

# **LSC Redbook**

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

H.B. 33 & H.B. 34 of the 130th 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 \$283.6 million in FY 2014 and \$267.1 million in FY 2015

**Ohio Industrial Commission**

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

## OVERVIEW

This Redbook provides an analysis of the Governor's FY 2014-FY 2015 funding proposals for the Bureau of Workers' Compensation (BWC) contained in H.B. 34, and the Ohio Industrial Commission (OIC) contained in H.B. 33. 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. 34, the BWC budget bill, proposes changes to the way certain medical claims are handled. Proposed changes affecting employers include (1) allowing taxing districts to participate in BWC's One Claim premium discount program, and (2) eliminating the \$15,000 Medical-Only Claims Program. The bill also proposes a number of administrative changes that affect BWC operations. In contrast, H.B. 33, the 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 the LSC budget spreadsheet for each agency.

## Executive Recommendations for FY 2014-FY 2015

The Governor's funding proposals for BWC and OIC are summarized in the table on the following page. The total amount of funding recommended for BWC and OIC is \$339.2 million in FY 2014 and \$321.5 million in FY 2015. The proposed funding for BWC is \$283.6 million in FY 2014, accounting for 83.6% of the total in that fiscal year for both agencies. The proposed funding for OIC is \$55.6 million, accounting for 16.4% of workers' compensation system appropriations recommended for FY 2014. Proposed FY 2015 funding for BWC is \$267.1 million, 5.8% less than the amount recommended for FY 2014, while the recommended funding for OIC is \$54.4 million, or 2.2% lower than the amount proposed for FY 2014.

| <b>Governor's FY 2014-FY 2015 Funding Proposals for BWC and OIC</b> |                                    |                               |                               |
|---|------------------------------------|-------------------------------|-------------------------------|
| <b>Agency</b>   | <b>FY 2013* Estimated Spending</b> | <b>FY 2014 Recommendation</b> | <b>FY 2015 Recommendation</b> |
| <b>H.B. 34</b>  |                                    |                               |                               |
| Bureau of Workers' Compensation                                     | \$286,760,404                      | \$283,610,000                 | \$267,083,900                 |
| <b>H.B. 33</b>  |                                    |                               |                               |
| Industrial Commission   | \$54,494,459                       | \$55,642,436                  | \$54,428,168                  |
| <b>TOTAL</b>  | <b>\$343,992,404</b>               | <b>\$339,252,436</b>          | <b>\$321,512,068</b>          |

\* The amounts listed for FY 2013 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. 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.

# Bureau of Workers' Compensation

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

## OVERVIEW

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States. An exclusive system is one in which the state, not private insurers, provides workers' compensation insurance to all public and private employers 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 2012, approximately 253,000 employers maintained policies with the Bureau, while just fewer than 1,200 employers qualified for self-insurance. According to the Department of Administrative Services' monthly employee report, as of December 2012, BWC had 1,914 employees, of which 1,843 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 2014-FY 2015 Appropriations

### Appropriations by Fund Group

The executive budget recommends funding BWC at \$283.6 million in FY 2014 and \$267.1 million in FY 2015. Except for approximately \$1.8 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 are shown in Table 1 below.

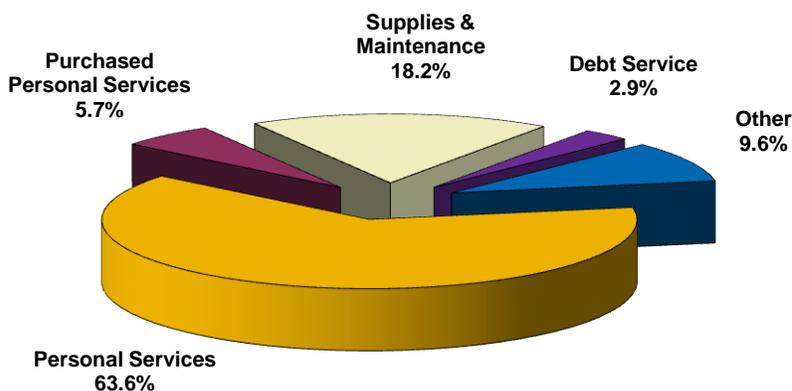
| <b>Table 1. Executive Budget Recommendations by Fund Group, FY 2014-FY 2015</b> |                      |                      |                                  |                      |                                  |
|---|----------------------|----------------------|----------------------------------|----------------------|----------------------------------|
| <b>Fund Group</b>   | <b>FY 2013*</b>      | <b>FY 2014</b>       | <b>% Change, FY 2013-FY 2014</b> | <b>FY 2015</b>       | <b>% Change, FY 2014-FY 2015</b> |
| Workers' Compensation   | \$284,912,485        | \$281,762,081        | (1.11)%                          | \$265,235,981        | (5.87)%                          |
| Federal Special Revenue   | \$1,847,919          | \$1,847,919          | 0%                               | \$1,847,919          | 0.0%                             |
| <b>TOTAL</b>  | <b>\$286,760,404</b> | <b>\$283,610,000</b> | <b>(1.10)%</b>                   | <b>\$267,083,900</b> | <b>(5.83)%</b>                   |

