

# **LSC Greenbook**

## **Analysis of the Enacted Budgets**

H.B. 33 & H.B. 34 of the 130th General Assembly

## **Bureau of Workers' Compensation Ohio Industrial Commission**

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**TABLE OF CONTENTS**

**WORKERS' COMPENSATION SYSTEM BUDGETS..... 1**  
    **Overview ..... 1**  
        Workers' Compensation System Appropriations for FY 2014-FY 2015 ..... 1  
**BUREAU OF WORKERS' COMPENSATION ..... 2**  
    **Overview ..... 2**  
        FY 2014-FY 2015 Appropriations..... 2  
        Issues of Interest..... 3  
            Claims Statistics..... 3  
            Destination: Excellence..... 3  
            Retirement of Debt on the William Green Building..... 4  
            Group Rating Premium Litigation..... 4  
            Information Technology Core Systems Replacement..... 4  
            Vocational Rehabilitation..... 5  
            Funding for the Deputy Inspector General for BWC and OIC..... 5  
            Workers' Compensation Fund Balance ..... 5  
    **Analysis of Enacted Budget ..... 6**  
        Introduction..... 6  
        Category 1: Claims Management ..... 7  
            Claims, Risk, and Medical Management (855407)..... 7  
            Fraud Prevention (855408) ..... 9  
        Category 2: Administration..... 10  
            Administrative Services (855409)..... 10  
            William Green Lease Payments (855401)..... 11  
            Attorney General Payments (855410)..... 11  
        Category 3: Safety and Hygiene Programs ..... 12  
            Safety and Hygiene Operating and OSHA Enforcement (855609 and 855601)..... 12  
            Gear Program and Bureau of Labor Statistics SOII Grant (855610 and 855614) ..... 13  
            Long-Term Care Loan Program (855604) ..... 13  
        Category 4: Special Benefits ..... 15  
            Coal Workers' Fund (855606)..... 15  
            Marine Industry (855608)..... 15  
            Disabled Workers Relief Fund (855605)..... 15  
**OHIO INDUSTRIAL COMMISSION ..... 16**  
    **Overview ..... 16**  
        FY 2014-FY 2015 Appropriations..... 16

**Analysis of Enacted Budget** ..... 17

    Claims Adjudication..... 17

        Operating Expenses (845321)..... 17

        Rent – William Green Building (845402)..... 18

        Attorney General Payments (845410)..... 19

**ATTACHMENT FOR EACH AGENCY:**

Budget Spreadsheet By Line Item

# Workers' Compensation System Budgets

## Bureau of Workers' Compensation (H.B. 34)

- Appropriations of \$283.6 million in FY 2014 and \$267.1 million in FY 2015

## Ohio Industrial Commission (H.B. 33)

- Appropriations of \$55.6 million in FY 2014 and \$54.4 million in FY 2015

## OVERVIEW

This Greenbook provides a detailed analysis of the FY 2014-FY 2015 budgets for the Bureau of Workers' Compensation (BWC) contained in H.B. 34 and the Ohio Industrial Commission (OIC) contained in H.B. 33. These acts provide the funding necessary for the administration, oversight, and adjudication of claims within Ohio's workers' compensation system for the FY 2014-FY 2015 biennium. For both of the agencies discussed in this Greenbook, the analysis includes an overview of agency operations and detail concerning funding for each appropriation item. In addition, the Greenbook includes the LSC budget spreadsheet reflecting the FY 2014-FY 2015 appropriations in both budget bills.

## Workers' Compensation System Appropriations for FY 2014-FY 2015

As the table below shows, total appropriations for the state's workers' compensation system are \$339.3 million in FY 2014, or 0.6% lower than estimated spending of \$341.3 million in FY 2013. The amount appropriated for FY 2015 is \$321.5 million, approximately 5.2% less than the FY 2014 amount. The bulk of this funding is for BWC operations. Specifically, the appropriations for BWC amount to just over 83.0% of the total amount budgeted in each fiscal year. The amount budgeted for claims adjudications functions handled by OIC amount to slightly less than 17.0% of total workers' compensation system funding in each fiscal year.

FY 2014-FY 2015 Budgets for BWC and OIC			
Agency	FY 2013*	FY 2014	FY 2015
<b>H.B. 34</b>			
Bureau of Workers' Compensation	\$286,760,404	\$283,610,000	\$267,083,900
<b>H.B. 33</b>			
Industrial Commission	\$54,494,459	\$55,642,436	\$54,428,168
<b>TOTAL</b>	<b>\$341,254,863</b>	<b>\$339,252,436</b>	<b>\$321,512,068</b>

\* The amounts listed for FY 2013 represent estimated expenditures.

