

LSC Redbook

**Analysis of the Executive Budget Proposal
for the FY 2016-FY 2017 Biennium**

H.B. 51 and H.B. 52 of the 131st General Assembly

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

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ATTACHMENTS FOR EACH AGENCY:

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

Funding for the Workers' Compensation System

Bureau of Workers' Compensation

- Proposed funding of \$276.2 million in both FY 2016 and FY 2017

Ohio Industrial Commission

- Proposed funding of \$50.7 million in FY 2016 and \$51.7 million in FY 2017

OVERVIEW

This Redbook provides an analysis of the Governor's FY 2016-FY 2017 funding proposals for the Bureau of Workers' Compensation (BWC) that are contained in H.B. 52 and the Ohio Industrial Commission (OIC) that are contained in H.B. 51. These two state agencies oversee, administer, and adjudicate claims within Ohio's workers' compensation system. The FY 2016-FY 2017 budget for BWC will be the first under which employers will be billed for premiums on a prospective basis. BWC's plan to convert from a retrospective billing process to a prospective billing process entails several rate reductions and rebates for employers, including some proposed rate reductions and rebates during the upcoming biennium. The BWC budget proposal includes various changes affecting BWC programs. H.B. 52 also contains several changes that are administrative in nature, such as removing the six-person limit on the number of unclassified staff employed by the Division of Safety and Hygiene, and making changes to the duties of the BWC audit committee. Conversely, the proposed OIC budget bill contains only appropriations. For both of the agencies discussed in this Redbook, there is a detailed analysis of the executive budget recommendations, including proposed funding for each line item. Each section also includes the Catalog of Budget Line Items (COBLI) and LSC budget spreadsheet for each agency.

Executive Funding Recommendations for FY 2016-FY 2017

Under the Governor's proposal, the total amount of funding recommended for BWC and OIC is \$326.9 million in FY 2016 and nearly \$328.0 million in FY 2017. The proposed funding for BWC is \$276.2 million in FY 2016, accounting for 84.5% of the total in that fiscal year for both agencies. The proposed funding for OIC is \$50.7 million, accounting for 15.5% of workers' compensation system appropriations recommended for FY 2016. Proposed FY 2017 funding for BWC is \$276.2 million, equaling the amount

recommended for FY 2016, while the recommended funding for OIC is \$51.7 million, or 2.1% higher than the amount proposed for FY 2016.

Table 1. Governor's FY 2016-FY 2017 Funding Proposals for BWC and OIC			
Agency	FY 2015* Estimated Spending	FY 2016 Recommendation	FY 2017 Recommendation
Bureau of Workers' Compensation	\$279,583,900	\$276,242,967	\$276,242,967
Industrial Commission	\$49,638,213	\$50,687,479	\$51,753,389
TOTAL	\$329,222,113	\$326,930,446	\$327,996,356

*The amounts listed for FY 2015 represent estimated expenditures.

Unlike the main operating budget, the BWC and OIC budget bills contain no GRF appropriations. Rather, all 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 collected alongside employer premiums. The bulk of medical and lost-time benefits owed to injured workers are paid from the State Insurance Fund, a custodial account that is not subject to appropriation by the General Assembly. Benefits are also paid from specific funds that serve injured workers in the coal and maritime industries, as well as a fund that provides cost-of-living increases to certain permanently and totally disabled injured workers.

Bureau of Workers' Compensation

- Recommended funding of \$276.2 million in both FY 2016 and FY 2017
- Net assets of approximately \$9.5 billion among all workers' compensation system funds at the close of FY 2014
- Just over \$1.7 billion in medical and lost-time benefits paid in FY 2014

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 that qualify for self-insurance. 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 2014, approximately 255,000 employers maintained policies with the Bureau, while nearly 1,200 employers qualified for self-insurance. According to the Department of Administrative Services' monthly employee report, as of December 2014, BWC had 1,908 employees, of which 1,806 were full-time permanent staff.

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.

Proposed FY 2016-FY 2017 Appropriations

Appropriations by Fund Group

The executive budget recommends funding BWC at \$276.2 million in both FY 2016 and FY 2017. Except for approximately \$1.9 million in federal funding, BWC operations are entirely supported by assessments paid by employers in conjunction with their 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 calculated as a percentage of the employer's premium. These amounts are 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. Insurance premiums paid by state fund employers are deposited into the State Insurance Fund and are not subject to appropriation by the General Assembly. The executive's funding recommendations for BWC operations are shown in Table 2 below.

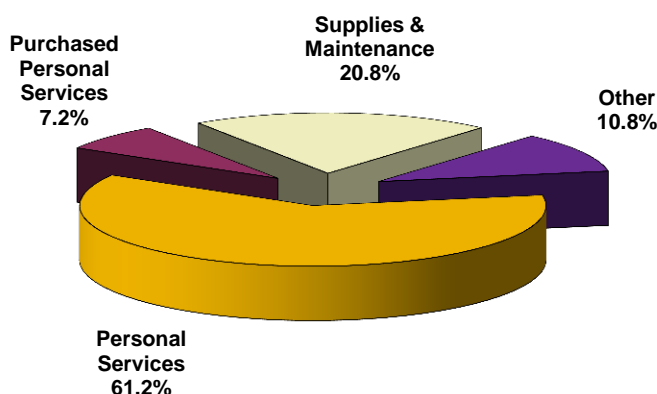
Fund Group	FY 2015*	FY 2016	% Change, FY 2015-FY 2016	FY 2017	% Change, FY 2016-FY 2017
Workers' Compensation	\$277,735,981	\$274,370,967	(1.21)%	\$274,370,967	0.0%
Federal Special Revenue	\$1,847,919	\$1,872,000	1.3%	\$1,872,000	0.0%
TOTAL	\$279,583,900	\$276,242,967	(1.19)%	\$276,242,967	0.0%

*FY 2015 figures represent estimated expenditures.

