

**BOARD OF DIRECTORS – OHIO BUREAU OF WORKERS’ COMPENSATION
SUMMARY OF EVALUATION OF MARSHA P. RYAN, ADMINISTRATOR**

June 19, 2009

The Board of Directors of the Ohio Bureau of Workers’ Compensation (BWC) hereby submits its summary evaluation of Administrator Ryan to Governor Strickland in compliance with Ohio Revised Code 4121.21(F)(15). This summary evaluation reflects an “excellent/plus” overall numerical performance rating of 4.55 for FY 2009, as compared to 4.47 for FY 2008. The Board’s evaluation process was structured to consider the Performance Objectives contained in the Director’s Flexible Performance Agreement with Governor Strickland for fiscal year 2009, as well as leadership attributes that the Board believes are important to an evaluation of the Administrator’s overall performance. The evaluation process included the use of a numerical rating system and the solicitation of input from all qualified Board members.*

[**Note:** Numerical Rating Key: **1**=unacceptable; **2**=needs improvement; **3**=acceptable; **4**=excellent; **5**=superior]

I. PERFORMANCE OBJECTIVES

1. **Make Ohio’s Workers’ Compensation System more competitive regionally and nationally by identifying and applying actuarial principles to all aspects of BWC rates and premium assessments and reducing base rates overall, while also maintaining the highest level of quality care for injured workers.**

- Completing multi-year plan for addressing premium discounts, group rating rules and experience rating reform (to Board in December 08)
- Preparing model and beginning evaluation of Deloitte Study recommendations, segmented by implementation difficulty and cost/benefit
- Communicating BWC’s message of restoring operational excellence (as summarized in BWC’s Restoring Operational Excellence Document: “Stable Costs, Better Services, Accurate Rates, Safe Workplaces”)

Rating: 4.7/5.0 Comments: Key accomplishments include continuing on a path of diligent hard work to bring parity to both group and non-group rated employers in the face of strong advocacy by both constituencies, utilizing insurance industry actuarial principles to reduce base rates for all Ohio employers and keeping the Board and the stakeholders focused on the data provided by the independent actuaries. The Deloitte study is anticipated to assist in this effort. The consensus of the Board is that the Administrator has done an outstanding job in this area.

2. **Ohio’s employers will have access to a robust and informative reserving system, enabling them to better understand the costs associated with workers’ compensation claims.**

- Moving all claims successfully to MIRA II; providing web-based reserving services for employers and third party administrators
- Conducting research regarding acceptance of MIRA II by employers; benchmarking other states and initiating planning for next generation of reserving improvements (linkage with split-plan, etc.)

Rating: 4.6/5.0 Comments: The general consensus is that the efforts in implementing the MIRA II reserving system have been very successful. The posting on the BWC website was also appreciated. One director expressed a desire that the Board gain a better understanding of the inner workings of MIRA II and its impact on rate development and stakeholders.

3. **BWC’s administrative expenses will be benchmarked with private insurers and other state funds to determine best practices to ensure lowest assessments consistent with quality service.**

* A Director who is an attorney representing clients before the BWC is disqualified from participating in the evaluation process.

- Perfecting, expanding, and utilizing our Enterprise Reporting Package and associated metrics to drive business decisions internally
- Achieving process mapping goals to drive efficiency improvements and organizational design changes
- Utilizing complaints analysis system and adjudication analysis to identify customer service improvements
- Seamlessly making transition to Centralized Internal Auditing
- Identifying and pursuing opportunities to centralize non-core services across the Enterprise (State of Ohio)
- Reorganization and reinvigoration of Safety and Hygiene efforts.

Rating: 4.3/5.0 Comments: The Financial Enterprise Report provides the Board with essential information to appropriately evaluate and analyze the financial position, performance and internal operations of the BWC. Although significant progress has been made on the content of the Report, with strong support from the BWC staff, it continues to be perfected. It was noted that the Report could be improved with more attention to data analysis. It was acknowledged that, due to the press of other business, the Report is still under construction and that further progress is anticipated.

4. **By 2010, BWC will have created the system capacity to effectively evaluate the quality and costs of the managed care system for injured workers.**

- Expanding our medical resources and research capabilities through innovative use of academic expertise available in Ohio’s institutions of higher learning
- Negotiating reasonable and responsible contracts for Pharmacy Benefit Manager and with MCOs for biennium period
- Implementing fee schedules consistent with excellence in care and responsible cost management

Rating: 4.4/5.0 Comments: This was deemed a “work in progress.” It was generally acknowledged, however, that a great deal of time, effort and energy has been spent in the managed care area with good results to date. It was further noted that this is a contentious area and the Administrator did a good job in managing everyone’s expectations. One director believes that there is much room for improvement, and that continued debate and information is necessary for the Board to effectively determine the progress within this system.

II. LEADERSHIP

- Accomplish BWC FY09 Agency-wide goals (Board meeting August 2008)
- Secure the biennial budget (FY10&11) at or near targeted level of \$328 million/year
- Enhance Senior Team Leadership development; a facilitated senior retreat is planned in Q3FY09; leadership development program for level 3, 4, and 5 managers and supervisors
- Align goals throughout all levels of agency

Rating: 4.7/5.0 Comments: The Administrator’s managerial skills, including leadership and fiscal management of the BWC, have earned a great deal of respect from the Board. Even in stressed economic times, the Administrator has been able to surround herself with a management team that she has focused and energized. The Administrator has communicated effectively to her team and to the Board her goals for the BWC as well as identifying and prioritizing the opportunities and challenges which she and her team need to address both in the immediate and long term. She has established leadership programs for senior managers at different levels and provides opportunities for management to interface with the Board.