\* FY 2013 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 2014-FY 2015 biennium. Of the \$550.7 million biennial total, personal services account for \$350.1 million (63.6%) of the budget recommended by the executive for the upcoming biennium. Supplies and maintenance accounts for \$100.4 million (18.2%) of the proposed funding. Purchased personal services make up \$31.4 million (5.7%) of BWC's recommended budget. Other expenses – such as equipment, subsidies, and transfers – together make up the remaining \$52.7 million (9.6%) of proposed funding. Debt service payments on the William Green Building account for \$16.0 million (2.9%) of BWC's appropriation, but will cease after FY 2014 as the outstanding debt will be retired.

**Chart 1: Executive Budget Recommendations by Expense Category for FY 2014-FY 2015 (\$550.7 million)**



## Proposed Statutory Changes

The Governor's recommended funding proposal also contains statutory changes that affect the workers' compensation system. Some of the proposed statutory changes in H.B. 34 concern the handling of injury and medical claims, and thus from a budget standpoint mostly affect the State Insurance Fund. Among other provisions, one of the proposed changes concerns public employer taxing districts that, if implemented, could reduce workers' compensation premium costs for affected local government employers. Specifically, the provision allows public employers to participate in BWC's One Claim Program already available to private state fund employers currently enrolled in a group-experience-rating program. Overall, the One Claim Program is designed to mitigate the impact of a serious injury claim that could otherwise significantly affect an employer's experience rating and premium payments. Finally, there are a number of changes that affect administrative functions of the Bureau. A more detailed review of these provisions can be found in the LSC Comparison Document for H.B. 34.

### Claims Processing

Certain other provisions affect the Surplus Fund Account, a sub-account within the State Insurance Fund that consists of a premium reserve used to cover the cost of claims that cannot be charged to an employer's experience. One such provision allows BWC to pay for an initial fill of prescription drugs related to an employee injury before the claim is approved. A second provision allows the Administrator of Workers' Compensation to establish specified medical services that are presumptively authorized payable prior to a final BWC determination allowing a claim. In both cases, these costs would be paid from the Surplus Fund Account if the claim is denied. Another proposed statutory change would allow the Administrator to seek reimbursement from a claimant's third-party provider for any benefits paid by BWC for a claim that is ultimately denied. Any reimbursement received would be deposited in the Surplus Fund Account.

### 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. 34 would allow state fund taxing district employers to participate in the One Claim Program. Participation in the One Claim Program could allow 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 2012, there were approximately 3,801 public taxing district employers.

## Management and Operations

Several statutory changes proposed in H.B. 34 affect administrative functions within BWC. The proposed changes include modifications to actuarial reporting requirements, changes to the applicability of public records laws to BWC investigation files, and elimination of the BWC \$15,000 Medical-Only Claims Program wherein participating employers could pay the first \$15,000 on an employee's medical only claim directly, without having those costs charged to the employer's experience. Overall, these proposed changes do not appear to have any significant fiscal effect on BWC's administrative costs.

## Issues of Interest

### Claims Statistics

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

| <b>Table 2. Workers' Compensation Claims Statistics, FY 2010-FY 2012</b> |                        |                        |                        |
|--|------------------------|------------------------|------------------------|
|  | <b>FY 2010</b>         | <b>FY 2011</b>         | <b>FY 2012</b>         |
| Benefits Paid  |                        |                        |                        |
| Medical  | \$800,805,344          | \$778,853,015          | \$748,851,329          |
| Lost Time  | \$1,085,580,948        | \$1,832,624,010        | \$1,827,550,255        |
| <b>TOTAL</b>   | <b>\$1,886,386,292</b> | <b>\$1,832,624,010</b> | <b>\$1,827,550,255</b> |
| Number of New Allowed Claims   |                        |                        |                        |
| <b>TOTAL</b>   | <b>104,151</b>         | <b>104,835</b>         | <b>101,165</b>         |
| Number of Open Claims  |                        |                        |                        |
| <b>TOTAL</b>   | <b>1,221,302</b>       | <b>1,129,873</b>       | <b>1,070,056</b>       |

