

Workers' Compensation

The Topic Everyone Has to Deal With and No One Wants to Talk About

Steve Spain
Vice President of Business Development



Overview

- **Intro**
- **Key Issues**
- **Statistics**
- **BWC SI Update**
- **BWC SF Update**
- **BWC SF Program Changes**
- **Employer Responsibility**
- **BWC Task Force**

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Intro

Steve Spain has been in the industry for 11 years, spending time with an insurance company, and two Ohio TPAs.

Frank Gates / Avizent is a consultative risk management company providing consistent quality, flexibility and innovative offerings bundled into a totally owned service model that will help reduce your claim costs.

- TPA for Self-Insured and State Fund
- State-Fund MCO
- Self-Insured Managed Care
- Unique Occupational Risk Management Program

We are a national TPA alternative with a local touch.

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Key Issues

Money

Trickle down affect

Everyone has less, so budgets are being reviewed

Every dollar is being watched – to do more with less

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Confusing and Complicated

The more information you have, the better decisions you are able to make

However, this is a very confusing topic at times, exacerbated by the ever changing rules

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What does it take to make a good program?

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Desire and action

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Statistics

For the 2010 calendar year, per the BWC:

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For the 2010 calendar year, per the BWC:

What is 104,151?

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Productivity

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Statistics

For the 2010 calendar year, per the BWC:

What is 104,151?
Net Allowed claims

What about \$1,886,386,292?

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For the 2010 calendar year, per the BWC:

What is 104,151?

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What about \$1,886,386,292?

The Total Benefits Paid by the BWC for those claims

What is \$66,184,460?

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The Fraud Dollars Identified (note not all, just those identified).

How about something a little closer to home; 3,914?

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The number of active public employers in the state

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Statistics

Impact On Ohio Employers

- Employers lost more than 2.7 million production days due to injuries.
- Lost days on the job translated into \$220 million in lost productivity.
- Workplace injuries cost employers \$1.7 billion in direct workers' compensation costs

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Statistics

Base Rates

NCCI	Entity	2007	2008	2009	2010	2011*
9430	Counties	\$2.43	\$2.45	\$2.28	\$1.86	\$1.70
9431	Cities	\$4.56	\$4.71	\$4.51	\$3.60	\$3.33
9432	Villages	\$6.10	\$6.60	\$6.29	\$3.19	\$2.85
9433	Townships	\$6.02	\$5.97	\$5.32	\$3.02	\$2.56
9443	Special Taxing	\$4.15	\$4.06	\$4.21	\$3.45	\$2.68

* Rate per \$100 of Payroll

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Expected Losses

NCCI	Entity	2007	2008	2009	2010	2011
9430	Counties	\$0.84	\$0.79	\$0.74	\$0.56	\$0.52
9431	Cities	\$1.55	\$1.47	\$1.42	\$1.05	\$1.03
9432	Villages	\$1.27	\$1.28	\$1.18	\$0.84	\$0.84
9433	Townships	\$1.20	\$1.10	\$1.03	\$0.84	\$0.77
9443	Special Taxing	\$1.11	\$1.02	\$1.04	\$0.98	\$0.76

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Self-Insured Update

Altman Z-Score replaced by Moody's review for financials
Adding Credit Rating in their Review

There were minor Assessment adjustments between 2010 and 2011

- Most noticeable was the more than 50% reduction in Guaranty Fund

BWC process to crack-down at renewals

- If an employer previously had a bond, they may be asked by the BWC to obtain a Letter of Credit.
- Those with Letters may be asked to increase the level.

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BWC State-Fund Focus

The BWC will continue to make changes to the existing program while creating some new ones.

The BWC is also starting to look at the expenses as well as the revenue:

- Severity continual increase since 2007
- Return to Work decrease since 2007

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BWC State-Fund Changes

Coverage Status Change

As of 4/14/11, a one-time waiver of lapsed coverage & penalties when employer misses deadline for 1st time

Lapsed coverage of 60 days or more not eligible

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BWC State-Fund Changes

Salary Continuation

The new BWC changes, affects claims with a date of injury of January 1, 2011 and after. The employer will still have the option to pay salary continuation in lieu of temporary total, but because the BWC now divides a reserve into two categories, medical and indemnity, the stop logic will only shut off the indemnity reserve and continue with a medical reserve.