# Bureau of Workers' Compensation

- Appropriations of \$283.6 million in FY 2014 and \$267.1 million in FY 2015
- Net assets of approximately \$7.8 billion among all workers' compensation system funds at the close of FY 2012
- \$1.8 billion in medical and lost-time benefits paid in FY 2012

## 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. However, certain companies, provided that they have sufficient financial and administrative resources, qualify for self-insurance under BWC oversight. BWC-issued policies cover approximately two-thirds of Ohio's workforce, including private, state, and local government employees. In FY 2012, approximately 253,000 employers maintained policies with the Bureau, while just fewer than 1,200 employers qualified for self-insurance.

An 11-member Board of Directors is responsible for the governance of BWC. The members of the Board are appointed by the Governor and represent entities that have an interest in workers' compensation in Ohio, such as employers, employees, labor unions, and so forth. There are five Board subcommittees devoted to oversight of BWC's actuarial, audit, governance, investment, and medical services and safety policies. According to the Department of Administrative Services' monthly employee report, as of April 2013, BWC had 1,897 employees, of which 1,833 were full-time permanent staff.

## FY 2014-FY 2015 Appropriations

H.B. 34 provides BWC with funding of \$283.6 million in FY 2014 and \$267.1 million in FY 2015. Except for approximately \$1.8 million in federal funding in each fiscal year, BWC operations are entirely supported by assessments paid by employers in conjunction with their workers' compensation premium payments. These assessments are deposited into the Workers' Compensation Fund (Fund 7023). A separate assessment is collected for BWC's Safety and Hygiene Division and is deposited into the Safety and Hygiene Fund (Fund 8260) for workplace safety programming. Employers in the coal and marine industries pay amounts that are deposited into specific funds to cover benefits to injured workers as prescribed by federal law. Note that insurance premiums paid by state fund employers for workers'

compensation coverage are deposited into the State Insurance Fund and are not subject to appropriation by the General Assembly. Total appropriations for BWC contained in H.B. 34 are summarized by fund group in Table 1 below.

Fund Group	FY 2013*	FY 2014	% Change, FY 2013-FY 2014	FY 2015	% Change, FY 2014-FY 2015
Workers' Compensation	\$284,912,485	\$281,762,081	-1.1%	\$265,235,981	-5.9%
Federal Special Revenue	\$1,847,919	\$1,847,919	0.0%	\$1,847,919	0.0%
<b>TOTAL</b>	<b>\$286,760,404</b>	<b>\$283,610,000</b>	<b>-1.1%</b>	<b>\$267,083,900</b>	<b>-5.8%</b>

\* FY 2013 figures represent estimated expenditures.

## Issues of Interest

### Claims Statistics

Table 2 below shows medical and lost time claims and compensation statistics for FY 2012 and the two prior fiscal years. Over these three fiscal years, the amount of benefits paid decreased by 3.1%, from approximately \$1.9 billion in FY 2010 to just over \$1.8 billion in FY 2012. The number of new claims allowed also declined slightly, from 104,151 in FY 2010 to 101,165 in FY 2012, a 2.9% decline over the three-year span. Overall, the total number of open claims (including medical and lost time) fell from just over 1.2 million to just under 1.1 million, a 12.4% drop.

	FY 2010	FY 2011	FY 2012
Benefits Paid			
Medical	\$800,805,344	\$778,853,015	\$748,851,329
Lost Time	\$1,085,580,948	\$1,832,624,010	\$1,827,550,255
<b>TOTAL</b>	<b>\$1,886,386,292</b>	<b>\$1,832,624,010</b>	<b>\$1,827,550,255</b>
Number of New Allowed Claims			
<b>TOTAL</b>	<b>104,151</b>	<b>104,835</b>	<b>101,165</b>
Number of Open Claims			
<b>TOTAL</b>	<b>1,221,302</b>	<b>1,129,873</b>	<b>1,070,056</b>

### Destination: Excellence

During the FY 2012-FY 2013 biennium, BWC introduced the Destination: Excellence Program, a cafeteria style ratings discount program that allows employers to receive premium discounts based on their participation in program components of their choosing. For example, employers that choose to participate in and implement an approved transitional work plan can receive a 10% discount on workers' compensation premiums. Employers that implement the drug-free safety program can receive

discounts between 4% and 7% on their premiums. Other components of Destination: Excellence include lapse-free discounts under which employers receive a discount for maintaining workers' compensation coverage for 60 consecutive months, and "Go-Green" discounts whereby employers receive premium discounts for filing required information and making premium payments electronically. Employers can also earn premium discounts under the program by participating in local safety councils, partnering with medical providers and BWC to implement a vocational rehabilitation program for seriously injured workers, and through industry-specific safety programs that require employers to complete a safety self assessment and certain loss prevention activities. In FY 2012, nearly 5,000 employers participated in at least one of the Destination: Excellence components.

