



P.O. Box 54863
Cincinnati, OH 45254
(513) 624-6470
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November 14, 2007

Bureau of Workers' Compensation

Rainbow Environmental has been involved with Sheakley Uniservice since 1992. If we did not have their services, we would not be able to understand the handling of claims and the bureaucracy of BWC.

The decreasing of our premiums to 80% would cost Rainbow an additional \$4,894.00. If the premium is 80% max and 4% decrease in base rate, our increase would be \$3,313.00.

Besides this, we were penalized a huge dollar amount because of the MIRA reserve placed on claim 03-823111. The MIRA reserves were as follows:

6/30/04	\$ 28,308
9/30/04	\$ 27,272
12/31/04	\$ 163,721
3/31/05	\$ 20,800

This high reserve certainly is out of character and now we are penalized heavily. Though you agreed this was high and you had problems with the new MIRA conversion, penalizing the employer like this is extremely unfair. Rainbow was no longer able to participate in group.

Not being in group, Rainbow had to pay the higher dollar amount.

7/05 thru 12/31/05	Paid \$ 29,000 - should have been \$15,000	Extra \$ 14,000
1/06 thru 07/06	Paid 25,000 - should have been \$13,000	Extra \$ 12,000
7/06 thru 12/06	Paid 21,000 - should have been \$10,000	Extra \$ 11,000

This increased premium rate because we were no longer in group cost us an additional \$37,000.00.

As a small business this has hurt us considerably. Our ability to provide new equipment, better safety training, hire new employees has been decreased immeasurably.

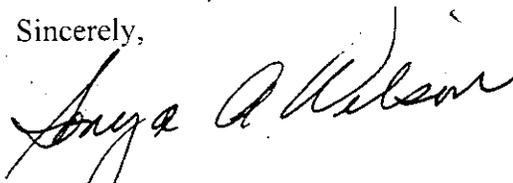
And, the icing on the cake, we were not allowed to get back into group because we are (and had been) on a payment plan. Though we have appealed this based on the fact you can be on a payment plan and are current with our payments, we are entitled to group and we should not be disallowed for group.

If you reduce the 90% to 80% we will incur an additional \$5,000 to our already high rates based on our payroll. Employers should not have to bankroll Workers' Compensation.

Small business is the make-up of our economy. If you make this change, you will put a huge burden on all the small employers who can barely make ends meet now.

Please reconsider House Bill 100.

Sincerely,

A handwritten signature in cursive script that reads "Sonya A. Wilson". The signature is written in dark ink and is positioned above the typed name.

Sonya A. Wilson
President



**SHEAKLEY
UNISERVICE, INC.**

August 16, 2006

Bureau of Workers' Compensation
Attn: Adjudicating Committee
30 West Spring Street
Columbus, Ohio 43215

**RE: Rainbow Home Environmental Services, Inc.
Risk #1028299**

To Whom It May Concern:

Our client mentioned above incurred a claim that we feel has been assessed an inappropriate MIRA reserve as of December 31, 2004. Based on this, please accept this appeal letter as formal protest of the MIRA reserve assessment on claim #03-823111 as of 12-31-04. Please find below a detailed account of the claim assessments and activity supporting this appeal.

Mr. Ronald Freeman incurred claim #03-823111 with a date of injury of March 26, 2003. This claim was filed against Rainbow Home Environmental Services, Inc., risk #1028299, on May 2, 2003. While this claim was a lost time claim, Mr. Freeman returned to work January 2004, less than one year after the date of injury and nearly one year prior to the disputed MIRA reserve assessment. Based on this return to work, claims costs assessed against the claim as of 6-30-04 reflected as follows:

Date	Medical Costs	Compensation Costs	MIRA Reserve
6-30-04	\$3,856	\$2,379	\$28,308

In addition, claims costs assessed against the claim as of 9-30-04 reflected only a slight increase in medical costs and a slight decrease in MIRA reserves as noted below.

Date	Medical Costs	Compensation Costs	MIRA Reserve
9-30-04	\$4,892	\$2,379	\$27,272

Then in the final quarter of 2004, Mr. Freeman filed application for a Percent of Permanent Partial Award. As the claim incurred a slight increase in medical costs less than that which was incurred between the second and third quarters, this application filing is the only change experienced from third quarter to fourth quarter. Based on this, the claims costs assessed against the claim as of 12-31-04 reflected as follows:

Date	Medical Costs	Compensation Costs	MIRA Reserve
12-31-04	\$4,997	\$2,379	\$163,721

Please be sure to note the increase of \$136,449 in MIRA reserves.

Then in the first quarter of 2005, the Percent of Permanent Partial Award was ordered in the amount of 14%. It is important to note, the %PP award was ordered during the first quarter of 2005; however, the award was not actually paid to Mr. Freeman until after the first quarter MIRA reserve assessment. Based on this, the ONLY change experienced from fourth quarter to first quarter was the awarding (not payment) of the %PP. Please find below the claims costs assessed against the claim as of 3-31-05.

Date	Medical Costs	Compensation Costs	MIRA Reserve
3-31-05	\$4,997	\$2,379	\$20,800

Please be sure to note the MIRA reserve has decreased to a level even less than the 2nd & 3rd quarter assessment.

Cost Control Services • Workers' Compensation, Self-Insurance, Unemployment Consultation
Corporate Office • P.O. Box 42212 • Cincinnati, OH 45242
(513) 771-2277 • 1-800-877-2053 • Fax: (513) 326-4681
<http://www.sheakley.com>



**SHEAKLEY
UNISERVICE, INC.**

As we are sure you will agree, the 12-31-04 MIRA reserve assessment proves "out of character" for the claim activity and true costs assessments. Based on the detail provided above and the MIRA reserve assessments reflected both before and after the 12-31-04 assessment, it would seem appropriate for the MIRA reserve as of 12-31-04 to be reduced to a level of only \$25,000 to \$20,000. For this reason, we feel it is appropriate for Rainbow Home Environmental Service, Inc. to be provided additional consideration of the MIRA reserve assessed against claim #03-823111 and, thus, be provided relief from the impact of this MIRA reserve assessment on the 2005/06 rate year rates and premiums.

Thank you for your consideration of this matter. Should there be any additional questions or concerns, related to this request, please feel free to contact me at the number or email listed below.

Sincerely,

Shannon R. Przytulski
Rate Analyst
Technical Division
(800) 877-5055 ext. 1390
sprzytulski@sheakley.com

As a leader in the industry, The Sheakley Group of Companies provides an integrated suite of Business Process Outsourcing Solutions for human resource/payroll professionals. We encourage you to visit our website at www.sheakley.com to learn more about "The Sheakley Difference" - a truly innovative approach to delivering "bottom line" results to employers nationwide.

Cc: Rainbow Home Environmental Services, Inc.

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Claim #03-823111

Break out of
what our
reserves
were

Date	Medical Costs	Compensation Costs	MIRA Reserve Assessment
6/30/2004	\$3,856	\$2,379	\$28,308
9/30/2004	\$4,892	\$2,379	\$27,272
12/31/2004	\$4,997	\$2,379	*** \$163,721
3/31/2005	\$4,997	\$2,379	\$20,800
6/30/2005	\$4,997	\$8,390	\$25,030
9/30/2005	\$4,997	\$8,390	\$24,879
12/31/2005	\$4,997	\$8,390	\$24,879
3/31/2006	\$4,997	\$8,390	\$4,248
6/30/2006	\$5,117	\$15,390	\$0

Claim has been settled

COMPANY:
Rainbow Home Environmental Services

POLICY NUMBER: 1028299

PROJECTED PREMIUM CALCULATION SUMMARY

TOTAL PREMIUM ASSUMING 90% MAX \$ 34,750.00
TOTAL PREMIUM ASSUMING 80% MAX \$ 39,644.00
TOTAL PREMIUM ASSUMING 80% MAX & 4% BR DECREASE \$ 38,063.00

489.400

3313

DIFFERENCE BETWEEN 90% MAX & 80% MAX:
DIFFERENCE BETWEEN 90% MAX & 80% MAX W/4% BR DECREASE:

\$	4,894.00	14.08%
\$	3,313.00	9.53%

OPINION ON GROUP RATING REFORM

THE OHIO GROUP RATING PROGRAM IS UNNECESSARY, IT INEFFECTIVELY DUPLICATES EXISTING MECHANISMS OF LOSS AND RATE MODIFICATION. GROUP RATING CREATES A TURBULANT BUSINESS ENVIRONMENT THAT INCUBATES THE POTENTIAL FOR DANGEROUS COST FLUCUATIONS, AND ULTIMATELY INTERFERES WITH FUNDAMENTAL PRINCIPALS OF COMPETITION. GROUP RATING CAN ENABLE AN INFERIOR COMPANY TO SURVIVE, OR CAUSE A SUPERIOR COMPANY TO COLLAPSE. REDUCTIONS IN DISCOUNTS OR THE ELIMINATION OF THE PROGRAM WILL HELP LEVEL THE PLAYING FIELD FOR OHIO BUSINESSES. THIS TYPE OF REFORM WILL HAVE A POSITIVE ECONOMIC IMPACT, ECOURAGE HEALTHY DEVELOPMENT IN OHIO, AND ULTIMATELY HELP CREATE MORE SKILLED JOBS.

Ken White

11/2007

kenwhite@neo.rr.com

I have employed tens of thousands of people, and have faced variety of situations regarding the Ohio BWC. I've been in group, out of group, seen rebates, and penalty rates. I've learned new terms like: PPD, TTH, TPA, MCO, FROI, Wage Continuation, Lost Time, Modifier, C-84's, and many more. I never imagined that I would spend as much time and energy as I currently spend each day working through BWC issues. I've been known to tell some of my closest friends that if I could do anything, it would be to help reform the BWC, and help Ohio be a choice of destination, not frustration, for businesses.

I hope that the overall goal of this board is to provide a nationally competitive model that levels the playing field for Ohio businesses, and to do this, several areas need reform. The reserve system needs attention. Take a look at employees who are non-compliant with medical treatment and actually worsen their situation and increase reserves. Examine why it's fair that a specific company's reserves can be drastically affected by injuries that may be caused by things like a non-employee fault automobile accident, or a clear violation of basic common sense. Focus on injuries like bruises that may have \$300 in medical but could create \$3000 in reserves, Challenge why we are issuing PPD awards for a minor cut or scrape. Re-evaluate why a claim that is being subordinated can trigger a reserve on the employer's policy. Pass through true rates to contract labor at specific work sites. And, let's fix or eliminate the group rating system.

1. It is difficult for companies to stay in group.

Some people declare that 100% of accidents are preventable. I don't agree. Occurrences can often be reduced, but at the end of the day accidents are not always predictable or avoidable. They will continue to happen, and even an extremely safety conscious organization will continue to experience these losses, and since accidents ultimately cause an organization to be removed from group, even some of the most dedicated and safety conscious companies will continue to be at risk of being removed from group.

2. The consequences from being removed from group are brutal.

Based on recent BWC statistics, last year, once eliminated from group, over 6,700 Ohio employers experienced an average increase in premiums of 697%. Thousands of these companies were forced into bankruptcy, or chose to stop doing business in Ohio. Ohio can't afford to produce these results and have a model with such volatility.

If group rating proponents argue that these affected companies should have been able to foresee the price increase, and should have held on to their savings to work through the cost of being removed from group, then we shouldn't have the discount to begin with. Wouldn't we just be asking everyone in group to basically self insure for a potential loss of being removed from group? It sounds strange, but the current group rating model is actually more similar to self insurance than an actual discount program.

3. Group rating can motivate a good company to do bad things

The current model can put good companies in a position where a single claim can eliminate them from group, increase their premiums drastically, and force them out of business. This may make it tempting for the employer to do everything possible to keep from closing their doors, including things like fighting a legitimate claim.

4. Try convincing your Home Owner's Insurance Company to form a group.

I challenge people to gather by provider, then form groups who haven't filed a claim in three years, and then approached their provider for a 60% to 90% reduction in their homeowner's premium? I'm confident the proposal from the group would be denied, and the insurance company would explain that they have fair base rates and a modifying system. They would certainly point out that they would have to raise all the other insured's rates if they offered such discounts.

5. Group rating is a modifying system that only shifts BWC premium dollars between employers.

To illustrate this, we could say that it will take a bucket of money to run the BWC next year, and all employers are going to have to put money in the bucket. If you then allow groups to put less money in, the only way left to fill the bucket is by making the remaining non group employers put in more money. So, in the end, groups are simply modifying the rates and amounts that employers contribute.

6. Modifying mechanisms exists without group rating, therefore the Ohio group rating program is not necessary.

There are mechanisms in place to modify rates within the system. I'm all for lower rates, just not through Ohio's group rating program. Maybe we should be looking closer at reforming base rates and the modifying process, but certainly not outsourcing this important process to the group rating world. Base rates, and the process that modifies these rates relative to the workplace needs to be fair, predictable, and done with surgical precision. These are terms most business people like to hear. Using groups as the mechanism to modify rates has had the historical results of being volatile, severe, unpredictable, and catastrophic. These are terms business people don't like to hear.

7. An innovative company can suffer from group rating.

There are a lot of businesses that are passionate about making a great product. They create, they invent, and they improve each day. They are the foundation of our future. But sometimes they just don't make sophisticated decisions regarding claims management. Claim management, and understanding the entire BWC process is just not their passion. Take this a step further where a growing and innovative company like this simply doesn't make a simple modified work offer, or a minor wage continuation, or an easy settlement, maybe something that would cost a few thousand dollars. This innovative company could end up out of group, penalty rated, and the resulting cost increase could drive them out of business.

8. A stagnate company can thrive in group rating.

A company that offers a competitively inferior product, but has a focused claims management practice may manage to stay in group by making exacting decisions regarding modified work and wage continuation, and the cost savings can be so significant that they can be profitable and have a competitive advantage. Ohio needs to reward innovative companies, not just companies with sophisticated policy.

9. The playing field is not level.

Ohio should not create a business environment that can punish innovators and reward an exacting bureaucracy, it simply represses economic development. Group rating makes Ohio's playing field a fast moving target at best. I believe that this type of environment with volatile cost fluctuations will ultimately drive business out of Ohio, or prevent business from locating in Ohio, and move them into an environment that's less volatile and better rewards innovation.

THE OHIO GROUP RATING PROGRAM IS UNNECESSARY, IT INEFFECTIVELY DUPLICATES EXISTING MECHANISMS OF LOSS AND RATE MODIFICATION. GROUP RATING CREATES A TURBULANT BUSINESS ENVIRONMENT THAT INCUBATES THE POTENTIAL FOR DANGEROUS COST FLUCUATIONS, AND ULTIMATELY INTERFERES WITH FUNDAMENTAL PRINCIPALS OF COMPETITION. GROUP RATING CAN ENABLE AN INFERIOR COMPANY TO SURVIVE, OR CAUSE A SUPERIOR COMPANY TO COLLAPSE. REDUCTIONS IN DISCOUNTS OR THE ELIMINATION OF THE PROGRAM WILL HELP LEVEL THE PLAYING FIELD FOR OHIO BUSINESSES. THIS TYPE OF REFORM WILL HAVE A POSITIVE ECONOMIC IMPACT, ECOURAGE HEALTHY DEVELOPMENT IN OHIO, AND ULTIMATELY HELP CREATE MORE SKILLED JOBS.

My name is Michelle Brown. I am the Treasurer and Director of HR for Beverage Distributors Inc., a privately-held wholesale distributor of beer in Cuyahoga County. We have a single owner and employ approximately 150 individuals, consisting of drivers, sales reps, warehousemen and administrative personnel. We continuously look for ways to manage costs in a stagnant environment. Normal payroll increases and the ever-rising cost of fuel have really had an impact on our bottom line over that past several years.

In 2006, our Company paid over \$406,000 in worker's compensation premiums. In the same year, our commercial liability insurance, which includes over 75 vehicles, was approximately \$270,000.

Over 1/3 of our employees are commercial truck drivers that have highly labor-intensive jobs. The majority of our injuries come from this group and are typically soft-tissue injuries such as lumbar strains. We have been heavily penalty-rated for many years and suffer as a result of the inequities in the system. Many of our employees know how to "work" the system and utilize the same group of attorneys and doctors to manage their claims. Employees know to file for permanent partial disability every other year, keeping their claim active in our history and creating a history that continues to penalize us as a Company.

Our worker's compensation premium expense is second only to payroll on our income statement and continues to squeeze the bottom line. It is extremely frustrating that our exorbitant premiums are subsidizing many employers in the state that are group rated.

Over the past 5 years, we have worked very hard to manage premium expense by implementing a transitional work program, a drug free workplace program and joining the premium discount program. While these programs have helped us to save a few dollars, overall, our worker's compensation expense continues to hurt us financially.

Presentation to:
Ohio Bureau of Workers' Compensation
Board of Directors
14 November 2007

Good morning. My name is Denis Phillips and I would like to thank the Board of Directors for hearing my concerns on behalf of Precision Strip, Inc., Precision Strip Transport, Inc., and other large companies that are state funded. Precision Strip has been in business for over 30 years, and as a company we work very hard to prevent injuries and control our workers' compensation costs. This is demonstrated by our company wide 2006 OSHA recordable injury rate of 3.91. Company wide we have over 1,000 employees working at 10 facilities in four states. At our 5 Ohio facilities we have 682 employees with an annual payroll over \$40,000,000; or an average of over \$58,000 plus benefits per employee.

Discussions with our TPA's indicate that the proposed changes to the credibility factor used to determine rates for groups, will also seriously impact the amount of premium payments by large companies that are in the state fund. The expected losses for Precision Strip, Inc., based on our manual code and payroll are around \$2,400,000 yet our safety and control efforts historically have limited losses annually to under \$700,000. The table below shows our projected premium payment to Ohio BWC for Precision Strip, Inc. for 2008:

No changes to current calculations	\$928,000
80% cap on maximum credibility rate	\$1,065,000
60% cap on maximum credibility rate	\$1,387,000

If payroll and losses remain stable, a 60% cap on the max credibility for Precision Strip, Inc. could result in our paying almost seven times as much in premium as our annual losses per year!

The premium payment for Precision Strip Transport, Inc. is similarly impacted as shown in the table below:

No changes to current calculations	\$321,151
80% cap on maximum credibility rate	\$505,840
60% cap on maximum credibility rate	\$838,426

I would like to note that the total claims value for Precision Strip Transport, Inc. from 2001 through 2007 is only \$289,661.

We believe that there are other large companies in the state fund like Precision Strip whose past performance is predictive of future losses. It appears that the current proposal to limit the maximum credibility will result in penalizing large companies that are in the state fund who have done a good job protecting workers with excellent safety programs, and will reward the companies that are penalty rated by actually reducing their rates. We don't believe that this is the intent of the Bureau of Workers' Compensation Board of Directors.

We believe that it is in the best interest of the State of Ohio, Bureau of Workers' Compensation to protect injured workers and large state fund employers while preventing possible job losses by recognizing that large companies who are in the state fund should not have their credibility limited the same as group funded participants under the current proposal.

Thank you,



Denis E. Phillips, PHR
Precision Strip, Inc.
Precision Strip Transport, Inc.
Ph # 419-675-5434
Fax # 419-674-4140

October 22, 2007

Marsha Ryan
Bureau of Workers' Compensation
P.O.Box 15429
Columbus, OH 43215-0429

Re: Group Rating

Dear Ms. Ryan,

It is difficult to know whether to say congratulations or condolences to you as you assume the responsibilities of the Administrator of the Ohio Bureau of Workers' Compensation. On a positive note, we look forward to working with you as you address the concerns of employers in the State of Ohio.

In your letter dated October 19, 2007 the BWC has reported that 31% of 6700 employers experiencing premium increases have ultimately filed bankruptcy and or cancelled their workers' compensation policy. That is 2077 employers! How many of those employers were forced to leave the state or just close their doors because they can't compete?

There are a number of issues pending with the BWC that concern our company doing business in the State of Ohio. Our concerns include changes or elimination of the group rating, inconsistent claim reserving, the increase of base rates for our premiums and discontinuance of the DFWP programs after the 5th year.

We were a start up company in Cleveland in 1999 and rapidly grew to 100 employees as of this date. Our Premiums have gone from \$10,955. paid in 2000 to \$261,259 paid in 2006. We were removed from the group rating program in the 2004 policy year and the company's penalty rate increased through the 2005 policy year.

We are back in the group rating program for the 2006 and 2007 policy years with a current group discount of -29%. We are receiving a -29% discount off of base rates compared to an individual credit rating of -15% or approximately \$30,134. The group discount will save the company approximately \$57,950 in premium for

the 2007 policy year. If we didn't have the group discount and we would be considered at -15% for the individual credit rating, we would give up \$27,816.

We report our payroll under three classifications and the base rates have increased over the past two years from \$9.02 to \$11.92. If the base rates continue to increase by 33%, we would struggle to maintain our operations in Ohio.

Until 2005 we depended on our third party administrator to manage our workers' compensation process. We quickly learned that in order to be effective in claims management the responsibility rests with us. It is unfortunate that we can not impact the claim reserving process. We are at the mercy of a MIRA system that pulls numbers from a hat and penalizes us even though we have made every effort to create a safe work environment and minimize our claims. One claim virtually took us out of the group rating in 2004 and caused the company to suffer financial hardship.

We began our efforts to reduce our claims experience by implementing as many of the programs sponsored by the BWC as we could. Our programs include the introduction of the DFWP in 2004. We are currently in our 4th year at a level III and we are concerned that there is no program after the 5th year. For the 2007 policy year we will save approximately \$58,588 by taking advantage of the DFWP program. Although DFWP is a necessity, there is a significant expense involved with testing at 25% of our workforce in addition to the 50% of our workforce tested as part of our DOT requirements. What can we count on to offset those costs after the completion of our 5th year in the program?

To further our efforts and create a more effective safety culture, the senior management hired a full time Safety and Risk Manager in 2005. Through pursuit of settlements, handicap reimbursement, wage continuation, implementation of a transitional work program, attendance at Greater Cleveland Safety Council meetings and participating in the hearing processes we managed to regain our status as a credit rated employer and continue to increase our credit rating.

Please consider Metro Disposal as a team player. We have attempted to make every effort to reduce our claims costs. Although our total claims have decreased since 2002 from 33 claims to 13 claims in 2006 and we have not had a claim with compensation paid in 2007, our premiums continue to increase.

In summary, if DFWP is not offered to us after 2008, we would lose the benefit of \$58,588. If we were considered an individual employer instead of a group member, we would lose \$27,816.

We would welcome the opportunity to meet with you to discuss our concerns further. If there is a task force created to further review these processes, we would be willing to participate. Thank you for your consideration and we look

forward to working with you as the Administrator of the Bureau of Workers' Compensation.

Sincerely,

Mike O'Donnell
President

Brenda Beck
Safety & Risk Manager

Comments submitted by:
Andrea Maclam Ashley, Director of Public Affairs & Government Relations
Associated General Contractors of Ohio
Ph (614) 486-6446; andrea@agcoho.com



If the reduction of the maximum discount allowed in group rating must be done in order to promote new business in Ohio, the BWC should take a very cautious, well-planned approach in doing so.

We have been shown two sets of figures—one from the BWC actuaries and one from the TPAs. According to the BWC figures, which from what we understand come from insurance-based studies, a decrease in credit rating would only affect those receiving the higher discounts. The TPAs have reviewed the effects of past discount reductions for their groups and found that the reduction will have a trickle down effect and increase premiums for all companies enrolled in group workers' compensation programs.

The BWC should carefully evaluate both sets of numbers. Additionally, due to the unique nature of Ohio's workers' compensation system, base its decision on data from past changes—such as the move from 100% to 90% credibility—which has not yet been measured and incorporated into the recent BWC studies.

Any discount reduction should be implemented gradually, over a period of time. The results should be closely tracked and evaluated to ensure the desired goals are being met. And, contractors affected by this reduction should be given an adequate amount of time to incorporate it into their budgets.

A quick, drastic reduction will have more far-reaching effects than what the BWC may realize. Construction is a very labor-intensive industry. When bidding a project, often times, the majority of a contractor's cost is in labor. Some firms enrolled in group rating are contractually obligated to owners for a number of years, and this increase will cause a significant loss in revenues for those contractors.

Lowering the maximum credibility will increase the cost of construction. Companies purchasing construction services are already facing funding issues due to our current economy and the rocky financial landscape. This will make it more difficult for such companies to receive funding for and complete construction projects that are in the planning stages.

Also, other construction firms that are self-insured will be negatively impacted on projects when they accept bids from other contractors enrolled in a group rating programs—especially if the maximum discount is lowered without much notice.

