

# **LSC Redbook**

## **Analysis of the Executive Budget Proposal**

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

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

Nick Thomas, Budget Analyst  
Legislative Service Commission

February 2011

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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 \$289.9 million each fiscal year

**Workers' Compensation Council**

- Proposed funding of \$471,200 each fiscal year

**Ohio Industrial Commission**

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

## OVERVIEW

This redbook provides an analysis of the Governor's FY 2012-FY 2013 funding proposals for the Bureau of Workers' Compensation (BWC) and the Workers' Compensation Council (WCC) contained in H.B. 123, and the Ohio Industrial Commission (OIC) contained in H.B. 124. These two budget bills provide funding necessary for the administration, oversight, and adjudication of claims within Ohio's workers' compensation system. As Introduced, H.B. 123, the BWC and WCC budget bill, also contains statutory changes affecting payment of certain medical benefits, the criteria used to determine whether public employers qualify for self-insurance, and BWC Board of Directors membership qualifications. In contrast, As Introduced, H.B. 124, the OIC budget bill, proposes no statutory changes and is strictly a funding measure. For each of the three agencies discussed in this redbook, there is a detailed analysis of the executive budget recommendations, including funding for each line item. Each section also includes the Catalog of Budget Line Items (COBLI) and the LSC budget spreadsheet for the agency.

## Executive Recommendations for FY 2012-FY 2013

The Governor's funding proposals for the three agencies discussed in this analysis are summarized in the table on the following page. The total amount of funding recommended among the three agencies is \$349.9 million in FY 2012 and \$348.8 million in FY 2013. The proposed funding for BWC is \$289.9 million in FY 2012, accounting for 82.9% of the total in that fiscal year for all three agencies. OIC funding of \$59.5 million accounts for 17% of funding in FY 2012. Finally, WCC funding of \$471,200 makes up the remainder. Proposed FY 2013 funding for BWC and WCC is the same as that recommended for FY 2012, while the recommended funding for OIC is \$58.4 million, or 1.9% lower than proposed FY 2012 funding. More detailed information can be found in each agency's respective section within this redbook.

<b>Governor's Funding Proposals in H.B. 123 and H.B. 124</b>			
<b>Agency</b>	<b>FY 2011 Appropriations</b>	<b>FY 2012 Recommended</b>	<b>FY 2013 Recommended</b>
<b>H.B. 123</b>			
Bureau of Workers' Compensation	\$328,602,765	\$289,900,000	\$289,900,000
Workers' Compensation Council	\$471,200	\$471,200	\$471,200
<b>H.B. 124</b>			
Industrial Commission	\$62,644,534	\$59,500,000	\$58,400,000
<b>Total</b>	<b>\$391,718,499</b>	<b>\$349,871,200</b>	<b>\$348,771,200</b>

Unlike the main operating budget, the workers' compensation 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 applied to employer premiums. Note that the funding needed to cover medical and lost-time benefits owed to injured workers are paid into the State Insurance Fund, a custodial account that is not subject to appropriation by the General Assembly.

# Bureau of Workers' Compensation

- Recommended funding of \$289.9 million in each fiscal year
- Net assets of approximately \$3.8 billion among all funds at the close of FY 2010
- \$1.9 billion in medical and lost-time benefits paid in FY 2010

## OVERVIEW

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States. An exclusive system is one in which the state, not private insurers, provides workers' compensation insurance to all public and private employers except those who qualify for self-insurance. Certain companies, provided that they have sufficient financial and administrative resources, qualify for self-insurance under BWC oversight. BWC covers approximately two-thirds of Ohio's workforce, including private, state, and local government employees. In FY 2010, approximately 225,000 employers maintained policies with the Bureau. Just over 1,200 employers qualified for self-insurance in that fiscal year. According to the Department of Administrative Services' monthly employee report, as of December 16, 2010, BWC had 2,182 employees.

H.B. 100, the BWC and OIC budget act for the FY 2008-FY 2009 biennium, made substantial changes to BWC governance. The act disbanded the Workers' Compensation Oversight Committee and replaced it with an 11-member Bureau of Workers' Compensation Board of Directors. 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 three Board subcommittees devoted to oversight of BWC's actuarial, investment, and audit policies. The bill also created the position of Deputy Inspector General for BWC and OIC, as well as the Workers' Compensation Council to provide additional oversight for BWC.

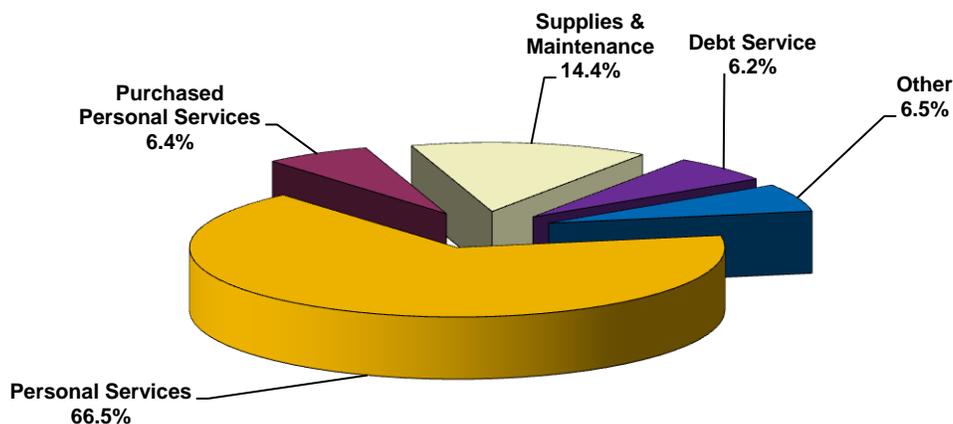
## Proposed FY 2012-FY 2013 Appropriations

The executive's funding proposal recommends funding BWC at \$289.9 million in each fiscal year of the FY 2012-FY 2013 biennium, an 11.8% decline compared to the FY 2011 appropriation of \$328.6 million. Except for \$1.7 million in federal funding that supports an on-site workplace safety consultation program for small employers, BWC operations are supported by assessments paid by employers. Insurance premiums paid by state fund employers are deposited into the State Insurance Fund and are not subject to appropriation by the General Assembly.