**Destination: Excellence**

During the FY 2012-FY 2013 biennium, BWC introduced the Destination: Excellence Program. Destination: Excellence is a cafeteria style ratings discount program that allows employers to receive premium discounts based on their participation in program components of their choosing. For example, employers that choose to participate in and implement an approved transitional work plan can receive a 10% discount on workers' compensation premiums. Employers that implement the drug-free safety program can receive discounts between 4% and 7% on their premiums. Other components of Destination: Excellence include lapse-free discounts under which employers receive a discount for maintaining workers' compensation coverage for 60 consecutive months, and "Go-Green" discounts whereby employers receive premium discounts for filing required information and making premium payments electronically. Employers can also earn premium discounts under the program by participating in local safety councils, partnering with medical providers and BWC to implement a vocational rehabilitation program for seriously injured workers, and through industry-specific safety programs that require employers to complete a safety self assessment and certain loss prevention activities. In FY 2012, nearly 5,000 employers participated in at least one of the Destination: Excellence components.

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

In FY 2014, BWC is scheduled to make the last lease rental payments on the William Green Building that houses BWC headquarters and several other state agency tenants, including the Ohio Facilities Construction Commission and the Department of Youth Services. At that time, the debt will be retired and the building will become an asset of the Workers' Compensation Fund (Fund 7023). H.B. 34 provides \$16.0 million for the final lease rental payments in FY 2014 under Fund 7023 appropriation item 855401, William Green Lease Payments.

**Group Rating Premium Litigation**

In December 2012, the Cuyahoga County Common Pleas Court ruled in a class action suit that state fund employers that were not part of a group rating plan between 2001 and 2009 are entitled to a partial refund of premiums. In the Court's opinion, discounted premiums paid by group rated employers had been subsidized by nongroup rated employers whose premiums had been overcharged by BWC. Under the ruling, eligible nongroup rated employers in certain hazard classifications are entitled to the refund. The amount to be refunded, which could total up to \$860.0 million, is to be determined subsequent to a hearing scheduled for March 14, 2013. BWC intends to appeal the decision.

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

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

## ANALYSIS OF EXECUTIVE PROPOSAL

### Introduction

This section provides an analysis of the Governor's recommended funding for the 13 line items in BWC's budget. The analysis groups BWC's line items into four major categories corresponding to agency operations. For each category a table is provided listing the 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 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         | 2: Administration              |
| 7023  | 855407       | Claims, Risk, and Medical Management | 1: Claims Management           |
| 7023  | 855408       | Fraud Prevention                     | 1: Claims Management           |
| 7023  | 855409       | Administrative Services              | 2: Administration              |
| 7023  | 855410       | Attorney General Payments            | 2: Administration              |
| 8220  | 855606       | Coal Workers' Fund                   | 4: Special Benefits            |
| 8230  | 855608       | Marine Industry                      | 4: Special Benefits            |
| 8250  | 855605       | Disabled Workers' Relief Fund        | 4: Special Benefits            |
| 8260  | 855609       | Safety and Hygiene Operating         | 3: Safety and Hygiene Programs |
| 8260  | 855610       | Gear Program                         | 3: Safety and Hygiene Programs |
| 8290  | 855604       | Long Term Care Loan Program          | 3: Safety and Hygiene Programs |
| <b>Federal Special Revenue Fund Group</b>   |              |                                      |                                |
| 3490  | 855601       | OSHA Enforcement                     | 3: Safety and Hygiene Programs |
| 3FW0  | 855614       | BLS SOII Grant                       | 3: Safety and Hygiene Programs |

## Category 1: Claims Management

This grouping of line items funds BWC's claims management functions. These items also fund oversight and communications related to the Bureau's managed care system under which medical claims are handled. In addition, this category of spending includes funding for BWC's claimant and medical provider fraud prevention and detection efforts.