### **Retirement of Debt on the William Green Building**

In FY 2014, BWC is scheduled to make the last lease rental payments on the William Green Building that houses BWC headquarters and several other state agency tenants, including the Ohio School Facilities Commission and the Department of Youth Services. At that time, the debt will be retired and the building will become an asset of the Workers' Compensation Fund (Fund 7023). H.B. 34 provides \$16.0 million for the final lease rental payments in FY 2014.

### **Group Rating Premium Litigation**

In December 2012, the Cuyahoga County Common Pleas Court ruled in a class action suit that state fund employers that were not part of a group rating plan between 2001 and 2009 are entitled to a partial refund of premiums. In the Court's opinion, discounted premiums paid by group rated employers had been subsidized by nongroup rated employers whose premiums had been overcharged by BWC. Under the ruling, eligible nongroup rated employers in certain hazard classifications are entitled to the refund. In March 2013, the Court accepted the plaintiffs' request for refunds totaling \$859.0 million. Approximately 264,000 employers are members of the plaintiff class. BWC is appealing the decision.

### **Information Technology Core Systems Replacement**

BWC expects to complete a four-year information technology replacement and upgrade project known as the Core Systems Replacement Project in the fall of 2013. The project, which began in 2009, involves the replacement of aging and obsolete IT systems used for claims, billing, and policy functions with a commercial off-the-shelf solution that meets industry standards. The project allows BWC to align its IT strategy with the state's IT strategy of focusing on enterprise application development, reduction of infrastructure complexity, increased asset utilization, and shared services. The project's budget totals approximately \$52.0 million.

### **Vocational Rehabilitation**

H.B. 34 requires BWC to provide not more than \$605,407 from the State Insurance Fund in each year of the FY 2014-FY 2015 biennium to partially fund a cooperative agreement between BWC and the Rehabilitation Services Commission (RSC) for vocational rehabilitation services to mutually eligible clients. BWC's investment allows RSC to leverage state dollars under a federal matching grant. In FY 2012, BWC's share under this cooperative agreement was \$605,407. Combined with RSC's share of \$2.2 million, \$2.8 million was spent on vocational rehabilitation services under this program in FY 2012. Beginning in FY 2014, BWC and RSC will contract with a vendor to coordinate services for mutually eligible clients in order to enhance services to injured workers who are accepted into services offered by RSC.

### **Funding for the Deputy Inspector General for BWC and OIC**

The BWC budget also contains funding for the Deputy Inspector General for BWC and OIC, an office that was created under H.B. 100 of the 127th General Assembly to conduct investigations regarding officers and employees of BWC and OIC. Specifically, the budget requires the Director of Budget and Management to transfer a total of \$425,000 in each fiscal year (in two installments of \$212,500 each) from the Workers' Compensation Fund (Fund 7023) to the Deputy Inspector General for the Bureau of Workers' Compensation and Industrial Commission Fund (Fund 5FT0) under the Inspector General's budget.

### **Workers' Compensation Fund Balance**

Finally, H.B. 34 contains a provision requiring that any unencumbered cash balance in excess of \$45.0 million in the Workers' Compensation Fund (Fund 7023) at the close of each fiscal year be used to reduce the administrative cost rate charged to employers for BWC operations.



## ANALYSIS OF ENACTED BUDGET

### Introduction

This section provides an analysis of the appropriations for the 13 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 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 bill.

Categorization of BWC's Appropriation Items			
Fund	ALI and Name		Category
<b>Workers' Compensation Fund Group</b>			
7023	855401	William Green Lease Payments	2: Administration
7023	855407	Claims, Risk, and Medical Management	1: Claims Management
7023	855408	Fraud Prevention	1: Claims 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
<b>Federal Special Revenue Fund Group</b>			
3490	855601	OSHA Enforcement	3: Safety and Hygiene Programs
3FW0	855614	BLS SOII Grant	3: Safety and Hygiene Programs

## Category 1: Claims 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. In addition, this category of spending includes funding for BWC's claimant and medical provider fraud prevention and detection efforts.

Appropriations for Claims Management				
Fund		ALI and Name	FY 2014	FY 2015
<b>Workers' Compensation Fund Group</b>				
7023	855407	Claims, Risk, and Medical Management	\$118,338,586	\$118,338,586
7023	855408	Fraud Prevention	\$12,114,226	\$12,114,226
<b>Total Funding: Claims Management</b>			<b>\$130,452,812</b>	<b>\$130,452,812</b>

### Claims, Risk, and Medical Management (855407)

The appropriation for this line item is \$118.3 million in both FY 2014 and FY 2015, a 3.4% decrease from FY 2013 estimated spending of \$122.5 million among all the areas covered by this appropriation. The various functions funded by the appropriation, as well as the budgeted amounts for each, are listed in the table below.