Appropriations by Expense Category

Chart 1 below shows the executive's proposed funding for BWC by expense category over the FY 2016-FY 2017 biennium. Of the \$552.5 million biennial total, personal services account for \$338.2 million (61.2%) of the budget recommended by the executive under H.B. 52. Supplies and maintenance account for \$115.1 million (20.8%) of the proposed funding. Purchased personal services make up \$39.7 million (7.2%) of BWC's recommended budget. Other expenses – such as equipment, subsidies, and transfers – together make up the remaining \$59.4 million (10.8%) of proposed funding.

Chart 1: Executive Budget Recommendations by Expense Category for FY 2016-FY 2017 (\$552.5 million)



Workers' Compensation Claims Statistics

Table 3 below shows claim and compensation statistics for FY 2014 and the two prior fiscal years. Over this period of three fiscal years, the amount of benefits paid decreased by 5.7%, from approximately \$1.8 billion in FY 2012 to just over \$1.7 billion in

FY 2014. The number of new claims allowed also declined slightly, from 101,165 in FY 2012 to 97,572 in FY 2014, a nearly 3.6% decline over the three-year span. Overall, the total number of open claims (including medical and lost time) fell from just under 1.1 million in FY 2012 to 858,773 in FY 2014, a 19.8% decrease.

	FY 2012	FY 2013	FY 2014
Benefits Paid			
Medical	\$748,851,329	\$705,758,248	\$662,319,483
Lost Time	\$1,078,698,926	\$1,076,073,152	\$1,061,339,481
TOTAL	\$1,827,550,255	\$1,781,831,400	\$1,723,658,964
Number of New Allowed Claims			
TOTAL	101,165	97,041	97,572
Number of Open Claims			
TOTAL	1,070,056	958,625	858,773

Highlights of the FY 2014-FY 2015 Biennium

Prospective Billing System

H.B. 493 of the 130th General Assembly required BWC, beginning in policy year 2015, to calculate and bill workers' compensation premiums on a prospective basis for all employers other than professional employer organizations (PEOs) and state employers. Until this point, payments of premiums were considered to be "retrospective" payments or "payments in arrears." This transition will begin on July 1, 2015 for private employers and January 1, 2016 for public employers. Because employers will have premiums due for coverage they already received during their policy year, to facilitate the transition to a prospective billing system, and to avoid double billing of premiums to employers, BWC is planning to issue a \$1.2 billion credit in July 2015 to both private and public employers to pay the initial premium costs during the transition to prospective billing. BWC estimates that the transition to a prospective billing system could result in an overall base rate reduction of approximately 2.0% for private employers and 4.0% for public employers.

Base Rate Reductions and Rebates Granted

During the FY 2014-FY 2015 biennium BWC issued several rate reductions and rebates to both private and public employers. Specifically, BWC issued over \$2.0 billion in rebates to eligible private and taxing district employers so far this biennium. BWC approved a rebate of approximately \$1.0 billion in FY 2014, which resulted in an issuance of rebate checks equaling 56.0% of annual premiums to approximately 180,000 eligible employers. BWC approved and issued a subsequent rebate of \$1.1 billion in

FY 2015, which resulted in an issuance of rebate checks equaling 60.0% of annual premiums to approximately 170,000 eligible employers.

In addition to the rebates discussed above, BWC approved several base rate reductions during the FY 2014-FY 2015 biennium. BWC approved a base rate reduction of 2.1% for private employers that took effect in FY 2014, and a further base rate reduction of 6.3% that took effect in FY 2015. Local government employers received a base rate reduction of 1.6% for policy year 2014 and will be receiving a base rate reduction of 9.1% for policy year 2015. In total, these base rate reductions have resulted in a total reduction of approximately \$409.0 million in premiums collected since FY 2011. BWC also has proposed an additional base rate reduction of 10.8% for private employers, which would also be effective on July 1, 2015, and is expected to result in a reduction of \$153.0 million in premiums collected.

Retirement of Debt on the William Green Building

During the FY 2014-FY 2015 biennium, BWC made the final lease rental payments on the William Green Building that houses BWC and OIC headquarters and other state agency tenants, including the Ohio Facilities Construction Commission and the Department of Youth Services. The building is now an asset of the Workers' Compensation Fund (Fund 7023). BWC now collects the rent payments from these other state agencies that are tenants of the building and deposits these amounts into Fund 7023. BWC calculates the rent payments from these tenants to be approximately \$2.0 million in each fiscal year.

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 10.0% discount on workers' compensation premiums. Employers that implement the drug-free safety program can receive discounts between 4.0% and 7.0% on their premiums. Lapse-free discounts allow employers to receive a discount for maintaining workers' compensation coverage for 60 consecutive months, and "Go-Green" discounts permit employers to receive premium discounts for filing required information and making premium payments electronically. Since its implementation in FY 2013, 4,710 employers have taken advantage in one of the industry-related portions of the program, 85,306 employers participated in the Go-Green discount, and approximately 270,000 employers have received a lapse-free discount.

Safety Intervention Grant Program Expansion

During the FY 2014-FY 2015 biennium, BWC expanded its Safety Intervention Grant Program by tripling the funding for this program from \$5.0 million to \$15.0 million in both FY 2014 and FY 2015. In FY 2013, BWC issued 130 grants totaling approximately \$4.0 million to 128 employers. In FY 2014, BWC awarded 969 grants totaling \$14,991,332 to 765 employers. Thus far in FY 2015, BWC has offered approximately 650 Safety Intervention, Wellness, and Drug-Free Workplace Grants totaling about \$10.9 million, with an additional 95 pending applications. If approved, these pending applications would total nearly \$2.8 million in additional grant distributions in FY 2015.

