

Ohio BWC Changes “What You Need to Know”

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A Sedgwick CMS Company

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Agenda

- History of Ohio Workers Compensation Group Rating
- BWC Updates
 - Maximum Group Discount Declining
 - Lower Expected Loss Rate
 - Base Rate Changes
 - Break Even Factor
 - 100% EMR Cap
- BWC Program Changes
 - Status of Existing Programs
 - New Safety Requirements
 - New Programs

Ohio Workers' Compensation Group Rating

- In 1989, HB 222 passed which allowed employers within a similar industry and a better than average claim history, come together to be rated as a group.
- “Good driver discount” of workers’ comp arena.
- Eligibility determined by reviewing an employers claims experience.

The History of “Inequity”

- Employers with no claim losses could save up to 95% off of their premiums.
- BWC was not collecting enough money to cover the cost of claims.
- Base rates have steadily increased (the base rate is the currency amount, assigned to a particular type of job/risk).
- Inflated base rates created a monetary hardship for employers who do not qualify for group.
- Inflated base rates have made Ohio less competitive for new business.

What is the BWC's Solution?

Rate Reform:

- Intended to ensure that the right rate is being charged to the risk.
- Intended to address the inequity between group rated and non group rated employers.
- Intended to improve Ohio's marketability.

The following changes became effective on July 1, 2009.

Maximum Group Discount Lowered

- Historically maximum group discount has been 95%.
- In 2006, BWC started making incremental changes to decrease the maximum discount by lowering the credibility table (*factor used to calculate rates, which lowers the maximum group discount*).
 - 2006 = 93%
 - 2007 = 90%
 - 2008 = 85%
 - 2009 = 77%
- Maximum discount for 2010 = -65%

BWC Lowered Expected Loss Rates

- Expected loss rates project the monetary cost that an employer could incur in claims losses.
- **TEL** (Total Expected Losses) = Projected dollar amount of claim losses that the BWC expects an employer could incur within a four year period.
 - When an employer's actual claim losses are **less** than what the BWC expects they are generally eligible to participate in group rating.
- **TML** (Total Modified Losses) = Actual costs of claims incurred.
 - When an employer's actual claims losses are **more** than what is expected they do not qualify for group and may become penalty rated (paying above the base rate).

Impact at Individual Level

Decreased the amount of allowable claim costs individually.

Example Original TEL:

TEL = \$100,000 (expected claim losses in four year period)

TML = \$75,000 (actual claim costs incurred - employer is group eligible)

Example Lowered TEL:

TEL = \$65,000 (expected claim losses in four year period)

TML = \$75,000 (actual claim costs incurred - employer is not group eligible)

Some group invitations were rescinded as a result of lowered expected loss rates.

Impact to Low Tier Group

- Lowered the total losses that a group could absorb.
- Original estimated group discount of -30% dropped to -15%.

Example:

Base Rate \$10.00

-15% group discount after expected losses lowered (\$8.50)

-30% original estimated group discount (\$7.00)

BWC Lowered Base Rates

- Average base rate reduction of 25%

Break Even Factor (BEF) Applied

- To arrest the inequity that would continue if group rated employers received the full advantage of the base rate decrease. BWC applied a 31.1% break even factor (BEF) to group rated employers.
- The factor is intended to bring the 2009 base rates back to the 2008 rate causing group rated employers to somewhat breakeven.

BEF: Impact to Low Tier Group

- Break Even Factor would have put a low tier group at a penalty.

After Break Even Factor:

.16% above base rate after break even factor (\$11.60)

Base Rate \$10.00

-15% group discount after expected losses lowered (\$8.50)

-30% original estimated group discount (\$7.00)

Employers enrolled in a low tier were better off financially being removed from group.

2010 Group Rating

- Maximum discount is -65%
- Stratified break even factor
- After break even factor -65% becomes an effective rate of -51%
- All third party administrators must show the effective rate on group rating quotes

Experience Modifier (EM) 100% Cap

- BWC authorized a 100% EM Cap for employers who are no longer group eligible and are removed from group.

