

Ohio Bureau of Workers' Compensation

- Six Months of Progress

By Steve Buehrer, Administrator/CEO

The first six months at BWC under the leadership of Governor Kasich has been a time of evaluation, planning and progress. As we set a course for long term reform, a critical first step has been to evaluate BWC's current position, listen to our customers and stakeholders as well as identify short and long term goals to make BWC an asset in Ohio's economic recovery. Toward this end, I have given formal remarks to nearly 30 groups across the state and have been at scores of other meetings to hear ideas and encourage dialogue. I have also engaged our employees, hosting two town hall meetings, visiting our 16 locations statewide, and convening work groups and conducting problems solving exercises to tap into their expertise. During these visits, the priority has been to not only set forth BWC's current situation and future goals, but also the challenges facing Ohio and the Governor's plan for meeting those challenges.

In our first six months, we have...

- Saved Ohio employers \$65 Million in premiums by reducing our average base rates for private employers by 4 percent.
- Saved an additional \$80 million by reducing our budget by 12% over the last biennium.
- Expanded the safety council rebate program, allowing group-rated employers to receive a 2 percent discount for demonstrating improvements to employee safety. This will save these employers up to \$4 million in premium costs.
- Established, as part of the Lt. Governor's Common Sense Initiative, a one-time forgiveness program that waives penalties and interests for first-time offenders of lapsed premium.
- Emphasized our fraud department efforts and broadened the focus to all types of fraud. Efforts to date include the first-ever attempt to close a non-compliant business through an injunction, steps to decertify a provider inappropriately prescribing prescription narcotics and obtaining 43 indictments and 42 convictions involving fraud by allegedly injured workers.

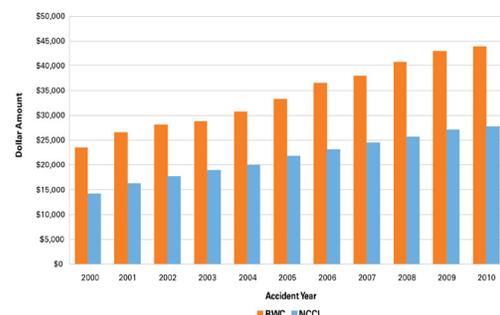
Where we are...

When I arrived at BWC, I was pleased to see progress since I was last here in the mid-1990s. In the early 1990s, it took 63 days on average from the date of injury for BWC to even find out about an injury. Today it takes about 3 days. Also, before the Health Partnership program, only 10 percent of the initial claims determinations were made within 14 days of filing. Today it's 75 percent.

Although some things have changed, there is much work yet to be done. The major focus over the next six months and beyond is getting costs under control and getting injured workers back to work in a timely manner.

BWC costs are escalating precipitously, with the average medical and indemnity cost per claim rising at a much faster rate than other states across the country.

Average Medical Cost Per Lost-Time Claim



NCCI data from the NCCI Annual Issues Symposium 2011, Dennis Mealy, FCAS, MAAA, NCCI Chief Actuary
BWC data from the March 19, 2011 Private Employer Rate Recommendation, Debole Consulting, LLP
©2011 National Council on Compensation Insurance, Inc. All rights reserved. Republished with permission.

Also, BWC's return-to-work numbers have fallen from 75 percent of injured workers getting back to work within a year to below 69 percent. This fact means that thousands of workers are trapped in the BWC system for longer periods of time. Finally, the length of our claims tail is much fatter and longer than many other surrounding states, and most of the country. In fact, eight years from the date of injury, BWC still has more than 45 percent of total claim costs left to pay out, compared to the nationwide average of 17 percent.

It is clear that better cost containment and better outcomes must be our short to mid-term focus. I have led the senior management team through a brain storming session over the reasons behind these problems and held a town hall meeting to allow employees of all levels a to participate in crafting solutions.

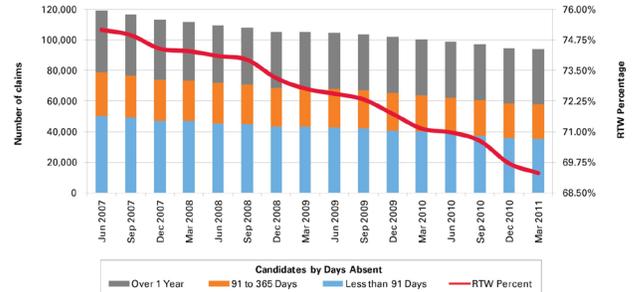
As a follow-up I created five work groups to address the issues we believe are most closely associated with the rising cost and negative return to work trends we identified: Triaging Claims, Medical Management, Drug Utilization, Vocational Rehabilitation and Settlements. These work groups are tasked with coming up with solutions to the issues and they are to present their suggestions for change and their strategies for implementation in the near future.

Where we're going...

By emphasizing our ideals of service, simplicity and savings, we have an opportunity to make Ohio's Workers' Compensation system a partner in economic growth. Through better management, a greater focus on key priorities, and through vigilant attention to the financial stability of the state insurance fund, our system can be improved. Even as we work on these priorities, however, other questions remain. Do we need significant changes to Ohio's benefits structure and appellate (Industrial Commission) process? Would our state be better served by allowing competition into the workers' compensation market place? Under what time frames are these reforms possible?

Return to Work

Reported quarterly



Source: p. 17 Enterprise Report - April 2011

Average Remaining Claims Costs

	Months from the beginning of accident year							96
	12	24	36	48	60	72	84	
Countrywide	77.0%	50.4%	37.1%	29.4%	24.5%	21.2%	18.9%	17.1%
Maximum	89.3%	73.7%	61.6%	52.7%	45.7%	43.4%	41.9%	40.7%
Minimum	58.2%	23.0%	14.2%	10.6%	8.3%	7.0%	5.9%	5.2%
Ohio	86.9%	74.1%	65.4%	58.4%	54.2%	51.5%	48.7%	45.4%

*All data except Ohio was gathered from the 2010 NCCI Statistical Bulletin. The percentages were derived from the 2002-06 PwC Loss Development Factors. Ohio's data is based on October's 9/30/10 analysis.

As the Governor has been saying, BWC reform is a second half of the year priority. In preparation for this, we continue to solicit ideas from employees and stakeholders so we can provide a list of options for the Governor. Our goal is to provide a sound analysis to help us and the Governor make decisions regarding 21 issues such as benefits structure, marketplace competition and the appellate process—many of which would likely require legislative reform.

In the coming weeks, I am prepared to begin meeting with the Governor to discuss these issues as well as his views on BWC reform. Once the scope of our reform and the timeline for roll out has been set, we will be prepared to work with everyone involved to implement our goals in the second half of the year and beyond.