When you consider that for every dollar spent on construction, more than 3x that amount goes into the economy. Given the current state of our state's economy, Ohio cannot afford a drastic, rapid increase in construction costs since it will make it more difficult to fund construction projects.

Please be careful and thorough when planning any maximum discount reductions. Any reductions should be gradual over a period of time and carefully measured. Allow plenty of time for group-rating contractors, self-insureds and construction buyers to plan and budget the resulting increases in labor and construction costs.



OHIO

**TESTIMONY BEFORE THE OHIO HOUSE
INSURANCE COMMITTEE**

**WORKERS' COMPENSATION GROUP RATING
127TH OHIO GENERAL ASSEMBLY**

INTERSTED PARTY TESTIMONY

**ROGER R. GEIGER
VICE PRESIDENT & EXECUTIVE DIRECTOR
NFIB/OHIO**

October 23, 2007

Mr. Chairman and members of the Ohio House Insurance Committee, thank you for allowing me to present testimony on the Ohio Bureau of Workers' Compensation (BWC) Group Rating Program. I am Roger Geiger, Vice President and Ohio Executive Director for the National Federation of Independent Business, NFIB. NFIB was founded in 1943 as a member-driven advocacy organization dedicated exclusively to small and independent business owners. Our typical member employs ten or fewer and has annual gross revenue sales of around \$500,000. We now represent approximately 25,000 members in Ohio and 350,000 nationwide.

Our mission is to promote and protect the right of our members to own, operate and grow their business. The backbone of our advocacy is a ballot process whereby our members set our policy positions, and in 1990 our members strongly supported the legislative efforts that established Ohio's Workers' Compensation Group Rating program. Additionally, NFIB/Ohio provides a multitude of member benefits as a way to add value to membership. In 1992, NFIB/Ohio began our sponsorship of a group rating program and that now covers 8,549 member companies and is saving them a projected \$54 million in workers' compensation premiums. Since 1992, the NFIB/Ohio Group Rating program has served approximately 20,000 different companies saving them over \$675 million in premiums. Enclosed with my testimony is our historical data on participants and savings.

In the 1980s and early 1990s workers' compensation costs were out of control and claims management was abysmal. In a bipartisan way the Ohio General Assembly responded by establishing the concept of group rating to allow small employers to pool together in large numbers to garner premium savings. In return, participating state fund employers agreed to better manage claims and enhance workplace safety.

Bona fide trade and professional associations were tasked with sponsoring group rating programs in hopes that the associations would place the interests of their members first. The intent of the law clearly requires sponsoring associations to appropriately manage claims and enhance workplace safety. Most sponsoring associations have elected to provide these two critical services through contract arrangements made with third party administrators. In NFIB/Ohio's case we have a contractual relationship, since 1992, with GatesMcDonald, a Nationwide Company, to serve as our third party administrator. Group rating programs are NOT sponsored by third party administrators and the accountability for these programs rests exclusively with sponsoring associations.

Under the provisions of the laws and rules governing group rating, NFIB/Ohio provides our members the best opportunity to participate in a savings program. Today, NFIB/Ohio offers savings in all 10 BWC established industry classifications and we manage 38 discount tiers with savings ranging from 20% to 90%.

As required by rule, each year we review existing participants and new companies who have asked to be evaluated for participation in the program which begins July 1st. Each year, we try to maximize the premium savings potential of state fund companies based upon their actual workers' compensation record over the previous five years. We traditionally re-invite close to 95% of our participating member companies, and of those new companies we evaluate each year

we historically have invited close to 70%. We are proud to provide our members with the most comprehensive offerings of any sponsor.

However, each year we must also make a difficult choice to remove from our group rating program a small number of companies who are significantly impacting the savings of the rest. A company whose actual losses rise above their expected losses penalizes the remaining companies in the group. As a sponsoring association, we have a fiduciary responsibility to protect the financial impact of those companies who have no or little claims loss. If we fail in this responsibility, trust me, the highly competitive marketplace will correct the problem for us. It is important to note that while it is a very difficult decision to remove companies from the program each year, our lifetime removal rate is approximately 4%, which is well below the industry average. For our program, NFIB/Ohio's leadership makes that decision on each and every company that is removed – a difficult role but one that I believe each sponsoring association must be accountable to make.

We also offer a comprehensive, quality safety program. NFIB/Ohio, in conjunction with our third party administrator GatesMcDonald, has dedicated over \$4.9 million to our safety program since 1995. Our safety program includes:

- Four, full-time safety consultants that our members can utilize free of charge;
- Twelve safety seminars provided annually around Ohio;
- Quarterly, industry specific safety newsletters that are sent to our entire membership;
- NFIB/Ohio Workplace Safety CD that allows businesses to establish a model safety handbook for employees;
- A 1-800 free workplace safety consultant line open to all members of NFIB in Ohio; and
- A partnership on programming and promotion with the Ohio Division of Safety and Hygiene, OSHA and NIOSH.

I have enclosed a copy of many of the aforementioned items in your folder for your review.

Additionally, NFIB/Ohio is one of two sponsoring associations to offer a Premium Discount Program (PDP). This program is for companies that have been removed from the group rating program due to claims experience. We provide this program to show our membership that removing a company from group rating is not a decision we take lightly. PDP allows a participating company to recognize savings of up to 30% by implementing the BWC 10 Step Safety Plan and meeting frequency and severity benchmarks established by the BWC. I have attached a sample safety plan for your review. Again, NFIB/Ohio is dedicated to our membership and aims to help ease the transition out of group rating by offering PDP. We have saved hundreds of employers over \$6 million on their premiums. Understand that we do not generate revenue from this program; in fact we lose money through this offering. Of course our ultimate goal is to return each employer to group rating through better safety practices.

NFIB members participating in our group rating program also receive unemployment compensation services through a dedicated team at Gates McDonald, and a Legal Defense Program through the law firm of Bricker & Eckler that provides legal representation on those cases that enter the court system whose ultimate disposition may bring significant impact on the BWC system as a whole. The Legal Defense Program has represented 145 employers providing

legal services to them valued at \$1.4 million – to which an individual participating company paid only \$12 as part of their administrative fees.

Make no mistake, NFIB commits considerable resources to our group rating program in order to provide our membership a tremendous value. Again, a major goal of the initial group rating law was to reduce claims through better workplace safety practices. The sponsoring associations were charged with establishing quality safety programs to meet this goal. NFIB/Ohio believes that the BWC should better review the resources each sponsor dedicates to safety, pursuant to state law.

I also want to recognize that actuarial studies have indicated a “gap” exists between premiums paid by group and non-group employers. The recommendation in each study was to reduce the maximum discount. NFIB/Ohio is committed to working with the Bureau to ensure that the system is actuarially sound and any gap is minimized. We strongly believe that the comprehensive review prescribed in House Bill 100 of the 127th General Assembly must be completed promptly and the BWC should seek to eliminate all inadequacies as a package in lieu of focusing on one component.

By way of background, an employer’s premium is based on their manual classification and amount of payroll – within that calculation each employer is actuarially expected to incur a limited amount of loss (loss ratio = expected losses v. actual losses). The loss ratio almost exclusively determines whether an employer is eligible for group and at what level discount. Employers may become ineligible for group when they have a negative loss ratio (actual losses exceed expected losses). Note that an accident or multiple accidents remain on an employer’s experience for a five-year period.

As you know, and as Administrator Ryan has testified before this committee, the BWC Board of Directors has indicated that the maximum discount allowed for a group rating participant will be no less than 80%. Assuming the 80% maximum discount, the NFIB/Ohio group rating participants on average will experience a 70% increase in their premiums. In fact, one company in our program will see a \$56,723 increase in their premiums! In fairness, Administrator Ryan has also indicated a possible reduction in base rates of up to four percent.

As group rating is meant to be a revenue neutral program, it is important that the reduction in maximum discount be a dollar for dollar trade off with the reduction in base rates. It is important to note that while reducing the maximum discount rate will reduce any gap that may exist, it will not increase the number of employers eligible for group rating. In fact, should the maximum discount be reduced to 80% we will, based upon our 2007 group data, have to remove 61 additional companies from our program. The reduction in maximum discount compresses the whole group and makes the formation of lower savings level tiers unstable and not cost effective for participants.

On behalf of our members who are both in group and out of group, we would respectfully suggest legislative oversight in the following areas in order to retain and improve this significantly important program that is benefiting almost 100,000 small- and medium-sized companies in Ohio:

Maximum Discount:

The maximum discount needs to be based upon actuarially sound studies that review the current 90% max discount and incorporate a reduction in base rates. The review must be completed promptly and with current actuarial data. Further, the process should be transparent allowing interested parties to evaluate the entire data set.

Comprehensive Review:

The BWC offers retrospective rating, premium discount, drug-free workplace, and one-claim programs. The disparity created by these programs collectively could be equal to, if not greater than, the group rating disparity cited by the BWC. We need to review all programs to see where the cost impact is and make adjustments on all discount programs as needed.

Timing of Changes:

The BWC is recommending changing the maximum discount for the 2008 group rating year. Most sponsors are already marketing their 2008 programs. Making changes now will only lead to confusion in the marketplace, and hamper small employers' ability to budget their 2008 workers' compensation costs. Careful and comprehensive changes should be proposed and fully vetted between now and late spring of next year. They should be done in advance of the marketing cycle and placed into effect for the 2009 program year.

Governance of Groups:

NFIB/Ohio believes that better enforcement of the law, by the BWC, surrounding governance of group rating programs is a key component to any group rating discussion. This program is legally the responsibility of *bona fide* trade and professional organizations that the BWC must certify. Legitimate sponsoring associations must be held accountable for all decisions surrounding the governance of their group rating programs. Insuring that only *bona fide* trade and professional organizations are sponsoring group rating programs exclusively to their members will best guarantee that each sponsoring association is fully vested in the decisions regarding which companies to accept and remove from the program.

Reserves:

Group status is heavily and almost exclusively based upon the ratio of expected losses to actual losses. Included in the ratio is the reserving set by the BWC on each claim. The reserve significantly impacts the loss ratio and therefore group eligibility status. House Bill 100 required the implementation of a more transparent reserving system. Currently, the BWC formula used to calculate reserves is proprietary and as such no outside actuary could verify the soundness of the formula. The new MIRA II system is also proprietary. The BWC must allow for outside review to ensure that reserving is appropriate and actuarially sound.

Workplace Safety:

Group rating was established with two primary purposes: to comprehensively manage claims and to create better workplace safety practices thereby decreasing the number of claims. The BWC needs to better review the resources each group sponsor dedicates to workplace safety and consider any needed enhancements.

Mr. Chairman and members of the committee, the workers' compensation group rating program is a sound concept that is vital to the very survivability of many small companies. NFIB/Ohio is committed to ensuring the letter and spirit of the law are met and look forward to working with the administration and the legislature to make any necessary improvements. Thank you for allowing me to testify and I would be happy to address any questions the committee may have.

EAT A PITA
Aladdin's BAKING COMPANY

1301 Carnegie Avenue
Cleveland, Ohio 44115
(216) 861-0317 • FAX (216) 861-5536

Members of the Board of Directors of Workers Compensation:

November 14, 2007

Connie Nahra, representing our family owned business, Aladdin Baking Company of Cleveland. Our company began in 1970 – thirty seven years of producing various types of pita bread and related Mediterranean products. There are fifty employees that depend on our company to pay their bills and support their families.

The cost of staying in business is more challenging than ever – the cost of wheat is a commodity and has risen in the past three years from \$3.84 a bushel to \$8.00 a bushel – more than a 100% increase. The reason – China and India need our wheat and other factors as well. The cost of plastic bags tied to the price of oil has risen more than 60% in the same time frame. Oil is now \$94.00 a barrel. Each plastic bag for this bread costs our company 6-1/2 cents.

There are many parts to the equation of why Workers Compensation is so destructive and penalizing for Ohio Employers. The largest and most debilitating is the “Group Rating System.” The “sponsor group rating system” was put in place in 1991 by the Legislature. At that time the BWC was warned of the disparities and inequities that would occur if it were implemented. Those Employers accepted for “Group Rating” would receive huge discounts – while the non-group Employers could be penalty rated and subsidize those in group. Because of the huge discounts – the base rate would be inflated by approx. 20%. Now with the new Administrator Marsha Ryan and the BWC Board of Directors, they are charged with fixing this broken system. However, much resistance is evident with the “Sponsor Groups” advocating that their Employers will face a 100% increase in premium if their maximum discount is lowered from 90% to 80%. They will then be responsible for paying 20% of their premium instead of just 10%. For example if the base rate is \$10.00 per \$100.00 of payroll and the payroll is \$100,000 – then their premium should be \$10,000. However @ a 90% discount their premium would be just \$1000.00 – if their maximum discount is 80%, then their premium would just be \$2000.00 – a 100% increase, yet they are only paying 20% of what they should be paying. The Non-Group Employers are making up the difference and subsidizing those “In Group Companies.” When an Employer is removed from a group – their premium can increase 500-1000%. The average is 700%.

The total Employers in the State of Ohio are approx. 279,000 – of those only 95,000 are “in group” – the balance are not. This also includes public and self-insured employers. With a claim or two, any Employer can be “kicked out of a group” – then his premium will skyrocket. Aladdin Baking Company had two lumbar strain claims in 2004 – these caused our removal from the group – we received no life-line – just a letter – you are not eligible for “Group Rating” – Both claims were without merit – one – an employee stated that he went into the freezer – his eye-glasses fell and when he went to pick them up – he fell on his back-side. This employee only worked for us for a few months – there were no witnesses – no camera’s – only his word – He had been in a motorcycle accident years earlier and he received surgery on our behalf because it was ruled that it was “aggravation of a pre-existing condition” – now some Sponsor Groups state that Employers such ours do not deserve to be group rated because we do not provide Safety Training or a Safe Workplace – no safety training in the world can prevent an Employee that intends to get back surgery, fall in the freezer and receive PPD on the dole of a company.

Because of these two claims Aladdin Baking Company was given a premium rate of \$123,000 in 2006 by our BWC field rep – from \$12,000 for the year before. This is a 1000% increase. My husband stated “Call them quickly and give them the bakery – here are the keys – open the doors @ 5:30 am.”

Our company makes 13.4 cents on each package of this pita bread. For a premium of \$123,000 it would take 917,910 packages of bread to produce and sell to pay for Workers Compensation for our 50 employees. Since we joined every program imaginable our premium was reduced to \$60,000 – therefore we only had to make and sell 458,955 packages of bread to pay for our premium. . Therefore, this was only a 500% increase. Each of these BWC programs take countless hours to engage in – time and expense that small companies do not have. We make bread – not gold bars.

What is puzzling – how can W/C. be called insurance – when our companys’ private liability insurance is 5 million \$\$ - this includes 100% business interruption, 1 tractor trailer, 2 box trucks, 1 van, two buildings approx. 12,000 sq. ft. ea., fire, money & securities loss, and much misc. – how can our liability premium be \$20,000 and our Workers Compensation be three times as much. We had a 2 million \$\$ loss in 1996 because a flour truck caused a dust explosion and fire – our insurance company didn’t “kick us out” nor increase our premium by 500-1000%. NOT EVEN 10%. Why is Workers Compensation called “no-fault insurance” when it is not operated as insurance.

The current W/C system that permits Group Sponsors to dictate who they will allow in their groups and at what discounts, needs to be transparent, simplified and just. If Legislation is needed to fix this “out of control” bureaucracy, then the Legislators must step up to the plate and do what is in the best interest of the State of Ohio and its citizens.

In 1912, when Workers Compensation was created – it was to be a “no fault” insurance system between the Employer and the Employee – managed by the non-profit BWC. It

was created as security for the Employer to take care of the injured worker – not an “insurance” to drive the Employer “out of business” nor to allow countless bureaucracies to siphon off millions of \$\$ paid only by the Employer. We must get back to the original intent – The current administration with Governor Strickland and Administrator Marsha Ryan at the helm has communicated what needs to be done to “right the ship” and save thousands of jobs in the State of Ohio – let us all work as a team to immediately fix this “broken system.” The current recommendation of lowering the maximum discount from 90% to 80% is just a “baby step” in the right direction, however much more work has to be done to correctly and efficiently commit our efforts to repair the instability and uncertainty in the current Group Rating Program along with other problem areas of the Workers Compensation System. Without Employers – there will be no Employees.

Testimony of Doug Moormann, Vice President, Government Affairs
Cincinnati USA Regional Chamber
November 14, 2007

RE: Possible Changes to BWC Premium Discounts for Employer Groups

PRESENTED TO: The Bureau of Workers' Compensation Board of Directors

Chairman Lhota and members of the Bureau's Board of Directors - good morning. My name is Doug Moormann. I'm the vice president for government affairs at the Cincinnati USA Regional Chamber, a chamber of commerce with nearly 6000 business and public sector members. Our chamber's territory covers a three-state, 15-county region linking Southwest Ohio, Northern Kentucky and Southeast Indiana; our membership includes approximately 5000 Ohio-based business and nearly 4000 of who are classified as small businesses.

On behalf of our Chamber, I appreciate the chance to comment on the proposal to change the group rating discount program. The reforms in the Ohio workers' compensation system - including the group rating discount - are an important part of the economic vitality that provides Ohio and our region with a competitive advantage in retaining and attracting jobs. In an increasingly competitive global marketplace, retaining every advantage we can is essential. Hence, proposals that alter a basic cost of doing business - workers' comp - pose ramifications with far-reaching consequences.

To echo earlier comments - the reduction being contemplated for the group rating discount rate is significant, potentially up to a one hundred percent increase in costs for a business. Furthermore, while paid in 2009, the increase would be accrued by a business as a 2008 expense, so some time for proper planning just seems fair.

Consistent with the notion of fairness, we are also concerned with those companies on the low-end of the current credibility table, businesses currently participating in the group rating program, who will be excluded through no fault of their own. Even with no new experiences, and perhaps even participating in drug-free workplace program or some other workplace safety program, some companies on the low end will be excluded from the group rating program. In effect, these companies will be punished for their good behavior.

Our membership includes more than 4,600 companies who participate in our workers comp group rating program. Taken together, those companies are collectively saving \$78 million on their 2007-2008 Ohio workers' compensation premiums. The Chamber's group rating program is administered by Sheakley UniService. This is a huge benefit for companies in our area. That \$78 million sum breaks out to a savings in excess of \$16,000 per participant! These savings free dollars for reinvestment in the business or for increased salaries. One way or another the savings are placed into a productive use in the community.

For many years the State of Ohio suffered under a costly and underperforming system of workers' compensation. The system reached such a state of disarray that then-Governor Voinovich called the system, "the silent killer of jobs in Ohio" a system that discouraged new investment, job retention and new job attraction. During his tenure in the Governor's office, systemic change did occur – improvements were made and a system that was at one time deemed detrimental to job growth and attraction was transformed into an asset – a new system that better served injured workers and created a competitive advantage for Ohio.

State government in Ohio has continued to advance other reforms to improve the economic positioning of the state by correcting anti-competitive policies and turning negatives into positives. My colleagues at the Ohio Chamber, in particular, and indeed throughout the business community have worked tirelessly to improve the legal climate in Ohio – promoting a fair and more predictable justice system that supports our ever-improving business climate in Ohio.

The legislature has embraced and implemented major changes in the Ohio tax code – advancing a relic of the early 20th Century. Elimination of the tangible personal property tax and transitioning from the corporate franchise tax to commercial activity tax creates a tax system that reflects the realities of a 21st Century economy.

We ask that the BWC Board of Directors keep in mind the competitive positioning of Ohio as changes in the group rating discount program are contemplated. Creating a complete package – a favorable tax climate, a just and reasonable justice system and a workers' comp system that not only properly aids injured workers, but, through reinvestment of the discount savings, also supports business expansion and job growth – is a formula for success.

In Southwest Ohio in particular, there is competition for jobs between Ohio and Northern Kentucky because the two states are selling identical amenities – the workforce, local office market, and the local housing market - so differentiators that tip the scales for Ohio can make a difference. While our Chamber works to attract new jobs to the region, we know well that jobs that land in Ohio create revenue for Ohio – growing the economy and the state's resource pool.

In closing, we recognize the need to reconcile a fund imbalance. We are asking that the solution needs to be one that takes into account the customers of the system.

Thank you very much for the opportunity to share our thoughts on the proposed change in the group-rating program.

COSE Testimony
Bureau of Workers' Compensation
Actuarial Committee
November 14, 2007

Good morning, my name is Steve Millard and I am the Executive Director of the Council of Smaller Enterprises (COSE). First, let me say thank you for your service to the citizens and businesses of the State of Ohio in your role as members of the Board of the BWC. I know by now you are fully aware of the complexities that exist in the BWC and the multitude of views, perspectives and opinions on the work you have been tasked to do. We do appreciate your service.

COSE was founded more than 35 years ago as an organization devoted to bringing small businesses together to help each other do better. Based in Northeast Ohio, COSE is an alliance of small businesses in eight counties and represents more than 15% of the businesses in that region. With more than 17,000 small businesses as members of our organization, we serve a wide variety of their needs. We provide access to group purchasing programs for small business for health care, electricity, natural gas, freight services, payroll processing, vision and dental insurance and workers compensation. We provide education and networking programming and enjoy the participation of more than 7,000 members a year in those programs. And, we work to advocate on legislative and regulatory issues that affect small businesses in Ohio with the goal of making Ohio a great place to run a small business. Approximately 75% of our members employ less than ten employees.

As one of the state's largest group rating sponsors, COSE's workers' compensation program consists of 5,000 companies, which covers approximately 70,000 employees in Northeast Ohio. COSE has been a program sponsor dating back to the second year of group rating. We are one of the state's largest group rating sponsors and have been proud to be able to provide a consistent, stable program to our members over a very long period of time.

In our view the discussion before this committee related to determination of the maximum group rating discount comes down to only two significant issues for discussion. First, should the maximum discount be reduced and to what level and, second, when should that reduction occur.

The actions by the BWC in working to reduce the maximum discount seem prudent, based on significant actuarial study by many consultants internal and external to the BWC. Over the last few years, at least three separate studies have determined that the credibility tables that guide group rating should be adjusted. They also agree in general that the credibility levels should be reduced very significantly – to levels approaching 60%. The actuarial science is sound and different firms have arrived at similar recommendations. It seems prudent to reduce credibility of group rating and better balance the rates of group and non group rated companies.

We have no disagreement that these reductions need to occur and support the BWC's efforts to ensure a fair and balanced system of workers compensation insurance.

And we appreciate the decision by the board to move to reduce credibility but to put limits on how quickly that reduction occurs so as to avoid shocking the system with too large a change at once. By setting a "floor" for the maximum discount at 80% the BWC has both indicated credibility must come down and provided a limit to rate shock that could occur.

While it is true that credibility reductions and reductions in the max discount to 80% will mean the doubling of premiums for today's highest discount groups, the long term goals of reducing workers compensation base rates and providing equity among group and state fund base rated companies in the state make sense for the system.

In fact with a change to 80% credibility, though the percentage increases are significant with more than half of our group members likely to see increases in excess of 40%, the actual dollar impact is less threatening. Modeling of our group shows that at 80% credibility, 92% of our members will see an increase in premium of \$2,500 or less. And, half will see dollar increases of less than \$500. We have included a couple of schedules for your review to illustrate these points.

In addition, changes made now will not require out of pocket payment until January 2009. With adequate communication, businesses should be able to plan for these changes. Again, while cost increases of any kind are not good for small businesses, a more stable system that adequately reflects the risk for group and non group companies and charges for that risk appropriately is in the best interest of all employers in the state.

The inequity between group and base rated companies has existed for a long time and this has created a situation where the loss of group rating status is a very significant shock to a company due to the huge disparity between group and base rated premiums. Companies in group rating have been overly subsidized by the non-group companies over a long period of time and the health of the system over the long term demands a correction in this inequity.

Given the myriad of external studies and internal analysis by the Bureau, based on the actuarial science there is ample evidence that these changes should be made. Implementing these changes in a planned way over an extended time period is important in order to help small businesses manage the transition of cost that will be created.

Many of the stakeholders in the workers compensation system have argued that no change should be made to group rating, or the change should be delayed until next year or until after some additional analysis.

While the timing of the decision by this Board has created significant pressure on the TPA's that rely on group rating for their cash flow, for many of these players there will never be a good time to reduce group discounts.

As most of you know, group sponsors are responsible for forming their groups and submitting them to the Bureau by the last day of February each year for the next year's program. Typically, group sponsors would be clear about the credibility tables and maximum discounts by the late summer and the marketing and promulgation of the groups would take place in the late summer and fall—starting in August. Given the pending decision making on the maximum discount, the communication and marketing process has been significantly impacted. Without a decision on the maximum discount, it is not possible for group

sponsors to provide competitive offers to their members for the 2008 program year. The delay in the timing of this year's process concerns us greatly for a few reasons.

