

LSC Greenbook

Analysis of the Enacted Budgets for the

Bureau of Workers' Compensation and Ohio Industrial Commission

**H.B. 123 & H.B. 124
of the 129th General Assembly**

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ATTACHMENT FOR EACH AGENCY:

Budget Spreadsheet By Line Item

Funding for the Workers' Compensation System

Bureau of Workers' Compensation

- Funding of \$289 million in each fiscal year

Workers' Compensation Council

- Abolished by H.B. 153, the main operating budget for the FY 2012-FY 2013 biennium

Ohio Industrial Commission

- Funding of \$59.5 million in FY 2012 and \$58.4 million in FY 2013

BUDGET OVERVIEW

This Greenbook provides an analysis of the enacted FY 2012-FY 2013 budgets for the Bureau of Workers' Compensation (BWC) contained in H.B. 123, and the Ohio Industrial Commission (OIC) contained in H.B. 124. These two budget acts provide funding necessary for the administration of the state's workers' compensation system by BWC, and the adjudication of claims by OIC. The BWC budget contains statutory changes affecting payment of certain medical benefits, the criteria used to determine whether public employers qualify for self-insurance, and BWC Board of Directors membership qualifications. H.B. 123 also contained funding for the Workers' Compensation Council (WCC), but H.B. 153, the main operating budget act for the FY 2012-FY 2013 biennium, subsequently abolished the Council and eliminated its funding. H.B. 124, the OIC budget act, contains no statutory changes and is strictly a funding measure.

Appropriations for FY 2012-FY 2013

Unlike the main operating budget, H.B. 123 and H.B. 124 contain no GRF appropriations. This is because the funding needed to administer the state's workers' compensation system, except for a small amount of federal funding within BWC's budget, is derived from assessments applied to workers' compensation premium billings. Funding for BWC is \$289 million in each fiscal year. Funding for OIC is \$59.5 million in FY 2012 and \$58.4 million in FY 2013. As mentioned above, H.B. 153, the main operating budget act for FY 2012-FY 2013, abolished WCC and eliminated its funding. More information concerning all three agencies can be found in the separate analysis for each of these agencies within the Greenbook. Table 1 on the following page compares FY 2011 spending to FY 2012-FY 2013 appropriations for these three agencies.

| Table 1. Workers' Compensation System Funding, FY 2012-FY 2013 | | | |
|---|-----------------------------|-------------------------------|-------------------------------|
| Agency | FY 2011 Expenditures | FY 2012 Appropriations | FY 2013 Appropriations |
| H.B. 123 | | | |
| Bureau of Workers' Compensation | \$264,516,772 | \$289,000,000 | \$289,000,000 |
| Workers' Compensation Council* | \$119,011 | \$0 | \$0 |
| H.B. 124 | | | |
| Industrial Commission | \$50,596,909 | \$59,500,000 | \$58,400,000 |
| Total | \$391,366,310 | \$348,500,000 | \$347,400,000 |

*FY 2011 amounts represent actual spending. Although H.B. 123 provided the Workers' Compensation Council with funding of \$471,200 in each fiscal year, the Council was subsequently abolished and its funding eliminated by H.B. 153, the main operating budget act for the FY 2012-FY 2013 biennium.

Bureau of Workers' Compensation

- Funding of \$289 million in each fiscal year
- Net assets of approximately \$5.88 million as of May 2011
- \$1.9 billion in medical and lost-time benefits paid in FY 2010

OVERVIEW

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States. An exclusive system is one in which the state, not private insurers, provides workers' compensation insurance to all public and private employers except those who qualify for self-insurance. Certain companies, provided that they have sufficient financial and administrative resources, qualify for self-insurance under BWC oversight. BWC covers approximately two-thirds of Ohio's workforce, including private, state, and local government employees. In FY 2010, approximately 225,000 employers maintained policies with the Bureau. Just over 1,200 employers qualified for self-insurance in that fiscal year. According to the Department of Administrative Services' monthly employee report, as of July, 2011, BWC had 2,043 employees.

FY 2012-FY 2013 Appropriations

H.B. 123 the BWC budget act, provides the agency with funding of \$289 million in each fiscal year of the FY 2012-FY 2013 biennium, 9.3% above FY 2011 spending of \$264.5 million. Except for \$1.7 million in federal funding that supports an on-site workplace safety consultation program for small employers, BWC operations are supported by assessments paid by employers. Insurance premiums paid by state fund employers are deposited into the State Insurance Fund and are not subject to appropriation by the General Assembly.

Operating Statistics

At the close of FY 2010, net assets among all BWC funds totaled \$3.8 billion, an improvement of 52.1% over FY 2009, largely attributable to gains in investments. Operating results as of May 2011 show that net assets have increased to approximately \$5.9 billion among all funds. Table 2 below shows claim and compensation statistics for FY 2008 through FY 2010, the most recent complete year data available. Over the FY 2008-FY 2010 period, the amount of benefits paid decreased by 8.6%, from \$2.1 billion to \$1.9 billion. Over this time period the number of new allowed claims declined from approximately 143,200 to approximately 104,150, a 27.3% decrease. The

total number of open claims also fell over this time, from 1.4 million to 1.2 million, a 13.7% decrease.

| | FY 2008 | FY 2009 | FY 2010 |
|-------------------------------------|------------------------|------------------------|------------------------|
| Benefits | | | |
| Medical | \$839,466,966 | \$833,508,906 | \$800,805,344 |
| Lost Time | \$1,224,398,106 | \$1,130,764,997 | \$1,085,580,948 |
| Total | \$2,063,865,072 | \$1,964,273,902 | \$1,886,386,292 |
| Number of New Allowed Claims | | | |
| Total | 143,199 | 118,855 | 104,151 |
| Number of Open Claims | | | |
| Total | 1,415,491 | 1,321,214 | 1,221,302 |