## Appropriations by Expense Category

The funding in H.B. 123 covers administrative costs associated with providing benefits to injured workers. Medical and lost-time benefits are paid from the State Insurance Fund and some other smaller funds that are not subject to legislative appropriation. Chart 1 below shows the executive budget recommendations by expense category for the proposed FY 2012-FY 2013 budget. Personal services account for \$385.5 million (66.5%) of BWC's recommended funding for the biennium. Supplies and maintenance, the second largest expense category, accounts for \$83.3 million (14.4%) of total funding. Purchased personal services represent \$37.0 million (6.4%) of BWC's recommended budget. Debt service payments on the William Green Building account for \$35.8 million (6.2%) of BWC's appropriation. Other expenses – such as equipment, subsidies, and transfers – together make up the remaining \$38.2 million (6.5%) of the recommended funding.

**Chart 1: Biennial Executive Budget Recommendations  
by Expense Category for FY 2012-FY 2013  
(\$579.8 Million)**



## Operating Statistics

At the close of FY 2010, net assets among all BWC funds totaled \$3.8 billion, an improvement of 52.1% over FY 2009, largely attributable to gains in investments. As of January 2011, through the first six months of FY 2011, net assets have increased to approximately \$5.0 billion among all funds. Table 1, on the following page, shows claim and compensation statistics for the three prior fiscal years. Over the FY 2008-FY 2010 period, the amount of benefits paid decreased by 8.6%, from \$2.1 billion in FY 2008 to \$1.9 billion in FY 2010. The number of new allowed claims allowed also declined from approximately 143,200 to approximately 104,150, a 27.3% decline. The total number of open claims also fell over this time, from 1.4 million to 1.2 million, a fall of 13.7%.

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

## Proposed Statutory Changes

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

A second proposed change would allow BWC to waive any of the continuing law requirements that certain public employers must satisfy to be granted status as a self-insuring employer. Depending on the number of public employers that would qualify for self-insurance under this new standard, there might be some loss in premium income to the State Insurance Fund. Thirdly, the bill prescribes that, in those cases where a claimant has been authorized to seek treatment for an injury before a claim has been approved, providers will still be paid for that treatment by BWC and the claim will not be charged to the employer's experience if the claim is denied. This could potentially increase benefits paid from the State Insurance Fund.

## Issues of Interest

### Comprehensive Study

One of the studies mandated by H.B. 100 was an independent review of BWC's base rates and all rating programs. The study also covered BWC's use of dividends, standards of subrogation, its system of injury claims management through BWC-certified managed care organizations, use of reinsurance, adequacy of net assets, and

self-insurance processes. This study was conducted by Deloitte Consulting and was completed in December of 2008 at a cost of approximately \$2.1 million. In total, 146 recommendations were made to BWC. During the FY 2010-FY 2011 biennium, 59 recommendations were addressed. Of those, 46 (or about 31.5% of the total) were implemented.

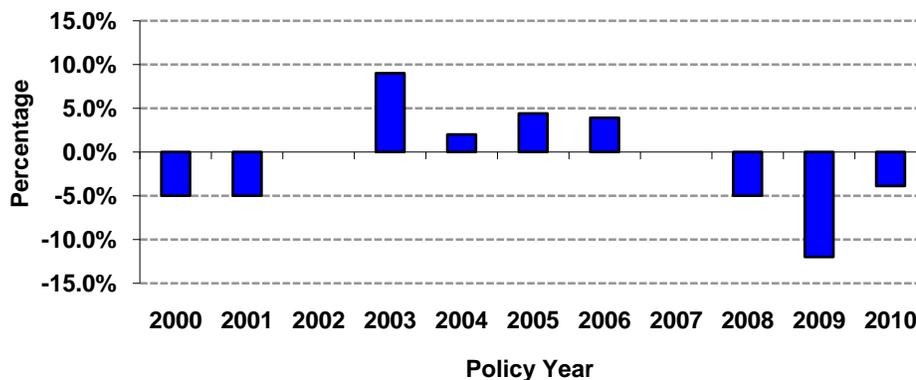
### **Net Assets and Funding Ratio**

One of the recommendations of the study was that BWC should develop a policy regarding its funding ratio. The following is a discussion of the funding ratio for the State Insurance Fund, which covers the vast majority of claims handled by BWC. This ratio is commonly used within the insurance business to gauge a provider's ability to meet its obligations over time and is equal to the Bureau's funded assets (which includes cash, investments, and expected premiums, but does not include physical assets, such as buildings) divided by discounted reserves (claim-related liabilities reduced by the expected rate of growth of its invested assets and currently assumed to be 4.0%). This measurement allows for the amounts available to pay claims to be compared against current liabilities. Although it is considered best practice to have considerably more assets than liabilities in order to absorb unexpected increases in claim activity (that is, a funding ratio with a value above 1.0), it is equally undesirable to allow assets to exceed liabilities by too wide a margin. This would suggest that, given investment income and other receipts, premium rates may be too high compared to market competitors. In response to the Deloitte suggestion, BWC set a target ratio of between 1.15 and 1.35. The current ratio, as of January 2011, is 1.29.

### **Premium Rates**

Chart 2 shows the percentage change in private employer premiums from policy year (PY) 2000-PY 2010. As with the state fiscal year, the policy year runs from July 1 to June 30. However, the naming convention differs. For example, the period of July 1, 2010 through June 30, 2011 is FY 2011 and PY 2010. During PY 2010, BWC continued a trend of reducing premium rates (on average) and reduced rates for private employers by 3.9% in response to an overall reduction in claim activities and projected liabilities. During that time, BWC covered approximately 251,009 private employers.