Public Employers' Participation in the One Claim Program

BWC's One Claim Program allows private state fund employers participating in a group rating plan to mitigate the impact of a significant claim that would be a contributing factor in the employer being excluded from the group rated plan. H.B. 493 of the 130th General Assembly allowed state fund taxing district employers to participate in the One Claim Program. Participation in the One Claim Program allows taxing district public employers to avoid higher premiums that might otherwise be imposed if they were excluded from participation in a group rated plan following a costly injury claim. In FY 2014, there were approximately 3,815 public taxing district employers. As of this writing, 33 public taxing district employers have taken advantage of this program.

Changes Under the Executive Proposal for FY 2016-FY 2017

H.B. 52 contains various statutory changes that affect certain programs and administrative functions within BWC. The programmatic changes include: (1) eliminating the Long Term Care Loan Program for nursing homes and hospitals, (2) eliminating the Rehabilitation Services and Handicapped Reimbursement programs currently available to self-insured employers, and (3) modifying language pertaining to Disabled Workers Relief Fund (DWRF) assessments which were reduced in H.B. 493 of the 130th General Assembly. None of the programs proposed for elimination under the bill have been used in several years. The number of eligible claims being filed for benefits under DWRF is quite small. Taken together, none of these provisions appear to have any significant fiscal impact on BWC operations or the State Insurance Fund.

There are several other provisions under the Governor's proposal that pertain to administrative hearing procedures, unclassified employee staffing limits in the Division of Safety and Hygiene, decertification procedures that apply to medical services providers participating in the Health Partnership Program (BWC's managed care system), and the duties of the BWC audit committee. These do not appear to have major budget implications for BWC or the State Insurance Fund.

ANALYSIS OF EXECUTIVE PROPOSAL

Introduction

This section provides an analysis of the Governor's recommended funding for the 11 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 recommended 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 are proposed by the Governor. The four categories used in this analysis are as follows:

1. Claims Management;
2. Administration;
3. Safety and Hygiene 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 Line Items for Analysis of Executive Proposal			
Fund	ALI and Name		Category
Dedicated Purpose Fund Group			
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 Benefit Funds
8230	855608	Marine Industry	4: Special Benefit Funds
8250	855605	Disabled Workers' Relief Fund	4: Special Benefit Funds
8260	855609	Safety and Hygiene Operating	3: Safety and Hygiene Programs
8260	855610	Safety Grants	3: Safety and Hygiene Programs
Federal Special Revenue Fund Group			
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 includes funding for BWC's claimant and medical provider fraud prevention and detection efforts.

Governor's Recommended Amounts for Claims Management				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
7023	855407	Claims, Risk, and Medical Management	\$110,445,000	\$110,445,000
7023	855408	Fraud Prevention	\$11,909,400	\$11,909,400
Total Funding: Claims Management			\$122,354,400	\$122,354,400

Claims, Risk, and Medical Management (855407)

The executive recommendation for this line item is \$110.4 million in both FY 2016 and FY 2017, a 6.7% decrease from FY 2015 estimated spending of \$118.3 million among all the areas covered by this appropriation. The various functions funded by the appropriation, as well as the recommended funding levels for each, are listed in the table below.

Function	FY 2016	% of Total	FY 2017	% of Total
Field Operations	\$73,483,274	66.5%	\$74,502,357	67.4%
Injury Management Services	\$15,324,063	13.9%	\$14,789,303	13.4%
Employer Services	\$13,499,567	12.2%	\$12,783,630	11.6%
Customer Contact Center	\$4,181,249	3.8%	\$4,318,198	3.9%
Self-Insured Services	\$2,187,450	2.0%	\$2,243,164	2.0%
Safety Violations Investigations	\$814,987	0.7%	\$832,283	0.8%
Ombudsperson	\$610,393	0.6%	\$625,522	0.6%
Special Investigations*	\$344,017	0.3%	\$350,543	0.3%
TOTAL	\$110,445,000	100.0%	\$110,445,000	100.0%

*Additional funding for the Special Investigations unit is under line item 855408, Fraud Prevention.

Field Operations

Approximately two-thirds of the recommended funding for this line item in each fiscal year – \$73.5 million in FY 2016 and \$74.5 million in FY 2017 – 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 is responsible for handling additional allowances in medical only claims

and for processing requests for claims to receive hearings by the Ohio Industrial Commission. During FY 2014, Field Operations managed and determined more than 106,000 injured worker claims. Field Operations has an estimated 756 FTEs.

Injury Management Services

The executive budget provides approximately \$15.3 million in FY 2016 and \$14.8 million in FY 2017 for Injury Management Services funded under this line item. This area oversees the Bureau's medical, pharmaceutical, and vocational rehabilitation providers, including 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 2014 totaled \$662.3 million. Injury Management Services has approximately 114 FTEs.

Employer Services

The proposed appropriations for Employer Services are approximately \$13.5 million in FY 2016 and \$12.8 million in FY 2017. This area is responsible for developing and implementing workers' compensation insurance products and providing underwriting and technical support for employers, including the 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 discount program for private and public employers. In FY 2014, there were just under 255,000 active employers in Ohio, including private, public, and self-insured entities. Employer Services has approximately 145 employees.

Self-Insured Services

The recommendation for Self-Insured Services is approximately \$2.2 million in each fiscal year of the FY 2016-FY 2017 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 2014. About 29 BWC employees are assigned to this area.