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

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

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

| Table 3. Uses of Appropriation 855407, Claims, Risk, and Medical Management |                      |               |                      |               |
|---|----------------------|---------------|----------------------|---------------|
| Function  | FY 2014              | % of Total    | FY 2015              | % of Total    |
| Field Operations  | \$77,758,659         | 65.7%         | \$78,937,416         | 66.7%         |
| Injury Management Services  | \$18,590,300         | 15.7%         | \$16,154,777         | 13.7%         |
| Employer Services   | \$12,855,759         | 10.9%         | \$13,451,161         | 11.4%         |
| Customer Contact Center   | \$4,257,434          | 3.6%          | \$4,802,033          | 4.1%          |
| Self-Insured Services   | \$2,924,405          | 2.5%          | \$2,987,453          | 2.5%          |
| Safety Violations Investigations  | \$876,331            | 0.8%          | \$885,288            | 0.8%          |
| Ombudsperson  | \$721,770            | 0.6%          | \$737,496            | 0.6%          |
| Special Investigations  | \$353,928            | 0.3%          | \$382,962            | 0.3%          |
| <b>TOTAL</b>  | <b>\$118,338,586</b> | <b>100.0%</b> | <b>\$118,338,586</b> | <b>100.0%</b> |

Note: Percentages may not total 100 due to rounding.

**Field Operations**

Approximately two-thirds of the recommended funding for this line item in each fiscal year – \$77.8 million in FY 2014 and \$78.9 million in FY 2015 – is for field operations. Field Operations is responsible for providing claims services to injured workers and employers. In addition to providing initial determinations of claims, Field Operations 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 2012, Field Operations managed and determined more than 112,000 injured worker claims. Field Operations employs nearly 850 individuals.

**Injury Management Services**

The executive budget provides approximately \$18.6 million in FY 2014 and \$16.2 million in FY 2015 for Injury Management Services funded under this line item. This area oversees the Bureau's medical, pharmaceutical, and vocational rehabilitation providers, including the 17 managed care organizations (MCOs) currently certified to manage injury claims. The program serves roughly 250,000 individuals annually. Medical benefits paid by BWC in FY 2012 totaled \$748.9 million. Injury Management Services employs approximately 120 individuals.

**Employer Services**

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

**Self-Insured Services**

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

**Customer Contact Center**

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

**Safety Violations and Ombudsperson**

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 2012, the program conducted 326 investigations. The appropriation also funds the BWC Ombudsperson's Office, which answers inquiries and investigates complaints made by employers, injured workers, and medical providers as they relate to processing workers' compensation claims. In calendar year 2011, the Ombudsperson's Office handled a total of 15,378 contacts with customers, of which 1,572 were complaints and 13,806 were general inquiries.

**Fraud Prevention (855408)**

The executive recommendation for this line item is \$12.1 million for both FY 2014 and FY 2015, the same amount estimated to be spent on these activities in FY 2013. This line item supports the Special Investigations Department, 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 2012, drug cases, working while improperly receiving benefits, and complaints against employers continue to be the three most investigated types of complaints. In FY 2012, 4,198 allegations were processed, with 2,046 of these cases being closed. Ultimately, 251 cases were referred to the Attorney General for prosecution, with 152 resulting indictments.

## Category 2: Administration

Line items in this category fund administrative services that fund the operations of BWC and the integrity of the State Insurance Fund and other funds that support injured workers. These appropriations chiefly cover six areas: finance, actuarial, investments, human resources, legal, and infrastructure and technology. This category also includes appropriations for lease rental payments and payments to cover the operating expenses of the Workers' Compensation Section within the Attorney General's Office.

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

### Administrative Services (855409)

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

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

controls, validates agency compliance with policies, applicable laws, and regulations, and evaluates business processes to ensure that risks are mitigated and agency objectives can be met.

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

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

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

The executive recommendation for this line item is \$4.6 million in both fiscal years, no change over FY 2013 estimated spending. This line item funds half of the cost related to the legal services of the Attorney General's Workers' Compensation Section. The remaining half is paid by the Ohio Industrial Commission. The Workers' Compensation Section provides legal counsel to BWC and OIC. Most cases are appeals of workers' compensation claims filed in county common pleas courts. In addition, temporary law included within the 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.

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

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

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

The Division is responsible for ensuring that employers offer safe work environments through the investigation of industrial accidents and occupational disease and through programs designed to prevent these problems. The Division's responsibilities include: (1) making targeted visits to employers with high frequency of accidents to educate them in risk and safety management, (2) providing safety and

health consultative services to Ohio's public employers, (3) administering the Safety Grants Program (see line item 855610, Gear Program, below) that assists employers with the cost of implementing programs designed to reduce cumulative stress disorder and other injuries, and (4) supporting local safety councils, which offer educational resources for safety and health in the workplace. During FY 2012, the Safety and Hygiene Division conducted 900 workplace inspections, provided roughly 330 safety training classes to 7,375 classroom students and 8,762 students online.