**Chart 2: Average Annual Change  
in Private Employer Premium Rates, PY 2000-PY 2010**



### Deputy Inspector General for BWC and OIC

Investigations of fraud or mismanagement inside BWC were previously handled by the Internal Affairs Program. H.B. 100 effectively eliminated this program and replaced it with a program headed by the Deputy Inspector General for BWC and OIC, who is appointed by the Inspector General. The Deputy Inspector General investigates allegations concerning improper conduct by BWC and OIC officers and employees, as well as allegations of fraud committed by participants in the workers' compensation system. Table 2 below provides some operating statistics related to the work of the Deputy Inspector General over the CY 2008-CY 2009 period.

<b>Table 2. Deputy Inspector General for BWC and OIC Statistics, CY 2008-CY 2009</b>		
<b>Action</b>	<b>CY 2008</b>	<b>CY 2009</b>
Complaints Reviewed	39	34
Investigations Opened	14	12
Investigations Declined	23	22
Referral	1	0
Investigations Closed	24	15

The executive budget requires the Director of Budget and Management to make two transfers of \$212,500 in each fiscal year (a total of \$850,000 over the biennium) from the Workers' Compensation Fund (Fund 7023) to the Deputy Inspector General for BWC and OIC Fund (Fund 5FT0) to support the operations of the Deputy Inspector General. These funds are appropriated in the main operating budget under the Office of the Inspector General in line item 965609, Deputy Inspector General for BWC/OIC.

**Office closings**

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

## ANALYSIS OF EXECUTIVE PROPOSAL

### Introduction

This section provides an analysis of the Governor's recommended funding for the 12 line items in BWC's budget. The analysis groups BWC's line items into four major categories corresponding to agency operations. For each category a table is provided listing the 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, Risk, and Medical Management;
2. Administration;
3. Safety Programs; and
4. Special Benefits.

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

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

## Category 1: Claims, Risk, and Medical Management

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

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

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

The executive recommendation for this line item is \$125.4 million for FY 2012, a 12.02% decrease from the FY 2011 appropriation, and \$124.2 million for FY 2013, a 1% decrease from the proposed FY 2012 amount. Overall, the line item accounts for 43.3% of BWC's total recommended funding. Actual FY 2010 expenditures from this line item were roughly \$119.1 million. The various functions covered by the appropriation, as well as the recommended funding levels for each, are listed in the table below.

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

### **Field Operations**

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

### **Injury Management Services**

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

### **Employers Services and Self-Insured Services**

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

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

Fund, and \$27.7 million was paid out in FY 2010. Fines levied against self-insured employers when they are in violation of a rule or a law are also deposited into the Guaranty Fund. BWC collected \$206,680 in fines from this source during FY 2010.

#### **Customer Contact Center**

Approximately \$4.0 million in FY 2012 and FY 2013 (or roughly 3.2% in each year) is slated for customer service and the Customer Contact Center. The Center provides information regarding BWC's processes, law, policies, and procedures, and directs customers to the corresponding forms. It also assists new employers in obtaining BWC coverage and helps employers that already have coverage with policy account information regarding invoices, payroll data, etc. The roughly 60 employees in this area handle an average of 780,000 queries annually.

#### **Safety Violations and Ombudsperson**

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

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

The executive recommendation for this line item is \$11.3 million for FY 2012, a 13.51% decrease over FY 2011 appropriations, and \$11.2 million for FY 2013, a 1.5% decrease from the proposed FY 2012 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. During FY 2010, 5,245 allegations were processed, with 2,851 of these cases being closed and 240 being referred to the Attorney General for prosecution. The Special Investigations Department has adjusted its focus to take into account the growing amount of Internet and electronic fraud. Thus, the Department has increased expenses related to data storage and electronic evidence. The line item also provides for security services at BWC's 15 offices throughout the state.

## Category 2: Administration

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

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

### Administrative Services (855409)

The executive recommendation for this line item is \$101.7 million in FY 2012, a 15.37% decrease from FY 2011 appropriations, and \$104.1 million in FY 2013, a 2.4% increase over proposed FY 2012 funding. Overall, this line item accounts for 35.1% of BWC's total recommended budget.

General administrative duties within the Bureau are broken down into five separate divisions: Fiscal and Planning, Actuarial, Investments, Human Resources, Legal, and Infrastructure and Technology. The Fiscal and Planning Division provides fiscal management, general accounting, payroll, and other fiscal functions for BWC. The Actuarial Division maintains the stability of the State Insurance Fund by setting premium rates and claims reserves. The Investments Division is responsible for investing the assets of the State Insurance Fund. The Human Resources Division provides leadership and guidance to BWC management and staff in areas of Equal Employment Opportunity, Employee/Labor Relations, Payroll/Benefits and Personnel, and Quality Services. The Legal Division provides legal advice to BWC on claims procedures and policy and represents the State Insurance Fund in administrative appeals. The Infrastructure and Technology Division is responsible for all computer equipment and software maintenance.

**William Green Lease Payments to OBA (855401)**

The executive recommendation for this line item is \$18.3 million in FY 2012, a 4.0% decrease over the FY 2011 appropriation of \$19.0 million, and \$17.5 million in FY 2013, a 4.1% reduction from the amount recommended for FY 2012. This line item is used to make lease payments to the Ohio Building Authority (OBA) for the space occupied by BWC in the William Green Building. OBA, in turn, uses these funds to make debt service payments on the building and provide maintenance.

**Attorney General Payments (855410)**

The executive recommendation for this line item is \$4.6 million in both fiscal years, no change over the FY 2011 appropriation. This line item funds half of the cost related to the legal services of the Attorney General's Workers' Compensation Section. The remaining half is paid by the Industrial Commission. The Workers' Compensation Section provides legal counsel to BWC and OIC. Most cases are appeals of workers' compensation claims filed in county common pleas courts. In addition, temporary law included within the executive budget requires that up to \$828,200 be used to pay the expenses of the Workers' Compensation Fraud Unit of the Attorney General's Office. In contrast to other costs split with OIC, the Bureau pays all costs associated with the Fraud unit.