Customer Contact Center

Proposed funding for the Customer Contact Center is approximately \$4.2 million in FY 2016 and \$4.3 million in FY 2017. 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 2014, the Customer Contact Center fielded approximately 858,000 customer inquiries. The Customer Contact Center has nearly 64 employees.

Safety Violations and Ombudsperson

The proposed funding 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 Requirements (VSSRs) and actions required to correct any violations. In FY 2014, the program conducted about 350 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 2013, the Ombudsperson's Office handled a total of 14,001 contacts with customers, of which 460 were complaints and 13,541 were general inquiries.

Fraud Prevention (855408)

The executive recommendation for this line item is \$11.9 million for both FY 2016 and FY 2017, a decrease of nearly 1.7% from FY 2015 estimated spending levels. 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. 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, the latter of which has been expanded, operate from BWC's central office in Columbus. According to information provided in BWC's Annual Report for FY 2014, drug cases, working while improperly receiving benefits, and complaints against employers continue to be the three most investigated types of complaints. In FY 2014, 2,055 fraud cases were closed. Of those closed cases, 924 (45.0%) were classified as "closed founded," which means the original allegation of the case was proven. Ultimately, of those 924 cases, 267 (28.9%) of them were referred to the Attorney General for prosecution, with 149 resulting indictments and 132 convictions as of this writing. BWC estimates the average "closed founded" case identified \$65,069 in savings for the workers' compensation system in FY 2014.

Category 2: Administration

Line items in this category cover the administrative functions related to overseeing sound actuarial and investment strategies to ensure 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 payments that BWC makes to cover the operating expenses of the Workers' Compensation Section within the Attorney General's Office.

Governor's Recommended Amounts for Administration				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
7023	855409	Administrative Services	\$110,360,919	\$110,360,919
7023	855410	Attorney General Payments	\$4,621,850	\$4,621,850
Total Funding: Administration			\$114,982,769	\$114,982,769

Administrative Services (855409)

The executive recommendation for this line item is \$110.4 million in FY 2016, a nearly 4.8% increase over estimated FY 2015 spending of \$105.4 million in this area. The amount recommended for FY 2017 matches FY 2016 recommendations. Overall, this line item accounts for approximately 40.0% of BWC's total recommended budget in each fiscal year.

General administrative duties within the Bureau are broken down into seven separate divisions: (1) Fiscal and Planning, (2) Actuarial, (3) Investments, (4) Human Resources, (5) Legal, (6) Infrastructure and Technology, and (7) 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.

Attorney General Payments (855410)

The executive recommendation for this line item is \$4.6 million in both fiscal years, which equals FY 2015 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 executive 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 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.

Governor's Recommended Amounts for Safety and Hygiene Programs				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
8260	855609	Safety and Hygiene Operating	\$21,661,132	\$21,661,132
8260	855610	Safety Grants	\$15,000,000	\$15,000,000
Workers' Compensation Fund Group Subtotal			\$36,661,132	\$36,661,132
Federal Special Revenue				
3490	855601	OSHA Enforcement	\$1,731,000	\$1,731,000
3FW0	855614	BLS SOII Grant	\$141,000	\$141,000
Federal Special Revenue Fund Group Subtotal			\$1,872,000	\$1,872,000
Total Funding: Safety and Hygiene Programs			\$38,533,132	\$38,533,132

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

Both of these line items fund the operations of the Division of Safety and Hygiene. The executive recommendation for appropriation item 855609, Safety and Hygiene Operating, is \$21.6 million in each year of the FY 2016-FY 2017 biennium, which matches estimated FY 2015 spending in this area. 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 executive recommendation for line item 855601, OSHA Enforcement, is \$1.7 million in each fiscal year, identical to estimated FY 2015 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, Safety Grants, 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 2014, the Safety and Hygiene Division made 13,713 visits to Ohio workplaces to provide consulting services in industrial hygiene, industrial and construction safety, and ergonomics. The Division also provided 79 courses through 349 classes at 11 different locations. Its field staff conducted an additional 53 on-site classes to 997 students representing 224 different employers. BWC's learning management system offered 13 online courses, resulting in 19,245 completions by 14,347 students, representing 5,847 employers.

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 percent 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.

Safety Grants and BLS SOII Grant (855610 and 855614)

Combined, the executive recommendation for these line items is \$15.1 million in both FY 2016 and FY 2017. 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, \$141,000 in each fiscal year, is provided through a federal Bureau of Labor Statistics Survey on Occupational Injury and Illness (SOII) Grant. In FY 2014, BWC awarded 969 grants totaling almost \$15.0 million to

765 employers. Thus far in FY 2015, BWC has offered approximately 650 Safety Intervention, Wellness, and Drug-Free Workplace Grants totaling about \$10.9 million, with an additional 95 pending applications, which if approved, would total nearly \$2.8 million in additional grants issued.

Category 4: Special Benefit Funds

Appropriations in this category are used to provide benefits to employers with additional workers' compensation coverage required by federal law, particularly coal workers and maritime workers. In addition, the Disabled Workers Relief Fund provides cost-of-living supplements for permanently and totally disabled workers.

Governor's Recommended Amounts for Special Benefit Funds				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
8220	855606	Coal Workers' Fund	\$147,666	\$147,666
8230	855608	Marine Industry	\$55,000	\$55,000
8250	855605	Disabled Workers Relief Fund	\$170,000	\$170,000
Total Funding: Special Benefit Funds			\$372,666	\$372,666

Coal Workers' Fund (855606)

The executive recommendation for this line item is \$147,666 for FY 2016 and FY 2017. 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 2014 were \$146,433; disbursements from the fund were \$134,724.

Marine Industry (855608)

The executive recommendation for this line item is \$55,000 for both FY 2016 and FY 2017. 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 2014, total revenues to the fund were \$30,041; disbursements from the fund were \$41,059.