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

The Division also operates OSHA's On-Site Consultation Program. The primary focus of this program is small, high-hazard, private-sector employers. The types of services offered to qualifying employers include safety and health surveys, air and noise monitoring, and safety and health consultations. These services are provided by BWC safety and health consultants and industrial hygienists at no charge to the employer. The program operates under a cooperative agreement that is established yearly between the state of Ohio and the U.S. Department of Labor. Ninety 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.

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

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

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

The executive recommendation for this line item is \$100,000 in both FY 2014 and FY 2015. The Long Term Care Loan Program reimburses long-term care facilities, such

as nursing homes or hospitals, for interest paid on loans used to purchase no-manual lift devices. Because manually lifting patients is a common source of injury claims, these devices could potentially reduce lift-related injuries at facilities. Under the program, BWC reimburses interest on loans of up to \$100,000. The reimbursable interest rate on loans is capped at prime plus 2.5%.

## Category 4: Special Benefits

Appropriations in this category are used to provide special benefits to employers with additional workers' compensation coverage required by federal law.

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

### Coal Workers' Fund (855606)

The executive recommendation for this line item is \$147,666 for FY 2014 and FY 2015. This line item is used to pay operating costs associated with the Coal Workers' Pneumoconiosis Fund (Fund 8220), which provides benefits for workers who are disabled due to pneumoconiosis, or "black lung" disease, as dictated by the federal Coal Mine Health and Safety Act of 1969. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, that is paid by coal operators who elect to insure payment of benefits required by the federal Act. Total revenues to the fund for FY 2012 were \$170,039; disbursements from the fund were \$135,267.

### Marine Industry (855608)

The executive recommendation for this line item is \$75,527 for both FY 2014 and FY 2015. This line item is used to pay operating costs associated with the Marine Industry Fund (Fund 8230), which provides benefits to injured dock workers and other maritime employees that are not seamen, as required by the Longshoreman's and Harbor Workers' Compensation Act Amendments of 1972. The fund is maintained through a premium charge, in addition to regular State Insurance Fund premiums, that is paid by marine industry employers who elect to insure payment of benefits required by this Act. During FY 2012, total revenues to the fund were \$45,017; disbursements from the fund were \$42,479.

### Disabled Workers Relief Fund (855605)

The executive recommendation for this line item is \$319,788 in both FY 2014 and FY 2015. 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 2012, total revenues to the fund were \$87,061; disbursements from the fund were \$153,721.

## Bureau of Workers' Compensation

### Workers' Compensation Fund Group

#### 7023 855401 William Green Lease Payments

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$19,795,610      | \$18,984,377      | \$18,262,614      | \$17,533,370        | <b>\$16,026,100</b>   | <b>\$0</b>            |
|                   | -4.1%             | -3.8%             | -4.0%               | <b>-8.6%</b>          | <b>-100%</b>          |

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

**Legal Basis:** ORC 4123.443; Section 201 of Sub. H.B. 123 of the 129th G.A.

**Purpose:** This line item is used to make lease payments to the Treasurer of State for the space occupied by BWC in the William Green Building. The Treasurer of state, in turn, uses these funds to make debt service payments on the building. Debt on the William Green building is scheduled to be retired in FY 2014 at which time ownership of the building will transfer to the Workers' Compensation Fund (Fund 7023).

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

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$119,120,254     | \$113,745,582     | \$115,514,086     | \$122,492,959       | <b>\$118,338,586</b>  | <b>\$118,338,586</b>  |
|                   | -4.5%             | 1.6%              | 6.0%                | <b>-3.4%</b>          | <b>0.0%</b>           |

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

**Legal Basis:** Section 201 of Sub. H.B. 123 of the 129th 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 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$10,229,628      | \$10,444,741      | \$10,353,085      | \$12,114,226        | <b>\$12,114,226</b>   | <b>\$12,114,226</b>   |
|                   | 2.1%              | -0.9%             | 17.0%               | <b>0.0%</b>           | <b>0.0%</b>           |

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

**Legal Basis:** Section 201 of Sub. H.B. 123 of the 129th 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 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$91,652,258      | \$93,443,333      | \$88,638,343      | \$103,346,037       | <b>\$105,857,276</b>  | <b>\$105,357,276</b>  |
|                   | 2.0%              | -5.1%             | 16.6%               | <b>2.4%</b>           | <b>-0.5%</b>          |

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

**Legal Basis:** Section 201 of Sub. H.B. 123 of the 129th 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 the FY 2014-FY 2015 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. Additionally, H.B. 34 requires that any unencumbered cash balance in excess of \$45,000,000 in the Workers' Compensation Fund on the 30th day of June of each fiscal year be used to reduce the assessments charged to employers to cover administrative expenses incurred by the Bureau of Workers' Compensation.