There are group sponsors in the market promising discounts that will not be able to be delivered based on what we already know about the direction the BWC is headed. Though the bureau has been clear about their intent to reduce the maximum discount and these group sponsors understand that discount has not been sent, many have gone ahead and provided offers to customers at 90% as if the BWC had already made its decision. They have done this knowing that those offers can't be met and will likely blame their inability to fulfill those false promises on the Board of the BWC. This creates confusion among customers and weakens the credibility of the workers compensation system in the state.

Because of the confusion being created in the marketplace, it is very important that the Board make their decision on the maximum discount at its next Board Meeting. No matter what you decide about the level of the maximum discount, you need to communicate it so that we can begin the process of promulgating groups for the 2008 program year. Further delay in making this decision will cause more confusion in the marketplace and hurt the ability of small businesses to effectively evaluate their options and make the decisions necessary in time for the 2008 rostering deadline.

We believe that there is no benefit to waiting to make these changes and putting off the tough decision to the future. The board needs to act now and be decisive about the change they would like to see. That will allow group sponsors to begin to play their role in forming those groups for the upcoming program year.

We have three requests of the Board.

First, I'd ask you to make a decision in your November Board Meeting based on empirical data and actuarial science and not on political pandering to the interests of any of the system's stakeholders.

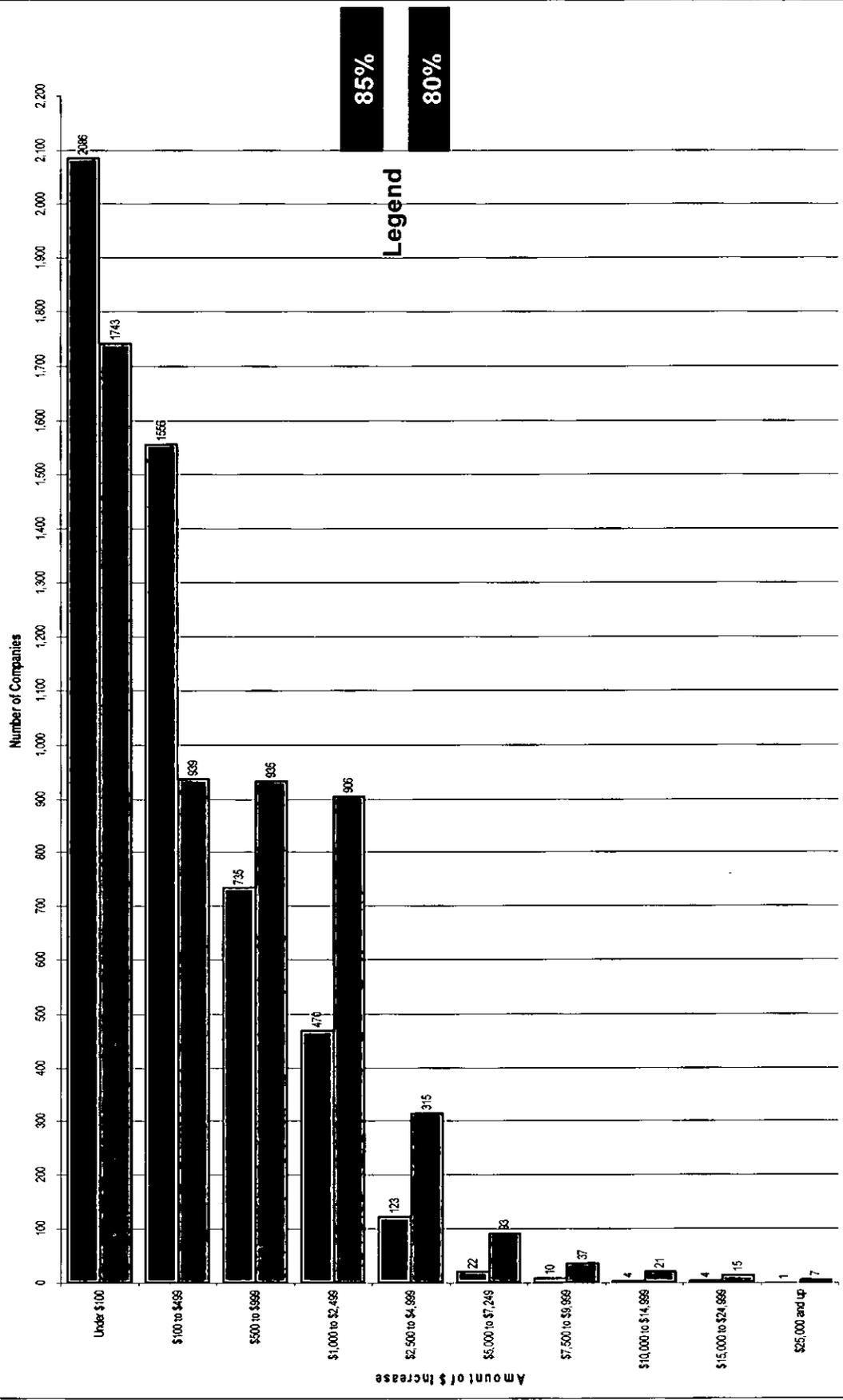
Second, I'd ask for your consideration in extending the rostering date by 1-2 months. Though moving the date to the end of March or April will impact the BWC's own process for group rostering, it would allow for

a more orderly and systematic promulgation avoiding problems for the groups that are submitted. Given the delayed start we are experiencing due to the important decision making process you are going through, I'd ask for your consideration of a delay in the February rostering deadline.

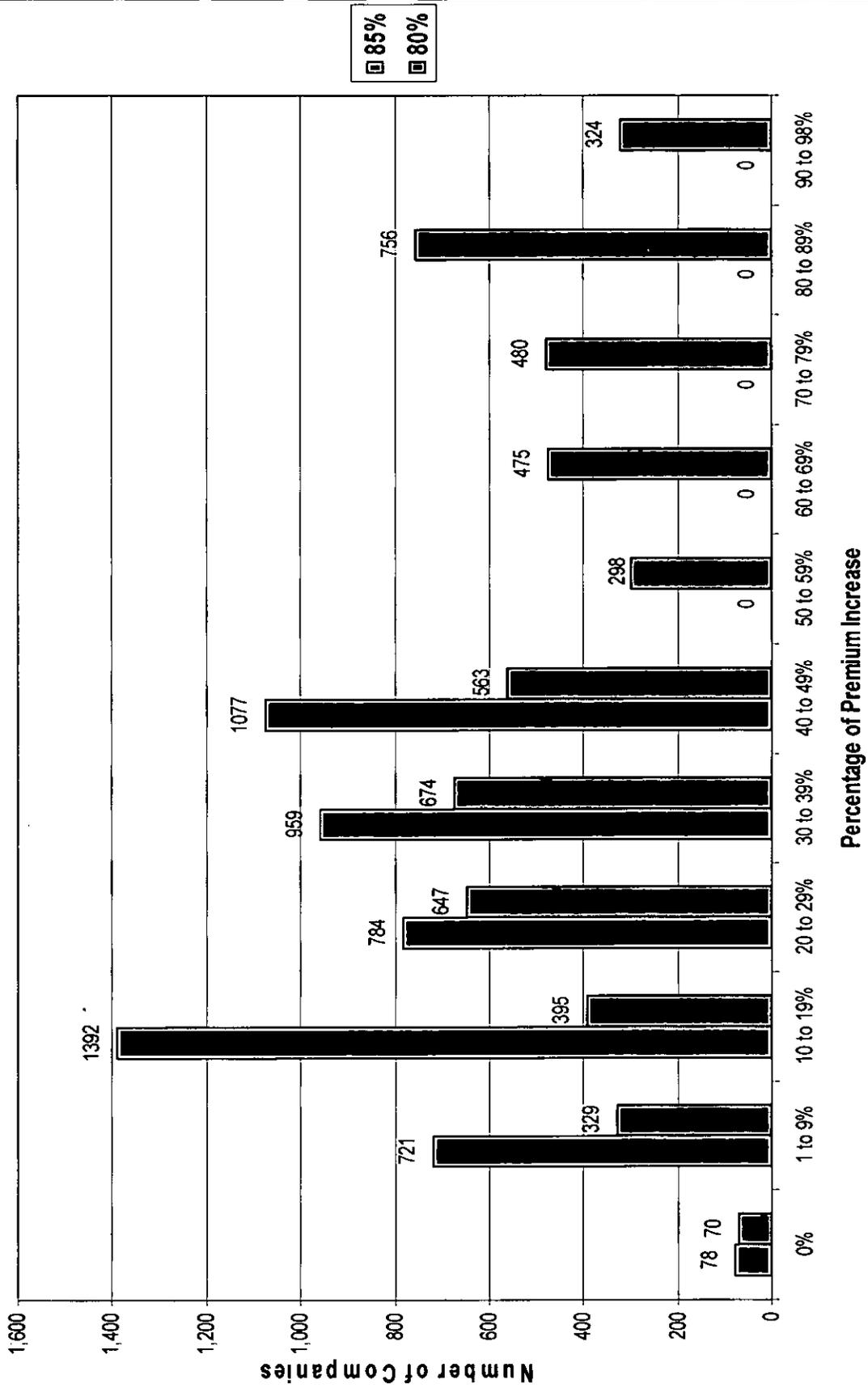
Third, no matter what actions you determine are appropriate, ongoing and clear communication with employers by the BWC is very important over the next few months. While you have provided some information, I think the investment in time and money to repeat messages, intent and the importance of the changes you are making is money well spent. The attention span of the small business owner is exceedingly short and remind them of "what and why" on an ongoing basis is very important.

I appreciate your attention to our concerns and your ongoing work on behalf of Ohio's employers and employees that are served by the BWC.

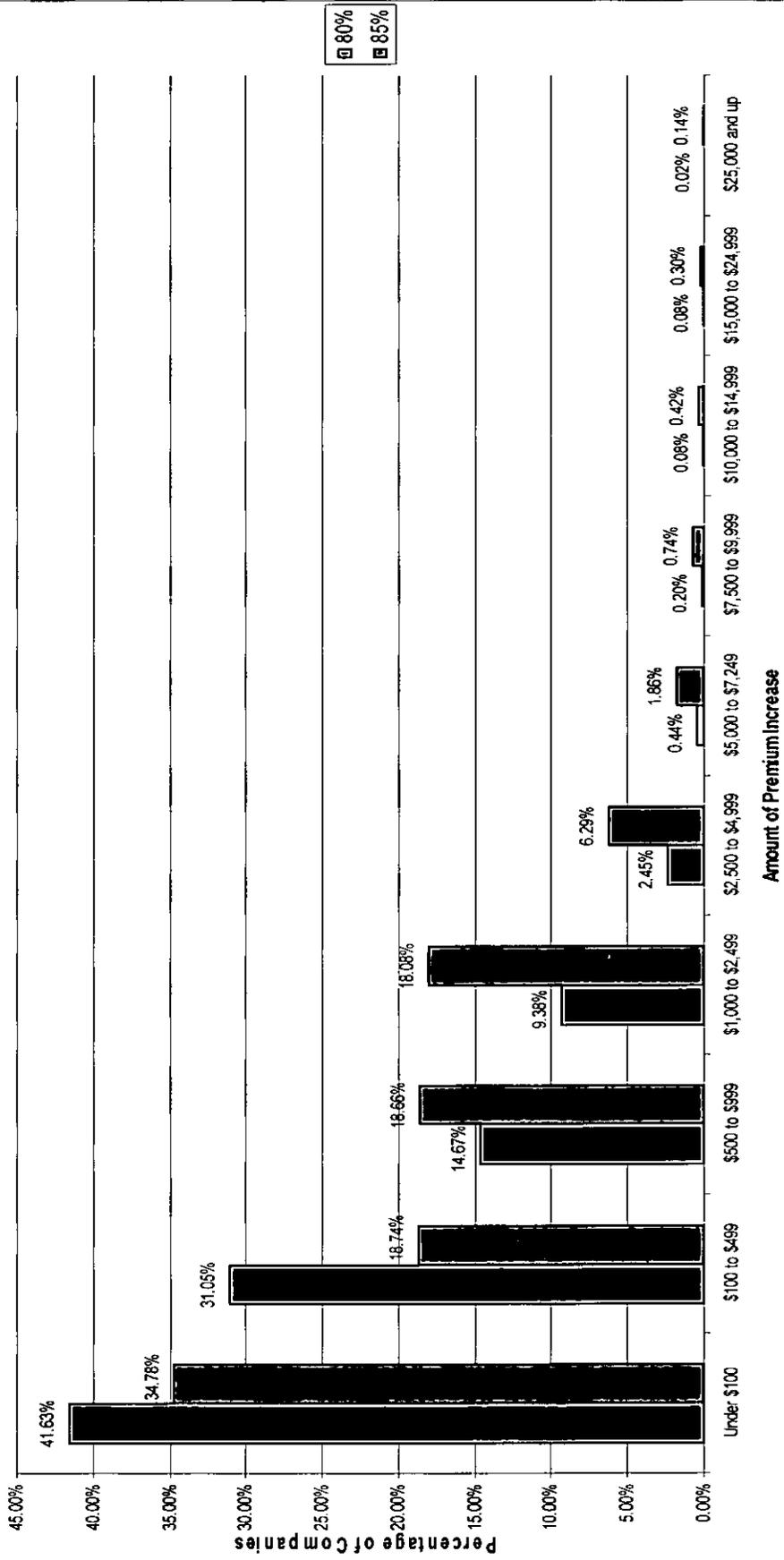
COSE 2007 Group Rating Program - Number of Companies with Estimated Premium Increases at 85% and 80% Credibility



**COSE 2007 Group Rating Program
Number of Companies Receiving Percentage of Premium Increases at 85% and 80% Credibility**



**COSE 2007 Group Rating Program
Percentage of Companies with \$X Premium Increases at 85% and 80% Credibility**



Members of the Bureau of Workers Compensation Board of Directors Actuarial Committee:

My name is Ron Stake and I am vice president of the Ohio Small Business Association (OSBA). I am here today to express concern about the recent recommendation by the Bureau of Workers' Compensation Board of Directors to reduce the maximum discount for the Ohio Group Rating Program in 2008.

OSBA has a number of concerns about this proposed reduction, especially in regards to the timeframe in which it is to be enforced. Such a drastic increase in Workers Compensation rates in this short period will have a negative impact on approximately 100,000 small businesses here in Ohio.

OSBA believes lowering the group-rating discount without aggressively communicating this prior to implementation is not appropriate within a monopolistic state.

- A ten-point drop in the credibility factor would **double** premium payments for roughly **36,000 small businesses** currently receiving the maximum discount.
- About **72,000 small businesses** currently receive an 80% discount or better. Collectively, these employers would see an estimated **65% increase** in premium.

I ask you would the Ohio Department of Insurance tolerate this if a private insurer wanted to implement such a rate increase. The answer is no. However, this government agency is ready to double the premiums on small businesses that operate safe working environments for their employees. This is just another nail in the coffin for Ohio small businesses.

The Ohio Small Business Association urges you to reconsider the recommendation to lower the credibility factor for the 2008 policy year until appropriate data has been presented regarding the previous credibility adjustments and reserving changes.

Any change being made to a **program that affects over 100,000 employers** should be implemented **methodically rather than reactively** to aid in the restoration of public confidence and to provide small businesses time to plan for the financial impact.

Thank you.

Ron Stake
Vice President
Ohio Small Business Association
6543 East Main St. Suite A1
Reynoldsburg, Ohio 43068
614 759 6355
www.osba.com

November 13, 2007

James D. Herlihy
Vice-president
Herlihy Moving & Storage
3759 Jackson Pike
Grove City, OH 43123

Re: BWC Group Rating

Dear Ohio BWC Representatives:

I'm co-owner of a 3rd generation business, Herlihy Moving & Storage. My grandfather started the business in 1920. I grew up in the business and I joined full-time in 1996. We employ about 30 people.

I don't claim to be an expert in the workers comp field but I would like to share with you my experience with the BWC.

Our company is currently group-rated. I'm not advocating doing away with the group rating system altogether. I just think there are parts of it that are broken and hopefully by bringing this to your attention, it can be fixed.

BWC is a topic I speak about in my dealings with other businesses. Some have told me to keep quiet because everything is "fine" when you are in a group. I believe that to be true, i.e. IF you are in a group.

However, everyone knows that accidents happen and employees get injured. I do fear the day that one of our employees gets injured. It's not a matter of if, but when.

We attend all the BWC Safety Congresses, we have a Transitional Work Program, drug free workplace, etc. But still someday, we are again going to have two large claims within a 4-year period and we are going to be hit with a 600% increase in our BWC premiums.

That's just what happened to us in 2001. We had 2 large claims about 1 year apart. Our reserves increased so high that we were dropped from our group. Our premiums increased 600% overnight.

One claim was a foolish accident on the part of the employee, took it upon himself to be in an area he was never told to be and fell through a ceiling. He fractured his skull. The medical and reserves were close to \$80,000. We stood by our employee every step of the way. The other claim was, to this day, I feel not legitimate. The employee worked for us only 1 day. He claims he fell down and hurt his tailbone. It was not witnessed by anyone. The employee got a good attorney early on. I was foolish not to get an attorney, trying to save money and use the resources of my former TPA. 2 years into the claim, we finally hired an attorney and appealed all the way to the AG's office. The claim was a grueling 5 years, over \$70,000 in medical and reserves.

Once you are out of group, you can count on being out for 4-5 **years** until your claim history is cleared up. Yes, 4-5 years of 600% premiums. During this period, you go into

“fight for survival mode”. You cut back payroll, lay off people, sell assets, do fewer sales, and cancel employer paid healthcare and other fringe benefits.

A lobbyist for group-rating recently told me we should have signed up for the Premium Discount Plan and Drug Free Workplace to save on our premiums. He didn't know this, but we had done just that. Our premiums just went up 600% and are we supposed to feel good that we can save 20%? If we qualified for all the discounts, our premiums now increased “only” 470%. Don't get me wrong, we appreciate the savings, but who can afford a 470% increase?

I'm not saying everything at the BWC is bad. We're okay with a state run BWC. When run correctly, we think there is good bang for our buck. There are good people that work there.

But there are some things that need to be looked at:

- 1) Premiums shouldn't be allowed to skyrocket 600% and more. A small business can't absorb that. We can't raise our prices 600% to pay for the increase. Premium increases should mimic what happens in the free market for other insurance products. If a company has a bad year, the premiums should go up 10%, 20%, 50%, and maybe 100%. However not 600% or 1000%.
- 2) The \$50,000-100,000 reserves per claim make the employer “guilty until proven innocent”. A knee injury might have \$50,000 reserve on it. The employee might be okay in a month or two, back to work, but we still have \$50,000 in reserves. Employers need more time to handle the claim before being hit with such high amounts. The reserve could be senselessly over-estimated with no exposure to the group or BWC and this kicks a company out of group.
- 3) Just because you get a claim, you shouldn't be dropped out of a group like a hot potato. You should stay in your current group for minimum of a year then transition to another group.
- 4) Employers need more tools to get an employee back to work. **An employers intentions are generally good.** For most employers, they have an employee who's injured they want him back to work. Done, end of story. However unethical doctors and attorneys want the injured worker to stay injured as long as possible as their earnings increase the longer the employee is out of work. There's a disincentive for them to get the employee back to work. There should be a black list for those who routinely take advantage of the system.

The BWC should help employers pay for IME (Independent Medical Exams). These run \$500 – 800, a lot for a company my size. It's in the BWC's best interest to have these IME's performed just as much as the employer.

- 5) The BWC should take more advantage of their purchasing power. Just one example that we noticed: routine procedures, the prices should be driven down to just above cost. A MRI runs about \$1,200. Why can't this be \$350? See what the private sector comes up with. If the BWC can do it cheaper, perhaps the BWC should set up 5 regional centers and just perform these routine procedures. This can help everyone keep their costs down.

In summary, the small business that is non-group rated is fighting for its life. I wouldn't will this on my strongest competitor. Something needs to be done to address this

matter. I hope my comments today shed some light from the angle of the small businessperson. We look forward to your action on these issues.



Norwalk Area Huron County

CHAMBER of COMMERCE

TAKING CARE OF BUSINESS

Janet Wilks
Ohio Bureau of Workers' Compensation
Stakeholder Relations
30 West Spring Street, L-3
Columbus, OH 43215-2241

Dear Janet,

I am deeply concerned about the current situation with the discount for group rating being in flux while TPA's are issuing quotes. I have contacted our TPA and asked if they were holding their quotes until they were sure about the discount level. They are not, nor are any of the other TPA's. They are conducting "business as usual" quoting discounts up to 90% and it is going to cause a tremendous amount of problems for organizations such as my Chamber and for our member businesses.

Here's what I envision happening due to these obviously over stated quotes. TPA's will point to their disclaimer and move on, not their problem. They will also point to the bureau as being the culprit in this whole thing. Either way, they are free and clear from blame. In the meantime, the bureau will point to the TPA's and say they knew the discount levels were changing and went ahead with the inflated quotes. While it is an issue for the bureau to be switching horses in the middle of the stream, I do not believe this should be a green light for causing mayhem within the entire statewide business community by either the TPA's or the bureau. Plus, once businesses get a quote showing a 90% or other inflated discount; that's what they are going to lock into, and we (organizations) are going to be the recipients of their anger and frustration. I can well imagine a loss of members over this.

Though I do not advocate for government control, regulation or interference, I do not understand how quotes can be allowed to go out when TPA's have prior knowledge the discount levels will change from what they are quoting. I believe there needs to be some type of protocol for quoting besides including a disclaimer. At best, this is lame, at worst; it's an outright misleading practice.

My TPA says if they hold their quotes and other TPA's don't, they will lose huge dollars, so I understand this does present a problem for them. They offered to single my members out and tell them they are not able to quote until a later date but that doesn't solve this problem. And again, it makes my

10 West Main Street • Norwalk, Ohio 44857-1408
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chamber out to be the bad guy when what I really want to do is make sure they are not being misled.

Maybe the bureau should consider that for this current quoting season the deadline should be extended by however long the delay in stating the discount is and if this were to be the case there would be no argument for going ahead with "business as usual."

I'd love to see BWC costs be significantly reduced, the 90% discount is a plus to our businesses that qualify but it is also a burden to those that don't. But, tell me again why someone gets a 90% discount if that amount then doesn't cover their costs? Any business knows that selling below cost is, well, stupid, so why is it happening? I also realize that abrupt changes in the current economic climate will be devastating to some businesses, how will we work with them to lessen the impact?

We absolutely have to be more cognizant of what ramifications these actions will have and take steps to protect our business community. Right now, both the bureau and the TPA's are in a fight and unfortunately, the ones that are going to pay the price of that fight will once again be the business community. We have to do better, our businesses deserve it.

Best regards,



Melissa James
Executive Director
Norwalk-Huron County
Chamber of Commerce

Good morning. Thank you for allowing me to speak this morning. My name is Brad Shoemaker, owner and President of PrimeTech Communications, Inc., a contract service company in the Cable TV Industry.

I understand the issue before you is the consideration of reducing the maximum discount of 90 percent to 80 percent for the 2008 policy year. As you make your considerations, I would like to share my recent experience with the bureau and its devastating impact on my business.

I opened my business in 1996 with one bucket truck and one man – me. I have grown the business to a fleet of trucks and 22 employees over the last 11 years. In that time, I have consistently paid all of my premiums and met all of the Bureau's requirements in good faith. I received the 90% discount. That is until now. In September of 2006, after 11 years of business and faithfully paying our premiums, one of our employees fell about 15' from a ladder. He suffered several injuries requiring medical care and was off work for 9 months. I kept him on the payroll for a full month after the accident and continued to pay his health insurance for 3 months. During this time, I contacted our TPA and MCO that is supposed to help employers in such situations. I received very little valuable help. Assuming that Worker's Compensation insurance worked like every other insurance I purchase for my business, I decided to let the process take its course.

Shortly thereafter, I received legal notice that our employee had hired a lawyer as Worker's Comp was not paying his medical claims. PrimeTech Communications, Inc. had not disputed his claims brought about by the accident. The lawyer convinced our employee to file a VSSR claim against our company and pursue a financial settlement above and beyond the Worker's Comp claim. In June of 2007, the employee returned to work in a different position that suited his physical limitations.

After much deliberation and prayer, our employee dismissed the VSSR claim. We are currently in the process of negotiating the open Worker's Comp case, hoping for a lump sum and close the case. What should have been a simple case of making a claim against an insurance policy paid for by the employer to benefit the employee has now resulted in lengthy negotiations between the employee, the employer, the BWC, the TPA, The MCO and several lawyers. But that is not the worst of it.