Function	FY 2014	% of Total	FY 2015	% of Total
Field Operations	\$77,758,659	65.7%	\$78,937,416	66.7%
Injury Management Services	\$18,590,300	15.7%	\$16,154,777	13.7%
Employer Services	\$12,855,759	10.9%	\$13,451,161	11.4%
Customer Contact Center	\$4,257,434	3.6%	\$4,802,033	4.1%
Self-Insured Services	\$2,924,405	2.5%	\$2,987,453	2.5%
Safety Violations Investigations	\$876,331	0.8%	\$885,288	0.8%
Ombudsperson	\$721,770	0.6%	\$737,496	0.6%
Special Investigations	\$353,928	0.3%	\$382,962	0.3%
<b>TOTAL</b>	<b>\$118,338,586</b>	<b>100.0%</b>	<b>\$118,338,586</b>	<b>100.0%</b>

Note: Percentages may not total 100 due to rounding.

**Field Operations**

Approximately two-thirds of the appropriation under this line item in each fiscal year (\$77.8 million in FY 2014 and \$78.9 million in FY 2015) is for field operations. Field Operations is responsible for providing claims services to injured workers and employers. In addition to providing initial determinations of claims, Field Operations handles additional allowances in medical only claims and processes requests for claims to receive hearings by the Ohio Industrial Commission. During FY 2012, Field Operations managed and determined more than 112,000 injured worker claims. Field Operations employs nearly 850 individuals.

**Injury Management Services**

Approximately \$18.6 million in FY 2014 and \$16.2 million in FY 2015 is provided for Injury Management Services under appropriation item 855407, Claims, Risk, and Medical Management. Injury Management Services is responsible for overseeing the Bureau's medical, pharmaceutical, and vocational rehabilitation providers, including the 17 managed care organizations (MCOs) currently certified to manage injury claims. The program serves roughly 250,000 individuals annually. Medical benefits paid by BWC in FY 2012 totaled \$748.9 million. Injury Management Services employs approximately 120 individuals.

**Employer Services**

The amount allocated for Employer Services are approximately \$12.9 million in FY 2014 and \$13.5 million in FY 2015. This area is responsible for developing and implementing workers' compensation insurance products and providing underwriting and technical support for employers. During the FY 2012-FY 2013 biennium, Employer Services introduced Destination: Excellence, a discount rating plan that allows employers to choose among several programs intended to promote workplace wellness, return to work strategies, and accident prevention. Employer Services also oversees the BWC group rating program. In FY 2012, there were just fewer than 255,000 active employers in Ohio, including private, public, and self-insured entities. Employer Services has approximately 125 employees.

**Self-Insured Services**

The budget for Self-Insured Services is approximately \$2.9 million in each fiscal year of the FY 2014-FY 2015 biennium. Self-Insured Services is responsible for auditing self-insuring employers for compliance with the Workers' Compensation Law and BWC administrative rules. Additionally, this section processes assessment invoices for self-insured employers and assumes responsibility for the administrative process of claims in cases of default or bankruptcy of self-insured employers. Just fewer than 1,200 employers self-insured against workers' compensation liability in FY 2012. About 40 BWC employees are assigned to this area.

### **Customer Contact Center**

Funding for the Customer Contact Center is approximately \$4.3 million in FY 2014 and \$4.8 million in FY 2015. The Center provides information regarding BWC's processes, law, policies, and procedures to employers, injured workers, health care providers, and MCOs. It also assists new employers in obtaining BWC coverage and helps employers that already have coverage with policy account information regarding invoices, payroll data, and so forth. In FY 2012, the Customer Contact Center fielded approximately 858,000 customer inquiries. The Customer Contact Center has nearly 55 employees.

### **Safety Violations and Ombudsperson**

Two other functions are supported by appropriation item 855407, Claims, Risk, and Medical Management. The first of these is BWC's Safety Violations Program, which prepares reports concerning alleged safety violations that the Industrial Commission uses to determine Violations of Specific Safety Requirements (VSSRs) and actions required to correct any violations. In FY 2012, the program conducted 326 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 2011, the Ombudsperson's Office handled a total of 15,378 contacts with customers, of which 1,572 were complaints and 13,806 were general inquiries.

### **Fraud Prevention (855408)**

The appropriation for this line item is \$12.1 million for both FY 2014 and FY 2015, the same amount estimated to be spent on these activities in FY 2013. This line item supports the Special Investigations Department, which is responsible for detecting, investigating, and deterring 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. The line item also provides for security services at BWC's 15 offices throughout the state.

Specifically, there are three regional claimant fraud investigative units working out of service offices across the state. There are also separate health care provider and employer fraud units, as well as a unit that investigates safety violations. Finally, the intelligence and digital forensics units operate from BWC's central office in Columbus. According to information provided in BWC's Annual Report for FY 2012, drug cases, working while improperly receiving benefits, and complaints against employers continue to be the three most investigated types of complaints. In FY 2012, 4,198 allegations were processed, with 2,046 of these cases being closed. Ultimately, 251 cases were referred to the Attorney General for prosecution, with 152 resulting indictments.