Disabled Workers Relief Fund (855605)

The executive recommendation for this line item is \$170,000 in both FY 2016 and FY 2017. This line item pays operating costs associated with the Disabled Workers Relief Fund (DWRF). The DWRF provides supplemental cost-of-living benefits to

permanently and totally disabled workers. During FY 2014, total revenues to the fund were \$179,650; disbursements from the fund were \$162,714.

H.B. 493 of the 130th General Assembly changed the way these funds were collected. The bill eliminated the minimum amount that can be assessed to employers' payrolls to fund DWRF claims before January 1, 1987, commonly known as DWRF I claims. This provision could potentially reduce revenues collected by this fund; however, with the low number of claims being filed, any fiscal impact appears not to be significant.

Bureau of Workers' Compensation

Dedicated Purpose Fund Group

7023 855401 William Green Lease Payments

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$18,262,614	\$17,430,960	\$15,916,888	\$0	\$0	\$0
	-4.6%	-8.7%	-100%	N/A	N/A

Source: Dedicated Purpose Fund Group: Assessments paid by employers

Legal Basis: Discontinued line item

Purpose: This line item was used to make lease payments to the Treasurer of State for BWC's headquarters in Columbus. These payments covered the debt service on lease rental bonds used to construct the building. The debt on the William Green building was retired in FY 2015. Ownership of the building has since transferred to the Workers' Compensation Fund (Fund 7023).

7023 855407 Claims, Risk and Medical Management

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$115,514,086	\$110,141,875	\$124,227,007	\$118,338,586	\$110,445,000	\$110,445,000
	-4.7%	12.8%	-4.7%	-6.7%	0.0%

Source: Dedicated Purpose Fund Group: Assessments paid by employers

Legal Basis: Section 1 of Sub. H.B. 34 of the 130th G.A.

Purpose: The line item funds personnel, maintenance, and equipment costs associated with BWC's claims, risk, and medical management programs, including Injury Management, Employer Management, and Customer Service operations. The line item also supports 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, as well as BWC's Ombudsperson's Office, which answers inquiries and investigates complaints made by employers, injured workers, and medical providers concerning the processing of claims.

Bureau of Workers' Compensation

7023 855408 Fraud Prevention

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$10,353,085	\$11,152,807	\$11,316,524	\$12,114,226	\$11,909,400	\$11,909,400
	7.7%	1.5%	7.0%	-1.7%	0.0%

Source: Dedicated Purpose Fund Group: Assessments paid by employers

Legal Basis: Section 1 of Sub. H.B. 34 of the 130th G.A.

Purpose: This line item funds personnel, maintenance, and equipment costs for investigating workers' compensation fraud. Fraud investigation is geared toward detecting and preventing fraudulent claims on the part of claimants, employers, and health care providers.

7023 855409 Administrative Services

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$88,638,343	\$105,039,151	\$90,253,136	\$105,357,276	\$110,360,919	\$110,360,919
	18.5%	-14.1%	16.7%	4.7%	0.0%

Source: Dedicated Purpose Fund Group: Assessments paid by employers

Legal Basis: Sections 1 and 2 of Sub. H.B. 34 of the 130th G.A.

Purpose: This line item funds personnel, maintenance, and equipment costs associated with the oversight of general administrative functions at BWC, including finance, actuarial, investments, human resources, legal, and infrastructure and technology. For the FY 2016-FY 2017 biennium, \$425,000 in each fiscal year is to be used to pay the Bureau's share of the cost that the Inspector General incurs for the activities of the Deputy Inspector General for the Bureau of Workers' Compensation and the Industrial Commission. These amounts are deposited into the Deputy Inspector General for the Bureau of Workers' Compensation and Industrial Commission Fund (Fund 5FT0) under the Inspector General's budget.

Bureau of Workers' Compensation

7023 855410 Attorney General Payments

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$4,338,826	\$4,610,819	\$4,549,416	\$4,621,850	\$4,621,850	\$4,621,850
	6.3%	-1.3%	1.6%	0.0%	0.0%

Source: Dedicated Purpose Fund Group: Assessments paid by employers

Legal Basis: Section 1 of Sub. H.B. 34 of the 130th G.A.

Purpose: This line item funds 50% of the costs related to the legal services of the Attorney General's Workers' Compensation Section. This includes expenses related to workers' compensation fraud investigation. The Ohio Industrial Commission pays the remaining portion of these expenses. Both agencies make alternating quarterly payments during the fiscal year. For the FY 2016-FY 2017 biennium, the Governor's proposal earmarks \$828,200 in each year for the Attorney General's workers' compensation fraud unit.

8220 855606 Coal Workers' Fund

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$135,268	\$131,618	\$134,724	\$147,666	\$147,666	\$147,666
	-2.7%	2.4%	9.6%	0.0%	0.0%

Source: Dedicated Purpose Fund Group: Additional assessments paid by coal industry employers as required under Title IV of the Federal Coal Mine Health and Safety Act of 1969

Legal Basis: ORC 4131.03; Section 1 of Sub. H.B. 34 of the 130th G.A.

Purpose: This line item funds the administrative costs that BWC incurs for handling claims under the Coal Workers' Pneumoconiosis Fund, which is in the custody of the Treasurer of State. The fund provides workers' compensation benefits to employees in the coal industry as directed by the Federal Coal Mine Health and Safety Act of 1969.

Bureau of Workers' Compensation

8230 855608 Marine Industry

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$42,480	\$41,362	\$41,060	\$75,527	\$55,000	\$55,000
	-2.6%	-0.7%	83.9%	-27.2%	0.0%

Source: Dedicated Purpose Fund Group: Additional assessments charged to marine industry employers under requirements of the Longshoremen's and Harbor Workers' Compensation Act Amendments of 1972

Legal Basis: ORC 4131.13; Section 1 of Sub. H.B. 34 of the 130th G.A.