Statutory Changes

Rehabilitation Claims

The budget does not contain any provisions that would have a significant impact on administrative costs, but does contain several note worthy provisions. The most substantial change deals with the costs of injuries incurred while a claimant is in rehabilitation. Under current law, these claimants are considered to be employees of BWC and benefits are paid from the surplus account within the State Insurance Fund. Under the proposed change, BWC would not be considered the claimant's employer. However, the injuries would not be charged to the employer's experience and all claim costs would continue to be paid from the surplus account, so long as the claimant's employer pays assessments into the surplus account. Those employers that do not pay into the surplus account would be charged. This change in the way rehabilitation claims are handled appears to affect only claims against state employers.

Public Employer Eligibility for Self-Insurance

The bill also allows BWC to waive any of the continuing law requirements that certain public employers must satisfy to be granted status as a self-insuring employer. Before doing so, however, the Bureau must adopt rules dictating when specific requirements may be dropped. The administrator would be prohibited from waiving any of the self-insuring requirements if a public employer does not meet the criteria laid out in the rules. Depending on the number of public employers that would qualify for self-insurance under this new standard, there might be some loss in premium income to the State Insurance Fund.

Claims Payment and Billing

The bill also makes two changes related to billing and claims payment. First, the bill prescribes that, in those cases where a claimant has been authorized to seek treatment for an injury before a claim has been approved, providers will still be paid for that treatment by BWC, and the claim will not be charged to the employer's experience if the claim is denied. This could potentially increase benefits paid from the State Insurance Fund. Second, the bill reduces the time period for bills to be submitted for medical services or vocational rehabilitation from two years to one year from the date the service is provided. The Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services are exempt from this requirement.

Retirement Systems Disability Plans

Finally, the bill contains a provision related to retirement systems that would have no impact on BWC. The bill requires that a disability plan that is being paid by a public retirement system or an alternative retirement plan be terminated if the recipient became disabled in the commission of specified unethical behaviors while serving in a public position of honor, trust, or profit.

Issues of Interest

Deputy Inspector General for BWC and OIC

Investigations of fraud or mismanagement inside BWC were previously handled by the Internal Affairs Program. H.B. 100 effectively eliminated this program and replaced it with a program headed by the Deputy Inspector General for BWC and OIC, who is appointed by the Inspector General. The Deputy Inspector General investigates allegations concerning improper conduct by BWC and OIC officers and employees, as well as allegations of fraud committed by participants in the workers' compensation system. Table 3 on the following page provides some operating statistics related to the work of the Deputy Inspector General over the CY 2008-CY 2010 period.

| Action | CY 2008 | CY 2009 | CY 2010 |
|-------------------------|---------|---------|---------|
| Complaints Reviewed | 39 | 34 | 29 |
| Investigations Opened | 14 | 12 | 9 |
| Investigations Declined | 23 | 22 | 17 |
| Referral | 1 | 0 | 3 |
| Investigations Closed | 24 | 15 | 6 |

H.B. 123 requires the Director of Budget and Management to make two transfers of \$212,500 in each fiscal year (a total of \$850,000 over the biennium) from the Workers' Compensation Fund (Fund 7023) to the Deputy Inspector General for BWC and OIC

Fund (Fund 5FT0) to support the operations of the Deputy Inspector General. These funds are appropriated in the main operating budget under the Office of the Inspector General in line item 965609, Deputy Inspector General for BWC/OIC.

Office closings

BWC and OIC closed a shared office in Springfield, Ohio, in March 2009. Although the closure affected 29 BWC employees and four OIC employees, no employees were laid off. However, the consolidation allowed both agencies to leave several open positions unfilled. Total savings from the closing are estimated at slightly more than \$1 million annually.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the enacted appropriations for the 12 line items in BWC's budget. The analysis groups BWC's line items into four major categories corresponding to agency operations. For each category a table is provided listing the enacted appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation that were made in the budget. The four categories used in this analysis are as follows:

1. Claims, Risk, and Medical Management;
2. Administration;
3. Safety Programs; and
4. Special Benefits.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget act.

| Categorization of BWC's Appropriation Line Items for Analysis of Enacted Proposal | | | |
|--|---------------------|--------------------------------------|---|
| Fund | ALI and Name | | Category |
| Workers' Compensation Fund Group | | | |
| 7023 | 855401 | William Green Lease Payments to OBA | 2: Administration |
| 7023 | 855407 | Claims, Risk, and Medical Management | 1: Claims, Risk, and Medical Management |
| 7023 | 855408 | Fraud Prevention | 1: Claims, Risk, and Medical Management |
| 7023 | 855409 | Administrative Services | 2: Administration |
| 7023 | 855410 | Attorney General Payments | 2: Administration |
| 8220 | 855606 | Coal Workers' Fund | 4: Special Benefits |
| 8230 | 855608 | Marine Industry | 4: Special Benefits |
| 8250 | 855605 | Disabled Workers' Relief Fund | 4: Special Benefits |
| 8260 | 855609 | Safety and Hygiene Operating | 3: Safety and Hygiene Programs |
| 8260 | 855610 | Gear Program | 3: Safety and Hygiene Programs |
| 8290 | 855604 | Long Term Care Loan Program | 3: Safety and Hygiene Programs |
| Federal Special Revenue Fund Group | | | |
| 3490 | 855601 | OSHA Enforcement | 3: Safety and Hygiene Programs |