- **EM 100% Cap Example:**

		Payroll	Premium
Individual Rate	\$10.00 / 0.1000	\$500k	= \$50,000
2008 Group rate	\$2.40 / 0.0240	\$500k	= \$12,000
2009 Max Rate	\$4.80 / 0.0480	\$500k	= \$24,000

- BWC automatically enrolled employers who qualified for the 100% EM Cap and sent them an agreement to sign and return.
- Criteria for cap eligibility / Implement Ten Step Safety Plan
 - First Year: Steps 1, 2, 6 and two others
 - Second Year: Remaining Steps Completed

2009 Group Savings Summary

Prepared by COMPMANAGEMENT, INC.

Policy No.:
Employer:

GroupID: 02143
Assoc. Name:

Manual	Base Rate	Annual Payroll	Estimated Individual Rating* = -11 %		Estimated Group Discount* = -73 %	
			Total Ind. Rate ^{^++}	Total Ind. Premium	Total Grp Rate ⁺⁺	Total Grp Premium
8864	3.66	550,661	3.8539	21,222	1.2286	6,765.42
9110	0.00	0	0.0800	0	0.0800	0.00
Total Estimated Individual Premium			\$21,222		Total Estimated Group Premium: \$6,765	

Total Estimated Group Savings	\$14,457
Total Fee	

[^]The Individual Rate includes the 0.00% BWC Rate Offset.

*The 2009 premium amounts are for the payroll period from 7/01/2009 to 6/30/2010.

**Total Rate includes: BWC administrative costs of 15.65% of premium, a DWRF rate of 0.08, and a DWRF II rate of 0.001 of base rate.

Projections of individual and group rates are estimated using BWC loss information as of 12/31/2007 and the most recent historical payroll information provided by the BWC. Estimates of premium must be projected in advanced of the application deadline. Therefore the actual premium will vary from the estimates depending upon group enrollment level, BWC rates, experience calculations, and actual payroll relative to the July 2009 merit rated experience.

ALL PREMIUMS ARE STILL PAYABLE TO THE BUREAU OF WORKERS' COMPENSATION ON A SEMI-ANNUAL BASIS.

BWC Program Updates

- Premium Discount Program – Eliminated as of 7/1/09
- Employers enrolled in a group rating program can no longer stack Drug Free Workplace & Safety Council.
- New Safety Requirements for Employers' With a Claim in 2007/2008
 - Must attend two hours of safety training.
 - Online safety courses available through BWC and CompManagement at www.ohiobwc.com
 - [www.compmgt.com/risk services](http://www.compmgt.com/risk_services).
- New Programs
 - Deductible Program
 - Group Retrospective Rating

Deductible Program

- **Employers assume some level of risk in exchange for discount**
- **Deductible Levels**
 - \$500; \$1,000; \$2,500; \$5,000; \$10,000
- **Requirements**
 - Current on premium payments
 - Meet a required BWC credit report
 - Active coverage / No cumulative lapses > 40 days, in last 12 months
- **Must complete an application (U148 form)**
 - Filed between April 1 and May 31

How Does Deductible Program Work?

- BWC will pay the claim costs in full and bill the employer monthly up to the deductible limit.
- Reimbursement to BWC must occur within 28 days of invoice.
- Different than \$15k Medical Only Deductible
 - This new program has “upfront” discount, where \$15k doesn’t
 - Employer’s MCO medically manages claim
- Salary Continuation is not permitted with this program.
- No maximum liability

Group Retrospective Rating

- Allows employers to pool/share risk
- Safety is key to successful program
- Can use salary continuation
- Group Application is due to BWC by May 28, 2010
- Implementation is July 1, 2010

How Group Retro Works

- **For the July 1, 2010 year:**
 - Employers pay individual premiums to BWC
 - Total group premiums paid versus the total developed losses of the group, results in either a dividend or assessment
 - Snapshot taken over the course of three years (2012, 2013, 2014)
- **More strict underwriting criteria**
 - Historical claims costs
 - Safety program in place
 - Transitional work program in place
- **Accountability and commitment to safety**
- **Maximum premium risk (aggregate stop loss)**

Questions?

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THANK YOU!