

OSC 12
Ohio Safety Congress & Expo

WELL AT HOME. SAFE AT WORK.

461 Beyond Group Rating: Alternative Rating Programs

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Thursday, March 29, 8 to 9 a.m.

Ohio Bureau of Workers' Compensation

**Beyond Group Rating:
Alternative Rating Programs**



**Ohio Safety Congress
March, 2012**

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More Rating Options Than Ever!!!

- There are many alternative rating programs for state funded employers with varying levels of program compatibility
- Do you have a roadmap to take your business to the lowest possible BWC premium payable in 2013?

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Alternative Rating Programs and Discount Options

- Destination: Excellence
- Drug Free Safety Program (DFSP)
- Grow Ohio Incentive
- Safety Council
- Large Deductible
- Small Deductible
- \$15K Medical Only Deductible

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Alternative Rating Programs and Discount Options

- Group Experience Rating
- Individual Retrospective Rating
- Group Retrospective Rating
- Self Insurance
- 100% EM Cap Program
- One Claim Program

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Destination: Excellence

- Multi-level discount program with a focus on:
 - Early return to work
 - Safety & accident prevention
 - Efficient account management
 - Cost control efforts
- Customize a program best for you
- Cafeteria style plan with 7 program options
- Automatic discount for most programs

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Destination: Excellence Program Options	Potential Incentive	Program Specifics
Industry Specific Safety	3%	Industry specific classes & loss prevention activities are required
Transitional Work	10% Bonus	Post policy year bonus for utilizing transitional work
Drug Free Safety Program	4% - 7% Up-front Discount	Implementation of program elements for basic level or advanced level
Safety Council	2% + Possible 2%	2% participation rebate 2% possible performance rebate with 10% reduction in frequency <i>or</i> severity
Vocational Rehabilitation		Costs of rehabilitation program are paid through surplus fund, thereby reducing charges to employer's experience
Go Green Discount	1% up to \$1000 Every 6 Months	Receiving payroll report electronically, reporting payroll and paying premium in full online
Lapse-Free Discount	1% up to \$1000 Every 6 Months	For employers who have no lapse in coverage during past 60 months

Destination: Excellence Compatibility

- Destination Excellence is compatible with DFSP, Early Payment, EM Cap, \$15K Medical Only Deductible, Grow Ohio Incentive, One Claim Program, Group Experience Rating and Safety Council
- Group Rating can be combined with Safety Council 2% performance rebate ONLY
- Go-Green Discount *cannot* be combined with Early Payment Discount

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Destination: Excellence When Will You See the Discount?

- Private employers
 - Applicable to 7/1/12 policy year
 - Premiums payable in January and July 2013
- Public employers
 - Applicable to 2013 policy year
 - Premiums payable 2014

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Pros	Cons
<ul style="list-style-type: none"> Increased compatibility Up front discount No application required for most programs Cafeteria style plan allows employer to pick and choose 	<ul style="list-style-type: none"> On line account management may be perceived as a "negative" Individual programs carry smaller discounts than traditional discount programs

Drug Free Safety Program (DFSP)

- Discount for implementing program to address alcohol and drug use and mis-use
 - Replaced DFWP 7-1-10
 - 2 levels of premium discount:
 - Basic level 4% discount
 - Advanced level 7% discount
 - Annual training and reporting requirements
 - 5 year participation cap eliminated

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Drug Free Safety Program (DFSP)

- Compatible with:
 - Group Rating
 - Small Deductible
 - Safety Council
 - 2% possible performance rebate only
 - \$15K Medical Only Deductible
 - Destination Excellence
 - Early Payment Discount
 - Grow Ohio Incentive

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Grow Ohio Incentive

- New employers have the option of:
 - Joining a Group Rating program with maximum discount from their first date of coverage

or

 - Receiving an automatic 25% discount on premium
- Must choose within 30 days of the application for coverage
 - Not compatible with Go Green discount

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Small & Large Deductible Programs

- Different than \$15,000 Medical Only Deductible
- BWC will pay the claim costs in full
 - Indemnity
 - Medical expenses
- BWC pays costs as usual, then bills employer
- Employer agrees to reimburse BWC claim costs up to the selected deductible amount regardless of date of service or payment, within 28 days upon receipt of bill

