cannot have cumulative lapses in workers' compensation coverage in excess of fifteen days within the eighteen months preceding the application.

(2) The employer shall apply ~~for a loan~~ to participate in the long-term care loan program on the forms provided by the bureau on which the employer shall:

- (a) Specify the equipment that is to be purchased, improved, installed, or erected and the cost;
- (b) Provide a price quote from the vendor;
- (c) Provide the signature of the person duly authorized to sign for the nursing home administrator;
- (d) Answer all questions on the application;
- (e) Obtain the signature of the BWC consultant;
- (f) Submit the completed application to the BWC.

(3) The employer shall commence the purchase, improvement, installation, or erection of equipment within thirty days of receiving the loan ~~approval~~ and shall complete the same within ninety days of ~~the loan approval~~ its receipt, unless expressly approved by the bureau. The bureau shall verify that the loan proceeds are being used for the purpose approved in the ~~loan~~ application and shall have the right to inspect the employer's workplace for this purpose. The bureau may use the technical assistance of the division of safety and hygiene for such an assessment.

(a) The employer shall provide the bureau of workers' compensation documentation of the loan including the interest rate and a loan amortization table from the lending institution upon receipt of the loan.

(4) The administrator will ~~forward the applications~~ notify applicants who have been approved to participate in the program meeting the eligibility requirements contained in paragraph (C)(1) of this rule to the financial institution designated in paragraph (E) of this rule within two weeks of receipt of the application.

(a) Applications will be processed in the order of receipt. If the ~~aggregate value of loan applications is greater than the assets available from the fund are insufficient to satisfy the amount of reimbursement requested by the applicants, then~~ the administrator shall take into account the following factors to determine whether an employer will be ~~granted a loan~~ allowed to participate in the program:

- (i) Employers ~~with no prior loan applications~~ who have not previously applied to the program shall have priority over employers who have ~~previously received a loan~~ participated in the program.
- (ii) No ~~loans~~ applications shall be ~~made~~ approved which will cause the fund to operate at a deficit.

(5) If an employer's coverage lapses during the period the employer is participating in the program, BWC will not make any reimbursements to the employer until its coverage has been reinstated. If an employer's coverage lapses for more than 59 days during the period the employer is participating in the program, the bureau may terminate making reimbursements under the program.

(6) If the employer defaults on the loan, the employer shall notify the bureau of the default. The bureau may terminate making reimbursements under the program upon receiving notification of the default.

(D) Reconsideration of determination of eligibility.

(1) An employer may request reconsideration from a decision finding the employer did not meet the requirements provided in paragraph (C)(1) of this rule. The request must be in writing and filed with the superintendent of the division of safety and hygiene within thirty days of the notification of the decision.

(2) The employer may submit a request for reconsideration of the superintendent's decision to the adjudicating committee pursuant to R.C. 4123.291.

~~(3) The adjudicating committee shall consider the request and make a recommendation on the employer's eligibility to the administrator.~~

~~(4) The decision of the administrator shall be final.~~

~~(E) The administrator shall enter into a contract with a financial institution for the purpose of issuing and servicing loans to eligible employers. The determinations made by the financial institution in respect to whether or not to make a loan to an employer and the amount of such loan are final.~~

**Executive Summary**  
**Self-Insuring Employer Rule Changes**  
**4123-19-03(K)(5)**

Recently enacted Senate Bill 7 includes language under the child support statute (ORC 3121.0311) that provides injured worker attorneys an opportunity to file a fee request to BWC, or a self insured employer, for clients that are subject to child support withholding. The revised language requires BWC, or the self insuring employer, to hold any lump sum payment of workers' compensation benefits for a period of thirty days after notifying the injured worker's attorney that the injured worker is subject to a child support order. The statute requires that the injured worker's attorney shall file a fee agreement and attorney affidavit within the thirty days to BWC or the self insuring employer. Upon receipt of the fee agreement and attorney affidavit, the self insuring employer shall deduct from the lump sum payment the amount of the attorney's fee and necessary expenses and pay that amount directly to and solely in the name of the attorney within fourteen days after the fee agreement and attorney affidavit have been filed with BWC or the self insured employer.

Rule 4123-19-03(K)(5) requires a self insured employer to pay compensation no later than 21 days from acquiring knowledge of the claim or the claimant's filing of a C-84 form. The new child support statute language requiring the thirty day hold period conflicts with the twenty one day payment requirement and BWC wishes to amend this rule to accommodate the child support withholding timeframe.

Additionally, the rule is being amended to include a specific timeframe for self insuring employers to pay compensation following the receipt of an Industrial Commission hearing order. Currently, the rule is silent on that payment timeframe and this amendment will clearly state the timeframe payment must be made following the receipt of an Industrial Commission hearing order.

**Where an employer desires to secure the privilege to pay compensation, etc., directly.**

- (A) All employers granted the privilege to pay compensation directly shall demonstrate sufficient financial strength and administrative ability to assure that all obligations under section 4123.35 of the Revised Code will be met promptly. The administrator of workers' compensation shall deny the privilege to pay compensation, etc., directly, where the employer is unable to demonstrate its ability to promptly meet all the obligations under the rules of the commission and bureau and section 4123.35 of the Revised Code. The administrator shall consider, but shall not be limited to the factors in divisions (B)(1) and (B)(2) of section 4123.35 of the Revised Code where they are applicable in determining the employer's ability to meet all obligations under section 4123.35 of the Revised Code.

The administrator shall review all financial records, documents, and data necessary to provide a full financial disclosure of the employer, certified by a certified public accountant, including but not limited to, the balance sheets and a profit and loss history for the current year and the previous four years. For purposes of this rule, certified financial statements shall be construed by the administrator as audited by a certified public accountant, in accordance with generally accepted accounting principles, and shall include the certified public accountant's audit opinion.

- (1) In determining whether to grant a waiver of the requirement of division (B)(1)(e) of section 4123.35 of the Revised Code for certified financial records, the administrator shall consider the following criteria and conditions.
- (a) The administrator shall require reviewed financial statements, including full footnote disclosure, to be prepared and submitted in accordance with generally accepted accounting principles. For the purposes of this rule, "reviewed financial statements" shall mean financial statements that have been subject to procedures performed by a certified public accountant in accordance with AICPA Professional Standards, specifically, Statements on Standards for Accounting and Review Services, Section 100, Paragraph .24 through .38, December 1978.
  - (b) The administrator may utilize the services of a commercial credit reporting bureau to assist in the evaluation of an applicant's ability to meet its workers' compensation obligations. The cost of this commercial reporting service shall be assumed by the applicant employer.
  - (c) Notwithstanding the above criteria, the administrator may deem it necessary for an applicant employer to provide additional security to ensure meeting its workers' compensation obligations. The amount of such additional security shall be in the form and amount as determined by the administrator and paid prior to the granting of self-insurance. Pursuant to paragraph (F) of

this rule, in the event of the default of the self-insuring employer, the bureau shall first seek reimbursement from the additional security, which shall be first liable and exhausted, before payment is made from the self-insuring employers' guaranty fund under section 4123.351 of the Revised Code.