Category 1: Claims, Risk, and Medical Management

This grouping of line items funds BWC's claims management functions. These items also fund oversight and communications related to the Bureau's managed care system under which medical claims are handled. This category of spending also includes funding for BWC's claimant and medical provider fraud prevention and detection efforts. Together, these line items account for approximately 47% of the Bureau's funding for FY 2012-FY 2013.

| Appropriations for Claims, Risk, and Medical Management | | | | |
|--|--------------|--------------------------------------|----------------------|----------------------|
| Fund | ALI and Name | | FY 2012 | FY 2013 |
| Workers' Compensation Fund Group | | | | |
| 7023 | 855407 | Claims, Risk, and Medical Management | \$125,427,732 | \$124,192,959 |
| 7023 | 855408 | Fraud Prevention | \$11,331,154 | \$11,164,226 |
| Total Funding: Claims, Risk, and Medical Management | | | \$136,758,886 | \$135,357,185 |

Claims, Risk, and Medical Management (855407)

Appropriations for this line item are \$125.4 million for FY 2012, a 10.3% increase over FY 2011 expenditures of \$113.7 million, and \$124.2 million for FY 2013, a 1.0% decrease from the FY 2012 amount. Overall, the line item accounts for 43.3% of BWC's total funding. The various functions covered by the appropriation, as well as the budgeted funding levels for each, are listed in the table below.

| Function | FY 2012 | % of Total | FY 2013 | % of Total |
|----------------------------------|----------------------|---------------|----------------------|---------------|
| Field Operations | \$89,194,834 | 71.11 | \$88,052,280 | 70.90 |
| Injury Management Services | \$17,115,704 | 13.65 | \$17,314,038 | 13.94 |
| Employer Services | \$10,720,988 | 8.55 | \$10,550,945 | 8.50 |
| Customer Contact Center | \$4,010,350 | 3.20 | \$3,957,487 | 3.19 |
| Self-Insured Services | \$2,680,493 | 2.14 | \$2,636,191 | 2.12 |
| Safety Violations Investigations | \$792,280 | 0.63 | \$780,090 | 0.63 |
| Ombudsperson | \$597,399 | 0.48 | \$587,336 | 0.47 |
| Special Investigations | \$315,684 | 0.25 | \$314,592 | 0.25 |
| Total | \$125,427,732 | 100.00 | \$124,192,959 | 100.00 |

Field Operations

A little more than 70% of the appropriation in each fiscal year – \$89.2 million in FY 2012 and \$88.1 million in FY 2013 – is for field operations handled by the 15 service offices around the state. These offices handle injury and lost-time claims from the first report of injury to the resolution of the claim. During FY 2010, Field Operations managed 116,751 injured worker claims, with the average time for making a determination being nine days after a claim was filed. Additionally, this program handled over 60,000 claim-related calls, 1,991 web chats, and increased policy audits by 5.8%. Field Operations employs just over 1,000 individuals.

Injury Management Services

The amount slated for Injury Management Services accounts for approximately \$17.1 million (about 13.7%) of the appropriation in each fiscal year. Funding in this area is for the oversight of the Bureau's medical, pharmaceutical, and vocational rehabilitation providers, as well as the managed care organizations (MCOs) certified to manage injury claims. This includes oversight of contracts and the training of certain service providers. This program serves roughly 250,000 individuals annually. Medical benefits paid by BWC in FY 2010 totaled \$800.8 million. Injury Management Services employs approximately 120 individuals.

Employers Services and Self-Insured Services

For these two functions combined, \$13.4 million in FY 2012 and \$13.2 million in FY 2013 is for providing risk management services to employers and for overseeing employers who qualify for self-insurance. BWC encourages employers to lower their compensation costs by having workers participate in accident/illness prevention and various risk management programs. The Bureau also develops the courses, subsidizes the cost of providing the courses, and provides technical support for employers. This program also oversees the development and oversight of alternative rating programs, including the group rating program, which has undergone considerable review recently. These two programs employ a total of approximately 170 individuals.

Approximately one-third of Ohio's workforce is employed by a self-insured employer. According to BWC, as of February 2011, there were 1,166 private and 40 public (for a total of 1,206) self-insured employers in Ohio. BWC audits all self-insured employers to ensure that they are in compliance with Ohio compensation laws and BWC rules and investigates all complaints made against self-insured employers. BWC also takes over responsibility for managing defaulted claims of bankrupt self-insuring employers. Currently, self-insured employers pay an administrative assessment to BWC to defray the cost of providing oversight. A portion of this assessment is deposited into the Self-Insured Guaranty Fund. Approximately \$17.9 million was deposited into the Guaranty Fund, and \$27.7 million was paid out in FY 2010. Fines

levied against self-insured employers when they are in violation of a rule or a law are also deposited into the Guaranty Fund. BWC collected \$206,680 in fines from this source during FY 2010.

Customer Contact Center

Approximately \$4.0 million in FY 2012 and FY 2013 is slated for customer service and the Customer Contact Center. The Center provides information regarding BWC's processes, law, policies, and procedures, and directs customers to the corresponding forms. It also assists new employers in obtaining BWC coverage and helps employers that already have coverage with policy account information regarding invoices, payroll data, etc. The roughly 60 employees in this area handle an average of 780,000 queries annually.

Safety Violations and Ombudsperson

Funding in this line item also includes support for two other functions. First, it funds BWC's Safety Violations Program, which prepares reports concerning alleged safety violations that the Industrial Commission uses to determine Violations of Specific Safety Requirement (VSSRs) and actions required to correct any violations. This program conducts between 400 and 800 investigations annually, as well as 24 to 42 Instant Death Investigations. The appropriation also funds the BWC Ombudsperson's Office, which answers inquiries and investigates complaints made by employers, injured workers, and medical providers as they relate to processing workers' compensation claims. In calendar year 2010, the Office handled a total of 8,767 contacts with customers, of which 1,694 were complaints and 7,073 were general inquiries.

