

# State of Ohio

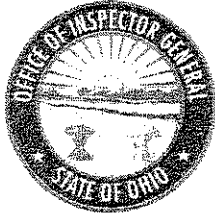
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## **INSPECTOR GENERAL'S TASK FORCE**

Thomas P. Charles, Inspector General

# REPORT OF INVESTIGATION

**AGENCY: Ohio Bureau of Workers' Compensation**  
**FILE ID NO.: 2006271 DATE OF REPORT: August 21, 2007**



State of Ohio  
**Office of the Inspector General**

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THOMAS P. CHARLES, Inspector General

## REPORT OF INVESTIGATION

**FILE ID NUMBER:** 2006271

**AGENCIES:** Ohio Bureau of Workers' Compensation

**BASIS FOR INVESTIGATION:** Inspector General Initiative

**ALLEGATIONS:** Mismanagement, Manipulation of BWC  
Premium Rates for Ohio Employers

**INITIATED:** November 2, 2006

**DATE OF REPORT:** August 21, 2007

## EXECUTIVE SUMMARY

File ID No. 2006271

In November 2006, a task force led by the Office of the Inspector General (“OIG”) opened an investigation involving the methodology used by the Bureau of Workers’ Compensation (“BWC”) to override calculated premium rates for contributing employers to the state’s insurance fund.

While employers in other states can shop and compare premium rates through private insurance companies, Ohio offers a group-rating system to assist employers in reducing their premiums. Because some employers do not qualify for discounts despite demonstrating good workplace safety practices, the BWC has permitted similarly situated employers to join group programs in which they share payroll and risk factors, allowing them to qualify for premium discounts of up to 95 percent. Employers who are unable to qualify for a group rate may request manual overrides of their rates.

Ohio is one of the few states that operate a public, or government-run, workers’ compensation program. BWC sets premium rates for Ohio employers utilizing an actuarial program that calculates an employer’s payroll and the risk factors associated with each job type.

Concerned about a lack of controls, former BWC Administrator William E. Mabe ordered an internal audit of the override process in the spring of 2006. The audit report revealed that many Ohio employers had received manual overrides to their calculated premium rates, thereby drastically reducing their annual premiums. Although manual overrides are common in the insurance business for legitimate reasons, what set these cases apart was both a lack of documentation to support the overrides and the fact that decisions about whether or not to grant the overrides were the choice of one man – John Romig, BWC’s former chief of employer services.

Busken said he knows former Governor Taft personally because their children attended school together, but he said he did not call the governor about the grant. Busken further stated that he couldn't recall ever contributing a comparable sum of money to one candidate, and he acknowledged that the timing of his contributions and the awarding of the grant could appear to be suspicious.

Nevertheless, we were unable to determine that any BWC official was aware of Busken's political contributions or his acquaintance with the former governor. Likewise, Romig said he was never told by anyone from BWC or the governor's office to award a safety grant to Busken. The decision was his and his alone.

Again, as Conrad's designee, Romig unilaterally made decisions regarding the awarding of safety grants, all with little oversight and minimal documentation. The result was a highly arbitrary decision making process that ignored even the supposed threshold requirement that Busken have an active claim. Consequently, we determined that the safety grant award process lacked both proper oversight and a verifiable set of criteria for decision making.

Accordingly, we find reasonable cause to believe an act of omission occurred in this instance.

#### **IV. CONCLUSION**

Given by law the discretion to arbitrarily grant Ohio employers huge insurance premium discounts or consign them to financial ruin, Romig, as the administrator's designee, wielded almost imperial power at BWC. He unilaterally granted "exception" premium overrides and awarded grants to fortunate or persuasive business owners, using authority given to him both by statute and by Conrad.

While keeping Ohio businesses afloat was, and remains, a laudable goal, BWC failed to establish proper criteria, policies and documentation in the awarding of exception overrides. We also question the propriety of Romig's decision to arbitrarily award a safety grant to an unqualified

recipient. However, we found no evidence that Romig or anyone else at BWC either accepted anything of value or acquiesced to any external pressure in exchange for making those decisions.

Finally, we believe that it is long past time for BWC to adopt the findings of its own actuarial consultant with regard to the huge premium discounts the Bureau has granted to employers in its group-rated programs. Although Mercer has been recommending since 1990 that group-rated discounts not exceed 60 to 65 percent, BWC continued to offer discounts of up to 95 percent. Not only have these discounts been unfairly subsidized by non-group-rated employers, but the staggering savings they have provided to group-rated employers have caused some of those employers to experience exponential rate increases when medical claims have resulted in an expulsion from their group program.

We have forwarded all information and documentation regarding the contacts Ohio legislators made on behalf of employers to the Joint Legislative Ethics Committee (JLEC). JLEC made a referral to the Franklin County Prosecutor's Office.

## **V. RECOMMENDATIONS**

Based on the results of this investigation, we make the following recommendations and request that BWC respond to the Task Force within sixty days with a plan of action as to how these recommendations will be implemented:

1. In order to ensure adequate internal controls and fairness to all Ohio employers, BWC should follow both the recommendations in the October 2006, Internal Audit Report and the agency policies established in response to that audit. In the event the audit and/or the policies do not set out specific criteria, considerations or guidelines for granting premium overrides, BWC should create and adopt such criteria and guidelines. Because the audit recommendations also suggested a time table for implementation, we request BWC provide a status report on the implementation of the audit recommendations.

2. BWC should follow the established minimum threshold criteria for awarding safety grants, and develop additional policies to ensure a more fair and equitable system rather than relying on an arbitrary process when awarding safety and other grants.
3. BWC should follow the recommendations of its actuarial consultant and the internal audit report in the establishment of premiums for group-rated employers, in order to address the inequities associated with the group-rating process.
4. BWC should ensure that it gives equal consideration to all override requests made by employers, legislators and others.