The worst of it is, if we settle our employee can never claim anything relative to injuries sustained in this accident despite the fact that this plan is supposed to protect him. He is naturally afraid to agree to this settlement. And on top of that, PrimeTech Communications, Inc. will now be faced with not just *increased* premiums but **outrageous** premiums for the next three years (provided there are no new cases). Let me remind you – our company was completely accident free for 11 years. Now after one accident, our premiums are projected to climb 1100%, from \$10,000 annually in 2007 to \$113,000 in 2008. Sadly, this does include a 15% discount. If our employee agrees to settle for a lump sum, PrimeTech Communications, Inc. can qualify for a discount between 35-48%. Considering that we cannot qualify for the 90% discount for three years, we will have paid back the ENTIRE cost of the claim THREE TIMES before we

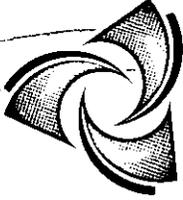
re-qualify. This enormous increase means I will be forced at a minimum to lay-off employees, and in all likelihood it will put me out of business thus putting our 22 employees out of work, without health care thereby putting their families at risk.

The program that is supposed to be designed to protect Ohio workers has cost our employee much undue anguish and may cost us all our jobs. Worker's Comp has lost its effectiveness and efficiencies. It is too far removed from the public it serves as it takes TPA's, MCO's, lawyers, mediators, and a half dozen agencies to file a rightful claim. It puts the employer and the employee in adversarial positions and makes it a fight where both sides view the other one as the bad guy and themselves as the victim.

Most companies, even small ones like PrimeTech Communications, Inc., now offer health insurance. If we offer health and disability insurance, we should be able to opt out of a government mandated, government run program that is not serving the Ohio worker effectively. The companies that do not offer health care could afford to if they did not have to pay the required expensive premiums of the Worker's Comp program.

I have always been reluctant to become involved in such large bureaucracies as the BWC. The demands of running a small business are significant on their own. I am here today because the prospect of losing the business that I, my wife, and children have sacrificed for 11 years to build and the thought of no longer being able to support the 22 families that make up our organization means I can no longer just sit back and watch decisions being made that impact us so seriously. If rates can change from 1.4% of payroll to a projected 10% of payroll because of one accident in 11 years, our government needs to do better. It's ironic that two days ago I received a letter as a member of the Safety Council explaining the proposed changes before the board. In that letter, you go so far as to say that over 6700 employers saw their premiums increase by an average of 697% by being eliminated from a group after a claim. You further state that over 31% of these employers were forced to cancel their worker's compensation or file bankruptcy. It is so easy to talk *numbers and statistics*. But the employers of Ohio and our employees are more than numbers and statistics. We are husbands, wives, fathers, mothers, sons, daughters, brothers, sisters, aunts, uncles and cousins. We are real people with real lives – we are the Ohio workers that are supposed to be protected by this system. Attached to my hand-out are some of the 22 families that our business supports, the very same Ohio workers who now are in jeopardy of becoming unemployed because our company cannot afford the premiums that we have been penalized with for having 10 accident-free years and one year with a single on-the-job accident. These are the faces of Ohio workers and their families. **We, both the employees and the employers deserve better!**
Thank you for your time and consideration.





CANTON REGIONAL
CHAMBER OF COMMERCE

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November 14, 2007

To: BWC Board of Directors Actuarial Committee
From: Steven J. Katz, Senior Vice President
Canton Regional Chamber of Commerce

Good morning.

Thank you for the opportunity to comment today. This is an important issue that deserves careful and thoughtful analysis before moving forward. Workers compensation premiums and related costs are major expense for all Ohio employers.

On behalf of the members of the Canton Regional Chamber of Commerce and our group rating program, the Buckeye Alliance, we want to register opposition to efforts underway to lower the maximum discount on group rating plans to "no less than 80%" because of the significant, immediate and negative impact it will have on our members and Ohio's economy.

Most impacted are the businesses creating or retaining jobs in Ohio while at the same time most effectively managing and promoting safety in the workplace. Penalizing these employers with little notice and creating additional costs does not support our goal to promote job growth in Ohio. This will also have a negative impact as we try to locate new companies here as well.

The issue of equity in the system is currently being addressed through the measured reduction in group rating discounts as well as subsequent reforms we have seen the last two years passed by the Ohio General Assembly. The impact of these reductions needs to be fully evaluated before moving forward with this reduction in the discount. A more prudent approach is to work with businesses in measuring the results of earlier actions and working collaboratively on any further changes to minimize dramatic, unplanned cost increases.

The proposed change to the current group rating system will have the following negative impacts:

The proposed change will increase premiums for the 95,000 Ohio businesses, the prime engines driving new job creation in Ohio. This increase could negatively impact hiring practices and result in fewer jobs in Ohio. Based on trends in our economy this could this isn't the direction we want to move.

Based on information provided by our TPA, premium rates will double for the more than 30,000 group-rated employers currently receiving the maximum 90% discount. The 72,000 employers currently receiving an 80% discount or better would see an estimated 65% increase in their premiums. Overall, group-rated employers can expect a premium increase of 21% to 24%. This is a huge increase as our employers struggle to remain competitive in the global marketplace.

A lower maximum discount penalizes those Ohio businesses that run safe, efficient work environments and have a strong history of little or no workplace injuries. Qualifying for and remaining in a high tier group rating plan comes as a result of operating a sound business founded on quality operations. If anything we should look for ways to provide additional incentives to this group of thoughtful, safety conscious employers.

We sense there is an urgency to this issue. To rush a decision that will impact nearly one out of every three Ohio employers, without adequate time to understand the full implications is unnecessarily risky. We urge the Board to take additional time to fully analyze this issue before even considering action. Please also consider the direct and negative impacts these changes will most certainly have on Ohio employers.

We ask that any further adjustments to Ohio's group rating discount be considered only after adequately documenting the impact of past changes. The move from 100% credibility to 90% credibility in 2004 as well as new workers' compensation reforms still have not been measured and fully incorporated into the most recent studies.

A safer and more prudent method would be to gather all the relevant data and address group-rating with a more watchful and measured approach that ensures a healthy insurance fund without penalizing the most safety oriented businesses that are crucial to the future of our state.

BWC has acknowledged that a thorough review of all rates in the system has been mandated by the General Assembly; so let's utilize the information gained from this comprehensive review to make sound decisions moving forward.

We ask the Board not to take action.

Thank you for the opportunity to comment.

Are You One of the Small Businesses in Ohio being **CRUSHED** by outrageously high workers' comp rates?

**HELP US ELIMINATE
THE MAIN CULPRIT OF THE
"BROKEN SYSTEM" —
OHIO BWC GROUP RATING**

The BWC was created as a non-profit arm of the state to **MANAGE** claims and benefit both the Employer and the Employee - not a one-sided system which **PENALIZES** Employers and drives them **OUT OF BUSINESS**.

VISIT OUR WEBSITE: WWW.WEVEHADENOUGH.NET

Have your premiums skyrocketed, sometimes by as much as 1000% because you've been thrown out of your group?

Join our grassroots movement to pressure Ohio Law Makers and the BWC to institute an equitable system. We are your Voice!

Connie: 216-509-8061
Joni: 440-725-0374

We've Had Enough.net
A Non-Profit Organization
P.O. Box 1052
Chardon, OH 44024

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WHY ARE OHIO

BUSINESSES CLOSING ??

October 2, 2007

WORKERS' COMPENSATION GROUP RATING

We represent a diverse group of family owned businesses that have been irreparably harmed by the destructive environment caused by the Workers Compensation Group Rating System. Many of our businesses have faced financial ruin by the inequities, disparities and corruption that has existed in the Bureau of Workers' Compensation. If an Employer experiences a claim or two, the Sponsor Group can kick him out, he will be then be penalty rated and be subject to a premium 500 to 1000% more than the previous year. Ex: \$12,000 - 2006 \$ 123,000 - 2007

Ohio has already lost thousands of jobs in the last five years and more than 40% of our manufacturing base. The Bureau of Workers' Compensation system has contributed to the demise of thousands of Small Business Employers by the reckless disregard for preserving the health, economy and job security for Ohio Citizens. The family business is the back-bone of Ohio's economic health. Unless drastic measures are taken immediately, the economy will continue it's downward spiral.

The group rating system was implemented in 1991. In 2006, the BWC paid the consulting firm of "Pinnacle Actuarial Services" to complete an analysis of the "Group Rating Plan" with recommendations. On page 74 of this report, it states, "Studies conducted by the BWC and their consultant, Mercer Oliver Wyman (Mercer) in 1990, 1991, 1993, 1994, 1995, 2001, and 2004 each concluded that the Group Rating Plan was not resulting in premium equity between the group rated and non-group rated employers." It also states that several methods to improve equity between the two plans have been attempted "but the magnitude of the impact of the changes are relatively small in light of the size of the imbalance."

As you know, the Bureau of Workers' Compensation has been racked with corruption and scandal for many years due to the politicization of the agency. The billions of dollars in the Workers' Compensation Fund paid only by us, the **EMPLOYERS OF THE STATE OF OHIO**, were being siphoned off by special interests and at the whim of the "Powers that Be." Not only were Employers such as ours being assaulted by these actions, we were also being discriminated against by "Officials of BWC" who gave certain companies big breaks on workers' compensation rates with manual over-rides with little documentation or oversight. Also, one Legislator, Senator Jeffrey Arbruster received special rates for his own companies:

Our grass roots movement **WEVE HAD ENOUGH.NET** is here today to ask your help in creating a fair and just system for Workers' Compensation.

CLOSING:

1. How and why was this allowed to happen?
2. Was the Bureau of Workers' Compensation created as an insurance between the Injured Worker and the Employer? A no-fault insurance?
3. If so, why were there so many bureaucracies created to feed off the system? Sponsor Groups, TPA's, MCO's. See Statistics - Year 1997-2006
The MCO's receive 7 ¼ % of every premium: In 1997 the MCO's Received 20 million \$\$ with approx: 288,000 claims - in 2006 with approx: 188,000 claims (100,000 claims less) they received 170 million \$\$: Explain
4. Under Governor Voinovich's watch, these bureaucracies were created: Gov: Voinovich stated that the Workers' Compensation was the "silent Killer of jobs." It has become an albatross for the Employer and the "not so silent killer of jobs." What do you propose will be the solution to eliminate these bureaucracies?
5. How can we receive the same consideration as the hundreds of companies that received manual over-rides from Bureau Officials: They were not required to pay the exorbitant premiums that the rest of us were required to pay.
6. Why does the BWC continually advocate joining a "Sponsor Group" for Workers' Compensation savings when the groups are not regulated and the Bureau has no authority when a Group Sponsor states that an Employer will receive a 32% discount when in fact the discount is 19-20%. In 1991, when Sponsor Groups were created, it was supposed to link similar businesses for a discount, however groups will not disclose who an Employer is grouped with? Fair? Equitable?

Sponsor Groups must be eliminated: They serve no purpose but to inequitably penalize those Employers that they do not wish to enroll: Those non-rated groups subsidize all the Sponsor Groups by paying an unreasonable and inequitable premium: Please see the attached figures of a few of our Employers that have sustained premiums thousands of dollars from the previous year: Cutting group discounts by a few percentage points, is not the answer, the Bureau knew this from years past - Review the Pinnacle Report: We need immediate relief now: The Bureau must take back responsibility of managing a no-fault insurance between the Employer and Employee in a fair and impartial system: What can you do to help us?

UNRAVELING THE BWC WITKINAGE

State Auditor Mary Taylor's inquiry into operations of the Ohio Bureau of Workers' Compensation confirms that serious management issues existed within the agency during the administration of former Gov. Bob Taft.

A lack of internal controls, poor investment monitoring practices and blatant abuses of power by a former top official created the conditions for fraud, theft and corruption to thrive at the bureau.

Taylor's audit also identifies how a gulf in communication between the agency's legal and financial divisions predictably led to reporting omissions. That lack of communication, combined with poor management practices, resulted in scandals and highly questionable investment contracts that cost the state hundreds of millions of dollars in losses.

Taylor's work on this front is not done. She

says her office will continue to investigate the manual override process that allowed politically connected companies to get financial breaks on their BWC rates.

Attorney General Marc Dann also continues to raise troubling questions that are being addressed by the state inspector general and the legislative inspector general. Uppermost on that list, who was asleep at the wheel or looking the other way while former BWC Chief Financial Officer Terry Gasper gave away millions in exchange for bribes?

Taylor's audit, however, advances the investigation and buttresses the case for reforms already well under way. The bureau can and must be fixed, so it can become more accountable to the injured workers of the state and their employers. But if that is to happen, Ohioans must know exactly how things went so terribly wrong at the agency.

Cheers & Jeers

CHEERS . . . to East Technical High School senior Richard Starr, chosen to represent Ohio's Boys & Girls Clubs as their Youth of the Year. He's the president of his senior class, a fine student, a captain of the football team and a force for good in his community. Some might say all of those accomplishments ought to be worth more than a \$1,000 scholarship. But something tells us making money wasn't his motive.

JEERS . . . to Joan Hall and Roger Neff, who were up on shoplifting charges in Cuyahoga Common Pleas Court this week when Richmond Heights police Sgt. Chuck Duffy watched them swipe lunch from the Justice Center cafeteria. They took their filched feast back to Judge Nancy Fuerst's courtroom, but then failed to dispose of the evidence quickly enough to avoid a lecture from the bench and a banning from the cafeteria.

CHEERS . . . to the Cleveland Indians for finding and restoring a plaque memorializing Ray Chapman, the shortstop who died in 1920 after he was hit in the head by a pitch. The plaque, a fixture first at League Park, then at the Cleveland Stadium, will be prominent in the Heritage Park hall-of-fame area at Jacobs Field, which opens to the public Saturday.

JEERS . . . to Imagitas Inc., which does the necessary work of sending registration renewal

JD
notices to Ohio vehicle owners, but then uses the personal data it gets from the state to send Ohioans junk mail. The Driver Privacy Protection Act, passed by the General Assembly in 2000, prohibits the state from sharing Ohioans' data with commercial mailers. This one is wrongly taking advantage of its unique position, and the state should put a stop to it.

CHEERS . . . to Ohio State University for donating the gate receipts from its home opener to Bluffton University, whose baseball program faces a long recovery from a tragic bus crash in Georgia that killed five players. The Buckeyes made the game pay off in other ways, beating the University of Toledo, 18-5.

JEERS . . . to whoever at the Cleveland Clinic didn't get around to shredding some employee reviews and patient reports from the cardio lab before sending them off to the landfill. More than 300 of the sheets got only as far as Interstate 77 and Fleet Avenue before blowing off the garbage truck. The recovery effort went pretty well, but it shouldn't have been necessary.

CHEERS . . . to the Butler County Child Enforcement Agency for the novel idea of putting dead-beat parents' photos on pizza boxes. So far, only a few pizzerias are participating, but it's an idea that could mushroom.

June 21/27/07

Ohio auditor's report slams Workers' Comp

MARK ROLLENHAGEN
Plain Dealer Bureau Chief

COLUMBUS — Lax oversight: Few checks and balances. A corrupt chief financial officer.

It's all so clear now. The Ohio Bureau of Workers' Compensation was a scandal just waiting to happen, the state's auditor said

in a 55-page report released Monday.

"I think it describes for us why it happened," said Ohio Auditor Mary Taylor. "It's a good study in how not to set up a management organization."

Taylor made several recommendations for improving controls at the scandal-plagued, \$20

billion agency that provides insurance for workers injured on the job. She also acknowledged that many reforms have already been made since BWC's "Coin-gate" investment scandal surfaced in the spring of 2005.

Republican fund-raiser and coin dealer Tom Noe is in prison for 18 years for looting a \$50 million rare-coin fund he managed for the agency. BWC's former chief financial officer, Terry Gasper, awaits sentencing for racketeering.

And a task force continues to investigate a variety of matters, including whether some employers' insurance rates were inappropriately lowered through the use of so-called "manual overrides" — instances in which officials changed rates that had been set by formula.

In releasing the audit of BWC finances in 2005 and 2006 on Monday, Taylor said that her office is still reviewing the rate adjustments in its work with the task force led by Ohio Inspector General Tom Charles.

"Again, it's just complete inadequacies or lack of internal controls or management responsibility," Taylor said. "When you don't have those certain steps in place . . . you've kind of set up a situation where you're going to allow this type of rate-setting ac-

tivity." BWC spokesman Keary McCarthy said the agency has moved to address questions about rate adjustments by moving the handling of override requests from its employer services division, which fields employer complaints, to its actuarial division, which determines rates.

"We're pleased that the audit's complete," McCarthy said. "We're certainly going to continue to scrutinize and improve upon our internal controls."

Taylor, who has been auditor since January, also suggested BWC internal auditors report to the commission's audit committee rather than the administrator, require more ethics training and review record-keeping requirements after an independent auditor found some records had been destroyed.

Gov. Ted Strickland has proposed replacing the agency's five-member oversight commission with an 11-member voting board of investment experts and business and labor leaders. He also wants investments from the \$20 billion workers' compensation fund to be tracked by a full-time watchdog from the Ohio inspector general's office.

Last week, the governor named Marsha Ryan, a vice president with Columbus-based American Electric Power, as the new administrator of the agency.

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May 15, 2007

Mr. Mathew H. Barrett
District 58
77 S. High St
10th Floor
Columbus, OH 43215-6111

COPY

Dear Mr. Barrett,

My family owns a small business in the Cleveland Area. My family and I live in Columbia Station. Our business has been in existence for 65 years. We are the 3rd generation and hope to someday have a 4th and 5th. The rates that we have been forced to pay to workman's compensation is putting that future at risk.

In July of this year we will loose our group status. When this happens we will go from paying \$ 25,000.00 (which was our rate this year); to paying \$65,000.00. We lost group status based on 2 injuries. One injury started out as a sprained finger, and turned into a disability once the claimants attorney got involved. The other was a medical only claim where the claimant had a staff infection after surgery. In both cases we paid all of their lost wages out of our own pocket.

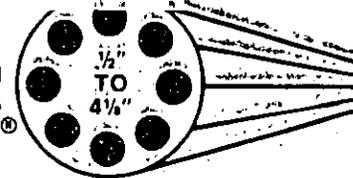
Many business faced with these large increases are forced to close their doors. We employ 27 people. Most of our employees are families. Please consider the fact that 10,000 groups are thrown out of group each year. Take into consideration 2,000 of those groups close their doors and they each employ 20 workers. This is a sum of 40,000 families who loose their jobs on an annual base. More devastating than any Ford or Chevy plant closing. WE NEED YOUR HELP. Please consider meeting with our group of small business owners. We desperately need to fix this. We feel a very strong responsibility to our employees and their families. We want to protect their jobs and our business. Please help, you can contact me at 216-771-2449, or email val@std-displays.com.

Small businesses need a favorable environment to compete in today's world economy. We honestly believe that you create an environment for small business - big business will come. Thank you for your consideration in this matter and we look forward to hearing from you.

We Remain:

Greg Berchak
Valerie Schmitz
Standard Displays

MEISTER



MATIC, INC.

June 12, 2007

"Working Together For Quality"

Ms. Marsha Ryan
CEO/Administrator
Ohio Bureau of Worker's Compensation
30 West Spring Street
Columbus, Ohio 43215-2233

Dear Ms. Ryan:

I understand that the BWC under your guidance will attempt to correct all of the inefficiencies and corruption which has plagued the BWC over the last decade.

As a small business owner in Ohio, I must tell you that the system which was originally set up to protect not only the employee, but the employer as well ("no fault system") has turned into legalized robbery of any small business in Ohio who is unfortunate enough to get one or two injury claims which result in that business being thrown out of a group and penalized repeatedly over the next five years and gouged with rate increases which most small businesses cannot afford.

I have attached chronologies of two injury claims which we feel are fraudulent. In both cases, there were no witnesses to either alleged injury and both have been allowed to continue by DHO rulings. The first is for Gregory Smith, Case # 04-8034364 and the second is for Leola Lewis, Case #04-848505.

In one case, after almost a year and a half after the original injury claim, the claimant's doctor diagnosed that the claimant was suffering from pain due to the original injury and would have a cast put on his wrist and he would be out of work for three months. Every time we offered transitional work to the employee, based upon the doctor's limitations, the doctor would change his limitations until he finally ruled the employee was totally disabled. We offered to provide transportation to and from work for the employee and the final transitional work was to sit in the conference room and review safety manuals. This employee ended up being off work and collecting TT for three months.

The other claim that I have attached for your review is also for an alleged injury with no witness. This employee claimed she fell on her second day of work. This person was released back to work three days after her supposed injury but was able to find another doctor who stated she was totally disabled. The employer never heard from her again until almost two weeks after her return to work date when she claimed that her doctor has extended her disability date by another month.

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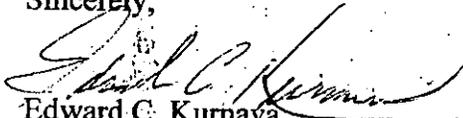
17202 Roseland Avenue • Cleveland, Ohio 44112-1497 • (216) 481-7773 • Fax (216) 481-0956

I believe that any person of reasonable intelligence can see right through the scam that has been allowed to continue by the BWC.

I would appreciate your careful review of the data attached as well as the many letters available on these cases in the BWC files.

We look forward to your response as soon as possible

Sincerely,


Edward C. Kurnava

Attachments

MEISTERMATIC, INC.

CHRONOLOGY

Gregory Smith

Case #04-803434

PRODUCTION WORKER INJURY (ALLEGED)

01-28-04 Alleged date of injury: Claimant states that he fell in the parking lot due to ice. No witnesses. Not certified by employer. Claimant files grievance with Union for not getting Worker's Comp for injury. Company claimed that since he had not yet punched in for work, his health insurance which the company pays for would cover his injury.

01-30-04 Received notice from the BWC of the claimant's injury claim

02-24-04 Employer files appeal to order of 01-30-04.

03-08-04 Received notice on hearing 03-22-04.

IC ruled in favor of claimant. Injury was in the course of and arising out of employment.

03-30-04 Asked claimant for medical excuse for time off 1/31/04-2/12/04.

03-30-04 Employer files appeal to order from 3-22-04.

04-02-04 Claimant awarded TT on 4-27-04 from 01-29-04

05-24-04 Employer files appeal.

04-15-04 Claimant returns to work w/o restriction.

2005

03-09-05 Claimant asks for percentage of permanent partial.

04-21-05 Tentative order for 2% permanent partial disability.

2006

- 01-19-06 Claimant sees chiropractor for pain in left wrist when grabbing or twisting or sometimes when lifting anything. Chiropractor starts series of treatments for four weeks.
- 03-02-06 Claimant sees an orthopaedic surgeon. Dr. states that the claimant's neck no longer bothers him. He states that he suspects that the patient has developed posttraumatic intercarpal arthritis or ligament instability. Suggest MRI.
- 04-01-06 Claimant has MRI.
- 05-09-06 Treating chiropractor refers claimant to hand specialist. Suggests wrist cast for six weeks or a cortisone shot. Claimant elects the cast.
- 05-31-06 Received notice from BWC filing for additional allowance for wrist.
- 06-08-06 Order for allowance for post traumatic full thickness tear of the triangular fibrocartilage.
- 06-16-06 Employer files appeal to motion filed on 05-22-06 by claimant for additional allowed condition.
- 06-06-06 Received off work slip from chiropractor. Patient off work from 06-15-06 to 08-15-06.
- 06-07-06 Received Medco-14 Physicians report of Work Ability. States patient may return to work with restrictions. Restrictions temporary for 2 months. Restrictions are: No use of left hand. Light duty crossed off. States that employer MAY have light duty work. Disability dates are 06-15-06 to 08-15-06.
- 06-07-06 Employer speaks to Chiropractor re: back to work restrictions. Questioned why light duty crossed off. Dr. states that employee told him that the employer did not offer light duty work. Employer advised the Dr. that the employer does have light duty work available for the patient. Asked the Dr. for a list of the patient's limitations were so that the employer could accommodate them.
- 06-07-06 MCO spoke to attending physician. Claimant will be able to return to work on 06-16-06 after he gets his cast on. MCO states that the Doctor would send us a list of limitations on return to work.

Dr. Nahra, a Board Certified Orthopaedic Surgeon who specializes in hand and upper extremity surgery, disagrees with the "flow-through mechanism" as a cause of the claimant's left lateral epicondylitis. Dr. Nahra states that he has casted thousands of individuals and cannot recall one individual who had developed "tennis elbow" (lateral epicondylitis) as a result of casting.