- (2) The administrator shall not grant the status of self-insuring employer to the state, except that the administrator may grant the status of self-insuring employer to a state institution of higher education, excluding its hospitals.
- (B) The employer shall secure from the bureau of workers' compensation proper application form(s) for completion. The completed application shall be filed with the bureau at least ninety days prior to the effective date of the employer's requested status as a self-insurer. The administrator may require that the application be accompanied by an application fee as established by bureau resolution to cover the cost of processing the application in accordance with section 4123.35 of the Revised Code. The application shall not be deemed complete until all required information is attached thereto. Prior to presentation to the administrator, applicable items listed in divisions (B)(1) and (B)(2) of section 4123.35 of the Revised Code shall be made available to the bureau and shall be reviewed by the bureau of workers' compensation. The bureau shall only accept applications which contain the required information.
- (C) The bureau shall recognize only such application forms which provide answers to all questions asked and furnish such information as may be required.
- (D) Return of the completed forms required by this rule and any additional information required by the bureau to process the employer's application should be submitted at least ninety days prior to the effective date of the employer's requested status as a self-insurer.
- (1) If the administrator determines to grant the privilege of self-insurance, the bureau shall issue a "Finding of Facts" statement which has been prepared by the bureau, signed by the administrator, subject to all conditions outlined in paragraph (L)(3) of this rule.
  - (2) If the administrator determines not to grant the privilege of self-insurance, the bureau shall so notify the employer, whereupon the employer shall be required to continue to pay its full premium into the state insurance fund.
- (E) All employers that have secured the privilege to pay compensation, etc., directly, will be required to make contributions as determined by the administrator to the self-insuring employers' guaranty fund established under section 4123.351 of the Revised Code, and, if an additional security is required by the bureau, in the amount or form that may be specified by the bureau. If the additional security is in the form of a surety bond, the bond shall be from a company approved by the bureau and authorized to do business in the state of Ohio by the Ohio department of insurance.

The surety bond shall be in the form prescribed by the bureau. The penal amount of such additional security is to be fixed by the administrator.

- (F) The surety bond or additional security furnished by the employer shall be for an amount and period as established by the bureau and may be periodically reviewed and reevaluated by the bureau. The surety bond or additional security shall provide on its face that the surety shall be responsible for the payment of all claims where the cause of action, as determined by the date of injury or date of occupational disease, arose during the liability of the surety bond or additional security. The liability under the surety bond or additional security and the rights and obligations of the surety shall be limited to reimbursement for the amounts paid from the surplus accounts of the state insurance fund by reason of the default of the self-insuring employer in accordance with division (B) of section 4123.82 of the Revised Code; however, in the event of such self-insuring employer's default, the bureau shall first seek reimbursement from the surety bond or additional security, which shall be first liable and exhausted, before payment is made from the self-insuring employers' guaranty fund established under section 4123.351 of the Revised Code. Upon default of the self-insuring employer, it shall be the responsibility of the administrator of the bureau of workers' compensation to represent the interests of the state insurance fund and the self-insuring employers' guaranty fund. The administrator, on behalf of the self-insuring employers' guaranty fund, has the rights of reimbursement and subrogation and shall collect from a defaulting self-insuring employer or other liable person all amounts the bureau has paid or reasonably expects to pay from the guaranty fund on account of the defaulting self-insuring employer.
- (G) The security herein required to be given by the employer shall be given to the state of Ohio, for the benefit of the disabled or the dependents of killed employees of the employer filing the same, and shall be conditioned for the payment by the employer of such compensation to disabled employees or the dependents of killed employees of such employer, and the furnishing to them of medical, surgical, nursing and hospital attention and services, medicines and funeral expenses equal to or greater than is provided by the Ohio workers' compensation law and for the full compliance with the rules and regulations of the commission and bureau and rules of procedure.
- (H) If another or parent corporation or entity owns more than fifty per cent of the stock of an employer, such employer must furnish a contract of guaranty executed by the ultimate domestic parent corporation or entity. If the employer establishes to the bureau that such contract of guaranty cannot be given by the ultimate domestic parent corporation, then the bureau may, in its discretion, waive the requirement of a contract of guaranty. The bureau may require an alternative form of security.
- (I) From the effective date of this rule, employees having one or more years of experience as a workers' compensation administrator for a self-insuring employer in Ohio shall be deemed sufficiently competent and knowledgeable to administer a program of self-insurance. Those self-insuring employers that employ workers' compensation

administrators who have less than one year of experience as a workers' compensation administrator in Ohio shall not have its status as a self-insuring employer affected pending notification by bureau of workers' compensation as to whether mandatory attendance of the administrator at a bureau of workers' compensation training program is required. If the bureau determines that the administrator is not able to administer a self-insuring program, the bureau may direct mandatory attendance of the administrator at a bureau of workers' compensation training program until such time as the bureau determines that the administrator is sufficiently competent and knowledgeable to run such a workers' compensation program. The cost of the bureau's training of the administrator(s) under this rule will be borne by the self-insuring employer or self-insuring employer applicant. By accepting the privilege of self-insurance, an employer acknowledges that the ultimate responsibility for the administration of workers' compensation claims in accordance with the law and rules of the bureau of workers' compensation and the commission rests with that employer. The self-insuring employer's records and compliance with the bureau of workers' compensation and commission rules shall be subject to periodic audit by the bureau of workers' compensation.

A self-insuring employer or applicant shall designate one of its Ohio employees who is knowledgeable and experienced with the requirements of the Ohio Workers' Compensation Act and rules and regulations therein, as administrator of its self-insuring program. The requirement for an Ohio administrator may be waived at the discretion of the bureau. The name and telephone number of the Ohio administrator, or non-Ohio administrator where the Ohio requisite has been waived, shall be posted by the employer in a prominent place at all the employer's locations. The administrator's duties shall include, but not be limited to:

- (1) Acting as liaison between the employer, the bureau of workers' compensation and the commission, and providing information to the agency upon request;
- (2) Providing assistance to claimants in the filing of claims and applications for benefits;
- (3) Providing information to claimants regarding the processing of claims and the benefits to which claimants may be entitled;
- (4) Providing the various forms to be used in seeking compensation or benefits;
- (5) Accepting or rejecting claims for benefits;
- (6) Approving the payment of compensation and benefits to, or on behalf of, claimants, pursuant to paragraph (K) of this rule.