Purpose: This line item funds the administrative costs of the Marine Industry Fund, which is in the custody of the Treasurer of State. The fund provides benefits as prescribed by the Longshoremen's and Harbor Workers' Compensation Act, as amended in 1972.

8250 855605 Disabled Workers Relief Fund

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$153,722	\$155,593	\$162,715	\$319,718	\$170,000	\$170,000
	1.2%	4.6%	96.5%	-46.8%	0.0%

Source: Dedicated Purpose Fund Group: Additional assessments paid by employers calculated at \$0.10 per \$100 of payroll and 0.01% of the basic premium rate

Legal Basis: ORC 4123.412; Section 1 of Sub. H.B. 34 of the 130th G.A.

Purpose: This line item is used to pay payroll and operating expenses of the Disabled Workers' Relief Fund (DWRF), as well as costs related to providing the supplemental benefits provided under the fund to eligible recipients. The fund is in the custody of the Treasurer of State. DWRF benefits are cost-of-living adjustments granted to permanently and totally disabled workers. Sub. H.B. 493 of the 130th G.A. eliminated the minimum assessments collected for "DWRF I" claims, or those related to injuries before January 1, 1987, since these costs have been falling.

Bureau of Workers' Compensation

8260 855609 Safety and Hygiene Operating

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$17,735,237	\$16,656,025	\$17,219,944	\$21,661,132	\$21,661,132	\$21,661,132
	-6.1%	3.4%	25.8%	0.0%	0.0%

Source: Dedicated Purpose Fund Group: Assessments charged to employers calculated as a percentage of paid workers' compensation premiums (1.0% for private employers and 0.5% for all public employer taxing districts and state agency employers) that are transferred from the State Insurance Fund

Legal Basis: ORC 4121.37; Section 1 of Sub. H.B. 34 of the 130th G.A., as amended by Section 605.03 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item provides all operating funds for the Division of Safety and Hygiene. The Division's responsibilities include making workplace inspections and providing safety training to employers. The amounts appropriated in each fiscal year equal the annual cash transfers that the Treasurer of State is to make from the State Insurance Fund to the Safety and Hygiene Fund (Fund 8260) under uncodified law.

8260 855610 Safety Grants

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$3,343,584	\$3,891,000	\$14,212,744	\$15,000,000	\$15,000,000	\$15,000,000
	16.4%	265.3%	5.5%	0.0%	0.0%

Source: Dedicated Purpose Fund Group: Assessments charged to employers calculated as a percentage of paid workers' compensation premiums (1.0% for private employers and 0.5% for all public employer taxing districts and state agency employers) that are transferred from the State Insurance Fund

Legal Basis: Section 1 of Sub. H.B. 34 of the 130th G.A., as amended by Section 605.03 of Am. Sub. H.B. 59 of the 130th G.A.

Purpose: This line item funds the Division of Safety and Hygiene's Safety Intervention Grant\$ Program. These grants are available to State Insurance Fund employers (private and public) that wish to purchase equipment that substantially reduces or eliminates injuries and illnesses associated with tasks or operations particular to their industry. Under the grant program, every dollar contributed by the employer is matched by \$3 from BWC, up to a maximum BWC contribution of \$40,000 toward the equipment purchase.

Bureau of Workers' Compensation

8290 855604 Long Term Care Loan Program

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$3,725	\$644	\$0	\$0	\$0	\$0
	-82.7%	-100%	N/A	N/A	N/A

Source: Dedicated Purpose Fund Group: Transfers from the Safety and Hygiene Operating Fund (Fund 8260)

Legal Basis: ORC 4121.48; Section 1 of Sub. H.B. 34 of the 130th G.A.

Purpose: The line item is used to pay the interest on loans taken out by nursing homes for the purchase and installation of "no-lift" equipment, such as sit-to-stand floor lifts, ceiling lifts, other lifts, and fast electric beds.

Federal Fund Group

3490 855601 OSHA Enforcement

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$1,566,360	\$1,578,508	\$1,638,822	\$1,731,000	\$1,731,000	\$1,731,000
	0.8%	3.8%	5.6%	0.0%	0.0%

Source: Federal Fund Group: Cooperative agreement with the Occupational Safety and Health Administration under CFDA 17.504, OSHA Consultation Agreements

Legal Basis: Section 1 of Sub. H.B. 34 of the 130th G.A.

Purpose: This line item is used to support OSHA's on-site consultation program, which provides small, private employers with services relating to workplace safety and health. Services are provided to employers with fewer than 250 employees at fixed sites and with no more than 500 employees corporate-wide. Under the program, employers can learn about potential hazards at their workplaces, improve their safety and health management systems, and may qualify for an exemption from routine OSHA inspections. State matching funds for the program are provided by line item 855609, Safety and Hygiene Operating.

Bureau of Workers' Compensation

3FW0 855614 BLS SOII Grant

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$0	\$55,807	\$91,755	\$116,919	\$141,000	\$141,000
	N/A	64.4%	27.4%	20.6%	0.0%

Source: Federal Fund Group: CFDA 17.005: U.S. Bureau of Labor Statistics Survey of Occupational Injuries and Illnesses Grant

Legal Basis: Section 1 of Sub. H.B. 34 of the 130th G.A. (originally established by the Controlling Board in August 2012)

Purpose: This line item is used to fund BWC's participation in the U.S. Bureau of Labor Statistics (BLS) Survey of Occupational Injuries and Illnesses (SOII).