Dr. Moore, Chiropractic Physician, states that he feels the left lateral epicondylitis has developed as a direct flow-through mechanism after the claimant's casting. In the Record of Proceedings, Dr. Moore states that the left lateral epicondylitis resulted from the weakness in the injured worker's left hand, wrist and forearm resulting from the casting of the left wrist for a six week period following surgery.

Meistermatic is not aware from any of the medical records available that Mr. Smith ever had surgery. In fact, in a letter from Dr. Moore dated July 12, 2006, Dr. Moore states "we are trying to prevent surgery for this patient". Mr. Smith chose casting over surgery.

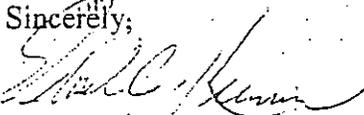
Meistermatic, Inc. believes that the DHO did not make an informed decision based on the professional medical information available to him at the time of the hearing and relied too much on the opinion of Dr. Moore, Chiropractor.

We believe that the Industrial Commission should rely on the expert evaluation of Dr. Nahra, a board certified hand and upper extremity surgery specialist trained at the Mayo Clinic, since he indeed has casted thousands of patients and deems that Mr. Smith's claim of left lateral epicondylitis is not due to a flow-through from his previous casting and treatment in June of 2006.

Meistermatic, Inc. requests that Dr. Moore, Chiropractic Physician, present what training and experience he has had in hand and upper extremity surgery for comparison. Also, how many castings has he performed?

We respectfully request the Industrial Commission schedule a hearing to review this claim.

Sincerely,


Edward C. Kurnava
President



27091 Chagrin Blvd. Village Square • Cleveland, OH 44122

216.464.3838 FAX 464.1622

June 11, 2007

Corky & Lenny's has been in business for over 50 years trying to control costs like any other small business. Workers' Compensation fees have always been a large expense, and we have tried to maintain and reduce our premiums by whatever means at our disposal.

When we were eligible we joined a group program, bringing our premiums to around \$25,000 a year. After several claims other than the normal restaurant cut hands or fingers or simple burns, we were dropped. Our current premiums are about \$80,000 per year a 320% increase.

We haven't taken every step to lower our workers' comp costs. We joined a safety council that requires attending meetings, we designed a transitional work program and we participate in a BWC discount program.

It is very difficult for a small independent restaurant to stay in business, not only the huge premiums but also all the time and effort in sometimes meaningless meetings and reporting data when we should be running our companies.

Earl Stein, Owner



OHIO DEPARTMENT OF DEVELOPMENT

Ted Strickland
Governor

Lee Fisher
Lt. Governor
Director, Ohio Department of Development

March 22, 2007

Mr. Earl Stein
Corky & Lenny's
27091 Chagrin Blvd. Village Square
Cleveland, OH 44122

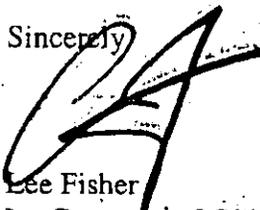
Dear Mr. Stein:

Thank you for contacting me regarding the problems you have been having regarding your restaurant and the Bureau of Workers Compensation. As Lt. Governor of Ohio and Director of the Department of Development, it is important to me to hear your concerns.

I want to assure you that the Governor and I have been discussing the Bureau of Workers Compensation, and that I am going to share your letter with Governor Strickland.

Again, thank you for sharing your concerns. It is an honor to serve you and the people of Ohio.

Sincerely,



Lee Fisher
Lt. Governor of Ohio
Director, Ohio Department of Development

LF/slm

March 1, 2007

Lee Fisher
Lieutenant Governor
State of Ohio
77 South High Street
P O Box 1001
Columbus, OH 43215

Dear Lee,

Thank you for taking the time to speak with me the other day. As I mentioned Governor Strickland was in for lunch and I passed along the enclosed article by Stuart Garson pertaining to the workers compensation group rating system and its effects on small businesses.

Our deli/restaurant is a perfect example. We were covered under group rating and after one or two employee injury claims we were booted out of the group. Our rates seriously jumped from \$ 25,000 per year to \$ 75,000 a year. We have enrolled into the available Workers Compensation Bureau programs created to try and reduce costs, but we must wait at least 4 to 5 years to get back into a group. There is something wrong with this system.

Mr. Garson's article states the problem far better than I, but the bottom line is that it's getting harder and harder for small businesses to stay in business in the state of Ohio.

Thank you for taking the time to read this. Hopefully you and Governor Strickland can address this in the very near future.

Sincerely Yours,

Earl Stein, Owner
Corky & Lenny's

enc.

cc: Stuart Garson, Garson & Associates, Co.

Workers' compensation rates soar in Ohio

BY: STUART GARSON, ESQ. Special to the CJN

On January 28, Plain Dealer reporter Bob Paynter wrote a front page story on how the soaring rates of the workers' compensation group-rating program was adversely affecting small businesses in Ohio.

Ohio's political system, reported Paynter, has created a workers' compensation system where one seriously injured worker can jeopardize a company's ability to remain in business.

Workers' compensation laws throughout the country were created to balance the competing interests of labor and capital (wealth used in business) during the Industrial Revolution. From the end of the Civil War to the end of World War I, more than 27 million people immigrated to the United States. This tremendous wave of immigration provided businesses with what they needed most in an almost endless supply of cheap labor. It was inevitable that the great dynamic forces of capital and labor would eventually clash during this period.

A system had to be found that would adequately compensate injured workers for their lost time and medical expenses while not jeopardizing the vitality of American business. Workers' compensation laws provided the great bargain between labor and capital; they mirrored President Theodore Roosevelt's beliefs that government should be the great arbiter of the conflicting economic forces in the nation, guaranteeing justice to each and dispensing favors to none.

In Article II Section 35 of Ohio's constitution, amended in 1923, injured workers gave up their right to sue their employers for their work-related injuries. In turn, employers gave up their right to defend work-related injuries based upon negligence of the worker. A no fault workers' compensation system was created with compulsory contribution by employers into the work comp fund.

Therefore, based upon sound insurance principles of spreading and sharing the risk, all employers would be compelled to contribute to the fund to ensure a healthy economic climate for Ohio business. In addition, a seriously injured worker became the collective responsibility of all business.

The group-rating system in Ohio that took root in 1991 has violated this historic bargain by systematically destroying the shared-risk notion of the workers' comp system. It has put at risk the economic prosperity of small business in our greatest generator of job creation.

The system allows the creation of business groups that start off with ridiculously low premiums. When a company member of such a group experiences a serious injury to one of its employees, that business is often booted out of the group. In this way, the group can artificially maintain its low premiums, while the expunged member now experiences increases in their work comp premium in as high as 2100% in some cases.

No business can survive for long under these conditions, nor will it continue to do business in Ohio with such an erratic and costly price attached to a work related injury. An inordinate amount of stress is also in place between the injured worker and the employer, who is now blaming the employee (remember this is supposed to be a no-fault system) for its financial difficulty.

Paynter reported that 38% of Ohio's employers benefit from unrealistically low premiums while the rest pay unrealistically high rates. This is not healthy and effective public policy. Even worse, it is destroying the vibrancy of small business.

Group rating needs to be abolished or seriously reformed to restore balance to the Ohio's workers' compensation system. This should be one of Governor Strickland's highest priorities in his first year in office. Ohio's injured workers and our small businesses deserve no less.

Stuart Garson is a managing partner of the Cleveland-based law firm of Garson & Associates, Co., L.P.A.

ts law
firm
of
Garson & Associates, Co.,
L.P.A.
Cleveland, Ohio
44115-1234
Phone: (216) 555-1234
Fax: (216) 555-1234
www.garson-law.com



OHIO DEPARTMENT OF DEVELOPMENT

Ted Strickland
Governor

Lee Fisher
Lt. Governor
Director, Ohio Department of Development

March 22, 2007

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Corky & Lenny's
27091 Chagrin Blvd. Village Square
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LF/slm

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State of Ohio
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enc.

cc: Stuart Garson, Garson & Associates, CO.

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The system allows the creation of business groups that start off with ridiculously low premiums. When a company member of such a group experiences a serious injury to one of its employees, that business is often booted out of the group. In this way, the group can artificially maintain its low premiums, while the expunged member now experiences increases in their work comp premium as high as 2100% in some cases.

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Stuart Garson is a managing partner of the Cleveland-based law firm of Garson & Associates, Co., L.P.A.



Mailing Address: 3234 Myersville Road · Factory: 2665 Raber Road · Uniontown, OH 44685 · Phone 330/699-2812 · Fax 330/699-2811

September 5, 2007

The Honorable Stephen Dyer
Ohio House of Representatives
District 43
77 South High Street – 10th Floor
Columbus, OH 43215-6111

Dear Mr. Dyer,

I am beginning to wonder if Ohio wants small businesses anymore.

In the worse case scenario, our small manufacturing company of nine employees is facing an increase **724%** from \$2,942 to \$25,244/year in our BWC premiums because we have been kicked-out of our Ohio Manufacturer's Association ("OMA") group. If we are lucky, we may qualify for the BWC One Claim program at a **404%** increase from \$2,942 to \$14,838/year. How can a company who is also dealing with the ODH Septic Tank Regulations fiasco absorb this great of an increase?

Of course, we can attend safety council meetings and institute the drug free workplace programs proposed by the BWC. However, the BWC does not offer relief for dealing with less than honest employees, lawyers and doctors. Couple this with an Industrial Commission and laws that favor the injured/fraudulent worker and cases take on a life of their own. What started out as an agreement between employees, employers and the state now penalizes businesses. Employers are being left out of the decision making process and there are no checks and balances once the claim gets entrenched into the system.

We were kicked-out of our OMA Group, which we had been with since 1991, because of an unwitnessed and unreported accident that occurred by an employee that had been working for us for only 3 weeks. "Carlos" claims he was hurt on a Wednesday morning; he worked over 8 hours each day for the rest of the week and then never came back. We were notified of his "accident" by Statcare the following Saturday where he went for treatment. They wanted us to certify a claim we knew nothing about. What started out as "hitting his head on a beam and seeing stars" has become a nightmare.

Firstly, I had no clue we could be kicked out of group. When a claim reaches \$15,362 with a reserve of \$40,467 you become ineligible for group.

cc
10/1
5/1
NE
1/1
1/1

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10

Secondly, I did not know I was supposed to be managing my own claims. Even though I felt the claim was without merit, I was told to certify the claim by the OMA claims specialist because Carlos' "pre-existing bulging disks" are aggravated working at our company and the BWC will give it to him, so don't waste our time fighting it. When we did start protesting, I incorrectly thought my daily calls to the MCO and the Claims Specialist to report on the situation was providing documentation for the "lawyer" sent by the OMA to use at the hearings. What I thought were "lawyers" were actually court liaisons who did not use any of the information to help us.

Now, the OMA wants me to pay them a \$1,140 Administration Fee to manage my cases and \$350 to join the OMA now that I am kicked out of the group. Pay to manage a mismanaged claim which ultimately got us kicked out of group -- does that make sense?

Thirdly, why call it insurance when it isn't insurance? Sharing risk within manufacturing groups was a good concept. Accidents do happen. However, the current system has strayed significantly from its original intent and has become unfair. Group members are receiving unrealistically low premiums, which are being subsidized by the non-members unrealistically high premiums.

The rep at the OMA told me I should be "grateful" that I was able to save on my premiums for so many years and I should have been "saving" for the day I would be kicked-out of group. I was using the "extra money" to pay our employees.

I need to be running our precast concrete shop, not dealing with all the paperwork and meetings required to process a claim. If I don't manage the claims myself, however, there is no one representing me. I now know that the TPA/OMA Group's motive is to look out for the "groups" good.

The BWC premiums I am paying seem more like a tax of doing business in Ohio without representation, not a payment into a "pooled" insurance fund.

Can this system be fixed in a timely manner before we are put out of business??

Sincerely,
Karen A. Michelbrink
Karen A. Michelbrink
President

Home Instead SENIOR CARE®

America's Trusted, Non-medical Source of
Companionship and Home Care for the Elderly.

Winner of the American Society on Aging 2003 Business Award
for Alzheimer's Training Program for CAREGivers

www.homeinstead.com
www.caregiverstress.com

September 2007

To whom it may concern:

Our small family business is here to help seniors remain independent in their homes longer.

When we bought the business in 2003 (that my mother started), Workers' Comp premiums were what she considered to be very high - \$20,000. For the past 4 years we have paid over \$120,000. We often wonder how we're even in business. We know from other business owners, the BWC rep and the newspaper that many other small businesses are folding simply because of enormous Workers' Comp premiums.

Good news???? Now we're back in a group and we ONLY have to pay \$75,000. Does anyone really think this is a deal for a small business?

If we had known what the premiums would be we would not have bought the business.

We are a part of www.wevehadenough.net because we have a sincere interest in restoring Ohio's dismal economy and believe that restoring the Workers' Comp system in Ohio to the fair and equitable system it was designed to be is a critical step in that process.

Our primary objective is to eliminate Group Rating - the culprit.

We want the same consideration Romig gave out.

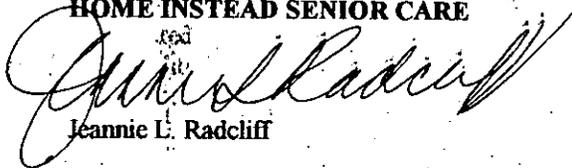
We would also like to make sure that, as employers, we get adequate representation. There are currently no employer representatives. COSE, NFIB and others say they are and get a seat in court but when they're also earning money from BWC (the small businesses money) how can they be interested in helping the small business when it takes money from them? Certainly conflicting interests.

We would appreciate your help with:

- Eliminating the culprit - The Group Rating System
- Giving all employers the consideration that Romig gave to some
- Establishing true small business/employer representation in Workers' Comp

Very truly,

HOME INSTEAD SENIOR CARE


Jeannie L. Radcliff

6001 Cochran Road, Suite 404
Solon, Ohio 44139
440-914-1400

21403 Chagrin Boulevard, Suite 104
Beachwood, Ohio 44122
216-295-2100

Fairhill Center - E293, 12200 Fairhill
Cleveland, Ohio 44120
216-229-1667

TOLL FREE: 1-800-940-7558 • FAX: 440-914-1401

E A I D R I T A

Aladdin's BAKING COMPANY

1301 Carnegie Avenue

Cleveland, Ohio 44115

(216) 861-0317 • FAX (216) 861-5536

July 5, 2007

To Whom It May Concern:

Aladdin Baking began as a very small pita bread company in 1970. After thirty-seven years, the company produces many types of pita bread and related Mediterranean food items. It is a family run business that also employs approximately 45 individuals that are tax-paying Ohio Citizens. Aladdin Baking Company employs many diverse nationalities and inner-city residents of Cleveland. These Employees have been able to support their families through the efforts of this family owned business.

However, the Workers' Compensation System has become an albatross on Ohio Employers and this continues to erode the ability of every business to survive. Instead of giving Ohio Businesses an environment in which to thrive, The Workers' Compensation System has been recklessly mismanaged for a number of years. It has penalized Employers and stifled economic growth. The disparities, inequities and corruption that was allowed to exist in the system has seriously harmed thousands of Employers such as the Aladdin Baking Company in the state of Ohio.

Aladdin Baking Company - 1970 -

Premium in Group 2005-2006 \$12,000 Group- Cose -

Premium out of Group 2006-2007 \$123,000 No assistance or help from Cose

This is without all of the programs that BWC dictates to the Employer to get a discount on his own \$\$ - the rate was given by Russ Kmiotek of the BWC.

Aladdin's liability insurance per year ~~\$37,000~~ 20,000

Includes \$million \$\$ of coverage - two buildings - four vehicles - business interruption, etc? Does this make sense - W/C should be less than half of what liability insurance coverage is.

I understand what it takes to achieve and persevere, what it takes to overcome obstacles, what risks need to be taken and what skills are need to attain solutions (this is what all successful business owners experience) - but the Workers' Compensation System in Ohio is a harmful destructive threat to all those individuals willing to take the risk to employ Ohio Citizens.

Constance Nahra
Vice-President

and co

EAT A PITA

Aladdin's BAKING COMPANY

1301 Carnegie Avenue

Cleveland, Ohio 44115

(216) 861-0317 • FAX (216) 861-5536

January 17, 2007

Mr. Rex Blateri
Ohio Bureau of Workers Compensation
30 West Spring Street
Columbus, Ohio 43215

Aladdin Baking Co. Policy No. - 464101-0
Injured Worker - Mohammad Abuasi
Claim No. - 04-302701

Dear Mr. Blateri;

In reference to the above claim, I spoke to you on December 15, 2006. At that time, I also spoke to June - (Cleveland BWC Office - 216-787-4053) and Sherry Smith - (Columbus BWC Office - 614-466-1936). The reason for that call was the disapproval of BWC's order dated 12/14/06. June stated that she based her decision on Attorney Ron Canda's dismissal letter of 11/27/06. However, he wrote another letter on December 7, 2006, asking that the settlement be reinstated. The claimant, Mohammad Abuasi, stated that he did not authorize Ron Canda to withdraw the original settlement of November 15, 2006.

Mohammad Abuasi, asked that I send the attached letter to confirm his intentions of settlement. He is working for the Aladdin Baking Company and wished to finalize this settlement by the end of 2006.

However, in our conversation, you assured me that the settlement will not be paid by the end of the year, but it will be reflected for that time period because the settlement was submitted in a timely fashion and it will be adjusted.

Attached also please find a BWC Order dated January 8, 2007 that reflects approval of the settlement agreement. Our company understands that it cannot be paid until February 8, 2007; however our concern is with the possibility of not being accepted into the group rating system for the year beginning July 1, 2007. Please confirm our conversation of December 15, 2006 so that our company can be assured that all necessary claims and

reserves will be removed to reflect the year-end settlement of 2006 for the above referenced claim. I appreciate your time and attention given to this matter.

As an adjunct to our company's dilemma of being removed from the group rating system this past year; we are a small family owned pita bread company in the inner-city of Cleveland that has been in business since 1970. Our company is a mix of many nationalities. We do not discriminate in our employment opportunities; all are welcome. There are fifty employees that depend on our company to support their families. Our company cannot withstand a premium that has risen more than ten times the past year. We have already terminated two employees to help defray the costs of this insurance. Can you possibly imagine how many thousands of pita bread we have to make and sell just to pay the BWC premium? What can a small business do when the cost of worker's compensation insurance just might put them out of business, especially when one claim was completely without merit. The high cost of hiring an attorney to represent us was another \$30,000 - and to no avail. As a company we were forced to agree to a settlement instead of going to Common Pleas Court, even though in good conscience and fairness; the settlements should have never been. When two claims put a company out of a group, and the company is beset by a system that is grossly manipulated to penalize the employer who should be given every opportunity to keep the business intact, to keep individuals employed and to continue to support the State of Ohio's economy. Instead, Ohio has created many levels of bureaucracy that feed off the WC Fund and there is only one group paying the piper, that is the employer. How long can a company withstand this kind of assault - small companies do not have the resources to devote the time needed to even understand the complex BWC; not including the countless hours it takes to manage a claim, numerous legal and group related expenses and still not be able to have a positive outcome. As one of many companies in the State of Ohio that are burdened with this catastrophic expense; it is unreasonable to expect that many companies will be able to continue in operation. Business cannot survive in this kind of environment and surely countless jobs will continue to be lost in Ohio. Immediate change is sorely needed; if you have any suggestions as to how this might be accomplished, please do whatever you can to help us.

Sincerely,



Constance Nahra (Wife of one of the founding partners in the Company - over age 65 - still must continue working)

Cc: Smith; Sherry - BWC Columbus Actuarial

UNIVERSAL GRINDING CORPORATION

Production Manufacturing • Industrial Precision Grinding

ISO 9001: 2000 Certified



Mr. Garson,

Here is a chart showing the cost of Workers Compensation in relation to payroll. These cost do not reflect the quadrupling of our lawyers' fees and lost productivity in regards to office staff. I have attended literally hundreds of hearings and find that the Industrial Commission Referees are so biased to employees that they rule in their favor even if they and their lawyers have abandoned the cases as lost causes. Allowing referees to litigate just to keep the cushy job is a disgrace to the system. We are slowly being litigated out of business. Please help. We are a job shop grinding house with around 55 employees and competition is critical to the survival of this family orientated business. We have been a inner city Hub employer for many years. Please review not only the cost, but also the actions of the Industrial Commission. I will be glad to provide you with all my records to point out the bias. I believe the referees must continue the cases for their own wellbeing, and this in itself is a shame.

Sincerely,

Michael D. Hoyt
Assistant to the President

	1ST HALF YEAR	2ND HALF YEAR	TOTAL	TOTAL PAYROLL	PERCENT
2001	\$4,851.72	\$3,670.00	\$8,521.72	\$1,664,597.00	0.51%
2002	\$4,009.81	\$3,792.09	\$7,801.90	\$1,629,081.00	0.48%
2003	\$14,950.47	\$21,910.64	\$36,861.11	\$1,618,921.00	2.28%
2004	\$22,970.72	\$27,001.75	\$49,972.47	\$1,818,438.00	2.75%
2005	\$38,817.04	\$51,360.47	\$90,177.51	\$2,092,150.00	4.31%
2006	\$46,221.64	\$44,041.42	\$90,263.06	\$1,858,327.00	4.86%
UNIVERSAL GRINDING CORPORATION FEIN 34-1520115					
BWC POLICY #913381-0					

3007
NEXT YEARS PROTECTION \$62,000 PER HOUR

Next years Total premium to be
www.universalgrinding.com

Phone (216) 631-9410 • Fax (216) 631-5264
1234 West 78th Street • Cleveland, Ohio 44102-1914

order #150,000
but because
of the limit
onson cap - it will
be \$62,000 in Ha.
Total = \$120,000

Nahra, Connie

From: MARY JOHNSON [viphomecare@msn.com]

Sent: Friday, July 06, 2007 1:42 PM

To: Nahra; Connie

Subject: response to BWC info email

Connie,

I got your email. Here is my information:

VIP HomeCare, Inc. 545 E. Cuyahoga Falls Ave. Akron, OH 44310
Home Health Care (take care of seniors in their homes so that they can remain at home)
In Business for 12 years

Premium last year-\$7,200.00 (7-1-06 to 6-30-07) 93% group rate

Premium this year-\$33,000.00 (7-1-07 to 6-30-08) 66% group rate

If we do not qualify for group rating; our premium would be \$76,400.00 this year.

We have NO lost time injuries on our experience report; yet our premium jumped \$26,000 this year.

I would be more than happy to provide any other information you may need (ie-claims vs costs; etc...). Please call with any questions.

Thank you for taking on this critical project:

Diane Johnson, Pres./CEO
VIP HomeCare, Inc.
545 E. Cuyahoga Falls Ave.
Akron, OH 44310
330-929-9991
viphomecare@msn.com
www.viphomehealthcare.com

7/9/2007

From: Curt Cost [curtcost@ameritech.net]

Sent: Monday, July 09, 2007 12:45 PM

To: 'ccnähra@aladdinbaking.com'

Cc: 'David Meyer'; 'LexieCost33@aol.com'; 'Trevor Cost'; 'Margaret Cost'

Subject: BWC

Connie-

Thank you for the time you spent reviewing some of the BWC concerns that we share:

As I mentioned in our conversation today, we are an 85 year old company that has operated continuously since 1922 in Greater Cleveland:

We are a union roofing contractor that specializes in commercial roofing.

We employ in peak season 50-60 roofers and 12-16 sheet metal workers.

As union contractor affiliated with Local 44 and Local 33 respectively we pay a premium wage to our men: The taxable wage ranges from \$26.00- \$35.00 per hour with an additional non taxed \$8.00-\$12.00/hour in health and pension benefits. Our non union counterparts are paying generally 1/2 our wage:

Because of our high wage structure we feel that the BWC one rate tax for "roofers" unrealistically hurts our company as opposed to companies with 1/2 the wage being assessed.

As a union affiliated contractor we benefit from very active safety support from the Locals and their safety training and retraining.

In addition we actively train and retrain weekly our employees with the help of our safety consultants: Lancaster Safety and the Construction Employers Association of Cleveland:

We are members of both the Greater Cleveland Safety Council and the Construction Employers Safety Council.

All of our supervisors have 30 hour OSHA training and all of our full time employees are OSHA 10 hour certified.

Because we support safety in a manner that is at the top of the industry, and because we are given no price advantage over contractors that do not have or enforce any type of company safety plan, we feel this unfair treatment needs to be immediately corrected.

Our cost for BWC insurance is reduced by our active participation in a BWC recognized Drug and Alcohol Plan.