Fraud Prevention (855408)

The enacted appropriations for this line item are \$11.3 million for FY 2012, an 8.5% increase over FY 2011 expenditures of \$10.4 million for this purpose. The amount for FY 2013 is \$11.2 million, a 1.5% decrease when compared to the FY 2012 amount. This line item supports the Special Investigations Department, the mission of which is to detect, investigate, and deter fraud committed by employers, injured workers, or medical service providers. The Special Investigations staff works closely with local and state prosecutors, including the Ohio Attorney General. During FY 2010, 5,245 allegations were processed, with 2,851 of these cases being closed and 240 being referred to the Attorney General for prosecution. There is an increase on the growing amount of Internet and electronic fraud. As a result, Special Investigations has increased spending on data storage and electronic evidence. The line item also provides for security services at BWC's 15 offices throughout the state.

Category 2: Administration

Line items in this category fund administrative services that support the operations of BWC and the integrity of the State Insurance Fund and other funds that support injured workers. These appropriations chiefly cover six areas: finance, actuarial, investments, human resources, legal, and infrastructure and technology. These three line items make up about 43% of BWC's funding for the biennium.

| Appropriations for Administration | | | | |
|---|--------------|-------------------------------------|----------------------|----------------------|
| Fund | ALI and Name | | FY 2012 | FY 2013 |
| Workers' Compensation Fund Group | | | | |
| 7023 | 855409 | Administrative Services | \$101,724,950 | \$104,136,037 |
| 7023 | 855401 | William Green Lease Payments to OBA | \$18,291,365 | \$17,533,370 |
| 7023 | 855410 | Attorney General Payments | \$4,621,850 | \$4,621,850 |
| Total Funding: Administration | | | \$124,638,165 | \$126,291,257 |

Administrative Services (855409)

The appropriations for this line item are \$101.7 million in FY 2012, an 8.9% increase over FY 2011 expenditures of \$93.4 million, and \$104.1 million in FY 2013, a further 2.4% increase over the FY 2012 amount. Overall, this line item accounts for 35.2% of BWC's total budget. Administrative Services are broken down into six separate divisions: (1) Fiscal and Planning, (2) Actuarial, Investments, (3) Internal Audit, (4) Human Resources, (5) Legal, and (6) Infrastructure and Technology. The Fiscal and Planning Division provides fiscal management, general accounting, payroll, and other fiscal functions for BWC. The Actuarial Division maintains the stability of the State Insurance Fund by setting premium rates and claims reserves. The Investments Division is responsible for investing the assets of the State Insurance Fund. The Internal Audit Division conducts audits of BWC finances and processes. The Human Resources Division provides leadership and guidance to BWC management and staff in areas of Equal Employment Opportunity, Employee/Labor Relations, Payroll/Benefits and Personnel, and Quality Services. The Legal Division provides legal advice to BWC on claims procedures and policy and represents the State Insurance Fund in administrative appeals. The Infrastructure and Technology Division is responsible for all computer equipment and software maintenance.

William Green Lease Payments to OBA (855401)

The appropriations for this line item are \$18.3 million in FY 2012, a 3.7% decrease when compared to FY 2011 spending of almost \$19.0 million for this purpose, and \$17.5 million in FY 2013, a 4.1% reduction from the amount appropriated for FY 2012. This line item is used to make lease payments to the Ohio Building Authority (OBA) for the space occupied by BWC in the William Green Building. OBA, in turn, uses these funds to make debt service payments on the building and provide maintenance.

Attorney General Payments (855410)

The appropriations for this line item are \$4.6 million in both fiscal years, a 7.8% increase over FY 2011 expenditures of \$4.3 million. This line item funds half of the cost related to the legal services of the Attorney General's Workers' Compensation Section. The remaining half is paid by the Industrial Commission. The Workers' Compensation Section provides legal counsel to BWC and OIC. Most cases are appeals of workers' compensation claims filed in county common pleas courts. In addition to these services provided by the Attorney General, temporary law requires that up to \$828,200 be used to pay the expenses of the Workers' Compensation Fraud Unit of the Attorney General's Office. In contrast to other costs split with OIC, the Bureau pays all costs associated with the Fraud unit.

Category 3: Safety and Hygiene

The line items within this area provide funding that allows BWC to ensure that employers meet applicable safety standards and laws. The funding is also used to provide safety training to employers.

| Appropriations for Safety and Hygiene | | | | |
|--|---------------------|------------------------------|---------------------|---------------------|
| Fund | ALI and Name | | FY 2012 | FY 2013 |
| Workers' Compensation Fund Group | | | | |
| 8260 | 855609 | Safety and Hygiene Operating | \$20,382,567 | \$20,161,132 |
| 8260 | 855610 | Gear Program | \$4,000,000 | \$4,000,000 |
| 8290 | 855604 | Long Term Care Loan Program | \$1,000,000 | \$1,000,000 |
| Workers' Compensation Fund Group Subtotal | | | \$25,382,567 | \$25,161,132 |
| Federal Special Revenue | | | | |
| 3490 | 855601 | OSHA Enforcement | \$1,670,998 | \$1,647,515 |
| Federal Special Revenue Fund Group Subtotal | | | \$1,670,998 | \$1,647,515 |
| Total Funding: Safety and Hygiene | | | \$27,053,565 | \$26,808,647 |

Safety and Hygiene Operating and OSHA Enforcement (855609 and 855601)

These two line items account for approximately 81.5% of the funding within the Safety and Hygiene category. Appropriations for the Safety and Hygiene line item (855609) are \$20.4 million for FY 2012, a 12.8% increase compared to FY 2011 spending of \$18.1 million in this area. Appropriations for FY 2013 are \$20.2 million, a 1.1% decrease from the FY 2012 amount. Appropriations for line item 855601, OSHA Enforcement, are \$1.7 million for FY 2012, a 13.9% increase when compared to FY 2011 spending of \$1.5 million, and \$1.6 million for FY 2013, a 1.4% reduction when compared to FY 2012 appropriations.