## Category 2: Administration

Line items in this category fund administrative services that oversee 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. This category also includes appropriations for lease rental payments and payments to cover the operating expenses of the Workers' Compensation Section within the Attorney General's Office.

Appropriations for Administration				
Fund	ALI and Name		FY 2014	FY 2015
<b>Workers' Compensation Fund Group</b>				
7023	855409	Administrative Services	\$105,857,276	\$105,357,276
7023	855401	William Green Lease Payments	\$16,026,100	\$0
7023	855410	Attorney General Payments	\$4,621,850	\$4,621,850
<b>Total Funding: Administration</b>			<b>\$126,505,226</b>	<b>\$109,979,126</b>

### Administrative Services (855409)

The appropriation for this line item is \$105.9 million in FY 2014, a 2.4% increase over estimated FY 2013 spending of \$103.3 million in this area. The budgeted amount for FY 2015 is \$105.4 million. Overall, this line item accounts for approximately one-third of BWC's total budget in each fiscal year.

General administrative duties within the Bureau are broken down into seven separate divisions: Fiscal and Planning, Actuarial, Investments, Human Resources, Legal, Infrastructure and Technology, and Internal Audit. The Fiscal and Planning Division provides fiscal management, general accounting, payroll, and other fiscal functions for BWC. It is also responsible for receipt and distribution of agency funds including benefits payable to injured workers. The Actuarial Division maintains the stability of the State Insurance Fund by setting premium rates and claims reserves and assists Employer Services in the creation of ratings plans. The Investments Division is responsible for investing the assets of the State Insurance Fund according to investment policy established by BWC's Board of Directors. The Human Resources Division provides leadership and guidance to BWC management and staff in areas of equal employment opportunity, employee and labor relations, payroll and benefits, 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. Internal Audit evaluates the effectiveness of BWC's internal controls, validates agency compliance with policies, applicable laws, and regulations,

and evaluates business processes to ensure that risks are mitigated and agency objectives can be met.

#### **William Green Lease Payments (855401)**

The budgeted amount for this appropriation item is \$16.0 million in FY 2014, 8.6% less than estimated FY 2013 spending of \$17.5 million for this purpose. This appropriation is used to make lease payments to the Treasurer of State for the space occupied by BWC in the William Green Building. The Treasurer of State, in turn, uses these funds to make debt service payments on the building. Debt on the William Green Building is scheduled to be retired in FY 2014. Once this occurs, ownership of the building will transfer to the Workers' Compensation Fund (Fund 7023). This explains why there is no appropriation for this line item in FY 2015.

#### **Attorney General Payments (855410)**

The appropriation for this line item is \$4.6 million in both fiscal years, no change over FY 2013 estimated spending. 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 Ohio 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, temporary law included within the budget requires that up to \$828,200 be used specifically to pay the expenses of the Workers' Compensation Fraud Unit of the Attorney General's Office. In contrast to other costs that are split with OIC, the Bureau pays all costs associated with the Fraud Unit.

### Category 3: Safety and Hygiene Programs

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. These programs are overseen by the Division of Safety and Hygiene. The bulk of operating revenue for the Division of Safety and Hygiene, which oversees the various programs within this category of appropriations, comes from an assessment charged to employers that is calculated as a percentage of paid premiums. Those amounts are 1.0% of paid premiums for private employers and .75% of paid premiums for public employers. The Division also operates with a small portion of federal funding.

<b>Appropriations for Safety and Hygiene Programs</b>				
<b>Fund</b>	<b>ALI and Name</b>		<b>FY 2014</b>	<b>FY 2015</b>
<b>Workers' Compensation Fund Group</b>				
8260	855609	Safety and Hygiene Operating	\$19,161,132	\$19,161,132
8260	855610	Gear Program	\$5,000,000	\$5,000,000
8290	855604	Long Term Care Loan Program	\$100,000	\$100,000
<b>Workers' Compensation Fund Group Subtotal</b>			<b>\$24,261,132</b>	<b>\$24,261,132</b>
<b>Federal Special Revenue</b>				
3490	855601	OSHA Enforcement	\$1,731,000	\$1,731,000
3FW0	855614	BLS SOII Grant	\$116,919	\$116,919
<b>Federal Special Revenue Fund Group Subtotal</b>			<b>\$1,847,919</b>	<b>\$1,847,919</b>
<b>Total Funding: Safety and Hygiene Programs</b>			<b>\$26,109,051</b>	<b>\$26,109,051</b>

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

Both of these appropriation items fund the operations of the Division of Safety and Hygiene. The amount appropriated for item 855609, Safety and Hygiene Operating, is \$19.2 million in each year of the FY 2014-FY 2015 biennium, a decrease of approximately 5.0% when compared to estimated FY 2013 spending of nearly \$20.2 million. A portion of the Division of Safety and Hygiene's budget is funded by the federal government under an agreement with the Occupational Safety and Health Administration. The budgeted amount for line item 855601, OSHA Enforcement, is \$1.7 million in each fiscal year, identical to estimated FY 2013 spending for this purpose.