Last year we paid a reduced amount to the BWC of

\$ 545,482 that reflected credits for our group discount; our DFWP; our 4% Safety Council discount; and our monthly payment for approximately a 1% prompt pay discount. All told this net amount of \$545K in payments to the BWC is TWICE what we pay for General Liability, Automobile, and Umbrella Insurance combined with Cincinnati Insurance.

With our involvement in a DFWP Program we have incurred substantial costs. While the 20% discount that we earn for this involvement is greatly appreciated we know for a fact that our competitors are enjoying the same discount and in reality they do not enforce or drug test their employees. It is unfair for the BWC to offer a program and not actively manage or enforce it, so that the cost of the benefit is uniform for all the beneficiaries.

We have actively pursued the BWC Transitional Work Program model to help reduce our lost time expenses for job related injuries. We actively find light duty work to keep working those employees who are willing and able to come into work. We pay tens of thousands of dollars a year in this compensation of these light duty hours. We agree in concept with premise, but there should be a reduction in BWC related charges for hours paid while doing this Light Duty Work; and some percentage of credit from the base rate for those contractors who offer and utilize this light duty concept.

I appreciate your involvement in trying to bring change to the OHIO BWC and we are most interested in helping your efforts to make Ohio a competitive provider of worker's insurance coverage.

Curtis Cost

President, Warren Roofing & Insulating Co.

Phone: (440) 439-4404

Fax: (440) 439-7523

www.warrenroofing.com

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8343 Villa Marina Ct.* Mentor, Ohio 44060
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July 8, 2007

To Whom It May Concern:

My company has been in business for 23 years and here is my story of my experience with the Ohio BWC:

Prior to Feb. 2004 my company had a clean record with no claims against our risk. On February 24, 2004 there was a claim stating back injury. The employee was doing side work on the weekend prior to the supposed Monday injury, no one witnessed the injury, and; this individual was stiff and moving slowly as though injured prior to starting that day. He also had pre-existing back injuries and taking medication prior to the supposed injury.

To make a long story short, the Ohio BWC granted everything they requested. The final costs amounted to over \$40,000.00 in medical costs and a final settlement of \$11,000.00. Jatico Inc. BWC risk rate through COSE was at a 95% discount rate prior to that claim. The new risk rate is 13.1205%. The average pay for a quality painter is \$20.00 per hour. Cost for coverage per employee increased from \$262.00 to \$5248.00 for WC coverage per year. It is proving to be extremely difficult to stay in business with this cost increase. It is of no surprise to me that so many businesses are leaving Ohio!

Please feel free to contact me with any questions.

Sincerely,



Timothy S. Cohen (President)

Nahra, Connie

From: Jim Lutz [jlutz@ohiobroach.com]
Sent: Friday, June 29, 2007 2:41 PM
To: Nahra, Connie
Subject: BWC Premium

Connie,

The Ohio Broach & Machine Co:
32564 Topps Industrial Parkway
Willoughby OH 44094

In Business 50 yrs (Started Sept. 1956)

We are a manufacturer of broaches & broach related tooling, we build new & rebuild used broach machines; we provided a contract production broaching service and sharpen & repair broach tools.

We currently employ 57 people

Premium in group \$40,000.00 Out of Group \$135,000.00

Jim Lutz

Treasurer/Purch Agent

Ohio Broach & Machine Co

Ph: 440-946-1040

Fax: 440-946-6475



THE OHIO BROACH & MACHINE COMPANY

35264 TOPPS INDUSTRIAL PARKWAY • WILLOUGHBY, OHIO 44094 • USA
PHONE: 440/946-1040 • FAX: 440/946-6475 • e-mail: sales@ohiobroach.com • http://www.ohiobroach.com
ISO 9001:2000 Certified

June 15, 2007

Ms. Marsha Ryan
CEO/Administrator
Ohio Bureau of Worker's Compensation
30 West Spring Street
Columbus OH 43215-2233

RECEIVED
JUN 18 2007

Dear Ms. Ryan:

BY:

We are a manufacturing/production company location in Willoughby (Lake County). We have been in business since 1957 (50 Yrs). We currently employ 57 employees.

We need your "immediate" assistance and that of our Governor Ted Strickland to help us and other businesses in Ohio from either going out of business, layoffs, stopping their purchases of machine tools and other expansion plans, cutting benefits, freezing wages, etc. because of what is going on in the BWC system.

What has happened to the "not-for-profit" BWC system? Millions of dollars are being spent on MCO's with little or no investigation into some of the claims being filed that have the same doctor and attorney. What laws govern "groups"? Why and how can they dictate who can remain in a group or not? Why have them?

We have paid into the BWC system since we have been in business. Recently we have been informed that we are being dropped from our group because of our claims experience. During the past year we have been paying approximately \$40,000.00/yr; we now have been informed that our premium is being raised to \$135,000.00/yr. That is an additional \$95,000.00/yr. At a 10% profit rate we will need to produce an additional \$950,000.00 in sales per year! Based on the business climate, in manufacturing, this is almost impossible. Our choices are few: Reduce the number of our employees and/or go another year without a wage increase (we have not given our employees a wage increase since July 05 and that was their first since July 00).

We realize that you are new to your position but we need to have these outrageous increases that are being assessed to have a "freeze" put on them until you have a chance to review the current BWC system. Let us continue to pay what we were paying until a solution is forthcoming.

Sincerely,


James L. Lutz
Treasurer

Nahra, Connie

From: Michele Gatt [mkgatt@zoominternet.net]
Sent: Saturday, July 07, 2007 4:33 PM
To: Nahra, Connie
Subject: Premiums in and out of group for RG Framing

Hi, Connie. Nice to meet you. Here's our info. We'd love to be a part of your summary of info. Let me know what else I can do.

RG Framing, LLC
4095 Beck Road, Medina, Ohio 44256
Construction Subcontractor - Residential Rough Framing on new homes
In Business 8 1/2 years since March 1999

Premiums IN group:	1st 1/2 2004	\$ 7,357.47	Payroll of:	\$164,630 @ .04469
	2nd 1/2 2004	\$ 23,556.53		169,591 @ :138902
	1st 1/2 2005	\$ 20,274.83		145,965 @ :138902

Lost Group status as of 7/1/05

Premiums OUT of group:	2nd 1/2 2005	\$ 31,149.81	on Payroll of:	\$143,897 @ .216473
	1st 1/2 2006	\$ 23,306.94		108,041 @ :216473
	2nd 1/2 2006	\$ 23,954.70		91,656 @ :261366

As of 1/1/07 we are working with a company (GMS) Group Management Services: We paid a \$1,500 fee upfront and we pay 4% of gross payroll. They signed us up for the Drug Free Workplace and the Premium Discount Program. They are withholding .2117 for WC. We are barely making payroll weekly and our two owners have drastically cut back on salaries and sometimes can't take payroll at all.

Don't you just LOVE the BWC!!!

Thanks for your help:
Michele Gatt (Secretary, Treasurer, CPA, Owner's wife, etc, etc)

Norris Brothers Co., Inc.
2138 Davenport Avenue
Cleveland, Ohio 44114

Established: 1867 Cleveland, Ohio: 150 years of Heavy Rigging and Industrial Contracting
Nationally recognized as a company with an outstanding Safety Record:

2003 Group Rated Premium \$11,000.
2004 MIRA Based Out-of-Group Premium \$110,000. Over 1000% increase

Bruce De Marco
Norris Brothers Co., Inc.

See what's free at AOL.com:

Nahra, Connie

From: hiscakron@aol.com
Sent: Tuesday, July 03, 2007 11:08 AM
To: Nahra, Connie
Subject: wc premiums

Jeannie asked me to forward our workers comp premium numbers to you -- I've rounded... but numbers are pretty close.

In group: \$9,000/year out of group: \$60,000/year

Hope this helps..

Pam Myers
P&D Home Services, Inc.
dba Home Instead Senior Care #181

AOL now offers free email to everyone. Find out more about what's free from AOL at AOL.com.

7/5/2007

Subject: [FWD: Feedback Form]

From: info@wevehadenough.net

Date: Tue, Aug 28, 2007 2:30 pm

To: hiscakron@aol.com, jeannie radcliff <jraddcliff@homeinsteadohio.com>; Betty Bowers <bowersohio@aol.com>

interesting

----- Original Message -----

Subject: Feedback Form

From: tterrick@directbuycinci.com

Date: Mon, August 13, 2007 10:18 am

To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: Tony Terrick

Company: DirectBuy of Cincinnati

Address: 6831 Ashfield Drive

City: Cincinnati

State: OH

Zip: 45040

E-Mail: tterrick@directbuycinci.com

Phone: (513) 792-0123

Mailing List: Yes

Story: This company has been excluded from the group rating system. Also, during a recent audit, BWC admitted that other DirectBuy locations in Ohio have different classification codes because they don't know how to classify us. The classifications have widely varying rates...so it's likely some branches are being hit harder than others.

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Subject: RE: Feedback Form

From: info@wevehadenough.net

Date: Tue, Aug 28, 2007 2:29 pm

To: STEVEOETE@SBCGLOBAL.NET

S
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T
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www.wevehadenough.net

----- Original Message -----

Subject: Feedback Form
From: STEVEOETE@SBCGLOBAL.NET
Date: Mon, August 13, 2007 8:43 am
To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: Steve Elliott
Company: Ohio Engine and Transmission Exchange, Inc.
Address: 3265 Mckinley Ave
City: Columbus
State: oh
Zip: 43204
E-Mail: STEVEOETE@SBCGLOBAL.NET
Phone: 614-487-9700
Mailing List: Yes

Story: I was audited. For the reason that my office is connected to the shop I was reclassified as a mechanic. I am a sales person and general manager never working on cars. The BWC charged us \$4,500.00 retroactive charges. I believe that we could obtain better coverage in the free market for one half of the BWC charges.

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Subject: RE: Feedback Form
From: info@wevehadenough.net
Date: Tue, Aug 28, 2007 2:05 pm
To: rpowers@genesishhc.com

Over 10,000 small businesses were kicked out of groups just in the last two years alone. That's unacceptable. We hope you'll join us!

On behalf of all of us at
www.wevehadenough.net

----- Original Message -----
Subject: Feedback Form
From: rpowers@genesishhc.com
Date: Thu, August 09, 2007 3:42 pm
To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: Ralph Powers
Company: Genesis Home Health Care
Address: 1634 Central Parkway Suite 115
City: Cincinnati
State: Ohio
Zip: 45202
E-Mail: rpowers@genesishhc.com
Phone: 513-362-2728
Mailing List: Yes

Story: I am being overcharged at a rate four times what I should be paying. Paying this ammount has forced me to not be able to pay federal, state, and local taxes. This extrotion will put me out of business and deeply indebt soon.

Story: Metalex Manufacturing has been in business for over 30 years without a serious injury. In 2002 Metalex had a death claim. It was an unfortunate accident caused by operator error. Obviously, we were kicked out of group and will not be able to rejoin until 2008. Prior to the death claim Metalex was paying under \$50,000 in Worker's Comp premiums, after the claim we have been paying over \$250,000 in premiums. Metalex is a small, high technology, machining company with just over 100 employees. Most small companies would have gone out of business, we are fortunate. Since 2002 I have been to many meetings associated with the Workers Comp system and have heard many individuals tell similar stories of how their rates more than doubled because of a single injury and of how they were kicked out of group. I agree that the Workers Comp system should be there to protect the employee but unfortunately, in the State of Ohio, it would appear that Workers Comp is also set up to financially destabilize a Company, especially small companies. Our MCO and TPA and Workers Comp did nothing proactively to assist us after the death claim. This, to me, borders on the criminal. Metalex has done and continues to do many things to ensure the safety of our employees and make our employees aware of being safe but we are a manufacturer and accidents will happen. We understand the importance of safety, we lost a fellow employee and his children lost their father. His accident deeply affected all of us and we will do all we can to make sure our employees are safe; all we ask is that Workers Comp develop a system that doesn't attempt to put us out of business when an accident occurs.

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Metalex Manufacturing
Cincinnati OH
45242

50
sit
16.6
SER
113

Home Instead Senior Care (Solon, Ohio) mini-claim summary

The biggest problem started when a Client and one of our CAREGivers were at a grocery store. The bag boy from the grocery store shut the van door in our CAREGiver's arm. She had a serious injury. The grocery store quickly claimed responsibility and wanted to do whatever possible to help. The BWC required that it go against us. That helped hurdle us into our premium nightmare.

Another claim happened a year or two ago. A CAREGiver did hurt her back while helping a client. She received treatments which we paid for. She was also off work for awhile and we paid for that. No problem. Now our attorney is calling us and telling us we need to settle. Meaning we need to pay x amount of dollars out just to get this off our record. If we don't???? The risk is exorbitant. It is a guarantee that her attorney will file PPD. When that happens our premiums sky-rocket. It is a no-win situation. The claimant attorneys know this. We would love to not pay just for the principal but can't afford to have any small amount of increased premiums.

In between the two listed above we had a few minor claims. Mostly legitimate but still a problem because of the inequities within the BWC system. We did have one accident chaser huge claim in there and it haunts us to this day. We can provide more details of that in a separate book.

Our current humdinger is this:

January 11, 2007, our CAREGiver was in the parking lot outside of her client's home. She called into the office and said she was sick and couldn't make her assignment. She told the person she spoke with she had an ear infection and vertigo. Several days later she spoke with someone else in the office and mentioned she was still sick and would need to be off work. They knew about the vertigo incident and assumed it was more of the same. During that conversation the CAREGiver (RM) mentioned she would need to see a specialist (the person taking the call assumed it was an ENT since the problem she knew about was an ear infection). RM also mentioned she had hurt her shoulder reaching for her purse.

February 2007. The CAREGiver, RM, comes in to the office for her review and to pick up her vacation pay. She mentions she still doesn't feel ready to come back to work but doesn't discuss any more detail.

Early March 2007: We receive a phonecall from the BWC that a claim has been filed. **Risk/claim # 1188562**: The claim was filed in late February by RM for a hurt shoulder reaching for her work bag? (we don't have work bags). We are shocked. The BWC accidentally forwards the case information to a Home Instead Senior Care office in Columbus.

Late March 2007. We don't receive anything until end of March. The information we receive indicates a hearing will be April 4th (less than two weeks away):

Workers' Comp
Summary info
Page two

The information also states that RM is able to come in for "light duty" from early March until the end of April. The paperwork and what's needed to respond becomes huge by this point.

Our attorney (have to get one because the CAREGiver has one) tells us to send her a written certified letter offering her light duty in our office. This means she is to come in and shuffle paper. She is to come in 6 hours/day which was the length of her assignments prior to January 11, 2007.

April 2007: We send the letter and she arrives on a Tues. in early April to make copies and phonecalls. That day, April 3rd, she tells us she can't work the next day because of a hearing and the following day because she has a doctor's appt. We explain the hearing has been postponed but she still says she needs off. That first week she worked two six-hour days basically sitting at a desk doing extremely light duty.

The next Tuesday she tells us she cannot continue working 6 hour days because of the pain to her shoulder.

Our attorney tells us she needs a doctor's note. She goes back to her BWC doctor (paid more than normal insurance allows) and gets a note. The employer ultimately pays for all of these appointments which is an industry in and of itself. The doctor's note says she can now only work 4 hours a day. We cut her time back accordingly.

April 16th she calls in and says she doesn't feel well and can't come into work. She calls off the next day for the whole week.

The next week, April 23rd, same pattern. She calls the MCO nurse and explains that coming into the office causes her anxiety and aggravates her Irritable Bowel. Also our office is too cold for her to work in because it aggravates her shoulder.

Oh well, we still must pay her until a hearing. It is not our fault the hearing wasn't sooner. The BWC sent the info to the wrong place. Oh well.

We now need her to see our doctor (we must pay for this too) and we have to give her two weeks notice. We can't have the hearing until after that so we must continue to pay.

There is much more and it's all unbelievable. It feels like being put in a box with no way out. Helping someone that is truly injured on the job is one thing. Playing a game with huge amounts of time, paperwork and ridiculous rules for an injury that we shouldn't even be involved in is another.

These two small examples aren't the worst of what I've heard from other small business owners. Unfortunately, they are too typical. Sadly, this is only the tip of the iceberg.

Subject: RE: Feedback Form

From: "Frank Viviano" <frank@bviviano.com>

Date: Thu, Apr 12, 2007 11:40 am

To: <info@wvvhadénough.net>

Here's some more details about my Workers Comp nightmare: We are a family owned and operated flower business in Toledo, Ohio. In the spring of 2002 we had delivery driver who had been with us less than six months claim he fell in one of our store parking lots. There were no witnesses to the fall and he yelled out so the store manager heard him and saw him lying on the ground. There were no broken bones and he finished his deliveries for the afternoon. The next morning he came in limping with a cane complaining of a lot of pain and said he went to the emergency room the prior evening and they prescribed some pain medication. Shortly thereafter he retained the services of a well known workers comp law firm who found a doctor for him that said he would be limited to light duty until his condition improved. Before long he was seeing all kinds of doctors, claiming severe back pain, and going after permanent partial disability from workers comp. It turns out this individual had several pre-existing conditions including bad knees, a bad back, arthritis, etc. that he claims were aggravated by his fall. Shortly after being cleared to return to work he left us to take another delivery job. His claim costs, however, continued to mount. Even though his fall was in 2002 the BWC authorized replacing both of his knees last fall. The claim including "medical reserve" is now up to almost \$100,000 - all for a simple fall with no broken bones and no significant injuries. We fought the claim every step of the way. We found credible physicians who testified that his injuries could not be proven to be a result of his fall. His lawyer found some doctors who claimed his injuries "may" be attributed to his fall. We lost every time. I believe this individual faked his fall and planned all along to deceive the BWC into paying him for not working and the surgeries to fix his pre-existing medical conditions. The only thing that has helped is we were able to get 45% handicap reimbursement for this claim. I don't believe that I should be held liable for an employee's pre-existing medical conditions nor should I have to pay for unproven injuries. This is a good example of the rampant abuse that permeates the entire BWC.

I thought I would be back in group in 2008 until we had another claim in late summer of 2005. As a favor to a long term employee I hired her mother (Alice) for part time work in our design center. She worked for us for seven years. Her mother is now 82 years old and her health is about what you would expect for a person of that age. After being told several times to stay out of our warehouse she went anyway to help another employee get a box down from a shelf. It was a very light box (5 lbs) but it slipped out of one employee's hands and Alice tried to catch it. In the process she broke a finger and sprained another finger. We offered her light duty within the first few days after the injury but she said her doctor wouldn't release her for anything and she claimed she was in a lot of pain. She finally accepted light duty work but only after she had been away from work long enough that the claim turned into a lost time claim. During this time she saw as many doctors as she could and hired a lawyer. She did light duty for several weeks and finally was transitioning back to her original position when she got ill and had to be hospitalized. She was off work for several weeks and pretty weak when she got out of the hospital. I made the decision to take her off the schedule after she got out of the hospital. With all the treatments and the fact that this was now a lost time claim it's now on my record for over \$14,000. This is enough to keep me out of group for another 4 years and will cost me over \$80,000 in increased premiums as a result. To add insult to injury after she "demanded" her job back and I refused she is now suing me for age discrimination!

I believe the State of Ohio should be out of the Workers Compensation Insurance business. No private insurer would have such a wide discrepancy in rates between businesses with small claims and those with larger claims. In addition I don't feel that an employer has much of a chance to win a case when an employee claims soft tissue injuries. They can always find a doctor who will testify in their behalf. In many cases it's the same doctor that's profiting from their treatment. I don't believe it's a coincidence that most of the disability payments made by BWC are for back injuries that cannot be substantiated. The system is broken beyond repair and should be completely scrapped in favor of a privately run insurance system with competitive rates and freedom of choice. In my case the BWC premiums will cover not only the actual cost of the injuries but the expected future cost. It would be less expensive for me to pay the costs out of pocket rather than pay the premiums. It makes no sense whatsoever!

Frank P. Viviano
President
Bartz Viviano Flowers & Gifts, Inc.
For the Best in Freshness, Service, and Value
E-Mail: frank@bviviano.com
Voice: 419-474-1600
Toll Free: 1-800-786-1602
Fax: 419-474-7645
WWW: <http://www.bartzviviano.com>

-----Original Message-----

From: info@wevehadenough.net [mailto:info@wevehadenough.net]
Sent: Wednesday, April 04, 2007 10:42 AM
To: Frank Viviano
Subject: RE: Feedback Form

Frank,

Thank you so much for contacting us and for sharing your story. If you have more specifics that you would like to share we can include that with the stories that our group has. The one thing they have in common is they're all ugly.

We are a growing group of small-business owners (right now mostly in Cleveland) and we couldn't agree with you more about the problems with the existing system. One company in our group started in 2002 with premiums of \$10-20 and they paid \$120 last year and over \$100 the two years before that.

We are excited that we are a growing group but we're even more excited that we all want to get this fixed immediately!

We have made progress in the last two months (when we were formed) but still have a long way to go! We are planning a shock-ad in the Cleveland Plain Dealer within the month!

Do you know of other small business owners that are in the same boat? If so, please forward our information to them. Also, we would appreciate it if you would let us know how you heard of us!

Thank you again-

www.wevehadenough.net



Web-Based Email

Version 4.9

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with one mouse click!

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logged notes

Folder: **logged notes** > Message Detail

Entire thread

Subject:

From: pmmcc1747@columbus.rr.com

Date: Thu, Mar 29, 2007 11:01 am

To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: Mark

Company: OMAC Agency, Inc:

Address: 1747 Cardiff Rd:

City: Columbus

State: OH

Zip: 43221

E-Mail: pmmcc1747@columbus.rr.com

Phone: 614736-0689

Mailing List: Yes

Story: I'm interested in hearing more about your organization

[Check Email](#) | [Compose](#) | [Address Book](#) | [Cal](#)

[Feedback](#)

Quick Search...

[Search My Email](#)

[Search The Web](#)

[Online Group Calendar](#)

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[Reply to All](#)

[Forward](#)

[Delete](#)

Entire thread

logged notes

[More](#)

[Apply This Action](#)

[Apply](#)

Subject: [Feedback Form](#)

From: arborpro@windstream.net

Date: Mon, Jun 11, 2007 10:13 am

To: [<info@wevehadenough.net>](mailto:info@wevehadenough.net)

A new feedback form has been submitted!

Name: Bill McGonnell

Company: Arbor Pro Tree Service

Address: P. O. Box 302

City: Perry

State: OH

Zip: 44081

E-Mail: arborpro@windstream.net

Phone: 440-254-1313

Mailing List: No

Story: No story, just questions: What do you suggest is the solution to this problem and how do you plan on helping correct the problem? Are you a legitimate group trying to actually get something done?



Web-Based Email

Version 4.9

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with one mouse click!

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- Bulk Mail
- Drafts (2)
- Send Later
- Sent Items
- Trash [purge]
- logged notes

Folder: INBOX > Message Detail

Move to Folder:

Apply This Action::

Subject: Feedback Form
From: jfintz@sbcglobal.net
Date: Thu, Apr 05, 2007 10:12 am
To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: JackFintz
Company: DesignersWorkshop, Inc.
Address: 1800 London Rd
City: Cleveland
State: OH
Zip: 44112
E-Mail: jfintz@sbcglobal.net
Phone: 216-486-1330
Mailing List: No
Story:

Check Email | Compose | Address Book | Cal | Feedback

Quick Search...
Search My Email | Search The Web

Online Group Calendar
Online File Folder
Fax Thru Email

Folders | Saved Search

Storage Usage 9% Upgrade 10 MB

New Folder

- Inbox
- Bulk Mail
- Drafts
- Send Later
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Subject: Feedback Form

From: kcahill@chemicalsolvents.com
Date: Wed, May 02, 2007 8:39 am
To: <info@wevehadenough.net>

(2) A new feedback form has been submitted!

Name: Kathy Cahill
Company: Chemical Solvents Inc.
Address: 3751 Jennings Rd.
City: Cleveland
State: OH
Zip: 44109
E-Mail: kcahill@chemicalsolvents.com
Phone: 216-741-9310
Mailing List: Yes

Story: I found an error on a Bureau report, that I feel contributed to us being kicked out of the group rating. We are presently struggling with manual classifications. Do not agree with some of the practices especially the percentage awards. Our company just feels like we have no control with these claims or premiums!

*C/K Cahill RPH
6/13/07*



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Version 4.9

Select All
Select all messages
with one mouse click!