### Category 3: Safety and Hygiene

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

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

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

Combined, the proposed funding for these two line items accounts for approximately 81.5% of the funding within the Safety and Hygiene category. The executive recommendation for the Safety and Hygiene line item is \$20.4 million for FY 2012, a 1.7% decrease compared to the FY 2011 appropriation of \$20.7 million. The amount recommended for FY 2013 is \$20.2 million, a 1.1% decrease from the FY 2012 amount. The executive recommendation for line item 855601, OSHA Enforcement, is \$1.7 million for FY 2012 and \$1.6 million for FY 2013. Overall, these two line items account for 7.6% of BWC's total recommended funding. Both line items fund the operations of the Division of Safety and Hygiene. The Division is responsible for creating safe work environments through the investigation and prevention of industrial accidents and disease. The Division's responsibilities include: (1) making targeted visits to employers with high frequency of accidents to educate them in risk and safety management, (2) providing safety and health consultative services to Ohio's public employers, (3) administering the Safety Grants Program (see line item 855610 below) which assists employers with the cost of implementing programs designed to reduce cumulative stress disorder and other injuries (see line item 855610 below), and (4) supporting local safety councils, which offer educational resources for safety and health in the workplace.

During FY 2010, the Safety and Hygiene Division conducted 800 workplace inspections, provided roughly 340 safety training classes, six online courses, and 93

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

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

### **Gear Program (855610)**

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

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

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

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

The executive recommendation for this line item is \$1.0 million in both FY 2012 and FY 2013, a 50% decrease from the FY 2011 appropriation of \$2.0 million. The Long Term Care Loan Program reimburses long-term care facilities, such as nursing homes or hospitals, for interest paid on loans used to purchase no-manual lift devices. Because manually lifting patients is a common source of injury claims, these devices could potentially reduce lift-related injuries at facilities. Under the program, BWC reimburses interest on loans of up to \$100,000. The reimbursable interest rate on loans is capped at prime plus 2.5%. The program began in FY 2007. The substantial decrease in the appropriation amount for this program is due to lack of demand. In FY 2010, there were five participants in the program. In total, BWC paid approximately \$10,765 in interest on \$212,616 in loans. Costs to administer the program in FY 2010 were \$2,893.

## Category 4: Special Benefits

Appropriations in this category are used to provide special benefits to employers with additional workers' compensation coverage required by federal law. A percentage of expenditures related to the administration of these benefits have previously been picked up by other line items within BWC's budget. The Governor's recommended budget increases the special benefit appropriations in order to return these costs to the appropriate line items.

Governor's Recommended Amounts for Special Benefits				
Fund	ALI and Name		FY 2012	FY 2013
<b>Workers' Compensation Fund Group</b>				
8220	855606	Coal Workers' Fund	\$1,050,586	\$1,047,666
8230	855608	Marine Industry	\$76,532	\$75,527
8250	855605	Disabled Workers Relief Fund	\$322,266	\$319,718
<b>Total Funding: Special Benefits</b>			<b>\$1,449,384</b>	<b>\$1,442,911</b>

### Coal Workers' Fund (855606)

The executive recommendation for this line item is roughly \$1.1 million for FY 2012 and FY 2013, a 1,043% increase over FY 2011 appropriations that is attributable to a proposed medical study described in further detail below. 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 2008 were \$80,165; disbursements from the fund were \$78,841.

Causing the substantial increase in appropriations is a planned medical study of the causes and effects of black lung disease. This study is expected to be conducted in conjunction with Ohio University's College of Osteopathic Medicine and will provide basic population-based research that could potentially help BWC and the rest of the medical community provide better treatment of black lung disease. The study will be conducted over a five-year period with an annual cost of approximately \$900,000.

### Marine Industry (855608)

The executive recommendation for this line item is \$76,532 for FY 2012, a 41.9% increase over the FY 2011 appropriation, and \$75,527 for FY 2013, a 1.3% decrease compared to the proposed FY 2012 amount. This line item is used to pay operating costs associated with the Marine Industry Fund (Fund 8230), which provides benefits to

injured dock workers and other maritime employees that are not seamen, as required by the Longshoreman's and Harbor Workers' Compensation Act Amendments of 1972. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, that is paid by marine industry employers who elect to insure payment of benefits required by this Act. The fund serves approximately 222 Ohio employers and has approximately 300 open claims currently. During FY 2010, total revenues to the fund were \$45,135; disbursements from the fund were \$45,912.

**Disabled Workers Relief Fund (855605)**

The executive recommendation for this line item is \$322,266 for FY 2012, a 34.6% decrease over the FY 2011 appropriations of \$492,500, and \$319,718 for FY 2013, a 0.8% decrease over the proposed FY 2012 appropriation. This line item pays operating costs associated with the Disabled Workers Relief Fund (DWRF), which provides supplemental cost-of-living benefits to approximately 19,000 permanently and totally disabled persons receiving benefits. The fund is maintained by an additional premium charge of \$0.10 per \$100 of payroll and 0.1% of State Insurance Fund employer premiums.

## Bureau of Workers' Compensation

### Workers' Compensation Fund Group

#### 7023 855401 William Green Lease Payments to OBA

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$20,237,720	\$20,571,723	\$19,795,610	\$19,049,395	<b>\$18,291,365</b>	<b>\$17,533,370</b>
	1.7%	-3.8%	-3.8%	<b>-4.0%</b>	<b>-4.1%</b>

**Source:** Workers' Compensation Fund Group: Assessments paid by employers

**Legal Basis:** ORC 4123.443; Section 201 of Am. Sub. H.B. 15 of the 128th G.A. (originally established by Sub. S.B. 218 of the 119th G.A.)

**Purpose:** This line item is used to make rental payments to the Ohio Building Authority for the Bureau's headquarters in downtown Columbus. Uncodified language appropriates additional moneys for this purpose if they are needed to fulfill these lease payment obligations.