The Division is responsible for ensuring that employers offer safe work environments through the investigation of industrial accidents and occupational disease and through programs designed to prevent these problems. 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 Safety

Grants Program (see line item 855610, Gear Program, below) that assists employers with the cost of implementing programs designed to reduce cumulative stress disorder and other injuries, and (4) supporting local safety councils, which offer educational resources for safety and health in the workplace. During FY 2012, the Safety and Hygiene Division conducted 900 workplace inspections, provided roughly 330 safety training classes to 7,375 classroom students and 8,762 students online.

In regard to public employers, the Public Employment Risk Reduction Program (PERRP) ensures that public employers in Ohio are operating safe workplaces pursuant to state and federal law. Requirements include reporting hospitalizations and deaths from serious workplace injuries to BWC. PERRP also has the authority to investigate complaints about unsafe work conditions and issue citations when needed. In addition to this enforcement element, the Safety and Hygiene Division also offers public employers consultation and training designed to reduce workplace hazards and eliminate unsafe conditions.

The Division also operates OSHA's On-Site Consultation Program. The primary focus of this program is small, high-hazard, private-sector employers. The types of services offered to qualifying employers include safety and health surveys, air and noise monitoring, and safety and health consultations. These services are provided by BWC safety and health consultants and industrial hygienists at no charge to the employer. The program operates under a cooperative agreement that is established yearly between the state of Ohio and the U.S. Department of Labor. Ninety per cent of the program's operating costs are paid for through a federal grant. The state match for this program is approximately \$190,000 each year. This amount is paid from line item 855609, Safety and Hygiene Operating.

#### **Gear Program and Bureau of Labor Statistics SOII Grant (855610 and 855614)**

Combined, the budgeted amount for these line items is \$5.1 million in both FY 2014 and FY 2015. These appropriation items support the Safety Grants Program, which includes BWC's Safety Intervention Grant Program, the Drug-Free Safety Program Grant, and the Workplace Wellness Grant Program. The Safety Grants Program offers private and public State Insurance Fund employers funding for training, wellness programs, and equipment intended to reduce workplace injuries and illnesses. A portion of the funding for the program, \$116,919 in each fiscal year, is provided through a federal Bureau of Labor Statistics Survey on Occupational Injury and Illness (SOII) Grant.

#### **Long-Term Care Loan Program (855604)**

The budgeted amount for this line item is \$100,000 in both FY 2014 and FY 2015. 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%.

## 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.

Appropriations for Special Benefits				
Fund	ALI and Name		FY 2014	FY 2015
<b>Workers' Compensation Fund Group</b>				
8220	855606	Coal Workers' Fund	\$147,666	\$147,666
8230	855608	Marine Industry	\$75,527	\$75,527
8250	855605	Disabled Workers Relief Fund	\$319,718	\$319,718
<b>Total Funding: Special Benefits</b>			<b>\$542,911</b>	<b>\$542,911</b>

### Coal Workers' Fund (855606)

The amount budgeted for this line item is \$147,666 in both fiscal years of the FY 2014-FY 2015 biennium. 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 2012 were \$170,039; disbursements from the fund were \$135,267.

### Marine Industry (855608)

The budgeted amount for appropriation item 855608, Marine Industry, is \$75,527 for both FY 2014 and FY 2015. 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. During FY 2012, total revenues to the fund were \$45,017; disbursements from the fund were \$42,479.

### Disabled Workers Relief Fund (855605)

The budget provides funding of \$319,788 in both FY 2014 and FY 2015 for operating costs associated with the Disabled Workers Relief Fund (Fund 8250). The fund provides supplemental cost-of-living benefits to permanently and totally disabled workers. During FY 2012, total revenues to the fund were \$87,061; disbursements from the fund were \$153,721.

# Ohio Industrial Commission

- H.B. 33 provides funding of \$55.6 million in FY 2014 and \$54.4 million in FY 2015
- 4.5% reduction in staff since FY 2011
- OIC handles roughly 150,000 claim appeals annually

## OVERVIEW

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. 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 April 2013, OIC employed a staff of 398, including 384 full-time permanent employees.

## FY 2014-FY 2015 Appropriations

H.B. 33 appropriates \$55.6 million for OIC operations in FY 2014, a 2.1% increase over estimated FY 2013 spending of \$54.5 million. Funding for FY 2015 is \$54.4 million, a 2.2% decrease compared to the amount budgeted for FY 2014. All OIC appropriations 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 transmitted to OIC.