Both line items fund the operations of the Division of Safety and Hygiene, which is responsible for creating safe work environments through the investigation and prevention of industrial accidents and disease. The Division's responsibilities include: (1) making targeted visits to employers with high frequency of accidents to educate them in risk and safety management, (2) providing safety and health consultative services to Ohio's public employers, (3) administering the SafetyGRANT\$ Program (see line item 855610 below) which assists employers with the cost of implementing programs designed to reduce cumulative stress disorder and other injuries (see line item 855610 below), and (4) supporting local safety councils, which offer educational resources for safety and health in the workplace.

In FY 2010, the Safety and Hygiene Division conducted 800 workplace inspections, provided roughly 340 safety training classes, six online courses, and

93 on-site training classes. Specialized instruction and training was provided to construction companies, nursing homes, public employers, and temporary agencies, which have been shown to have higher than average incidents of injury.

The Division also operates OSHA's On-Site Consultation Program. The primary focus of this program is small, high-hazard, private-sector employers. The program operates under a Cooperative Agreement that is established yearly between the state of Ohio and the U.S. Department of Labor. During FY 2010, OSHA conducted approximately 700 initial, follow-up, and training visits to Ohio employers. Ninety per cent of the program's operating costs are paid for through a grant made by the federal government. The state match for this program is approximately \$173,000 each year. This amount is paid from line item 855609, Safety and Hygiene Operating.

Gear Program (855610)

Appropriations for this line item are \$4.0 million in both FY 2012 and FY 2013, an 8.8% over FY 2011 spending of \$3.7 million. The appropriation item supports a grant program, actually called the SafetyGRANT\$ Program, available to any private or public State Insurance Fund employer to purchase equipment that substantially reduces or eliminates injuries and illnesses associated with a particular task or operation. Within this program, private and public employers can apply for a two-to-one matching grant, up to a maximum BWC contribution of \$40,000, to acquire this equipment. The line item also supports two drug-free workplace programs, both of which provide funds for employee and supervisor training on drug abuse prevention.

As can be seen in the table below, the number of grant recipients fell from 1,641 in FY 2009 to 699 in FY 2010, and the sums awarded dropped from \$3.9 million in FY 2009 to \$2.8 million in FY 2010. These reductions are largely related to new limits that were imposed on the drug-free grants in FY 2010. Prior to FY 2010, the drug-free programs provided matching grants, with BWC paying two-thirds of employee training costs. At the beginning in FY 2010, grant amounts were limited to \$150 per hour of training, with caps per awardee of four hours for Drug Free Workplace grants and three hours for Drug Free EZ grants.

| Grant Type | FY 2009 | | FY 2010 | |
|---------------------------|------------------------|-----------------------|------------------------|-----------------------|
| | Number Approved | Amount Awarded | Number Approved | Amount Awarded |
| Safety Intervention Grant | 94 | \$2,528,095 | 110 | \$2,495,145 |
| Drug Free Work Place | 977 | \$1,121,638 | 370 | \$255,506 |
| Drug Free EZ | 570 | \$281,476 | 219 | \$78,924 |
| Total | 1,641 | \$3,931,210 | 699 | \$2,829,575 |

In April 2011, the Bureau of Workers' Compensation (BWC) announced an expansion of the SafetyGRANT\$ Program for employers in the wholesale and retail delivery business. Under this initiative, BWC will allow employers that deliver large retail items, such as appliances or furniture, to use SafetyGRANT\$ funds to purchase stair-climbing hand trucks or gate lifts, devices which were previously ineligible for funding. To qualify, employers will be required to participate in a two-year study sponsored by BWC and the National Institute for Occupational Safety and Health (NIOSH). The purpose of the study is to evaluate the effectiveness of lifting and hauling equipment in reducing musculoskeletal and slip/trip injuries. BWC estimates that approximately 80 employers will participate in the expanded program and NIOSH study.

Long Term Care Loan Program (855604)

The appropriations for this line item are \$1.0 million in both FY 2012 and FY 2013, substantially greater than FY 2011 spending of \$8,022. The Long Term Care Loan Program reimburses long-term care facilities, such as nursing homes or hospitals, for interest paid on loans used to purchase no-manual lift devices. Because manually lifting patients is a common source of injury claims, these devices could potentially reduce lift-related injuries at facilities. Under the program, BWC reimburses interest on loans of up to \$100,000. The reimbursable interest rate on loans is capped at prime plus 2.5%. The program began in FY 2007. Despite this financial incentive, demand for the program has been slack. There were five participants in the program in FY 2010, for instance. In that fiscal year, BWC paid approximately \$10,765 in interest on \$212,616 in loans. The costs to administer the program was \$2,893.