This rule is not intended to prevent the hiring of an attorney or representative to assist the employer in the handling and processing of workers' compensation claims.

- (J) Employers that are granted the privilege of paying compensation, etc., directly, in accordance with these rules and regulations shall file with the bureau a report of paid compensation annually, shall keep a record of all injuries and occupational diseases resulting in more than seven days of temporary total disability or death occurring to its employees and report the same to the bureau upon forms to be furnished by it, and shall observe all the rules and regulations of the commission and bureau and their rules of procedure with reference to determining the amount of compensation, etc., due to the disabled employee or the dependents of killed employees, and payment of the same. All employers granted the privilege of paying compensation, etc., directly shall annually report paid compensation electronically via the bureau's website.

If a self-insured employer fails to timely file its annual report of paid compensation, the bureau may estimate the amount of paid compensation and assess the employer based on this estimate pursuant to rule 4123-17-32 of the Administrative Code. If the employer subsequently provides the bureau with actual paid compensation figures, the bureau shall adjust the paid compensation and any assessment accordingly. A self-insured employer that is no longer a self-insured employer in Ohio and has failed to timely file a report of paid compensation shall be subject to this rule.

- (K) Minimal level of performance as a criterion for granting and maintaining the privilege to pay compensation directly.
- (1) The employer must be able to furnish or make arrangements for reasonable medical services during all working hours. A written explanation of what arrangements have been made or will be made to provide medical treatment shall be supplied with the application for self-insurance.

For an employer desiring to be first granted the privilege of self-insured status on or after the effective date of this rule, the employer shall provide to the bureau for the bureau's approval the employer's plan for the following:

- (a) Criteria for the selective contracting of health care providers;
- (b) Plan structure and financial stability for the medical management of claims;
- (c) Procedures for the resolution of medical disputes between an employee and the employer, an employee and a provider, or the employer and a provider, prior to an appeal under section 4123.511 of the Revised Code;
- (d) Upon the request of the bureau, provide a timely and accurate method of reporting to the administrator necessary information regarding medical and health care service and supply costs, quality, and utilization; and,
- (e) Provide an employee the right to change health care providers.

- (2) The employer shall promptly pay the fees of outside medical specialists to whom the commission or bureau shall refer claimants for examination or where the commission or bureau refers the claim file for review and opinion by such specialist except as provided by law in cases where the claim was subsequently disallowed. Such fees shall be paid within the time limits provided for payment of medical bills under paragraph (K)(5) of this rule.
- (3) Every employer shall keep a record of all injuries and occupational diseases resulting in more than seven days of total disability or death as well as all contested or denied claims and shall report them to the bureau, and to the employee or the claimant's surviving dependents in accordance with rule 4123-3-03 of the Administrative Code.
- (4) The employer shall provide to the claimant and upon request, shall file with the bureau or the commission, medical reports relating thereto and received by it from the treating physician and physicians who have seen the claimant in consultation for the allowed injury or occupational disease, or any injury or occupational disease for which a claim has been filed. The claimant shall provide to the employer and, upon request, shall file with the bureau or the commission, medical reports relating thereto and received from the treating physician and physicians who have seen the claimant in consultation for the allowed injury or occupational disease or any injury or occupational disease for which a claim has been filed. The claimant shall honor the employer's request for appropriate written authorization to obtain medical reports to the extent that such reports pertain to the claim.
- (5) Within thirty days after receipt of a hospital, medical, nursing or medication bill duly incurred by the claimant, the employer shall either pay such bill, or if the employer contests any of such matters, shall notify the provider, the employee, and, only upon request, the bureau or commission in writing. Such written notice shall specifically state the reason for nonpayment. The employer's notification to the employee shall indicate that the employee has the right to request a hearing before the industrial commission. ~~If the matter is heard by the industrial commission, the employer shall pay compensation and benefits due and payable under an order as provided by section 4123.511 of the Revised Code.~~ If the self-insuring employer allows a claim for benefits or compensation without a hearing ~~or if the matter is heard by the industrial commission~~, the employer shall pay such benefits or compensation no later than twenty-one days from acquiring knowledge of the claim or the claimant's filing of the C-84 form ~~or from the employer's receipt of the industrial commission order as provided by section 4123.511 of the Revised Code~~, whichever is later; ~~provided that where the claimant is subject to a withholding order for support and the self-insuring employer is required to provide notice to the claimant's attorney pursuant to section 3121.0311 of the Revised Code, the time for the employer to pay such compensation is extended pursuant to section 3121.0311 of the Revised Code.~~

The employer shall approve a written request for a change of physicians within seven days of receipt of such request that includes the name of the physician and proposed treatment. The employer shall approve or deny a written request for treatment within ten days of the receipt of the request. If the employer fails to respond to the request, the authorization for treatment shall be deemed granted and payment shall be made within thirty days of receipt of the bill.

- (6) The employer shall make its records and facilities available to the employees of the bureau at all reasonable times during regular business hours. A public employer shall make the reports required by section 4123.353 of the Revised Code available for inspection by the administrator of workers' compensation and any other person at all reasonable times during regular business hours.
- (7) The employer shall pay all compensation as required by the workers' compensation laws of the state of Ohio. By becoming self-insuring, the employer agrees to abide by the rules and regulations of the bureau and commission and further agrees to pay compensation and benefits subject to the provisions of these rules. The self-insuring employer shall proceed to make payment of compensation or medical benefits without any previous order from the bureau or commission and shall start such payments as required under the Workers' Compensation Act, unless it contests the claim.
- (8) The employer may notify the medical section and the claimant at least sixty days prior to the completion of the payment of two hundred weeks of compensation for temporary total disability with the request that the claimant be scheduled for examination by the medical section. Payment of temporary total disability compensation after two hundred weeks shall continue uninterrupted until further order of the commission up to the maximum required by law, unless the claimant has returned to work, or the treating physician has made a written statement that the claimant is capable of returning to his former position of employment or has reached maximum medical improvement or that the disability has become permanent, or, after hearing, an order is issued approving the termination of temporary total disability compensation.
- (9) Upon written request by the claimant or claimant's representative, the employer shall make available for review all the employer's records pertaining to the claim. Such review is to be made at a reasonable time (not to exceed seventy-two hours) and place. The claimant, upon written request, shall provide the employer or its representative with an appropriate written authorization to obtain medical reports and records pertaining to the claim.

Except as provided for in this rule, an employer may not assess a fee or charge the claimant or the claimant's representative for the cost of providing a copy of the employer's records pertaining to the claim. Where the employer has previously provided a copy of the record or records pertaining to the claim to the claimant or the claimant's representative, the employer may charge a fee for the

copies. The employer's fee shall be based upon the actual cost of furnishing such copies, not to exceed twenty-five cents per page.