Photo Stc

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Apply

Subject: Feedback Form

From: jporada@ceacisp.org
 Date: Tue, Apr 03, 2007 6:42 am
 To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: John Porada
 Company: Construction Employers Association
 Address: 950 Keynote Circle
 City: Cleveland
 State: Ohio
 Zip: 44131-1802
 E-Mail: jporada@ceacisp.org
 Phone: 216-398-9860
 Mailing List: Yes

Story: Our association represents union contractors who can s
 horror stories about Ohio's BWC program. We are looking for c
 and have had meetings with the bureau, but with minor results

*efc M...
6/10/07*



Web-Based Email

Version 4.9

New Features!
UPDATED 05/30/07

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Subject: RE: Feedback Form
From: Frank Viviano <frank@bviviano.com>
Date: Fri, Apr 27, 2007 12:00 pm
To: <info@wevehadenough.net>

Hello,

No, I have no problem with you sharing my story with the BWC. I'm just hoping someone who has the power to change things actually listens. I am looking closely at joining a PEO just to reduce my BWC premiums. After just paying my 50/50 payment this week I'm reminded of the severe burden this is placing on my business. I see the new Administrator for BWC was unanimously approved this week. How long will it take her to get up to speed and do something to help small businesses with these excessive BWC premiums?

I have the information from NFIB and the Chamber about Small Business Day at the Capitol. I attended 2 years ago and may do so again this year.

Thanks you:

Frank P. Viviano
 President
 Bartz Viviano Flowers & Gifts, Inc.
 For the Best in Freshness, Service, and Value
 E-Mail: frank@bviviano.com
 Voice: 419-474-1600
 Toll Free: 1-800-786-1602
 Fax: 419-474-7645
 WWW: <http://www.bartzviviano.com>

*Handwritten signature: GFC Viviano
6/13/07*

-----Original Message-----

From: info@wevehadenough.net [mailto:info@wevehadenough.net]
Sent: Friday, April 27, 2007 12:57 PM
To: Frank Viviano
Subject: RE: Feedback Form



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UPDATED 05/28/07

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Subject: [Feedback Form](#)
From: frank@bviviano.com
Date: Wed, Apr 04, 2007 5:28 am
To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: Frank Viviano
Company: Bartz Viviano
Address: 4505 Secor
City: Toledo
State: OH
Zip: 43623
E-Mail: frank@bviviano.com
Phone: 419-474-1600
Mailing List: Yes

Story: I had one employee fall and due to "pre-existing" conditions the claim is on my record for over \$100,000. Although it was 4 years ago the BWC approved replacing both knees in the last year. Consequently I'm out of group and paying premiums that are almost 8 times what I was previously paying. I believe the system is completely broken and needs privatizing immediately. I support any efforts to restructure workers compensation insurance in Ohio before it's too late!

*cf. Alaska Rife
6/13/07*

Charlotte will send Maria more info via fax



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Storage Usage Upgrade
9% 10 MB

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- Trash (2)

logged notes

Subject:

From: CCOLLINS@ANCHORFAB.COM

Date: Tue, May 22, 2007 11:41 am

To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: Charlotte Collins
 Company: Anchor Fabricators Inc.
 Address: PO BOX 99 386 TALMADGE ROAD
 City: CLAYTON
 State: OH
 Zip: 45387
 E-Mail: CCOLLINS@ANCHORFAB.COM
 Phone: 937-836-5117 EXT 103
 Mailing List: Yes

Story: We had an employee who was off work for approximately 4 to 6 weeks for a back injury. He had no surgery, in fact he didn't want surgery. The state set a max reserve of \$87,500 for this claim which was of course nowhere near the money they had expended on the claim. With this reserve included in the calculation we of course became penalty rated and thrown out of the group. The important thing here is without the reserve we were nowhere near being penalty rated. I talked with our local state representative and everyone I could at the BWC. They kept assuring me that I fully understood the calculations but there was nothing they could do!! In reality there was nothing they would. We offered to post a bond for the \$87,500 so they would suffer no loss and therefore have it removed from the rate calculation but that is not allowed under the current law. I explained to them that it did not make economic sense for us to pay penalty rating on every dollar of payroll for a claim we were willing to cover. We went from pay approximately \$30,000 a year to approximately \$75,000 a half. By the time this is over we will have paid the state in excess of over \$300,000! That is money that was not available for new equipment; expansion etc. Basically we have paid the Bureau every dime of profit for the last two years!!!!

There has to be a better system that will allow employers to stay in business plus take care of injured workers.

Handwritten: G.C. Maria Pina 6/13/2007

Subject: Re: OBWC complaintssssssssssssssssssss

From: SndyWk@aol.com

Date: Tue, May 01, 2007 9:05 am

To: info@wevehadenough.net

I'm sorry I haven't replied sooner : : been out of the office.

Feel free to use our story.
The gentlemen's name is James Green and the Claim # is 03-407636.

I may have not told you before:

The doctor we used to give an independent evaluation on Mr. Green felt that there is no way he could still be hurting from this so-called injury and he also indicates that the testing that the doctors used by OBWC are not even using tests that are considered valid anymore.

We are still paying the exorbitant rate (\$50,000 annually for the past two years) and the amount spent on "PAIN" medication doesn't even come close, but they are still paying for his "PAIN" medication.
OBWC has refused to give Mr. Green any more hearings, but they are still paying for his addiction.
Green is now suing us and OBWC to have the right to continue with more hearings.

I simply don't understand. It seems that no one is reading any of the material put before them

Good luck.

See what's free at AOL.com.

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*De Wiskin Ryan
6/20/07*

Subject: OBWC complaint

From: SndyWk@aol.com

Date: Wed, Apr 11, 2007 6:00 am

To: info@wevehadenough.net

Sandy Wikoff
Anderson-Wikoff Heating & Cooling, Inc.
360 W. Waterloo Street
Canal Winchester, Ohio 43110
614-834-1099

In December of 2001, James Green came into my husband's office and informed him he had hurt his back, but not while on the job for Anderson-Wikoff. At the time my husband had Green sign an affidavit to the fact that he did not hurt his back while on the job. The form was notarized and a witness was present at the time. Shortly thereafter, Green left one day and never came back. He gave no notice and left with our company vehicle and telephone. We had to find him to retrieve our equipment. We never heard from him again until we received a notice in the fall of 2003 that he had won his complaint with OBWC against us and our OBWC rate jumped and instead of paying the average of \$3500 annual we had to start paying \$48,000 annually. None of the company principals recall having seen the OBWC notice and we did not reply to the notice within the 14 day required time. We can only assume a young lady we had working for us at the time knew he was a past employee and filed the notice sheet away. We aren't dumb enough to ignore any notice from the God-like OBWC. We have always belonged to Sheakley group. They didn't even call us as they normally do to see what we are going to do about a claim. We do wonder what part they play in this responsibility but have never asked, because at this point we are afraid to. OBWC has informed Green that he will not be given any more hearings. He has never been paid lost time wages only pain medication. One doctor that examined him stated that he could not possibly be in such pain from the claimed injury. Green is now suing us and OBWC for lost wages. But we are still paying \$48,000 annually in OBWC premium. What do you think : : is there anything we can do to recoup some of the excessive premium we have paid?

I tried again to send through your websight : : it would not go through.

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did not v
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jump

C/C
Wendy Wikoff
6/12/07

Subject: Re: your stories going to marsha ryan of BWC

From: SndyWk@aol.com

Date: Tue, Jun 19, 2007 7:56 am

To: info@wevehadenough.net

I wish I did have some connections . . . believe me I would have used them before now.

The \$100,000 we have paid worker's comp over the last two years has almost put us out of business now that the economy is down the toilet. Most of our work has traditionally been subcontracting to new home builders . . . and we all know where that market has gone in Ohio.

I'm very concerned about how much longer we can hold on.

Mr. Greene has dropped his lawsuit in the courts for now . . . but, he retains the right to sue again in the next 12 months.

See what's free at AOL.com.

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*File Marsha Ryan
6/20/07*

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Subject: Feedback Form
From: neohio@visitingangels.com
Date: Wed, Jun 20, 2007 5:33 am
To: <info@wevehadenough.net>

(1) A new feedback form has been submitted!

(2) **Name:** Wayne Brodnan
Company: Visiting Angels of NE Ohio
Address: 7139 Hopkins Rd:

(2) **City:** Mentor

State: OH

Zip: 44060

E-Mail: neohio@visitingangels.com

Phone: 440-974-0869

Mailing List: Yes

Story: We were kicked out of our group plan during our second year in business for 1 claim. Fortunately we had a strong year and were able to pay! We agree the current plan needs a major overhaul!



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New Features!
UPDATED 05/20/07

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Subject: Feedback Form
From: fjbucci@hotmail.com
Date: Wed, Jun 27, 2007 8:03 pm
To: <info@wevehadenough.net>

A new feedback form has been submitted!

(2) **Name:** Fred Buccì
Company: Freds Heating & Cooling Inc
Address: 1742 Hawthorne Dr
City: Mayfield Heights
State: Ohio
Zip: 44124
E-Mail: fjbucci@hotmail.com
Phone: 216-469-6121
Mailing List: Yes
Story: Unfair referee giving employee compensation for a fake injury.

Subject: Feedback Form

From: ktuc44615@yahoo.com

Date: Tue, Aug 07, 2007 10:06 am

To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: kim Tucker
 Company: TNT TRANSPORT INC
 Address: 2116 arrow rd nw
 City: carrollton
 State: oh
 Zip: 44615
 E-Mail: ktuc44615@yahoo.com
 Phone: 330627006
 Mailing List: Yes

Story: we were a very small trucking company and we had one employee turn in one claim with BWC and my premium went from 360.00 dollars to over 3200.00 dollars without any notice. Because I could pay such a high increase all at once, I got kicked out of my group. Needless to say because of this increase I was not able to get back into a group as I always had an outstanding balance to pay and this then caused a lapse in coverage which also keeps you from being able to get into a group. If I could have gotten back into a group rating, I would have been able to make my premium payments plus pay on my outstanding balance but BWC does not permit this, so needless to say TNT Transport has closed the doors, thanks in part to BWC.

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my premium
 got kicked
 out of my
 group

Subject: Feedback Form

From: maryjo.thomas@fuse.net

Date: Thu, Aug 09, 2007 9:10 am

To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: Gene E. Markley, Jr.
 Company: Die Craft
 Address: 1705 Magnolia Drive
 City: Cincinnati
 State: OH
 Zip: 45215
 E-Mail: maryjo.thomas@fuse.net
 Phone: 513-771-1290
 Mailing List: Yes

Story: Approx 3 years ago we switched payroll companies. Because of a confusion on our part as well as the new payroll company, 1st half funds were not paid on time. We received an invoice in the mail, I called the new payroll service, we spotted the error and I called WC immediately to set up payments (as we were billed and then penalized for being late with payment.) Within a matter of 5 days I had payment to them and had the entire balance paid off in less then 45 days. We are part of the local Chamber for group rates, but after missing our first half with the new payroll company, we were kicked out of group rating. Well, I fought the ruling and I did eventually win. We were reinstated to group for the rest of the year of 2006 and 2007. We will see what happens next. Ohio WC is a disgrace!!!! I am embarrassed to say that we belong.

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Subject: payment question

From: Mike Wilkes <mike@mikewilkes.com>

Date: Tue, Aug 14, 2007, 7:41 am

To: info@wevehadenough.net

Hi,

We've just today learned of your organization.

First off, thank you. The issue of how Workers Compensation has been handling itself and taking advantage of business owners has been aggravating and expensive for us.

Second, we have a question that is very timely as our payment is due by the end of this month. Thankfully, it is our last payment, as we have folded in with another business. We were forced out of a group and are paying highly inflated rates, and we have never had a claim. Before we pay, is there currently any recourse we can take?

We would greatly appreciate any information or advice you could pass along. Even if it is too late for us to financially benefit, we will share the information with our new employer and other business owners we know.

We look forward to hearing from you. Regards:

Mike & Johanna Wilkes

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Subject: Feedback Form

From: jillellis@cinci.rr.com

Date: Tue, Aug 14, 2007 9:41 pm

To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: Beverly Williams
Company: Pic's Produce Inc.
Address: 4756 Paddock Road
City: Cincinnati
State: OH
Zip: 45229
E-Mail: jillellis@cinci.rr.com
Phone: 513-381-1239
Mailing List: Yes
Story:

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Subject: Feedback Form

From: leonard_fink@sbcglobal.net

Date: Tue, Aug 14, 2007 2:29 pm

To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: len

Company: hank cheetahs

Address: 1375 east 9th street

City: cleveland

State: ohio

Zip: 44114

E-Mail: leonard_fink@sbcglobal.net

Phone: 2167718027

Mailing List: Yes

Story: The escalating costs associated with worker compensation a key factor that is contributing to the end of many companies or businesses ultimately resulting in higher unemployment.

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Subject: Feedback Form

From: blmoore@lvtrucking.com

Date: Mon, Aug 13, 2007 11:38 am

To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: Bruce L Moore

Company: LV Trucking Inc

Address: 2440 Harrison Rd

City: Columbus

State: OH

Zip: 43204

E-Mail: blmoore@lvtrucking.com

Phone: 614-275-4994

Mailing List: Yes

Story: I am currently in a group saving 85% on my premium. I will no longer be able to be in that group because of one claim. I have been in and out of sever groups over the past 15 years. I would just like to have a constart rate that I could budget.

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Subject: Feedback Form

From: jbr6865@yahoo.com

Date: Mon, Aug 13, 2007 6:03 am

To: <info@wevehadenough.net>

A new feedback form has been submitted!

Name: John Havens

Company: Absolute Tile Installations

Address: 6865 Taylor Road

City: Cincinnati

State: OH

Zip: 45248

E-Mail: jbr6865@yahoo.com

Phone: 513-266-1079

Mailing List: Yes

Story: I am a small employer and my premiums are braeking me. I have not been able to get into a group plan as of yet.

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Ohio Bureau of Workers Compensation

Analysis of Group Rating Plan
with Recommendations

December, 2006

Pinnacle Actuarial Resources, Inc.
5650 Blazer Parkway, Suite #100
Dublin, Ohio 43017
(614) 734-8366

EXECUTIVE SUMMARY

The Ohio Bureau of Workers' Compensation requested that Pinnacle Actuarial Resources, Inc. ("Pinnacle") review the current experience-based Group Rating Plan. This report provides Pinnacle's analysis of the current Group Rating Plan and several alternatives to the current Group Rating Plan.

Private employers that participate in the Group Rating Plan clearly have better experience than the non-group rated insureds on a manual premium basis. This is measured by the ratio of incurred losses to manual premium. Therefore, this group deserves an experience credit modification factor. However, the current experience rating plan credits overreact to the group-rated experience resulting in an actual loss ratio after the Group Rating experience adjustments that is significantly higher than the private employer overall average loss ratio. When compared with the Base (not eligible for experience rating) and non-group Experience Rated policies, the average Group Rating credit should be in the neighborhood of 45 percent. In the current plan, the average Group Rating credit for Private Employers is in excess of 75 percent.

The recently implemented limitations to the credibility table for experience rating have been a positive step in beginning the process of removing the imbalance but the magnitude of the impact of the changes are relatively small in light of the size of the imbalance.

As identified in the analysis, the groups with the highest post experience rating loss ratios are the groups with the lowest experience modification factors and the highest expected loss levels. These characteristics correlate directly with the groups receiving the highest level of credibility in the experience rating calculation. If the system was operating effectively, the experience rating plan would assist in equalizing the loss ratios across all experience modification factors and expected loss levels. But this is not the case with the current system. These findings help to shape our recommendations below.

Overall annual premium indications are based upon the experience of base-rated group experience rated and non-group experience rated policies. Therefore, the overcompensation of the Group Rating Plan directly impacts base rate levels in the State of Ohio. The impact to the private employer base rates in Ohio from the bias in the Group Rating Plan is estimated to be roughly a 20 percent overstatement of indicated base rates without the Group Rating Plan. While the current Group Rating Plan may assist in encouraging employers to remain in Ohio, the offsetting correction in BWC's base rates tends to materially offset this benefit that is intended to encourage employers to come to the Buckeye State.

Although the public employer - taxing district group rated experience on a manual premium basis is also better than the non-group rated public entity business, the difference is not quite as significant. Since the public employer - taxing district business has a different overall loss ratio than the private employers' experience and the private and public base rates are developed using a separate actuarial analysis, we have performed our Group Rating Plan analyses separately for the private employers and public employer - taxing districts.

As a result of the analysis, Pinnacle offers three potential changes to the current Ohio BWC Group Rating Plan.

1. The first possible change is to continue reducing the maximum credibility as was started in 2005 - perhaps at an increasing pace. With an indicated maximum credibility level of less than 60%, the currently planned annual movements of three to five percent will provide only incremental relief for many years to come.
2. The second suggestion is an alternative credibility table with an expansion of the expected loss ranges beyond \$1 million in expected losses. This revision would be a reflection that ten insureds with a certain expected loss are not necessarily the same as one insured with the same expected loss.
3. The third potential change is to replace the current experience rating calculation structure with a structure similar to that used in most other states as developed by

the National Council on Compensation ("NCCI"). This plan gives full credibility to actual losses up to \$5,000 regardless of risk size or expected loss. The NCCI plan credibility weights the actual losses between \$5,000 and the state maximum with the expected losses. This plan provides benefits to smaller sized risks with better than expected experience without the need to become part of a larger group.

In addition to improving the rating structure, we feel it is important to stabilize the experience rating groups. More stability within the construction of groups from year to year would increase the accuracy of the rating plan and reduce the financial impact to insureds that are non-renewed in a group. We would recommend that the BWC explore the introduction of a Group Persistence Incentive Credit Factor based on the number of years the current group has existed with substantively its current membership. The goal of this factor would be to minimize or eliminate incentives groups currently have to remove members from year to year based on the occurrence of a loss (or group of losses) that impact the group experience modification factor at renewal. A possible scenario would be for a new group to receive 60 percent of the group experience rating factor in the first year and an additional 10 percent each year the employer group remains together. If an employer (or employers) leaves the group, reasons other than company acquisition or closing, the percentage would decline by 20 percent subject to 60 percent floor.

Although we did not specifically include in our analysis, we recommend revisiting the original idea and concept behind the Group Rating Plan. If the idea was to allow multiple smaller employers to join together to increase the availability of safety and loss control programs while also allowing these employer's experience to be given more credibility (predictive value) in the experience rating calculation, then perhaps the size of individual employers allowed to participate in the Group Rating Plan should be limited to somewhere close to a specified expected loss amount, for example the 50 percent point in the credibility table. This limitation would discourage Plans from combining many small employers joining one or more very large employer (anchors) for the purpose of benefiting from the large employer's better than average loss experience. By selecting a

relatively high point in the credibility table; an employer that is expanding and crosses over the size threshold is not substantially impacted in becoming "self experience rated".

Finally, while not within the project's scope, we suggest that the basis for determination of fees and assessments be re-examined. Fees and assessments based upon actual premiums paid may not equitably reflect the cost of the services provided to the policyholders as many costs, such as policy issuance, safety and hygiene services do not necessarily decline or increase based upon the frequency or severity of losses.

BACKGROUND

The Ohio Bureau of Workers' Compensation Group Rating Plan, introduced in 1991, allows employers of similar businesses to pool together for experience rating. Studies conducted by the BWC and their consultant, Mercer Oliver Wyman (Mercer) in 1990, 1991, 1993, 1994, 1995, 2001 and 2004 each concluded that the Group Rating Plan was not resulting in premium equity between the group rated and non-group rated employers. Specifically, group rated employers were not paying enough premium to compensate for their losses and conversely, the non-group employers were paying too much premium and effectively subsidizing the group rated risks.

In an attempt to reduce the premium subsidy paid by the non-group employers, a non-group discount factor was introduced with an offsetting increase in base rates.

More recently efforts to improve equity between the two Plans (group and non-group rated) included revisions to the credibility table along with the non-group discount factor. Effective July 1, 2005 and July 1, 2006, the BWC reduced both the credibility table maximum and non-group discount factor. Additional reductions are slated for July 1, 2007. These changes have been positive steps in beginning the process of removing the imbalance but the magnitude of the impact of the changes are relatively small in light of the size of the imbalance.

Overall annual statewide premium indications are based upon the experience of base rated, group experience rated and non-group experience rated policies. Therefore, the overcompensation of the Group Rating Plan directly impacts base rate levels in the state of Ohio. The impact to the private employer base rates in Ohio from the bias in the Group Rating Plan is estimated to be roughly a 20 percent overstatement of indicated base rates without the Group Rating Plan.

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RECOMMENDATIONS

Pinnacle has tested the efficiency of three changes to the current Group Rating Plan structure and estimated the impact of the changes:

1. Change Credibility Percent

The current BWC plans to limit the amount of credibility provided to group rated risks is a reflection that the credits provided are resulting in significantly inadequate premiums especially for the larger credit rated groups. For comparison purposes, a risk with a \$1-million expected loss currently receives a credibility percent of 93 in the current Ohio plan while in the NCCI experience rating plan would have a credibility percent of 56. The maximum credibility provided in the NCCI Plan in Indiana is 80 percent for risks with expected losses in excess of \$68.7 million. A further sign in combination with the analysis that too much credibility of predictive value is being given to the experience in the Ohio plan.

93 Ohio
56 NCCI

While the NCCI Plan provides full credibility to the primary losses, the plan reflects the random nature of the occurrence of large losses by never fully reflecting the actual experience in the excess layer. In Exhibit F, we provide an example based on one large group rated risk. By adopting a maximum credibility factor for the Group Rating Plan, the experience modification factor for this risk would be more in line with the NCCI experience modification factor. The large increase in the experience modification factor would be offset by a decline in the base rates which would moderate the actual premium impact.

A potential alternative to the current BWC Manual Appendix A, Table 1, Part A is shown in the table below. While getting to the goal state indicated factors to achieve a more equitable distribution of actual premiums may be painful to some participants, this set of factors appears to deal very well in neutralizing the issues identified within the Group Rating Plan of inequities by experience modification factor and expected loss size.

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**Table 3
Experience Rating Credibility Table**

Ice Credibility Group	Expected Losses Minimum	Expected Losses Maximum	Original Credibility Percent	Group Maximum Value	7/1/2007 Proposed Credibility	Pinnacle Proposed Credibility By 2010
0	0	7,999	0%	0		
1	8,000	14,999	5%	12,500	5%	9%
2	15,000	26,999	10%	12,500	9%	10%
3	27,000	44,999	15%	25,000	14%	13%
4	45,000	62,499	20%	37,500	18%	15%
5	62,500	89,999	25%	55,000	23%	18%
6	90,000	122,499	30%	75,000	27%	21%
7	122,500	159,999	35%	87,500	32%	25%
8	160,000	202,499	40%	100,000	36%	28%
9	202,500	249,999	45%	112,500	41%	31%
10	250,000	302,499	50%	125,000	45%	35%
11	302,500	359,999	55%	137,500	50%	38%
12	360,000	422,499	60%	150,000	54%	40%
13	422,500	489,999	65%	162,500	59%	43%
14	490,000	562,499	70%	175,000	63%	46%
15	562,500	639,999	75%	187,500	68%	48%
16	640,000	722,499	80%	200,000	72%	49%
17	722,500	809,999	85%	212,500	77%	50%
18	810,000	902,499	90%	225,000	81%	51%
19	902,500	999,999	95%	237,500	86%	52%
20	1,000,000 and up		100%	250,000	90%	53%

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2. Expansion of Expected Loss Ranges for Credibility Groups beyond \$1 Million

As described above beyond the primary portion of the loss, the experience rating plans in other states give much less weight to the experience of the risk or group and more weight to the expected loss for the rate classification. The current Ohio Group Rating Plan credibility tops out at (93) percent for risks with \$1 million in expected loss. The plans in other states provide 100 percent credibility for the primary portion of losses for all risks and for the excess portion of the losses the credibility applied in the experience rating calculation reaches a maximum of (80) percent at close to \$70 million in expected loss and (75) percent at expected losses above \$5 million.

100%
↓
60%
↓
75%

With the increased use of very large groups in Ohio in order to achieve the maximum credibility and the general inflation in workers' compensation costs, we would recommend that along with the suggested revisions to the credibility percents in the current Group Rating table, the BWC increase expected loss value at which the maximum credibility is achieved. A potential table is displayed below in Table 4. The impacts based on the 2004-2005 portfolio are shown in Exhibit D, pages 14 through 24.

While this change might only encourage the formation of larger "super groups" to achieve maximum benefit, it would also allow the "law of large numbers" to overcome some of the randomness within the current plan.

In a similar vein, there are differences with the loss limitations between the current BWC plan and the typical NCCI plan. For example, the per claim accident limitation in Indiana is currently \$102,000 for all sized risks with a \$204,000 per event limitation. This contrasts with the increased values in the Ohio plan that reach a maximum of \$250,000 for risks with \$1 million in expected losses. Therefore, we have not explored the possibility of increasing the group maximum values beyond \$250,000.