Category 4: Special Benefits

Appropriations in this category are used to provide special benefits to employers with additional workers' compensation coverage required by federal law. A percentage of expenditures related to the administration of these benefits have previously been picked up by other line items within BWC's budget. H.B. 123 increases the special benefit appropriations in order to return these costs to the appropriate line items. This explains the sizable increases in appropriations for these line items when compared to FY 2011 spending for these purposes.

| Appropriations for Special Benefits | | | | |
|---|--------------|------------------------------|------------------|------------------|
| Fund | ALI and Name | | FY 2012 | FY 2013 |
| Workers' Compensation Fund Group | | | | |
| 8220 | 855606 | Coal Workers' Fund | \$150,586 | \$147,666 |
| 8230 | 855608 | Marine Industry | \$76,532 | \$75,527 |
| 8250 | 855605 | Disabled Workers Relief Fund | \$322,266 | \$319,718 |
| Total Funding: Special Benefits | | | \$549,384 | \$542,911 |

Coal Workers' Fund (855606)

Appropriations for this line item are approximately \$150,000 for FY 2012 and FY 2013. FY 2011 spending of \$83,981 in this area. This line item is used to pay operating costs associated with the Coal Workers' Pneumoconiosis Fund (Fund 8220), which provides benefits for workers who are disabled due to pneumoconiosis or "black lung" disease, as dictated by the Federal Coal Mine Health and Safety Act of 1969. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, that is paid by coal operators who elect to insure payment of benefits required by the federal act. Total revenues to the fund for FY 2010 were \$80,165; disbursements from the fund were \$78,841.

Marine Industry (855608)

Appropriations for this line item are \$76,532 for FY 2012, a 43.8% increase over FY 2011 expenditures of \$53,214, and \$75,527 for FY 2013, a 1.3% decrease compared to the FY 2012 amount. This line item is used to pay operating costs associated with the Marine Industry Fund (Fund 8230), which provides benefits to injured dock workers and other maritime employees that are not seamen, as required by the Longshoreman's and Harbor Workers' Compensation Act Amendments of 1972. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, that is paid by marine industry employers who elect to insure payment of benefits required by this Act. The fund serves approximately 222 Ohio employers. During FY 2010, total revenues to the fund were \$45,135; disbursements from the fund were \$45,912.

Disabled Workers Relief Fund (855605)

Appropriations for this line item are \$322,266 for FY 2012, a 22.8% increase over FY 2011 spending of \$262,346, and \$319,718 for FY 2013, less than 1% under the proposed FY 2012 appropriation. This line item pays operating costs associated with the Disabled Workers Relief Fund (DWRF), which provides supplemental cost-of-living benefits to approximately 19,000 permanently and totally disabled persons receiving benefits. The fund is maintained by an additional premium charge of \$0.10 per \$100 of payroll and 0.1% of State Insurance Fund employer premiums.

WORKERS' COMPENSATION COUNCIL

Although H.B. 123 provided WCC with annual funding of \$471,200, the Council was abolished by later enactment of H.B. 153, the state's main operating budget for the FY 2012-FY 2013 biennium. The WCC was an agency in the legislative branch of state government overseen by a panel of 13 members: three appointed by the President of the Senate; three appointed by the Speaker of the House of Representatives; five members representing different constituencies in the workers' compensation system; and, as *ex officio* appointees, the Chair of the Industrial Commission, and the Administrator of Workers' Compensation. Created by H.B. 100 of the 127th General Assembly, the mission of the Council was to review the soundness of the workers' compensation system and legislation involving or affecting the workers' compensation system. The Council was not involved in the daily operations and oversight of the Bureau of Workers' Compensation or the Industrial Commission. During CY 2010, WCC released five finalized reports, analyzed an additional five bills under consideration by the General Assembly, and compiled a database of 600 documents related to workers' compensation.

Ohio Industrial Commission

- Funding of \$59.5 million in FY 2012 and \$58.4 million in FY 2013
- 23.5% reduction in staff over past six years
- Handles roughly 160,000 claim appeals annually

OVERVIEW

This section of the Greenbook discusses funding authorized by the General Assembly for the Ohio Industrial Commission under H.B. 124, the FY 2012-FY 2013 budget act for the agency. The Ohio Industrial Commission (OIC) hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation (BWC). Disputed claims typically involve conflicts over the extent of medical services provided or lost-time (otherwise known as indemnity) benefits. OIC operations are funded through an administrative assessment that is added to employers' workers' compensation premiums. OIC receives no GRF funding. The Commission is lead by a panel of three commissioners, all of whom are appointed by the Governor. Each commissioner must have at least six years of experience in workers' compensation and at least one member must be licensed to practice law in Ohio. One member represents employees, one represents employers, and one represents the public. Each commissioner serves a six-year term. As of July 2011, OIC has a staff of 424 employees.

Appropriation Overview

H.B. 124 appropriates the Commission \$59.5 million in operating funding for FY 2012, a 17.6% increase when compared to FY 2011 spending of \$50.6 million. Funding for FY 2013 is \$58.4 million, a 1.9% decrease when compared to the amount appropriated for FY 2012. All OIC appropriations for FY 2012 and FY 2013 are funded by the Industrial Commission Operating Fund (Fund 5W30). As mentioned above, Fund 5W30 consists of revenues derived from administrative cost assessments collected by BWC and transferred to OIC.