#### 7023 855407 Claims, Risk and Medical Management

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$124,950,724	\$129,972,257	\$119,120,254	\$142,659,528	<b>\$125,427,732</b>	<b>\$124,192,959</b>
	4.0%	-8.3%	19.8%	<b>-12.1%</b>	<b>-1.0%</b>

**Source:** Workers' Compensation Fund Group: Assessments paid by employers

**Legal Basis:** Section 201 of Am. Sub. H.B. 15 of the 128th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd 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 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$11,133,024	\$11,025,170	\$10,229,628	\$13,101,761	<b>\$11,331,154</b>	<b>\$11,164,226</b>
	-1.0%	-7.2%	28.1%	<b>-13.5%</b>	<b>-1.5%</b>

**Source:** Workers' Compensation Fund Group: Assessments paid by employers

**Legal Basis:** Section 201 of Am. Sub. H.B. 15 of the 128th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd 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 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$115,756,351	\$95,977,840	\$91,652,258	\$120,192,995	<b>\$101,724,950</b>	<b>\$104,136,037</b>
	-17.1%	-4.5%	31.1%	<b>-15.4%</b>	<b>2.4%</b>

**Source:** Workers' Compensation Fund Group: Assessments paid by employers

**Legal Basis:** Sections 201 and 211 of Am. Sub. H.B. 15 of the 128th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd 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 FY 2012 - FY 2013, \$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.

## Bureau of Workers' Compensation

### 7023 855410 Attorney General Payments

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$4,099,303	\$4,224,601	\$4,201,572	\$4,621,850	<b>\$4,621,850</b>	<b>\$4,621,850</b>
	3.1%	-0.5%	10.0%	<b>0.0%</b>	<b>0.0%</b>

**Source:** Workers' Compensation Fund Group: Assessments paid by employers

**Legal Basis:** Section 201 of Am. Sub. H.B. 15 of the 128th G.A. (originally established by Am. Sub. H.B. 363 of the 122nd G.A.)

**Purpose:** This line item funds 50% of the costs related to the legal services of the Attorney General's Workers' Compensation Section, which includes expenses related to workers' compensation fraud investigation. The Ohio Industrial Commission pays the remaining portion. Both agencies make alternating quarterly payments during the fiscal year. The bill earmarks \$828,200 in each year of the FY 2012-FY 2013 biennium for the Attorney General's workers' compensation fraud unit.

### 8220 855606 Coal Workers' Fund

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$80,912	\$85,232	\$78,842	\$91,894	<b>\$1,050,586</b>	<b>\$1,047,666</b>
	5.3%	-7.5%	16.6%	<b>1043.3%</b>	<b>-0.3%</b>

**Source:** Workers' Compensation Fund Group: Additional assessments paid by coal industry employers

**Legal Basis:** ORC 4131.03; Section 201 of Am. Sub. H.B. 15 of the 128th G.A.

**Purpose:** This line item funds the administrative costs of the Coal Workers' Pneumoconiosis Fund, which is in the custody of the Treasurer of State. The fund provides benefits as directed by the Federal Coal Mine Health and Safety Act of 1969.

### 8230 855608 Marine Industry

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$45,101	\$45,913	\$48,301	\$53,952	<b>\$76,532</b>	<b>\$75,527</b>
	1.8%	5.2%	11.7%	<b>41.9%</b>	<b>-1.3%</b>

**Source:** Workers' Compensation Fund Group: Additional assessments charged to marine industry employers

**Legal Basis:** ORC 4131.13; Section 201 of Am. Sub. H.B. 15 of the 128th 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.

## Bureau of Workers' Compensation

### 8250 855605 Disabled Workers Relief Fund

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$432,432	\$331,211	\$275,292	\$492,500	<b>\$322,266</b>	<b>\$319,718</b>
	-23.4%	-16.9%	78.9%	<b>-34.6%</b>	<b>-0.8%</b>

**Source:** Workers' Compensation 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 201 of Am. Sub. H.B. 15 of the 128th 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 benefits from the fund. 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.

### 8260 855609 Safety and Hygiene Operating

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$19,696,991	\$18,228,554	\$18,098,331	\$20,734,750	<b>\$20,382,567</b>	<b>\$20,161,132</b>
	-7.5%	-0.7%	14.6%	<b>-1.7%</b>	<b>-1.1%</b>

**Source:** Workers' Compensation Fund Group: Safety and Hygiene Fund assessments charged to employers calculated as a percentage of paid premiums (1% for private employers and .75% for public employers)

**Legal Basis:** ORC 4121.37; Section 201 of Am. Sub. H.B. 15 of the 128th 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.

### 8260 855610 Gear Program

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$3,707,753	\$3,866,297	\$2,795,718	\$4,000,000	<b>\$4,000,000</b>	<b>\$4,000,000</b>
	4.3%	-27.7%	43.1%	<b>0.0%</b>	<b>0.0%</b>

**Source:** Workers' Compensation Fund Group: Transfers from the State Insurance Fund

**Legal Basis:** Section 201 of Am. Sub. H.B. 15 of the 128th G.A. (originally established by Am. Sub. H.B. 107 of the 120th G.A.)

**Purpose:** This line item funds the Division of Safety and Hygiene's Safety Grants program. These grants are available to State Insurance Fund employers that wish to purchase equipment that substantially reduces or eliminate injuries and illnesses associated with a particular task or operation.

## Bureau of Workers' Compensation

### 8290 855604 Long Term Care Loan Program

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$1,725	\$9,620	\$13,568	\$2,000,000	<b>\$1,000,000</b>	<b>\$1,000,000</b>
	457.6%	41.0%	14641.0%	<b>-50.0%</b>	<b>0.0%</b>

**Source:** Workers' Compensation Fund Group: Transfer from the Safety and Hygiene Operating Fund (Fund 8260)

**Legal Basis:** ORC 4121.48; Section 201 of Am. Sub. H.B. 15 of the 128th G.A. (originally established by Am. Sub. H.B. 67 of the 126th G.A.)