Any claim with a date of injury prior to January 1, 2011 will be grandfathered in and will continue to have the entire reserved suppressed under the old Salary Continuation Policy

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To pay or not to pay?

	Indemnity Paid	Medical Paid	Medical Reserve	Indemnity Reserve	Total Cost
Claim with Salary Continuation Paid DOI before 1/1/11	\$0	\$1,500	\$0	\$0	<u>\$1,500</u>
Claim with Salary Continuation Paid DOI after 1/1/11	\$0	\$1,500	\$5,000	\$0	<u>\$6,500</u>
Claim without Salary Continuation Paid after 1/1/11	\$3,000	\$1,500	\$5,000	\$7,500	<u>\$17,000</u>

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BWC State-Fund Changes

Drug-Free Safety Program

Previous premium rate discounts of 10%, 15% and 20%

Current premium rate discounts of 4% or 7%
With the option of 3%

3% discount stackable with Group Rating provided all Advance Level requirements are met

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BWC State-Fund Changes – Newer Programs

100% Employer Modification (EM) Cap Program

When leaving Group Rating, it prevents your experience modifier from more than doubling

Must apply and complete additional work: 10-Step and questionnaire

Last Year's Group Discount	65%	41%
Group EM was	.35	.59
Double EM	.35 x 2	.59 x 2
New Yr's Out-of-Group EM	.70	1.18
Individual Employer's...	30% Discount	18% Penalty

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BWC State-Fund Changes – Newer Programs

Deductible – Large and Small

Introduced in 2009

This is a risk / reward program

It may or may not be the best fit for you so review it with your TPA

Employer chooses a per-claim deductible

- \$500 to \$200,000 per claim, depending on employer's eligibility for selected amount
- Applies to all claims, medical-only and lost-time
- Claims cost are still charged to your future experience rating

Up-front premium rate discount

- 1.4% to 77%
- Aggregate limits available (but much lower savings)

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BWC State-Fund Changes – Newer Programs

Group Retrospective (aka Group Retro)

Introduced by the BWC in 2009.

Adaptation of the Group Retrospective plan in the State of Washington

Similar name creates issues:

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Similarity between Group Retro and Group Rating

It is a collection of homogeneous employers

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Similarities between Group Retro and Individual Retro

Both programs have a one-year period they review

BWC State-Fund Changes – Newer Programs

Group Retrospective (aka Group Retro) (Cont.)

This is a risk / reward program

It may or may not be the best fit for you so review it with your TPA

It is vital to check with underwriting about history and who is invited

The paid premiums of all group members are retrospectively adjusted 3 times, starting one year after the end of the one-year program

Members

Receive premium rebates if the group's claims cost turns out to be lower than expected

Pay assessments if the group generates excessive claims cost

Participation is "by invitation only"

Not everyone should be invited into the program

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BWC State-Fund Changes

BWC August Board Meeting

In the August 2011 BWC Board Meeting, the board did not vote on the Credibility or Break-Even Factor for the Private State-Fund 2012 year.

They are using the next month or two to review all options.

This includes modifications to all existing programs, potential removal of the Break-Even Factor, and other options for helping Ohio employers while still allows BWC reserves to remain stable.

The BWC has announced a moratorium until November on the above changes. This will not impact you immediately because as you know public employers are impacted six months behind what happens to the private employers

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New BWC Programs on the Horizon

“New” Split Plan

Incorporates severity and frequency of claims to impact your future premium rates

This development could greatly affect alternative program eligibility guidelines and premium savings

Split Plan has been in process for a couple of years, and may be indefinitely on ‘hold.’

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New BWC Programs on the Horizon

Grow Ohio Incentive Program (4123-17-69)

To encourage job creation in Ohio, the BWC will provide new employers (not transfers or those coming out of SI) the option of:

1. Receive a 25% discount on premiums, or
2. Elect to participate in a Group Rating program within 30 days of making the initial application for workers' compensation coverage.