- (10) The employer shall inform a claimant, and the bureau of workers' compensation, in writing, within thirty days from the filing of the claim, as to what conditions it has recognized as related to the injury or occupational disease and what, if any, it has denied. The same timeframe shall apply when the employer rejects a medical only claim.
  - (11) The employer shall post notices of its self-insuring status indicating the location in the plant(s) for the filing of a claim and the job title and department of the employees designated by the employer to be the person or persons responsible for the processing of workers' compensation claims.
  - (12) A public employer, except for a board of county commissioners described in division (G) of section 4123.01 of the Revised Code, a board of a county hospital, or a publicly owned utility, who is granted the status of self-insuring employer pursuant to section 4123.35 of the Revised Code shall comply with the section 4123.353 of the Revised Code.
- (L) If a state insurance fund employer or a succeeding employer, as described in rule 4123-17-02 of the Administrative Code, applies for the privilege of paying compensation, etc., directly, by transferring from state fund to self-insurance, the actuary of the bureau shall determine the amount of the liability of such employer to the bureau for its proportionate share of any deficit in the fund. To determine an employer's liability under this rule, the actuary of the bureau shall develop a set of factors to be applied to the pure premium paid by an employer on payroll for a seven year period, as described below. The factors shall be based on the full past experience of the commission and bureau as reflected in the most recent calendar year end audited combined financial statement of the commission and bureau, and shall also accommodate any projected change in the financial condition of the fund for the current calendar year, or any additional period for which an audited combined financial statement is unavailable. The factors shall be revised annually effective July first based on the most recent calendar year audited combined financial statement and the projected change in the financial condition of the fund in the current calendar year or any additional period for which an audited combined financial statement is unavailable. The annually revised factors shall be adopted by rule 4123-17-40 of the Administrative Code, and filed with the secretary of state and the legislative service commission at least ten days prior to July first of each year. Factors effective July first of each year shall apply to all applications for self-insurance filed on or after July first of that year through June thirtieth of the following year. The revised factors shall be applied to the pure premium paid by the employer on payroll for the seven calendar accident years ending December thirty-first of the year preceding the year in which the factors are adopted under rule 4123-17-40 of the Administrative Code. In the event the audited combined financial statement of the commission and bureau reveals that no deficit exists, or in the event

the application of the factors adopted by rule 4123-17-40 of the Administrative Code yields a negative number, the employer will incur no liability under this paragraph, but will not receive any refund for prior premiums paid except for those matters specifically addressed in paragraph (L)(2) of this rule. As used in this rule, "pure premium paid" means premiums actually paid under a base rating plan or an experience rating plan and minimum premium paid under a retrospective rating plan. It does not include premiums billed for actual claims costs, including reserves at the end of ten years, under a retrospective rating plan. Obligations under a retrospective rating plan remain the responsibility of the employer regardless of the employer's status. The same principles shall apply to cases of a merger by a self-insuring employer and a state fund employer under the self-insurer's status. In addition, the provisions listed below shall apply:

- (1) Within thirty days of the receipt from the employer of the necessary forms and of a separate statement of assets and liabilities, the bureau will forward to the employer a letter stating the amount of liability (if any) due the state fund as outlined above and a copy of the computation of such liability (if any).
- (2) Within thirty days of the date of mailing of the letter by the bureau as outlined in paragraph (L)(1) of this rule, the employer shall reply by a letter, signed in handwriting, acknowledging that the employer agrees with the amount of liability specified in the letter and that there are no protests or claims hearings pending which could affect the amount of the liability. If any such matters are pending and would affect the liability, they must be detailed and set forth in the letter from the employer. This letter must also acknowledge that any protest letters, applications for handicap reimbursement or other requests affecting the risk's state fund experience filed subsequent to the date of this letter shall be considered invalid for both rebate of premium on state fund experience and the calculation of liability cited above. This letter must also specify the suggested effective date of the transfer to self-insurance which the employer requests, subject to paragraph (B) of this rule which requires that the effective date must be at least ninety days after the date the application forms are received by the bureau. Failure to comply with the requirements set forth herein shall terminate further consideration of the application.
- (3) Subsequent to the approval of the employer's self-insurance status and the effective date thereof by the administrator, the bureau shall issue a settlement sheet statement containing the adjustment required above and billing for an advance deposit as required by other rules of the commission. The employer shall pay the amounts required by this paragraph, pay the contribution to the self-insuring employers' guaranty fund under section 4123.351 of the Revised Code, submit a performance surety bond or additional security, if required by the bureau, and estimated final payroll report as a state fund risk, all within thirty days of the date of the mailing of the self-insured certificate.

- (4) The final adjustments of all premiums due the state fund for the final payroll reports and final bureau audit (if any), as well as the pending protests, etc., as specified in paragraph (L)(2) of this rule, shall all be settled and paid within six months from the date of transfer from state fund to self-insuring status. Employer's records must be made available promptly for final audit which must also be completed within six months from the date of the transfer from state risk to self-insurance.
- (M) If there is any change involving additions, mergers, or deletions of entities or ownership changes of a self-insuring employer, which would materially affect the administration of the employer's self-insuring employer program or the number of employees included in such program, the employer shall notify the bureau self-insuring employer's section within thirty days after the change occurs. Based upon the information provided or additional information requested by the bureau, the bureau will determine the effect of the change on the employer's self-insuring employer status, the adequacy of the employer's contribution to the self-insuring employers' guaranty fund, and the need for additional security.
- (N) Public employers granted the privilege of self-insurance shall include volunteers and probationers performing services for the political subdivision as employees to be covered under the self-insurance policy.

# Workers' Compensation Oversight Commission

## Executive Summary

### **Private Employers Rate Indication**

#### **Employer Group: Private Employers**

Policy Year: 7-1-2007 through 6-30-2008

Rate Method: Calculate and apply premium rates designed to provide premiums equal to the cost of all injuries or occupational diseases that have injury dates during the policy year. Attached is a table showing the rate changes over the past several years. Mercer Oliver Wyman, actuarial consultants have provided information to the Administrator from which to make a rate recommendation.

#### **Rate Rule Process:**

- Administrator of Ohio Bureau of Workers' Compensation recommends to the Workers' Compensation Oversight Commission an overall rate change at the April 2007 WCOC meeting
- Workers' Compensation Oversight Commission provides advice and consent to the overall rate change by resolution
- Administrator provides specific rules that are necessary to implement the approved rate change (Rules 4123-17-05 and 4123-17-06) at the June 2007 WCOC meeting
- Workers' Compensation Oversight Commission provides advice and consent to the rules by resolution
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2007 with an effective date of July 1, 2007

Mercer Oliver Wyman, actuarial consultants have provided the BWC with three rate level scenarios.