**Purpose:** The Long Term Care Loan Fund 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.

## General Services Fund Group

### 5FP0 855607 Workers' Compensation Council

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$0	\$10,834	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	N/A	-100%	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** General Services Fund Group: Administrative assessments charged to State Fund employers

**Legal Basis:** Discontinued line item

**Purpose:** This appropriation was used to pay all expenses related to the staff of the Workers' Compensation Council, including salary and benefits. Am. Sub. H.B. 15 of the 128th General Assembly, the FY 2010-FY 2011 BWC budget act, provided appropriations for the Workers' Compensation Council separate from those of the Bureau of Workers' Compensation.

## Bureau of Workers' Compensation

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### Federal Special Revenue Fund Group

#### **3490 855601 OSHA Enforcement**

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$1,343,249	\$1,388,307	\$1,532,048	\$1,604,140	<b>\$1,670,998</b>	<b>\$1,647,515</b>
	3.4%	10.4%	4.7%	<b>4.2%</b>	<b>-1.4%</b>

**Source:** Federal Special Revenue Fund Group: Occupational Safety and Health Administration under CFDA 17.504, OSHA Consultation Agreements

**Legal Basis:** Section 201 of Am. Sub. H.B. 15 of the 128th G.A.

**Purpose:** These funds are 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. Matching funds are provided by line item 855609, Safety and Hygiene Operating.

# FY 2012 - FY 2013 Introduced Appropriation Amounts

# All Fund Groups

Line Item Detail by Agency			FY 2010	FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
<b>Report For BWC Budget</b>			<b>Version: As Introduced</b>					
<b>BWC Bureau of Workers' Compensation</b>								
7023	855401	William Green Lease Payments to OBA	\$ 19,795,610	\$ 19,049,395	\$ 18,291,365	-3.98%	\$ 17,533,370	-4.14%
7023	855407	Claims, Risk and Medical Management	\$ 119,120,254	\$ 142,659,528	\$ 125,427,732	-12.08%	\$ 124,192,959	-0.98%
7023	855408	Fraud Prevention	\$ 10,229,628	\$ 13,101,761	\$ 11,331,154	-13.51%	\$ 11,164,226	-1.47%
7023	855409	Administrative Services	\$ 91,652,258	\$ 120,192,995	\$ 101,724,950	-15.37%	\$ 104,136,037	2.37%
7023	855410	Attorney General Payments	\$ 4,201,572	\$ 4,621,850	\$ 4,621,850	0.00%	\$ 4,621,850	0.00%
8220	855606	Coal Workers' Fund	\$ 78,842	\$ 91,894	\$ 1,050,586	1,043.26%	\$ 1,047,666	-0.28%
8230	855608	Marine Industry	\$ 48,301	\$ 53,952	\$ 76,532	41.85%	\$ 75,527	-1.31%
8250	855605	Disabled Workers Relief Fund	\$ 275,292	\$ 492,500	\$ 322,266	-34.57%	\$ 319,718	-0.79%
8260	855609	Safety and Hygiene Operating	\$ 18,098,331	\$ 20,734,750	\$ 20,382,567	-1.70%	\$ 20,161,132	-1.09%
8260	855610	Gear Program	\$ 2,795,718	\$ 4,000,000	\$ 4,000,000	0.00%	\$ 4,000,000	0.00%
8290	855604	Long Term Care Loan Program	\$ 13,568	\$ 2,000,000	\$ 1,000,000	-50.00%	\$ 1,000,000	0.00%
<b>Workers' Compensation Fund Group Total</b>			<b>\$ 266,309,373</b>	<b>\$ 326,998,625</b>	<b>\$ 288,229,002</b>	<b>-11.86%</b>	<b>\$ 288,252,485</b>	<b>0.01%</b>
3490	855601	OSHA Enforcement	\$ 1,532,048	\$ 1,604,140	\$ 1,670,998	4.17%	\$ 1,647,515	-1.41%
<b>Federal Special Revenue Fund Group Total</b>			<b>\$ 1,532,048</b>	<b>\$ 1,604,140</b>	<b>\$ 1,670,998</b>	<b>4.17%</b>	<b>\$ 1,647,515</b>	<b>-1.41%</b>
<b>Bureau of Workers' Compensation Total</b>			<b>\$ 267,841,421</b>	<b>\$ 328,602,765</b>	<b>\$ 289,900,000</b>	<b>-11.78%</b>	<b>\$ 289,900,000</b>	<b>0.00%</b>

# Workers' Compensation Council

- Recommended funding of \$471,200 in each fiscal year
- Legislative body that studies changes to workers' compensation laws

## OVERVIEW

H.B. 100 of the 127th General Assembly, the FY 2008-FY 2009 budget act for BWC and OIC, created the Ohio Workers' Compensation Council (WCC). The mission of the Council is to review the soundness of the workers' compensation system and legislation involving or affecting the workers' compensation system. However, the Council is not involved in the daily operations and oversight of the Bureau of Workers' Compensation or the Industrial Commission. WCC is an agency in the legislative branch of state government overseen by a panel of 13 members: three appointed by the President of the Senate, three appointed by the Speaker of the House, five members representing different constituencies in the workers' compensation system, and, as *ex officio* appointees, the Chair of the Industrial Commission, and the Administrator of Workers' Compensation. The Council is funded by transfers from the Workers' Compensation Fund (Fund 7023) to the Workers' Compensation Council Fund (Fund 5FV0).

Appropriations for the Workers' Compensation Council				
Fund	ALI and Name		FY 2012	FY 2013
<b>Workers' Compensation Fund Group</b>				
5FV0	321600	Remuneration Expenses	\$471,200	\$471,200

### Remuneration Expenses (321600)

H.B. 123 appropriations for this line item are \$471,200 in each fiscal year. FY 2010 expenditures from this line item were approximately \$285,600. This appropriation was newly created in December of 2008 by H.B. 79 of the 127th General Assembly and is used to pay all expenses related to WCC's staff. During CY 2010, WCC released five finalized reports, analyzed an additional five bills under consideration by the General Assembly, and compiled a database of 600 documents related to workers' compensation.