Appropriation Amounts as Recommended by the Governor

All Fund Groups

Line Item Detail by Agency			FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016		Introduced FY 2017	FY 2016 to FY 2017	
						\$ Change	% Change		\$ Change	% Change
Report For BWC Budget			Version: As Introduced							
BWC Bureau of Workers' Compensation										
7023	855401	William Green Lease Payments	\$ 15,916,888	\$ 0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
7023	855407	Claims, Risk and Medical Management	\$ 124,227,007	\$ 118,338,586	\$ 110,445,000	(\$7,893,586)	-6.67%	\$ 110,445,000	\$ 0	0.00%
7023	855408	Fraud Prevention	\$ 11,316,524	\$ 12,114,226	\$ 11,909,400	(\$204,826)	-1.69%	\$ 11,909,400	\$ 0	0.00%
7023	855409	Administrative Services	\$ 90,253,136	\$ 105,357,276	\$ 110,360,919	\$ 5,003,643	4.75%	\$ 110,360,919	\$ 0	0.00%
7023	855410	Attorney General Payments	\$ 4,549,416	\$ 4,621,850	\$ 4,621,850	\$ 0	0.00%	\$ 4,621,850	\$ 0	0.00%
8220	855606	Coal Workers' Fund	\$ 134,724	\$ 147,666	\$ 147,666	\$ 0	0.00%	\$ 147,666	\$ 0	0.00%
8230	855608	Marine Industry	\$ 41,060	\$ 75,527	\$ 55,000	(\$20,527)	-27.18%	\$ 55,000	\$ 0	0.00%
8250	855605	Disabled Workers Relief Fund	\$ 162,715	\$ 319,718	\$ 170,000	(\$149,718)	-46.83%	\$ 170,000	\$ 0	0.00%
8260	855609	Safety and Hygiene Operating	\$ 17,219,944	\$ 21,661,132	\$ 21,661,132	\$ 0	0.00%	\$ 21,661,132	\$ 0	0.00%
8260	855610	Safety Grants	\$ 14,212,744	\$ 15,000,000	\$ 15,000,000	\$ 0	0.00%	\$ 15,000,000	\$ 0	0.00%
Sub-Total Dedicated Purpose Fund Group			\$ 278,034,157	\$ 277,635,981	\$ 274,370,967	(\$3,265,014)	-1.18%	\$ 274,370,967	\$ 0	0.00%
3490	855601	OSHA Enforcement	\$ 1,638,822	\$ 1,731,000	\$ 1,731,000	\$ 0	0.00%	\$ 1,731,000	\$ 0	0.00%
3FW0	855614	BLS SOII Grant	\$ 91,755	\$ 116,919	\$ 141,000	\$ 24,081	20.60%	\$ 141,000	\$ 0	0.00%
Sub-Total Federal Fund Group			\$ 1,730,577	\$ 1,847,919	\$ 1,872,000	\$ 24,081	1.30%	\$ 1,872,000	\$ 0	0.00%
Bureau of Workers' Compensation Total			\$ 279,764,735	\$ 279,483,900	\$ 276,242,967	(\$3,240,933)	-1.16%	\$ 276,242,967	\$ 0	0.00%
Grand Total			\$ 279,764,735	\$ 279,483,900	\$ 276,242,967	(\$3,240,933)	-1.16%	\$ 276,242,967	\$ 0	0.00%

Ohio Industrial Commission

- Proposed funding of \$50.7 million in FY 2016 and \$51.7 million in FY 2017
- 9.4% 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 led 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 December 2014, OIC employed a staff of 387.

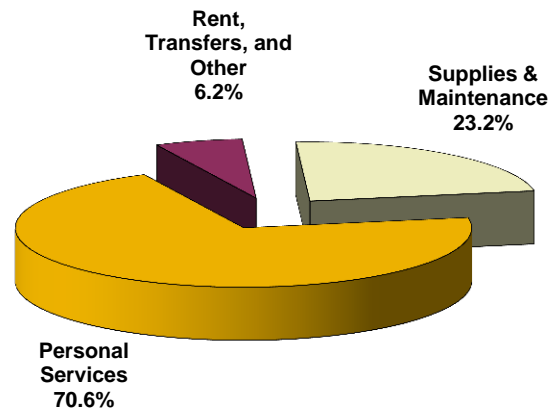
Proposed FY 2016-FY 2017 Appropriations

The executive budget recommends OIC appropriations of \$50.7 million in FY 2016, a 2.1% increase over estimated FY 2015 spending of \$49.6 million. Recommended funding for FY 2017 is just over \$51.7 million, a 2.1% increase compared to the amount recommended for FY 2016. All OIC appropriations for FY 2016 and FY 2017 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.

Appropriations by Expense Category

As Chart 2 below indicates, \$72.3 million (70.6%) of OIC's appropriations for the FY 2016-FY 2017 biennium are slated for personnel costs. The second greatest planned expense is supplies and maintenance, at approximately \$23.8 million (23.2%) of recommended appropriations. Other costs – including transfers, equipment, and purchased services – make up the remaining \$6.3 million (6.2%).

**Chart 2: Executive Budget Recommendations
by Expense Category for FY 2016-FY 2017
(\$102.4 million)**



Staffing

Overall, OIC staffing levels have decreased by 9.4% since FY 2011, from 427 in that fiscal year to 387 in December 2014, mostly through a combination of attrition and early retirement incentives. OIC has indicated that the agency's total employee count averaged approximately 389 employees during the FY 2014-FY 2015 biennium, after seeing larger reductions during the previous biennium.

ANALYSIS OF EXECUTIVE PROPOSAL

OIC 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).