As potential additional changes to the Plan to stabilize and encourage very similarly sized employers within groups, we discuss some group composition issues further below.

BVC

Table 4
Expanded Experience Rating Credibility Table

Credibility Group	Expected Losses Minimum	Expected Losses Maximum	Proposed Credibility Percent	Group Maximum Value
	0	999	0%	0
1	1,000	10,999	9%	12,500
2	11,000	53,999	10%	12,500
3	54,000	87,999	13%	25,000
4	88,000	136,999	15%	37,500
5	137,000	181,999	18%	55,000
6	182,000	248,999	21%	75,000
7	249,000	312,999	25%	87,500
8	313,000	411,999	28%	100,000
9	412,000	510,999	31%	112,500
10	511,000	669,999	35%	125,000
11	670,000	841,999	38%	137,500
12	842,000	1,099,999	40%	150,000
13	1,100,000	1,499,999	43%	162,500
14	1,500,000	1,999,999	46%	175,000
15	2,000,000	2,999,999	48%	187,500
16	3,000,000	4,999,999	49%	200,000
17	5,000,000	6,999,999	60%	212,500
18	7,000,000	8,999,999	51%	225,000
19	9,000,000	10,999,999	52%	237,500
20	11,000,000 and up		53%	250,000

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3. Adopt an experience rating formula similar to that of NCCI

The NCCI experience rating plan separately considers both the actual and expected primary losses and the expected excess losses, with an additional loss limitation that is lower than the current BWC maximum. The current Ohio BWC experience rating plan does not separately treat the primary and excess elements.

The NCCI plan gives full credibility to actual losses up to \$5,000 regardless of risk size or expected loss. The NCCI plan further credibility weights the actual losses between \$5,000 and the state maximum with the expected losses. This plan provides benefits to smaller sized risks with better than expected primary loss experience which in some cases may mitigate the need to become part of a larger group.

An example of one risk's experience modification factor calculation under various methods is displayed in Exhibit F.

Exhibit D, Sheets 25 through 35 display information displaying the impact of moving the private employers to an experience rating plan similar to that used in Indiana. It should be mentioned that more insureds would be eligible for experience rating as the minimum premium requirement is \$5,000 rather than the \$8,000 expected loss minimum in the Ohio plan.

In general, adoption of a similar plan removes many of the inequities of the current Ohio plan. The group loss ratios after experience rating are more similar but the plan does continue to slightly over adjust for the groups with lower experience modification factors. Some of this phenomenon may be due to the changing group composition issues mentioned in the next section as it is not seen in the non-group rated after experience rating loss ratios.

It may be possible and more acceptable to consider changes as suggested in recommendations 1 and 2 first to address the current inequity issues and then consider

54.
adoption of a revised experience modification calculation in following time period. This arrangement would hopefully focus on solving the issue first within the system and then modifying the system.

Group Composition Issues

The current rules for forming and dissolving rating groups reward groups that attempt to game the system. Rules that assist in the stabilizing of the rating groups would increase the accuracy of the plan. The recent history of group composition stability is displayed in Exhibit F.

Currently, an insured that is non-renewed or removed from a group receives a substantial increase in premium as they typically lose a large experience rating credit. This action results in financial concerns to the insured and potential internal strife within the BWC to attempt to mitigate the insured's change. No premium impact was calculated for the following methods to stabilize rating groups:

- a. *Group Rating Persistency Incentive Credit Factor*
- b. *A waiting period before including the experience of new group members*
- c. *Retain former group-member's experience in the experience modification calculation for a number of periods at a decreasing rate.*

We recommend revisiting the original idea and concept behind the Group Rating Plan. If the idea was to allow multiple smaller employers to join together to increase the availability of safety and loss control programs while also allowing these employer's experience to be given more credibility (predictive value) in the experience rating calculation, then perhaps the size of individual employers allowed to participate in the Group Rating Plan should be limited to somewhere close to the 50 percent point in the credibility table. This limitation would assist to avoid many small employers joining with one very large employer for the purpose of benefiting from the large employer's better than average loss experience. By selecting a relatively high point in the credibility table, an employer that is expanding and crosses over the size threshold is not substantially impacted in becoming "self experience rated".

Fee and Assessment Basis

We suggest a re-examination of the basis for determination of fees and assessments. The determination of fees and assessments based upon actual collected premiums paid may not equitably reflect the cost of the services provided to the policyholder. Many costs, such as policy issuance, safety, and hygiene services do not necessarily decline or increase based upon the frequency or severity of losses.

LEGAL DISCLOSURES

Distribution and Use

This report is being provided for the use of the Ohio Bureau of Workers' Compensation (BWC). If this report is distributed, the report should be distributed in its entirety. All recipients of this report should be aware that Pinnacle is available to answer any questions regarding the report. These third parties should recognize that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data, computations, interpretations contained herein that would result in the creation of any duty or liability by Pinnacle to the third party.

Reliances and Limitations

In our analysis, we relied without audit or verification on historical exposure (payroll), premium and loss data provided to us on behalf of the Ohio BWC by Mercer. If it is subsequently discovered that the underlying data or information provided to us is erroneous, the calculations and conclusions herein will not be correct and will need to be revised.

Judgments as to conclusions, recommendations, methods, and data contained in this report should be made only after studying the report in its entirety. Furthermore, Pinnacle is available to explain any matter presented herein, and it is assumed that the user of this report will seek such explanation as to any matter in question.



Everything Cleveland

THE PLAIN DEALER

Injuries can send workers' comp rates soaring

Sunday, January 28, 2007

Bob Paynter
 Plain Dealer Reporter

Tens of thousands of Ohio employers probably are pleased with the bargain-basement premiums they pay for workers' compensation insurance.

What they may not know is this: If a worker or two gets hurt on the job, their premiums could soar enough to put a serious crimp in their business plans.

Consider the Decker family's oil-drilling company near Marietta. It has vowed to shut down before it bores another hole in Ohio soil.

Or Tamsin Haseley, who said she may be forced to fold her home-health-care company in Fairview Park.

Aladdin's Baking Co. in Cleveland had to lay off two workers because of suddenly skyrocketing workers' comp bills.

And Chris Skaggs says he and his company are holding on for dear life.

"It's been a struggle," said the owner of Wise Heating & Air Conditioning in Galena. "I'm not sure we're going to survive it."

All have at least two things in common with thousands of other Ohio employers.

One:

They are facing sudden and dramatic increases in workers' comp costs because of employee injuries!

Two:

They're all casualties of a flawed, state-sanctioned program that has allowed a handful of private, for-profit companies -- with the tacit approval of the Ohio Bureau of Workers' Compensation -- to manipulate the bureau's premiums for their own benefit and that of their clients!

The resulting distortions, according to insurance experts, have needlessly inflated Ohio's workers' comp rates for more than a decade. And they've collectively forced about two-thirds of the state's employers to pay hundreds of millions more in premiums than they should, while the other third pays less.

These for-profit companies, called third-party administrators, or TPAs, have been allowed to sell artificially bloated premium discounts on workers' comp premiums to employers that have few costly claims. The TPAs typically charge the employers a percentage of the amount the discounts save them.

Records show the TPAs have been allowed to ignore or bend restrictions recommended by the bureau's insurance experts in order to maximize the size of the discounts they sell -- driving up their fees.

And the TPAs have been allowed to snatch the discounts away - despite repeated warnings against the practice by the bureau's outside experts - when an employer sustains a worker injury or two, driving its premium through the roof.

The flaws in the program, known as group rating, have introduced substantial inequities into the system's rate structure, according to bureau documents.

The TPAs' 99,000 group-rated clients, roughly 38 percent of all employers covered by Ohio's Workers' Comp system, pay much less than their records indicate they should be paying in premiums - because of the oversized discounts they enjoy. An outside bureau analyst estimates the underpayments at more than \$870 million in the last three years alone.

While the cut-rate premiums may be good news for them - while they last - they must be subsidized by everyone else.

To offset the underpayments, the state's base rates for workers' comp are at least 20 percent higher than they should be, according to the bureau's experts, making Ohio less competitive than its heartland rivals. And the roughly 160,000 companies that aren't in the program are forced to pay much more than their records would justify.

(About 1,135 of Ohio's largest companies, including The Plain Dealer, are self-insured for worker injuries and not covered by the state system.)

The program also has considerably raised the stakes of a worker injury - for employers and employees.

Instead of providing a no-fault insurance policy, group-rated employers' low premiums may just be buying them a false sense of security.

The lucky ones won't need anything more. But employers that sustain a costly injury or two are in for a nasty surprise.

At Aladdin's in Cleveland, for instance, company officials say their projected workers' comp costs have soared by more than \$70,000 per year after two workers claimed injuries from workplace falls, getting the company tossed from group rating.

"We don't make gold bars here," company official Connie Nahrá complained. "We bake bread."

The rate for Healthcare Circle Inc. in Fairview Park increased by more than 1,800 percent after a visiting nurse slipped on ice in a customer's parking lot, tore a shoulder muscle and got the company ejected from the program.

"It may put me out of business," owner Haseley said. "I'm going from month to month."

In 2004, a worker for Dean Decker & Son Inc. pulled the wrong drill lever at an Ohio oil well:

A rotating pipe knocked the driller and two of his helpers down, said company official Loretta Decker, "and just kept hitting them until it could be turned off." Only one has returned to work, she said. The other two are on full disability.

"It was a one-accident thing," Decker said. Federal job-safety investigators "deemed it wasn't anything to do with us," she said. "It was operator error."

But no matter.

The company got the boot from its group. Its workers' comp rate has shot up 2,260 percent; records show, threatening a cost increase of more than \$185,000 a year at 2004 payroll levels.

Thankfully for Decker, located in Vincent, Ohio, there are wells to be drilled elsewhere, because Ohio is off-limits now.

"If we had to come back to Ohio, we would shut our doors," Loretta Decker said.

"We would completely shut our business down, because we could not afford to have workers' comp. Period."

Key restrictions

ignored or manipulated

Group rating wasn't supposed to work that way.

Born of good intentions, the program was conceived around a bedrock principle of insurance - the law of large numbers. It was designed to neutralize a potential disadvantage that small Ohio companies faced in competing with larger companies in the same business.

Because they spread the risk and cost of injuries over a larger number of employees, the big companies' records were a better predictor of future risk than that of smaller competitors, qualifying them for significantly lower workers' comp rates.

But if the smaller companies were allowed to band together - with the entire group regarded as a single employer for insurance purposes - they could mimic the risk exposure of their larger brethren and equalize their rates.

That was the theory, anyway. And it provided the foundation for Ohio's group-rating law, which took effect in 1991.

Several caveats - dealing primarily with how groups were formed and which employers would be eligible - were recommended from the start. The purpose was to ensure that the program adhered to sound insurance principles - allowing past records to accurately predict future liability - and to guard against the potential for rate manipulation.

But records show that officials during two Voinovich and two Taft administrations left the oversight of the new program almost entirely to the third-party administrators; the private companies that stood to gain financially from just such a rate manipulation: The bigger the discounts they could generate, the bigger the fees they could collect.

The caveats were either ignored or stretched beyond recognition.

The manipulation and rate distortion that experts had warned against in 1991 set in early, creating inequities that will be politically difficult to fix today.

When group rating began in 1991, an outside insurance consultant issued an unambiguous caveat: The bureau should prohibit the use of an employer's claims experience as a criterion for group membership.

If allowed, the consultant warned, the practice would encourage the TPAs to "manipulate the premiums" of their groups by sculpting their membership lists to include only those employers with similarly clean records. That, in turn, would create entities that, based on the predictive power of their clean past, were unlikely ever to suffer a costly worker injury.

And that would undermine the program's insurance integrity. Such artificially low risk could be used to generate unrealistically low premiums for group members and inappropriately high premiums for everyone else.

That's exactly what has happened.

Despite the warning, state officials took a hands-off approach to group formation, leaving it to the third-party administrators to decide who could join and who could stay.

Claims history became a primary eligibility factor. And now, a costly claim or two can get an employer

tossed from its group, catapulting its premium rate.

About 10,000 Ohio companies have been ejected from group rating since 2004, according to bureau data, and their premium rates have increased an average of more than 1,000 percent.

For more than a fourth of those, rates have increased by at least 1,900 percent.

These employers can try to mitigate the damage by attempting to settle with their injured workers - capping the claims' potential costs - or by joining bureau-sponsored programs that can shave up to 40 percent from the new premium for eligible employers until they can work themselves back into a group. Many, however, are stuck with sky-high rates for up to four years.

It's little wonder, then, that employers are fighting workers' claims as never before. Records show the rate of disputes per serious claim has increased dramatically.

Employers facing a huge rate increase tend to take injury claims personally, said Stuart Garson, a Cleveland attorney who represents injured workers. "They've got a 20-year employee. The guy goes down, he blows out his knee. And all of a sudden he's like persona non grata. It's absolutely ludicrous."

"You get one damn claim now, and everybody's at war with everybody."

Robert Lowry had operated a residential painting company in Columbus for 42 years when a worker-injury claim got him tossed from his group, threatening to drive up his workers' comp premium by up to \$50,000 a year.

Lowry said he spent \$60,000 on attorneys and private eyes to fight the claim - which he said the worker eventually settled - because he couldn't afford not to.

The claim could have cost him \$200,000 if it stayed on his record the full four years, Lowry said. "A small company can't do that. I would have just shut the doors."

Consultants warn about

excessive discounts.

Rate manipulation has been a persistent concern of the bureau's insurance consultants.

Records show they have warned in at least six reports since the early 1990s that Ohio's group-rating discounts are seriously out of whack.

Most recently, Pinnacle Actuarial Resources noted last month that if the program were managed properly, the maximum available discount would be less than 60 percent and the average around 45 percent.

But Ohio's group-rating TPAs have routinely been selling premium discounts of up to 95 percent for years.

Despite modest recent efforts to scale them back - positive steps with "relatively small" impact, in Pinnacle's view - the average group-rating discount this year is 83 percent, according to bureau data, nearly 40 points higher than Pinnacle says it should be.

And more than 87 percent of Ohio's group-rated employers are getting discounts that exceed Pinnacle's 60 percent maximum.

Fueled by the aggressive marketing of such huge discounts, participation in the program has ballooned from fewer than 20,000 employers in 1992 to nearly 100,000 today.

Lots of money is changing hands as well, although it's unclear how much. Bureau officials say they have no idea how much the third-party administrators charge for the discounts.

But one of the largest TPAs notes in its promotions that its clients paid \$1 in fees for every \$14.58 saved, and that its group-rating services had saved employers more than \$1.1 billion. At that rate, the TPA has collected \$75 million in group-rating fees.

The steady expansion of the program may also reflect another early caveat ignored; this one dealing with group composition.

As Pinnacle noted last month, Ohio's group-formation practices "reward groups that attempt to game the system."

From the beginning, group members were supposed to be small companies in "substantially similar" businesses, according to bureau documents, so that the job risks they pooled would be "homogeneous" and so they could work together on common safety problems.

To that end, all groups were supposed to be sponsored by an existing organization - like a professional association - and each group member had to be a dues-paying member of the sponsoring agency.

But the bureau has allowed the group sponsors and their TPAs to so expand the definition of membership that wildly dissimilar businesses can be lumped together to create ever larger groups.

In 2004, for instance, bureau data show that Dean Decker & Son, the oil-drilling company, was placed in a group sponsored by the Professional Insurance Agents of Ohio.

Not only does Decker's business have nothing to do with insurance; its fellow group members included such non-insurance-like operations as structural steel contractors, tree pruners and burglary-alarm installers - as well as architect and engineering offices, where the risk of serious injury is nowhere near that for an oil-well driller.

"That doesn't make any sense from a risk-management perspective," said national workers' comp consultant Joseph Paduda. "It's a prostitution of a solid industry concept."

But it has made for a lively market in group-membership sales. Records show the insurance agents association sponsors 47 groups with 14,300 employers - making it the state's largest group-rating sponsor.

BWCA7

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"The rules were created by the bureau. The TPAs [third-party administrators] and associations are just following them."

Jon Wagner, vice president of CompManagement Inc.,
Ohio's largest group-rating TPA.



JOSHUA GUNTER | THEPLAINDEALER

Carl Nahra, left, one of three owners of Aladdin's Baking Co., in the Cleveland company's bakery with his wife, Connie. This is what happened to their company:

- Enjoyed a 90 percent workers' comp discount in 2005.
- Two workers claimed serious falls — one on bakery floor; the other in freezer.
- An insurance consultant stripped the company of its discount.
- Aladdin's premium rate increased 1,000 percent.
- Expects to pay at least \$70,000 more in annual premium.

www.Wevehadenough.net
Mission Statement

Our mission is to reform the Ohio Workers' Compensation ("BWC") system to what it was designed to be: a fair and equitable "insurance" system for both the employee and the employer.

We see the following as major problems with the existing system:

Group rating:

- The original system has become horribly distorted. It was originally designed to group "like" companies or similar businesses together.
- Article 2-35 in the Ohio Constitution has been broken. Group rating breaks the bargain and violates the Constitution.
- Over 10,000 Ohio small businesses have been kicked out of groups in the last two years alone.
- The original insurance system didn't allow for people to be kicked out of their group.
- Right now groups include many different businesses with their common theme being they are without claims.
- Our goal is to change the credibility table and to make sure companies are not kicked out of a group.

Reserves:

- Although the reserve system is rapidly growing, it is a system with extreme flaws.
- The current reserve system is rapidly growing.
- The "computer program" used to determine reserves, sets them so high companies can't get in groups.
- The Ohio BWC has \$19 billion but has targeted less than \$2 billion for reserves.
- Our goal is to establish a fair "insurance" type system with realistic reserves.

TPA's:

- TPA's are not following the rules that were established.
- April 15, 2002 the Cleveland Bar Association filed suit against CompManagement, Inc. asserting they were engaged in the unauthorized practice of law in representing its employer clients before the BWC and the IC.
- The TPA's are essentially a bill writing administrative "service."
- Most of the TPA's are "connected" with MCOs (sound ethical?)
- If TPA's must continue their existence then we want a governing body established to police their practices.

Other:

- Lower the base rates
- Lower the discounts
 - 38% of Ohio employers are paying too little
 - 62% of Ohio employers are paying ridiculously high rates
 - Right now a company with no claims thinks they're on easy street because the current discounts are so inflated. That same company with a claim can be overly penalized. If the discounts are brought in line and the base rates are lowered it would be more fair across the board.
- Small businesses in Ohio are unfairly penalized with the current lack of policy enforcement. Larger businesses by-pass much of the problem by self-insuring but the rules don't allow smaller companies to do that.
- The number of claims filed dropped from 287,701 claims in 1997 to 167,053 claims in 2006. At the same time, the total benefits paid increased from \$1,666,079,433 in 1997 to \$1,934,800,971 in 2006 (a significant part of that went to MCOs).

MCO's and Rehabs:

- In reviewing the Ohio BWC financials it is obvious that while the number of claims being filed has dropped significantly from 1997 to 2006 (by more than 100,000) the amount of money paid out to MCOs has increased dramatically.
- Ohio employers are paying MCOs for fewer claims in the system.
- MCOs are incented to get more out of employee claims because they get a percentage of the premiums paid by the employer.
- MCO's made over \$170 million in 2006. The first year MCO's were outsourced in 1997 they ONLY made \$21,000,000. Quite an increase.
- This also violates the Constitution which supports both the employer and employee.

The signers of the Declaration of Independence wrote:
In every stage of these Oppressions We have Petitioned for Redress in the most humble terms: Our repeated Petitions have been answered only by repeated injury.

We feel the same. Thus our name www.wevehadenough.net Our short-term goal is to get immediate relief.

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TPA Practice & the Unauthorized Practice of Law

By Brian K. Brittain

In an 18-page report that could have far-reaching implications in the workers' compensation arena, the Ohio Supreme Court's Board of Commissioners on the Unauthorized Practice of Law issued a final report on Tuesday, May 18, 2004 recommending to the full Supreme Court that third party administration firms (TPA's) be significantly restricted in their abilities to represent employers before the Ohio Bureau of Workers' Compensation (BWC) and its sister agency, the Industrial Commission of Ohio (IC). Before discussing the report further, it is important to note that while the decision will likely impact many employers in Ohio for the reasons listed below, it should have no adverse effect on clients of Ross, Brittain & Schonberg.

By way of history, on April 15, 2002, the Cleveland Bar Association filed suit against CompManagement, Inc., or CMI, a traditional workers' compensation third party administration firm located in Dublin, Ohio, asking the Ohio Supreme Court to issue an order finding that CompManagement (and certain of its employees) had engaged in the unauthorized practice of law in representing its employer clients before the BWC and the IC.

The Bar Association also requested that CompManagement and similar TPA's be barred from further representing employers in various proceedings before the BWC and/or IC. Therefore, while the specific case was brought against CompManagement, its result will apply to all third party administration firms in Ohio that actively represent employer clients before the BWC and/or IC.

Following discovery, a three-day hearing on the unauthorized practice of law by CompManagement was conducted by the Board on May 21, May 22 and August 22, 2003. As mentioned, on May 18, the Board at last issued its Final Report to the Supreme Court concluding that certain activities engaged in by CompManagement amounted to the unauthorized practice of law. The Board further requested that the Supreme Court issue a Show Cause Order barring CompManagement from engaging in those activities.

Specifically, the Board concluded the following:

- (a) That CompManagement's representation of employers' interests in handling claims before the IC amounted to the unauthorized practice of law;
- (b) That this unauthorized practice of law included not only representation of employers at IC hearings, but also in the preparation, signing, and filing of documents for employers (including appeals, motions, and other letters/pleadings) with the BWC and/or IC;
- (c) That CompManagement's involvement in the negotiation/settlement of claims before both the IC and the BWC amounted to the unauthorized practice of law;
- (d) That CompManagement's recommendations to employer clients regarding the filing of appeals with the BWC/IC and/or recommendations regarding allowance or denial of claims amounted to the unauthorized practice of law; and

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(e) That CompManagement's recommendations to employer clients on whether to secure separate legal counsel on certain contested matters likewise amounted to the unauthorized practice of law:

In specifically reviewing the IC hearing process, the Board concluded that CompManagement's cross-examination of witnesses; direct or indirect; presentation of employer concerns; and/or submittal of employer evidence at hearing were clear examples of the unauthorized practice of law. It is important to note that the Board concluded that such actions before the IC by CompManagement constituted the unauthorized practice of law regardless of whether the individual hearing representative employed by CompManagement was a licensed practicing attorney.

The Board's Final Report was presented to the Supreme Court of Ohio for confirmation on May 18, 2004. Pursuant to its rule, the Supreme Court will now issue a "Show Cause Order" either adopting and/or modifying the Board's Final Report. Once that Show Cause Order has been published, CompManagement will have 20 days to file objections and should that occur, a formal briefing schedule will be established, and ultimately a hearing before the full Court could take place. As of this writing, it is unknown how long it will take the Supreme Court to issue its Show Cause Order, though based upon the potential ramifications of the Board's Final Report, it is anticipated that the full Court will act quickly.

Immediately following the Board's Final Report, the 15 Industrial Commission offices throughout Ohio, which annually conduct more than 200,000 hearings, were in a state of flux regarding whether to permit TPA's (and their hearing representatives) to continue to attend hearings. On May 21, the IC issued a statement indicating that until final notification by the Supreme Court through its Show Cause Order, the IC would continue to permit TPA representatives, on a limited basis, to attend hearings on behalf of their employer clients, consistent with its policy on TPA representation incorporated in the IC Hearing Officers Manual.

In that regard, the policy permits TPA's to attend hearings but constricts them in cross-examining witnesses, presenting evidence, and arguing any case law and/or statutory precedent. However, the District Hearing and Staff Hearing Officers who adjudicate the vast majority of these 200,000 hearings annually are essentially all licensed attorneys. As a result, these attorneys could be subject to charges of assisting in the unauthorized practice of law by permitting TPA reps to continue to engage in certain suspect activities. It is therefore anticipated that until the Supreme Court issues its final Show Cause Order, TPA reps will still be greatly restricted in their IC hearing room activities. Indeed, on June 2, a new resolution was issued by the IC restating the limited TPA involvement in the hearing process, pending the Supreme Court's final Show Cause Order.

RB&S will keep its clients posted as to all further developments in this matter, which again will likely have a major impact on how business is conducted, from the employer's perspective, before the BWC and the IC into the future. Should you have any immediate questions or concerns, please feel free to contact Brian Brittain at Ross, Brittain & Schonberg.

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