1. The baseline scenario is a statistical extrapolation of the historical pure premiums for accident year 1997 to 2006.
2. The reasonable expectation-optimistic scenario contemplates continuing improvements that may not be reflected in the payment trends.
3. The reasonable expectation-conservative scenario contemplates a projected loss rate that is 3.12% higher than the baseline loss rate. This is based on data from accident years 1997 - 2005.

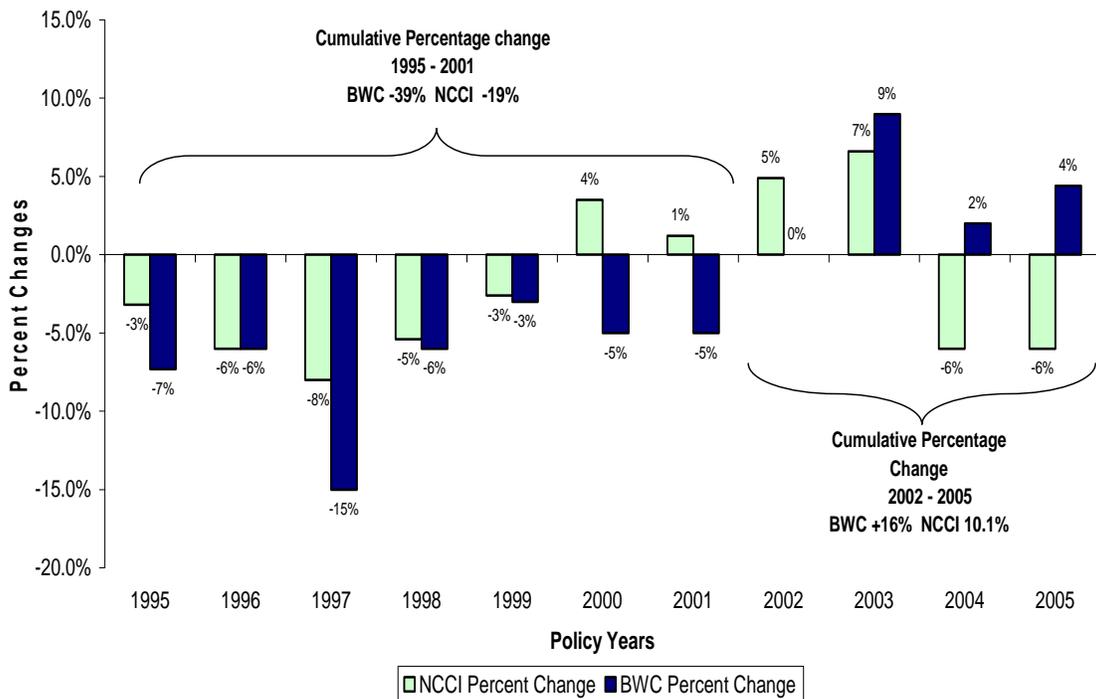
The Administrator is recommending a 0% overall premium rate increase for private employers. This rate increase will result in the collection of about \$1.5 billion in premiums. Employers will pay these premiums in February and August 2008. The premiums will be used to pay only claim related expenses for claims with injury dates during the policy year. This is an overall rate change recommendation. Some manual classifications will have higher rate increases and some will have lower rate changes, even rate decreases. Individual employer's rates will be calculated using the manual base rates and the employer's individual experience losses.

Subject to your consent, we will calculate the base rates for each of the 528 manual classifications and bring those to the June meeting for your advice and consent.

# Historical Rate Recommendations and Selection

Policy Year	Mercer Oliver Wyman Recommendation Range (%)			Approved Rate Change
	Reasonable Expectation Optimistic	Baseline	Reasonable Expectation Conservative	
7-1-2006	-1.8	+3.9	+8.8	+3.9
7-1-2005	+4.4	+10.4	+13.2	+4.4
7-1-2004	+1.9	+7.3	+10.5	+2.0
7-1-2003	+6.9	+12.5	+15.9	+9.0
7-1-2002	0.0	+5.0	+8.1	No Change
7-1-2001	-7.4	-5.3	-2.1	-5.0
7-1-2000	-9.5	-7.4	-3.2	-5.0
7-1-1999	-6.3	-4.1	-1.6	-3.0
7-1-1998	-9.4	-3.7	-6.5	-6.0

## History of BWC Rate Changes and NCCI Rate/Loss Cost Level Changes



\*NCCI Annual Issue Symposium 2006

\*NCCI rate change for 2005 is only for states approved through 4/13/2006.

\*BWC data from the annual Private Employer rate filings

# Workers' Compensation Oversight Commission

## Executive Summary

### Public Employer State Agency Rates

Policy Year: 7-1-2007 through 6-30-2008

Rate Method: Employer rates are on a terminal funding basis which is similar to the self-insurance concept except that the Bureau of Workers' Compensation administers the claims. Attached is a table showing the average rate change over the past several years, the rule with the actual rate information that places the rates into effect July 1, 2007, and a written rate history document. The Administrator has been provided information from which to make a rate recommendation.

Rate Rule Process:

- Administrator of Ohio Bureau of Workers' Compensation recommends to the Workers' Compensation Oversight Commission an overall rate change
- Workers' Compensation Oversight Commission provides advice and consent to the overall rate change by resolution
- Administrator provides specific rules that are necessary to implement the approved rate change (Rule 4123-17-35) at the April 2007 WCOC meeting
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2007
- Rates become effective July 1, 2007

The Administrator is recommending a 0% overall change for public employer state agencies. This rate recommendation will result in the collection of about \$70.8 million in premiums. DAS Agencies will pay these premiums bi-weekly beginning in July 2007. University and University Hospitals will pay quarterly beginning in October 2007. The premiums will be used to pay only claim related expenses for claims payments during the policy year. This is an overall rate change recommendation. Some state agencies will have higher rate increases and some will have lower rate changes, even rate decreases.

