

Ohio Industrial Commission

House Insurance Committee

*Brian D. Hoffmeister, Budget Analyst
Legislative Service Commission*

March 13, 2007

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LSC Redbook
for the
Ohio Industrial Commission

House Insurance Committee

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March 13, 2007

Ohio Industrial Commission

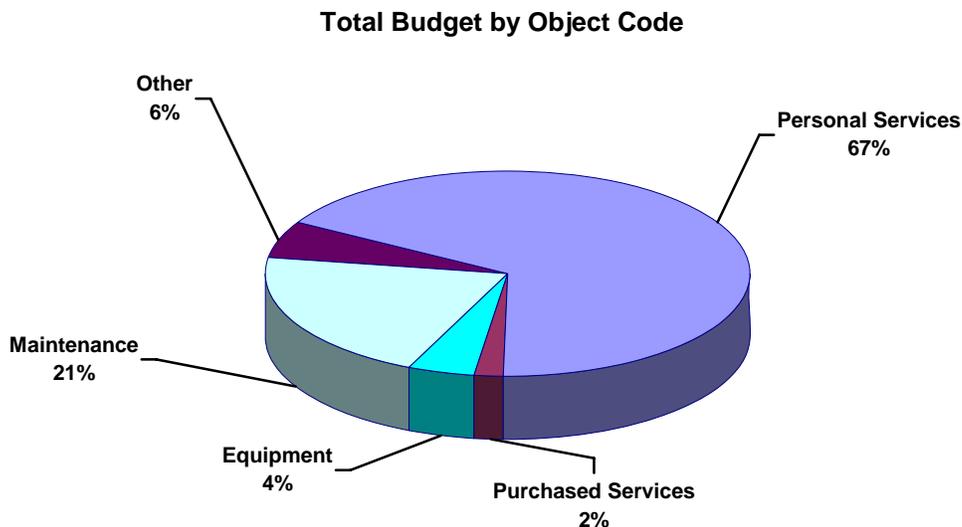
- The agency's budget request is fully funded under the executive recommendation—\$61,799,365 each fiscal year
- Technological advances at the Industrial Commission are making the hearing process more efficient and allowing greater access to online services

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 medical decisions or lost time benefits. OIC operations, as well as those of BWC, are funded through an Administrative Cost Fund (ACF) assessment that is added to employer workers' compensation premiums. Neither OIC nor BWC receives general revenue funds.

The Governor appoints the three commissioners who lead the Industrial Commission. Each commissioner must have at least six years experience in workers' compensation and at least one member must be licensed to practice law in Ohio. By reason of previous vocation, employment, or affiliation, one member must represent employees, one must represent employers, and one must represent the public. Each commissioner serves a six-year term.

The executive funding recommendation for the upcoming biennium is \$61,799,365 in each of FYs 2008 and 2009. This is a 3% increase over estimated spending of \$59,999,383 in FY 2007. The chart below shows a breakdown of FYs 2008-2009 appropriations by object of expense.



Summary of FYs 2008-2009 Budget Issues

Technology

During the current biennium, OIC implemented several technological enhancements in order to provide customers with better service and more online options. The Industrial Commission Online Network (ICON), accessible through the OIC web site, allows customers to file most appeals online, track the progress of their claims, and view their specific claims information. Currently, an average of 2,183 online appeals and motions are filed every week through ICON. This represents an average yearly total of 113,508 annual filings, an increase of almost 13% above the number of claims filed online two years ago, and over 90% from four years ago. OIC expects the use of this feature to continue to increase.

In addition, OIC and BWC continue to work together to ensure seamless processing of workers' compensation claims. Since July 2001, OIC and BWC have been sending and receiving imaged documents electronically and have expanded the number of forms and data that can be transferred in this way. These now include online appeals, notices of hearing and commission orders sent from OIC to BWC, and claim notes, correspondence, wage information, and hearing referrals sent from BWC to OIC. As a result, approximately 84% of OIC's injured worker claim files are now being received electronically.

In another area of technological development, OIC has fully implemented its Enterprise Content Management (ECM) system, making paperless electronic hearings possible. The system has reduced the need to move paper claim folders and manually process paper files. Using ECM, multiple customers can access claim file documents simultaneously and, using ICON, customers can electronically identify documents for the electronic hearing folder. In addition, wireless access to the ECM system is now available for all hearing rooms and file review areas throughout OIC's 16 office locations. The ECM system has resulted in decreased travel expenses to review files at separate locations, lower paper and related printing costs, and has provided better file integrity.

Telecommunications and Computer Services Contracts

In the previous OIC budget bill, the Industrial Commission was permitted discretion with respect to contracting for telephone, other telecommunication, and computer services. OIC can contract for these services itself, or it can opt to have the Department of Administrative Services contract on its behalf. Other agencies that have this authority under existing law are the military department, the General Assembly, the Bureau of Workers' Compensation, and institutions administered by boards of trustees. OIC has used this authority in the FY 2006-2007 biennium to streamline its internal IT systems.