## Bureau of Workers' Compensation

### 7023 855410 Attorney General Payments

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$4,201,572       | \$4,285,942       | \$4,338,826       | \$4,621,850         | <b>\$4,621,850</b>    | <b>\$4,621,850</b>    |
|                   | 2.0%              | 1.2%              | 6.5%                | <b>0.0%</b>           | <b>0.0%</b>           |

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

**Legal Basis:** Section 201 of Sub. H.B. 123 of the 129th 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. H.B. 34 earmarks \$828,200 in each year of the FY 2014-FY 2015 biennium for the Attorney General's workers' compensation fraud unit.

### 8220 855606 Coal Workers' Fund

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$78,842          | \$83,981          | \$135,268         | \$147,666           | <b>\$147,666</b>      | <b>\$147,666</b>      |
|                   | 6.5%              | 61.1%             | 9.2%                | <b>0.0%</b>           | <b>0.0%</b>           |

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

**Legal Basis:** ORC 4131.03; Section 201 of Sub. H.B. 123 of the 129th 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 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$48,301          | \$53,214          | \$42,480          | \$75,527            | <b>\$75,527</b>       | <b>\$75,527</b>       |
|                   | 10.2%             | -20.2%            | 77.8%               | <b>0.0%</b>           | <b>0.0%</b>           |

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

**Legal Basis:** ORC 4131.13; Section 201 of Sub. H.B. 123 of the 129th 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 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$275,292         | \$262,346         | \$153,722         | \$319,718           | <b>\$319,718</b>      | <b>\$319,718</b>      |
|                   | -4.7%             | -41.4%            | 108.0%              | <b>0.0%</b>           | <b>0.0%</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 Sub. H.B. 123 of the 129th 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 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$18,098,331      | \$18,062,503      | \$17,735,237      | \$20,161,132        | <b>\$19,161,132</b>   | <b>\$19,161,132</b>   |
|                   | -0.2%             | -1.8%             | 13.7%               | <b>-5.0%</b>          | <b>0.0%</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); transfers from the State Insurance Fund

**Legal Basis:** ORC 4121.37; Section 201 of Sub. H.B. 123 of the 129th 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. Uncodified language in H.B. 34 requires the Treasurer of State to transfer \$40,543,699 over the FY 2014-FY 2015 biennium from the State Insurance Fund to the Safety and Hygiene Fund (Fund 8260). The bill also requires the Bureau to provide \$1,210,814 over the biennium from the State Insurance Fund to support vocational rehabilitation services in conjunction with the Rehabilitation Services Commission.

## Bureau of Workers' Compensation

### 8260 855610 Gear Program

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$2,795,718       | \$3,675,057       | \$3,343,584       | \$4,000,000         | <b>\$5,000,000</b>    | <b>\$5,000,000</b>    |
|                   | 31.5%             | -9.0%             | 19.6%               | <b>25.0%</b>          | <b>0.0%</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); transfers from the State Insurance Fund

**Legal Basis:** Section 201 of Sub. H.B. 123 of the 129th 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 Intervention Grants Program. These grants are available to State Insurance Fund employers that wish to purchase equipment that substantially reduces or eliminates injuries and illnesses associated with tasks or operations particular to their industry.

### 8290 855604 Long Term Care Loan Program

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$13,568          | \$8,022           | \$3,725           | \$100,000           | <b>\$100,000</b>      | <b>\$100,000</b>      |
|                   | -40.9%            | -53.6%            | 2,584.7%            | <b>0.0%</b>           | <b>0.0%</b>           |

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

**Legal Basis:** ORC 4121.48; Section 201 of Sub. H.B. 123 of the 129th 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.