Governor's Recommended Amounts for OIC Claims Adjudication				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
5W30	845321	Operating Expenses	\$45,743,829	\$46,809,739
5W30	845402	Rent – William Green Building	\$1,150,000	\$1,150,000
5W30	845410	Attorney General Payments	\$3,793,650	\$3,793,650
Total Funding: OIC Claims Adjudication			\$50,687,479	\$51,753,389

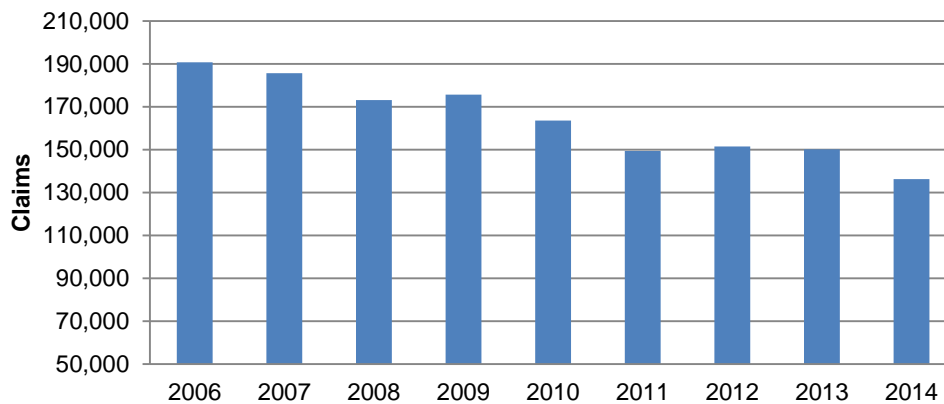
Operating Expenses (845321)

The Governor's proposed funding for this line item is \$45.7 million for FY 2016, a 2.2% increase over estimated FY 2015 spending of \$44.7 million. The recommendation for FY 2017 is \$46.8 million, a 2.3% increase from the amount recommended for FY 2016. Overall, this appropriation accounts for 90.3% of OIC's total recommended 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.

Hearings

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. Chart 3 on the next page shows the number of hearings conducted by OIC from CY 2006 to CY 2014. During this period, the number of annual claims has decreased by nearly 28.8%, from approximately 191,000 in CY 2006 to slightly more than 136,000 in CY 2014.

Chart 3: Claims Heard, CY 2006 to CY 2014



OIC is required by statute 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 2013, approximately 90.5% were processed within the required time limits. The average time to process a claim and issue an order was roughly 36 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 2013.

Rent – William Green Building (845402)

This line item is used to pay rent and miscellaneous maintenance costs for the Commission's offices located in the William Green Building. The executive recommendation for this line item is nearly \$1.2 million in FY 2016, an increase of 4.8% over the almost \$1.1 million in anticipated spending for rent and maintenance in FY 2015. The amount recommended for these costs in FY 2017 is the same as that recommended for FY 2016.

Attorney General Payments (845410)

The recommended funding for this line item is \$3.8 million in both FY 2016 and FY 2017, equivalent to the amount estimated to be spent for this purpose in FY 2015. 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.

Dedicated Purpose Fund Group

5W30 845321 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$41,778,471	\$40,841,997	\$40,343,199	\$44,747,177	\$45,743,829	\$46,809,739
	-2.2%	-1.2%	10.9%	2.2%	2.3%

Source: Dedicated Purpose Fund Group: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

Legal Basis: ORC 4121.021; Section 1 of H.B. 33 of the 130th G.A.

Purpose: This line item pays for the operating expenses of the Industrial Commission. The Commission hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation.

5W30 845402 Rent-William Green Building

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$4,691,125	\$1,257,274	\$1,047,233	\$1,097,386	\$1,150,000	\$1,150,000
	-73.2%	-16.7%	4.8%	4.8%	0.0%

Source: Dedicated Purpose Fund Group: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

Legal Basis: Section 1 of H.B. 33 of the 130th G.A.

Purpose: This line item is used to pay rent and miscellaneous maintenance costs for the Commission's offices located in the William Green Building in downtown Columbus.

5W30 845410 Attorney General Payments

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$3,576,430	\$3,793,650	\$3,785,602	\$3,793,650	\$3,793,650	\$3,793,650
	6.1%	-0.2%	0.2%	0.0%	0.0%

Source: Dedicated Purpose Fund Group: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

Legal Basis: Section 1 of H.B. 33 of the 130th G.A.

Purpose: This line item funds the Ohio Industrial Commission's share of costs related to legal services provided by the Attorney General's Workers' Compensation Section. The Bureau of Workers' Compensation pays the remaining portion. Both agencies make alternating quarterly payments for this purpose during the fiscal year.

FY 2016 - FY 2017 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			Estimate	Introduced	FY 2015 to FY 2016	Introduced	FY 2016 to FY 2017	
			FY 2014	FY 2015	FY 2016	% Change	FY 2017	% Change
Report For OIC Budget			Version: As Introduced					
OIC Ohio Industrial Commission								
5W30	845321	Operating Expenses	\$ 40,343,199	\$ 44,747,177	\$ 45,743,829	2.23%	\$ 46,809,739	2.33%
5W30	845402	Rent-William Green Building	\$ 1,047,233	\$ 1,097,386	\$ 1,150,000	4.79%	\$ 1,150,000	0.00%
5W30	845410	Attorney General Payments	\$ 3,785,602	\$ 3,793,650	\$ 3,793,650	0.00%	\$ 3,793,650	0.00%
Dedicated Purpose Fund Group Total			\$ 45,176,035	\$ 49,638,213	\$ 50,687,479	2.11%	\$ 51,753,389	2.10%
Ohio Industrial Commission Total			\$ 45,176,035	\$ 49,638,213	\$ 50,687,479	2.11%	\$ 51,753,389	2.10%