Staffing and Caseloads

In March of 2005, OIC offered early retirement buyout packages to many of its employees in an effort to reduce its labor costs. Since there was no new hiring for a time after the buyouts began, OIC began to experience a backlog of work in its caseload inventory. In the next biennium, OIC would like to return to an optimal staffing level for its caseload without raising assessment rates. According to OIC, any hiring would be an optimized combination of hearing officers and support staff.

Staffing Levels

Due to a downturn in hiring after the employee buyouts in 2005, the actual number of employees decreased in FYs 2006 and 2007. In December of 2006, there were a total of 486 employees working at OIC, approximately 43 less than full capacity under the current budget. The following chart illustrates OIC's total funded staffing levels between FY 2004 and FY 2009, with the numbers for FY 2008 and

FY 2009 being estimates. The numbers below reflect the number of positions supported by the previous two OIC budgets and the estimated number that would be funded under the FYs 2008-2009 request.

Industrial Commission Staffing Levels (Funded Positions)						
Program	2004	2005	2006	2007	Estimated	
					2008	2009
Adjudication of Workers' Compensation Claims	554	554	508	529	529	529

Source: Ohio Industrial Commission

ANALYSIS OF EXECUTIVE PROPOSAL

Single Program Series

Adjudication of Workers' Compensation Claims

Purpose: The purpose of OIC's adjudication process is to provide fair and impartial resolutions to disputes in workers' compensation claims through an easily accessible hearing process that is completed within specified time frames, established by the legislature.

The following table shows the line items that fund the agency as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
Workers' Compensation Fund				
5W3	845-321	Operating Expenses	\$51,778,924	\$51,778,924
5W3	845-402	Rent – William Green Building	\$6,299,960	\$6,299,960
5W3	845-410	Attorney General Payments	\$3,558,634	\$3,558,634
821	845-605	Program Support	\$161,847	\$161,847
Workers' Compensation Fund Subtotal			\$61,799,365	\$61,799,365
Total Funding: Adjudication of Workers' Compensation Claims			\$61,799,365	\$61,799,365

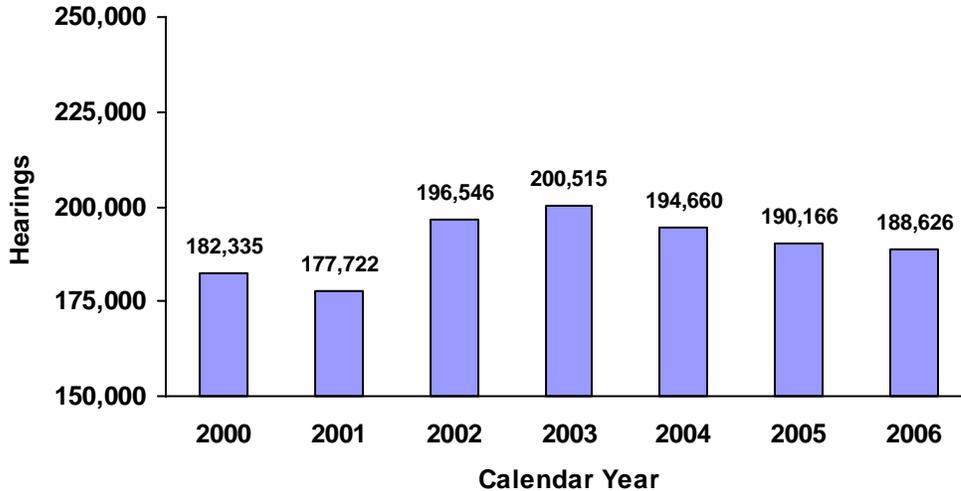
Adjudication of Workers' Compensation Claims

Program Description: The Commission's proceedings are quasi-judicial in nature and provide an opportunity for all parties to be heard before a decision is made. The hearing process begins when the Commission assumes jurisdiction of an issue after an appeal of a BWC order. The hearing process consists of three levels of adjudication. Claimants or employers make first-level appeals before District Hearing Officers (DHOs). Second-level appeals are conducted by Staff Hearing Officers (SHOs). District and staff-level hearings take place at Commission offices located throughout the state, and must occur within 45 days of a claimant or employer filing an appeal. Third-level appeals are held in Columbus with the three-member panel of commissioners. A Commission level hearing is conducted on a discretionary basis. Typically, commissioners hear unresolved cases that deal with an issue of policy or special circumstance that they believe warrants further consideration. If an injured worker or employer disagrees with the Commission's decision, the issue can be further adjudicated in the court system.

Hearing Caseloads

The following chart provides information relative to the total number of cases (at all hearing levels) that OIC heard annually from CYs 2000 to 2006. The Commission is required to hear claims and issue orders at the District level within 52 days (45 days to hear the claim and 7 days to issue the order). If a decision is appealed, OIC has another 52 days to conduct a second-level hearing and issue an order. In FY 2006, OIC met this requirement 85% of the time at the District Hearing level, and 93% of the time at the Staff Hearing level. At the end of CY 2006, there were approximately 30,981 cases outstanding in OIC's inventory; that is, cases that had yet to be referred to a DHO or SHO hearing.