## Bureau of Workers' Compensation

### Federal Special Revenue Fund Group

#### 3490 855601 OSHA Enforcement

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$1,532,048       | \$1,467,673       | \$1,566,360       | \$1,731,000         | <b>\$1,731,000</b>    | <b>\$1,731,000</b>    |
|                   | -4.2%             | 6.7%              | 10.5%               | <b>0.0%</b>           | <b>0.0%</b>           |

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

**Legal Basis:** Section 201 of Sub. H.B. 123 of the 129th 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.

#### 3FW0 855614 BLS SOII Grant

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$0               | \$0               | \$0               | \$116,919           | <b>\$116,919</b>      | <b>\$116,919</b>      |
|                   | N/A               | N/A               | N/A                 | <b>0.0%</b>           | <b>0.0%</b>           |

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

**Legal Basis:** Established by the Controlling Board in August 2012

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

# FY 2014 - FY 2015 Introduced Appropriation Amounts

# All Fund Groups

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

# Ohio Industrial Commission

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

## OVERVIEW

The Ohio Industrial Commission (OIC) hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation (BWC). Disputed claims typically involve conflicts over the extent of medical services provided or lost-time (otherwise known as indemnity) benefits. OIC operations are funded through an administrative assessment that is added to employers' workers' compensation premiums. The Commission is lead by a panel of three commissioners, all of whom are appointed by the Governor. Each commissioner must have at least six years of experience in workers' compensation and at least one member must be licensed to practice law in Ohio. One member represents employees, one represents employers, and one represents the public. Each commissioner serves a six-year term. As of December 2012, OIC employed a staff of 409.

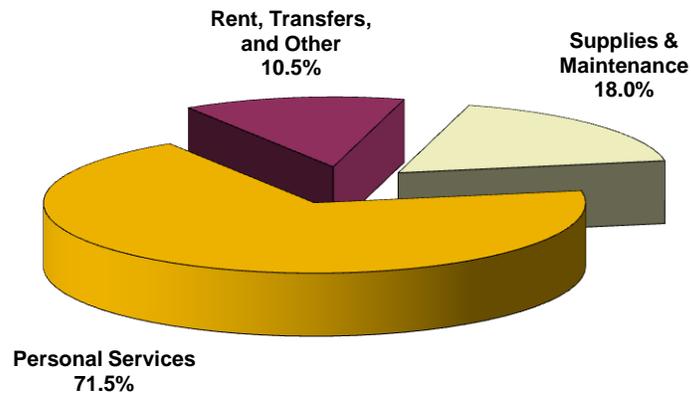
## Appropriation Overview

The executive budget recommends OIC appropriations of \$55.6 million in FY 2014, a 2.1% increase over estimated FY 2013 spending of \$54.5 million. Recommended funding for FY 2015 is \$54.4 million, a 2.2% decrease compared to the amount recommended for FY 2014. All OIC appropriations for FY 2014 and FY 2015 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, \$78.7 million (71.5%) of OIC's appropriations for the FY 2014-FY 2015 biennium are slated for personnel costs. The second greatest planned expense is supplies and maintenance, at approximately \$19.8 million (18.0%) of recommended appropriations. Other costs – including transfers, equipment, and purchased services – make up the remaining \$11.6 million (10.5%).

**Chart 2: Executive Budget Recommendations  
by Expense Category for FY 2014-FY 2015  
(\$110.1 million)**



Overall, OIC staffing levels have decreased by 4.5% since FY 2011, from 427 to 407 in December 2012, mostly through a combination of attrition and early retirement incentives. The recommendation allows OIC to operate with a ceiling of 428 employees. One concern cited in the Commission's budget request is that as much as 26% of OIC's staff (106 employees) will be eligible to retire in CY 2013.

## ANALYSIS OF EXECUTIVE PROPOSAL

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

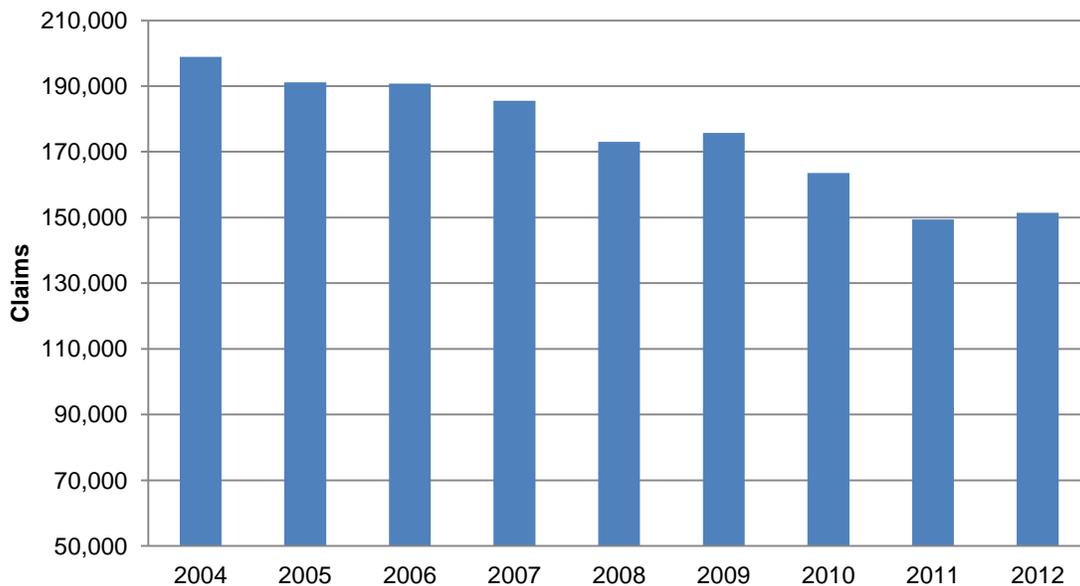
#### Operating Expenses (845321)