ANALYSIS OF ENACTED BUDGET

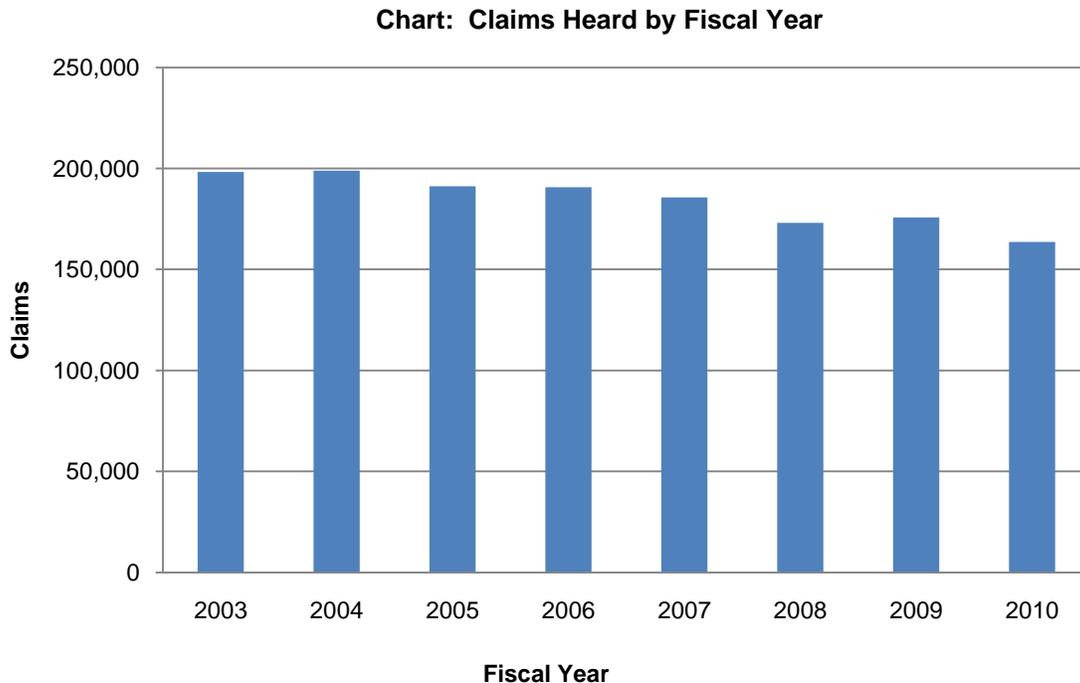
The OIC budget consists of three line items, all of which are supported by administrative assessments paid by Ohio employers (including self-insured employers) that are applied to their workers' compensation premium payments. Assessments are collected by BWC and transferred upon receipt to Fund 5W30.

| Appropriations for the Ohio Industrial Commission | | | | |
|--|---------------------|-------------------------------|---------------------|---------------------|
| Fund | ALI and Name | | FY 2012 | FY 2013 |
| Workers' Compensation Fund Group | | | | |
| 5W30 | 845321 | Operating Expenses | \$50,100,000 | \$48,900,000 |
| 5W30 | 845402 | Rent – William Green Building | \$5,500,000 | \$5,500,000 |
| 5W30 | 845410 | Attorney General Payments | \$3,900,000 | \$4,000,000 |
| Total Funding: Ohio Industrial Commission | | | \$59,500,000 | \$58,400,000 |

Operating Expenses (845321)

Funding for this line item is \$50.1 million for FY 2012, a 18.9% increase over FY 2011 spending of \$42.1 million. The appropriation for FY 2013 is \$48.9 million, a 2.4% decrease when compared to the appropriation for FY 2012. This appropriation supports the Commission's role in adjudicating claims in cases where employers or employees dispute a BWC claim determination. Disputed claims typically involve the extent of medical services provided or lost-time benefits. An overview of the three-layered hearing process is provided below.

Disputed claims can go through three levels of hearings. Injured workers or employers make an initial appeal to district hearing officers (DHOs). Second-level appeals are conducted by staff hearing officers (SHOs). Hearings at these levels are conducted at the 12 OIC offices located throughout the state. Third-level appeals are conducted in Columbus by OIC's three-member panel of commissioners. Adjudication of third-level appeals is discretionary, based on criteria set forth in an OIC resolution. Typically, the panel hears unresolved cases that involve an issue of policy or special circumstances that the Commission members believe warrant further consideration. Further appeals are made in the court system. The chart on the following page shows the number of hearings conducted by OIC from FY 2003 to FY 2010. During this period, the number of annual claims decreased by 17.5%, from 198,315 in FY 2003 to 163,574 in FY 2010.



Section 4123.511 of the Revised Code requires OIC to adjudicate all first- and second-level appeals, with certain exceptions, within 45 days of the filing of an appeal, and issue an order within seven days of holding a hearing. Of those appeals where these requirements applied in CY 2009, approximately 94.0% were processed within the required time limits. The average time to process a claim and issue an order was roughly 31 days. Injured workers that disagree with orders issued by OIC are able to present their claims in a court of law. However, many of these cases are resolved out of court. In these situations, a claimant typically initiates court proceedings and then settles before a judge can issue an official opinion. Of those cases in which a judge does issue an official opinion, approximately 74% of OIC determinations were upheld in CY 2010.

Rent – William Green Building (845402)

The FY 2012-FY 2013 appropriations for this line item are \$5.5 million in each fiscal year, a 10.3% increase over FY 2011 expenditures of \$5.0 million for this purpose. This line item is used to pay rent and miscellaneous maintenance costs for the Commission's offices located in the William Green Building. These payments are remitted to BWC, which in turn makes payments to OBA to pay the principal and interest on bonds issued to finance the construction of the William Green Building. During FY 2010 and FY 2011, OIC was able to reduce its space needs in the William Green Building, accounting for the reduction in this appropriation for the FY 2012-FY 2013 biennium. Bonds associated with the building are expected to be retired in FY 2014.

Attorney General Payments (845410)

Funding for this line item is \$3.9 million in FY 2012, an approximate 12.1% increase over FY 2011 expenditures of \$3.5 million. The FY 2013 appropriation is \$4.0 million, a 2.6% increase over FY 2012 funding. This line item provides OIC's portion of the costs related to the legal services of the Attorney General's Workers' Compensation Section. The remaining portion of the costs are paid by BWC. The Attorney General provides investigative and other legal services related to fraud cases.