Rate increase	19 agencies
Rate decrease	102 agencies
No rate change	5 agencies
Total agencies	126 agencies

Minimum rate is \$0.05 per \$100 of reported payroll

Average rate is \$1.02 per \$100 of reported payroll

## **STATE AGENCY RATES**

### **History**

State agencies including state universities and university hospitals are entities which derive their authority from and are directly responsible to state government. State agency rates are recommended by the Administrator for the advice and consent of the Workers' Compensation Oversight Commission. State agency rates must be filed with the Secretary of State and the Legislative Service Commission

Prior to July 1, 1977, all state agencies except Wildlife, Transportation, Highway Safety, Bureau of Employment Services, and state universities and state university hospitals were assessed the same rate. Federal grants required an individual rate for each of the agencies specifically aforementioned. Effective July 1, 1977, rates were computed for each agency (except state universities and state university hospitals) as prescribed by Section 4123.39 and 4123.40 based on its own loss record over the last five years. In the early 1970's state universities and state university hospitals were permitted by the Department of Finance to participate in a merit-rating plan for that group because the hazard connected with their operation was deemed less costly than the hazard involved in the operations of other state agencies. Effective July 1, 1980, state universities and state university hospitals were individually rated in the same manner as other state agencies.

State agencies including state universities and university hospitals pay premiums into the State Insurance Fund on a terminal funding basis which is similar to the self-insurance concept except the Bureau of Workers' Compensation administers the claims. Currently, all state agencies with the exception of small boards, commissions, and agencies are individually rated. The Actuarial Section determines a rate for each agency that will generate premium collections that are equal to the losses anticipated to be authorized in the upcoming year. No reserves are developed for rate-making purposes to cover the future liability of state agency claims. However, when permanent total disability or death benefits are awarded, a present value was included in the rate calculation prior to July 1, 2002. Beginning with the July 1, 2002 rating year, awards were replaced with payments, and present values were no longer used. Effective July 1, 1985, the minimum state agency rate was set at fifteen cents per one hundred dollars of payroll as recommended by the Bureau's actuarial consultant. The minimum rate was then set at five cents per one hundred dollars of payroll effective July 1, 1998.

Five years of claims costs, payroll and premium are used in the calculation of state agency rates. Prior to July 1, 1985, the claims losses were tabulated on a fiscal year basis starting September 1st and ending August 31st. Payroll and premium were on a fiscal year basis, which ran from July 1st through June 30th. Commencing with rates effective July 1, 1985 the data base was converted to a calendar year basis (e.g. January 1st through December 31st) for claims costs, payroll and premium. This conversion, which reduced programming requirements, placed all employer (public employer state agencies, public employer taxing districts and private employers) rate calculations on a calendar year basis and eliminated comparison of dissimilar period data.

The state agency rate-making system is designed to be a self-correcting system. With rates effective July 1, 1982 a procedure was built into the computation to adjust current

rates for an overage or shortage of premium paid in prior years compared to losses generated for the same period of time.

After noticing a substantial negative trend in losses and with the positive changes occurring in claims management, an improvement in applying loss trends to individual agencies appeared to be appropriate. The Actuarial Section in conjunction with William M. Mercer (Actuarial Consultants) studied the impacts of using an individual loss trend for all the individually rated employers and using a weighted loss trend based on the amount of premium that an employer has. Effective July 1, 1998, the new trending method replaced a global loss trend factor used for all PES employers. The new method is based upon both the overall PES loss trend and the employer's individual loss trend. This method provided more responsive changes to premium rates based upon the individual employer's losses and payroll.

In order to remove any perceived disincentive to settling claims, the Actuarial Section made another change effective July 1, 1998. For state universities and state university hospitals, lump sum settlements were removed from the rate calculation. The losses or payments made for lump sum settlements were left out of the rate calculation for determining the current rate necessary to charge the employer (second line of the rate calculation sheet), but the settlement losses were included in the overage/shortage part of the calculation (third line of the rate calculation sheet). Settlements made prior to July 1, 1998 will be included in the overage/shortage figure until they drop out of the five-year period of losses. In order to collect enough premiums to cover these settlement losses, employers will have a settlement billing in addition to the usual quarterly premium billing. Beginning with the July 1, 2004 rating year, two new programs allowed the other individually rated agencies to have the option of entering a lump sum settlement program. The two programs added to rule 4123-17-35 were a one-time Lump Sum Settlement Exclusion program and a LSS Direct Reimbursement program. The one-time Lump Sum Settlement Exclusion program ended June 30, 2006.

A Governor's Commission incentive program was introduced for the 7-1-2003 rating year. This program was only for the governor's cabinet members. This incentive program was a three year program in which a 10% discount was given for certain incentives such as reducing claim frequency and severity, and establishing a safety program. The first year, all members received the discount. The second and third year discounts were dependent upon the employers meeting the specifications of the program.

Due to the changes above, it was agreed that for rates effective July 1, 1998, no employers' rate would be greater than their rate for July 1, 1997. For the rating year beginning July 1, 1999, there was no "capping" of rates. Employers' rates for the July 1, 2000, July 1, 2001, and July 1, 2002 rating years were capped at a maximum 25 percent increase over their rate for the previous rating year. For the rating year beginning July 1, 2003 and July 1, 2004, there was a maximum 150 percent increase allowed over the rate from the previous rating year. Rates for the July 1, 2005 period were uncapped, while rates beginning July 1, 2006 were capped at a maximum 100% increase over the July 1, 2005 rate. Rates for the July 1, 2007 period were uncapped.

In order to produce a larger, more reliable database and to minimize large rate fluctuations from year to year, small boards and commissions were combined for the calculation of one composite rate applicable to each of those entities. Prior to July 1,

1987, the small boards and commissions were placed into one of five schedules (schedules A through E). Effective July 1, 1987, the five schedules were combined to calculate one composite rate. The Bureau's actuarial consultant agreed that this change was in the best interest of the state agencies involved.

The Payroll Section of Administrative Services will apply the rates to the payroll of the various agencies whose payroll are generated through the Department of Administrative Services and will remit the premium to the Cash Control/Accounts Receivable Section of the Bureau of Workers' Compensation every two weeks. Attached to the check will be a list of payroll, premium, both DWRF assessments, and administrative cost for each agency. State universities and university hospitals and a few other state-operated entities (such as the Ohio Building Authority) are billed by the Bureau's Direct Billing/Accounts Receivable Section once each quarter and pay premium, DWRF, administrative cost, and the additional DWRF assessment directly to the Bureau. These entities are advised individually of their rates.