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Large & Small Deductible Programs

- Large Deductible
 - Costs incurred during policy period are included in the experience rate calculation
 - Aggregate stop-loss available at 3 times the chosen deductible limit, reducing up-front discount
- Small Deductible
 - Billed deductible costs are excluded from experience rate calculation
 - Deductible may not exceed 25% of premium

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Small Deductible Program Greater Risk = Greater Discount

Deductible Limit	Discount
\$ 500	1.4 – 6.3%
\$ 1,100	2.3 – 9.5%
\$ 2,500	3.9 – 14%
\$ 5,000	5.8 – 17.9%
\$10,000	9.7 – 26%

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Large Deductible Program Greater Risk = Greater Discount

Deductible Limit	Discount
\$ 25,000	1 – 41% with aggregate cap* 13-41% without aggregate cap
\$ 50,000	1 – 51% with aggregate cap 18 – 53% without aggregate cap
\$100,000	1 – 59% with aggregate cap 26 – 65% without aggregate cap
\$200,000	1 – 68% with aggregate cap 35 – 77% without aggregate cap

* Aggregate cap = 3 times selected deductible limit

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Deductible Programs

- Application Period for 2013
 - U-148 Application
 - Private Employer: last business day of April
 - Public Employer: last business day of October
- Employers can opt out prior to start date
- Automatic renewal; opting out requires written notification to BWC

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Pros	Cons
Up front discount	Salary Continuation is not permitted
Stacking permitted: Group Rating DFSP Safety Council	Liability remains until met Claim costs attributed to TML
Aggregate stop loss available for Large Deductible	Aggregate stop loss is NOT available for Small Deductible

Group Experience Rating

- Traditional Group Rating
 - Break Even Factor (BEF) applied 2011
 - 65% max discount less BEF = 51% max group discount
 - Maximum Discounts for 2012
 - Break Even Factor eliminated
 - Private employers: 53%
 - Public employers: 59%
 - Group rating participation requires membership with a sponsoring association

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Group Experience Rating

- Increased program compatibility
 - Destination Excellence
 - Drug Free Safety Program
 - Early Payment Discount
 - \$15K Medical Only Deductible
 - Safety Council
 - 2% possible performance rebate with 10% reduction in frequency or severity
- Enrollment deadline
 - Private employer: last business day of February
 - Public employer: last business day of October

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Group Safety Initiatives

- Two Hour Safety Training Requirement
 - All employers enrolled in 2011 group rating With any claims in 2009 or 2010
 - Private employers must complete by 6/30/12
 - Public employers must complete by 12/31/12

Good News:

Ohio Safety Congress fulfills this requirement!

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Individual Retrospective Rating

- Discount on up-front premium
- 10 year, dollar for dollar liability
- 10 year buy-out with outstanding reserves
- 5 years of audited financials required
- Annual application deadline:
 - Private employers: last business day of April
 - Public employers: last business day of October

The greater the risk...the greater the discounts

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Group Retrospective Rating

- Performance based incentive program designed to recover a portion of premium paid
- First available to private employers for the policy year beginning 7/1/2009
- Viable option for employers that do not qualify for traditional group rating
- Ideal for employers with annual premium \$25,000 or greater

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How Does Group Retro Work?

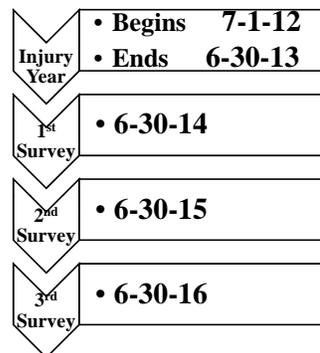
- Employers pay individual premiums to BWC
- Following completion of policy year, BWC compares total premiums paid to total developed losses and “standard” premium in that year, resulting in refund or assessment
- 3 benchmark reviews:
 - 12 months
 - 24 months and
 - 36 months after end of policy year

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Group Retro Private Employer Example