III. PLANNING

- Continue development of Enterprise Reporting Package, utilizing the financial and operational metrics/targets to guide analysis of core processes and business drivers and competitive analysis
- Improve structure/organization of Board meetings to accommodate enhanced strategic discussion and timely delivery of materials (BOD Self-Assessment recommendations)

Rating: 4.5/5.0 Comments: The Board package continues to improve on a monthly basis and the financial data requested by Board members is provided promptly. Further to the Enterprise Reporting Package, there is a sense that the Administrator needs to continue to work with her staff to develop metrics to reflect performance so that the Board has the tools to more precisely evaluate the BWC's performance against its goals. Specifically, it was noted that competitive rate comparison reports would be helpful. Board dialogue on strategic opportunities has improved.

IV. INTERACTION WITH EXTERNAL PARTIES (INCLUDES THE LEGISLATURE & STAKEHOLDERS)

- Emphasis on visits, interactions, and informal speaking engagements with trade associations, business groups and labor organizations, supplementing my personal involvement with greater involvement from Senior Team members
- Messages: good governance, transparency, actuarially sound and performance-based rates, application of appropriate loss ratios

Rating: 4.0/5.0 Comments: The Administrator continues to build strong relations with the BWC's constituencies and regularly meets with individuals and groups having a vested interest in BWC issues. It was noted that the Administrator's outreach efforts have greatly improved from the prior year, which was attributed to her growing knowledge of the BWC and the increased, and well deserved, confidence in her senior team. There was a concern that the Board be better informed of specific concerns or objections that are raised by stakeholders as they relate to rule modifications that the Board is requested to approve.

V. INTEGRITY AND ETHICS

- Continued emphasis on ethics training and adherence for all staff
- Promote documentation and controls rigor to encourage sound decision-making
- Emphasize transparency with internal and external stakeholders

Rating: 4.9/5.0 Comments: The Board is unanimous in its perception of the Administrator as a person of integrity with the highest ethical standards. By setting the "Tone at the Top," the Administrator is instilling those standards in her senior staff by both example and a focused effort to treat all BWC ethics questions with the seriousness they deserve. The Administrator consistently follows through on her planned actions and transparency is demonstrated consistently by her and entire senior leadership team

VI. BOARD OF DIRECTORS

- Strategic discussion and agreement on flexible, reflective and well-defined Net Asset Policy and Investment Policy Statement for BWC

Rating: 4.8/5.0 Comments: The Administrator's input and guidance to the Board is appropriate, enlightening and on-point. The Administrator and her staff are accommodating, respectful and flexible as respects the Board. The Investment Policy Statement was a year in the making, which represents the outcome of thoughtful debate, education and discussion. The Net Asset Policy is on track for the same result. The Administrator fosters an open relationship between the Board and her staff by making the BWC staff available to all Board members. The BWC staff generally responds promptly to Board member's requests for information.

VII. PROGRESS ON KEY PRINCIPLES FOR RESTORING OPERATIONAL EXCELLENCE

- To make BWC a stable, performance-focused agency which recognizes and serves its various constituencies while contributing to economic vitality in Ohio
- To establish and maintain an internal culture at the BWC that promotes accountability and innovation, and motivates staff to strive for improvement in quality and efficiencies in all aspects of work
- To initiate and respond to efforts to make BWC a partner with other Ohio state agencies to achieve efficiencies in support services for the entire enterprise (State of Ohio)

Rating: 4.6/5.0 Comments: The Administrator has instituted a management processes (Kaizen) within the BWC to improve performance and to better serve the employers and employees of Ohio. She is also recognized within the Administration for her management expertise and has assisted other State offices, agencies and departments in management improvement. The cooperation of the BWC with the centralized internal audit staff at OMB and providing the BWC's call center resources to assist with high volume calls speak well of her focus on interagency cooperation .

THE NUMBER ONE ACCOMPLISHMENT OF ADMINISTRATOR RYAN IN FY 2009:

Comments: Although the major accomplishments were many, the directors were almost unanimous in identifying as the Administrator's single biggest accomplishment the bringing of greater parity to both group and non-group employer premium rates in the face of strong advocacy positions by some employers and employer groups. This achievement, made under very challenging conditions, was hailed as a significant step forward and an extraordinary and historic improvement.

Also praised as major accomplishments of the Administrator were:

- The number of strategic initiatives successfully undertaken, including new policies for the discount rate and funded ratio, the enhancements to the Financial Enterprise Reporting package, the new Investment Policy Statement and other significant projects, all of which were guided through a thorough analytic process with substantive dialogue and input from the Board.
- The efforts to educate Board members about the workings of the BWC, especially those Board members who had no prior experience in investments.

THE NUMBER ONE CHALLENGE FOR ADMINISTRATOR RYAN IN FY 2010:

Comments: The major challenges are many, and include:

- Continuing to build strong relations with BWC stakeholder groups and keeping the Board informed of stakeholder issues and responses.
- Navigating the BWC through the current stressed economic climate while establishing adequate reserves and the right rate for the right risk for all Ohio employers.
- Providing a good measurement of whether the BWC has a competitive rate structure, all things considered, with regards to states in the region and private companies.
- Continuing to provide outstanding and focused leadership and results at the BWC while shaping a major culture change.

On behalf of the Board of Directors of the Ohio Bureau of Workers' Compensation

Respectfully submitted,

William J. Lhota, Chair