**July 1, 2007 Statistics**

Based upon the rates calculated, there are nineteen (19) state agencies whose rate increased, five (5) state agencies whose rate did not change, and one hundred two (102) state agencies whose rate decreased from the rate effective July 1, 2006. The overall average rate change is as follows:

<i>Average Rate</i>		<i><u>Difference</u></i>	<i><u>Percent of Change</u></i>
<i><u>Effective 7/1/2007</u></i>	<i><u>Effective 7/1/2006</u></i>		
1.0238	1.0236	\$0.0002	0%

**Historical Percent Change in**  
**Public Employer State Agency Average Rates**

<b>Policy Year</b>	<b>Percent Change</b>
7/1/2007	No change
7/1/2006	No change
7/1/2005	13.46% increase
7/1/2004	10.00% increase
7/1/2003	37.65% increase
7/1/2002	No change
7/1/2001	No change
7/1/2000	No change
7/1/1999	6.01% decrease
7/1/1998	27.67% decrease
7/1/1997	9.74% decrease
7/1/1996	6.05% decrease

4123-17-35      **Public employer state agency contribution to the state insurance fund.**

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.39, and 4123.40 of the Revised Code. The administrator hereby sets rates per one hundred dollar unit of payroll to be effective July 1, ~~2006~~ 2007, applicable to the payroll reporting period July 1, ~~2006~~ 2007, through June 30, ~~2007~~ 2008, for public employer state agencies, including state universities and university hospitals, as indicated in the attached appendix A.

For policy years following the effective date of this rule, a public employer state (PES) agency that is not currently participating in a settlement payment program may enter into the following lump sum settlement (LSS) payment option.

(A) A PES agency that is not currently participating in a settlement payment program may participate in the lump sum settlement (LSS) direct reimbursement rating and payment program. A PES agency participating in this program will have the LSS payments excluded from the bureau's rate calculation process.

(1) Requirements.

- (a) A PES agency shall make a three-year minimum commitment to the LSS direct reimbursement payment and rating program.
- (b) The earliest beginning date of the LSS program is July 1, 2004.
- (c) A PES agency shall notify the bureau of its desire to participate in the LSS direct reimbursement and payment program before the first day of January immediately preceding the policy year in which the agency wishes to participate in the program. The notification shall be made on the form provided by the bureau and signed by the PES agency's designee.
- (d) A PES agency currently participating in a settlement program is not eligible to participate in the LSS direct reimbursement payment and rating program.

(2) Lump sum settlement (LSS) rate calculation rules.

- (a) All LSS payments will be treated the same whether the result of a court-ordered settlement, an agency-negotiated settlement or any other type of settlement.
- (b) Once a PES agency begins participating in the LSS direct reimbursement and rating program, all LSS payments will be excluded from the five year losses

used to calculate the "pure premium rate" for future policy year rate calculations. The pure premium rate is defined as the rate that is the actual five year losses divided by the five year reported payroll used to project the rate needed to be collected for the next policy year. The calculation of the "overage and shortage rate" will include the LSS payments paid by the bureau and not reimbursed by the PES agency. The calculation will exclude the LSS payments paid by the bureau and reimbursed by the PES agency. The overage and shortage rate is defined as the rate at which the agency must pay any past shortage in rates or the reduction in rate of any past overage in premium paid.

- (c) When an agency terminates a LSS direct reimbursement and rating program, the pure premium rate will include all LSS payments. The calculation of the overage and shortage rate will only include the LSS payments that were made by the bureau and not reimbursed by the PES agency.
- (3) Lump sum settlement (LSS) reimbursement payments.
- (a) A lump sum settlement will be billed in the next quarter following the date the LSS warrant was cashed. The October billing will include any lump sum settlement where the warrant was cashed in July, August or September; the January billing where the warrant was cashed in October, November or December; the April billing where the warrant was cashed in January, February or March; and the July billing where the warrant was cashed in April, May or June.
  - (b) The bureau will bill a structured settlement to the PES agency as the warrant is cashed.
  - (c) The PES agency shall pay the LSS quarterly bill within thirty days of the billing date.
  - (d) If the PES agency fails to pay a LSS quarterly bill within thirty days, the bureau will remove the PES agency from the LSS direct reimbursement rating and payment program and the bureau will include the outstanding LSS payments in the rate calculation.
  - (e) A PES agency may settle permanent total disability and death claims in which the present value was used in rate calculations for five years. The settlement amount will be included in the quarterly billings. In addition, there will be no substitution of the permanent total disability or death benefits paid to date for the present value.
  - (f) Settlements on permanent total disability and death claims where the present value of the claim is currently in the five-year experience period will be processed by substituting the permanent total disability or death benefits paid to date (not including the LSS) for the present value. The substitution would occur in the calendar year in which the settlement was made. The settlement amount will also be included in the quarterly billings.

- (g) A PES agency shall file any dispute in writing, specifying the agency's objections to the billing, with the bureau's direct billing department. The filing of a dispute does not relieve or suspend the agency's obligation to pay the obligation. Questions concerning the rate calculations should be directed to the bureau's actuarial department.

(4) Change in status.

- (a) When a PES agency combines with another PES agency, the choice that the agency that is determined to be the succeeding agency made in respect to participating in this program controls.
- (b) A PES agency that is participating in a program and transfers a portion of its operations to another agency shall continue to participate in the program. The choice made in respect to participating in this program by the agency to which the operations were transferred will not be affected.
- (c) Where a PES agency participating in a LSS direct reimbursement rating and payment program becomes self-insured, the bureau will calculate a buyout and any obligations owed by the PES agency under the program will be included in the buyout.

(5) Terminating a program.

- (a) A PES agency may request, in writing, to terminate a program after the three year minimum commitment period has been completed. The agency's participation in the program will automatically be renewed for another three years unless the written request is submitted.
- (b) A PES agency shall submit a request to terminate a program before the first day of January of the year the three year commitment ends. For example, if the PES agency starts participating in the LSS program or its participation is renewed for the policy year beginning July 1, 2004, the request must be submitted before January 1, 2007.
- (c) Once a PES agency terminates a LSS program, the agency is no longer eligible to participate in a program.

## Table from Rule 4123-17-35 to be enacted

### APPENDIX A

#### STATE AGENCY RATES EFFECTIVE JULY 1, 2007

MANUAL	AGENCY	RATE
3100	General Revenue (Sch.) Commissions, Boards and Departments not otherwise classified	0.27
3101	Judiciary - Supreme Court, Judicial Conference	0.07
3102	Ohio Senate (Sch.)	0.27
3103	Ohio House of Representatives (Sch.)	0.27
3105	Legislative Service Commission (Sch.)	0.27
3106	Office of the Governor (Sch.)	0.27
3109	Secretary of State	0.12
3110	Attorney General	0.24
3111	Department of Agriculture	0.73
3112	Department of Commerce	0.70
3113	Department of Education	0.37
3114	Department of Health	0.64
3115	Industrial Commission of Ohio	0.67
3117	Public Utilities Commission of Ohio	0.43
3120	Department of Taxation	0.58
3121	Bureau of Workers' Compensation	0.71
3122	Auditor of State	0.93
3123	Civil Defense (Volunteer) (Sch.)	0.27
3124	Treasurer of Ohio	0.51
3125	Department of Administrative Services	1.04
3127	Ohio Board of Regents (Sch.)	0.27
3130	State Library Board	0.17
3136	Ohio Veterans Home Agency	3.21
3137	Department of Youth Services	5.48
3139	Ohio Arts Council (Sch.)	0.27
3150	Department of Mental Health	2.43
3152	Ohio Expositions Commission	3.50
3154	Department of Natural Resources	1.50
3156	Adjutant General	1.10
3160	Ohio National Guard	0.05