## ANALYSIS OF ENACTED BUDGET

### Claims Adjudication

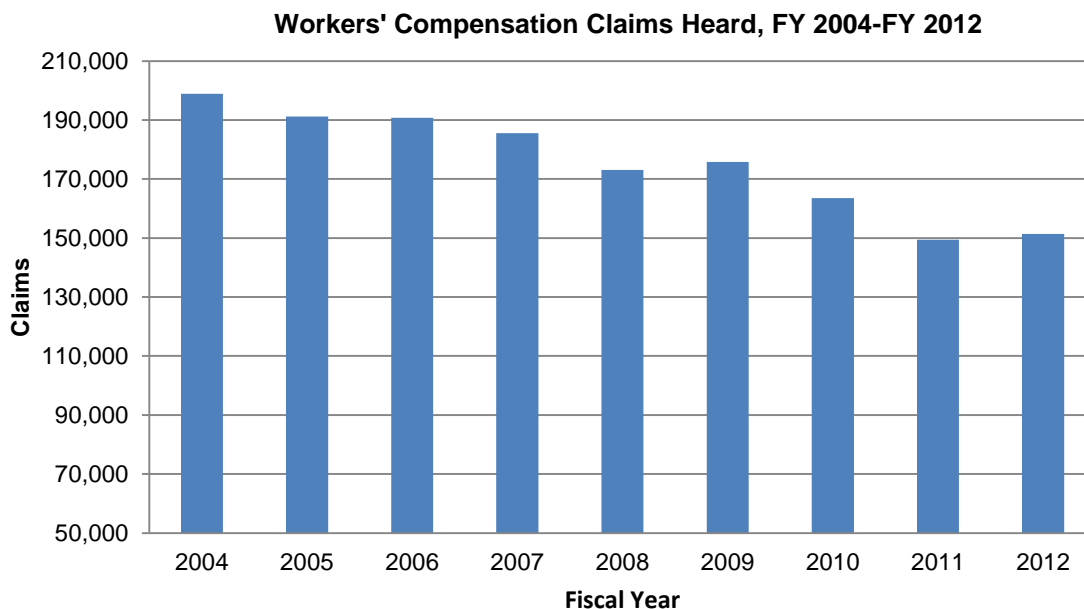
The OIC budget consists of three line items, all of which are supported by administrative assessments paid by Ohio employers that are applied alongside workers' compensation premium payments. Assessments are collected by BWC and transferred upon receipt to the Industrial Commission Operating Fund (Fund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

Appropriations for Claims Adjudication				
Fund	ALI and Name		FY 2014	FY 2015
<b>Workers' Compensation Fund Group</b>				
5W30	845321	Operating Expenses	\$47,148,786	\$48,634,518
5W30	845402	Rent – William Green Building	\$4,700,000	\$2,000,000
5W30	845410	Attorney General Payments	\$3,793,650	\$3,793,650
<b>Total Funding: Claims Adjudication</b>			<b>\$55,642,436</b>	<b>\$54,428,168</b>

#### Operating Expenses (845321)

H.B. 33 appropriates \$47.1 million for agency operations in FY 2014 under appropriation item 845321, Operating Expenses. This is a 2.1% increase over estimated FY 2013 spending of \$46.2 million for these purposes. The appropriation for FY 2015 is \$48.6 million, a 3.2% increase over the amount appropriated for FY 2014. Overall, this appropriation accounts for 87.0% of OIC's total funding. The entirety of this appropriation supports the claims adjudication function within the state's workers' compensation system. Disputed claims typically involve the extent of medical services provided or lost-time benefits. Further detail concerning the steps in the claims adjudication 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 below shows the number of hearings conducted by OIC from FY 2004 to FY 2011. During this period, the number of annual claims has decreased by nearly 25.0%, from approximately 200,000 in FY 2004 to slightly more than 150,000 in FY 2012.



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 2011, approximately 88.0% were processed within the required time limits. The average time to process a claim and issue an order was roughly 38 days. As mentioned previously, 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 three-quarters of OIC determinations were upheld in CY 2011.

#### **Rent – William Green Building (845402)**

This appropriation item is used to pay rent and miscellaneous maintenance costs for the Commission's offices located in the William Green Building. The appropriation for this line item is \$4.7 million in FY 2014, an increase of 2.9% over estimated FY 2013 spending of \$4.5 million for this purpose. In FY 2015, the appropriation is \$2.0 million, or 57.4% less than the amount budgeted for FY 2014. This is because OIC's current rental rates include OIC's share of debt service payments for bonds that financed the building. Debt on the building is scheduled to be retired in FY 2014. As of March 2013, the new rental rate paid by OIC is \$9.42 per square foot.

**Attorney General Payments (845410)**

Funding for this line item is \$3.8 million in both FY 2014 and FY 2015, equivalent to the amount estimated to be spent for this purpose in FY 2013. 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 workers' compensation cases.