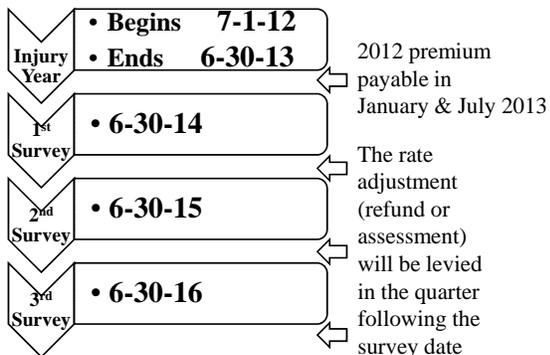
- Participation for policy year 7-1-12 to 6-30-13
- Premium payments to BWC
 - January and July 2013
- 3 benchmark reviews of claim occurring in policy year 7-1-12 to 6-30-13 on
 - 6-30-14 (12 month evaluation)
 - 6-30-15 (24 month evaluation)
 - 6-30-16 (36 month evaluation)

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Group Retro Year 2012 – Private Employer

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Group Retro Year 2012 – Private Employer

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Group Retro Example

- If calculated retrospective premium is less than group’s total standard premium, the participants will receive a refund
- If calculated retrospective premium is greater than the group’s total standard premium, an assessment will be applied by BWC to the group
- Each group selects the maximum assessment (5-100% of merit rated premium)

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Pros	Cons
Safety in pooling risk	No up front discount
Salary continuation is recommended	Potential rebate (savings) is deferred
Maximum assessment percentage is selected before plan year begins	Compatibility with Safety Council for 2% participation rebate only
Maximum additional premium is identified before plan year begins	Is not compatible with DFSP

Self Insurance

- Self Insurance
 - Dollar for dollar liability with strict financial requirements
 - 500 employees required
 - Audited financials required
 - Cradle to grave, ongoing coverage & liability
- Do the research
- Determine feasibility of lifetime exposure



Transitional Work Grants

- Grant to establish a transitional work program
- Grant amounts depend on employer's size and services needed:
 - Payroll
 - Number of job classifications
 - Number of job analyses needed
 - Existence of collective bargaining units
- Not available if employer received a grant through BWC's previous program

Transitional Work Grant Filing Deadlines

- Private employers
 - Last business day of April
- Public employers
 - Last business day of October
- Separate application required for Transitional Work Performance Bonus

Transitional Work Grant Performance Bonus

- Bonus calculation occurs 6 months following policy year's end
- BWC will evaluate all claims with injury dates in policy year to determine claims eligible for transitional work services as compared to the number of claims wherein transitional work services were utilized

Transitional Work Grant Performance Bonus Calculation

Percentage of claims with transitional return to work services potential wherein transitional work services were utilized	X	A percentage of employer's standard premium	=
Performance Bonus up to 10%			

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Workplace Wellness Grants Is a Return on Investment Possible?

- Studies show workplace wellness programs can reduce
 - Frequency
 - Severity
 - Number of lost time days
 - Absenteeism
 - Health care benefit costs
- ROI: \$6.50 for every \$1 of investment

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Workplace Wellness Grants

- For state funded employers
- Safety & Hygiene leading the initiative
- Application components
 - Organization profile
 - Estimated workplace wellness budget
 - Selection of a workplace wellness vendor
 - Implementation timeline

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Workplace Wellness Grants

- \$4 million grant money allocated by BWC
- Grants available up to \$15,000 per employer
- Covers up to 50 employee participants, allocating \$300 per participating employee
- To be paid out over 4 years
- Employee amount reduced each year

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Workplace Wellness Grants

- Best suited for employers with:
 - Measurable claims experience
 - Interest in implementing wellness programs in conjunction with safety initiative
 - Willingness to participate for 4 years

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Finding Your Highway to Workers' Comp Success

- Identify and collaborate with your resources
 - ✓ Project BWC premium costs
 - ✓ Obtain a feasibility study to determine financial benefit of any program
- Identify cost control strategies
- Select rating and/or discount programs
- Work with resources for proper implementation

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One Size Does *not* Fit All!



Program selection depends on:

- **Business Size**
- **Payroll and Premium**
- **Risk Tolerance**
- **Internal Administrative Capabilities**

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