## Workers' Compensation Council

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### General Services Fund Group

#### **5FV0 321600 Remuneration Expenses**

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$0	\$130,265	\$285,608	\$471,200	<b>\$471,200</b>	<b>\$471,200</b>
	N/A	119.3%	65.0%	<b>0.0%</b>	<b>0.0%</b>

**Source:** General Services Fund Group: Administrative assessments charged to State Fund employers transferred from the Workers' Compensation Fund (Fund 7023)

**Legal Basis:** Section 203 of Am. Sub. H.B. 15 of the 128th G.A.

**Purpose:** This line item is used to pay all expenses associated with the staff of the Workers' Compensation Council, including payroll and all benefits. All other expenses are paid from the Workers' Compensation Council Fund, a custodial fund that is not subject to appropriation by the General Assembly.

# FY 2012 - FY 2013 Introduced Appropriation Amounts

# All Fund Groups

Line Item Detail by Agency			FY 2010	FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
<b>Report For BWC Budget</b>			<b>Version: As Introduced</b>					
<b>WCC Workers' Compensation Council</b>								
5FV0	321600	Remuneration Expenses	\$ 285,608	\$ 471,200	\$ 471,200	0.00%	\$ 471,200	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 285,608</b>	<b>\$ 471,200</b>	<b>\$ 471,200</b>	<b>0.00%</b>	<b>\$ 471,200</b>	<b>0.00%</b>
<b>Workers' Compensation Council Total</b>			<b>\$ 285,608</b>	<b>\$ 471,200</b>	<b>\$ 471,200</b>	<b>0.00%</b>	<b>\$ 471,200</b>	<b>0.00%</b>

# Ohio Industrial Commission

- Proposed funding of \$59.5 million in FY 2012 and \$58.4 million in FY 2013
- 17.5% reduction in staff over past six years
- Handles roughly 160,000 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. OIC receives no GRF funding. The Commission is lead by a panel of three commissioners, all of whom are appointed by the Governor. Each commissioner must have at least six years of experience in workers' compensation and at least one member must be licensed to practice law in Ohio. One member represents employees, one represents employers, and one represents the public. Each commissioner serves a six-year term. OIC has a staff of 457.

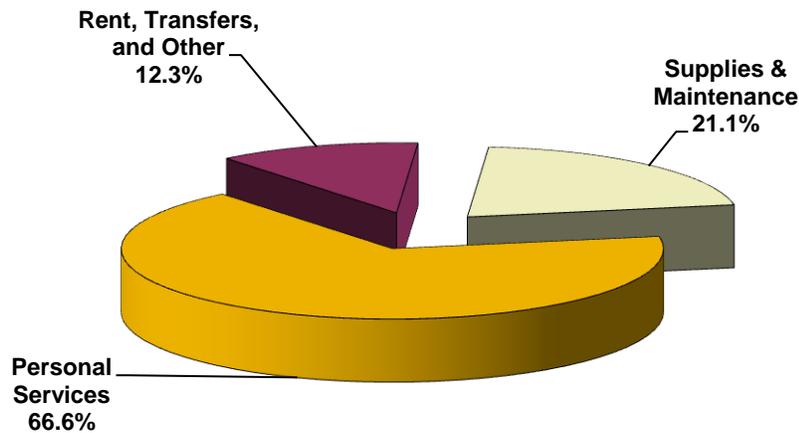
## Appropriation Overview

The executive budget recommends OIC appropriations of \$59.5 million for FY 2012, a 5.0% decrease from FY 2011 appropriations of \$62.6 million. Recommended funding for FY 2013 is \$58.4 million, a 1.9% decrease over the amount recommended for FY 2012. All OIC appropriations for FY 2012 and FY 2013 are funded by the Industrial Commission Operating Fund (Fund 5W30). As mentioned above, Fund 5W30 consists of revenues derived from administrative cost assessments collected by BWC and transmitted to OIC.

### Appropriations by Expense Category

As Chart 3 below indicates, \$78.5 million (66.6%) of OIC's appropriations for the FY 2012-FY 2013 biennium are slated for personnel costs. The second greatest planned expense is supplies and maintenance, at approximately \$24.9 million (21.1%) of recommended appropriations. Other costs – including transfers, equipment, and purchased services – make up the remaining \$14.5 million (12.3%).

**Chart 3: Biennial Executive Budget Recommendations  
by Expense Category for FY 2012-FY 2013  
(\$117.9 million)**



Overall, OIC staffing levels have decreased by 17.5% since FY 2005, from 554 to 457 in March 2011, mostly through a combination of attrition and early retirement incentives. OIC anticipates further attrition in upcoming years, attributable to automation in document distribution and other efficiencies. The recommended funding will allow OIC to maintain current service levels and absorb increases in demand of up to roughly 10%, or up to approximately 180,000 hearings per year.

## ANALYSIS OF EXECUTIVE PROPOSAL

### Claims Adjudication

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

Governor's Recommended Amounts for Claims Adjudication				
Fund	ALI and Name		FY 2012	FY 2013
<b>Workers' Compensation Fund Group</b>				
5W30	845321	Operating Expenses	\$50,100,000	\$48,900,000
5W30	845402	Rent – William Green Building	\$5,500,000	\$5,500,000
5W30	845410	Attorney General Payments	\$3,900,000	\$4,000,000
<b>Total Funding: Claims Adjudication</b>			<b>\$59,500,000</b>	<b>\$58,400,000</b>