BWC & OIC.docx/dp

# FY 2014 - FY 2015 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

Line Item Detail by Agency			Estimate	Appropriation	FY 2013 to FY 2014	Appropriation	FY 2014 to FY 2015	
			FY 2012	FY 2013	FY 2014	% Change	FY 2015	% Change
<b>Report For BWC Budget</b>			<b>Version: Enacted</b>					
<b>BWC Bureau of Workers' Compensation</b>								
7023	855401	William Green Lease Payments	\$ 18,262,614	\$ 17,533,370	\$ 16,026,100	-8.60%	\$ 0	-100.00%
7023	855407	Claims, Risk and Medical Management	\$ 115,514,086	\$ 122,492,959	\$ 118,338,586	-3.39%	\$ 118,338,586	0.00%
7023	855408	Fraud Prevention	\$ 10,353,085	\$ 12,114,226	\$ 12,114,226	0.00%	\$ 12,114,226	0.00%
7023	855409	Administrative Services	\$ 88,638,343	\$ 103,346,037	\$ 105,857,276	2.43%	\$ 105,357,276	-0.47%
7023	855410	Attorney General Payments	\$ 4,338,826	\$ 4,621,850	\$ 4,621,850	0.00%	\$ 4,621,850	0.00%
8220	855606	Coal Workers' Fund	\$ 135,268	\$ 147,666	\$ 147,666	0.00%	\$ 147,666	0.00%
8230	855608	Marine Industry	\$ 42,480	\$ 75,527	\$ 75,527	0.00%	\$ 75,527	0.00%
8250	855605	Disabled Workers Relief Fund	\$ 153,722	\$ 319,718	\$ 319,718	0.00%	\$ 319,718	0.00%
8260	855609	Safety and Hygiene Operating	\$ 17,735,237	\$ 20,161,132	\$ 19,161,132	-4.96%	\$ 19,161,132	0.00%
8260	855610	Gear Program	\$ 3,343,584	\$ 4,000,000	\$ 5,000,000	25.00%	\$ 5,000,000	0.00%
8290	855604	Long Term Care Loan Program	\$ 3,725	\$ 100,000	\$ 100,000	0.00%	\$ 100,000	0.00%
<b>Workers' Compensation Fund Group Total</b>			<b>\$ 258,520,968</b>	<b>\$ 284,912,485</b>	<b>\$ 281,762,081</b>	<b>-1.11%</b>	<b>\$ 265,235,981</b>	<b>-5.87%</b>
3490	855601	OSHA Enforcement	\$ 1,566,360	\$ 1,731,000	\$ 1,731,000	0.00%	\$ 1,731,000	0.00%
3FW0	855614	BLS SOII Grant	\$ 0	\$ 116,919	\$ 116,919	0.00%	\$ 116,919	0.00%
<b>Federal Special Revenue Fund Group Total</b>			<b>\$ 1,566,360</b>	<b>\$ 1,847,919</b>	<b>\$ 1,847,919</b>	<b>0.00%</b>	<b>\$ 1,847,919</b>	<b>0.00%</b>
<b>Bureau of Workers' Compensation Total</b>			<b>\$ 260,087,328</b>	<b>\$ 286,760,404</b>	<b>\$ 283,610,000</b>	<b>-1.10%</b>	<b>\$ 267,083,900</b>	<b>-5.83%</b>

# FY 2014 - FY 2015 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			Estimate	Appropriation	FY 2013 to FY 2014	Appropriation	FY 2014 to FY 2015	
			FY 2012	FY 2013	FY 2014	% Change	FY 2015	% Change
<b>Report For OIC Budget</b>			<b>Version: Enacted</b>					
<b>OIC Ohio Industrial Commission</b>								
5W30	845321	Operating Expenses	\$ 41,778,471	\$ 46,172,413	\$ 47,148,786	2.11%	\$ 48,634,518	3.15%
5W30	845402	Rent-William Green Building	\$ 4,691,125	\$ 4,566,794	\$ 4,700,000	2.92%	\$ 2,000,000	-57.45%
5W30	845410	Attorney General Payments	\$ 3,576,430	\$ 3,755,252	\$ 3,793,650	1.02%	\$ 3,793,650	0.00%
<b>Workers' Compensation Fund Group Total</b>			<b>\$ 50,046,026</b>	<b>\$ 54,494,459</b>	<b>\$ 55,642,436</b>	<b>2.11%</b>	<b>\$ 54,428,168</b>	<b>-2.18%</b>
<b>Ohio Industrial Commission Total</b>			<b>\$ 50,046,026</b>	<b>\$ 54,494,459</b>	<b>\$ 55,642,436</b>	<b>2.11%</b>	<b>\$ 54,428,168</b>	<b>-2.18%</b>