Hearing Caseloads (all levels)



Funding Source: Line items within Fund 5W3 are supported by administrative assessments paid by State Insurance Fund employers together with their overall premium payments. Fund 821 is supported by conference income, income received from coin copiers, and the sale of publications.

Line Items: 845-321, Operating Expenses; 845-402, Rent – William Green Building; 845-410, Attorney General Payments; 845-605, Program Support

Implication of Executive Recommendation: The OIC request for Adjudication of Workers' Compensation Claims is fully funded. The program supports up to 529 employees whose goal is to provide fair and impartial resolutions to disputes in workers' compensation claims.

Temporary Law Provisions

Rent – William Green Building: This provision requires that appropriation item 845-402 be used to pay for the space occupied by the Industrial Commission in the William Green Building in Downtown Columbus.

Program Support: This provision requires appropriation item 845-605 to be used for expenses related to revenues collected and deposited in Fund 821 from sources such as coin copiers and the sale of publications. The appropriation may be used for the purchase of copiers, copier maintenance and related supplies, and other maintenance and expenses related to conferences, revenue-producing OIC publications, and replacement of furniture and equipment.

REQUESTS NOT FUNDED

The executive budget recommendation fully funds the OIC budget request for FYs 2008-2009. Total recommended appropriations are \$61,799,365 in each fiscal year.

Workers' Compensation Fund Group

5W3 845-321 Operating Expenses

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$43,593,839	\$45,163,663	\$45,772,290	\$50,270,800	\$51,778,924	\$51,778,924
	3.6%	1.3%	9.8%	3.0%	0.0%

Source: WCF: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

Legal Basis: ORC 4121.021 and 4123.342 (originally established by Sub. H.B. 91 of the 125th 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). Prior to FY 2004, the Industrial Commission and the BWC received funding through one assessment added to employer workers' compensation premiums and deposited to the Administrative Cost Fund. Assessment revenue was shared proportionately between the Commission and BWC. Sub. H.B. 91 of the 125th G.A. created the Industrial Commission Operating Fund (Fund 5W3) and specified that moneys in the fund were to be used for costs that are solely attributable to the activities of the Commission.

5W3 845-402 Rent-William Green Building

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$2,910,423	\$4,181,997	\$5,884,382	\$6,116,466	\$6,299,960	\$6,299,960
	43.7%	40.7%	3.9%	3.0%	0.0%

Source: WCF: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

Legal Basis: ORC 4123.443; Section 3 of H.B. 65 of the 126th 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.

5W3 845-410 Attorney General Payments

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$3,454,984	\$3,289,747	\$3,397,971	\$3,454,984	\$3,558,634	\$3,558,634
	-4.8%	3.3%	1.7%	3.0%	0.0%

Source: WCF: Assessments paid by employers and transferred to the Industrial Commission Operating Fund

Legal Basis: ORC 4123.92; Section 3 of H.B. 65 of the 126th G.A.

Purpose: This line item funds 50% of the costs related to legal services provided by the Attorney General's Workers' Compensation Unit. The Bureau of Workers' Compensation pays the remaining portion. Both agencies make alternating quarterly payments during the fiscal year.

821 845-605 Program Support

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$127,367	\$94,851	\$20,368	\$157,133	\$161,847	\$161,847
	-25.5%	-78.5%	671.5%	3.0%	0.0%

Source: WCF: Revenues from sources such as coin copiers, pay telephones, publications, and income from conferences

Legal Basis: ORC 4121.03; Section 3 of H.B. 65 of the 126th G.A.

Purpose: This line item, with the same purpose, was formerly named "Service Account" in the previous biennium. It pays for expenses related to photocopiers, replacement of office equipment and furniture, and conferences sponsored by the Commission.

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2006</i>	<i>Estimated 2007</i>	<i>Executive 2008</i>	<i>% Change 2007 to 2008</i>	<i>Executive 2009</i>	<i>% Change 2008 to 2009</i>
<i>OIC Industrial Commission, Ohio</i>								
5W3	845-321	Operating Expenses	\$ 45,772,290	\$50,270,800	\$ 51,778,924	3.0%	\$ 51,778,924	0.0%
5W3	845-402	Rent-William Green Building	\$ 5,884,382	\$6,116,466	\$ 6,299,960	3.0%	\$ 6,299,960	0.0%
5W3	845-410	Attorney General Payments	\$ 3,397,971	\$3,454,984	\$ 3,558,634	3.0%	\$ 3,558,634	0.0%
821	845-605	Program Support	\$ 20,368	\$157,133	\$ 161,847	3.0%	\$ 161,847	0.0%
Workers' Compensation Fund Group Total			\$ 55,075,011	\$ 59,999,383	\$ 61,799,365	3.0%	\$ 61,799,365	0.0%
Total All Budget Fund Groups			\$ 55,075,011	\$ 59,999,383	\$ 61,799,365	3.0%	\$ 61,799,365	0.0%