#### Operating Expenses (845321)

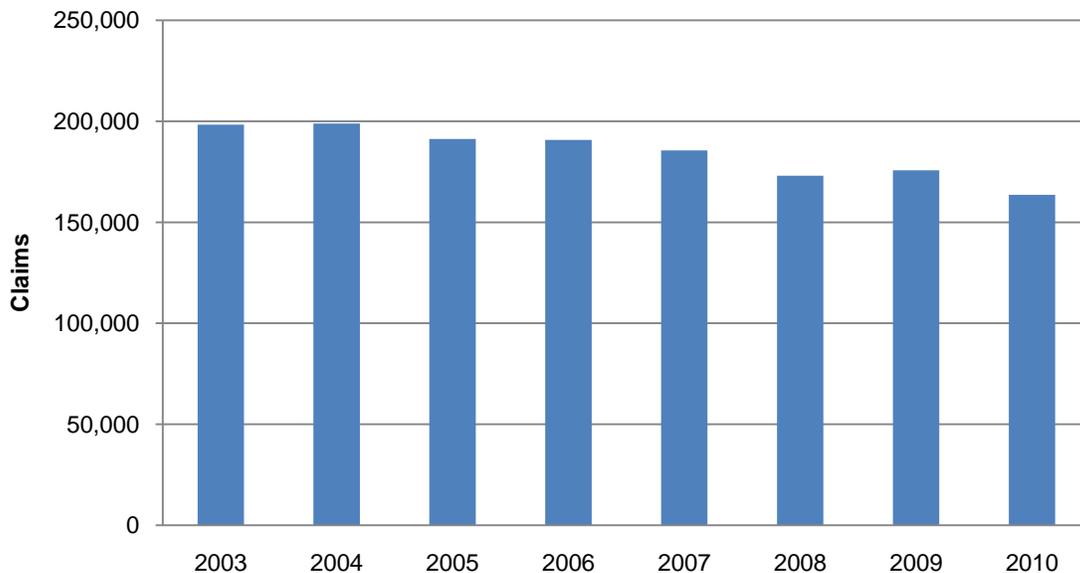
The Governor's proposed funding for this line item is \$50.1 million for FY 2012, a 5.2% reduction over the FY 2011 appropriation of \$52.8 million. The recommendation for FY 2013 is \$48.9 million, a 2.4% decrease from the amount recommended for FY 2012. Overall, this appropriation accounts for 84.2% of OIC's total recommended funding. The entirety of this appropriation supports claims adjudication in situations where employers or employees dispute a BWC claims determination. Disputed claims typically involve the extent of medical services provided or lost-time benefits. During FY 2009, OIC closed an office in the Canton area. All 12 affected employees were transferred to an office in Akron that OIC shares with BWC. Total annual savings from this consolidation are estimated at roughly \$460,000.

#### 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 4 shows the number of hearings

conducted by OIC from FY 2003 to FY 2010. During this period, the number of annual claims has decreased by 17.5%, from 198,315 in FY 2003 to 163,574 in FY 2010.

**Chart 4: Claims Heard by Fiscal Year**



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

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

The executive recommendation for this line item is \$5.5 million in each fiscal year, a 8.52% reduction over the \$6 million appropriated for FY 2011. This line item is used to pay rent and miscellaneous maintenance costs for the Commission's offices located in the William Green Building. These payments are remitted to OBA to pay the principal and interest on bonds issued to finance the construction of the William Green Building. During FY 2010 and FY 2011, OIC was able to reduce its space needs in the William Green Building, accounting for reduction in this appropriation for the FY 2012-

FY 2013 biennium. Bonds associated with the building are expected to be retired in FY 2014.

**Attorney General Payments (845410)**

The recommended funding for this line item is \$3.9 million in FY 2012, an approximate 2.8% increase over the FY 2011 appropriation of \$3.8 million. The recommended FY 2013 appropriation is \$4.0 million, a 2.6% increase over proposed FY 2012 funding. This line item provides OIC's portion of the costs related to the legal services of the Attorney General's Workers' Compensation Section. The remaining portion of the costs are paid by BWC. The Attorney General provides investigative and other legal services related to fraud cases.

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## Ohio Industrial Commission

### Workers' Compensation Fund Group

#### 5W30 845321 Operating Expenses

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$46,123,313	\$46,113,882	\$42,452,571	\$52,838,924	<b>\$50,100,000</b>	<b>\$48,900,000</b>
	0.0%	-7.9%	24.5%	<b>-5.2%</b>	<b>-2.4%</b>

**Source:** Workers' Compensation Fund Group: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

**Legal Basis:** ORC 4121.021 and 4123.342; Section 2011 of Am. Sub. H.B. 16 of the 128th G.A.

**Purpose:** Funds in this line item support 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 (BWC).

#### 5W30 845402 Rent-William Green Building

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$5,850,239	\$6,045,354	\$5,182,311	\$6,011,960	<b>\$5,500,000</b>	<b>\$5,500,000</b>
	3.3%	-14.3%	16.0%	<b>-8.5%</b>	<b>0.0%</b>

**Source:** Workers' Compensation Fund Group: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

**Legal Basis:** ORC 4123.443; Section 201 of Am. Sub. H.B. 16 of the 128th G.A.

**Purpose:** This account 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 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$3,422,737	\$3,301,591	\$3,372,802	\$3,793,650	<b>\$3,900,000</b>	<b>\$4,000,000</b>
	-3.5%	2.2%	12.5%	<b>2.8%</b>	<b>2.6%</b>

**Source:** Workers' Compensation Fund Group: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

**Legal Basis:** ORC 4123.92; Section 201 of H.B. 16 of the 128th G.A.

**Purpose:** This line item funds 50% of the 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 during the fiscal year.

## Ohio Industrial Commission

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**8210 845605 Program Support**

FY 2008	FY 2009	FY 2010	FY 2011	Introduced FY 2012	Introduced FY 2013
\$161,980	\$41,564	\$13,523	\$0	<b>\$0</b>	<b>\$0</b>
	-74.3%	-67.5%	-100%	<b>N/A</b>	<b>N/A</b>

**Source:** Workers' Compensation Fund Group: Revenues from sources such as coin copiers, pay telephones, publications, and income from conferences

**Legal Basis:** Discontinued line item

**Purpose:** This line item was used to pay for expenses related to photocopiers, replacement of office equipment and furniture, and conferences sponsored by the Commission.

# FY 2012 - FY 2013 Introduced Appropriation Amounts

# All Fund Groups

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