The Governor's proposed funding for this line item is \$47.1 million for FY 2014, a 2.1% increase over estimated FY 2013 spending of \$46.2 million. The recommendation for FY 2015 is \$48.6 million, a 3.2% increase from the amount recommended for FY 2014. Overall, this appropriation accounts for 87.0% 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 shows the number of hearings conducted by OIC from FY 2004 to FY 2011. During this period, the number of annual claims has decreased by nearly 25.0%, from approximately 200,000 in FY 2004 to slightly more than 150,000 in FY 2012.

Chart 3: 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 2011, approximately 88.0% were processed within the required time limits. The average time to process a claim and issue an order was roughly 38 days. As mentioned previously, injured workers that disagree with orders issued by OIC are able to present their claims in a court of law. However, many of these cases are resolved out of court. In these situations, a claimant typically initiates court proceedings and then settles before a judge can issue an official opinion. Of those cases in which a judge does issue an official opinion, approximately three-quarters of OIC determinations were upheld in CY 2011.

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

This 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 \$4.7 million in FY 2014, an increase of 2.9% above the \$4.5 million expenditure estimated for this expense in FY 2013. In FY 2015, the recommendation is for \$2.0 million, or 57.4% less than the FY 2014 recommendation. This is because OIC's current rental rates include OIC's share of debt service payments for bonds that financed the building. Debt on the building is scheduled to be retired in FY 2014. Beginning in March 2013, the rental rate OIC will pay is \$9.42 per square foot.

**Attorney General Payments (845410)**

The recommended funding for this line item is \$3.8 million in both FY 2014 and FY 2015, equivalent to the amount estimated to be spent for this purpose in FY 2013. This line item provides OIC's portion of the costs related to the legal services of the Attorney General's Workers' Compensation Section. The remaining portion of the costs are paid by BWC. The Attorney General provides investigative and other legal services related to workers' compensation cases.

BWC & OIC.docx/jc

## Ohio Industrial Commission

### Workers' Compensation Fund Group

#### 5W30 845321 Operating Expenses

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$42,452,571      | \$42,131,018      | \$41,778,471      | \$46,172,413        | <b>\$47,148,786</b>   | <b>\$48,634,518</b>   |
|                   | -0.8%             | -0.8%             | 10.5%               | <b>2.1%</b>           | <b>3.2%</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 1 of H.B. 124 of the 129th 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 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$5,182,311       | \$4,988,098       | \$4,691,125       | \$4,566,794         | <b>\$4,700,000</b>    | <b>\$2,000,000</b>    |
|                   | -3.7%             | -6.0%             | -2.7%               | <b>2.9%</b>           | <b>-57.4%</b>         |

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

**Legal Basis:** Section 1 of H.B. 124 of the 129th 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 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$3,372,802       | \$3,477,793       | \$3,576,430       | \$3,755,252         | <b>\$3,793,650</b>    | <b>\$3,793,650</b>    |
|                   | 3.1%              | 2.8%              | 5.0%                | <b>1.0%</b>           | <b>0.0%</b>           |

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

**Legal Basis:** Section 1 of H.B. 124 of the 129th 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.

## Ohio Industrial Commission

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**8210 845605 Program Support**

| FY 2010<br>Actual | FY 2011<br>Actual | FY 2012<br>Actual | FY 2013<br>Estimate | FY 2014<br>Introduced | FY 2015<br>Introduced |
|-------------------|-------------------|-------------------|---------------------|-----------------------|-----------------------|
| \$13,523          | \$0               | \$0               | \$0                 | <b>\$0</b>            | <b>\$0</b>            |
|                   | -100%             | N/A               | N/A                 | <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 2014 - FY 2015 Introduced Appropriation Amounts

## All Fund Groups

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