To be an incentive for businesses to locate in Ohio by giving the Group Rating savings right off the bat, compared to waiting for the next deadline to enroll.

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New BWC Programs on the Horizon

Pharmacy Program Update

BWC establishes the first Outpatient Drug Formulary

- List of approved medications to enhance safety, control improper use and minimize costs

Why is this needed? In 2010*:

- 1.5 million prescriptions processed
- \$130 million annually spent by BWC on prescriptions
- 67,800 claims for prescription benefits

The BWC understands this is a major cost driver and is investigating potential adjustments to reduce abuses and costs

Formulary is estimated to save the BWC about \$15 million annually

- * by the 5/11/11 OSU Quarterly Meeting Pharmacy Program Update

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Employer Responsibility

Understanding we all wear a myriad of hats, does not excuse us from our responsibility

Too many employers have abdicated their responsibility

- The control remains with a pro-active employer and pro-active TPA

Employer involvement is a strong factor in minimizing overall claims cost

Having an internal policy will point you in the right direction to getting a handle on your Workers Compensation

- Creation
- Education
- Review

The small details are what is important

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Employer Responsibility

Parties Involved in State Fund Workers' Compensation

- Employer
- Inured Worker
- BWC – policy creator and over-seerer
- MCO – required neutral medical manager
- TPA – optional employer advocate for cost control

In most situations, who has an impact before, during and after the claim?

Employer and employee – what entails your training and procedures

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Employer Responsibility

From a cost standpoint, accident prevention will become more important than ever

Many of the new BWC programs entail employer responsibility and participation

- 10 Step Program
- Additional Training
- Additional Risk

Many employers have a safety program in place, but when was the last time it was reviewed and updated

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Employer Responsibility

Develop an Action List that Outlines:

- What are the Problems
- Brainstorm how to correct the Problems
- Who is responsible for correcting any Problems
- Make needed adjustments
- Educate and train everyone on updated procedures
- Continually investigate the Problems

It's all about identifying the causes of accidents to control or eliminate them

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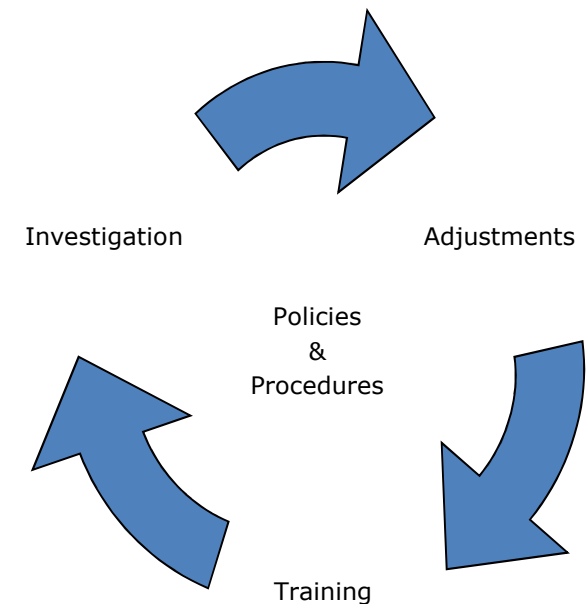
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Competitive WC Task Force

Workers' Compensation Law enacted in 1913 in Ohio
In 1917, private insurers banned from Ohio workers' compensation

Operating under the Ohio Senate's direction, the Competitive Workers' Compensation Task Force has been meeting since Feb. 2010

"The Competitive Workers' Compensation Task Force was formed by the Ohio Senate to review the feasibility of allowing Ohio employers the option of obtain private insurance to insure their obligations under the workers' compensation system in Ohio."

The Conclusion:

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The Conclusion:

"Ohio owes it to its employers and employees to continue to improve its workers' compensation system. The Task Force encourages continued consideration of the many points raised in this report."

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Any Questions?

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Thank you!

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