**STATE AGENCY  
RATES EFFECTIVE JULY 1, 2007**

<b>MANUAL</b>	<b>AGENCY</b>	<b>RATE</b>
3166	Department of Development	0.10
3167	Department of Insurance	0.72
3169	Racing Commission of Ohio (Sch.)	0.27
3170	Ohio Civil Rights Commission	0.07
3171	Board of Barber Examiners (Sch.)	0.27
3172	State Board of Cosmetology (Sch.)	0.27
3173	State Dental Board (Sch.)	0.27
3174	State Board of Embalmers & Funeral Directors (Sch.)	0.27
3175	State Medical Board (Sch.)	0.27
3176	State Board of Nursing Education and Nurse Registration (Sch.)	0.27
3177	State Board of Optometry (Sch.)	0.27
3178	State Board of Pharmacy (Sch.)	0.27
3179	State Veterinary Medical Board (Sch.)	0.27
3180	State Board of Accountancy (Sch.)	0.27
3181	State Board of Architects (Sch.)	0.27
3183	State Board of Engineers & Surveyors (Sch.)	0.27
3186	Ohio Water Development Authority (Sch.)	0.27
3187	Rehabilitation Services Commission	0.63
3188	Department of Rehabilitation and Correction	2.45
3190	Environmental Protection Agency	0.12
3191	Office of Budget and Management	0.12
3192	Department of Aging	0.17
3193	Court of Claims (Sch.)	0.27
3194	Ohio Legal Rights Service (Sch.)	0.27
3200	Department of Transportation	2.15
3202	The Petroleum Underground Storage Tank Release Compensation Board (Sch.)	0.27
3203	Office of Inspector General (Sch.)	0.27
3204	Capital Square Review and Advisory Board (Sch.)	0.27
3206	Ohio Ambulance Licensing Board (Sch.)	0.27
3207	Ohio Arts Facilities Commission (Sch.)	0.27
3208	Joint Legislative Ethics Commission (Sch.)	0.27
3209	Lake Erie Commission (Sch.)	0.27
3210	Ohio Elections Commission (Sch.)	0.27

**STATE AGENCY  
RATES EFFECTIVE JULY 1, 2007**

<b>MANUAL</b>	<b>AGENCY</b>	<b>RATE</b>
3400	Department of Public Safety	0.85
3501	Ohio Public Defender Commission (Sch.)	0.27
3504	Office of the Consumers' Counsel (Sch.)	0.27
3512	Commission on Spanish Speaking Affairs (Sch.)	0.27
3516	Board of Speech Pathology and Audiology (Sch.)	0.27
3518	Board of Dispensing Opticians (Sch.)	0.27
3519	Department of Mental Retardation and Developmental Disabilities	6.72
3520	Board of Chiropractic Examiners (Sch.)	0.27
3521	State Employee Relations Board (Sch.)	0.27
3523	Ohio Ethics Commission (Sch.)	0.27
3524	Ohio Air Quality Development Authority (Sch.)	0.27
3525	Liquor Control Commission (Sch.)	0.27
3527	Psychology Board (Sch.)	0.27
3528	Occupational & Physical Therapy Board (Sch.)	0.27
3529	Counselors and Social Workers Board (Sch.)	0.27
3530	Sanitarian Registration Board (Sch.)	0.27
3531	Athletic Commission (Sch.)	0.27
3532	Commission on Minority Health (Sch.)	0.27
3533	Board of Dietetics (Sch.)	0.27
3535	Department of Alcohol and Drug Addiction	0.93
3536	Commission on Dispute Resolution & Conflict Management (Sch.)	0.27
3537	Ohio Respiratory Care Board (Sch.)	0.27
3538	Public Works Commission (Sch.)	0.27
3539	Ohio Tuition Trust Authority (Sch.)	0.27
5600	Ohio Building Authority	0.05
5900	Lottery Commission	1.25
5902	Ohio Community Service Council (Sch.)	0.27
5903	Joint Commission on Agency Rule Review (Sch.)	0.27
5904	Ohio School Facilities Commission (Sch.)	0.27
5906	Board of Motor Vehicle Collision Repair (Sch.)	0.27
5909	Commission of African American Males (Sch.)	0.27
5910	Department of Job & Family Services	0.37
5911	Board of Proprietary School Registration (Sch.)	0.27
5912	Board of Tax Appeals (Sch.)	0.27

**STATE AGENCY  
RATES EFFECTIVE JULY 1, 2007**

<b>MANUAL</b>	<b>AGENCY</b>	<b>RATE</b>
5913	Personnel Board of Review (Sch.)	0.27
5914	Southern Ohio Agricultural & Community Development Foundation (Sch.)	0.27
5923	Tobacco Use & Prevention Control Foundation (Sch.)	0.27
5924	Orthotics, Prosthetics and Pedorthics Board (Sch.)	0.27
5928	Chemical Dependency Professionals Board (Sch.)	0.27
5930	Manufactured Homes Commission (Sch.)	0.27
5931	Ohio Housing Finance Agency (Sch.)	0.27
5932	Etech Ohio Commission (Sch.)	0.27
5933	Environmental Review Appeals Commission (Sch.)	0.27

**STATE UNIVERSITIES**

<b>MANUAL</b>	<b>AGENCY</b>	<b>RATE</b>
3128	Cleveland State University	0.22
3141	Bowling Green State University	0.60
3142	Kent State University	0.28
3143	Miami University	0.51
3144	Ohio University	0.57
3145	Ohio State University, Ohio Agricultural Center	0.37
3146	Central State University	1.13
3148	University of Toledo Health Science Campus	0.06
3149	University of Toledo	0.49
3151	OSU Cooperative Extension	0.53
3157	Youngstown State University	0.30
3158	Wright State University	0.13
3159	University of Akron	0.17
3505	University of Cincinnati	0.20
3526	Shawnee State University	0.69
5905	Northeastern Ohio Universities College of Medicine	0.13

**STATE AGENCY  
RATES EFFECTIVE JULY 1, 2007**

**STATE UNIVERSITY HOSPITALS**

<b>MANUAL</b>	<b>AGENCY</b>	<b>RATE</b>
3131	Ohio State University Hospital	0.74
3161	University Medical Center	0.45
3201	OSU Cancer Research Hospital	0.73
5907	The Ohio State University Hospitals East	1.46