BWC.docx / th

FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

| Line Item Detail by Agency | | | FY 2010 | FY 2011 | Appropriations FY 2012 | FY 2011 to FY 2012 % Change | Appropriations FY 2013 | FY 2012 to FY 2013 % Change |
|---|--------|-------------------------------------|-------------------------|-----------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
| Report For BWC Budget | | | Version: Enacted | | | | | |
| BWC Bureau of Workers' Compensation | | | | | | | | |
| 7023 | 855401 | William Green Lease Payments to OBA | \$ 19,795,610 | \$ 18,984,377 | \$ 18,291,365 | -3.65% | \$ 17,533,370 | -4.14% |
| 7023 | 855407 | Claims, Risk and Medical Management | \$ 119,120,254 | \$ 113,745,582 | \$ 125,427,732 | 10.27% | \$ 124,192,959 | -0.98% |
| 7023 | 855408 | Fraud Prevention | \$ 10,229,628 | \$ 10,444,741 | \$ 11,331,154 | 8.49% | \$ 11,164,226 | -1.47% |
| 7023 | 855409 | Administrative Services | \$ 91,652,258 | \$ 93,443,333 | \$ 101,724,950 | 8.86% | \$ 104,136,037 | 2.37% |
| 7023 | 855410 | Attorney General Payments | \$ 4,201,572 | \$ 4,285,942 | \$ 4,621,850 | 7.84% | \$ 4,621,850 | 0.00% |
| 8220 | 855606 | Coal Workers' Fund | \$ 78,842 | \$ 83,981 | \$ 150,586 | 79.31% | \$ 147,666 | -1.94% |
| 8230 | 855608 | Marine Industry | \$ 48,301 | \$ 53,214 | \$ 76,532 | 43.82% | \$ 75,527 | -1.31% |
| 8250 | 855605 | Disabled Workers Relief Fund | \$ 275,292 | \$ 262,346 | \$ 322,266 | 22.84% | \$ 319,718 | -0.79% |
| 8260 | 855609 | Safety and Hygiene Operating | \$ 18,098,331 | \$ 18,062,503 | \$ 20,382,567 | 12.84% | \$ 20,161,132 | -1.09% |
| 8260 | 855610 | Gear Program | \$ 2,795,718 | \$ 3,675,057 | \$ 4,000,000 | 8.84% | \$ 4,000,000 | 0.00% |
| 8290 | 855604 | Long Term Care Loan Program | \$ 13,568 | \$ 8,022 | \$ 1,000,000 | 12,365.25% | \$ 1,000,000 | 0.00% |
| Workers' Compensation Fund Group Total | | | \$ 266,309,373 | \$ 263,049,099 | \$ 287,329,002 | 9.23% | \$ 287,352,485 | 0.01% |
| 3490 | 855601 | OSHA Enforcement | \$ 1,532,048 | \$ 1,467,673 | \$ 1,670,998 | 13.85% | \$ 1,647,515 | -1.41% |
| Federal Special Revenue Fund Group Total | | | \$ 1,532,048 | \$ 1,467,673 | \$ 1,670,998 | 13.85% | \$ 1,647,515 | -1.41% |
| Bureau of Workers' Compensation Total | | | \$ 267,841,421 | \$ 264,516,772 | \$ 289,000,000 | 9.26% | \$ 289,000,000 | 0.00% |
| WCC Workers' Compensation Council | | | | | | | | |
| 5FV0 | 321600 | Remuneration Expenses | \$ 285,608 | \$ 119,011 | \$ 0 | -100.00% | \$ 0 | N/A |
| General Services Fund Group Total | | | \$ 285,608 | \$ 119,011 | \$ 0 | -100.00% | \$ 0 | N/A |
| Workers' Compensation Council Total | | | \$ 285,608 | \$ 119,011 | \$ 0 | -100.00% | \$ 0 | N/A |

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

| Line Item Detail by Agency | | | FY 2010 | FY 2011 | Introduced FY 2012 | FY 2011 to FY 2012 % Change | Introduced FY 2013 | FY 2012 to FY 2013 % Change |
|---|--------|-----------------------------|-------------------------------|----------------------|-----------------------|--------------------------------|-----------------------|--------------------------------|
| Report For OIC Budget | | | Version: As Introduced | | | | | |
| OIC Ohio Industrial Commission | | | | | | | | |
| 5W30 | 845321 | Operating Expenses | \$ 42,452,571 | \$ 52,838,924 | \$ 50,100,000 | -5.18% | \$ 48,900,000 | -2.40% |
| 5W30 | 845402 | Rent-William Green Building | \$ 5,182,311 | \$ 6,011,960 | \$ 5,500,000 | -8.52% | \$ 5,500,000 | 0.00% |
| 5W30 | 845410 | Attorney General Payments | \$ 3,372,802 | \$ 3,793,650 | \$ 3,900,000 | 2.80% | \$ 4,000,000 | 2.56% |
| 8210 | 845605 | Program Support | \$ 13,523 | \$ 0 | \$ 0 | N/A | \$ 0 | N/A |
| Workers' Compensation Fund Group Total | | | \$ 51,021,208 | \$ 62,644,534 | \$ 59,500,000 | -5.02% | \$ 58,400,000 | -1.85% |
| Ohio Industrial Commission Total | | | \$ 51,021,208 | \$ 62,644,534 | \$ 59,500,000 | -5.02% | \$ 58,400,000 | -1.85% |